Annual Report 2005

VBG GROUP

Annual General Meeting 2006

The Annual General Meeting will be held on Thursday 11 May 2006 at 5:00 p.m. at VBG AB (publ), Herman Kreftings gata 4, Vänersborg.

Financial information

11 May	Report on first quarter
18 August	Report on second quarter
24 October	Report on third quarter

The year in brief

- The Group's net turnover increased by 29 per cent to SEK 778.5 M (604.5)
- Operating profit passed one hundred million kronor, SEK 101.8 M (45.8)
- Profit before tax more than doubled to SEK 97.4 M (44.4)
- The Group's profit margin increased to 12.5 per cent (7.3)
- The Group's profit after tax increased to SEK 67.1 M (28.1)
- Earnings per share improved to SEK 21.47 (9.00)
- The Board of Directors proposes an increase in the dividend to SEK 5.50 per share (4.00)

Notable events after the end of the year

- The Board of Directors proposes a 4:1 split, which means that one old share is to be exchanged for four new shares

This is the VBG GROUP

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, with products that are marketed under strong, well-known brands. In 2005 the Group had around 400 employees and a turnover of SEK 779 M. The VBG share has been listed on the O-list on Stockholmsbörsen (the Stockholm Stock Exchange) since 1987.

Business area

Truck Equipment

Truck Equipment is the biggest business area in the VBG GROUP. Truck Equipment is the world's leading suppliers of systems for coupling of heavy and medium-heavy trucks to trailers, as well as a leading supplier of sliding roofs for trailers in Europe.

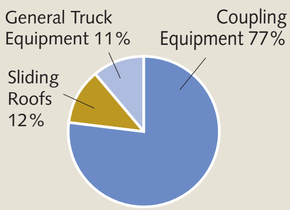
Power Transmission

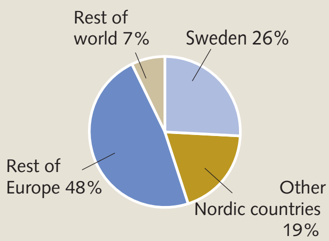
Power Transmission offers products for power transmission and damping to a number of different industrial sectors. The biggest customer group is found in the broad industrial market with a focus on the machinery, power and mining industries.

Key figures	2001	2002	2003	2004	2005
Net turnover, SEK M	552.3	532.8	530.4	604.5	778.5
Profit after financial items (adjusted), SEK M	22.9	31.6	40.0	60.0	97.4
Items affecting comparability, SEK M	–33.0		–8.7	–15.7	
Profit/loss after financial items (recognised), SEK M	–10.1	31.6	31.3	44.3	97.4
Profit/loss after tax, SEK M	–8.0	15.8	23.3	28.1	67.1
Return on capital employed, %	–0.9	10.2	11.1	15.7	26.7
Equity/assets ratio, %	58.2	56.8	60.8	60.7	38.8
Average number of employees	333	309	301	308	339

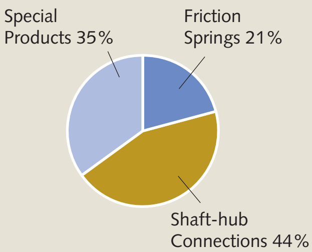
Brands	Turnover 2005	Employees
RINGFEDER, VBG, armaton, ONSPOT, Edscha Trailer Systems, SESAM	Truck Equipment SEK 624 M	370
RINGFEDER, ECOLOC	Power Transmission SEK 154 M	38
	Sales Group SEK 779 M	408

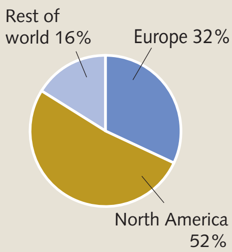
Truck Equipment SEK 624 M



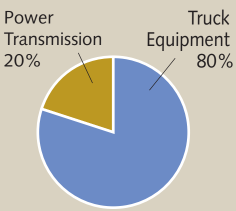


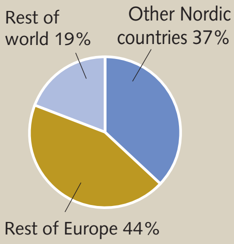
Power Transmission SEK 154 M





Sales Group SEK 779 M





From the Managing Director

2005 was the year when the VBG GROUP clearly saw the effects of long-term efforts to strengthen the Group's competitiveness. Efforts to realise our acquisition strategy were intensified, resulting in the acquisition of Edscha Sliding Roofs. The result was that the VBG GROUP grew strongly and has posted the biggest profit in its history.

As CEO I am gratified to look back on a highly successful 2005. Now that we have added up all the figures, we find that last year was the strongest in the Group's history. Things improved steadily during the year and finished with a strong fourth quarter.

New registrations of trucks in Western Europe increased for the second year in a row. The German market, so important for the Group, grew for the third year in a row in the segment for heavy goods vehicles, where RINGFEDER has a strong position. Both brands, VBG and RINGFEDER, fortified their already strong position on a growing market.

It was not just the acquisition of Sliding Roofs that contributed to the growth. We underwent considerable organic growth as well. Profitability also improved substantially, and profit before tax more than doubled to SEK 97.4 M, compared with SEK 44.4 M last year.

Profitable deals

The VBG GROUP bought Edscha AG's profitable product division for sliding roofs. As a part of the integration of the new operation, we are relocating production from Germany to the Czech Republic and Belgium. This move will reduce costs and improve capacity utilisation. This is a natural part of the process of integration and consolidation that normally follows an acquisition.

Through this acquisition, the Group has strengthened its presence on important markets such as Germany, Benelux and France. The new product area also gives the Group a foothold in a new customer segment in the European truck market: semitrailer manufacturers. At the same time, it gives us an opportunity to integrate forward in the value chain, for example by establishing new sales companies. The British market, where we established a sales company during the year, is a clear example of this strategy. Efforts to further strengthen our presence on those markets where we are active, along with initiatives to work even closer to our customers, will gain importance in the years to come.

Business area in new guise

The Power Transmission business area – formerly Machine Elements – contributed substantially to the earnings improvement, and the operating margin is well on its way towards 10 per cent. During the year we showed that the business area's position on the market is stronger than it has been for a long time.

The North American market contributed to the very strong finish in the fourth quarter, while the German market is still showing zero growth. It is therefore important that the successful broadening of the product range within Power Transmission can continue for the purpose of penetrating the high-volume market for shaft-hub connections.

A new management, a new strategy and a new business plan, plus outsourcing of production to low-cost countries, are key factors in the restructuring of Power Transmission. Due to these factors, combined with good demand for our products, we saw a very successful result of the completed change work in 2005.

Development of the truck and trailer industry

New registrations of heavy and medium-heavy trucks in Europe are expected to be high in 2006 as well.

After an intermediate year, the market for Sliding Roofs is expected to return to the levels we saw in 2004, with a new registration volume in Europe of around 160,000 heavy trailers, about half of which constitute the target group for our segment.

We expect demand in Eastern Europe to continue to climb during the next few years, and the VBG GROUP is well prepared to meet this growth. We have high expectations on the development of the trailer market in this part of Europe.

As far as the overall development of the European trailer industry is concerned, we believe that the consolidation that has taken place in the past few years will continue, since the sector is still fragmented. There are a large number of small trailer manufacturers, around 600, and a few major players.

As a leader in the market, we are in an excellent position to take advantage of this trend.

The strongest year in the Group's history

"Profitability improved substantially and profit before tax more than doubled."

Acquisition strategy implemented

The acquisition of Edscha Sliding Roofs is the first concrete evidence of the fact that the Group's acquisition strategy is now being implemented. The Group will build on the potential that exists in the core business and expand with existing products in existing markets, but also acquire operations that bring in new products aimed at customers on existing markets.

Continued acquisitions are one of the means to further strengthen the Group's competitiveness and increase its presence on important markets.

The VBG GROUP can offer acquired business operations long-term ownership, financial strength and great technical know-how, permitting development of the operations in terms of both products and marketing.

Important milestone for the VBG GROUP

We expect to surpass a billion kronor in turnover for the first time in 2006. Size is not an end in itself, but because the Group has grown and acquired a broader range of products and services, it stands stronger and better equipped to deal with coming challenges.

With this in mind we have now created a new overall graphic identity for the Group: VBG GROUP.

Skilled employees form the foundation

The very fine results achieved this past year have been made possible by the dedicated and persevering efforts of our skilled employees. Their combined efforts have laid the foundation for a stable, profitable Group in the midst of growth. I am very optimistic about the future and am confident we will be able to further strengthen our position on the market, our value proposition and our profitability.

Vänersborg, April 2006

Anders Birgersson
President and CEO

The Group's strategy and business model

Vision

A global strategic partner for the commercial vehicle industry.

Mission

Through its own strong brands, the VBG GROUP shall be an internationally leading supplier of equipment and systems to manufacturers of commercial vehicles.

Profitable growth an overall goal

The Group's overall objective is sustainable and profitable growth. Growth is imperative for our development and creates a natural platform for change.

Through growth we create a position of strength in cooperation with other stakeholders and players in our value chain such as customers, distributors, suppliers and, not least, vis-à-vis customers. Growth also creates shareholder value.

This growth will take place both via acquisitions and organically. We specialise in product and market segments where we can create clear competitive advantages in production, marketing and distribution.

The VBG GROUP's acquisition model

The VBG GROUP works with a well defined acquisition strategy where there are clear goals and criteria and where the acquisition targets are continuously evaluated. The strategy entails acquisition of profitable small and medium-sized companies that either have a leading position in their product segment or can achieve a leading position within 2–5 years.

The acquisitions must meet the following requirements:

- Stable profitability.
- Strong brands.
- Strong or leading market position. A leading position entails a market share of 25–50 per cent, depending on whether it is a fragmented or consolidated market.
- Active in product niches where the total market is SEK 1–3 billion.
- Potential for continued growth.
- Clear synergies with existing operations.

A natural step is expansion with existing products in existing markets. This will primarily be accomplished by the acquisition of competitors and rationalisation within the resulting new structure. As the Group works within a few limited niche areas with few available acquisition targets, a supplementary sub-strategy will also be applied. This involves acquisition of companies that contribute new products to the Group within the heavy and medium-heavy trucks and trailers segment. This strategy will lead to expansion with new products with a clear focus on existing markets.

Forward integration – synergy in marketing – organic growth

As the Group grows by means of acquisitions, new strong brands are constantly being added. Active efforts are made to adapt distribution and marketing in order to optimise the sales resources in relation to the total sales volume while at the same time promoting organic growth. Organic growth is created mainly by expanding the Group's product range, for example by distributing other supplier's products – trading products – in the Group's own sales companies. Furthermore, growth is created by cross-selling of the acquired companies' products to already established markets within the Group. In addition, export opportunities are created by the fact that existing products can be sold on the acquired companies' markets.

With new acquired operations, a considerable increase in turnover is also generated on priority markets in Europe, creating opportunities for forward integration in the value chain by the establishment of subsidiaries. This increases the share of direct distribution to customers via own channels. This strategy brings the Group closer to its end customers and strengthens our relationships with them. At the same time the Group can take advantage of cost synergies within marketing and administration in particular.

The product development process – innovation and expertise

The VBG GROUP develops products that consist of well-defined modules. This means that the product development work can be concentrated on individual modules instead of having to redesign the whole product. In this way the VBG GROUP can maintain a high pace of development and a high level of innovation with limited resources.

The VBG GROUP places high priority on product development and research. The Group carefully monitors changes in, for example, traffic safety legislation to see how they affect customer needs and market conditions. The VBG GROUP possesses vast expertise when it comes to coupling of vehicles and has long experience of working with traffic safety. This competence base is used to create new technical solutions that meet the changing needs of the end customers.

A central theme in the innovation work is concept development, where new technologies and materials can be tested in new functions on the products. Concept development is the basis of the Group's product development process. This enables new technology to become industrially available through a customer-focused development process.

Manufacturing processes and sourcing

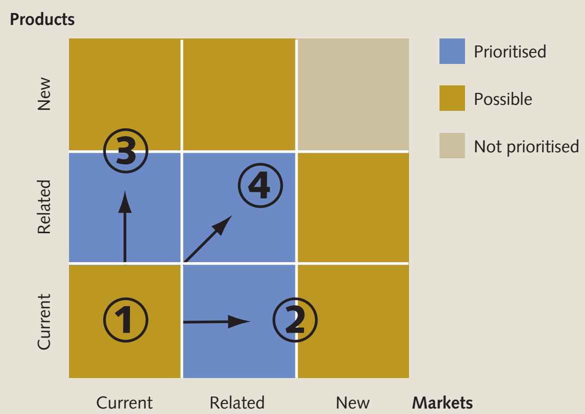
Considerable efficiency improvements can be realised in conjunction with the development of new products. The module concept makes it possible to combine outsourcing of component manufacture with internal production investments to create efficient processes with a high level of automation. The Group manufactures selected key components that have a great influence on the benefit the customer derives from the product as well as products with high value added.

Thanks to in-house production of key components, the most essential product features are also effectively quality-assured, such as safety features

Management's restructuring efforts

One of management's most important concerns is continuous rationalisation and restructuring for the purpose of optimising operations and maximising profitability. An example of this is the restructuring that was carried out within Power Transmission during 2003 and 2004.

Another example is the relocation of production in Edscha Sliding Roofs from Germany to the Czech Republic and Belgium as a part of the integration of the division following its acquisition.



Growth model

1. "Dig deeper"/More of same
   Consolidation/fortification of our position on existing markets, for example by acquisition of competitors
2. Market expansion within existing core businesses and product areas
3. Product expansion within existing markets/customers
   – Development/acquisition of truck-related products
   – Distribution agreements
4. Combined market and product expansion

Truck Equipment

Grows and broadens its range

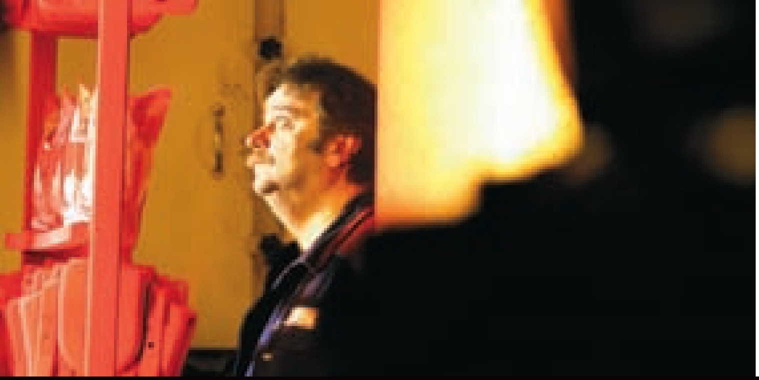
Truck Equipment's mission is to be an internationally leading supplier of equipment and systems to manufacturers of heavy and medium-heavy trucks and trailers. The business area's three core values are: safety, ergonomics and systems.

Today the business area works with leading players in the global truck market, including all European truck manufacturers.

Biggest business area
Truck Equipment is the VBG GROUP's biggest business area. Truck Equipment is divided into three divisions: the Coupling Division, the Sliding Roof Division and the General Truck Equipment Division.

The Coupling Division has the brands VBG and RINGFEDER. The Sliding Roof Division was added in 2005 by the purchase of Edscha's Sliding Roof Division. This division sells products under the brands EDSCHA Trailer Systems and SESAM. The third division is the General Truck Equipment Division, which consists of the following product groups: automatic tyre chains under the ONSPOT brand, dropside pillars under the ARMATON brand, fifthwheels and ancillary equipment for semitrailer tractors, and other accessories for trucks.

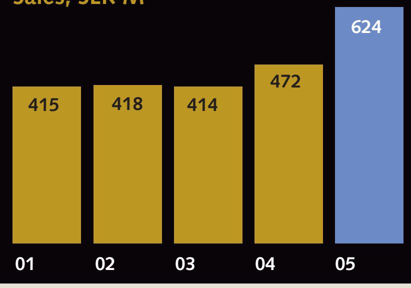
Truck Equipment is an international player with an emphasis on Europe. Other important markets are in Australia and Latin America. In Australia, RINGFEDER is so well established that the name has become more or less synonymous with trailer couplings.



Key figures

	2004	2005
Turnover, SEK M	471.8	624.1
Operating profit, SEK M	55.6	93.9
Operating margin, %	11.8	15.1
Share of Group turnover, %	78	80

Sales, SEK M



Works with all major players

All three product divisions in the business area focus on heavy and medium-heavy trucks. All three are suppliers to several of the leading players in the global truck market, for example all European truck manufacturers and several of the biggest European trailer manufacturers.

Besides truck and trailer manufacturers, another important customer group is body builders. It is the body builders who usually take the chassis and complete the truck for the end customer so it can be used for a particular type of transport. Both the body builder and the trailer manufacturer are important links in the chain to reach the end customer, who may be a one-man haulage contractor or a forwarding firm with a large vehicle fleet. The end user may be the truck's driver-owner or an employee in a large organisation. The business area's major markets are the domestic markets in the Nordic countries, Germany and the Benelux countries. But the Group also has exports to other markets in Europe, Australia, Asia, Africa and South America.

Thanks to a strong product range with leading brands, the business area can offer total solutions to a large number of transport problems. The Group also has extensive aftermarket sales.

The biggest competitors are Rockinger and Orlandi in coupling equipment and Trailer System Engineering in sliding roofs.

Close customer cooperation

One of Truck Equipment's essential strategies is to work close to the customer. An important success factor for the business area is being able to meet our customers' needs and wishes quickly and efficiently and take care of any problems that arise – in short, to provide good customer service. We do this by having our own sales and service organisation on our principal markets. The basic idea is to offer the end user safety, ergonomics and economy in "the entire link". For example, we offer the body builder or truck manufacturer complete sub-systems delivered to their assembly operation, which enables them to shorten their delivery times, resulting in less tied-up capital and thereby lower total costs.

Strategic partnerships get priority

Strategic partnerships are an important constituent of Truck Equipment's business model. The numerous joint projects we have with other major players in the industry are evidence of this and demonstrate the business area's strong position on the market.

Truck Equipment is involved in projects based on future concepts with some of the major manufacturers in the industry. Strategic partnerships provide good insight into trends in the industry while creating opportunities for Truck Equipment to get in on the development work early and influence the direction it takes. This creates values for both us and our customers.

These joint projects are clear proof that the VBG GROUP is not just another supplier, but also a strategically important partner for our customers when it comes to developing the products of tomorrow.

Truck Equipment

Long-term customer relationships

The business area strengthens its market position by consistently working with customer-oriented activities. Truck Equipment has long experience and broad expertise and acts as an advisor to help end customers choose a product that will give them good total economy.

The business area arranges seminars and trainings for the customers. In this way, values are created around the brands so that, in addition to being a good supplier of different products, the business area also supplies expertise in the product areas in which it specialises. The VBG GROUP has thereby come to play an important role as a referral body for public authorities in matters relating to the connection of trucks and trailers.

Market leader

Truck Equipment is a world leader in the two segments couplings and sliding roofs for trailers, with roughly 60 per cent of the market. Truck Equipment is also a technical leader and lies in the forefront when it comes to innovation and advanced solutions.

We possess a vast collective body of knowledge and experience in our technical field.

Stronger market position and higher profitability in 2005

Truck Equipment operates on a mature market where demand is largely determined by the general economic climate, which is strong at the present time.

Thanks to the determined efforts of recent years to improve collaboration with the customers, the business area grew faster than the rest of the market during 2005. The increased market share is also attributable to the fact that we stood well prepared to deal with the increased demand.

Turnover for Truck Equipment in 2005 was SEK 624 M (472). Sales were broken down as follows: Sweden SEK 161 M, other Nordic countries SEK 122 M, the rest of Europe SEK 297 M, and the rest of the world SEK 44 M. The profit was SEK 94 M (56), an increase of 69 per cent. The operating margin rose to 15 per cent (12).

A strategy for the future

Truck Equipment has a strong platform on which to build for the future. The business area will now concentrate on implementing the planned strategy and continuing to create growth both organically and by acquisition. The acquisition of Edscha's Sliding Roof Division will enable us to increase our presence on markets where the VBG GROUP has previously had a limited presence. Such potential exists on several growth markets in Eastern Europe, for example.

Krone, one of our important cooperation partners, equips its modern rigs with sliding roofs from EDSCHA Trailer Systems.

Sliding roofs from EDSCHA Trailer Systems can be opened by the driver quickly and easily for loading and unloading of the trailer.

Sliding roofs – an integral part of Krone's offering

For 30 years, EDSCHA Trailer Systems has been a cooperation partner of Bernard Krone Fahrzeugwerk, Europe's second-largest manufacturer of trailers and semi-trailers. In March 2006 a new multi-year cooperation agreement was signed, once again confirming EDSCHA Trailer Systems' leading position.

In an interview, Dr Jürgen Föhrenbach, chairman of the board of Bernard Krone Holding GmbH & Co KG, explains that Krone is dependent on suppliers such as EDSCHA Trailer Systems. "We want to cooperate with companies that are at the forefront of technological development and that offer the best quality and the highest cost-effectiveness".

Deliveries must proceed smoothly and reliably, since the sliding roofs are delivered "just-in-time" to Krone's modern plant in Werlte, Germany. Krone manufactures between 22,000 and 25,000 units annually, and most of them are equipped with sliding roofs from EDSCHA Trailer Systems. Scandinavia is one of the biggest markets.

Sliding roofs are an innovation from EDSCHA Trailer Systems that was developed and commercialised in the late 1960s and has continued to be developed since then. The system offers ergonomic and rapid handling in loading and unloading. Today EDSCHA Trailer Systems is the leading brand on the market. The SESAM brand, which is marketed by the Group's Belgian company, is a strong complement to EDSCHA Trailer Systems.

Power Transmission

A winner on a tough market

Power Transmission is the smaller of the two business areas in the VBG GROUP. It consists of Ringfeder Power Transmission GmbH in Germany and Ringfeder Corp. in the USA. Power Transmission offers products for power transmission and damping to a number of different industrial sectors as well as the train and aircraft industries.

RINGFEDER

ECOLOC

Power Transmission's biggest customer group exists in the broad industrial market, with a focus on the machinery, power and mining industries. The business area is also an important supplier of special products to the train and aircraft industries. The volumes are small, but the segment creates an image and proves RINGFEDER's high level of technology and quality. Examples of products for the aircraft industry are parts for doors.

Leading global brand with strong relationships

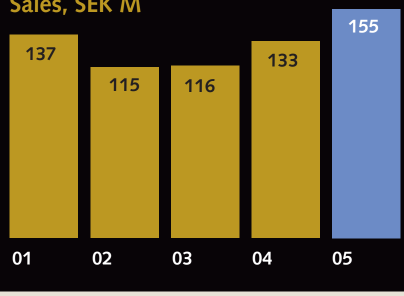
The Power Transmission Business Area is growing and strengthened its position on the market during 2005. The RINGFEDER brand is global and well established on the business area's principal markets. Ringfeder Power Transmission is the only player in its product segment with substantial sales to the three largest machine-manufacturing countries: Japan, Germany and the USA. Ringfeder is also well known on high-growth markets in Asia and South America.

The business area has a tradition of establishing very long-term relationships with agents and customers. This is an important success factor and something that is highly valued on many markets, since it stands for stability and good customer care. When it comes to the RINGFEDER brand there are examples of customer relationships dating back more than 80 years.

Key figures

	2004	2005
Turnover, SEK M	132.7	154.5
Operating profit/loss, SEK M	–2.6	13.8
Operating margin, %	–2.0	8.9
Share of Group turnover, %	22	20

Sales, SEK M



Power Transmission offers a combination of individual products and a well developed systems approach, close customer cooperation and a high level of technical know-how, enabling them to handle complex systems and develop advanced solutions in cooperation with the customer.

Positioning RINGFEDER

There are two priority areas within Power Transmission. The first is close cooperation with the business area's sourcing partners for the purpose of streamlining the production processes. These partners' production know-how and Power Transmission's product knowledge make it possible to adapt both products and production methods so that production costs can be further reduced. The goal is to create increased customer value while improving profitability. The second area is stepped-up marketing activities. Profit-making products should be featured in all sales activities. The pedagogical task is to explain the advantages and possible applications of the products. The business area focuses its resources on training both agents and customers to give them a better understanding of the added values that can be created by Power Transmission's products. This work is important in the long term for business development, for the creation of added value for the customers and, ultimately, for growth in the business area.

A market in flux

The market as a whole is growing. Prices are under pressure and customers are price-sensitive, since high-volume products are available from many suppliers. This puts pressure on Power Transmission to both develop new attractive products and improve the customer benefit. The new product line ECOLOC was launched in 2005. It is a high-volume product for power transmission via shaft-hub connections and has been given a positive reception.

ECOLOC will continue to be introduced on new markets at the same time as further product versions are launched. As far as friction springs and locking elements, two important product segments for the business area are concerned, the Group has a strong position as market leader.

The market is divided among a large number of competitors, most of whom are distributors and retailers. Only a few suppliers have a technical background. There are also copies and products with low functionality and lower performance on the market. More and more competitors are emerging in China and other low-cost countries. But the most important rivals are still in Germany and Italy.

One step the business area has taken to meet the emerging threat situation is to launch products with modified performance and a more advantageous price in order to broaden the product offering and give the customers more alternatives.

Good growth in 2005

Power Transmission recorded strong growth in both North and South America in 2005, and a new distributor became available for the South American market during the year. The North American market increased by 34 per cent and contributed greatly to the business area's good earnings. North America is Power Transmission's biggest market.

Power Transmission's turnover increased by 16 per cent. The profit was SEK 13.8 M, which corresponds to an operating margin of 8.9 per cent. The business area's goal is to achieve a sustainable operating margin of over 10 per cent.

Power Transmission

By having Ringfeder Power Transmission start its own company in Germany, the business area is strengthening its identity. Preparations were made in 2005, and the company was incorporated at the end of the year.

Focus on the future

Power Transmission is focusing particularly on three areas in 2006: Increasing the business area's presence on the high-growth markets of India, China and South America, optimising the use of IT in marketing activities, and strengthening the Group's network of agents.

In a somewhat longer perspective it is important to establish a greater presence on the Russian market and to continue to broaden the product portfolio.

There are a number of key factors for long-term success: A global sales organisation with a local presence, highly qualified technical experts that also offer help with systems, and providing the customers with access to quick and efficient maintenance.

The markets where the business area is active are expected to grow and the industry is in an expansive phase. Power Transmission is a successful and healthy business area today with good growth potential for the future.

RINGFEDER delivers friction spring assemblies to Atlas Copco's advanced down-the-hole drilling equipment.

RINGFEDER helps to drill deep

Friction springs from RINGFEDER are used in equipment for demanding drilling in quarries and mines all over the world. When Atlas Copco Secoroc developed its most recent down-the-hole drill hammers, they chose to equip them with friction spring assemblies from RINGFEDER.

"The air pressure in the equipment is increasing continuously, which leads to increasing demands on effective damping. We used to use rubber springs in the drills, but the friction spring assemblies provide greater reliability and service life and thereby better total economy," says Thomas Greijer, product manager for the down-the-hole drilling machines at Secoroc.

Thanks to several unique features, including Secoroc's patented air shock absorber, productivity is higher at the same time as air and fuel consumption are low. The down-the-hill drilling method is used not only in mines and quarries, but also in drilling for water, foundation work, anchoring and, not least, drilling for geothermal heating systems.

Secoroc is a division in the Construction and Mining Technique business area within the Atlas Copco Group. Atlas Copco Secoroc develops, manufactures and markets rock drilling tools and is a world leader in this area. The division has six manufacturing units on five continents, with headquarters in Fagersta.



Employees

Active social commitment and motivated employees

Knowledgeable and motivated employees are a key factor for success on today's competitive market. The dedication of the employees to strengthening customer relationships and meeting customer needs is a must in getting and keeping loyal customers.

An attractive employer

The VBG GROUP's employees have vast experience, knowledge and expertise. The value of the operations in the Group consists largely of the skills and experience of the employees, something which is true at all levels of the VBG GROUP. In order for the Group to continue developing positively, it is important that the employees' knowledge and skills be optimally utilised and developed.

The training programmes that are implemented are need- and employee-driven. All employees undergo an orientation course when they start their employment.

Employees and gender

At the end of 2005 there were 408 employees (307) in the VBG GROUP, including 146 (145) in Sweden. During 2005 the Group employed an average of 339 persons (308). Of these, 157 (150) were active in Sweden.

There is a tradition in the VBG GROUP of having largely male employees. The goal of the gender equality work in the Group is to achieve a more even gender distribution and equal pay for equal work. The long-term aim of the gender equality work is to contribute to a better social climate, more efficient work groups, a broadened recruitment base, better communication with customers and a positive corporate image. Naturally the VBG GROUP does not discriminate against anyone due to ethnic or religious affiliation, age or sexual orientation.

Salaries and bonus programme

The cost of salaries and social security contributions was SEK 191.3 M (167.5). This is equivalent to 24.6 per cent of turnover.

There is a profit-sharing system for all employees in the Swedish production company. Other companies have individual performance-based bonus agreements. Bonus is accounted for as a variable portion of salary.

Working environment

Since the Group has operations in several countries where legislation and working conditions differ, measures to improve the working environment and climate are handled at the local level by each company within the Group. Experience also shows that decisions regarding motivation, job satisfaction and working climate are best taken close to the employees.

Improvements are made continuously and are aimed at creating a working environment with high job satisfaction, where employees are encouraged to take their own initiative and responsibility.

Research and development

The Group mainly conducts market-oriented development projects aimed at developing new products and applications.

The costs of research and development in 2005 amounted to SEK 11.6 M (10.4). The costs consisted primarily of personnel costs and other internal costs allocated for long-term research and development. Some consisted of external project costs. Much of the research and development work is pursued in Sweden and Germany.

Brand capital

The VBG GROUP manages and builds further on its brand capital by resolutely developing the Group's brands. These brands are: RINGFEDER, ARMATON, ONSPOT, SESAM, EDSCHA Trailer Systems and ECOLOC. Safety, quality and innovation are the values that are communicated by all brands.

Corporate social responsibility

The Group's founder, Herman Krefting, was a conscientious citizen and very interested in traffic safety. This impelled him in 1951 to found the company that subsequently became the VBG GROUP.

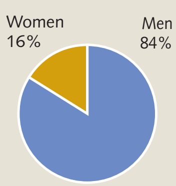
An interest in safety matters is a given part of the Group's identity. It is a driving force in the development of new products and an important link in the systems thinking that has always characterised the VBG GROUP's innovative development work, from idea to finished product.

Foundations fund research

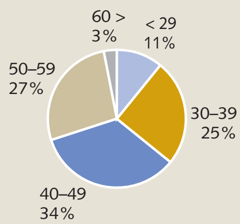
Companies and organisations are expected to assume greater social responsibility today in the communities and environments in which they operate. This is nothing new in the VBG GROUP. Back in the 1970s and '80s, Herman Krefting decided to distribute a large portion of his holdings among three foundations in order to ensure the survival of the company and safeguard the jobs of its employees.

Herman Krefting suffered from asthma, which explains why one of the owner foundations is called the Herman Krefting Foundation for Allergy and Asthma Research. The Foundation funds professorships in allergy and asthma research and has awarded grants of more than SEK 30 M for research purposes to date.

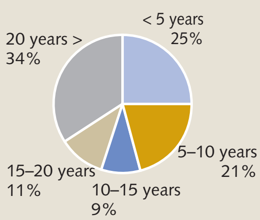
Gender distribution



Age distribution



Length of employment



The VBG share

VBG's Series B share has been traded on Stockholmsbörsen (the Stockholm Stock Exchange) since 1987 and is listed on the O-list. On 31 December 2005, the share capital in VBG AB (publ) amounted to SEK 34,235,000, distributed among 3,423,500 shares with a quotient value of SEK 10 per share.

There are two classes of shares, 305,000 Series A shares and 3,118,500 Series B shares. Each Series A share has 10 votes and each Series B share has 1 vote. All Series A shares are owned by the following three foundations: the Herman Krefting Foundation for Allergy and Asthma Research, the SLK Employees' Foundation and the VBG-SLK Foundation.

Shareholders

At year-end 2005, VBG AB (publ) had approximately 4,900 shareholders (5,299). The ten largest shareholders control 69 per cent of the share capital and 87 per cent of the votes. Swedish legal entities, including institutions such as insurance companies and share funds, owned 81 per cent of the share capital and 91 per cent of the votes at year-end. Foreign ownership amounted to 7 per cent.

The total number of externally owned shares is 3,125,506. A trading unit consists of 50 shares.

Share split

The Board of Directors proposes a 4:1 share split, which means that one old share is to be exchanged for four new shares.

Share transactions during 2005

At the beginning of the year the share was priced at SEK 117.50. The final price for 2005 was SEK 236.00. During the year the share reached a high of SEK 245 in November and a low of SEK 114 in January. A total of 603,342 VBG shares were traded in 2005, equivalent to 19 per cent of the stock. On average, 2,385 shares were traded each business day. The number of transactions averaged 12 per business day.

Earnings per share, after tax, for the year amounted to SEK 21.47 (9.00). Equity per share at year-end was SEK 105.75, compared to SEK 86.46 at the end of last year.

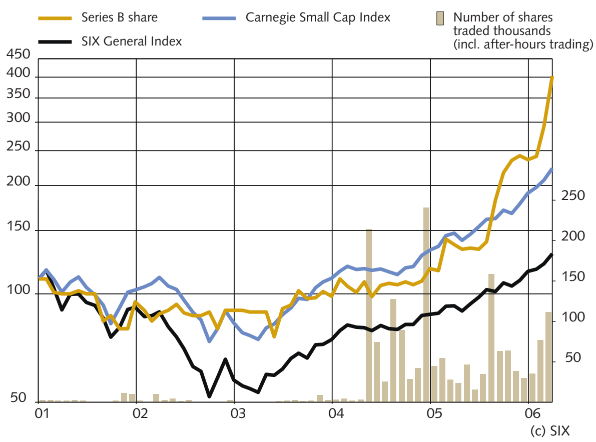
The volatility of the price of a single share compared with the volatility of the stock market as a whole is known as the beta coefficient, or beta. The VBG share's beta during the past 24 months is 0.46. This means that the price fluctuations for the VBG share have been lower than the average price fluctuations on Stockholmsbörsen during this period.

Share buy-back programme

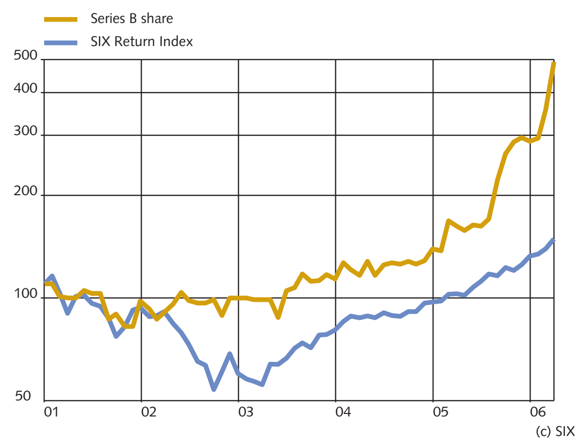
Following the buy-back programme that was implemented in 2002, VBG AB (publ) owns 297,994 Series B shares. The shares represent 8.7 per cent of the share capital. The Board of Directors was authorised by the 2005 Annual General Meeting to resolve on one or more occasions to transfer these shares in connection with the acquisition of a business operation. This authorisation is valid until the AGM in May 2006.

During 2004 the Group's ownership was changed when Hexagon distributed its holding of VBG shares to its shareholders. Following the sharp increase in the number of

VBG share price over five years



Total yield over five years



shareholders with small lots in connection with the distribution, the number of shareholders has decreased progressively and is now relatively stable at just under 5,000. The proportion of small shareholders who have kept their shares is high in relation to what can be expected following a distribution of this kind.

Proposed dividend

The Board of Directors proposes that the dividend will be raised to SEK 5.50 per share (4.00) for financial year 2005.

The proposed dividend entails a total distribution of funds from the Parent Company equivalent to 5.2 per cent of the Group's equity at year-end and 25.6 per cent of the Group's profit after tax.

Analyst

Christian Wallberg at Remium Securities (+46 8 454 32 39, info@remium.com) regularly covers the VBG GROUP.

Ten biggest shareholders at 30 December 2005

Shareholders	Series A shares	Series B shares	Holding per cent	Votes per cent
Herman Kreftings Foundation for Allergy and Asthma Research	102,175	1,012,491	32.56	34.65
Konverta AB		345,809	10.10	5.89
Skrindan AB		234,880	6.86	4.00
Lannebo Småbolag Select		153,289	4.48	2.61
SLK Employees' Foundation	141,825		4.14	24.16
Nordea Bank Norge Odin Sverige 2		90,990	2.66	1.55
Odin Sverige 1, Nordea Bank Norge ASA		80,187	2.34	1.37
Didner & Gerge Share Fund		72,000	2.10	1.23
VBG-SLK Foundation	61,000	1,750	1.83	10.42
Lindtor Maskin AB		52,700	1.54	0.90
Total ten largest shareholders	**305,000**	**2,044,096**	**68.61**	**86.78**
Total other shareholders		**776,410**	**22.69**	**13.22**
Total outstanding shares	**305,000**	**2,820,506**	**91.30**	**100.00**
VBG AB (publ)		**297,994**	**8.70**	
Total number of registered shares	**305,000**	**3,118,500**	**100.00**	

Shareholders in Sweden and abroad

31 Dec. 2005	Percentage of capital
Sweden	93.05
Other Nordic countries	5.66
Other European countries	0.91
USA	0.28

Shareholder categories

31 Dec. 2005	Percentage of capital
Foreign shareholders	6.95
Swedish shareholders	93.05
Of which:	
Institutions	80.74
Private persons	19.26

Size of shareholdings

	31 Dec. 2005	Percentage of capital
Number of shares	Number of shareholders	Stake per cent
< 500	4,610	9.31
500–5,000	250	10.01
> 5,000	27	80.68
Total		**100.00**

Data per share

Data per share	2001	2002	2003	2004	2005
Earnings per share	–2.33	4.83	7.47	9.00	21.47
Dividend	3.00	3.00	3.00	4.00	5.50
Share price at year-end	95.00	90.00	100.00	117.50	236.00
P/E ratio	neg	18.6	13.4	13.1	11.0
Equity per share	85.60	81.78	81.62	86.46	105.75
Cash flow per share	17.14	19.24	16.63	12.99	27.96
Dividend yield	3.20	3.30	3.00	3.40	2.33
Number of shares outstanding ('000)	3,424	3,126	3,126	3,126	3,126
Average number of shares outstanding ('000)	3,424	3,275	3,126	3,126	3,126

Five-year summary

SEK M	2001	2002	2003	2004	2005
Sales and earnings				IFRS	
Net turnover	552.3	532.8	530.4	604.5	778.5
Operating profit (adjusted)*	25.8	33.3	41.1	61.5	101.8
Operating margin, % (adjusted)*	4.7	6.3	7.7	10.2	13.1
Profit after financial items (adjusted)*	22.9	31.6	40.0	60.0	97.4
Profit margin, % (adjusted)*	4.2	5.9	7.5	9.9	12.5
Items affecting comparability	–33.0	—	–8.7	–15.7	—
Operating profit/loss (reported)	–7.2	33.3	32.4	45.8	101.8
Profit/loss after financial items (reported)	–10.1	31.6	31.3	44.3	97.4
Profit margin, % (reported)	–1.8	5.9	5.9	7.3	12.5
Profit/loss after tax	–8.0	15.8	23.3	28.1	67.1
Financial position					
Balance sheet total	503.9	450.2	419.4	444.2	852.4
Capital employed	379.5	331.3	293.0	303.2	595.3
Return on capital employed, %	–0.9	10.2	11.1	15.7	26.7
Equity	293.2	255.6	255.2	270.2	330.5
Return on equity, %	–2.7	5.8	9.1	10.7	22.4
Risk-bearing capital	304.9	274.0	270.7	293.0	387.8
Risk-bearing capital ratio, %	60.5	60.9	64.5	66.0	45.5
Equity/assets ratio, %	58.2	56.8	60.8	60.7	38.8
Cash flow					
Cash flow before change in working capital	46.0	56.3	58.2	65.7	102.3
Cash flow from operating activities	58.7	63.0	52.0	40.6	87.4
Cash flow from investing activities	–28.8	–13.7	–15.3	–18.0	–321.7
Cash flow from financing activities	–38.6	–58.9	–49.6	–16.0	215.4
Cash flow for the year	–8.7	–9.6	–12.9	6.6	–18.9
Data per share					
Earnings per share, SEK	–2.33	4.83	7.47	9.00	21.47
Dividend per share, SEK	3.00	3.00	3.00	4.00	5.50
Dividend yield per share, %	3.20	3.30	3.00	3.40	2.33
Other					
Average number of employees	333	309	301	308	339

**Before items affecting comparability.*

Board of Directors' Report

VBG AB (publ) Corp. ID no. 556069-0751

(All amounts in SEK '000 or SEK million unless otherwise stated)

The Board of Directors and Managing Director of VBG AB (publ) hereby submit their annual report and consolidated financial statements for financial year 2005, the company's 47th year of operation.

INFORMATION ON THE BUSINESS

General

VBG AB (publ) in Vänersborg is the Parent Company of an international engineering group. The Group has wholly-owned manufacturing subsidiaries in Sweden, Germany, the Czech Republic and Belgium, as well as wholly-owned sales companies in Norway, Denmark, the UK, France and the USA. Sales to geographic markets where the Group does not have its own sales companies take place via a network of well established distributors.

The Norwegian and Danish sales companies are subsidiaries of VBG Produkter AB in Vänersborg, and the Czech company is a subsidiary of the German company Edscha Lkw Schiebeverdecke GmbH. Other companies in the Group, including VBG Produkter AB and Edscha Lkw Schiebeverdecke GmbH, are subsidiaries of VBG AB (publ).

Business areas

The Group's operations are divided into two business areas.

- TRUCK EQUIPMENT includes three product areas: Coupling Equipment with the brands VBG and RINGFEDER, Sliding Roofs with the brands EDSCHA Trailer Systems and SESAM, and General Truck Equipment, which consists of the following product groups: automatic tyre chains (ONSPOT), dropside pillars (ARMATON), fifthwheels and ancillary equipment for semi-trailer tractors, and other accessories for trucks.
- POWER TRANSMISSION (formerly Machine Elements) includes three product areas: Shaft-Hub Connections (RINGFEDER) and Friction Springs (RINGFEDER), where the customers are machinery manufacturers and high-tech companies in all parts of the world.

The third product area, Special Products, is a mixture of complementary trading products and design solutions where the original RINGFEDER product is integrated in a new product application.

Organisation

Operations are conducted in an operational structure that cuts across national and corporate boundaries. The CEO currently also serves in the post of Business Area Manager for Truck Equipment.

Consolidated turnover and earnings

As from the fourth quarter, the Group's most recent major acquisition, the Sliding Roofs product area, was accounted for in the Truck Equipment business area. EDSCHA Trailer Systems and SESAM were thereby added to the Group's portfolio of strong brands.

The acquired operation contributed SEK 75.6 M, helping make the turnover for the fourth quarter the highest in the Group's history: SEK 267.6 M.

The Group's net turnover increased by 28.8 per cent to SEK 778.5 M (604.5). The turnover increase due to acquisitions was 12.5 per cent (SEK 75.6 M), while the turnover increase due to organic growth was 16.3 per cent (SEK 98.4 M). Operating profit exceeded SEK 100 million for the first time in the Group's history, reaching SEK 101.8 M. Profit before tax more than doubled, amounting to SEK 97.4 M (44.3). The consolidated profit is charged with Group-wide overheads of SEK 5.9 M (7.3), which have not been allocated to the operating profits of the different business areas.

Earnings per share after tax rose sharply to SEK 21.47 (9:00). The profitability ratios rose sharply during the year: Return on capital employed amounted to 26.7 per cent (15.7) and return on equity was 22.4 per cent (10.7). The Group's equity/assets ratio fell substantially, however, to 38.8 per cent (60.7) as a consequence of the fact that the acquisition was largely financed by loans.

	2005	4/05	3/05	2/05	1/05	2004	4/04	3/04	2/04	1/04
Net turnover	778.5	267.6	160.0	176.1	174.8	604.5	158.3	142.3	149.4	154.5
Operating profit	101.8	35.8	24.7	21.6	19.7	45.8	12.0	11.4	6.6	15.7
Operating margin, %	13.1	13.4	15.4	12.3	11.3	7.6	7.6	8.0	4.4	10.2
Profit after financial items	97.4	31.8	24.6	21.5	19.5	44.3	11.7	11.2	6.1	15.3
Operating margin, %	12.5	12.0	15.4	12.2	11.2	7.3	7.4	7.9	4.0	9.9
Profit after tax	67.1	21.8	16.7	15.0	13.6	28.1	5.8	7.3	4.6	10.4
Earnings per share	21.47	6.99	5.33	4.82	4.34	9.00	1.86	2.35	1.46	3.33
ROCE, % (cum.)	26.7		27.8	26.3	25.6	15.7		15.6	15.7	21.7
ROE, % (cum.)	22.4		20.7	20.2	19.4	10.7		11.3	11.6	15.9
Equity/assets ratio, %	38.8		37.1	59.8	60.2	60.7		61.2	59.9	61.8

Truck Equipment business area

Due to the incorporation of the Sliding Roof Division, turnover for the fourth quarter was substantially higher than ever before: SEK 225.7 M (126.9). The fourth quarter was dominated by intensive efforts to integrate and adapt the Sliding Roof Division, which gave rise to certain extra costs. Among other things, it was decided in December that the assembly line for sliding roofs is to be relocated from Remscheid in Germany to the plant in the Czech Republic. The move affects 25–30 workers and is expected to be completed by the summer of 2006. Estimated closure costs have been charged to fourth-quarter earnings.

The business area's previously dominant product area, Coupling Equipment, with the two strong brands VBG and RINGFEDER, accounted for 89 per cent of the business area's turnover before the acquisition, and 52 per cent of the business area's turnover was invoiced in the Nordic countries.

In the new structure, a more even distribution is created between the product areas and the geographic markets. In the last quarter of 2005, Coupling Equipment accounted for 56 per cent of the turnover and the Nordic countries for 34 per cent.

Turnover for the business area increased by a total of 32.3 per cent to SEK 624.1 M (471.8).

Turnover Truck Equipment	2005	4/05	3/05	2/05	1/05	2004	4/04	3/04	2/04	1/04
Product areas:										
Coupling Equipment	478.5	125.6	106.8	125.3	120.8	413.2	105.6	93.4	105.9	108.3
Sliding Roofs	75.6	75.6								
General Truck Equipment	70.0	24.5	14.6	14.7	16.2	58.6	21.3	12.1	11.3	13.9
Truck Equipment	**624.1**	**225.7**	**121.4**	**140.0**	**137.0**	**471.8**	**126.9**	**105.5**	**117.2**	**122.2**
Markets:										
Sweden	160.7	42.8	36.4	40.9	40.6	131.8	37.2	27.0	31.3	36.3
Other Nordic countries	122.0	33.1	23.9	35.0	30.0	105.2	27.7	19.2	30.7	27.6
Rest of Europe	297.1	136.9	48.9	53.2	58.1	194.2	50.2	47.6	46.2	50.2
Rest of the world	44.3	12.9	12.2	10.9	8.3	40.6	11.8	11.7	9.0	8.1
Truck Equipment	**624.1**	**225.7**	**121.4**	**140.0**	**137.0**	**471.8**	**126.9**	**105.5**	**117.2**	**122.2**

The market in 2005 was stable and strong, providing the necessary prerequisites for high capacity utilisation in the organisation. The operating profit for the Truck Equipment business area for the whole year was SEK 93.9 M, which was an increase of 69 per cent compared with last year (55.6). The operating margin rose to 15.1 per cent (11.8).

Turnover and Earnings, Truck Equipment	2005	4/05	3/05	2/05	1/05	2004	4/04	3/04	2/04	1/04
Net turnover	624.1	225.7	121.4	140.0	137.0	471.8	126.9	105.5	117.2	122.2
Operating profit	93.9	29.5	22.1	22.9	19.4	55.6	17.1	10.9	10.4	17.2
Operating margin, %	15.1	13.1	18.2	16.4	14.2	11.8	13.5	10.3	8.9	14.1

Power Transmission business area (formerly Machine Elements)

Sales volumes increased during most of 2005. With an increase of 33.9 per cent, the North American market in particular contributed to a turnover that was 16.4 per cent higher than last year: SEK 154.4 M (132.7). The European market declined slightly, however.

The big restructuring project in production and sourcing was concluded the previous year, and then the business area reported an underlying operating profit of SEK 13.1 M, with a margin of 9.9 per cent.

Turnover Power Transmission	2005	4/05	3/05	2/05	1/05	2004	4/04	3/04	2/04	1/04
Product areas:										
Friction Springs	31.8	8.9	8.0	7.2	7.7	26.1	6.5	8.2	5.7	5.7
Shaft-hub Connections	68.3	18.6	16.4	15.5	17.8	63.0	14.9	17.0	15.0	16.1
Special Products	54.3	14.4	14.2	13.4	12.3	43.6	10.0	11.6	11.5	10.5
Power Transmission	**154.4**	**41.9**	**38.6**	**36.1**	**37.8**	**132.7**	**31.4**	**36.8**	**32.2**	**32.3**
Markets:										
Europe	49.4	11.7	11.5	12.3	13.9	51.5	11.8	14.5	11.4	13.8
North America	79.8	22.4	20.8	19.0	17.6	59.6	13.5	16.1	16.0	14.0
Rest of the world	25.2	7.8	6.3	4.8	6.3	21.6	6.1	6.2	4.8	4.5
Power Transmission	**154.4**	**41.9**	**38.6**	**36.1**	**37.8**	**132.7**	**31.4**	**36.8**	**32.2**	**32.3**

Turnover and Earnings, Power Transmission	2005	4/05	3/05	2/05	1/05	2004	4/04	3/04	2/04	1/04
Net turnover	154.4	41.9	38.6	36.1	37.8	132.7	31.4	36.8	32.2	32.3
Operating profit	13.8	6.9	3.2	1.7	2.0	13.1	3.4	3.3	3.2	3.2
Restructuring	—	—	—	—	—	–15.7	–6.2	–1.6	–4.9	–3.0
Operating profit/loss	13.8	6.9	3.2	1.7	2.0	–2.6	–2.8	1.7	–1.7	0.2
Operating margin, %	8.9	16.5	8.3	4.7	5.3	–2.0	–8.9	4.6	–5.3	0.6

Tax expense

The year's tax expense was SEK 30.2 M (16.3), of which tax paid comprised SEK 28.0 M (9.3). The tax expense is equivalent to a tax percentage for the Group of 31.1 per cent (36.6).

Investments

The Group's new investments totalled SEK 316.5 M (16.3) in 2005, of which SEK 291.5 M (0) pertains to acquired net assets and goodwill via the acquisition of Edscha Sliding Roofs.

Currency risk management

Currency risk refers to the risk that the VBG Group's commercial payment flows and net assets in foreign subsidiaries may be negatively affected due to fluctuations in the rates of exchange between foreign currencies and the subsidiaries' currencies (transaction risk) or between the subsidiaries' currencies and the Swedish krona (translation risk).

Approximately 15 per cent of the Group's sales are invoiced in a currency other than the local currency in the manufacturing subsidiaries in Sweden, Germany, Belgium and the Czech Republic. The proportion of purchases in foreign currency was less than 10% of the cost of the goods sold. The impact of exchange rate changes on the Group's operating profit amounts to about SEK 1 M.

Translation risk arises when the Group invests in net assets in currencies other than the Swedish krona (SEK). At year-end, the Group had net assets in the foreign subsidiaries totalling SEK 324 M, of which 82 per cent was in EUR, 14 per cent in USD, 0.5 per cent in GBP, 2 per cent in DKK and 1 per cent in NOK. The translation difference for 2005 was positive at SEK 5.7 M (–3.6) and was recognised directly against equity in accordance with the Group's accounting principles. In accordance with company policy, this translation risk is not hedged.

At year-end the Group had net borrowing in foreign currency amounting to EUR 25 M.

Cash flow and financial position

The cash flow generated by operating activities during the year totalled SEK 87.4 M (40.6). New investments paid for during the year totalled SEK 321.7 M (18.0), of which SEK 299.9 M pertains to the acquisition of a subsidiary. New net borrowings by the Group during the year amounted to SEK 227.9 M (–6.6). Furthermore, the dividend paid to the shareholders amounted to SEK –12.5 M (–9.4). The year's net cash flow was SEK –18.8 M (6.6).

The Group's cash and cash equivalents were also affected by a translation difference of SEK 1.2 M, after which they amounted to SEK 60.8 M (78.4).

The Group's interest-bearing net debt increased during the year by SEK 254.2 M, amounting to SEK 247.2 M (–7.0) at year-end.

Equity increased to SEK 330.5 M (270.2) and was positively affected during 2005 by translation differences in foreign subsidiaries in the amount of SEK 5.7 M.

The ratio of interest-bearing net debt to equity at year-end was 0.75 (–0.03). The equity/assets ratio declined to 38.8 per cent (60.7) due to the fact that the acquisition was largely financed by loans.

Personnel

At the end of 2005 there were 408 employees (307) in the Group, including 146 (145) in Sweden. During 2005 the Group employed an average of 339 persons (308). Of these, 156 (149) were active in Sweden. The cost of salaries and social security contributions was SEK 191.3 M (167.5).

Parent Company

The operations of VBG AB (publ) 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 (publ) focuses on maintaining and developing all the Group's trademarks and rights. The company's net turnover in 2005 pertains to intra-Group services and rentals and amounted to SEK 12.1 M (12.7). The profit after dividends from Group companies and financial items was SEK 29.5 M (19.8). The Parent Company's cash and cash equivalents amounted to SEK 10.2 M (37.3) at year-end. At the same time, the company had a long-term acquisition loan of SEK 179.2 M and a short-term overdraft facility of SEK 56.8 M. The company did not have any outstanding convertible loans or warrants at year-end.

Environmental influence

The Group works actively with environmental assurance in both production and administration. Our operations are not directly polluting, but as a leading player in the sector it is nonetheless natural for the Group to take an active role in efforts to protect the environment. This is done by limiting the impact of the Group's processes on the environment, but also by manufacturing products that boost efficiency in the transport sector and thereby help to mitigate pollution in heavy goods transport, for example. VBG Produkter AB has been environmentally certified to ISO 14001 since 1998, and Ringfeder VBG GmbH since 2003.

Five-year summary of the Group's financial performance and position (definitions, see Note 1):

SEK M	2005	2004	2003	2002	2001
Sales and earnings		**IFRS**			
Net turnover	778.5	604.5	530.4	532.8	552.3
Profit after financial items (adjusted)	97.4	60.0	40.0	31.6	22.9
Items affecting comparability	—	–15.7	–8.7	—	–33.0
Profit/loss after financial items (reported)	97.4	44.3	31.3	31.6	–10.1
Profit/loss after tax	67.1	28.1	23.3	15.8	–8.0
Financial position					
Balance sheet total	852.4	444.1	419.4	450.2	503.9
Equity	330.5	270.2	255.2	255.6	293.2
Risk-bearing capital	387.8	293.0	270.7	274.0	304.9
Equity/assets ratio, per cent	38.8	60.7	60.8	56.8	58.2
Risk-bearing capital ratio, per cent	45.5	66.0	64.5	60.9	60.5
Profitability					
Return on capital employed, per cent	26.7	15.7	11.1	10.2	–0.9
Return on equity, per cent	22.4	10.7	9.1	5.8	–2.7
Operating margin, per cent (adjusted)	12.5	9.9	7.5	5.9	4.2
Operating margin, per cent (reported)	12.5	7.3	5.9	5.9	–1.8
Other					
Number of employees at year-end	408	307	292	302	323
Average number of employees	339	308	301	309	333

The Board of Directors

At present the Board of Directors of VBG AB (publ) consists of five members elected by the Annual General Meeting. The Annual General Meeting did not elect any deputies. In addition, the trade unions SIF/CF/Ledarna (the Swedish Union of Clercial and Technical Employees in Industry/the Swedish Association of Graduate Engineers/the Association of Management and Professional Staff) and Metall (the Swedish Metal Workers' Union), each appoint one member and one deputy member.

White-collar employees take part in Board meetings by submitting reports or serving in the post of secretary.

During the 2005 financial year, the Board of Directors held 7 (6) meetings. The work of the Board follows an annual plan designed to satisfy the need of the Board for information. In all other respects, the work of the Board is subject to the special rules of procedure the Board has adopted governing the division of responsibilities between the Board and the Managing Director.

The 2005 Annual General Meeting elected a Nominating Committee, and on behalf of the AGM the Board appointed an Audit Committee and a Compensation Committee. The company's auditor reports his observations to the Board every year based on his examination and gives his assessment of the company's internal control.

Share and shareholders

Earnings per share, after tax, for the year amounted to SEK 21.47 (9:00). Equity per share at year-end was SEK 105.75, compared to SEK 86.46 at the end of last year.

A buy-back programme for VBG shares was carried out in 2002, resulting in the transfer of 297,994 Series B shares to VBG AB (publ). These shares represent 8.7 per cent of the share capital. The Board of Directors was authorised by the 2005 Annual General Meeting to resolve on one or more occasions to transfer these shares in connection with the acquisition of a business operation. This authorisation is valid until the AGM in May 2006. The total number of externally owned shares is 3,125,506.

The number of registered shareholders at the end of 2005 was 4,900 (5,299). VBG AB's largest shareholder is the Herman Krefting Foundation for Allergy and Asthma Research with 32.6 per cent of the share capital and 34.7 per cent of the voting rights.

Two other foundations, also established by the Group's founder Herman Krefting – the SLK Employees' Foundation and the VBG-SLK Foundation – own 5.9 per cent of the shares but exercise 34.6% of the voting rights through their holdings of Series A shares.

Proposed distribution of profits

In proposing the dividend, the Board of Directors has taken into account the Group's long-term development potential, financial position and investment needs. Bearing these factors in mind, the Board has decided to recommend that the AGM approve a dividend of SEK 5.50 per share (4.00).

The following funds are available for distribution in the Parent Company:

Retained earnings	SEK 49,144,670
Net profit for the year	SEK 29,850,445
	SEK 78,995,115

The Board of Directors and the Managing Director propose that these funds be distributed as follows:

Dividend to shareholders	SEK 17,190,283
Carried forward to new account	SEK 61,804,832
	SEK 78,995,115

Consolidated Income Statement

	Note	2005	2004
Net turnover	2	778,470	604,484
Cost of goods sold	7	–486,131	–389,162
Gross profit		**292,339**	**215,322**
Selling expenses		–130,924	–111,597
Administrative expenses		–51,481	–39,061
Research and development costs		–11,624	–10,440
Other operating income	3	3,486	2,150
Other operating expenses	7	—	–10,583
		–190,543	**–169,531**
Operating profit	4,5,6	**101,796**	**45,791**
Result from financial items			
Financial income		1,376	1,029
Financial expenses		– 5,805	–2,406
Total result from financial items		**–4,429**	**–1,377**
Profit after financial items		**97,367**	**44,414**
Tax on profit for the year	9	–30,237	–16,284
Net profit for the year		**67,130**	**28,130**
Earnings per share		**21.47**	**9.00**
No. of shares at year-end		**3,125,506**	**3,125,506**
Average no. of shares during the year		**3,125,506**	**3,125,506**

Consolidated Balance Sheet

	Note	31 Dec. 2005	31 Dec. 2004
Assets			
Non-current assets			
Intangible assets	10		
Computer software and trademarks		69,774	1,472
Goodwill		223,291	29,863
		293,065	**31,335**
Tangible assets	11		
Land and buildings		55,290	22,734
Plant and machinery		48,119	50,936
Equipment, tools, fixtures and fittings		23,698	21,387
Construction in progress		5,539	60
		132,646	**95,117**
Long-term investments			
Deferred tax assets	13	2,145	2,265
Other long-term receivables		—	1,552
		2,145	**3,817**
Total non-current assets		**427,856**	**130,269**
Current assets			
Inventories	14		
Raw materials and consumables		71,217	43,528
Work in progress		32,896	30,516
Finished products and merchandise		79,425	52,458
		183,538	**126,502**
Current receivables			
Trade receivables		153,844	93,920
Tax assets		5,486	5,333
Other receivables		14,551	5,399
Prepaid expenses and accrued income	15	6,291	4,364
		180,172	**109,016**
Cash and cash equivalents			
Short-term investments		2,459	25,482
Cash on hand and demand deposits		58,368	52,945
		60,827	**78,427**
Total current assets		**424,537**	**313,945**
Total assets		**852,393**	**444,214**

cont'd. Consolidated Balance Sheet

	Note	31 Dec. 2005	31 Dec. 2004
Equity and liabilities			
Equity	16		
Share capital		34,235	34,235
Other contributed capital		32,111	32,111
Reserves regarding translation differences		2,002	–3,671
Retained earnings, incl. profit for the year		262,187	207,559
Total equity		**330,535**	**270,234**
Non-current liabilities			
Provisions for pensions and similar obligations	18	68,871	63,716
Deferred tax liability	13	59,419	25,110
Other provisions	19	1,255	1,467
Liabilities to credit institutions	20	144,650	79
Total non-current liabilities		**274,195**	**90,372**
Current liabilities			
Overdraft facilities	22	56,769	7,644
Liabilities to credit institutions		37,720	—
Trade payables		63,357	25,315
Tax liabilities		17,148	1,087
Other liabilities		16,176	8,819
Accrued expenses and deferred income	23	56,493	40,743
Total current liabilities		**247,663**	**83,608**
Total equity and liabilities		**852,393**	**444,214**
Pledged assets	21	**None**	**118,399**
Contingent liabilities	24	**214**	**214**

Consolidated changes in equity

	Note	Share capital	Contributed capital	Reserve regarding translation differences	Retained earnings	Total equity
Opening balance at 1 Jan. 2004		**34,235**	**32,111**	**—**	**188,806**	**255,152**
Translation difference				–3,671		–3,671
Net profit for the year 2004					28,130	28,130
Dividend					–9,377	–9,377
Equity 31 Dec. 2004		**34,235**	**32,111**	**–3,671**	**207,559**	**270,234**
Translation difference				5,673		5,673
Net profit for the year					67,130	67,130
Dividend					–12,502	–12,502
Equity 31 Dec. 2005	16	**34,235**	**70,012**	**2,002**	**262,187**	**330,535**

Consolidated Cash Flow Statement

	Note	2005	2004
Operating activities			
Operating profit before financial items		101,796	45,791
Depreciation		25,214	24,028
Other items not affecting liquidity	26	–6,518	4,389
Interest received		1,384	1,254
Interest paid		–4,504	–1,607
Tax paid		–15,095	–8,147
Cash flow before change in working capital		**102,277**	**65,708**
Decrease/increase (–) in inventories		–10,872	–11,844
Decrease/increase (–) in trade receivables		1,214	–20,815
Decrease/increase (–) in other current receivables		–5,451	–4,144
Increase/decrease (–) in trade payables		10,652	5,164
Increase/decrease (–) in other current liabilities		–10,429	6,494
Cash flow from operating activities		**87,391**	**40,563**
Investing activities			
Acquisition of subsidiary after deduction for acquired cash and cash equivalents	29	–299,899	—
Investments in intangible assets	26	–656	–1,054
Investments in property, plant and equipment		–24,344	–15,204
Sales of property, plant and equipment		1,683	–226
Disposal/amortisation of long-term investments		1,552	–1,528
Cash flow from investing activities		**–321,664**	**–18,012**
Financing activities			
New borrowings		227,936	—
Amortisation of loans		—	–6,611
Dividend paid		–12,502	–9,376
Cash flow from financing activities		**215,434**	**–15,987**
Cash flow for the year		**–18,839**	**6,564**
Cash and cash equivalents at start of year		**78,427**	**71,920**
Translation difference, cash and cash equivalents		1,239	–57
Cash and cash equivalents at year-end	26	**60,827**	**78,427**
Unutilised overdraft facilities		83,531	20,805
Total cash and cash equivalents available		**144,358**	**99,232**
Change in net debt			
Interest-bearing liabilities and provisions		308,010	71,439
Cash on hand, demand deposits and short-term investments		–60,827	–78,427
Net debt		**247,183**	**–6,988**
Change in interest-bearing net debt		**254,171**	**–11,497**

Parent Company Income Statement

	Note	2005	2004
Net turnover		12,129	12,665
Gross profit		**12,129**	**12,665**
Selling expenses			
Administrative expenses		–14,174	–14,343
Other operating income		90	—
Other operating expenses		–4,774	–6,328
		–18,858	**–20,671**
Operating profit/loss	4,5,6	**–6,729**	**–8,006**
Result from financial items			
Dividends from interests in subsidiaries		40,000	28,000
Financial income		801	540
Financial expenses		–4,542	–775
Total result from financial items		**36,259**	**27,765**
Profit after financial items		**29,530**	**19,759**
Appropriations	8	501	85
Tax on profit for the year	9	–181	–65
Net profit for the year		**29,850**	**19,779**

Parent Company Balance Sheet

	Note	31 Dec. 2005	31 Dec. 2004
Assets			
Non-current assets			
Intangible assets			
Trademarks, patents and other rights	10	24,867	23,523
		24,867	**23,523**
Plant, property and equipment	11		
Land and buildings		10,662	9,010
Plant and machinery		1,139	2,818
Equipment, tools, fixtures and fittings		284	673
		12,085	**12,501**
Long-term investments			
Interests in Group companies	12	449,147	97,854
Receivables from Group companies		3,056	2,908
		452,203	**100,762**
Total non-current assets		**489,155**	**136,786**
Current assets			
Current receivables			
Trade receivables		—	1,375
Receivables from Group companies		17,306	10,605
Tax assets		4,017	4,132
Other receivables		1,851	12
Prepaid expenses and accrued income	15	1,063	651
		24,237	**16,775**
Cash and cash equivalents			
Short-term investments		2,459	25,482
Cash on hand and demand deposits		7,714	11,784
		10,173	**37,266**
Total current assets		**34,410**	**54,041**
Total assets		**523,565**	**190,827**

cont'd. Parent Company Balance Sheet

	Note	31 Dec. 2005	31 Dec. 2004
Equity and liabilities			
Equity	16		
Restricted equity			
Share capital		34,235	34,235
Share premium reserve		—	47,303
Statutory reserve Statutory reserve		53,249	5,946
		87,484	**87,484**
Non-restricted equity			
Retained earnings		49,145	41,868
Net profit for the year		29,850	19,779
		78,995	**61,647**
Total equity		**166,479**	**149,131**
Untaxed reserves	17	**25,701**	**26,202**
Provisions			
Provisions for pensions, PRI	18	10,704	10,717
Total provisions		**10,704**	**10,717**
Non-current liabilities			
Loans		141,450	—
Total non-current liabilities		**141,450**	**0**
Current liabilities			
Overdraft facilities		56,770	—
Trade payables		868	1,831
Liabilities to subsidiaries		80,720	—
Loans		37,720	—
Other current liabilities		181	252
Accrued expenses and deferred income	23	2,972	2,694
Total current liabilities		**179,231**	**4,777**
Total equity and liabilities		**523,565**	**190,827**
Pledged assets		—	—
Contingent liabilities	24	**13,990**	**40,679**

Parent Company Changes in Equity

	Note	Share capital	Share premium reserve	Statutory reserve	Non-restricted equity	Total equity
Equity 1 Jan. 2004		**34,235**	**47,303**	**5,946**	**51,244**	**138,728**
Net profit for the year 2004					19,779	19,779
Dividend					–9,376	–9,376
Equity 31 Dec. 2004		**34,235**	**47,303**	**5,946**	**61,647**	**149,131**
Net profit for the year					29,850	29,850
Dividend					–12,502	–12,502
Reposting of share premium reserve to statutory reserve			–47,303	47,303		
Equity 31 Dec. 2005	16	**34,235**	**0**	**53,249**	**78,995**	**166,479**

Cash Flow Statement for Parent Company

	2005	2004
Operating activities		
Operating profit before financial items	–6,729	–8,006
Depreciation	4,698	5,092
Other items not affecting liquidity	–555	–79
Interest received	809	873
Dividend received	40,000	28,000
Interest paid	–4,090	–259
Tax paid	–66	–65
Cash flow before change in working capital	**34,067**	**25,556**
Decrease/increase (–) in trade receivables	1,375	–1,375
Decrease/increase (–) in other current receivables	–8,703	–5,202
Increase/decrease (–) in trade payables	–963	1,324
Increase/decrease (–) in other current liabilities	80,927	745
Cash flow from operating activities	**106,703**	**21,048**
Investing activities		
Investments in property, plant and equipment	–2,562	–56
Sales of property, plant and equipment	90	1,130
Investments in subsidiaries	–351,698	—
Other long-term investments	—	–2,908
Investments in intangible assets	–3,064	—
Cash flow from investing activities	**–357,234**	**–1,834**
Financing activities		
Dividend paid	–12,502	–9,376
Borrowings	179,170	—
Increase in current financial Liabilities	56,770	—
Cash flow from financing activities	**223,438**	**–9,376**
Cash flow for the year	**–27,093**	**9,838**
Cash and cash equivalents at start of year	**37,266**	**27,428**
Cash and cash equivalents at year-end	**10,173**	**37,266**
Unutilised overdraft facilities	83,530	—
Total cash and cash equivalents available	**93,703**	**37,266**

Notes to Parent Company and Consolidated Financial Statements

Note 1 General information

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

The Parent Company is a limited company registered and domiciled in Sweden. The address to the headquarters is Box 1216, SE-462 28 Vänersborg, Sweden.

The Parent Company is listed on the O-list on Stockholmsbörsen.

Accounting and valuation principles

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. In addition, the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation RR 30 are applied. The recommendations of the Swedish Financial Accounting Standards Council were previously applied. The financial statements have been prepared in accordance with the historical cost method, except with regard to financial assets that can be sold and financial assets and liabilities (including derivative instruments) measured at fair value in the Income Statement.

The Parent Company complies with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation RR 32. The Parent Company's and the Group's accounting principles coincide unless otherwise specifically stated.

2005 is the first financial year for which the company is submitting financial statements presented in accordance with IFRS. The annual report is therefore subject to the rules in IFRS 1,"First-time Adoption of International Financial Reporting Standards". This annual report has been prepared in accordance with the IFRS standards and IFRIC interpretations that had entered into effect at its time of preparation and have been approved by the European Commission.

The Group has analysed the IFRS standards and interpretations that have not yet entered into effect and that have not been applied in the 2005 annual report. Only IFRS 7 Financial Instruments: Disclosures, which enters into force in 2007, is judged to affect the Group. The new standard concerns the scope and contents of the presentation of financial instruments and risks in the annual report and is not expected to have any significant influence on an entity's financial position and performance when it becomes effective.

Preparing financial statements in accordance with IFRS requires the use of some important accounting estimates. It also requires that management make certain judgements in the application of the company's accounting principles. Those areas that include a high degree of judgement, that are complex or where assumptions and estimates are of essential importance for the consolidated accounts are stipulated in Note 28.

The consolidated accounts have been prepared as if the Group had always prepared its accounts in accordance with IFRS, which means that the figures for the comparative year have been restated to conform to the changed principles. However, the Group has chosen to exercise the following optional exemptions from this method as allowed by IFRS.

– No retrospective restatement has been done of acquisition analyses regarding acquisitions prior to the date of transition.
– On adopting IFRS, the Group has set cumulative translation differences arising when foreign subsidiaries are incorporated into the consolidated accounts to zero.
– IAS 32 and IAS 39 regarding reporting of financial instruments have been adopted as of 1 January 2005. The disclosures regarding financial instruments for the comparative year are therefore presented in accordance with previous accounting principles.
– All actuarial differences regarding defined-benefit pension plans are recognised in the pension liability at the time of transition.

The difference in comparison with previous accounting principles is limited to IFRS 3 (Business Combinations), where goodwill will no longer be amortised. Instead, impairment testing of goodwill will be performed every year. Nor may provision be made to the restructuring reserve anymore for a business combination. Instead, the costs of restructuring resulting from business combinations will be charged directly to earnings. VBG has chosen in accordance with IFRS 1 not to restate business combinations that took place prior to 1 January 2004. Goodwill for business combinations prior to 1 January 2004 has been recognised based on the residual value for goodwill according to the Balance Sheet as of 31 December 2003. Note 30 shows how previous years' accounts have been restated.

Consolidated accounts

Subsidiaries are all companies where the Group has the right to dictate financial and operational strategies in a way that normally accompanies a shareholding amounting to more than half of the voting rights. Subsidiaries are included in the consolidated accounts as from the date when control passes to the Group. They are excluded from the consolidated accounts as from the date when this control no longer exists.

The purchase method is used for accounting of the Group's business combinations. The historical cost of an acquisition consists of the fair value of identifiable assets furnished as compensation and liabilities arising or assumed as of the date of transfer, plus costs directly attributable to the acquisition. Identifiable acquired assets and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value on the acquisition date, regardless of the scope of any minority interest. The excess that consists of the difference between the historical cost and the fair value of the Group's share of identifiable acquired net assets is recognised as goodwill.

Intra-Group transactions and line items, as well as unrealised gains on transactions between Group companies, are eliminated. Unrealised losses are also eliminated, unless the transaction constitutes evidence of the existence of an impairment loss for the transferred asset. The accounting principles for subsidiaries have been changed where applicable in order to guarantee a consistent application of the Group's principles.

Taxes

The tax expense or income for the period consists of current and deferred tax.

Current tax is calculated on the taxable profit for the period in each individual legal entity.

Deferred tax is recognised in its entirety, in accordance with the balance sheet method, on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated accounts. If, however, the deferred tax arises as a result of a transaction that constitutes the initial recognition of an asset or liability that is not a business combination and that affects neither the carrying amount nor the tax base on the transaction date, it is not recognised. Deferred tax is calculated with the application of tax rates and laws that have been enacted or announced as of the balance sheet date and that are expected to apply when the concerned deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent it is likely that future taxable surpluses will be available against which the temporary differences can be utilised.

Receivables

Loans receivable and trade receivables are financial assets with fixed payments or payments that can be determined. The assets in this category are measured at amortised cost less allowance for impairment loss. Trade receivables are recognised at the amount that is expected to be paid, based on an individual assessment of doubtful trade receivables.

Effects of changes in exchange rates

Functional currency and reporting currency

Items included in the financial statements for the different entities in the Group are stated in the currency that is used in the economic environment where the enterprise in question is mainly active (functional currency). For all units, the functional currency is the currency in the country where the unit is active. The Swedish krona, which is the Parent Company's functional and reporting currency, is used in the consolidated accounts.

Transactions and line items

Transactions in foreign currencies are translated to the functional currency at the exchange rate prevailing on the transaction date. Exchange gains and losses arising in connection with the payment of such transactions and the translation of monetary assets and liabilities in foreign currencies at the closing rate are recognised in the Income Statement. An exception is when the transactions constitute hedges that meet the conditions for hedge accounting, when gains/losses are recognised in equity. Exchange gains and losses on operating receivables and liabilities are offset against each other and recognised among other operating income or other operating expenses.

Group companies

The earnings and financial position of all Group companies with another functional currency than the reporting currency are translated to the Group's reporting currency as follows:

(i) assets and liabilities are translated at the closing rate,

(ii) income and expenses are translated at the average rate and

(iii) all exchange rate differences that arise are recognised as reserves within equity.

On consolidation, exchange rate differences that arise as a consequence of translation of net investments in foreign operations and of borrowing and other currency instruments that have been identified as hedges of such investments are posted to equity. Goodwill and adjustments of fair value that arise in connection with the acquisition of a foreign operation are treated as assets and liabilities in this operation and translated at the closing rate.

Inventories

Inventories are measured, with application of the first-in first-out principle, at the lower of historical cost and fair value on the balance sheet date. The historical cost of own-manufactured semi-finished and finished products has been calculated as the manufacturing costs of the products including reasonable proportion of manufacturing overheads. Due provision has been made for obsolescence.

Pension obligations

There are both defined-contribution and defined-benefit pension plans in the Group. In defined-contribution plans, the Group's obligation is limited to fixed contributions that are paid to a separate legal entity. The Group's profit is charged with costs as the benefits are earned. In defined-benefit plans, the Group's obligation is based on salary at retirement and number of years of service. The Group bears the risk for payment of the pledged benefits.

The net total of the calculated present value of the obligations and the fair value of any plan assets is recognised in the balance sheet as either a provision or a long-term financial receivable.

Defined-benefit plans are calculated according to the "Projected Unit Credit Method". The method allocates the cost of pensions as the employees perform services for the company that increase their future benefit entitlement. The calculation is performed annually by independent actuaries. The company's obligations are calculated as the present value of expected future payments.

Actuarial gains and losses may arise if the actual outcome deviates from previously made assumptions, or if the assumptions change. The portion of the cumulative actuarial gains and losses at the end of last year that exceeds 10 per cent of either the present value of the commitments or the fair value of the plan assets, whichever is greater, is recognised in the Profit and Loss Account, divided by the average remaining working lives of the employees.

The above accounting principle for defined-benefit plans is applied in the consolidated accounts. The Parent Company accounts for defined-benefit pension plans in accordance with FAR's recommendation no. 4. The Parent Company has pledged defined-benefit pensions to its employees. The present value of these commitments to pay pensions in the future is calculated according to actuarial principles. The obligations are recognised as a provision in the Balance Sheet. The interest portion of the year's pension expense is recognised among financial expenses. Other pension expenses are charged to the operating profit.

Further details, including information on essential actuarial assumptions, are given in Note 18.

Intangible assets

Goodwill consists of the amount by which the historical cost exceeds the fair value of the Group's share of the acquired subsidiary's identifiable net assets on the acquisition date. Goodwill on acquisition of subsidiaries is recognised as an intangible asset. Goodwill is subjected to impairment testing annually and is recognised at historical cost less accumulated impairment losses.

Other intangible assets with a definable useful life are recognised at historical cost less amortisation according to plan during the useful life of the asset.

Expenditures for strategic computer programs are capitalised. Expenditures for product development projects are capitalised provided that the Group will enjoy future economic benefits from the development work and that it is possible to establish the historical cost reliably.

Amortisation takes place on a straight-line basis according to plan over the calculated useful life of the assets, as follows:

Trademarks	15 years
Other intangible assets	3–5 years

The amortisation period of trademarks, 15 years, is warranted by the fact that the Group's acquired brands are well reputed and have large and stable market shares on important markets.

Research and development

Expenditure for research and development is recognised as expense immediately. Expenditure for development projects (attributable to development and testing of new or improved products) is capitalised as intangible assets to the extent that this expenditure is expected to generate future economic benefits and the historical value of the asset can be estimated reliably. Other development costs are recognised as expenses when they occur. No expenditures for development projects have been capitalised during the year.

Tangible assets

Property, plant and equipment are recognised at historical cost less planned depreciation during the useful life of the assets. Depreciation takes place on a straight-line basis according to plan over the calculated useful life of the assets, as follows:

Buildings	25–50 years
Plant and machinery	3–10 years
Equipment, tools, fixtures and fittings	3–10 years

Interest on investments during the construction period is not capitalised.

Impairment losses

Assets that have an indefinite useful life are not depreciated but are subjected to annual impairment testing. Assets that are depreciated are assessed with respect to loss of value whenever events or changes in conditions indicate that the carrying amount may not be recoverable. An impairment loss is recognised equal to the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less selling expenses and its value in use. In impairment testing, assets are grouped at the lowest levels where separate identifiable cash flows exist (cash-generating units).

Leasing

Leases are classified in the consolidated accounts as wither finance or operating leases. Leases where the economic risks and rewards incidental to ownership are transferred substantially to the lessee are accounted for as finance leases. Other leases are accounted for as operating leases, and lease payments are recognised as expense on a straight-line basis over the lease period.

The Group does not have any finance leases. Lease payments for operating leases are recognised as expense on a straight-line basis over the lease period.

Revenue recognition

The Group's invoiced sales relate to sales of goods. Invoicing and revenue recognition take place when the goods have been delivered to the customer. Sales are recognised net after deduction of VAT, discounts and exchange rate differences for sales in foreign currencies. Intra-Group sales are eliminated in the consolidated accounts.

Financial instruments

Financial instruments recognised in the Balance Sheet include securities, receivables, operating liabilities and borrowing.

According to IAS 39, financial assets are measured either at fair value or amortised cost, depending on how the assets are classified. The Group's financial assets are classified in the following categories: Long-term investments, trade receivables, loans receivable and short-term investments measured at fair value via the Income Statement.

Long-term investments, trade receivables and loans receivable are initially recognised at fair value and thereafter at amortised cost. Receivables are recognised less any allowance for impairment loss. Allowance is made for impairment loss after individual testing.

Short-term investments consist of interest-bearing securities measured at amortised cost.

The category *Financial assets measured at fair value via the Income Statement* includes the Group's derivative instruments. The Group utilises derivative instruments to reduce currency risks in future cash flows. The derivatives that have been used during the year are forward exchange contracts. The change in fair value of these derivatives during the period has been recognised directly in the Income Statement, since hedge accounting as described in IAS 39 is not applied to cash flow hedges.

With reference to the exemptions allowed by IFRS 1, financial instruments are presented in accordance with previous accounting principles for the comparative year. This means that all financial instruments are recognised at the lower of historical cost and fair value. A restatement of the figures for the comparative year to IAS 39 would not have entailed any significant change in the financial statements.

In the Parent Company, all financial instruments are recognised at the lower of historical cost and fair value.

Borrowing

Borrowing is initially recognised at fair value, net after transactions costs. Borrowing is thereafter recognised at amortised cost, and any difference between the amount received (net after transaction costs) and the repayment amount is recognised in the Income Statement allocated over the term of the loan with application of the effective interest method.

Equity

Equity is recognised in the Consolidated Balance Sheet distributed between "Share capital", "Other contributed capital", "Reserves" and "Retained earnings".

Share capital consists of the par value of issued shares.

Other contributed capital comprises all contributions from the shareholders in conjunction with share issues in excess of the amounts recognised as share capital.

Reserves comprise amounts which are to be posted directly to equity as a consequences of IFRS rules. They include effects of fair value recognition and hedge accounting and translation differences.

Retained earnings consists mainly of earnings during the year recognised in the Income Statement less dividends paid. This item also includes amounts transferred from non-restricted earnings to a statutory reserve in a legal entity

In the Parent Company, equity is distributed between restricted and non-restricted equity in accordance with the rules in the Swedish Annual Accounts Act.

Provisions

Provisions for environmental remediation measures, restructuring costs and legal requirements are recognised when the Group has an existing legal or informal obligation as a consequence of earlier events, it is more likely that an outflow of resources is required to settle the obligation than not, and the amount has been calculated reliably. No provisions are made for future operating losses.

Segment reporting

Business areas (business segments) provide products that are subject to risks and returns that are different from those of other business segments. Geographical markets (geographical segments) provide products within a particular economic environment that is subject to risks and returns that are different from those of units operating in other economic environments. In the Group, business areas are classified as primary segments and geographical markets as secondary segments.

Cash Flow Statement

The Cash Flow Statement is prepared in accordance with the indirect method. The recognised cash flow only includes transactions that entail cash receipts and cash payments. Cash and cash equivalents include, besides cash on hand and demand deposits, short-term, highly liquid investments that are subject to insignificant risk of changes in value, and

– are traded on the open market at known amounts, or
– have a shorter remaining maturity than three months from the acquisition date.

Definitions of key figures

Risk-bearing capital
Equity plus/less deferred tax liabilities/assets.

Equity/assets ratio
Equity as a percentage of the balance sheet total.

Risk-bearing capital ratio
Risk-bearing capital as a percentage of the balance sheet total.

Return on capital employed (ROCE)
Profit after financial items plus interest expenses as a percentage of average capital employed, expressed as the balance sheet total less non-interest-bearing liabilities.

Return on equity (ROE)
Net profit for the year as a percentage of average equity.

Profit margin
Profit after financial items as a percentage of sales.

Net debt
Interest-bearing loan receivables and provisions less cash and cash equivalents.

Note 2 Segment reporting (SEK M)

Primary segments – Business areas (business segments)

The Group is organised in two main business areas.

- **Truck Equipment** is divided into three product areas: Coupling Equipment (with the brands VBG and RINGFEDER) includes a number of products that are used for connection of trucks and trailers. Sliding Roofs (with the brands EDSCAH Trailer Systems and SESAM) has products for sliding roofs for trucks and trailers. General Truck Equipment is the collective name for a number of smaller product areas such as automatic tyre chains (ONSPOT), dropside pillars (ARMATON), fifthwheels with ancillary equipment for semitrailer tractors, and other accessories for trucks.
- **Power Transmission** (formerly Machine Elements) was included in the acquisition of Ringfeder (1997) and includes three product areas. The first two are Shaft-Hub Connections (RINGFEDER) and Friction Springs (RINGFEDER), where the customers are machinery manufacturers and high-tech companies in all parts of the world. The third product area is Special Products marketed by Ringfeder Corp. in the USA, which develops customised system solutions that incorporate components from RINGFEDER and other companies in the industry. The business area underwent an extensive restructuring programme during 2003 and 2004

There are no sales between the business areas, and unallocated costs are Group-wide overheads. Assets in the business areas consist primarily of property, plant and equipment, intangible assets, inventories and receivables, but exclude cash and securities. Liabilities consist of operating liabilities but not items such as tax or borrowing. Investments consist of purchases of property, plant and equipment and intangible assets.

Financial year 2005	Truck Equipment	Power Transmission	Power Transmission restruct.	Group-wide	Group
External sales	**624.1**	**154.4**			**778.5**
Operating profit/loss	**93.9**	**13.8**	—	**–5.9**	**101.8**
Financial expenses				–5.8	–5.8
Financial income				1.3	1.3
Tax expense for the year				–30.2	–30.2
Net profit/loss for the year	**93.9**	**13.8**	—	**–40.6**	**67.1**
Other disclosures					
Non-current assets	402.2	23.6		2.1	427.9
Current assets	284.4	72.6		6.7	363.7
Cash on hand and demand deposits				60.8	60.8
Assets	**686.6**	**96.2**		**69.6**	**852.4**
Non-current liabilities	191.0	13.1		70.1	274.2
Current liabilities	149.1	20.6		78.0	247.7
Liabilities	**340.1**	**33.7**		**148.1**	**521.9**
Investments	**316.2**	**0.3**			**316.5**
Depreciation	**–23.6**	**–1.6**			**–25.2**

Financial year 2004	Truck Equipment	Power Transmission	Power Transmission restruct.	Group-wide	Group
External sales	**471.8**	**132.7**			**604.5**
Operating profit/loss	**55.6**	**13.1**	**–15.7**	**–7.3**	**45.7**
Financial expenses				–2.4	–2.4
Financial income				1.0	1.0
Tax expense for the year				–16.2	–16.2
Net profit/loss for the year	**55.6**	**13.1**	**–15.7**	**–24.9**	**28.1**
Other disclosures					
Non-current assets	101.3	18.8		10.2	130.3
Current assets	175.0	49.8		10.7	235.5
Cash on hand and demand deposits				78.4	78.4
Assets	**276.3**	**68.6**		**99.3**	**444.2**
Non-current liabilities	38.1	16.4		35.1	89.6
Current liabilities	45.5	24.5		13.7	83.7
Liabilities	**83.6**	**40.9**		**48.8**	**173.3**
Investments	**15.9**	**0.4**			**16.3**
Depreciation	**–20.0**	**–3.2**		**–0.9**	**–24.1**

Cont'd. Note 2

Secondary segments – geographical segments	Sales		Assets		Investments	
	2005	2004	2005	2004	2005	2004
Sweden	160.5	133.8	148.8	133.4	17.6	12.2
Other Nordic countries	126.1	106.8	25.2	22.1	0.4	0.4
Rest of Europe	342.7	243.0	567.2	152.6	298.1	3.2
North America	80.0	59.7	41.6	36.8	0.4	0.4
Rest of the world	69.2	61.2				
Total	**778.5**	**604.5**	**782.8**	**344.9**	**316.5**	**16.2**
Unallocated assets			69.6	99.3		0.1
Total assets			**852.4**	**444.2**	**316.5**	**16.3**

Net turnover by product area

	Group	
	2005	2004
Coupling Equipment	478.5	413.2
Sliding Roofs	75.6	0
General Truck Equipment	70.0	58.6
Truck Equipment	**624.1**	**471.8**
Friction Springs	31.8	26.1
Shaft-hub Connections	68.3	63.0
Special Products	54.3	43.6
Power Transmission	**154.4**	**132.7**
Total	**778.5**	**604.5**

The Parent Company's net turnover refers to invoicing of intra-Group services and rents.

Note 3 Other operating income

	Group	
	2005	2004
Royalty income	887	707
Rental/service income	650	654
Capital gain, plant and equipment	1,179	0
Exchange gains	60	402
Reversal of provisions and bad debt losses	0	333
Other	710	54
Total	**3,486**	**2,150**

Note 4 Salaries, other remuneration and social security contributions

	2005		2004	
	Salaries and other remuneration	Soc. sec. contrib. (of which pension costs)	Salaries and other remuneration	Soc. sec. contrib. (of which pension costs)
Parent Company	5,522	3,132 (1,064)	4,841	2,483 (1,076)
Subsidiaries	140,323	42,302 (8,706)	122,699	37,487 (7,257)
Group	**145,845**	**45,434 (9,770)**	**127,540**	**39,970 (8,333)**

Cont'd. Note 4

Salaries and other remuneration broken down by country and among Board members etc. and other employees:

	2005		2004	
	Board and MD (of which bonus etc.	Other employees	Board and MD (of which bonus etc.	Other employees
Parent Company in Sweden	2,952 (682)	2,570	2,594 (352)	2,247
Subsidiaries in Sweden	1,329 (252)	49,249	1,150 (97)	41,907
Foreign subsidiaries				
Denmark	1,095 (146)	2,375	871 (0)	2,385
Norway	970 (133)	2,186	859 (0)	1,685
France	—	928	—	802
UK	—	1,018	—	—
Belgium	—	2,816	—	—
Czech Republic	—	849	—	—
USA	2,136 (1,576)	8,881	1,683 (1,132)	7,549
Germany	3,632 (383)	62,858	2,873 (325)	60,936
Total foreign subsidiaries	**7,833 (2,238)**	**81,912**	**6,286 (1,457)**	**73,356**
Total, Group	**12,114 (3,172)**	**133,731**	**10,030 (1,906)**	**117,510**

	2005		2004	
Ave. no. of employees	No. of employees	Of whom men	No. of employees	Of whom men
Parent Company				
Sweden	4	3	4	3
Total in Parent Company	**4**	**3**	**4**	**3**
Subsidiaries				
Sweden	152	132	145	125
Norway	5	4	5	4
Denmark	6	6	6	6
France	3	2	3	2
Belgium	8	7	—	—
England	2	1	—	—
Czech Republic	10	8	—	—
USA	15	11	15	11
Germany	134	114	130	112
Total in subsidiaries	**335**	**285**	**304**	**260**
Total, Group	**339**	**288**	**308**	**263**

At year-end the Group had 408 employees (307).

Cont'd. Note 4

Sickness absence

	Group		Swedish companies	
Per cent	**2005**	**2004**	**2005**	**2004**
Total sickness absence as percentage of regular working hours	3.4	4.1	2.8	3.8
Percentage of total sickness absence related to continuous sick leave of 60 days or more	21.1	21.7	31.6	24.9

Sickness absence as percentage of regular working hours by gender

	Group		Swedish companies	
Per cent	**2005**	**2004**	**2005**	**2004**
Men	2.9	3.3	2.5	2.9
Women	0.5	0.8	0.3	0.9

Sickness absence as percentage of regular working hours by age group

	Group		Swedish companies	
Per cent	**2005**	**2004**	**2005**	**2004**
29 years or younger	0.2	0.3	0.3	0.5
30 – 49 years	2.0	2.2	1.5	1.9
50 years or older	1.2	1.6	1.1	1.4

Board of Directors and senior officers

	2005		2004	
	No. on closing date	Of whom men	No. on closing date	Of whom men
Group (incl. subsidiaries)				
Board members	19	18	17	16
Managing directors and other senior officers	35	32	28	25

All Board members in the Group's subsidiaries are employees. By "senior officers" is meant the six members of the Group management (all men) plus all persons who have a senior position in each subsidiary.

	2005		2004	
	Number	men	Number	men
Parent Company				
Board members	7	7	7	7
Managing directors and other senior officers	3	3	3	3

Remuneration to senior officers

In accordance with a resolution by the 2005 AGM, the Chairman and members of the Board receive a total of SEK 270,000 in fixed annual fees plus a variable fee per person and attended meeting of SEK 3,000 for ordinary members and SEK 300 for employee representatives. No Board fees are paid to employees of VBG AB (publ). Remuneration to the Managing Director and other senior officers consists of basic salary, variable remuneration, other benefits, pension and other remuneration. By "other senior officers" is meant the five persons who, together with the Managing Director, make up the Group Management. The proportions of basic salary and variable salary should be commensurate with the individual's powers and responsibilities. The Managing Director's variable remuneration should not exceed 33 per cent of his basic salary. The variable remuneration of other senior officers shall not exceed 25 per cent of their basic salary. The variable remuneration is based on actual outcome in relation to individual goals. Pension benefits and other benefits for the Managing Director and other senior officers are payable as a part of the total remuneration. The retirement age for the Managing Director and other senior officers is 65 years.

	Basic salary/ Board fee	Variable remuneration	Other benefits	Pension cost	Other remuneration	Total
Chairman's fee	80	18			1	99
Chairman's remuneration under previous employment contract				143		143
Other Board members	190	58				248
Managing Director	1,924	682	75	337		3,018
Other senior officers (five persons)	6,177	2,058	471	1,338	7	10,051
Total	**8,371**	**2,816**	**546**	**1,818**	**8**	**13,559**

The Managing Director has an employment contract that expires with a notice of termination of 18 months, during which time his salary is guaranteed. Other pension benefits are regulated by the SAF/CF agreement. Variable remuneration is not pensionable. In the event his employment is terminated by the Company, the Managing Director is entitled to receive 18 months of employment benefits. The equivalent period for other senior officers is 6–18 months. Compensation to the Managing Director for financial year 2005 has been decided by the Compensation Committee. Compensation to other senior officers has been decided by the Managing Director in consultation with the Compensation Committee.

Related party disclosures

The Group handles administration for the three foundations: the Herman Krefting Foundation for Allergy and Asthma Research, the SLK Employees' Foundation and the VBG-SLK Foundation. At the same time, the foundations are shareholders of VBG AB (publ). The foundations pay market-level compensation for this administration.

Note 5 Fees and cost reimbursement paid to auditors

	Group		Parent Company	
	2005	**2004**	**2005**	**2004**
PricewaterhouseCoopers				
Auditing assignments	1,326	1,297	231	612
Other assignments	1,137	637	950	459
	2,463	**1,934**	**1,181**	**1,071**

Note 6 Depreciation and amortisation

Depreciation and amortisation are recognised in the Income Statement under the following headings:

	Group		Parent Company	
	2005	2004	2005	2004
Cost of goods sold	16,907	17,280	—	—
Selling expenses	3,595	2,289	—	—
Administrative expenses	4,226	4,032	1,745	1,710
Research and development costs	486	427	—	—
Other operating expenses	—	—	2,954	3,382
Total depreciation and amortisation	**25,214**	**24,028**	**4,699**	**5,092**

Depreciation and amortisation are allocated among the following assets in the Balance Sheet:

	Group		Parent Company	
	2005	2004	2005	2004
Trademarks	1,676	—	1,720	1,680
Computer software	633	1,540	—	—
Land and buildings	2,019	1,558	888	888
Plant and machinery	13,459	14,510	1,679	2,031
Equipment, tools, fixtures and fittings	7,427	6,420	411	493
Total depreciation and amortisation	**25,214**	**24,028**	**4,698**	**5,092**

The Parent Company's depreciation for plants used entirely by the subsidiary of VBG Produkter AB in Vänersborg is invoiced to the subsidiary without surcharge. This depreciation amounted to SEK 2,065 thousand in 2005 (2,494). The Parent Company's depreciation for buildings is included in the market-level rent that is invoiced to the subsidiary in Vänersborg. This building depreciation is recognised as other operating expenses in the Parent Company's accounts.

Note 7 Restructuring costs

	Group	
	2005	2004
Restructuring costs for the Power Transmission business area in Krefeld in production, purchasing and logistics are allocated as follows in the Income Statement:		
– Cost of goods sold	—	–6,120
– Other operating expenses	—	–9,588
Total	**—**	**–15,708**

Note 8 Appropriations

	Group	
	2005	2004
Difference between book depreciation and depreciation according to plan	–299	–215
Change in tax allocation reserve	800	300
Total	**501**	**85**

Note 9 Tax on profit for the year

	Group		Parent Company	
	2005	2004	2005	2004
Tax paid				
Swedish companies	–10,899	–6,260	–181	–65
Foreign subsidiaries	–17,125	–3,061		
Deferred tax				
Swedish companies	–4,294	–2,538		
Foreign subsidiaries	2,081	–4,425		
Total	**–30,237**	**–16,284**	**–181**	**–65**

Reconciliation:

The difference between the Group's tax expense and tax income based on current tax rates consists of the following items:

	Group	
	2005	2004
Reported profit before tax	97,367	44,414
Tax according to rates applicable to each legal entity	–30,643	–12,059
Non-deductible expenses Sweden	–161	–162
Internal profit in inventories	43	–51
Adjustment of deferred tax in Germany	—	–3,562
Other	524	–450
Total tax	**–30,237**	**–16,284**

Note 10 Intangible assets

	Group		Parent Company	
	2005	2004	2005	2004
Computer software/ Trademarks, patents and other rights				
Opening acquisition value	20,757	19,856	27,060	27,060
Purchases during the year	656	1,054	3,064	—
Acquired subsidiaries	69,191	—	—	—
Retirements	–48	—	—	—
Translation differences	1,216	–153	—	—
Closing accumulated historical costs	**91,772**	**20,757**	**30,124**	**27,060**
Opening amortisation	–19,285	–17,853	–3,537	–1,857
Amortisation for the year	–2,309	–1,540	–1,720	–1,680
Retirements	47	—	—	—
Translation differences	–451	108	—	—
Closing accumulated amortisation	**–21,998**	**–19,285**	**–5,257**	**–3,537**
Closing balance	**69,774**	**1,472**	**24,867**	**23,523**
Of which trademark	**68,030**	**—**	**24,867**	**23,523**

Cont'd. Note 10

Goodwill	Group 2005	Group 2004
Opening historical cost	29,863	30,612
Acquired subsidiaries	189,313	—
Translation differences	4,115	–749
Closing accumulated historical costs	**223,291**	**29,863**

Goodwill is allocated to the Truck Equipment business area, and most of it is attributable to the Sliding Roof Division acquired during the year. The value of the Group's goodwill is tested annually or more frequently, as needed, by measuring the Group's business areas and comparing with book values. The measurement is based on cash flow in budget year 2006 and unchanged assumptions for the following years.

Note 11 Tangible assets

	Group		Parent Company	
Land and buildings	**2005**	**2004**	**2005**	**2004**
Opening historical costs	48,598	49,584	29,051	29,051
Purchases during the year	2,794	—	2,540	—
Acquired subsidiaries	29,352	—	—	—
Translation differences	2,505	–986	—	—
Closing accumulated historical costs	**83,249**	**48,598**	**31,591**	**29,051**
Opening depreciation	–25,864	–24,324	–20,041	–19,153
Depreciation for the year	–2,019	–1,558	–888	–888
Translation differences	–76	18	—	—
Closing accumulated depreciation	**–27,959**	**–25,864**	**–20,929**	**–20,041**
Closing balance	**55,290**	**22,734**	**10,662**	**9,010**
Book value, real estate Sweden	10,662	9,010	10,662	9,010
Tax assessment values, real estate in Sweden	20,088	20,088	20,088	20,088

	Group		Parent Company	
Plant and equipment	**2005**	**2004**	**2005**	**2004**
Opening historical cost	162,444	161,144	34,840	42,460
Purchases during the year	8,247	9,443	—	—
Sales and retirements	–16,712	–7,689	–6,313	–7,620
Acquired subsidiaries	2,210	—	—	—
Translation differences	2,572	–454	—	—
Closing accumulated historical costs	**158,761**	**162,444**	**28,527**	**34,840**
Opening depreciation	–106,111	–98,271	–32,022	–36,242
Sales and retirements	16,413	6,274	6,313	6,251
Depreciation for the year	–13,459	–14,510	–1,679	–2,031
Translation differences	–2,088	397	—	—
Closing accumulated depreciation	**–105,245**	**–106,111**	**–27,388**	**–32,022**
Impairment losses in 2001	–5,397	–5,397	—	—
Closing balance	**48,119**	**50,936**	**1,139**	**2,818**

Cont'd. Note 11

	Group		Parent Company	
Equipment, tools, fixtures and fittings	**2005**	**2004**	**2005**	**2004**
Opening historical cost	79,374	81,808	15,156	15,812
Purchases during the year	7,824	5,711	21	56
Sales and retirements	–6,060	–7,856	–2,556	–712
Acquired subsidiaries	1,471	—	—	—
Translation differences	1,807	–289	—	—
Closing accumulated historical costs	**84,416**	**79,374**	**12,621**	**15,156**
Opening depreciation	–52,348	–52,939	–14,483	–14,702
Sales and retirements	5,939	6,847	2,556	712
Depreciation for the year	–7,427	–6,421	–410	–493
Translation differences	–1,243	165	—	—
Closing accumulated depreciation	**–55,079**	**–52,348**	**–12,337**	**–14,483**
Impairment losses in 2001	–5,639	–5,639	—	—
Closing balance	**23,698**	**21,387**	**284**	**673**

Construction in progress	Group 2005	Group 2004
Opening balance	60	12
Purchases during the year	5,478	49
Translation difference	1	–1
Closing balance	**5,539**	**60**

Note 12 Interests in Group companies Changes in book values

Interests in Group companies	Parent Company 2005	Parent Company 2004
Opening historical cost	97,854	97,854
Acquisition of subsidiaries	351,163	—
Share capital in start-up company in the UK, VBG Ltd	130	—
Closing balance	**449,147**	**97,854**

Specification of interests in Group companies

	% of capital	% of votes	Book value
VBG Produkter AB Sweden	100	100	21,197
VBG Produkter A/S, Norway	100	100	
VBG Produkter A/S, Denmark	100	100	
Onspot S.A.R.L, France	100	100	68
Ringfeder VBG GmbH, Germany	100	100	40,594
Ringfeder Corp., USA	100	100	35,995
VBG Ltd, UK	100	100	130
Focus nv, Belgium	100	100	18,998
Etes nv, Belgium	100	100	151,986
Edscha Lkw Schiebeverdecke GmbH,Germany	100	100	180,179
Edscha SVG sro, Czech Republic		100	100
Total			**449,147**

Cont'd. Note 12

Corporate identity numbers and domiciles of Group companies

	Corp. ID no.	Domicile
VBG Produkter AB	556229-6573	Vänersborg
VBG Produkter A/S		Oslo, Norway
VBG Produkter A/S		Ejby, Denmark
Onspot S.A.R.L		Montoy-Flanville, France
Ringfeder VBG GmbH		Krefeld, Germany
Ringfeder Corp		Westwood, N.J USA
Focus nv		Beringen, Belgium
Etes nv		Houthalen, Belgium
Edscha Lkw- Schiebeverdecke GmbH		Remscheid, Germany
Edscha SVG s.r.o		Kamenice nad Lipou, Czech Republic

Note 13 Deferred tax liabilities/assets

Deferred tax assets

	Group		Parent Company	
	2005	2004	2005	2004
Deferred tax assets relating to loss carry forwards in foreign subsidiaries	0	3,152	—	—
Deferred tax asset on increase of pension liability	2,692	4,005	—	—
Other temporary differences	2,145	—	—	—
Total tax assets	**4,837**	**7,157**	**—**	**—**

Deferred tax liabilities

	Group		Parent Company	
	2005	2004	2005	2004
Deferred tax liabilities relating to tax allocation reserves	10,780	9,380	2,156	2,380
Deferred tax liabilities relating to difference between residual values of non-current assets carried in the books and residual values for tax purposes	51,331	20,622	5,040	4,957
Total liabilities, gross	**62,111**	**30,002**	**7,196**	**7,337**

Deferred tax liabilities and assets have been offset where legally possible.

	Group		Parent Company	
	2005	2004	2005	2004
Recognised deferred tax liabilities	59,419	25,110	7,196	7,337
Recognised deferred tax assets	2,145	2,265	—	—
Deferred tax liabilities, net	**57,274**	**22,845**	**7,196**	**7,337**

The Parent Company's deferred tax liability is included in the line item "untaxed reserves" (see Note 17).

Note 14 Inventories

	Group	
Inventories	**2005**	**2004**
Truck Equipment:		
Raw materials and consumables	65,568	37,187
Semi-finished products and work in progress	25,456	23,626
Finished products and merchandise	46,903	33,305
Total inventories Truck Equipment	**137,927**	**94,118**
Power Transmission:		
Raw materials and consumables	5,649	6,341
Semi-finished products and work in progress	7,440	6,890
Finished products and merchandise	32,522	19,153
Total inventories Power Transmission	**45,611**	**32,384**
Grand total	**183,538**	**126,502**

Note 15 Prepaid expenses and accrued income

	Group		Parent Company	
	2005	2004	2005	2004
Prepaid lease payments	31	48	4	10
Accrued royalty	715	329	715	329
Insurance premiums paid in advance	489	533	—	104
Service charges paid in advance	895	582	—	—
Accrued interest income	36	44	36	44
Advance payment to OM Stockholmsbörsen	62	60	62	60
Marketing activities paid in advance	215	192	—	—
Accrued supplier bonus	32	25	—	—
Energy taxes, refund	—	100	—	—
Advance payment of rent for video conference equipment	104	104	104	104
Loss compensation claim	—	61	—	—
Other items	3,712	2,286	142	—
Total	**6,291**	**4,364**	**1,063**	**651**

Note 16 Equity

The share capital consists of 3,423,500 shares with a quotient value of SEK 10. Of these, 305,000 are Series A shares carrying 10 votes each. The remaining shares, of Series B, total 3,118,500 and carry 1 vote each. The Annual General Meeting on 24 April 2002 resolved to repurchase every tenth Series B share for SEK 125 each. All shareholders were offered the chance to sell back their shares. Altogether, 297,994 shares were bought back, which is equivalent to 96 per cent of the number that could be bought back. At the same AGM, the Board was authorised to use repurchased shares to pay for acquisitions during the period up until the next AGM in 2003. This authorisation was extended at the AGMs in 2003, 2004 and 2005 until the next AGM (2006). This authorisation had not been utilised at year-end. All redeemed shares are still owned by VBG AB (publ). There are therefore 3,125,506 externally owned shares, 305,000 of which are Series A shares and 2,820,506 Series B shares.

Note 17 Untaxed reserves

	Parent Company	
	2005	2004
Accumulated difference between book depreciation and depreciation in excess of plan	18,001	17,702
Tax allocation reserve	7,700	8,500
Total	**25,701**	**26,202**

Note 18 Provisions for pensions and similar obligations

Parent Company	**2005**	**2004**
Provisions in accordance with Swedish Act on Safeguarding of Pension Obligations		
FPG/PRI pensions	10,704	10,717
Group		
Provisions in accordance with IAS 19		
Defined-benefit pension plans	68,871	63,716

Defined-benefit pension plans

The Group has several defined-benefit pension plans where the employees are entitled to compensation after terminated employment based on final salary and length of service. The plans that cover the largest number of employees are in Sweden and Germany.

The amounts recognised in the Consolidated Balance Sheet for defined-benefit pension plans have been calculated as follows:

	Sweden	Germany	Other countries	31 Dec. 2005 Total	31 Dec. 2004 Total
Present value of funded obligations			8,905	8,905	6,454
Fair value of plan assets			–7,427	–7,427	–5,257
			1,478	**1,478**	**1,197**
Present value of unfunded obligations	31,979	49,595		81,574	67,155
Unrecognised actuarial gains (+) and losses (–)	–6,240	–7,942		–14,182	–4,636
Net liability in Balance Sheet	**25,739**	**41,653**	**1,478**	**68,871**	**63,716**

The amounts recognised in the Consolidated Income Statement regarding pensions are as follows:

	2005	2004
Current service cost	2,255	942
Interest expense	3,572	3,449
Expected return on plan assets	–174	–155
Costs for defined-benefit plans	**5,653**	**4,236**
Costs for defined-contribution plans	**4,117**	**4,097**
Total costs recognised in the Income Statement	**9,770**	**8,333**
Of which		
Amount charged to operating profit	8,469	7,096
Amount charged to financial expenses	1,301	1,237
Total costs recognised in the Income Statement	**9,770**	**8,333**

Interest expense for Swedish pension plans is classified as financial expense. Other items are allocated in the operating profit as cost of goods sold, selling or administrative expenses, depending on the employee's function.

Cont'd. Note 18

Specification of changes in net liability recognised in the Consolidated Balance Sheet relating to defined-benefit pension plans:

	2005	2004
Net liability at beginning of year according to adopted Balance Sheet	63,716	61,950
Acquired pension liability	3,110	—
Net cost recognised in Income Statement	5,658	4,236
Benefit payments	–3,959	–1,750
Contributions to funded plans	–835	–206
Exchange rate differences on foreign plans	1,180	–514
Net liability at year-end	**68,871**	**63,716**

Actuarial assumptions regarding significant defined-benefit pension plans:

	2005		2004	
Per cent	Sweden	Germany	Sweden	Germany
Discount rate	4.0	4.25	5.0	5.0
Future annual salary increases	3.5	2.75	3.5	2.75
Inflation rate	2.0	1.5	2.0	1.5

Note 19 Other provisions

	Group	
	2005	2004
Warranty obligations	1,255	1,467
Total	**1,255**	**1,467**

Note 20 Borrowing

Borrowing by the Group excluding overdraft facilities amounts to SEK 182,370 thousand. All borrowing is in EUR. Most of the borrowing consists of the loan raised to finance the acquisition made during the year. The translation difference on the acquisition loan is posted to equity to the extent it hedges net assets in EUR. The interest rate on this loan is 3.05 per cent throughout its term.

SEK 37,959 thousand of the loans falls due for payment within 1 year, another SEK 37,760 thousand within 1 more year. SEK 2,721 falls due for payment more than five years after the balance sheet date.

Note 21 Pledged assets

	Group	
	2005	2004
Pertaining to liability to credit institutions:		
Assets in subsidiaries	—	118,399
Total	**0**	**118,399**

Note 22 Overdraft facilities

At year-end the Group had overdraft facilities amounting to SEK 140,300 thousand (28,449), of which the amount utilised was SEK 56,769 thousand (7,644). The interest rate on the overdraft facilities lies between 1.7 and 2.55 per cent.

Note 23 Accrued expenses and deferred income

	Group		Parent Company	
	2005	2004	2005	2004
Special payroll tax	1,410	1,356	230	251
Accrued personnel costs	33,906	23,515	2,322	1,475
Accrued audit fees	912	891	220	220
Commissions and sales support	1,472	1,248	—	—
Accrued rental costs	2,291	1,297	—	—
Accrued consultant costs	—	541	—	541
Energy costs	—	100	—	—
Employer contributions	—	148	—	—
Tax on return	69	69	69	69
Freight and goods handling	70	198	—	—
Property tax	100	100	100	100
Cost compensation, supplier	—	450	—	—
Machine reconditioning, Power Transmission	—	1,351	—	—
Severance pay, personnel in Germany	9,911	7,134	—	—
Other items	6,352	2,345	31	38
Total	**56,493**	**40,743**	**2,972**	**2,694**

Note 24 Contingent liabilities

	Group		Parent Company	
	2005	2004	2005	2004
Pension obligations not recognised among liabilities or provisions and not covered by the assets in the pension fund	—	—	0	97
Guarantees for the benefit of subsidiaries	—	—	13,776	40,368
FPG	214	214	214	214
Total contingent liabilities	**214**	**214**	**13,990**	**40,679**

Note 25 Leases

	Group	
	2005	2004
Operating leases		
Property leases	7,192	8,120
Others	—	—
Total, Group	**7,192**	**8,120**

Property leases pertain to factory and office properties in foreign subsidiaries. Outstanding payments on leases in effect at year-end amount to SEK 24.9 M, of which SEK 7 M fell due for payment in 2005 and SEK 0 M will fall due after 2009.

Note 26 Consolidated Cash Flow Analysis

Other items not affecting liquidity in operating activities	2005	2004
Capital gain/loss on property, plant and equipment included in investing activities	–1,263	226
Retirement of non-current assets	—	2,423
Change in provisions	–233	2,753
Interest element of pension costs	–1,301	–1,237
Other items	–3,721	224
Total	**–6,518**	**4,389**

Acquisition of non-current assets	Intangible	Property, plant and equipment
Capital expenditures during the year (Notes 10 and 11)	–656	–24,344
Effect of capital expenditures on cash and cash equivalents	**–656**	**–24,344**

	2005
Cash and cash equivalents	
Cash on hand and demand deposits	58,368
Short-term investments	2,459
Cash and cash equivalents	**60,827**

Short-term investments in the Balance Sheet totalled SEK 2,459 thousand, of which 0 comprised non-renewable receivables with a maturity of more than three months and investments in shares. Credit facilities granted but not utilised amounted to SEK 83,531 thousand at year-end.

Note 27 Derivative instruments

The Parent Company had no outstanding contracts for derivative instruments at year-end.

Forward exchange contracts

As of 31 December the Group's open forward contracts had terms of up to one year. The volume of open contracts amounts to SEK 29.6 M. The book value of all financial assets and liabilities is equal to the market value.

Note 28 Important accounting estimates and assessments

Accounting estimates and assessments are evaluated continuously and based on historical experience and other factors, including expectations on future events that are considered reasonable under prevailing circumstances.

The Group makes estimates and assumptions about the future with regard to pensions, provisions and restructuring costs. The accounting estimates that result from these assumptions will, by definition, seldom correspond to the actual result.

Every year the Group carries out impairment testing of goodwill. Recoverable amounts for cash-generating units have been established by calculation of value in use. Certain estimates must be made for these calculations (Note 10). If the estimated discount rate after tax, known as the WACC (weighted average cost of capital), had been 1 percentage point higher than the assumed rate of 8 per cent, it would not have entailed any goodwill impairment.

Note 29 Business combinations

On 30 September the acquisition of the German auto component company Edscha's Sliding Roof Division (Sliding roofs for trucks and trailers) was completed. This division was incorporated in the Group as a completely new division in the Truck Equipment business area. The business mainly focuses on the trailer industry. The acquisition included a total of four companies situated in Germany, the Czech Republic and Belgium (two).

The acquired business contributed SEK 75.6 M to the Group during the period 1 October to 31 December. If the acquisition had taken place on 1 January, the Group's revenue would have been SEK 260 M higher. The acquisition cost for all shares in the companies plus trademarks amounted to SEK 354,226 thousand.

Figures on acquired net assets and goodwill are given below:

Purchase consideration	
– paid in cash	350,905
– direct costs in conjunction with the acquisition	3,321
Total purchase consideration	**354,226**
Fair value of acquired net assets	–164,913
Goodwill (Note 10)	**189,313**

Goodwill is attributable to the profitability of the acquired business and the synergies that are expected to arise.

The assets and liabilities included in the acquisition are as follows:

	Fair value	Acquired book value
Cash and cash equivalents	54,327	54,327
Property, plant and equipment (Note 11)	33,031	21,103
Trademarks (EDSCHA Trailer Systems, SESAM, FOCUS) (NOTE 10)	69,064	—
Licences (included in the item Intangible assets) (Note 10)	131	131
Inventories	40,835	40,835
Receivables	62,475	61,420
Liabilities	–67,629	–67,647
Pension obligations:		
– pensions (Note 18)	–3,110	–1,896
Deferred tax liabilities, net (Note 13)	–24,211	—
Acquired net assets	**164,913**	**108,273**

Cash purchase consideration	354,226
Cash and cash equivalents in acquired subsidiaries	–54,327
Change in Group's cash and cash equivalents	**299,899**

No business combinations took place during 2004.

Note 30 Financial risk management

Currency risk comprises the risk that exchange rate changes will affect the Consolidated Income Statement, Balance Sheet and/or Cash Flow Statement. Currency risk can be divided into transaction exposure and translation exposure. Transaction exposure is the net of operating and financial inflows and outflows in foreign currencies. The Group's policy is not to hedge future flows in foreign currencies. Translation exposure consists of the net assets and earnings of foreign subsidiaries in foreign currencies. Part of the exposure in the net assets of the subsidiaries is hedged by borrowing in the same currency.

Translation exposure. The following are the most important currencies for the Group and show the exchange rates that have been used in translating the financial statements of foreign subsidiaries to Swedish kronor.

		Closing rate 31 Dec.		Average rate	
Country	**Currency code**	**2005**	**2004**	**2005**	**2004**
EMU countries	EUR	9.43	9.01	9.28	9.13
USA	USD	7.95	6.61	7.47	7.35
Denmark	DKK	1.26	1.21	1.25	1.23
Norway	NOK	1.18	1.09	1.16	1.09

Note 31 Transition to IFRS

Reconciliation of balance sheets on transition to IFRS

	Note	Previous principles 1 Jan. 04	Effect on transition to IFRS	IFRS 1 Jan. 04	Previous principles 31 Dec. 04	Effect on transition to IFRS	IFRS 31 Dec. 04
Intangible assets	a	32,613		32,613	27,448	3,887	31,335
Long-term investments	b	6,428		6,428	4,912	–1,095	3,817
Other assets		380,405		380,405	409,062		409,062
Total assets		419,446		419,446	441,422	2,792	444,214
Share capital		34,235		34,235	34,235		34,235
Restricted reserves	c	127,818	–127,818	—	111,640	–111,640	—
Non-restricted reserves	c	69,766	–69,766	—	96,229	–96,229	—
Other contributed capital	c	—	32,111	32,111	—	32,111	32,111
Reserves	c	—		—	—	–3,671	–3,671
Net profit for the year	c	23,332	–23,332	—	25,780	–25,780	—
Retained earnings, incl. net profit for the year	c	—	188,805	188,805	—	207,559	207,559
Provisions	d	84,916	–84,916	—	89,851	–89,851	—
Non-current liabilities		102	84,916	85,018	79	90,293	90,372
Other liabilities		79,277		79,277	83,608		83,608
Total equity and liabilities		419,446		419,446	441,442	2,792	444,214

Notes to reconciliation of Balance Sheet

a In the consolidated accounts, IFRS 3 has been applied to all business combinations effected on or after 1 January 2004. No amortisation of goodwill is done on or after 1 January 2004.

b The above change increases the deferred tax pertaining to reversal of amortisation of goodwill on acquired assets.

c The effect of the above adjustments has increased equity by SEK 2,350 thousand. Starting in 2004, translation differences arising on translation of foreign financial statements are recognised as a separate component of equity (reserves). Previous restricted and non-restricted reserves have been divided between contributed capital and retained earnings. The item "Net profit for the year" is now included in retained earnings.

d The heading "Provisions" does not exist according to IFRS. It is instead recognised among non-current and current liabilities.

Reconciliation of Income Statement for full year 2004

	Previous accounting principles	IFRS adjustments	Acc. to IFRS
Net turnover	604,484		604,484
Cost of goods sold	–389,162		–389,162
Selling expenses	–115,484	3,887	–111,597
Administrative expenses	–39,061		–39,061
Research and development	–10,440		–10,440
Other operating income/expenses	–8,433		–8,433
Operating profit	41,904	3,887	45,791
Net financial items	–1,377		–1,377
Profit after financial items	40,527	3,887	44,414
Tax	–14,747	–1,537	–16,284
Profit after tax	25,780	2,350	28,130

Adjustment for amortisation of goodwill is no longer required. A portion of amortisation pertains to goodwill on acquired assets. Adjustment for the tax effect pertaining to these parts has been taken into account.

Financial statements will be submitted to the Annual General Meeting on 11 May 2006 for adoption.

Vänersborg, 16 February 2006

Richard Persson
Chairman of the Board

Peter Hansson

Staffan Ekelund

Johnny Alvarsson

Willy Gustafsson

Hans Gustafsson

Anders Birgersson
Managing Director and CEO

My Auditor's Report was submitted on 16 February 2006

Bror Frid
Authorised Public Accountant

Auditor’s Report

To the Annual General Meeting of Shareholders of VBG Aktiebolag (publ)
Corp. ID No 556069-0751

I have audited the annual report, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of VBG Aktiebolag (publ) for the year 2005. The Board of Directors and the Managing Director are responsible for these accounts and the administration of the Company as well as for the application of the Annual Accounts Act in the preparation of the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act in the preparation of the consolidated accounts. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles and their application by the Board of Directors and the Managing Director and significant estimates made by the Board of Directors and the Managing Director when preparing the annual accounts and consolidated accounts, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the Company of any Board member or the Managing Director. I also examined whether any Board member or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the Company’s results of operations and financial position in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group’s results of operations and financial position. The statutory Report of the Directors is consistent with the other parts of the annual accounts and the consolidated accounts.

I recommend to the Annual General Meeting of Shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Report of the Directors and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Göteborg, 16 February 2006

Bror Frid
Authorised Public Accountant

Corporate Governance

VBG AB (publ) is a Swedish limited liability company whose Series B share is listed on the O-list of Stockholmsbörsen (the Stockholm Stock Exchange). VBG AB's corporate governance is based on Swedish law, the listing agreement with Stockholmsbörsen and the Articles of Association.

Starting 1 July 2005, the Swedish Code of Corporate Governance (the Code) will be applied by all companies listed on the A-list of Stockholmsbörsen and by the companies on the O-list that have a market value of more than SEK 3 billion. Since VBG AB's market value is currently below this limit, the Board of Directors has chosen not to apply the Code for the present time.

Annual General Meeting

The highest decision-making body in VBG AB is the Annual General Meeting (AGM). At the AGM the shareholders exercise their right to vote in order to make decisions regarding the composition of the Board and in other important matters.

Annual General Meeting 2005

VBG AB's Annual General Meeting of 11 May 2005 resolved to adopt the Board's proposal regarding the dividend for 2004 of SEK 4.00 per share with a record date of 16 May 2005.

The AGM resolved to re-elect the Board members Anders Birgersson, Peter Hansson, Richard Persson, Staffan Ekelund and Johnny Alvarsson. At the Board meeting following the election, Richard Persson was appointed Chairman.

The AGM also authorised the Board to resolve on one or more occasions up until the 2006 Annual General Meeting that repurchased shares could be transferred, notwithstanding the shareholders' pre-emption rights, and that non-cash payment could be made for such transferred shares. This authorisation enables the Board of Directors to use the Company's own shares as payment for acquired companies.

Furthermore, the AGM resolved to appoint a Nominating Committee.

Nominating Committee

The Nominating Committee consists of Richard Persson, Åke Persson and Staffan Ekelund. Richard Persson is chairman of the committee. The Nominating Committee submits proposals regarding Board members and their replacement and, in the event of an election, proposals for auditors. From the time of the 2005 AGM up until the publication of this annual report, the Nominating Committee held two meetings.

The Board of Directors

VBG's Board of Directors currently consists of five members elected by the AGM for a term of one year. The AGM did not elect any deputies. In addition, four trade unions each appoint one member and one deputy member: the Swedish Union of Clerical and Technical Employees in Industry (SIF), the Swedish Association of Graduate Engineers (CF), the Association of Management and Professional Staff (Ledarna) and the Swedish Metal Workers' Union (Metall).

The work of the Board follows an annual plan designed to satisfy the need of the Board for information. In all other respects, the work of the Board is subject to the special rules of procedure the Board has adopted governing the division of responsibilities between the Board and the Managing Director. White-collar employees take part in Board meetings by submitting reports or serving in the post of secretary.

In addition, the company's auditor reports his observations to the Board every year based on his examination and gives his assessment of the company's internal control.

The work of the Board during 2005

During financial year 2005, the Board of Directors held 7 (6) meetings. For each Board meeting, an agenda is sent out to the Board members along with in-depth information on the business at hand. During 2005 the Board of Directors dealt with matters of strategy and business plans for the different business areas, a new Group operating structure, and acquisitions. During the year the Board resolved to acquire Edscha's Sliding Roof Division, establish new companies, and make several large investments in production.

Attendance at Board meetings

Number of	7
Richard Persson, Chairman	7
Peter Hansson, Deputy Chairman	7
Anders Birgersson, Board member	7
Staffan Ekelund, Board member	7
Johnny Alvarsson, Board member	7
Hans Gustafsson, employee representative	6
Elinor Kjell, deputy employee representative	1
Willy Gustafsson, employee representative	6
Rune Olausson, deputy employee representative	1

Board Committees

On behalf of the Annual General Meeting, the Board of Directors appointed an Audit Committee and a Compensation Committee. The Audit Committee is responsible for reviewing the working methods of the auditors. The members of the Audit Committee are Peter Hansson and Staffan Ekelund. Peter Hansson is chairman. From the time of the 2005 AGM up until the publication of this annual report, the Audit Committee held one meeting.

The Compensation Committee is responsible for proposing the terms of compensation of the Managing Director and other senior officers. The members of the Compensation Committee are Richard Persson and Anders Birgersson. Richard Persson is chairman of the committee. From the time of the 2005 AGM up until the publication of this annual report, the Compensation Committee held two meetings.

Group and Business Area Management

Anders Birgersson
Lidköping, born 1958
Managing Director and CEO
Employed since 2001
Anders Birgersson, MSc. Eng., has worked in the engineering industry since 1984 in logistics, production, product development and senior management. He has previously worked for ABB, SKF and ESAB.

Claes Wedin
Trollhättan, born 1956
CFO
Employed since 1997
Claes Wedin, MSc. Econ., has experience from leading positions in business administration and senior management in the process and aircraft industry as well as public administration. He has previously worked for Union Carbide, Volvo Aero and MAN Roland.

Bo Hedberg
Trollhättan, born 1957
Division Manager, General Truck Equipment
Employed since 1996
Bo Hedberg, MSc. Eng., has worked in the automotive industry since 1981 with purchasing, product development and marketing. He has previous worked for SAAB Automobile AB and MarkIV Automotive.

Thomas Moka
Frankfurt, born 1965
Power Transmission Business Area
Employed since 2004
Thomas Moka, MSc. Eng., has worked for the past ten years with marketing and sales in international corporations in the power transmission sector. He has previously worked for Ringspann GmbH and Gerwah GmbH.

Per Ericson
Malmköping, born 1956
CCO Truck Equipment
Sliding Roof Division
Employed since 2000
Per Ericsson, MSc. Eng., has worked with marketing in the automotive industry for the past 20 years. He has previously worked for Grimaldi Industrier, Samefagruppen and Volvo.

Sten Söderros
Uddevalla, born 1951
Division Manager, Coupling Division
Employed since 1997
Sten Söderros, MSc. Econ., has worked in different management positions in the packaging, white goods and automotive industries since 1978. He has previously worked for Electrolux and Brink Sverige AB.

Organisation

- **CEO** – Anders Birgersson
  - **CFO** – Claes Wedin
  - **CCO Truck Equipment** – Per Ericson
  - **Coupling Division** – Sten Söderros
  - **General Truck Equipment Division** – Bo Hedberg
  - **Sliding Roof Division** – Per Ericson
  - **Business Area Power Transmission** – Thomas Moka

Board of directors

Richard Persson
Vänersborg, born 1937
Chairman of the Board since 2001 and member of the Board since 1982
Shareholding: 1,718
Richard Persson, MSc. Eng., worked in the Group as Design Manager 1962–1968 and as senior manager 1972–2001. Chairman of the Board of the Herman Krefting Foundation for Allergy and Asthma Research. Member of the boards of Elos Medical AB and Elos Precision AB, both members of the Westergyllen Group, and of Brink Sverige AB and Enterprise Agency West. Chairman of the Board of Vänersborgs Turist AB.

Anders Birgersson
Lidköping, born 1958
Member of the board since 2001
Anders Birgersson, MSc. Eng., has worked in the engineering industry since 1984 in logistics, production, product development and senior management. He has previously been employed by ABB, SKF and ESAB. Member of the boards of the Herman Krefting Foundation for Allergy and Asthma Research, the SLK Employees' Foundation and the VBG-SLK Foundation.

Johnny Alvarsson
Stockholm, born 1950
Member of the Board since 2004
Shareholding: 500
Johnny Alvarsson, MSc. Eng., has industrial experience from Ericsson Telecom 1975–1987. Managing Director of the listed companies Zeteco AB 1988–2000 and Elektronikgruppen BK AB 2000–2004. Managing Director of Indutrade AB since November 2004. Chairman of the Board of several Indutrade companies.

Willy Gustafsson
Trollhättan, born 1947
Member of the Board since 2004
Employee representative, blue-collar employees
Employed at the company since 1994

Deputy members of the Board

Elinor Kjell
born 1979
Deputy member of the Board since 2005
Employee representative, white-collar employees
Employed at the company since 2001

Rune Olausson
born 1950
Deputy member of the Board since 2004
Employee representative, blue-collar employees
Employed at the company since 1977

Auditor

Bror Frid
born 1957
Authorised Public Accountant
Öhrlings PricewaterhouseCoopers AB
Auditor in the company since 2004

Deputy auditor

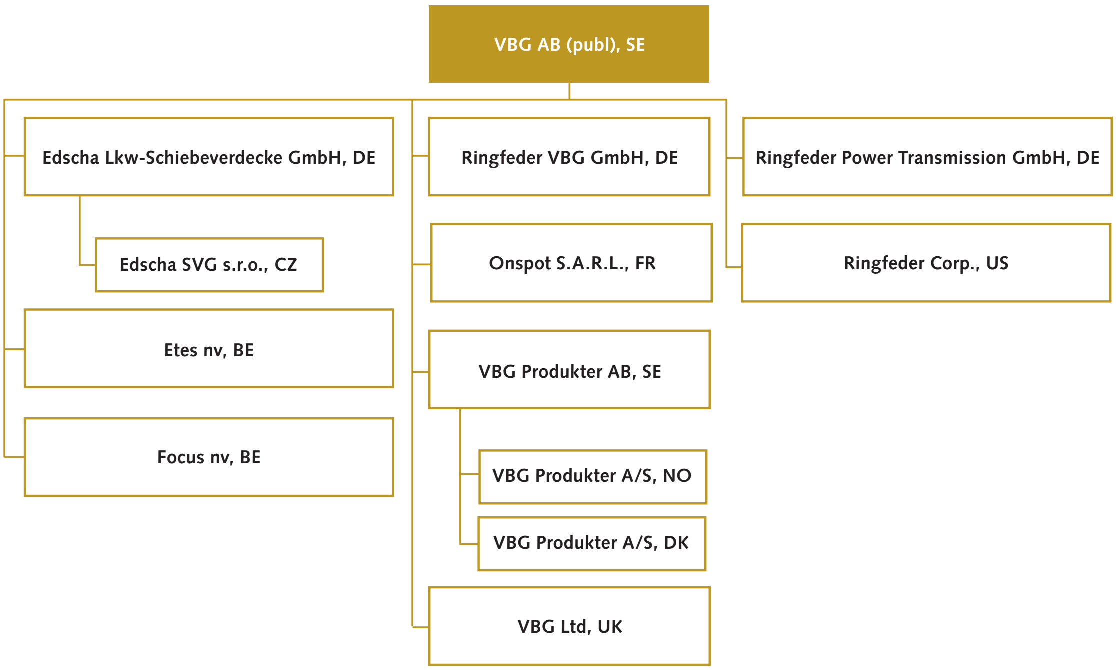
Gunnar Hjalmarsson
born 1957
Authorised Public Accountant
Öhrlings PricewaterhouseCoopers AB
Auditor in the company since 1989

Peter Hansson
Göteborg, born 1947
Member of the Board since 2001
Peter Hansson, MSc. (Political Science), has been employed in senior management positions within Volvo Trucks since 1972 and as President of Volvo Personbilar Sverige since 1995. Peter Hansson will assume the post of Managing Director of the Göteborg Opera on 1 July 2006. Member of the Board of Swedish Hertz, Volvofinans and World Childhood Foundation.

Staffan Ekelund
Vänersborg, born 1945
Member of the Board since 2004
Staffan Ekelund, PhD. Eng., docent, has experience of senior management positions and directorships in the engineering and steel industries. Managing Director of Korrosions- och Metallforskningsinstitutet AB, KIMAB (the Swedish Corrosion and Metals Research Institute). Chairman of the Board of the SLK Employees' Foundation. Member of the Board of the VBG-SLK Foundation and the Herman Krefting Foundation for Allergy and Asthma Research.

Hans Gustafsson
Vänersborg, born 1947
Member of the Board since 2004
Employee representative, white-collar employees
Employed at the company since 1972.

Legal structure



Annual General Meeting

The Annual General Meeting will be held on Thursday, 11 May 2006
at 5:00 p.m. at the offices of VBG AB, Herman Kreftings gata 4, Vänersborg, Sweden.

Items of business

The AGM will take up items of business which are required by law and the Articles of Association to be dealt with at an Annual General Meeting. Any other items of business will be announced in the press.

Participation at the AGM

Shareholders who are registered in the printout of the share register kept by Värdepapperscentralen VPC AB (the Swedish Central Securities Depository & Clearing Organisation) on 5 May 2006 and notify their intention to participate in the AGM not later than 9 May 2006.

Shareholders whose shares are registered to a nominee and who wish to participate in the AGM must arrange for their shares to be temporarily re-registered in their own name (voting right registration). Such a request should be submitted in good time before 5 May.

Notification of participation in the AGM must include name and personal identification number and can be made by telephone at +46 521 277700, by e-mail to iv@vbgab.com or by mail to VBG AB, Box 1216, SE-462 28 Vänersborg, Sweden.

Dividend

The Board of Directors and Managing Director propose that the dividend be set at SEK 5.50 per share, with record date on 16 May 2006. If the AGM approves this proposal, the dividend is expected to be distributed by VPC starting 19 May 2006.

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