

2019

A year of continued
global growth



VÄDERSTAD

A year of continued global growth

This is a summary of the 2019
financial year for Väderstad Group.



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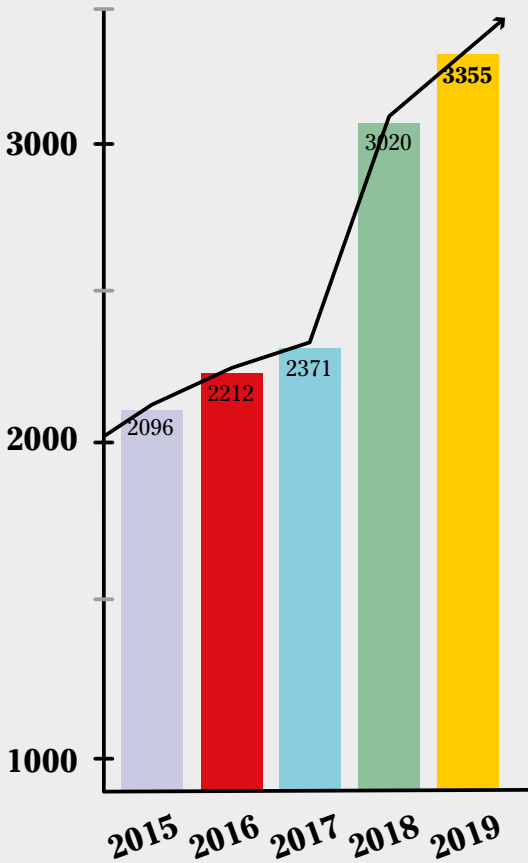
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The year in brief

Turnover, MSEK



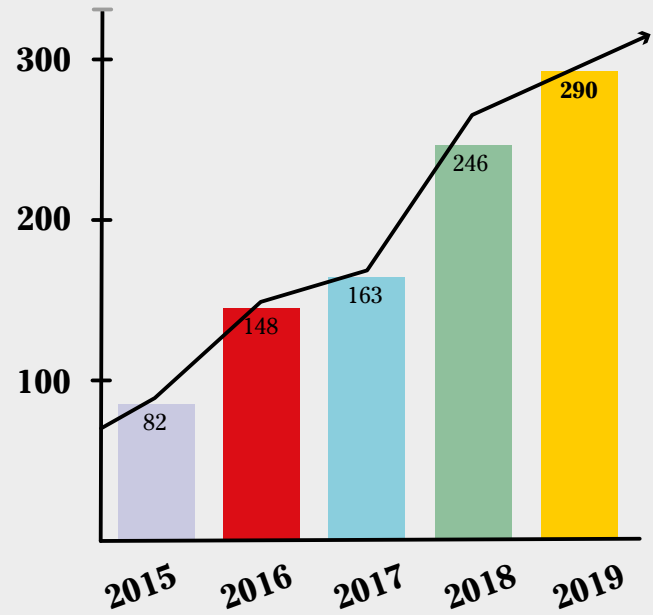
Väderstad is represented in 40 countries and on all continents.



A new, wholly owned sales company was established in Australia

Earnings in MSEK

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



44%

Equity ratio

11%

Increase in turnover

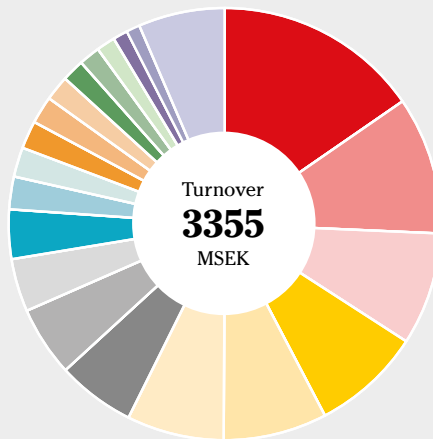
Vision

To be the world's leading partner for outstanding emergence



Our markets in 2019

- Canada
- Sweden
- Germany
- Russia
- Great Britain
- Ukraine
- France
- Hungary
- Poland
- Romania
- Bulgaria
- Czech Republic
- Norway
- Australia
- Finland
- Lithuania
- Estonia
- Slovakia
- Latvia
- Denmark
- Other



Väderstad Industries Inc. in Canada has installed its first welding robot for additional capacity



+100
new employees
in 2019

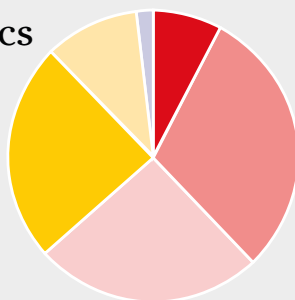
16
wholly owned
sales companies

Business idea

To provide modern agriculture with highly efficient machines and methods.

Demographics

- -24 years
- 25-35 years
- 35-44 years
- 45-54 years
- 55-64 years
- 64+ years



107 312
machines have been manufactured
between 1979 and 2019

15%

Proportion of women in the company in 2019

5 000 m²

In Väderstad a new 5,000 m² production hall has been completed to house fully automated sheet metal laser cutting equipment.

Excellent machines, rapid innovation and good relationships are the way forward

2019 was a positive year for Väderstad Group in a number of respects. We increased our market shares in both Europe and Canada, which bodes well for our future growth. The pace of investment has remained high at our production facilities. For example, we have installed the first robot at Vaderstad Industries Inc. in Canada, built another production line with advanced robotics at Väderstad Components in Överum, and continued our automation investment programme in Väderstad.

Innovation has always been an important component of Väderstad's strategy. Curiosity and a belief that things can always be done better have made us keen to develop new technologies. Automation in the manufacturing process increases both our efficiency and product quality, which helps to make us competitive. With an excellent year behind us, we can ensure that we meet future investment needs in terms of new technologies and new innovations. All so that we can constantly develop our range and further strengthen our position in the market.

Next year a slowdown in the global economy is expected, which may also affect our industry. So far, however, no effect has been observed in our order book for 2020. At the same time, we can also expect competition to further intensify. When that happens, it will become even more important to continue strengthening our pace of innovation, both technically and methodically. In order to succeed, we will need to maintain the good, close contact we have with farmers around the world. We are here for them, and our technology is designed to solve their challenges.

We will continue to renew and improve agriculture. And we see great growth opportunities in many parts of the world. Both in the 40 or so markets which we currently operate in, and in brand new markets. The conditions facing farmers vary significantly between countries. In order to gain the confidence of farmers, it is important that we have employees with strong local roots and that we build close, long-term relationships with customers and dealers.



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With continued good profitability,
we can ensure our high rate of
investment in innovation and
new technologies, which in turn
strengthens our position in the
market.”

Continued high quality and rapid innovation, technological development and close cooperation with customers and dealers are the basis for our continued growth in the coming years. In addition, we intend to increase the focus on our sustainability work. Väderstad has its roots in agriculture and the earth. Also, protecting our environment has always been a given for us. Our machines and methods have helped to significantly reduce farmers' fuel consumption over the years. But we are not content to stop there. That is why we started strategic sustainability work based on a new owners' directive, in which sustainability is a clear focus area. Many of our customers are already experiencing the effects of climate change and we want to be an engine in the transition towards a more sustainable food production.

Crister Stark
Chairman of the Board





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Our close contact with agriculture means that we always develop machines and methods that the market needs.

A year of continued global growth – together with the world's farmers

2019 was a new record year for Väderstad Group. We increased our turnover by 11 % to SEK 3.35 billion and improved our earnings by SEK 29 million. This is despite a general industry downturn both in Europe and North America. Our sales in Europe increased by 14 %, which means that we continue to gain market shares. The Tempo planter is largely responsible for our sales success in Europe.

It is rarely the case that all our markets have favourable conditions at the same time, and this year was no different. In North America, we did not achieve our objectives, as the total agricultural market has shrunk by almost 50 %. Our decline there was around 10 %, i.e. significantly better than the market as a whole. This means that we managed to gain market shares with our existing product range there as well. There are several reasons for the general decline in North America. On the one hand, there are political reasons, with China imposing an embargo on Canada during the year that hit Canadian farmers hard. On the other hand, there were also very unfavourable weather conditions in the autumn. However, the harvests in Russia and Ukraine were good, and we managed to increase our sales in those countries during the year.

Again, we see this as proof that customers value our premium products. This allows us to continue on our chosen premium path with machines that last a little longer, are easy to use and produce a better result. It is clear that our close cooperation with farmers around the world has been, and continues to be, a key to success. The close contact with agriculture means that we always strive to develop machines and methods which the market needs. Product

development is the heart of Väderstad's business and is managed by an extremely knowledgeable organisation. This is the result of our reinvestment of around 6-8 % of our turnover in development each year, as was also the case this year. An investment which pays off in the long term and allows us to maintain our prominent position in the industry. During the past year we were awarded the Agritechnica Innovation Award for our innovative Tempo WideLining.

It is the world's first industrial-made tramlining system which enables farmers to spread liquid manure on growing crops without reducing overall yields. Again, an innovation with its roots in our customers' needs.

Our challenge in recent years has been within the supply chain, i.e. having the ability to produce and deliver our machines to the expected standard and as they are required, which is often a challenge for development-driven organisations. During the past year we have had a strong focus on streamlining our processes to be at the forefront in this respect as well. We are not at the finish line yet, but we are well on the way.

Our growth during the year has meant that we have recruited more than 100 new employees, ranging from software engineers and system developers to designers and marketers. Committed, talented employees are, of course, crucial to our success and here too we have been very fortunate. From our annual employee satisfaction surveys, we gained proof that our employees enjoy working within the company. Väderstad is improving in several measurements and

has a great focus on employeeship. Being an attractive employer means so much more than just offering an interesting job with development potential and good remuneration. This is particularly the case for younger generations, where we can see that values are becoming an increasingly important driver. It is something that we welcome at Väderstad. We believe it benefits us because we have a higher purpose than simply producing agricultural machinery. Basically, our mission is to help the world's farmers produce more high-quality food for a growing population. Furthermore, this should be achieved with as small a carbon footprint as possible – which is an enormous responsibility that rests with farmers around the world.

Rapid population growth means that demand for food is constantly rising. This has led to the agricultural industry seeing the highest productivity growth of all industries in the past 80 years. And there is no indication that this trend will end. This fact makes our prospects good, although we obviously face major challenges, not least linked to the climate issue. Our sustainability work is about both continuing to develop machines that reduce the farmer's use of fuel, and also standing at the forefront of the development of machines which can be used to cultivate new, climate-smart crops. We will also intensify our efforts to minimise our own carbon footprint. As one of the world's leading companies in soil cultivation and drilling, we also have a great responsibility, which is why we plan to focus our attention on long-term sustainability in the coming years.

Simplifying work and improving yields for farmers is our main driving force at Väderstad. In 2019 we managed to get even closer to our vision – becoming the world's leading partner for outstanding emergence. I look forward to another year during which we will take the next step in our global growth journey together.

Mats Bäverud
President and CEO

A machine is created





For almost 60 years, Väderstad has introduced agricultural machinery which has improved yields and doubled capacity for the world's farmers. We have reached doubled capacity not just once –but five times. It is the result of the company's major focus on product development and its efforts to maintain a high pace of innovation in everyday activities.

So, what actually happens from start to finish line, from when a product development idea is born until it becomes reality? And what is the manufacturing process, from the delivery of steel to a finished machine? Here we will meet some of Väderstad's dedicated employees who develop and build the machines.

Product development close to customers

Johan von Mecklenburg has been working on product development at Väderstad for over fifteen years. In the spring of 2018, he took on the role as Senior Vice President for Product Development.

“Product development is not a one-man show. I usually say that developing highly efficient agricultural machinery requires perhaps ten per cent knowledge and ninety per cent cooperation. My most important task is to provide everyone with the best possible conditions to be able to cooperate and maintain a high rate of development. In total, there are around 200 of us in Väderstad and Langbank, Canada, working on new and further development of our products.”

Väderstad’s close cooperation with farmers around the world is an important success factor and it is often the ideas and wishes of customers that form the basis for the company’s development work.

“We are constantly thinking about issues such as “what is important to the customer?”, “when and how will the product be used?”, “what do our customers need now and what will they need in 5 years?”.

We then try to transform the answers to these questions into products that will meet the needs of customers. Our ambition is always to find the best solution, and preferably a unique solution. Because if we are really going to make everyday life better for the world’s farmers, we can’t simply copy something that others have already done,” says Johan.

Product development model

Väderstad has recently developed and refined its product development model which largely consists of three main steps: feasibility study, realisation and industrialisation.

“The approach we have developed contributes to better cooperation within the product development department while giving us all a clearer common picture of our goals. In addition, we have become even better at listening to and coordinating with other departments, such as business development, production and purchasing,” says Johan.

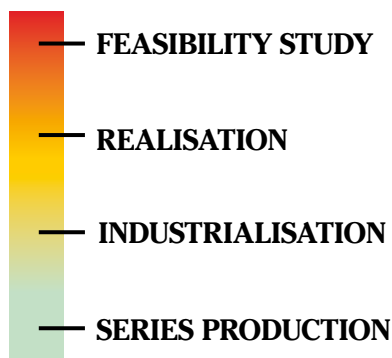


- 1. Feasibility study** – here proposals are drawn up for what the product and project should look like.
- 2. Realisation** – this is where the development phase begins, focusing on how the product should be designed and how it can be produced in the best way.
- 3. Industrialisation** – includes the preparation, implementation and handover elements. In this phase most of the work is done in terms of how the product should be produced and all the fixtures and production tools are developed. Fixtures hold different material components in place to get the right dimensions and be able to work with the material.

“Between each phase we carry out checks and audits to ensure everything is in place before we continue with the work.

All steps in the process are important – taking shortcuts or getting stressed doesn’t work. One of the biggest challenges we face is to be fast and effective; that’s tricky when you are trying to come up with unique solutions that are better than those on the market,” says Johan.

The amount of time it takes to develop a new machine varies according to the scope of the project. For a brand-new machine, the average is about three years from feasibility study until there is a finished product that can enter series production.



The project manager holds the development work together

Marcus Fogelin is one of Väderstad's experienced project managers who, in recent years, has run four major projects from start to finish. Over the years Marcus has gained broad expertise from his work as a mechanical engineer and product engineer for one of Väderstad's machine models.

"I really like to push things forward. In the project manager role, I get to be involved throughout the process and it is always exciting to see a theory work in practice. We can summarise my main responsibility as project manager with four words: Cost, Capacity, Quality and Time, and I want to add a fifth: Communication. Because I spend a great deal of my time giving everyone the right information at the right time, to ensure everyone is moving in the same direction. In addition, the responsibility for leading, distributing and driving the work rests with me."



Feasibility study – for successful results

The first and most important step is to conduct a proper feasibility study, which usually takes between one and six months, depending on the scope of the project.

"I prefer to be involved in the feasibility study phase, because it facilitates development work. During the feasibility study process, we maintain close communication with both the commercial and technical product managers, who are the people who set the requirements for the project," says Marcus.

Time for realisation

During the realisation phase, the project team is assembled, paying close attention to the skills needed for the project. These include mechanics, electricity, hydraulics and software, systems and field tests. Purchasing and production are also involved during the realisation.

"All groups within the company cooperate on the basis of their competence and responsibilities, and at this stage the focus is primarily on product development and testing. The goal is to achieve the right function and quality, determine how the product

should be designed and develop design prototypes that verify different functions," says Marcus.

How should manufacturing be done?

During the next step it's time for the detailed design work. That is when process prototypes, pre-series and 0-series are developed. Most of the design work is complete and it is time to look at how the machine will be produced. The product development department now takes a step back, while departments such as purchasing, production technology and production increase their involvement in the project.

Once the realisation phase has begun, it can take between one to four years to develop a model variant of a machine. This depends on, among other things, the complexity and scope of the project. But timing is also crucial, because work is strongly linked to the season and test seasons for the field tests.

"Throughout the development process, we spend a lot of time on testing and quality assurance. We also strive for the entire project to be permeated by Väderstad's core values reliable, innovative and accessible," Marcus explains.

A project that Marcus has been working on in recent years is the further development of the Spirit C seed drill, which involved, for example, changing the control and hydraulic system and the mechanism.

"It was really great, with high quality and strong drive. The machine has also received a very positive response from our customers. When I see a Väderstad machine in action, and it's a project that I've been involved in and contributed to, I feel particularly proud," he says.



Series production – from steel to a finished machine

Once the industrialisation process is complete, it is time for series production. In order to make manufacture as efficient and safe as possible, the departments product development and production work closely together, in particular from the realisation phase onwards. Jonas Almfeldt, who is a production technology manager at Väderstad, says:

“Whether it’s a brand-new product or a product change, those of us who work in production are involved early on in the process to ensure good conditions for production. Thanks to our own fixture design department and fixture workshop, we now use modular fixture systems that enable us to work faster and be more flexible,” he says.

Normally it takes between 10 and 14 days from when a manufacturing order is being placed to a machine being assembled and ready, with thirty or so employees having been involved in the work. Each machine

consists of a great number of components, with the exact combination of components varying according to the type of machine being built. On average, a Väderstad machine contains between 350 and 850 different components.

Timo Kjellberg, a component manager at Väderstad’s production facility, describes how the work is done.

“We have a frozen planning horizon of four weeks and create a master plan, known as a capacity plan, that runs for 18 months. The plan is based on the company’s sales forecast. Our customers want machinery predominantly during the spring and autumn, which is obviously a challenge, because we prefer a smooth annual manufacturing process in production. In parallel, we also look at how the factory needs to develop in the long term, regarding aspects such as, renovation or extension,” he says.



The collaboration between Jonas’ unit and Timo’s unit is growing ever closer, and together they focus on creating stable processes through continuous improvements. Working proactively on accessibility throughout the production process is very important in order to avoid bottlenecks.

“We help one another within the organisation. The atmosphere is family-like and characterised by the feeling that anything is possible. The desire and drive to improve and develop together is really strong, and it is both instructive and fun to be part of this development journey for systems and quality. We feel that the last year’s priorities in terms of safety and quality are starting to produce good results,” say Jonas and Timo.



Väderstad has its own welding school because there is a shortage of welding skills, and welding is an important part of the manufacturing process.

The production process



1

The process starts with steel sheets and tubes being turned into items

Based on the capacity plan, raw materials, in the form of steel sheets and tubes, are purchased and delivered to the warehouse. The steel sheets, which can be up to 20 mm thick, are lifted into place in the robot laser cutting system using an overhead crane. Sheet metal parts are cut out of the steel sheets, which are also drilled and bent sometimes. The steel tubes are processed using three laser cutting machines, which can handle tubes up to 300x300 mm. About 50 different tube dimensions are kept in stock and they are cut into thousands of different tube items. In total, between 40 and 50 tonnes of steel are handled in the factory every day.

Based on work orders, the items are sorted in a fully automated process into different boxes, each of which has a unique number.



2

Machine items are assembled and the machine frames undergo final welding

The items are now in their numbered transport 'canoes', and based on the relevant work order (an ordered machine), they are dispatched from the warehouse to the welding department.

In the welding department, the items are placed in various fixtures and fastened together, after which the frames undergo final welding. Around 40 % of welding in the factory is done using robots, as this streamlines the assembly of the machine frames. Following final welding, manual supplementary welding and quality checks are also carried out. The machine frames are then hung up on trolleys for transport to the next stage of the process.



3

Then, all the machine parts get their characteristic red and yellow colour

Agricultural machinery is subjected to significant stress during its lifetime, involving everything from manure, soil and stones to water and sunlight. This places tough demands on both the qualities of the paint and the painting process itself. And the colours in particular – red and yellow – are characteristic of Väderstad machines.

Approximately 55 % of painting is done using robots, with the paint programmers working in virtual reality, using VR glasses. Painting is also done manually; that may, for example, involve areas which the robot cannot reach. Furthermore, supplementary painting or painting of newly constructed items may be required manually.



4

It is time to assemble the machine

Väderstad currently has eight different assembly lines and usually all items are delivered to the assembly line on pallets. Each machine consists of machine frames and, for example, cylinders, electrical wiring, sleeves, springs, various purchased components and screws, among other things.

The assembly takes place in several stages and each step contains a number of different operations. The aim is to reduce the amount of work content at each assembly station, i.e. more assembly stations with fewer operations.

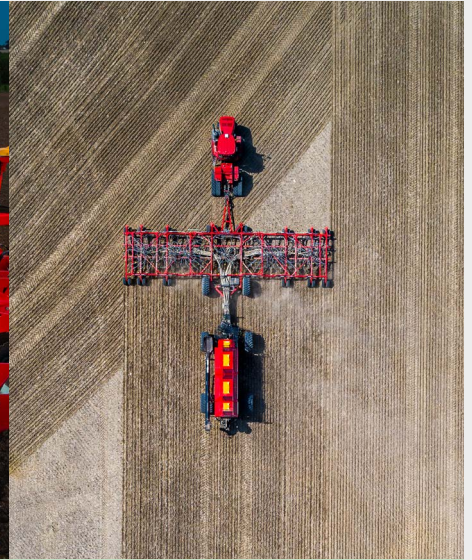


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The process concludes with final testing and delivery

Before Väderstad machines leave the factory, the assembly is quality assured with a final test.

The majority of all machines produced leave the factory in packed condition. They are then delivered either to one of Väderstad's subsidiaries or one of our importers, where the machines are finalised and tested before delivery to the customer. In some cases, the machine is delivered fully assembled from the factory, in which case it is usually called "tractor-ready". In total, some 140 machines leave the factories in Väderstad and Langbank every week.



Väderstad all the way – service and parts

Each machine supplied by Väderstad marks the beginning of a long-term relationship. For us, good quality is the same as good customer value, and this approach affects the entire product development process, as well as service and parts. Because, who can deliver better service and spare parts for your Väderstad machine than the company that manufactured it?

Our machine warranty is valid for two years from the date of delivery, and genuine discs come with a lifetime warranty from model year 2018. Genuine replacement parts and wear parts normally come with a 12-month warranty, and for some parts, such as Swift tines, the warranty is up to three years.

Glossary

Virtual reality:

Computer-simulated reality

Transport canoe:

Box packed with the items included in a work order

Fixture:

Tool for securing a workpiece

The farmer's best friend





When a farmer chooses a Väderstad machine, they should be able to achieve the results they expect, or preferably even surpass them. In order to succeed in this ambition, Väderstad works closely with farmers around the world.



“

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

Improving life for the world's farmers is, and has always been, our driving force.

Mattias has been working at Väderstad for 10 years in various roles. For the past six years he has been responsible, together with his Sales & Marketing team, for Väderstad's sales and marketing activities at a global level.

"Working in an industry which is considered the basis for our entire existence is enormously rewarding. Our customers constantly inspire and motivate us, and I love the sincerity and innovative spirit that exists within the company," he says.

There are, of course, many keys to Väderstad's growth and success. But the most important, according to Mattias, is the close cooperation with farmers.

"Improving life for the world's farmers is, and has always been, our driving force. It is their needs that govern the work we do. That's why we have daily contact with farmers all over the world and listen to what challenges they face and what new products they want to see. And how, based on their input, we can develop our existing products to make them even better," he explains.

Väderstad has local teams around the world, with subsidiaries and well-established importers, working closely with customers, understanding their challenges and needs. The close customer collaboration is achieved through traditional customer visits, but also in the form of different focus and competence groups.

"Meeting the challenges of farmers and helping them to achieve even greater success in their activities requires a constant presence. It helps, of course, that

our own roots are in agriculture. Although we currently have 1,500 employees and are represented in large parts of the world, the family company still runs its own farm, which helps ensure that the company keeps close contact with the everyday life of farmers," says Mattias.

Quality is yet another key for living up to and exceeding customer expectations. Of course, it is a question of building sturdy machines that last. Equally important is maintaining a high standard of customer service and support.

"We help our customers all the way, from the initial contact with a knowledgeable salesperson to delivery and start-up of a machine. Here, too, we strive to exceed our

customers' expectations. A lot of effort goes into every little detail and component, and that includes service and parts. We want to be the farmer's best friend," says Mattias.

2019 was a new record year for Väderstad, with turnover increasing by as much as 11 percent and increased market shares.

"We have managed to increase our market shares in several segments, mainly thanks to our Tempo planter. Our focus on sales and marketing work based on our principles concerning relationships and support has been successful. We now have a well-established working method and stable teams in all markets. Overall, we can look back on another successful year for sales," concludes Mattias.





Five functions at once saves both time and diesel

Perhaps it was growing up on a farm in Västerlösa and his father's purchase of a new harrow from Väderstad that aroused his interest in the red and yellow agricultural machines. Regardless, Väderstad machines were the obvious choice for Magnus Arwidsson when he bought the Skorteby Augmentsgård farm outside Mantorp in Östergötland in 1999.

Within a few years, Magnus had adapted his existing farm machinery for his new property, with second-hand machines from Väderstad in the form of a harrow, clod crusher, roller and a Rapid seed drill. In recent years, Magnus has added a new Carrier CR420 and NZA 7M seed bed cultivator, and for a year now he has also been a satisfied owner of a brand new Rapid 400C seed drill.

"My main reasons for choosing Väderstad are the exceptional quality, proximity to service, parts and support, and the high second-hand value of machines. The fact that it is also a Swedish family business

and that the factory is located close by, are added benefits. I'm simply very satisfied with the company," says Magnus.

Better emergence without ploughing

On his farm Magnus mainly grows grain, oil plants and broad beans. He spends about 600 hours on his fields every year and appreciates the fact that a machine can handle many different operations in parallel.

"Five functions in one pass saves both time and diesel. With the Rapid, for example, you don't need to plough – you just need to

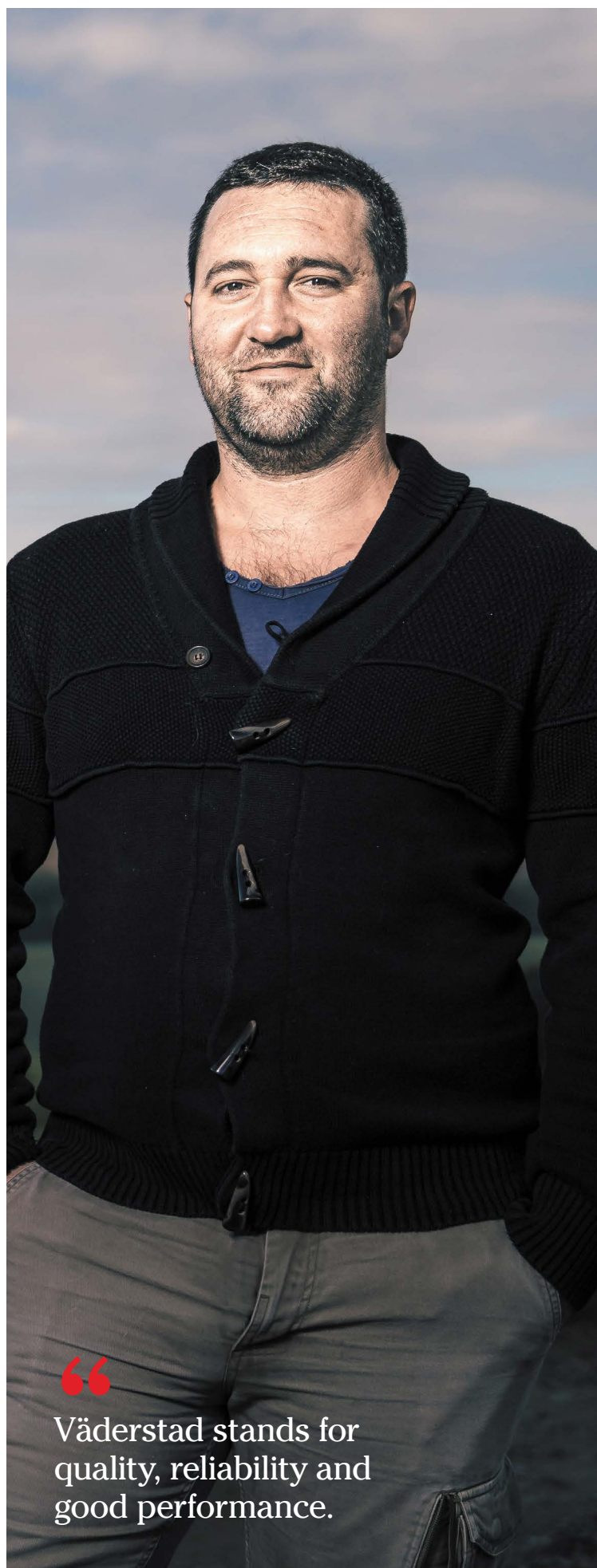
run the Carrier a few times and then sow directly into the stubble. The Rapid ensures a precise seed amount and the coulters penetrate to the right depth, which contributes to better emergence," says Magnus.

In terms of innovations and new machine accessories, Magnus thinks that Väderstad is at the forefront and he feels that with the new Rapid, functionality has been expanded and improved further still.

"Above all, I appreciate the lubrication-free bearings for the discs and the fact that the seed amount is more accurate. It's possible that I think they are a bit too innovative sometimes because you get the urge to upgrade all the time so that you have the latest, best equipment," Magnus concludes.

“

You get the urge to upgrade all the time so that you have the latest, best equipment.



“
Väderstad stands for
quality, reliability and
good performance.”

Robust machines and fast support are crucial

France has an extensive agriculture and is one of the world's largest producers of wheat. Väderstad's French subsidiary, located north of Paris, is one of the company's 16 wholly owned sales companies worldwide. Here, as in the rest of Europe, the Tempo planter has been a great success, and Guillaume Ripoll at ETA Ripoll is one of the farmers who is a satisfied owner of a new Tempo machine.

“I run my own farm of 500 hectares and lease an additional 1,000 hectares, split between 350 hectares of organic farming and 650 hectares of conventional farming. We grow a lot of wheat and sunflowers, but also maize, chickpeas, sorghum and lentils,” says Guillaume.

Guillaume purchased his first Väderstad machine in 2013, a used Spirit 600S seed drill. Since then, machinery additions to his farm include a Tempo V11 planter, another Spirit 800S, a Carrier XL 625 cultivator, a CrossCutter Disc and CrossCutter Knife. Guillaume says he uses his machines approximately 1,100 hours in total each year:

“As farmers, we have short working windows, which means that we need robust, reliable machines, but also rapid service and support. I think Väderstad stands for quality, reliability and good performance, whether we're talking about machines, parts or support. In addition, the new Tempo machine contributes to improved emergence,” says Guillaume.

One concrete example of how Väderstad works with customer-related development of its products is the different types of customer testing it carries out.

“At present, I have a prototype for a new NZ harrow mounted and I'm very happy with how it works. It really feels like my comments and remarks are taken on board in further development work,” says Guillaume.

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

Today we are taking on the same challenge for our customers, but in a global market and in a high-tech world. Now, just as before, it involves the establishment and emergence of crops so that the farmers of the world can provide the earth’s population with food. That is why we exist and that is the challenge that constantly motivates us on a day-to-day basis.

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