



VBG AB in Vänersborg is the parent company of an international engineering Group with production facilities in Sweden and Germany and sales companies in Norway, Denmark, France and the USA. The business is concentrated on Truck Equipment and an additional business area of Machine Element. The VBG B-share has been registered on the Stockholm Stock Exchange since 1987.

Interim Report 1/1 – 31/12 2004

- Group turnover increased by 14 % to MSEK 604,5 (530,4).
- Group operating income improved by 29 % to MSEK 41,9 (32,4).
- Re-structuring of business area Machine Element finished and income charged with MSEK -15,7 (-8,7).
- Group income after financial items increased by 29 % to MSEK 40,5 (31,3).
- Group net margin amounted to 6,7 % (5,9 %).
- Group income after tax increased to MSEK 25,8 (23,3).
- Earnings per share improved to 8:25 (7:47).
- The board propose raised dividend to SEK 4:00 per share (3:00).

MARKETS AND SALES

A very strong ending of the year resulted in a turnover for the fourth quarter of MSEK 158,3 which was 17% more than the preceding year (135,1).

The Group reported a turnover increase by 14% during 2004 to MSEK 604,5 (530,4) which also correspond to the actual volume increase. The Group core business of truck equipment accounted for 78% (78) of the total turnover.

	2004	4/04	3/04	2/04	1/04	2003	4/03	3/03	2/03	1/03
Truck Equipment		126,9	105,5	117,2	122,2	414,2	108,3	97,8	97,5	110,6
	471,8									
Machine Element	132,7	31,4	36,8	32,2	32,3	116,2	26,8	29,4	29,4	30,6
Total	604,5	158,3	142,3	149,4	154,5	530,4	135,1	127,2	126,9	141,2

Truck Equipment:

The fourth quarter reported the year's best turnover of MSEK 126,9 (108,3), an increase by 17,2 % compared to last year. The business area's dominating product group Coupling Equipment with its two strong brands VBG and RINGFEDER is world leading with more than 50% of the market for just the coupling. The product group also includes a number of products. The product group comprises of a number of products for connecting a truck to a trailer such as drawbeam for the truck, the coupling, the drawbar for the trailer and other peripheral equipment. Delivery to customer consists of components as well as of complete assembled systems according to customer's specification. Coupling Equipment with a turnover of MSEK 413,2 (364,5) covers 87,6% of the total turnover for the business area.

Other Truck Equipment is the name of the second product group in the business area, which includes a number of products such as automatic tyre chains (Onspot), dropside pillars (Armaton), fifth wheels with additional equipment for semi-trailers and other peripheral truck equipment.

Other Truck Equipment had a turnover of MSEK 58,6 (49,7).

Total turnover for the business area increased by 13,9% to MSEK 471,8 (414,2). Considering currency and price changes this is equal to an increase by 12,4%. Thus the business area consolidated its world leading position.

During the year VBG and RINGFEDER were exhibiting on the large international IAA Show in Germany. Besides, VBG was represented at Lastbil 2004, the largest truck show in the Nordic countries.

At the shows, the new future coupling concept MFC2000 (MultiFunctionCoupling) - a fully automatic coupling system including electricity and pneumatic connections enabling maneuvering from the driver's cabin - was introduced. This new coupling concept attracted much attention.

	2004	4/04	3/04	2/04	1/04	2003	4/03	3/03	2/03	1/03
Coupling Equipment	413,2	105,6	93,4	105,9	108,3	364,5	90,1	85,9	88,5	100,0
Other Truck Equip	58,6	21,3	12,1	11,3	13,9	49,7	18,2	11,9	9,0	10,6
Truck Equipment	471,8	126,9	105,5	117,2	122,2	414,2	108,3	97,8	97,5	110,6



The VBG brand has for more than 50 years through its strong 57 mm coupling developed a standard adapted to demanding conditions, a standard which totally dominates the Swedish and Norwegian coupling markets. Therefore, VBG with its complete product programme is the market leader in the Nordic countries. These important markets increased by 8% during the year and stood for 50 % (53) of the total turnover for the business area. The reason for the decreased share compared to last year was that other markets showed an even stronger development. The German market, where the RINGFEDER brand is market leader increased by 12% and stood for 19% of the turnover for the business area (19). A market where RINGFEDER has a very strong position is Australia/New Zealand, which during 2004 increased by 48% and totally covered 7% of the turnover.

At the end of the year the decision was taken to establish a sales company in England to further strengthen the grip on this market where the VBG coupling has a dominating position. The company shall be in operation latest at mid-year 2005.

	2004	4/04	3/04	2/04	1/04	2003	4/03	3/03	2/03	1/03
Truck Equipment:										
Sweden	131,8	37,2	27,0	31,3	36,3	122,8	28,8	28,3	30,5	35,2
Other Nordic Countr	105,2	27,7	19,2	30,7	27,6	96,5	24,6	20,3	24,1	27,5
Rest of Europe	194,2	50,2	47,6	46,2	50,2	165,9	48,2	39,4	37,4	40,9
Rest of the world	40,6	11,8	11,7	9,0	8,1	29,0	6,7	9,8	5,5	7,0
Total Truck Equipm	471,8	126,9	105,5	117,2	122,2	414,2	108,3	97,8	97,5	110,6

Machine Element:

Also Business Area Machine Element showed a strong fourth quarter with a turnover of MSEK 31,4 (26,8) an increase by 17,2%. Considering that the US dollar value dramatically was reduced during this last quarter, the actual volume increase was 26%.

During 2004 the sales volumes showed a very positive trend on all markets and increased by 14,2% to MSEK 132,7 (116,2). But the actual volume increase amounted to 19,2%.

At mid-year 2004 a new business area manager strengthened the organisation and at year-end a new product for a volume market – ECOLOC – was presented. Special Products are presently sold only on the US market. The product group is a mixture of additional trading products and designed details where the original RINGFEDER product has been rebuilt to a new product application. The goal is to further develop and market the product group Special Products outside the American market starting year 2005. During 2004 RINGFEDER laid the ground to further move forward the position on the world market. RINGFEDER is one of the largest players in the market for the segments where they operate. In the smaller product group Friction Springs, RINGFEDER is the dominating brand worldwide.

	2004	4/04	3/04	2/04	1/04	2003	4/03	3/03	2/03	1/03
Friction Springs	26,1	6,5	8,2	5,7	5,7	24,0	5,4	6,8	6,4	5,4
Shaft-hub Connect	63,0	14,9	17,0	15,0	16,1	55,1	12,9	14,0	13,5	14,7
Special Products	43,6	10,0	11,6	11,5	10,5	37,1	8,5	8,6	9,5	10,5
Machine Element	132,7	31,4	36,8	32,2	32,3	116,2	26,8	29,4	29,4	30,6

The US market stood for 45% of the total turnover. Second largest is the German market with 26% of the turnover. Another strong geographic market is Asia with 15% of the turnover.

	2004	4/04	3/04	2/04	1/04	2003	4/03	3/03	2/03	1/03
Europe	51,5	11,8	14,5	11,4	13,8	49,9	12,9	11,9	12,4	12,7
North America	59,6	13,5	16,1	16,0	14,0	52,4	10,6	13,8	13,5	14,5
Rest of the world	21,6	6,1	6,2	4,8	4,5	13,9	3,3	3,7	3,5	3,4
Total Mach Element	132,7	31,4	36,8	32,2	32,3	116,2	26,8	29,4	29,4	30,6



INCOME

Truck Equipment

The fourth quarter was very strong and the operating income amounted to MSEK 16,5 (8,4), an increase by 96%. For the year 2004 the operating income for the business area Truck Equipment amounted to MSEK 52,9. This is an improvement by 30,6% compared to last year (40,5) though costs for two shows were included in the income. The greatly increased steel price naturally resulted in increased cost of production that partly was compensated by increased sales price. Further increase in cost of materials was announced and realised at the turn of the year when earlier agreements with subcontractors were terminated. An overhaul of the price structure thus is necessary in the beginning of 2005. The operating margin increased to 11,2 % (9,8).

Machine Element

The fourth quarter showed almost a doubled operating income compared to same period last year MSEK 3,1 (1,6). During the fourth quarter of the year a certain effect of the greatly weakened US-dollar rate was noted in the business area's American company. The increased raw material prices did not fully affect the product costs during 2004 due to the relatively long lead times from the contracted outsourcing partners. Also the fact that a certain part of the production volume was purchased in US dollar has somewhat reduced the effect of the increased price of materials.

The extensive re-structuring work of the business area situated in Germany that started in January 2003 was finished at year-end 2004. The costs for 2004 amounted to MSEK – 15,7 and taking into account the costs of last year MSEK – 8,7, the final cost of the total re-structuring programme amounted to MSEK – 24,4. The production is now taking place at new external partners first and foremost in China and Hungary whilst certain assembly and testing and all product design, purchasing/logistics and marketing resources will remain and be developed in the business area's two companies in Germany and the US. The result from the re-structuring work can be interpreted in the underlying operating income and margin that have developed from MSEK 0,9 and 0,8% year 2002, MSEK 5,2 and 4,4% year 2003, to MSEK 12,0 and 9,1% for year 2004.

The operating income for the business area more than doubled during 2004 to MSEK 12,0 (5,2) and the operating margin increased to 9,1% (4,4). Total operating income for Machine Element including the restructuring costs amounted to MSEK –3,7 (-3,5).

Group-wide item

Group-wide items amounted to MSEK –7,4 (-4,6) and include costs related to acquisitions with MSEK –2,5. During the year a significant work with the group acquisition strategy was made and the basis is now laid to realise this objective.

Total Group

Group operating income for year 2004 was 29,3% better than last year and amounted to MSEK 41,9 (32,4) with an operating margin of 6,9% (6,1). Group income after financial items was also improved with 29% and amounted to MSEK 40,5 (31,3).

Return on capital employed increased to 14,5% (11,1) and return on equity to 9,9 % (9,1).

The net margin for 2004 also increased to 6,7% (5,9).

	2004	4/04	3/04	2/04	1/04	2003	4/03	3/03	2/03	1/03
<i>Income:</i>										
Truck Equipment	52,9	16,6	10,2	9,8	16,4	40,5	8,4	13,0	6,1	13,0
Machine Element	12,0	3,1	3,0	2,9	3,0	5,2	1,6	0,3	1,3	2,0
Re-Structure Mach Element	-15,7	-6,2	-1,6	-4,9	-3,0	-8,7	-3,9	-2,7	-1,5	-0,6
Group-wide Item	-7,3	-2,3	-1,2	-2,2	-1,6	-4,6	-1,3	0,0	-1,7	-1,6
Operating Income	41,9	11,1	10,4	5,6	14,8	32,4	4,8	10,6	4,2	12,8
Operating Margin	6,9%	7,0%	7,3%	3,8%	9,6%	6,1%	3,6%	8,3%	3,3%	9,1%
Income after Financial Item	40,5	10,8	10,2	5,1	14,4	31,3	5,0	10,2	4,2	11,9
Net Margin %	6,7%	6,8%	7,2%	3,5%	9,3%	5,9%	3,7%	8,0%	3,3%	8,4%



TAX EXPENSE

The tax expense amounted to MSEK 14,7 (7,9), of which tax paid amounted to MSEK 9,3 (6,8). The difference in tax rate between the years 36,4%(25,3) is mainly due to an adjustment of a deferred tax liability in the German subsidiary previous year.

INVESTMENTS

The Group's new investments during 2004 amounted to MSEK 16,3 (15,4).

CASH FLOW AND FINANCIAL SITUATION

The cash flow from current business amounted to MSEK 40,6 (52,0). The lower amount for year 2004 is due to large increases of assets tied up in stock and receivables at year-end. New investments paid during the year amounted to MSEK 18,0 (15,3). Cash flow after investments amounted to MSEK 22,6 (36,7) and has resulted in reduced utilization of bank overdraft facilities MSEK -6,6 and dividend has also been paid to shareholders in the amount of MSEK - 9,4. All in all cash in hand increased to MSEK 6,6.

The Group's liquid assets was also influenced by a translation difference of MSEK 0,1 and amounted thereafter to MSEK 78,4 (71,9).

The Group's interest-bearing debts decreased during the year with MSEK -11,5 and thus were transformed into a negative net loan debt, which on December 31, 2004 amounted to MSEK -7,0 (4,5).

The equity increased to MSEK 267,9 (255,1) and has during the year been negatively influenced by a translation difference in foreign subsidiaries of MSEK -3,6.

The ratio of interest-bearing debt to equity at the year-end was -0,03 (0,02). The equity ratio was improved during the year to 60,7% (60,8).

PERSONNEL

At the end of year 2004 VBG Group employed 307 persons (292), of which 145 persons (136) were in Sweden. During the year 2004 the average number of employed full-time was 308 persons (301). Of these, 150 (145) were employed in Sweden. Costs for wages and salaries and social security contributions amounted to MSEK 167,5 (158,6).

SHARE DATA

Profit per share after full tax amounted for the year to SEK 8:25 (7:47). The shareholders' equity at the end of the year amounted to SEK 86:02 compared to 81:62 last year-end.

During 2004 the VBG owner structure was changed due to the fact that Hexagon distributed its VBG holding to their shareholders. At year end VBG had approx 5.300 shareholders. Gladly the liquidity of the VBG share has considerably been improved. This enables a fair and to the market adjusted valuation of the share.

ACCOUNTING PRINCIPLES

This report has been made according to the recommendations issued by Redovisningsrådet and the same reporting principles and accounting methods as in the last annual reports have been used. Already 2003 the recommendation RR29 "Remunerations to employees " was introduced and thus the change year 2004 in pension provision has been accounted for in the profit and loss account.

From January 1, 2005 the company will act according to the new international accounting standard – International Financial Reporting Standards (IFRS). If this had been adapted 2004 the most important changes on income and equity would have been as follows:

	2004 according to present <u>Accounting principles</u>	<u>2004 acc IFRS</u>
Operating Income – Truck Equipment	52,9	55,6
Machine Element	12,0	13,1
Operating Income – Total	41,9	45,7
Income after financial items	40,5	44,3
Net income	25,8	28,5
Goodwill	26,0	29,8
Equity	267,9	270,2
Deferred tax liability, net	21,3	22,8

Income change refers to non-occurring goodwill depreciation 3,8 MSEK.



DIVIDEND PROPOSAL

The board proposes a dividend per share of SEK 4:00 (3:00) for the financial year 2004. The proposed dividend will result in a total payment from the parent company equal to 4,7% of group equity at year-end and 48,5% of group profit after tax.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held in Vänersborg on May 11th at 17.00 pm.

FORECAST 2004

During 2005 the market is estimated to be continued strong and the income is expected to increase. A more detailed forecast will be announced at the Annual General Meeting on May 11th.

FINANCIAL INFORMATION 2005

Interim Report 3 Mon	2005-05-11
Interim Report 6 mon	2005-08-18
Interim Report 9 mon	2005-10-25
Interim Report 2004	February 2006

THE PARENT COMPANY

The business of VBG AB (publ) is to overall govern, develop and co-ordinate the Group and the assets mainly consist of shareholding in the subsidiaries. The company also owns the industrial building in Vänersborg rented by the subsidiary VBG Produkter AB and further some machinery and equipment also rented by the subsidiary.

During 2003 a decision was taken to gather up the Group's total intangible assets consisting of trademarks and other rights in the parent company. The parent company shall focus on maintaining and developing all trademarks and rights in the Group.

The company's net turnover for 2004 comprises invoicing of Group internal services and rents amounted to MSEK 12,7 (9,7). Income after dividends from Group companies and financial items amounted to MSEK 19,8 (24,0). Liquid assets of the parent company at the end of the year amounted to MSEK 37,3 (27,4) and the company had no short or long-term borrowing.

Vänersborg 2005-02-17

VBG AB (publ)
The Board

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**CONSOLIDATED PROFIT AND LOSS ACCOUNT
IN BRIEF**

(MSEK)

	4 mon Oct-Dec 2004	4 mon Oct-Dec 2003	Full year 2004	Full year 2003
Net sales	158,3	135,1	604,5	530,4
Cost of sales	-97,3	-92,4	-389,2	-351,0
Sales expenses	-30,9	-26,8	-115,5	-100,2
Administrative expenses	-8,3	-8,0	-39,1	-34,5
R & D expenses	-3,2	-2,9	-10,4	-10,8
Other operating income/expenses	-7,5	-0,2	-8,4	-1,5
Operating income	11,1	4,8	41,9	32,4
Financial items, net	-0,3	0,2	-1,4	-1,1
Income after financial items	10,8	5,0	40,5	31,3
Tax	-5,5	0,0	-14,7	-8,0
Net profit	5,3	5,0	25,8	23,3
Depreciation in the above	-7,5	-8,1	-27,9	-30,8
Income per share after tax (SEK)	1:70	1:58	8:25	7:47
Number of shares at end of December ('000)	3125,5	3 125,5	3125,5	3 125,5
Average number of shares during the period ('000)	3125,5	3 125,5	3125,5	3 274,5

CONSOLIDATED BALANCE SHEET IN BRIEF

(MSEK)

	2004-12-31	2003-12-31
Intangible fixed assets	27,5	31,8
Tangible fixed assets	95,1	106,8
Financial fixed assets	4,9	6,4
Total Fixed Assets	127,5	145,0
Inventories	126,5	116,2
Receivables	109,0	86,3
Liquid assets	78,4	71,9
Total Current Assets	315,8	274,4
TOTAL ASSETS	441,4	419,4
Equity	267,9	255,1
Interest-bearing debts and provisions	71,5	76,4
Non interest-bearing debts and provisions	102,1	87,9
TOTAL EQUITY AND LIABILITIES	441,4	419,4

CHANGE IN EQUITY

(MSEK)

	Full year 2004	Full year 2003
Equity according to balance sheet December 31	255,1	255,6
Adaption to RR29 (pension provison)	-	-7,0
Re-purchase of own shares	-3,6	-7,4
Exchange rate differences	25,8	23,3
Net profit	-9,4	-9,4
Dividend	-	-
Equity according to balance sheet Sep 30	267,9	255,1

CONSOLIDATED CASH FLOW STATEMENT IN BRIEF (MSEK)

Funds generated by operations before changes in working capital

	Full year 2004	Full year 2003
Change in working capital	-25,1	-6,2
Cash flow from operations	40,6	52,0
Cash flow from investments	-18,0	-15,3
Cash flow from financial activities	-16,0	-49,6
Cash flow for the period	6,6	-12,9
Liquid assets beginning of year	71,9	86,2
Translation difference liquid assets	-0,1	-1,4
Liquid assets end of period	78,4	71,9
Unutilised bank overdraft facility	20,9	34,6
Total of disposable liquid assets	99,3	106,5

GROUP KEY RATIOS

	Full year 2004	Full year 2003
Net margin – ROS (%)	6,7	5,9
Return on equity (%)	9,9	9,1
Return on capital employed (%)	14,5	11,1
Equity ratio (%)	60,7	60,8
Equity per share (SEK) (before changes in working capital)	85:71	81:62
Cash flow per share (SEK)	21:02	18:63
Market value end of December	117:50	100:00
Average full-time employed	308	301