

VBG AB (publ) in Vänersborg is the Parent Company of an engineering Group with manufacturing and sales companies in Sweden, Germany, Belgium and the Czech Republic and sales companies in Norway, Denmark, the UK, France and the USA. The Group's operations are divided into two business areas, Truck Equipment and Power Transmission.

VBG AB's Series B share was introduced on Stockholmsbörsen (the Stockholm Stock Exchange) in 1987 and is listed on the O-list.

INTERIM REPORT January – June 2006

- **The Group's net turnover increased by 71% to SEK 601.6 M (350.9)**
- **Operating profit rose by 123% to SEK 92.0 M (41.3), which gives an operating margin of 15.3% (11.8)**
- **Profit after financial items increased to SEK 90.3 M (41.0)**
- **The Group's profit after tax increased to SEK 59.5 M (28.6)**
- **Earnings per share improved to SEK 4.76 (2.29)**

Group	Q2 2006	Q2 2005	6 mon 2006	6 mon 2005	Full year 2005
Net turnover, SEK M	292.9	176.1	601.6	350.9	778.5
Operating profit, SEK M	43.0	21.6	92.0	41.3	101.8
Operating margin, %	14.7	12.3	15.3	11.8	13.1
Profit after financial items, SEK M	43.0	21.5	90.3	41.0	97.4
Profit margin, %	14.7	12.2	15.0	11.7	12.5
Profit after tax, SEK M	28.0	15.0	59.5	28.6	67.1
Earnings per share, SEK	2.24	1.21	4.76	2.29	5.37
Return on capital employed (ROCE), cumulative, %			31.3	26.3	26.7
Return on equity (ROE), cumulative, %			34.4	20.2	22.4
Equity/assets ratio, %			40.1	59.8	38.8

Managing Director's statement – strong earnings confirm increased profitability

Second quarter earnings were very strong, confirming the stability of the higher profitability level attained by the VBG GROUP during the past year. I see these earnings as proof that our strategy is working well. Measured over the past twelve months, sales now exceed one billion kronor, with a profit before tax of SEK 147 M for the same period.

Economic growth is strong on several of the VBG GROUP's European markets, contributing to a sharply increased transport need. This in turn is stimulating continued good demand for the Group's products. At the same time we can expect increased competition and there is a risk that raw material prices will rise.

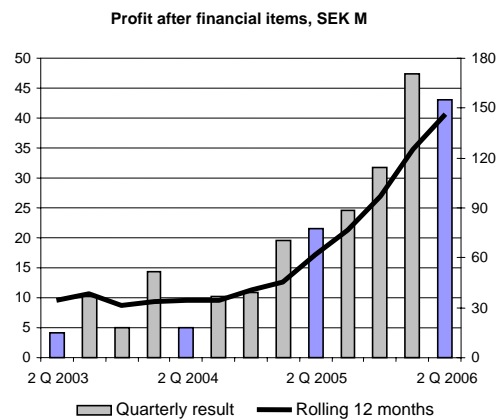
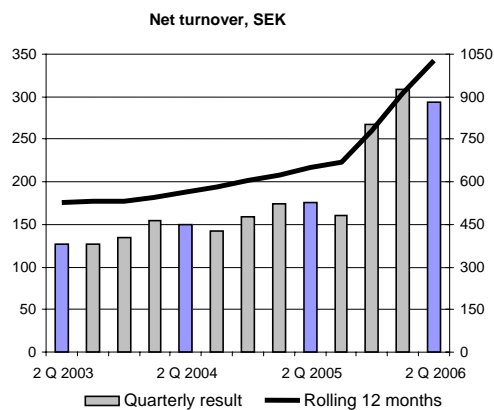
The integration of the new Sliding Roof Division is proceeding as expected, and demand for sliding roofs for trailers continues to be high. Several of the European trailer manufacturers are increasing, or planning to increase, production in their factories.

The IAA Fair (the annual show for the commercial vehicle industry) will be held in Hanover at the end of September. There we will introduce a number of new and improved products. We will also launch the Group's new graphic identity, VBG GROUP, which was presented to investors earlier this year. The new graphic identity is an important step in the coordinated marketing of the Group's strong brands.

Based on our strong earnings performance and the good demand for our products, I view the future with confidence. The VBG GROUP has the necessary financial strength for continued growth, and we are firmly resolved to continue growing – both organically and by acquisition.

Anders Birgersson
Managing Director and CEO

Group trend (SEK M)	6 mon 2006	Q2 2006	Q1 2006	Full year 2005	Q4 2005	Q3 2005	6 mon 2005	Q2 2005	Q1 2005	Full year 2004	Q4 2004	Q3 2004
Net turnover	601.6	292.9	308.7	778.5	267.6	160.0	350.9	176.1	174.8	604.5	158.3	142.3
Operating profit	92.0	43.0	49.0	101.8	35.8	24.7	41.3	21.6	19.7	45.7	12.0	11.4
Operating margin, %	15.3	14.7	15.9	13.1	13.4	15.4	23.6	12.3	11.3	7.6	7.6	8.0
Profit after fin. items	90.3	43.0	47.3	97.4	31.8	24.6	41.0	21.5	19.5	44.3	11.7	11.2
Profit margin, %	15.0	14.7	15.3	12.5	12.0	15.4	23.4	12.2	11.2	7.3	7.4	7.9
Profit after tax	59.5	28.0	31.5	67.1	21.8	16.7	28.6	15.0	13.6	28.1	5.8	7.3
Earnings per share, SEK	4.76	2.24	2.52	5.37	1.75	1.33	2.29	1.21	1.08	2.25	0.47	0.59
ROCE (cumulative), %	31.3	31.3	33.0	26.7	26.7	27.8	26.3	26.3	25.6	15.7	15.7	15.6
ROE (cumulative), %	34.4	34.4	36.4	22.4	22.4	20.7	20.2	20.2	19.4	10.7	10.7	11.3
Equity/assets ratio, %	40.1	40.1	41.1	38.8	38.8	37.1	59.8	59.8	60.2	60.7	60.7	61.2



Consolidated turnover and earnings

Second quarter: Turnover was SEK 292.9 M (176.1), an increase of about 66% compared with the same period last year. Of the increase, 78% (SEK 91.3 M) stems from operations acquired after the second quarter of 2005. Organic growth during the second quarter amounted to 14.5% and included a positive currency effect of 1.1%. The fact that turnover during the second quarter was 5% (SEK 15.8 M) lower than during the first quarter is mainly attributable to natural seasonal variations and the slight weakening of the euro and the dollar against the Swedish krona during the second quarter. Both operating profit and profit after financial items amounted to SEK 43.0 M during the second quarter, which was twice as good as last year. The margins remained stable at 14.7%.

Six months: Total turnover amounted to SEK 601.6 M (350.9), an increase of 71%. More than half (SEK 184.1 M) of this increase stems from acquired operations. But organic growth was also substantial at 19.0% (SEK 66.6 M), including a positive currency effect of just under 1.7%. At the end of June the Group passed the one billion kronor mark in turnover for the first time (SEK 1,029 M), viewed over a rolling 12-month period.

Operating profit was SEK 92.0 M (41.3), and profit after financial items was SEK 90.3 M (41.0). With an operating margin of 15.3% and a profit margin of 15.0%, the past half year was the Group's strongest ever. The consolidated profit is charged with Group-wide overheads of SEK 7.3 M (4.7), which have not been allocated to the operating profits of the different business areas. After the month of June, profit after financial items (rolling 12 months) reached a new record level of SEK 146.7 M, with a margin of 14.3%.

Earnings per share after tax rose sharply to SEK 4.76 (2.29). The capital-related profitability ratios increased compared with last year, where return on capital employed was 31.3% (26.3%) and return

on equity was 34.4% (20.2). The Group's equity/assets ratio rose compared with the end of the year, amounting to 40.1% (38.8).

Capital expenditures

The Group's capital expenditures during the first six months amounted to SEK 26.5 M (9.4).

Financial position

Equity increased to SEK 361.0 M during the first six months (SEK 330.5 M at year-end) and was affected by SEK –11.8 M in translation differences in foreign subsidiaries.

The equity/assets ratio rose to 40.1% during the six-month period 40.1% (38.8).

Cash and cash equivalents amounted to SEK 44.9 M (60.8 at year-end), with an additional SEK 102.4 M in credit facilities granted but not utilised.

The Group's interest-bearing net debt fell by SEK 22.2 M during the period, amounting to SEK 224.9 M at the end of the period (247.1).

The ratio of interest-bearing net debt to equity was 0.62 (0.77) at year-end.

Cash flow

Cash flow from operating activities amounted to SEK 69.7 million (38.2). Capital expenditures during the period amounted to SEK 25.9 M (9.4). The Group amortised loans and reduced current financial liabilities by SEK 41.3 M. Total dividends distributed to shareholders amounted to SEK 17.2 M. Net cash flow during the period was SEK –14.7 M (21.5).

Personnel

On 30 June 2006 there were 412 employees (306) in the VBG GROUP, including 147 (149) in Sweden. The cost of salaries and social security contributions for the first six months was SEK 125.6 M (90.9).

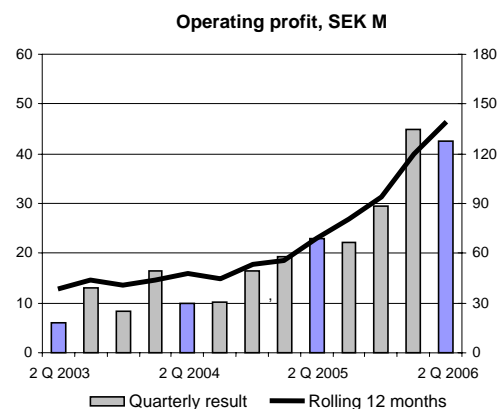
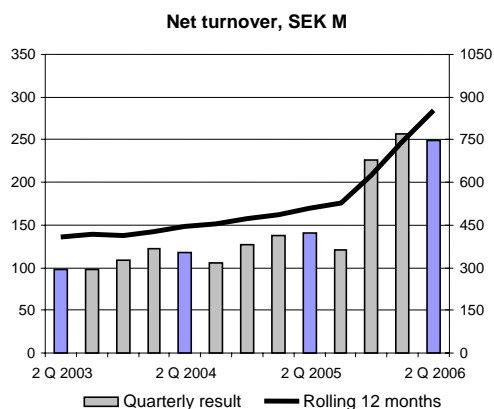
Per share data

All share-related key figures have been adjusted for the stock split carried out during the second quarter. Earnings per share for the first half of 2006 amounted to SEK 4.76 (2.29). Equity per share on 30 June was SEK 28.88, compared with SEK 23.79 one year earlier.

Truck Equipment business area

- Turnover exceeded a half billion kronor, **SEK 504.8 M (277.0)**
- Operating profit more than doubled to **SEK 87.5 M (42.3)**, with a margin of **17.3%**

Turnover and Earnings Truck Equipment (SEK M)	6 mon 2006	Q2 2006	Q1 2006	Full year 2005	Q4 2005	Q3 2005	6 mon 2005	Q2 2005	Q1 2005	Full year 2004	Q4 2004	Q3 2004
Net turnover	504.8	248.6	256.2	624.1	225.7	121.4	277.0	140.0	137.0	471.8	126.9	105.5
Operating profit	87.5	42.6	44.9	93.9	29.5	22.1	42.3	22.9	19.4	55.6	17.1	10.9
Operating margin %	17.3	17.1	17.5	15.1	13.1	18.2	15.3	16.4	14.2	11.8	13.5	10.3



Second quarter: The business area increased its turnover by 78% during the quarter compared with the same period last year, SEK 248.6 M (140). The new product area Sliding Roofs accounted for 65 percentage points of the increase, with a turnover of SEK 91.3 M (0). Higher exchange rates boosted turnover by about 1%. Operating profit amounted to SEK 42.6 M, which was 86% better than last year (22.9), and the operating margin was 17.1% (16.4).

Six months: Turnover passed a half billion kronor for the first time, amounting to SEK 504.8 M, an increase of 82%. The Sliding Roof Division, which was acquired in 2005, contributed positively to earnings and exhibits good profitability. Operating profit for the Truck Equipment business area was SEK 87.5 M (42.3), more than twice as much as in 2005. The operating margin rose to 17.3% (15.3).

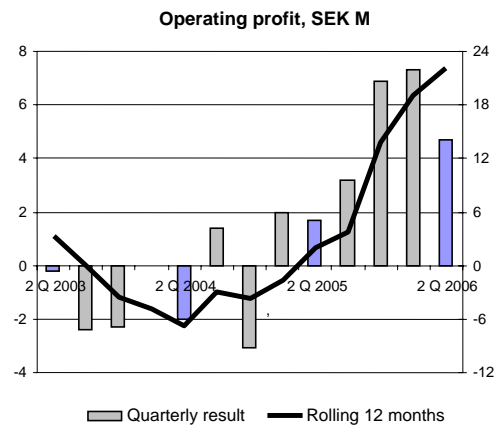
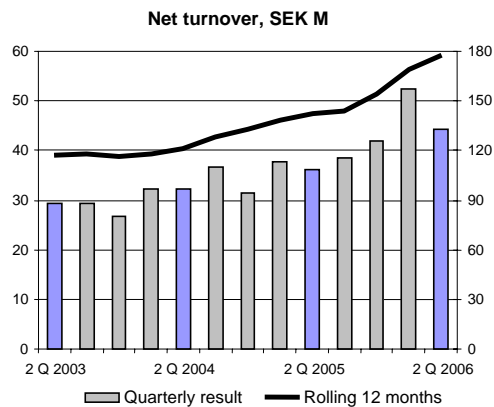
Turnover per product area (SEK M)	6 mon 2006	Q2 2006	Q1 2006	Full year 2005	Q4 2005	Q3 2005	6 mon 2005	Q2 2005	Q1 2005	Full year 2005	Q4 2004	Q3 2004
Coupling Equipment	288.8	143.8	145.0	478.5	125.6	106.8	246.1	125.3	120.8	413.2	105.6	93.4
Sliding Roofs	184.1	91.3	92.8	75.6	75.6							
General Truck Equip.	31.9	13.5	18.4	70.0	24.5	14.6	30.9	14.7	16.2	58.6	21.3	12.1
Truck Equipment	504.8	248.6	256.2	624.1	225.7	121.4	277.0	140.0	137.0	471.8	126.9	105.5

Turnover per market (SEK M)	6 mon 2006	Q2 2006	Q1 2006	Full year 2005	Q4 2005	Q3 2005	6 mon 2005	Q2 2005	Q1 2005	Full year 2005	Q4 2004	Q3 2004
Sweden	93.6	44.6	49.0	160.7	42.8	36.4	81.5	40.9	40.6	131.8	37.2	27.0
Other Nordic countries	69.6	34.3	35.3	122.0	33.1	23.9	65.0	35.0	30.0	105.2	27.7	19.2
Rest of Europe	319.0	158.4	160.6	297.1	136.9	48.9	111.3	53.2	58.1	194.2	50.2	47.6
Rest of world	22.6	11.3	11.3	44.3	12.9	12.2	19.2	10.9	8.3	40.6	11.8	11.7
Truck Equipment	504.8	248.6	256.2	624.1	225.7	121.4	277.0	140.0	137.0	471.8	126.9	105.5

Power Transmission business area

- Turnover increased by 31% to SEK 96.8 M (73.9)
- Operating profit amounted to SEK 12.0 M (3.7), with a margin of 12.4% (5.0)

Turnover and Earnings Power Transmission, SEK M	6 mon 2006	Q2 2006	Q1 2006	Full year 2005	Q4 2005	Q3 2005	6 mon 2005	Q2 2005	Q1 2005	Full year 2004	Q4 2004	Q3 2004
Net turnover	96.8	44.3	52.5	154.4	41.9	38.6	73.9	36.1	37.8	132.7	31.4	36.8
Operating profit/loss	12.0	4.7	7.3	13.8	6.9	3.2	3.7	1.7	2.0	-2.6	-2.8	1.7
Operating margin %	12.4	10.6	13.8	8.9	16.5	8.3	5.0	4.7	5.3	-2.0	-8.9	4.6



Second quarter: Sales were 22.7% higher than last year, amounting to SEK 44.3 M (36.1). Once again turnover was historically high, even though it was lower than the very strong first quarter.

Operating profit rose to SEK 4.7 M (1.7) and the operating margin to 10.6% (4.7).

Six months: Turnover totalled nearly a hundred million kronor, SEK 96.8 M (73.9), an increase of 31% compared with the same period last year. Six percentage points of the increase are attributable to exchange rate changes. Mid-year results were the strongest ever, with an operating profit of SEK 12.0 (3.7) and a margin of 12.4% (5.0).

Turnover per product area (SEK M)	6 mon 2006	Q2 2006	Q1 2006	Full year 2005	Q4 2005	Q3 2005	6 mon 2005	Q2 2005	Q1 2005	Full year 2004	Q4 2004	Q3 2004
Friction Springs	18.9	7.1	11.8	31.8	8.9	8.0	14.9	7.2	7.7	26.1	6.5	8.2
Shaft-hub Connections	40.6	19.5	21.1	68.3	18.6	16.4	33.3	15.5	17.8	63.0	14.9	17.0
Special Products	37.3	17.7	19.6	54.3	14.4	14.2	25.7	13.4	12.3	43.6	10.0	11.6
Power Transmission	96.8	44.3	52.5	154.4	41.9	38.6	73.9	36.1	37.8	132.7	31.4	36.8

Turnover per market (SEK M)	6 mon 2006	Q2 2006	Q1 2006	Full year 2005	Q4 2005	Q3 2005	6 mon 2005	Q2 2005	Q1 2005	Full year 2004	Q4 2004	Q3 2004
Europe	31.1	14.5	16.6	49.4	11.7	11.5	26.2	12.3	13.9	51.5	11.8	14.5
North America	50.6	23.6	27.0	79.8	22.4	20.8	36.6	19.0	17.6	59.6	13.5	16.1
Rest of world	15.1	6.2	8.9	25.2	7.8	6.3	11.1	4.8	6.3	21.6	6.1	6.2
Power Transmission	96.8	44.3	52.5	154.4	41.9	38.6	73.9	36.1	37.8	132.7	31.4	36.8

Parent Company

VBG AB's operations are primarily focused on managing, developing and coordinating the Group. The assets in the Parent Company consist primarily of shares in subsidiaries and trademarks. The company also owns the industrial property in Vänersborg as well as certain plant and equipment, which is rented by the subsidiary VBG Produkter AB.

The objective is that the Group's intellectual property in the form of trademarks and other rights should be gathered in the Parent Company. VBG AB focuses on maintaining and developing all the Group's trademarks and rights.

The Parent Company's net turnover pertains primarily to intra-Group services and rentals and amounted to SEK 5.6 M during the first half of 2006 (6.2). The operating loss after financial items before dividends from subsidiaries amounted to SEK 7.3 M (loss: 4.4).

Accounting principles

As from 1 January 2005, the VBG GROUP is applying the new International Financial Reporting Standards (IFRS) adopted by the European Commission. This report has been prepared in accordance with IAS 34 and RR 31. The accounting principles that have been applied in the preparation of this report, as well as definitions of key figures etc., are described in Note 1 of VBG AB's annual report for 2005.

Financial information 2006

Interim report 9 months	24 October 2006
Year-end report 2006	February 2007

Vänersborg, 18 August 2006
VBG AB (publ)

Anders Birgersson
Managing Director and CEO

This report has not been subject to special examination by the auditors.

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Consolidated Income Statement – Highlights (SEK M)	Q2 Apr-Jun 2006	Q2 Apr-Jun 2005	6 mon Jan-Jun 2006	6 mon Jan-Jun 2005	Full year 2005
Net turnover	292.9	176.1	601.6	350.9	778.5
Cost of goods sold	-178.1	-112.1	-367.1	-223.4	-486.1
Selling expenses	-40.1	-31.6	-81.6	-61.1	-130.9
Administrative expenses	-26.5	-12.2	-52.6	-22.9	-51.5
Research and development costs	-3.6	-2.6	-6.8	-6.1	-11.6
Other operating income/expenses	-1.6	4.0	-1.5	3.9	3.5
Operating profit	43.0	21.6	92.0	41.3	101.8
Net financial items	0.0	-0.1	-1.7	-0.3	-4.4
Profit after financial items	43.0	21.5	90.3	41.0	97.4
Taxes	-15.0	-6.5	-30.8	-12.4	-30.3
Profit after tax	28.0	15.0	59.5	28.6	67.1
Depreciation and amortisation charged to profit	-7.0	-5.7	-14.9	-11.3	-25.1
Earnings per share after tax	2.24	1.21	4.76	2.29	5.37
Number of shares at end of period ('000)	12,502	12,502	12,502	12,502	12,502
Average number of shares during the period	12,502	12,502	12,502	12,502	12,502

Consolidated Balance Sheet – Highlights (SEK M)	30 Jun 2006	30 June 2005	31 Dec 2005
Goodwill	217.8	32.0	223.3
Other intangible assets	65.8	2.6	69.8
Property, plant and equipment	142.9	95.1	132.7
Long-term investments	0.2	0.2	2.1
Total non-current assets	426.7	129.9	427.9
Inventories	179.7	137.3	183.5
Receivables	248.2	129.3	180.2
Cash on hand, demand deposits and short-term investments	44.9	101.3	60.8
Total current assets	472.8	367.9	424.5
TOTAL ASSETS	899.5	497.8	852.4
Equity	361.0	297.4	330.5
Interest-bearing non-current liabilities	195.0	67.2	251.2
Non-interest-bearing non-current liabilities	60.9	26.5	60.7
Interest-bearing current liabilities	74.8	12.0	56.8
Non-interest-bearing current liabilities	207.8	94.7	153.2
TOTAL EQUITY AND LIABILITIES	899.5	497.8	852.4

Changes in Group equity (SEK M)	6 mon 2006	6 mon 2005	Full year 2005
Opening equity according to Balance Sheet at 31 December	330.5	270.2	270.2
Translation differences	-11.8	11.1	5.7
Profit after tax	59.5	28.6	67.1
Dividend	-17.2	-12.5	-12.5
Equity at end of period	361.0	297.4	330.5

Cash Flow Statement – Highlights (SEK M)	6 mon 2006	6 mon 2005	Full year 2005
Cash flow from operating activities before changes in working capital	94.7	47.2	80.8
Change in working capital	-25.0	-9.0	6.6
Cash flow from operating activities	69.7	38.2	87.4
Cash flow from investing activities	-25.9	-8.1	-321.6
Cash flow from financing activities	-58.5	-8.6	215.4
Cash flow for the period	-14.7	21.5	-18.8
Cash and cash equivalents at start of year	60.8	78.4	78.4
Translation difference, cash and cash equivalents	-1.2	1.4	1.2
Cash and cash equivalents at end of period	44.9	101.3	60.8
Unutilised overdraft facilities	102.4	18.6	83.5
Total cash and cash equivalents available	147.3	119.9	144.3

Key figures for Group	6 mon 2006	6 mon 2005	Full year 2005
Profit margin (ROS), %	15.0	11.7	12.5
Return on equity (ROE), %	31.3	20.2	22.4
Return on capital employed (ROCE), %	34.4	26.3	26.7
Equity/assets ratio, %	40.1	59.8	38.8
Visible equity per share, SEK	28.88	23.79	26.44
Cash flow per share (before change in working capital), SEK	7.58	3.77	6.47
Share price at end of period, SEK	92.00	33.25	59.00
Number of employees, average	417	309	339