VBG GROUP

2023 Annual Report

Sustainable, reliable industrial solutions

Contents

Pages 20–27 in this report, along with In-depth sustainability on pages 100–109, constitute VBG Group's statutory sustainability report in accordance with the Swedish Annual Accounts Act. The report pertains to the fiscal year from January 1 to December 31, 2023.

Promoting a safer society

VBG Group was founded in 1951 to create a safer society, and this is still the strongest driving force in our operations even today. With our leading and sustainable industrial solutions, we promote increased safety for people, goods and infrastructure – our climate control systems, drawbar couplings, automatic tire chains, sliding roofs, solutions for mechanical power transmission, and energy and shock absorption all fulfill important societal functions.

We work closely with our customers, developing and adapting our solutions to create value for our stakeholders and promote an even safer, more sustainable society in the future.

VBG Group in brief

A global industrial Group

VBG Group is a long-term active owner of successful industrial companies and brands. The Group's three divisions – Truck & Trailer Equipment, Mobile Thermal Solutions and Ringfeder Power Transmission – are governed on a foundation of industrial expertise, strong values and financial stability.

Considerable experience and industrial expertise

VBG Group's business concept is built on acquisitions, long-term ownership and strategic governance of industrial companies in business-to-business commerce. The experience and industrial competence that has been built up over the years is an advantage in the company's acquisition process as well as in the strategic governance and operational development of the company's divisions.

High level of service

VBG Group has a sharp focus on service, which permeates the value chain and the customer's journey as a user. Group Management supports the divisions in their work on creating customer value, from development to aftermarket. The aftermarket business accounts for roughly 22% of the Group's sales.

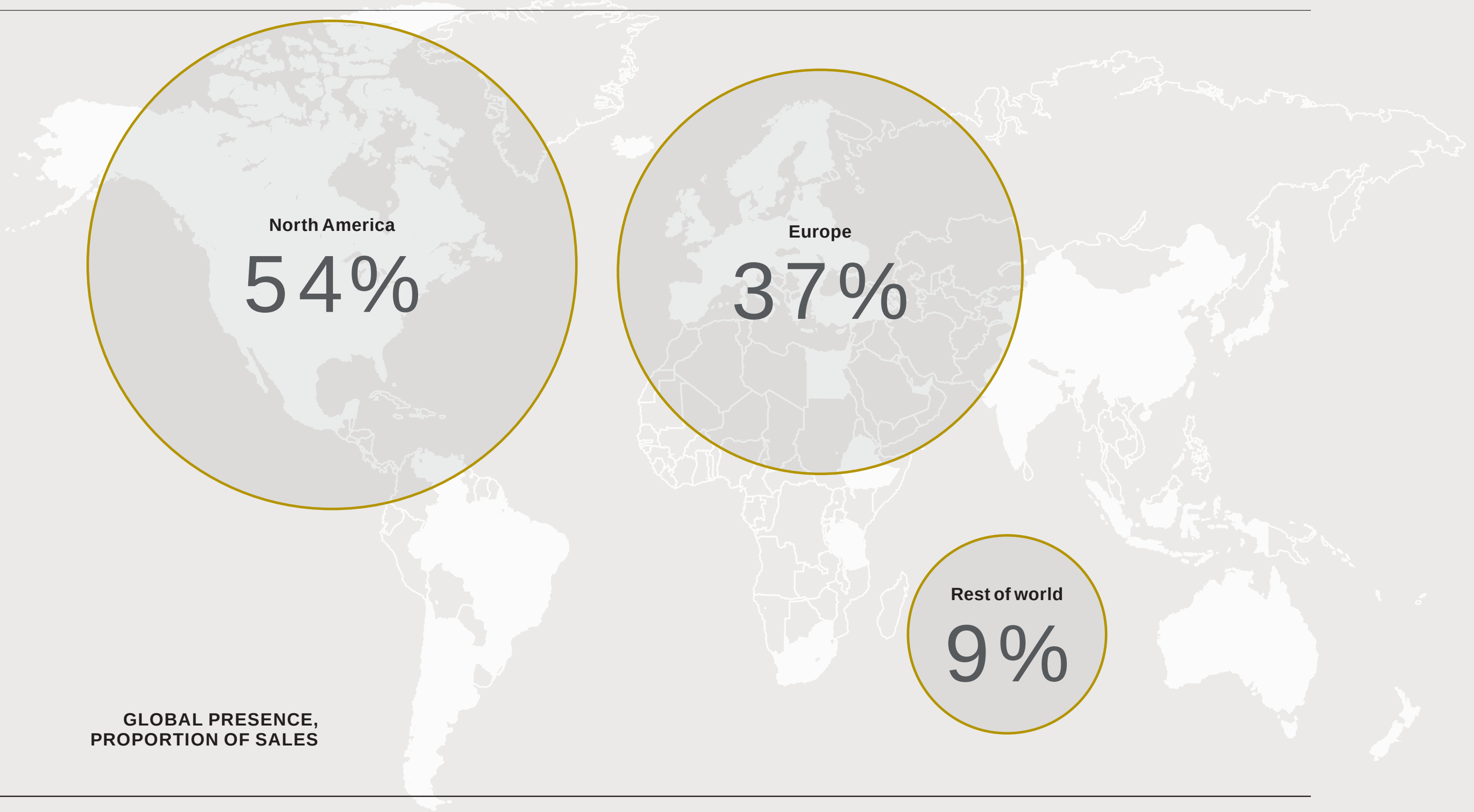
Long-term financial strength

With a solid base of stable, long-term owners, VBG Group's ownership model together with strong earnings performance has enabled the Group's financial stability with a high equity/assets ratio. The strong financial position creates conditions for acquisitions and investments, even during periods with low levels of business activity.

36
Wholly owned companies

1,864
Average no. of employees

15
Countries

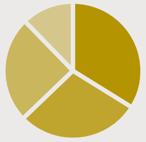


GLOBAL PRESENCE, PROPORTION OF SALES

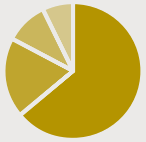
NET SALES
5 740
SEK M

EBITA
858
SEK M

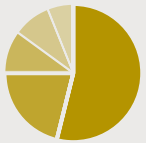
DISTRIBUTION, AREA OF OPERATION
Goods, 34%
Offroad, 29%
People, 25%
Industrial, 12%



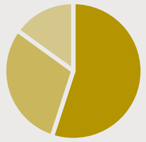
DISTRIBUTION, CHANNEL
OEM, 64%
Distributors/importers, 19%
Body builders/integrators, 10%
Retailers, 7%



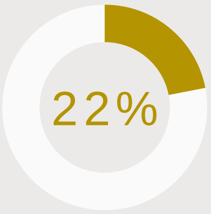
DISTRIBUTION, MARKET
North America, 54%
Other European countries, 21%
Germany, 10%
Rest of world, 9%
Sweden, 6%



DISTRIBUTION, DIVISION
Mobile Thermal Solutions, 55%
Truck & Trailer Equipment, 30%
Ringfeder Power Transmission, 15%



AFTERMARKET



VBG Group in brief

Diversified offering through three divisions

Leading industrial solutions

The Group's divisions offer customers and end users leading industrial solutions that promote a safer society. The range of products and services is directed toward a broad base of industries and customers in which continual product development as well as efficient purchasing and delivery procedures promote a competitive, cost-efficient offering.

Strong international position and presence

Through its three divisions with the appurtenant distribution network, VBG Group has a strong international position and presence. The growth agenda going forward is oriented on sustainable expansion and globalization of the Group.

Broad portfolio of brands in attractive niches

Over time, the Group's active acquisition and growth strategy has enabled a broad and competitive brand portfolio. Our ten brands are all positioned as market leaders in their respective industrial niches. The Rathi brand has been a part of the Group since November 2023.

Truck & Trailer Equipment

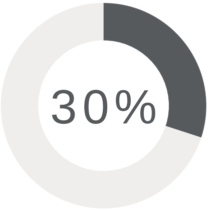
Drawbar couplings, automatic tire chains and sliding roofs

The automatic drawbar couplings for heavy trucks contribute to improved road safety, a better environment and healthier working conditions for drivers.

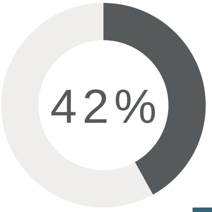
The automatic tire chains for commercial vehicles increase safety on the roads and help drivers arrive on time in difficult winter road conditions.

The sliding roofs for tarpaulin-covered trailers and tipper vehicles and the sliding bow roofs for railway wagons enable faster loading and unloading as well as a more comfortable working environment for the people involved.

SHARE OF NET SALES



SHARE OF EBITA



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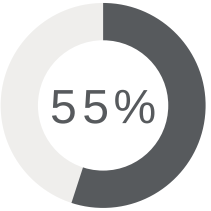
Mobile Thermal Solutions

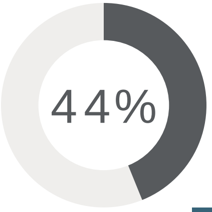
Climate control systems

Climate control systems ensure an optimal climate in buses, off-road vehicles, utility vehicles and defense vehicles, in markets with differing needs. They create a suitable work environment for drivers and a pleasant environment for passengers. Moreover, the innovative technology of these climate control systems decreases negative environmental impact by supporting electrification of vehicles and promoting reduced fuel consumption.

SHARE OF NET SALES



SHARE OF EBITA



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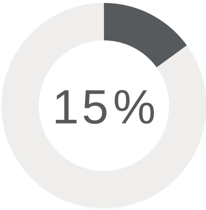
Ringfeder Power Transmission

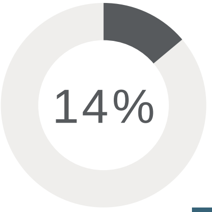
Shrink discs, shaft-hub couplings, and friction springs

Shaft-hub couplings consist of locking assemblies and shrink discs. Shrink discs can be found in transmissions for industrial use. Shaft-hub couplings are frequently used for cranes and hoisting devices. Friction springs are used, for example, in the aerospace industry as damping components in the system for adjusting the position of the wing flaps, and as overload protection in emergency exit systems. Friction springs are also used to earthquake-proof buildings, bridges and power plants, which not only protects buildings but can save human lives.

SHARE OF NET SALES



SHARE OF EBITA



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VBG Group in brief

Industrial solutions that promote increased safety

VBG Group's overarching purpose is to create a safer society. This is made possible through the Group's continual work on developing products and solutions that create value for customers, end users and society as a whole.

Market leaders

The VBG Group brands all hold leading market positions in their respective niches.

Truck & Trailer Equipment

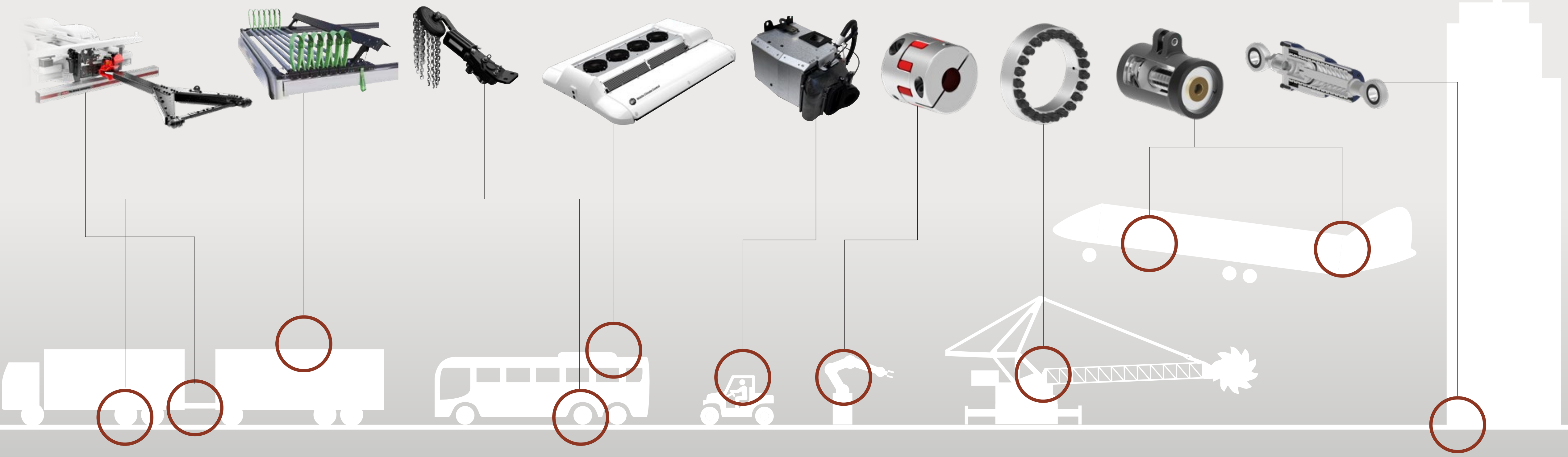
VBG | RINGFEDER | ONSPOT | Edscha Trailer Systems | SESAM

Mobile Thermal Solutions

Mobile Climate Control | Bus Climate Control

Ringfeder Power Transmission

RINGFEDER | HENFEL | CARLYLE JOHNSON | RATHI



VBG Group in brief

Industrial Group with a sustainable business model

The Group creates conditions for sustainable development of industrial companies. Our business model is built on decentralized divisions with strong customer brands. Our solutions offer crucial functions for our customers and create a safer society.

EARNINGS PER SHARE OPERATING PROFIT **22.74**

7.00* SEK DIVIDEND

15.74 SEK RE-INVESTED

Group

- Niche identification
- Acquisitions
- Integration and governance

Division

- Truck & Trailer Equipment
- Mobile Thermal Solutions
- Ringfeder Power Transmission

Brands

VBG, Mobile Climate Control, Edscha Trailer Systems, Bus Climate Control, HENFEL, ONSPOT, RINGFEDER, SESAM, CARLYLE JOHNSON, RATHI

Industrial solutions

- Climate control systems
- Drawbar couplings
- Automatic tire chains
- Sliding roofs
- Solutions for mechanical power transmission
- Energy and shock absorption

Areas of operation

People | Off-road | Goods | Industrial

Read more about the VBG Group's value creation ▸12

* Proposed dividend

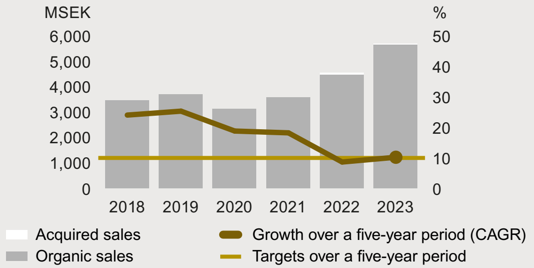
Our activity goals

Strong position for continued sustainable, profitable growth

GROWTH

GOAL >10%
OUTCOME 10.4%

The Group's target is to achieve >10% in average annual sales growth over a five-year period, of which >5% attributable to organic growth and >5% to structural growth.



Comments on 2023

- In 2023, sales increased by 25.3%. Organic growth totaled 18.2%, driven by a robust increase in demand for the Group's products, primarily in North America.
- Our breadth in niches and industries had a positive effect on sales and contributed to stability for the Group.
- Total compound annual growth rate (CAGR) over five years totaled 10.45%, divided between organic growth (CAGR) of 11.06% and structural growth (CAGR) of 0.55%.

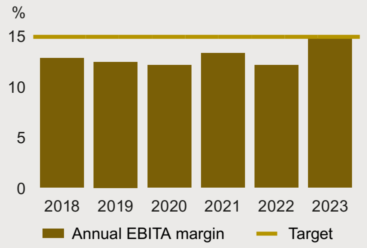
Focus going forward

- Global expansion.
- Supplementary acquisitions.
- Expanded offering of industrial solutions.

PROFITABILITY

GOAL >15%
OUTCOME 14.9%

The objective for the Group is to achieve an operating margin (EBITA margin) of >15%.



Comments on 2023

- The EBITA margin for 2023 totaled 14.9%.
- Profitability was positively impacted by price increases having a full effect in 2023 in order to offset higher prices for raw materials, and by a stabilized supply chain.
- Stabilization in the new bus production facility in the US, combined with a favorable North American market with significant demand in both segments of Mobile Thermal Solutions, promoted a robust increase in the margins in 2023.

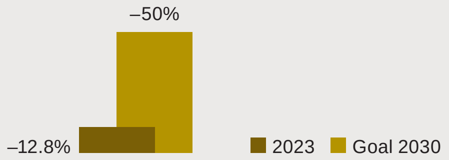
Focus going forward

- Introduction of modularity projects in bus operations, in order to increase long-term profitability.
- Increased digitization in the Group.
- Effective cost controls.

SUSTAINABILITY

GOAL –50%
OUTCOME –12.8%

The Group's goal is to achieve a 50% reduction of GHG (Scope 1 and Scope 2) by 2030 (reference year 2022).



Comments on 2023

- In 2023, the Group's GHG emissions in Scope 1 and Scope 2 totaled 0.75 tCO_2e/SEK M, which signifies a reduction of our emissions by 12.8% in relation to the 2022 baseline.
- The installation of new production equipment and investments in geothermal heating and solar cells were carried out during the year to reduce our climate footprint.

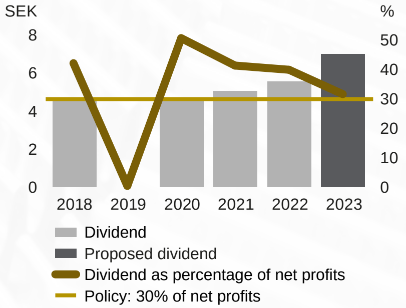
Focus going forward

- Continued investments to reduce our climate impact.
- Draw up goals and activities to reduce our impact in Scope 3.

DIVIDEND POLICY

POLICY 30%
OUTCOME 30.8%

The Group's dividend policy states that VBG Group will normally distribute 30% of the net profit to the shareholders.



Comments on 2023

- With a strong financial position and stable cash flows as a basis, SEK 137 M (or SEK 5.50 per share) was distributed in 2023.
- For the 2024 AGM, the Board of Directors proposes an increase in the dividend to SEK 7.00, corresponding to 30.8% of profit after tax.

Focus going forward

- Optimized capital structure and healthy returns on operating capital.
- Stable cash flow.

From the President

A record-setting year for the Group

In 2023, VBG Group delivered highly robust growth as well as high levels of profitability and a healthy cash flow. We increased our net sales by just over 25% to SEK 5,740 M (4,580) and our adjusted operating profit rose to SEK 858 M (558) with an operating margin (EBITA) of 14.9% (12.2). Our operating cash flow rose to SEK 705 (250).

Activities we previously initiated for both the short and long term yielded results in 2023, and all key figures developed in the right direction. Owing to a strong cash flow, we have a stable balance sheet. The record-setting year of 2023 shows, once again, that we have a business model that delivers. The three key factors behind these historically strong earnings were the following: we pushed through price adjustments, demand for our products – in North America in particular – was significant, and profitability strengthened for our bus operations in the US.

Growing industrial Group

VBG Group is a global industrial Group with more than half of its sales in North America. In 2023, we continued our journey of growth, both organically and structurally.

The acquisition of Rathi Transpower was completed in November 2023. This transaction is entirely in line with our strategy of growing our Group in the BIC countries. Having our own production units on site in India is a key factor for the VBG Group's continued expansion and growth.

As part of our strategy, we also regard acquisitions as a vital piece of the puzzle, but as a Group we are not an acquisition machine and we are not out after short-term rapid growth. In our acquisition process, it is important to us that the company we choose to acquire fits into the culture of our Group. Our focus is on small to medium-sized companies that operate as leaders in their niche, with their own value-creating brands.

Sustainability in focus

In 2023, the Group had a sharp focus on sustainability for the purpose of reducing our environmental impact and strengthening our ambition to create a safer society. Forthcoming sustainability directives and legislative requirements will have a major impact on our operations.

Our employees' drive and unique understanding of our operations are the key to our expanded sustainability activities, and are a condition for achieving our goals. Investments were made during the year in sustainability training for our employees, with the purpose of creating understanding for the opportunities and challenges we face.

> “We completed a strategically important acquisition in India

We are making investments to reduce the climate footprint of several of our operations. At our facility in the Brazilian city of Jaboticabal, new extraction equipment is being installed to purify the plant's emissions. As a step in reducing our need for natural gas, we have also installed a geothermal heat pump at our facility in Kamenice in the Czech Republic, and a new furnace for the operations in Toronto, Canada will be installed during 2024.

2023 IN BRIEF

- Consolidated sales increased by 25.3% to SEK 5,739.8 M (4,580.0).
- Organic growth amounted to 18.2% (13.4), adjusted for acquired sales and currency effects between the years.
- Operating profit (EBITA) increased to SEK 858.0 M (557.5), with an operating margin (EBITA) of 14.9% (12.2).
- Profit after financial items increased to SEK 761.9 M (487.8).
- Earnings per share amounted to SEK 22.74 (14.73).
- The Board of Directors proposes an increase in the dividend to SEK 7.00 (5.50), corresponding to 30.8% (37.3) of profit after tax.

Sustainability has been in focus in the factory expansion in Vänersborg with, for example, rooftop solar cells being installed on the new plant.

Solutions with high customer value

With a growing global population, ongoing urbanization and expanding e-commerce, demand for transport and infrastructure will continue to grow. We intend to meet this increasing demand with sustainable, productive and safe solutions that have high customer value.

Our increasingly digitized solutions for trucks and trailers assist drivers in their daily activities and promote increased traffic safety. Our shaft couplings, hub couplings and friction springs fulfill vital functions in society in everything from energy production, automated warehouses and mining operations to dampers for buildings and crucial infrastructure.

We are taking part in the electrification of vehicles through our climate control solutions. Sales of innovative systems for managing battery tempering in vehicles were also introduced during the year.

The future

Owing to its strong financial position, the Group is well positioned for the future. We are operating in a macroeconomic environment that remains turbulent, but the Group is ready to address future challenges. We are continually engaged in scenario planning and risk analysis, and are initiating activities where we see gaps.

I would like to thank all our employees for a fantastic 2023. The Group has enormously talented employees, and one of our strengths is that we are industrialists who are actively engaged in the transfer of knowledge and continual improvements to processes. We are continuing to digitize and are streamlining our internal processes while expanding our customer offering.

With our industrial know-how, I believe that we will grow as a Group going forward, continuing to strengthen our profitability and to develop sustainable solutions for our customers. Ensuring that we have a value chain that is sustainable for both the environment and for people is our highest priority. Together, we are creating a safer society.

Anders Erkén
President and CEO, VBG Group

KEY FIGURES

Group, SEK M	**2023**	2022	2021	2020	2019
Net sales	5,739.8	4,580.0	3,611.2	3,147.2	3,725.4
Operating profit before depreciation/amortization (EBITDA)	953.0	663.6	562.4	462.5	547.8
Operating profit before amortization (EBITA)	858.0	557.5	484.1	385.5	467.1
Operating profit (EBIT)	824.9	527.2	456.0	353.4	435.0
Operating profit after financial items (EBT)	761.9	487.8	441.4	326.5	397.0
Profit after tax	568.6	368.3	337.1	226.7	299.5
Earnings per share, SEK	22.74	14.73	13.48	9.07	11.98
Cash flow from operating activities	705.2	250.5	187.3	446.2	438.9
ROE (cumulative), %	16.2	11.4	12.2	9.0	12.5
ROCE (cumulative), %	17.2	11.6	12.2	9.8	12.4
Equity/assets ratio, %	61.4	60.8	59.9	58.7	57.8
Interest-bearing net debt/EBITDA	0.4	1.1	0.8	0.6	1.2
Average number of employees	1,864	1,731	1,600	1,486	1,596
Number of shares outstanding ('000)	25,004	25,004	25,004	25,004	25,004

Trends and driving forces

Continual development and adaptation to prevailing business environment factors

Increased electrification, automation and digitization in VBG Group's industries, in combination with increased environmental and security requirements, are imposing newer and stricter expectations on VBG Group as a corporate group. That is why we are working actively on developing and adapting our product and systems solutions to address the prevailing driving forces and changes in the business environment. Internally, the company is digitizing its operations and adapting its processes to become climate-neutral.

Areas of focus

Reduced emissions

Focus on decreased fuel consumption and reduction of CO_2 emissions. New regulations, objectives and emissions rights are driving the development of enhancements to transportation efficiency and of electrification, as well as imposing new demands.

Product development

Increased environmental, customer, and user demands as well as new regulations in traffic safety are accelerating product development and new technology.

Digitization

The trends around automation of systems, processes and solutions are increasing the demand for data collection and digitization.

New technology

Focus on increased efficiency and profitability are driving the development of autonomous vehicles and connected products.

Growing market

Increased globalization and urbanization are driving the need for more transportation as well as infrastructure projects.

Sustainability

Increased focus on the climate imposes demands on circular and sustainable industrial manufacturing.

Development agenda

VBG Group 4.0
Read more on page 15

FROM	TO
Suppliers of industry products, subsystems and services	**Partners and suppliers of leading industrial and systems solutions**
Manual and analog	**Automatic and digital**
Mechanics	**Mechanics, electronics and new technologies**
Operations with sustainability ambitions	**Sustainable industrial Group and value chain**
Strong global player with international presence	**Strong local player with a local presence**

A part of electrification

The transition to electric vehicles sets new requirements on heating, ventilation, and air conditioning (HVAC) systems for passengers and drivers, and on battery thermal management systems (BTMS). In the absence of a combustion engine, an electric vehicle must use electricity to generate both heating and cooling. Mobile Thermal Solutions, which designs and manufactures both HVAC systems and BTMS, is an active participant in developing new electrified solutions together with OEMs. One example is the fully electric ambulance, Demers eFX Lion 5, with Lion Electric having delivered the chassis and Mobile Thermal Solutions having developed a new innovative solution for battery tempering.

Our value chain

Central role in the value chain

The business of VBG Group is divided into three mutually supporting but separate divisions: Truck & Trailer Equipment, Mobile Thermal Solutions and Ringfeder Power Transmission. The operations in the respective divisions are impacted by prevailing trends and driving forces, but the central role of these divisions in the value chain means that the Group also has an impact both upstream and downstream in the value chain. With our strong brands, we are creating customer value.

Group
- Experience and industrial expertise
- Synergies and exchange of know-how
- Long-term active ownership
- Framework
- Financial stability

Division
Platform for sustainable, profitable growth

Brands
Broad portfolio of brands in attractive niches

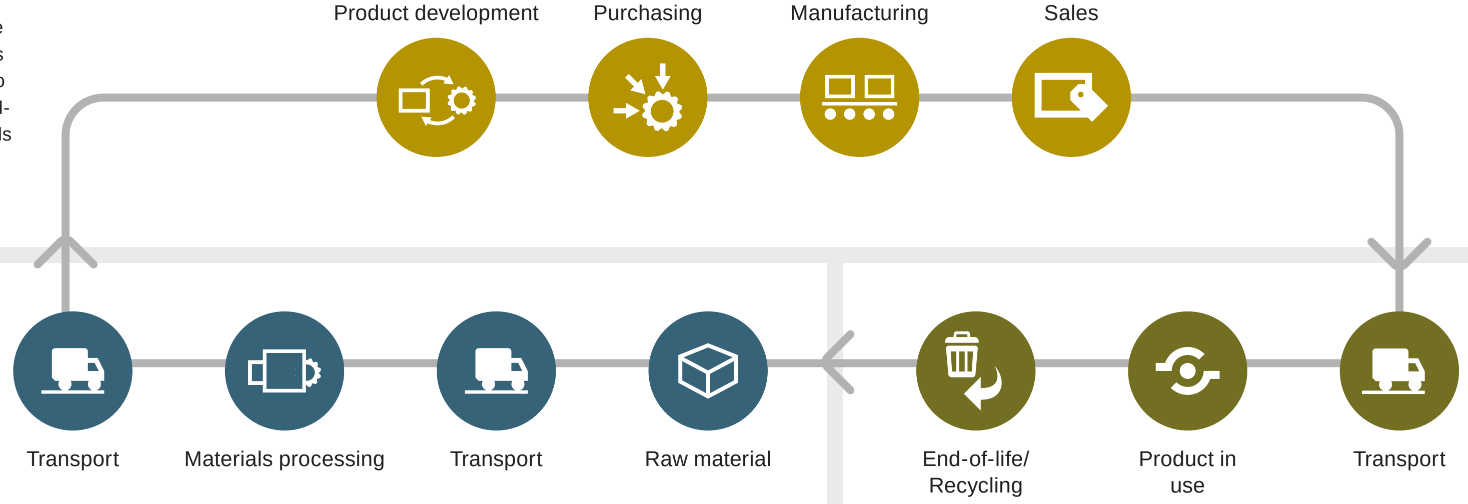
Industrial solutions
Leading industrial solutions

Areas of operation
A safer society

Value chain

In-house

As part of our product development, we create unique customized products. Through careful purchasing, we ensure access to materials at the best price and quality. Following this, we process the materials through efficient manufacturing into complete, high-quality products. Finally, our products are marketed and sold through strong brands to our customers. We work systematically in our value chain with safety, resource efficiency and environmental impact.



Upstream

The raw materials for our products are transported to one of our select suppliers, where the materials are processed. After processing, the materials are transported to one of our production facilities.

Downstream

The products are transported to the customer, often via retailers and partners. Once the products are in use, we focus on providing support and service to maximize their benefit and the customer experience. Once the product has reached end-of-life, the material is either scrapped or recycled.

Strategic value creation

Proven business concept and successful strategic governance

With our mission as a guiding light, the core of VBG Group's operations lies in acquiring, owning and further developing well-managed industrial companies in business-to-business commerce. Alongside Group Management, the Parent Company is responsible for the overall strategic governance of the Group, which entails such measures as identifying and carrying out acquisitions, contributing resources to the divisions in the form of industrial know-how and capital, and monitoring the divisions' goals and strategies.

Value creation over time

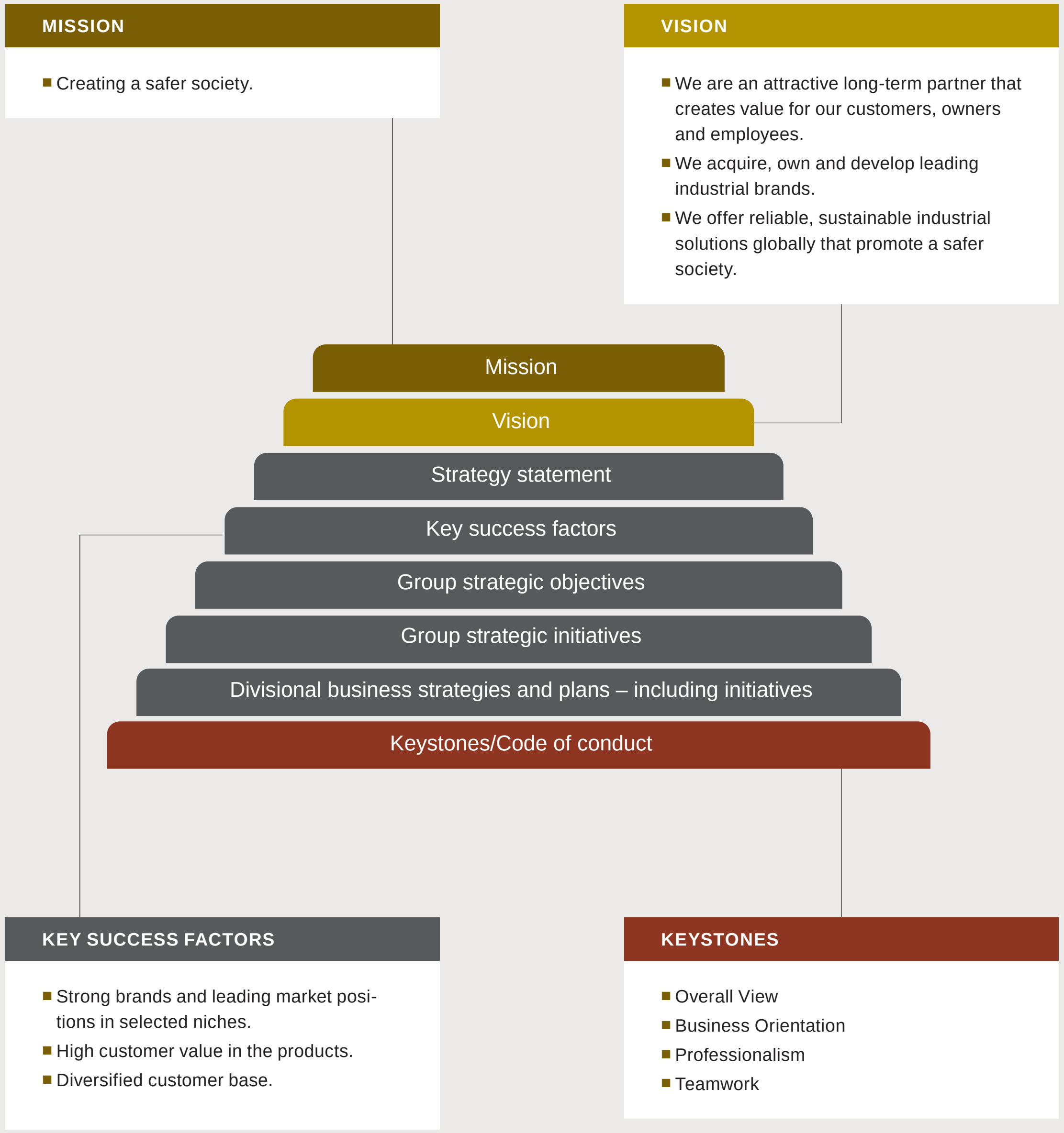
VBG Group is an active long-term owner with the goal of creating sustainable, profitable growth. Its business concept is built on the active administration and further development of the operations' business models in order to create value over time. In addition to defining the strategic framework for the Group, the Parent Company and Group Management also work to create synergy effects and promote long-term value creation among the various parts of the Group.

Our values are our guide

VBG Group's business concept is a tried and tested one, in which the Parent Company and Group Management govern the organization based on VBG Group's four values – the Keystones – and the Group's Code of Conduct. Together, our Keystones and the Code of Conduct are fundamental to all of the Group's operations and procedures, and provide guidance in our acquisition process. Consensus around values and approaches are of ultimate importance when acquiring companies.

Diversified structure with low business risk

VBG Group has acquired several different companies since the early 1990s. An effective acquisition and portfolio strategy has built up a stable Group with a diversified business structure. The Group structure creates conditions for synergies among the divisions, for example, when establishing operations in new markets. At the same time, the diversified business structure promotes growth that is more steady and stable. In an uncertain business cycle when demand is decreasing in individual industries and in individual markets, VBG Group's business risk is minimized through the Group's broad international footprint and customer base.



STRATEGIC VALUE CREATION, CONT.

Decentralized business model

VBG Group's decentralized business model is a major strength for the Group. The Parent Company and Group Management are responsible for overall governance, but one in which local decision-making in operating activities promotes better customer dialogue and increased flexibility. This leads to value creation for both the customer and the Group in general. The three divisions are fully responsible for their results, in which operation-specific targets and strategies are developed based on the Group's overall strategic framework. The divisions work closely with their customers, using customized offerings to meet the customer's specific wishes. Through its divisions, the Group offers a broad range of products and solutions for customers in various carefully selected niches.

The Group provides a fundamental platform

While the divisions and brand portfolio create advantages for the Group, the Group contributes important resources as well. The Group offers its operations financial stability with access to capital and financial resources, in which the balanced portfolio is a strength in an uncertain business cycle. Moreover, the Group provides access to industrial competence and exchange of expertise, strategic governance, central acquisition management and platforms for international expansion as well as synergies in IT, HR, brand development, communications, corporate governance, finance and IR.

Our strategic focus areas – key success factors

Based on the aim of creating a safer society while continuing to create sustainable and profitable growth, we have defined three strategic focus areas: strong brands and leading market positions in selected niches, high customer value in our products, and diversified customer base. In these areas, the Group will carry out priority initiatives linked to growth, profitability and sustainability. Strategic activities and continual adaptation in our three focus areas will be key for the Group's next steps in its development and its future success.

Read more about our strategic focus areas on pages 16–19.

Sustainable offering and approach

As an active owner, VBG Group considers it essential that the Group and its divisions conduct operations from a sustainable perspective and create conditions for sustainable profitable growth. VBG Group is to be regarded as a natural choice for customers and other stakeholders as regards a sustainable offering and approach. Together with our owners, suppliers and customers as well as decision-makers in society, we will continue developing sustainable employees and production solutions, and take steps toward climate-neutral value chains.

Read more about our sustainability activities on pages 20–27 and 100–109.

GROUP

Niche identification

VBG Group's model for value creation is based on identifying attractive niches where the divisions can distinguish themselves with sought-after brands and product solutions. The ambition is for every brand to establish itself as the number one or number two player in its respective niche, with sustainable profitable growth as a result.

Acquisitions

In these selected niches, VBG Group works to identify companies that may be of interest for acquisition. They must be well-managed companies with strong brands, that share the Group's values and have strong potential for growth and profitability. Candidates for acquisition can be divided into two categories:

- Companies that complement the existing divisions in terms of product range, production, logistics and geographical coverage.
- Companies in new fields of operation that can form a separate division.

Integration and governance

Completing acquisitions is part of the Parent Company's and Group Management's overall governance. The companies that are acquired are integrated into the Group's existing divisional structure. Expertise and resources are made available to create conditions for successful integration, while synergy effects are sought and development opportunities are identified. The Parent Company and Group Management define the Group's strategic framework within which the divisions produce their operation-specific goals and strategies.

THE DIVISIONS

The divisions offer customers and users a broad selection of industrial solutions in which the internal value chain runs from the development phase to aftermarket. Product development and purchasing are characterized by close collaboration with our customers and suppliers, which facilitates offering technologically leading and complete customized solutions at a competitive total cost. Production is modern and highly automated, and is built on LEAN management (optimized processes and flows for maximum efficiency and value creation, based on existing resources). Sales and aftermarket services are based on close customer relationships where a high level of service in combination with our developed product and service offering enables a strong primary and aftermarket business.

STRATEGIC VALUE CREATION, CONT.

For employees

The approximately 2,000 employees of the company are our absolutely most vital resource, and a high degree of well-being is central to achieving the Group's mission and vision. The Parent Company and Group Management work continually to offer competitive conditions for employment and to provide sustainable, safe and satisfactory work environments.

1,206
SEK M in salaries and social security contributions

For customers

The diversified business structure that has been built up enables a great degree of customer breadth for the Group. With a high level of service and an offering of customized industrial solutions that have a high technology content, we are creating the conditions for customers and end users to feel secure in their operations while increasing their productivity and profitability.

Security and profitability

For shareholders

The Group's overall objective is to create sustainable, profitable growth. This objective creates conditions for positive performance by the share as well as a stable, competitive dividend. The share price performance of VBG Group's Series B share over the last five years totals 91.6%, while an average of 37.8% of net profit has been distributed, excluding the pandemic year of 2020 when the dividend for 2019 was withdrawn. The proposed dividend for this year corresponds to a dividend yield of 2.9% based on the closing price at year-end.

175
SEK M in proposed dividend

For suppliers

One condition for being capable of providing a competitive offering is close, functional partnerships with suppliers. We have lengthy, healthy relationships with our suppliers, which has meant that they have accumulated knowledge of our needs. Our business creates income and employment for our suppliers while our Code of Conduct imposes stringent counter-demands for responsible and sustainable conduct.

3,588
SEK M in goods and services purchased

For society

Our industrial solutions are used in a large number of industries globally and fulfill vital social functions. We also contribute to the local economy in several communities in our role as an employer, providing both direct and indirect employment. In 2023 we paid SEK 210.0 M in social security contributions, SEK 22.2 M in pension expenses, and SEK 193.3 M in income taxes – SEK 425.5 M in total. We also pay fees and expenses such as customs duties as well as property and energy taxes. Additionally, the Group contributes to society through local sustainability initiatives among its divisions. Through our stable dividend yield, the Herman Krefting Foundation for Allergy and Asthma Research owner foundation has been able to distribute approximately SEK 271 M in research grants over the years.

426
SEK M in tax

With safety in focus

Safety has always been our highest priority

The founder of the Group, Herman Krefting, took an early interest in traffic safety issues, and in 1951 he started the company that has developed into today's VBG Group. Safety has always been a central part of the Group's identity and is now a crucial driving force in the development of the next generation of products and industrial solutions.

VBG Group's history

Visit our web site and read more about the Group's history. From a basement office in Vänersborg with a handful of employees to a global Group with over 2,000 employees today.

VBG Group 1.0

1951–1996

Establishment and growth in drawbar couplings and towbars

Commercial vehicles, Nordic expansion, acquisitions and listing.

VBG ONSPOT

VBG Group 2.0

1997–2010

Internationalization and expanded offering

Acquisitions and more brands, a new plant and European expansion.

RINGFEEDER Edscha Trailer Systems SESAM

VBG Group 3.0

2011–2020

Acquisition-driven growth and expanded internationalization

Strong brands in attractive niches, international expansion and an expanded offering.

VBG GROUP Mobile Climate Control HENFEL

VBG Group 4.0

2021–

Global expansion and sustainable industrial solutions

- Global presence
- Industrial group
- Structural growth
- Digitization
- Systems solutions
- Focus on sustainability

CARLYLE JOHNSON RATHI

Key Success Factors

Strategic and sustainable development based on our three Key Success Factors

Our ambition is to create a safer society while continuing to generate sustainable profitable growth. On this basis, we have defined three strategic focus areas: the Key Success Factors. Strategic activities and continual adaptation in these areas will be key for the Group going forward.

#1 Strong brands and leading market positions in selected niches 17

#2 High customer value in the products 18

#3 Diversified customer base 19

KEY SUCCESS FACTORS, CONT.

#1

Strong brands and leading market positions in selected niches

Over time, VBG Group has built up a broad and competitive portfolio of brands in attractive niches. Well-managed companies with strong brands are and have been an important criteria in the Group's process of identification and acquisition. New companies that are added to the portfolio must have not only a clear identity, but also conditions for innovation and market development. This also applies to the existing portfolio companies, which are routinely evaluated. The goal is for every brand to establish itself as the number one or number two player in its respective niche.

In customer relations, a strong brand identity is a major competitive advantage. VBG Group's brands have strong identities that are characterized by quality, reliability and a high degree of technological content. Together with the Group's long-term perspective and promotion of a safer society, these are characteristics that are appreciated by the divisions' customers. The experience of a high degree of service is valued as well.

With a basis in the Group's activity goals and the next step in development – VBG Group 4.0 – strong brands and leading market positions will be Key Success Factors. Going forward, focus for the Group will be on both management and development. Management of the companies' unique characteristics and strengths, as well as continual development of the offering with targeted actions that strengthen their brand identities and positions in their respective niches.

PERFORMANCE IN 2023	FOCUS FOR 2024–2026
■ Launched new brand strategy for Bus Climate Control. ■ Continued development of digital marketing: inbound marketing concept.	■ Incorporate new brand, Rathi, into the portfolio. ■ Continued development of digital marketing, work in accordance with the inbound marketing concept for more brands.

New brand for bus customers

In February 2023, VBG Group launched a new brand for the bus segment: Bus Climate Control (BCC). The new BCC brand will develop climate control solutions for bus customers, with a focus on North America. MCC (Mobile Climate Control) remains as a brand for the off-road and utility vehicle market.

Both brands are part of the Mobile Thermal Solutions division, which offers synergies through shared supply chains, business processes and tools as well as in-depth knowledge of climate control systems for commercial vehicles.

"Taking this step feels completely natural," says Eberhard Wolters, the new Division Manager for Mobile Thermal Solutions since January 2023. "By establishing our own brand for the bus business, we can further strengthen and adapt our customer offering."

BCC

KEY SUCCESS FACTORS, CONT.

#2

High customer value in the products

VBG Group's three divisions offer customers in various industries a breadth of products and solutions for the purpose of promoting a safer society. The driving forces in the industries where the divisions are active – such as electrification, digitization, safety and sustainability – are placing ever stricter demands on VBG Group as a supplier and as a group. Demands for both product functionality and processes are increasing, and customers prefer to see the delivery of a solution rather than an individual product. Over the last several years, the Group and its divisions have focused on expanding the product portfolio, adding new technologies and automating solutions and procedures. In addition, the existing system offering in the divisions is being developed.

Product leadership and high customer value in products are key conditions for organic growth going forward and for VBG Group 4.0, the Group's strategic development. The divisions strive for active dialogue with our customers – both end users and various integrators in the value chain. This active dialogue, together with innovation and continual development, creates the conditions for a competitive customer offering.

The Group will focus on continuing to ensure sustainable value chains and to develop and broaden our offering in all divisions, both organically and via acquisitions. We offer our customers the next generation of systems, and are continuing our ongoing journey from component manufacturer to supplier of systems solutions.

PERFORMANCE IN 2023	FOCUS FOR 2024–2026
■ A range of new customized solutions for electric vehicles. ■ Supplementary acquisitions in Ringfeder Power Transmission.	■ Supplementary acquisitions of niche leaders in Truck & Trailer Equipment and Mobile Thermal Solutions. ■ Additional customized solutions for electric vehicles.

VBG Driver Assist – safety for drivers

VBG Driver Assist – VBG's innovative driver assistance system, developed in-house – provides support in daily activities and helps truck drivers focus on the right things.

VBG Driver Assist uses audio signals to warn drivers while they are backing up. With this signaling system, drivers can immediately steer their carriages correctly, and avoid corrections or damage from jackknifing. The system reduces stress for the driver and reduces the risk of damage to the truck.

The VBG system is useful in narrow spaces, for example, when picking up and dropping off loads at shipping terminals, where many vehicles are in motion simultaneously. This system promotes safety for both the driver and personnel at the terminal.

VBG Driver Assist also provides guidance when coupling trailers. Via radar sensors on the drawbar, the driver receives information about its position and via voice commands from the system can position the drawbar correctly without leaving the cab. This assistance is particularly valuable when working on uneven ground such as construction sites and forested areas.

VBG Driver Assist is a great example of a solution that, through innovation, increases customer value and increases traffic safety for both the driver and their surroundings.

KEY SUCCESS FACTORS, CONT.

#3 Diversified customer base

Through the Group's diversified business structure, VBG Group ensures a broad customer base while increasing the Group's risk spread. From having been a supplier oriented solely on freight transport, over the last several years our customer base has expanded into a large number of industries, now encompassing four different areas of operation: people, goods, off-road and industry. The strategic balancing of the portfolio has shifted the Group from transportation supplier to industrial group.

The shift is a central part of VBG Group 4.0, in which the Ringfeder Power Transmission division and its platform have played a key role and will continue to do so going forward. The characteristics of the division are important to VBG Group's business structure from a perspective of the business cycle and financial stability as well as from a perspective of expansion and future growth. Ringfeder Power Transmission's establishment in new markets has provided both the division and the other divisions the opportunity to reach new customers.

VBG Group's customer base is most easily outlined through the Group's four sales channels: OEM, retailers (sometimes owned by VBG Group), integrators and end customers, with OEM being the largest channel at 64% of sales. Increased customer demand for more customized industrial solutions not only leads to an increase in core business but creates conditions for a growing aftermarket business. Going forward, the Group will focus on growing its aftermarket business and consolidating the presence of VBG Group in the supply chain. The Group will also focus on structural growth, continued expansion of VBG Group as an industrial Group and further diversification of its customer base.

PERFORMANCE IN 2023	FOCUS FOR 2024–2026
▪ New customers for the Group via the acquisitions of Carlyle Johnson, Tüschen und Zimmermann's industrial brake business, and Rathi. ▪ During the year, Onspot landed two new customers in the US who operate in public transportation and logistics.	▪ Supplementary acquisitions in Truck & Trailer Equipment and Mobile Thermal Solutions. ▪ Expand the customer offering by using Ringfeder Power Transmission's global sales channels for the acquired brands Carlyle Johnson and Rathi.

Acquisition of Indian company Rathi Transpower

The acquisition of the Indian company Rathi Transpower was finalized on November 9. The company develops, manufactures and markets a broad range of coupling products and coupling solutions for advanced applications in industrial segments. Following the acquisition, the company is part of Ringfeder Power Transmission, and its products are an excellent complement to the division's current customer offering.

"This acquisition is strategically important for us in our ambition to grow as an industrial Group. The acquisition strengthens our presence in the expanding Indian market and will enable us to reach new customers globally," says VBG Group President and CEO Anders Erkén.

Our sustainability agenda

Foundation laid for sustainability

Corporate social responsibility that safeguards the environment and people is a prerequisite for long-term, profitable and sustainable growth. In 2023, the Group focused on building up know-how and structure in order to accelerate the transition toward a more sustainable future.

EVENTS AND FOCUS

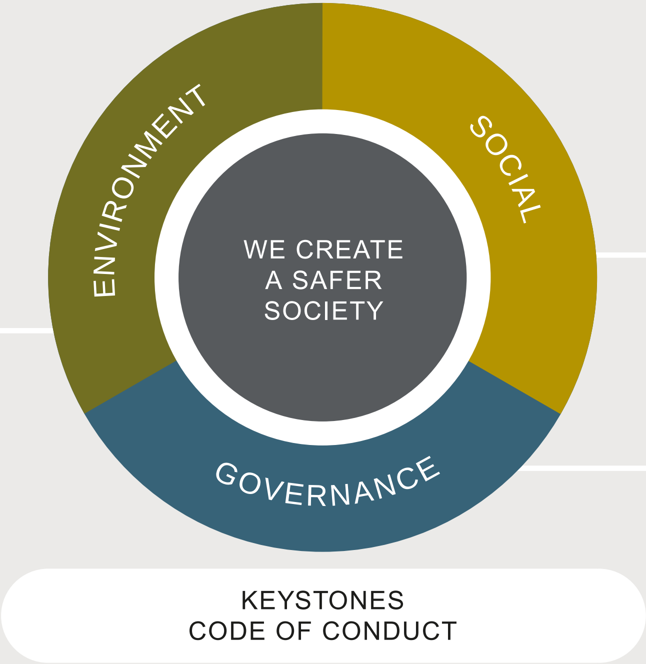
Significant events in 2023

- Preparatory activities ahead of the new Corporate Sustainability Reporting Directive (CSRD).
- Initiated a double materiality assessment.
- Investments for fossil-free energy solutions.

Focus going forward

- Comply with new regulations.
- Plan and implement activities to achieve our sustainability goals.

Environment
This section contains a description not only of the environmental impact we have through our own operations and our value chain, but also the environmental impact we have through our products and solutions, as well as our employees.



Social
This describes VBG Group's goals and ambitions in equal opportunity, diversity, human rights, the work environment and equality.

Governance
This describes how we work with business ethics and regulatory compliance.

VBG Group welcomes the ongoing shift toward a more sustainable world. Corporate social responsibility that safeguards people, society and the environment is a prerequisite for being a strong company over the long term. This is important to us and to our stakeholders.

VBG Group has been a signatory to the UN Global Compact since 2022, undertaking to work actively on sustainability issues and to submit annual progress reports on our efforts to the UN. We are working to promote the UN's 17 Sustainable Development Goals, and our sustainability goals – which were adopted in 2022 – are clearly linked to the targets where we have the greatest impact.

To be clear in our sustainability communication toward our stakeholders, we have adjusted our sustainability framework and chosen to report and structure our ESG activities with our higher purpose of creating a safer society centrally. As a basis for these efforts, we have our Code of Conduct and our values – the Keystones.

For information on our sustainability governance, materiality assessment and the Taxonomy, refer to pages 100–109.

Environmental

Minimize and optimize the use of resources

We are actively engaged in assessing and minimizing our climate impact, both in own production and among our suppliers. Our solutions are part of this, facilitating electric vehicles, smarter transportation and the production of fossil-free energy.

In our materiality assessment (refer to page 103), we regard greenhouse gas emissions as our most material issue. Circularity is also high on the agenda. Based on the analysis, we have established new goals for the Environment area.

Reduce greenhouse gases

A new target for us as of 2023 is a 50% reduction in greenhouse gas emissions by 2030 (Scope 1 and 2). We work actively to bring our energy consumption down and to increase the proportion of renewable energy.

Replacement of lightning, purchase of forklifts that run on electricity and investments in new ventilation systems and energy solutions are examples of activities that we are conducting to achieve this goal.

We have also begun working on setting targets for reducing greenhouse gases in our transportation activities, travel by employees, and input materials and components (Scope 3).

Products that promote a better environment

Product innovation is central to reducing our climate impact. In 2023, we signed a letter of intent to purchase fossil-free steel from SSAB.

Furthermore, Truck & Trailer Equipment is taking an active part in developing longer and heavier vehicles, which will yield lower fuel consumption per ton shipped.

Mobile Thermal Solutions supports electrification, with climate control systems for electric vehicles, and Ringfeder Power Transmission's solutions are being used in a range of applications such as hydroelectric and wind power as well as solar panels.

Circularity

Reducing hazardous waste by 50%, and the total amount of waste by 25%, by 2030 is yet another goal. Through better and more efficient use of resources in production, both in-house and among our suppliers, waste can be reduced.

Environmentally certified facilities

The Group has established routines for monitoring environmental performance, and regularly evaluates potential risks to our operations and products. Truck & Trailer Equipment's production unit in Vänersborg conducts activities that either require a permit or have a reporting obligation under the Swedish Environmental Code.

Our goal is for all 15 production facilities to be environmentally certified under ISO 14001. In addition to the facilities, the Group has two additional ISO 14001 certificates. In total, VBG Group also has 20 ISO 9001 certificates and three ISO/TS-IATF1649 certificates.

EVENTS AND FOCUS

Significant events in 2023

- ISO 14001 certification of the plant in Jaboticabal, Brazil.
- Start-up of focus groups for Scope 3, transportation and input materials.
- Letter of intent to purchase fossil-free steel from SSAB.

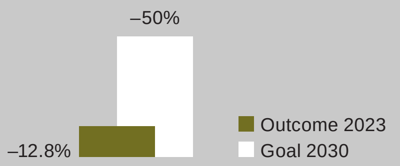
Focus going forward

- Set goals and initiate activities to reduce Scope 3 emissions.

GOAL

Greenhouse gases (GHG)

50% reduction of greenhouse gases (Scope 1 and 2) by 2030 (reference year 2022).

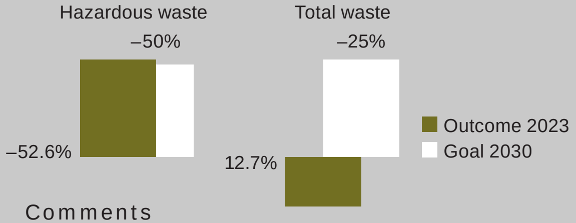


Comments

In 2023, the Group's GHG emissions in Scope 1 and Scope 2 totaled 0.75 tCO_2e/SEK M. Data on greenhouse gas emissions is collected in accordance with the GHG Protocol.

Reduced waste

Reduce hazardous waste by 50%, and the total amount of waste by 25%, by 2030 (reference year 2022).



Comments

In 2024, actions such as increased sorting and re-use of materials will be taken to reduce the total amount of waste. More sorting fractions for hazardous waste will also be introduced in 2024.

Environmental certification

Our own production plants are to be ISO 14001 certified.

Comments

Bolton (US) and Beringen (Belgium) have yet to be certified. The two plants of the acquired company Rathi Transpower are ISO 14001 certified and have been included in the graphic above.

Electric school buses in the US

In the US, demand for electric school buses has gained momentum, due largely to the US Environmental Protection Agency's Clean School Bus Program. The program provides economic support to school districts that electrify their school bus fleets and reduce their carbon footprint. This has effectively increased the proportion of purchases of electric buses, and also promoted the development of the necessary charging infrastructure. More school districts have a goal of electrifying their entire school bus fleets within 10 to 20 years.

To meet the increased demand for electric buses, Bus Climate Control developed solutions for electric vehicles early on and has thus become a key supply partner for school bus manufacturers. Besides providing air conditioning and defrosting systems, Bus Climate Control can also deliver thermal solutions for battery management systems (BMS) for school buses.

ISO 14001 in Brazil

At year-end, Ringfeder Power Transmission's company in Brazil was certified under ISO 14001.

Henfel Indústria Metalurgica LTDA., as the company is called, is based in Jaboticabal, Brazil and develops, produces and delivers couplings, bearing housings and industrial brakes, primarily for the South American market. From originally having been a small foundry for the local agricultural sector, the company is now one of the leading manufacturers of mechanical drive components for materials processing and heavy machinery.

As part of the certification, the company is developing an environmental management system that will make it easier to conduct systematic health and safety activities. Active engagement with environmental issues yields many advantages, both for the organization in the form of reduced use of resources, enhanced efficiency in the use of energy or transport, smarter procurement and lower costs for waste management, and also for our shared environment and ecosystems.

Sustainability in focus in the expansion of operations in Vänersborg

The operations in Vänersborg were expanded in 2023. The expansion comprises 3,500 square meters out of the total area of 17,000 square meters in the Vänersborg plant. Minimizing the climate footprint has been a key component of the construction process.

"Climate-smart construction was the goal. We have added more insulation to save energy and reduce operating costs. Solar panels have been installed on one quarter of the roof, which means 228 panels that generate 114 kW in total, but the entire roof has been prepared for solar panels,"

says Martin Blom, who was project manager for the entire construction.

Green concrete was used for approximately 60% of the poured concrete floor in the expansion. The thickness of the slab was reduced and optimized on the basis of the operations conducted, thus using less concrete overall.

The expansion has an ultramodern control system for heating, lighting and ventilation, which means they are optimized and adapted to the needs of the operations. As few resources as possible can be used at night and during holidays.

"All lighting is LED, and is divided into zones with motion detectors. Supply and exhaust ventilation are provided via a control system that has been integrated into the property system. All heating is provided using carbon-neutral district heating. Ceiling heating is used in the production area and forced heating is used in the logistics section. Recirculated water from heating is re-used for underfloor heating inside the entrance doors, thus drying out wet floors," says Martin Blom.

Logistics flows have also been assessed and optimized in conjunction with the construction. A new offloading area has been constructed to optimize the flow of materials, which reduces the need for intermediate storage and thus internal transportation.

Finally, employee safety is also a key sustainability issue that has been improved. The new premises have been equipped with a large number of water sprinklers, and fire alarms are installed in all areas.

Social

Creating a safer society

VBG Group is a company with well-established community involvement. Our goal is for our products to create a safer society, and for our employees to be offered a safe and secure workplace. We intend to be a positive force in the communities where we operate.

We are a down-to-earth, stable employer with a long-term perspective; we value a balanced, equitable work environment for our employees. Our corporate culture is reflected in our core values – our Keystones: Overall View, Business Orientation, Professionalism and Teamwork. Along with our Code of Conduct, they guide us in how to act.

For the Social area, the three key areas that were identified in our materiality assessment are safety, diversity and inclusion, and ethics. We pursue our sustainability agenda and our goals on the basis of these areas.

Diversity is a strength

New technologies impose new demands on competence in our operations. One challenge for our industry is the limited access to technological and engineering competence, above all among women. We believe that greater diversity in the workplace will yield more angles of approach, a better dynamic and a more energetic work environment. We work actively with recruitment to ensure an equitable workplace and increase the number of women in executive positions.

Human rights

It should go without saying that human rights must be respected, and we have zero tolerance toward discrimination and all forms of slavery, forced labor and child labor. VBG Group did not receive any reports of crimes against human rights in our divisions' value chains in 2023.

Good opportunities for competence development

VBG Group offers good opportunities for competence development. Individual competence is developed in consultation with the employee's immediate supervisor and is conducted as needed. Focus during the year was on sustainability training for all employees. Senior executives are offered a place in the Industrial Management program in the Executive School at KTH Royal Institute of Technology. Two executives were enrolled in 2023. VBG Group's owner foundation, SLK Employees' Foundation, annually awards stipends for further education. 34 stipends were awarded in 2023.

Rewarding, secure work environments

It should go without saying that a workplace should be safe and secure. We have a zero tolerance vision for workplace accidents, and take incidents very seriously. All accidents are carefully investigated by executive management. With a root cause analysis (RCA) as the starting point, an action plan is developed with activities that will prevent the same time of accident from happening again.

Safety in our DNA

VBG Group was founded to offer safer drawbar couplings. Our offering is larger today, but the fundamental intent remains. Onspot's automatic tire chains permit safe winter driving for essential transportation and emergency services personnel. Mobile Thermal Solutions's climate solutions optimize a safe, pleasant climate for drivers and passengers, and Ringfeder Power Transmission's friction springs dampen vibrations in buildings, which can save lives during earthquakes.

Long-term community involvement

Since its founding, VBG Group has been a socially responsible employer. We are largely owned by three owner foundations that invest their returns in both our employees and society. This is a structure that creates a long-term perspective for the company as well as sustainable investments in society. All of our companies and divisions are involved in their local communities through supporting local initiatives and charity projects.

EVENTS AND FOCUS

Significant events in 2023

- Sustainability courses via e-learning and University West.
- The number of accidents remains high.

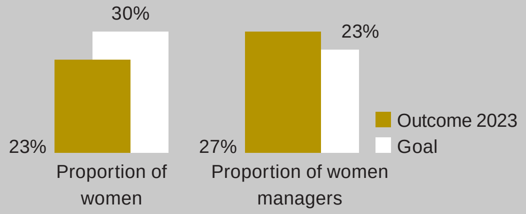
Focus going forward

- Increase the proportion of women in operations.
- Quarterly follow-up of accidents in Group Management.

GOAL

Diversity and inclusion

VBG Group will increase the proportion of women to at least 30% by 2030; the number of managers will mirror the total proportion of women in the Group, and the ambition is to always have at least one woman in management teams. We have zero tolerance towards discrimination.

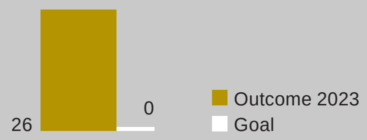


Comments

We work actively for a more equitable gender distribution in new recruitment so as to increase the proportion of women.

Safety

Our goal is that no work-related accidents will occur, and we work so that our products create a safer society.



Comments

To reduce the number of accidents, follow-up and reporting of accidents to Group Management has increased.

Onspot saves lives

Onspot tire chains promote a safer society by offing security for drivers on icy roads. One prime example is when deputy fire chief Raymond Urich Jr. and his colleagues responded to a call.

This incident played out in the mountainous landscape near Fisherville, Pennsylvania in the US. One cold, rainy day, the fire station received a phone call about an accident with injuries. A car had run into a guardrail on a bridge and spun out down a hillside.

The firefighters responded immediately. They had to navigate two large hills to reach the scene of the accident. The first hill was wet but had not frozen over. When they crested the second hill, they realized that the entire road had been transformed into an ice rink. The driver activated the Onspot tire chains, successfully steering the fire truck to reach the accident site. Once out of the truck, the firefighters had to slide on the ice sitting down to reach the accident, and the driver – nine months pregnant – could be evacuated.

When the firefighters inspected the tire chains after the accident, they thought the chains would have been destroyed after the extreme circumstances in which they had been used. They were all surprised to see that only one chain link had broken off. Without those tire chains, the firetruck would never have reached the accident.

Funds for research

A strong sense of social responsibility in combination with working with science and research as a starting point has been a recipe for success for VBG Group. When the Group delivers strong results, more funds are generated for the Herman Krefting Foundation for Allergy and Asthma Research, the Group's largest owner, established by the Group's founder who himself was asthmatic.

The Foundation supports a number of initiatives in allergy and asthma research such as the Krefting Research Centre, which is conducting research to increase understanding of the underlying causes of asthma and optimize the treatment of asthma patients.

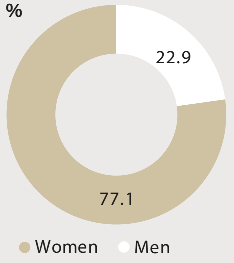
Since 2020, donations have also gone to the Universeum science center and were used for a new exhibit on the human body, Humans, as well as for Wisdome, Sweden's largest visualization dome, which was inaugurated in 2023.

The projects at Universeum are excellent examples of how Swedish industry and academia can collaborate to stimulate interest among young people in the natural sciences, technology and mathematics. Encouraging lifelong learning creates a drive for sustainable development and innovative power for a sustainable tomorrow.

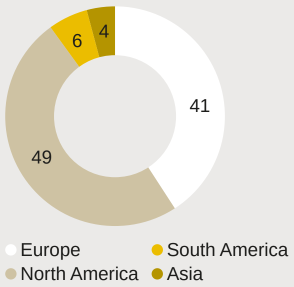
In total, the Herman Krefting Foundation for Allergy and Asthma Research had donated SEK 271 M by the end of 2023. Of these funds, SEK 159 M had been disbursed to the Krefting Research Centre and SEK 74 M to Universeum.

KEY FIGURES

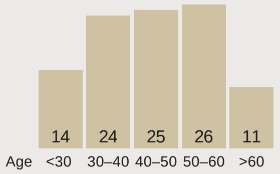
Gender distribution, %



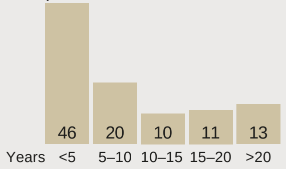
Geographic distribution of employees, %



Age distribution, %



Length of employment, %



All figures are reported as at the balance sheet date for 2023.

Women executive in a male-dominated industry

Anna Grela began her journey with VBG Group in 2010 at the Mobile Climate Control customer service department in Olawa, Poland. This was useful experience to bring along when, five years later, she took on the role of production manager at the Polish factory.

"Starting work in production was a major change, and building trust among all the employees took some time," Anna says.

When asked how the fact that she is a woman impacted the situation, she answers:

"I think I had the advantage of being interested in technology. Both privately and at work, I am not afraid to take on technical tasks on my own. That helped when I had to adapt to the new environment."

Furthermore, Anna points out that it may have been easier to be a woman manager in Olawa than in other factories, since it is a diverse workplace. For example, the share of production managers and process engineers is equally distributed between men and women.

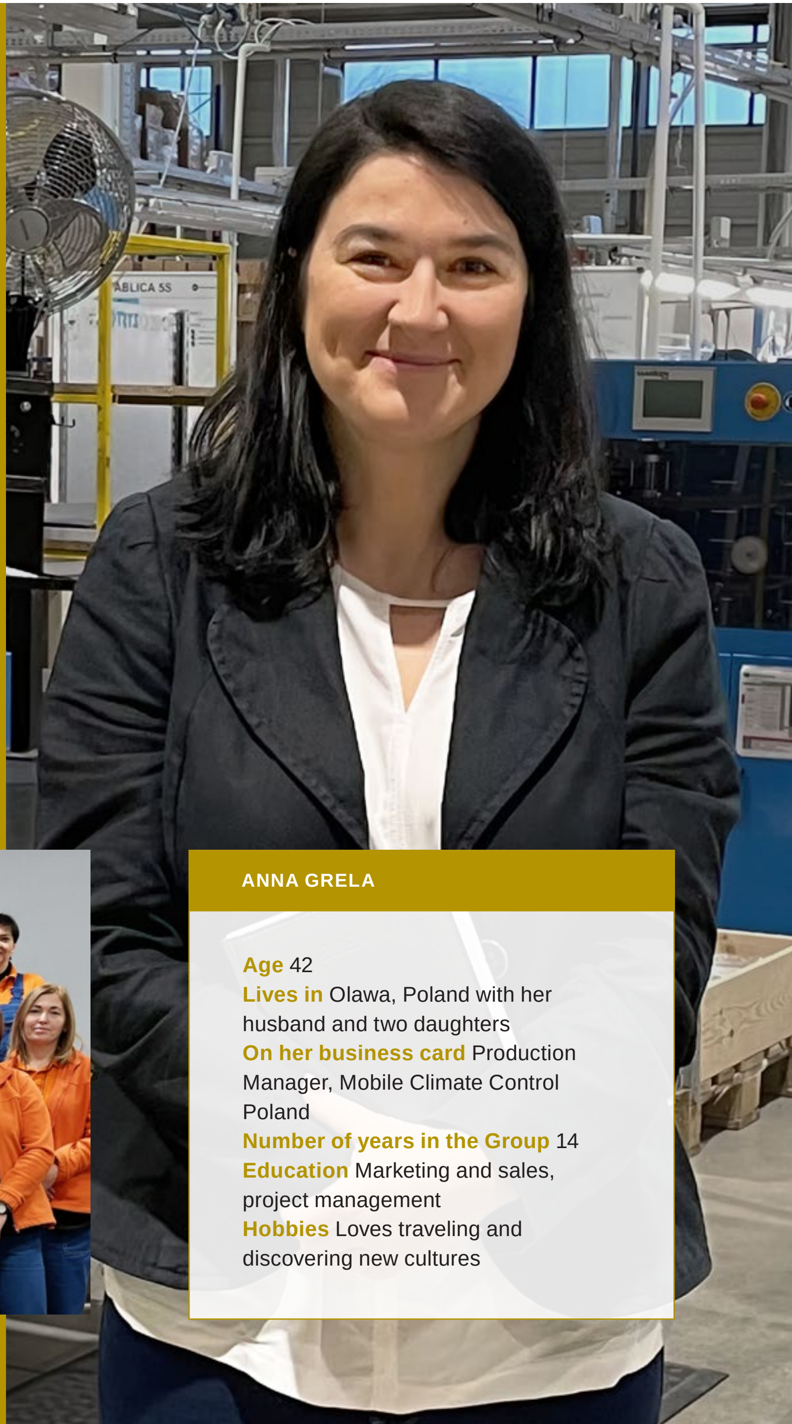
"My – perhaps more stereotypical – womanly characteristics were also of use in the role of production manager. By that, I mean I cared about aesthetics in the factory. How we decorate, clean, and keep order. I strongly believe that keeping things orderly is best from a functional and efficiency perspective, but it also makes a positive impression and creates a good atmosphere," Anna continues.

Going forward, Anna considers the greatest challenge to be how to motivate the younger generation since their view of work and driving forces differs markedly from older views and sets new requirements on working methods.

When asked what is best about being a production manager, Anna responds:

"The people! I have a fantastic team of 15 people that I manage. Production managers, process engineers, administrative managers and purchasing. We really do work as a team. We help one another, and the sky is the limit.

I would like to take this opportunity to thank the whole team for their commitment and hard work. I hope our team can inspire the entire organization, and that we will continue to develop our corporate culture."



ANNA GRELA

Age 42
Lives in Olawa, Poland with her husband and two daughters
On her business card Production Manager, Mobile Climate Control Poland
Number of years in the Group 14
Education Marketing and sales, project management
Hobbies Loves traveling and discovering new cultures

Governance

Active efforts to ensure ethical business

By acting honestly, in compliance with applicable laws and ordinances, we protect and preserve the trust in our Group. Our suppliers must also comply with our values.

VBG Group's mission is to create a safer society. The Code of Conduct expresses our ethical values and, alongside our Keystones, forms the basis for our actions.

Our Code of Conduct describes how we are to act and conduct business within VBG Group. It describes our expectations of both employees and business partners, and clarifies what our stakeholders can expect of us. Our Code of Conduct applies to all employees in VBG Group around the world.

We take all violations of our Code of Conduct seriously, and such violations could lead to disciplinary measures up to and including termination. We encourage all our employees to speak up when confronted with and report erroneous behavior.

All of VBG Group's suppliers and other business partners around the world are expected to comply with standards that are similar to those reflected in our Code of Conduct. All suppliers of direct production material must sign the Code of Conduct.

Responsible business

VBG Group's products and services are found everywhere in society, and we are careful about carrying out our operations responsibly, with transparency and honesty toward all our stakeholders. We are a company that conducts its business on fair terms, and refuses to engage in dubious business. We comply with current legislation and ordinances in the countries where we operate, as well as with Group-wide standards and policies.

We must have an honest approach in relation to all our stakeholders. Employees in the Group may not take payments, gifts, or other types of remuneration from third parties that could affect their objectivity in decision-making.

Whistleblower service

VBG Group's ambition is to maintain an open business climate and a high degree of business ethics. In our operation, we are committed to ensuring safety and respect for all the people affected by our operation. The service was expanded during the year with functionality for submitting verbal reports via a toll-free telephone number. All employees are informed of the service, which is available via our intranet and on our external web site. The whistleblower service provides everyone with the opportunity to report irregularities or anything that is not in line with our company's values. The service is managed by an external party that reports the incidents to two persons in VBG Group management, who take the necessary actions.

No cases that led to measures being taken after investigation were reported during the year. For information on our sustainability governance, materiality assessment and the Taxonomy, refer to pages 100–109.

EVENTS AND FOCUS

Significant events in 2023

- Whistleblower service expanded with a channel for verbal reports.
- Roll-out of the Group's updated Code of Conduct.

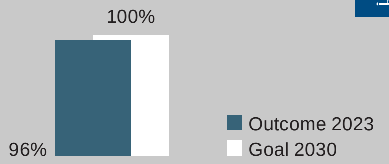
Focus going forward

- Comply with new regulations – the EU Green Deal.

GOAL

Corporate social responsibility

We conduct business on fair terms. The objective is for all selected employees to annually undergo the Group's anti-corruption training. 96% did so in 2023.

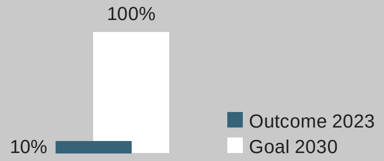


Comments
New employees are trained on a regular basis during the year.

Responsible suppliers

100% of the suppliers of direct production material must sign VBG Group's Code of Conduct.

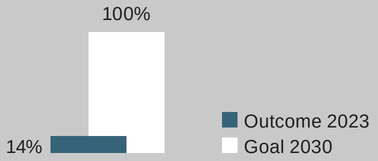
Suppliers who have signed the Code of Conduct



Comments
Different parts of the organization have monitored this metric in various ways. Starting in 2023, we monitor this outcome globally using a standardized approach.

100% of our largest suppliers must be certified under ISO 14001 or a similar standard by 2030.

Suppliers with environmental certification

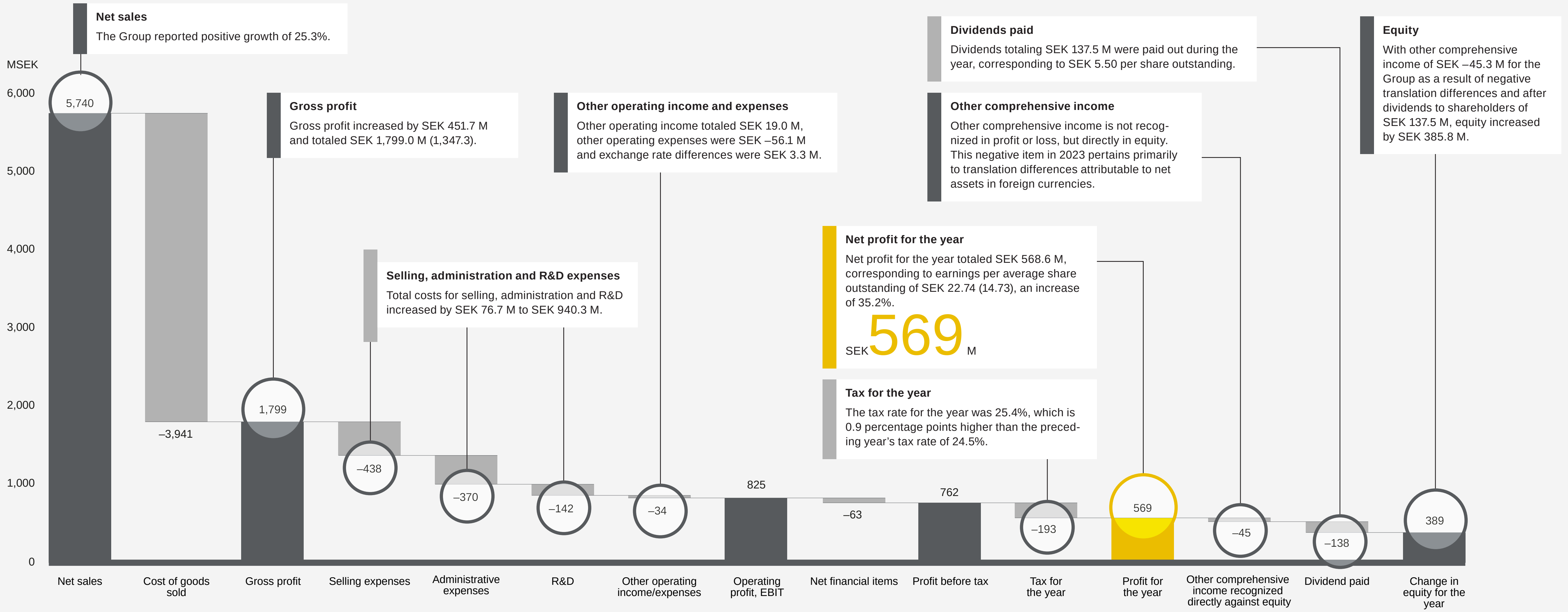


Comments
We are focusing on ensuring that our largest suppliers are environmentally certified. 20% of our suppliers account for 80% of the purchase value.

Earnings performance

2023 – another year of strong growth

For VBG Group, 2023 was a year of solid underlying growth – organic growth totaled 18.2%. 2023 was marked by good demand for the Group's products, particularly in North America and in the Mobile Thermal Solutions division. In 2022, the Group noted increased prices for raw materials and shipping as well as major disruptions in the supply chain – especially in the first half of the year, which adversely impacted the margin. The situation stabilized at the end of 2022 and remained stable in 2023, which allowed us to make up for the lag in price increases that we had been experiencing. 2023 can be summed up as the best year in VBG Group's history, from an earnings perspective.



Cash flow performance

Increased cash flow in 2023

The increase in sales and demand for the Group's products has led to higher levels of capital tied up in trade receivables, but at the same time the Group succeeded in reducing the amount of its capital tied up in inventory. High levels of sales and lower levels of tied-up capital overall generated a significant increase in cash flow compared with 2022, despite the continued high level of investments in 2023.

EBIT, EBITA and EBITDA

Starting with the Group's EBIT, amortizations on intangible assets are added back since they do not impact liquidity, which yields EBITA. After that, depreciations pertaining to property, plant and equipment and right-of-use assets are added back because they do not impact liquidity either, and we obtain EBITDA, which is a rough measurement of operating cash flow.

Cash flow before change in working capital

Apart from depreciation and amortization, there are other items in operating profit — attributable primarily to restatement of goodwill in foreign currency — that do not affect liquidity and, when added back, impact the cash flow. Additionally, the cash flow has been charged with a net interest item and taxes paid.

Change in working capital

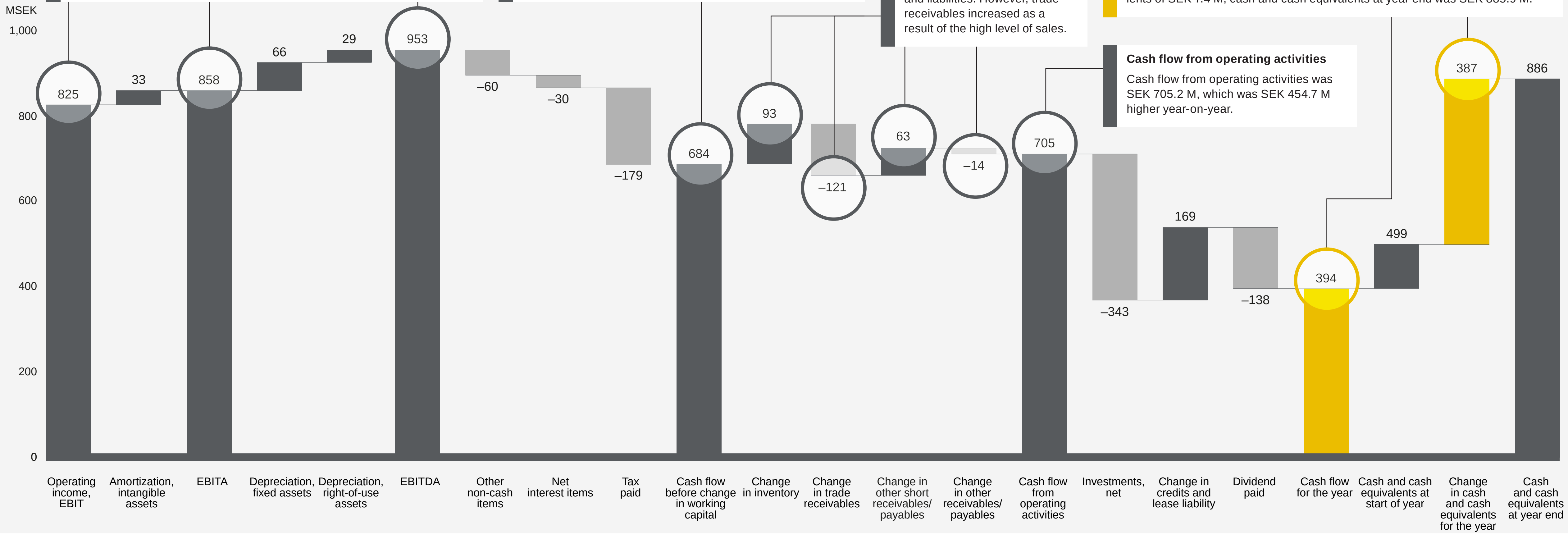
Total change in working capital was SEK 21.7 M. This means that the Group has decreased its capital tied up in inventory as well as in current receivables and liabilities. However, trade receivables increased as a result of the high level of sales.

Cash flow for the year

Cash flow from operating activities was SEK 705.2 M, which was SEK 454.8 M higher year-on-year. After SEK 115.0 M (118.1) in paid capital expenditures, SEK 243.5 M in acquisitions of subsidiaries, loans raised/amortizations of loans, lease liabilities and dividend totaling SEK 31.9 M, net, cash flow for the year was SEK 394.5 M (–183.5). Less translation differences in cash and cash equivalents of SEK 7.4 M, cash and cash equivalents at year end was SEK 885.9 M.

Cash flow from operating activities

Cash flow from operating activities was SEK 705.2 M, which was SEK 454.7 M higher year-on-year.



* Including gains from sales of property.

Financial position

Stable financial position

Equity and the equity/assets ratio increased during 2023 as an effect of the robust earnings. Significant demand and a clear stabilization in the supply chain and prices for raw materials led to less capital tied up in inventory. VBG Group's stable financial position means security, and creates scope for future development and investments.

CASH AND CASH EQUIVALENTS A

Cash and cash equivalents increased by SEK 387 M to SEK 886 M.

TRADE RECEIVABLES B

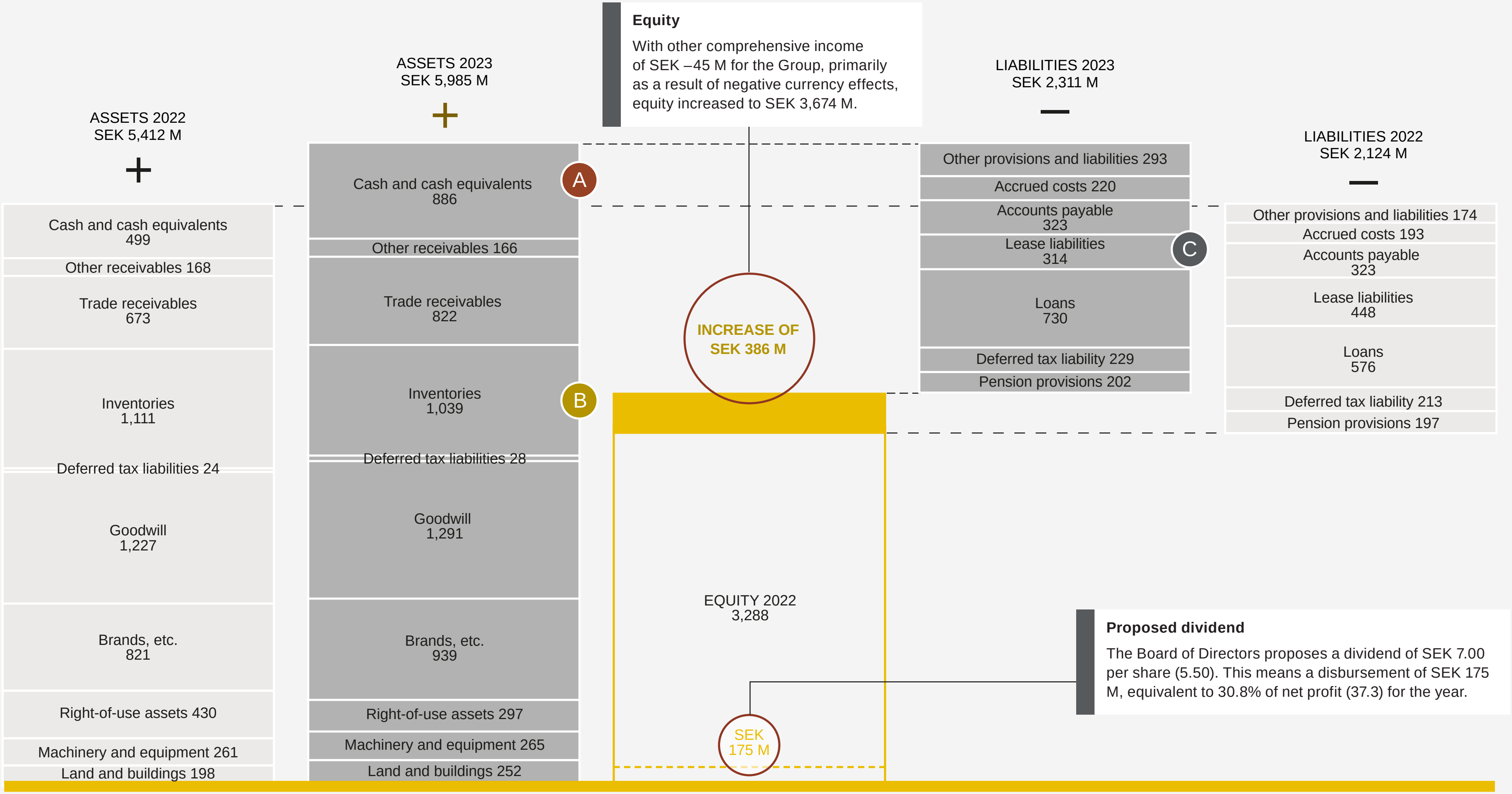
Trade receivables increased by SEK 149 M during the year as a result of increased sales.

LOAN LIABILITIES C

The Group's loan liabilities increased by SEK 154 M during the year as a result of the acquisition that was carried out.

SEK 3,674 M

Equity at the end of the year.



Risks and risk management

Diversification promotes risk spread

All business operations are associated with risk. Risks that are not properly managed can lead to damages and loss for the company, whereas risks that are managed effectively can lead to opportunities and increased value creation for the company's stakeholders.

Through an effective acquisition and portfolio strategy, VBG Group has built up a stable Group with a diversified business structure. Diversification reduces our total exposure to business risks and provides us with a healthy underlying risk spread. Decreased demand in individual industries and in individual markets can now be offset by the Group's broad international spread and customer base.

The ability to identify, evaluate, manage and monitor risks constitutes a key component of the governance and control of our operations. The purpose is to achieve the Group's goals through properly considered risk-taking within established frameworks.

VBG Group's decentralized business model is a major strength for the Group. The Parent Company and Group Management are responsible for overall governance, but one in which local decision-making in operating activities promotes better customer dialogue and increased flexibility. Risks are assessed and evaluated locally in the respective divisions. The majority of risk management concerning operating environment takes place in the management systems of the respective divisions. The Division Management teams and Group Management are in close continual dialogue concerning changes in the risk landscape for the divisions.

Group-wide risks

VBG Group has mapped and highlighted 22 risks based on the following groups: strategic risks, operational risks, compliance risks and financial risks.

- Strategic risks are the external factors that could impact the Group's operations such as climate change, new technology, fluctuations in the business cycle and politics.
- Operational risks are risks that VBG Group can largely control and prevent on its own, and concern primarily our relationships with customers and suppliers, our facilities and our employers.
- Compliance risks deal with the fact that VBG Group is covered by laws and ordinances that are important to comply with, such as zero tolerance toward corruption, support for human rights, regulations pertaining to the environment and health and safety, and various competition regulations.
- Financial risks pertain to factors such as interest-rate and currency risks that could negatively impact the Group's earnings. Moreover, there are financing and liquidity risks – meaning the risk of not being able to meet the Group's capital requirements via cash and cash equivalents or credit facilities – as well as credit risks. Read more about financial risks in Note 2 on page 66.

THE GROUP'S RISK MANAGEMENT PROCESS

VBG Group has an established risk management procedure aimed at providing an overall picture of the risks and how they are managed, as well as facilitating monitoring of risks.

1 Assessment of risks and opportunities

Risks are assessed and evaluated locally in the respective divisions and in the Group-wide functions.

2 Consolidation of risks and opportunities

The divisions' evaluations are compiled at the Group level and evaluated.

3 Group Management review

Group Management reviews the consolidated assessment twice a year (in February and June), and uses the risk compilation in producing and implementing VBG Group's strategy.

4

Audit Committee

Development and implementation of strategy

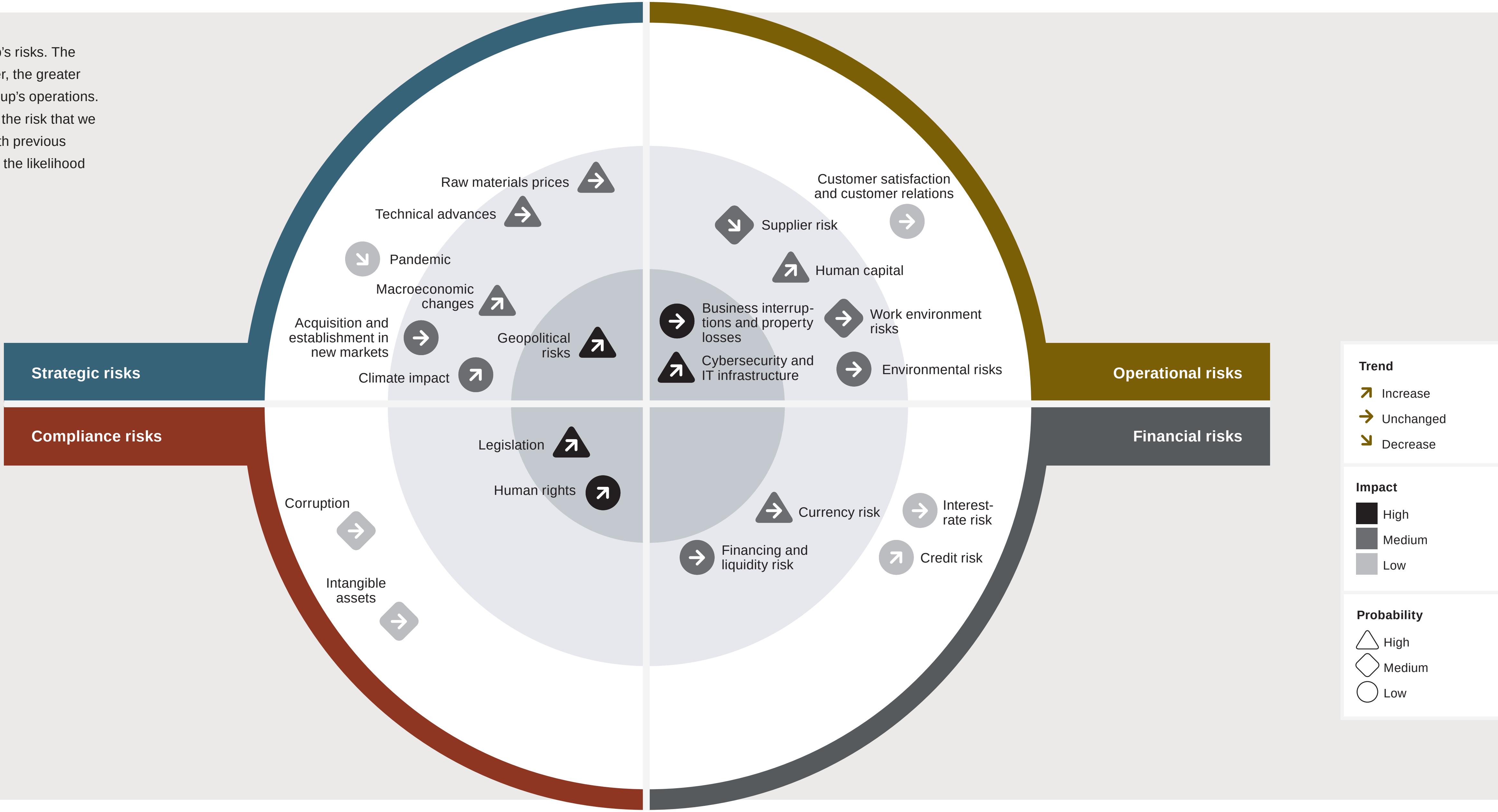
Risk owner

Annual Report

- The compiled risk assessment is shared with the Audit Committee.
- The Audit Committee is updated regularly throughout the year concerning any changes to the risk assessment.
- An overview of the risk assessment is shared externally in the Annual Report.

RISKS AND RISK MANAGEMENT CONT.

This model illustrates the Group's risks. The closer a risk area is to the center, the greater impact the risk has on VBG Group's operations. The arrows show the change in the risk that we have experienced compared with previous years, and the symbols indicate the likelihood of occurrence.



RISKS AND RISK MANAGEMENT CONT.

Strategic risks

Description of risk	How VBG Group manages the risk
Raw materials prices The Group's production is dependent on a number of raw materials and intermediate goods. The most important raw materials are steel, cast iron and aluminum. Price increases or raw material shortages can have an adverse impact on consolidated profit.	Price agreements with the Group's raw material suppliers normally extend over six months. The VBG Group strives to establish long-term relationships with its suppliers in order to ensure continued deliveries during times of shortage. We avoid lengthy customer contracts. Through our strong brands and products with high customer value we can distribute price increases onward to our customers.
Technical advances Rapidly changing technology can create new solutions for meeting customers' and partners' needs, thereby changing the market.	VBG Group works closely with its customers and partners to capture changes in requirements. We work continually with research and development, investing 3.6% of sales into technical advances. We participate in local and global collaboration projects in research and development, and we are active in new legislation to understand developments and to be part of influencing them. We have strategic initiatives in place to increase the digitization of our operations and our marketing and sales channels.
Macroeconomic changes Fluctuating demand can lead to limitations on capacity or underutilization of resources, which could have a negative effect on earnings and financial position. One part of VBG Group's products is oriented on traditionally cyclical industries such as heavy commercial vehicles as well as various industrial segments such as the steel and mining industries.	VBG Group manages these risks by conducting own operations in 15 different countries and sales in a further 50 countries, which results in a broad customer base in both the private and public sectors. After-market sales account for approximately 22% of Group sales, which helps dampen the fluctuations. To cope with the variations in demand, the Group tries to increase flexibility in its production. Order backlogs with standing orders from customers are normally short, but thanks to close customer relationships the VBG Group is well informed about its customers' long-range plans.
Geopolitical risks Political instability, armed conflicts or social unrest can impact the Group's opportunities for conducting business and damage the Group's operations.	VBG Group endeavors to identify and monitor vulnerabilities and changes. Suitable measures are implemented to prevent, alleviate or avoid the effects. We are careful with establishments in high-risk countries. Geopolitical risks in the Group's primary markets in Europe and North America increased in 2023.
Climate impact Global warming entails physical risks such as extreme weather, flooding, and shortages of materials and energy. This could impact both production and facilities. Climate change also leads to transition risks such as changes in demand, higher raw materials prices and new legislation.	In-depth operation-specific analyses and risk assessments are being carried out by all production facilities and suppliers for purposes of prevention. Measures to adapt operations to climate change are being implemented, and employees are trained regularly to ensure the right competence concerning climate risks.
Pandemic The outbreak of global pandemics such as COVID-19 could lead to extensive disruptions of the global economy and change both circumstances and business conditions.	VBG Group is working actively on scenario planning. By being prepared for various scenarios, we can act rapidly and implement activities that protect both our operations and our employees.
Acquisition and establishment in new markets The risk of unsuccessful evaluation and integration of acquisitions, and establishment in new markets.	VBG Group has an active acquisition and internationalization strategy in which the acquisition object and new markets are carefully evaluated in a tried and tested procedure involving external advisers. Both Group Management and the Board of Directors are involved in the acquisition procedures from the start, and the evaluations are conducted on a stand-alone basis and contain no synergies. Through its representatives in Group Management and the Board, VBG Group has solid, documented experience in industrial acquisitions and establishments in new markets.

Trend
- Increase
- Unchanged
- Decrease

Impact
- High
- Medium
- Low

Probability
- High
- Medium
- Low

RISKS AND RISK MANAGEMENT CONT.

Operational risks

Description of risk		How VBG Group manages the risk
Business interruptions and property losses Damage to production plants caused by fire, for example, can have negative consequences in the form of both direct property damage and business interruptions that make it more difficult to meet customer obligations.		Continuous efforts are being made in preventive maintenance and improvements to loss prevention. Investments are made where risks are found, and the Group carries full insurance cover against both business interruptions and property losses.
Cybersecurity and IT infrastructure Threats to the company's IT environment via cyberattacks. Increased proportion of digitized operations increases vulnerability.		We continually test the efficiency of our protective mechanisms and invest in new solutions to meet changing threats. We are boosting information security awareness and training our employees. We protect internal systems by having practices and procedures in place that are designed to protect networks, computers, information and software against attacks, damage and hacking. We carefully evaluate risks when choosing new solutions.
Supplier risk Limitations and disruptions in the supply chain that interfere with our operations.		Suppliers are continually evaluated, and proactive measures are implemented in order to establish a stable, flexible supply chain.
Environmental risks Protect health and the environment so that our operations do not negatively impact our immediate surroundings.		We work proactively on reviewing our environmental risks and reducing our environmental impact. All facilities are to be ISO 14001 certified. The Group has satisfactory environmental insurance for all locations where it operates.
Work environment risks Employees' risk of physical or mental injuries.		Active prevention is in progress to make the work environment safe. All incidents and accidents are reported, monitored and attended to. We partner with employer organizations and have a zero-tolerance vision for accidents. Our workplaces must be associated with physical and mental safety.
Human capital The capacity to attract, recruit and retain talent with the right competence.		We work actively on being an attractive employer. We have clear, established recruitment procedures. We believe in diversity and inclusiveness. We offer personal development through training. Through our partnerships with schools and universities, we secure know-how and future talents. We work actively on reviewing how we localize our operations so that we have the possibility of recruiting personnel.
Customer satisfaction and customer relations Our customers choose other solutions.		We protect our market position by working closely with our customers and offering products with high customer value. We have strong brands in distinct niches. We also work to have a diversified customer base.

Trend
- Increase
- Unchanged
- Decrease

Impact
- High
- Medium
- Low

Probability
- High
- Medium
- Low

RISKS AND RISK MANAGEMENT CONT.

Compliance risks

Description of risk		How VBG Group manages the risk
Human rights The risk of the occurrence of discrimination and all forms of slave, forced or child labor in our organization or among our suppliers.		Our zero tolerance approach to discrimination and all forms of slavery, forced labor or child labor is clarified through information, training and internal regulations (the Code of Conduct). We impose the same stringent requirements on our suppliers and collaborating partners as we do on ourselves.
Corruption Corruption and breaches of business ethics – in the Group or among suppliers – could damage VBG Group's reputation and business operations.		Corruption is prevented through information, training, internal regulations (the Code of Conduct) and monitoring – for example, audits, employee surveys and a whistleblower service.
Risks related to intellectual property rights Risks related to intellectual property rights pertain to instances in which competitors infringe on the Group's patents as well as instances in which the VBG Group infringes on patents held by competing companies.		To minimize these risks, the patent situation is monitored closely and continuously. Our own innovations are protected by patents to the greatest extent possible. We have a procedure through which we monitor and protect our patents as needed, and the procedure also involves external advisors where necessary.
Legislation The operations are subject to new requirements and legislation. Non-compliance could result in both costs and a negative impact on our reputation and brands.		VBG Group carefully monitors developments in legislation, regulations and ordinances that are applicable to the respective markets where the Group operates. Changes in operations in order to comply with new requirements are promptly implemented. We employ advisers and conduct training for key individuals in order to remain updated concerning new requirements. We have a management system for establishing suitable procedures and routines so that operations are conducted in accordance with applicable regulations, laws and ordinances as well as internal policies.

Financial risks

Financial risks are described in Note 2 on page 66.

Trend
- Increase
- Unchanged
- Decrease

Impact
- High
- Medium
- Low

Probability
- High
- Medium
- Low

The share and owners

Stable financial position

VBG Group has been listed on Nasdaq Stockholm since 1987, and the company's Series B share is traded on Mid Cap Industry (VBG Group B).

30.8%
Proposed dividend as a percentage of the Group's net profits

2.9%
Proposed dividend yield

In 2023, the share price for the VBG Group Series B share rose 73.6% to SEK 243.00 (SEK 140.00 at the preceding year end). The VBG Group share has attracted increased interest, not only for the growth and earnings performance it displayed in 2023 but also owing to the sector rotation that occurred from growth-oriented companies with high levels of indebtedness to companies with strong balance sheets and stable cash flows.

The highest share price (SEK 247.50) was noted on December 28 and the lowest (SEK 137.00) on January 4. A total of 6,814,445 VBG Group Series B shares were traded during the year, equivalent to a turnover rate of 30.20% (24.19). The VBG Group's market capitalization at year end was approximately SEK 6.1 billion (3.5).

Total return

The VBG Group's intention is to create shareholder value by offering stable, long-term healthy returns to shareholders, which is supported by the Group's overall objective of sustainable, profitable growth. The total return (i.e. the change in share price plus reinvested dividend) for the VBG Group Series B share during 2023 was 77.5%. Over the latest five-year period, the total return for the VBG Group Series B share was 107.0%.

Dividend and dividend policy

In March 2012, the Board adopted a dividend policy which stipulates that the company normally will pay out 30% of the net profits to the shareholders. The proposed dividend for fiscal year 2023 is equivalent to 30.8% (37.3) of the Group's profit for the year, corresponding to a dividend yield of 2.9% (3.9) based on the closing share price for 2023.

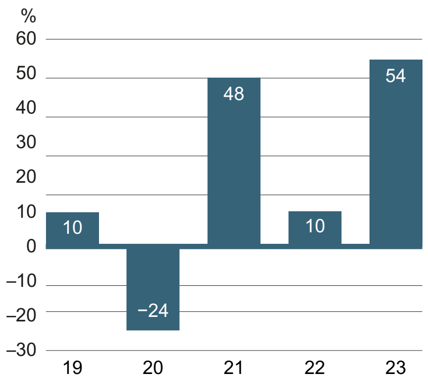
Since the company's initial listing on the stock exchange in 1987, and including the dividend of SEK 7.00 (5.50) proposed by the Board to the 2024 Annual General Meeting,

DATA PER SHARE

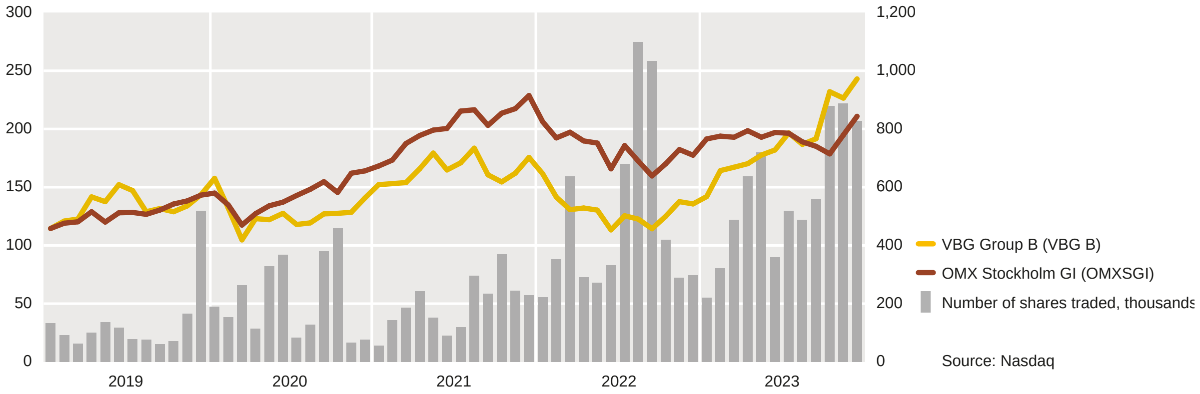
	2023	2022	2021	2020	2019
Earnings, SEK	22.74	14.73	13.48	9.07	11.98
Dividend, SEK	7.00[1]	5.50	5.00	4.50	0[2]
Share price, SEK	243.00	140.00	188.00	154.50	157.50
P/E ratio	10.69	9.50	13.95	17.03	13.15
Equity, SEK	146.94	131.51	111.72	99.99	97.09
Cash flow from operating activities	28.20	10.02	1.48	17.85	17.55
Dividend yield, %	2.88	3.93	2.66	2.91	0.00
Total number of shares outstanding (thousands)	25,004	25,004	25,004	25,004	25,004
Average number of shares outstanding (thousands)	25,004	25,004	25,004	25,004	25,004

[1] Proposed dividend per share.
[2] Proposed dividend for 2019 earnings, SEK 5.00, withdrawn at the 2020 Annual General Meeting.

GROWTH IN EARNINGS PER SHARE



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



THE SHARE AND OWNERS CONT.

TEN LARGEST SHAREHOLDERS AT 31 DECEMBER 2023

Name	VBG Group A	VBG Group B	Holding	Capital	Votes
Herman Krefting Foundation for Allergy and Asthma Research	817,400	5,109,042	5,926,442	22.62%	28.28%
The SLK Employees' Foundation	1,134,600	—	1,134,600	4.33%	24.16%
VBG-SLK Foundation	488,000	14,000	502,000	1.92%	10.42%
Nordea Funds	—	2,145,765	2,145,765	8.19%	4.57%
Lannebo Fonder	—	1,726,039	1,726,039	6.59%	3.68%
SEB Fonder	—	1,674,599	1,674,599	6.39%	3.57%
If Skadeförsäkring AB	—	1,099,192	1,099,192	4.20%	2.34%
The Fourth Swedish National Pension Fund	—	950,689	950,689	3.63%	2.02%
The Third Swedish National Pension Fund	—	657,607	657,607	2.51%	1.40%
Avanza Pension	—	514,037	514,037	1.96%	1.09%
Total 10	**2,440,000**	**13,890,970**	**16,330,970**	**62.34%**	**81.53%**
Other	—	**9,865,054**	**8,673,078**	**33.11%**	**18.47%**
Shares in own holding, VBG Group AB	—	**1,191,976**	**1,191,976**	**4.55%**	**0.00%**
Total number of shareholders	11,700				
Total number of shares	26,196,024				

Source: Modular Finance AB. Compiled and processed data from sources including Euroclear, Morningstar and the Swedish Financial Supervisory Authority.

OWNER CATEGORIES

Dec. 31, 2023	Percentage of capital
Foreign shareholders	16.48
Swedish shareholders	83.52
Of which:	
Institutions	81.35
Private persons	18.65

SIZE OF SHAREHOLDINGS

Dec. 31, 2023

Number of shares	Number of shareholders	Percentage of capital
<500	10,454	3.58
501–5,000	1,108	6.23
5,001–10,000	59	1.66
10,001–50,000	47	3.41
>50,001	32	85.12
Total	11,700	100.00

SHAREHOLDERS IN SWEDEN AND ABROAD

Dec. 31, 2023	Percentage of capital
Sweden	83.52
Other Nordic countries	11.31
Other European countries	2.63
Rest of world	2.54

the company has paid an average dividend amounting to 33.1% of the net profit. However, the canceled dividend for 2019 (as a result of the pandemic) had a negative impact. Disregarding 2019, the company has disbursed an average of 36.1% of net profits. If 2019 is excluded, the latest ten-year average is 38.6%.

Share capital

VBG Group AB's share capital at December 31, 2023 was SEK 65.5 M distributed among 26,196,024 shares with a quotient value of SEK 2.50 each. The VBG Group's shares are divided into two classes of shares: 2,440,000 Series A shares and 23,756,024 Series B shares. Each Series A share carries ten votes and each Series B share carries one vote, except for the Series B shares bought back by VBG Group AB, which carry no votes or dividend rights. Following the buy-back program that was implemented in 2002, VBG Group AB owns 1,191,976 Series B shares representing 4.6% of the share capital. The Board of Directors has been authorized by the Annual General Meeting to resolve on one or more occasions to transfer these shares in connection with acquisitions.

Shareholders

VBG Group had 11,700 shareholders (6,824) at year end (December 31, 2023). The Series A shares, which represent 62.9% of the votes in the VBG Group, are held by the Herman Krefting Foundation for Allergy and Asthma Research, the SLK Employees' Foundation and the VBG-SLK Foundation. Of the total capital, 81.4% (88.6) is owned by institutions (including the three foundations, and the VBG Group's treasury shares). Foreign ownership is 16.5% (21.2).

Contacts with the stock market

The VBG Group's contacts with the stock market are mainly based on quarterly financial reports, press releases and presentations by the VBG Group in various contexts. In 2023, a number of physical meetings with investors took place, as well as several telephone meetings with investors and analysts. VBG Group took part in the Nordea Annual Small & Mid Cap Days in Stockholm in August, after which Nordea began monitoring the VBG Group share. Financial statements and other information, both financial and general, can be found on the Group's website at www.vbggroup.com/en

The person in charge of Investor Relations is CFO Fredrik Jignéus.
+46 521 27 77 53
fredrik.jigneus@vbg-group.com

Six reasons to invest

Six excellent reasons to invest in VBG Group

Over time, the VBG Group has posted sustainable, profitable growth and stable, long-term healthy returns for shareholders. Future shareholder value will be created through organic and structural growth, sustainable business development and continued efficiency enhancements throughout the Group.

1 STRONG BRANDS IN ATTRACTIVE NICHES

Over time, the VBG Group has built up and acquired several companies with strong brands, which has enabled the Group's three divisions to take positions today as world leaders in their respective industrial niches. In these divisions, customers and users are offered leading industrial solutions that promote a safer society. The Group's focus on strong brands and leading market positions in several different niches enables stability and profitability as well as diversification and a strong risk spread.

2 WORKING FOR REDUCED CLIMATE IMPACT

For VBG Group, continued development of its operations without exceeding the planet's limits is important. Reducing the company's climate impact and reducing its share of greenhouse gas emissions are top priorities. Our goal is a 50% or greater reduction in our greenhouse gas emissions (Scope 1 and 2) by 2030. In 2023, our emissions decreased by 12.8% compared with the 2022 baseline.

–12.8%

REDUCED GREENHOUSE GAS EMISSIONS

3 LONG-TERM FINANCIAL STRENGTH

The VBG Group's ownership model, together with strong earnings and profitability trends, has provided financial stability over the years with a high equity/assets ratio. Balancing a stable long-term yield for the owners with allowing the earnings to remain in the Group and work created a strong financial foundation for continued operational development and new acquisitions.

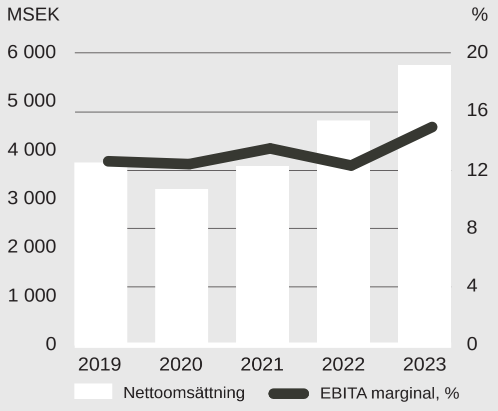
61.4%

EQUITY/ASSETS RATIO

4 SUSTAINABLE, PROFITABLE GROWTH

The VBG Group's business concept is built on both organic and structural growth. The objective is average annual sales growth of at least 10.0% over a five-year period. Sales increased 25.3% in 2023 (18.2% organic growth) as a result of increased demand for transportation and infrastructure. Total average growth over a five-year period was 10.45%, of which 10.0% was organic growth and 0.6% structural growth. VBG Group's objective is an operating margin (EBITA margin) greater than 15%. In 2023, the Group achieved an EBITA margin of 14.9%.

Historical performance



SIX REASONS TO INVEST CONT.

5 STABLE, SECURE OWNERSHIP SITUATION

The VBG Group's Parent Company and Group Management lead the overall operations, steering the Group forward based on a long-term and sustainable perspective. This is made possible by a solid base of stable long-term owners. The largest owners comprise the three owner foundations started by Herman Krefting, the founder of VBG Group, and a number of major institutional owners.

62.3%

10 LARGEST OWNERS, BY CAPITAL

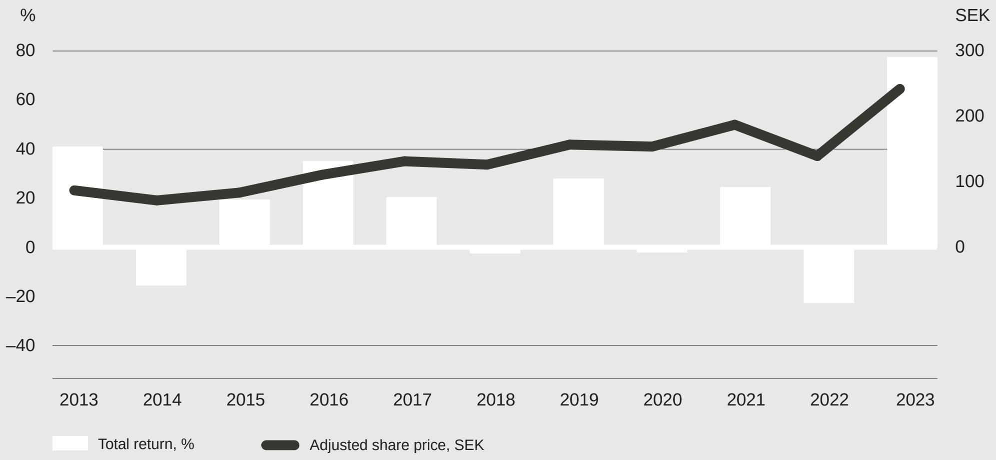
6 STABLE, HEALTHY RETURNS

According to its dividend policy, in normal circumstances the VBG Group will distribute 30.0% of the Group's profit after tax. Over the last five years, an average 31.3% of net profit has been distributed. It should be noted that no dividend was distributed from earnings in 2019 as a consequence of the uncertainty around the ongoing pandemic, which negatively impacted the average proportion of the dividend. If 2019 is excluded from the calculation of the proportion of the dividend, this totals 37.8% of net profit. The proposed dividend yield for 2023 totals 2.9% (3.9) and over the five-year period averaged 2.5% per year including the proposed dividend on the earnings for 2023. The dividend yield for the last five years was impacted by the withdrawal of the dividend proposal for 2019 owing to the pandemic. The total return for 2023 was 77.5% (–22.9). Over the past five-year period, the aggregate total return was 107% (19.1).

2.9%

PROPOSED DIVIDEND YIELD

Total return & share price



Financial statements

Board of Directors' Report

VBG Group AB (publ) Corp. ID No. 556069-0751
(All amounts are reported in SEK thousand unless otherwise stated.)

The Board of Directors and President of VBG Group AB (publ) hereby submit their annual report and consolidated financial statements for the 2023 fiscal year, the company's 65th year of operation.

Information on the business

General

VBG Group AB (publ) in Vänersborg is the Parent Company of an international industrial Group with wholly owned companies in Sweden, the US, Canada, India, Brazil, China, South Africa and Australia as well as seven countries in Europe. The operations are monitored and reported via three divisions: Truck & Trailer Equipment, Mobile Thermal Solutions and Ringfeder Power Transmission. VBG Group's Series B share was introduced on the stock exchange in 1987 and is listed today on the Nasdaq Stockholm Mid Cap list.

Divisions

Operations in 2023 comprised three divisions.

- Truck & Trailer Equipment – The division's two brands for drawbar couplings, VBG and Ringfeder, account for more than 50% of the world market. VBG is the leader in Scandinavia and the UK, while Ringfeder is strong in the rest of Europe and other markets such as Australia. Truck & Trailer Equipment also holds a world-leading position in automatic tire chains through the Onspot brand, with a market share of approximately 65% and well-established sales in Europe and North America. Truck & Trailer Equipment's sliding roofs for tarpaulin-covered trailers and tipper vehicles, and sliding bow roofs for railway wagons, contribute to faster loading and unloading, which enhances the efficiency of transport activities. The roofs also contribute to a safer work environment for the people loading and unloading. Edscha Trailer Systems and Sesam are the division's brands for sliding roofs.
- Mobile Thermal Solutions, through its Mobile Climate Control and Bus Climate Control brands, is an industry-leading supplier of complete climate control systems (HVAC systems) for commercial motor vehicles, primarily in North America and Europe. The customers are mainly found in four market segments: buses, off-road vehicles, utility vehicles and defense vehicles.
- Ringfeder Power Transmission is a recognized global market leader in selected niches within mechanical power transmission as well as energy and shock absorption. The operations include the Ringfeder brand and the Brazilian brand Henfel, as well as Carlyle Johnson. The Rathi brand has also been included since November 2023. Customers of the division are found all over the world, in such widely disparate industrial markets as construction, machinery, power and the mining industry.

Consolidated sales and earnings

Fiscal year 2023 was a year marked by high demand for the Group's products. Sales totaled SEK 5,739.8 M (4,580.0) and were 25.3% higher than full-year 2022. Adjusted for acquired sales and currency effects between the periods, organic volume growth was 18.2%. Operating profit (EBITA) increased to SEK 858.0 M (557.5), corresponding to an operating margin (EBITA) of 14.9% (12.2).

The increased profitability was a result of a pronounced improvement in the situation in Mobile Thermal Solutions' bus operations in the US, as well as the effects produced by a lag in price increases. Furthermore, a favorable market with high demand in North America resulted in high levels of capacity utilization in our production facilities for most of 2023.

Consolidated net interest expense for the full year was SEK –35.3 M (–29.1) and the currency effect on foreign-currency denominated assets and liabilities totaled SEK –18.2 M (–10.7). Net interest items were positively impacted by increased interest income since cash and cash equivalents increased during the year. Net interest items as such, however, deteriorated as a result of gradually rising market interest rates. Other financial expenses amounted to SEK –9.6 M (0.4). Taken together, this resulted in net financial items of SEK –63.1 M (–39.4). Accordingly, profit after financial items was SEK 761.9 M (487.8), profit after tax totaled SEK 568.6 M (368.3) and earnings per share amounted to SEK 22.74 (14.73).

Tax expense

The tax expense for the year was SEK 193.3 M (119.5), of which current tax accounted for SEK 184.2 M (143.0) and deferred tax for SEK 9.1 M (–23.5).

Tax expense for the year thereby corresponds to a tax rate for the Group of 25.4% (24.5).

Capital expenditures and depreciation/amortization

New capital expenditures for the year amounted to SEK 117.3 M (434.9). The higher level in 2022 was attributable to investments in the new Mobile Thermal Solutions production facility at York, Pennsylvania. Total depreciation/amortization for the year was SEK 128.1 M (136.3).

Exposure in foreign currencies, risks and uncertainties

A detailed account of the Group's exposure in foreign currencies, relevant risks and uncertainties is provided on pages 31–35 and under Note 2 Financial risks on page 66.

Cash flow and financial position

Cash flow from operating activities increased compared with the year-earlier period, totaling SEK 705.2 M (250.5). The increase in relation to the preceding year is attributable primarily to a rise in underlying earnings and lower accumulation of working capital, pertaining primarily to inventory. Investments made during the period totaled SEK 342.6 M (56.0), with an increased level of investments attributable to acquisitions of subsidiaries and the expansion of the production facility in Vänersborg. Consolidated total borrowings and lease liabilities increased during the full-year by SEK 169.4 M (–252.9) and the dividend that was paid out in May totaled SEK 137.5 M (125.0), which means that cash flow for the period totaled SEK 394.5 M (–183.5).

Profit after tax for the period increased to SEK 568.6 M (368.3) and other comprehensive income – pertaining to translation differences in foreign currencies and remeasurement of pension plans – totaled SEK –45.3 M (251.8), which resulted in comprehensive income for the period of SEK 523.3 M (619.8). Accordingly, consolidated equity increased to SEK 3,674.1 M (3,288.3) during 2023.

The equity/assets ratio increased during the period to 61.4% (60.8).

Cash and cash equivalents, including currency effects, increased by SEK 387.1 M (168.6) during the period as a result of high levels of profitability from operating activities and new borrowings under the credit facility. Cash and cash equivalents totaled SEK 885.9 M (498.8) at the end of the period. In addition, there were unutilized overdraft facilities of SEK 100.0 M (100.0), which means the Group at the end of December had available liquidity, excluding scope under credit agreements, of SEK 985.9 M (598.8). The Group's interest-bearing net debt declined by SEK 327.9 M during the year and amounted to SEK 394.2 M at the end of the period (722.1).

The ratio of consolidated interest-bearing net debt to equity was 0.11 (0.22) at December 31, 2023 and the ratio of interest-bearing net debt to consolidated operating profit before depreciation/amortization and impairment (EBITDA on a rolling four-quarter basis) was 0.41 (1.09).

Consolidated goodwill increased by SEK 74.6 M as a result of the acquisition of Rathi Transpower Pvt. Limited and decreased by SEK 10.1 M from currency effects, amounting at the end of the period to SEK 1,291.3 M (1,226.8), which in relation to equity amounted to a ratio of 0.35 (0.62).

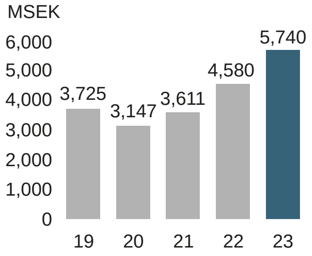
Personnel

At December 31, 2023, there were 2,065 employees (1,773) in VBG Group, including 230 (223) in Sweden. During full-year 2023, the Group employed an average of 1,864 persons (1,731). Of these, 221 (226) were active in Sweden. The cost of salaries and social security contributions for the full year was SEK 1,205.8 M (1,086.4).

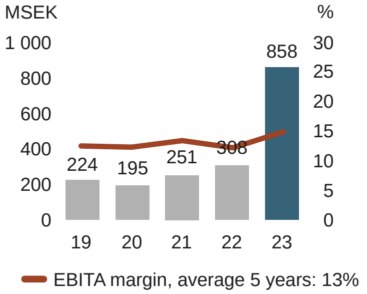
Parent Company

VBG Group AB's operations are focused on managing, developing and coordinating the Group. The assets in the Parent Company consist primarily of shares in subsidiaries and brands. The objective is for the Group's key intangible assets, in the form of brands and other rights, to be gathered in the Parent Company. VBG Group AB focuses on maintaining and securing all the Group's trademarks and rights. The Parent Company's net sales pertain primarily to intra-Group services and license revenues and amounted to SEK 57.7 M (56.7) during the period. Operating loss for the full year totaled SEK –15.4 M (–3.6). The lower operating result is largely attributable to the Parent Company being charged with costs for two CEOs (one taking office, one retiring) in the first five months of 2023. Profit after dividends from Group companies, net financial items and tax totaled SEK 125.6 M (6.7).

Net sales



EBITA and EBITA margin



Group trend, SEK M	**2023**	4/23	3/23	2/23	1/23	2022	4/22	3/22	2/22	1/22
Net sales	5,739.8	1,449.9	1,439.8	1,450.2	1,399.9	4,580.0	1,191.5	1,091.6	1,141.3	1,155.5
EBITDA	953.0	222.9	256.0	242.2	232.0	663.6	162.3	149.9	167.7	183.6
EBITA	858.0	217.5	225.7	212.2	202.7	557.5	134.7	111.7	147.1	164.1
Operating margin (EBITA), %	14.9	15.0	15.7	14.6	14.5	12.2	11.3	10.2	12.9	14.2
Operating profit (EBIT)	824.9	209.0	217.1	204.1	194.9	527.2	127.0	104.6	139.2	156.4
Operating margin (EBIT), %	14.4	14.4	15.1	14.1	13.9	11.5	10.7	9.6	12.2	13.5
Operating profit after financial items (EBT)	761.9	183.4	216.9	181.2	180.4	487.8	105.6	101.4	132.9	147.9
Profit after tax	568.6	129.5	158.9	138.2	142.1	368.3	90.6	62.7	100.5	114.4
Earnings per share, SEK	22.74	5.18	6.35	5.53	5.68	14.73	3.62	2.51	4.02	4.58
Cash flow from operating activities	705.2	162.7	268.7	128.9	145.0	250.5	106.2	18.3	46.3	79.7
ROE (cumulative), %	16.2	16.2	16.7	15.9	16.8	11.4	11.4	12.4	14.3	15.9
ROCE (cumulative), %	17.2	17.2	18.4	17.5	17.4	11.6	11.6	12.8	14.7	15.3
Equity/assets ratio, %	61.4	61.4	58.7	62.4	64.2	60.8	60.8	56.1	58.7	59.3

Sales, SEK M	**2023**	4/23	3/23	2/23	1/23	2022	4/22	3/22	2/22	1/22
Sweden	325.7	81.5	56.9	87.3	100.1	323.8	83.3	64.9	87.5	88.1
Other Nordic countries	270.9	66.9	59.4	69.2	75.3	248.3	59.7	60.2	62.8	65.7
Germany	552.8	121.3	132.9	133.2	165.5	589.3	146.5	136.9	146.0	159.9
Other European countries	949.4	233.8	227.0	237.6	251.0	782.0	210.1	179.8	186.5	205.7
US	2,552.9	663.9	671.0	643.0	575.1	1,839.7	476.0	446.8	458.9	458.1
Rest of North America	590.8	140.2	159.9	158.6	132.1	366.9	86.1	101.0	90.3	89.5
Brazil	145.5	37.0	40.3	39.0	29.2	121.1	29.4	30.9	34.7	26.1
Australia/New Zealand	142.5	35.9	39.1	35.9	31.6	123.5	44.8	22.6	29.0	27.3
China	57.6	14.2	18.6	14.3	10.5	69.7	25.5	20.5	12.9	10.8
Rest of world	151.6	55.2	34.7	32.2	29.0	115.7	30.1	28.1	32.8	24.5
Group	**5,739.8**	**1,449.9**	**1,439.8**	**1,450.2**	**1,399.9**	**4,580.0**	**1,191.5**	**1,091.6**	**1,141.3**	**1,155.5**

Truck & Trailer Equipment

Continued high levels of profitability

For Truck & Trailer Equipment, records in both sales and profitability were reported in 2023. The division's EBITA margin was 21.4%. The year was characterized by continued high demand for truck solutions but a downturn for trailers.

In total, Truck & Trailer Equipment sales increased by 6.1% year-on-year, and EBITA increased to SEK 370.3 M (307.6) with an EBITA margin that remained strong at 21.4% (18.9).

The market
Increased demand for transportation is a clear and long-term trend that is driven by population growth, urbanization and increased e-commerce. Climate change and the need for safe transportation drive development toward longer, heavier vehicles.

The profitability of a hauler is firmly linked to its fuel costs. Now that the customers of haulers are also imposing their own demands for the environment and carbon emissions per ton-kilometer transported, new demands are being imposed on the products. Furthermore, stricter safety requirements are something that the haulers must comply with. This is why, as a customer-centric supplier, we are developing new technologies (e.g. sensor technology with software) and solutions to overcome these challenges. Prime examples of new solutions are the updated program for drawbar couplings, the Onspot automatic tire chains and the Edscha Trailer Systems electrically controlled sliding roof for contractor trucks.

Moreover, Truck & Trailer Equipment is taking part in a number of projects with end users, truck manufacturers and other suppliers to develop applications for longer, heavier vehicles.

The competitors in the market for drawbar couplings are few, but despite this the competition is tough and intense. Rockinger in Germany and Orlandi in Italy are the main competitors. The market for automatic tire chains and sliding roofs is also experiencing tough competition. The main competitor in tire chains is RUD, in Germany.For Edscha Trailer Systems there are primarily three major competitors: TSE (owned by trailer manufacturer Schmitz Cargobull), Versus Omega and Autocar.

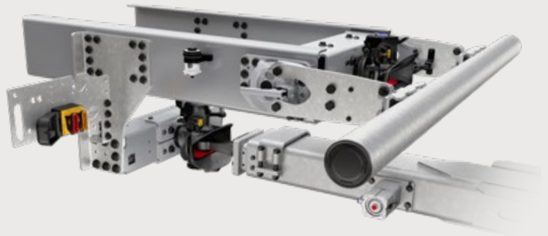
Operations
Through its strong brands, Truck & Trailer Equipment has a leading global position in developing, manufacturing, marketing and sales of equipment for commercial vehicles. Drawbar couplings are sold under the VBG and Ringfeder brands; additionally, the division has a leading position in automatic tire chains sold under the Onspot brand. Moreover, the division has a strong market position in sliding roofs for trailers and railway wagons under the Edscha Trailer Systems and Sesam brands. The division pursues sales in approximately 70 countries, in which its offering is addressed to several different customer groups.

- For drawbar couplings, the most common customer segment is body builders/integrators.
- For automatic tire chains, the most common customer segment is users of commercial goods vehicles, buses and emergency vehicles.
- For sliding roofs, the largest customer segment is manufacturers of tarpaulin-covered semitrailers.

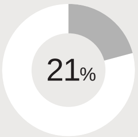
Truck & Trailer Equipment's continual focus on traffic safety has gained the division a reputation as a knowledgeable, value-creating partner in the area. The ability to deliver customized systems solutions rather than individual products is the division's strongest competitive advantage.

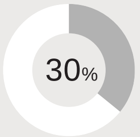
For several years, Truck & Trailer Equipment has played an active role in the work to reduce carbon emissions. The division has taken part in several projects associated with

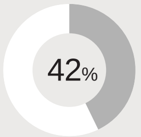
Main product segments
- Coupling equipment for heavy trucks and trailers
- Automatic tire chains
- Sliding roofs for semitrailers



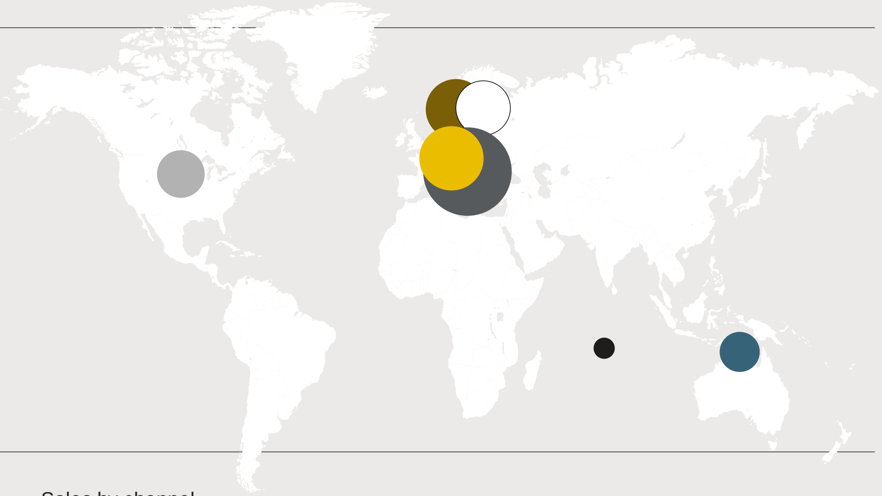
Average number of employees	Sales SEK M	EBITA SEK M	EBITA margin %
383	1,728	370	21
Share of Group	Share of Group	Share of Group	







Sales by region
- Sweden 16%
- Other Nordic countries 13%
- Germany 18%
- Other European countries 34%
- North America 10%
- Australia/New Zealand 7%
- Rest of world 2%



Sales by area of operation

Sales by channel

TRUCK & TRAILER EQUIPMENT

longer, heavier vehicle combinations that have resulted in lower fuel consumption per ton shipped. Truck & Trailer Equipment is well positioned to meet changing customer needs going forward.

The division also focuses sharply on trends in digitization, and consequently is investing in digital marketing for its four brands: Onspot, VBG, Edscha Trailer Systems and Ringfeder. In addition, the division is working on digitization of its product offering. One example of a new product offering in the division is sensor technology for both coupling and roof equipment. This technology improves functionality for the user, leading to increased traffic safety and greater efficiency.

In 2023, the division commercialized new solutions that create value for haulers, body builders and drivers. One example is VBG Driver Assist, a radar-based aid that warns about jackknifing and guides the driver when coupling a trailer.

Financial performance
The need for transportation and industrial solutions continued to increase in 2023. Truck & Trailer Equipment posted the highest sales in its history in 2023. Sales increased by 6.1% to SEK 1,727.7 M (1,628.8).

Adjusted for currency effects during the year, organic growth for Truck & Trailer Equipment was 1.2%. High levels of sales and price adjustments implemented for truck

Sales/Earnings, SEK M Truck & Trailer Equipment	**2023**	4/23	3/23	2/23	1/23	2022	4/22	3/22	2/22	1/22
Net sales	1,727.7	412.3	381.7	437.9	495.7	1,628.8	443.2	362.4	388.3	434.8
EBITDA	393.2	82.7	89.9	97.6	123.0	341.3	98.9	61.5	79.4	101.5
EBITA	370.3	85.9	81.2	88.6	114.7	307.6	92.5	52.6	69.1	93.4
EBITA margin, %	21.4	20.8	21.3	20.2	23.1	18.9	20.9	14.5	17.8	21.5
Operating profit (EBIT)	364.2	84.2	79.4	87.3	113.3	302.6	91.1	51.4	67.9	92.2
Operating margin (EBIT), %	21.1	20.4	20.8	19.9	22.9	18.6	20.6	14.2	17.5	21.2

Sales, SEK M Market	**2023**	4/23	3/23	2/23	1/23	2022	4/22	3/22	2/22	1/22
Sweden	273.9	68.4	46.5	74.8	84.1	271.1	69.7	52.2	72.9	76.2
Other Nordic countries	215.6	54.0	45.6	55.4	60.5	194.4	48.5	45.1	48.7	52.1
Germany	319.1	64.0	75.9	74.7	104.6	373.3	94.8	84.2	91.8	102.5
Other European countries	591.4	134.7	135.0	152.1	169.5	495.4	130.6	117.1	111.6	136.1
US	159.5	49.0	33.4	33.3	43.8	136.9	45.4	33.0	24.1	34.4
Rest of North America	21.2	5.5	6.7	5.6	3.3	11.4	3.5	3.0	2.4	2.6
Australia/New Zealand	112.6	26.3	29.7	31.9	24.7	105.3	40.3	19.0	24.5	21.4
China	0.3	0.1	0.0	0.0	0.2	4.9	1.7	1.2	1.9	0.1
Rest of world	34.2	10.4	8.8	10.0	5.1	36.2	8.7	7.7	10.4	9.4
Truck & Trailer Equipment	**1,727.7**	**412.3**	**381.7**	**437.9**	**495.7**	**1,628.8**	**443.2**	**362.4**	**388.3**	**434.8**

TRUCK & TRAILER EQUIPMENT

operations offset the flagging trailer market, and the division reported an EBITA margin of 21.4%.

Depreciation of property, plant and equipment for the year was SEK 22.9 M (33.7), which meant that EBITDA increased to SEK 393.2 M (341.3). Amortization of intangible assets was SEK 6.1 M (5.0), which increased EBIT to SEK 364.2 M (302.6). In total, depreciation/amortization expensed to the division was thus SEK 29.0 M (38.7).

The division's working capital decreased by SEK 23.8 M during the year to SEK 374.2 M (398.1); with the added value of SEK 244.3 M for property, plant and equipment, operating capital totaled SEK 618.5 M (599.8). Truck & Trailer Equipment's ROOC totaled 62.0% (57.3).

New capital expenditures for the year amounted to SEK 63.2 M (41.1).

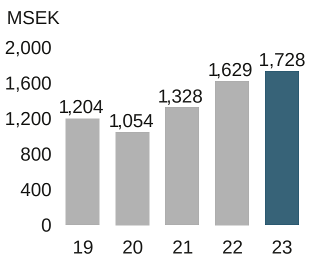
In 2023, Truck & Trailer Equipment had an average of 383 employees (384), and 388 (384) persons were employed at December 31, 2023. Personnel costs for the year totaled SEK 317.1 M (303.5), resulting in a cost per employee of SEK 828.0 thousand (790.4). During the third quarter, the Swedish operations of Truck & Trailer Equipment received an energy subsidy of SEK 3.5 M.

The division, going forward

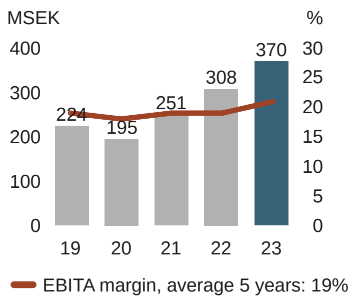
To meet the needs of the market and to address prevailing trends, Truck & Trailer Equipment has a clear strategy going forward. There will be a sharp focus on sustainability issues. In 2024, investments will be made in new, sustainable energy solutions to reduce our CO_2 footprint, and a number of projects to reduce our climate impact will be initiated. The division is actively reviewing opportunities for acquisitions and increased internationalization.

Moreover, through digitization of its product offering, efficient internal procedures and digital marketing and sales, Truck & Trailer Equipment intends to create sustainable profitability for some time to come.

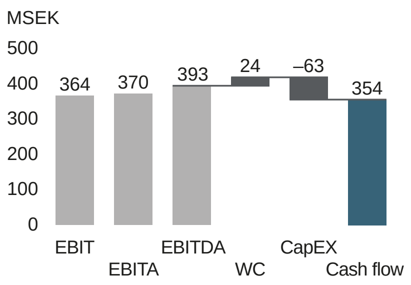
Net sales

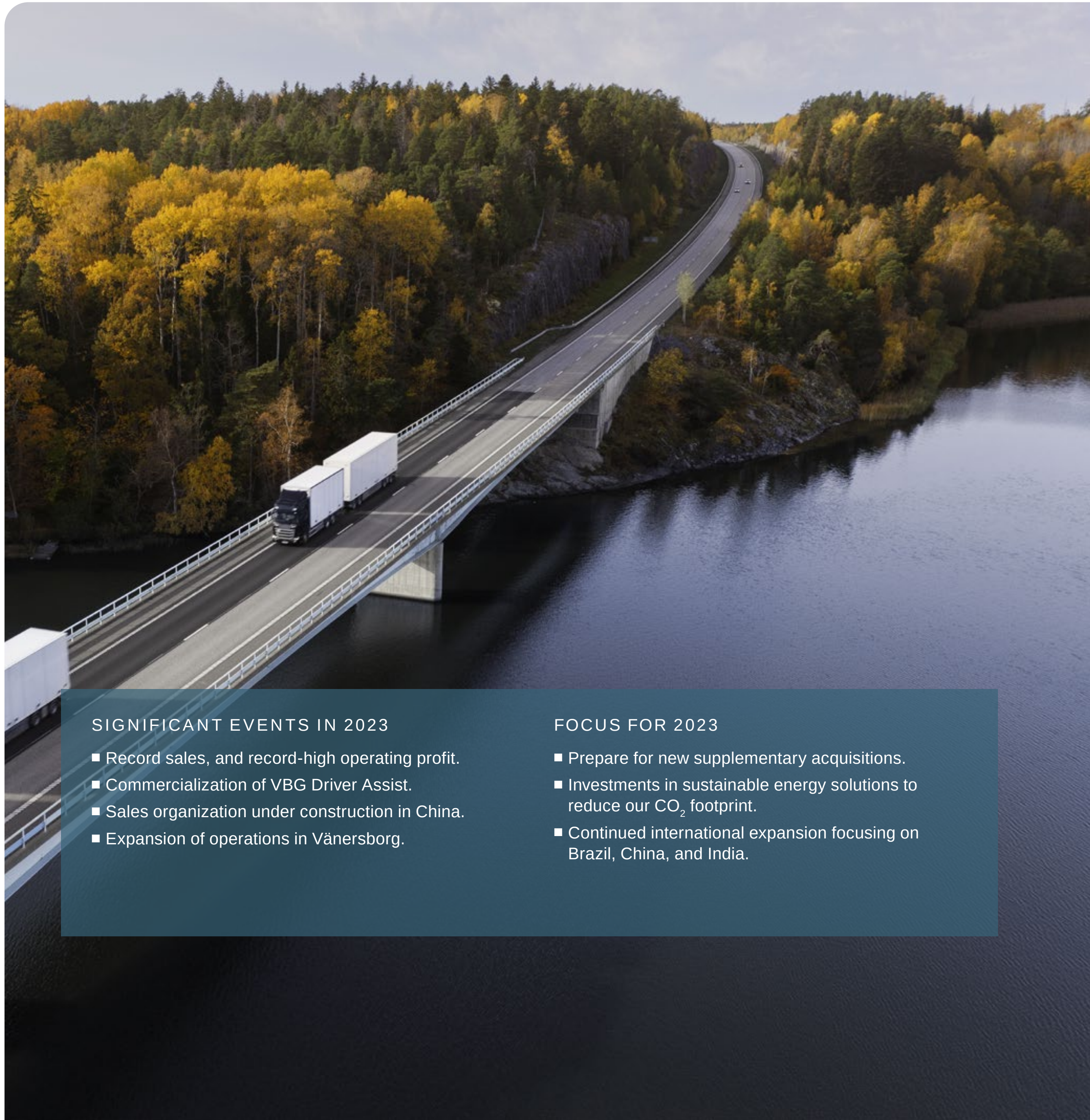


EBITA and EBITA margin



Operating cash flow





SIGNIFICANT EVENTS IN 2023

- Record sales, and record-high operating profit.
- Commercialization of VBG Driver Assist.
- Sales organization under construction in China.
- Expansion of operations in Vänersborg.

FOCUS FOR 2023

- Prepare for new supplementary acquisitions.
- Investments in sustainable energy solutions to reduce our CO_2 footprint.
- Continued international expansion focusing on Brazil, China, and India.

Mobile Thermal Solutions

Record-high sales and increased profitability

In 2023, sales for the division rose by over 40%. Implemented price increases, greater efficiency in bus operations, and increased sales strengthened profitability. The division posted an EBITA margin of 12.4% (7.1) for 2023.

In 2023, the division was renamed Mobile Thermal Solutions. Its previous name – Mobile Climate Control – remains as a brand for the off-road segment and a new brand – Bus Climate Control – was launched for bus customers.

During 2023, many of the previous initiatives to improve earnings for the bus operations have produced results for the bus operations. Both the bus and the off-road business experienced very high levels of demand, primarily in North America, and new key customers and projects were secured during the year. As a whole, profitability for the division was strengthened. The primary reason for this was the establishment of the bus operations in York, PA (US) and the fact that processes are now in place, which increased efficiency.

The market

Overall demand is driven by a number of global trends such as urbanization, digitization, electrification and an increased focus on climate and the environment. One positive aspect for Mobile Thermal Solutions is that its customers are placing stricter demands on the climate in their vehicles, which increases demand and drives development forward. Increased electrification and digitization also lead to more advanced climate control systems. In 2023, several new projects to develop electrified climate control systems began.

The Inflation Reduction Act that was enacted in the US had a positive effect on sales, since the stimulus package encourages the switch to fossil-free energy, thereby increasing demand for electric vehicles. Since Mobile Thermal Solutions is a leader in electrification, this has benefited the division. Demand for utility vehicles equipped with cabs is increasing in North America. The vehicles are increasingly being used in agriculture and forestry.

The competitive situation in the industry for climate control systems in vehicles differs among the various geographical markets. Thermo King is a major competitor in the North American bus market segment, and Bergstrom and Red Dot are competitors in the other North American segments. In the European market, Heavac/Aurora, Pedro Sanz and Konvekta are the major competitors in all segments.

Operations

Mobile Thermal Solutions is a global operator in the field of heating, ventilation and air conditioning (HVAC). The division has operations on every continent. The division has operations on every continent. Sales occur primarily in two markets: North America and Europe, with the US accounting for 69% of sales. The customer offering comprises development, manufacture, marketing and sales of complete climate control systems.

The division addresses itself above all to customers in four market segments:

- Buses, which can be divided into the sub-segments of transit, coach, school and shuttle buses.
- Off-road vehicles in infrastructure, agriculture, forestry, mining and materials processing.
- Utility vehicles such as emergency and service vehicles.
- Defense vehicles for transportation of troops.

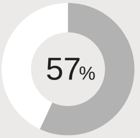
Mobile Thermal Solutions enjoys a strong position in North America across all segments. In Europe, the brand is

MAIN PRODUCT SEGMENTS

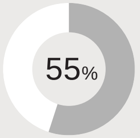
- Roof-mounted climate control systems
- Cabin-mounted climate control systems

Average number of employees	Sales SEK M	EBITA SEK M	EBITA margin %
1,056	3,162	391	12

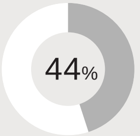
Share of Group



Share of Group

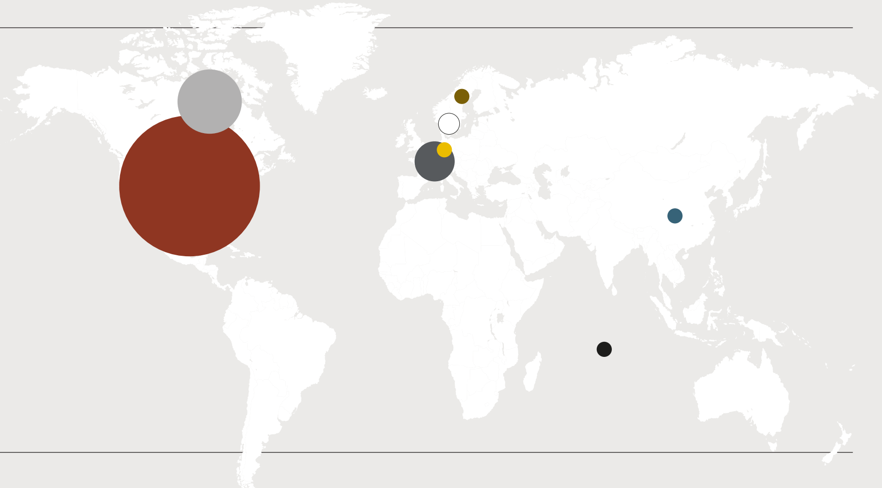


Share of Group



SALES BY REGION

- Sweden 1%
- Other Nordic countries 2%
- Germany 1%
- Other European countries 7%
- USA 69%
- Rest of North America 18%
- China 1%
- Rest of world 1%



Sales by area of operation

- Off-road, 52%
- People, 44%
- Goods, 4%
- Industrial, 0%

Sales by channel

- OEM, 87%
- Distributors/importers, 12%
- Body builders/integrators, 1%
- Retailers, 0%

MOBILE THERMAL SOLUTIONS

strong in climate control systems for utility vehicles and in heating systems for buses.

Mobile Thermal Solutions's continual efforts in product development create conditions for a competitive offering. One major advantage for the division is the possibility of offering customized climate control systems through in-house development, design and manufacture. As part of product development, the division has its own prototype lab for testing where the entire vehicle can be driven in on site to test and optimize the climate control system.

In pace with the growing trend for electrification and digitization, Mobile Thermal Solutions is placing substantial focus on resources in these areas. The developments in electrification are positive, with increased deliveries of customized products for electric vehicles. Electrification also makes new business opportunities, such as active cooling of batteries in electric vehicles, possible. In digitization, the division is working to meet new needs that arise by developing connected products for its customers. This ensures good quality and creates added value for the customer. The divisions are working in parallel on digitizing internal procedures in administration and production.

Financial performance
Mobile Thermal Solutions reported an increase of 41.5% in sales to SEK 3,161.7 M (2,234.5). Accounting for currency effects, organic growth was 36.6%. EBITA for the full year rose to SEK 391.1 M (158.5), with an EBITA margin of 12.4% (7.1).

Depreciation of property, plant and equipment for the year was SEK 47.1 M (54.1), which meant that EBITDA totaled SEK 438.2 M (212.5). Amortization of intangible

Sales/Earnings, SEK M Mobile Thermal Solutions	**2023**	4/23	3/23	2/23	1/23	2022	4/22	3/22	2/22	1/22
Net sales	3,161.7	794.8	835.7	820.4	710.8	2,234.5	558.8	549.1	574.6	552.0
EBITDA	438.2	108.9	123.0	116.3	90.0	212.5	28.3	67.4	62.8	54.1
EBITA	391.1	109.2	106.7	100.6	74.6	158.5	12.0	42.2	56.9	47.3
EBITA margin, %	12.4	13.7	12.8	12.3	10.5	7.1	2.1	7.7	9.9	8.6
Operating profit (EBIT)	369.7	103.7	101.2	95.2	69.5	137.8	6.7	37.1	51.8	42.2
Operating margin (EBIT), %	11.7	13.1	12.1	11.6	9.8	6.2	1.2	6.8	9.0	7.6

Sales, SEK M Market	**2023**	4/23	3/23	2/23	1/23	2022	4/22	3/22	2/22	1/22
Sweden	47.8	11.9	9.5	11.5	15.0	48.7	12.7	11.6	13.4	11.0
Other Nordic countries	50.5	11.6	12.6	12.9	13.3	50.7	10.3	14.2	13.3	12.9
Germany	34.5	8.1	8.2	9.2	9.0	25.9	5.2	6.4	7.5	6.8
Other European countries	226.6	52.7	53.6	60.7	59.6	204.4	51.7	44.9	55.7	52.0
US	2,190.6	565.9	585.7	560.9	478.1	1,514.5	388.6	365.2	386.8	373.8
Rest of North America	560.1	132.4	150.8	150.8	126.1	349.6	80.6	96.7	86.8	85.4
China	27.6	6.8	8.2	7.6	5.0	21.1	5.0	5.7	4.7	5.8
Rest of world	24.0	5.5	7.1	6.9	4.6	19.6	4.5	4.4	6.3	4.3
Mobile Thermal Solutions	**3,161.7**	**794.8**	**835.7**	**820.4**	**710.8**	**2,234.5**	**558.8**	**549.1**	**574.6**	**552.0**

MOBILE THERMAL SOLUTIONS

assets was SEK 21.5 M (20.7), which resulted in an EBIT of SEK 369.7 M (137.8). Depreciation/amortization for the full year totaled SEK 68.6 M (74.8).

The division's working capital (inventory, trade receivables and trade payables) increased SEK 47.0 M during the year to SEK 832.6 M (785.6); with the added value of SEK 391.9 M (542.1) for property, plant and equipment, operating capital totaled SEK 1,224.5 M (1,327.7). The ROOC for Mobile Thermal Solutions increased to 32.3% (19.1).

New capital expenditures for the full year totaled SEK 16 M (372.9).

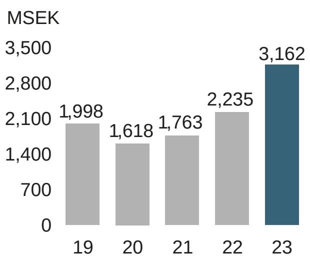
Mobile Thermal Solutions increased its workforce in 2023, employing an average of 1,056 persons (965). At December 31, 2023, 1,022 persons (1,007) were employed in the division. Personnel costs increased to SEK 628.2 M (543.3), resulting in a cost per employee of SEK 594.9 thousand (563.0).

The division, going forward

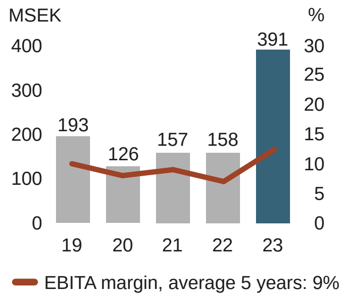
In early 2022, all bus activity in the US was consolidated into a newly constructed facility in York, PA (US). This restructuring was a prerequisite for the efforts to address the profitability and growth of the bus segment. Concentrating competence and resources, and marketing the products under the division's own brand – Bus Climate Control – will facilitate an improved customer offering.

Focus going forward will be on further strengthening the profitability of the bus business and introducing increased modularization of the products. The goal is to grow operations in the BIC countries, and to review opportunities for acquisitions. The division is also preparing for continued growth through new solutions and for new and existing customers. Through connected products and customized advanced climate control systems, as well as more deliveries for electric vehicles, Mobile Thermal Solutions will strengthen its position in the market.

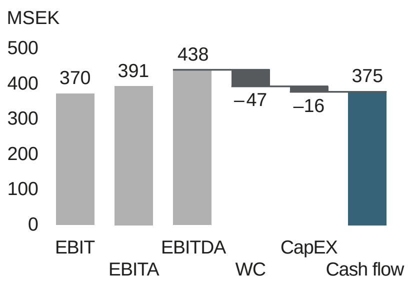
Net sales



EBITA and EBITA margin



Operating cash flow



SIGNIFICANT EVENTS IN 2023

- Implementation of new brand strategy, and launch of the new Bus Climate Control (BCC) brand.
- Eberhard Wolters is the new Division Manager of Mobile Thermal Solutions.
- First order for battery tempering systems.
- New innovation project in partnership with the largest customers.
- Increased share of deliveries for electric school buses and off-road vehicles.
- R&D roadmap in place.

FOCUS FOR 2024

- Continued focus on profitability.
- Continue to expand the customer offering for electric vehicles.
- Begin implementation of new ERP system for the North American operations.
- Continue to reduce complexity in components and systems.
- Organic growth in North America and Europe.

Ringfeder Power Transmission

Record-high sales

In 2023, the division grew both organically and via acquisitions. Sales increased 18.7% year-on-year and the EBITA margin totaled 14.7% (15.9).

The market
Ringfeder Power Transmission develops, manufactures and sells a wide range of products for advanced applications in mechanical power transmission and energy and shock absorption. Key market segments consist of industrial automation, the food industry, the aerospace and defense industry, energy production, the mining industry and metal production as well as medicine and robotics.

The market for mechanical power transmission is fragmented, consisting of over a thousand minor operators and a few extremely large ones. The industry is consolidating, with Rexnord and Regal Beloit merging in 2021 to become one of the largest players in the market with total sales of approximately USD 4 billion. Furthermore, the new company, Regal Rexnord, announced in October 2022 that it was acquiring Altra Industrial Motion for nearly USD 5 billion.

Demand for products and solutions varies greatly based on geography and market. In Asia and South America, demand is governed by steadily increasing industrial manufacture, whereas demand in mature markets such as Western Europe and North America are impacted primarily by increased automation and enhancing the efficiency of the customers' systems.

Operations
Ringfeder Power Transmission is a global operator whose operations are conducted in its own companies in Germany, the Czech Republic, Poland, the US, Brazil, India, China and Australia. The path to the customer runs either through sales subsidiaries or via networks of agents and distributors.

The division has some twelve product groups, which are marketed and sold under the following brands: Ringfeder, Carlyle Johnson and Henfel. The Rathi brand has also been part of the portfolio since 2023. In general, the products can be divided into four different categories: shaft-hub couplings, shaft-shaft couplings, friction springs and industrial couplings, and brakes.

- Shaft-hub couplings include locking assemblies and shrink discs for mechanical power transmission. Locking assemblies are prevalent in, for example, freight management, the mining industry and energy production with specific uses in equipment such as cranes, hoisting devices, turbines and industrial pumps. Shrink discs are often used in transmissions for industrial use.
- Shaft-shaft couplings comprise couplings primarily for the food, packaging and automation industries as well as for heavy industrial applications and motion control.
- Friction springs are common in drilling equipment and in industrial rolling mills. Additionally, friction springs are used for shock absorption in aircraft and other vehicles, and to earthquake-proof buildings, bridges and power plants.
- Electromagnetic industrial couplings and brakes run on electricity but transfer the torque mechanically, and are best suited for remote control applications. The products are offered as a standard or as customized solutions, and used for example in aviation and medical equipment to meet specific customer needs and requirements.

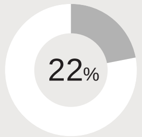
Over the last few years, Ringfeder Power Transmission has enhanced the efficiency of the division's logistics and

MAIN PRODUCT SEGMENTS

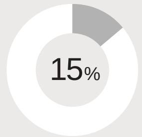
- Shaft-hub couplings
- Shaft-shaft couplings
- Friction springs
- Electromagnetic industrial couplings and brakes

Average number of employees	Sales SEK M	EBITA SEK M	EBITA margin %
416	850	125	15

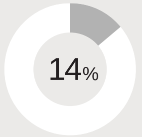
Share of Group



Share of Group

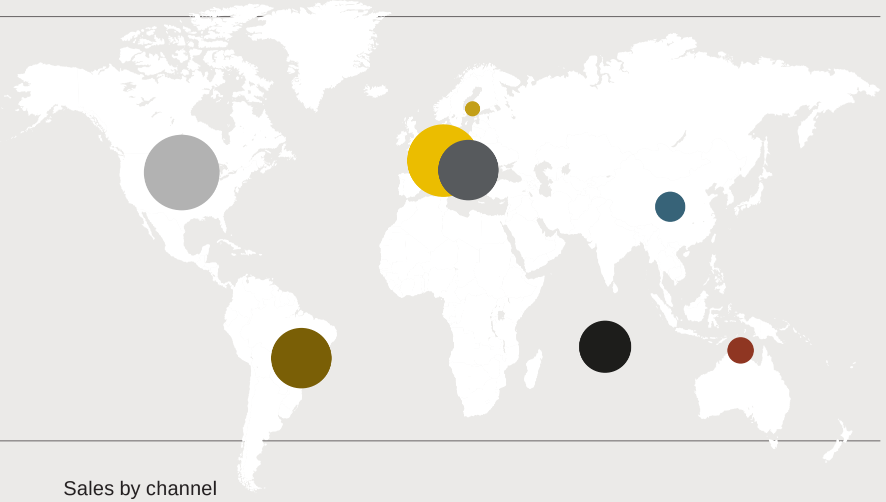


Share of Group

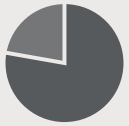


SALES BY REGION

- Sweden 0%
- Other Nordic countries 1%
- Germany 23%
- Other European countries 16%
- North America 25%
- Brazil 16%
- Australia/New Zealand 3%
- China 4%
- Rest of world 12%



Sales by area of operation



- Industrial, 78%
- Goods, 22%
- Off-road, 0%
- People, 0%

Sales by channel

- OEM, 59%
- Distributors/importers, 41%
- Retailers, 0%
- Body builders/integrators, 0%

RINGFEDER POWER TRANSMISSION

production processes, and supplemented its product portfolio toward more profitable products.

In pace with increased industrial manufacturing globally, the division is now focusing on increasing its presence in growth markets. Through the acquisition of Rathi Transpower, the division has production facilities and its own local sales resources in place in the key transmission markets in Europe, North America, South America and the rapidly growing India market. Local presence decreases sensitivity in a global supply chain.

The competitive advantages for Ringfeder Power Transmission comprise primarily leading-edge technical expertise, a broad product portfolio and an offering that meets strict requirements for precision, reliability and quality.

In late 2021, Ringfeder Power Transmission acquired the US company Carlyle Johnson Machine. With this acquisition, the division supplemented its existing product portfolio and made its entry into an attractive segment with a high rate of market growth. The integration of Carlyle Johnson Machine was completed in 2023, and all three facilities in the US are now consolidated in Bolton, CT (US).

The work on strengthening internal procedures in order to achieve a higher level of productivity in its operations continued during the year. The previously acquired Tüschen und Zimmermann industrial braking business has now been fully integrated into Ringfeder Power Transmission, and all production has moved to the division's facility in Neunkirchen, Germany. This acquisition is an excellent

Sales/Earnings, SEK M Ringfeder Power Transmission	**2023**	4/23	3/23	2/23	1/23	2022	4/22	3/22	2/22	1/22
Net sales	850.4	242.7	222.4	191.9	193.4	716.7	189.5	180.0	178.3	168.9
EBITDA	147.0	38.2	45.0	36.2	27.6	129.8	44.1	24.8	29.6	31.3
EBITA	125.3	31.6	40.0	31.3	22.5	113.7	39.8	21.2	25.6	27.2
EBITA margin, %	14.7	13.0	18.0	16.3	11.6	15.9	21.0	11.8	14.4	16.1
Operating profit (EBIT)	119.8	30.1	38.6	29.9	21.1	109.1	38.7	20.5	24.1	25.8
Operating margin (EBIT), %	14.1	12.4	17.3	15.6	10.9	15.2	20.4	11.4	13.5	15.3

Sales, SEK M Market	**2023**	4/23	3/23	2/23	1/23	2022	4/22	3/22	2/22	1/22
Sweden	4.1	1.3	0.8	1.0	1.0	4.1	0.9	1.1	1.2	0.9
Other Nordic countries	4.8	1.3	1.1	0.8	1.5	3.2	0.9	0.9	0.7	0.7
Germany	199.1	49.2	48.8	49.3	51.8	190.1	46.5	46.3	46.6	50.7
Other European countries	131.5	46.5	38.4	24.7	21.9	82.3	27.8	17.7	19.1	17.7
US	202.9	49.0	51.8	48.9	53.2	188.4	42.0	48.6	47.9	49.9
Rest of North America	9.5	2.3	2.3	2.2	2.7	5.8	1.9	1.3	1.1	1.4
Brazil	136.8	35.3	38.3	35.9	27.3	106.3	26.1	28.4	30.7	21.1
Australia/New Zealand	27.6	8.9	8.9	3.3	6.5	17.0	4.0	3.4	4.1	5.4
China	29.7	7.3	10.4	6.6	5.4	43.7	18.8	13.6	6.4	4.9
Rest of world	104.4	41.6	21.5	19.1	22.2	75.8	20.6	18.7	20.4	16.1
Ringfeder Power Transmission	**850.4**	**242.7**	**222.4**	**191.9**	**193.4**	**716.7**	**189.5**	**180.0**	**178.3**	**168.9**

RINGFEDER POWER TRANSMISSION

addition to the existing product portfolio, and sales of the acquisition's products increased 400% in 2023.

The Indian company Rathi Transpower was acquired in November 2023. With this acquisition, the division now has strategically important production facilities in India, both of which are ISO 14001 certified. This acquisition has supplemented the division's product range, and partially new markets such as the pump and refining industries, and agriculture, can now be reached. Going forward, the intent is to use the division's established sales channels to reach new markets with Rathi's products.

The mining industry performed well during the year, driven to a large extent by the electrification of vehicles and the need for materials to do so. Moreover, the strong growth in e-commerce contributed positively to the division's business, since Ringfeder Power Transmission's customized solutions are found in the automated warehouses used by e-commerce. Ringfeder Power Transmission also noted that digitization and the use of the division's digital marketing and sales channels continued to increase in 2023.

Financial performance

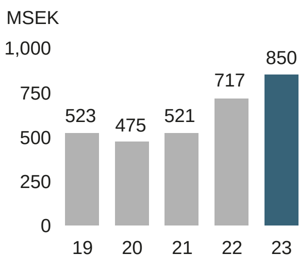
For the full year, Ringfeder Power Transmission increased sales by 18.7% to SEK 850.4 M (716.7). Accounting for currency effects between the years, organic growth decreased 0.2%. EBITA increased to SEK 125.3 M (113.7), with an EBITA margin of 14.7% (15.9).

Depreciation of property, plant and equipment for the year was SEK 21.7 M (16.1), which meant that EBITDA totaled SEK 147.0 M (129.8). Amortization of intangible assets was SEK 5.5 M (4.7), which resulted in an EBIT of SEK 119.8 M (109.1). In total, depreciation/amortization expensed to the division were SEK 27.2 M (20.8).

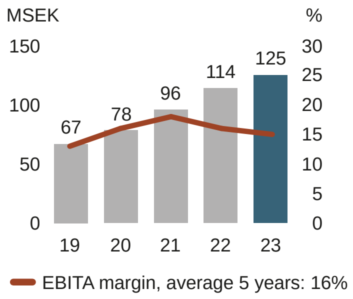
The division's working capital (inventory, trade receivables and trade payables) increased SEK 51.7 M during the year to SEK 335.5 M (283.8); with the added value of SEK 170.5 M (142.6) for property, plant and equipment, operating capital totaled SEK 506.0 M (426.3). The ROOC for Ringfeder Power Transmission decreased to 30.0% (32.2) attributable in part to the fact that Rathi Transpower's balance sheet has been fully integrated while only two months of EBITDA are included.

New capital expenditures for the year totaled SEK 32.4 M (20.1). The higher level is attributable to investments in the Brazilian operations. During 2023, Ringfeder Power Transmission had an average of 416 employees (373). At December 31, 2023, 646 persons (375) were employed in the division. Personnel costs totaled SEK 223.8 M (208.2), resulting in a cost per employee of SEK 538.4 thousand (558.2).

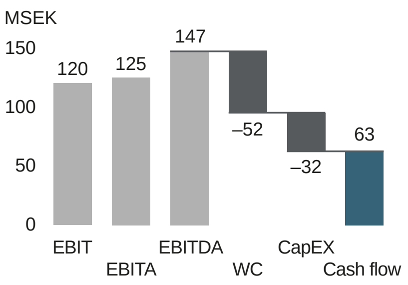
Net sales



EBITA and EBITA margin



Operating cash flow



SIGNIFICANT EVENTS IN 2023

- Acquisition of Indian company Rathi Transpower.
- ISO 14001 certification of Henfel in South America.
- Sales for industrial brakes increased 400%.
- Improvement in profitability in the European market.
- Successful sales of Henfel products in Australia.
- Improved sales and technical support through digital marketing.

FOCUS FOR 2023

- Integrate the Indian acquisition into the operations.
- Market and sell Rathi's products globally.
- Improve profitability for Carlyle Johnson Machine.
- Increased capacity at Henfel in Brazil.
- Establish sales channels in Peru and Chile.

The division, going forward
One clear strategy for the division going forward is expanding in growth markets. The efficiency of deliveries and production processes continues to be enhanced. The division will continue to deliver customized solutions that promote a total concept. Ringfeder Power Transmission promotes a more sustainable society, especially through its solutions for earthquake-proofing and products for generating hydroelectric and solar energy.

Sustainability reporting
Sustainability issues hold a central position in VBG Group; this remained the case in 2023. We have chosen to present our statutory Sustainability Report on pages 20–27, as well as a more in-depth sustainability report on pages 100–109. Sustainability risks, and how they are managed, are described together with other risks on pages 31–35. Strategy, business model and value chain are all described on pages 11–19.

Outlook for 2024
The Group makes no forecast.

The work of the Board of Directors
The Board of Directors of VBG Group AB (publ) consists of seven members elected by the Annual General Meeting (AGM). In addition, the Unionen/Swedish Association of Graduate Engineers/Ledarna and IF Metall trade unions each appoint one member and one deputy member. Company officers take part in Board meetings by submitting reports or serving in the post of secretary. The Board of Directors held 11 (10) meetings during fiscal year 2023. 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 President. Appointments to the Nomination Committee are governed by the policies for appointing and instructing the Committee. The Nomination Committee will consist of the Chairman of the Board and three members appointed by the three largest shareholders in terms of voting rights at the end of the third quarter of every year.

The Board appointed an Audit Committee and a Compensation Committee on behalf of the AGM. The company's auditor reports his observations to the Audit Committee based on his review and gives his assessment of the company's internal control.

Guidelines for remuneration to senior executives
The 2020 AGM passed a resolution adopting the following guidelines for remuneration to senior executives. The guidelines pertain to remuneration and other terms of employment for the Group Management of VBG Group and other senior executives. Fixed salaries shall be market-related, competitive and based on the individual's responsibilities and performance. In addition to a fixed annual salary, variable remuneration that is limited and based on the Group's or the respective division's financial performance compared with established goals shall also be paid. For senior executives, the variable portion can amount to a maximum of 50% of their fixed annual salary. In addition, long-term variable remuneration in the form of shares and/or share-based instruments in VBG Group AB can be paid out through participation in long-term incentive programs decided by the General Meeting. In addition to the above remunerations, other benefits may also be provided such as company car and health care. 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 six to eighteen months, and on the part of the employee six months. Severance pay in addition to salary during the period of notice may not exceed the senior executive's fixed annual salary. For officers residing outside Sweden, periods of notice and severance pay that are customary in each particular country are applied.

Ahead of the 2024 AGM, the Board proposes that the AGM resolve on revised guidelines for remuneration to senior executives. In contrast to the current guidelines that were adopted by the 2020 AGM, the proposal mainly involves a change to the criteria for variable remuneration, introduction of a possibility of conditional cash remuneration in conjunction with the acquisition of shares of Series B in the company and, as regards pension benefits, the offer of a further 5% in direct pension. Some editorial changes have also been made.

The Compensation Committee decides on salaries and other terms of employment. Refer to page 96 for complete guidelines on remuneration to senior executives, and pages 97–99 for the remuneration report for fiscal year 2023.

The VBG Group share and shareholders
Earnings per share amounted to SEK 22.74 (14.73). Equity per share at December 31, 2023 was SEK 146.94, compared with SEK 131.51 year-on-year. At the end of the quarter, the share price was SEK 243.00, which corresponds to a market capitalization of SEK 6,076 M, compared with a share price of SEK 140.00 and market capitalization of SEK 3,501 M in the fourth quarter of 2022. The number of shareholders increased by 4,877 during the full year, totaling 11,700 (6,824).

Significant events after the close of the fiscal year
No significant events occurred after the close of the period.

Proposed distribution of profits
In proposing the dividend, the Board of Directors has taken into account the Parent Company's and Group's short- and long-term liquidity requirements, development potential, financial position and investment needs. Bearing these factors in mind, the Board of Directors of VBG Group AB (publ) proposes that the 2023 Annual General Meeting resolve to approve a dividend of SEK 7.00 per share (5.50) for the 2023 fiscal year. The proposed dividend entails a total distribution of funds from the Parent Company of SEK 175.0 M (137.5), corresponding to 4.8% of the Group's equity – or 12.4% of the Parent Company's equity – at year end. The Group reported profit after tax of SEK 568.6 M (368.3), which means that the proposed dividend comprises 30.8% (37.1) of the net profit for the year for the Group.

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

Retained earnings	SEK 1,161,536,244
Net profit for the year	SEK 125,634,437
	SEK 1,287,170,681

The Board of Directors proposes that these funds be distributed as follows:

Dividend to shareholders	SEK 175,028,336
to be carried forward	SEK 1,112,142,345
	SEK 1,287,170,681

Five-year summary of the Group's financial performance and position*

SEK M	**2023**	2022	2021	2020	2019
Sales and earnings					
Net sales	5,739.8	4,580.0	3,611.2	3,147.2	3,725.4
Gross profit	1,799.0	1,347.3	1,164.8	1,063.6	1,253.8
EBITDA	953.0	663.6	562.4	462.5	547.8
EBITA	858.0	557.5	484.1	385.5	467.1
Operating profit (EBIT)	824.9	527.2	456.0	353.4	435.0
Profit after financial items	761.9	487.8	441.4	326.5	397.0
Profit after tax	568.6	368.3	337.1	226.7	299.5
Financial position					
Balance sheet total	5,985.0	5,412.0	4,663.5	4,257.3	4,198.6
Capital employed	4,864.8	4,509.2	3,798.1	3,540.4	3,399.0
Equity	3,674.1	3,288.3	2,793.5	2,500.2	2,427.7
Equity per share, SEK	146.94	131.51	111.72	100.0	97.09
Equity/assets ratio, %	61.4	60.8	59.9	58.7	57.8
Interest-bearing net debt (incl. pension liability)	394.2	722.1	455.5	268.9	655.3
Interest-bearing net debt/EBITDA	0.41	1.09	0.81	0.58	1.20
Goodwill/Equity	0.35	0.37	0.42	0.44	0.47

SEK M	**2023**	2022	2021	2020	2019
Profitability					
Gross margin, %	31.3	29.4	32.3	33.8	33.7
EBITDA margin, %	16.6	14.5	15.6	14.7	14.7
EBITA margin, %	14.9	12.2	13.4	12.3	12.5
Operating margin (EBIT), %	14.4	11.5	12.6	11.2	11.7
Profit margin before tax, %	13.3	10.7	12.2	10.4	10.7
Return on capital employed (ROCE), %	17.2	11.6	12.2	9.8	12.4
Return on equity (ROE), %	16.2	11.4	12.2	9.0	12.5
Earnings per share, SEK	22.74	14.73	13.48	9.07	11.98
Personnel					
Number of employees at year-end	2,065	1,773	1,714	1,484	1,612
Average number of employees	1,864	1,731	1,600	1,483	1,596
Personnel costs	1,205.8	1,086.4	871.3	776.2	885.6
Salaries and social security contributions per employee, SEK thousand	646.9	627.6	544.6	523.4	554.9
Other					
Amortization of intangible assets	33.1	30.3	28.1	32.2	32.1
Depreciation of property, plant and equipment	65.8	56.6	52.5	48.1	49.5
Depreciation of right-of-use assets	29.2	49.4	25.8	28.9	31.2
Cash flow from operating activities	705.2	250.5	187.3	446.2	438.9
Cash flow for the year	394.5	–183.5	–247.9	449.6	96.4
Cash flow per share, SEK	15.78	–7.34	–9.91	17.98	3.86

* definitions, see p. 61

Consolidated Income Statement

SEK '000	Note	2023	2022
Net sales	3	**5,739,756**	**4,579,978**
Cost of goods sold		–3,940,724	–3,232,691
Gross profit		**1,799,032**	**1,347,287**
Selling expenses		–428,263	–392,509
Administrative expenses		–369,904	–336,664
Research and development costs		–142,124	–134,380
Other operating income	4	22,279	74,739
Other operating expenses	5	–56,075	–31,255
		–974,087	**–820,069**
Operating profit	6, 7, 8, 9	**824,945**	**527,218**
Exchange rate effects		–18,197	–10,702
Interest income	11	34,890	8,274
Interest expenses	11	–70,169	–37,415
Other financial expenses		–9,583	421
Total financial items		**–63,059**	**–39,422**
Profit after financial items		**761,886**	**487,796**
Tax on profit for the year	13	–193,290	–119,523
Net profit for the year		**568,596**	**368,273**
Net profit for the year attributable to Parent Company shareholders		568,596	368,273
Earnings per share, basic and diluted, SEK		22.74	14.73

Other comprehensive income

SEK '000	Note	2023	2022
Net profit for the year		**568,596**	**368,273**
Items that will not be reversed in the income statement			
Effect of translation of defined-benefit pension plans, net after tax		–7,894	67,646
Deferred tax on effect of translation of defined-benefit pension plans		1,760	–16,781
Items that may later be reversed in the income statement			
Translation differences pertaining to foreign operations		–39,141	200,613
Other comprehensive income, net after tax		**–45,275**	**251,478**
Comprehensive income for the year		523,321	619,751
Comprehensive income for the year attributable to Parent Company shareholders		523,321	619,751

Consolidated Balance Sheet

SEK '000	Note	Dec. 31, 2023	Dec. 31, 2022
Assets			
Non-current assets			
Intangible assets	14		
Brands, customer relationships and other intangible assets		939,367	821,060
Goodwill		1,291,286	1,226,799
		2,230,653	**2,047,859**
Property, plant and equipment	15		
Land and buildings		251,734	198,294
Plant and machinery		178,244	134,528
Equipment, tools, fixtures and fittings		72,000	96,264
Construction in progress		14,925	29,632
Right-of-use assets	16	297,018	430,207
		813,921	**888,925**
Deferred tax asset	18	27,473	24,275
		27,473	**24,275**
Total non-current assets		**3,072,047**	**2,961,059**
Current assets			
Inventories	19		
Raw materials and consumables		531,886	628,094
Work in progress		142,898	123,909
Finished products and merchandise		364,360	358,512
		1,039,144	**1,110,515**
Current receivables			
Trade receivables	26	821,820	673,085
Current tax assets		35,922	27,785
Other receivables		88,282	98,622
Prepaid expenses and accrued income	20	41,803	42,105
		987,827	**841,597**
Cash and cash equivalents			
Cash on hand and demand deposits		885,949	498,845
Total current assets		**2,912,920**	**2,450,957**
Total assets		**5,984,967**	**5,412,016**

SEK '000	Note	Dec. 31, 2023	Dec. 31, 2022
Equity and liabilities			
Equity	21		
Share capital		65,490	65,490
Other contributed capital		781,316	781,316
Reserves		248,883	288,024
Retained earnings, incl. net profit for the year		2,578,390	2,153,450
Total equity		**3,674,079**	**3,288,280**
Non-current liabilities			
Provisions for pensions and similar obligations	23	202,103	196,893
Deferred tax liability	18	229,008	213,380
Other provisions	24	95,791	61,026
Lease liability	25	258,100	398,953
Liabilities to credit institutions	25	730,479	576,021
Other non-current liabilities		55,744	23,063
Total non-current liabilities		**1,571,225**	**1,469,336**
Current liabilities			
Trade payables	25	322,486	323,279
Current tax liabilities		95,506	49,759
Other liabilities		45,596	39,182
Lease liability	25	55,702	49,056
Accrued expenses and deferred income	28	220,373	193,124
Total current liabilities		**739,663**	**654,400**
Total equity and liabilities		**5,984,967**	**5,412,016**

Consolidated Changes in Equity

SEK '000	Share capital	Contributed capital	Reserves	Retained earnings, incl. net profit for the year	Total equity
Opening balance at Jan. 1, 2022	**65,490**	**781,316**	**87,411**	**1,859,332**	**2,793,549**
Effect of translation of defined-benefit pension plans, net after tax				67,646	67,646
Deferred tax on effect of translation of defined-benefit pension plans				–16,781	–16,781
Translation differences			200,613		200,613
Other comprehensive income			**200,613**	**50,865**	**251,478**
Net profit for the year				368,273	368,273
Total comprehensive income					**619,751**
Dividend				–125,020	–125,020
Total transactions with shareholders					**–125,020**
Equity at Dec. 31, 2022	**65,490**	**781,316**	**288,024**	**2,153,450**	**3,288,280**
Opening balance at Jan. 1, 2023	**65,490**	**781,316**	**288,024**	**2,153,450**	**3,288,280**
Effect of translation of defined-benefit pension plans				–7,894	–7,894
Deferred tax on effect of translation of defined-benefit pension plans				1,760	1,760
Translation differences			–39,141		–39,141
Other comprehensive income			**–39,141**	**–6,134**	**–45,275**
Net profit for the year				568,596	568,596
Total comprehensive income					**523,321**
Dividend				–137,522	–137,522
Total transactions with shareholders					**–137,522**
Equity at Dec. 31, 2023	**65,490**	**781,316**	**248,883**	**2,578,390**	**3,674,079**

Consolidated Cash Flow Statement

SEK '000	Note	**2023**	2022
Operating activities			
Operating profit		824,945	527,218
Depreciation/amortization	8	128,078	136,336
Gains from divestment of property	1, 4	–4,549	–44,542*
Other items not affecting liquidity	1, 30	–55,300	27,496*
Interest received, etc.		37,232	11,252
Interest paid, etc.		–67,501	–24,321
Tax paid		–179,403	–99,775
Cash flow before change in working capital		**683,502**	**533,664**
Decrease/increase (–) in inventories		92,792	–201,426
Decrease/increase (–) in trade receivables		–120,702	–83,287
Decrease/increase (–) in other current receivables		36,014	–64,984
Increase/decrease (–) in trade payables		–13,712	54,612
Increase/decrease (–) in other current liabilities		27,280	11,865
Cash flow from operating activities		**705,174**	**250,444**
Investing activities			
Investments in intangible assets	30	–3,463	–4,603
Investments in property, plant and equipment	30	–111,532	–113,503
Divestment of property		15,811	62,143*
Net settlements, business combinations	32	–243,420	—
Cash flow from investing activities		**–342,604**	**–55,963**
Financing activities			
Loans raised and changes to existing loans		183,533	–211,181
Amortization of lease liability		–14,125	–41,749
Dividend paid		–137,522	–125,020
Cash flow from financing activities		**31,886**	**–377,950**
Cash flow for the year		**394,456**	**–183,469**
Cash and cash equivalents at start of year		**498,845**	**667,449**
Translation difference, cash and cash equivalents		–7,352	14,865
Cash and cash equivalents at year-end		**885,949**	**498,845**
Unutilized overdraft facilities		100,000	100,000
Total cash and cash equivalents available		**985,949**	**598,845**

* For restatement, refer to Note 1.

Parent Company Income Statement

SEK ’000	Note	**2023**	2022
Net sales		**57,687**	**56,683**
Gross profit		**57,687**	**56,683**
Administrative expenses		–73,126	–60,237
		–73,126	**–60,237**
Operating loss	6, 7, 8	**–15,439**	**–3,554**
Profit/loss from financial items			
Dividend from interests in subsidiaries		109,924	5,000
Exchange rate effects, net		–3,415	–11,622
Interest income		64,116	22,644
Interest expenses		–71,137	–21,222
Other financial expenses		–2,726	–1,797
Total profit/loss from financial items		**96,762**	**–6,997**
Profit/loss after financial items		**81,323**	**–10,551**
Appropriations	10	48,984	18,488
Tax	13	–4,673	–1,190
Net profit and comprehensive income for the year		**125,634**	**6,747**

Parent Company Balance Sheet

SEK '000	Note	Dec. 31, 2023	Dec. 31, 2022
Assets			
Non-current assets			
Intangible assets	14		
Trademarks and other intellectual property		—	—
		—	**—**
Property, plant and equipment	15		
Equipment, tools, fixtures and fittings		849	1,251
		849	**1,251**
Long-term investments			
Interests in Group companies	17	1,656,350	1,656,350
Non-current receivables, Group companies		538,035	360,395
		2,194,385	**2,016,745**
Total non-current assets		**2,195,234**	**2,017,996**
Current assets			
Current receivables			
Receivables from Group companies		151,694	316,289
Current tax assets		1,579	4,247
Other receivables		1,308	—
Prepaid expenses and accrued income	20	11,566	9,283
		166,147	**329,819**
Cash and cash equivalents			
Cash on hand and demand deposits		551,549	277,482
Total current assets		**717,696**	**607,301**
Total assets		**2,912,930**	**2,625,297**

SEK '000	Note	Dec. 31, 2023	Dec. 31, 2022
Equity and liabilities			
Equity	21		
Restricted equity			
Share capital		65,490	65,490
Reserves		53,249	53,249
		118,739	**118,739**
Non-restricted equity			
Retained earnings		1,161,536	1,292,296
Net profit for the year		125,634	6,747
		1,287,170	**1,299,043**
Total equity		**1,405,909**	**1,417,782**
Untaxed reserves	22	**24,800**	**18,800**
Provisions			
Provisions for pensions	23	17,585	15,367
Total provisions		**17,585**	**15,367**
Non-current liabilities			
Liabilities to credit institutions	25	729,545	575,539
Total non-current liabilities		**729,545**	**575,539**
Current liabilities			
Trade payables	25	3,802	7,136
Liabilities to Group companies		702,757	572,030
Other liabilities		2,919	2,182
Accrued expenses and deferred income	28	25,613	16,461
Total current liabilities		**735,091**	**597,809**
Total equity and liabilities		**2,912,930**	**2,625,297**

Parent Company Changes in Equity

SEK ’000	Share capital	Statutory reserve	Non-restricted equity	Total equity
Opening balance at Jan. 1, 2022	**65,490**	**53,249**	**1,417,288**	**1,536,027**
Other			28	28
Net profit for the year			6,747	6,747
Dividend			–125,020	–125,020
Equity at Dec. 31, 2022	**65,490**	**53,249**	**1,299,043**	**1,417,782**
Opening balance at Jan. 1, 2023	**65,490**	**53,249**	**1,299,043**	**1,417,782**
Other			15	15
Net profit for the year			125,634	125,634
Dividend			–137,522	–137,522
Equity at Dec. 31, 2023	**65,490**	**53,249**	**1,287,170**	**1,405,909**

Parent Company Cash Flow Statement

SEK ’000	Note	2023	2022
Operating activities			
Operating loss		–15,439	–3,554
Depreciation/amortization		602	1,024
Other items not affecting liquidity	30	24,273	44,768
Interest received		64,116	22,644
Dividend received		109,924	5,000
Interest paid, etc.		–73,864	–23,019
Tax paid		–2,005	–7,035
Cash flow before change in working capital		**107,607**	**39,828**
Decrease/increase (–) in other current receivables		–16,636	–181,356
Increase/decrease (–) in trade payables		–3,334	3,909
Increase/decrease (–) in other current liabilities		140,618	–119,225
Cash flow from operating activities		**228,255**	**–256,844**
Investing activities			
Investments in property, plant and equipment	30	–199	–861
Sale of subsidiaries		—	360,500
Cash flow from investing activities		**–199**	**359,639**
Financing activities			
Loans raised and changes to existing loans		183,533	–211,880
Dividend paid		–137,522	–124,992
Cash flow from financing activities		**46,011**	**–336,872**
Cash flow for the year		**274,067**	**–234,077**
Cash and cash equivalents at start of year		**277,482**	**511,559**
Cash and cash equivalents at year-end		**551,549**	**277,482**
Unutilized overdraft facilities		100,000	100,000
Total cash and cash equivalents available		**651,549**	**377,482**

Alternative performance measures

Reconciliation between IFRS and performance measures used
Certain information in this report that is used by Group Management and analysts to assess the Group's performance has not been prepared in accordance with IFRS.

Group Management believes that this information makes it easier for investors to analyze the Group's earnings performance and financial structure. Investors should view this information as a supplement to, rather than a replacement of, financial reporting in accordance with IFRS.

Organic growth
Net sales excluding effects of structural changes, meaning acquired or divested operations, and currency effects.

SEK M	2023	2022	2021	2020	2019
Group					
Net sales	5,739.8	4,580.0	3,611.2	3,147.2	3,725.4
Acquired volume (incl. full-year effect from preceding year)	–26.1	–78.0	—	—	—
Currency effect	–299.5	–407.7	135.5	103.6	–168.2
Net sales excluding acquisitions and currencies	**5,414.2**	**4,094.2**	**3,746.7**	**3,250.7**	**3,557.2**
Organic growth	**834.2**	**483.0**	**599.6**	**–474.7**	**64.8**
Organic growth, %	**18.2**	**13.4**	**19.1**	**–12.7**	**1.9**
Truck & Trailer Equipment					
Net sales	1,727.7	1,628.8	1,327.9	1,054.3	1,203.6
Currency effect	–80.2	–76.6	33.7	17.4	–31.7
Net sales excluding acquisitions and currencies	**1,647.5**	**1,552.1**	**1,361.7**	**1,071.7**	**1,171.9**
Organic growth	**18.8**	**224.2**	**307.4**	**–131.8**	**–71.2**
Organic growth, %	**1.2**	**16.9**	**29.2**	**–11.0**	**–5.7**
Mobile Thermal Solutions					
Net sales	3,161.7	2,234.5	1,762.7	1,617.7	1,998.4
Currency effect	–110.3	–260.7	70.5	56.0	–116.1
Net sales excluding acquisitions and currencies	**3,051.4**	**1,973.8**	**1,833.2**	**1,673.6**	**1,882.3**
Organic growth	**816.9**	**211.1**	**215.6**	**–324.8**	**155.0**
Organic growth, %	**36.6**	**12.0**	**13.3**	**–16.3**	**9.0**
Ringfeder Power Transmission					
Net sales	850.4	716.7	520.5	475.2	523.4
Acquired volume	–26.1	–78.0	—	—	—
Currency effect	–109.0	–70.4	31.3	30.2	–20.4
Net sales excluding acquisitions and currencies	**715.2**	**568.3**	**551.8**	**505.4**	**503.0**
Organic growth	**–1.5**	**47.8**	**76.6**	**–18.1**	**–19.0**
Organic growth, %	**–0.2**	**9.2**	**16.1**	**–3.4**	**–3.6**

EBITDA
Operating profit before depreciation/amortization and impairment.

SEK M	2023	2022	2021	2020	2019
Group					
Operating profit	824.9	527.2	456.0	353.4	435.0
Depreciation/amortization	128.1	136.3	106.4	109.2	112.8
EBITDA	**953.0**	**663.6**	**562.4**	**462.5**	**547.8**

EBITDA margin
Operating profit before depreciation/amortization as a percentage of net sales.

SEK M	2023	2022	2021	2020	2019
Group					
Net sales	5,739.8	4,580.0	3,611.2	3,147.2	3,725.4
Operating profit	824.9	527.2	456.0	353.4	435.0
Depreciation/amortization	128.1	136.3	106.4	109.2	112.8
EBITDA margin, %	**16.6**	**14.5**	**15.6**	**14.7**	**14.7**

Definitions of performance measures

Equity/assets ratio
Equity 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.

CONT. ALTERNATIVE PERFORMANCE MEASURES

EBITA
Operating profit before depreciation and impairment of intangible assets.

SEK M	2023	2022	2021	2020	2019
Group					
Operating profit	824.9	527.2	456.0	353.4	435.0
Amortization of intangible assets	33.1	30.3	28.1	32.2	32.1
EBITA	**858.0**	**557.5**	**484.1**	**385.5**	**476.1**

EBITA margin
Operating profit before depreciation and amortization of intangible assets as a percentage of net sales.

SEK M	2023	2022	2021	2020	2019
Group					
Net sales	5,739.8	4,580.0	3,611.2	3,147.2	3,725.4
Operating profit	824.9	527.2	456.0	353.4	435.0
Amortization of intangible assets	33.1	30.3	28.1	32.2	32.1
EBITA margin, %	**14.9**	**12.2**	**13.4**	**12.3**	**12.5**

Gross profit margin
Profit after cost of goods sold as a percentage of net sales.

SEK M	2023	2022	2021	2020	2019
Group					
Net sales	5,739.8	4,580.0	3,611.2	3,147.2	3,725.4
Gross profit	1,799.0	1,347.3	1,164.8	1,063.6	1,253.9
Gross profit margin, %	**31.3**	**29.4**	**32.3**	**33.8**	**33.7**

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

SEK M	2023	2022	2021	2020	2019
Group					
Net sales	5,739.8	4,580.0	3,611.2	3,147.2	3,725.4
Profit after financial items	761.9	487.8	441.4	326.5	397.0
Profit margin, %	**13.3**	**10.7**	**12.2**	**10.4**	**10.7**

Interest-bearing net debt
Interest-bearing loan liabilities and provisions less cash and cash equivalents.

SEK M	2023	2022	2021	2020	2019
Group					
Provisions for pensions	202.1	196.9	252.1	233.8	230.2
Loans	730.5	576.0	752.5	806.5	741.2
Contingent purchase price consideration	33.7	—	—	—	—
Lease liability	313.8	448.0	118.4	128.2	156.4
Bank balances	–885.9	–498.8	–667.4	–899.5	–472.5
Interest-bearing net debt	**394.2**	**722.1**	**455.5**	**268.9**	**655.3**

Interest-bearing net debt/EBITDA
Interest-bearing loan liabilities as a percentage of operating profit before depreciation/amortization and impairment.

SEK M	2023	2022	2021	2020	2019
Group					
Interest-bearing net debt	394.2	722.1	455.5	268.9	655.3
EBITDA, rolling four quarter	953.0	663.6	562.4	462.5	547.9
Interest-bearing net debt/EBITDA	**0.4**	**1.1**	**0.8**	**0.6**	**1.2**

Earnings per share
Earnings per share outstanding as a percentage of profit after tax.

	2023	2022	2021	2020	2019
Group					
Operating profit after tax, SEK M	568.6	368.3	337.1	226.7	299.5
Number of shares outstanding ('000)	25,004	25,004	25,004	25,004	25,004
Earnings per share, SEK	**22.74**	**14.73**	**13.48**	**9.07**	**11.98**

CONT. ALTERNATIVE PERFORMANCE MEASURES

ROOC by division
EBITDA as a percentage of average operating capital, expressed as property, plant and equipment and working capital (inventory, trade receivables and trade payables).

SEK M	Full-year 2023	Full-year 2022
Group		
Inventories	1,039.1	1,110.5
Trade receivables	821.8	673.1
Trade payables	–322.5	–323.3
Working capital	**1,538.5**	**1,460.3**
Property, plant and equipment	813.9	888.9
Operating capital	**2,352.4**	**2,349.2**
EBITDA, rolling four quarter	953.0	663.6
Average operating capital four quarter	2,480.8	2,108.8
ROOC, %	**38.4**	**31.5**
Truck & Trailer Equipment		
Inventories	243.4	258.4
Trade receivables	199.6	219.4
Trade payables	–68.8	–79.8
Working capital	**374.2**	**398.1**
Property, plant and equipment	244.3	201.7
Operating capital	**618.5**	**599.8**
EBITDA, rolling four quarter	393.2	341.3
Average operating capital four quarter	633.8	595.6
ROOC, %	**62.0**	**57.3**

SEK M	Full-year 2023	Full-year 2022
Mobile Thermal Solutions		
Inventories	612.9	671.5
Trade receivables	434.8	329.0
Trade payables	–215.0	–214.9
Working capital	**832.6**	**785.6**
Property, plant and equipment	391.9	542.1
Operating capital	**1,224.5**	**1,327.7**
EBITDA, rolling four quarter	438.2	212.5
Average operating capital four quarter	1,355.2	1,112.8
ROOC, %	**32.3**	**19.1**
Ringfeder Power Transmission		
Inventories	182.9	180.6
Trade receivables	187.4	124.7
Trade payables	–34.8	–21.5
Working capital	**335.5**	**283.8**
Property, plant and equipment	170.5	142.6
Operating capital	**506.0**	**426.3**
EBITDA, rolling four quarter	147.0	129.8
Average operating capital four quarter	490.5	403.5
ROOC, %	**30.0**	**32.2**

Notes to Parent Company and consolidated financial statements

1 GENERAL INFORMATION AND ACCOUNTING POLICIES

VBG Group AB (publ) in Vänersborg is the Parent Company of an international industrial Group with wholly owned companies in Sweden, the US, Canada, Brazil, South Africa, India, China and Australia as well as seven countries in Europe. Operations are monitored and reported in three divisions: Truck & Trailer Equipment, Mobile Thermal Solutions and Ringfeder Power Transmission.

The Parent Company is a limited company registered and domiciled in Vänersborg, Sweden. The address of the head office is Kungsgatan 57, SE-461 34 Trollhättan, Sweden.

The Parent Company's Series B share is listed on the Nasdaq Stockholm Mid Cap List.

Accounting and valuation policies
The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. In addition, the Swedish Annual Accounts Act and the Swedish Sustainability and Financial Reporting Board's recommendation RFR 1 are applied. The financial statements have been prepared in accordance with the cost method, except with regard to available-for-sale financial assets and financial assets and liabilities (including derivative instruments) measured at fair value through profit or loss.

Parent Company accounting policies
The Parent Company has prepared its annual report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Sustainability and Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Under RFR 2, the Parent Company shall, in preparing the annual report for the legal entity, apply all IFRS and statements approved by the EU as far as possible while complying with the Swedish Annual Accounts Act and taking into account the relationship between accounting and taxation. The recommendation stipulates what exceptions and additions should be made with respect to the IFRS. The same accounting policies and calculation methods were applied as in recent years. If differences exist between the consolidated and the Parent Company accounting policies, they are described in the relevant sections below.

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

New standards and interpretations in 2023
The new or amended standards and interpretations that entered force as of January 1, 2023 and involved an effect on the consolidated financial statements for 2023 are the changes to IAS 1 listed below, with the following effects:

Changes to IAS 1 Presentation of Financial Statements (disclosures on accounting policies)
The changes mean that the requirement in IAS 1 for en entity to disclose its significant accounting policies has been replaced with a requirement to disclose its material accounting policies. At the same time, IASB's Practice Statement 2 Making Materiality Judgements has been updated with guidance and examples that are intended to illustrate the application of the materiality criterion for disclosure of accounting policies. The purpose is to achieve a real change in practice toward better, more efficient communication in financial statements.

These changes have meant that the amount of text attributable to standardized and immaterial disclosures on accounting policies has been reduced, and that further company-specific information has been added.

New standards and interpretations yet to be applied by the Group
A number of new and amended standards and interpretations have been published by IASB but have not yet entered force. None of the new or amended standards or interpretations have been applied in advance by the Group. The Group intends to comply with these new and amended standards once they enter force.

Changes to IAS 1 Presentation of Financial Statements (classification of liabilities)
In January 2020, IASB published changes to IAS 1 pertaining to classification of liabilities as either short- or long-term, particularly in the presence of covenants. The purpose of the changes are to clarify:

- what is meant by a right to defer the settlement of the liability;
- that this right must exist at the end of the reporting period;
- that the classification is not impacted by the likelihood that a company will exercise a right to defer the settlement of the liability; and
- when the conditions for a convertible debt instrument do not impact the classification owing to embedded derivatives.

The changes in IAS 1 also clarify that it is the conditions on the balance sheet date that form the basis for determining how a liability is to be classified, and that the expectations of management regarding whether or not the terms of the loan will be violated in the future are not relevant to the classification.

According to IASB, both changes will be applied retroactively for financial years beginning January 1, 2024 or later. These changes have been approved by the EU.

The Group will routinely observe and evaluate these changes in conjunction with the signing of any new credit agreements.

Limited changes for IFRS 16 Leases as regards the reporting of lease liabilities linked to sale and leaseback transactions, IAS 7 Statement of Cash Flows and IFRS 7 Financial instruments have been announced and will enter force during or after January 2024: Disclosures pertaining to disclosure requirements regarding supplier financing structures. The Group is of the opinion that these changes will not have any impact on the Parent Company's or the consolidated financial statements.

Errata
In conjunction with the closing of the accounts for 2023, it was found that the property sales from 2022 had been incorrectly reported in the consolidated statement of cash flow. The error has been corrected in this annual report, which means that the cash flow in the 2022 Annual Report as adopted by the Group has been corrected as follows:

Consolidated statement of cash flow	According to 2022 Annual Report as adopted (SEK M)	Amount of correction	Corrected cash flow 2022
Other items not affecting liquidity	45.1	–17.6	27.5
Divestment of property	—	–44.5	–44.5
Cash flow before change in working capital	**595.8**	**–62.1**	**533.7**
Cash flow from operating activities	**312.6**	**–62.1**	**250.5**
Divestment of property	—	62.1	62.1
Cash flow from investing activities	**–118.1**	**62.1**	**–56.0**

Consolidated financial statements
Subsidiaries are all companies (including structured companies) over which the Group holds a controlling interest. For the composition of the Group, refer to Note 17.

The acquisition method is used for accounting of the Group's business combinations. The accounting policies for subsidiaries have been changed where applicable in order to guarantee a consistent application of the Group's policies.

This report may contain rounding differences.

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

NOTE 1 CONT'D.

Effects of changes in exchange rates

Functional currency and reporting currency

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

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 exchange 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 recognized in profit or loss. An exception is when the transactions constitute hedges that meet the conditions for hedge accounting, in which case gains/losses are recognized in other comprehensive income. Exchange gains and exchange losses on operating receivables and liabilities are offset against each other and recognized among other operating income or other operating expenses.

Exchange gains and exchange losses of a financing nature are recognized in profit or loss under financial items.

Group companies

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

(i) assets and liabilities are translated at the closing rate
(ii) revenue and expenses are translated at the average exchange rate
(iii) all exchange rate differences that arise are recognized as reserves within equity

For currencies that have the greatest impact on the Group, the following currency exchange rates have been used:

	Closing rate, Dec. 31, 2023	Average currency exchange rate 2023
SEK/BRL	2.0694	2.1249
SEK/CAD	7.5782	7.8600
SEK/CZK	0.4488	0.4780
SEK/EUR	11.0960	11.4707
SEK/PLN	2.5570	2.5274
SEK/USD	10.0416	10.6043

Net sales (revenue recognition)

VBG Group's recognized net sales relate to income from sale of goods. Where appropriate, net sales have been reduced by the value of discounts allowed. Income from sales is recognized when control of the goods is transferred and there are no unfulfilled commitments that could influence the customer's acceptance of the goods. Goods are often sold at volume discounts based on accumulated sales over a 12-month period. Income from the sale of goods is recognized based on the price in the contract, less estimated volume discounts. Historical data is used to estimate the anticipated value of the discounts, and the income is recognized only to the extent that a significant return is not likely to occur. A liability (included under Accrued expenses and deferred income) is recognized for anticipated volume discounts in relation to sales up through the balance sheet date.

A receivable is recognized when the goods have been delivered, as that is the point in time when remuneration becomes unconditional (i.e. only the passage of time is required for the payment to occur). The Parent Company's recognized net sales relate to income from sales of services to subsidiaries in the Group and is recognized in the period when the services are delivered.

Inventories

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

Financial assets and liabilities

Financial assets and liabilities are measured and recognized in the Group and the Parent Company in accordance with the regulations in IFRS 9. Under IFRS 9, financial instruments are classified into categories. The classification depends on the intent behind the acquisition of the financial instrument. Company management determines the classification at the original point in time of the acquisition. The categories are: financial assets and liabilities measured at fair value through profit or loss; financial assets and liabilities measured at amortized cost; and financial assets and liabilities measured at fair value through other comprehensive income. A financial asset or financial liability is included on the balance sheet when the company becomes a party to it under the contractual terms of the instrument. Trade receivables are included on the balance sheet when the invoice has been sent. Liabilities are included when the counterparty has delivered and a contractual obligation to pay exists, even if the invoice has not been received. A financial asset is removed from the balance sheet when the rights in the contract are realized, fall due, or the company loses control over them. A financial liability is removed from the balance sheet when the commitments in the contract are fulfilled or are otherwise extinguished. Acquisitions and sales of financial assets are recognized on the transaction date, which constitutes the date the company commits to acquiring or selling the asset, except in those cases where the company acquires or sells listed securities, when settlement date recognition is applied.

Financial assets at amortized cost

Assets held for the purpose of collecting contractual cash flows, and where these cash flows only constitute capital amounts and interest, are measured at amortized cost. Assets in this category are initially recognized at fair value including transaction costs. After the acquisition date, they are recognized at amortized cost using the effective-interest method.

Trade receivables

Trade receivables are amounts attributable to customers as regards the sale of goods or services performed in operating activities. Generally, trade receivables fall due for payment within 30 days, and all trade receivables are therefore classified as current assets. Trade receivables are held solely for the purpose of collecting contractual cash flows, and are thus measured at amortized cost.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances immediately available at banks and similar institutions.

Liabilities

The Group's other financial liabilities are initially recognized at fair value, net of transaction costs. Other financial liabilities are subsequently recognized at amortized cost using the effective-rate method. Non-current liabilities have an expected tenor longer than one year, whereas current liabilities have a tenor of less than one year. This category includes liabilities to credit institutions, trade payables and other current liabilities.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss comprise additional purchase considerations in conjunction with business combinations. Financial instruments of this type measured at fair value through profit or loss are classified as Level 3, where the input data for the liability is not based on observable market data.

Borrowing

Borrowing is initially recognized at fair value, net after transaction costs. Borrowing is thereafter recognized at amortized cost, and any difference between the amount received (net after transaction costs) and the repayment amount is recognized in profit or loss allocated over the term of the loan with application of the effective interest method.

NOTE 1 CONT'D.

Amortization of financial assets
The Group assesses future anticipated credit losses linked to assets recognized at amortized cost. The Group recognizes a credit reserve for such anticipated credit losses on each reporting date. For trade receivables, the Group applies the simplified model for credit reserves — that is, the reserve will correspond to the anticipated loss over the entire life of the trade receivable. Expected credit losses are recognized in consolidated operating profit or loss.

Leases
After the starting date, right of use is measured in accordance with provisions for property, plant and equipment. A lease liability is discounted by using the implicit interest in the lease, if this interest rate is readily identifiable.

The lease term is determined as the non-cancellable period together with both periods covered by a potential extension to the lease if the lessee is reasonably confident that this alternative will be used, and periods covered by an opportunity to end the lease if the lessee is reasonably confident that this alternative will not be used.

VBG Group has also applied the simplified rule for fixed, non-lease components and instead recognizes these together with the lease component in the contract. Furthermore, VBG Group has chosen to apply relief rules for short-term leases and low-value leases, which are reported as current costs.

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

The above accounting policy for defined-benefit plans is applied in the consolidated financial statements. The Parent Company recognizes defined-benefit pension plans in accordance with RFR 2. 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 recognized as a provision in the Balance Sheet. The interest portion of the year's pension expense is recognized among financial expenses. Other pension expenses are charged to the operating profit.

Further details, including information on essential actuarial assumptions, are given in Note 23.

Intangible assets
Goodwill on acquisitions of subsidiaries is recognized as an intangible asset. Goodwill is subjected to impairment testing annually and is recognized at cost less accumulated impairment losses.

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

Expenditures for strategic computer programs are recognized at cost. Expenditures for product development projects are capitalized provided that the Group will enjoy future economic benefits from the development work and that it is possible to determine the cost reliably. Amortization takes place on a straight-line basis according to plan over the calculated useful life of the assets, as follows:

Brands	15–20 years
Customer relationships	10–15 years
Other intangible assets	3–5 years

The amortization period of brands is warranted by the fact that the Group's acquired brands are well known, with large and stable market shares on important markets.

Trademarks with indefinite useful lives are subjected to impairment testing annually and recognized at cost less accumulated impairment losses.

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

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

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

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

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

Impairment losses
Assets that have an indefinite useful life are not depreciated but are subjected to annual impairment testing. Assets that are depreciated are assessed with respect to loss of value whenever events or changes in conditions indicate that the carrying amount may not be recoverable.

Equity
Equity is recognized in the consolidated balance sheet allocated among: Share capital, Other contributed capital, Reserves, and Retained earnings.

Share capital consists of the nominal value of issued shares.

Other contributed capital comprises all contributions from the shareholders in conjunction with share issues aside from the amounts recognized as share capital.

Reserves comprise amounts which are to be posted directly to equity as a consequence of IFRS rules. They include hedge accounting effects and translation differences in the translation of foreign subsidiaries and effects caused by the translation of defined-benefit pension plans.

Retained earnings consists mainly of earnings during the year recognized in profit or loss less dividends paid. This item also includes amounts transferred from non-restricted earnings to a statutory reserve in a legal entity.

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

Provisions
Provisions for warranty costs pertain to a predetermined period and are based on historical information on warranty costs as well as current information that may indicate that future requirements will deviate from the historical outcome.

Segment reporting
Segment information is presented from a management perspective, which means it is presented in the same manner as in internal reporting, and is evaluated regularly by the chief operating decision maker in the Group, the VBG Group's President and CEO.

Cash Flow Statement
The cash flow statement is prepared in accordance with the indirect method. The recognized cash flow only includes transactions that entail cash receipts and cash payments. Besides cash on hand and demand deposits, cash and cash equivalents include 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.

2 FINANCIAL RISKS

Financial risks pertain primarily to financing and liquidity risk, interest-rate risk, credit risk and currency risk. The Group's financial risks, and the policies applied to the respective areas of risk, are described below.

Financing and liquidity risk
Financing and liquidity risk includes the risk of being unable to provide for the Group's capital requirements by not having sufficient cash and cash equivalents, or credit facilities that can be utilized unconditionally. Furthermore, there is the risk that refinancing loans that have matured could become difficult or costly.

Policy
The Group's goal with regard to the capital structure is to safeguard the Group's ability to remain in business so that it can generate return for the shareholders, creating benefit for other stakeholders and maintaining an optimal capital structure in order to keep the cost of capital down. The Group's long-term goal is that the equity/assets ratio should exceed 40%. The equity/assets ratio at 31 December 2023 was 61.4%.

Comments
In June 2023, VBG Group signed a new financing agreement with a new primary bank, Nordea, a revolving facility of SEK 1,400 M including an overdraft facility of SEK 100 M. It is a three-year agreement with the option of two extensions of one year each. In conjunction with the new agreement, previous loans were replaced with new ones that at December 31 totaled SEK 730.5 M. At the end of 2023, the unutilized portion of the credit facility amounted to SEK 669.5 M. A maturity analysis of the financial liabilities is shown in Note 25.

Interest-rate risk
Interest-rate risk refers to the risk that changes in the interest rate level could have a negative impact on the Group's earnings and cash flow. One of the factors that has a major impact on interest-rate risk is the interest rate refixing period chosen for financing. Changes in interest-rate levels have a direct impact on the Group's net financial items. Management of borrowing and other debt management are handled by the Parent Company.

Policy
In June 2023, VBG Group signed a new financing agreement with the Group's primary bank, Nordea, a revolving facility of SEK 1,400 M. It is a three-year agreement with the option of two extensions of one year each. Credits drawn under the financing agreement currently bear a three-month interest rate. A maturity analysis of the financial liabilities is shown in Note 25.

Comments
The Group strives for a balance between reasonable current costs for borrowing and the risk of a significant negative impact on earnings in conjunction with a sudden major change in interest rates.

Interest-bearing net debt at year-end totaled SEK 392.9 M (722.1) and comprised SEK 202.1 M (196.9) in pension liabilities, SEK 313.8 M (448.0) in lease liabilities under IFRS 16, SEK 33.7 M in additional purchase considerations, SEK 730.5 M (576.0) in credits drawn under the credit facility and SEK 885.9 M (498.8) in cash on hand. Under the financing agreement with the Group's primary bank, credits drawn currently bear a three-month interest rate. A maturity analysis of the financial liabilities is shown in Note 25.

In calculating VBG Group's interest-rate sensitivity, an adjustment was made to net debt pertaining to pension liabilities of SEK 202.1 M (196.9) in accordance with IFRS, an additional purchase consideration of SEK 33.7 M and lease liabilities under IFRS 16 of SEK 313.8 M (448.0), as the lease liability is to be regarded as a fixed interest-rate contract. This leaves a net loan receivable/net cash on hand (liability) of SEK 155.5 M (77.2) that the interest-rate sensitivity assessment is to be based on.

A change in the interest rate corresponding to two percentage points would have impacted profit before tax by approximately SEK 3.1 M (1.5) based on the interest-bearing net debt on December 31, 2023. The results of the sensitivity assessment in conjunction with an increase of 2 percentage points in the interest rate is regarded as a marginal impact on the Group. Considering the marginal impact that a change in interest rate could have on the Group, no financial instruments are currently being used to hedge the interest rate.

Credit risk
Credit risk is the risk of losses if counterparties with which the Group has invested in trade receivables, cash and cash equivalents, short-term bank deposits or signed financial instruments with positive market values cannot fulfill their obligations.

Credit risk pertaining to trade receivables is reported in Note 26.

Policy
Counterparties must have a high level of creditworthiness, new customers are carefully screened and payment behavior in existing customers is monitored, all to minimize the risk of a counterparty failing to make payments. The finance policy regulates how credit risk is minimized 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.

Comments
The Group's trade receivables amounted to SEK 821.8 M at year-end and are recognized 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 sales by region. The Group's bad debt losses normally amount to less than 0.05% of sales; refer to Note 26.

Currency risk
Currency risk pertains to the risk that currency effects will negatively impact the consolidated income statement, balance sheet and/or cash flow. Currency risk exists in the form of both transaction risk and translation risk. The currency flows that emerge primarily from the purchase and sale of goods and services in currencies other than the local currencies of the respective subsidiaries give rise to transaction exposure. VBG Group's global operations give rise to cash flows in foreign currencies. Changes in exchange rates also impact the Group's earnings when translating the non-restricted equity of foreign subsidiaries into Swedish kronor, which gives rise to translation risk.

Policy
Transaction exposure linked to current business is normally not hedged. On the other hand, the accounting functions of the respective divisions work actively on matching currency flows at the division level in order to minimize currency exposure and the transaction costs attributable to them. The same also applies to translation risks, which normally are not hedged.

Comments
The total value of net flows in foreign currencies amounted to a value of approximately SEK 1,072 M (794). The currency flows with the greatest impact on (EBIT) are inflows in USD and EUR to SEK. An exchange rate difference of 10% between EUR and SEK affects the Group's operating profit (EBIT) by approximately SEK 1 M (50), while the effect of a similar change between USD and SEK is approximately SEK 33 M (58) and an exchange rate difference between CAD and SEK yields an impact on operating profit (EBIT) of SEK 99 M (42).

The order stock in two of the three divisions are sold in a short period of time, meaning the time between order and delivery is short, which reduces currency risk in sales. The sales flows are thus not hedged. The Group is therefore of the opinion that the impact a change in exchange rate could have on VBG Group is within the boundaries of reasonable transaction risk.

3 SEGMENT REPORTING

- **Truck & Trailer Equipment** is an internationally leading supplier of systems to customers in the truck industry and includes the brands VBG and Ringfeder for coupling equipment and Onspot for automatic tire chains as well as Edscha Trailer Systems and Sesam as a supplier of sliding roofs for trailers. Customers are mainly truck manufacturers, body builders/integrators, trailer manufacturers, haulers and importers.
- **Mobile Thermal Solutions,** through its Mobile Climate Control and Bus Climate Control brands, is an industry-leading supplier of complete climate control systems (HVAC systems) for commercial motor vehicles, primarily in North America and Europe. The customers are mainly found in four market segments: buses, off-road vehicles, utility vehicles and defense vehicles. During the year, the all-terrain and utility vehicle segment experienced a robust increase in North America, which led to sales totaling SEK 580,357 thousand to one individual customer in 2023.
- **Ringfeder Power Transmission** is a recognized global market leader in selected niches within mechanical power transmission as well as energy and shock absorption. The operations include the Ringfeder brand and the Brazilian brand Henfel, as well as Carlyle Johnson. The Rathi brand has also been included since November 2023. Customers of the division are found all over the world, in such widely disparate industrial markets as construction, machinery, power and the mining industry.

No sales are transacted between the divisions, and unallocated costs are Group-wide overheads. Assets in each division consist primarily of property, plant and equipment, intangible assets, inventories and receivables, but exclude cash on hand and securities. Liabilities consist of operating liabilities but not tax. Investments consist of purchases of property, plant and equipment and intangible assets.

SEK M	Truck & Trailer Equipment	Mobile Thermal Solutions	Ringfeder Power Transmission	Group-wide	Group
2023 fiscal year					
External sales	**1,728**	**3,162**	**850**	**—**	**5,740**
Operating profit/loss (EBIT)	**364**	**370**	**120**	**–29**	**825**
Financial expenses	—	—	—	–100	–100
Financial income	—	—	—	37	37
Tax expense for the year	—	—	—	–193	–193
Net profit/loss for the year	**364**	**370**	**120**	**–285**	**569**
Other information					
Non-current assets	569	1,834	661	8	3,072
– of which Czech Republic	192	—	35	—	227
– of which Germany	61	1	247	—	309
– of which Sweden	155	1,016	—	546	1,717
– of which USA	116	707	219	—	1,042
Current assets	219	–851	–12	1,631	987
Cash and cash equivalents	—	—	—	886	886
Assets	**1,549**	**1,841**	**1,096**	**1,498**	**5,985**
Non-current liabilities	240	464	107	761	1,571
Current liabilities	204	359	163	14	740
Liabilities	**444**	**823**	**270**	**775**	**2,311**
Capital expenditures	**63**	**16**	**32**	**6**	**117**
Depreciation/amortization	**–29**	**–69**	**–27**	**–3**	**–128**

SEK M	Truck & Trailer Equipment	Mobile Thermal Solutions	Ringfeder Power Transmission	Group-wide	Group
2022 fiscal year					
External sales	**1,629**	**2,235**	**717**	**—**	**4,580**
Operating profit/loss (EBIT)	**303**	**138**	**109**	**–22**	**527**
Financial expenses	—	—	—	–51	–51
Financial income	—	—	—	11	11
Tax expense for the year	—	—	—	–120	–120
Net profit/loss for the year	**303**	**138**	**109**	**–181**	**368**
Other information					
Non-current assets	539	2,002	417	4	2,961
– of which Sweden	121	1,036	—	4	1,161
– of which Germany	52	—	133	—	185
– of which USA	122	541	239	—	902
– of which Czech Republic	195	—	31	—	226
Current assets	227	–965	–50	1,630	842
Cash and cash equivalents	—	—	—	499	499
Assets	**1,442**	**1,872**	**753**	**1,344**	**5,412**
Non-current liabilities	217	582	68	603	1,469
Current liabilities	200	253	133	69	654
Liabilities	**417**	**834**	**201**	**672**	**2,124**
Capital expenditures	**41**	**373**	**20**	**1**	**435**
Depreciation/amortization	**–39**	**–75**	**–21**	**–2**	**–136**

NOTE 3 CONT'D.

Sales per geographical area 2023

SEK M	Truck & Trailer Equipment	Mobile Thermal Solutions	Ringfeder Power Transmission	Group
Sweden	274	48	4	326
Other Nordic countries	216	50	5	271
Germany	319	35	199	553
Other European countries	591	227	131	949
US	160	2,191	203	2,553
Rest of North America	21	560	10	591
Brazil	8	1	137	146
Australia/New Zealand	113	2	28	142
China	0	28	30	58
Rest of world	26	21	104	152
Total	**1,728**	**3,162**	**850**	**5,740**

Sales per geographical area 2022

SEK M	Truck & Trailer Equipment	Mobile Thermal Solutions	Ringfeder Power Transmission	Group
Sweden	271	49	4	324
Other Nordic countries	194	51	3	248
Germany	373	26	190	589
Other European countries	495	204	82	782
US	137	1,515	188	1,840
Rest of North America	11	350	6	367
Brazil	13	2	106	121
Australia/New Zealand	105	1	17	124
China	5	21	44	70
Rest of world	23	17	76	115
Total	**1,629**	**2,235**	**717**	**4,580**

4 OTHER OPERATING INCOME

	Group	
SEK '000	**2023**	2022
Capital gain on property, plant and equipment	4,613	44,542
Exchange rate differences	3,281	22,633
Other	14,385	7,564
Total	**22,279**	**74,739**

5 OTHER OPERATING EXPENSES

	Group	
SEK '000	**2023**	2022
Service warranties	51,594	26,544
Other	4,481	4,711
Total	**56,075**	**31,255**

6 SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY CONTRIBUTIONS

	2023		2022	
SEK '000	Salaries and other remuneration	Social security contributions	Salaries and other remuneration	Social security contributions
Parent Company	23,409	13,263	19,268	12,208
of which pension expenses	—	2,713	—	2,598
Subsidiaries	950,150	218,953	836,686	218,229
of which pension expenses	—	19,459	—	32,093
Group	**973,559**	**232,216**	**855,954**	**230,437**
of which pension expenses	**—**	**22,172**	**—**	**34,691**

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

	2023		2022	
SEK '000	Board and President	Other employees	Board of Directors and President	Other employees
Parent Company	7,992	15,417	7,888	11,380
of which bonuses, etc.	2,179	—	1,582	—
Subsidiaries	34,475	915,675	27,027	809,659
of which bonuses, etc.	6,875	—	5,538	—
Group total	**42,467**	**931,092**	**34,915**	**821,039**
of which bonuses, etc.	**9,054**	**—**	**7,120**	**—**

	2023		2022	
Average number of employees	Number of employees	Of whom men	Number of employees	Of whom men
Parent Company				
Sweden	9	5	9	5
Total in Parent Company	**9**	**5**	**9**	**5**
Subsidiaries				
Sweden	212	175	217	181
Norway	8	7	8	7
Denmark	5	5	5	5
Belgium	22	15	21	14
UK	7	4	8	5
Germany	145	119	147	122
Czech Republic	142	83	139	83
Poland	171	100	183	124
US	344	243	332	252
Canada	578	516	486	434
China	52	23	47	22
India	60	56	26	22
Brazil	109	96	103	92
South Africa	—	—	—	—
Total in subsidiaries	**1,855**	**1,442**	**1,722**	**1,363**
Total, Group	**1,864**	**1,447**	**1,731**	**1,368**

At year-end, the Group had 2,065 employees (1,773).

NOTE 6 CONT'D.

Remuneration to Board members and senior executives
In accordance with a resolution by the 2023 AGM, the Chairman and members of the Board receive a total of SEK 2,305,000 in fixed annual fees. Of the total fee, SEK 150,000 is paid to the Audit Committee and SEK 50,000 to the Compensation Committee, to be distributed by the Board of Directors.

Employees of VBG Group AB (publ) do not receive a Board fee. Remuneration to the President and other senior executives consists of basic salary, variable remuneration, other benefits, pension and other remuneration. By "other senior executives" is meant the two persons who, together with the President, comprise Group Management.

The proportions of basic salary and variable remuneration should be commensurate with the individual's powers and responsibilities. For the President, variable remuneration may not exceed 50% of basic salary. The variable remuneration of other senior executives may not exceed 33–50% of their basic salary. The variable remuneration is based on actual outcome in relation to set goals.

In addition, the Compensation Committee has offered senior executives the possibility, in conjunction with the purchase of Series B shares for up to 50% of the bonus paid after tax for 2023, of matching it with an extra cash bonus of the same amount before tax; this was fully exercised by the recipients of the offer. The bonus amount paid out to the President for 2023 corresponded to 8%, and to senior executives 6%, of their basic salary, which is defined here as the sum of their monthly salaries.

Pension benefits and other benefits for the President and other senior executives are payable as a part of the total remuneration. The retirement age for the Managing Director and other senior executives is 65 years.

The President has an employment contract that expires with a notice of termination of six months. Salaries are guaranteed during the notice period. The President can set aside 35% of his fixed salary in pension provisions. Variable remuneration is not pensionable. The employment contract runs with a notice period of 12 months from the company's side. The equivalent period for other senior officers is 6–18 months. Compensation to the President has been determined by the Compensation Committee. Compensation to other senior executives has been determined by the President in consultation with the Compensation Committee.

Board fees are paid as salaries to Board members. The payments occur twice a year, with the result that the cost in 2023 pertains to half of the Board fees resolved at the 2022 AGM and to half of the Board fees resolved at the 2023 AGM.

Related-party disclosures
There have been no other related party transactions in 2023, other than those in relation to senior executives, that significantly affected the company's financial position and results.

Board of Directors and senior executives

	2023		2022	
	Number on closing date	Of whom men	Number on closing date	Of whom men
Group (incl. subsidiaries)				
Board members	15	12	18	14
Presidents and other senior executives	24	22	27	25

	2023		2022	
	Number on closing date	Of whom men	Number on closing date	Of whom men
Parent Company				
Board members	7	5	6	4
Presidents and other senior executives	3	2	5	4

All Board members in the Group's subsidiaries are employees. "Senior executives" refers to Group Management and Division Management teams, and the persons who are Presidents of the subsidiaries.

Board of Directors and Group Management

2023, SEK '000	Fees/basic salary	Variable	Other benefits	Pension cost	Total
Chairman of the Board Johnny Alvarsson	765	—	—	—	765
Board member Louise Nicolin	285	—	—	—	285
Board member Peter Augustsson	285	—	—	—	285
Board member Mats R. Karlsson	310	—	—	—	310
Board member Anna Stålenbring	375	—	—	—	375
Board member Anders Birgersson	142	—	—	—	142
President Anders Erkén	3,651	2,179[1]	106	1,294	7,230
Other senior executives (2 persons)	3,455	1,499	218	1,355	6,527
Total (9 persons)	**9,268**	**3,678**	**324**	**2,649**	**15,919**

[1] Variable remuneration may not exceed 50% of the basic salary, but can exceed the limit for individual periods owing to capitalization.

2022, SEK '000	Fees/basic salary	Variable	Other benefits	Pension cost	Total
Chairman of the Board Johnny Alvarsson	755	—	—	—	755
Board member Louise Nicolin	280	—	—	—	280
Board member Peter Augustsson	280	—	—	—	280
Board member Mats R. Karlsson	305	—	—	—	305
Board member Anna Stålenbring	370	—	—	—	370
President Anders Birgersson	4,316	1,582	101	1,562	7,561
Other senior executives (4 persons)	7,697	3,278	337	2,210	13,522
Total (10 persons)	**14,003**	**4,860**	**438**	**3,772**	**23,073**

7 FEES AND COST REIMBURSEMENT PAID TO AUDITOR

	Group		Parent Company	
SEK '000	**2023**	2022	**2023**	2022
Auditing assignments	6,221	4,111	1,069	984
(of which Parent Company's auditor)	(1,468)	(1,425)	(1,069)	(984)
Auditing activities other than auditing assignments	477	27	—	—
(of which Parent Company's auditor)	—	(27)	—	—
Tax advice	339	76	3	—
(of which Parent Company's auditor)	(3)	—	(3)	—
Other services	3,495	1,361	3,475	1,361
(of which Parent Company's auditor)	(118)	(1,361)	(98)	(1,361)
Total, Auditor in Charge	**10,532**	**5,575**	**4,547**	**2,345**
Other auditors				
Auditing assignments	2,486	1,473	—	—
Tax advice	3,293	3,893	271	290
Other services	192	264	49	79
Total other auditors	**5,971**	**5,630**	**320**	**369**
Total	**16,503**	**11,205**	**4,867**	**2,714**

Ernst & Young AB was auditor in charge in 2022 and 2023.

8 DEPRECIATION

Depreciation are recognized in profit or loss under the following headings:

	Group		Parent Company	
SEK '000	**2023**	2022	**2023**	2022
Cost of goods sold	84,772	79,072	—	—
Selling expenses	13,320	32,708	—	—
Administrative expenses	25,820	20,897	601	1,024
Research and development costs	4,166	3,659	—	—
Total depreciation	**128,078**	**136,336**	**601**	**1,024**

Depreciation are allocated to the following assets in the balance sheet:

	Group		Parent Company	
SEK '000	**2023**	2022	**2023**	2022
Computer software	3,755	2,680	—	—
Brands	4,248	2,954	—	—
Customer relationships	25,088	24,676	—	—
Land and buildings	12,572	9,630	—	—
Plant and machinery	33,480	29,551	—	—
Equipment, tools, fixtures and fittings	19,708	17,467	601	1,024
Right of use	29,227	49,378	—	—
Total depreciation	**128,078**	**136,336**	**601**	**1,024**

9 OPERATING EXPENSES CLASSIFIED BY NATURE OF EXPENSE

	Group	
SEK '000	**2023**	2022
Direct material incl. change in inventories	3,153,234	2,441,234
Employee benefits	1,198,350	1,023,433
Depreciation/amortization	128,078	136,336
Other expenses	435,149	456,630
Total operating expenses	**4,914,811**	**4,057,633**

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

10 APPROPRIATIONS

	Parent Company	
SEK '000	**2023**	2022
Change in tax-allocation reserve	–6,000	3,000
Group contributions received	65,000	20,000
Group contributions paid	–10,016	–4,512
Total	**48,984**	**18,488**

11 FINANCIAL INSTRUMENTS

Financial income	Group	
SEK '000	**2023**	2022
Interest income from other financial assets	34,890	8,274
Total interest income under the effective-rate method	**34,890**	**8,274**

Financial expenses	Group	
SEK '000	**2023**	2022
Interest expenses, liabilities to credit institutions	–47,969	–18,441
Interest expenses, other financial liabilities	–7,703	–4,808
Total interest expenses under the effective-rate method	**–55,672**	**–23,249**
Exchange rate differences – costs, financial items	–18,187	–10,702
Interest expenses, lease liabilities	–14,593	–14,355
Total	**–32,780**	**–25,057**
Total financial expenses	**–88,452**	**–48,306**

Financial instruments	Group	
SEK '000	**2023**	2022
Financial assets		
Trade receivables	821,820	673,085
Other current receivables	88,282	98,622
Cash and cash equivalents	885,949	498,845
Total	**1,796,051**	**1,270,552**
Financial liabilities		
Liabilities to credit institutions	730,479	576,021
Additional purchase consideration	33,747	—
Trade payables	322,486	323,279
Lease liabilities	313,802	448,009
Accrued interest	9,995	2,035
Other liabilities	45,596	39,199
Total	**1,456,105**	**1,388,543**

12 EARNINGS PER SHARE

	Group	
SEK '000	**2023**	2022
Net profit for the year	568,596	368,273
Net profit for the year attributable to Parent Company shareholders	568,596	368,273
Earnings per share, basic and diluted	22.74	14.73
Average number of shares outstanding during the year	25,004,048	25,004,048

13 TAX ON PROFIT FOR THE YEAR

	Group		Parent Company	
SEK '000	**2023**	2022	**2023**	2022
Current tax				
Swedish companies	–32,488	–24,468	–4,673	–1,190
Foreign companies	–151,703	–118,529	—	—
Deferred tax	–9,099	23,474	—	—
Total	**–193,290**	**–119,523**	**–4,673**	**–1,190**

The difference between the tax expense according to the Swedish tax rate (20.6%) and the actual tax rate comprises the following sub-items: The effective tax amounted to 25.4% (24.5).

	Group		Parent Company	
SEK '000	**2023**	2022	**2023**	2022
Reported profit before tax	761,886	487,796	130,308	7,937
Tax under Swedish tax rate	–156,495	–100,486	–26,843	–1,635
Difference between tax rate in Sweden and weighted tax rate of foreign subsidiaries	–36,633	–23,806	—	—
Non-deductible expenses	263	–2,897	–359	–398
Non-taxable revenue	–579	—	–73	1,030
Imputed income, tax allocation reserve	–5,008	–146	—	–22
Tax attributable to prior income years	—	132	—	—
Other	5,162	7,680	–44	–165
Total tax	**–193,290**	**–119,523**	**–4,673**	**–1,190**

14 INTANGIBLE ASSETS

SEK '000	Group 2023	Group 2022	Parent Company 2023	Parent Company 2022
Patents and licenses				
Opening cost	131,584	116,175	4,751	4,751
Business combinations	1,241	—	—	—
Purchases for the year	3,463	1,914	—	—
Reclassification	1,703	9,578	—	—
Sale and retirement of assets	–17,341	–482	—	—
Translation differences	–380	4,399	—	—
Closing accumulated costs	**120,270**	**131,584**	**4,751**	**4,751**
Opening depreciation	–124,951	–112,517	–4,751	–4,751
Business combinations	–1,103	—	—	—
Depreciation for the year	–3,755	–2,680	—	—
Reclassification	—	–6,167	—	—
Sale and retirement of assets	17,341	482	—	—
Translation differences	382	–4,069	—	—
Other receivables	1	–2	—	—
Closing accumulated depreciation	**–112,085**	**–124,951**	**–4,751**	**–4,751**
Closing balance	**8,185**	**6,633**	—	**—**
Trademarks				
Opening cost	460,366	439,880	28,267	28,267
Business combinations	—	6,376	—	—
Translation differences	–1,073	14,110	—	—
Closing accumulated costs	**459,293**	**460,366**	**28,267**	**28,267**
Opening depreciation	–39,227	–24,654	–28,267	–28,267
Depreciation for the year	–4,248	–2,954	—	—
Sale and retirement of assets	1,487	–11,619	—	—
Closing accumulated depreciation	**–41,988**	**–39,227**	**–28,267**	**–28,267**
Closing balance	**417,305**	**421,139**	—	—

SEK '000	Group 2023	Group 2022	Parent Company 2023	Parent Company 2022
Customer relationships				
Opening cost	522,715	522,715	—	—
Business combinations	146,518	—	—	—
Closing accumulated costs	**669,233**	**522,715**	—	—
Opening depreciation	–130,268	–105,592	—	—
Depreciation for the year	–25,088	–24,676	—	—
Closing accumulated depreciation	**–155,356**	**–130,268**	—	—
Closing balance	**513,877**	**392,447**	—	—
Other intangible assets				
Opening cost	841	3,210	—	—
Purchases for the year	—	914	—	—
Reclassification	–841	–3,411	—	—
Translation differences	—	128	—	—
Closing accumulated costs	—	**841**	—	—
Closing balance	—	**841**	—	—

SEK '000	Group 2023	Group 2022
Goodwill		
Opening cost	1,226,799	1,169,824
Business combinations	74,572	1,775
Translation differences	–10,085	55,200
Closing accumulated costs	**1,291,286**	**1,226,799**

SEK '000	Group 2023	Group 2022
Goodwill is allocated to the Group's divisions as follows		
Truck & Trailer Equipment	271,382	278,529
Mobile Thermal Solutions	773,167	773,167
Ringfeder Power Tran smission	246,737	175,103
Carrying amount	**1,291,286**	**1,226,799**

SEK '000	Group 2023	Group 2022
Brands with indefinite useful lives		
Opening cost	400,000	400,000
Closing accumulated costs	**400,000**	**400,000**

SEK '000	Group 2023	Group 2022
Brands with indefinite useful lives are allocated among the divisions of the Group as follows		
Mobile Thermal Solutions	400,000	400,000
Carrying amount	**400,000**	**400,000**

The Group conducts annual impairment tests, or tests whether there are indications of a drop in value of all assets with indefinite useful lives consisting of goodwill and brands. The impairment test is based on three cash-generating units that correspond to the lowest level monitored in the internal control in the Group, which coincides with the Group's three divisions.

Recoverable amounts for the cash-generating units have been established by calculation of value in use through discounted cash flow. These calculations are based on estimated future cash flows for a period of five years. An established budget is used for the first forecast year, 2024, and available strategy plans for each of the three divisions are used for the coming four years. For each of the Group's divisions, individual assumptions have been made for growth, gross profit margins, overhead levels, operating margin (EBITA), tied-up capital and investment needs for the five-year period. Forecast gross and operating margins (EBITA) have been established by management based on historical outcomes and activities and plans in the forecasts adopted.

For calculation of the persistent level of EBITA that is used for the residual calculation, an average of the EBITA during the forecast period has been used. For the time after the forecast period for all three divisions, a growth rate of 2.0% (2.0) has been used, which corresponds to the Riksbank's long-term inflation target.

The discount rate was determined based on expected cost of capital, weighted between borrowed capital and equity. The components of the discount rate comprise risk-free interest, with a 10-year state bond used as a basis; and a systematic risk premium (beta), which was assessed and calculated by looking at a number of comparison companies, the market's risk premium and a company-specific risk premium. The discount rate after tax, which as used in the 2023 impairment test, was 9.7% (8.2) for the three cash-generating units.

The impairment tests for 2023 did not entail any impairments, and all the tests indicated significant headroom.

VBG Group inspects its facilities on a continual basis with external commercial underwriters. During these inspections and assessments, however, nothing emerged that has impacted the assumptions on which VBG Group has based its determinations of the recoverable value of, for example, the discount rate, growth rate, earnings levels, margins, investments and so on. This has therefore not resulted in any material effects.

15 PROPERTY, PLANT AND EQUIPMENT

	Group		Parent Company	
SEK '000	**2023**	2022	**2023**	2022
Land and buildings				
Opening cost	300,311	293,933	—	—
Business combinations	21,035	—	—	—
Purchases for the year	32,942	6,788	—	—
Reclassification	26,758	9,813	—	—
Sale and retirement of assets	–11,516	–37,832	—	—
Translation differences	–2,436	27,609	—	—
Closing accumulated costs	**367,094**	**300,311**	**—**	**—**
Opening depreciation	–102,017	–95,195	—	—
Business combinations	–1,752	—	—	—
Depreciation for the year	–12,572	–9,630	—	—
Reclassification	0	–324	—	—
Sale and retirement of assets	432	20,323	—	—
Translation differences	704	–17,052	—	—
Other receivables	–155	–139	—	—
Closing accumulated depreciation	**–115,360**	**–102,017**	**—**	**—**
Closing balance	**251,734**	**198,294**	**—**	**—**
Plant and machinery				
Opening cost	396,783	329,816	—	—
Purchases for the year	46,502	12,653	—	—
Reclassification	22,155	3,689	—	—
Sale and retirement of assets	–6,798	–498	—	—
Translation differences	–1,700	26,106	—	—
Closing accumulated costs	**456,942**	**371,766**	**—**	**—**
Opening depreciation	–237,238	–192,539	—	—
Business combinations	–15,141	—	—	—
Depreciation for the year	–33,480	–29,551	—	—
Reclassification	–30	–356	—	—
Sale and retirement of assets	6,823	3,999	—	—
Translation differences	368	–18,791	—	—
Closing accumulated depreciation	**–278,698**	**–237,238**	**—**	**—**
Closing balance	**178,244**	**134,528**	**—**	**—**

	Group		Parent Company	
SEK '000	**2023**	2022	**2023**	2022
Equipment, tools, fixtures and fittings				
Opening cost	244,784	185,365	9,763	8,902
Purchases for the year	17,837	18,925	199	861
Reclassification	–21,196	39,794	—	—
Sale and retirement of assets	–14,524	–25,736	—	—
Translation differences	–4,333	26,189	—	—
Other receivables	–170	—	—	—
Closing accumulated costs	**222,398**	**244,537**	**9,962**	**9,763**
Opening depreciation	–148,273	–136,091	–8,512	–7,488
Business combinations	–247	—	—	—
Depreciation for the year	–19,708	–17,467	–601	–1,024
Reclassification	30	680	—	—
Sale and retirement of assets	14,159	25,245	—	—
Translation differences	3,472	–20,640	—	—
Other receivables	169	—	—	—
Closing accumulated depreciation	**–150,398**	**–148,273**	**–9,113**	**–8,512**
Closing balance	**72,000**	**96,264**	**849**	**1,251**
Construction in progress				
Opening balance	29,632	8,299	—	—
Purchases for the year	14,251	75,079	—	—
Reclassification	–29,001	–54,180	—	—
Translation difference	43	434	—	—
Closing balance	**14,925**	**29,632**	**—**	**—**

16 LEASES

Right-of-use assets

SEK '000	Group 2023	Group 2022
Land and buildings		
Opening costs	526,425	161,278
Purchases for the year	6,092	314,341
Translation differences	–18,080	50,806
Other receivables	–112,617	—
Closing accumulated costs	**401,820**	**526,425**
Opening depreciation	–101,510	–58,254
Depreciation for the year	–23,109	–43,256
Translation differences	4,559	—
Other receivables	–1,627	—
Closing accumulated depreciation	**–121,687**	**–101,510**
Closing balance	**280,133**	**424,915**

SEK '000	Group 2023	Group 2022
Vehicles		
Opening costs	32,426	29,718
Purchases for the year	2,263	2,560
Translation differences	–596	148
Other receivables	–9,191	—
Closing accumulated costs	**24,902**	**32,426**
Opening depreciation	–28,303	–23,317
Depreciation for the year	–4,831	–4,986
Translation differences	248	—
Other receivables	21,802	—
Closing accumulated depreciation	**–11,084**	**–28,303**
Closing balance	**13,818**	**4,123**

SEK '000	Group 2023	Group 2022
Plant and machinery		
Opening costs	6,680	6,393
Purchases for the year	—	—
Translation differences	–496	287
Other receivables	2,930	—
Closing accumulated costs	**9,114**	**6,680**
Opening depreciation	–5,511	–4,375
Depreciation for the year	–1,287	–1,136
Translation differences	316	—
Other receivables	435	—
Closing accumulated depreciation	**–6,047**	**–5,511**
Closing balance	**3,067**	**1,169**
Total closing balance, rights of use	**297,018**	**430,207**

Profit after financial items, right-of-use assets

SEK '000	Group 2023	Group 2022
Interest on lease liability	14,593	14,355
Leases regarding contracts shorter than 12 months	3,579	1,714
Leases regarding low-value contracts	69	858
Cash flow regarding leases	59,091	53,876

A maturity analysis of the financial liabilities is shown in Note 25.

17 INTERESTS IN GROUP COMPANIES, CHANGES IN CARRYING AMOUNTS

Interests in Group companies	Parent Company	
SEK '000	2023	2022
Opening cost	1,656,350	2,016,851
Sale of subsidiary to VBG Group Truck Equipment AB	—	–360,501
Closing balance	**1,656,350**	**1,656,350**

Specification of interests in Group companies	Share of equity, %	Share of votes, %	Carrying amount
Vänersborgs Släpvagnskopplingar AB (Sweden)	100	100	50
VBG Group Truck Equipment AB (Sweden)	100	100	42,197
VBG Group Sales AS (Norway)	100	100	
VBG Group Sales A/S (Denmark)	100	100	
VBG Group Sales Ltd (UK)	100	100	
Onspot of North America Inc. (US)	100	100	
VBG Group Truck Equipment NV (Belgium)	100	100	
VBG Group Truck Equipment GmbH (Germany)	100	100	
European Trailer Systems GmbH (Germany)	100	100	
European Trailer Systems s.r.o. (Czech Republic)	100	100	
Ringfeder Power Transmission GmbH (Germany)	100	100	90,309
Ringfeder Power Transmission India Pvt. Ltd. (India)	100	100	
Rathi Transpower Pvt. Ltd. (India)	100	100	
Rathi Polybond Pty Ltd (Australia)	100	100	
Rathi Europe GmbH (Germany)	50	50	
Ringfeder Power Transmission s.r.o. (Czech Republic)	100	100	
Kunshan Ringfeder Power Transmission Co. Ltd. (China)	100	100	
Tschan India Pvt. Ltd. (India)	100	100	
Ringfeder Power Transmission Sp. z o.o. (Poland)	100	100	
Ringfeder Power Transmission USA Corp. (US)	100	100	35,995
Carlyle Johnson Machine Co. LLC (US)	100	100	
Regent Controls, LLC (US)	100	100	
Centritec Seals, LLC (US)	100	100	
Artic Tool & Engineering Co, LLC (US)	100	100	

Specification of interests in Group companies	Share of equity, %	Share of votes, %	Carrying amount
Henfel Industria Metalurgica Ltda. (Brazil)	100	100	107,033
Mobile Climate Control Group Holding AB (Sweden)	100	100	1,380,766
Mobile Climate Control Sverige AB (Sweden)	100	100	
Mobile Climate Control China Holding AB (Sweden)	100	100	
Mobile Climate Control Manufacturing Co. Ltd. (China)	100	100	
Mobile Climate Control Trading Co. Ltd. (China)	100	100	
Mobile Climate Control Corp. (US)	100	100	
Mobile Climate Control Inc. (Canada)	100	100	
Mobile Climate Control Sp. z o.o. (Poland)	100	100	
Mobile Climate Control Africa (Pty) Ltd. (South Africa)	100	100	
Mobile Climate Control Thermal Systems India Pvt. Ltd. (India)	100	100	
Mobile Climate Control GmbH (Germany)	100	100	
Total			**1,656,350**

Corporate identity numbers and domiciles of Group companies	Corp. ID No.	Domicile
VBG Group Truck Equipment AB	556229-6573	Vänersborg, Sweden
Vänersborgs Släpvagnskopplingar AB	559150-9715	Vänersborg, Sweden
VBG Group Sales AS		Oslo, Norway
VBG Group Sales A/S		Ejby, Denmark
VBG Group Sales Ltd.		Warrington, UK
Onspot of North America Inc.		North Vernon, IN (US)
VBG Group Truck Equipment NV.		Beringen, Belgium
VBG Group Truck Equipment GmbH		Krefeld, Germany
European Trailer Systems GmbH		Moers, Germany
European Trailer Systems S.R.O.		Kamenice nad Lipou, Czech Republic
Ringfeder Power Transmission GmbH		Gross-Umstadt, Germany
Ringfeder Power Transmission India Pvt. Ltd.		Chennai, India
Ringfeder Power Transmission S.R.O.		Dobrany, Czech Republic
Ringfeder Power Transmission Sp. z o.o.		Bytom, Poland
Kunshan Ringfeder Power Transmission Co. Ltd.		Kunshan, China
Tschan India Pvt. Ltd.		Gurgaon, India
Ringfeder Power Transmission USA Corp.		Bolton, CT (US)
Carlyle Johnson Machine Co., LLC		Bolton, CT (US)
Regent Controls, LLC		Greenville, RI (US)
Centritec Seals, LLC		Bolton, CT (US)
Artic Tool & Engineering Co, LLC		Greenville, RI (US)
Henfel Industria Metalurgica Ltda.		Jaboticabal, Brazil
Rathi Transpower Pvt. Ltd.		Pune, India
Rathi Polybond Pty Ltd		Springvale, Australia
Rathi Europe GmbH		Barntrup, Germany
Mobile Climate Control Group Holding AB	556723-5642	Vänersborg, Sweden
Mobile Climate Control Sverige AB	556535-3074	Norrtälje, Sweden
Mobile Climate Control China Holding AB	556819 629	Vänersborg, Sweden
Mobile Climate Control Manufacturing Co. Ltd.		Ningbo, China
Mobile Climate Control Trading Co. Ltd.		Ningbo, China
Mobile Climate Control Corp.		York, PA (US)
Mobile Climate Control Inc.		Toronto, Canada
Mobile Climate Control Sp. z o.o.		Olawa, Poland
Mobile Climate Control Africa (Pty) Ltd		Durban, South Africa
Mobile Climate Control Thermal Systems India Pvt. Ltd.		Bangalore, India
Mobile Climate Control GmbH		Renningen, Germany

18 DEFERRED TAX ASSETS/LIABILITIES

Deferred tax assets	Group		Parent Company	
SEK '000	**2023**	2022	**2023**	2022
Deferred tax asset pertaining to pension liability	6,063	14,109	—	—
Other temporary differences	21,275	12,506	—	—
Deferred tax asset on tax-loss carry forward	135	5,914	—	—
Total tax assets, gross	**27,473**	**32,529**	**—**	**—**
Offset against deferred tax liabilities	**—**	**–8,254**	**—**	**—**
Recognized deferred tax assets	**27,473**	**24,275**	**—**	**—**
Deferred tax liabilities				
Deferred tax liabilities relating to tax allocation reserves	–38,441	11,986	5,109	3,873
Deferred tax liabilities relating to difference between carrying amounts of assets and residual values for tax purposes	73,813	28,038	—	—
Deferred tax liabilities on intangible assets identified in connection with acquisitions	193,636	174,992	—	—
Total tax liabilities, gross	**229,008**	**215,016**	**5,109**	**3,873**
Offset against deferred tax assets	**—**	**–1,636**	**—**	**—**
Recognized deferred tax liabilities	**229,008**	**213,380**	**5,109**	**3,873**

Deferred taxes have been restated based on the tax rate in force at the time the deferred tax is expected to be settled. The Parent Company's deferred tax liability is included in the line item "untaxed reserves."

19 INVENTORIES

	Group	
SEK '000	**2023**	2022
Truck & Trailer Equipment		
Raw materials and consumables	94,190	104,739
Semi-finished products and work in progress	49,018	47,288
Finished products and merchandise	100,213	106,369
Total inventory, Truck & Trailer Equipment	**243,421**	**258,396**
Mobile Thermal Solutions		
Raw materials and consumables	396,157	474,106
Semi-finished products and work in progress	36,120	28,760
Finished products and merchandise	180,584	168,673
Total inventories Mobile Thermal Solutions	**612,861**	**671,539**
Ringfeder Power Transmission		
Raw materials and consumables	41,539	49,249
Semi-finished products and work in progress	57,760	47,861
Finished products and merchandise	83,563	83,470
Total inventories Ringfeder Power Transmission	**182,862**	**180,580**
Total	**1,039,144**	**1,110,515**

The obsolescence reserve for outgoing inventories amounts to SEK 78,431 thousand (89,747), divided among: Truck & Trailer Equipment, SEK 27,500 thousand (23,423); Mobile Thermal Solutions, SEK 36,099 thousand (44,200); and Ringfeder Power Transmission, SEK 14,832 thousand (22,124). Refer also to the change in Note 9.

20 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
SEK '000	**2023**	2022	**2023**	2022
Prepaid rent costs	4,930	4,619	296	215
Prepaid insurance premiums	4,352	8,767	862	4,413
Prepaid service charges	15,592	10,581	8,832	4,597
Prepaid marketing activities	365	368	—	—
Accrued income	248	531	—	—
Other items	16,316	17,239	1,576	58
Total	**41,803**	**42,105**	**11,566**	**9,283**

21 EQUITY

Share capital comprises 26,196,024 shares with a quotient value of SEK 2.50. Of these, 2,440,000 are Series A shares carrying 10 votes each. The remaining shares, Series B shares, total 23,756,024 and carry 1 vote each.

The Annual General Meeting on 24 April 2002 resolved to repurchase every tenth Series B share for SEK 31.25 per share. All shareholders were offered the chance to sell back their shares. 1,191,976 shares were repurchased, which is equivalent to 96% of the number that could be repurchased. At the same General Meeting, the Board was authorized to use repurchased shares to pay for acquisitions during the period up until the next AGM in 2003. This authorization has been extended repeatedly, most recently at the 2023 AGM to apply until the next AGM (2024). This authorization had not been utilized at year-end, so all redeemed shares are still owned by VBG Group AB (publ).

There are thus 25,004,048 shares in free float, of which 2,440,000 are Series A shares and 22,564,048 Series B shares.

22 UNTAXED RESERVES

	Parent Company	
SEK '000	**2023**	2022
Tax allocation reserves	24,800	18,800
Total	**24,800**	**18,800**

23 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

SEK '000	2023	2022
Parent Company		
Provisions in accordance with Swedish Pension Obligations Vesting Act		
FPG/PRI pensions	17,585	15,367
Group		
Provisions in accordance with IAS 19		
Defined-benefit pension plans	202,103	196,893

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. Maturity periods of 20 and 15 years, respectively, were used when calculating the defined-benefit pension plans.

The amounts recognized in the consolidated balance sheet for defined-benefit pension plans have been calculated as follows:

SEK '000	Sweden	Germany	Other countries	Dec. 31, 2023 Total	Dec. 31, 2022 Total
Present value of unfunded obligations	117,282	82,399	2,422	202,103	196,893
Total obligation				**202,103**	**196,893**

Amounts recognized in the consolidated income statement for pensions

	Group	
SEK '000	2023	2022
Current service costs	3,858	5,854
Interest expense	3,674	4,454
Costs for defined-benefit plans	**7,532**	**10,308**
Costs for defined-contribution plans	**18,314**	**28,837**
Total costs recognized in profit or loss	**25,846**	**39,145**
Of which		
Amount charged to operating profit	22,172	34,691
Amount charged to financial expenses	3,674	4,454
Total costs recognized in profit or loss	**25,846**	**39,145**

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

Other comprehensive income was impacted by SEK –6,134 thousand (50,865), net after tax, as a result of the restatement of defined-benefit pension plans.

Specification of changes in net debt recognized in the consolidated balance sheet relating to defined-benefit pension plans

	Group	
SEK '000	2023	2022
Net debt at beginning of year	196,893	252,094
Net cost recognized in profit or loss	7,532	10,308
Benefits paid	–7,878	–7,244
Contributions to funded plans	–1,862	2,043
Gains (–) losses (+) resulting from changed financial assumptions	7,894	–67,646
Exchange rate differences on foreign plans	–476	7,338
Net debt at year-end	**202,103**	**196,893**

Actuarial assumptions regarding significant defined-benefit pension plans

	2023		2022	
Percentage	Sweden	Germany	Sweden	Germany
Discount rate	3.7	3.6	3.7	4.2
Future annual salary increases	2.6	2.8	3.0	2.8
Inflation rate	1.6	2.1	2.0	2.1

The discount rate in Sweden for both 2023 and 2022 is based on the interest rate for mortgage bonds with a comparable maturity. Through its defined-benefit pension plans, the Group is exposed to a number of risks, the most significant of which are described below:

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

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

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

NOTE 21 CONT'D.

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

2023	Impact on defined benefit obligation Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease of 9.0%	Increase of 1.7%
Salary increases	0.5%	Decrease of 0.5%	Decrease of 0.5%
Inflation rate	0.5%	Decrease of 0.7%	Decrease of 7.7%

2022	Impact on defined benefit obligation Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease of 7.3%	Increase of 4.4%
Salary increases	0.5%	Increase of 2.2%	Increase of 2.2%
Inflation rate	0.5%	Increase of 2%	Decrease of 5.3%

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

24 OTHER PROVISIONS

SEK '000	Group **2023**	2022
Opening value, other provisions	61,026	38,471
Utilization of warranty obligations for the year	–34,244	–23,350
Guarantee reserves for the year	69,009	45,905
Closing value, other provisions	**95,791**	**61,026**

Warranty obligations

The products sold by the VBG Group are covered by warranties that are valid for a predetermined period. Provisions for such product warranties are based on historical data plus expected costs for quality problems that are known or can be foreseen.

25 BORROWING

In June 2023, VBG Group signed a new financing agreement with a new primary bank, Nordea, a revolving facility of SEK 1,400 M including an overdraft facility of SEK 100 M. It is a three-year agreement with the option of two extensions of one year each. In conjunction with the new agreement, previous loans were replaced with new ones that at December 31 totaled SEK 730.5 M. At the end of 2023, the unutilized portion of the credit facility amounted to SEK 669.5 M. A maturity analysis of the financial liabilities is shown in the note below.

Maturity analysis of the Group's financial liabilities including calculated interest payments

Dec. 31, 2023, SEK '000	Carrying amount	Within 1 year	Within 2–3 years	Within 4–5 years	After 5 years	Total contracted cash flow
Liabilities to credit institutions	730,479	47,853	801,325	—	—	849,178
Additional purchase consideration	33,747	33,747	—	—	—	33,747
Trade payables	322,486	322,486	—	—	—	322,486
Lease liability	313,802	59,213	103,757	52,336	198,237	413,543
Total	**1,400,514**	**463,299**	**905,082**	**52,336**	**198,237**	**1,618,954**

Maturity analysis of the Group's financial liabilities including calculated interest payments

Dec. 31, 2022, SEK '000	Carrying amount	Within 1 year	Within 2–3 years	Within 4–5 years	After 5 years	Total contracted cash flow
Liabilities to credit institutions	576,021	26,419	615,167	—	—	641,586
Trade payables	323,279	323,279	—	—	—	323,279
Lease liability	448,009	53,778	95,578	47,789	293,992	491,137
Total	**1,347,309**	**403,476**	**710,745**	**47,789**	**293,992**	**1,456,002**

Maturity analysis of the Parent Company's financial liabilities including calculated interest payments

Dec. 31, 2023, SEK '000	Carrying amount	Within 1 year	Within 2–3 years	Within 4–5 years	After 5 years	Total contracted cash flow
Liabilities to credit institutions	729,545	47,853	801,325	—	—	849,178
Trade payables	3,802	3,802		—	—	3,802
Total	**733,347**	**51,655**	**801,325**	**—**	**—**	**852,980**

Maturity analysis of the Parent Company's financial liabilities including calculated interest payments

Dec. 31, 2022, SEK '000	Carrying amount	Within 1 year	Within 2–3 years	Within 4–5 years	After 5 years	Total contracted cash flow
Liabilities to credit institutions	575,539	24,427	587,753	—	—	612,180
Trade payables	7,136	7,136		—	—	7,136
Total	**582,675**	**31,563**	**587,753**	**—**	**—**	**619,316**

26 TRADE RECEIVABLES

SEK '000	Group	
Age distribution of trade receivables and reserve for doubtful debts	**2023**	2022
Trade receivables not due	694,703	496,643
Trade receivables due in 1–30 days	89,381	119,946
Trade receivables due in 31–90 days	32,222	42,258
Trade receivables due in more than 90 days	16,856	20,762
Reserve for doubtful debts	–11,342	–6,524
Total	**821,820**	**673,085**
Reserve for doubtful debts		
Reserve for trade receivables 1–30 days	–1,948	—
Reserve for trade receivables 31–90 days	–224	414
Reserve for trade receivables older than 90 days	–9,170	–6,938
Total	**–11,342**	**–6,524**
Change for the year in reserve for doubtful debts		
Opening reserve	**–6,524**	**–5,875**
Changes written off as bad debt losses	789	523
Reversed unutilized reserves	712	3,174
New provisions for doubtful trade receivables	–5,413	–3,386
Currency effects	–906	–960
Closing reserve	**–11,342**	**–6,524**

The Group's bad debt losses normally amount to less than 0.05% of sales.

27 OVERDRAFT FACILITIES

The Group has overdraft facilities amounting to SEK 100 M (100), which remained unutilized at year-end.

Additionally, there is a revolving credit facility totaling SEK 1,400 M including the overdraft facility. The overdraft facility from the preceding year totaled SEK 100 M, and in addition to that there was a credit facility of SEK 1,300 M.

28 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
SEK '000	**2023**	2022	**2023**	2022
Special employer's contribution	11,963	11,710	1,700	1,646
Accrued personnel costs	138,997	128,361	10,511	10,019
Audit fees	6,098	6,841	280	370
Other accrued expenses	5,379	6,882	1,398	681
Commissions and sales support	2,091	5,397	—	—
Customer bonus	13,936	6,381	—	—
Accrued interest	9,995	2,035	9,995	2,035
Other items	31,914	25,517	1,729	1,710
Total	**220,373**	**193,124**	**25,613**	**16,461**

29 CONTINGENT LIABILITIES

	Group		Parent Company	
SEK '000	**2023**	2022	**2023**	2022
Guarantees for the benefit of subsidiaries	—	—	72,515	65,112
Other	1,802	1,610	351	307
Total contingent liabilities	**1,802**	**1,610**	**72,866**	**65,419**

30 CASH FLOW STATEMENT

SEK '000	Group		Parent Company	
Other items not affecting liquidity in operating activities	**2023**	2022	**2023**	2022
Change in provisions	36,540	21,843	2,217	2,184
Group contributions received	—	—	54,984	15,488
Currency effect, line items	–35,231	42,598	–32,943	27,096
Other items	–56,609	–36,945	15	—
Total	**–55,300**	**27,496**	**24,273**	**44,768**

SEK '000	Group		Parent Company	
Acquisition of non-current assets	**2023**	2022	**2023**	2022
Intangible investments for the year	–3,463	–4,603	—	—
Capital expenditures in property, plant and equipment for the year	–111,532	–113,445	–199	–861
Effect of capital expenditures on cash and cash equivalents for the year	**–114,995**	**–118,048**	**–199**	**–861**

Cash flow in financing activities

			Items not affecting liquidity					
Group trend, SEK '000	**January 2023**	Cash flows	Acquisi-tions	Interest	Currency effects	New leases	Reclassifi-cation	**December 2023**
Non-current liabilities, bank	599,084	183,533	—	—	3,606	—	—	786,223
Lease liability	448,009	–14,125	—	14,593	–136,938	2,263	—	313,802
Total financial liabilities	**1,047,093**	**169,408**	—	**14,593**	**–133,332**	**2,263**	—	**1,100,025**
Cash and cash equivalents	498,845	394,456	—	—	–7,386	—	—	885,915
Total cash and cash equivalents	**498,845**	**394,456**	—	—	**–7,386**	—	—	**885,915**

			Items not affecting liquidity					
Group trend, SEK '000	**January 2022**	Cash flows	Acquisi-tions	Interest	Currency effects	New leases	Reclassifi-cation	**December 2022**
Non-current liabilities, bank	792,529	–177,419	—	—	–16,026	—	—	599,084
Lease liability	118,440	–41,749	—	14,355	40,062	316,901	—	448,009
Total financial liabilities	**910,969**	–219,168	—	**14,355**	**24,036**	**316,901**	—	**1,047,093**
Cash and cash equivalents	667,449	–183,469	—	—	14,865	—	—	498,845
Total cash and cash equivalents	**667,449**	**–183,469**	—	—	**14,865**	—	—	**498,845**

Cash flow in financing activities

			Items not affecting liquidity					
Parent Company development, SEK '000	**January 2023**	Cash flows	Acquisi-tions	Interest	Currency effects	New leases	Reclassifi-cation	**December 2023**
Non-current liabilities, bank	575,539	183,533	—	—	–29,527	—	—	729,545
Total financial liabilities	**575,539**	**183,533**	**—**	**—**	**–29,527**	**—**	**—**	**729,545**
Cash and cash equivalents	277,482	274,067	—	—	—	—	—	551,549
Total cash and cash equivalents	**277,482**	**274,066**	**—**	**—**	**—**	**—**	**—**	**551,549**

			Items not affecting liquidity					
Parent Company development, SEK '000	**January 2022**	Cash flows	Acquisi-tions	Interest	Currency effects	New leases	Reclassifi-cation	**December 2022**
Non-current liabilities, bank	748,702	–211,880	—	—	38,717	—	—	575,539
Total financial liabilities	**748,702**	**–211,880**	**—**	**—**	**38,717**	**—**	**—**	**575,539**
Cash and cash equivalents	511,559	–234,077	—	—	—	—	—	277,482
Total cash and cash equivalents	**511,559**	**–234,077**	**—**	**—**	**—**	**—**	**—**	**277,482**

31 SIGNIFICANT ASSESSMENTS IN APPLYING ACCOUNTING POLICIES, ESTIMATES AND ASSUMPTIONS

In preparing the consolidated financial statements, senior management makes estimates and assumptions that impact the recognized amount of assets, liabilities, income and costs with associated notes and disclosures on contingent liabilities.

Uncertainty around these assumptions and estimates could lead to material adjustments of the carrying amount of the assets and liabilities that are impacted in future financial reports, since the outcome could deviate from the estimates and assessments that were made. Changes in estimates are recognized prospectively.

Senior management also makes assessments in applying consolidated accounting policies.

Assessments
When applying consolidated accounting policies, senior management made the following assessments, which have the most significant effect on the carrying amounts in the financial reports:

- *Establishment of the lease term in contracts, with options to extend*
  In assessing the lease term, senior management takes material facts into account, on the basis of which it is possible to assess whether it is reasonably certain that options to extend will be exercised or not, in order to establish the lease term including the non-cancelable rental period.

Estimates and assumptions
The key assumptions pertaining to the future and other sources of uncertainty that exist as of the balance sheet date and have a significant risk of resulting in a material adjustment of assets and liabilities during the next financial year are described below. These assumptions and estimates are based on information that was available at the time the financial reports were prepared. The conditions and assumptions of future performance may change, based on changes in the market or other circumstances that arise and are beyond the control of the Group. Changes of this kind are taken into account in the assumptions when they occur.

- *Impairment of goodwill (note 14)*
  Every year, the Group carries out impairment testing of goodwill and trademarks with indeterminable lifetimes. Recoverable amounts for cash-generating units have been established by calculation of value in use. Certain estimates must be made for these calculations (Note 14).
- *Obsolescence reserves for inventories (Note 19)*
  The Group recognized a total inventory value of SEK 1,039,144 thousand (1,110,515) after obsolescence reserves of SEK 78,431 thousand (89,747). An obsolescence reserve is recognized if the estimated net realizable value is lower than the cost, and in conjunction with this, the Group makes estimates and assessments regarding, for example, future market conditions and the estimated net realizable value. These assessments are made in accordance with the Group's obsolescence policy. This policy takes into account the past rate of scrapping and the time certain items spend in inventory, which together with the actual and estimated future sales volumes provide data for the obsolescence reserve.
- *Provisions for pensions (Note 23)*
  Provisions for remuneration after the conclusion of employment in the form of pensions are dependent on actuarial assumptions. Disclosures on essential actuarial assumptions are presented in Note 23.
- *Other provisions (Note 24)*
  Other provisions comprise provisions for warranty obligations. Provisions for warranty costs are based on historical information on warranty costs as well as current information that may indicate that future requirements will deviate from the historical outcome. Actual outcomes of warranty costs may deviate from the estimated outcome, and therefore have a material impact on the recognized warranty costs.

32 ACQUISITIONS

On November 9, 2023, the Group acquired 100% of the shares in Rathi Transpower Pvt. Limited through one of its wholly owned subsidiaries, Ringfeder Power Transmission India Private Ltd. The acquired company was consolidated into Ringfeder Power Transmission division as of November 1, 2023. The purchase consideration for all shares in the company amounted to SEK 284.4 M and includes an additional purchase consideration of approximately SEK 33.7 M, which is based in part of the outcome of EBITDA for fiscal year 2023/2024. According to an initial preliminary acquisition plan, the acquisition resulted in consolidated goodwill of SEK 74.6 M. The acquired company has annual sales of approximately SEK 150 M, with an adjusted EBITDA margin of 17%, and has approximately 246 full-time employees as well as just over 200 contracted employees. The company generated sales of SEK 26.1 M and an EBIT of SEK 5.2 M in the period from November 1 to December 31. The acquisition plan is preliminary, since the work on collecting necessary and complete information for identifying and estimating the value of assets and liabilities was still in progress on December 31, 2023.

SEK M	Fair value
Purchase consideration	284.4
Acquired net assets	
Cash and cash equivalents	7.2
Property, plant and equipment	28.6
Intangible assets	0.1
Customer relationships	146.5
Long-term investments	16.5
Inventories	19.5
Receivables	95.3
Liabilities	–90.7
Deferred tax	–13.2
Preliminary goodwill	**74.6**
Impact on consolidated cash and cash equivalents	
Total purchase consideration	–284.4
Additional purchase consideration	33.7
Cash and cash equivalents in acquired subsidiaries	7.2
Change in cash and cash equivalents due to acquisition	**–243.5**

33 SIGNIFICANT EVENTS AFTER THE CLOSE OF THE FISCAL YEAR

No significant events took place after the close of the fiscal year.

34 PROPOSED DISTRIBUTION OF PROFITS

In proposing the dividend, the Board of Directors has taken into account the Parent Company's and Group's short- and long-term liquidity requirements, development potential, financial position and investment needs. In light of these factors, the Board of Directors of VBG Group AB (publ) proposes that the 2023 AGM resolve on a dividend of SEK 7.00 per share (5.50) for fiscal year 2023, which entails a disbursement of funds of SEK 175 M (137.5) from the Parent Company, corresponding to 4.8% of the Group's equity or 12.4% of the Parent Company's equity at year end. The Group reported profit after tax of SEK 568.6 M (368.3), which means that the proposed dividend comprises 30.8% (37.1) of the net profit for the year for the Group.

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

	2023	2022
Retained earnings	1,161,536,244	1,292,296,314
Net profit for the year	125,634,437	6,747,186
Total	**1,287,170,681**	**1,299,043,500**

The Board of Directors proposes that these funds be distributed as follows:

	2023	2022
Dividend to shareholders	175,028,336	137,522,264
To be carried forward	1,112,142,345	1,161,521,236
Total	**1,287,170,681**	**1,299,043,500**

The income statements and balance sheets will be submitted to the Annual General Meeting on 2 May 2024 for adoption.

The undersigned ensure that the consolidated accounts and annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU and with generally accepted accounting policies 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, date as indicated
by my electronic signature

Johnny Alvarsson
Chairman of the Board

Anders Birgersson
Board member

Peter Augustsson
Board member

Louise Nicolin
Board member

Mats R. Karlsson
Board member

Anna Stålenbring
Board member

Alexander Andersson
Employee representative

Cecilia Pettersson
Employee representative

Anders Erkén
President and CEO

Gothenburg, date as indicated by our electronic signatures

Ernst & Young AB

Andreas Mast
Authorized Public Accountant

Auditor's report

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To the general meeting of the shareholders of VBG GROUP AB (publ), corporate identity number 556069-0751

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of VBG GROUP AB (publ) for the year 2023 The annual accounts and consolidated accounts of the company are included on pages 40–82 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of goodwill and brand with indefinite useful life

Description	*How our audit addressed this key audit matter*
As of December 31, 2023, the recorded goodwill amounts to SEK 1,291 million and the brand with an indefinite useful life to SEK 400 million, which corresponds to 28% of the total assets in the Group. As described in Note 1 and 14 in the Annual Report, goodwill and assets with an indefinite useful life are tested annually to identify any potential impairment needs in accordance with IAS 36. The assessment is based on the recoverable value of the Group's three divisions, which constitute all the smallest cash-generating units identified by the corporate management with individual assumptions about growth, profit margin, capital commitment, investment needs, and discount rate. The management's estimation of future cash flows is based on market, growth, and margin from the asset's existing structure without the effect of future acquisitions. The test is based on complex valuation models, significant assumptions, and judgments with inherent uncertainty. Changes in assumptions can have a significant impact on the recoverable value. In addition, the value of goodwill and the brand with an indefinite useful life amount to significant sums. Considering the above, we believe that the valuation of goodwill and the brand with an indefinite useful life constitutes a particularly important area in our audit.	Our audit procedures to evaluate the management's impairment testing have included: • Evaluation of the model and assumptions. The evaluation has included whether the model is established according to accepted valuation techniques and the appropriateness of applied discount rates and assumptions compared with comparable companies, • Testing of the management's sensitivity analysis and conducting an independent sensitivity test of significant assumptions to identify whether a reasonable future change in these would lead to an impairment requirement, • Assessment of the reasonableness of future cash flows against the approved budget for 2024, the business plan for 2025–2026, and other information obtained after discussions with the management and review of minutes from board meetings and other management meetings, • Evaluation of the management's accuracy in estimating future cash flows by comparing historical forecasts to actual outcomes; and • Evaluation of whether the management has provided the necessary disclosures in the Annual Report as of December 31, 2023.

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Valuation of inventories	
Description	*How our audit addressed this key audit matter*
As of December 31, 2023, the inventory amounts to SEK 1,039 million, which corresponds to 17% of the total assets in the Group. As described in Note 1 and 19 in the Annual Report, inventory is recorded at the lower of cost and net realizable value on the balance sheet date. The cost is based on the First-In-First-Out (FIFO) principle. In their assessment of whether the net realizable value exceeds the cost, the corporate management must also consider given product discounts and assess the risk of obsolescence. To identify and consistently calculate the risk of obsolescence, the Group has established division-specific models that take into account the content of the inventory, the turnover rate of individual items (slowness), and the historical scrapping rate. This, together with an assessment of actual and estimated future sales volumes based on developments in their respective markets and the latest selling price, provides a basis for the management to determine a reasonable level of obsolescence. Given that critical judgments and estimates by the management are required in identifying slow-moving and obsolete goods, and the fact that the nature and composition of the inventory differ between the Group's three divisions, we have identified the valuation of inventory as a particularly significant area in our audit.	Our audit procedures to evaluate the appropriateness of the Group's process for accounting for and valuing inventory have included: • Understanding how the corporate management has established structures and processes to monitor compliance with the FIFO principle. • Understanding how the corporate management identifies slow-moving and obsolete goods in inventory and evaluated the need for recorded obsolescence, • Assessment of compliance with implemented and established models for identifying obsolescence at the division level, • Examination of the accuracy of the age analysis of the inventory through detailed testing, • Assessment of the net realizable value through detailed testing and review of relevant documentation to evaluate the management's assessment of the net realizable value; • Initial discussions with the corporate management and reading of minutes from board meetings and other management meetings with the aim of identifying forward-looking changes in the company's operations and sales that could lead to inventory becoming obsolete, and • Evaluation of whether the corporate management provides the necessary disclosures in the Annual Report as of December 31, 2023.

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 139 and 87–111 and were obtained before the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes

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our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether
- due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of VBG GROUP AB (publ) for the year 2023 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

THE AUDITOR'S EXAMINATION OF THE ESEF REPORT

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for VBG GROUP AB (publ) for the financial year 2023.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of VBG GROUP AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or other Assurance or Related Services Engagements which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with professional ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

Ernst & Young AB with Andreas Mast as auditor in charge, was appointed auditor of VBG GROUP AB (publ) by the general meeting of the shareholders on the 27 April 2023 and has been the company's auditor since the 28 May 2021.

Gothenburg March 27, 2024
Ernst & Young AB

Andreas Mast
Authorized Public Accountant

Corporate Governance Report

Swedish Corporate Governance Code
VBG Group AB is a Swedish limited liability company whose Series B shares have been listed on the Stockholm Stock Exchange since 1987, where they are traded on the Nasdaq Stockholm Mid Cap list. VBG Group AB has applied the Swedish Corporate Governance Code (the Code) since 1 January 2009.

The Code is a part of corporate Sweden's self-regulation and is based on the "comply or explain" principle. This means that companies that apply the Code can choose not to comply with certain rules but must explain the reason for each non-compliance.

Corporate Governance Report 2023

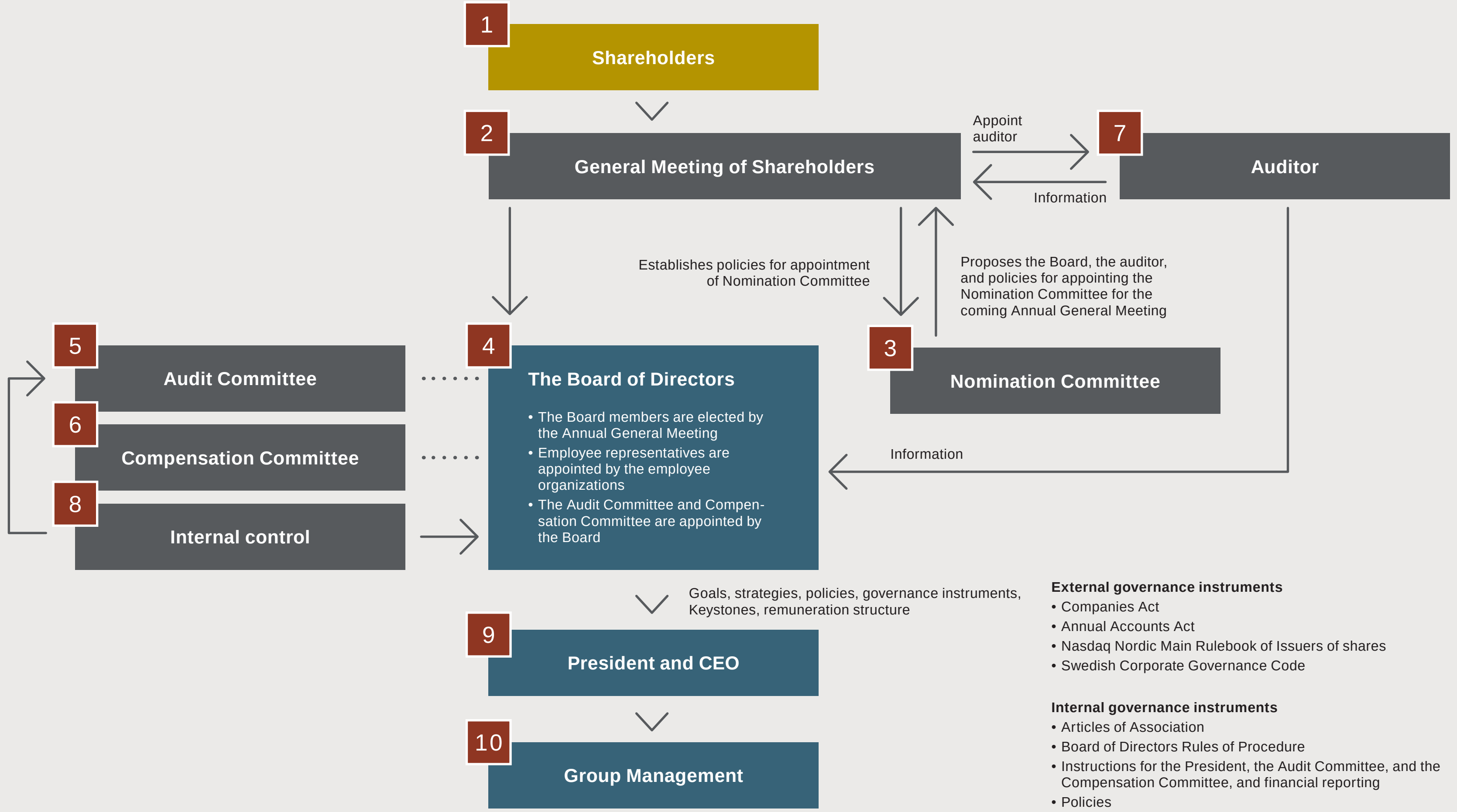
Corporate governance model

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

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

The task of the Nomination Committee is to present proposals to the AGM on behalf of the shareholders for election of a Chairman and other members of the Board of Directors as well as proposals for fees and other remuneration for Board work and auditors’ fees. The Nomination Committee shall also submit nominations for election of an auditor based on discussions in the VBG Group’s Audit Committee and the Board of Directors.

The Board of Directors bears ultimate responsibility for the organization of VBG Group and administration of its operation. Furthermore, the Board appoints the Chief Executive Officer – who is also the President – of VBG Group. The President manages the Group’s routine operations in accordance with the Board’s guidelines.



External governance instruments
- Companies Act
- Annual Accounts Act
- Nasdaq Nordic Main Rulebook of Issuers of shares
- Swedish Corporate Governance Code

Internal governance instruments
- Articles of Association
- Board of Directors Rules of Procedure
- Instructions for the President, the Audit Committee, and the Compensation Committee, and financial reporting
- Policies

1 Shareholders

The share capital in VBG Group AB amounted to SEK 65,490,060 on 31 December 2023, distributed among 2,440,000 Series A shares and 23,756,024 Series B shares, where each series A share carries ten votes and each series B share carries one vote, except for the 1,191,976 Series B shares repurchased by VBG Group AB in 2002. This amounts to a total of 25,004,048 shares outstanding with a total of 46,964,048 votes.

At the end of 2023, VBG Group AB had a total of 11,700 shareholders. At year end, the ten largest owner groups controlled 66.5% of the share capital outstanding, 62.3% of the total number of shares issued and 81.53% of the votes. The stake held by the largest shareholder, the Herman Krefting Foundation for Allergy and Asthma Research, amounted to 22.6% of the outstanding share capital and 28.3% of the votes. Other shareholders with more than 10% of the votes were the SLK Employees' Foundation and the VBG-SLK Foundation, whose holdings of Series A shares represented 24.2% and 10.4% of the votes, respectively.

More detailed information on the share, the ownership structure, and so on is provided on pages 36–37.

2 General Meeting of Shareholders

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

Notice convening the Annual General Meeting is given not earlier than six and not later than four weeks prior to the meeting. The notice contains information on notification of intention to attend and right to participate in and vote at the meeting, an itemized agenda with the matters to be discussed, and information on the proposed dividend and the main content of other proposals. Shareholders or proxies can vote for the full number of shares held or represented.

Notice convening an Extraordinary General Meeting where the Articles of Association will be addressed shall be given not earlier than six weeks and not later than four weeks prior to the meeting. Notice convening other Extraordinary General Meetings shall be given not earlier than six weeks and not later than three weeks prior to the meeting.

Proposals to the meeting should be addressed to the Board of Directors and submitted in good time before notice convening the meeting is given. Information on shareholders' rights to have matters addressed at the meeting is provided on the website, www.vbggroup.com/en

Annual General Meeting 2023

VBG Group AB's AGM was held on April 27, 2023. Shareholders were able to participate in the AGM through their presence at the meeting (in person or by proxy) or by voting in advance (postal voting). The notice to attend the AGM and the form for postal voting provided by the company were made available on the web site. The minutes from the AGM can be found on the VBG Group web site. There are also details on meetings from previous years. Among the resolutions passed at the 2023 AGM are the following:

- A dividend of SEK 5.50 per share is to be paid
- Re-election of Board members Louise Nicolin, Peter Augustsson, Mats R. Karlsson, Anna Stålenbring, Anders Birgersson and Johnny Alvarsson
- Re-election of Johnny Alvarsson as Chairman of the Board
- Election of Anders Erkén as new President and CEO
- Board fees entail an increase to SEK 2,305,000 (2,020,000) owing to the addition of one new Board member. The fees are proposed as follows: SEK 680,000 (680,000) to the Chairman of the Board and SEK 285,000 (285,000) each to the other Board members. Of the total fee, SEK 150,000 is to be paid to the Audit Committee and SEK 50,000 to the Compensation Committee, to be distributed by the Board of Directors. No fee is paid to the President. Auditor fees are proposed to be paid as billed, upon approval, for work performed.
- Policies for remuneration to and terms of employment for senior executives
- Re-election of audit firm Ernst & Young for a period of one year
- Authorizing the Board to resolve on one or more occasions up until the 2024 AGM that treasury shares can be transferred, notwithstanding the shareholders' pre-emption rights, and that non-cash payment (apport) can be made for such transferred shares. This authorization enables the Board to use the Company's treasury shares as payment for acquired companies.

On April 27, 2023, it was announced that the 2024 AGM would be held on May 2, 2024 at the company offices in Vänersborg.

3 Nomination Committee

Appointments to the Nomination Committee are governed by the policies for appointing and instructing the Committee. The Nomination Committee will consist of the Chairman of the Board and three members appointed by the three largest shareholders in terms of voting rights at the end of the third quarter of every year.

The task of the Nomination Committee is to present proposals to the AGM on behalf of the shareholders for election of a Chairman and other members of the Board of Directors as well as proposals for fees and other remuneration for Board work and auditors' fees. The Nomination Committee shall also submit nominations for election of an auditor based on discussions in the VBG Group's Audit Committee and the Board of Directors.

When the Nomination Committee nominates a Chairman and other members of the Board of Directors, it shall issue a statement to the effect that the nominated individuals are to be regarded as independent in relation to the company and the executive management as well as major shareholders in the company. The Nomination Committee's proposals shall be given to the VBG Group far enough in advance so that the proposal can be presented in the notice convening the AGM and at the same time on the VBG Group's website.

The Nomination Committee strives for an even gender balance and diversity in terms of breadth of qualifications, experience and background, which is also reflected in the current composition. The Nomination Committee applies rule 4.1 of the Swedish Corporate Governance Code as its policy for diversity on the Board. Half of the members of the Nomination Committee are independent in relation to the company, the executive management and the shareholder with the most votes, the Herman Krefting Foundation for Allergy and Asthma Research.

Based on the three largest shareholders in VBG Group AB at the end of the third quarter of 2023, in terms of voting rights, it is proposed that the 2024 AGM appoint the following persons to the Nomination Committee:

- Göran Bengtsson, Herman Krefting Foundation for Allergy and Asthma Research, also as the Chairman of the Nomination Committee
- Johnny Alvarsson, Chairman of the Board of VBG Group AB
- Richard Torgerson, Nordea Funds Ltd.
- Johan Lannebo, Lannebo Fonder

4 The Board of Directors

The Board of Directors is elected by the shareholders to manage the company's affairs in the best interest of the company and its shareholders. The Board is ultimately responsible for management and organization of the company as well as control of reporting. The members of the Board of Directors are elected annually by the AGM for the period up until the next AGM. VBG Group AB has not established a specific age limit for the Board members nor a time limit for how long someone may sit on the Board.

Composition of the Board of Directors

The 2023 AGM elected Board members Johnny Alvarsson, Anders Birgersson, Peter Augustsson, Louise Nicolin, Anna Stålenbring, Mats R. Karlsson and Anders Erkén (President). Johnny Alvarsson was elected Chairman of the Board and no Deputy Chairman was elected. There is a presentation of the Board members and their assignments on pages 91–92.

In addition to the seven members elected by the AGM, the trade unions Unionen/Swedish Association of Graduate Engineers/Ledarna and IF Metall each appointed one member and one deputy member.

The number of AGM-elected members for the 2023 AGM who are independent in relation to the company, according to the requirements for listing on the stock exchange, is judged to be five. Furthermore, four members are also judged to be independent of the company's major shareholders and all seven members meet the requirements relating to experience. The President is the only Board member who works actively in the company.

The work of the Board of Directors

The work of the Board follows an annual plan dedicated to satisfying the Board's needs 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 among the Board, its committees, and the President. According to the adopted rules of procedure, the Board of Directors holds eight ordinary meetings per year, including the statutory meeting following the AGM. The Board is also called to attend Extraordinary Meetings whenever the situation warrants. Company officers take part in Board meetings as rapporteurs, and the company's CFO also serves as secretary.

The Board of Directors routinely evaluates the work of the President, and at least once a year the work of the President is evaluated without the presence of any member of Group Management. The Board of Directors also conducts an evaluation of Board activities once a year. The Board of Directors of VBG Group prioritizes sustainability initiatives, and Group Management has been given overall responsibility for governing and monitoring a sustainable approach throughout the Group. The Board of Directors is ultimately responsible for the preparation of, as well as the contents of, the sustainability report.

The Board of Directors routinely monitors the efficiency of the VBG Group's structure for governance and control using the information they obtain through Group Management and the Board committees. At every Board meeting, the economic situation, financial position and sustainability activities of VBG Group are addressed, as well as the strategies following from them. Group Management and business area management are monitored in a similar manner.

The company's auditor reports his observations every year based on his review and gives his assessment of the company's internal control.

Board activities in 2023

Prior to each Board meeting, an agenda is sent out to the Board members along with in-depth information on the business at hand. Eleven (ten) meetings were held during the 2023 fiscal year, of which four (February, April, July and October) were held in connection with the publication of the company's quarterly reports. One meeting in March was held to adopt the 2022 Year-end/Annual Report and the annual statutory Board meeting was held immediately after the AGM in May. The Board's annual trip for 2023 was to the Mobile Thermal Solutions operations in Toronto, with all three sites being visited. The business plan for 2024 was adopted at the December meeting. Other meetings dealt especially with questions concerning the operation, investments and updates on the economic situation owing to events in the business environment.

Role of the Chairman

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

The Chairman monitors the company's operations via continuous contacts with the President and is responsible for ensuring that other Board members receive relevant information and documents. The Chairman also ensures that an annual evaluation is conducted of the work of the Board and the President, and that the results of this evaluation are communicated to the Nomination Committee.

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

Board committees

The Board of Directors appointed both an Audit Committee and a Compensation Committee for the period up until the 2024 AGM.

5 Audit Committee

At the statutory Board meeting in May 2023, the Board of Directors appointed an Audit Committee consisting of Johnny Alvarsson and Anna Stålenbring, with Anna Stålenbring as Chairman. In 2023, the Audit Committee held three meetings of record, one before and two after the statutory Board meeting.

The Audit Committee has a supervisory role with regard to the company's system for internal control and risk management of the financial reporting and sustainability reporting. The Committee's Chairman maintains ongoing contact with the company's auditors in order to ensure that the company's internal and external accounting meets the requirements imposed on a listed company and to discuss the scope and content of the audit work.

The Committee had consultations with and received reports from the company's external auditors on three occasions in 2023. The auditors' reports have not occasioned any special measure on the part of the Audit Committee.

6 Compensation Committee

At the statutory Board meeting in May 2023, the Board of Directors appointed a Compensation Committee consisting of Johnny Alvarsson (chairman) and Mats R. Karlsson. The Committee had two meetings during 2023 where it discussed remuneration and other terms of employment for the President and senior executives in the Group. The President was co-opted, but did not participate in the discussion when remuneration to the President was addressed.

The principle applied within the Group is that the manager's supervisor should approve decisions in compensation matters. A presentation was made at the AGM of the Board's proposal for guidelines for remuneration to the President and other senior executives. The AGM adopted the guidelines in accordance with the Board's proposal. Information on the Board's proposal to the 2024 AGM for guidelines for remuneration to the President and senior executives is provided on pages 96–99.

Information on remuneration in 2023 is provided in Notes 6 and 7 on pages 68–70.

Board of Directors





Members	Johnny Alvarsson	Anders Birgersson	Anders Erkén	Louise Nicolin	Peter Augustsson
Position on the Board	Chairman	Board member	Board member	Board member	Board member
Committee work	Compensation Committee/Audit Committee				
Current position	Chairman of Manava konsult AB since 2017.	Board activities and senior adviser	President and CEO, VBG Group	President and owner of Nicolin Consulting AB since 2011.	Chairman of Peter Augustsson Development AB since 2005.
Education	MSc. Eng., Industrial Economics, Institute of Technology at Linköping University.	MSc. Eng., Mechanical Engineering, Chalmers University of Technology. Business economics, University of Skövde.	MSc. Eng., Mechanical Engineering, Luleå University of Technology.	M.Sc. Eng., Molecular Biotechnology, Uppsala University. Executive MBA, Stockholm School of Business. International Directors Program (IDP-C), INSEAD, Fontainebleau.	MSc. Eng., Mechanical Engineering, Chalmers University of Technology.
Elected	2004	2001	2023	2014	2011
Born	1950	1958	1964	1973	1955
Other Board assignments	Chairman of FM Mattsson Mora Group AB and Llentab AB. Board member of Beijer Alma AB, Instalco Intressenter AB, Sdiptech AB, Conveniunt AB and Rotundagruppen.	Deputy Chairman of Sparbanken Lidköping AB, Board member of Orbit One AB, the Herman Krefting Foundation for Allergy and Asthma Research, Stiftelsen Gabriel and Stiftelsen Korsvägen.	—	Chairman of the Board of Sensum AB. Board member of Volati AB, Enzymatica AB, Seafire AB, Optinova Group Ab (Finland) and Atteviks Bil AB.	Chairman of the Board of AXsensor AB and PA-Development. Board member of Walleniusrederierna AB and Kemphanen Invest AB.
Work experience	President and CEO of Indutrade AB, 2004–2017. President of the listed companies Elektronikgruppen BK AB 2000–2004 and Zeteco AB 1988–2000. Chief Engineer at Ericsson Telecom 1975–1987.	President and CEO of VBG Group AB, 2001–2022. Previously actively in various positions within several international engineering groups: ESAB, 1997–2001; SKF, 1989–1997; ABB, 1979–1988.	Branch Manager, Imaje AB 2004–2007. Production and logistics in ESAB AB, 1990–2003.	Consultant in corporate governance, business development and quality assurance. Marketing Manager and Business Area Head at Plantvision 2007–2011. Contractor and consultant in medtech and the pharmaceuticals industry, 1998–.	Has worked in the automotive and component industry since 1978. Saab Automobile AB 1998–2005. SKF AB 1994–1998. Volvo Personvagnar AB 1978–1994.
Remuneration[1], SEK	765,000	285,000	—	285,000	285,000
Attendance at Board meetings	11 (11)	11 (11)	7 (11) elected at 2023 AGM	10 (11)	10 (11)
Attendance, Audit Committee	3 (3)				
Attendance, Compensation Committee	2 (2)				
Own shareholding and shareholding of related parties	1,000	1,017	8,867	—	1,100
Independent of the company	Yes	No	No	Yes	Yes
Independent of major shareholders	No	No	No	Yes	Yes

[1] Remuneration approved at the 2023 AGM, including remuneration allocated by the Board from the respective committees.

BOARD OF DIRECTORS CONT'D.




Members	Anna Stålenbring	Mats R. Karlsson	Cecilia Pettersson	Alexander Andersson
Position on the Board	Board member	Board member	Employee-elected Board member and employee representative, white-collar employees	Employee-elected Board member and employee representative, blue-collar employees
Committee work	Audit Committee	Compensation Committee		
Current position	Consultant and owner of A Advisory AB since 2015.	Chairman of Mats R. Karlsson & Partners AB since 2017.	Employee in the purchasing and logistics division of VBG Truck Equipment. Employed since 1998.	Property technician at VBG Truck Equipment. Employed since 2019.
Education	Bachelor's in Business Administration, Växjö University. Advanced Management Program (AMP), INSEAD, Fontainebleau.	MSc. Eng., Industrial Economics, Institute of Technology at Linköping University.	Three-year economics program.	Upper secondary welding education, Uddevallas praktiska.
Elected	2020	2018	2011	2022
Born	1961	1958	1968	1993
Other Board assignments	Board member of Troax Group AB, Lammhults Design Group AB, Engcon AB and Investment AB Chiffonjén.	Chairman of the Board of Askalon AB. Centri-air Holding AB, 3Nine AB. Board member of Fergas Group AB.	—	—
Work experience	Executive positions in the industry, primarily at Itab (1986–1994) and Nefab (1994–2016). Consulting firm, 2016–present.	President and CEO of Axel Johnson International, 2008–2016. President of AxFlow, 2004–2008. Business Area President of Munters Humicool Europe, 1998–2004. Business Area Manager, Primus-Sievert, 1993–1998. Head of Business Development at Sanitec (1990–1993) and Atlas Copco (1985–1990).	—	—
Remuneration[1], SEK	375,000	310,000	—	—
Attendance at Board meetings	10 (11)	10 (10)	8 (11)	11 (11)
Attendance, Audit Committee	3 (3)			
Attendance, Compensation Committee		2 (2)		
Own shareholding and shareholding of related parties	2,000	—	—	600
Independent of the company	Yes	Yes	—	—
Independent of major shareholders	Yes	Yes	—	—

[1] Remuneration approved at the 2023 AGM, including remuneration allocated by the Board from the respective committees.

Employee-elected deputy Board member

Karin Pantzar

Deputy Board member since 2010.
Employee representative white-collar employees.
Born 1977
Employed since 1998 at VBG Truck Equipment.

Auditor

Andreas Mast

Ernst & Young AB
Auditor in charge.
Born 1979.
Authorized Public Accountant.
Auditor of the company since 2021.

7 Auditors

The auditing firm of Ernst & Young AB was elected by the 2023 AGM as auditor for a period of one year, with authorized public accountant Andreas Mast as auditor in charge.

The audit includes a statutory annual audit of VBG Group AB's annual accounts, a statutory audit of the Parent Company and all significant subsidiaries (where required), an audit of internal report packages, an audit of the year-end closing and a general review of one interim report. Reviews of internal control are included as a part of the work.

In the autumn, a meeting and dialogue is held with Group Management and, where necessary, the Chairman of the Audit Committee for analysis of the organization, operations, business processes and balance sheet items for the purpose of identifying areas involving an elevated risk of errors in the financial reporting. A general review of the year-end closing is performed for the period January–September. Routine and early warning reviews are conducted in September and October. The interim report for the third-quarter accounts is also reviewed in October. Meetings with Group Management and the Audit Committee are held in October, where observations from reviews conducted and material issues ahead of the final accounts are reported. Review and audit of the year-end and annual reports is performed in January–March.

During 2023, in addition to the audit assignment, the VBG Group consulted Ernst & Young AB, primarily on guidance related to acquisitions. The amount of remuneration paid to Ernst & Young AB in 2023 is shown in Note 7 on page 70. Ernst & Young AB is obligated to assess its independence prior to providing independent advice to the VBG Group in addition to its auditing assignments.

Report on internal control

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

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

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

8 Internal control

Control environment

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

The President and the Group's CFO reports the results of their internal control work to the Chairman of the Audit Committee, who subsequently brings relevant issues and observations to the attention of the Audit Committee for possible decision on proposed measures.

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

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

Risk assessment

Risks pertaining to financial reporting are assessed and monitored by Group Management and the extended management team – as well as the Board of Directors – through the Audit Committee, based on assessments made by management through identifying material risks and how they are to be managed and counteracted. The extent to which the risk exists that errors will arise in the financial reporting is assessed based on a range of criteria such as the complexity of the accounting policies, policies for measuring assets and liabilities, complex or changed business conditions, and so on. The risks identified, along with the required mitigating control objectives, are compiled into a framework for internal control pertaining to financial reporting.

Internal control of the financial reporting

Financial statements are prepared monthly and quarterly in the Group, the divisions and their subsidiaries. In conjunction with this reporting, analyses are conducted with comments and updated forecasts aimed at ensuring that the financial reporting is accurate. Accounting functions and business controllers with functional responsibility for accounting, reporting and analysis of financial developments are found in the Parent Company and at division and major unit levels.

The VBG Group's internal control work is aimed at ensuring that the Group fulfils its financial reporting goals. The financial reporting shall:

- be accurate and complete and comply with relevant laws, rules and recommendations
- provide a fair and true description of the company's business
- support a rational and informed valuation of the business.

In addition to fulfilling these three goals, internal financial reporting shall provide support for correct business decisions at all levels in the Group.

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

Control activities
The Group's companies are organized into three divisions. Each division management has a divisional CFO who has a central role for analysis and follow-up of the division's financial reporting and earnings. The Parent Company has a Head of Consolidated Accounts for continuous analysis and follow-up of the Group's, the divisions' and the subsidiaries' financial reporting. The Parent Company's CFO is responsible for optimizing cash management (the Group's handling of cash, cash equivalents and foreign currency), receives weekly reports and communicates with all the companies in the Group. A finance conference is held annually to which key persons from the subsidiaries are invited in order to review important areas such as financial reporting, internal control and cash management. All the companies are linked up to and report to the Group's consolidation system.

Follow-up
The Board of Directors is informed on a monthly basis about the Group's development in terms of sales, earnings and other key events and activities through a report from the President and the CFO. On a quarterly basis, in connection with the interim report, the Board of Directors receives comprehensive information regarding the Group's and divisions' performance, earnings, financial position, cash flow and sustainability activities via a report package comprising outcomes, forecasts and comments.

Internal audit
VBG Group AB has a relatively simple operational structure with three divisions, each consisting of small or medium-sized legal entities with varying platforms for internal control. Compliance with the governance and internal control systems established by the company are regularly monitored by the CFO and the controllers at the division and Parent Company level. In addition, the companies' reporting and economic outcomes are routinely analyzed for the purpose of determining trends.

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

9 Operating activities – President

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

President and CEO
On January 1, 2023, Anders Erkén took office as President. Anders has a background in engineering, has been employed by the VBG Group AB since 2007 and has been active in the engineering industry since 1990 with a focus on logistics, production, senior management at ESAB and Imaje AB, and as a Division Manager for Truck & Trailer Equipment and Executive Vice President of VBG Group.

As President of VBG Group AB, Anders Erkén is also a member of the boards of the Herman Krefting Foundation for Allergy and Asthma Research, the SLK Employees' Foundation and the VBG-SLK Foundation, in keeping with the by-laws of the owner foundations.

The President holds 8,867 shares.

10 Group Management

Group Management comprises three persons from the Parent Company: President and CEO (and Division Manager of Truck & Trailer Equipment) Anders Erkén; Chief Financial Officer Fredrik Jignéus; and Senior Vice President of HR and Corporate Responsibility Christina Holgerson.

Group Management holds regular monthly meetings and deals with such matters as earnings performance and reports prior to and after Board meetings, strategy and business planning, discussions of goals, investments, internal control, policies and review of the market situation, the economic trend and other external factors that affect the business. Furthermore, Group and division-related major projects are discussed and decided on. To pursue development in Group-wide issues, Group Management has delegated responsibility for sustainability to an interdisciplinary group consisting of representatives for various functions in the Group, and in certain cases representatives of business area management as well. The Sustainability Council pursues sustainability issues within the Group. The Chairman of the Sustainability Council is a member of Group Management and is responsible for sustainability issues. The Sustainability Council has a clear mandate and decision-making system, and reports to Group Management. Read more about our sustainability governance on pages 101–102.

Internal governance processes
Governance of the VBG Group is based on the vision, business concept and strategies of the Group and its divisions. Under the Board of Directors, the CEO and the Group Management, responsibility for operational activities has been decentralized to three divisions. Responsibility for the coordination of certain functions such as accounting and finance, HR, IT, legal affairs, communication, intellectual property, and acquisition-related matters rests with the Parent Company.

Over the short term, the Group works on one annual business plan (operations and finance) pertaining to our strategic initiatives of growth, profitability and sustainability per division, which are then monitored monthly and for rolling twelve months. With each four-month report, the divisions and the Group provide an outlook for the remainder of the fiscal year. This provides the Parent Company and the Board with the documentation for any decisions on adjustments or the need for necessary measures. For the longer planning horizon, the business plans also contain bigger activities and financial information for an additional two years, which is important for strategic governance and financial planning by the Group over the slightly longer term.

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

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

Investor relations
The VBG Group's information to shareholders and other stakeholders is provided via the annual report, year-end report, interim reports and press releases as well as via the company's website, www.vbggroup.com/en. In 2023, a number of physical meetings with investors took place, as well as several telephone meetings with investors and analysts. VBG Group took part in the Nordea Annual Small & Mid Cap Days in Stockholm in August, after which Nordea began monitoring the VBG Group share.

Group Management



Management	Anders Erkén	Fredrik Jignéus	Christina Holgerson
Current position	President and CEO	EVP & Group CFO	EVP Corporate Responsibility & Group HR, Group Privacy Officer
Born	1964	1978	1965
Education	MSc. Eng., Mechanical Engineering, Luleå University of Technology.	MSc. Econ., Karlstad University.	Engineering, specializing in mechanical engineering, Nils Ericson Upper-Secondary School. Qualified Human Resources Specialist, FEI. Certified data protection officer.
Employed	2007	2020	1986–1996 and from 2000
Work experience	Branch Manager, Imaje AB 2004–2007. Production and logistics in ESAB AB, 1990–2003.	CFO of the Ernström Group, 2016–2020. CFO of Stampen Media, 2015–2016. Investment Manager/CFO of Stampen Media Partner, 2007–2015. PWC M&A and Corporate Finance consultant, 2004–2007; Audit 2002–2004.	Various positions within the VBG Group, including Design Engineer, Quality Manager Purchasing and Quality and Environmental Manager. Many years of experience from the automotive industry, including in the Brink Group as Quality and Environmental Manager 1996–2000.
Board assignments	—	Secretary of VBG Group AB since 2020.	Deputy Chairman of the Scandinavian Automotive Supplier Association (FKG) since 2019. Board member of FKG since 2012.
Own shareholding and shareholding of related parties	8,867	2,500	—

Vänersborg, date as indicated
by my electronic signature

Johnny Alvarsson
Chairman of the Board

Anders Birgersson
Board member

Peter Augustsson
Board member

Louise Nicolin
Board member

Mats R. Karlsson
Board member

Anna Stålenbring
Board member

Alexander Andersson
Employee representative

Cecilia Pettersson
Employee representative

Anders Erkén
President and CEO

Auditor's report on the corporate governance statement
To the general meeting of the shareholders of VBG Group AB, corporate identity number 556069-0751

Engagement and responsibility
It is the Board of Directors who is responsible for the corporate governance statement for the year 2023 on pages 87-96 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination has been conducted in accordance with FAR's standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Gothenburg, as per day of electronic signature
Ernst & Young AB

Andreas Mast
Authorized Public Accountant

Guidelines for remuneration and other terms of employment for senior executives

Scope and application of the guidelines

The guidelines pertain to remuneration and other terms of employment for the Group Management of VBG Group and other senior executives. The Board's proposal conforms to the remuneration policies of previous years and is based on agreements already signed between the company and the respective executives. The preparation of remuneration issues is managed by the Compensation Committee, which performs the tasks the Committee has under the Swedish Corporate Governance Code.

The guidelines are to be applied to contracted remuneration, and to changes in previously contracted remuneration after adoption by the 2020 AGM.

The guidelines do not cover remuneration resolved by the General Meeting such as Board fees and share-based incentive programs.

How the guidelines promote VBG Group's business strategy, long-term interests and sustainability

Briefly put, VBG Group's business strategy within selected product and market segments entails acquiring, owning and developing industrial companies in business-to-business commerce with strong brands and good growth potential. VBG Group strives to be the number one or number two player in these niches. Based on a long-term commitment and with a focus on sustainable growth and profitability, the VBG Group's shareholders will be offered attractive value growth. The business concept is a tried and tested one, having proved very successful over time.

To successfully implement VBG Group's business and sustainability strategy and safeguard VBG Group's long term interests, it will be necessary for VBG Group to recruit and retain management with strong competence and the capacity to reach the goals it has set. This requires VBG Group's ability to offer competitive remuneration. These guidelines promote VBG Group's business strategy, long-term interests and sustainability by providing the company with the possibility of offering senior executives competitive remuneration.

Forms of remuneration

VBG Group's remuneration system must be on market terms and competitive. Remuneration can be paid in fixed cash salary, variable remuneration, pension and other customary forms. Fixed remuneration shall be individual to each senior executive and based on the executive's areas of responsibility and performance. Variable remuneration is to be limited and based on the financial performance of the Group or respective division compared with established goals. For senior executives, the annual variable portion will depend on position and contract. Variable remuneration can amount to a maximum of between 33% and 50% of the senior executive's fixed annual salary. Pension benefits in general will correspond to pension benefits as provided by law and collective agreement (the ITP plan). It is, however, possible for the executive to opt for other pension arrangements at the same cost to VBG Group. Pension benefits can amount to a maximum of 35% of the senior executive's fixed annual salary. Other benefits could entail a company car, health care and other similar benefits. Other benefits will comprise a smaller share of total remuneration, and can correspond to a maximum of 12% of the senior executive's fixed annual salary. For conditions of employment covered by laws and regulations in a country other than Sweden, reasonable adjustments as far as pension and other benefits can be made to comply with compulsory laws or local practices, whereupon the overall purposes of these guidelines must be satisfied to the greatest extent possible.

Criteria for disbursement of variable remuneration

The criteria forming the basis for disbursement of variable remuneration are to be adopted yearly by the Board for the purpose of ensuring the criteria are in line with VBG Group's current business strategy and earnings targets. The criteria may be individual or shared, financial or otherwise and must be designed in a way that they promote VBG Group's business strategy, sustainability strategy and long-term interests, which means the criteria must be clearly linked to the company's business strategy and objectives.

The financial criteria that form the basis of any variable remuneration must be based on improvements of operating profit before tax (EBT) and operating margin targets (EBITA margin, or alternately EBIT margin).

The non-financial criteria forming the basis of any variable remuneration must be linked to clear and measurable operations-related targets, such as ones that benefit the general financial criteria and operating profit. The targets can also be at the level of specific divisions, and linked to the division's business development, business plan or other significant activities decided on by the Board or Group Management. The criteria can also be linked to the employee themselves, for example personal goals to be fulfilled under a performance plan.

The period forming the basis for assessing whether or not the criteria have been met (the measurement period) must be at least one year. The extent to which the criteria have been met will be determined by the Compensation Committee after the conclusion of the measurement period. The assessment of whether or not criteria have been met must be based on the latest financial information released by VBG Group. The Board of Directors decides on disbursement of variable remuneration in accordance with preparations by the Compensation Committee.

Salaries and conditions of employment for employees

For the purpose of assessing the reasonability of the guidelines, the Board took salaries and conditions of employment for VBG Group's employees into account when preparing these guidelines. In this connection, the Board of Directors has examined information regarding total remuneration to employees, the forms the remuneration consists of, how remuneration levels have changed over time and at what pace.

Period of notice and severance pay

Senior executives are permanently employed. The period of notice from the company is 6–12 months, and from the senior executive 3–6 months. Severance pay in addition to salary during the period of notice may not exceed the senior executive's fixed annual salary. The sum total of fixed salary during the period of notice and severance pay may not exceed an amount corresponding to the senior executive's fixed salary for 24 months. Remuneration may be paid for a non-competition obligation. Such remuneration must compensate for any loss of income, and will only be paid to the extent the former senior executive lacks the right to severance pay. Remuneration can total a maximum of 60% of the senior executive's fixed salary at the time notice is given, if not otherwise stipulated by law, the mandatory provisions of a collective bargaining agreement or established practice. Such remuneration may be paid during the period the non-competition obligation is in force, which may be a maximum of twelve months after the termination of employment. For conditions of employment covered by laws and regulations in a country other than Sweden, reasonable adjustments as far as periods of notice, severance pay and remuneration for non-competition obligations can be made to comply with compulsory laws or local practices, whereupon the overall purposes of these guidelines must be satiswfied to the greatest extent possible.

Decision-making procedure for establishing, reviewing and implementing the guidelines

The Board of Directors has established a Compensation Committee tasked with preparing the Board's decisions on issues of remuneration policy, remuneration and other conditions of employment for senior executives; monitoring and evaluating programs for variable remuneration to senior executives, both ongoing and concluded during the year; and monitoring and evaluating the application of the guidelines for remuneration to senior executives that the General Meeting is to resolve on and regarding remuneration structures and levels in VBG Group.

The Board of Directors will prepare proposals for new guidelines when substantial changes to the guidelines are required, but at least once every four years. The Board of Directors will present the proposal for resolution at the AGM. The guidelines will be in force until new guidelines are adopted by the General Meeting.

For the purpose of avoiding conflicts of interest, senior executives will not be present while the Board of Directors addresses and decides on issues related to remuneration, to the extent such issues concern them.

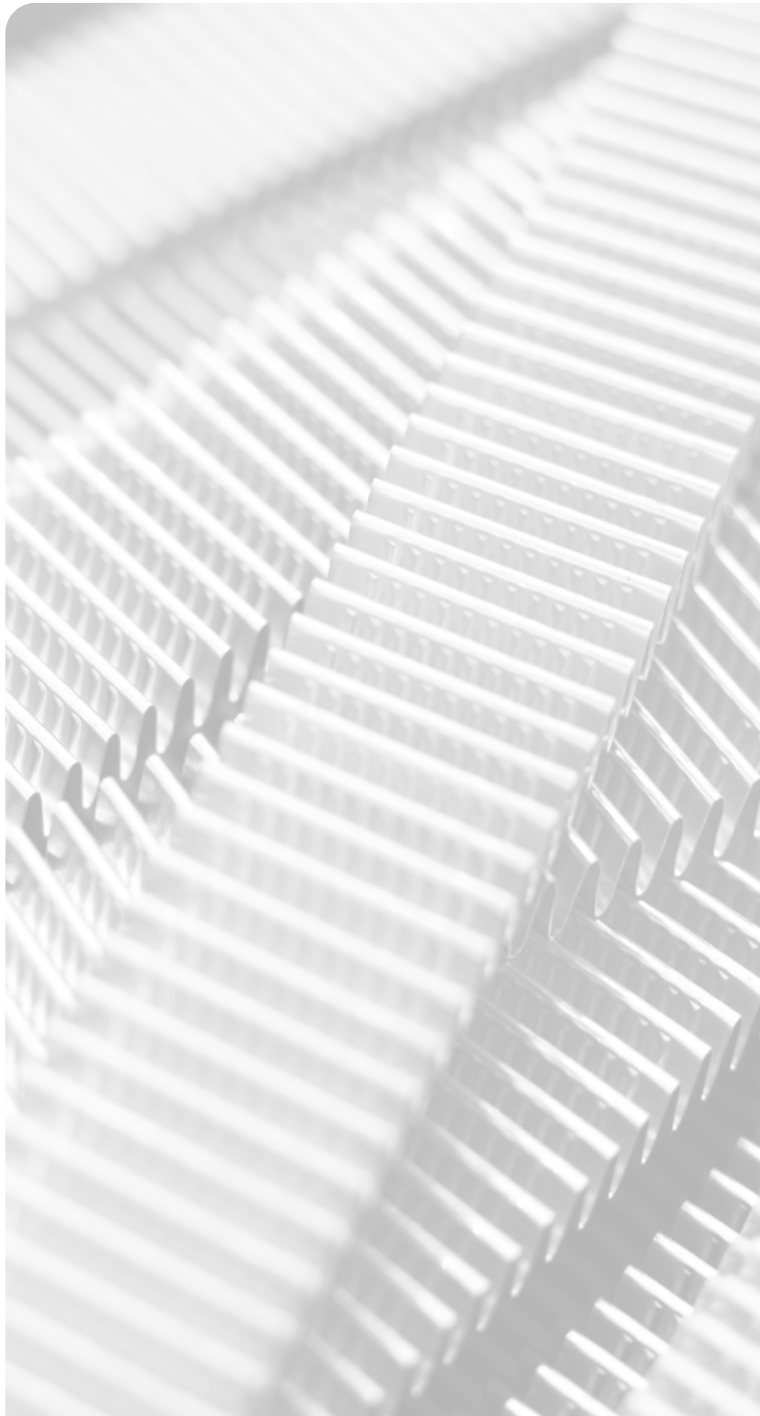
Departure from the guidelines

The Board of Directors may decided to temporarily depart from the guidelines if, in an individual case, there are particular reasons for doing so and a departure is necessary to provide for VBG Group's long-term interests and sustainability, or to ensure VBG Group's financial strength.

Particular reasons may, for example, consist of adeparture being deemed necessary to recruit or maintain key persons, or under extraordinary circumstances such as VBG Group achieving a given desired result in less time than planned, VBG Group signing a given agreement in less time and under better conditions that anticipated, or VBG Group increasing in value or increasing its sales or profits to a greater extent than forecast.

Remuneration report

VBG Group AB (publ)
Remuneration report for fiscal year 2023



Introduction
This remuneration report describes how the guidelines of VBG Group AB (publ) ("VBG Group") for remuneration and other terms of employment for senior executives (the "Guidelines"), adopted by the 2023 Annual General Meeting, were implemented during the year. The report also provides information on remuneration to the President of VBG Group.

This report has been prepared in accordance with the Swedish Companies Act and the Rules on Remuneration of the Board and Executive Management and on Incentive Programmes from the Swedish Corporate Governance Board.

Further information on remuneration to senior executives is provided in Note 6 on pages 68–69 of VBG Group's Annual Report for 2023. Information on the activities of the Compensation Committee in 2023 is provided in the Corporate Governance Report on page 90 of the Annual Report for 2023. Information in accordance with Chapter 5, Sections 40–44 of the Swedish Annual Accounts Act is provided in Note 6 on pages 68–69 of the Annual Report for 2023. Information on VBG Group's earnings and performance in 2023 is provided on pages 53–62 of the Annual Report for 2023.

Remuneration to the Board of Directors is not covered by this remuneration report. This remuneration is determined by the Annual General Meeting, and information on remuneration to the Board of Directors is provided in Note 6 on pages 68–69 of the Annual Report for 2023.

VBG Group's application of the guidelines
One prerequisite for successfully implementing VBG Group's business and sustainability strategy is recruiting and retaining management with strong competence and the capacity for achieving the goals that have been set. It is therefore necessary for VBG Group to offer senior executives competitive remuneration. These guidelines promote VBG Group's business strategy, long-term interests and sustainability by providing the company with the possibility of offering senior executives competitive remuneration.

Under the guidelines, VBG Group's remuneration system must be on market terms and competitive. Remuneration can be paid in fixed cash salary, variable remuneration, pension and other customary forms. The criteria forming the basis for disbursement of variable remuneration are to be adopted yearly by the Board for the purpose of ensuring the criteria are in line with VBG Group's current business strategy and earnings targets. The criteria may be individual or shared, financial or otherwise and must be designed in a way that they promote VBG Group's business strategy, sustainability strategy and long-term interests, which means the criteria must be clearly linked to the company's business strategy and objectives. The guidelines are provided on page 96 of the Annual Report for 2023.

Total remuneration to the President in 2023 has complied with the guidelines. No departures from the guidelines have taken place, and no departures have been made from the decision-making process that is to be applied under the guidelines for establishing remuneration. The auditor's account of whether VBG Group has complied with the guidelines is provided on the company's web site, www.vbggroup.com/en

Remuneration to VBG Group's President
The table on the following page shows remuneration to VBG Group's President in 2023. The President of VBG Group did not receive remuneration in the form of shares in 2023.

During the fiscal year reported, the President's performance fully met the criteria set, and the remuneration outcome for variable remuneration totaled SEK 1,578 thousand, of which SEK 279 thousand is associated with the condition of acquiring shares in VBG Group.

Application of the criteria for disbursement of variable remuneration
The criteria for disbursement of variable remuneration are designed to promote VBG Group's business strategy, sustainability strategy and long-term interests and are thus clearly linked to the company's business strategy and objectives.

The table on the following page shows VBG Group's application of the criteria for disbursement of variable remuneration in 2023.

Remuneration to senior executives and the company's performance, etc.
The table on the following page presents an overview of remuneration to VBG Group's President, of VBG Group's performance and the average remuneration in full-time equivalents for the other employees of VBG Group.

Remuneration to VBG Group's President in 2023

SEK '000 Name and position	Fixed cash salary	Variable remuneration	Pension benefits	Other benefits	Total remuneration in 2023	Proportion of fixed remuneration	Proportion of variable remuneration
Anders Erkén, President	3,651	2,179[1]	1,294	106	7,230	70%	30%

[1] Variable remuneration may not exceed 50% of the basic salary, but can exceed the limit for individual periods owing to capitalization.

Application of the criteria for disbursement of variable remuneration in 2023

SEK '000 Name and position	Criteria	Relative weight of criteria	a) Criterion assessed b) Maximum remuneration c) Remuneration disbursed	
Anders Erkén, President	Part a/b/c: Based on EBITA margin excluding preliminary costs for incentive plans for the current year for the Truck & Trailer Equipment and Ringfeder Power Transmission divisions.	76%	a) b) c)	18.7% 1,086 1,086
	Part b: Based on the EBIT margin, excluding preliminary costs for incentive programs for the current year for VBG Group.	24%	a) b) c)	487,796 343 213

In addition, the President has received variable remuneration of SEK 279 thousand associated with the condition of acquiring shares in VBG Group AB (publ).

Remuneration to senior executives and the company's performance, etc.

SEK '000 Position	2023	2022	2021	2020
Total remuneration to President	7,230	7,561	8,014	6,400
Total remuneration to Executive Vice President[1]	—	5,640	5,006	4,693
VBG Group's earnings	568,596	368,273	337,109	226,719
Average remuneration in full-time equivalents for VBG Group's other employees	543	507	454	433

2023 is the fourth reference year. Coming years will be added to the table above so that the annual change for the last five years will be indicated.

[1] All remuneration to former Executive Vice President Anders Erkén was paid out from VBG Group Truck Equipment AB from 2020 to 2022.

In-depth sustainability

Framework for sustainability reporting

Sustainability issues hold a central position in VBG Group. VBG Group's sustainability agenda is integral to the company's overall business strategy, which is reported on pages 12–19. Our Group-wide value chain is presented on page 11.

Sustainability risks, and how they are managed, are integrated into our overall business risks on pages 31–35.

We present our sustainability agenda and our goals in three areas: Environment, Social and Governance. Current goals are based on our stakeholder and materiality dialogues, and are set for 2023 to 2030. Sustainability governance, double materiality assessment and the EU Taxonomy are presented on pages 100–109.

The report has been prepared in accordance with the Swedish Annual Accounts Act and is available in both Swedish and English. The Sustainability Report for 2023 was published on March 28, 2024 as part of the Annual Report. For questions or feedback relating to the Sustainability Report, please contact Christina Holgerson, Executive Vice President Corporate Responsibility & Group HR.

Sustainability governance

Joint governance of sustainability

The Group's sustainability activities are governed in a joint structure with decentralized activities. All divisions work toward both the Group's overall goals and division-specific goals that have been broken down based on unique material issues.

VBG Group's sustainability agenda is integral to the company's overall business strategy. VBG Group's overall sustainability governance concerns how we manage social and environmental issues, risks, and opportunities, as well as how we act to minimize our negative impact.

VBG Group's Board of Directors is responsible for the Group working with a realistic agenda for sustainable development. Group Management bears the overall responsibility for issues related to sustainability.

The efforts to bring the Group's strategic goals to measurable activities are carried out by the Sustainability Council, which proposes sustainability goals and target levels for the Group. They also synchronize the sustainability agenda among the divisions, and ensure that there are action plans in place.

The sustainability initiatives are measured and monitored in three areas: Environment, Social and Governance.

The Sustainability Council, led by the Head of Sustainability for the Group, holds regular meetings where the sustainability initiatives are discussed based on the planned strategy, targets, and activities. In addition to the Head of Sustainability, the Sustainability Council consists of representatives from each division and the Group's sustainability analysts, as well as the Group's Chief Communications Officer.

The Head of Sustainability is part of Group Management, and reports regularly on the sustainability initiatives both to Group Management and further on to the Board of Directors.

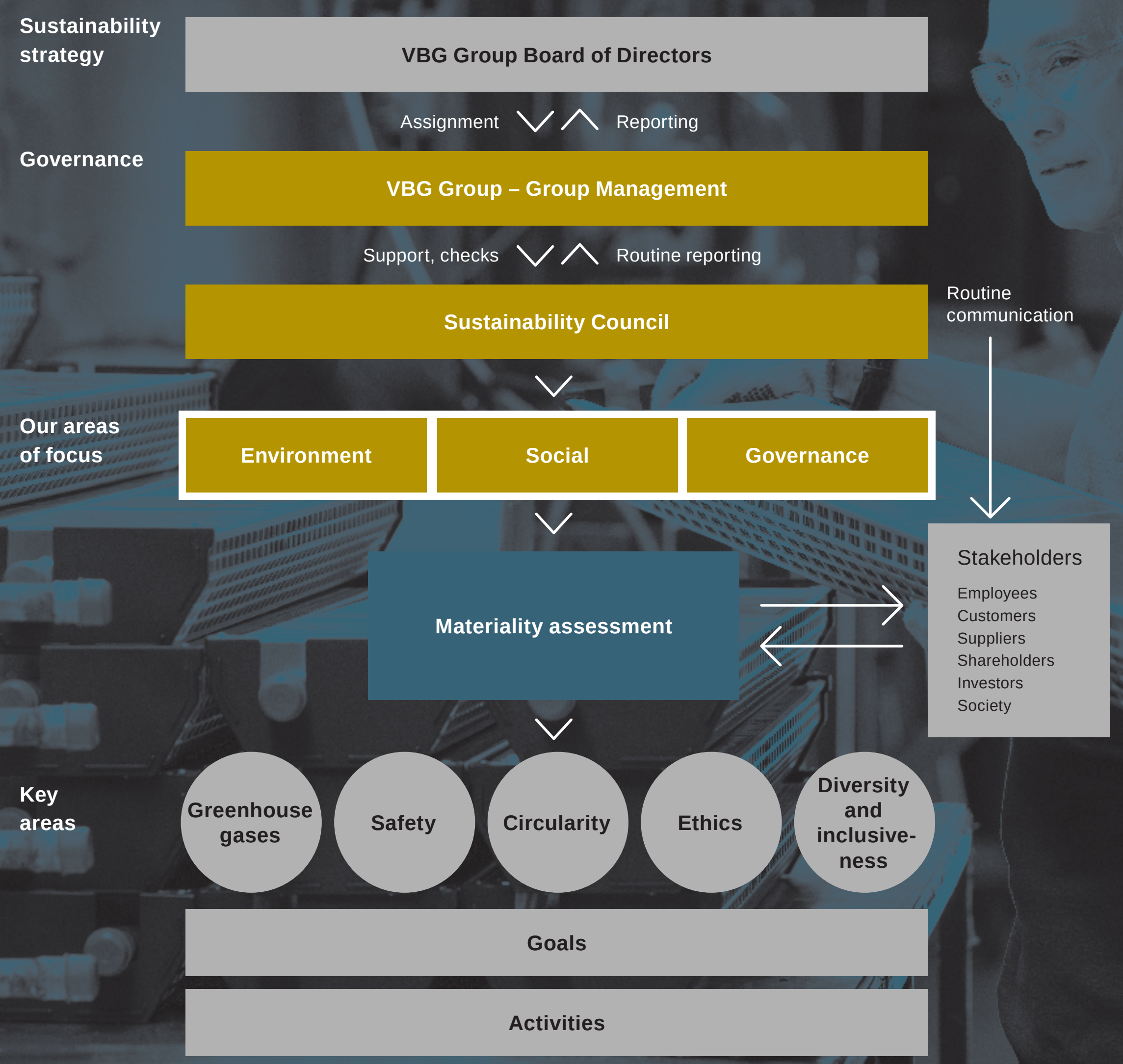
Each division is responsible for carrying out established activities and reporting the sustainability data.

The divisions' efforts and data are reported on a quarterly basis directly to Group Management through the Division Managers, who together with the division's heads of sustainability are responsible for the division's results.

The sustainability goals and activities are set based on a materiality assessment.

Sustainability governance

The model below describes how sustainability initiatives are governed in VBG Group.



VBG Group has been a signatory to the UN Global Compact since 2022, undertaking to work actively on sustainability issues and to submit annual progress reports on our efforts to the UN. We are working to promote the UN's 17 Sustainable Development Goals, and our sustainability goals – which were adopted in 2022 – are clearly linked to the targets where we have the greatest impact.

We chosen to report and structure our Environmental, Social and Governance (ESG) activities with our higher purpose of creating a safer society. As a basis for these efforts, we have our global policies, our Code of Conduct and our values – the Keystones.

VBG Group has a decentralized business model with three divisions that are fully responsible for their own results. Our strategic governance model is presented on pages 12–13. There are also a number of governance documents unique to the divisions where the operations separate off from one another.

Control environment

The control environment in VBG Group is the foundation for internal control. VBG Group AB's control environment consists of organizational structure, policies and guidelines, reporting, defined areas of responsibility and instructions. Policies are adopted by the Board of Directors and are applicable to all companies and employees.

The company's governing documents in the form of policies, guidelines and instructions are routinely updated and communicated to all companies.

The Group's most extensive global policy is our Code of Conduct, which describes how we act toward our stakeholders, our employees and society. In addition to our Code of Conduct, we also have a number of Group-wide policies for governing social issues and compliance. The Group's joint policies linked to sustainability are listed in the adjacent panel.

Code of Conduct

The Group's Code of Conduct contains the following chapters:

1. Respect and human rights
2. Compliance with environmental requirements
3. Sound business and regulatory compliance
4. Personal interests versus business interests
5. Protect company information and assets
6. Transparent, responsible communication

The chapter on the environment includes writings on the precautionary principle, resource efficiency, environmental performance, safe handling of hazardous material and emissions and waste management. In addition to the chapter on the environment in the Code of Conduct, there are local environmental policies for the divisions that govern environmental issues under Environment.

Development of policies

The Board of Directors and Group Management continually review and decide on policies that VBG Group should institute at a global level. In conjunction with a decision on instituting a new policy, the heads of function for the respective areas of responsibility are tasked with designing the policy.

New global policies are established by the company's Board of Directors and Group Management. Having a properly functioning decentralized organization with responsibilities and authorizations that are clearly defined, communicated and documents is a material component of VBG Group's control environment. Key components in addition to this are management's approach and policies, and the company's general governing documents.

At the overall Group level, the President and CEO, along with the CFO and Group Management, are responsible for ensuring that the necessary procedures and checks are in place.

POLICIES LINKED TO SUSTAINABILITY

- **Code of Conduct**
- **Global policy against all forms of discrimination**
- **Global policy – equality among various gender identities and gender expressions**
- **Global policy against harassment**
- **Global integrity policy**
- **Global travel policy**
- **Global information security policy**
- **Whistleblower directive**

The Code of Conduct, which takes its starting point in the UN's Responsible Business Initiative, establishes how we relate to one another internally, within the Group, and to our external partners. The Code of Conduct is a fundamental document for both employees and partners. The document was reworked in 2022. The more extensive Code of Conduct was rolled out in 2023 both internally to all employees as well as to customers and partners.

Materiality assessment

Sustainable industrial development

VBG Group's sustainability agenda is based on the Group's materiality assessment and stakeholder dialogue. Sustainability goals have been established according to where, as a Group, we have an impact and what our stakeholders deem most important.

The Group's sustainability strategy is based on the four reporting policies for content: stakeholder involvement, sustainability context, materiality and completeness.

Materiality assessment as a basis

In 2023, the Group began working to prepare for forthcoming directives in sustainability. To fulfill the requirements that have been set through the CRSD, a double materiality assessment has been initiated. In 2024 we will continue these efforts, calibrating our results, conducting a gap analysis and instituting new sustainability goals based on the results. In 2023 we also prepared our systems and procedures for expanded measurements of sustainability data.

Current goals are based on the materiality assessment that was conducted in 2021. In this assessment, each division prepared its own materiality assessment based on their respective conditions, value chains and stakeholder groups. On the basis of these analyses, VBG Group consolidated the results at the Group level.

Our value chain

The materiality assessment that was conducted in 2021 consisted of an analysis of our value chains. Each division defined their respective value chains, from original material to management of end-of-life products, and identified the areas where they had the greatest impact on sustainability from an economic, social and environmental perspective.

In their value chain analyses, all three divisions chose to limit their analysis in the purchasing phase to transportation and direct suppliers. Working with the value chains provided important insights and highlighted several areas where we needed to expand our knowledge, gather data and increase outside involvement, especially through collaboration with customers, suppliers and partners. Refer to the description of the Group's overall value chain on page 11.

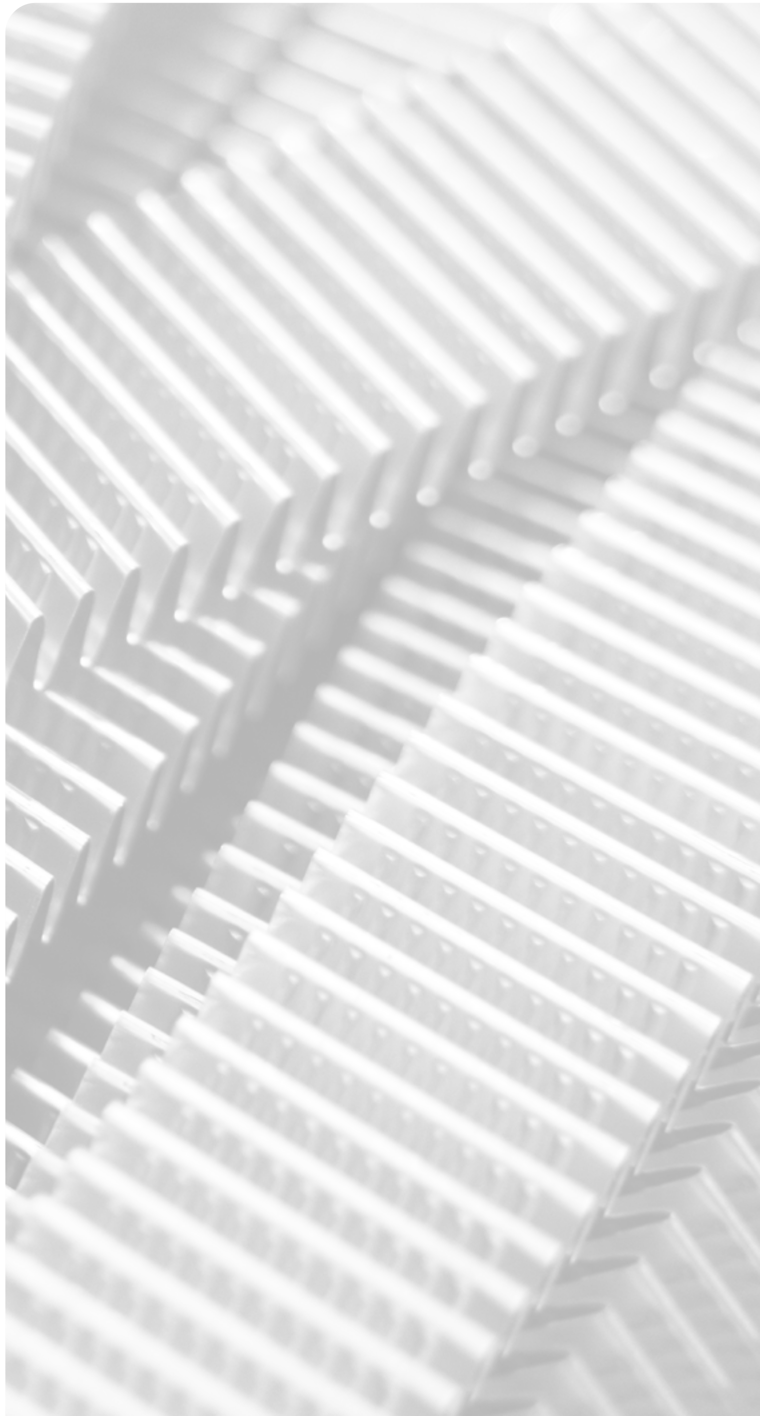
Stakeholder involvement

Listening to and trying to comply with our stakeholders' expectations is important to us. Through continual dialogue with our stakeholders, we get an idea of their expectations of us. Our main stakeholders are employees, potential employees, the Board of Directors, owner foundations, shareholders, suppliers, customers and other partners. Additional key aspects are conducting dialogue with the local communities where we operate, and understanding our environmental impact on a higher level.

In 2021, we held structured dialogues with selected stakeholders in order to specifically discuss sustainability issues. The divisions selected and interviewed their key customers and suppliers. The Parent Company held dialogues with the Board of Directors, major investors and the owner foundations. All employees were given the opportunity to respond to a questionnaire, with the response rate being just over 41%.

The dialogues were built on the foundation of the areas that emerged in the work with the value chain combined with trendspotting in the industry and the areas where we wanted to obtain a better understanding from a strategic perspective.

The questions were tailored to the respective stakeholder groups. In general, we wanted to bring out our stakeholders' expectations of us and how they assessed our current performance. As regards our suppliers, we were also interested in how they worked on various sustainability issues in order to secure their focus. The employee questionnaire also investigated how important various sustainability issues were to them.



Key areas for VBG Group

In 2021, each division produced its own materiality matrix based on their analyses of their value chains and dialogues with their stakeholders. The Group subsequently assembled a consolidated matrix that included all stakeholders and defined the Group's overall areas of focus. The matrices show VBG Group's perspectives on the horizontal axis and stakeholder priorities on the vertical axis.

The areas deemed to be the most material are greenhouse gas emissions and safety. The dialogues with our stakeholders showed significant interest in creative partnerships with both customers and suppliers, while employees are deeply committed and have many valuable suggestions and ideas as regards sustainability.

Based on the materiality assessment conducted in 2021, new sustainability goals were set for the Group for 2023 and onward. Our sustainability goals are presented on pages 20–27.

Greenhouse gas emissions

As an industrial company, continuing the development of our operations without exceeding the planet's limits is important. Reducing our climate impact and reducing our share of greenhouse gas emissions is the top priority. Attaining the Paris Agreement requires all players to take action throughout the value chain.

New targets for the Group as of 2023 are that VBG Group will reduce greenhouse gas emissions (Scope 1 and 2) by more than 50% by 2030, with 2022 as the baseline.

Data on greenhouse gas emissions is collected in accordance with the GHG Protocol on a quarterly basis in a Group-wide system for sustainability data. The Head of Sustainability in the Group is responsible for consolidation and follow-up.

The review of the value chains that was conducted in 2021 shows that our greatest impact occurs both up- and downstream in the value chains (Scope 3). We know that transportation and production of input raw materials constitute a large part of our footprint. In 2023, we worked with two focus groups to survey and analyze the greenhouse gas footprint of transportation and input raw materials, and began collecting data in order to produce quality-assured measurements.

Safety

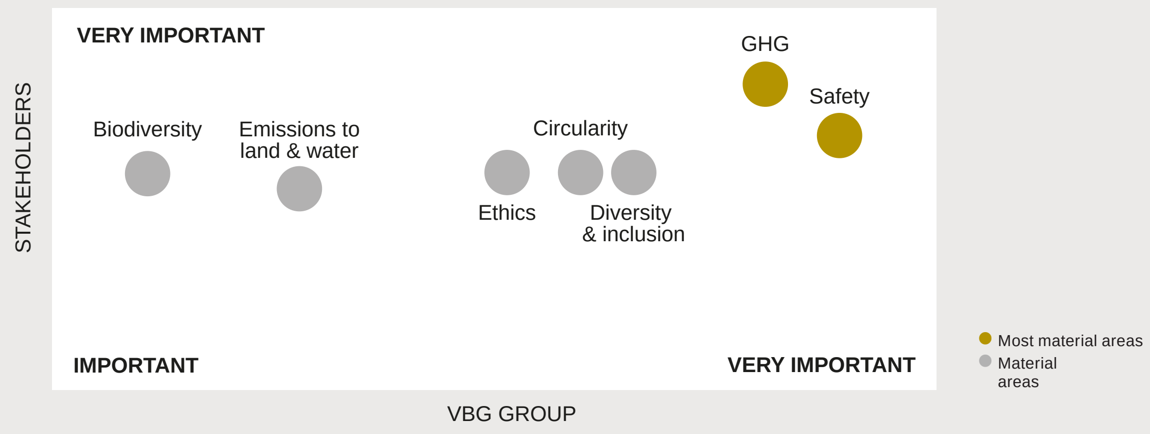
VBG Group was founded to create a safer society, and this remains our guiding principle. With the use of leading industrial solutions, we promote increased safety for people, goods and infrastructure. Our customers and partners should feel safe when they handle our products, and in society our products – such as tire chains, underrun protection, warning systems, filters for climate control systems and earthquake protection – can make society a safer place for all its citizens.

We have a sharp focus on ensuring a safe and comfortable workplace for both our employees and for everyone working for us or visiting us. We have a zero tolerance vision for workplace accidents, and take incidents very seriously. In the event of shortcomings, a systematic analysis is conducted to identify the primary causes and to take action.

Our IT security efforts are high priority, and are part of our objective of building a safer society. We invest continually in improvements to our cyberdefense through technology, working methods and training to both increase awareness and reduce risk.

The purpose of our products is to create a safer society, and we are working to improve how we measure and survey that our products are not involved in any incidents that cause personal injuries.

MATERIAL AREAS



VBG Group promotes reduced greenhouse gas emissions

- Target 7.2 Increase global percentage of renewable energy.
  Target 7.3 Double the improvement in energy efficiency.
- Target 9.4 Upgrade all industries and infrastructures for sustainability.
- Target 11.2 Affordable and sustainable transport systems.
- Target 13.3 Build knowledge and capacity to meet climate change.

VBG Group promotes a safer society

- Target 3.6 Halve the number of global deaths and injuries from road traffic accidents.
- Target 8.8 Protect labour rights and promote safe and secure working environments for all workers.
- Target 11.2 Affordable and sustainable transport systems.
  Target 11.5 Reduce the adverse effects of natural disasters.

EU Taxonomy

Introduction to the EU Taxonomy

The EU Taxonomy Regulation is a key component of the European Commission's plan of action for financing the transition to a sustainable economy. This constitutes an important step in achieving climate neutrality by 2050 in accordance with the EU's climate targets, since the taxonomy is a classification system for environmentally sustainable operations.

In this section, we report on the proportion of the Group's sales (turnover), capital expenditure (CapEx) and operating expenditure (OpEx) for the 2023 reporting period that are linked to the Taxonomy-aligned economic activities. During the year, we analyzed the forthcoming goals and economic activities for the year, and deemed that these were not applicable to our operations. The table below shows the total impact on turnover, CapEx and OpEx for the Group.

Our economic activities

We have come to the conclusion that our operations do not fall under any of the economic activities that are described in the annexes to environmental objectives 1–6. Since our operations are not covered, the proportion of total turnover of our taxonomy-eligible economic activities is 0% and the related eligible CapEx and OpEx is thus also 0%.

Moreover, the CapEx and OpEx that are reported could also include those that are related to purchases of products manufactured from economic activities that are aligned with the requirements of the Taxonomy, and certain individual measures that make it possible for other operations to become carbon-efficient or lead to reduced greenhouse gases. In 2023, VBG Group conducted a review of whether there could be additional CapEx or OpEx related to purchases from suppliers whose operations are described in the Taxonomy, or individual investments that were described in the Taxonomy. Individual investments are primarily attributable to enhancing the energy efficiency of buildings. VBG Group reviewed its total CapEx and OpEx for the year, and can state that out of total investments for the year (CapEx) there are purchases from suppliers that are attributable to leases of cars (CCM 6.5) and leases of premises (CCM 7.7), investments in energy-efficient maintenance of buildings (CCM 7.3) linked to ventilation, roof maintenance and outer doors as well as investments in of charging stations for electric vehicles (CCM 7.4) and solar panels (CCM 7.6) that will be added in 2023 as eligible CapEx. There is no eligible OpEx for the year. Refer further to eligible CapEx below. For further information linked to assessments, refer to the paragraph on eligible CapEx below.

Total turnover, CapEx and OpEx

Total turnover is based on our consolidated net sales as described on page 54 in our Annual Report for 2023.

Total CapEx consists of the acquisition (both individual and via business combinations) of property, plant and equipment, intangible assets excluding goodwill, and right-of-use assets during the fiscal year, which are found in Notes 14–16 under Purchases and Companies acquired.

Total OpEx consists of direct uncapitalized investments related to research and development, building renovation measures, short-term leases, maintenance and repairs, and other direct expenses related to the daily maintenance of property, plant and equipment.

Eligible CapEx

CapEx included in the numerator comprises primarily future leases pertaining to economic activities attributable to transport by motorbikes, passenger cars, and light commercial vehicles (CCM 6.5) and acquisition and ownership of buildings (CCM 7.7). We have assessed both of these categories as purchases from suppliers whose economic activities are Taxonomy-eligible. Future right-of-use assets in the form of leased premises (CCM 7.7) comprise an extension of existing leases that do not meet the criteria for being Taxonomy-aligned. Right-of-use assets in the form of leased passenger cars (CCM 6.5) occur via several suppliers, and we have been unable to assess whether these suppliers meet the criteria for being Taxonomy-aligned. In addition to lease commitments, CapEx included in the numerator comprises capitalized investments related to energy efficiency equipment for building maintenance (CCM 7.3), investments in installation of charging stations for electric vehicles (CCM 7.4) and solar panels (CCM 7.6). Purchases from suppliers can only be Taxonomy-aligned if it can be verified that the respective suppliers have carried out a Taxonomy-aligned activity. Assessment of whether an activity is Taxonomy-aligned also includes assessments of criteria for doing no significant harm (DNSH) to the other environmental objectives, and criteria for minimum safeguards. We can therefore not carry out this assessment ourselves. In 2023, it was not possible to obtain this information from our suppliers, which is why none of the forthcoming investments linked to CCM 6.5 and CCM 7.7 have been deemed Taxonomy-aligned for 2023. Nor have individual investments in 2023 been deemed to meet all criteria for alignment, and we are working on developing procedures for this.

2023 in SEK M	Total	Proportion of Taxonomy-eligible but not Taxonomy-aligned activities	Proportion of Taxonomy-aligned activities	Proportion of activities that are not Taxonomy-eligible
Turnover	5,754.1 (4,587.5)	— (—)	— (—)	100% (100%)
Capex	317.4 (435.0)	4.5% (72.9%)	— (—)	95.5% (27.1%)
Opex	127.4 (101.8)	— (—)	— (—)	100% (100%)

EU TAXONOMY, CONT.

PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

Financial year 2023	Year			Substantial contribution						DNSH criteria ("Does Not Significantly Harm")									
Economic activities	Code(s)	Turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular economy	Biodiversity and eco-systems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and eco-systems	Minimum safe-guards	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) turnover, year 2022	Category (Enabling or transi-tional)	Category (transi-tional)
		SEK M	%	Y/N N/EL	Y/N N/EL	Y/N N/EL	Y/N N/EL	Y/N N/EL	Y/N N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustain-able activities (Taxonomy-aligned) (A.1)		—	—																
Of which enabling		—	—																
Of which transitional		—	—																
A.2 Taxonomy-eligible (but not Taxonomy-aligned) activities																			
				EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL										
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		—	—																
Total (A.1 + A.2)		**—**	**—**																
B. TAXONOMY-NON-ELIGIBLE ECONOMIC ACTIVITIES																			
Taxonomy-non-eligible economic activities (B)		5,754.1	100.0																
Total (A + B)		**5,754.1**	**100.0**																

Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective.
Y – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective.
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.

EU TAXONOMY, CONT.

PROPORTION OF CAPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

Financial year 2023	Year			Substantial contribution						DNSH criteria (“Does Not Significantly Harm”)									
Economic activities	Code(s)	Capex	Proportion of capex	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular economy	Biodiversity and eco-systems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and eco-systems	Minimum safe-guards	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) capex, year 2022	Category (Enabling or transi-tional)	Category (transi-tional)
		SEK M	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Capex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		—	—																
Of which enabling		—	—																
Of which transitional		—	—																
A.2 Taxonomy-eligible (but not Taxonomy-aligned) activities																			
				EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL										
Transport by motorbikes, passenger cars, and light commercial vehicles	CCM 6.5	2.9	1.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.6%		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	2.3	0.8%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Construction and property operations: Installation, maintenance and repair of charging stations for electric vehicles in buildings	CCM 7.4	0.5	0.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Purchase of installations for renewable energy	CCM 7.6	1.0	0.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Acquisition and ownership of buildings	CCM 7.7	6.1	2.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								72.3%		
Capex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		12.8	4.5%	4.5%	—	—	—	—	—								72.9%		
Total (A.1 + A.2)		**12.8**	**4.5%**	**4.5%**	—	—	—	—	—								**72.9%**		
B. TAXONOMY-NON-ELIGIBLE ECONOMIC ACTIVITIES																			
Taxonomy-non-eligible economic activities (B)		304.6	100.0																
Total (A + B)		**317.4**	**100.0**																

EU TAXONOMY, CONT.

PROPORTION OF OPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

Financial year 2023	Year			Substantial contribution						DNSH criteria (“Does Not Significantly Harm”)									
Economic activities	Code(s)	Opex	Proportion of opex	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular economy	Biodiversity and eco-systems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and eco-systems	Minimum safe-guards	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) opex, year 2022	Category (Enabling or transi-tional)	Category (transi-tional)
		SEK M	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Opex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		—	—																
Of which enabling		—	—																
Of which transitional		—	—																
A.2 Taxonomy-eligible (but not Taxonomy-aligned) activities																			
				EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL										
Opex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		—	—																
Total (A.1 + A.2)		**—**	**—**																
B. TAXONOMY-NON-ELIGIBLE ECONOMIC ACTIVITIES																			
Taxonomy-non-eligible economic activities (B)		127.4	100.0																
Total (A + B)		**127.4**	**100.0**																

Nuclear and fossil gas related activities

VBG Group does not pursue any nuclear and fossil gas related activities.

Nuclear related activities	YES/NO
The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No
The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No

Fossil gas related activities	
The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No
The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	No
The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	No

Auditor's statement on the statutory sustainability report

To the Annual General Meeting of Shareholders of VBG Group AB (publ), corporate identity number 556069-0751

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability report for the year 2023 on pages 20–27 and 100–109, and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the Corporate Governance Report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally Accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinions

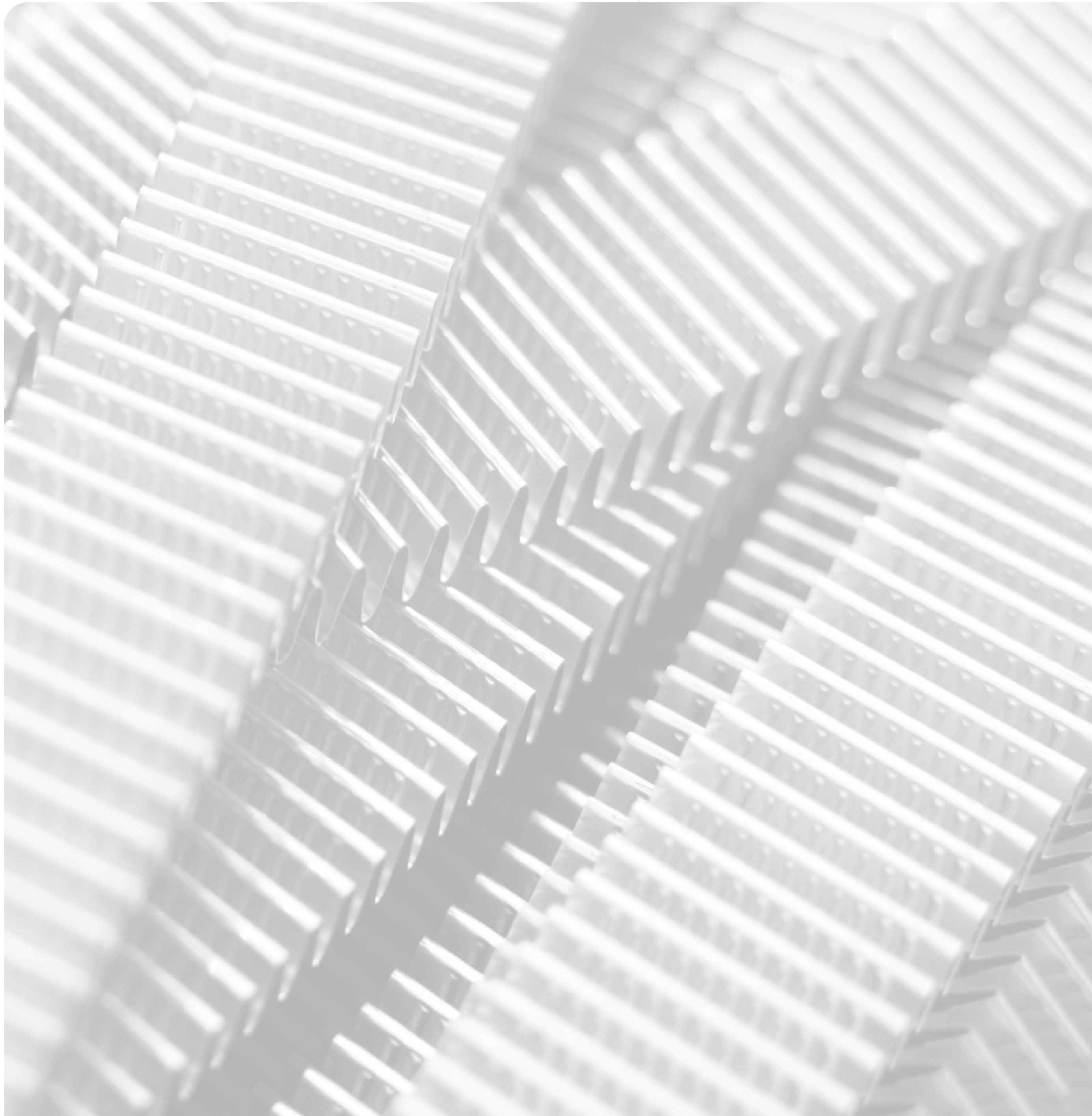
A statutory sustainability report has been prepared.

Gothenburg, March 27, 2024

Ernst & Young AB

Andreas Mast

Authorized Public Accountant



WELCOME TO THE 2024 ANNUAL GENERAL MEETING

The Annual General Meeting of VBG Group AB (publ) will be held at 5:00 p.m. on Thursday, May 2, 2024 in the company's offices at Herman Kreftings Gata 4 in Vänersborg, Sweden.

To facilitate carrying out the General Meeting, the Board has decided – in accordance with the Articles of Association – that the voting rights of shareholders at the AGM can also be exercised through voting in advance (postal voting). Additional information will be provided in the notice to attend the meeting, which will be published on the company's web site (www.vbggroup.com/en/) and in Post- och Inrikes Tidningar.

Registration

Shareholders wishing to attend the meeting must:

- be recorded in the share register prepared by Euroclear Sweden AB pertaining to conditions as of April 23, 2024.
- have registered for the meeting by having submitted their postal vote, which must have arrived at the address indicated in the notice to attend by Wednesday, April 25, 2024 at the latest.
- for physical participation on site, register their participation at the address indicated in the notice to attend by April 25, 2024 at the latest.

Shareholders whose shares are registered to a nominee must have the shares re-registered in their own name by the nominee (voting rights registration) in good time before April 23, 2024. Voting rights registration completed by the nominee by April 25, 2024 at the latest will be taken into account in preparing the share register.

Dividend

The Board of Directors and President propose a dividend of SEK 7.00 per share (5.50), with a record date of May 6, 2024. If the AGM approves this proposal, the dividend is expected to be distributed by Euroclear Sweden AB starting May 10, 2024.

Report dates

April 25	Interim report January–March 2024
July 19	Interim report January–June 2024
October 23	Interim report January–September 2024
February 2025	Year-end report 2024

The VBG Group welcomes inquiries about the Group and its development.
Contact persons are: Anders Erkén, President and CEO, telephone: +46 521 27 77 67, and Fredrik Jignéus, CFO, telephone: +46 521 27 77 53.

More information is available at the company's web site, www.vbggroup.com/en/

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VBG Group is a long-term active owner of successful industrial companies and brands. The Group's three divisions — operating in 15 countries with approximately 2,000 employees — are run on a foundation of industrial expertise, strong brands and financial stability.

VBG GROUP

www.solberg.se/en · Photo: Peter Bartholdsson and others