



## Interim Report Third Quarter 2018

### Continued strong growth and improved EBIT

- Net sales increased 16% to MSEK 212.7 (184.1).
- EBIT rose 35% to MSEK 28.5 (21.1).
- EBIT margin amounted to 13.4% (11.5).
- Net income was MSEK 22.7 (23.2).
- Earnings per share totaled SEK 2.27 (2.32).
- The equity ratio was 51.1% (47.8).
- GARO has delivered DC high-efficiency chargers to Volvo Cars' test operations.

MSEK	Jul-Sep 2018	Jul-Sep 2017	%	Jan-Sep 2018	Jan-Sep 2017	%	R12*	2017
Net sales	212.7	184.1	16	633.9	557.7	14	872.2	796.0
EBIT	28.5	21.1	35	76.4	67.2	14	107.3	98.1
EBIT margin, %	13.4	11.5		12.1	12.0		12.3	12.3
Net income	22.7	23.2	-2	57.2	59.6	-4	83.2	85.6
Earnings per share	2.27	2.32	-2	5.72	5.96	-4	8.32	8.56
Cash flow from operating activities	29.5	8.5	247	45.8	36.2	27	61.1	51.5
Equity ratio, %	51.1	47.8	7	51.1	47.8	7	51.1	47.3
Return on equity, %	33.5	40.7	-18	33.5	40.7	-18	33.5	38.3
Net debt (+) / net cash position (-)	67.3	50.1	34	67.3	50.1	34	67.3	56.1

\*) Rolling 12 months, October 2017-September 2018.

GARO develops, manufactures and supplies innovative products and systems for the electrical installations industry under its own brand. 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 has a broad product assortment and is a market leader within several product areas. The Group had sales of approximately MSEK 796 in 2017 and has 403 employees. Its head office is located in Gnosjö. The business concept is "with a focus on innovation, sustainability and design, GARO provides profitable complete solutions for the electrical industry."



## CEO's comments on the quarter

GARO continues to report healthy growth in the third quarter. Net sales rose 16% to MSEK 212.7, due to positive organic growth. The *Sweden* business area noted growth of 11% mainly driven by the *EV charging* product area, while sales in construction-related product areas noted some overall growth. *Other markets* grew 26% due to robust growth in all product areas and countries.

EBIT rose 35% to MSEK 28.5 for the quarter. EBIT margin amounted to 13.4% (11.5) as a result of a strong gross margin aided by price adjustments to compensate for higher material costs and a weak Swedish currency as well as economies of scale from higher volumes. We also noted positive effects in the form of lower manufacturing expenses and rising productivity in the Polish factory. Improvements to the EBIT margin are also attributable to the increased costs charged to the third quarter of the preceding year to ensure a high delivery capacity.

The *EV charging* product area reported continued strong growth in all markets and throughout the entire product program. The market is developing rapidly with strong demand for advanced and connected products. The acquisition of WEB-EL one year ago has further strengthened our position in the charging market and enabled the launch of several new products during the quarter.

In September, we were proud to announce the delivery of high-efficiency chargers to Volvo Cars' test operations consisting of 12 DC stations with varying design and functionality. The chargers contain the latest technology and allow a very high power output and are intended for Volvo Cars' test operations.

Demand for construction-related products in Sweden remains at a high level. However, we have noted that the growth curve is leveling off, primarily due to the slight slowdown in the Stockholm area. Growth remains high for *Other markets*. We see a strong performance in the *EV charging* product area and the continued expansion of charging infrastructure in all markets. All in all, GARO continues to have a positive view of market conditions in 2018.

Carl-Johan Dalin  
President and CEO

## Group

### Net sales

The Group's net sales for the third quarter of 2018 increased 16% to MSEK 212.7 (184.1) as a result of organic growth of 12%, and a positive currency effect of 3%.

Analysis of change in net sales	Jul-Sep 2018 (MSEK)	Jul-Sep 2018 (%)	Jul-Sep 2017 (MSEK)	Jul-Sep 2017 (%)
Year-earlier period	184.1	-	148.2	-
Organic growth	22.6	12	20.9	14
Acquisitions and structural changes	0.8	1	15.0	10
Exchange-rate effects	5.2	3	0	0
<b>Current period</b>	<b>212.7</b>	<b>16</b>	<b>184.1</b>	<b>24</b>

Analysis of change in net sales	Jan-Sep 2018 (MSEK)	Jan-Sep 2018 (%)	Jan-Sep 2017 (MSEK)	Jan-Sep 2017 (%)
Year-earlier period	557.7	-	456.9	-
Organic growth	64.4	12	56.3	12
Acquisitions and structural changes	2.5	0	39.1	9
Exchange-rate effects	9.3	2	5.4	1
<b>Current period</b>	<b>633.9</b>	<b>14</b>	<b>557.7</b>	<b>22</b>

The *Sweden* business area noted healthy growth mainly driven by the *EV charging* product area, while sales in construction-related product areas noted some overall growth. *Other markets* reported robust growth in all product areas and countries.

### EBIT

EBIT rose 35% to MSEK 28.5 (21.1) in the quarter and the EBIT margin amounted to 13.4% (11.5). The EBIT margin mainly grew due to higher gross margins where price adjustments made have compensated for higher material costs and a weak Swedish currency as well as a result of economies of scale from higher volumes. The previous year's EBIT margin was charged with costs to ensure a high delivery capacity.

GARO Group		Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	R12 2017	Jan-Dec 2017
Key figures							
Net sales	MSEK	212.7	184.1	633.9	557.7	872.2	796.0
Growth	%	16	24	14	22	15	21
EBIT	MSEK	28.5	21.1	76.4	67.2	107.3	98.1
EBIT margin	%	13.4	11.5	12.1	12.0	12.3	12.3
Investments	MSEK	4.0	18.5	16.9	45.6	37.7	51.4
Depreciation	MSEK	3.8	3.2	11.2	8.8	14.6	12.2
Return on equity	%	33.5	40.7	33.5	40.7	33.5	38.3
Equity ratio	%	51.1	47.8	51.1	47.8	51.1	47.3
Number of employees		403	360	403	360	403	376

**Net income**

Net income for the third quarter amounted to MSEK 22.7 (23.2) and earnings per share amounted to SEK 2.27 (2.32). The decline in earnings was mainly attributable to weaker net financial expenses of MSEK -2.8 (-0.3), primarily as a result of the revaluation of currency derivatives and the translation of loans and overdraft facilities in foreign currency. Tax for the quarter was MSEK -3.0 (2.4). Income was positively impacted by MSEK 2.0 (7.0 in the preceding year) from a deferred tax asset in Poland. The average effective tax rate for the Group was 17.8% (22.1).

**Cash flow and investments**

Cash flow from operating activities in the quarter amounted to MSEK 29.5 (8.5), as a result of the positive development of EBITDA and improved working capital. Investments during the quarter amounted to MSEK 4.0 (18.5).

**Liquidity and financial position**

The Group's net debt at the end of the period amounted to MSEK 67.3 compared with MSEK 50.1 for the year-earlier quarter and MSEK 56.1 at the end of 2017. Available liquidity in the Group, including unutilized overdraft facilities, amounted to MSEK 72.1 (80.0) and the equity ratio was 51.1% (47.8).

**Parent Company**

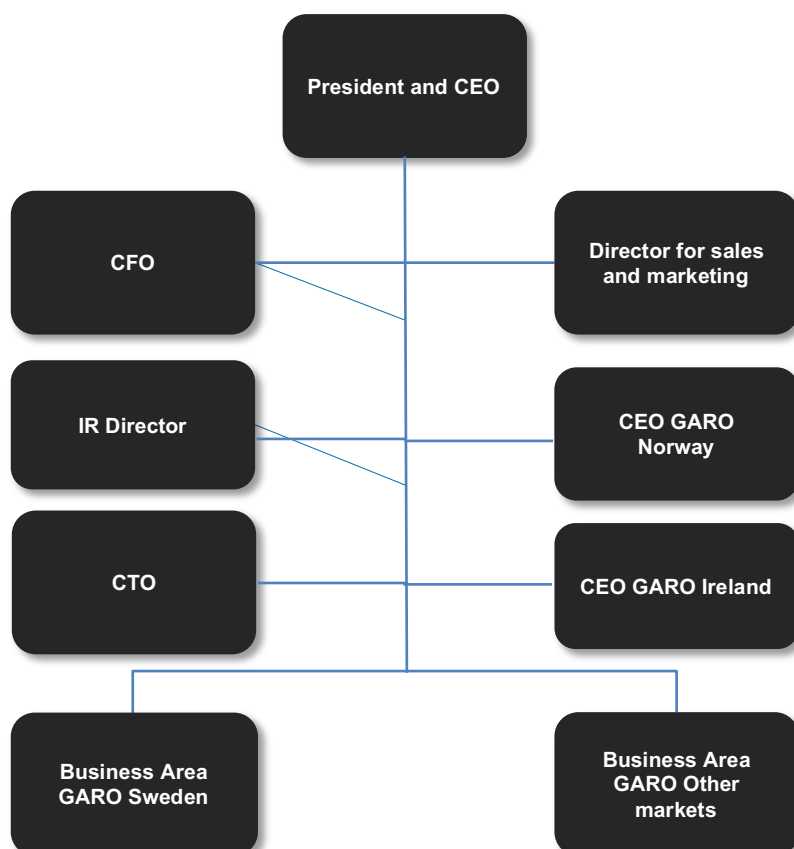
The Parent Company's operations encompass a significant part of the Swedish operations and Group Management, as well as certain Group-wide functions and the Group's Finance function. Sales for the Parent Company in the third quarter amounted to MSEK 125.6 (99.3), an increase of 26%. Of this amount, MSEK 39.3 (32.7) comprised internal sales to other Group companies. EBIT amounted to MSEK 11.8 (7.2).

## Operations and segments

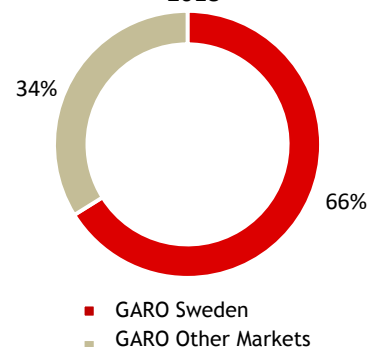
GARO divides its operations into two business areas: *Sweden* and *Other markets*. The Sweden business area comprises the Swedish companies, and the Other markets business area comprises the companies in Norway, Poland, Ireland and Finland.



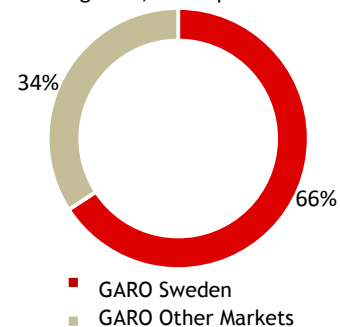
Group Management comprises seven individuals and the function: President and CEO, CFO, IR Director, CMO, CTO, CEO GARO Norway and CEO GARO Ireland.



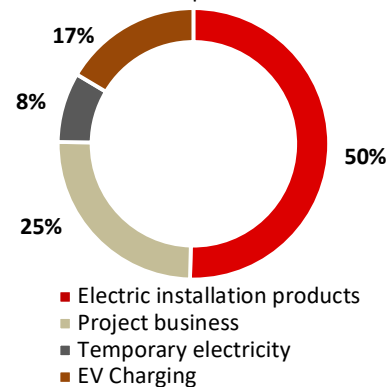
Allocation of net sales by segment, Jan-Sep 2018



Allocation of EBIT by segment, Jan-Sep 2018



Allocation of net sales by product area, Jan-Sep 2018



## GARO Sweden

### Net sales and earnings

Net sales for *GARO Sweden* increased 11% to MSEK 138.3 (124.9) during the third quarter of 2018, mainly driven by strong growth in *EV charging* and slight growth in construction-related product areas.

EBIT rose 26% to MSEK 17.7 (14.1) and the EBIT margin amounted to 12.8% (11.3) as a result of a stronger gross margin and economies of scale on increased sales volumes. Improvements to the EBIT margin are also attributable to the increased costs charged to the third quarter of the preceding year to ensure a high delivery capacity.

### Product areas

The Electrical distribution products market, in which GARO is represented among all major wholesalers, is estimated to have grown by approximately 2% during the quarter. During the quarter, GARO reported growth exceeding the market.

The *Project business* product area reported a solid performance for the quarter. The *Temporary electric installations* product area performed negatively during the quarter, with comparative figures that remain challenging. Activity in the *Temporary electric installations* market has displayed a higher degree of volatility during the past two quarters.

The EV charging product area reported continued strong sales growth throughout the entire product program in Sweden. During the quarter, GARO delivered high-efficiency chargers to Volvo Cars' test operations consisting of 12 DC stations with varying design and functionality. The chargers contain the latest technology and allow a very high power output. The charging stations are intended for Volvo Cars' test operations and were installed in the Gothenburg area and at a winter test site in Norrland.

GARO Sweden		Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec	
Key figures		2018	2017	2018	2017	R12	2017
Net sales	MSEK	138.3	124.9	419.2	380.2	582.7	543.7
Growth	%	11	32	10	34	13	30
EBIT	MSEK	17.7	14.1	50.3	43.7	71.1	64.5
EBIT margin	%	12.8	11.3	12.0	11.5	12.2	11.9
Investments	MSEK	2.9	4.0	10.4	22.2	15.4	27.2
Depreciation	MSEK	2.8	2.6	8.3	7.0	10.9	9.6
Number of employees		235	236	235	236	235	234

## GARO Other markets

### Net sales and earnings

Net sales for *GARO Other markets* increased 26% to MSEK 74.4 (59.2), with strong volume growth in all product groups and in all countries in which GARO is represented.

EBIT was MSEK 10.8 (7.0) and the EBIT margin improved to 14.5% (11.8). EBIT margin improved as a result of strong volume growth.

### Countries

During the quarter, sales for GARO Norway performed favorably in construction-related products and noted strong growth in the *EV charging* product area throughout the product program.

GARO Ireland reported strong growth and GARO Finland continued to perform in a positive direction. In Ireland and Finland, the company has also noted growing interest in charger products.

GARO Poland's sales and productivity continued to increase in line with rising volumes and the inventory built up as a buffer ahead of the move continued to decline as planned. The company also has rising sales volumes for charger products in Poland.

GARO Other markets		Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec	
Key figures		2018	2017	2018	2017	R12	2017
Net sales	MSEK	74.4	59.2	214.7	177.5	289.5	252.3
Growth	%	26	10	21	2	19	6
EBIT	MSEK	10.8	7.0	26.1	23.5	36.2	33.6
EBIT margin	%	14.5	11.8	12.2	13.2	12.5	13.3
Investments	MSEK	1.1	14.5	7.1	23.4	7.9	24.2
Depreciation	MSEK	1.0	0.6	2.9	1.8	3.7	2.6
Number of employees		168	124	168	124	168	142

**Accounting policies**

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting and the Swedish Annual Accounts Act. The Parent Company's accounts were prepared in accordance with Chapter 9 of the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2.

IFRS 15 came into effect in 2018 and established new rules for determining performance obligations and transaction prices, and when a company is to recognize income. The standard replaced all previously issued standards and interpretations on income. The standard is based on the principle that income is to be recognized when the company satisfies a performance obligation by transferring a good or service to a customer, meaning that the control has been passed to the customer. This can take place over time or at a point in time. The Group's significant income flows and contracts have been analyzed and it was determined that control is primarily transferred at a point in time – when goods are delivered. Based on this, the company believes that the standard will not entail any change in income recognition for these deliveries. The accounting policies applied correspond with the accounting policies and valuation principles presented in the 2017 Annual Report. The 2017 Annual Report is available at [www.garo.se](http://www.garo.se).

IFRS 16 Leases will replace IAS 17 from January 1, 2019. The standard eliminates the division of leases between operating and finance leases for the lessee, as required under IAS 17, and instead introduces a shared model for recognizing all leases. Under this model, the lessee is to recognize: (a) assets and liabilities for all leases with a lease term of more than 12 months, except when the underlying asset has a low value; and (b) depreciation of leased assets separated from the lease interest in profit or loss. The forthcoming year-end report will describe the impact of IFRS 16 Leases on the Group's financial statements.

Performance measures together with the definitions of performance measures in this report are deemed to be sufficient to comply with the new guidelines. The performance measures in this report take into account the nature of the operations and are deemed to provide relevant information to shareholders and other stakeholders and also enable comparability with other companies.

**Risks and uncertainties**

GARO's risks and uncertainties are described on pages 50-52 of the 2017 Annual Report. The Annual Report is available at [www.garo.se](http://www.garo.se). No significant changes have arisen that alter the view of risks and uncertainties.

**Related-party transactions**

Related-party transactions took place to the same extent as previously, and the same principles were applied as those described in the 2017 Annual Report.

**Significant events during and after the end of the quarter**

GARO AB delivered high-efficiency chargers to Volvo Cars' test operations consisting of 12 DC stations with varying design and functionality. The chargers contain the latest technology and allow a very high power output. The charging stations are intended for Volvo Cars' test operations.

Helena Claesson will assume the position of CFO of GARO AB on January 1, 2019. Rickard Blomqvist, Board member of GARO, has assumed the role of acting CFO of GARO until Helena takes up her new position.

**Nomination Committee**

The members appointed to the Nomination Committee until the 2019 Annual General Meeting are: Lars Kongstad, Mannheimer Swartling Advokatbyrå (legal firm) appointed by Lars Svensson, Ulf Hedlundh appointed by Svolder AB, Jan Särllvik appointed by Nordea Investment Funds and Stefan Jonsson in his



capacity as Chairman of the Board of GARO AB. Lars Kongstad has been appointed Chairman of the Nomination Committee. Shareholders who wish to submit proposals to the Nomination Committee can send an e-mail to [valberedningen@garo.se](mailto:valberedningen@garo.se) by March 27, 2019 at the latest, meaning seven weeks before the Annual General Meeting, which will be held on May 15, 2019 in Gnosjö.

## Review report

GARO AB (publ), corporate identity number 556051-7772

### Introduction

We have reviewed the condensed interim report for GARO AB (publ) as at September 30, 2018 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

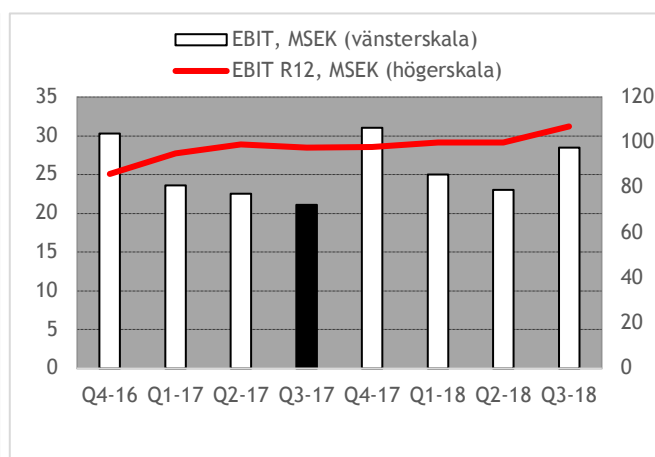
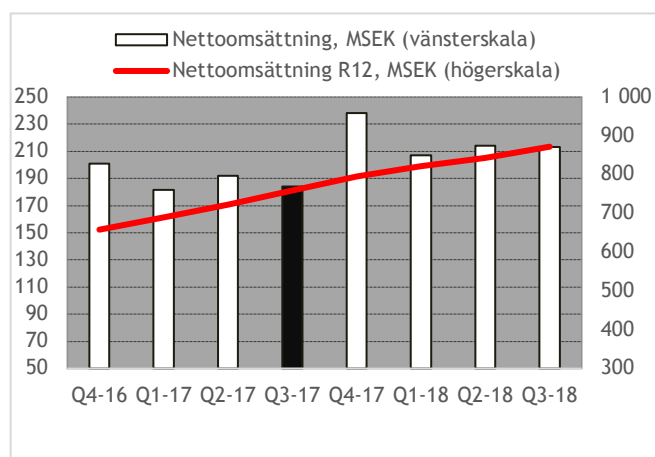
Jönköping, October 30, 2018

Ernst & Young AB

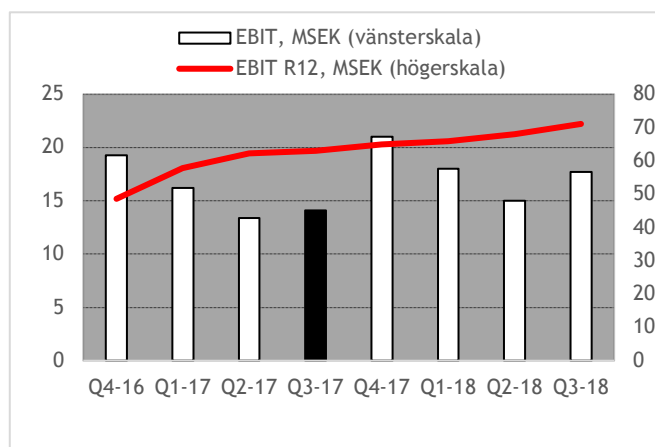
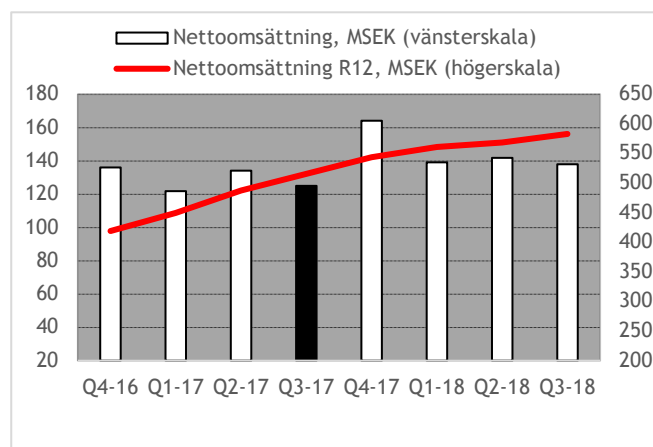
Joakim Falck

Authorized Public Accountant

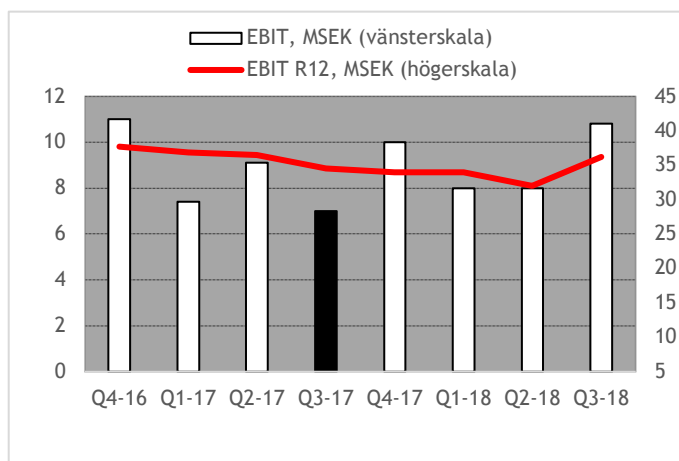
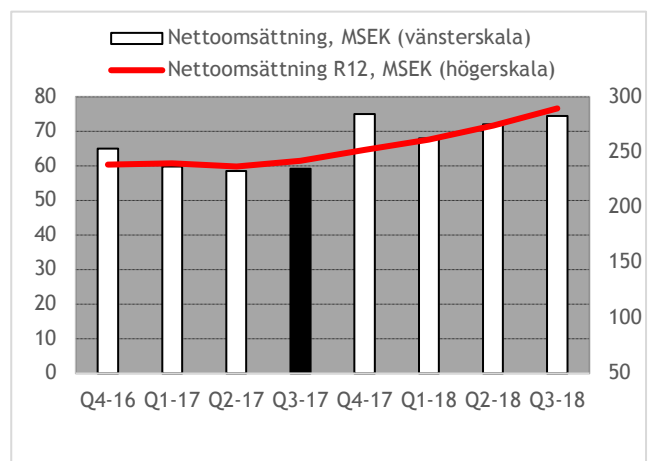
## GARO Group



## GARO Sweden



## GARO Other markets



## Consolidated income statement

<i>Amount in MSEK</i>	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Rolling 12 months	Jan-Dec 2017
Net sales	212.7	184.1	633.9	557.7	872.2	796.0
Other operating income	0.6	0.1	3.3	0.3	4.8	1.8
<b>Total income</b>	<b>213.3</b>	<b>184.2</b>	<b>637.2</b>	<b>558.0</b>	<b>877.0</b>	<b>797.8</b>
<b>Operating expenses</b>						
Raw materials and consumables	-110.1	-96.4	-322.0	-283.8	-442.4	-404.2
Other external expenses	-26.9	-22.4	-79.5	-68.1	-111.5	-100.1
Personnel expenses	-44.0	-41.1	-148.1	-130.1	-201.2	-183.2
Depreciation/amortization of tangible and intangible assets	-3.8	-3.2	-11.2	-8.8	-14.6	-12.2
Other operating expenses	0.0	-	0.0	-	0.0	-
<b>EBIT</b>	<b>28.5</b>	<b>21.1</b>	<b>76.4</b>	<b>67.2</b>	<b>107.3</b>	<b>98.1</b>
<b>Result from financial items</b>						
Net financial income/expenses	-2.8	-0.3	-6.8	-0.6	-8.4	-2.2
<b>Profit before tax</b>	<b>25.7</b>	<b>20.8</b>	<b>69.6</b>	<b>66.6</b>	<b>98.9</b>	<b>95.9</b>
Income tax	-3.0	2.4	-12.4	-7.0	-15.7	-10.3
<b>Net income</b>	<b>22.7</b>	<b>23.2</b>	<b>57.2</b>	<b>59.6</b>	<b>83.2</b>	<b>85.6</b>
<b>Other comprehensive income: Items that may be reclassified to the income statement</b>						
Translation differences	-0.2	-0.6	2.6	0.1	4.8	2.2
<b>Other comprehensive income, net</b>	<b>-0.2</b>	<b>-0.6</b>	<b>2.6</b>	<b>0.1</b>	<b>4.8</b>	<b>2.2</b>
<b>Total comprehensive income for the year</b>	<b>22.5</b>	<b>22.6</b>	<b>59.8</b>	<b>59.7</b>	<b>88.0</b>	<b>87.8</b>
Net income and total comprehensive income for the year is attributable to shareholders of the Parent Company						
<b>Key ratios per share</b>						
Average number of shares	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Earnings per share, SEK	2.27	2.32	5.72	5.96	8.32	8.56

## Consolidated balance sheet

<i>Amount in MSEK</i>	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible assets	53.0	33.8	49.9
Tangible assets	101.6	93.8	97.8
Financial assets	11.8	7.0	9.6
<b>Total fixed assets</b>	<b>166.4</b>	<b>134.6</b>	<b>157.3</b>
<b>Current assets</b>			
Inventories	143.8	133.4	142.8
Accounts receivable	204.8	177.1	196.7
Other current receivables	12.3	11.2	8.9
Cash and cash equivalents	5.3	14.9	28.2
<b>Total current assets</b>	<b>366.2</b>	<b>336.6</b>	<b>376.6</b>
<b>TOTAL ASSETS</b>	<b>532.6</b>	<b>471.2</b>	<b>533.9</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	20.0	20.0	20.0
Other reserves	4.7	-0.1	2.1
Other equity including net income for the period	247.4	205.3	230.6
<b>Total equity</b>	<b>272.1</b>	<b>225.2</b>	<b>252.7</b>
<b>Long-term liabilities</b>			
Interest-bearing liabilities	37.7	31.6	38.3
Other provisions	1.6	1.5	1.6
Deferred tax liabilities	4.3	5.1	4.5
<b>Total long-term liabilities</b>	<b>43.6</b>	<b>38.2</b>	<b>44.4</b>
<b>Short-term liabilities</b>			
Interest-bearing liabilities	34.9	33.4	46.0
Accounts payable	87.5	91.5	93.7
Other short-term liabilities	94.5	82.9	97.1
<b>Total short-term liabilities</b>	<b>216.9</b>	<b>207.8</b>	<b>236.8</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>532.6</b>	<b>471.2</b>	<b>533.9</b>
<b>Key figures</b>			
Net debt	67.3	50.1	56.1
Equity ratio	51.1	47.8%	47.3%
Adjusted equity per share, SEK	27.2	22.5	25.3
Outstanding number of shares, '000	10,000.0	10,000.0	10,000.0

**Changes in consolidated equity**

Equity attributable to shareholders in the Parent Company <i>Amount in MSEK</i>	Share capital	Reserves	Retained profit	Total equity
Equity at January 1, 2017	20.0	-0.1	174.5	194.4
Net income for the period			85.6	85.6
Other comprehensive income for the period		2.2		2.2
Dividend to shareholders			-28.9	-28.9
Change in value, liability, put option			-0.7	-0.7
<b>Closing equity, December 31, 2017</b>	<b>20.0</b>	<b>2.1</b>	<b>230.6</b>	<b>252.7</b>
Equity at January 1, 2018	20.0	2.1	230.6	252.7
Net income for the period			57.2	57.2
Other comprehensive income for the period		2.6	0.2	2.8
Dividend to shareholders			-40.4	-40.4
<b>Closing equity, September 30, 2018</b>	<b>20.0</b>	<b>4.7</b>	<b>247.4</b>	<b>272.1</b>

**Condensed consolidated cash-flow statement**

<i>Amount in MSEK</i>	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Rolling 12 months	Jan-Dec 2017
<b>Operating activities</b>						
Cash flow from operating activities						
before changes in working capital	24.6	21.4	63.3	57.7	92.5	86.9
Cash flow from changes in working capital	4.9	-12.9	-17.5	-21.5	-31.4	-35.4
<b>Cash flow from operating activities</b>	<b>29.5</b>	<b>8.5</b>	<b>45.8</b>	<b>36.2</b>	<b>61.1</b>	<b>51.5</b>
<b>Investing activities</b>						
Investments in intangible assets	-1.5	-1.8	-5.8	-5.0	-8.3	-7.5
Acquisition of subsidiaries	-	-		-29.9	-15.3	-45.2
Investments in tangible assets	-2.5	-16.7	-11.7	-40.6	-15.0	-43.9
Disposal of tangible assets	-	-	0.6	1.2	0.9	1.5
<b>Cash flow from investing activities</b>	<b>-4.0</b>	<b>-18.5</b>	<b>-16.9</b>	<b>-74.3</b>	<b>-37.7</b>	<b>-95.1</b>
<b>Financing activities</b>						
Net borrowing/amortization of loans	-28.5	9.3	-11.7	40.7	6.9	59.3
Dividend paid to shareholders	-	-	-40.4	-28.9	-40.4	-28.9
<b>Cash flow from financing activities</b>	<b>-28.5</b>	<b>9.3</b>	<b>-52.1</b>	<b>11.8</b>	<b>-33.5</b>	<b>30.4</b>
<b>Cash flow for the period</b>	<b>-3.0</b>	<b>-0.7</b>	<b>-23.2</b>	<b>-26.3</b>	<b>-10.1</b>	<b>-13.2</b>
Currency effect in cash and cash equivalents		-0.1	0.3	-0.4	0.5	-0.2
Cash and cash equivalents, start of the period	8.3	15.7	28.2	41.6	14.9	41.6
<b>Cash and cash equivalents, end of the period</b>	<b>5.3</b>	<b>14.9</b>	<b>5.3</b>	<b>14.9</b>	<b>5.3</b>	<b>28.2</b>

## Parent Company income statement

<i>Amount in MSEK</i>	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Net sales	125.6	99.3	361.7	297.1	428.9
Other operating income	2.3	1.7	9.2	5.2	8.2
<b>Total income</b>	<b>127.9</b>	<b>101.0</b>	<b>370.9</b>	<b>302.3</b>	<b>437.1</b>
<b>Operating expenses</b>					
Raw materials and consumables	-80.5	-62.0	-227.1	-176.5	-255.6
Other external expenses	-7.3	-10.1	-34.5	-31.8	-48.3
Personnel expenses	-25.8	-19.3	-68.0	-63.1	-88.0
Depreciation/amortization of tangible and intangible assets	-2.5	-2.4	-7.4	-6.4	-8.7
Other operating expenses	0.0	-	0.0	-	-
<b>EBIT</b>	<b>11.8</b>	<b>7.2</b>	<b>33.9</b>	<b>24.5</b>	<b>36.5</b>
<b>Result from financial items</b>					
Profit from participations in Group companies	0.0	0.1	18.0	9.4	20.4
Net interest income and similar items	0.2	0.1	1.9	0.5	2.1
Net interest expenses and similar items	-2.4	0.2	-6.8	-0.4	-2.6
<b>Profit before tax</b>	<b>9.6</b>	<b>7.6</b>	<b>47.0</b>	<b>34.0</b>	<b>56.4</b>
Appropriations	0.0	-	0.0	-	8.3
Income tax	-2.0	-1.7	-6.3	-5.4	-8.5
<b>Net income</b>	<b>7.6</b>	<b>5.9</b>	<b>40.7</b>	<b>28.6</b>	<b>56.2</b>

## Parent Company balance sheet

<i>Amount in MSEK</i>	<b>Sep 30, 2018</b>	<b>Sep 30, 2017</b>	<b>Dec 31, 2017</b>
<b>ASSETS</b>			
Intangible assets	12.7	7.0	9.3
Tangible assets	49.4	50.8	50.3
Participations in Group companies	43.7	12.8	42.7
Other financial assets	24.6	27.1	36.6
<b>Total fixed assets</b>	<b>130.4</b>	<b>97.7</b>	<b>138.9</b>
<b>Current assets</b>			
Inventories	53.1	59.7	62.4
Accounts receivable	94.4	71.2	84.4
Other receivables	76.4	49.1	70.5
Cash and bank balances	0.0	1.6	0.0
<b>Total current assets</b>	<b>223.9</b>	<b>181.6</b>	<b>217.3</b>
<b>TOTAL ASSETS</b>	<b>354.3</b>	<b>279.3</b>	<b>356.2</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	20.0	20.0	20.0
Fund for internal development expenses	1.8	0.8	1.8
Statutory reserve	2.6	2.6	2.6
Non-restricted equity including net income for the period	155.5	128.2	154.8
<b>Total equity</b>	<b>179.9</b>	<b>151.6</b>	<b>179.2</b>
<b>Untaxed reserves</b>	<b>7.9</b>	<b>6.2</b>	<b>7.9</b>
<b>Provisions</b>	<b>3.0</b>	<b>4.9</b>	<b>3.3</b>
<b>Liabilities</b>			
Long-term interest-bearing liabilities	21.2	14.9	23.5
Short-term interest-bearing liabilities	25.7	22.2	35.9
Short-term non-interest-bearing liabilities	116.6	79.5	106.4
<b>Total liabilities</b>	<b>163.5</b>	<b>116.6</b>	<b>165.8</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>354.3</b>	<b>279.3</b>	<b>356.2</b>

## Sales and EBIT by segment

Segment information	Sweden		Other markets		Elimination		Group	
	Q3 2018	Q3 2017	Q3 2018	Q3 2017	Q3 2018	Q3 2017	Q3 2018	Q3 2017
<b>Sales</b>								
Total net sales	181.3	159.1	112.9	83.4	-81.0	-58.4	212.7	184.1
Internal net sales	-42.8	-34.2	-38.2	-24.2	81.0	58.4	-	-
<b>External net sales</b>	<b>138.5</b>	<b>124.9</b>	<b>74.7</b>	<b>59.2</b>	<b>-</b>	<b>-</b>	<b>212.7</b>	<b>184.1</b>
<b>EBIT</b>	<b>17.6</b>	<b>14.1</b>	<b>10.8</b>	<b>7.0</b>	<b>-</b>	<b>-</b>	<b>28.5</b>	<b>21.1</b>
Net financial income/expenses	-	-	-	-	-	-	-2.8	-0.3
Tax expense for the year	-	-	-	-	-	-	-3.0	2.4
<b>Net income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22.7</b>	<b>23.2</b>

GARO Group		Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Full-year	Full-year	Full-year	Full-year
Multi-year overview and key ratios		2018	2017	2018	2017	R12	2016	2015	2014
						872.	796.		
Net sales	MSEK	212.7	184.1	633.9	557.7	2	0	657.8	554.1
Growth	%	16	24	14	22	15	21	19	25
						121.	110.		
EBITDA	MSEK	32.3	24.3	87.6	76.0	9	3	84.8	74.3
EBITDA margin	%	15.2	13.2	13.8	13.6	14.0	13.9	12.9	13.4
						107.			
EBIT	MSEK	28.5	21.1	76.4	67.2	3	98.1	73.8	62.4
EBIT margin	%	13.4	11.5	12.1	12.0	12.3	12.3	11.2	11.3
Adjusted EBIT	MSEK	-	-	-	-	-	86.4	-	-
Adjusted EBIT margin	%	-	-	-	-	-	13.1	-	-
Investments	MSEK	4.0	18.5	16.9	45.6	37.7	51.4	12.8	13.8
Depreciation	MSEK	3.8	3.2	11.2	8.8	14.6	12.2	11.0	11.9
Return on equity*	%	33.5	40.7	33.5	40.7	33.5	38.3	32.4	31.3
Equity ratio	%	51.1	47.8	51.1	47.8	51.1	47.3	52.0	49.8
Net debt	MSEK	67.3	50.1	67.3	50.1	67.3	56.1	-17.3	-0.4
Net debt/EBITDA*	multiple	0.6	0.5	0.6	0.5	0.6	0.5	-0.2	0.0
Number of employees		403	360	403	360	403	376	274	254
								244	

\*) Key ratios are calculated on the last 12 months



**Quarterly figures**

<b>Consolidated income statement</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>
<b>Amount in MSEK</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
Net sales	212.7	214.2	207.0	238.3	184.1	192.0	181.6	200.9	148.2
Operating expenses	-184.2	-191.4	-181.9	-207.4	-163.0	-169.5	-158.0	-170.6	-125.9
EBIT	28.5	22.8	25.1	30.9	21.1	22.5	23.6	30.3	22.3
Net financial income/expenses	-2.8	-3.2	-0.8	-1.6	-0.3	-0.2	-0.1	-2.2	0.1
Profit before tax	25.7	19.6	24.3	29.3	20.8	22.3	23.5	28.1	22.4
Tax	-3.0	-4.2	-5.2	-3.3	2.4	-4.4	-5.0	-6.4	-4.8
Net income	22.7	15.4	19.1	26.0	23.2	17.9	18.5	21.7	17.6

<b>Net sales per segment</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>
<b>Amount in MSEK</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
GARO Sweden	138.3	142.3	138.6	163.5	124.9	133.5	121.8	135.9	94.5
GARO Other markets	74.4	71.9	68.4	74.8	59.2	58.5	59.8	65.0	53.7
Total Group	212.7	214.2	207.0	238.3	184.1	192.0	181.6	200.9	148.2

<b>EBIT per segment</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>
<b>Amount in MSEK</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
GARO Sweden	17.7	15.1	17.5	20.8	14.1	13.4	16.2	19.3	13.3
GARO Other markets	10.8	7.7	7.6	10.1	7.0	9.1	7.4	11.0	9.0
Total Group	28.5	22.8	25.1	30.9	21.1	22.5	23.6	30.3	22.3

**Definitions****EBITDA:**

Earnings before interest, tax, depreciation and amortization

**EBIT:**

Earnings before interest and tax

**EBITDA margin, %:**

EBITDA as a percentage of net sales for the period

**EBIT margin, %:**

EBIT as a percentage of net sales for the period

**Net debt:**

Interest-bearing liabilities minus assets including cash and cash equivalents

**Net debt/EBITDA, multiple:**

Net debt at the end of the period as a percentage of EBITDA for the past 12 months

**R12:**

Rolling 12 months

**Equity per share:**

Equity divided by the number of shares at the end of the period

**Return on equity, %:**

Net income for the past 12 months divided by average equity

**Equity ratio, %:**

Equity as a percentage of total assets

**Earnings per share:**

Earnings for the period divided by average number of shares

### **Teleconference**

A teleconference for investors will be held on October 31 at 9:30 a.m.

Telephone numbers:

Sweden: +46 10 884 80 16

International: +44 20 3936 2999

Code: 224661

The presentation used during this teleconference can be downloaded at [www.garo.se](http://www.garo.se) under Investor Relations. A recording of the teleconference will be available on the company's website afterwards.

### **For more information, please contact:**

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### **Financial calendar**

Fourth quarter of 2019: February 19, 2019

Annual General Meeting and report for the first quarter of 2019: May 15, 2019

*This information is such information that GARO aktiebolag is obligated to publish in accordance with the EU Market Abuse Regulation. The information was published by the abovementioned contact persons on October 31, 2018 at 7:30 a.m.*

### **Forward-looking information**

Certain statements in this report are forward-looking and the actual outcome may be significantly different. In addition to the specifically mentioned factors, other factors may have a material impact on the actual outcome. Such factors include, but are not limited to, the general economic climate, exchange-rate fluctuations and changes in interest rates, political developments, the impact of competing products and the prices of such products, difficulties associated with product development and commercialization, technical problems, interruptions to the access to raw materials and credit losses attributable to major customers.

**Assurance by the Board and CEO**

The CEO and Board assure that this interim report provides a fair review of the Group's and Parent Company's operations, financial position and earnings, and describes significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

Gnosjö, October 30, 2018

GARO AB (publ), (Corp. ID. No. 556051-7772)

Stefan Jonsson  
Chairman

Rickard Blomqvist  
Board member

Susanna Hilleskog  
Board member

Per Holmstedt  
Board member

Lars-Åke Rydh  
Board member

Lars Svensson  
Board member

Carl-Johan Dalin  
President and CEO