

VBG GROUP 2009 ANNUAL REPORT



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Annual General Meeting 2010

The Annual General Meeting of VBG GROUP AB (publ) will be held at 5:00 p.m. on 27 April 2010 in the company's offices at Herman Kreftings gata 4 in Vänersborg.

Notification

Shareholders wishing to attend the meeting must

- be listed in the share register kept by Euroclear Sweden AB by not later than 21 May 2010
- notify the company by not later than 4:00 p.m. on 21 April 2010. 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; 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 21 April 2010 (voting rights registration).

Dividend

The Board of Directors and Managing Director propose that the dividend be set at SEK 0.50 per share, with record date on 30 April 2010. If the AGM approves this proposal, the dividend is expected to be distributed by Euroclear Sweden AB starting 5 May 2010.

Report dates

27 April	Interim report January–March
25 August	Interim report January–June
26 October	Interim report January–September
February 2011	Year-end report

The year in brief

- The production plant in Vänersborg for manufacture of Ringfeder's and VBG's trailer couplings was completed and started up.
- The production plant in the Czech Republic for manufacture of Edscha Trailer Systems' and Sesam's sliding roofs was completed and started up.
- The GERWAH Group was integrated in RINGFEDER POWER TRANSMISSION – joint companies in Germany and the USA.
- The Group's net turnover decreased by 40 per cent to SEK 829 M (1,377).
- Operating loss was SEK 27.1 M (profit: 123.1).
- Loss after financial items amounted to SEK 30.7 M (profit: 108.6).
- The Group's loss after tax was SEK 21.1 M (profit: 73.1).
- Loss per share was SEK 1.69 (EPS: 5.85).
- The Board of Directors proposes a reduction of the dividend to SEK 0.50 per share (1.00).

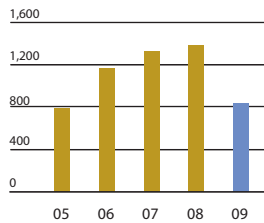


Key figures	2005	2006	2007	2008	2009
Net turnover, SEK M	778.5	1,163.1	1,323.3	1,376.7	829.0
Profit/loss after financial items, SEK M	97.4	165.8	201.5	108.6	-30.7
Profit/loss after tax, SEK M	67.1	111.9	133.1	73.1	-21.2
Return on capital employed, %	26.7	29.8	34.0	16.1	neg.
Equity/assets ratio, %	38.8	47.8	56.3	56.0	54.4
Average number of employees	339	411	422	432	445

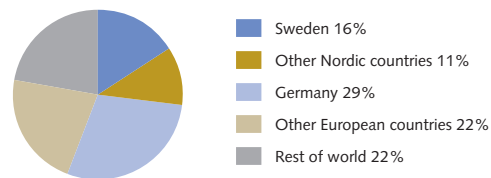
This is the VBG GROUP

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 2009 the Group had around 445 employees and a turnover of SEK 829 M. VBG GROUP AB's Series B share was introduced on the stock exchange in 1987 and is listed on Nasdaq OMX Nordic Exchange Mid Cap.

Group turnover, SEK M



Turnover 2009



Total SEK 829 M

Business areas



RINGFEDER POWER TRANSMISSION

RINGFEDER POWER TRANSMISSION will, through its own strong brands, be a recognised global market leader in selected niches within mechanical power transmission and energy and shock absorption.



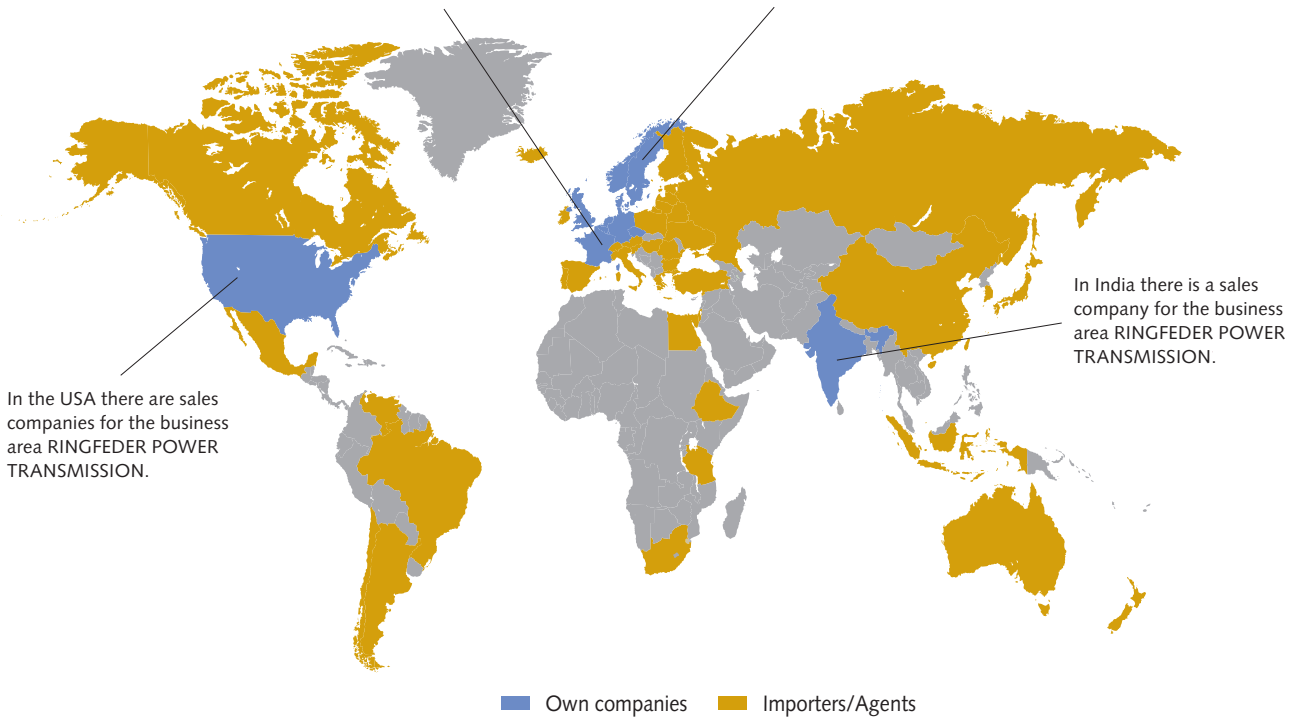
VBG GROUP TRUCK EQUIPMENT

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

In Europe there are production and sales companies for the business areas VBG GROUP TRUCK EQUIPMENT and RINGFEDER POWER TRANSMISSION.

In Scandinavia there is the Parent Company VBG GROUP AB and production and sales companies for the business area VBG GROUP TRUCK EQUIPMENT.



Brands	Share of Group turnover	Turnover	Average number of employees
RINGFEDER GERWAH ECOLOC	<p>31%</p> <p>SEK 260 M</p>	<p>Europe 44% North America 43% Rest of world 13%</p> <p>SEK 260 M</p>	120
RINGFEDER VBG Edscha SESAM armaton ONSPOT	<p>69%</p> <p>SEK 569 M</p>	<p>Sweden 23% Other Nordic countries 15% Germany 28% Other European countries 27% Rest of world 7%</p> <p>SEK 569 M</p>	320

A strong VBG GROUP

The strength of having a portfolio of different business activities is made particularly clear in a year such as 2009. The consequences of the recession in the European truck market have been offset by the more stable market situation for industrial products in general.

Thanks to the company's good profitability for a number of years prior to the crisis and the long-range perspective that is central to the company's strategy, our financial standing was very good as we entered 2009.

Thanks to our financial strength and the outstanding efforts of the Board of Directors, the company's management and all employees, we have managed to ward off the worst consequences of the recession. At the same time, we have restructured our operations and made considerable investments in plants and also carried out important acquisitions.

2009 – a turbulent year

What we experienced in 2009 was not a normal downturn in the business cycle. It was a decline in demand for our products that was above all caused by the financial crisis, which picked up speed at the end of 2008. The crisis knocked the whole financing system out of balance, triggering a decline in demand for trucks that was much greater than a normal downturn in the business cycle.

Turnover was nearly halved for VBG GROUP TRUCK EQUIPMENT, and in some product areas the market shrank by nearly 80 per cent. A number of steps were taken early on to cut costs. We have moved all production of Ringfeder trailer couplings from the factory in Krefeld, Germany, to our plant in Vänersborg. The project has been big and complex, and we are very happy with the end result. Furthermore, we expanded our production plant for Edscha Trailer Systems' sliding roofs in the Czech Republic

during the year. At the end of the year, all production of the Sesam brand was also moved to the Czech Republic.

We have taken advantage of our strong financial position to carry out investments in bad times as well. For RINGFEDER POWER TRANSMISSION, the acquisition of the GERWAH Group is a strategically important acquisition that strengthens our global market position. By this acquisition we have broadened our product range and our customer base.

RINGFEDER POWER TRANSMISSION was also adversely affected by a weaker market in 2009, particularly in Germany. Owing to the recession, sales have declined by about 25 per cent compared with the situation before the acquisition of GERWAH. It is nevertheless our judgement that we have gained market share thanks to our new, more complete offering.

In spite of the extremely difficult market conditions that have prevailed during the year and a reported loss, which must nevertheless be regarded as reasonable, 2009 is one of the most important years in the Group's history. What we succeeded in accomplishing this year is fully in line with the long-range perspective that characterises the way we do business.

2010 – recovery from low levels

It is from very low levels we now see a recovery in Europe, mainly in the market for trailer couplings. We are seeing some increase in demand in the trailer industry for sliding roofs as well. All signs indicate that the market for heavy trucks will continue to be weak during the first six months and then gradually improve.

The industrial market for our transmission products has probably bottomed out, but we still don't see any clear improvement in demand. On the strength of our better product offering, together with a strong and partially renewed distribution network, we will continue to increase our market shares.

It is therefore with great confidence that I look to the future! We have done our homework and now have good prospects of further strengthening our position. We stand well equipped and look forward to an exciting 2010 with growth and a positive bottom line.

Vänersborg, March 2010

Anders Birgersson
Managing Director and CEO



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 will be achieved both 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 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 VBG GROUP will 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.

This strategy is implemented in the Group's two business areas, RINGFEDER POWER TRANSMISSION VBG GROUP TRUCK EQUIPMENT. The two business areas differ in terms of products, customer segments, markets and cyclical vulnerability. This spreads the risks and creates more stable growth in the long term, which enhances shareholder value. Synergies between the two business areas exist mainly in purchasing, and the business areas also share some administrative and financial resources.

Management and coordination of business operations

Each business area has a management that integrates and coordinates its operations for the purpose of taking advantage of any synergies that may result from acquisitions. Industry-specific competition strategies are developed that take advantage of the business areas' assets and the organisation's core competence and industrial know-how. Each business area management is responsible for implementing its unit's competition strategy, but also for helping to formulate 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.

Business concept, goal and strategies

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 given 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 judgments 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. Besides focusing on existing product and market segments, we will also generate growth by venturing into new regions. 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 success of the business.

The business areas' strategy for organic growth is based on the interaction of many different success factors, such as:

- 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 establishment of own sales companies
- continuous identification and analysis of new geographic markets
- broadening of the product offering
- long-range product development.

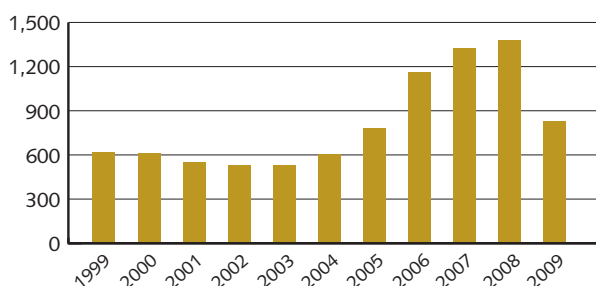
A central area of responsibility for the management is the Group's acquisition strategy. Growth by acquisition is a priority and important for realising the Group's overall goal of sustainable and profitable growth.

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.

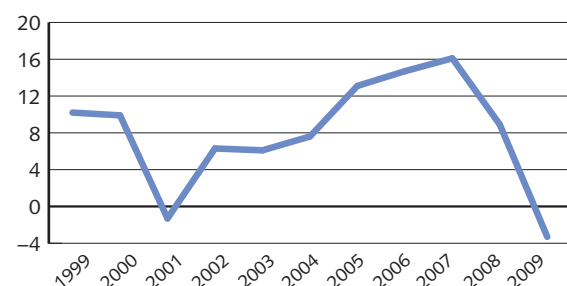
The basic criteria for acquisitions are

- stable profitability
- strong brands
- strong or leading market position
- active in product niches
- potential for continued growth
- clear synergies with existing operations
- stable organisation and strong management.

Net turnover 1999–2009



Operating margin, 1999–2009



History of the VBG GROUP

1951	<ul style="list-style-type: none"> Herman Krefting founds the company Vänersborgskopplingen. 	
1963	<ul style="list-style-type: none"> Car hitches are added to the product range Divested 1995. 	
1970	<ul style="list-style-type: none"> Founding of VBG Produkter A/S, Norway. 	
1974	<ul style="list-style-type: none"> Founding of VBG Produkter A/S, Denmark. 	
1987	<ul style="list-style-type: none"> Initial listing of Parent Company VBG Produkter AB on the Stock Exchange's OTC list. Founding of Finnish subsidiary OY Suomen VBG AB. Divested 1992. 	
1990	<ul style="list-style-type: none"> Acquisition of Dayton Walther Ltd., UK (fifth wheels). Divested 2000. Acquisition of rights to Armaton, Sweden. Founded 1987. 	
1991	<ul style="list-style-type: none"> Acquisition of business in Onspot AB, Sweden. Founded 1977. 	
1992	<ul style="list-style-type: none"> Acquisition of KRZ trailer couplings – Kraatz new distributor in Finland. 	
1997	<ul style="list-style-type: none"> Acquisition of Ringfeder trailer couplings and machine elements. Founded 1922. 	
1998	<ul style="list-style-type: none"> Founding of VBG AB – holding company in the new Group. 	
2003	<ul style="list-style-type: none"> Founding of subsidiary Onspot E.U.R.L., France. 	
2004	<ul style="list-style-type: none"> RINGFEDER POWER TRANSMISSION, formerly Ringfeder Machine Elements, is organised as a separate business area with a new business management. 	
2005	<ul style="list-style-type: none"> 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. Sliding roofs – an original invention by Edscha from 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. 	
2006	<ul style="list-style-type: none"> VBG GROUP is presented as new Group identity. Founding of VBG GROUP SALES NV in Belgium. RINGFEDER POWER TRANSMISSION GMBH is founded and broken out of RINGFEDER VBG GMBH, Germany. 	
2007	<ul style="list-style-type: none"> Parent Company changes its 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 sales office in Netherlands. Founding of RINGFEDER POWER TRANSMISSION INDIA PRIVATE LTD. 	
2008	<ul style="list-style-type: none"> Acquisition of GERWAH GMBH, Germany. Founded 1980. 	
2009	<ul style="list-style-type: none"> GERWAH GMBH is merged with RINGFEDER POWER TRANSMISSION GMBH, Germany and GERWAH USA INC. with RINGFEDER POWER TRANSMISSION USA CORP., USA. 	

Global markets

The VBG GROUP focuses on product niches and market segments where it is possible to achieve good and sustainable profitability. The Group's products are sold globally, with an increasing proportion being sold on growth markets. Exposure to different markets and customer segments differs between the business areas RINGFEDER POWER TRANSMISSION and VBG GROUP TRUCK EQUIPMENT.

In 2009, Europe accounted for 78 per cent of the VBG GROUP's turnover, followed by the USA (14 per cent) and Other Markets (8 per cent).

RINGFEDER POWER TRANSMISSION sells a wide range of products and applications to customers in different sectors and markets.

An important area is industrial automation, for example machine tools, industrial robots and special machines for automation of industrial processes. Another important market segment is materials handling and transport, where typical applications are in hoist and crane equipment or conveyor systems. Other areas of application are in mining, civil structures, systems for generating electric power and different types of vessels such as boats and airplanes.

A special area is friction springs, a product well suited for damping mechanical vibration and absorbing kinetic energy. Like the transmission products, friction springs find application in widely disparate segments, mainly in industrial settings but also in diverse civil engineering and building contexts as well as on aircraft and trains.

Large variations

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 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 a small part of a larger industrial group. Many competitors are mainly focused on distribution and sales. There are only a few suppliers with an engineering background like that of RINGFEDER POWER TRANSMISSION. There are also copies and products with low functionality and lower per-

formance on the market. More and more competitors are emerging in China and other low-cost countries. But the most important competitors are in Europe, such as B-loc, Tollok and KTR.

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 closely linked to the underlying transport need and the age structure of the vehicle fleet. Over the past decade, the integration of the new EU member states has been 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 safety, functionality and ergonomics requirements – 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, South America and the USA. Its biggest competitors include the German company Jost Werke with the Rockinger brand, active in the trailer couplings area, and Trailer System Engineering GmbH, a supplier of sliding roofs.

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 during the past decade, particularly in Eastern Europe.

Sales in Europe during 2009 amounted to 241,000 trucks, of which 164,000 in the segment over 16 tonnes. The European truck fleet is estimated to amount to more than 5 million vehicles.

Registrations of trucks with a GVW over 16 tonnes – the VBG GROUP's most important segment – fell by nearly 48 per cent in Europe in 2009. The financial crisis and the economic slump, together with large inventories of new vehicles, had a negative impact on demand.

The market for trailers

The European trailer and body builder market consists of more than 600 manufacturers. The three biggest – the German companies Schmitz, Krone and Kögel – accounted for about 50 per cent of the trailer market in 2008 and were therefore the ones hardest hit by the financial crisis in late 2008 and 2009. The many smaller and usually more specialised manufacturers, which often focus on a limited circle of customers with special needs, have in most cases coped better with the unparalleled downturn. The trend towards a few players taking a growing share of the market is equally pronounced in North America and Asia. China's largest trailer manufacturer is Chinese International Marine Containers (CIMC), which has expanded in other parts of the world as well in recent years. The European trailer market amounted to 148,000 in 2009, of which Western Europe accounted for more than 70 per cent. Eastern Europe, which previously exhibited rapid growth, fell back sharply in 2009.

Trailer registrations declined by more than 50 per cent in Europe in 2009. The financial crisis and subsequent deep recession have had a great impact on sales of new trailers. The crisis has even led to the disappearance of manufacturers from the market. Manufacturers in the shrinking intermediate segment in particular have shut down production, but German Kögel, one of the three biggest manufacturers in 2008, also filed for bankruptcy during the year.

More environmentally friendly vehicle combinations

In order to reduce the environmental impact of road transport, there is a trend towards larger and longer vehicles able to carry more goods.

One such initiative is EMS (European Modular System), a concept based on vehicles adapted to unit loads which permits vehicle lengths of up to 25.25 metres and road

train weights of up to 60 tonnes. Such vehicle combinations are currently approved on the Swedish and Finnish market, as well as on selected road networks in Norway and Denmark. The concept, which was originally driven by logistic reasons, is increasingly being discussed from an environmental perspective in many European countries with high traffic density. An extensive evaluation of EMS vehicles is being conducted in the Netherlands, with 400 vehicle combinations in the test fleet.

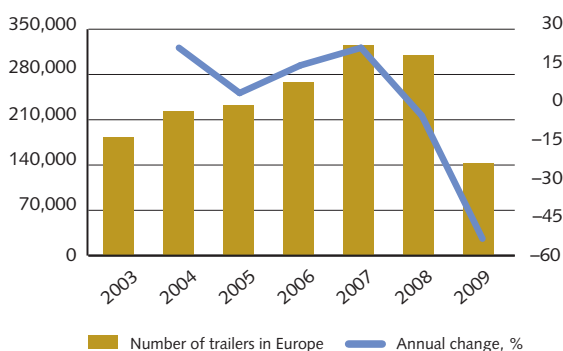
Another initiative with the same purpose is the ETT project, which is part of the "Green Car" research project being conducted in collaboration between the Swedish state and the motor vehicle industry. There have been regular timber shipments for more than a year now between Överkalix and Piteå in northern Sweden on timber trucks with a gross vehicle weight of 90 tonnes and an overall length of 30 metres. The results indicate that fuel consumption and carbon dioxide emissions are reduced by about 20 per cent per tonne-kilometre.

Increased road transport need

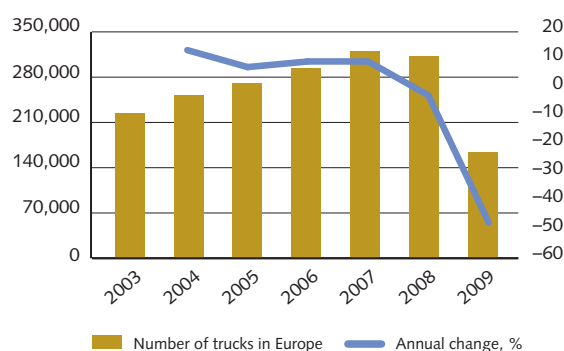
Despite a weak trend during the past year, the road transport need in Europe is still growing in the long-term perspective. More than 70 per cent of all inland freight within the EU was transported by trucks in 2009. According to a forecast by the European Commission, transport by truck is expected to 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 judged to be 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.

Registration of new trailers with a GVW of over 6 tonnes



Registration of new trucks with a GVW of over 16 tonnes



RINGFEDER POWER TRANSMISSION



RINGFEDER POWER TRANSMISSION will, through its own strong brands, be a recognised global market leader in selected niches within mechanical power transmission and energy and shock absorption.

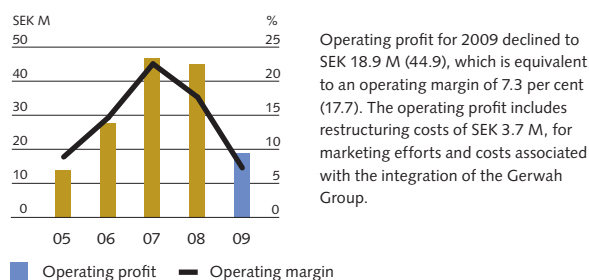
RINGFEDER POWER TRANSMISSION's most important key factors for long-term success are

- clearly positioned brands
- a global sales organisation
- high technical expertise with a local presence
- high-quality system solutions
- high availability 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 energy and shock absorption. The Ecoloc brand has a strong position within standard products for power transmission via shaft-hub connections.

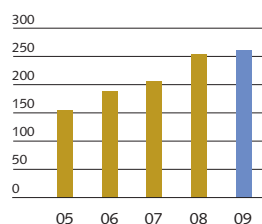


Operating profit, SEK M and operating margin, %



Operating profit for 2009 declined to SEK 18.9 M (44.9), which is equivalent to an operating margin of 7.3 per cent (17.7). The operating profit includes restructuring costs of SEK 3.7 M, for marketing efforts and costs associated with the integration of the Gerwah Group.

Turnover, SEK M



Turnover for the full year 2009 increased by 3 per cent to SEK 260.1 M (253.0). Of this total, SEK 51.4 M derives from the Gerwah Group acquired after the end of the year. Altogether, the volume decline in the comparable structure was thereby about 25 per cent.

Key figures	2005	2006	2007	2008	2009
Turnover, SEK M	154.5	188.1	206.4	253.0	260.1
Operating profit, SEK M	13.8	27.6	46.6	44.9	18.9
Operating margin, %	8.9	14.7	22.6	17.7	7.3
Share of Group turnover, %	20	16	16	18	31

RINGFEDER POWER TRANSMISSION develops, manufactures and markets products for advanced applications in mechanical power transmission and energy and shock absorption.

The products are sold worldwide to a wide range of industries such as construction, machinery, power and mining. The business area is also a supplier of special products to the train, boat and aircraft industries, for example. The biggest geographical markets are Germany and the USA, but a fast-growing share of sales also takes place in Asia, South America and Australia. Operations are conducted from own companies in Germany, the Czech Republic, the USA and India. The integration of the German GERWAH Group, with products for mechanical power transmission, was completed during the year. Gerwah's products complement the business area's existing offering on several geographical markets and strengthen its position globally in relation to the important machinery industry.

Three clearly positioned brands

The business area has three clearly positioned brands. Ringfeder, which was founded in 1922, and Gerwah 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 growth markets, mainly in Asia.

The business area offers individual products or systems composed of many components. RINGFEDER POWER TRANSMISSION's products can be found in a large

number of applications where extremely exacting demands are made on technology, reliability and quality.

Cooperation with customers

One of the business area's main strengths is the ability to develop efficient solutions in cooperation with the customer.

RINGFEDER POWER TRANSMISSION's customers are faced with the choice of either creating unique solutions with structural parts that require analysis and calculations, or integrating ready-made parts, known as machine elements, in their products.

Ringfeder and Gerwah offer machine elements, i.e. components and products, for transmission of rotational movement and torque in different kinds of mechanical transmissions.

By using well proven design solutions as well as developed and tested calculation models, the products can be given higher reliability and high flexibility in terms of choice of application and function. This facilitates the design work for the customers and reduces material consumption, for example due to smaller size of the end products, at the same time as it also reduces the customers' production costs.

In response to increasing 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 conveyor industries. Many of the products under the Ringfeder brand are based on a patent from 1956. The products under the Gerwah brand are also based on long-established patents.

Broad and growing customer base

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. The business area has attracted new customers thanks to a complete range of products in power transmission and industrial shock absorption. A rapidly growing customer group is companies within renewable energy such as wind power, hydropower and geothermal energy. The total number of customers in the business area is over 3,000 and they can be found all over the world.

RINGFEDER POWER TRANSMISSION

High production quality

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 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.

Efficient distribution

In addition to high technical expertise and customer-driven product development, the business area's efficient distribution is an important competitive advantage. Being able to deliver in a short time is crucial for landing a deal. The customers mention accessibility and quality as important factors when they choose RINGFEDER POWER TRANSMISSION as a partner. The business area keeps stocks of finished products 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 and the Czech Republic not only supply domestic customers with products but are also distributed to the rest of Europe and globally.

Increased focus on growth markets

The fastest growth for the business area's product areas is taking place on growth markets such as Asia and South America. A local presence is often required in order to benefit from the sales potential. RINGFEDER POWER TRANSMISSION INDIA PRIVATE LTD. inaugurated its new facility in Chennai at the end of 2008. The facility contains offices, stocks and a hall for final assembly and inspection. A number of agreements were signed in 2009 with customers in the mining and construction industries. Thanks to the acquisition of Gerwah, it will be possible to intensify marketing efforts on other high-growth markets, such as Brazil.

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. Thanks to the acquisition of Gerwah, the business area has gained access to new internal sales channels as well as a new network of agents and distributors on important markets in growth regions. Furthermore, new retailers who appreciate the advantages of RINGFEDER POWER TRANSMISSION's complete product range have joined the fold. All sales outlets now offer all the business area's products under the three brands Ringfeder, Gerwah and Ecoloc.

Results in 2009

Turnover for 2009 increased by 3 per cent to SEK 260.1 M (253.0), but if the acquisition of Gerwah is taken into account there was a decline in volume of 25 per cent. Operating profit declined to SEK 18.9 M (44.9), which is equivalent to an operating margin of 7.3 per cent (17.7).

As a result of the recession, many industrial customers, with the exception of the mining sector, have cut back on their investments in new capacity or in new products. This has had a negative impact on sales, since the business area's products are relatively highly exposed to industrial investments. Geographically, Germany, which is the business area's biggest market, has exhibited the weakest performance among the business area's markets. During the year the organisation has been strengthened and enlarged, while legal entities in the USA and Europe have been amalgamated. The head office in Germany has been moved from Krefeld to Grosswallstadt. Marketing efforts have increased the customer base, especially on the various growth markets.

In focus during 2010

In addition to measures aimed at streamlining the operations, for example in the area of inventory management, continued efforts are being made to establish a greater presence on growth markets and 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.



Ringfeder solves problems for the mining industry in Australia

The mining industry in Australia makes tough demands on machines and transport equipment. Coal or iron ore is conveyed from the mines all the way to the coasts on long conveyors for mile after mile through the barren landscape.

When the economy was booming and demand for raw materials was at its peak, the conveyor systems were often overloaded. The conveyors' drive systems, which incorporate shaft-hub connections, were subjected to severe stresses and sometimes broke down. This led to transport interruptions and reduced revenue. RINGFEDER POWER TRANSMISSION's distributor in Australia, Statewide Bearings, recognised the problem and initiated

a dialogue with the mining companies. Statewide Bearings realised that the customers had not fully comprehended how the shaft-hub connections work and how the designs can be optimised. RINGFEDER POWER TRANSMISSION then developed a calculation program which the engineers can use in their work.

With the software available at www.ringfeder.com, the designer can carry out his own calculations to ensure the drive system is sufficiently robust.

The program has now been available for over a year. Interest has been great, not only from customers in the mining industry but also from other customers with demanding and complex applications.

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.

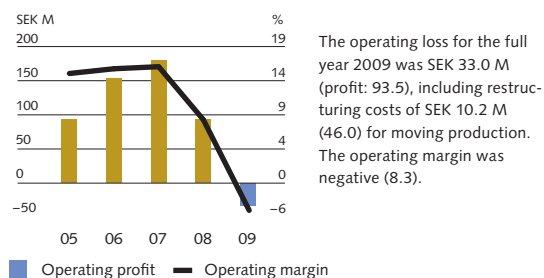
VBG GROUP TRUCK EQUIPMENT's most important key factors for long-term success are:

- clearly positioned brands
- focus on strong customer relations and the customers' needs
- market development
- well-developed aftermarket sales
- long-term product development

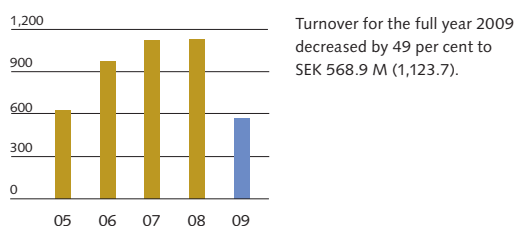
VBG GROUP TRUCK EQUIPMENT has a strong product range with market-leading brands for the truck and trailer market. VBG and RINGFEDER together account for more than 50 per cent of the world market for coupling equipment for heavy truck-trailer rigs. Edscha Trailer Systems and Sesam together deliver more than 50 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, %



Turnover, SEK M



Key figures	2005	2006	2007	2008	2009
Turnover, SEK M	624.1	975.0	1,116.9	1,123.7	568.9
Operating profit/loss, SEK M	93.9	154.5	179.7	93.5	-33.0
Operating margin, %	15.1	15.8	16.1	8.3	neg.
Share of Group turnover, %	80	84	84	82	69

VBG GROUP TRUCK EQUIPMENT is an internationally leading supplier of equipment and systems for 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. Another important customer group is body builders, who finish building the trucks after they have left the factory. Both the body builder and the trailer manufacturer are important links in the chain to reach the end customer, who may be a one-man haulage contractor or a forwarding firm with a large vehicle fleet. The business area's biggest market is Europe, which accounted for 93 per cent of turnover in 2009. Sales also take place to other regions in the world, such as Australia, Africa and South America.

Strong brands

The business area's market-leading brands are renowned for their cutting-edge technology. VBG and Ringfeder together account for more than 50 per cent of the world market for trailer couplings for heavy truck-trailer rigs. VBG is mainly a Northern European brand, while Ringfeder, besides its home market in Germany, also has many customers on the international market. Edscha Trailer Systems and Sesam together account for more than 50 per cent of all sliding roofs in the world. Onspot automatic tyre chains and Armaton dropside pillars are other well positioned and established names in the business area.

Customers are offered system solutions

VBG GROUP TRUCK EQUIPMENT has the expertise and experience required to be an attractive partner to customers with high demands on safety, ergonomics and total economy. 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 increasingly demanding deliveries of ready-assembled systems that can go directly to final assembly.

Own sales companies on selected markets

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.

The business area has its own sales companies 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.

Strategic partnerships

Different 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 arranges 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. The business area takes part in various pilot projects in the development of international standards for EMS vehicles, for example when it comes to connection equipment.

Important aftermarket business

VBG GROUP TRUCK EQUIPMENT's new sales take place to truck and trailer manufacturers as well as to body builders, in other words for building of new vehicles. Sales to these customer groups have created an installation base for a thriving aftermarket business. The aftermarket with spare parts, accessories, consumable supplies and service exhibits smaller fluctuations over a business cycle than new sales. The aftermarket business exhibited stable growth in 2009, which meant that its share of the business area's total turnover increased. Thanks to the business area's extensive network of sales subsidiaries, importers and retailers in some 40-odd countries, the aftermarket can be cultivated effectively. The aftermarket business is particularly well developed in the product area of trailer couplings.

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.

A number of innovations in coupling equipment have been introduced since the turn of the century. The VBG Multi Function Coupling (MFC), which was launched in 2008, is a new revolutionary concept for connection of truck and trailer. VBG MFC raises safety, ergonomics and convenience to new levels and permits more efficient operation and reduced wear, leading to prolonged service intervals. Connection and disconnection can be done much faster with a VBG MFC, which reduces idling time and thereby also CO₂ emissions. The introduction of the VBG MFC on different markets continues, and today the product is adapted to vehicles from Scania, Volvo, MAN, DAF, Mercedes and Renault. The VBG MFC has also found a niche in industrial applications, such as internal transport systems in steel mills. The equipment eliminates risky operations associated with connection and disconnection, often in dangerous working environments.

As the industry's market leader in sliding roofs as well, VBG GROUP TRUCK EQUIPMENT invests considerable resources in customer-driven product development. The latest product to be launched is Edscha Profi SB, a flexible sliding bow system that effectively protects the load from the elements and permits fast handling during loading and unloading.

Concentration of manufacturing

In order to reduce fixed costs, the business area's manufacturing is being concentrated to fewer units. The move of the manufacture of Ringfeder's trailer couplings from Krefeld in Germany to the factory in Vänersborg, Sweden,

was completed in November 2009. This means that all of VBG GROUP TRUCK EQUIPMENT's trailer couplings are now shipped from Vänersborg. The manufacture of Sesam's sliding roof system was also moved during the year from Houthalen in Belgium to the factory in Kamenice nad Lipou in the Czech Republic, where sliding roofs under the Edscha Trailer Systems brand are already manufactured. The plant in the Czech Republic has been expanded, and the new factory with greater capacity was finished in the fourth quarter of 2009.

Results in 2009

The economic slump and continued extensive liquidation of the inventories of manufacturers and retailers of trucks and trailers had a negative impact on the business area's business operations. Sales of sliding roofs, which are connected to the trailer market, fell sharply during the first half of the year. On a market with weak demand, the European trailer manufacturers have mainly focused on liquidating their large inventories. Sales of trailer couplings declined during the year, although this was offset by the growing importance of the aftermarket business. Some stabilisation of demand was noticeable in the third quarter for both sliding roofs and trailer couplings. Turnover for the full year decreased by 49 per cent to SEK 568.9 M (1,123.7). Operating loss was SEK 33.0 M (profit: 93.5).

In focus during 2010

After the recent restructuring measures, VBG GROUP TRUCK EQUIPMENT has a strong position despite low volumes on the market. Since a possible recovery of demand is judged to be slow, the focus is on continued efficiency improvements in the business to improve profitability. Among other things, working capital will be reduced in order to strengthen the Group's cash flow.



Flexible systems with Edscha sliding bows

As a market leader in trailer couplings and sliding roofs, VBG GROUP TRUCK EQUIPMENT takes the lead in the development of new technical solutions.

The trailer market differs between different regions. VBG GROUP TRUCK EQUIPMENT's biggest product in sliding roofs, curtain sidings, is big in Europe but virtually unknown in the USA. When loads on flatbed trailers need to be protected from the elements, tarpaulins are usually used in the USA. Tarps often provide poor protection and are time-consuming to put on. An alternative to tarping is the use of sliding bows. Sliding bow systems effectively protect the load against the elements and permit fast handling during loading and unloading of goods. Sliding bow systems can also be retrofitted on existing trailers.

The trend towards covered, weather-resistant, flexible trailer transport is growing all over the world. The VBG GROUP is taking advantage of this growth potential. Edscha SB Profi, a premium high-quality sliding bow product, was launched in the USA in 2009. The launch took place at various industrial trade fairs and has attracted great interest. Today the product is sold via different importers. The market launch in the USA can also be seen as a practice run for launches on other markets in the world where demand for sliding bows is predicted to have rapid growth potential.

Sustainable development

Employees

In order for the Group to continue to grow and flourish in the long term, it is important to be able to keep and develop competent employees and to attract and recruit new ones. The VBG GROUP's ambition is to enable its employees to reach their full potential within the Group. The foundation is the security provided by working for a financially strong, stable and long-term employer.

Dedicated, qualified and customer-focused employees are a crucial asset in strengthening the VBG GROUP's position in the long term. At the end of 2009 there were 466 employees (436) in the VBG GROUP, including 155 (157) in Sweden. In January 2010, 45 employees left the Group's company in Krefeld as a direct consequence of the production move to Vänersborg. The VBG GROUP has employees in Europe, India and the USA in both manufacturing and sales companies. The growing international operations offer interesting development opportunities for the Group's employees.

Adjustments in working hours and training

Adjusted working hours were introduced in Vänersborg in the spring of 2009. Moreover, an extra week's training was added with a focus on production-related content. In consensus with the trade unions, a four-day week was introduced for the employees in Vänersborg during the second half of the year. Personnel have been laid off, with state support, at the production plants in Belgium and the Czech Republic. All personnel in Vänersborg took part in a one-day course during the year concerned with the Group's core values and success factors. The course has contributed to understanding of corporate objectives and a clearer organisational structure.

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. Further skills development is determined and reviewed at the developmental assessments that are held regularly between each employee and his or her immediate superior. During 2009, for example, a number of employees in Vänersborg received welding training, earning International Welding Specialist (IWS) and International Welding Engineer (IWE)

certification. The need for these additional qualifications arose in connection with the move of production of trailer couplings from Krefeld to Vänersborg.

Important gender equality work

The goal of the gender equality work in the Group is to achieve a more even gender distribution. Ultimately this work should lead to a good working environment, more efficient working groups, a broadened recruitment base and a more positive image of the VBG GROUP. It goes without saying that the VBG GROUP does not discriminate against anyone due to gender, ethnic or religious affiliation, age or sexual orientation. As a result of efforts to increase the proportion of female employees in the Group, this proportion has increased from 14 per cent in 2005 to 21.8 per cent at the end of 2009.

Low sickness absence and staff turnover

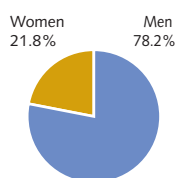
The VBG GROUP has a structured approach to wellness and rehabilitation. Sickness absence in 2009 was 4.1 per cent (4.0), which is much lower than the average for similar businesses in both Sweden and the rest of Europe. The VBG GROUP stimulates initiatives aimed at creating a working environment with high job satisfaction where employees are encouraged to take their own initiatives and responsibility. Since the Group has operations in several countries with different conditions and laws, measures to improve the working environment are handled locally by each company.

Many employees in the Group have been employed for a long time. Of all employees in the VBG GROUP, 27.6 per cent have been employed in the Group for more than 20 years.

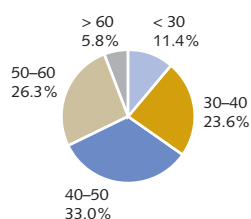
Long-term recruitment efforts

There is a great long-term recruitment need to replace employees who retire. In order to increase the future recruitment base, the VBG GROUP cooperates with several educational bodies. Representatives of the VBG GROUP are members of the programme councils for University West and for 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.

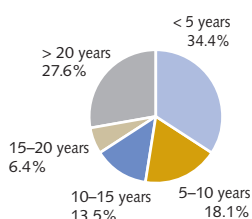
Gender distribution



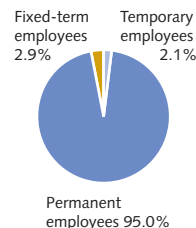
Age distribution



Length of employment



Form of employment



Corporate social responsibility

Ever since the VBG GROUP was founded in 1951, traffic safety has been a guiding star for the company's activities. Moreover, the company manufactures products that boost efficiency in the transport and energy sectors, leading to lower environmental impact in society.

Herman Krefting (1907–1993) founded the company Vänersborgskopplingen, which later became the VBG GROUP, in 1951. He designed and manufactured a new truck coupling that was considerably more reliable 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.

Active environmental work

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 environmental impact of the Group's own processes, 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 energy production.

Action plans and emergency plans prepared in consultation with the concerned authorities exist in order to mitigate and prevent the effects of any unintentional releases and incidents. The production unit in Vänersborg is environmentally certified to ISO 14001.

Cooperation yields improvements

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 needs of the customers when it comes to reliability, economy, ergonomics, design and environmental impact.

VBG GROUP TRUCK EQUIPMENT arranged seminars and trainings 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 1980s, Herman Krefting decided to distribute a large portion of his ownership among three foundations in order to ensure the survival of the company and safeguard the jobs of its employees.

The biggest one is the Herman Krefting Foundation for Allergy and Asthma Research. In 2008 the Foundation concluded an agreement with the Sahlgrenska Academy at the University of Gothenburg on annual donations to a new research centre for allergy and asthma research – the Krefting Research Centre. The donations for 2009 totalled about SEK 4 million.

Since the Foundation was founded, SEK 56 million has been awarded in grants for allergy and asthma research. The other two owner foundations are employees the SLK Employees' Foundation and the VBG-SLK Foundation.



The share

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. Since its initial listing in 1987, the price of the VBG GROUP's Series B share has increased by 1,061 per cent.

The VBG GROUP's Series B share rose by 39 per cent during 2009, compared with an increase of 27 per cent for the Nasdaq OMX Nordic Exchange. The highest price was quoted on 1 October (SEK 84.00) and the lowest on 3 February (SEK 46.50). A total of 1,376,727 VBG GROUP Series B shares were traded during the year. The turnover rate, counted as the number of shares traded in relation to the total number of shares in the company, was 11 per cent (15). The share price at year-end was SEK 70.75, which is equivalent to a market capitalisation of SEK 0.9 billion (0.6).

Total return

The VBG GROUP's overall objective is sustainable and profitable growth, which should also generate a good long-term financial return for the shareholders. The total return for the VBG GROUP's Series B share in 2009 was 39.7 per cent. Total return indicates the actual profitability of an equity investment and consists of the change in price plus dividends. Over the past five-year period, the total return for the VBG GROUP's Series B share amounts to 166 per cent, equivalent to an average annual return of 33.2 per cent. The Six Return Index, which measures total turnover on the Stockholm Stock Exchange, increased by 15.0 per cent during the same period. Since its initial listing in 1987, the VBG GROUP's Series B share has increased by 1,061 per cent.

Share capital

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 VBG GROUP AB. The 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.

Buy-back of shares

Following the buy-back programme that was implemented in 2002, VBG GROUP AB 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.

Shareholders

The VBG GROUP had 4,871 shareholders at year-end, a slight increase from one year ago. Of the total number of shares, 65.4 per cent are owned by institutions, including the three foundations and the VBG GROUP's repurchased shares.

Dividend and dividend policy

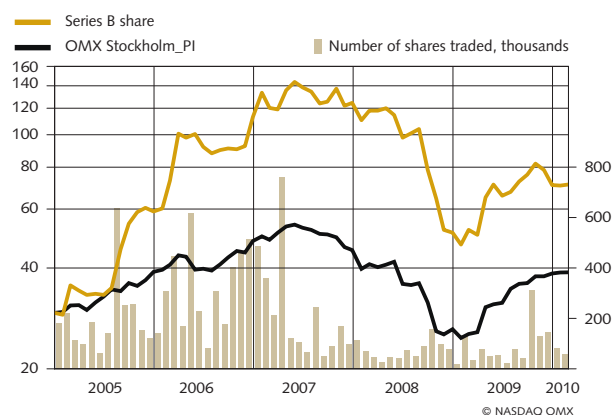
In determining the size of the dividend, the Board considers the VBG GROUP's investment plans, acquisition possibilities, liquidity and overall financial position. Since the initial listing in 1987, an average of 28 per cent of the earnings has been distributed. The Board of Directors proposes that the 2010 Annual General Meeting resolve to reduce the dividend to SEK 0.50 per share (1.00). The proposed dividend entails a distribution of 1.1 per cent of the Group's equity at year-end.

Contacts with the stock market

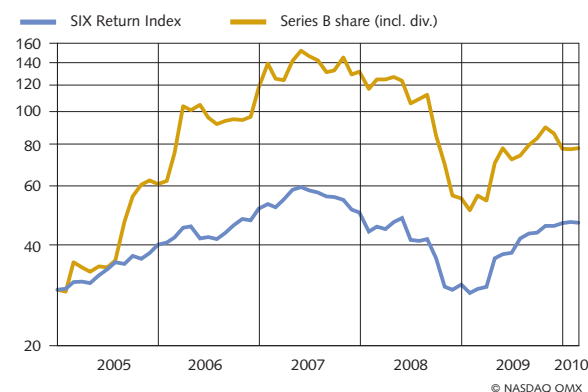
The VBG GROUP's contacts with the stock market are mainly based on quarterly financial reports, press releases and presentations of the VBG GROUP. Ten or so meetings with investors and analysts were held in Sweden during 2009. The annual report and year-end and interim reports are available at the Group's website www.vbggroup.com. Also available there are press releases, presentation material from information meetings and information on which analysts regularly cover the VBG GROUP.

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.

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



Total return over five years



Ten biggest shareholders at 30 December 2009

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	995,692	7.27	4.04
Lannebo Micro Cap.	0	970,000	7.08	3.93
Lannebo Småbolag Select	0	583,300	4.26	2.36
SLK Employees' Foundation	567,300	0	4.14	22.99
CBLDN-IF Skadeförsäkring AB	0	524,200	3.83	2.12
VBG-SLK Foundation	244,000	0	1.78	9.89
Lindtor Maskin AB	0	215,500	1.57	0.87
Awake Swedish Equity Fund	0	131,403	0.96	0.53
Total ten largest shareholders	1,220,000	8,607,444	71.76	84.32
Total other shareholders		2,674,580	19.54	15.68
Total outstanding shares		11,282,024	91.30	100.00
VBG GROUP AB		1,191,976	8.70	
Total number of registered shares	1,220,000	12,474,000	100.00	

Shareholder categories

30 dec. 2009	Percentage of capital
Foreign shareholders	8.61
Swedish shareholders	91.39
Of which:	
Institutions	86.39
Private persons	13.61

Size of shareholdings

30 dec. 2009		Percentage of capital
Number of shares	Number of shareholders	Stake per cent
< 500	3,986	3.30
500–5 000	802	8.46
> 5 000	83	88.24
Total	4,871	100.00

Shareholders in Sweden and abroad

30 dec. 2009	Percentage of capital
Sweden	91.39
Other Nordic countries	0.07
Other European countries	8.49
USA	0.05

Data per share

	2005	2006	2007	2008	2009
Earnings/loss, SEK	5.37	8.95	10.64	5.85	-1.69
Dividend, SEK	1.38	2.00	2.50	1.00	0.50*)
Share price at year-end, SEK	59.00	113.00	124.50	51.00	70.75
P/E ratio	11.0	12.6	11.7	8.7	neg
Equity, SEK	26.44	32.54	42.62	53.17	47.59
Cash flow, SEK	6.99	9.77	6.98	9.62	1.50
Dividend yield, %	2.33	1.77	2.01	1.96	0.71
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

Five-year summary

MSEK	2005	2006	2007	2008	2009
Sales and earnings					
Net turnover	778.5	1,163.1	1,323.3	1,376.7	829.0
Operating profit/loss	101.8	170.5	213.2	123.1	-27.1
Profit/Loss after financial items	97.5	165.8	201.5	108.6	-30.7
Profit margin, %	12.5	14.3	15.2	7.9	neg.
Profit/loss after tax	67.1	111.9	133.1	73.1	-21.2
Financial position					
Balance sheet total	852.4	850.6	946.3	1,187.6	1,094.5
Capital employed	595.3	583.6	632.0	871.4	864.6
Return on capital employed, %	26.7	29.8	34.0	16.1	neg.
Equity	330.5	406.8	532.9	664.7	595.0
Return on equity, %	22.4	30.3	28.3	12.2	neg.
Risk-bearing capital	387.8	462.0	591.2	710.6	637.4
Risk-bearing capital ratio, %	45.5	54.3	62.5	59.8	58.2
Equity/assets ratio, %	38.8	47.8	56.3	56.0	54.4
Cash flow					
Cash flow before change in working capital	102.3	167.6	146.3	146.6	-36.8
Cash flow from operating activities	87.4	122.1	87.2	120.3	18.8
Cash flow from investing activities	-321.7	-43.8	-16.6	-114.0	-41.7
Cash flow from financing activities	215.4	-103.4	-61.0	12.2	-5.1
Cash flow for the year	-18.9	-25.1	9.6	18.5	-28.0
Data per share					
Earnings/loss, SEK	5.37	8.95	10.64	5.85	-1.69
Dividend, SEK	1.38	2.00	2.50	1.00	0.50
Dividend yield, %	2.33	1.76	2.01	1.96	0.71
Other					
Average number of employees	339	411	422	432	445

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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 2009, the company's 51st 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 during the year had 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 (with branch in the Netherlands), 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 is an internationally leading supplier of equipment and systems to customers in the truck industry and 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 drowside pillars. Customers tend to be truck manufacturers, trailer manufacturers, body builders, hauliers and importers.
- RINGFEDER POWER TRANSMISSION is a global market leader in selected niches within mechanical power transmission and energy and shock absorption. The operation includes the Ringfeder, Gerwah and Ecoloc brands. Customers are machine manufacturers, companies in the mining industry and the wind power industry, and other high-tech companies all over the world.

Consolidated turnover and earnings

The Group's turnover for the full year decreased by 40 per cent to SEK 829.0 M (1,376.7), and the actual volume decrease for the full year was 42 per cent after changes in exchange rates are taken into account.

The operating loss was SEK 27.1 M (profit: 123.1), due to the sharp decline in turnover and the far-reaching structural changes carried out by the Group during the year.

Within the VBG GROUP TRUCK EQUIPMENT business area, the German production plant for Ringfeder trailer couplings was closed and production was moved to Vänersborg. As from the fourth quarter, the VBG and Ringfeder brands are manufactured in Vänersborg. During the fourth quarter, the manufacture of sliding roofs was also concentrated to the expanded plant in the Czech Republic. The Edscha Trailer Systems brand has been manufactured there for a number of years, and as of December the Sesam brand is also manufactured there.

Great changes have also been made within RINGFEDER POWER TRANSMISSION as the GERWAH Group acquired in January has been incorporated in the business. The merger of the companies, the introduction of a new business system and marketing campaigns have put a strain on operating earnings for the year.

The consolidated operating loss also includes Group-wide overheads of SEK 13.0 M (15.3), which have not been allocated among the different business areas.

The loss after financial items was SEK 30.7 M (profit: 108.6), with a negative margin (7.9 per cent). Loss per share after tax was SEK 1.69 (EPS: 5.85).

Return on capital employed was negative (16.1 per cent), as was return on equity (12.2 per cent). The Group's equity/assets ratio at year-end declined somewhat compared with last year, amounting to 54.4 per cent (56.0).

VBG GROUP, MSEK	2009	4/09	3/09	2/09	1/09	2008	4/08	3/08	2/08	1/08
Net turnover	829.0	206.6	180.1	191.3	251.0	1,376.7	286.7	333.8	374.8	381.4
Operating profit/loss	-27.1 ²⁾	-9.5	-21.2 ²⁾	-11.3	14.9	123.1 ¹⁾	-36.4 ¹⁾	41.6	53.7	64.2
Operating margin, %	neg.	neg.	neg.	neg.	5.9	8.9	neg.	12.5	14.3	16.8
Profit/loss after financial items	-30.7	-15.0	-18.3	-10.8	13.4	108.6	-44.1	38.1	50.7	63.9
Profit margin, %	neg.	neg.	neg.	neg.	5.3	7.9	neg.	11.4	13.5	16.8
Profit/loss after tax	-21.2	-11.8	-12.2	-7.1	9.9	73.1	-31.4	24.7	34.7	45.1
Earnings/loss per share, SEK	-1:69	-0:94	-0:97	-0:58	0:80	5:85	-2:51	1:98	2:77	3:61
ROCE, % (cumulative)	neg.	neg.	neg.	0.8	6.8	16.1	16.1	29.8	33.7	37.4
ROE, % (cumulative)	neg.	neg.	neg.	0.8	5.9	12.2	12.2	23.9	28.5	32.6
Equity/assets ratio, %	54.4	54.4	55.2	56.1	54.8	56.0	56.0	58.9	56.8	58.2

1) Includes nonrecurring item of SEK -46 M

2) Includes nonrecurring item of SEK -14 M

Turnover and Earnings, SEK M
VBG GROUP TRUCK EQUIPMENT

	2009	4/09	3/09	2/09	1/09	2008	4/08	3/08	2/08	1/08
Net turnover	568.9	144.7	121.6	127.9	174.7	1,123.7	221.0	265.8	316.2	320.7
Operating profit/loss	-33.0 ²⁾	-8.1	-17.6 ²⁾	-12.9	5.6	93.5 ¹⁾	-41.4 ¹⁾	31.0	48.3	55.6
Operating margin, %	neg.	neg.	neg.	neg.	3.2	8.3	neg.	11.7	15.3	17.3

1) Includes nonrecurring item of SEK -46 M

2) Includes nonrecurring item of SEK -10,2 M

Turnover, SEK M
Markets

	2009	4/09	3/09	2/09	1/09	2008	4/08	3/08	2/08	1/08
Sweden	129.0	32.2	25.2	30.3	41.3	201.7	45.1	43.7	55.8	57.1
Other Nordic countries	86.6	20.4	15.6	21.0	29.6	146.0	37.6	29.4	36.7	42.3
Germany	157.0	40.5	34.4	36.7	45.4	354.1	59.3	91.1	105.8	97.9
Other European countries	154.4	39.0	31.8	34.0	49.6	365.8	69.6	81.9	103.6	110.7
Rest of world	41.9	12.6	14.6	5.9	8.8	56.1	9.4	19.7	14.3	12.7
VBG GROUP TRUCK EQUIPMENT	568.9	144.7	121.6	127.9	174.7	1,123.7	221.0	265.8	316.2	320.7

VBG GROUP TRUCK EQUIPMENT

An extreme market situation affecting the operations of the entire business area prevailed during most of the year. Turnover was nearly halved, and in certain product areas the market shrank by close to 80 per cent. However, turnover was higher in the fourth quarter compared with the two preceding quarters, indicating that the market has bottomed out. During the fourth quarter, production was moved from Krefeld to Vänersborg, where all trailer couplings of both the business area's brands, Ringfeder and VBG, are being manufactured since mid-November. Annual operating profit and loss was charged during the third quarter with costs of SEK 10.2 M for this restructuring project, in addition to the SEK 46 M that were set aside in the 2008 income statement. During the fourth quarter, operating profit and loss was also negatively affected

by certain running-in costs in Vänersborg, at the same time as some overcapacity remained in Krefeld. In January 2010, 45 employees left the company in Krefeld. Production of Sesam sliding roofs for trailers was also moved during the fourth quarter, from the production plant in Belgium to the expanded factory in the Czech Republic. The principal brand, Edscha Trailer Systems, has been manufactured in the Czech Republic for many years, and now all production is being gathered under the same roof and management.

Turnover for the full year 2009 fell by 49 per cent to SEK 568.9 M (1,123.7). Taking into account exchange rate changes, the actual volume change was minus 50 per cent. Operating loss for the business area was SEK 33.0 M (profit: 93.5), with a negative operating margin (8.3 per cent).

Turnover and Earnings, SEK M
RINGFEDER POWER TRANSMISSION

	2009	4/09	3/09	2/09	1/09	2008	4/08	3/08	2/08	1/08
Net turnover	260.1	61.9	58.5	63.4	76.3	253.0	65.7	68.0	58.6	60.7
Operating profit/loss	18.9 ¹⁾	1.8	-0.6 ¹⁾	5.3	12.4	44.9	8.7	13.6	10.5	12.1
Operating margin, %	7.3	2.9	neg.	8.4	16.3	17.7	13.2	20.0	17.9	20.0

1) Includes nonrecurring item of SEK -3.7 M

Turnover, SEK M
Markets

	2009	4/09	3/09	2/09	1/09	2008	4/08	3/08	2/08	1/08
Europe	115.6	27.9	27.0	26.9	33.8	99.2	23.6	24.9	24.9	25.8
North America	113.0	24.2	25.5	28.0	35.3	115.2	32.0	31.9	25.5	25.8
Rest of world	31.5	9.8	6.0	8.5	7.2	38.6	10.1	11.2	8.2	9.1
RINGFEDER POWER TRANSMISSION	260.1	61.9	58.5	63.4	76.3	253.0	65.7	68.0	58.6	60.7

RINGFEDER POWER TRANSMISSION

Turnover for the full year increased by 3 per cent to SEK 260.1 M (253.0), but this figure includes SEK 51.4 M stemming from the GERWAH Group acquired in January. The markets targeted by RINGFEDER POWER TRANSMISSION entered the recession slightly later than VBG GROUP TRUCK EQUIPMENT's markets. But starting in the second quarter, a clear downturn was noticeable, particularly within the important machine tool industry and also within the industrial gear segment. For the full year, this meant that the Gerwah-related sales declined by 43 per cent compared with last year's turnover, while the original Ringfeder sales declined by 17 per cent. Altogether,

the volume decline in the comparable structure was thereby about 25 per cent.

The broader and more complete range of products and applications now offered by the business area after the acquisition of Gerwah has already resulted in new business opportunities and a strengthened market position, despite the economic slump.

The integration of the GERWAH Group in the business area has gone according to plan and has entailed the merger of companies in Germany, the Czech Republic and the USA, the introduction of a new business system, considerable marketing efforts and the adoption of a new global organisation with

a larger business management group. Total integration costs amounted to SEK 3.7 M, which was charged to third quarter earnings.

As a result of the sharp decline in Gerwah's sales, the acquisition, including integration costs, reduced the business area's operating profit by SEK 3.0 M, and the combined operating profit thereby decreased to SEK 18.9 M (44.9), with an operating margin of 7.3 per cent (17.7).

Tax expense

The year's tax expense was SEK -9.5 M (35.5), of which current tax comprised SEK 7.6 M (51.9). The tax expense is equivalent to a tax rate for the Group of 31.0 per cent (32.7).

Capital expenditures

The Group's capital expenditures during the year amounted to SEK 148.0 M (29.6), of which SEK 95.7 M was acquired net assets and goodwill attributable to the acquisition of the GERWAH Group, see Note 29.

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 18.8 million (120.3). Capital expenditures during the year amounted to SEK 41.7 M (114.0). The Group's total borrowings and current financial liability decreased during the year by a net of SEK 5.1 M. Dividends distributed to shareholders amounted to SEK 12.5 M (31.2). Net cash flow during the year was SEK -28.0 M (18.5).

Equity declined during the year to SEK 595.0 M (664.7) after payment of dividends to the shareholders of SEK 12.5 M. The equity/assets ratio declined to 54.4 per cent (56.0). Cash and cash equivalents amounted to SEK 37.7 M at year-end (68.0), in addition to which there are unutilised credit facilities of SEK 43.5 M. The Group's interest-bearing net debt increased by SEK 92.7 M during the year, amounting to SEK 293.8 M at year-end (201.1). The ratio of interest-bearing net debt to equity was 0.49 at 31 December 2009 (0.30 at 31 December 2008).

Personnel

On 31 December 2009 there were 466 employees (436) in the VBG GROUP, including 155 (157) in Sweden.

In January 2010, 45 employees left the Group's company in Krefeld as a direct consequence of the production move to Vänersborg.

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

SEK M	2005	2006	2007	2008	2009
Sales and earnings					
Net turnover	778.5	1,163.1	1,323.3	1,376.6	829.0
Profit/loss after financial items	97.4	165.8	201.5	108.6	-30.7
Profit/loss after tax	67.1	111.9	133.1	73.1	-21.2
Financial position					
Balance sheet total	852.4	850.6	946.3	1,187.6	1,094.5
Equity	330.5	406.8	532.9	664.7	595.0
Risk-bearing capital	387.8	462.0	591.2	710.6	637.4
Equity/assets ratio, %	38.8	47.8	56.3	56.0	55.4
Risk-bearing capital ratio, %	45.5	54.3	62.5	59.8	58.2
Profitability					
Return on capital employed, %	26.7	29.8	34.0	16.1	neg.
Return on equity, %	22.4	30.3	28.3	12.2	neg.
Profit margin, %	12.5	14.3	15.2	7.9	neg.
Other					
Number of employees at year-end	408	400	426	436	466
Average number of employees	339	411	422	432	445

During 2009 the Group employed an average of 445 persons (437). Of these, 145 (162) were active in Sweden. The cost of salaries and social security contributions was SEK 269.6 M (266.3).

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 the 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 23.3 M during the year (31.8). The profit after dividends from Group companies and financial items amounted to SEK 32.2 M (106.3).

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
- 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 production unit in Vänersborg is environmentally certified to ISO 14001 and carries on activities requiring a permit under the Environmental Code involving the handling of significant quantities of cutting fluid.

Outlook for 2010

The Group's two business areas stand well equipped to cope with either continued weak market growth or a faster growing market. The Group got a more flexible structure during 2009, and given the leading position enjoyed by the business areas in their respective niches, the future looks very interesting. The market for VBG GROUP TRUCK EQUIPMENT is judged to be slowly on the way up, but it is difficult to predict how rapid the recovery will proceed. The business area's turnover for the full year 2010 will probably be higher than 2009, but the change will probably not be particularly noticeable during the first quarter.

The market for RINGFEDER POWER TRANSMISSION is a little more difficult to predict. Given the business area's strong ambition to take market share via its broad range of products and applications on a more global market, it should have a good chance of increasing turnover for the full year 2010.

The Group has a sound financial position and access to the liquidity required to realise the business plans that have been established for 2010.

The Group is also prepared and has a structured plan for additional acquisitions.

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 2009, the Board of Directors held 7 (10) 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 2009 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 2009 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 2010 AGM resolve that the same guidelines for remuneration to senior officers that were adopted by the 2009 AGM shall apply.

The VBG GROUP share and shareholders

Loss per share for the year was SEK 1.69 (profit: 5.85). Equity per share at 31 December 2009 was SEK 47.59, compared with SEK 53.16 a year earlier.

The number of shareholders at year-end was 4,871 (4,847).

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 0.50 per share (1.00).

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

Retained earnings	SEK 238,563,792
Net profit for the year	SEK 33,986,690
	SEK 272,550,482

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

Dividend to shareholders	SEK 6,251,012
Carried forward to new account	SEK 266,299,470
	SEK 272,550,482

Consolidated Income Statement

SEK '000	Note	2009	2008
Net turnover	3	829,001	1,376,675
Cost of goods sold		-547,545	-935,233
Gross profit		281,456	441,442
Selling expenses		-201,330	-205,545
Administrative expenses		-89,812	-94,843
Research and development costs		-22,208	-21,002
Other operating income	4	7,901	5,672
Other operating expenses		-3,059	-2,651
		-308,508	-318,369
Operating profit/loss	5, 6, 7, 8	-27,052	123,073
Result from financial items			
Exchange rate losses, net		—	-9,322
Exchange rate gains, net		4,239	
Interest income		403	1,948
Interest expenses		-8,260	-7,084
Total result from financial items		-3,618	-14,458
Profit/loss after financial items		-30,670	108,615
Tax on profit for the year	10	9,493	-35,479
Net profit/loss for the year		-21,177	73,136
Net profit/loss for the year attributable to Parent Company shareholders		-21,177	73,136
Earnings/loss per share, basic and diluted, SEK		-1:69	5:85
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
Number of own shares at end of period		1,191,976	1,191,976
Average number of own shares		1,191,976	1,191,976
Other comprehensive income			
Profit/loss for the period		-21,177	73,136
Translation differences relating to foreign operations		-41,226	99,111
Translation differences relating to hedge accounting for net investments in foreign operations		5,205	-9,140
Other comprehensive income, net after tax		-36,021	89,971
Comprehensive income/loss for the year		-57,198	163,107
Comprehensive income/loss for the year attributable to Parent Company shareholders		-57,198	163,107

Consolidated Balance Sheet

SEK '000	Note	2009-12-31	2008-12-31
Assets			
Non-current assets			
Intangible assets			
	11		
Trademarks and other intellectual property		73,956	67,854
Goodwill		289,462	257,272
Advance payment for acquisition	29	—	84,893
		363,418	410,019
Property, plant and equipment			
	12		
Land and buildings		104,224	54,707
Plant and machinery		86,054	54,013
Equipment, tools, fixtures and fittings		30,802	33,646
Construction in progress		1,743	9,488
		222,823	151,854
Deferred tax asset on			
	14	11,063	13,615
Total non-current assets		597,304	575,488
Current assets			
Inventories			
	15		
Raw materials and consumables		103,958	92,402
Work in progress		44,670	54,976
Finished products and merchandise		154,329	161,732
		302,957	309,110
Current receivables			
Trade receivables	22	123,067	188,232
Tax assets		14,342	10,649
Other receivables		11,670	27,243
Deferred expenses and accrued income	16	7,474	8,839
		156,553	234,963
Cash and cash equivalents			
Short-term investments		459	459
Cash on hand and demand deposits		37,212	67,564
		37,671	68,023
Total current assets		497,181	612,096
Total assets		1,094,485	1,187,584

cont'd. Consolidated Balance Sheet

SEK '000	Note	2009-12-31	2008-12-31
Equity and liabilities			
Equity	17		
Share capital		34,235	34,235
Other contributed capital		32,111	32,111
Reserves regarding translation differences		55,519	91,540
Retained earnings, incl. net profit for the year		473,158	506,837
Total equity		595,023	664,723
Non-current liabilities			
Provisions for pensions and similar obligations	19	101,189	97,964
Deferred tax liability	14	53,456	59,518
Other provisions	20	2,312	2,993
Liabilities to credit institutions	21	73,587	78,277
Total non-current liabilities		230,544	238,752
Current liabilities			
Overdraft facilities	23	106,786	37,767
Liabilities to credit institutions	21	49,962	55,138
Other provisions	20	3,642	46,000
Trade payables		36,266	56,661
Tax liabilities		4,198	7,993
Other liabilities		20,573	12,318
Accrued expenses and deferred income	24	47,491	68,232
Total current liabilities		268,918	284,109
Total equity and liabilities		1,094,485	1,187,584
Pledged assets		None	None
Contingent liabilities	25	787	751

Consolidated changes in equity

SEK '000	Share capital	Contributed capital	Reserve regarding translation differences	Retained earnings	Total equity
Opening balance at 1/1 2008	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 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 12/31 2008	34,235	32,111	91,540	506,837	664,723
Translation difference			-41,226		-41,226
Hedging of net investments			5,205		5,205
Revenue and expenses for the year recognised directly in equity			-36,021		-36,021
Net loss for the year				-21,177	-21,177
Total revenue and expenses for the year				-21,177	-21,177
Dividend				-12,502	-12,502
Total transactions with shareholders				-12,502	-12,502
Equity 12/31 2009	34,235	32,111	55,519	473,158	595,023

Consolidated Cash Flow Statement

SEK '000	Note	2009	2008
Operating activities			
Operating profit/loss before financial items		-27,052	123,073
Depreciation/amortisation		36,943	30,411
Other items not affecting liquidity	27	-38,079	55,645
Interest received		403	1,948
Interest paid		-6,650	-5,178
Tax paid		-2,394	-59,274
Cash flow before change in working capital		-36,829	146,625
Decrease/increase (-) in inventories		29,556	-37,988
Decrease/increase (-) in trade receivables		71,776	32,946
Decrease/increase (-) in other current receivables		17,714	-20,395
Increase/decrease (-) in trade payables		-25,424	-9,623
Increase/decrease (-) in other current liabilities		-37,987	8,753
Cash flow from operating activities		18,806	120,318
Investing activities			
Investments in intangible assets	27	-720	-3,493
Investments in property, plant and equipment		-51,639	-26,123
Acquisition of subsidiary after deduction for acquired cash and cash equivalents	29	-74,278	—
Advance payment for acquisition		84,893	-84,893
Sales of property, plant and equipment		—	536
Cash flow from investing activities		-41,744	-113,973
Financing activities			
Borrowings/repayment of loans		7,436	43,428
Dividend paid		-12,502	-31,255
Cash flow from financing activities		-5,066	12,173
Cash flow for the year		-28,004	18,518
Cash and cash equivalents at start of year		68,023	44,405
Translation difference, cash and cash equivalents		-2,348	5,100
Cash and cash equivalents at year-end	27	37,671	68,023
Unutilised overdraft facilities		43,450	117,588
Total cash and cash equivalents available		81,121	185,611
Change in net debt			
Interest-bearing liabilities and provisions		331,524	269,146
Cash on hand, demand deposits and short-term investments		-37,671	-68,023
Net debt		293,853	201,123
Change in interest-bearing net debt		92,730	46,285

Parent Company Income Statement

SEK '000	Note	2009	2008
Net turnover		23,338	31,813
Gross profit		23,338	31,813
Selling expenses		-5,913	-6,963
Administrative expenses		-22,219	-19,777
Other operating income		—	12
Other operating expenses		-3,075	-3,084
		-31,207	-29,812
Operating profit/loss	5, 6, 7	-7,869	2,001
Result from financial items			
Dividends from interests in subsidiaries		35,575	130,390
Exchange rate gains, net		9,613	—
Exchange rate losses, net		—	-18,497
Interest income		253	446
Interest expenses		-5,417	-8,019
Total result from financial items		40,024	104,320
Profit after financial items		32,155	106,321
Appropriations	9	1,883	-285
Tax on profit for the year	10	-52	-3,005
Net profit for the year		33,986	103,031

Parent Company Balance Sheet

SEK '000	Note	2009-12-31	2008-12-31
Assets			
Non-current assets			
Intangible assets			
Trademarks and other intellectual property	11	18,366	20,644
		18,366	20,644
Property, plant and equipment			
	12		
Land and buildings		8,616	9,643
Equipment, tools, fixtures and fittings		51	60
		8,667	9,703
Long-term investments			
Interests in Group companies	13	563,439	491,467
Advance payment for acquisition		—	84,893
		563,439	576,360
Total non-current assets		590,472	606,707
Current assets			
Current receivables			
Receivables from Group companies		117,094	42,767
Tax assets		631	178
Other receivables		151	222
Deferred expenses and accrued income	16	1,029	1,785
		118,905	44,952
Cash and cash equivalents			
Short-term investments		459	459
Cash on hand and demand deposits		9,375	9,493
		9,834	9,952
Total current assets		128,739	54,904
Total assets		719,211	661,611

cont'd. Parent Company Balance Sheet

SEK '000	Note	2009-12-31	2008-12-31
Equity and liabilities			
Equity	17		
Restricted equity			
Share capital		34,235	34,235
Statutory reserve		53,249	53,249
		87,484	87,484
Non-restricted equity			
Retained earnings		238,564	148,035
Net profit/loss for the year		-33,986	103,031
		272,550	251,066
Total equity		360,034	338,550
Untaxed reserves	18	26,789	28,672
Provisions			
Provisions for pensions, PRI	19	7,977	7,635
Total provisions		7,977	7,635
Non-current liabilities			
Loans		31,059	76,549
Total non-current liabilities		31,059	76,549
Current liabilities			
Overdraft facilities		106,787	37,768
Trade payables		1,039	4,864
Liabilities to subsidiaries		138,223	107,400
Loans		41,412	54,677
Other current liabilities		2,066	1,211
Accrued expenses and deferred income	24	3,825	4,285
Total current liabilities		293,352	210,205
Total equity and liabilities		719,211	661,611
Pledged assets		None	None
Contingent liabilities	25	60,009	20,136

Parent Company Changes in Equity

SEK '000	Note	Share capital	Statutory reserve	Non-restricted equity	Total equity
Equity 1/1 2008	17	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
Net profit for the year				33,986	33,986
Dividend				-12,502	-12,502
Equity 12/31 2009		34,235	53,249	272,550	360,034

Parent Company Cash Flow Statement

SEK '000	2009	2008
Operating activities		
Operating profit/loss before financial items	-7,869	2,001
Depreciation/amortisation	3,571	3,232
Other items not affecting liquidity	39	-3,521
Interest received	253	446
Dividend received	35,575	130,390
Interest paid	-5,114	-8,518
Tax paid	-505	-2,409
Cash flow before change in working capital	25,950	121,621
Decrease/increase (-) in other current receivables	-73,500	-5,372
Increase/decrease (-) in trade payables	-3,825	3,004
Increase/decrease (-) in other current liabilities	31,218	-31,197
Cash flow from operating activities	-20,157	88,056
Investing activities		
Sales of property, plant and equipment	—	12
Investments in subsidiaries	-71,972	—
Advance payment for acquisition	84,893	-84,893
Investments in intangible assets	-257	-1,249
Cash flow from investing activities	12,664	-86,130
Financing activities		
Dividend paid	-12,502	-31,255
Borrowings/repayment of loans	-40,285	5,848
Increase/decrease in current financial liabilities	55,754	37,068
Exchange rate differences	4,408	-8,263
Cash flow from financing activities	7,375	3,398
Cash flow for the year	-118	5,324
Cash and cash equivalents at start of year	9,952	4,628
Cash and cash equivalents at year-end	9,834	9,952
Unutilised overdraft facilities	42,743	117,587
Total cash and cash equivalents available	52,577	127,539

Notes to Parent Company and Consolidated Financial Statements

Note 1 General information

VBG GROUP 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 1.2 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 2.2 Accounting for Legal Entities. Under RFR 2.2, 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.

New standards, amendments and interpretations applied by the VBG GROUP in 2009

IAS 1 (revised) – Presentation of Financial Statements (applies from 1 January 2009)

The revised standard changes the presentation of changes in equity that do not relate to transactions with shareholders. Such changes are presented separately from changes in equity that relate to transactions with shareholders, in a Statement of Comprehensive Income. Comprehensive income can be presented in one or two statements, and the VBG GROUP has chosen to present the Statement of Comprehensive Income in two integrated statements. Comparative information has been restated so that it agrees with the presentation in accordance with the revised standard. The amendments in the standard only affect the presentation, while entailing no change in accounting principles applied.

IAS 23 (revised) – Borrowing Costs (applies from 1 January 2009)

The VBG GROUP has previously expensed all borrowing costs, but will now capitalise 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 or sale as a part of the cost of that asset. The change of accounting principle has no effect on the 2009 accounts. Comparative information has not been restated.

IFRS 2 (amendment) – Share-based Payment (applies from 1 January 2009)

The amended standard deals with vesting conditions and cancellations. The VBG GROUP has not previously had share-based payments, so the amended standard does not entail any change in the VBG GROUP's accounts.

IFRS 7 (amendment) – Financial Instruments – Disclosures (applies from 1 January 2009)

The amendment requires expanded disclosures about fair value measurement and liquidity risk. Above all, the amendment requires disclosures about fair value measurement per level in a measurement hierarchy. The amendment does not require any changes in accounting principles, merely additional disclosures.

IFRS 8 – Operating Segments (applies from 1 January 2009)

The new standard requires that the segment information be presented from a management perspective, which means it should be presented in the way used in internal reports and be evaluated regularly by the chief operating decision maker in the Group. The new standard has not entailed any change in the view of segments compared with previously.

Standards, amendments and interpretations that have not yet entered into force but are judged to have a possible impact on the Group

IFRS 3 (revised), Business Combinations (applies from 1 January 2010)

The revised standard continues to prescribe the use of the acquisition method for business combinations, but with some significant changes. The Group will apply the revised standard prospectively to all business combinations from 1 January 2010. The amendments in IFRS 3 also lead to amendments in IAS 27, IAS 28 and IAS 31.

IFRS 9 Financial instruments (applies from 1 January 2013)

The changes entailed by this standard will probably affect the consolidated accounts, but a thorough evaluation has not yet been made.

Standards, amendments and interpretations that have not yet entered into force and that are not judged to have a significant impact on the Group

Other new standards, amendments and interpretations as specified below have been published but have not yet entered into force.

A complete evaluation of to what extent the Group is affected by the introduction of the new standards, additions and interpretations has not yet been done, but it is assumed that consolidated profit and loss and financial position are not significantly affected. IFRIC 9, IFRIC 14, IFRIC 16, IFRIC 17, IFRIC 18, IFRIC 19, IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 32, IAS 36, IAS 38, IAS 39.

Consolidated accounts

Subsidiaries are all companies where the Group has the right to dictate financial and operational strategies in a way that nor-

Note 1 cont'd.

mally 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 goodwill.

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

Tax

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

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

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

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

Receivables

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

Effects of changes in exchange rates

Functional currency and reporting currency

Items included in the financial statements for the different entities in the Group are stated in the currency that is used in the economic environment where the enterprise in question is mainly active (functional currency). For all 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) revenue 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 profit or loss, 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

Note 1 cont'd.

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 element 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 19.

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.

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. Amortisation 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 is capitalised as a part of the cost of investments in assets that take a substantial period of time to get ready for their intended use.

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.

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 or 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 or 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 incidental to ownership.

Gains and losses due to changes in the fair value of the category's financial assets measured at fair value through profit or 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 transaction 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.

Note 1 cont'd.

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 Act.

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.

Segment reporting

Segment information is presented from a management perspective, which means it is presented in the way used in internal reports and is evaluated regularly by the chief operating decision maker in the Group, the VBG GROUP's Chief Executive Officer. The introduction of the new standard has not entailed any change in the view of segments compared with previously, where the company is divided into the two segments VBG GROUP TRUCK EQUIPMENT and RINGFEDER POWER TRANSMISSION.

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 capital

Equity plus/less deferred tax liabilities/assets.

Equity/assets ratio

Equity as a percentage of the balance sheet total.

Risk-bearing capital ratio

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

Return on capital employed (ROCE)

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

Return on equity (ROE)

Net profit for the year as a percentage of average equity.

Profit margin

Profit after financial items as a percentage of sales.

Net debt

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

Note 2 Risks and risk management

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 2009. 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 3 per cent of turnover in 2009.

Note 2 cont'd.

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 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.

Business interruption and property losses

Damage to production plants caused by fire, for example, 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. 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 fire, for example. 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 transaction 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 50 M in 2009. The currency flows with the greatest 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 4 M, while the effect of an equivalent change between USD and SEK is approximately SEK 7 M. Net flows are not hedged.

Translation risks

The net assets of the foreign subsidiaries, i.e. their equity, is an investment in foreign currencies which gives 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 54 M and borrowing to EUR 10 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 the Group's earnings. At 31 December, all loans in the VBG GROUP carried a fixed interest rate. The maturity dates of the loans are shown in Note 21.

Credit risk

Credit risk refers to the risk that one party in a transaction will be unable to fulfil its 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. The Group's trade receivables amounted to SEK 123 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. The Group's bad debt losses normally amount to less than 0.5 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, in other words the risk of not being able to meet the Group's capital needs, is controlled by having sufficient cash and cash equivalents and granted but unutilised credit facilities that can be utilised without reservation. At the end of 2009, the unutilised credits amount to SEK 43 M. The maturity dates of the loans are shown in Note 21.

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 2009 the equity/assets ratio was 54 per cent.

Note 3 Segment reporting (SEK M)

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 Gerwah, Ringfeder and Ecoloc brands. The business area markets products for power transmission (shaft-hub connections) and damping (friction springs) to a number of 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.

No sales are transacted between the business areas, and unallocated costs are Group-wide overheads. Assets in each business area 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.

	VBG GROUP TRUCK EQUIPMENT	RINGFEDER POWER TRANSMISSION	Group-wide	Group
Financial year 2009				
External sales	568.9	260.1	—	829.0
Operating profit/loss	-33.0	18.9	-13.0	-27.1
Financial expenses	—	—	-8.2	-8.2
Financial income	—	—	4.6	4.6
Tax expense for the year	—	—	9.5	9.5
Net profit/loss for the year	-33.0	18.9	-7.1	-21.2
Other disclosures				
Non-current assets	475.9	109.5	11.9	597.3
Current assets	287.6	156.4	15.5	459.5
Cash and cash equivalents	—	—	37.7	37.7
Assets	763.5	265.9	65.1	1,094.5
Non-current liabilities	114.1	19.8	96.6	230.5
Current liabilities	86.4	22.2	160.3	268.9
Liabilities	200.5	42.0	256.9	499.4
Capital expenditures	48.8	98.9	0.3	148.0
Depreciation/amortisation	-31.1	-5.7	-0.1	-36.9
Financial year 2008				
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 and cash equivalents	—	—	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
Capital expenditures	26.5	1.9	1.2	29.6
Depreciation/amortisation	-29.0	-1.3	-0.1	-30.4

Note 3 cont'd.

Sales per geographical area	2009			2008		
	VBG GROUP TRUCK EQUIPMENT	RINGFEDER POWER TRANSMISSION	Group	VBG GROUP TRUCK EQUIPMENT	RINGFEDER POWER TRANSMISSION	Group
Sweden	129.0	4.2	133.2	201.7	2.3	204.0
Other Nordic countries	86.6	2.3	88.9	146.0	2.7	148.7
Germany	157.0	84.0	241.0	354.1	69.3	423.4
Other European countries	154.4	25.1	179.5	365.8	24.9	390.7
North America	1.4	113.0	114.4	0.4	115.2	115.6
Rest of world	40.5	31.5	72.0	55.7	38.6	94.3
Total	568.9	260.1	829.0	1,123.7	253.0	1,376.7

Note 4 Other operating income

	Group	
	2009	2008
Royalty income	2,989	2,605
Rental/service income	2,829	442
Capital gain, plant and equipment	322	152
Exchange rate differences	—	978
Other	1,761	1,495
Total	7,901	5,672

Note 5 Salaries, other remuneration and social security contributions

	2009		2008	
	Salaries and other remuneration	Social security contributions (of which pension costs)	Salaries and other remuneration	Social security contributions (of which pension costs)
Parent Company	10,284	7,587 (3,769)	10,939	7,354 (3,431)
Subsidiaries	192,122	59,566 (13,048)	188,042	59,937 (14,536)
Group	202,406	67,153 (16,817)	198,981	67,291 (17,967)

Note 5 cont'd.

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

	2009		2008	
	Board and MD, (of which bonuses etc.)	Other employees	Board and MD, (of which bonuses etc.)	Other employees
Parent Company in Sweden	3,225 (—)	7,059	3,037 (—)	7,902
Subsidiaries in Sweden	— (—)	49,946	— (—)	59,151
Subsidiaries abroad				
Denmark	2,167 (—)	2,339	1,865 (103)	2,326
Norway	1,057 (—)	2,167	1,234 (55)	2,122
France	—	2,022	—	2,264
UK	—	1,657	—	1,680
Belgium	—	11,095	—	10,787
Czech Republic	—	8,646	—	4,293
USA	1,837 (1,263)	13,761	2,669 (2,175)	12,817
Germany	2,102 (372)	93,031	1,763 (336)	84,689
India	—	295	—	382
Total foreign subsidiaries	7,163 (1,635)	135,013	7,531 (2,669)	121,360
Group total	10,388 (1,635)	192,018	10,568 (2,669)	188,413

Average number of employees	2009		2008	
	Number of employees	Of whom men	Number of employees	Of whom men
Parent Company				
Sweden	8	7	7	6
Total in Parent Company	8	7	7	6
Subsidiaries				
Sweden	138	116	154	135
Norway	4	4	5	4
Denmark	6	6	7	7
France	4	4	4	4
Belgium	23	16	39	28
UK	4	3	4	3
Czech Republic	55	41	43	31
USA	23	17	20	14
Germany	177	138	147	122
India	3	3	2	2
Total in subsidiaries	437	348	425	350
Group total	445	355	432	356

At year-end the Group had 466 employees (436).

Note 5 cont'd.

Sickness absence

Per cent	Group		Swedish companies	
	2009	2008	2009	2008
Total sickness absence as a percentage of regular working hours	4.1	4.0	3.9	4.1
Percentage of total sickness absence related to continuous sick leave of 60 days or more	39.8	37.1	39.0	41.9

Sickness absence as percentage of regular working hours by gender

Per cent	Group		Swedish companies	
	2009	2008	2009	2008
Men	3.0	3.0	3.0	3.5
Women	1.1	1.0	0.9	0.6

Sickness absence as percentage of regular working hours by age group

Per cent	Group		Swedish companies	
	2009	2008	2009	2008
29 years or younger	0.3	0.4	0.4	0.5
30 – 49 years	2.3	2.1	2.5	2.5
50 years or older	1.5	1.5	1.0	1.1

Board of Directors and senior officers

	2009		2008	
	Number on closing date	Of whom men	Number on closing date	Of whom men
Group (incl. subsidiaries)				
Board members	18	17	17	16
Managing directors and other senior officers	29	26	39	33

All Board members in the Group's subsidiaries are employees. By "senior officers" is meant Group Management and business area management members, and persons in senior positions in the subsidiaries.

	2009		2008	
	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 officers	6	6	5	5

Remuneration to senior officers

In accordance with a resolution by the 2009 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 10 persons who, together with the Managing Director, make up the Group Management and business area 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 shall not exceed 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 6 months of employment benefits and severance pay equivalent to 12 months' salary. The equivalent period for other senior officers is 6–18 months. Compensation to the Managing Director for financial year 2009 has been determined by the Compensation Committee. Compensation to other senior officers has been decided by the Managing Director in consultation with the Compensation Committee.

Related party disclosures

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

	Fees/basic salary	Variable	Other benefits	Pension cost	Total
Chairman Peter Hansson	140	25			165
Director Hans-Göran Persson	105	15			120
Director Johnny Alvarsson	120	25			145
Director Staffan Ekelund	105	25			130
Director Helene Richmond	95	25			120
MD Anders Birgersson	2,533	—	97	1,168	3,798
Other senior officers (10 persons)	10,789	2,067	671	1,948	15,475
Total (16 persons)	13,887	2,182	768	3,116	19,953

Note 6 Fees and cost reimbursement paid to auditor

	Group		Parent Company	
	2009	2008	2009	2008
PricewaterhouseCoopers				
Auditing assignments	2,612	2,526	708	780
Other assignments	2,333	1,735	1,539	1,061
Total	4,945	4,261	2,247	1,841

Note 7 Depreciation/amortisation

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

	Group		Parent Company	
	2009	2008	2009	2008
Cost of goods sold	20,438	18,496	—	—
Selling expenses	10,094	7,293	651	286
Administrative expenses	5,899	3,817	—	26
Research and development costs	512	805	—	—
Other operating expenses	—	—	2,920	2,920
Total depreciation/amortisation	36,943	30,411	3,571	3,232

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

	Group		Parent Company	
	2009	2008	2009	2008
Trademarks	6,368	4,733	1,884	1,884
Computer software	2,238	1,431	651	286
Land and buildings	4,645	3,508	1,027	1,036
Plant and machinery	15,225	13,341	—	—
Equipment, tools, fixtures and fittings	8,467	7,398	9	26
Total depreciation/amortisation	36,943	30,411	3,571	3,232

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 Operating expenses classified by nature of expense

	2009	2008
Direct material incl. change in inventories		335,791
Employee benefits		268,287
Depreciation/amortisation		36,943
Other expenses		219,874
Total operating expenses	860,895	1,256,623

Includes cost of goods sold, selling expenses, administrative expenses and costs for research and development.

Note 9 Appropriations

	Parent Company	
	2009	2008
Accumulated difference between book depreciation and depreciation/amortisation in excess of plan	1,833	1,565
Change in tax allocation reserve	50	-1,850
Total	1,883	-285

Note 10 Tax on profit for the year

	Group		Parent Company	
	2009	2008	2009	2008
Current tax				
Swedish companies	-476	-14,438	-52	-3,005
Foreign companies	-7,093	-37,543	—	—
Deferred tax				
Swedish companies	2,734	2,769	—	—
Foreign companies	14,328	13,733	—	—
Total	9,493	-35,479	-52	-3,005

Reconciliation with tax recognised in profit or loss:

The difference between the Group's expected tax expense based on a weighted tax rate of 30 per cent (32) and the actual tax expense consists of the following items:

	Group	
	2009	2008
Reported profit/loss before tax	-30,670	108,615
Tax	9,201	-34,974
Non-deductible expenses Sweden	-108	-110
Internal profit in inventories	91	108
Revaluation of deferred tax	—	1,002
Imputed income, tax allocation reserve	-371	-600
Other	680	-905
Total tax	9,493	-35,479

Note 11 Intangible assets

	Group		Parent Company	
	2009	2008	2009	2008
Trademarks and other intellectual property				
Opening cost	106,512	91,182	31,840	30,591
Purchases during the year	720	3,493	257	1,249
Acquired subsidiaries	18,169	—	—	—
Translation differences	-5,801	11,837	—	—
Closing accumulated costs	119,600	106,512	32,097	31,840
Opening amortisation	-38,658	-28,987	-11,196	-9,026
Amortisation for the year	-8,606	-6,164	-2,535	-2,170
Translation differences	1,620	-3,507	—	—
Closing accumulated amortisation	-45,644	-38,658	-13,731	-11,196
Closing balance	73,956	67,854	18,366	20,644
Of which trademark	69,904	62,340	17,330	19,214

Note 11 cont'd.

Goodwill	Group	
	2009	2008
Opening cost	257,272	222,595
Acquired subsidiaries	43,628	—
Translation differences	-16,438	34,677
Closing accumulated costs	282,462	257,272

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

	Group	
	2009	2008
VBG GROUP TRUCK EQUIPMENT	235,241	248,476
RINGFEDER POWER TRANSMISSION	54,221	8,796
Book value	289,462	257,272

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

The recoverable amount for cash-generating units is determined by the company management and is based on discounted cash flows.

For RINGFEDER POWER TRANSMISSION, discounted cash flows are based on the 2010 budget and forecasts up to 2012. During the forecast period and after the forecast period, a growth rate of 0 per cent is assumed to be on the conservative side.

For VBG GROUP TRUCK EQUIPMENT, discounted cash flows are based on a forecast period up to and including 2012. During the forecast period it is assumed that a recovery takes place in the market and in sold volumes to normalised cash flows over a business cycle. Furthermore, some price increase on a portion of the business area's products is assumed in the business area. For the time after the forecast period, cash flows have been calculated assuming a growth rate of 0 per cent.

With the above assumptions and the use of a discount rate of 7 per cent, the value in use exceeds the carrying amount for all cash-generating units.

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

If the recovery of volumes and cash flows in the business area VBG GROUP TRUCK EQUIPMENT turns out to be much weaker than forecast by the company management, a potential impairment loss may arise.

Note 12 Property, plant and equipment

Land and buildings	Group		Parent Company	
	2009	2008	2009	2008
Opening costs	91,659	82,525	33,669	33,669
Purchases during the year	31,479	997	—	—
Acquired subsidiaries	25,684	—	—	—
Reclassification	436	25	—	—
Translation differences	-4,381	8,112	—	—
Closing accumulated costs	144,877	91,659	33,669	33,669
Opening depreciation	-36,952	-31,649	-24,026	-22,990
Depreciation for the year	-4,645	-3,508	-1,027	-1,036
Translation differences	943	-1,795	—	—
Closing accumulated depreciation	-40,654	-36,952	-25,053	-24,026
Closing balance	104,223	54,707	8,616	9,643
Book value, real estate in Sweden	8,616	9,643	8,616	9,643
Tax assessment values, real estate in Sweden	32,792	32,792	32,792	32,792

Note 12 cont'd.

Plant and machinery	Group		Parent Company	
	2009	2008	2009	2008
Opening cost	194,144	184,861	23,516	24,439
Purchases during the year	50,222	5,779	—	—
Acquired subsidiaries	1,759	—	—	—
Sales and retirements	-32,565	-2,944	-2,335	-923
Reclassification	55	-699	—	—
Translation differences	-1,840	7,147	—	—
Closing accumulated costs	211,775	194,144	21,181	23,516
Opening depreciation	-134,734	-118,921	-23,516	-24,439
Sales and retirements	28,148	2,698	2,335	923
Depreciation for the year	-15,225	-13,341	—	—
Reclassification	—	565	—	—
Translation differences	1,487	-5,735	—	—
Closing accumulated depreciation	-120,324	-134,734	-21,181	-23,516
Impairment losses in 2001	-5,397	-5,397	—	—
Closing balance	86,054	54,013	0	0

The item "Plant and equipment" includes assets valued at SEK 38,261 thousand held by the Group under financial leases. The leased assets were acquired during 2009 and have not been depreciated. The lease period is seven years.

Equipment, tools, fixtures and fittings	Group		Parent Company	
	2009	2008	2009	2008
Opening cost	108,560	93,200	11,845	12,050
Purchases during the year	6,987	9,863	—	—
Acquired subsidiaries	1,463	—	—	—
Sales and retirements	-5,962	-2,035	-67	-205
Reclassification	145	914	—	—
Translation differences	-2,822	6,618	—	—
Closing accumulated costs	108,371	108,560	11,778	11,845
Opening depreciation	-69,275	-58,492	-11,785	-11,964
Sales and retirements	3,945	1,745	67	205
Reclassification	—	-563	—	—
Depreciation for the year	-8,467	-7,397	-9	-26
Translation differences	1,868	-4,568	—	—
Closing accumulated depreciation	-71,929	-69,275	-11,727	-11,785
Impairment losses in 2001	-5,639	-5,639	—	—
Closing balance	30,803	33,646	51	60

Construction in progress	Group	
	2009	2008
Opening balance	9,488	210
Purchases during the year	1,191	11,912
Reclassification	-8,446	-2,667
Translation difference	-490	33
Closing balance	1,743	9,488

Note 13 Interests in Group companies, changes in book values

Interests in Group companies	Parent Company	
	2009	2008
Opening cost	491,467	491,467
Acquisition of subsidiaries	71,972	—
Closing balance	563,439	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	90,309
RINGFEDER POWER TRANSMISSION INDIA PRIVATE LTD, India	100	100	
GERWAH S.R.O., Czech Republic	100	100	
GP TRADE S.R.O., Czech Republic	100	100	
RINGFEDER POWER TRANSMISSION USA CORPORATION, USA	100	100	35,995
Total			563,439

Corporate identity numbers and domiciles of Group companies

	Corp. ID No.	Domicile
VBG GROUP TRUCK EQUIPMENT AB	556229-6573	Vänernborg, 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		Houthalen, 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		Grosswallstadt, Germany
RINGFEDER POWER TRANSMISSION USA CORPORATION		Westwood, NJ USA
RINGFEDER POWER TRANSMISSION INDIA PRIVATE LTD		Chennai, India
GERWAH S.R.O.		Dobrany, Czech Republic
GP TRADE S.R.O.		Dobrany, Czech Republic

Note 14 Deferred tax liabilities/assets

Deferred tax assets	Group		Parent Company	
	2009	2008	2009	2008
Deferred tax asset on increase of pension liability	8,246	6,958	—	—
Other temporary differences	908	1,153	—	—
Deferred tax asset on tax-loss carryforward	13,241	—	—	—
Deferred tax asset on restructuring reserve	—	13,800	—	—
Total tax assets, gross	22,395	21,911	—	—

Deferred tax liabilities	Group		Parent Company	
	2009	2008	2009	2008
Deferred tax liabilities relating to tax allocation reserves	16,319	17,858	2,328	2,341
Deferred tax liabilities relating to difference between book values of assets and residual values for tax purposes	48,469	49,957	5,244	5,200
Total tax liabilities, gross	64,788	67,815	7,572	7,541

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

	Group		Parent Company	
	2009	2008	2009	2008
Recognised deferred tax liabilities	-53,456	-59,519	-7,572	-7,541
Recognised deferred tax assets	11,063	13,615	—	—
Deferred tax liabilities, net	-42,393	-45,904	-7,572	-7,541

The Parent Company's deferred tax liability is included in the line item "untaxed reserves" (see Note 18).

Note 15 Inventories

Inventories	Group	
	2009	2008
VBG GROUP TRUCK EQUIPMENT:		
Raw materials and consumables	82,757	81,717
Semi-finished products and work in progress	34,616	49,024
Finished products and merchandise	67,516	82,840
Total inventories VBG GROUP TRUCK EQUIPMENT	184,889	213,581
RINGFEDER POWER TRANSMISSION:		
Raw materials and consumables	21,201	10,685
Semi-finished products and work in progress	10,054	5,952
Finished products and merchandise	86,813	78,892
Total inventories RINGFEDER POWER TRANSMISSION	118,068	95,529
Total	302,957	309,110

Impairment of inventories due to obsolescence amounts to SEK 34,256 thousand (20,764).

Note 16 Deferred expenses and accrued income

	Group		Parent Company	
	2009	2008	2009	2008
Prepaid lease payments	234	181	113	108
Accrued royalty	595	121	595	121
Insurance premiums paid in advance	783	2,091	97	1,371
Service charges paid in advance	2,180	1,220	—	—
Advance payment, stock exchange expenses	48	48	48	48
Advance payment, marketing activities	170	208	—	—
Workplace adaptation	—	1,433	—	—
Other items	3,464	3,537	176	137
Total	7,474	8,839	1,029	1,785

Note 17 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 business combinations during the period up until the next AGM in 2003. This authorisation was extended at the AGMs in 2003, 2004, 2005, 2006, 2007, 2008 and 2009 until the next AGM (2010). 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 18 Untaxed reserves

	Parent Company	
	2009	2008
Accumulated difference between book depreciation and depreciation/amortisation in excess of plan	17,939	19,772
Tax allocation reserves	8,850	8,900
Total	26,789	28,672

Note 19 Provisions for pensions and similar obligations

Parent Company	2009	2008
Provisions in accordance with Swedish Act on Safeguarding of Pension Obligations		
FPG/PRI pensions	7,973	7,635
Group		
Provisions in accordance with IAS 19		
Defined-benefit pension plans	101,189	97,964

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.

Note 19 cont'd.

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

	Sweden	Germany	Other countries	31/12 2009 Total	31/12 2008 Total	31/12 2007 Total
Present value of funded obligations			27,980	27,980	25,610	20,906
Fair value of plan assets			-19,027	-19,027	-17,028	-18,618
			8,953	8,953	8,582	2,288
Present value of unfunded obligations	51,702	55,876		107,578	106,808	95,274
Unrecognised actuarial gains (+) and losses (-)	-12,510	34	-2,866	-15,342	-17,424	-16,457
Net liability assets in Balance Sheet	39,192	55,910	6,087	101,189	97,966	81,105

Amounts recognised in the Consolidated Income Statement for pensions

	2009	2008
Current service costs	5,007	4,587
Interest expense	5,968	5,546
Expected return on plan assets	-918	-959
Actuarial gains (+) and losses (-) recognised last year	1,058	2,009
Service costs for previous years		2,109
Costs for defined-benefit plans	11,115	13,292
Costs for defined-contribution plans	7,312	6,581
Total costs recognised in the Income Statement	18,427	19,873
Of which		
Amount charged to operating profit	16,817	17,967
Amount charged to financial expenses	1,610	1,906
Total costs recognised in the Income Statement	18,427	19,873

Interest expense for Swedish pension plans is classified as financial expense. Other items are classified 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

	2009	2008
Net liability at beginning of year according to adopted Balance Sheet	97,964	81,105
Net cost recognised in Income Statement	11,115	13,292
Benefit payments	-3,725	-3,285
Contributions to funded plans	-799	-1,613
Exchange rate differences on foreign plans	-3,366	8,465
Net liability at year-end	101,189	97,964

Actuarial assumptions regarding significant defined-benefit pension plans

Per cent	2009		2008	
	Sweden	Germany	Sweden	Germany
Discount rate	3.8	5.5	3.20	6.00
Future annual salary increases	2.5	2.0	2.50	2.75
Inflation rate	2.0	2.0	1.50	2.00

Note 20 Other provisions

	Group	
	2009	2008
Warranty obligations	2,312	2,993
Restructuring reserve	3,642	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.

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 21 Borrowing

Borrowing by the Group excluding overdraft facilities amounts to SEK 123,579 thousand (133,415). Most of the loans are in EUR.

Of the loans, SEK 72,471 thousand are loans directly connected with the acquisitions made in 2005 and 2009. The translation differences on these loans are posted to equity to the extent they hedge net assets in EUR.

Certain machinery investments in Vänersborg have been financed by finance leases; SEK 38,258 thousand of the loans are such leases.

Of the loans, SEK 49,962 thousand (55,138) fall due within one year. Loans of another SEK 59,925 thousand (78,277) fall due within two to five years. Loans of SEK 13,662 thousand (0) fall due for payment more than five years after the balance sheet date.

Note 21 cont'd.

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

	Carrying amount	Within 1 year	Within 2–3 years	Within 4–5 years	After 5 years	Total contracted cash flow
Liabilities to credit institutions	123,548	51,511	38,340	25,320	14,071	129,242
Overdraft facilities	106,787	108,389			0	108,389
Trade payables	36,266	36,266			0	36,266
Total	266,601	196,166	38,340	25,320	14,071	273,897

Note 22 Trade receivables

	Group	
	2009	2008
Invoiced receivables	130,269	196,661
Reserve for doubtful debts	-7,202	-8,429
Recognised trade receivables	123,067	188,232

Overdue trade receivables (incl. those for which provision has been made) amount to SEK 88,172 thousand (60,475).

Note 23 Bank overdraft facilities

The Group has overdraft facilities amounting to SEK 150,236 thousand (155,355), of which the amount utilised is SEK 106,786 thousand (37,767). The interest rate on the overdraft facilities is 1.0 per cent.

Note 24 Accrued expenses and deferred income

	Group		Parent Company	
	2009	2008	2009	2008
Special payroll tax	3,772	2,818	365	—
Accrued personnel costs	29,740	46,123	2,884	3,649
Accrued audit fees	2,141	1,853	300	350
Commissions and sales support	2,040	6,590	—	—
Accrued rental costs	—	547	—	—
Accrued consultant costs	—	62	—	—
Energy costs	136	377	—	—
Yield tax	159	110	44	—
Property tax	164	164	164	164
Severance pay, personnel in Germany	528	744	—	—
Other items	8,811	9,244	68	122
Total	47,491	68,232	3,825	4,285

Note 25 Contingent liabilities

	Group		Parent Company	
	2009	2008	2009	2008
Guarantees for the benefit of subsidiaries	—	—	59,649	19,783
Other	788	751	360	353
Total contingent liabilities	788	751	60,009	20,136

Note 26 Leases

	Group	
	2009	2008
Operating leases		
Property leases, current rental payments	7,226	5,551
Group total	7,226	5,551

Property leases pertain to factory and office properties in foreign subsidiaries. Remaining payments on leases in effect at year-end amount to SEK 16.6 M, of which SEK 7 M will fall due for payment in 2010 and SEK 0 M will fall due after 2012.

Note 27 Consolidated Cash Flow Statement

Other items not affecting liquidity in operating activities	2009	2008
Change in provisions	-39,814	56,354
Interest element of pension expense	-1,610	-1,906
Other items	3,345	1,196
Total	-38,079	55,644

Acquisition of non-current assets	Intangible assets	Property, plant and equipment
Capital expenditures during the year (Notes 11 and 12)	-720	-89,897
Finance leases		38,258
Effect of capital expenditures on cash and cash equivalents	-720	-51,639
		2009
Cash and cash equivalents		
Cash on hand and demand deposits		37,212
Short-term investments		459
Cash and cash equivalents		37,671

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 43,450 thousand at year-end.

Note 28 Significant accounting estimates and judgements

Accounting estimates and judgements 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 19), provisions and restructuring costs (Note 20). 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 11).

Note 29 Business combinations

On 1 January, the acquisition of the German Group GERWAH was completed. GERWAH will be incorporated in the RINGFEDER POWER TRANSMISSION business area. The acquisition included a total of four companies situated in Germany, the Czech Republic (two) and the USA.

The acquired business contributed revenue of SEK 51.4 M to the Group.

The acquisition cost for all shares in the companies plus trademarks amounted to SEK 75,800 thousand.

Figures on acquired net assets and goodwill are given below:

Purchase consideration	
– paid in cash	67,198
– direct costs in conjunction with the acquisition	8,602
Total purchase consideration	75,800
Fair value of acquired net assets	–27,172
Goodwill (note 11)	48,628

Goodwill is attributable to the acquired operation's high market shares and the important synergies that are expected to be created with existing operations in the business area.

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

	Fair value	Acquired book value
Cash and cash equivalents	1,522	1,522
Property, plant and equipment (Note 12)	28,887	28,887
Trademarks (included in the item "Intangible assets") (Note 11)	17,923	—
Licences (included in the item "Intangible assets") (Note 11)	246	246
Inventories	23,403	23,403
Receivables	10,424	10,424
Liabilities	–31,601	–31,601
Loans (note 21)	–18,666	–18,666
Deferred tax liabilities, net (Note 14)	–4,966	0
Acquired net assets	27,172	14,215
Cash purchase consideration		75,800
Cash and cash equivalents in acquired subsidiaries		–1,522
Change in Group's cash and cash equivalents due to acquisition		74,278

Financial statements will be submitted to the Annual General Meeting on 27 April 2010 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, 17 February 2010

Peter Hansson
Chairman of the Board

Anders Birgersson
Managing Director and CEO

Hans-Göran Persson

Johnny Alvarsson

Helene Richmond

Staffan Ekelund

Willy Gustafsson

Lars-Ove Boström

Our Audit Report was submitted on 17 February 2010

Öhrlings PricewaterhouseCoopers AB

Bror Frid
Authorised Public Accountant

Audit Report

To the Annual General Meeting of Shareholders of
V BG 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 2009. The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 23–54. 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.

Gothenburg, 17 February 2010

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. Further amendments are being introduced from 1 February 2010 with new rules for remuneration to senior officers, independence of Board members and amended rules governing the Audit Committee.

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 4,871 shareholders at the end of the year. Information on the share, the ownership structure etc. is provided on pages 20–21.

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, 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 meeting 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 12 May 2009 and all presentations were made in Swedish. Notice of the meeting, agenda, and the minutes with the Managing Director's illustrations from his address are available on the website. The entire Board of Directors, the Group Management in the person of the Managing Director and the CFO, and the company's auditor were present at the meeting. Shareholders were given an opportunity to ask questions during the meeting. It was not possible to follow or participate in the meeting from another location with the aid of communication technology. No change is planned in this respect for the 2010 AGM.

The AGM decided to adopt the Board's proposal for a dividend of SEK 1.00 per share for 2009, with record date on 15 May 2009.

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

The AGM also authorised 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.

The AGM further resolved to appoint a Nominating Committee consisting of Reidar Öster, Staffan Ekelund and Åke Persson, with Reidar Öster as chairman, as well as to give the Nominating Committee a mandate to appoint an additional member based on the owner situation on 31 August 2009, in consultation with the major owners. 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. Peter Rönström from Lannebo Funds was subsequently appointed as a new member of the Nominating Committee. 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 2009 AGM up until the publication of this annual report, the Nominating Committee held three meetings.

On 10 December 2009, it was announced that the 2010 Annual General Meeting would take place in Vänersborg on 27 April 2010 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 2009 AGM, the Nominating Committee consisted of Chairman Reidar Öster (private), Staffan Ekelund (member of the Board of VBG GROUP AB) and Åke Persson (Laxå Mekan AB).

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 that the 2010 AGM re-elect Peter Hansson to the Board as Chairman, Johnny Alvarsson as Deputy Chairman, and Staffan Ekelund, Helene Richmond, Hans-Göran Persson and Anders Birgersson (Managing Director) as ordinary members.

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 limiting how long a member can remain on the Board. The 2009 AGM re-elected Board members Peter Hansson,

Johnny Alvarsson, Staffan Ekelund, Helene Richmond and Anders Birgersson (Managing Director) and elected Hans-Göran Persson for the first time. Peter Augustsson had declined re-election. 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 judged to be 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 Audit Committee comprises Staffan Ekelund and Hans-Göran Persson, with Staffan Ekelund as Chairman. From the time of the 2009 AGM up until the publication of this annual report, the Audit Committee held two meetings.

Board members from the 2009 AGM

Name	Function	Elected	Committee work	Independent in relation to		
				the company	major shareholder	
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	
Hans-Göran Persson	Board member	2009	Audit Committee	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
Mikael Freiholz/IF Metall	Deputy	2009
Linda Hallberg/Unionen	Deputy	2008

Information on the members of the Board is provided on page 60.

Corporate Governance Report

The Compensation Committee is responsible for proposing the terms of compensation of the Managing Director and other senior officers. The Compensation Committee comprises Peter Hansson and Johnny Alvarsson, with Peter Hansson as chairman and Anders Birgersson, Managing Director, as co-opted member and rapporteur. From the time of the 2009 AGM up until the publication of this annual report, the Compensation Committee held two meetings.

The work of the Board during 2009

Prior to each Board meeting, an agenda is sent out to the Board members along with in-depth information on the business at hand. Seven meetings were held during financial year 2009, of which four (February, May, August and October) were held in connection with the publication of the company's quarterly reports.

The annual statutory Board meeting was held immediately after the AGM. As usual, the December meeting adopted the goals for 2010.

One meeting was an extraordinary Board meeting that dealt with restructuring matters.

The work of the Board during 2009

Prior to each Board meeting, an agenda is sent out to the Board members along with in-depth information on the business at hand. Seven meetings were held during financial year 2009, of which four (February, May, August and October) were held in connection with the publication of the company's quarterly reports.

The annual statutory Board meeting was held immediately after the AGM. As usual, the December meeting adopted the goals for 2010.

One meeting was an extraordinary Board meeting that dealt with restructuring matters.

Attendance at Board meetings in 2009

Name	Board	Audit Committee	Compensation Committee
Board members			
Peter Hansson	7		2
Johnny Alvarsson	7		2
Staffan Ekelund	7	3	
Helene Richmond	7		
Hans-Göran Persson ¹⁾	5	2	
Anders Birgersson (MD)	7		
Peter Augustsson ²⁾	2	1	
Employee representatives			
Willy Gustafsson IF Metall member	7		
Mikael Freyholz IF Metall deputy	—		
Rune Olausson ²⁾ IF Metall deputy	—		
Lars-Ove Boström Unionen member	7		
Linda Hallberg Unionen deputy	—		
Total	7	3	2

¹ Elected to the Board at the 2009 AGM

² Retired from the Board at the 2009 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 exercised in the Parent Company by the company's Managing Director, Ander Birgersson, and the Group's CFO, Claes Wedin, 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 and RINGFEDER POWER TRANSMISSION.

The business management of VBG GROUP TRUCK EQUIPMENT consists of MD Anders Birgersson, who is head of the business area, Director of Sales Per Ericson, Technical Director/Marketing Director Bo Hedberg, Production/Supply Chain Director Anders Erkén and Business Controller Niklas Gråsjö.

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

The business management of RINGFEDER POWER TRANSMISSION in 2009 consisted of the head of the business area Thomas Moka, Export Sales Manager Wolfgang Proepper, Technical Director Manfred Niessen, US Regional Manager Carl W. Fenstermacher and Business Controller Bernd Vössing, who met regularly during the year and reported to the Parent Company's management. At the beginning of 2010, a new Supply Chain Manager was added to the business management: Markus Fuchs.

The meetings held in the business areas with the Parent Company's management 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 page 61.

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 the ongoing management of the business.

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

Earnings are dealt with in regular financial reports, and the results of measures are dealt with in supplementary follow-ups.

Remuneration

At the statutory Board meeting in May 2009, the Board of Directors appointed a Compensation Committee consisting of Peter Hansson and Johnny Alvarsson. The Committee had two meetings during 2009 where it discussed remuneration and other terms of employment for the Managing Director and senior officers in the Group. The MD was co-opted, but did not participate in the discussion when remuneration to the MD was dealt with.

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 2010 AGM for guidelines for remuneration to the Managing Director and senior officers is provided in the Report of the Directors on page 28.

The 2009 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 44–47.

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 of the annual closing and annual report is performed in January–February.

During 2009, in addition to the audit assignment, the VBG GROUP consulted PWC on taxes, transfer price matters and accounting matters, and as a participant in the processes of merging the Group's subsidiaries in Germany, Belgium and the Czech Republic. The size of remunerations paid to PWC in 2009 is shown in Note 6 on page 47.

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 pertains to 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 2009 the company introduced an auditing regime 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 report and interim reports as well as press releases. Material is provided at www.vbggroup.com 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 2009.

Board of Directors



Top row: Lars-Ove Boström, Peter Hansson, Anders Birgersson, Willy Gustafsson. Bottom row: Hans-Göran Persson, Helene Richmond, Johnny Alvarsson, Staffan Ekelund.

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 at Volvo Lastvagnar AB since 1972 and was President of Volvo Cars Sweden 1995–2006.
Managing Director of the Göteborg Opera 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 and member of the board of Cardo AB.

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

Öjersjö, born 1960
Member of the Board since 2008
Shareholding: 1,400
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.

Hans-Göran Persson

Ljungså, born 1946
Member of the Board since 2009
Shareholding: 528
Hans-Göran Persson, MSc. Econ., has held senior positions at Autoliv, SKF, Volvo Cars and Saab Automobile. In recent years he has been active as a consultant at Odhe & Co in product development, supply chain & sourcing.
Chairman of Ferbe AB and member of the boards of Swedwood AB and Swedspan 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 since 2005.

Mikael Freyholtz
born 1975
Deputy member of the Board since 2009
Employee representative, blue-collar employees
Employed since 2007.

Auditor
Öhrlings PricewaterhouseCoopers AB
Bror Frid, auditor in charge
born 1957
Authorised Public Accountant
Auditor since 2004.

Deputy auditor
Gunnar Hjalmarsson
Öhrlings PricewaterhouseCoopers AB
born 1957
Authorised Public Accountant.

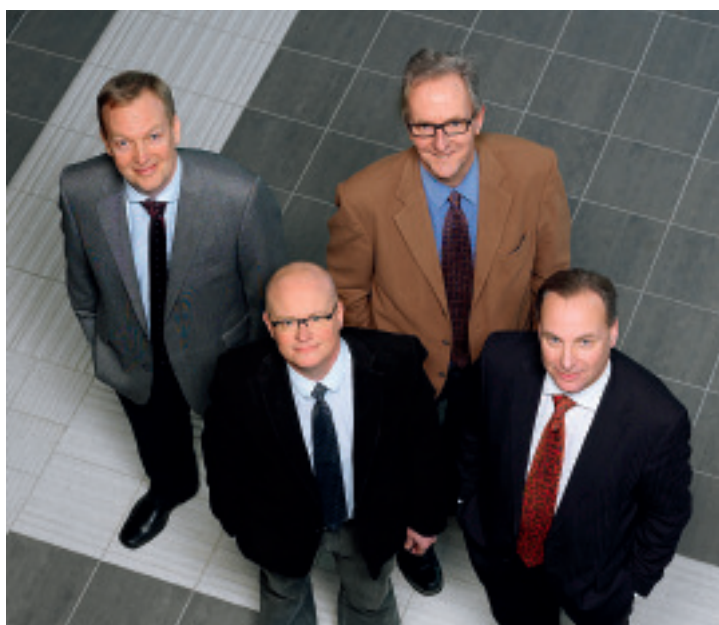
Management



Parent Company

Anders Birgersson, born 1958
 Managing Director and CEO
 Business Area Manager VBG GROUP TRUCK
 EQUIPMENT.
 Employed since 2001
 MSc. Eng., has previously worked for ABB, SKF and ESAB.

Claes Wedin, born 1956
 CFO with responsibility for the Accounting, IT and HR staffs.
 Employed since 1997
 MSc. Econ., has previously worked for Union Carbide,
 Volvo Aero and MAN Roland.



VBG GROUP TRUCK EQUIPMENT

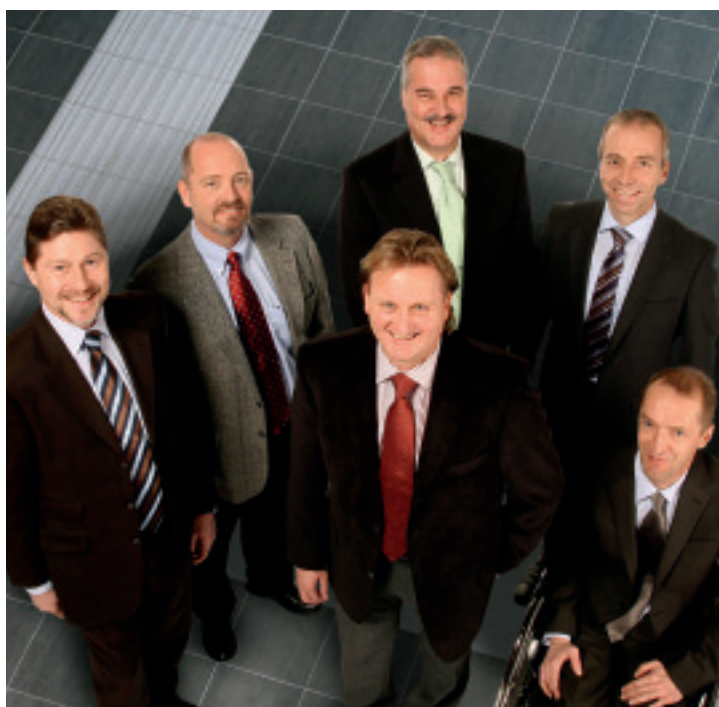
Anders Erkén, born 1964
 Production Director in charge of Supply Chain
 Employed since 2007
 MSc. Eng., has previously worked for ESAB and Imaje.

Bo Hedberg, born 1957
 Technical Director/Marketing Director
 Employed since 1996
 MSc. Eng., has previously worked for SAAB Automobile
 and MarkIV Automotive.

Niklas Gråsjö, born 1967
 Business Controller
 Employed since 2005
 MSc. Econ., has previously worked for Saab Automobile.

Per Ericsson, born 1956
 Director of Sales
 Employed since 2000
 MSc. Eng., has previously worked for Grimaldi Industrier,
 Samefagrupper and Volvo.

Top row: Anders Erkén and Bo Hedberg. Bottom row: Niklas Gråsjö and Per Ericsson.



RINGFEDER POWER TRANSMISSION

Thomas Moka, born 1965
 Business Area Manager
 Employed since 2004
 MSc. Eng., has previously worked for Ringspann GmbH
 and GERWAH GmbH.

Bernd Vössing, born 1961
 Business Controller
 Employed since 2003
 MSc. Econ., has previously worked for ALLDATA GmbH
 and A-priori international AG.

Carl W Fenstermacher, born 1955
 Regional Manager USA
 Employed since 1982
 Mechanical engineer, has held various positions in the
 business area's operation in the USA.

Wolfgang Proepper, born 1962
 Sales Manager, export markets
 Employed since 2006
 B.A. (Hons) Business Administration, has previously been
 active in GERRESHEIMER GLAS AG, CALCOMP GmbH
 and ALPS ELECTRIC EUROPA GmbH.

Markus Fuchs, born 1965
 Head of Supply Chain
 Employed since 2010
 Has previously been active in Wild GmbH & Co KG,
 Synventive and CML Technologies.

Manfred Niessen, born 1966
 Technical Manager
 Employed since 2004
 Engineer, has previously been active in MVB GmbH
 and EFCO GmbH & Co KG.

Front middle: Thomas Moka. From left: Bernd Vössing, Carl W Fenstermacher,
 Wolfgang Proepper, Markus Fuchs and Manfred Niessen.

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