

Sustainable, reliable
industrial solutions that
promote a safer society

VBG Group Annual Report 2021



Creating a safer society

VBG Group was founded in 1951 to create a safer society, which even today is the strongest driving force in our operations. 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.

AREAS OF OPERATION



People

Every day, our customers transport thousands of people, for example, on the way to and from work or school or running errands. The automatic tire chains and climate control systems we provide let them do so safely in traffic, in a healthy climate.



Goods

Our solutions for trucks, trailers and trains include products such as drawbars, underrun protection and sliding roofs that allow our customers to transport their goods safely, efficiently and sustainably on a daily basis.



Off-road

Our solutions for off-road, forestry and defense vehicles promote a safer work environment for the users of these vehicles. Our climate control systems improve the environment for drivers while promoting new solutions that support electrification of the industry.



Industrial

Our friction springs promote a safe infrastructure in society, in everything from elevators to dampers that protect buildings against natural catastrophes. Additionally, we offer couplings for mechanical power transmission in freight management, the mining industry and energy production as well as the food, packaging and automotive industries.

EARNINGS
PER SHARE
13.48
SEK

OPERATING
PROFIT (EBIT)
456
SEK M

NET SALES
3,611
SEK M

BY DIVISION

VBG Group Truck Equipment, 37%
Mobile Climate Control, 49%
Ringfeder Power Transmission, 14%

BY AREA OF OPERATION

People, 23%
Goods, 39%
Off-road, 24%
Industrial, 14%

BY MARKET

Sweden, 8%
Germany, 15%
Other European countries 17%
North America, 43%
Rest of world 17%

BY CHANNEL

OEM, 60%
Body builders/integrators, 11%
Retailers, 7%
Distributors/importers, 22%

A stable international 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 Climate Control and Ringfeder Power Transmission, with operations in 17 countries and approximately 1,700 employees – are run on a foundation of industrial expertise, strong values and financial stability.

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.

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. Our aftermarket business represents 25% of the Group's sales.

Strong international position and presence

Through its three divisions with the appurtenant distribution network, VBG Group has a strong international position and presence. Our 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. VBG, Onspot, Edscha Trailer Systems, Mobile Climate Control and Ringfeder all have world-leading positions in their respective industrial niches. Since December, the Carlyle Johnson brand has also been part of the Group.

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. Our strong financial position creates conditions for acquisitions and investments, even during periods with low levels of business activity.

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 since the Group was founded is an advantage in our acquisition process as well as in the strategic governance and operational development of our divisions.

OUR BRANDS



Socially beneficial 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.

MOBILE CLIMATE CONTROL



TRUCK & TRAILER EQUIPMENT



RINGFEDER POWER TRANSMISSION



#1

Number one in every niche

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



Roof-mounted climate control systems

Cabin-mounted climate control systems



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.

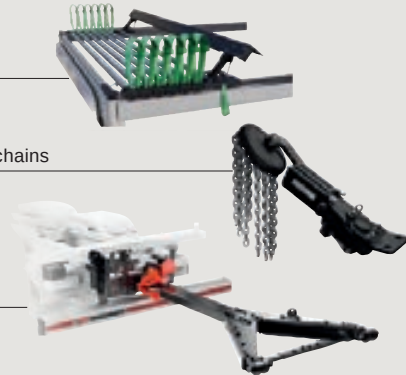
Read more about Mobile Climate Control on page 68.



Sliding roofs for semitrailers

Automatic tire chains

Coupling equipment for heavy trucks and trailers



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 even 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.

Read more about Truck & Trailer Equipment on page 64.



Shaft-hub connections, Shrink discs

Shaft-shaft couplings

Friction springs



Shaft-hub connections, couplings and damping technology.

Shaft-hub connections consist of locking assemblies and shrink discs. Shrink discs can be found in transmissions for industrial use. 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.

Read more about Ringfeder Power Transmission on page 72.

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Remuneration report

Annual General Meeting and addresses

Pages 26–43 in this report 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, 2021.

VBG GROUP AT 70

70 years
1951
2021

VBG GROUP

The Group's founder, Herman Krefting, was an active member of society who was passionate about issues of traffic safety. Through his work in truck sales, he saw that existing drawbar couplings were too weak and jeopardized traffic safety. Herman wanted to make a difference. He decided to design a coupling that was up to the job. Years of hard work, numerous discussions with haulage contractors and drivers, and testing of ideas and materials followed.

On 3 January 1951, Herman registered his company, Vänersborgskopplingen. Operations began in a basement in Vänersborg, with a handful of employees. The 70-year journey from that basement in Vänersborg to a global corporate group has been a tremendous one, but today his goal of creating a safer society by delivering high-quality products is the overall aim of VBG Group.

A record year for the Group

After 2020, a challenging year marked by the pandemic, we experienced robust demand for our products in 2021. VBG Group's net sales for the full year rose to SEK 3,611 M (3,147) and operating profit totaled SEK 456 M (353), with an operating margin of 12.6% (11.2). These are the best consolidated earnings in the 70-year history of VBG Group.



We are a
**sustainable,
profitable
and growth-
oriented
industrial
Group**



Despite the record-high earnings, 2021 was a challenging year. We experienced significant pressure throughout the supply chain, with limitations to logistics and considerable cost inflation. At the end of the year, the fourth wave of the pandemic led to personnel shortages as many fell ill or were quarantined.

I want to thank all the employees of VBG Group for their excellent performance during a tough year. Through creative solutions, strict priorities and a strong customer focus, VBG Group was able to meet the increased demand in a highly satisfactory manner.

Record-high demand

The need for transportation and industrial solutions continued to grow in 2021. Truck & Trailer Equipment posted the highest sales in its history – SEK 1,328 M (1,054) – and Ringfeder Power Transmission's sales increased by 9.5% to SEK 521 M (475). Both divisions were able to compensate for cost increases and reported solid profitability.

2021 IN BRIEF

- Consolidated sales increased by 14.7% to SEK 3,611.2 M (3,147.2).
- Adjusted for exchange rate changes between the years, organic growth was 19.1%.
- Operating profit increased to SEK 456.0 M (353.4).
- The operating margin increased to 12.6% (11.2).
- Profit after financial items increased to SEK 441.4 M (326.5).
- Earnings per share increased to SEK 13.48 (9.07).
- The Board of Directors proposes an increase in the ordinary dividend to SEK 5.00 per share (4.50). This means the proposed total dividend corresponds to 37.1% (49.6) of profit after tax.

For Mobile Climate Control, the off-road segment experienced very strong demand in 2021 while the decrease in the use of buses during the pandemic still has an impact on new sales of and aftermarket services for buses. Sales for 2021 increased, totaling SEK 1,763 M (1,618).

The division is continuing its restructuring efforts in order to improve its profitability. Several measures have begun to yield results, but increased costs for raw materials, shipping and additional personnel to ensure customer deliveries – above all in the fourth quarter of the year – had a negative impact on the margin.

New strategic framework

One positive development during the year was the launch of a new strategy for the Group. A major digital conference was held in September 2021, at which our updated strategic framework (see pages 10–23) was launched globally in the organization. Our success factors are the continued ability to offer our customers products with a high customer value, working with strong brands in selected niches and having a diversified customer base. In our strategy, we make it clear that we are a sustainable, profitable and growth-oriented industrial Group.

Products for the future

Our industry is undergoing a major transformation. A sharpened focus on the climate is accelerating the processes of electrification, automation and digitalization of every branch. VBG Group is well prepared for the change.

In 2021, Truck & Trailer Equipment launched one of the largest product updates to coupling solutions in the company's history. Not only do these new solutions promote increased safety for drivers and passengers, they also contain new digital technology that create the conditions for the future. Mobile Climate Control's solutions have been updated to support the rapidly increasing electrification of city buses and school buses as well as for other segments undergoing transformation. Ringfeder Power Transmission's products play a major role in the increasing automation of the industry.

Sustainability in focus

Sustainability is of course a key issue for a group, like VBG Group, with a long-term perspective. In 2021, we intensified

our sustainability initiatives. We conducted training for managers and key persons and put a new sustainability organization in place. Moreover, we conducted interviews with our most important stakeholders, and analyzed the divisions' value chains to see where we could have the greatest impact. We work on sustainability in three areas: Products & Solutions, Production & Supply chain and People & Society.

Using materiality analyses, we have determined that expanding our efforts to reduce greenhouse gas emissions in our value chains and increasing safety for people in society will be given the highest priority in our operations going forward.

In addition to these areas, our sustainability initiatives include activities in support of the 17 UN Sustainable Development Goals. Our current sustainability targets expire in 2022, and next year we will present the Group's future objectives in sustainability.

The future

Despite numerous challenges, we posted record earnings in 2021. This is proof of our strength for the future.

The completion of two acquisitions in the US in 2021 – a small asset acquisition of the tire chain manufacturer Insta-Chain in August, and the acquisition of Carlyle Johnson Machine in late

December – is gratifying. Undergoing structural growth and using our industry expertise to develop companies is one of the keys to our future. Delivering innovative and sustainable products with high customer value globally is another.

The prevailing geopolitical instability will have an impact on us. I and many others hope we will find calmer times, free of pandemics and conflicts, in the near future. The health and safety of our employees and partners remains our highest priority.

Despite all the uncertainty, I feel certain that as a Group, we are well equipped for the future. VBG Group has a clear strategy. We are working for sustainable, profitable growth and our overall purpose – which we have had for 70 years – of creating a safer society feels more topical than ever.



Anders Birgersson
President and CEO, VBG Group

KEY FIGURES

Group, SEK M	2021	2020	2019	2018	2017
Net sales	3,611.2	3,147.2	3,725.4	3,492.4	3,002.0
Operating profit before depreciation/amortization (EBITDA)	562.4	462.5	547.8	497.4	428.3
Operating profit before amortization (EBITA)	484.1	385.5	467.1	449.3	382.8
Operating profit (EBIT)	456.0	353.4	435.0	417.6	351.1
Operating profit after financial items (EBT)	441.4	326.5	397.0	373.1	315.6
Profit after tax	337.1	226.7	299.5	273.0	220.5
Earnings per share, SEK	13.48	9.07	11.98	10.92	9.62
Cash flow from operating activities	187.3	446.2	438.9	253.6	243.7
ROE (cumulative), %	12.2	9.0	12.5	12.8	12.3
ROCE (cumulative), %	12.2	9.8	12.4	13.2	10.7
Equity/assets ratio, %	59.9	58.7	57.8	56.7	54.7
Interest-bearing net debt/EBITDA	0.8	0.6	1.2	1.3	1.7
Average number of employees	1,600	1,486	1,596	1,561	1,446
Number of shares outstanding ('000)	25,004	25,004	25,004	25,004	25,004

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.

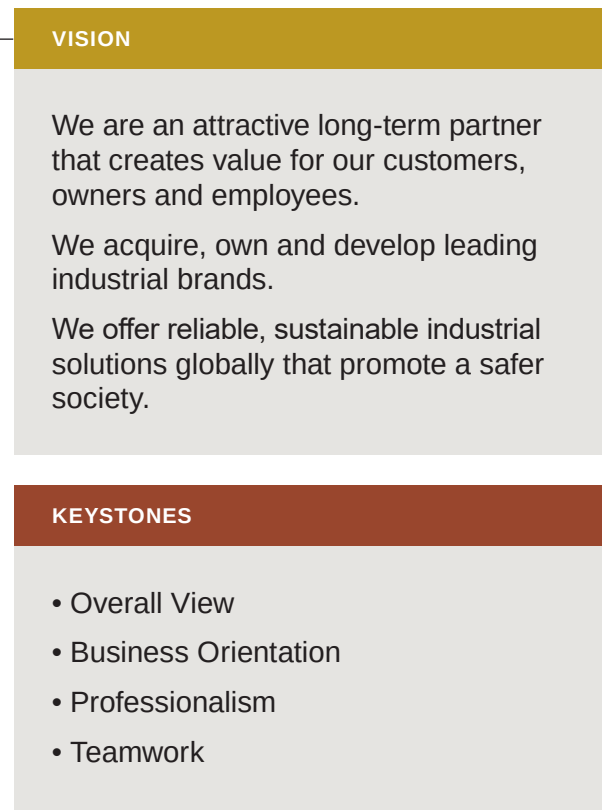
Value creation over time

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.



Effective portfolio strategy and diversified business structure

Through an effective acquisition and portfolio strategy, VBG Group has built up a stable Group with a diversified business structure. In an uncertain business cycle, our structure promotes more even and more stable development, which reduces business risk for the Group as a whole. Decreased demand in individual industries and in individual markets can be offset by the Group's broad international spread and customer base.

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 21–23.

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, in which our sustainability framework – focused on Products & Solutions, Production & Supply Chain and People & Society – creates 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 initiatives on pages 26–43.

SUSTAINABILITY FRAMEWORK

- Products & Solutions
- Production & Supply Chain
- People & Society

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.

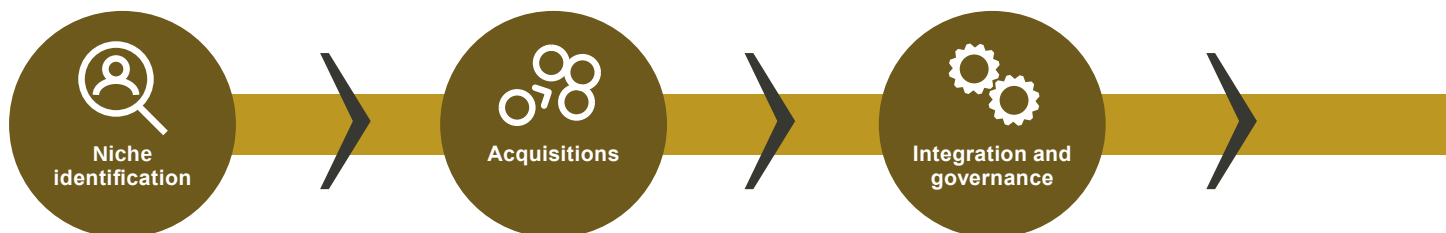
Acquisitions

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.



KEYSTONES

CODE OF CONDUCT

Divisions

The divisions offer customers and users a broad selection of industrial solutions in which the 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.



Truck & Trailer Equipment
Read more on page 64.



Mobile Climate Control
Read more on page 68.



Ringfeder Power Transmission
Read more on page 72.



Development



Purchasing



Manufacture
and assembly



Sales



Aftermarket



KEYSTONES

CODE OF CONDUCT

FOR EMPLOYEES

The 1,714 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.

**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 trend for VBG Group's Series B share over the last five years totals 69.1%, while an average of 31.8% of net profits was distributed over the same period. The proposed dividend for this year corresponds to a dividend yield of 2.7%.

**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.

**VALUE CREATED****FOR SOCIETY**

Our industrial solutions are used in a large number of industries all over the world, thereby promoting a safer society. Moreover, VBG Group contributes by being a positive employer that creates both job opportunities and tax revenue. In 2021, the Group paid SEK 104.3 M in tax. Additionally, the Group contributes to society through local sustainability initiatives among its divisions. Moreover, as a link in our stable dividend yield, the Herman Krefting Foundation for Allergy and Asthma Research owner foundation has been able to distribute approximately SEK 200 M in research grants over the years.

A safer
society

Development and adaptation to prevailing driving forces and changes to the business environment

Two years of a pandemic that is still ongoing continues to accelerate technological shifts in and the digitalization of our society. Increased electrification, automation and digitalization in VBG Group's industries, in combination with increased environmental and security requirements, are imposing newer and stricter demands 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.

DRIVING FORCES

Global perspective

- Greater global focus on the climate and the environment, with controls and demands on businesses to adapt their business models, operations and products to becoming more sustainable and climate neutral.
- High rate of growth in rapidly developing economies and in cities, with a need for new and developed infrastructure – for example, more buildings, roads and expanded public transportation.
- More connected markets, which will result in people, goods and services – as well as capital flows – moving more rapidly and more frequently.
- Increased automation and robotization, electrification, 5G, more connected products and autonomous vehicles.
- Increased power shift toward Asia, political and social challenges in several growth economies, and increased international uncertainty.

Industry perspective

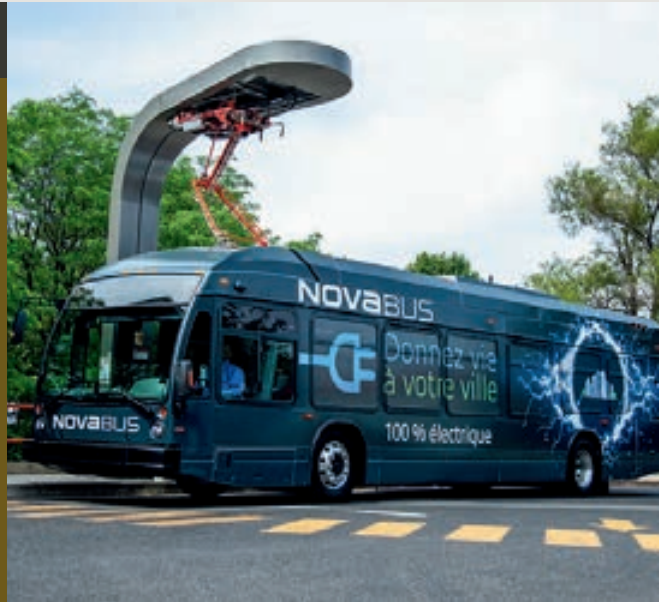
- Focus on decreased fuel consumption and reduction of CO₂ emissions. New regulations, objectives and emissions rights are driving the electrification of vehicles and imposing new demands.
- Increased customer and user demand as well as new regulations in traffic safety are accelerating product development and new technology.
- The trends around automation of systems, processes and solutions are increasing the demand for data collection and digitalization.
- Focus on increased efficiency and profitability are driving the development of autonomous vehicles and connected products.
- Increased globalization and urbanization are driving the need for more transportation as well as infrastructure projects.
- Increased focus on the climate imposes demands on circular and sustainable industrial manufacturing.

ELECTRIC BUSES

For many years, the bus industry has been a leader in the shift to fossil fuel-free vehicle fleets. There is a marked increase globally in the proportion of electric buses, and above all public transportation is being electrified in many large cities.

The change in fuel is imposing new demands on climate control systems. With no combustion engine, an electric bus must use electricity for heating and cooling. Mobile Climate Control developed solutions for electric buses early on. The new technology is fuel-efficient and can create a comfortable passenger climate with the least possible consumption of electricity. Mobile Climate Control's solutions can also provide cooling for the battery that the bus runs on.

In 2021, 80% of Mobile Climate Control's sales of climate control systems for city buses were to electric buses.



VBG GROUP'S PERSPECTIVE

Development agenda

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 local player with international presence



Strong global player with a local presence

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.

1951–1996

The strategy for the period from 1951 to 1996 was oriented on establishment and growth in the market for drawbar couplings and towbars. Operations focused on commercial vehicles with a new plant, and on the Nordic market through sales companies in Norway and Denmark. Supplementary acquisitions were carried out, and the company's listing in 1987 expanded its conditions.

1997–2010

From 1997 to 2010, strategy focused on internationalization and a broader offering. Several acquisitions were carried out, including the Germany company Ringfeder with operations in drawbar couplings and machine elements. A new plant in the UK and sales companies in several European countries facilitated expansion in Europe.

2011–2020

The strategy from 2011 to 2020 was marked by acquisition-driven growth as well as internationalization beyond Europe's borders. Companies and niches were added to the Group based on VBG Group's vision, which has enabled not only greater scope, higher sales and a broader offering but also a stronger international position. In 2016, the Swedish company Mobile Climate Control Group Holding AB and subsidiaries were acquired, which was the largest acquisition in the Group's history. After this acquisition, VBG Group's sales in North America equaled its sales in Europe.

HERMAN KREFTING FOUNDATION

In the 1980s, Herman Krefting, the founder of VBG Group, established three foundations to which he transferred a large number of shares in order to ensure the continued development of VBG Group and to secure jobs for its employees.

The largest foundation – in terms of both shareholding and votes – is the Herman Krefting Foundation for Allergy and Asthma Research. The foundation supports allergy and asthma research through contributions to various research projects and by financing professorships at the Sahlgrenska Academy in Gothenburg, as well as through donations to Universeum, Sweden's national science center.

Herman Krefting also established two foundations for employees: the SLK Employees' Foundation and the VBG-SLK Foundation, which cover all employees in the Group. The foundations own shares in VBG Group, and the revenue from these shares goes to initiatives that promote the personal development of employees and increase well-being within and outside their jobs.





2021–

With a stable financial position, an established international organization and competitive product solutions as a foundation, VBG Group is ready for the next step in its development:

VBG Group 4.0 – Global expansion and sustainable industrial solutions. Going forward, the Group's focus will be on the mission of creating a safer society and continuing to create sustainable and profitable growth, in which strong brands and leading market positions in selected niches, high customer value in our products and a diversified customer base will be key success factors for the Group.



KEY SUCCESS FACTORS

2021–

Strong brands and leading market positions in selected niches 21>

High customer value in the products 22>

Diversified customer base 23>

Global expansion and sustainable industrial solutions

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



 **CARLYLE JOHNSON**

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

PERFORMANCE IN 2021

- Launch of the next generation of coupling products.
- Carlyle Johnson a new brand in the portfolio.
- Continued development of digital marketing, content marketing concept.

FOCUS FOR 2022–2025

- Implement new brand strategy for Mobile Climate Control.
- Continued development of digital marketing, content marketing concept rolled out for several brands.

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 overall goal 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.

HENFEL – STRONG BRAND IN BRAZIL

Henfel's brand rests on four pillars: ethics, highly valued and qualified personnel, respect for suppliers, and commitment to customer demands. Understanding its customers' needs and proposing customized solutions is the key to success.

The company was founded in 1981 as an aluminum foundry in Jaboticabal, in the state of São Paulo in Brazil. High quality and short turnaround times have helped Henfel develop into a reliable supplier of a broad range of industrial products.

Henfel is a good example of a strong brand that is a market leader in its niche. Currently, the company provides bearing housings, locking assemblies, flexible couplings, hydrodynamic couplings, variable speed hydraulic couplings and industrial brakes for industrial applications. These products are used in a range of operations such as the steel, food and

paper industries. Other key customer segments are mines and ports.

The mining industry experienced robust growth in 2021 and invested in modern equipment and safer solutions. Since Henfel's products are market leaders in their niches for the mining industry, demand has been significant. It is gratifying to report that Henfel posted the best earnings in its history in 2021.

Owing to its close collaboration with customers and its reliable products, sales to ports also increased during the year. VBG Group acquired Henfel in 2015, and its brand is part of the Ringfeder Power Transmission division.



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 – electrification, digitalization, safety and sustainability – are placing ever stricter demands on VBG Group as a supplier and as a group. Demands based on product functionality on the one hand and processes on the other, and customer preference for delivery of solutions instead of individual products. 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

PERFORMANCE IN 2021

- Launch of new coupling solutions for Ringfeder and VBG.
- Launch of two new product series for Ringfeder Power Transmission.

FOCUS FOR 2022–2025

- Sustainable procedures and value chains, with a focus on the environment.
- Supplementary acquisitions of niche leaders in Truck & Trailer Equipment and Ringfeder Power Transmission.
- Review of product range and platform structure for Mobile Climate Control.

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. Going forward, 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. The next steps in the Group's strategic development is offering our customers the next generation of systems and continuing our ongoing journey from component manufacturer to supplier of systems solutions.

A SMARTER GENERATION OF COUPLINGS

In 2021, the VBG brand launched a new generation of coupling projects. Refined mechanics in combination with new digital technology further increases safety and reliability. The mechanical improvements enable a more compact geometry, and changes to the power actuator, the manual handle and VBG's valve box create better conditions for different types of installations on trucks. The new products are easier to maintain, which saves time and lengthens service life.

The new smart generation of products also contains built-in technology that facilitates future product updates. An entirely



new electricity infrastructure has been developed that, together with digital sensors, facilitates the continued development of digital services that aid the driver. All solutions have undergone thorough field testing and have undergone certification testing in accordance with UNECE R55. Close collaboration and attentiveness to needs allow VBG to design solutions that create benefit and promote increased security.

In 2022, additional new products and services will be launched that create added value and increase safety for body builders, retailers and drivers.

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 from trucks to vehicles and industry has initiated the Group's shift 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.

PERFORMANCE IN 2021

- New product segments such as medtech via the acquisition of Carlyle Johnson Machine.
- Favorable product mix for Ringfeder Power Transmission.

FOCUS FOR 2022–2025

- Supplementary acquisitions in Truck & Trailer Equipment and Ringfeder Power Transmission.
- Strengthen aftermarket business through digital communication.

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. OEM is the largest channel, with 60% 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.

CARLYLE JOHNSON – DIVERSIFIED CUSTOMER BASE

The US company Carlyle Johnson Machine was acquired in late 2021. The company had USD 10.5 M in sales in 2021, with an EBITA margin of 17%. Founded in 1903 in Bolton, Connecticut, the company develops, manufactures and markets components for motion control that are used in industrial applications such as mechanical, electric and pneumatic couplings and braking systems as well as the appurtenant electric controls and shaft seals for medicine, aviation, industrial and military product applications.

Since they are used in critical processes, Carlyle Johnson Machine products meet unique safety requirements. High product reliability in combination with high innovation capacity

has meant that the company's products are currently used in, for example, surgical robots.

The acquisition strengthens VBG Group's industrial business and further diversifies its customer base. New customer segments will be added while there are possibilities for synergies in the organization. VBG Group's financial strength and industrial expertise provide Carlyle Johnson Machine with new possibilities.

The acquisition is part of the Ringfeder Power Transmission division, and with access to the division's sales organization and channels Carlyle Johnson's products will also be able to reach new markets.

 **CARLYLE JOHNSON**

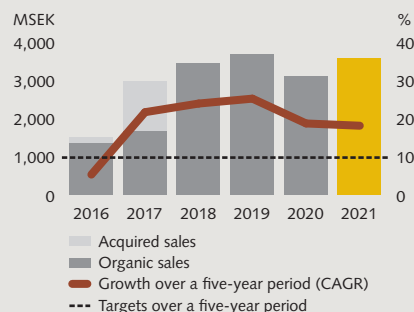
Strong position for continued sustainable, profitable growth

As a stage in achieving the Group's purpose and vision, VBG Group's overall objective is to create sustainable, profitable growth. The Group's stable financial position facilitates continued acquisitions and investments, which alongside a broad focus on strategic governance and sustainable development of operations enables a strong position for continued sustainable and profitable growth.

Financial targets.....

GROWTH

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 2021

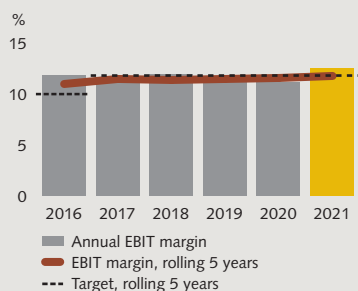
- In 2021, sales increased by 14.7%. Increased demand for transportation and infrastructure had a positive impact.
- Our breadth in niches and industries had a positive effect on sales and contributed to stability for the Group.
- Total compound annual growth rate (CAGR) over five years totaled 18.5%, divided between organic growth (CAGR) of 8.3% and structural growth (CAGR) of 13.1%. The add-on acquisition of Insta-Chain, which contributed to organic growth, was completed in 2021.

Focus going forward

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

PROFITABILITY

The objective for the Group is to achieve an average operating margin (EBIT margin) of >12%, rolling five years.



Comments on 2021

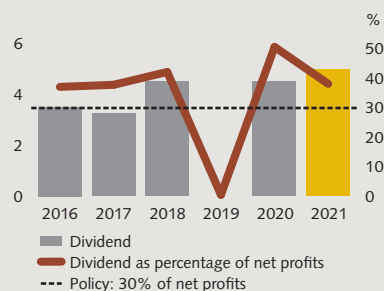
- The EBIT margin was 12.6%; over a rolling five-year period, the EBIT margin was 11.9%.
- Supply chains that are under pressure, with problems such as semiconductor shortages and drastically rising prices for raw materials and goods, had a negative impact on profitability.
- High productivity levels, price adjustments and effective cost controls had a positive impact on profitability.

Focus going forward

- Continued restructuring in Mobile Climate Control.
- Increased digitalization in the Group.
- Effective cost controls.

DIVIDEND

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



Comments on 2021

- With a suspended dividend for 2020, a strong financial position and stable cash flows as a basis, SEK 112.5 M (or SEK 4.50 per share) was distributed in 2021.

Focus going forward

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

Sustainability targets

ENERGY CONSUMPTION



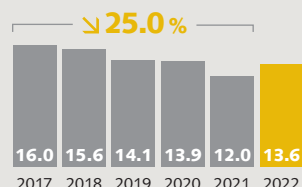
Target 7.3

A significant part of our impact comes from energy consumption. Our goal is to reduce our energy consumption and increase the proportion of renewable energy.

The target for the Group is to reduce energy consumption by 15%¹ through 2022.



Energy consumption, kW



Comments on 2021

- Several investments have been made to bring energy consumption down.
- The efforts to reduce energy consumption and transition to renewable sources of energy will continue in 2022.

WASTE GENERATION



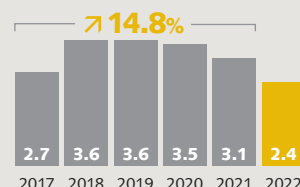
Target 12.5

We work on innovation to enhance efficiency and minimize the amount of waste in our processes, as well as to increase the share of recycling of our waste products.

The target for the Group is to reduce energy consumption by 10%¹ through 2022.



Waste generation, kg/h



Comments on 2021

- The proportion of recyclable waste for the year totaled 83.5%.
- The proportion of hazardous waste decreased, totaling 11.9%.
- The review of packaging and measures for increased circularity will continue in 2022.

¹ Per production hour.

VBG Group stands behind all 17 of the UN Sustainable Development Goals. Our Annual Report shows which of these SDGs our current objectives support.



ENVIRONMENTAL CERTIFICATION



Target 9.4

The objective is for all of VBG Group's production facilities to be environmentally certified² by 2022 at the latest.

TARGET
100 %

OUTCOME
84.6 %

Environmental certification 2021



11 of 13 facilities

Comments on 2021

- Our facility in North Vernon, Indiana (US) was certified during the year.
- In addition to our 13 facilities³ our facilities in Groß-Umstadt (Germany) and Norrtälje (Sweden) were ISO 14001 certified.

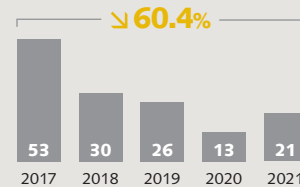
WORKPLACE ACCIDENTS



Target 8.8

We should offer a safe, secure workplace, and we work systematically on creating the right conditions for maintaining a healthy work environment for all employees and partners. This is why we have a goal of zero work-related accidents.

Worksite accidents



ANTI-CORRUPTION TRAINING



Target 16.5

We conduct business on fair terms. The objective is for all selected employees to annually undergo the Group's anti-corruption training. 85.4% did so in 2021.

PROPORTION OF FEMALE MANAGERS



Target 5.5

An equitable, diversified workplace results in more angles of approach and better use of resources, as well as promoting a better work environment. That is why we work actively to recruit for an equitable workplace, increasing the number of women in executive positions.

The Group's objective is for the proportion of women managers to match the proportion of women⁴ in the organization in total.

TARGET
22.5 %

OUTCOME
21.9 %

² Under ISO 14001.

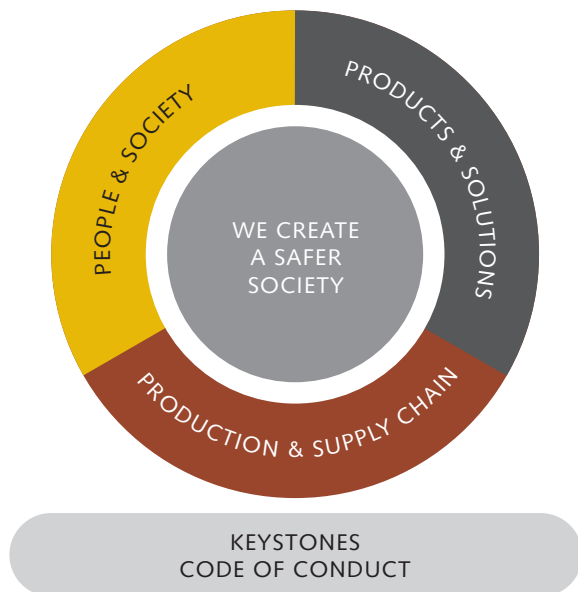
³ The Carlyle Johnson Machine facilities are not included in the total.

⁴ The proportion of women is based on the number of persons employed.

Increased focus on sustainability 2021

The core of VBG Group's operations is to work for increased safety in society through product offerings with high customer value that are sustainable over time. The Group celebrated its 70th anniversary in 2021. We aim to be an attractive partner for our customers, investors, suppliers and employees for at least another 70 years. That is why sustainability is important to us.





Sustainability context

VBG Group's Annual Report covers the Group and reflects our earnings for fiscal year 2021. 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 2021 was published on March 30, 2022 as part of the Annual Report. For questions or feedback relating to the Sustainability Report, please contact Christina Holgersson, Senior Vice President HR & Corporate Responsibility.

Digitalization, automation and electrification in VBG Group's industries, in combination with increased environmental and security requirements, are imposing new demands on us as an industrial Group.

This rapid development means we continually need to be attentive and open to necessary changes throughout the value chain. We welcome the ongoing shift toward a more sustainable world, and support the UN Sustainable Development Goals in order to develop our operations without exceeding the planet's limits.

Sustainability governance

Responsible entrepreneurship that safeguards people, society and the environment is a prerequisite for being a strong company over the long term, and is important to us and our stakeholders. VBG Group's sustainability agenda is integral to the company's overall business strategy and is reported on pages 26–43.

EVENTS AND FOCUS

Significant events in 2021

- New sustainability organization in place.
- Stakeholder dialogue and materiality analysis completed.
- System for sustainability data implemented.

Focus going forward

- Establish analysis of our environmental impact pertaining to greenhouse gases.
- Set new sustainability goals.

Current goals run through 2022. New sustainability goals will be adopted in 2022 based on our stakeholder dialogue and materiality dialogue.

The sustainability agenda is based on VBG Group's Code of Conduct, policies and our Keystones, which describe our core values. The Code of Conduct, which takes its starting point in the UN's Responsible Business Initiative, establishes how we relate to each other internally, within the Group, and to our external partners. The Code of Conduct is a fundamental document for both employees and partners that we work with continually in order to maintain firm awareness throughout the organization. We have chosen to report on our sustainability activities on pages 26–43. Sustainability risks, and how they are managed, are integrated into our overall business risks on page 52.

VBG Group has a decentralized business model with local governance in operating activities. 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 Parent Company and Group Management are responsible for overall governance and routinely monitor the outcomes in the divisions. We describe our sustainability impact in three areas: Products & Solutions, Production & Supply chain and People & Society.

Sustainable solutions for increased safety

We offer reliable, high-quality products that are durable when used for their intended purposes. These range from solutions that promote increased safety in both traffic and critical infrastructure to facilitating sustainable transportation and measures that decrease carbon emissions.

VBG Group was founded to offer safer drawbar couplings. Our offering is larger today, but the fundamental intent around safety remains. Safety increases through our products and solutions. Onspot's automatic tire chains permit safe winter driving for essential transportation and emergency services personnel. Mobile Climate Control's climate solutions optimize a safe, pleasant climate for drivers and passengers. In addition, Ringfeder Power Transmission's vibration dampers promote a safer infrastructure since they prevent structures from collapsing during natural catastrophes and thereby save lives.

Product innovation is central to reducing our climate impact. We are part of driving development to reduce carbon emissions from transportation, and we are working to develop solutions for more efficient transportation that economizes on resources. For several years, Truck & Trailer Equipment has played an active role in promoting longer, heavier transportation of freight, which has resulted in lower fuel consumption per ton shipped.

Our solutions also promote the more efficient use of resources through unique solutions in electrification. With our climate control systems for batteries, an electric process can be used to heat and cool batteries in electric buses.

FOCUS GOING FORWARD

- Resource-efficient transport solutions for reduced carbon emissions.
- Increased personnel safety.





The Te Puni Village student residence in Wellington, New Zealand, was built in 2009 as an innovation with friction springs for earthquake protection. The building has won awards for its sustainable design.

Government authorities around the world are warning that there could be major tremors in the next 30 years. These could have serious consequences, especially due to all the skyscrapers currently being built in cities. Reducing these problems requires new designs and technology. Using friction springs in the construction is part of the solution.

As an element in construction, friction springs offer a number of advantages: they are extremely robust, heat resistant and sustainable, and their maintenance costs are low. Friction springs are superelastic; despite major stresses and loss of energy, the spring returns to its original position again and again.

In the event of an earthquake, a building with friction spring dampers could withstand vibrations and the stresses that occur, maintaining its construction.

Saving lives is not the only advantage of using friction springs, and thereby creating sustainable buildings. People can return more quickly to their homes and offices in the event of a tremor. In the developed world, there is an increasing expectation that modern structures and land infrastructure will be able to survive major earthquakes with limited or no damage. It is also important that the power grid remains functional after an event. The increasing dependence of our society on computers, for example, in nearly every aspect of life puts demands on minimizing damage to power stations and distribution plants.

In developing countries or economically vulnerable areas, more work needs to be done on improving seismic design philosophy. In these areas, acceptance of the loss of life and severe physical damage remains common owing to the low level of economic drivers.

Creating a safer, more sustainable society is the overarching driving force of VBG Group. Ringfeder Power Transmission works actively to market friction springs and to inform the market of their potential to save lives and minimize economic damage. A partnership with the University of Kaiserslautern around a program concerning earthquakes has also begun in order to build up knowledge further and spread information.



For better use of resources in production

A large part of our environmental impact takes place in production and the supply stage. We strive for better, more efficient use of resources when our products and solutions are produced, both in-house and among our suppliers.

Our goal is to minimize and optimize the use of those resource that are used in our production. This is a continual and ongoing effort. We apply the precautionary principle, avoiding materials and methods that could constitute a risk to the environment and to health. The Group has established routines for monitoring and reporting environmental performance, and regularly evaluates potential and future risks to our operations and products.

We work actively to bring our energy consumption down and to increase the proportion of renewable energy. At our facility in Olawa, Poland, solar panels have been installed on the roof to provide the facility with sustainable energy. During the year, the Vänersborg office invested in a new ventilation system that will both improve the work environment and enable reduced energy consumption.

Our goal is for all production facilities to be environmentally certified. Our facility in North Vernon, Indiana (US) was certified in 2021, and in total eleven of our thirteen operations are ISO 14001 certified. In addition to the facilities, the Group has two additional ISO 14001 certificates. In total, VBG Group also has twenty ISO 9001 certificates and five ISO/TS-IATF1649 certificates.

Truck & Trailer Equipment's production unit in Vänersborg conducts activities requiring a permit under the Environmental Code.

The Group is particular about our suppliers being stable partners, and it is incumbent upon all our suppliers to sign our Code of Conduct. Each division, together with their partners, monitor and ensure compliance with the Group's requirements.

FOCUS GOING FORWARD

- Increased proportion of renewable energy.
- Reduced greenhouse gas emissions.





The VBG brand manufactures its coupling products in the town of Vänersborg. All the coating processes have been deliberately integrated at the facility. By reviewing environmental impact at each stage, the facility has created a coating shop that re-uses material to a great degree, generating minimal environmental impact. By putting all the steps of the process into one flow, unnecessary transportation is minimized.

The coating process consists of four main steps:

- In the first step, the products are blasted with small steel pellets. These are re-used until they have become small dust particles and are filtered out.
- Chemical pre-treatment takes place in the second step. In contrast to many other companies, the treatment bath is purified and separated in a closed system where the water is purified in its own treatment plant and recycled back into the process. No chemicals thus enter municipal sewage or runoff. The by-products are collected in the local treatment plant and form a concentrate that is sent off to be handled in a controlled, environmentally safe manner. Owing to this closed system and the process used, much less water is used in the process in total.
- In the third step, an initial coating of ED varnish is applied to the product. The coating is applied using an electric current, and here as well superfluous coating is returned to the coating vat in a closed system, which minimizes waste.
- The finishing coat is applied in the fourth step. A solvent-free powder coating is used here. The process re-uses superfluous coating here as well, circulating it four to five times. The remaining coating is sent to a company in Sweden where it is recycled as filling and used in asphalt.

The latest investment by the coating shop was in an oven for curing the coating on the products. The efficiency of the oven facilitates simultaneous final curing of both the ED varnish and the powder coating, which yields a more energy-efficient process that reduces the total consumption of electricity.

When our customers finally use VBG's coated products, they do so with a minimum climate impact since no materials leach out of the coatings. The coating shop in Vänersborg is a good example of where modern production technology creates high-quality products with a sustainable perspective.

Long-term commitment for employees and communities

VBG Group is a group with well-established community involvement, something that has permeated the company since it was founded. We will be an employer where employees can thrive and develop, and we will be a positive force in the communities where we operate.

Another year of pandemic

Our top priority is ensuring a safe, secure workplace for our employees. During 2021 and the continued pandemic, we took measures to secure our work sites, such as limitations on visitors, restrictions on travel, and working from home offices for those who had the possibility. Moreover, several of our units offered vaccinations on-site at the company.

Organization

VBG Group is an international industrial Group with some 1,700 employees in 17 countries. Most are employed in one of the Group's three divisions. The divisions are supported and guided on employee issues by the Group Management of VBG Group to ensure that the proper competence is in the right place in the organization.

Sound values and a down-to-earth culture.

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, which are summarized in the Group's keystones: Overall View, Business Orientation, Professionalism and Teamwork. Along with our Code of Conduct, they guide us in how to act in our relationships, both internal and external.

FOCUS GOING FORWARD

- Increased personal safety
- Sustainable employees
- Good community stakeholder





VBG Group encourages all its companies and divisions to get involved in their local communities through supporting local initiatives and charity projects.

Different countries have different needs and conditions. Today, Brazil is considered to be the leading economic nation in Latin America. The country is a world leader in the production of food, minerals and renewable energy. Income distribution among the population is highly uneven, however, and evening out the differences to create a sustainable society is one of the country's greatest challenges.

Henfel's products are manufactured at our facility in the Brazilian city of Jaboticabal. The employees at Jaboticabal are extremely committed, and the company takes part in a number of projects that promote a more sustainable society.

It is an annual sponsor of the ABRINQ Foundation, an organization that supports more than 1.2 million children and young people in Brazil.

Other examples of activities carried out by Henfel employees include:

Clean-up campaign

Employees conducted a campaign where litter and waste was collected and properly sorted. In parallel with taking care of the waste, our employees educated and encouraged the local population regarding smarter consumption and proper disposal of waste.

Fruit orchard

Arbor Day in September was celebrated with the planting of thirty fruit trees. All the employees were separated into smaller groups and planted the trees, which will promote a more pleasant local community and spread joy once they begin to blossom and bear fruit.

Christmas gifts

In Brazil, children whose parents lack the financial means to buy Christmas gifts write letters to Santa with their wishes. Anyone who wants to donate a Christmas gift can contact the post office to get letters from the children. The employees at Jaboticabal chose fifteen letters and bought the children the gifts they had been hoping for.

Children's Day

Our employees chose an orphanage in Jaboticabal to visit. They brought gifts and healthy snacks to all the children, who were between the ages of one and sixteen.

Helping out with various activities creates awareness and pride among VBG Group's employees. It is not unusual that they are met with shouts of joy from residents of the district, who think Henfel is making a good effort. The guiding principle for involvement is that nobody can do everything, but everyone can do something to promote a more sustainable society.

CONT'D. FROM PAGE 34

During the year, the Group made a minor update to our Key-stones and further emphasized the importance of acting sustainably. Through the end of 2021, the impact of the pandemic on the Group was relatively mild: sick leave averaged 3.6% for the year. During the fourth wave of COVID-19, however, sick leave increased markedly to over 5%.

The technology shift and increased digitalization are increasing the need for new competence for the Group and for the divisions. 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 to recruit for an equitable workplace and increase the number of women in executive positions.

New opportunities for competence development
Competence development on a regular basis strengthens the Group's versatility and efficiency, and increases competitiveness. As a global group, VBG Group offers excellent opportunities for exchange of competence and supplementary training in the Group. Competence development is pursued at both an overall level and an individual level for each of the employees. Individual competence is developed in consultation with the employee's immediate supervisor and is produced in accordance with the employee's needs and interests. Every year since 2010, three senior executives are offered a place in the Industrial Management program in the Executive School at KTH Royal Institute of Technology. Two employees took the course in 2021, and to date 23 employees have completed the program.

The switch to digital has led to new approaches and opportunities. We began offering e-learning courses to the entire Group in order to strengthen awareness and competence concerning specific areas such as IT security and the Code of Conduct. In 2021, employees with e-mail were also given access to a new intranet that provides all employees with the latest news, collaboration spaces and other important information.

Every year, the SLK Employees' Foundation – one of VBG Group's owner foundations – award stipends to support employees who wish to supplement their training. The pur-

pose of the foundation is to increase the well-being of personnel. Information on the stipends is sent out to all employees, and applications are submitted via VBG Group's web page, in the employee's native language. 39 stipends were awarded in 2021, for courses on topics such as programming, languages and leadership.

Rewarding, secure work environments

We are particular about offering a healthy work environment, which we see as a condition for our employees doing well and being able to perform their work. This places demands on everything from noise levels and ventilation to ergonomics. In addition, we encourage and support the divisions' local initiatives outside the workplace, such as local charity efforts. Our employee turnover for 2021 was 9.3%, which we see as a sign that our employees are doing well with us.

It should go without saying that a workplace should be safe and secure, and we work continually to implement improvements. We have a zero tolerance vision for workplace accidents, and take incidents very seriously. Unfortunately, we had a number of accidents – 21 in total – in 2021. A systematic analysis to identify the root causes and to implement measures is in progress. We have seen that the protective equipment provided is not always being used correctly, and that the design of the workplace can be improved.

Whistleblower service

Improper incidents at the workplace are reported via our whistleblower service. All employees are informed of the service, which is available via our intranet. The service is managed by an external party that reports the incidents to two persons in VBG Group management, who take the necessary actions. One case, which after investigation led to measures being taken, was reported during the year.

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.

“New skills not only make you enlightened, but also make your life delighted!”

The founder of the VBG Group, Herman Krefting, wanted to make a difference for his employees as well. Consequently, he created the SLK Employees' Foundation, which encompasses all the employees in the Group. The foundation has a major holding of the VBG Group and administration surpluses are to be invested in developing and increasing the well-being of the Group's employees, both at work and in private life. In 2014, the foundation established the Herman Krefting Education Scholarship, which all employees of the Group around the world can apply for.



The scholarship is an opportunity for the Group's employees to obtain extra personal development, and should not be regarded as a replacement for VBG Group's regular skills development program. The stipend can be used for work-related courses, but employees can also apply for courses that are oriented toward more personal development or in new subjects.

The selected scholarships are presented in December every year. The scholarship awards a maximum of SEK 30,000. To facilitate the training, selected recipients can also be granted paid study leave by the company for up to ten working days.

One individual who educated themselves through a 2021 scholarship is Asif Ikbal Bhuiya.

Asif works as a Marketing Technology Manager at Ringfeder Power Transmission in Germany, and was very happy to be chosen as a scholarship recipient.

“It was great to have a chance at extra training. It gave me a real boost of energy,” Asif says.

In the course Asif chose, he learned how to get support in the decision-making process by using a data-driven approach to interpreting information. The course also resulted in Asif receiving a Business Analytics certificate from Harvard Business School.

“In my current role, I analyze and interpret data to optimize our marketing. Through the course, I gained in-depth knowledge of how to make the right strategic decision, based on data. The Herman Krefting Education Scholarship is really a great opportunity to learn something new,” Asif says, and concludes: “New skills not only make you enlightened, but also make your life delighted!”

In December 2021, 39 new employees at VBG Group were selected to study their selected fields more in-depth in 2022.



Name Asif Ikbal Bhuiya
Age 34
Lives in Mannheim, Germany
Occupation Marketing Technology Manager
Education Master in International Business Administration, Marketing & E-Commerce
Hobbies Photography, travel and video games

CONT'D. FROM PAGE 36

Increased profits for the Group results in more money for research through one of these owner foundations, the Herman Krefting Foundation for Allergy and Asthma Research. During the year, the foundation donated approximately SEK 200 M to asthma and allergy research. Since 2020, the foundation has also supported a life sciences center that is being constructed at the Universeum science center and museum in Gothenburg. Support for the science center is being provided through a donation of approximately SEK 50 M. The partnership with Universeum is a splendid example of how Swedish industry creates social benefit. The inauguration of the new learning environment is planned for April 2022. All our companies and divisions are also involved in their local communities through supporting local initiatives and charity projects.

Active initiatives for ethical 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,

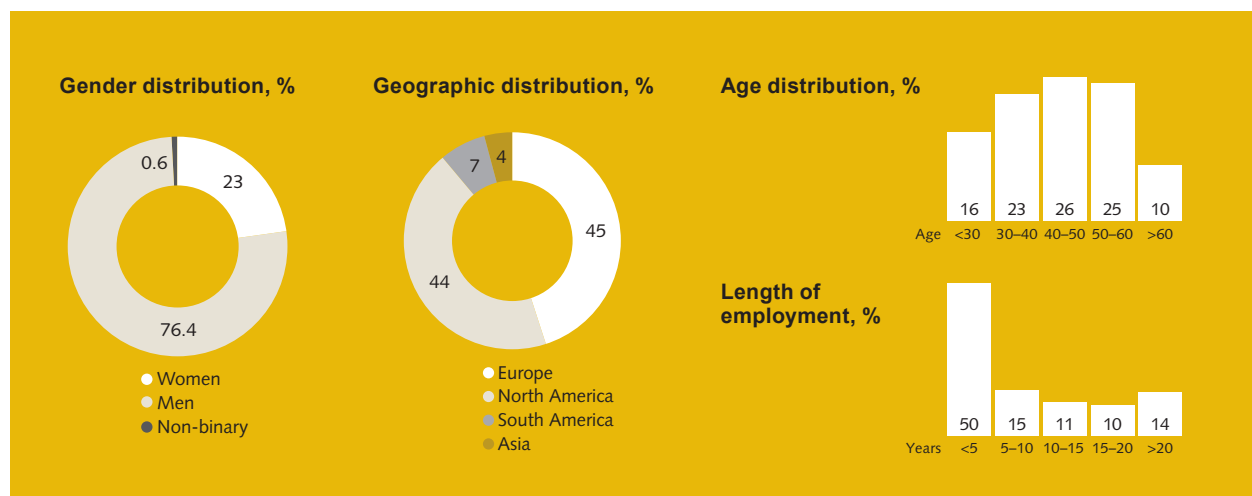
or other types of remuneration from third parties that could affect their objectivity in decision-making. In 2021, we developed a new online learning course for our Code of Conduct. All employees with access to e-mail have had nine lessons sent to them. Out of 779 employees, 85% have completed the course. New employees are trained on a regular basis during the year.

Human rights

VBG Group will promote positive community development. We impose the same requirements on our partners and suppliers as we do on ourselves. Many of our suppliers are well in the forefront with their sustainability initiatives, and in our stakeholder dialogues we see that they recognize and understand our expectations of them.

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 2021.

In pace with the growth of the Group globally, this is becoming an increasingly crucial issue; it is regulated in our Code of Conduct, which all partners and suppliers must sign and comply with. Monitoring occurs at the divisional level.



Materiality analysis

In 2021, VBG Group conducted a structured materiality analysis in order to establish our areas of focus. VBG Group will set targets for the respective areas of focus in 2022. The previous materiality analysis was conducted in 2017 and followed up on in 2019. Target fulfillment in this year's Sustainability Report pertains to the previous analysis.

The materiality analysis was conducted in three steps

1. Review of our sustainability impact in the value chain.
2. Stakeholder involvement.
3. Analysis based on a balance between strategic orientation, analysis of the respective value chains and stakeholder dialogues.

The materiality analysis is the heart of the Sustainability Report and is based on the four reporting policies for content: stakeholder involvement, sustainability context, materiality and completeness.

Each division conducted their own materiality analysis based on their respective conditions, value chain and stakeholder groups. On the basis of these analyses, VBG Group consolidated the results at the Group level.

Division and Group management have validated the results and worked out materiality matrices that form the basis for goals and activities going forward.

Our value chain

The first step in the materiality analysis 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.

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 customers, employees, potential employees, the Board of Directors, investors, our owner foundations, other shareholders, suppliers 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.



Development



Purchasing



**Manufacture
and assembly**



Sales



Aftermarket

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, which had been translated into seven languages. The response rate was 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.

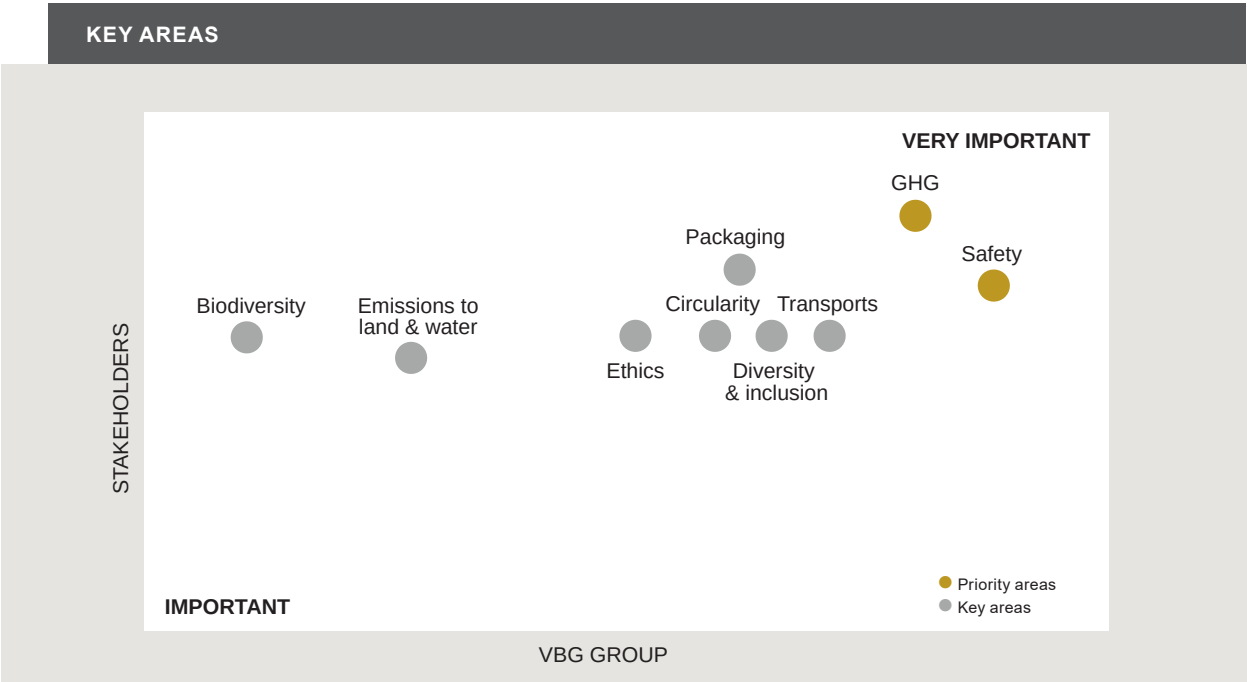
The questions were tailored to the respective stakeholder groups. In general, we wanted to bring out our stakeholders' expectations of us and how they assessed our current performance. As regards our suppliers, we were also interested in how they worked on various sustainability issues in order to secure their focus. The employee questionnaire also investigated how important various sustainability issues were to them.

Key areas for VBG Group

Based on their analyses of their value chains and dialogues with their stakeholders, each division has produced its own materiality matrix.

VBG 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 x-axis and stakeholder priorities on the y-axis.

The areas deemed to be the most material are greenhouse gas emissions and safety. For these areas, the Group will initiate activities and objectives. Note that all areas in the matrix are key for both VBG Group and our stakeholders. Regarding diversity, inclusiveness and ethics, at the Group level we see that we can work on these issues and carry out joint initiatives. In our decentralized organization, we see that issues concerning circularity, packaging, ground and water emissions, and biodiversity can be managed in various ways by the divisions, which have different opportunities to impact their respective areas through their operations and products.



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

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.

In 2021, the VBG Group began collecting data and reporting on greenhouse gas emissions in its own operations (Scope 1 and 2) in accordance with the Greenhouse Gas Protocol. A new system for sustainability data has been implemented globally throughout the Group. Data is reported on a quarterly basis in the respective divisions. The Head of Sustainability for 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). In 2022, we will continue to analyze our total greenhouse gas footprint and review the measures we can take to have an impact. We know that transportation and production of input raw materials constitute a large part of our footprint. We will also further survey how, through our products, we can help our customers decrease their environmental impact and support the global transition toward a fossil-free society. In 2022, VBG Group will establish targets and ambitions pertaining to greenhouse gas emissions.

VBG Group promotes a safer society



Target 3.6 Reduce road injuries and deaths.



Target 8.8 Protect labour rights and promote safe working environments.



Target 11.2 Affordable and sustainable transport systems.
Target 11.5 Reduce the adverse effects of natural disasters.



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.

In 2022, VBG Group will establish updated targets and ambitions pertaining to safety.

Other material topics

In 2022, the objectives regarding all material topics will be reviewed. For ethics, as well as diversity and inclusion, the idea is to formulate new goals at the Group level. For objectives concerning transportation, circularity, packaging and biodiversity as well as ground and water emissions, we see that the different divisions have different impacts.

The respective divisions will continue to review their entire value chains with regard to smarter design, choice of materials, increased use of recycled materials, resource efficiency, sustainable manufacturing processes, life cycle analysis and materials.

Circular thinking means fewer losses and is a tremendous possibility for us from the perspectives of both economic and environmental sustainability, but we need to learn more in order to understand where we can add value. 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.

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, in which the taxonomy is a classification system for environmentally sustainable operations.

In this section, we report on the proportion of the Group's sales, capital expenses and operating expenses for the 2021 reporting period, which is linked to the applicable economic operations of the taxonomy that are related to the first two environmental objectives (climate change mitigation and climate change adaptation) under Article 8 of the EU Taxonomy Regulation.

Our eligible activities

We have come to the conclusion that our economic activities linked to how we generate sales are not covered by the delegated act for the environmental objectives, and that these are therefore not eligible. Since our economic activities for generating sales are not covered by the delegated act for the environmental objectives, the proportion of total sales of our taxonomy-eligible economic activities is 0% and the related eligible capital and operating expenses is thus also 0%.

Our opinion (based on information that was publicly available as at January 31, 2022) is focused on economic activities

defined as those that lead to an offer of goods or services in a market, and therefore (potentially) generate sales. Activities such as transportation are not reported as taxonomy-eligible activities and are not included in our key figure for sales since they do not generate external sales on an independent basis.

Moreover, the capital and operating expenses that are reported could also include those that are related to purchases of products manufactured from economic activities that are compatible 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. We did not have the possibility of tracking this type of expense for 2021.

Total sales, capital expenses and operating expenses

Total sales is based on our consolidated net sales as described on page 78 in our Annual Report for 2021.

Total capital expenses consist of costs of fixed and intangible assets during the fiscal year as defined in Note 12 on page 102 and Note 13 on page 104 of the Annual Report for 2021.

Total operating expenses consist of direct uncapitalized costs 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.

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 2021 on pages 26–43 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.

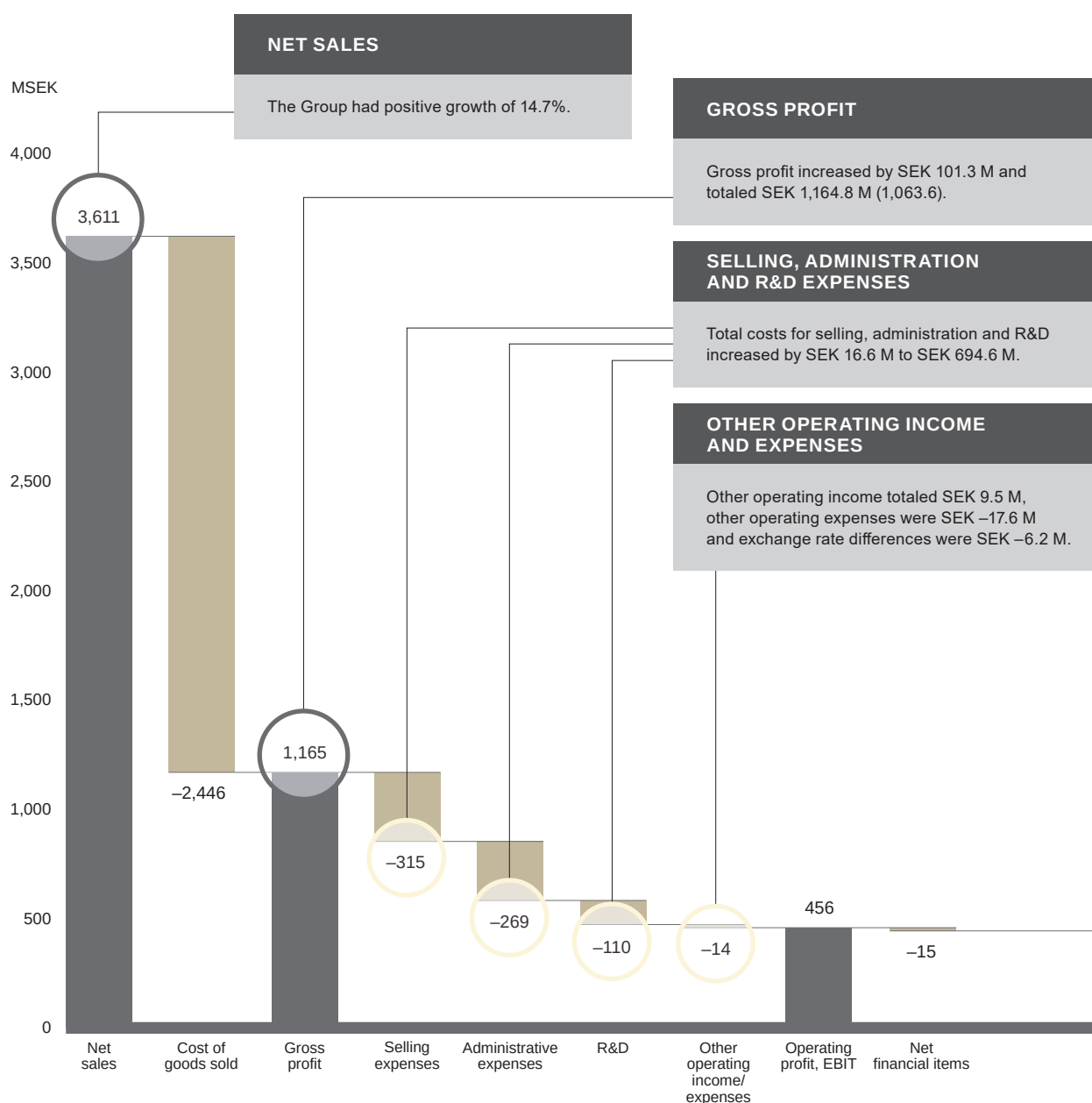
Gothenburg, March 29, 2022

Ernst & Young AB

Andreas Mast
Authorized Public Accountant

2021: another challenging year

For VBG Group, 2021 was yet another challenging year, but differed from 2020 in its challenges. 2021 was marked by strong demand for the Group's products. Increased prices for raw materials and shipping as well as major disruptions in the supply chain – especially in the latter half of the year – had a negative impact. Nonetheless, 2021 can still be summed up as the best year in VBG Group's history, from an earnings perspective.



NET PROFIT FOR THE YEAR

Net profit for the year totaled SEK 337.1 M, corresponding to earnings per average share outstanding of SEK 13.48 (9.07), an increase of 48.7%.

SEK 337 M

TAX FOR THE YEAR

The tax rate for the year was 23.6%, which is 7.0 percentage points lower than the preceding year's tax rate of 30.6%. One reason for the lower percentage rate was the impairment of a tax receivable from 2020 in Mobile Climate Control Poland, which resulted in higher tax in 2020.

OTHER COMPREHENSIVE INCOME

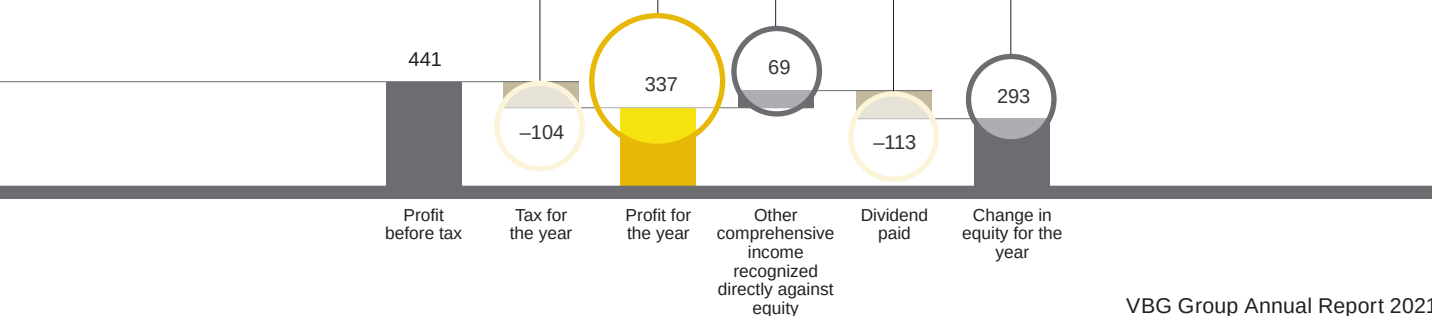
Other comprehensive income is not recognized in profit or loss, but directly in equity. The positive item in 2021 pertains to translation differences attributable to net assets in foreign currencies.

DIVIDENDS PAID

Dividends totaling SEK 112.5 M were paid out during the year, corresponding to SEK 4.5 per share outstanding.

EQUITY

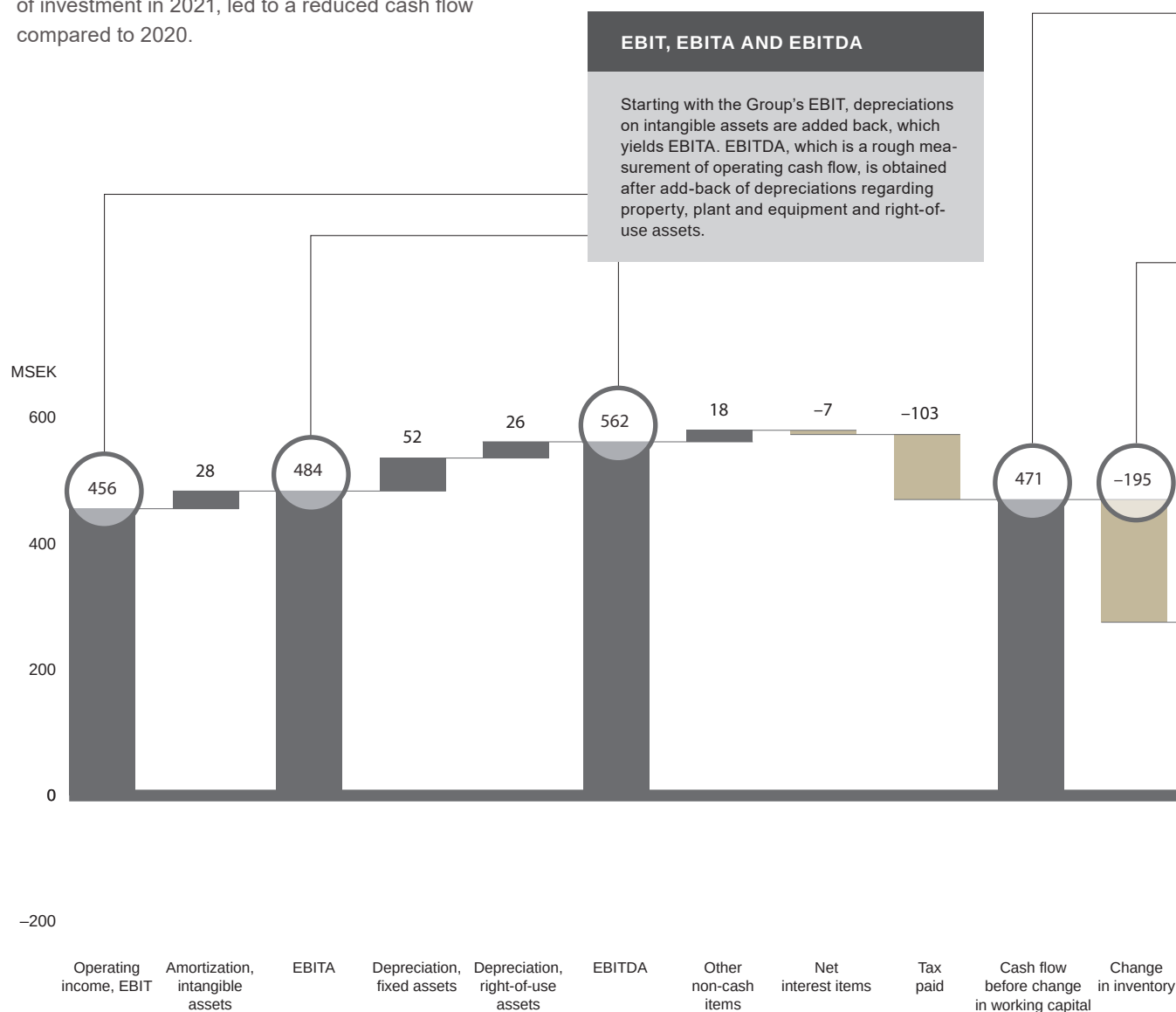
With other comprehensive income of SEK 68.8 M for the Group as a result of positive exchange rate changes and after dividends to shareholders of SEK 112.5 M, equity increased by SEK 405.9 M.



Reduced cash flow in 2021

The increase in sales and demand for the Group's products, in combination with raw materials shortages and price increases, resulted in increased tied-up capital in 2021.

The increase in tied-up capital and reintroduced dividend, in combination with more normal levels of investment in 2021, led to a reduced cash flow compared to 2020.



CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities was SEK 187.3 M, which was SEK 258.8 M lower year-on-year.

CASH FLOW BEFORE CHANGE IN WORKING CAPITAL

Apart from depreciations and amortizations, there were other items in operating profit – attributable primarily to restatement of goodwill in foreign currency – that did not affect liquidity and, when added back, impacted the cash flow. Additionally, the cash flow was charged with a net interest item and taxes paid.

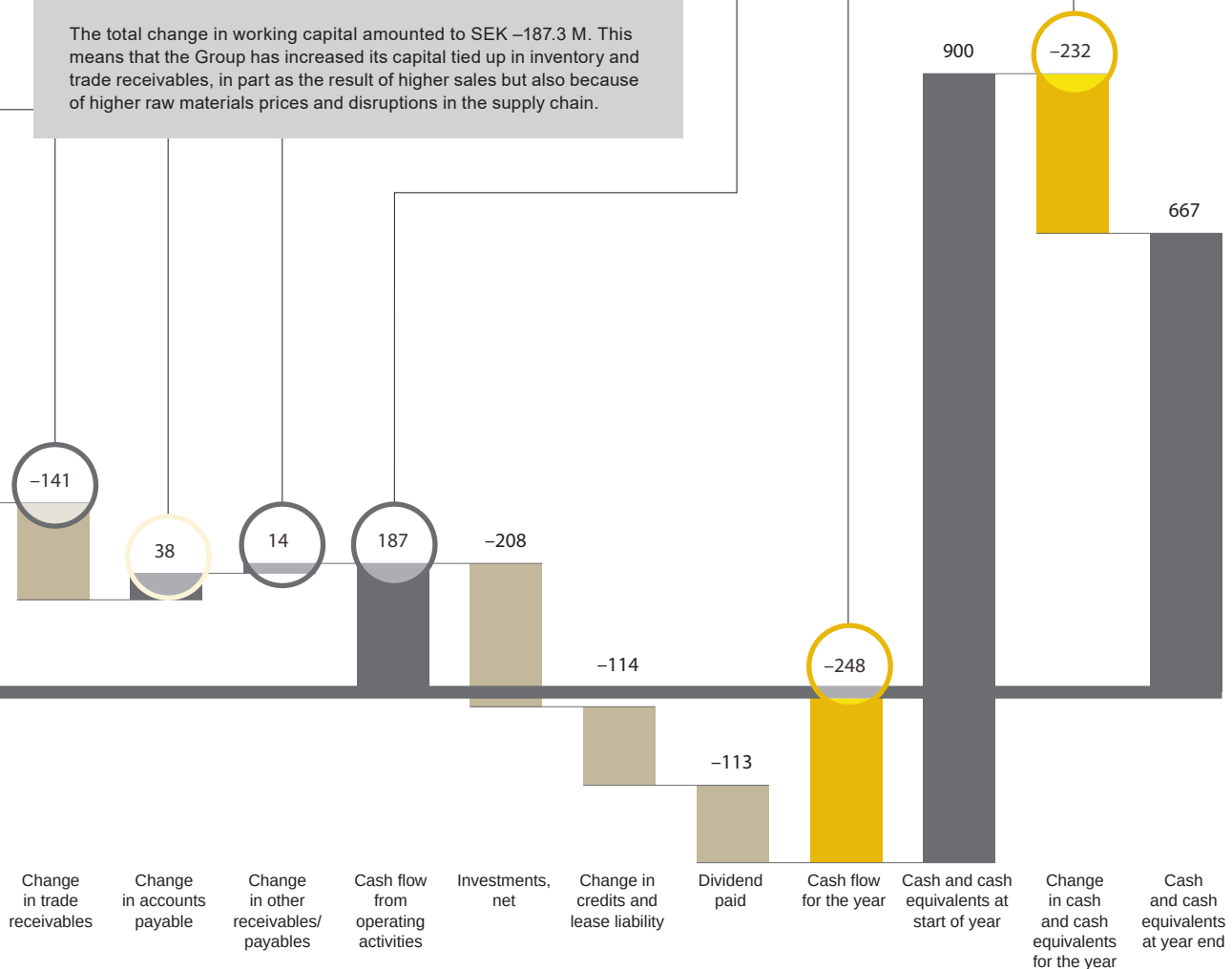
CHANGE IN WORKING CAPITAL

The total change in working capital amounted to SEK –187.3 M. This means that the Group has increased its capital tied up in inventory and trade receivables, in part as the result of higher sales but also because of higher raw materials prices and disruptions in the supply chain.

CASH FLOW FOR THE YEAR

After SEK 208.4 M (50.6) in paid capital expenditures, loans raised/amortizations of loans, lease liabilities and dividend totaling SEK –226.8 M, cash flow for the year was SEK –247.9 M (449.6).

With the addition of translation differences in cash and cash equivalents of SEK 15.8 M, cash and cash equivalents at year end was SEK 667.4 M.



Stable financial position

Three highly favorable fiscal years – 2018, 2019 and 2020 – were followed by a financially even stronger 2021. Equity and the equity/assets ratio increased during the year as an effect of the robust earnings. High demand and a shortage of components and raw materials led to higher capital tied up in inventory and trade receivables, which reduced cash and cash equivalents and increased net debt. VBG Group's financial position means security, and creates scope for future development and investments.

The Group's
stable financial
position was further
strengthened
in 2021

CASH AND CASH EQUIVALENTS

A

Cash and cash equivalents decreased by SEK 232.1 M to SEK 667.4 M.

INVENTORY

B

Inventory increased by SEK 267.6 M during the year as a result of increased sales.

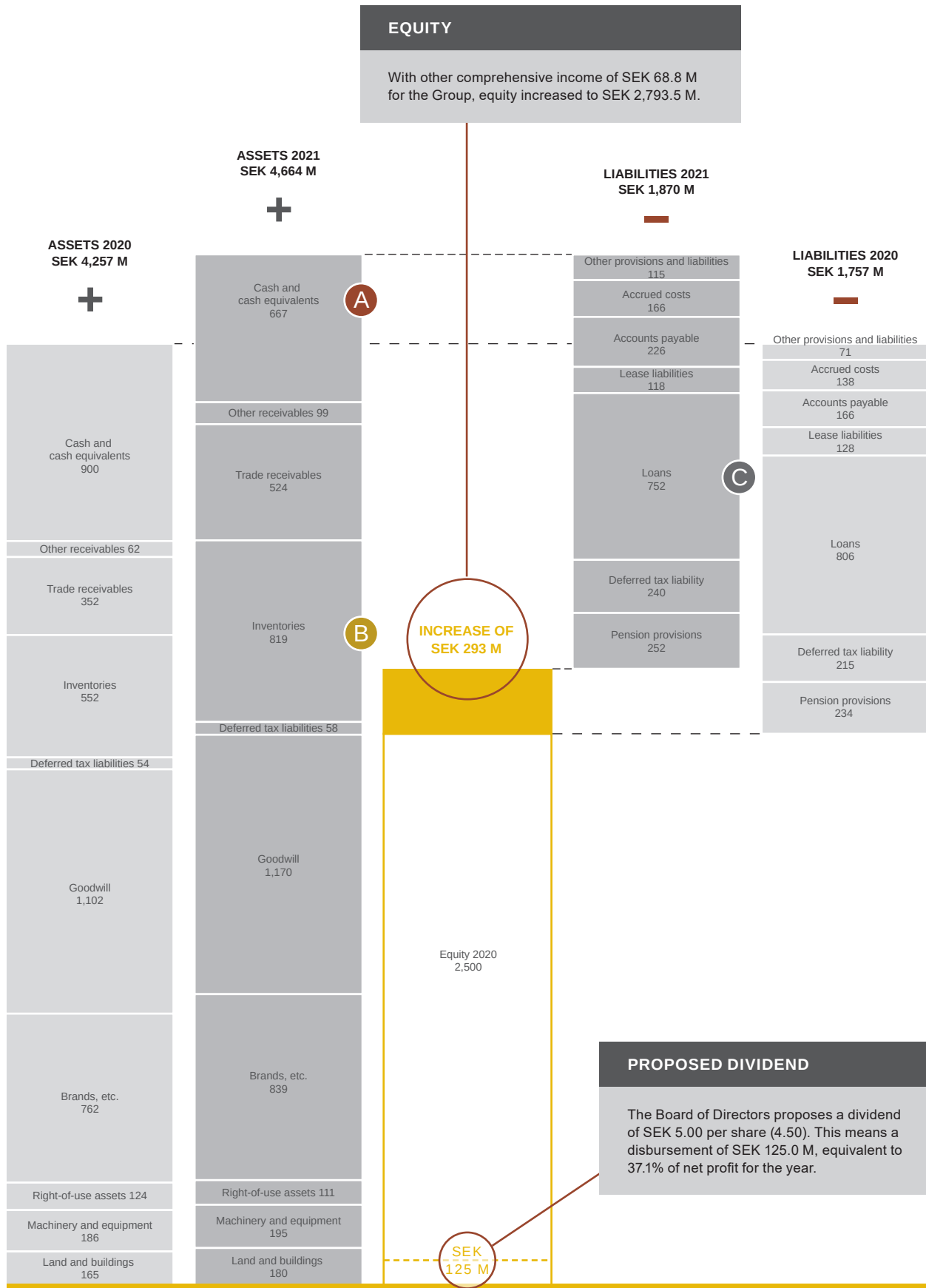
LOAN LIABILITIES

C

During the year, the Group repaid SEK 216.0 M. Raising of new loans amounted to SEK 158.3 M. In addition, a new loan of SEK 3.7 M in Carlyle Johnson Machine has been added.

SEK 2,793 M

Equity at the end of the year.



Risk management in VBG Group

All business operations are associated with risk. Risks that are properly managed can lead to opportunities and value creation, while risks that are not managed correctly can lead to damages and loss.

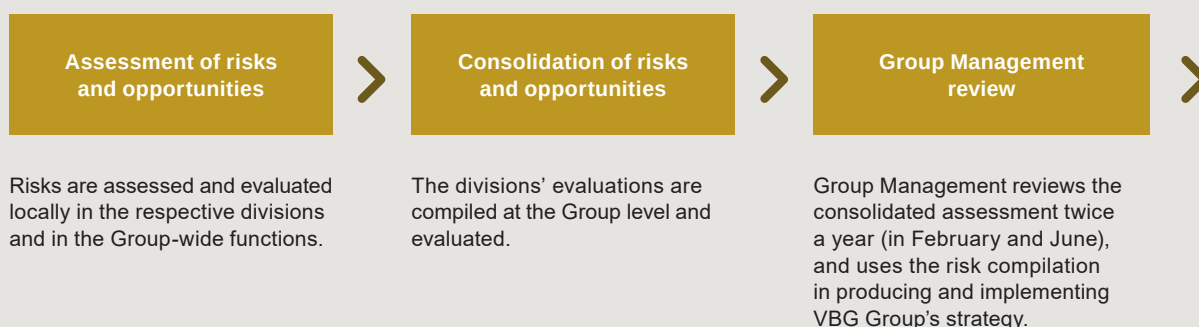
Through an effective acquisition and portfolio strategy, VBG Group has built up a stable Group with a diversified business structure. Diversification reduces our total exposure to business risks and provides us with a healthy underlying risk spread. Decreased demand in individual industries and in individual 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.

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.



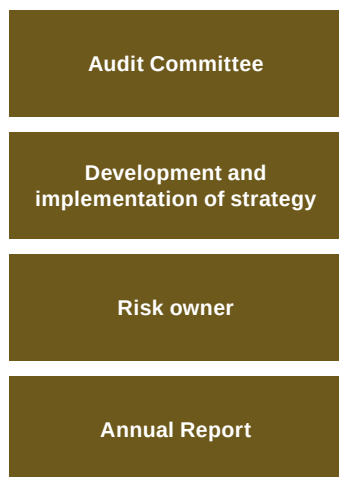
Group-wide risks

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

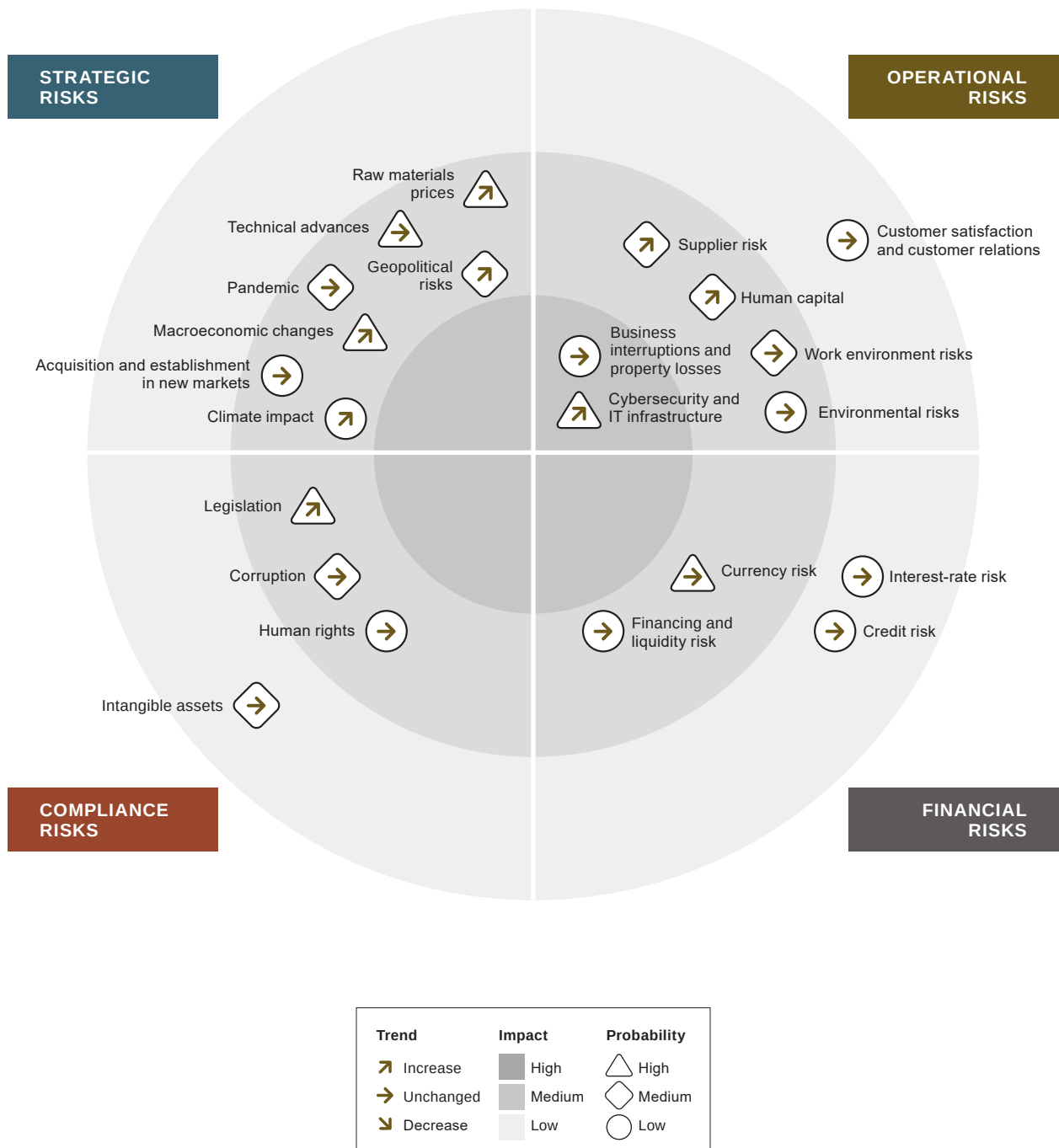
- Strategic risks are the external factors that could impact the Group's operations such as climate change, new technology, fluctuations in the business cycle and politics.
- Operational risks are risks that VBG Group can largely control and prevent on its own, and concern primarily our relationships with customers and suppliers, our facilities and our employees.
- 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 95.

The model on the following page 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.



- 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.



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 a negative 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 digitalization 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 17 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 25% 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 2021.
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	Impact	Probability
 Increase	 High	 High
 Unchanged	 Medium	 Medium
 Decrease	 Low	 Low

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 cyber-attacks. 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	Impact	Probability
 Increase	 High	 High
 Unchanged	 Medium	 Medium
 Decrease	 Low	 Low

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 95.

Trend	Impact	Probability
 Increase	 High	 High
 Unchanged	 Medium	 Medium
 Decrease	 Low	 Low

Stable financial position

VBG Group has been listed since 1987 on Nasdaq Stockholm, and the company's Series B share is traded on Mid Cap, Industry (VBG B). Over the past five years, the value of the share has increased 17.1%.

In 2021, the share price for the VBG Group Series B share rose 21.7% to SEK 188.00 (SEK 154.50 at the preceding year end). The highest share price (SEK 202.00) was noted on August 10 and the lowest (SEK 153.50) on January 4. A total of 2,181,556 of the VBG Group's Series B shares were traded during the year, equivalent to a turnover rate of 8.7% (9.4). The VBG Group's market capitalization at year end was approximately SEK 4.7 billion (3.9).

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 2021 was 24.6%. Over the past five-year period, the total return for the VBG Group Series B share was 80.9%.

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 2021 is equivalent to 37.1% (49.6) of the Group's net profit, corresponding to a dividend yield of 2.7% (2.9) based on the closing price for 2021.

Since the company's initial listing on the stock exchange in 1987, and including the dividend of SEK 5.00 (4.50) proposed by the Board to the 2022 Annual General Meeting, the company has paid an average dividend amounting to 32.4% 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 36.6% of net profits. If 2019 is excluded, the latest ten-year average is 40.2%.

Share capital

VBG Group AB's share capital at December 31, 2021 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 5,831 shareholders (4,507) at year end (December 31, 2021). 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, 90.6% is owned by institutions (including the three foundations, and the VBG Group's treasury shares). Foreign ownership is 15.7%.

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 2021, only a few physical meeting with investors took place, but a number of telephone conversations were held with analysts in Sweden. Financial statements and other information, both financial and general, can be found on the Group's website at www.vbggroup.com. The person in charge of Investor Relations is CFO Fredrik Jigneus, telephone +46 (0)521 27 77 53, e-mail fredrik.jigneus@vbggroup.com.

37.1 %

PROPOSED DIVIDEND
AS A PERCENTAGE
OF THE GROUP'S
NET PROFITS

2.7 %

DIVIDEND YIELD

TEN LARGEST SHAREHOLDERS AT 30 DECEMBER 2021

Shareholders	Series A shares	Series B shares	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
Lannebo fonder		2,692,776	2,692,776	10.28	5.73
SEB fonder		2,685,075	2,685,075	10.25	5.72
Nordea fonder		2,019,772	2,019,772	7.71	4.30
Swedbank fonder		1,452,266	1,452,266	5.54	3.09
IF Skadeförsäkring AB (publ)		1,099,192	1,099,192	4.20	2.34
The Fourth Swedish National Pension Fund		1,000,107	1,000,107	3.82	2.13
Didner & Gerge Småbolag		950,229	950,229	3.63	2.02
Ten largest shareholder groups	2,440,000	17,022,459	19,462,459	74.30	88.20
Total other shareholders		5,541,589	5,541,589	21.15	11.80
Total number of shares outstanding	2,440,000	22,564,048	25,004,048	95.45	100.00
VBG Group AB, own holding¹		1,191,976	1,191,976	4.55	
Total number of registered shares	2,440,000	23,756,024	26,196,024	100.00	

¹ Without voting or dividend rights.

OWNER CATEGORIES	
Dec. 30, 2021	Percentage of capital
Foreign shareholders	15.69
Swedish shareholders	84.31
Of which:	
Institutions	90.59
Private persons	9.41

SIZE OF SHAREHOLDINGS		
Dec. 30, 2021		
Shareholding	Shareholders	Percentage of capital
<500	4,862	1.96
501–5,000	842	4.55
5,001–10,000	52	1.37
10,001–20,000	24	1.24
>20,001	51	90.88
Total	5,831	100.00

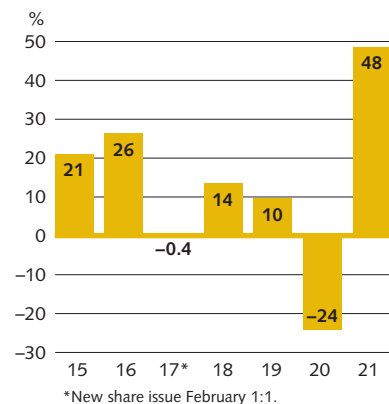
SHAREHOLDERS IN SWEDEN AND ABROAD	
Dec. 30, 2021	Percentage of capital
Sweden	84.31
Other Nordic countries	4.99
Other European countries	9.21
Rest of world	1.49

DATA PER SHARE					
	2021	2020	2019	2018	2017
Earnings, SEK	13.48	9.07	11.98	10.92	9.62
Dividend, SEK	5.00 ¹	4.50	0 ²	4.50	3.25
Share price, SEK	188.00	154.50	157.50	126.80	132.00
Share price adjusted, SEK (as regards new share issue, Feb 2017)	188.00	154.50	157.50	126.80	126.80
P/E ratio	13.95	17.03	13.1	11.6	13.7
Equity, SEK	111.7	100.0	97.09	89.04	80.18
Cash flow from operating activities	1.48	17.85	17.55	10.14	10.63
Dividend yield, %	2.66	2.91	0.00	3.55	2.46
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	22,920

¹ Proposed dividend per share.

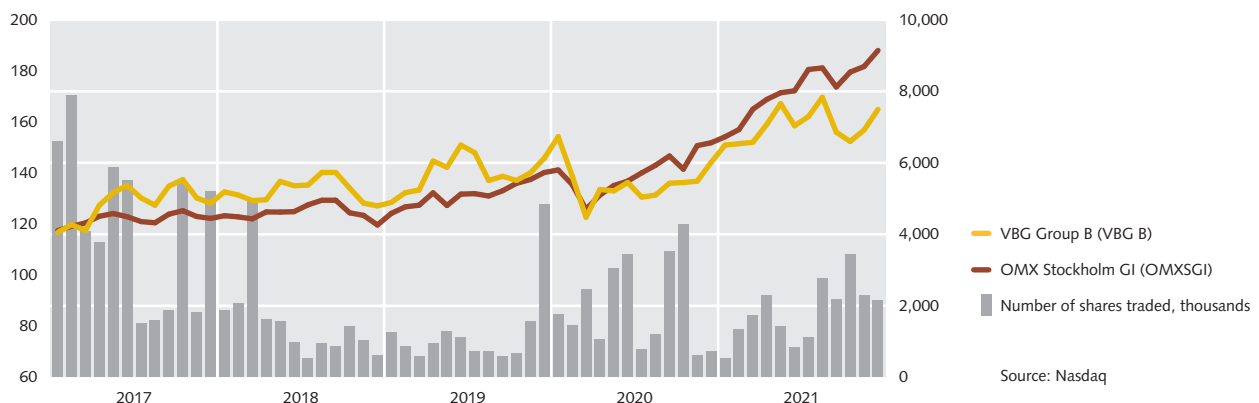
² Proposed dividend for 2019 earnings, SEK 5.00, withdrawn at the 2020 Annual General Meeting.

GROWTH IN EARNINGS PER SHARE



*New share issue February 1:1.

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



Five 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.

STRONG BRANDS IN ATTRACTIVE NICHES

1

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.



STABLE, SECURE OWNERSHIP SITUATION

2

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.

74.3%

10 LARGEST OWNERS, BY CAPITAL

LONG-TERM FINANCIAL STRENGTH

3

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.

59.9%

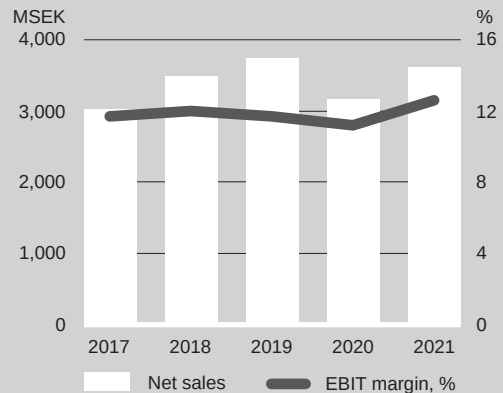
EQUITY/ASSETS RATIO

PROFITABLE GROWTH

4

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 14.7% in 2021 (19.1% taking exchange rate changes between years into consideration) as a result of increased demand for transportation and infrastructure. Total average growth over a five-year period was 18.5%, of which 8.3% was organic growth and 13.1% structural growth. The hope is also that growth will be profitable. The VBG Group's objective is to achieve an average operating margin (EBIT margin) greater than 12%, rolling five years. In 2021, the Group achieved an EBIT margin of 12.6%; rolling five years, the EBIT margin was 11.9%.

Historical performance



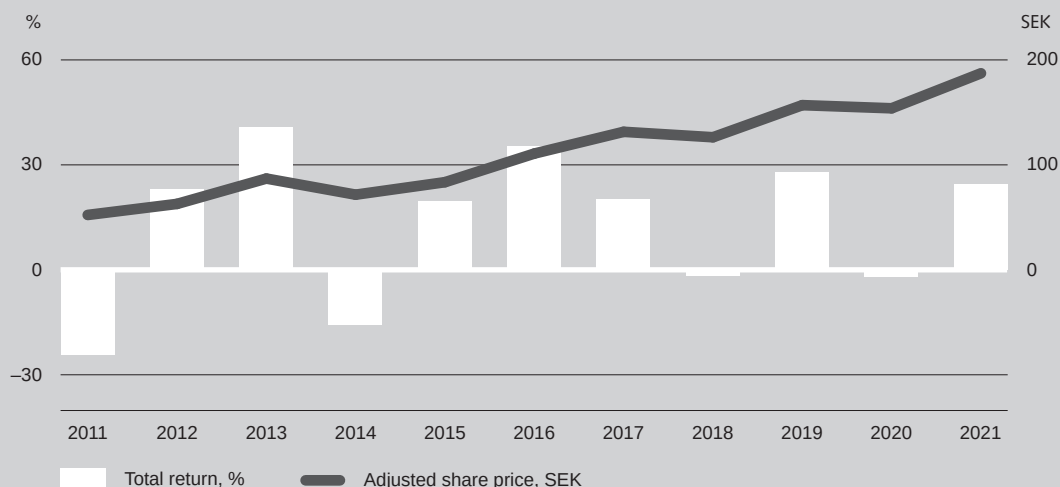
STABLE, HEALTHY RETURNS

5

According to its dividend policy, in normal circumstances the VBG Group will distribute 30.0% of the Group's net earnings. Over the last five years, an average 31.8% 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 40.8% of net profit. The dividend yield for 2021 totaled 2.9% (0) and over the five-year period averaged 2.2% per year. The total return for 2021 was 24.6% (-1.9). Over the past five-year period, the aggregate total return was 80.9%.

2.7%
DIVIDEND YIELD

Total return & share price



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Board of Directors' Report

VBG Group AB (publ) Corp. ID No. 556069-0751
(All amounts 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 2021 fiscal year, the company's 63rd 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, Australia, South Africa and nine countries in Europe. The operations are monitored and reported via three divisions: Truck & Trailer Equipment, Mobile Climate Control and Ringfeder Power Transmission. VBG Group AB'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 2021 consisted of 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.
- With its own brand, Mobile Climate Control 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. Since December 2021, the Carlyle Johnson brand has also been part of the division. 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 2021 was a year marked by high demand and major challenges. Demand for the Group's products was high throughout the year, and the first quarter was the best in the Group's history as regards both sales and earnings. The challenges came in the second quarter, with higher raw materials prices for steel and aluminum, which are used to a great extent in every division's products, but prices for packaging materials and energy rose markedly as well. This high demand led to a shortage of raw materials and components as well as logistical challenges. From the second through the fourth quarter, VBG Group experienced immense pressure throughout the supply chain, with limitations in logistics and considerable inflation of costs. At the end of the year, the fourth wave of the pandemic also led to personnel shortages as many fell ill or were quarantined. Despite these challenges, VBG Group successfully posted the best earnings in its history and returned an operating margin of 12.6%, compared with 11.2% for 2020.

Consolidated sales for the full year increased by 14.7% to SEK 3,611.2 M (3,147.2). Adjusted for currency effects, organic growth increased by 19.1%. Consolidated operating profit (EBIT) increased to SEK 456.0 M (353.4), with an operating margin of 12.6% (11.2).

The Group's net interest items totaled SEK -9.7 M (-13.0), and foreign currency-denominated credits were impacted by a currency effect of SEK -1.9 M (-10.5) and other financial items totaling SEK -2.9 M (-3.4). Taken together, this resulted in net financial items of SEK -14.6 M (-26.9). Accordingly, profit after financial items amounted to SEK 441.4 M (326.5), with a margin of 12.2% (10.4). Profit after tax was SEK 337.1 M (226.7), which meant earnings per share increased by 48.7% to SEK 13.48 M (9.07).

The average return on capital employed (ROCE) increased to 12.2% (9.8). Return on equity (ROE) increased to 12.2% (9.0). The Group's equity/assets ratio increased year-on-year to 59.9% (58.7).

Tax expense

Tax expense for the year was SEK 104.3 M (99.8), of which current tax accounted for SEK 102.4 M (82.6) and deferred tax for SEK 1.9 M (17.1). In 2020, deferred tax was negatively impacted by impairment of tax receivables in Mobile Climate Control Poland and India totaling SEK 11.0 M.

Tax expense for the year thereby corresponds to a tax rate for the Group of 23.6% (30.6).

Capital expenditures

The Group's total investments for the year amounted to SEK 82.7 M (52.6), of which investments in intangible assets totaled SEK 31.9 M (0.7), the largest part of which consists of assets pertaining to the Insta-Chain brand. Investments in fixed assets amounted to SEK 50.8 M (51.9).

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 50–55 and under Note 2 Financial risks.

Cash flow and financial position

Cash flow from operating activities declined to SEK 187.3 M (446.2). Paid capital expenditures during the year amounted to SEK 208.4 M (50.6). During the year, the Group's total borrowings and current financial liability declined SEK 114.3 M, net, (increase: 54.1) with a dividend payment to the shareholders of SEK 112.5 M (0). Combined, this resulted in a cash flow from financing activities of SEK –226.8 M (54.1). Accordingly, net cash flow for the year amounted to SEK –247.9 M (pos: 449.6).

Profit after tax for the full year amounted to SEK 337.1 M (226.7) and other comprehensive income totaled SEK 68.8 M (–154.2), which consisted of exchange rate changes totaling SEK 84.4 M (–151.6) and the impact of the translation of defined-benefit pension plans of SEK –15.6 M (–2.6). Comprehensive income therefore totaled SEK 405.9 M (72.5). After the payment of dividends totaling SEK 112.5 M (0) to the shareholders, equity totaled SEK 2,793.5 M (2,500.2). The equity/assets ratio increased during the year to 59.9% (58.7). Cash and cash equivalents declined SEK 232.1 M during the year (increase: 427.0) to SEK 667.4 M (899.5) at year-end. In addition, there were unutilized overdraft facilities of SEK 100.0 M (100.0), which means the Group at year end had available liquidity of SEK 767.4 M (999.5).

The Group's interest-bearing net debt increased by SEK 186.6 M during the year, despite the Group's credits in the bank decreasing by SEK 54.0 M while lease liabilities also decreased by SEK 9.8 M. The reason behind the increased

in net debt was cash flow of SEK –247.9, which was a result of the reintroduction of the dividend and an increase in capital tied up and investments compared with 2020. The defined-benefit pension liability increased by SEK 18.3 M, which altogether resulted in a total net debt of SEK 455.5 M (268.9) at December 31, 2021.

The ratio of interest-bearing net debt to equity at 31 December 2021 was 0.16 (0.11) and the ratio of interest-bearing net debt to consolidated operating profit (EBITDA) was 0.81 (0.58). The Group's goodwill increased by SEK 67.7 M as a result of the acquisition of Carlyle Johnson Machine and exchange rate changes. The Group's goodwill at December 31, 2021 amounted to SEK 1,169.8 (1,102.1), which in relation to equity corresponded to a ratio of 0.42 (0.44).

Personnel

At December 31, 2021, there were 1,714 employees (1,484) in the VBG Group including Carlyle Johnson Machine, of which 219 (221) in Sweden. The Group employed an average of 1,600 persons (1,486) excluding Carlyle Johnson Machine in 2021, representing an increase of 7.9%. Of these, 225 (200) were active in Sweden. The cost of salaries and social security contributions increased 12.4%, totaling SEK 871.3 M (776.2) during the year.

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 intangible assets, in the form of brands, to be gathered in the Parent Company. VBG Group AB focuses on maintaining and developing the Group's brands. The Parent Company's net sales, which pertain primarily to intra-Group services and license revenues, amounted to SEK 52.1 M during the year (49.9). The operating loss for the year was SEK –7.7 M (–2.4). After dividends from Group companies, net interest items and tax, earnings totaled SEK 112.2 M (40.3).

Group trend, SEK M	2021	4/21	3/21	2/21	1/21	2020	4/20	3/20	2/20	1/20
Net sales	3,611.2	936.0	848.3	925.5	901.4	3,147.2	759.9	759.6	670.1	957.5
EBITDA	562.4	100.8	137.0	156.4	168.2	462.5	114.0	139.3	65.5	143.8
EBITA	484.1	79.4	117.6	137.5	149.6	385.5	94.1	120.5	46.5	124.5
Operating profit (EBIT)	456.0	72.1	110.5	130.6	142.8	353.4	86.2	113.0	38.2	116.0
Operating margin (EBIT), %	12.6	7.7	13.0	14.1	15.8	11.2	11.3	14.9	5.7	12.1
Operating profit after financial items (EBT)	441.4	71.6	107.4	126.5	135.9	326.5	80.4	100.0	32.6	113.5
Profit after tax	337.1	58.0	82.2	93.8	103.1	226.7	50.9	73.9	22.4	79.4
Earnings per share, SEK	13.48	2.32	3.29	3.75	4.12	9.07	2.04	2.95	0.90	3.18
Cash flow from operating activities	187.3	37.1	58.8	32.4	59.0	446.2	139.1	120.1	74.2	112.8
ROE (cumulative), %	12.2	12.2	14.1	14.8	16.1	9.0	9.0	9.2	8.1	12.8
ROCE (cumulative), %	12.2	12.2	13.5	14.8	15.4	9.8	9.8	9.8	8.8	12.8
Equity/assets ratio, %	59.9	59.9	61.3	57.9	58.4	58.7	58.7	57.8	57.2	55.8

Sales, SEK M	2021	4/21	3/21	2/21	1/21	2020	4/20	3/20	2/20	1/20
Sweden	285.7	76.7	54.4	74.0	80.6	240.2	68.6	53.9	47.7	70.0
Other Nordic countries	212.6	58.4	45.6	53.0	55.7	174.0	46.3	36.6	38.0	53.2
Germany	535.9	137.7	123.3	141.2	133.8	409.3	101.7	90.4	88.5	128.8
Other European countries	597.5	136.3	141.0	164.9	155.3	468.1	118.3	110.2	90.5	149.2
North America	1,551.2	399.0	381.3	379.3	391.7	1,573.6	353.2	401.2	344.4	474.8
Brazil	89.0	27.0	25.1	18.2	18.7	79.6	23.4	19.3	16.0	21.0
Australia/New Zealand	108.6	26.6	24.4	30.2	27.4	103.3	24.9	23.0	21.1	34.2
China	48.8	18.3	10.7	13.5	6.3	30.1	8.8	7.0	7.9	6.4
Rest of world	181.9	56.1	42.5	51.4	31.9	68.8	14.8	18.0	16.0	20.0
Group	3,611.2	936.0	848.3	925.5	901.4	3,147.2	759.9	759.6	670.1	957.5

Truck & Trailer Equipment – Robust growth and high profitability

For Truck & Trailer Equipment, 2021 was marked by a robust increase in demand. Despite supply chains under pressure, fluctuations in materials costs and increasing raw materials prices, the division posted record-high sales and profit with an EBITA margin of 18.9%. Since the pandemic also had an impact on 2021, protecting employees and creating a safe work environment remained the highest priority.



SALES	EBITA	EBITA MARGIN	AVERAGE NUMBER OF EMPLOYEES
SEK 1,328 M	SEK 251 M	19%	356

SIGNIFICANT EVENTS IN 2021

- Record high sales.
- Launch of new range of couplings.
- The acquisition of the North American tire chain manufacturer Insta-Chain.
- Measures to safeguard employees' health and safety during the pandemic.

FOCUS FOR 2022

- Product launches that create value for drivers, haulers and body builders.
- Continued international expansion, focusing on Brazil, China and India.
- Capacity expansion to meet future growth.
- Prepare for new supplementary acquisitions.
- Expanded digital marketing.

In total, Truck & Trailer Equipment sales increased by 26.0% year-on-year, and EBITA increased to SEK 251.4 M (194.8) with an EBITA margin that remained strong at 18.9% (18.5).

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 the focus toward sustainability and safety as well as 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 and autonomous vehicles.

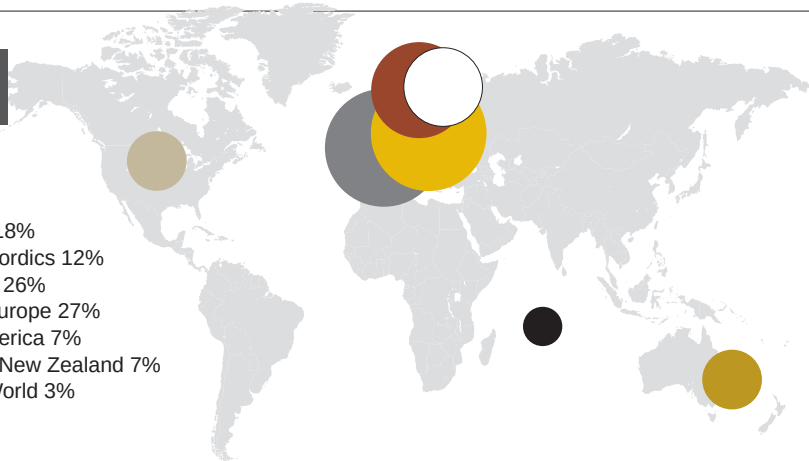
TRUCK & TRAILER EQUIPMENT

MAIN MARKET SEGMENTS

- Drawbar couplings
- Automatic tire chains
- Sliding roofs
- Drawbars
- Drawbeams
- Underrun protection

SALES BY REGION

- Sweden 18%
- Rest of Nordics 12%
- Germany 26%
- Rest of Europe 27%
- North America 7%
- Australia/New Zealand 7%
- Rest of World 3%



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 and emergency vehicles.
- For sliding roofs, the largest customer segment is manufacturers of tarpaulin-covered trailers.

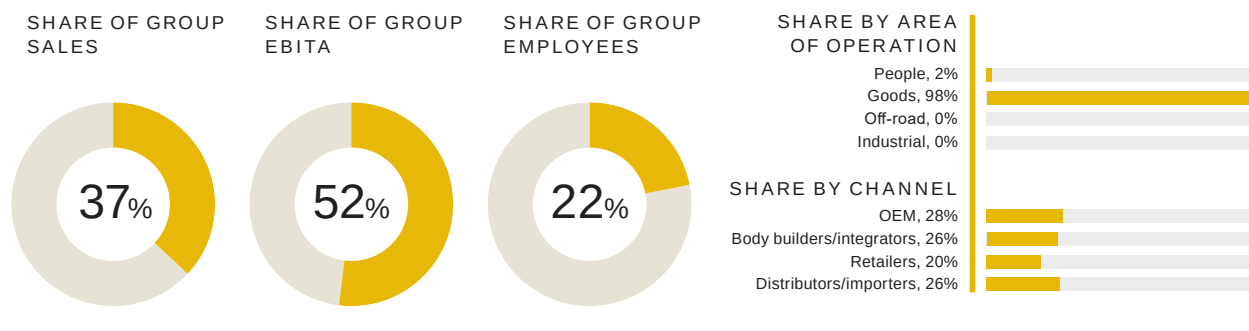
Truck & Trailer Equipment's continual focus on traffic safety has gained the division a reputation as a knowledgeable, value-creating partner in the area. The ability to deliver customized systems solutions rather than individual products is the division's strongest competitive advantage.

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 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 digitalization, 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 digitalization of its product offering. One example of a new product offering in the division is sensor technology for coupling and roof equipment. This technology improves functionality for the user, leading to increased traffic safety and greater efficiency.

During the year, the division completed an asset acquisition of the tire chain manufacturer Insta-Chain, Onspot's largest competitor in the North American market. The acquisition involves a consolidation of operations into the existing production unit in North Vernon, Indiana.

In 2021, the division launched a new range of couplings that create added value for haulers, body builders and drivers. The new solutions are certified under UNECE Regulation 55 and promote increased traffic safety.



Financial performance

The need for transportation and industrial solutions continued to increase in 2021. Truck & Trailer Equipment posted the highest sales in its history in 2021. Sales increased by 26.0% to SEK 1,327.9 M (1,054.3).

Adjusted for currency effects during the year, organic growth for Truck & Trailer Equipment was 29.2%. Despite the increase in sales, extreme pressure throughout the supply chain with limitations in logistics and considerable inflation of costs impacted the margins negatively compared to 2020. Nonetheless, Truck & Trailer Equipment was able to sum up the year with an EBITA margin of 18.9% (18.5).

Depreciation of property, plant and equipment for the year was SEK 30.8 M (28.7), which meant that EBITDA increased to SEK 282.2 M (223.5). Amortization of intangible assets was SEK 3.4 M (5.6), which increased EBIT to SEK 248.0 M (189.2). In total, impairments expensed to the division were SEK 34.2 M (34.3).

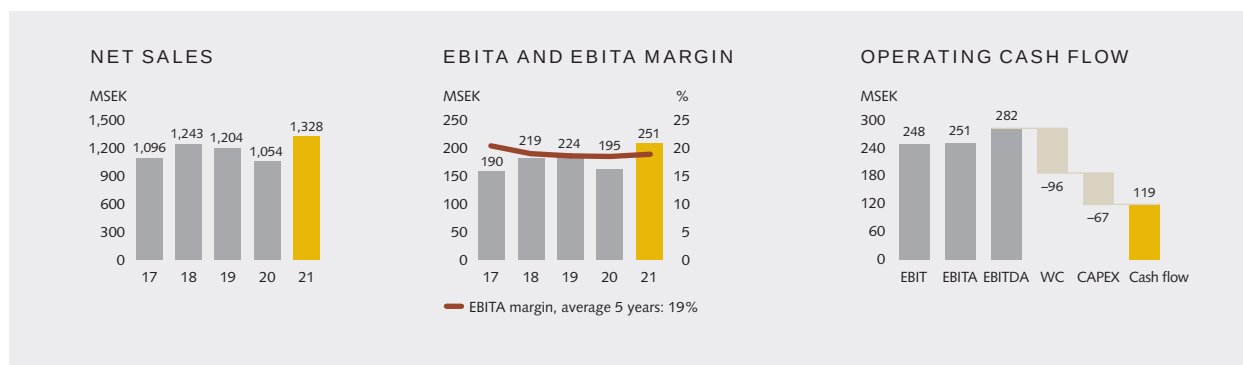
The division's working capital increased by SEK 95.9 M during the year to SEK 327.6 M (231.7); with the added value of SEK 187.2 M for property, plant and equipment, operating capital totaled SEK 514.8 M (407.7). Truck & Trailer Equipment's ROOC increased to 58.3% (52.0).

New capital expenditures for the year amounted to SEK 67.1 M (33.6), of which SEK 28.8 M pertained to assets concerning the Insta-Chain brand.

In 2021, Truck & Trailer Equipment had an average of 356 employees (331), and 376 (353) persons were employed at December 31, 2021. Personnel costs for the year totaled SEK 272.7 M (233.0), resulting in a cost per employee of SEK 766.0 thousand (704.0).

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. The division is reviewing opportunities for acquisitions and increased internationalization. Moreover, through digitalization 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. In 2022, a number of new products will be launched that create added value and increase safety for body builders, retailers and drivers.



Sales/Earnings, SEK M Truck & Trailer Equipment	2021	4/21	3/21	2/21	1/21	2020	4/20	3/20	2/20	1/20
Net sales	1,327.9	350.3	281.0	349.3	347.4	1,054.3	291.2	235.5	199.5	328.2
EBITDA	282.2	63.1	49.4	79.1	90.5	223.5	68.1	46.8	34.1	74.6
EBITA	251.4	54.9	41.7	71.4	83.4	194.8	60.1	40.0	27.1	67.7
EBITA margin, %	18.9	15.7	14.8	20.4	24.0	18.5	20.6	17.0	13.6	20.6
Operating profit (EBIT)	248.0	53.7	40.8	70.7	82.8	189.2	58.8	39.2	25.3	65.9
Operating margin (EBIT), %	18.7	15.3	14.5	20.2	23.8	17.9	20.2	16.6	12.7	20.1

Sales, SEK M Market	2021	4/21	3/21	2/21	1/21	2020	4/20	3/20	2/20	1/20
Sweden	240.1	65.3	44.5	61.1	69.1	203.9	60.2	46.3	37.8	59.5
Other Nordic countries	164.7	44.4	34.1	41.2	45.0	140.0	38.5	29.1	28.9	43.4
Germany	343.6	87.6	72.9	94.5	88.5	254.8	67.0	55.8	51.0	81.1
Other European countries	363.9	82.3	82.1	103.0	96.5	275.0	71.3	66.3	48.0	89.4
North America	92.1	35.9	20.2	14.6	21.4	90.3	29.6	20.3	15.1	25.3
Australia/New Zealand	87.1	23.3	18.8	24.7	20.4	68.1	18.5	11.7	14.6	23.3
China	1.6	1.1	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rest of world	34.9	10.3	8.0	10.2	6.4	22.2	6.0	5.9	4.1	6.1
Truck & Trailer Equipment	1,327.9	350.3	281.0	349.3	347.4	1,054.3	291.2	235.5	199.5	328.2

Mobile Climate Control – Pressured supply chains and continued cost savings

Growth in the off-road business remained stable in 2021, while the bus business was still impacted by the pandemic. Disruptions to the supply chain in combination with increased raw materials prices during the year offset the effects of the cost-saving and structural measures implemented in 2021. The division posted an EBITA margin of 8.9%.



SALES	EBITA	EBITA MARGIN	AVERAGE NUMBER OF EMPLOYEES
SEK 1,763 M	SEK 157 M	9%	915

SIGNIFICANT EVENTS IN 2021

- Continued focus on improved profitability and structural measures.
- Decision to consolidate US bus operations in York, Pennsylvania.
- Extensive price increases on raw materials, which generated price increases on our products.
- The majority of our deliveries were for electric vehicles for public transportation.
- Continued measures to manage the pandemic and protect personnel.
- Electrification of the product range in several segments.

FOCUS FOR 2022

- Complete the shift and consolidation of bus operations in the US.
- Continue measures to counter the increasing raw materials prices and potentially higher inflation.
- Continue implementation of structural measures.
- Increased share of deliveries for electric school buses and off-road vehicles.
- Implement new brand strategy.

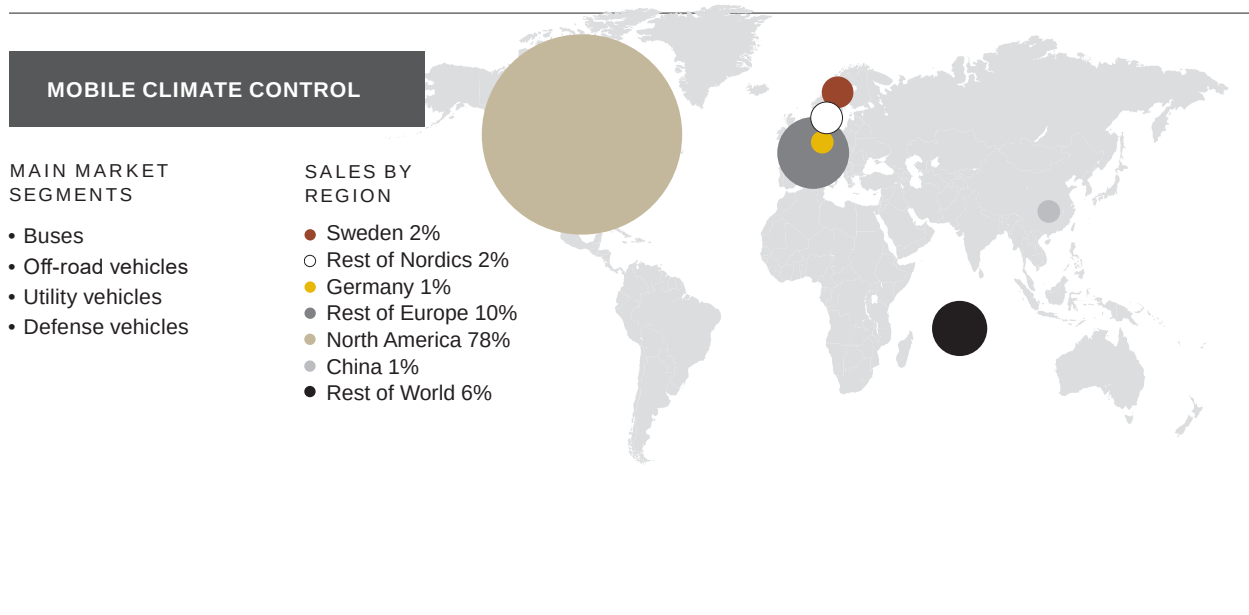
The division went into 2021 with high costs. Active efforts at improving profitability were offset by rising raw materials prices, increasing transportation costs and high energy prices. Extra focus has been directed toward the bus business, where profitability remains lower than the target. To ensure customer deliveries – above all in the fourth quarter of the year – personnel costs also increased, which had a negative impact on the margin. The EBITA margin stood at 8.9%.

Sales increased 9.0% year-on-year. During the year, the division worked actively on restructuring in order to achieve increased profitability going forward. There was also a great deal of focus during the year on taking measures to protect employees and create a safe work environment.

The market

Overall demand is driven by a number of global trends such as urbanization, digitalization, electrification and an increased focus on climate and the environment. One positive aspect for Mobile Climate Control is that its customers are placing stricter demands on the climate in their vehicles, which drives development forward. Increased electrification and digitalization also lead to more advanced climate control systems. In 2021, the overwhelming majority of the division's deliveries were for electric climate control systems for city buses.

Many communities opened up after the pandemic last year and the market became somewhat overheated, which led to problems with deliveries. Delays in customer deliveries were caused by insufficient access to materials, personnel and transportation. 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.

The various segments were all impacted differently by the pandemic. Growth in the off-road segment was stable in 2021. The impact of the pandemic on the market for tourist buses remained heavily negative, but in 2021 demand for city and school buses picked up, which also had a positive impact on the aftermarket business.

Operations

Mobile Climate Control is a global operator in the field of heating, ventilation and air conditioning (HVAC). The division has operations on every continent. Sales occur primarily in two markets: North America and Europe, in which North America represents 78% of sales. The customer offering comprises development, manufacture, marketing and sales of complete climate control systems.

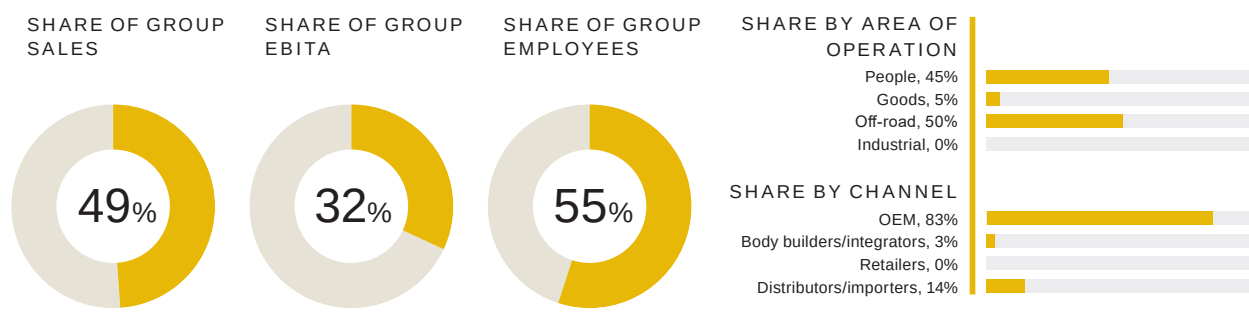
The division addresses itself above all to customers in four market segments:

- 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 Climate Control enjoys a strong position in North America across all segments. In Europe, the brand is strong in climate control systems for utility vehicles and in heating systems for buses.

Mobile Climate Control'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 digitalization, Mobile Climate Control 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 digitalization, 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 Climate Control reported an increase of 9.0% in sales to SEK 1,762.7 M (1,617.7). Taking exchange rate changes into account, organic growth was 13.3%. EBITA for the full year rose to SEK 156.8 M (125.9), with an EBITA margin of 8.9% (7.8).

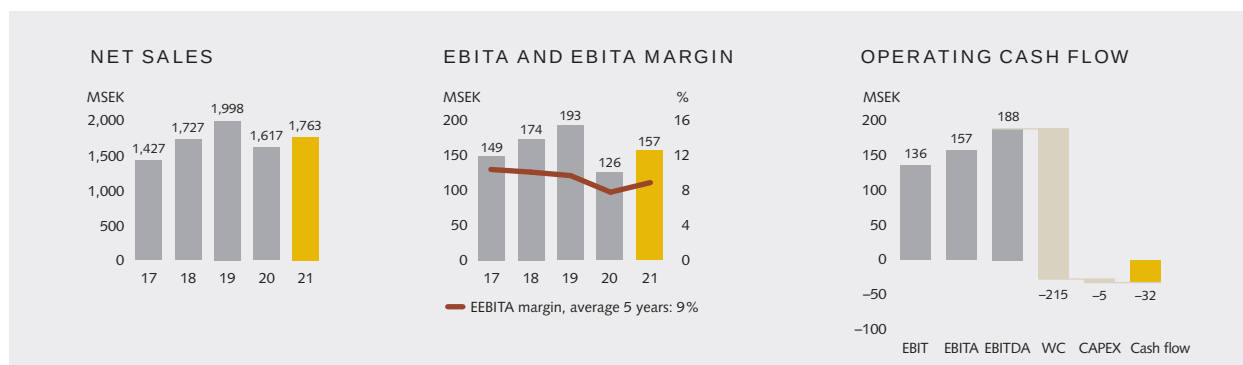
Depreciation of property, plant and equipment for the year was SEK 31.3 M (31.0), which meant that EBITDA totaled SEK 188.2 M (156.9). Amortization of intangible assets was SEK 20.6 M (21.4), which resulted in an EBIT of SEK 136.2 M (104.5). In total, impairments expensed to the division were thus SEK 51.9 M (52.4).

The division's working capital (inventory, trade receivables and trade payables) increased SEK 214.6 M during the year to SEK 576.8 M (362.2); with the added value of SEK 179.3 M (191.1) for property, plant and equipment, operating capital totaled SEK 756.1 M (553.3). The ROOC for Mobile Climate Control increased to 27.0% (24.4).

New capital expenditures for the year totaled SEK 5.3 M (8.7). Mobile Climate Control increased its workforce in 2021, employing an average of 915 persons (833). At December 31, 2021, 939 persons (808) were employed in the division. Personnel costs increased to SEK 419.0 M (370.4), resulting in a cost per employee of SEK 458.0 thousand (444.7).

The division, going forward

In early 2022, all employees were informed of the decision to consolidate all bus activity into a newly constructed facility in York, Pennsylvania. This restructuring is a cornerstone for the continued efforts around the profitability and growth of the bus segment. Concentrating competence and resources will also result in an improved customer offering. Focus over the next few years will be on guaranteeing Mobile Climate Control's profitability and preparing for the next phase of growth. Ensuring healthy profitability in the segments where we have a strong market position is of the highest priority. Through connected products and customized advanced climate control systems, as well as more deliveries for electric vehicles, Mobile Climate Control will strengthen its position in the market.



Sales/Earnings, SEK M Mobile Climate Control	2021	4/21	3/21	2/21	1/21	2020	4/20	3/20	2/20	1/20
Net sales	1,762.7	450.3	430.4	451.7	430.3	1,617.7	357.8	404.9	358.1	496.9
EBITDA	188.2	24.0	56.8	56.4	51.0	156.9	27.0	64.6	12.2	53.2
EBITA	156.8	14.8	49.4	49.3	43.4	125.9	19.2	56.8	4.5	45.4
EBITA margin, %	8.9	3.3	11.5	10.9	10.1	7.8	5.4	14.0	1.3	9.1
Operating profit (EBIT)	136.2	9.6	44.2	44.1	38.3	104.5	13.9	51.4	-0.8	40.1
Operating margin (EBIT), %	7.7	2.1	10.3	9.8	8.9	6.5	3.9	12.7	-0.2	8.1

Sales, SEK M Market	2021	4/21	3/21	2/21	1/21	2020	4/20	3/20	2/20	1/20
Sweden	42.2	10.8	8.8	12.1	10.5	32.7	7.7	7.0	9.0	9.0
Other Nordic countries	44.1	12.6	10.5	10.9	9.9	30.6	7.0	6.6	8.1	8.9
Germany	21.4	6.1	5.1	5.7	4.5	19.4	4.0	3.3	4.9	7.2
Other European countries	177.6	42.1	43.4	47.6	44.5	141.2	35.6	31.9	31.1	42.6
North America	1,355.4	338.4	333.6	341.9	341.4	1,365.4	296.2	349.5	299.1	420.5
China	19.0	6.5	5.6	4.4	2.4	14.4	4.2	3.3	3.8	3.2
Rest of world	103.1	33.7	23.4	29.0	16.9	14.0	3.1	3.3	2.1	5.4
Mobile Climate Control	1,762.7	450.3	430.4	451.7	430.3	1,617.7	357.8	404.9	358.1	496.9

Ringfeder Power Transmission

– The strongest year to date

Despite problems in the supply chain and the continuing pandemic, Ringfeder Power Transmission was able to meet customer needs and post the division's best earnings in its history in 2021. The healthy profitability was attributable to a favorable product mix and previously implemented efficiency enhancement measures in production. Sales increased 9.5% year-on-year and the EBITA margin strengthened as well, totaling 18.5% (16.4).



SALES	EBITA	EBITA MARGIN	AVERAGE NUMBER OF EMPLOYEES
SEK 521 M	SEK 96 M	18%	320

SIGNIFICANT EVENTS IN 2021

- Record high sales and profitability.
- The acquisition of Carlyle Johnson Machine.
- In Brazil Henfel's best sales year in its history.
- Launch of a new integrated ERP system for Europe.
- Increased share of business via digital marketing and sales channels.
- Launch of two new product series.
- Fully integrated CNC centers created profitability.
- Increased market shares owing to efficient management of production compared with competitors.

FOCUS FOR 2022

- Increase internal production capacity in Europe to meet growing demand.
- Improve production efficiency for Henfel in South America.
- Integrate Carlyle Johnson Machine's operations.
- Celebrate our 100th anniversary.
- Improve sales and tech support through digital marketing.
- Develop sales of applications for earthquake protection.

The market

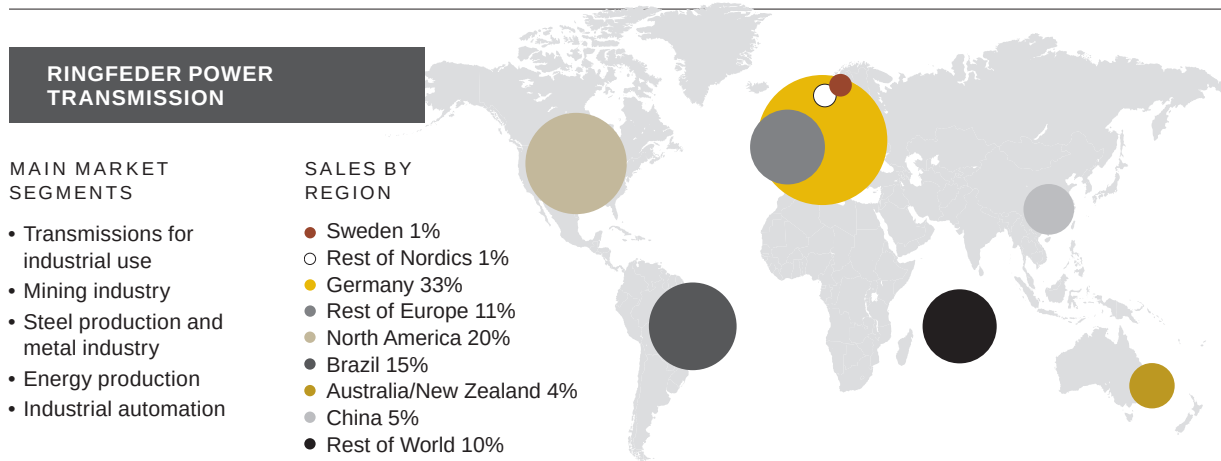
Ringfeder Power Transmission develops, manufactures and sells a wide range of products for advanced applications in mechanical power transmission and energy and shock absorption. Key market segments consist of industrial automation, the food industry, the aerospace and defense industry, energy production,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

In general, it can be said that 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, and one of the bigger consolidations occurred in 2021 when Rexnord and Regal Beloit merged to become one of the largest players in the market with total sales of approximately USD 4 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, the US, Brazil, India and China. The path to the customer runs either through sales subsidiaries or via networks of agents and distributors.



The division's approximately twenty product lines are marketed and sold under the following brands: Ringfeder and Henfel. In general, the products can be divided into three different categories: shaft-hub connections, shaft-shaft couplings and friction springs.

- Shaft-hub connections 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.
- 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.

Over the last few years, Ringfeder Power Transmission has enhanced the efficiency of the division's logistics and production processes, and streamlined its product portfolio towards more profitable products.

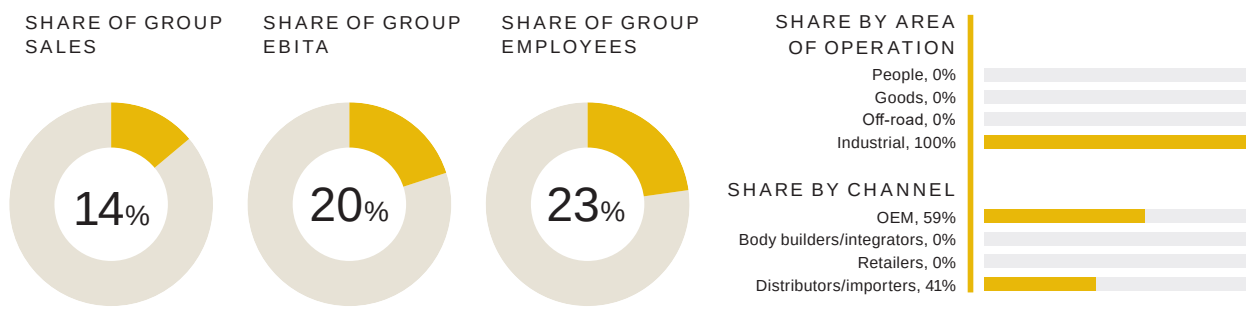
In pace with increased industrial manufacturing globally, the division is now focusing on finding new growth markets and increasing its local presence with its own sales resources.

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 Carlyle Johnson Machine, the division supplements its existing product portfolio and makes its entry into an attractive segment with a high rate of market growth. There are clear synergies in the organization and great potential for Ringfeder Power Transmission's sales organization to market Carlyle Johnson's products in new and existing markets, with shared sales and marketing networks and additional engineering expertise.

In 2021, the division continued its work on strengthening its internal procedures in order to achieve a higher level of productivity in its operations. The division has been working actively on improving the procedures for product returns and trade receivables, and has reviewed the life-cycle process of its products. Henfel had the best sales year in its history owing to strong financial performance in South America in parallel with the creation of a new organization.

The division invested in a new, more efficient CNC center in Neunkirchen, which permits more customized solutions and has shorter set-up times. 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 that e-commerce builds and uses. Ringfeder Power Transmission also noted that digitalization and the use of the division's digital marketing and sales channels increased dramatically in 2021.



Financial performance

For the full year, Ringfeder Power Transmission increased sales by 9.5% to SEK 520.5 M (475.2). Taking exchange rate changes into account, organic growth was 16.1%. EBITA increased to SEK 96.3 M (78.0), with an EBITA margin of 18.5% (16.4).

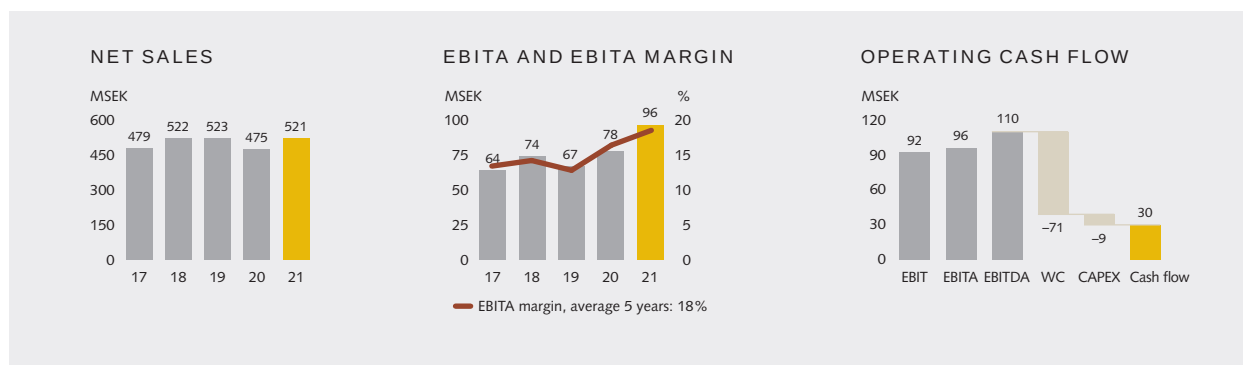
Depreciation of property, plant and equipment for the year was SEK 13.9 M (14.9), which meant that EBITDA totaled SEK 110.2 M (92.9). Amortization of intangible assets was SEK 4.0 M (4.9), which resulted in an EBIT of SEK 92.3 M (73.1). In total, impairments expensed to the division were thus SEK 17.9 M (19.8).

The division's working capital (inventory, trade receivables and trade payables) increased SEK 70.6 M during the year to SEK 216.6 M (146.0); with the added value of SEK 116.3 M (103.0) for property, plant and equipment, operating capital totaled SEK 332.9 M (249.0). The ROOC for Ringfeder Power Transmission increased to 38.5% (33.1).

New capital expenditures for the year totaled SEK 8.9 M (9.7). During 2021, Ringfeder Power Transmission had an average of 320 employees (309) excluding Carlyle Johnson Machine. At December 31, 2021, 390 persons (313) were employed in the division, including Carlyle Johnson Machine. Personnel costs totaled SEK 142.9 M (141.3), resulting in a cost per employee of SEK 446.4 thousand (457.3).

The division, going forward

To meet the needs of the market and to address prevailing trends, Ringfeder Power Transmission has a clear strategy going forward: continued focus on growth markets, above all Asia. Moreover, the efficiency of delivery and production procedures is to be enhanced in order to reduce time to market. Activities to integrate in-house business systems, and to review the supplier base, are also under way. In addition, 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 energy.



Sales/Earnings, SEK M Ringfeder Power Transmission	2021	4/21	3/21	2/21	1/21	2020	4/20	3/20	2/20	1/20
Net sales	520.5	135.4	136.8	124.5	123.9	475.2	111.0	119.2	112.6	132.4
EBITDA	110.2	20.4	33.5	25.6	30.7	92.9	24.7	28.7	22.0	17.6
EBITA	96.3	17.0	29.8	22.3	27.3	78.0	21.1	25.1	18.3	13.5
EBITA margin, %	18.5	12.5	21.8	17.9	22.0	16.4	19.0	21.0	16.2	10.2
Operating profit (EBIT)	92.3	16.0	28.8	21.2	26.3	73.1	20.0	23.9	17.0	12.2
Operating margin (EBIT), %	17.7	11.8	21.0	17.1	21.2	15.4	18.0	20.0	15.1	9.2

Sales, SEK M Market	2021	4/21	3/21	2/21	1/21	2020	4/20	3/20	2/20	1/20
Sweden	3.4	0.5	1.0	0.8	1.0	3.6	0.7	0.6	0.9	1.4
Other Nordic countries	3.9	1.3	1.0	0.9	0.8	3.4	0.7	0.8	0.9	0.9
Germany	170.9	44.0	45.3	40.9	40.7	135.1	30.7	31.3	32.7	40.5
Other European countries	56.0	11.8	15.5	14.3	14.3	52.0	11.4	12.0	11.4	17.1
North America	103.7	24.6	27.4	22.8	28.9	117.9	27.4	31.4	30.2	29.0
Brazil	77.0	23.3	21.3	16.3	16.2	71.3	20.7	17.3	15.3	18.1
Australia/New Zealand	20.5	4.1	4.4	5.3	6.7	33.9	6.1	11.0	6.3	10.5
China	28.3	10.8	4.7	9.0	3.8	15.7	4.6	3.7	4.2	3.2
Rest of world	56.9	15.0	16.2	14.2	11.5	42.2	8.7	11.1	10.7	11.8
Ringfeder Power Transmission	520.5	135.4	136.8	124.5	123.9	475.2	111.0	119.2	112.6	132.4

Sustainability reporting

Sustainability issues hold a central position in VBG Group; this remained the case in 2021. We have chosen to present our statutory Sustainability Report on pages 26–43. Sustainability risks, and how they are managed, are described together with other risks on pages 50–55.

Outlook for 2022

The Group makes no forecast.

The work of the Board of Directors

The Board of Directors of VBG Group AB (publ) consists of six members elected by the AGM. The AGM did not elect any deputies. 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 9 (13) meetings during fiscal year 2021. 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. The 2021 Annual General Meeting (AGM) appointed a Nominating Committee, and 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 2021 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 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 one year's salary. For officers residing outside Sweden, periods of notice and severance pay that are customary in each particular country are applied. The Compensation Committee decides on salaries and other terms of employment.

Refer to page 136 for complete guidelines on remuneration to senior executives, and page 137 for the remuneration report for fiscal year 2021.

The VBG Group share and shareholders

Earnings per share for the year increased 48.7% to SEK 13.48 (9.07), measured against 25,004,048 shares. At December 31, 2021, equity per share was SEK 111.72, compared with SEK 100.00 year-on-year. At the end of the year, the share price was SEK 188.00, which corresponds to a market capitalization of SEK 4,700.8 M, compared to a share price of SEK 154.50 and market capitalization of SEK 3,863.1 M year-on-year. The number of shareholders increased by 1,324 during the year, totaling 5,831 (4,507) at year end.

Significant events after the close of the fiscal year

Geopolitical turbulence increased markedly in the first quarter of 2022 with Russia's invasion of Ukraine. The management of VBG Group is closely following the course of events but at the time of this writing, with the prevailing uncertainty, cannot determine the financial impact this could have on the Group. Continual risk assessments are being conducted and the necessary measures are being routinely taken.

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 2021 Annual General Meeting resolve to approve a dividend of SEK 5.00 per share (4.50) for the 2021 fiscal year. The proposed dividend entails a total distribution of funds from the Parent Company of SEK 125.0 M (112.5), corresponding to 4.5% of the Group's equity – or 8.1% of the Parent Company's equity – at year end. The Group reported profit after tax of SEK 337.1 M (226.7), which means that the proposed dividend comprises 37.1% (49.6) 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 1,305,137,454
Net profit for the year	SEK 112,150,751
	SEK 1,417,288,205

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

dividend to shareholders	SEK 125,020,240
to be carried forward	SEK 1,292,267,965
	SEK 1,417,288,205

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

(definitions, see Note 1), SEK M

	2021	2020	2019	2018	2017
Sales and earnings					
Net sales	3,611.2	3,147.2	3,725.4	3,492.4	3,002.0
Gross profit	1,164.8	1,063.6	1,253.8	1,190.9	1,067.9
EBITDA	562.4	462.5	547.8	497.4	428.3
EBITA	484.1	385.5	467.1	449.3	382.8
Operating profit (EBIT)	456.0	353.4	435.0	417.6	351.1
Profit after financial items	441.4	326.5	397.0	373.1	315.6
Profit after tax	337.1	226.7	299.5	273.0	220.5
Financial position					
Balance sheet total	4,663.5	4,257.3	4,198.6	3,923.8	3,663.6
Capital employed	3,798.1	3,540.4	3,399.0	3,246.0	3,064.0
Equity	2,793.5	2,500.2	2,427.7	2,226.5	2,004.9
Equity per share, SEK	111.72	100.0	97.09	89.04	80.18
Equity/assets ratio, %	59.9	58.7	57.8	56.7	54.7
Interest-bearing net debt (incl. pension liability)	455.5	268.9	655.3	647.9	742.3
Interest-bearing net debt/EBITDA	0.81	0.58	1.20	1.30	1.73
Goodwill/Equity	0.42	0.44	0.47	0.51	0.56
Profitability					
Gross margin, %	32.3	33.8	33.7	34.1	35.6
EBITDA margin, %	15.6	14.7	14.7	14.2	14.3
EBITA margin, %	13.4	12.3	12.5	12.9	12.8
Operating margin (EBIT), %	12.6	11.2	11.7	12.0	11.7
Profit margin before tax, %	12.2	10.4	10.7	10.7	10.5
Return on capital employed (ROCE), %	12.2	9.8	12.4	13.2	10.7
Return on equity (ROE), %	12.2	9.0	12.5	12.8	12.3
Earnings per share, SEK	13.48	9.07	11.98	10.92	9.62
Personnel					
Number of employees at year-end	1,714	1,484	1,612	1,573	1,502
Average number of employees	1,600	1,483	1,596	1,561	1,446
Personnel costs	871.3	776.2	885.6	803.1	718.2
Salaries and social security contributions per employee, SEK '000	544.6	523.4	554.9	514.4	496.7
Other					
Amortization of intangible assets	28.1	32.2	32.1	31.7	31.7
Depreciation of property, plant and equipment	52.5	48.1	49.5	48.1	45.5
Depreciation of right-of-use assets	25.8	28.9	31.2	—	—
Cash flow from operating activities	187.3	446.2	438.9	253.6	243.7
Cash flow for the year	−247.9	449.6	96.4	47.5	44.4
Cash flow per share, SEK	−9.91	17.98	3.86	1.90	1.94

Consolidated Income Statement

SEK '000	Note	2021	2020
Net sales	3	3,611,224	3,147,157
Cost of goods sold		-2,446,404	-2,083,607
Gross profit		1,164,820	1,063,550
Selling expenses		-315,243	-321,720
Administrative expenses		-269,317	-242,574
Research and development costs		-109,994	-113,634
Other operating income	4	9,538	7,897
Other operating expenses	5	-23,810	-40,140
		-708,826	-710,171
Operating profit	6, 7, 8, 9	455,994	353,379
Exchange rate effects, net		-1,941	-10,533
Interest income		4,359	6,239
Interest expenses		-14,128	-19,201
Other financial expenses		-2,851	-3,406
Total financial items		-14,561	-26,901
Profit after financial items		441,433	326,478
Tax on profit for the year	11	-104,324	-99,759
Net profit for the year		337,109	226,719
Net profit for the year attributable to Parent Company shareholders		337,109	226,719
Other comprehensive income			
Net profit for the year		337,109	226,719
Items that will not be reversed in the income statement			
Effect of translation of defined-benefit pension plans		-19,745	-4,069
Deferred tax on effect of translation of defined-benefit pension plans		4,138	1,487
Items that may later be reversed in the income statement			
Translation differences pertaining to foreign operations		84,383	-151,622
Other comprehensive income, net after tax		68,776	-154,204
Comprehensive income for the year		405,885	72,515
Comprehensive income for the year attributable to Parent Company shareholders		405,885	72,515
Earnings per share, SEK		13.48	9.07
Number of shares outstanding at year-end		25,004,048	25,004,048
Number of treasury shares at year-end		1,191,976	1,191,976

Consolidated Balance Sheet

SEK '000	Note	Dec. 31, 2021	Dec. 31, 2020
Assets			
Non-current assets			
Intangible assets	12		
Brands, customer relationships and other intangible assets		839,217	761,516
Goodwill		1,169,824	1,102,101
		2,009,041	1,863,617
Property, plant and equipment	13		
Land and buildings		180,340	165,122
Plant and machinery		137,277	135,087
Equipment, tools, fixtures and fittings		49,274	42,590
Construction in progress		8,299	8,051
Right-of-use assets	14	111,443	123,893
		486,633	474,743
Long-term investments			
Deferred tax asset	16	57,870	53,639
		57,870	53,639
Total non-current assets		2,553,544	2,391,999
Current assets			
Inventories	17		
Raw materials and consumables		459,097	313,890
Work in progress		103,678	65,019
Finished products and merchandise		256,550	172,857
		819,325	551,766
Current receivables			
Trade receivables	24	524,087	352,545
Current tax assets		29,897	19,733
Other receivables		39,960	22,853
Prepaid expenses and accrued income	18	29,280	18,848
		623,224	413,979
Cash and cash equivalents			
Cash on hand and demand deposits		667,449	899,506
Total current assets		2,109,998	1,865,251
Total assets		4,663,542	4,257,250

CONSOLIDATED BALANCE SHEET CONT'D.

SEK '000	Note	Dec. 31, 2021	Dec. 31, 2020
Equity and liabilities			
Equity	19		
Share capital		65,490	65,490
Other contributed capital		781,316	781,316
Reserves		87,411	3,028
Retained earnings, incl. net profit for the year		1,859,332	1,650,348
Total equity		2,793,549	2,500,181
Non-current liabilities			
Provisions for pensions and similar obligations	21	252,094	233,763
Deferred tax liability	16	240,159	214,579
Other provisions	22	38,471	26,147
Lease liability	23	95,815	106,338
Liabilities to credit institutions	23	752,457	806,452
Other non-current liabilities		20,256	2,167
Total non-current liabilities		1,399,252	1,389,446
Current liabilities			
Trade payables	23	225,694	165,473
Current tax liabilities		16,089	9,918
Other liabilities		40,493	32,589
Lease liability	23	22,625	21,887
Accrued expenses and deferred income	26	165,840	137,752
Total current liabilities		470,741	367,619
Total equity and liabilities		4,663,542	4,257,250

Consolidated Changes in Equity

SEK '000	Share capital	Contributed capital	Reserves	Retained earnings	Total equity
Opening balance at Jan. 1, 2020	65,490	781,316	154,650	1,426,211	2,427,667
Effect of translation of defined-benefit pension plans				-4,069	-4,069
Deferred tax on effect of translation of defined-benefit pension plans				1,487	1,487
Translation differences			-151,622		-151,622
Other comprehensive income			-151,622	-2,582	-154,204
Net profit for the year				226,719	226,719
Total comprehensive income					72,515
Dividend					—
Total transactions with shareholders					—
Equity at Dec. 31, 2020	65,490	781,316	3,028	1,650,348	2,500,181
Opening balance at Jan. 1, 2021	65,490	781,316	3,028	1,650,348	2,500,181
Effect of translation of defined-benefit pension plans				-19,745	-19,745
Deferred tax on effect of translation of defined-benefit pension plans				4,138	4,138
Translation differences			84,383		84,383
Other comprehensive income			84,383	-15,607	68,776
Net profit for the year				337,109	337,109
Total comprehensive income					405,885
Dividend				-112,518	-112,518
Total transactions with shareholders					-112,518
Equity at Dec. 31, 2021	65,490	781,316	87,411	1,859,332	2,793,549

Consolidated Cash Flow Statement

SEK '000	Note	2021	2020
Operating activities			
Operating profit before financial items		455,994	353,379
Depreciation/amortization	8	106,438	109,153
Other items not affecting liquidity	28	18,409	-35,985
Interest received, etc.		8,276	12,202
Interest paid, etc.		-15,143	-16,866
Tax paid		-103,371	-78,954
Cash flow before change in working capital		470,604	342,929
Decrease/increase (-) in inventories		-195,444	29,974
Decrease/increase (-) in trade receivables		-140,807	71,991
Decrease/increase (-) in other current receivables		-7,028	9,652
Increase/decrease (-) in trade payables		38,535	-3,954
Increase/decrease (-) in other current liabilities		21,483	-4,437
Cash flow from operating activities		187,343	446,155
Investing activities			
Investments in intangible assets	28	-30,345	-744
Investments in property, plant and equipment	28	-31,778	-45,541
Net settlements, business combinations		-146,271	-4,356
Cash flow from investing activities		-208,395	-50,641
Financing activities			
Repayment of loans		-227,131	—
Loans raised and changes to existing loans		136,283	80,102
Amortization of lease liability		-23,469	-25,996
Dividend paid		-112,518	—
Cash flow from financing activities		-226,836	54,106
Cash flow for the year		-247,887	449,620
Cash and cash equivalents at start of year		899,506	472,474
Translation difference, cash and cash equivalents		15,830	-22,588
Cash and cash equivalents at year-end		667,449	899,506
Unutilized overdraft facilities		100,000	100,000
Total cash and cash equivalents available		767,449	999,506

Parent Company Income Statement

SEK '000	Note	2021	2020
Net sales		52,117	49,941
Gross profit		52,117	49,941
Administrative expenses		-59,865	-52,344
		-59,865	-52,344
Operating loss	6, 7, 8	-7,748	-2,403
Profit/loss from financial items			
Dividend from interests in subsidiaries		91,786	34,035
Profit from liquidation of subsidiaries		-1	1,316
Exchange rate effects, net		-1,636	8
Impairment loss on shares in subsidiaries		-3,176	—
Interest income		4,115	7,518
Interest expenses		-7,469	-9,703
Other financial expenses		-1,995	-3,038
Total profit from financial items		81,624	30,136
Profit after financial items		73,876	27,733
Appropriations	10	44,957	14,400
Tax	11	-6,682	-1,816
Net profit and comprehensive income for the year		112,151	40,317

Parent Company Balance Sheet

SEK '000	Note	Dec. 31, 2021	Dec. 31, 2020
Assets			
Non-current assets			
Intangible assets	12		
Trademarks and other intellectual property		—	91
		—	91
Property, plant and equipment	13		
Equipment, tools, fixtures and fittings		1,414	2,226
		1,414	2,226
Long-term investments			
Interests in Group companies	15	2,016,851	2,016,901
Non-current receivables, Group companies		345,738	229,078
		2,362,589	2,245,979
Total non-current assets		2,364,003	2,248,296

PARENT COMPANY BALANCE SHEET CONT'D.

SEK '000	Note	Dec. 31, 2021	Dec. 31, 2020
Current assets			
Current receivables			
Receivables from Group companies		149,559	76,164
Current tax assets		—	1,631
Other receivables		93	1,436
Prepaid expenses and accrued income	18	9,220	5,896
		158,872	85,127
Cash and cash equivalents			
Cash on hand and demand deposits		511,559	681,155
Total current assets		670,431	766,282
Total assets		3,034,434	3,014,578
Equity and liabilities			
Equity	19		
Restricted equity			
Share capital		65,490	65,490
Reserves		53,249	53,249
		118,739	118,739
Non-restricted equity			
Retained earnings		1,305,137	1,377,338
Net profit for the year		112,151	40,317
		1,417,288	1,417,655
Total equity		1,536,027	1,536,394
Untaxed reserves	20	21,800	11,800
Provisions			
Provisions for pensions	21	13,183	12,947
Total provisions		13,183	12,947
Non-current liabilities			
Liabilities to credit institutions	23	748,702	806,452
Total non-current liabilities		748,702	806,452
Current liabilities			
Trade payables		3,227	1,034
Liabilities to Group companies		691,991	633,040
Current tax liabilities		1,598	—
Other liabilities		2,175	613
Accrued expenses and deferred income		15,731	12,298
Total current liabilities		714,722	646,985
Total equity and liabilities		3,034,434	3,014,578

Parent Company Changes in Equity

SEK '000	Share capital	Statutory reserve	Non-restricted equity	Total equity
Opening balance at Jan. 1, 2020	65,490	53,249	1,377,338	1,496,077
Net profit for the year			40,317	40,317
Dividend			—	—
Equity at Dec. 31, 2020	65,490	53,249	1,417,655	1,536,394
Opening balance at Jan. 1, 2021	65,490	53,249	1,417,655	1,536,394
Net profit for the year			112,151	112,151
Dividend			–112,518	–112,518
Equity at Dec. 31, 2021	65,490	53,249	1,417,288	1,536,027

Parent Company Cash Flow Statement

SEK '000	Note	2021	2020
Operating activities			
Operating profit before financial items		–7,748	–2,403
Depreciation/amortization		1,100	1,494
Other items not affecting liquidity	28	63,916	1,226
Interest received		4,115	7,518
Dividend received		91,786	34,035
Interest paid, etc.		–9,464	–12,741
Tax paid		–3,453	–5,363
Cash flow before change in working capital		140,252	23,766
Decrease/increase (–) in other current receivables		–192,036	119,486
Increase/decrease (–) in trade payables		2,193	–987
Increase/decrease (–) in other current liabilities		63,946	175,603
Cash flow from operating activities		14,355	317,868
Investing activities			
Investments in property, plant and equipment	28	–197	–57
Supplementary payment, business combinations		–3,176	–3,311
Sale of subsidiaries		49	1,385
Shareholder contributions made		—	–21,000
Cash flow from investing activities		–3,324	–22,983
Financing activities			
Loans raised and changes to existing loans		–68,109	80,000
Dividend paid		–112,518	—
Cash flow from financing activities		–180,627	80,000
Cash flow for the year		–169,596	374,885
Cash and cash equivalents at start of year		681,155	306,270
Cash and cash equivalents at year-end		511,559	681,155
Unutilized overdraft facilities		100,000	100,000
Total cash and cash equivalents available		611,559	781,155

Alternative performance measures

Reconciliation between IFRS and performance measures used

Certain information in this report that is used by company management and analysts to assess the Group's performance has not been prepared in accordance with IFRS. Company 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	2021	2020	2019	2018	2017
Group					
Net sales	3,611.2	3,147.2	3,725.4	3,492.4	3,002.0
Currency effect	135.5	103.6	-168.2	-100.5	-20.0
Net sales excluding acquisitions and currencies	3,746.7	3,250.7	3,557.2	3,391.9	1,672.8
Organic growth	599.6	-474.7	64.8	389.9	129.0
Organic growth, %	19.1	-12.7	1.9	13.0	8.4
Truck & Trailer Equipment					
Net sales	1,327.9	1,054.3	1,203.6	1,243.1	836.7
Currency effect	33.7	17.4	-31.7	-50.2	-5.2
Net sales excluding acquisitions and currencies	1,361.7	1,071.7	1,171.9	1,192.9	831.5
Organic growth	307.4	-131.8	-71.2	96.5	74.2
Organic growth, %	29.2	-11.0	-5.7	8.8	9.8
Mobile Climate Control					
Net sales	1,762.7	1,617.7	1,998.4	1,727.3	1,426.7
Currency effect	70.5	56.0	-116.1	-36.3	—
Net sales excluding acquisitions and currencies	1,833.2	1,673.6	1,882.3	1,691.0	117.5
Organic growth	215.6	-324.8	155.0	264.3	16.1
Organic growth, %	13.3	-16.3	9.0	18.5	15.9
Ringfeder Power Transmission					
Net sales	520.5	475.2	523.4	522.0	479.1
Currency effect	31.3	30.2	-20.4	-13.9	-10.0
Net sales excluding acquisitions and currencies	551.8	505.4	503.0	508.1	469.1
Organic growth	76.6	-18.1	-19.0	29.1	54.4
Organic growth, %	16.1	-3.4	-3.6	6.1	13.1

EBITDA

Operating profit before depreciation/amortization and impairment.

SEK M	2021	2020	2019	2018	2017
Group					
Operating profit	456.0	353.4	435.0	417.6	351.1
Depreciation/amortization	106.4	109.2	112.8	79.8	77.2
EBITDA	562.4	462.5	547.8	497.4	428.3

EBITDA margin

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

SEK M	2021	2020	2019	2018	2017
Group					
Net sales	3,611.2	3,147.2	3,725.4	3,492.4	3,002.0
Operating profit	456.0	353.4	435.0	417.6	351.1
Depreciation/amortization	106.4	109.2	112.8	79.8	77.2
EBITDA margin, %	15.6	14.7	14.7	14.2	14.3

EBITA

Operating profit before depreciation and impairment of intangible assets.

SEK M	2021	2020	2019	2018	2017
Group					
Operating profit	456.0	353.4	435.0	417.6	351.1
Amortization of intangible assets	28.1	32.2	32.1	31.7	31.7
EBITA	484.1	385.5	476.1	449.3	382.8

EBITA margin

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

SEK M	2021	2020	2019	2018	2017
Group					
Net sales	3,611.2	3,147.2	3,725.4	3,492.4	3,002.0
Operating profit	456.0	353.4	435.0	417.6	351.1
Amortization of intangible assets	28.1	32.2	32.1	31.7	31.7
EBITA margin, %	13.4	12.3	12.5	12.9	12.8

Gross profit margin

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

SEK M	2021	2020	2019	2018	2017
Group					
Net sales	3,611.2	3,147.2	3,725.4	3,492.4	3,002.0
Gross profit	1,164.8	1,063.6	1,253.9	1,190.9	1,067.9
Gross profit margin, %	32.3	33.8	33.7	34.1	35.6

Profit margin

Profit before net financial items as a percentage of net sales.

SEK M	2021	2020	2019	2018	2017
Group					
Net sales	3,611.2	3,147.2	3,725.4	3,492.4	3,002.0
Profit after financial items	441.4	326.5	397.0	373.1	315.6
Profit margin, %	12.2	10.4	10.7	10.7	10.5

Interest-bearing net debt

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

SEK M	2021	2020	2019	2018	2017
Group					
Provisions for pensions	252.1	233.8	230.2	196.9	185.7
Loans	752.5	806.5	741.2	822.4	878.0
Lease liability	118.4	128.2	156.4	—	—
Bank balances	–667.4	–899.5	–472.5	–371.4	–321.4
Interest-bearing net debt	455.5	268.9	655.3	647.9	742.3

Interest-bearing net debt/EBITDA

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

SEK M	2021	2020	2019	2018	2017
Group					
Interest-bearing net debt	455.5	268.9	655.3	647.9	742.3
EBITDA, rolling 4 quarter	562.4	462.5	547.9	497.4	428.3
Interest-bearing net debt/EBITDA	0.81	0.58	1.20	1.30	1.73

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 2021	Full-year 2020
Group		
Inventories	819.3	551.8
Trade receivables	524.1	352.5
Trade payables	-225.7	-165.5
Working capital	1,117.7	738.8
Property, plant and equipment	486.6	474.7
Operating capital	1,604.4	1,213.6
EBITDA, rolling four quarter	562.4	462.5
Average operating capital four quarter	1,468.0	1,356.5
ROOC, %	38.3	34.1
Truck & Trailer Equipment		
Inventories	217.5	151.0
Trade receivables	174.6	123.2
Trade payables	-64.5	-42.5
Working capital	327.6	231.7
Property, plant and equipment	187.2	176.0
Operating capital	514.8	407.7
EBITDA, rolling four quarter	282.2	223.5
Average operating capital four quarter	484.4	429.5
ROOC, %	58.3	52.0
Mobile Climate Control		
Inventories	468.8	306.5
Trade receivables	249.0	169.5
Trade payables	-141.1	-113.8
Working capital	576.8	362.2
Property, plant and equipment	179.3	191.1
Operating capital	756.1	553.3
EBITDA, rolling four quarter	188.2	156.9
Average operating capital four quarter	697.0	643.9
ROOC, %	27.0	24.4
Ringfeder Power Transmission		
Inventories	133.0	94.2
Trade receivables	100.5	59.9
Trade payables	-16.9	-8.1
Working capital	216.6	146.0
Property, plant and equipment	116.3	103.0
Operating capital	332.9	249.0
EBITDA, rolling four quarter	110.2	92.9
Average operating capital four quarter	286.0	281.1
ROOC, %	38.5	33.1

Notes to Parent Company and consolidated financial statements

1

GENERAL INFORMATION

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, Australia, India and China as well as nine countries in Europe. Operations are monitored and reported in three divisions: Truck & Trailer Equipment, Mobile Climate Control 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 Financial Reporting Board's recommendation RFR 1 are applied. The financial statements have been prepared in accordance with the cost method, except with regard to available-for-sale financial assets and financial assets and liabilities (including derivative instruments) measured at fair value through profit or loss.

Parent Company accounting policies

The Parent Company has prepared its annual report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Under RFR 2, the Parent Company shall, in preparing the annual report for the legal entity, apply all 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 and amended standards applied by the Group

New and amended accounting policies that entered into force in 2021 have not entailed any material impact on the consolidated financial statements for the fiscal year.

Consolidated financial statements

Subsidiaries are all companies (including structured companies) over which the Group holds a controlling interest. The

Group controls a company when it is exposed to or has the right to a variable return from its holding in the company and has the possibility of having an impact on this return through its influence in the company. Subsidiaries are included in the consolidated financial statements as of the date when control passes to the Group. They are excluded from the consolidated financial statements as from the date when this control no longer exists.

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

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

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.

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

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

Deferred tax assets and tax liabilities offset each other when there is a legal right of offset for current tax assets and tax liabilities in question, and when the deferred tax assets and

NOTE 1 CONT'D.

tax liabilities are attributable to tax charged by the same tax authority and pertain to either the same tax subject or different tax subjects, when the intention is to settle the balances through net payments.

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

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 another functional currency than the presentation 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, 2021	Average currency exchange rate 2021
SEK/BRL	1.5856	1.5911
SEK/CAD	7.0636	6.8409
SEK/CZK	0.4105	0.3955
SEK/EUR	10.2269	10.1439
SEK/PLN	2.2279	2.2232
SEK/USD	9.0437	8.5761

On consolidation, exchange rate differences that arise as a consequence of translation of net investments in foreign entities and of borrowing and other currency instruments that have

been identified as hedges of such investments are posted to equity.

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

IFRS 15 Revenue from Contracts with Customers

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 and returns 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.

IFRS 9 Financial instruments

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

NOTE 1 CONT'D.

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 funds 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.

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.

Financial derivatives and hedge accounting

The Group holds financial derivatives in order to hedge its foreign currency. Derivatives are initially recognized at fair value. The Group identifies certain derivatives as hedging instruments in order to hedge the variability in the cash flow associated with highly likely transactions arising from changes in foreign currency exchange rates. When the Group initially identifies hedging conditions, the objectives of risk management and the strategy of the hedging are documented. The Group also documents the financial relation between the hedged item and the hedging instrument, including whether cash flow changes in the hedged item and hedging instrument are expected to cancel each other.

Cash flow hedges

When a derivative is identified as a cash flow hedging instrument, the effective portion of the changes in the fair value of

the derivative is recognized in other comprehensive income and is accumulated in the hedge reserve. Ineffective portions of changes in the fair value of the derivative are recognized immediately in profit or loss. For all other hedged forecast transactions, the accumulated amount in the hedge reserve and hedging cost reserve is reclassified to earnings in the same period(s) the hedged anticipated cash flow impacts profit or loss. If the hedging no longer meets the criteria for hedge accounting, or the hedging instrument has been sold, fallen due, liquidated or redeemed, the hedge accounting is discontinued prospectively. When the hedge accounting for cash flow hedges is discontinued, the amount that has accumulated in the hedge reserve is retained in equity until it is included in the cost of the non-financial item at initial recognition (for hedging of a transaction that results in a non-financial post), or it is reclassified to the earnings in the same period(s) the hedged anticipated cash flow impacts earnings (for other cash flow hedges). If the hedged cash flow is no longer expected to arise, the amount that has accumulated in the hedge reserve and hedging costs reserve is immediately reclassified to earnings. Exchange rate changes regarding receivables and liabilities related to operations are recognized in operating profit or loss, whereas exchange rate changes regarding financial receivables and liabilities are recognized in net financial items.

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.

Measurement of financial instruments at fair value

The Group has financial instruments in the form of currency derivatives measured at fair value on the balance sheet. Measurement at fair value for currency derivatives is based on published forward rates in an active market. The derivatives are measured at fair value based on input data under Level 2 in the fair value hierarchy. The Group uses the following hierarchy to classify the instruments based on the measurement technique:

- Listed prices (unadjusted) in active markets for identical assets or liabilities
- Input data other than the listed prices included in Level 1, which are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Input data for the asset or liability in question that is not built on observable market data (non-observable input data)

IFRS 16 Leases

VBG Group applies the recognition of leases in accordance with IFRS 16 using the following accounting policies. All leases are recognized in the balance sheet, on the starting date, as a right of use and a lease liability. An agreement is considered to be, or includes, a lease if the agreement transfers the right to determine the use of an identified asset over a specified period in exchange for remuneration. A right of use and lease liability

NOTE 1 CONT'D.

are recognized for all leases with a lease term of more than twelve months, with the exception of assets of low value. 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. If the interest rate is not readily identifiable, the incremental borrowing rate can be used. The incremental borrowing rate is determined based on currency and financing terms for the Group. 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. Moreover, future modified leases will not be recognized as a separate lease, but rather as a remeasurement of the lease liability and an adjustment of right of use.

Pension obligations

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

The defined-benefit pension obligation is calculated annually by independent actuaries with the application of the projected-unit credit method. The present value of the defined-benefit obligation is established through the discounting of estimated future cash flows with the application of interest rates for top-grade corporate bonds, or the equivalent, that are issued in the same currency as the benefits which are to be paid, with maturity periods comparable to those of the relevant pension obligation. Actuarial gains and losses as a result of experience-based adjustments and changed to actuarial assumptions are 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 21.

Intangible assets

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

NOTE 1 CONT'D.

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. An impairment loss is recognized equal to the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less selling expenses and its value in use. In impairment testing, assets are grouped at the lowest levels where separate identifiable cash flows exist (cash-generating units).

Leases

Leases that do not pertain to IFRS 16 are classified in the consolidated financial statements as either finance or operating leases. Leases where the economic risks and rewards incidental to ownership are transferred substantially to the lessee are accounted for as finance leases. Other leases are accounted for as operating leases, and lease payments are expensed on a straight-line basis over the lease period.

Lease payments for operating leases are recognized as expense on a straight-line basis over the lease period.

Equity

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

Share capital consists of the nominal value of issued shares.

Other contributed capital comprises all contributions from the shareholders in conjunction with share issues aside from the amounts 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 environmental remediation measures, restructuring costs and legal requirements, for example – are recognized when the Group has an existing legal or informal obligation as a consequence of earlier events, it is more likely that an outflow of resources is required to settle the obligation than not, and the amount has been calculated reliably. Provisions are not recognized for future operating losses.

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

Segment reporting

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

Cash Flow Statement

The cash flow statement is prepared in accordance with the indirect method. The 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.

Items affecting comparability

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

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.

Return on operating capital (ROOC)

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

Profit margin

Profit after financial items as a percentage of sales.

Net debt

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

EBITDA

Operating profit before depreciation/amortization of intangible assets and property, plant and equipment.

EBITA

Operating profit before amortization and impairment of intangible assets.

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 not being unable to provide for the Group's capital requirements by not having sufficient cash and cash equivalents, or credit facilities that cannot 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 continue generating return to 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 2021 was 59.9%.

Comments

In June 2019, the Group signed a new financing agreement with its primary bank, a revolving facility of SEK 1,300 M and an overdraft facility of SEK 100 M. It is a three-year agreement with the option of two extensions of one year each, both of which have been utilized and the agreement has now been extended through June 2024. In conjunction with the new agreement, previous loans were replaced with new ones that at December 31 totaled SEK 748.7 M. At the end of 2021, unutilized credits amounted to SEK 551.3 M. The maturity dates of the loans are shown in Note 23.

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 2019, the Group signed a new financing agreement, a revolving facility of SEK 1,300 M and an overdraft facility of SEK 100 M. It is a three-year agreement with two extensions of one year each. Credits drawn under the financing agreement currently bear a three-month interest rate. The maturity dates of the loans are shown in Note 23.

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 in December 2021 totaled SEK 455.5 M (268.9). Excluding a lease liability of SEK 118.4 M (128.2) and a pension liability of SEK 252.1 M (233.8), net debt totaled SEK 85.1 M (–93.0).

Under the financing agreement with the Group's primary bank, credits drawn currently bear a three-month interest rate. The maturity dates of the loans are shown in Note 23.

The Group's net financial items excluding exchange rate changes totaled SEK 9.7 M at year end, corresponding to 0.3% of sales. 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 24.

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 524 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 24.

Currency risk

Currency risk pertains to the risk that exchange rate changes 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 Group companies 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.

NOTE 2 CONT'D.

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 679 M. The currency flows with the greatest impact on earnings are inflows in USD and EUR to SEK. An exchange rate difference of 10% between EUR and SEK affects the Group's earnings by approximately SEK 63 M, while the effect of a similar change between USD and SEK is approximately SEK 64 M and an exchange rate difference between CAD and SEK yields an earnings impact of SEK 8 M.

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.

Total non-restricted equity in foreign companies amounted to SEK 1,545 M. This is an investment in foreign currencies which gives rise to translation risk when translated to SEK. This exposure is hedged in part by borrowing in the corresponding currency. The currencies that are affected the most by changes in exchange rates are the EUR and SEK, with a 10% change between the two yielding a currency impact of approximately SEK 22 M. A 10% change in exchange rates between CZK and SEK yields a currency effect of approximately SEK 17 M, while a similar change between USD and SEK would entail a currency impact of approximately SEK 64 M. Other currencies affected are SEK against CAD, where a 10% change yields a change in exchange rate of SEK 33 M, and for SEK against PLN a change in exchange rate of SEK 12 M.

3

SEGMENT REPORTING (SEK M)

- **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 Climate Control** is, through its own brand, an industry-leading supplier of complete climate control systems (HVAC systems) to 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 global market leader in selected niches within mechanical power transmission as well as energy and shock absorption. The operation includes the Ringfeder and Henfel brands. Since December 2021, the Carlyle Johnson brand has also been part of the division. The customers are machine manufacturers, companies in the mining industry and other high-tech companies all over the world.

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

	Truck & Trailer Equipment	Mobile Climate Control	Ringfeder Power Transmission	Group- wide	Group
2021 fiscal year					
External sales	1,328	1,763	521	—	3,611
Operating profit/loss (EBIT)	248	136	92	-21	456
Financial expenses	—	—	—	-23	-23
Financial income	—	—	—	8	8
Tax expense for the year	—	—	—	-104	-104
Net profit for the year	248	136	92	-137	337
Other disclosures					
Non-current assets	513	1,672	362	7	2,554
Current assets	418	766	251	7	1,442
Cash and cash equivalents					
Assets	931	2,438	613	682	4,664
Non-current liabilities	269	275	71	785	1,399
Current liabilities	242	266	92	-129	471
Liabilities	511	541	163	656	1,870
Capital expenditures	67	5	9	1	83
Depreciation/amortization	-34	-52	-18	-2	-106
2020 fiscal year					
External sales	1,054	1,618	475	—	3,147
Operating profit/loss (EBIT)	189	104	73	-13	353
Financial expenses	—	—	—	-34	-34
Financial income	—	—	—	7	7
Tax expense for the year	—	—	—	-100	-100
Net profit for the year	189	104	73	-140	227
Other disclosures					
Non-current assets	460	1,700	225	7	2,392
Current assets	290	502	168	7	966
Cash and cash equivalents				900	900
Assets	750	2,201	393	914	4,257
Non-current liabilities	257	261	36	836	1,389
Current liabilities	119	225	71	-48	368
Liabilities	376	486	108	788	1,757
Capital expenditures	34	9	10	1	53
Depreciation/amortization	-34	-52	-20	-3	-109

NOTE 3 CONT'D.

Sales per geographical area 2021	Truck & Trailer Equipment	Mobile Climate Control	Ringfeder Power Transmission	Group
Sweden	240	42	3	286
Other Nordic countries	165	44	4	213
Germany	344	21	171	536
Other European countries	364	178	56	598
North America	92	1,355	104	1,551
Brazil	11	1	77	89
Australia/New Zealand	87	1	20	109
China	2	19	28	49
Rest of world	24	101	57	182
Total	1,328	1,763	521	3,611

Sales per geographical area 2020	Truck & Trailer Equipment	Mobile Climate Control	Ringfeder Power Transmission	Group
Sweden	204	33	4	240
Other Nordic countries	140	31	3	174
Germany	255	19	135	409
Other European countries	275	141	52	468
North America	90	1,365	118	1,574
Brazil	7	2	71	80
Australia/New Zealand	68	1	34	103
China	0	14	16	30
Rest of world	15	11	42	69
Total	1,054	1,618	475	3,147

4 OTHER OPERATING INCOME

	Group	
	2021	2020
Royalty income	20	31
Capital gain on property, plant and equipment	462	418
Other	9,056	7,449
Total	9,538	7,897

5 OTHER OPERATING EXPENSES

	Group	
	2021	2020
Scrapping of non-current assets	712	—
Exchange rate differences	6,166	19,698
Service warranties	4,000	15,033
Other	12,932	5,409
Total	23,810	40,140

6

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY CONTRIBUTIONS

SEK '000	2021		2020	
	Salaries and other remuneration	Social security contributions	Salaries and other remuneration	Social security contributions
Parent Company	21,624	15,143	18,702	12,856
of which pension expenses		5,678		4,679
Subsidiaries	685,368	149,198	605,897	138,758
of which pension expenses		26,421		23,238
Group	706,992	164,341	624,599	151,614
of which pension expenses		32,099		27,917

During the year, the Group received SEK 11.2 M (57.9) in the form of direct furlough support, which impacted the salary costs by the corresponding amount.

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

SEK '000	2021		2020	
	Board and President	Other employees	Board and President	Other employees
Parent Company	8,214	13,410	6,680	12,022
of which bonuses, etc.	1,982		970	
Subsidiaries	29,807	655,561	30,896	575,001
of which bonuses, etc.	5,604		4,988	
Group total	38,021	668,971	37,576	587,023
of which bonuses, etc.	7,586		5,958	

Average number of employees	2021		2020	
	Number of employees	Of whom men	Number of employees	Of whom men
Parent Company				
Sweden	9	5	10	6
Total in Parent Company	9	5	10	6
Subsidiaries				
Sweden	216	184	190	165
Norway	7	6	7	6
Denmark	4	4	4	4
Belgium	20	12	16	9
UK	6	3	4	2
Germany	131	107	151	120
Czech Republic	135	80	122	76
Poland	181	122	159	90
US	228	165	221	156
Canada	488	432	416	374
China	47	21	45	22
India	28	24	33	29
Brazil	100	90	93	83
South Africa	—	—	12	6
Total in subsidiaries	1,591	1,250	1,473	1,142
Total, Group	1,600	1,255	1,483	1,148

At year-end, the Group had 1,714 employees (1,484).

NOTE 6 CONT'D.

Remuneration to Board members and senior executives

In accordance with a resolution by the 2021 AGM, the Chairman and members of the Board receive a total of SEK 1,960,000 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 four 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. 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 President 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. In the event his employment is terminated by the Company, the President is entitled to receive six months of employment benefits and severance pay equivalent to 12 months' salary. The equivalent period for other senior officers is 6–18 months. Compensation to the President for the 2021 fiscal year 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 2021 pertains to half of the Board fees resolved at the 2020 AGM and to half of the Board fees resolved at the 2021 AGM.

Related-party disclosures

There have been no related party transactions in 2021 that have significantly affected the company's financial position and results.

Board of Directors and senior executives

	2021		2020	
	Number on closing date	Of whom men	Number on closing date	Of whom men
Group (incl. subsidiaries)				
Board members	25	21	28	24
Presidents and other senior executives	31	29	37	35

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.

	2021		2020	
	Number on closing date	Of whom men	Number on closing date	Of whom men
Parent Company				
Board members	8	5	8	5
Presidents and other senior executives	5	4	5	4

2021	Fees/basic salary	Variable	Other benefits	Pension cost	Total
Chairman of the Board Johnny Alvarsson	705	—	—	—	705
Board member Louise Nicolin	262	—	—	—	262
Board member Peter Augustsson	262	—	—	—	262
Board member Mats R. Karlsson	288	—	—	—	288
Board member Anna Stålenbring	338	—	—	—	338
President Anders Birgersson	4,377	1,982	103	1,552	8,014
Other senior executives (4 persons)	7,497	2,613	339	2,909	13,358
Total (10 persons)	13,729	4,595	442	4,461	23,227

2020	Fees/basic salary	Variable	Other benefits	Pension cost	Total
Chairman of the Board Johnny Alvarsson	655	—	—	—	655
Board member Louise Nicolin	260	—	—	—	260
Board member Peter Augustsson	260	—	—	—	260
Board member (until the 2020 AGM) Jessica Malmsten	135	—	—	—	135
Board member Mats R. Karlsson	285	—	—	—	285
Board member (as of the 2020 AGM) Anna Stålenbring	155	—	—	—	155
President Anders Birgersson	3,960	970	104	1,366	6,400
Other senior executives (4 persons)	7,504	1,719	344	2,359	11,926
Total (11 persons)	13,214	2,689	448	3,725	20,076

7 FEES AND COST REIMBURSEMENT PAID TO AUDITOR

SEK '000	Group		Parent Company	
	2021	2020	2021	2020
	EY	PwC	EY	PwC
Auditing assignments	3,885	4,138	850	710
(of which Parent Company's auditor)	(1,050)	(1,012)	(850)	(710)
Tax advice	—	1,310	—	224
(of which Parent Company's auditor)	—	(224)	—	(224)
Other services	34	232	34	82
(of which Parent Company's auditor)	(34)	(123)	(34)	(82)
Total, Auditor in Charge	3,919	5,680	884	1,016
Other auditors				
Auditing assignments	925	1,532	62	—
Auditing activities other than auditing assignments	—	52	—	—
Tax advice	1,693	699	496	—
Other services	662	153	—	17
Total other auditors	3,280	2,436	558	17
	8,240	8,116	1,371	1,033

8 DEPRECIATION/AMORTIZATION AND IMPAIRMENT

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

	Group		Parent Company	
	2021	2020	2021	2020
Cost of goods sold	54,905	48,894	—	—
Selling expenses	33,527	39,160	—	—
Administrative expenses	14,922	17,244	1,101	1,494
Research and development costs	3,084	3,855	—	—
Total depreciation/amortization	106,438	109,153	1,101	1,494

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

	Group		Parent Company	
	2021	2020	2021	2020
Computer software	2,233	5,682	92	123
Trademarks	—97,253	6,473	—	167
Customer relationships	123,159	20,002	—	—
Land and buildings	8,428	8,749	—	—
Plant and machinery	28,937	22,589	—	—
Equipment, tools, fixtures and fittings	15,142	16,726	1,009	1,204
Right of use	25,792	28,932	—	—
Total depreciation/amortization	106,438	109,153	1,101	1,494

9 OPERATING EXPENSES CLASSIFIED BY NATURE OF EXPENSE

	Group	
	2021	2020
Direct material incl. change in inventories	1,741,898	1,525,358
Employee benefits	797,796	776,210
Depreciation/amortization	106,438	109,153
Other expenses	509,098	383,057
Total operating expenses	3,155,230	2,793,778

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

10 APPROPRIATIONS

	Parent Company	
	2021	2020
Difference between book depreciation and depreciation according to plan	—	520
Change in tax-allocation reserve	—10,000	—2,000
Group contributions received	60,000	21,500
Group contributions paid	—5,043	—5,620
Total	44,957	14,400

11 TAX ON PROFIT FOR THE YEAR

	Group		Parent Company	
	2021	2020	2021	2020
Current tax				
Swedish companies	—23,482	—20,253	—6,682	—1,816
Foreign companies	—78,985	—62,359	—	—
Deferred tax	—1,857	—17,147	—	—
Total	—104,324	—99,759	—6,682	—1,816

The difference between the tax expense according to the Swedish tax rate and the actual tax rate comprises the following sub-items:

	Group		Parent Company	
	2021	2020	2021	2020
Reported profit before tax	441,433	326,478	118,833	42,133
Tax according to estimated weighted tax rate	—90,935	—69,866	—24,480	—9,016
Difference between tax rate in Sweden and weighted tax rate of foreign subsidiaries	—10,249	—9,659	—	—
Non-deductible expenses	—6,991	—11,070	—1,089	—361
Non-taxable revenue	—	—	18,899	7,571
Imputed income, tax allocation reserve	—129	—116	—12	—10
Tax attributable to prior income years	2,003	331	—	—
Other	1,977	—9,379	—	—
Total tax	—104,324	—99,759	—6,682	—1,816

12

INTANGIBLE ASSETS

SEK '000	Group		Parent Company	
	2021	2020	2021	2020
Patents and licenses				
Opening cost	151,691	130,926	4,751	4,751
Purchases for the year	752	271	—	—
Reclassification	–23,916	25,173	—	—
Sale and retirement of assets	–14,537	–483	—	—
Translation differences	2,185	–4,196	—	—
Closing accumulated costs	116,175	151,691	4,751	4,751
Opening depreciation	–124,911	–123,052	–4,659	–4,537
Depreciation for the year	–2,233	–5,682	–92	–122
Reclassification	2,435	—	—	—
Sale and retirement of assets	14,537	483	—	—
Translation differences	–2,345	3,340	—	—
Closing accumulated depreciation	–112,517	–124,911	–4,751	–4,659
Closing balance	3,658	26,780	0	92
Trademarks				
Opening cost	435,297	445,301	28,267	28,267
Translation differences	4,583	–10,004	—	—
Closing accumulated costs	439,880	435,297	28,267	28,267
Opening depreciation	–37,609	–38,088	–28,267	–28,099
Depreciation for the year	–2,716	–5,949	—	–168
Sale and retirement of assets	–4,331	6,428	—	—
Closing accumulated depreciation	–24,654	–37,609	–28,267	–28,267
Closing balance	415,226	397,688	0	0
Customer relationships				
Opening cost	396,866	396,866	—	—
Business combinations	73,254	—	—	—
Purchases for the year	28,250	—	—	—
Reclassification	24,345	—	—	—
Closing accumulated costs	522,715	396,866	—	—
Opening depreciation	–60,006	–40,004	—	—
Depreciation for the year	–23,149	–20,002	—	—
Reclassification	–2,435	—	—	—
Closing accumulated depreciation	–105,592	–60,006	—	—
Closing balance	417,123	336,860	—	—

NOTE 12 CONT'D.

SEK '000	Group		Parent Company	
	2021	2020	2021	2020
Other intangible assets				
Opening cost	3,239	27,920	—	—
Purchases for the year	2,911	483	—	—
Reclassification	–462	–25,173	—	—
Sale and retirement of assets	–2,536	–10	—	—
Translation differences	58	19	—	—
Closing accumulated costs	3,210	3,239	—	—
Opening depreciation	–3,051	–2,650	—	—
Depreciation for the year	–41	–524	—	—
Sale and retirement of assets	2,536	—	—	—
Translation differences	556	123	—	—
Closing accumulated depreciation	0	–3,051	—	—
Closing balance	3,210	188	—	—

	Group	
	2021	2020
Goodwill		
Opening cost	1,102,101	1,143,333
Business combinations	34,362	—
Translation differences	33,361	–41,232
Closing accumulated costs	1,169,824	1,102,101

	Group	
	2021	2020
Goodwill is allocated to the Group's divisions as follows		
Truck & Trailer Equipment	247,457	230,968
Mobile Climate Control	773,167	773,167
Ringfeder Power Transmission	149,200	97,966
Carrying amount	1,169,824	1,102,101

The Group has allocated goodwill to three cash-generating units that correspond to the lowest level at which goodwill is monitored as part of the internal control in the Group, which coincides with the Group's three divisions.

Goodwill and trademarks are subjected to impairment testing annually and when there are indications of impairment losses. The recoverable amount for cash-generating units is determined by the company management and is based on discounted cash flows for the 2022 budget and business plans up to 2024.

For the period after the forecast interval, sustained growth of 2.0% (2.0) is estimated, which is deemed to correspond to long-term inflation assumptions. With the above assumptions and using a discount rate of 8.0% (8.0) after tax, the value in use exceeds the carrying amount for these three cash-generating divisions. The discount rate was determined based on expected cost of capital, weighted between borrowed capital and equity. An increase in the discount rate of 1 percentage point and a decrease in operating profit of 20% would, individually, not give rise to any impairment of goodwill in any of the divisions.

13

PROPERTY, PLANT AND EQUIPMENT

SEK '000	Group		Parent Company	
	2021	2020	2021	2020
Land and buildings				
Opening cost	259,970	270,486	—	—
Purchases for the year	682	2,061	—	—
Reclassification	–249	—	—	—
Sale and retirement of assets	—	–51	—	—
Translation differences	14,216	–27,533	—	—
Other receivables	916	325	—	—
Closing accumulated costs	275,535	245,288	—	—
Opening depreciation	–80,166	–83,157	—	—
Depreciation for the year	–8,428	–8,749	—	—
Translation differences	–6,543	11,786	—	—
Other receivables	–58	–46	—	—
Closing accumulated depreciation	–95,195	–80,166	—	—
Closing balance	180,340	165,122	—	—
Plant and machinery				
Opening cost	311,268	325,439	—	—
Purchases for the year	19,652	25,521	—	—
Reclassification	–17,506	22,598	—	—
Sale and retirement of assets	2,613	–34,256	—	—
Translation differences	13,789	–30,719	—	—
Closing accumulated costs	329,816	308,583	—	—
Opening depreciation	–173,496	–207,250	—	—
Depreciation for the year	–28,937	–22,589	—	—
Reclassification	22,212	—	—	—
Sale and retirement of assets	–3,503	34,369	—	—
Translation differences	–8,815	21,974	—	—
Closing accumulated depreciation	–192,539	–173,496	—	—
Closing balance	137,277	135,087	—	—

NOTE 13 CONT'D.

SEK '000	Group		Parent Company	
	2021	2020	2021	2020
Equipment, tools, fixtures and fittings				
Opening cost	158,722	169,430	8,704	8,644
Purchases for the year	18,432	11,071	197	60
Reclassification	24,163	2,169	—	—
Sale and retirement of assets	–30,229	–6,285	—	—
Translation differences	14,255	–17,719	—	—
Other receivables	22	237	—	—
Closing accumulated costs	185,365	158,903	8,902	8,704
Opening depreciation	–116,132	–119,906	–6,478	–5,274
Depreciation for the year	–15,142	–16,726	–1,009	–1,204
Reclassification	–22,212	—	—	0
Sale and retirement of assets	29,280	5,936	—	0
Translation differences	–11,895	14,468	—	0
Other receivables	10	–85	—	0
Closing accumulated depreciation	–136,091	–116,313	–7,488	–6,478
Closing balance	49,274	42,590	1,413	2,226
Construction in progress				
Opening balance	8,051	26,935	—	—
Purchases for the year	7,544	7,470	—	—
Reclassification	–6,479	–25,725	—	—
Sale and retirement of assets	–1,604	—	—	—
Translation difference	107	–371	—	—
Other receivables	680	–258	—	—
Closing balance	8,299	8,051	—	—

14

RIGHT-OF-USE ASSETS

Right-of-use assets

SEK '000	Group	
	2021	2020
Land and buildings		
Opening cost	152,912	160,081
Translation differences	8,366	-7,169
Closing accumulated costs	161,278	152,912
Opening depreciation	-40,725	-21,204
Depreciation for the year	-17,529	-19,521
Closing accumulated depreciation	-58,254	-40,725
Closing balance	103,024	112,187

SEK '000	Group	
	2021	2020
Vehicles		
Opening cost	25,165	20,544
Purchases for the year	4,336	4,834
Translation differences	217	-213
Closing accumulated costs	29,718	25,165
Opening depreciation	-16,431	-8,510
Depreciation for the year	-6,886	-7,921
Closing accumulated depreciation	-23,317	-16,431
Closing balance	6,401	8,734

SEK '000	Group	
	2021	2020
Plant and machinery		
Opening cost	5,970	5,257
Purchases for the year	168	906
Translation differences	255	-193
Closing accumulated costs	6,393	5,970
Opening depreciation	-2,998	-1,508
Depreciation for the year	-1,377	-1,490
Closing accumulated depreciation	-4,375	-2,998
Closing balance	2,018	2,972

Total closing balance, rights of use	111,443	123,893
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Profit after financial items, right-of-use assets

	Group	
	2021	2020
Interest rate, right-of-use assets	4,457	5,549
Leases regarding contracts shorter than 12 months	3,185	1,294
Leases regarding low-value contracts	140	1,128
Cash flow regarding leases	26,687	30,362

15

INTERESTS IN GROUP COMPANIES, CHANGES IN CARRYING AMOUNTS

Interests in Group companies	Parent Company	
	2021	2020
Opening cost	2,016,901	1,992,658
Impairment loss on shares in subsidiaries	-3,176	—
Additional purchase consideration	3,176	3,311
Shareholder contributions made	—	21,000
Liquidation of subsidiaries	-50	-68
Closing balance	2,016,851	2,016,901

Specification of interests in Group companies	Share of equity, %	Share of votes, %	Carrying amount
Vänersborgs Släpvnagsskopplingar AB (Sweden)	100	100	50
VBG Group Truck Equipment AB (Sweden)	100	100	42,197
VBG Group Sales AS (Norway)	100	100	57
VBG Group Sales A/S (Denmark)	100	100	71
VBG Group Sales Ltd (UK)	100	100	130
Onspot of North America Inc. (US)	100	100	68,898
VBG Group Truck Equipment NV (Belgium)	100	100	46,500
VBG Group Truck Equipment GmbH (Germany)	100	100	34,914
European Trailer Systems GmbH (Germany)	100	100	162,002
European Trailer Systems s.r.o. (Czech Republic)	100	100	47,929
Ringfeder Power Transmission Tschan GmbH (Germany)	100	100	90,309
Ringfeder Power Transmission India Private Ltd (India)	100	100	
Ringfeder Power Transmission s.r.o. (Czech Republic)	100	100	
Kunshan Ringfeder Power Transmission Co., Ltd (China)	100	100	
Tschan India Private Ltd (India)	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	
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. Zo.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			2,016,851

NOTE 15 CONT'D.

Corporate identity numbers and domiciles of Group companies	Corp. ID No.	Domicile
VBG Group Truck Equipment AB	556229-6573	Vänersborg, Sweden
Vänersborgs Släpvnagnskopplingar 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 India Private Ltd		Chennai, India
Ringfeder Power Transmission s.r.o.		Dobruška, Czech Republic
Kunshan Ringfeder Power Transmission Co., Ltd		Kunshan, China
Ringfeder Power Transmission Tschan GmbH		Neunkirchen, Germany
Tschan India Private Ltd		Gurgaon, India
Ringfeder Power Transmission USA Corp		Westwood, NJ (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
Mobile Climate Control Group Holding AB	556723-5642	Vänersborg, Sweden
Mobile Climate Control Sverige AB	556535-3074	Norrköping, Sweden
Mobile Climate Control China Holding AB	556819-6629	Vänersborg, Sweden
Mobile Climate Control Manufacturing Co., Ltd		Ningbo, China
Mobile Climate Control Trading Co., Ltd		Ningbo, China
Mobile Climate Control Corp.		Goshen, IN (US)
Mobile Climate Control Inc.		Toronto, Canada
Mobile Climate Control Sp. Zo.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

16

DEFERRED TAX LIABILITIES/ASSETS

Deferred tax assets	Group		Parent Company	
	2021	2020	2021	2020
Deferred tax asset pertaining to pension liability	22,711	17,379	—	—
Other temporary differences	25,060	16,828	—	—
Deferred tax asset on tax-loss carry forward	10,099	19,432	—	—
Total tax assets, gross	57,870	53,639	—	—
Recognized deferred tax assets	57,870	53,639	—	—
Deferred tax liabilities				
Deferred tax liabilities relating to tax allocation reserves	31,448	26,034	4,491	2,431
Deferred tax liabilities relating to difference between carrying amounts of assets and residual values for tax purposes	93,845	82,152	—	—
Deferred tax liabilities on intangible assets identified in connection with acquisitions	114,866	106,393	—	—
Total tax liabilities, gross	240,159	214,579	4,491	2,431
Recognized deferred tax liabilities	240,159	214,579	4,491	2,431

As of 2021, the Swedish corporate tax rate was lowered to 20.6% from the previous 21.4%. 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."

17 INVENTORIES

Inventories	Group	
	2021	2020
Truck & Trailer Equipment		
Raw materials and consumables	101,832	67,109
Semi-finished products and work in progress	44,025	28,109
Finished products and merchandise	71,685	55,823
Total inventory, Truck & Trailer Equipment	217,542	151,041
Mobile Climate Control		
Raw materials and consumables	323,755	215,618
Semi-finished products and work in progress	24,868	14,135
Finished products and merchandise	120,196	76,768
Total inventories Mobile Climate Control	468,819	306,521
Ringfeder Power Transmission		
Raw materials and consumables	33,510	31,163
Semi-finished products and work in progress	34,784	22,774
Finished products and merchandise	64,671	37,120
Total inventories Ringfeder Power Transmission	132,965	94,205
Total	819,325	551,766

The obsolescence reserve for outgoing inventories amounts to SEK 66,554 thousand (56,315), divided among: Truck & Trailer Equipment, SEK 21,456 thousand (21,097); Mobile Climate Control, SEK 36,242 thousand (26,395); and Ringfeder Power Transmission, SEK 8,856 thousand (8,823).

18 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2021	2020	2021	2020
Prepaid lease payments	3,967	1,969	186	559
Prepaid insurance premiums	5,041	3,593	2,515	696
Prepaid service charges	10,187	8,002	6,029	4,011
Prepaid marketing activities	606	311	—	—
Accrued income	539	276	—	—
Other items	11,054	6,793	490	630
Adjustments to lease payments	-2,114	-2,096	—	—
Total	29,280	18,848	9,220	5,896

19 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, of Series B, 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 corresponds 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 2020 AGM to apply until the next AGM (2021). 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.

At the AGM on April 25, 2018, a resolution was passed on a long-term share-based incentive program based on options for the President, senior executives and certain other key personnel in the Group, a total of approximately 50 persons. The program contains at most 375,000 options, corresponding to approximately 0.9% of the total number of shares in the company.

The price for the call options was established using a Black & Scholes valuation at SEK 9.63, which corresponds to the market value of the options at acquisition. During 2018, 33 persons subscribed a total of 194,500 options at a value of SEK 1,873 M.

20

UNTAXED RESERVES

	Parent Company	
	2021	2020
Tax allocation reserves	21,800	11,800
Total	21,800	11,800

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PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

	2021	2020
Parent Company		
Provisions in accordance with Swedish Pension Obligations Vesting Act		
FPG/PRI pensions	13,183	12,947
Group		
Provisions in accordance with IAS 19		
Defined-benefit pension plans	252,094	233,763

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:

	Sweden	Germany	Other countries	Dec. 31, 2021 Total	Dec. 31, 2020 Total
Present value of funded obligations			12,227	12,227	11,874
Fair value of plan assets			-15,329	-15,329	-13,228
			-3,102	-3,102	-1,354
Present value of unfunded obligations	156,039	96,051	3,106	255,196	233,763
Total obligation				252,094	232,409

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

Amounts recognized in the consolidated income statement for pensions

	Group	
	2021	2020
Current service costs	6,333	5,298
Interest expense	2,700	3,293
Expected return on plan assets	—	—
Costs for defined-benefit plans	9,033	8,591
Costs for defined-contribution plans	25,766	22,619
Total costs recognized in profit or loss	34,799	31,210
Of which		
Amount charged to operating profit	32,099	27,917
Amount charged to financial expenses	2,700	3,293
Total costs recognized in profit or loss	34,799	31,210

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

Other comprehensive income was negatively impacted by SEK 15,607 M (neg: 2,582), net after tax, as a result of the remeasurement of defined-benefit pension plans.

NOTE 21 CONT'D.

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

	Group	
	2021	2020
Net debt at beginning of year	233,763	230,165
Net cost recognized in profit or loss	9,033	8,591
Benefits paid	-6,377	-5,071
Contributions to funded plans	-1,358	-108
Gains (-) losses (+) resulting from changed financial assumptions	19,745	4,069
Gains (-) losses (+) resulting from changed demographic assumptions	—	—
Experience-based gains (-) losses (+)	-4,514	—
Exchange rate differences on foreign plans	1,802	-5,237
Net debt at year-end	252,094	233,763

Actuarial assumptions regarding significant defined-benefit pension plans

Percentage	2021		2020	
	Sweden	Germany	Sweden	Germany
Discount rate	1.8	1.3	1.2	1.0
Future annual salary increases	3.1	2.8	2.5	2.8
Inflation rate	2.1	1.5	1.5	1.5

The discount rate in Sweden for both 2021 and 2020 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.

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

2021	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease of 8.5%	Increase of 9.1%
Salary increases	0.5%	Increase of 4.5%	Decrease of 4.5%
Inflation rate	0.5%	Increase of 6.0%	Decrease of 6.1%

2020	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease of 6.2%	Increase of 12.9%
Salary increases	0.5%	Increase of 7.7%	Decrease of 1.1%
Inflation rate	0.5%	Increase of 9.7%	Decrease of 3.1%

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.

22 OTHER PROVISIONS

	Group	
	2021	2020
Warranty obligations	38,471	26,147
Total	38,471	26,147

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.

23 BORROWING

In June 2019, the Group signed a new financing agreement with our primary bank, a revolving facility of SEK 1,300 M and an overdraft facility of SEK 100 M. It is a three-year agreement with the option of two extensions of one year each, both of which have been utilized and the agreement has now been extended through June 2024.

In conjunction with the new agreement, previous loans were replaced with new ones that at December 31 totaled SEK 806.5 M. The financing agreement is conditional on net indebtedness/EBITDA.

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

Dec. 31, 2021	Carrying amount	Within 1 year	Within 2–3 years	Within 4–5 years	After 5 years	Total contracted cash flow
Liabilities to credit institutions	752,457	5,921	757,584	—	—	763,505
Trade payables	225,694	225,694	—	—	—	225,694
Lease liability	117,786	28,915	49,733	24,866	47,016	150,530
Total	1,095,937	262,355	807,316	24,866	47,016	1,139,729

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

Dec. 31, 2020	Carrying amount	Within 1 year	Within 2–3 years	Within 4–5 years	After 5 years	Total contracted cash flow
Liabilities to credit institutions	806,452	5,930	815,347	—	—	821,277
Trade payables	165,473	165,473	—	—	—	165,473
Lease liability	128,225	30,002	40,132	20,176	59,140	149,990
Total	1,100,150	195,475	846,584	20,176	59,140	1,136,740

24 TRADE RECEIVABLES

Age distribution of trade receivables and reserve for doubtful debts	Group	
	2021	2020
Trade receivables not due	398,964	291,543
Trade receivables due in 1–30 days	94,318	50,638
Trade receivables due in 31–90 days	23,861	9,916
Trade receivables due in more than 90 days	14,700	6,996
Reserve for doubtful debts	–7,756	–6,548
Total	524,087	352,545
Reserve for doubtful debts		
Reserve for trade receivables 1–30 days	–154	–147
Reserve for trade receivables 31–90 days	–1,035	–164
Reserve for trade receivables older than 90 days	–6,567	–5,347
Reserve for trade receivables not due	—	–890
Total	–7,756	–6,548
Change for the year in reserve for doubtful debts		
Opening reserve	–6,548	–10,669
Changes written off as bad debt losses	1,030	3,302
Reversed unutilized reserves	2,460	4,396
New provisions for doubtful trade receivables	–2,817	–3,577
Closing reserve	–5,875	–6,548

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

25 OVERDRAFT FACILITIES

The Group has overdraft facilities amounting to SEK 100 M (100), which remained unutilized at year-end. In addition, there is a revolving credit facility totaling SEK 1,300 M (1,300), of which SEK 551 M (494) was unutilized at year end.

26 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	2021	2020	2021	2020
Special employer's contribution	11,701	15,240	1,365	1,392
Accrued personnel costs	97,463	74,384	10,003	5,642
Audit fees	5,278	3,714	450	268
Other accrued expenses	7,001	3,704	2,088	1,777
Commissions and sales support	8,245	7,329	—	—
Accrued interest	86	1,567	86	1,567
Other items	36,066	33,381	1,739	1,652
Total	165,840	137,752	15,731	12,298

27 CONTINGENT LIABILITIES

	Group		Parent Company	
	2021	2020	2021	2020
Guarantees for the benefit of subsidiaries	—	—	51,995	48,224
Other	1,304	1,223	264	259
Total contingent liabilities	1,304	1,223	52,259	48,483

28 CASH FLOW STATEMENT

Other items not affecting liquidity in operating activities	Group		Parent Company	
	2021	2020	2021	2020
Change in provisions	6,214	8,377	236	12
Merger effects, Germany	20,288	—	—	—
Group contributions received	—	—	54,957	15,880
Currency effect, line items	–2,569	–37,883	8,723	–14,662
Other items	–5,524	–6,479	—	–4
Total	18,409	–35,985	63,916	1,226

Acquisition of non-current assets	Group		Parent Company	
	2021	2020	2021	2020
Intangible investments for the year	–30,345	–754	—	—
Capital expenditures in property, plant and equipment for the year	–31,778	–46,123	–197	–57
Effect of capital expenditures on cash and cash equivalents for the year	–62,123	–46,877	–197	–57

Cash flow in financing activities

Group trend, SEK M	January 2021	Items not affecting liquidity						December 2021
		Cash flows	Acquisitions	Interest	Currency effects	New leases	Reclassification	
Non-current liabilities, bank	808,623	–39,143	—	—	23,049	—	—	792,529
Lease liability	128,225	–27,926	—	4,457	9,180	4,504	—	118,440
Total financial liabilities	936,848	–67,069	—	4,457	32,229	4,504	—	910,969
Cash and cash equivalents	899,506	–247,887	—	—	15,830	—	—	667,449
Total cash and cash equivalents	899,506	–247,887	—	—	15,830	—	—	667,449

Group trend, SEK M	January 2020	Items not affecting liquidity						December 2020
		Cash flows	Acquisitions	Interest	Currency effects	New leases	Reclassification	
Non-current liabilities, bank	741,161	80,102	—	—	–12,644	—	—	808,619
Lease liability	156,401	–25,996	—	5,549	–13,468	5,739	—	128,225
Total financial liabilities	897,562	54,106	—	5,549	–26,112	5,739	—	936,844
Cash and cash equivalents	472,474	449,620	—	—	–22,588	—	—	899,506
Total cash and cash equivalents	472,474	449,620	—	—	–22,588	—	—	899,506

29 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENT

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions about the future with regard to pensions (Note 21), provisions

and restructuring costs (Note 22). The accounting estimates that result from these assumptions will, by definition, seldom correspond to the actual result. Every year, the Group carries out impairment testing of goodwill and trademarks with indeterminate lifetimes. Recoverable amounts for cash-generating units have been established by calculation of value in use.

NOTE 29 CONT'D.

Certain estimates must be made for these calculations (Note 12). The Group recognized a total inventory value of SEK 819,325 thousand (551,766) after obsolescence reserves of SEK 66,554 thousand (56,315). 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.

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BUSINESS COMBINATIONS

On December 27, 2021, the Parent Company of the Group completed the acquisition of the US company Carlyle Johnson Machine Co., LLC with subsidiaries, comprising a total of four companies (Carlyle Johnson Machine). The acquired companies will be consolidated into the Ringfeder Power Transmission division as of the date of acquisition. The purchase consideration for all shares in the company amounted to SEK 174.2 M, of which SEK 156.1 M was paid in cash on the date of possession. The acquisition-related costs amounted to SEK 3.6 M, which are reported as administrative costs in the consolidated income statement. The acquisition was financed through bank loans totaling USD 17.5 M.

Carlyle Johnson Machine develops, manufactures and sells components for motion control that are used in industrial, aviation and medical applications. Products include couplings, brakes, and control units for power supply such as timers and relays. The majority of the company's net sales in 2021 was attributable to North America. Carlyle Johnson Machine has its head office in Bolton, Connecticut, where large sections of its production are also located.

In 2021, the company had sales of SEK 88 M and its operating margin was 2.7%. No sales or earnings pertaining to Carlyle Johnson Machine were consolidated into VBG Group for 2021.

For several years, the VBG Group has followed an established acquisition strategy that requires potential acquisition candidates to have strong brands and leading market positions in selected niches, high customer value in their products, a diversified customer base and the ability to contribute to international expansion. Carlyle Johnson Machine meets all of VBG Group's acquisition criteria very well. The acquisition of Carlyle Johnson Machine will lead to good growth possibilities for the Group. A preliminary balance sheet on the acquisition

date has formed the basis for the preliminary acquisition plan presented adjacent.

	Fair value
Purchase consideration	174.2
Acquired net assets	
Cash and cash equivalents	9.8
Property, plant and equipment	18.3
Intangible assets	1.6
Customer relationships	73.3
Long-term investments	0.5
Inventories	28.1
Receivables	17.9
Liabilities	-7.7
Deferred tax	-15.1
Preliminary goodwill	47.5

The acquisition plan is preliminary pending the completion of the process to determine the fair value of acquired assets and liabilities. This work also includes identifying and valuing intangible assets recognized separately from goodwill.

Cash purchase consideration	-156.1
Additional purchase consideration	-18.1
Purchase consideration not settled	18.1
Cash and cash equivalents in acquired subsidiaries	9.8
Change in cash and cash equivalents due to acquisition	-146.3

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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 2022 AGM resolve on a dividend of SEK 5.00 per share (4.50) for fiscal year 2021, which entails a disbursement of funds of SEK 125.0 M (112.5) from the Parent Company, corresponding to 4.5% of the Group's equity or 8.1% of the Parent Company's equity at year end. The Group reported profit after tax of SEK 337.1 M (226.7), which means that the proposed dividend comprises 37.1% (49.6) of the net profit for the year for the Group.

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

	2021	2020
Retained earnings	1,305,137,454	1,377,338,259
Net profit for the year	112,150,751	40,317,411
Total	1,417,288,205	1,417,655,670

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

	2021	2020
dividend to shareholders	125,020,240	112,518,216
to be carried forward	1,292,267,965	1,305,137,454
Total	1,417,288,205	1,417,655,670

**The income statements and balance sheets will be submitted to
the Annual General Meeting on 4 May 2022 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
President and CEO

Peter Augustsson
Board member

Louise Nicolin
Board member

Anna Stålenbring
Board member

Mats R. Karlsson
Board member

Jouni Isoaho
Employee representative

Cecilia Pettersson
Employee representative

Gothenburg, date as indicated by my electronic signature

Ernst & Young AB

Andreas Mast
Authorized Public Accountant

Auditor's report

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 2021. The annual accounts and consolidated accounts of the company are included on pages 60-116 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 2021 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 2021 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 trademarks with indefinite useful lives

<i>Description</i>	<i>How our audit addressed this key audit matter</i>
The carrying value of goodwill on December 31, 2021 was SEK 1 170 million and trademarks with indefinite useful lives SEK 400 million which corresponds to 34 % of the company's total assets in the group. As described in Note 1 and 12 in the annual report the company conducts an annual review to identify any potential write-down in accordance with IAS 36. The test is based by an assessment of the recoverable amount for the groups' three divisions which represent the smallest identified group of assets that generates cash flows identified by management with individual assumptions such as growth, earnings performance, investment requirements and discount rate. The assumptions made by management are future cash flows based on actual market conditions, growth, and margins without any impact from future acquisitions. The test is based on complex valuation models, significant assumptions, and assumptions with an inherent uncertainty. Changes in assumptions can have a great impact on the calculation of the recoverable value. In addition, the value of goodwill and trademarks with indefinite useful lives amounts to significant amounts. We have therefore considered that valuation of goodwill and trademarks with indefinite useful lives is a key audit matter in the audit.	Our audit procedures to evaluate the company's process to establish the impairment test have included: • Evaluation of the company's model and assumptions. The evaluation has included if the test is prepared according to general accepted valuation techniques and the reasonableness in used discount rates and assumptions compared to peers, • Test of management's sensitivity analysis and an independent sensitivity analysis of critical assumptions to identify if a reasonable future change in any of those would indicate a need of write-down, • Assessment of the reasonableness in future cashflows against budgets for 2022, business plans for 2023–2024 as well as other information obtained after discussions with management and review of board minutes and other management protocols, • Evaluation of management's precision in the estimation of future cashflows by comparing historical estimations to actual outcomes; and • Evaluation if management has provided sufficient disclosures in the Annual report as per December 31, 2021.

Valuation of inventory

<i>Description</i>	<i>How our audit addressed this key audit matter</i>
On December 31, 2021 total inventory value amounts to SEK 819 million which corresponds to 18 % of the company's total assets in the group. As described in Note 1 and 17 in the annual report the inventory is valued as the lower of purchase value and net realizable value at year end. The purchase value is based on the First-In-First-Out-principle (FIFO). In the assessment to determine if the net realizable value is higher than the purchase value management need to consider provided product discounts and assess the risk of obsolescence. With the aim of identifying and consistently calculating the risk of obsolescence, management has adopted division specific policies which consider the composition of the inventory, the time for individual articles in the inventory (slow-moving articles) and historical scrapping. This, together with the actual and forecasted future sales volumes, provide management with a basis for determining a reasonable obsolescence provision. Considering the need of critical assessments and estimations by management to identify slow-moving stock, as well as the fact the composition and characteristics of the inventory differ between the divisions, we have identified valuation of inventory as a key audit matter in the audit.	Our audit procedures to evaluate the company's process to account for and value the inventory have included: • Obtain an understanding of management's structure and process to assess the compliance with the FIFO-principle, • Obtain an understanding how management identifies slow-moving stock and assess the need for obsolescence to be recognized, • Evaluation of compliance with adopted policies to identify obsolete inventory at division level, • Review of the aging analysis of the inventory by performing test of details, • Assessment of the net realizable value by performing test of details and review of relevant documentation to evaluate management's estimation of the net realizable value, • Discussions with management and read board minutes and other management protocols to identify future changes in the operation or sales that could result in inventory being obsolete, and • Evaluation if management has provided sufficient disclosures in the Annual report as per December 31, 2021.

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 1-59 and 118-140. The remunerations report for 2021 is also other information. 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.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

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 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.

Other information

The audit of the annual report 2020 has been executed by another auditor who has provided an auditor's report dated on March 24, 2021 with an un-modified opinion in the report on the annual accounts and consolidated accounts.

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 2021 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.

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 scepticism 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 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 2021.

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

In our opinion, the ESEF report #[389e076ce746fd5908a8f28c01255daee946c8e3732c5b1f00f553da14a60ce7] 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 ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding

compliance with professional ethical requirements, professional standards and 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 technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 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 Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

Ernst & Young AB, with Andreas Mast as the responsible auditor in charge, was appointed auditor of VBG group AB (publ) by the general meeting of the shareholders on April 29, 2021.

Gothenburg March 29, 2022

Ernst & Young AB

Andreas Mast
Authorized Public Accountant



Corporate Governance Report

Corporate Governance Report

VBG Group AB (publ) is a Swedish limited liability company whose Series B shares have been listed on the Stockholm Stock Exchange since 1987, where they are traded on the Nasdaq 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.

Division of responsibility

Responsibility for management and control of the Group is divided between the shareholders at the Annual General Meeting, the Board of Directors, its elected committees and the 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.

Shareholders

The share capital in VBG Group AB amounted to SEK 65,490,060 on December 31, 2021, 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 2021, VBG Group AB had a total of 5,831 shareholders. At year end, the ten largest owner groups controlled 77.0% of the share capital outstanding, 73.5% of the total number of shares issued and 87.7% 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 56–57.

Articles of Association

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

General Meeting of Shareholders

The highest decision-making body in VBG Group AB is the General Meeting of Shareholders. The Annual General Meeting (AGM), which is held within six months of the end of the fiscal year, adopts the financial statements, resolves on a

dividend, elects the Board of Directors and the auditors and establishes their fees, appoints the Nominating Committee, considers other statutory matters and 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.

Annual General Meeting 2021

VBG Group AB's Annual General Meeting (AGM) was held on April 29, 2021. The meeting was held in accordance with Sections 20 and 22 of the Act on temporary measures to facilitate companies and associations holding general meetings without risk to health (SFS 2020:198), meaning that shareholders exercised their right to vote at the meeting solely through postal voting in advance. The notice to attend the AGM and the form for postal voting provided by the company were made available on the web site.

The AGM resolved to adopt the Board's proposal for a dividend of SEK 4.50 per share for fiscal year 2020. The record date was April 30, 2021. Johnny Alvarsson, Louise Nicolin, Peter Augustsson, Mats R. Karlsson, Anna Stålenbrink and Anders Birgersson were re-elected to the Board of Directors. Johnny Alvarsson was elected Chairman of the Board.

The AGM resolved on total fees to the Board of Directors and the Committees of SEK 1,960,000 (1,750,000), of which SEK 660,000 (600,000) to the Chairman of the Board and SEK 275,000 (250,000) each to the other Board members. No Board fee is paid to the President. Of the total fee, SEK 150,000 (100,000) will be paid to the Audit Committee and SEK 50,000 (50,000) to the Compensation Committee, to be distributed by the Board of Directors. Fees to auditors shall be paid as billed, upon approval, for work performed.

The AGM resolved on the election of the licensed auditing firm Ernst & Young AB as the new auditor for the period up until the end of the next Annual General Meeting, with Andreas Mast as the new auditor in charge. Moreover, the AGM resolved that the fees to the company's auditors for their review of operations for 2021 would be paid in accordance with approved charges for work performed.

The AGM authorized the Board to resolve on one or more occasions up until the 2022 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.

The AGM resolved to accept the Board's proposal for guidelines regarding remuneration and other terms of employment for senior executives.

Furthermore, the AGM resolved to appoint a Nominating Committee comprising Göran Bengtsson (Herman Krefting Foundation for Allergy and Asthma Research), Johnny Alvarsson (Chairman of the Board of VBG Group AB) and Johan Lannebo (Lannebo fonder), with Elisabeth Jamal-Bergström (SEB Asset Management) as replacement for Per Trygg (SEB Asset Management SA), who is resigning their seat on the Nominating Committee. These individuals will constitute the Nominating Committee ahead of the 2022 AGM, with Göran Bengtsson as Chairman.

On April 29, 2021, it was announced that the 2022 AGM would be held on May 4, 2022 at the company offices in Vänersborg. For those who still wish to exercise caution owing to COVID-19, there will also be the possibility of postal voting.

Nominating Committee

The Nominating Committee is appointed by the AGM and, for the 2022 AGM, consists of the following members:

- Göran Bengtsson, Herman Krefting Foundation for Allergy and Asthma Research, also the Chairman of the Nominating Committee
- Johnny Alvarsson, Chairman of the Board of VBG Group AB
- Elisabeth Jamal-Bergström, SEB Asset Management SA
- Johan Lannebo, Lannebo Fonder

The task of the Nominating Committee is to present proposals to the AGM on behalf of the shareholders for election of a

Chairman and other members of the Board of Directors as well as proposals for fees and other remuneration for Board work and auditors' fees. The Nominating Committee shall also submit nominations for election of an auditor based on discussions in the VBG Group's Audit Committee and the Board of Directors.

When the Nominating Committee nominates a Chairman and other members of the Board of Directors, it shall issue a statement to the effect that the nominated individuals are to be regarded as independent in relation to the company and the executive management as well as major shareholders in the company. The Nominating Committee's proposals shall be given to the VBG Group 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 Nominating 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 Nominating 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 Nominating Committee are independent in relation to the company, the executive management and the shareholder with the most votes, the Herman Krefting Foundation for Allergy and Asthma Research.

Ahead of the 2022 AGM, the Nominating Committee proposes the re-election of Johnny Alvarsson (who is also proposed for re-election as the Chairman of the Board), Peter Augustsson, Louise Nicolin, Mats R. Karlsson, Anna Stålenbring and Anders Birgersson (President).

The proposal of the Nominating Committee regarding fees to the Board and the Audit and Compensation Committees entails a raise in the fees to SEK 2,020,000 (1,960,000). Allocation of the fees is proposed as follows: SEK 680,000 (660,000) to the Chairman of the Board and SEK 285,000 (275,000) each to the other Board members. No Board fee is paid to the President. SEK 150,000 (150,000) is to be paid to the Audit Committee and SEK 50,000 (50,000) to the

BOARD MEMBERS AS OF THE 2021 AGM

Board members ¹	Function	Elected	Committee work	Independent in relation to the company	Independent in relation to major shareholders
Johnny Alvarsson	Chairman	2004	Compensation Committee/ Audit Committee	Yes	No
Peter Augustsson	Board member	2011		Yes	Yes
Louise Nicolin	Board member	2014		Yes	Yes
Mats R. Karlsson	Board member	2018	Compensation Committee	Yes	Yes
Anna Stålenbring	Board member	2020	Audit Committee	Yes	Yes
Anders Birgersson	Board member, President and CEO	2001		No	No
				5/6	4/6
Employee representatives			Function	Appointed	
Jouni Isoaho, IF Metall			Board member	2016	
Cecilia Pettersson, Unionen/Swedish Association of Graduate Engineers/Ledarna			Board member	2011	
Karin Pantzar, Unionen/Swedish Association of Graduate Engineers/Ledarna			Deputy	2010	

¹ Information on the members of the Board is provided on pages 130–131.

Compensation Committee, to be distributed by the Board of Directors.

Additionally, the Nominating Committee proposes ahead of the 2022 AGM the re-election of Ernst & Young AB as auditor, for the period up until the next Annual General Meeting, with Andreas Mast as auditor in charge. Fees to auditors are proposed to be paid as billed, upon approval, for work performed.

Shareholders representing more than 75% of the total number of votes in VBG Group AB propose that the 2022 AGM appoint the following persons to the Nominating Committee:

- Göran Bengtsson, Herman Krefting Foundation for Allergy and Asthma Research, also as the Chairman of the Nominating Committee
- Johnny Alvarsson, Chairman of the Board of VBG Group AB
- Johan Lannebo, Lannebo Fonder
- Elisabeth Jamal-Bergström, SEB Asset Management SA

Composition of the Board of Directors

The members of the Board of Directors are elected annually by the AGM for the period up until the next AGM. VBG Group AB has not established a specific age limit for the Board members nor a time limit for how long someone may sit on the Board.

The 2021 AGM elected Board members Johnny Alvarsson, Anders Birgersson (President), Peter Augustsson, Louise Nicolin, Anna Stålenbring and Mats R. Karlsson. 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 130–131.

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

The number of AGM-elected members for the 2022 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 six mem-

bers 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 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 and financial position 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.

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 Nominating Committee.

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

Board committees

The Board of Directors appointed both an Audit Committee and a Compensation Committee for the period up until the 2022 AGM.

ATTENDANCE AT BOARD MEETINGS IN 2021

Board members	Board of Directors	Audit Committee	Compensation Committee
Johnny Alvarsson	9 (9)	3 (3)	2 (2)
Peter Augustsson	9 (9)		
Louise Nicolin	8 (9)		
Anna Stålenbring	9 (9)	3 (3)	
Mats R. Karlsson	9 (9)		2 (2)
Anders Birgersson	9 (9)		
Employee representatives			
Jouni Isoaho, IF Metall	8 (9)		
Cecilia Pettersson, Unionen/Swedish Association of Graduate Engineers/Ledarna	8 (9)		

Compensation Committee

At the statutory Board meeting in April 2021, the Board of Directors appointed a Compensation Committee consisting of Johnny Alvarsson (chairman) and Mats R. Karlsson. The Committee had two meetings during 2021 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 manager should approve decisions in compensation matters. A presentation was made at the AGM of the Board's proposal for guidelines for remuneration to the 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 2022 AGM for guidelines for remuneration to the President and senior executives is provided on pages 136–137.

Information on remuneration in 2021 is provided in Notes 6 and 7 on pages 99–101.

Audit Committee

At the statutory Board meeting in April 2021, the Board of Directors appointed an Audit Committee consisting of Johnny Alvarsson and Anna Stålenbring, with Anna Stålenbring as Chairman. In 2021, 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. 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 2021. The auditors' reports have not occasioned any special measure on the part of the Audit Committee.

Board activities in 2021

Prior to each Board meeting, an agenda is sent out to the Board members along with in-depth information on the business at hand. Nine (13) meetings were held during the 2021 fiscal year, of which four (February, April, July and October) were held in connection with the publication of the company's quarterly reports. Due to the COVID-19 pandemic, the Board met via Microsoft Teams on most occasions. One meeting in March was held to adopt the 2020 Year-end/Annual Report and the annual statutory Board meeting was held immediately after the AGM in April. The annual visit by the Board of Directors to a subsidiary or major industry trade exhibition for 2021 was canceled owing to the COVID-19 pandemic. The business plan for 2022 was adopted at the December meeting. Other meetings dealt especially with questions concerning investments and updates on the situation pertaining to the COVID-19 pandemic.

Operational activities

The President is responsible for the 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

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

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

The President holds 1,017 shares and 20,000 warrants.

Group Management

Group Management comprises four persons from the Parent Company: President and CEO (and acting Division Manager of Mobile Climate Control) Anders Birgersson; Chief Financial Officer Fredrik Jignéus; Senior Vice President of Business Development Bo Hedberg; and Senior Vice President of HR and Corporate Responsibility Christina Holgersson. Anders Erkén, Executive Vice President of VBG Group and Division Manager Truck & Trailer Equipment with responsibility for the Ringfeder Power Transmission division, is also part of Group Management.

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. Information on Group Management is provided on pages 132–133.

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, 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) 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.

Auditors

The auditing firm of Ernst & Young AB was elected by the 2021 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 executive 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. An early warning review of the third quarter accounts is conducted in October–November, followed by an early warning meeting with company management and the Audit Committee where important issues for the annual closing are raised. Review and audit of the year-end and annual reports is performed in January–March.

During 2021, in addition to the audit assignment, the VBG Group consulted Ernst & Young AB on taxes, transfer price matters and accounting matters. The amount of remuneration paid to Ernst & Young AB in 2021 is shown in Note 7 on page 101. 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.

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

The VBG Group's risk assessment regarding the financial reporting is aimed at identifying and evaluating the most significant risks that affect the internal control of the financial reporting in the Group's companies, divisions and processes. The most significant risks identified in the Group's internal control of the financial reporting are managed by control structures based on reporting of non-compliances with adopted standards, for example, valuation of inventories and other significant assets.

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/business controller 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. An online conference was held in 2021 owing to the COVID-19 pandemic. 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 and cash flow 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.

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. As a consequence of the ongoing COVID-19 pandemic, only two physical meetings with investors and analysts took place in 2021. A number of telephone meetings with analysts were held during the year.

PROPOSAL FOR GUIDELINES REGARDING REMUNERATION AND OTHER TERMS OF EMPLOYMENT FOR SENIOR EXECUTIVES (ITEM 11)

The Board of Directors proposes that the 2022 AGM resolve to adopt the guidelines below for remuneration to 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 2022 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 range from 33% to a maximum of 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 forming the basis of any variable remuneration must be based on earnings per share and operating profit (EBIT, or alternately EBITA).

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, earnings per share 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 satisfied 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 decide 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 a departure 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 than anticipated, or VBG Group increasing in value or increasing its sales or profits to a greater extent than forecast.

Board of Directors



MEMBERS	JOHNNY ALVARSSON	ANDERS BIRGERSSON	LOUISE NICOLIN	PETER AUGUSTSSON
Position on the Board	Chairman	Board member	Board member	Board member
Current position	Chairman of Manava konsult AB since 2017.	President and CEO of VBG Group AB since 2001.	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 Administration, University of Skövde.	MSc. 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	2014	2011
Born	1950	1958	1973	1955
Other Board assignments	Chairman of FM Mattsson Mora Group AB and Manava Konsult AB. Board member of Beijer Alma AB, Instalco Intressenter AB, Sdiptech AB, Conveniunt AB and Rotundagruppen.	Board member of Sparbanken Lidköping AB, the Herman Krefting Foundation for Allergy and Asthma Research, the VBG-SLK Foundation and the SLK Employees' Foundation.	Chairman of AB Better Business World Wide, Sweden. Board member of Volati AB, Enzymatica AB, Seafire AB, Optinova Group Ab (Finland) and Atteviks Bil AB.	Chairman of Smoltek Nanotech Holding AB and AXsensor AB. Board member of Wallenius-rederierna 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.	Has worked in the engineering industry since 1984 in logistics, production, product development and senior management. Production Manager, President and Business Area Manager in the ESAB Group 1997–2001. Production Manager and Technical Manager in the SKF Group 1989–1997. Production and Logistics in the ABB Group 1979–1988.	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.
Remuneration¹, SEK	745,000	—	275,000	275,000
Attendance at Board meetings	9 (9)	9 (9)	8 (9)	9 (9)
Own shareholding and shareholding of related parties	1,000	1,017	—	1,100
Independent of the company	Yes	No	Yes	Yes
Independent of major shareholders	No	No	Yes	Yes

¹ Remuneration approved at the 2021 AGM, including remuneration allocated by the Board from the respective committees.

**ANNA STÅLENBRING**

Board member

Consultant and owner of A Advisory AB since 2015.

Bachelor's in Business Administration, Växjö University. Advanced Management Program (AMP), INSEAD, Fontainebleau.

2020

1961

Board member of Troax Group AB, FM Mattsson Mora Group AB, Lammhults Design Group AB, Medica-Natumin AB, Infobric Groups AB, Engcon AB and Investment AB Chiffonjén.

Executive positions in the industry, primarily at Itab (1986–1994) and Nefab (1994–2016). Consulting firm (2016–2020).

365,000

9 (9)

2,000

Yes

Yes

**MATS R. KARLSSON**

Board member

Chairman of Mats R. Karlsson & Partners AB since 2017.

MSc. Eng., Industrial Economics, Institute of Technology at Linköping University.

2018

1958

Board member of Askalon AB Centriar Holding AB and Profilgruppen AB. Board member of Fire Fighting Systems AS and Fergas Group AB.

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).

300,000

9 (9)

—

Yes

Yes

**CECILIA PETTERSSON**

Board member and employee representative, white-collar employees

Employee in the purchasing and logistics division of Truck & Trailer Equipment. Employed since 1998.

Three-year economics program.

2011

1968

—

—

—

8 (9)

—

—

—

**JOUNI ISOAHO**

Board member and employee representative, blue-collar employees

International Welding Specialist (IWS) at Truck & Trailer Equipment. Employed since 1996.

Upper secondary welding education, Artur Lundqvistskolan.

2016

1959

—

—

—

8 (9)

—

—

—

DEPUTY MEMBER OF THE BOARD**Karin Pantzar**

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

AUDITOR**Ernst & Young AB
Andreas Mast**

Auditor in charge. Born 1979. Authorized Public Accountant. Auditor of the company since 2021.

Group Management



MANAGEMENT	ANDERS BIRGERSSON	FREDRIK JIGNÉUS	BO HEDBERG
Current position	President and CEO, and acting Division Manager of Mobile Climate Control.	CFO, Director of Investor Relations and IT.	Director of Business Development.
Born	1958	1978	1957
Education	MSc. Eng., Mechanical Engineering, Chalmers University of Technology. Business economics, University of Skövde.	MSc. Econ., Karlstad University.	MSc. Eng., Mechanical Engineering, Luleå University of Technology.
Employed	2001	2020	1996
Work experience	Has worked in the engineering industry since 1984 in logistics, production, product development and senior management. Production Manager, President and Business Area Manager in the ESAB Group 1997–2001. Production Manager and Technical Manager in the SKF Group 1989–1997. Production and Logistics in the ABB Group 1979–1988.	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 Director of R&D and Marketing. Marketing Director at Mark IV Automotive, 1994–1996. Various positions within Saab Automobile 1981–1994, including Platform Manager in the purchasing division.
Board assignments	Board member of VBG Group since 2001. Board member of Sparbanken Lidköping AB, the Herman Krefting Foundation for Allergy and Asthma Research, the VBG-SLK Foundation and the SLK Employees' Foundation.	Secretary of VBG Group AB (publ) since 2020.	—
Own shareholding and shareholding of related parties	1,017	300	1,752
Warrants	20,000		7,500

**CHRISTINA HOLGERSON**

Senior Vice President of HR and Corporate Responsibility.

1965

Engineering, specializing in mechanical engineering, Nils Ericson Upper-Secondary School. Qualified Human Resources Specialist, FEI.

1986–1996 and from 2000

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.

Deputy Chairman of the Scandinavian Automotive Supplier Association (FKG) since 2019. Board member of FKG since 2012.

—

5,000

**ANDERS ERKÉN**

Executive Vice President VBG Group and Division Manager Truck & Trailer Equipment, with overall responsibility for Ringfeder Power Transmission.

1964

MSc. Eng., Mechanical Engineering, Luleå University of Technology.

2007

Branch Manager, Imaje AB 2004–2007. Production and logistics in ESAB AB, 1990–2003.

—

3,697

15,000

Vänersborg, date as indicated
by my signature

Johnny Alvarsson
Chairman of the Board

Anders Birgersson
President and CEO

Peter Augustsson
Board member

Louise Nicolin
Board member

Mats R. Karlsson
Board member

Anna Stålenbring
Board member

Jouni Isoaho
Employee representative

Cecilia Pettersson
Employee representative

**Auditor's statement on the Corporate Governance Report
To the general meeting of shareholders of VBG Group AB
(publ), corporate identity number
556069-0751**

Engagement and responsibility

The Board of Directors is responsible for the Corporate Governance Report for the year 2021 on pages 122–134 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This

means that our examination of the corporate governance report 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 Report has been prepared. Disclosures in accordance with Chapter 6, Section 6, the second paragraph points 2–6 of the Annual Accounts Act and Chapter 7, Section 31, the second paragraph of the same law are consistent with the annual accounts and consolidated financial statements and are in accordance with the Annual Accounts Act and the Swedish Corporate Governance Code.

Gothenburg, date as indicated by my electronic signature
Ernst & Young AB

Andreas Mast
Authorized Public Accountant



Remuneration report

VBG Group AB (publ)

Remuneration report for fiscal year 2021

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 2021 Annual General Meeting, were implemented during the year. The report also provides information on remuneration to the President and Executive Vice President of VBG Group, and a summary of VBG Group's outstanding share-based incentive plans. 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 99–100 of VBG Group's Annual Report for 2021. Information on the activities of the Compensation Committee in 2021 is provided in the Corporate Governance Report on page 125 of the Annual Report for 2021. Information in accordance with Chapter 5, Sections 40–44 of the Swedish Annual Accounts Act is provided in Note 6 on pages 99–100 of the Annual Report for 2021. Information on VBG Group's earnings and performance in 2021 is provided in the Board of Directors' Report on pages 61–77 of the Annual Report for 2021.

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 99–100 of the Annual Report for 2021.

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 76 of the Annual Report for 2021.

Total remuneration to the President and Executive Vice President in 2021 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.

In addition to remuneration covered by the guidelines, the 2018 Annual General Meeting resolved to introduce a warrant-based incentive plan. Additional information on the incentive plan is provided in the "Share-based remuneration to senior executives" section below.

Remuneration to VBG Group's President and Executive Vice President

The table on the following page shows remuneration to VBG Group's President and Executive Vice President in 2021. Neither the VBG Group's President or Executive Vice President received remuneration in the form of shares in 2021.

Share-based remuneration to senior executives

VBG Group has an outstanding warrant-based incentive plan for senior executives and other key persons in the Group ("LTI 2018"). The incentive plan was resolved on at the 2018 Annual General Meeting. The price of the warrants in LTI 2018 corresponded to a calculated market value for the warrants at allocation, with the application of a Black & Scholes valuation model calculated by an independent valuation institute (SEB AB). Each warrant entitles the subscriber to one new Series B share in VBG Group up through May 20, 2022 under specifically indicated subscription periods in 2021 and 2022.

The warrants entitle the subscriber to shares in VBG Group at a subscription price corresponding to 120% of the volume-weighted average price paid for the share as listed on Nasdaq for a period of 10 trading days as of the day after the Board of Directors directed the offer to acquire the warrants to the senior executives and other key persons covered by LTI 2018. Each warrant acquired, up to the number of warrants that each participant was guaranteed to be permitted to acquire, grants the right to a subsidy corresponding to 120% of the price of the warrants provided that certain conditions are met. The subsidy will be distributed by VBG Group to participants on two occasions in two equal parts (1/2) after the halfway point in the program and after three years, respectively.

VBG Group President Anders Birgersson has acquired 20,000 warrants in LTI 2018, and VBG Group Executive Vice President Anders Erkén has acquired 15,000 warrants in LTI 2018.

No share-based incentive plan was concluded in 2021, and the conditions for LTI 2018 have not changed.

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 below shows VBG Group's application of the criteria for disbursement of variable remuneration in 2021.

Remuneration to senior executives and the company's performance, etc.

Below is an overview of remuneration to VBG Group's President and Executive Vice 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 and Executive Vice President in 2021

SEK '000	Fixed cash salary	Variable remuneration	Pension benefits	Other benefits	Total remuneration in 2021	Proportion of fixed remuneration	Proportion of variable remuneration
Name and position							
Anders Birgersson, President	4,377	1,982	1,552	103	8,014	75%	25%
Anders Erkén, Executive Vice President ¹⁾	2,870	1,181	857	98	5,006	76%	24%

1) All remuneration to the Executive Vice President is paid out from VBG Group Truck Equipment AB

Application of the criteria for disbursement of variable remuneration in 2021

SEK '000	Criteria	Relative weight of criteria	a) Criterion assessed b) Maximum remuneration c) Remuneration disbursed
Name and position			
Anders Birgersson, President	Part a: Based on the EBIT margin, excluding preliminary costs for incentive programs for the current year for VBG Group	50%	a) 12.2 % b) 992 c) 835
	Part b: Based on earnings per share.	50%	a) 9.07 b) 992 c) —
Anders Erkén, Executive Vice 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) 19.3 % b) 1,023 c) 1,023
	Part b: Based on earnings per share.	24%	a) 9.07 b) 323 c) —

Remuneration to senior executives and the company's performance, etc.

SEK '000	2021	2020
Name and position		
Total remuneration till President	8,014	6,400
Total remuneration till Executive Vice President	5,006	4,693
VBG Group's earnings	337,109	226,719
Average remuneration in full-time equivalents for VBG Group's other employees	434	414

2021 is the second reference year. Coming years will be added to the table above so that the annual change for the last five years will be indicated.

WELCOME TO THE 2022 ANNUAL GENERAL MEETING

The Annual General Meeting of VBG Group AB (publ) will be held at 5:00 p.m. on Wednesday, May 4, 2022 in the company's offices at Herman Kreftings Gata 4 in Vänersborg, Sweden.

For those who still wish to exercise caution owing to COVID-19 and thus not attend the meeting in person, the Board has decided – in accordance with the Act on temporary measures to facilitate companies and associations holding general meetings without risk to health – 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 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 26, 2022.
- 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 27, 2022 at the latest.
- for physical participation on site, register their participation at the address indicated in the notice to attend by April 27, 2022 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 26, 2022. Voting rights registration completed by the nominee by April 26, 2022 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 5.00 per share (4.50), with a record date of May 6, 2022. If the AGM approves this proposal, the dividend is expected to be distributed by Euroclear Sweden AB starting May 11, 2022.

Report dates

April 28	Interim report January–March 2022
July 20	Interim report January–June 2022
October 20	Interim report January–September 2022
February 2023	Year-end report 2022

The VBG Group welcomes inquiries about the Group and its development. Contact persons are: Anders Birgersson, 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.

ADDRESSES

VBG Group

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European Trailer Systems GmbH
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DE-47441 Moers
Tel +49 2841 6070 700

Denmark

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Industribuen 20-22
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Tel +45 64 46 19 19

Norway

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UK

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UK
Tel +44 1925 23 41 11

Belgium

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Czech Republic

European Trailer Systems s.r.o.
Ke Gabrielce 786
CZ-39470 Kamenice nad Lipou
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US

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1075 Rodgers Park Dr
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Mobile Climate Control

Sweden

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Tel +46 521-27 77 00

Mobile Climate Control Sverige AB
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SE-761 21 Norrtälje
Tel +46 521-27 77 00

Germany

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Canada

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Mobile Climate Control Inc.
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Tel +1 905 482 2750

US

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Tel +1 574 534 1516

Mobile Climate Control Corp.
3189 Farmtrail Road
York, PA 17406
Tel +1 717 767 6531

Poland

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Ul. Szwedzka 1
PL-55-200 Olawa
Tel +48 71 3013 701

China

Mobile Climate Control
Manufacturing/Trading Co Ltd
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Zhenhai, Ningbo, 315221
Tel +86 574-863 085 77

South Africa

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Unit 7B, Rinaldo Industrial Park
50 Moreland Drive, Red Hill
4071 Durban
Tel +27 31 569 3971

India

Mobile Climate Control Thermal Systems
India Pvt Ltd
Plot No. 4B
Road No.2, Phase-I
KIADB Industrial Area Narasapura
Kolar – 56313, Karnataka

Ringfeder Power Transmission

Germany

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DE-64823 Groß-Umstadt
Tel +49 6078 9385-0

Ringfeder Power Transmission GmbH
Zweibrücker Strasse 104
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Tel +49 6821 866 0

Czech Republic

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CZ-33441 Dobruška
Tel +420 377 201 511

US

Ringfeder Power Transmission USA Corp.
165 Carver Avenue
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Tel +1 201 666 3320

Carlyle Johnson Machine, Co.LLC
201 Boston Turnpike
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Tel: +1 860 643 1531

India

Ringfeder Power Transmission India Private Ltd
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Tel +91 44 2679 1411

China

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Brazil

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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 17 countries with approximately 1,700 employees – are run on a foundation of industrial expertise, strong values and financial stability.

