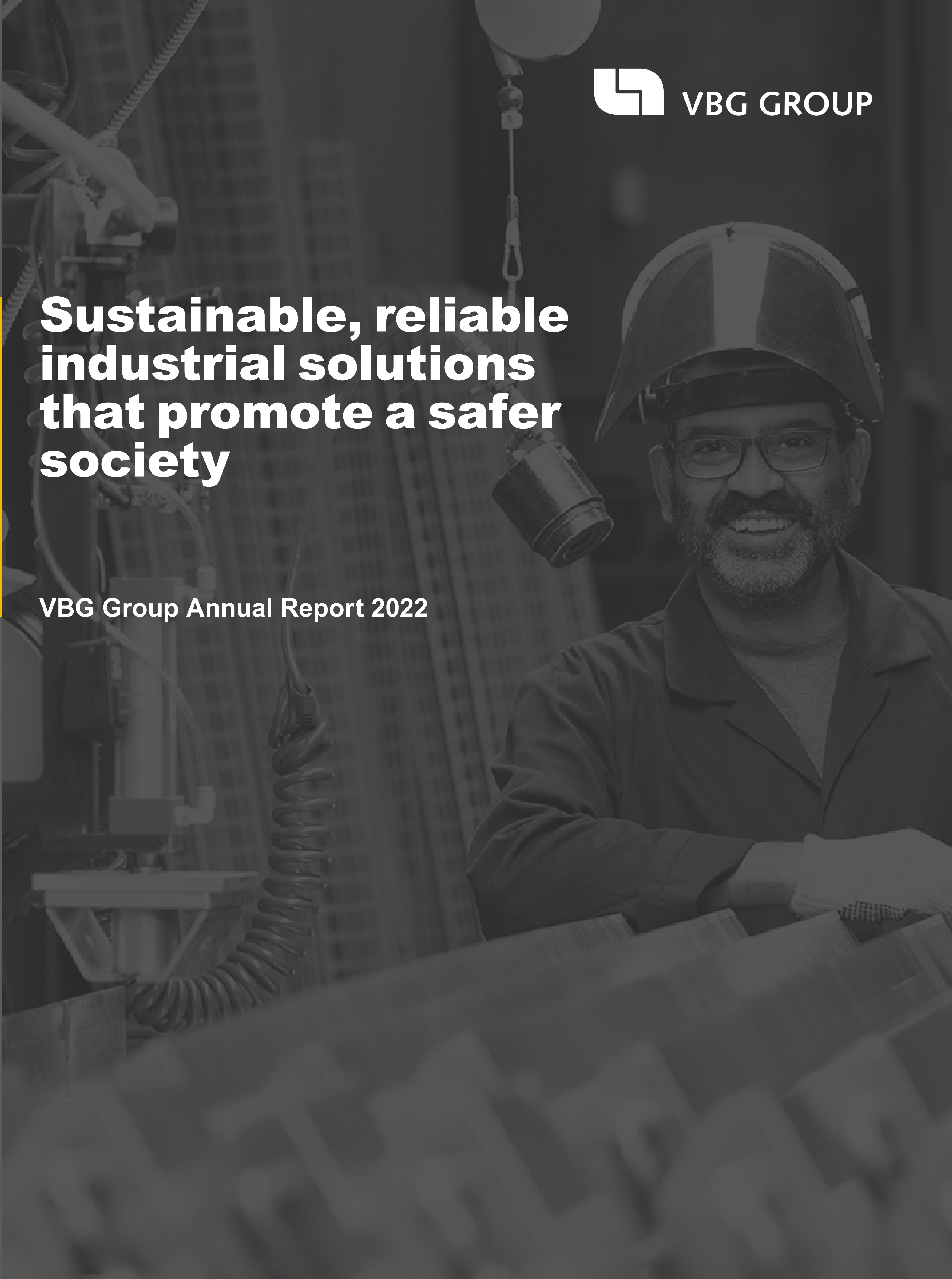


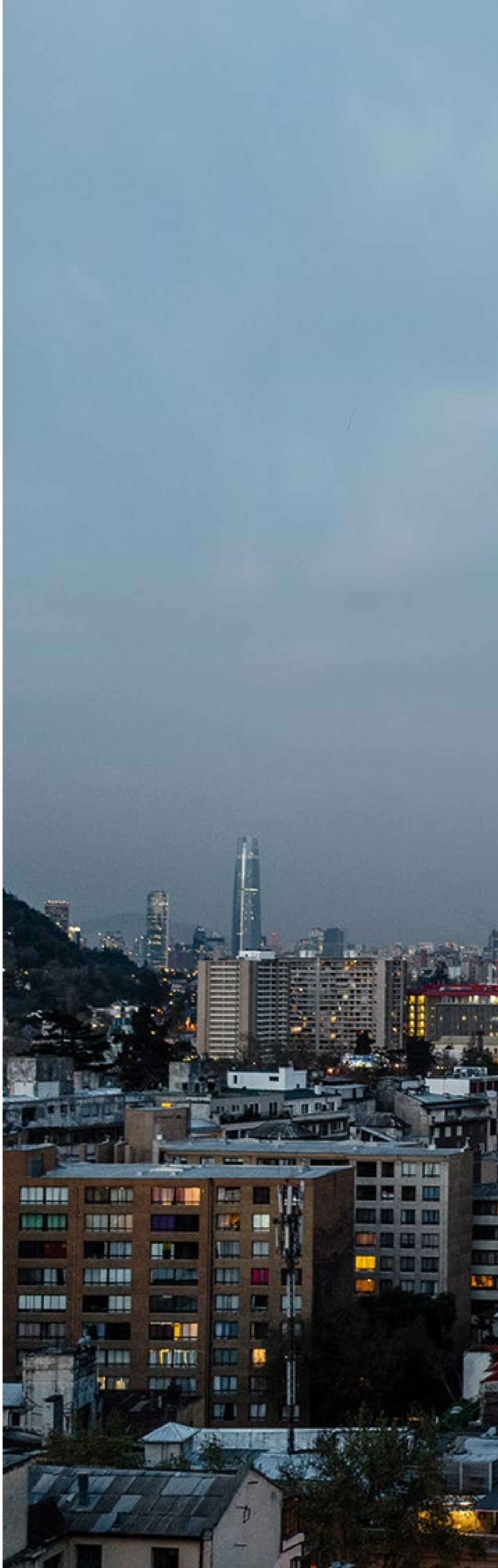
VBG GROUP

Sustainable, reliable industrial solutions that promote a safer society

VBG Group Annual Report 2022

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.

Off-road

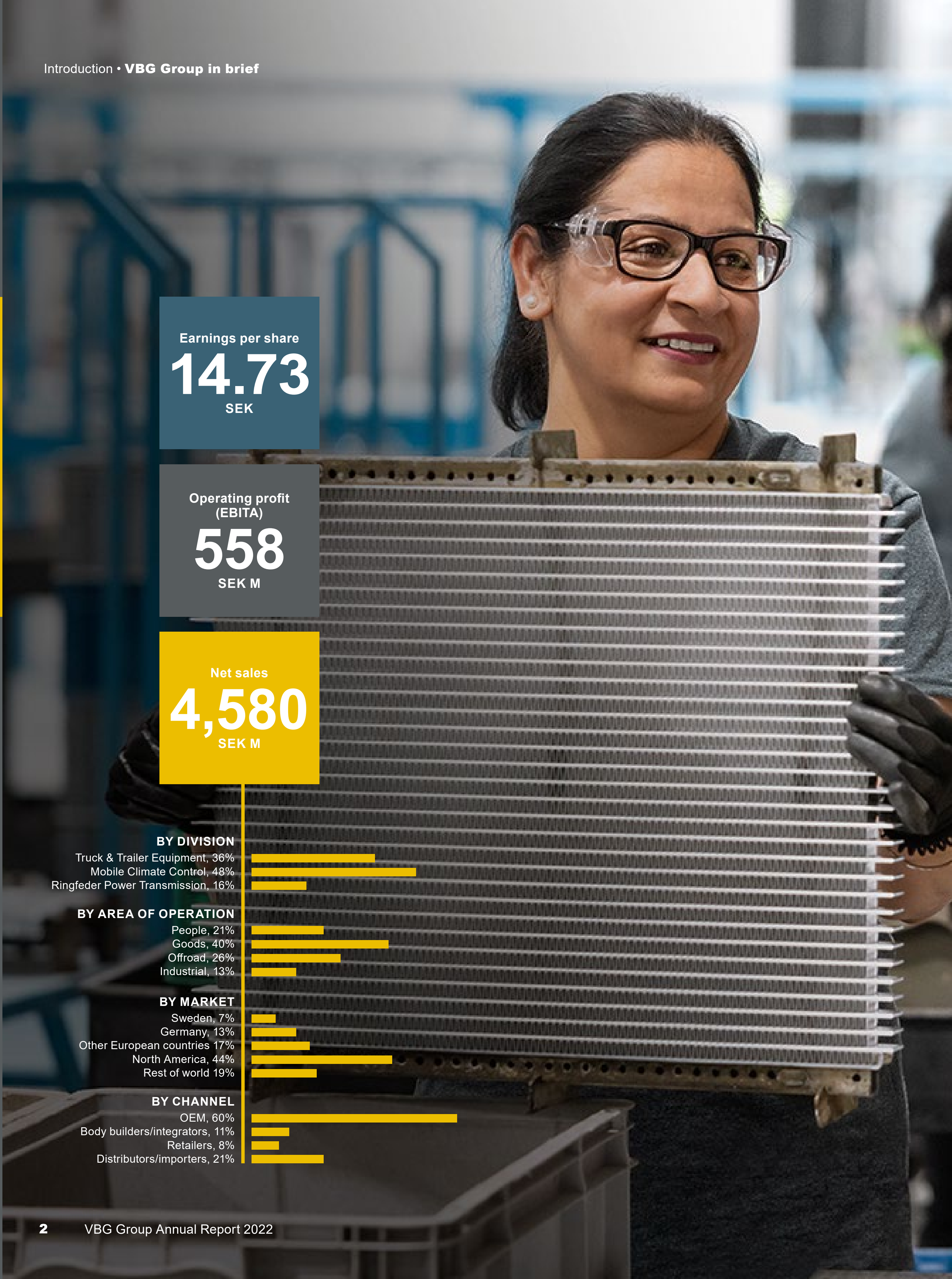
Our solutions for off-road, forestry and defense vehicles promote a safer work environment for the users of these vehicles. Our climate control systems improve the environment for drivers and promote increased safety. New solutions that support electrification of the industry are being developed.

Goods

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

Industrial

Our friction springs promote a safe infrastructure in society, in everything from elevators to damping shock waves in buildings as protection against earthquakes. 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
14.73
SEK

Operating profit (EBITA)
558
SEK M

Net sales
4,580
SEK M

BY DIVISION
Truck & Trailer Equipment, 36%
Mobile Climate Control, 48%
Ringfeder Power Transmission, 16%

BY AREA OF OPERATION
People, 21%
Goods, 40%
Offroad, 26%
Industrial, 13%

BY MARKET
Sweden, 7%
Germany, 13%
Other European countries 17%
North America, 44%
Rest of world 19%

BY CHANNEL
OEM, 60%
Body builders/integrators, 11%
Retailers, 8%
Distributors/importers, 21%

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 16 countries and approximately 1,800 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 roughly 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 2021, 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

VBG · Mobile Climate Control · SESAM · HENFEL
RINGFEDER · ONSPOT · Edscha Trailer Systems · CARLYLE JOHNSON

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.

#1

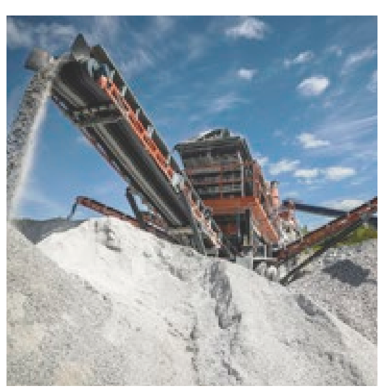
Number one in every niche

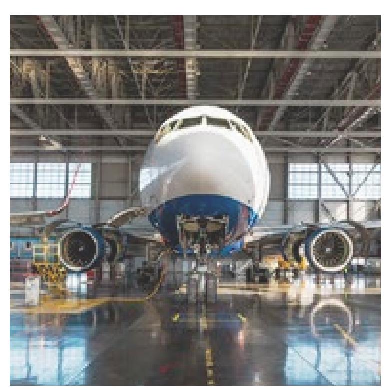
The VBG Group brands all hold leading market positions in their respective niches.

TRUCK & TRAILER EQUIPMENT

MOBILE CLIMATE CONTROL

RINGFEDER POWER TRANSMISSION





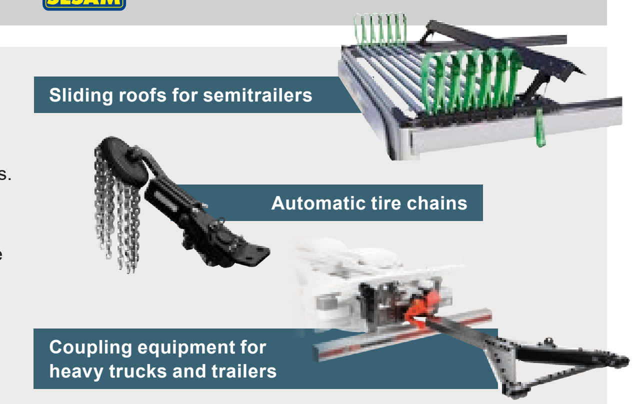
Drawbar couplings, automatic tire chains and sliding roofs

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

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

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

Read more about Truck & Trailer Equipment on page 76.



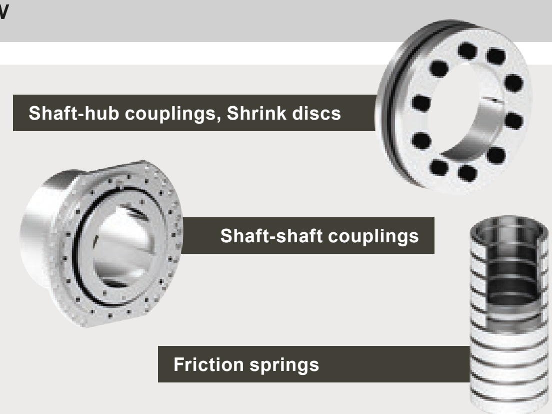
Climate control systems

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 80.

Shrink discs, shaft-hub couplings, and friction springs.

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



Contents

Pages 30–55 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, 2022.

Record-setting year for VBG Group

In 2022, VBG Group reported the best earnings in its history with net sales of SEK 4,580 M (3,611) and a total operating profit of SEK 558 M (484), despite a year marked by considerable uncertainty, an energy crisis, and inflation.

> **“Measures to strengthen margins have begun to have an effect**

> “
> # Thanks to all our employees for 22 fantastic years

2022 IN BRIEF

- Consolidated sales increased by 26.8% to SEK 4,580.0 M (3,611.2).
- Organic growth amounted to 13.4%, adjusted for currency effects and acquired volume between the years.
- Net earnings from sale of property and relocation costs had a net positive impact on operating profit (EBITA) of SEK 13.0 M during 2022.
- Operating profit (EBITA) increased to SEK 557.5 M (484.1), with an operating margin (EBITA) of 12.2% (13.4).
- Profit after financial items increased to SEK 487.8 M (441.4).
- Earnings per share amounted to SEK 14.73 (13.48).
- The Board of Directors proposes an increase in the dividend to SEK 5.50 (5.00), corresponding to 37.3% (37.1) of profit after tax.

Our historically high results show that our business model, business portfolio, and strong brands are delivering. Measures to further increase profitability began to have an effect in the latter half of the year, and we have achieved a more balanced supply chain. The operating margin for 2022 was 12.2% (13.4).

When Russia invaded Ukraine, we immediately stopped all existing trade. As a Group, VBG Group has historically had a small share of direct sales to Russia. The war in Ukraine therefore had a limited impact on VBG Group. Our operation during the past year was impacted primarily by the energy crisis and cost inflation caused by the war.

Our divisions

Ringfeder Power Transmission grew as an industrial group during the year through the acquisition of Carlyle Johnson Machine and the Tüschen und Zimmermann industrial brake business. A major focus for the division in 2022 was integrating these operations and creating conditions for profitable growth.

Truck & Trailer Equipment had a record-setting year in 2022. Good capacity utilization in combination with the price increases that were implemented led to increased profitability. New solutions that promote increased safety, such as VBG Driver Assist, were launched during the year.

A new plant for the bus operations was opened in York, Pennsylvania in November. The transformation of Mobile Climate Control’s bus business took longer than we planned, and the division’s profitability was adversely affected by this. A solid action plan to achieve increased profitability in 2023 is in place.

After years of pandemic, 2022 was a year in which VBG Group actively participated with all its brands in the major trade fairs such as IAA, bauma and Elmia Lastbil.

New sustainability targets

In 2022, we focused sharply on our sustainability initiatives. New sustainability targets have been put in place for the 2023–2030 period. 2022 will constitute the baseline year for future measurements. Procedures and tools for being able to report comprehensive sustainability data are in place. The Group also carried out numerous training initiatives so as to raise employee competence in sustainability during the year.

I feel that our sustainability initiatives have been established at a good level, but we have a number of fields where we need to increase our efforts. The volumes of hazardous waste and total waste are too high, and we are not attaining our zero vision for accidents. We must find measures in 2023 to break this trend. As part of our new targets, we must also achieve a 50% reduction in our greenhouse gas emissions (Scope 1 and Scope 2), a task that will require investments and focus.

A 22-year journey

For my part, the end of 2022 means that my term as President and CEO is over. When I stepped into the role, VBG Group was a Small Cap company. In my 22 years here, VBG Group grew by over 10% per year and is today a well-established industrial Group in Mid Cap. Earnings per share have increased annually since 2015, except for the pandemic year of 2020. This has made me extremely proud.

After having worked alongside Anders Erkén for 15 years, it is with pleasure that I turn over the job of President and CEO to him. Anders has the skill, the energy, and the leadership that will take VBG Group to the next level.

I would like to thank our shareholders, the Board of Directors, and all our employees for 22 fantastic years together with VBG Group.

Anders Birgersson
President and CEO, VBG Group, 2022

The future

As the new President and CEO, I am very much looking forward to 2023. We find ourselves in a turbulent macroeconomic environment, but as it appears today we have all the conditions to meet our objectives.

VBG Group is an industrial Group in balance, and we have an established strategy and a successful business model that we will continue to refine. With stable deliveries, we are creating a platform for growing the business both organically and structurally.

Anders Erkén
President and CEO, VBG Group as of January 1, 2023

KEY FIGURES

Group, SEK M	**2022**	2021	2020	2019	2018
Net sales	4,580.0	3,611.2	3,147.2	3,725.4	3,492.4
Operating profit before depreciation/amortization (EBITDA)	663.6	562.4	462.5	547.8	497.4
Operating profit before amortization (EBITA)	557.5	484.1	385.5	467.1	449.3
Operating profit (EBIT)	527.2	456.0	353.4	435.0	417.6
Operating profit after financial items (EBT)	487.8	441.4	326.5	397.0	373.1
Profit after tax	368.3	337.1	226.7	299.5	273.0
Earnings per share, SEK	14.73	13.48	9.07	11.98	10.92
Cash flow from operating activities	312.6	187.3	446.2	438.9	253.6
ROE (cumulative), %	11.4	12.2	9.0	12.5	12.8
ROCE (cumulative), %	11.6	12.2	9.8	12.4	13.2
Equity/assets ratio, %	60.8	59.9	58.7	57.8	56.7
Interest-bearing net debt/EBITDA	1.1	0.8	0.6	1.2	1.3
Average number of employees	1,731	1,600	1,486	1,596	1,561
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.

MISSION

Creating a safer society.

KEY SUCCESS FACTORS

- **Strong brands and leading market positions in selected niches.**
- **High customer value in our products.**
- **Diversified customer base.**

VISION

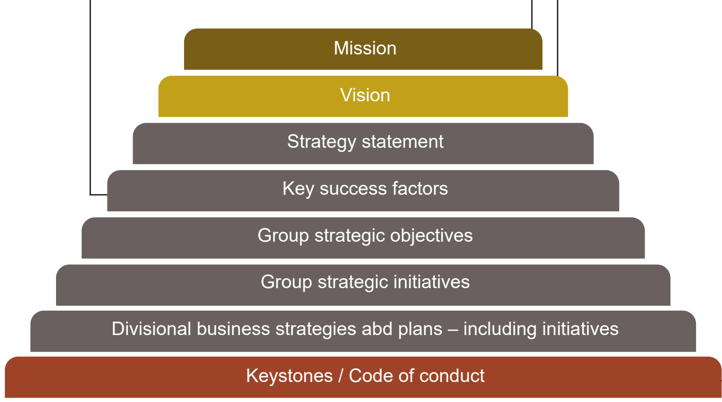
We are an attractive long-term partner that creates value for our customers, owners, and employees.

We acquire, own, and develop leading industrial brands.

We offer reliable, sustainable industrial solutions globally that promote a safer society.

KEYSTONES

- **Overall View**
- **Business Orientation**
- **Professionalism**
- **Teamwork**



Diversified structure with low business risk

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

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 20–27.

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 30–55.

SUSTAINABILITY FRAMEWORK

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

How VBG Group creates value

GROUP

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

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

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

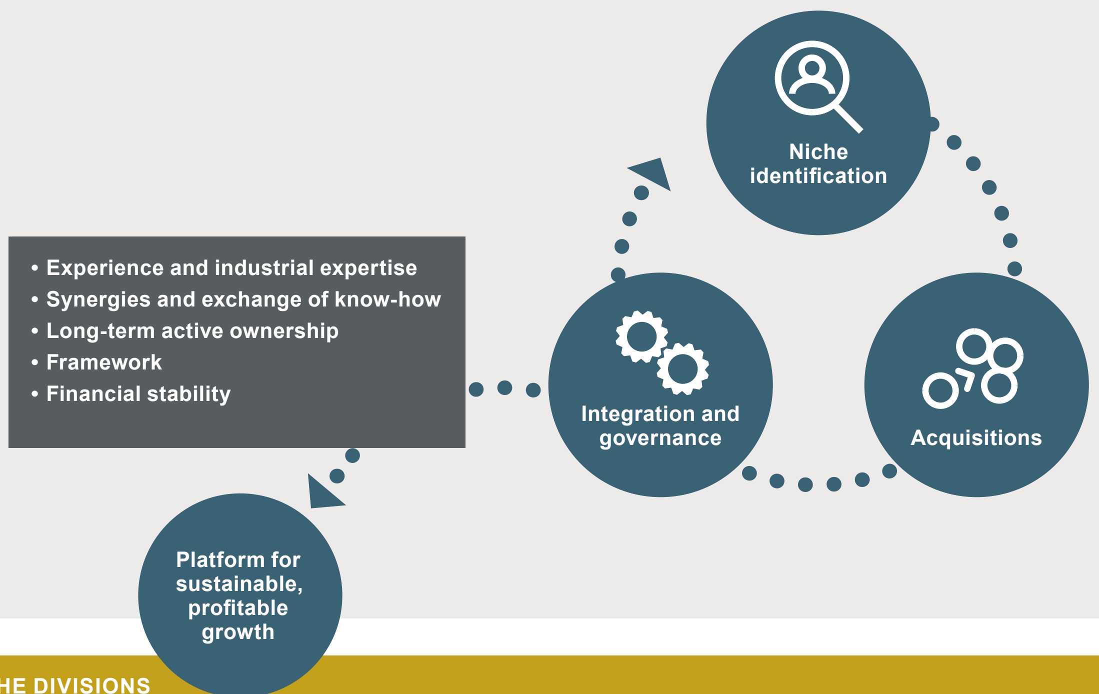
Integration and governance
Completing acquisitions is part of the Parent Company's and Group Management's overall governance. The companies that are acquired are integrated into the Group's existing divisional structure. Expertise and resources are made available to create conditions for successful integration,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

THE DIVISIONS

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

Sustainable industrial development

GROUP

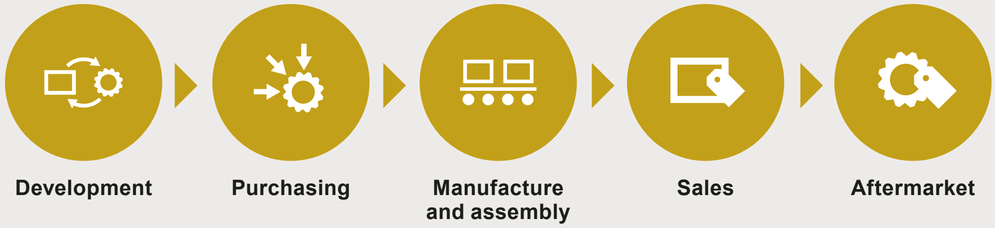


THE DIVISIONS

Truck & Trailer Equipment
Read more on page 76.

Mobile Climate Control
Read more on page 80.

Ringfeder Power Transmission
Read more on page 84.



Value created

FOR EMPLOYEES

The 1,773 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.

SEK M
1,086
in salaries and social security contributions

FOR CUSTOMERS

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

Security and profitability

FOR SHAREHOLDERS

The Group's overall objective is to create sustainable, profitable growth. This objective creates conditions for positive performance by the share as well as a stable, competitive dividend. The share price trend for VBG Group's Series B share over the last five years totals 10.4%, while an average of 32.3% of net profits was distributed over the same period. The proposed dividend for this year corresponds to a dividend yield of 3.9%.

SEK M
138
in proposed dividend

FOR SUPPLIERS

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

SEK M
2,807
in proposed dividend

FOR SOCIETY

Our industrial solutions are used in a large number of industries globally and fulfill vital social functions. We also contribute to the local economy in several communities in our role as an employer, providing both direct and indirect employment. In 2022 we paid SEK 195.7 M in social security contributions, SEK 34.7 M in pension expenses, and SEK 99.8 M in income taxes – SEK 330.2 M in total. We also pay fees and expenses such as customs duties as well as property and energy taxes. Additionally, the Group contributes to society through local sustainability initiatives among its divisions. Through our stable dividend yield, the Herman Krefting Foundation for Allergy and Asthma Research owner foundation has been able to distribute approximately SEK 233 M in research grants over the years.

SEK M
330
in tax

Global trends that impact the Group

Increased electrification, automation and digitization 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. Internally, the operation is being digitized and procedures are being adjusted in order to be climate neutral.

Areas of focus

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

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

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

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

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

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

Development agenda

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

Augmented Reality for sustainable installations

Digitization is creating conditions for new ways to work. Edscha Trailer Systems uses Augmented Reality (AR) to provide support in the installation of tarpaulins for railway wagons. From Edscha Trailer Systems's German facility in Moers, technicians communicate and support the local product installers in India. By providing clear instructions via the AR glasses, installations and corrections can be done immediately. Instructions for replacing spare parts can be given rapidly. The climate impact and price of new installations decrease since no German technicians need to travel, but the safety and quality of the installations remains high. New technological innovations can be transferred and discussed in real time, internationally.

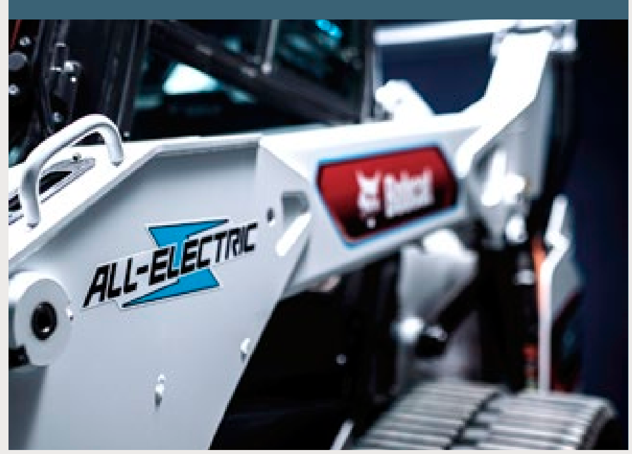
Switch to renewable energy

To achieve the UN Sustainable Development Goals (SDGs), industry and society need to change energy solutions and use renewable energy.

Ringfeder Power Transmission's products play an important part in the transformation of society. The division's solutions for mechanical transmission of power are used in both hydroelectric stations and solar power plants.

Electrification of buses and off-road vehicles

The bus industry began switching to fossil fuel-free vehicle fleets early on, and the change in fuel is imposing new demands on climate control systems. Mobile Climate Control has been part of this journey since the start. The electrification of buses continued at a rapid pace in 2022, and gained momentum for off-road vehicles as well.



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.

HKF
Herman Krefting Foundation
Main owner of VBG Group

VBG Group
1.0

1951–1996

Establishment and growth in drawbar couplings and towbars

Commercial vehicles, Nordic expansion, acquisitions and listing.

VBG Group
2.0

1997–2010

Internationalization and expanded offering

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

VBG Group
3.0

2011–2020

Acquisition-driven growth and expanded internationalization

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

KEY SUCCESS FACTORS

#1 Strong brands and leading market positions in selected niches 21

#2 High customer value in the products 22

#3 Diversified customer base 23

VBG Group

4.0

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.

2021–

Global expansion and sustainable industrial solutions

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

#1 Strong brands and leading market positions in selected niches

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

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

With a basis in the Group's 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.

PERFORMANCE IN 2022	FOCUS FOR 2023–2026
• Development of new brand strategy for Mobile Climate Control. • Incorporate the new Carlyle Johnson brand into the portfolio. • Continued development of digital marketing, inbound marketing concept.	• Establish new brand strategy for Mobile Climate Control, and launch new Bus Climate Control brand. • Continued development of digital marketing, inbound marketing concept rolled out for several brands.

Our brand portfolio comprises one corporate brand for the entire Group – VBG Group – and eight product brands. Through strong brands, we gain a better negotiating position in the value chain and can more easily generate additional sales. In acquisitions, having established brands in leading market positions could be an advantage since the seller can clearly see how previously acquired brands have been developed.

Ringfeder – safe, reliable couplings

The Ringfeder brand has developed transportation solutions since 1922 and celebrated its 100th anniversary last year. Strong and long-term relationships with customers and partners are characteristic of the brand.

Ringfeder's products are used globally and are sold to a diversified customer base, as both initial installation and aftermarket. The customer base includes OEMs, body builders, vehicle fleets, distributors and workshops.

The Ringfeder brand is associated with professional technology and a high degree of service, quality, and reliability. A broad product range with global service makes Ringfeder attractive.

Additional growth opportunities for the brand include continued expansion of the product profile and even more international sales. A value-based marketing and sales strategy, and a digital marketing agenda support the growth of the brand.

#2 High customer value in the products

VBG Group's three divisions offer customers in various industries a breadth of products and solutions for the purpose of promoting a safer society. The driving forces in the industries where the divisions are active – electrification, digitization, 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 divisions strive for active dialogue with our customers – both end users and various integrators in the value chain. This active dialogue, together with innovation and continual development, creates the conditions for a competitive customer offering.

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

PERFORMANCE IN 2022	FOCUS FOR 2023–2026
• Launch of VBG Driver Assist – a solution that increases safety and enhances efficiency in the truck driver's work. • A range of new customized solutions for electric vehicles.	• Supplementary acquisitions of niche leaders in Truck & Trailer Equipment and Ringfeder Power Transmission. • Product launches such as Edscha Trailer Systems – Quick Curtain Solution. • Additional customized solutions for electric vehicles.

Customized climate control systems for electric loaders

Mobile Climate Control has delivered climate control systems to off-road vehicles since the introduction of closed cabins. Now that the industry is undergoing electrification, Mobile Climate Control offers customized solutions for battery-operated machinery and vehicles. Electrification is positive for the environment since greenhouse gases decrease, but it also results in lower operating costs and healthier, quieter machinery.

Mobile Climate Control offers advanced technology for electric heating solutions, electric air conditioning solutions, electronics, and software that is optimized for off-road. There has been a sharp focus on the development of safe solutions, since electric applications require safety protection for high-voltage applications so that no incidents occur during use and service maintenance.

Yet another unique solution that Mobile Climate Control has developed in partnership with a customer is deactivating the electric heating system when the vehicle is under water, and then letting the electric heating function resume when the vehicle reemerges from the water. This solution means that the vehicle can be driven safely through water without interrupting propulsion.

#3 Diversified customer base

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

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

VBG Group's customer base is most easily outlined through the Group's four sales channels: OEM, retailers (sometimes owned by VBG Group), integrators and end customers. 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.

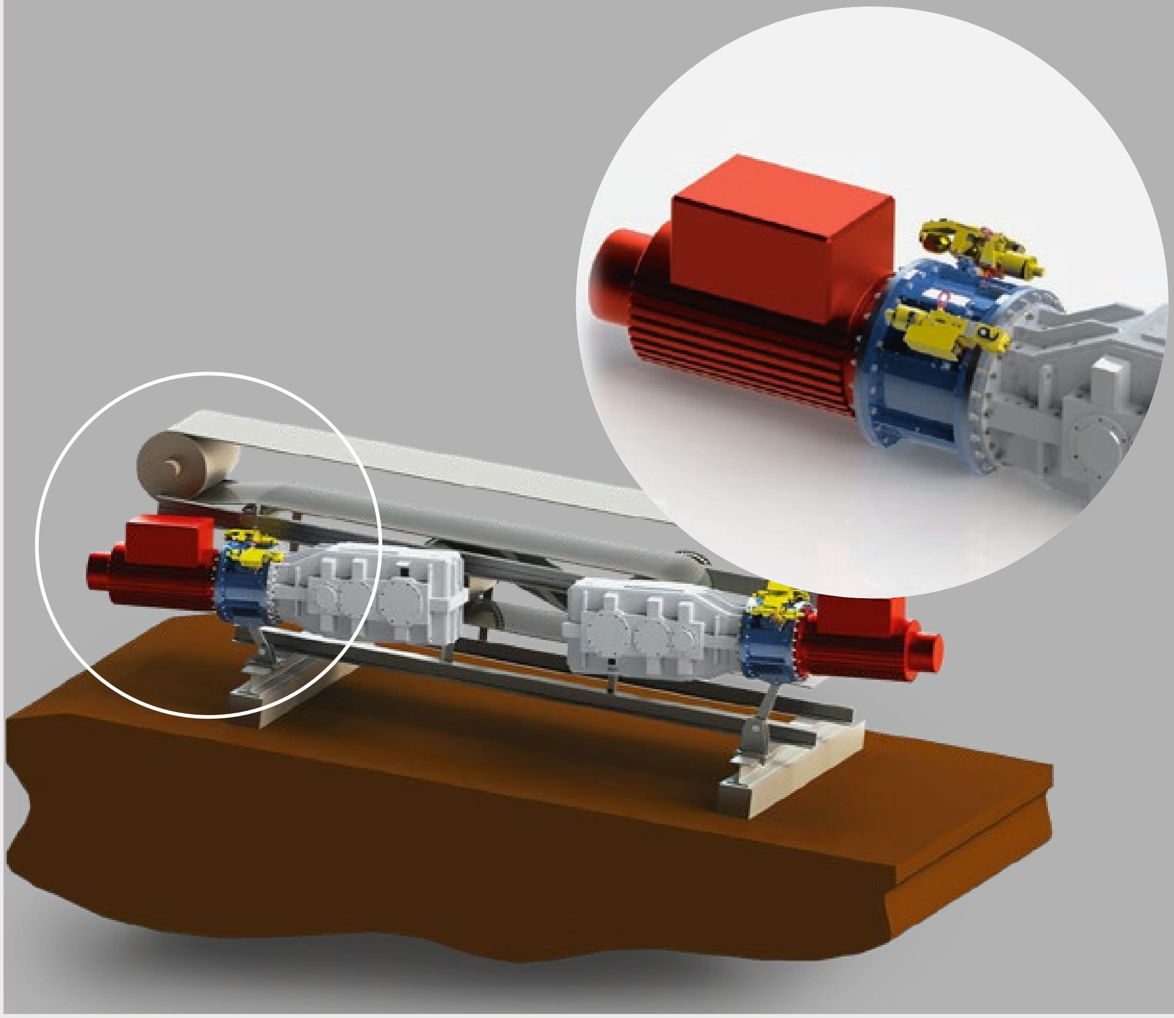
PERFORMANCE IN 2022	FOCUS FOR 2023–2026
• New customers for the Group via the acquisition of Carlyle Johnson Machine and Tüschen und Zimmermann's industrial brake business. • During the year, Onspot landed two new customers in the US who operate in public transportation and logistics.	• Supplementary acquisitions in Truck & Trailer Equipment and Ringfeder Power Transmission. • Expand Ringfeder Power Transmission's product range for Australia. • Sell Carlyle Johnson products outside the US.

Industrial brakes boost the Group's industrial business

In 2022, VBG Group acquired Tüschen und Zimmermann's industrial brake business through the Ringfeder Power Transmission division. With this acquisition, the division gains access to products that complement the current product range well and strengthen its customer offering.

Tüschen und Zimmermann manufacture hydraulic, electric, and pneumatic safety brakes for industrial applications. The industrial brakes are used in machinery such as conveyors in mines. Safety is of the utmost importance under these working conditions, and the product range is certified spark-free for applications in explosive environments (ATEX).

Offering solutions that promote safer working conditions is entirely in line with VBG Group's mission, and the acquisition also strengthens the Group's industrial business.



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.

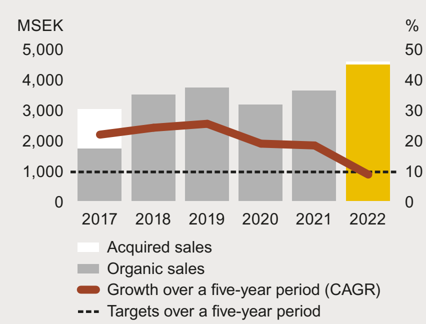
Financial targets

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.

TARGET
>10%

OUTCOME
8.8%



Comments on 2022

- In 2022, sales increased by 26.8%.
  Organic growth totaled 13.4%; 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 8.8%, divided between organic growth (CAGR) of 8.4% and structural growth (CAGR) of 0.4%.

Focus going forward

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

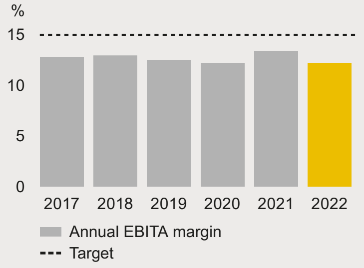
Policy

PROFITABILITY

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

TARGET **>15%**

OUTCOME **12.2%**



Comments on 2022

- The EBITA margin was 12.2%; over a rolling five-year period, the EBITA margin was 12.6%.
- Disruptions in the supply chain, rising raw materials prices and a lag in price increases for customers adversely affected profitability.
- During the year, one of the production facilities in Mobile Climate Control was moved, which adversely affected profitability.

Focus going forward

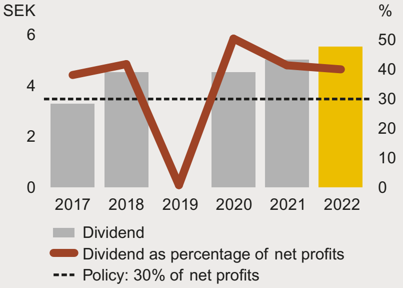
- Activities to increase internal efficiency in Mobile Climate Control's new production plant.
- Increased digitization in the Group.
- Effective cost controls.

DIVIDEND

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

POLICY **30%**

OUTCOME **37.3%**



Comments on 2022

- With a strong financial position and stable cash flows as a basis, SEK 125.0 M (or SEK 5.00 per share) was distributed in 2022.

Focus going forward

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

Sustainability targets

Target 7.3

ENERGY CONSUMPTION

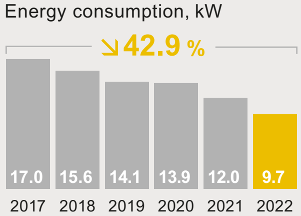
A significant part of our impact comes from energy consumption. Our goal is to reduce our energy consumption and increase the proportion of renewable energy.

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

TARGET –15%

OUTCOME –42.9%

Energy consumption, kW



Comments on 2022

- 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 2023.
- A new target for the Group is a 50% reduction in GHG, Scope 1 and Scope 2, between 2023 and 2030.

[1] Per production hour.

Target 12.5

WASTE GENERATION

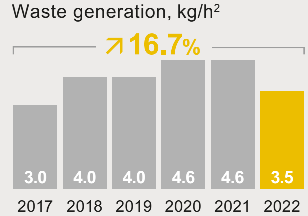
We work on innovation to enhance efficiency and minimize the amount of waste in our processes, as well as to increase the share of recycling of our waste products.

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

TARGET –10%

OUTCOME 16.7%

Waste generation, kg/h[2]



Comments on 2022

- The proportion of hazardous waste decreased in 2022, totaling 29.1% (32.8).
- The proportion of recyclable waste increased in 2022, totaling 66.1% (63.7).
- We did not reach the target for reduced waste in the 2017–2022 period. Measures for increased circularity have been initiated, and the goal is to reverse this trend in 2023.

[2] Historical figures adjusted with data from our plant in Brazil.

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

Target 9.4

ENVIRONMENTAL CERTIFICATION

The objective is for all of VBG Group's production facilities to be environmentally certified[3] by 2022 at the latest.

TARGET **100%**

OUTCOME **76.9%**

Environmental certification 2022

10 of 13 facilities

Comments on 2022

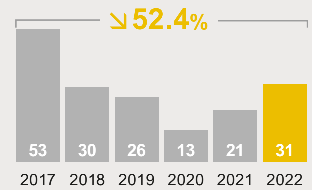
- Our plants in Bolton, CT (US), Jaboticabal (Brazil), and Beringen (Belgium) have yet to be certified.
- In addition to our 13 plants, our facilities in Groß-Umstadt (Germany) and Norrtälje (Sweden) are ISO 14001 certified.

Target 8.8

WORKPLACE ACCIDENTS

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



Target 16.5

ANTI-CORRUPTION TRAINING

We conduct business on fair terms. The objective is for all selected employees to annually undergo the Group's anti-corruption training. 95% did so in 2022.

Target 5.5

PROPORTION OF FEMALE MANAGERS

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 women[4] in the organization in total.

TARGET **23.5%**

OUTCOME **29.8%**

[3] Under ISO 14001.
[4] The proportion of women is based on the number of persons employed.

New sustainability goals in place

Corporate social responsibility that safeguards people, society and the environment is a prerequisite for being a strong company over the long term. This is important to us and to our stakeholders. VBG Group continued to develop its sustainability program during 2022. New sustainability goals have been adopted for the 2023–2030 period, and procedures and governance for measuring and monitoring sustainability data are in place.

Digitization, 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. VBG Group has been a signatory to the UN Global Compact since early 2022, undertaking to work actively on sustainability issues and to submit annual progress reports on our efforts to the UN. These efforts are founded on the Global Compact's ten fundamental principles, which are based on internationally accepted conventions on human rights, labor rights, the environment, and anti-corruption. Membership also includes a responsibility to promote the UN's 17 Sustainable Development Goals (SDGs).

Sustainability Report

Corporate social responsibility 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 Annual Report covers the Group and reflects our earnings for fiscal year 2022. VBG Group's sustainability agenda is integral to the company's overall business strategy and is reported on pages 30–55.

UPDATED TARGETS AS OF 2023

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

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

Corporate Social Responsibility (CSR)
100% of the suppliers of direct production material, and 100% of our largest suppliers, must sign VBG Group's Code of Conduct. Our own production plants are to be ISO 14001 certified.

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

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

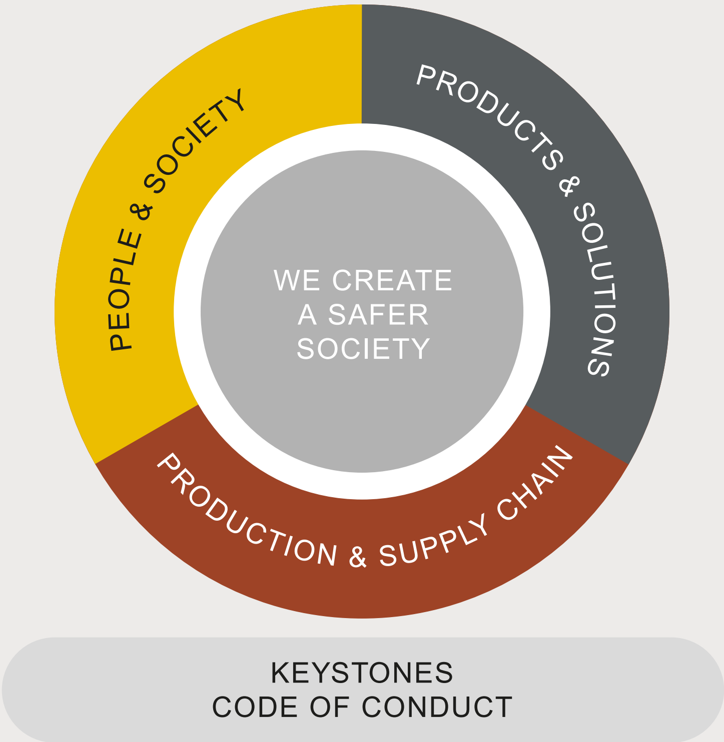
EVENTS AND FOCUS

Significant events in 2022

- Signed the UN Global Compact.
- New sustainability goals in place.
- Training courses in sustainability.

Focus going forward

- Reduce greenhouse gases – Scope 1 & 2.
- Measures to reduce the number of accidents.
- Measures to reduce the amount of waste.



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 2022 was published on March 30, 2023 as part of the Annual Report. For questions or feedback relating to the Sustainability Report, please contact Christina Holgerson, Executive Vice President Corporate Responsibility & Group HR.

Current goals are valid until the end of 2022. New sustainability goals were adopted in 2022 based on our stakeholder dialogue and materiality dialogue. The new goals apply to the 2023–2030 period.

Sustainability risks, and how they are managed, are integrated into our overall business risks on pages 62–67.

We describe our sustainability impact in three areas: Products & Solutions, Production & Supply chain and People & Society. The sustainability agenda is based on VBG Group's Code of Conduct and our Keystones.

Products & Solutions

We offer quality, reliable 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.

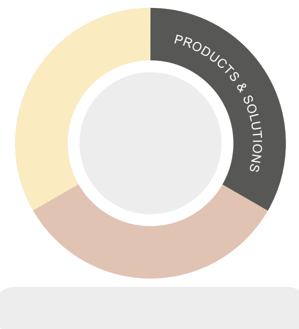
Production & Supply Chain

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

People & Society

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 a positive force in the communities where we operate. VBG Group supports and respects human rights, and works to counteract all forms of bullying and harassment.

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.

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.

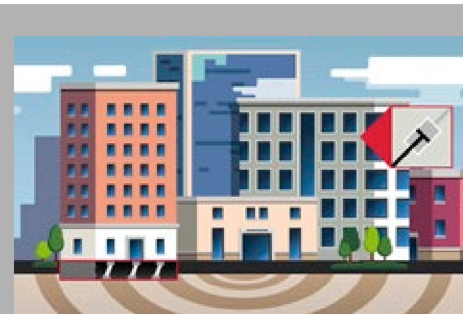
Our solutions also promote the more efficient use of resources through unique solutions in electrification. With our climate control systems for batteries, an electric process can be used to heat and cool batteries in electric buses, which improves battery capacity.

Ringfeder Power Transmission's products promote a more sustainable society through a number of applications, for example, through its products for generating hydroelectric and solar energy.

Friction springs can save lives and minimize economic damage

In the event of an earthquake, a building with friction spring dampers can withstand vibrations, maintaining its structural integrity.

The goal is for modern buildings and land infrastructure to be able to survive major earthquakes with limited damage, or no damage at all.



AMBITIONS

Improve the contribution of our products to a sustainable society

- **Our products are to be designed for the least climate impact possible.**
- **Our products are to promote reduced risk of accidents.**

For a firetruck driver, time can mean the difference between being able to save lives and arriving too late. VBG Group sells both tire chains and climate control systems for emergency vehicles. Two solutions that provide the driver with the tools for driving safely under difficult weather conditions.

VBG Driver Assist

> **Sound alerts in the event of a risk of jackknifing help with turning in tight spaces. This is good support for those of us in forestry. It makes things safer and there is less worry about damage. There is always a risk of damage when driving on uneven and narrow roads, and in changing weather conditions. Getting stuck in mud or backing the trailer into a ditch are just two of the risks you always have to be ready for. All systems that can promote a safer work environment are good.**
>
> **Ari-Pekka Sinerva – Aldegrens Transport**

In 2022, the VBG brand launched an innovative system that warns against jackknifing and provides guidance when coupling a trailer (see graphic). The system increases safety in the driver's workday and reduces potential repair costs.

When the driver is backing up, VBG Driver Assist warns them using sound alerts. When the system detects a risk of jackknifing, the sound alerts start. This normally occurs at an angle of 40 degrees, and the sound changes to a steady tone when the maximum angle has been reached.

Being able to correct a back-up that has started and is not going to plan puts great demands on the driver. The system points the driver in the right direction on the first try. This support reduces stress for the driver, which increases safety and reduces the risk of damage to the truck.

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

VBG Driver Assist also guides the driver during coupling of trailers. The driver receives information about the drawbar's position via radar sensors on the drawbar. The driver can then use voice commands to position the drawbar correctly for coupling without needing to leave the cab.

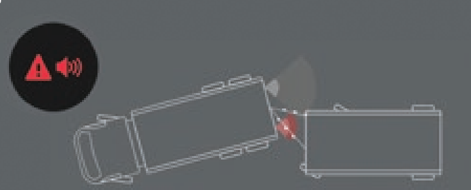
Help with coupling is particularly valuable when working on uneven ground such as construction sites, gravel roads, gravel pits, and forested areas. With VBG Driver Assist, this process becomes markedly easier.

VBG Driver Assist is a good example of a solution that promotes a safer society through minimized risk for jackknifing accidents and reduced stress for drivers.

> **I can't imagine driving my truck without VBG Driver Assist any more. I've gotten used to the support I get, and I can relax more on the job. The sound indicators in the cab work really well. The system gives me a sense of calm that I appreciate a lot.**
>
> **Jonny Andersson**
> **– Andersson & Wernlund AB**

WARNS OF JACKKNIFING

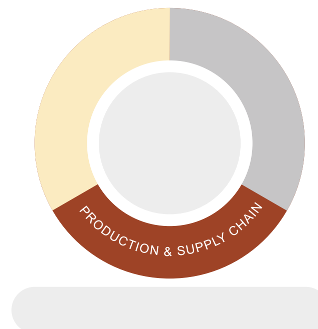
VBG Driver Assist warns the driver using sound alerts in the cab when the system detects a risk that the equipage will jackknife.



GUIDES IN COUPLING A TRAILER

The system's radar sensors detect the drawbar's position and guide the driver to a quick, safe coupling. The driver does not even need to leave the truck cab but can calmly focus on the right things.

More sustainable 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.

We work actively to bring our energy consumption down and to increase the proportion of renewable energy. The switch to low-energy LED lightning alternatives, trucks that run on electricity, and investments in new ventilation systems and energy solutions are just a few examples of activities that have both improved the work environment and promoted a reduction in energy consumption.

Our goal of reducing energy consumption by 15% between 2017 and 2022 has been achieved; energy consumption decreased by a total of 43%. We will continue to work on both reducing energy consumption and a larger share of renewable energy. Going forward, new targets are to reduce greenhouse gases by 50% by 2030 (Scope 1 and 2). In 2022, we also began working on setting targets for reducing greenhouse gases as regard our transportation and input raw materials (Scope 3).

Minimizing and optimizing the use of the resources that are used in our production is important. We apply the precautionary principle, avoiding materials and methods that could constitute a risk to the environment and to health. The amounts of hazardous waste and total waste are to be reduced. We were unsuccessful in achieving the goal for 2017–2022, to reduce total waste by 10%; total waste increased 16.7%. In 2023, we will decide on taking measures to reverse this trend. Going forward, a new target is a 50% reduction in hazardous waste and a 25% reduction in the total amount of waste by 2030.

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

Our goal is for all production facilities to be environmentally certified under ISO 14001. Our plants in Bolton, CT (US), Jaboticabal (Brazil), and Beringen (Belgium) have yet to be 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.

The Group is particular about our suppliers being stable partners, and it is incumbent upon our suppliers to sign our Code of Conduct. Going forward, our target is that 100% of the suppliers of direct production material, and 100% of our largest suppliers, must sign the Code of Conduct. Each division, together with their partners, will monitor and ensure compliance with the Group's requirements.

Renewable energy

The energy issue is central in the effort to reduce our environmental impact, and we have been engaged actively in the issue since 2017.

Apart from using as little energy as possible in our operation, we also want to change to sustainable sources of energy. The first investment in solar panels at Mobile Climate Control's plant in Olawa, Poland, was made in 2021. Panels with a solar energy capacity of 50 kWp were installed on the roof of the plant.

The current installation produced 52,794 kWh in 2022, corresponding to 10% of the annual consumption of the plant. In 2022, the decision was made to invest in additional capacity of 300 kWp. The estimate is that a total capacity of 350 kWp could account for roughly 65% of the energy needs of the plant.

Since solar cells generate different amounts of energy depending on the weather, the idea is also that on those days when the plant generates a surplus, it goes out automatically to the power grid and is sold. This set-up generates revenue and provides an opportunity for other operators to purchase renewable energy.

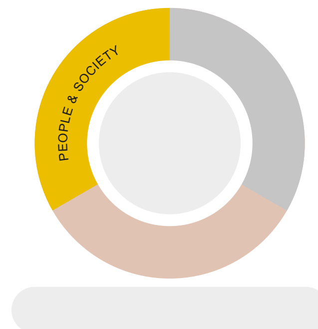
The production facility in Poland is otherwise dependent on natural gas. Switching out gas for more sustainable types of energy is important, and since the Ukraine war in 2022 shook Europe's energy market, the need for similar investment in Europe has come even more to the fore.

GOALS

Create sustainable production

- **50% reduction of greenhouse gases (Scope 1 and Scope 2) by 2030 (reference year 2022).**
- **Reduce hazardous waste by 50%, and the total amount of waste by 25%, by 2030 (reference year 2022).**
- **100% of the suppliers of direct production material, and 100% of our largest suppliers, must sign the Code of Conduct.**
- **Our production facilities are to be ISO 14001 certified.**
- **Scope 3 – Survey and set targets for greenhouse gases as regards transportation paid for by us, and for raw materials and semimanufactures from steel/iron, aluminum, and copper.**

Sound values and a down-to-earth culture



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. Our top priority is ensuring a safe, secure workplace for our employees.

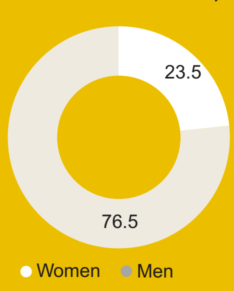
The VBG Group is an international industrial Group with some 1,800 employees in 16 countries. The divisions are supported and guided on employee issues by the Group Management of VBG Group to ensure that the proper competence is in the right place in the organization.

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.

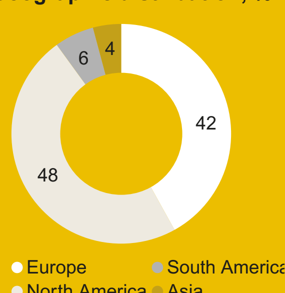
New technologies and increased digitization are increasing the need for new competence for the Group and for the divisions. One challenge for our industry is the limited access to technological and engineering competence, above all among women. We believe that greater diversity in the workplace will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

KEY FIGURES

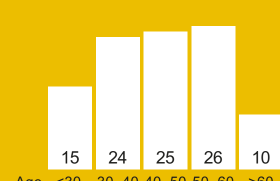
Gender distribution, %



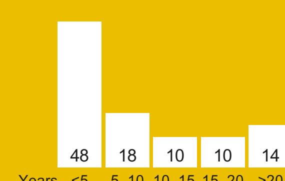
Geographic distribution, %



Age distribution, %



Length of employment, %



GOALS

Develop long-term commitments for employees and society

- **The number of workplace-related accidents will be 0.**
- **Reduce greenhouse gas emissions from travel – 100% climate-neutral company vehicles by 2030.**
- **An attractive workplace – no reported incidents of discrimination, increase the proportion of women in the organization to 30% by 2030.**
- **Corporate Social Responsibility – 100% of employees will undergo training in the Code of Conduct.**

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, 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 2022, and to date 25 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. Since 2021, employees with e-mail have also had 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 purpose 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 2022, for courses on topics such as sustainability, production technology, languages, and leadership. A partnership around sustainability courses was also initiated with University West in 2022.

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 2022 was 20.1% (9.3); the increase was due to restructuring of our bus operations in the US, where we laid off personnel in Goshen and had an extreme level of employee turnover in York.

New exhibition at Universeum

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

Since 2020, the donations have gone to the Universeum science center. A new exhibition on the human body – Humans at Universeum – opened there in 2022.

In total, the Herman Krefting Foundation has donated just over SEK 233 million to various research projects.

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, an increase in the number of accidents was noted in 2022 – 31 in total. We have seen that the protective equipment provided is not always being used correctly, and that the design of the workplace can be improved. A systematic analysis to identify the root causes and to implement measures is in progress, and an action plan to reverse the trend will be launched in 2023.

Whistleblower service

VBG Group's ambition is to maintain an open business climate and a high degree of business ethics. In our operation, we are committed to ensuring safety and respect for all the people affected by our operation. During the year, our whistleblower service expanded so that all of the Group's compa-

Appreciated employer

Outside Toronto, Mobile Climate Control has its largest production facility. The Canadian facility produces complete climate control systems for vehicles, which includes heating, ventilation and air conditioning. The facility has approximately 450 employees. There is a great deal of diversity as regards age, gender and ethnic origins – for example, 32 nationalities are employed at the facility. Since 2019, the operation has been certified under "Great Place to Work". This certification is based on an anonymous employee survey, and requires that at least 70% of all employees have submitted a positive response as regards their employer. The results for 2022 were 92% positive. In 2022, Mobile Climate Control was additionally named a "Best Workplace in Manufacturing", a "Best Workplace in Ontario", and a "Best Employer for Recent Graduates".

"These certifications are proof that we are doing the right thing," says Bob Kuzminski, President North America in Toronto. "Being an attractive employer is incredibly important for retaining and attracting competence. The right employee is the heart of a sustainable operation."

nies that have over 50 employees have their own reporting channels, and the service has also been made available on our official website. All employees are informed of the service, which is available via our intranet. The whistleblower service provides everyone with the opportunity to report irregularities or suspicions about something that is not in line with our company's values. The service is managed by an external party that reports the incidents to two persons in VBG Group management, who take the necessary actions. Two cases, which after investigation led to measures being taken, were 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. All our companies and divisions are also involved in their local communities through supporting local initiatives and charity projects. Examples of initiatives carried out in 2022 include contributions to local youth sports, collections of Christmas gifts for children, and tree planting in Brazil. Several initiatives were also taken during the year to support the people in Ukraine.

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. We conduct annual e-learning courses in our Code of Conduct, where all employees with access to an e-mail account have the lessons sent to them. There was a major update to the Code of Conduct in 2022, and we also updated our courses. Out of 783 employees invited to take the course, 95% completed it. New employees are trained on a regular basis during the year.

Sustainability training

Knowledge is the key to solving the sustainability challenges we face. To broaden VBG Group's competence in the field of sustainability, a partnership was inaugurated with University West in 2022. The Group initially purchased four customized courses on "Introduction to Sustainability in Industrial Production". The courses deal with the sustainability challenges for industry such as transportation, circularity, and the use of resources, and are equivalent to 7.5 credit hours. All training takes place online and participants from all of VBG Group's divisions globally are invited, with around 20 participants per course. Claes Fredriksson, lecturer at University West and researcher in materials and production technology, manages the program.

"The course is a very good example of how academia and industry can collaborate," says Christina Holgerson, Executive Vice President Corporate Responsibility & Group HR. VBG Group's ambition is to offer sustainable and reliable industrial solutions, in line with the UN Sustainable Development Goals. Creating competence and understanding in all parts of the organization is thus important for its sustainability initiatives and using science as a basis.

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 2022.

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.

Secure workplace

VBG Group endeavors at every level to create a safer society. Offering all employees in the Group a safe and secure workplace is the highest priority. A good example of sustainability activities in the Group is how our plant in Poland has focused on managing hazardous environments. There is a mobile application that allows employees to quickly take a photo and submit a report if they see something that does not feel safe or could be done differently.

"Our goal has been to get more risk reports into the system. We see a clear connection between more safety risks being reported and fewer serious accidents occurring. In 2022, we did not have a single accident leading to a leave of absence, and this is something we hope to be able to continue," says Bartlomiej Starosciak, General Manager MCC Poland.

By using the application, the operation obtains a quick overview of areas of risk as all of the reports are geotagged.

"By knowing where the risks are, we can implement changes in the working method, placement of machinery and equipment, or take other actions. All the employees understand the importance of reporting, and the work is a real team effort. We monitor all the risks on a daily basis, and keeping accidents to zero is our most important task," Bartlomiej Starosciak concludes.

Sustainability governance

VBG Group's sustainability agenda is integral to the company's overall business strategy. VBG Group's overall sustainability governance concerns how we manage social and environmental issues, risks, and opportunities, as well as how we act to minimize our negative impact.

VBG Group's Board of Directors is responsible for the Group working with a realistic agenda for sustainable development. Group Management bears the overall responsibility for issues related to sustainability.

The efforts to bring the Group's strategic goals to measurable activities are carried out by the Sustainability Council, which proposes sustainability goals and target levels for the Group. They also synchronize the sustainability agenda among the divisions, and ensure that there are action plans in place.

The sustainability initiatives are measured and monitored in three areas: Products & Solutions, Production & Supply chain and People & Society.

The Sustainability Council, led by the Head of Sustainability for the Group, holds regular meetings where the sustainability initiatives are discussed based on the planned strategy, targets, and activities. In addition to the Head of Sustainability, the Sustainability Council consists of representatives from each division as well as the Group's Chief Communications Officer.

The Head of Sustainability is part of Group Management, and reports regularly on the sustainability initiatives both to Group Management and further on to the Board of Directors.

Each division is responsible for carrying out established activities and reporting the sustainability data.

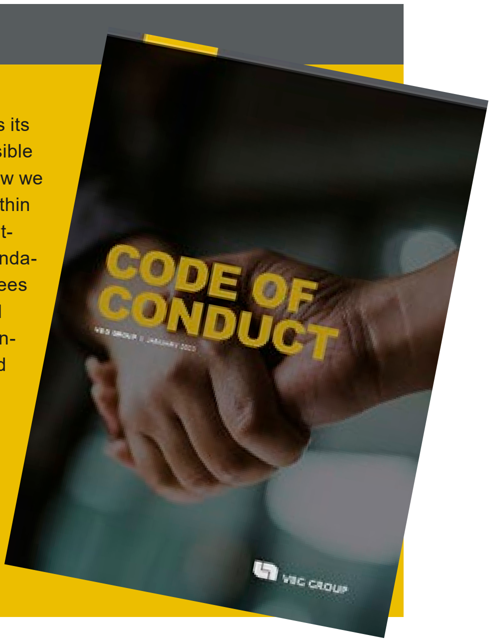
The divisions' efforts and data are reported on a quarterly basis directly to Group Management through the Division Managers, who together with the division's heads of sustainability are responsible for the division's results.

The sustainability goals and activities are set based on a materiality analysis.

POLICIES LINKED TO SUSTAINABILITY

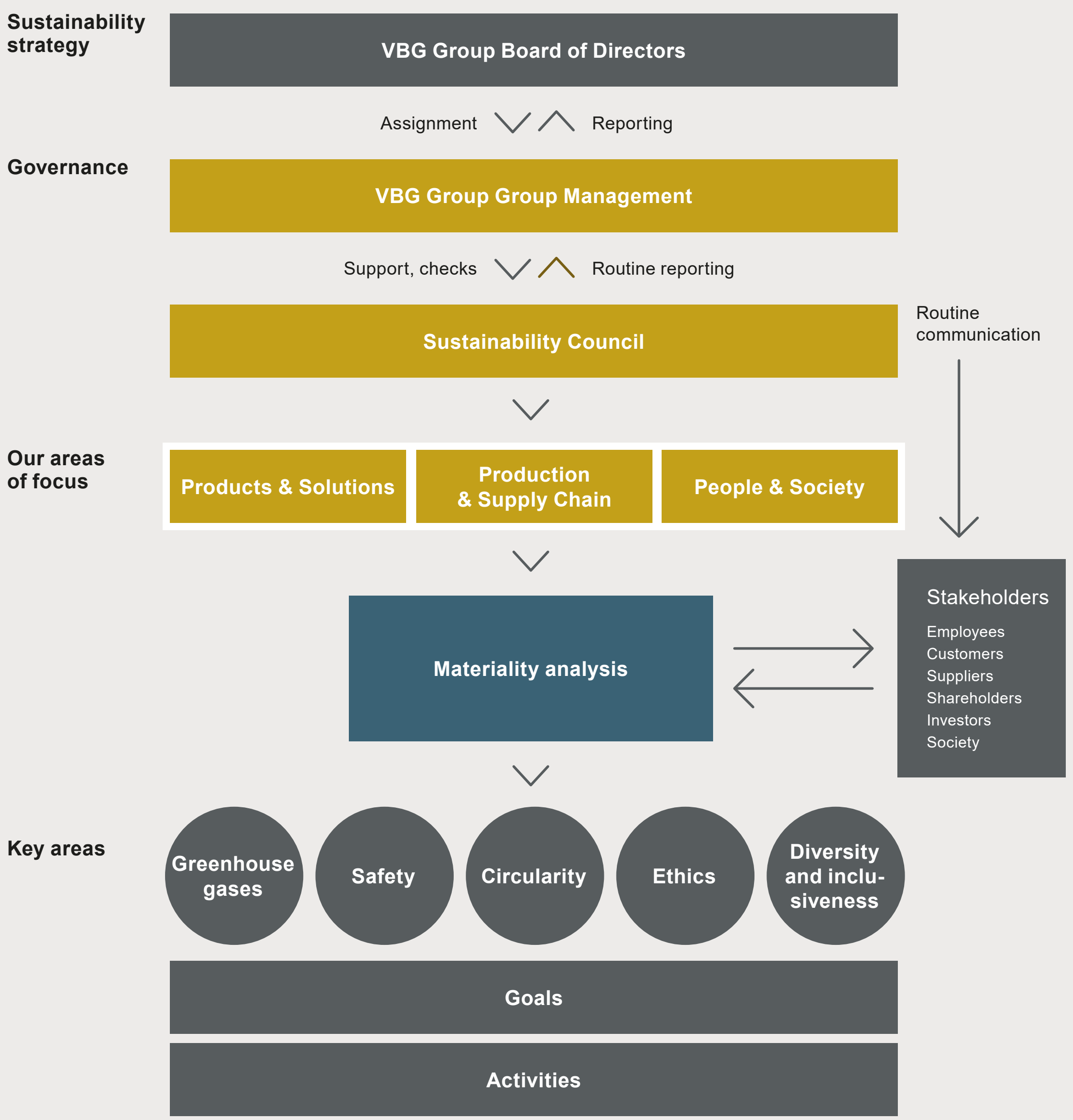
- **Code of Conduct**
- **Global policy against all forms of discrimination**
- **Global policy – equality among various gender identities and gender expressions**
- **Global policy against harassment**
- **Global integrity policy**
- **Global travel policy**
- **Global information security policy**
- **Whistleblower directive**

The Code of Conduct, which takes its starting point in the UN's Responsible Business Initiative, establishes how we relate to one another internally, within the Group, and to our external partners. The Code of Conduct is a fundamental document for both employees and partners. It was reworked and expanded in 2022. The more extensive Code of Conduct will be rolled out in 2023 both internally as well as to customers and partners.



Sustainability governance

The model below describes how sustainability initiatives are governed in VBG Group.



Materiality analysis

VBG Group bases it sustainability initiatives on a structured materiality analysis. The new targets for 2023–2030 are based on what our stakeholders consider to be our key areas of focus.

Materiality analysis

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 its own materiality analyses based on the 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.

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.

Our value chain

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.

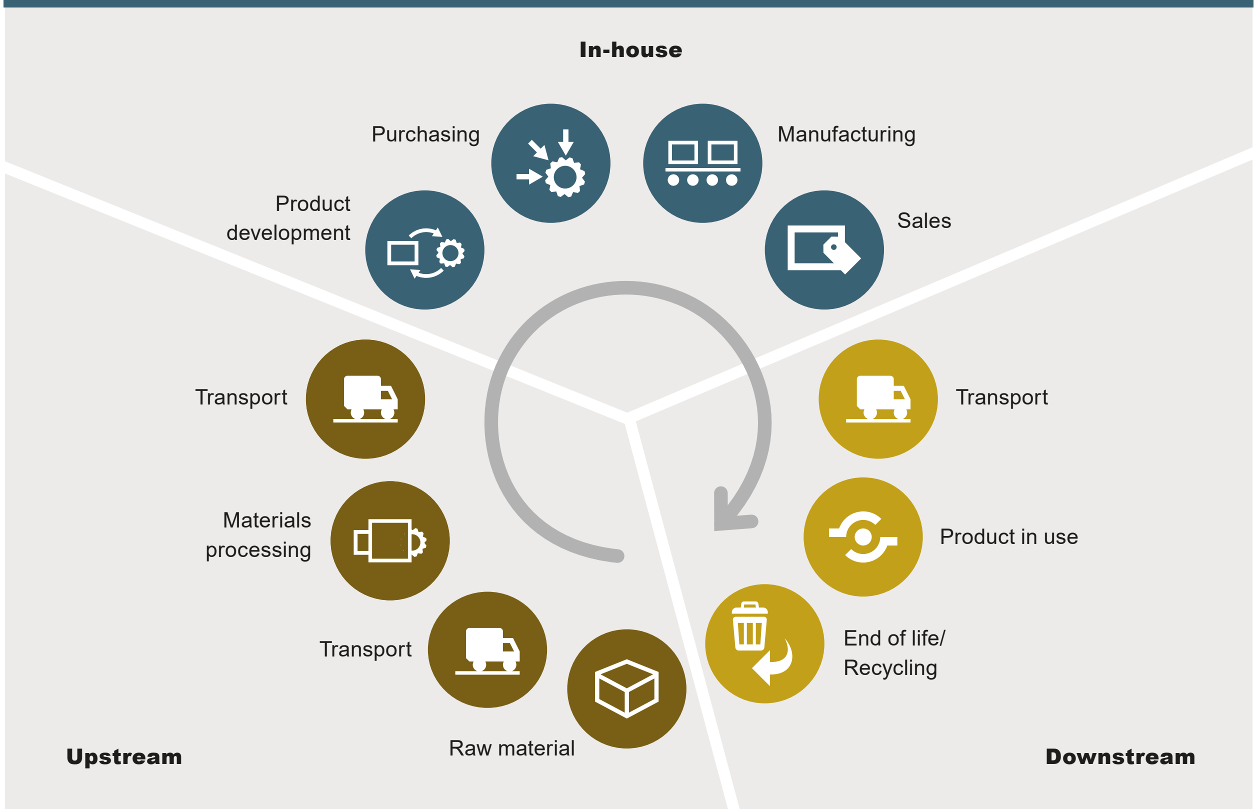
Working with the value chains provided important insights and highlighted several areas where we needed to expand our knowledge, gather data and increase outside involvement, especially through collaboration with customers, suppliers and partners.

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.

In 2021, we held structured dialogues with selected stakeholders in order to specifically discuss sustainability issues. The divisions selected and interviewed their key customers

Value chain



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 initiated activities and objectives. 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, 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.

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.

Greenhouse gas emissions

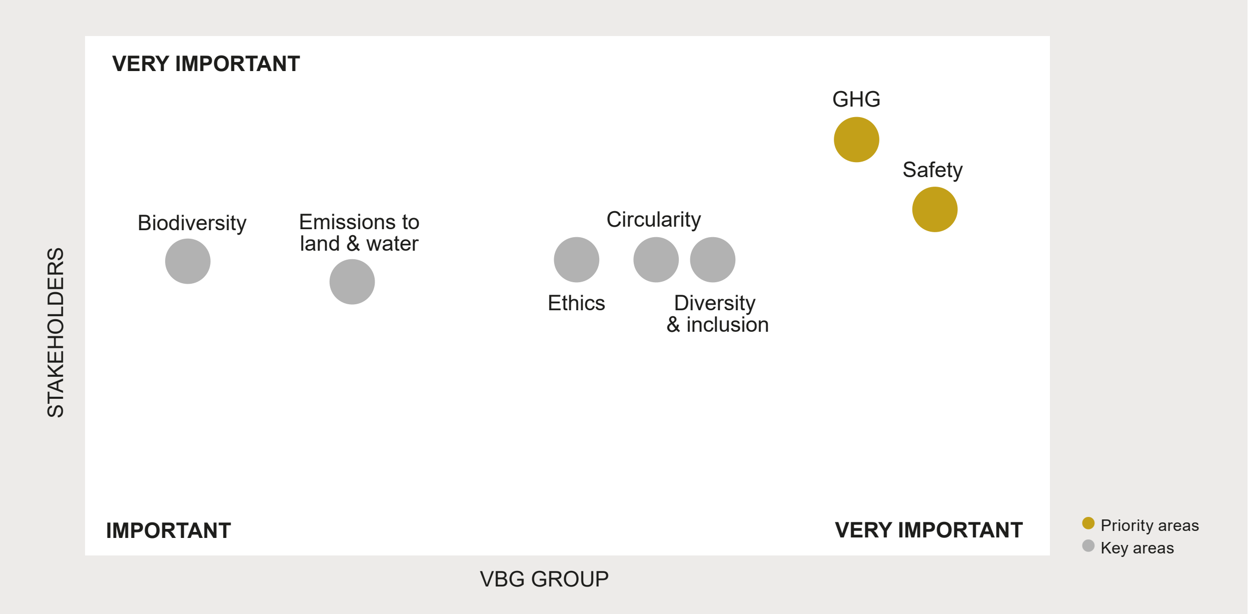
As an industrial company, continuing the development of our operations without exceeding the planet's limits is important. Reducing our climate impact and reducing our share of greenhouse gas emissions is the top priority. Attaining the Paris Agreement requires all players to take action throughout the value chain.

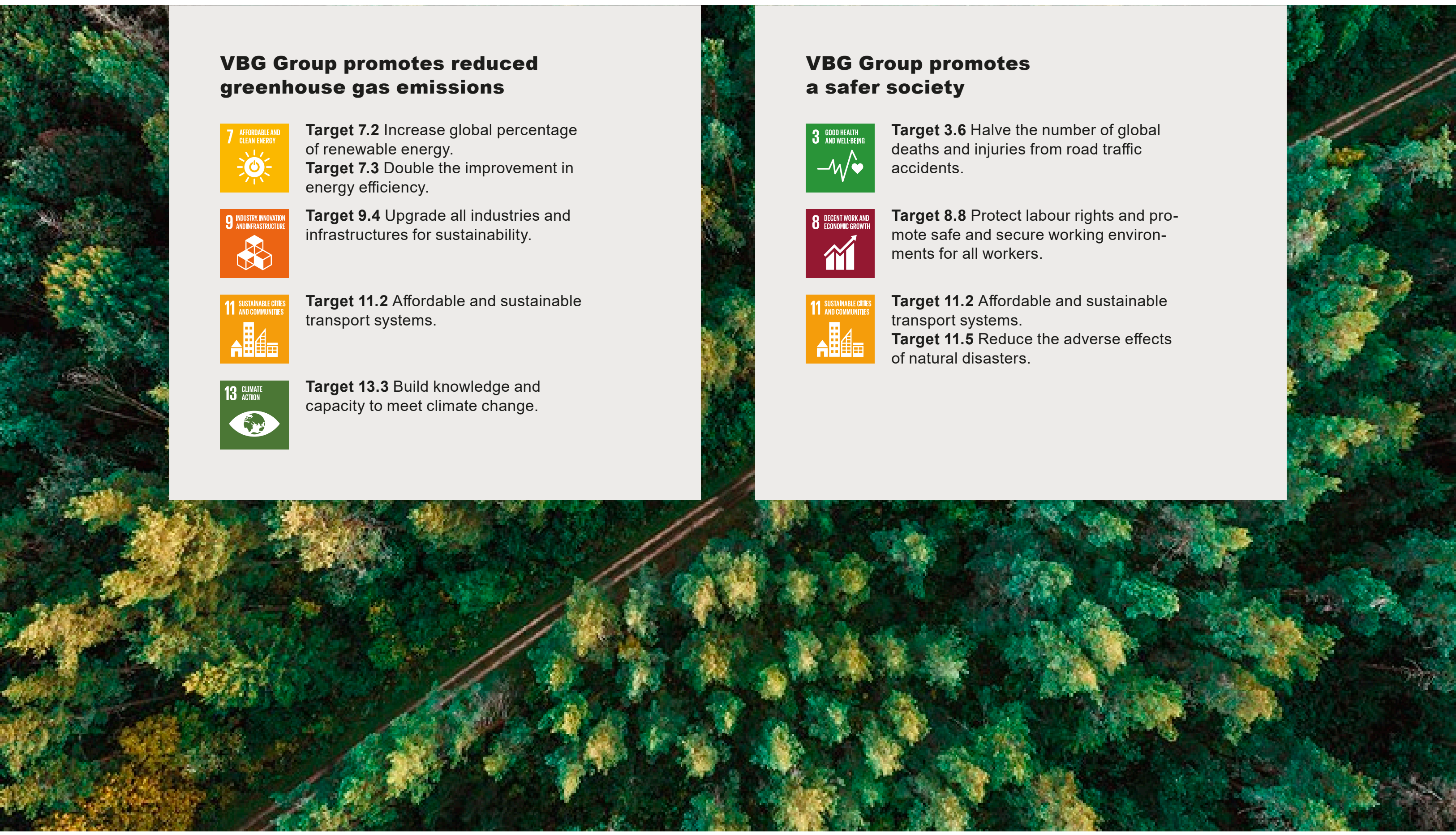
New targets for the Group as of 2023 are that VBG Group will reduce greenhouse gas emissions (Scope 1 and 2) by more than 50% by 2030. 2022 will constitute the baseline year for all of the Group's new sustainability goals that run from 2023 to 2030.

Data on greenhouse gas emissions is collected in accordance with the GHG Protocol on a quarterly basis in a Group-wide system for sustainability data. The Head of Sustainability in the Group is responsible for consolidation and follow-up.

The review of the value chains that was conducted in 2021 shows that our greatest impact occurs both up- and downstream in the value chains (Scope 3). We know that transportation and production of input raw materials constitute a large part of our footprint. In 2022, we initiated two focus groups that have worked further on surveying and analyzing the greenhouse gas footprint of transportation and input raw materials, and built up competence around how the quality of data collection and measurements can be assured.

KEY AREAS





VBG Group promotes reduced greenhouse gas emissions

Target 7.2 Increase global percentage of renewable energy.
Target 7.3 Double the improvement in energy efficiency.

Target 9.4 Upgrade all industries and infrastructures for sustainability.

Target 11.2 Affordable and sustainable transport systems.

Target 13.3 Build knowledge and capacity to meet climate change.

VBG Group promotes a safer society

Target 3.6 Halve the number of global deaths and injuries from road traffic accidents.

Target 8.8 Protect labour rights and promote safe and secure working environments for all workers.

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

We have also continued to survey how, through our products, we can help our customers reduce their environmental impact and support the global transition toward a fossil-free society.

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.

The purpose of our products is to create a safer society, and we are working to improve how we measure and survey that our products are not involved in any incidents that cause personal injuries.

EU Taxonomy

Introduction to the EU Taxonomy

The EU Taxonomy Regulation is a key component of the European Commission's plan of action for financing the transition to a sustainable economy. This constitutes an important step in achieving climate neutrality by 2050 in accordance with the EU's climate targets, since the taxonomy is a classification system for environmentally sustainable operations.

In this section, we report on the proportion of the Group's sales, capital expenses and operating expenses for the 2022 reporting period, which is linked to the Taxonomy-aligned economic activities that are related to the first two environmental objectives (climate change mitigation and climate change adaptation) under Article 8 of the EU Taxonomy Regulation. The table below shows the total impact of sales (turnover), capital expenditure (capex) and operating expenditure (opex) for the Group.

Our economic 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%.

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 aligned with the requirements of the Taxonomy, and certain individual measures that make it possible for other operations to become carbon-efficient or lead to reduced greenhouse gases. In 2022, VBG Group conducted a review of whether there could be additional capex or opex related to purchases from suppliers whose operations are described in the Taxonomy, or individual investments that were described in the Taxonomy. Individual investments are primarily attributable to enhancing the energy efficiency of buildings. VBG Group reviewed its total capex and opex for the year, and can state that there are purchases from suppliers that are attributable to leases of cars (6.5) and leases of premises (7.7) that will be added in 2022 as eligible capex. Refer further to Eligible capex below. For further information linked to assessments, refer to the paragraph on eligible capex below.

Total sales, capex and opex

Total sales is based on our consolidated net sales as described on page 90 in our Annual Report for 2022.

Total capex consists of the acquisition (both individual and via business combinations) of property, plant and equipment, intangible assets excluding goodwill, and right-of-use assets during the fiscal year, which are found in Notes 12–14 under Purchases.

Total opex 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.

2022 in SEK M	Total	Proportion of Taxonomy-eligible but non-Taxonomy-aligned activities	Proportion of Taxonomy-aligned activities	Proportion of activities that are not Taxonomy-eligible
Sales	4,587.5	—	—	100%
Capex	435.0	72.9%	—	27.1%
Opex	101.8	—	—	100%

Eligible capex

Capex included in the numerator comprises future leases pertaining to economic activities attributable to transport by motorbikes, passenger cars, and light commercial vehicles (6.5) and acquisition and ownership of buildings (7.7). We have assessed both of these categories as purchases from suppliers whose economic activities are Taxonomy-eligible. Future right-of-use assets in the form of leased premises (7.7) comprise an extension of existing leases in older properties that do not meet the criteria for being Taxonomy-aligned, and new leases for a property in the US. For the newly signed leases, we do not have sufficient information regarding sub-suppliers in conjunction with construction to be able to assess whether these meet the criteria for being Taxonomy-aligned. Right-of-use assets in the form of leased passenger cars (6.5) occur via several suppliers, and we have been unable to assess whether these suppliers meet the criteria for being Taxonomy-aligned. Purchases from suppliers can only be Taxonomy-aligned if it can be verified that the respective suppliers have carried out a Taxonomy-aligned activity. Assessment of whether an activity is Taxonomy-aligned also includes assessments of criteria for doing no significant harm (DNSH) to the other environmental objectives, and criteria for minimum safeguards. We can therefore not carry out this assessment ourselves. In 2022, it was not possible to obtain this information from our suppliers, which is why none of the future investments have been deemed Taxonomy-aligned for 2022. We are working on developing procedures for this.

PROPORTION OF TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

Proportion of sales from products or services associated with Taxonomy-aligned economic activities				Key contributions						Criteria pertaining to doing no significant harm (DNSH)										
Economic activities	Code(s)	Absolute sales	Proportion of sales	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion, 2022	Taxonomy-aligned proportion, 2021	Category (Enabling or transitional)	Category (transitional)
		SEK M	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	Y/N	Y/N
A. TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Sales for Taxonomy-aligned (A.1)		—	—														—			
A.2 Proportion of Taxonomy-eligible (but non-Taxonomy-aligned) activities																				
Taxonomy-eligible (but non-Taxonomy-aligned) economic activities (A.2)		—	—																	
Total (A.1 + A.2)		**—**	**—**														**—**			
B. NON-TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES																				
Sales for non-Taxonomy-eligible economic activities (B)		4,587.5	100																	
Total (A + B)		**4,587.5**	**100**																	

PROPORTION OF TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

Proportion of sales from products or services associated with Taxonomy-aligned economic activities				Key contributions						Criteria pertaining to doing no significant harm (DNSH)										
Economic activities	Code(s)	Absolute sales	Proportion of sales	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion, 2022	Taxonomy-aligned proportion, 2021	Category (Enabling or transitional)	Category (transitional)
		SEK M	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	Y/N	Y/N
A. TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Taxonomy-aligned (A.1)		—	—														—			
A.2 Proportion of Taxonomy-eligible (but non-Taxonomy-aligned) activities																				
Acquisition and ownership of buildings	7.7	314.3	72.3																	
Transport by motorbikes, passenger cars, and light commercial vehicles	6.5	2.6	0.6																	
Taxonomy-eligible (but non-Taxonomy-aligned) activities (A.2)		316.9	72.9																	
Total (A.1 + A.2)		**316.9**	**72.9**														**—**			
B. NON-TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES																				
Non-Taxonomy-eligible economic activities (B)		118.0	27.1																	
Total (A + B)		**434.9**	**100.0**																	

PROPORTION OF TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

Proportion of sales from products or services associated with Taxonomy-aligned economic activities				Key contributions						Criteria pertaining to doing no significant harm (DNSH)										
Economic activities	Code(s)	Absolute sales	Proportion of sales	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion, 2022	Taxonomy-aligned proportion, 2021	Category (Enabling or transitional)	Category (transitional)
		SEK M	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	Y/N	Y/N
A. TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Taxonomy-aligned (A.1)		—	—														—			
A.2 Proportion of Taxonomy-eligible (but non-Taxonomy-aligned) activities																				
Taxonomy-eligible (but non-Taxonomy-aligned) economic activities (A.2)		—	—																	
Total (A.1 + A.2)		**—**	**—**														**—**			
B. NON-TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES																				
Non-Taxonomy-eligible economic activities (B)		101.8	100.0																	
Total (A + B)		**101.8**	**100.0**																	

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 2022 on pages 30–55 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, 2023

Ernst & Young AB

Andreas Mast
Authorized Public Accountant

2022 – a year of robust growth

For VBG Group, 2022 was a year of solid underlying growth – organic growth totaled 13.4%. 2022 was marked by good 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 first half of the year – had an adverse impact on the margin, but the situation stabilized towards the end of the year and the lag in implemented price increases that we had been experiencing decreased. Despite everything, 2022 can be summed up as the best year in VBG Group's history, from an earnings perspective.

NET SALES

The Group reported positive growth of 26.8%.

GROSS PROFIT

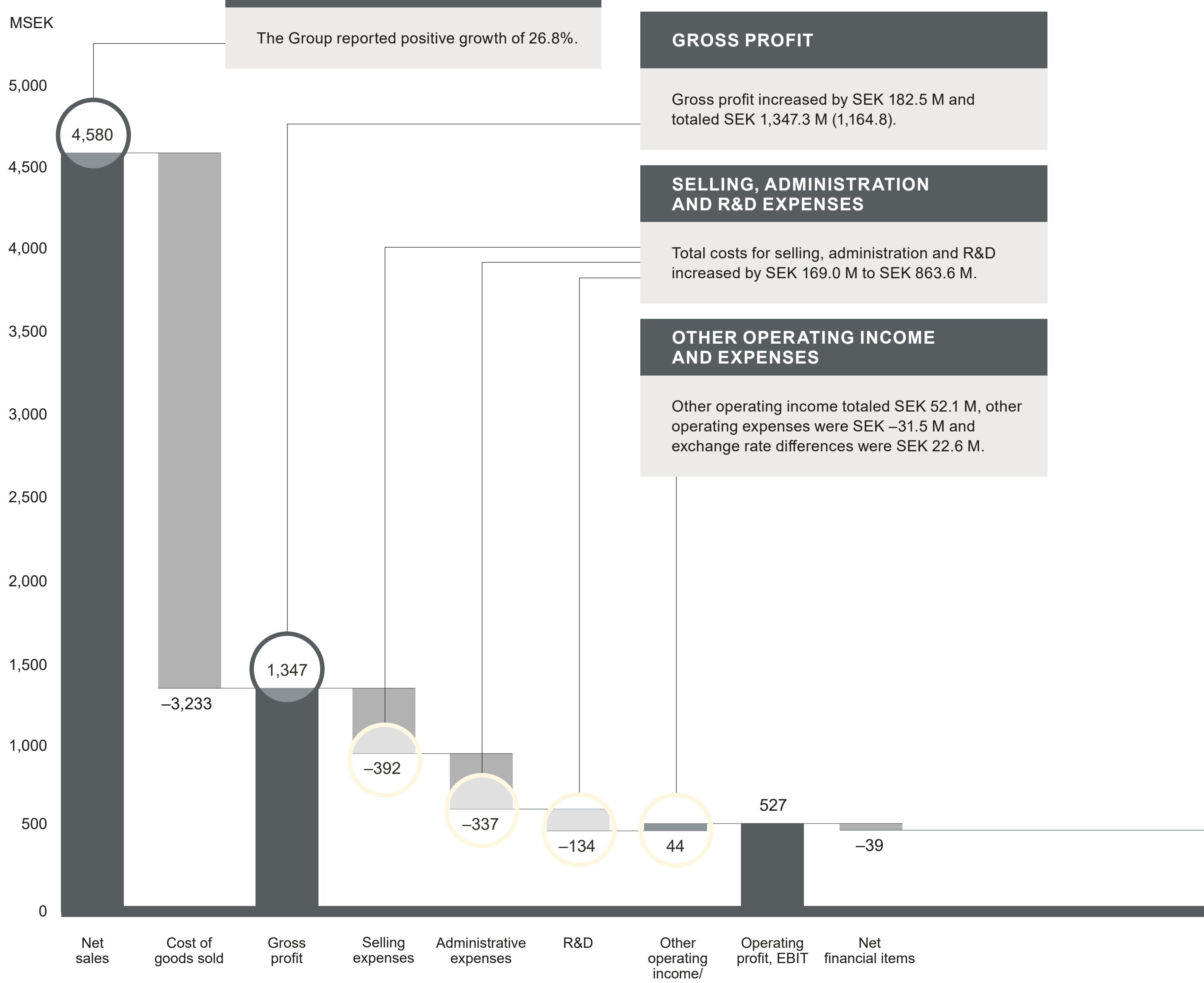
Gross profit increased by SEK 182.5 M and totaled SEK 1,347.3 M (1,164.8).

SELLING, ADMINISTRATION AND R&D EXPENSES

Total costs for selling, administration and R&D increased by SEK 169.0 M to SEK 863.6 M.

OTHER OPERATING INCOME AND EXPENSES

Other operating income totaled SEK 52.1 M, other operating expenses were SEK –31.5 M and exchange rate differences were SEK 22.6 M.



NET PROFIT FOR THE YEAR

Net profit for the year totaled SEK 368.3 M, corresponding to earnings per average share outstanding of SEK 14.73 (13.48), an increase of 9.2%.

SEK **368** M

TAX FOR THE YEAR

The tax rate for the year was 24.5%, which is 0.9 percentage points higher than the preceding year's tax rate of 23.6%.

OTHER COMPREHENSIVE INCOME

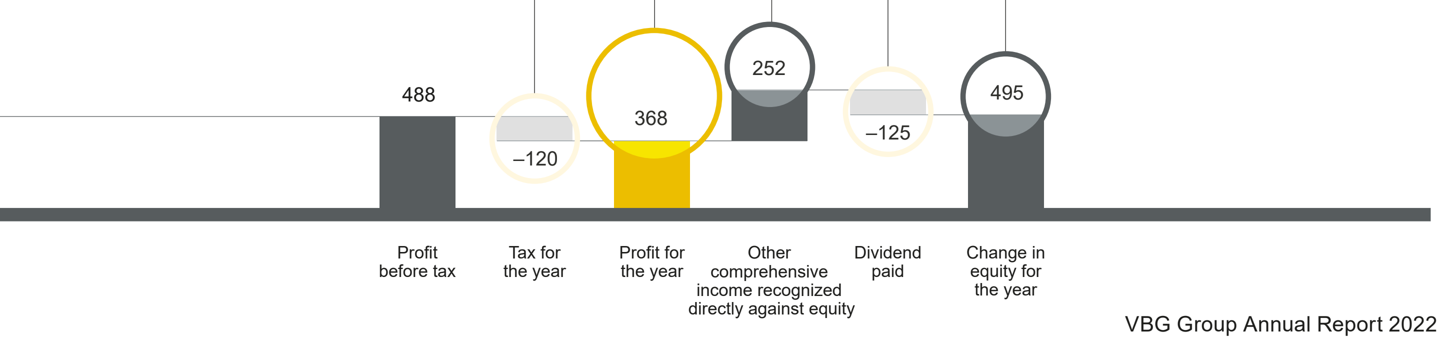
Other comprehensive income is not recognized in profit or loss, but directly in equity. This positive item in 2022 pertains to translation differences attributable to net assets in foreign currencies.

DIVIDENDS PAID

Dividends totaling SEK 125.0 M were paid out during the year, corresponding to SEK 5.0 per share outstanding.

EQUITY

With other comprehensive income of SEK 251.5 M for the Group as a result of positive translation differences and after dividends to shareholders of SEK 125.0 M, equity increased by SEK 494.7 M.



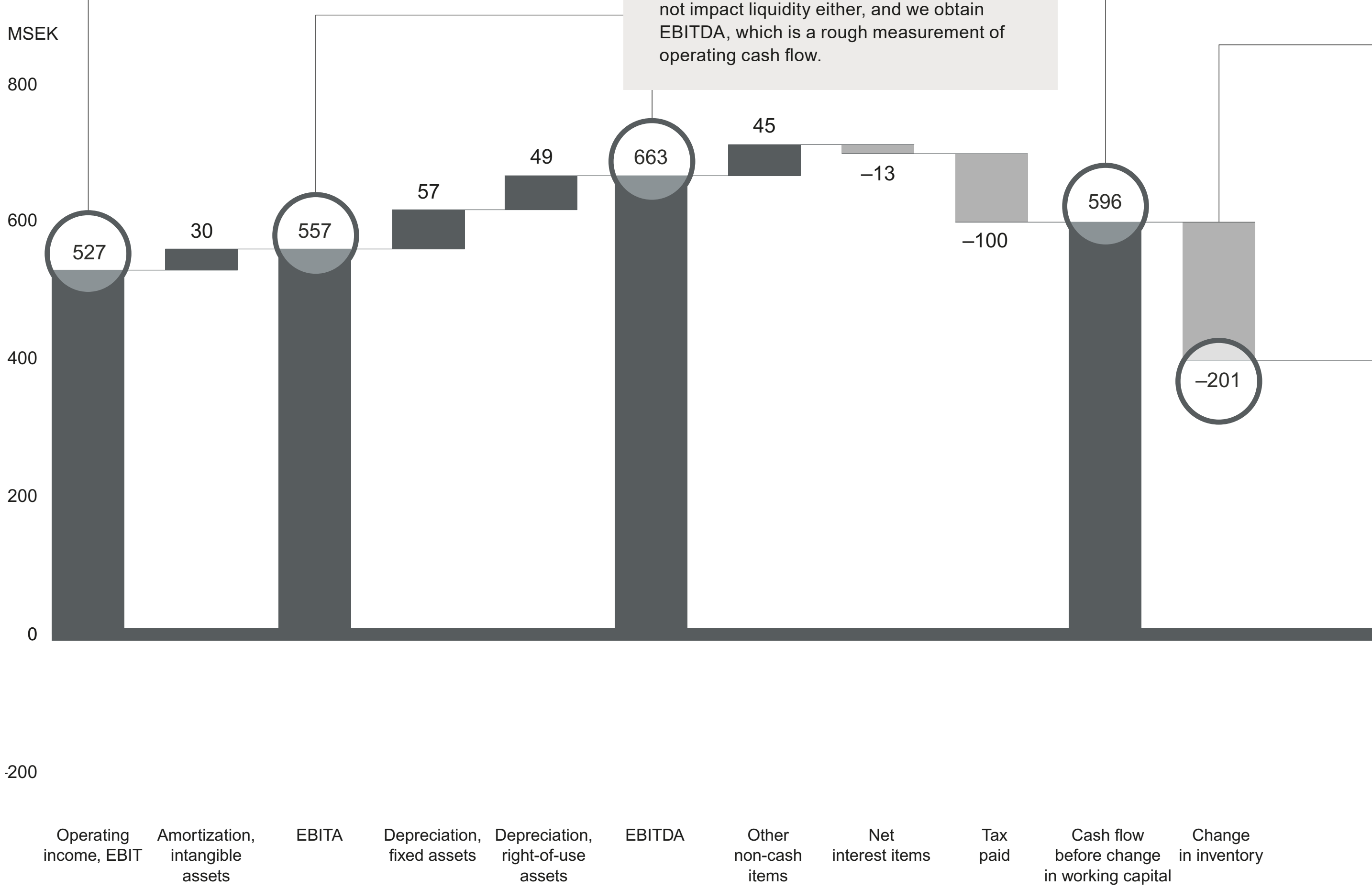
Increased cash flow in 2022

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 2022.

Despite the increase in tied-up capital in combination with high levels of investment in 2022, cash flow increased compared to 2021.

EBIT, EBITA AND EBITDA

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



CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities was SEK 312.6 M, which was SEK 125.3 M higher year-on-year.

CASH FLOW FOR THE YEAR

After SEK 118.1 M (208.4) 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 –183.5 M (–247.9).

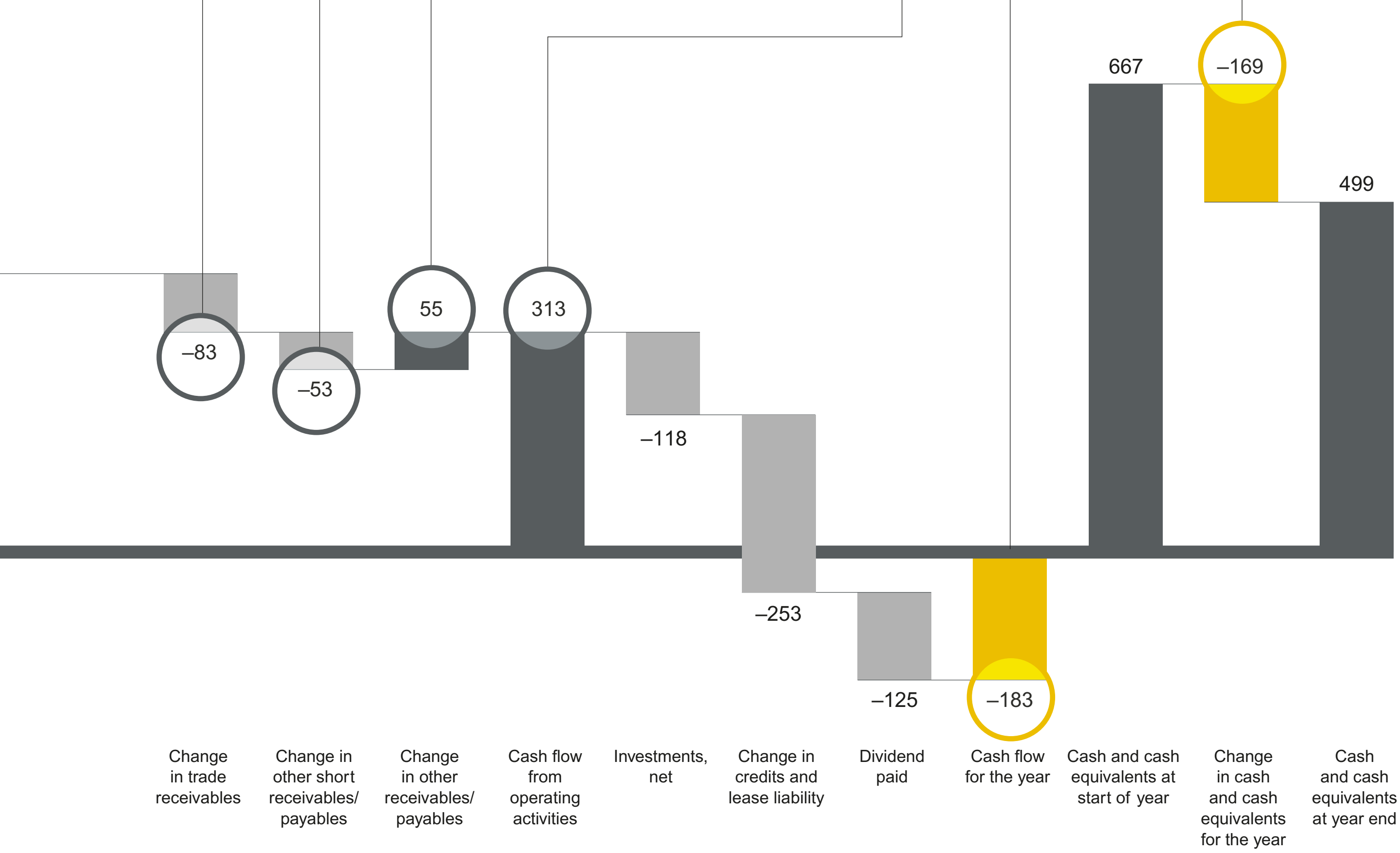
With the addition of translation differences in cash and cash equivalents of SEK 14.9 M, cash and cash equivalents at year end was SEK 498.8 M.

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 –295.1 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 due to higher raw materials prices and the relocation of a production facility in Mobile Climate Control.



Stable financial position

Four highly favorable fiscal years – 2018, 2019, 2020, and 2021 – were followed by a financially even stronger 2022. 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. VBG Group's stable financial position means security, and creates scope for future development and investments.

Stable financial position creates scope for action for the future

CASH AND CASH EQUIVALENTS (A)

Cash and cash equivalents decreased by SEK 168.6 M to SEK 498.8 M.

INVENTORY (B)

Inventory increased by SEK 291.2 M during the year as a result of increased sales.

LEASE LIABILITIES (C)

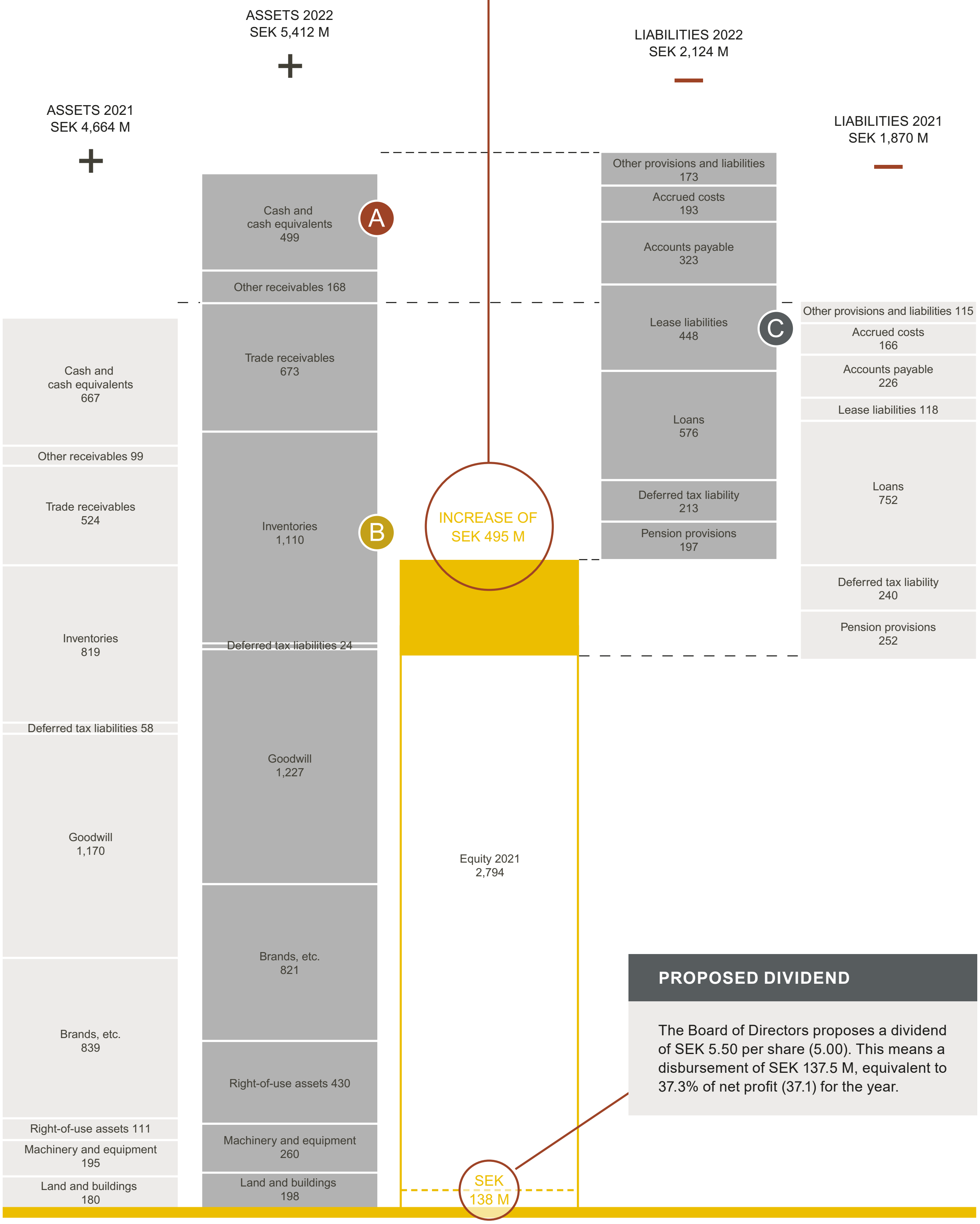
During the year, the Group's lease liabilities increased by SEK 330.0 M, the majority of which pertains to a new lease for Mobile Climate Control's new production facility in York, Pennsylvania (US).

SEK **3,288** M

Equity at the end of the year.

EQUITY

With other comprehensive income of SEK 68.8 M for the Group, equity increased to SEK 3,288.3 M.



PROPOSED DIVIDEND

The Board of Directors proposes a dividend of SEK 5.50 per share (5.00). This means a disbursement of SEK 137.5 M, equivalent to 37.3% of net profit (37.1) for 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 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.

Assessment of risks and opportunities

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

Consolidation of risks and opportunities

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

Group Management review

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

The majority of risk management concerning operating environment takes place in the management systems of the respective divisions. The Division Management teams and Group Management are in close continual dialogue concerning changes in the risk landscape for the divisions.

Group-wide risks

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

- Strategic risks are the external factors that could impact the Group's operations such as climate change, new technology, fluctuations in the business cycle and politics.
- Operational risks are risks that VBG Group can largely control and prevent on its own, and concern primarily our relationships with customers and suppliers, our facilities and our employers.
- Compliance risks deal with the fact that VBG Group is covered by laws and ordinances that are important to comply with, such as zero tolerance toward corruption, support for human rights, regulations pertaining to the environment and health and safety, and various competition regulations.
- Financial risks pertain to factors such as interest-rate and currency risks that could negatively impact the Group's earnings. Moreover, there are financing and liquidity risks – meaning the risk of not being able to meet the Group's capital requirements via cash and cash equivalents or credit facilities – as well as credit risks. Read more about financial risks in Note 2 on page 107.

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.

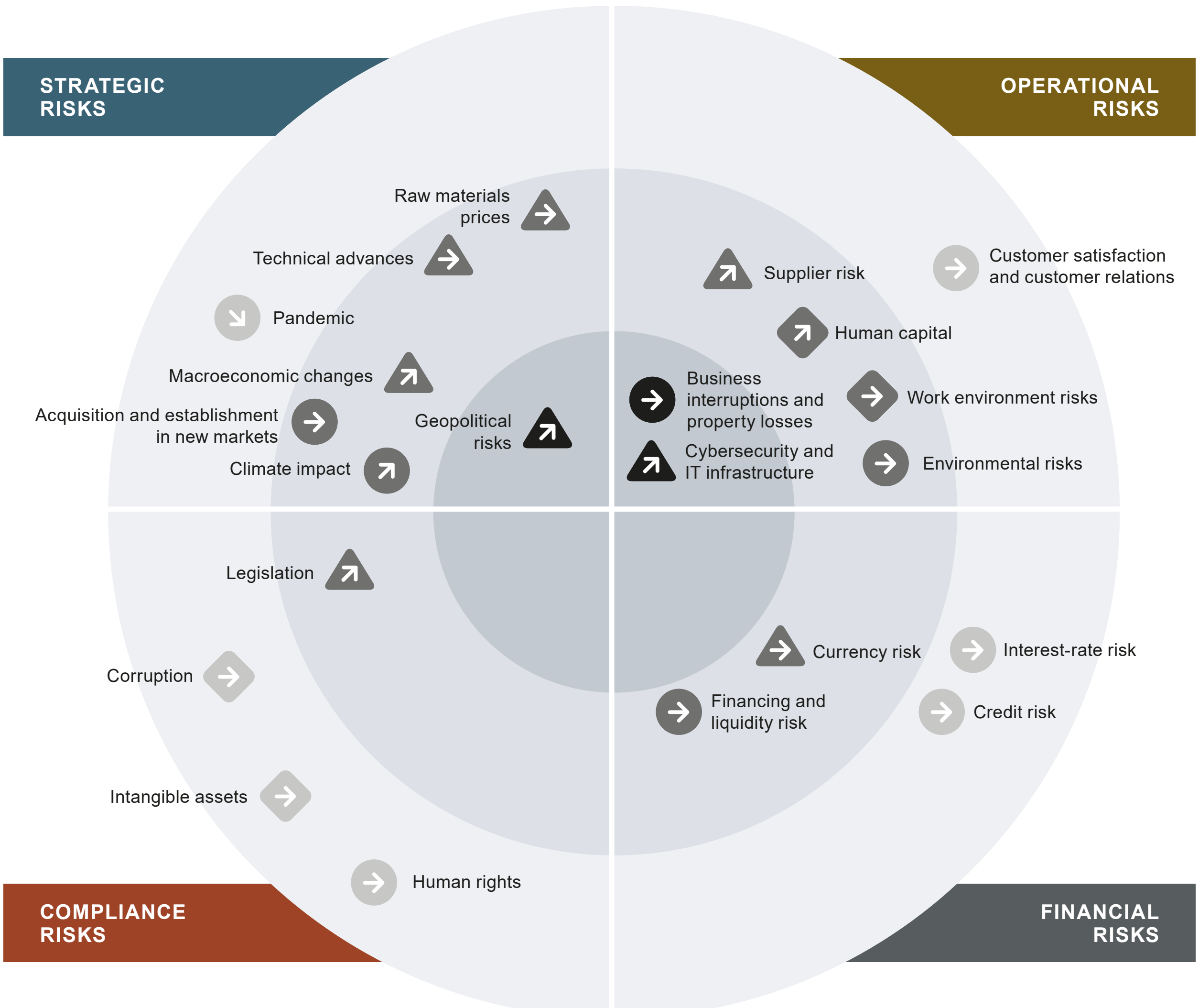
Audit Committee

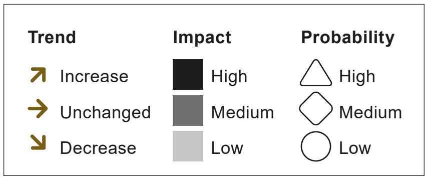
Development and implementation of strategy

Risk owner

Annual Report

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


STRATEGIC RISKS
OPERATIONAL RISKS
COMPLIANCE RISKS
FINANCIAL RISKS
Raw materials prices
Technical advances
Pandemic
Macroeconomic changes
Acquisition and establishment in new markets
Geopolitical risks
Climate impact
Supplier risk
Customer satisfaction and customer relations
Human capital
Business interruptions and property losses
Work environment risks
Cybersecurity and IT infrastructure
Environmental risks
Legislation
Corruption
Intangible assets
Human rights
Currency risk
Interest-rate risk
Financing and liquidity risk
Credit risk


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

Strategic risks

Description of risk	How VBG Group manages the risk
Raw materials prices The Group's production is dependent on a number of raw materials and intermediate goods. The most important raw materials are steel, cast iron and aluminum. Price increases or raw material shortages can have an adverse impact on consolidated profit.	Price agreements with the Group's raw material suppliers normally extend over six months. The VBG Group strives to establish long-term relationships with its suppliers in order to ensure continued deliveries during times of shortage. We avoid lengthy customer contracts. Through our strong brands and products with high customer value we can distribute price increases onward to our customers.
Technical advances Rapidly changing technology can create new solutions for meeting customers' and partners' needs, thereby changing the market.	VBG Group works closely with its customers and partners to capture changes in requirements. We work continually with research and development, investing 3.6% of sales into technical advances. We participate in local and global collaboration projects in research and development, and we are active in new legislation to understand developments and to be part of influencing them. We have strategic initiatives in place to increase the digitization of our operations and our marketing and sales channels.
Macroeconomic changes Fluctuating demand can lead to limitations on capacity or underutilization of resources, which could have a negative effect on earnings and financial position. One part of VBG Group's products is oriented on traditionally cyclical industries such as heavy commercial vehicles as well as various industrial segments such as the steel and mining industries.	VBG Group manages these risks by conducting own operations in 16 different countries and sales in a further 50 countries, which results in a broad customer base in both the private and public sectors. After-market sales account for approximately 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 2022.
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	Trend	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.	Unchanged	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.	Unchanged	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.	Unchanged	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.	Increase	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 107.

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

Stable financial position

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

In 2022, the share price for the VBG Group Series B share decreased 25.5% to SEK 140.00 (SEK 188.00 at the preceding year end). VBG Group's share followed the general downturn on the Stockholm stock exchange in 2022 based on Russia's invasion of Ukraine, increased inflation and raised interest rates. The highest share price (SEK 199.50) was noted on January 5 and the lowest (SEK 113.50) on July 5. A total of 5,458,926 VBG Group Series B shares were traded during the year, equivalent to a turnover rate of 24.19% (9.67). The VBG Group's market capitalization at year end was approximately SEK 3.5 billion (4.7).

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 2022 was –22.9%. Over the latest five-year period, the total return for the VBG Group Series B share was 25.3%.

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 2022 is equivalent to 37.3% (37.1) of the Group's net profit, corresponding to a dividend yield of 3.9% (2.7) based on the closing share price for 2022.

Since the company's initial listing on the stock exchange in 1987, and including the dividend of SEK 5.50 (5.00) proposed by the Board to the 2023 Annual General Meeting, the company has paid an average dividend amounting to 33.0% 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 36.7% of net profits. If 2019 is excluded, the latest ten-year average is 39.6%.

Share capital

VBG Group AB's share capital at December 31, 2022 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 buyback 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 6,824 shareholders (5,831) at year end (December 31, 2022). 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, 88.6% (90.6) is owned by institutions (including the three foundations, and the VBG Group's treasury shares). Foreign ownership is 21.2% (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 2022, a number of physical meetings and presentations with investors took place, and a number of telephone conversations were held with investors and 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 Jignéus, telephone +46 (0)521 27 77 53, e-mail fredrik.jigneus@vbggroup.com.

37.3%
Proposed dividend as a percentage of the Group's net profits

3.9%
Proposed dividend yield

TEN LARGEST SHAREHOLDERS AT 30 DECEMBER 2022

Owner[1]	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
Nordea fonder		2,002,040	2,002,040	7.64	4.26
Lannebo fonder		1,927,376	1,927,376	7.36	4.10
SEB fonder		1,671,093	1,671,093	6.38	3.56
Protector Forsikring ASA		1,427,421	1,427,421	5.45	3.04
IF Skadeförsäkring AB (publ)		1,099,192	1,099,192	4.20	2.34
The Fourth Swedish National Pension Fund		950,689	950,689	3.63	2.02
Swedbank fonder		864,073	864,073	3.30	1.84
Ten largest shareholder groups	**2,440,000**	**15,064,926**	**17,504,926**	**66.82**	**84.03**
Total other shareholders		**7,499,122**	**7,499,122**	**28.63**	**15.97**
Total number of shares outstanding	**2,440,000**	**22,564,048**	**25,004,048**	**95.45**	**100.00**
VBG Group AB, own holding[2]		**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] Sorted by number of votes.
[2] Without voting or dividend rights.

OWNER CATEGORIES

Dec. 30, 2022	Percentage of capital
Foreign shareholders	21.20
Swedish shareholders	78.80
Of which:	
Institutions	88.57
Private persons	11.43

SIZE OF SHAREHOLDINGS

Dec. 30, 2022

Shareholding	Shareholders	Percentage of capital
<500	5,735	2.34
501–5,000	942	5.21
5,001–10,000	54	1.49
10,001–20,000	36	1.91
>20,001	57	89.05
Total	6,824	100.00

SHAREHOLDERS IN SWEDEN AND ABROAD

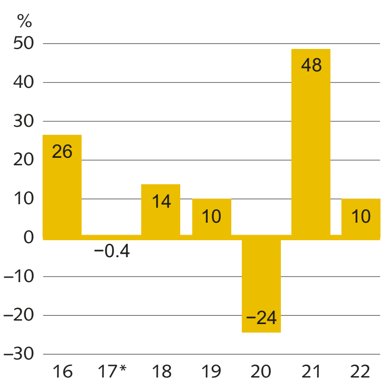
Dec. 30, 2022	Percentage of capital
Sweden	78.80
Other Nordic countries	14.09
Other European countries	5.68
Rest of world	1.43

DATA PER SHARE

	2022	2021	2020	2019	2018
Earnings, SEK	14.83	13.48	9.07	11.98	10.92
Dividend, SEK	5.50[1]	5.00	4.50	0[2]	4.50
Share price, SEK	140.00	188.00	154.50	157.50	126.80
P/E ratio	9.44	13.95	17.03	13.1	11.6
Equity, SEK	131.61	111.72	99.99	97.09	89.04
Cash flow from operating activities	12.38	1.48	17.85	17.55	10.14
Dividend yield, %	3.93	2.66	2.91	0.00	3.55
Total number of shares outstanding (thousands)	25,004	25,004	25,004	25,004	25,004
Average number of shares outstanding (thousands)	25,004	25,004	25,004	25,004	25,004

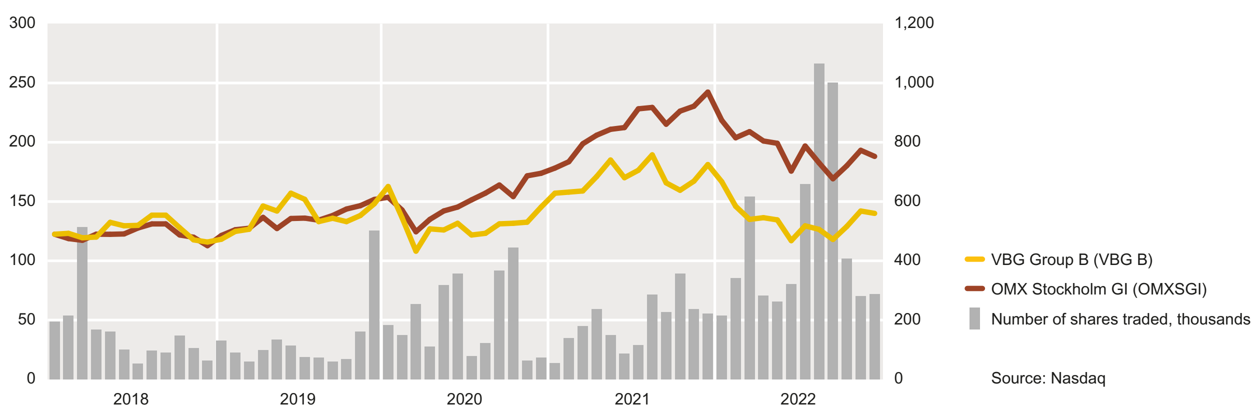
[1] Proposed dividend per share.
[2] Proposed dividend for 2019 earnings, SEK 5.00, withdrawn at the 2020 Annual General Meeting.

GROWTH IN EARNINGS PER SHARE



*New share issue February 2017 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.

1 STRONG BRANDS IN ATTRACTIVE NICHES

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

2 STABLE, SECURE OWNERSHIP SITUATION

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

66.8%

10 LARGEST OWNERS, BY CAPITAL

3 LONG-TERM FINANCIAL STRENGTH

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

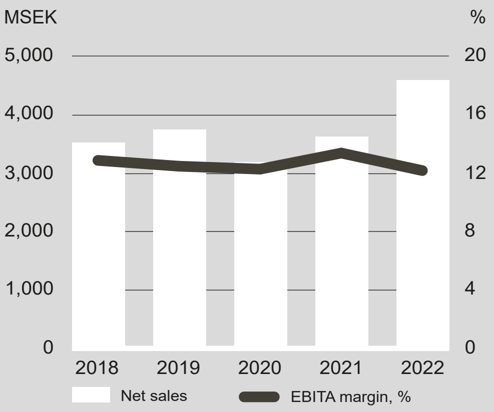
60.8%

EQUITY/ASSETS RATIO

4 PROFITABLE GROWTH

The VBG Group's business concept is built on both organic and structural growth. The objective is average annual sales growth of at least 10.0% over a five-year period. Sales increased 26.8% in 2022 (13.4% organic growth) as a result of increased demand for transportation and infrastructure. Total average growth over a five-year period was 8.8%, of which 8.4% was organic growth and 0.4% structural growth. VBG Group's objective is an operating margin (EBITA margin) greater than 15%. In 2022, the Group achieved an EBITA margin of 12.2%.

Historical performance



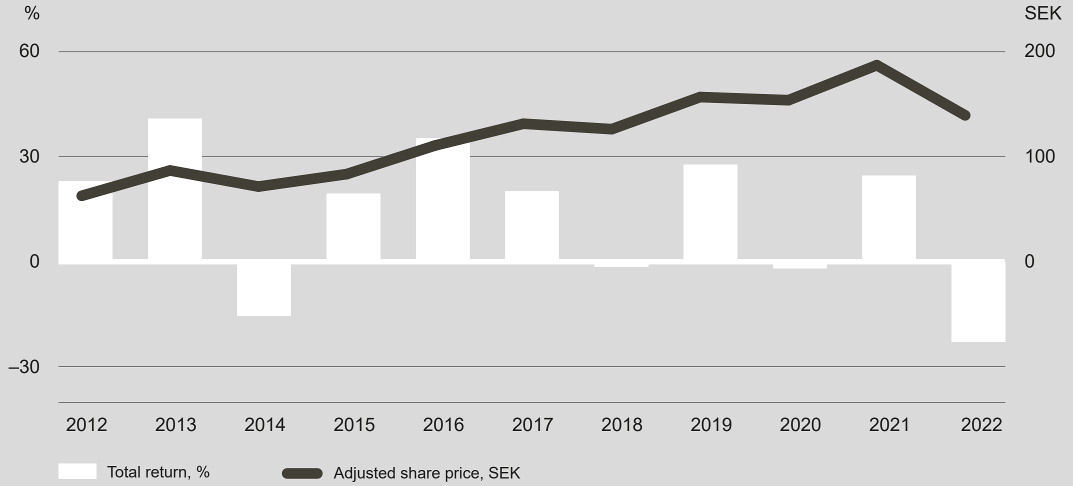
5 STABLE, HEALTHY RETURNS

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 32.4% 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 40.5% of net profit. The proposed dividend yield for 2022 totals 3.9% (2.7) and over the five-year period averaged 2.6% per year including the proposed dividend on the earnings for 2022. The dividend yield for the last five years was impacted by the withdrawal of the dividend proposal for 2019 owing to the pandemic. The total return for 2022 was –22.9% (24.6). Over the past five-year period, the aggregate total return was 19.1%.

3.9%

PROPOSED DIVIDEND YIELD

Total return & share price



Financial statements

Board of Directors’ Report

VBG Group AB (publ) Corp. ID No. 556069-0751
(All amounts 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 2022 fiscal year, the company’s 64th year of operation.

Information on the business

General

VBG Group AB (publ) in Vänersborg is the Parent Company of an international industrial Group with wholly owned companies in Sweden, the US, Canada, India, Brazil, China, South Africa and 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’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 2022 comprised three divisions.

- Truck & Trailer Equipment – The division’s two brands for drawbar couplings, VBG and Ringfeder, account for more than 50% of the world market. VBG is the leader in Scandinavia and the UK, while Ringfeder is strong in the rest of Europe and other markets such as Australia. Truck & Trailer Equipment also holds a world-leading position in automatic tire chains through the Onspot brand, with a market share of approximately 65% and well-established sales in Europe and North America. Truck & Trailer Equipment’s sliding roofs for tarpaulin-covered trailers and tipper vehicles, and sliding bow roofs for railway wagons, contribute to faster loading and unloading, which enhances the efficiency of transport activities. The roofs also contribute to a safer work environment for the people loading and unloading. Edscha Trailer Systems and Sesam are the division’s brands for sliding roofs.
- 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 2022 was a year marked by high demand and continued challenges. Demand for the Group’s products was high throughout 2022. The challenges that began in mid-2021, 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 also continued to rise markedly in the first eight months. This high demand resulted in a continued shortage of raw materials and components as well as logistical challenges during most of 2022. VBG Group experienced stabilization throughout the supply chain in the third and fourth quarters. Despite these challenges, VBG Group successfully posted the best earnings in its history in absolute figures, and returned an operating margin (EBITA) of 12.2%, compared with 13.4% for 2021.

Consolidated sales for the full year increased by 26.8% to SEK 4,580.0 M (3,611.2). Adjusted for currency effects, organic growth increased by 13.4%. Consolidated operating profit (EBIT) increased to SEK 527.2 M (456.0), with an operating margin of 11.5% (12.6).

The Group’s net interest items totaled SEK –29.1 M (–9.7), and foreign currency-denominated credits were impacted by a currency effect of SEK –10.7 M (–1.9) and other financial items totaling SEK 0.4 M (–2.9). Taken together, this resulted in net financial items of SEK –39.4 M (–14.6). Accordingly, profit after financial items amounted to SEK 487.8 M (441.4), with a margin of 10.6% (12.2). Profit after tax for the full year amounted to SEK 368.3 M (337.1) and other comprehensive income totaled SEK 251.8 M (68.8), which consisted of currency effects totaling SEK 200.9 M (84.4) and the impact of the translation of defined-benefit pension plans of SEK 50.9 M (–15.6). All together, this means that comprehensive income was SEK 619.8 M (405.9) and that earnings per share increased 9.2% to SEK 14.73 (13.48).

The average return on capital employed (ROCE) decreased to 11.6% (12.2). Return on equity (ROE) decreased to 11.4% (12.2). The Group’s equity/assets ratio increased year-on-year to 60.8% (59.9).

Tax expense

Tax expense for the year was SEK 119.5 M (104.3), of which current tax accounted for SEK 143.0 M (102.4) and deferred tax for SEK –23.5 M (1.9).

Tax expense for the year thereby corresponds to a tax rate for the Group of 24.5% (23.6).

Capital expenditures

The Group’s total investments for the year amounted to SEK 434.9 M (82.7). The higher levels of investment consisted largely of a new lease for Mobile Climate Control’s new production facility in the US as well as investments in this property. Excluding leases, new capital expenditures for the full year amounted to SEK 118.0 M (78.2).

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 62–67 and under Note 2 Financial risks.

Cash flow and financial position
Cash flow from operating activities increased to SEK 312.6 M (187.3). Paid capital expenditures during the year amounted to SEK 118.1 M (208.4). During the year, the Group's total borrowings and current financial liability declined SEK 252.9 M (114.3), net, with a dividend payment to the shareholders of SEK 125.0 M (112.5). Combined, this resulted in cash flow from financing activities of SEK –377.9 M (–226.8). Accordingly, net cash flow for the year amounted to SEK –183.5 M (–247.9).

After the payment of dividends totaling SEK 125.0 M (112.5) to the shareholders, equity totaled SEK 3,288.3 M (2,793.5). The equity/assets ratio increased during the year to 60.8% (59.9). Cash and cash equivalents declined SEK 168.6 M during the year (232.1) to SEK 498.8 M (667.4) 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 598.8 M (767.4).

The Group's interest-bearing net debt increased SEK 266.5 M during the year. The increase is a result of new leases pertaining to Mobile Climate Control's new production facility in York, Pennsylvania (US) that impact the lease liability. The defined-benefit pension liability decreased by SEK 55.2 M, which altogether resulted in a total net debt of SEK 722.1 M (455.5) at December 31, 2022.

The ratio of interest-bearing net debt to equity at December 31, 2022 was 0.22 (0.16) and the ratio of interest-bearing net debt to consolidated operating profit (EBITDA) was 1.09 (0.81). The Group's goodwill increased by SEK 57.0 M as a result of currency effects. The Group's goodwill at December 31, 2022 amounted to SEK 1,226.8 (1,169.8), which in relation to equity corresponded to a ratio of 0.62 (0.42).

Personnel
At December 31, 2022, there were 1,773 employees (1,714) in the VBG Group, of which 223 (219) in Sweden. The Group employed an average of 1,731 persons (1,600) in 2022, representing an increase of 8.2%. Of these, 226 (225) were active in Sweden. The cost of salaries and social security contributions increased 24.7%, totaling SEK 1,086.4 M (871.3) during the year. The increase in costs for salaries and social security contributions is due largely to the addition of Carlyle Johnson Machine in 2022 as well as a high level of wage inflation in North America.

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 56.7 M (52.1) during the year. The operating loss for the year was SEK –3.6 M (–7.9). After dividends from Group companies, net interest items and tax, earnings totaled SEK 6.7 M (112.2).

Group trend, SEK M	**2022**	4/22	3/22	2/22	1/22	2021	4/21	3/21	2/21	1/21
Net sales	4,580.0	1,191.5	1,091.6	1,141.3	1,155.5	3,611.2	936.0	848.3	925.5	901.4
EBITDA	663.6	162.3	149.9	167.7	183.6	562.4	100.8	137.0	156.4	168.2
EBITA	557.5	134.7	111.7	147.1	164.1	484.1	79.4	117.6	137.5	149.6
Operating margin (EBITA), %	12.2	11.3	10.2	12.9	14.2	13.4	8.5	13.9	14.9	16.6
Operating profit (EBIT)	527.2	127.0	104.6	139.2	156.4	456.0	72.1	110.5	130.6	142.8
Operating margin (EBIT), %	11.5	10.7	9.6	12.2	13.5	12.6	7.7	13.0	14.1	15.8
Operating profit after financial items (EBT)	487.8	105.6	101.4	132.9	147.9	441.4	71.6	107.4	126.5	135.9
Profit after tax	368.3	90.6	62.7	100.5	114.4	337.1	58.0	82.2	93.8	103.1
Earnings per share, SEK	14.73	3.62	2.51	4.02	4.58	13.48	2.32	3.29	3.75	4.12
Cash flow from operating activities	312.6	168.3	18.3	46.3	79.7	187.3	37.1	58.8	32.4	59.0
ROE (cumulative), %	11.4	11.4	12.4	14.3	15.9	12.2	12.2	14.1	14.8	16.1
ROCE (cumulative), %	11.6	11.6	12.8	14.7	15.3	12.2	12.2	13.5	14.8	15.4
Equity/assets ratio, %	60.8	60.8	56.1	58.7	59.3	59.9	59.9	61.3	57.9	58.4

Sales, SEK M	**2022**	4/22	3/22	2/22	1/22	2021	4/21	3/21	2/21	1/21
Sweden	323.8	83.3	64.9	87.5	88.1	285.7	76.7	54.4	74.0	80.6
Other Nordic countries	248.3	59.7	60.2	62.8	65.7	212.6	58.4	45.6	53.0	55.7
Germany	589.3	146.5	136.9	146.0	159.9	535.9	137.7	123.3	141.2	133.8
Other European countries	782.0	210.1	179.8	186.5	205.7	597.5	136.3	141.0	164.9	155.3
North America	2,028.1	521.6	498.4	503.8	504.4	1,551.2	399.0	381.3	379.3	391.7
Brazil	121.1	29.4	30.9	34.7	26.1	89.0	27.0	25.1	18.2	18.7
Australia/New Zealand	123.5	44.8	22.6	29.0	27.3	108.6	26.6	24.4	30.2	27.4
China	69.7	25.5	20.5	12.9	10.8	48.8	18.3	10.7	13.5	6.3
Rest of world	294.0	70.6	77.5	78.2	67.7	181.9	56.1	42.5	51.4	31.9
Group	**4,580.0**	**1,191.5**	**1,091.6**	**1,141.3**	**1,155.5**	**3,611.2**	**936.0**	**848.3**	**925.5**	**901.4**

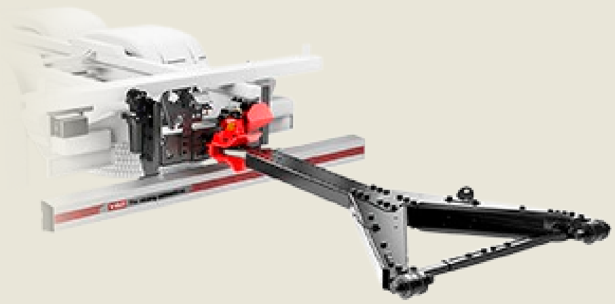
Truck & Trailer Equipment

Robust growth and high profitability

For Truck & Trailer Equipment, 2022 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%.

MAIN PRODUCT SEGMENTS

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



SIGNIFICANT EVENTS IN 2022

- Record sales, and record-high operating profit.
- Launch of VBG Driver Assist.
- The Ringfeder brand's 100th anniversary.
- Decisions on expansion of the operation in Vänersborg.
- Expanded digital marketing for the Ringfeder brand.
- All sales till Russia stopped.

FOCUS FOR 2023

- Product launches such as Edscha Trailer Systems – Quick Curtain Solution.
- Continued international expansion focusing on Brazil, China, and India.
- Capacity expansion in Vänersborg to meet future growth.
- Expanded digital marketing for all brands.
- Investments in sustainable energy solutions to reduce our CO_2 footprint.
- Prepare for new supplementary acquisitions.

In total, Truck & Trailer Equipment sales increased by 22.7% year-on-year, and EBITA increased to SEK 307.6 M (251.4) with an EBITA margin that remained strong at 18.9% (18.9).

The market

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

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

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

SALES, SEK M

1,629

EBITA, SEK M

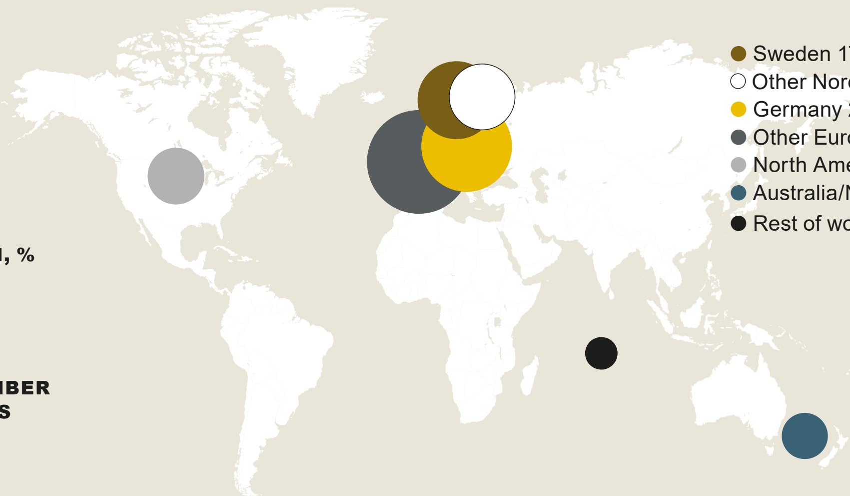
308

EBITA MARGIN, %

19

AVERAGE NUMBER OF EMPLOYEES

384



SALES BY REGION

- Sweden 17%
- Other Nordic countries 12%
- Germany 23%
- Other European countries 30%
- North America 9%
- Australia/New Zealand 6%
- 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 semitrailers.

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

For several years, Truck & Trailer Equipment has played an active role in the work to reduce carbon emissions. The division has taken part in several projects associated with longer, heavier vehicle combinations that have resulted in lower fuel consumption per ton shipped. Truck & Trailer Equipment is well positioned to meet changing customer needs going forward.

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

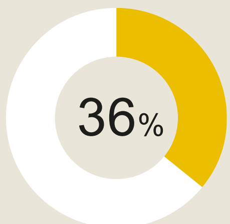
In 2022, the division launched new solutions that create value for haulers, body builders and drivers. One example is VBG Driver Assist, a radar-based aid that warns about jackknifing and guides the driver when coupling a trailer.

Financial performance

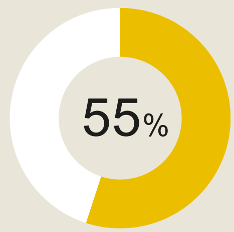
The need for transportation and industrial solutions continued to increase in 2022. Truck & Trailer Equipment posted the highest sales in its history in 2022. Sales increased by 22.7% to SEK 1,628.8 M (1,327.9).

TRUCK & TRAILER EQUIPMENT

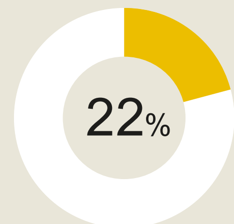
SHARE OF GROUP SALES



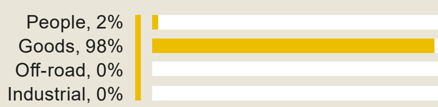
SHARE OF GROUP EBITA



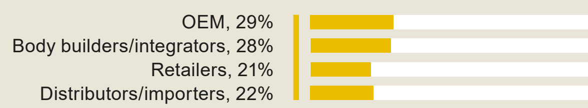
SHARE OF GROUP EMPLOYEES



SHARE BY AREA OF OPERATION



SHARE BY CHANNEL



Adjusted for currency effects during the year, organic growth for Truck & Trailer Equipment was 18.1%. 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 2021. Nonetheless, Truck & Trailer Equipment was able to sum up the year with an EBITA margin of 18.9% (18.9).

Depreciation of property, plant and equipment for the year was SEK 33.7 M (30.8), which meant that EBITDA increased to SEK 341.3 M (282.2). Amortization of intangible assets was SEK 5.0 M (3.4), which increased EBIT to SEK 302.6 M (248.0). In total, impairments expensed to the division were thus SEK 38.7 M (34.2).

The division's working capital increased by SEK 70.5 M during the year to SEK 398.1 M (327.6); with the added value of SEK 201.7 M for property, plant and equipment, operating capital totaled SEK 599.8 M (514.8). Truck & Trailer Equipment's ROOC decreased to 57.3% (58.3).

New capital expenditures for the year amounted to SEK 41.1 M (67.1).

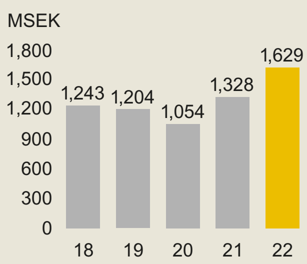
In 2022, Truck & Trailer Equipment had an average of 384 employees (356), and 384 (376) persons were employed at December 31, 2022. Personnel costs for the year totaled SEK 303.5 M (272.7), resulting in a cost per employee of SEK 790.4 thousand (766.0).

The division, going forward

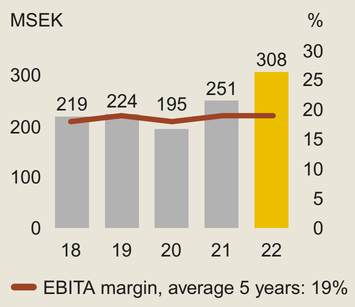
To meet the needs of the market and to address prevailing trends, Truck & Trailer Equipment has a clear strategy going forward. There will be a sharp focus on sustainability issues. In 2023, investments will be made in new, sustainable energy solutions to reduce our CO_2 footprint, and a number of projects to reduce our climate impact will be initiated. The division is actively reviewing opportunities for acquisitions and increased internationalization.

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

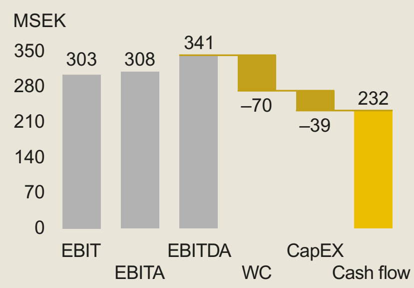
NET SALES



EBITA AND EBITA MARGIN



OPERATING CASH FLOW



Sales/Earnings, SEK M Truck & Trailer Equipment	**2022**	4/22	3/22	2/22	1/22	2021	4/21	3/21	2/21	1/21
Net sales	1,628.8	443.2	362.4	388.3	434.8	1,327.9	350.3	281.0	349.3	347.4
EBITDA	341.3	98.9	61.5	79.4	101.5	282.2	63.1	49.4	79.1	90.5
EBITA	307.6	92.5	52.6	69.1	93.4	251.4	54.9	41.7	71.4	83.4
EBITA margin, %	18.9	20.9	14.5	17.8	21.5	18.9	15.7	14.8	20.4	24.0
Operating profit (EBIT)	302.6	91.1	51.4	67.9	92.2	248.0	53.7	40.8	70.7	82.8
Operating margin (EBIT), %	18.6	20.6	14.2	17.5	21.2	18.7	15.3	14.5	20.2	23.8

Sales, SEK M Market	**2022**	4/22	3/22	2/22	1/22	2021	4/21	3/21	2/21	1/21
Sweden	271.1	69.7	52.2	72.9	76.2	240.1	65.3	44.5	61.1	69.1
Other Nordic countries	194.4	48.5	45.1	48.7	52.1	164.7	44.4	34.1	41.2	45.0
Germany	373.3	94.8	84.2	91.8	102.5	343.6	87.6	72.9	94.5	88.5
Other European countries	495.4	130.6	117.1	111.6	136.1	363.9	82.3	82.1	103.0	96.5
North America	142.3	47.4	34.2	25.2	35.5	92.1	35.9	20.2	14.6	21.4
Australia/New Zealand	105.3	40.3	19.0	24.5	21.4	87.1	23.3	18.8	24.7	20.4
China	4.9	1.7	1.2	1.9	0.1	1.6	1.1	0.4	0.0	0.0
Rest of world	42.2	10.2	9.4	11.7	10.9	34.9	10.3	8.0	10.2	6.4
Truck & Trailer Equipment	**1,628.8**	**443.2**	**362.4**	**388.3**	**434.8**	**1,327.9**	**350.3**	**281.0**	**349.3**	**347.4**

Mobile Climate Control

Increased sales and growth

In 2022, the division reported increased sales and growth but with weakened profitability. The division posted an EBITA margin of 7.1%. The low level of profitability was due to low productivity in the bus operations.

MAIN PRODUCT SEGMENTS

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

SIGNIFICANT EVENTS IN 2022

- Continued focus on improved profitability and structural measures.
- Completed consolidation of bus operations in the US to York, Pennsylvania.
- Electrification of the product range in several segments, and increased share of deliveries for electric school buses and off-road vehicles.
- New brand strategy developed.
- New customers in all regions.
- Strengthened competence in project management in the organization.

FOCUS FOR 2023

- Continued focus on profitability and implementation of structural measures.
- Continue to expand the customer offering for electric vehicles.
- Reduce complexity in components and systems.
- Implementation of new brand strategy, and launch of the new Bus Climate Control (BCC) brand.
- Organic growth in North America and Europe.

In 2022, many of the initiatives to improve earnings began to bear fruit. Cost increases – primarily for energy, transportation, and raw materials – were offset by targeted initiatives. The off-road business noted robust growth and profitability, and new key customers and projects were secured during the year. As a whole, profitability for the division remained weak. The primary cause is that the relocation of the bus operations in the US from Goshen, New Jersey to York, Pennsylvania took longer than expected, and the new plant experienced problems with productivity. An action plan has been initiated where the goal is to restore profitability in the second half of 2023.

The market

Overall demand is driven by a number of global trends such as urbanization, digitization, electrification and an increased focus on climate and the environment. One positive aspect for Mobile Climate Control is that its customers are placing stricter demands on the climate in their vehicles, which drives development forward. Increased electrification and digitization also lead to more advanced climate control systems. In 2022, several new projects to develop electrified climate control systems began.

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.

Growth in the off-road segment was stable in 2022, but challenges in the supply chain for all operators resulted in frequent changes in production planning. The share of projects for electric vehicles increased markedly.

SALES, SEK M

2,235

EBITA, SEK M

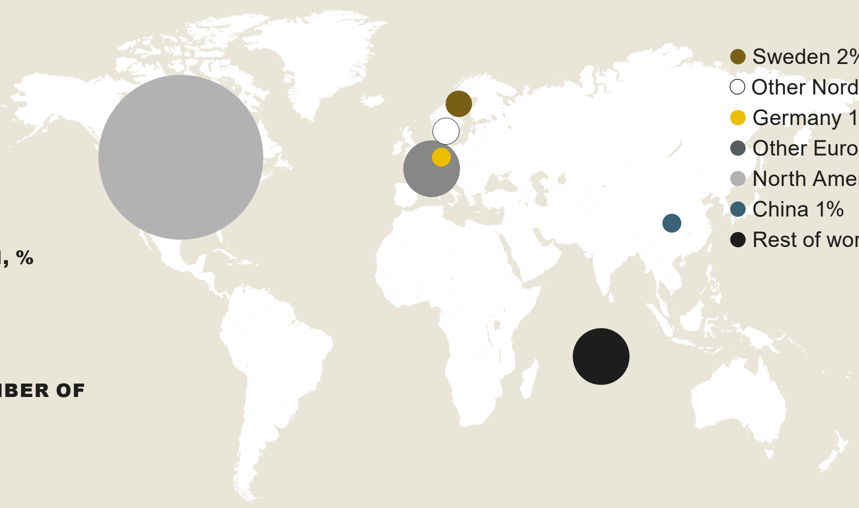
158

EBITA MARGIN, %

7

AVERAGE NUMBER OF EMPLOYEES

965



SALES BY REGION

- Sweden 2%
- Other Nordic countries 2%
- Germany 1%
- Other European countries 9%
- North America 76%
- China 1%
- Rest of world 9%

For the bus segment, new challenges arose in the wake of the pandemic. Demand for all sub-segments in the bus sector increased, since people began traveling and returned to work and to school. For the most part, the new challenges were caused by shortages of components, electronics, and labor throughout the supply chain. Bus manufacturers had a large stock of unfinished buses during the year that could not be delivered or invoiced to the end customer, which caused problems with cash flow.

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. The division has operations on every continent. Sales occur primarily in two markets: North America and Europe, in which North America represents 76% 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 digitization, 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 digitization, the division is working to meet new needs that arise by developing connected products for its customers. This ensures good quality and creates added value for the customer. The divisions are working in parallel on digitizing internal procedures in administration and production.

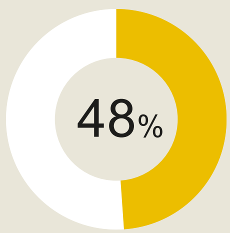
Financial performance

Mobile Climate Control reported an increase of 26.8% in sales to SEK 2,234.5 M (1,762.7). Accounting for currency effects, organic growth was 8.5%. EBITA for the full year rose to SEK 158.5 M (156.8), with an EBITA margin of 7.1% (8.9).

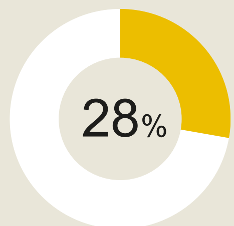
Depreciation of property, plant and equipment for the year was SEK 54.1 M (31.3), which meant that EBITDA totaled SEK 212.5 M (188.2). Amortization of intangible assets was SEK 20.7 M (20.6), which resulted in an EBIT of SEK 137.8 M (136.2). In total, impairments expensed to the division were thus SEK 74.8 M (51.9).

MOBILE CLIMATE CONTROL

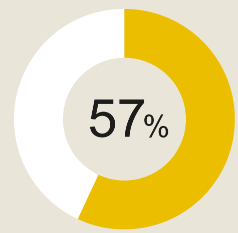
SHARE OF GROUP SALES



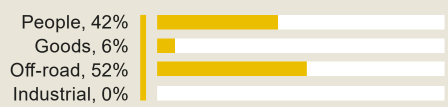
SHARE OF GROUP EBITA



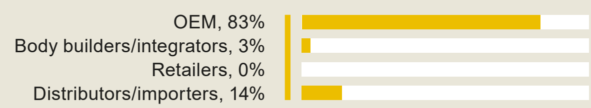
SHARE OF GROUP EMPLOYEES



SHARE BY AREA OF OPERATION



SHARE BY CHANNEL



The division's working capital (inventory, trade receivables and trade payables) increased SEK 208.8 M during the year to SEK 785.6 M (576.8); with the added value of SEK 542.1 M (179.3) for property, plant and equipment, operating capital totaled SEK 1,327.7 M (756.1). The ROOC for Mobile Climate Control decreased to 19.1% (27.0).

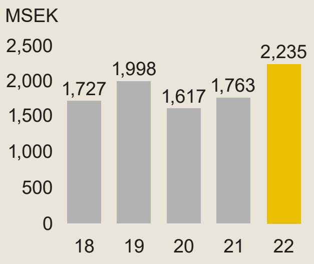
New capital expenditures for the year totaled SEK 372.9 M (5.3). Mobile Climate Control increased its workforce in 2022, employing an average of 965 persons (915). At December 31, 2022, 1,007 persons (939) were employed in the division. Personnel costs increased to SEK 543.3 M (419.0), resulting in a cost per employee of SEK 563.0 thousand (458.0).

The division, going forward

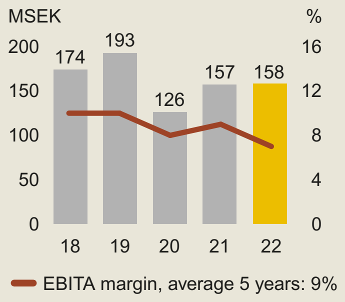
In early 2022, all employees were informed of the decision to consolidate all bus activity in the US into a newly constructed facility in York, Pennsylvania. This restructuring has been a cornerstone for the continued efforts around the profitability and growth of the bus segment. Concentrating competence and resources has resulted in conditions for creating an improved customer offering.

Focus over the next few years will be on guaranteeing the profitability of the bus operations and the launch of the new Bus Climate Control brand. The division is also preparing for continued growth through new solutions and for new customers. 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.

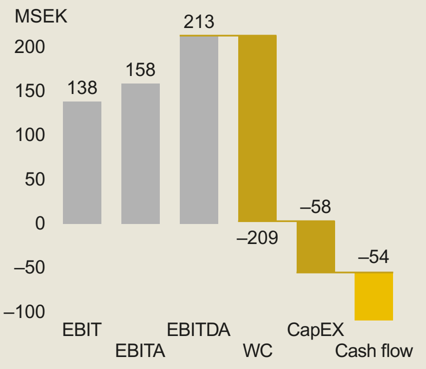
NET SALES



EBITA AND EBITA MARGIN



OPERATING CASH FLOW



Sales/Earnings, SEK M Mobile Climate Control	**2022**	4/22	3/22	2/22	1/22	2021	4/21	3/21	2/21	1/21
Net sales	2,234.5	558.8	549.1	574.6	552.0	1,762.7	450.3	430.4	451.7	430.3
EBITDA	212.5	28.3	67.4	62.8	54.1	188.2	24.0	56.8	56.4	51.0
EBITA	158.5	12.0	42.2	56.9	47.3	156.8	14.8	49.4	49.3	43.4
EBITA margin, %	7.1	2.1	7.7	9.9	8.6	8.9	3.3	11.5	10.9	10.1
Operating profit (EBIT)	137.8	6.7	37.1	51.8	42.2	136.2	9.6	44.2	44.1	38.3
Operating margin (EBIT), %	6.2	1.2	6.8	9.0	7.6	7.7	2.1	10.3	9.8	8.9

Sales, SEK M Market	**2022**	4/22	3/22	2/22	1/22	2021	4/21	3/21	2/21	1/21
Sweden	48.7	12.7	11.6	13.4	11.0	42.2	10.8	8.8	12.1	10.5
Other Nordic countries	50.7	10.3	14.2	13.3	12.9	44.1	12.6	10.5	10.9	9.9
Germany	25.9	5.2	6.4	7.5	6.8	21.4	6.1	5.1	5.7	4.5
Other European countries	204.4	51.7	44.9	55.7	52.0	177.6	42.1	43.4	47.6	44.5
North America	1,693.4	431.4	414.6	429.7	417.8	1,355.4	338.4	333.6	341.9	341.4
China	21.1	5.0	5.7	4.7	5.8	19.0	6.5	5.6	4.4	2.4
Rest of world	190.2	42.4	51.8	50.3	45.7	103.1	33.7	23.4	29.0	16.9
Mobile Climate Control	**2,234.5**	**558.8**	**549.1**	**574.6**	**552.0**	**1,762.7**	**450.3**	**430.4**	**451.7**	**430.3**

Ringfeder Power Transmission

Growth via acquisition

In 2022, the division grew both organically and via acquisitions. Sales increased 37.7% year-on-year and the EBITA margin totaled 15.9% (18.5).

MAIN PRODUCT SEGMENTS

- Shaft-hub couplings
- Shrink discs
- Friction springs

SIGNIFICANT EVENTS IN 2022

- Increased internal production capacity in Europe to meet growing demand.
- Integration of Carlyle Johnson Machine's operation.
- Acquisition of Tüschen und Zimmermann's industrial brake business.
- The Ringfeder brand's 100th anniversary.
- Successful participation at bauma 2022.
- Developed sales of applications for earthquake protection.

FOCUS FOR 2023

- Expand the product offering in Australia.
- Market Carlyle Johnson outside the US.
- ISO 14001 certification of Henfel in South America.
- Improve profitability.
- Prepare for new supplementary acquisitions.
- Improved sales and tech support through digital marketing.
- Increase 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. Furthermore, the new company, Regal Rexnord, announced in October 2022 that it was acquiring Altra Industrial Motion for nearly USD 5 billion.

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

Operations

Ringfeder Power Transmission is a global operator whose operations are conducted in its own companies in Germany, the Czech Republic, Poland, the US, Brazil, India, and China.

SALES, SEK M

717

EBITA, SEK M

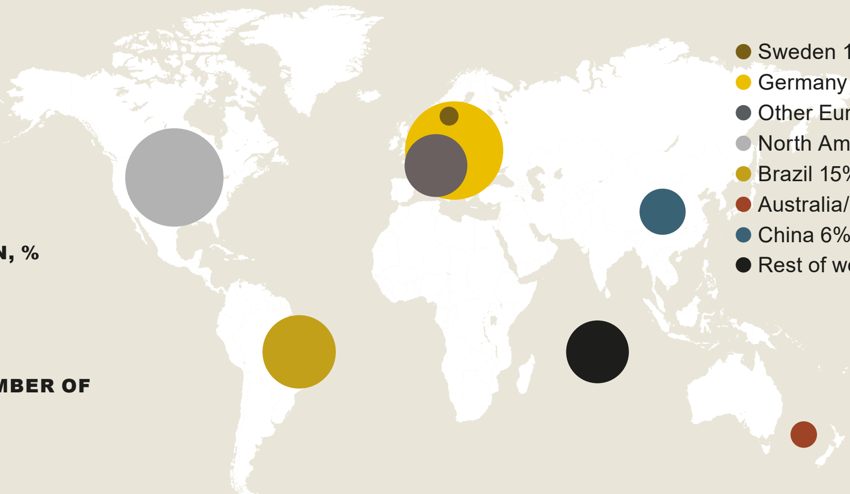
114

EBITA MARGIN, %

16

AVERAGE NUMBER OF EMPLOYEES

373



SALES BY REGION

- Sweden 1%
- Germany 27%
- Other European countries 11%
- North America 27%
- Brazil 15%
- Australia/New Zealand 2%
- China 6%
- Rest of world 11%

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, Carlyle Johnson and Henfel. In general, the products can be divided into four different categories: shaft-hub couplings, shaft-shaft couplings, friction springs and industrial couplings, and brakes.

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

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

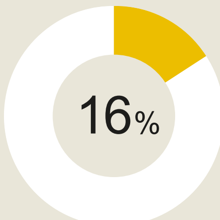
The competitive advantages for Ringfeder Power Transmission comprise primarily leading-edge technical expertise, a broad product portfolio and an offering that meets strict requirements for precision, reliability and quality.

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. The integration of Carlyle Johnson Machine was a major focus in 2022. The division's operations in the USA have been co-located.

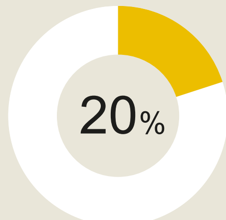
The work on strengthening internal procedures in order to achieve a higher level of productivity in its operations continued in 2022. The division invested in locations such as Dobrany in the Czech Republic for higher production capacity. In August, the division acquired Tüschen und Zimmermann's

RINGFEDER POWER TRANSMISSION

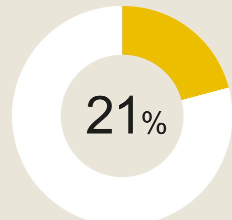
SHARE OF GROUP SALES



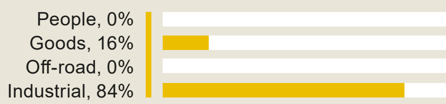
SHARE OF GROUP EBITA



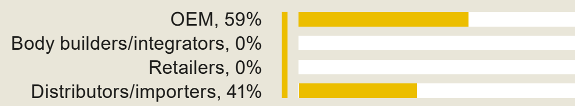
SHARE OF GROUP EMPLOYEES



SHARE BY AREA OF OPERATION



SHARE BY CHANNEL



industrial brake business. The acquisition supplements Ringfeder Power Transmission's product portfolio and offers synergies in production, sales, and marketing.

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 digitization and the use of the division's digital marketing and sales channels continued to increase in 2022.

Financial performance

For the full year, Ringfeder Power Transmission increased sales by 37.7% to SEK 716.7 M (520.5). Accounting for currency effects between the years, organic growth was 4.4%. EBITA increased to SEK 113.7 M (96.3), with an EBITA margin of 15.9% (18.5).

Depreciation of property, plant and equipment for the year was SEK 16.1 M (13.9), which meant that EBITDA totaled SEK 129.8 M (110.2). Amortization of intangible assets was SEK 4.7 M (4.0), which resulted in an EBIT of SEK 109.1 M (92.3). In total, impairments expensed to the division were thus SEK 20.8 M (17.9).

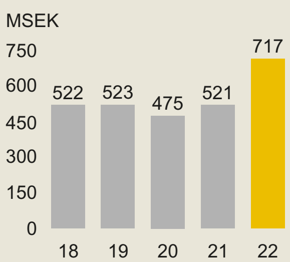
The division's working capital (inventory, trade receivables and trade payables) increased SEK 67.2 M during the year to SEK 283.8 M (216.6); with the added value of SEK 142.6 M (116.3) for property, plant and equipment, operating capital totaled SEK 426.3 M (332.9). The ROOC for Ringfeder Power Transmission decreased to 32.2% (38.5).

New capital expenditures for the year totaled SEK 20.1 M (8.9). During 2022, Ringfeder Power Transmission had an average of 373 employees (320). At December 31, 2022, 375 persons (390) were employed in the division. Personnel costs totaled SEK 208.2 M (142.9), resulting in a cost per employee of SEK 558.2 thousand (446.4).

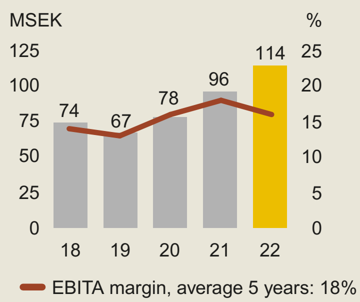
The division, going forward

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. The efficiency of deliveries and production processes continues to be enhanced. 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 and solar energy.

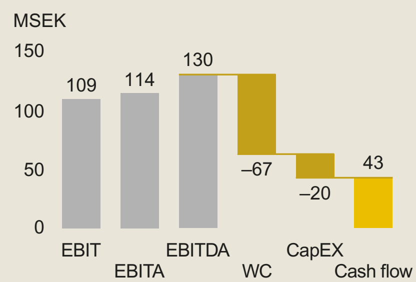
NET SALES



EBITA AND EBITA MARGIN



OPERATING CASH FLOW



Sales/Earnings, SEK M Ringfeder Power Transmission	2022	4/22	3/22	2/22	1/22	2021	4/21	3/21	2/21	1/21
Net sales	716.7	189.5	180.0	178.3	168.9	520.5	135.4	136.8	124.5	123.9
EBITDA	129.8	44.1	24.8	29.6	31.3	110.2	20.4	33.5	25.6	30.7
EBITA	113.7	39.8	21.2	25.6	27.2	96.3	17.0	29.8	22.3	27.3
EBITA margin, %	15.9	21.0	11.8	14.4	16.1	18.5	12.5	21.8	17.9	22.0
Operating profit (EBIT)	109.1	38.7	20.5	24.1	25.8	92.3	16.0	28.8	21.2	26.3
Operating margin (EBIT), %	15.2	20.4	11.4	13.5	15.3	17.7	11.8	21.0	17.1	21.2

Sales, SEK M Market	2022	4/22	3/22	2/22	1/22	2021	4/21	3/21	2/21	1/21
Sweden	4.1	0.9	1.1	1.2	0.9	3.4	0.5	1.0	0.8	1.0
Other Nordic countries	3.2	0.9	0.9	0.7	0.7	3.9	1.3	1.0	0.9	0.8
Germany	190.1	46.5	46.3	46.6	50.7	170.9	44.0	45.3	40.9	40.7
Other European countries	82.3	27.8	17.7	19.1	17.7	56.0	11.8	15.5	14.3	14.3
North America	192.4	42.9	49.6	48.9	51.0	103.7	24.6	27.4	22.8	28.9
Brazil	106.3	26.1	28.4	30.7	21.1	77.0	23.3	21.3	16.3	16.2
Australia/New Zealand	17.0	4.0	3.4	4.1	5.4	20.5	4.1	4.4	5.3	6.7
China	43.7	18.8	13.6	6.4	4.9	28.3	10.8	4.7	9.0	3.8
Rest of world	77.7	21.6	19.0	20.6	16.5	56.9	15.0	16.2	14.2	11.5
Ringfeder Power Transmission	**716.7**	**189.5**	**180.0**	**178.3**	**168.9**	**520.5**	**135.4**	**136.8**	**124.5**	**123.9**

Sustainability reporting
Sustainability issues hold a central position in VBG Group; this remained the case in 2022. We have chosen to present our statutory Sustainability Report on pages 30–55. Sustainability risks, and how they are managed, are described together with other risks on pages 62–67.

Outlook for 2023
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 Annual General Meeting (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 10 (9) meetings during fiscal year 2022. 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 2022 AGM appointed a Nomination 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 2022 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 144 for complete guidelines on remuneration to senior executives, and page 147 for the remuneration report for fiscal year 2022.

The VBG Group share and shareholders
Earnings per share for the year increased 9.2% to SEK 14.73 (13.48), measured against 25,004,048 shares. At December 31, 2022, equity per share was SEK 131.51, compared with SEK 111.72 year-on-year. At the end of the year, the share price was SEK 140.00, which corresponds to a market capitalization of SEK 3,500.6 M, compared to a share price of SEK 188.00 and market capitalization of SEK 4,700.8 M year-on-year. The number of shareholders increased by 145 during the year, amounting at year-end to 6,824 (5,831).

Significant events after the close of the fiscal year
As of January 1, 2023, Anders Erkén has taken office as President and CEO. The Mobile Climate Control division was renamed Mobile Thermal Solutions on February 1, 2023.
At the same time, a new brand was launched for the bus segment: Bus Climate Control (BCC).

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 2022 Annual General Meeting resolve to approve a dividend of SEK 5.50 per share (5.00) for the 2022 fiscal year. The proposed dividend entails a total distribution of funds from the Parent Company of SEK 137.5 M (125.0), corresponding to 4.2% of the Group's equity – or 9.7% of the Parent Company's equity – at year end. The Group reported profit after tax of SEK 368.3 M (337.1), which means that the proposed dividend comprises 37.3% (37.1) of the net profit for the year for the Group.

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

Retained earnings	SEK 1,292,296,314
Net profit for the year	SEK 6,747,186
	SEK 1,299,043,500
The Board of Directors proposes that these funds be distributed as follows:	
dividend to shareholders	SEK 137,522,264
to be carried forward	SEK 1,161,521,236
	SEK 1,299,043,500

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

	2022	2021	2020	2019	2018
Sales and earnings					
Net sales	4,580.0	3,611.2	3,147.2	3,725.4	3,492.4
Gross profit	1,347.3	1,164.8	1,063.6	1,253.8	1,190.9
EBITDA	663.6	562.4	462.5	547.8	497.4
EBITA	557.5	484.1	385.5	467.1	449.3
Operating profit (EBIT)	527.2	456.0	353.4	435.0	417.6
Profit after financial items	487.8	441.4	326.5	397.0	373.1
Profit after tax	368.3	337.1	226.7	299.5	273.0
Financial position					
Balance sheet total	5,412.0	4,663.5	4,257.3	4,198.6	3,923.8
Capital employed	4,509.2	3,798.1	3,540.4	3,399.0	3,246.0
Equity	3,288.3	2,793.5	2,500.2	2,427.7	2,226.5
Equity per share, SEK	131.51	111.72	100.0	97.09	89.04
Equity/assets ratio, %	60.8	59.9	58.7	57.8	56.7
Interest-bearing net debt (incl. pension liability)	722.1	455.5	268.9	655.3	647.9
Interest-bearing net debt/EBITDA	1.09	0.81	0.58	1.20	1.30
Goodwill/Equity	0.37	0.42	0.44	0.47	0.51
Profitability					
Gross margin, %	29.4	32.3	33.8	33.7	34.1
EBITDA margin, %	14.5	15.6	14.7	14.7	14.2
EBITA margin, %	12.2	13.4	12.3	12.5	12.9
Operating margin (EBIT), %	11.5	12.6	11.2	11.7	12.0
Profit margin before tax, %	10.7	12.2	10.4	10.7	10.7
Return on capital employed (ROCE), %	11.6	12.2	9.8	12.4	13.2
Return on equity (ROE), %	11.4	12.2	9.0	12.5	12.8
Earnings per share, SEK	14.73	13.48	9.07	11.98	10.92
Personnel					
Number of employees at year-end	1,773	1,714	1,484	1,612	1,573
Average number of employees	1,731	1,600	1,483	1,596	1,561
Personnel costs	1,086.4	871.3	776.2	885.6	803.1
Salaries and social security contributions per employee, SEK '000	627.6	544.6	523.4	554.9	514.4
Other					
Amortization of intangible assets	30.3	28.1	32.2	32.1	31.7
Depreciation of property, plant and equipment	56.6	52.5	48.1	49.5	48.1
Depreciation of right-of-use assets	49.4	25.8	28.9	31.2	—
Cash flow from operating activities	312.6	187.3	446.2	438.9	253.6
Cash flow for the year	–183.5	–247.9	449.6	96.4	47.5
Cash flow per share, SEK	–7.3	–9.91	17.98	3.86	1.90

Condensed Consolidated Income Statement and Statement of Other Comprehensive Income

SEK '000	Note	2022	2021
Net sales	3	**4,579,978**	**3,611,224**
Cost of goods sold		–3,232,691	–2,446,404
Gross profit		**1,347,287**	**1,164,820**
Selling expenses		–392,509	–315,243
Administrative expenses		–336,664	–269,317
Research and development costs		–134,380	–109,994
Other operating income	4	74,739	9,538
Other operating expenses	5	–31,255	–23,810
		–820,069	**–708,826**
Operating loss	6, 7, 8, 9	**527,218**	**455,994**
Exchange rate effects		–10,702	–1,941
Interest income		8,274	4,359
Interest expenses		–37,415	–14,128
Other financial expenses		421	–2,851
Total financial items		**–39,422**	**–14,561**
Profit after financial items		**487,796**	**441,433**
Tax on profit for the year	11	–119,523	–104,324
Net profit for the year		**368,273**	**337,109**
Net profit for the year attributable to Parent Company shareholders		368,273	337,109
Earnings per share, basic and diluted, SEK		14.73	13.48
Number of shares outstanding at year-end ('000)		25,004,048	25,004,048
Number of treasury shares at year-end ('000)		1,191,976	1,191,976
Other comprehensive income			
Net profit for the year		**368,273**	**337,109**
Items that will not be reversed in the income statement			
Effect of translation of defined-benefit pension plans		67,646	–19,745
Deferred tax on effect of translation of defined-benefit pension plans		–16,781	4,138
Items that may later be reversed in the income statement			
Translation differences pertaining to foreign operations		200,613	84,383
Other comprehensive income, net after tax		**251,478**	**68,776**
Comprehensive income for the year		619,751	405,885
Comprehensive income for the year attributable to Parent Company shareholders		619,751	405,885

Consolidated Balance Sheet

SEK ’000	Note	**Dec. 31, 2022**	Dec. 31, 2021
Assets			
Non-current assets			
Intangible assets	12		
Brands, customer relationships and other intangible assets		821,060	839,217
Goodwill		1,226,799	1,169,824
		2,047,859	**2,009,041**
Property, plant and equipment	13		
Land and buildings		198,294	180,340
Plant and machinery		134,528	137,277
Equipment, tools, fixtures and fittings		96,264	49,274
Construction in progress		29,632	8,299
Right-of-use assets	14	430,207	111,443
		888,925	**486,633**
Deferred tax asset	16	24,275	57,870
		24,275	**57,870**
Total non-current assets		**2,961,059**	**2,553,544**
Current assets			
Inventories	17		
Raw materials and consumables		628,094	459,097
Work in progress		123,909	103,678
Finished products and merchandise		358,512	256,550
		1,110,515	**819,325**
Current receivables			
Trade receivables	24	673,085	524,087
Current tax assets		27,785	29,897
Other receivables		98,622	39,960
Prepaid expenses and accrued income	18	42,105	29,280
		841,597	**623,224**
Cash and cash equivalents			
Cash on hand and demand deposits		498,845	667,449
Total current assets		**2,450,957**	**2,109,998**
Total assets		**5,412,016**	**4,663,542**

CONSOLIDATED BALANCE SHEET CONT'D.

SEK '000	Note	**Dec. 31, 2022**	Dec. 31, 2021
Equity and liabilities			
Equity	19		
Share capital		65,490	65,490
Other contributed capital		781,316	781,316
Reserves		288,024	87,411
Retained earnings, incl. net profit for the year		2,153,450	1,859,332
Total equity		**3,288,280**	**2,793,549**
Non-current liabilities			
Provisions for pensions and similar obligations	21	196,893	252,094
Deferred tax liability	16	213,380	240,159
Other provisions	22	61,026	38,471
Lease liability	23	398,953	95,815
Liabilities to credit institutions	23	576,021	752,457
Other non-current liabilities		23,063	20,256
Total non-current liabilities		**1,469,336**	**1,399,252**
Current liabilities			
Trade payables	23	323,279	225,694
Current tax liabilities		49,759	16,089
Other liabilities		39,182	40,493
Lease liability	23	49,056	22,625
Accrued expenses and deferred income	26	193,124	165,840
Total current liabilities		**654,400**	**470,741**
Total equity and liabilities		**5,412,016**	**4,663,542**

Consolidated Changes in Equity

SEK '000	Share capital	Contributed capital	Reserves	Retained earnings	Total equity
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**
Opening balance at Jan. 1, 2022	**65,490**	**781,316**	**87,411**	**1,859,332**	**2,793,549**
Effect of translation of defined-benefit pension plans				67,646	67,646
Deferred tax on effect of translation of defined-benefit pension plans				–16,781	–16,781
Translation differences			200,613		200,613
Other comprehensive income			**200,613**	**50,865**	**251,478**
Net profit for the year				368,273	368,273
Total comprehensive income					**619,751**
Dividend				–125,020	–125,020
Total transactions with shareholders					**–125,020**
Equity at Dec. 31, 2022	**65,490**	**781,316**	**288,024**	**2,153,450**	**3,288,280**

Consolidated Cash Flow Statement

SEK '000	Note	2022	2021
Operating activities			
Operating profit before financial items		527,218	455,994
Depreciation/amortization	8	136,336	106,438
Other items not affecting liquidity	28	45,096	18,409
Interest received, etc.		11,252	8,276
Interest paid, etc.		–24,321	–15,143
Tax paid		–99,775	–103,371
Cash flow before change in working capital		**595,806**	**470,604**
Decrease/increase (–) in inventories		–201,426	–195,444
Decrease/increase (–) in trade receivables		–83,287	–140,807
Decrease/increase (–) in other current receivables		–64,984	–7,028
Increase/decrease (–) in trade payables		54,612	38,535
Increase/decrease (–) in other current liabilities		11,865	21,483
Cash flow from operating activities		**312,586**	**187,343**
Investing activities			
Investments in intangible assets	28	–4,603	–30,345
Investments in property, plant and equipment	28	–113,503	–31,778
Net settlements, business combinations		—	–146,271
Cash flow from investing activities		**–118,106**	**–208,395**
Financing activities			
Repayment of loans		–212,525	–227,131
Loans raised and changes to existing loans		1,344	136,283
Amortization of lease liability		–41,749	–23,469
Dividend paid		–125,020	–112,518
Cash flow from financing activities		**–377,949**	**–226,836**
Cash flow for the year		**–183,469**	**–247,887**
Cash and cash equivalents at start of year		**667,449**	**899,506**
Translation difference, cash and cash equivalents		14,865	15,830
Cash and cash equivalents at year-end		**498,845**	**667,449**
Unutilized overdraft facilities		100,000	100,000
Total cash and cash equivalents available		**598,845**	**767,449**

Parent Company Income Statement

SEK '000	Note	2022	2021
Net sales		**56,683**	**52,117**
Gross profit		**56,683**	**52,117**
Administrative expenses		–60,237	–59,865
		–60,237	**–59,865**
Operating loss	6, 7, 8	**–3,554**	**–7,748**
Profit/loss from financial items			
Dividend from interests in subsidiaries		5,000	91,786
Profit from liquidation of subsidiaries		—	–1
Exchange rate effects, net		–11,622	–1,636
Impairment loss on shares in subsidiaries		—	–3,176
Interest income		22,644	4,115
Interest expenses		–21,222	–7,469
Other financial expenses		–1,797	–1,995
Total profit from financial items		**–6,997**	**81,624**
Profit after financial items		**–10,551**	**73,876**
Appropriations	10	18,488	44,957
Tax	11	–1,190	–6,682
Net profit and comprehensive income for the year		**6,747**	**112,151**

Parent Company Balance Sheet

SEK '000	Note	Dec. 31, 2022	Dec. 31, 2021
Assets			
Non-current assets			
Intangible assets	12		
Trademarks and other intellectual property		—	—
		—	**—**
Property, plant and equipment	13		
Equipment, tools, fixtures and fittings		1,251	1,414
		1,251	**1,414**
Long-term investments			
Interests in Group companies	15	1,656,351	2,016,851
Non-current receivables, Group companies		360,394	345,738
		2,016,745	**2,362,589**
Total non-current assets		**2,017,996**	**2,364,003**

PARENT COMPANY BALANCE SHEET CONT'D.

SEK '000	Note	**Dec. 31, 2022**	Dec. 31, 2021
Current assets			
Current receivables			
Receivables from Group companies		316,289	149,559
Current tax assets		4,247	—
Other receivables		—	93
Prepaid expenses and accrued income	18	9,283	9,220
		329,819	**158,872**
Cash and cash equivalents			
Cash on hand and demand deposits		277,482	511,559
Total current assets		**607,301**	**670,431**
Total assets		**2,625,297**	**3,034,434**
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		1,292,296	1,305,137
Net profit for the year		6,747	112,151
		1,299,043	**1,417,288**
Total equity		**1,417,782**	**1,536,027**
Untaxed reserves	20	**18,800**	**21,800**
Provisions			
Provisions for pensions	21	15,367	13,183
Total provisions		**15,367**	**13,183**
Non-current liabilities			
Liabilities to credit institutions	23	575,539	748,702
Total non-current liabilities		**575,539**	**748,702**
Current liabilities			
Trade payables		7,136	3,227
Liabilities to Group companies		572,030	691,991
Current tax liabilities		—	1,598
Other liabilities		2,182	2,175
Accrued expenses and deferred income		16,461	15,731
Total current liabilities		**597,809**	**714,722**
Total equity and liabilities		**2,625,297**	**3,034,434**

Parent Company Changes in Equity

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

Parent Company Cash Flow Statement

SEK '000	Note	**2022**	2021
Operating activities			
Operating loss before financial items		–3,554	–7,748
Depreciation/amortization		1,024	1,100
Other items not affecting liquidity	28	44,768	63,916
Interest received		22,644	4,115
Dividend received		5,000	91,786
Interest paid, etc.		–23,019	–9,464
Tax paid		–7,035	–3,453
Cash flow before change in working capital		**39,828**	**140,252**
Decrease/increase (–) in other current receivables		–181,356	–192,036
Increase/decrease (–) in trade payables		3,909	2,193
Increase/decrease (–) in other current liabilities		–119,224	63,946
Cash flow from operating activities		**–256,843**	**14,355**
Investing activities			
Investments in property, plant and equipment	28	–861	–197
Supplementary payment, business combinations		—	–3,176
Sale of subsidiaries		360,500	49
Cash flow from investing activities		**359,639**	**–3,324**
Financing activities			
Loans raised and changes to existing loans		–211,880	–68,109
Dividend paid		–124,992	–112,518
Cash flow from financing activities		**–336,872**	**–180,627**
Cash flow for the year		**–234,076**	**–169,596**
Cash and cash equivalents at start of year		**511,559**	**681,155**
Cash and cash equivalents at year-end		**277,483**	**511,559**
Unutilized overdraft facilities		100,000	100,000
Total cash and cash equivalents available		**377,483**	**611,559**

Alternative performance measures

Reconciliation between IFRS and performance measures used
Certain information in this report that is used by Group Management and analysts to assess the Group's performance has not been prepared in accordance with IFRS. Group Management believes that this information makes it easier for investors to analyze the Group's earnings performance and financial structure. Investors should view this information as a supplement to, rather than a replacement of, financial reporting in accordance with IFRS.

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

SEK M	**2022**	2021	2020	2019	2018
Group					
Net sales	4,580.0	3,611.2	3,147.2	3,725.4	3,492.4
Acquired volume	–78.0	—	—	—	—
Currency effect	–407.7	135.5	103.6	–168.2	–100.5
Net sales excluding acquisitions and currencies	**4,094.2**	**3,746.7**	**3,250.7**	**3,557.2**	**3,391.9**
Organic growth	**483.0**	**599.6**	**–474.7**	**64.8**	**389.9**
Organic growth, %	**13.4**	**19.1**	**–12.7**	**1.9**	**13.0**
Truck & Trailer Equipment					
Net sales	1,628.8	1,327.9	1,054.3	1,203.6	1,243.1
Currency effect	–76.6	33.7	17.4	–31.7	–50.2
Net sales excluding acquisitions and currencies	**1,552.1**	**1,361.7**	**1,071.7**	**1,171.9**	**1,192.9**
Organic growth	**224.2**	**307.4**	**–131.8**	**–71.2**	**96.5**
Organic growth, %	**16.9**	**29.2**	**–11.0**	**–5.7**	**8.8**
Mobile Climate Control					
Net sales	2,234.5	1,762.7	1,617.7	1,998.4	1,727.3
Currency effect	**–260.7**	70.5	56.0	–116.1	–36.3
Net sales excluding acquisitions and currencies	**1,973.8**	**1,833.2**	**1,673.6**	**1,882.3**	**1,691.0**
Organic growth	**211.1**	**215.6**	**–324.8**	**155.0**	**264.3**
Organic growth, %	**12.0**	**13.3**	**–16.3**	**9.0**	**18.5**
Ringfeder Power Transmission					
Net sales	716.7	520.5	475.2	523.4	522.0
Acquired volume	–78.0	—	—	—	—
Currency effect	–70.4	31.3	30.2	–20.4	–13.9
Net sales excluding acquisitions and currencies	**568.3**	**551.8**	**505.4**	**503.0**	**508.1**
Organic growth	**47.8**	**76.6**	**–18.1**	**–19.0**	**29.1**
Organic growth, %	**9.2**	**16.1**	**–3.4**	**–3.6**	**6.1**

EBITDA
Operating profit before depreciation/amortization and impairment.

SEK M	**2022**	2021	2020	2019	2018
Group					
Operating profit	527.2	456.0	353.4	435.0	417.6
Depreciation/amortization	136.3	106.4	109.2	112.8	79.8
EBITDA	**663.6**	**562.4**	**462.5**	**547.8**	**497.4**

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

SEK M	**2022**	2021	2020	2019	2018
Group					
Net sales	4,580.0	3,611.2	3,147.2	3,725.4	3,492.4
Operating profit	527.2	456.0	353.4	435.0	417.6
Depreciation/amortization	136.3	106.4	109.2	112.8	79.8
EBITDA margin, %	**14.5**	**15.6**	**14.7**	**14.7**	**14.2**

EBITA
Operating profit before depreciation and impairment of intangible assets.

SEK M	**2022**	2021	2020	2019	2018
Group					
Operating profit	527.2	456.0	353.4	435.0	417.6
Amortization of intangible assets	30.3	28.1	32.2	32.1	31.7
EBITA	**557.5**	**484.1**	**385.5**	**476.1**	**449.3**

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

SEK M	**2022**	2021	2020	2019	2018
Group					
Net sales	4,580.0	3,611.2	3,147.2	3,725.4	3,492.4
Operating profit	527.2	456.0	353.4	435.0	417.6
Amortization of intangible assets	30.3	28.1	32.2	32.1	31.7
EBITA margin, %	**12.2**	**13.4**	**12.3**	**12.5**	**12.9**

Gross profit margin

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

SEK M	**2022**	2021	2020	2019	2018
Group					
Net sales	4,580.0	3,611.2	3,147.2	3,725.4	3,492.4
Gross profit	1,347.3	1,164.8	1,063.6	1,253.9	1,190.9
Gross profit margin, %	**29.4**	**32.3**	**33.8**	**33.7**	**34.1**

Profit margin

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

SEK M	**2022**	2021	2020	2019	2018
Group					
Net sales	4,580.0	3,611.2	3,147.2	3,725.4	3,492.4
Profit after financial items	487.8	441.4	326.5	397.0	373.1
Profit margin, %	**10.7**	**12.2**	**10.4**	**10.7**	**10.7**

Interest-bearing net debt

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

SEK M	**2022**	2021	2020	2019	2018
Group					
Provisions for pensions	196.9	252.1	233.8	230.2	196.9
Loans	576.0	752.5	806.5	741.2	822.4
Lease liability	448.0	118.4	128.2	156.4	—
Bank balances	–498.8	–667.4	–899.5	–472.5	–371.4
Interest-bearing net debt	**722.1**	**455.5**	**268.9**	**655.3**	**647.9**

Interest-bearing net debt/EBITDA

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

	2022	2021	2020	2019	2018
Group					
Interest-bearing net debt	722.1	455.5	268.9	655.3	647.9
EBITDA, rolling four quarter	663.6	562.4	462.5	547.9	497.4
Interest-bearing net debt/EBITDA	**1.09**	**0.81**	**0.58**	**1.20**	**1.30**

SEK M

Earnings per share

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

	2022	2021	2020	2019	2018
Group					
Operating profit after tax, SEK M	368.3	337.1	226.7	299.5	273.0
Number of shares outstanding (‘000)	25,004	25,004	25,004	25,004	25,004
Earnings per share, SEK	**14.73**	**13.48**	**9.07**	**11.98**	**10.92**

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 2022**	Full-year 2021
Group		
Inventories	1,110.5	819.3
Trade receivables	673.1	524.1
Trade payables	–323.3	–225.7
Working capital	**1,460.3**	**1,117.7**
Property, plant and equipment	888.9	486.6
Operating capital	**2,349.2**	**1,604.4**
EBITDA, rolling four quarter	663.6	562.4
Average operating capital four quarter	2,108.8	1,468.0
ROOC, %	**31.5**	**38.3**
Truck & Trailer Equipment		
Inventories	258.4	217.5
Trade receivables	219.4	174.6
Trade payables	–79.8	–64.5
Working capital	**398.1**	**327.6**
Property, plant and equipment	201.7	187.2
Operating capital	**599.8**	**514.8**
EBITDA, rolling four quarter	341.3	282.2
Average operating capital four quarter	595.6	484.4
ROOC, %	**57.3**	**58.3**
Mobile Climate Control		
Inventories	671.5	468.8
Trade receivables	329.0	249.0
Trade payables	–214.9	–141.1
Working capital	**785.6**	**576.8**
Property, plant and equipment	542.1	179.3
Operating capital	**1,327.7**	**756.1**
EBITDA, rolling four quarter	212.5	188.2
Average operating capital four quarter	1,112.8	697.0
ROOC, %	**19.1**	**27.0**
Ringfeder Power Transmission		
Inventories	180.6	133.0
Trade receivables	124.7	100.5
Trade payables	–21.5	–16.9
Working capital	**283.8**	**216.6**
Property, plant and equipment	142.6	116.3
Operating capital	**426.3**	**332.9**
EBITDA, rolling four quarter	129.8	110.2
Average operating capital four quarter	403.5	286.0
ROOC, %	**32.2**	**38.5**

Notes to Parent Company and consolidated financial statements

1 GENERAL INFORMATION AND ACCOUNTING POLICIES

VBG Group AB (publ) in Vänersborg is the Parent Company of an international industrial Group with wholly owned companies in Sweden, the US, Canada, Brazil, South Africa, India 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 2022 have not entailed any material impact on the consolidated financial statements for the fiscal year. The Group is of the opinion that even impending changes as below will not have any material impact on the Parent Company or consolidated financial statements.

Changes to IAS 1 Presentation of Financial Statements

The changes mean that the requirement in IAS 1 for en entity to disclose its significant accounting policies has been replaced with a requirement to disclose its material accounting policies. At the same time, IASB's Practice Statement 2 Making Materiality Judgements has been replaced with guidance and examples that are intended to illustrate the application of the materiality criterion for disclosure of accounting policies. The purpose is to achieve a real change in practice toward better, more efficient communication in financial statements. The changes in practice are expected not only to increase the benefit of disclosures of accounting policies, but also to reduce the amount of text in future annual reports. The changes will be applied for financial years beginning January 1, 2023 or later. Advance application is permitted. The EU has approved the changes.

Changes to IAS 12 Income taxes

The changes clarify that the exemption that allows deferred tax not to be reported on temporary differences arising upon initial recognition of an asset or liability is not applicable to transactions that simultaneously give rise to both an asset and a liability (e.g. right-of-use assets and lease liabilities). The changes will be applied retroactively for financial years beginning January 1, 2023 or later. The EU has approved the changes.

Changes to IAS 1 Presentation of Financial Statements

In January 2020, IASB published changes to IAS 1 pertaining to classification of liabilities as either short- or long-term. The purpose of the changes are to clarify:

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

The changes in IAS 1 also clarify that it is the conditions on the balance sheet date that form the basis for determining how a liability is to be classified, and that the expectations of management regarding whether or not the terms of the loan will be violated in the future are not relevant to the classification. According to IASB, both changes will be applied retroactively for financial years beginning January 1, 2024 or later provided that the EU approves the changes, which it is expected to do before the date on which the changes enter force.

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

NOTE 1 CONT'D.

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 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 reporting currency are translated to the Group's reporting currency as follows:

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

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

	Closing rate, Dec. 31, 2022	Average currency exchange rate 2022
SEK/BRL	1.9746	1.9594
SEK/CAD	7.7060	7.6310
SEK/CZK	0.4607	0.4382
SEK/EUR	11.1283	10.6274
SEK/PLN	2.3741	2.2689
SEK/USD	10.4371	10.1094

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 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

NOTE 1 CONT'D.

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 of financial assets are recognized on the transaction date, which constitutes the date the company commits to acquiring or selling the asset, except in those cases where the company acquires or sells listed securities, when settlement date recognition is applied.

Financial assets at amortized cost

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

Trade receivables

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

Cash and cash equivalents

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

Liabilities

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

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.

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:

NOTE 1 CONT'D.

- 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 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.

NOTE 1 CONT'D.

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

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

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

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

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

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

Share capital consists of the nominal value of issued shares.

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

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

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

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

Provisions
Provisions – for 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 President and CEO.

Cash Flow Statement
The cash flow statement is prepared in accordance with the indirect method. The recognized cash flow only includes transactions that entail cash receipts and cash payments. Besides cash on hand and demand deposits, cash and cash equivalents include short-term, highly liquid investments that are subject to an insignificant risk of changes in value, and are traded on the open market at known amounts, or have a shorter remaining maturity than three months from the acquisition date.

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

Policy

The Group's goal with regard to the capital structure is to safeguard the Group's ability to remain in business so that it can generate return for the shareholders, creating benefit for other stakeholders and maintaining an optimal capital structure in order to keep the cost of capital down. The Group's long-term goal is that the equity/assets ratio should exceed 40%. The equity/assets ratio at 31 December 2022 was 60.8%.

Comments

In June 2019, VBG Group signed a new financing agreement with the Group's 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 575.5 M. At the end of 2022, unutilized credits amounted to SEK 724.5 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. 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 2022 totaled SEK 722.1 M (455.5). Excluding a lease liability of SEK 448.0 M (118.4) and a pension liability of SEK 196.9 M (252.1), net debt totaled SEK 77.2 M (85.1).

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 currency effects totaled SEK 29.1 M (9.7) at year end, corresponding to 0.6% of sales (0.3). 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 673 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.

NOTE 2 CONT'D.

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

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

Comments
The total value of net flows in foreign currencies amounted to a value of approximately SEK 794 M. The currency flows with the greatest impact on (EBIT) are inflows in USD and EUR to SEK. An exchange rate difference of 10% between EUR and SEK affects the Group's operating profit (EBIT) by approximately SEK 50 M, while the effect of a similar change between USD and SEK is approximately SEK 58 M and an exchange rate difference between CAD and SEK yields an impact on operating profit (EBIT) of SEK 42 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 approximately SEK 1,985 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 – as regards translation risk on equity – by changes in exchange rates are the EUR and SEK, with a 10% change between the two yielding a currency impact of approximately SEK 33 M. A 10% change in exchange rates between CZK and SEK yields a currency impact of approximately SEK 21 M, while a similar change between USD and SEK would entail a currency impact of approximately SEK 71 M. Other currencies affected are SEK against CAD, where a 10% change yields a change in exchange rate of SEK 45 M, and for SEK against PLN a change in exchange rate of SEK 16 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
2022 fiscal year					
External sales	**1,629**	**2,235**	**717**	**—**	**4,580**
Operating profit/loss (EBIT)	**303**	**138**	**109**	–22	**527**
Financial expenses	—	—	—	**–51**	**–51**
Financial income	—	—	—	11	11
Tax expense for the year	—	—	—	–120	–120
Net profit/loss for the year	**303**	**138**	**109**	**–181**	**368**
Other information					
Non-current assets	539	2,002	417	4	2,961
– of which Sweden	121	1,036	—	4	1,161
– of which Germany	52	—	133	—	185
– of which USA	122	541	239	—	902
– of which Czech Republic	195	—	31	—	226
Current assets	227	–965	–50	1,630	842
Cash and cash equivalents	—	—	—	499	499
Assets	**1,442**	**1,872**	**753**	**1,344**	**5,412**
Non-current liabilities	217	582	68	603	1,469
Current liabilities	200	253	133	69	654
Liabilities	**417**	**834**	**201**	**672**	**2,124**
Capital expenditures	**41**	**373**	**20**	**1**	**435**
Depreciation/amortization	**–39**	**–75**	**–21**	**–2**	**–136**
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/loss for the year	**248**	**136**	**92**	**–137**	**337**
Other information					
Non-current assets	513	1,672	362	7	2,554
– of which Sweden	117	1,055	—	—	1,173
– of which Germany	58	—	105	—	163
– of which USA	111	451	205	—	768
– of which Czech Republic	175	—	25	—	200
Current assets	418	766	251	7	1,442
Cash and cash equivalents	—	—	—	667	667
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**

NOTE 3 CONT'D.

Sales per geographical area 2022	Truck & Trailer Equipment	Mobile Climate Control	Ringfeder Power Transmission	Group
Sweden	271	49	4	324
Other Nordic countries	194	51	3	248
Germany	373	26	190	589
Other European countries	495	204	82	782
North America	142	1,693	192	2,028
Brazil	13	2	106	121
Australia/New Zealand	105	1	17	124
China	5	21	44	70
Rest of world	29	187	78	294
Total	**1,629**	**2,235**	**717**	**4,580**

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**

4 OTHER OPERATING INCOME

	Group	
	2022	2021
Royalty income	—	20
Capital gain on property, plant and equipment	44,542	462
Exchange rate differences	22,633	—
Other	7,564	9,056
Total	**74,739**	**9,538**

5 OTHER OPERATING EXPENSES

	Group	
	2022	2021
Scrapping of non-current assets	—	712
Exchange rate differences	—	6,166
Service warranties	26,544	4,000
Other	4,711	12,932
Total	**31,255**	**23,810**

6 SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY CONTRIBUTIONS

SEK '000	2022 Salaries and other remuneration	2022 Social security contributions	2021 Salaries and other remuneration	2021 Social security contributions
Parent Company	19,268	12,208	21,624	15,143
of which pension expenses		2,598		5,678
Subsidiaries	836,686	218,229	685,368	149,198
of which pension expenses		32,093		26,421
Group	**855,954**	**230,437**	**706,992**	**164,341**
of which pension expenses		**34,691**		**32,099**

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

SEK '000	2022 Board and President	2022 Other employees	2021 Board and President	2021 Other employees
Parent Company	7,888	11,380	8,214	13,410
of which bonuses, etc.	1,582		1,982	
Subsidiaries	27,027	809,659	29,807	655,561
of which bonuses, etc.	5,538		5,604	
Group total	**34,915**	**821,039**	**38,021**	**668,971**
of which bonuses, etc.	**7,120**		**7,586**	

Average number of employees	2022 Number of employees	2022 Of whom men	2021 Number of employees	2021 Of whom men
Parent Company				
Sweden	9	5	9	5
Total in Parent Company	**9**	**5**	**9**	**5**
Subsidiaries				
Sweden	217	181	216	184
Norway	8	7	7	6
Denmark	5	5	4	4
Belgium	21	14	20	12
UK	8	5	6	3
Germany	147	122	131	107
Czech Republic	139	83	135	80
Poland	183	124	181	122
US	332	252	228	165
Canada	486	434	488	432
China	47	22	47	21
India	26	22	28	24
Brazil	103	92	100	90
South Africa	—	—	—	—
Total in subsidiaries	**1,722**	**1,363**	**1,591**	**1,250**
Total, Group	**1,731**	**1,368**	**1,600**	**1,255**

At year-end, the Group had 1,773 employees (1,714).

NOTE 6 CONT'D.

Remuneration to Board members and senior executives
In accordance with a resolution by the 2022 AGM, the Chairman and members of the Board receive a total of SEK 2,020,000 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 40–50% 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 Managing Director and other senior executives is 65 years.

The President has an employment contract that expires with a notice of termination of six months. Salaries are guaranteed during the notice period. The President can set aside 35% of his fixed salary in pension provisions. Variable remuneration is not pensionable. 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. In October 2022, an agreement was signed with the Executive Vice President on taking office as President and CEO on January 1, 2023. The agreement runs with a notice period of 12 months from the company's side. Salaries are guaranteed during the notice period. Compensation to the President for the 2022 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 2022 pertains to half of the Board fees resolved at the 2021 AGM and to half of the Board fees resolved at the 2022 AGM.

Related-party disclosures
There have been no other related party transactions in 2022, other than those in relation to senior executives, that significantly affected the company's financial position and results.

Board of Directors and senior executives

	2022		2021	
	Number on closing date	Of whom men	Number on closing date	Of whom men
Group (incl. subsidiaries)				
Board members	18	14	23	20
Presidents and other senior executives	27	25	31	29

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.

	2022		2021	
	Number on closing date	Of whom men	Number on closing date	Of whom men
Parent Company				
Board members	6	4	6	4
Presidents and other senior executives	5	4	5	4

Board of Directors and Group Management

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

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**

7 FEES AND COST REIMBURSEMENT PAID TO AUDITOR

	Group		Parent Company	
SEK '000	**2022**	2021	**2022**	2021
Auditing assignments	4,111	3,885	984	850
(of which Parent Company's auditor)	(1,425)	(1,050)	(984)	(850)
Auditing activities other than auditing assignments	27	—	—	—
Tax advice	76	—	—	—
(of which Parent Company's auditor)	—	—	—	—
Other services	1,361	34	1,361	34
(of which Parent Company's auditor)	(1,361)	(34)	(1,361)	(34)
Total, Auditor in Charge	**5,575**	**3,919**	**2,345**	**884**
Other auditors				
Auditing assignments	1,473	925	—	62
Auditing activities other than auditing assignments	—	—	—	—
Tax advice	3,893	1,693	290	496
Other services	264	662	79	—
Total other auditors	**5,630**	**3,280**	**369**	**558**
	11,205	**8,240**	**2,714**	**1,371**

EY was auditor in charge in 2021 and 2022.

8 DEPRECIATION/AMORTIZATION AND IMPAIRMENT

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

	Group		Parent Company	
	2022	2021	**2022**	2021
Cost of goods sold	79,072	54,905	—	—
Selling expenses	32,708	33,527	—	—
Administrative expenses	20,897	14,922	1,024	1,101
Research and development costs	3,659	3,084	—	—
Total depreciation/ amortization	**136,336**	**106,438**	**1,024**	**1,101**

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

	Group		Parent Company	
	2022	2021	**2022**	2021
Computer software	2,680	2,233	—	92
Trademarks	2,954	–97,253	—	—
Customer relationships	24,676	123,159	—	—
Land and buildings	9,630	8,428	—	—
Plant and machinery	29,551	28,937	—	—
Equipment, tools, fixtures and fittings	17,467	15,142	1,024	1,009
Right of use	49,378	25,792	—	—
Total depreciation/ amortization	**136,336**	**106,438**	**1,024**	**1,101**

9 OPERATING EXPENSES CLASSIFIED BY NATURE OF EXPENSE

	Group	
	2022	2021
Direct material incl. change in inventories	2,441,234	1,741,898
Employee benefits	1,023,433	797,796
Depreciation/amortization	136,336	106,438
Other expenses	456,630	509,098
Total operating expenses	**4,057,633**	**3,155,230**

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

10 APPROPRIATIONS

	Parent Company	
	2022	2021
Difference between book depreciation and depreciation according to plan	—	—
Change in tax-allocation reserve	3,000	–10,000
Group contributions received	20,000	60,000
Group contributions paid	–4,512	–5,043
Total	**18,488**	**44,957**

11 TAX ON PROFIT FOR THE YEAR

	Group		Parent Company	
	2022	2021	**2022**	2021
Current tax				
Swedish companies	–24,468	–23,482	–1,190	–6,682
Foreign companies	–118,529	–78,985	—	—
Deferred tax	23,474	–1,857	—	—
Total	**–119,523**	**–104,324**	**–1,190**	**–6,682**

The difference between the tax expense according to the Swedish tax rate (20.6%) and the actual tax rate comprises the following sub-items: The effective tax amounted to 24.5% (23.6).

	Group		Parent Company	
	2022	2021	**2022**	2021
Reported profit before tax	487,796	441,433	7,937	118,833
Tax according to estimated weighted tax rate	–100,486	–90,935	–1,635	–24,480
Difference between tax rate in Sweden and weighted tax rate of foreign subsidiaries	–23,806	–10,249	—	—
Non-deductible expenses	–2,897	–6,991	–398	–1,089
Non-taxable revenue	—	—	1,030	18,899
Imputed income, tax allocation reserve	–146	–129	–22	–12
Tax attributable to prior income years	132	2,003	—	—
Other	7,680	1,977	–165	—
Total tax	**–119,523**	**–104,324**	**–1,190**	**–6,682**

12 INTANGIBLE ASSETS

SEK '000	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
Patents and licenses				
Opening cost	116,175	151,691	4,751	4,751
Purchases for the year	1,914	752	—	—
Reclassification	9,578	–23,916	—	—
Sale and retirement of assets	–482	–14,537	—	—
Translation differences	4,399	2,185	—	—
Closing accumulated costs	**131,584**	**116,175**	**4,751**	**4,751**
Opening depreciation	–112,517	–124,911	–4,751	–4,659
Depreciation for the year	–2,680	–2,233	—	–92
Reclassification	–6,167	2,435	—	—
Sale and retirement of assets	482	14,537	—	—
Translation differences	–4,069	–2,345	—	—
Closing accumulated depreciation	**–124,951**	**–112,517**	**–4,751**	**–4,751**
Closing balance	**6,633**	**3,658**	**—**	**—**
Trademarks				
Opening cost	439,880	435,297	28,267	28,267
Business combinations	6,376	—	—	—
Translation differences	14,110	4,583	—	—
Closing accumulated costs	**460,366**	**439,880**	**28,267**	**28,267**
Opening depreciation	–24,654	–37,609	–28,267	–28,267
Depreciation for the year	–2,954	–2,716	—	—
Sale and retirement of assets	–11,619	–4,331	—	—
Closing accumulated depreciation	**–39,227**	**–24,654**	**–28,267**	**–28,267**
Closing balance	**421,139**	**415,226**	—	—
Customer relationships				
Opening cost	522,715	396,866	—	—
Business combinations	—	73,254	—	—
Purchases for the year	—	28,250	—	—
Reclassification	—	24,345	—	—
Closing accumulated costs	**522,715**	**522,715**	—	—
Opening depreciation	–105,592	–60,006	—	—
Depreciation for the year	–24,676	–23,149	—	—
Reclassification	—	–2,435		
Closing accumulated depreciation	**–130,268**	**–105,592**	—	—
Closing balance	**392,447**	**417,123**	—	—
Other intangible assets				
Opening cost	3,210	3,239	—	—
Purchases for the year	914	2,911	—	—
Reclassification	–3,411	–462	—	—
Sale and retirement of assets	—	–2,536	—	—
Translation differences	128	58	—	—
Closing accumulated costs	**841**	**3,210**	—	—
Opening depreciation	—	–3,051	—	—
Depreciation for the year	—	–41	—	—
Sale and retirement of assets	—	2,536	—	—
Translation differences	—	556	—	—
Closing accumulated depreciation	—	—	—	—
Closing balance	**841**	**3,210**	—	—

NOTE 12 CONT'D.

	Group 2022	2021
Goodwill		
Opening cost	1,169,824	1,102,101
Business combinations	1,775	34,362
Translation differences	55,200	33,361
Closing accumulated costs	**1,226,799**	**1,169,824**

	Group 2022	2021
Goodwill is allocated to the Group's divisions as follows		
Truck & Trailer Equipment	278,529	247,457
Mobile Climate Control	773,167	773,167
Ringfeder Power Transmission	175,103	149,200
Carrying amount	**1,226,799**	**1,169,824**

	Group 2022	2021
Brands with indefinite useful lives		
Opening cost	400,000	400,000
Purchases for the year	—	—
Closing accumulated costs	**400,000**	**400,000**

	Group 2022	2021
Brands with indefinite useful lives are allocated among the divisions of the Group as follows:		
Truck & Trailer Equipment	—	—
Mobile Climate Control	400,000	400,000
Ringfeder Power Transmission	—	—
Carrying amount	**400,000**	**400,000**

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 Group Management and is based on discounted cash flows for the 2023 budget and business plans up to 2025.

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

	Group		Parent Company	
SEK '000	**2022**	2021	**2022**	2021
Land and buildings				
Opening cost	293,933	259,970	—	—
Purchases for the year	6,788	682	—	—
Reclassification	9,813	–249	—	—
Sale and retirement of assets	–37,832	—	—	—
Translation differences	27,609	14,216	—	—
Other receivables	—	916	—	—
Closing accumulated costs	**300,311**	**275,535**	—	—
Opening depreciation	–95,195	–80,166	—	—
Depreciation for the year	–9,630	–8,428	—	—
Reclassification	–324	—	—	—
Sale and retirement of assets	20,323	—	—	—
Translation differences	–17,052	–6,543	—	—
Other receivables	–139	–58	—	—
Closing accumulated depreciation	**–102,017**	**–95,195**	—	—
Closing balance	**198,294**	**180,340**	—	—
Plant and machinery				
Opening cost	329,816	311,268	—	—
Purchases for the year	12,653	19,652	—	—
Reclassification	3,689	–17,506	—	—
Sale and retirement of assets	–498	2,613	—	—
Translation differences	26,106	13,789	—	—
Closing accumulated costs	**371,766**	**329,816**	—	—
Opening depreciation	–192,539	–173,496	—	—
Depreciation for the year	–29,551	–28,937	—	—
Reclassification	–356	22,212	—	—
Sale and retirement of assets	3,999	–3,503	—	—
Translation differences	–18,791	–8,815	—	—
Closing accumulated depreciation	**–237,238**	**–192,539**	—	—
Closing balance	**134,528**	**137,277**	—	—

NOTE 13 CONT'D.

	Group		Parent Company	
SEK '000	**2022**	2021	**2022**	2021
Equipment, tools, fixtures and fittings				
Opening cost	185,365	158,722	8,902	8,704
Purchases for the year	18,925	18,432	861	197
Reclassification	39,794	24,163	—	—
Sale and retirement of assets	–25,736	–30,229	—	—
Translation differences	26,189	14,277	—	—
Closing accumulated costs	**244,537**	**185,365**	**9,763**	**8,902**
Opening depreciation	–136,091	–116,132	–7,488	–6,478
Depreciation for the year	–17,467	–15,142	–1,024	–1,009
Reclassification	680	–22,212	—	—
Sale and retirement of assets	25,245	29,280	—	—
Translation differences	–20,640	–11,885	—	—
Closing accumulated depreciation	**–148,273**	**–136,091**	**–8,512**	**–7,488**
Closing balance	**96,264**	**49,274**	**1,251**	**1,413**

Construction in progress				
Opening balance	8,299	8,051	—	—
Purchases for the year	75,079	7,544	—	—
Reclassification	–54,180	–6,479	—	—
Sale and retirement of assets	—	–1,604	—	—
Translation difference	434	107	—	—
Other receivables	—	680	—	—
Closing balance	**29,632**	**8,299**	—	—

14 LEASES

Right-of-use assets

SEK '000	Group 2022	Group 2021
Land and buildings		
Opening cost	161,278	152,912
Purchases for the year	314,341	—
Translation differences	50,806	8,366
Closing accumulated costs	**526,425**	**161,278**
Opening depreciation	–58,254	–40,725
Depreciation for the year	–43,256	–17,529
Closing accumulated depreciation	**–101,510**	**–58,254**
Closing balance	**424,915**	**103,024**

SEK '000	Group 2022	Group 2021
Vehicles		
Opening cost	29,718	25,165
Purchases for the year	2,560	4,336
Translation differences	148	217
Closing accumulated costs	**32,426**	**29,718**
Opening depreciation	–23,317	–16,431
Depreciation for the year	–4,986	–6,886
Closing accumulated depreciation	**–28,303**	**–23,317**
Closing balance	**4,123**	**6,401**

SEK '000	Group 2022	Group 2021
Plant and machinery		
Opening cost	6,393	5,970
Purchases for the year	—	168
Translation differences	287	255
Closing accumulated costs	**6,680**	**6,393**
Opening depreciation	–4,375	–2,998
Depreciation for the year	–1,136	–1,377
Closing accumulated depreciation	**–5,511**	**–4,375**
Closing balance	**1,169**	**2,018**
Total closing balance, rights of use	**430,207**	**111,443**

Profit after financial items, right-of-use assets

	Group 2022	Group 2021
Interest on lease liability	14,355	4,457
Leases regarding contracts shorter than 12 months	1,714	3,185
Leases regarding low-value contracts	858	140
Cash flow regarding leases	53,876	26,687

15 INTERESTS IN GROUP COMPANIES, CHANGES IN CARRYING AMOUNTS

Interests in Group companies	Parent Company 2022	Parent Company 2021
Opening cost	2,016,851	2,016,901
Impairment loss on shares in subsidiaries	—	–3,176
Additional purchase consideration	—	3,176
Sale of subsidiary to VBG Group Truck Equipment AB	–360,501	—
Liquidation of subsidiaries	—	–50
Closing balance	**1,656,350**	**2,016,851**

Specification of interests in Group companies	Share of equity, %	Share of votes, %	Carrying amount
Vänersborgs Släpvagnskopplingar AB (Sweden)	100	100	50
VBG Group Truck Equipment AB (Sweden)	100	100	42,197
VBG Group Sales AS (Norway)	100	100	
VBG Group Sales A/S (Denmark)	100	100	
VBG Group Sales Ltd (UK)	100	100	
Onspot of North America Inc. (US)	100	100	
VBG Group Truck Equipment NV (Belgium)	100	100	
VBG Group Truck Equipment GmbH (Germany)	100	100	
European Trailer Systems GmbH (Germany)	100	100	
European Trailer Systems s.r.o. (Czech Republic)	100	100	
Ringfeder Power Transmission GmbH (Germany)	100	100	90,309
Ringfeder Power Transmission India 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 SP.Zo.o (Poland)	100	100	
Ringfeder Power Transmission USA Corp. (US)	100	100	35,995
Carlyle Johnson Machine CO., LLC (US)	100	100	
Regent Controls, LLC (US)	100	100	
Centritec Seals, LLC (US)	100	100	
Artic Tool & Engineering Co, LLC (US)	100	100	
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			**1,656,350**

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 Släpvagnskopplingar AB	559150-9715	Vänersborg, Sweden
VBG Group Sales AS		Oslo, Norway
VBG Group Sales A/S		Ejby, Denmark
VBG Group Sales Ltd		Warrington, UK
Onspot of North America Inc.		North Vernon, IN (US)
VBG Group Truck Equipment NV		Beringen, Belgium
VBG Group Truck Equipment GmbH		Krefeld, Germany
European Trailer Systems GmbH		Moers, Germany
European Trailer Systems s.r.o.		Kamenice nad Lipou, Czech Republic
Ringfeder Power Transmission GmbH		Gross-Umstadt, Germany
Ringfeder Power Transmission India Private Ltd		Chennai, India
Ringfeder Power Transmission s.r.o.		Dobrany, Czech Republic
Ringfeder Power Transmission SP. Zo.o		Bytom, Poland
Kunshan Ringfeder Power Transmission Co., Ltd		Kunshan, China
Tschan India Private Ltd		Gurgaon, India
Ringfeder Power Transmission USA Corp		Bolton, CT (US)
Carlyle Johnson Machine CO., LLC		Bolton, CT (US)
Regent Controls, LLC		Greenville, RI (US)
Centritec Seals, LLC		Bolton, CT (US)
Artic Tool & Engineering Co, LLC		Greenville, RI (US)
Henfel Industria Metalurgica Ltda.		Jaboticabal, Brazil
Mobile Climate Control Group Holding AB	556723-5642	Vänersborg, Sweden
Mobile Climate Control Sverige AB	556535-3074	Norrtälje, Sweden
Mobile Climate Control China Holding AB	556819-6629	Vänersborg, Sweden
Mobile Climate Control Manufacturing Co., Ltd		Ningbo, China
Mobile Climate Control Trading Co., Ltd		Ningbo, China
Mobile Climate Control Corp.		York, PA (US)
Mobile Climate Control Inc.		Toronto, Canada
Mobile Climate Control Sp. 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

	Group		Parent Company	
Deferred tax assets	**2022**	2021	**2022**	2021
Deferred tax asset pertaining to pension liability	14,109	22,711	—	—
Other temporary differences	12,506	25,060	—	—
Deferred tax asset on tax-loss carry forward	5,914	10,099	—	—
Total tax assets, gross	**32,529**	**57,870**	**—**	**—**
Offset against deferred tax liabilities	**–8,254**	**—**	**—**	**—**
Recognized deferred tax assets	**24,275**	**57,870**	**—**	**—**
Deferred tax liabilities				
Deferred tax liabilities relating to tax allocation reserves	11,986	31,448	3,873	4,491
Deferred tax liabilities relating to difference between carrying amounts of assets and residual values for tax purposes	28,038	93,845	—	—
Deferred tax liabilities on intangible assets identified in connection with acquisitions	174,992	114,866	—	—
Total tax liabilities, gross	**215,016**	**240,159**	**3,873**	**4,491**
Offset against deferred tax assets	**–1,636**	**—**	**—**	**—**
Recognized deferred tax liabilities	**213,380**	**240,159**	**3,873**	**4,491**

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 2022	Group 2021
Truck & Trailer Equipment		
Raw materials and consumables	104,739	101,832
Semi-finished products and work in progress	47,287	44,025
Finished products and merchandise	106,369	71,685
Total inventory, Truck & Trailer Equipment	**258,395**	**217,542**
Mobile Climate Control		
Raw materials and consumables	474,106	323,755
Semi-finished products and work in progress	28,760	24,868
Finished products and merchandise	168,673	120,196
Total inventories Mobile Climate Control	**671,539**	**468,819**
Ringfeder Power Transmission		
Raw materials and consumables	49,249	33,510
Semi-finished products and work in progress	47,861	34,784
Finished products and merchandise	83,472	64,671
Total inventories Ringfeder Power Transmission	**180,582**	**132,965**
Total	**1,110,515**	**819,325**

The obsolescence reserve for outgoing inventories amounts to SEK 89,747 thousand (66,554), divided among: Truck & Trailer Equipment, SEK 23,423 thousand (21,456); Mobile Climate Control, SEK 44,200 thousand (36,242); and Ringfeder Power Transmission, SEK 22,124 thousand (8,856). Refer also to the change in Note 9.

18 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2022	2021	**2022**	2021
Prepaid lease payments	4,619	3,967	215	186
Prepaid insurance premiums	8,767	5,041	4,413	2,515
Prepaid service charges	10,581	10,187	4,597	6,029
Prepaid marketing activities	368	606	—	—
Accrued income	531	539	—	—
Other items	17,239	8,940	58	490
Total	**42,105**	**29,280**	**9,283**	**9,220**

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, Series B shares, total 23,756,024 and carry 1 vote each.

The Annual General Meeting on 24 April 2002 resolved to repurchase every tenth Series B share for SEK 31.25 per share. All shareholders were offered the chance to sell back their shares. 1,191,976 shares were repurchased, which is equivalent to 96% of the number that could be repurchased. At the same General Meeting, the Board was authorized to use repurchased shares to pay for acquisitions during the period up until the next AGM in 2003. This authorization has been extended repeatedly, most recently at the 2021 AGM to apply until the next AGM (2022). 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, 2,440,000 of which 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 contained 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 thousand. The term of the incentive plan expired during the year without any shares being subscribed.

20 UNTAXED RESERVES

	Parent Company	
	2022	2021
Tax allocation reserves	18,800	21,800
Total	**18,800**	**21,800**

21 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

	2022	2021
Parent Company		
Provisions in accordance with Swedish Pension Obligations Vesting Act		
FPG/PRI pensions	15,367	13,183
Group		
Provisions in accordance with IAS 19		
Defined-benefit pension plans	196,893	252,094

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, 2022 Total**	Dec. 31, 2021 Total
Present value of funded obligations			—	—	12,227
Fair value of plan assets			—	—	–15,329
					–3,102
Present value of unfunded obligations	115,209	76,418	5,266	196,893	255,196
Total obligation				**196,893**	**252,094**

Amounts recognized in the consolidated income statement for pensions	Group	
	2022	2021
Current service costs	5,854	6,333
Interest expense	4,454	2,700
Expected return on plan assets	—	—
Costs for defined-benefit plans	**10,308**	**9,033**
Costs for defined-contribution plans	**28,837**	**25,766**
Total costs recognized in profit or loss	**39,145**	**34,799**
Of which		
Amount charged to operating profit	34,691	32,099
Amount charged to financial expenses	4,454	2,700
Total costs recognized in profit or loss	**39,145**	**34,799**

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 –50,865 thousand (–15,607), 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	
	2022	2021
Net debt at beginning of year	252,094	233,763
Net cost recognized in profit or loss	10,308	9,033
Benefits paid	–7,244	–6,377
Contributions to funded plans	2,043	–1,358
Gains (–) losses (+) resulting from changed financial assumptions	–67,646	19,745
Experience-based gains (–) losses (+)	—	–4,514
Exchange rate differences on foreign plans	7,338	1,802
Net debt at year-end	**196,893**	**252,094**

Actuarial assumptions regarding significant defined-benefit pension plans

	2022		2021	
Percentage	Sweden	Germany	Sweden	Germany
Discount rate	3.7	4.2	1.8	1.3
Future annual salary increases	3.0	2.8	3.1	2.8
Inflation rate	2.0	2.1	2.1	1.5

The discount rate in Sweden for both 2022 and 2021 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:

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

	Impact on defined benefit obligation		
2021	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%

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 2022	Group 2021
Opening value, other provisions	38,471	26,147
Warranty obligation	22,555	12,324
Closing value, other provisions	**61,026**	**38,471**

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

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**

24 TRADE RECEIVABLES

Age distribution of trade receivables and reserve for doubtful debts	Group	
	2022	2021
Trade receivables not due	496,643	398,964
Trade receivables due in 1–30 days	119,946	94,318
Trade receivables due in 31–90 days	42,258	23,861
Trade receivables due in more than 90 days	20,762	14,700
Reserve for doubtful debts	–6,524	–7,756
Total	**673,085**	**524,087**
Reserve for doubtful debts		
Reserve for trade receivables 1–30 days	—	–154
Reserve for trade receivables 31–90 days	414	–1,035
Reserve for trade receivables older than 90 days	–6,938	–6,567
Total	**–6,524**	**–7,756**
Change for the year in reserve for doubtful debts		
Opening reserve	**–5,875**	**–6,548**
Changes written off as bad debt losses	523	1,030
Reversed unutilized reserves	3,174	2,460
New provisions for doubtful trade receivables	–3,386	–2,817
Currency effects	–960	—
Closing reserve	**–6,524**	**–5,875**

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 724 M (551) was unutilized at year end.

26 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	2022	2021	**2022**	2021
Special employer's contribution	11,710	11,701	1,646	1,365
Accrued personnel costs	111,635	97,463	10,019	10,003
Audit fees	6,841	5,278	370	450
Other accrued expenses	6,882	7,001	681	2,088
Commissions and sales support	5,397	8,245	—	—
Accrued interest	2,035	86	2,035	86
Other items	48,624	36,066	1,710	1,739
Total	**193,124**	**165,840**	**16,461**	**15,731**

27 CONTINGENT LIABILITIES

	Group		Parent Company	
	2022	2021	**2022**	2021
Guarantees for the benefit of subsidiaries	—	—	65,112	51,995
Other	1,610	1,304	307	264
Total contingent liabilities	**1,610**	**1,304**	**65,419**	**52,259**

28 CASH FLOW STATEMENT

	Group		Parent Company	
Other items not affecting liquidity in operating activities	**2022**	2021	**2022**	2021
Change in provisions	21,843	6,214	2,184	236
Merger effects, Germany	—	20,288	—	—
Group contributions received	—	—	15,488	54,957
Currency effect, line items	42,598	–2,569	27,096	8,723
Other items	–19,345	–5,524	—	—
Total	**45,096**	**18,409**	**44,768**	**63,916**

	Group		Parent Company	
Acquisition of non-current assets	**2022**	2021	**2022**	2021
Intangible investments for the year	–4,603	–30,345	—	—
Capital expenditures in property, plant and equipment for the year	–113,445	–31,778	–861	–197
Effect of capital expenditures on cash and cash equivalents for the year	**–118,048**	**–62,123**	**–861**	**–197**

Cash flow in financing activities

			Items not affecting liquidity					
Group trend, SEK M	**January 2022**	Cash flows	Acquisitions	Interest	Currency effects	New leases	Reclassification	**December 2022**
Non-current liabilities, bank	792,529	–177,419	—	—	–16,026	—	—	599,084
Lease liability	118,440	–56,104	—	14,355	54,417	316,901		448,009
Total financial liabilities	**910,969**	–233,523	—	**14,355**	**38,391**	**316,901**	—	**1,047,093**
Cash and cash equivalents	667,449	–183,469	—	—	14,865	—	—	498,845
Total cash and cash equivalents	**667,449**	**–183,469**	—	—	**14,865**	—	—	**498,845**

			Items not affecting liquidity					
Group trend, SEK M	**January 2021**	Cash flows	Acquisitions	Interest	Currency effects	New leases	Reclassification	**December 2021**
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**

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 indeterminable lifetimes. Recoverable amounts for cash-generating units have been established by calculation of value in use. Certain estimates must be made for these calculations (Note 12). The Group recognized a total inventory value of SEK 1,110,515 thousand (819,325) after obsolescence reserves of SEK 89,747 thousand (66,554). 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.

30 ACQUISITIONS

In 2022, the Group acquired the assets and liabilities of Tüschen und Zimmermann's industrial brake business. The purchase price totaled EUR 1.3 M, and the business has been incorporated into the Ringfeder Power Transmission division. Tüschen und Zimmermann manufactures unique braking systems that promote safer working conditions in the mining industry. For VBG Group, this acquisition is a small one financially but an important one strategically. With this acquisition, the division gains access to products that are an excellent complement to its current product range, strengthens its customer offering, and offers synergy effects in production and sales.The acquisition is well suited to our goal of growing as an industrial group, and the products are fully in line with our ambition of creating a safer society.

31 SIGNIFICANT EVENTS AFTER THE CLOSE OF THE FISCAL YEAR

As of January 1, 2023, Anders Erkén has taken office as President and CEO. The Mobile Climate Control division was renamed Mobile Thermal Solutions on February 1, 2023. At the same time, a new brand was launched for the bus segment: Bus Climate Control (BCC).

32 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 5.50 per share (5.00) for fiscal year 2022, which entails a disbursement of funds of SEK 137.5 M (125.0) from the Parent Company, corresponding to 4.2% of the Group's equity or 9.7% of the Parent Company's equity at year end. The Group reported profit after tax of SEK 368.3 M (337.1), which means that the proposed dividend comprises 37.3% (47.1) of the net profit for the year for the Group.

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

	2022	2021
Retained earnings	1,292,296,314	1,305,137,454
Net profit for the year	6,747,186	112,150,751
Total	**1,299,043,500**	**1,417,288,205**

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

	2022	2021
Dividend to shareholders	137,522,264	125,020,240
To be carried forward	1,161,521,236	1,292,267,965
Total	**1,299,043,500**	**1,417,288,205**

The income statements and balance sheets will be submitted to the Annual General Meeting on 27 April 2023 for adoption.

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

Vänersborg, date as indicated by my electronic signature

Johnny Alvarsson
Chairman of the Board

Anders Birgersson
Board member

Peter Augustsson
Board member

Louise Nicolin
Board member

Mats R. Karlsson
Board member

Anna Stålenbring
Board member

Alexander Andersson
Employee representative

Cecilia Pettersson
Employee representative

Anders Erkén
President and CEO

Gothenburg, date as indicated by our electronic signatures
Ernst & Young AB

Andreas Mast
Authorized Public Accountant

Auditor's report

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 2022. The annual accounts and consolidated accounts of the company are included on pages 72-128 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 2022 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 2022 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	
Description	*How our audit addressed this key audit matter*
The carrying value of goodwill on December 31, 2022 was SEK 1 227 million and trademarks with indefinite useful lives SEK 400 million which corresponds to 23 % 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 2023, business plans for 2024–2025 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, 2022.

Valuation of inventory	
Description	*How our audit addressed this key audit matter*
On December 31, 2022 total inventory value amounts to SEK 1,111 million which corresponds to 21 % 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, 2022.

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 1–71 and 134–152. The remunerations report for the year 2022 also constitutes 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.

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 2022 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 2022.

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

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

Basis for opinion

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

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

Responsibilities of the Board of Directors and the Managing Director

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

Auditor's responsibility

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

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

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

The audit firm applies 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 validation of the Esef report, confirming the file containing the Esef report, is created in a valid XHTML-format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the 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 May 4, 2022.

Gothenburg March 29, 2023
Ernst & Young AB

Andreas Mast
Authorized Public Accountant

Corporate Governance Report

Swedish Corporate Governance Code

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.

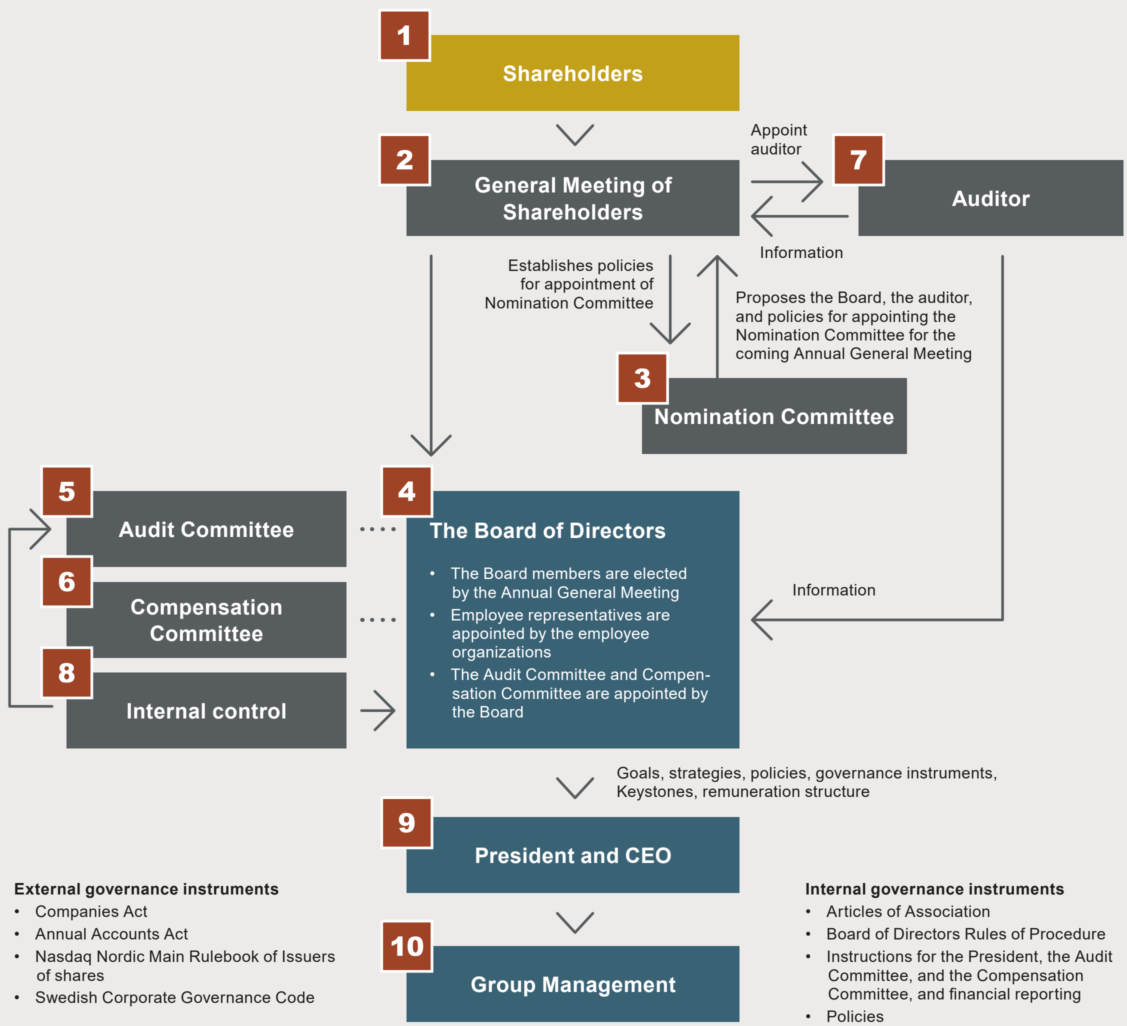
Corporate Governance Report 2022

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

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

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

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



1 Shareholders

The share capital in VBG Group AB amounted to SEK 65,490,060 on December 31, 2022, 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 2022, VBG Group AB had a total of 6,824 shareholders. At year end, the ten largest owner groups controlled 70.0% of the share capital outstanding, 66.8% of the total number of shares issued and 84.03% 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 68–69.

2 General Meeting of Shareholders

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

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

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

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

Annual General Meeting 2022

VBG Group AB's AGM was held on May 4, 2022. The meeting was held in accordance with Section 4 of the Act on temporary exceptions to facilitate the execution of general meetings in companies and other associations (SFS 2022:121), 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 5.00 per share for fiscal year 2021. The record date was May 6, 2022. Johnny Alvarsson, Louise Nicolin, Peter Augustsson, Mats R. Karlsson, Anna Stålenbring 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 2,020,000 (1,960,000), of which 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. 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 AGM, 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 2022 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 2023 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.

The Meeting resolved to adopt new policies for appointing and instructing the Nomination Committee. The Nomination Committee will consist of the Chairman of the Board and three members appointed by the three largest shareholders in terms of voting rights at the end of the third quarter of every year. On May 4, 2022, it was announced that the 2023 AGM would be held on April 27, 2023 at the company offices in Vänersborg.

3 Nomination Committee

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

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

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

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

Ahead of the 2023 AGM, the Nomination 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, as well as the election of Anders Erkén (President) as a new Board member.

The proposal of the Nomination Committee regarding fees to the Board and the Audit and Compensation Committees entails a raise in the fees to SEK 2,305,000 (2,020,000) owing to the addition of one new Board member. Allocation of the fees is proposed as follows: SEK 680,000 (680,000) to the Chairman of the Board and SEK 285,000 (285,000) each to the other Board members. 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 Compensation Committee, to be distributed by the Board of Directors.

Additionally, the Nomination Committee proposes ahead of the 2023 AGM the re-election of Ernst & Young AB as auditor, for the period up until the next AGM, with Andreas Mast as auditor in charge. Fees to auditors are proposed to be paid as billed, upon approval, for work performed.

The three largest shareholders in VBG Group AB in terms of voting rights at the end of the third quarter of each year propose that the 2023 AGM appoint the following persons to the Nomination Committee:

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

4 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 2022 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 138–139.

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

The work of the Board of Directors

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

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

The Board of Directors 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.

Board activities in 2022

Prior to each Board meeting, an agenda is sent out to the Board members along with in-depth information on the business at hand. Ten (nine) meetings were held during the 2022 fiscal year, of which four (February, April, July and October) were held in connection with the publication of the company's quarterly reports. One meeting in March was held to adopt the 2021 Year-end/Annual Report and the annual statutory Board meeting was held immediately after the AGM in April. In 2022, the Board's annual trip to a subsidiary or major industrial trade show was to Mobile Climate Control's new US production facility in York, Pennsylvania and a visit to Ringfeder Power Transmission's acquisition, The Carlyle Johnson Machine Co., LLC. The business plan for 2023 was adopted at the December meeting. Other meetings dealt especially with questions concerning the operation, investments and updates on the economic situation owing to events in the business environment.

Role of the Chairman

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

Board of Directors

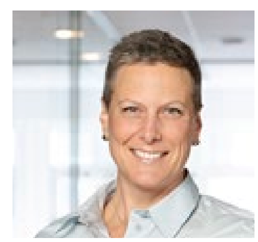
   

Members	Johnny Alvarsson	Anders Birgersson	Louise Nicolin	Peter Augustsson
Position on the Board	Chairman	Board member	Board member	Board member
Committee work	Compensation Committee/ Audit Committee			
Current position	Chairman of Manava konsult AB since 2017.	President and CEO of VBG Group AB since 2001; resigned position December 31, 2022.	President and owner of Nicolin Consulting AB since 2011.	Chairman of Peter Augustsson Development AB since 2005.
Education	MSc. Eng., Industrial Economics, Institute of Technology at Linköping University.	MSc. Eng., Mechanical Engineering, Chalmers University of Technology. Business economics, University of Skövde.	MSc. Eng., 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, Profilgruppen AB, the Herman Krefting Foundation for Allergy and Asthma Research, the VBG-SLK Foundation and the SLK Employees' Foundation.	Chairman of the Board of Sensum AB. Board member of Volati AB, Enzymatica AB, Seafire AB, Optinova Group Ab (Finland) and Atteviks Bil AB.	Chairman of Smoltek Nanotech Holding AB and AXsensor AB. Board member of Walleniusrederierna 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.
Remuneration[1], SEK	765,000	—	285,000	285,000
Attendance at Board meetings	10 (10)	10 (10)	9 (10)	9 (10)
Attendance, Audit Committee	3 (3)			
Attendance, Compensation Committee	2 (2)			
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 2022 AGM, including remuneration allocated by the Board from the respective committees.

			
Anna Stålenbring	**Mats R. Karlsson**	**Cecilia Pettersson**	**Alexander Andersson**
Board member	Board member	Employee-elected Board member and employee representative, white-collar employees.	Employee-elected Board member and employee representative, blue-collar employees.
Audit Committee	Compensation Committee		
Consultant and owner of A Advisory AB since 2015.	Chairman of Mats R. Karlsson & Partners AB since 2017.	Employee in the purchasing and logistics division of VBG Truck Equipment. Employed since 1998.	Property technician at VBG Truck Equipment. Employed since 2019.
Bachelor's in Business Administration, Växjö University. Advanced Management Program (AMP), INSEAD, Fontainebleau.	MSc. Eng., Industrial Economics, Institute of Technology at Linköping University.	Three-year economics program.	Upper secondary welding education, Uddevallas praktiska.
2020	2018	2011	2022
1961	1958	1968	1993
Board member of Troax Group AB, FM Mattsson Mora Group AB, Lammhults Design Group AB, Infobric Group AB, Engcon AB, and Investment AB Chiffonjén.	Chairman of the Board of Askalon AB. Centriair Holding AB, 3Nine. Board member of Fergas Group AB.	—	—
Executive positions in the industry, primarily at Itab (1986–1994) and Nefab (1994–2016). Consulting firm, 2016–present.	President and CEO of Axel Johnson International, 2008–2016. President of AxFlow, 2004–2008. Business Area President of Munters Humicool Europe, 1998–2004. Business Area Manager, Primus-Sievert, 1993–1998. Head of Business Development at Sanitec (1990–1993) and Atlas Copco (1985–1990).	—	—
375,000	310,000	—	—
10 (10)	10 (10)	10 (10)	5 (10)
3 (3)			
	2 (2)		
2,000	—	—	600
Yes	Yes	—	—
Yes	Yes	—	—

Employee-elected deputy Board member



Karin Pantzar

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

Auditor

Andreas Mast

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

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

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

Board committees

The Board of Directors appointed both an Audit Committee and a Compensation Committee for the period up until the 2023 AGM.

5 Audit Committee

At the statutory Board meeting in May 2022, the Board of Directors appointed an Audit Committee consisting of Johnny Alvarsson and Anna Stålenbring, with Anna Stålenbring as Chairman. In 2022, 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 2022. The auditors' reports have not occasioned any special measure on the part of the Audit Committee.

6 Compensation Committee

At the statutory Board meeting in April 2022, the Board of Directors appointed a Compensation Committee consisting of Johnny Alvarsson (chairman) and Mats R. Karlsson. The Committee had two meetings during 2022 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 2023 AGM for guidelines for remuneration to the President and senior executives is provided on pages 142–143.

Information on remuneration in 2022 is provided in Notes 6 and 7 on pages 111–113.

7 Auditors

The auditing firm of Ernst & Young AB was elected by the 2022 AGM as auditor for a period of one year, with authorized public accountant Andreas Mast as auditor in charge.

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

In the autumn, a meeting and dialogue is held with Group Management and, where necessary, the Chairman of the Audit Committee for analysis of the organization, operations, business processes and balance sheet items for the purpose of identifying areas involving an elevated risk of errors in the financial reporting. A general review of the year-end closing is performed for the period January–September. An early warning review of the third quarter accounts is conducted in October–November, followed by an early warning meeting with Group 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 2022, in addition to the audit assignment, the VBG Group consulted Ernst & Young AB primarily on process descriptions, internal control, and accounting matters. The amount of remuneration paid to Ernst & Young AB in 2022 is shown in Note 7 on page 113. Ernst & Young AB is obligated to assess its independence prior to providing independent advice to the VBG Group in addition to its auditing assignments.

Report on internal control

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

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

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

8 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. 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.

9 Operating activities – President

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

President and CEO

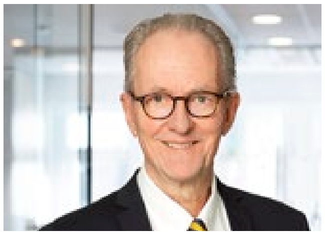
President Anders Birgersson, MSc. Eng., has been employed by the VBG Group AB since 2001 and has been active in the engineering industry since 1984 with a focus on logistics, production, product development and senior management at ABB, SKF and ESAB.

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.

On October 20, 2022, Anders Birgersson announced his intention to resign as President and CEO at year end, after 22 years. Anders Erkén was elected the new President and CEO, and took office on January 1, 2023.

Group Management



Management	Anders Birgersson	Fredrik Jignéus	Bo Hedberg
Current position	President & CEO, and Deputy Divisional CEO Mobile Climate Control.	EVP & Group CFO	SVP 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	1,300	1,752

10 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 Holgerson. 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. Read more about our sustainability governance on pages 46–47.

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 Man-

Christina Holgerson	Anders Erkén
EVP Corporate Responsibility & Group HR, Group Privacy Officer	Deputy CEO, VBG Group & Divisional CEO, Truck & Trailer Equipment.
1965	1964
Engineering, specializing in mechanical engineering, Nils Ericson Upper-Secondary School. Qualified Human Resources Specialist, FEI. Certified data protection officer.	MSc. Eng., Mechanical Engineering, Luleå University of Technology.
1986–1996 and from 2000	2007
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.	Branch Manager, Imaje AB 2004–2007. Production and logistics in ESAB AB, 1990–2003.
Deputy Chairman of the Scandinavian Automotive Supplier Association (FKG) since 2019. Board member of FKG since 2012.	—
—	6,147

Changes in Group Management, 2023

As pf January 1, 2023, Anders Erkén has taken office as President and CEO of VBG Group.

Anders Birgersson announced in 2022 that he was leaving VBG Group and going into retirement; he will remain in the company as a Senior Executive Advisor until May 31, 2023.

agement, responsibility for operational activities has been decentralized to three divisions. Responsibility for the coordination of certain functions such as accounting and finance, HR, IT, legal affairs, communication, intellectual property, and acquisition-related matters rests with the Parent Company.

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

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

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

Investor relations

The VBG Group's information to shareholders and other stakeholders is provided via the annual report, year-end report, interim reports and press releases as well as via the company's website, www.vbggroup.com. In 2022, a number of physical meetings with investors took place, as well as several telephone meetings with investors and analysts.

Guidelines for remuneration and other terms of employment for senior executives

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

The guidelines are to be applied to contracted remuneration, and to changes in previously contracted remuneration after adoption by the 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 that form the basis of any variable remuneration must be based on improvements of operating profit before tax (EBT) and operating margin targets (EBITA margin, or alternately EBIT margin).

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

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

Salaries and conditions of employment for employees
For the purpose of assessing the reasonability of the guidelines, the Board took salaries and conditions of employment for VBG Group's employees into account when preparing

these guidelines. In this connection, the Board of Directors has examined information regarding total remuneration to employees, the forms the remuneration consists of, how remuneration levels have changed over time and at what pace.

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

Particular reasons may, for example, consist of 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 that anticipated, or VBG Group increasing in value or increasing its sales or profits to a greater extent than forecast.

Vänersborg, date as indicated by my signature

Johnny Alvarsson
Chairman of the Board

Anders Birgersson
Board member

Peter Augustsson
Board member

Louise Nicolin
Board member

Mats R. Karlsson
Board member

Anna Stålenbring
Board member

Alexander Andersson
Employee representative

Cecilia Pettersson
Employee representative

Anders Erkén
President and CEO

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

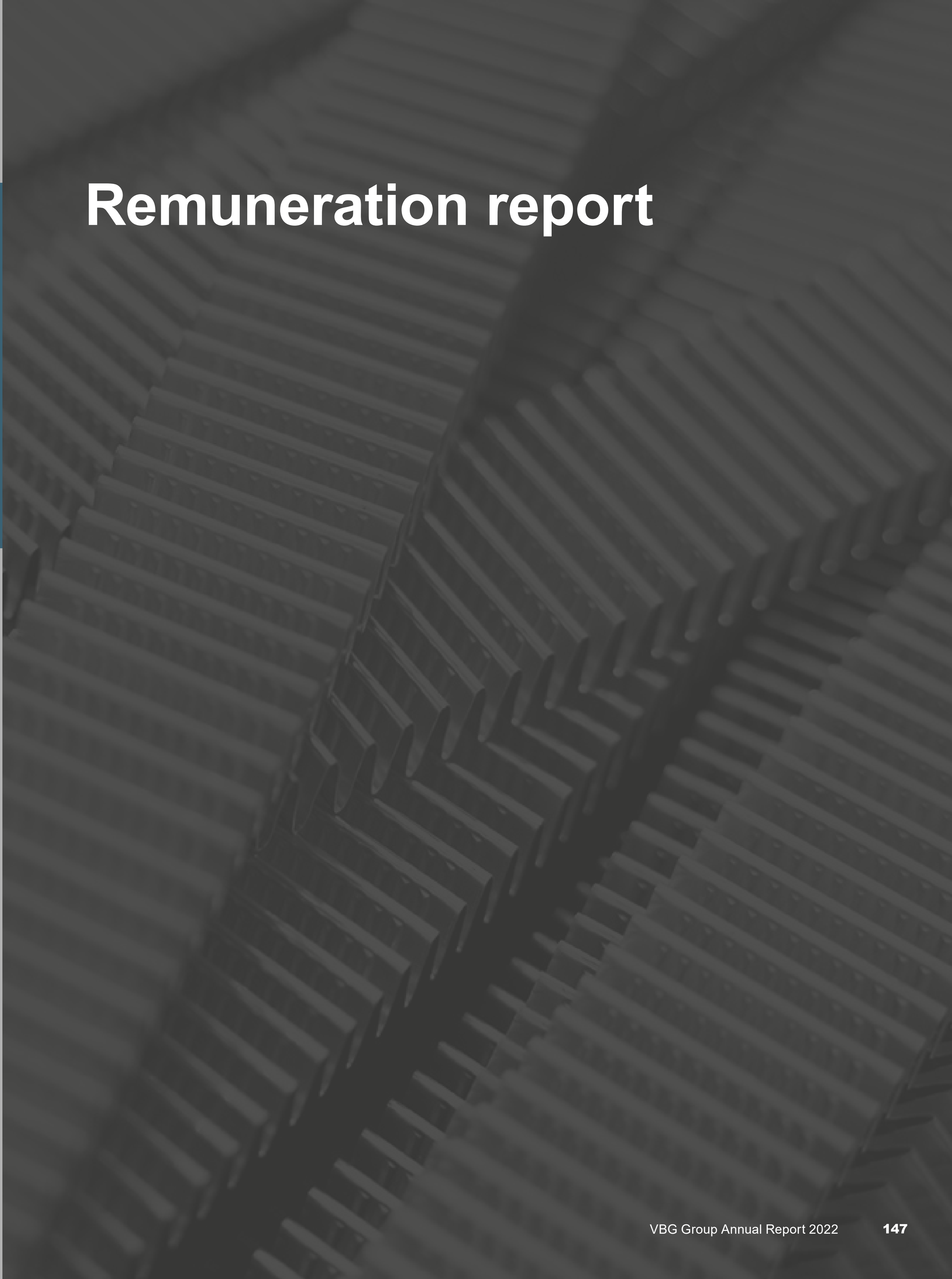
Engagement and responsibility
The Board of Directors is responsible for the Corporate Governance Report for the year 2022 on pages 134–146 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

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 2022

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 2022 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 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 111–112 of VBG Group's Annual Report for 2022. Information on the activities of the Compensation Committee in 2022 is provided in the Corporate Governance Report on page 140 of the Annual Report for 2022. Information in accordance with Chapter 5, Sections 40–44 of the Swedish Annual Accounts Act is provided in Note 6 on pages 111–112 of the Annual Report for 2022. Information on VBG Group's earnings and performance in 2022 is provided in the Board of Directors' Report on pages 73–89 of the Annual Report for 2022.

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 111–112 of the Annual Report for 2022.

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 pages 144–145 of the Annual Report for 2022.

Total remuneration to the President and Executive Vice President in 2022 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.

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 2022. Neither the VBG Group's President or Executive Vice President received remuneration in the form of shares in 2022.

Share-based remuneration to senior executives
The VBG Group warrant-based incentive plan for senior executives and other key persons in the Group ("LTI 2018") was concluded in 2022. 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 entitled the subscriber to one new Series B share in VBG Group up through May 20, 2022.

The warrant program expired in May 2022; at the end of the subscription period, the market value of VBG Group's Series B share was lower than the price of the warrant at the time, which resulted in no warrants being exercised.

Application of the criteria for disbursement of variable remuneration
The criteria for disbursement of variable remuneration are designed to promote VBG Group's business strategy, sustainability strategy and long-term interests and are thus clearly linked to the company's business strategy and objectives.

The table on the following page shows VBG Group's application of the criteria for disbursement of variable remuneration in 2022.

Remuneration to senior executives and the company's performance, etc.
On the following page 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 2022

SEK '000 Name and position	Fixed cash salary	Variable remuneration	Pension benefits	Other benefits	Total remuneration in 2021	Proportion of fixed remuneration	Proportion of variable remuneration
Anders Birgersson, President	4,316	1,582	1,562	101	7,561	79%	21%
Anders Erkén, Executive Vice President[1)]	2,900	1,749	896	96	5,640	69%	31%

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 2022

SEK '000 Name and position	Criteria	Relative weight of criteria	a) Criterion assessed b) Maximum remuneration c) Remuneration disbursed	
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) b) c)	13.9% 1,017 1,017
	Part b: Based on improvements of operating profit before tax (EBT).	50%	a) b) c)	441,459 1,017 1,017
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) b) c)	20.5% 1,044 1,044
	Part b: Based on improvements of operating profit before tax (EBT).	24%	a) b) c)	441,459 330 330

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

SEK '000 Position	2022	2021	2020
Total remuneration to President	7,561	8,014	6,400
Total remuneration to Executive Vice President	5,640	5,006	4,693
VBG Group's earnings	368,273	337,109	226,719
Average remuneration in full-time equivalents for VBG Group's other employees	507	434	414

2022 is the third 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 2023 ANNUAL GENERAL MEETING

The Annual General Meeting of VBG Group AB (publ) will be held at 5:00 p.m. on Wednesday, 27 April 2023 in the company's offices at Herman Kreftings Gata 4 in Vänersborg, Sweden.

To facilitate carrying out the General Meeting, the Board has decided – in accordance with the Articles of Association – that the voting rights of shareholders at the AGM can also be exercised through voting in advance (postal voting). Additional information will be provided in the notice to attend the meeting, which will be published on the company's web site 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 19, 2023.
- 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 21, 2023 at the latest.
- for physical participation on site, register their participation at the address indicated in the notice to attend by April 21, 2023 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 19, 2023. Voting rights registration completed by the nominee by April 21, 2023 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 5.50 per share (5.00), with a record date of May 2, 2023. If the AGM approves this proposal, the dividend is expected to be distributed by Euroclear Sweden AB starting May 5, 2023.

Report dates

April 27	Interim report January–March 2023
July 20	Interim report January–June 2023
October 24	Interim report January–September 2023
February 2024	Year-end report 2023

The VBG Group welcomes inquiries about the Group and its development. Contact persons are:
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More information is available at the company's web site, www.vbggroup.com.

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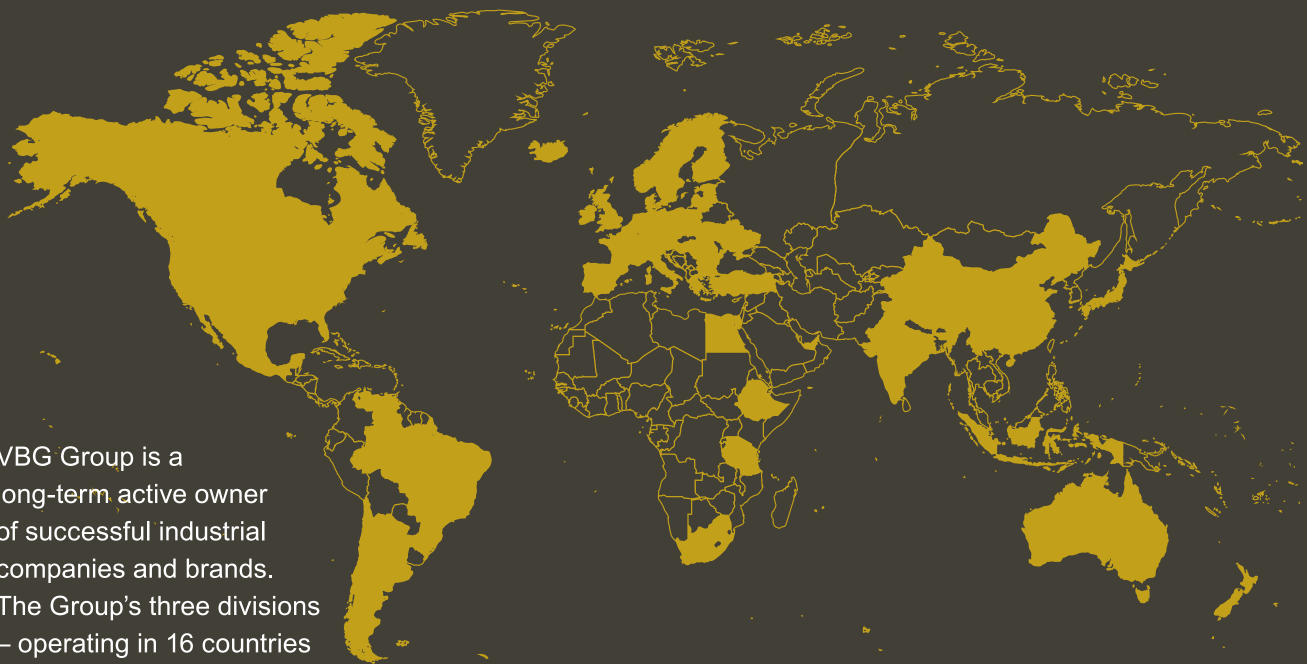

VBG Group is a long-term active owner of successful industrial companies and brands. The Group's three divisions – operating in 16 countries with approximately 1,800 employees – are run on a foundation of industrial expertise, strong brands and financial stability.

VBG GROUP

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