



VBG GROUP 2010 ANNUAL REPORT

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VBG GROUP 60 YEARS

Herman Krefting was a conscientious citizen and very interested in traffic safety. This led him to found Vänersborgskopplingen, the origin of the VBG GROUP, in 1951.

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EMPLOYEES

Qualified and customer-focused employees are a crucial asset in strengthening the VBG GROUP's position in the long term. The employees should have an opportunity to reach their full potential within the Group, based on the security provided by working for a financially strong, stable and long-term employer.

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THE SHARE

The VBG GROUP was first listed on the Stockholm Stock Exchange's OTC list in 1987. Today the company is listed on Nasdaq OMX Nordic Exchange Small Cap, in the Industrials Sector. Following an upswing of 41 per cent in 2010, the VBG GROUP's Series B share has increased by 1,530 per cent since its initial listing in 1987.

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Annual General Meeting 2011

The Annual General Meeting of VBG GROUP AB (publ) will be held at 5:00 p.m. on 3 May 2011 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 27 April 2011
- notify the company by not later than 4:00 p.m. on 27 April 2011.

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 power of attorney, a copy of

the registration certificate or equivalent documents 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 27 April 2011 (voting rights registration).

Dividend

The Board of Directors and Managing Director propose that the dividend be set at SEK 1.50 per share, with record date on 6 May 2011. If the AGM approves this proposal, the dividend is expected to be distributed by Euroclear Sweden AB starting 11 May 2011.

Report dates

3 May
24 August
25 October
February 2012

Interim report January–March
Interim report January–June
Interim report January–September
Year-end report

THE YEAR IN BRIEF

Increased sales volume and improved earnings for both of the Group's business areas.

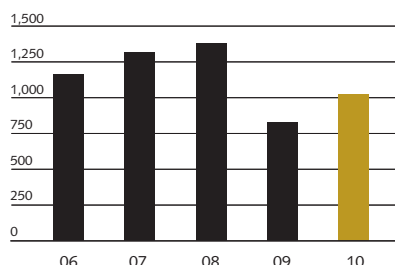
- The Group's net turnover increased by 23 per cent to **SEK 1,021 M** (829).
- Operating profit increased to **SEK 68.6 M** (loss: 27.1).
- Profit after financial items increased to **SEK 82.4 M** (loss: 30.7).
- The Group's profit after tax increased to **SEK 55.7 M** (loss: 21.2).
- Earnings per share increased to **SEK 4.46** (LPS: 1.69).
- The Board of Directors proposes that the dividend be increased to **SEK 1.50** per share (0.50).

Key figures	2010	2009	2008	2007	2006
Net turnover, SEK M	1,021.3	829.0	1,376.7	1,323.3	1,163.1
Profit/loss after financial items, SEK M	82.4	-30.7	108.6	201.5	165.8
Profit/loss after tax, SEK M	55.7	-21.2	73.1	133.1	111.9
Earnings/loss per share, SEK	4.46	-1.69	5.85	10.64	8.95
Return on capital employed, %	8.7	neg	16.1	34.0	29.8
Equity/assets ratio, %	58.2	54.4	56.0	56.3	47.8
Average number of employees	432	445	432	422	411

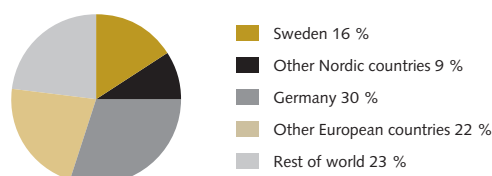
THIS IS THE VBG GROUP

The VBG GROUP is an engineering Group with manufacturing and sales companies in Europe, India, China 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 2010 the Group had around 432 employees and a turnover of SEK 1,021 M. VBG GROUP AB's Series B share was introduced on the stock exchange in 1987 and is listed on Nasdaq OMX Nordic Exchange Small Cap.

Group turnover, SEK M



Geographic distribution of turnover



Total SEK 1,021 M

Europe

Production and sales companies for the business areas VBG GROUP TRUCK EQUIPMENT and RINGFEDER POWER TRANSMISSION are located in Europe.

Scandinavia

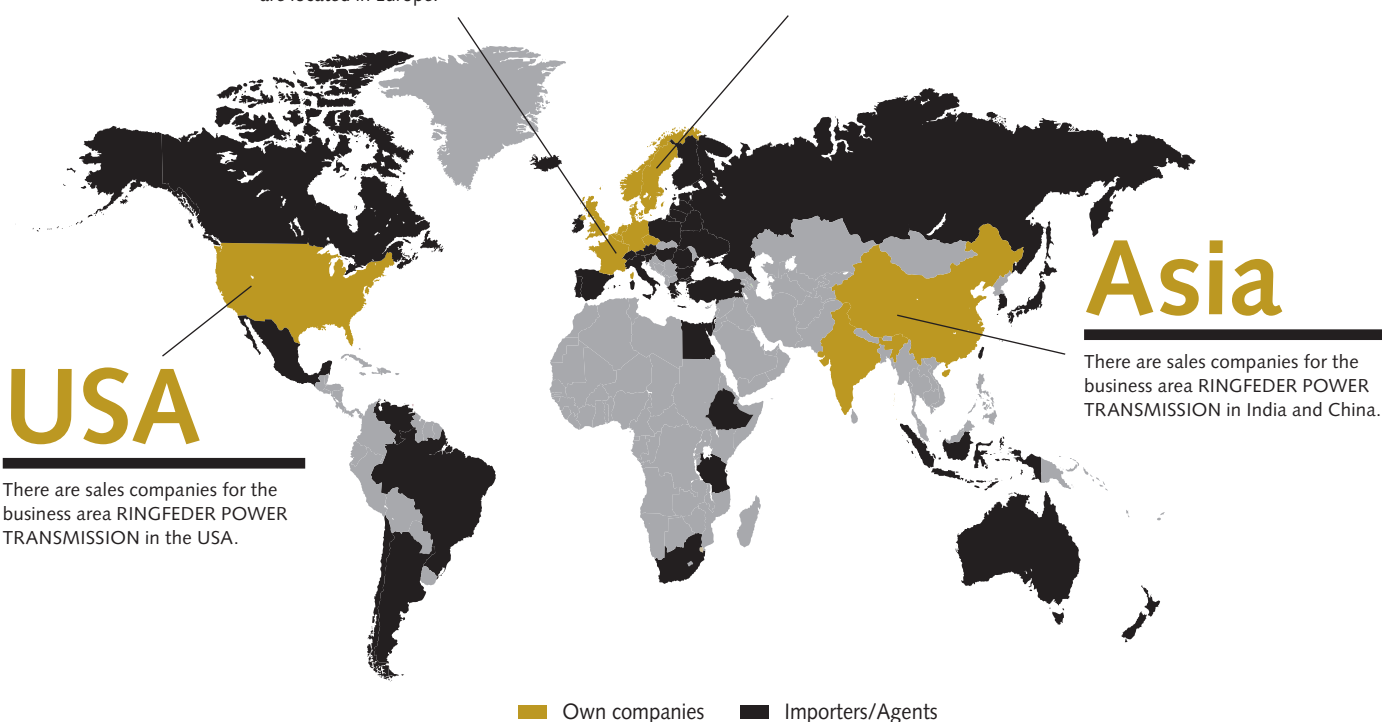
The Parent Company VBG GROUP AB and production and sales companies for the business area VBG GROUP TRUCK EQUIPMENT are located in Scandinavia.






USA

There are sales companies for the business area RINGFEDER POWER TRANSMISSION in the USA.

Asia

There are sales companies for the business area RINGFEDER POWER TRANSMISSION in India and China.



<p>Business areas</p>	 <p>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.</p>	 <p>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.</p>
<p>Trademarks</p>		
<p>Share of Group turnover</p>	 <p>70 %</p>	 <p>30 %</p>
<p>Turnover</p>	<p>SEK M 712</p>  <ul style="list-style-type: none"> ■ Sweden 22 % ■ Other Nordic countries 13 % ■ Germany 31 % ■ Other European countries 27 % ■ Rest of world 7 % 	<p>SEK M 309</p>  <ul style="list-style-type: none"> ■ Europe 42 % ■ North America 43 % ■ Rest of world 15 %
<p>Number of employees</p>	<p>299</p>	<p>127</p>

FROM THE MANAGING DIRECTOR

The earnings improvement in 2010 was generated thanks in part to the large restructuring programme that was carried out during the recession – when four factories in VBG GROUP TRUCK EQUIPMENT were combined to a coupling factory in Vänersborg and a plant for the manufacture of sliding roofs in Kamenice nad Lipou – and in part to the fact that RINGFEDER POWER TRANSMISSION strengthened its competitive position by the acquisition of Gerwah in 2009.

VBG GROUP TRUCK EQUIPMENT

– market growth and surging earnings

With the new factory structure in place at the outset of the year, VBG GROUP TRUCK EQUIPMENT was well equipped to meet both the expected volume increase and the customers' high demands on price, performance and punctual deliveries. As always with big changes, some fine tuning remained to be done in all the processes that had been relocated, and the organisation has worked hard with this during the year.

Impressive growth could already be discerned early in the year on the market for trailer couplings, while the trend for sliding roofs was much weaker. Nevertheless, the first quarter provided clear confirmation that the business area had, according to plan, managed to lower the break-even levels for both product areas, and the business area as a whole was performing in the black again. But it was not until the middle of the fourth quarter that the market for sliding roofs reached volumes where this product area also became profitable.

Costs increased during the second half of the year due to price increases on raw materials, and it was not possible to pass these increases on to the customer. The customers were, however, notified at the end of the year that prices would be raised in 2011. With growing demand for trucks and trailers on the European market, the prospects are good for a continued improvement of profitability for VBG GROUP TRUCK EQUIPMENT.

RINGFEDER POWER TRANSMISSION

– development and profitable growth on a tough market

There is no doubt that RINGFEDER POWER TRANSMISSION, after the acquisition of Gerwah, has strengthened its position and continues to take market shares on the geographic markets and product and application areas where they are active. After the relatively weak trend during the global financial crisis, a recovery could be noted in 2010 within several of the business area's market segments. With the subsequent volume growth, profitability has also developed well during the year.

Keen price competition continues to prevail within a number of market segments, and RINGFEDER POWER TRANSMISSION

also had to contend with increased costs due to higher prices on raw materials during the second half of the year.

A major reorganisation was carried out in December in the business area's North American operation, entailing management changes among other things.

In January 2011, KUNSHAN RINGFEDER POWER TRANSMISSION CO. LTD. started doing business in China. The company will be responsible for the business area's sourcing, sales and distribution in China as well as for assembly of certain products, such as magnetic couplings.

Despite some extra costs, such as for the changes in the USA and the establishment of the company in China, the business area managed to achieve an operating margin of 13.4 per cent for the year as a whole. This is nearly a doubling of the operating margin from the year before.

As befits such a globally important and well renowned player, RINGFEDER POWER TRANSMISSION has a strong focus on product development and works single-mindedly to come up with commercially viable technical solutions. During the year we presented technical innovations at some of the most important industrial fairs in Germany.

The VBG GROUP – a spry 60-year-old ready for the next step

What we succeeded in accomplishing in 2010 is fully in line with the long-range perspective that characterises the way we do business. After surviving the financial crisis in 2009, we managed in 2010 to develop the Group and further strengthen our financial position. This is naturally attributable to successful operating results in both of our business areas, but also to efforts throughout the Group during 2010 to sustain our high focus on cost consciousness. We will naturally continue to be cost conscious and defend our financial position in 2011, but we also have room for several interesting projects that have been kept on the back burner for the past two years.

It has now been two years since we made our last acquisition, and we in the Group Management are constantly on the lookout for potential complementary acquisitions for both VBG GROUP TRUCK EQUIPMENT and RINGFEDER POWER TRANSMISSION. We are also looking at the possibilities of establishing by acquisition another business area where we can discern clear synergies and/or similarities with the Group's current business operations. It would make me very happy if we could present a new acquisition for the VBG GROUP in 2011, when the Group celebrates its 60th anniversary.

Finally, I would like to repeat, in somewhat modified form, what I said in last year's letter to the shareholders: "We stand well equipped for an exciting 2011 with continued growth, improved earnings and the hope of structural growth by acquisition".

Anders Birgersson
Managing Director and CEO



A strengthened financial position paves the way for acquisitions.



BUSINESS CONCEPT, GOALS AND STRATEGIES

The VBG GROUP focuses on niches and diversification of risks in product areas 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, the 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 creates the necessary conditions for long-term financial strength and a good return for the shareholders.

Strategy

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 objective is to create differentiated customer offerings based on strong and unique brands.

This strategy is implemented in the Group's two business areas, RINGFEDER POWER TRANSMISSION and 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.

Focus on profitable growth

The VBG GROUP will grow both organically and structurally by acquisition.

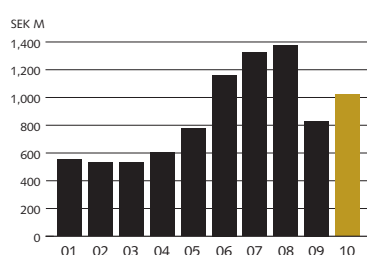
An organic growth strategy is formulated within each business area. Besides focusing on existing product and market segments, growth will also be generated by venturing into new regions. The goal is to create distinct competitive advantages in product development, manufacturing, marketing and distribution. The VBG GROUP's strong market positions, 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.

Growth by acquisition is a priority. 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.

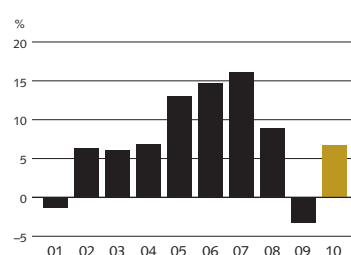
Strong brands

The origin of the 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. Examples of acquired companies with strong, leading brands are Ringfeder, Edscha and Gerwah. The brand strategies influence a long series of judgements pertaining to the specific brand, such as innovation rate, product content, sales channel strategy, customer care, service commitment and marketing communications.

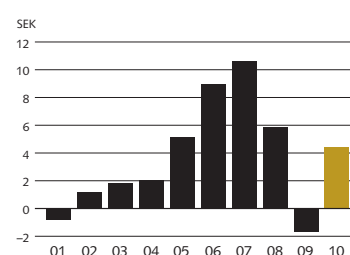
Turnover 2001-2010



Operating margin 2001-2010



Earnings per share 2001-2010



ACQUISITION OF RINGFEDER 1997 – START OF A NEW GROWTH STRATEGY

Ringfeder is a German word that means “ring spring” (friction spring). But in India, Ringfeder is synonymous with locking devices, and in Australia it is the word for trailer coupling. Behind this concept lies one, or rather two, strong brands which the VBG GROUP acquired in April 1997.

After an extended period of rapid expansion, in the early and mid-90s the VBG GROUP gradually narrowed the scope of its operations towards trailer couplings with ancillary equipment. The VBG couplings dominated the market in Scandinavia and had a strong position in the UK. Many attempts were made to boost sales on other markets, but competition was keen. However, in 1997 an opportunity arose to acquire one of the two giants in trailer couplings in Europe, Germany’s Ringfeder. This company, which was founded back in 1922 and was a member of the Siemens Group, dominated the European market along with the German company Rockinger and also had a strong position in countries such as Australia and New Zealand. Following a new issue of shares, the VBG GROUP was able to acquire an equally large group, RINGFEDER. This acquisition gave the VBG GROUP a world-leading position within trailer couplings, with two leading brands: VBG and Ringfeder.

Restructuring of the operation

After the acquisition, the German operation was thoroughly restructured. The company’s railway business was sold and the remaining operation was completely separated in terms of production, design and marketing. Part of the business consisted of trailer couplings under the Ringfeder brand. The other part consisted of machine elements with the product areas shaft-hub connections, locking devices and friction springs, also under the Ringfeder brand.

Machine elements for sale

Machine elements, which was not then regarded as a core business, was doing poorly. The VBG GROUP intended to first make the business profitable and then sell it. Production was outsourced, since the focus was on reducing production costs but not prices. After a few years the business was once again making a profit.

Focus on continued growth

Through the acquisition of Ringfeder, the VBG GROUP got more than half the world market for trailer couplings. With

this large share already theirs, further acquisitions in the same product segment would not contribute to further growth. The focus instead lay on developing the service and aftermarket businesses, and searching for a complementary acquisition. The situation was quite different with regard to machine elements. Ringfeder was a premium brand with a leading position in several niches. The operation was a small one, but the potential market was considered big. Instead of divestment, a commitment was therefore made to making the business grow.

Two strong business areas

In 2004, the former machine element part of Ringfeder became a separate business area in the VBG GROUP with the name RINGFEDER POWER TRANSMISSION. A new managing director was appointed in the person of Thomas Moka, a former sales manager at competing Gerwah GmbH. His assignment was, with a competitive production apparatus already in place, to focus on sales and new markets. The VBG GROUP has prospered ever since and consists today of two strong business areas, VBG GROUP TRUCK EQUIPMENT and RINGFEDER POWER TRANSMISSION, with leading brands and strong market positions.

Important complementary acquisitions

In keeping with the strategy, important complementary acquisitions have been carried out during the past ten years. The 2005 acquisition of the sliding roofs business from German Edscha was regarded as a good complement to trailer couplings, and synergies existed with the operation in Germany. The acquisition also enabled VBG GROUP TRUCK EQUIPMENT to broaden its sphere of activities in the rapidly growing semi-trailer segment. Today, Edscha, together with Sesam, the other leading brand in the product area, has a world-leading position in sliding roofs for trucks and trailers.

The acquisition of Gerwah in 2009 entailed a broadening of the product offering in RINGFEDER POWER TRANSMISSION and increased exposure on growth markets. Gerwah’s production plant in the Czech Republic was also a strategically important factor in the acquisition. Today Ringfeder and Gerwah are leading brands in their niches.

The focus is now on finding further complementary acquisitions for the the two business areas, but also on making acquisitions aimed at building up a third business area.

VBG GROUP 60 YEARS

Herman Krefting was a conscientious citizen and very interested in traffic safety. This led him to found Vänersborgskopplingen, the origin of the VBG GROUP, in 1951. Today, 60 years later, the VBG GROUP is an international group with world-leading positions in trailer couplings and sliding roofs and with

The 50s The origin of the VBG GROUP, Vänersborgskopplingen, is founded in 1951 and starts production in Vänersborg of a newly designed and patented truck coupling that same year. The man behind the company and the patent is the engineer Herman Krefting. With the new coupling he wants to help improve traffic safety and lower costs for the hauliers. Despite limited funds, the business grows rapidly.



1951

Herman Krefting (1907–1993) founds the company Vänersborgskopplingen on 3 January.



The 60s The expansion continues. New product areas are added in the form of car towbars and fifth wheels for semi-trailers, based on the company's own design and of high quality. New workshops and industrial premises are built in Vänersborg to meet the rapidly growing demand. New models of trailer couplings are launched and become huge sales successes, with Finland as the first export market.

1963

Car towbars are added to the product range.



1965

A fifth wheel for semi-trailers is developed.

The 70s An expansion in Scandinavia begins with sales companies in Norway and Denmark. The operation in Vänersborg is moved to the current main plant. In order to ensure the company's survival, Herman Krefting creates foundations to which he transfers a large portion of his shares.



1970

Move to new plant.

The 1950s

1955

Automatic, the first automatic coupling, is introduced on the Swedish market.

1959

The company is reincorporated to Släpvnagskopplingar AB.



The first direct mail unit describing Herman Krefting's newly designed truck coupling.

The 1960s

1961

Turnover > SEK 1 M.

1966

A ball towbar for passenger cars is launched and becomes a great success.

Advertising photo for VBG's towbar. The growing interest in caravans created a great demand for car towbars.



The 1970s

1977

The company changes its name to VBG Produkter AB.



The VBG 700 offered superior driver comfort and quickly became Scandinavia's most widely used trailer coupling.



a rapidly growing global business in machine elements. The head office, and a large part of the production, is still in Vänersborg, and interest in traffic safety is still an ingrained part of the Group's identity and a driving force in the development of new products.

The 80s The company is taken public. The purpose is to strengthen the company's finances in conjunction with a vigorous expansion, requiring considerable capital for e.g. production capacity increases. Sales to new non-Nordic markets such as the UK, Benelux and Australia take off and the number of new products increases rapidly.



1987
Parent Company VBG Produkter AB gets listed on the Stock Exchange's OTC list.

The 90s The car towbar division is divested and the scope of the business is narrowed down towards trailer couplings with ancillary equipment. By the acquisition of Ringfeder in Germany, the VBG Group gains a world-leading position in trailer couplings for heavy vehicles, and via Ringfeder machine elements a company with large operations in the USA.

1990 **armaton**
Acquisition of Dayton-Walther's fifth wheels and Armaton's dropside pillars.

1991 **ONSPOT**
Acquisition of Onspot's automatic tyre chains.

RINGFEDER

1997
New share issue and acquisition of Ringfeder trailer couplings and machine elements.

The 00s Strategic decision to divest the fifth wheel business. Business operations are divided into two business areas: VBG GROUP TRUCK EQUIPMENT and RINGFEDER POWER TRANSMISSION. Complementary acquisitions are carried out in both business areas. The manufacture of trailer couplings and sliding roofs is concentrated in Sweden and the Czech Republic. Companies are established in India and China.



2006
The Group changes identity. Turnover > SEK 1 billion.

2009 **GERWAH**
Acquisition of Gerwah with products for mechanical transmission.

2011
VBG GROUP turns 60 on 3 January.

The 1980s

1986
Turnover > SEK 100 M.

1988
Road trains are a common type of vehicle in Australia with a total length of over 50 metres, here equipped with VBG couplings.



The 1990s

1995 is the International Asthma and Allergy Year, and its patron, Queen Silvia, awards scholarships from the Herman Krefting Foundation for Allergy and Asthma Research on a visit to Vänersborg. The photo shows the Queen and King Carl Gustaf together with Mrs. Greta Krefting.



The 2000s

2007
Establishment of company in India.



2005
Acquisition of Edscha and Sesam sliding roofs.



The 2010s

2011
Establishment of company in China.

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 key factors for long-term success are:

- clearly positioned brands
- strong customer relations
- focus on the customers' needs
- a large aftermarket business
- 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 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.

 RINGFEDER

 VBG

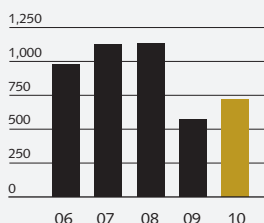
 Edscha
Trailer Systems

 SESAM

 armaton

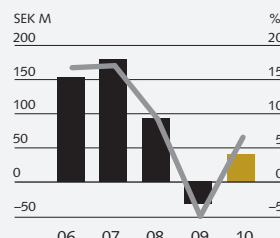
 ONSPOT

Turnover, SEK M



Turnover for the full year 2010 increased by 25.2 per cent to SEK 712.2 M (568.9).

Operating profit, SEK M and operating margin, %



Operating profit for the full year 2010 was SEK 39.7 M (loss: 33.0). The operating margin was 5.6 per cent (neg.).

Key figures

	2010	2009	2008	2007	2006
Turnover, SEK M	712.2	568.9	1,123.7	1,116.9	975.0
Operating profit/loss, SEK M	39.7	-33.0	93.5	179.7	154.5
Operating margin, %	5.6	neg	8.3	16.1	15.8
Share of Group turnover, %	70	69	82	84	84

VBG GROUP TRUCK EQUIPMENT is an internationally leading supplier of equipment and systems, mainly 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. The business area's biggest market is Europe, which accounted for 93 per cent of turnover in 2010. Sales also take place to other regions in the world, such as Australia, Africa and South America. Its biggest competitors include the German company Jost Werke with the Rockinger brand, active in the trailer couplings area, and Trailer System Engineering GmbH, also German, a supplier of sliding roofs.

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 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.

Focus on system solutions

VBG GROUP TRUCK EQUIPMENT works methodically with a systems approach when it comes to truck equipment. This means that they also supply ancillary equipment that complements the main products and is of essential importance for safety. Today 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 the final assembly line. 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.

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.

The concept VBG ServicePartner has been introduced in Denmark to strengthen service cooperation between dealers and workshops. Furthermore, every year the business area arranges Denmark's big transport fair, Vestfyn Traekker, where new products and other innovations are presented.

Efficient manufacture

For the purpose of cutting costs and exploiting synergies, a concentration of the business area's production has taken place in recent years. All trailer couplings are now manufactured in Vänersborg, under the VBG and Ringfeder brands, and all sliding roofs are manufactured in Kamenice nad Lipou in the Czech Republic, under the Edscha Trailer Systems and Sesam brands.

Leading product development

Joint projects in cooperation with the most important players in the industry provide good insight into new developments and trends and opportunities to get involved in the development work early on and thereby be able to exert an influence. 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 VBG Multi Function Coupling (MFC), which was launched in 2008, is a revolutionary concept for automatic connection of truck and trailer. The VBG MFC with hydraulic function was launched in 2010, making the original concept even better. Mechanical, electrical, pneumatic and hydraulic systems are now connected fully automatically. The VBG MFC provides more efficient operation and reduced wear, which leads to longer service intervals and better economy compared with conventional solutions.

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.

Increasingly important aftermarket business

Thanks to a growing and less cyclically sensitive aftermarket business, offering service and sales of spare parts and accessories, the business area was able to stabilize its sales during the recent recession. 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. 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.

The market for trucks

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. There are also a number of industry-specific factors that fuel demand for the business area's products, including tougher requirements on safety, functionality and ergonomics – areas where VBG GROUP TRUCK EQUIPMENT is a leader.

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 been rapid growth in Europe as well during the past decade, particularly in Eastern Europe. The financial crisis and the deep recession during 2008–2009 led to a sharp decline in demand, however. A recovery began in 2010, mainly during the second half of the year. Registrations of trucks with a GVW over 16 tonnes – VBG GROUP TRUCK EQUIPMENT's most important segment – increased by more than 8 per cent in Europe in 2010.

The market for trailers

After having declined by more than 50 per cent in 2009, registrations of trailers in Europe increased only marginally in 2010, despite a strong conclusion of the year. The European trailer and body builder market is much more fragmented than the market for trucks and consists of more than 600 manufacturers. It is estimated that the three biggest ones – the German companies Schmitz, Krone and Kögel – had about 40 per cent of the trailer market in 2010. Together with a large number of medium-sized manufacturers, these are the companies that have been hardest hit by the financial crisis and accompanying recession. Kögel, which went bankrupt in 2009, got a new owner during the year. The long-term trend is towards increased consolidation among trailer manufacturers. Asian manufactures, such as Chinese International Marine Containers (CIMC), have begun an expansion in Europe and other parts of the world, which has led to keener competition.

The trend towards longer vehicles

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. In order to reduce the environmental impact of road transport, there is a trend towards longer vehicles able to carry more goods. VBG GROUP TRUCK EQUIPMENT is participating in various pilot projects aimed at developing international standards for EMS vehicles, for example in the area of coupling equipment. EMS (European Modular System) is a concept based on vehicles adapted to unit loads that permit 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, Denmark and Germany.

Timber transport tests have been under way for some time as well between Överkalix and Piteå with long EMS vehicles in the ETT project, which is being conducted in cooperation between the Swedish state and the vehicle industry. An ETT rig, equipped with a VBG coupling, can haul 50 per cent more cargo in one run than a traditional timber vehicle. The ETT vehicle has so far driven more than 500,000 kilometres and hauled more than 100,000 tonnes of timber. The project has achieved a reduction of CO₂ emissions by more than 20 per cent. This reduces costs and can increase traffic safety if the result is fewer heavy vehicles on the roads.



For a better environment and improved profitability – the ETT rig on its way to Piteå.

NEW IMPORTANT NICHE FOR VBG MFC



A vehicle equipped with the VBG MFC.

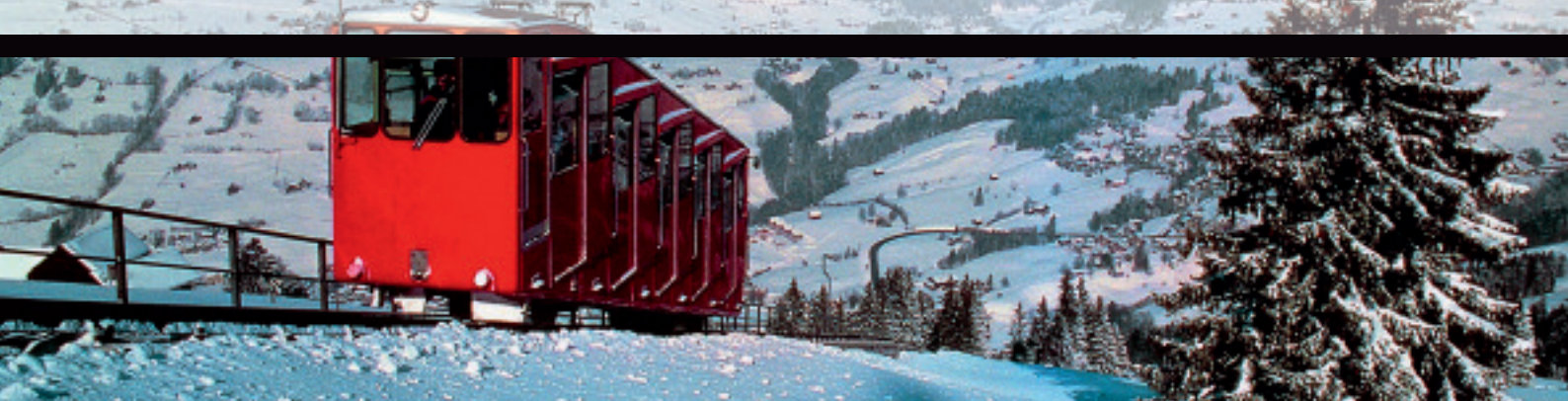
The introduction of the VBG Multi Function Coupling (MFC) on different markets continues, and today the product is adapted to vehicles from Scania, Volvo, MAN, DAF, Mercedes and Renault. The pioneering coupling has also found a niche in industrial applications. It is, for example, used in an Austrian steelworks' internal transport system, in special vehicles that transport steel coils within the factory grounds. Some 80 couplings and uncouplings per vehicle are performed daily. The VBG MFC enables this to be done fully automatically from the cab, which improves both safety and ergonomics for the driver while saving time. The equipment eliminates risky operations in a dangerous working environment. The

VBG MFC also reduces wear compared with previous couplings, thereby reducing the need for service. The faster coupling function and the reduced need for service result in lower total costs.

At the end of 2010, after having tested the coupling on vehicles for a year and a half, the owner of the steelworks, Voestalpine, ordered VBG MFC couplings for all its vehicles in the factory area.

With this customer segment, the VBG GROUP has found a new niche for the VBG MFC, and there are many similar transport systems at steelworks and in heavy industry all over the world.

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.

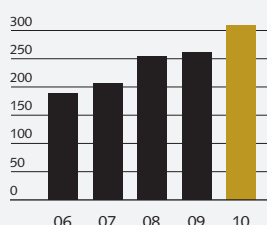
RINGFEDER POWER TRANSMISSION's key factors for long-term success are

- clearly positioned brands
- a global sales organisation
- high application know-how
- differentiated offerings
- high availability and efficient customer service

With Ringfeder, Gerwah and Ecoloc, RINGFEDER POWER TRANSMISSION offers its customers a complete range from premium to volume products. Ringfeder and Gerwah 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.

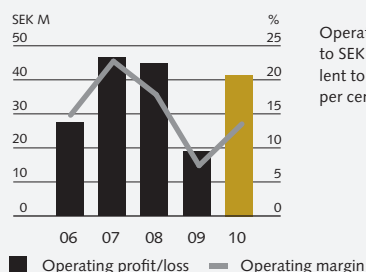


Turnover, SEK M



Turnover for the full year 2010 increased by 19 per cent to SEK 309.1 M (260.1).

Operating profit, SEK M and operating margin, %



Operating profit for 2010 increased to SEK 41.5 M (18.9), which is equivalent to an operating margin of 13.4 per cent (7.3).

Key figures

	2010	2009	2008	2007	2006
Turnover, SEK M	309.1	260.1	253.0	206.4	188.1
Operating profit, SEK M	41.5	18.9	44.9	46.6	27.6
Operating margin, %	13.4	7.3	17.7	22.6	14.7
Share of Group turnover, %	30	31	18	16	16

RINGFEDER POWER TRANSMISSION develops, manufactures and markets a wide range of products for advanced applications in mechanical power transmission and energy and shock absorption. The products are sold worldwide to customers active in various niches within widely diverse industrial markets 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 goes to Asia and Australia. Operations are conducted from subsidiaries in Germany, the Czech Republic, the USA, India and, starting in 2011, China.

Three clearly positioned brands

The business area has three clearly positioned brands. Ringfeder, 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. Ringfeder and Gerwah are well established brands on the business area's principal markets in Germany and the USA and with strong positions on the growth markets.

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



A ship equipped with a shaft-hub connection for propeller operation.

Global market segment

RINGFEDER POWER TRANSMISSION operates within a number of niches and on many geographic 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 of different kinds of materials, where typical applications are in hoist and crane equipment or conveyor systems. Other areas of application are in mining, civil engineering structures and systems for generating electric power for e.g. wind and water turbines.

The business area works on a fragmented market and mainly competes with many small or medium-sized companies that are either family-owned or a small part of a larger industrial group. Many competitors are mainly focused on distribution and sales, and 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 performance on the market. More and more competitors are emerging in China and other low-cost countries. But the most important competitors have a background on the European and American markets, such as B-loc, Tollok and KTR.

Products for tough applications

The business area offers individual products or systems composed of many components for a large number of applications where high demands are made on reliability and quality. The Ringfeder brand includes unique products for solving specific problems in industrial applications. Shaft-hub connections, called locking devices, are delivered to both heavy installations for earthmoving and rock handling and to smaller precision machines.

The Gerwah brand comprises products where accuracy and precision are common denominators. This is important, for example, in machines and robots that work with narrow tolerances, for example in the packaging industry. The couplings may not be elastic or loose, otherwise they might affect the accuracy of the machine's servo system.

Interesting special areas

A growing special area with growth potential is magnetic couplings, which permit non-contact power transmission. Gerwah has developed many new products in this area in the past year which are expected to find new and interesting applications.

Another special area for the business area is friction springs, products that are well suited for damping mechanical vibration and above all 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 construction contexts as well as on aircraft and trains.

Solutions in cooperation with customers

One of the 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 ready-made machine elements for transmission of power, i.e. rotational movement and torque, in different kinds of mechanical transmissions. By using well proven design solutions as well as tried and tested calculation models, the products can be given higher reliability and 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.

High pace of innovation

In response to increasing demands from customers for safe and cost-effective solutions, RINGFEDER POWER TRANSMISSION has intensified its efforts to develop new products that meet these demands, for example in the mining and energy sectors. In 2010 a completely new product based on carbon fibre was developed that might

replace the steel in the locking device in a wind turbine, contributing to lower weight and higher performance. Another priority area for the business area's product development is new applications based on the business area's magnet technology solutions. Development of new products is carried out in different ways. It can take the form of independent efforts, or collaborative efforts with customers in specific projects or with different institutes of technology in Germany, for example the one in Aschen. Many of the products under the Ringfeder brand are based on long-established patents. New patent applications were submitted in 2010 as a result of successful innovation work.

Broad and growing customer base

The total number of customers in the business area is over 3,000 and they can be found all over the world. With the acquisition of Gerwah, the business area gained access to new customer segments within industrial automation, for example the packaging industry. The acquisition has also made it possible to cultivate certain customer segments more effectively by providing access to a broader customer base. New customers have been attracted by the business area's complete product range within mechanical power transmission and shock absorption. A fast-growing customer group consists of companies in the mining and energy sectors. The business area also supplies components to companies in the aircraft industry, such as Boeing and Airbus. RINGFEDER POWER TRANSMISSION also has contacts with NASA regarding components for the new Mars Lander.

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 in the business area over a long time 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 added 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.

Fast delivery

The business area's capability for fast deliveries is an important competitive advantage, along with high technical expertise and customer-driven product development. Being able to deliver in a short time is crucial for landing a deal, particularly in a market with heavy demand. Accessibility and quality are factors which many customers mention when they choose to work with RINGFEDER POWER TRANSMISSION. Deliveries are made from the stocks in the USA and India to the domestic market, while products from the stocks in Germany and the Czech Republic are also delivered globally.

Extensive distribution network

RINGFEDER POWER TRANSMISSION reaches its customers either directly via its own salesmen 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. New retailers who appreciate the advantages of RINGFEDER POWER TRANSMISSION's complete product range are constantly joining the fold. All sales outlets offer all the business area's products under the three brands Ringfeder, Gerwah and Ecoloc. In the USA, the business area has switched from distributing other companies' products as well to only offering in-house products, something which will have a long-term positive effect on the business area's sales on this market.

Investment in growth markets

The fastest growth for the business area's product areas is taking place on various growth markets, for example in Asia. A local presence is often required in order to benefit from the sales potential. The successful development of the business area's operation in India, where the subsidiary RINGFEDER POWER TRANSMISSION INDIA PRIVATE LTD. was established in 2007, is now being followed up by other investments in rapidly growing markets. A company was established in China in 2011, KUNSHAN RINGFEDER POWER TRANSMISSION CO. LTD. The purpose is to increase sales to new and existing customers in the country, as well as to secure supplies of vital metals for the production of magnetic couplings. Several large customer projects have been carried out in Brazil in recent years, creating a base from which to grow further in more customer segments and with the entire product offering.

GROWTH IN INDIA



Cement factory where a number of RINGFEDER POWER TRANSMISSION's products are installed.

Since 2007 the business area has been represented in India through the subsidiary RINGFEDER POWER TRANSMISSION INDIA PRIVATE LTD. Business is carried on in a newly built facility in Chennai consisting of offices, stocks and hall for final assembly and inspection.

RINGFEDER POWER TRANSMISSION had some sales activity in India even before the Indian subsidiary was established, via collaboration with selected distributors. By setting up its own company with access to stocks and final assembly, the business area has strengthened its support to the distributors while improving its ability to provide service to its customers. Today RINGFEDER POWER TRANSMISSION INDIA PRIVATE LTD. sells the

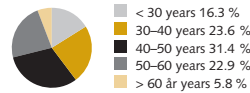
business area's whole product range via a nationwide network of distributors. The biggest customers are in the mining and construction industries, to which locking devices in particular are sold. After a careful start, the business took off towards the end of 2009 and in 2010, and India is now the business area's third largest market.

The Indian subsidiary shows how important a local presence is to succeed on large growth markets. RINGFEDER POWER TRANSMISSION will now continue establishing presences on other important high-growth markets.

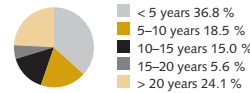
Gender distribution



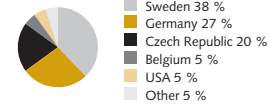
Age distribution



Length of employment



Distribution of employees



EMPLOYEES

Qualified and customer-focused employees are a crucial asset in strengthening the VBG GROUP's position in the long term. The employees should have an opportunity to reach their full potential within the Group, based on the security provided by working for a financially strong, stable and long-term employer.

The VBG GROUP is celebrating its 60th anniversary in 2011. The head office has been in Vänersborg since the start, and many employees have worked in the company for a long time. In recent years there has been a high level of activity within the Group, with both acquisitions of new companies and measures to strengthen competitiveness by concentrating production to fewer locations. The operations were consolidated in 2010 with a focus on competence development and establishing the Group's strong core values throughout the organisation.

Growing international operations

The VBG GROUP's growing international operations open up interesting development opportunities. Today the Group has employees in Europe, India, the USA and China, in both production and sales companies. At the start of the year, approximately 63 per cent of the employees in the VBG GROUP were working outside Sweden.

Important gender equality work

It goes without saying that the VBG GROUP does not discriminate against anyone due to gender, ethnic or religious affiliation, age or sexual orientation. The goal of the gender equality work within the Group is to achieve a more even gender distribution by increasing the proportion of female employees. Ultimately this should lead to a better working environment, more efficient working groups, a larger recruitment base and a more positive image of the VBG GROUP. The proportion of female employees in the Group has increased from 14 per cent in 2005 to 23.6 per cent at the end of 2010.

In conjunction with the VBG GROUP's leadership conference in May 2010, a code of conduct was introduced for the Group. Each manager has subsequently informed his working group about the code and how it works. To

ensure that the code of conduct is followed, working environment audits will be carried out in 2011.

Competence-tailored training

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.

A large number of employees in VBG GROUP TRUCK EQUIPMENT underwent a project management training in 2010.

Continued low sickness absence

The VBG GROUP's structured work with wellness and rehabilitation is one of the reasons for the Group's low sickness absence, and the rate of sickness absence in 2010 was 3.2 per cent (4.1). 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.

Future recruitment needs

There is a great recruitment need within the VBG GROUP as its operations expand and many employees retire. Finding employees with the right competencies is a great challenge, since there is a severe shortage of technicians and engineers both in Sweden and in other European countries. The VBG GROUP is therefore focusing increasingly on what is known as Employer Branding, which entails being as visible as possible and attracting interest in the Group as an employer. The Group participates in various joint training projects and at labour market fairs. 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 accepts many trainees for positions in the companies in Sweden and Germany.

"We have very capable employees, that's one reason we're doing so well."

Herman Krefting

CORPORATE SOCIAL RESPONSIBILITY

Ever since the start in 1951, traffic safety has been a guiding star for the Group's activities, due to founder Herman Krefting's firm commitment to the cause. It is a driving force and a vital link in the systems thinking that characterises the VBG GROUP's innovative development work.

The founder of the VBG GROUP, Herman Krefting, developed a truck coupling that was designed to cope with the stresses on the poor Swedish roads and thereby reduce the risk of breakdowns and accidents. The new coupling was patented in eight countries and introduced on the Swedish market in 1951. Since then, all new couplings in the Group have been based on the original idea, with traffic safety as an important cornerstone. The Group's latest innovation, the VBG Multi Functional Coupling, is an example of a product that contributes to a better working environment for the driver and higher traffic safety. The VBG GROUP also manufactures other products that boost efficiency in the traffic sector as well as in different industrial sectors, reducing environmental impact in society as a whole.

Collaboration for higher traffic safety

The VBG GROUP arranges seminars and trainings on traffic safety and the latest rules and regulations and has thereby earned itself a role as an expert and advisor in various contexts. In 2009 and 2010 the Group also carried out campaigns for safety-oriented maintenance aimed at preventing accidents and prolonging the life of couplings and ancillary equipment. VBG GROUP TRUCK EQUIPMENT sometimes serves as a consultation body to EU authorities in matters relating to the connection of trucks and trailers.

The business area is, for example, participating in various pilot projects for the development of international standards for EMS vehicles. 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.

Active environmental and quality 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 impact of the Group's own processes on the environment, but also by manufacturing products that boost efficiency in the transport sector and thereby help to mitigate pollution in heavy goods transport, for example. The VBG GROUP's products 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.

The production unit in Vänersborg is environmentally certified to ISO 14001 and quality-certified to ISO/TS 16949. In 2010, the Czech production unit in Kamenice nad Lipou was certified to the international quality standard ISO 9001. Furthermore, the business operations in RINGFEDER POWER TRANSMISSION are quality-certified to ISO 9001.

Long-range perspective with owner foundations

In order to ensure that the company would survive and flourish, Herman Krefting decided to transfer a large part of his ownership to three foundations.

Together, the foundations represent a majority of the votes in the VBG GROUP.

The biggest foundation is the Herman Krefting Foundation for Allergy and Asthma Research. In 2008 the Foundation concluded an agreement with Sahlgrenska Academy at the University of Gothenburg regarding annual donations to a new research centre for allergy and asthma research – the Krefting Research Centre. The donations for 2010 totalled about SEK 4 million, some of which is financing a research project based on an epidemiological survey in the Västra Götaland Region.

Since the Foundation was founded, SEK 60 million has been awarded in grants for allergy and asthma research. The other two owner foundations are the SLK Employees' Foundation and the VBG-SLK Foundation.

"Can you rely on your trailer coupling? Don't take any risks, install a VÄNERSBORG COUPLING."

This was the message in the first advertising leaflet from the VBG GROUP in 1951. The company was then called Vänersborgskopplingen (the name means Vänersborg coupling).

THE SHARE

The VBG GROUP was first listed on the Stockholm Stock Exchange's OTC list in 1987. Today the company is listed on Nasdaq OMX Nordic Exchange Small Cap, in the Industrials Sector. Following an upswing of 41 per cent in 2010, the VBG GROUP's Series B share has increased by 1,530 per cent since its initial listing in 1987.

The VBG GROUP's Series B share rose by 41 per cent during 2010, compared with an increase of 17 per cent for the Nasdaq OMX Nordic Exchange. The highest price was quoted on 14 October (SEK 111) and the lowest on 23 February (SEK 69). A total of 1,345,791 of the VBG GROUP's Series B shares were traded during the year, equivalent to a turnover rate of 12 (11) per cent. The VBG GROUP's market capitalisation at year-end was SEK 1.3 (0.9) billion.

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 2010 was 45 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 85 per cent, equivalent to an average annual return of 17.1 per cent. The Six Return Index, which measures total turnover on the Stockholm Stock Exchange, increased by 47 per cent during the same period. Since its initial listing in 1987, the VBG GROUP's Series B share has increased by 1,530 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 4,529 shareholders at year-end, a decrease compared with the same time last year. Of the total number of shares, 87.9 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 30 per cent of the profit has been distributed. The Board of Directors proposes that the 2011 Annual General Meeting resolve to increase the dividend to SEK 1.50 per share (0.50). The proposed dividend is equivalent to 34 per cent of the profit after tax.

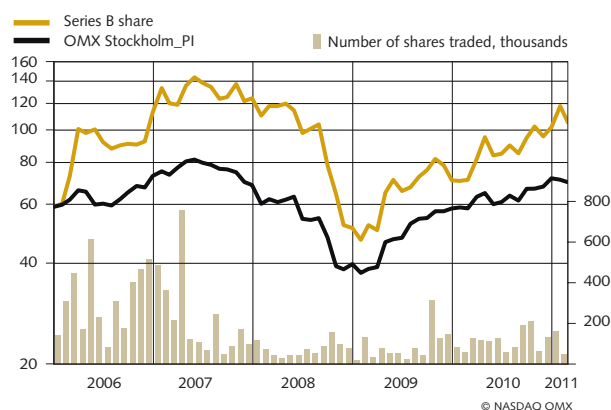
Contacts with the stock market

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 2010.

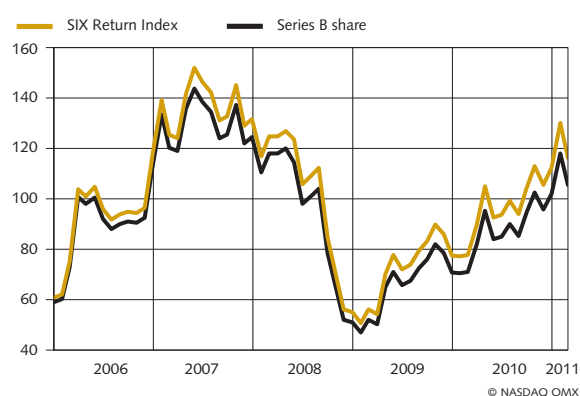
The annual report, year-end and interim reports are available at www.vbggroup.com. Also available there are press releases, presentation material from information meetings and information on which analysts regularly cover the VBG GROUP.

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 2010

Shareholders	Series A shares	Series B shares	Holding, per cent	Votes, per cent
Herman Krefting Foundation for Allergy and Asthma Research	408,700	4,053,464	32.58	34.67
Melker Schörling AB	0	1,137,135	8.30	4.84
Lannebo Micro Cap.	0	1,020,000	7.45	4.34
SEB Asset Management S A	0	951,847	6.95	4.05
Lannebo Småbolag Select	0	583,300	4.26	2.48
SLK Employees' Foundation	567,300	0	4.14	24.16
CBLDN-IF Skadeförsäkring AB	0	524,200	3.83	2.23
VBG-SLK Foundation	244,000	0	1.78	10.39
Lindtor Maskin AB	0	220,000	1.61	0.94
Didner & Gerge Småbolag	0	101,404	0.74	0.43
Total ten largest shareholders	1,220,000	8,591,350	71.65	88.54
Total other shareholders		2,690,674	19.65	11.46
Total number of registered shares	1,220,000	11,282,024	91.30	100.00
VBG GROUP AB, own holding		1,191,976	8.70	
Total number of registered shares	1,220,000	12,474,000	100.00	

Shareholder categories

30 Dec. 2010	Percentage of capital
Foreign shareholders	8.45
Swedish shareholders	91.55
Of which:	
Institutions	87.91
Private persons	12.09

Size of shareholdings

30 Dec. 2010	Number of shareholders	Percentage of capital
Number of shares		Stake per cent
< 500	3,691	3.31
500-5 000	759	8.71
> 5 000	79	87.98
Total	4,529	100.00

Shareholders in Sweden and abroad

30 Dec. 2010	Percentage of capital
Sweden	91.55
Other European countries	8.24
Rest of world	0.21

Data per share

	2010	2009	2008	2007	2006
Earnings/loss, SEK	4.46	-1.69	5.85	10.64	8.95
Dividend, SEK	1.50*)	0.50	1.00	2.50	2.00
Share price at year-end, SEK	102.00	70.75	51.00	124.50	113.00
P/E ratio	22.9	neg	8.7	11.7	12.6
Equity, SEK	45.22	47.59	53.17	42.62	32.54
Cash flow from operating activities, SEK	8.06	1.50	9.62	6.98	9.77
Dividend yield, %	1.47	0.71	1.96	2.01	1.77
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

SEK M	2010	2009	2008	2007	2006
Sales and earnings					
Net turnover	1,021.3	829.0	1,376.7	1,323.3	1,163.1
Operating profit/loss	68.6	-27.1	123.1	213.2	170.5
Profit/loss after financial items	82.4	-30.7	108.6	201.5	165.8
Profit margin, %	8.1	neg	7.9	15.2	14.3
Profit/loss after tax	55.7	-21.2	73.1	133.1	111.9
Financial position					
Balance sheet total	971.8	1 094.5	1 187.6	946.3	850.6
Capital employed	741.9	864.6	871.4	632.0	583.6
Return on capital employed, %	8.7	neg	16.1	34.0	29.8
Equity	565.3	595.0	664.7	532.9	406.8
Return on equity, %	9.6	neg	12.2	28.3	30.3
Risk-bearing capital	606.9	637.4	710.6	591.2	462.0
Risk-bearing capital ratio, %	62.5	58.2	59.8	62.5	54.3
Equity/assets ratio, %	58.2	54.4	56.0	56.3	47.8
Cash flow					
Cash flow before change in working capital	83.4	-36.8	146.6	146.3	167.6
Cash flow from operating activities	100.8	18.8	120.3	87.2	122.1
Cash flow from investing activities	-12.2	-41.7	-114.0	-16.6	-43.8
Cash flow from financing activities	-77.2	-5.1	12.2	-61.0	-103.4
Cash flow for the year	11.4	-28.0	18.5	9.6	-25.1
Data per share					
Earnings/loss, SEK	4:46	-1:69	5:85	10:64	8:95
Dividend, SEK	1:50*	0:50	1:00	2:50	2:00
Dividend yield, %	1.47	0.71	1.96	2.01	1.76
Other					
Average number of employees	432	445	432	422	411

* Proposed

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 2010, the company's 52nd year of operation.

INFORMATION ON THE BUSINESS

General

VBG GROUP AB (publ) in Vänersborg is the Parent Company of an international engineering group. The Group has wholly-owned subsidiaries in Sweden, Norway, Denmark, Germany, Belgium (with branch in the Netherlands), France, the UK, the Czech Republic, the USA and China (since January 2011). 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 and trailer industry and includes the brands VBG and Ringfeder for coupling equipment, Edscha Trailer Systems and Sesam for sliding roofs for trailers, 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 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 increased by 23 per cent to SEK 1,021.3 M (829.0), and the actual volume increase for the full year was 32 per cent after changes in exchange rates are taken into account.

Within the VBG GROUP TRUCK EQUIPMENT business area, the positive development of the market, lower production costs after the factory mergers carried out in 2009 and a general cost awareness contributed to the improvement in operating earnings. The industrial property in Houthalen, Belgium, was sold during the fourth quarter. The property had not been used since production of sliding roofs (Sesam) was moved to the factory in the Kamenice nad Lipou in the Czech Republic in 2009. The consolidated capital gain amounted to SEK 4.6 M.

The RINGFEDER POWER TRANSMISSION business area strengthened its position during the year in most of the market segments where it is active. Increased price pressure from competitors within certain product areas in combination with increased material costs put some pressure on the gross margins, but thanks to an increased sales volume the business area was able to more or less preserve its operating margin.

The consolidated operating profit increased to SEK 68.6 M (loss: 27.1) with a margin of 6.7 per cent (neg.), and the consolidated operating profit includes Group-wide overheads of SEK 12.6 M (13.0) that have not been allocated among the business areas.

The net interest expense for the full year was SEK 6.5 M, but the greatly strengthened Swedish krona had a positive effect on the Swedish companies' euro-denominated credits, resulting in a currency effect of SEK 20.3 M. Altogether, this resulted in a net financial income of SEK 13.8 M, and profit after financial items increased to SEK 82.4 M (loss: 30.7) with a margin of 8.1 per cent (neg.). Earnings per share after tax increased to SEK 4.46 (LPS: 1.69).

Return on capital employed was 8.7 per cent (neg.) and return on equity was 9.6 per cent (neg.). The Group's equity/assets ratio increased compared with the end of last year, amounting to 58.2 per cent (54.4).

VBG GROUP Group, SEK M	2010	4/10	3/10	2/10	1/10	2009	4/09	3/09	2/09	1/09
Net turnover	1,021.3	278.7	247.9	252.9	241.8	829.0	206.6	180.1	191.3	251.0
Operating profit/loss	68.6	20.1	18.6	13.9	16.0	-27.1 ¹⁾	-9.5	-21.2 ¹⁾	-11.3	14.9
Operating margin, %	6.7	7.2	7.5	5.5	6.6	neg	neg	neg	neg	5.9
Profit/loss after financial items	82.4	20.9	24.8	16.5	20.2	-30.7	-15.0	-18.3	-10.8	13.4
Profit margin, %	8.1	7.5	10.0	6.5	8.4	neg	neg	neg	neg	5.3
Profit/loss after tax	55.7	13.0	16.2	11.8	14.7	-21.2	-11.8	-12.2	-7.1	9.9
Earnings/loss per share, SEK	4.46	1.04	1.30	0.94	1.18	-1.69	-0.94	-0.97	-0.58	0.80
ROCE, % (cumulative)	8.7	8.7	8.0	7.2	7.7	neg	neg	neg	0.8	6.8
ROE, % (cumulative)	9.6	9.6	9.8	9.1	10.0	neg	neg	neg	0.8	5.9
Equity/assets ratio, %	58.2	58.2	55.7	54.6	54.3	54.4	54.4	55.2	56.1	54.8

1) Includes nonrecurring item of SEK -14 M

REPORT OF THE DIRECTORS

Turnover and Earnings, SEK M VBG GROUP TRUCK EQUIPMENT

	2010	4/10	3/10	2/10	1/10	2009	4/09	3/09	2/09	1/09
Net turnover	712.2	205.8	165.2	171.4	169.8	568.9	144.7	121.6	127.9	174.7
Operating profit/loss	39.7	17.1	9.0	5.3	8.3	-33.0¹⁾	-8.1	-17.6 ¹⁾	-12.9	5.6
Operating margin, %	5.6	8.3	5.4	3.1	4.9	neg	neg	neg	neg	3.2

1) Includes nonrecurring item of SEK -10.2 M

Turnover, SEK M Markets

	2010	4/10	3/10	2/10	1/10	2009	4/09	3/09	2/09	1/09
Sweden	159.0	45.2	34.2	40.2	39.4	129.0	32.2	25.2	30.3	41.3
Other Nordic countries	93.2	28.5	16.7	24.8	23.2	86.6	20.4	15.6	21.0	29.6
Germany	219.7	66.4	57.9	50.8	44.6	157.0	40.5	34.4	36.7	45.4
Other European countries	189.7	53.6	42.8	45.2	48.1	154.4	39.0	31.8	34.0	49.6
Rest of world	50.6	12.1	13.6	10.4	14.5	41.9	12.6	14.6	5.9	8.8
VBG GROUP TRUCK EQUIPMENT	712.2	205.8	165.2	171.4	169.8	568.9	144.7	121.6	127.9	174.7

VBG GROUP TRUCK EQUIPMENT

The market recovered slowly but surely in 2010 from the extremely low levels that prevailed during the last three quarters of 2009 in particular. Growth on the market became apparent early in the year in the trailer couplings product area. The trend for sliding roofs was much weaker, however, and it took until the middle of the fourth quarter before the market for sliding roofs reached volumes where this product area also reached its break-even level. Turnover for the full year in the business area increased by 25.2 per cent to SEK 712.2 M (568.9). Taking into account exchange rate changes, the actual volume increase was 33.5 per cent.

During the second half of the year, costs increased due to price increases on raw materials. These increases could not be fully passed on to the customer, but at year-end customers were advised of new prices starting in 2011.

The year also included two big trade fairs: Lastbil 2010 at Elmia in Sweden and the big international trade show for commercial vehicles, IAA, in Germany, where the business area participated with great success.

The operating profit was affected positively by the consolidated capital gain of SEK 4.6 M from the sale of the industrial property in Belgium, and the business area's operating profit for the full year was SEK 39.7 M (loss: 33.0) with an operating margin of 5.6 per cent (neg.).

Turnover and Earnings, SEK M RINGFEDER POWER TRANSMISSION

	2010	4/10	3/10	2/10	1/10	2009	4/09	3/09	2/09	1/09
Net turnover	309.1	72.9	82.7	81.5	72.0	260.1	61.9	58.5	63.4	76.3
Operating profit/loss	41.5	5.5	11.8	12.9	11.3	18.9¹⁾	1.8	-0.6 ¹⁾	5.3	12.4
Operating margin, %	13.4	7.5	14.3	15.8	15.7	7.3	2.9	neg	8.4	16.3

1) Includes nonrecurring item of SEK -3.7 M

Turnover, SEK M Markets

	2010	4/10	3/10	2/10	1/10	2009	4/09	3/09	2/09	1/09
Europe	129.9	29.6	35.1	30.6	34.6	115.6	27.9	27.0	26.9	33.8
North America	131.4	32.3	34.9	35.7	28.5	113.0	24.2	25.5	28.0	35.3
Rest of world	47.8	11.0	12.7	15.2	8.9	31.5	9.8	6.0	8.5	7.2
RINGFEDER POWER TRANSMISSION	309.1	72.9	82.7	81.5	72.0	260.1	61.9	58.5	63.4	76.3

RINGFEDER POWER TRANSMISSION

RINGFEDER POWER TRANSMISSION further strengthened its position during 2010 and took market shares on the geographic markets and in the product and application areas where they do business. After the relatively weak trend during the last three quarters of 2009 caused by the global financial crisis, a recovery and volume growth were noted already during the first quarter of 2010.

But keen price competition prevails within a few market segments, and RINGFEDER POWER TRANSMISSION had to contend with increased costs due to higher prices on raw materials during the second half of the year as well. A major reorganisation was carried out in December in the business area's North American operation, entailing management changes among other things.

During the fourth quarter an intensive process was also under way to prepare for the establishment of a new company in China in the city of Kunshan just outside Shanghai. The company will be responsible for the business area's sourcing, sales and distribution in China as well as for assembly of certain types of products, such as magnetic couplings. KUNSHAN RINGFEDER POWER TRANSMISSION CO. LTD. began doing business in January 2011.

As befits such a globally important and well renowned player, RINGFEDER POWER TRANSMISSION has a strong focus on product development and works single-mindedly to come up with commercially viable technical solutions. In September there was great interest in some very interesting and unique technical innovations the business area presented at the MOTEK trade fair in Stuttgart and at HUSUM WindEnergy in Husum, Germany.

Turnover for the full year surpassed SEK 300 M for the first time, amounting to SEK 309.1 M (260.1), an increase of 18.8 per cent. Taking exchange rate changes into account, the actual volume increase was 28.1 per cent.

Operating profit was slightly affected during the fourth quarter by extra costs for the changes in the USA and the establishment of the company in China, but operating profit for the year as a whole increased to SEK 41.5 M (18.9) with an operating margin of 13.4 per cent (7.3).

Tax expense

The year's tax expense was SEK 26.7 M (–9.5), of which current tax comprised SEK 30.0 M (7.6) and deferred tax comprised SEK –3.3 M (–17.1). The tax expense corresponds to a tax rate for the Group of 32.4 per cent (31.0).

Capital expenditures

The Group's capital expenditures during the year amounted to SEK 11.3 M (148.0, of which 95.7 pertained to the acquisition of the Gerwah Group). The industrial property in Houthalen, Belgium was sold at the end of the year for SEK 12.6 M, yielding a consolidated capital gain of SEK 4.6 M.

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 100.8 M (18.8). Capital expenditures during the year amounted to SEK 14.3 M (41.7), and after deduction for a partial payment for the sold property in Belgium the net cash flow from investing activities was SEK –12.2 M. The Group's total borrowings and current financial liability decreased during the year by a net of SEK 71.0 M. Dividends distributed to the shareholders amounted to SEK 6.2 M (12.5). Net cash flow during the year was thereby SEK 11.4 M (–28.0).

Profit after tax for the full year was SEK 55.7 M (loss: 30.7) and total translation differences amounted to SEK –79.1 M (–36.0), which added up to a comprehensive loss of SEK 23.4 M (loss: 57.2). As a result, equity declined to SEK 565.3 M (595.0) after dividends of SEK 6.2 M had been paid to the shareholders.

The equity/assets ratio increased during the year to 58.2 per cent (54.4).

Cash and cash equivalents amounted to SEK 46.1 M (37.7) at year-end, and there are unutilised credit facilities of SEK 67.6 M.

The Group's interest-bearing net debt decreased by SEK 105.8 M during the year, amounting to SEK 188.0 M at year-end (293.8).

The ratio of interest-bearing net debt to equity was 0.33 at 31 December 2010 (0.49 at 31 December 2009).

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

SEK M	2010	2009	2008	2007	2006
Sales and earnings					
Net turnover	1,021.3	829.0	1,376.6	1,323.3	1,163.1
Operating profit/loss	68.6	–27.1	123.1	213.2	170.5
Profit/loss after financial items	82.4	–30.7	108.6	201.5	165.8
Profit/loss after tax	55.7	–21.2	73.1	133.1	111.9
Financial position					
Balance sheet total	971.8	1,094.5	1,187.6	946.3	850.6
Equity	565.3	595.0	664.7	532.9	406.8
Risk-bearing capital	606.9	637.4	710.6	591.2	462.0
Equity/assets ratio, %	58.2	55.4	56.0	56.3	47.8
Risk-bearing capital ratio, %	62.5	58.2	59.8	62.5	54.3
Profitability					
Earnings/loss per share, SEK	4.46	–1.69	5.85	10.64	8.95
Return on capital employed, %	8.7	neg	16.1	34.0	29.8
Return on equity, %	9.6	neg	12.2	28.3	30.3
Profit margin, %	8.1	neg	7.9	15.2	14.3
Other					
Number of employees at year-end	437	466	436	426	400
Average number of employees	432	445	432	422	411

REPORT OF THE DIRECTORS

Personnel

On 31 December 2010 there were 437 employees (466) in the VBG GROUP, including 162 (155) in Sweden.

During 2010 the Group employed an average of 432 persons (445). Of these, 165 (145) were active in Sweden. The cost of salaries and social security contributions was SEK 250.4 M (269.6).

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 that 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 25.1 M during the year (23.3). The profit after dividends from Group companies and financial items amounted to SEK 59.0 M (32.2).

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 stands well equipped for 2011 and looks forward to continued growth, improved earnings and continuing the work of creating structural growth by acquisition.

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.

The Board of Directors held 6 (7) meetings during financial year 2010. 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 2010 Annual General Meeting appointed 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 review and gives his assessment of the company's internal control.

Guidelines for remuneration to senior officers

The 2010 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-related and based on the individual's responsibilities and performance. In addition to a fixed annual salary, variable remuneration that 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 2011 AGM resolve that the same guidelines for remuneration to senior officers that were adopted by the 2010 AGM shall apply.

The VBG GROUP share and shareholders

Earnings per share amounted to SEK 4.46 (LPS: 1.69). Equity per share at 31 December 2010 was SEK 45.22, compared with SEK 47.59 a year earlier.

The number of shareholders at year-end was 4,529 (4,871).

Proposed distribution of profits

In proposing the dividend, the Board of Directors has taken into account the Group's long-term development potential, financial position and investment needs. Bearing these factors in mind, the Board has decided to recommend that the AGM approve a dividend of SEK 1.50 per share (0.50).

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

Retained earnings	SEK 266,299,470
Net profit for the year	SEK 53,569,328
	SEK 319,868,798

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

Dividend to shareholders	SEK 18,753,036
Carried forward to new account	SEK 301,115,762
	SEK 319,868,798

CONSOLIDATED INCOME STATEMENT

SEK '000	Note	2010	2009
Net turnover	3	1,021,306	829,001
Cost of goods sold		-660,791	-547,545
Gross profit		360,515	281,456
Selling expenses		-185,245	-201,330
Administrative expenses		-87,127	-89,812
Research and development costs		-22,397	-22,208
Other operating income	4	7,541	7,901
Other operating expenses		-4,667	-3,059
		-291,895	-308,508
Operating profit/loss	5,6,7,8	68,620	-27,052
Result from financial items			
Exchange rate gains, net		20,270	4,239
Interest income		646	403
Other financial income		450	—
Interest expenses		-7,590	-8,260
Total result from financial items		13,776	-3,618
Profit/loss after financial items		82,396	-30,670
Tax on profit for the year	10	-26,692	9,493
Net profit/loss for the year		55,704	-21,177
Net profit/loss for the year attributable to Parent Company shareholders		55,704	-21,177
Earnings/loss per share, basic and diluted, SEK		4:46	-1:69
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/loss			
Profit/loss for the period		55,704	-21,177
Translation differences relating to foreign operations		-86,356	-41,226
Translation differences pertaining to hedge accounting for net investments in foreign operations		7,212	5,205
Other comprehensive income/loss, net after tax		-79,144	-36,021
Comprehensive income/loss for the year		-23,440	-57,198
Comprehensive income/loss for the year attributable to Parent Company shareholders		-23,440	-57,198

CONSOLIDATED BALANCE SHEET

SEK '000	Note	2010-12-31	2009-12-31
Assets			
Non-current assets			
Intangible assets	11		
Trademarks and other intellectual property		59,572	73,956
Goodwill		252,291	289,462
		311,863	363,418
Property, plant and equipment	12		
Land and buildings		83,552	104,224
Plant and machinery		73,893	86,054
Equipment, tools, fixtures and fittings		24,191	30,802
Construction in progress		270	1,743
		181,906	222,823
Deferred tax asset	14	8,379	11,063
Total non-current assets		502,148	597,304
Current assets			
Inventories	15		
Raw materials and consumables		83,742	103,958
Work in progress		39,535	44,670
Finished products and merchandise		112,444	154,329
		235,721	302,957
Current receivables			
Trade receivables	22	151,691	123,067
Tax assets		7,609	14,342
Other receivables		20,716	11,670
Deferred expenses and accrued income	16	7,828	7,474
		187,844	156,553
Cash and cash equivalents			
Short-term investments		459	459
Cash on hand and demand deposits		45,618	37,212
		46,077	37,671
Total current assets		469,642	497,181
Total assets		971,790	1,094,485

cont'd. Consolidated Balance Sheet

SEK '000	Note	2010-12-31	2009-12-31
Equity and liabilities			
Equity	17		
Share capital		34,235	34,235
Other contributed capital		32,111	32,111
Reserves regarding translation differences		-23,625	55,519
Retained earnings, incl. net profit for the year		522,611	473,158
Total equity		565,332	595,023
Non-current liabilities			
Provisions for pensions and similar obligations	19	100,339	101,189
Deferred tax liability	14	45,514	53,456
Other provisions	20	590	2,312
Liabilities to credit institutions	21	50,024	73,587
Total non-current liabilities		196,467	230,544
Current liabilities			
Overdraft facilities	23	68,352	106,786
Liabilities to credit institutions	21	15,393	49,962
Other provisions	20	2,111	3,642
Trade payables		54,242	36,266
Tax liabilities		10,040	4,198
Other liabilities		12,303	20,573
Accrued expenses and deferred income	24	47,550	47,491
Total current liabilities		209,991	268,918
Total equity and liabilities		971,790	1,094,485
Pledged assets	25	34,435	38,261
Contingent liabilities	26	839	788

CONSOLIDATED CHANGES IN EQUITY

SEK '000	Share capital	Contributed capital	Reserve regarding translation differences	Retained earnings	Total equity
Opening balance at 1/1 2009	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
Translation difference			-86,356		-86,356
Hedging of net investments			7,212		7,212
Revenue and expenses for the year recognised directly in equity			-79,144		-79,144
Net profit for the year				55,704	55,704
Total revenue and expenses for the year				55,704	55,704
Dividend				-6,251	-6,251
Total transactions with shareholders				-6,251	-6,251
Equity 12/31 2010	34,235	32,111	-23,625	522,611	565,332

CONSOLIDATED CASH FLOW STATEMENT

SEK '000	Note	2010	2009
Operating activities			
Operating profit/loss before financial items		68,620	-27,052
Depreciation/amortisation		36,492	36,943
Other items not affecting liquidity	28	1,189	-38,079
Interest received etc.		1,096	403
Interest paid		-6,045	-6,650
Tax paid		-17,915	-2,394
Cash flow before change in working capital		83,437	-36,829
Decrease/increase (-) in inventories		41,066	29,556
Decrease/increase (-) in trade receivables		-40,528	71,776
Decrease/increase (-) in other current receivables		86	17,714
Increase/decrease (-) in trade payables		19,617	-25,424
Increase/decrease (-) in other current liabilities		-2,887	-37,987
Cash flow from operating activities		100,791	18,806
Investing activities			
Investments in intangible assets	28	-2,145	-720
Investments in property, plant and equipment		-12,154	-51,639
Acquisition of subsidiary after deduction for acquired cash and cash equivalents		—	-74,278
Advance payment for acquisition		—	84,893
Sales of property, plant and equipment		2,097	—
Cash flow from investing activities		-12,202	-41,744
Financing activities			
Borrowings/repayment of loans		-70,967	7,436
Dividend paid		-6,251	-12,502
Cash flow from financing activities		-77,218	-5,066
Cash flow for the year		11,371	-28,004
Cash and cash equivalents at start of year		37,671	68,023
Translation difference, cash and cash equivalents		-2,965	-2,348
Cash and cash equivalents at year-end	28	46,077	37,671
Unutilised overdraft facilities		67,668	43,450
Total cash and cash equivalents available		113,745	81,121
Change in net debt			
Interest-bearing liabilities and provisions		234,108	331,524
Cash on hand, demand deposits and short-term investments		-46,077	-37,671
Net debt		188,031	293,853
Change in interest-bearing net debt		-105,822	92,730

PARENT COMPANY INCOME STATEMENT

SEK '000	Note	2010	2009
Net turnover		25,149	23,338
Gross profit		25,149	23,338
Selling expenses		-6,731	-5,913
Administrative expenses		-23,696	-22,219
Other operating expenses		-2,729	-3,075
		-33,156	-31,207
Operating profit/loss	5,6,7	-8,007	-7,869
Income from financial items			
Dividends from interests in subsidiaries		43,774	35,575
Exchange rate gains, net		25,514	9,613
Interest income		660	253
Other financial income		450	—
Interest expenses		-3,422	-5,417
Total income from financial items		66,976	40,024
Profit after financial items		58,969	32,155
Appropriations	9	-1,966	1,883
Tax on profit for the year	10	-3,434	-52
Net profit and total comprehensive profit for the year		53,569	33,986

PARENT COMPANY BALANCE SHEET

SEK '000	Note	2010-12-31	2009-12-31
Assets			
Non-current assets			
Intangible assets			
Trademarks and other intellectual property	11	16,306	18,366
		16,306	18,366
Property, plant and equipment	12		
Land and buildings		7,937	8,616
Equipment, tools, fixtures and fittings		40	51
		7,977	8,667
Long-term investments			
Interests in Group companies	13	572,719	563,439
		572,719	563,439
Total non-current assets		597,002	590,472
Current assets			
Current receivables			
Receivables from Group companies		81,942	117,094
Tax assets		—	631
Other receivables		2,462	151
Deferred expenses and accrued income	16	1,222	1,029
		85,626	118,905
Cash and cash equivalents			
Short-term investments		459	459
Cash on hand and demand deposits		12,137	9,375
		12,596	9,834
Total current assets		98,222	128,739
Total assets		695,224	719,211

SEK '000	Note	2010-12-31	2009-12-31
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		266,299	238,564
Net profit/loss for the year		53,569	-33,986
		319,868	272,550
Total equity		407,352	360,034
Untaxed reserves	18	28,755	26,789
Provisions			
Provisions for pensions, PRI	19	8,656	7,977
Total provisions		8,656	7,977
Non-current liabilities			
Loans		18,004	31,059
Total non-current liabilities		18,004	31,059
Current liabilities			
Overdraft facilities		68,353	106,787
Trade payables		743	1,039
Liabilities to subsidiaries		144,689	138,223
Loans		9,002	41,412
Other current liabilities		1,619	2,066
Tax liability		2,400	—
Accrued expenses and deferred income	24	5,651	3,825
Total current liabilities		232,457	293,352
Total equity and liabilities		695,224	719,211
Pledged assets		None	None
Contingent liabilities	26	54,199	60,009

PARENT COMPANY CHANGES IN EQUITY

SEK '000	Note	Share capital	Statutory reserve	Non-restricted equity	Total equity ¹
Equity 1/1 2009	17	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
Net profit for the year				53,569	53,569
Dividend				-6,251	-6,251
Equity 12/31 2010		34,235	53,249	319,868	407,352

PARENT COMPANY CASH FLOW STATEMENT

SEK '000 TSEK	2010	2009
Operating activities		
Operating loss before financial items	-8,007	-7,869
Depreciation/amortisation	3,232	3,571
Other items not affecting liquidity	260	39
Interest received	1,110	253
Dividend received	43,774	35,575
Interest paid	-3,003	-5,114
Tax paid	-403	-505
Cash flow before change in working capital	36,963	25,950
Decrease/increase (-) in other current receivables	32,648	-73,500
Increase/decrease (-) in trade payables	-296	-3,825
Increase/decrease (-) in other current liabilities	7,845	31,218
Cash flow from operating activities	77,160	-20,157
Investing activities		
Investments in subsidiaries	-9,280	-71,972
Advance payment for acquisition	—	84,893
Investments in intangible assets	-482	-257
Cash flow from investing activities	-9,762	12,664
Financing activities		
Dividend paid	-6,251	-12,502
Borrowings/repayment of loans	-5,843	-40,285
Increase/decrease in current financial liabilities	-70,844	55,754
Exchange rate differences	18,302	4,408
Cash flow from financing activities	-64,636	7,375
Cash flow for the year	2,762	-118
Cash and cash equivalents at start of year	9,834	9,952
Cash and cash equivalents at year-end	12,596	9,834
Unutilised overdraft facilities	67,667	42,743
Total cash and cash equivalents available	80,263	52,577

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, the USA and China (as from January 2011). 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 Vänersborg, 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 policies

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 Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1 are applied. The financial statements have been prepared in accordance with the cost method, except with regard to available-for-sale financial assets and financial assets and liabilities (including derivative instruments) measured at fair value through profit or loss.

Parent Company accounting policies

The Parent Company has prepared its annual report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Under RFR 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 Accounts Act and taking into account the relationship between accounting and taxation. The recommendation stipulates what exceptions and additions should be made with respect to the IFRSs. The Parent Company's accounting policies are unchanged from last year. If differences exist between the consolidated and the Parent Company accounting policies, 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 2010

The following new and revised standards are compulsory for the financial year beginning 1 January 2010.

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, "Consolidated and Separate Financial Statements", IAS 28, "Investments in Associates", and IAS 31, "Interests in Joint Ventures".

New and revised standards, and interpretations to be applied for the first time for the financial year beginning 1 January 2010 but are not currently relevant for the Group

- IFRIC 9 and IAS 39 (amendment), "Embedded Derivatives".
- IFRIC 16 (amendment), "Hedges of a Net Investment in a Foreign Operation."
- IFRIC 17, "Distributions of Non-cash Assets to Owners."
- IFRIC 18, "Transfers of Assets from Customers."
- IAS 1 (amendment), "Presentation of Financial Statements."
- IAS 36 (amendment), "Impairment of Assets."
- IAS 38 (amendment), "Intangible assets."
- IFRS 2 (amendment), "Group Cash-Settled and Share-Based Payment Transactions."
- IFRS 5 (amendment), "Non-current Assets Held for Sale and Discontinued Operations."

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

IFRS 7 (amendment), "Financial Instruments: Disclosures" and IAS 34 (amendment), "Interim Financial Reporting"

Will entail greater disclosures but will not affect the consolidated accounts.

IFRS 9, "Financial Instruments" (applies to financial years beginning on or after 1 January 2013)

IFRS 9 will probably not 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. IAS 24 (revised), IAS 32 (amendment), IFRIC 13 (amendment), IFRIC 14 (amendment) and IFRIC 19.

Consolidated accounts

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

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

Note 1 cont'd

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 policies for subsidiaries have been changed where applicable in order to guarantee a consistent application of the Group's policies.

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 operates. 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, in which case 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 net realisable 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 FAR's recommendation no. 4. The Parent Company has pledged defined-benefit pensions to its employees. The present value of these commitments to pay pensions in the future is calculated according to actuarial principles. The obligations are recognised as a provision in the Balance Sheet. The interest portion of the year's pension expense is recognised among financial expenses. Other pension expenses are charged to the operating profit.

Further details, including information on essential actuarial assumptions, are given in Note 19.

Note 1 cont'd

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 determine 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 projects for development and testing of new or improved products is capitalised as an intangible asset to the extent that this expenditure is expected to generate future economic benefits and the cost of the asset can be determined 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 itself to purchase or sell 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 Accounts 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.

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" refers 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 2010. 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" refers 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 45 M. However, price increases can be passed on to the customers to some degree. Price agreements with the Group's raw material suppliers normally extend over six months. In times of scarcity or large price increases, however, there is a risk that suppliers will fail to honour these agreements. The VBG GROUP strives to establish long-term relationships with its suppliers in order to ensure continued deliveries during times of shortage.

Technical advances

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

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

The Group's costs for research and development amounted to 2 per cent of turnover in 2010.

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 pro-

Note 2 cont'd

tected 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 unit in Vänersborg is 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 a large portion of Group sales in this segment, which helps dampen the fluctuations. The Group's presence on 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 190 M. 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 9 M, while the effect of an equivalent change between USD and SEK is approximately SEK 8 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 53 M and borrowing to EUR 3 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 152 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 2010, the unutilised credits amount to SEK 68 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 2010 the equity/assets ratio was 58 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 mechanical power transmission (shaft-hub connections) and energy and shock absorption (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 areas consist primarily of property, plant and equipment, intangible assets, inventories and receivables, but exclude cash and securities. Liabilities consist of operating liabilities but not tax. Investments consist of purchases of property, plant and equipment and intangible assets.

	VBG GROUP TRUCK EQUIPMENT	RINGFEDER POWER TRANSMISSION	Group-wide	Group
Financial year 2010				
External sales	712.2	309.1	—	1 021.3
Operating profit/loss	39.7	41.5	-12.6	68.6
Financial expenses	—	—	-7.6	-7.6
Financial income	—	—	21.4	21.4
Tax expense for the year	—	—	-26.7	-26.7
Net profit/loss for the year	39.7	41.5	-25.5	55.7
Other disclosures				
Non-current assets	398.0	94.9	9.2	502.1
Current assets	282.5	129.8	11.3	423.6
Cash and cash equivalents	—	—	46.1	46.1
Assets	680.5	224.7	66.6	971.8
Non-current liabilities	104.8	16.0	75.7	196.5
Current liabilities	86.4	27.3	96.3	210.0
Liabilities	191.2	43.3	172.0	406.5
Capital expenditures	8.9	2.3	0.5	11.7
Depreciation/amortisation	-30.7	-5.8	—	-36.5
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

Note 3 cont'd.

Sales per geographical area	2010			2009		
	VBG GROUP TRUCK EQUIPMENT	RINGFEDER POWER TRANSMISSION	Group	VBG GROUP TRUCK EQUIPMENT	RINGFEDER POWER TRANSMISSION	Group
Sweden	159.0	4.2	163.2	129.0	4.2	133.2
Other Nordic countries	93.2	1.9	95.1	86.6	2.3	88.9
Germany	219.7	90.2	309.9	157.0	84.0	241.0
Other European countries	189.7	33.6	223.3	154.4	25.1	179.5
North America	0.1	131.4	131.5	1.4	113.0	114.4
Rest of world	50.5	47.8	98.3	40.5	31.5	72.0
Total	712.2	309.1	1 021.3	568.9	260.1	829.0

Note 4 Other operating income

	Group	
	2010	2009
Royalty income	1,277	2,989
Rental/service income	411	2,829
Capital gain on property, plant and equipment	4,815	322
Other	1,038	1,761
Total	7,541	7,901

Note 5 Salaries, other remuneration and social security contributions

	2010		2009	
	Salaries and other remuneration	Social security contributions (of which pension costs)	Salaries and other remuneration	Social security contributions (of which pension costs)
Parent Company	12,378	7,444 (2,642)	10,284	7,587 (3,769)
Subsidiaries	170,929	59,636 (12,250)	192,122	59,566 (13,048)
Group	183,307	67,080 (14,892)	202,406	67,153 (16,817)

Note 5 cont'd.

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

	2010		2009	
	Board and MD (of which bonuses etc.)	Other employees	Board and MD (of which bonuses etc.)	Other employees
Parent Company in Sweden	3,877 (685)	8,501	3,225 (—)	7,059
Subsidiaries in Sweden	— (—)	57,688	— (—)	49,946
Subsidiaries abroad				
Denmark	981 (41)	1,947	2,167 (—)	2,339
Norway	1,169 (95)	2,243	1,057 (—)	2,167
France	—	2,063	—	2,022
England	—	1,536	—	1,657
Belgium	—	7,715	—	11,095
Czech Republic	—	10,209	—	8,646
USA	3,143 (2,631)	13,932	1,837 (1,263)	13,761
Germany	2,211 (630)	65,760	2,102 (372)	93,031
India	—	331	—	295
Total foreign subsidiaries	7,504 (3,397)	105,736	7,163 (1,635)	135,013
Group total	11,381 (4,082)	171,925	10,388 (1,635)	192,018

Average number of employees	2010		2009	
	Number of employees	Of whom men	Number of employees	Of whom men
Parent Company				
Sweden	8	7	8	7
Total in Parent Company	8	7	8	7
Subsidiaries				
Sweden	157	134	138	116
Norway	5	1	4	4
Denmark	5	5	6	6
France	4	4	4	4
Belgium	23	15	23	16
England	4	3	4	3
Czech Republic	86	61	55	41
USA	20	15	23	17
Germany	117	88	177	138
India	3	3	3	3
Total in subsidiaries	424	329	437	348
Group total	432	336	445	355

At year-end the Group had 437 employees (466).

Note 5 cont'd.

Sickness absence

Percentage	Group		Swedish companies	
	2010	2009	2010	2009
Total sickness absence as a percentage of regular working hours	3.2	4.1	4.5	3.9
Percentage of total sickness absence related to continuous sick leave of 60 days or more	41.2	39.8	43.5	39.0

Sickness absence as percentage of regular working hours by gender

Percentage	Group		Swedish companies	
	2010	2009	2010	2009
Men	2.8	3.0	3.9	3.0
Women	0.5	1.1	0.6	0.9

Sickness absence as percentage of regular working hours by age group

Percentage	Group		Swedish companies	
	2010	2009	2010	2009
29 years or younger	0.4	0.3	0.6	0.4
30 – 49 years	1.8	2.3	2.3	2.5
50 years or older	1.2	1.5	1.6	1.0

Board of Directors and senior officers

Group (incl. subsidiaries)	2010		2009	
	Number on closing date	Of whom men	Number on closing date	Of whom men
Board members	18	17	18	17
Managing directors and other senior officers	30	26	29	26

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.

Parent Company	2010		2009	
	Number on closing date	Of whom men	Number on closing date	Of whom men
Board members	8	7	8	7
Managing directors and other senior officers	7	7	6	6

Remuneration to senior officers

In accordance with a resolution by the 2010 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 11 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 may 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. The Managing Director can set aside 26 per cent of his fixed salary in pension provisions. 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 2010 has been determined by the Compensation Committee. Compensation to other senior officers has been determined by the Managing Director in consultation with the Compensation Committee.

Related party disclosures

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

	Fees/basic salary	Variable	Other benefits	Pension cost	Total
Chairman Peter Hansson	140	20	—	—	160
Director Hans-Göran Persson	105	20	—	—	125
Director Johnny Alvarsson	120	20	—	—	140
Director Staffan Ekelund	105	20	—	—	125
Director Helene Richmond	95	15	—	—	110
MD Anders Birgersson	2,530	685	96	717	4,028
Other senior officers (11 persons)	11,424	4,012	845	2,087	18,368
Total (17 persons)	14,519	4,792	941	2,804	23,056

Note 6 Fees and cost reimbursement paid to auditor

	Group		Parent Company	
	2010	2009	2010	2009
PwC				
Auditing assignments	2,043	2,153	276	329
Auditing activities other than auditing assignments	575	459	304	379
Tax advice	1,027	446	74	149
Other services	1,068	1,887	572	1,390
	4,713	4,945	1,226	2,247

Note 7 Depreciation/amortisation

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

	Group		Parent Company	
	2010	2009	2010	2009
Cost of goods sold	22,478	20,438	—	—
Selling expenses	9,057	10,094	658	651
Administrative expenses	4,444	5,899	—	—
Research and development costs	513	512	—	—
Other operating expenses	—	—	2,574	2,920
Total depreciation/amortisation	36,492	36,943	3,232	3,571

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

	Group		Parent Company	
	2010	2009	2010	2009
Trademarks	5,747	6,368	1,884	1,884
Computer software	1,953	2,238	658	651
Land and buildings	4,697	4,645	679	1,027
Plant and machinery	16,487	15,225	—	—
Equipment, tools, fixtures and fittings	7,608	8,467	11	9
Total depreciation/amortisation	36,492	36,943	3,232	3,571

The Parent Company's depreciation for buildings is included in the market-related 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

	Group	
	2010	2009
Direct material incl. change in inventories	488,863	335,791
Employee benefits	250,387	268,287
Depreciation/amortisation	36,492	36,943
Other expenses	179,818	219,874
Total operating expenses	955,560	860,895

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

Note 9 Appropriations

	Parent Company	
	2010	2009
Difference between book depreciation and depreciation according to plan	2,284	1,833
Change in tax allocation reserve	-4,250	50
Total	-1,966	1,883

Note 10 Tax on profit for the year

	Group		Parent Company	
	2010	2009	2010	2009
Current tax				
Swedish companies	-11,240	-476	-3,434	-52
Foreign companies	-18,808	-7,093	—	—
Deferred tax				
Swedish companies	1,343	2,734	—	—
Foreign companies	2,013	14,328	—	—
Total	-26,692	9,493	-3,434	-52

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 (30) and the actual tax expense consists of the following items:

	Group	
	2010	2009
Reported profit/loss before tax	82,396	-30,670
Tax	-30,028	9,201
Non-deductible expenses, Sweden	-57	-108
Non-taxable revenue, Swedish companies	118	—
Non-taxable revenue, foreign companies	2,875	—
Imputed income, tax allocation reserve	-375	-371
Other	775	771
Total tax	-26,692	9,493

Note 11 Intangible assets

	Group		Parent Company	
	2010	2009	2010	2009
Trademarks and other intellectual property				
Opening cost	119,600	106,512	32,097	31,840
Purchases during the year	2,145	720	482	257
Acquired subsidiaries	—	18,169	—	—
Retirement	-99	—	—	—
Translation differences	-13,335	-5,801	—	—
Closing accumulated costs	108,311	119,600	32,579	32,097
Opening amortisation	-45,644	-38,658	-13,731	-11,196
Amortisation for the year	-7,700	-8,606	-2,542	-2,535
Retirement	86	—	—	—
Translation differences	4,519	1,620	—	—
Closing accumulated amortisation	-48,739	-45,644	-16,273	-13,731
Closing balance	59,572	73,956	16,306	18,366
Of which trademark	55,641	69,904	15,446	17,330

Note 11 cont'd.

Goodwill	Group	
	2010	2009
Opening cost	289,462	257,272
Acquired subsidiaries	—	48,628
Translation differences	-37,171	-16,438
Closing balance	252,291	289,462

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

	Group	
	2010	2009
VBG GROUP TRUCK EQUIPMENT	204,543	235,241
RINGFEDER POWER TRANSMISSION	47,748	54,221
Book value	252,291	289,462

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 2011 budget and forecasts up to 2013. During 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 2013. 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 not 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	
	2010	2009	2010	2009
Opening costs	144,877	91,659	33,669	33,669
Purchases during the year	919	31,479	—	—
Retirements	-11,212	—	—	—
Acquired subsidiaries	—	25,684	—	—
Reclassification	—	436	—	—
Translation differences	-9,287	-4,381	—	—
Closing accumulated costs	125,297	144,877	33,669	33,669
Opening depreciation	-40,654	-36,952	-25,053	-24,026
Retirements	1,986	—	—	—
Depreciation for the year	-4,697	-4,645	-679	-1,027
Translation differences	1,620	943	—	—
Closing accumulated depreciation	-41,745	-40,654	-25,732	-25,053
Closing balance	83,552	104,223	7,937	8,616
Book value, real estate in Sweden	7,937	8,616	7,937	8,616
Tax assessment values, real estate in Sweden	33,057	32,792	33,057	32,792

Plant and machinery	Group		Parent Company	
	2010	2009	2010	2009
Opening cost	211,775	194,144	21,181	23,516
Purchases during the year	4,722	50,222	—	—
Acquired subsidiaries	—	1,759	—	—
Sales and retirements	-11,856	-32,565	-1,026	-2,335
Reclassification	405	55	—	—
Translation differences	-813	-1,840	—	—
Closing accumulated costs	204,233	211,775	20,155	21,181
Opening depreciation	-120,324	-134,734	-21,181	-23,516
Sales and retirements	11,732	28,148	1,026	2,335
Depreciation for the year	-16,487	-15,225	—	—
Reclassification	—	—	—	—
Translation differences	136	1,487	—	—
Closing accumulated depreciation	-124,943	-120,324	-20,155	-21,181
Impairment losses in 2001	-5,397	-5,397	—	—
Closing balance	73,893	86,054	0	0

The item "Plant and equipment" includes assets held by the Group under finance leases valued at a cost of SEK 38,261 thousand (38,261). The leased assets were depreciated during the year by SEK 3,826 thousand (0), and the closing balance amounts to SEK 34,435 thousand (38,261). The lease period is seven years.

Note 12 cont'd

Equipment, tools, fixtures and fittings	Group		Parent Company	
	2010	2009	2010	2009
Opening cost	108,371	108,560	11,778	11,845
Purchases during the year	3,205	6,987	—	—
Acquired subsidiaries	—	1,463	—	—
Sales and retirements	-8,072	-5,962	-30	-67
Reclassification	693	145	—	—
Translation differences	-6,021	-2,822	—	—
Closing accumulated costs	98,176	108,371	11,748	11,778
Opening depreciation	-71,929	-69,275	-11,727	-11,785
Sales and retirements	7,027	3,945	30	67
Depreciation for the year	-7,608	-8,467	-11	-9
Translation differences	4,164	1,868	—	—
Closing accumulated depreciation	-68,346	-71,929	-11,708	-11,727
Impairment losses in 2001	-5,639	-5,639	—	—
Closing balance	24,191	30,803	40	51

Construction in progress	Group	
	2010	2009
Opening balance	1,743	9,488
Purchases during the year	270	1,191
Reclassification	-1,098	-8,446
Translation difference	-645	-490
Closing balance	270	1,743

Note 13 Interests in Group companies, changes in book values

Interests in Group companies	Parent Company	
	2010	2009
Opening cost	563,439	491,467
Acquisition of subsidiaries	—	71,972
New share issue	9,280	—
Closing balance	572,719	563,439

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, England	100	100	130
ONSPOT E.U.R.L., France	100	100	68
VBG GROUP ETES NV, Belgium	100	100	151,986
VBG GROUP TRUCK EQUIPMENT NV, Belgium	100	100	28,278
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	
RINGFEDER POWER TRANSMISSION S.R.O., Czech Republic	100	100	
RINGFEDER POWER TRANSMISSION USA CORPORATION, USA	100	100	35,995
Total			572,719

Note 13 cont'd

Corporate identity numbers and domiciles of Group companies	Corp. ID No.	Domicile
VBG GROUP TRUCK EQUIPMENT AB	556229-6573	Vänersborg, Sweden
VBG GROUP SALES AS		Oslo, Norway
VBG GROUP SALES A/S		Ejby, Denmark
VBG GROUP SALES LTD		Warrington, England
ONSPOT E.U.R.L.		Montoy-Flanville, France
VBG GROUP ETES NV		Beringen, Belgium
VBG GROUP TRUCK EQUIPMENT AB		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
RINGFEDER POWER TRANSMISSION S.R.O.		Dobraný, Czech Republic

Note 14 Deferred tax liabilities/assets

Deferred tax assets	Group		Parent Company	
	2010	2009	2010	2009
Deferred tax asset on increase of pension liability	9,631	8,246	—	—
Other temporary differences	617	908	—	—
Deferred tax asset on tax-loss carryforward	8,903	13,241	—	—
Total tax assets, gross	19,151	22,395	—	—

Deferred tax liabilities	Group		Parent Company	
	2010	2009	2010	2009
Deferred tax liabilities relating to tax allocation reserves	18,094	16,319	3,445	2,328
Deferred tax liabilities relating to difference between book values of assets and residual values for tax purposes	38,192	48,469	4,117	5,244
Total tax liabilities, gross	56,286	64,788	7,562	7,572

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

	Group		Parent Company	
	2010	2009	2010	2009
Recognised deferred tax liabilities	-45,514	-53,456	-7,562	-7,572
Recognised deferred tax assets	8,379	11,063	—	—
Deferred tax liabilities, net	-37,135	-42,393	-7,562	-7,572

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

Note 15 Inventories

Inventories	Group	
	2010	2009
VBG GROUP TRUCK EQUIPMENT		
Raw materials and consumables	68,108	82,757
Semi-finished products and work in progress	30,769	34,616
Finished products and merchandise	47,117	67,516
Total inventories VBG GROUP TRUCK EQUIPMENT	145,994	184,889
RINGFEDER POWER TRANSMISSION		
Raw materials and consumables	15,634	21,201
Semi-finished products and work in progress	8,766	10,054
Finished products and merchandise	65,327	86,813
Total inventories RINGFEDER POWER TRANSMISSION	89,727	118,068
Total	235,721	302,957

Impairment of inventories due to obsolescence amounts to SEK 38,352 thousand (34,256), divided between VBG GROUP TRUCK EQUIPMENT at SEK 17,232 thousand (16,773) and RINGFEDER POWER TRANSMISSION at SEK 21,120 thousand (17,483).

Note 16 Deferred expenses and accrued income

	Group		Parent Company	
	2010	2009	2010	2009
Prepaid lease payments	216	234	143	113
Accrued royalty	134	595	134	595
Insurance premiums paid in advance	1,026	783	561	97
Service charges paid in advance	1,945	2,180	12	—
Advance payment, stock exchange expenses	48	48	48	48
Advance payment, marketing activities	166	170	—	—
Credit charges	324	—	324	—
Accrued income	1,226	—	—	—
Other items	2,743	3,464	—	176
Total	7,828	7,474	1,222	1,029

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 acquisitions during the period up until the next AGM in 2003. This authorisation was extended at the AGMs in 2003, 2004, 2005, 2006, 2007, 2008, 2009 and 2010 until the next AGM (2011). 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	
	2010	2009
Accumulated difference between book depreciation/amortisation and depreciation/amortisation in excess of plan	15,655	17,939
Tax allocation reserves	13,100	8,850
Total	28,755	26,789

Note 19 Provisions for pensions and similar obligations

Parent Company	2010	2009
Provisions in accordance with Swedish Act on Safeguarding of Pension Obligations		
FPG/PRI pensions	8,656	7,977
Group		
Provisions in accordance with IAS 19		
Defined-benefit pension plans	100,339	101,189

Defined-benefit pension plans

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

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

	Sweden	Germany	Other countries	31/12 2010 Total	31/12 2009 Total
Present value of funded obligations			29,038	29,038	27,980
Fair value of plan assets			-20,682	-20,682	-19,027
			8,356	8,356	8,953
Present value of unfunded obligations	44,931	50,545		95,476	107,578
Total obligation	44,931	50,545	8,356	103,832	116,531
Unrecognised actuarial gains (+) and losses (-)	-2,121	-445	-927	-3,493	-15,342
Net liability in Balance Sheet	42,810	50,100	7,429	100,339	101,189

Amounts recognised in the Consolidated Income Statement for pensions

	Group	
	2010	2009
Current service costs	4,989	5,007
Interest expense	5,936	5,968
Expected return on plan assets	-933	-918
Actuarial gains (+) and losses (-) recognised last year	2,100	1,058
Service costs for previous years	—	—
Costs for defined-benefit plans	12,092	11,115
Costs for defined-contribution plans	4,734	7,312
Total costs recognised in the Income Statement	16,826	18,427
Of which		
Amount charged to operating profit	14,892	16,817
Amount charged to financial expenses	1,934	1,610
Total costs recognised in the Income Statement	16,826	18,427

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

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

	Group	
	2010	2009
Net liability at beginning of year according to adopted Balance Sheet	101,189	97,964
Net cost recognised in Income Statement	12,092	11,115
Benefit payments	-3,655	-3,725
Contributions to funded plans	-1,501	-799
Exchange rate differences on foreign plans	-7,786	-3,366
Net liability at year-end	100,339	101,189

Actuarial assumptions regarding significant defined-benefit pension plans

Percentage	2010		2009	
	Sweden	Germany	Sweden	Germany
Discount rate	4.9	5.25	3.8	5.5
Future annual salary increases	2.5	2.0	2.5	2.0
Inflation rate	2.0	2.0	2.0	2.0

The discount rate in Sweden for 2010 is based on the interest rate for mortgage bonds with a comparable maturity.

Note 20 Other provisions

	Group	
	2010	2009
Warranty obligations	590	2,312
Restructuring reserve	2,111	3,642

Restructuring reserve

A decision was made in 2008 to concentrate the operations in VBG GROUP TRUCK EQUIPMENT in Vänersborg and to discontinue the manufacture of Ringfeder trailer couplings in Krefeld. The reserve originally amounted to SEK 46 M.

Warranty obligations

The products sold by the VBG GROUP are covered by warranties that are valid for a predetermined period.

Provisions for such product warranties are based on historical data plus 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 65,417 thousand (123,579). Most of the loans are in EUR.

Of the loans, one loan of SEK 27,006 thousand is directly linked to the acquisition made in 2009. The translation differences on this loan are posted to equity to the extent it hedges net assets in EUR.

Certain machinery investments in Vänersborg have been financed via finance leases; SEK 30,510 thousand (38,258) of the loans are such loans.

Of the loans, SEK 15,393 thousand (49,962) fall due within one year. Loans of another SEK 30,608 thousand (59,925) fall due within two to five years. Loans of SEK 10,245 thousand (13,662) 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	65,417	15,932	31,675	9,472	10,552	67,631
Overdraft facilities	68,353	69,720	—	—	—	69,720
Trade payables	54,242	54,242	—	—	—	54,242
Total	188,012	139,894	31,675	9,472	10,552	191,593

Note 22 Trade receivables

	Group	
	2010	2009
Trade receivables not due	118,661	42,097
Trade receivables due in 0–3 months	30,537	73,676
Trade receivables due in more than 3 months	9,161	14,496
Reserve for doubtful debts	–6,668	–7,202
Recognised trade receivables	151,691	123,067

Note 23 Bank overdraft facilities

The Group has overdraft facilities amounting to SEK 136,020 thousand (150,236), of which the amount utilised is SEK 68,352 thousand (106,786). The interest rate on the overdraft facilities is 1.6 per cent.

Note 24 Accrued expenses and deferred income

	Group		Parent Company	
	2010	2009	2010	2009
Special payroll tax	4,772	3,772	850	365
Accrued personnel costs	28,951	29,740	4,436	2,884
Accrued audit fees	1,482	2,141	125	300
Commissions and sales support	3,044	2,040	—	—
Accrued rental costs	459	—	—	—
Energy costs	142	136	—	—
Yield tax	136	159	37	44
Property tax	165	164	165	164
Severance pay, personnel	2,631	528	—	—
Other items	5,768	8,811	38	68
Total	47,550	47,491	5,651	3,825

Note 25 Pledged assets

	Group	
	2010	2009
Leased machines	34,435	38,261
Total pledged assets	34,435	38,261

Note 26 Contingent liabilities

	Group		Parent Company	
	2010	2009	2010	2009
Guarantees for the benefit of subsidiaries	—	—	53,826	59,649
Other	839	788	373	360
Total contingent liabilities	839	788	54,199	60,009

Note 27 Leases

	Group	
	2010	2009
Operating leases		
Property leases, current rental payments	8,513	7,226
Group total	8,513	7,226

Property leases pertain to factory and office properties in foreign subsidiaries. Remaining payments on leases in effect at year-end amount to SEK 16.2 M, of which SEK 8.9 M will fall due for payment in 2011 and SEK 0.4 M will fall due after 2013.

Note 28 Consolidated Cash Flow Statement

Other items not affecting liquidity in operating activities	2010	2009
Change in provisions	4,263	-39,814
Capital gain on sales of property, plant and equipment	-4,581	—
Interest element of pension expense	-1,545	-1,610
Other items	3,052	3,345
Total	1,189	-38,079
Acquisition of non-current assets	Intangible assets	Property, plant and equipment
Capital expenditures during the year (Notes 11 and 12)	-2,145	-9,116
Finance leases	—	-3,038
Effect of capital expenditures on cash and cash equivalents	-2,145	-12,154
		2010
Cash and cash equivalents		
Cash on hand and demand deposits		45,618
Short-term investments		459
Cash and cash equivalents		46,077

Short-term investments in the Balance Sheet totalled SEK 459 thousand, of which SEK 0 comprised non-negotiable receivables with a maturity of more than three months and investments in shares. Credit facilities granted but not utilised amounted to SEK 67,668 thousand (43,450) at year-end.

Note 29 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).

Financial statements will be submitted to the Annual General Meeting on 3 May 2011 for adoption.

The undersigned ensure that the consolidated accounts and annual accounts 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.

Vänernborg, 17 March 2011

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 March 2011

Öhrlings PricewaterhouseCoopers AB

Bror Frid
Authorised Public Accountant

AUDIT REPORT

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

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of VBG GROUP AB (publ) for the year 2010. The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 25–56. The Board of Directors and the Managing Director are responsible for these accounts and the administration of the Company as well as for the application of the Annual Accounts Act in the preparation of the annual report and the application of International Financial Reporting Standards (IFRSs) as adopted by the EU and the Annual Accounts Act in the preparation of the consolidated accounts. 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 misstatements. 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 used 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 also examined whether any Board member or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. 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 Accounts 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 Accounts 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 March 2011

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 have been listed on the Stockholm Stock Exchange since 1987, where they are traded on the Nasdaq OMX Nordic Exchange Small Cap (Mid Cap during 2010). VBG GROUP AB has applied the Swedish Code of Corporate Governance (the Code) since 1 January 2009.

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 non-compliance.

Division of responsibility

Responsibility for management and control of the Group is divided between the shareholders at the Annual General Meeting, the Board of Directors, its elected committees and the Managing Director under the provisions of the Swedish Companies Act, other laws and ordinances, rules governing stock market companies, the Articles of Association and the Board's internal governing documents.

Shareholders

The share capital in VBG GROUP AB amounts to SEK 34,235,000, distributed among 1,220,000 Series A shares and 12,474,000 Series B shares, where each A share carries 10 votes and each B-share carries one vote, except for the 1,191,976 Series B shares bought back by VBG GROUP AB in 2002.

This amounts to a total of 12,502,024 outstanding shares with a total of 23,482,024 votes.

At the end of 2010, VBG GROUP AB had 4 529 shareholders. At year-end, the ten biggest shareholders controlled 78.5 per cent of the share capital and 88.5 per cent of the votes, with the Herman Krefting Foundation for Allergy and Asthma Research holding 35.7 per cent of the share capital and 34.7 per cent of the votes.

Other shareholders representing more than 10 per cent of the votes were the SLK Employees' Foundation and the VBG-SLK Foundation, whose holdings of Series A shares accounted for 24.2 per cent and 10.4 per cent of the votes, respectively.

More detailed information on the share, the ownership structure etc. is provided on pages 22–23.

Articles of Association

The Articles of Association state that VBG GROUP AB is a public company whose object is to "engage – on its own or through wholly and partly owned companies – in industrial activities, preferably in the area of automotive components and truck equipment, and other activities consistent therewith."

General Meeting of Shareholders

The highest decision-making body in VBG GROUP AB is the General Meeting of Shareholders. The Annual General Meeting (AGM), which is held within six months of the end of the financial year, adopts the financial statements, resolves on a dividend, elects the Board of Directors and, where applicable, the auditors and establishes their fees, considers other statutory matters and votes on proposals from the Board of Directors and the shareholders.

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.

Annual General Meeting 2010

VBG GROUP AB's Annual General Meeting was held on 27 April 2010 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 2011 AGM.

The AGM decided to adopt the Board's proposal for a dividend of SEK 0.50 per share for 2009, with record date on 30 April 2010.

The AGM decided to re-elect Board members Peter Hansson, Anders Birgersson, Johnny Alvarsson, Staffan Ekelund, Helene Richmond and Hans-Göran Persson, with Peter Hansson as Chairman and Johnny Alvarsson as Deputy Chairman.

The AGM also authorised the Board to resolve on one or more occasions up until the 2011 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.

Further, the AGM resolved to appoint a Nominating Committee consisting of Reidar Öster, Staffan Ekelund, Åke Persson and Peter Rönström, with Reidar Öster as Chairman.

On 27 April 2010, it was announced that the 2011 Annual General Meeting would take place in Vänersborg on 3 May 2011 at 5:00 p.m.

Nominating Committee

The Nominating Committee is appointed by the AGM and currently consists of the following members:

- Reidar Öster, private, Chairman of the Nominating Committee
- Staffan Ekelund, member of the Board of VBG GROUP AB and Chairman of the Herman Krefting Foundation for Allergy and Asthma Research
- Peter Rönström, Lannebo Funds
- Åke Persson, Laxo Mekan AB

The task of the Nominating Committee is to present nominations 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 nominations for an 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 so that the proposal can be presented in the notice convening the AGM and at the same time on the VBG GROUP's website.

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.

The Nominating Committee proposes that the 2011 AGM re-elect Peter Hansson to the Board as Chairman, Johnny Alvarsson as Deputy Chairman, and Helene Richmond, Hans-Göran Persson and Anders Birgersson (Managing Director) as ordinary members, while also electing former Board member Peter Augustsson as an ordinary member. Staffan Ekelund has declined re-election.

It is proposed that the fee paid to the Board of Directors be raised to SEK 930,000 (currently SEK 690,000, including meeting fees), of which SEK 250,000 (155,000) to the Chairman of the Board, SEK 180,000 (135,000) to the Deputy Chairman and SEK 140,000 each (120,000) to the other Board members, and that the meeting fee of SEK 5,000 per attended meeting be eliminated. SEK 40,000 each (20,000) is to be paid to the members of the Audit Committee and the Nominating Committee.

No fee is paid to the Managing Director.

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

Shareholders representing more than 75 per cent of the total number of votes in VBG GROUP AB propose that the AGM 2011 appoint the following persons to the Nominating Committee:

- Reidar Öster, private, Chairman of the Nominating Committee
- Peter Hansson, Chairman of VBG GROUP AB and member of the Board of the Herman Krefting Foundation for Allergy and Asthma Research
- Peter Rönström, Lannebo Funds
- Åke Persson, Laxo Mekan AB

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. VBG GROUP AB has not established a specific age limit for the Board members nor a time limit for how long someone may sit on the Board.

The 2010 AGM re-elected Board members Peter Hansson, Johnny Alvarsson, Staffan Ekelund, Helene Richmond, Hans-Göran Persson and Anders Birgersson (MD). Peter Hansson was elected Chairman of the Board and Johnny Alvarsson was elected Deputy Chairman. There is a presentation of the Board members and their assignments on pages 62–63.

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, its committees and the Managing Director. According to the adopted rules of procedure, the Board of Directors holds six ordinary meetings per year, including the statutory meeting following the AGM, plus whenever the situation demands it. 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.

Role of the Chairman

The Chairman organises and leads the work of the Board of Directors so that it complies with the Swedish Companies Act, other laws and ordinances, rules governing stock market companies (including the Code) and the Board's internal governing documents.

The Chairman follows the company's operations via continuous contacts with the Managing Director and is responsible for ensuring

that other Board members get relevant information and documents. The Chairman also ensures that an annual evaluation is made of the work of the Board and the Managing Director, and that the results of this evaluation are communicated to the Nominating Committee.

According to the by-laws of the shareholder in the VBG GROUP AB with the most votes, the Herman Krefting Foundation for Allergy and Asthma Research, the company's Chairman shall be a member of the Board of the Foundation.

Board committees

On behalf of the Annual General Meeting, the Board of Directors appointed both an Audit Committee and a Compensation Committee.

Compensation Committee

At the statutory Board meeting in May 2010, the Board of Directors appointed a Compensation Committee consisting of Peter Hansson, Chairman, and Johnny Alvarsson. The Committee had two meetings during 2010 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 of 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 2011 AGM for guidelines for remuneration to the Managing Director and senior officers is provided in the Report of the Directors on page 29.

Information on remuneration is provided in Notes 5 and 6 on pages 45–47.

Audit Committee

At the statutory meeting in May 2010, the Board of Directors appointed an Audit Committee consisting of Staffan Ekelund, Chairman, and Hans-Göran Persson. The Audit Committee held five meetings of record during 2010.

The Audit Committee has a supervisory role with regard to the company's risk management, governance and control as well as financial reporting. The committee maintains constant contact with the company's auditors in order to ensure that the company's internal and external accounting meets the requirements made on a listed company and to discuss the scope and content of the audit work.

The committee had consultations with and received reports from the company's external auditors on three occasions during 2010. The auditors' reports have not occasioned any special measure on the part of the Audit Committee.

The work of the Board during 2010

Prior to each Board meeting, an agenda is sent out to the Board members along with in-depth information on the business at hand. Six meetings were held during financial year 2010, of which four (February, April, August and October) were held in connection with the publication of the company's quarterly reports.

Board members from the 2010 AGM

Name	Function	Elected	Committee work	Independent in relation to the company	Independent in relation to major shareholders
Board members					
Peter Hansson	Chairman	2001	Compensation Committee	Yes	No
Johnny Alvarsson	Deputy Chairman	2004	Compensation Committee	Yes	Yes
Staffan Ekelund	Board member	2004	Audit Committee	Yes	No
Helene Richmond	Board member	2008		Yes	Yes
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 Freyholtz/IF Metall	Deputy	2009
Karin Pantzar/Unionen	Deputy	2010

Information on the members of the Board is provided on pages 62–63.

CORPORATE GOVERNANCE REPORT

The annual statutory Board meeting was held immediately after the AGM. The Board held its annual strategy day in conjunction with the August meeting that was held in Grosswallstadt at one of the German Group companies. The business plan and the goals for 2011 were adopted at the December meeting as usual.

Attendance at Board meetings in 2010

Name	Audit		Compensation Committee
	Board	Committee	
Board members			
Peter Hansson	6		2
Johnny Alvarsson	6		2
Staffan Ekelund	6	5	
Helene Richmond	5		
Hans-Göran Persson	6	5	
Anders Birgersson (CEO)	6		

Employee representatives

Willy Gustafsson, IF Metall member	6		
Mikael Freyholz, IF Metall deputy	–		
Lars-Ove Boström, Unionen member	5		
Karin Pantzar ¹ , Unionen deputy	–		
Linda Hallberg ² , Unionen deputy	–		
Total			

¹ Elected to the Board at the 2010 AGM

² Retired from the Board at the 2010 AGM

Operational activities

The Managing Director is responsible for VBG GROUP AB's day-to-day administration, and rules established by the Board of Directors govern the MD's power of decision regarding investments and financing matters.

Managing Director

MD Anders Birgersson, MSc. Eng., has been employed by the VBG GROUP AB since 2001 and has been active in the engineering industry since 1984 with a focus on logistics, production, product development and senior management at ABB, SKF and ESAB.

As VBG GROUP AB's Managing Director, Anders Birgersson is also a member of the boards of the Herman Krefting Foundation for Allergy and Asthma Research, the SLK Employees' Foundation and the VBG-SLK Foundation, in keeping with the by-laws of the foundations.

The MD holds 500 shares.

Group Management and business area management

Overall management of the Group is exercised in the Parent Company by the company's Managing Director, Ander Birgersson, and the Group's Chief Financial Officer, Claes Wedin, who is also responsible for the Accounting, Human Resources and Information Technology staffs. The VBG GROUP's operational business activities are conducted in the two business areas VBG GROUP TRUCK EQUIPMENT and RINGFEDER POWER TRANSMISSION.

The management of VBG GROUP TRUCK EQUIPMENT consists of Anders Birgersson (Business Area Manager), Per Ericson (Director of Sales), Bo Hedberg (Technical and Marketing Director), Anders Erkén (Production/Supply Chain Director) and Niklas Gråsjö (Business Controller).

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

The management of RINGFEDER POWER TRANSMISSION during 2010 consisted of Thomas Moka (Business Area Manager), Wolfgang Proepper (Export Sales Manager), Manfred Niessen (Technical Manager), Markus Fuchs (Supply Chain Manager), Carl W. Fenstermacher (Regional Manager for North America) and Bernd Vössing (Business Controller), who met regularly during the year and reported to the Parent Company's management. Just

before the end of 2010, Bill Dair was appointed new Regional Manager for North America, replacing Carl W. Fenstermacher, who has left the operation.

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, discussions of goals, investments, internal control, policies and review of the market situation, the economic trend and other external factors that affect the business. Business area projects and staff-related projects were also discussed and decided on.

Information on the Group Management and the management of the business areas is provided on pages 64–65.

Internal governance processes

Governance of the VBG GROUP is based on business concept, strategies and goals in the Group and its 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 Management and 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 followed in regular financial reports, and the results of adopted measures are followed in follow-up reports.

Auditors

The auditing firm of Öhrlings PricewaterhouseCoopers AB (PwC) was elected by the 2008 AGM as auditor for a period of four years, and authorised public accountant Bror Frid was put 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 accounts, a statutory audit of the Parent Company and all subsidiaries (where required), an audit of internal report packages, an audit of the year-end closing and a 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 of 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 accounts is performed in January–February.

During 2010, in addition to the audit assignment, the VBG GROUP consulted PwC on taxes, transfer price matters and accounting matters. The size of remunerations paid to PwC in 2010 is shown in Note 6 on page 48.

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

REPORT ON 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 recommen-

dations 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.

Control environment

The control environment is the foundation for internal control. VBG GROUP AB's control environment consists of organisational structure, instructions, policies, guidelines, reporting and defined areas of responsibility. The Board has overall responsibility for the internal control of the financial reporting. The Board of Directors has adopted written rules of procedure that clarify the Board's responsibility and define the division of labour between the Board and its committees. The Board of Directors has appointed an Audit Committee, whose principal task is to ensure that established principles for financial reporting and internal control are complied with and that good relations are maintained with the company's auditors. The Board of Directors has prepared an instruction for the Managing Director and agreed on the economic reporting to the Board of Directors of VBG GROUP AB.

The Group's CFO reports the results of his work with internal control to the Audit Committee. The results of the Audit Committee's work in the form of observations, recommendations and proposals for decisions and measures are reported continuously to the Board of Directors.

VBG GROUP AB's governing documents in the form of policies, guidelines and manuals are, to the extent they pertain to the financial reporting, kept continuously updated and communicated via relevant channels to the companies in the Group.

Systems and routines have been created to furnish the management with the necessary reports concerning business results in relation to established objectives. The necessary information systems are in place to ensure that reliable and up-to-date information is available for the management to be able to perform its duties in a correct and efficient manner.

Risk assessment

The VBG GROUP's risk assessment regarding the financial reporting is aimed at identifying and evaluating the most significant risks that affect the internal control of the financial reporting in the Group's companies, business areas and processes. The most significant risks identified in the Group's internal control of the financial reporting are managed by control structures based on reporting of non-conformances from established goals or from adopted standards for e.g. valuation of inventories and other significant assets.

Internal control of 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.

Information and communications

Internal information and communications have to do with creating an awareness among the Group's employees concerning external and internal governing instruments, including powers and responsibilities. Information and communications regarding internal governing instruments for financial reporting are available for all concerned employees. Important tools for this are the VBG GROUP's manuals, intranet and trainings.

Control activities

The Group's companies are organized in two business areas. A controller is included in each business area management. The controller plays a central role for analysis and follow-up of the business area's

financial reporting and earnings. The Parent Company has additional functions for continuous analysis and follow-up of the Group's, the business area's and the subsidiaries' financial reporting.

Follow-up

The Board of Directors is informed of and evaluates on a monthly basis the performance, earnings, financial position and cash flow of the operations via a report package containing outcomes, forecasts and comments on certain key factors.

MISCELLANEOUS

Internal audit

VBG GROUP AB has a simple operational structure with two business areas, each consisting of small and medium-sized legal entities with varying platforms for internal control. Governance and internal control systems established by the company are monitored regularly with regard to compliance by controllers at the business area and Parent company level. Controllers also perform continuous analyses of the companies' reporting and economic outcomes for the purpose of determining trends.

In view of the above, the Board of Directors has chosen not to have a special internal audit.

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. Financial information covering the past few years is provided at www.vbggroup.com, along with information on corporate governance. Some ten or so meetings with investors and analysts were held in Sweden during 2010.

Vänernsberg, 17 March 2011

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

Auditor's statement on the Corporate Governance Report To the Annual General Meeting of Shareholders of VBG GROUP AB (publ) Corp. ID No. 556069-0751

We have examined the Corporate Governance Report for VBG GROUP AB (publ) for the financial year 1 January 31 to December 2010. The company's Corporate Governance Report is included in the printed version of this document on pages 58-61. The Board of Directors and Managing Director bear responsibility for the Corporate Governance Report and for ensuring that it has been prepared in accordance with the Annual Accounts Act. As a basis for our opinion that the Corporate Governance Report has been prepared in accordance with, and is consistent with, the other parts of the annual accounts, we have read the Corporate Governance Report and judged its statutory content based on our knowledge of the company. In our opinion, the Corporate Governance Report has been prepared in accordance with the Annual Accounts Act and that its statutory content is consistent with the other parts of the annual accounts and the consolidated accounts.

Gothenburg, 17 March 2011

Öhrlings PricewaterhouseCoopers AB

Bror Frid

Authorised Public Accountant

BOARD OF DIRECTORS



Peter Hansson

Gothenburg, 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.
CEO of the Gothenburg 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 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.



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

Ljungskile, 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.



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.



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

Karin Pantzar
 born 1977
 Deputy member of the Board since 2010
 Employee representative, white-collar employees
 Employed since 1998.

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

Auditor

Bror Frid, auditor in charge
Öhrlings PricewaterhouseCoopers AB
 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.
Shareholding: 500.



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.
Shareholding: 500.

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.

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

RINGFEDER POWER TRANSMISSION



Wolfgang Proepper, born 1962
Sales Manager, export markets
Employed since 2006
MSc. Econ., 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 Director
Employed since 2004
Engineer, has previously been active in MVB GmbH and EFCO GmbH & Co KG.

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