

PRESS RELEASE 2021-07-22

Interim report January-June 2021

The interim report describes a stable, profitable quarter for VBG Group.

Second quarter of 2021

- Consolidated sales increased 38.1% to SEK 925.5 M (670.1).
- Adjusted for exchange rate changes between the years, actual organic volume growth was 46.9%.
- Operating profit increased to SEK 130.6 M (38.2).
- The operating margin increased to 14.1% (5.7).
- Profit after financial items increased to SEK 126.5 M (32.6).
- Earnings per share amounted to SEK 3.75 (0.90).

First half of 2021

- Consolidated sales increased by 12.2% to SEK 1,826.9 M (1,627.6).
- Adjusted for exchange rate changes between the years, actual organic volume growth was 21.0%.
- Operating profit increased to SEK 273.4 M (154.1).
- The operating margin increased to 15.0% (9.5).
- Profit after financial items increased to SEK 262.5 M (146.1).
- Earnings per share amounted to SEK 7.88 (4.08).

Comment from VBG Group's President & CEO, Anders Birgersson

The second quarter of 2021 was characterized by strong demand, good utilization of capacity at our facilities, and effective cost control. Net sales increased to 926 SEK M and the operating margin totaled 14%. Our profitability is thus well in excess of our target. I can also state with pride that we delivered our strongest half-year result in history, with profit after tax of SEK 197 M. Our growth is in line with our targets, but is being impeded somewhat by a currency headwind, in which above all a weakened USD is having an impact.

I consider the second-quarter earnings as proof that our business portfolio is balanced, and that it yields an even and stable business performance with continually improving profitability.

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Demand for both transportation and infrastructure remains high. In general, the COVID-19 pandemic has had a positive impact on demand in 2021 through stimulus packages and increased e-commerce.

In parallel with healthy demand for our products and services, the second quarter was characterized by severe strain on supply chains and rising raw materials prices. All divisions have had to get creative in order to meet delivery times and to compensate for rising materials and transportation costs. We have been able to partially offset price increases owing to the strong market positions of our products in their respective niches.

HEALTHY DEMAND FOR FREIGHT TRANSPORTATION

A strong shipping market with increased transportation volumes and rising prices has been favorable for haulers and logistics suppliers. In turn, this has led to both healthy demand for new products in Truck & Trailer Equipment and an increased aftermarket business. It is worth noting that sales of sliding roofs to the European market gained a great deal of momentum in the quarter.

A high level of demand in combination with continued cost controls and a high degree of capacity utilization in the second quarter generated record-high earnings for the division.

SALES OF OFF-ROAD SOLUTIONS HAD AN OFFSET EFFECT

Restrictions in conjunction with the pandemic continued to negatively impact the global bus market in 2021. A decline in public transportation has resulted in lower demand for both new production and servicing for Mobile Climate Control's bus product range.

The division's off-road solutions offset the weaker bus market, with healthy demand in all sub-segments. Moreover, the efficiency enhancement efforts under way in the division have enabled Mobile Climate Control's profitability to return to pre-pandemic levels.

The pace of electrification in the vehicle market remains high, and the division's development resources are now focused entirely on electric vehicles, which also entails new business opportunities.

SOLUTIONS FOR INDUSTRIAL AUTOMATION

In the second quarter, Ringfeder Power Transmission shifted its product mix, with a smaller share of sales of friction springs and a larger share of automation products than in the first quarter. The altered product mix, rising costs of raw materials and more expensive transportation have had a negative impact on profitability, but the division's outstanding efforts on increased productivity and effective cost control measures balanced them out.

Two new customer segments that the division is providing with solutions for automation are producers of semiconductors and vaccines. Both of these customer segments deliver solutions that are of immediate importance, where we feel that being part of the supply chain plays a crucial role.

FOCUS ON SUSTAINABILITY

During the first half of the year, we focused a great deal internally on sustainability initiatives. We put time and effort into developing the skills of management groups and key employees. An organization that will work with sustainability is now in place, with clear roles and mandates. In the autumn, we will conduct materiality analyses with our key stakeholders, and I look forward to shaping the sustainable solutions of the future together.

Last year, the COVID-19 pandemic put the prevailing business cycle on pause. Now that most countries have started their vaccination programs and society has begun to open up in 2021, the business cycle has once again picked up speed. Demand for our products and solutions is strong, and it appears that it will remain so going forward.

Our business environment is constantly changing, but with our business portfolio we are creating space to maneuver in order to produce new solutions and to continue our growth both over the long term and sustainably.

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VBG Group AB (publ), domiciled in Vänersborg, is the Parent company of an international engineering Group with wholly owned companies in Europe, North America, Brazil, South Africa Australia, India and China. The Group's operations are divided into three divisions – Truck & Trailer Equipment, Mobile Climate Control and Ringfeder Power Transmission – with products that are marketed under strong, well-known brands. VBG Group AB's Series B share was introduced on the stock exchange in 1987 and is listed today on the Nasdaq Stockholm Mid Cap list.