



# **GARO ANNUAL REPORT 2016**



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# Key events in 2016

Q1

The GARO share was listed on Nasdaq Stockholm on March 16. The Offering encompassed 4.6 million shares at an initial offer price of SEK 73 per share.

GARO delivered its largest order ever in solar energy. The order comprised 1,476 solar panels for the new build of Albyberg Business Park.

Q2

A multi-year framework agreement was signed with Vattenfall for the delivery and support of charger products, primarily intended for the retail market.

A framework agreement was extended with Fortum for charger products for electric vehicles.

Launch of LS4 – a next generation of semi-fast vehicle chargers. Deliveries began in September.

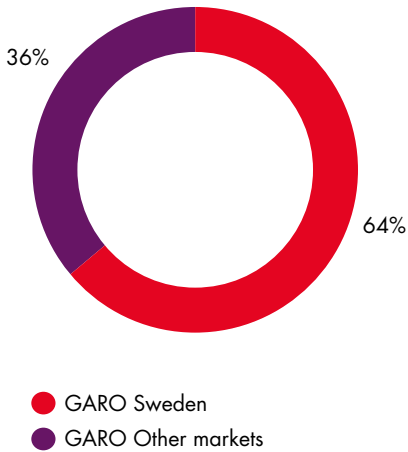
Q3

A decision was made to invest MSEK 18.5 in a new plant building for the Polish operations. The new factory premises are expected to be complete in September 2017, which will more than double the plant area.

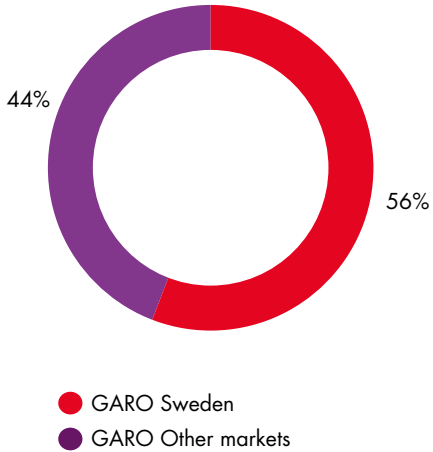
Q4

GARO made the decision to unbundle product area EV charging. As a first step in the process, a new unified product area was created on January 1, 2017. The operations will be managed by a product area manager with overall responsibility for the market areas; Sweden, Norway, Poland and Other markets.

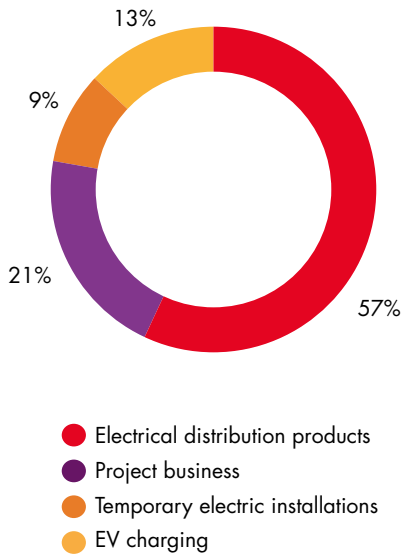
Allocation of net sales by segment 2016



Allocation of EBIT by segment, adjusted for items affecting comparability 2016



Allocation of net sales by product area 2016



Sales growth 19%

Adjusted EBIT margin\* 13.1%

\* Adjusted for MSEK 12.6 in costs related to IPO

# Key figures

	2016	2015	2014	2013
Net sales (MSEK)	657.8	554.1	441.7	383.1
Growth, %	19%	25%	15%	1%
EBIT (MSEK)	73.8	62.4	39.8	24.0
EBIT margin, %	11.2%	11.3%	9.0%	6.3%
Profit after tax (MSEK)	57.0	45.8	23.5	15.0
Earnings per share (SEK)	5.70	4.58*	2.28*	1.50*
Return on equity, %	32.4%	31.3%	17.1%	11.7%
Investments (MSEK)	12.8	13.8	6.3	10.4
Equity ratio	52.0%	49.8%	48.5%	51.3%
Net cash position (-) / net debt (+)	-17.3	-0.4	19.3	39.5
Number of employees	275	254	244	224

\*) Earnings per share after stock dividend and share split (50:1) decided on January 12, 2016.

# Strong growth and new opportunities

## – continued expansion in 2017

In many ways, 2016 was a good year for GARO. The company performed well in all the product areas with a strong increase in sales and earnings. One important event was, of course, the listing of the GARO share on Nasdaq Stockholm in March. Work is now progressing rapidly to continue to capitalize on the potential offered in the market for electrical installation products.

During the year, net sales increased 19% to MSEK 657.8, with strong growth in both GARO Sweden and GARO Other markets. The strong growth is due to successful product launches in recent years and a strong construction market in general.

It is also pleasing to see that newer products and product areas are really taking off, such as chargers for electric cars where the expansion of charging infrastructure is continuing at a rapid pace. To take advantage of the major opportunities we see in this product area, we have created a unified organization for charging infrastructure, for the purpose of coordinating marketing activities within the Group. From January 1, 2017, a strong organization is in place to be responsible for all of the Group's markets.

The solar energy area – for which GARO delivered its largest ever order during the year – is also worth mentioning. The area has developed positively during the year, after a period of relatively low activity.

GARO sees substantial opportunities to expand in Poland and other countries outside the Nordic region. Expansion will be carried out selectively in the product areas where we can identify a demand and where we believe GARO has something unique to offer. To guarantee production capacity in the

entire Group, a decision was taken to increase capacity in Polish operations. The new factory premises are expected to be complete in September 2017, which will more than double production capacity in Poland.

### INCREASED PROFITABILITY

EBIT adjusted for non-recurring costs increased by 38% to MSEK 86.4. Despite heavy expansion in recent years, general expenses have been held back. This, in combination with improved gross margins, has resulted in a higher adjusted EBIT margin of 13.1% (11.3).

The positive earnings trend and cash flow in recent years has also provided the company with good liquidity and a solid financial position. Against this background, the Board has recommended the Annual General Meeting to propose a dividend of SEK 2.85 per share, which is in line with the company's dividend policy of distributing about 50% of net income.

### INCREASED CAPACITY

GARO has noted strong growth in recent years, with average annual growth of 20% since 2013. The company will probably need to increase its personnel in the future, particularly in product development and sales. We would also be happy to see more women in this traditionally male-dominated industry.

The strong growth and positive outlook will also require greater production capacity.

### CONTINUED EXPANSION

Market growth in Sweden, Ireland and Norway is expected to remain favorable as a result of a solid construction market, while we see positive signs in Finland regarding the construction market in major cities. As I have already mentioned, charging infrastructure for electric vehicles is expected to continue to grow rapidly and follow the commercialization of chargeable vehicles.

To summarize, GARO made major progress in a number of areas in 2016, and both sales growth and EBIT margin far exceeded our long-term financial goals.

Following the IPO in March, we welcomed about 7,500 new shareholders, both Swedish private individuals and reputable Swedish and foreign institutions. We are highly pleased with this, and our ambition is to create long-term shareholder value by continuing to strengthen our position in the market.

**STEFAN JONSSON,**  
PRESIDENT AND CEO

### EXPANDED PRODUCTION CAPACITY

The strong growth and positive outlook will also require greater production capacity. We address this now through a substantial expansion of our Polish factory and are planning to transfer some operations in Sweden to larger and more suitable premises.





# The brand GARO

In a world where products increasingly resemble each other, it is the brand that sets GARO apart from competitors. The values that the GARO brand stands for summarize the promise to customers and guarantee quality at all levels. Regardless of product area or market segment, GARO continuously works to ensure that the brand always meets and preferably exceeds market expectations.

## BUSINESS CONCEPT

GARO develops profitable complete solutions for the electrical industry by focusing on innovation, sustainability and design.

## VISION

Determined to meet tomorrow's opportunities, we are constantly evolving to be the leading innovator in our business areas.

## MISSION

Through knowledge, innovation and commitment, our common desire is to develop complete solutions that are future-proof.



## Core values

### INNOVATIVE

We are an innovative force that develops opportunities and business for our customers. This makes us a dedicated, responsive and active partner.

### LONG-TERM

Our focus is to develop reliable products for a sustainable future through strong commitment.

### EXPERTISE

We are experts at what we do and value the knowledge that leads to our clients' development and profitability.

### PRIDE

Our unique history, strong development and bright future, have created our special "GARO culture". It gives us confidence and pride in everything we do.

#### AN INNOVATIVE FORCE

In the secure, unique GARO culture, curious and innovative talents are born, who are allowed to challenge conventions.

We are an innovative force. We challenge ourselves, to remain future-proof. The power of our culture means we constantly think smart and consider the future in everything we do and with whomever we interact.

This is a promise to both employees and customers that is communicated in GARO's payoff.

# GARO®

An innovative force





# Employees important for long-term sustainable development

GARO is a modern and attractive workplace moving into the future. This requires a healthy working climate and good, coaching management. Ethnic and cultural diversity and an even age and gender distribution are other factors that contribute to a successful corporate culture. It is also important to recruit, develop and retain the right expertise – an expertise needed for future product development.

To find new business opportunities and identify potential risks, GARO has created four stakeholder groups which take part in a dialog about the future and sustainability. The groups, which comprise owners, customers, suppliers and employees, have classified the most important areas of responsibility: environment, employees, products and economy.



utilization of energy and natural resources and are to be recycled, reused or safely discarded.

- Everyone within the Group, and suppliers, must strive to use sustainable and reusable raw materials as far as possible. And, wherever possible, use raw materials that have as small an impact on the environment as possible.

## SECURITY, RESPECT AND ZERO TOLERANCE

To create a shared platform of general principles that can be applied equally in all of the company's operations, its partners and suppliers, regardless of where in the world they operate, GARO uses the following principles:

- Support, respect and guarantee the protection of internationally accepted human rights.
- Offer employees the right to form and join organizations they choose

themselves, and to negotiate collective agreements.

- No child labor within operations or at any partner.
- Zero tolerance towards discrimination, violence or harassment irrespective of gender, sexual orientation, ethnicity, religion or other religious beliefs, disability and age.
- Products manufactured are to be safe for their intended uses, effective in their

- Zero tolerance towards all forms of corruption, bribery or unethical business methods. All employees are responsible for identifying, complying with and respecting local laws, regulations, and rules in the countries where the company operates and does business.

## SOCIAL COMMITMENT

GARO wants to contribute to a positive development of society, including the support of non-profit organizations. Besides local sponsorship and local partnerships, GARO has carefully chosen to sponsor organizations that support charitable work.



## EMPLOYEES ARE THE KEY TO SUCCESS

Within GARO, there are many skilled employees who endeavor to deliver that something extra that makes the difference – not only to the financial performance but to everyone who is directly or indirectly impacted by its operations.

Internal career opportunities are an importance success factor in the company's aspiration to be an attractive employer. Employees are offered an opportunity, and encouraged, to further develop their careers within the organization.

Satisfied employees are more motivated and committed to their work, stay longer and are good ambassadors. This is also something that facilitates successful recruitments and builds relation-

ships with satisfied customers. The key to success is therefore to continuously develop the company's employees.



## CUSTOMER SATISFACTION SURVEY

Customer satisfaction is a crucial factor for the company's ability to create favorable financial results at the same time as it is the foundation for a value-creating sustainable business. Accordingly, GARO conducts a customer survey every second year.

## LIKE-MINDED SUPPLIERS

Both suppliers and their sub-suppliers are expected to share GARO's views on business ethics, human rights and fair working conditions. Close cooperation is required to achieve a gradual improvement in sustainability in our value chain.





Since 1939, GARO has gone from being a manufacturer that went with the flow to become the leading developer of new smart electric products in the Swedish market. Electrical distribution products form the foundation of GARO's product portfolio and the basis for advancement and growth in several product areas.

# Electrical distribution products

GARO Electrical distribution products develops and manufactures electrical products intended to be number one in the market, now and in the future. Its focus is to continuously find new smart functions, the highest quality, lowest consumption and the fastest and easiest installation. A recipe that has, for example, transformed a standard car heater unit into a unique intelligent electric post.

## PRODUCTS FOR FAST ELECTRICAL INSTALLATION

GARO Electrical distribution products distributes about 3,000 electrical products and complete solutions for fast electrical installation within industry, newbuilds of premises, housing and properties and for renovation projects. This could be anything from connectors to complete electrical switchboards containing media, control and metering. From electric posts for cars, camping and marinas to outlet boxes and safety switches for machinery in industry. In Sweden, the products are readily available in the market via wholesalers. In other countries, sales are adapted to the available channels.

## A BRAND THAT DELIVERS

GARO's major investment in product development and the launch of new innovations has built a brand that arouses both curiosity and interest. Through a close presence with both end-users and wholesalers, knowledge about the products is shared at the same time as new needs are identified, even before they are spoken. GARO is also known to always keep its promises and to immediately offer assistance if conditions change.

## NEW SERIES OF TIME SWITCHES

In December, a completely new range of time switches, with both mechanical and astronomical switches, which recognize sunrise and sunset. They can be bought as individual products or be integrated into one of GARO's standard products, such as a consumer unit or in a meter cabinet. The switch provides significant energy savings as it can be used to control outdoor lighting.

## GROWTH FOR PRODUCT SEGMENT SOLAR

Solar seriously accelerated in spring 2015 and was a natural step in the strategy to meet the market's immense demand for solar energy solutions with very good products of high

## Distinctive products in 2016

### G-CTRL+ – THE INTELLIGENT ELECTRIC POST

An enhanced electric post, with additional intelligence, that can be implemented in GARO's engine heater posts, camping posts and marina posts. Includes a payment and meter value system that is controlled online or using an app, so that each user can pay for their own consumption.

### STAND ALONE METER CABINETS WITH ADDITIONAL FUNCTIONALITY

The financial benefits of a completely stand-alone ground meter cabinet is increasingly appreciated in newbuilds. In 2016, GARO produced several different models of ground meter cabinets to meet future technology needs.

quality. Owing to the existing high level of confidence in the GARO brand and the internal expertise and will to develop, Solar has rapidly become a success.

Solar panels are sourced from a carefully selected European manufacturer that guarantees outstanding quality, high efficiency and the best test results. GARO is building a completely new concept around solar panels and is marketing this as a complete package solution, which in addition to the panel also







includes an inverter, DC power cable, DC switch and DC enclosures (DC=direct current). GARO's competitive edge in the segment is primarily its expertise, quality, accessibility and very good technical support.

#### MAJOR PROJECTS WITHIN SOLAR

ALBYBERG BUSINESS PARK in Haninge, south of Stockholm. GARO's high quality and service/support solutions played a decisive role when it was awarded the contract. The project was to erect a maximum number of panels on all available and suitable surfaces, a total of 400 kW.

ELEKTROSKANDIA, one of Sweden's largest electrical wholesalers, chose GARO's solar energy solution when it built a large new central warehouse in Örebro. The facility comprises 940 solar panels, equivalent to approximately 250 kW. In view of its knowledge and market insight – it works with all electrical products in the market – this gives GARO a very high rating.

#### OTHER SIGNIFICANT EVENTS

In 2016, GARO strengthened its product area Electrical distribution products through recruitments in sales, production and technical support. Internal streamlining was implemented, which has also improved accessibility. As products become more technically advanced, then resellers adopt a more advisory role. To offer a high level of knowledge, GARO has increased the number of its customer visits and conducts continuous skills training.

#### THE FUTURE

GARO's innovative power and ability to read the needs of the market have created a raft of new ideas for product development, which launches a regular number of new solutions. We also meet the next generation of electricians, who make demands on the latest digital technology and on accessibility. The challenge for Electrical distribution products is to retain its high rate of product development and to launch new products while maintaining GARO quality. Electric safety should never be jeopardized.



# Project business

Within the product area Project business, GARO assembles complete, customized and installation-ready solutions to meet specific requirements from customers. Strong growth in the construction sector, in combination with the company's security of supply and high quality, have given GARO a market-leading role within complete solutions in low-voltage distribution.

#### SWITCHGEAR, CABLE CABINETS & CONSUMER UNITS FOR APARTMENTS

The product area Project business has run its own operations since 2004. The main task is to use products from all of GARO's product areas to build electricity cabinets of all sizes; switchgear, cable cabinets and consumer units for apartments. This makes GARO a full-line supplier of low-voltage distribution up to 2500A.

#### 100% CUSTOMIZED SPECIAL SOLUTIONS

Each construction project is unique, which is why GARO has no standard products in this area. Each manufactured unit is completely unique for each customer with functionality that meets a specific application specification that is either provided from a consultant or directly from the electrical installer.

#### SUCCESS FACTORS

- Products in the market today have a fairly similar appearance when they are installed. However, something that is not

apparent is how long it took to install them. GARO is fast in this respect. The optimal total cost is achieved by using smart installation solutions, which are simple and lead to time-savings during installation.

- GARO always guarantees the highest possible quality and product safety. Further performance tests are carried out, in addition to tests on each unit in accordance with applicable industry requirements. The manufactured cabinets are powered up and tested against the plan of all functions.

- GARO's strong competitiveness is also due to its high degree of flexibility and ability to keep its promises. Short lead times, from planning to when the delivered product is in operation, is increasingly appreciated in the competitive construction industry.

Up until 13 years ago, external suppliers were used to assemble components into complete solutions based on customer needs. As GARO's own specialist expertise grew stronger and became more innovative, it was only natural that these operations were also brought under GARO's roof. GARO has a clear role in the market and can guarantee quality at every stage by controlling all projects itself, from initial inquiry to the delivered solution.





With its Climate Leap\*, the Swedish government has stimulated efforts to reduce greenhouse gas emissions. Substantial investment subsidies are being offered to businesses, municipalities, regions and organizations that can present projects that benefit the environment. As expected, electric cars are the easiest and most effective way to reduce emissions of fossil fuels. The interest in expanding electric vehicle infrastructure in Sweden is accelerating and is spilling over into the rest of the Nordic region.

# EV charging

Owing to its foresight, experience, competence and innovative capacity, GARO can provide the knowledge, information and the products demanded by the market. Today, GARO is the leading supplier of charging infrastructure for electric vehicles in the Nordic region. With its unique product portfolio, the company can offer all types of charging stations – from a simple 3.7 kW home charger, to have at home in the garage, to the high-efficiency 150 kW station that can fast-charge a large bus. Leading to continued development.

## LEGACY THAT GAVE AN ADVANTAGE IN THE MARKET

The previous manufacture of hundreds of thousands of car heater units and sockets has provided a broad fundamental knowledge of what is required for a product to cope with the Nordic climate. As early as 2006, GARO began investing in vehicle chargers and during Almedalen Week 2008 the company presented the first charging station for cars. There and then, GARO's brand was top-of-mind in terms of charging infrastructure. Since then, there have been further developments and the range of products has been substantially expanded. When market demand gathered

pace in 2015, GARO was well prepared and could deliver immediately.

## NEW TARGET GROUP

Within EV charging, GARO meets new end customers who are visited and invited to presentations about charging structures. These include climate and environmental strategists or purchasers for the government, municipalities, county councils, major property owners, as well as municipal property and energy companies. Many of these attend seminars or courses in GARO's premises.

## EQUIPPED FOR THE FUTURE

The increase in electric vehicles in the

market has convinced GARO to continue investing in the product area EV charging. During the year, production in Gnosjö was expanded and new staff were recruited. From January 2016, more sales representatives were employed and a sales manager for product area EV charging was appointed.

\* Climate Leap is one of the Swedish government's key climate initiatives and targets a reduction in greenhouse gas emissions. The initiative offers subsidies to businesses, municipalities and organizations of a total SEK 3.5 billion between 2015 and 2020.

## Distinctive products in 2016

### HOME CHARGER GHL

A particular product success that has already become a standard product at electrical wholesalers. The Home Charger GHL is often found at tenant-owner associations, large workplaces and in the home. In response to market demand, a new stand was launched for the GHL at the Easy Fair exhibition in September. The new stand makes it very easy to convert what was a car heater unit post into a charging station in the best possible way.

### HIGH-EFFICIENCY FAST-CHARGER

The fast-charger is one of the many new products that GARO presented for the first time in spring 2016. It is a high-efficiency charger with power up to 150 kW, which enables fast-charging of buses and other large vehicles. Passenger cars designed for this high charging power can be charged using the high-efficiency fast-charger.

### PUBLIC CHARGING STATION LS4

On May 31, the new public charging station LS4 was presented for the first time at the Eliaden fair in Norway. Delivery to the market began in September and sales have exceeded expectations. With its elegant design, smart functions, clear monitoring and simplicity of installation, maintenance and service it meets all of the highest standards of quality. For these reasons, there is also widespread interest from energy companies, parking companies, large property owners, the public housing sector, municipalities and regions.

To create charging infrastructure with the best possible functionality for the end-user, GARO has during the year developed a close collaboration with all of the main players that are developing and providing the market with payment solutions, including E.ON, Vattenfall, Fortum, Göteborg Energi and Clever. Together with these players, GARO is now selling a total solution.



As the rate of construction increases in Sweden, the need is growing for temporary electrical solutions and lighting at construction sites. By frequently visiting construction sites, talking, listening and watching closely, GARO captures the needs of the market. With its sustainable and energy-saving products, GARO is on track to transform the construction industry's attitudes towards single-use and disposable products in the electrical and lighting segment.

# Temporary electric installations

Demand for robust, smart quality solutions with low energy consumption has increased markedly now that the sustainability trend has reached the construction industry. A constant ambition to always provide construction sites with the latest, smartest and most energy-efficient electrical and lighting solutions has made GARO a strong player.

## TEMPORARY ELECTRIC INSTALLATIONS AND LIGHTING

Product area Temporary electric installations develops and manufactures products within temporary electric and lighting for the electrical and construction industries. The products often comprise distribution cabinets and general lighting with accessories for use on construction sites or for events. These are often customized solutions. Product area Temporary electric installations was started in 2007.

## OWN TARGET GROUP

End-users are in the construction industry, leasing companies and event businesses where mobile electricity and lighting is needed for a limited period. In Sweden, the products are readily available in the market via wholesalers, warehouses and stores. In other countries, sales are adapted to the available channels.

## LEADING PRODUCTS

### GARO PLUG-IN-SYSTEM (GPI)

A modular system that creates flexible and specially adapted distribution cabinets for construction sites. Consists of

an empty red GARO cabinet, into which is mounted all of the equipment needed for the current project. When the project is complete, the interior of the cabinet can quickly and easily be rebuilt to suit the next project.

### GARO BALL 2.0

As early as 2013, GARO was first to launch the market's most energy-efficient and climate-smart LED working light for demanding environments. When copies began appearing, GARO responded in 2016 by launching a new, even better version, GARO BALL 2.0, which has provided a new market advantage. With improved light spread, higher reliability, lower energy consumption, better lighting characteristics and totally maintenance-free, today it has a service life of 60,000 hours, which is equivalent to about 7 to 8 years of normal use.

### GARO BALL8

A battery lamp that is built using the same robust concept, but that is charged and works for a full day of service.

## NOW A FULL-RANGE SUPPLIER

During the year, GARO also launched a new lighting stand that is both smarter and requires less space. In addition, the offering was extended in cable distributors, conversion adapters, multiple plugs and other products that bind the range of products together and means GARO can call itself a full-range supplier in temporary electricity and lighting.

## CONTINUED HEALTHY GROWTH

Following the recruitment of more sales representatives, the close dialogue with end-users, customers, the construction industry and event companies will become even better. There are ideas for many new products that the development team at GARO is in a perfect position to successfully create.

## Significant events in 2016

- Launch of the next generation workplace lighting 2.0 with improved properties and lower energy consumption, longer operating time and better luminous flux.
- Breakthrough on the Finnish market.
- Expanded sales capacity to manage greater presence at customers, and continued expansion.





# GARO's market

GARO's total responsibility is clear. During the construction phase, Temporary electric installations and lighting is needed, when the building is complete then Project business provides permanent power supply, subsequently each apartment is provided with electricity from Electrical distribution products and when the property is complete then products from EV charging for vehicles become interesting. These are four strong product areas with a constant cooperation within expertise, product development, manufacturing, sales and monitoring the business environment.

## Market drivers

### CONSTRUCTION INVESTMENTS

The most important element for success in the electrical equipment sector is construction levels in the markets where GARO operates. Half of the products are linked to new and rebuilding of residential properties, of which 30% is within commercial and public buildings, 10% within repairs and maintenance and the remaining 10% within industrial investments.

### DEMOGRAPHIC DEVELOPMENT AND THE NEED FOR NEW HOUSING

Construction investments are in turn dependent on the development of the economy, the investment climate, interest rate levels, and demographic developments and the need for housing. The number of housing units has doubled in a short period of time. An expected population increase and a backlog in demand for housing indicates this increase will continue.

### REGULATIONS AND POLITICAL DECISIONS

State subsidies influence the rate of development for charging infrastructure,

but it is difficult to misinterpret sales figures for chargeable vehicles. For example, in Sweden the annual rate of increase for chargeable vehicles is more than 90%, despite limited subsidies.

### ENVIRONMENTAL AWARENESS

Society is characterized by a continuing high level of climate and environmental awareness, which has meant these issues have become lifestyle and identity issues for both customers and end-users. Today, for example, 8 of 10 people have taken action to influence energy consumption in the home. This calls for a continued focus on future sustainable solutions to remain responsible and credible in the market.

### TECHNOLOGY DEVELOPMENT

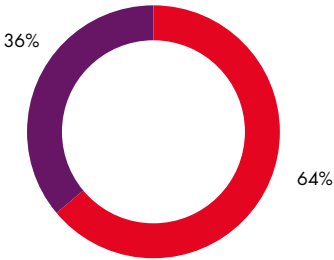
Demand for more technology in our fixtures and fittings will require increasingly advanced total solutions within electrical materials. There is substantial interest in GARO's EV charging and Solar solutions, the new alternative and green technologies, across the Nordic region, both from businesses and the public.



# Geographic location & presence

- Company HQ
- Production units
- Sales offices

Allocation of net sales by segment 2016



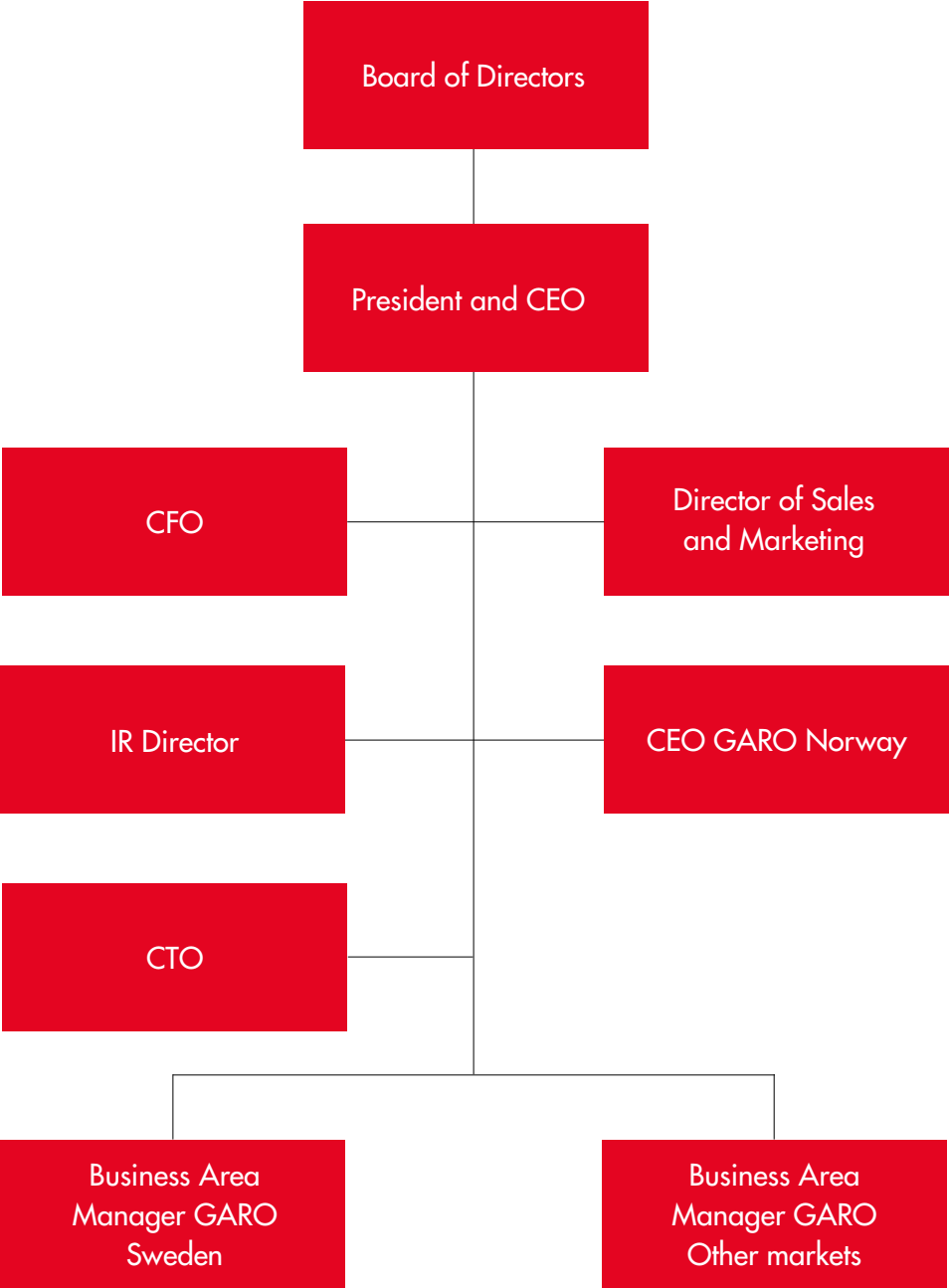
GARO Sweden    GARO Other markets





# Organization and structure

The GARO Group’s Board of Directors comprises a total of six people under the management of Anders Pålsson, Chairman of the Board. Based on the Board’s guidelines, CEO Stefan Jonsson heads a Group management team of six people who are divided into two business areas: Sweden and Other markets The Sweden business area consists of the Swedish companies with Stefan Jonsson as the head of the business area. The Other markets business area consists of Norway, Ireland, Poland and Finland with Joe Ree as the responsible business area manager.





# Board of Directors



**ANDERS PÅLSSON**

CHAIRMAN AND MEMBER OF THE BOARD SINCE 2015

BORN: 1958

Education and professional experience: Msc in Business and Economics, Lund University. Formerly President and CEO of Hilding Anders Group and Executive Vice President and Business Area Manager at E.ON Nordic AB. Adviser to the investment firm Investcorp. Active in Trelleborg AB, PUM/Rexam and Gambo.

Other on-going assignments: Chairman of the Board of Lammhults Design Group AB, member of the Boards of Midway Holding Aktiebolag, NIBE Industrier AB, Trioplast Industrier AB and Malmö Football Association.

Shareholdings: 5,000

**RICKARD BLOMQVIST**

MEMBER SINCE 2015

BORN: 1971

Education and professional experience: Msc and Bsc in Business and Economics, Halmstad University. Owner and President of Ekonomerna Holding Sverige AB. Former CFO of the AkkaFRAKT Group, Business Development Manager at Hilding Anders International AB, and CFO of Hedson Technologies International AB (publ).

Other on-going assignments: Board member and President of Ekonomerna Holding Sverige AB.

Shareholdings: 202,000 (privately and via company)

**STEFAN JONSSON**

MEMBER SINCE 1997 AND PRESIDENT AND CEO SINCE 1996

BORN: 1953

Education and professional experience: Mechanical Engineer. Business Management, IFL Sigtuna. Former Division Head at Skandinaviska Aluminiumprofiler AB and Production Manager and later Senior Vice President of Pallco AB.

Other on-going assignments: Chairman of the Board of Elobel Aktiebolag. Member of the Board of Ideella Föreningen Teknikföretagen i Sverige named Föreningen Teknikföretagen i Sverige and Stefan Jonsson Invest AB. Deputy member of the Board of Fiber Fenix economic association.

Shareholdings: 585,085 (via company)

**SOFIA AXELSSON**

MEMBER SINCE 2015

BORN: 1973

Education and professional experience: MS in Public Finance, Accounting and Business Administration, University of Gothenburg. Former President of Diplomatdörrar i Sverige AB.

Other on-going assignments: Senior Vice President, Group Communications, Brand and Marketing at Husqvarna Group AB. Member of the Board of Beta Holding i Jönköping AB.

Shareholdings: 6,000

# Group Management



**STEFAN JONSSON**

PRESIDENT AND CEO SINCE 1996, BUSINESS AREA MANAGER GARO SWEDEN

BORN: 1953

Education and professional experience: Mechanical Engineer. Business Management, IFL Sigtuna. Former Division Head at Skandinaviska Aluminiumprofiler AB and Production Manager and later Senior Vice President of Pallco AB.

Other on-going assignments: Member of the Board of Ideella Föreningen Teknikföretagen i Sverige named Föreningen Teknikföretagen i Sverige and Stefan Jonsson Invest AB. Deputy member of the Board of Fiber Fenix economic association.

Shareholdings: 585,085 (via company)

**LARS KVARN Sund**

CFO SINCE 2000

BORN: 1967

Education and professional experience: Upper-secondary Economist. Former President of GARO Elflex AB and CFO at Gnosjö Konstsmide AB.

Other on-going assignments: Member of the Board of Företagshälsan i Västbo AB and GARO Elflex AB. Deputy member of the Board of GARO Montage AB.

Shareholdings: 46,429

**JOE REE**

BUSINESS AREA MANAGER OF GARO OTHER MARKETS, PRESIDENT OF GARO ELECTRIC IRL LTD, IRELAND SINCE 2015 (ACTIVE IN THE GROUP SINCE 1989)

BORN: 1962

Education and professional experience: Bachelor of Commerce, University College, Dublin. Financial Director of GARO Electric Irl Ltd. Auditor and Audit Group Supervisor at Ernst and Young, Trainee at Ryan O'Dwyer and Co.

Other on-going assignments: Member of the Board of ARK Platform. Auditor and secretary for Aoibheann's Pink Tie.

Shareholdings: –

**JAN LARSGAARD**

PRESIDENT OF GARO A/S, NORWAY SINCE 1987

BORN: 1965

Education and professional experience: Economics marketing, three-year program Sales officer at GARO A/S.

Other on-going assignments: President of GARO A/S.

Shareholdings: 46,429



**PER HOLMSTEDT**

MEMBER SINCE 1998

BORN: 1950

Education and professional experience: Msc and Bsc in Business and Economics, Växjö University and Lund University. Former President of CA-Verken AB and Kvarnstrands Industri AB.

Other on-going assignments: Owner of CANJOC Konsult. Chairman of the Board of Ahlins i Habo Aktiebolag. Deputy member of the Board of Holmstedt Produktion Aktiebolag.

Shareholdings: 4,000

**LARS SVENSSON**

MEMBER SINCE 1985

BORN: 1945

Education and professional experience: Former President and CEO of GARO AB.

Other on-going assignments: –

Shareholdings: 3,568,345



**PATRIK ANDERSSON**

DIRECTOR OF SALES AND MARKETING SINCE 2015

BORN: 1978

Education and professional experience: Electrician program. Former western and southern regional sales manager for Eldon Group.

Other on-going assignments: Member of the Board of EL (Elmateriel Leverantörer).

Shareholdings: 46,429

**PATRIK LINZENBOLD**

IR DIRECTOR SINCE 2015

BORN: 1971

Education and professional experience: M.S., Stockholm School of Economics. Former IR Director at Scandi Standard and Oriflame Cosmetics.

Other on-going assignments: IR Director at FM Mattsson Mora Group

Shareholdings: 400

**DANIEL EMILSSON**

CTO, EMPLOYED AT GARO SINCE 2007

BORN: 1975

Education and professional experience: Electrical and Telecom upper-secondary program. MS in Engineering Physics, Entrepreneur Program 40 credits at University of Gothenburg School of Business, Economics and Law. Various senior positions in development and sales and President of the telecom company Comhat AB in Ödsmål, Sweden.

Other on-going assignments: –

Shareholdings: 34,643





# Sustainability work

## Stakeholders

### STAKEHOLDER DIALOG

Lively, constructive stakeholder dialog is an important part of the company's strategic work, both to be able to identify new business opportunities and to identify potential risks. To optimize this communication, we have formed four key stakeholder groups: shareholders, customers, suppliers and employees.

## Ethics and moral standards

### ANTI-CORRUPTION

GARO has zero tolerance for any form of corruption, bribery or unethical business methods. All companies in the Group and partners – and their employees – must refrain from offering, giving, demanding and receiving bribes or other improper benefits. This is ensured through the company's Code of Conduct.

Illegal industry collaboration or cartel formation is prohibited. GARO's strength will instead being the ability to offer the market safe, high-quality and environmentally friendly products on time. Giving the customers the best imaginable support and service at the same time is a given.

Everyone is responsible for identi-

fying, complying with and respecting local laws, regulations, and rules in the countries where the company operates and does business.

### PRODUCT LIABILITY

GARO believes in conducting life cycle analyses and environmental declarations of the product areas that are designed to be sustainable and have a long lifetime.

All companies and suppliers shall strive to use renewable and re-usable raw materials to the furthest extent possible and, when possible, use raw materials that have as little environmental impact as possible.

The products are to be safe for their intended uses, effective in their utilization of energy and natural resources and are to be able to be recycled, reused or safely discarded. All products shall be tested according to current directives and a certificate of compliance is guaranteed.

### HUMAN RIGHTS

GARO supports and respects the protection of internationally recognized human rights and ensures that the Group including other stakeholders, such as suppliers, sub-suppliers, etc., do not contribute







to any violation of human rights.

Absolutely no child labor may occur within GARO's operations or at any partner. If, contrary to expectation, it were to be discovered, immediate action shall be taken and the collaboration shall end.

#### **DISCRIMINATION AND HARASSMENT**

The Group does not tolerate any form of discrimination, threats or harassment. All employees and other stakeholders shall have the right to work in an environment that is free from this.

Internally within the Group, the respective supervisor and manager are responsible for ensuring compliance to these conditions. The least suspicion of impropriety shall be reported without delay to the immediate manager, or to the company's HR function for immediate investigation and action.

## **Climate and energy**

#### **ENVIRONMENTAL POLICY AND ENVIRONMENTAL OBJECTIVES**

Environmental Policy is integrated into the company's Operating Policy and describes how the company actively conducts systematic environmental work in as far as it is technically possible and economically reasonable.

General and detailed environmental objectives are established annually and continuously followed up. Action plans shall be prepared if contrary to expectation the decided objectives are not achieved.

#### **TRANSPORTS**

##### **GOODS TRANSPORTS**

To minimize environmental impact, the company strives to try to optimize and coordinate goods transports from suppliers and to our customers.

##### **BUSINESS TRAVEL**

We strive to geographically plan our

business travel in the best way and at the same time, when possible, choose the most environmentally friendly means of transportation.

#### **WASTE AND RECYCLING**

Waste that arises in the operations is sorted according to current regulations in labeled fractions. All waste is collected for transport to the landfill by approved transport firms. Products made and delivered to the market shall be easily disassembled and be able to be recycled in an environmentally correct way.

#### **ENERGY CONSUMPTION**

Steps taken in the company to minimize environmental impact are, for example, changing to energy-efficient and climate-smart lighting fittings with built-in presence functions in the warehouse area, intelligent control of heating, cooling and lighting in the office area (KNX) and a new compressor.

In the staff and visitor parking area, charging stations for electric vehicles have been installed to encourage the staff to choose fossil-free alternatives.

## **Health and safety**

All employees and partners shall have a safe and healthy work environment. GARO has therefore integrated systematic work environment efforts in the operations system. Well-based procedures exist in part to prevent and manage possible incidents, accidents and diseases at the workplace.

The company provides appropriate safety equipment to all employees where necessary according to current legislation. The employee is accordingly obliged to use prescribed safety equipment.







Employees are encouraged to pursue a healthy lifestyle and the Group offers wellness checkups and fitness contributions to everyone. Massage is offered during paid working hours, at a subsidized cost.

Socially

GARO wants to contribute to a positive development of society, including the support of non-profit organizations at the same time as the company encourages and sponsors association activities. There is an explicit strive for a good and mutual dialog between customers, employees and suppliers.

SOCIAL COMMITMENT

GARO takes a serious role in the local community and has chosen to sponsor organizations that support charitable work. Every company in the Group has extensive freedom, with the scope of the right values, to make its own decisions on local initiatives as the best way to contribute to development. The aim of active local community involvement is to create an attractive and thriving community mainly from a developmental, economic, social and cultural perspective.

SOCIAL INTEGRATION

The employees represent various experiences, religions, knowledge and

cultures, but nonetheless share the same common values on the respect for human rights and sound ethical business principles.

EQUALITY

The equality aspect is a natural part of the operation and the work is organized in the best interest of operations, which requires all employees to contribute strength and knowledge, regardless of gender. A working atmosphere with an inclusive attitude towards everyone's differences is a prerequisite for an effective, professional and profitable operation. It is also important to recruit, develop and retain the right expertise.

THE CUSTOMER

An open and helpful relationship with the customer is a given, as well as the view that the customer shall always be able to rely on advice and products being supplied in a safe and responsible manner.

Customer satisfaction is a crucial factor for the company's ability to create favorable financial results at the same time as it is the foundation for a value-creating sustainable business.

EMPLOYEES

GARO has many skilled employees who endeavor to deliver that something extra that makes the difference – not only to the financial performance but to everyone who is directly or indirectly impact-

ed by its operations.

Through employee surveys and annual employee appraisal talks, clear and concrete feedback is received on what it is that makes the employees thrive and what is needed to improve.

Internal career opportunities are an important success factor in the company's aspiration to be an attractive employer. Employees are offered both an opportunity and encouraged to further develop their careers within the organization.

An informal working environment with mutual respect provides everyone the same opportunities for a safe, healthy and creative working environment. Competent and loyal employees make it possible to achieve the set business

targets. The key to success is to continuously develop the employees both for their own and the company's best.

THE SUPPLIER

Both suppliers and their sub-suppliers are expected to share GARO's views on business ethics, human rights and fair working conditions. This is ensured through the Code of Conduct and visits.

OBJECTIVES

GARO plans to further develop its sustainability work and intends to prepare a Sustainability Report according to the GRI G4 principles and guidelines for the 2017 financial year.



Sustainability News 2016



February, September and November  
CLIMATE LEAP  
WORKSHOP WITH GARO AB

- Together with the County Administrative Board, Swedish Energy Agency, Swedish Environmental Protection Agency and invited guests
- New meetings are planned in 2017



May  
FUTURE-PROOF  
CHARGING STATION FOR  
ELECTRIC VEHICLES

- New generation LS 4
- Climate smart
- Latest technology
- Recyclable



March  
IPO



September  
CLIMATE CONFERENCE  
AT SPIRA IN JÖNKÖPING





# The GARO share

The GARO share was listed on Nasdaq Stockholm on March 16, 2016. The initial share price was SEK 73 per share. The share price increased over the year by more than 122%, and closed on December 30, 2016 at SEK 162.

## INITIAL PUBLIC OFFERING

The GARO share was listed on Nasdaq Stockholm on March 16, 2016. The price in the offer was SEK 73 per share, corresponding to a market value of the total number of shares in GARO of MSEK 730. The offer comprised 4.6 million existing shares (including the over-allotment option) that were distributed to around 7,500 investors. Svolder AB and Vätterledens Invest AB were "cornerstone investors" in the offer and acquired a total of 14 percent of the total number of shares in the offer.

## SHARE PRICE AND AVERAGE VOLUMES

A total of 3.2 million shares were traded during the year and on the final day of trading, the share price closed at SEK 162, an increase of 122% compared with the listing price of SEK 73 per share. The average daily volume, except for the listing day, amounted to 9,864 shares in 2016.

## DIVIDEND

GARO's Board of Directors proposes that the Annual General Meeting resolve to approve a dividend of SEK 2.85 per share, corresponding to 50% of profit per share. The dividend policy is that the dividend shall amount to around 50% of the net profit after tax. The dividend proposal must take into account GARO's long-term dividend potential and the Group's general investment and consolidation requirements.

## DATA PER SHARE

Data per share, SEK	2016	2015
Adjusted earnings per share	6.68	4.58
Earnings per share	5.70	4.58
Cash flow from operating activities per share	4.84	5.40
Equity per share	19.44	15.69
Average number of shares (thousands)	10,000	10,000
Number of shares at the end of the period (thousands)	10,000	10,000

## THE LARGEST SHAREHOLDERS AT DECEMBER 30, 2016 (FROM EUROCLEAR)

Shareholder	Number of shares	Capital %
Lars Svensson	3,568,345	35.7%
Jerzy Petersson	886,925	8.9%
Svolder aktiebolag	700,000	7.0%
Vätterledens Invest AB	700,000	7.0%
Nordea Investment Funds	656,896	6.6%
Stefan Jonsson Invest AB	585,085	5.8%
Lannebo Fonder AB	520,042	5.2%
Fourth Swedish National Pension Fund	324,869	3.2%
SEB Investment Management	292,231	2.9%
Handelsbanken Liv	200,577	2.0%

## OWNERSHIP STRUCTURE AT DECEMBER 30, 2016 (FROM EUROCLEAR)

Holding	Number of shares	%
1-500	2,103	91.0%
501-1,000	90	3.9%
1,001-5,000	62	2.7%
5,001-10,000	13	0.6%
10,001-15,000	7	0.3%
15,001-20,000	4	0.2%
20,001-	31	1.3%
<b>Total</b>	<b>2,310</b>	<b>100.0%</b>

## PRICE GRAPH FROM MARCH 16, 2016-FEBRUARY 2017





# Corporate governance report

GARO AB (publ) is a Swedish public limited liability company with its registered office in Gnosjö Municipality, Jönköping County, Sweden. The GARO share was listed on Nasdaq Stockholm on March 16, 2016. GARO applies the Swedish Corporate Governance Code (“the Code”) and provides the Corporate Governance Report for the 2016 financial year here. The Corporate Governance Report has been audited by the company’s auditors.

Guidelines on the Code are available on the website for the Swedish Corporate Governance Board ([www.bolagsstyrning.se](http://www.bolagsstyrning.se)). The Code is based on the principle of “comply or explain”, which means that companies that apply the Code can deviate from individual rules, but then provide an explanation for the deviation. GARO has not made any such deviations in 2016.

## SHAREHOLDERS AND GENERAL MEETING

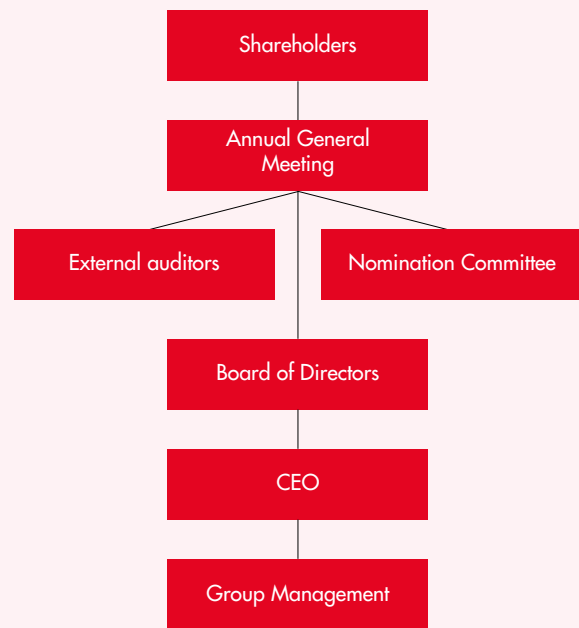
The shareholders’ right to decide on GARO’s affairs is exercised at the Annual General Meeting (or if applicable, the Extraordinary General Meeting), which is GARO’s highest decision-making body. The Annual General Meeting (AGM) is held in Gnosjö, Malmö or Stockholm every calendar year before the end of June. An Extraordinary General Meeting is held when necessary.

The General Meeting passes resolutions on a number of matters, including the adoption of the income statement and balance sheet, appropriation of GARO’s profit or loss, discharge from liability to the company for the members of the Board and the CEO, the composition of the Nomination Committee, election of the Board members (including the Chairman of the Board) and the auditor, remuneration of Board members and auditors, guidelines for the remuneration of senior executives and any changes to the Articles of Association.

The company’s Articles of Association contain no limitations regarding how many votes each shareholder can exercise at a General Meeting. The company’s Articles of Association contain no provisions regarding appointment or dismissal of Board members or amendments to the Articles.

There were 2,310 shareholders at year-end. The largest single shareholder is Lars Svensson whose total ownership amounted to 35.58%. For more information on the ownership structure, share capital, share price development, etc., please refer to the section on the GARO share on pages 36-37 and to Note 17 in this annual report.

The illustration below provides a general description of corporate governance in GARO.



## ANNUAL GENERAL MEETING 2016

At GARO’s Annual General Meeting on February 10, 2016, Anders Pålsson (Chairman), Sofia Axelsson, Rickard Blomqvist, Per Holmstedt, Stefan Jonsson and Lars Svensson were elected as Board members. Board fees were decided to be paid in a total amount of SEK 750,000, of which SEK 350,000 was to the Chairman and SEK 100,000 to each of the other elected Board members who are not employed in the Group. No fees for committee work shall be payable. In accordance with the Board’s proposal, the Annual General Meeting resolved to approve a dividend of SEK 2 per share corresponding to a total of MSEK 20. The AGM also adopted guidelines for the remuneration of senior executives and instructions regarding procedures for the appointment of the Nomination Committee and its work.

## NOMINATION COMMITTEE

GARO’s Annual General Meeting passes resolutions regarding procedures for the appointment and work of the Nomination Committee. The Nomination Committee’s task comprises the preparation and compilation of proposals on the election of Board members, the Chairman of the Board, the Chairman of the General Meeting, and auditors, as well as proposals regarding fees to the Board members, members of any Board committees and the auditor.

The Annual General Meeting on February 10, 2016 resolved that the Nomination Committee shall be comprised of representatives of the three largest shareholders in terms of votes as indicated by the share register kept by Euroclear Sweden on September 30 of every year, together with the Chairman of the Board, who shall also convene the first meeting of the Nomination Committee. The member representing the largest shareholder by votes shall be appointed the Chairman of the committee.

If, before two months prior to the Annual General Meeting, one or more of the shareholders that appointed members to the Nomination Committee are no longer among the three largest shareholders by votes, members appointed by these shareholders shall relinquish their seats on the committee and shareholders that have joined the three largest shareholders by votes shall have the right to appoint one representative each. If a member leaves the Nomination Committee before its work is complete and the Nomination Committee finds it desirable for a replacement to be appointed, such a replacement shall be obtained from the same shareholder or, if this shareholder is no longer among the largest shareholders by votes, from a shareholder who is next in line in terms of holdings. The composition of the Nomination Committee prior to each AGM shall be published no later than six months before the AGM. No compensation shall be payable to the members of the Nomination Committee. Any necessary overhead costs for the Nomination Committee’s work shall be covered by the company. The Nomination Committee’s mandate period continues until the following Nomination Committee’s composition has been published. The Nomination Committee’s independence according to the “Code” is considered to be fulfilled.

## EXTERNAL AUDITORS

The company’s auditor, elected at the Annual General Meeting, examines GARO’s annual report and consolidated financial statements, the Board’s and CEO’s administration and the annu-

al reports of subsidiaries, and submits an audit report.

At the 2016 AGM, Öhrlings PricewaterhouseCoopers were re-appointed as auditors, with Pierre Fogelberg as the Auditor-in-Charge. The auditor participated in the Board meeting in February 2016 and then reported on the notes from the 2015 audit. The audit of the Group’s companies is coordinated by Öhrlings PricewaterhouseCoopers. All of the Group’s companies, except that in Poland, are audited by the PricewaterhouseCoopers network.

## BOARD OF DIRECTORS

### COMPOSITION AND INDEPENDENCE

According to the Articles of Association, GARO’s Board of Directors shall consist of at least three and at most seven members. At the Annual General Meeting on February 10, 2016, six Board members were elected. No representative of company management is on the Board, except the President and CEO. Other officers in GARO participate in the Board’s meetings as presenters in particular matters. The company’s CFO functions as the Board’s secretary.

In accordance with the Code, a majority of the elected Board members shall be independent in relation to the company and its management. To determine if a Board member is independent, a collective assessment shall be made of all circumstances that can give cause to question the member’s independence in relation to GARO or company management, such as if the Board member was recently employed in GARO or a related company. At least

## BOARD OF DIRECTORS

AGM-elected Board	Elected	Born	Remuneration	Number of shares/votes	Independent in relation to the shareholders	Independent in relation to the company	Meetings participated in
Anders Pålsson, Chairman	2015	1958	350,000	5,000	Yes	Yes	9/9
Sofia Axelsson	2015	1973	100,000	6,000	Yes	Yes	8/9
Rickard Blomqvist	2015	1971	100,000	202,000	No	Yes	9/9
Per Holmstedt	1999	1950	100,000	4,000	Yes	Yes	9/9
Lars Svensson	1985	1945	100,000	3,568,345	No	No	8/9
Stefan Jonsson, CEO	1997	1953	-	585,085	No	No	9/9
TOTAL			750,000	4,370,430			

## NOMINATION COMMITTEE FOR THE 2017 ANNUAL GENERAL MEETING

Nomination Committee member	Represents	Holdings/votes
Lars Kongstad, Chairman	Lars Svensson	35.7%
Ulf Hedlundh	Svolder AB	7.0%
Mikael Jönsson	Vätterleden Invest AB	7.0%
Anders Pålsson	Board chairman	



two of the Board members who are independent in relation to the company and company management shall also be independent in relation to the company's major shareholders. To assess this independence, the scope of the member's direct or indirect relationships to major shareholders shall be taken into account. In the Code, major shareholders refers to shareholders who directly or indirectly control 10 percent or more of the shares or votes in the company.

The Board's assessment of the Board members' independence in relation to the company, its management and major shareholders is presented in the section "Board, Group management and auditor". All Board members, except Stefan Jonsson and Lars Svensson, are deemed to be independent in relation to the company and its management. Three of them are also independent in relation to the company's major shareholders. GARO thereby meets the Code's requirements on independence. For further information concerning the Board members elected at the company's general meeting, refer to the section concerning the Board of Directors on pages 26-29 of this annual report.

RESPONSIBILITY AND WORK

The work of the Board of Directors is regulated by the Swedish Companies Act and the Articles of Association. The work of the Board of Directors is also regulated by the written rules of procedure that the Board adopts annually. The rules of procedure regulate, among other things, the division of responsibility between the Board, the Chairman of the Board and the CEO, as well as the decision making procedure in the Board, the Board's meeting plan and the Board's work on accounting and audit-related issues and financial reporting. The Board of Directors has also established terms of reference for the CEO and adopted other special policy documents.

The Board of Directors is responsible for the Group's organization and management of its affairs, setting the Group's overall objectives, development and follow-up of the overall strategies, decisions on major acquisitions, divestments and investments, decisions on capital placement and loans in accordance with the finance policy, continuous follow-up of operations, establishment of interim and year-end reports and the continuous evaluation of the CEO and other members of Group management. The Board is also responsible for ensuring the quality of the financial reporting, including systems for monitoring and internal control of GARO's financial statements and position. The Board shall also ensure that GARO's external information provisioning is marked by openness and is correct, relevant and clear. At the Board meetings, the following items are recurring on the agenda: business status, future prospects and economic and financial reporting.

The Chairman of the Board monitors GARO's operations through continuous contacts with the CEO. The Chairman organizes and leads the Board's work and is thereby responsible for other Board members receiving satisfactory information and decision data. The Chairman is also responsible for the Board continuously updating and deepening its knowledge of GARO

and otherwise receiving the training required for the Board work to be able to be conducted effectively. It is also the Chairman who is responsible for ensuring that the Board annually evaluates its work.

In 2016, the Board held five ordinary Board meetings and four extraordinary Board meetings in addition to the statutory meeting. The Board meetings have been devoted to financial follow-up of the business, strategic issues, budget discussions, investment decisions, adoption of policies and instructions, listing issues and external economic information. Attendance at the Board meetings is presented in the table above.

The Board meetings are prepared by the CEO and CFO. The CEO provides the members with written reports and documentation at least five work days before the respective meeting. Continuously during the year, the Board members received monthly reports, which shed light on the Group's financial and operational development. These reports were prepared jointly by the CEO and CFO.

BOARD COMMITTEES

According to the Code and the Swedish Companies Act, the Board shall establish a remuneration committee and an audit committee from within its ranks. The Board has decided that the Board as a whole would fulfill the tasks incumbent on the remuneration committee and audit committee. Stefan Jonsson, Board member and CEO, participates in the work incumbent on the remuneration committee and audit committee only as the presenter. The Board of Directors works according to set instructions for issues that are incumbent on the audit committee and remuneration committee.

AUDIT COMMITTEE

The Board as a whole, excluding the CEO, performs the duties incumbent on the audit committee. The main duties of the audit committee are to monitor GARO's and the Group's financial reporting, monitor the effectiveness of its internal controls, internal audit and risk management, and keep informed on the audit of the annual report and consolidated financial statements, examine and monitor the auditor's impartiality and independence and thereby pay particular attention to whether or not the auditor provides the company services other than audit services. The Board of Directors shall also assist the Nomination Committee with regard to the election of auditors. The Board has recurring contact with the company's auditor with the aim of creating a continuous exchange of opinions and information between the Board and the auditor in audit matters. During the year, the committee held two meetings with the company's auditor. At one of the meetings, one of the Board members was absent.

REMUNERATION COMMITTEE

The Board as a whole, excluding the CEO, performs the duties incumbent on the remuneration committee. The remuneration committee has an advisory and a preparatory function for decision matters before discussion and decision in the company's

Board. The remuneration committee works according to a formal work plan that has been adopted by the Board. The main duties of the remuneration committee are to prepare the Board's decisions in matters that concern remuneration principles, remuneration and other terms of employment for company management, to monitor and evaluate programs for variable remuneration of company management and to monitor and evaluate the application of the guidelines for remuneration to senior executives that the AGM approved and applicable remuneration structures and levels in the company. During the year, the committee held two meetings. At these meetings, all members were present.

REMUNERATION OF THE BOARD

Remuneration of elected Board members is chosen by the Annual General Meeting according to a proposal from the Remuneration Committee. The table on page 39 presents the fees that are payable to the elected Board members for the period 2016-2017.

CEO AND GROUP MANAGEMENT

GARO's President and CEO is responsible for leading and developing operating activities pursuant to the guidelines and instructions issued by the Board. The scope is comprised of written terms of reference for the CEO that are approved annually by the Board.

The CEO leads the work of Group management, which is responsible for overall business development. Besides the CEO, Group management consists of GARO's CFO, Director of Marketing, CTO, IR Director and the presidents of GARO Norway A/S and GARO Electric Irl Ltd.

Group management has meetings once a month to it follow up operations, discuss matters affecting the Group and draft proposals for strategic plans and budgets, which the CEO presents to the Board for decision.

The CEO ensures that the Board receives such factual and relevant information as is required for the Board to be able to make well-supported decisions. The CEO monitors that GARO's targets, policies and strategic plans set by the Board are complied with and is responsible for informing the Board of GARO's development between the Board's meetings.

GUIDELINES FOR REMUNERATION

According to the Swedish Companies Act, the General Meeting will resolve on guidelines for remuneration of the CEO and other senior executives. The following guidelines were approved by the Annual General Meeting on February 10, 2016.

GARO is to offer remuneration levels and employment conditions that are deemed to be reasonable to recruit and retain a management team that is highly skilled and with the right capacity for achieving established targets. The overall principle for salaries and other remuneration of GARO senior executives is to be market-based.

Senior executives are to receive a fixed salary. Variable cash remuneration can be paid in addition to fixed salary as a reward

for clearly defined, target-related performance in the context of a simple and transparent structure. Variable salary for the CEO is not to exceed MSEK one (1), including social security contributions, per year and does not comprise pensionable salary. Variable remuneration for other members of senior management is not to exceed 30 percent of fixed salary.

Share-price-related incentive schemes are resolved on by the General Meeting and are not encompassed by these guidelines. Non-monetary benefits for Group Management, such as company cars, computers, mobile phones, additional health insurance or occupational health services, may be awarded to the extent that this is deemed market practice for senior executives in equivalent positions in the market in which the company operates. The total value of these benefits may total a small percentage of total remuneration.

Senior executives are encompassed by the ITP plan applicable at any time or a defined-contribution occupational pension plan that does not exceed 30 percent of pensionable salary. Alternatively, senior executives residing outside Sweden or who are foreign citizens and receive their main pension from a country outside Sweden can be offered different pension solutions that are reasonable in the relevant country.

Salary for notice periods and severance pay for members of senior management is not to exceed a total of 24 monthly salaries for the CEO and 12 monthly salaries for other members. The Board is entitled to deviate from these guidelines if this is justified by special circumstances in individual cases, provided that this is subsequently reported and reasoning provided. For further information regarding salaries and remuneration, see Note 7.

PERIOD OF NOTICE AND SEVERANCE PAY

In the termination of the CEO's employment contract, there is a period of notice of six months, regardless of which party terminates the employment. In the event of the termination of the employment contract by GARO, the CEO also has a right to severance pay equivalent to 18 months' salary. For other senior executives, there is a period of notice of six to 12 months in the event of termination of the employment contract by GARO. Upon resignation by the employee, there is a period of notice of three to six months. In addition to the CEO, the senior executives are not entitled to severance pay.

EXTERNAL AUDIT

The Annual General Meeting elects an external audit for one year at a time. The auditor examines the annual report and accounts and the Board's and CEO's management, and works according to an audit plan that is established in consultation with the Board. In connection with the audit, the auditor reports his or her observations to Group management for reconciliation, and then to the Board. The Board meets the auditor at least once a year when the auditor reports his or her observations directly to the Board without GARO's CEO and CFO being present. The auditor lastly participates in the Annual General Meeting where



he or she briefly presents the audit work and the recommendation in the audit report.

INTERNAL AUDIT

GARO has well-developed governance and internal control systems. The Board of Directors follows up on the management’s assessment of the internal controls. In light of the above, the Board chose to not establish a separate internal audit.

DIVERSITY

With regard to diversity, refer to the sections on the working atmosphere and sustainability efforts on pages 12-13 and 31-35 in this annual report.

INTERNAL CONTROL

The Board’s and CEO’s responsibility for internal control is regulated in the Swedish Companies Act. The Board’s responsibility is also regulated in the Code and the Annual Accounts Act, which also contain requirements on annual external information disclosures regarding how the internal control is organized insofar as it pertains to financial reporting.

The aim of the internal control is in part to ensure GARO’s objectives in terms of suitable and effective operations, reliable reporting and compliance to applicable laws and ordinances. Internal control regarding financial reporting intends to provide reasonable certainty regarding the reliability of the external financial reporting and that the external financial reporting is prepared in accordance with law and applicable accounting standards.

CONTROL ENVIRONMENT

The Board of Directors bears the overall responsibility for internal control of the financial reporting. With the aim of creating and maintaining a functioning control environment, the Board has established a number of basic documents of significance to the financial reporting. This particularly concerns the Board’s rules of procedure and terms of reference to the CEO. The Board ensures that established principles for financial reporting and internal control are complied with. The responsibility for maintaining an effective control environment and the daily work with internal control regarding the financial reporting is delegated to the CEO. The CEO regularly reports to the Board based on established procedures.

The internal control structure is also based on a management system based on GARO’s organization with clear financial roles, areas of responsibility and delegation of powers. Operational decisions are made at the company or business area level while decisions on strategy, overall financial issues, acquisitions and major investments are made by GARO’s Board and Group management. The steering documents concerning accounting and financial reporting constitute the most significant parts of the control environment when it comes to financial reporting. These documents are continuously updated in the event of changes of e.g. accounting standards and legislation.

RISK ASSESSMENT

With regard to financial risk assessment, the risk that errors may be made when reporting the company’s financial position and results is considered the primary risk. To minimize this risk, con-

trol documents have been established pertaining to accounting, procedures for annual accounts and follow-up of reported annual accounts. A Group-wide system for reporting annual accounts has also been introduced.

The Board deals with the outcome of the company’s processes for risk assessment and risk management, in order to ensure that these cover all significant areas, and establishes, when appropriate, any necessary measures to be implemented. In addition to assessing the risks in the financial reporting, the Board and management work continuously to identify and manage significant risks affecting GARO’s business from an operational and financial perspective. Read more about the risks on pages 57-59 in this annual report.

CONTROL ACTIVITIES

The risks that have been identified regarding the financial statements are handled through GARO’s control activities, such as authorization controls in IT systems and approval controls.

The control structure consists of clear roles in the organization that enables an effective division of responsibilities of specific control activities that aim to discover or prevent the risk of errors in the reporting on time. The continuous analysis done of the financial reporting together with the analysis done at the Group level is very important to ensure that financial reporting does not contain any material misstatements. The Group’s controller organization plays an important role in this internal control process, which are responsible for ensuring that financial reporting from each unit is correct, complete and delivered in a timely manner.

INFORMATION AND COMMUNICATION

The Group has information and communication channels that aim to promote completeness and accuracy in the financial reporting. Policies, guidelines and internal instructions regarding the financial reporting are available in electronic form over GARO’s intranet. Regular updates and messages regarding changes of accounting principles, reporting requirements or other information disclosures are made available and known to the concerned employees.

FOLLOW-UP, EVALUATION AND REPORTING

The CEO is responsible for the internal control being organized and followed up according to the guidelines that the Board has established. The CEO is also responsible for ensuring independent objective audits are done with the aim of systematically evaluating and proposing improvements of the Group’s processes for governance, internal control and risk management. Financial governance and control are carried out by local accounting functions and the Group accounting function. GARO’s management conducts a monthly earnings follow-up with an analysis of deviations from budget, forecast and previous years and all monthly closings are discussed with the management of the respective operating segments. The Board of Directors is sent monthly financial statements and the financial reporting is followed up at every Board meeting. Prior to publication of the annual report, the Board and management go through the financial reporting.

Auditor’s report on the corporate governance statement

To the general meeting of the shareholders in Garo Aktiebolag (publ), corporate identity number 556051-7772

ENGAGEMENT AND RESPONSIBILITY

It is the board of directors who is responsible for the corporate governance statement for the year 2016 on pages 38-42 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 RevU 16 The auditor’s examination of the corporate governance statement. This means that our examination of the corporate governance statement 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 statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Jönköping, March 28, 2017  
Öhrlings PricewaterhouseCoopers AB

PIERRE FOGELBERG  
Authorized Public Accountant  
Auditor in Charge

MARTIN ODQVIST  
Authorized Public  
Accountant



# Board of Directors’ Report for the Group

The Board of Directors and the President and CEO of GARO AB (publ), Corporate Registration Number 556051-7772, hereby submit the Annual Report and consolidated financial statements for the 2016 fiscal year. All amounts are stated in MSEK unless specified otherwise. Amounts in parentheses pertain to the preceding year.

### OPERATIONS

GARO develops, manufactures and supplies innovative products and complete solutions for the electrical installations industry under its own brand. GARO was founded in 1939 in Gnosjö in Småland, Sweden, and has established strong customer relationships and a highly developed supplier network over its more than 75-year history that, combined with proprietary production and sales units, form a platform for delivering innovative complete solutions.

The company has operations in Sweden, Norway, Finland, Ireland and Poland and the Group is organized in two business areas:

GARO Sweden and GARO Other markets.

GARO’s main customer group is electrical wholesalers, although the company also has good relationships with end customers that comprise electrical installers, original equipment manufacturers (OEMs) and industrial companies. The GARO share has been listed on Nasdaq Stockholm since March 16, 2016.

### SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

The Swedish market noted healthy growth for the year and exceeded industry forecasts.

All product areas reported solid growth and the EV charging and Temporary electric installations areas outperformed average growth levels.

The production facility Poland performed well, generating higher volumes and increasing productivity. A decision was made during the year to extend the Polish plant, which is scheduled for completion in the third quarter of 2017.

The Norwegian operations reported robust growth, with new product launches strongly contributing to growth. The Finnish operations note healthy growth despite a weak market situation. The Irish operations reported expanded growth due to increased construction and an improved economic climate.

On February 2, 2016, the Board decided to diversify the ownership base and list the company’s shares on Nasdaq Stockholm, which took place on March 16, 2016. The income statement was charged with MSEK 12.6 for costs for the IPO, which are recognized as other operating expenses in profit or loss.

### NET SALES AND EARNINGS

Net sales increased 18.7% to MSEK 657.8 (554.1). Underlying demand in all of the Group’s companies was strong during the year. The company believes that it has increased its market shares in all product areas. EBIT amounted to MSEK 73.8 (62.4), corresponding to an EBIT margin of 11.2% (11.3). In the first quarter, EBIT was charged with non-recurring costs of MSEK 12.6 for GARO’s IPO.

Adjusted for IPO costs, EBIT amounted to MSEK 86.4 (62.4), corresponding to an adjusted EBIT margin of 13.1% (11.3).

EBIT was positively impacted by higher volumes, improved gross margins and stable expenses in relation to net sales, but negatively affected by a higher average exchange rate for purchases in EUR and a weaker NOK.

The Group’s net financial expenses amounted to MSEK 1.0 (expense: 3.1) and was adversely affected by exchange-rate differences of MSEK 0.4 (neg: 2.0). The Group’s income after financial items was MSEK 72.8 (59.3). The tax expense for the period amounted to MSEK 15.8 (13.5), corresponding to a tax rate of 21.7% (22.8). Profit after tax was MSEK 57.0 (45.8).

### INVESTMENTS

GARO invests continuously in the maintenance of production units and production equipment. The Group’s investments in tangible assets amounted to MSEK 9.2 (10.4). GARO also invests in product development and investments in intangible assets for the year totaled MSEK 3.6 (3.4). Depreciation/amortization for the year amounted to MSEK 11.0 (11.9), of which depreciation of tangible assets was MSEK 7.8 (7.8).

## Multi-year summary

### SUMMARY OF THE GROUP’S FINANCIAL PERFORMANCE

MSEK	2016	2015	2014	2013	2012*
Net sales	657.8	554.1	441.7	383.1	378.2
EBITDA	84.8	74.3	50.6	34.8	34.4
EBIT	73.8	62.4	39.8	24.0	24.4
EBIT margin %	11.2	11.3	9.0	6.3	6.5
Total assets	374.0	314.9	279.8	257.9	246.6
Equity ratio %	52.0	49.8	48.5	51.3	50.5
Return on equity %	32.4	31.3	17.1	11.7	14.8
Average number of employees	275	254	244	224	227
*2012 not restated in accordance with IFRS					

### CASH FLOW, LIQUIDITY AND FINANCIAL POSITION

Cash flow from operating activities amounted to MSEK 48.4 (54.0), which was negatively affected by non-recurring costs in connection with the IPO and higher working capital. Cash flow for the year amounted to MSEK 16.7 (2.4). Cash and cash equivalents including unutilized overdraft facilities on December 31, 2016 amounted to MSEK 109.7 (73.0). Net debt on December 31, 2016 amounted to MSEK 17.3 (0.4). The Group’s equity on December 31, 2016 amounted to MSEK 194.4 (156.9). The 2016 dividend amounted to MSEK 20.0. Refer also to Note 3.2.

### EMPLOYEES

The number of full-time employees in the Group on December 31, 2016 was 274 (252). The average number of full-time employees in 2016 was 275 (254). The number of employees in the Group’s foreign companies on December 31, 2016 amounted to 93 (84), corresponding to 34% (33) of the total number of employees. The percentage of women during the year was 42% (42). For more information about employees, see Note 7.

### PERFORMANCE AND EARNINGS OF GARO SWEDEN SEGMENT

Net sales increased 19.7% to MSEK 419.0 (349.9). Underlying demand was strong during the year. The company believes that it has increased its market shares in all product areas. EBIT amounted to MSEK 36.1 (34.2), corresponding to an EBIT margin of 8.6% (9.8). Adjusted for non-recurring costs related to the IPO, EBIT amounted to MSEK 48.7 and the EBIT margin to 11.6%. EBIT was positively impacted by higher volumes, an improved gross margin and stable expenses in relation to net sales, but negatively affected by a higher average exchange rate for purchases in EUR.

### PERFORMANCE AND EARNINGS OF GARO OTHER MARKETS SEGMENT

Net sales increased 16.9% to MSEK 238.8 (204.2). Underlying demand was strong during the year. Mainly the Norwegian and Irish companies increased their market shares. The company also believes that it has increased its market shares in other companies in the segment and in all product areas. EBIT amounted to MSEK 37.7 (28.2), corresponding to an EBIT margin of 15.8% (13.8). EBIT was positively impacted by higher volumes and stable expenses and negatively affected by a weaker NOK compared with the preceding year.

### PRODUCT DEVELOPMENT

GARO’s aim is to be at the forefront of developments in environmentally friendly and energy-efficient electrical products and complete solutions. The company has an in-house product development department that works together with other departments on continuously developing new and improving existing products and solutions in all product areas. GARO also work close to its customers to gain inspiration and better understand customer needs on the market. GARO has eight full-time employees who work on product development. Refer also to Note 2.8.

### ENVIRONMENTAL IMPACT

GARO conducts its business activities in accordance with the legal requirements regarding environmental impact. The company believes that it is at the forefront of developments in energy-efficient and environmentally friendly products and solutions that reduce electricity consumption. All products are subject to an environment assessment by Bygghälsöbegränsningen (building material assessment). The company’s facilities have environmentally friendly production processes that meet local environmental legislation also hold ISO 14001 certification.

The production facilities in Sweden and Poland conduct reportable operations and the local authority is the supervisory



authority. No other companies in the Group conduct licensable or reportable operations.

RISKS AND UNCERTAINTIES

A description of potential risks and their management is provided in Note 3.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

These guidelines encompass those individuals who, during the period of validity of the guidelines, are members of Group Management and other managers who report directly to the CEO, referred to below as “senior executives.” GARO is to offer remuneration levels and employment conditions that are deemed to be reasonable to recruit and retain a management team that is highly skilled and with the right capacity for achieving established targets. The overall principle for salaries and other remuneration of GARO senior executives to be market-based. Senior executives are to receive a fixed salary. Variable cash remuneration can be paid in addition to fixed salary as a reward for clearly defined, target-related performance in the context of a simple and transparent structure. Variable salary for the CEO is not to exceed MSEK one (1), including social security contributions, per year and does not comprise pensionable salary. Variable remuneration for other members of senior management is not to exceed 30% of fixed salary. Share-price-related incentive schemes are resolved on by the Annual General Meeting and are not encompassed by these guidelines.

Non-monetary benefits for Group Management, such as company cars, additional health insurance or occupational health services, may be awarded to the extent that this is deemed market practice for senior executives in equivalent positions in the market in which the company operates. The total value of these benefits may total a small percentage of total remuneration. Senior executives are encompassed by the ITP plan applicable at any time or a defined-contribution occupational pension plan that does not exceed 30% of pensionable salary. Alternatively,

senior executives residing outside Sweden or who are foreign citizens and receive their main pension from a country outside Sweden can be offered different pension solutions that are reasonable in the relevant country.

Salary for notice periods and severance pay for members of senior management is not to exceed a total of 24 monthly salaries for the CEO and 12 monthly salaries for other members. Remuneration of Board members and deputy Board members is determined by law by the Annual General Meeting to the extent that this represents remuneration for Board assignments. If a Board member is employed by the company then remuneration to such a member is paid in accordance with such guidelines. Board members who are employed by the company do not receive special remuneration for their assignment(s) on the Board of the company or Group companies. If a Board member provides services to the company that is not part of the Board assignment, remuneration paid is market-based, taking into account the nature and work required for the assignment. Remuneration is determined by the Board.

The Board is entitled to deviate from these guidelines if this is justified by special circumstances in individual cases, provided that this is subsequently reported and reasoning provided. The Board is entitled to deviate from the guidelines if this is justified by special circumstances in individual cases.

EVENTS AFTER THE END OF THE FINANCIAL PERIOD

GARO Montage AB, a company in the GARO Group, acquired Emedius AB on February 28, 2017. Emedius markets and manufactures consumer units, distribution boards as well as switch-gear under its own brand. In 2016, company sales amounted to MSEK 71.5 with an EBIT of MSEK 6.3. Emedius employs 36 people and is based in Gnosjö. The purchase consideration for Emedius AB amounted to MSEK 31. Operations are run in rented premises, which have been transferred to GARO AB (publ), in conjunction with the acquisition at a purchase consideration of MSEK 9.5.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	2016	2015
<b>Operating income</b>			
Net sales	2, 5	657.8	554.1
Other operating income	6	2.0	3.2
<b>Total operating income</b>		<b>659.8</b>	<b>557.3</b>
Raw materials and consumables		-341.0	-292.8
Other external expenses	8, 9	-81.8	-68.3
Personnel expenses	7	-139.6	-121.1
Depreciation/amortization of tangible and intangible assets	12,13	-11.0	-11.9
Other operating expenses		-12.6	-0.8
<b>Total operating expenses</b>		<b>-586.0</b>	<b>-494.9</b>
<b>EBIT</b>		<b>73.8</b>	<b>62.4</b>
Financial income	10	1.2	0.3
Financial expenses	10	-2.2	-3.4
Net financial income/expenses	10	-1.0	-3.1
<b>Profit before tax</b>		<b>72.8</b>	<b>59.3</b>
Income tax	11	-15.8	-13.5
<b>Net income for the year</b>		<b>57.0</b>	<b>45.8</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to the income statement</b>			
Translation differences		1.6	-3.2
Other comprehensive income for the year, net after tax		1.6	-3.2
<b>Total comprehensive income for the year</b>		<b>58.6</b>	<b>42.6</b>

Net income and total comprehensive income for the year is attributable to shareholders of the Parent company

EARNINGS PER SHARE AFTER STOCK DIVIDEND AND SHARE SPLIT (50:1) DECIDED ON JANUARY 12, 2016.

	2016	2015
Earnings per share (SEK)	5.70	4.58
Average number of shares, thousands	10,000	10,000
Number of shares outstanding (thousands)	10,000	10,000



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MSEK	Note	Dec 31, 2016	Dec 31, 2015
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Goodwill	12	-	-
Capitalized development expenditure	12	6.5	7.8
Development projects in progress	12	2.1	0.7
<b>Total intangible assets</b>		<b>8.6</b>	<b>8.5</b>
<b>Tangible assets</b>			
Lands and buildings	13	36.4	37.3
Plant and machinery	13	3.0	3.6
Equipment, tools, fixtures and fittings	13	17.6	15.9
Construction in progress and advance payments for tangible assets	13	1.8	0.6
<b>Total tangible assets</b>		<b>58.8</b>	<b>57.4</b>
<b>Total fixed assets</b>		<b>67.4</b>	<b>65.9</b>
<b>Current assets</b>			
<b>Inventories</b>			
Raw materials and consumables		52.6	49.8
Finished goods and goods for resale		42.7	40.8
Products in progress		2.0	1.7
<b>Total inventories</b>		<b>97.3</b>	<b>92.3</b>
<b>Current receivables</b>			
Accounts receivable	14, 15	163.5	127.7
Other current receivables	14	1.3	1.0
Prepaid expenses and accrued income	14	2.9	4.8
Cash and cash equivalents	14, 16	41.6	23.2
<b>Total current receivables</b>		<b>209.3</b>	<b>156.7</b>
<b>Total current assets</b>		<b>306.6</b>	<b>249.0</b>
<b>Total assets</b>		<b>374.0</b>	<b>314.9</b>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, CONT.

MSEK	Note	Dec 31, 2016	Dec 31, 2015
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY</b>			
Share capital	17	20.0	14.0
Reserves		-0.1	-1.7
Retained earnings (including net income for the year)		174.5	144.6
<b>Total equity</b>		<b>194.4</b>	<b>156.9</b>
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>			
Liabilities to credit institutions	14, 18	10.5	12.4
Other provisions		1.6	0.7
Deferred tax liabilities	19	4.6	6.0
<b>Total long-term liabilities</b>		<b>16.7</b>	<b>19.1</b>
<b>Short-term liabilities</b>			
Liabilities to credit institutions	14, 18	2.3	2.3
Accounts payable	14, 18	67.4	60.5
Overdraft facilities	14, 18	11.5	8.1
Current tax liabilities		13.6	15.8
Other short-term liabilities	14	19.9	15.7
Accrued expenses and deferred income	20	48.2	36.5
<b>Total short-term liabilities</b>		<b>162.9</b>	<b>138.9</b>
<b>Total liabilities</b>		<b>179.6</b>	<b>158.0</b>
<b>Total equity and liabilities</b>		<b>374.0</b>	<b>314.9</b>



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MSEK	Note	Share capital	Reserves	Retained earnings	Total	Total equity
Opening balance at January 1, 2015		14.0	1.5	120.2	135.7	135.7
Net income for the year		-	-	45.8	45.8	45.8
Other comprehensive income for the year		-	-3.2	-	-3.2	-3.2
Total comprehensive income		-	-3.2	45.8	42.6	42.6
Dividend according to Annual General Meeting resolution		-	-	-10.0	-10.0	-10.0
Dividend according to Extraordinary General Meeting resolution		-	-	-10.0	-10.0	-10.0
Change in value, liability, put option	14	-	-	-1.4	-1.4	-1.4
Total contributions from and value transfers to shareholders, recognized directly in equity		-	-	21.4	21.4	21.4
Closing balance at December 31, 2015		14.0	-1.7	144.6	156.9	156.9
Opening balance at January 1, 2016		14.0	1.7	144.6	156.9	156.9
Net income for the year		-	-	57.0	57.0	57.0
Other comprehensive income for the year		-	1.6	-	1.6	1.6
Total comprehensive income		-	1.6	57.0	58.6	215.5
Stock dividend at January 12, 2016		6.0	-	-6.0	0.0	0.0
Dividend according to Annual General Meeting resolution		-	-	-20.0	-20.0	-20.0
Dividend minority shareholders in subsidiaries		-	-	-0.3	-0.3	-0.3
Change in value, liability, put option	14	-	-	-0.8	-0.8	-0.8
Total contributions from and value transfers to shareholders, recognized directly in equity		6.0	-	-27.1	-21.1	-21.1
Closing balance at December 31, 2016		20.0	-0.1	174.5	194.4	194.4

The entire “reserves” column is attributable to currency translation differences.

CONSOLIDATED STATEMENT OF CASH FLOW

MSEK	Note	2016	2015
Cash flow from operating activities			
EBIT		73.8	62.4
Depreciation/amortization		11.0	11.9
Adjustment for non-cash items		0.4	-2.5
Interest received	10	1.2	0.3
Interest paid	10	-2.2	-2.5
Income tax paid	11	-19.4	-10.4
Cash flow from operating activities before change in working capital		64.8	59.2
Change in inventories		-4.9	-3.5
Change in accounts receivable		-35.8	-28.2
Change in other current receivables		1.5	-2.8
Change in accounts payable		6.9	16.3
Change in other current operating liabilities		15.9	13.0
Total change in working capital		-16.4	-5.2
Cash flow from operating activities		48.4	54.0
Cash flow from investing activities			
Investments in intangible assets	12	-3.6	-3.4
Investments in tangible assets	13	-9.2	-10.4
Assets sold		1.1	0.7
Cash flow from investing activities		-11.7	-13.1
Cash flow from financing activities			
Borrowings		-0.8	-
Amortization of loans		-2.3	-17.6
Change in overdraft facilities		3.4	-0.9
Dividend paid		-20.3	-20.0
Cash flow from financing activities		-20.0	-38.5
Decrease/increase in cash and cash equivalents			
Net cash flow for the year		16.7	2.4
Currency effect in cash and cash equivalents		1.7	-1.2
Cash and cash equivalents at beginning of the year		23.2	22.0
Cash and cash equivalents at end of the year	16	41.6	23.2



# Notes

## NOTE 1. GENERAL INFORMATION

Garö Aktiebolag (publ) (the "Parent Company") and its subsidiaries (jointly referred to below as the "Group") develop, manufacture and market electrical installation materials. The single largest market is Sweden, which represents 64% (63) of the Group's volumes. Export sales are primarily conducted through the company's own subsidiaries in Norway, Finland, Poland and Ireland.

The Parent Company is a limited liability company registered in Sweden with its registered office in Gnosjö. The address of the office is Södergatan 26, Box 203, SE-335 33 Gnosjö, Sweden.

The Garö share has been listed on Nasdaq Stockholm since March 16, 2016.

All amounts are stated in millions of Swedish kronor (MSEK), unless otherwise stated.

## NOTE 2. SUMMARY OF IMPORTANT ACCOUNTING POLICIES

The most important accounting policies applied in the preparation of these consolidated financial statements are described below. These policies were applied consistently for all years presented, unless otherwise stated.

### 2.1 BASIS FOR PREPARING THE FINANCIAL STATEMENTS

The consolidated financial statements for the Garö Aktiebolag Group were prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Corporate Groups and the International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee interpretations (IFRS IC), as approved by the EU. The consolidated financial statements were prepared following the cost method.

These consolidated financial statements are the Garö Group's second consolidated financial statements that have been prepared in accordance with IFRS. Historical financial information has been restated from January 1, 2013, which is the date of transition to accounting in accordance with IFRS. Descriptions of the transition from previously applied accounting policies to IFRS and the effects of restatement on the income statement and equity are presented in Note 23.

Preparing financial statements in accordance with IFRS requires the use of a number of important estimates for accounting purposes. Management is also required to make certain assessments when applying the Group's accounting policies. The areas involving a high degree of assessment, that are complex or are such areas in which assumptions and estimates are of significant importance to the consolidated financial statements are described in Note 4.

### 2.1.1 CHANGES TO ACCOUNTING POLICIES AND DISCLOSURES

*New standards and interpretations that have not yet been applied by the Group*

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities were implemented during the year, which impacted supplementary disclosures.

A number of new standards and interpretations come into effect for fiscal years beginning on or after January 1, 2016 and were not applied when preparing these financial statements. None of these standards or interpretations had any material effect on the consolidated financial statements. Some standards and interpretations that could have an effect are described below, although the company's initial assessment is that they will not have a material effect.

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial liabilities and assets. It replaces IAS 39 that addresses the classification and measurement of financial instruments. IFRS 9 contains a mixed measurement approach, although it is simplified in certain respects. There are three measurement categories for financial assets, amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification of an instrument depends on the company's business model and the characteristics of the instrument. Investments in equity instruments are measured at fair value through profit or loss but there is the option of initially measuring the instrument at fair value through other comprehensive income. No reclassifications to profit or loss will then take place when the instrument is divested. The classification and measurement of financial liabilities is not changed except in cases in which a liability is measured at fair value through profit or loss based on the fair value option. The standard is to be applied to fiscal years beginning on January 1, 2018 (not yet adopted by the EU). Early adoption is permitted. The Group has not yet evaluated the effects of the introduction of the standard.

IFRS 15 Revenue from Contracts with Customers regulations include recognition. The principles on which IFRS 15 is based are to provide users of financial statements with more informative, relevant income disclosures. The expanded disclosure requirements entail that information about the nature, amount, timing, and uncertainty of income and cash flows arising from a contract with a customer is to be provided. Under IFRS 15, income is to be recognized when control of the sold good or service is passed to the customer and the customer can use and obtain benefits from the good or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and associated SICs and IFRICs. IFRS 15 comes into effect on January 1, 2018 (not yet adopted by the EU). Early adoption is permitted. The Group has not yet evaluated the effects of the introduction of the standard.

IFRS 16 Leases. The IASB published a new leasing standard in January 2016 that will replace IAS 17 Leases and the associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities attributable to all leases, with some exceptions, are recognized in the balance sheet. Such recognition is based on the approach that the lessee has the right to use the asset during a specific period of time and a liability to pay for this right. Recognition for the lessor will essentially remain unchanged. The standard applies to fiscal years beginning on or after January 1, 2019. Early adoption is permitted. The EU has not yet adopted the standard. The Group has not yet evaluated the effects of IFRS 16.

No other IFRS or IFRIC interpretations that have not yet come into effect are expected to have any material effects on the Group. An expanded analysis of these standard and interpretations will be carried out in 2017.

## 2.2 CONSOLIDATED FINANCIAL STATEMENTS

### 2.2.1 FUNDAMENTAL ACCOUNTING POLICIES

#### SUBSIDIARIES

Subsidiaries are all companies over which the Group exercises control. The Group controls a company when the Group is exposed to, or has rights to, variable returns from its holding in the company (the investee) and has the ability to affect returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date on which control was transferred to the Group. They are excluded from the consolidated financial statements from the date on which the control ceases.

The purchase method is used to recognize the Group's business combinations. The purchase consideration for the acquisition of a subsidiary comprises the fair value of transferred assets, liabilities that the Group assumes from previous owners of the acquired company and the shares issued by the Group. The consideration also includes the fair value of all liabilities that result from an agreement covering a contingent consideration. Identifiable acquired assets and assumed liabilities in a business combination are initially measured at fair value on the date of acquisition. For each acquisition, that is, on an acquisition-by-acquisition basis, the Group determines whether non-controlling interest in the acquired company is to be measured at fair value or at the shareholding's proportional share in the carrying amount of the acquired company's identifiable net assets. No non-controlling interest is recognized if the Group has a future commitment, a call/put option, to acquire a non-controlling interest. Instead, the financial liability is measured at fair value with subsequent changes in value recognized directly in equity, since these are equivalent to transactions with owners.

Acquisition-related costs are expensed as they arise.

Goodwill is initially measured as the amount by which the total purchase consideration and any fair value of non-controlling interests on the acquisition date exceeds the value of identifiable

acquired net assets. If the purchase consideration is lower than the fair value of the acquired company's net assets, the difference is recognized directly in profit or loss.

Intra-Group transactions, balance-sheet items and income and expenses for intra-Group transactions are eliminated. Gains and losses resulting from intra-Group transactions and which are recognized in assets are also eliminated. The accounting policies for subsidiaries were changed as appropriate to guarantee consistent application of the Group's policies.

### 2.3 SEGMENT REPORTING

Operating segments are recognized in a manner that corresponds to the internal reporting to the chief operating decision maker. The chief operating decision maker is the function that is responsible for allocating resources and assessing the performance of the operating segments. For the Group, this function has been identified as the CEO. The Group's operating segments are Sweden and Other markets.

### 2.4 TRANSLATION OF FOREIGN CURRENCIES

#### FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The various units in the Group use the local currency as their functional currency since the local currency has been defined as in the currency used in the primary economical environment where each unit primarily conducts business activities. Swedish kronor (SEK), which is the Parent Company's functional currency and the Group's presentation currency, is utilized in the consolidated financial statements.

#### TRANSACTIONS AND BALANCE SHEET ITEMS

Transactions in foreign currency are translated into the functional currency in accordance with the exchange rate prevailing on the transaction date. Exchange-rate gains and losses resulting from settlement of such transactions and from the translation at the closing rate of monetary assets and liabilities in foreign currency are recognized in EBIT in profit or loss.

#### TRANSLATION OF FOREIGN GROUP COMPANIES

The earnings and financial position of all Group companies that have a functional currency that differs from the presentation currency are translated to the Group's reporting currency. Assets and liabilities for each of the balance sheets are translated from the functional currency of the foreign operation to the Group's presentation currency, SEK, at the exchange rate prevailing on the balance-sheet date. Income and expenses for each of the income statements are translated to SEK at the average exchange rates in effect at the time of each transaction. Translation differences arising from the translation of foreign operations are recognized in other comprehensive income.

### 2.5 INCOME RECOGNITION

The Group's income includes the fair value of the amount that



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has been, or will be, received and essentially comprises income from the sale of goods in both of the Group’s segments. Income is recognized when the significant risks and benefits associated with the ownership of the goods have been transferred to the buyer, the company does not retain any commitment in its ongoing management and does not exercise any real control of the sold goods, the income can be reliably calculated, it is probable that financial benefits that the company is to obtain from the transaction will accrue to the company and that the amounts that have arisen or can be expected to arise on the basis of the transaction can be reliably calculated. Income is recognized excluding value added tax and including deductions for discounts provided.

2.5.1 PRICING WITHIN THE GROUP

The pricing of transactions, such as purchases and sales of goods and services, between Group companies is based on market principles.

2.6 FINANCIAL INCOME AND EXPENSES

Financial income and expenses comprise interest income on bank balances and receivables, interest expenses on loans, dividend income, exchange-rate differences and other financial income and expenses.

2.7 LEASES

The Group only has agreements that are classified as operating leases.

The Group has leases mainly for vehicles, office equipment and premises. Leasing whereby a significant share of the risks and benefits is retained by the lessor is classified as operating leases. Payments made during the leasing period are expensed on a straight line basis over the leasing period.

2.8 INTANGIBLE ASSETS

**CAPITALIZED DEVELOPMENT EXPENDITURE** Capitalized development expenditure pertains to the development of new products. Development expenditure that is directly attributable to the development of new products is recognized as intangible assets when it is probable that future financial benefits that can be attributed to the asset will accrue to the company, if the cost of the asset can be reliably calculated.

Intangible assets are recognized at cost less accumulated amortization and any impairment. The cost of an internally developed intangible asset is the total of expenditure arising as of the date when the intangible asset first satisfies the above capitalization criteria.

Amortization commences when the asset starts to be used. The period of use is assessed on the basis of the period during which the anticipated benefits are expected to accrue to the Company. The period of use is deemed to be five years and straight-line amortization takes place over this period. Capitalized development expenditure for assets that have not started to be used is

recognized on the line “Development projects in progress” in the balance sheet.

Development expenditure that does not satisfy the above criteria is expensed as incurred. Development expenditure that has previously been expensed is not recognized as an asset in subsequent periods.

GOODWILL

Goodwill arises on acquisitions of subsidiaries and pertains to the amount at which the purchase consideration exceeds GARO’s share of the fair value of the identifiable assets, liabilities, contingent liabilities in the acquired company and the fair value of the non-controlling interest in the acquired company. For impairment testing, goodwill acquired in a business combination is distributed between cash-generating units or groups of cash-generating units that are expected to benefit from synergies of the acquisition. Each unit or group of units to which goodwill has been distributed corresponds to the lowest level in the Group in which this goodwill is monitored in the internal governance of the company. Goodwill is monitored at company level.

Goodwill is tested for impairment every year or more often if events or changes in circumstances indicate a potential decline in value. The carrying amount of goodwill is compared with its recoverable amount, which is the highest of the value in use and the fair value less selling expenses.

2.9 TANGIBLE ASSETS

Tangible assets are recognized at their cost less depreciation and any impairment. The cost includes expenses that can be directly attributed to acquisition of the asset.

Subsequent expenditure is added to the carrying amount or recognized as a separate asset, depending on which is suitable, only when it is probable that future financial benefits associated with the asset will accrue to the Group and the cost of the asset can be reliably measured. The carrying amount of a replaced part is derecognized from the balance sheet. All other forms of repairs and maintenance are recognized as costs in profit or loss during the period when they arise. Depreciation is applied on a straight-line basis as follows:

- Buildings, permanent equipment, service facilities etc. in buildings and land improvements 5-25 years
- Machinery and other technical plant 5-7 years
- Equipment, tools, fixtures and fittings 5-7 years

The assets’ residual value and useful lives are tested at the end of each reporting period and adjusted if necessary. The asset’s carrying amount is immediately impaired to its recoverable amount if the asset’s carrying amount exceeds its estimated recoverable amount.

Gains and losses on the sale of tangible assets are determined by means of a comparison between the sales proceeds and the carrying amount and are recognized in other operating income

or other operating expenses in profit or loss.

2.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets that have an indefinite useful life, such as goodwill or intangible assets not ready for use, are not amortized but are tested annually for impairment. Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized at the amount whereby the carrying amount of the asset exceeds the recoverable amount. The recoverable amount is the higher of the asset’s fair value less selling expenses and its value in use. In impairment testing, assets are grouped at the lowest level for which there are separate identifiable cash flows (cash-generating units). For assets other than financial assets that were previously impaired, a test for reversal is performed every balance-sheet date. Previous impairment of goodwill is not reversed.

2.11 FINANCIAL INSTRUMENTS - GENERAL

Financial instruments are found in many balance-sheet items and are described below.

2.11.1 CLASSIFICATION

The Group classifies its financial assets and liabilities in the following categories: loans and receivables, and other financial liabilities. The classification depends on the purpose for which the financial asset or liability was acquired.

LOANS AND RECEIVABLES

Loans and receivables are financial assets that are not derivative instruments, that have fixed or fixable payments and that are not quoted on an active market. They are included in current assets with the exception of items with due dates more than 12 months after the balance-sheet date, which are classified as assets. The Group’s loans and receivables comprise other long-term receivables, accounts receivables, cash and cash equivalents, and the financial instruments that are recognized among other receivables and interim receivables.

OTHER FINANCIAL LIABILITIES

The Group’s long and short-term borrowing (including overdraft facilities), other long-term liabilities, accounts payable and the portion of other short-term liabilities and interim liabilities pertaining to financial instruments are classified as other financial liabilities. The Parent Company has options contracts entailing the right to acquire minority interests’ participations in GARO Elf-lex AB and GARO Finland OY. The fair value of these contracts on December 31, 2016 was MSEK 2.8 (1.9) and is recognized in the balance sheet as a short-term liability and equity.

2.11.2 RECOGNITION AND MEASUREMENT

Financial instruments are initially measured at fair value plus transaction costs, which applies to all financial assets not measured at fair value through profit or loss. Financial assets mea-

sured at fair value through profit or loss are initially measured at fair value, while attributable transaction costs are recognized in profit or loss. Financial assets are derecognized from the balance sheet when the right to receive cash flow from the instrument has expired or been transferred and the Group has transferred essentially all risks and benefits associated with ownership. Financial liabilities are derecognized from the balance sheet when the contractual obligation has been fulfilled or otherwise extinguished.

Following the acquisition date, financial assets and liabilities measured at fair value through profit or loss are measured at fair value. Loans and receivables and other financial liabilities are recognized after the acquisition date at amortized cost by applying the effective interest method.

Gains and losses arising as a result of changes in fair value attributable to the category of financial assets and liabilities measured at fair value through profit or loss are recognized in the periods in which they arise and are included in EBIT.

2.11.3 OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset against each other and the net amount is recognized in the balance sheet when there is a legal right to offset the carrying amounts and there is an intention to settle the items by a net amount or to simultaneously realize the asset and settle the liability.

2.11.4 DERIVATIVE INSTRUMENTS

Derivative instruments are recognized in the balance sheet on the contract date and measured at fair value, both initially and when subsequently remeasured. Derivative instruments are not recognized in accordance with the hedge accounting principle. Changes in fair value are subsequently immediately recognized in profit and loss. Outstanding forward contracts amounted to MEUR 4.6 (3.9) on the balance-sheet date.

2.11.5 IMPAIRMENT OF FINANCIAL INSTRUMENTS

Assets recognized at amortized cost  
At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset or group of financial assets requires impairment. A financial asset or group of financial assets becomes subject to impairment and is impaired only if there is objective evidence of an impairment requirement due to one or more occurred events after the asset was initially recognized and that such events have had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably calculated.

The impairment is calculated as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted using the financial asset’s original effective interest rate. The asset’s carrying amount is impaired and the impairment amount is recognized in consolidated profit or loss under “other external expenses” or under net financial items depending on the type of financial asset that is impaired. If the impairment requirement is reduced in a subsequent period



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and the decrease can be objectively attributed to an event that occurred after recognition of the impairment, a reversal of the previously recognized impairment is recognized in consolidated profit or loss under “other external expenses” or under net financial items depending on the type of financial asset that is impaired.

2.12 INVENTORIES

Inventories are recognized at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Cost for own semi-finished and finished goods comprise direct manufacturing expenses and a reasonable portion of indirect manufacturing expenses.

2.13 ACCOUNTS RECEIVABLE

Accounts receivables are financial instruments that comprise amounts to be paid by customers for products and services sold in operating activities. If payment is expected within one year or earlier, they are classified as current assets. If not, they are recognized as fixed assets.

Accounts receivable are initially measured at fair value and thereafter at amortized cost applying the effective interest method, less any provision for a decline in value.

2.14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are financial instruments that include bank balances in both the balance sheet and the statement of cash flows.

2.15 SHARE CAPITAL

Common shares are classified as equity. Transaction costs that can be directly attributed to new share or options issues are recognized in net amounts after tax in equity as a deduction from the issue proceeds.

2.16 PROVISIONS

Provisions are recognized when the Group has a legal or an informal obligation due to previous events, it is probable that an outflow of resources will be required to regulate the obligation and the amount has been calculated in a reliable manner. Provisions for restructuring includes expenses for terminating leases and severance pay.

Estimated guarantee reserves for product guarantees are recognized when the products are sold. Reserves are based on expected contractual obligations and determined based on historical statistics regarding action expenses, etc. Guarantee reserves amount to MSEK 1.5 (0.7) and are recognized under provisions. The provision for this is not material. No provisions are made for future operating losses.

If there are similar commitments, the probability of an outflow of resources being required on settlement is calculated as a total for the entire group of these commitments. A provision is recognized even if the probability of an outflow for a special item in this group of commitments is minor.

Provisions are valued at the present value of the amount that is expected to be required to settle the obligation. In so doing, a discounted interest rate before tax is applied that reflects the current market assessment of the value of money over time and the risks associated with the provision. The increase in the provision that is due to the passing of time is recognized as interest expenses.

2.17 ACCOUNTS PAYABLE

Accounts payable are financial instruments and pertain to obligations to pay for goods and services that have been acquired from suppliers in operating activities. Accounts payable are classified as short-term liabilities if they fall due for payment within one year. If not, they are recognized as long-term liabilities.

Accounts payable are initially measured at fair value and, thereafter, at amortized cost using the effective interest method.

2.18 BORROWINGS

Borrowings are financial instruments and are initially measured at fair value, net after transaction costs. Borrowings are subsequently recognized at amortized cost and any differences between the amount received (net after transaction costs) and the repayment amount are recognized in profit or loss distributed over the term of the loan applying the effective interest method.

Borrowings are classified as short-term liabilities unless the Group has an unconditional right to defer payment of the liabilities for at least 12 months after the end of the reporting period.

2.19 CURRENT AND DEFERRED TAX

Tax expense for the period includes current and deferred tax. The current tax expense is calculated on the basis of the tax regulations that have been decided or essentially decided on the balance-sheet date in those countries where the Parent Company and its subsidiaries are active and generate taxable income.

Deferred tax is recognized, in accordance with the balance sheet method, on all temporary differences arising between the taxable value of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is calculated applying tax rates that have been decided or announced on the balance-sheet date and that are expected to apply when the particular deferred tax asset is realized or the deferred liability has been settled.

Deferred tax assets on loss carryforwards are recognized insofar as it is probable that future taxable surpluses will be available to offset them against.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current liabilities, when deferred tax assets and liabilities relate to income taxes levied by the same tax authority, on either the same or different taxable entities, and where there is an intention to settle on a net basis.

2.20 REMUNERATION OF EMPLOYEES

PENSION OBLIGATIONS

The Group has both defined-benefit and defined-contribution pension plans. The defined-benefit plans comprise ITP 2 plans (see below for a more detailed description). Defined-contribution plans are plans under which the Group pays fixed contributions into a separate legal entity. The Group has no legal or constructive obligation to pay further contributions if the legal entity does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

For defined-contribution pension plans, the Group pays contributions to publicly or privately administered pension insurance plans on a compulsory, contractual or voluntary basis. The Group has no other payment obligations once these contributions have been paid. The contributions are recognized as personnel expenses when they fall due for payment. Prepaid contributions are recognized as an asset insofar as a cash repayment or a decrease in future payments could accrue to the Group.

In parts of the Group, there are salaried employees in Sweden who are part of the ITP 2 plan. The defined-benefit pension commitments in the ITP 2 plan for old-age pensions and family pensions are covered through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 Classification of ITP plans financed through insurance with Alecta, this is a defined-benefit multi-employer plan. The company did not have access to information during the period that would allow it to recognize its proportionate share of the plan's obligations, plan assets and expenses, which meant that it was not possible to recognize this as a defined-benefit plan. The ITP 2 pension plan that is secured through insurance in Alecta is therefore recognized as a defined-contribution plan. The premium for the defined-benefit old-age pensions and family pensions are calculated individually and depend on factors including salaries, previously earned pensions and expected remaining period of service.

VARIABLE REMUNERATION

The Group recognizes a liability and an expense for variable remuneration based on net income for the year before tax. The Group recognizes a provision when there is a legal obligation or an informal obligation due to previous practice.

NOTE 3. FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK MANAGEMENT

Through its operations, the Group is exposed to a variety of different financial risks: market risk (including currency risk, interest-rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of the financial markets and seeks to minimize potential unfavorable effects on the Group's financial earnings. The Group uses derivative instruments to financially hedge certain risk exposure,

although the Group does not apply hedge accounting.

The Group's central finance function conducts risk management activities, following policies adopted by the Board. The finance function identified, evaluates and hedges financial risks in close cooperation with the Group's operational units. The finance function prepares written policies for overall risk management and for specific areas, such as currency risk, interest-rate risk, credit risk, use of derivative instruments and financial instruments that are not derivatives, and investments of excess liquidity.

A MARKET RISK

(i) *Impact of economic climate and other macro economic factors*

Since GARO conducts most of its operations in Sweden, Norway and Ireland, the general economic climate and business conditions in these countries has a considerable effect on GARO's operations and earnings. The global economic climate, negative changes in the European economy, particularly in the Nordic region, and the rest of the world, plus a lower level of new housing and commercial construction and conversion and lower investments in the industry could entail that demand for GARO's products and services declines, which would have a negative impact on GARO's operations, financial position and earnings.

(ii) *Competition and price pressure*

GARO competes with players in all product areas and in all geographic markets and GARO must therefore meet end customer needs and demand better than its competitors. If GARO is not sufficiently successful in meeting this competition from both existing and new players, it could have a negative impact on GARO's operations, financial position and earnings. Price pressure is a natural element of competitive markets. There is a risk that GARO's competitors develop their product range and that end customers thus increasingly prefer products that compete with GARO's current and future range, which could have a negative impact on GARO's operations, financial position and earnings.

(iii) *Product development*

GARO's earning and competitiveness are partially dependent on its ability to develop and sell new, innovative products and solutions. Accordingly, a key element of GARO's strategy is to develop and market new products in the areas in which GARO believes are important for continued growth and for safeguarding its market shares. A central component of GARO's strategy has been and remains controlling the entire value chain from product development and product assembly to delivery to the customer. There is a risk that expenses for a product development project exceed budget and that forecast sales volumes and/or sales margins are not achieved, which could have a negative impact on GARO's operations, financial position and earnings.



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(iv) *IT*  
GARO’s ability to effectively and securely manage sales and other business-critical operations depends on the reliability, functionality, maintenance, operation and continued development of GARO’s IT systems, including the company’s website. Such system can be disrupted by, for example, software errors, computer viruses, hacking, sabotage and physical damage. IT systems are used in the Group to purchase, sell and deliver products, invoice customers, manage orders and inventories and for accounting and financial reporting. There is a risk that IT disruptions or other problems with the IT systems could have a negative impact on GARO’s operations, financial position and earnings due to their length, scope and level of severity.

(v) *Currency risk*  
The Group operates internationally and is exposed to currency risks from various currency exposures, primarily in euro (EUR), Norwegian kroner (NOK) and Polish złoty (PLN). Currency risk arises through future business transactions, recognized assets and liabilities and net investments in foreign operations.  
Currency risk arises when future business transactions are expressed in a currency that is not the unit’s functional currency. The Group mostly purchases goods in EUR. In order to manage currency risk and outflows in EUR, the Group has decided to also have sales in EUR where possible.

Currency risk from future business transactions is managed by the Group making use of forward contracts when it is not possible to match the outflow of a currency to the inflow. Currency risk arises when future business transactions are expressed in a currency that is not the unit’s functional currency.  
The Group’s risk management policy is to financially hedge between 70% and 80% of expected cash flows (primarily purchases of inventories) in EUR for the next six-month period. Outstanding forward contracts amounted to MEUR 4.6 (3.9) on the balance-sheet date.  
The Group has a number of holdings in foreign operations whose net assets are exposed to currency risks. Currency exposure arising from net assets in the Group’s foreign operations is mainly managed by borrowings in the Parent Company of in the relevant foreign currencies. Hedge accounting is not applied for these transactions.

(vi) *Interest-rate risk*  
The Group’s interest-rate risk arises through long-term borrowings. Borrowings raised at variable interest rates exposes the Group to interest-rate risk in respect of cash flow, which is partly neutralized by cash assets subject to variable interest rates. Borrowings raised at fixed interest rates exposes the Group to interest-rate risk in respect of fair value. The Group’s policy is to have its borrowings at fixed interest rates. The CFO must approve any deviations. In 2016 and 2015, the Group’s liabilities to credit institutions at fixed interest rates were denominated in SEK, EUR and PLN. The Group’s overdraft facilities bear variable interest rates.

**B CREDIT RISK**  
Credit risk is managed at Group level, except for credit risk attributable to outstanding accounts receivable. Each Group company is responsible for monitoring and analyzing credit risk for each new customer before standard payment and delivery terms are offered. Credit risk arises on the basis of cash and cash equivalents, derivative instruments and balances with banks and financial institutions, including outstanding receivables and contracted transactions. Only banks and financial institutions that have received a minimum A credit rating from independent rating agencies are accepted. If a wholesaler has been rated by an independent agency, this rating is then used. If no independent credit rating is available, a risk assessment of the customer’s credit worthiness is performed that taking into account financial position, previous experience and other factors. Individual risk limits are established based on internal and external credit ratings in accordance with the limits set by the Board. The use of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period and management does not expected any losses due to non-payment from these counterparties.

**C LIQUIDITY RISK**  
The Group’s policy is to have a liquidity reserve of at least MSEK 25. Cash flow forecasts are prepared by the Group’s operating companies and aggregated by the finance function. The finance function closely monitors rolling forecasts for the Group’s liquidity reserve so as to ensure that the Group has sufficient cash funds to meet the needs of the operating activities while retaining sufficient scope in contracted unutilized credit facilities so that the Group does not breach loan limits or conditions (where applicable) of any of the Group’s loan facilities. Such forecasts take into account the Group’s plans for repayments, meeting loan conditions, meeting internal balance-sheet-based performance measures and, where applicable, external supervisory and statutory requirements, such as currency restrictions.

The Group does not have any specific loan conditions (covenants) with external borrowers.  
Surplus liquidity in the Group’s operating companies, exceeding the portion required for managing working capital requirements, is primarily to be used to pay off outstanding loans. Surplus liquidity can then be invested in investments approved by the finance function that meet the scope for above forecasts and the liquidity reserves.

The table below analyzes the Group’s financial liabilities, specified by the time from the balance-sheet date remaining until the contractual due date.

At December 31, 2016	< 1 year	1-5 years	> 5 years
Bank loans and overdraft facilities	13.8	9.4	1.1
Interest payments	0.2	0.5	0.1
Accounts payable	67.4	-	-
<b>Total</b>	<b>81.4</b>	<b>9.9</b>	<b>1.2</b>

Of the MSEK 81.4 stated for 2016 in the “less than 1 year” interval, the company intends to repay MSEK 71.4 in the first quarter of 2017 (2016: 63.6).  
There are currently not deemed to be any additional borrowing or refinancing requirements for meeting future commitments under the current operations and business plan.

(a) *Sensitivity analysis*  
Material factors that impact the Group’s earnings are presented below. The analysis is based on the values at the end of the year and all other factors remaining unchanged.  
Changes in sales prices is the variable that has the greatest impact on earnings. +/- 1% on retail prices affects EBIT by about MSEK 6.5 (5.5).

Volume trends and purchase prices impact GARO’s earnings. A 1% change in volume results in an EBIT effect of about MSEK 3.2 (2.5) and a 1% change in purchase prices of goods for resale and raw materials results in an EBIT effect of about MSEK 3.4 (2015: 3).  
Payroll costs account for a large portion of the Group’s expenses and a 1% increase impacts EBIT by about MSEK 1.3 (1).  
The Group’s net debt is low and a 1% change in the market interest rate would not have any appreciable effect on income after financial items.

Debt/equity ratio	Dec 31, 2016	Dec 31, 2015
Total borrowing (Note 18)	24.3	22.8
Less: cash and cash equivalents (Note 16)	-41.6	-23.2
Net debt	-17.3	-0.4
Total equity	194.4	156.9
<b>Debt/equity ratio, %</b>	<b>-8.9%</b>	<b>-0.2%</b>

The Group has significant currency exposure to EUR, relating to the company’s purchases of goods in Europe. The company also conducts significant sales of goods in EUR. The net effect of a 1% change in the EUR against the SEK would have a negative impact on EBIT of approximately MSEK 1.2 (0.8).

**3.2 MANAGEMENT OF CAPITAL STRUCTURE**  
The Group’s objective concerning the capital structure is to safeguard the Group’s ability to continue its operations, so that it can continue to generate a return to shareholders and value for other stakeholders and maintain an optimal capital structure in order to minimize the cost of capital.  
To maintain or adjust its capital structure, the Group can alter the dividend paid to shareholders, repay capital to shareholders, raise new loans, issue new shares or sell assets to reduce liabilities.  
The Group assess capital based on the debt/equity ratio, in the same way as other companies in the industry. This performance measure is calculated as net debt divided by equity.



NOTE 4. SIGNIFICANT ESTIMATES AND ASSESSMENTS FOR ACCOUNTING PURPOSES

The preparation of the accounts and application of various accounting standards are often based on management’s assessments and estimates that are deemed to be reasonable under the prevailing circumstances. These assumptions and estimates are often based on historical experience but also on other factors, including expectations regarding future events.

The actual outcome may deviate from assessments made. Management’s estimates and assessments could impact the income statement, balance sheet and supplementary disclosures provided in the financial statements. Accordingly, changes to estimates and assessments could lead to changes in the financial reporting.

Estimates and assessments were made regarding capitalized development expenditure, calculating inventory obsolescence, testing goodwill for impairment, future guarantee commitments, ongoing disputes and other legal obligations. These estimates and assessments are not deemed to have any material impact on the income statement or balance sheet in the event of errors in such estimates and assessments.

NOTE 5. SEGMENT INFORMATION

The CEO is the chief operating decision maker of the Group. Company management has established operating segments

based on the information used by the CEO and used as supporting information for allocating resources and evaluating results.

The CEO assesses the operation based on a geographic/legal perspective. The CEO receives information specified by the Sweden segment and Other markets segment.

GARO’s operations are conducted in two business areas, which are operating segments: GARO Sweden and GARO Other markets. The Swedish operating segment is included in the legal entities in Sweden. The Other markets operating segment is included in the legal entities in Norway, Ireland, Finland and Poland. Each operating segment is conducted under local responsibility.

The CEO assesses the results of the operating segments primarily based on the EBIT measure (operating profit).

INCOME

Sales between segments take place based on market terms. Income from external partners reported to the CEO is measured in the same way as in profit or loss.

INCOME

	Sweden segment		Other markets segment		Elimination		Total	
Segment information	2016	2015	2016	2015	2016	2015	2016	2015
<b>Sales</b>								
Total net sales	523.2	440.5	308.8	265.2	-174.2	-151.5	657.8	554.1
Internal net sales	-104.2	-90.6	-70.0	-60.9	174.2	151.5	-	-
<b>External net sales</b>	<b>419.0</b>	<b>349.9</b>	238.8	<b>204.2</b>	-	-	<b>657.8</b>	<b>554.1</b>
<b>EBIT</b>	<b>36.1</b>	<b>34.2</b>	<b>37.7</b>	<b>28.2</b>	-	-	<b>73.8</b>	<b>62.4</b>
Financial income	-	-	-	-	-	-	1.2	0.3
Financial expenses	-	-	-	-	-	-	-2.2	-3.4
Tax expense for the year	-	-	-	-	-	-	-15.8	-13.5
<b>Net income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57.0</b>	<b>45.8</b>
<b>Other disclosures</b>								
Fixed assets	65.6	65.8	22.6	22.3	-20.8	-22.2	67.4	65.9
Other assets	256.8	209.0	108.5	89.8	-58.7	-49.7	306.6	249.0
<b>Total assets</b>	<b>322.4</b>	<b>274.7</b>	<b>131.1</b>	<b>112.1</b>	<b>-79.5</b>	<b>-72.0</b>	<b>374.0</b>	<b>314.9</b>
Short-term liabilities	136.0	112.0	81.9	57.6	-55.0	-30.8	162.9	138.9
Long-term liabilities	12.7	25.0	2.8	12.5	1.2	-18.4	16.7	19.1
<b>Total liabilities</b>	<b>148.7</b>	<b>137.1</b>	<b>84.7</b>	<b>70.0</b>	<b>-53.8</b>	<b>-49.2</b>	<b>179.6</b>	<b>158.0</b>
Investments	10.3	11.6	2.5	2.2	-	-	12.8	13.8
Depreciation/amortization	8.8	9.6	2.2	2.3	-	-	11.0	11.9

INCOME FROM EXTERNAL CUSTOMERS SPECIFIED BY COUNTRY, BASED ON WHERE CUSTOMERS ARE LOCATED

	2016	2015
Sweden	414.3	345.3
Norway	150.2	126.6
Poland	1.4	1.7
Ireland	68.8	57.7
Finland	17.0	15.9
Other countries	6.1	6.9
<b>Total</b>	<b>657.8</b>	<b>554.1</b>

The Group has income from three external customers that each exceed 10% of net sales at the end of each period. This income is attributable to the Sweden segment.

INCOME FROM EXTERNAL CUSTOMERS SPECIFIED BY PRODUCT AREA

	2016	2015
Electrical distribution products	376.9	338.5
Project business	135.1	120.1
Temporary electric installations	60.7	49.4
EV charging	85.1	46.1
<b>Total</b>	<b>657.8</b>	<b>554.1</b>

NOTE 6. OTHER OPERATING INCOME

	2016	2015
Capitalized own work, product development	0.8	2.7
Other	1.2	0.5
<b>Total</b>	<b>2.0</b>	<b>3.2</b>

NOTE 7. REMUNERATION OF EMPLOYEES, ETC.

	2016	2015
<b>Board, CEO and other senior executives</b>		
Salaries and other remuneration	18.6	12.8
Social security contributions	4.5	4.0
Pension costs – defined-contribution plans	2.8	2.2
<b>Total Board, CEO and other senior executives</b>	<b>25.9</b>	<b>19.0</b>
<b>Other employees</b>		
Salaries and other remuneration	79.3	74.8
Social security contributions	24.7	21.6
Pension costs – defined-contribution plans	4.9	3.8
<b>Total other employees</b>	<b>109.0</b>	<b>100.2</b>
<b>Total personnel expenses</b>	<b>134.9</b>	<b>119.2</b>

AVERAGE NUMBER OF EMPLOYEES, SPECIFIED BY COUNTRY

	2016		2015	
	Average no. of employees	Of whom, men	Average no. of employees	Of whom, men
Sweden	182	114	170	108
Norway	13	12	13	12
Finland	2	2	2	2
Ireland	20	14	17	13
Poland	58	17	52	12
<b>Group total</b>	<b>275</b>	<b>159</b>	<b>254</b>	<b>147</b>

GENDER DISTRIBUTION IN THE GROUP (INCL. SUBSIDIARIES) OF BOARD MEMBERS AND OTHER SENIOR EXECUTIVES

	2016		2015	
	No. on balance-sheet date	Of whom, men	No. on balance-sheet date	Of whom, men
Board members	7	5	7	5
CEO and other senior executives	11	11	10	10
<b>Group total</b>	<b>18</b>	<b>16</b>	<b>17</b>	<b>15</b>

REMUNERATION OF SENIOR EXECUTIVES 2016

	Basic salary/ Board fees	Variable remuneration	Other ben- efits	Pension costs	Other remuneration	Total
Anders Pålsson, Board Chairman	0.4	-	-	-	-	0.4
Lars Svensson, Board member	0.1	-	-	-	-	0.1
Per Holmstedt, Board member	0.1	-	-	-	-	0.1
Sofia Axelsson, Board member	0.1	-	-	-	-	0.1
Rickard Blomqvist, Board member*	0.1	-	-	-	-	0.1
Stefan Jonsson, President and CEO	2.6	0.8	0.1	0.7	-	4.2
Other senior executives (4)	3.2	0.9	0.3	0.9	1.2	6.5
<b>Total</b>	<b>6.6</b>	<b>1.7</b>	<b>0.4</b>	<b>1.6</b>	<b>1.2</b>	<b>11.5</b>
<b>Subsidiaries</b>						
Other senior executives (2)	2.4	0.8	-	0.4	-	3.6
<b>Group</b>	<b>9.0</b>	<b>2.5</b>	<b>0.4</b>	<b>2.0</b>	<b>1.2</b>	<b>15.1</b>

\*The Board member received a consultant’s fee during the period, see Note 22.

REMUNERATION OF SENIOR EXECUTIVES 2015

Parent Company	Basic salary/ Board fees	Variable remuneration	Other ben- efits	Pension costs	Other remuneration	Total
Lars Svensson, Board Chairman until September 9, 2015	0.6	-	0.2	0.1	-	<b>0.9</b>
Anders Pålsson, Board Chairman from September 10, 2015	0.2	-	-	-	-	<b>0.2</b>
Lars Svensson, Board member from September 10, 2015	0.0	-	-	-	-	<b>0.0</b>
Stefan Jonsson, President and CEO	2.0	0.8	0.1	0.6	-	<b>3.5</b>
Per Holmstedt, Board member	0.1	-	-	-	-	<b>0.1</b>
Sofia Axelsson, Board member from September 10, 2015	0.0	-	-	-	-	<b>0.0</b>
Rickard Blomqvist, Board member from September 10, 2015*	0.0	-	-	-	-	<b>0.0</b>
Other senior executives (3)	2.1	0.3	0.2	0.5	0.3	<b>3.4</b>
<b>Total</b>	<b>5.0</b>	<b>1.1</b>	<b>0.5</b>	<b>1.2</b>	<b>0.3</b>	<b>8.1</b>
<b>Subsidiaries</b>						
Other senior executives (2)	2.2	0.5	0.2	0.3	-	3.2
<b>Group</b>	<b>7.2</b>	<b>1.6</b>	<b>0.7</b>	<b>1.5</b>	<b>0.3</b>	<b>11.3</b>

\*The Board member received a consultant’s fee during the period, see Note 22.

PENSIONS

DEFINED-CONTRIBUTION PENSIONS

The retirement age for the CEO is 65. The premium is 28% of pensionable salary. The retirement age for other senior executives is 65. The pension premium follows applicable collective agreements.

SEVERANCE PAY

A mutual period of notice of six months applies to the company and the CEO. If the event of termination of employment by the company, the CEO also receives severance pay of 18 monthly salaries. Severance pay is not deducted from other forms of

income. No severance pay is paid if the CEO terminates employment.

A mutual period of notice of six months applies to the company and other senior executives. If the event of termination of employment by the company, senior executives also receive severance pay of six monthly salaries. Severance pay is not deducted from other forms of income. No severance pay is paid if the senior executives terminate employment.



NOTE 8. REMUNERATION OF AUDITORS

	2016	2015
<b>PwC</b>		
– Audit assignment	0.9	0.8
- Auditing activities in addition to audit assignment	0.6	0.4
– Tax advice	0.1	0.1
– Other services	-	-
<b>Total</b>	<b>1.6</b>	<b>1.3</b>
<b>Grant Thornton</b>		
– Audit assignment	0.1	0.1
- Auditing activities in addition to audit assignment	-	-
<b>Total</b>	<b>0.1</b>	<b>0.1</b>

NOTE 9. OPERATING LEASES

The Group leases office equipment, cars and office premises under non-cancelable operating leases. The lease terms vary between three and five years. Only leases for office premises are longer than five years. Most leases can be extended at the end of the lease term for a market-based fee.

Future total minimum lease payments for non-cancelable operating leases amount to the following:

	2016	2015
Within 1 year	4.2	4.5
Between 1 and 5 years	3.6	6.5
More than 5 years	-	-
<b>Total</b>	<b>7.8</b>	<b>11.0</b>

Leasing costs of MSEK 4.3 (5.1) are included in profit or loss.

NOTE 10. FINANCIAL INCOME AND EXPENSES

	2016	2015
Interest income	0.1	0.3
Remeasurement of derivative instruments	0.3	-
Other financial income	0.8	-
<b>Other financial income</b>	<b>1.2</b>	<b>0.3</b>
Interest expense	0.7	2.2
Exchange-rate losses	0.1	0.4
Remeasurement of derivative instruments	-	0.8
Other financial expenses	1.4	-
<b>Total financial expenses</b>	<b>2.2</b>	<b>3.4</b>
<b>Total net financial items</b>	<b>1.0</b>	<b>3.1</b>

NOTE 11. INCOME TAX

	2016	2015
<b>Current tax</b>		
Current tax on net income for the year	-17.3	-14.1
Adjustments pertaining to prior years	0.1	-0.3
<b>Total current tax</b>	<b>-17.2</b>	<b>-14.4</b>
<b>Deferred tax (Note 19)</b>		
Occurrence and reversal of temporary differences	1.4	0.9
<b>Total deferred tax</b>	<b>1.4</b>	<b>0.9</b>
<b>Total income tax</b>	<b>-15.8</b>	<b>-13.5</b>

The Group has operations in a tax-exempt Special Economic Zone in Poland. Only parts of the Polish operations are encompassed by these tax breaks. On December 31, 2016, unutilized tax advantages amounted to approximately MPLN 2 (2) for use until 2026. No deferred tax assets were taken into account in

the reporting.

Income tax on profit before tax differs from the theoretical amount that would have arisen from the use of the tax rate in Sweden for the profit of consolidated companies, as follows:

	2016	2015
<b>Profit before tax</b>	72.8	59.3
Income tax calculated according to tax rate in Sweden (22%)	-16.0	-13.0
Effect of foreign tax rates	-0.9	-0.3
Tax effects of:		
– Non-deductible expenses	-0.7	-0.5
– Temporary differences	0.3	-0.3
– Tax attributable to prior years’ recognized earnings	0.1	-0.3
<b>Tax expense</b>	<b>-17.2</b>	<b>-14.4</b>
<b>Effective tax rate, %</b>	<b>23.6</b>	<b>24.2</b>

NOTE 12. INTANGIBLE ASSETS

Cost	Goodwill	Capitalized development expenditure	Development projects in progress	Total
<b>2015 fiscal year</b>				
Opening carrying amount	1.3	8.1	0.8	<b>10.2</b>
Exchange-rate differences	-	-	-	-
Purchases/capitalized expenses	-	-	3.4	<b>3.4</b>
Reclassifications	-	3.4	-3.4	-
Divestments and disposals	-	-0.9	-0.1	<b>-1.0</b>
Amortization	-	-2.8	-	<b>-2.8</b>
Impairment	-1.3	-	-	<b>-1.3</b>
Closing carrying amount		<b>7.8</b>	<b>0.7</b>	<b>8.5</b>
<b>At December 31, 2015</b>				
Cost	3.5	24.4	0.7	<b>28.6</b>
Accumulated amortization and impairment	-3.5	-16.6	-	<b>-20.1</b>
Carrying amount		<b>7.8</b>	<b>0.7</b>	<b>8.5</b>
<b>2016 fiscal year</b>				
Opening carrying amount	-	7.8	0.7	8.5
Exchange-rate differences	-	-	-	-
Purchases/capitalized expenses	-	-	3.6	3.6
Reclassifications	-	1.9	-2.2	-0.3
Divestments and disposals	-	-	-	-
Amortization	-	-3.2	-	-3.2
Impairment	-	-	-	-
Closing carrying amount	-	<b>6.5</b>	<b>2.1</b>	<b>8.6</b>
<b>At December 31, 2016</b>				
Cost	3.5	26.5	2.1	32.1
Accumulated amortization and impairment	-3.5	-20.0	-	-23.5
Carrying amount	-	<b>6.5</b>	<b>2.1</b>	<b>8.6</b>

NOTE 13. TANGIBLE ASSETS

	Lands and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Construction in progress	Total
<b>2015 fiscal year</b>					
Opening carrying amount	38.9	0.9	16.2	-	<b>56.0</b>
Exchange-rate differences	-0.6	-	-0.3	-	<b>-0.9</b>
Purchases	1.1	3.2	5.5	0.6	<b>10.4</b>
Through acquisition of subsidiaries	-	-	-	-	-
Reclassifications	-	-	0.4	-	<b>0.4</b>
Divestments and disposals	-	-	-0.7	-	<b>-0.7</b>
Depreciation	-2.1	-0.5	-5.2	-	<b>-7.8</b>
Closing carrying amount	<b>37.3</b>	<b>3.6</b>	<b>15.9</b>	0.6	<b>57.4</b>
<b>At December 31, 2015</b>					
Cost	74.1	33.1	70.7	0.6	<b>178.5</b>
Accumulated depreciation	-36.8	-29.5	-54.8	-	<b>-121.1</b>
Carrying amount	<b>37.3</b>	<b>3.6</b>	<b>15.9</b>	<b>0.6</b>	<b>57.4</b>
<b>2016 fiscal year</b>					
Opening carrying amount	37.3	3.6	15.9	0.6	<b>57.4</b>
Exchange-rate differences	0.3	-	0.2	-	<b>0.5</b>
Purchases	0.9	0.1	3.0	5.2	<b>9.2</b>
Through acquisition of subsidiaries	-	-	-	-	-
Reclassifications	-	-	4.3	-4.0	<b>0.3</b>
Divestments and disposals	-	-0.1	-0.7	-	<b>-0.8</b>
Depreciation	-2.1	-0.6	-5.1	-	<b>-7.8</b>
Closing carrying amount	<b>36.4</b>	<b>3.0</b>	<b>17.6</b>	<b>1.8</b>	<b>58.8</b>
<b>At December 31, 2016</b>					
Cost	75.4	32.1	76.3	1.8	<b>185.6</b>
Accumulated depreciation	-39.0	-29.1	-58.7	-	<b>-126.8</b>
Carrying amount	<b>36.4</b>	<b>3.0</b>	<b>17.6</b>	<b>1.8</b>	<b>58.8</b>



NOTE 14. FINANCIAL INSTRUMENTS BY CATEGORY

Dec 31, 2016	Loans and receivables
<b>Balance sheet assets</b>	
Accounts receivable	163.5
Other current receivables	1.3
Cash and cash equivalents	41.6
<b>Total</b>	<b>206.4</b>
	<b>Other financial liabilities</b>
<b>Balance sheet liabilities</b>	
Liabilities to credit institutions	12.8
Derivative instruments	0.1
Accounts payable	67.4
Overdraft facilities	11.5
<b>Total</b>	<b>91.8</b>

Dec 31, 2015	Loans and receivables
<b>Balance sheet assets</b>	
Accounts receivable	127.7
Other current receivables	1.0
Cash and cash equivalents	23.2
<b>Total</b>	<b>151.9</b>
	<b>Other financial liabilities</b>
<b>Balance sheet liabilities</b>	
Liabilities to credit institutions	14.7
Derivative instruments	0.8
Accounts payable	60.5
Overdraft facilities	8.1
<b>Total</b>	<b>84.1</b>

The Group has a recognized liability with the minority shareholders in GARO Elflex AB and GARO Finland OY due to a put/call option that can be triggered either by GARO Aktiebolag (publ) or each minority shareholder. The liability is measured at fair value at accounting year-end and remeasurements are recognized directly in equity. The total liability on December 31, 2016 amounted to MSEK 2.8 (1.9).

NOTE 15. ACCOUNTS RECEIVABLE

	Dec 31, 2016	Dec 31, 2015
Accounts receivable	164.1	128.2
Less: provision for doubtful receivables	-0.6	-0.5
<b>Accounts receivable – net</b>	<b>163.5</b>	<b>127.7</b>

The fair value of accounts receivable corresponds to their carrying amount since the discount effect is not material.

At December 31, 2016, accounts receivable of MSEK 30.5 (18.8) had fallen due for payment but no material impairment requirement was deemed to exist for the Group. The past due receivables pertain to a number of customers who have not shown any payment difficulties to date.

The age analysis of these accounts receivable was as follows:

	Dec 31, 2016	Dec 31, 2015
1-30 days	25.1	18.7
31-60 days	4.3	0.1
> 61 days	1.1	-
<b>Total past due accounts receivable</b>	<b>30.5</b>	<b>18.8</b>

NOTE 16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, both in the balance sheet and the statement of cash flows, comprise the following:

	Dec 31, 2016	Dec 31, 2015
Bank balances	41.6	23.2
<b>Total</b>	<b>41.6</b>	<b>23.2</b>

NOTE 17. SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

Share capital at December 31, 2016 comprised 10,000,000 shares with a quotient value of SEK 2 per share. Each share carries one vote per share.

All shares that have been issued by Parent Company are fully paid.

Dividends paid in 2016 amounted to MSEK 20 (20), corresponding to SEK 2 per share (2).

A dividend of SEK 2.85 per share, a total of MSEK 28.5, for the 2016 fiscal year is proposed to the Annual General Meeting to be held on May 4, 2017. The proposed dividend has not been recognized as a liability in these financial statements.

NOTE 18. BORROWINGS

	Dec 31, 2016	Dec 31, 2015
<b>Long-term</b>		
Liabilities to credit institutions	10.5	12.4
<b>Total long-term liabilities borrowings</b>	<b>10.5</b>	<b>12.4</b>
<b>Short-term</b>		
Overdraft facilities	11.5	8.1
Liabilities to credit institutions	2.3	2.3
<b>Total short-term liabilities borrowings</b>	<b>13.8</b>	<b>10.4</b>
<b>Total borrowings Group</b>	<b>24.3</b>	<b>22.8</b>

LIABILITIES TO CREDIT INSTITUTIONS

The Group’s borrowings are in SEK, EUR and PLN. The Group’s borrowings comprise loans from SEB and Ulster Bank.

These bank loans fall due for payment in 2024 and bear average interest of 1.7% per year (1.7%). The Group does not have any specific loan conditions (covenants) with external borrowers.

OVERDRAFT FACILITIES

The Group has granted overdraft facilities of MSEK 79.7 MSEK (57.9) in the currencies of SEK, EUR, NOK and PLN that are renegotiated every year.

NOTE 19. DEFERRED INCOME TAX

	Dec 31, 2016	Dec 31, 2015
<b>Deferred tax assets</b>		
Other	0.2	0.2
<b>Total</b>	<b>0.2</b>	<b>0.2</b>
Deferred tax liabilities		
Machinery and equipment	1.1	1.1
Tax allocation reserves	0.3	1.4
Expenses reversed in taxation, deductible in future years	3.4	3.7
<b>Total</b>	<b>4.8</b>	<b>6.2</b>
<b>Deferred tax liabilities – net</b>	<b>4.6</b>	<b>6.0</b>

NOTE 20. ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2016	Dec 31, 2015
Accrued salary liabilities	17.7	16.2
Accrued social security contributions	6.2	5.6
Bonuses to customers	16.4	10.3
Accrued interest expenses	-	0.4
Other items	7.9	4.0
Total	48.2	36.5

NOTE 21. PLEDGED ASSETS

	Dec 31, 2016	Dec 31, 2015
For liabilities to credit institutions		
Property mortgages	24.1	24.1
Chattel mortgages	70.8	58.0
Guarantees for leases	0.5	0.5
Total	95.4	82.6

NOTE 22. RELATED PARTIES

The following transactions took place with related parties:

Purchases of goods and services	2016	2015
Purchase of services:		
Consulting services from Board member (Ekonomerna Family Office AB)	0.7	0.8
Operations and services purchased from parties related to the CEO	1.8	2.1
Electrical installation services purchased from parties related to the CEO	0.7	0.9
Total	3.2	3.8

The services described above were purchased on normal commercial terms and conditions.

NOTE 23. EVENTS AFTER THE END OF THE FISCAL YEAR

GARO Montage AB, a company in the GARO Group, acquired Emedius AB on February 28, 2017. Emedius markets and manufactures consumer units, distribution boards as well as switch-gear under its own brand. In 2016, company sales amounted to MSEK 71.5 with an EBIT of MSEK 6.3. Emedius employs 36 people and is based in Gnosjö. The purchase consideration for Emedius AB amounted to MSEK 31. Operations are run in rented premises, which have been transferred to GARO AB (publ), in conjunction with the acquisition at a purchase consideration of MSEK 9.5.

NOTE 24. DEFINITIONS OF PERFORMANCE MEASURES

PERFORMANCE MEASURES

EBITDA Earnings before interest, tax, depreciation and amortization.

EBIT Earnings before interest and tax.

MARGIN MEASURES

EBITDA MARGIN EBITDA as a percentage of net sales for the period.

EBIT MARGIN EBIT as a percentage of net sales for the period

CAPITAL STRUCTURE

NET DEBT Interest-bearing liabilities and interest-bearing provisions minus assets including cash and cash equivalents.

NET DEBT/EQUITY RATIO Net debt as a percentage of equity.

INTEREST COVERAGE RATIO Profit after financial income as a percentage of financial expenses.

EQUITY RATIO Equity including non-controlling interest divided by total assets.

RETURN MEASURES

RETURN ON EQUITY Net income for the year divided by average equity.

PER SHARE

EARNINGS PER SHARE Earnings for the period divided by average number of shares outstanding during the period.

AVERAGE NUMBER OF SHARES, 1,000s The average number of shares during the period in 1,000s.

Board of Directors’ Report for the Parent Company

The Board of Directors and the President and CEO of GARO AB (publ), Corporate Registration Number 556051-7772, hereby submit the Annual Report for the 2016 fiscal year.

SHARE CAPITAL AND OWNERSHIP STRUCTURE

The Parent Company’s share capital amounted to MSEK 14 on 31 December 2015. There were 140,000 common shares on that date. The Extraordinary General Meeting held on January 12 resolved on a stock dividend and a 50:1 split of the company’s share. On February 2, 2016, the Board decided to diversify the ownership base and list the company’s shares on Nasdaq Stockholm, which took place on March 16, 2016.

OPERATIONS

GARO develops, manufactures and supplies innovative products and complete solutions for the electrical installations industry under its own brand. GARO was founded in 1939 in Gnosjö in Småland, Sweden, and has established strong customer relationships and a highly developed supplier network over its more than 75-year history that, combined with proprietary production and sales units, form a platform for delivering innovative complete solutions.

The Parent Company’s operations encompass a significant part of the Swedish operations and Group Management, and also certain Group-wide functions and the Group’s finance function.

The Parent Company’s inventory function also serves as the central warehouse for the other Swedish operations. The Parent Company also conducts significant manufacturing and sales to other Group companies.

SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD.

The Swedish market noted healthy growth for the year and exceeded industry forecasts. All product areas reported solid growth and the EV charging and Temporary electric installations areas outperformed average growth levels.

On February 2, 2016, the Board decided to diversify the ownership base and list the company’s shares on Nasdaq Stockholm, which took place on March 16, 2016. The income statement was charged with MSEK 12.6 for costs for the IPO, which are recognized as other operating expenses in profit or loss.

NET SALES AND EARNINGS

Net sales increased 19% to MSEK 357.3 (300.3). Underlying demand was strong during the year.

The company believes that it has increased its market shares in all product areas. EBIT amounted to MSEK 16.3 (19.9), corresponding to an EBIT margin of 4.6% (6.6). Adjusted for costs related to the IPO, EBIT amounted to MSEK 28.9 (19.9), corresponding to an EBIT margin of 8.1% (6.6). EBIT was positively impacted by higher volumes and stable expenses and negatively affected by a higher average exchange rate for purchases in EUR.

INVESTMENTS

The Parent Company invests continuously in the maintenance of the production unit and production equipment. The Parent Company’s investments in tangible assets amounted to MSEK 6.4 (8.1). GARO also invests in product development and investments in intangible assets for the year totaled MSEK 3.1 (3.3). Depreciation/amortization for the year amounted to MSEK 8.3 (8.0), of which depreciation of tangible assets was MSEK 5.4 (5.2).

CASH FLOW, LIQUIDITY AND FINANCIAL POSITION

Cash flow from operating activities amounted to MSEK 31.6 (28.2). Cash flow for the year amounted to MSEK 12.1 (neg: 0.2).

Cash and cash equivalents including unutilized overdraft facilities on December 31, 2016 amounted to MSEK 58.2 (36.1). Net debt on December 31, 2016 amounted to MSEK 8.6 (5.0).

The Parent Company’s equity on December 31, 2016 amounted to MSEK 151.5 (130.6). The 2016 dividend amounted to MSEK 20.0.

EMPLOYEES

The number of full-time employees in the Parent Company on December 31, 2016 was 111 (111). The average number of full-time employees in 2016 was 119 (116). The percentage of women during the year was 41% (40). For more information about employees, see Note 5.



Multi-year summary

Summary of the Parent Company’s financial performance

MSEK	2016	2015	2014	2013	2012*
Net sales	357.3	300.3	253.6	225.9	226.3
EBITDA	24.6	27.9	20.9	20.7	17.6
EBIT	16.3	19.9	12.2	12.7	9.6
EBIT margin, %	4.6	6.6	4.8	5.6	4.2
Total assets	254.1	233.7	208.2	199.4	198.1
Equity ratio, %	61.5	59.4	56.1	59.9	57.6
Return on equity, %	27.6	33.7	17.4	14.5	15.4
Average number of employees	119	116	118	113	119
*2012 not restated in accordance with IFRS (see Note 24 in the consolidated financial statements)					

PRODUCT DEVELOPMENT

GARO’s aim is to be at the forefront of developments in environmentally friendly and energy-efficient electrical products and complete solutions. The company has an in-house product development department that works together with other departments on continuously developing new and improving existing products and solutions in all product areas. GARO also work close to its customers to gain inspiration and better understand customer needs on the market. GARO has six full-time employees who work on product development.

Refer also to Note 2.8 in the consolidated financial statements.

ENVIRONMENTAL IMPACT

The Parent Company conducts reportable operations and the municipality is the supervisory authority. The Gärö 1:377 property is in risk class 2 according to the county administrative board’s Method for Inventories of Contaminated Sites (MIFO) inventory. The company has no orders under the Swedish Environmental Code. The Parent Company has ISO 14001 environmental certification.

RISKS AND UNCERTAINTIES

A description of potential risks and their management is provided in Note 3 of the consolidated financial statements.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

These guidelines are described in the Board of Directors’ Report for the Group.

EVENTS AFTER THE END OF THE FINANCIAL PERIOD

GARO Montage AB, a company in the GARO Group, acquired Emedius AB on February 28, 2017. Emedius markets and manufactures consumer units, distribution boards as well as switchgear under its own brand. In 2016, company sales amounted to MSEK 71.5 with an EBIT of MSEK 6.3. Emedius employs 36 people and is based in Gnosjö, Sweden. The purchase consideration for Emedius AB amounted to MSEK 31. Operations are run in rented

premises, which have been transferred to GARO AB (publ), in conjunction with the acquisition at a purchase consideration of MSEK 9.5.

PROPOSED APPROPRIATION OF PROFIT

The Group’s retained earnings in accordance with the consolidated balance sheet amounted to MSEK 174.5 (144.6).

The following profit is at the disposal of the Annual General Meeting: (SEK)

Opening retained earnings	88,068,742
Provisions to fund for own work, development expenditure	-801,598
Net income for the year	40,812,449

Total	128,079,593
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The Board of Directors proposes that profit be appropriated as follows:

– to be distributed to shareholders at SEK 2.85 per share	28,500,000
– to be carried forward	99,579,593

Total	128,079,593
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THE BOARD’S STATEMENT ON THE PROPOSED DIVIDENDS

The Board believes that the proposed dividend will not prevent the company from fulfilling its obligations in the short or long term, nor from making necessary investments. The proposed dividend can thus be justified with respect to the provisions of Chapter 17, Section 3, paragraphs two and three of the Swedish Companies Act.

The company’s equity ratio is satisfactory since the operations continue to be conducted profitably. It is deemed that the company’s liquidity can also be maintained at a satisfactory level.

Parent Company Annual Report

PARENT COMPANY INCOME STATEMENT

		Financial year	
MSEK	Note	2016	2015
<b>Operating income</b>			
Net sales	2, 3	357.3	300.3
Other operating income	4	7.2	8.1
<b>Total</b>		<b>364.5</b>	<b>308.4</b>
<b>Operating expenses</b>			
Raw materials and consumables		-210.1	-180.7
Other external expenses	6, 7	-43.7	-36.0
Personnel expenses	5	-73.5	-63.0
Depreciation/amortization of tangible and intangible assets	11, 12	-8.3	-8.0
Other operating expenses		-12.6	-0.8
<b>Total operating expenses</b>		<b>-348.2</b>	<b>-288.5</b>
<b>EBIT</b>		<b>16.3</b>	<b>19.9</b>
Profit from participations in Group companies	20	16.9	19.5
Net interest income and similar items	8	1.0	0.5
Net interest expenses and similar items	8	-0.8	-1.7
<b>Total profit from financial items</b>		<b>17.1</b>	<b>18.3</b>
<b>Profit before tax</b>		<b>33.4</b>	<b>38.2</b>
Appropriations	21	14.4	12.4
Tax on net profit for the year	9	-7.0	-7.5
<b>Net income for the year</b>		<b>40.8</b>	<b>43.1</b>

The Parent Company does not have any items recognized as other comprehensive income which is why total comprehensive income corresponds to net income for the year.

PARENT COMPANY BALANCE SHEET

MSEK	Note	Dec 31, 2016	Dec 31, 2015
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Capitalized development expenditure	11	5.5	6.8
Development projects in progress	11	1.9	0.6
<b>Total intangible assets</b>	<b>11</b>	<b>7.4</b>	<b>7.4</b>
<b>Tangible assets</b>			
Lands and buildings	12	19.9	20.8
Plant and machinery	12	2.5	3.0
Equipment, tools, fixtures and fittings	12	11.9	10.5
Construction in progress and advance payments for tangible assets	12	1.5	0.6
<b>Total tangible assets</b>	<b>12</b>	<b>35.8</b>	<b>34.9</b>
<b>Financial assets</b>			
Participations in Group companies	10	12.8	12.8
Receivables from Group companies		8.0	9.4
<b>Total financial assets</b>		<b>20.8</b>	<b>22.2</b>
<b>Total fixed assets</b>		<b>64.0</b>	<b>64.5</b>
<b>Current assets</b>			
<b>Inventories</b>			
Raw materials and consumables		31.0	32.0
Products in progress		12.4	0.2
Finished goods and goods for resale		0.8	13.8
<b>Total inventories</b>		<b>44.2</b>	<b>46.0</b>
<b>Current receivables</b>			
Accounts receivable	13	78.3	60.1
Receivables from Group companies		48.2	53.7
Other current receivables		0.0	0.0
Prepaid expenses and accrued income		1.2	3.3
<b>Total current receivables</b>		<b>127.7</b>	<b>117.1</b>
Cash and cash equivalents	14	18.2	6.1
<b>Total current assets</b>		<b>190.1</b>	<b>169.2</b>
<b>Total assets</b>		<b>254.1</b>	<b>233.7</b>

PARENT COMPANY BALANCE SHEET, CONT.

MSEK	Note	Dec 31, 2016	Dec 31, 2015
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
<b>Restricted equity</b>			
Share capital		20.0	14.0
Fund for internal development expenses		0.8	-
Statutory reserve		2.6	2.6
<b>Total restricted equity</b>		<b>23.4</b>	<b>16.6</b>
<b>Non-restricted equity</b>			
Retained earnings		88.1	70.9
Net income for the year		40.0	43.1
<b>Total non-restricted equity</b>		<b>128.1</b>	<b>114.0</b>
<b>Total equity</b>		<b>151.5</b>	<b>130.6</b>
<b>Untaxed reserves</b>	<b>22</b>	<b>6.2</b>	<b>10.6</b>
<b>LIABILITIES</b>			
<b>Provisions</b>			
Other provisions		1.5	0.7
Provision for deferred tax	15	3.4	3.7
<b>Total provisions</b>		<b>4.9</b>	<b>4.4</b>
<b>Long-term liabilities</b>			
Other liabilities to credit institutions	16	7.8	9.4
<b>Total long-term liabilities</b>		<b>7.8</b>	<b>9.4</b>
<b>Short-term liabilities</b>			
Liabilities to credit institutions	16	1.8	1.8
Accounts payable		34.5	31.8
Liabilities to Group companies		4.2	4.2
Current tax liabilities		5.0	10.9
Other short-term liabilities		5.8	4.9
Accrued expenses and deferred income	17	32.4	25.1
<b>Total short-term liabilities</b>		<b>83.7</b>	<b>78.7</b>
<b>Total liabilities</b>		<b>96.4</b>	<b>92.5</b>
<b>Total liabilities and equity</b>		<b>254.1</b>	<b>233.7</b>



PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

		Restricted equity		Non-restricted equity		
	Note	Share capital	Statutory reserve	Fund for internal development expenses	Retained earnings incl. net income for the year	Total
MSEK						
Opening balance at Jan 1, 2015		14.0	2.6	-	90.9	107.5
Net income for the year and comprehensive income 2015		-	-	-	43.1	43.1
Total comprehensive income		-	-	-	43.1	43.1
Dividend according to Annual General Meeting resolution		-	-	-	-10.0	-10.0
Dividend according to Extraordinary General Meeting resolution		-	-	-	-10.0	-10.0
Total contributions from and value transfers to shareholders, recognized directly in equity				-	-20.0	-20.0
Closing balance at December 31, 2015		14.0	2.6	-	114.0	130.6
Opening balance at Jan 1, 2016		14.0	2.6	-	114.0	130.6
Net income for the year and comprehensive income 2016		-	-	-	40.8	40.8
Total comprehensive income		-	-	-	40.8	40.8
Stock dividend at January 12, 2016		6.0	-	-	-6.0	0.0
Provision to fund for internal development expenses		-	-	0.8	-0.8	0.0
Dividend according to Annual General Meeting resolution			-	-	-20.0	-20.0
Total contributions from and value transfers to shareholders, recognized directly in equity		6.0	-	0.8	-26.8	-20.0
Closing balance at December 31, 2016		20.0	2.6	0.8	128.1	151.5

PARENT COMPANY CASH-FLOW STATEMENT

		Financial year	
MSEK	Note	2016	2015
<b>Cash flow from operating activities</b>			
EBIT		16.3	19.9
Depreciation/amortization	11, 12	8.3	8.0
Adjustment for non-cash items		0.9	0.3
Dividends received	20	16.9	19.5
Interest received	8	1.0	0.5
Interest paid	8	-0.8	-1.1
Income tax paid	9	-13.2	-4.1
<b>Cash flow from operating activities before change in working capital</b>		<b>29.4</b>	<b>43.0</b>
Change in inventories		1.8	3.8
Change in accounts receivable	13	-18.2	-9.7
Change in other current receivables		7.7	-26.2
Change in accounts payable		2.7	9.1
Change in other current operating liabilities		8.2	8.2
<b>Total change in working capital</b>		<b>2.2</b>	<b>-14.8</b>
<b>Cash flow from operating activities</b>		<b>31.6</b>	<b>28.2</b>
<b>Cash flow from investing activities</b>			
Investments in intangible assets	11	-3.1	-3.3
Investments in tangible assets	12	-6.4	-8.1
Assets sold	12	0.2	0.1
Acquisition of other financial assets		1.4	8.8
<b>Cash flow from investing activities</b>		<b>-7.9</b>	<b>-2.5</b>
<b>Cash flow from financing activities</b>			
Amortization of loans		-1.6	-16.9
Group contributions paid/received	21	10.0	11.0
Dividend paid		-20.0	-20.0
<b>Cash flow from financing activities</b>		<b>-11.6</b>	<b>-25.9</b>
<b>Decrease/increase in cash and cash equivalents</b>			
Net cash flow for the year		12.1	-0.2
Cash and cash equivalents at beginning of the year		6.1	6.3
<b>Cash and cash equivalents at end of the year</b>		<b>18.2</b>	<b>6.1</b>

# Notes

## NOTE 1. GENERAL INFORMATION

Garo Aktiebolag (the "Parent Company") develops, manufactures and markets electrical installation materials. The single largest market is Sweden, which represents 82% of the Parent Company's volumes. Export sales are primarily conducted through the company's own subsidiaries in Norway, Finland, Poland and Ireland.

The Parent Company is a limited liability company registered in Sweden with its registered office in Gnosjö. The address of the office is Södergatan 26, Box 203, SE-335 33 Gnosjö, Sweden.

The Garo share has been listed on Nasdaq Stockholm since March 16, 2016.

All amounts are stated in millions of Swedish kronor (MSEK), unless otherwise stated.

## NOTE 2. SUMMARY OF PARENT COMPANY'S IMPORTANT ACCOUNTING POLICIES

The most important accounting policies applied in the preparation of this Annual Report are described below. These policies were applied consistently for all years presented, unless otherwise stated.

The Annual Report for Garo Aktiebolag (the "Parent Company") was prepared in accordance with RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. In cases in which the Parent Company applies different accounting policies than the Group's accounting policies as described in Note 2 of the consolidated financial statements, this is specified below.

In conjunction with the transition to accounting according to IFRS in the consolidated financial statements, the Parent Company began applying RFR 2 Accounting for Legal Entities. The transition from previously applied accounting policies to RFR 2 did not have any impact on the Parent Company's income statement or equity.

The Annual Report was prepared following the cost method. RFR 2 stipulates that the Parent Company is to apply all IFRSs and statements adopted by the EU to the extent that this is possible within the framework of the Annual Accounts Act with consideration to the relationship between accounting and taxation. Preparing financial statements in accordance with RFR 2 requires the use of a number of important estimates for accounting purposes. Management is also required to make certain assessments when applying the Parent Company's accounting policies. The areas involving a high degree of assessment, that are complex or are such areas in which assumptions and estimates are of significant importance to the Annual Report are described in Note 4 of the consolidated financial statements.

Through its operations, the Parent Company is exposed to a variety of different financial risks: market risk (including currency risk, interest-rate risk), credit risk and liquidity risk. The Parent Company's overall risk management policy focuses on the unpredictability of the financial markets and seeks to minimize potential unfavorable effects on the Group's financial earnings. For more information about financial risks, see Note 3 in the consolidated financial statements.

The Parent Company applies different accounting policies than the Group in the cases described below.

## PRESENTATION FORMATS

Income statements and balance sheets follow the presentation format of the Annual Accounts Act. The statement of changes in equity follows the Group's presentation format but is to contain the components stipulated in the Annual Accounts Act. There are also differences in the names of items compared with the consolidated financial statements, primarily regarding financial income and expenses and equity.

## PARTICIPATIONS IN SUBSIDIARIES

Participations in subsidiaries are recognized at cost less any impairment. Cost includes acquisition-related expenses. The recoverable amount is calculated when there is an indication that participations in subsidiaries have declined in value. If this amount is lower than the carrying amount, impairment is recognized. Impairment is recognized in the item "Profit from participations in Group companies."

## FINANCIAL INSTRUMENTS

IAS 39 is not applied by the Parent Company and financial instruments are measured at cost (except for derivatives instruments, see below). Financial assets acquired with the intention of a short-term holding are recognized in subsequent periods in accordance with the lower of cost or market value principle.

The Parent Company assess every balance-sheet date whether there are any indications of impairment in any of the financial assets. Impairment is recognized if the decline in value if deemed to be permanent. Impairment of interest-bearing financial assets recognized at amortized cost is calculated as the difference between the asset's carrying amount and the present value of management's best estimate of future cash flows discounted using the asset's original effective interest rate. The impairment amount for other financial assets is determined as the difference between the carrying amount and the highest of fair value less selling expenses and the present value of future cash flows (based on management's best estimate).

## DERIVATIVE INSTRUMENTS

Derivative instruments are recognized in the balance sheet on the contract date and measured at fair value, both initially and when subsequently remeasured. Derivative instruments are not used for hedge accounting. Changes in fair value are subsequently immediately recognized in profit and loss. Outstanding forward contracts amounted to MEUR 1.6 (3.0) on the balance-sheet date.

## APPROPRIATIONS AND UNTAXED RESERVES

Excess depreciation, tax allocation reserves and Group contributions are recognized as appropriations. Outstanding reserves for excess depreciation and tax allocation reserves are recognized as untaxed reserves.

## NOT 3. ALLOCATION OF NET SALES

	2016	2015
Nordic region	337.4	283.8
Europe excl.	19.9	16.5
<b>Total</b>	<b>357.3</b>	<b>300.3</b>

## NOTE 4. OTHER OPERATING INCOME

	2016	2015
Rental income	2.0	1.8
Capitalized own work	0.8	2.7
Lease of personnel and administrative service	3.5	3.2
Other	0.9	0.4
<b>Total</b>	<b>7.2</b>	<b>8.1</b>

## NOTE 5. REMUNERATION OF EMPLOYEES, ETC.

Salaries and other remuneration	2016		2015	
	Salaries and other remuneration (of which, bonus payments)	Social security expenses (of which, pension costs)	Salaries and other remuneration (of which, bonus payments)	Social security expenses (of which, pension costs)
Board members, CEO and other senior executives	8.3 (1.7)	4.5 (1.6)	6.4 (1.1)	3.4 (1.2)
Other employees	39.5 (0.7)	17.9 (3.3)	36.3 (0.6)	15.4 (2.0)
<b>Total</b>	<b>47.8 (2.4)</b>	<b>22.4 (4.9)</b>	<b>42.7 (1.7)</b>	<b>18.8 (3.2)</b>

## AVERAGE NUMBER OF EMPLOYEES, SPECIFIED BY COUNTRY

	2016		2015	
	Average no. of employees	Of whom, men	Average no. of employees	Of whom, men
Sweden	119	69	116	69
<b>Total</b>	<b>119</b>	<b>69</b>	<b>116</b>	<b>69</b>

## GENDER DISTRIBUTION OF BOARD MEMBERS AND OTHER SENIOR EXECUTIVES

	2016		2015	
	No. on balance-sheet date	Of whom, men	No. on balance-sheet date	Of whom, men
Board members	5	4	5	4
CEO and other senior executives	4	4	3	3
<b>Total</b>	<b>9</b>	<b>8</b>	<b>8</b>	<b>7</b>

Remuneration of senior executives Information is provided in Note 7 of the consolidated financial statements.

## NOTE 6. REMUNERATION OF AUDITORS

	2016	2015
<b>PwC</b>		
– Audit assignment	0.5	0.6
– Auditing activities in addition to audit assignment	0.6	0.4
– Tax advice	0.1	0.1
– Other services	-	-
<b>Total</b>	<b>1.2</b>	<b>1.1</b>



NOTE 7. OPERATING LEASES

The Parent Company leases machinery, cars and warehouse premises under non-cancelable operating leases. The lease terms vary between three and five years. Most leases can be extended at the end of the lease term for a market-based fee.

Future total minimum lease payments for non-cancelable operating leases amount to the following:

	2016	2015
Within 1 year	2.0	2.1
Between 1 and 5 years	1.1	2.4
More than 5 years	-	-
<b>Total</b>	<b>3.1</b>	<b>4.5</b>

Leasing costs of MSEK 2.3 (2.8) are included in profit or loss.

NOTE 9. TAX ON NET INCOME FOR THE YEAR

	2016	2015
<b>Recognized tax in profit or loss</b>		
<b>Current tax</b>		
Current tax on net income for the year	-7.4	-7.5
Adjustments pertaining to prior years	0.1	-0.3
<b>Total current tax</b>	<b>-7.3</b>	<b>-7.8</b>
<b>Deferred tax (Note 15)</b>		
Occurrence and reversal of temporary differences	0.3	0.3
<b>Total deferred tax</b>	<b>0.3</b>	<b>0.3</b>
<b>Total recognized tax</b>	<b>-7.0</b>	<b>-7.5</b>

Income tax on profit before tax differs from the theoretical amount that would have arisen from the use of the tax rate for the Swedish Parent Company, as follows:

	2016	2015
<b>Recognized before tax</b>		
Income tax calculated according to tax rate in Sweden (22%)	-10.5	-11.1
<b>Tax effects of:</b>		
Non-taxable dividends	3.7	4.3
Non-deductible expenses	-0.6	-0.7
Temporary differences	0.3	0.3
Tax attributable to prior years' recognized earnings	0.1	-0.3
Tax effect of standard interest on tax allocation reserve	-	-
<b>Total recognized tax</b>	<b>-7.0</b>	<b>-7.5</b>

NOTE 10. HOLDINGS AND INVESTMENTS IN SUBSIDIARIES

	2016	2015
Opening cost	12.8	12.8
Divestments	-	-
<b>Closing accumulated cost</b>	<b>12.8</b>	<b>12.8</b>
<b>Closing carrying amount</b>	<b>12.8</b>	<b>12.8</b>

Name	Corp. Reg. No.	Registered office and country of registration and operation	Number of shares	Share of common shares directly owned by Parent Company (%)	Share of common shares owned by non-controlling interest (%)	Carrying amount Dec 31, 2016	Carrying amount Dec 31, 2015
Garø Electric Irl. Ltd	67083	Dublin, Ireland	10,000	100	0	4.7	4.7
Garø Elflex AB	556717-1003	Gnosjö, Sweden	950	95	5	0.1	0.1
Garø Montage AB	556658-9544	Gnosjö, Sweden	1,000	100	0	1.8	1.8
Garø AS	935722713	Drammen, Norway	800	100	0	0.7	0.7
Garø Polska SP ZOO	8513133236	Szczecin, Poland	200	100	0	5.2	5.2
LJL Intressenter AB in liquidation	556489-8012	Gnosjö, Sweden	100,000	100	0	0.2	0.2
Garø Finland OY	2191528-5	Espoo, Finland	91	91	9	0.1	0.1
<b>Total</b>						<b>12.8</b>	<b>12.8</b>

NOTE 11. INTANGIBLE ASSETS

	Capitalized development expenditure	Development projects in progress	Goodwill	Total
<b>At January 1, 2015</b>				
Cost	20.9	0.7	1.9	<b>23.5</b>
Accumulated amortization	-14.0	-	-1.8	<b>-15.8</b>
<b>Carrying amount</b>	<b>6.9</b>	<b>0.7</b>	<b>0.1</b>	<b>7.7</b>
<b>2015 fiscal year</b>				
Opening carrying amount	6.9	0.7	0.1	<b>7.7</b>
Purchases/capitalized expenses	-	3.3	-	<b>3.3</b>
Reclassifications	3.3	-3.4	-	<b>-0.1</b>
Divestments and disposals	-0.7	-	-	<b>-0.7</b>
Impairment	-	-	-	<b>-</b>
Amortization	-2.7	-	-0.1	<b>-2.8</b>
<b>Closing carrying amount</b>	<b>6.8</b>	<b>0.6</b>	<b>-</b>	<b>7.4</b>
<b>At December 31, 2015</b>				
Cost	23.0	0.6	1.9	<b>25.5</b>
Accumulated amortization	-16.2	-	-1.9	<b>-18.1</b>
<b>Carrying amount</b>	<b>6.8</b>	<b>0.6</b>	<b>-</b>	<b>7.4</b>
<b>2016 fiscal year</b>				
Opening carrying amount	6.8	0.6	-	<b>7.4</b>
Purchases/capitalized expenses	-	3.1	-	<b>3.1</b>
Reclassifications	1.6	-1.8	-	<b>-0.2</b>
Divestments and disposals	-	-	-	<b>-</b>
Impairment	-	-	-	<b>-</b>
Amortization	-2.9	-	-	<b>-2.9</b>
<b>Closing carrying amount</b>	<b>5.5</b>	<b>1.9</b>	<b>-</b>	<b>7.4</b>
<b>At December 31, 2016</b>				
Cost	24.6	1.9	1.9	<b>28.4</b>
Accumulated amortization	-19.1	-	-1.9	<b>-21.0</b>
<b>Carrying amount</b>	<b>5.5</b>	<b>1.9</b>	<b>-</b>	<b>7.4</b>

For information regarding impairment testing of goodwill, refer to Note 2.8 in the consolidated financial statements.

NOTE 12. TANGIBLE ASSETS

	Lands and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Construction in progress and advance payments for tangible assets	Total
<b>At January 1, 2015</b>					
Cost	55.5	28.1	54.9	0.4	<b>138.9</b>
Accumulated depreciation	-33.8	-27.9	-45.1	-	<b>-106.8</b>
<b>Carrying amount</b>	<b>21.7</b>	<b>0.2</b>	<b>9.8</b>	<b>0.4</b>	<b>32.1</b>
<b>2015 fiscal year</b>					
Opening carrying amount	21.7	0.2	9.8	0.4	<b>32.1</b>
Purchases	0.8	3.1	4.0	0.2	<b>8.1</b>
Reclassifications	-	-	-	-	<b>-</b>
Divestments and disposals	-	-	-0.1	-	<b>-0.1</b>
Depreciation	-1.7	-0.3	-3.2	-	<b>-5.2</b>
<b>Closing carrying amount</b>	<b>20.8</b>	<b>3.0</b>	<b>10.5</b>	<b>0.6</b>	<b>34.9</b>
<b>At December 31, 2015</b>					
Cost	56.3	31.2	58.9	0.6	<b>147.0</b>
Accumulated depreciation	-35.5	-28.2	-48.4	-	<b>-112.1</b>
<b>Carrying amount</b>	<b>20.8</b>	<b>3.0</b>	<b>10.5</b>	<b>0.6</b>	<b>34.9</b>
<b>2016 fiscal year</b>					
Opening carrying amount	20.8	3.0	10.5	0.6	<b>34.9</b>
Purchases	0.8	-	1.2	4.4	<b>6.4</b>
Reclassifications	-	-	3.7	-3.5	<b>0.2</b>
Divestments and disposals	-	-	-0.3	-	<b>-0.3</b>
Depreciation	-1.7	-0.5	-3.2	-	<b>-5.4</b>
<b>Closing carrying amount</b>	<b>19.9</b>	<b>2.5</b>	<b>11.9</b>	<b>1.5</b>	<b>35.8</b>
<b>At December 31, 2016</b>					
Cost	57.0	31.2	62.4	1.5	<b>152.1</b>
Accumulated depreciation	-37.1	-28.7	-50.5	-	<b>-116.3</b>
<b>Carrying amount</b>	<b>19.9</b>	<b>2.5</b>	<b>11.9</b>	<b>1.5</b>	<b>35.8</b>

NOTE 13. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

The carrying amounts, per currency, for Parent Company’s accounts receivable are as follows:

	Dec 31, 2016	Dec 31, 2015
Accounts receivable	78.3	60.1
Less: provision for doubtful receivables	-	-
<b>Accounts receivable – net</b>	<b>78.3</b>	<b>60.1</b>

The fair value of accounts receivable corresponds to their carrying amount since the discount effect is not material.

At December 31, 2016, satisfactory accounts receivable amounted to MSEK 78.3 (60.1).

At December 31, 2016, accounts receivable of MSEK 13.8 (6.8) had fallen due for payment but no impairment requirement was deemed to exist. The past due receivables pertain to a number of customers who have not shown any payment difficulties to date.



NOTE 14. CASH AND CASH EQUIVALENTS

	Dec 31, 2016	Dec 31, 2015
Bank balances	18.2	6.1
<b>Total</b>	<b>18.2</b>	<b>6.1</b>

NOTE 15. PROVISION FOR DEFERRED TAX

Deferred tax assets and liabilities are distributed as follows:

	Dec 31, 2016	Dec 31, 2015
<b>Deferred tax assets</b>		
– deferred tax assets to be utilized after more than 12 months	-	-
– deferred tax assets to be utilized within 12 months	-	-
<b>Deferred tax liabilities</b>		-
– deferred tax liabilities to be utilized after more than 12 months	3.4	3.7
– deferred tax liabilities to be utilized within 12 months	-	-
<b>Deferred tax liabilities (net)</b>	<b>3.4</b>	<b>3.7</b>

NOTE 16. BORROWINGS

	Dec 31, 2016	Dec 31, 2015
<b>Long-term</b>		
Liabilities to credit institutions	7.8	9.4
<b>Total long-term borrowings</b>	<b>7.8</b>	<b>9.4</b>
<b>Short-term</b>		
Liabilities to credit institutions	1.8	1.8
<b>Total short-term borrowings</b>	<b>1.8</b>	<b>1.8</b>
<b>Total borrowings Parent Company</b>	<b>9.6</b>	<b>11.2</b>

LIABILITIES TO CREDIT INSTITUTIONS

The Parent Company’s borrowings are in SEK and EUR. The Parent Company’s borrowings comprise loans from SEB. These bank loans fall due for payment in 2023 and bear average interest of 1.2% per year (1.4%). The Parent Company does not have any specific loan conditions (covenants) with external borrowers.

OVERDRAFT FACILITIES

The Parent Company has granted overdraft facilities of MSEK 40 that are renegotiated every year.

NOTE 17. ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2016	Dec 31, 2015
Accrued payroll costs	10.9	10.7
Accrued social security contributions	3.7	3.9
Bonuses to customers	11.4	7.2
Other items	6.4	3.3
<b>Total</b>	<b>32.4</b>	<b>25.1</b>

NOTE 18. PLEDGED ASSETS

	Dec 31, 2016	Dec 31, 2015
Property mortgages	16.0	16.0
Chattel mortgages	41.0	41.0
<b>Total</b>	<b>57.0</b>	<b>57.0</b>

Assets pledged for liabilities to credit institutions

NOTE 19. CONTINGENT LIABILITIES

	Dec 31, 2016	Dec 31, 2015
Other contingent liabilities for the benefit of subsidiaries	17.6	7.4
<b>Total</b>	<b>17.6</b>	<b>7.4</b>

NOTE 20. PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

	2016	2015
Dividends	16.9	19.5
Impairment	-	-
<b>Total</b>	<b>16.9</b>	<b>19.5</b>

NOTE 21. APPROPRIATIONS

	2016	2015
Difference between recognized depreciation/ amortization and depreciation/amortization according to plan	-0.4	- 0.4
Change in tax allocation reserve	4.8	1.8
Group contributions received	10.0	11.0
<b>Total</b>	<b>14.4</b>	<b>12.4</b>

NOTE 22. UNTAXED RESERVES

	Dec 31, 2016	Dec 31, 2015
Accumulated difference between recognized depreciation/amortiza- tion and depreciation/amortization according to plan	4.7	4.3
Tax allocation reserve	1.5	6.3
<b>Total</b>	<b>6.2</b>	<b>10.6</b>

NOTE 23. RELATED PARTIES

The following transactions took place with related parties:

PURCHASES AND SALES TO SUBSIDIARIES

28% (28) of the Parent Company’s sales were sales to Group companies, and 21% (21) of the Parent Company’s purchases were purchases from Group companies. Sales to subsidiaries comprise goods. Purchases from subsid- iaries comprise goods. Services are sold to subsidiaries on the basis of normal commercial terms and conditions.

	2016	2015
<b>Purchase of services</b>		
Consulting services from Board member (Ekonomerna Family Office)	0.7	0.8
Operations and services purchased from parties related to the CEO	1.8	2.1
Electrical installation services purchased from parties related to the CEO	0.7	0.9
<b>Total</b>	<b>3.2</b>	<b>3.8</b>

The services described above were purchased on normal commercial terms and conditions.

NOTE 24. EVENTS AFTER THE END OF THE FISCAL YEAR

GARO Montage AB, a company in the GARO Group, acquired Emedius AB on February 28, 2017. Emedius markets and man- ufactures consumer units, distribution boards as well as switch- gear under its own brand. In 2016, company sales amounted to MSEK 71.5 with an EBIT of MSEK 6.3. Emedius employs 36 people and is based in Gnosjö, Sweden. The purchase consid- eration for Emedius AB amounted to MSEK 31. Operations are run in rented premises, which have been transferred to GARO AB (publ), in conjunction with the acquisition at a purchase consideration of MSEK 9.5.

NOTE 25. PROPOSED APPROPRIATION OF PROFIT

The Group’s retained earnings in accordance with the consoli- dated balance sheet amounted to MSEK 174.5 (144.6).

The following profit is at the disposal of the Annual General Meeting: (SEK)

Opening retained earnings	88,068,742
Provisions to fund for own work, development expenditure	-801,598
Net income for the year	40,812,449
Total	128,079,593
The Board of Directors proposes that profit be appropriated as follows:	
– to be distributed to shareholders at SEK 2.85 per share	28,500,000
– to be carried forward	99,579,593
Total	128,079,593

THE BOARD’S STATEMENT ON THE PROPOSED DIVIDENDS

The Board believes that the proposed dividend will not prevent the company from fulfilling its obligations in the short or long term, nor from making necessary investments. The proposed dividend can thus be justified with respect to the provisions of Chapter 17, Section 3, paragraphs two and three of the Swed- ish Companies Act. The company’s equity ratio is satisfactory since the operations continue to be conducted profitably. It is deemed that the compa- ny’s liquidity can also be maintained at a satisfactory level.

# Signing of the Annual Report

The consolidated income statement and balance sheet will be presented to the Annual General Meeting for approval on May 4, 2017.

The Board and CEO assure that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and provide a true and fair view of the Group’s financial position and earnings. The Annual Report was prepared in accordance with generally accepted accounting policies and provides a true

and fair view of the Parent Company’s financial position and earnings.

The Board of Directors’ Report for the Group and the Parent Company provides a fair review of the Group’s and the Parent Company’s operations, financial position and earnings and describes the material risks and uncertainty factors faced by the Parent Company and the companies included in the Group.

Gnosjö, March 28, 2017

ANDERS PÅLSSON  
Board Chairman

SOFIA AXELSSON  
Board member

RICKARD BLOMQVIST  
Board member

PER HOLMSTEDT  
Board member

LARS SVENSSON  
Board member

STEFAN JONSSON  
CEO

Our audit report was submitted on March 28, 2017.  
Öhrlings PricewaterhouseCoopers AB

PIERRE FOGELBERG  
Authorized Public Accountant  
Auditor in charge

MARTIN RYDIN  
Authorized Public Accountant

# Auditor’s report

To the general meeting of shareholders in Garo Aktiebolag (publ),  
corporate identity number 556051-7772

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### OPINIONS

We have audited the annual accounts and consolidated accounts of Garo Aktiebolag (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 44-86 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 parent company as of 31 December 2016 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 2016 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.

### 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.

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

### OUT AUDIT APPROACH

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management

made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Garo Aktiebolag’s operations are undertaken in Sweden, Norway, Finland, Ireland and Poland where each local operation has its own financial function reporting to the head office in Sweden. All of the units have been audited and PwC’s network has executed the audit of all units except for the Polish operations where another auditing firm undertook that audit. The units in Sweden include the major portion of the group’s total operations. All in all, this implies that we have evidenced that sufficient audit activities have been undertaken, primarily within PwC’s network.

### MATERIALITY

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They 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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.



KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were most significant in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in 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.

Key audit matter	How our audit addresses the key audit matter
<b>Obsolescence in the inventories</b>	
As seen in the annual report, Garo Aktiebolag’s level of innovation is high and the company’s product development constitutes a pronounced success factor within all of the company’s product areas.	The group applies a combination of an obsolescence schedule and a market assessment to determine a best estimate of obsolescent products. This assessment is made at a variety of levels in the group and includes both local management and group management.
As a result of the above, company management and the Board of Directors must evaluate and assess, on an ongoing basis, the manner in which the company’s products are valued over time as changes the demand can be quick in a market with a high level of innovation.	We have audited this method in all units. As the development of new technology and changes in demand can take place very rapidly, the obsolescence identified by traditional analyses of slow-moving inventory items is not always captured. Consequently, we have also obtained confirmation in executing other parts of our audit, such as, in reviewing Board minutes, by being physically present at stock-taking, and through our own understanding of the industry, the development of new products and the market.
As stated in the company’s annual report, the value of the total inventory is MSEK 97.3.	
In Notes 2.12, 3.1A (ii) and (iii) and in Note 4, there is a description of, amongst other things, the valuation of and risks associated with the inventories.	
On the basis of the company’s innovative strength, the size of the inventory and due to the fact that the company management and Board of Directors undertake estimations and judgements regarding the obsolescence in the inventories, this area has comprised a key audit matter in our audit.	All in all, in our audit of obsolescence in the inventory we have made no observations that are significant to the audit in its entirety.

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 1-37. 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 of the Board of Directors 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.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden’s website: [www.revisorsinspektionen.se/rn/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf). This description is part of the auditor’s report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS  
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 Garo Aktiebolag (publ) for 2016 and the proposed appropriations of the company’s profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated 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 other-

wise 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 fulfil 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.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden’s website: [www.revisorsinspektionen.se/rn/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf). This description is part of the auditor’s report.

Jönköping, March 28, 2017  
Öhrlings PricewaterhouseCoopers AB

PIERRE FOGELBERG Authorized Public Accountant Auditor in Charge	MARTIN ODQVIST Authorized Public Accountant
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