

2020

Stable business
in an unstable world



— **VÄDERSTAD** —

Stable business in an unstable world

This is a summary
of the 2020 financial year for
Väderstad Group.



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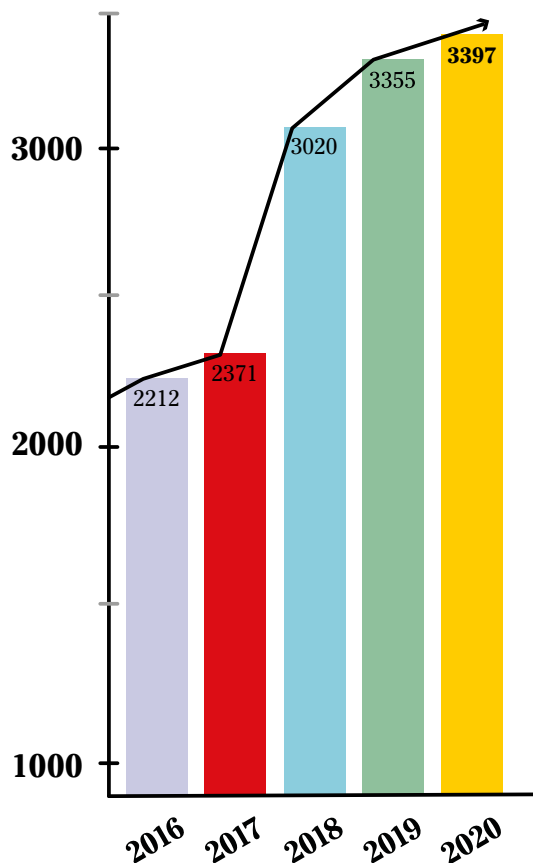
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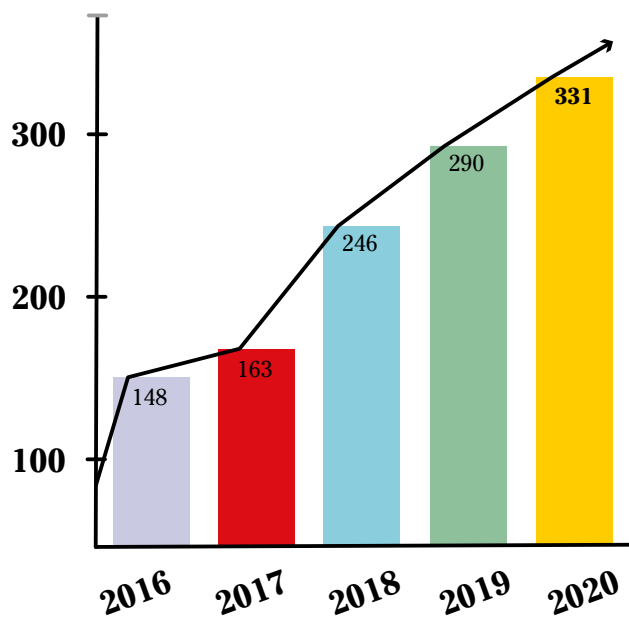
Turnover, MSEK



Väderstad is represented in 40 countries and on all continents

Results in SEK million

(EBITDA=earnings before interest, tax, depreciation, and amortisation)



48%

Equity Ratio

23%

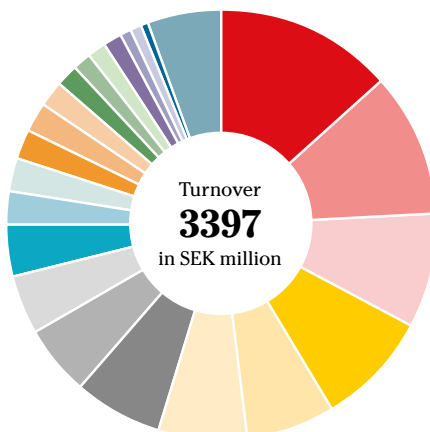
Earnings improvement

Vision

To become the world's leading partner for outstanding crop emergence.

Our markets in 2020

- Canada
- Sweden
- Russia
- Germany
- United Kingdom
- Ukraine
- France
- Hungary
- Poland
- Romania
- Lithuania
- Bulgaria
- Czech Republic
- Norway
- Finland
- Estonia
- Denmark
- Australia
- Latvia
- Austria
- Republic of Serbia
- Others



5:th
Top place for
Väderstad in
Universum's ranking
of Sweden's most
recommended
employers

50%

of Väderstad's board members
are women

50

new employees
in 2020

31%

of Väderstad's Management
team are women

16

Wholly-owned
sales companies

Business idea

To provide modern
agriculture with highly
efficient machines and
methods.

15%

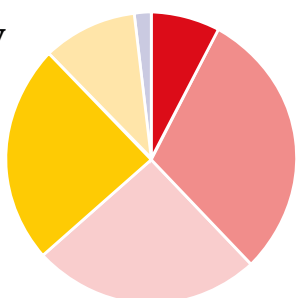
of Väderstad's employees
are women

ca. 5500

machines manufactured annually

Demography

- -24 years
- 25-34 years
- 35-44 years
- 45-54 years
- 55-64 years
- 65- years

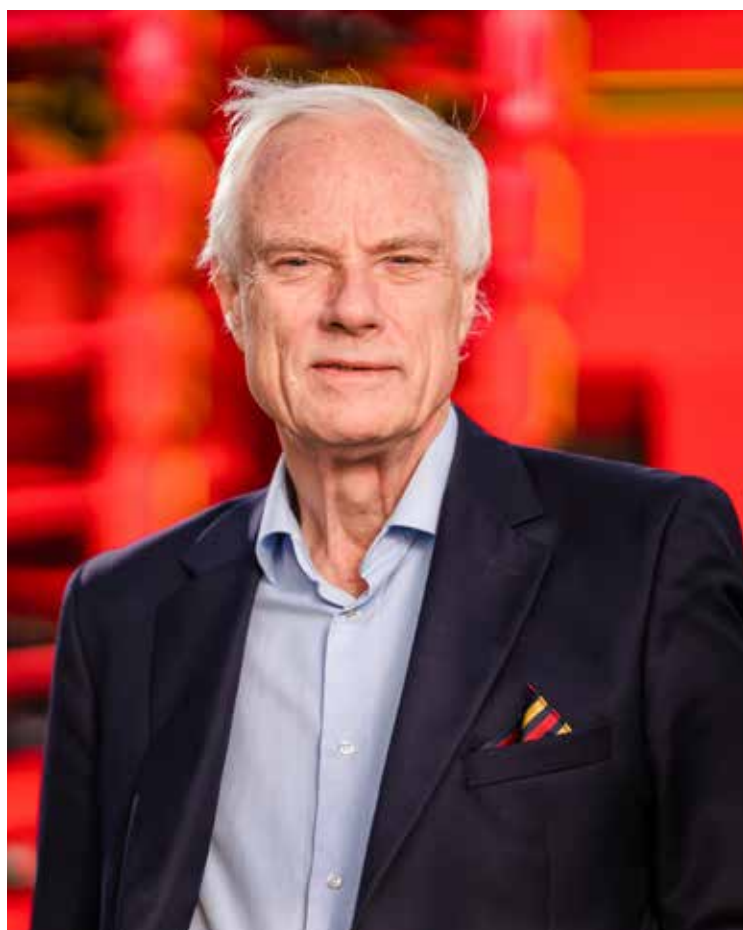


Continued success in a time of change

I can thankfully say that we at Väderstad, and the entire agricultural sector, have been spared from the worst effects of the Corona pandemic. We have had a stable demand for our machines and our customers have continued to produce food as before. The most noticeable effect of the pandemic is that we have not been able to be as close to our customers as we are used to. Through our almost 60-year history, our close relationship with farmers has been an important success factor. Therefore, we have done everything in our power during this period to maintain that relationship. Sure, digital aids and video conferencing have worked, but nothing compares to an actual physical meeting.

A positive effect of the pandemic has been that the attitude towards agriculture and food producers has changed to some extent. It has dawned on consumers how important it is to have a domestic food production and thus the farmers' jobs have come more into focus and are valued higher - with good reason. There are few professions that are as important as the agricultural profession, with the most obvious reason being that farmers provide us with nutritious food. But even from an environmental perspective, agriculture is an important asset with major positive climate effects that are not taken into account. Instead, the debate has focused on how much carbon dioxide and methane is emitted by animals. Without the animals and the manure they produce, we are unable to pursue sustainable agriculture.

Like most people, we in our industry can also become better at sustainability and contribute even more positively to the climate. This is also where we at Väderstad can make a big difference by developing new machines and methods that enable sustainable agriculture. Here we have been at the forefront of a considerable reduction in soil tillage. The advantages of reduced soil tillage are several. On one hand, diesel consumption is reduced, which is positive for both the environment and the economy, and on the other hand, the risk of soil erosion is reduced at the same time as we increase the storage of carbon in the soil. Because the greater the biological mass we can have in the soil, the more carbon we can bind. We have decided to be an engine in the transition to long-term sustainable food production. This means that Väderstad will be a driving force in the reorientation of agriculture towards an increased ability to bind carbon in the soil. Therefore, a lot of our innovation efforts are focused on carbon storage. But that does not mean we are directing all our focus on that, technological progress will continue to be made in several areas. One thing is certain - what we did yesterday is not good enough for tomorrow.



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Through our almost 60-year history, our close relationship with farmers has been an important success factor.

For that reason, we have also appointed the prominent agricultural specialist Poul Hovesen to Director of the Board during the past year. Poul is a driving force within agriculture in England and we have been working together for 25 years. Forming partnerships with really driven farmers has always been one of our most important success factors and Poul is a really great asset for our continued development. Another important asset for us as a family business is that so many of the family members are involved in the company. It is especially pleasing that Henry Gilstring who belongs to the third generation of the family will take over the position of President and CEO in February 2022. The fact that we have made that decision so far in advance creates good conditions for a smooth transition and a rejuvenation of the CEO role, while at the same time ensuring continued long-term ownership commitment. Väderstad has a fantastic history of innovations and good customer relations to both take advantage of and develop to meet the challenges of the coming years.

Crister Stark
Chairman of the Board





“

Väderstad manages
to break turnover records again
- despite demanding change.

Väderstad stands firm in an uncertain world

The past financial year has been tumultuous for all of us to say the least. Although we at Väderstad, and the agricultural sector in general, have been spared from many of the consequences of the Corona pandemic. After all, the food needs to be produced even in a pandemic. As our business is part of the food chain, it is classified as being a vital societal function. This has meant that we have had somewhat lower restriction levels in some countries and thus been able to provide our customers with the necessary support, even though this has been somewhat limited and partly digital.

Since our financial year started in October 2019, almost half the year had passed by the time the pandemic struck and then, in March, we looked to be moving by a comfortable margin towards another record year. In the end, we exceeded the previous year's record turnover by just over two percent with a profit increase of just over eight percent, which we are very satisfied with given the current circumstances. In terms of sales, it has been a good year in Europe, where Germany and France account for the greatest successes. We continue to gain market shares in both Europe and Canada, even though sales stalled in connection with the pandemic. Especially pleasing is that the tide has turned in Canada after some tough years with a trade embargo from China and poor harvests.

The consequences that the pandemic had for us were initially mainly about material supply, where deliveries from Italy and India, among others, stopped. We realised

this early on and therefore chose to stop production at the Väderstad plant. While production stood still for six summer weeks, we focused on improvement work and capacity investments. By gearing up the factory, we managed to double the production capacity of our bestseller, the planter Tempo L. We have had challenges in recent years in our supply chain and have therefore also focused on streamlining our processes. Now we used this time to streamline, and when the material supply was up and running again in August, we were able to produce more machines at a faster pace. Everything to meet our customers' needs.

We have also taken the opportunity to carry out improvement work at the facilities in Langbank, Canada and Väderstad Components in Överum, Sweden, even though they have not suffered from a shortage of materials. In general, it can be said that we have used this time, when we have not been able to travel and meet customers to the same extent, to focus on internal improvements.

The biggest challenge for us as a global company, with customers and colleagues on different continents, has been to build and maintain relationships when we have not been able to travel. This has, of course, brought with it the positive side that we have become better at using digital technology. At the same time, it has clarified the strength of the physical meetings.

I am impressed with how the entire organisation at Väderstad stepped up, and

still is stepping up, to handle the situation. How we do everything in our power to support all our customers in different countries, even though the conditions in each country are so different. How we find creative solutions to help customers via digital aids when we have not been able to conduct physical visits and have converted planned training to digital. It is in situations like this that the strength of a strong corporate culture shows itself. It is a culture that I am happy and proud to be a part of and that has its roots in the owner family. Now that we have left the 2020 financial year behind, I am also entering my final year as CEO of Väderstad Group. At the beginning of 2022, I will hand over the CEO role to Henrik Gilstring – the third generation of the owner family. This ensures not only that the company has an extraordinarily competent leader, but also that the soul that exists in Väderstad and that is rooted in its history lives on. But before I hand over the baton to Henrik, I look forward to another year of new innovations and even more machines that make things better for the world's farmers.

Mats Båverud
President and CEO

The farmer's best friend



Maintaining production and supporting farmers all over the world in the midst of a pandemic is not the easiest thing to do. During the past year we have changed in different ways, in order to best support our customers in different areas. Meet some of our businesses and employees who work together to make Väderstad the farmer's best friend.

With a strong will and creativity, we have managed to overcome most challenges

Being close to and supportive of farmers all over the world in the midst of a pandemic, where restrictions vary, is a challenge that Väderstad's Sales & Marketing team has been trying to find solutions for over the past year. Mattias Hovnert, who is responsible for the team at a global level, is impressed by the strong will and creativity that has been mobilised, both in their own organisation and among dealers.

"For Väderstad, the customer's needs are always the most important and we have daily contact with farmers all over the world. Therefore, it has been natural for us to do everything in our power to help and support customers during the pandemic. I am impressed by the strength that exists in our organisation. It is this strength that has made us so successful despite the tough situation", says Mattias Hovnert.

A crucial reason for why Väderstad, despite tough travel restrictions, still managed to maintain a high level of service is that the business is classified as a vital societal function.



"More or less all countries prioritise food and consider agriculture to be a vital societal function. This also gives priority to our operations, which has meant that we have been able to move quite freely in all countries, even with differing restrictions", says Mattias.

Digital training and a job interview across national borders

There are many examples of creative solutions that have enabled the business to operate despite the current situation. Several countries have, and still have closed borders, something that for instance has affected operations in Latvia and Lithuania amongst others, as Romas Naudžiunas, who is CEO of the companies, lives in Lithuania but is responsible for both countries.

"They were in the middle of a recruitment process, but since Romas was not allowed to enter Latvia, they solved it by meeting at the country border and holding the job interview there," explains Mattias.

Another example of creativity was when Personal Protective Equipment for healthcare began to run out in many countries. Väderstad then chose to use its two 3D printers, which normally print parts for the company's prototypes and product development, to produce frames for protective visors.

Although the day-to-day support for farmers has worked well in the vast majority of cases, sales promotion activities have suffered. Like so many other companies, Väderstad has also switched many of its physical meetings to digital.

"Internally and in the dialogue with our subsidiaries and dealers, the digital meetings have worked better than I thought. Normally we have a physical kick-off meeting with our subsidiaries and importers, on site in Väderstad,

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We help our customers all the way, from the initial contact to delivery and start-up of the machine.

when we launch a new model for that year. This time it had to be a kick-off film instead, which was much appreciated because the film can also be used in customer contacts", says Mattias.

Good start to the year – Machine of the Year

Väderstad's start to the year has been very good with a successful pre-season campaign, which provided a good starting point when the pandemic struck.

"In the autumn of 2019, we had great success at Agritechnica, the world's largest indoor trade fair for agriculture, where we were awarded 'Machine of the year' with the innovation Tempo WideLining. In addition, we were lucky to have a large order backlog, which has been an important foundation for us succeeding so well during the year.", says Mattias.

The result for the year also turned out well and incoming orders continue to look very good. But what consequences the pandemic, and the changes that society is undergoing, will have in the long run is something that many people are asking themselves, including Mattias Hovnert.

"On the whole, I think we at Väderstad have managed to handle the situation well and the feedback we have received from our customers is mainly positive. But the close collaboration we have always had with our customers, which is an important success factor for us, is difficult to maintain in the long term if we cannot return to the physical trade fairs and customer meetings. Digital solutions may be very good but nothing beats a physical meeting", he concludes.



A challenging year that exceeded our expectations

Väderstad's German sales company, headquartered just outside Potsdam, has put a challenging but successful financial year behind it. Karl-Hubertus Reher, who since August 2020 is Managing Director of the operations in Germany, is pleased with the development in recent years.

“We have a strong team with a good mix and with varying backgrounds. There is a solid industry experience, with broad and deep expertise that is combined with a strong commitment. Although the pandemic has undeniably made everyday life a bit more difficult, especially so in the spring and early summer of 2020, the team has together helped and supported our dealers and customers to the best of their ability. We have changed and found new ways to meet - for example, by using different digital solutions”, says Karl-Hubertus.

Germany is one of the world's largest exporters of agricultural products and about half of its arable land is used for cereal farming. In the western parts, farms are often smaller and family-run, while eastern parts are dominated by large-scale agricultural enterprises. Already in the 1970s Väderstad began exporting to Germany and in 1999 the company's German subsidiary was established.



More than 500 machines sold

As in many countries, climate change has also affected Germany, resulting in drought and poor harvests in some parts of the country. But over the past year, weather conditions have been better with most farmers getting enough rain, at the right time. In addition, the price of commodity goods has been at an acceptable level throughout the season. All in all, this has contributed to German agriculture looking positively to the future and having a continued willingness to invest, despite the pandemic.

“Fortunately, we have had a high demand, while production in Sweden has been steady and secure, both in terms of new machines and spare parts. We have also continued to develop our dealer network - so that wherever you are in the country, there is now a Väderstad dealer near you. Combined, this has contributed to this year's high sales level. In total we reached 504 machines sold, which is better than expected. Pre-season orders for the new year also look stable”, says Karl-Hubertus.

Among others, it is the precision planter Tempo that has contributed to the sales success and when we ask Karl-Hubertus to describe why it has won the hearts of German farmers and contractors, the answer comes quickly.

“Without a doubt, it's performance, both in terms of speed and precision - Tempo is simply a versatile machine. It has helped us to expand in new regions - because the concept particularly appeals to large-scale agricultural farms and professional contractors. At the same time, we also see increased interest in products and new features such as CrossCutter Disc (for cultivation) and SeedEye (for precise seed counting and monitoring).”

Constant innovation

The biggest challenge in 2020 for Karl-Hubertus and his team has been the limited opportunities to meet both existing and new potential customers. But with the help of technological possibilities and new ideas, it has worked quite well.

“We have managed to find other ways to communicate and we have put a great focus on the social media channels. Our local marketing team has received good support from the head office in Sweden, which has developed several exciting digital products. In parallel, we have strengthened our local marketing activities with our dealers and conducted individual field demonstrations for interested customers, says Karl-Hubertus.

Väderstad's machines and methods have always been groundbreaking, and advanced technology will always attract the professional farming community in Germany.

In our industry in general, and at Väderstad in particular, there is a passion for what we do. A passion that motivates and drives us towards the goal – to always be the farmer's best friend. Happy customers and satisfied dealers are what everyone at Väderstad strives for.”

In 2006, Väderstad acquired 49 percent of Seed Hawk in Canada and the two family businesses became partners. Seven years later, Väderstad bought the whole company and in 2017 the company name was changed to Vaderstad Industries Inc. The Seed Hawk name remains as one of the company's successful precision air seeders.



Collaboration and flexibility - keys to success

After a couple of challenging years, the team in the North American market can enjoy a successful year of operation for Vaderstad Industries Inc. and a really well-stocked order book. Jason Strobbe, VP Sales and Marketing, is convinced that close cooperation and active communication are important ingredients in the recipe for success.

“Since 2018, we have been working to develop our way of working and communicating - from the management team to different departments within sales, customer support, marketing and production. By helping everyone and supporting each other’s responsibilities, we have increased the flexibility and benefits for our customers and dealers”, says Jason.

One team - one common goal

Of Vaderstad Industries’ approximately 180 employees, the field sales and support team consists of about 20 people across Western Canada, Ontario and Quebec, while the rest work at the production facility in Langbank and the technical/ training office in Regina. The field sales and support team is now formed in three regional clusters with combined expertise in sales, customer support and service. In addition, both marketing and product specialists are available to assist with support. Together, the different parts of the teams form an effective organization, with a common goal - to always be the farmer’s best friend.

“Despite some tough years, we have invested for the future by developing both our employees and our structures, routines and working methods. Everything may not work perfectly yet, but we are constantly striving for continuous improvements – both in terms of our products and in ways of working”, says Jason.

The Väderstad Group has always had a strong product development focus with the ambition to create ground-breaking innovations for the world’s farmers – and Vaderstad Industries is of course no exception.



André, Todd, Philip and Patrick.

“While waiting for the market to pick up again, we have invested in a number of product development programs and new effective tools that will soon be launched. One example is our Configure-Price-Quote (CPQ) system, which enables our customers and dealers to configure their machines online,” says Jason.

This year’s challenges have required innovation and creativity

The past year has obviously been marked by the pandemic and posed a lot of challenges in the daily work for Jason and his colleagues. It has required both innovation and creativity to be able to reach customers safely and efficiently.

“Thanks to digital solutions combined with our competent and committed employees, we have been able to continue to help customers for the planting season. By, for example, connecting an iPad via link to the driver’s cab, we can train and instruct our customers while ensuring distance. We have also used various quick start films for our product start-ups and demonstrations, something that worked very well and that we will certainly continue to use”, says Jason.

Finally, Jason highlights Väderstad Group’s values, The Väderstad Way, as an important source of inspiration and compass in their daily work.

“We have the customer in focus, with a clear order of priority for how we should work. First of all, the safety of our customers and employees, then quality, delivery, efficiency and results, always follows. If we keep a high and stable level on the first four, then we will harvest good results. The last year has proven this to be right”, Jason concludes.



We have all learned a lot during this journey, both technically and from a management perspective.

Turned an uncertain situation into doubled production capacity

During the first months of the pandemic, it was unclear how Väderstad's supply of materials would be affected. This spurred creative thoughts - on how to turn a feared shutdown into new opportunities.

By changing the production facility in Väderstad, the goal was to increase capacity in order to meet an expected increase in demand for the precision planter Tempo. This year's planned bonus payout was converted into holiday, which extended the holiday period by two weeks. This gave the business the opportunity, during an extended summer break, to have full focus on changing the production. Mikael Peiponen, who is responsible for Order to Delivery (OtD) in Väderstad says:

"When I came on board in June, the planning and work was already in full swing. A very brave decision to take at an uncertain time because it was also associated with a hefty investment. It testifies to the strength of Väderstad being a stable family business that believes in the future", says Mikael.

During a few intensive weeks, the assembly line was extended, while the number of pre-assembly stations was also increased and the existing assembly stations improved. In total, the number of stations were increased to nine, which reduced the work-

load at each assembly station. This in turn meant that the station time was reduced and that more machines could be produced – a capacity increase of up to 50 percent.

"The conversion was largely completed in October and since then we have been working on continuous improvements. In addition to the increase in capacity, the changes have had other positive effects in the form of increased safety, for example by reducing traffic with forklift trucks. We have also improved the material supply with the help of roller conveyors and brought some pre-assembly together in one location", says Mikael.

To test and dare to succeed

The work on the production changes has been both a challenging and rewarding process for the entire organisation. The importance of consensus, a well-thought-out way of working and a strong commitment are some of the things that Mikael especially wants to highlight.

"We have all learned a lot during this journey, both technically and from a management perspective. This applies to everything from quality assurance and material flows, to the need to have a clear and common definition of the word 'ready'.

In addition, I am impressed by the loyalty and commitment that exists within Väderstad, where everyone has worked hard to get everything in place", says Mikael.



What about the expected increase in demand for the Tempo planter?

"In hindsight, we can conclude that the decision was absolutely right. Demand for and sales of Tempo machines have been outstanding. It is absolutely fantastic that our customers show such a strong willingness to invest and such confidence that Väderstad has the ability to contribute to their future harvests and revenues.", says Mikael.



World-class wear part manufacturing with a high-tech materials lab

At Väderstad Components (VCAB) in Överum, about fifty employees and almost as many robots work to manufacture wear parts for Väderstad's agricultural machinery. During the past year, the work has been intense to get the new development laboratory, Materials Technology Lab, up and running. Here, unique tests are performed in search of the absolute best mechanical properties of the materials for Väderstad's wear parts.

Production capacity and flexibility have been increased, by investing around SEK 65 million in rebuilding as well as a completely new production line.



“Despite the pandemic, we have had full speed ahead, both with rebuilding and regular production. We have strengthened our skills, among other things by recruiting a metallurgist, at the same time as intensive work has been underway to get all the equipment in place in the lab. Thanks to an enormous commitment from the entire workforce, we can now offer competence and capacity in everything from metallurgy to production and the manufacturing process”, says Dan Somlin, Managing Director of Väderstad Components.

Väderstad products are used all over the world and soil conditions differ from country to country. It is therefore important to produce wear parts that work as well as possible in different types of environments - and there are a number of parameters to take into account when you want to produce the absolute best material.

“Our ambition is to work extensively with material choices in our lab, so that any shortcomings can be identified and analysed well before the field testing stage. We also want to increase our contribution and focus more on the design and development, not only of wear parts but also of new products”, says Dan.

Original parts - made for professionals

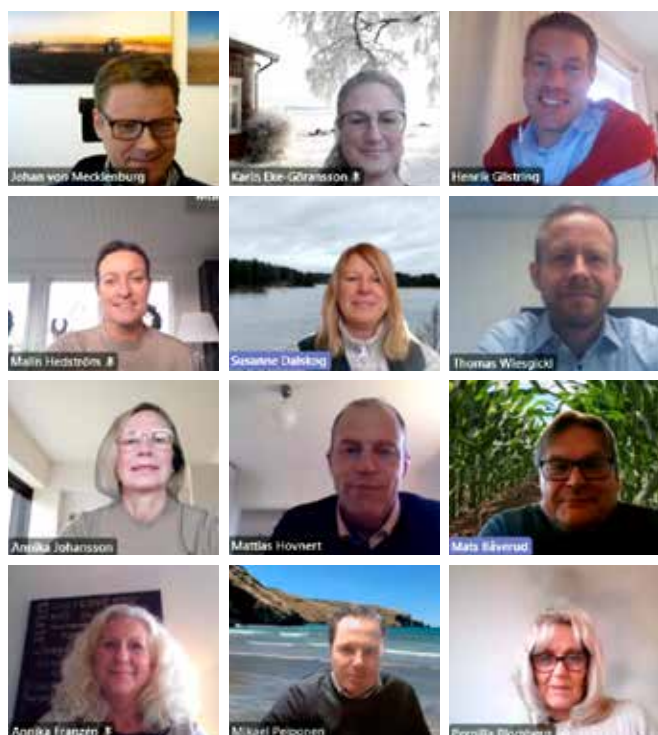
Currently, Väderstad Components delivers original parts for both new production and spare parts. Despite the pandemic, Dan is pleased to note that the willingness of farmers to invest remains high and that demand for spare parts is increasing.

“The future feels really bright and the goal is, as always, to be ‘the farmer's best friend’, by meeting our customers' needs and wishes in the best way. We have several new products in progress and work closely with our colleagues at Väderstad's design department. During the year, we have also developed a new marketing concept, which contains a lot of innovations regarding wear and spare parts - all in order to further strengthen our brand”, says Dan.

Professional farmers know that the most important part on a machine is the one that goes into the ground, and does the tough job. In order to deliver wear parts of the highest quality, the right skills are needed and finally, the company's Employer branding work begins to produce results.

“We have worked hard to strengthen our profile in the region, which has yielded results - nowadays, spontaneous applications are becoming increasingly common. During the year we have had a strong increase in competence, both through new recruitment and further training. Väderstad Components is a workplace with a great forward-thinking spirit and we are pleased to have strong owners who invest in the future. In addition, there are very few employers who can boast that all office rooms have a lake view”, Dan concludes.





Communication and approachability, the most important tools

In March, when the pandemic became a reality, the Väderstad corona team was formed on the management's initiative. The team, consisting of twelve people, has a clear focus – to keep employees safe and support customers in the best possible way.

The team includes representatives from all of the company's main processes, which includes large parts of the company management. Annika Johansson, Vice President Quality Health Safety Environment, leads the tight-knit team.

"The initial months were very intense and at the beginning of the pandemic we had meetings every day. After the holidays, we then switched to holding meetings weekly and when necessary. It is very gratifying to be able to state that the business, in terms of both the order and delivery situation, has functioned well. And above all, we are particularly pleased that the few employees who have fallen ill, have recovered or are on the mend", says Annika Johansson.



Since Väderstad is represented in about 40 countries, both the spread of infection and restrictions have varied - which has meant that the team has had a real challenge in monitoring the global situation.

"We have closely followed the development of the pandemic and the restrictions in place in different countries, both in order to be able to comply with the advice and guidelines that apply to each country, but also to be able to act proactively and meet the needs of our customers in the best way", says Annika Johansson.

During the first quarter of the pandemic, there were also concerns that the supply of materials would be affected. Väderstad's purchasing team therefore worked continuously to evaluate the possible future delivery risks and maintained a close dialogue with its suppliers.

"We see that communication with our employees, customers and suppliers has been crucial in our work. At the beginning of the pandemic, for example, we in the purchasing department instructed all suppliers to report on a weekly basis what risks they saw linked to future deliveries. This gave us the opportunity to be able to plan and change", says Thomas Wiesgickl, Purchasing Director.

Meetings, e-mails, intranet and signs

The team made sure to quickly create a special Corona page on the intranet that was, and still is, continuously updated with relevant information, everything from questions & answers to advice and tips for working from home.

Annika Franzén, Vice President HR explains: "One challenge has been to constantly make changes and get information out to all employees. In addition to the intranet, we have had ongoing communication with managers and employees via leadership meetings and email".

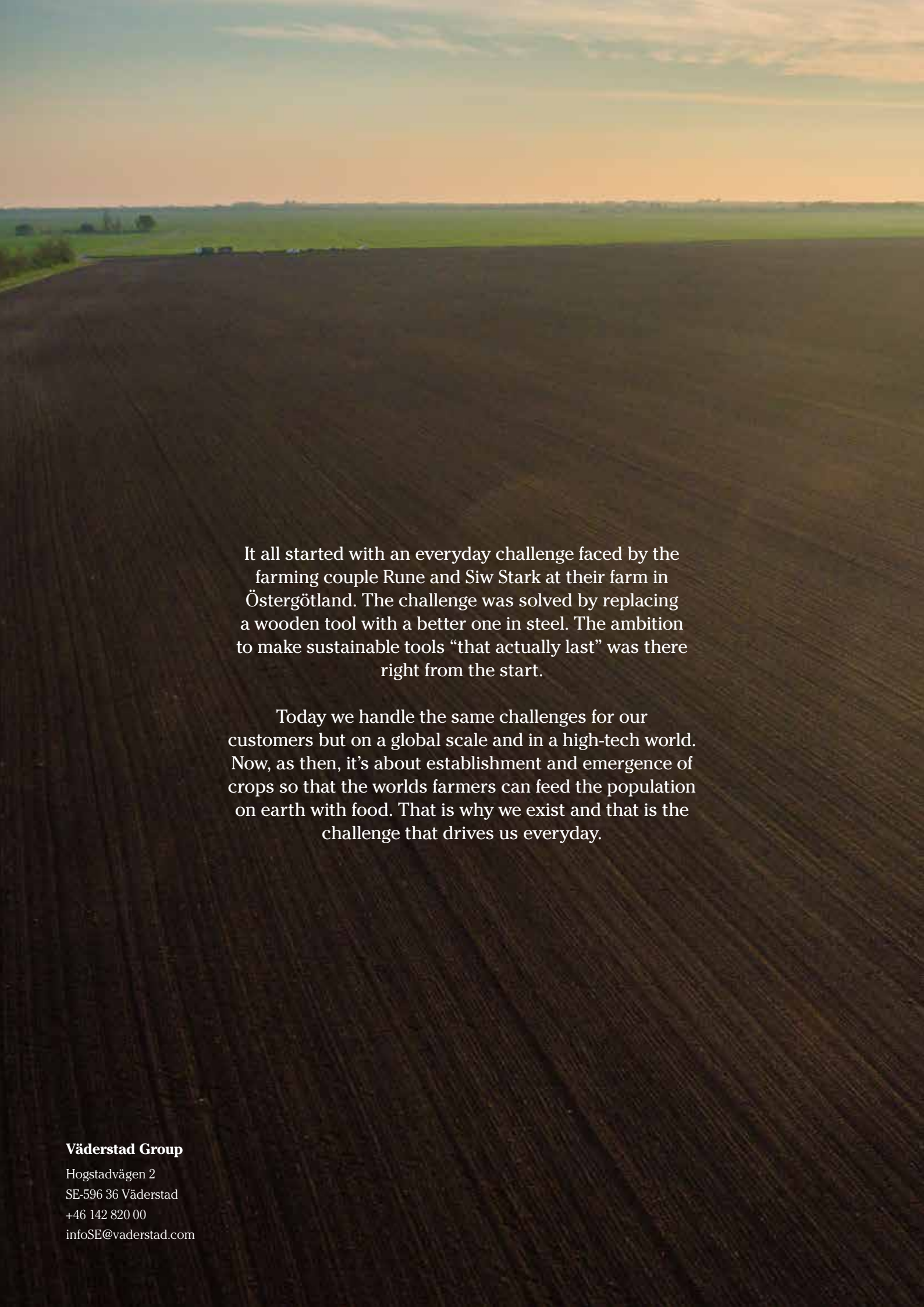
When it comes to the more practical management required to follow official guidelines, the company has put information signs and boundaries in place within the premises. Safety and a good working environment have always been a priority.

"We have encouraged all employees to spread out in the workplace, use digital tools and work from home, as far as possible. Before the pandemic, we had just stepped into a more digital work environment, which has facilitated working from home, meetings and trainings via Teams", says Annika Franzén.

No short-time furlough

During the past spring, Väderstad chose to use the previous year's strong results to finance the changes required to manage the situation. A decision that involved opting out of state aid for the short-time furlough of employees.

"There are companies that have been hit so much worse than Väderstad. We had a very good year behind us when the pandemic struck, so we chose to convert the profit sharing to extra leave during the summer when we changed the production. It turned out to be a successful strategy, because after the holidays we were able to start up according to plan", says Annika Franzén.



It all started with an everyday challenge faced by the farming couple Rune and Siw Stark at their farm in Östergötland. The challenge was solved by replacing a wooden tool with a better one in steel. The ambition to make sustainable tools “that actually last” was there right from the start.

Today we handle the same challenges for our customers but on a global scale and in a high-tech world. Now, as then, it's about establishment and emergence of crops so that the worlds farmers can feed the population on earth with food. That is why we exist and that is the challenge that drives us everyday.

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