

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

## YEAR-END REPORT 2006

- **The Group's net turnover increased by 49% to SEK 1163.1 M (778.5)**
- **Operating profit rose by 67% to SEK 170.5 M (101.8), with an operating margin of 14.7% (13.1)**
- **Profit after financial items increased by 70% to SEK 165.8 M (97.4)**
- **The Group's profit after tax increased by 67% to SEK 111.9 M (67.1)**
- **Earnings per share improved by 67% to SEK 8.95 (5:37)**
- **The Board of Directors proposes an increase in the dividend to SEK 2.00 per share (1:38)**

<b>Group</b>	<b>Q4 2006</b>	Q4 2005	<b>Full year 2006</b>	Full year 2005
Net turnover, SEK M	<b>298.1</b>	267.6	<b>1,163.1</b>	778.5
Operating profit, SEK M	<b>41.5</b>	35.8	<b>170.5</b>	101.8
Operating margin, %	<b>13.9</b>	13.4	<b>14.7</b>	13,1
Profit after financial items, SEK M	<b>40.4</b>	31.8	<b>165.8</b>	97.4
Profit margin, %	<b>13.6</b>	12.0	<b>14.3</b>	12.5
Profit after tax, SEK M	<b>27.8</b>	21.8	<b>111.9</b>	67.1
Earnings per share, SEK	<b>2.22</b>	1.75	<b>8.95</b>	5.37
Return on capital employed (ROCE), cumulative, %			<b>29.8</b>	26.7
Return on equity (ROE), cumulative, %			<b>30.3</b>	22.4
Equity/assets ratio, %			<b>47.8</b>	38.8

## **Managing Director's statement – the Group strengthens its financial position**

The profit for 2006 is the best ever for the Group. I am happy to note that the fourth quarter also resulted in higher sales and improved profitability compared with the same period last year and that both business areas contributed to this positive trend.

RINGFEDER POWER TRANSMISSION exhibits continued strong organic sales growth with sustained high profitability. VBG GROUP TRUCK EQUIPMENT also finished the year very strongly in terms of both sales and profitability, clear evidence that the integration of the new product division for sliding roofs was accomplished very successfully during 2006.

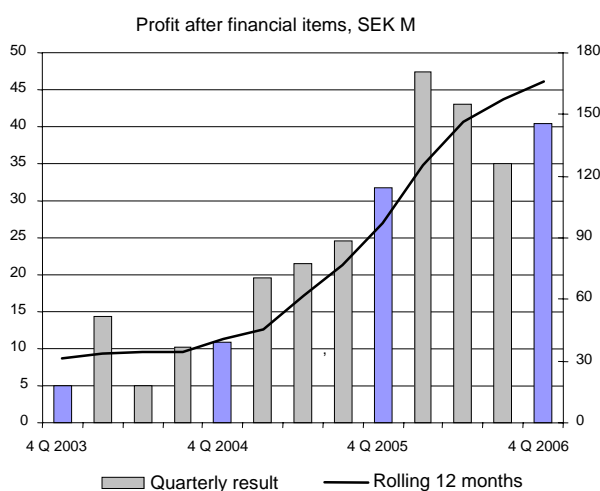
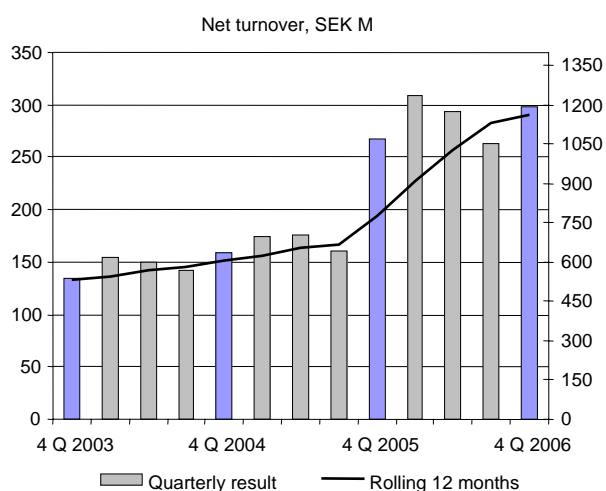
2006 was in many ways an eventful year with important product launches and investments in the largest business area, VBG GROUP TRUCK EQUIPMENT. With the newly launched common marketing and distribution concept VBG GROUP, the Group has strengthened its position on the European market for truck and trailer equipment.

Demand for transport capacity was generally high during 2006, generating a very high new sales volume of both heavy trucks and trailers on all markets, which in turn resulted in strong demand for our products and services. This favourable market situation, in combination with the measures previously implemented to build a more cost-effective structure, resulted in a strong operating cash flow, which for 2006 amounted to SEK 167.6 M (80.8). The VBG GROUP has built up a strong financial position, providing a solid platform for continued expansion.

There are many indications of continued economic expansion during 2007, with a good market outlook for both of the Group's business areas. With the investments we have made in both production and the marketing organisation, the VBG GROUP stands well-equipped to meet this business situation.

Anders Birgersson  
Managing Director and CEO

Group trend (SEK M)	Full year 2006	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Full year 2005	Q4 2005	Q3 2005	Q2 2005	Q1 2005
Net turnover	1163.1	298.1	263.4	292.9	308.7	778.5	267.6	160.0	176.1	174.8
Operating profit	170.5	41.5	37.0	43.0	49.0	101.8	35.8	24.7	21.6	19.7
Operating margin, %	14.7	13.9	14.1	14.7	15.9	13.1	13.4	15.4	12.3	11.3
Profit after fin. items	165.8	40.4	35.1	43.0	47.3	97.4	31.8	24.6	21.5	19.5
Profit margin, %	14.3	13.6	13.3	14.7	15.3	12.5	12.0	15.4	12.2	11.2
Profit after tax	111.9	27.8	24.6	28.0	31.5	67.1	21.8	16.7	15.0	13.6
Earnings per share, SEK	8:95	2:22	1.97	2.24	2.52	5.37	1.75	1.33	1.21	1:08
ROCE (cumulative), %	29.8	29.8	28.8	31.3	33.0	26.7	26.7	27.8	26.3	25.6
ROE (cumulative), %	30.3	30.3	31.1	34.4	36.4	22.4	22.4	20.7	20.2	19.4
Equity/assets ratio, %	47.8	47.8	44.1	40.1	41.1	38.8	38.8	37.1	59.8	60.2



## Consolidated turnover and earnings

### Fourth quarter

Turnover was SEK 298.1 M (267.6), an increase of about 11% compared with the same period last year. The actual volume increase exceeded 14%, since a stronger Swedish currency affected the translation of sales in foreign subsidiaries negatively by just over 3%.

Operating profit rose to SEK 41.5 M (35.8), with a margin of 13.9 % (13.4). Profit after financial items increased to SEK 40.4 M (31.8), equivalent to a margin of 13.6% (12.0).

### Full year 2006

Total turnover for the Group exceeded one billion kronor for the first time, reaching SEK 1,163.1 M (778.5), an increase of 49%. A large portion (SEK 262.7 M) of the increase of SEK 384.6 M stems from acquired operations. The markets for both business areas developed positively during the year, which means that organic growth was also substantial at 15.7% (SEK 121.9 M). The Group's turnover contains a negative currency translation effect of just under 0.5%.

Operating profit rose sharply to SEK 170.5 M (101.8), and profit after financial items was SEK 165.8 M (97.4). The consolidated profit contains Group-wide overheads of SEK 11.7 M (5.9), which have not been allocated to the operating profits of the different business areas. With an operating margin of 14.7% and a profit margin of 14.3%, the VBG GROUP shows a high and stable profitability level for the full year.

Earnings per share after tax rose to SEK 8.95 (5.37).

Return on capital employed was 29.8% (26.7%) and return on equity was 30.3% (22.4). The Group's equity/assets ratio rose compared with the end of last year, amounting to 47.8% (38.8).

### **Tax expense**

The year's tax expense was SEK 53.9 M (30.3), of which tax paid comprised SEK 54.1 M (25.3). The tax expense is equivalent to a tax rate for the Group of 32.5% (31.1).

### **Capital expenditures**

The Group's capital expenditures during the year amounted to SEK 44.5 M (SEK 316.5 M last year, of which SEK 291.5 M pertained to acquired subsidiaries).

### **Financial position**

Equity increased during the year to SEK 406.8 M (330.5) and was affected by SEK –18.4 M in differences in the translation of net assets in foreign currencies.

The equity/assets ratio increased to 47.8% (38.8).

Cash and cash equivalents amounted to SEK 33.7 M at year-end (60.8), and there are unutilised credit facilities of SEK 125.7 M.

The Group's interest-bearing net debt fell by SEK 57.2 M during the year, amounting to SEK 190.0 M at year-end (247.2).

The ratio of interest-bearing net debt to equity was 0.47 at year-end (0.77).

### **Cash flow**

Cash flow from operating activities amounted to SEK 122.1 million (87.4). Capital expenditures during the year amounted to SEK 44.4 M (321.7). The Group amortised loans and reduced current financial liabilities by SEK 86.2 M. Total dividends distributed to shareholders amounted to SEK 17.2 M. Net cash flow during the period was SEK –25.1 M (–18.8).

### **Personnel**

On 31 December 2006 there were 400 employees (408) in the VBG GROUP, including 157 (146) in Sweden.

During 2006 the Group employed an average of 411 persons (339). Of these, 160 (157) were active in Sweden. The cost of salaries and social security contributions was SEK 229.0 M (191.3).

### **Per share data**

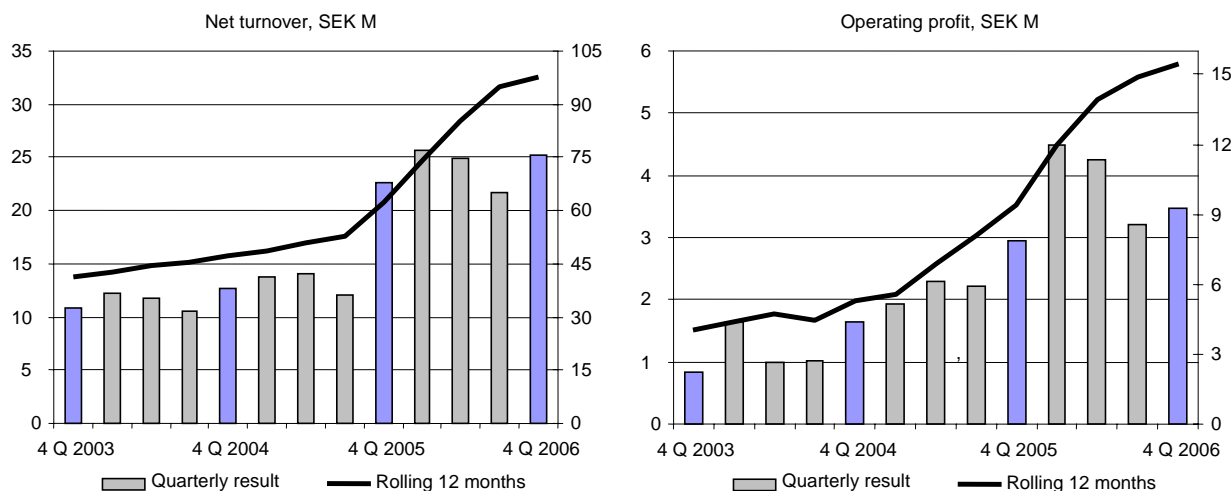
All share-related key figures have been adjusted for the stock split carried out during the second quarter. Earnings per share for the year was SEK 8.95 (5.37). Equity per share on 31 December was SEK 32.54, compared with SEK 26.44 one year earlier.

The number of shareholders at year-end was 5,629 (4,900).

## VBG GROUP TRUCK EQUIPMENT

- Turnover increased by 56% to SEK 975.0 M (624.1)
- Turnover increased by 65% to SEK 154.5 M (93.9)

VBG GROUP Truck Equipment (SEK M)	Full year 2006	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Full year 2005	Q4 2005	Q3 2005	Q2 2005	Q1 2005
Net turnover	975.0	252.9	217.3	248.6	256.2	624.1	225.7	121.4	140.0	137.0
Operating profit	154.5	34.8	32.2	42.6	44.9	93.9	29.5	22.1	22.9	19.4
<b>Operating margin %</b>	<b>15.8</b>	<b>13.8</b>	14.8	17.1	17.5	<b>15.1</b>	<b>13.1</b>	18.2	16.4	14.2



### Fourth quarter

The business area finished the year strongly and increased its turnover by 12% to SEK 252.9 M during the fourth quarter, compared with SEK 225.7 M for the same period last year. A stronger Swedish currency affected the translation of turnover in foreign Group companies negatively by about 2.5%.

The trend in the transport sector in Europe continued to be very good and led to a high production of both new trucks and trailers, which in turn generated demand for the VBG GROUP's products and systems.

During the fourth quarter, one of the Group's two Belgian companies was converted into a pure sales company, VBG GROUP SALES BENELUX, which will take over all sales and distribution in the Benelux region during 2007.

Operating profit rose to SEK 34.8 M, which was 18% higher than last year (29.5), and the operating margin increased to 13.8% (13.1).

### Full year 2006

Turnover for the full year 2006 rose by 56% to SEK 975.0 (624.1). The Sliding Roof Division, which was consolidated in the fourth quarter of 2005, has good profitability. The positive trend in the transport sector during the year created conditions for the business area to grow organically by more than 15%.

During the year, VBG GROUP TRUCK EQUIPMENT solidified its position as a market leader in the product areas couplings, sliding roofs and automatic tyre chains. In the autumn the business area invested heavily in displaying interesting new products in all product areas at the world's biggest commercial vehicle trade fair in Hanover. The brands VBG, RINGFEDER, EDSCHA TRAILER SYSTEMS, SESAM, ONSPOT and ARMATON were shown for the first time together in a large display under the new common sales organisation, VBG GROUP.

Operating profit for the business area was SEK 154.5 (93.9), an increase of 65%. The operating margin rose to 15.8% (15.1).

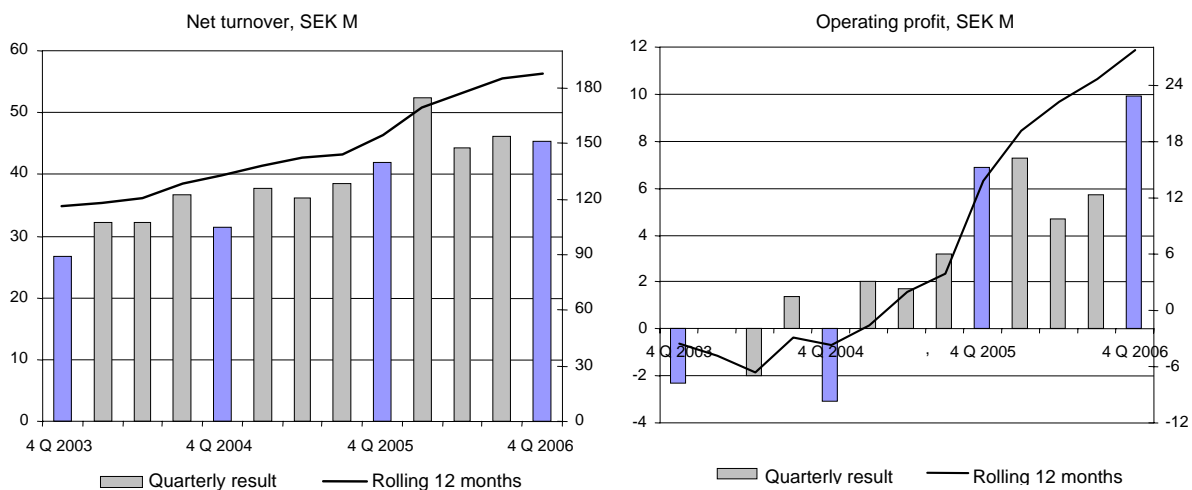
<b>Turnover by product area (SEK M)</b>	<b>Full year 2006</b>	<b>Q4 2006</b>	Q3 2006	Q2 2006	Q1 2006	<b>Full year 2005</b>	<b>Q4 2005</b>	Q3 2005	Q2 2005	Q1 2005
Coupling Equipment	<b>542.2</b>	<b>130.7</b>	122.7	143.8	145.0	<b>478.5</b>	<b>125.6</b>	106.8	125.3	120.8
Sliding Roofs	<b>360.7</b>	<b>98.0</b>	78.6	91.3	92.8	<b>75.6</b>	<b>75.6</b>			
General Truck Equip.	<b>72.1</b>	<b>24.2</b>	16.0	13.5	18.4	<b>70.0</b>	<b>24.5</b>	14.6	14.7	16.2
Truck Equipment	<b>975.0</b>	<b>252,9</b>	217.3	248.6	256.2	<b>624.1</b>	<b>225.7</b>	121.4	140.0	137.0

<b>Turnover by market (SEK M)</b>	<b>Full year 2006</b>	<b>Q4 2006</b>	Q3 2006	Q2 2006	Q1 2006	<b>Full year 2005</b>	<b>Q4 2005</b>	Q3 2005	Q2 2005	Q1 2005
Sweden	<b>169.1</b>	<b>40.0</b>	35.5	44.6	49.0	<b>160.7</b>	<b>42.8</b>	36.4	40.9	40.6
Other Nordic countries	<b>132.6</b>	<b>33.6</b>	29.4	34.3	35.3	<b>122.0</b>	<b>33.1</b>	23.9	35.0	30.0
Germany	<b>313.8</b>	<b>86.1</b>	75.0	75.0	77.7	<b>145.4</b>	<b>65.4</b>	29.0	24.3	26.7
Rest of Europe	<b>311.2</b>	<b>80.1</b>	64.8	83.4	82.9	<b>151.7</b>	<b>71.5</b>	19.9	28.9	31.4
Rest of world	<b>48.3</b>	<b>13,1</b>	12.6	11.3	11.3	<b>44.3</b>	<b>12.9</b>	12.2	10.9	8.3
Truck Equipment	<b>975.0</b>	<b>252.9</b>	217.3	248.6	256.2	<b>624.1</b>	<b>225.7</b>	121.4	140.0	137.0

## RINGFEDER POWER TRANSMISSION

- Turnover increased by 22% to SEK 188.1 M (154.4)
- Operating profit doubled to SEK 27.6 M (13.8)

RINGFEDER POWER TRANSM. SEK M	Full year 2006	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Full year 2005	Q4 2005	Q3 2005	Q2 2005	Q1 2005
Net turnover	188.1	45.2	46.1	44.3	52.5	154.4	41.9	38.6	36.1	37.8
Operating profit	27.6	9.9	5.7	4.7	7.3	13.8	6.9	3.2	1.7	2.0
Operating margin %	14.7	21.9	12.4	10.6	13.8	8.9	16.5	8.3	4.7	5.3



### Fourth quarter

Sales continued at a high level in the fourth quarter, increasing by 8% to SEK 45.2 M (41.9). The actual volume increase was nearly 15%, since a stronger Swedish currency affected the translation of the figures negatively by about 7%. The market remained strong and the business area is constantly strengthening its position.

Operating profit rose to SEK 9.9 M (6.9) and the operating margin to 21.9% (16.5).

### Full year 2006

The business area, which develops, manufactures and markets products for power transmission and damping for a number of different industrial sectors as well as the train and aircraft industries, developed very positively during 2006.

Turnover for the full year increased by 22% to SEK 188.1 M (154.4). The negative effect of the translation of foreign currencies was just under one per cent. Operating profit doubled to SEK 27.6 M (13.8), and the profit margin rose to 14.7% (8.9).

Turnover by product area (SEK M)	Full year 2006	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Full year 2005	Q4 2005	Q3 2005	Q2 2005	Q1 2005
Friction Springs	37.3	9.9	8.5	7.1	11.8	31.8	8.9	8.0	7.2	7.7
Shaft-hub Connections	83.5	21.7	21.2	19.5	21.1	68.3	18.6	16.4	15.5	17.8
Special Products	67.3	13.6	16.4	17.7	19.6	54.3	14.4	14.2	13.4	12.3
Power Transmission	188.1	45.2	46.1	44.3	52.5	154.4	41.9	38.6	36.1	37.8

Turnover by market (SEK M)	Full year 2006	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Full year 2005	Q4 2005	Q3 2005	Q2 2005	Q1 2005
Europe	63.0	16.4	15.5	7.1	16.6	49.4	11.7	11.5	12.3	13.9
North America	93.2	20.3	22.3	19.5	27.0	79.8	22.4	20.8	19.0	17.6
Rest of world	31.9	8.5	8.3	17.7	8.9	25.2	7.8	6.3	4.8	6.3
Power Transmission	188.1	45.2	46.1	44.3	52.5	154.4	41.9	38.6	36.1	37.8

### Parent Company

VBG GROUP 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 GROUP TRUCK EQUIPMENT 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 GROUP 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, licence revenues and rentals and amounted to SEK 22.1 M (12.1) during the year. The profit after dividends from Group companies and financial items amounted to SEK 97.3 M (29.5).

### Proposed dividend

The Board of Directors of VBG GROUP AB (publ) proposes that the 2007 AGM resolve to increase the dividend by 45% to SEK 2.00 per share (1.38) for financial year 2006. The proposed dividend entails a total distribution of funds from the Parent Company equivalent to 6.2% of the Group's equity at year-end and 22.3% of the Group's profit after tax.

### Annual General Meeting and annual report

The 2007 Annual General Meeting will be held on 8 May at 5.00 p.m. the company's offices on Herman Kreftings gata 4 in Vänersborg. The annual report will be published on the company's website during week beginning on 2 April 2007 and will also be available at VBG GROUP AB's offices in Vänersborg.

### Outlook for 2007

The market outlook for the Group's two business areas is judged to continue to be good, indicating a turnover on the level of 2006 for both VBG GROUP TRUCK EQUIPMENT and RINGFEDER POWER TRANSMISSION. The Group will continue working actively with its acquisition agenda, with the ambition of carrying out at least one supplementary acquisition during 2007.

### Financial information 2007

Interim report 3 months	8 May 2007
2007 Annual General Meeting	8 May 2007
Interim report 6 months	16 August 2007
Interim report 9 months	23 October 2007
Year-end report 2007	February 2008



**Accounting principles**

This report has been prepared in accordance with RR31 and IAS 34, Interim Financial Reporting. The VBG GROUP applies International Financial Reporting Standards (IFRS), and a summary of the most important accounting principles is provided in Note 1 of the Annual Report for 2005.

A number of new and revised standards have entered into force as from 2006. None of these new standards or revisions have led to any essential changes in the Group's accounting principles.

Vänernborg 15 February 2007

**VBG GROUP AB (publ)**

**The Board of Directors**

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<b>Consolidated Income Statement – Highlights</b> (SEK M)	<b>Q4 Oct-Dec 2006</b>	<b>Q4 Oct-Dec 2005</b>	<b>Full year 2006</b>	<b>Full year 2005</b>
<b>Net turnover</b>	<b>298.1</b>	<b>267.6</b>	<b>1,163.1</b>	<b>778.5</b>
Cost of goods sold	-185.2	-169.0	-717.6	-486.1
Selling expenses	-48.3	-40.3	-1660.7	-130.9
Administrative expenses	-21.7	-21.4	-94.3	-51.5
Research and development costs	-3.1	-2.9	-13.0	-11.6
Other operating income/expenses	1.7	1.8	-1.0	3.4
<b>Operating profit</b>	<b>41.5</b>	<b>35.8</b>	<b>170.5</b>	<b>101.8</b>
Net financial items	-1.1	-4.0	-4.7	-4.4
<b>Profit after financial items</b>	<b>40.4</b>	<b>31.8</b>	<b>165.8</b>	<b>97.4</b>
Tax	-12.6	-10.0	-53.9	-30.3
<b>Profit after tax</b>	<b>27.8</b>	<b>21.8</b>	<b>111.9</b>	<b>67.1</b>
Depreciation and amortisation charged to profit	-8.3	-8.3	-30.5	-25.1
<b>Earnings per share after tax</b>	<b>2.22</b>	<b>1.75</b>	<b>8.95</b>	<b>5.37</b>
Number of shares at end of period <sup>1</sup> ('000)	12,502	12,502	12,502	12,502
Average number of shares during the period	12,502	12,502	12,502	12,502
Number of own shares at end of period	1,192	1,192	1,192	1,192
Average number of own shares	1,192	1,192	1,192	1,192

1 The company has no outstanding warrants or convertibles.

<b>Consolidated Balance Sheet – Highlights</b> (SEK M)	<b>31 Dec 2006</b>	<b>31 Dec 2005</b>
Goodwill	213.4	223.3
Other intangible assets	62.1	69.8
Property, plant and equipment	148.6	132.7
Long-term investments	1.3	2.1
<b>Total non-current assets</b>	<b>425.4</b>	<b>427.9</b>
Inventories	201.6	183.5
Receivables	189.9	180.2
Cash on hand, demand deposits and short-term investments	33.7	60.8
Total current assets	<b>425.2</b>	<b>424.5</b>
<b>TOTAL ASSETS</b>	<b>850.6</b>	<b>852.4</b>
<b>Equity</b>	<b>406.8</b>	<b>330.5</b>
Non-current liabilities	176.1	213.5
Non-interest-bearing non-current liabilities	57.9	60.7
Interest-bearing current liabilities	47.5	94.5
Non-interest-bearing current liabilities	162.3	153.2
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>850.6</b>	<b>852.4</b>

<b>Changes in Group equity</b> (SEK M)	<b>Full year 2006</b>	Full year 2005
<b>Opening equity according to Balance Sheet at 31 December</b>	<b>330.5</b>	<b>270.2</b>
Translation differences	-18.4	5.7
Profit after tax	111.9	67.1
Dividend	-17.2	-12.5
<b>Equity at end of period</b>	<b>406.8</b>	<b>330.5</b>

<b>Cash Flow Statement – Highlights</b> (SEK M)	<b>Full year 2006</b>	Full year 2005
<b>Cash flow from operating activities before changes in working capital</b>	<b>167.6</b>	<b>80.8</b>
Change in working capital	-45.5	6.6
<b>Cash flow from operating activities</b>	<b>122.1</b>	<b>87.4</b>
Cash flow from investing activities	-43.8	-321.6
Cash flow from financing activities	-103.4	215.4
<b>Cash flow for the year</b>	<b>-25.1</b>	<b>-18.8</b>
Cash and cash equivalents at start of year	60.8	78.4
Translation difference, cash and cash equivalents	-2.1	1.2
<b>Cash and cash equivalents at end of period</b>	<b>33.7</b>	<b>60.8</b>
Unutilised overdraft facilities	125.7	83.5
<b>Total cash and cash equivalents available</b>	<b>159.4</b>	<b>144.3</b>

<b>Key figures for Group</b>	<b>Full year 2006</b>	Full year 2005
Profit margin (ROS), %	<b>14.3</b>	12.5
Return on equity (ROE), %	<b>30.3</b>	22.4
Return on capital employed (ROCE), %	<b>29.8</b>	26.7
Equity/assets ratio, %	<b>47.8</b>	38.8
Equity per share, SEK	<b>32.54</b>	26.44
Cash flow per share (before change in working capital), SEK	<b>13.41</b>	6.47
Share price at end of period, SEK	<b>113.00</b>	59.00
Number of employees, average	<b>411</b>	339