VBG Group Annual Report 2014

"Focused and profitable management of leading divisions."

VBG GROUP

Contents

Long-term owner with industrial expertise

VBG Group AB is the publicly traded Parent Company of an international industrial group, and is a long-term owner that provides active, strategic management of the Group’s wholly owned divisions. Our management is based on solid industrial expertise, a strong corporate culture and financial resilience. | **Pages 2–3.**

We are number one or two globally in attractive niches

The VBG Group’s vision is for the wholly owned divisions to be number one or two globally in the industrial niches in which they are active. We have already achieved this position today within a number of niches. We also make a difference by creating the products and services of the future, which leads to enhanced efficiency and safety in areas that are important to society and the individual. | **Pages 4–5.**

Competitive advantages that provide a solid total return

The VBG Group has historically been effective in its strategy and capacity to steer the Group into leading positions in attractive niches, step by step. We create long-term competitive advantages through efficient product development, production, distribution and marketing. This has resulted in a total return of 321.3 per cent in the past ten years for shareholders, compared with 199.0 per cent for Nasdaq OMX Stockholm. | **Pages 10–13.**

"Satisfactory profit in a weak market"

Anders Birgersson, Managing Director and CEO | Pages 8–9.

- The Group's net turnover increased by 1.3 per cent to **SEK 1,186.8 M** (1,171.4)
- Adjusted operating profit declined to **SEK 128.1 M** (162.8)
- Items affecting comparability* amounted to a net expense of **SEK 7.2 M** during the year
- Reported operating profit declined to **SEK 120.9 M** (162.8)
- Profit after financial items totalled **SEK 112.7 M** (151.7)
- The Group's profit after tax amounted to **SEK 78.9 M** (112.5)
- Earnings per share totalled **SEK 6.31** (9.00)
- The Board proposes an increased dividend of **SEK 3.00** (2.75) per share, corresponding to **47.5 per cent** of earnings per share

* Impairment of consolidated goodwill for Edscha Trailer Systems: negative SEK 60.0 M.
Negative goodwill from the acquisition of Tschan GmbH: SEK 46.8 M.
Capital gain on the divestment of the Armaton product range: SEK 6.0 M.

KEY FIGURES

	2014	2013	2012	2011	2010
Net turnover, SEK M	**1,186.8**	1,171.4	1,104.8	1,181.1	1,021.3
Profit after financial items, SEK M	**112.7**	151.7	94.7	130.9	82.4
Profit after tax, SEK M	**78.9**	112.5	69.8	94.5	55.7
Earnings per share, SEK	**6.31**	9.00	5.58	7.56	4.46
Return on capital employed, %	**12.5**	18.5	12.4	18.6	8.7
Equity/assets ratio, %	**67.6**	68.8	61.5	64.7	58.2
Average number of employees	**559**	518	518	477	432

This is the VBG Group

VBG Group AB (publ) is the publicly traded Parent Company of an international industrial group, and is a long-term owner that provides active, strategic management of the Group's wholly owned divisions. Our management is based on solid industrial expertise, a strong corporate culture and financial resilience. Thanks to the VBG Group's stable ownership structure, we are able to take a long-term, focused perspective, which is reflected in the goals and strategies of the Group and each division.

In addition to the Parent Company, the VBG Group comprises three divisions with a total turnover of SEK 1.2 billion and more than 600 employees in 15 countries. Each division is internationally leading within its respective industrial niche. The Group was founded in 1951 and its head office has been located in Vänersborg, Sweden ever since. The company has been listed on Nasdaq OMX Stockholm since 1987.

Principal shareholders guarantee stability

The VBG Group's principal owners comprise three foundations that were established by the Group's founder, Herman Krefting. In accordance with their regulations, the foundations may not divest their shares in the VBG Group. The purpose of Herman Krefting's decision was to ensure the company's future existence and secure the Group's continued stability. VBG Group AB's Managing Director is also to be a Board member of all three owner-foundations and the Group's Chairman is to have a seat on the foundation with the greatest share of votes. This entails that there are strong connections between the VBG Group's management, Board of Directors and principal owner, and first and foremost, considerable industrial expertise among the principal owners.

Although this is an unusual ownership model among Swedish listed companies, it has provided us with a high degree of financial stability over the years and continuity in the implementation of the Group's strategy, which, in turn, has resulted in solid total returns for shareholders. The foundations' ownership influence also helps to create long-term sustainable value for the divisions' customers, stability for employees and a distinct relationship with the company's other stakeholders.

A culture that paves the way for success

The VBG Group is characterised by a down-to-earth corporate culture, which is summarised in the company's shared values – Keystones. Our Keystones are Overall view, Business orientation, Professionalism and Teamwork. Our corporate culture is also reflected in our VBG Group Code of Conduct, which adheres to the UN Global Compact. Together, the Keystones and Code of Conduct serve as a compass that guides us in our strategic decisions and day-to-day work at both the Group and division level. Our Keystones are to be integrated into all of our divisions. At the same time, it is vital that we eagerly maintain, nurture and strengthen the attributes that support the unique competitive advantages of each division.

Strategic governance and development

In the Parent Company, there are resources in place to work with overall Group-level issues, such as strategic development, financing, acquisition and policy matters. Within the Parent Company, we are also closely involved in the Group's operational activities relating to the strategic governance of the divisions, which encompass everything from business development and quality control to strategic work within IT and HR, as well as financial control. Each division is responsible for its own targets and strategies, which are approved and followed up by both the Board and the Parent Company.

Long-term financial strength

We are eager to generate long-term financial strength in the Group. This ensures that we have the scope for acquisitions, investments and other measures that are required to implement the overall strategies. A strong financial position creates conditions that are conducive to continuing with long-term development work, even during periods of economic downturn. The Group has only had two unprofitable years since 1993, which is one of the reasons for our healthy equity/assets ratio, which was 68 per cent at the end of 2014.

Industrial expertise

The VBG Group possesses considerable industrial expertise in the form of an industrially experienced Board of Directors and a Parent Company and Division Management teams comprising industrially experienced individuals. In the Parent Company, we work systematically to map out areas of development, to produce innovative solutions and to identify good examples that can be broadly utilised within the Group. One example of this is

the introduction of production processes and product portfolios that are based on shared platforms. This is a factor that contributes to enhanced efficiency throughout the chain: from product development to sales, distribution and aftermarket services.

Focus on attractive niches

For many years, our strategy has been to identify international growing niches in which our divisions can distinguish themselves by means of sought-after brands and products. The Group also has the long-term approach and strength required to realise adopted strategies. Our ambition is for every division to be, or to have the potential to establish theirselves in the long-term as, the number one or number two player in their respective niches, with good long-term growth and profitability as a result.

Systematic search for acquisition candidates

We work systematically to identify attractive and well-managed companies with strong brands that may be relevant for acquisition. These are divided into two categories:

- Companies that complement our existing operations in terms of product range, production, logistics and geographical coverage.
- Companies in new operations that can form a separate division.

The companies are to have strong brands, preferably proprietary products, as well as their own production and distribution operations. They should not be dependent on a small number of major customers or suppliers. In the past nine years, the VBG Group has acquired four companies. The most recent was in mid-2014, when the German company Tschan GmbH was acquired as a complement to our Ringfeder Power Transmission division. Tschan is an internationally leading supplier of large industrial couplings that perfectly complement the division's product offering. Integration work was launched in 2014 and will be completed during 2015.

With our continued solid financial position and without consideration for possible new share issues, our available funds for acquisitions totalled approximately SEK 500–700 M at the end of 2014.

"A long-term and focused industrial owner."

The VBG Group's divisions strive to be the number one or number two player within attractive market niches. We achieve this by generating high customer value and substantial competitive advantages through efficient product development, manufacturing, marketing and distribution. On the next two pages, you will find examples of niches in which we are active.

VBG Group in society

OUR VISION

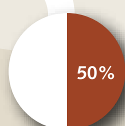
We are number one or two globally in the industrial niches in which we are active. We make a difference by creating products and services of the future.

TRAILER COUPLINGS

PRODUCT
Through their robust design, our automatic couplings for trucks with heavy trailers contribute to improved road safety and a safer work environment for drivers.

VBG
RINGFEDER

MARKET POSITION
The market for automatic drawbar couplings has a turnover of approximately SEK 1 billion. VBG Truck Equipment is world-leading, with a market share of approximately 50 per cent.



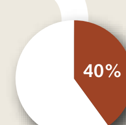
1st*

SLIDING ROOFS

PRODUCT
Our sliding roof for tarpaulin-covered trailers and our sliding bow roof for railway cars contribute to faster loading and unloading, which enhances the efficiency of transport activities.

Edscha Trailer Systems

MARKET POSITION
Approximately 100,000 tarpaulin-covered trailers are produced worldwide annually, most of which have a sliding-roof system. Edscha Trailer Systems produces more than 40,000 roofs for these trailers and thus holds more than 40 per cent of the market.

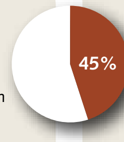


1st*

FRICTION SPRINGS

PRODUCT
Our friction springs are used in many different fields. In aircraft, they are not only used as damping components in the mechanism that adjusts the position of the wing flaps, but also for aircraft doors. In buildings, they are used to reduce vibrations from earthquakes. This protects the building and potentially saves human lives.

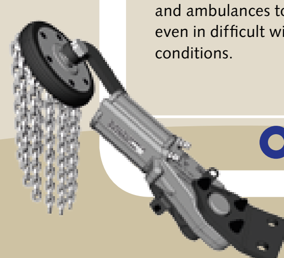
MARKET POSITION
The industrial market for friction springs has a turnover of approximately SEK 100 M. Ringfeder Power Transmission holds approximately 45 per cent of the market.



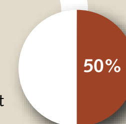
1st*

AUTOMATIC TYRE CHAINS

PRODUCT
Our automatic tyre chains for commercial traffic increase road safety and help the drivers of trucks, fire trucks, school buses and ambulances to arrive on time, even in difficult winter weather conditions.

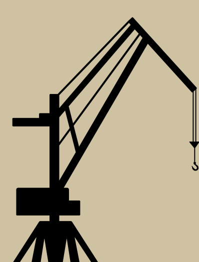


MARKET POSITION
The market for automatic tyre chains has a turnover of approximately SEK 200 M annually. VBG Truck Equipment is world-leading, with a market share of more than 50 per cent.

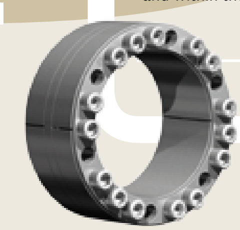


1st*

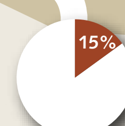
LOCKING ASSEMBLIES AND SHRINK DISCS



PRODUCT
Our locking assemblies and shrink discs are used in many different fields. Ringfeder Power Transmission's products can be found in such applications as cranes, hydroturbines and within the mining industry.



MARKET POSITION
The total market for locking assemblies and shrink discs has a turnover of approximately SEK 1 billion. In an extremely fragmented market with many competitors, Ringfeder Power Transmission is the third largest player, with approximately 15 per cent of the market.

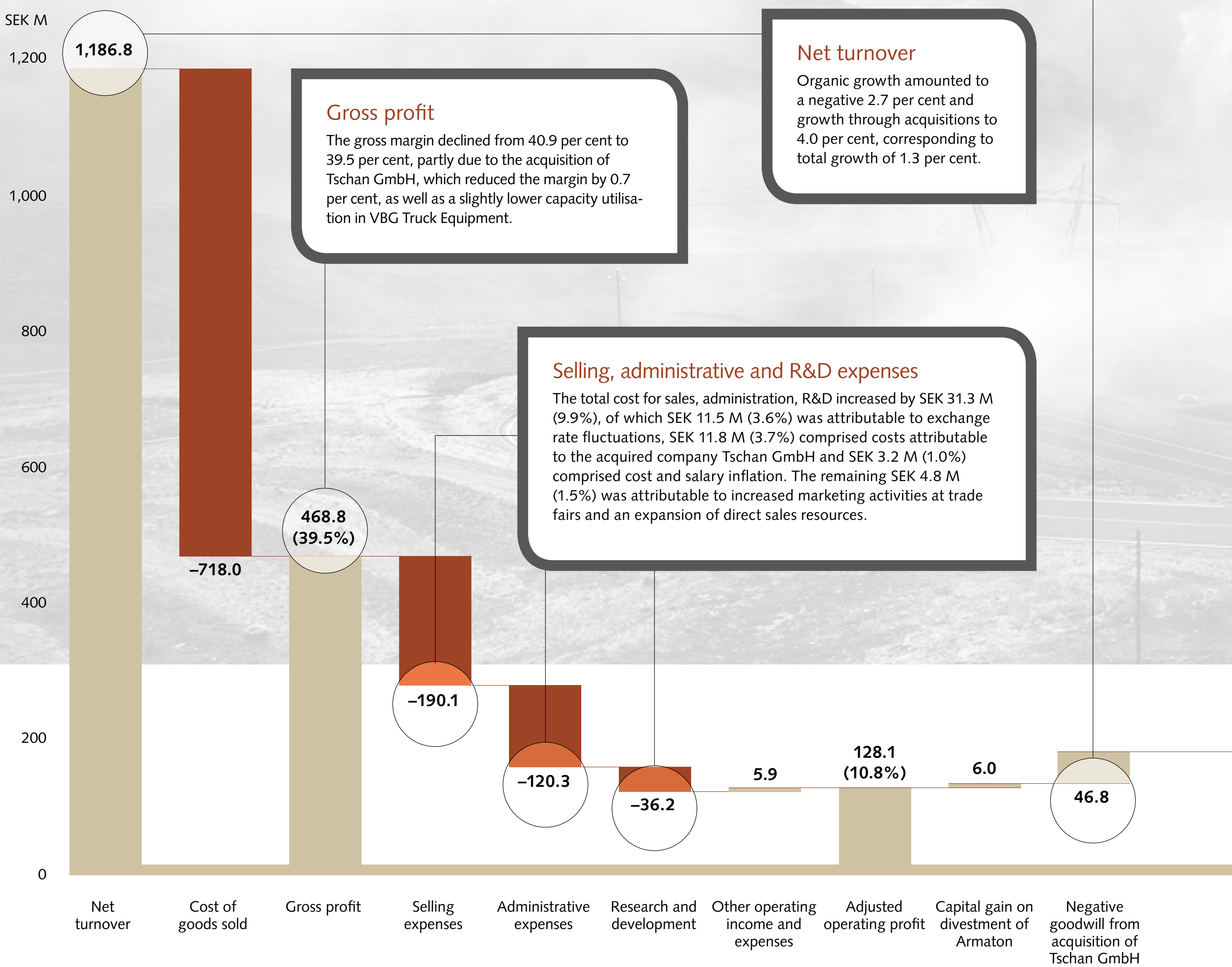


3rd*

* The figures provided that are linked to the size of the markets and the market shares of the VBG Group's divisions are based on a combination of public statistics and the Group's own estimates.

The VBG Group's financial performance in 2014

The VBG Group has a distinct focus on enhancing efficiency at the divisional level in order to reduce tied-up capital and increase profitability. This is achieved through rationalisation throughout the chain: from product development, purchasing and production to marketing and sales, as well as distribution and aftermarket services. Here, you can see the financial results of activities carried out in 2014 – a year that was characterised by continued weak market demand.



Net turnover

Organic growth amounted to a negative 2.7 per cent and growth through acquisitions to 4.0 per cent, corresponding to total growth of 1.3 per cent.

Gross profit

The gross margin declined from 40.9 per cent to 39.5 per cent, partly due to the acquisition of Tschan GmbH, which reduced the margin by 0.7 per cent, as well as a slightly lower capacity utilisation in VBG Truck Equipment.

Selling, administrative and R&D expenses

The total cost for sales, administration, R&D increased by SEK 31.3 M (9.9%), of which SEK 11.5 M (3.6%) was attributable to exchange rate fluctuations, SEK 11.8 M (3.7%) comprised costs attributable to the acquired company Tschan GmbH and SEK 3.2 M (1.0%) comprised cost and salary inflation. The remaining SEK 4.8 M (1.5%) was attributable to increased marketing activities at trade fairs and an expansion of direct sales resources.

Negative goodwill from acquisition of Tschan GmbH

Tschan GmbH was acquired on 1 July. The company had recently completed a reconstruction and the VBG Group was thus able to acquire Tschan at a price that was lower than the value of the assets in the company. This resulted in negative goodwill amounting to SEK 46.8 M, which was recognised as profit in the income statement. However, this profit item did not impact the Group's liquidity.

SEK 78.9 M

Net profit for the year

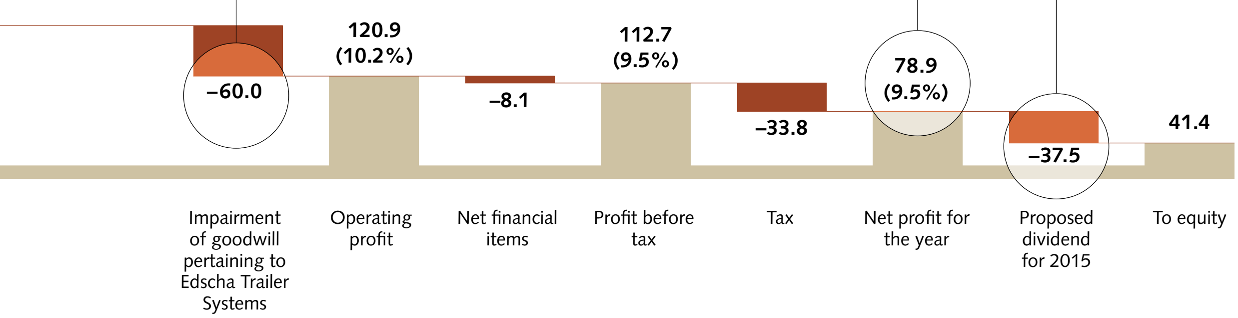
Net profit for the year totalled SEK 78.9 M, corresponding to earnings per share of SEK 6.31.

Impairment of goodwill pertaining to Edscha Trailer Systems

In connection with presentation of the annual accounts, the Group decided to impair the consolidated goodwill pertaining to Edscha Trailer Systems from SEK 198.9 M to SEK 132.9 M, corresponding to SEK 60 M. This measure did not impact the Group's liquidity.

Proposed dividend for 2015

The proposed dividend of SEK 3.00 corresponds to 47.5 per cent of the Group's net profit for 2014, which is significantly higher than the 30 per cent stipulated as the standard dividend in the Group's dividend policy.



"Satisfactory profit in a continued weak market"

How would you describe 2014?
It is difficult to avoid the topic of the market situation when summarising 2014. The anticipated recovery did not occur, which had an impact on all of our divisions. When considered from this perspective, I feel that our profit is acceptable.

The year was also hallmarked by continued efficiency-enhancement efforts and the launch of technologically leading products within each division. In addition, we implemented a strategic complementary acquisition of the German company Tschan, which is an internationally leading brand for large-dimension couplings for mechanical power transmission. We were thus able to fill a gap in Ringfeder Power Transmission's offering, which makes Tschan an excellent complementary company. In recent years, the company had been facing challenges with respect to operational efficiency. This distinguished the transaction from our other acquisitions, which was consequently reflected in the relatively low price. Rationalisation efforts have already come a long way and we consider the transaction to be highly attractive in the long term.

What is your opinion of the performance of the divisions?
VBG Truck Equipment has performed in accordance with our expectations and has strengthened its market position. The division has solid control of its operations and adheres to our strategy – to the letter. This is reflected in its profitability, which is clearly satisfactory.

The performance of the other two divisions has not been as strong. Edscha Trailer Systems stands poised with its expanded product range, while we continue to anticipate the recovery of the market. Profitability is yet to attain a satisfactory level, despite the extensive rationalisation measures of recent years. In conjunction with our preparation of the annual accounts this year, we decided to impair the division's goodwill value by SEK 60 M. We do not expect to attain the turnover and profitability levels achieved during the initial three-year period following the acquisition, when a very strong economic upswing prevailed in the trailer industry.

There remains much for Ringfeder Power Transmission to achieve in terms of operational efficiency, with challenges arising from its complex product portfolio and numerous customers being active within a large number of niches. The operation continues to tie up too much capital for us to be satisfied. This keeps profitability from reaching its full potential and it is an issue that the division will focus on in the next few years.

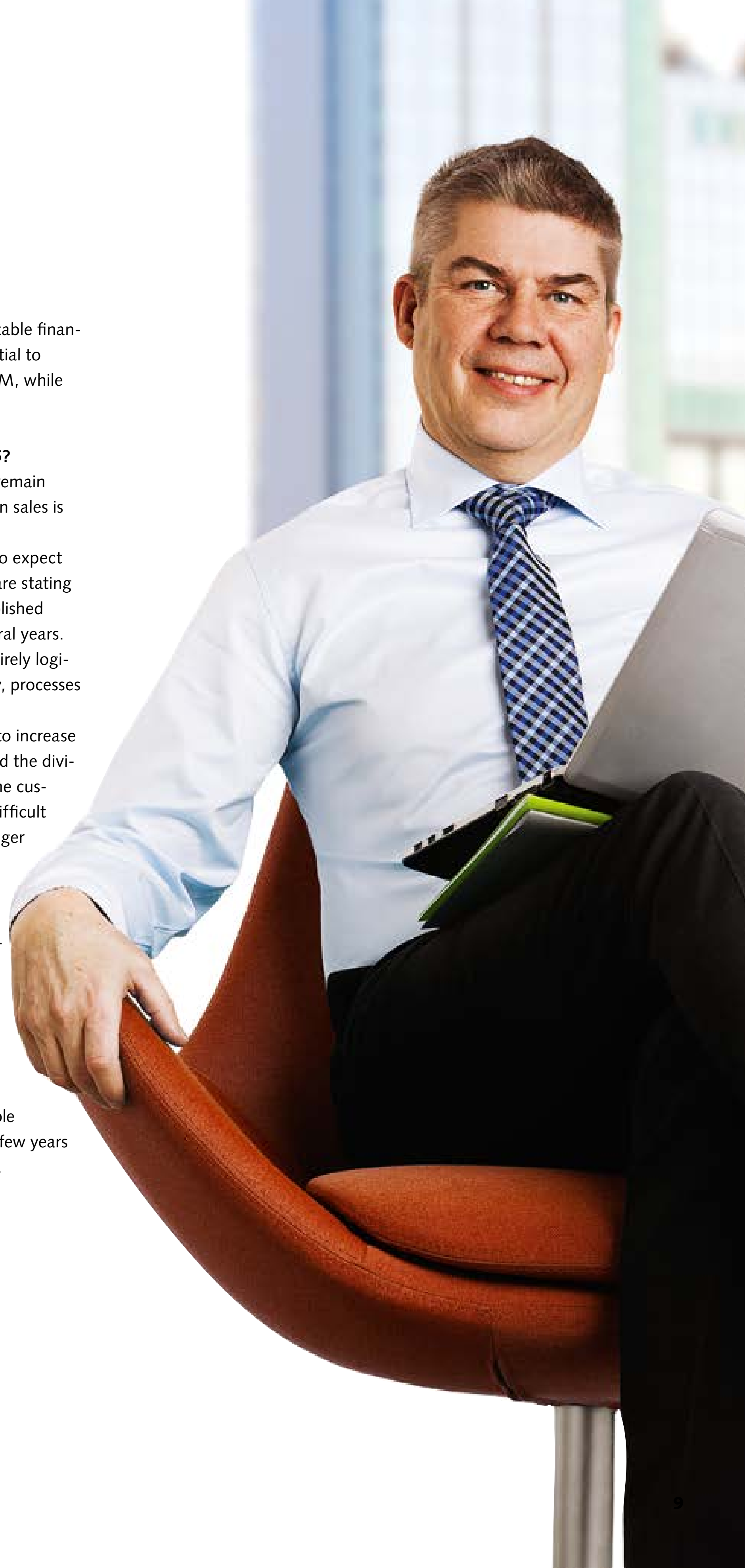
However, it is important to remember that on the whole, all of the divisions have leading positions and are showing profitability, which is positive, given the prevailing market conditions. This creates a solid platform for taking the next steps in development.

What were you most satisfied with?
The first-quarter performance of VBG Truck Equipment, without a doubt. It provided important confirmation of how efficient the operation has become, and of the impact of increased sales volumes on profitability. This bodes well for the future. For the question is not whether demand will return to a more normalised level, but rather when.

We can also report that the changes to the organisation that were implemented in late 2011, toward a more streamlined Group structure, were completely on the right track. We have an efficient Management Group that focuses on the strategic management of the divisions. One of the areas of responsibility pertains to acquisitions, where the process has become considerably more professional in recent years. We continuously identify potential acquisition candidates, for both complementary acquisitions and the purchase of entirely new lines of business.

We have succeeded in implementing acquisitions despite having approached companies that were not for sale. Our long-term approach and capacity to initiate contact have enabled our success. The challenge is not to implement numerous transactions, but quality transactions. There are many companies for sale in the market, but few that live up to our high criteria. Consequently, it is better to search for, establish contact with and propose a deal with the companies that do live up to our requirements. Since 2012, we have implemented two transactions: Onspot of North America, which is an internationally leading manufacturer of automatic tyre chains, and this year's acquisition of the German company Tschan GmbH. Naturally, I was hoping for additional transactions to transpire, but acquisitions should never be implemented at the cost of our long-term requirement for growth with solid profitability. In such cases, it would be preferable to decline the transaction and focus on continuing to create high value in our existing operations.

Where do you stand on the issue of an additional division?
The idea of broadening the Group's operations remains interesting to us. We continuously engage in discussions with candidate companies to which the VBG Group could add value. However, it is too soon to say whether or when such a transaction may occur. The only comment we can make is that we are continuing this work in parallel with complementary acquisitions, which are highly prioritised for the expansion of our existing operations.



What is the financial capacity for acquisitions?
Our solid earnings capacity over time has created a stable financial situation. Through borrowing, we have the potential to implement acquisitions in the range of SEK 500–700 M, while maintaining a solid equity/assets ratio.

What are your expectations for the markets for 2015?
The market for VBG Truck Equipment is expected to remain somewhat subdued. However, our sharpened focus on sales is expected to result in a certain amount of growth.

If the economy does not falter radically, we can also expect increased growth within Edscha Trailer Systems. We are stating this with a measure of humility, as both we and established forecasters have been incorrect on this point for several years. However, we can affirm that a recovery would be entirely logical, and when it does occur, we will have the capacity, processes and products required.

Our ambition for Ringfeder Power Transmission is to increase revenues through the acquisition of Tschan GmbH and the division's sharpened focus on sales and streamlining of the customer process. However, at the time of writing, it is difficult to predict whether we will be helped along by a stronger market. The market signals are difficult to interpret.

What will you focus on in the coming years?
We will continue our efforts to strengthen profitability. This is our focus under all market conditions. We can impact organic growth by continuing to make strategic investments in the product offering, sales and distribution. However, we should also remember that the economy remains at a standstill, which is why the greatest impact will be achieved through acquisitions. Consequently, we will continue to identify suitable acquisition objects with the same intensity in the next few years – with a primary focus on complementary acquisitions.

> "We will continue our efforts to strengthen profitability. This is our focus under all market conditions.

The road from concept to dividend

The following spread provides an overview of the VBG Group's route from business concept and target to strategies and dividends in the form of historically high total returns for shareholders. Everything is incumbent upon our good capacity to steer the Group in the direction of leading positions in attractive niches. Competitive advantages are generated within these niches by means of innovative product development and efficient production, distribution and marketing. In turn, the chain leads to products with high customer value. This is one of our strategies for increasing profitability and we will continue using this approach moving forward.

Our business concept,

The VBG Group will, within 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.

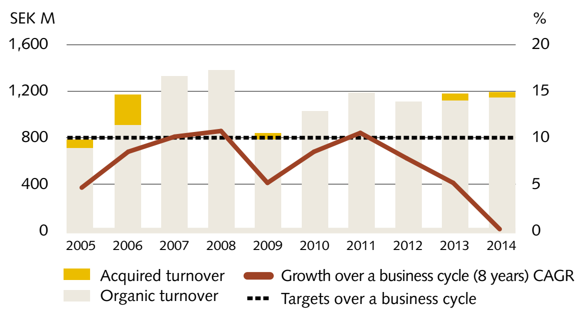
and our goals...

Through growth we achieve a position of strength in relation to other players in the value chain: suppliers, distributors and competitors. Growth that is sustainable and profitable also creates the necessary conditions for long-term financial strength and healthy returns for shareholders.

The Group's founder, Herman Krefting, was an active member of society who was highly interested in traffic-safety issues – an interest which in 1951, drove him to found the company that developed into the VBG Group. This interest in safety issues is a natural part of the Group's identity. It serves as a driving force in the development of new products, regardless of niche, and as a vital link in the systemised thinking that has always characterised the VBG Group's innovative development work, from concept to finished product.

SUSTAINABLE GROWTH

MINIMUM AVERAGE ANNUAL TURNOVER GROWTH OF 10 PER CENT



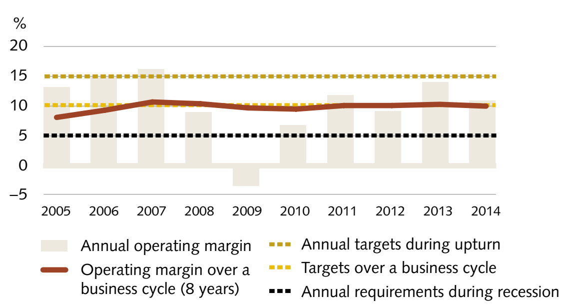
0.3%

Average annual growth over eight years

Over the past eight years, the Group has reported average annual turnover growth of 0.3 per cent, of which negative 1.3 per cent was organic and 1.6 per cent acquired. In 2014, turnover increased 1.3 per cent, of which acquisitions accounted for 4.0 per cent and organic growth for negative 2.7 per cent.

SUSTAINABLE PROFITABILITY

MINIMUM AVERAGE OPERATING MARGIN OF 10 PER CENT

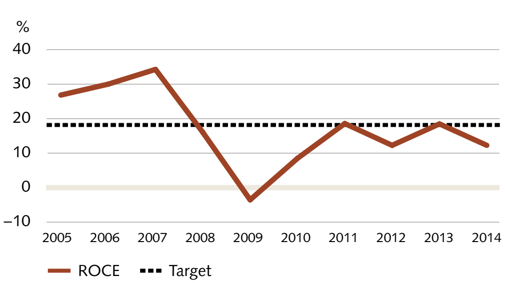


9.9%

Average annual operating margin over eight years

Over a business cycle (eight years), the operating margin is to exceed 10 per cent. The operating margin should be 15 per cent during strong economic periods and should never be lower than 5 per cent during weak economic periods. Over the past eight years, the Group's average operating margin has amounted to 9.9 per cent. In 2014, the operating margin was 10.8 per cent.

AVERAGE RETURN ON CAPITAL EMPLOYED OF 18 PER CENT



14.7%

Average annual return over eight years

Over the past eight years, the Group's return on capital employed (ROCE) has averaged 14.7 per cent. In 2014, ROCE amounted to 12.5 per cent.

STRATEGIES FOR THE DIVISIONS

STRATEGY	EFFECT ON GROWTH	EFFECT ON PROFITABILITY	ACTIVITIES IN 2014	FOCUS FOR 2015
Strong brands and leading market positions in selected niches	Easier to realise transactions. Additional sales through already-strong brands. Easier to acquire.	Enhanced bargaining position in the value chain.	Acquired German brand Tschan within Ringfeder Power Transmission, which strengthened the product portfolio.	Investments in marketing of system solutions for several of the Group's brands.
High customer value in products	Higher sales value.	Good resistance to price pressure. Generates opportunities for long-term stable turnover.	Launched technologically leading products within all the divisions, including a complete upgrade of the Edscha Trailer Systems product range.	Increased cross-selling within Ringfeder Power Transmission arising from the acquisition of Tschan.
Diversified customer base	Not dependent on a few income sources.	Strong bargaining position.	New customer groups within Edscha Trailers Systems as a result of new product line for tipper vehicles.	Identify new fields of application and cultivate new customer segments within all divisions. For example, VBG Truck Equipment is selling products to vehicles beyond the field of road transportation.
International expansion	New markets and additional income through new customers.	Increased volumes that provide economies of scale.	Expanded through in-house sales resources in India and the USA within Ringfeder Power Transmission.	Long-term expansion in growth markets beyond Europe, such as India and Brazil.

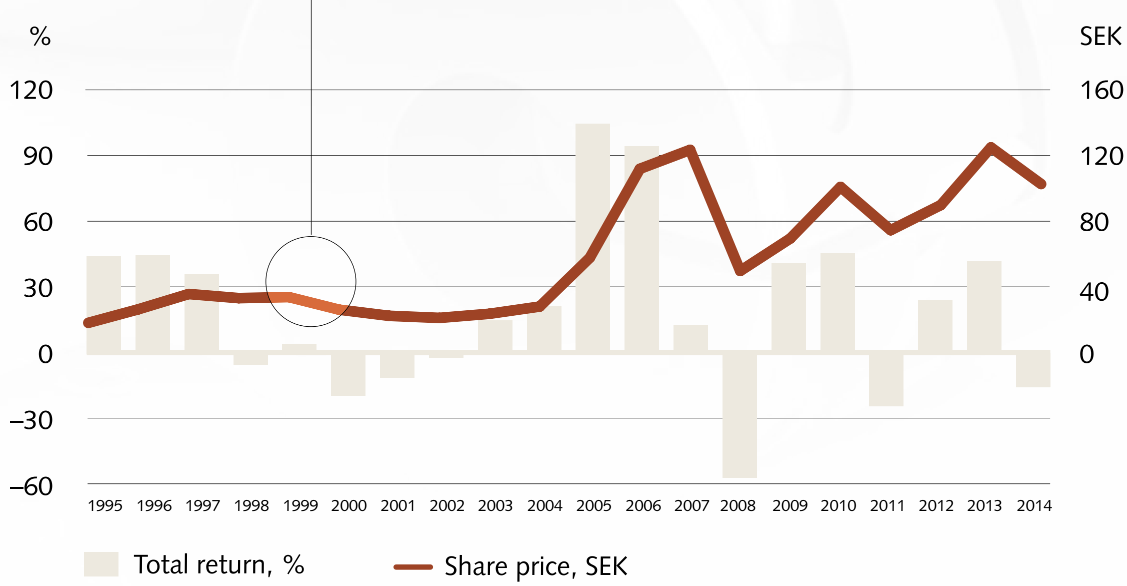
The Parent Company, VBG Group AB, is responsible for the strategic governance of the Group as a whole. This entails the approval and follow-up of divisional targets and strategies. The Parent Company's responsibility also includes identifying and implementing strategic acquisitions and providing support in the form of industrial expertise, the allocation of capital, strategic HR work to ensure that the operations' long-term competency requirements are secured, as well as strategic IT work and the operation of all shared IT systems.

...provides good dividends

In accordance with our dividend policy, we normally distribute 30 per cent of net profit to the shareholders.

30%

The trading price indicates only part of the value change that accrues to shareholders. The total return takes into consideration both the share price trend and dividend, and is thus an all-embracing measurement of how the shareholder's investment is performing. This is of particular relevance to stable long-term companies with good dividends, such as the VBG Group.



The VBG Group's business concept and the Group's manner of implementing the concept has resulted in a total return of 321.3 per cent over the past ten years. This can be compared with the Stockholm Stock Exchange's total portfolio return index (SIXRX), which had a return of 199.0 per cent during the same period. In 2014, the total return for the VBG Group's share was negative 16.1 per cent, compared with 15.8 per cent for SIXRX.

Continued focus on a stimulating workplace

The year 2014 was marked by a continued focus on competency development and a healthy work environment. In addition, we initiated the integration of the German company Tschan GmbH, which was acquired by Ringfeder Power Transmission. There is a high level of satisfaction among the Group's employees, as confirmed by the most recent employee survey, and employee-turnover figures remain low.

The VBG Group has 612 employees in 15 countries in Europe, North and South America, and Asia. The Group is permeated by a distinct corporate culture that is summarised in our shared values – Keystones. Our Keystones are Overall view, Business orientation, Professionalism and Teamwork. In the Group, we also have the VBG Group Code of Conduct, which, combined with the Keystones, lay the foundation for how we want to act toward each other and our customers, suppliers and other stakeholders.

Competency development high on the agenda

At the VBG Group, we continuously develop our employees' competencies and skills to increase diversity, efficiency and competitiveness. Competence development is pursued on an overall and an individual level, so that both the organisation and the individual have the opportunity to develop their full potential. This occurs through day-to-day work as well as focused training efforts. Every new employee within the Group undergoes orientation training with a focus on safety, quality, the environment, processes and procedures, as well as individual job content. Individual skills development is determined and subsequently followed up at annual developmental assessments held between each employee and his or her immediate superior.

A Group-wide academy

At the VBG Group Academy, we pursue Group-wide training activities in areas that are of great significance to streamlining the governance of the Group and its operations. This includes management development for both Group and division-level management and for other managers in the organisation.

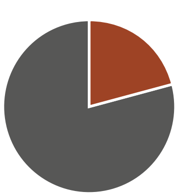
FOCUS FOR 2015

- Work with the Group's shared values – Keystones – with all employees of the VBG Group.
- Continue the integration of Tschan GmbH into Ringfeder Power Transmission.

25.6

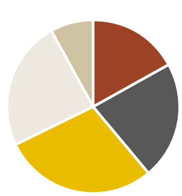
This year's Employer Net Promoter Score in VBG Truck Equipment Vänerborg's employee survey. The Employer Net Promoter Score reflects the employees' willingness to recommend the company as a place of work. Our results are higher than the average for the engineering industry. As a comparison, anything over 20.0 points is considered a good score.

GENDER DISTRIBUTION



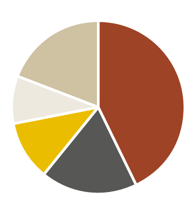
- Women 21%
- Men 79%

AGE DISTRIBUTION

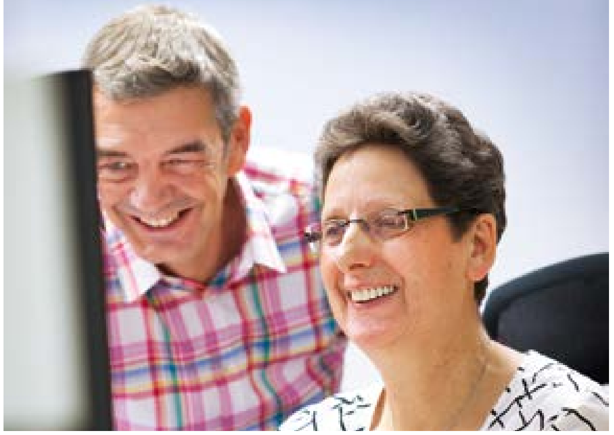


- < 30 years 17%
- 30–40 years 22%
- 40–50 years 29%
- 50–60 years 24%
- > 60 years 8%

LENGTH OF EMPLOYMENT



- < 5 years 43%
- 5–10 years 18%
- 10–15 years 11%
- 15–20 years 9%
- > 20 years 19%



The VBG Group regards HR as a strategic resource, which is aimed at supporting each division by securing the right competencies to sustain profitable growth for the future. This is implemented through, for example, strategic competency development, measures to promote corporate values and corporate culture, and proactive efforts to encourage a high level of satisfaction and sound health.

In 2014, four individuals in senior positions commenced training at the Royal Institute of Technology (KTH) and the Chalmers Institute of Technology in the fields of Industrial Management, R&D Management and Production Management. General training with target groups in all divisions is also pursued within the scope of the VBG Group Academy. During the year, general training was provided in the Group language, English, to improve communications internally and with customers in the international arena.

In 2014, the SLK Employees' Foundation, which is one of the VBG Group's original owners, established a training scholarship, for which all employees may apply. A total of ten scholarships were granted.

An annual conference for the Group's managers is also held with the aim of ensuring good leadership, communicating shared values and work methods, as well as identifying common points of interest and positive experiences that can be passed on within the organisation. The theme of the 2014 conference was branding. More than 50 employees from the Parent Company, division-level management, sales managers, brand specialists and key personnel from Group companies participated.

Importance of a strong brand in the labour market

The shortage of technical and engineering expertise in Sweden and major regions in the rest of Europe is expected to persist for some time to come. This is resulting in increased competition for competencies, which poses a challenge for us. Consequently, we are eager to manage the VBG Group's and the divisions' strong brands, even from an employee and employer perspective. The Group works with a range of profiling projects, such as joint training projects and labour-market fairs in Germany and Sweden. In addition, the VBG Group offers students internships and apprenticeships in various operations.

It is also important to be able to offer employees solid career and development opportunities within the Group. Our plan for the future is to introduce a new program within the framework of the VBG Group Academy for young employees who wish to grow within the Group.

Health and satisfaction prioritised – yields low employee turnover rate

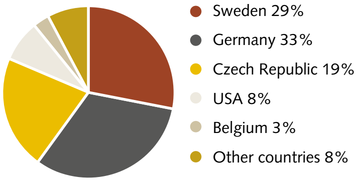
We strive to create a pleasant and healthy work environment for all employees. Improvements to the work environment are implemented on a continuous basis and managed locally by the respective companies, since the conditions vary between the different countries.

From an international perspective, the Group has a low employee turnover rate. In 2014, the figure was 7.6 per cent (7.4). The fact is that nearly 40 per cent of our employees have worked in the Group for longer than ten years, which is an indicator that many are highly satisfied. The Group also has a low sickness-absence rate compared with the engineering industry as a whole. In 2014, the figure was 4.6 per cent (4.3).

Survey indicates improvements from an already healthy level

At the VBG Group, we consider employee surveys to be an opportunity to map out and identify areas of improvement within our operations. One example of this is the request for increased competency development that emerged in the 2012 employee survey conducted at VBG Truck Equipment in Vänersborg. Structured initiatives were subsequently introduced. The results are reflected in this year's survey, where the greatest improvement in terms of points occurred in relation to issues linked to competency. As a matter of fact, the 2014 survey indicates that improvements have occurred within all key areas. It is particularly satisfying that these improvements were based on already high levels. The willingness to recommend the company as a workplace is also high, which is reflected in the survey's Employer Net Promoter Score, which landed at 25.6 on average – higher than the average for the engineering industry. As a comparison, anything over 20.0 points is considered a good score.

GEOGRAPHIC DISTRIBUTION



SICKNESS ABSENCE AND EMPLOYEE TURNOVER

	2014	2013	2012
Sickness absence, %	4.6	4.3	4.7
Employee turnover, %	7.6	7.4	13.2

New scholarship a success

In 2014, one of the VBG Group's owner-foundations established a training scholarship, for which all employees of the Group may apply. The jury received a total of more than 50 applications and ten employees within the VBG Group were granted scholarships.

The founder of the VBG Group, Herman Krefting, wanted to make a difference for his employees and thus established the SLK Employees' Foundation. The foundation is a major shareholder in the VBG Group and administration surpluses are to be invested in increased well-being and personal development for the Group's employees, both at work and in private. In 2014, the foundation's Board resolved to establish the Herman Krefting Training Scholarship, for which all employees of the Group may apply.

A total of 50 applications were received ahead of the selection process, from which ten recipients were selected by a jury comprising the Chairman and two employee representatives on the Board of the SLK Employees' Foundation.

The Herman Krefting Training Scholarship may be granted for courses with a maximum length of one year. The courses may be within such areas as physical sciences, technology, language, finance and leadership.

For 2015, a total of SEK 137,700 was disbursed. The maximum for an individual application is SEK 50,000. The total sum that is disbursed for each individual year is determined by the Board of the SLK Employees' Foundation. The scholarship may be used for tuition fees and for additional costs in the form of course materials, travel and accommodation connected to the course.

" The goal is for the scholarship to be used for courses that contribute to the employee's development on an individual level, while also contributing positively to professional development, explains Håkan Patrikson, Chairman of the SLK Employees' Foundation.

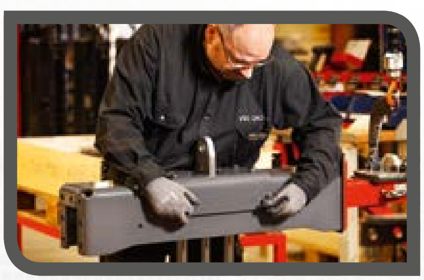
I believe that I will benefit from the course in several different areas of my life. My family was recently accepted as a support family, and in my job, I work in many different group constellations. I also coach a youth football team in my spare time, explains Erik Carlsson, project manager within electronics at VBG Truck Equipment in Vänersborg, Sweden.

Erik received a scholarship for the course *Advanced Development of Groups and Leaders*.

International leaders
in selected niches

The VBG Group's three divisions have leading positions in their respective niches in the global market. Each division develops, manufactures, markets and distributes products of great value for customers. The products are marketed under strong brands that are aimed at different customer segments.

DIVISIONS | **BRANDS**



VBG Truck Equipment

By virtue of its own strong brands, the division is an internationally leading supplier of coupling equipment for trucks with heavy trailers, where the division accounts for more than 50 per cent of the global market via the Ringfeder and VBG brands. The division also has Onspot – automatic tyre chains with a world-leading position in their niche.

VBG
RINGFEDER
ONSPOT

Edscha Trailer Systems

By virtue of its own strong brands, the division is an internationally leading supplier of equipment for trailers. The division accounts for more than 40 per cent of the global market for sliding roofs via the Edscha Trailer Systems and Sesam brands.

Edscha Trailer Systems
SESAM

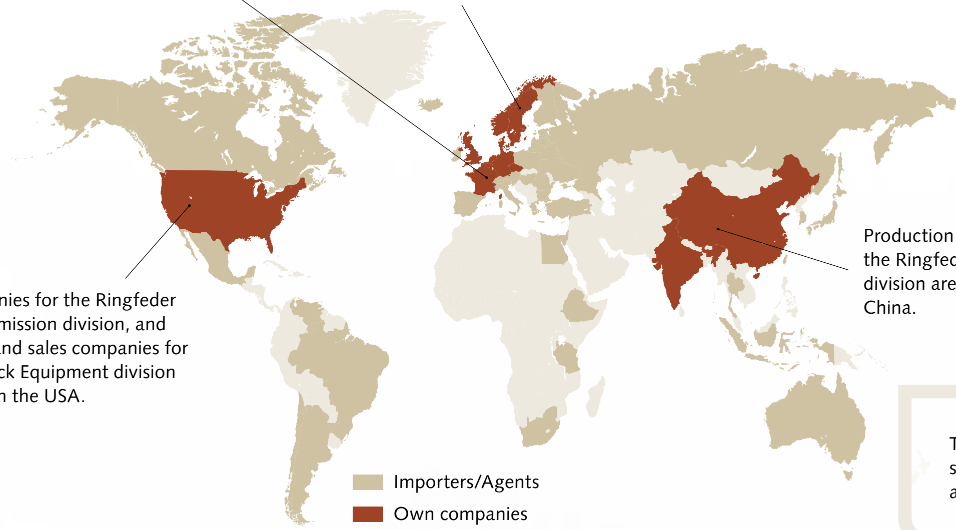
Ringfeder Power Transmission

By virtue of its own strong brands, the division is a recognised global market leader in selected niches within mechanical power transmission and energy and shock absorption. The division's brands are Ringfeder, Tschan, Gerwah and Ecoloc. The customers are found in such widely disparate industrial markets as construction, machinery, power and mining.

RINGFEDER
TSCHAN
GERWAH
ECOLOC

Production and sales companies for the VBG Truck Equipment, Ringfeder Power Transmission and Edscha Trailer Systems divisions are located in Europe.

The Parent Company of the VBG Group and production and sales companies for the VBG Truck Equipment division are located in Scandinavia.



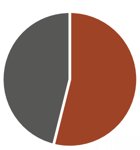
Production and sales companies for the Ringfeder Power Transmission division are located in India and China.

Sales companies for the Ringfeder Power Transmission division, and production and sales companies for the VBG Truck Equipment division are located in the USA.

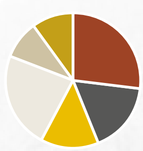
The VBG Group also has staff in Italy, Brazil, Turkey and Thailand.

SHARE OF GROUP TURNOVER	TURNOVER	FINANCIAL KEY FIGURES	NUMBER OF EMPLOYEES*
54%	SEK 637M	Turnover growth –2.1 % Operating margin* 15.3% Return on total capital 27.4%	256
18%	SEK 220M	Turnover growth –13.7 % Operating margin* 3.3% Return on total capital 2.8 %	82
28%	SEK 330M	Turnover growth 23.9 % Operating margin* 11.0 % Return on total capital 10.8 %	267

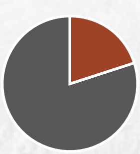
54%



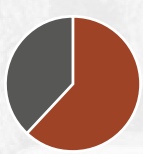
SEK 637M



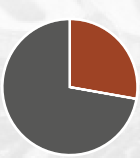
18%



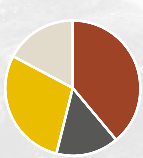
SEK 220M



28%



SEK 330M



* Operating margin before items affecting comparability.

** As of 31 December 2014.

Strengthening its position in the world's markets

VBG Truck Equipment launched more new products in 2014 than it has in several years, helping to strengthen the division's leading international position in the market for coupling equipment for trucks with heavy trailers and automatic tyre chains for commercial traffic. Despite a weaker market in the second half of 2014, the division reported an operating margin for the year of 15.3 per cent. The strong profit for the first quarter of the year clearly indicates the positive leverage to be achieved through an increase in volumes.

Offering – leading brands and customer value
VBG Truck Equipment offers products and brands that contribute significant value for customers and users in the form of increased reliability, personal safety and efficiency. The division's two brands for drawbar couplings, VBG and Ringfeder, account for more than 50 per cent of the world market. VBG is the leader in Scandinavia and the UK, while Ringfeder is strong in the rest of Europe and other markets, such as Australia. VBG Truck Equipment also holds a world-leading position in automatic tyre chains through the Onspot brand, with significant sales conducted in North America, resulting in increased exposure in non-European markets. The Armaton brand was divested in 2014 since the product range of dropside pillars and dropside locking systems is now being targeted toward a customer segment that is not included in the division's strategy.

Customers – not dependent on a few major purchasers
VBG Truck Equipment is not dependent on a few major customers. The largest customer group in drawbar couplings is body builders, who customise the truck body after it leaves the truck manufacturer's assembly plant. Other customer groups include large international truck manufacturers and players in the aftermarket, where the end users are reached through subsidiaries, retailers and distributors. The main customers in automatic tyre chains are users of emergency and commercial vehicles in Europe and the USA. In the USA, the school bus segment is also important.

SIGNIFICANT EVENTS IN 2014

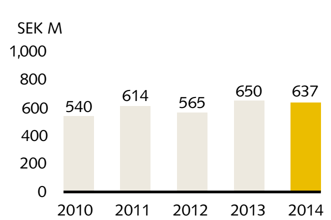
- Significantly improved operating margin in the first quarter as a result of increased volumes.
- Weaker market in the third quarter, followed by stabilisation in the final three months of the year.
- Launch of additional new products, which achieved a highly positive reception on the market.
- Strategic divestment of Armaton.
- Efficiency enhancements in operational processes.

FOCUS FOR 2015

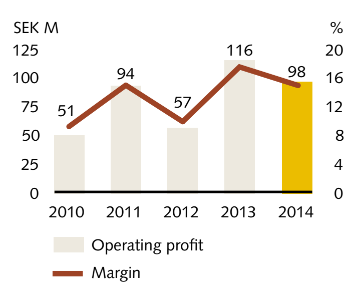
- More efficient product planning.
- Continue to strengthen the division's brands.
- Identify new fields of application and cultivate new segments.
- Continue to enhance the efficiency of the division's processes.

Competitors – few in each product category
There are only a small number of competitors in each product category. For drawbar couplings, the primary competitors are Rockinger of Germany and Orlandi of Italy. For automatic tyre chains, the German company RUD is the primary competitor.

NET TURNOVER

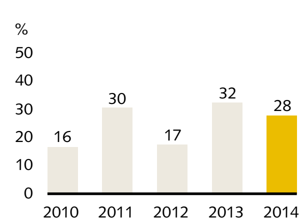


OPERATING PROFIT AND MARGIN*



* Before items affecting comparability for 2014.

RETURN ON TOTAL CAPITAL**



** Definition, see page 56.

VBG Truck Equipment and its brands also command a market-leading position with respect to its combined expertise in both product categories. Based on a traffic-safety perspective, the division has acquired extensive knowledge as a result of its long-standing contacts with national and international authorities, political bodies and legislators. The division's employees are in demand as experts in international forums for the development of standards.

Market trend – strong start followed by declining demand

The market for drawbar couplings and automatic tyre chains is impacted by the underlying need for heavy transports in society. There is still considerable progress to be made to achieve the record levels noted prior to the financial crisis in 2008–2009. However, growing volumes were reported in early 2014 as a result of the pre-emptive purchase effect that arose in connection with the introduction of new, more stringent emissions requirements for heavy vehicles under the Euro 6 standard. This resulted in a significant improvement to the division's operating margin, which provided confirmation of the positive leverage to be achieved through an increase in volumes[1)].

However, demand declined during the third quarter, mainly due to a general weakening in the industrial economy in Germany and the conflict between Russia and Ukraine. Demand stabilised during the fourth quarter, partly as a result of the favourable market trends noted in the USA, the UK and New Zealand.

The division's outlook on the important European market is largely positive. There is a substantial underlying need to replace the truck fleet in both Western and Eastern Europe. In the long term, the need for truck transport is also expected to grow in pace with the general increase in goods transports, which suggests an overall larger vehicle fleet.

New regulations – the division is capitalising on this trend

In late 2014, new regulations were introduced on so-called "whole-vehicle-type approval," which imposes even stricter requirements on body builders to assume responsibility for ensuring that vehicles comply with these comprehensive regulations and legal requirements. During the year, VBG Truck Equipment launched a complete drawbeam system, which can be adapted to all heavy trucks built to pull trailers.

With this system offering, the division can simplify the certification process since it offers all of the documentation required in a compiled form. This enables body builders to devote more time to areas that create unique customer value. In addition to marketing the system to body builders, VBG Truck Equipment has also made successful efforts to create demand among end-users.

The increased demand for automatic tyre chains continues in pace with stricter traffic laws in winter road conditions. It is becoming increasingly important for customers to invest in equipment that improves safety and helps the drivers of trucks, fire trucks or ambulances to arrive in time, even in difficult road conditions.

Long-term trend – longer carriages with increased load capacity

In order to reduce the environmental impact of road transport, there is a trend towards longer vehicles and increased tonnage. An ability to understand and handle the forces to which the couplings linking trucks and trailers are subjected is an example of the kind of crucial expertise that has been developed in VBG Truck Equipment over the years and is appreciated in dialogues with government authorities. The division has for some time participated in studies in the area, such as the ETT/EST project – modular system for timber transport – (En Trave Till/Större Travar = One Stack More/Larger Stacks) and Duo2, where tests are conducted in commercial traffic.

The positive results of these studies have contributed to political decisions being made in the area. In 2014, carriages with a total maximum weight of 76 tonnes were approved for road traffic in Finland. In Sweden, an investigation is being carried out by the Swedish Transport Agency and the Swedish Transport Administration, which have a positive view on a potential proposal for new rules permitting 74tonne heavy truck carriages. The current maximum permissible weight in Sweden is 60 tonnes. The results of the projects indicate the potential to reduce CO_2 emissions by more than 30 per cent.

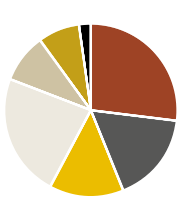
Growth strategy – focus areas

Sales channels – proprietary sales companies create increased customer focus

With proprietary sales companies, the division cultivates the market and strengthens customer relationships with more

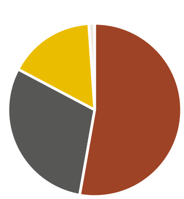
1) Refer to the table "Turnover/Earnings" on page 37.

TURNOVER BY REGION



- Sweden 27%
- Other Nordic countries 17%
- Germany 14%
- Other European countries 23%
- North America 9%
- Oceania 8%
- Rest of world 2%

TURNOVER BY BRAND



- VBG 53%
- Ringfeder 30%
- Onspot 16%
- Armaton* 1%

*Divested 1 July 2014.

DIVISION MANAGER

Anders Erkén

STRENGTHS	OPPORTUNITIES
• Strong brands and well-known products. • Proximity to customers.	• Rules for heavy vehicles that entail new businesses (for example, whole-vehicle-type approval). • New fields of application for the division's products in segments not related to road transportation.
• Increase the division's focus on system solutions – the customer purchases a complete solution instead of individual products. • Continued streamlining.	• Defend the high market share in Scandinavia. • Increase presence in BRIC nations.
AREAS OF IMPROVEMENT	**CHALLENGES**

efficiency. The division's proprietary sales companies are located in Sweden, Germany, Denmark, Norway, Belgium, the UK, France and the USA. In other markets, sales are conducted through a well-established network of importers and retailers.

In 2014, the level of activity in the division remained high, with more customer meetings than ever before, including through the division's participation in two major trade fairs: Elmia Lastbil in Sweden and IAA in Germany.

Offering – system solutions gaining ground

Sales of coupling equipment to body builders is increasingly moving from individual drawbar couplings to systems consisting of drawbar couplings, drawbeams and underride protection. The new EU regulations on whole-vehicle-type approval, which came into effect in late 2014, are partly responsible for this trend. VBG Truck Equipment is driving development in this area and offering complete systems that simplify the approval and registration process in each EU country.

All products are ECE-approved and can be delivered fully installed on whole-vehicle-type-approved vehicles.

Offering – efficient solutions for the aftermarket

The European vehicle fleet has aged in recent years, resulting in an increased need for service. Thanks to the division's extensive network of sales subsidiaries, importers and retailers in some 40 countries, the aftermarket can be efficiently cultivated.

VBG MechMatic is a product used to clean and lubricate the drawbar coupling automatically while driving, resulting in better reliability and driving efficiency over time. The division's VBG MFC (Multi Function Coupling) automatically integrates the coupling and uncoupling of electrical, hydraulic and pneumatic systems between trucks and trailers. Due to the growing interest in this coupling, VBG Truck Equipment now offers service centres the option to become VBG MFC certified.

New fields of application – mining industry, steel industry and ports

The division's products can satisfy major needs in industries other than those related to road transport. One such example pertains to the internal transportation of components and finished goods in the mining and steel industries. Couplings have been delivered, for example, to one of Voestalpine's steelworks in Austria, where the results have been highly positive.

Tests are also currently ongoing with couplings for transportation within a port area in South America.

Geographic expansion – focus on Eastern Europe and BRIC nations

Brazil and China are examples of long-term attractive growth markets where the need for more efficient transport systems is expected to grow, making them highly suitable for the division's product offering.

Sales in Russia and Eastern Europe have been adversely impacted by the ongoing conflict between Russia and Ukraine. Nevertheless, the long-term goal is to increase sales in this growth region.

Production and logistics – high capacity and efficiency

VBG Truck Equipment's coupling equipment is produced in the division's automated factory in Vänersborg. Automatic tyre chains are manufactured in Sweden and in the USA. In recent years, an extensive restructuring of production and logistics has taken place and a shared business system has been introduced to optimise operational processes. There is considerable potential for sales increases before the need arises for new, larger investments in increased production capacity.

Product development – key strategic launches

VBG Truck Equipment plays a leading role in the technical advances taking place in its industry. The division has launched several ground-breaking products in recent years, including VBG MFC, a revolutionary concept for automatic connection of truck and trailer, and VBG MechMatic, which cleans and lubricates drawbar couplings automatically while driving.

In 2014, the division launched an updated version of the VBG 795V-2 drawbar coupling, which weighs less and is more user-friendly and easier to maintain than its predecessor. Ringfeder launched a new air-actuated coupling for use in trucks with trailers, for example, in food distribution, which represents a growing segment in Central and Western Europe. The division also launched a complete drawbeam system, which can be adapted to all truck brands and complies with ECE regulations and legal requirements.

Onspot launched a new generation of automatic tyre chains, which are approximately 30 per cent lighter than the previous generation. Onspot is the market's most lightweight, compact automatic tyre chain, making the product suitable for use on a broader range of vehicles, including ambulances and vans.

System solution that boosts efficiency

In 2014, VBG Truck Equipment launched a complete drawbeam system, which can be adapted to all heavy trucks built to pull trailers. New legislation on so-called "whole-vehicle-type approval" imposes even stricter requirements on body builders to assume responsibility for ensuring that a vehicle complies with these comprehensive regulations and legal requirements. Thanks to its system offering, the division can simplify the certification process since it offers all of the documentation required in a compiled form. Overall, this enables body builders to devote more time to operational areas that create unique customer value. In addition to marketing the system to body builders, VBG Truck Equipment is also working to create demand among end-users and achieving successful results.

Broadened and enhanced product range

During the year, Edscha Trailer Systems broadened and enhanced its product range. The division launched two new lines: one for railway cars and one targeting a new field of application, namely tipper vehicles – thereby further strengthening its already leading product offering. Continued efficiency enhancements were not sufficient to compensate for the effects of the weak market, which contributed to a decline in profitability.

Offering – internationally leading forerunner

Edscha Trailer Systems introduced sliding roofs to the market in 1969. Today, the operation is technologically leading and the largest player in sliding roofs for trailers in the world, with a global market share of more than 40 per cent.

Edscha Trailer Systems has the market's broadest product portfolio for the conversion of tarpaulin-covered trailers, with a focus on trailers for road transport. The division also has a product range for railway cars and tipper vehicles. The Edscha Trailer Systems and Sesam brands are well known and strong, among both customers and end users. The common denominator for all the products is that they offer effective protection of freighted goods and increase the second-hand value of trailers for owners.

Customers – two main target groups

Edscha Trailer Systems offers both standard and tailored customer solutions. The highest sales volumes are linked to the production of simple yet functional roof solutions for standard trailers – a segment that is dominated by three German trailer manufacturers: Schmitz, Krone and Kögel. Its solutions are targeted toward customers ordering larger volumes, such as leasing fleets.

Significant pressure is being exerted on prices due to reduced transport volumes and production overcapacities. This has contributed to a consolidation in the trailer business.

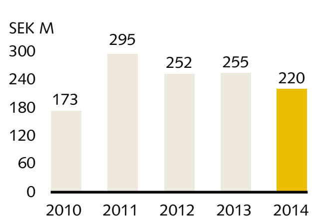
SIGNIFICANT EVENTS IN 2014

- Continued profitability despite declining market.
- Update of several products in the division's existing range.
- Launch of two new product lines for use in railway cars and tipper vehicles.
- Efficiency-enhancement work continued with favourable results.

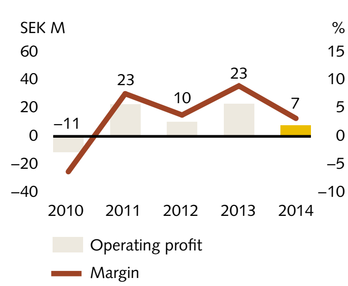
FOCUS FOR 2015

- Expansion into new markets and customer segments.
- Continued product development.
- Efficient transition from older product generations to new ones.

NET TURNOVER

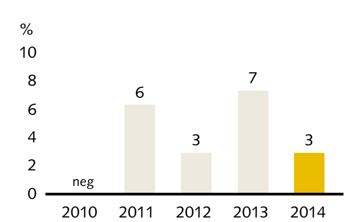


OPERATING PROFIT AND MARGIN*



* Before items affecting comparability for 2014.

RETURN ON TOTAL CAPITAL**



** Definition, see page 56.

Edscha Trailers Systems maintained its price level during the year, despite the intense competition. This was a contributing reason for the operation's reported profitability, despite the declining market.

Tailored customer solutions for trailers represent a fragmented niche with a large number of strong players locally and regionally. Significantly lower volumes of orders are placed with a higher degree of customisation, which leads to lower price pressure. As a rule, the price for a customised trailer is much higher than that of a standard trailer.

Competitive climate – three major competitors

The division has three main competitors in the market: TSE (owned by trailer manufacturer Schmitz in Germany), Versus Omega in Belgium and Autocar in Italy. There are also a number of smaller players with a strong local position. Edscha Trailer Systems has the broadest offering among all of its competitors and a unique ability to deliver customised roof solutions. On the whole, this means that the division is the most complete supplier – an advantage that should be maintained through continued focus on product development, service and efficiency throughout the value chain.

Market trend – continued weak demand

The market for trailers with sliding roofs is forecast to amount to about 80,000–100,000 units per year, depending on the prevailing economic situation. Demand is linked to the overall size and growth of the trailer fleet. In Western Europe, the trailer fleet comprises nearly two million vehicles. The average age for this fleet has grown higher in the past five years, which points towards an increase in demand for new trailers in the future. Forecast institutes predicted a recovery of nearly 20 per cent for the trailer market in 2014. However, this recovery failed to materialise for Edscha Trailer Systems' curtainsider trailer segment.

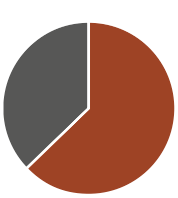
In the growth markets in Eastern Europe, Russia and Turkey, the trailer fleet comprises just under one million vehicles. Demand in Russia declined as a result of the Ukraine conflict, while demand in Turkey weakened due to the political uncertainty in connection with the election and war in Syria.

Demand for sliding bow roofs for railway cars normally varies considerably from year to year. No major orders were received in this segment in 2014.

Overall, the weak demand noted in several of Edscha Trailers Systems' key markets resulted in a decline in the division's sales for 2014.

Edscha Trailer Systems' new tipper roof attracted considerable interest at the IAA International Motor Show in Hannover. With this new tipper roof, the division has gained entry to a new customer segment using technical solutions that the division has deployed in the rail sector for many years.

TURNOVER BY REGION



- Germany 63%
- Other European countries 37%

DIVISION MANAGER

Per Ericson

STRENGTHS	OPPORTUNITIES
• Leading position with strong brands. • Broad and attractive product range. • Efficient purchasing and logistics processes.	• Geographical expansion beyond Western Europe. • Continued product development. • Introduction of new product generation. • New product in new segment.
• Shorter time-to-market for new products. • Customisations.	• Overcapacity on the market. • Uncertainty in external environment.
AREAS OF IMPROVEMENT	**CHALLENGES**

Growth strategy – geographic expansion and new product areas
Slightly more than 60 per cent of Edscha Trailer Systems' sales are currently carried out in the German market. Besides generating growth from the existing customer base, the division is focusing on new markets and customers.

Although the markets in Eastern Europe, Russia and Turkey were adversely impacted during the year, the long-term goal is to grow in these markets. In addition to having a substantial domestic market, Turkey exports large numbers of trailers to fast-growing markets in the Middle East and Russia.

The division sees long-term opportunities to approach the markets in Brazil, India and China. In 2014, a marketing manager was employed for India.

Edscha Trailer Systems also focuses on satisfying the demand for innovative solutions for other fields of application besides truck trailers, such as railway cars and tipper vehicles, a goal achieved by the division in 2014.

Production – continued efficiency enhancement
Manufacture and assembly of products take place at Edscha Trailer Systems' factory in Kamenice nad Lipou in the Czech Republic. An efficiency-enhancement programme introduced in autumn 2011 was implemented in 2012, with work on improvements continuing into 2013 and 2014. The goal is to continue implementing efficiency-enhancement measures in all production and distribution processes going forward.

Efficiency was improved in both production and distribution, which resulted in profitability and reduced costs despite a highly challenging market. In individual production areas where significant progress has been achieved in the efficiency-enhancement process, efficiency has increased sharply. One example of this is the assembly of roofs, where the amount of time required has been reduced by one-third since 2012.

The new product generations presented in 2014 also contributed to enhanced efficiency since they contain fewer components. Despite using fewer components, the division can now produce more versions of sliding roofs. This is resulting in greater efficiency in the division's purchasing, inventories and production, while at the same time creating a more attractive customer offering. This improvement in efficiency will continue as older product generations are phased out.

Product development – new generation of sliding roofs
On a market where time is a vital competitive factor, innovations that speed up loading and unloading in a safe and ergonomically correct manner, leaving more time for valuable haulage work, are important.

Two entirely new product lines were presented in 2014: one targeted toward the railway market and the other toward the tipper vehicle market. In addition, all products in the existing market-leading range of sliding roofs were updated.

" Edscha Trailer Systems has the broadest offering among all of its competitors and a unique ability to deliver customised roof solutions. On the whole, this means that the division is the most complete supplier – an advantage that should be maintained through continued focus on product development, service and efficiency throughout the value chain.

New product for the tipper vehicle market

MORE EFFICIENT PROPULSION
Unlike many other alternatives, Edscha Trailer Systems' tipper roof can also be closed when travelling without a load. This results in less turbulence in the bed and more efficient propulsion. Wind tunnel measurements show that the new roof can reduce fuel consumption by up to 10 per cent.

Edscha Trailer Systems presented a new sliding roof for tipper vehicles in autumn 2014. The product received a highly positive reception. With the introduction of this new tipper roof, the division has entered a new customer segment. Thanks to its patented technology, the roof can be opened or closed in less than 30 seconds. The entire process can also be automated using a remote control.

Strategic acquisition of German Tschan

In 2014, Ringfeder Power Transmission conducted a major acquisition of the German company Tschan GmbH, whose brand and products comprise a strategically important complement to the division. Following consolidation, Ringfeder Power Transmission is expected to have a turnover of SEK 400 M. Continued declining global demand, with the exception of North America, impacted organic growth and profitability.

Offering – internationally leading brands

Ringfeder Power Transmission develops, manufactures and markets products under its own strong brands for advanced applications in mechanical power transmission and energy and shock absorption. Based on clearly positioned brands – Ringfeder, Gerwah, Ecoloc and Tschan, which was acquired during the year – the division offers individual products or systems made up of composite components for a large number of applications where high demands are made on precision, reliability and quality. One important field of application is industrial automation, for example, machine tools, industrial robots and special machines for automation of industrial processes. Another important niche is materials handling and the transport of various materials, where typical applications are available for hoist and crane equipment or conveyor systems. The products are used in mining and electricity production, for example, in wind and water turbines. Thanks to the addition of Tschan's large, flexible shaft couplings, the division has broadened its offering to, for example, the mining and steel industries.

Customers – 16 niches in the global market

Ringfeder Power Transmission has the whole world as its market and targets its technologically leading solutions towards customers in 16 different niches, the largest of which are Mining, Metals and Energy, while the fastest growing are Pumps and Foods. The division is focusing on increasing its exposure in Oil and Gas, as well as Earthquake Protection, with both existing and new products and sales channels. The division also aims to grow

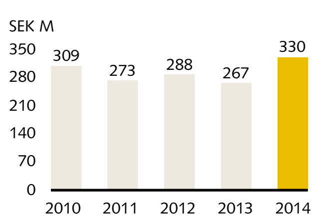
SIGNIFICANT EVENTS IN 2014

- Acquisition of Tschan, whose product portfolio is an excellent complement to the division's existing products.
- Decline in global demand, which had a negative impact on turnover and profitability.
- Launch of new, technologically leading products.
- Strengthened the division's management to increase focus on more efficient logistics, product control and sales.

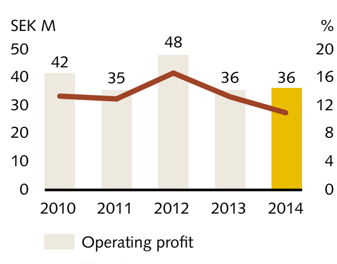
FOCUS FOR 2015

- Complete consolidation following the acquisition of Tschan.
- Enhance the efficiency of logistics flows and production control.
- Continued efforts to create a more efficient process – from product concept to finished product.
- Increased focus on sales through additional personnel.

NET TURNOVER

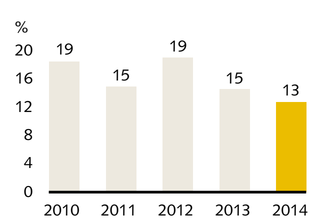


OPERATING PROFIT AND MARGIN*



*Before items affecting comparability for 2014.

RETURN ON TOTAL CAPITAL**



**Definition, see page 56.

in the area of maintenance and repairs in several customer segments. Ringfeder Power Transmission is also a supplier of components to the aerospace industry.

Operations are conducted from wholly owned companies in Germany, the Czech Republic, the USA, India and China. Thanks to the acquisition of Tschan GmbH, the division strengthened its presence not only in Germany, but also in India and the USA. Customers are reached through the division's own sales personnel or through a network of agents and distributors. New customers are attracted by the division's complete product range, mainly within mechanical power transmission, as well as energy and shock absorption.

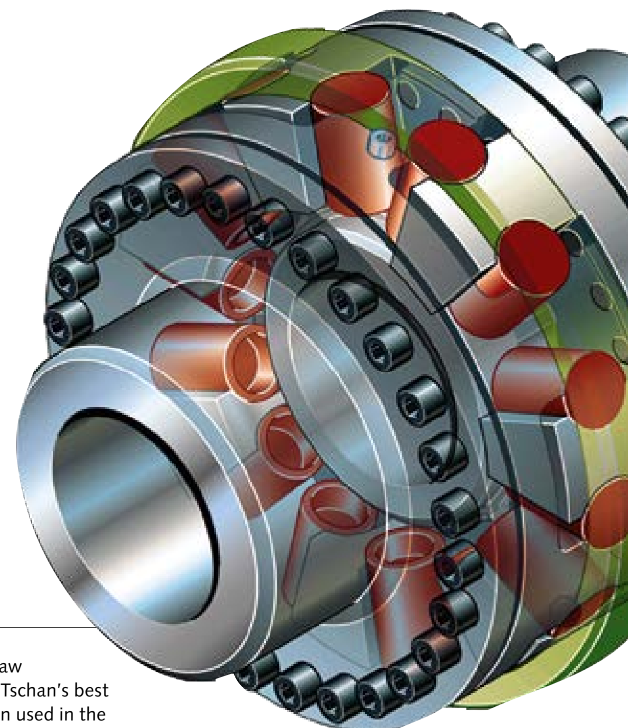
Competitive climate – few major players

The market is fragmented with few major players. Although competition is steadily increasing, the market is also undergoing a certain degree of consolidation. A number of acquisitions occurred during the year, in addition to Ringfeder Power Transmission's acquisition of Tschan GmbH.

Ringfeder Power Transmission has a major competitive advantage thanks to its size, expertise, broad product portfolio and high-quality products. The acquisition conducted in 2014 has helped to further boost the division's competitiveness.

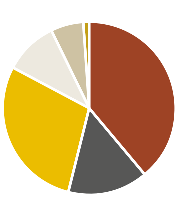
Market trend – continued declining demand

The recovery predicted by forecast institutes failed to materialise in 2014. Instead, global demand continued to decline. As a result of political uncertainty in conjunction with the election in India, end-customers chose to postpone their investments. At the same time, demand declined in South America and in the critical German market, where Ringfeder Power Transmission nevertheless succeeded in increasing its sales and capturing market shares. Despite weakening growth, the division performed well during the second half of the year. The US market bucked the global trend and displayed strong growth, which had a positive impact on sales.



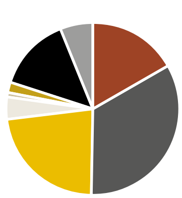
The Tschan B claw coupling is one Tschan's best sellers. It is often used in the mining and steel industries, where rigorous demands are placed on reliability and efficient maintenance. The parts of the Tschan coupling are easy to replace when needed, which eliminates the need for prolonged production stoppages.

TURNOVER BY REGION



- Germany 39%
- Other European countries 15%
- North America 29%
- Asia 10%
- Oceania 6%
- Rest of world 1%

TURNOVER BY PRODUCT GROUP



- Friction springs (damping) 17%
- Shaft/hub couplings 34%
- Shrink discs 23%
- Bellows couplings 4%
- Magnetic couplings 1%
- Disc couplings 2%
- Tschan couplings 14%
- Other couplings 5%

DIVISION MANAGER

Thomas Moka

STRENGTHS	OPPORTUNITIES
• Strong brands with attractive products. • Global leader in a number of key product areas. • Customer-oriented and competent organisation. • Strong, long-term owner in the VBG Group, which creates stability and resilience.	• Large global market. • A number of niches with favourable growth potential.
• Shorter time-to-market for new products. • Increase efficiency in logistics and sales.	• Long-term increase in competition and market consolidation. • Continued development of competitor product offerings, which will enable shifts in Ringfeder Power Transmission's niches.
AREAS OF IMPROVEMENT	CHALLENGES

"Ringfeder Power Transmission has a major competitive advantage thanks to its size, expertise, broad product portfolio and high-quality products. The acquisition conducted in 2014 has helped to further boost the division's competitiveness.

Growth strategy – geographical expansion
While Germany and the USA are Ringfeder Power Transmission's two largest markets, the long-term trend indicates that growth markets will account a steadily increasing share of the division's total turnover.

The long-term strategy includes increasing the division's global presence via its own sales resources. The sales organisation in Asia was expanded in 2013 and the number of sales personnel in the USA was increased in 2014 to further strengthen the division's presence in the region. The division has established a strong position in India and has had a production and sales subsidiary in China since 2011.

In Latin America, the division has carried out several important customer projects in recent years in order to create a base for further growth as the market recovers. In other growth markets around the world, such as Africa, sales are handled in collaboration with distributors.

Additional resources were added to the divisional management team in 2014 in order to create an increased focus on sales and efficient product control with respect to attractive and profitable offerings. A project was also implemented to enhance the efficiency of the customer management process. Overall, these activities strengthened the continued expansion of the operations.

The acquisition of Tschan GmbH offers increased growth opportunities thanks to the creation of a more complete product portfolio.

Production – investments in enhanced efficiency
The division engages in continuous improvement work to achieve more efficient processes in production and other functions, such as purchasing and logistics. A Chief Operation Officer was employed during the year to lead the efficiency-enhancement work focusing on the division's production and logistics.

A significant portion of production takes place in the factory in Dobrany in the Czech Republic, but final assembly and product customisation are often carried out at the division's sales companies around the world. In conjunction with the acquisition of Tschan GmbH, the division gained an additional factory located in Neunkirchen in south-west Germany. Ringfeder Power Transmission has identified favourable opportunities to enhance the efficiency of its operations in the region during the coming year.

The division also collaborates with external manufacturers to achieve cost-efficiency and flexibility and to create added customer value.

Product development – intensive development work in 2014
Ringfeder Power Transmission has long-standing, extensive experience of advanced product development. Many of its products are based on the division's own long-established patents, the first of which was obtained as early as 1922, when the company was founded.

The division's unique and efficient friction springs for use in earthquake-resistant buildings, bridges and power plants were highly successful during the year. This product is also an example of product development that has taken place in collaboration with a university.

In 2014, Ringfeder Power Transmission expanded its portfolio of high-quality flange couplings, heavy-duty couplings with overload protection and flexible multidisc couplings for safe and efficient operation, for example, of pumps. The portfolio was also supplemented with Tschan's large-dimension products, creating an even more complete offering.

Focus was also placed on reducing the turnaround time from product concept to finished product and launch. Work on this efficiency-enhancement process will continue in the coming years.

Tschan – a perfect complement

In summer 2014, Ringfeder Power Transmission acquired the German company Tschan – a leading brand of large, flexible and high-quality shaft couplings used, for example, in the mining and steel industries. The transaction represented a strategic complement to Ringfeder Power Transmission's product range, creating favourable conditions to increase the growth rate.

Prior to the acquisition, Tschan GmbH underwent a restructuring due to financial problems resulting from low cost-efficiency in the company's central processes, such as sales and distribution. The purchase consideration amounted to approximately SEK 18 M, which was significantly lower than the net assets in the company. Taking into consideration Ringfeder Power Transmission's well-established sales channels and extensive customer base, as well as the new combined product offering, the division's sales volumes and cost-efficiency are expected to increase substantially.

The transaction included Tschan's factory in Neunkirchen in south-west Germany and its subsidiaries in the USA and India.

Dividend of SEK 3.00 per share

The VBG Group has been listed on Nasdaq OMX Stockholm since 1987. The share is traded on the Mid Cap List in the Industrials Sector. Many of the divisions' key markets displayed weak performance in 2014, which contributed to the VBG Group's Series B share falling 18 per cent. Over the past five years, the value of the share has increased 47 per cent.

The VBG Group's Series B share fell 17.7 per cent in 2014, compared with an increase of 11.9 per cent for Nasdaq OMX Stockholm. The highest share price was quoted on 24 March (SEK 165.00) and the lowest on 15 December (SEK 98.25). A total of 1,880,016 of the VBG Group's Series B shares were traded during the year, equivalent to a turnover rate of 16.7 per cent (9.5). The VBG Group's market capitalisation at year-end was just over SEK 1.3 billion (1.6).

Total return

The VBG Group's overall objective is sustainable and profitable growth, which should also lead to a good long-term financial return for the shareholders. The total return, meaning the change in share price including the dividend paid, for the VBG Group's Series B share during 2014 was a negative 16.1 per cent. Over the past ten-year period, the total return for the VBG Group's Series B share was 321.3 per cent. The Six Return Index, which measures the total return on the Stockholm Stock Exchange, increased by 199.0 per cent during the same period.

Share capital

The share capital in the VBG Group amounts to SEK 34.2 M, 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 carries ten votes and each Series B share carries one vote, except for the Series B shares bought back by VBG Group AB, which carry no votes. Following the buy-back programme that was implemented in 2002, VBG Group AB owns 1,191,976 Series B shares. The shares represent 8.7 per cent of the share capital. The Board of Directors has been authorised by the Annual General Meeting to resolve on one or more occasions to transfer these shares in connection with acquisitions.

Shareholders

The VBG Group had 4,001 (3,950) shareholders at year-end. The Series A shares, which represent 52 per cent of the votes in the VBG Group, are held by three foundations: the Herman Krefting Foundation for Allergy and Asthma Research, the SLK Employees' Foundation and the VBG-SLK Foundation. Of the total number of shares in the company, 89.0 per cent are owned by institutions, including the three foundations and the VBG Group's repurchased shares.

Dividend and dividend policy

Since the company's initial listing on the stock exchange in 1987, and including the dividend of SEK 3.00 (2.75) proposed to the 2015 Annual General Meeting, the company has paid an average dividend amounting to 31.8 per cent of the net profit. In March 2012, the Board of Directors adopted a policy stipulating 30 per cent as the level of the dividend the shareholders can expect under normal circumstances. The proposed 2015 dividend corresponds to 47.5 per cent (30.6) of the Group's net profit.

Contacts with the stock market

The VBG Group's contacts with the stock market are mainly based on quarterly financial reports, press releases and presentations of the VBG Group. Approximately ten meetings with investors and analysts were held in Sweden during 2014. 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.

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

47.5%

The proposed dividend for 2015 corresponds to 47.5% of the Group's net profit.

Frequently asked questions from investors

Have there been no discussions of an extra dividend? After all, you have large reserves.
Our policy is normally to distribute 30 per cent of the Group's earnings to the shareholders. We have followed this policy historically and will continue to do so in the future. The principal owners and Board of Directors always ensure that the remaining profit stays within the operations. They prioritise the financial stability of the VBG Group, which creates opportunities to conduct acquisitions and invest in long-term strategic improvements regardless of market conditions. This stability has contributed the competitiveness and favourable earnings and reinvestment capacity of the Group and the divisions over time.

You are interested in adding new lines of business. In which industry?
For competition reasons, we cannot specify which industries we are targeting. What we can say is that we are looking at industries and niches where we can leverage our strategic advantages in the form of networks and industrial expertise. In parallel with this, we are also investigating the possibility of complementary acquisitions similar to this year's acquisition of the German company Tschan GmbH. According to our assessment, this type of acquisition will be more likely in the coming year.

Will you conduct new share issues in connection with major acquisitions?
The acquisitions we are considering would primarily be financed through our own funds and acquisition loans. We have a stable financial position, with an equity/assets ratio of 68 per cent at year-end 2014, which will allow us to increase our borrowing while maintaining stable finances.

How is the company's share impacted by market performance?
Our share is impacted quite significantly by our operating environment's short-term view of the markets in which our divisions operate, as well as by the general economic situation. The decline in the share price in 2014 is an example of this.

As the company's principal owners, are the foundations permitted to sell their shares?
In accordance with their regulations, the foundations may not divest their shares in the VBG Group. This means that potential investors in the VBG Group should regard such an investment as purely financial, rather than strategic, since the potential for major structural transactions is clearly limited.

INCREASED DIVIDEND

This year's proposed dividend of SEK 3.00 represents an increase of SEK 0.25, which also entails an increase in the dividend ratio to 47.5 per cent. In addition to the fact that the Group has a strong balance sheet with favourable liquidity, the Board's decision to deviate from its policy is intended to neutralise the impairment of goodwill in Edscha Trailer Systems, so that it does not impact the dividend.

Ten biggest shareholders at 30 December 2014

Shareholders	Series A shares	Series B shares	Holding, total	Capital, per cent	Votes, per cent
Herman Krefting Foundation for Allergy and Asthma Research	408,700	4,053,464	4,462,164	32.58	34.67
SLK Employees' Foundation	567,300		567,300	4.14	24.16
VBG SLK Foundation	244,000	7,000	251,000	1.83	10.42
SEB Fonder		1,332,400	1,332,400	9.73	5.67
Lannebo fonder		1,002,991	1,002,991	7.32	4.27
Melker Schörling AB		825,133	825,133	6.03	3.51
CBLDN-IF Skadeförsäkring AB		540,211	540,211	3.94	2.30
Swedbank Robur fonder		500,000	500,000	3.65	2.13
Lindtor Maskin AB		260,000	260,000	1.90	1.11
Didner & Gerge Småbolag		222,007	222,007	1.62	0.95
Ten largest shareholder groups	**1,220,000**	**8,743,206**	**9,963,206**	**72.76**	**89.19**
Total other shareholders		**2,538,818**	**2,538,818**	**18.54**	**10.81**
Total number of outstanding shares	**1,220,000**	**11,282,024**	**12,502,024**	**91.30**	**100.00**
VBG Group AB, own holding		**1,191,976**	**1,191,976**	**8.70**	
Total number of registered shares	**1,220,000**	**12,474,000**	**13,694,000**	**100**	

Shareholder categories

30 Dec. 2014	Percentage of capital
Foreign shareholders	10.08
Swedish shareholders	89.92
Of which:	
Institutions	88.95
Private persons	11.05

Size of shareholdings

30 Dec. 2014 — Percentage of capital

Shareholding	Shareholders	Shareholding, percentage
< 500	3,268	2.75
500–5,000	660	6.58
> 5,000	73	90.67
Total	4,001	100.00

Shareholders in Sweden and abroad

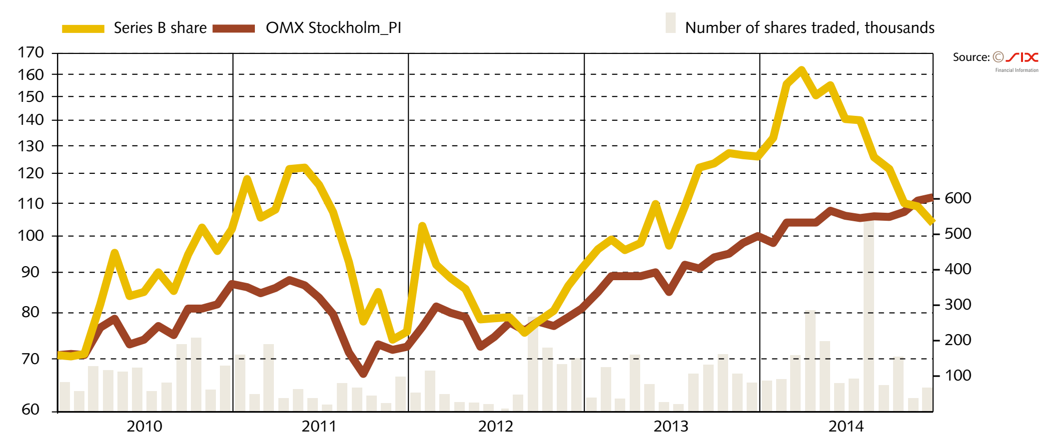
30 Dec. 2014	Percentage of capital
Sweden	89.92
Other European countries	9.99
Rest of world	0.09

Data per share

	2014	2013	2012	2011	2010
Earnings, SEK	6.31	9.00	5.58	7.56	4.46
Dividend, SEK	3.00*	2.75	2.25	2.25	1.50
Share price, SEK	103.75	126.00	91.00	75.75	102.00
P/E ratio	16.4	14.0	16.3	10.0	22.9
Equity, SEK	65.40	58.99	50.36	50.92	45.22
Cash flow from operating activities, SEK	9.67	12.82	7.45	10.47	8.06
Dividend yield, %	2.89	2.18	2.47	2.97	1.47
Total number of outstanding shares (thousands)	12,502	12,502	12,502	12,502	12,502
Average number of outstanding shares (thousands)	12,502	12,502	12,502	12,502	12,502

* Proposed

PRICE OF VBG GROUP AB'S SERIES B SHARE OVER FIVE YEARS



Five-year summary

Definitions, see Note 1 on page 56 SEK M	2014	2013	2012	2011	2010
Turnover, earnings and profitability					
Net turnover	1,186.8	1,171.4	1,104.8	1,181.1	1,021.3
Adjusted operating profit	128.1	162.8	110.0	138.3	68.6
Adjusted operating margin, %	10.8	13.9	10.0	11.7	6.7
Items affecting comparability	–7.2	—	–10.6	—	—
Reported operating profit	120.9	162.8	99.4	138.3	68.6
Operating margin, %	10.2	13.9	9.0	11.7	6.7
Profit after financial items	112.7	151.7	94.7	130.9	82.4
Profit margin, %	9.5	13.0	8.6	11.1	8.1
Profit after tax	78.9	112.5	69.8	94.5	55.7
Financial position					
Balance sheet total	1,208.7	1,072.2	1,023.2	983.5	971.8
Capital employed	1,029.4	911.0	855.4	745.5	741.9
Return on capital employed, %	12.5	18.5	12.4	18.6	8.7
Equity	817.6	737.5	629.6	636.6	565.3
Return on equity, %	10.1	16.5	11.1	15.7	9.6
Risk-bearing capital	848.9	757.2	654.7	683.1	606.9
Risk-bearing capital ratio, %	70.2	70.6	64.0	69.5	62.5
Equity/assets ratio, %	67.6	68.8	61.5	64.7	58.2
Cash flow					
Cash flow before change in working capital	122.7	128.8	99.3	132.3	83.4
Cash flow from operating activities	137.2	160.3	93.1	130.9	100.8
Cash flow from investing activities	–39.9	–23.6	–94.3	–25.9	–12.2
Cash flow from financing activities	–39.4	–70.1	3.6	–85.1	–77.2
Cash flow for the year	57.9	66.6	2.4	19.9	11.4
Data per share					
Earnings, SEK	6.31	9.00	5.58	7.56	4.46
Dividend, SEK	3.00*	2.75	2.25	2.25	1.50
Share price, SEK	103.75	126.00	91.00	75.75	102.00
Dividend yield, %	2.89	2.18	2.47	2.97	1.47
Other					
Number of employees at year-end	612	523	527	492	437
Average number of employees	559	518	518	477	432

*) Proposed

Report of the Directors

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

The Board of Directors and Managing Director of VBG Group AB (publ) hereby submit their annual report and consolidated financial statements for financial year 2014, the company's 56th 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, 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

Operations are divided into three 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 and Onspot for automatic tyre chains. Customers are mainly 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 the 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 as well as energy and shock absorption. The operation includes the Ringfeder, Gerwah, Tschan 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

Consolidated turnover for the full-year increased by 1.3 per cent to SEK 1,186.8 M (1,171.4). Adjusted for currency effects, the actual volume change amounted to a decrease of 2.5 per cent. Excluding the acquisition of Tschan GmbH, the currency-adjusted change in volume represented a decrease of 6.5 per cent.

The Group's adjusted operating profit declined to SEK 128.1 M (162.8), with an operating margin of 10.8 per cent (13.9). However, all three divisions were each impacted during the year by an item affecting comparability, with the combined negative effect on the Group for the year totalling SEK 7.2 M.

The second quarter was positively impacted in the amount of SEK 6.0 M due to a capital gain in conjunction with the divestment of the Armaton product area. The third quarter was positively impacted by SEK 46.8 M attributable to negative goodwill from the acquisition of Tschan GmbH. The fourth quarter was charged with SEK 60.0 M relating to the impairment of goodwill.

The reported full-year operating profit was thus SEK 120.9 M (162.8), with a margin of SEK 10.2 per cent (13.9).

Turnover in VBG Truck Equipment decreased by 2.1 per cent to SEK 636.6 M (650.2) for the full-year. The adjusted operating profit declined to SEK 97.7 M (116.2), with an adjusted operating margin of 15.3 per cent (17.9). The second quarter included an item affecting comparability in the form of a capital gain totalling SEK 6.0 M from the divestment of the Armaton product area, meaning that the reported operating profit for the full-year was SEK 103.7 M (116.2), with an operating margin of 16.3 per cent (17.9).

The annual turnover of Edscha Trailer Systems declined by 13.7 per cent to SEK 219.8 M (254.6). The adjusted operating profit declined to SEK 7.3 M (22.9), with an adjusted margin of 3.3 per cent (9.0). The item affecting comparability relating to the impairment of goodwill had a negative impact on the annual result of SEK 60.0 M, thus yielding a reported operating loss for the full-year of SEK 52.7 M (profit: 22.9).

Ringfeder Power Transmission's turnover increased for the full-year by 23.9 per cent to SEK 330.4 M (266.6). Of the increase, SEK 47.0 M was derived from the company Tschan GmbH, which was incorporated into the division on 1 July, while the underlying organic growth for Ringfeder Power Transmission was 6.3 per cent. The adjusted operating profit rose marginally to SEK 36.2 M (35.3), with a margin of 11.0 per cent (13.2).

The result included the operating loss of the acquired company totalling SEK 2.1 M. With the addition of the item affecting comparability totalling SEK 46.8 M, relating to the negative goodwill from the acquisition, the reported operating profit amounted to SEK 83.0 M (35.3).

The consolidated operating profit also included Group-wide overheads of SEK 13.1 M (11.6) that were not allocated among the various divisions.

Net interest expense for the full-year was SEK 7.1 M (expense: 7.6) and the Swedish companies' credits denominated in foreign currencies were adversely impacted by a currency effect of SEK 1.1 M (neg: 3.5). Taken together, this resulted in a net financial expense of SEK 8.2 M (expense: 11.1). Profit after financial items thus amounted to SEK 112.7 M (151.7), with a profit margin of 9.5 per cent (13.0).

Profit after tax totalled SEK 78.9 M (112.5), yielding earnings per share after tax of 6.31 (9.00).

Return on capital employed declined to 12.5 per cent (18.5), while return on equity was 10.1 per cent (16.5). The Group's equity/assets ratio decreased slightly from the end of the preceding year to 67.6 per cent (68.8).

Group trend, SEK M	2014	4/14	3/14	2/14	1/14	2013	4/13	3/13	2/13	1/13
Net turnover	**1,186.8**	303.4	289.9	277.1	316.4	**1,171.4**	294.4	280.0	292.5	304.5
Adjusted operating profit	**128.1**	31.8	24.7	21.0	50.6	**162.8**	37.4	39.0	41.6	44.8
Adjusted operating margin, %	**10.8**	10.5	8.5	7.6	16.0	**13.9**	12.7	13.9	14.2	14.7
Items affecting comparability	**–7.2**[4]	–60.0[3]	46.8[2]	6.0[1]	—	—	—	—	—	—
Reported operating profit/loss	**120.9**	–28.2	71.5	27.0	50.6	**162.8**	37.4	39.0	41.6	44.8
Reported operating margin, %	**10.2**	–9.3	24.7	9.7	16.0	**13.9**	12.7	13.9	14.2	14.7
Profit/loss after financial items	**112.7**	–29.7	70.1	23.6	48.7	**151.7**	33.1	37.2	36.6	44.8
Profit margin, %	**9.5**	–9.8	24.2	8.5	15.4	**13.0**	11.2	13.3	12.5	14.7
Profit/loss after tax	**78.9**	–37.8	64.2	17.0	35.5	**112.5**	25.8	27.1	27.6	32.0
Earnings per share, SEK	**6.31**	–3.02	5.13	1.36	2.84	**9.00**	2.07	2.16	2.21	2.56
ROCE (cumulative), %	**12.5**	12.5	20.4	16.7	21.8	**18.5**	18.5	18.9	19.7	20.8
ROE (cumulative), %	**10.1**	10.1	19.8	13.9	18.8	**16.5**	16.5	17.6	18.3	20.1
Equity/assets ratio, %	**67.6**	67.6	68.7	69.0	68.2	**68.8**	68.8	63.3	61.5	61.0

[1] SEK 6.0 M, capital gain from the divestment of Armaton
[2] SEK 46.8 M, negative goodwill from the acquisition of Tschan GmbH
[3] Negative SEK 60.0 M, impairment of goodwill in Edscha Trailer Systems
[4] Negative SEK 7.2 M, net effect of the three items affecting comparability[1+2+3]

VBG Truck Equipment
Turnover for the full-year 2014 declined by 2.1 per cent to SEK 636.6 M (650.2). Taking changes in exchange rates into account, the actual volume decrease was 4.4 per cent during the year.

Although the market climate during the year was below the normal level, the division demonstrated that it has a very stable and profitable business.

For the full-year, the adjusted operating profit declined to SEK 97.7 M (116.2), with a continued favourable adjusted operating margin of 15.3 per cent (17.9). After the item affecting comparability totalling SEK 6.0 M from the capital gains generated in connection with the divestment of Armaton, the reported operating profit amounted to SEK 103.7 M (116.2).

During 2014, VBG Truck Equipment had an average of 256 employees (260) and, at 31 December 2014, 256 persons (258) were employed in the division.

Turnover/Earnings, SEK M VBG Truck Equipment	2014	4/14	3/14	2/14	1/14	2013	4/13	3/13	2/13	1/13
Net turnover	**636.6**	166.9	141.4	152.6	175.7	**650.2**	167.3	155.3	163.2	164.4
Adjusted operating profit	**97.7**	29.5	17.2	17.3	33.7	**116.2**	29.9	28.8	30.9	26.6
Adjusted operating margin, %	**15.3**	17.7	12.2	11.3	19.2	**17.9**	17.9	18.5	18.9	16.2
Item affecting comparability	**6.0**[1]	—	—	6.0[1]	—	—	—	—	—	—
Reported operating profit	**103.7**	29.5	17.2	23.3	33.7	**116.2**	**29.9**	28.8	30.9	26.6
Reported operating margin, %	**16.3**	17.7	12.2	15.3	19.2	**17.9**	**17.9**	18.5	18.9	16.2

[1] SEK 6.0 M in capital gains from the divestment of the Armaton product area

Turnover, SEK M Markets	2014	4/14	3/14	2/14	1/14	2013	4/13	3/13	2/13	1/13
Sweden	**174.4**	42.1	35.5	44.6	52.2	**168.4**	41.6	38.2	41.5	47.1
Other Nordic countries	**106.8**	24.9	22.7	26.7	32.5	**116.2**	32.0	27.6	28.2	28.4
Germany	**90.8**	20.7	23.7	22.2	24.2	**100.6**	24.5	22.8	26.5	26.8
Other European countries	**143.8**	37.3	32.9	34.9	38.7	**150.0**	39.3	37.0	37.9	35.8
North America	**59.1**	21.2	13.6	10.8	13.5	**56.9**	19.1	14.0	11.1	12.7
Rest of world	**61.7**	20.7	13.0	13.4	14.6	**58.1**	10.8	15.7	18.0	13.6
VBG Truck Equipment	**636.6**	166.9	141.4	152.6	175.7	**650.2**	167.3	155.3	163.2	164.4

Edscha Trailer Systems
Following a favourable first quarter, the trailer market gradually deteriorated during the remainder of the year and, consequently, the division's turnover and earnings declined. Overall, this resulted in a very weak market for the full-year and the division's turnover declined by 13.7 per cent to SEK 219.8 M (254.6). Adjusted for currency effects, the actual volume decline was 17.6 per cent.

The adjusted operating profit amounted to SEK 7.3 M (22.9), which de facto meant that, for the final nine months of the year, the adjusted operating profit was zero. The adjusted operating margin for the full-year was 3.3 per cent (9.0). The reported operating loss, after the effect of the goodwill impairment of a negative SEK 60.0 M, amounted to SEK 52.7 M (profit: 22.9).

In 2014, Edscha Trailer Systems had an average of 83 employees (84) and, at 31 December 2014, 82 persons (85) were employed in the division.

Turnover/Earnings, SEK M Edscha Trailer Systems	**2014**	4/14	3/14	2/14	1/14	**2013**	4/13	3/13	2/13	1/13
Net turnover	**219.8**	49.2	45.1	56.8	68.7	**254.6**	62.0	59.3	63.9	69.4
Adjusted operating profit/loss	**7.3**	–1.6	–1.2	2.9	7.2	**22.9**	4.7	3.5	5.6	9.1
Adjusted operating margin, %	**3.3**	–3.3	–2.7	5.1	10.5	**9.0**	7.6	5.9	8.8	13.1
Item affecting comparability	**–60.0**[1]	–60.0[1]	—	—	—	—	—	—	—	—
Reported operating profit/loss	**–52.7**	–61.6	–1.2	2.9	7.2	**22.9**	4.7	3.5	5.6	9.1
Reported operating margin, %	**–24.0**	–125.2	–2.7	5.1	10.5	**9.0**	7.6	5.9	8.8	13.1

[1] Negative SEK 60.0 M impairment of goodwill in Edscha Trailer Systems

Turnover, SEK M Markets	**2014**	4/14	3/14	2/14	1/14	**2013**	4/13	3/13	2/13	1/13
Sweden	**0.3**	0.1	0.0	0.1	0.1	**0.5**	0.1	0.1	0.2	0.1
Other Nordic countries	**0.6**	0.2	0.1	0.2	0.1	**1.0**	0.2	0.0	0.4	0.4
Germany	**136.3**	33.3	28.7	32.4	41.9	**140.0**	34.1	32.3	36.5	37.1
Other European countries	**82.3**	15.6	16.1	24.0	26.6	**112.5**	27.3	26.8	26.7	31.7
Rest of world	**0.3**	0.0	0.2	0.1	0.0	**0.6**	0.3	0.1	0.1	0.1
Edscha Trailer Systems	**219.8**	49.2	45.1	56.8	68.7	**254.6**	62.0	59.3	63.9	69.4

Ringfeder Power Transmission

In terms of turnover, the division had a strong start to the year. However, during the second half of the year and, above all, in the fourth quarter, the market climate weakened. For the full-year, the division's turnover increased by 23.9 per cent to SEK 330.4 M (266.6), as a result of the acquisition of Tschan GmbH. With turnover of SEK 47.0 M in the July – December period, Tschan GmbH accounted for 17.6 per cent of the increase. Excluding the acquisition, the underlying increase in turnover was 6.3 per cent. Furthermore, if the changes in exchange rates between the years are taken into account, the actual change in volume was a decline of 1.0 per cent.

The adjusted operating profit increased marginally to SEK 36.2 M (35.3), with an adjusted margin of 11.0 per cent (13.2). The result included the operating loss of the acquired company totalling SEK 2.1 M. The acquisition of Tschan GmbH generated negative goodwill, which positively impacted profit by SEK 46.8 M. Including this item affecting comparability, the division's reported operating profit amounted to SEK 83.0 M (35.3).

During 2014, Ringfeder Power Transmission had an average of 213 employees (168) and, at 31 December 2014, 267 persons (174) were employed in the division.

Turnover/Earnings, SEK M Ringfeder Power Transmission	**2014**	4/14	3/14	2/14	1/14	**2013**	4/13	3/13	2/13	1/13
Net turnover	**330.4**	87.3	103.4	67.7	72.0	**266.6**	65.1	65.4	65.4	70.7
Adjusted operating profit	**36.2**	6.3	10.9	6.1	12.9	**35.3**	5.7	8.6	9.1	11.9
Adjusted operating margin, %	**11.0**	7.2	10.5	9.0	17.9	**13.2**	8.8	13.1	13.9	16.8
Item affecting comparability	**46.8**[1]	—	46.8[1]	—	—	—	—	—	—	—
Reported operating profit	**83.0**	6.3	57.7	6.1	12.9	**35.3**	5.7	8.6	9.1	11.9
Reported operating margin, %	**25.1**	7.2	55.8	9.0	17.9	**13.2**	8.8	13.1	13.9	16.8

[1] SEK 46.8 M, negative goodwill from the acquisition of Tschan GmbH

Turnover, SEK M Markets	**2014**	4/14	3/14	2/14	1/14	**2013**	4/13	3/13	2/13	1/13
Sweden	**4.1**	1.4	1.2	0.9	0.6	**4.1**	1.0	1.2	1.3	0.6
Other Nordic countries	**3.3**	1.2	1.1	0.4	0.6	**1.5**	0.2	0.3	0.5	0.5
Germany	**127.8**	33.2	44.8	22.1	27.7	**90.6**	20.4	24.1	22.0	24.1
Other European countries	**42.5**	9.9	14.5	9.8	8.3	**32.9**	7.8	8.2	9.3	7.6
North America	**96.1**	27.0	24.8	21.6	22.7	**81.3**	18.2	20.0	21.6	21.5
Rest of world	**56.6**	14.6	17.0	12.9	12.1	**56.2**	17.5	11.6	10.7	16.4
Ringfeder Power Transmission	**330.4**	87.3	103.4	67.7	72.0	**266.6**	65.1	65.4	65.4	70.7

Five-year summary of the Group's financial performance and position (Definitions, see Note 1), SEK M	**2014**	2013	2012	2011	2010
Turnover and earnings					
Net turnover	1,186.8	1,171.4	1,104.8	1,181.1	1,021.3
Gross profit	468.8	479.6	407.3	431.4	360.5
Operating profit before depreciation, amortisation and impairment (EBITDA)	171.6	195.1	132.5	172.8	105.1
Operating profit (EBIT)	120.9	162.8	99.4	138.3	68.6
Profit after financial items	112.7	151.7	94.7	130.9	82.4
Profit after tax	78.9	112.5	69.8	94.5	55.7
Financial position					
Balance sheet total	1,208.7	1,072.2	1,023.2	983.5	971.8
Equity	817.6	737.5	629.6	636.6	565.3
Equity/assets ratio, %	67.6	68.8	61.5	64.7	58.2
Interest-bearing net debt (incl. pension liability)	16.3	42.0	159.3	95.9	188.0
Interest-bearing net debt/EBITDA	0.09	0.21	1.20	0.55	1.79
Goodwill/Equity	0.33	0.41	0.46	0.39	0.41
PROFITABILITY					
Gross margin, %	39.5	40.9	36.9	36.5	35.3
EBITDA margin, %	14.5	16.7	12.0	14.6	10.3
Operating margin, %	10.2	13.9	9.0	11.7	6.7
Profit margin before tax, %	9.5	13.0	8.6	11.1	8.1
Return on capital employed (ROCE), %	12.5	18.5	12.4	18.6	8.7
Return on equity (ROE), %	10.1	16.5	11.1	15.7	9.6
Earnings per share, SEK	6.31	9.00	5.58	7.56	4.46
Other					
Depreciation/amortisation	37.5	32.3	33.1	34.5	36.5
Goodwill impairment in Edscha Trailer Systems	–60.0	—	—	—	—
Negative goodwill from the acquisition of Tschan GmbH	46.8	—	—	—	—
Number of employees at year-end	612	523	527	492	437
Average number of employees	559	518	518	477	432
Personnel costs	302.8	274.5	261.2	252.6	250.4
Salaries and social-security contributions per employee, SEK '000	542	530	504	530	580

Tax expense
The year's tax expense was SEK 33.8 M (39.2), of which current tax accounted for SEK 36.4 M (48.3) and deferred tax for an expense of SEK 2.6 M (expense: 9.1). The tax expense for the year corresponds to a tax rate for the Group of 30.0 per cent (25.9).

Capital expenditures
The Group's capital expenditures for the year, excluding acquired subsidiaries, amounted to SEK 29.6 M (19.6).

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 increased to SEK 137.2 M (160.3). Capital expenditures during the year amounted to SEK 39.9 M (23.6). During the year, the Group's total borrowings and current financial liability declined, net, by SEK 5.0 M (42.0), with a dividend payment of SEK 34.4 M (28.1) being made to shareholders, the combined effect of which was a negative impact from financing activities of SEK 39.4 M (neg: 70.1). Net cash flow during the year thus amounted to SEK 57.9 M (66.6).

Profit after tax for the full-year amounted to SEK 78.9 M (112.5) and other comprehensive income to SEK 35.6 M (23.5), the combined effect of which resulted in comprehensive income of SEK 114.5 M (136.0). After dividends paid to the shareholders of SEK 34.4 M (28.1), the Group's equity increased to SEK 817.6 M (737.5).

The equity/assets ratio declined during the year to 67.6 per cent (68.8).

Cash and cash equivalents increased by SEK 64.1 M during the year to SEK 195.6 M (131.5) at year-end. In addition, there were unutilised credit facilities of SEK 144.1 M (141.7), adding up to an available liquidity of SEK 339.7 M (273.2) for the Group at year-end.

The Group's interest-bearing net debt (including pension liability) declined by SEK 25.7 M during the year to SEK 16.3 M (42.0) at year-end.

The ratio of interest-bearing net debt to equity was 0.02 at 31 December 2014 (0.06 at 31 December 2013) and the ratio of interest-bearing net debt to consolidated operating profit before depreciation, amortisation and impairment (EBITDA) was 0.09 (0.21).

The Group's aggregate goodwill declined by SEK 60.0 M as a result of the impairment of the goodwill value attributable to Edscha Trailer Systems by approximately 30 per cent. At the same time, the Group's remaining goodwill value increased by SEK 27 M due to a weakening of the SEK against the EUR and USD between the end of 2013 and 2014. The net effect of this was a reduction in the Group's goodwill by SEK 33.0 M, amounting to SEK 266.8 M (299.8) at 31 December 2014, which in relation to equity was 0.33 (0.41).

Personnel
At 31 December 2014, there were 612 employees in the VBG Group (523), including 175 (179) in Sweden.

The Group employed an average of 559 persons (518) in 2014, representing an increase of 7.9 per cent. Of these, 181 (177) were active in Sweden. The cost of salaries and social security contributions increased by 7.5 per cent and amounted to SEK 302.8 M (274.5) in 2014.

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 22.0 M during the year (22.6). The operating loss for the year was SEK 12.3 M (loss: 9.1). After dividends from Group companies totalling SEK 116.5 M (44.8), exchange rate differences of a negative SEK 4.7 M (neg: 2.9) and net interest expenses totalling SEK 1.7 M (expense: 1.8), profit before tax amounted to SEK 97.8 M (28.0).

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 as part of the move towards more environmentally friendly industrial 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, 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 observed 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 contingency plans prepared in consultation with the relevant authorities must exist in order to mitigate and prevent the effects of any unintentional discharges and incidents.

VBG Truck Equipment's production unit in Vänersborg is environmentally certified under ISO 14001 and conducts activities requiring a permit under the Environmental Code. The permit is needed for the handling of large volumes of cutting fluid.

Outlook for 2015

The Group makes no forecast regarding figures, but its assessment is that the potential exists for the Group to increase turnover and profitability in 2015.

The work of the Board of Directors

The Board of Directors of VBG Group AB (publ) currently consists of six members elected by the Annual General Meeting (AGM). The AGM did not elect any deputies. In addition, the trade unions, Unionen/Swedish Association of Graduate Engineers/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 2014 financial year, the Board of Directors held eight (seven) 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 2014 AGM appointed a Nominating Committee, and on behalf of the AGM the Board appointed an Audit Committee and a Compensation Committee. The company's auditor reports his observations to the Board every year based on his review and gives his assessment of the company's internal control.

Guidelines for remuneration to senior officers

The 2014 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 executive 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 or the respective subsidiary'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 six 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 2015 AGM resolve that the same guidelines for remuneration to senior officers that were adopted by the 2014 AGM shall apply.

The VBG Group share and shareholders

Earnings per share for the year declined to SEK 6.31 (9.00). Equity per share at 31 December 2014 was SEK 65.40, compared with SEK 58.99 a year earlier.

During the year, the share price for the VBG Group's Series B share declined by 17.7 per cent to SEK 103.75 (126.00) at year-end, and the number of shareholders rose by 51 during the year to 4,001 (3,950).

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 2015 AGM approve a raised dividend of SEK 3.00 per share (2.75) for the 2014 financial year. The proposed dividend entails a total distribution of funds from the Parent Company of SEK 37.5 M, equivalent to 4.6 per cent of the Group's equity at year-end. The Group reported profit after tax corresponding to 6.31 per share, implying that the proposed dividend represents 47.5 per cent of net profit for the year (30.6).

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

Retained earnings	SEK 275,196,919
Net profit for the year	SEK 115,696,936
	SEK 390,893,855

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

Dividend to shareholders	SEK 37,506,072
Carried forward to new account	SEK 353,387,783
	SEK 390,893,855

Consolidated Income Statement

SEK '000	Note	2014	2013
Net turnover	3	1,186,838	1,171,435
Cost of goods sold		–718,009	–691,841
Gross profit		**468,829**	**479,594**
Selling expenses		–190,109	–176,255
Administrative expenses		–120,332	–109,802
Research and development costs		–36,205	–29,399
Other operating income	4	60,728	2,213
Other operating expenses	5	–61,975	–3,545
		–347,893	**–316,788**
Operating profit	6, 7, 8, 9	**120,936**	**162,806**
Income/loss from financial items			
Exchange rate effects, net		–1,081	–3,501
Interest income		339	616
Interest expenses		–7,478	–8,216
Total loss from financial items		**–8,220**	**–11,101**
Profit after financial items		**112,716**	**151,705**
Tax on profit for the year	11	–33,834	–39,235
Net profit for the year		**78,882**	**112,470**
Net profit for the year attributable to Parent Company shareholders		78,882	112,470
Other comprehensive income			
Profit for the period		78,882	112,470
Items that will not be reversed in the Income Statement			
Effect of translation of defined-benefit pension plans, net after tax		–28,678	11,762
Items that may later be reversed in the Income Statement			
Translation differences relating to foreign operations		68,593	11,814
Translation differences pertaining to hedge accounting for net investments in foreign operations		–4,295	–2
Other comprehensive income, net after tax		**35,620**	**23,574**
Comprehensive income for the period		**114,502**	**136,044**
Comprehensive income for the period attributable to Parent Company shareholders		114,502	136,044
Earnings per share, basic and diluted, SEK		**6.31**	**9.00**
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 Dec. 2014	31 Dec. 2013
Assets			
Non-current assets			
Intangible assets	12		
Trademarks and other intellectual property		57,710	48,245
Goodwill		266,762	299,820
		324,472	**348,065**
Property, plant and equipment	13		
Land and buildings		107,629	75,437
Plant and machinery		60,030	54,532
Equipment, tools, fixtures and fittings		28,092	22,927
Construction in progress		5,078	4,159
		200,829	**157,055**
Deferred tax asset	15	**20,593**	**14,108**
Total non-current assets		**545,894**	**519,228**
Current assets			
Inventories	16		
Raw materials and consumables		89,540	69,980
Work in progress		56,826	45,958
Finished products and merchandise		104,777	107,492
		251,143	**223,430**
Current receivables			
Trade receivables	23	156,210	157,128
Current tax assets		37,677	22,111
Other receivables		15,320	11,602
Prepaid expenses and accrued income	17	6,871	7,205
		216,078	**198,046**
Cash and cash equivalents			
Cash on hand and demand deposits		195,592	131,454
		195,592	**131,454**
Total current assets		**662,813**	**552,930**
Total assets		**1,208,707**	**1,072,158**

Consolidated Balance Sheet cont'd.

SEK '000	Note	31 Dec. 2014	31 Dec. 2013
Equity and liabilities			
Equity	18		
Share capital		34,235	34,235
Other contributed capital		32,111	32,111
Reserves		–17,487	–53,107
Retained earnings, incl. net profit for the year		768,808	724,307
Total equity		**817,667**	**737,546**
Non-current liabilities			
Provisions for pensions and similar obligations	20	172,663	126,634
Deferred tax liability	15	51,752	33,785
Other provisions	21	4,264	585
Liabilities to credit institutions	22	25,086	33,017
Total non-current liabilities		**253,765**	**194,021**
Current liabilities			
Liabilities to credit institutions	22	14,104	13,831
Other provisions	21	—	142
Trade payables		41,942	46,478
Current tax liabilities		5,056	5,787
Other liabilities		14,087	12,237
Accrued expenses and deferred income	25	62,086	62,116
Total current liabilities		**137,275**	**140,591**
Total equity and liabilities		**1,208,707**	**1,072,158**
Pledged assets	26	**19,130**	**22,957**
Contingent liabilities	27	**894**	**820**

Consolidated Changes in Equity

SEK '000	Note	Share capital	Contributed capital	Reserves	Retained earnings	Total equity
Opening balance at 1 Jan. 2013		**34,235**	**32,111**	**–76,681**	**639,967**	**629,632**
Effect of translation of defined-benefit pension plans, net after tax*				11,762		11,762
Translation differences				11,814		11,814
Hedging of net investments				–2		–2
Other comprehensive income				**23,574**		**23,574**
Net profit for the year					112,470	112,470
Total comprehensive income						**136,044**
Dividend					–28,130	–28,130
Total transactions with shareholders						**–28,130**
Equity at 31 Dec. 2013		**34,235**	**32,111**	**–53,107**	**724,307**	**737,546**
Opening balance at 1 Jan. 2014		**34,235**	**32,111**	**–53,107**	**724,307**	**737,546**
Effect of translation of defined-benefit pension plans, net after tax*				–28,678		–28,678
Translation differences				68,593		68,593
Hedging of net investments				–4,295		–4,295
Other comprehensive income				**35,620**		**35,620**
Net profit for the year					78,882	78,882
Total comprehensive income						**114,502**
Dividend					–34,381	–34,381
Total transactions with shareholders						**–34,381**
Equity at 31 Dec. 2014		**34,235**	**32,111**	**–17,487**	**768,808**	**817,667**

*Deferred tax amounted to an expense of 10,155 (expense: 3,270)

Consolidated Cash Flow Statement

SEK '000	Note	**2014**	2013
Operating activities			
Operating profit before financial items		120,936	162,806
Depreciation/amortisation		37,460	32,265
Other items not affecting liquidity	29	18,557	4,938
Interest received, etc.		339	616
Interest paid		–2,712	–3,887
Tax paid		–51,909	–67,930
Cash flow before change in working capital		**122,671**	**128,808**
Decrease/increase (–) in inventories		16,661	24,680
Decrease/increase (–) in trade receivables		12,616	–4,584
Decrease/increase (–) in other current receivables		12,339	4,753
Increase/decrease (–) in trade payables		–5,936	–2,731
Increase/decrease (–) in other current liabilities		–21,211	9,360
Cash flow from operating activities		**137,140**	**160,286**
Investing activities			
Investments in intangible assets	29, 30	–1,500	–359
Investments in property, plant and equipment	29	–32,237	–23,253
Investments in subsidiaries, after deduction for acquired cash and cash equivalents	30	–6,180	—
Cash flow from investing activities		**–39,917**	**–23,612**
Financing activities			
Borrowings/repayment of loans		–5,000	–41,973
Dividend paid		–34,381	–28,130
Cash flow from financing activities		**–39,381**	**–70,103**
Cash flow for the year		**57,842**	**66,571**
Cash and cash equivalents at start of year		**131,454**	**66,603**
Translation difference, cash and cash equivalents		6,296	–1,720
Cash and cash equivalents at year-end		**195,592**	**131,454**
Unutilised overdraft facilities		144,062	141,772
Total cash and cash equivalents available		**339,654**	**273,226**
Composition of net debt			
Interest-bearing liabilities and provisions		211,853	173,482
Cash on hand, demand deposits and short-term investments		–195,592	–131,454
Net debt		**16,261**	**42,028**
Change in interest-bearing net debt		**–25,767**	**–80,302**

Parent Company Income Statement

SEK '000	Note	2014	2013
Net turnover		21,999	22,585
Gross profit		**21,999**	**22,585**
Selling expenses		–197	–258
Administrative expenses		–31,519	–28,850
Other operating expenses		–2,612	–2,613
		–34,328	**–31,721**
Operating loss	6, 7, 8	**–12,329**	**–9,136**
Income/loss from financial items			
Dividends from interests in subsidiaries	32	116,470	54,811
Impairment loss on shares in subsidiaries		—	–13,001
Exchange rate effects, net		–4,732	–2,881
Interest income		620	962
Interest expenses		–2,208	–2,757
Total profit from financial items		**110,150**	**37,134**
Profit after financial items		**97,821**	**27,998**
Appropriations	10, 32	17,958	17,864
Tax on profit for the year	11	–82	–1,426
Net profit and comprehensive income for the year		**115,697**	**44,436**

Parent Company Balance Sheet

SEK '000	Note	**31 Dec. 2014**	31 Dec. 2013
Assets			
Non-current assets			
Intangible assets			
Trademarks and other intellectual property	12	8,440	9,921
		8,440	**9,921**
Property, plant and equipment	13		
Land and buildings		5,685	6,195
Equipment, tools, fixtures and fittings		1,140	86
		6,825	**6,281**
Long-term investments			
Interests in Group companies	14	558,070	558,070
		558,070	**558,070**
Total non-current assets		**573,335**	**574,272**
Current assets			
Current receivables			
Receivables from Group companies		83,871	91,209
Current tax asset		4,441	3,492
Other receivables		557	225
Prepaid expenses and accrued income	17	1,246	671
		90,115	**95,597**
Cash and cash equivalents			
Cash on hand and demand deposits		89,902	51,250
		89,902	**51,250**
Total current assets		**180,017**	**146,847**
Total assets		**753,352**	**721,119**
Equity and liabilities			
Equity	18		
Restricted equity			
Share capital		34,235	34,235
Statutory reserve		53,249	53,249
		87,484	**87,484**
Non-restricted equity			
Retained earnings		275,196	265,141
Net profit for the year		115,697	44,436
		390,893	**309,577**
Total equity		**478,377**	**397,061**
Untaxed reserves	19	**15,239**	**20,197**

Parent Company Balance Sheet cont'd.

SEK '000	Note	31 Dec. 2014	31 Dec. 2013
Provisions			
Provisions for pensions, PRI	20	11,972	11,009
Total provisions		**11,972**	**11,009**
Non-current liabilities			
Liabilities to credit institutions		15,623	19,525
Total non-current liabilities		**15,623**	**19,525**
Current liabilities			
Trade payables		2,048	732
Liabilities to subsidiaries		215,324	258,139
Liabilities to credit institutions		7,812	6,508
Other current liabilities		1,075	1,006
Accrued expenses and deferred income	25	5,882	6,942
Total current liabilities		**232,141**	**273,327**
Total equity and liabilities		**753,352**	**721,119**
Pledged assets		**None**	**None**
Contingent liabilities	27	**46,851**	**47,907**

Parent Company Changes in Equity

SEK '000	Note	Share capital	Statutory reserve	Non-restricted equity	Total equity
Equity at 1 Jan. 2013	18	**34,235**	**53,249**	**293,270**	**380,754**
Net profit for the year				44,436	44,436
Dividend				–28,129	–28,129
Equity at 31 Dec. 2013		**34,235**	**53,249**	**309,577**	**397,061**
Net profit for the year				115,697	115,697
Dividend				–34,381	–34,381
Equity at 31 Dec. 2014		**34,235**	**53,249**	**390,893**	**478,377**

Parent Company Cash Flow Statement

SEK '000	2014	2013
Operating activities		
Operating profit before financial items	–12,329	–9,136
Depreciation/amortisation	2,892	2,696
Other items not affecting liquidity	297	–39
Interest received	620	962
Dividend and Group contribution received	129,470	69,811
Interest paid	–1,541	–2,314
Tax paid	–1,031	–1,293
Cash flow before change in working capital	**118,378**	**60,687**
Decrease/increase (–) in other current receivables	6,431	15,617
Increase/decrease (–) in trade payables	1,316	–3,319
Increase/decrease (–) in other current liabilities	–43,806	34,761
Cash flow from operating activities	**82,319**	**107,746**
Investing activities		
Investments in subsidiaries	—	–126
Investments in intangible assets	–638	–106
Investments in property, plant and equipment	–1,317	—
Cash flow from investing activities	**–1,955**	**–232**
Financing activities		
Dividend paid	–34,381	–28,129
Borrowings/repayment of loans	–7,331	–9,418
Increase/decrease in current financial liabilities	—	–30,519
Cash flow from financing activities	**–41,712**	**–68,066**
Cash flow for the year	**38,652**	**39,448**
Cash and cash equivalents at start of year	**51,250**	**11,802**
Cash and cash equivalents at year-end	**89,902**	**51,250**
Unutilised overdraft facilities	144,062	141,772
Total cash and cash equivalents available	**233,964**	**193,022**

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's Series B share is listed on the Nasdaq OMX Stockholm Mid Cap List.

Accounting and valuation policies

The consolidated accounts 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 accounts 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 same accounting policies and calculation methods were applied as in the preceding year except in relation to Group contributions, which are now recognised as appropriations in accordance with the alternative rule in RFR 2. 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 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 applied by the Group

The following is a list of standards that the Group applied for the first time for the financial year beginning 1 January 2014, which have material impact on the Group's financial statements:

IFRS 12 Disclosure of Interests in Other Entities contains disclosure requirements for all forms of holdings in other companies, such as subsidiaries, joint arrangements, associated companies (associates) and unconsolidated structured entities.

Other standards, amendments and interpretations that come into force for financial years commencing after 1 January 2014 will have no material impact on the Group's financial statements.

New standards and interpretations yet to be applied by the Group

A number of new standards and interpretations are coming into force for the financial year commencing after 1 January 2014 and have not been applied for the preparation of this financial report. None of these amendments are expected to have any material impact on the Group's financial statements.

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of IFRS 9 was issued in July 2014 and replaces the sections of IAS 39 that address the classification and measurement of financial instruments. IFRS 9 retains a mixed measurement model, but simplifies this model in certain respects. The standard establishes three measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss.

IFRS 9 also introduces a new model for calculating credit loss reserves based on expected credit losses and amends the requirements for hedge accounting. The standard will be applied for the financial year commencing 1 January 2018. Advance application is permitted. The Group has not yet assessed the impact of the implementation of this standard.

IFRS 15 Revenue from Contracts with Customers regulates how revenue is to be recognised. The principles of IFRS 15 are intended to provide users of financial statements with more usable information about the entity's revenue. The expanded disclosure requirements stipulate that information must be provided regarding the type of revenue, date of settlement, uncertainties associated with revenue recognition and cash flow attributable to the entity's customer contracts. In accordance with IFRS 15, revenue is to be recognised when the customer gains control of the presold goods or services and is able to use or benefit from the goods or services. IFRS 15 will take effect on January 1, 2017. Advance application is permitted. The Group has not yet assessed the impact of the implementation of this standard.

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 (including structured companies) over which the Group holds a controlling influence. The Group controls a company when it is exposed to or has the right to a variable return from its holding in the company and has the possibility to affect this return through its influence in the company. 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.

Tax

The tax expense for the period consists of current and deferred tax. Tax is recognised in profit or loss, except when the tax pertains to items recognised in other comprehensive income or directly in equity. In such cases, the tax is also recognised in other comprehensive income or equity, respectively.

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 bases 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 tax 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 and tax liabilities offset each other when there is a legal right of offset for the tax assets and tax liabilities in question, and when the deferred tax assets and tax liabilities are attributable to tax charged by the same tax authority and pertain to either the same tax subject or different tax subjects, when the intention is to settle the balances through net payments.

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

Receivables

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

Effects of changes in exchange rates

Functional currency and reporting currency

Items included in the financial statements for the different entities in the Group are stated in the currency that is used in the 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 of net investments, in which case gains/losses are recognised in other comprehensive income. 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 exchange 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 proprietarily manufactured finished and semi-finished products has been calculated as the manufacturing costs of the products including attributable indirect manufacturing overheads. Due provision has been made for obsolescence.

Pension obligations
There are both defined-contribution and defined-benefit pension plans in the Group. A defined-contribution pension plan is a pension plan through which the Group pays fixed contributions to a separate legal entity. The Group has no legal or informal obligations to pay additional contributions if this legal entity does not have sufficient assets to pay all the benefits to employees in connection with the employees' services during the present or previous periods. A defined-benefit pension plan is a pension plan that is not subject to defined contributions. Defined-benefit plans typically state the amount of pension benefits an employee is to receive after retirement, which is usually based on one or several factors, such as age, period of service and salary. The liability that is recognised in the balance sheet regarding defined-benefit pension plans is the present value of the defined-benefit obligation at the end of the report period, minus the fair value of the plan assets.

The defined-benefit pension obligation is calculated annually by independent actuaries with the application of the projected-unit credit method. The present value of the defined-benefit obligation is established through the discounting of estimated future cash flows with the application of interest rates for top-grade corporate bonds, or the equivalent, that are issued in the same currency as the benefits which are to be paid, with maturity periods comparable to those of the relevant pension obligation. Actuarial gains and losses as a result of experience-based adjustments and changed to actuarial assumptions are recognised under "Other comprehensive income/loss" within the period in which they arise. Expenses pertaining to employment during earlier periods are recognised directly under profit and loss.

The above accounting policy 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 operating profit.

Further details, including information on essential actuarial assumptions, are given in Note 20.

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. If this amount is less that the fair value of the acquired subsidiary's net assets, in the event of an acquisition conducted at a low price, the difference is recognised directly in profit or loss. 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 software are capitalised. Expenditures for product development projects are capitalised provided that the Group will enjoy future economic benefits from the development work and that it is possible to determine the cost reliably.

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

Trademarks	15 years
Other intangible assets	3–5 years

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

Research and development
Expenditure for research is 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 acquisition cost of the asset can be estimated reliably. Other product development costs, including expenditure for ongoing product adaptations, are expensed as incurred. No expenditure for development projects has been capitalised as intangible assets during the year.

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

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

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

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

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

Leases
Leases are classified in the consolidated accounts as either finance or operating leases. Leases where the economic risks and rewards incidental to ownership are transferred substantially to the lessee are accounted for as finance leases. Other leases are accounted for as operating leases, and lease payments are 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". 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.

Assets in this category are classified as current assets if they are expected to be settled within 12 months. Otherwise they are classified as non-current assets.

Hedges of net investments in foreign operations are recognised in a similar manner to cash flow hedges. The share of the gain or loss on a hedging instrument deemed to be an effective hedge is recognised in other comprehensive income. The gain or loss attributable to the ineffective portion is recognised in profit or loss. Accumulated gains and losses in equity are recognised in profit or loss when the foreign operation is fully or partly divested.

In both the Balance Sheet and Cash Flow Statement, cash and cash equivalents include cash on hand, demand deposits and other short-term liquid investments with a remaining maturity of less than three months from the acquisition date.

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 in the translation of foreign subsidiaries and effects caused by the translation of defined-benefit pension plans.

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 distributed between restricted and non-restricted equity in accordance with the rules in the Swedish Annual Accounts Act.

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

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.

Items affecting comparability
Items affecting comparability are recognised separately in the financial statements when this is necessary to explain the Group's earnings. Items affecting comparability refer to material income or expense items that are recognised separately due to the significance of their character or amount.

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.

Return on total capital
Operating profit as a percentage of average total capital expressed as total non-current assets and current assets.

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

Net debt
Interest-bearing loan liabilities 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 costs for claims amounted to less than a half of one per cent of turnover in 2014. 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 management and control in production. The Group's quality assurance is certified to the ISO 9001 standard and the operation in Vänersborg to IS0/TS 16949 standards.

Commodity prices
The Group's production is dependent on a number of raw materials and intermediate goods. The most important raw materials are steel, cast iron and aluminium. Price increases or raw material shortages can have a negative impact on consolidated profit. A price increase of 10 per cent would increase the Group's costs by about SEK 30 M. However, price increases can be passed on to the customers to some degree. Price agreements with the Group's raw material suppliers normally extend over six months. In times of scarcity or large price increases, however, there is a risk that suppliers will fail to honour these agreements. The VBG Group strives to establish long-term relationships with its suppliers in order to ensure continued deliveries during times of shortage.

Technical advances
An important part of the VBG Group's strategy is to take advantage of technical advances. The Group believes that a 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 demand for the Group's products. This risk is reduced by the fact that the introduction of new technology usually has a lead time of several years.

The Group's costs for research and development amounted to 3 per cent of turnover in 2014.

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

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 312 M. The currency flows with the greatest impact on earnings are inflows in USD and EUR to SEK. An exchange rate difference of 10 per cent between EUR and SEK affects the Group's earnings by approximately SEK 20 M, while the effect of an equivalent change between USD and SEK is approximately SEK 8 M. Net flows are not hedged.

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

Interest rate risk
Interest rate risk refers to the risk that changes in the interest rate level will have a negative impact on the Group's earnings. Borrowing with a fixed interest rate exposes the Group to an interest rate risk with respect to fair value. At 31 December, all loans in the VBG Group carried a fixed interest rate. The maturity dates of the loans are shown in Note 22.

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 156 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 2014, the unutilised credits amounted to SEK 144 M. The maturity dates of the loans are shown in Note 22.

Capital risk
The Group's goal with regard to the capital structure is to safeguard the Group's ability to remain 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 2014, the equity/assets ratio was 68 per cent.

NOTE 3 | SEGMENT REPORTING (SEK M)

Divisions (business segments)
The Group is organised in three divisions.

- **VBG Truck Equipment** is an internationally leading supplier of systems to customers in the truck industry and includes the brands VBG and Ringfeder for coupling equipment and Onspot for automatic tyre chains. Customers are mainly 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 mainly consist of European trailer manufacturers.

- **Ringfeder Power Transmission** is a global market leader in selected niches within mechanical power transmission as well as energy and shock absorption. The operation includes the Ringfeder, Gerwah, Tschan 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 divisions, and unallocated costs are Group-wide overheads. Assets in each division 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 2014					
External sales	**636.6**	**219.8**	**330.4**	**—**	**1,186.8**
Operating profit/loss	**103.7**	**–52.7**	**83.0**	**–13.1**	**120.9**
Financial expenses	—	—	—	–8.5	–8.5
Financial income	—	—	—	0.3	0.3
Tax expense for the year	—	—	—	–33.8	–33.8
Net profit/loss for the year	**103.7**	**–52.7**	**83.0**	**–55.1**	**78.9**
Other disclosures					
Non-current assets	162.8	200.4	161.6	21.1	545.9
Current assets	193.2	61.9	172.7	39.4	467.2
Cash and cash equivalents	—	—	—	195.6	195.6
Assets	**356.0**	**262.3**	**334.3**	**256.1**	**1,208.7**
Non-current liabilities	147.9	8.5	11.0	86.4	253.8
Current liabilities	75.5	12.7	27.2	21.9	137.3
Liabilities	**223.4**	**21.2**	**38.2**	**108.3**	**391.1**
Capital expenditures	**21.2**	**5.6**	**4.9**	**2.0**	**33.7**
Depreciation/amortisation	**–19.0**	**–8.2**	**–10.2**	**–0.1**	**–37.5**
Financial year 2013					
External sales	**650.2**	**254.6**	**266.6**	**—**	**1,171.4**
Operating profit/loss	**116.2**	**22.9**	**35.3**	**–11.6**	**162.8**
Financial expenses	—	—	—	–11.7	–11.7
Financial income	—	—	—	0.6	0.6
Tax expense for the year	—	—	—	–39.2	–39.2
Net profit/loss for the year	**116.2**	**22.9**	**35.3**	**–61.9**	**112.5**
Other disclosures					
Non-current assets	152.4	247.8	104.4	14.6	519.2
Current assets	198.7	67.1	132.7	23.0	421.5
Cash and cash equivalents	—	—	—	131.5	131.5
Assets	**351.1**	**314.9**	**237.1**	**169.1**	**1,072.2**
Non-current liabilities	115.5	4.7	6.0	67.8	194.0
Current liabilities	81.7	14.3	23.6	21.0	140.6
Liabilities	**197.2**	**19.0**	**29.6**	**88.8**	**334.6**
Capital expenditures	**11.7**	**3.2**	**8.6**	**0.1**	**23.6**
Depreciation/amortisation	**–18.3**	**–7.6**	**–6.4**	**—**	**–32.3**

Note 3 cont'd.

Sales per geographical area	2014 VBG Truck Equipment	2014 Edscha Trailer Systems	2014 Ringfeder Power Transmission	2014 Group
Sweden	174.4	0.3	4.1	178.8
Other Nordic countries	106.8	0.6	3.3	110.7
Germany	90.8	136.3	127.8	354.9
Other European countries	143.8	82.3	42.5	268.6
North America	59.1	0.0	96.1	155.2
Rest of world	61.7	0.3	56.6	118.6
Total	**636.6**	**219.8**	**330.4**	**1,186.8**

Sales per geographical area	2013 VBG Truck Equipment	2013 Edscha Trailer Systems	2013 Ringfeder Power Transmission	2013 Group
Sweden	168.4	0.5	4.1	173.0
Other Nordic countries	116.2	1.0	1.5	118.7
Germany	100.6	140.0	90.6	331.2
Other European countries	150.0	112.5	32.9	295.4
North America	56.9	0.4	81.3	138.6
Rest of world	58.1	0.2	56.2	114.5
Total	**650.2**	**254.6**	**266.6**	**1,171.4**

NOTE 4 | OTHER OPERATING INCOME

	Group 2014	Group 2013
Royalty income	737	770
Negative goodwill	46,755	—
Capital gain on property, plant and equipment	6,105	411
Exchange rate differences	5,913	—
Other	1,218	1,032
Total	**60,728**	**2,213**

NOTE 5 | OTHER OPERATING EXPENSES

	Group 2014	Group 2013
Impairment of goodwill	59,996	—
Exchange rate differences	—	1,720
Other	1,979	1,825
Total	**61,975**	**3,545**

NOTE 6 | SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY CONTRIBUTIONS

	2014 Salaries and other remuneration	2014 Social-security contributions (of which pension expenses)	2013 Salaries and other remuneration	2013 Social-security contributions (of which pension expenses)
Parent Company	11,460	6,834	11,598	6,498
		(2,363)		(2,216)
Subsidiaries	217,716	66 835	194,036	62,346
		(9,782)		(11,431)
Group	**229,176**	**73,669**	**205,634**	**68,844**
		(12,145)		**(13,647)**

Note 6 cont'd.

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

	2014		2013	
	Board and MD (of which bonuses, etc.)	Other employees	Board and MD (of which bonuses, etc.)	Other employees
Parent Company	4,831	6,629	5,178	6,420
	(907)		(1,294)	
Subsidiaries	11,643	206,073	11,681	182,355
	(1,803)		(2,354)	
Group total	**16,474**	**212,702**	**16,859**	**188,775**
	(2,710)		**(3,648)**	

	2014		2013	
Average number of employees	**Number of employees**	**Of whom men**	**Number of employees**	**Of whom men**
Parent Company				
Sweden	7	5	6	5
Total in Parent Company	**7**	**5**	**6**	**5**
Subsidiaries				
Sweden	174	147	170	143
Norway	5	4	6	5
Denmark	6	6	5	5
France	5	5	4	4
Belgium	16	11	21	15
UK	4	3	4	3
Czech Republic	113	80	115	79
USA	45	36	45	35
Germany	164	125	127	88
China	8	5	8	5
India	12	12	7	7
Total in subsidiaries	**552**	**434**	**512**	**389**
Group total	**559**	**439**	**518**	**394**

At year-end, the Group had 612 employees (523).

Board of Directors and senior officers

	2014		2013	
	Number on closing date	Of whom men	Number on closing date	Of whom men
Group (incl. subsidiaries)				
Board members	19	15	18	15
Managing directors and other senior officers	29	26	30	27

All Board members in the Group's subsidiaries are employees. "Senior officers" refers to Group Management and division management members, and persons in senior positions in the subsidiaries.

	2014		2013	
	Number on closing date	Of whom men	Number on closing date	Of whom men
Parent Company				
Board members	8	5	8	6
Managing directors and other senior officers	4	3	4	3

Remuneration to Board members and senior officers

In accordance with a resolution by the 2014 AGM, the Chairman and members of the Board receive a total of SEK 1,090,000 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. "Other senior officers" refers to the six 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.

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 35 per cent of his fixed salary in pension provisions.

Note 6 cont'd.

Variable remuneration is not pensionable. In the event his employment is terminated by the Company, the Managing Director is entitled to receive six 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 the 2014 financial year 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	320	—	—	—	320
Director Hans-Göran Persson	180	—	—	—	180
Director Johnny Alvarsson	230	—	—	—	230
Director Peter Augustsson	180	—	—	—	180
Director Helene Richmond	160	—	—	—	160
MD Anders Birgersson	2,854	907	83	1,014	4,858
Other senior officers (6 persons)	9,664	1,811	521	2,374	14,370
Total (12 persons)	**13,588**	**2,718**	**604**	**3,388**	**20,298**

NOTE 7 | FEES AND COST REIMBURSEMENT PAID TO AUDITOR

	Group		Parent Company	
	2014	2013	2014	2013
PwC				
Auditing assignments	2,555	1,966	265	314
Auditing activities other than auditing assignments	547	384	537	375
Tax advice	638	1,068	52	387
Other services	403	944	83	379
	4,143	**4,362**	**937**	**1,455**

NOTE 8 | DEPRECIATION, AMORTISATION AND IMPAIRMENT

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

	Group		Parent Company	
	2014	2013	2014	2013
Cost of goods sold	21,804	17,338	—	—
Selling expenses	8,475	8,879	197	258
Administrative expenses	6,079	5,133	301	—
Research and development costs	1,102	915	—	—
Other operating expenses	—	—	2,394	2,438
Total depreciation/ amortisation	**37,460**	**32,265**	**2,892**	**2,696**

Impairment of goodwill totalling SEK 59,996 thousand (0) is recognised under the heading "Other operating expenses"

Note 8 cont'd.

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

	Group		Parent Company	
	2014	2013	2014	2013
Trademarks	5,909	5,224	1,884	1,884
Computer software	3,556	2,910	235	258
Land and buildings	4,399	3,848	510	511
Plant and machinery	14,675	12,635	—	—
Equipment, tools, fixtures and fittings	8,921	7,648	263	43
Total depreciation/ amortisation	**37,460**	**32,265**	**2,892**	**2,696**

The Parent Company's depreciation for buildings is included in the market-related rent that is invoiced to the subsidiary in Vänersborg. This building depreciation is recognised as other operating expenses in the Parent Company's accounts.

NOTE 9 | OPERATING EXPENSES CLASSIFIED BY NATURE OF EXPENSE

	Group	
	2014	2013
Direct material incl. change in inventories	510,437	488,340
Employee benefits	302,845	274,478
Depreciation/amortisation	37,460	32,265
Other expenses	213,913	212,214
Total operating expenses	**1,064,655**	**1,007,297**

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

NOTE 10 | APPROPRIATIONS

	Parent Company	
	2014	2013
Difference between book depreciation and depreciation according to plan	1,708	1,964
Change in tax-allocation reserve	3,250	900
Group contributions received	13,000	15,000
Total	**17,958**	**17,864**

NOTE 11 | TAX ON PROFIT FOR THE YEAR

	Group		Parent Company	
	2014	2013	2014	2013
Current tax				
Swedish companies	–11,355	–17,074	–82	–1,426
Foreign companies	–25,099	–31,220	—	—
Deferred tax				
Swedish companies	125	–1,708	—	—
Foreign companies	2,495	10,767	—	—
Total	**–33,834**	**–39,235**	**–82**	**–1,426**

Reconciliation with tax recognised in profit or loss:

The difference between the Group's expected tax expense based on a weighted tax rate of 27 per cent (26) and the actual tax expense consists of the following items:

	Group	
	2014	2013
Reported profit before tax	112,716	151,705
Tax according to estimated weighted tax rate	–36,031	–40,377
Non-deductible expenses	–361	–216
Imputed income, tax allocation reserve	–275	–170
Other	2,833	1,528
Total tax	**–33,834**	**–39,235**

NOTE 12 | INTANGIBLE ASSETS

	Group		Parent Company	
	2014	2013	2014	2013
Trademarks and other intellectual property				
Opening cost	117,265	114,594	32,870	32,870
Purchases during the year	1,500	358	638	—
Business combinations	14,668	—	—	—
Retirement of assets	–200	–916	–188	—
Translation differences	6,480	3,229	—	—
Closing accumulated costs	**139,713**	**117,265**	**33,320**	**32,870**
Opening depreciation	–69,020	–60,074	–22,949	–20,807
Depreciation for the year	–9,465	–8,134	–2,119	–2,142
Retirement of assets	188	916	188	—
Translation differences	–3,706	–1,728	—	—
Closing accumulated depreciation	**–82,003**	**–69,020**	**–24,880**	**–22,949**
Closing balance	**57,710**	**48,245**	**8,440**	**9,921**
Of which trademark	**48,156**	**39,106**	**7,910**	**9,794**

Note 12 cont'd.

	Group	
Goodwill	2014	2013
Opening cost	299,820	291,015
Impairment losses	–59,996	—
Translation differences	26,938	8,805
Closing balance	**266,762**	**299,820**

Goodwill is allocated to the Group's divisions as follows

	Group	
	2014	2013
VBG Truck Equipment	82,721	71,411
Edscha Trailer Systems	132,865	181,257
Ringfeder Power Transmission	51,176	47,152
Book value	**266,762**	**299,820**

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 VBG Truck Equipment and Ringfeder Power Transmission, discounted cash flows are based on the 2015 budget and forecasts up to 2017. During and after the forecast period, zero growth is conservatively assumed. With the above assumptions and using a discount rate of 9.3 per cent (9.3) before tax, the value in use exceeds the carrying amount for all cash-generating divisions.

The situation is different for Edscha Trailer Systems, whose recovery after the financial crisis has been more sluggish than anticipated by both independent analysts and company management. Using the 2015 budget and business plan for 2016–17 for support, the division's cash flow was discounted at a rate of 9.3 per cent (9.3) before tax. The estimated future cash flow is based on the assumption of sustainable growth of 1.5 per cent and a sustainable operating margin determined based on a weighting between historic outcome and the company's business plans during the forecast period. Since the estimated recoverable amount was determined to be lower than the carrying amount, an impairment of goodwill of SEK 60.0 M was recognised. The goodwill remaining after the impairment amounts to SEK 132.9 M. Increasing the discount rate by 1 percentage point or reducing the operating margin by 10 per cent would lead, individually, to a further impairment of goodwill of approximately SEK 20–30 M.

For other divisions, a corresponding increase of the discount rate or reduction of the operating margin would not lead to an impairment of the value of goodwill.

NOTE 13 | PROPERTY, PLANT AND EQUIPMENT

	Group		Parent Company	
Land and buildings	**2014**	**2013**	**2014**	**2013**
Opening costs	128,605	129,907	33,669	33,669
Purchases during the year	2,045	461	—	—
Business combinations	28,406	—	—	—
Translation differences	9,015	–1,763	—	—
Closing accumulated costs	**168,071**	**128,605**	**33,669**	**33,669**
Opening depreciation	–53,168	–48,650	–27,474	–26,963
Depreciation for the year	–4,399	–3,848	–510	–511
Translation differences	–2,875	–670		—
Closing accumulated depreciation	**–60,442**	**–53,168**	**–27,984**	**–27,474**
Closing balance	**107,629**	**75,437**	**5,685**	**6,195**

Plant and machinery				
Opening cost	190,091	190,479	7,914	7,914
Purchases during the year	15,734	7,433	—	—
Business combinations	4,195	—	—	—
Sale and retirement of assets	–4,388	–7,182	—	—
Reclassification	2,153	—	—	—
Translation differences	–677	–639	—	—
Closing accumulated costs	**207,108**	**190,091**	**7,914**	**7,914**
Opening depreciation	–130,162	–124,934	–7,914	–7,914
Sale and retirement of assets	4,366	5,610	—	—
Depreciation for the year	–14,675	–12,635	—	—
Translation differences	–1,210	1,797	—	—
Closing accumulated depreciation	**–141,681**	**–130,162**	**–7,914**	**–7,914**
Impairment losses in 2001	–5,397	–5,397	—	—
Closing balance	**60,030**	**54,532**	**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 19,131 thousand (22,957). The remaining lease period is two years.

	Group		Parent Company	
Equipment, tools, fixtures and fittings	**2014**	**2013**	**2014**	**2013**
Opening cost	98,394	97,529	10,895	10,789
Purchases during the year	10,297	7,463	1,317	106
Sale and retirement of assets	–9,688	–7,029	–6,562	—
Reclassification	1,429	148	—	—
Business combinations	3,679	—	—	—
Translation differences	1,038	283	—	—
Closing accumulated costs	**105,149**	**98,394**	**5,650**	**10,895**
Opening depreciation	–69,828	–68,423	–10,809	–10,766
Sale and retirement of assets	9,257	6,545	6,562	—
Depreciation for the year	–8,921	–7,648	–263	–43
Translation differences	–1,926	–302	—	—
Closing accumulated depreciation	**–71,418**	**–69,828**	**–4,510**	**–10,809**
Impairment losses in 2001	–5,639	–5,639	—	—
Closing balance	**28,092**	**22,927**	**1,140**	**86**

Construction in progress				
Opening balance	4,159	419		
Purchases during the year	4,051	3,973		
Reclassification	–3,250	–234		
Translation difference	118	1		
Closing balance	**5,078**	**4,159**		

NOTE 14 | INTERESTS IN GROUP COMPANIES, CHANGES IN BOOK VALUES

	Parent Company	
Interests in Group companies	**2014**	**2013**
Opening cost	558,070	570,945
Impairment loss on shares in subsidiaries	—	–13,001
Additional purchase consideration/Acquisition of subsidiary	—	126
Closing balance	558,070	**558,070**

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
Onspot of North America Inc., USA	100	100	68,898
VBG Group Truck Equipment NV, Belgium	100	100	96,500
VBG Group Truck Equipment GmbH, Germany	100	100	34,914
European Trailer Systems GmbH, Germany	100	100	162,002
Trailer Systems Sweden AB, Sweden	100	100	
European Trailer Systems s.r.o., Czech Republic	100	100	47,929
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, China	100	100	
Ringfeder Power Transmission Tschan GmbH, Germany	100	100	
EURO-Technologies, Inc, USA	100	100	
Tschan India Private Ltd, India	100	100	
Ringfeder Power Transmission USA Corp, USA	100	100	35,995
Total			**558,070**

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
Onspot of North America Inc.		North Vernon, USA
VBG Group Truck Equipment NV		Beringen, Belgium
VBG Group Truck Equipment GmbH		Krefeld, Germany
European Trailer Systems GmbH		Moers, Germany
European Trailer Systems s.r.o.		Kamenice nad Lipou, Czech Republic
Ringfeder Power Transmission GmbH		Gross-Umstadt, Germany
Ringfeder Power Transmission India Private Ltd		Chennai, India
Ringfeder Power Transmission s.r.o.		Dobrany, Czech Republic
Kunshan Ringfeder Power Transmission Co., Ltd		Kunshan, China
Ringfeder Power Transmission Tschan GmbH		Neunkirchen, Germany
EURO-Technologies, Inc		Washington, USA
Tschan India Private Ltd		Gurgaon, India
Ringfeder Power Transmission USA Corp		Westwood, USA

NOTE 15 | DEFERRED TAX LIABILITIES/ASSETS

	Group		Parent Company	
Deferred tax liabilities	**2014**	**2013**	**2014**	**2013**
Deferred tax asset pertaining to pension liability	21,926	12,340	—	—
Other temporary differences	12,118	13,015	—	—
Deferred tax asset on tax-loss carryforward	1,675	—	—	—
Total tax assets, gross	**35,719**	**25,355**	—	—
Offset against deferred tax liabilities	–15,126	–11,247	—	—
Recognised deferred tax assets	**20,593**	**14,108**	—	—
Deferred tax liabilities				
Deferred tax liabilities relating to tax allocation reserves	–18,337	–18,348	–1,857	–2,211
Deferred tax liabilities relating to difference between book values of assets and residual values for tax purposes	–48,541	–26,684	–1,496	–2,232
Total tax liabilities, gross	**–66,878**	**–45,032**	**–3,353**	**–4,443**
Offset against deferred tax liabilities	15,126	11,247	—	—
Recognised deferred tax liabilities	**–51,752**	**–33,785**	**–3,353**	**–4,443**

The Parent Company's deferred tax liability is included in the line item "untaxed reserves."

NOTE 16 | INVENTORIES

	Group	
Inventories	**2014**	**2013**
VBG Truck Equipment		
Raw materials and consumables	29,145	26,619
Semi-finished products and work in progress	23,058	24,572
Finished products and merchandise	45,370	51,242
Total inventories VBG Truck Equipment	**97,573**	**102,433**
Edscha Trailer Systems		
Raw materials and consumables	28,734	23,670
Semi-finished products and work in progress	3,881	6,234
Finished products and merchandise	646	630
Total inventories Edscha Trailer Systems	**33,261**	**30,534**
Ringfeder Power Transmission		
Raw materials and consumables	31,661	19,691
Semi-finished products and work in progress	29,887	15,153
Finished products and merchandise	58,761	55,619
Total inventories Ringfeder Power Transmission	**120,309**	**90,463**
Total	**251,143**	**223,430**

Impairment of inventories due to obsolescence amounts to SEK 50,892 thousand (38,069). Divided between VBG Truck Equipment SEK 9,184 thousand (9,245), Edscha Trailer Systems SEK 6,297 thousand (5,248) and Ringfeder Power Transmission SEK 35,411 thousand (23,576).

NOTE 17 | PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2014	**2013**	**2014**	**2013**
Prepaid lease payments	431	296	87	200
Prepaid insurance premiums	643	306	210	27
Prepaid service charges	2,693	2,649	366	80
Prepaid marketing activities	140	150	—	—
Prepaid credit charges	257	241	257	241
Accrued income	391	472	—	—
Other items	2,316	3,091	326	123
Total	**6,871**	**7,205**	**1,246**	**671**

NOT 18 | 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 ten votes each. The remaining shares, of Series B, total 12,474,000 and carry one vote each. The Annual General Meeting (AGM) 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. A total of 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 has been extended repeatedly, most recently at the 2014 AGM to apply until the next AGM (2015). This authorisation had not been utilised at year-end, so 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 19 | UNTAXED RESERVES

	Parent Company	
	2014	2013
Accumulated difference between book depreciation/amortisation and depreciation/amortisation in excess of plan	8,439	10,147
Tax allocation reserves	6,800	10,050
Total	**15,239**	**20,197**

NOTE 20 | PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Parent Company	2014	2013
Provisions in accordance with Swedish Act on Safeguarding of Pension Obligations		
FPG/PRI pensions	11,972	11,009
Group		
Provisions in accordance with IAS 19		
Defined-benefit pension plans	172,663	126,634

Defined-benefit pension plans

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

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

	Sweden	Germany	Other countries	31 Dec. 2014 Total	31 Dec. 2013 Total
Present value of funded obligations			23,580	23,580	19,705
Fair value of plan assets			–22,637	–22,637	–19,219
			943	**943**	**486**
Present value of unfunded obligations	80,139	91,581		171,720	126,148
Total obligation	**80,139**	**91,581**	**943**	**172,663**	**126,634**

Similar to the preceding year, plan assets essentially comprise externally funded shares and corporate and government bonds.

Amounts recognised in the Consolidated Income Statement for pensions

	Group	
	2014	2013
Current service costs	4,210	7,045
Interest expense	5,127	4,878
Expected return on plan assets	–342	–532
Costs for defined-benefit plans	**8,995**	**11,391**
Costs for defined-contribution plans	**8,277**	**6,585**
Total costs recognised in profit or loss	**17,272**	**17,976**
Of which		
Amount charged to operating profit	12,145	13,098
Amount charged to financial expenses	5,127	4,878
Total costs recognised in profit or loss	**17,272**	**17,976**

Interest expense for 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.

Other comprehensive income was negatively impacted by SEK 28,678 thousand (pos: 11,762), net after tax, as a result of the remeasurement of defined-benefit plans.

Note 20 cont'd.

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

	Group	
	2014	2013
Net liability at beginning of year	126,634	136,503
Net cost recognised in profit or loss	8,995	11,391
Benefits paid	–6,147	–8,811
Contributions to funded plans	–90	—
Gains (–) losses (+) resulting from changed financial assumptions	36,296	–13,614
Gains (–) losses (+) resulting from changed demographic assumptions	3,010	246
Experience-based gains (–) losses (+)	–1,431	–1,664
Exchange rate differences on foreign plans	5,396	2,583
Net liability at year-end	**172,663**	**126,634**

Actuarial assumptions regarding significant defined-benefit pension plans

	2014		2013	
Procent	Sweden	Germany	Sweden	Germany
Discount rate	2.5	2.0	4.1	3.7
Future annual salary increases	2.1	2.8	2.5	2.8
Inflation rate	1.1	1.8	1.5	2.0

The discount rate in Sweden for 2014 and 2013 is based on the interest rate for mortgage bonds with a comparable maturity.

Through its defined-benefit plans, the Group is exposed to a number of risks, the most significant of which are described below:

Change in the return from bonds

A discount rate based on corporate bonds is used to determine plan liabilities. A reduction in the interest rate on corporate bonds will entail an increase in plan liabilities. Since most of the payments are made from unfunded plans, there is no corresponding value increase of plan assets.

Inflation risk

Pension plans in both Sweden and Germany are linked to inflation. A higher rate of inflation leads to an increase in liabilities. Because the Group mainly has unfunded plans, a higher rate of inflation will increase liabilities without the occurrence of a corresponding rise in the value of plan assets.

Rate of salary increase

The Group's pension obligation is exposed to changes in the rate of salary increase. Assumptions relating to the rate of salary increase reflect the historic trend in salary expense, the short-term outlook and forecast inflation.

The sensitivity of the defined-benefit obligation to changes in the weighted essential assumptions are:

	Impact on the defined-benefit obligation		
	Change in assumptions	Increase in assumptions	Decline in assumptions
Discount rate	0.5%	Decline of 8.9%	Increase of 10.2%
Salary increases	0.5%	Increase of 3.4%	Decline of 3.1%
Inflation rate	0.5%	Increase of 8.5%	Decline of 7.6%

The above sensitivity analysis is based on the change of one assumption, while all other assumptions remain constant. In reality, it is improbable that this will occur and changes in some of the assumptions may be correlated. In the calculation of sensitivity in the defined-benefit obligation for essential actuarial assumptions, the same method was used as for the calculation of pension liabilities that are recognised in the Statement of Financial Position.

NOTE 21 | OTHER PROVISIONS

	Group	
	2014	2013
Warranty obligations	4,264	582
Restructuring reserve	—	142

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 22 | BORROWING

Borrowing by the Group excluding overdraft facilities amounts to SEK 39,190 thousand (46,848). The loans are primarily in EUR and USD.

Of these loans, SEK 23,435 thousand comprises a loan in USD that is directly linked to the acquisition made in 2012. The translation difference on this loan is posted to equity to the extent that it hedges net assets in USD.

Certain machinery investments in Vänersborg have been financed via finance leases; SEK 13,894 thousand (17,715) of the loans constitute such loans.

SEK 14,104 thousand (13,831) of the loans fall due within one year. Loans of another SEK 25,080 thousand (22,262) fall due within two to five years. Loans of SEK 0 thousand (0) fall due for payment more than five years after the balance sheet date.

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

31 Dec. 2014	Carrying amount	Within 1 year	Within 2–3 years	Within 4–5 years	After 5 years	Total contracted cash flow
Liabilities to credit institutions	39,190	14,552	26,357			40,909
Trade payables	41,942	41,942				41,942
Total	**81,132**	**56,494**	**26,357**			**82,851**

NOTE 23 | TRADE RECEIVABLES

	Group	
Age distribution of trade receivables and reserve for doubtful debts	**2014**	**2013**
Trade receivables not due	113,066	109,833
Trade receivables due in 1–30 days	29,707	27,886
Trade receivables due in 31–90 days	7,981	12,198
Trade receivables due in more than 90 months	12,327	11,813
Reserve for doubtful debts	–6,871	–4,602
Total	**156,210**	**157,128**
Reserve for doubtful debts		
Reserve for trade receivables 1–30 days	–412	0
Reserve for trade receivables 31–90 days	–80	–21
Reserve for trade receivables older than 90 days	–6,379	–4,581
Total	**–6,871**	**–4,602**
Change for the year in reserve for doubtful debts		
Opening reserve	–4,602	–3,488
Changes written off as bad debt losses	264	48
Reversed unutilised reserves	143	202
New provisions for doubtful debts	–2,647	–1,364
Business combinations	– 29	0
Closing reserve	**–6,871**	**–4,602**

For a description of the risks associated with the company's trade receivables, see Note 2.

NOTE 24 | OVERDRAFT FACILITIES

The Group has overdraft facilities amounting to SEK 144,062 thousand (141,772), of which the amount utilised is SEK 0 thousand (0). The interest rate on the overdraft facilities is 0.7 per cent.

NOTE 25 | ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	2014	**2013**	**2014**	**2013**
Special payroll tax	2,775	2,265	859	622
Accrued personnel costs	45,181	48,053	4,546	5,982
Commissions and sales support	2,751	3,075	—	—
Other items	11,379	8,723	477	338
Total	**62,086**	**62,116**	**5,882**	**6,942**

NOTE 26 | PLEDGED ASSETS

	Group	
	2014	2013
Leased machines	19,130	22,957
Total pledged assets	**19,130**	**22,957**

NOTE 27 | CONTINGENT LIABILITIES

	Group		Parent Company	
	2014	2013	2014	2013
Guarantees for the benefit of subsidiaries	—	—	46,612	47,687
Other	894	820	239	220
Total contingent liabilities	**894**	**820**	**46,851**	**47,907**

NOTE 28 | OPERATING LEASES

	Group	
	2014	2013
Operating property leases		
Property leases, current rental payments	5,831	5,040
Group total	**5,831**	**5,040**

Property leases pertain to factory and office properties in foreign subsidiaries. Remaining payments on leases in effect at year-end amount to SEK 28.9 M, of which SEK 5.8 M will fall due for payment in 2015 and SEK 3.0 M will fall due after 2019.

NOTE 29 | CONSOLIDATED CASH FLOW STATEMENT

Other items not affecting liquidity in operating activities	2014	2013
Impairment/retirement of non-current assets	62,874	—
Negative goodwill	–46,755	—
Change in provisions	45,176	–2,976
Interest element of pension expense	–4,766	–4,330
Other items	–37,972	12,244
Total	**18,557**	**4,938**

Acquisition of non-current assets	Intangible assets	Property, plant and equipment
Capital expenditures during the year (Notes 12 and 13)	–1,500	–28,076
Finance leases	—	–4,161
Effect of capital expenditures on cash and cash equivalents for the year	**–1,500**	**–32,237**

NOTE 30 | BUSINESS COMBINATIONS

On 1 July, the Group company Ringfeder Power Transmission GmbH completed its acquisition of Tschan GmbH. The acquired company, including two wholly owned subsidiaries in India and the USA, will be incorporated and consolidated into the Ringfeder Power Transmission division as of 1 July 2014. The purchase consideration for all shares in the company amounted to SEK 18.4 M. According to the acquisition plan conducted, the acquisition resulted in negative consolidated goodwill of SEK 46.8 M.

The reason for this negative goodwill is that, prior to the acquisition, Tschan GmbH had filed for and completed a reconstruction in order to avoid bankruptcy. The reconstruction resulted in a reduction in employees, and the company's liabilities were written off as part of the composition proceedings, during which shareholder loans totalling slightly more than EUR 6 M were written off by the owner of the company. The acquired company and its subsidiaries, with about 85 employees, is included since July 1, 2014 in the Ringfeder Power Transmission division. The business reported turnover of SEK 47.0 M and an operating loss of SEK 2.1 M in the second half of 2014. Tschan GmbH is expected to report positive earnings for full-year 2015.

Group	
Purchase consideration – paid in cash	18,393
Fair value of acquired net assets	–65,148
Negative goodwill	**–46,755**

Group	Fair value
Cash and cash equivalents	12,213
Property, plant and equipment	36,280
Intangible assets	14,668
Inventories	30,542
Receivables	14,760
Liabilities	–20,048
Deferred tax liabilities, net	–23,267
Acquired net assets	**65,148**
Cash purchase consideration	–18,393
Cash and cash equivalents in acquired subsidiaries	12,213
Change in cash and cash equivalents due to acquisition	**–6,180**

NOTE 31 | SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS

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

The Group makes estimates and assumptions about the future with regard to pensions (Note 20), provisions and restructuring costs (Note 21). 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 12).

The Group recognised a total inventory value of SEK 251,143 thousand (223,430) after obsolescence reserves of SEK 50,892 thousand (28,069). An obsolescence reserve is recognised if the estimated net realisable value is lower than the cost, and in conjunction with this, the Group makes estimates and assessments regarding, for example, future market conditions and the estimated net realisable value.

NOTE 32 | CHANGE IN ACCOUNTING POLICY

As of 2014, Group contributions in the Parent Company are recognised with application of the alternative rule in RFR 2 and Paragraph 2 of IAS 27. The alternative rule stipulates that Group contributions, both received and paid, are to be recognised as an appropriation in profit or loss. Group contributions were previously recognised in accordance with the main rule in RFR 2, which meant that the Parent Company recognised Group contributions received as dividends and Group contributions paid as an increase in interests in subsidiaries. This amended policy for the recognition of Group contributions has been applied retroactively, but had no impact on the Parent Company's recognised equity. The income statement for the comparative year has been recalculated as follows:

Parent Company	2013 (reported)	Effect of change in accounting policy	2013 (recalculated)
Dividends from interests in subsidiaries	69,811	–15,000	54,811
Total profit from financial items	**52,134**	**–15,000**	**37,134**
Appropriations	2,864	+15,000	17,864
Net profit and comprehensive income for the year	**44,436**	**0**	**44,436**

Financial statements will be submitted to the Annual General Meeting on 23 April 2015 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, 19 March 2015

Peter Hansson
Chairman of the Board

Anders Birgersson
Managing Director and CEO

Louise Nicolin

Johnny Alvarsson

Helene Richmond

Peter Augustsson

Michael Jacobsson

Cecilia Pettersson

Our Audit Report was submitted on 19 March 2015

Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson
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 (publ) for 2014. The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 36–72.

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, 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.

Auditors' 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 2014 and of its financial performance and cash flows for the year according to the Annual Accounts Act. 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 2014 and of its financial performance and cash flows according to International Financial Accounting Standards, 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 (publ) for 2014.

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 Report of the Directors and discharge the members of the Board and the Managing Director from liability for the financial year.

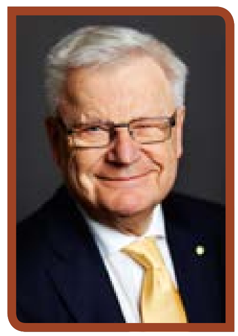
Gothenburg, 19 March 2015

Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson
Authorised Public Accountant

Adhering to the strategy in a stable manner

> "The Group's strategies are working well, despite a tougher market climate.



What is your opinion of the performance in 2014?
The Group has been adhering to the established strategy in a stable manner. Given the conditions, that is, weak demand arising from geopolitical turbulence and a lacklustre economic climate in major regions of the world, we consider the results to be satisfactory, despite our targets not being fully attained. This is yet another indicator that the Group's strategies are working well, despite a tougher market climate.

What was the focus of the Board of Directors this year?
Growth through acquisitions remains a focus area, both within existing divisions and through a "fourth pillar." Systematic and target-orientated efforts are ongoing to identify and complete transactions with companies that match the Group's strategies. This year's acquisition of the German company Tschan GmbH is a good example of this, as are previous acquisitions.

What is the Board's outlook for the Group in the next few years?
Our basic outlook is positive. The Group is well equipped to continue profitable international expansion. The performance in 2014 is proof of this, despite challenging market conditions.

Peter Hansson,
Chairman of
VBG Group

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 Stockholm, Mid 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 General Meeting of Shareholders, 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 governance 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 2014, VBG Group AB had a total of 4,001 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 share 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 represented 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 32–34.

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 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 AGM is given not earlier than six and not later than four weeks prior to the meeting. The notice contains information on notification of intention to attend and right to participate in and vote at the meeting, 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, among other methods.

Notice convening an extraordinary general meeting where the articles of association will be addressed shall be given not earlier than six weeks 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.

AGM 2014

VBG Group AB's AGM was held on 24 April 2014 and all the presentations were made in Swedish. Notice of the meeting, the agenda, and the minutes with the Managing Director's presentation material 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 2015 AGM.

The AGM decided to adopt the Board's proposal for a dividend of SEK 2.75 per share for 2013, with a record date of 29 April 2014.

The AGM decided to re-elect Board members Peter Hansson, Anders Birgersson, Johnny Alvarsson, Helene Richmond and Peter Augustsson, and to elect new Board member Louise Nicolin. Hans-Göran Persson stepped down from the Board of Directors after a period of five years.

Peter Hansson was re-elected Chairman and Johnny Alvarsson was re-elected Deputy Chairman.

Fees paid to the Board of Directors were raised to SEK 1,170,000 (previously SEK 1,070,000), of which SEK 350,000 (300,000) to the Chairman of the Board, SEK 230,000 (210,000) to the Deputy Chairman and SEK 170,000 each (160,000) to the other Board members.

Of the total fee, SEK 80,000 was paid to the Audit and Compensation Committees, to be distributed by the Board of Directors.

No fee was paid to the Managing Director.

Furthermore, Öhrlings PricewaterhouseCoopers was re-elected for a period of one year as auditor, with Fredrik Göransson as auditor in charge.

The AGM also authorised the Board to resolve on one or more occasions up until the 2015 AGM 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 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, Peter Hansson, Peter Rönström and Per Trygg, with Reidar Öster as Chairman.

On 24 April 2014, it was announced that the 2015 AGM would take place in Vänersborg on 23 April 2015 at 5:00 p.m.

Nominating Committee

The Nominating Committee was appointed by the AGM and currently consists of the following members ahead of the 2015 AGM:

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

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 Nominating Committee shall also submit nominations for election of an auditor based on discussions in the VBG Group's Audit Committee and the 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 2015 AGM re-elect Peter Hansson to the Board as Chairman, Johnny Alvarsson as Deputy Chairman, and Helene Richmond, Peter Augustsson, Anders Birgersson (MD) and Louise Nicolin as ordinary members. It is proposed that the fee paid to the Board of Directors and committees be raised to SEK 1,205,000 (currently SEK 1,170,000), of which SEK 360,000 (350,000) to the Chairman of the Board, SEK 240,000 (230,000) to the Deputy Chairman and SEK 175,000 each (170,000) to the other Board members.

Of the total fee, SEK 80,000 is to be paid to the Audit and Compensation Committees, to be distributed by the Board of Directors.

No fee is to be paid to the Managing Director.

Furthermore, the Nominating Committee proposes to the 2015 AGM, the re-election of, for a period of one year, Öhrlings 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 2015 appoint the following persons to the Nominating Committee:

- Reidar Öster, private, Chairman of the Nominating Committee
- Peter Hansson, Chairman of VBG Group AB
- Evert Carlsson, Swedbank Robur Fonder
- 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 2014 AGM elected Board members Peter Hansson, Johnny Alvarsson, Anders Birgersson (MD), Helene Richmond, Peter Augustsson and Louise Nicolin. 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 80–81.

In addition to the six members elected by the AGM, the trade unions Unionen/Swedish Association of Graduate Engineers/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

Board members as from the 2014 AGM

Board members	Function	Elected	Committee work	Independent in relation to the company	Independent in relation to major shareholders
Peter Hansson	Chairman	2001	Compensation Committee / Audit Committee	Yes	No
Johnny Alvarsson	Deputy Chairman	2004	Compensation Committee / Audit Committee	Yes	Yes
Helene Richmond	Board member	2008	Audit Committee	Yes	Yes
Peter Augustsson	Board member	2011	Audit Committee	Yes	Yes
Louise Nicolin	Board member	2014	Audit Committee	Yes	Yes
Anders Birgersson	Board member, CEO and Managing Director	2001	Audit Committee	No	No
			Total	**5/6**	**4/6**

Employee representatives	Function	Elected
Michael Jacobsson/IF Metall	Board member	2011
Cecilia Pettersson/Unionen/Swedish Association of Graduate Engineers/Ledarna	Board member	2011
Mikael Freyholtz/IF Metall	Deputy member	2009
Karin Pantzar/Unionen/Swedish Association of Graduate Engineers/Ledarna	Deputy member	2010

Information on the members of the Board is provided on pages 80–81.

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 all six members meet the requirements on experience. The Managing Director is the only Board member who works actively in the company.

The work of the Board of Directors
The work of the Board follows an annual plan designed to satisfy the need of the Board for information. In all other respects, the work of the Board is subject to the special rules of procedure the Board has adopted governing the division of responsibilities between the Board, its committees and the Managing Director. According to the adopted rules of procedure, the Board of Directors holds six ordinary meetings per year, including the statutory meeting following the AGM, plus 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 governance documents.

The Chairman monitors the company's operations via continuous contacts with the Managing Director and is responsible for ensuring that other Board members receive relevant information and documents. The Chairman also ensures that an annual evaluation is performed 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.

Attendance at Board meetings in 2014

Board members	Board	Audit Committee	Compensation Committee
Peter Hansson	8(8)	1(1)	2
Johnny Alvarsson	8(8)	1(1)	2
Peter Augustsson	7(8)	2(2)	
Helene Richmond	7(8)	1(1)	
Hans-Göran Persson[1]	3(3)	1(1)	
Anders Birgersson (VD)	8(8)	1(1)	
Louise Nicolin[2]	5(5)	1(1)	

Employee representatives	
Michael Jacobsson, IF Metall	7(8)
Unionen/Swedish Association of Graduate Engineers/Ledarna	7(8)

[1] Stepped down from the Board at the 2014 AGM
[2] Elected to the Board at the 2014 AGM

Board committees
The Board of Directors appointed both an Audit Committee and a Compensation Committee for the period up until the 2015 AGM.

Compensation Committee
At the statutory Board meeting in April 2014, the Board of Directors appointed a Compensation Committee consisting of Peter Hansson, Chairman, and Johnny Alvarsson. The Committee held two meetings during 2014, where it discussed remuneration and other terms of employment for the Managing Director and senior officers in the Group. The Managing Director was co-opted, but did not participate in the discussion when remuneration to the Managing Director was dealt with.

The principle applied within the Group is that the manager's manager 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 2015 AGM for guidelines for remuneration to the Managing Director and senior officers is provided in the Report of the Directors on page 42.

Information on remuneration in 2014 is provided in Notes 6 and 7 on pages 60–62.

Audit Committee
At the statutory Board meeting in April 2014, the Board of Directors appointed an Audit Committee consisting of the Board in its entirety with Johnny Alvarsson as Chairman. During 2014, the Audit Committee held two meetings of record, of which one was held prior to and one was held following the statutory meeting.

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 Chairman 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 two occasions during 2014. The auditors' reports have not occasioned any special measure on the part of the Audit Committee.

The work of the Board during 2014
Prior to each Board meeting, an agenda is sent out to the Board members along with in-depth information on the business at hand. Eight meetings were held during 2014 financial year, 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 business plan for 2015 was adopted at the December meeting.

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 Managing Director's power of decision regarding investments and financing matters.

Managing Director
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 owner-foundations.

The Managing Director 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, Anders Birgersson, and the Group's CFO, Claes Wedin. Furthermore, the Parent Company management consists of Bo Hedberg, Director of Business Development, and Christina Holgerson, 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 82–83.

Internal governance processes

Governance of the VBG Group is based on the vision, business concept and strategies 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 Parent Company.

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 business goals that have been established.

Earnings are followed up through regular financial reports, and the results of adopted measures are followed up through supplementary follow-up reports.

Auditors

The auditing firm of Öhrlings PricewaterhouseCoopers AB (PwC) was elected by the 2014 AGM as auditor for a period of one year, with authorised public accountant Fredrik Göransson as auditor in charge.

The annual audit includes a statutory audit of VBG Group AB's annual accounts, a statutory audit of the Parent Company and all significant 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.

During the autumn, meetings and dialogues were held with the executive management and when required, with the Chairman of the Audit Committee for analysis of the organisation, operations, business processes and balance-sheet items for the purpose of identifying areas involving an elevated risk of errors in the financial reporting. A general review in conjunction with the closing of the books 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 2014, in addition to the audit assignment, the VBG Group consulted PwC on taxes, transfer price matters and accounting matters. The amount of remunerations paid to PwC in 2014 is shown in Note 7 on page 62.

PwC is obliged to assess its independence prior to providing independent advice to the VBG Group in addition to its auditing assignments.

Report on internal control

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

The Board's responsibility for internal control is described in the Swedish Companies Act, and the internal control regarding financial reporting is covered by the Board's reporting instruction to the Managing Director. The VBG Group's financial reporting complies with the laws and rules that apply to companies listed on the Stockholm Stock Exchange and the local rules that apply in each country where business is conducted.

Besides external rules and 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. VBG Group AB's control environment consists of organisational structure, instructions, policies, guidelines, reporting and defined areas of responsibility. The Board has overall responsibility for the internal control of 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. In its role as Audit Committee, the Board of Directors' principal task is to ensure that established principles for financial reporting and internal control are complied with and that appropriate relations are maintained with the company's auditors. The Board of Directors has prepared an instruction for the Managing Director and agreed on the financial reporting to the Board of Directors of VBG Group AB.

The Group's CFO reports the results of his internal control work to the Chairman of the Audit Committee, who can then highlight relevant matters and observations to the Audit Committee for decisions regarding any proposed measures.

VBG Group AB's essential 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, divisions 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 adopted standards in relation to, for example, 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 Parent Company and at division and major unit levels.

The VBG Group's internal control work is aimed at ensuring that the Group fulfils 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 governance instruments, including powers and responsibilities. Information and communications regarding internal governance instruments for financial reporting are available for all concerned employees. Important tools for this are the VBG Group's manuals and courses.

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

Follow-up
The Board of Directors is informed on a quarterly basis about the performance, earnings, financial position and cash flow of the operations via a report package comprising outcomes, forecasts and comments on certain key factors. In addition, the Board of Directors is informed on a monthly basis about key events and provided with a summary overview of earnings through a written report from the Managing Director.

MISCELLANEOUS
Internal audit
VBG Group AB has a relatively simple operational structure with three divisions, each consisting of small or 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 2014.

Vänersborg, 19 March 2015

Peter Hansson
Chairman of the Board

Anders Birgersson
Managing Director and CEO

Louise Nicolin — 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

The Board of Directors bears responsibility for the Corporate Governance Report for 2014 on pages 75–79 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

We have read the Corporate Governance Report, and based on this reading and our knowledge of the Group, we believe that we have sufficient grounds for our opinions. This means that our statutory examination of the Corporate Governance Report has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, and generally accepted auditing standards in Sweden.

We find that a Corporate Governance Report has been prepared, and that its statutory information is consistent with the annual accounts and the consolidated accounts.

Gothenburg, 19 March 2015
Öhrlings PricewaterhouseCoopers AB

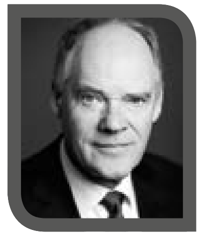
Fredrik Göransson
Authorised Public Accountant

Board



Members	Peter Hansson	Anders Birgersson	Johnny Alvarsson
Position on the Board	Chairman.	Board member.	Deputy Chairman.
Current position	Owner of PKH-konsult AB since 2014. Professional board member.	Managing Director and CEO in VBG Group since 2001.	Managing Director and CEO of Indutrade AB since 2004.
Education	MSc. (Political Science) and BSc., University of Gothenburg. Management training, Centre d'Etudes Industrielles, Genève.	MSc. Eng., Mechanical Engineering, Chalmers Institute of Technology. Business Administration, the University of Skövde.	MSc. Eng., Industrial Economics, the Institute of Technology at Linköping University.
Elected	2001 (Board member). 2008 (Chairman of the Board).	2001	2004
Born	1947	1958	1950
Other Board assignments	Chairman of Borås Bil Lastvagnar AB, Borås Personbilar AB and Borås Bil Förvaltnings AB. Board member of the Herman Krefting Foundation for Allergy and Asthma Research, the World Childhood Foundation, Bra bil AB and Hertz Sweden.	Board member of KMT Precision Grinding AB, Christian Berner Tech Trade AB, Sparbanken Lidköping AB, the Herman Krefting Foundation for Allergy and Asthma Research, the SLK Employees' Foundation and the VBG-SLK Foundation.	Chairman of several Indutrade companies.
Work experience	CEO of the Gothenburg Opera 2006–2014. President of Volvo Cars Sweden 1995–2006. Previously held senior management positions at Volvo Lastvagnar Norden AB since 1972.	Has worked in the engineering industry since 1984 in logistics, production, product development and senior management. Production Manager, Managing Director and Business Area Manager in the ESAB Group 1997–2001. Production Manager and Technical Manager in the SKF Group 1989–1997. Production and Logistics in the ABB Group 1979–1988.	Managing Director of the listed companies Elektronikgruppen BK AB 2000–2004 and Zeteco AB 1988–2000. Chief Engineer at Ericsson Telecom 1975–1987.
Remuneration, SEK	370,000	—	290,000
Attendance at Board meetings	8 (8)	8 (8)	8 (8)
Own shareholding and shareholding of related parties	100	500	1,000
Independent of executive management	Yes.	No.	Yes.
Independent of major shareholders	No.	No.	Yes.





Helene Richmond	Louise Nicolin	Peter Augustsson	Michael Jacobson	Cecilia Pettersson
Board member.	Board member.	Board member.	Board member and employee representative blue-collar employees.	Board member and employee representative white-collar employees.
Head of Product Management for SKF's global ball bearing and roller bearing operations since 2015.	Managing Director and owner of Nicolin Consulting AB since 2000.	Chairman of Peter Augustsson Development AB since 2005.	Maintenance Mechanic at VBG Truck Equipment, VBG Group. Employed since 1984.	Employee in the purchasing and logistics division of VBG Truck Equipment, VBG Group. Employed since 1998.
MSc. Eng., Mechanical Engineering, Lund University.	MSc. Eng., Molecular Biotechnology, Uppsala University. Executive MBA, Stockholm School of Business.	MSc. Eng., Mechanical Engineering, Chalmers Institute of Technology.	Upper secondary engineering education.	Three-year economics programme.
2008	2014	2011	2011	2011
1960	1973	1955	1966	1968
—	Board member of Dellner Couplers AB and AB Better Business World Wide.	Chairman of Alignment Systems AB, Walki Group OY, Fortaco Group OY, Malte Månsson AB and AXsensor AB. Board member of Ljunghäll Group AB, Mechanum Sverige AB and Wallenius Line AB.	—	—
Has been internationally active in various positions within the SKF Group since 1985. Global Sales Director at SKF's Industrial Drives business unit 2012–2014. Head of Bearing Business development 2009–2011. Director of Global Accounts 2006–2009. Sales Area Director, Nordic Region 2001–2006. Global Segment Manager for the Industrial Electrical segment 1996–2001.	Consulting assignments for such companies as AstraZeneca, Maquet Critical Care, Octapharma, Recipharm, GE Healthcare, Pfizer and Pharmadule 1998–. Marketing Manager and Business Area Head at Plantvision 2007–2011. Engineering Consultant at Semcon 1998–2000.	Has worked in the vehicle and component industry since 1978. Saab Automobile AB 1998–2005. SKF AB 1994–1998. Volvo Personvagnar AB 1978–1994.	—	—
170,000	170,000	170,000	—	—
7 (8)	5 (5) (newly elected)	7 (8)	7 (8)	7 (8)
1,400	—	550	—	—
Yes.	Yes.	Yes.	—	—
Yes.	Yes.	Yes.	—	—

DEPUTY MEMBERS OF THE BOARD

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

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

AUDITOR

Öhrlings PricewaterhouseCoopers AB
Fredrik Göransson
Auditor in charge
Born 1973
Authorised Public Accountant
Auditor for the company since 2012.

Manage-ment

Management	Anders Birgersson	Claes Wedin	Bo Hedberg
Current position	Managing Director and CEO	CFO	Director of Business Development
Born	1958	1956	1957
Education	MSc. Eng., Mechanical Engineering, Chalmers Institute of Technology. Business Administration, the University of Skövde.	MSc. Econ., School of Business, Economics and Law at Gothenburg University.	MSc. Eng., Mechanical Engineering, Luleå University of Technology.
Employed	2001	1997	1996
Work experience	Has worked in the engineering industry since 1984 in logistics, production, product development and senior management. Production Manager, Managing Director and Business Area Manager in the ESAB Group 1997–2001. Production Manager and Technical Manager in the SKF Group 1989–1997. Production and Logistics in the ABB Group 1979–1988.	Director of Finances at the Älvsborg County Council 1992–1997. CFO and Deputy Managing Director at Miller-Nohab 1986–1992. Controller and Business Analyst at Volvo Flygmotor 1982–1986. Economist at Union Carbide 1979–1982.	Various positions within the VBG Group, including Director of R&D and Marketing. Marketing Director at Mark IV Automotive 1994–1996. Various positions within Saab Automobile 1981–1994, including Platform Manager in the purchasing division.
Board assignments	Board member of VBG Group since 2001. Board member of KMT Precision Grinding AB, Christian Berner Tech Trade AB, Sparbanken Lidköping AB, the Herman Krefting Foundation for Allergy and Asthma Research, the SLK Employees' Foundation and the VBG-SLK Foundation.	Secretary in VBG Group AB (publ) since 1997.	—
Own shareholding and shareholding of related parties	500	500	1,006

Christina Holgerson	Anders Erkén	Per Ericson	Thomas Moka
Director of HR and TQM.	Division Manager VBG Truck Equipment.	Division Manager Edscha Trailer Systems.	Division Manager Ringfeder Power Transmission.
1965	1964	1956	1965
Mechanical Engineering at Nils Ericson Upper-Secondary School. Qualified Human Resources Specialist, FEI.	MSc. Eng., Mechanical Engineering, Luleå University of Technology.	MSc. Eng., Industrial Economics, The Institute of Technology at Linköping University.	MSc. Eng., Mechanical Engineering, the Technical University of Darmstadt. Economics, University of Hagen.
1986–1996 and from 2000	2007	2000	2004
Various positions within the VBG Group, including Design Engineer, Quality Manager responsible for purchasing and Quality and Environmental Manager. Many years of experience in the automotive industry, including Quality and Environmental Manager in the Brink Group 1996–2000.	Branch Manager, Imaje AB, 2004–2007. Production and Logistics in ESAB AB 1990–2003.	Managing Director of Grimaldis Mek. Verkstad AB 1997–2000. Managing Director of Autodiagnos AB 1991–1997. Marketing Manager, Car-o-liner AB 1986–1991. Production Engineer, Volvo CE Eskilstuna 1983–1986.	Sales Manager, Gerwah 2002–2004. Product Manager, Ringspann 1996–2002.
Board member of the Scandinavian Automotive Supplier Association (FKG) since 2012.	—	—	—
—	—	—	—

WELCOME TO THE ANNUAL GENERAL MEETING 2015

The Annual General Meeting of VBG Group AB (publ) will be held at 5:00 p.m. on 23 April 2015 in the company's offices at Herman Kreftings gata 4 in Vänersborg, Sweden.

Notification

Shareholders wishing to attend the meeting must

- be listed in the share register kept by Euroclear Sweden AB by not later than 17 April 2015.
- notify the company by not later than 4:00 p.m. on 17 April 2015.

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 anmalan2015@vbggroup.com. The notification of attendance must include name and personal or corporate identity number.

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

Shareholders whose shares are registered to a nominee must have the shares re-registered in their own name by the nominee in good time before 17 April 2015 (voting rights registration).

Dividend

The Board of Directors and Managing Director propose that a dividend of SEK 3.00 per share (2.75) be approved, with a record date of 27 April 2015. If the AGM approves this proposal, the dividend is expected to be distributed by Euroclear Sweden AB starting 30 April 2015.

Report dates

23 April	Interim report January–March
20 August	Interim report January–June
21 October	Interim report January–September
17 February 2016	Year-end report 2015

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

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