VBG GROUP 2008 ANNUAL REPORT

VBG GROUP

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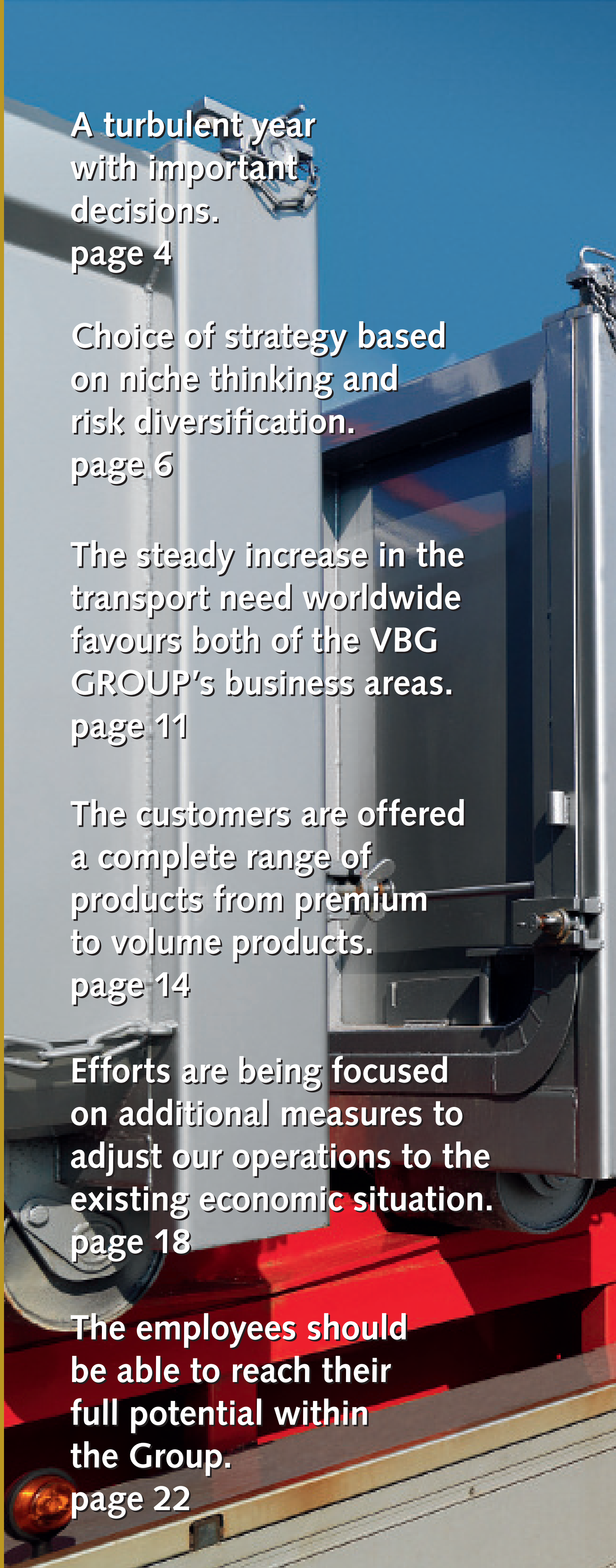
Annual General Meeting 2009

The Annual General Meeting will be held at 5:00 p.m. on 12 May 2009 at VBG GROUP AB (publ), Herman Kreftings gata 4, Vänersborg.

Report dates

12 May	Interim report January–March
20 August	Interim report January–June
21 October	Interim report January–September
February 2010	Year-end report

The VBG GROUP welcomes enquiries about the Group and its development. Contact persons are: Anders Birgersson, Managing Director and CEO, telephone: +46 521 27 77 67 and Claes Wedin, CFO, telephone: +46 521 27 77 06
More information is available at www.vbggroup.com.



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The year in brief

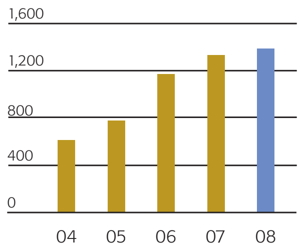
- Acquisition of GERWAH Group.
- Structural decision to move all manufacturing of trailer couplings from Germany to Sweden – provision SEK 46 M.
- The Group's net turnover increased by 4 per cent to SEK 1,377 M (1,323).
- Operating profit before restructuring costs decreased by 21 per cent to SEK 169.1 M (213.2).
- Profit after financial items decreased by 46 per cent to SEK 108.6 M (201.5).
- The Group's profit after tax declined by 45 per cent to SEK 73.1 M (133.1).
- Earnings per share declined to SEK 5.85 (10.64).
- The Board of Directors proposes a reduction of the dividend to SEK 1.00 per share (2.50).

Key figures	2004	2005	2006	2007	2008
Net turnover, SEK M	604.5	778.5	1,163.1	1,323.3	**1,376.7**
Profit after financial items, SEK M	44.3	97.4	165.8	201.5	**108.6**
Profit after tax, SEK M	28.1	67.1	111.9	133.1	**73.1**
Return on capital employed, %	15.7	26.7	29.8	34.0	**16.1**
Equity/assets ratio, %	60.7	38.8	47.8	56.3	**56.0**
Average number of employees	308	339	411	422	**432**

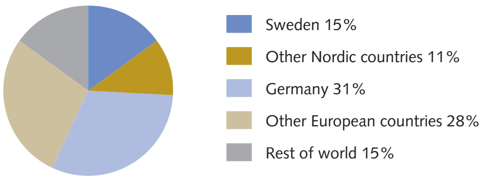
This is the VBG GROUP

The VBG GROUP is an engineering Group with manufacturing and sales companies in Europe, India and the USA. The Group's operations are divided into two business areas, VBG GROUP TRUCK EQUIPMENT and RINGFEDER POWER TRANSMISSION, with products that are marketed under strong, well-known brands. In 2008 the Group had around 430 employees and a turnover of SEK 1,377 M. The VBG GROUP's Series B share was first listed on the stock exchange in 1987 and is currently traded on Nasdaq OMX Nordic Exchange Mid Cap.

Group turnover, SEK M



Turnover 2008



Total SEK 1,377 M

Business areas

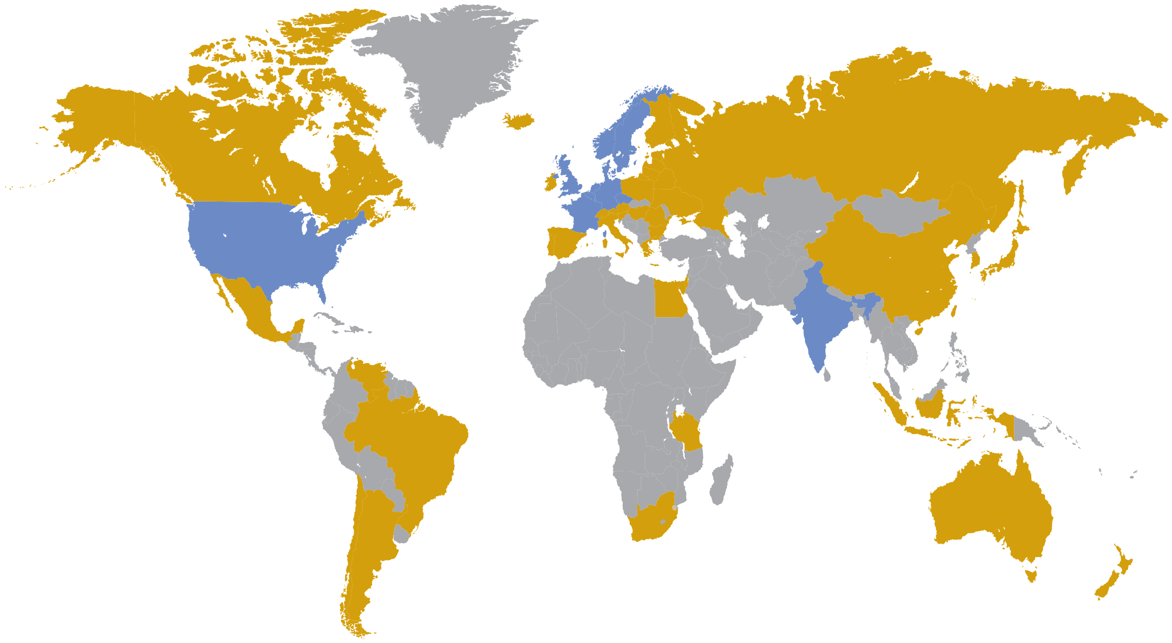
RINGFEDER POWER TRANSMISSION

RINGFEDER POWER TRANSMISSION will be a recognised global market leader in selected niches within mechanical power transmission and industrial damping.

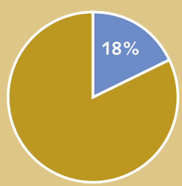
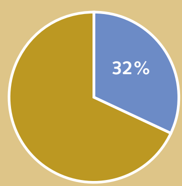
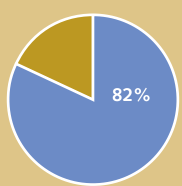
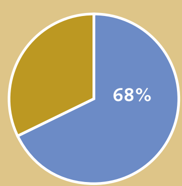
VBG GROUP TRUCK EQUIPMENT

VBG GROUP TRUCK EQUIPMENT will, through its own strong brands, be an internationally leading supplier of equipment and systems to customers in the truck and trailer industry.

This is the VBG GROUP



Own sales companies   Importers/Agents

Brands	Share of Group turnover	Share of operating profits of business areas	Average no. of employees
RINGFEDER, GERWAH, ECOLOC	 SEK 253 M	 SEK 45 M	46
RINGFEDER, VBG, Edscha Trailer Systems, SESAM, armaton, ONSPOT	 SEK 1,124 M	 SEK 94 M	386

From the Managing Director

A turbulent year with important decisions

The past year saw large fluctuations in the VBG GROUP's operations. After a record-strong start, the economy took a rapid dive during the second half of the year, which mainly affected our largest business area – VBG GROUP TRUCK EQUIPMENT.

Soaring start of the year

The first quarter of the year was the strongest in the Group's history, but there was some uncertainty as to how long the strong growth in the trailer sector would last. The growth rate for the truck sector in Europe seemed to be stable at a continued high level, however, and demand was strong in the RINGFEDER POWER TRANSMISSION business area.

Turnover during the second quarter was nearly as high as during the record first quarter. However, steel prices began to affect our production costs, which accentuated the need for rationalization within all of the Group's processes and the need to raise prices.

The launch of VBG's fully automatic MFC trailer coupling trailer coupling began with a press showing in June, which was followed up after the summer at both the Elmia trade fair in Jönköping and at Europe's biggest trade show for the commercial vehicle industry, IAA in Hanover. Interest in the new product has been very great.

Clear slowdown during the summer

July and August saw the beginning of a slowdown in the trailer sector, while both the truck sector and the RINGFEDER POWER TRANSMISSION business area showed a continued strong trend in sales. The market situation was difficult to judge, however. We chose to put more focus on preparing the necessary measures to adjust our operations to the existing economic situation and to analyse the need for structural improvements. At the same time we continued working with our ambition to create growth by acquisition within both business areas.

Decision to move production

A decision was made in November to move all manufacturing of RINGFEDER's trailer couplings from Krefeld to the factory in Vänersborg. This was a part of the business area's structural improvement programme and also intended to adjust operations to the economic situation. The move is expected to be completed during the fourth quarter of 2009. The costs, which charged the 2008 profit, are estimated to amount to SEK 46 M and concern some 60 persons in Krefeld.

Acquisition for increased growth

In mid-December we concluded an agreement to acquire the German GERWAH Group, which means that RINGFEDER POWER TRANSMISSION is expanding its operation considerably from 1 January 2009. GERWAH has an annual turnover of about SEK 100 M and just over 60 employees. The company has a very strong market position and will be an important complement on several important geographical markets and strengthen our offering to the important machine industry.

2009 difficult to predict

The Group's two business areas face a tough challenge in 2009, where it is very difficult to predict how the market will develop. The market for VBG GROUP TRUCK EQUIPMENT is expected to continue to be weak during the first six months. Hopefully activity will increase during the second half of the year, but this will probably not compensate for the weak start of the year.

For RINGFEDER POWER TRANSMISSION there are not as clear signs of a downturn in the market, even though it is realistic to expect that the generally weak and shaky world market situation will affect this business area as well. However, we believe that RINGFEDER POWER TRANSMISSION will, by virtue of its broad range of products and applications on a more global market, be able to keep its turnover on a good level. The acquisition of the GERWAH Group can moreover be expected to contribute positively to both turnover and earnings.

Strong position creates opportunities

The Group has a solid financial position and good liquidity to cope with a tough 2009. We will implement the planned and initiated structural measures while at the same time maintaining good preparedness for acquisitions if the opportunity should arise.

Our foremost priority is to strengthen the Group's competitiveness by creating a more flexible cost structure. All in all this means that the Group will stand well equipped when the market takes a turn for the better.

Vänersborg, April 2009

Anders Birgersson
Managing Director and CEO

"RINGFEDER POWER TRANSMISSION
showed a continued strong trend in sales."

"We will at the same time maintain good
preparedness to make certain acquisitions."

Business concept, goal and strategies

The VBG GROUP focuses on product niches and market segments where it is possible to achieve good and sustainable profitability with good growth potential. The growth should be achieved by organically and by acquisition.

Business concept

The VBG GROUP will, within carefully selected product and market segments, acquire, own and develop industrial companies in business-to-business commerce with strong brands and good growth potential. Based on a long-range commitment and with a focus on growth and profitability, VBG GROUP's shareholders will be offered attractive value growth.

Goal

The VBG GROUP's overall objective is sustainable and profitable growth. Through growth we achieve a position of strength in relation to other players in the value chain: suppliers, distributors, customers and above all competitors. Sustainable and profitable growth also generates a good long-term financial return for the shareholders.

Choice of strategy based on niche thinking and risk diversification

The Group's basic choice of strategy, which applies to both RINGFEDER POWER TRANSMISSION and VBG GROUP TRUCK EQUIPMENT, is based on niche thinking and risk diversification.

The strategy is to focus on product niches and market segments where it is possible to achieve good and sustainable profitability with good growth potential. The goal is to create differentiated customer offerings based on strong and unique brands that create clear added value for both new and existing customers. Synergies between the two business areas exist mainly in purchasing, but they also share certain administrative resources.

Management and coordination of business operations
Each business area has a management that integrates and coordinates its operations for the purpose of optimising any synergies that may result from acquisitions. Industry-specific competition strategies are developed that make use of the business areas' assets and the organisation's core competence and industrial know-how. Each business area management is responsible for devising its unit's competition strategy, but also for participating in designing the strategies. The strategic work takes place in close cooperation with the Board and the Group Management. This creates a natural and effective link between the work of developing strategies in theory and applying them in practice.

Brand strategy

The origin of the VBG GROUP is the VBG brand. When it comes to acquired businesses, the Group deliberately focuses on strong brands that are leaders in their product categories or have great potential to become so. Businesses acquired by the Group are not simply lumped together under a common brand, but are given both resources and competence to create the best possible conditions for long-term profitable growth. This approach is based on the realisation that strong brands make the difference in a world of increasingly generic and competing offerings.

The commercial role played by each brand in the VBG GROUP is analysed from a strategic point of view. This results in a business plan that describes how the brand's product and service offering responds to the needs of different customer segments. The purpose is to guarantee a specific market position for the individual brand. The brand strategy is thoroughly documented and each brand has a Brand Manager who is assigned the task of implementing this strategy and communicating the plan to all those concerned within the Group.

The brand strategies influence a long series of judgements pertaining to the specific brand, such as innovation rate, product content, sales channel strategy, customer care, service commitment and marketing communications.

Growth strategy

The VBG GROUP will grow both organically and by acquisition.

An organic growth strategy is formulated within each business area and is concentrated on existing product and market segments. The goal is to create distinct competitive advantages in product development, manufacturing, marketing and distribution. The VBG GROUP's strong market position, advanced products and efficient distribution channels, along with stable finances and a strong internal organisation, constitute the basis for the continued development of the business.

The business areas' strategy for organic growth is based on the interaction of several different success factors:

- A clear brand strategy based on differentiation
- Increased presence among the most important customer groups
- Presence on growing markets
- Forward integration in the value chain by founding of own sales companies
- Continuous identification and analysis of new geographic markets
- Broadening of the product offering
- Long-range product development

A central area of responsibility for the Group Management is the Group's acquisition strategy. Growth by acquisition is a priority and important for realising the Group's overall goal of sustainable and profitable growth.

The VBG GROUP follows an acquisition strategy with clear goals and criteria. The acquisition strategy is evaluated continuously and focused on profitable small and medium-sized companies that either have a leading position in their product segment or can achieve a leading position within two to five years.

The basic criteria for acquisitions are

- Stable profitability
- Strong brands
- Strong or leading market position
- Active in product niches
- Potential for continued growth
- Clear synergies
- Stable organisation and strong management.

History of the VBG GROUP

1951 Vänersborgskopplingen's first production plant

1987 Initial listing of VBG share

1997 RINGFEDER's trailer couplings on road train in Australia

1951	• Herman Krefting founds the company Vänersborgskopplingen	
1963	• Car hitches are added to the product range	• Divested 1995
1970	• Founding of VBG Produkter A/S, Norway	
1974	• Founding of VBG Produkter A/S, Denmark	
1987	• Parent Company VBG Produkter AB gets listed on the Stock Exchange's OTC list	
	• Founding of Finnish subsidiary OY Suomen VBG AB	• Divested 1992
1990	• Acquisition of Dayton Walther Ltd., England (fifth wheels)	• Divested 2000
	• Acquisition of rights to Armaton, Sweden	• Founded 1987
1991	• Acquisition of business in Onspot AB, Sweden	• Founded 1977
1992	• Acquisition of KRZ trailer couplings. New distributor in Finland	
1997	• Acquisition of RINGFEDER trailer couplings and machine elements (now RINGFEDER POWER TRANSMISSION)	• Founded 1922
1998	• Founding of VBG AB – holding company in the new Group	

-2008

2003

- Founding of subsidiary ONSPOT E.U.R.L., France

2005

- Founding of subsidiary VBG Ltd, UK
- Introduction of ECOLOC brand in RINGFEDER POWER TRANSMISSION
- Acquisition of Edscha Lkw Schiebeverdecke GmbH, Germany, part of Sliding Roofs Division from Edscha AG
  - Edscha Sliding Roofs, original invention 1969
- Acquisition of Edscha SRV s.r.o, Czech Republic, part of Sliding Roofs Division from Edscha AG
  - Founded 2001
- Acquisition of Etes nv (SESAM), Belgium, part of Sliding Roofs Division from Edscha AG
  - Founded 1989
- Acquisition of Focus nv, Belgium, part of Sliding Roofs Division from Edscha AG
  - Founded 1997

2005 Sliding roofs for simple and quick goods handling

2006

- Founding of VBG GROUP SALES NV in Belgium
- RINGFEDER POWER TRANSMISSION GMBH is founded and broken out of RINGFEDER VBG GMBH, Germany
- VBG GROUP and new logotype are presented as new corporate identity in annual report

VBG GROUP

2006 New corporate identity

2007

- Parent Company changes name to VBG GROUP AB; other companies also change name
- Edscha Lkw-Schiebeverdecke GmbH is merged with VBG GROUP TRUCK EQUIPMENT GMBH, Germany
- Founding of branch office in Netherlands
- Founding of RINGFEDER POWER TRANSMISSION INDIA PRIVATE LTD

2008

- Acquisition of GERWAH GmbH, Germany
  - Founded 1980

GERWAH®

Entrepreneurs faced with the decision of turning over their life's work to the VBG GROUP can rest assured that the Group will take long-term responsibility for their business.

Businesses acquired by the Group are not simply lumped together under a common brand, but are given both resources and competence to create the best possible conditions for long-term profitable growth.

Since the VBG GROUP's strategy is to dominate the niches in which the Group works, acquired brands are given good opportunities to grow and develop in the long term.

Long-term owner

The VBG GROUP's markets

The VBG GROUP's choice of strategy is based on niche thinking and risk diversification. The strategy is to focus on product niches and market segments where it is possible to achieve good and sustainable profitability.

RINGFEDER POWER TRANSMISSION sells a broad range of products and applications to customers in different industrial sectors as well as in transport sectors such as the train, boat and aircraft industries. The business area's biggest customer segments are in the mining, construction, energy and machine industries. Demand for the products largely follows the general industrial business cycle. Even though demand roughly keeps pace with the trend in the GDP over the long term, year-to-year variations can be great both between different regions and between different sectors. For example, RINGFEDER POWER TRANSMISSION supplies products to the biggest players in the fast growing wind power industry. The business area's products are also sold to various industrial segments where growth is higher than for the industry as a whole. The biggest geographical markets are Europe, in particular Germany, and the USA, but a fast growing share of sales also takes place in Asia, South America and Australia.

RINGFEDER POWER TRANSMISSION works on a fragmented market and mainly competes with many small companies that are either family-owned or part of a larger industrial group. Some of the competitors are Fenner Drives (UK) with the B-loc brand, Tollok (Italy) and KTR (Germany).

The global financial unrest at the end of the year did not appreciably affect the demand for RINGFEDER POWER TRANSMISSION's products. The business area's strong market position on a large and diversified market instead contributed to a positive sales trend throughout the year. The fourth quarter exhibited the best trend, with a sales increase of 34 per cent compared with the same period last year.

VBG GROUP TRUCK EQUIPMENT'S most important customers are truck and trailer manufacturers and body builders. Demand for the business area's products mainly follows the demand for heavy vehicles in Europe, which is strongly linked to the underlying transport need. The integration of the new EU member states is an important driving force for demand. There are also a number of industry-specific factors that fuel demand for the business area's products, including tougher requirements on safety, functionality and ergonomics – areas where VBG GROUP TRUCK EQUIPMENT is a leader. Thanks to growing and less cyclically sensitive aftermarket sales of service and spare parts and accessories, the business area has managed to stabilize its sales in the past few years.

Besides in Europe, the business area's products are also sold to customers in Australia, Asia, Africa and South America. Its biggest competitors include the German company Jost Werke with the Rockinger brand, active in the trailer couplings area, and Trailer System Engineering GmbH, suppliers of sliding roofs.

The business trend on VBG GROUP TRUCK EQUIPMENT's markets was dramatic in 2008. After a record-strong start of the year in all product areas, there was a sharp slowdown in the trailer sector during the third quarter. This worsened to a virtual standstill during the fourth quarter, at the same time as a clear slackening in demand was evident in the trailer couplings product area. The cause of the weak trend during the second half of the year was the accelerating global financial crisis.

The market for trucks

The world market for trucks with a gross vehicle weight of more than 3.5 tonnes is estimated to be more than 2.5 million units annually. Asia is the most expansive region, with China as the fastest growing market. There has also been rapid growth in Europe, especially in Eastern Europe.

Sales in Europe during 2008 amounted to 428,000 trucks, of which 312,000 in the segment over 16 tonnes. The European truck fleet is estimated to amount to more than 5,000,000 vehicles.

At present there are some thirty or so independent truck manufacturers in the world. Six of them have an annual manufacturing volume of less than 2,000 units, another five produce fewer than 10,000.

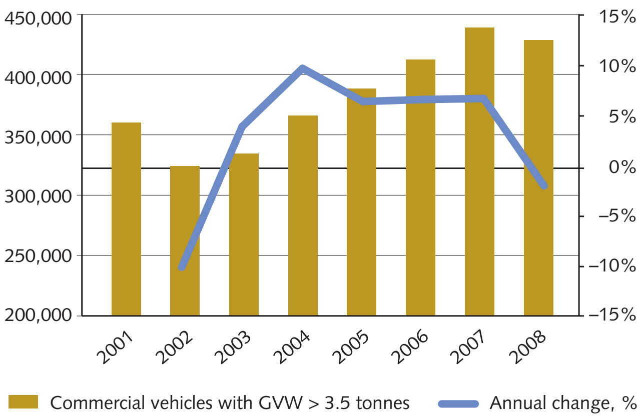
The global truck industry is expected to undergo further consolidation in the future. Eight to ten corporations are expected to dominate the market, each with a production volume in excess of 100,000 units. Up to today, these volumes are only achieved or exceeded by Daimler, the Volvo Group, Dongfeng and FAW (China), Tata (India) and Paccar and Navistar (USA).

The biggest European manufacturers are also global leaders, with Daimler and Volvo as the front runners.

MAN and Scania are their strongest challengers when it comes to heavy vehicles with a GVW over 16 tonnes. VBG GROUP TRUCK EQUIPMENT is a supplier to all European truck manufacturers in the heavy segments.

Registrations of trucks with a GVW over 16 tonnes – the VBG GROUP's most important segment – fell by 2.6 per cent in Europe in 2008. The reason was the financial crisis combined with the deepening economic downturn. The decline in registrations was particularly significant during the fourth quarter.

Commercial vehicles with GVW >3.5 tonnes, Europe 2001–2008



The market for trailers

The European trailer and body builder market, which currently consists of more than 600 manufacturers, is much more fragmented than the market for trucks. The five biggest manufacturers are estimated to account for about 40 per cent of the trailer market, which amounted to nearly 300,000 trailers in 2008. The biggest players have grown vigorously over the past few years. The medium-sized manufacturers exhibit weaker growth, however.

In an economic slump it is likely that the consolidation of these segments will accelerate.

Road transport – continued growth

The long-term prospects for road transport continue to be positive. More than 70 per cent of all inland freight within the EU was transported by trucks in 2008. According to a forecast by the European Commission, transport by truck is expected to increase by 50 per cent between 2000 and 2020, which is higher than the expected GDP growth during the same period. The increase for the new EU member states is even greater. Road transport in Europe is growing faster than transport by boat, air and rail. Road transport is considered to be the most flexible, efficient and economical of the transport modes. The steady increase in the transport need worldwide favours both of the VBG GROUP's business areas.

Growth of transport 2000–2020

EU25	Truck	55%
	Rail	13%
	Other	28%

Source: Impact Assessment MTR of the White Paper on Transport Policy 22.06.2006, SEC (2006) 768

The VBG GROUP's ambition is to see to it that all employees can reach their full potential within the Group. This entails continuously stimulating initiatives and measures that create a working environment with high job satisfaction where employees are encouraged to take their own initiative and responsibility.

The employees should be able to benefit from the opportunity of working for a financially strong, stable and long-term employer.

Staff turnover and sickness absence within the VBG GROUP are low today compared with the industry average.

Long-term employer

RINGFEDER POWER TRANSMISSION

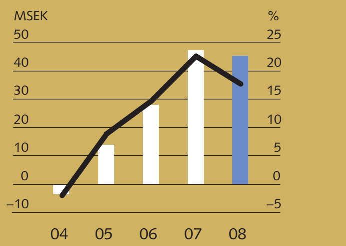
RINGFEDER POWER TRANSMISSION will be a recognised global market leader in selected niches within mechanical power transmission and industrial damping.

RINGFEDER POWER TRANSMISSION's most important key factors for long-term success are:

- Clearly positioned brands
- A global sales organisation with a local presence
- Technical expertise and high competence
- Systems and complete solutions
- Quick and efficient customer service

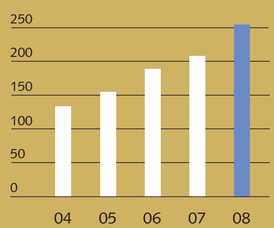
With RINGFEDER, GERWAH and ECOLOC, RINGFEDER POWER TRANSMISSION offers its customers a complete range of products from premium to volume products. The RINGFEDER brand and the recently acquired GERWAH brand are premium brands for customers with exacting demands and high expectations within mechanical power transmission and industrial damping. The ECOLOC brand has a strong position within standard products for power transmission via shaft-hub connections.

Operating profit, SEK M and operating margin, %



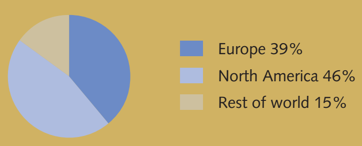
Operating profit for 2008 declined by 4 per cent to SEK 44.9 M (46.6), which is equivalent to an operating margin of 17.7 per cent (22.6).

Turnover, SEK M



Turnover for 2008 increased by 23 per cent to SEK 253.0 M (206.4). Excluding currency changes the volume increase was 21 per cent.

Turnover 2008



RINGFEDER POWER TRANSMISSION's products are sold worldwide. The biggest markets are Germany and the USA.

Key figures

	2004	2005	2006	2007	**2008**
Turnover, SEK M	132.7	154.5	188.1	206.4	**253.0**
Operating profit/loss, SEK M	–2.6	13.8	27.6	46.6	**44.9**
Operating margin, %	–2.0	8.9	14.7	22.6	**17.7**
Share of Group turnover, %	22	20	16	16	**18**

RINGFEDER POWER TRANSMISSION traces its origin to the RINGFEDER brand, which was established in 1922. The business area develops, manufactures and markets products for advanced applications in mechanical power transmission and damping to different industrial sectors as well as to the train, boat and aircraft industries. The products are sold worldwide, with the biggest markets in Germany and the USA. Operations are conducted from companies in Germany, the USA and India.

Acquisitions for continued growth

RINGFEDER POWER TRANSMISSION has grown by 9 per cent annually since 2002, and this growth has been solely organic. An agreement was concluded at the end of 2008 to acquire the German GERWAH Group with products for mechanical power transmission. GERWAH's products complement the business area's existing offering on several important geographical markets and strengthen the VBG GROUP's global offering to the important machine industry. GERWAH, which is being consolidated as of 1 January 2009, has a production company in the Czech Republic and a sales company in the USA, in addition to the product company in Germany. The Group had a turnover of about SEK 100 M in 2008. The acquisition will contribute positively to RINGFEDER POWER TRANSMISSION's earnings and long-term growth. Thomas Moka, manager of RINGFEDER POWER TRANSMISSION, was previously sales manager at GERWAH.

Clearly positioned brands

The business area consists of clearly positioned brands. The RINGFEDER brand and the recently acquired GERWAH brand are premium brands for customers with exacting demands and high expectations. They stand for the market's best offering in terms of product quality, customer service and know-how within their respective product segments.

The ECOLOC brand, which was launched in 2005, has successfully contributed to strengthening the business area's position within standard products for power transmission via shaft-hub connections.

With RINGFEDER, GERWAH and ECOLOC, RINGFEDER POWER TRANSMISSION offers its customers a complete range of products from premium to volume products.

Strong market position

RINGFEDER POWER TRANSMISSION operates within a number of niches and on many geographic markets. The premium brands RINGFEDER and GERWAH are global and well established on the business area's main 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 and GERWAH also have strong positions on various growth markets in South America and Asia. During 2008 the business area further strengthened its global position by launching new products and increasing its market shares.

Broad and growing customer base

RINGFEDER POWER TRANSMISSION's customers are found in the broad industrial markets, such as construction, machinery, power and mining. The business area is also an important supplier of special products to the train, boat and aircraft industries, for example. Customers are found in a total of twelve different segments. The biggest segments in terms of sales are mining, construction and energy. With the acquisition of GERWAH, the business area has gained access to new customer segments within industrial automation, for example the packaging industry. The acquisition will also make it possible to cultivate certain customer segments more effectively by providing access to a broader customer base in the segments. A rapidly growing customer group is companies within renewable energy such as wind power, hydropower and geothermal energy. The business area recently adopted measures to strengthen its offering within renewable energy in order to benefit from the steadily growing demand from customers in this segment. Today RINGFEDER POWER TRANSMISSION has more than 3,000 active customers spread all over the world, the largest of which account for only a small share of the business area's total turnover.

Complete product range

RINGFEDER POWER TRANSMISSION's products can be found in a large number of applications where extreme demands are made on technology and quality, whether above or below the ground, in the air or under water.

These products always incorporate the highest degree of safety engineering.

In response to rising demands from customers for cost-effective solutions, RINGFEDER POWER TRANSMISSION has intensified its efforts to develop new products that meet these demands, for example in the mining and transport industries.

The business area offers individual products or systems comprising a number of components, all with a high technology content. An important competitive advantage is high technical competence in combination with customer-oriented product development and efficient distribution. The customers also mention accessibility and quality as important factors when they choose RINGFEDER POWER TRANSMISSION as a partner.

Efficient production and distribution

Continuous efforts are made to streamline the production processes in cooperation with suppliers and partners.

The vast knowledge that has been accumulated over a long period of time within the business area is used in product design, while volume production is outsourced to external manufacturers. In this way the greatest possible cost effectiveness and flexibility are achieved for the purpose of creating greater customer value. To ensure high efficiency and optimal quality in the most advanced products, production takes place at modern plants in Germany, Hungary, the Czech Republic and Italy.

Being able to deliver in a short time is crucial for landing a deal. RINGFEDER POWER TRANSMISSION keeps a well balanced inventory of products, which is one of the foremost success factors in a growing market. The business area's stocks of finished products are in Germany, the Czech Republic, the USA and India. The stocks in the USA and India are intended for the home markets, while the stocks in Germany not only supply German customers but are also distributed to the rest of Europe and globally.

The Indian company RINGFEDER POWER TRANSMISSION India inaugurated its new facility in Chennai at the end of 2008. The facility contains offices, a distribution centre and a hall for future final assembly and inspection for the business area's Indian customers.

Synergies in sales

RINGFEDER POWER TRANSMISSION reaches its customers either directly or via networks of agents and distributors. The business area has a tradition of working with very long-term agent and customer relationships, something which is highly valued on many markets. The RINGFEDER trademark has, for example, customer relationships that go back more than 80 years. By the acquisition of GERWAH, the business area has acquired access to new internal sales channels as well as a new network of agents and distributors on important markets in growth regions. This access to a broader sales network provides synergies. Products under the RINGFEDER and ECOLOC brands can now be sold through the new points of sale, while products under the acquired GERWAH brand can be sold through the existing point-of-sale network.

One of the most important tasks for agents and distributors is to make customers aware understand the added values which RINGFEDER POWER TRANSMISSION's products can create. This is achieved by training the agents – an important activity in order to cultivate customers and create growth within the business area.

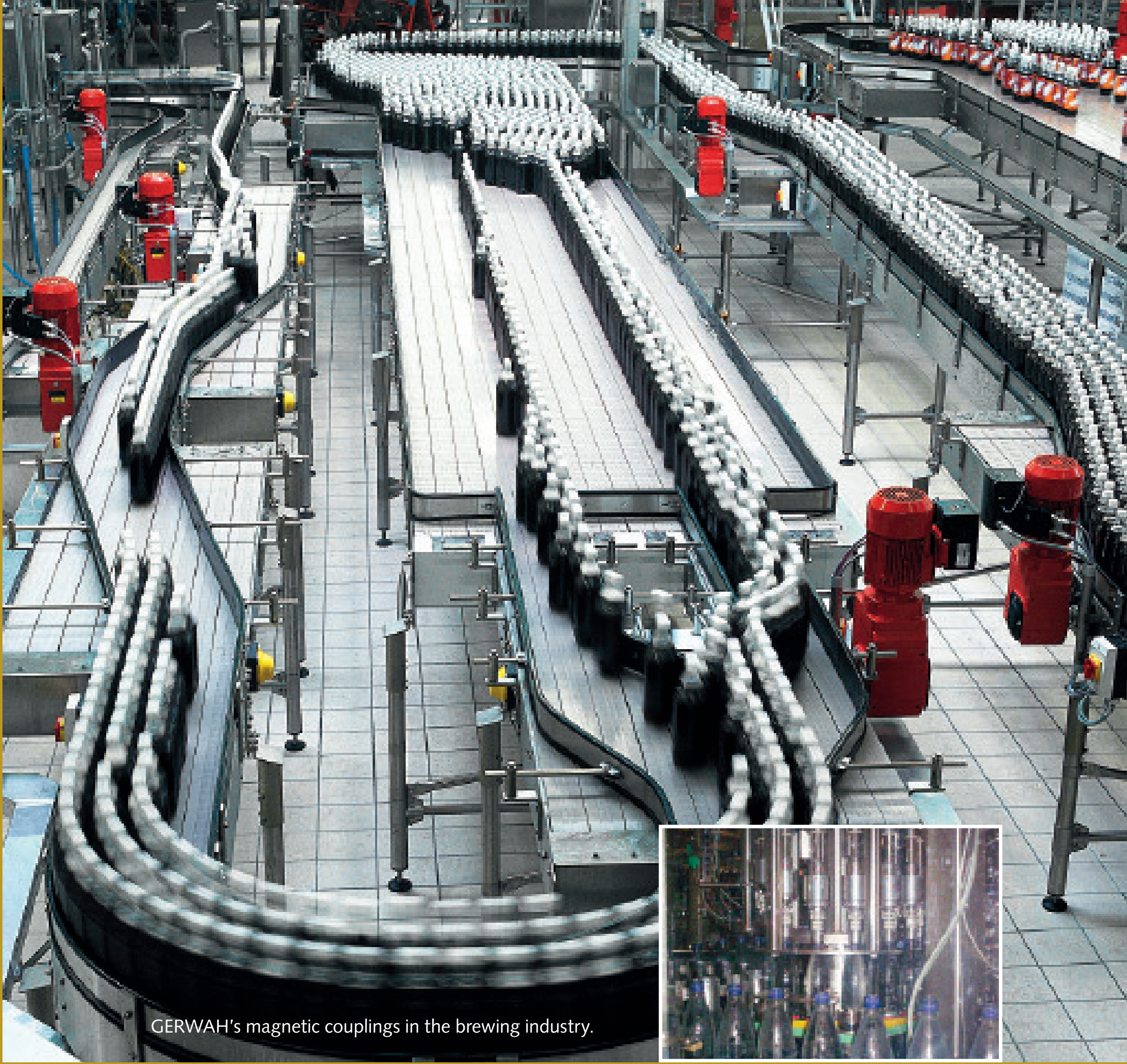
Results in 2008

RINGFEDER POWER TRANSMISSION continued to exhibit stable financial performance throughout the year. Turnover for 2008 increased by 23 per cent to SEK 253.0 M while operating profit declined by 4 per cent to SEK 44.9 M, which is equivalent to an operating margin of 17.7 per cent.

The global financial unrest at the end of the year did not appreciably affect demand for the business area's products. Turnover increased during the fourth quarter by 34 per cent to SEK 65.7 M compared with the same quarter last year. Turnover was 12 per cent higher during the last half of the year than during the first six months. The business area's strong market position on a large and diversified market contributed to the positive sales trend.

In focus during 2009

The focus during the first part of 2009 is on a successful integration of GERWAH. In a longer perspective it is important to establish a greater presence on more growth markets and to continue to broaden the product portfolio. Through new products, a stronger focus on growth markets and new distribution agreements, RINGFEDER POWER TRANSMISSION expects to continue to grow faster than the market.



GERWAH's magnetic couplings in the brewing industry.

Through the acquisition of GERWAH, RINGFEDER POWER TRANSMISSION is further strengthening its offering to the important machine industry on the global market. GERWAH is a brand with a strong market position as a high-quality manufacturer of locking elements and clamping sets for mechanical power transmission for leading suppliers of industrial gears.

GERWAH is also a supplier of backlash-free couplings for servo drive systems to the packaging and machine tool industries.

GERWAH, which was acquired at the end of the year, will contribute positively to the VBG GROUP's earnings in 2009.

Thomas Moka, manager of RINGFEDER POWER TRANSMISSION:

"With GERWAH we are getting a strong premium brand in mechanical power transmission that complements the rest of our product offering on several important geographical markets while giving us access to whole new customer segments."

Acquisitions for continued growth

VBG GROUP TRUCK EQUIPMENT

VBG GROUP TRUCK EQUIPMENT will, through its own strong brands, be an internationally leading supplier of equipment and systems to customers in the truck and trailer industry.

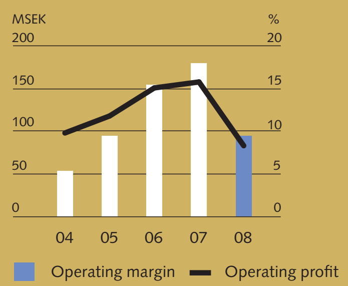
VBG GROUP TRUCK EQUIPMENT's strategy is based on the interaction of several defined success factors:

- **Clearly positioned brands**
- **Focus on strong customer relations and the customers' needs**
- **Market development**
- **Well-developed aftermarket sales**
- **Long-term product development**

RINGFEDER VBG Edscha Trailer Systems SESAM armaton ONSPOT

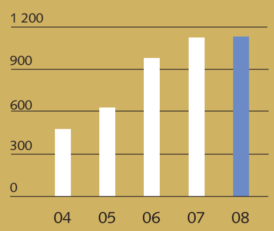
VBG GROUP TRUCK EQUIPMENT has a strong product range with market-leading brands for the truck and trailer market. VBG and RINGFEDER together account for more than 50 per cent of the world market for coupling equipment for heavy truck-trailer rigs. EDSCHA TRAILER SYSTEMS and SESAM together delivered about 60 per cent of all sliding roofs in the world. ONSPOT automatic tyre chains and ARMATON dropside pillars are also well-positioned brands.

Operating profit, SEK M and operating margin, %



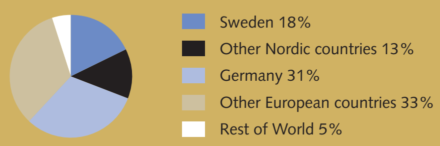
Operating profit for 2008 declined to SEK 93.5 M (179.7), including a restructuring provision of SEK 46.0 M for relocation of production. The operating margin decreased to 8.3 per cent (16.1).

Turnover, SEK M



Turnover for 2008 was unchanged compared with last year. Taking into account the weaker Swedish krona, the sales volume decreased by over 2 per cent.

Turnover 2008



Total SEK 1,124 M

VBG GROUP TRUCK EQUIPMENT's biggest market is Europe, but sales also take place in Asia, Australia, Africa and South America.

Key figures

	2004	2005	2006	2007	**2008**
Turnover, SEK M	471.8	624.1	975.0	1 116.9	**1 123.7**
Operating profit, SEK M	55.6	93.9	154.5	179.7	**93.5**
Operating margin, %	11.8	15.1	15.8	16.1	**8.3**
Share of Group turnover, %	78	80	84	84	**82**

VBG GROUP TRUCK EQUIPMENT's business is focused on heavy and medium-heavy trucks and trailers. The customers include the most important suppliers in the global truck market, including all European truck manufacturers and several of the largest European trailer manufacturers. Besides truck and trailer manufacturers, body builders are another important customer group. The business area's largest market is Europe, but it also exports to other regions in the world, such as Australia, Asia, Africa and South America.

Strong brands

VBG GROUP TRUCK EQUIPMENT offers total solutions and a strong product range with market-leading brands for the truck and trailer market. The brands are renowned for their cutting-edge technology. VBG and RINGFEDER together account for more than 50 per cent of the world market for coupling equipment for heavy truck-trailer rigs.

EDSCHA TRAILER SYSTEMS and SESAM together delivered about 60 per cent of all sliding roofs in the world. ONSPOT automatic tyre chains and ARMATON dropside pillars are additional examples of well positioned and established names.

Supplier of system solutions

VBG GROUP TRUCK EQUIPMENT's fundamental concept is to offer the end users the highest safety, good ergonomics and low overall costs. The business area offers the vehicle manufacturers good service and creates added value by offering system solutions. More and more vehicle manufacturers are choosing to purchase ready-assembled coupling systems, consisting for example of drawbeams complete with couplings, power actuator and other accessories. Body builders and trailer manufacturers are also demanding deliveries of ready-assembled systems that can go directly to the final assembly line. This results in more efficient production and minimises capital tied up in stocks. VBG GROUP TRUCK EQUIPMENT has the expertise and experience required to be an attractive cooperation partner to demanding customers.

Broad cultivation of the market

VBG GROUP TRUCK EQUIPMENT cultivates the market directly through its own sales companies or via a network of well established importers and retailers in a large number of countries all over the world. The strategy is to have our own presence on selected markets and work close to the customers. VBG GROUP TRUCK EQUIPMENT currently has its own subsidiaries with responsibility for sales in Sweden, Germany, Denmark, Norway, Belgium, the Netherlands, the UK and France.

By continuously striving to integrate forward in the value chain, the business area can cultivate the market more efficiently and strengthen its customer relationships.

Important strategic partnerships

Strategic partnerships are important for VBG GROUP TRUCK EQUIPMENT. Many joint projects, which are run in cooperation with the most important players in the industry, demonstrate the business area's strong position on the market. These joint projects give us a good understanding of what is happening in the industry and an opportunity to take part in the development work at an early stage so that we can influence the outcome. When customers are looking for the most economical total solution, VBG GROUP TRUCK EQUIPMENT's long experience and broad expertise weigh heavily in the balance.

The business area is constantly arranging seminars and trainings in traffic safety and current rules and regulations. The objective is to create value around the brands so that, in addition to being a good supplier of different products, the business area also acts as an expert and an advisor. VBG GROUP TRUCK EQUIPMENT has thereby come to play a role as an important consultation body in the international automotive industry for public traffic authorities in matters relating to the connection of trucks and trailers.

Good aftermarket sales increases stability

VBG GROUP TRUCK EQUIPMENT's new sales take place to truck and trailer manufacturers as well as to body builders, in other words for production of new vehicles. Sales to these customer groups have gradually created a long-term installation base for a well-developed aftermarket. The aftermarket with spare parts, accessories and service exhibits smaller fluctuations over a business cycle than sales to truck and trailer manufacturers and body builders. The business area's extensive network of sales subsidiaries, importers and retailers in some 40-odd countries permits efficient cultivation of aftermarket customers.

Leading product development

As the market leader, VBG GROUP TRUCK EQUIPMENT spearheads the development of innovations and technically advanced solutions, especially within coupling equipment and sliding roofs. The technical knowledge and experience that is gathered within the Group is impressive.

The completely new and revolutionary concept for coupling of trucks and trailers, the Multi Function Coupling (MFC), was launched in the autumn of 2008. VBG MFC is a fully integrated coupling that automatically connects all functions between truck and trailer in a single manoeuvre – a completely new technology that has been developed within the business area since 2002. Extensive resources are being devoted to customer-driven product development of sliding roofs as well, as can be expected from the market leader.

New vehicle combinations

EMS (European Modular System) is a concept based on vehicles adapted to unit loads and permits vehicle lengths up to 25.25 metres and road train weights up to 60 tonnes. Such vehicle combinations are currently approved on the Swedish and Finnish market. The concept was originally driven by logistic reasons, but is increasingly being discussed from an environmental perspective. In recent years the testing programme has been expanded in Europe. As a result, European markets that were previously hesitant have re-evaluated their position. VBG GROUP TRUCK EQUIPMENT is participating in various pilot projects in the area and has a leading role in the development of international standards for coupling equipment for these vehicles. This means a preparedness exists for adapting to upcoming changes in the market.

Concentration of manufacturing

A decision was made at the end of 2008 to move the manufacturing of RINGFEDER's trailer couplings from the factory in Krefeld in Germany to the plant in Vänersborg. This was a long-term measure and a part of the Group's rationalisation programme. Concentrating all manufacturing of trailer couplings to one factory is a step in the production strategy that will lead to lower fixed costs and improve efficiency.

The move, which affects some 60-odd persons in VBG GROUP TRUCK EQUIPMENT in Krefeld, is expected to be completed during the fourth quarter of 2009.

Results in 2008

VBG GROUP TRUCK EQUIPMENT's operations during the past year were greatly affected by the accelerating global crisis. After a record-strong start of the year in all product areas, there was a slowdown in the trailer sector during the third quarter. This worsened to a virtual standstill during the fourth quarter, at the same time as a clear slackening in demand could be discerned in the trailer couplings product area. Turnover in the business area fell from SEK 321 M in the first quarter to SEK 221 M in the fourth quarter. Turnover for the full year was SEK 1,123.7 M, which is roughly the same level as last year.

Operating profit was nearly halved to SEK 93.6 M after a provision of SEK 46 M regarding restructuring costs for the production move from Krefeld to Vänersborg.

In focus during 2009

In view of the current weak market situation, efforts are being focused on further measures to adjust our operations to the economic realities. Additional structural improvements will be implemented if the market continues to weaken. Efforts were also made during the year to penetrate the market with the new products that were launched in 2008, for example VBG MFC.

Better safety, ergonomics and comfort with VBG MFC

As the market leader, the VBG GROUP has taken the biggest step ever when it comes to connection technology for truck and trailer. VBG MFC (Multi Function Coupling) improves efficiency by enabling the trailer to be connected directly from the cab. Everything is connected automatically – electricity, pneumatics and hydraulics – by a completely new technology. VBG MFC raises safety, ergonomics and convenience to new levels and permits more efficient operation and reduced wear, leading to prolonged service intervals.

VBG MFC was launched at Elmia in Jönköping in August and at the IAA show in Hanover in September 2008. Rollout on different markets is proceeding according to plan, and today the product is adapted to vehicles from Scania, Volvo, MAN, Mercedes and Renault.

Conny Jacobsson, test driver of the concept since early 2008, says:

"The biggest advantage of VBG MFC is its completely backlash-free operation. The truck and trailer feel like a single unit. And just like previous technical improvements from VBG, MFC will be a convenience feature few drivers will want to be without."

Sustainable development

Employees

The VBG GROUP's ambition is to enable its employees to reach their full potential within the Group. The cornerstone is the opportunity of working for a financially strong, stable and long-term employer.

Dedicated, qualified and customer-oriented employees are a crucial asset in strengthening the VBG GROUP's position in the long term. At the end of 2008 there were 436 employees (426) in the VBG GROUP, including 157 (168) in Sweden and 151 (142) in Germany. The Group also has employees in the Czech Republic, Belgium, the Netherlands, Norway, Denmark, France, the UK, the USA and India – in both manufacturing and sales companies. The growing international operations offer interesting development opportunities for the Group's employees.

Move of production

The acquisition of GERWAH (Germany), which is being consolidated from 1 January 2009, is bringing an additional 60 or so employees into the Group. At the same time, the decision to move the production of trailer couplings from Krefeld to Vänersborg entails a corresponding reduction in the number of employees in Krefeld. The move, which is expected to be completed during the fourth quarter of 2009, will lead to a sharp increase in the production of couplings in Vänersborg. Employees in Krefeld are being invited to move along with production to Sweden. After the production move, the operation in Krefeld will be focused on product development, marketing and sales.

Adjustments in working hours and training

Adjusted working hours were introduced in Vänersborg in the spring of 2009.

Time saved in the current economic downturn is being deposited in a time bank that can be drawn on later to increase working hours when the economy improves. Furthermore, extra training is being provided with a focus on production technology, such as reading of drawings, quality, product knowledge, maintenance and fire protection.

Individual skills development

All new employees in the VBG GROUP undergo orientation training with a focus on procedures, safety, quality and environment as well as individual job content. Continuing skills development is determined and followed up at the developmental assessments that are held regularly between each employee and his or her immediate superior. During 2008, all managers in Sweden received training in working environment and labour law.

Low sickness absence and staff turnover

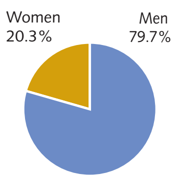
The VBG GROUP has a structured approach to wellness and rehabilitation. Sickness absence in 2008 was 4.0 per cent, which is much lower than the average for similar operations in both Sweden and the rest of Europe. The VBG GROUP stimulates initiatives aimed at creating a working environment with high job satisfaction where employees are encouraged to take their own initiatives and responsibility.

Many employees in the Group have been employed for a long time. Of all employees in the VBG GROUP, 31 per cent have been employed in the Group for more than 20 years. These long employment periods contribute to low staff turnover.

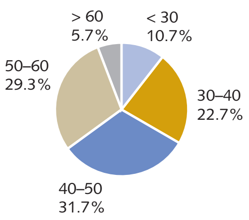
Long-term recruitment efforts

The VBG GROUP continues to cooperate with different educational bodies. There is a large long-term recruitment need to replace employees who retire. In Sweden, representatives of the VBG GROUP are members of the programme council for University West. At a local level in Vänersborg, the Group participates in the Technical College at Birger Sjöbergsgymnasiet. Furthermore, the Group regularly accepts students from both university and upper secondary school for work placements, study visits or degree projects.

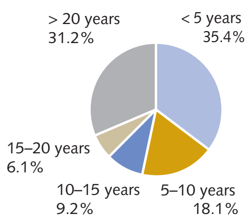
Gender distribution



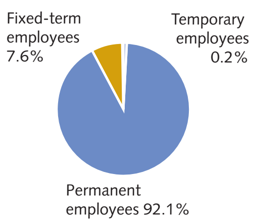
Age distribution



Length of employment



Form of employment






Environment

The VBG GROUP manufactures products that boost efficiency in the transport and energy sector, reducing the environmental impact in society.

The VBG GROUP works actively with environmental assurance in both production and administration. Even though the direct environmental impact of the company's operations is small, 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 own 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. Via RINGFEDER POWER TRANSMISSION, the Group delivers important components to the wind power industry, thereby contributing to more environmentally friendly and sustainable energy production.

Cooperation yields improvements

The VBG GROUP's strategic partnerships with customers and suppliers enables the Group to keep abreast of market trends while creating opportunities for the Group to get in on the development work early and influence the direction it takes. The products manufactured and sold by the VBG GROUP not only comply with regulatory requirements, but also meet the explicit and implicit needs of the customers when it comes to reliability, economy, ergonomics, design and environmental impact.

Environmental policy and action plans

The VBG GROUP's environmental policy states that the Group safeguards both the external and the internal environment. The company's business activities shall be conducted so that

- relevant legislation is complied with and environmental impact due to unintentional releases of materials and energy is prevented and noise is reduced
- all employees have knowledge of their own and the Group's environmental impact
- the environmental impact of the products throughout their life cycle is taken into consideration
- environmental aspects are one of the criteria in the choice of suppliers and contractors.

Action plans and emergency plans prepared in consultation with the concerned authorities must exist in order to mitigate and prevent the effects of any unintentional releases and incidents. The manufacturing units in Vänersborg and Krefeld are environmentally certified to ISO 14001.

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Corporate social responsibility

Ever since the company was founded in 1951, traffic safety has been a guiding star for the VBG GROUP's activities, due to founder Herman Krefting's firm commitment to and interest in the subject.

Herman Krefting (1907–1993) founded the company Vänersborgskopplingen in 1951. He designed and manufactured a new truck coupling that was considerably stronger than what was then available on the market. Since then traffic safety has served as a driving force behind the development of new products in the VBG GROUP. It is an important link in the systems thinking that characterises the VBG GROUP's innovative development work, from idea to finished product.

Expert and consultation body in traffic safety

Seminars and trainings are held regularly in VBG GROUP TRUCK EQUIPMENT on traffic safety and current rules and regulations, earning the business area a role as expert and advisor in various contexts. The VBG GROUP sometimes serves as a consultation body to EU authorities in matters relating to the connection of trucks and trailers.

Long-term security with owner foundations

In the 1970s, 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. Since he was a child 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, which is the largest shareholder in the VBG GROUP, funds professorships in allergy and asthma research and has so far awarded research grants of around SEK 52 M

New research centre in Göteborg

In 2008 the Foundation concluded an agreement with the Sahlgrenska Academy at the University of Gothenburg on annual donations to allergy and asthma research. The donations for 2008 totalled about SEK 10 million. The money, along with previous funds from the Herman Krefting Foundation, will go to a new centre – VBG GROUP Centre for Asthma and Allergy Research. A professorship in epidemiological allergy research has been filled. Furthermore, a clinical research unit will be built up within the area. Within the framework for this research, a population study is currently being conducted on allergy and asthma in which 30,000 Western Swedes aged 16–75 are included.

The share

The price of the VBG GROUP's Series B share fell on a very weak market by 59 per cent from SEK 124.50 to SEK 51.00 during 2008. Over the past five-year period, the total return on the VBG GROUP's Series B share amounts to an average of 27.1 per cent per annum.

The VBG GROUP was first listed on the Stockholm Stock Exchange's OTC list in 1987 and is currently traded on the Nasdaq OMX Nordic Exchange Mid Cap in the Industrials Sector. A total of 1,882,361 VBG GROUP Series B shares were traded during 2008. The turnover rate, counted as the number of shares traded in relation to the total number of shares in the company, was 15 per cent (22). The share price at year-end was SEK 51.00, which is equivalent to a market capitalisation of SEK 0.6 billion (1.6).

Good long-term return

The VBG GROUP's overall objective is sustainable and profitable growth, which also generates a good long-term financial return for the shareholders. As a result of the sharp price fall in 2008, the total return on an investment in the VBG GROUP's Series B share was –58 per cent. Total return indicates the actual profitability of an equity investment and consists of the change in price including re-invested dividends. The total return for the past five-year period is positive, equivalent to an average of 27.1 per cent per annum. The OMX Nordic Index increased by 7 per cent during the same period. Since its initial listing in 1987, the VBG GROUP's Series B share has increased by 756 per cent.

At year-end 2008, the VBG GROUP's Series B share was valued at 8.7 times the 2008 earnings per share. The dividend yield at that time was 2.0 per cent, based on the Board's dividend proposal for 2008.

Buy-back of shares

Following the buy-back programme that was implemented in 2002, VBG GROUP AB (publ) owns 1,191,976 Series B shares. The shares represent 8.7 per cent of the share capital. The Board of Directors has been authorised by the Annual General Meeting to resolve on one or more occasions to transfer these shares in connection with acquisitions.

Share capital and number of shares

The share capital in the VBG GROUP amounts to SEK 34,235,000, distributed among 13,694,000 shares with a quotient value of SEK 2.50 per share. There are two classes of shares: 1,220,000 Series A shares and 12,474,000 Series B shares. Each Series A share has ten votes and each Series B share has one vote, except for the Series B shares bought back by the VBG GROUP. 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 the VBG GROUP had 4,847 shareholders, a decrease of 5 per cent compared with one year earlier. Of the total number of shares, 86.2 per cent are owned by institutions, including the three foundations and the VBG GROUP's repurchased shares.

Proposed dividend

For 2008 the Board of Directors has decided to propose to the AGM a dividend of SEK 1.00 (2.50) per share, which is 60 per cent less than last year's dividend. This dividend corresponds to 17 per cent of the profit after tax or SEK 12.5 million.

In determining the size of the dividend, consideration is given to investment plans, acquisition possibilities, liquidity and overall financial position. The VBG GROUP has had a stable dividend over the past 15 years. Since the initial listing in 1987, an average of 27.3 per cent of the earnings has been distributed.

Contacts with the stock market

The VBG GROUP's contacts with the stock market are mainly based on quarterly financial reports, press releases and presentations of the VBG GROUP. Approximately ten meetings with investors and analysts were held in Sweden during 2008. The annual report, year-end and interim reports are available at the Group's website www.vbggroup.com. There you will also find press releases, presentation material from information meetings and other information on the company.

Contacts with shareholders are welcomed. The person in charge of Investor Relations is Claes Wedin, CFO, telephone +46 521 27 77 06, e-mail claes.wedin@vbggroup.com.

Analysts

The following analysts regularly cover the VBG GROUP:

Christian Wallberg at HQ Bank
Telephone +46 8 696 18 13
E-mail christian.wallberg@hq.se

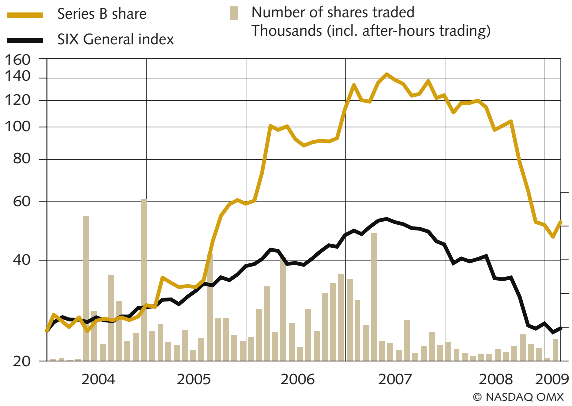
Jan Bjerkeheim at Danske Bank
Telephone +46 8 568 805 69
E-mail jan.bjerkeheim@danskebank.se

Carl Holmquist at Danske Bank
Telephone +46 8 568 805 42
E-mail carl.holmquist@danskebank.se

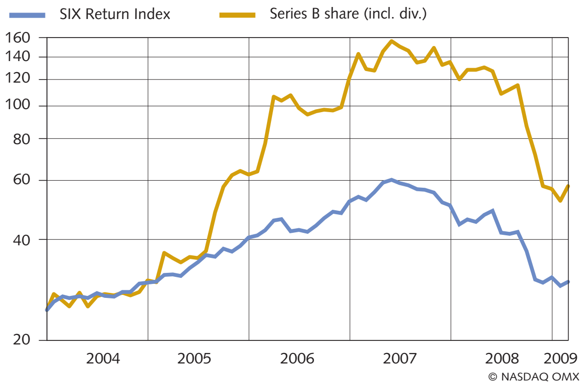
Johan Isaksson at Remium
Telephone +46 8 454 32 35
E-mail johan.isaksson@remium.se

Christian Nilsson at Västra Hamnens Fondkommission
Telephone +46 8 200 250
E-mail christian.nilsson@vhfondkommission.se

Price of VBG GROUP AB's Series B share over five years



Total return over five years



Ten biggest shareholders at 30 December 200

Shareholders	Series A shares	Series B shares	Holding, per cent	Votes, per cent
Herman Krefting Foundation for Allergy and Asthma Research	408,700	4,049,964	32.56	32.98
Melker Schörling AB	0	1,137,385	8.31	4.61
SEB Asset Management SA	0	824,688	6.02	3.34
Lannebo Micro Cap.	0	792,000	5.78	3.21
SLK Employees' Foundation	567,300	0	4.14	22.99
Lannebo Småbolag Select	0	566,000	4.13	2.29
IF Skadeförsäkring AB	0	474,200	3.46	1.92
Awake Swedish Equity Fund	0	323,000	2.36	1.31
VBG-SLK Foundation	244,000	0	1.78	9.89
Lindtor Maskin AB	0	218,000	1.59	0.99
Total ten largest shareholders	**1,220,000**	**8,385,237**	**70.13**	**83.53**
Total other shareholders		**2,896,787**	**21.17**	**16.47**
Total outstanding shares	**1,220,000**	**11,282,024**	**91.30**	**100.00**
VBG GROUP		**1,191,976**	**8.70**	
Total number of registered shares	**1,220,000**	**12,474,000**	**100.00**	

Shareholder categories

30 Dec. 2008	Percentage of capital
Foreign shareholders	7.65
Swedish shareholders	92.35
Of which:	
Institutions	86.23
Private persons	13.77

Size of shareholdings

30 Dec. 2008		Percentage of capital
Number of shares	Number of share-holders	Stake per cent
< 500	3,951	3.24
500–5,000	803	8.45
> 5,000	93	88.31
Total	**4,847**	**100.00**

Shareholders in Sweden and abroad

30 Dec. 2008	Percentage of capital
Sweden	92.35
Other Nordic countries	0.07
Other European countries	7.53
USA	0.05

Data per share

	2004	2005	2006	2007	**2008**
Earnings, SEK	2.25	5.37	8.95	10.64	**5.85**
Dividend, SEK	1.00	1.38	2.00	2.50	**1.00***)
Share price at year-end, SEK	29.38	59.00	113.00	124.50	**51.00**
P/E ratio	13.1	11.0	12.6	11.7	**8.7**
Equity, SEK	21.62	26.44	32.54	42.62	**53.17**
Cash flow, SEK	3.25	6.99	9.77	6.98	**9.62**
Dividend yield, %	3.40	2.33	1.77	2.01	**1.96**
Number of shares outstanding (thousands)	12,502	12,502	12,502	12,502	**12,502**
Number of shares outstanding (thousands)	12,502	12,502	12,502	12,502	**12,502**

*) Proposed

The VBG GROUP was founded in 1951 and listed on the stock exchange in 1987.

The VBG GROUP has long been one of the most stable and reliable companies on the Swedish stock market and has not reported an appreciable loss in over 50 years.

The Group's overall goal is sustainable and profitable growth, which should also generate a good long-term financial return for the shareholders. Since its initial listing in 1987, the VBG GROUP's Series B share has increased by 756 per cent, and an average of 27.3 per cent of the earnings has been distributed.

Long-term investment

Five-year summary

SEK M	2004	2005	2006	2007	2008
Sales and earnings					
Net turnover	604.5	778.5	1,163.1	1,323.3	1,376.7
Operating profit	45.8	101.8	170.5	213.2	123.1
Profit after financial items	44.3	97.5	165.8	201.5	108.6
Profit margin, %	7.3	12.5	14.3	15.2	7.9
Profit after tax	28.1	67.1	111.9	133.1	73.1
Financial position					
Balance sheet total	444.2	852.4	850.6	946.3	1,187.6
Capital employed	303.2	595.3	583.6	632.0	871.4
Return on capital employed, %	15.7	26.7	29.8	34.0	16.1
Equity	270.2	330.5	406.8	532.9	664.7
Return on equity, %	10.7	22.4	30.3	28.3	12.2
Risk-bearing capital	293.0	387.8	462.0	591.2	710.6
Risk-bearing capital ratio, %	66.0	45.5	54.3	62.5	59.8
Equity/assets ratio, %	60.7	38.8	47.8	56.3	56.0
Cash flow					
Cash flow change in working capital	65.7	102.3	167.6	146.3	146.6
Cash flow from operating activities	40.6	87.4	122.1	87.2	120.3
Cash flow from investing activities	–18.0	–321.7	–43.8	–16.6	–114.0
Cash flow from financing activities	–16.0	215.4	–103.4	–61.0	12.2
Cash flow for the year	6.6	–18.9	–25.1	9.6	18.5
Data per share					
Earnings, SEK	2.25	5.37	8.95	10.64	5.85
Dividend, SEK	1.00	1.38	2.00	2.50	1.00
Dividend yield, %	3.40	2.33	1.76	2.01	1.96
Other					
Average number of employees	308	339	411	422	432

Annual report

Report of the Directors

VBG GROUP AB (publ) Corp. ID no. 556069-0751
(All amounts in SEK thousand unless otherwise stated.)

The Board of Directors and Managing Director of VBG GROUP AB (publ) hereby submit their annual report and consolidated financial statements for financial year 2008, the company's 50th year of operation.

INFORMATION ON THE BUSINESS

General

VBG GROUP 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, Belgium, France, India 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 importers and distributors.

Business areas

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

- VBG GROUP TRUCK EQUIPMENT includes the brands VBG and RINGFEDER for coupling equipment, EDSCHA TRAILER SYSTEMS and SESAM for sliding roofs, ONSPOT for automatic tyre chains and ARMATON for dropside pillars. Customers tend to be truck manufacturers, trailer manufacturers, body builders, hauliers and importers.
- RINGFEDER POWER TRANSMISSION includes the main brand RINGFEDER plus a supplementary brand ECOLOC. The business area mainly markets products for power transmission (shaft-hub connections) and damping (friction springs) to several different industrial sectors. The customers are machine manufacturers, companies in the mining industry and the wind power industry, and other high-tech companies all over the world. As from 1 January 2009, the GERWAH brand is also included in the business area.

Consolidated turnover and earnings

The Group's turnover developed very positively during the first six months of 2008, but during the third quarter there was a slowdown in the trailer sector that affected VBG GROUP TRUCK EQUIPMENT. The slowdown in the trailer sector worsened to a virtual standstill during the latter part of the fourth quarter, at the same time as a clear slackening in demand was evident in the trailer couplings product area.

Sales remained good throughout the year for RINGFEDER POWER TRANSMISSION. Taken together, this led to an increase in turnover for the full year by 4 per cent to SEK 1,376.7 M (1,323.3). Taking exchange rate changes into account, the actual volume increase for the full year was 1.5 per cent.

Operating profit fell by 42 per cent to SEK 123.1 M (213.2). Half of the decline in operating profit was due to a provision in the fourth quarter for approved restructuring measures. The consolidated operating loss also includes Group-wide overheads of SEK 15.3 M (13.1), which have not been allocated to the operating profits of the different business areas. The operating margin was 8.9 per cent (16.1).

Profit after financial items declined by 46 per cent to SEK 108.6 M (201.5), equivalent to a margin of 7.9 per cent (15.2). Earnings per share after tax fell to SEK 5.85 (10.64).

Return on capital employed was 16.1 per cent (34.0) and return on equity was 12.2 per cent (28.3). The Group's equity/assets ratio rose compared with the end of last year, amounting to 56.0 per cent (56.3).

VBG GROUP GROUP, SEK M	2008	4/08	3/08	2/08	1/08	2007	4/07	3/07	2/07	1/07
Net turnover	1,376.7	286.7	333.8	374.8	381.4	1,323.3	322.6	320.3	331.7	348.7
Operating profit/loss	123.1*	–36.4*	41.6	53.7	64.2	213.2	49.1	55.0	50.1	59.0
Operating margin, %	8.9	–12.7	12.5	14.3	16.8	16.1	15.2	17.2	15.1	16.9
Profit/loss after financial items	108.6	–44.1	38.1	50.7	63.9	201.5	44.9	52.5	48.2	55.9
Profit margin, %	7.9	–15.4	11.4	13.5	16.8	15.2	13.9	16.4	14.5	16.0
Profit/loss after tax	73.1	–31.4	24.7	34.7	45.1	133.1	27.4	34.5	32.3	38.9
Earnings/loss per share, SEK	5.85	–2.51	1.98	2.77	3.61	10.64	2.19	2.76	2.58	3.11
ROCE, % (cumulative)	16.1	16.1	29.8	33.7	37.4	34.0	34.0	35.0	35.6	38.9
ROE, % (cumulative)	12.2	12.2	23.9	28.5	32.6	28.3	28.3	31.4	32.9	36.1
Equity/assets ratio, %	56.0	56.0	58.9	56.8	58.2	56.3	56.3	50.7	49.0	47.7

*Includes nonrecurring item of SEK 46 M

Turnover and Earnings, SEK M VBG GROUP TRUCK EQUIPMENT	2008	4/08	3/08	2/08	1/08	2007	4/07	3/07	2/07	1/07
Net turnover	1,123.7	221.0	265.8	316.2	320.7	1,116.9	273.8	260.8	281.5	300.8
Operating profit/loss	93.5*	–41.4*	31.0	48.3	55.6	179.7	35.2	44.1	46.1	54.3
Operating margin, %	8.3	–18.7	11.7	15.3	17.3	16.1	12.9	16.9	16.4	18.0

*Includes nonrecurring item of SEK 46 M

Turnover, SEK M Markets	2008	4/08	3/08	2/08	1/08	2007	4/07	3/07	2/07	1/07
Sweden	201.7	45.1	43.7	55.8	57.1	197.3	53.0	38.6	50.3	55.4
Other Nordic countries	146.0	37.6	29.4	36.7	42.3	145.7	36.1	30.4	38.8	40.4
Germany	354.1	59.3	91.1	105.8	97.9	358.7	87.4	89.9	87.7	93.7
Rest of Europe	365.8	69.6	81.9	103.6	110.7	364.6	88.8	82.8	96.4	96.6
Rest of world	56.1	9.4	19.7	14.3	12.7	50.6	8.5	19.1	8.3	14.7
VBG GROUP TRUCK EQUIPMENT	**1,123.7**	**221.0**	**265.8**	**316.2**	**320.7**	**1,116.9**	**273.8**	**260.8**	**281.5**	**300.8**

VBG GROUP TRUCK EQUIPMENT

Turnover for the full year 2008 was roughly on the same level as last year, SEK 1,123.7 M (1,116.9). When the weakened exchange rate for the Swedish krona is taken into consideration, the actual total volume change was a decrease of 2 per cent. A decision was made in November 2008 to move the manufacturing of RINGFEDER's trailer couplings from the factory in Krefeld in Germany to the plant in Vänersborg. This was a long-term restructuring measure, but also a step in adapting operations to the prevailing economic downturn. A provision of SEK 46 M was made for the restructuring in December. The restructuring will be completed at the end of 2009. VBG GROUP TRUCK EQUIPMENT's well known brands retained their strong market-leading positions, even though the markets on which the business area operates were greatly weakened during the last months of the year. VBG and RINGFEDER together account for more than 50 per cent of the world market for coupling equipment for heavy truck-trailer rigs. EDSCHA TRAILER SYSTEMS and SESAM together occupy an equally strong position when it comes to share of deliveries of all sliding roofs for trailers in the world.

After being charged with restructuring costs, operating profit for the business area was SEK 93.5 M (179.7) and the operating margin amounted to 8.3 per cent (16.1).

Turnover and Earnings, SEK M RINGFEDER POWER TRANSMISSION	2008	4/08	3/08	2/08	1/08	2007	4/07	3/07	2/07	1/07
Net turnover	253.0	65.7	68.0	58.6	60.7	206.4	48.9	59.4	50.2	47.9
Operating profit/loss	44.9	8.7	13.6	10.5	12.1	46.6	17.3	12.8	8.7	7.8
Operating margin, %	17.7	13.2	20.0	17.9	20.0	22.6	35.4	21.5	17.3	16.4

Turnover, SEK M Markets	2008	4/08	3/08	2/08	1/08	2007	4/07	3/07	2/07	1/07
Europe	99.2	23.6	24.9	24.9	25.8	79.6	19.7	23.5	18.0	18.4
North America	115.2	32.0	31.9	25.5	25.8	97.6	22.9	26.1	24.6	24.0
Rest of world	38.6	10.1	11.2	8.2	9.1	29.2	6.3	9.8	7.6	5.5
RINGFEDER POWER TRANSMISSION	**253.0**	**65.7**	**68.0**	**58.6**	**60.7**	**206.4**	**48.9**	**59.4**	**50.2**	**47.9**

RINGFEDER POWER TRANSMISSION

The business area, which develops, manufactures and markets products for power transmission and damping for a number of different industrial sectors, increased its turnover in 2008 by 23 per cent to SEK 253.0 M (206.4). Excluding the effect of the translation of foreign currencies, the volume increase was 21 per cent. Operating profit declined by 4 per cent to SEK 44.9 M (46.6), which is equivalent to a continued good operating margin of 17.7 per cent (22.6).

An agreement was concluded in December to acquire the German GERWAH Group, which is being incorporated with the business area as from 1 January 2009. GERWAH, which had an annual turnover of about SEK 100 M in 2008 and just over 60 employees, will complement RINGFEDER POWER TRANSMISSION's product offering on a number of important markets.

Tax expense

The year's tax expense was SEK 35.5 M (68.4), of which current tax comprised SEK 51.9 M (66.3). The tax expense is equivalent to a tax rate for the Group of 32.7 per cent (34.0).

Capital expenditures

The Group's capital expenditures during the year amounted to SEK 29.6 M (16.9).

A preliminary purchase consideration of SEK 84.9 M has been paid for the acquisition of the GERWAH Group, see Note 28.

Exposure in foreign currencies, risks and uncertainty factors

A detailed account of the Group's exposure in foreign currencies, relevant risks and uncertainty factors is provided under Note 2, "Risks and risk management".

Cash flow and financial position

Cash flow from operating activities amounted to SEK 120.3 million (87.2). Capital expenditures during the year amounted to SEK 114.0 M (16.9), of which SEK 84.9 M was an advance payment for the acquisition. On 30 December 2008 the Group received an acquisition loan in euros equivalent to SEK 54.7 M, which means that the Group's total borrowings and current financial liability increased during the year by a net of SEK 12.2 M. Dividends distributed to shareholders amounted to SEK 31.2 M (25.0). Net cash flow during the year was SEK 18.5 M (9.6).

Equity increased during the year to SEK 664.7 M (532.9) and was affected by SEK 89.9 M in differences in the translation of net assets in foreign currencies. The equity/assets ratio declined marginally to 56.0 per cent (56.3).

Cash and cash equivalents amounted to SEK 68.0 M at year-end (44.4), in addition to which there are unutilised credit facilities of SEK 117.6 M.

On 30 December the Parent Company paid SEK 84.9 M in advance consideration for the acquisition, as a result of which the Group's interest-bearing net debt increased during the year by SEK 46.3 M, amounting at year-end to SEK 201.1 M (154.8).

The ratio of interest-bearing net debt to equity was 0.30 at 31 December 2008 (0.29 at 31 December 2007).

Personnel

On 31 December 2008 there were 436 employees (426) in the VBG GROUP, including 157 (168) in Sweden. During 2008 the Group employed an average of 432 persons (422). Of these, 161 (164) were active in Sweden. The cost of salaries and social security contributions was SEK 266.3 M (242.4).

Parent Company

VBG GROUP AB's operations are 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 an industrial property in Vänersborg, which is rented by the subsidiary VBG GROUP TRUCK EQUIPMENT AB.

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

The Parent Company's net turnover pertains primarily to intra-Group services, licence revenues and rentals and amounted to SEK 31.8 M during the year (28.5). The profit after dividends from Group companies and financial items amounted to SEK 106.3 M (52.4).

Environmental impact

The Group works actively with environmental assurance in both production and administration. Even though the environmental impact of the company's operations is small, 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 own processes on the environment, but also by manufacturing products that boost efficiency in the transport sector and thereby help to mitigate pollution from truck transport, for example. Via RINGFEDER POWER TRANSMISSION, the Group delivers important components to the wind power industry, thereby contributing to more environmentally friendly energy production.

The VBG GROUP's strategic partnerships with customers and suppliers enable the Group to keep abreast of market trends while creating opportunities for the Group to get in on the development work early and influence the direction it takes. The products manufactured and sold by the VBG GROUP not only comply with regulatory requirements, but also meet the explicit and implicit needs of the customers when it comes to reliability, economy, ergonomics, design and environmental impact.

The VBG GROUP's environmental policy states that the Group safeguards both the external and the internal environment. The company's business activities shall be conducted so that

- relevant legislation is complied with and environmental impact due to unintentional releases of materials and energy is prevented and noise is reduced

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

SEK M	2004	2005	2006	2007	2008
Sales and earnings					
Net turnover	604.5	778.5	1,163.1	1,323.3	1,376.6
Profit after financial items	44.3	97.4	165.8	213.2	108.6
Profit after tax	28.1	67.1	111.9	201.5	73.1
Financial position					
Balance sheet total	444.2	852.4	850.6	946.3	1,187.6
Equity	270.2	330.5	406.8	532.9	664.7
Risk-bearing capital	293.0	387.8	462.0	591.2	710.6
Equity/assets ratio, %	60.7	38.8	47.8	56.3	56.0
Risk-bearing capital ratio, %	66.0	45.5	54.3	62.5	59.8
Profitability					
Return on capital employed, %	15.7	26.7	29.8	34.0	16.1
Return on equity, %	10.7	22.4	30.3	28.3	12.2
Profit margin, %	7.3	12.5	14.3	15.2	7.9
Other					
Number of employees	307	408	400	426	436
Average number of employees	308	339	411	422	432

- all employees have knowledge of their own and the Group's environmental impact
- the environmental impact of the products throughout their life cycle is taken into consideration
- environmental aspects are one of the criteria in the choice of suppliers and contractors.

Action plans and emergency plans prepared in consultation with the concerned authorities must exist in order to mitigate and prevent the effects of any unintentional releases and incidents.

The manufacturing units in Vänersborg and Krefeld are environmentally certified to ISO 14001. The unit in Vänersborg conducts activities requiring a permit under the Environmental Code involving the handling of significant quantities of cutting fluid.

Notable events after the end of the year

The acquisition of the GERWAH Group has been completed, effective as of 1 January 2009. The final purchase consideration will be determined during the second quarter of 2009.

Outlook for 2009

The Group's two business areas face a tough challenge in 2009, where it is very difficult to predict how the market will develop. The market for VBG GROUP TRUCK EQUIPMENT is expected to be weak during the first six months. Hopefully market activity will increase during the second half of the year, but overall this will not compensate for the weak start of the year. The business area's turnover in 2009 will therefore probably fall substantially short of the 2008 level.

For RINGFEDER POWER TRANSMISSION there are not as clear signs of a downturn in the market, even though it is realistic to expect that the generally weak and shaky world market situation will affect the business area. However, the projection is that RINGFEDER POWER TRANSMISSION will, by virtue of its broad range of products and applications on a more global market, be able to keep its turnover up on a good level.

The Group has a solid financial position and good access to liquidity to cope with a tough 2009, implement the planned and initiated structural measures and also carry out certain acquisitions if the opportunity presents itself during the prevailing economic slump.

The work of the Board of Directors

The Board of Directors of VBG GROUP AB (publ) currently consists of six members elected by the AGM. The AGM did not elect any deputies. In addition, the trade unions Unionen/CF/Ledarna and IF Metall each appoint one member and one deputy member. Company officers take part in Board meetings by submitting reports or serving in the post of secretary.

During financial year 2008, the Board of Directors held 10 (7) 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 2008 Annual General Meeting elected a Nomination 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.

Guidelines for remuneration to senior officers

The 2008 AGM passed a resolution adopting the following guidelines for remuneration to senior officers:

The guidelines pertain to remuneration and other terms of employment for the VBG GROUP's Group Management and other senior officers.

Fixed salaries shall be market-level and based on the individual's responsibilities and performance. In addition to a fixed annual salary, variable remuneration which is limited and based on the Group's financial performance compared with established goals shall also be paid. The variable salary for the Managing Director and CEO is limited to a maximum of 50 per cent of the fixed annual salary and for other senior officers to a maximum of 33 per cent of the fixed annual salary.

In addition to the above remunerations, other benefits may also be provided such as company car and healthcare.

The management generally enjoys pension benefits as provided by law and collective agreement (ITP plan). It is, however, possible for the individual to opt for other pension arrangements at the same cost for the company. Persons residing outside Sweden receive the pension benefits that are customary in each particular country.

For officers residing in Sweden, the period of notice of termination on the part of the company is 12 months and on the part of the employee 6 months.

Severance pay in addition to salary during the period of notice may not exceed one year's salary.

For officers residing outside Sweden, periods of notice and severance pay that are customary in each particular country are applied.

The Compensation Committee decides on salaries and other terms of employment.

The Board of Directors proposes that the 2009 AGM resolve that the same guidelines for remuneration to senior officers that were adopted by the 2008 AGM shall apply.

The VBG GROUP share and shareholders

Earnings per share for the year amounted to SEK 5.85 (10.64). Equity per share on 31 December 2008 was SEK 53.16, compared with SEK 42.62 one year earlier.

The number of shareholders at year-end was 4,847 (5,125).

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 1.00 per share (2.50).

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

Retained earnings	SEK 148,034,599
Net profit for the year	SEK 103,031,217
	SEK 251,065,816

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

Dividend to shareholders	SEK 12,502,024
Carried forward to new account	SEK 238,563,792
	SEK 251,065,816

Consolidated Income Statement

SEK '000	Note	2008	2007
Net turnover	3	1,376,675	1,323,331
Cost of goods sold		–935,233	–813,459
Gross profit		**441,442**	**509,872**
Selling expenses		–205,545	–184,256
Administrative expenses		–94,843	–93,341
Research and development costs		–21,002	–18,339
Other operating income	4	5,672	2,798
Other operating expenses		–2,651	–3,512
		–318,369	**–296,650**
Operating profit	5,6,7	**123,073**	**213,222**
Result from financial items			
Exchange rate losses, net		–9,322	–4,728
Interest income		1,948	1,417
Interest expenses		–7,084	–8,409
Total result from financial items		**–14,458**	**–11,720**
Profit after financial items		**108,615**	**201,502**
Tax on profit for the year	9	–35,479	–68,422
Net profit for the year		**73,136**	**133,080**
Earnings per share, basic and diluted, SEK		**5.85**	**10.64**
Number of shares at year-end		**12,502,024**	**12,502,024**
Average number of shares during the year		**12,502,024**	**12,502,024**

Consolidated Balance Sheet

SEK '000	Note	2008-12-31	2007-12-31
Assets			
Non-current assets			
Intangible assets	10		
Trademarks and other intellectual property		67,854	62,195
Goodwill		257,272	222,595
Advance payment for business acquisition	28	84,893	—
		410,019	**284,790**
Property, plant and equipment	11		
Land and buildings		54,707	50,876
Plant and machinery		54,013	60,543
Equipment, tools, fixtures and fittings		33,646	29,069
Construction in progress		9,488	210
		151,854	**140,698**
Deferred tax asset	13	**13,615**	**2,093**
Total non-current assets		**575,488**	**427,581**
Current assets			
Inventories	14		
Raw materials and consumables		92,402	80,897
Work in progress		54,976	40,465
Finished products and merchandise		161,732	129,019
		309,110	**250,381**
Current receivables			
Trade receivables	21	188,232	199,012
Tax assets		10,649	10,342
Other receivables		27,243	9,355
Deferred expenses and accrued income	15	8,839	5,221
		234,963	**223,930**
Cash and cash equivalents			
Short-term investments		459	459
Cash on hand and demand deposits		67,564	43,946
		68,023	**44,405**
Total current assets		**612,096**	**518,716**
Total assets		**1,187,584**	**946,297**

cont'd. Consolidated Balance Sheet

SEK '000	Note	2008-12-31	2007-12-31
Equity and liabilities			
Equity	16		
Share capital		34,235	34,235
Other contributed capital		32,111	32,111
Reserves regarding translation differences		91,540	1,569
Retained earnings, incl. net profit for the year		506,837	464,956
Total equity		**664,723**	**532,871**
Non-current liabilities			
Provisions for pensions and similar obligations	18	97,964	81,105
Deferred tax liability	13	59,518	60,445
Other provisions	19	2,993	1,454
Liabilities to credit institutions	20	78,277	68,211
Total non-current liabilities		**238,752**	**211,215**
Current liabilities			
Overdraft facilities	22	37,767	11,634
Liabilities to credit institutions	20	55,138	38,293
Other provisions	19	46,000	—
Trade payables		56,661	66,284
Tax liabilities		7,993	14,202
Other liabilities		12,318	9,263
Accrued expenses and deferred income	23	68,232	62,535
Total current liabilities		**284,109**	**202,211**
Total equity and liabilities		**1,187,584**	**946,297**
Pledged assets		**None**	**None**
Contingent liabilities	24	**751**	**789**

Consolidated Changes in Equity

SEK '000	Share capital	Contributed capital	Reserve regarding translation differences	Retained earnings	Total equity
Opening balance at 1/1 2007	**34,235**	**32,111**	**–16,436**	**356,880**	**406,790**
Translation difference			24,960		24,960
Hedging of net investments			–6,955		–6,955
Revenue and expenses for the year are recognised directly in equity			**18,005**		**18,005**
Net profit for the year				133,080	133,080
Total revenue and expenses for the year				**133,080**	**151,085**
Dividend				–25,004	–25,004
Total transactions with shareholders				**–25,004**	**–25,004**
Equity 31/12 2007	**34,235**	**32,111**	**1,569**	**464,956**	**532,871**
Translation difference			99,111		99,111
Hedging of net investments			–9,140		–9,140
Revenue and expenses for the year are recognised directly in equity			**89,971**		**89,971**
Net profit for the year				73,136	73,136
Total revenue and expenses for the year				**73,136**	**73,136**
Dividend				–31,255	–31,255
Total transactions with shareholders				**–31,255**	**–31,255**
Equity 31/12 2008	**34,235**	**32,111**	**91,540**	**506,837**	**664,723**

Consolidated Cash Flow Statement

SEK '000	Note	2008	2007
Operating activities			
Operating profit before financial items		123,073	213,222
Depreciation/amortisation		30,411	29,288
Other items not affecting liquidity	26	55,645	3,531
Interest received		1,948	1,417
Interest paid		–5,178	–7,053
Tax paid		–59,274	–94,090
Cash flow before change in working capital		**146,625**	**146,315**
Decrease/increase (–) in inventories		–37,988	–45,720
Decrease/increase (–) in trade receivables		32,946	–31,077
Decrease/increase (–) in other current receivables		–20,395	9,650
Increase/decrease (–) in trade payables		–9,623	1,903
Increase/decrease (–) in other current liabilities		8,753	6,137
Cash flow from operating activities		**120,318**	**87,208**
Investing activities			
Investments in intangible assets	26	–3,493	–2,687
Investments in property, plant and equipment		–26,123	–14,257
Advance payment for business acquisition		–84,893	—
Sales of property, plant and equipment		536	368
Cash flow from investing activities		**–113,973**	**–16,576**
Financing activities			
Borrowings/Repayment of loans		43,428	–36,038
Dividend paid		–31,255	–25,004
Cash flow from financing activities		**12,173**	**–61,042**
Cash flow for the year		**18,518**	**9,590**
Cash and cash equivalents at start of year		**44,405**	**33,692**
Translation difference, cash and cash equivalents		5,100	1,123
Cash and cash equivalents at year-end	26	**68,023**	**44,405**
Unutilised overdraft facilities		117,588	129,101
Total cash and cash equivalents available		**185,611**	**173,506**
Change in net debt			
Interest-bearing liabilities and provisions		269,146	199,243
Cash on hand, demand deposits and short-term investments		–68,023	–44,405
Net debt		**201,123**	**154,838**
Change in interest-bearing net debt		**46,285**	**–35,119**

Parent Company Income Statement

SEK '000	Note	2008	2007
Net turnover		31,813	28,487
Gross profit		**31,813**	**28,487**
Selling expenses		–6,963	–7,840
Administrative expenses		–19,777	–21,972
Other operating income		12	4
Other operating expenses		–3,084	–3,090
		–29,812	**–32,898**
Operating profit/loss	5,6,7	**2,001**	**–4,411**
Result from financial items			
Dividends from interests in subsidiaries		130,390	77,352
Exchange rate losses, net		–18,497	–11,683
Interest income		446	985
Interest expenses		–8,019	–9,811
Total result from financial items		**104,320**	**56,843**
Profit after financial items		**106,321**	**52,432**
Appropriations	8	–285	–3,148
Tax on profit for the year	9	–3,005	–2,024
Net profit for the year		**103,031**	**47,260**

Parent Company Balance Sheet

SEK '000	Note	2008-12-31	2007-12-31
Assets			
Non-current assets			
Intangible assets			
Trademarks and other intellectual property	10	20,644	21,565
		20,644	**21,565**
Property, plant and equipment	11		
Land and buildings		9,643	10,679
Equipment, tools, fixtures and fittings		60	86
		9,703	**10,765**
Long-term investments			
Interests in Group companies	12	491,467	491,467
Advance payment for business acquisition		84,893	—
		576,360	**491,467**
Total non-current assets		**606,707**	**523,797**
Current assets			
Current receivables			
Receivables from Group companies		42,767	38,858
Tax assets		178	774
Other receivables		222	140
Deferred expenses and accrued income	15	1,785	404
		44,952	**40,176**
Cash and cash equivalents			
Short-term investments		459	459
Cash on hand and demand deposits		9,493	4,169
		9,952	**4,628**
Total current assets		**54,904**	**44,804**
Total assets		**661,611**	**568,601**

cont'd. Parent Company Balance Sheet

SEK '000	Note	2008-12-31	2007-12-31
Equity and liabilities			
Equity	16		
Restricted equity			
Share capital		34,235	34,235
Statutory reserve		53,249	53,249
		87,484	**87,484**
Non-restricted equity			
Retained earnings		148,035	132,030
Net profit for the year		103,031	47,260
		251,066	**179,290**
Total equity		**338,550**	**266,774**
Untaxed reserves	17	**28,672**	**28,387**
Provisions			
Provisions for pensions, PRI	18	7,635	11,643
Total provisions		**7,635**	**11,643**
Non-current liabilities			
Loans		76,549	66,315
Total non-current liabilities		**76,549**	**66,315**
Current liabilities			
Overdraft facilities		37,768	11,635
Trade payables		4,864	1,860
Liabilities to subsidiaries		107,400	136,472
Loans		54,677	37,894
Other current liabilities		1,211	910
Accrued expenses and deferred income	23	4,285	6,711
Total current liabilities		**210,205**	**195,482**
Total equity and liabilities		**661,611**	**568,601**
Pledged assets		**None**	**None**
Contingent liabilities	24	**20,136**	**18,222**

Parent Company Changes in Equity

SEK '000	Note	Share capital	Statutory reserve	Non-restricted equity	Total equity
Equity 1/1 2007	16	**34,235**	**53,249**	**157,034**	**244,518**
Net profit for the year				47,260	47,260
Dividend				–25,004	–25,004
Equity 12/31 2007		**34,235**	**53,249**	**179,290**	**266,774**
Net profit for the year				103,031	103,031
Dividend				–31,255	–31,255
Equity 12/31 2008		**34,235**	**53,249**	**251,066**	**338,550**

Parent Company Cash Flow Statement

SEK '000	2008	2007
Operating activities		
Operating profit/loss before financial items	2,001	–4,411
Depreciation/amortisation	3,232	2,969
Other items not affecting liquidity	–3,521	332
Interest received	446	985
Dividend received	130,390	77,352
Interest paid	–8,518	–9,316
Tax paid	–2,409	–2,286
Cash flow before change in working capital	**121,621**	**65,625**
Decrease/increase (–) in other current receivables	–5,372	–14,595
Increase/decrease (–) in trade payables	3,004	385
Increase/decrease (–) in other current liabilities	–31,197	46,511
Cash flow from operating activities	**88,056**	**97,926**
Investing activities		
Investments in property, plant and equipment	—	–1,099
Sales of property, plant and equipment	12	122
Investments in subsidiaries	—	–29,663
Advance payment for business acquisition	–84,893	—
Investments in intangible assets	–1,249	–467
Cash flow from investing activities	**–86,130**	**–31,107**
Financing activities		
Dividend paid	–31,255	–25,004
Borrowings/repayments	5,848	–31,541
Increase/decrease in current financial liabilities	–37,068	2,921
Exchange rate differences	–8,263	–11,683
Cash flow from financing activities	**3,398**	**–65,307**
Cash flow for the year	**5,324**	**1,512**
Cash and cash equivalents at start of year	**4,628**	**3,116**
Cash and cash equivalents at year-end	**9,952**	**4,628**
Unutilised overdraft facilities	117,587	129,100
Total cash and cash equivalents available	**127,539**	**133,728**

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, India and the USA. Business operations are divided into two business areas: VBG GROUP TRUCK EQUIPMENT and RINGFEDER POWER TRANSMISSION.

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

The Parent Company is listed on the Nasdaq OMX Nordic Exchange Mid Cap.

Accounting and valuation principles

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU. In addition, the Swedish Annual Reports Act and the Swedish Financial Reporting Board's recommendation RFR 1.1 are applied. The financial statements have been prepared in accordance with the cost method, except with regard to available-for-sale financial assets and financial assets and liabilities (including derivative instruments) measured at fair value through profit or loss.

Parent Company accounting principles

The Parent Company has prepared its annual report in accordance with the Swedish Annual Reports Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2.1 "Accounting for Legal Entities". Under RFR 2.1, the Parent Company shall, in preparing the annual report for the legal entity, apply all IFRSs and statements approved by the EU as far as possible while complying with the Swedish Annual Reports Act and taking into account the relationship between accounting and taxation. The recommendation stipulates what exceptions and additions shall be made with respect to the IFRSs. The Parent Company's accounting principles are unchanged from last year. If differences exist between the consolidated and the Parent Company accounting principles, they are described in the relevant sections below.

This annual report has been prepared in accordance with the IFRS standards and IFRIC statements that had entered into effect at the time of its preparation and that have been approved by the European Commission.

Standards, amendments and interpretations that entered into force in 2008

IFRS 11, IFRS 2–Group and Treasury Share Transactions, deals with the application of IFRS 2, Share-based Payment, with regard to share-based compensation involving a company's own equity instruments. This interpretation does not affect the consolidated accounts.

IFRIC 12, Service Concession Arrangements, does not affect the consolidated accounts.

IFRIC 13, Customer Loyalty Programmes, does not affect the consolidated accounts.

IFRIC 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, did not have any material effect in 2008.

New IFRS standards and IFRIC interpretations that have not yet entered into force or been applied in advance by the VBG GROUP but could possibly affect the Group

Amendment in IFRS 3 – Business combinations

The new revised IFRS 3 contains some significant changes compared with before. Acquisition-related costs such as legal and advisory costs are recognised as expenses, whereas before they could be added to the purchase consideration. The amendments in IFRS 3 also lead to the following changes in IAS 27, IAS 28 and IAS 31. The revised IFRS 3, IAS 27 and IAS 31 shall begin to be applied to financial years beginning 1 July 2009 or later.

Amendment IAS 1 – Presentation of Financial Statements

The amendment pertains to presentation of revenue and expenses that were previously recognised in equity. It will be required that all changes in equity that do not relate to shareholders must be reported in a statement (statement of comprehensive income) or in two separate statements (income statement and statement of comprehensive income). The Group will apply IAS 1 (amendment from 1 January 2009).

Amendment in IAS 23 – Borrowing Costs

The amendment concerns capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use. With the introduction of the revised IAS 23, it is no longer possible to choose whether the borrowing costs will be capitalised or not; this will be compulsory. The revised IAS 23 will be applied to financial years beginning 1 January 2009 or later.

Amendment in IAS 36 – Impairment of Assets

The amendment entails that when fair value less selling expenses is calculated on the basis of discounted cash flows, disclosures equivalent to those used to calculate value in use shall be made. The revised IAS 36 will be applied from 1 January 2009.

IFRS 8 – Operating Segments

Replaces IAS 14, Segment Reporting, from 1 January 2009. The new standard changes the rules for how segments are to be identified and makes some changes in the disclosure requirements. The assessment is that the current segment structure of the VBG GROUP will not be changed.

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 acquisition method is used for accounting of the Group's business combinations. The 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 non-controlling interest. The excess that consists of the difference between the cost of the acquisition and the fair value of the Group's share of identifiable acquired net assets is recognised as goodwil.

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.

Note 1 cont'd

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 entities, the functional currency is the currency in the country where the entity 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.

Exchange gains and losses of a financing nature are recognised in the Income Statement under financial items.

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
(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 entities 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 entity are treated as assets and liabilities in this entity and translated at the closing rate.

Inventories

Inventories are measured, with application of the first-in first-out principle, at the lower of cost and fair value on the balance sheet date. The cost of own-manufactured semi-finished and finished products has been calculated as the manufacturing costs of the products including a 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 obligations or the fair value of the plan assets, whichever is greater, is recognised in the Income Statement, divided by the expected 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 cost of the acquisition 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 cost less accumulated impairment losses.

Other intangible assets with a definable useful life are recognised at 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 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.

Note 1 cont'd

Research and development
Expenditure for research is recognised as an 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 cost of the asset can be estimated reliably. Other development costs are recognised as expenses when they occur. No expenditure for development projects has been capitalised during the year.

Property, plant and equipment
Property, plant and equipment are recognised at 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

The company has no assets where residual values have to be taken into account in calculating depreciation. The residual values and useful lives of the assets are tested every balance sheet date and adjusted if necessary.

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).

Leases
Leases are classified in the consolidated accounts as either 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.

Other revenue consists primarily of royalty income that is accrued in accordance with the financial implications of the agreement and rental income that is recognised in the period to which the rental applies.

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.

Of the Group's financial assets, trade receivables are included in the category "trade receivables and loans receivable" and short-term investments are included in "financial assets measured at fair value through profit and loss".

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.

Purchases and sales of financial assets are recognised on the trade date, which is the date when the company committed to acquire or dispose of the asset. Financial assets measured at fair value through profit and loss are initially recognised at fair value, while related transaction costs are recognised in the Income Statement. Financial assets are derecognised when the contractual rights to receive the cash flows from the instrument have expired or have been transferred and the Group has transferred all risks and rewards associated with ownership.

Gains and losses due to changes in the fair value of the category's financial assets measured at fair value through profit and loss are recognised via the Income Statement in the period when they arise under financial items.

In the Parent Company, all financial instruments are recognised at the lower of 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 nominal 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 consequence of IFRS rules. They include hedge accounting effects 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 Reports Ac.

Provisions
Provisions for e.g. 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.

Provisions for warranty costs pertain to a predetermined period and are based on historical information on warranty costs as well as current information that may indicate that future requirements will deviate from the historical outcome.

Note 1 cont'd

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 an 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 capitall
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 equivalentsl.

Note 2 Risks and risk management

3.1 Operational risks

The VBG GROUP is market-leading and active on many often highly competitive markets.
The Group's long-term success is therefore dependent on continued high competitiveness and quality in all parts of the operation. Some of the most important risk factors and how the Group manages them are described below.

Claims, product liability, recalls
Claims refer to costs for rectifying or replacing defective products. The Group's claim costs amounted to less than a half of a per cent of turnover in 2008. If a product causes bodily harm or property damage, the Group may be held liable. The VBG GROUP is insured against such product liability losses. No major product liability losses have occurred during the past decade.

Recalls refer to cases where all or a large part of a production series has to be recalled for rectification of defects. This occurs from time to time in the motor vehicle industry. The VBG GROUP has never had any major recalls and is not currently insured for this type of risk.

The VBG GROUP constantly strives to minimise the risks of claims, product liability losses and recalls by means of comprehensive and long-term testing in the development process and quality control and inspection in production. The Group's quality assurance is certified to ISO and TS standards.

Commodity prices
The Group's production is dependent on a number of raw materials and intermediate goods. The most important are steel, cast iron and aluminium. Price increases or commodity shortages can have a negative impact on Group profit. A price increase of 10 per cent would increase the Group's costs by about SEK 30 M.

However, price increases can be passed on to the customers to some degree. Price agreements with the Group's raw material suppliers normally extend over six months. In times of scarcity or large price increases, however, there is a risk that suppliers will fail to honour these agreements. The VBG GROUP strives to establish long-term relationships with its suppliers in order to ensure continued deliveries during times of shortage.

Technical advances
An important part of the VBG GROUP's strategy is to take advantage of technical advances. We believe that our focus on safety, quality and ergonomics will lead to a product offering that will be rated highly by users and legislators for the foreseeable future.

At the same time, there is always a risk that competitors will make technical advances that reduce the demand for the Group's products. This risk is reduced by the fact that the introduction of new technology usually has a lead time of several years.

The Group's costs for research and development amounted to 2 per cent of turnover in 2008.

Intangible asset risks
Intangible asset risks concern cases in which competitors infringe on the Group's patents as well as cases in which the VBG GROUP infringes on patents held by competing companies. To minimise these risks, the patent situation is monitored closely and continuously. Our own innovations are protected by patents as far as possible. The risk that unlicensed copies of the Group's products will be marketed may increase over the next few years.

Environmental risks
Environmental risk refers to the risk of costs the Group may incur for emissions reduction, site remediation, improvements in waste management etc. The Group's operations cannot be considered to be environmentally harmful in a narrow perspective. The VBG GROUP complies with the laws and regulations in effect in each country with ample margin. The manufacturing units in Vänersborg and Krefeld are environmentally certified to ISO 14001.

Political risks
Political risks in the Group's primary markets in Europe and North America are very low. These risks may be somewhat higher in new markets in Asia and Latin America, but are not judged to be significant.

Note 2 cont'd

Business interruption and property losses
Damage to production plants caused by e.g. fire can have negative consequences in the form of both direct property damage and business interruptions that make it more difficult to meet customer obligations. This can in turn induce customers to choose other suppliers. The risk of this type of damage at the Group's production plants can be considered to be "medium-high" for an industrial enterprise. It is possible to mitigate the consequences of a business interruption at most of the Group's production plants by increasing production at other plants. Continuous efforts are made to improve loss prevention. The Group carries full insurance cover against both business interruption and property losses.

Cyclical risks
The motor vehicle industry is characterised by large fluctuations in demand. This is particularly true of the truck market, although aftermarket sales account for 50 per cent of Group sales in this segment, which helps dampen the fluctuations. The Group's establishments in new geographic markets also contribute towards minimising these fluctuations. To cope with the variations in demand, the Group is trying to increase flexibility in its production. Order backlogs with standing orders from customers are normally short, but thanks to close customer relationships the VBG GROUP is well informed about its customers' long-range plans.

IT security
IT risks include both the risk of intrusion into our systems and the risk that hardware will be damaged due to e.g. fire. The intrusion risks are minimised by the fact that information is handled in networks that are well protected by firewalls and rigorous authorisation procedures. The hardware is distributed over a large number of different units, limiting the negative consequences of damage.

Financial risks
The Group is exposed to financial risks. To mitigate the effects of these risks, the VBG GROUP applies a financial risk management policy.

Market risks
Currency risks
Due to its international operations, the VBG GROUP is exposed to currency risk. Exchange rate changes affect the consolidated financial statements in the form of transactions risks and translation risks.

Transaction risks
The Group's net flows of payments in foreign currencies give rise to transaction risks. The total value of net flows in foreign currencies amounted to an equivalent value of about SEK 210 M in 2008.

The currency flows with the largest impact on earnings are inflows in USD and EUR to SEK. An exchange rate change of 10 per cent between EUR and SEK affects the Group's earnings by approximately SEK 13 M, while an equivalent change between USD and SEK affects earnings by approximately SEK 6 M. Net flows are not hedged.

Translation risks
The net assets of the foreign subsidiaries, i.e. their equity, represent investments in foreign currencies which give rise to translation risk when translated to SEK. This exposure is hedged in part by borrowing in the corresponding currency.

Net assets in EUR amount to about EUR 53 M and borrowing to EUR 7 M.

Interest rate risk
By "interest rate risk" is meant the risk that changes in the interest rate level will have a negative impact on Group profit. In the VBG GROUP, as of 31 December all loans carried a fixed interest rate for the term of the loan. The maturity dates of the loans are shown in Note 20.

Credit risk
Credit risk refers to the risk that one party in a transaction will be unable to fulfil his obligations, causing the other party a loss. The risk that customers will default on payment for delivered products is minimised by thorough checks of new customers and follow-up of the payment behaviour of existing customers.

In some cases, receivables are protected by credit insurance. The Group's trade receivables amounted to SEK 188 M at year-end and are recognised at the amounts that are expected to be paid. All receivables are expected to be paid within 12 months. The geographic distribution of the trade receivables largely matches the distribution of turnover by region. One customer accounts for just over 10 per cent of the Group's turnover. The Group's bad debt losses normally amount to less than 0.1 per cent of turnover. The finance policy regulates how credit risk is minimised for financial instruments. This is done by restricting short-term investments to interest-bearing instruments with low risk and high liquidity and by limiting the maximum amount that may be invested with any given counterparty.

Liquidity risk
Liquidity risk, i.e. the risk of not being able to meet the Group's capital needs, is controlled by holding sufficient cash and cash equivalents and granted but unutilised credit facilities that can be utilised without reservation. At the end of 2008, the unutilised credits amount to SEK 118 M. The maturity dates of the loans are given in Note 20.

Capital risk
The Group's goal with regard to the capital structure is to safeguard the Group's ability to continue in business so that it can continue to generate return to the shareholders and benefit for other stakeholders and to maintain an optimal capital structure in order to keep the cost of capital down.

The Group's long-range goal is that the equity/assets ratio should exceed 40 per cent. At 31 December 2008 the equity/assets ratio was 56 per cent.

Note 3 Segment reporting (SEK M)

Primary segments – Business areas (business segments)
The Group is organised in two business areas.

- **VBG GROUP TRUCK EQUIPMENT** includes the brands VBG and RINGFEDER for coupling equipment, EDSCHA TRAILER SYSTEMS and SESAM for sliding roofs, ONSPOT for automatic tyre chains and ARMATON for dropside pillars. Customers tend to be truck manufacturers, trailer manufacturers, body builders, hauliers and importers.
- **RINGFEDER POWER TRANSMISSION** includes the main brand RINGFEDER plus a supplementary brand ECOLOC. The business area markets products for power transmission (shaft-hub connections) and damping (friction springs) to several different industrial sectors, and the customers are machine manufacturers, companies in the mining industry and the wind power industry, and other high-tech companies all over the world.

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 tax. Investments consist of purchases of property, plant and equipment and intangible assets.

Financial year 2008	VBG GROUP TRUCK EQUIPMENT	RINGFEDER POWER TRANSMISSION	Group-wide	Group
External sales	**1,123.7**	**253.0**	**—**	**1,376.7**
Operating profit/loss	**93.5**	**44.9**	**–15.3**	**123.1**
Financial expenses	—	—	–16.4	–16.4
Financial income	—	—	1.9	1.9
Tax expense for the year	—	—	–35.5	–35.5
Net profit/loss for the year	**93.5**	**44.9**	**–65.3**	**73.1**
Other disclosures				
Non-current assets	452.9	23.3	99.3	575.5
Current assets	388.1	143.4	12.6	544.1
Cash on hand and demand deposits	—	—	68.0	68.0
Assets	**841.0**	**166.7**	**179.9**	**1,187.6**
Non-current liabilities	71.6	10.8	156.3	238.7
Current liabilities	236.5	28.5	19.1	284.1
Liabilities	**308.1**	**39.3**	**175.4**	**522.8**
Investments	**26.5**	**1.9**	**1.2**	**29.6**
Depreciation/amortisation	**–29.0**	**–1.3**	**–0.1**	**–30.4**
Financial year 2007				
External sales	**1,116.9**	**206.4**	**—**	**1,323.3**
Operating profit/loss	**179.7**	**46.6**	**–13.1**	**213.2**
Financial expenses	—	—	–13.1	–13.1
Financial income	—	—	1.4	1.4
Tax expense for the year	—	—	–68.4	–68.4
Net profit/loss for the year	**179.7**	**46.6**	**–93.2**	**133.1**
Other disclosures				
Non-current assets	405.3	19.4	2.9	427.6
Current assets	359.5	104.0	10.8	474.3
Cash on hand and demand deposits	—	—	44.4	44.4
Assets	**764.8**	**123.4**	**58.1**	**946.3**
Non-current liabilities	133.2	6.8	71.2	211.2
Current liabilities	156.3	22.4	23.5	202.2
Liabilities	**289.5**	**29.2**	**94.7**	**413.4**
Investments	**15.5**	**0.9**	**0.5**	**16.9**
Depreciation/amortisation	**–28.0**	**–1.2**	**–0.1**	**–29.3**

Note 3 cont'd

Secondary segments – geographical areas	Sales		Assets		Investments	
	2008	2007	2008	2007	2008	2007
Sweden	204.0	199.6	150.7	173.4	7.1	4.9
Other Nordic countries	148.7	147.9	24.5	21.4	0.5	0.3
Germany	423.4	412.4	489.9	421.6	14.6	9.0
Rest of Europe	390.7	386.0	278.0	221.6	5.4	2.0
North America	115.6	98.3	62.7	50.1	0.2	0.2
Rest of world	94.3	79.1	1.8	—	0.5	—
Total	**1,376.7**	**1,323.3**	**1,007.6**	**888.1**	**28.3**	**16.4**
Unallocated assets			180.0	58.2	1.3	0.5
Total assets			**1,187.6**	**946.3**	**29.6**	**16.9**

Note 4 Other operating income

	Group	
	2008	2007
Royalty income	2,605	690
Rental/service income	442	629
Capital gain, plant and equipment	152	35
Exchange rate differences	978	—
Other	1,495	1,444
Total	**5,672**	**2,798**

Note 5 Salaries, other remuneration and social security contributions

	2008		2007	
	Salaries and other remuneration	Social security contributions (of which pension costs)	Salaries and other remuneration	Social security contributions (of which pension costs)
Parent Company	10,939	7,354 (3,431)	11,044	5,305 (1,007)
Subsidiaries	188,042	59,937 (14,536)	172,519	53,625 (10,091)
Group	**198,981**	**67,291** **(17,967)**	**183,563**	**58,930** **(11,098)**

Note 5 cont'd

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

	2008		2007	
	Board and MD, (of which bonuses etc.)	Other employees	Board and MD, (of which bonuses etc.)	Other employees
Parent Company in Sweden	3,037 —	7,902	3,737 (942)	7,307
Subsidiaries in Sweden	— —	59,151	— —	58,130
Subsidiaries abroad				
Denmark	1,865 (103)	2,326	1,094 (124)	2,266
Norway	1,234 (55)	2,122	1,075 (139)	2,062
France	—	2,264	—	2,044
UK	—	1,680	—	1,934
Belgium	—	10,787	—	9,375
Czech Republic	—	4,293	—	2,849
USA	2,669 (2,175)	12,817	2,238 (1,731)	10,662
Germany	1,763 (336)	84,689	1,693 (324)	77,097
India	—	382	—	—
Total foreign subsidiaries	**7,531 (2,669)**	**121,360**	**6,100 (2,318)**	**108,289**
Group total	**10,568 (2,669)**	**188,413**	**9,837 (3,260)**	**173,726**

	2008		2007	
Average number of employees	Number of employees	Of whom men	Number of employees	Of whom men
Parent Company				
Sweden	7	6	6	5
Total in Parent Company	**7**	**6**	**6**	**5**
Subsidiaries				
Sweden	154	135	158	133
Norway	5	4	5	4
Denmark	7	7	6	6
France	4	4	4	3
Belgium	39	28	43	30
UK	4	3	4	3
Czech Republic	43	31	38	27
USA	20	14	17	12
Germany	147	122	141	120
India	2	2	—	—
Total in subsidiaries	**425**	**350**	**416**	**338**
Group total	**432**	**356**	**422**	**343**

At year-end the Group had 436 employees (426).

Note 5 cont'd

Sickness absence

	Group		Swedish companies	
Percentage	**2008**	**2007**	**2008**	**2007**
Total sickness absence as a percentage of regular working hours	4.0	4.1	4.1	4.9
Percentage of total sickness absence related to continuous sick leave of 60 days or more	37.1	41.5	41.9	51.0

Sickness absence as percentage of regular working hours by gender

	Group		Swedish companies	
Percentage	**2008**	**2007**	**2008**	**2007**
Men	3.0	3.2	3.5	4.0
Women	1.0	0.8	0.6	0.9

Sickness absence as percentage of regular working hours by age group

	Group		Swedish companies	
Percentage	**2008**	**2007**	**2008**	**2007**
29 years or younger	0.4	0.3	0.5	0.3
30 – 49 years	2.1	2.6	2.5	3.1
50 years or older	1.5	1.2	1.1	1.5

Board of Directors and senior officers

	2008		2007	
	Number on closing date	Of whom men	Number on closing date	Of whom men
Group (incl. subsidiaries)				
Board members	17	16	20	18
Managing directors and other senior senior officers	39	33	39	35

All Board members in the Group's subsidiaries are employees. By "senior officers" is meant the seven members of the Group management (all men) plus all persons in senior positions in the subsidiaries.

	2008		2007	
	Number on closing date	Of whom men	Number on closing date	Of whom men
Parent Company				
Board members	8	7	8	7
Managing directors and other senior senior officers	5	5	6	6

Remuneration to senior officers

In accordance with a resolution by the 2008 AGM, the Chairman and members of the Board receive a total of SEK 525,000 in fixed annual fees plus a variable fee per person and attended meeting of SEK 5,000 for ordinary members and SEK 300 for employee representatives. In addition, remuneration of SEK 40,000 is payable to the Audit Committee and the Nomination Committee. Employees of VBG GROUP AB (publ) do not receive a Board fee. 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 seven 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 may not exceed 50 per cent of his basic salary. The variable remuneration of other senior officers may not exceed 25 or 33 per cent of their basic salary. The variable remuneration is based on actual outcome in relation to set 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.

The Managing Director has an employment contract that expires with a notice of termination of 6 months, during which time his salary is guaranteed. Other pension benefits are regulated by the SAF/PTK agreement. Variable remuneration is not pensionable. In the event his employment is terminated by the Company, the Managing Director is entitled to receive 12 months of employment benefits and severance pay equivalent to 6 months' salary. The equivalent period for other senior officers is 6–18 months. Compensation to the Managing Director for financial year 2008 has been determined by the Compensation Committee. Compensation to other senior officers has been determined 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 GROUP AB (publ). The foundations pay market-level compensation for this administration.

	Basic salary	Variable	Other benefits	Pension cost	Total
Retiring Chairman Richard Persson	120	4			124
Chairman Peter Hansson	100	28			128
Director Victoria Wikström	85	8			93
Director Johnny Alvarsson	85	28			113
Director Staffan Ekelund	85	28			113
Director Helene Richmond	—	19			19
Director Peter Augustsson	—	19			19
MD Anders Birgersson	2,420	—	84	340	2,844
Other senior officers (seven persons)	8,708	1,475	560	1,741	12,484
Total (fifteen persons)	**11,603**	**1,609**	**644**	**2,081**	**15,937**

Note 6 Fees and cost reimbursement paid to auditor

	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
PricewaterhouseCoopers				
Auditing assignments	2,256	1,921	780	495
Other assignments	1,735	725	1,061	217
	4,261	**2,646**	**1,841**	**712**

Note 7 Depreciation/amortisation

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

	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Cost of goods sold	18,496	18,782	—	—
Selling expenses	7,293	6,690	286	—
Administrative expenses	3,817	3,436	26	42
Research and development costs	805	380	—	—
Other operating expenses	—	—	2,920	2,927
Total depreciation/ amortisation	**30,411**	**29,288**	**3,232**	**2,969**

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

	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Trademarks	4,733	4,562	1,884	1,884
Computer software	1,431	649	286	—
Land and buildings	3,508	3,489	1,036	1,043
Plant and equipment	13,341	13,313	—	—
Equipment, tools, fixtures and fittings	7,398	7,275	26	42
Total depreciation/ amortisation	**30,411**	**29,288**	**3,232**	**2,969**

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 8 Appropriations

	Parent Company 2008	Parent Company 2007
Difference between book depreciation and depreciation according to plan	1,565	–3,448
Change in tax allocation reserve	–1,850	300
Total	**–285**	**–3,148**

Note 9 Tax on profit for the year

	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Current tax				
Swedish companies	–14,438	–7,977	–3,005	–2,024
Foreign companies	–37,543	–58,373	—	—
Deferred tax				
Swedish companies	2,769	–3,569	—	—
Foreign companies	13,733	1,497	—	—
Total	**–35,479**	**–68,422**	**–3,005**	**–2,024**

Reconciliation with tax recognised in the Income Statement:
The difference between the Group's expected tax expense based on a weighted tax rate of 32 per cent (34) and the actual tax expense consists of the following items:

	Group 2008	Group 2007
Reported profit before tax	108,615	201,501
Tax	–34,974	–68,510
Non-deductible expenses Sweden	–110	–157
Internal profit in inventories	108	101
Revaluation of deferred tax	1,002	124
Imputed income, tax allocation reserve	–600	–400
Other	–905	421
Total tax	**–35,479**	**–68,422**

Note 10 Intangible assets

	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Trademarks and other intellectual property				
Opening cost	91,182	85,304	30,591	30,591
Purchases during the year	3,493	2,687	1,249	—
Retirements	—	–18	—	—
Translation differences	11,837	3,209	—	—
Closing accumulated costs	**106,512**	**91,182**	**31,840**	**30,591**
Opening amortisation	–28,987	–23,235	–9,026	–7,142
Amortisation for the year	–6,164	–5,211	–2,170	–1,884
Retirements	—	18		—
Translation differences	–3,507	–559		—
Closing accumulated amortisation	**–38,658**	**–28,987**	**–11,196**	**–9,026**
Closing balance	**67,854**	**62,195**	**20,644**	**21,565**
Of which trademark	**62,340**	**58,455**	**19,214**	**21,098**

Note 10 cont'd

Goodwill	Group 2008	Group 2007
Opening cost	222,595	213,431
Translation differences	34,677	9,164
Closing accumulated costs	**257,272**	**222,595**

Goodwill is allocated to the Group's business areas as follows:

	Group 2008	Group 2007
VBG GROUP TRUCK EQUIPMENT	248,476	215,257
RINGFEDER POWER TRANSMISSION	8,796	7,338
Book value	**257,272**	**222,595**

Goodwill is subjected to impairment testing annually and when there are indications of impairment losses.

The recoverable amount for cash-generating units is determined based on discounted cash flows. Cash flows are based on the 2009 budget and the 2010 forecast adopted by the company management. For the subsequent period, cash flows attributable to all the units that include goodwill has been established with a growth rate equivalent to 0 per cent.

With the use of a discount rate of 8 per cent, the value in use exceeds the carrying amount for all cash-generating units.

Increasing the discount rate by 1 per cent or reducing the assumed operating margin by 10 per cent would lead to an impairment of goodwill.

Note 11 Property, plant and equipment

Land and buildings	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Opening costs	82,525	78,834	33,669	32,587
Purchases during the year	997	2,617	—	1,082
Reclassification	25	—	—	—
Translation differences	8,112	1,074	—	—
Closing accumulated costs	**91,659**	**82,525**	**33,669**	**33,669**
Opening depreciation	–31,649	–28,380	–22,990	–21,947
Depreciation for the year	–3,508	–3,489	–1,036	–1,043
Translation differences	–1,795	220	—	—
Closing accumulated depreciation	**–36,952**	**–31,649**	**–24,026**	**–22,990**
Closing balance	**54,707**	**50,876**	**9,643**	**10,679**
Book value, real estate in Sweden	9,643	10,679	9,643	10,679
Tax assessment values, real estate in Sweden	32,792	32,792	32,792	32,792

Note 11 cont'd

Plant and equipment	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Opening cost	184,861	177,674	24,439	25,715
Purchases during the year	5,779	5,582	—	—
Sales and retirements	–2,944	–1,394	923	–1,276
Reclassification	–699	951	—	—
Translation differences	7,147	2,048	—	—
Closing accumulated costs	**194,144**	**184,861**	**23,516**	**24,439**
Opening depreciation	–118,921	–105,156	–24,439	–25,715
Sales and retirements	2,698	1,394	923	1,276
Depreciation for the year	–13,341	–13,313	—	—
Reclassification	565	–255	—	—
Translation differences	–5,735	–1,591	—	—
Closing accumulated depreciation	**–134,734**	**–118,921**	**–23,516**	**–24,439**
Impairment losses in 2001	–5,397	–5,397	—	—
Closing balance	**54,013**	**60,543**	**0**	**0**

Equipment, tools, fixtures and fittings	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Opening cost	93,200	87,876	12,050	12,359
Purchases during the year	9,863	5,848	—	17
Sales and retirements	–2,035	–2,359	–205	–326
Reclassification	914	–351	—	—
Translation differences	6,618	2,186	—	—
Closing accumulated costs	**108,560**	**93,200**	**11,845**	**12,050**
Opening depreciation	–58,492	–51,806	–11,964	–12,130
Sales and retirements	1,745	1,795	205	208
Reclassification	–563	255	—	—
Depreciation for the year	–7,397	–7,276	–26	–42
Translation differences	–4,568	–1,460	—	—
Closing accumulated depreciation	**–69,275**	**–58,492**	**–11,785**	**–11,964**
Impairment losses in 2001	–5,639	–5,639	—	—
Closing balance	**33,646**	**29,069**	**60**	**86**

Construction in progress	Group 2008	Group 2007
Opening balance	210	612
Purchases during the year	11,912	210
Reclassification	–2,667	–600
Translation difference	33	–12
Closing balance	**9,488**	**210**

Note 12 Interests in Group companies, changes in book values

Interests in Group companies	Parent Company 2008	Parent Company 2007
Opening cost	491,467	461,804
Acquisition of subsidiaries	—	29,663
Closing balance	**491,467**	**491,467**

Specification of interests in Group companies	Share of equity, %	Share of votes, %	Book value
VBG GROUP TRUCK EQUIPMENT AB, Sweden	100	100	21,197
VBG GROUP SALES AS, Norway	100	100	57
VBG GROUP SALES A/S, Denmark	100	100	71
VBG GROUP SALES LTD, UK	100	100	130
ONSPOT E.U.R.L., FRANCE	100	100	68
VBG GROUP SALES ETES NV, Belgium	100	100	151,986
VBG GROUP SALES BENELUX NV, Belgium	100	100	18,998
VBG GROUP TRUCK EQUIPMENT S.R.O., Czech Republic	100	100	47,929
VBG GROUP TRUCK EQUIPMENT GMBH, Germany	100	100	196,699
RINGFEDER POWER TRANSMISSION GMBH, Germany	100	100	18,337
RINGFEDER POWER TRANSMISSION INDIA PRIVATE LTD, India	100	100	
RINGFEDER CORPORATION, USA	100	100	35,995
Total			**491,467**

Corporate identity numbers and domiciles of Group companies

	Corp. ID No.	Domicile
VBG GROUP TRUCK EQUIPMENT AB	556229-6573	Vänersborg, Sweden
VBG GROUP SALES AS		Oslo, Norway
VBG GROUP SALES A/S		Ejby, Denmark
VBG GROUP SALES LTD		Warrington, UK
ONSPOT E.U.R.L.		Montoy-Flanville, France
VBG GROUP ETES NV		Belgium
VBG GROUP SALES BENELUX NV		Beringen, Belgium
VBG GROUP TRUCK EQUIPMENT S.R.O.		Kamenice nad Lipou, Czech Republic
VBG GROUP TRUCK EQUIPMENT GMBH		Krefeld, Germany
RINGFEDER POWER TRANSMISSION GMBH		Krefeld, Germany
RINGFEDER CORPORATION		Westwood, NJ USA
RINGFEDER POWER TRANSMISSION INDIA PRIVATE LTD		Chennai, India

Note 13 Deferred tax liabilities/assets

Deferred tax assets

	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Deferred tax asset on increase of pension liability	6,958	3,987	—	—
Other temporary differences	1,153	849	—	—
Deferred tax asset on restructuring reserve	13,800	—	—	—
Total tax assets, gross	**21,911**	**4,836**	**—**	**—**

Deferred tax liabilities

	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Deferred tax liabilities relating to tax allocation reserves	17,858	16,880	2,341	1,974
Deferred tax liabilities relating to difference between book values of assets and residual values for tax purposes	49,957	46,308	5,200	5,974
Total tax liabilities, gross	**67,815**	**63,188**	**7,541**	**7,948**

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

	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Recognised deferred tax liabilities	–59,519	–60,445	–7,541	–7,948
Recognised deferred tax assets	13,615	2,093	—	—
Deferred tax liabilities, net	**–45,904**	**–58,352**	**–7,541**	**–7,948**

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

Note 14 Inventories

Inventories	Group 2008	Group 2007
VBG GROUP TRUCK EQUIPMENT:		
Raw materials and consumables	81,717	72,993
Semi-finished products and work in progress	49,024	35,707
Finished products and merchandise	82,840	77,911
Total inventories VBG GROUP TRUCK EQUIPMENT	**213,581**	**186,611**
RINGFEDER POWER TRANSMISSION:		
Raw materials and consumables	10,685	7,904
Semi-finished products and work in progress	5,952	4,758
Finished products and merchandise	78,892	51,108
Total inventories RINGFEDER POWER TRANSMISSION	**95,529**	**63,770**
Total	**309,110**	**250,381**

Impairment of inventories due to obsolescence amounts to SEK 20,764 thousand (16,471).

Note 15 Deferred expenses and accrued income

	Group		Parent Company	
	2008	**2007**	**2008**	**2007**
Prepaid lease payments	181	35	108	—
Accrued royalty	121	115	121	115
Insurance premiums paid in advance	2,091	314	1,371	116
Service charges paid in advance	1,220	717	—	10
Advance payment to OMX Stockholm Stock Exchange	48	48	48	48
Marketing activities paid in advance	208	362	—	—
Accrued supplier bonus	—	38	—	—
Workplace adaptation	1,433	—		—
Other items	3,537	3,592	137	115
Total	**8,839**	**5,221**	**1,785**	**404**

Note 16 Equity

The share capital consists of 13,694,000 shares with a quotient value of SEK 2.50. Of these, 1,220,000 are Series A shares carrying 10 votes each. The remaining shares, of Series B, total 12,474,000 and carry 1 vote each. The Annual General Meeting on 24 April 2002 resolved to repurchase every tenth Series B share for SEK 31.25 per share. All shareholders were offered the chance to sell back their shares. 1,191,976 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, 2005, 2006, 2007 and 2008 until the next AGM (2009). This authorisation had not been utilised at year-end, and all redeemed shares are still owned by VBG GROUP AB (publ). There are thus 12,502,024 shares in free float, 1,220,000 of which are Series A shares and 11,282,024 Series B shares.

Note 17 Untaxed reserves

	Parent Company	
	2008	**2007**
Accumulated difference between book depreciation and depreciation/amortisation in excess of plan	19,772	21,337
Tax allocation reserves	8,900	7,050
Total	**28,672**	**28,387**

Note 18 Provisions for pensions and similar obligations

Parent Company	**2008**	**2007**
Provisions in accordance with Swedish Act on Safeguarding of Pension Obligations		
FPG/PRI pensions	7,635	11,643
Group		
Provisions in accordance with IAS 19		
Defined-benefit pension plans	97,964	81,105

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.

Cont. Note 18

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

	Sweden	Germany	Other countries	31/12 2008 Total	31/12 2007 Total	31/12 2006 Total
Present value of funded obligations			25,610	25,610	20,906	18,893
Fair value of plan assets			–17,028	–17,028	–18,618	–16,430
			8,582	**8,582**	**2,288**	**2,463**
Present value of unfunded obligations	51,185	55,623		106,808	95,274	86,806
Unrecognised actuarial gains (+) and losses (–)	–15,691	2,546	–4,279	–17,424	–16,457	–14,866
Net liability assets in Balance Sheet	**35,494**	**58,169**	**4,303**	**97,966**	**81,105**	**74,403**

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

	2008	2007
Current service costs	4,587	3,454
Interest expense	5,546	4,728
Expected return on plan assets	–959	–862
Net actuarial gains (+) and losses (–) recognised last year	2,009	537
Service costs for previous years	2,109	—
Costs for defined-benefit plans	**13,292**	**7,857**
Costs for defined-contribution plans	**6,581**	**7,960**
Total costs recognised in the Income Statement	**19,873**	**15,817**
Of which		
Amount charged to operating profit	17,967	14,461
Amount charged to financial expenses	1,906	1,356
Total costs recognised in the Income Statement	**19,873**	**15,817**

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.

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

	2008	2007
Net liability at beginning of year according to adopted Balance Sheet	81,105	74,403
Net cost recognised in Income Statement	13,292	7,857
Benefit payments	–3,285	–2,737
Contributions to funded plans	–1,613	–655
Exchange rate differences on foreign plans	8,465	2,237
Net liability at year-end	**97,964**	**81,105**

Actuarial assumptions regarding significant defined-benefit pension plans:

	2008		2007	
Per cent	Sweden	Germany	Sweden	Germany
Discount rate	3.20	6.00	4.30	5.25
Future annual salary increases	2.50	2.75	3.50	2.75
Inflation rate	1.50	2.00	2.00	1.75

Note 19 Other provisions

	Group	
	2008	2007
Warranty obligations	2,993	1,454
Restructuring reserve	46,000	—

Restructuring reserve
A decision was made in 2008 to concentrate the operations in VBG GROUP TRUCK EQUIPMENT to Vänersborg and to discontinue the manufacture of RINGFEDER trailer couplings in Krefeld. Restructuring costs for dismissal of staff and other closure and winding-up costs have been estimated to be SEK 46 M, most of which will be spent during 2009.

Warranty obligations
The products sold by VBG are covered by warranties that are valid for a predetermined period.

Provisions for such product warranties are based on historical data and expected costs for quality problems that are known or can be foreseen.

Note 20 Borrowing

Borrowing by the Group excluding overdraft facilities amounts to SEK 133,415 thousand (106,504). All borrowing is in EUR. Most of the borrowing consists of the loan raised to finance the acquisitions made in 2005. 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.

Of the loans, SEK 55,138 thousand (38,293) falls due for payment within one year, and another SEK 78,277 thousand (67,908) falls due within two to five years. SEK 0 thousand (303) falls due for payment more than five years after the closing date.

Cont. Note 20

Maturities of the Group's financial liabilities including calculated interest payments

	Carrying amount	Within 1 yr	Within 2–3 yrs	Within 4–5 yrs	After 5 yrs	Total contracted cash flow
Liabilities to credit institutions	133,415	56,941	57,537	23,614	0	138,091
Overdraft facilities	37,767	38,673			0	38,673
Trade payables	56,661	56,661			0	56,661
Total	**227,843**	**152,275**	**57,537**	**23,614**	**0**	**233,426**

Note 21 Trade receivables

	Group	
	2008	2007
Invoiced receivables	196,661	202,472
Reserve for doubtful debts	–8,429	–3,460
Recognised trade receivables	**188,232**	**199,012**

Overdue trade receivables (incl. those for which provision has been made) amount to SEK 60,475 thousand (58,312).

Note 22 Bank overdraft facilities

The Group has overdraft facilities amounting to SEK 155,355 thousand (140,735), of which the amount utilised is SEK 37,767 thousand (11,634). The interest rate on the overdraft facilities lies between 2.40 and 2.55 per cent.

Note 23 Accrued expenses and deferred income

	Group		Parent Company	
	2008	2007	2008	2007
Special payroll tax	2,818	1,722	—	549
Accrued personnel costs	46,123	44,702	3,649	5,551
Accrued audit fees	1,853	1,924	350	340
Commissions and sales support	6,590	5,605	—	—
Accrued rental costs	547	474	—	—
Accrued consultant costs	62	52	—	—
Energy costs	377	512	—	—
Yield tax	110	143	—	59
Freight and goods handling	—	64	—	—
Property tax	164	164	164	164
Severance pay, personnel in Germany	744	483	—	—
Other items	9,244	6,690	122	48
Total	**68,232**	**62,535**	**4,285**	**6,711**

Note 24 Contingent liabilities

	Group		Parent Company	
	2008	2007	2008	2007
Guarantees for the benefit of subsidiaries	—	—	19,783	17,789
Other	751	789	353	433
Total contingent liabilities	**751**	**789**	**20,136**	**18,222**

Note 25 Leases

	Group	
	2008	2007
Operating leases		
Property leases, current rental payments	5,551	5,200
Other	—	—
Group total	**5,551**	**5,200**

Property leases pertain to factory and office properties in foreign subsidiaries. Remaining payments on leases in effect at year-end amount to SEK 15.7 M, of which SEK 5 M will fall due for payment in 2009 and SEK 0 M will fall due after 2011.

Note 26 Consolidated Cash Flow Statement

Other items not affecting liquidity in operating activities	**2008**	**2007**
Capital gain/loss on property, plant and equipment included in investing activities	—	196
Change in provisions	56,354	6,864
Interest element of pension costs	–1,906	–1,356
Other items	1,196	–2,173
Total	**55,644**	**3,531**

Acquisition of non-current assets	**Intangible assets**	**Property, plant and equipment**
Capital expenditures during the year (Notes 10 and 11)	–3 493	–26 123
Effect of capital expenditures on cash and cash equivalents	**–3 493**	**–26 123**

	2008
Cash and cash equivalents	
Cash on hand and demand deposits	67 564
Short-term investments	459
Cash and cash equivalents	**68 023**

Short-term investments in the Balance Sheet totalled SEK 459 thousand, of which SEK 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 117,588 thousand at year-end.

Note 27 Important accounting estimates and assessments

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

The Group makes estimates and assumptions about the future with regard to pensions (Note 18), provisions and restructuring costs (Note 19). 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).

Note 28 Advance payment for business acquisition

An agreement was concluded in December to acquire the GERWAH Group domiciled in Germany and subsidiaries in the Czech Republic and the USA. GERWAH, which will be integrated operationally in the RINGFEDER POWER TRANSMISSION business area, has an annual turnover of about SEK 100 M and 60 employees.

A preliminary purchase consideration of SEK 84.9 M has been paid. According to preliminary calculations, the acquisition includes property, plant and equipment worth about SEK 30 M, current assets worth about SEK 35 M and intangible assets in the form of trademark and goodwill worth about SEK 65 M.

Since a final purchase consideration has not yet been agreed on, a tentative acquisition plan has not yet been adopted.

The goodwill that is expected to arise is attributable to the synergies created by the integration of GERWAH with RINGFEDER POWER TRANSMISSION.

Financial statements will be submitted to the Annual General Meeting on 12 May 2009 for adoption.

The undersigned ensure that the consolidated accounts and annual report have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as approved by the EU and with generally accepted accounting principles and give a true and fair view of the Group's and the Company's results of operations and financial position, and that the Report of the Directors provides a true and fair view of the performance, financial position and results of operations of the Group and the Company and describes significant risks and uncertainties faced by the companies included in the Group.

Vänersborg, 24 February 2009

Peter Hansson Chairman of the Board	Anders Birgersson Managing Director and CEO
Peter Augustsson	Johnny Alvarsson
Helene Richmond	Staffan Ekelund
Willy Gustafsson	Lars-Ove Boström

Our Audit Report was submitted on 24 February 2009

Öhrlings PricewaterhouseCoopers AB

Bror Frid
Authorised Public Accountant

Audit Report

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

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of VBG GROUP AB (publ) for the year 2008. The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 31–58. 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 Reports Act in the preparation of the annual report and the application of International Financial Reporting Standards (IFRSs) as adopted by the EU and the Annual Reports Act in the preparation of the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we 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 our opinion concerning discharge from liability, we 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. We have also examined whether any Board member or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Reports Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion as set out below.

The annual accounts have been prepared in accordance with the Annual Reports Act and give a true and fair view of the Company's financial position and results of operations 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 Reports Act and give a true and fair view of the Group's financial position and results of operations. The statutory Report of the Directors is consistent with the other parts of the annual accounts and the consolidated accounts.

We 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, 24 February 2009

Öhrlings PricewaterhouseCoopers AB

Bror Frid
Authorised Public Accountant

Corporate Governance Report

VBG GROUP AB (publ) is a Swedish limited liability company whose Series B shares are listed on the Stockholm Stock Exchange, where they are traded on the Nasdaq OMX Nordic Exchange, Mid Cap. The Stockholm Stock Exchange incorporated the Swedish Code of Corporate Governance ("the Code") in its rules for listed companies in 2005. The Code was revised in 2008 and covers the shareholders' meeting, appointment of board of directors and auditor, executive management and information on corporate governance. The revised Code entered into force on 1 July 2008.

The Code is a part of corporate Sweden's self-regulation and is based on the "comply or explain" principle. This means that companies that apply the Code can choose not to comply with certain rules but must explain the reason for each deviation.

VBG GROUP AB has previously chosen not to apply the Code, since the company's market value was below the previous limit of three billion kronor, but the revised Code is being applied from 1 January 2009.

Shareholders

VBG GROUP AB had 4,847 shareholders at the end of 2008. Information on the share, the ownership structure etc. is provided on pages 26–27.

Legislation and articles of association

VBG GROUP AB is primarily subject to the Swedish Companies Act and the rules that follow from the fact that the share is listed on the Nasdaq OMX Nordic Exchange, Mid Cap, Stockholm (the Stockholm Stock Exchange), as well as generally accepted practices on the stock market. The Code is a part of the stock exchange's regulations. VBG GROUP AB must also comply with the provisions of its Articles of Association.

General Meeting of Shareholders

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

Notice convening the Annual General Meeting is given not earlier than six and not later than four weeks prior to the meeting. The notice contains information on notification of intention to attend and right to participate in and vote at the meeting, a numbered agenda with the matters to be discussed, and information on the proposed dividend and the main content of other proposals. Shareholders or proxies can vote for the full number of shares held or represented. It is possible to give notification of attendance at the meeting on the company's website.

Notice convening an extraordinary general meeting where the articles of association will be addressed shall be given not earlier than six and not later than four weeks prior to the meeting. Notice convening other extraordinary general meetings shall be given not earlier than six weeks and not later than two weeks prior to the meeting.

Proposals to the AGM should be addressed to the Board of Directors and sent in good time before notice convening the meeting is given. Information on shareholders' rights to have matters addressed at the meeting is provided on the website.

VBG GROUP AB's Annual General Meeting was held on 13 May 2008 and all presentations were made in Swedish. Notice of the meeting, agenda, minutes with the Managing Director's illustrations from his address are available on the website. The entire Board of Directors, the Group Management represented by the Managing Director and the CFO and the company's auditor were present at the meeting. During the meeting the shareholders were given an opportunity to ask and receive answers to questions concerning, for example, whether growth was expected to occur by acquisition or by development of new markets, whether decisions to refrain from acquisitions were due to financial unrest in the world, excessively high purchase prices or weaknesses in the companies to be acquired, whether the company could resist a sharp economic downturn, and finally a question about the dividend level. It was not possible to follow or participate in the meeting from another location with the aid of communication technology. No change in this respect is planned for the 2009 AGM.

The AGM decided to adopt the Board's proposal for a dividend of SEK 2.50 per share for 2007, with record date on 16 May 2008.

The AGM decided to re-elect Board members Peter Hansson, Anders Birgersson, Johnny Alvarsson and Staffan Ekelund and to elect Helene Richmond and Peter Augustsson for the first time, with Peter Hansson as the new Chairman and Johnny Alvarsson as the new Deputy Chairman.

The meeting decided to elect the auditing firm of Öhrlings PricewaterhouseCoopers AB with Authorised Public Accountant Bror Frid as principal auditor, and to re-elect Gunnar Hjalmarsson as deputy auditor.

The AGM also authorised the Board to resolve on one or more occasions up until the 2009 Annual General Meeting that repurchased shares can be transferred, notwithstanding the shareholders' pre-emption rights, and that non-cash payment can 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 decided to appoint a Nominating Committee consisting of Reidar Öster, Staffan Ekelund and Åke Persson, with Reidar Öster as chairman. The Nominating Committee submits recommendations for Board members and their fees and, if they are up for election, recommendations for auditors. From the time of the 2008 AGM up until the publication of this annual report, the Nominating Committee held two meetings.

On 11 December 2008, it was announced that the 2009 Annual General Meeting would take place in Vänersborg on 12 May 2009 at 5:00 p.m.

Nominating Committee

The task of the Nominating Committee is to present proposals to the AGM on behalf of the shareholders for a Chairman and other members of the Board of Directors as well as proposals for fees and other remuneration for Board work and auditors' fees. The years an auditor is to be elected for the VBG GROUP, the Nominating Committee shall submit proposals for election of auditor based on discussions of the matter in the VBG GROUP's Audit Committee.

When the Nominating Committee nominates a Chairman and other members of the Board of Directors, it shall issue a statement to the effect that the nominated individuals are to be regarded as independent in relation to the company and the executive management as well as major shareholders in the company. The Nominating Committee's proposals shall be given to the VBG GROUP in good enough time that the proposal can be presented in the notice convening the AGM and at the same time on the VBG GROUP's website.

Prior to the 2008 AGM, the Nominating Committee consisted of Chairman Reidar Öster (private), Richard Persson (Chairman of VBG GROUP AB), Staffan Ekelund (member of the Board of VBG GROUP AB) and Åke Persson (Laxå Mekan). Following the sudden death of Richard Persson just before the Annual General Meeting, the 2008 AGM decided that the Nominating Committee for the 2009 AGM should be reduced to three persons but otherwise remain unchanged.

The majority of the members of the Nominating Committee are independent in relation to the company, the executive management and the shareholder with the most votes, the Herman Krefting Foundation for Allergy and Asthma Research. One member of the committee is a Board member.

The Nominating Committee proposes to the 2009 AGM that Hans-Göran Persson be elected to the Board. Furthermore, the Nominating Committee proposes re-election of Peter Hansson to the Board as Chairman, Johnny Alvarsson as Deputy Chairman, and Staffan Ekelund, Helene Richmond and Anders Birgersson (Managing Director) as ordinary members. Peter Augustsson has declined re-election.

The fees proposed for the members of the Board of Directors total SEK 565,000, of which SEK 130,000 to the Chairman, SEK 110,000 to the Deputy Chairman and SEK 95,000 each to the other Board members, plus SEK 5,000 per attended meeting. SEK 20,000 each is to be paid to the members of the Audit Committee and the Nominating Committee. This is unchanged compared with last year's fees. No fee is paid to the Managing Director.

Fees to auditors are proposed to be paid as billed, upon approval, for work performed

Composition of the Board of Directors

The members of the Board of Directors are elected annually by the AGM for the period up until the next AGM. There is no rule as to how long a member can remain on the Board.

The 2008 AGM re-elected Board members Peter Hansson, Johnny Alvarsson, Staffan Ekelund and Anders Birgersson (Managing Director) and elected Helene Richmond and Peter Augustsson for the first time. Peter Hansson was elected Chairman of the Board and Johnny Alvarsson was elected Deputy Chairman. In addition to the six members elected by the AGM, the trade unions Unionen/CF/Ledarna and IF Metall each appoint one member and one deputy member.

The number of AGM-elected members who are independent in relation to the company, according to the requirements for listing on the stock exchange, is estimated at five. Of these, three are also judged to be independent of the company's major shareholders and meet all requirements on experience. The Managing Director is the only Board member who works actively in the company.

The work of the Board of Directors

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. Company officers take part in Board meetings as rapporteurs, and the company's CFO serves as 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.

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 contacts between the Board of Directors and the auditors and for evaluating the work of the auditors.

The members of the Audit Committee are Staffan Ekelund and Peter Augustsson, with Staffan Ekelund as chairman. From the time of the 2008 AGM up until the publication of this annual report, the Audit Committee held two meetings.

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 Peter Hansson, Johnny Alvarsson and Anders Birgersson, with Peter Hansson as chairman. From the time of the 2008 AGM up until the publication of this annual report, the Compensation Committee held two meetings.

Board members as from the 2008 AGM

Name	Function	Elected	Committee work	Independent in relation to the company	Independent in relation to major shareholders
Board members					
Peter Hansson	Chairman	2001	Compensation Committee	Yes	No
Johnny Alvarsson	Deputy Chairman	2004	Compensation Committee	Yes	Yes
Staffan Ekelund	Board member	2004	Audit Committee	Yes	No
Helene Richmond	Board member	2008		Yes	Yes
Peter Augustsson	Board member	2008	Audit Committe	Yes	Yes
Anders Birgersson	Board member, CEO and Managing Director	2001		No	No
			Total	**5/6**	**3/6**
Employee representatives					
Willy Gustafsson/IF Metall	Board member	2004			
Lars-Ove Boström/Unionen	Board member	2008			
Rune Olausson/IF Metall	Deputy	2004			
Linda Hallberg/Unionen	Deputy	2008			

Information on the members of the Board is provided on pages 64–65.

The work of the Board during 2008

Prior to each Board meeting, an agenda is sent out to the Board members along with in-depth information on the business at hand. Ten meetings were held during financial year 2008, of which four (February, May, August and October) were held in connection with the publication of the company's interim reports.

The annual statutory Board meeting was held immediately after the AGM. As usual, the December meeting adopted the goals for 2009.

Four meetings were extraordinary Board meetings that dealt with acquisitions and restructuring.

Attendance at Board meetings in 2008

Name	Board	Audit Committee	Compensation Committee
Board members			
Peter Hansson	10	1	1
Johnny Alvarsson	9		2
Staffan Ekelund	10	3	
Helene Richmond [1)]	6		
Peter Augustsson [1)]	6	2	
Anders Birgersson (MD) [2)]	10		2
Richard Persson [3)]	2		1
Victoria Wikström [4)]	3		
Employee representatives			
Willy Gustafsson IF Metall member	10		
Rune Olausson IF Metall deputy	—		
Lars-Ove Boström [1)] Unionen member	4		
Linda Hallberg [1)] Unionen deputy	3		
Hans Gustafsson [4)] Unionen deputy	3		
Total	**10**	**3**	**2**

1 Elected to the Board at the 2008 AGM
2 Not member of Compensation Committee from 1 January 2009
3 Former Chairman, deceased in April 2008
4 Retired from the Board at the 2008 AGM

Group Management

The Board of Directors has delegated operational responsibility for the administration of the company and the Group to the company's Managing Director. An instruction regarding the division of labour between the Board and the MD is issued annually by the Board of Directors.

Overall management of the Group is handled in the Parent Company by the company's Managing Director and the Group's CFO, who is also responsible for the Group Staffs accounting, HR and IT. The VBG GROUP's operational business activities are conducted in the two business areas VBG GROUP TRUCK EQUIPMENT (BATE) and RINGFEDER POWER TRANSMISSION (BAPT).

The business management for BATE consists of the Managing Director, who is head of the business area, the Director of Sales, the Technical Director/Marketing Director, the Production Director and the Business Controller.

The CFO also participates in the work and meetings of the business management.

The business management of BAPT in 2008 consisted of the head of the business area and the Business Controller, who reported to and met with the CEO and CFO regularly during the year. In 2009, partly as a consequence of the acquisition of the GERWAH Group, the organisation in BAPT will change and the business management will be enlarged to more closely resemble the one in BATE.

The meetings held in the business areas with the CEO and CFO dealt with such matters as earnings performance and reports prior to and after Board meetings, strategy and business planning, goal discussions, investments, internal control, policies and review of the market situation, economic trend and other external factors that affect the business. Business area projects and staff-related projects were also discussed and approved.

Information on the Group Management and the management of the business areas is provided on pages 66–67.

Internal governance processes

Governance of the VBG GROUP is based on business concept, strategies and goals in the Group and the business areas. Under the Board of Directors, the CEO and the Group Management, responsibility for operational activities has been decentralised to the two business areas. Responsibility for the coordination of certain functions such as accounting and finance, HR, IT, legal affairs and corporate communications rests with the Group Staffs.

The Group works with annual, rolling, multi-year activity plans to break down goals and strategies into action plans and activities that can also be measured and evaluated. These activity plans are important for the long-term strategic management of the Group. The Group also uses annual objectives, forecasts and action plans for business management.

Different business processes such as marketing, sales, purchasing and production are used to manage the operational activities in the business areas in order to reach the activities goals that have been established.

Results are followed up by means of continuous financial reporting, and approved measures are followed up by supplementary follow-ups.

Remuneration

At the statutory Board meeting in May 2008, the Board of Directors appointed a Compensation Committee consisting of Peter Hansson, Johnny Alvarsson and Anders Birgersson. The Committee had two meetings during 2008 where it discussed questions of remuneration and other terms of employment for the Managing Director and senior officers in the Group. The Managing Director did not participate in the discussion or the decision concerning his own compensation.

The principle applied within the Group is that the boss's boss should approve decisions in compensation matters. A presentation was made at the AGM on the Board's proposal for guidelines for remuneration to the Managing Director and other senior officers. The AGM adopted the guidelines in accordance with the Board's proposal. Information on the Board's proposal to the 2009 AGM for guidelines for remuneration to the Managing Director and senior officers is provided in the Report of the Directors on page 34.

The 2008 AGM set the director's fee and decided that fees to auditors shall be paid as billed, upon approval. Information on remuneration is provided in Notes 5 and 6 on pages 51–52

Auditors

The auditing firm of Öhrlings PricewaterhouseCoopers AB (PWC) was elected by the 2008 AGM as auditor for a period of four years, with authorised public accountant Bror Frid as auditor in charge of the audit. PWC carries out the audit of VBG GROUP AB and of nearly all subsidiaries.

The annual audit includes a statutory audit of VBG GROUP AB's annual report, a statutory audit of the Parent Company and all subsidiaries (where required), audit of internal report packages, audit of the year-end closing and general review of one interim report. Reviews of internal control are included as part of the work.

In September a meeting was held with the executive management for analysis of the organisation, operations, business processes and line items for the purpose of identifying areas involving an elevated risk for errors in the financial reporting. In October a meeting was held with the Audit Committee for reconciliation of strategy and aims. A general review of the year-end closing is performed for the period January–September. In October–November an early warning review is performed of the third quarter accounts, followed by an early warning meeting with the executive management where important questions for the annual closing are raised. Review and audit and of the annual closing and annual report is performed in January–February.

During 2008, in addition to the audit assignment, the VBG GROUP consulted PWC on taxes, on accounting matters, and as a participant in due diligence processes in connection with both executed and non-executed acquisitions. During 2008, a total review and to some extent adjustment of the Group's internal transfer prices was carried out, along with extensive documentation. The size of remunerations paid to PWC in 2008 is shown in Note 6 on page 52.

PWC is obligated to evaluate its independence prior to decisions to provide independent advice to the VBG GROUP in addition to its auditing assignments.

Internal control

This section contains the Board's annual report on how internal control is organised in so far as it concerns financial reporting. The point of departure for the description has been the Code's rules and the guidance provided by working groups within the Confederation of Swedish Enterprise and FAR SRS.

The Board's responsibility for internal control is described in the Swedish Companies Act and the internal control regarding financial reporting is covered by the Board's reporting instruction to the Managing Director. The VBG GROUP's financial reporting complies with the laws and rules that apply to companies listed on the Stockholm Stock Exchange and the local rules that apply in each country where business is conducted. Besides external rules and recommendations there are internal instructions, directions and systems, as well as an internal division of roles and responsibilities aimed at good internal control in the financial reporting. Financial reports are prepared monthly and quarterly in the Group, its business areas and subsidiaries. In conjunction with this reporting, extensive analyses are conducted with comments and updated forecasts aimed at ensuring that the financial reporting is accurate. Accounting functions and business controllers with functional responsibility for accounting, reporting and analysis of financial developments are found at the central Group, business area and major unit levels.

The VBG GROUP's internal control work aims at ensuring that the Group lives up to its financial reporting goals. The financial reporting shall:

- be accurate and complete and comply with relevant laws, rules and recommendations
- provide a fair and true description of the company's business
- support a rational and informed valuation of the business.

In addition to fulfilling these three goals, internal financial reporting shall provide support for correct business decisions at all levels in the Group.

The VBG GROUP has no special internal audit function. The Board of Directors has deemed that no special circumstances exist in the business or other conditions that warrant the establishment of such a function. During 2008 the company introduced a type of auditing where a qualified accountant within the Group visits and examines internal control procedures in other units within the Group.

Investor relations

The VBG GROUP's information to shareholders and other stakeholders is provided via the annual report, year-end closing and interim reports as well as press releases. Material is provided on the website covering the past few years, along with information on corporate governance. Some ten or so meetings with investors and analysts were held in Sweden during 2008.

Board of Directors

Peter Hansson
Göteborg, born 1947.
Chairman of the Board since 2008 and member of the Board since 2001.
Shareholding: 100
Peter Hansson, MSc. (Political Science), has been employed in senior management positions within Volvo Trucks since 1972 and was President of Volvo Cars Sweden 1995–2006.
Managing Director of Göteborgsoperan since 2006.
Chairman of the boards of Borås Bil Lastvagnar AB, Borås Personbilar AB and Borås Bil Förvaltnings AB.
Member of the boards of the Herman Krefting Foundation for Allergy and Asthma Research, the World Childhood Foundation and Hertz Sweden.

Anders Birgersson
Lidköping, born 1958.
Member of the Board since 2001.
Shareholding: 500
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.
Managing Director and CEO of VBG GROUP AB since 2001.
Member of the boards of Liljedahlsbolagen AB, KMT Precision Grinding AB, Christian Berner Tech Trade AB, 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: 1,000
Johnny Alvarsson, MSc. Eng., has industrial experience from Ericsson Telecom 1975–1987.
Managing Director of Zeteco AB 1988–2000 and Elektronikgruppen BK AB 2000–2004.
Managing Director and CEO of Indutrade AB since 2004.
Chairman of several Indutrade companies.

Staffan Ekelund
Vänersborg, born 1945.
Member of the Board since 2004.
Staffan Ekelund, D. Eng., docent, has experience from senior management positions and directorships in the engineering and steel industries.
Chairman of the boards of the Herman Krefting Foundation for Allergy and Asthma Research and the SLK Employees' Foundation. Member of the board of the VBG-SLK Foundation.


Helene Richmond


Peter Augustsson


Lars-Ove Boström


Willy Gustafsson

Helene Richmond
Öjersjö, born 1960.
Member of the Board since 2008.
Helene Richmond, MSc. Eng., has been internationally active in various positions within the SKF Group since 1985. Formerly Sales Area Director, Nordic Region, 2001–2006 and Director of Global Accounts 2006–2008 in SKB's Industrial Division. Business Manager Bearings and Units, SKF's Industrial Division since 2008.

Peter Augustsson
Göteborg, born 1955.
Member of the Board since 2008.
Peter Augustsson, MSc. Eng., has been active in the motor vehicle and component industry. Formerly Managing Director and CEO of Saab Automobile AB and SKF AB. Runs his own business development company today.
Chairman of the boards of Metallfabriken Ljunghäll AB, NovaCast Technologies AB and Automotive Business Development AB.
Member of the boards of Wallenius-rederierna AB and Ortic 3D AB.

Lars-Ove Boström
Trollhättan, born 1966.
Member of the Board since 2008.
Employee representative, white-collar employees.
Employed since 1997.

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

Deputy members of the Board
Linda Hallberg
born 1976.
Deputy member of the Board since 2008.
Employee representative, white-collar employees.
Employed at the company since 2005.

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

Auditor
Öhrlings PricewaterhouseCoopers AB
Bror Frid, auditor in charge
Authorised Public Accountant
Auditor since 2008.

Deputy auditor
Öhrlings PricewaterhouseCoopers AB
Gunnar Hjalmarsson
Authorised Public Accountant
Auditor since 1989.

Management


Anders Birgersson


Bo Hedberg


Per Ericson


Anders Erkén

Anders Birgersson
Lidköping, born 1958.
Managing Director and CEO and Business Area Manager VBG GROUP TRUCK EQUIPMENT.
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.

Bo Hedberg
Trollhättan, born 1957.
Technical Director/Marketing Director VBG GROUP 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 previously worked for SAAB Automobile AB and MarkIV Automotive.

Per Ericson
Eskilstuna, born 1956.
Director of Sales
VBG GROUP TRUCK EQUIPMENT.
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.

Anders Erkén
Göteborg, born 1964.
Production Director in charge of Supply Chain
VBG GROUP TRUCK EQUIPMENT.
Employed since 2007.
Anders Erkén, MSc. Eng., has worked with product development, production and logistics.
He has previously been employed at ESAB AB and Imaje AB.

Claes Wedin
Trollhättan, born 1956.
CFO with responsibility for the Accounting, IT and HR staffs.
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.

Niklas Gråsjö
Trollhättan, born 1967.
Business Controller
VBG GROUP TRUCK EQUIPMENT.
Employed since 2005.
Niklas Gråsjö, MSc. Econ., has worked for the past ten years in various accounting functions with business analysis and product development and has been a member of the project management team for major vehicle-related projects. He has previously worked at Saab Automobile AB.

Bernd Vössing
Ratingen, born 1961.
CFO/Business Controller
RINGFEDER POWER TRANSMISSION.
Employed since 2003.
Bernd Vössing, MSc. Econ., has experience from senior positions in accounting and administration.
He has previously worked in German companies, mainly in IT and telecommunications, such as ALLDATA GmbH and A-priori international AG.

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

Annual General Meeting

Notice to attend the Annual General Meeting of VBG GROUP AB

Notice is hereby given to the shareholders of VBG GROUP AB (publ) of the Annual General Meeting of Shareholders to be held on Tuesday, 12 May 2009, at 5:00 p.m. on the company's premises at Herman Kreftings gata 4, Vänersborg.

Notification

Shareholders wishing to attend the meeting must

- be listed in the share register kept by Euroclear Sweden AB (formerly VPC AB) by not later than 6 May 2009
- notify the company by not later than 4:00 p.m. on 6 May 2009.

Notification may be given in writing to VBG GROUP AB (publ), Box 1216, SE-462 28 Vänersborg, Sweden; by telephone to +46 521 27 77 00; by fax to +46 521 27 77 93; via the company's website www.vbggroup.com, or by e-mail to inger.vilhelmson@vbggroup.com.

The notification of attendance must include name and personal or corporate identity number.

Shareholders who are represented by a proxy should send a power of attorney with the notification of attendance. Anyone representing a legal entity must produce a copy of the registration certificate or other document showing the person(s) authorised to sign on behalf of the legal entity.

Shareholders whose shares are registered to a nominee must have the shares re-registered in their own name by the nominee in good time before 6 May 2009 (voting rights registration).

Agenda

1. Election of Chairman of the meeting
2. Preparation and approval of the voting list
3. Approval of the agenda
4. Election of one or two persons to verify the minutes
5. Determination of whether the meeting has been duly convened
6. Presentation of the Annual Report and the Auditors' Report as well as the consolidated accounts and the Auditors' Report on the consolidated accounts
7. Resolutions
   a) adoption of the Income Statement and the Balance Sheet, as well as the Consolidated Income Statement and the Consolidated Balance Sheet
   b) appropriations of the company's profit or loss according to the adopted Balance Sheet
   c) discharge of the members of the Board of Directors and of the Managing Director from liability
8. Determination of the number of members and deputy members of the Board of Directors
9. Determination of fees to be paid to the Board of Directors and the auditors
10. Election of members and deputy members of the Board of Directors
11. Resolutions on the Board of Director's proposed guidelines for remuneration and other terms of employment for senior officers
12. Authorisation from the AGM to the Board of Directors to use own shares as payment in connection with acquisitions
13. Appointment of members of a Nominating Committee
14. Other matters incumbent upon the General Meeting according to the Companies Act or the Articles of Association.

Election of Chairman of the meeting (item 1)

The Nominating Committee proposes that Chairman Peter Hansson be elected Chairman of the 2009 AGM.

Dividend (item 7b)

The Board of Directors proposes a dividend of SEK 1.00 per share 2009 with record date on 15 May 2009. If the AGM approves this proposal, the dividend is expected to be distributed by Euroclear Sweden starting 20 May 2009.

Fees (item 9)

The fees proposed for the Board of Directors total SEK 565,000, of which SEK 130,000 is to be paid to the Chairman, SEK 110,000 to the Deputy Chairman and SEK 95,000 each to the other Board members, plus SEK 5,000 per attended meeting. SEK 20,000 each is to be paid to the members of the Audit Committee and the Nominating Committee. This is unchanged compared with last year's fees. No fee is paid to the Managing Director. Fees to auditors are proposed to be paid as billed, upon approval, for work performed.

Election of Board of Directors (item 10)
The Nominating Committee proposes re-election of Board members Peter Hansson, Anders Birgersson, Johnny Alvarsson, Staffan Ekelund and Helene Richmond, and election of Hans-Göran Persson for the first time. It is proposed that Peter Hansson be elected Chairman and Johnny Alvarsson Deputy Chairman. Peter Augustsson has declined re-election.

Hans-Göran Persson, born 1946, MSc. Econ., has held senior positions at Autoliv, SKF, Volvo Cars and Saab Cars. In recent years he has been active as a consultant at Odhe & Co in product development, supply chain & sourcing.

Shareholders representing more than 65 per cent of the number of votes for all shares in the company support the proposals.

Resolution concerning guidelines for remuneration and other terms of employment for senior officers (item 11)
The Board of Directors proposes that the AGM resolve that the same guidelines for remuneration to senior officers that were adopted by the 2008 AGM shall apply.

The guidelines pertain to remuneration and other terms of employment for the VBG GROUP's Group Management and other senior officers.

Fixed salaries shall be market-level and based on the individual's responsibilities and performance. In addition to a fixed annual salary, variable remuneration which is limited and based on the Group's financial performance compared with established goals shall also be paid. The variable salary for the Managing Director and CEO is limited to a maximum of 50 per cent of the fixed annual salary and for other senior officers to a maximum of 33 per cent of the fixed annual salary.

In addition to the above remunerations, other benefits may also be provided such as company car and healthcare.

The management generally enjoys pension benefits as provided by law and collective agreement (ITP plan). It is, however, possible for the individual to opt for other pension arrangements at the same cost for the company. Persons residing outside Sweden receive the pension benefits that are customary in each particular country.

For officers residing in Sweden, the period of notice of termination on the part of the company is 12 months and on the part of the employee 6 months. Severance pay in addition to salary during the period of notice may not exceed one year's salary.

For officers residing outside Sweden, periods of notice and severance pay that are customary in each particular country are applied.

The Compensation Committee decides on salaries and other terms of employment.

Resolution on authorisation (item 12)
The Board of Directors proposes that the AGM authorise the Board to resolve on one or more occasions up until the 2010 Annual General Meeting that repurchased shares can be transferred, notwithstanding the shareholders' pre-emption rights, and that non-cash payment can 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.

NOMINATING COMMITTEE (item 13)
Shareholders representing more than 65 per cent of the number of votes for all shares in the company propose that Reidar Öster, Staffan Ekelund and Åke Persson comprise the Nominating Committee. At the same time, the Nominating Committee appointed by the AGM is given a mandate, based on the shareholder situation on 31 August 2009 and in consultation with major shareholders, to appoint an additional member itself. The name of the additional member of the Nominating Committee shall be given on the company's website by not later than 30 September 2009.

Other
The Annual Report and Audit Report, as well as other key documents, will be available at the company's office (address: VBG GROUP AB, Box 1216, SE-462 28 Vänersborg, Sweden) at least two weeks before the General Meeting and can be sent to shareholders who give their mailing address on request.

Vänersborg, April 2009

Board of Directors of VBG GROUP AB (publ)

PARENT COMPANY

VBG GROUP AB (publ)
Box 1216
SE-462 28 Vänersborg
Tel +46 521 27 77 00
Fax +46 521 27 77 93
Street address
Herman Kreftings gata 4
www.vbggroup.com

VBG GROUP TRUCK EQUIPMENT

Sweden

VBG GROUP TRUCK EQUIPMENT GMBH
Box 1216
SE-462 28 Vänersborg
Tel +46 521 27 77 00
Fax +46 521 27 77 90
www.vbg.se

Umeå branch:
Umestans Företagspark Hus 2
SE-903 47 Umeå
Tel +46 90 271 10
www.vbg.se

Germany

VBG GROUP TRUCK EQUIPMENT GMBH
Postfach 13 06 19
DE-47758 Krefeld
Tel +49 2151 835-0
Fax +49 2151 835-200
www.ringfeder.de
www.edscha-trailer.com

Czech Republic

VBG GROUP TRUCK EQUIPMENT S.R.O.
Ke Gabrielce 786
CZ-39470 Kamenice nad Lipou
Tel +420 565 422 402
Fax +420 565 422 405
www.edscha-trailer.com

Denmark

VBG GROUP A
Industribuen 20–22
DK-5592 Ejby
Tel +45 64 46 19 19
Fax +45 64 46 10 88
www.vbg.dk

Norway

VBG GROUP SALES AS
Postboks 94 Leirdal
Postboks 94 Leirdal
NO-1009 Oslo
Tel +47 23 14 16 60
Fax +47 23 14 16 61
www.vbg.no

UK

VBG GROUP SALES LIMITED
Unit 9, Willow Court
West Quay Road, Winwick Quay
Warrington, Cheshire WA2 8UF
Tel +44 1925 23 41 11
Fax +44 1925 23 42 22
www.vbgltd.co.uk

Belgium

VBG GROUP ETES NV
Europark 2070
BE-3530 Houthalen
Tel +32 11 609 090
Fax +32 11 602 018
www.sesam.be

VBG GROUP SALES BENELUX NV
IIndustrie Zuid Zone 2.2
Lochtemanweg 50
BE-3580 Beringen
Tel +32 11 458 379
Fax +32 11 458 378
www.vbggroup.be

Netherlands

Branch:
VBG GROUP SALES BENELUX NV
Alaertslaan 12
NL-5801 DC Venray
Tel +31 478 514 143
Fax +31 478 515 790
www.vbggroup.be

France

ONSPOT E.U.R.L
14 Route de Sarrebruck
FR-57645 MONTOY-FLANVILLE
Tel +33 387 763 080
Fax +33 387 761 944
www.onspot.fr

RINGFEDER POWER TRANSMISSION

Germany

RINGFEDER POWER
TRANSMISSION GMBH
Postfach 13 06 19
DE-47758 Krefeld
Tel +49 2151 835-0
Fax +49 2151 835-200
www.ringfeder.de

GERWAH GMBH
Lützeltaler Str. 5a
D-63868 Grosswallstadt
Tel +49 6022 2204 0
Fax +49 6022 2204 11
www.gerwah.com

Czech Republic

GERWAH S.R.O.
Oty Kovala 1172
CZ-33441 Dobrany
Tel +420 377 201 511
Fax +420 377 900 860
www.gerwah.com

GP TRADE S.R.O.
OOty Kovala 1172
CZ-33441 Dobrany
Tel +420 377 201 511
Fax +420 377 900 860
www.gerwah.com

USA

RINGFEDER CORPORATION
165 Carver Avenue
Westwood, N.J. 07675
Tel +1 201 666 3320
Fax +1 201 664 6053
www.ringfeder.com

GERWAH USA INC.
305 Etowah Trace
Suite 102
Fayetteville, GA
US-30214 Atlanta
Tel +1 678 674 1090
Fax +1 678 674 1094
www.gerwah.com

India

RINGFEDER POWER TRANSMISSION
INDIA PRIVATE LTD.
Plot No. 4, Door No. 220
Mount Poonamallee High Road
Kattuppakkam
Chennai-600056
Tel +91 44 26496-411
Fax +91 44 26496-422

VBG GROUP

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