

VBG GROUP 2011 ANNUAL REPORT



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STRATEGY FOR CONTINUED PROFITABLE GROWTH

The VBG GROUP's business concept is to, 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.

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INTERNATIONAL OPPORTUNITIES

Qualified and customer-focused employees are a crucial asset in strengthening the the VBG GROUP's position and potential for continued expansion.

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STABLE TREND SINCE INITIAL LISTING

The VBG GROUP was first listed on the stock exchange in 1987 and is currently listed on Nasdaq OMX Nordic Exchange Small Cap, in the Industrials Sector.

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Annual General Meeting 2012

The Annual General Meeting of VBG GROUP AB (publ) will be held at 5:00 p.m. on 26 April 2012 in the company's offices at Herman Krefnings 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 20 April 2012
 - notify the company by not later than 4:00 p.m. on 20 April 2012.
- 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; 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 certi-

ficat 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 20 April 2012 (voting rights registration).

Dividend

The Board of Directors and the Managing Director propose that an increase of the dividend to SEK 2.25 per share (1.50) be approved, with record date on 2 May 2012. If the AGM approves this proposal, the dividend is expected to be distributed by Euroclear Sweden AB starting 7 May 2012.

Report dates

| | |
|---------------|----------------------------------|
| 26 April | Interim report January–March |
| 22 August | Interim report January–June |
| 23 October | Interim report January–September |
| February 2013 | Year-end report |

THE YEAR IN BRIEF

Increased turnover and sharply improved earnings make 2011 the Group's third-best year ever.

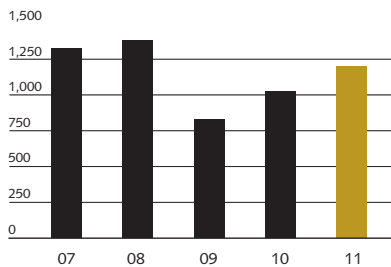
- Turnover increased by 15.6 per cent to **SEK 1,181.1 M** (1,021.3).
- Operating profit doubled to **SEK 138.3 M** (68.6).
- Profit after financial items increased to **SEK 130.9 M** (82.4).
- Profit after financial items increased to **SEK 94.5 M** (55.7).
- Earnings per share increased to **SEK 7.56** (4.46).
- The Board of Directors proposes increasing the dividend to **SEK 2.25** per share (1.50).

| Key figures | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|---------|---------|-------|---------|---------|
| Net turnover, SEK M | 1,181.1 | 1,021.3 | 829.0 | 1,376.7 | 1,323.3 |
| Profit/loss after financial items, SEK M | 130.9 | 82.4 | -30.7 | 108.6 | 201.5 |
| Profit/loss after tax, SEK M | 94.5 | 55.7 | -21.2 | 73.1 | 133.1 |
| Earnings/loss per share, SEK | 7.56 | 4.46 | -1.69 | 5.85 | 10.64 |
| Return on capital employed, % | 18.6 | 8.7 | -3.1 | 16.1 | 34.0 |
| Equity/assets ratio, % | 64.7 | 58.2 | 54.4 | 56.0 | 56.3 |
| Average number of employees | 477 | 432 | 445 | 432 | 422 |

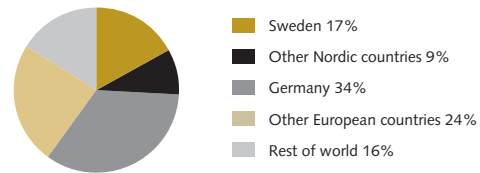
THIS IS THE VBG GROUP

VBG GROUP AB (publ) in Vänersborg is the Parent Company of an international engineering Group with wholly-owned companies in Europe, China, India and the USA. The Group's operations are divided into three divisions – VBG TRUCK EQUIPMENT, EDSCHA TRAILER SYSTEMS and RINGFEDER POWER TRANSMISSION – with products that are marketed under strong, well-known brands. VBG GROUP AB's Series B share was introduced on the stock exchange in 1987 and is listed today on the Nasdaq OMX Nordic Exchange Stockholm, Small Cap list.

Group turnover, SEK M



Geographic distribution of turnover



Total SEK 1,181 M

Europe

Production and sales companies for the divisions VBG GROUP TRUCK EQUIPMENT, RINGFEDER POWER TRANSMISSION and EDSCHA TRAILER SYSTEMS are located in Europe.

Scandinavia

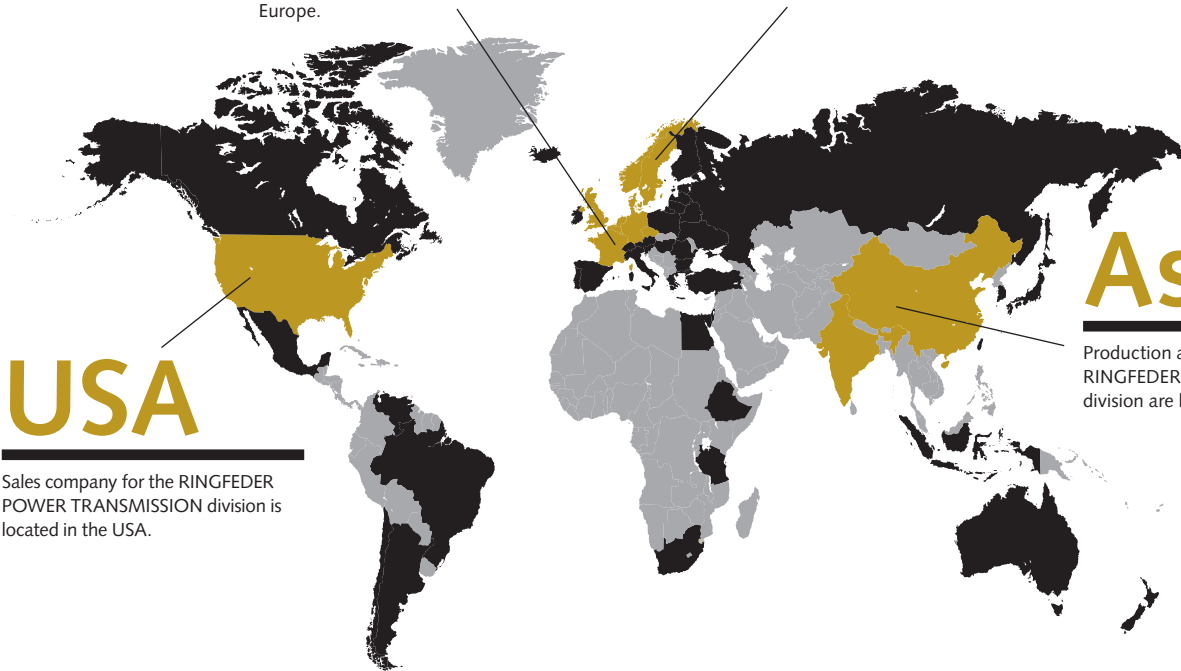
The Parent Company, VBG GROUP AB, and production and sales companies for the VBG GROUP TRUCK EQUIPMENT division are located in Scandinavia.

Asia

Production and sales companies for the RINGFEDER POWER TRANSMISSION division are located in India and China.

USA



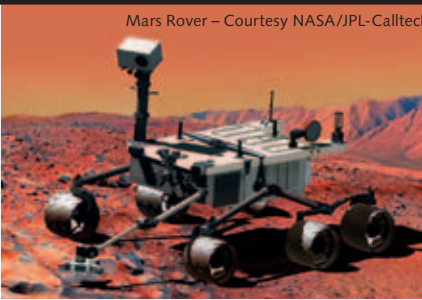











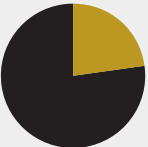



Sales company for the RINGFEDER POWER TRANSMISSION division is located in the USA.



Own companies Importers/Agents

NEW ORGANISATIONAL STRUCTURE

The new organisational structure that was introduced at the end of 2011 entails an even more customer- and market-oriented subdivision of the Group's operations, which now comprise three divisions.

| Divisions |  <p>VBG TRUCK EQUIPMENT Is, by virtue of its own strong brands, an internationally leading supplier of coupling equipment for trucks with heavy trailers. The division accounts for more than 50 per cent of the global market via the Ringfeder and VBG brands. Complementary brands are Onspot and Armaton.</p> |  <p>EDSCHA TRAILER SYSTEMS Is, by virtue of its own strong brands, an internationally leading supplier of equipment for trailers. The division accounts for about 50 per cent of the global market for sliding roofs via the Edscha and Sesam brands.</p> |  <p>RINGFEDER POWER TRANSMISSION Is, by virtue of its own strong brands, a recognised global market leader in selected niches within mechanical power transmission and energy and shock absorption. The division consists of the Ringfeder, Gerwah and Ecoloc brands. The customers are found in such widely disparate industrial markets as construction, machinery, power and mining.</p> |
|-------------------------|---|--|---|
| Trademarks |     |   |    |
| Share of Group turnover |  <p>52%</p> |  <p>25%</p> |  <p>23%</p> |
| Turnover |  <ul style="list-style-type: none"> ■ Sweden 31% ■ Other Nordic countries 17% ■ Germany 20% ■ Other European countries 22% ■ Rest of world 10% <p>SEK 614 M</p> |  <ul style="list-style-type: none"> ■ Germany 61% ■ Other European countries 39% <p>SEK 295 M</p> |  <ul style="list-style-type: none"> ■ Europe 52% ■ North America 30% ■ Rest of world 18% <p>SEK 272 M</p> |
| Number of employees | <p>233</p> | <p>90</p> | <p>148</p> |

FROM THE MANAGING DIRECTOR

The VBG GROUP's focus on long-term profitable growth has generated very good earnings over the past ten years, and the 2011 profit was the third-best ever. We have strengthened our position as an internationally leading group within profitable and stable niche markets associated with trucks and trailers, mechanical power transmission, and energy and shock absorption. With a strong financial position and a new efficient Group structure in place, we have created a platform for continued profitable growth that will enable us to achieve our new, ambitious financial goals.

2011 – the third best year ever for the VBG GROUP

All in all, 2011 was a very good fiscal year with increased turnover and improved profitability, which means that the Group improved its already very good financial position. Profit after tax amounted to SEK 94.5 M, which is the third best profit ever in the Group's 61-year history.

The Group's business structure has been modified and improved during the past few years. Industrially – with fewer and more focused factories. Organisationally – with a subdivision into three profitability-oriented and customer-focused sub-Groups: VBG TRUCK EQUIPMENT, EDSCHA TRAILER SYSTEMS and RINGFEDER POWER TRANSMISSION.

The work of creating the new structure has been pursued very consistently and resolutely over a number of years. The new structure, which is now well established, comprises an important and strong base for continued successful development of the business in accordance with our overall objective: long-term profitable growth.

Economy moving in different directions

The deterioration of state finances in Europe has had less of an effect on the Group than we feared. The greatest impact can be seen in the trailer industry, where EDSCHA TRAILER SYSTEMS operates. After strong growth during the first part of the year, the market deteriorated rapidly during the second half, and we expect a continued weak market during the first half of 2012.

RINGFEDER POWER TRANSMISSION, with its broad customer base, and VBG TRUCK EQUIPMENT, with its well developed aftermarket business, have not been affected to the same extent. We predict a more stable demand situation for VBG TRUCK EQUIPMENT, while we judge that RINGFEDER POWER TRANSMISSION has the potential to continue increasing its sales during 2012.

The VBG GROUP – towards new goals

The VBG GROUP's current strategy has generated very good earnings, with an average per annum increase in Group sales of 9.2 per cent since 2002 and an average operating margin of 9.6 per cent. Since the initial listing in 1987, the VBG GROUP has distributed 29.7 per cent of its profit after tax.



During the year the Group improved its already very good financial position.

The new financial goals entail that we should grow by at least 10 per cent per year.

The Group Management and the Board of Directors have devoted a great deal of energy to Group-wide strategy issues during the past few months. In March 2012, the Board established new financial goals for the VBG GROUP entailing that we should continue to grow by at least 10 per cent per year, with an average operating margin 10 per cent. Another goal is to distribute 30 per cent of the profit after tax as dividend.

The Group's strategy will also continue to be based on the success criteria that have been VBG's hallmarks: products with high customer value that are marketed under strong brands, international expansion, leading market positions in selected niches and a diversified customer base.

The goal is to continue to grow organically by means of continued efforts in product and market development. Organic growth has high priority, since it often entails lower risk. But in order to achieve the goal of generating

sustainable and profitable turnover growth of at least 10 per cent, our Group strategy also includes growing structurally by acquisition. The acquisition strategy is based on a balanced combination of add-on acquisitions within the three sub-groups, but also entails that we plan to establish the Group within new business niches.

Meanwhile, the Group's communications strategy has also been overhauled, and the intention now is to communicate more clearly the Group's development in the coming years.

With a strong financial position, a new Group structure in place and a well established and carefully thought-out strategy as a base for our business planning, I view the future with confidence.

Anders Birgersson
Managing Director and CEO



STRATEGY FOR CONTINUED PROFITABLE GROWTH

The VBG GROUP's business concept is to, 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-term commitment and with a focus on growth and profitability, the VBG GROUP's shareholders will be offered attractive value growth.

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 and customers, as well as competitors. Sustainable and profitable growth also creates the necessary conditions for long-term financial strength and a good return for the shareholders.

The Group's business operations have undergone a far-reaching transformation during the past decade. The VBG GROUP has gone from having a strong focus on trailer couplings, with a primary presence in Europe, to being an international industrial Group with several strong brands and operations in selected niches. The transformation includes

- establishment of a new product area by the acquisition of Edscha Trailer Systems, the leading manufacturer of sliding roofs for semitrailers and trailers
- acquisition of the German Gerwah Group, a strategic and important complementary acquisition to the business in RINGFEDER POWER TRANSMISSION
- launch of a clear brand strategy with guidelines for marketing, sales channels and product design
- establishment of a competitive manufacturing structure for all divisions.

This transformation has resulted in good growth and good profitability.

Financial goals

Historically, the VBG GROUP has not communicated specific financial goals for turnover growth, profitability, return on equity or the size of the dividend. In order to create a good platform for an ambitious growth plan, it is important that we present a clearer picture of the goals towards which the Group Management and Board of Directors are striving. In March 2012, the Board of Directors of VBG GROUP AB therefore established new financial goals based on previous performance and the Group's strategy, with a focus on profitable growth.

The VBG GROUP's financial goals, measured as an average over a business cycle (about 5–6 years):

- Turnover growth of at least 10 per cent per annum.
- Operating margin (EBIT/sales) of at least 10 per cent.
- Return on capital employed (ROCE) of 18 per cent.

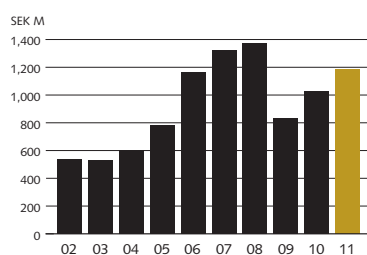
The VBG GROUP's dividend policy:

- The company shall normally distribute 30 per cent of the net profit to the shareholders as dividend.

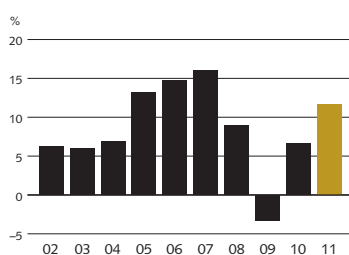
Average annual turnover growth of at least 10 per cent

During the past ten year period 2002–2011, the Group has had an average annual turnover growth of 9.2 per cent, of which 3.7 per cent has been organic growth and 5.5 per cent structural growth through the acquisitions of Edscha Trailer Systems and Gerwah.

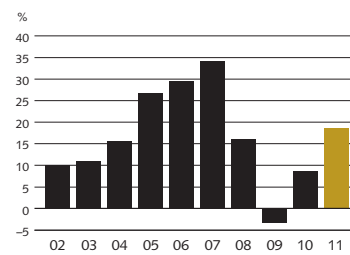
Turnover, SEK M



Operating margin, per cent



Return on capital employed, per cent



In order to achieve the goal of at least 10 per cent annual turnover growth, we must not only focus on existing product and market segments, but also launch initiatives in new regions. We must also focus more on structural growth by acquisition.

The Group strives to make acquisitions within each individual division, but also aims to grow by establishing new business divisions with a logical connection to existing operations and/or Group's industrial expertise.

Average operating margin of at least 10 per cent

During the period 2002–2011, the Group has had an average operating margin of 9.6 per cent, including restructuring costs and other items of a non-recurring nature.

The Group's strategy for achieving the operating margin goal of at least 10 per cent over a business cycle is based on a number of success factors that apply both to existing operations and when evaluating possible acquisition targets:

- High customer value in the products
- International expansion
- Leading market position in selected niches
- Diversified customer base
- Strong brands

The goal is to create distinct competitive advantages within each division by means of product development and efficient manufacturing and distribution, and in this way create high customer value. The divisions' 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.

Return on capital employed of 18 per cent

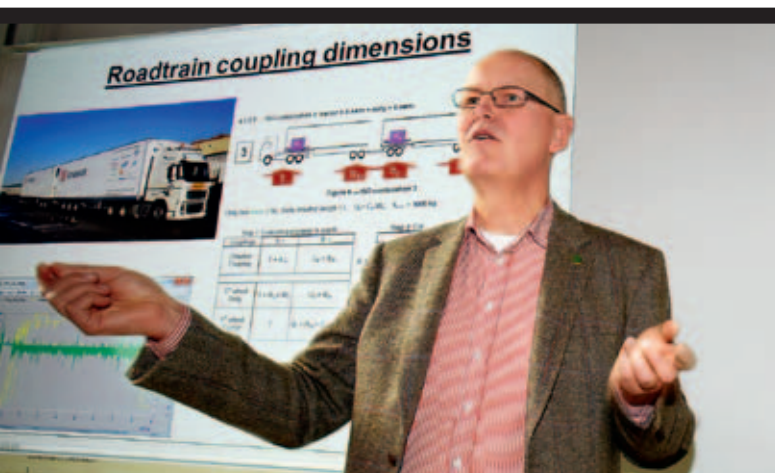
During the period 2002–2011, the Group's return on capital employed (ROCE) has averaged 15.9 per cent.

With an increased focus on capital utilisation and with a view to the adopted growth and profitability goals, the Group is now also raising its ROCE goal to 18 per cent.

Dividend should normally amount to 30 per cent of net profit

At the time of its initial listing in 1987, the prospectus stated that the company's goal was to distribute 20 per cent of the net profit to the shareholders as dividend. Since the start, and including the dividend of SEK 2.25 proposed to the 2012 Annual General Meeting, the company has paid an average dividend amounting to 29.7 per cent of the net profit. The Board of Directors has now adopted a dividend policy stipulating 30 per cent as the level of the dividend the shareholders can expect under normal circumstances.

VBG TRUCK EQUIPMENT



Setting the tone

"VBG TRUCK EQUIPMENT has long set the tone for the industry. By our involvement in several different trade associations and active participation in international development projects, we influence the development of both industrial standards and European legislation."

Bolennarth Svensson, Business Engineer

Bolennarth Svensson, Ph. D., represents the division by, for example, chairing ISO working groups for new coupling standards. He is also participating in the DUO2 and ETT projects – development projects that aim to improve transport efficiency while drastically reducing environmental impact.

VBG TRUCK EQUIPMENT, the Group's largest division, is an internationally leading supplier of coupling equipment for trucks with heavy trailers. By far the biggest customer group is body builders, who customise the truck body after it has left the assembly plant. Other important customer groups are the large international truck manufacturers and players on the aftermarket, where the division reaches the end users through its own subsidiaries, wholesalers and distributors.

Consolidated market

The market for trailer couplings consists primarily of four brands: VBG, Ringfeder, Rockinger and Orlandi. The division's two brands, VBG and Ringfeder, dominate the field and account for more than 50 per cent of the global market. VBG is dominant in Scandinavia, while Ringfeder is strong in continental Europe and other markets in the world.

Concentrated and efficient production

All coupling equipment is manufactured in the Group's modern factory in Vänersborg, Sweden. In 2009, production of Ringfeder's trailer couplings was relocated from Krefeld, Germany to Vänersborg. This concentration of production permits exploitation of the synergies permitted by a modular product architecture.

Own sales companies on selected markets

VBG TRUCK EQUIPMENT cultivates the market directly through wholly owned 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 division has its own sales companies in Sweden, Germany, Denmark, Norway, Belgium, the Netherlands,

the UK and France. By integrating forward in the value chain, the division can penetrate the market more effectively and strengthen its customer relations.

Leading product development

Joint projects in cooperation with the most important players in the industry provide good insight into new trends and opportunities to get involved in the development work early on and thereby exert an influence. As the market leader, VBG TRUCK EQUIPMENT spearheads the development of innovations and technically advanced solutions. Of fundamental importance in product development is understanding how the end users, the drivers, use their coupling equipment. The division focuses on developing solutions that contribute to both safer truck transport and a safer working environment for the drivers. Furthermore, the focus is on improving the drivers' comfort and work situation. A good example is the innovation VBG MFC (Multi Function Coupling). Launched in 2008, VBG MFC is a revolutionary concept for automatic connection of truck and trailer. Mechanical, electrical, pneumatic and hydraulic systems are now connected fully automatically. VBG MFC permits more efficient transport with better total economy compared with conventional solutions. Furthermore, there is a positive environmental effect thanks to faster coupling and uncoupling, which means less engine idling.

| Key figures | 2011 | 2010 | 2009 | 2008 | 2007 |
|----------------------------|-------|-------|-------|-------|-------|
| Turnover, SEK M | 613.7 | 539.5 | 465.9 | 695.5 | 671.1 |
| Operating profit, SEK M | 94.0 | 50.5 | 4.7 | 58.1 | 103.6 |
| Operating margin, % | 15.3 | 9.4 | 1.0 | 8.4 | 15.4 |
| Share of Group turnover, % | 52.0 | 52.8 | 56.2 | 50.5 | 50.7 |

Aftermarket – an important business

The division's growing aftermarket business, with service and sales of spare parts and accessories, has reduced cyclical sensitivity and thereby stabilised sales. The division's new sales take place to truck manufacturers and 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 division's extensive network of sales subsidiaries, importers and retailers in some 40-odd countries, the aftermarket can be cultivated effectively.

Big interest in Onspot

Interest in the division's Onspot automatic tyre chains has increased in recent years. One reason for this is can be found in the recent cold winters, which has made customers willing to invest in equipment that improves safety and helps the drivers arrive on time. Onspot automatic tyre chains have also reached other end users where the focus is on safety, such as ambulance and fire-fighting vehicles. The biggest buyer group for the effective tyre chains is, just as for coupling equipment, body builders all over the world.

New geographic markets

Today the division has leading positions in, for example, Northern Europe and Australia, and it is difficult to grow faster than the market in these regions. The focus in the drive for higher growth is on new markets. Large infrastructure investments are being made in Russia and Eastern Europe, at the same time as the truck fleet is antiquated. Russia has chosen European technology, and the division is delivering to truck manufacturers in the country today. Brazil is another market with great expansion potential. A great need for heavy road transport in the fast-growing mining and forestry industries in Brazil is stimulating demand for VBG TRUCK EQUIPMENT's system solutions.

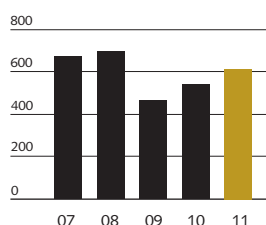
New standards for more environmentally friendly transport

In order to reduce the environmental impact of road transport, there is a trend towards longer vehicles, so that more and heavier goods can be carried by fewer vehicles. VBG 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 in Sweden, Finland and the Netherlands, as well as on selected road networks in Norway and Denmark. Test runs are also being conducted in Germany. The use of EMS vehicles reduces emissions of carbon dioxide per transported tonne, while fewer heavy vehicles on the roads increases traffic safety.

Tests with even longer and heavier vehicles have been under way for some time in Sweden. The ETT project (En Trave Till = One Stack More) is being conducted in cooperation between the Swedish state and the automotive industry and involves test runs with extra long timber transport rigs between Överkalix and Piteå. An ETT rig, equipped with a VBG coupling, can haul 50 per cent more cargo in one run than a traditional timber vehicle. DUO2 is another Swedish project involving longer vehicles which is being conducted in cooperation between the motor vehicle industry and various public authorities. A 32 metre long dual trailer combination, able to carry twice as much cargo as a European tractor with a single trailer, is being driven between Gothenburg and Malmö. Read more about the project at www.duo2.nu.

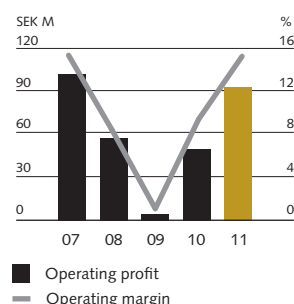
The extra long and heavy rigs require strong and robust couplings. The division has developed total solutions that include systems with the coupling itself and with drawbeam and drawbar. An ability to understand and handle the loads to which the trucks are subjected is an example of the kind of expertise that has been developed over the years and that distinguishes VBG TRUCK EQUIPMENT from its competitors.

Turnover, SEK M



Turnover for the full year 2011 increased by 13.8 per cent to SEK 613.7 M (539.5).

Operating profit, SEK M and operating margin, %



Operating profit for the full year 2011 was SEK 94.0 M (50.5). The operating margin was 15.3 per cent (9.4).

EDSCHA TRAILER SYSTEMS



High pace of development in the division

"As market leader, we devote great resources to developing new products that make loading and unloading easier for the users and lead to higher safety. The pace of development is high in the division, where we prioritise close collaboration with our principal customers to arrive at solutions and innovations that contribute to higher growth and profitability in the trailer industry."

Luc Rayen
Head of R & D

EDSCHA TRAILER SYSTEMS is an internationally leading supplier of sliding roofs for trailers and semi-trailers. The major European trailer manufacturers are among the division's customers. The division offers a wide range of products for conversion of tarpaulin-covered trailers under its two strong brands, Edscha and Sesam. The division has about 50 per cent of the world market within the sliding roofs product category. The largest portion of sales occurs in Germany, where some of the leading trailer manufacturers are located. Manufacturing takes place in the division's own factory in Kamenice nad Lipou in the Czech Republic.

Sliding roofs

Edscha, which was acquired by the VBG GROUP in 2005, introduced the first sliding roof back in 1969. The Edscha brand has been the market leader since then. The market for sliding roofs has grown rapidly and currently amounts to about 100,000 units annually. The roof system is an important part of the trailer's superstructure and greatly affects the vehicle's stability and performance. The technical challenge consists of optimising the transport volume, i.e. being able to develop a design which, despite small overall dimensions, offers robust and user-friendly function. Other manufacturers besides Edscha and Sesam are TSE and Versus Omega.

Optimised product range

A high pace of development is an important factor for being able to both stimulate growth and improve profitability in the trailer industry. EDSCHA TRAILER SYSTEMS

has the expertise and experience required to be an attractive partner to customers with high demands on safety, ergonomics and total economy. As the market leader in sliding roofs, EDSCHA TRAILER SYSTEMS invests considerable resources in customer-driven product development. The division focuses on solutions that make loading and unloading easier for the users. On a market where time is a vital competitive factor, innovations that speed up loading and unloading, leaving more time for the work of transportation, are important. Safety is another important area in the division. Total concepts are being developed for roof solutions that contribute to higher traffic safety. An example is the Dry System concept, which is a solution that prevents water from collecting on the trailer roof in the wintertime and freezing to ice, which could be shaken loose by the wind during transport. Incidents caused by flying chunks of ice have received greater attention in recent years.

| Key figures | 2011 | 2010 | 2009 | 2008 | 2007 |
|------------------------------|-------|-------|-------|-------|-------|
| Turnover, SEK M | 294.8 | 172.7 | 102.9 | 428.2 | 445.8 |
| Operating profit/loss, SEK M | 22.5 | -10.8 | -37.7 | 35.4 | 76.1 |
| Operating margin, % | 7.6 | -6.3 | -36.6 | 8.3 | 17.1 |
| Share of Group turnover, % | 24.9 | 16.9 | 12.4 | 31.1 | 33.7 |

New markets for higher growth

The division's products are associated to a great extent with new sales of semitrailers, often leading to large cyclical fluctuations, which became particularly clear in connection with the financial crisis in 2008–2009. Besides generating growth from the existing customer base in Europe, EDSCHA TRAILER SYSTEMS is turning to other markets as well.

The primary focus is on the BRIC countries: Brazil, Russia, India and China. These are economies with high growth and a great need for efficient transport solutions. Ultimately, the logistics systems in these countries need to be as efficient as those in Europe, with a focus on fast just-in-time deliveries and high safety. The division is already active in Russia today and has started to consolidate positions on the other markets. A local presence is necessary in order to be able to grow and compete on these markets, and the division benefits from the fact that the Group already has operations in place in China and India.

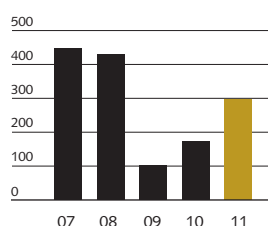
The Edscha brand is strong even outside Germany and is synonymous with sliding roofs on many markets, including Russia. In other words, Edscha enjoys a favourable market position that can serve as a platform for further international expansion.

The market for trailers

The market for trailers is ultimately driven by an increased need for efficient road transport solutions all over the world. Even though the European trailer market, with hundreds of manufacturers, is much more fragmented than the market for trucks, it is estimated that the three biggest manufacturers – German Schmitz, Krone and Humbaur/Kögel – account for about 40 per cent of the market.

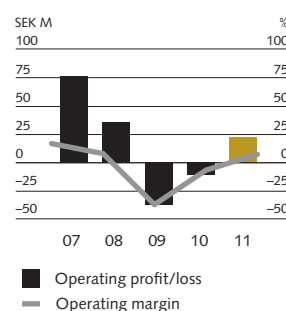
Moreover, the long-term trend is towards increased consolidation among trailer manufacturers. After the sharp decline at the end of 2008 and during 2009, demand for trailers has increased sharply. Semitrailer registrations increased by about 40 per cent during 2011 to a total of about 170,000 trailers. This is about 6 per cent lower than the 2005 volume, which can be considered to be a normal year. Given the weak future outlook for the European economies, it may take several years for demand to reach the same high levels as during the record years 2007–2008, when the annual volume was about 230,000 units. In order to increase sales, the major European trailer manufacturers have begun to strengthen their presence on markets in the east, such as Russia and Turkey.

Turnover, SEK M



Turnover for the full year 2011 increased by 71 per cent to SEK 294.8 M (172.7).

Operating profit, SEK M and operating margin, %



Operating profit for the full year 2011 was SEK 22.5 M (-10.8). The operating margin was 7.6 per cent (-6.3).

RINGFEDER POWER TRANSMISSION

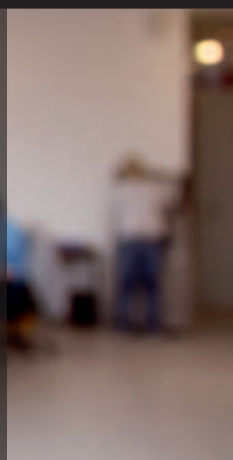


New in a rapidly developing organisation

“As a recently hired employee, I find myself in a dynamic and customer-focused organisation with an exciting future. RINGFEDER POWER TRANSMISSION’s rapid and profitable expansion provides many opportunities for us employees who want to work in an international environment with different customer segments and regions. In addition, being a part of a stable Group with long-term commitments makes me feel secure in my new role.”

Natalie Schönau

Business Controller/Accounting Manager



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 industrial segments such as construction, machinery, power and mining. The division is also a supplier of special products to the train, boat and aircraft industries, as well as to customers in the consumer goods sector. Germany and the USA are the two biggest markets, but a fast-growing share of sales is attributable to growth markets. Operations are conducted from wholly owned companies in Germany, the Czech Republic, the USA, India and China.

Three strong brands

RINGFEDER POWER TRANSMISSION has three clearly positioned brands: Ringfeder, Gerwah and Ecoloc. Ringfeder and Gerwah are premium brands for customers with exacting demands and high expectations. The Ringfeder brand, which was established in 1922, includes unique products such as shaft-hub connections and locking devices for both heavy equipment in the mining industry and precision machines. The Gerwah brand, which was acquired in 2008, includes products for which accuracy and precision are common denominators and which are used in machines and robots in the packaging industry, for example. The Ecoloc brand includes standard products for mechanical power transmission via shaft-hub connections.

Products must meet exacting demands

The division offers individual products or systems made up of composite components for a large number of applications where high demands are made on reliability and quality. 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. An interesting special area with high growth potential is magnetic couplings, a type of coupling where no physical contact is required to transmit torque.

Broad and growing customer base

The division operates in a number of niches all over the world, serving more than 3,000 customers. New customers are attracted by the division’s complete product range, mainly within mechanical power transmission and shock absorption. During the year, deliveries have begun to customers in the consumer goods industry, for example manufacturers of household products. A strong and growing

| Key figures | 2011 | 2010 | 2009 | 2008 | 2007 |
|----------------------------|-------|-------|-------|-------|-------|
| Turnover, SEK M | 272.6 | 309.1 | 260.1 | 253.0 | 206.4 |
| Operating profit, SEK M | 35.4 | 41.5 | 18.9 | 44.9 | 46.6 |
| Operating margin, % | 13.0 | 13.4 | 7.3 | 17.7 | 22.6 |
| Share of Group turnover, % | 23.1 | 30.3 | 31.4 | 18.4 | 15.6 |

customer group consists of companies in the mining and energy sector, where the division's products and solutions have taken market share. The division also supplies components to companies in the aircraft industry, such as Boeing and Airbus. The customers are reached either directly via the division's own salesmen or via a network of agents and distributors.

High pace of innovation

In response to increasing demands from customers for safe and cost-effective solutions, the division has intensified its efforts to develop new products that meet these demands, for example in the mining and energy sectors. Another priority area for the division's product development is new applications based on the division's expertise in magnet technology. Development of new products is carried out in different ways. It can take the form of completely independent efforts, or collaborative efforts with customers on specific projects or with institutes of technology in Germany. Many of the products under the Ringfeder brand are based on our own long-established patents. New patent applications were submitted in 2011 as a consequence of successful innovation efforts.

Flexible production and fast deliveries

Continuous efforts are made to streamline the production processes in cooperation with suppliers and partners. The vast knowledge that has been accumulated over many years in the division is put to use in the work of product design, while high-volume production is outsourced to external manufacturers.

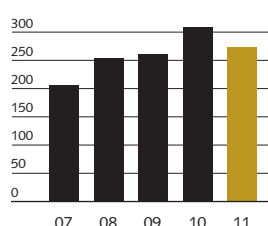
In this way the greatest possible cost effectiveness and flexibility are achieved for the purpose of creating added customer value. In order to ensure optimal functionality and quality, the most sophisticated products are manufactured at the division's own plants in Germany and the Czech Republic. Final assembly and customisation of the

products to the customers' specifications takes place at the local sales companies around the world, resulting in faster deliveries to the customers. The division's fast delivery capability is an important competitive advantage, along with technical expertise and customer-driven product development. Accessibility and quality are factors which many customers mention when they choose to work with RINGFEDER POWER TRANSMISSION. Deliveries are made from the sales companies in the USA, India and China to the local markets, while products from the finished goods stocks in Germany and the Czech Republic are also delivered globally.

Increased sales on growth markets

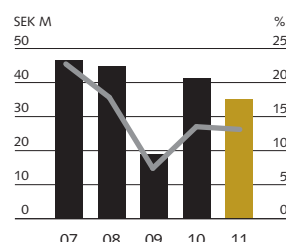
The fastest growth for the division's product areas is taking place on growth markets such as Asia and Latin America. A local presence is often required in order to take advantage of the sales potential. The subsidiary RINGFEDER POWER TRANSMISSION INDIA PRIVATE LTD. was established in India in 2007, and the subsidiary KUNGSCHAN RINGFEDER POWER TRANSMISSION CO. LTD. was established in China in 2011. The Indian subsidiary has built up a strong position among customers in the mining and construction industries, to which locking devices in particular are sold. Furthermore, the entire product range is sold via a nationwide network of independent distributors. In China, the division is focusing on increasing sales to new and existing customers within the country and securing supplies of important metals for production of magnetic couplings, a fast-growing product area. The division has carried out several large customer projects in Latin America in recent years, creating a base from which to grow further in more customer segments and with the entire product offering. The next step is to find a suitable location in the region for possible establishment. The division has a presence on other growth markets around the world via collaborations with distributors.

Turnover, SEK M



Turnover for the full year 2011 declined by 11.8 per cent to SEK 272.6 M (309.1) SEK 41.7 M, i.e. more than the total decline, is attributable to the discontinued trading business, which accounted for about 40 per cent of the turnover in the division's American company.

Operating profit, SEK M and operating margin, %



Operating profit for 2011 was SEK 35.4 M (41.5), which is equivalent to an operating margin of 13.0 per cent (13.4).

■ Operating profit
— Operating margin

INTERNATIONAL OPPORTUNITIES

Qualified and customer-focused employees are a crucial asset in strengthening the the VBG GROUP's position and potential for continued expansion. At the same time, the Group's growing international operations provide interesting development opportunities for the employees.

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 concentration of production and distribution. The new organisational structure with three divisions entails an even more customer- and market-adapted subdivision of the Group's operations, creating special needs for targeted training activities and other competence-enhancing measures for the employees.

International career opportunities

The VBG GROUP is present with own personnel in 13 countries today. The Group's strategy is to continue to grow on both existing and new markets, creating interesting career opportunities for the employees. At the start of the year, 77 per cent of the employees in the VBG GROUP were working outside Sweden.

New training needs

Skills development activities within the VBG GROUP are planned and followed up at annual developmental assessments. New employees undergo orientation training with a focus on procedures, safety, quality and environment as well as individual job content. During 2011, managers underwent training in working environment and labour law in Vänersborg. Training in teambuilding has also been given to both managers and staff in the Swedish and German organisations. New developments in information technology also create a need for training activities within the Group. Several members of the Group Management are taking a course in Industrial Management at the KTH Executive School. The ongoing process survey of the division's operations is identifying new training needs among the employees. To meet these needs, a number of individually tailored trainings are planned in 2012.

More female employees

An important 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 continues to increase and amounted to 24.6 per cent at the end of 2011. The proportion of female employees in the RINGFEDER POWER TRANSMISSION division is 31.5 per cent.

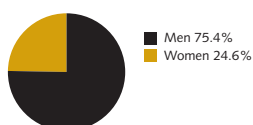
Wellness programme reduces sickness absence

The VBG GROUP's structured work with wellness and rehabilitation is one of the reasons for the Group's low sickness absence. The Group stimulates initiatives aimed at creating a working environment with high job satisfaction where employees are encouraged to take their own initiatives and assume 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.

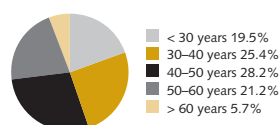
Important long-term recruitment drive

In order to increase awareness of the VBG GROUP as an employer, the Group participates in various joint training projects and at labour market fairs all over Europe. An important part of spreading awareness of the career opportunities available in the Group is to offer more students internships and apprenticeships in different operations.

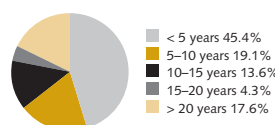
Gender distribution



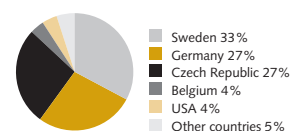
Age distribution



Length of employment



Geographic distribution



STABLE TREND SINCE INITIAL LISTING

The VBG GROUP was first listed on the stock exchange in 1987 and is currently listed on Nasdaq OMX Nordic Exchange Small Cap, in the Industrials Sector. Due in part to increased concern about deteriorating state finances in Europe and the USA, the VBG GROUP's share fell by 26 per cent in 2011.

The VBG GROUP's Series B share declined by 26 per cent in 2011, as compared to a decline of 15 per cent for Nasdaq OMX Nordic Exchange. The highest price was quoted on 3 May (SEK 128) and the lowest on 19 December (SEK 68.25). A total of 865,887 of the VBG GROUP's Series B shares were traded during the year, equivalent to a turn-over rate of 8 (12) per cent. The VBG GROUP's market capitalisation at year-end was SEK 0.9 (1.3) billion.

Increase of 1,136 per cent since initial listing

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, i.e. the change in price plus dividends, for the VBG GROUP's Series B share during 2011 was -24 per cent. Over the past five-year period, the total return for the VBG GROUP's Series B share amounts to 3 per cent. The Six Return Index, which measures total turnover on the Stockholm Stock Exchange, decreased by 2 per cent during the same period. Since its initial listing in 1987, the VBG GROUP's Series B share has increased by 1,136 per cent.

Share capital and buy-back programme

The share capital in the VBG GROUP amounts to SEK 34.2 million, 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. 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.

Number of shareholders

The VBG GROUP had 4,237 shareholders at year-end, a decrease compared with the same time last year. The Series A shares, which represent 52 per cent of the votes in the VBG GROUP, are held by three foundations: the Herman Krefling Foundation for Allergy and Asthma Research, the SLK Employees' Foundation and the VBG-SLK Foundation. Of the total number of shares in the company, 88.53 per cent are owned by institutions, including the three foundations and the VBG GROUP's repurchased shares.

Dividend and dividend policy

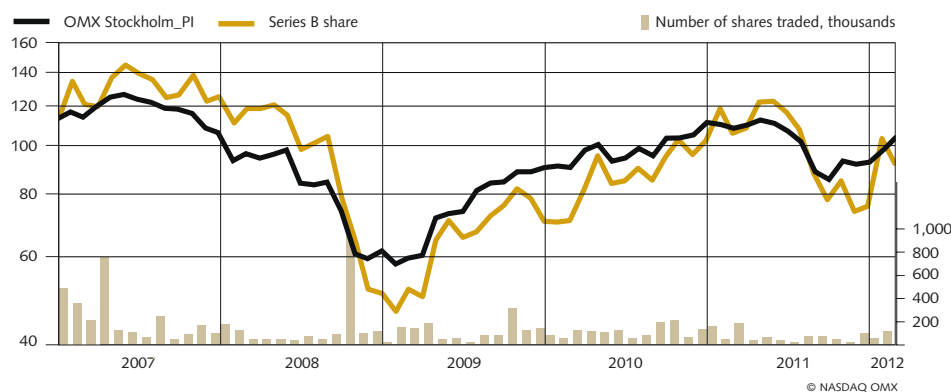
In determining the size of the dividend, the Board considers the VBG GROUP's investment plans, acquisition possibilities, liquidity and overall financial position. Since the initial listing in 1987, an average of 29.7 per cent of the profit has been distributed in dividends. The Board of Directors proposes that the 2012 Annual General Meeting resolve to increase the dividend to SEK 2.25 per share (1.50). The proposed dividend is equivalent to 29.8 per cent of the profit after tax. The Board of Directors has adopted a dividend policy stating that the company shall normally distribute 30 per cent of the net profit to the shareholders as dividend.

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 2011. 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



Ten biggest shareholders at 30 December 2011

| 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 | 1,067,000 | 7.79 | 4.54 |
| SEB Asset Management S A | 0 | 955,441 | 6.98 | 4.07 |
| 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 | 537,011 | 3.92 | 2.29 |
| VBG-SLK Foundation | 244,000 | 0 | 1.78 | 10.39 |
| Lindtor Maskin AB | 0 | 225,500 | 1.65 | 0.96 |
| Didner & Gerge Småbolag | 0 | 192,007 | 1.41 | 0.82 |
| Total ten largest shareholders | 1,220,000 | 8,750,858 | 72.81 | 89.22 |
| Total other shareholders | | 2,531,166 | 18.49 | 10.78 |
| 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. 2011 | Percentage of capital |
|----------------------|-----------------------|
| Foreign shareholders | 8.45 |
| Swedish shareholders | 91.55 |
| Of which: | |
| Institutions | 88.53 |
| Private persons | 11.47 |

Size of shareholdings

| 30 Dec. 2011 | Number of shares | Number of shareholders | Stake per cent |
|--------------|------------------|------------------------|----------------|
| < 500 | | 3,525 | 2.90 |
| 500–5,000 | | 725 | 7.45 |
| > 5,000 | | 77 | 89.65 |
| Total | | 4,327 | 100.00 |

Shareholders in Sweden and abroad

| 30 Dec. 2011 | Percentage of capital |
|--------------------------|-----------------------|
| Sweden | 91.55 |
| Other European countries | 8.34 |
| Rest of world | 0.11 |

Data per share

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|--------|--------|--------|--------|--------|
| Earnings/loss, SEK | 7.56 | 4.46 | -1.69 | 5.85 | 10.64 |
| Dividend, SEK | 2.25*) | 1.50 | 0.50 | 1.00 | 2.50 |
| Share price at year-end, SEK | 75.75 | 102.00 | 70.75 | 51.00 | 124.50 |
| P/E ratio | 10.0 | 22.9 | neg | 8.7 | 11.7 |
| Equity, SEK | 50.92 | 45.22 | 47.59 | 53.17 | 42.62 |
| Cash flow from operating activities, SEK | 10.47 | 8.06 | 1.50 | 9.62 | 6.98 |
| Dividend yield, % | 2.97 | 1.47 | 0.71 | 1.96 | 2.01 |
| Number of shares outstanding (thousands) | 12,502 | 12,502 | 12,502 | 12,502 | 12,502 |
| Average number of shares outstanding (thousands) | 12,502 | 12,502 | 12,502 | 12,502 | 12,502 |

*) Proposed

FIVE-YEAR SUMMARY

| SEK M | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|--------------------|---------|---------|---------|---------|
| Sales and earnings | | | | | |
| Net turnover | 1,181.1 | 1,021.3 | 829.0 | 1,376.7 | 1,323.3 |
| Operating profit/loss | 138.3 | 68.6 | -27.1 | 123.1 | 213.2 |
| Profit/loss after financial items | 130.9 | 82.4 | -30.7 | 108.6 | 201.5 |
| Profit margin, % | 11.1 | 8.1 | -3.7 | 7.9 | 15.2 |
| Profit/loss after tax | 94.5 | 55.7 | -21.2 | 73.1 | 133.1 |
| Financial position | | | | | |
| Balance sheet total | 983.5 | 971.8 | 1,094.5 | 1,187.6 | 946.3 |
| Capital employed | 745.5 | 741.9 | 864.6 | 871.4 | 632.0 |
| Return on capital employed, % | 18.6 | 8.7 | -3.1 | 16.1 | 34.0 |
| Equity | 636.6 | 565.3 | 595.0 | 664.7 | 532.9 |
| Return on equity, % | 15.7 | 9.6 | -3.4 | 12.2 | 28.3 |
| Risk-bearing capital | 683.1 | 606.9 | 637.4 | 710.6 | 591.2 |
| Risk-bearing capital ratio, % | 69.5 | 62.5 | 58.2 | 59.8 | 62.5 |
| Equity/assets ratio, % | 64.7 | 58.2 | 54.4 | 56.0 | 56.3 |
| Cash flow | | | | | |
| Cash flow before change in working capital | 132.3 | 83.4 | -36.8 | 146.6 | 146.3 |
| Cash flow from operating activities | 130.9 | 100.8 | 18.8 | 120.3 | 87.2 |
| Cash flow from investing activities | -25.9 | -12.2 | -41.7 | -114.0 | -16.6 |
| Cash flow from financing activities | -85.1 | -77.2 | -5.1 | 12.2 | -61.0 |
| Cash flow for the year | 19.9 | 11.4 | -28.0 | 18.5 | 9.6 |
| Data per share | | | | | |
| Earnings/loss, SEK | 7.56 | 4.46 | -1.69 | 5.85 | 10.64 |
| Dividend, SEK | 2.25 ^{*)} | 1.50 | 0.50 | 1.00 | 2.50 |
| Dividend yield, % | 2.97 | 1.47 | 0.71 | 1.96 | 2.01 |
| Other | | | | | |
| Average number of employees | 477 | 432 | 445 | 432 | 422 |

*) Proposed

| | |
|------------------------------------|----|
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REPORT OF THE DIRECTORS

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

The Board of Directors and Managing Director of VBG GROUP AB (publ) hereby submit their annual report and consolidated financial statements for financial year 2011, the company's 53rd 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, India, the USA and China. 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.

Divisions

Up until 30 September 2011, the Group's operations were divided into two business areas, but as of 1 October they are conducted in three divisions since the biggest business area, VBG GROUP TRUCK EQUIPMENT, was divided into two separate divisions.

- VBG TRUCK EQUIPMENT is an internationally leading supplier of equipment and systems to customers in the truck industry and includes the brands VBG and Ringfeder for coupling equipment, Onspot for automatic tyre chains and Armaton for dropside pillars for light trucks. Customers tend to be truck manufacturers, body builders, hauliers and importers.
- EDSCHA TRAILER SYSTEMS is the market's biggest manufacturer of sliding roofs for trailers. The main brand is Edscha Trailer Systems, while a complementary brand is Sesam. The customers are above all the major European trailer manufacturers.
- 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. The 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 15.6 per cent to SEK 1,181.1 M (1,021.3), and the actual volume increase for the full year was 21.0 per cent after changes in exchange rates between the years are taken into account.

The Group's operating profit doubled to SEK 138.3 M (68.6), with a margin of 11.7 per cent (6.7), broken down as follows:

VBG TRUCK EQUIPMENT increased its turnover by 13.8 per cent during the year to SEK 613.7 M (539.5). Operating profit nearly doubled to SEK 94.0 M (50.5), with a margin of 15.3 per cent (9.4).

EDSCHA TRAILER SYSTEMS increased its turnover by all of 70.7 per cent, from a historic low last year to SEK 294.8 M (172.7). The division once again showed an operating profit after two loss-making years, amounting to SEK 22.5 M (loss: 10.8) with a margin of 7.6 per cent (-6.3).

Turnover for RINGFEDER POWER TRANSMISSION declined by 11.8 per cent to SEK 272.6 M (309.1), of which SEK 41.7 M (more than half the decrease) is attributable to the winding-up of the trading business, which accounted for 40 per cent of turnover in the division's American company. Operating profit amounted to SEK 35.4 M (41.5), with a largely unchanged margin of 13.0 per cent (13.4).

Group-wide overheads that have not been allocated among the different divisions amounted to SEK 13.6 M (12.6).

Net interest expense for the full year was SEK 6.3 M (6.5), and the Swedish companies' euro-denominated credits were slightly negatively affected, with a currency effect of SEK -1.1 M (+20.3). Taken together, this resulted in a net financial loss of SEK 7.4 M (income: 13.8).

Profit after tax increased by 70 per cent to SEK 94.5 M (55.7), while earnings per share after tax increased to SEK 7.56 (4.46).

Return on capital employed rose to 18.6 per cent (8.7), and return on equity amounted to 15.7 per cent (9.6). The Group's equity/assets ratio increased compared with the end of last year to 64.7 per cent (58.2).

| VBG GROUP KONCERNEN, MSEK | 2011 | 4/11 | 3/11 | 2/11 | 1/11 | 2010 | 4/10 | 3/10 | 2/10 | 1/10 |
|------------------------------|---------|-------|-------|-------|-------|---------|-------|-------|-------|-------|
| Net turnover | 1,181.1 | 284.3 | 269.6 | 305.3 | 321.9 | 1,021.3 | 278.7 | 247.9 | 252.9 | 241.8 |
| Operating profit | 138.3 | 23.1 | 26.6 | 33.4 | 55.2 | 68.6 | 20.1 | 18.6 | 13.9 | 16.0 |
| Operating margin, % | 11.7 | 8.1 | 9.9 | 10.9 | 17.1 | 6.7 | 7.2 | 7.5 | 5.5 | 6.6 |
| Profit after financial items | 130.9 | 23.8 | 23.6 | 29.5 | 54.0 | 82.4 | 20.9 | 24.8 | 16.5 | 20.2 |
| Profit margin, % | 11.1 | 8.4 | 8.8 | 9.7 | 16.8 | 8.1 | 7.5 | 10.0 | 6.5 | 8.4 |
| Profit after tax | 94.5 | 17.9 | 17.5 | 21.0 | 38.1 | 55.7 | 13.0 | 16.2 | 11.8 | 14.7 |
| Earnings per share, SEK | 7.56 | 1.43 | 1.40 | 1.68 | 3.05 | 4.46 | 1.04 | 1.30 | 0.94 | 1.18 |
| ROCE (cumulative), % | 18.6 | 18.6 | 20.1 | 23.7 | 29.8 | 8.7 | 8.7 | 8.0 | 7.2 | 7.7 |
| ROE (cumulative), % | 15.7 | 15.7 | 16.9 | 20.0 | 26.2 | 9.6 | 9.6 | 9.8 | 9.1 | 10.0 |
| Equity/assets ratio, % | 64.7 | 64.7 | 60.9 | 59.5 | 60.0 | 58.2 | 58.2 | 55.7 | 54.6 | 54.3 |

REPORT OF THE DIRECTORS

VBG VBG TRUCK EQUIPMENT EQUIPMENT

The year began with a very strong first quarter, followed by two stable quarters. Despite the uncertainty in the European economies in particular during the second half of 2011, the division finished the year with a strong fourth quarter. The division's biggest market, Sweden, increased by 21.6 per cent

and accounted, together with the rest of the Nordic market, for nearly half of the division's turnover.

Operating profit increased sharply to SEK 94.0 M (50.5) with an operating margin of 15.3 per cent (9.4).

Turnover and Earnings, SEK M VBG TRUCK EQUIPMENT

| | 2011 | 4/11 | 3/11 | 2/11 | 1/11 | 2010 | 4/10 | 3/10 | 2/10 | 1/10 |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Net turnover | 613.7 | 152.5 | 131.3 | 158.5 | 171.4 | 539.5 | 148.8 | 123.8 | 131.9 | 135.0 |
| Operating profit | 94.0 | 22.0 | 15.5 | 20.2 | 36.3 | 50.5 | 14.5 | 12.6 | 11.0 | 12.4 |
| Operating margin, % | 15.3 | 14.4 | 11.8 | 12.7 | 21.2 | 9.4 | 9.7 | 10.2 | 8.3 | 9.2 |

Turnover, SEK M

| | 2011 | 4/11 | 3/11 | 2/11 | 1/11 | 2010 | 4/10 | 3/10 | 2/10 | 1/10 |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sweden | 192.6 | 50.2 | 36.8 | 49.3 | 56.3 | 158.4 | 45.1 | 34.1 | 40.0 | 39.2 |
| Other Nordic countries | 104.2 | 26.4 | 21.9 | 26.5 | 29.4 | 91.9 | 28.0 | 16.5 | 24.6 | 22.8 |
| Germany | 124.9 | 29.3 | 28.0 | 34.2 | 33.4 | 125.1 | 34.0 | 32.0 | 30.6 | 28.5 |
| Other European countries | 134.3 | 31.7 | 28.7 | 32.0 | 41.9 | 114.7 | 30.2 | 27.8 | 26.3 | 30.4 |
| Rest of world | 57.7 | 14.9 | 15.9 | 16.5 | 10.4 | 49.4 | 11.5 | 13.4 | 10.4 | 14.1 |
| VBG TRUCK EQUIPMENT | 613.7 | 152.5 | 131.3 | 158.5 | 171.4 | 539.5 | 148.8 | 123.8 | 131.9 | 135.0 |

EDSCHA TRAILER SYSTEMS

The year began with two strong quarters where turnover more than doubled compared with last year. A certain degree of caution and restraint was noticeable among some of the major customers during the second half of the year, which was reflected in the turnover for the third and fourth quarters. Turnover for the full year rose by 70.7 per cent to SEK 294.8 M (172.7). Germany is the dominant market, accounting for 61 per cent of the turnover.

A long-term, far-reaching product development programme was launched at the beginning of the year with the aim of developing a whole new generation of sliding roofs, where external resources have also been engaged. The cost for this programme during the year amounted to SEK 4.9 M, and the division's operating profit increased to SEK 22.5 M (loss: 10.8) with an operating margin of 7.6 per cent (-6.3). It should be noted that last year's result included a capital gain of SEK 4.6 M from the sale of an industrial property in Belgium.

Turnover and Earnings, SEK M EDSCHA TRAILER SYSTEMS

| | 2011 | 4/11 | 3/11 | 2/11 | 1/11 | 2010 | 4/10 | 3/10 | 2/10 | 1/10 |
|-----------------------|-------|------|------|------|------|-------|------|------|-------|-------|
| Net turnover | 294.8 | 64.9 | 68.0 | 83.4 | 78.5 | 172.7 | 57.0 | 41.4 | 39.5 | 34.8 |
| Operating profit/loss | 22.5 | -0.7 | 2.3 | 9.9 | 11.0 | -10.8 | 2.6 | -3.6 | -5.7 | -4.1 |
| Operating margin, % | 7.6 | -1.1 | 3.4 | 11.9 | 14.0 | -6.3 | 4.6 | -8.7 | -14.4 | -11.8 |

Turnover, SEK M Markets

| | 2011 | 4/11 | 3/11 | 2/11 | 1/11 | 2010 | 4/10 | 3/10 | 2/10 | 1/10 |
|-------------------------------|--------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|
| Sweden | 0.9 | 0.2 | 0.2 | 0.1 | 0.4 | 0.6 | 0.1 | 0.1 | 0.2 | 0.2 |
| Other Nordic countries | 1.1 | 0.2 | 0.2 | 0.3 | 0.4 | 1.3 | 0.5 | 0.2 | 0.2 | 0.4 |
| Germany | 179.7 | 42.3 | 44.2 | 50.5 | 42.7 | 94.6 | 32.4 | 25.9 | 20.2 | 16.1 |
| Other European countries | 112.3 | 21.6 | 23.3 | 32.4 | 35.0 | 75.0 | 23.4 | 15.0 | 18.9 | 17.7 |
| Rest of world | 0.8 | 0.6 | 0.1 | 0.1 | 0.0 | 1.2 | 0.6 | 0.2 | 0.0 | 0.4 |
| EDSCHA TRAILER SYSTEMS | 294.8 | 64.9 | 68.0 | 83.4 | 78.5 | 172.7 | 57.0 | 41.4 | 39.5 | 34.8 |

RINGFEDER POWER TRANSMISSION

RINGFEDER POWER TRANSMISSION saw its sales decline by 11.8 per cent to SEK 272.6 M (309.1), but when the year's exchange rate changes are taken into account in translating to Swedish kronor, the actual volume decrease was 5.7 per cent. The decline in sales was attributable to the decision to wind up a more than twenty year old trading business in the USA so that the American company could focus completely on the division's own brands, ensuring slow, profitable growth. In the short term, the decision entailed a deliberate reduction in annual volume of about SEK 40–50 M in the USA. The change went into effect in February of 2011, but thanks to organisational changes implemented in the American com-

pany, costs were quickly adjusted so that the operating margin could be kept virtually unchanged.

At the end of December, the parent company of the division, RINGFEDER POWER TRANSMISSION GMBH, was relocated from Grosswallstadt south of Frankfurt to new, more practical premises in nearby Gross-Umstadt. The branch office in Krefeld is expected to close during the first part of 2012. After negotiations, it became clear that a number of persons would not be making the move, as a result of which the fourth quarter was charged with personnel-related restructuring costs of SEK 4.5 M.

Operating profit therefore decreased to SEK 35.4 M (41.5), but with an only slightly lower operating margin of 13.0 per cent (13.4).

| Turnover and Earnings, SEK M | 2011 | 4/11 | 3/11 | 2/11 | 1/11 | 2010 | 4/10 | 3/10 | 2/10 | 1/10 |
|------------------------------|-------|------|------|------|------|-------|------|------|------|------|
| Net turnover | 272.6 | 66.9 | 70.3 | 63.4 | 72.0 | 309.1 | 72.9 | 82.7 | 81.5 | 72.0 |
| Operating profit | 35.4 | 4.4 | 11.7 | 7.7 | 11.6 | 41.5 | 5.5 | 11.8 | 12.9 | 11.3 |
| Operating margin, % | 13.0 | 6.6 | 16.6 | 12.1 | 16.1 | 13.4 | 7.5 | 14.3 | 15.8 | 15.7 |

| Turnover, SEK M Markets | 2011 | 4/11 | 3/11 | 2/11 | 1/11 | 2010 | 4/10 | 3/10 | 2/10 | 1/10 |
|-------------------------------------|--------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|
| Europe | 140.8 | 31.5 | 39.6 | 33.2 | 36.5 | 129.9 | 29.6 | 35.1 | 30.6 | 34.6 |
| North America | 82.6 | 19.7 | 18.7 | 17.7 | 26.5 | 131.4 | 32.3 | 34.9 | 35.7 | 28.5 |
| Rest of world | 49.2 | 15.7 | 12.0 | 12.5 | 9.0 | 47.8 | 11.0 | 12.7 | 15.2 | 8.9 |
| RINGFEDER POWER TRANSMISSION | 272.6 | 66.9 | 70.3 | 63.4 | 72.0 | 309.1 | 72.9 | 82.7 | 81.5 | 72.0 |

Tax expense

The year's tax expense was SEK 36.4 M (26.7), of which current tax comprised SEK 27.0 M (30.1) and deferred tax comprised SEK 9.4 M (–3.4). The tax expense corresponds to a tax rate for the Group of 27.8 per cent (32.4).

Capital expenditures

The Group's capital expenditures during the year amounted to SEK 21.5 M (11.3).

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 130.9 million (100.8). Capital expenditures during the year amounted to SEK 25.9 M (14.3).

The Group's total borrowings and current financial liability decreased during the year by a net of SEK 66.4 M (71.0). Dividends to the shareholders amounted to SEK 18.7 M (6.2). Net cash flow during the year was thereby SEK 19.9 M (11.4).

Profit after tax for the full year was SEK 94.5 M (55.7) and total translation differences amounted to SEK –4.5 M (–79.1), which added up to a comprehensive income of SEK 90.0 M (loss: 23.4). As a result, equity increased to SEK 636.6 M (565.3) after dividends paid to shareholders of SEK 18.7 M (6.2).

The equity/assets ratio increased during the year to 64.7 per cent (58.2).

Cash and cash equivalents amounted to SEK 65.2 M (46.1) at year-end, and there are unutilised credit facilities of SEK 121.9 M (67.6).

The Group's interest-bearing net debt decreased by SEK 92.1 M during the year, amounting to SEK 95.9 M at year-end (188.0).

The ratio of interest-bearing net debt to equity was 0.15 at 31 December 2011 (0.33 at 31 December 2010).

The Group's aggregate goodwill amounted to SEK 250.9 M (252.3), which in relation to equity was a ratio of 0.39 (0.45).

Personnel

On 31 December 2011 there were 492 employees (437) in the VBG GROUP, including 175 (162) in Sweden.

During 2011 the Group employed an average of 477 persons (432). Of these, 174 (165) were active in Sweden. The cost of salaries and social security contributions was SEK 252.6 M (250.4).

Parent Company

VBG GROUP AB's operations are focused on managing, developing and coordinating the Group. The assets in the Parent Company consist primarily of shares in subsidiaries and trademarks. The company also owns 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 28.6 M during the year (25.1). The operating loss was SEK 7.7 M (loss: 8.0). However, after interests in Group companies and net financial items, the loss declined to SEK 48.6 M (profit: 59.0). The main reason for the poorer result was recognition of an impairment loss on shares in subsidiaries of SEK 70.7 M occasioned by the restructurings effected in the Group. In addition, last year's profit included a positive currency exchange difference of SEK 25.5 M, where the equivalent difference this year amounted to SEK –1.0 M. Finally, this year's dividends from Group companies, SEK 12 M, were lower than last year's.

REPORT OF THE DIRECTORS

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

| SEK M | 2011 | 2010 | 2009 | 2008 | 2007 |
|-----------------------------------|---------|---------|---------|---------|---------|
| Sales and earnings | | | | | |
| Net turnover | 1,181.1 | 1,021.3 | 829.0 | 1,376.7 | 1,323.3 |
| Operating profit/loss | 138.3 | 68.6 | -27.1 | 123.1 | 213.2 |
| Profit/loss after financial items | 130.9 | 82.4 | -30.7 | 108.6 | 201.5 |
| Profit/loss after tax | 94.5 | 55.7 | -21.2 | 73.1 | 133.1 |
| Financial position | | | | | |
| Balance sheet total | 983.5 | 971.8 | 1,094.5 | 1,187.6 | 946.3 |
| Equity | 636.6 | 565.3 | 595.0 | 664.7 | 532.9 |
| Risk-bearing capital | 683.1 | 606.9 | 637.4 | 710.6 | 591.2 |
| Equity/assets ratio, % | 64.7 | 58.2 | 54.4 | 56.0 | 56.3 |
| Risk-bearing capital ratio, % | 69.5 | 62.5 | 58.2 | 59.8 | 62.5 |
| Profitability | | | | | |
| Earnings/loss per share, SEK | 7.56 | 4.46 | -1.69 | 5.85 | 10.64 |
| Return on capital employed, % | 18.6 | 8.7 | -3.1 | 16.1 | 34.0 |
| Return on equity, % | 15.7 | 9.6 | -3.4 | 12.2 | 28.3 |
| Profit margin, % | 11.1 | 8.1 | -3.7 | 7.9 | 15.2 |
| Other | | | | | |
| Number of employees at year-end | 492 | 437 | 466 | 436 | 426 |
| Average number of employees | 477 | 432 | 445 | 432 | 422 |

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.

VBG TRUCK EQUIPMENT'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 VBG TRUCK EQUIPMENT 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 are aware 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 among 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.

VBG TRUCK EQUIPMENT's 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.

Notable events after the end of the fiscal year

In January 2012, the VBG TRUCK EQUIPMENT division decided to relocate stocks and distribution of trailer couplings and the division's other products from Krefeld in Germany to Beringen in Belgium.

The move, whose purpose is to further rationalise and streamline operations, involves some 15 persons in the German company and will be carried out during 2012. Negotiations have been initiated with union representatives. Further information will be provided in the interim report for the first quarter of 2012.

Outlook for 2012

During 2011 the Group further strengthened its financial position and is now well equipped for 2012, where the focus for the Parent Company is to create structural growth by acquisition of new businesses.

The 2012 market prospects for the Group's three divisions are difficult to assess on account of the financial unrest in Europe in particular. However, all divisions expect to fortify or advance their market positions during 2012 and thereby defend their profitability as well.

The work of the Board of Directors

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

During financial year 2011, the Board of Directors held 8 (6) meetings. The work of the Board follows an annual plan designed to satisfy the need of the Board for information. In all other respects, the work of the Board is subject to the special rules of procedure the Board has adopted governing the division of responsibilities between the Board and the Managing Director.

The 2011 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 2011 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 2012 AGM resolve that the same guidelines for remuneration to senior officers that were adopted by the 2011 AGM shall apply.

The VBG GROUP share and shareholders

Earnings per share amounted to SEK 7.56 (4.46). Equity per share at 31 December 2011 was SEK 50.92, compared with SEK 45.22 a year earlier.

The number of shareholders decreased slightly during the year, amounting at year-end to 4,327 (4,529).

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 2.25 per share (1.50).

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

| | |
|-----------------------|------------------------|
| Retained earnings | SEK 301,115,762 |
| Net loss for the year | SEK -47,245,848 |
| | SEK 253,869,914 |

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

| | |
|--------------------------------|------------------------|
| Dividend to shareholders | SEK 28,129,554 |
| Carried forward to new account | SEK 225,740,360 |
| | SEK 253,869,914 |

CONSOLIDATED INCOME STATEMENT

| SEK '000 | Note | 2011 | 2010 |
|--|---------|-------------------|-------------------|
| Net turnover | 3 | 1,181,045 | 1,021,306 |
| Cost of goods sold | | -749,642 | -660,791 |
| Gross profit | | 431,403 | 360,515 |
| Selling expenses | | -177,492 | -185,245 |
| Administrative expenses | | -86,554 | -87,127 |
| Research and development costs | | -28,507 | -22,397 |
| Other operating income | 4 | 4,248 | 7,541 |
| Other operating expenses | | -4,844 | -4,667 |
| | | -293,149 | -291,895 |
| Operating profit | 5,6,7,8 | 138,254 | 68,620 |
| Income/loss from financial items | | | |
| Exchange rate effects, net | | -1,002 | 20,270 |
| Interest income | | 330 | 646 |
| Other financial income | | — | 450 |
| Interest expenses | | -6,647 | -7,590 |
| Total income/loss from financial items | | -7,319 | 13,776 |
| Profit after financial items | | 130,935 | 82,396 |
| Tax on profit for the year | 10 | -36,429 | -26,692 |
| Net profit for the year | | 94,506 | 55,704 |
| Net profit for the year attributable to Parent Company shareholders | | 94,506 | 55,704 |
| Other comprehensive income/loss | | | |
| Translation differences relating to foreign operations | | -4,608 | -86,356 |
| Translation differences pertaining to hedge accounting for net investments in foreign operations | | 102 | 7,212 |
| Other comprehensive income/loss, net after tax | | -4,506 | -79,144 |
| Comprehensive income/loss for the year | | 90,000 | -23,440 |
| Comprehensive income/loss for the year attributable to Parent Company shareholders | | 90,000 | -23,440 |
| Earnings/loss per share, basic and diluted, SEK | | 7.56 | 4.46 |
| 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 |

CONSOLIDATED BALANCE SHEET

| SEK '000 | Note | 31/12 2011 | 31/12 2010 |
|--|------|----------------|----------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 11 | | |
| Trademarks and other intellectual property | | 57,583 | 59,572 |
| Goodwill | | 250,872 | 252,291 |
| | | 308,455 | 311,863 |
| Property, plant and equipment | 12 | | |
| Land and buildings | | 78,207 | 83,552 |
| Plant and machinery | | 66,193 | 73,893 |
| Equipment, tools, fixtures and fittings | | 21,452 | 24,191 |
| Construction in progress | | 3,041 | 270 |
| | | 168,893 | 181,906 |
| Deferred tax asset | 14 | 975 | 8,379 |
| Total non-current assets | | 478,323 | 502,148 |
| Current assets | | | |
| Inventories | 15 | | |
| Raw materials and consumables | | 86,958 | 83,742 |
| Work in progress | | 38,718 | 39,535 |
| Finished products and merchandise | | 117,451 | 112,444 |
| | | 243,127 | 235,721 |
| Current receivables | | | |
| Trade receivables | 22 | 157,262 | 151,691 |
| Tax assets | | 16,163 | 7,609 |
| Other receivables | | 16,617 | 20,716 |
| Prepaid expenses and accrued income | 16 | 6,904 | 7,828 |
| | | 196,946 | 187,844 |
| Cash and cash equivalents | | | |
| Short-term investments | | 459 | 459 |
| Cash on hand and demand deposits | | 64,705 | 45,618 |
| | | 65,164 | 46,077 |
| Total current assets | | 505,237 | 469,642 |
| Total assets | | 983,560 | 971,790 |

cont'd. Consolidated Balance Sheet

| SEK '000 | Note | 31/12 2011 | 31/12 2010 |
|--|------|----------------|----------------|
| Equity and liabilities | | | |
| Equity | 17 | | |
| Share capital | | 34,235 | 34,235 |
| Other contributed capital | | 32,111 | 32,111 |
| Reserves regarding translation differences | | -28,131 | -23,625 |
| Retained earnings, incl. net profit for the year | | 598,363 | 522,611 |
| Total equity | | 636,578 | 565,332 |
| Non-current liabilities | | | |
| Provisions for pensions and similar obligations | 19 | 97,229 | 100,339 |
| Deferred tax liability | 14 | 47,523 | 45,514 |
| Other provisions | 20 | 616 | 590 |
| Liabilities to credit institutions | 21 | 34,254 | 50,024 |
| Total non-current liabilities | | 179,622 | 196,467 |
| Current liabilities | | | |
| Overdraft facilities | 23 | 13,547 | 68,352 |
| Liabilities to credit institutions | 21 | 16,032 | 15,393 |
| Other provisions | 20 | 4,463 | 2,111 |
| Trade payables | | 46,299 | 54,242 |
| Tax liabilities | | 14,732 | 10,040 |
| Other liabilities | | 13,570 | 12,303 |
| Accrued expenses and deferred income | 24 | 58,717 | 47,550 |
| Total current liabilities | | 167,360 | 209,991 |
| Total equity and liabilities | | 983,560 | 971,790 |
| Pledged assets | 25 | 30,609 | 34,435 |
| Contingent liabilities | 26 | 933 | 839 |

CONSOLIDATED CHANGES IN EQUITY

| SEK '000 | Share capital | Contributed capital | Reserve regarding translation differences | Retained earnings | Total equity |
|--|---------------|---------------------|---|-------------------|----------------|
| Opening balance at 1/1 2010 | 34,235 | 32,111 | 55,519 | 473,158 | 595,023 |
| Translation difference | | | -86,356 | | -86,356 |
| Hedging of net investments | | | 7,212 | | 7,212 |
| Other comprehensive income/loss | | | -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 |
| Opening balance at 1/1 2011 | 34,235 | 32,111 | -23,625 | 522,611 | 565,332 |
| Translation difference | | | -4,608 | | -4,608 |
| Hedging of net investments | | | 102 | | 102 |
| Other comprehensive income/loss | | | -4,506 | | -4,506 |
| Net profit for the year | | | | 94,506 | 94,506 |
| Total revenue and expenses for the year | | | | 94,506 | 94,506 |
| Dividend | | | | -18,754 | -18,754 |
| Total transactions with shareholders | | | | -18,754 | -18,754 |
| Equity 31/12 2011 | 34,235 | 32,111 | -28,131 | 598,363 | 636,578 |

CONSOLIDATED CASH FLOW STATEMENT

| SEK '000 | Note | 2011 | 2010 |
|--|------|----------------|-----------------|
| Operating activities | | | |
| Operating profit before financial items | | 138,254 | 68,620 |
| Depreciation/amortisation | | 34,471 | 36,492 |
| Other items not affecting liquidity | 28 | -4,823 | 1,189 |
| Interest received etc. | | 330 | 1,096 |
| Interest paid | | -5,003 | -6,045 |
| Tax paid | | -30,974 | -17,915 |
| Cash flow before change in working capital | | 132,255 | 83,437 |
| Decrease/increase (-) in inventories | | -9,177 | 41,066 |
| Decrease/increase (-) in trade receivables | | -6,314 | -40,528 |
| Decrease/increase (-) in other current receivables | | 4,739 | 86 |
| Increase/decrease (-) in trade payables | | -7,648 | 19,617 |
| Increase/decrease (-) in other current liabilities | | 17,086 | -2,887 |
| Cash flow from operating activities | | 130,941 | 100,791 |
| Investing activities | | | |
| Investments in intangible assets | 28 | -5,351 | -2,145 |
| Investments in property, plant and equipment | | -20,522 | -12,154 |
| Sales of property, plant and equipment | | — | 2,097 |
| Cash flow from investing activities | | -25,873 | -12,202 |
| Financing activities | | | |
| Borrowings/Repayment of loans | | -66,375 | -70,967 |
| Dividend paid | | -18,754 | -6,251 |
| Cash flow from financing activities | | -85,129 | -77,218 |
| Cash flow for the year | | 19,939 | 11,371 |
| Cash and cash equivalents at start of year | | 46,077 | 37,671 |
| Translation difference, cash and cash equivalents | | -852 | -2,965 |
| Cash and cash equivalents at year-end | 28 | 65,164 | 46,077 |
| Unutilised overdraft facilities | | 121,900 | 67,668 |
| Total cash and cash equivalents available | | 187,064 | 113,745 |
| Composition of net debt | | | |
| Interest-bearing liabilities and provisions | | 161,062 | 234,108 |
| Cash on hand, demand deposits and short-term investments | | -65,164 | -46,077 |
| Net debt | | 95,898 | 188,031 |
| Change in interest-bearing net debt | | -92,133 | -105,822 |

PARENT COMPANY INCOME STATEMENT

| SEK '000 | Note | 2011 | 2010 |
|---|-------|----------------|----------------|
| Net turnover | | 28,648 | 25,149 |
| Gross profit | | 28,648 | 25,149 |
| Selling expenses | | -7,154 | -6,731 |
| Administrative expenses | | -26,424 | -23,696 |
| Other operating expenses | | -2,744 | -2,729 |
| | | -36,322 | -33,156 |
| Operating profit/loss | 5,6,7 | -7,674 | -8,007 |
| Income/loss from financial items | | | |
| Dividends from interests in subsidiaries | | 32,493 | 43,774 |
| Impairment loss on shares in subsidiaries | 13 | -70,763 | — |
| Exchange rate effects, net | | -987 | 25,514 |
| Interest income | | 1,506 | 660 |
| Other financial income | | — | 450 |
| Interest expenses | | -3,223 | -3,422 |
| Total income/loss from financial items | | -40,974 | 66,976 |
| Profit/loss after financial items | | -48,648 | 58,969 |
| Appropriations | 9 | 1,614 | -1,966 |
| Tax on profit for the year | 10 | -211 | -3,434 |
| Net profit/loss and comprehensive income/loss for the year | | -47,245 | 53,569 |

PARENT COMPANY BALANCE SHEET

| SEK '000 | Note | 31/12 2011 | 31/12 2010 |
|--|------|----------------|----------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | | | |
| Trademarks and other intellectual property | 11 | 14,212 | 16,306 |
| | | 14,212 | 16,306 |
| Property, plant and equipment | 12 | | |
| Land and buildings | | 7,257 | 7,937 |
| Equipment, tools, fixtures and fittings | | 31 | 40 |
| | | 7,288 | 7,977 |
| Long-term investments | | | |
| Interests in Group companies | 13 | 501,956 | 572,719 |
| | | 501,956 | 572,719 |
| Total non-current assets | | 523,456 | 597,002 |
| Current assets | | | |
| Current receivables | | | |
| Receivables from Group companies | | 89,890 | 81,942 |
| Tax assets | | 575 | — |
| Other receivables | | 371 | 2,462 |
| Prepaid expenses and accrued income | 16 | 1,495 | 1,222 |
| | | 92,331 | 85,626 |
| Cash and cash equivalents | | | |
| Short-term investments | | 459 | 459 |
| Cash on hand and demand deposits | | 18,299 | 12,137 |
| | | 18,758 | 12,596 |
| Total current assets | | 111,089 | 98,222 |
| Total assets | | 634,545 | 695,224 |

cont'd. Parent Company Balance Sheet

| SEK '000 | Note | 31/12 2011 | 31/12 2010 |
|--------------------------------------|------|----------------|----------------|
| 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 | | 301,114 | 266,299 |
| Net profit/loss for the year | | -47,245 | 53,569 |
| | | 253,869 | 319,868 |
| Total equity | | 341,353 | 407,352 |
| Untaxed reserves | 18 | 27,141 | 28,755 |
| Provisions | | | |
| Provisions for pensions, PRI | 19 | 9,847 | 8,656 |
| Total provisions | | 9,847 | 8,656 |
| Non-current liabilities | | | |
| Liabilities to credit institutions | | 8,945 | 18,004 |
| Total non-current liabilities | | 8,945 | 18,004 |
| Current liabilities | | | |
| Overdraft facilities | | 13,548 | 68,353 |
| Trade payables | | 1,289 | 743 |
| Liabilities to subsidiaries | | 212,794 | 144,689 |
| Liabilities to credit institutions | | 8,945 | 9,002 |
| Other current liabilities | | 1,750 | 1,619 |
| Tax liability | | — | 2,400 |
| Accrued expenses and deferred income | 24 | 8,933 | 5,651 |
| Total current liabilities | | 247,259 | 232,457 |
| Total equity and liabilities | | 634,545 | 695,224 |
| Pledged assets | | none | none |
| Contingent liabilities | 26 | 53,454 | 54,199 |

PARENT COMPANY CHANGES IN EQUITY

| SEK '000 | Note | Share capital | Statutory reserve | Non-restricted equity | Total equity |
|--------------------------|------|---------------|-------------------|-----------------------|----------------|
| Equity 1/1 2010 | 17 | 34,235 | 53,249 | 272,550 | 360,034 |
| Net profit for the year | | | | 53,569 | 53,569 |
| Dividend | | | | -6,251 | -6,251 |
| Equity 31/12 2010 | | 34,235 | 53,249 | 319,868 | 407,352 |
| Net loss for the year | | | | -47,245 | -47,245 |
| Dividend | | | | -18,754 | -18,754 |
| Equity 31/12 2011 | | 34,235 | 53,249 | 253,869 | 341,353 |

PARENT COMPANY CASH FLOW STATEMENT

| SEK '000 | 2011 | 2010 |
|--|----------------|----------------|
| Operating activities | | |
| Operating loss before financial items | -7,674 | -8,007 |
| Depreciation/amortisation | 3,074 | 3,232 |
| Other items not affecting liquidity | 775 | 260 |
| Interest received | 1,506 | 1,110 |
| Dividend received | 32,493 | 43,774 |
| Interest paid | -2,807 | -3,003 |
| Tax paid | -3,186 | -403 |
| Cash flow before change in working capital | 24,181 | 36,963 |
| Decrease/increase (-) in other current receivables | -6,130 | 32,648 |
| Increase/decrease (-) in trade payables | 546 | -296 |
| Increase/decrease (-) in other current liabilities | 71,518 | 7,845 |
| Cash flow from operating activities | 90,115 | 77,160 |
| Investing activities | | |
| Investments in subsidiaries | — | -9,280 |
| Investments in intangible assets | -291 | -482 |
| Cash flow from investing activities | -291 | -9,762 |
| Financing activities | | |
| Dividend paid | -18,754 | -6,251 |
| Borrowings/repayment of loans | -8,957 | -5,843 |
| Increase/decrease in current financial liabilities | -54,862 | -70,844 |
| Exchange rate differences | -1,089 | 18,302 |
| Cash flow from financing activities | -83,662 | -64,636 |
| Cash flow for the year | 6,162 | 2,762 |
| Cash and cash equivalents at start of year | 12,596 | 9,834 |
| Cash and cash equivalents at year-end | 18,758 | 12,596 |
| Unutilised overdraft facilities | 121,900 | 67,667 |
| Total cash and cash equivalents available | 140,658 | 80,263 |

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 wholly owned companies in Sweden, Germany, the Czech Republic, Belgium, Norway, Denmark, France, the UK, India, the USA and China. Business operations are divided into three divisions: VBG TRUCK EQUIPMENT, EDSCHA TRAILER SYSTEMS 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 Small 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 and amended standards and interpretations applied by the VBG GROUP in 2011

No IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 have had any material impact on the Group.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 but judged to have a possible impact on the Group and not early adopted.

IAS 19 "Remuneration to employees" (amended in June 2011). The amendment entails that the corridor approach has been eliminated and that financial expenses are to be calculated based on the net surplus or deficit in the plan. The Group intends to apply the revised standard for the financial year beginning 1 January 2013. In accordance with the revised IAS, the reported pension liability will increase by SEK 14 M,

while equity will decrease by SEK 11 M, taking into account deferred tax. Calculated effects do not include the possible effect of payroll tax and yield tax (on returns from pension funds). The standard has not yet been adopted by the EU.

IFRS 9, "Financial instruments" IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. The Group intends to apply the new standard for the financial year beginning 1 January 2015 and has not yet evaluated the effects. The standard has not yet been adopted by the EU.

IFRS 10 "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group intends to apply IFRS 10 for the financial year beginning 1 January 2013 and has not yet evaluated its full effect on the financial statements. The standard has not yet been adopted by the EU.

IFRS 12 "Disclosures of interests in other entities" provides disclosure requirements for subsidiaries, joint arrangements, associated companies and unconsolidated structured entities. The Group intends to apply IFRS 12 for the financial year beginning 1 January 2013 and has not yet evaluated its full effect on the financial statements. The standard has not yet been adopted by the EU.

None of the other IFRSs or IFRIC interpretations that have not yet become effective are expected to have any material impact on the Group.

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

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

Note 1 cont'd.

Taxes

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

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

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

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

Receivables

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

Effects of changes in exchange rates

Functional currency and presentation currency

Items included in the financial statements for the different entities in the Group are stated in the currency that is used in the primary economic environment where the enterprise is 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 presentation 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 profit or loss. 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 profit or loss under financial items.

Group companies

The earnings and financial position of all Group companies with another functional currency than the presentation currency are translated to the Group's presentation 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 attributable 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.

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

Note 1 cont'd.

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 expensed immediately. Expenditure for development projects (attributable to development and testing of new or improved products) is capitalised as intangible assets to the extent that this expenditure is expected to generate future economic benefits and the cost of the asset can be estimated reliably. Other development costs are expensed as incurred. No expenditure for development projects has been capitalised during the year.

Property, plant and equipment

Property, plant and equipment are recognised at cost less planned depreciation during the useful life of the assets.

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

| | |
|---|----------|
| Buildings | 25–50 år |
| Plant and machinery | 3–10 år |
| Equipment, tools, fixtures and fittings | 3–10 år |

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 expensed 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 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 profit or loss. 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 profit or loss allocated over the term of the loan with application of the effective interest method.

Equity

Equity is recognised in the Consolidated Balance Sheet allocated 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 aside from 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 profit or loss 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 allocated between restricted and non-restricted equity in accordance with the rules in the Swedish Annual Reports Act.

Provisions

Provisions for e.g. environmental remediation measures, restructuring costs and legal requirements are recognised when the Group has an existing legal or informal obligation as a consequence of earlier events, it is more likely that an outflow of

Note 1 cont'd.

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 same manner as in internal reporting, 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 2011. 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 50 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 2011.

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

Note 2 cont'd.

protected by patents as far as possible. The risk that unlicensed copies of the Group's products will be marketed may increase over the next few years.

Environmental risks

"Environmental risk" refers to the risk of costs the Group may incur for emissions reduction, site remediation, improvements in waste management etc. The Group's operations cannot be considered to be environmentally harmful in a narrow perspective. The VBG GROUP complies with the laws and regulations in effect in each country with ample margin. The 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. Establishing on new geographic markets also contributes 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 a value of about SEK 257 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 18 M, while the effect of an equivalent change between USD and SEK is approximately SEK 5 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 57 M and borrowing to EUR 2 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 157 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 2011, the unutilised credits amount to SEK 122 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 generating 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 2011 the equity/assets ratio was 65 per cent.

Note 3 Segment reporting (SEK M)

Divisions (business segments)

The Group is organised in three divisions

- **VBG TRUCK EQUIPMENT** is a leading international supplier of systems to customers in the truck industry and includes the brands VBG and Ringfeder for coupling equipment, Onspot for automatic tyre chains and Armaton for dropside pillars for light trucks. Customers tend to be truck manufacturers, body builders, hauliers and importers.
- **EDSCHA TRAILER SYSTEMS** is the market's biggest manufacturer of sliding roofs for trailers. The main brand is Edscha Trailer Systems, and a complementary brand is Sesam. The customers are above all European trailer manufacturers.

- **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. 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 TRUCK EQUIPMENT | EDSCHA TRAILER SYSTEMS | RINGFEDER POWER TRANSMISSION | Group- wide | Group |
|-------------------------------------|---------------------------|------------------------------|------------------------------------|----------------|----------------|
| Financial year 2011 | | | | | |
| External sales | 613.7 | 294.8 | 272.6 | | 1,181.1 |
| Operating profit/loss | 94.0 | 22.5 | 35.4 | -13.6 | 138.3 |
| Financial expenses | — | — | — | -7.7 | -7.7 |
| Financial income | — | — | — | 0.3 | 0.3 |
| Tax expense for the year | — | — | — | -36.4 | -36.4 |
| Net profit/loss for the year | 94.0 | 22.5 | 35.4 | -57.4 | 94.5 |
| Other disclosures | | | | | |
| Non-current assets | 116.2 | 259.9 | 100.7 | 1.5 | 478.3 |
| Current assets | 186.2 | 86.0 | 149.8 | 18.0 | 440.0 |
| Cash and cash equivalents | — | — | — | 65.2 | 65.2 |
| Assets | 302.4 | 345.9 | 250.5 | 84.7 | 983.5 |
| Non-current liabilities | 83.4 | 23.2 | 4.2 | 68.8 | 179.6 |
| Current liabilities | 72.0 | 19.5 | 26.1 | 49.8 | 167.4 |
| Liabilities | 155.4 | 42.7 | 30.3 | 118.6 | 347.0 |
| Capital expenditures | 7.8 | 1.5 | 11.9 | 0.3 | 21.5 |
| Depreciation/amortisation | -20.9 | -7.6 | -6.0 | — | -34.5 |
| Financial year 2010 | | | | | |
| External sales | 539.5 | 172.7 | 309.1 | | 1,021.3 |
| Operating profit/loss | 50.5 | -10.8 | 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 | 50.5 | -10.8 | 41.5 | -25.5 | 55.7 |
| Other disclosures | | | | | |
| Non-current assets | 123.0 | 275.0 | 94.9 | 9.2 | 502.1 |
| Current assets | 193.2 | 89.3 | 129.8 | 11.3 | 423.6 |
| Cash and cash equivalents | — | — | — | 46.1 | 46.1 |
| Assets | 316.2 | 364.3 | 224.7 | 66.6 | 971.8 |
| Non-current liabilities | 82.0 | 22.8 | 16.0 | 75.7 | 196.5 |
| Current liabilities | 68.0 | 18.4 | 27.3 | 96.3 | 210.0 |
| Liabilities | 150.0 | 41.2 | 43.3 | 172.0 | 406.5 |
| Capital expenditures | 8.0 | 0.9 | 2.3 | 0.5 | 11.7 |
| Depreciation/amortisation | -22.4 | -8.3 | -5.8 | — | -36.5 |

Note 3 cont'd.

| Sales per geographical area | 2011 | | | Group |
|-----------------------------|---------------------|------------------------|------------------------------|----------------|
| | VBG TRUCK EQUIPMENT | EDSCHA TRAILER SYSTEMS | RINGFEDER POWER TRANSMISSION | |
| Sweden | 192.6 | 0.9 | 4.1 | 197.6 |
| Other Nordic countries | 104.2 | 1.1 | 1.8 | 107.1 |
| Germany | 124.9 | 179.7 | 96.9 | 401.5 |
| Other European countries | 134.3 | 112.3 | 38.0 | 284.6 |
| North America | — | 0.1 | 82.6 | 82.7 |
| Rest of world | 57.7 | 0.7 | 49.2 | 107.6 |
| Total | 613.7 | 294.8 | 272.6 | 1,181.1 |

| Sales per geographical area | 2010 | | | Group |
|-----------------------------|---------------------|------------------------|------------------------------|----------------|
| | VBG TRUCK EQUIPMENT | EDSCHA TRAILER SYSTEMS | RINGFEDER POWER TRANSMISSION | |
| Sweden | 158.4 | 0.6 | 4.2 | 163.2 |
| Other Nordic countries | 91.9 | 1.3 | 1.9 | 95.1 |
| Germany | 125.1 | 94.6 | 90.2 | 309.9 |
| Other European countries | 114.7 | 75.0 | 33.6 | 223.3 |
| North America | — | 0.1 | 131.4 | 131.5 |
| Rest of world | 49.4 | 1.1 | 47.8 | 98.3 |
| Total | 539.5 | 172.7 | 309.1 | 1,021.3 |

Note 4 Other operating income

| | Group | |
|---|--------------|--------------|
| | 2011 | 2010 |
| Royalty income | 2,190 | 1,277 |
| Rental/service income | 156 | 411 |
| Capital gain on property, plant and equipment | 34 | 4,815 |
| Other | 1,868 | 1,038 |
| Total | 4,248 | 7,541 |

Note 5 Salaries, other remuneration and social security contributions

| | 2011 | | 2010 | |
|----------------|---------------------------------|--|---------------------------------|--|
| | Salaries and other remuneration | Social security contributions (of which pension costs) | Salaries and other remuneration | Social security contributions (of which pension costs) |
| Parent Company | 16,138 | 7,836 (2,108) | 12,378 | 7,444 (2,642) |
| Subsidiaries | 177,006 | 51,619 (5,972) | 170,929 | 59,636 (12,250) |
| Group | 193,144 | 59,455 (8,080) | 183,307 | 67,080 (14,892) |

Note 5 cont'd.

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

| | 2011 | | 2010 | |
|--------------------|---|--------------------|---|--------------------|
| | Board and MD (of which bonuses etc.) | Other employees | Board and MD (of which bonuses etc.) | Other employees |
| Parent Company | 4,527 (1,233) | 11,611 | 3,877 (685) | 8,501 |
| Subsidiaries | 5,798 (1,281) | 171,211 | 7,504 (3,397) | 163,424 |
| Group total | 10,325 (2,514) | 182,822 | 11,381 (4,082) | 171,925 |

| Average number of employees | 2011 | | 2010 | |
|--------------------------------|---------------------|-------------|---------------------|-------------|
| | 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 | 166 | 142 | 157 | 134 |
| Norway | 5 | 4 | 5 | 1 |
| Denmark | 5 | 5 | 5 | 5 |
| France | 4 | 4 | 4 | 4 |
| Belgium | 18 | 13 | 23 | 15 |
| UK | 4 | 3 | 4 | 3 |
| Czech Republic | 112 | 78 | 86 | 61 |
| USA | 15 | 11 | 20 | 15 |
| Germany | 133 | 95 | 117 | 88 |
| China | 4 | 2 | — | — |
| India | 3 | 3 | 3 | 3 |
| Total in subsidiaries | 469 | 360 | 424 | 329 |
| Group total | 477 | 367 | 432 | 336 |

At year-end the Group had 492 employees (437).

Board of Directors and senior officers

| | 2011 | | 2010 | |
|---|---------------------------------|----------------|---------------------------------|----------------|
| | Number on closing date | Of whom men | Number on closing date | Of whom men |
| Group (incl. subsidiaries) | | | | |
| Board members | 19 | 17 | 18 | 17 |
| Managing directors and other senior officers | 30 | 26 | 30 | 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.

| | 2011 | | 2010 | |
|---|---------------------------------|----------------|---------------------------------|----------------|
| | Number on closing date | Of whom men | Number on closing date | Of whom men |
| Parent Company | | | | |
| Board members | 8 | 6 | 8 | 7 |
| Managing directors and other senior officers | 7 | 7 | 7 | 7 |

Remuneration Board members and senior officers

In accordance with a resolution by the 2011 AGM, the Chairman and members of the Board receive a total of SEK 850,000 in fixed annual fees. In addition, remuneration of SEK 40,000 each is payable to the Audit Committee and the Compensation 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 6 persons who, together with the Managing Director, make up the Group Management. The proportions of basic salary and variable salary should be commensurate with the individual's powers and responsibilities. The Managing Director's variable remuneration may not exceed 50 per cent of his basic salary. The variable remuneration of other senior officers may not exceed 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.

Note 5 cont'd.

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 2011 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 | 160 | — | — | — | 160 |
| Director Hans-Göran Persson | 120 | — | — | — | 120 |
| Director Johnny Alvarsson | 135 | — | — | — | 135 |
| Director Staffan Ekelund | 120 | — | — | — | 120 |
| Director Helene Richmond | 105 | — | — | — | 105 |
| MD Anders Birgersson | 2,651 | 1,233 | 94 | 727 | 4,705 |
| Other senior officers (6 persons) | 8,247 | 2,463 | 505 | 2,117 | 13,332 |
| Total (12 persons) | 11,538 | 3,696 | 599 | 2,844 | 18,677 |

Note 6 Fees and cost reimbursement paid to auditor

| | Group | | Parent Company | |
|---|--------------|--------------|----------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| PwC | | | | |
| Auditing assignments | 1,907 | 2,043 | 275 | 276 |
| Auditing activities other than auditing assignments | 505 | 575 | 379 | 304 |
| Tax advice | 915 | 1,027 | 23 | 74 |
| Other services | 700 | 1,068 | 176 | 572 |
| | 4,027 | 4,713 | 853 | 1,226 |

Note 7 Depreciation/amortisation

Depreciation and amortisation are recognised in profit or loss under the following headings:

| | Group | | Parent Company | |
|--|---------------|---------------|----------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| Cost of goods sold | 20,687 | 22,478 | — | — |
| Selling expenses | 8,914 | 9,057 | 500 | 658 |
| Administrative expenses | 4,069 | 4,444 | — | — |
| Research and development costs | 801 | 513 | — | — |
| Other operating expenses | — | — | 2,574 | 2,574 |
| Total depreciation/amortisation | 34,471 | 36,492 | 3,074 | 3,232 |

Note 7 cont'd.

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

| | Group | | Parent Company | |
|---|---------------|---------------|----------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| Trademarks | 5,445 | 5,747 | 1,884 | 1,884 |
| Computer software | 1,592 | 1,953 | 501 | 658 |
| Land and buildings | 4,035 | 4,697 | 680 | 679 |
| Plant and machinery | 15,591 | 16,487 | — | — |
| Equipment, tools, fixtures and fittings | 7,808 | 7,608 | 9 | 11 |
| Total depreciation/amortisation | 34,471 | 36,492 | 3,074 | 3,232 |

The Parent Company's depreciation for buildings is included in the market-level rent that is invoiced to the subsidiary in Vänersborg.

This building depreciation is recognised as other operating expenses in the Parent Company's accounts.

Note 8 Operating expenses classified by nature of expense

| | Group | |
|---|------------------|----------------|
| | 2011 | 2010 |
| Direct material incl. change in inventories | 525,666 | 488,863 |
| Employee benefits | 252,600 | 250,387 |
| Depreciation/amortisation | 34,471 | 36,492 |
| Other expenses | 230,054 | 179,818 |
| Total operating expenses | 1,042,791 | 955,560 |

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

Note 9 Appropriations

| | Parent Company | |
|---|----------------|---------------|
| | 2011 | 2010 |
| Difference between book depreciation and depreciation according to plan | 1,964 | 2,284 |
| Change in tax allocation reserve | -350 | -4,250 |
| Total | 1,614 | -1,966 |

Note 10 Tax on profit for the year

| | Group | | Parent Company | |
|---------------------|----------------|----------------|----------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| Current tax | | | | |
| Swedish companies | -11,922 | -11,240 | -211 | -3,434 |
| Foreign companies | -15,050 | -18,808 | — | — |
| Deferred tax | | | | |
| Swedish companies | 296 | 1,343 | — | — |
| Foreign companies | -9,753 | 2,013 | — | — |
| Total | -36,429 | -26,692 | -211 | -3,434 |

Reconciliation with tax recognised in profit or loss:

The difference between the Group's expected tax expense based on a weighted tax rate of 28 per cent (30) and the actual tax expense consists of the following items:

| | Group | |
|--|---------------|----------------|
| | 2011 | 2010 |
| Reported profit before tax | 130,935 | 82,396 |
| Tax according to estimated weighted tax rate | -35,631 | -30,028 |
| Non-deductible expenses, Sweden | -88 | -57 |
| Non-taxable revenue, Swedish companies | 89 | 118 |
| Non-taxable revenue, foreign companies | — | 2,875 |
| Imputed income, tax allocation reserve | -379 | -375 |
| Other | -420 | 775 |
| Total tax | 36,429 | -26,692 |

Note 11 Intangible assets

| | Group | | Parent Company | |
|---|----------------|----------------|----------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Trademarks and other intellectual property | | | | |
| Opening cost | 108,311 | 119,600 | 32,579 | 32,097 |
| Purchases during the year | 5,350 | 2,145 | 291 | 482 |
| Retirement | — | -99 | — | — |
| Translation differences | -524 | -13,335 | — | — |
| Closing accumulated costs | 113,137 | 108,311 | 32,870 | 32,579 |
| Opening amortisation | -48,739 | -45,644 | -16,273 | -13,731 |
| Amortisation for the year | -7,037 | -7,700 | -2,385 | -2,542 |
| Retirement | — | 86 | — | — |
| Translation differences | 222 | 4,519 | — | — |
| Closing accumulated amortisation | -55,554 | -48,739 | -18,658 | -16,273 |
| Closing balance | 57,583 | 59,572 | 14,212 | 16,306 |
| Of which trademark | 49,904 | 55,641 | 13,562 | 15,446 |

Note 11 cont'd.

| Goodwill | Group | |
|-------------------------|----------------|----------------|
| | 2011 | 2010 |
| Opening cost | 252,291 | 289,462 |
| Translation differences | -1,419 | -37,171 |
| Closing balance | 250,872 | 252,291 |

Goodwill is allocated to the Group's divisions as follows

| | Group | |
|------------------------------|----------------|----------------|
| | 2011 | 2010 |
| VBG TRUCK EQUIPMENT | 21,950 | 22,091 |
| EDSCHA TRAILER SYSTEMS | 181,292 | 182,452 |
| RINGFEDER POWER TRANSMISSION | 47,630 | 47,748 |
| Book value | 250,872 | 252,291 |

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 and VBG TRUCK EQUIPMENT, discounted cash flows are based on the 2012 budget and forecasts up to 2014. During and after the forecast period, zero growth is conservatively assumed.

For EDSCHA TRAILER SYSTEMS, discounted cash flows are based on the 2012 budget and forecasts up to 2014. During the forecast period it is assumed that continued recovery occurs in the market and in sold volumes to normalised cash flows over a business cycle. Furthermore, some price increase on some of the division's products is assumed. For the time after the forecast period, cash flows have been calculated assuming no further growth in the market.

With the above assumptions and the use of a discount rate of 7 per cent (7), 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 EDSCHA TRAILER SYSTEMS division 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 | |
|---|----------------|----------------|----------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Opening costs | 125,297 | 144,877 | 33,669 | 33,669 |
| Purchases during the year | 195 | 919 | — | — |
| Retirements | -211 | -11,212 | — | — |
| Translation differences | -1,450 | -9,287 | — | — |
| Closing accumulated costs | 123,831 | 125,297 | 33,669 | 33,669 |
| Opening depreciation | -41,745 | -40,654 | -25,732 | -25,053 |
| Retirements | 41 | 1,986 | — | — |
| Depreciation for the year | -4,035 | -4,697 | -680 | -679 |
| Translation differences | 115 | 1,620 | — | — |
| Closing accumulated depreciation | -45,624 | -41,745 | -26,412 | -25,732 |
| Closing balance | 78,207 | 83,552 | 7,257 | 7,937 |

| Plant and machinery | Group | | Parent Company | |
|---|-----------------|-----------------|----------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Opening cost | 204,233 | 211,775 | 20,155 | 21,181 |
| Purchases during the year | 7,773 | 4,722 | — | — |
| Sales and retirements | -7,518 | -11,856 | -6,577 | -1,026 |
| Reclassification | 85 | 405 | — | — |
| Translation differences | -367 | -813 | — | — |
| Closing accumulated costs | 204,206 | 204,233 | 13,578 | 20,155 |
| Opening depreciation | -124,943 | -120,324 | -20,155 | -21,181 |
| Sales and retirements | 7,518 | 11,732 | 6,577 | 1,026 |
| Depreciation for the year | -15,591 | -16,487 | — | — |
| Translation differences | 400 | 136 | — | — |
| Closing accumulated depreciation | -132,616 | -124,943 | -13,578 | -20,155 |
| Impairment losses in 2001 | -5,397 | -5,397 | — | — |
| Closing balance | 66,193 | 73,893 | 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 (3,826), and the closing balance amounts to SEK 30,609 thousand (34,435). The lease period is seven years.

| Equipment, tools, fixtures and fittings | Group | | Parent Company | |
|---|----------------|----------------|----------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Opening cost | 98,176 | 108,371 | 11,748 | 11,778 |
| Purchases during the year | 5,134 | 3,205 | — | — |
| Sales and retirements | -1,966 | -8,072 | -832 | -30 |
| Reclassification | 173 | 693 | — | — |
| Translation differences | 1,650 | -6,021 | — | — |
| Closing accumulated costs | 103,167 | 98,176 | 10,916 | 11,748 |
| Opening depreciation | -68,346 | -71,929 | -11,708 | -11,727 |
| Sales and retirements | 1,787 | 7,027 | 832 | 30 |
| Depreciation for the year | -7,808 | -7,608 | -9 | -11 |
| Translation differences | -1,709 | 4,164 | — | — |
| Closing accumulated depreciation | -76,076 | -68,346 | -10,885 | -11,708 |
| Impairment losses in 2001 | -5,639 | -5,639 | — | — |
| Closing balance | 21,452 | 24,191 | 31 | 40 |

| Construction in progress | Group | |
|---------------------------|--------------|------------|
| | 2011 | 2010 |
| Opening balance | 270 | 1,743 |
| Purchases during the year | 3,041 | 270 |
| Reclassification | -258 | -1,098 |
| Translation difference | -12 | -645 |
| Closing balance | 3,041 | 270 |

Note 13 Interests in Group companies, changes in book values

| Interests in Group companies | Parent Company | |
|---|----------------|----------------|
| | 2011 | 2010 |
| Opening cost | 572,719 | 563,439 |
| Impairment loss on shares in subsidiaries | -70,763 | — |
| New share issue | — | 9,280 |
| Closing balance | 501,956 | 572,719 |

The impairment loss pertains to the holding in VBG GROUP TRUCK EQUIPMENT NV and is an effect of intra-Group restructurings.

| Specification of interests in Group companies | Share of equity, % | Share of votes, % | Book value |
|---|--------------------|-------------------|----------------|
| VBG GROUP TRUCK EQUIPMENT AB, Sweden | 100 | 100 | 21,197 |
| VBG GROUP SALES AS, Norway | 100 | 100 | 57 |
| VBG GROUP SALES A/S, Denmark | 100 | 100 | 71 |
| VBG GROUP SALES LTD, UK | 100 | 100 | 130 |
| ONSPOT E.U.R.L., France | 100 | 100 | 68 |
| VBG GROUP TRUCK EQUIPMENT NV, Belgium | 100 | 100 | 109,501 |
| VBG GROUP TRUCK EQUIPMENT S.R.O., Czech Republic | 100 | 100 | 47,929 |
| VBG GROUP TRUCK EQUIPMENT GMBH, Germany | 100 | 100 | 196,699 |
| TRAILER SYSTEMS SWEDEN AB | 100 | 100 | |
| 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 | |
| KUNSHAN RINGFEDER POWER TRANSMISSION CO., LTD. | 100 | 100 | |
| RINGFEDER POWER TRANSMISSION USA CORPORATION, USA | 100 | 100 | 35,995 |
| Total | | | 501,956 |

| Corporate identity numbers and domiciles of Group companies | Corp. ID No. | Domicile |
|---|--------------|------------------------------------|
| VBG GROUP TRUCK EQUIPMENT AB | 556229-6573 | Vänersborg, Sweden |
| TRAILER SYSTEMS SWEDEN AB | 556866-1911 | Vänersborg, Sweden |
| VBG GROUP SALES AS | | Oslo, Norway |
| VBG GROUP SALES A/S | | Ejby, Denmark |
| VBG GROUP SALES LTD | | Warrington, UK |
| ONSPOT E.U.R.L. | | Montoy-Flanville, France |
| VBG GROUP TRUCK EQUIPMENT NV | | Beringen, Belgium |
| VBG GROUP TRUCK EQUIPMENT S.R.O. | | Kamenice nad Lipou, Czech Republic |
| VBG GROUP TRUCK EQUIPMENT GMBH | | Krefeld, Germany |
| RINGFEDER POWER TRANSMISSION GMBH | | Gross-Umstadt, Germany |
| RINGFEDER POWER TRANSMISSION USA CORPORATION | | Westwood, NJ USA |
| RINGFEDER POWER TRANSMISSION INDIA PRIVATE LTD | | Chennai, India |
| RINGFEDER POWER TRANSMISSION S.R.O. | | Dobruany, Czech Republic |
| KUNSHAN RINGFEDER POWER TRANSMISSION CO, Ltd | | China |

Note 14 Deferred tax liabilities/assets

| Deferred tax assets | Group | | Parent Company | |
|--|--------------|---------------|----------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| Deferred tax asset pertaining to pension liability | 6,382 | 9,631 | — | — |
| Other temporary differences | 715 | 617 | — | — |
| Deferred tax asset on tax-loss carryforward | 80 | 8,903 | — | — |
| Total tax assets, gross | 7,177 | 19,151 | — | — |

| Deferred tax liabilities | Group | | Parent Company | |
|--|---------------|---------------|----------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| Deferred tax liabilities relating to tax allocation reserves | 18,844 | 18,094 | 3,537 | 3,445 |
| Deferred tax liabilities relating to difference between book values of assets and residual values for tax purposes | 34,881 | 38,192 | 3,601 | 4,117 |
| Total tax liabilities, gross | 53,725 | 56,286 | 7,138 | 7,562 |

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

Note 14 cont'd.

| | Group | | Parent Company | |
|--------------------------------------|----------------|----------------|----------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| Recognised deferred tax liabilities | -47,523 | -45,514 | -7,138 | -7,562 |
| Recognised deferred tax assets | 975 | 8,379 | — | — |
| Deferred tax liabilities, net | -46,548 | -37,135 | -7,138 | -7,562 |

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

Note 15 Inventories

| Inventories | Group | |
|---|----------------|----------------|
| | 2011 | 2010 |
| VBG TRUCK EQUIPMENT | | |
| Raw materials and consumables | 39,377 | 35,482 |
| Semi-finished products and work in progress | 22,906 | 24,154 |
| Finished products and merchandise | 40,433 | 38,981 |
| Total inventories VBG TRUCK EQUIPMENT | 102,716 | 98,617 |
| EDSCHA TRAILER SYSTEMS | | |
| Raw materials and consumables | 25,322 | 32,626 |
| Semi-finished products and work in progress | 5,272 | 6,615 |
| Finished products and merchandise | 9,027 | 8,136 |
| Total inventories EDSCHA TRAILER SYSTEMS | 39,621 | 47,377 |
| RINGFEDER POWER TRANSMISSION | | |
| Raw materials and consumables | 22,259 | 15,634 |
| Semi-finished products and work in progress | 10,540 | 8,766 |
| Finished products and merchandise | 67,991 | 65,327 |
| Total inventories RINGFEDER POWER TRANSMISSION | 100,790 | 89,727 |
| Total | 243,127 | 235,721 |

Impairment of inventories due to obsolescence amounts to SEK 39,361 thousand (38,352), divided between VBG TRUCK EQUIPMENT at SEK 11,823 thousand (11,711), EDSCHA TRAILER SYSTEMS at SEK 5,290 thousand (5,521) and RINGFEDER POWER TRANSMISSION at SEK 22,248 thousand (21,120).

Note 16 Prepaid expenses and accrued income

| | Group | | Parent Company | |
|---------------------------------|--------------|--------------|----------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| Prepaid lease payments | 153 | 216 | 145 | 143 |
| Accrued royalty | 175 | 134 | 175 | 134 |
| Prepaid insurance premiums | 783 | 1,026 | 504 | 561 |
| Prepaid service charges | 2,313 | 1,945 | 31 | 12 |
| Prepaid stock exchange expenses | 53 | 48 | 53 | 48 |
| Prepaid marketing activities | 134 | 166 | — | — |
| Prepaid credit charges | 242 | 324 | 242 | 324 |
| Accrued income | 783 | 1,226 | — | — |
| Other items | 2,268 | 2,743 | 345 | — |
| Total | 6,904 | 7,828 | 1,495 | 1,222 |

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 repurchased, which is equivalent to 96 per cent of the number that could be repurchased. 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, 2010 and 2011 until the next AGM (2012). 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 | |
|---|----------------|---------------|
| | 2011 | 2010 |
| Accumulated difference between book depreciation/amortisation and depreciation/amortisation in excess of plan | 13,691 | 15,655 |
| Tax allocation reserves | 13,450 | 13,100 |
| Total | 27,141 | 28,755 |

Note 19 Provisions for pensions and similar obligations

| Parent Company | 2011 | 2010 |
|--|--------|---------|
| Provisions in accordance with Swedish Act on Safeguarding of Pension Obligations | | |
| FPG/PRI pensions | 9 847 | 8 656 |
| Group | | |
| Provisions in accordance with IAS 19 | | |
| Defined-benefit pension plans | 97 229 | 100 339 |

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 2011 Total | 31/12 2010 Total |
|---|---------------|---------------|-----------------|---------------------|---------------------|
| Present value of funded obligations | | | 23,639 | 23,639 | 29,038 |
| Fair value of plan assets | | | -20,449 | -20,449 | -20,682 |
| | | | 3,190 | 3,190 | 8,356 |
| Present value of unfunded obligations | 55,868 | 52,094 | | 107,962 | 95,476 |
| Total obligation | 55,868 | 52,094 | 3,190 | 111,152 | 103,832 |
| Unrecognised actuarial gains (+) and losses (-) | -10,808 | -1,091 | -2,024 | -13,923 | -3,493 |
| Net liability in Balance Sheet | 45,060 | 51,003 | 1,166 | 97,229 | 100,339 |

The plan assets consist entirely of externally funded shares and securities.

Amounts recognised in the Consolidated Income Statement for pensions

| | Group | |
|---|---------------|---------------|
| | 2011 | 2010 |
| Current service costs | 1,984 | 4,989 |
| Interest expense | 6,099 | 5,936 |
| Expected return on plan assets | -1,260 | -933 |
| Actuarial gains (+) and losses (-) recognised last year | -39 | 2,100 |
| Costs for defined-benefit plans | 6,784 | 12,092 |
| Costs for defined-contribution plans | 3,683 | 4,734 |
| Total costs recognised in profit or loss | 10,467 | 16,826 |
| Of which | | |
| Amount charged to operating profit | 8,082 | 14,892 |
| Amount charged to financial expenses | 2,385 | 1,934 |
| Total costs recognised in profit or loss | 10,467 | 16,826 |

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.

Note 19 cont'd.

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

| | Group | |
|---|---------------|----------------|
| | 2011 | 2010 |
| Net liability at beginning of year according to adopted Balance Sheet | 100,339 | 101,189 |
| Net cost recognised in profit or loss | 6,784 | 12,092 |
| Benefits paid | -4,559 | -3,655 |
| Contributions to funded plans | -5,088 | -1,501 |
| Exchange rate differences on foreign plans | -247 | -7,786 |
| Net liability at year-end | 97,229 | 100,339 |

Actuarial assumptions regarding significant defined-benefit pension plans

| Percentage | 2011 | | 2010 | |
|--------------------------------|--------|---------|--------|---------|
| | Sweden | Germany | Sweden | Germany |
| Discount rate | 3.5 | 5.3 | 4.9 | 5.3 |
| Future annual salary increases | 2.5 | 2.0 | 2.5 | 2.0 |
| Inflation rate | 1.5 | 2.0 | 2.0 | 2.0 |

The discount rate in Sweden for 2011 and 2010 is based on the interest rate for mortgage bonds with a comparable maturity.

Note 20 Other provisions

| | Group | |
|-----------------------|-------|-------|
| | 2011 | 2010 |
| Warranty obligations | 616 | 590 |
| Restructuring reserve | 4,463 | 2,111 |

Restructuring reserve

The RINGFEDER POWER TRANSMISSION division has decided to close its branch in Krefeld. The branch is expected to be closed during the first part of 2012, and after negotiations it is clear that a number of persons will not be making the move. Termination costs etc. for these persons are estimated to amount to SEK 4,463 thousand.

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 50,286 thousand (65,417). Most of the loans are in EUR.

One such loan of SEK 17,889 thousand is directly linked to the acquisition made in 2009. The translation differences on this loan are posted to equity to the extent the loan hedges net assets in EUR.

Certain machinery investments in Vänersborg have been

financed via finance leases. SEK 26,271 thousand (30,510) of the loans are such loans.

SEK 16,032 thousand of the loans (15,393) fall due within one year. Loans of another SEK 28,956 thousand (30,608) fall due within two to five years. Loans of SEK 5,297 thousand (10,245) fall due for payment more than five years after the balance sheet date.

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 | 50,286 | 16,613 | 23,846 | 8,893 | 5,615 | 54,967 |
| Overdraft facilities | 13,548 | 13,787 | — | — | — | 13,787 |
| Trade payables | 46,299 | 46,299 | — | — | — | 46,299 |
| Total | 110,133 | 76,699 | 23,846 | 8,893 | 5,615 | 115,053 |

Note 22 Trade receivables

| | Group | |
|---|----------------|----------------|
| | 2011 | 2010 |
| Trade receivables not due | 119,881 | 118,661 |
| Trade receivables due in 0–3 months | 30,413 | 30,537 |
| Trade receivables due in more than 3 months | 12,225 | 9,161 |
| Reserve for doubtful debts | –5,257 | –6,668 |
| Recognised trade receivables | 157,262 | 151,691 |

Note 23 Overdraft facilities

The Group has overdraft facilities amounting to SEK 135,447 thousand (136,020), of which the amount utilised is SEK 13,547 thousand (68,352). The interest rate on the overdraft facilities is 1.77 per cent.

Note 24 Accrued expenses and deferred income

| | Group | | Parent Company | |
|-------------------------------|---------------|---------------|----------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| Special payroll tax | 4,650 | 4,772 | 930 | 850 |
| Accrued personnel costs | 41,786 | 28,951 | 7,260 | 4,436 |
| Accrued audit fees | 1,731 | 1,482 | 125 | 125 |
| Commissions and sales support | 3,217 | 3,044 | — | — |
| Accrued rental costs | 134 | 459 | — | — |
| Energy costs | 754 | 142 | — | — |
| Yield tax | 133 | 136 | 36 | 37 |
| Property tax | 180 | 165 | 180 | 165 |
| Severance pay, personnel | — | 2,631 | — | — |
| Other items | 6,132 | 5,768 | 402 | 38 |
| Total | 58,717 | 47,550 | 8,933 | 5,651 |

Note 25 Pledged assets

| | Group | |
|-----------------------------|---------------|---------------|
| | 2011 | 2010 |
| Leased machines | 30,609 | 34,435 |
| Total pledged assets | 30,609 | 34,435 |

Note 26 Contingent liabilities

| | Group | | Parent Company | |
|--|------------|------------|----------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| Guarantees for the benefit of subsidiaries | — | — | 53,057 | 53,826 |
| Other | 933 | 839 | 397 | 373 |
| Total contingent liabilities | 933 | 839 | 53,454 | 54,199 |

Note 27 Operating leases

| | Group | |
|--|--------------|--------------|
| | 2011 | 2010 |
| Operating property leases | | |
| Property leases, current rental payments | 7,728 | 8,513 |
| Group total | 7,728 | 8,513 |

Property leases pertain to factory and office properties in foreign subsidiaries. Remaining payments on leases in effect at year-end amount to SEK 19.6 M, of which SEK 6.3 M will fall due for payment in 2012 and SEK 8.2 M will fall due after 2014.

Note 28 Consolidated Cash Flow Statement

| | | |
|--|--------------------------|--------------------------------------|
| Other items not affecting liquidity in operating activities | 2011 | 2010 |
| Change in provisions | -5,195 | 4,263 |
| Capital gain on sales of property, plant and equipment | — | -4,581 |
| Interest element of pension expense | -1,644 | -1,545 |
| Other items | 2,016 | 3,052 |
| Total | -4,823 | 1,189 |
| Acquisition of non-current assets | Intangible assets | Property, plant and equipment |
| Capital expenditures during the year (Notes 11 and 12) | -5,351 | -16,142 |
| Finance leases | — | -4,380 |
| Effect of capital expenditures on cash and cash equivalents | -5,351 | -20,522 |
| | | 2011 |
| Cash and cash equivalents | | |
| Cash on hand and demand deposits | | 64,705 |
| Short-term investments | | 459 |
| Cash and cash equivalents | | 65,164 |

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 121,900 thousand (67,668) at year-end.

Note 29 Significant accounting estimates and assessments

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 26 April 2012 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.

Vänersborg, 23 March 2012

Peter Hansson
Chairman of the Board

Anders Birgersson
Managing Director and CEO

Hans-Göran Persson

Johnny Alvarsson

Helene Richmond

Peter Augustsson

Michael Jacobsson

Cecilia Pettersson

Our Audit Report was submitted on 23 March 2012

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

Report on annual accounts and consolidated accounts

We have audited the annual accounts and the consolidated accounts for VBG GROUP AB for 2011. The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 19–50.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and the consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and presentation of annual accounts that give a true and fair view in accordance with the Annual Accounts Act and consolidated accounts that give a true and fair view in accordance with International Financial Accounting Standards, IFRSs, as adopted by the EU, and the Swedish Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director deem is necessary for the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit. We have conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual accounts and consolidated accounts are free from material misstatement.

An audit involves carrying out procedures to obtain audit evidence regarding the amounts and disclosures in the annual accounts and the consolidated accounts. The auditor decides which procedures are to be performed by assessing the risks of material misstatements in the annual accounts and the consolidated accounts, whether due to fraud or error. In performing this risk assessment, the auditor considers those parts of the company's internal control that are relevant to the preparation of the annual accounts and the consolidated accounts in order to give a true and fair view for the purpose of designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also involves evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and the consolidated accounts.

We believe that the audit evidence we have obtained provides a sufficient and appropriate basis for our opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view, in all material respects, of the Parent Company's financial position as of 31 December 2011 and of its financial

performance and cash flows for the year according to the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view, in all material respects, of the Group's financial position as of 31 December 2011 and of its financial performance and cash flows according to International Financial Accounting Standards, IFRSs, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the Annual General Meeting of Shareholders adopt the Income Statement and the Balance Sheet for the Parent Company and the Group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and the consolidated accounts, we have also examined the proposal for appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of VBG GROUP AB for 2011.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for the administration of the company under the Companies Act.

Auditors' responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration of the company based on our audit. We have conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion concerning the Board of Directors' proposal for appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to determine whether the proposal complies with the Companies Act.

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 the audit evidence we have obtained provides a sufficient and appropriate basis for our opinions.

Opinions

We recommend that the Annual General Meeting of Shareholders appropriate the profit in accordance with the proposal in the Directors' Report and discharge the members of the Board and the Managing Director from liability for the financial year.

Gothenburg, 23 March 2012
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. 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 2011, VBG GROUP AB had a total of 4,327 shareholders. At year-end, the ten biggest shareholders controlled 72.8 per cent of the outstanding share capital and 89.2 per cent of the votes. The stake held by the largest shareholder, the Herman Krefting Foundation for Allergy and Asthma Research, amounted to 32.6 per cent of the outstanding capital and 34.7 per cent of the votes. Other shareholders with 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 15–16.

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, appoints the Nominating Committee, 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 meet-

ing. The notice contains information on notification of intention to attend and right to participate in and vote at the meeting, an itemised 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 submitted 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 2011

VBG GROUP AB's Annual General Meeting was held on 3 May 2011 and all presentations were made in Swedish. Notice of the meeting, the agenda, and the minutes with the Managing Director's illustrations from his address are available on the website. The entire Board of Directors, the chairman of the Nominating Committee, 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 2012 AGM.

The AGM decided to adopt the Board's proposal for a dividend of SEK 1.50 per share for 2010, with record date on 6 May 2011.

The AGM decided to re-elect Board members Peter Hansson, Anders Birgersson, Johnny Alvarsson, Helene Richmond and Hans-Göran Persson, while also electing Peter Augustsson. Staffan Ekelund had declined re-election. Peter Hansson was elected Chairman and Johnny Alvarsson Deputy Chairman.

The AGM also authorised the Board to resolve on one or more occasions up until the 2012 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 3 May 2011, it was announced that the 2012 Annual General Meeting would take place in Vänersborg on 26 April 2012 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
- Peter Hansson, Chairman of VBG GROUP AB
- Peter Rönström, Lannebo Funds
- Åke Persson, Laxo Mekan AB

The task of the Nominating Committee is to present proposals to the AGM on behalf of the shareholders for election of 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 and Board of Directors.

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 2012 AGM re-elect Peter Hansson to the Board as Chairman, Johnny Alvarsson as Deputy Chairman, and Helene Richmond, Hans-Göran Persson, Peter Augustsson and Anders Birgersson (Managing Director) as ordinary members.

It is proposed that the fee paid to the Board of Directors be raised to SEK 1,025,000 (currently SEK 930,000), of which SEK 280,000 (250,000) to the Chairman of the Board, SEK 200,000 (180,000) to the Deputy Chairman and SEK 155,000 each (140,000) to the other Board members.

Of the total fee, SEK 40,000 each (40,000) shall be paid to the Audit and Compensation Committees, to be distributed equally among the committee members appointed by the Board of Directors.

No fee is paid to the Managing Director.

Furthermore, the Nominating Committee proposes to the 2012 AGM re-election, for a period of one year, of PricewaterhouseCoopers as auditor with Fredrik Göransson as auditor in charge.

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 2012 appoint the following persons to the Nominating Committee:

- Reidar Öster, private, Chairman of the Nominating Committee
- Peter Hansson, Chairman of VBG GROUP AB
- Peter Rönström, Lannebo Funds
- Per Trygg, SEB Asset Management SA

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 2011 AGM re-elected Board members Peter Hansson, Johnny Alvarsson, Helene Richmond, Hans-Göran Persson and Anders Birgersson (MD). Peter Augustsson was elected to the Board for the first time. 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 58–59.

In addition to the six members elected by the AGM, the trade unions Unionen/CF/Ledarna and IF Metall each appointed 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, four 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

Board members as from the 2011 AGM

| Name | Function | Elected | Committee work | Independent in relation to the company | Independent in relation to major shareholders |
|--------------------|---|---------|------------------------|--|---|
| Peter Hansson | Chairman | 2001 | Compensation Committee | Yes | No |
| Johnny Alvarsson | Deputy Chairman | 2004 | Compensation Committee | Yes | Yes |
| Helene Richmond | Board member | 2008 | | Yes | Yes |
| Hans-Göran Persson | Board member | 2009 | Audit Committee | Yes | Yes |
| Peter Augustsson | Board member | 2011 | Audit Committee | Yes | Yes |
| Anders Birgersson | Board member, CEO and Managing Director | 2001 | | No | No |
| Total | | | | 5/6 | 4/6 |

Employee representatives

| | | |
|---------------------------------------|----------------|------|
| Michael Jacobsson/IF Metall | Board member | 2011 |
| Cecilia Pettersson/Unionen-CF-Ledarna | Board member | 2011 |
| Mikael Freiholz/IF Metall | Deputy auditor | 2009 |
| Karin Pantzar/Unionen-CF-Ledarna | Deputy auditor | 2010 |

Information on the members of the Board is provided on pages 58–59.

Directors holds six ordinary meetings per year, including the statutory meeting following the AGM, plus extraordinary meetings whenever the situation warrants. Company officers take part in Board meetings as rapporteurs, and the company's CFO serves as secretary.

The company's auditor reports his observations every year based on his review 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

The Board of Directors appointed both an Audit Committee and a Compensation Committee for the period up until the 2012 AGM.

Compensation Committee

At the statutory Board meeting in May 2011, the Board of Directors appointed a Compensation Committee consisting of Peter Hansson, Chairman, and Johnny Alvarsson. The Committee had two meetings during 2011 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 2012 AGM for guidelines for remuneration to the Managing Director and senior officers is provided in the Report of the Directors on page 23.

Information on remuneration is provided in Notes 5 and 6 on pages 39–41.

Audit Committee

At the statutory Board meeting in May 2011, the Board of Directors appointed an Audit Committee consisting of Hans-Göran Persson, Chairman, and Peter Augustsson. The Audit Committee held five meetings of record during 2011.

The Audit Committee has a supervisory role with regard to the company's system for internal control and risk management of the 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 2011. The auditors' reports have not occasioned any special measure on the part of the Audit Committee.

The work of the Board during 2011

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 2011, of which four (February, April, August and October) were held in connection with the publication of the company's quarterly reports.

The annual statutory Board meeting was held immediately after the AGM. The Board held its annual strategy day in conjunction with the August meeting that was held in Dobruany in the Czech Republic at one of the Czech Group companies. The business plan and the goals for 2012 were adopted at the December meeting as usual.

Attendance at Board meetings in 2011

| Name | Board | Audit Committee | Compensation Committee |
|--------------------------------|-------|-----------------|------------------------|
| Board members | | | |
| Peter Hansson | 8 | | 2 |
| Johnny Alvarsson | 8 | | 2 |
| Peter Augustsson ¹⁾ | 4 | 2 | |
| Helene Richmond | 6 | | |
| Hans-Göran Persson | 8 | 3 | |
| Anders Birgersson (CEO) | 8 | | |
| Staffan Ekelund ²⁾ | 4 | 1 | |

Employee representatives

| | |
|--|---|
| Michael Jacobsson ¹⁾ , IF Metall | 4 |
| Cecilia Pettersson ¹⁾ , Unionen-CF-Ledarna | 4 |
| Willy Gustafsson ²⁾ , IF Metall | 4 |
| Lars-Ove Boström ²⁾ , Unionen-CF-Ledarna | 4 |

1) Elected to the Board at the 2011 AGM

2) Retired from the Board at the 2011 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 and Division Management

Overall management of the Group is exercised in the Parent Company by the company's Managing Director and CEO, Ander Birgersson, and the Group's CFO, Claes Wedin. Furthermore, the Parent Company management consists of Bo Hedberg, Director of Business Development, and Christina Holgeron, Director of TQM & HR.

The VBG GROUP's operational business activities are conducted in the three divisions VBG TRUCK EQUIPMENT, with Division Manager Anders Erkén, EDSCHA TRAILER SYSTEMS, with Division Manager Per Ericson, and RINGFEDER POWER TRANSMISSION, with Division Manager Thomas Moka.

The meetings held by the Group Management with each division management deal 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. Furthermore, division-related projects are discussed and decided on.

Information on the Parent Company management and the division managers is provided on pages 60–61.

Internal governance processes

Governance of the VBG GROUP is based on the business concept, strategies and goals of the Group and its divisions. Under the Board of Directors, the CEO and the Group Management, responsibility for operational activities has been decentralised to the three divisions. 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 day-to-day management of the business.

Different business processes such as marketing, sales, purchasing and production are used to manage the operational activities in each division 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 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 a part of the work.

In September a meeting was held with the executive management and the Audit Committee 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. An early warning review is performed of the third quarter accounts in October–November, followed by an early warning meeting with the executive management and the Audit Committee 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 2011, 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 2011 is shown in Note 6 on page 41.

PwC is obligated to review 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 of the financial reporting is covered by the Board's reporting instruction to the Managing Director. The VBG GROUP's financial reporting complies with the laws and rules that apply to companies listed on the Stockholm Stock Exchange and the local rules that apply in each country where business is conducted.

Besides external rules and recommendations there are internal instructions, directions and systems, as well as an internal division of roles and responsibilities aimed at good internal control in the financial reporting.

Control environment

The control environment is the foundation for internal control. VOLVO 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 internal control work 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 procedures have been created to provide 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 divisions 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, division 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 and trainings.

Control activities

The Group's companies are organised in three divisions. Each division management includes a Business Controller. 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 three divisions, 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 division 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 2011.

Vänersborg, 23 March 2012

Peter Hansson
Chairman of the Board

Anders Birgersson
Managing Director and CEO

Hans-Göran Persson

Johnny Alvarsson

Helene Richmond

Peter Augustsson

Michael Jacobsson

Cecilia Pettersson

**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 2011. The company's Corporate Governance Report is included in the printed version of this document on pages 52–57. 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 its statutory content is consistent with the other parts of the annual accounts and the consolidated accounts.

Gothenburg, 23 March 2012
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 develop-
ment 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 subsequently Director of Global
Accounts and other positions in SKF's Industrial Division.
Today she is Global Sales Director at SKF's Industrial
Drives business unit.



Hans-Göran Persson

Ljungkile, 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.



Peter Augustsson
 Gothenburg, born 1955
 Member of the Board since 2011
 Shareholding: 550
 Peter Augustsson, MSc. Eng., has been active in the motor vehicle and component industry. Formerly Managing Director and CEO of Saab Automobile AB and SKF AB. Runs his own business development company today. Chairman of Ljunghäll Group AB, Mechanum Sverige AB and Komax Group OY. Member of the boards of Wallenius Line AB and Valmet Automotive Inc.



Cecilia Pettersson
 Trollhättan, born 1968
 Member of the Board since 2011
 Employee representative
 white-collar employees
 Employed since 1998.



Michael Jacobsson
 Frändefors, born 1966
 Member of the Board since 2011
 Employee representative
 blue-collar employees
 Employed since 1984.

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

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

Deputy auditor

Gunnar Hjalmarsson
Öhrlings PricewaterhouseCoopers AB
 born 1957
 Authorised Public Accountant.

MANAGEMENT

Parent Company



Anders Birgersson, born 1958.
Managing Director and CEO
Employed since 2001.
MSc. Eng., has previously worked for ABB, SKF and ESAB.
Shareholding: 500.



Claes Wedin, born 1956.
CFO
Employed since 1997.
MSc. Econ., has previously worked for Union Carbide, Volvo Aero and MAN Roland.
Shareholding: 500.



Christina Holgerson, born 1965.
Director of TQM & HR
Employed 1986–1996 and then 2000.
Engineer with many years of experience from the automotive industry, e.g. within the Brink Group.



Bo Hedberg, born 1957.
Director of Business Development
Employed since 1996.
MSc. Eng., has previously worked for SAAB Automobile and Mark IV Automotive.
Shareholding: 876.

VBG TRUCK EQUIPMENT



Anders Erkén, born 1964.
Division Manager
Employed since 2007.
MSc. Eng., has previously worked for
ESAB and Imaje.

EDSCHA TRAILER SYSTEMS



Per Ericson, born 1956.
Division Manager
Employed since 2000.
MSc. Eng., has previously worked for
Grimaldi Industrier, Samefagruppen and
Volvo.

RINGFEDER POWER TRANSMISSION



Thomas Moka, born 1965.
Division Manager
Employed since 2004.
MSc. Eng., has previously worked for
Ringspann and Gerwah.

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