

VBG AB (publ) in Vänersborg is the Parent Company of an engineering Group with manufacturing and sales companies in Europe and the USA. The Group's operations are divided into two business areas, Truck Equipment and Power Transmission, with products that are marketed under strong, well-known brands. VBG AB's B share was first listed on the stock exchange in 1987 and is traded on OMX Nordiska Börsen Small Cap.

INTERIM REPORT January – September 2006

- **The Group's net turnover increased by 69% to SEK 865.0 M (510.9)**
- **Operating profit rose by 95% to SEK 129.0 M (66.0), with an operating margin of 14.9% (12.9)**
- **Profit after financial items increased to SEK 125.4 M (65.6)**
- **The Group's profit after tax increased to SEK 84.1 M (45.3)**
- **Earnings per share improved to SEK 6.73 (3.62)**

Group	Q3 2006	Q3 2005	9 mon 2006	9 mon 2005	Full year 2005
Net turnover, SEK M	263.4	160.0	865.0	510.9	778.5
Operating profit, SEK M	37.0	24.7	129.0	66.0	101.8
Operating margin, %	14.1	15.4	14.9	12.9	13,1
Profit after financial items, SEK M	35.1	24.6	125.4	65.6	97.4
Profit margin, %	13.3	15.4	14.5	12.8	12.5
Profit after tax, SEK M	24.6	16.7	84.1	45.3	67.1
Earnings per share, SEK	1.97	1.33	6.73	3.62	5.37
Return on capital employed (ROCE), cumulative, %			28.8	27.8	26.7
Return on equity (ROE), cumulative, %			31.1	20.7	22.4
Equity/assets ratio, %			44.1	37.1	38.8

Managing Director's statement – investments for the future strengthen our profitability and competitiveness

The third quarter was a very exciting and important quarter for the VBG GROUP, even though this is not directly evident from the quarterly results.

I am happy to note that Power Transmission exceeded the operating margin target set for the business area for the fourth quarter in a row. This shows that the business area's strategy entailing a well developed systems approach, close customer cooperation and a high level of technical expertise is effective and that the RINGFEDER brand has strengthened its market position.

The Group's new corporate identity was introduced to customers, suppliers and other industry stakeholders in the Truck Equipment business area in September. This took place at the world's biggest trade fair for the commercial vehicle industry, IAA in Hanover. For the first time, all our strong brands were able to present their newly developed products and offerings under a single, strong marketing and distribution concept: the VBG GROUP.

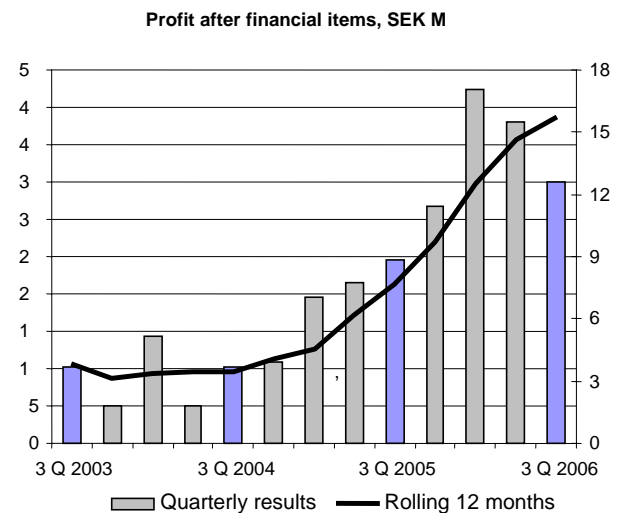
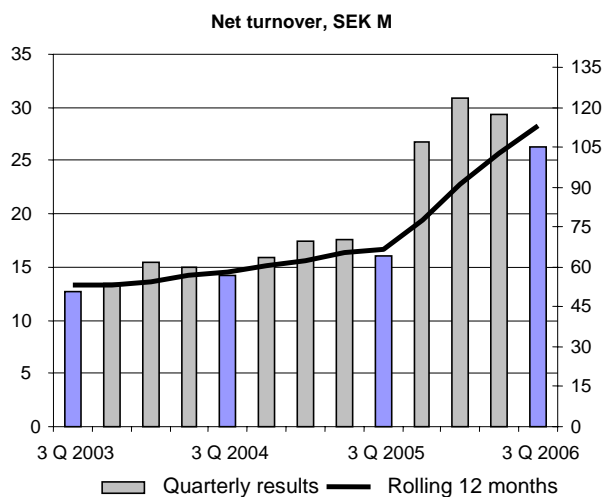
We have invested, and will continue to invest, considerable resources in the further development and strengthening of both the various individual brands – VBG, RINGFEDER, EDSCHA TRAILER SYSTEMS, SESAM, ONSPOT, ARMATON – and the VBG GROUP, our common channel out to the important markets.

A far-reaching programme of investment in new manufacturing equipment in the Group's production plants was begun last year. The programme has continued during the current year, and most machines were put into production during the third quarter.

These investments in marketing, product development and more efficient production have led to increased costs during the third quarter, but profits and profitability have nevertheless been good. I assume that we will have some extra costs for marketing activities and running-in of our production plants during the fourth quarter as well. These costs are investments for the future and will further strengthen our profitability and competitiveness.

Anders Birgersson
Managing Director and CEO

Group trend (SEK M)	9 mon 2006	Q3 2006	Q2 2006	Q1 2006	Full year 2005	Q4 2005	9 mon 2005	Q3 2005	Q2 2005	Q1 2005	Full year 2004	Q4 2004
Net turnover	865.0	263.4	292.9	308.7	778.5	267.6	510.9	160.0	176.1	174.8	604.5	158.3
Operating profit	129.0	37.0	43.0	49.0	101.8	35.8	66.0	24.7	21.6	19.7	45.7	12.0
Operating margin, %	14.9	14.1	14.7	15.9	13.1	13.4	12.9	15.4	12.3	11.3	7.6	7.6
Profit after fin. items	125.4	35.1	43.0	47.3	97.4	31.8	65.6	24.6	21.5	19.5	44.3	11.7
Profit margin, %	14.5	13.3	14.7	15.3	12.5	12.0	12.8	15.4	12.2	11.2	7.3	7.4
Profit after tax	84.1	24.6	28.0	31.5	67.1	21.8	45.3	16.7	15.0	13.6	28.1	5.8
Earnings per share, SEK	6.73	1.97	2.24	2.52	5.37	1.75	3.62	1.33	1.21	1.08	2.25	0.47
ROCE (cumulative), %	28.8	28.8	31.3	33.0	26.7	26.7	27.8	27.8	26.3	25.6	15.7	15.7
ROE (cumulative), %	31.1	31.1	34.4	36.4	22.4	22.4	20.7	20.7	20.2	19.4	10.7	10.7
Equity/assets ratio, %	44.1	44.1	40.1	41.1	38.8	38.8	37.1	37.1	59.8	60.2	60.7	60.7



Consolidated turnover and earnings

Third quarter: Turnover was SEK 263.4 M (160.0), an increase of about 65% compared with the same period last year. Of the increase, 49 percentage points (SEK 78.6 M) stems from operations acquired after the third quarter of 2005. Organic growth during the third quarter amounted to 15% and included a positive currency effect of more than 1%. The fact that turnover during the second quarter was 10% (SEK 29.5 M) lower than during the second quarter is mainly attributable to the July/August holiday period and natural seasonal variations. Important marketing activities were carried out during the third quarter. At the same time, the running-in of a large number of newly developed products was started in the Group's upgraded production plants. Even though this led to extra costs of around SEK 4 M, operating profit was SEK 37.0 M (24.7), with an operating margin of 14.1% (15.4). Profit after financial items was SEK 35.1 M (24.6), with a profit margin of 13.3% (15.4).

Nine months: Total turnover amounted to SEK 865.0 M (510.9), an increase of 69%. Three quarters (SEK 262.7 M) of this increase stems from acquired operations. But organic growth was also substantial at 18.0% (SEK 91.4 M), including a positive currency effect of just under 2%.

Viewed over a rolling 12-month period, the VBG GROUP's turnover reached a new all time high of SEK 1,133 M (1,029 after June 2006).

Operating profit was SEK 129.0 M (66.0), and profit after financial items was SEK 125.4 M (65.6). With an operating margin of 14.9% and a profit margin of 14.5%, the VBG GROUP exhibits a very stable profitability level after nine months. The consolidated profit is charged with Group-wide overheads of SEK 8.5 M (5.3), which have not been allocated to the operating profits of the different business areas.

After September, profit after financial items (rolling 12 months) reached a new record level of SEK 157.1 M (146.7 after June), with a margin of 13.9%.

Earnings per share after tax rose sharply to SEK 6.73 (3.62). The capital-related profitability ratios increased compared with last year, with return on capital employed reaching 28.8% (27.8%) and return on equity 31.1% (20.7). The Group's equity/assets ratio rose compared with the end of the year, reaching 44.1% (38.8).

Capital expenditures

The Group's capital expenditures during the first nine months of the year totalled SEK 39.6 M (311.5, of which 299.7 pertained to acquired subsidiaries).

Financial position

Equity increased to SEK 391.3 M during the nine-month period (SEK 330.5 M at year-end) and was affected by SEK -6.1 M in translation differences in foreign subsidiaries.

The equity/assets ratio rose to 44.1% during the same period (38.8).

Cash and cash equivalents amounted to SEK 48.4 M (60.8 at year-end), with an additional SEK 102.5 M in credit facilities granted but not utilised.

The Group's interest-bearing net debt fell by SEK 33.2 M during the period, amounting to SEK 213.9 M at the end of the period (247.1).

The ratio of interest-bearing net debt to equity was 0.55 (0.77 at year-end).

Cash flow

Cash flow from operating activities amounted to SEK 93.4 million (55.3). Capital expenditures during the period amounted to SEK 37.8 M (311.5). The Group amortised loans and reduced current financial liabilities by SEK 67.0 M. Total dividends distributed to shareholders amounted to SEK 17.2 M. Net cash flow during the period was SEK -11.4 M (-44.1)

Personnel

On 30 September 2006 there were 409 employees (416) in the VBG GROUP, including 147 (146) in Sweden. The cost of salaries and social security contributions for the first six months amounted to SEK 182.4 M (130.7).

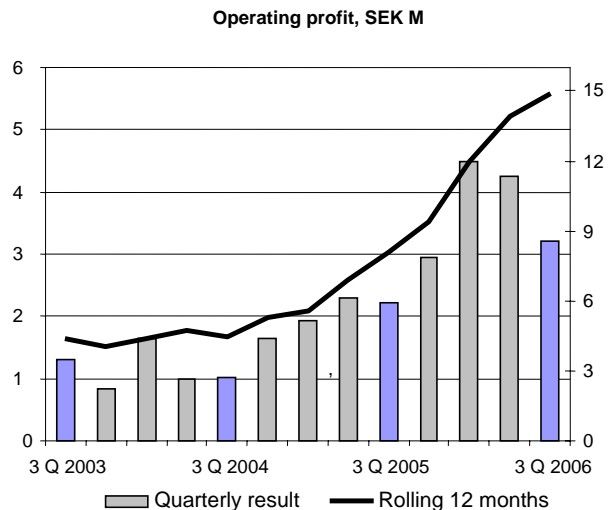
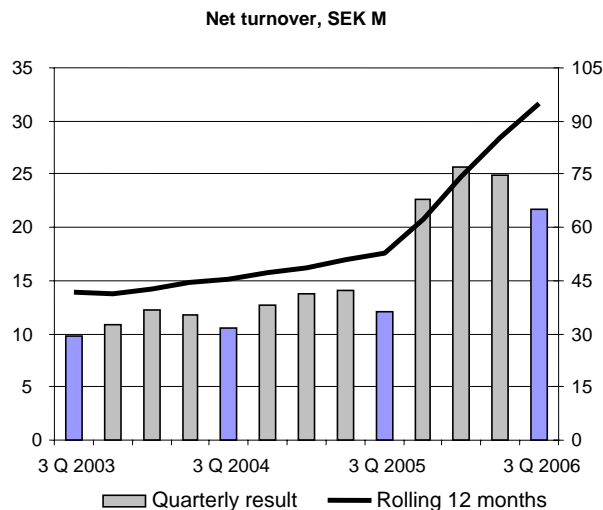
Per share data

All share-related key figures have been adjusted for the stock split carried out during the second quarter. Earnings per share for the first nine months amounted to SEK 6.73 (3.62). Equity per share on 30 September was SEK 31.30, compared with SEK 25.00 one year earlier.

Truck Equipment

- Turnover increased by 81% to SEK 722.1 M (398.4)
- Operating profit increased by 86% to SEK 119.7 M (64.4), with a margin of 16.6%
- Successful presentation of VBG GROUP at world's biggest truck fair

Turnover and Earnings Truck Equipment (SEK M)	9 mon 2006	Q3 2006	Q2 2006	Q1 2006	Full year 2005	Q4 2005	9 mon 2005	Q3 2005	Q2 2005	Q1 2005	Full year 2004	Q4 2004
Net turnover	722.1	217.3	248.6	256.2	624.1	225.7	398.4	121.4	140.0	137.0	471.8	126.9
Operating profit	119.7	32.2	42.6	44.9	93.9	29.5	64.4	22.1	22.9	19.4	55.6	17.1
Operating margin %	16.6	14.8	17.1	17.5	15.1	13.1	16.2	18.2	16.4	14.2	11.8	13.5



Third quarter: Turnover increased by 79% during the quarter compared with the same period last year, reaching SEK 217.3 M (121.4). The new product area Sliding Roofs accounted for 65 percentage points of the increase, with a turnover of SEK 78.6 M (0). Higher exchange rates boosted turnover by about 1%. Marketing activities were carried out during the third quarter at the world's biggest commercial vehicle trade fair in Hanover, where all of the business area's brands were presented for the first time under the VBG GROUP. In our biggest display ever, a large number of new products were exhibited and aroused great interest. Operating profit amounted to SEK 32.2 M, which was 46% better than last year (22.1), while the operating margin declined to 14.8% (16.2) due to marketing costs (about SEK 4 M).

Nine months: Turnover rose by 81% to SEK 722.1 M (398.4). The Sliding Roof Division, which was acquired in 2005, continues to exhibit good profitability. Operating profit for the Truck Equipment business area reached SEK 119.7 M (64.4), an increase of 86%. The operating margin rose to 16.6% (16.2).

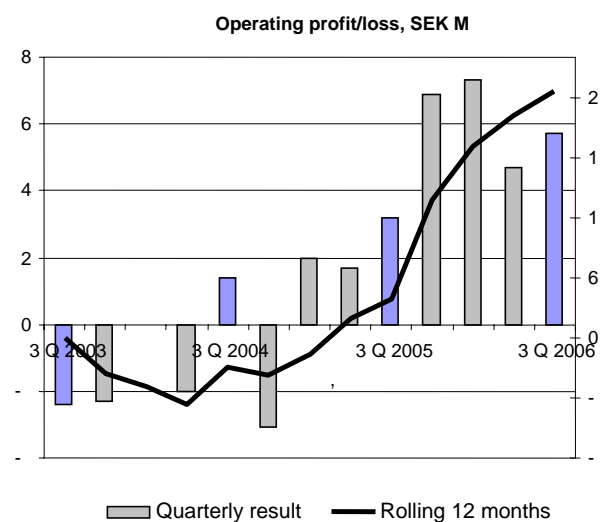
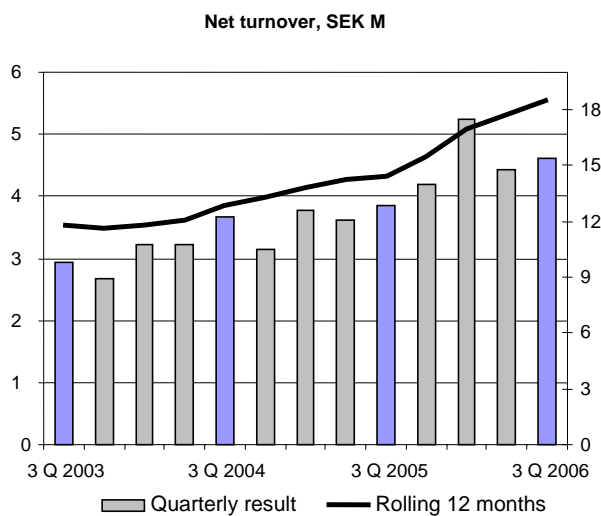
Turnover by product area (SEK M)	9 mon 2006	Q3 2006	Q2 2006	Q1 2006	Full year 2005	Q4 2005	9 mon 2005	Q3 2005	Q2 2005	Q1 2005	Full year 2005	Q4 2004
Coupling Equipment	411.5	122.7	143.8	145.0	478.5	125.6	352.9	106.8	125.3	120.8	413.2	105.6
Sliding Roofs	262.7	78.6	91.3	92.8	75.6	75.6						
General Truck Equip.	47.9	16.0	13.5	18.4	70.0	24.5	45.5	14.6	14.7	16.2	58.6	21.3
Truck Equipment	722.1	217.3	248.6	256.2	624.1	225.7	398.4	121.4	140.0	137.0	471.8	126.9

Turnover by market (SEK M)	9 mon 2006	Q3 2006	Q2 2006	Q1 2006	Full year 2005	Q4 2005	9 mon 2005	Q3 2005	Q2 2005	Q1 2005	Full year 2005	Q4 2004
Sweden	129.1	35.5	44.6	49.0	160.7	42.8	117.9	36.4	40.9	40.6	131.8	37.2
Other Nordic countries	99.0	29.4	34.3	35.3	122.0	33.1	88.9	23.9	35.0	30.0	105.2	27.7
Rest of Europe	458.8	139.8	158.4	160.6	297.1	136.9	160.2	48.9	53.2	58.1	194.2	50.2
Rest of world	35.2	12.6	11.3	11.3	44.3	12.9	31.4	12.2	10.9	8.3	40.6	11.8
Truck Equipment	722.1	217.3	248.6	256.2	624.1	225.7	398.4	121.4	140.0	137.0	471.8	126.9

Power Transmission

- Turnover increased by 27% to SEK 142.9 M (112.5)
- Operating profit rose to SEK 17.7 M (6.1), with a margin of 12.4% (6.1)

Turnover and Earnings Power Transmission, SEK M	9 mon 2006	Q3 2006	Q2 2006	Q1 2006	Full year 2005	Q4 2005	9 mon 2005	Q3 2005	Q2 2005	Q1 2005	Full year 2004	Q4 2004
Net turnover	142.9	46.1	44.3	52.5	154.4	41.9	112.5	38.6	36.1	37.8	132.7	31.4
Operating profit/loss	17.7	5.7	4.7	7.3	13.8	6.9	6.9	3.2	1.7	2.0	-2.6	-2.8
Operating margin %	12.4	12.4	10.6	13.8	8.9	16.5	6.1	8.3	4.7	5.3	-2.0	-8.9



Third quarter: Sales were 19% higher than last year, amounting to SEK 46.1 M (38.6). The market remained strong and the business area is advancing its position. Operating profit rose to SEK 5.7 M (3.2) and the operating margin to 12.4% (8.3).

Nine months: Turnover totalled SEK 142.9 M (112.5), an increase of 27%. Six percentage points of the increase are attributable to exchange rate changes. Operating profit nearly tripled to SEK 17.7 M (6.1) and the margin more than doubled to 12.4% (6.1).

Turnover by product area (SEK M)	9 mon 2006	Q3 2006	Q2 2006	Q1 2006	Full year 2005	Q4 2005	9 mon 2005	Q3 2005	Q2 2005	Q1 2005	Full year 2004	Q4 2004
Friction Springs	27.4	8.5	7.1	11.8	31.8	8.9	22.9	8.0	7.2	7.7	26.1	6.5
Shaft-hub Connections	61.8	21.2	19.5	21.1	68.3	18.6	49.7	16.4	15.5	17.8	63.0	14.9
Special Products	53.7	16.4	17.7	19.6	54.3	14.4	39.9	14.2	13.4	12.3	43.6	10.0
Power Transmission	142.9	46.1	44.3	52.5	154.4	41.9	112.5	38.6	36.1	37.8	132.7	31.4

Turnover by market (SEK M)	9 mon 2006	Q3 2006	Q2 2006	Q1 2006	Full year 2005	Q4 2005	9 mon 2005	Q3 2005	Q2 2005	Q1 2005	Full year 2004	Q4 2004
Europe	46.6	15.5	14.5	16.6	49.4	11.7	37.7	11.5	12.3	13.9	51.5	11.8
North America	72.9	22.3	23.6	27.0	79.8	22.4	57.4	20.8	19.0	17.6	59.6	13.5
Rest of world	23.4	8.3	6.2	8.9	25.2	7.8	17.4	6.3	4.8	6.3	21.6	6.1
Power Transmission	142.9	46.1	44.3	52.5	154.4	41.9	112.5	38.6	36.1	37.8	132.7	31.4

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 to 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 8.2 M (9.2) during the first nine months of the year. The operating loss after financial items before dividends from subsidiaries amounted to SEK 12.8 M (loss: 4.7).

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.

Next financial report

The year-end report for 2006 will be published on 15 February 2007.

Annual General Meeting

The Annual General Meeting will be held on 8 May 2007.

Vänersborg 24 October 2006
VBG AB (publ)

Anders Birgersson
Managing Director and CEO

This report has not been subject to review by the auditors.

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Consolidated Income Statement – Highlights (SEK M)	Q3 Jul-Sep 2006	Q3 Jul-Sep 2005	9 mon Jan-Sep 2006	9 mon Jan-Sep 2005	Full year 2005
Net turnover	263.4	160.0	865.0	510.9	778.5
Cost of goods sold	-165.3	-93.7	-532.4	-317.1	-486.1
Selling expenses	-36.8	-29.5	-118.4	-90.6	-130.9
Administrative expenses	-20.0	-7.1	-72.6	-30.0	-51.5
Research and development costs	-3.1	-2.6	-9.9	-8.7	-11.6
Other operating income/expenses	-1.2	-2.4	-2.7	1.5	3.5
Operating profit	37.0	24.7	129.0	66.0	101.8
Net financial items	-1.9	-0.1	-3.6	-0.4	-4.4
Profit after financial items	35.1	24.6	125.4	65.6	97.4
Tax	-10.5	-7.9	-41.3	-20.3	-30.3
Profit after tax	24.6	16.7	84.1	45.3	67.1
Depreciation and amortisation charged to profit	-7.3	-5.5	-22.2	-16.8	-25.1
Earnings per share after tax	1.97	1.33	6.73	3.62	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 Sep 2006	30 Sep 2005	31 Dec 2005
Goodwill	218.9	202.9	223.3
Other intangible assets	64.7	102.4	69.8
Property, plant and equipment	149.6	126.0	132.7
Long-term investments	0.2	0.5	2.1
Total non-current assets	433.4	431.8	427.9
Inventories	193.2	188.7	183.5
Receivables	212.5	187.1	180.2
Cash on hand, demand deposits and short-term investments	48.4	35.5	60.8
Total current assets	454.1	411.3	424.5
TOTAL ASSETS	887.5	843.1	852.4
Equity	391.3	312.6	330.5
Interest-bearing non-current liabilities	187.4	261.0	213.5
Non-interest-bearing non-current liabilities	65.3	63.4	60.7
Interest-bearing current liabilities	75.3	45.8	94.5
Non-interest-bearing current liabilities	168.2	160.3	153.2
TOTAL EQUITY AND LIABILITIES	887.5	843.1	852.4

Changes in Group equity (SEK M)	9 mon 2006	9 mon 2005	Full year 2005
Opening equity according to Balance Sheet at 31 December	330.5	270.2	270.2
Translation differences	-6.1	9.6	5.7
Profit after tax	84.1	45.3	67.1
Dividend	-17.2	-12.5	-12.5
Equity at end of period	391.3	312.6	330.5

Cash Flow Statement – Highlights (SEK M)	9 mon 2006	9 mon 2005	Full year 2005
Cash flow from operating activities before changes in working capital	130.5	71.4	80.8
Change in working capital	-37.1	-16.1	6.6
Cash flow from operating activities	93.4	55.3	87.4
Cash flow from investing activities	-37.8	-311.5	-321.6
Cash flow from financing activities	-67.0	212.1	215.4
Cash flow for the period	-11.4	-44.1	-18.8
Cash and cash equivalents at start of year	60.8	78.4	78.4
Translation difference, cash and cash equivalents	-1.0	1.2	1.2
Cash and cash equivalents at end of period	48.4	35.5	60.8
Unutilised overdraft facilities	102.5	94.2	83.5
Total cash and cash equivalents available	150.9	129.7	144.3

Key figures for Group	9 mon 2006	9 mon 2005	Full year 2005
Profit margin (ROS), %	14.5	12.8	12.5
Return on equity (ROE), %	31.1	20.7	22.4
Return on capital employed (ROCE), %	28.8	27.8	26.7
Equity/assets ratio, %	44.1	37.1	38.8
Visible equity per share, SEK	31.30	25.00	26.44
Cash flow per share (before change in working capital), SEK	10.44	5.71	6.47
Share price at end of period, SEK	91.00	54.25	59.00
Number of employees, average	418	307	339