

# ANNUAL REPORT

## V B G GROUP 2007



Conditions in  
place for long-  
term stable  
profitability

page 4

Growth by  
acquisition  
is a priority

page 6

Leading brands  
for the truck and  
trailer market

page 10

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### Annual General Meeting 2008

The Annual General Meeting will be held at 5:00 p.m. on 13 May 2008 at VBG GROUP AB (publ), Herman Kreftings gata 4, Vänersborg.

### Report dates

|               |                          |
|---------------|--------------------------|
| 13 May        | Report on first quarter  |
| 18 August     | Report on second quarter |
| 23 October    | Report on third quarter  |
| February 2009 | Year-end report          |

More information on the VBG GROUP can be found at [www.vbggroup.com](http://www.vbggroup.com).

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

The wind power industry is a fast-growing customer segment

page 14

Committed, competent and customer-focused employees

page 18

Broad and long-range commitment to social issues

page 21

## The year in brief

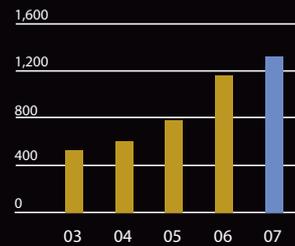
- The Group's net turnover increased by 14 per cent to SEK 1,323.3 M (1,163.1)
- Operating profit rose by 25 per cent to SEK 213.2 M (170.5), with an operating margin of 16.1 per cent (14.7)
- Profit after financial items increased by 22 per cent to SEK 201.5 M (165.8)
- The Group's profit after tax increased by 19 per cent to SEK 133.1 M (111.9)
- Earnings per share improved by 19 per cent to SEK 10.64 (8.95)
- The Board of Directors proposes an increase in the dividend by 25 per cent to SEK 2.50 per share (2.00)

| Key figures                         | 2003  | 2004  | 2005  | 2006    | 2007           |
|-------------------------------------|-------|-------|-------|---------|----------------|
| Net turnover, SEK M                 | 530.4 | 604.5 | 778.5 | 1,163.1 | <b>1,323.3</b> |
| Profit after financial items, SEK M | 31.3  | 44.3  | 97.4  | 165.8   | <b>201.5</b>   |
| Profit after tax, SEK M             | 23.3  | 28.1  | 67.1  | 111.9   | <b>133.1</b>   |
| Return on capital employed, %       | 11.1  | 15.7  | 26.7  | 29.8    | <b>34.0</b>    |
| Equity/assets ratio, %              | 60.8  | 60.7  | 38.8  | 47.8    | <b>56.3</b>    |
| Average number of employees         | 301   | 308   | 339   | 411     | <b>422</b>     |

# This is the VBG

The VBG GROUP is an engineering Group with manufacturing and sales companies in Europe, India and the USA. The Group's operations are divided into two business areas, VBG GROUP TRUCK EQUIPMENT and RINGFEDER POWER TRANSMISSION, with products that are marketed under strong, well-known brands. In 2007 the Group had around 420 employees and a turnover of SEK 1,323 M 2007. The VBG GROUP's Series B share was first listed on the stock exchange in 1987 and is currently traded on OMX Nordic Exchange Mid Cap.

Group turnover, SEK M



## Business area

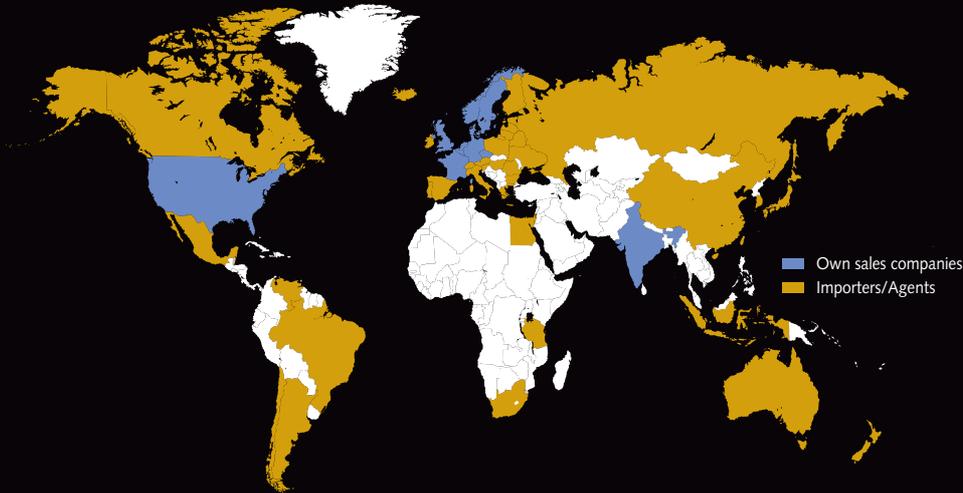
## VBG GROUP TRUCK EQUIPMENT

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

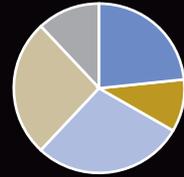
## RINGFEDER POWER TRANSMISSION

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

# GROUP



Turnover 2007



Total SEK 1,323 M

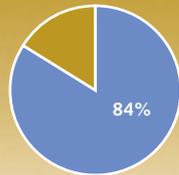
- Sweden 15 %
- Other Nordic countries 11 %
- Germany 32 %
- Other European countries 29%
- Rest of world 13 %

Brands

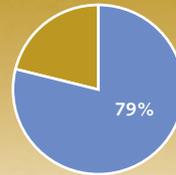
Share of Group turnover

Share of operating profits  
of business areas

Average no.  
of employees

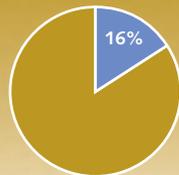


1,116.9 SEK M

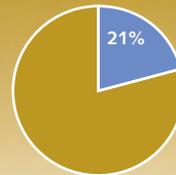


179.7 SEK M

382



206.4 SEK M



46.6 SEK M

40

# A fantastic year that sets the stage for future success

2007 was yet another strong year, with a higher turnover and higher earnings than 2006. It is gratifying to see that the hard work and investments of recent years have paid off so well.

The strong result for 2007 is a consequence of the strategies we have been pursuing for the past few years in combination with a very buoyant economy. Our long-term strategies are intended to create a consistently profitable and sound industrial group that will also yield a good return to the shareholders.

The past year shows that we continue to enjoy the confidence of our customers. Moreover, our dedicated efforts to renew the product range, to develop and streamline production and to structure our sales channels have resulted in an improved competitive position for both RINGFEDER POWER TRANSMISSION and VBG GROUP TRUCK EQUIPMENT.

In order to achieve continued success we must focus on creating added value for our customers and invest in the future to defend our strong market positions.

## Good customer relations

The strong economy has led to a greater transport need, which has created a very high demand for trucks, especially in the new member states of the EU. The European trailer market grew vigorously during 2007, resulting in record-high production of trailers in the largest market segment: curtainsider trailers. Both EDSCHA TRAILER SYSTEMS and SESAM have very good customer relations with leading players in the segment and have managed to meet the exceptionally strong demand without compromising the high level of customer service.

Our strong brands VBG and RINGFEDER also had a good year with strong growth. Together they are the world's leading suppliers of systems for coupling of heavy trucks and trailers.

The VBG GROUP has strengthened its position on the market in a situation when many of our colleagues have had a hard time coping with the imbalance between supply and demand.

During the year the sales company in Belgium took over responsibility from our previous distributors for all direct sales in Benelux. This is part of our strategy to work close to customers on those markets where we have a strong enough position and the critical mass necessary to defend our own sales company.

## Strong growth for RINGFEDER POWER TRANSMISSION

RINGFEDER POWER TRANSMISSION exhibited continued strong volume growth with sharply improved profitability. The business area has experienced very good growth in Europe and taken market shares on a growing market. This success is the result of a concentrated effort to renew and restructure our sales channels in Germany in particular. The sales organisation has been strengthened and new distributors have been engaged. During 2008 the management of the business area will continue working with similar changes on other markets with growth potential.

A subsidiary was established in India at the end of the year. This will allow us to offer local service, support and distribution on an important developing market for RINGFEDER POWER TRANSMISSION. The new subsidiary will also give VBG GROUP TRUCK EQUIPMENT an opportunity to create a platform on the Indian market, which is deemed to have great potential.

## Development in many areas

2007 was in many ways an eventful year from an internal perspective as well. During the year we gathered our resources within the largest business area, VBG GROUP TRUCK EQUIPMENT, by concentrating our German operations under a common company in Krefeld. Furthermore, we devoted resources to our assembly plant in the Czech Republic. Our business management was strengthened by the appointment of a production director with responsibility for the supply chain in VBG GROUP TRUCK EQUIPMENT.

The work of developing new products has continued, and we look forward to the commercial launch of our new generation of coupling systems, Multi Function Coupling (MFC), at the world's largest show for the commercial

vehicle industry, IAA, at the end of September 2008. MFC makes it possible to couple a truck to a trailer fully automatically without the driver having to leave the cab.

It is my absolute ambition that we should continue to defend the VBG GROUP's strong position. In 2008 we will make a greater effort to market and differentiate all the Group's brands on both existing and new markets. The investment in our brands is a clear expression of our long-range commitment and an important step in our efforts to achieve stable profitability and strengthen customer relations.

Despite the great successes achieved during the past year, there is room for continued improvement. The Group's cash flow can be improved by measures that free capital tied up in inventories and production processes.

#### **Good outlook with good prospects for 2008**

The VBG GROUP has built up a strong financial position, providing a solid platform for continued expansion. We have the resources that are required, both financially and operationally, to expand by the acquisition of companies that either contribute new products or expand existing operations.

There are many indications of that the Group's products will continue to be in strong demand in 2008, even if business activity slackens. I believe the outlook for both of the Group's business areas is good, and with the investments we have made in both production and marketing and sales, the VBG GROUP stands well equipped. We have the groundwork in place for long-term stable profitability.

Vänersborg, April 2008

Anders Birgersson  
Managing Director and CEO



**“The strong result for 2007 is a consequence of the strategies we have been pursuing for the past few years.”**

# Corporate business concept, goal and strategy

## Business concept

The VBG GROUP will, within carefully selected product and market segments, acquire, own and develop industrial companies in business-to-business commerce with strong brands and good growth potential.

## Goal

The VBG GROUP's overall objective is sustainable and profitable growth.

## Strategy

The Group's basic choice of strategy is based on niche thinking and risk diversification.

**The VBG GROUP, with a long history of profitable growth, has two high-performing business areas and several world-leading brands.**

### Business concept

The VBG GROUP will, within carefully selected product and market segments, acquire, own and develop industrial companies in business-to-business commerce with strong brands and good growth potential.

With a long-range commitment and a focus on growth and profitability, the VBG GROUP's shareholders will be offered attractive value growth.

### Goal

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

### Overall strategy and business model

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



and market segments where it is possible to achieve good and sustainable profitability with good growth potential. The objective is to create differentiated customer offerings based on strong and unique brands that create clear added value for both new and existing customers.

Synergies between the two business areas exist mainly in purchasing, and the business areas also share some administrative and financial resources.

#### **Management and coordination of business operations**

Each business area has a management that integrates and coordinates its operations and optimises any synergies that may result from acquisitions.

Industry-specific competition strategies are developed that make use of the business areas' assets and the organisation's core competence and industrial know-how. Each business area management is responsible for devising its unit's competition strategy. The strategic work takes place in close cooperation with the Group Management, which is also involved to some extent in the operational management of the business areas. This creates a natural and effective linkage in the work of developing strategies in theory and applying them in practice.

#### **Business-driven brand strategy**

The origin of the VBG GROUP is the VBG brand, which has become the no. 1 choice for trailer couplings in the Nordic countries, the UK and several other markets in the world. When it comes to acquired businesses, the Group has deliberately focused on strong brands that are leaders in their product categories or have the potential to become so.

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

This approach is based on the realisation that strong brands are the difference between success and failure in a world of increasingly generic and competing offerings. That is why the VBG GROUP has in recent years shown a return that is nearly four times higher than the average for suppliers to the automotive industry in Sweden.

Within the framework of this multibrand strategy, all brands undergo a thorough strategic analysis in several steps. The specific factors underlying the commercial role played by a particular brand within the VBG GROUP are analysed, resulting in a business plan for each brand. Based on this plan, an analysis is made of how well each offering meets the needs of different customer segments. This is translated into a specific market position for that particular brand, with the individual and differentiated characteristics that are relevant to different customer requirements. The brand strategy is documented and a Brand Manager is assigned the task of implementing this strategy and communicating the plan to all those concerned within the Group.

The brand strategy work forms a common thread in all business operations and influences a long series of judgments pertaining to the specific brand, such as innovation pace, product content, sales channel strategy, customer care, service commitments, marketing communications and so on.



### **Growth strategy**

The VBG GROUP intends to grow both organically and by acquisition.

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

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

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

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

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

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

# From Vänersborgskopplingen in 1951 to today's VBG GROUP

|   |      |   |                 |   |
|---|------|---|-----------------|---|
|   | 1951 | Herman Krefting founds the company Vänersborgskopplingen  |                 |    |
|   | 1963 | Towbars are added to the product range  | • Divested 1995 |   |
|   | 1970 | Founding of VBG Produkter A/S, Norway   |                 |   |
|   | 1974 | Founding of VBG Produkter A/S, Denmark  |                 | 1951 Vänersborgskopplingen's first production plant                                   |
|   | 1987 | Parent Company VBG Produkter AB gets listed on the Stock Exchange's OTC list                            | • Divested 1992 |   |
|   |      | Founding of Finnish subsidiary OY Suomen VBG AB   |                 |    |
|   | 1987 |   |                 | 1987 Initial listing of VBG share   |
| Founded 1987                                  | 1990 | Acquisition of Dayton Walther Ltd., England (fifth wheels)  | • Divested 2000 |   |
|   |      | Acquisition of rights to Armaton, Sweden  |                 |   |
| Founded 1977                                  | 1991 | Acquisition of business in Onspot AB, Sweden  |                 |   |
|   | 1992 | Acquisition of KRZ trailer couplings. New distributor in Finland  |                 |   |
| Founded 1922                                  | 1997 | Acquisition of RINGFEDER trailer couplings and machine elements (now Power Transmission)                |                 |  |
|   | 1998 | Founding of VBG AB – holding company in the new Group   |                 | 1997 RINGFEDER's trailer couplings on road train in Australia                         |
|   | 2003 | Founding of subsidiary ONSPOT E.U.R.L., France  |                 |   |
| Edscha Sliding Roofs, original invention 1969 | 2005 | Founding of subsidiary VBG Ltd, UK  |                 |   |
|   |      | Introduction of ECOLOC brand in Power Transmission  |                 |   |
|   |      | Acquisition of Edscha Lkw Schieberverdecke GmbH, Germany, part of Sliding Roofs Division from Edscha AG |                 | 2005 Sliding roofs for simple and quick goods handling                                |
| Founded 2001                                  |      | Acquisition of Edscha SRV s.r.o, Czech Republic, part of Sliding Roofs Division from Edscha AG          |                 |   |
| Founded 1989                                  |      | Acquisition of Etes nv (SESAM), Belgium, part of Sliding Roofs Division from Edscha AG                  |                 |   |
| Founded 1997                                  |      | Acquisition of Focus nv, Belgium, part of Sliding Roofs Division from Edscha AG                         |                 |   |
|   | 2006 | Founding of VBG GROUP SALES NV in Belgium   |                 |  |
|   |      | RINGFEDER POWER TRANSMISSION GMBH is founded and broken out of RINGFEDER VBG GMBH, Germany              |                 | 2006 New corporate identify   |
|   |      | VBG GROUP and new logotype are presented as new corporate identity in annual report                     |                 |   |
|   | 2007 | Parent Company changes name to VBG GROUP AB; other companies also change name                           |                 |   |
|   |      | Edscha Lkw-Schieberverdecke GmbH is merged with VBG GROUP TRUCK EQUIPMENT GMBH, Germany                 |                 |   |
|   |      | Founding of branch office in Netherlands  |                 |   |
|   |      | Founding of RINGFEDER POWER TRANSMISSION INDIA PRIVATE LTD  |                 |   |

# VBG GROUP TRUCK EQUIPMENT



RINGFEDER offers a robust, extremely functional and reliable trailer coupling. With punctual and professional service, the brand will be the favourite of OEM manufacturers – a customer segment characterised by extremely high demands on cost effectiveness.



The sky is not the limit

SESAM markets standardised sliding roofs of smart design. The modular design of the roofs satisfies the requirements of the body builders for flexibility, simplicity and cost effectiveness. The SESAM roofs can be delivered within 48 hours for quick and efficient mounting.

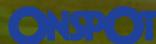


EDSCHA TRAILER SYSTEMS is a business partner to the biggest trailer manufacturers with the toughest demands. The brand has been a market leader ever since the first sliding roof was launched in 1969. EDSCHA TRAILER SYSTEMS today offers a complete range including sliding roofs, sliding bows and ancillary equipment.



The strong connection

With VBG's optimised system for coupling of trucks and trailers, the users get low overall costs and maximum safety. VBG's business model offers not only the most innovative concept in the industry, but also advanced training seminars.



Saving lives, deadlines and reputations

ONSPOT – the world's most sold AFC (Automatic Friction Control) system – is activated by the simple push of a button on the instrument panel, causing chains to be slung in under the drive wheels. ONSPOT is aimed at responsible customers who want to improve traction and reduce accident risks by preventive action.



Determined to improve

ARMATON offers maintenance-free aluminium dropside pillars and dropside locks for body and trailer builders with high demands on design and ergonomics.

## Key figures

|                            | 2003  | 2004  | 2005  | 2006  | 2007           |
|----------------------------|-------|-------|-------|-------|----------------|
| Turnover, SEK M            | 414.2 | 471.8 | 624.1 | 975.0 | <b>1,116.9</b> |
| Operating profit, SEK M    | 40.5  | 55.6  | 93.9  | 154.5 | <b>179.7</b>   |
| Operating margin, %        | 9.8   | 11.8  | 15.1  | 15.8  | <b>16.1</b>    |
| Share of Group turnover, % | 78    | 78    | 80    | 84    | <b>84</b>      |

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

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

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

**The business area is focused on heavy and medium-heavy trucks. Besides truck and trailer manufacturers, body builders are another important customer group. It is the body builders who usually take the chassis and complete the truck for the end customer so it can be used for a particular type of transport.**

Vehicle manufacturers and body builders are important links in the chain to reach the end customer. The end customer may be a driver in a local Swedish haulage firm or an employee of one of the large vehicle fleet owners in Central Europe.

The business area has an extensive network of its own sales companies, importers and retailers in some 40-odd countries, permitting efficient cultivation of the market.

The business area's biggest markets are the domestic markets in the Nordic region, Germany and Benelux. Other important export markets are other countries in Europe, Australia, Asia, Africa and South America.

### Clearly positioned brands

VBG GROUP TRUCK EQUIPMENT offers total solutions and a strong product range with market-leading brands for the truck and trailer market.

The business area's well known brands fortified their positions as market leaders during the year, with VBG and RINGFEDER together accounting for more than 50 per cent of the world market for coupling equipment for heavy truck-trailer vehicles. EDSCHA TRAILER SYSTEMS and SESAM together delivered about 60 per cent of all sliding roofs in the world. ONSPOT automatic tyre chains and ARMATON dropside pillars are additional examples of well positioned and established names.

With our pooled knowledge and experience in the business area, we lead the field thanks to ingenious innovations and technically advanced solutions in the various product segments.

### Focus on strong customer relations and the customers' needs

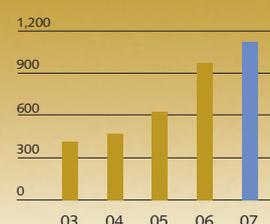
A central ambition is to offer the end users the highest safety, good ergonomics and low overall costs, but also to offer the vehicle manufacturers good service and create added value by offering system solutions.

More and more vehicle manufacturers are choosing to purchase ready-assembled coupling systems, consisting for example of drawbeams complete with couplings, power actuator and other accessories or pre-assembled roof systems that can be easily mounted on a trailer. This creates added customer value by reducing lead times and tied-up capital.

Operating profit, SEK M and operating margin, %



Turnover, SEK M



Turnover 2007



Total SEK 1,116.9 M

Strategic partnerships are important for VBG GROUP TRUCK EQUIPMENT. Many joint projects, which are run in cooperation with the most important players in the industry, demonstrate the business area's strong position on the market. This gives us a good understanding of what is happening in the industry and an opportunity to take part in the development work at an early stage so that we can influence the outcome.

VBG GROUP TRUCK EQUIPMENT offers long experience and broad expertise to assist the end customer in finding the most economical total solution.

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

#### **Market development**

VBG GROUP TRUCK EQUIPMENT cultivates the market directly through its own sales companies or via a network of well established importers and retailers. The business area has its own subsidiaries with sales responsibility in Sweden, Germany, Denmark, Norway, Benelux, the UK and France.

The strategy is to have our own presence on selected markets and work close to the customers. By continuously striving to integrate forward in the value chain, VBG GROUP TRUCK EQUIPMENT can create a closer relationship to the various actors on the market.

#### **Good aftermarket sales**

The business area sells its products to truck and trailer manufacturers as well as to body builders, i.e. for production of new vehicles.

By selling to these customer groups we have through the years created a large base for good aftermarket sales. This aftermarket business, with spare parts and accessories, is more stable over a business cycle than new product sales.

Demand for new trucks in Europe has been strong in recent years, and the European manufacturers are one of the Group's most important customer groups. A new record level was reached in 2007 when a total of nearly 600,000 new heavy vehicles (trucks and trailers) were registered in Europe.

#### **Long-term product development**

VBG GROUP TRUCK EQUIPMENT offers own-developed products and systems that represent the latest advances in above all coupling equipment and sliding roofs.

Further steps were taken during 2007 towards a commercialisation of the whole new and revolutionary concept for coupling of trucks and trailers: Multi Function Coupling (MFC). MFC is a fully integrated coupling that connects all functions between truck and trailer in one manoeuvre – a whole new technology that has been developed within the business area. The most obvious advantage for the driver is not having to leave the cab for coupling and uncoupling, an operation that is both time-consuming and dangerous in certain traffic situations.

Extensive resources are being devoted to product development of sliding roofs as well, as can be expected from the market leader.

#### **In focus during 2008**

Like most analysts, the VBG GROUP expects the market for heavy vehicles in Europe to remain strong during at least the first half of 2008. The underlying transport need in the region continues to be strong, fuelled by the positive economic trend. The integration of the new EU member states is an important driving force.

Good potential exists on several growth markets for example in Eastern Europe. The business area has established positions on most markets in this region.



Eddie Mohlin is in charge of the vehicle fleet at Mohlins Åkeri and son of the founder and Managing Director, Arne Mohlin.

## Reliable and safe transport with VBG

Mohlins Åkeri, a haulier in Örskelljunga, distributes Gilles biscuits all over Sweden, including to IKEA's central warehouse in Staffanstorps and to the IKEA stores in Sundsvall and Haparanda. Refrigerated and frozen food shipments comprise most of the firm's business, an important niche being scheduled service between southern and northern Sweden. Shipments also go daily to Norway, the Netherlands and Belgium.

With more than 40 modern vehicles and 80 employees, the family-owned transport company emphasises quality in all it does. All vehicles are equipped with VBG's coupling system, which not only ensures reliable and safe transport but also competitive total costs. These are factors that are enabling the haulage firm, which started in 1977 with one vehicle and one employee, to continue its successful expansion.

# RINGFEDER

## POWER TRANSMISSION



RINGFEDER's shaft-hub connections ensure optimal transmission of torque – extra important in advanced applications such as wind turbines.

A quarry is the toughest possible environment for a machine. For example in conveying material from a limestone quarry to a cement plant – a distance of several tens of kilometres at a speed of over 50 km/h – RINGFEDER's shaft-hub connections meet tough demands on reliability.



Friction springs, the product group around which RINGFEDER was originally founded, are today an unsurpassed means of advanced mechanical damping. In this high-voltage substation, the equipment is protected from the consequences of natural disasters.

### Key figures

|                              | 2003  | 2004  | 2005  | 2006  | 2007         |
|------------------------------|-------|-------|-------|-------|--------------|
| Turnover, SEK M              | 116.2 | 132.7 | 154.5 | 188.1 | <b>206.4</b> |
| Operating profit/loss, SEK M | -3.5  | -2.6  | 13.8  | 27.6  | <b>46.6</b>  |
| Operating margin, %          | -3.0  | -2.0  | 8.9   | 14.7  | <b>22.6</b>  |
| Share of Group turnover, %   | 22    | 22    | 20    | 16    | <b>16</b>    |

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

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

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

RINGFEDER POWER TRANSMISSION traces its origin to the RINGFEDER brand, which was established in 1922. The business area develops, manufactures and markets products for advanced applications in mechanical power transmission and damping to different industrial sectors as well as to the train, boat and aircraft industries. The business area has been operating through its own companies in Germany and the USA and recently started a company in India.

### Clearly positioned brands

RINGFEDER is a premium brand for customers with high standards and expectations, who in turn offer high-quality products and solutions to their customers. The RINGFEDER brand stands for the market's best offering in terms of product quality, customer service and know-how within its product segment.

RINGFEDER POWER TRANSMISSION has also successfully broadened its offering with a product line for standard products for power transmission via shaft-hub connections under the ECOLOC brand.

### Broad and growing customer base

RINGFEDER POWER TRANSMISSION's customers are found in the broad industrial markets, such as construction, machinery, power and mining. The business area also

delivers special products to the train, boat and aircraft industries, segments which, with their small volumes, create a good image and confirm RINGFEDER's high level of technology and quality. An example is mechanical couplings for propeller shafts for boats. RINGFEDER's streamlined couplings result in less corrosion, lower weight and less vibration in the propeller shaft. A fast-growing customer group is the wind power industry, where RINGFEDER has strengthened its offering to benefit from the increasing demand.

### Strong market

Demand for the business area's products largely follows the general industrial business cycle.

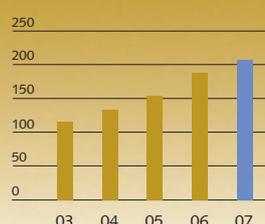
The market for RINGFEDER POWER TRANSMISSION was very strong in 2007. The construction sector in the USA and the mining industry in Australia exhibited particularly good growth and demand.

The RINGFEDER brand is well established on the business area's principal markets and is the only player in its market segment with substantial sales in the three largest machine-manufacturing countries: Japan, Germany and the USA. RINGFEDER is also well known on various growth markets in South America and Asia.

Operating profit, SEK M and operating margin, %



Turnover, SEK M



Turnover 2007



Total SEK 206.4 M

### **Expansion on growth markets**

RINGFEDER POWER TRANSMISSION INDIA PRIVATE LTD. became a registered company within RINGFEDER POWER TRANSMISSION in 2007. The company will offer local service, sales and distribution and serve as a platform for further expansion in India. On this market the customer makes investment decisions to a great extent at the local level, making a local presence crucial for continued success. The goal is that the company should reach full operation during 2008 and include all of the business area's offerings.

### **Customer-oriented product development**

In response to rising demand from customers for cost-effective solutions, RINGFEDER POWER TRANSMISSION is intensifying its efforts to develop new products that meet these demands.

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

### **Efficiency and high delivery reliability**

Continuous efforts are made to streamline the production processes in cooperation with suppliers and partners. The vast knowledge that has been accumulated over a long period of time within the business area is used in the product design work, while volume production is outsourced to external manufacturers. In this way the greatest possible cost effectiveness and flexibility are achieved, which contributes to creating greater customer value.

Being able to deliver in a short time is crucial for landing a deal. RINGFEDER POWER TRANSMISSION keeps a well balanced inventory of products. In a growing market this is one of the foremost success factors.

### **Long-term customer relationships**

The business area has a tradition of working with very long-term agent and customer relationships, something which is highly valued on many markets. The RINGFEDER brand has examples of customer relationships that go back more than 80 years. Just like VBG GROUP TRUCK EQUIPMENT, RINGFEDER POWER TRANSMISSION reaches its customers either directly or via networks of agents and distributors.

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

During 2007 the business area renewed and restructured the sales channels, mainly in Germany. The sales organisation was strengthened and new distributors were engaged.

### **Increased market shares**

As a consequence of exceptionally strong demand in all segments of the business area, 2007 was a very good year for RINGFEDER POWER TRANSMISSION. The business area experienced very good growth in Europe, where it took market shares on a growing market. Growth was particularly strong among customers active in the mining industry. The wind power sector also exhibited strong growth.

### **In focus during 2008**

In 2008 the business area management will continue the work of renewing and restructuring the sales channels. In the long run it is also important to increase our presence on more growth markets and to continue efforts to broaden the product portfolio.



## Optimal absorption of mechanical forces

RINGFEDER POWER TRANSMISSION has solutions that are used the world over for optimal absorption of mechanical forces.

RINGFEDER's technology for mechanical damping employs friction springs, customised and developed for the varying needs of the customers. For example, a new generation of patented vibration dampers for light structures has been developed. Today towers, such as television antenna and telephone masts, are increasingly being made of lightweight materials, mainly glass-fibre-reinforced plastic. This normally leads to very thin and thereby wind-sensitive structures. Heavy winds can set the tower swaying, and in the worst case, exemplified by the accident in Teutoburger Wald in Germany a couple of years ago, cause it to collapse. The new and precisely working vibration damper, based on RINGFEDER® Friction Springs, absorbs the energy of the winds that make the tower sway. This means that the modern towers that are equipped with RINGFEDER's vibration damping system are protected against strong winds.

# Employees

**Dedicated, qualified and customer-oriented employees are a crucial asset in strengthening the VBG GROUP's position in the long term.**

## **A long-term employer**

In order for the Group to continue to develop positively, it is important to be able to keep and recruit qualified employees. VBG GROUP aims at enabling the employees to reach their full potential within the Group. A prerequisite for this is the security of working for a financially strong and stable employer, which frees the employees to focus fully on their duties. The growing international business also offers interesting long-term opportunities for personal development.

## **Increased recruitment**

At the end of 2007 there were 426 employees (400) in VBG GROUP, including 168 (157) in Sweden and 142 (140) in Germany. The Group also had employees in the Czech Republic, Belgium, the Netherlands, Norway, Denmark, France, the UK, the USA and India – in both manufacturing and sales companies.

Increased recruitment, mainly as a result of the strong economy, contributed to the growth in the number of employees during the year. Recruitment has taken place broadly across the entire Group, with staff additions in production, sales and product development, for example.

## **Individual skills development**

All new employees in the VBG GROUP undergo orientation training covering procedures, safety, quality and environment. Continuing skills development is determined and followed up at the developmental assessments that are held regularly between each employee and his or her immediate superior. The training is individually tailored, and it is always the immediate superior who is responsible for the individual employee's training needs.

A common Group-wide leadership development programme will also start in 2008.

## **Important gender equality work**

The goal of the gender equality work in the Group is to achieve a more even gender distribution and equal pay for equal work. Ultimately this work should lead to a good working environment, more efficient working groups, a broadened recruitment base and a more positive image of the VBG GROUP. Naturally the VBG GROUP does not discriminate against anyone due to ethnic or religious affiliation, age or sexual orientation.

As a result of efforts to increase the proportion of female employees in the Group, this proportion has increased from 14 per cent in 2005 to 21 per cent at the end of 2007.

## **Salaries and bonus programme**

The VBG GROUP applies individual and differentiated pay-setting based on the demands of the job and the individual's qualifications, responsibilities and performance. The cost of salaries and social security contributions in 2007 was SEK 242.4 M (230.0), which is equivalent to 18.3 per cent (19.7) of turnover.



All employees in the Swedish subsidiary are covered by a profit-sharing system. Other companies have individual performance-based bonus agreements. Bonus is accounted for as a variable portion of salary.

Remuneration to the Managing Director and other senior officers consists of basic salary, variable remuneration, other benefits, pension and other remuneration.

### Good working environment

The VBG GROUP stimulates initiatives aimed at creating a safe working environment with high job satisfaction where employees are encouraged to take their own initiative and responsibility. Important factors for a good working environment are developing and stimulating duties, flexibility, involvement, appreciation and reward. Since the Group has operations in several countries with different conditions and laws, measures to improve the working environment are handled locally by each company.

The Group focuses on wellness and rehabilitation, as evidenced by the low sickness absence rate. Sickness absence in 2007 was 4.1 per cent. This is considerably lower than the average for similar operations in both Sweden and the rest of Europe. Long-term absence as a percentage of total sickness absence was 41.5 per cent.

### Low personnel turnover

The VBG GROUP has a low personnel turnover rate. Many employees have very long employment periods, and it is not unusual for employees who have once left the company to return. Of all employees in the VBG GROUP, 33 per cent have been employed in the Group for more than 20 years. 93 per cent are permanently employed and only about 4 per cent are temporary staff.

Despite the low personnel turnover rate, replacement recruitment is important over the long term. The rate of retirement will increase within a five-to-ten-year period, leading to a need to recruit new personnel. In addition, recruitment will be necessary as the Group grows.

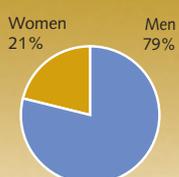
### Cooperation in training

In order to increase the future recruitment base, the VBG GROUP cooperates with several educational bodies.

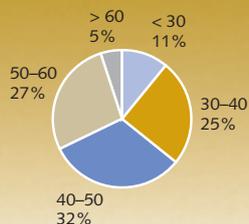
In Sweden, for example, representatives of the Group are members of the programme council for University West, whose centralised campus was established in Trollhättan in the autumn semester of 2007. This means the Group can have a say in determining the contents of the educational programmes. At a local level in Vänersborg, the company participates actively in the Technical College at Birger Sjöbergsgymnasiet.

The VBG GROUP regularly accepts students from both university and upper secondary school who want to do their job experience, study visits or degree project at the company.

Gender distribution



Age distribution



Length of employment



Form of employment



## Customer's interest always in focus

In 1999 I started working as a drafting assistant at the design department in Edscha's Sliding Roofs Division. After my engineer degree and in-house courses in design and CAD, I am now working as a designer in Krefeld on a development team for a new generation of sliding roofs.

For me it is important to participate in development work that is characterised by harmony, openness and professionalism and where customer contacts are a natural part of my everyday work. Our growing international operations also offer interesting career and development opportunities.

**Marion Hammers**  
EDSCHA TRAILER SYSTEMS



## Integrated learning offers development opportunities

When it was time to choose a university education, I decided to apply for an engineering programme with a Co-op internship – an education where theoretical studies alternate with practical work experience. My degree project at VBG gave me valuable experience and practical business knowledge. Today I work as an engineer in Vänernborg.

Getting to work with the MFC project – a fully integrated Multi Function Coupling – with cutting edge technology is both exciting and challenging. The work is stimulating and allows me great freedom to come up with ideas and solutions.

**Oscar Andersson**  
VBG



# Long-term social responsibility

**The VBG GROUP has a broad commitment to social issues, where for example traffic safety serves as a driving force in the development of new products within VBG GROUP TRUCK EQUIPMENT. The business area's products increase efficiency in the transport sector and thereby reduce its environmental impact. Via RINGFEDER POWER TRANSMISSION, the Group delivers important components to the wind power industry, thereby contributing to more environmentally friendly energy production.**

## Safety as a driving force

Ever since the start in 1951, traffic safety has been a cornerstone of the Group's activities, due to founder Herman Krefting's firm commitment and interest in the subject. It is a driving force in the development of new products and an important link in the systems thinking that characterises the VBG GROUP's innovative development work, from idea to finished product.

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

## Constant quality improvements

The VBG GROUP's strategic partnerships with customers and suppliers provides good insight into trends in the industry while creating opportunities for the Group to get in on the development work early and influence the direction it takes. The products manufactured and sold by the VBG GROUP not only comply with regulatory requirements, but also meet the explicit and unspoken needs of the customers when it comes to reliability, economy, ergonomics, design and environmental impact. The products must always be delivered in the right quantity at the agreed-upon time.

The zero defects principle applies to all the Group's work and is achieved by preventive measures and continuous improvements in all Group functions.

The Group's operations in Vänersborg, Krefeld and Kamenice are certified to the international quality standard ISO 9001:2000, and Vänersborg and Krefeld also to ISO/TS 16949.

## Leading in the environment

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 in heavy goods transport, for example.

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

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

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

The manufacturing units in Vänersborg and Krefeld are environmentally certified to ISO 14001.

## Foundation for Allergy and Asthma Research

Companies and organisations are expected to assume greater social responsibility today in the communities and environments in which they operate. This is nothing new in the VBG GROUP. Back in the 1970s, Herman Krefting decided to distribute a large portion of his holdings among three foundations in order to ensure the survival of the company and safeguard the jobs of its employees. Herman Krefting suffered from asthma, which explains why one of the owner foundations is called the Herman Krefting Foundation for Allergy and Asthma Research. The Foundation, which funds professorships in allergy and asthma research, has so far awarded grants of around SEK 43 M for research purposes.

# The VBG GROUP share

**The VBG GROUP AB's Series B share was first listed on the Stockholm Stock Exchange's OTC list in 1987 and is currently listed on OMX Nordic Exchange Mid Cap.**

## Share price and turnover

The share price increased by 10 per cent during the year from SEK 113.00 to SEK 124.50. During the same period the SIX General Index (comparison index) decreased by 6.97 per cent. The highest and lowest prices paid during the year were SEK 148.50 and 103.00, respectively.

A total of 2,734,679 VBG GROUP shares were traded on the Stockholm exchange during 2007. The turnover rate, counted as the number of shares traded in relation to the total number of shares in the company, was 22 per cent. The average turnover rate on OMX Nordic Exchange was 134 per cent in 2007. On average, 21 transactions with 10,983 shares were executed every business day.

## Share capital, buy-back and number of shares

The share capital in the VBG GROUP amounts to SEK 34,235,000, distributed among 13,694,000 shares with a quotient value of SEK 2.50 per share. There are two

classes of shares: 1,220,000 Series A shares and 12,474,000 Series B shares. Each Series A share has ten votes and each Series B share has one vote, except for the Series B shares bought back by the VBG GROUP.

Since 1987, the VBG GROUP's Series B shares have been listed on OMX Nordic Exchange under the symbol VBG GROUP B among Mid Cap and in the Industry sector. A trading unit consists of 100 shares.

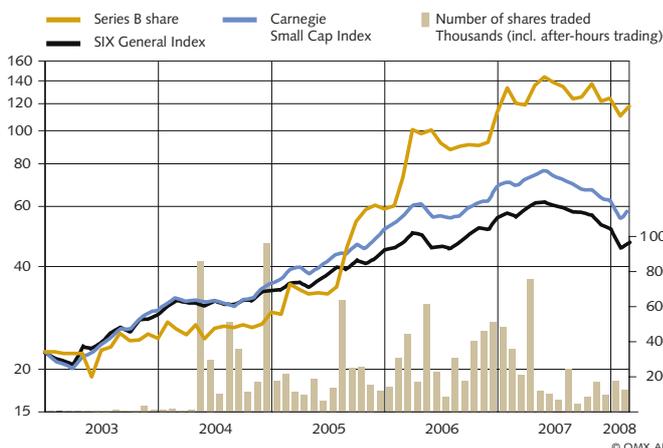
## Authorisation from the AGM

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

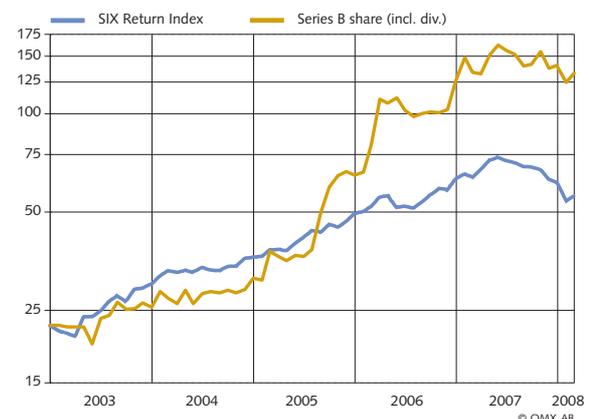
## Shareholders

At 28 December 2007 the VBG GROUP had 5 125 shareholders, a decrease of 9 per cent compared with a year before. Shareholders registered abroad cannot be distinguished since shares can be registered in the name of a trustee rather than held directly.

Price of VBG GROUP AB's Series B share, 2003–2007



Total return 2003-2007



### Proposed dividend

The Board of Directors intends to propose to the AGM a dividend of SEK 2.50 per share, an increase of 25 per cent from last year. This dividend corresponds to 23 per cent of the profit after tax or SEK 31.3 million. If the AGM resolves in accordance with the Board's proposal, the record date for the dividend will be Friday, 16 May 2008.

In determining the size of the dividend, consideration is given to investment plans, acquisition possibilities, liquidity and overall financial position. The VBG GROUP's average payout ratio since its initial listing is 29 per cent.

### Contacts with the stock market

Stock market contacts are mainly based on quarterly financial reports, press releases and presentations of the VBG GROUP. Some 10 or so meetings with investors and analysts have been held in Sweden during 2007.

### Analysts

The following analysts regularly cover the VBG GROUP:

#### Christian Wallberg at HQ Bank

Telephone +46 8 696 18 13

E-mail Christian.Wallberg@hq.se

#### Johan Isaksson at Remium

Telephone +46 8 454 32 35

E-mail Johan.Isaksson@remium.se

### Ten biggest shareholders at 28 December 2007

| Shareholders   | Series A shares  | Series B shares   | Holding per cent | Votes per cent |
|--|------------------|-------------------|------------------|----------------|
| Herman Krefting Foundation for Allergy and Asthma Research | 408,700          | 4,049,964         | 32.56            | 32.98          |
| Melker Schörling AB  | 0                | 1,137,385         | 8.31             | 4.61           |
| AB Skrandan  | 0                | 943,344           | 6.89             | 3.82           |
| Lannebo Micro Cap.   | 0                | 649,348           | 4.74             | 2.63           |
| SLK Employees' Foundation                                  | 567,300          | 0                 | 4.14             | 22.99          |
| Lannebo Småbolag Select                                    | 0                | 560,056           | 4.09             | 2.27           |
| CBLDN-IF Skadeförsäkring AB                                | 0                | 278,800           | 2.04             | 1.13           |
| Awake Swedish Equity Fund                                  | 0                | 260,000           | 1.90             | 1.05           |
| VBG-SLK Foundation   | 244,000          | 0                 | 1.78             | 9.89           |
| Lindtor Maskin AB  | 0                | 215,000           | 1.57             | 0.87           |
| <b>Total ten largest shareholders</b>                      | <b>1,220,000</b> | <b>8,093,897</b>  | <b>68.02</b>     | <b>82.24</b>   |
| <b>Total other shareholders</b>                            | <b>0</b>         | <b>3,188,127</b>  | <b>23.28</b>     | <b>17.76</b>   |
| <b>Total outstanding shares</b>                            | <b>1,220,000</b> | <b>11,282,024</b> | <b>91.30</b>     | <b>100.00</b>  |
| <b>VBG GROUP</b>   | <b>0</b>         | <b>1,191,976</b>  | <b>8.70</b>      |                |
| <b>Total number of registered shares</b>                   | <b>1,220,000</b> | <b>12,474,000</b> | <b>100.00</b>    |                |

### Shareholder categories

| 28 Dec. 2007         | Percentage of capital |
|----------------------|-----------------------|
| Foreign shareholders | 1.51                  |
| Swedish shareholders | 98.49                 |
| Of which:            |                       |
| Institutions         | 84.13                 |
| Private persons      | 15.87                 |

### Size of shareholdings

| 28 Dec. 2007 | Number of shares | Number of shareholders | Percentage of capital |
|--------------|------------------|------------------------|-----------------------|
| < 500        |                  | 4,097                  | 3.45                  |
| 500–5,000    |                  | 930                    | 9.93                  |
| > 5,000      |                  | 98                     | 86.62                 |
| <b>Total</b> |                  |                        | <b>100.00</b>         |

### Shareholders in Sweden and abroad

| 28 Dec. 2007             | Percentage of capital |
|--------------------------|-----------------------|
| Sweden                   | 98.49                 |
| Other Nordic countries   | 0.12                  |
| Other European countries | 1.33                  |
| USA                      | 0.06                  |

### Data per share

|  | 2003   | 2004   | 2005   | 2006   | 2007               |
|--|--------|--------|--------|--------|--------------------|
| Earnings, SEK                                    | 1.87   | 2.25   | 5.37   | 8.95   | 10.64              |
| Dividend, SEK                                    | 0.75   | 1.00   | 1.38   | 2.00   | 2.50 <sup>1)</sup> |
| Share price at year-end                          | 25.00  | 29.38  | 59.00  | 113.00 | 124.50             |
| P/E ratio  | 13.4   | 13.1   | 11.0   | 12.6   | 11.7               |
| Equity, SEK                                      | 20.41  | 21.62  | 26.44  | 32.54  | 42.62              |
| Cash flow, SEK                                   | 4.16   | 3.25   | 6.99   | 9.77   | 6.98               |
| Dividend yield, %                                | 3.00   | 3.40   | 2.33   | 1.77   | 2.01               |
| Number of shares outstanding (thousands)         | 12,502 | 12,502 | 12,502 | 12,502 | 12,502             |
| Average number of shares outstanding (thousands) | 12,502 | 12,502 | 12,502 | 12,502 | 12,502             |

<sup>1)</sup> Proposed

## Five-year summary

| SEK M                                      | 2003  | 2004        | 2005        | 2006        | 2007        |
|--|-------|-------------|-------------|-------------|-------------|
| <b>Sales and earnings</b>                  |       | <b>IFRS</b> | <b>IFRS</b> | <b>IFRS</b> | <b>IFRS</b> |
| Net turnover                               | 530.4 | 604.5       | 778.5       | 1,163.1     | 1,323.3     |
| Operating profit                           | 32.4  | 45.8        | 101.8       | 170.5       | 213.2       |
| Profit after financial items               | 31.3  | 44.3        | 97.5        | 165.8       | 201.5       |
| Profit margin, %                           | 5.9   | 7.3         | 12.5        | 14.3        | 15.2        |
| Profit after tax                           | 23.3  | 28.1        | 67.1        | 111.9       | 133.1       |
| <b>Financial position</b>                  |       |             |             |             |             |
| Balance sheet total                        | 419.4 | 444.2       | 852.4       | 850.6       | 946.3       |
| Capital employed                           | 293.0 | 303.2       | 595.3       | 583.6       | 632.0       |
| Return on capital employed, %              | 11.1  | 15.7        | 26.7        | 29.8        | 34.0        |
| Equity                                     | 255.2 | 270.2       | 330.5       | 406.8       | 532.9       |
| Return on equity, %                        | 9.1   | 10.7        | 22.4        | 30.3        | 28.3        |
| Risk-bearing capital                       | 270.7 | 293.0       | 387.8       | 462.0       | 591.2       |
| Risk-bearing capital ratio, %              | 64.5  | 66.0        | 45.5        | 54.3        | 62.5        |
| Equity/assets ratio, %                     | 60.8  | 60.7        | 38.8        | 47.8        | 56.3        |
| <b>Cash flow</b>                           |       |             |             |             |             |
| Cash flow before change in working capital | 58.2  | 65.7        | 102.3       | 167.6       | 146.3       |
| Cash flow from operating activities        | 52.0  | 40.6        | 87.4        | 122.1       | 87.2        |
| Cash flow from investing activities        | -15.3 | -18.0       | -321.7      | -43.8       | -16.6       |
| Cash flow from financing activities        | -49.6 | -16.0       | 215.4       | -103.4      | -61.0       |
| Cash flow for the year                     | -12.9 | 6.6         | -18.9       | -25.1       | 9.6         |
| <b>Data per share</b>                      |       |             |             |             |             |
| Earnings, SEK                              | 1.87  | 2.25        | 5.37        | 8.95        | 10.64       |
| Dividend, SEK                              | 0.75  | 1.00        | 1.38        | 2.00        | 2.50        |
| Dividend yield, %                          | 3.00  | 3.40        | 2.33        | 1.76        | 2.01        |
| <b>Other</b>                               |       |             |             |             |             |
| Average number of employees                | 301   | 308         | 339         | 411         | 422         |

# 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 2007, the company's 49th year of operation.

## INFORMATION ON THE BUSINESS

### General

VBG GROUP AB (publ) in Vänersborg is the Parent Company of an international engineering group. The Group has wholly-owned manufacturing subsidiaries in Sweden, Germany, the Czech Republic and Belgium, as well as wholly-owned sales companies in Norway, Denmark, the UK, Belgium, France, India and the USA. Sales to geographic markets where the Group does not have its own sales companies take place via a network of well established importers and distributors.

### Business areas

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

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

### Consolidated turnover and earnings

The markets for the Group's two business areas developed positively during the year, and the Group's turnover increased by

14 per cent to SEK 1,323.3 M (1,163.1). The Group's turnover contains a negative currency translation effect of just under 0.5 per cent.

Operating profit rose by 25 per cent to SEK 213.2 M (170.5), and profit after financial items increased by 22 per cent to SEK 201.5 M (165.8).

The consolidated profit includes Group-wide overheads of SEK 13.1 M (11.7), which have not been allocated to the operating profits of the different business areas. With an operating margin of 16.1 per cent (14.7) and a profit margin of 15.2 per cent (14.3), the VBG GROUP fortified a high and stable profitability level.

Earnings per share after tax rose sharply by 19 per cent to SEK 10.64 (8.95). Return on capital employed was 34.0 per cent (29.8) and return on equity was 28.3 per cent (30.3). The Group's equity/assets ratio rose compared with the end of last year, amounting to 56.3 per cent (47.8).

### VBG GROUP TRUCK EQUIPMENT

Turnover for the full year 2007 rose by 15 per cent to SEK 1,116.9 M (975.0), passing the SEK 1 billion mark for the first time. The effect of changed currency rates was negligible for the full year, which mean that organic growth was 15 per cent. The positive trend during the year in the transport sector, and in particular the trailer segment, created the necessary conditions for growth in the business area. VBG GROUP TRUCK EQUIPMENT's well known brands fortified their positions as market leaders during the year, with VBG and RINGFEDER together accounting for more than 50 per cent of the world market for coupling equipment for heavy truck-trailer rigs. EDSCHA TRAILER SYSTEMS and SESAM together delivered more than 60 per cent of all sliding roofs in the world.

Operating profit for the business area was SEK 179.7 M (154.5), an increase of 16 per cent. The operating margin rose to 16.1 per cent (15.8).

| VBG GROUP, CONSOLIDATED, SEK M | 2007    | 4/07  | 3/07  | 2/07  | 1/07  | 2006    | 4/06  | 3/06  | 2/06  | 1/06  |
|--------------------------------|---------|-------|-------|-------|-------|---------|-------|-------|-------|-------|
| Net turnover                   | 1,323.3 | 322.6 | 320.3 | 331.7 | 348.7 | 1,163.1 | 298.1 | 263.4 | 292.9 | 308.7 |
| Operating profit               | 213.2   | 49.1  | 55.0  | 50.1  | 59.0  | 170.5   | 41.5  | 37.0  | 43.0  | 49.0  |
| Operating margin, %            | 16.1    | 15.2  | 17.2  | 15.1  | 16.9  | 14.7    | 13.9  | 14.1  | 14.7  | 15.9  |
| Profit after financial items   | 201.5   | 44.9  | 52.5  | 48.2  | 55.9  | 165.8   | 40.4  | 35.1  | 43.0  | 47.3  |
| Profit margin, %               | 15.2    | 13.9  | 16.4  | 14.5  | 16.0  | 14.3    | 13.6  | 13.3  | 14.7  | 15.3  |
| Profit after tax               | 133.1   | 27.4  | 34.5  | 32.3  | 38.9  | 111.9   | 27.8  | 24.6  | 28.0  | 31.5  |
| Earnings per share, SEK        | 10:64   | 2:19  | 2:76  | 2:58  | 3:11  | 8:95    | 2:22  | 1:97  | 2:24  | 2:52  |
| ROCE, % (cumulative)           | 34.0    | 34.0  | 35.0  | 35.6  | 38.9  | 29.8    | 29.8  | 28.8  | 31.3  | 33.0  |
| ROE, % (cumulative)            | 28.3    | 28.3  | 31.4  | 32.9  | 36.1  | 30.3    | 30.3  | 31.1  | 34.4  | 36.4  |
| Equity/assets ratio, %         | 56.3    | 56.3  | 50.7  | 49.0  | 47.7  | 47.8    | 47.8  | 44.1  | 40.1  | 41.1  |

**Turnover and Earnings, SEK M**

| <b>VBG GROUP TRUCK EQUIPMENT</b> | <b>2007</b> | <b>4/07</b> | <b>3/07</b> | <b>2/07</b> | <b>1/07</b> | <b>2006</b> | <b>4/06</b> | <b>3/06</b> | <b>2/06</b> | <b>1/06</b> |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net turnover                     | 1,116.9     | 273.8       | 260.8       | 281.5       | 300.8       | 975.0       | 252.9       | 217.3       | 248.6       | 256.2       |
| Operating profit                 | 179.7       | 35.2        | 44.1        | 46.1        | 54.3        | 154.5       | 34.8        | 32.2        | 42.6        | 44.9        |
| Operating margin, %              | 16.1        | 12.9        | 16.9        | 16.4        | 18.0        | 15.8        | 13.8        | 14.8        | 17.1        | 17.5        |

**Turnover, SEK M**

| <b>Markets</b>                   | <b>2007</b>    | <b>4/07</b>  | <b>3/07</b>  | <b>2/07</b>  | <b>1/07</b>  | <b>2006</b>  | <b>4/06</b>  | <b>3/06</b>  | <b>2/06</b>  | <b>1/06</b>  |
|----------------------------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sweden                           | 197.3          | 53.0         | 38.6         | 50.3         | 55.4         | 169.1        | 40.0         | 35.5         | 44.6         | 49.0         |
| Other Nordic countries           | 145.7          | 36.1         | 30.4         | 38.8         | 40.4         | 132.6        | 33.6         | 29.4         | 34.3         | 35.3         |
| Germany                          | 358.7          | 87.4         | 89.9         | 87.7         | 93.7         | 313.8        | 86.1         | 75.0         | 75.0         | 77.7         |
| Rest of Europe                   | 364.6          | 88.8         | 82.8         | 96.4         | 96.6         | 311.2        | 80.1         | 64.8         | 83.4         | 82.9         |
| Rest of the world                | 50.6           | 8.5          | 19.1         | 8.3          | 14.7         | 48.3         | 13.1         | 12.6         | 11.3         | 11.3         |
| <b>VBG GROUP TRUCK EQUIPMENT</b> | <b>1,116.9</b> | <b>273.8</b> | <b>260.8</b> | <b>281.5</b> | <b>300.8</b> | <b>975.0</b> | <b>252.9</b> | <b>217.3</b> | <b>248.6</b> | <b>256.2</b> |

**RINGFEDER POWER TRANSMISSION**

The business area, which develops, manufactures and markets products for power transmission and damping for a number of different industrial sectors, developed very positively during 2007.

Turnover for the full year rose by 10 per cent to SEK 206.4 M (188.1). The negative effect of the translation of foreign currencies was just under one per cent. Operating profit increased by 69 per cent to SEK 46.6 M (27.6), and the operating margin rose to 22.6 per cent (14.7).

**Turnover and Earnings, SEK M**

| <b>RINGFEDER POWER TRANSMISSION</b> | <b>2007</b> | <b>4/07</b> | <b>3/07</b> | <b>2/07</b> | <b>1/07</b> | <b>2006</b> | <b>4/06</b> | <b>3/06</b> | <b>2/06</b> | <b>1/06</b> |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net turnover                        | 206.4       | 48.9        | 59.4        | 50.2        | 47.9        | 188.1       | 45.2        | 46.1        | 44.3        | 52.5        |
| Operating profit                    | 46.6        | 17.3        | 12.8        | 8.7         | 7.8         | 27.6        | 9.9         | 5.7         | 4.7         | 7.3         |
| Operating margin, %                 | 22.6        | 35.4        | 21.5        | 17.3        | 16.4        | 14.7        | 21.9        | 12.4        | 10.6        | 13.8        |

**Turnover, SEK M**

| <b>Markets</b>                      | <b>2007</b>  | <b>4/07</b> | <b>3/07</b> | <b>2/07</b> | <b>1/07</b> | <b>2006</b>  | <b>4/06</b> | <b>3/06</b> | <b>2/06</b> | <b>1/06</b> |
|-------------------------------------|--------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|
| Europe                              | 79.6         | 19.7        | 23.5        | 18.0        | 18.4        | 63.0         | 16.4        | 15.5        | 14.5        | 16.6        |
| North America                       | 97.6         | 22.9        | 26.1        | 24.6        | 24.0        | 93.2         | 20.3        | 22.3        | 23.6        | 27.0        |
| Rest of the world                   | 29.2         | 6.3         | 9.8         | 7.6         | 5.5         | 31.9         | 8.5         | 8.3         | 6.2         | 8.9         |
| <b>RINGFEDER POWER TRANSMISSION</b> | <b>206.4</b> | <b>48.9</b> | <b>59.4</b> | <b>50.2</b> | <b>47.9</b> | <b>188.1</b> | <b>45.2</b> | <b>46.1</b> | <b>44.3</b> | <b>52.5</b> |

**Tax expense**

The year's tax expense was SEK 68.4 M (53.9), of which current tax comprised SEK 66.3 M (54.1). The tax expense is equivalent to a tax rate for the Group of 34.0 per cent (32.5).

**Capital expenditures**

The Group's capital expenditures during the year amounted to SEK 16.9 M (44.5).

**Exposure in foreign currencies, risks and uncertainty factors**

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

**Cash flow and financial position**

Cash flow from operating activities amounted to SEK 87.2 M (122.1). Capital expenditures during the year amounted to SEK 16.9 M (44.4). The Group amortised loans and reduced current financial liabilities by a total of SEK 36.0 M. Dividends distributed to shareholders amounted to SEK 25.0 M. Net cash flow during the period was SEK -9.6 M (-25.1).

Equity increased during the year to SEK 532.9 M (406.8) and was affected by SEK 18.0 M in differences in the translation of net assets in foreign currencies. The equity/assets ratio increased to 56.3 per cent (47.8).

Cash and cash equivalents amounted to SEK 44.4 M at year-end (33.7), in addition to which there are unutilised credit facilities of SEK 129.1 M.

The Group's interest-bearing net debt fell by SEK 35.2 M during the year, amounting to SEK 154.8 M at year-end (190.0).

The ratio of interest-bearing net debt to equity was 0.29 at year-end (0.47).

**Personnel**

On 31 December 2007 there were 426 employees (400) in the VBG GROUP, including 168 (157) in Sweden. During 2007 the Group employed an average of 422 persons (411). Of these, 165 (160) were active in Sweden. The cost of salaries and social security contributions was SEK 242.4 M (230.0).

**Parent Company**

The operations of VBG GROUP AB (publ) are focused on managing, developing and coordinating the Group. The assets in the Parent Company consist primarily of shares in subsidiaries and trademarks. The company also owns the industrial property in Vänersborg, which is rented by the subsidiary VBG GROUP TRUCK EQUIPMENT AB.

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

The Parent Company's net turnover pertains primarily to intra-Group services, licence revenues and rentals and amounted to SEK 28.5 M during the year (22.1). The profit after dividends from Group companies and financial items was SEK 52.4 M (97.3).

**Environmental impact**

The Group works actively with environmental assurance in both production and administration. Even though the environmental impact of the company's operations is small, as a leading player in the sector it is nonetheless natural for the Group to take an active role in efforts to protect the environment. This is done by limiting the impact of the Group's own processes on the environment, but also by manufacturing products that boost efficiency in the transport sector and thereby help to mitigate pollution in heavy goods transport, for example.

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

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

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

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

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

| SEK M                           | 2007        | 2006        | 2005        | 2004        | 2003        |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Sales and earnings</b>       | <b>IFRS</b> | <b>IFRS</b> | <b>IFRS</b> | <b>IFRS</b> | <b>IFRS</b> |
| Net turnover                    | 1,323.3     | 1,163.1     | 778.5       | 604.5       | 530.4       |
| Profit after financial items    | 213.2       | 165.8       | 97.4        | 44.3        | 31.3        |
| Profit after tax                | 201.5       | 111.9       | 67.1        | 28.1        | 23.3        |
| <b>Financial position</b>       |             |             |             |             |             |
| Balance sheet total             | 946.3       | 850.6       | 852.4       | 444.2       | 419.4       |
| Equity                          | 532.9       | 406.8       | 330.5       | 270.2       | 255.2       |
| Risk-bearing capital            | 591.2       | 462.0       | 387.8       | 293.0       | 270.        |
| Equity/assets ratio, %          | 56.3        | 47.8        | 38.8        | 60.7        | 60.8        |
| Risk-bearing capital ratio, %   | 62.5        | 54.3        | 45.5        | 66.0        | 64.5        |
| <b>Profitability</b>            |             |             |             |             |             |
| Return on capital employed, %   | 34.0        | 29.8        | 26.7        | 15.7        | 11.1        |
| Return on equity, %             | 28.3        | 30.3        | 22.4        | 10.7        | 9.1         |
| Profit margin, %                | 15.2        | 14.3        | 12.5        | 7.3         | 5.9         |
| <b>Other</b>                    |             |             |             |             |             |
| Number of employees at year-end | 426         | 400         | 408         | 307         | 292         |
| Average number of employees     | 422         | 411         | 339         | 308         | 301         |

#### Outlook for 2008

The Group's business areas stand well equipped for 2008, and there are at present no indications that demand will decrease in 2008; it is expected to remain at the same high level as in 2007.

#### The work of the Board of Directors

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

During financial year 2007, the Board of Directors held 7 (10) meetings. The work of the Board follows an annual plan designed to satisfy the need of the Board for information. In all other respects, the work of the Board is subject to the special rules of procedure the Board has adopted governing the division of responsibilities between the Board and the Managing Director.

The 2007 Annual General Meeting elected a Nomination Committee, and on behalf of the AGM the Board appointed an Audit Committee and a Compensation Committee. The company's auditor reports his observations to the Board every year based on his examination and gives his assessment of the company's internal control.

#### Guidelines for remuneration to senior officers

The 2007 AGM passed a resolution adopting the following guidelines for remuneration to senior officers:

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

Fixed salaries shall be market-level and based on the individual's responsibilities and performance. In addition to a fixed annual salary, variable remuneration which is limited and based on the Group's financial performance compared with established goals shall also be paid. The variable salary for the Managing Director and CEO is limited to a maximum of 42 per cent of the fixed annual salary and for other senior officers to a maximum of 33 per cent of the fixed annual salary.

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

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

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

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

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

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

The Board of Directors proposes to the 2008 Annual General Meeting that the same guidelines for remuneration to senior officers as those adopted at the 2007 AGM should apply, the only change being that the Managing Director and CEO's variable salary be limited to a maximum of 50 per cent.

#### The VBG GROUP share and shareholders

Earnings per share for the year amounted to SEK 10.64 (8.95). Equity per share on 31 December 2007 was SEK 42.62, compared with SEK 32.54 one year earlier.

The number of shareholders at year-end was 5,125 (5,629).

#### Proposed distribution of profits

In proposing the dividend, the Board of Directors has taken into account the Group's long-term development potential, financial position and investment needs. Bearing these factors in mind, the Board has decided to recommend that the AGM approve a dividend of SEK 2.50 per share (2:00).

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

|                         |                        |
|-------------------------|------------------------|
| Retained earnings       | SEK 132,029,515        |
| Net profit for the year | SEK 47,260,144         |
|                         | <b>SEK 179,289,659</b> |

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

|                                |                        |
|--------------------------------|------------------------|
| Dividend to shareholders       | SEK 31,255,060         |
| Carried forward to new account | SEK 148,034,599        |
|                                | <b>SEK 179,289,659</b> |

## Consolidated Income Statement

| SEK '000  | Note  | 2007              | 2006              |
|---|-------|-------------------|-------------------|
| Net turnover                                    | 3     | 1,323,331         | 1,163,132         |
| Cost of goods sold                              |       | -813,459          | -717,602          |
| <b>Gross profit</b>                             |       | <b>509,872</b>    | <b>445,530</b>    |
| Selling expenses                                |       | -184,256          | -166,772          |
| Administrative expenses                         |       | -93,341           | -94,278           |
| Research and development costs                  |       | -18,339           | -12,988           |
| Other operating income                          | 4     | 2,798             | 3,226             |
| Other operating expenses                        |       | -3,512            | -4,240            |
|   |       | <b>-296,650</b>   | <b>-275,052</b>   |
| <b>Operating profit</b>                         | 5,6,7 | <b>213,222</b>    | <b>170,478</b>    |
| <b>Result from financial items</b>              |       |                   |                   |
| Exchange rate differences                       |       | -4,728            | 3,569             |
| Interest income                                 |       | 1,417             | 1,663             |
| Interest expenses                               |       | -8,409            | -9,944            |
| <b>Total result from financial items</b>        |       | <b>-11,720</b>    | <b>-4,712</b>     |
| <b>Profit after financial items</b>             |       | <b>201,502</b>    | <b>165,766</b>    |
| Tax on profit for the year                      | 9     | -68,422           | -53,882           |
| <b>Net profit for the year</b>                  |       | <b>133,080</b>    | <b>111,884</b>    |
| <b>Earnings per share</b>                       |       | <b>10.64</b>      | <b>8.95</b>       |
| <b>Number of shares at year-end</b>             |       | <b>12,502,024</b> | <b>12,502,024</b> |
| <b>Average number of shares during the year</b> |       | <b>12,502,024</b> | <b>12,502,024</b> |

## Consolidated Balance Sheet

| SEK '000                                | Note | 31 Dec. 2007   | 31 Dec. 2006   |
|---|------|----------------|----------------|
| <b>Assets</b>                           |      |                |                |
| <b>Non-current assets</b>               |      |                |                |
| <b>Intangible assets</b>                |      |                |                |
|   | 10   |                |                |
| Computer software and trademarks        |      | 60,615         | 62,069         |
| Goodwill                                |      | 222,595        | 213,431        |
| Construction in progress                |      | 1,580          | —              |
|   |      | <b>284,790</b> | <b>275,500</b> |
| <b>Plant, property and equipment</b>    |      |                |                |
|   | 11   |                |                |
| Land and buildings                      |      | 50,876         | 50,454         |
| Plant and machinery                     |      | 60,543         | 67,121         |
| Equipment, tools, fixtures and fittings |      | 29,069         | 30,431         |
| Construction in progress                |      | 210            | 612            |
|   |      | <b>140,698</b> | <b>148,618</b> |
| <b>Deferred tax asset</b>               | 13   | <b>2,093</b>   | <b>1,270</b>   |
| <b>Total non-current assets</b>         |      | <b>427,581</b> | <b>425,388</b> |
| <b>Current assets</b>                   |      |                |                |
| <b>Inventories</b>                      |      |                |                |
|   | 14   |                |                |
| Raw materials and consumables           |      | 80,897         | 66,573         |
| Work in progress                        |      | 40,465         | 31,350         |
| Finished products and merchandise       |      | 129,019        | 103,691        |
|   |      | <b>250,381</b> | <b>201,614</b> |
| <b>Current receivables</b>              |      |                |                |
| Trade receivables                       | 21   | 199,012        | 162,370        |
| Tax assets                              |      | 10,342         | 3,981          |
| Other receivables                       |      | 9,355          | 18,652         |
| Deferred expenses and accrued income    | 15   | 5,221          | 4,856          |
|   |      | <b>223,930</b> | <b>189,859</b> |
| <b>Cash and cash equivalents</b>        |      |                |                |
| Short-term investments                  |      | 459            | 459            |
| Cash on hand and demand deposits        |      | 43,946         | 33,233         |
|   |      | <b>44,405</b>  | <b>33,692</b>  |
| <b>Total current assets</b>             |      | <b>518,716</b> | <b>425,165</b> |
| <b>Total assets</b>                     |      | <b>946,297</b> | <b>850,55</b>  |

cont'd. Consolidated Balance Sheet

| SEK '000   | Note | 31 Dec. 2007   | 31 Dec. 2006   |
|--|------|----------------|----------------|
| <b>Equity and liabilities</b>                    |      |                |                |
| <b>Equity</b>                                    | 16   |                |                |
| Share capital                                    |      | 34,235         | 34,235         |
| Other contributed capital                        |      | 32,111         | 32,111         |
| Reserves regarding translation differences       |      | 1,569          | -16,436        |
| Retained earnings, incl. net profit for the year |      | 464,956        | 356,880        |
| <b>Total equity</b>                              |      | <b>532,871</b> | <b>406,790</b> |
| <b>Non-current liabilities</b>                   |      |                |                |
| Provisions for pensions and similar obligations  | 18   | 81,105         | 74,403         |
| Deferred tax liability                           | 13   | 60,445         | 56,527         |
| Other provisions                                 | 19   | 1,454          | 1,292          |
| Liabilities to credit institutions               | 20   | 68,211         | 101,743        |
| <b>Total non-current liabilities</b>             |      | <b>211,215</b> | <b>233,965</b> |
| <b>Current liabilities</b>                       |      |                |                |
| Overdraft facilities                             | 22   | 11,634         | 10,831         |
| Liabilities to credit institutions               | 20   | 38,293         | 36,672         |
| Trade payables                                   |      | 66,284         | 62,715         |
| Tax liabilities                                  |      | 14,202         | 34,255         |
| Other liabilities                                |      | 9,263          | 9,441          |
| Accrued expenses and prepaid income              | 23   | 62,535         | 55,884         |
| <b>Total current liabilities</b>                 |      | <b>202,211</b> | <b>209,798</b> |
| <b>Total equity and liabilities</b>              |      | <b>946,297</b> | <b>850,553</b> |
| <b>Pledged assets</b>                            |      | <b>None</b>    | <b>None</b>    |
| <b>Contingent liabilities</b>                    | 24   | <b>789</b>     | <b>527</b>     |

## Consolidated changes in equity

| SEK '000  | Share capital | Contributed capital | Reserve regarding translation differences | Retained earnings | Total equity   |
|---|---------------|---------------------|---|-------------------|----------------|
| <b>Opening balance at 1 Jan. 2006</b>                                     | <b>34,235</b> | <b>32,111</b>       | <b>2,002</b>                              | <b>262,187</b>    | <b>330,535</b> |
| Translation difference  |               |                     | -24,258                                   |                   | -24,258        |
| Hedging of net investments  |               |                     | 5,820                                     |                   | 5,820          |
| <b>Income and expenses for the year are recognised directly in equity</b> |               |                     | <b>-18,438</b>                            |                   | <b>-18,438</b> |
| Net profit for the year   |               |                     |   | 111,884           | 111,884        |
| <b>Total</b>  |               |                     |   | <b>111,884</b>    | <b>93,446</b>  |
| Dividend  |               |                     |   | -17,191           | -17,191        |
| <b>Total transactions with shareholders</b>                               |               |                     |   | <b>-17,191</b>    | <b>-17,191</b> |
| <b>Equity 31 Dec. 2006</b>  | <b>34,235</b> | <b>32,111</b>       | <b>-16,436</b>                            | <b>356,880</b>    | <b>406,790</b> |
| Translation difference  |               |                     | 24,960                                    |                   | 24,960         |
| Hedging of net investments  |               |                     | -6,955                                    |                   | -6,955         |
| <b>Income and expenses for the year are recognised directly in equity</b> |               |                     | <b>18,005</b>                             |                   | <b>18,005</b>  |
| Net profit for the year   |               |                     |   | 133,080           | 133,080        |
| <b>Total income and expenses for the year</b>                             |               |                     |   | <b>133,080</b>    | <b>151,085</b> |
| Dividend  |               |                     |   | -25,004           | -25,004        |
| <b>Total transactions with shareholders</b>                               |               |                     |   | <b>-25,004</b>    | <b>-25,004</b> |
| <b>Equity 31 Dec. 2007</b>  | <b>34,235</b> | <b>32,111</b>       | <b>1,569</b>                              | <b>464,956</b>    | <b>532,871</b> |

## Consolidated Cash Flow Statement

| SEK '000   | Note | 2007           | 2006            |
|--|------|----------------|-----------------|
| <b>Operating activities</b>                              |      |                |                 |
| Operating profit before financial items                  |      | 213,222        | 170,478         |
| Depreciation/amortisation                                |      | 29,288         | 30,467          |
| Other items not affecting liquidity                      | 26   | 3,531          | 8,575           |
| Interest received  |      | 1,417          | 1,699           |
| Interest paid  |      | -7,053         | -8,643          |
| Tax paid   |      | -94,090        | -34,931         |
| <b>Cash flow before change in working capital</b>        |      | <b>146,315</b> | <b>167,645</b>  |
| Decrease/increase (-) in inventories                     |      | -45,720        | -23,473         |
| Decrease/increase (-) in trade receivables               |      | -31,077        | -14,507         |
| Decrease/increase (-) in other current receivables       |      | 9,650          | -3,255          |
| Increase/decrease (-) in trade payables                  |      | 1,903          | 980             |
| Increase/decrease (-) in other current liabilities       |      | 6,137          | -5,324          |
| <b>Cash flow from operating activities</b>               |      | <b>87,208</b>  | <b>122,066</b>  |
| <b>Investing activities</b>                              |      |                |                 |
| Investments in intangible assets                         | 26   | -2,687         | -241            |
| Investments in property, plant and equipment             |      | -14,257        | -44,195         |
| Sales of property, plant and equipment                   |      | 368            | 678             |
| <b>Cash flow from investing activities</b>               |      | <b>-16,576</b> | <b>-43,758</b>  |
| <b>Financing activities</b>                              |      |                |                 |
| Amortisation of loans                                    |      | -36,038        | -86,188         |
| Dividend paid  |      | -25,004        | -17,191         |
| <b>Cash flow from financing activities</b>               |      | <b>-61,042</b> | <b>-103,379</b> |
| <b>Cash flow for the year</b>                            |      | <b>9,590</b>   | <b>-25,071</b>  |
| <b>Cash and cash equivalents at start of year</b>        |      | <b>33,692</b>  | <b>60,827</b>   |
| Translation difference, cash and cash equivalents        |      | 1,123          | -2,064          |
| <b>Cash and cash equivalents at year-end</b>             | 26   | <b>44,405</b>  | <b>33,692</b>   |
| Unutilised overdraft facilities                          |      | 129,101        | 125,669         |
| <b>Total cash and cash equivalents available</b>         |      | <b>173,506</b> | <b>159,361</b>  |
| <b>Change in net debt</b>                                |      |                |                 |
| Interest-bearing liabilities and provisions              |      | 199,243        | 223,649         |
| Cash on hand, demand deposits and short-term investments |      | -44,405        | -33,692         |
| <b>Net debt</b>  |      | <b>154,838</b> | <b>189,957</b>  |
| <b>Change in interest-bearing net debt</b>               |      | <b>-35,119</b> | <b>-57,226</b>  |

## Parent Company Income Statement

| SEK '000                                  | Note  | 2007           | 2006           |
|---|-------|----------------|----------------|
| Net turnover                              |       | 28,487         | 22,113         |
| <b>Gross profit</b>                       |       | <b>28,487</b>  | <b>22,113</b>  |
| Selling expenses                          |       | -7,840         | -4,949         |
| Administrative expenses                   |       | -21,972        | -17,782        |
| Other operating income                    |       | 4              | 67             |
| Other operating expenses                  |       | -3,090         | -4,306         |
|   |       | <b>-32,898</b> | <b>-26,970</b> |
| <b>Operating profit/loss</b>              | 5,6,7 | <b>-4,411</b>  | <b>-4,857</b>  |
| <b>Result from financial items</b>        |       |                |                |
| Dividends from interests in subsidiaries  |       | 77,352         | 66,409         |
| Reversal of impairment loss in subsidiary |       | —              | 35,000         |
| Exchange rate differences                 |       | -11,683        | 9,389          |
| Interest income                           |       | 985            | 1,004          |
| Interest expenses                         |       | -9,811         | -9,637         |
| <b>Total result from financial items</b>  |       | <b>56,843</b>  | <b>102,165</b> |
| <b>Profit after financial items</b>       |       | <b>52,432</b>  | <b>97,308</b>  |
| Appropriations                            | 8     | -3,148         | 462            |
| Tax on profit for the year                | 9     | -2,024         | -2,541         |
| <b>Net profit for the year</b>            |       | <b>47,260</b>  | <b>95,229</b>  |

## Parent Company Balance Sheet

| SEK '000                                | Note | 31 Dec. 2007   | 31 Dec. 2006   |
|---|------|----------------|----------------|
| <b>Assets</b>                           |      |                |                |
| <b>Non-current assets</b>               |      |                |                |
| <b>Intangible assets</b>                |      |                |                |
| Trademarks, patents and other rights    | 10   | 21,098         | 22,982         |
| Construction in progress                |      | 467            | —              |
|   |      | <b>21,565</b>  | <b>22,982</b>  |
| <b>Plant, property and equipment</b>    |      |                |                |
| Land and buildings                      | 11   | 10,679         | 10,640         |
| Equipment, tools, fixtures and fittings |      | 86             | 229            |
|   |      | <b>10,765</b>  | <b>10,869</b>  |
| <b>Long-term investments</b>            |      |                |                |
| Interests in Group companies            | 12   | 491,467        | 461,804        |
|   |      | <b>491,467</b> | <b>461,804</b> |
| <b>Total non-current assets</b>         |      | <b>523,797</b> | <b>495,655</b> |
| <b>Current assets</b>                   |      |                |                |
| <b>Current receivables</b>              |      |                |                |
| Receivables from Group companies        |      | 38,858         | 23,412         |
| Tax assets                              |      | 774            | 512            |
| Other receivables                       |      | 140            | 867            |
| Prepaid expenses and accrued income     | 15   | 404            | 528            |
|   |      | <b>40,176</b>  | <b>25,319</b>  |
| <b>Cash and cash equivalents</b>        |      |                |                |
| Short-term investments                  |      | 459            | 459            |
| Cash on hand and demand deposits        |      | 4,169          | 2,657          |
|   |      | <b>4,628</b>   | <b>3,116</b>   |
| <b>Total current assets</b>             |      | <b>44,804</b>  | <b>28,435</b>  |
| <b>Total assets</b>                     |      | <b>568,601</b> | <b>524,090</b> |

cont'd. Parent Company Balance Sheet

| SEK '000                             | Note | 31 Dec. 2007   | 31 Dec. 2006   |
|--------------------------------------|------|----------------|----------------|
| <b>Equity and liabilities</b>        |      |                |                |
| <b>Equity</b>                        | 16   |                |                |
| <b>Restricted equity</b>             |      |                |                |
| Share capital                        |      | 34,235         | 34,235         |
| Statutory reserve                    |      | 53,249         | 53,249         |
|                                      |      | <b>87,484</b>  | <b>87,484</b>  |
| <b>Non-restricted equity</b>         |      |                |                |
| Retained earnings                    |      | 132,030        | 61,805         |
| Net profit for the year              |      | 47,260         | 95,229         |
|                                      |      | <b>179,290</b> | <b>157,034</b> |
| <b>Total equity</b>                  |      | <b>266,774</b> | <b>244,518</b> |
| <b>Untaxed reserves</b>              | 17   | <b>28,387</b>  | <b>25,239</b>  |
| <b>Provisions</b>                    |      |                |                |
| Provisions for pensions, PRI         | 18   | 11,643         | 10,812         |
| <b>Total provisions</b>              |      | <b>11,643</b>  | <b>10,812</b>  |
| <b>Non-current liabilities</b>       |      |                |                |
| Loans                                |      | 66,315         | 99,550         |
| <b>Total non-current liabilities</b> |      | <b>66,315</b>  | <b>99,550</b>  |
| <b>Current liabilities</b>           |      |                |                |
| Overdraft facilities                 |      | 11,635         | 8,714          |
| Trade payables                       |      | 1,860          | 1,475          |
| Liabilities to subsidiaries          |      | 136,472        | 92,013         |
| Loans                                |      | 37,894         | 36,200         |
| Other current liabilities            |      | 910            | 321            |
| Accrued expenses and prepaid income  | 23   | 6,711          | 5,248          |
| <b>Total current liabilities</b>     |      | <b>195,482</b> | <b>143,971</b> |
| <b>Total equity and liabilities</b>  |      | <b>568,601</b> | <b>524,090</b> |
| <b>Pledged assets</b>                |      | <b>None</b>    | <b>None</b>    |
| <b>Contingent liabilities</b>        | 24   | <b>18,222</b>  | <b>15,790</b>  |

## Parent Company Changes in Equity

| SEK '000                   | Note      | Share capital | Statutory reserve | Non-restricted equity | Total equity   |
|----------------------------|-----------|---------------|-------------------|-----------------------|----------------|
| <b>Equity 31 Dec. 2006</b> |           | <b>34,235</b> | <b>53,249</b>     | <b>78,995</b>         | <b>166,479</b> |
| Net profit for the year    |           |               |                   | 95,229                | 95,229         |
| Dividend                   |           |               |                   | -17,190               | -17,190        |
| <b>Equity 31 Dec. 2006</b> | <b>16</b> | <b>34,235</b> | <b>53,249</b>     | <b>157,034</b>        | <b>244,518</b> |
| Net profit for the year    |           |               |                   | 47,260                | 47,260         |
| Dividend                   |           |               |                   | -25,004               | -25,004        |
| <b>Equity 31 Dec. 2007</b> |           | <b>34,235</b> | <b>53,249</b>     | <b>179,290</b>        | <b>266,774</b> |

## Parent Company Cash Flow Statement

| SEK '000   | 2007           | 2006           |
|--|----------------|----------------|
| <b>Operating activities</b>                        |                |                |
| Operating loss before financial items              | -4,411         | -4,857         |
| Depreciation/amortisation                          | 2,969          | 4,267          |
| Other items not affecting liquidity                | 332            | -413           |
| Interest received                                  | 985            | 1,040          |
| Dividend received                                  | 77,352         | 66,409         |
| Interest paid                                      | -9,316         | -9,183         |
| Tax paid   | -2,286         | 964            |
| <b>Cash flow before change in working capital</b>  | <b>65,625</b>  | <b>58,227</b>  |
| Decrease/increase (-) in other current receivables | -14,595        | -4,623         |
| Increase/decrease (-) in trade payables            | 385            | 607            |
| Increase/decrease (-) in other current liabilities | 46,511         | 13,709         |
| <b>Cash flow from operating activities</b>         | <b>97,926</b>  | <b>67,920</b>  |
| <b>Investing activities</b>                        |                |                |
| Investments in property, plant and equipment       | -1,099         | -1,166         |
| Sales of property, plant and equipment             | 122            | 67             |
| Investments in subsidiaries                        | -29,663        | 22,343         |
| Other long-term investments                        | —              | 3,056          |
| Investments in intangible assets                   | -467           | —              |
| <b>Cash flow from investing activities</b>         | <b>-31,107</b> | <b>24,300</b>  |
| <b>Financing activities</b>                        |                |                |
| Dividend paid                                      | -25,004        | -17,190        |
| Borrowing/repayments                               | -31,541        | -43,420        |
| Increase/decrease in current financial liabilities | 2,921          | -48,056        |
| Exchange rate differences                          | -11,683        | 9,389          |
| <b>Cash flow from financing activities</b>         | <b>-65,307</b> | <b>-99,277</b> |
| <b>Cash flow for the year</b>                      | <b>1,512</b>   | <b>-7,057</b>  |
| <b>Cash and cash equivalents at start of year</b>  | <b>3,116</b>   | <b>10,173</b>  |
| <b>Cash and cash equivalents at year-end</b>       | <b>4,628</b>   | <b>3,116</b>   |
| Unutilised overdraft facilities                    | 129,100        | 127,786        |
| <b>Total cash and cash equivalents available</b>   | <b>133,728</b> | <b>130,902</b> |

# Notes to Parent Company and Consolidated Financial Statements

## Note 1 General information

VBG GROUP AB (publ) is the Parent Company of an engineering Group with manufacturing and sales companies in Sweden, Germany, the Czech Republic and Belgium and sales companies in Norway, Denmark, France, the UK, India and the USA. Business operations are divided into two business areas: VBG GROUP TRUCK EQUIPMENT and RINGFEDER POWER TRANSMISSION.

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

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

### Accounting and valuation principles

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

### Parent Company accounting principles

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

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

### Standards, changes and interpretations that entered into force in 2007

IFRS 7, "Financial instruments: Disclosures," and related changes in IAS 1, "Presentation of Financial Statements – Capital Disclosures," introduce new disclosures regarding financial instruments. IFRS 7 has no effect on classification and measurement of the Group's financial instruments.

IFRIC 8, "Scope of IFRS 2," requires that transactions concerning the issue of equity instruments – where the consideration that is received is less than the fair value of issued equity instruments – be tested to determine whether they fall within the scope of IFRS 2. This interpretation has no effect on the consolidated financial statements.

IFRIC 10, "Interim Financial Reporting and Impairment," does not permit the impairment losses recognised during a reporting period for goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed as per a subsequent balance sheet date. This interpretation has no effect on the consolidated financial statements.

### Standards, changes and interpretations that entered into force in 2007 but are not relevant for the Group

The following standards, changes and interpretations of published standards are compulsory for financial years beginning 1 January 2007 or later but are not relevant for the Group: IFRS 4, "Insurance Contracts," IFRIC 7, "Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies," and IFRIC 9, "Reassessment of Embedded Derivatives."

### New IFRS standards and IFRIC interpretations that have not yet entered into force or been applied by the VBG GROUP but are deemed to have a possible impact on the Group

IFRS 8, "Operating Segments" (applies from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about Segments of an Enterprise and Related Information." The new standard requires that the segment information be presented from the management's perspective, in other words in the same way as in the entity's internal reporting. The management is currently analysing what impact the standard will have on the company's segmentation of its operations. The Group will apply IFRS 8 as from 1 January 2009.

Preparing financial statements in accordance with IFRS requires the use of some important accounting estimates. It also requires that management make certain judgements in the application of the company's accounting principles. Those areas that include a high degree of judgement, that are complex or where assumptions and estimates are of material significance for the consolidated accounts are stipulated in Note 28.

### Consolidated accounts

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

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

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

### Tax

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

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

Deferred tax is recognised in its entirety, in accordance with the balance sheet method, on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated accounts. If, however, the deferred

tax arises as a result of a transaction that constitutes the initial recognition of an asset or liability that is not a business combination and that affects neither the carrying amount nor the tax base on the transaction date, it is not recognised. Deferred tax is calculated with the application of tax rates and laws that have been enacted or announced as of the balance sheet date and that are expected to apply when the concerned deferred tax asset is realised or the deferred tax liability is settled.

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

### Receivables

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

### Effects of changes in exchange rates

#### *Functional currency and reporting currency*

Items included in the financial statements for the different entities in the Group are stated in the currency that is used in the economic environment where the enterprise in question is mainly active (functional currency). For all entities, the functional currency is the currency in the country where the entity is active. The Swedish krona, which is the Parent Company's functional and reporting currency, is used in the consolidated accounts.

#### *Transactions and line items*

Transactions in foreign currencies are translated to the functional currency at the exchange rate prevailing on the transaction date. Exchange gains and losses arising in connection with the payment of such transactions and the translation of monetary assets and liabilities in foreign currencies at the closing rate are recognised in the Income Statement. An exception is when the transactions constitute hedges that meet the conditions for hedge accounting, when gains/losses are recognised in equity. Exchange gains and losses on operating receivables and liabilities are offset against each other and recognised among other operating income or other operating expenses.

#### *Group companies*

The earnings and financial position of all Group companies with another functional currency than the reporting currency are translated to the Group's reporting currency as follows:

- (i) assets and liabilities are translated at the closing rate
- (ii) income and expenses are translated at the average rate
- (iii) all exchange rate differences that arise are recognised as Reserves within equity.

On consolidation, exchange rate differences that arise as a consequence of translation of net investments in foreign entities and of borrowing and other currency instruments that have been identified as hedges of such investments are posted to equity.

Goodwill and adjustments of fair value that arise in connection with the acquisition of a foreign entity are treated as assets and liabilities in this entity and translated at the closing rate.

### Inventories

Inventories are measured, with application of the first-in first-out principle, at the lower of cost and fair value on the balance sheet date. The cost of own-manufactured semi-finished and finished products has been calculated as the manufacturing costs of the products including a reasonable proportion of manufacturing overheads. Due provision has been made for obsolescence.

### Pension obligations

There are both defined-contribution and defined-benefit pension plans in the Group. In defined-contribution plans, the Group's obligation is limited to fixed contributions that are paid to a separate legal entity. The Group's profit is charged with costs as the benefits are earned. In defined-benefit plans, the Group's obligation is based on salary at retirement and number of years of service. The Group bears the risk for payment of the pledged benefits.

The net total of the calculated present value of the obligations and the fair value of any plan assets is recognised in the balance sheet as either a provision or a long-term financial receivable.

Defined-benefit plans are calculated according to the "Projected Unit Credit Method". The method allocates the cost of pensions as the employees perform services for the company that increase their future benefit entitlement. The calculation is performed annually by independent actuaries. The company's obligations are calculated as the present value of expected future payments.

Actuarial gains and losses may arise if the actual outcome deviates from previously made assumptions, or if the assumptions change. The portion of the cumulative actuarial gains and losses at the end of last year that exceeds 10 per cent of either the present value of the obligations or the fair value of the plan assets, whichever is greater, is recognised in the Income Statement, divided by the expected average remaining working lives of the employees.

The above accounting principle for defined-benefit plans is applied in the consolidated accounts. The Parent Company accounts for defined-benefit pension plans in accordance with FAR's recommendation no. 4. The Parent Company has pledged defined-benefit pensions to its employees. The present value of these commitments to pay pensions in the future is calculated according to actuarial principles. The obligations are recognised as a provision in the Balance Sheet. The interest portion of the year's pension expense is recognised among financial expenses. Other pension expenses are charged to the operating profit.

Further details, including information on essential actuarial assumptions, are given in Note 18.

### Intangible assets

*Goodwill* consists of the amount by which the cost of the acquisition exceeds the fair value of the Group's share of the acquired subsidiary's identifiable net assets on the acquisition date. Goodwill on acquisition of subsidiaries is recognised as an intangible asset. Goodwill is subjected to impairment testing annually and is recognised at cost less accumulated impairment losses.

*Other intangible assets* with a definable useful life are recognised at cost less depreciation according to plan during the useful life of the asset.

Expenditures for strategic computer programs are capitalised. Expenditures for product development projects are capitalised provided that the Group will enjoy future economic benefits from the development work and that it is possible to establish the acquisition cost reliably.

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

|                         |           |
|-------------------------|-----------|
| Trademarks              | 15 years  |
| Other intangible assets | 3–5 years |

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

### Research and development

Expenditure for research is recognised as an expense immediately. Expenditure for development projects (attributable to development and testing of new or improved products) is capi-

Note 1 cont'd.

talised 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 development costs are recognised as expenses when they occur. No expenditures for development projects have been capitalised during the year.

### Property, plant and equipment

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

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

Interest on investments during the construction period is not capitalised.

### Impairment losses

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

### Leases

Leases are classified in the consolidated accounts as either finance or operating leases. Leases where the economic risks and rewards incidental to ownership are transferred substantially to the lessee are accounted for as finance leases. Other leases are accounted for as operating leases, and lease payments are recognised as expense on a straight-line basis over the lease period.

The Group does not have any finance leases. Lease payments for operating leases are recognised as expense on a straight-line basis over the lease period.

### Revenue recognition

The Group's invoiced sales relate to sales of goods. Invoicing and revenue recognition take place when the goods have been delivered to the customer. Sales are recognised net after deduction of VAT, discounts and exchange rate differences for sales in foreign currencies. Intra-Group sales are eliminated in the consolidated accounts.

### 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. The Group's financial assets are classified in the following categories: Long-term investments, trade receivables, loans receivable and short-term investments measured at fair value through profit or loss.

*Long-term investments, 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.

In the Parent Company, all financial instruments are recognised at the lower of cost and fair value.

### Borrowing

Borrowing is initially recognised at fair value, net after transactions costs. Borrowing is thereafter recognised at amortised cost, and any difference between the amount received (net after transaction costs) and the repayment amount is recognised in the Income Statement allocated over the term of the loan with application of the effective interest method.

### Equity

Equity is recognised in the Consolidated Balance Sheet distributed between "Share capital", "Other contributed capital", "Reserves" and "Retained earnings".

*Share capital* consists of the par value of issued shares.

*Other contributed capital* comprises all contributions from the shareholders in conjunction with share issues in excess of the amounts recognised as share capital.

*Reserves* comprise amounts which are to be posted directly to equity as a consequence of IFRS rules. They include hedge accounting effects and translation differences.

*Retained earnings* consists mainly of earnings during the year recognised in the Income Statement less dividends paid. This item also includes amounts transferred from non-restricted earnings to a statutory reserve in a legal entity.

In the Parent Company, equity is distributed between restricted and non-restricted equity in accordance with the rules in the Swedish Annual Reports Act.

### Provisions

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

### Segment reporting

Business areas (business segments) provide products that are subject to risks and returns that are different from those of other business segments. Geographical markets (geographical segments) provide products within a particular economic environment that is subject to risks and returns that are different from those of units operating in other economic environments. In the Group, business areas are classified as primary segments and geographical markets as secondary segments.

### Cash Flow Statement

The Cash Flow Statement is prepared in accordance with the indirect method. The recognised cash flow only includes transactions that entail cash receipts and cash payments. Cash and cash equivalents include, besides cash on hand and demand deposits, short-term, highly liquid investments that are subject to an insignificant risk of changes in value, and

- are traded on the open market at known amounts, or
- have a shorter remaining maturity than three months from the acquisition date.

### Definitions of key figures

*Risk-bearing capital*

Equity plus/less deferred tax liabilities/assets.

*Equity/assets ratio*

Equity as a percentage of the balance sheet total.

*Risk-bearing capital ratio*

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

*Return on capital employed (ROCE)*

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

*Return on equity (ROE)*

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

*Profit margin*

Profit after financial items as a percentage of sales.

*Net debt*

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

## Note 2 Risks and risk management

### 3.1 Operational risks

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

*Claims, product liability, recalls*

Claims refer to costs for rectifying or replacing defective products. The Group's claim costs amounted to less than a half of a per cent of turnover in 2007. If a product causes bodily harm or property damage, the Group may be held liable. The VBG GROUP is insured against such product liability losses. No major product liability losses have occurred during the past decade.

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

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

*Commodity prices*

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

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

*Technical advances*

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

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

The Group's costs for research and development amounted to one per cent of turnover in 2007.

*Intangible asset risks*

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

*Environmental risks*

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

*Political risks*

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

*Business interruption and property losses*

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

*Cyclical risks*

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

*IT security*

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

*Financial risks*

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

*Note 2 cont'd.*

### **Market risks**

#### *Currency risks*

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

#### *Transaction risks*

The Group's net flows of payments in foreign currencies give rise to transaction risks. The total value of net flows in foreign currencies amounted to an equivalent value of about SEK 280 M in 2007. The currency flows with the largest impact on earnings are inflows in USD and EUR to SEK. An exchange rate change of 10 per cent between EUR and SEK affects the Group's earnings by approximately SEK 22 M, while an equivalent change between USD and SEK affects earnings by approximately SEK 4 M. Net flows are not hedged.

#### *Translation risks*

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

Net assets in EUR amount to about EUR 55 M and borrowing to EUR 11 M.

#### *Interest rate risk*

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

#### *Credit risk*

Credit risk refers to the risk that one party in a transaction will be unable to fulfil his obligations, causing the other party a loss. The risk that customers will default on payment for delivered products is minimised by thorough checks of new customers and follow-up of the payment behaviour of existing customers. In some cases, receivables are protected by credit insurance. The Group's trade receivables amounted to SEK 199 M at year-end and are recognised at the amounts that are expected to be paid. All receivables are expected to be paid within 12 months. The geographic distribution of the trade receivables largely matches the distribution of turnover by region. One customer accounts for just over 10 per cent of the Group's turnover. The Group's bad debt losses normally amount to less than 0.1 per cent of turnover. The finance policy regulates how credit risk is minimised for financial instruments. This is done by restricting short-term investments to interest-bearing instruments with low risk and high liquidity and by limiting the maximum amount that may be invested with any given counterparty.

#### *Liquidity risk*

Liquidity risk, i.e. the risk of not being able to meet the Group's capital needs, is controlled by holding sufficient cash and cash equivalents and granted but unutilised credit facilities that can be utilised without qualifications. At the end of 2007, the unutilised credits amount to SEK 129 M.

#### *Capital risk*

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

The Group's long-range goal is that the equity/assets ratio should exceed 40 per cent.

### Note 3 Segment reporting (SEK M)

#### Primary segments – Business areas (business segments)

The Group is organised in two main business areas.

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

There are no sales between the business areas, and unallocated costs are Group-wide overheads. Assets in the business areas consist primarily of property, plant and equipment, intangible assets, inventories and receivables, but exclude cash and securities. Liabilities consist of operating liabilities but not tax. Investments consist of purchases of property, plant and equipment and intangible assets.

|                                     | VBG GROUP<br>TRUCK<br>EQUIPMENT | RINGFEDER<br>POWER<br>TRANSMISSION | Group-<br>wide | Group        |
|-------------------------------------|---------------------------------|------------------------------------|----------------|--------------|
| <b>Financial year 2007</b>          |                                 |                                    |                |              |
| External sales                      | 1,116.9                         | 206.4                              | —              | 1,323.3      |
| Operating profit/loss               | 179.7                           | 46.6                               | -13.1          | 213.2        |
| Financial expenses                  | —                               | —                                  | -13.1          | -13.1        |
| Financial income                    | —                               | —                                  | 1.4            | 1.4          |
| Tax expense for the year            | —                               | —                                  | -68.4          | -68.4        |
| <b>Net profit/loss for the year</b> | <b>179.7</b>                    | <b>46.6</b>                        | <b>-93.2</b>   | <b>133.1</b> |
| <b>Other disclosures</b>            |                                 |                                    |                |              |
| Non-current assets                  | 405.3                           | 19.4                               | 2.9            | 427.6        |
| Current assets                      | 359.5                           | 104.0                              | 10.8           | 474.3        |
| Cash on hand and demand deposits    | —                               | —                                  | 44.4           | 44.4         |
| <b>Assets</b>                       | <b>764.8</b>                    | <b>123.4</b>                       | <b>58.1</b>    | <b>946.3</b> |
| Non-current liabilities             | 133.2                           | 6.8                                | 71.2           | 211.2        |
| Current liabilities                 | 156.3                           | 22.4                               | 23.5           | 202.2        |
| <b>Liabilities</b>                  | <b>289.5</b>                    | <b>29.2</b>                        | <b>94.7</b>    | <b>413.4</b> |
| Investments                         | 15.5                            | 0.9                                | 0.5            | 16.9         |
| Depreciation/amortisation           | -28.0                           | -1.2                               | -0.1           | -29.3        |
| <b>Financial year 2006</b>          |                                 |                                    |                |              |
| External sales                      | 975.0                           | 188.1                              | —              | 1,163.1      |
| Operating profit/loss               | 154.5                           | 27.6                               | -11.6          | 170.5        |
| Financial expenses                  | —                               | —                                  | -6.4           | -6.4         |
| Financial income                    | —                               | —                                  | 1.7            | 1.7          |
| Tax expense for the year            | —                               | —                                  | -53.9          | -53.9        |
| <b>Net profit/loss for the year</b> | <b>154.5</b>                    | <b>27.6</b>                        | <b>-70.2</b>   | <b>111.9</b> |
| <b>Other disclosures</b>            |                                 |                                    |                |              |
| Non-current assets                  | 403.4                           | 20.0                               | 2.0            | 425.4        |
| Current assets                      | 301.2                           | 84.9                               | 5.4            | 391.5        |
| Cash on hand and demand deposits    | —                               | —                                  | 33.7           | 33.7         |
| <b>Assets</b>                       | <b>704.6</b>                    | <b>104.9</b>                       | <b>41.1</b>    | <b>850.6</b> |
| Non-current liabilities             | 161.0                           | 5.7                                | 67.2           | 233.9        |
| Current liabilities                 | 153.4                           | 15.1                               | 41.3           | 209.8        |
| <b>Liabilities</b>                  | <b>314.4</b>                    | <b>20.8</b>                        | <b>108.5</b>   | <b>443.7</b> |
| Investments                         | 43.8                            | 0.4                                | 0.2            | 44.4         |
| Depreciation/amortisation           | -28.9                           | -1.5                               | -0.1           | -30.5        |

Note 3 cont'd.

| Secondary segments – geographical segments | Sales          |                | Assets       |              | Investments |             |
|--|----------------|----------------|--------------|--------------|-------------|-------------|
|  | 2007           | 2006           | 2007         | 2006         | 2007        | 2006        |
| Sweden                                     | 199.6          | 170.6          | 173.4        | 159.9        | 4.9         | 30.1        |
| Other Nordic countries                     | 147.9          | 134.8          | 21.4         | 18.4         | 0.3         | 1.0         |
| Germany                                    | 412.4          | 354.8          | 421.6        | 399.2        | 9.0         | 11.4        |
| Rest of Europe                             | 386.0          | 325.6          | 221.6        | 187.2        | 2.0         | 1.7         |
| North America                              | 98.3           | 92.8           | 50.1         | 44.8         | 0.2         | —           |
| Rest of the world                          | 79.1           | 84.5           | —            | —            | —           | —           |
| <b>Total</b>                               | <b>1,323.3</b> | <b>1,163.1</b> | <b>888.1</b> | <b>809.5</b> | <b>16.4</b> | <b>44.2</b> |
| Unallocated assets                         |                |                | 58.2         | 41.1         | 0.5         | 0.2         |
| <b>Total assets</b>                        |                |                | <b>946.3</b> | <b>850.6</b> | <b>16.9</b> | <b>44.4</b> |

#### Note 4 Other operating income

|                                   | Group        |              |
|-----------------------------------|--------------|--------------|
|                                   | 2007         | 2006         |
| Royalty income                    | 690          | 870          |
| Rental/service income             | 629          | 723          |
| Capital gain, plant and equipment | 35           | 222          |
| Other                             | 1,444        | 1,411        |
| <b>Total</b>                      | <b>2,798</b> | <b>3,226</b> |

#### Note 5 Salaries, other remuneration and social security contributions

|                | 2007                            |   | 2006                            |   |
|----------------|---------------------------------|---|---------------------------------|---|
|                | Salaries and other remuneration | Soc. sec. contrib. (of which pension costs) | Salaries and other remuneration | Soc. sec. contrib. (of which pension costs) |
| Parent Company | 11,044                          | 5,305<br>(1,007)                            | 8,980                           | 4,599<br>(1,111)                            |
| Subsidiaries   | 172,519                         | 53,625<br>(10,091)                          | 164,968                         | 51,425<br>(10,280)                          |
| <b>Group</b>   | <b>183,563</b>                  | <b>58,930</b><br><b>(11,098)</b>            | <b>173,948</b>                  | <b>56,024</b><br><b>(11,391)</b>            |

Note 5 cont'd.

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

|                                   | 2007                               |                 | 2006                               |                 |
|-----------------------------------|------------------------------------|-----------------|------------------------------------|-----------------|
|                                   | Board and MD (of which bonus etc.) | Other employees | Board and MD (of which bonus etc.) | Other employees |
| Parent Company in Sweden          | 3,737<br>(942)                     | 7,307           | 3,056<br>(712)                     | 5,924           |
| Subsidiaries in Sweden            | —                                  | 58,130          | 1,327<br>(242)                     | 52,810          |
| <b>Foreign subsidiaries</b>       |                                    |                 |                                    |                 |
| Denmark                           | 1,094<br>(124)                     | 2,266           | 1,127<br>(149)                     | 2,356           |
| Norway                            | 1,075<br>(139)                     | 2,062           | 1,204<br>(161)                     | 1,826           |
| France                            |                                    | 2,044           | —                                  | 1,392           |
| UK                                |                                    | 1,934           | —                                  | 1,751           |
| Belgium                           |                                    | 9,375           | —                                  | 6,645           |
| Czech Republic                    |                                    | 2,849           | —                                  | 2,230           |
| USA                               | 2,238<br>(1,731)                   | 10,662          | 2,411<br>(1,859)                   | 10,326          |
| Germany                           | 1,693<br>(324)                     | 77,097          | 1,694<br>(324)                     | 77,869          |
| <b>Total foreign subsidiaries</b> | <b>6,100</b><br><b>(2,318)</b>     | <b>108,289</b>  | <b>6,436</b><br><b>(2,493)</b>     | <b>104,395</b>  |
| <b>Total, Group</b>               | <b>9,837</b><br><b>(3,260)</b>     | <b>173,726</b>  | <b>10,819</b><br><b>(3,447)</b>    | <b>163,129</b>  |

| Average no. of employees       | 2007             |             | 2006             |             |
|--------------------------------|------------------|-------------|------------------|-------------|
|                                | No. of employees | Of whom Men | No. of employees | Of whom Men |
| <b>Parent Company</b>          |                  |             |                  |             |
| Sweden                         | 6                | 5           | 5                | 4           |
| <b>Total in Parent Company</b> | <b>6</b>         | <b>5</b>    | <b>5</b>         | <b>4</b>    |
| <b>Subsidiaries</b>            |                  |             |                  |             |
| Sweden                         | 158              | 133         | 154              | 129         |
| Norway                         | 5                | 4           | 5                | 4           |
| Denmark                        | 6                | 6           | 6                | 6           |
| France                         | 4                | 3           | 4                | 3           |
| Belgium                        | 43               | 30          | 31               | 21          |
| UK                             | 4                | 3           | 4                | 3           |
| Czech Republic                 | 38               | 27          | 32               | 20          |
| USA                            | 17               | 12          | 16               | 12          |
| Germany                        | 141              | 120         | 154              | 130         |
| <b>Total in subsidiaries</b>   | <b>416</b>       | <b>338</b>  | <b>406</b>       | <b>328</b>  |
| <b>Total, Group</b>            | <b>422</b>       | <b>343</b>  | <b>411</b>       | <b>332</b>  |

At year-end the Group had 426 employees (400).

Note 5 cont'd.

### Sickness absence

| Per cent   | Group |      | Swedish companies |      |
|--|-------|------|-------------------|------|
|  | 2007  | 2006 | 2007              | 2006 |
| Total sickness absence as percentage of regular working hours                            | 4.1   | 4.0  | 4.9               | 4.8  |
| Percentage of total sickness absence related to continuous sick leave of 60 days or more | 41.5  | 32.5 | 51.0              | 33.5 |

### Sickness absence as percentage of regular working hours by gender

| Per cent | Group |      | Swedish companies |      |
|----------|-------|------|-------------------|------|
|          | 2007  | 2006 | 2007              | 2006 |
| Men      | 3.2   | 3.4  | 4.0               | 4.0  |
| Women    | 0.8   | 0.6  | 0.9               | 0.8  |

### Sickness absence as percentage of regular working hours by age group

| Per cent            | Group |      | Swedish companies |      |
|---------------------|-------|------|-------------------|------|
|                     | 2007  | 2006 | 2007              | 2006 |
| 29 years or younger | 0.3   | 0.4  | 0.3               | 0.4  |
| 30–49 years         | 2.6   | 2.2  | 3.1               | 2.6  |
| 50 years or older   | 1.2   | 1.4  | 1.5               | 1.7  |

### Board of Directors and senior officers

|  | 2007                |             | 2006                |             |
|--|---------------------|-------------|---------------------|-------------|
|  | No. on closing date | Of whom Men | No. on closing date | Of whom Men |
| <b>Group (incl. subsidiaries)</b>            |                     |             |                     |             |
| Board members                                | 20                  | 18          | 20                  | 18          |
| Managing directors and other senior officers | 39                  | 35          | 38                  | 34          |

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

|  | 2007   |     | 2006   |     |
|--|--------|-----|--------|-----|
|  | Number | Men | Number | Men |
| <b>Parent Company</b>                        |        |     |        |     |
| Board members                                | 8      | 7   | 8      | 7   |
| Managing directors and other senior officers | 6      | 6   | 4      | 4   |

### Remuneration to senior officers

In accordance with a resolution by the 2007 AGM, the Chairman and members of the Board receive a total of SEK 475,000 in fixed annual fees plus a variable fee per person and attended meeting of SEK 4,000 for ordinary members and SEK 300 for employee representatives. No Board fees are paid to employees of VBG GROUP AB (publ). Remuneration to the Managing Director and other senior officers consists of basic salary, variable remuneration, other benefits, pension and other remuneration. By "other senior officers" is meant the 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 42 per cent of his basic salary. The variable remuneration of other senior officers may not exceed 25 or 33 per cent of their basic salary. The variable remuneration is based on actual outcome in relation to set goals. Pension benefits and other benefits for the Managing Director and other senior officers are payable as a part of the total remuneration. The retirement age for the Managing Director and other senior officers is 65 years.

The Managing Director has an employment contract that expires with a notice of termination of 6 months, during which time his salary is guaranteed. Other pension benefits are regulated by the SAF/PTK agreement. Variable remuneration is not pensionable. In the event his employment is terminated by the Company, the Managing Director is entitled to receive 12 months of employment benefits and severance pay equivalent to 6 months' salary. The equivalent period for other senior officers is 6–18 months. Compensation to the Managing Director for financial year 2007 has been decided by the Compensation Committee. Compensation to other senior officers has been decided by the Managing Director in consultation with the Compensation Committee.

### Related party disclosures

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

|                                     | Basic salary | Variable     | Other benefits | Pension cost | Total         |
|-------------------------------------|--------------|--------------|----------------|--------------|---------------|
| Chairman Richard Persson            | 110          | 23           |                |              | 133           |
| Deputy Chairman Peter Hansson       | 95           | 18           |                |              | 113           |
| Director Victoria Wikström          | 80           | 15           |                |              | 95            |
| Director Johnny Alvarsson           | 80           | 23           |                |              | 103           |
| Director Staffan Ekelund            | 80           | 23           |                |              | 103           |
| MD Anders Birgersson                | 2,245        | 941          | 78             | 346          | 3,610         |
| Other senior officers (six persons) | 7,237        | 1,956        | 359            | 1,576        | 11,128        |
| <b>Total (thirteen persons)</b>     | <b>9,927</b> | <b>2,999</b> | <b>437</b>     | <b>1,922</b> | <b>15,285</b> |

## Note 6 Fees and cost reimbursement paid to auditors

|                               | Group        |              | Parent Company |            |
|-------------------------------|--------------|--------------|----------------|------------|
|                               | 2007         | 2006         | 2007           | 2006       |
| <b>PricewaterhouseCoopers</b> |              |              |                |            |
| Auditing assignments          | 1,921        | 2,012        | 425            | 396        |
| Other assignments             | 725          | 1,194        | 217            | 449        |
|                               | <b>2,646</b> | <b>3,206</b> | <b>642</b>     | <b>845</b> |

## Note 7 Depreciation and amortisation

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

|  | Group         |               | Parent Company |              |
|--|---------------|---------------|----------------|--------------|
|  | 2007          | 2006          | 2007           | 2006         |
| Cost of goods sold                         | 18,782        | 18,358        | —              | —            |
| Selling expenses                           | 6,690         | 7,626         | —              | 36           |
| Administrative expenses                    | 3,436         | 4,160         | 42             | 26           |
| Research and development costs             | 380           | 323           | —              | —            |
| Other operating expenses                   | —             | —             | 2,927          | 4,205        |
| <b>Total depreciation and amortisation</b> | <b>29,288</b> | <b>30,467</b> | <b>2,969</b>   | <b>4,267</b> |

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

|  | Group         |               | Parent Company |              |
|--|---------------|---------------|----------------|--------------|
|  | 2007          | 2006          | 2007           | 2006         |
| Brands                                     | 4,562         | 5,036         | 1,884          | 1,885        |
| Computer software                          | 649           | 826           | —              | —            |
| Land and buildings                         | 3,489         | 3,586         | 1,043          | 1,018        |
| Plant and equipment                        | 13,313        | 13,254        | —              | 1,139        |
| Equipment, tools, fixtures and fittings    | 7,275         | 7,765         | 42             | 225          |
| <b>Total depreciation and amortisation</b> | <b>29,288</b> | <b>30,467</b> | <b>2,969</b>   | <b>4,267</b> |

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

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

## Note 8 Appropriations

|   | Parent Company |            |
|---|----------------|------------|
|   | 2007           | 2006       |
| Difference between book depreciation and depreciation according to plan | -3,448         | 350        |
| Change in tax allocation reserve  | 300            | 112        |
| <b>Total</b>  | <b>-3,148</b>  | <b>462</b> |

## Note 9 Tax on profit for the year

|                   | Group          |                | Parent Company |               |
|-------------------|----------------|----------------|----------------|---------------|
|                   | 2007           | 2006           | 2007           | 2006          |
| Current tax       |                |                |                |               |
| Swedish company   | -7,977         | -12,882        | -2,024         | -2,541        |
| Foreign companies | -58,373        | -41,213        | —              | —             |
| Deferred tax      |                |                |                |               |
| Swedish company   | -3,569         | -1,605         | —              | —             |
| Foreign companies | 1,497          | 1,818          | —              | —             |
| <b>Total</b>      | <b>-68,422</b> | <b>-53,882</b> | <b>-2,024</b>  | <b>-2,541</b> |

### Reconciliation with tax recognised in the Income Statement:

The difference between the Group's tax expense and tax income based on current tax rates consists of the following items:

|  | Group          |                |
|--|----------------|----------------|
|  | 2007           | 2006           |
| Reported profit before tax                             | 201,501        | 165,766        |
| Tax according to rates applicable to each legal entity | -66,444        | -55,184        |
| Non-deductible expenses Sweden                         | -157           | -84            |
| Internal profit in inventories                         | 101            | 5              |
| Other  | -1,922         | 1,381          |
| <b>Total tax</b>                                       | <b>-68,422</b> | <b>-53,882</b> |

## Note 10 Intangible assets

|  | Group          |                | Parent Company |               |
|--|----------------|----------------|----------------|---------------|
|  | 2007           | 2006           | 2007           | 2006          |
| <b>Computer software/ Trademarks, patents and other rights</b> |                |                |                |               |
| Opening acquisition value                                      | 85,304         | 91,772         | 30,124         | 30,124        |
| Purchases during the year                                      | 1,107          | 259            | —              | —             |
| Retirements  | -18            | -3,663         | —              | —             |
| Translation differences  | 3,209          | -3,064         | —              | —             |
| <b>Closing accumulated costs</b>                               | <b>89,602</b>  | <b>85,304</b>  | <b>30,124</b>  | <b>30,124</b> |
| Opening amortisation   | -23,235        | -21,998        | -7,142         | -5,257        |
| Amortisation for the year                                      | -5,211         | -5,862         | -1,884         | -1,885        |
| Retirements  | 18             | 3,663          | —              | —             |
| Translation differences  | -559           | 962            | —              | —             |
| <b>Closing accumulated amortisation</b>                        | <b>-28,987</b> | <b>-23,235</b> | <b>-9,026</b>  | <b>-7,142</b> |
| <b>Closing balance</b>   | <b>60,615</b>  | <b>62,069</b>  | <b>21,098</b>  | <b>22,982</b> |
| <b>Of which trademark</b>                                      | <b>58,455</b>  | <b>60,951</b>  | <b>21,098</b>  | <b>22,982</b> |

Note 10 cont'd.

|                                 | Group        |          | Parent Company |          |
|---------------------------------|--------------|----------|----------------|----------|
|                                 | 2007         | 2006     | 2007           | 2006     |
| <b>Construction in progress</b> |              |          |                |          |
| Opening balance                 | —            | —        | —              | —        |
| Purchases during the year       | 1,580        | —        | 467            | —        |
| <b>Closing balance</b>          | <b>1,580</b> | <b>—</b> | <b>467</b>     | <b>—</b> |

|                                  | Group          |                |
|----------------------------------|----------------|----------------|
|                                  | 2007           | 2006           |
| <b>Goodwill</b>                  |                |                |
| Opening cost                     | 213,431        | 223,291        |
| Translation differences          | 9,164          | -9,860         |
| <b>Closing accumulated costs</b> | <b>222,595</b> | <b>213,431</b> |

Goodwill is allocated to the VBG GROUP TRUCK EQUIPMENT business area, of which SEK 192,009,000 is attributable to the Sliding Roofs product area acquired in 2005. The value of the Group's goodwill is tested annually or more frequently, as needed, by measuring the Group's business areas and comparing with book values. The measurement is based on forecast cash flow for 2008 and unchanged assumptions for subsequent years. See Note 28 for a sensitivity analysis.

## Note 11 Property, plant and equipment

|  | Group          |                | Parent Company |                |
|--|----------------|----------------|----------------|----------------|
|  | 2007           | 2006           | 2007           | 2006           |
| <b>Land and buildings</b>                    |                |                |                |                |
| Opening costs                                | 78,834         | 83,249         | 32,587         | 31,591         |
| Purchases during the year                    | 2,617          | 1,203          | 1,082          | 996            |
| Reclassification                             | —              | -2,749         | —              | —              |
| Translation differences                      | 1,074          | -2,869         | —              | —              |
| <b>Closing accumulated costs</b>             | <b>82,525</b>  | <b>78,834</b>  | <b>33,669</b>  | <b>32,587</b>  |
| Opening depreciation                         | -28,380        | -27,959        | -21,947        | -20,929        |
| Depreciation for the year                    | -3,489         | -3,586         | -1,043         | -1,018         |
| Reclassification                             | —              | 2,518          | —              | —              |
| Translation differences                      | 220            | 647            | —              | —              |
| <b>Closing accumulated depreciation</b>      | <b>-31,649</b> | <b>-28,380</b> | <b>-22,990</b> | <b>-21,947</b> |
| <b>Closing balance</b>                       | <b>50,876</b>  | <b>50,454</b>  | <b>10,679</b>  | <b>10,640</b>  |
| Book value, real estate in Sweden            | 10,679         | 10,640         | 10,679         | 10,640         |
| Tax assessment values, real estate in Sweden | 32,792         | 20,088         | 32,792         | 20,088         |

|   | Group           |                 | Parent Company |                |
|---|-----------------|-----------------|----------------|----------------|
|   | 2007            | 2006            | 2007           | 2006           |
| <b>Plant and equipment</b>              |                 |                 |                |                |
| Opening costs                           | 177,674         | 158,761         | 25,715         | 28,527         |
| Purchases during the year               | 5,582           | 33,793          | —              | —              |
| Sales and retirements                   | -1,394          | -13,138         | -1,276         | -2,812         |
| Reclassification                        | 951             | -215            | —              | —              |
| Translation differences                 | 2,048           | -1,527          | —              | —              |
| <b>Closing accumulated costs</b>        | <b>184,861</b>  | <b>177,674</b>  | <b>24,439</b>  | <b>25,715</b>  |
| Opening depreciation                    | -105,156        | -105,245        | -25,715        | -27,388        |
| Sales and retirements                   | 1,394           | 12,010          | 1,276          | 2,812          |
| Depreciation for the year               | -13,313         | -13,254         | —              | -1,139         |
| Reclassification                        | -255            | —               | —              | —              |
| Translation differences                 | -1,591          | 1,333           | —              | —              |
| <b>Closing accumulated depreciation</b> | <b>-118,921</b> | <b>-105,156</b> | <b>-24,439</b> | <b>-25,715</b> |
| Impairment losses in 2001               | -5,397          | -5,397          | —              | —              |
| <b>Closing balance</b>                  | <b>60,543</b>   | <b>67,121</b>   | <b>0</b>       | <b>0</b>       |

Note 11 cont'd

|  | Group          |                | Parent Company |                |
|--|----------------|----------------|----------------|----------------|
|  | 2007           | 2006           | 2007           | 2006           |
| <b>Equipment, tools, fixtures and fittings</b> |                |                |                |                |
| Opening cost                                   | 87,876         | 84,416         | 12,359         | 12,621         |
| Purchases during the year                      | 5,848          | 9,259          | 17             | 170            |
| Sales and retirements                          | -2,359         | -12,316        | -326           | -432           |
| Reclassification                               | -351           | 7,784          | —              | —              |
| Translation differences                        | 2,186          | -1,267         | —              | —              |
| <b>Closing accumulated costs</b>               | <b>93,200</b>  | <b>87,876</b>  | <b>12,050</b>  | <b>12,359</b>  |
| Opening depreciation                           | -51,806        | -55,079        | -12,130        | -12,337        |
| Sales and retirements                          | 1,795          | 12,623         | 208            | 432            |
| Reclassification                               | 255            | -2,518         | —              | —              |
| Depreciation for the year                      | -7,276         | -7,765         | -42            | -225           |
| Translation differences                        | -1,460         | 933            | —              | —              |
| <b>Closing accumulated depreciation</b>        | <b>-58,492</b> | <b>-51,806</b> | <b>-11,964</b> | <b>-12,130</b> |
| Impairment losses in 2001                      | -5,639         | -5,639         | —              | —              |
| <b>Closing balance</b>                         | <b>29,069</b>  | <b>30,431</b>  | <b>86</b>      | <b>229</b>     |

|                                 | Group      |            |
|---------------------------------|------------|------------|
|                                 | 2007       | 2006       |
| <b>Construction in progress</b> |            |            |
| Opening balance                 | 612        | 5,539      |
| Purchases during the year       | 210        | 25         |
| Reclassification                | -600       | -4,820     |
| Translation difference          | -12        | -132       |
| <b>Closing balance</b>          | <b>210</b> | <b>612</b> |

## Note 12 Interests in Group companies Changes in book values

|   | Parent Company |                |
|---|----------------|----------------|
|   | 2007           | 2006           |
| <b>Interests in Group companies</b>                                       |                |                |
| Opening   | 461,804        | 449,147        |
| Acquisition of subsidiaries   | 29,663         | —              |
| Reversal of impairment loss for VBG GROUP TRUCK EQUIPMENT GMBH            | —              | 35,000         |
| Repayment of shareholders' contribution by VBG GROUP TRUCK EQUIPMENT GMBH | —              | -40,680        |
| Capital in start-up company in Germany, RINGFEDER POWER TRANSMISSION GMBH | —              | 18,337         |
| <b>Closing balance</b>  | <b>491,467</b> | <b>461,804</b> |

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

Note 12 cont'd.

### Corporate identity numbers and domiciles of Group companies

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

EDSCHA LKW SCHIEBEVERDECKE GMBH and VBG GROUP TRUCK EQUIPMENT GMBH have been merged as of 1 January 2007. The shares in VBG GROUP SALES AS, VBG GROUP SALES A/S and VBG GROUP TRUCK EQUIPMENT S.R.O were acquired by the Parent Company during the year from other companies in the Group.

### Note 13 Deferred tax liabilities/assets

#### Deferred tax assets

|   | Group        |              | Parent Company |          |
|---|--------------|--------------|----------------|----------|
|   | 2007         | 2006         | 2007           | 2006     |
| Deferred tax asset on increase of pension liability | 3,987        | 4,664        | —              | —        |
| Other temporary differences                         | 849          | 275          | —              | —        |
| <b>Total tax assets, gross</b>                      | <b>4,836</b> | <b>4,939</b> | <b>—</b>       | <b>—</b> |

#### Deferred tax liabilities

|   | Group         |               | Parent Company |              |
|---|---------------|---------------|----------------|--------------|
|   | 2007          | 2006          | 2007           | 2006         |
| Deferred tax liabilities relating to tax allocation reserves  | 16,880        | 15,624        | 1,974          | 2,058        |
| Deferred tax liabilities relating to difference between residual values of non-current assets carried in the books and residual values for tax purposes | 46,308        | 44,572        | 5,974          | 5,009        |
| <b>Total tax liabilities, gross</b>   | <b>63,188</b> | <b>60,196</b> | <b>7,948</b>   | <b>7,067</b> |

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

|                                      | Group          |                | Parent Company |               |
|--------------------------------------|----------------|----------------|----------------|---------------|
|                                      | 2007           | 2006           | 2007           | 2006          |
| Recognised deferred tax liabilities  | -60,445        | -56,527        | -7,948         | -7,067        |
| Recognised deferred tax assets       | 2,093          | 1,270          | —              | —             |
| <b>Deferred tax liabilities, net</b> | <b>-58,352</b> | <b>-55,257</b> | <b>-7,948</b>  | <b>-7,067</b> |

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

### Note 14 Inventories

| Inventories                                 | Group          |                |
|---|----------------|----------------|
|   | 2007           | 2006           |
| VBG GROUP TRUCK EQUIPMENT:                  |                |                |
| Raw materials and consumables               | 72,993         | 60,397         |
| Semi-finished products and work in progress | 35,707         | 28,697         |
| Finished products and merchandise           | 77,911         | 63,370         |
| <b>Total inventories</b>                    |                |                |
| <b>VBG GROUP TRUCK EQUIPMENT</b>            | <b>186,611</b> | <b>152,464</b> |
| RINGFEDER POWER TRANSMISSION:               |                |                |
| Raw materials and consumables               | 7,904          | 6,176          |
| Semi-finished products and work in progress | 4,758          | 2,653          |
| Finished products and merchandise           | 51,108         | 40,321         |
| <b>Total inventories</b>                    |                |                |
| <b>RINGFEDER POWER TRANSMISSION</b>         | <b>63,770</b>  | <b>49,150</b>  |
| <b>Total</b>                                | <b>250,381</b> | <b>201,614</b> |

Impairment of inventories due to obsolescence amounts to SEK 16,471 thousand (20,017).

### Note 15 Prepaid expenses and accrued income

|  | Group        |              | Parent Company |            |
|--|--------------|--------------|----------------|------------|
|  | 2007         | 2006         | 2007           | 2006       |
| Prepaid lease payments                                 | 35           | —            | —              | —          |
| Accrued royalty  | 115          | —            | 115            | —          |
| Insurance premiums paid in advance                     | 314          | 878          | 116            | 314        |
| Service charges paid in advance                        | 717          | 501          | 10             | —          |
| Advance payment to OM Stockholmsbörsen                 | 48           | 48           | 48             | 48         |
| Marketing activities paid in advance                   | 362          | 313          | —              | —          |
| Accrued supplier bonus                                 | 38           | 32           | —              | —          |
| Advance payment of rent for video conference equipment | —            | 104          | —              | 104        |
| Other items  | 3,592        | 2,980        | 115            | 62         |
| <b>Total</b>   | <b>5,221</b> | <b>4,856</b> | <b>404</b>     | <b>528</b> |

### Note 16 Equity

The share capital consists of 13,694,000 shares with a quotient value of SEK 2.50. Of these, 1,220,000 are Series A shares carrying 10 votes each. The remaining shares, of Series B, total 12,474,000 and carry 1 vote each. The Annual General Meeting on 24 April 2002 resolved to repurchase every tenth Series B share for SEK 31.25 each. All shareholders were offered the chance to sell back their shares. 1,191,976 shares were bought back, which is equivalent to 96 per cent of the number that could be bought back. At the same AGM, the Board was authorised to use repurchased shares to pay for business combinations during the period up until the next AGM in 2003. This authorisation was extended at the AGMs in 2003, 2004, 2005, 2006 and 2007 until the next AGM (2008). This authorisation had not been utilised at year-end, and all redeemed shares are still owned by VBG GROUP AB (publ). There are thus 12,502,024 shares in free float, 1,220,000 of which are Series A shares and 11,282,024 Series B shares.

## Note 17 Untaxed reserves

|   | Parent Company |               |
|---|----------------|---------------|
|   | 2007           | 2006          |
| Accumulated difference between book depreciation/amortisation and depreciation/amortisation in excess of plan | 21,337         | 17,889        |
| Tax allocation reserve  | 7,050          | 7,350         |
| <b>Total</b>  | <b>28,387</b>  | <b>25,239</b> |

## Note 18 Provisions for pensions and similar obligations

| Parent Company   | 2007   | 2006   |
|--|--------|--------|
| Provisions in accordance with Swedish Act on Safeguarding of Pension Obligations |        |        |
| FPG/PRI pensions   | 11,643 | 10,812 |
| <b>Group</b>   |        |        |
| Provisions in accordance with IAS 19   |        |        |
| Defined-benefit pension plans  | 81,105 | 74,403 |

### Defined-benefit pension plans

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

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

|   | Sweden        | Germany       | Other countries | 31/12 2007 Total | 31/12 2006 Total | 31/12 2005 Total |
|---|---------------|---------------|-----------------|------------------|------------------|------------------|
| Present value of funded obligations             |               |               | 20,906          | 20,906           | 18,893           | 8,905            |
| Fair value of plan assets                       |               |               | -18,618         | -18,618          | -16,430          | -7,427           |
|   |               |               | <b>2,288</b>    | <b>2,288</b>     | <b>2,463</b>     | <b>1,478</b>     |
| Present value of unfunded obligations           | 45,372        | 49,902        |                 | 95,274           | 86,806           | 81,575           |
| Unrecognised actuarial gains (+) and losses (-) | -15,881       | -1,246        | 670             | -16,457          | -14,866          | -14,182          |
| <b>Net liability in Balance Sheet</b>           | <b>29,491</b> | <b>48,656</b> | <b>2,958</b>    | <b>81,105</b>    | <b>74,403</b>    | <b>68,871</b>    |

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

|   | 2007          | 2006          |
|---|---------------|---------------|
| Current service costs                                       | 3,454         | 6,663         |
| Interest expense  | 4,728         | 4,188         |
| Expected return on plan assets                              | -862          | -730          |
| Net actuarial gains (+) and losses (-) recognised last year | 537           | 600           |
| <b>Costs for defined-benefit plans</b>                      | <b>7,857</b>  | <b>10,721</b> |
| <b>Costs for defined-contribution plans</b>                 | <b>7,960</b>  | <b>4,858</b>  |
| <b>Total costs recognised in the Income Statement</b>       | <b>15,817</b> | <b>15,579</b> |
| Of which  |               |               |
| Amount charged to operating profit                          | 14,461        | 14,349        |
| Amount charged to financial expenses                        | 1,356         | 1,230         |
| <b>Total costs recognised in the income statement</b>       | <b>15,817</b> | <b>15,579</b> |

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

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

|   | 2007          | 2006          |
|---|---------------|---------------|
| Net liability at beginning of year according to adopted Balance Sheet | 74,403        | 68,871        |
| Net cost recognised in Income Statement                               | 7,857         | 10,721        |
| Benefit payments  | -2,737        | -1,639        |
| Contributions to funded plans   | -655          | -1,413        |
| Exchange rate differences on foreign plans                            | 2,237         | -2,137        |
| <b>Net liability at year-end</b>                                      | <b>81,105</b> | <b>74,403</b> |

Actuarial assumptions regarding significant defined-benefit:

| Per cent                       | 2007   |         | 2006   |         |
|--------------------------------|--------|---------|--------|---------|
|                                | Sweden | Germany | Sweden | Germany |
| Discount rate                  | 4.3    | 5.25    | 4.0    | 4.5     |
| Future annual salary increases | 3.5    | 2.75    | 3.5    | 2.75    |
| Inflation rate                 | 2.0    | 1.75    | 2.0    | 1.75    |

## Note 19 Other provisions

|                      | Group        |              |
|----------------------|--------------|--------------|
|                      | 2007         | 2006         |
| Warranty obligations | 1,454        | 1,292        |
| <b>Total</b>         | <b>1,454</b> | <b>1,292</b> |

## Note 20 Borrowing

Borrowing by the Group excluding overdraft facilities amounts to SEK 106,504 thousand (138,415). All borrowing is in EUR. Most of the borrowing consists of the loan raised to finance the acquisitions made in 2005. The translation difference on the acquisition loan is posted to equity to the extent it hedges net assets in EUR. The interest rate on this loan is 3.05 per cent throughout its term.

SEK 38,293 thousand of the loans (36,672) falls due for payment within 1 year, another SEK 38,292 thousand (36,581) within 1 more year. SEK 303 thousand (751) falls due for payment more than five years after the balance sheet date.

## Note 21 Trade receivables

|                                     | Group          |                |
|-------------------------------------|----------------|----------------|
|                                     | 2007           | 2006           |
| Invoiced receivables                | 202,472        | 166,107        |
| Receivables                         | -3,460         | -3,737         |
| <b>Recognised trade receivables</b> | <b>199,012</b> | <b>162,370</b> |

Overdue trade receivables (incl. those for which provision has been made) amount to SEK 58,312 thousand (47,969).

## Note 22 Overdraft facilities

The Group has overdraft facilities amounting to SEK 140,735 thousand (136,500), of which the amount utilised is SEK 11,634 thousand (10,831). The interest rate on the overdraft facilities lies between 3.7 and 4.2 per cent.

## Note 23 Accrued expenses and prepaid income

|                                     | Group         |               | Parent Company |              |
|-------------------------------------|---------------|---------------|----------------|--------------|
|                                     | 2007          | 2006          | 2007           | 2006         |
| Special payroll tax                 | 1,722         | 1,525         | 549            | 387          |
| Accrued personnel costs             | 44,702        | 35,356        | 5,551          | 4,267        |
| Accrued audit fees                  | 1,924         | 1,353         | 340            | 200          |
| Commissions and sales support       | 5,605         | 1,299         | —              | —            |
| Accrued rental costs                | 474           | 2,579         | —              | —            |
| Accrued consultant expenses         | 52            | 272           | —              | —            |
| Energy costs                        | 512           | 161           | —              | —            |
| Tax on return                       | 143           | 119           | 59             | 52           |
| Freight and goods handling          | 64            | 294           | —              | —            |
| Property tax                        | 164           | 100           | 164            | 100          |
| Severance pay, personnel in Germany | 483           | 462           | —              | —            |
| Other items                         | 6,690         | 12,364        | 48             | 242          |
| <b>Total</b>                        | <b>62,535</b> | <b>55,884</b> | <b>6,711</b>   | <b>5,248</b> |

## Note 24 Contingent liabilities

|  | Group      |            | Parent Company |               |
|--|------------|------------|----------------|---------------|
|  | 2007       | 2006       | 2007           | 2006          |
| Guarantees for the benefit of subsidiaries | —          | —          | 17,789         | 15,574        |
| Other                                      | 789        | 527        | 433            | 216           |
| <b>Total Contingent liabilities</b>        | <b>789</b> | <b>527</b> | <b>18,222</b>  | <b>15,790</b> |

## Note 25 Leases

|                         | Group        |              |
|-------------------------|--------------|--------------|
|                         | 2007         | 2006         |
| <b>Operating leases</b> |              |              |
| Property leases         | 5,200        | 5,267        |
| Others                  | —            | —            |
| <b>Total, Group</b>     | <b>5,200</b> | <b>5,267</b> |

Property leases pertain to factory and office properties in foreign subsidiaries. Remaining payments on leases in effect at year-end amount to SEK 18.4 M, of which SEK 5 M will fall due for payment in 2008 and SEK 0 M will fall due after 2011.

## Note 26 Consolidated Cash Flow Statement

| Other items not affecting liquidity in operating activities | 2007  | 2006         |
|---|---|--------------|
|   | Capital gain/loss on property, plant and equipment included in investing activities | 196          |
| Change in provisions  | 6,864   | 7,479        |
| Interest element of pension costs                           | -1,356  | -1,230       |
| Other items   | -2,173  | 2,182        |
| <b>Total</b>  | <b>3,531</b>  | <b>8,575</b> |

| Acquisition of non-current assets                                  | Intangible    | Property, plant and equipment |
|--|---------------|-------------------------------|
|  |               |                               |
| Capital expenditures during the year (Notes 10 and 11)             | -2,687        | -14,257                       |
| <b>Effect of capital expenditures on cash and cash equivalents</b> | <b>-2,687</b> | <b>-14,257</b>                |

|                                  | 2007                             |
|----------------------------------|----------------------------------|
|                                  | <b>Cash and cash equivalents</b> |
| Cash on hand and demand deposits | 43,946                           |
| Short-term investments           | 459                              |
| <b>Cash and cash equivalents</b> | <b>44,405</b>                    |

Short-term investments in the Balance Sheet totalled SEK 459 thousand, of which SEK 0 comprised non-renewable receivables with a maturity of more than three months and investments in shares. Credit facilities granted but not utilised amounted to SEK 129,100 thousand at year-end.

## Note 27 Important accounting estimates and assessments

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

The Group makes estimates and assumptions about the future with regard to pensions, provisions and restructuring costs. The accounting estimates that result from these assumptions will, by definition, seldom correspond to the actual result.

Every year the Group carries out impairment testing of goodwill. Recoverable amounts for cash-generating units have been established by calculation of value in use. Certain estimates must be made for these calculations (Note 10). If the estimated discount rate after tax, known as the WACC (weighted average cost of capital), had been 1 percentage point higher than the assumed rate of 8 per cent, it would not have entailed any goodwill impairment.

### Financial statements will be submitted to the Annual General Meeting on 13 May 2008 for adoption.

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

Vänersborg 26 February 2008

Richard Persson  
Chairman of the Board

Anders Birgersson  
Managing Director and CEO

Peter Hansson

Johnny Alvarsson

Victoria Wikström

Staffan Ekelund

Willy Gustafsson

Hans Gustafsson

My Audit Report was submitted on 26 February 2008

Bror Frid  
Authorised Public Accountant

# Audit Report

## To the Annual General Meeting of Shareholders of VBG GROUP Aktiebolag (publ)

Corp. ID No 556069-0751

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of VBG GROUP AB (publ) for the year 2007. The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 25–49. The Board of Directors and the Managing Director are responsible for these accounts and the administration of the Company as well as for the application of the Annual Reports Act in the preparation of the annual report and the application of International Financial Reporting Standards (IFRSs) as adopted by the EU and the Annual Reports Act in the preparation of the consolidated accounts. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles and their application by the Board of Directors and the Managing Director and significant estimates made by the Board of Directors and the Managing Director when preparing the annual accounts and consolidated accounts, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis

for my opinion concerning discharge from liability, I 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. I also examined whether any Board member or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Reports Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts have been prepared in accordance with the Annual Reports Act and give a true and fair view of the Company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the Annual Reports Act and give a true and fair view of the Group's financial position and results of operations. The statutory Report of the Directors is consistent with the other parts of the annual accounts and the consolidated accounts.

I recommend to the Annual General Meeting of Shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Report of the Directors and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Göteborg, 26 February 2008

Bror Frid  
Authorised Public Accountant

# Corporate Governance

VBG GROUP AB (publ) is a Swedish limited liability company whose Series B shares are listed on Stockholmsbörsen (the Stockholm Stock Exchange), where they are traded on OMX Nordic Exchange Mid Cap. VBG GROUP AB's corporate governance is based on Swedish law, the listing agreement with Stockholmsbörsen and the Articles of Association.

Starting 1 July 2005, the Swedish Code of Corporate Governance (the Code) must be applied by all companies listed on Stockholmsbörsen that have a market value of more than SEK 3 billion. Since VBG GROUP AB's market value is currently below this limit, the Board of Directors has chosen not to apply the Code for the time being.

## General Meeting of Shareholders

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

## Annual General Meeting 2007

VBG GROUP AB's Annual General Meeting of 8 May 2007 resolved to adopt the Board's proposal regarding the dividend for 2006 of SEK 2.00 per share with a record date of 11 May 2007.

The AGM resolved to re-elect Chairman Richard Persson, Deputy Chairman Peter Hansson and directors Anders Birgersson, Staffan Ekelund, Johnny Alvarsson and Victoria Wikström.

The AGM also authorised the Board to resolve on one or more occasions up until the 2008 Annual General Meeting that repurchased shares can be transferred, notwithstanding the shareholders' pre-emption rights, and that non-cash payment can be made for such transferred shares. This authorisation enables the Board of Directors to use the Company's own shares as payment for acquired companies.

Further, the AGM resolved to appoint a Nomination Committee consisting of Richard Persson, Staffan Ekelund, Åke Persson and Reidar Öster, with Reidar Öster as chairman. The Nominating Committee submits recommendations for Board members and their fees and, if they are up for election, recommendations for auditors. From the time of the 2007 AGM up until the publication of this annual report, the Nominating Committee held two meetings.

## The work of the Board of Directors

The Board of Directors of VBG GROUP AB currently consists of six members elected by the AGM for a term of one year. The AGM did not elect any deputies. In addition, the trade unions Unionen/CF/Ledarna and IF Metall each appoint one member and one deputy member.

The work of the Board follows an annual plan designed to satisfy the need of the Board for information. In all other respects, the work of the Board is subject to the special rules

of procedure the Board has adopted governing the division of responsibilities between the Board and the Managing Director. Company officers take part in Board meetings by submitting reports or serving in the post of secretary.

In addition, the company's auditor reports his observations to the Board every year based on his examination and gives his assessment of the company's internal control.

## The work of the Board during 2007

During financial year 2007, the Board of Directors held 7 (10) meetings. Prior to each Board meeting, an agenda is sent out to the Board members along with in-depth information on the business at hand. During 2007 the Board of Directors dealt with matters concerning the Group's brand strategy, adoption of business plans for the different business areas and business acquisitions. During the year the Board passed resolutions regarding financial and operational goals for the coming financial year, establishment of a new sales company in India and investments in production and information technology.

## Attendance at Board meetings

|   |   |
|---|---|
| Number of meetings                            | 7 |
| Richard Persson, Chairman                     | 7 |
| Peter Hansson, Deputy Chairman                | 6 |
| Anders Birgersson, Director                   | 7 |
| Staffan Ekelund, Director                     | 7 |
| Johnny Alvarsson, Director                    | 7 |
| Victoria Wikström, Director                   | 5 |
| Hans Gustafsson, employee representative      | 5 |
| Elinor Kjell, deputy employee representative  | 3 |
| Willy Gustafsson, employee representative     | 7 |
| Rune Olausson, deputy employee representative | 1 |

## Board Committees

On behalf of the Annual General Meeting, the Board of Directors appointed an Audit Committee and a Compensation Committee. The Audit Committee is responsible for contacts between the Board of Directors and the auditors and for evaluating the work of the auditors.

The members of the Audit Committee are Peter Hansson and Staffan Ekelund. Peter Hansson is chairman. From the time of the 2007 AGM up until the publication of this annual report, the Audit Committee held two meetings.

The Compensation Committee is responsible for proposing the terms of compensation of the Managing Director and other senior officers. The members of the Compensation Committee are Richard Persson, Johnny Alvarsson and Anders Birgersson. Richard Persson is chairman of the committee. From the time of the 2007 AGM up until the publication of this annual report, the Compensation Committee held two meetings.

# Board of Directors



## Richard Persson

Vänersborg, born 1937  
 Chairman of the Board since 2001  
 and member of the Board since 1982  
 Shareholding: 6,872  
 Richard Persson, MSc. Eng., worked  
 in the Group as Design Manager  
 1962–1968 and as senior manager  
 1972–2001.  
 Chairman of the Board of the Herman  
 Krefting Foundation for Allergy and  
 Asthma Research.  
 Chairman of the Board of Visit Troll-  
 hättan Vänersborg AB.



## Anders Birgersson

Lidköping, born 1958  
 Member of the Board since 2001  
 Shareholding: 500  
 Anders Birgersson, MSc. Eng., has  
 worked in the engineering industry  
 since 1984 in logistics, production,  
 product development and senior  
 management. He has previously been  
 employed by ABB, SKF and ESAB.  
 Member of the boards of Liljedahls-  
 bolagen AB, the Herman Krefting  
 Foundation for Allergy and Asthma  
 Research, the SLK Employees' Founda-  
 tion and the VBG-SLK Foundation.



## Johnny Alvarsson

Stockholm, born 1950  
 Member of the Board since 2004  
 Shareholding: 1,000  
 Johnny Alvarsson, MSc. Eng., has  
 industrial experience from Ericsson  
 Telecom 1975–1987. Managing  
 Director of the listed companies  
 Zeteco AB 1988–2000 and Elektronik-  
 gruppen BK AB 2000–2004. Managing  
 Director of Indutrade AB since November  
 2004. Chairman of several Indutrade  
 companies.



## Peter Hansson

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



#### **Victoria Wikström**

Göteborg, born 1966  
Member of the Board since 2006  
Shareholding: 100  
Victoria Wikström, MSc. Eng. and D. Eng. (machine elements) has been global director of SKF's engineering consultancy business since 2004. She has worked internationally within SKF since 1996 as project manager, research director and, since 2000, in various roles with business area responsibility.



#### **Staffan Ekelund**

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

#### **Deputy members of the Board** **Elinor Kjell**

born 1979  
Deputy member of the Board since 2005  
Employee representative, white-collar employees  
Employed since 2001

#### **Rune Olausson**

born 1950  
Deputy member of the Board since 2004  
Employee representative, blue-collar employees  
Employed since 1977

#### **Auditor** **Bror Frid**

born 1957  
Authorised Public Accountant  
Öhrlings PricewaterhouseCoopers AB  
Auditor in the company since 2004

#### **Deputy auditor** **Gunnar Hjalmarsson**

born 1957  
Authorised Public Accountant  
Öhrlings PricewaterhouseCoopers AB  
Auditor in the company since 1989



#### **Willy Gustafsson**

Trollhättan, born 1947  
Member of the Board since 2004  
Employee representative, blue-collar employees  
Employed at the company since 1994



#### **Hans Gustafsson**

Vänersborg, born 1947  
Member of the Board since 2004  
Employee representative, white-collar employees  
Employed at the company since 1972

# Group Management



## Anders Birgersson

Lidköping, born 1958  
 Managing Director and CEO and  
 Business Area Manager of VBG  
 GROUP TRUCK EQUIPMENT.  
 Employed since 2001.  
 Anders Birgersson, MSc. Eng.,  
 has worked in the engineering  
 industry since 1984 in logistics,  
 production, product develop-  
 ment and senior management.  
 He has previously worked for  
 ABB, SKF and ESAB.



## Claes Wedin

Trollhättan, born 1956  
 CFO with responsibility for the  
 Accounting, IT and HR staffs.  
 Employed since 1997  
 Claes Wedin, MSc. Econ., has  
 experience from leading positions  
 in business administration and sen-  
 ior management in the process and  
 aircraft industry as well as public  
 administration. He has previously  
 worked for Union Carbide, Volvo  
 Aero and MAN Roland.

## BUSINESS MANAGEMENT RINGFEDER POWER TRANSMISSION



## Thomas Moka

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



## Bernd Vössing

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

## BUSINESS MANAGEMENT VBG GROUP TRUCK EQUIPMENT



### Niklas Gråsjö

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



### Anders Erkén

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



### Bo Hedberg

Trollhättan, born 1957  
Technical Director/Marketing Director  
VBG GROUP TRUCK EQUIPMENT  
Employed since 1996  
Bo Hedberg, MSc. Eng., has worked in the automotive industry since 1981 with purchasing, product development and marketing. He has previously worked for Saab Automobile AB and MarkIV Automotive.



### Per Ericson

Eskilstuna, born 1956  
Director of Sales  
VBG GROUP TRUCK EQUIPMENT  
Employed since 2000  
Per Ericsson, MSc. Eng., has worked with marketing in the automotive industry for the past 20 years. He has previously worked for Grimaldi Industrier, Samefagruppen and Volvo.

# Annual General Meeting

## Notice to attend the Annual General Meeting of VBG GROUP AB

Notice is hereby given to the shareholders of VBG GROUP AB (publ) of the Annual General Meeting of Shareholders to be held on Tuesday, 13 May 2008, at 5:00 p.m. on the company's premises at Herman Kreftings gata 4, Vänersborg.

### Notification

Shareholders wishing to attend the meeting must

- be listed in the share register kept by Värdepapperscentralen VPC AB by not later than 7 May 2008
- notify the company by not later than 4:00 p.m. on 9 May 2008.

Notification may be given in writing to VBG GROUP AB (publ), Box 1216, SE-462 28 Vänersborg, Sweden; by telephone to +46 521 27 77 00; by fax to +46 521 27 77 93; or by e-mail to inger.vilhelmson@vbgroup.com. The notification of attendance must include name and personal or corporate identity number.

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

Shareholders whose shares are registered to a nominee must have the shares re-registered in their own name by the nominee in good time before 7 May 2008 (voting rights registration).

### Agenda

1. Election of Chairman of the meeting
2. Preparation and approval of the voting list
3. Approval of the agenda
4. Election of two persons to verify the minutes
5. Determination of whether the meeting has been duly convened
6. Presentation of the Annual Report and the Audit Report as well as the consolidated accounts and the Audit Report on the consolidated accounts

### 7. Resolutions concerning

- a) adoption of the Income Statement and the Balance Sheet, as well as the Consolidated Income Statement and the Consolidated Balance Sheet
- b) appropriations of the company's profit or loss according to the adopted Balance Sheet
- c) discharge of the members of the Board of Directors and of the Managing Director from

8. Determination of the number of members and deputy members of the Board of Directors as well as auditors and deputy auditors
9. Determination of fees to be paid to the Board of Directors and the auditors
10. Election of members and deputy members of the Board of Directors as well as auditors and deputy auditors
11. Resolutions on the Board of Director's proposed guidelines for remuneration and other terms of employment for senior
12. Authorisation from the AGM to the Board of Directors to use own shares as payment in connection with acquisitions
13. Appointment of members of a Nominating Committee
14. Other matters incumbent upon the General Meeting according to the Companies Act or the Articles of Association.

### Dividend (item 7)

The Board of Directors proposes a dividend of SEK 2.50 per share with record date on 16 May 2008. If the AGM approves this proposal, the dividend is expected to be distributed by VPC starting 21 May 2008.

### Fees (item 9)

The fees proposed for the Board of Directors are SEK 130,000 to the Chairman, SEK 110,000 to the Deputy Chairman and SEK 95,000 each to the other Board members, for a total of SEK 525,000, plus SEK 5,000 per attended meeting.

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

**Proposed election of Board of Directors and auditors (item 10)**

The Nominating Committee proposes re-election of the Board members Peter Hansson, Anders Birgersson, Johnny Alvarsson and Staffan Ekelund and election of Helene Richmond and Peter Augustsson for the first time. It is proposed that Peter Hansson be elected Chairman and Johnny Alvarsson Deputy Chairman. Richard Persson and Victoria Wikström have declined re-election. Richard Persson has been appointed honorary chairman by the Board.

Helene Richmond, born 1960, MSc. Eng., has been Director of Global Accounts in SKF's Industrial Division since 2006. She has worked internationally in different positions in SKF since 1985.

Peter Augustsson, born 1955, MSc. Eng., previously President and CEO of Saab Automobile AB, now has his own business development company. Chairman of Metallfabriken Ljunghäll AB and Automotive Business Development AB. Member of the board of Wallenius Lines AB, NovaCast Technologies AB and Ortic 3D AB.

The Nominating Committee proposes election of the public accounting firm of Öhrlings PricewaterhouseCoopers AB as auditors, with authorised public accountant Bror Frid as chief auditor for the period up to the 2012 AGM and authorised public accountant Gunnar Hjalmarsson as deputy auditor for the same period.

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

**Resolution concerning the Board of Director's proposed guidelines for remuneration and other terms of employment for senior officers (item 11)**

The Board of Directors proposes that the AGM resolve on guidelines for remuneration to senior officers, by and large entailing that market-level salaries and other terms of employment be applied for the Group Management. In addition to a fixed annual salary, the Group Management

also receives a variable salary, which is limited and based on the Group's financial performance compared with established goals.

**Authorisation (item 12)**

The Board of Directors proposes that the AGM authorise the Board to resolve on one or more occasions up until the 2009 Annual General Meeting that repurchased shares can be transferred, notwithstanding the shareholders' pre-emption rights, and that non-cash payment can be made for such transferred shares. This authorisation enables the Board of Directors to use the Company's own shares as payment for acquired companies.

**Nominating Committee (item 13)**

Shareholders representing more than 65 per cent of the number of votes for all shares in the company propose that Reidar Öster, Richard Persson, Staffan Ekelund and Åke Persson comprise the Nominating Committee.

**Other**

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

Vänersborg, April 2008

Board of Directors of VBG GROUP AB (publ)

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