

ANNUAL REPORT GARO 2018

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Annual Report 2018

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A nighttime photograph of a city, likely Gnosjö, Sweden, viewed from a hillside. The city lights are reflected in a body of water in the foreground. The sky is dark, and the city lights are a mix of warm yellow and cool white. The text 'GARO Group in brief' is overlaid on the left side of the image.

GARO Group in brief

Since its inception in Gnosjö, in Småland, in southern Sweden in 1939, GARO has developed into the leading manufacturer of new, smart electrical products in the Swedish market. With a focus on electrical safety, user-friendliness and sustainability, we take a clear overall responsibility which we have divided into four strong product areas: Electrical distribution products, Project business, E-mobility and Temporary electric installations. Together, these provide constant and comprehensive cooperation in expertise, product development, manufacturing, sales and training

under one GARO. In 2018, the GARO Group conducted operations in Sweden, Norway, Finland, Ireland, Northern Ireland and Poland. Sales are divided into two business areas: GARO Sweden and GARO Other markets. The head office is in Gnosjö, Sweden. Production units are located in Gnosjö and Värnamo, Sweden, and in Szczecin, Poland.

The GARO share has been listed on Nasdaq Stockholm OMX since March 16, 2016. In January 2018, the share was moved from Small Cap to Mid Cap.

Overall responsibility

GARO has built up four strong product areas, which with shared product development, manufacturing and sales, constantly identify new opportunities and synergies for our products. By providing training for our customers, we share our knowledge and many years of experience. We have a strong sense of responsibility for the electrical products and complete solutions of the future.

ELECTRICAL DISTRIBUTION PRODUCTS

In GARO's original product area of Electrical distribution products, we now offer about 3,000 electrical products and complete solutions for fixed electrical installation within industry, newbuilds of premises, housing and properties and for renovation projects. This could be anything from connectors to complete distribution cabinets containing media, control and metering, or complete solar package solutions. From electric posts for cars, camping and marinas to outlet boxes and safety switches for machinery in industry.

E-MOBILITY

As a result of many years of development work on engine heaters, GARO had an early interest in vehicle charging and presented its first charging station already in 2008. Since then, we have focused intensely on further development and the charging range has been significantly expanded. Today, GARO E-mobility is the leading supplier of charging infrastructure in the Nordic region. With a broad product portfolio, we can offer all types of vehicle charging – from home charging boxes for single-family homes, to charging stations for service stations, residential areas, companies and other public environments.

PROJECT BUSINESS

Within Project business, GARO assembles complete, customized and installation-ready distribution cabinets to meet specific requirements from customers. Strong growth in the construction sector, in combination with our reliability of supply and high quality, has given us a market-leading position in complete solutions in low-voltage distribution. This mainly involves switchgear, cable cabinets, distribution units and apartment fuse boxes. GARO quality can be guaranteed at every stage by the company controlling all projects itself, from initial inquiry to the delivered solution.

TEMPORARY ELECTRIC INSTALLATIONS

GARO is a complete supplier of products for temporary electricity and lighting. The products, which are both developed and manufactured proprietarily, comprise temporary distribution cabinets, lighting and accessories for use on construction sites or for events. This includes GARO Ball that has quickly become the market's most energy-efficient and climate-smart LED working light for demanding environments. This often involves customized solutions with their own brand profiling.



GARO's product areas are to be found throughout the civil building process. Temporary electric installations provides construction sites with reliable and energy-efficient electrical installations and lighting for the construction period. When the building is being completed, the Project business provides it with a permanent electricity supply that can manage the demands of the future, including through solar energy solutions. Each part of the building is subsequently fitted with electricity and smart control from Electrical distribution products. When it is time to move in, the electric vehicle products from E-mobility take on maximum relevance.



2018 in brief

903,7

MSEK IN NET SALES (796)

82,7

MSEK IN NET INCOME (85.6)

13,5%

IN GROWTH (21%)

8,27

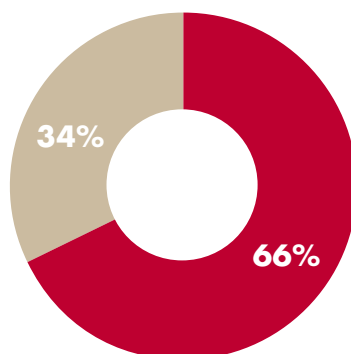
SEK EARNINGS PER SHARE (8.56)

12,6%

IN EBIT MARGIN (12.3%)

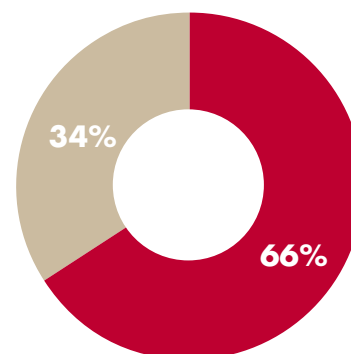
4,00

SEK DIVIDEND PER SHARE (4.00)



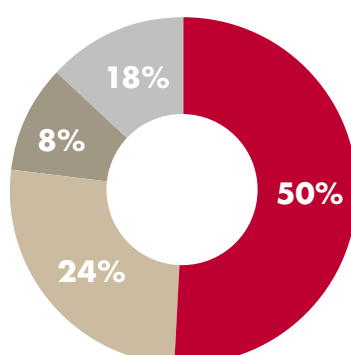
Allocation of netsales
by segment 2018

Sweden
Other markets



Allocation of EBIT
by segment, adjusted for
items affecting comparability
2018

Sweden
Other markets



Allocation of net sales
by product area 2018

Electrical distribution products
Project business
Temporary electric installations
E-mobility

Key figures

	2018	2017	2016	2015
Net sales (MSEK)	903.7	796	657.8	554.1
Growth, %	13.5	21	19	25
EBIT (MSEK)	113.8	98.1	73.8	62.4
EBIT margin, %	12.6	12.3	11.2	11.3
Net income (MSEK)	82.7	85.6	57.0	45.8
Earnings per share (SEK)	8.27	8.56	5,70*	4.58
Return on equity, %	30.1	38.3	32.4	31.3
Investments (MSEK)	22.7	51.4	12.8	13.8
Equity ratio, %	52.4	47.3	52.0	49.8
Net cash position (-) / net debt (+)	45.7	56.1	-17.3	-0.4
Average number of employees	398	345	275	254

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

Rewarding investments

GARO can look back on another positive year. The net sales for the full-year 2018 amounted to MSEK 903.7, which is an increase of 13.5%. The Sweden and Other markets business areas both had healthy growth, primarily driven by the strong trend in the E-mobility product area. Sales of construction-related products were also favorable during the year, although the market displayed weaker growth than in the immediately preceding years.

EXPANDED PRODUCT DEVELOPMENT

Forward-looking product development that meets the demand for more advanced and connected projects is a key factor for GARO's success. This work continued in 2018 and has led to a doubling of our development department in the past three years. This enables continued organic growth and that GARO as a company strengthens its position with an attractive product range adapted for our various markets.

NEWS IN ALL PRODUCT AREAS

During the year, we launched a number of smart standard components and expanded our KNX range (control of ventilation, lighting and heating). These are products that are energy-efficient and support digitalization in various forms.

We have also launched an app that enables installation engineers to easily order a ready-assembled customized distribution cabinet with next-day delivery. To summarize the Electrical distribution products, Project business and Temporary electric installations product areas, there has been favorable development with a focus on smart and energy-saving solutions.

STRONG GROWTH FOR E-MOBILITY PRODUCT AREA

Today, we are the market-leading supplier in the Nordic region for smart electrical sockets for cars, camping and marinas, as well as products that make up charging infrastructure. During the year, the E-mobility product area displayed continued strong growth in all of our markets, across the entire product program. E-mobility is developing rapidly and the demand for more advanced and connected products is strong. Our acquisition of WEB-EL (2017) has led to us now developing software under our own brand, which further strengthens our market position and enabled more product launches in the autumn of 2018.

The year also resulted in new variations on our wall boxes, which are equipped with smart load balancing, for example. This protects the property's main fuse box from overload by adapting the car's charging effect to the simultaneous electricity use inside the building.

MANY PROUD DELIVERIES

2018 brought numerous important orders and successful end deliveries. It is worth mentioning, for example, the order from Volvo Cars' test operation for

high-power chargers, the expanded collaboration with E.ON through the central European agreement that was signed in 2017, as well as a major agreement with the Municipality of Falun, which invested in 121 charging poles from GARO during the autumn. It is also gratifying that sales in E-mobility in Poland and other countries have gathered momentum, albeit from low levels.

WE ARE LOOKING AHEAD

Demand for construction-related products in Sweden is continuing to reach high levels, but a successive slowdown is expected in 2019, as a reduced number of construction starts impacting the new production of housing. The market development for GARO Other markets is expected to be favorable. We see a strong trend for the E-mobility product area, with continued expansion of the charging infrastructure in all markets. Overall, the market conditions for GARO appear positive for 2019, mainly driven by the build-out of charging infrastructure.



Patrik Andersson
Acting CEO

In 2018, we had one of the hottest summers of the century in Northern Europe, which increased awareness of climate change and how we use our natural resources. At GARO, sustainability has always been high on the agenda and, during the year, we established our long-term sustainability goals to contribute to the energy adjustment in the best and smartest way possible.

Positive trend

EBIT rose with 16.0% to MSEK 113.8. The EBIT margin amounted to 12.6% compared with 12.3% in the preceding year. The improved EBIT is primarily a result of economies of scale from higher volumes, combined with the result for 2017 being charged with increased costs, to ensure a high level of delivery capacity. The relocation of production to our Polish plant resulted in higher capacity and lower costs.

NEW SUSTAINABILITY GOALS ESTABLISHED

GARO's motto is to strive to do things better, smarter and easier. It is of major importance to us that our products help our customers to face the future in the smartest way, while we continue to prioritize a high level of safety and low electricity consumption. Today, many of GARO's products contribute to a cleaner and more sustainable society. Positive examples are our charging stations for vehicles, intelligent distribution cabinets, solar energy solutions and connected products for cars, boats and camping. All with a common feature – to save energy. Based on the UN's Global Sustainable Development Goals, we es-

tablished the GARO Group's long-term sustainability goals during the year in the six areas we regard as being those that most impact our operations (see page 35).

EXPANDED CAPACITY AND STRENGTHENED ORGANIZATION

We are continuing to take steps to meet the increased demand in all of our product areas. During the year, the relocation of production to the new Polish plant was completed and as operations have started up, we have seen positive effect in the form of reduced manufacturing expenses and increasing productivity. The new plant also contributes to enabling us to maintain a higher

rate of delivery and secure capacity for future growth. As a result of the expanded operations in Poland, we will be able to continue growing and invest in all product areas.

In Sweden, our facility in Gnosjö was improved and volume increases are now possible. During the year, we strengthened the organization and the average number of employees increased by more than 15% (to 398) in such areas as production, product development and marketing.



Stefan Jonsson
Board chairman



Patrik Andersson and Stefan Jonsson

2018 was the year when...

JAN

- Based on the higher market capitalization, the GARO share was moved from Small Cap to Mid Cap on the Nasdaq Stockholm OMX. The Mid Cap segment comprises companies with a market capitalization of between MEUR 150 and EUR 1 billion.

APR

- Nordbygg at Stockholmsmässan exhibition center. All of GARO's four product areas were presented to more than 48,000 visitors.
- GARO Poland won the award, "President of the Szczecin brand: Made in Szczecin".

JUN

- GARO was invited as an export to attend debates at the Almedal political week on the island of Gotland and met, for example, politicians, influencers, users, car manufacturers and service providers.



FEB

- Patrick Karlsson was appointed CEO of GARO Finland. Former CEO Kalervo Ulander retired.
- GARO participated with a stand at the Electricity & Telecommunications, in Jyväskylä, Finland.



MAY

- An agreement was signed with Municipality of Falun. Scope: 121 GARO LS4 charging poles with a total value of approximately MSEK 3.5.
- GARO E-mobility's multi-year pan-European agreement with E.ON was expanded to include Slovakia. Sweden, Denmark, the UK, Germany, the Czech Republic, Slovakia and Hungary were already included in the agreement.
- In competition with 600 other Polish companies, GARO Poland won the "Employer of the Year", among companies with 51-250 employees.
- GARO Norway enjoyed success with its large stand at the ELIADEN trade fair in Lillestrøm, attended by 19,000 visitors from the industry, energy, electrical installation and electro-engineering sectors.



AUG

- GARO AB in Gnosjö received a visit from Sweden's Finance Minister, Magdalena Andersson. We discussed the electrification of the Swedish vehicle fleet and the associated build-out of the charging infrastructure, as well as government financial support.

OKT

- Data and analysis company Bisnode and Veckans Affärer named GARO AB one of the year's "Super companies in Sweden."
- As an exhibitor at the Persontrafik trade fair for the public transport industry in Stockholm, and expert at the seminar, GARO further developed its positive contacts with the transport sector.
- GARO created a popular meeting place at the Elmässan Easy Fair in Kista, where we met the market and held a seminar on the charging of electric vehicles.

DEC

- At the UN Climate Change Conference (COP24) in Katowice, in Poland, GARO Poland was awarded the "Electricity Leader 2018" prize with the description: "...leading in charging poles and production of a broad product portfolio that is customized according to the needs of the market."
- In 2018, about 13,000 GARO charging stations were delivered to our markets.



SEPT

- Volvo Cars testing operation in Gothenburg and Norrland installed 12 variations of GARO's quick charge stations.
- Landskrona Energi purchased 37 GARO LS4s and two public quick chargers for the expansion of the city's charging infrastructure.

NOV

- At the Nordic region's largest electric car fair, eCarExpo, in Gothenburg, GARO shared its knowledge and presented charger products to trade representatives and to the public.

Our market

With its roots in Gnosjö, 80 years of know-how and groundbreaking innovation, GARO has taken a strong position in all four product areas, particularly in Sweden. GARO is the market-leading supplier in the Nordic region for smart electrical sockets for cars, camping and marinas, as well as products that make up charging infrastructure. IN the rest of Europe, GARO is building up an increasingly stronger presence through its own subsidiaries and their distribution networks or collaboration with various partners.

SWEDEN AND OTHER MARKETS

Since the company was formed in Sweden in 1939, GARO has grown large and developed its business and established several international operations and various forms of collaboration. Sweden is the largest market, while exports to other countries, which come under Other markets, are increasing. We are working in different ways to strengthen GARO's market shares in Europe. In the countries where we have subsidiaries, we use their various distribution networks, while sales to other countries are conducted through various partners and European contracts.

NECESSARY ADJUSTMENT TO THE MARKET

Despite Europeans standards, there are local differences in electrical standards, construction regulations and end use, which we must take into consideration and adjust to. Our strong presence with subsidiaries in Norway, Finland, Poland and Ireland is due to our equal standards and market requirements. This makes it easy for us to deliver there from all of our product areas.

Our long-term international presence has resulted in the accumulation of solid internal competence in product adjustment according to the various demands and needs in Europe. In the countries where we work, we develop a selected range that is adapted to the individual market. Marketing activities are also conducted locally.

NORWAY

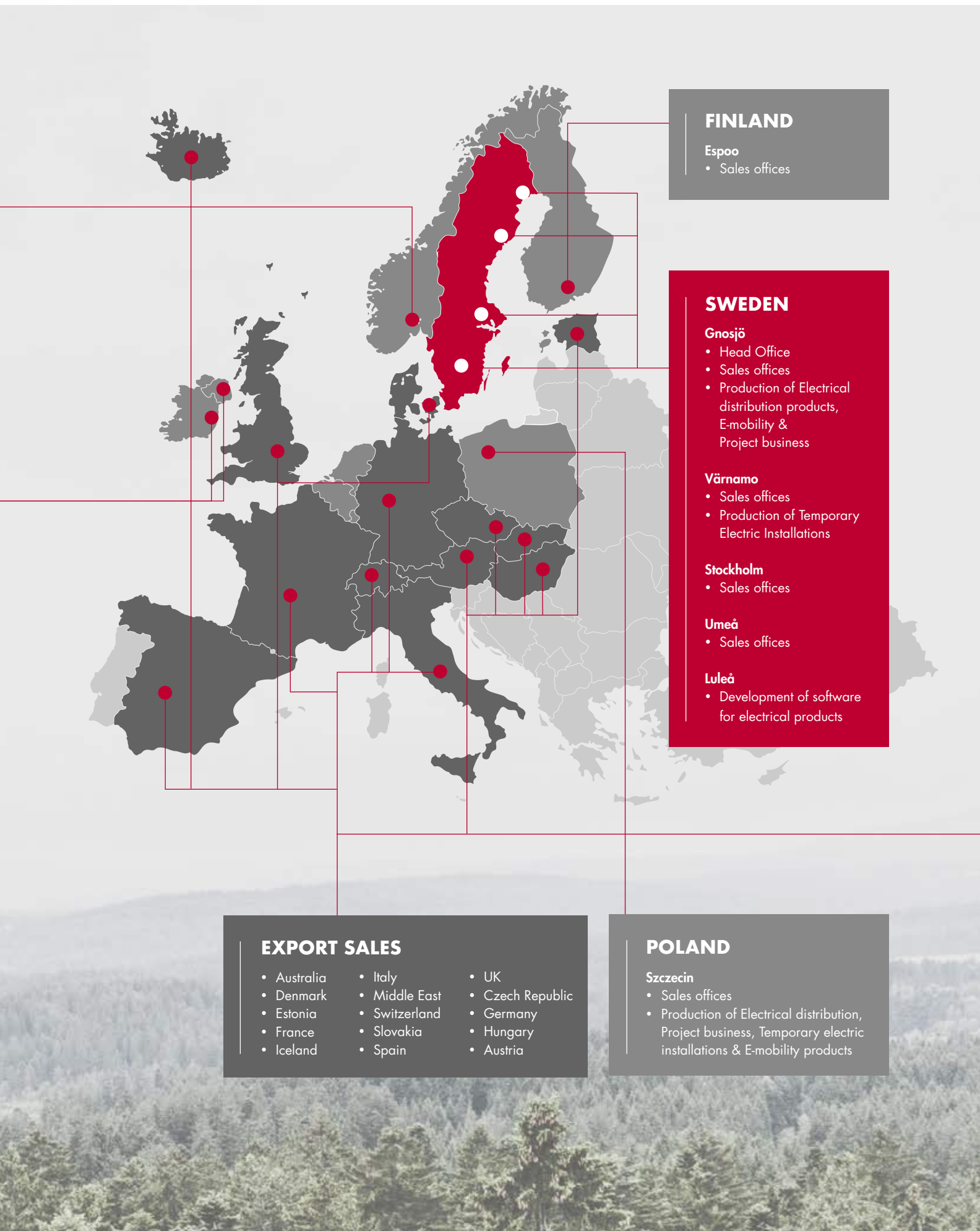
Drammen
• Sales offices

IRELAND

Dublin
• Sales offices

NORTHERN IRELAND

Belfast
• Sales offices



GARO

Backed by a strong innovative drive and long experience, we constantly seek new challenges to enable us to be at the leading edge in our product development. Although electrical safety and energy consumption always have highest priority, we focus on factors that are of importance to our installation engineers and end users: user friendliness, modern design, sustainability, digital technology and intelligent control. Under the GARO Futuresmart™ concept, we make sure that we always make our products better, smarter and easier – for everyone's security and for a sustainable future.

INNOVATIVE FORCE

From our secure, unique GARO culture, curious and innovative talents emerge, who are encouraged to challenge conventions. This is where new ideas gain nourishment and scope. To us, it is important that our products are profitable for our customers, while also being simple to install and use. Perhaps most important of all – they must remain sustainable far into the future.

STRONG PRODUCT DEVELOPMENT

Combined with our long experience and collective competence in Electrical distribution products, Project business, E-mobility and Temporary electric installations, we can offer product solutions

based on the needs of the market. When we are out in the market, listening and evaluating needs and requests, we all have the same strong focus: To improve, further develop and create as complete, smart and responsible a solution as possible.

GARO = FUTURESMAST

Under the GARO Futuresmart™ concept, we strengthen our brand and our innovation of future-proof products. Products for which we ensure energy savings, smarter control and simplicity of use. GARO Futuresmart™ guarantees our customers profitable products, at the same time as we offer their employees know-how and training, as part of our support.

BUSINESS CONCEPT

With a focus on innovation, sustainability and design, GARO provides profitable complete solutions for the electrical industry

VISION

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

MISSION

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



Strong team spirit

To develop and have the courage to challenge conventionality, all employees are encouraged to remain inquisitive and innovative. Our shared values give us a stable foundation.

INNOVATIVE

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

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.

EXPERTISE

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

LONG-TERM

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

Financial targets

GARO's financial targets are based on the company's vision and business concept. The focus is on strong, profitable growth and sustainable value creation, with positive and healthy finances. This will lead to long-term profitability that will enable the development of the operations and provide a healthy return for our shareholders.

The GARO Group's financial targets over a business cycle are as follows:

≥10%

SALES GROWTH

Organic growth will amount to not less than 10% per year.

≥10%

PROFITABILITY

The EBIT margin for the Group will amount to not less than 10% of net sales per year.

≥20%

RETURN

Return on equity will amount to not less than 20%.



$\geq 30\%$

EQUITY RATIO

The equity ratio will not be less than 30%.

$\approx 50\%$

DIVIDEND POLICY

The dividend will amount to approximately 50% of the Group's net earnings after tax. The dividend proposal must take into account GARO's long-term dividend potential and the Group's general investment and consolidation requirements.

Our business environment

Business cycles, trends and societal development impact GARO to the highest degree. By going out and listening to users, retailers and installation engineers, we keep up-to-date in future needs. We also play an active part in stakeholder and technology organizations and various networks.



CONSTRUCTION MARKET

The construction market remains favorable in the Nordic region, although it is in the process of leveling off. We also see continued high activity in our other markets. There is an enormous need for housing, which is driving the lead times for both project design and construction. The properties being built now must be smart, with connectivity, control and energy savings. Modern and sustainable design are a requirement. Construction contractors also see a gain in using maintenance-free products with a prolonged life, which can easily be moved on to future projects.

URBANIZATION

Urbanization is increasing. The influx to the metropolitan areas has made the inner cities more densely populated, but has also created more city centers within these larger urbane societies.

Having more people in one location, places demands on the electricity grid, which means it must be possible to save on energy in a smart way.

DIGITALIZATION

Know-how and training are often accessed digitally, at individually chosen points in time. This has increased demand for accessible information, constant support and products via digital platforms. This behavior is leading to an increasing overlap of work and private life.

"Internet of things" is becoming an increasingly common term. That is, objects, apparatus, accessories, machines, vehicles, buildings, etc., with built-in electronics and Internet connection, enabling them to be controlled or share data over the net. For GARO, it is important to have products that are connected with both energy and load control. The large energy companies are introducing various output tariffs, with the cheapest energy at nighttime and it should then be possible to direct usage to during the night.

Geographical distances have shrunk as a result of digitalization. Using technology, we can "sit in the same room" and have meetings, despite being located throughout Europe. This has made it possible for part of GARO's skilled development department to be located in Luleå.



CLIMATE

The alarm reports on the climate are being published one after the other and researchers and politicians are in agreement that carbon emissions must be cut. According to the UN Climate Report, the next ten years will be entirely decisive for the avoidance of catastrophic climate effects. There must be a global change to fossil-free energy types.

We can see a higher level of environmental awareness throughout society. The demand for a healthy lifestyle and sustainable products has never been greater than it is today and the trend is clear. As knowledge grows, so does criticism. The demands on companies to adopt a sustainability approach are increasing in terms of purchasing, supply chain, production, packaging, energy savings and carbon CO₂ emissions.

The environmental debate is continuing, with global warming in focus. In Sweden, the government has taken the initiative to promote energy saving through such measures as "Bonus Malus," "Klimatklivet" and "Ladda-hemma" subsidies.

NEW ENERGY SOLUTIONS

E-MOBILITY

Electric vehicles are increasing in pace with the charging infrastructure being built. A number of different car manufacturers are bringing several new models of clean electric cars to market that have a range of up to 500 km. In addition, many electric motorbikes and electric mopeds have appeared on the market. We can also recognize an early trend in the maritime sector, where electric engines for boats are now being presented.

Looking at Europe, the build-out of the charging infrastructure has progressed furthest in Norway, the Netherlands and Sweden. Public chargers are largely selected on the basis of the same criteria everywhere. The demands are not as strict everywhere for private home chargers. In 2019, new legal requirements will be introduced in several countries, which will steer the market toward greater safety and more advanced chargers.

The focus in the next few years will be on smart, connected vehicle chargers that the energy companies can control using differentiated prices according

to time of day. It will then be up to the consumer to choose price and time. As a manufacturer, we have a responsibility and opportunity to exert influence, where there are several solutions. For GARO, E-mobility requires this to be able to continue offering products that are adapted to the needs and standards of the market. To manage the technical support, it is not sufficient to have electrical know-how; it requires extensive digital understanding and knowledge of the software.

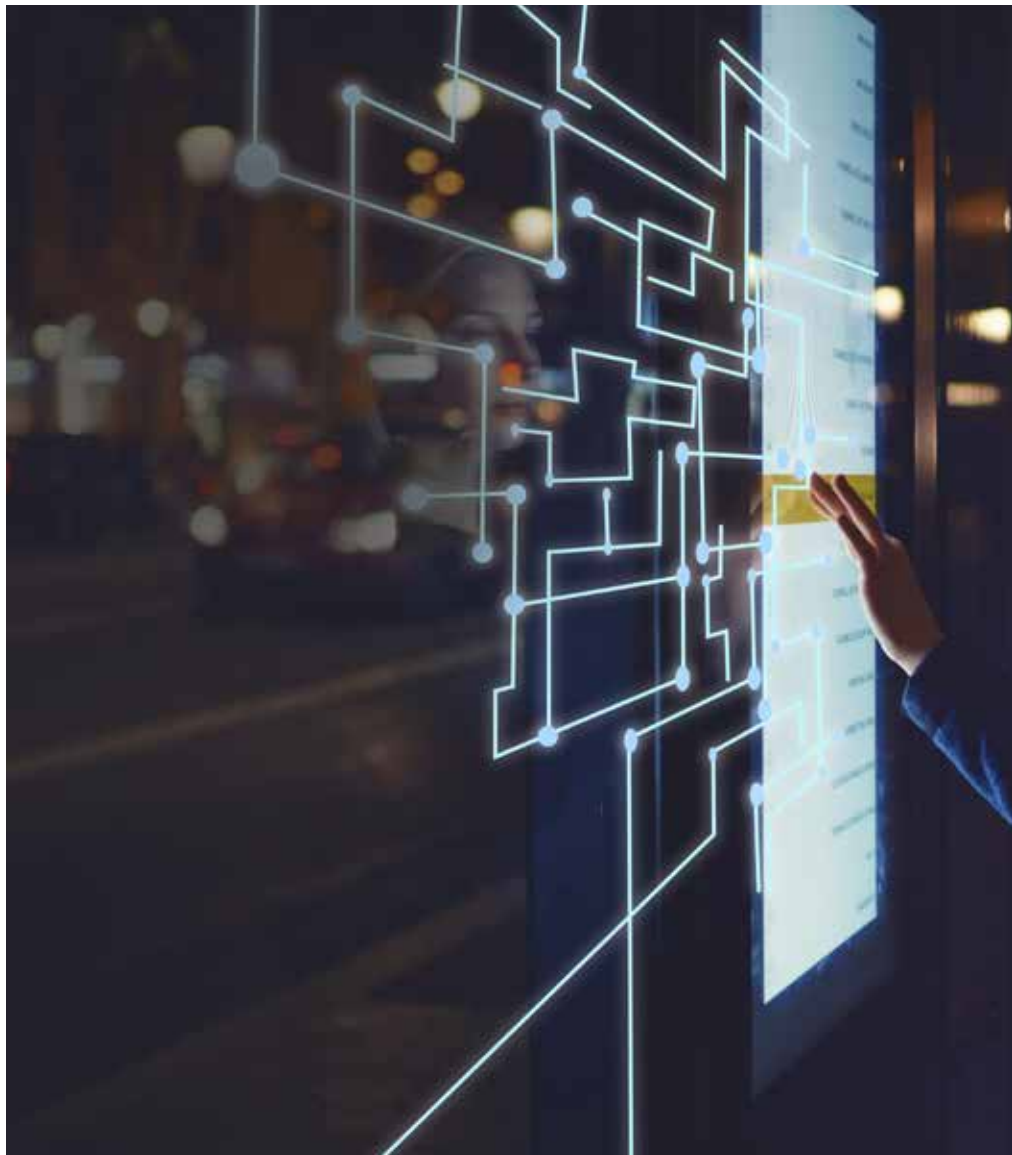
SOLAR

Roof-mounted solar energy systems are growing rapidly among companies and private individuals. In Sweden alone, the number of installations has increased by about 50-60% in the past two years. The strong growth in the private market is attributable to lower prices, increased

interest in solar energy, a generous direct capital contribution from the government and a recently introduced tax deduction system.

As the demand for solar energy increases, the demand for reliable installations grows. To ensure that the solar facilities function in a reliable and secure manner, it is of the utmost importance that installation is performed by competent personnel in accordance with the quality demands imposed. As a guarantee for this, there is now a certification system for solar installation engineers. In Sweden, a high school program has also been initiated with a focus on solar technologies.

The development is moving toward us being able to store solar energy so that it will be possible to charge electric cars with self-generated electricity.





Forward drive

Foresight and numerous successful ventures have given GARO need and opportunity to more than double its development department in recent years. As a result of the acquisition of WEB-EL, software and electronics competence has also been brought under our roof. Together with the recruitment of more in-house designers, we are developing complete customized solutions from concept to finished product in all of our product areas.

PRODUCT DEVELOPMENT TEAM

The product development team serves all of the product areas in GARO Group and works on products for all of Europe. This has resulted in us not only developing individual products, but also designing and assembling systems according to unique customer specifications. Each product area has a product manager that is responsible for monitoring the business environment and project management. To their help, there is a comprehensive group of resources, comprising design of software, digital solutions, electronics, mechanical and electrical design. Accordingly, GARO can provide a holistic offering of rapid and effective management of development projects.

CONSTANT STREAM OF IDEAS

The ideas come from the employees, market trends, users, installation engineers, sales staff and our innovation committee. In addition, the standards place continuous demands on development through updates. We encourage innovative thinking on all levels and each idea is analyzed based on user benefit, long-term profitability, potential sales and strategic value. Always with the basic intention of identifying energy-efficient solutions that have as low impact as possible on the environment.

SUSTAINABLE PRODUCTION

GARO lives up to its business concept of meeting the market demands for sustainable products. In our analysis for the selection of new products, "best cost, design and function" also carry

great importance. Best cost means that it must be possible to manufacture the product cost-efficiently and sustainably through our Lean production. Using Lean principles, we maximize customer benefit, while we also minimize waste of resources through various types of efficiency enhancement and rationalization throughout the process. Naturally, much attention is paid to ergonomics for our installation engineers and the employees in our production units.

MODERN DESIGN

Proprietary products in major projects always contain a concept study, with design blueprints. To maintain a unique, modern and sustainable design, we commission industrial designers. The blueprints are evaluated internally and further developed to become design documentation. We try to find our own design line in the product group to create a "sense of family" that appeals to as broad an audience as possible. The choice of materials for the products is adapted according to robustness and environmental aspects, such as user-friendliness and appearance.

INDEPENDENT TESTING

Prior to the market launch of our products, they are tested by independent test institutes (Swedish and European) against applicable standards. This quality assurance is a significant part of the total development cost for new products and means that we can guarantee electrical safety on all levels, that is, for installation and use.



INVOLVEMENT IN ELECTRICAL STANDARDS

Naturally, GARO meets all applicable standards in the design of our products. As a result of our high level of competence in electricity and electronics, we serve as product experts on several of SEK's committees, which is assigned by the government to establish Swedish electrical standards. SEK is a member of the IEC and CENELEC international standards, giving us insight into and a head start on what is going to happen throughout the world in the next few years. In recent years, this has been particularly significant for product development in E-mobility, where the rules for charging stations are changing rapidly as infrastructure is expanded.







Simplicity

A product from GARO is developed to be futuresmart on two levels, both for the installation engineer and the end user. Accordingly, we work extensively to make our products easy to find, order, install, teach and use. To meet user expectations and forecast market needs, we often get out and listen to the reality, where our products give the most benefit.

DIALOG AND INQUISITIVENESS

With a frequent presence at construction sites and at various events, we uncover improvement needs, which lead to the development of new solutions. New prototypes are being built continuously and tested in dialog with the installation engineers. GARO's striving and ability to anticipate what is going to be in demand has meant we have been fast, often first, to launch many products.

KNOWLEDGE AND TRAINING

To build up the market's competence and demonstrate how it is possible to save energy, increase effectiveness and enhance sustainability, GARO continuously conducts training in all of the product areas. Certification and in-depth training for installation engineers are conducted at our various local offices. This is where we turn the installation engineers into specialists in our products, while also providing added value through various tools and sales aids. Increasing numbers of our training courses also reach the installation engineers in a broader and quicker manner over the web.

SIMPLIFICATIONS WITH DIGITAL TECHNOLOGY

By offering ready, customized solutions, we free up time for our installation engineers to practice their profession. GARO assumes full responsibility for the entire product, the function, the test results and the documentation. We work constantly to find new solutions and controls with smartphone applications. Using digital technology, GARO has

increased the flexibility and user-friendliness for both installation engineers and end-users in several different ways.

- An app enables installation engineers to easily order a ready-assembled customized distribution cabinet with next-day delivery.
- QR codes on the products for quick reading directly on-site with linkage to the digital product manuals.
- Instruction videos for installation and use are available at garo.se
- Charging poles with built-in digital monitoring and payment solutions that communicate with central server solutions using 4G. This leads to secure and convenient individualized payments, and a high uptime because deviations are reported automatically.
- App solutions for end-users for control of engine heaters, camping and marina electrical poles.
- Increased number of project solutions with built-in KNX control to reduce energy consumption.
- Digital time switch for control of outdoor lighting, for example, to save energy.

SUPPORT

GARO has its own, able people available to respond to technical issues relating to hardware and software, as well as user questions. Each country has local support in its own language. To facilitate matters for the user, we have supplementary material on the web.

Our contribution

GARO Group's strategic sustainability work comprises all the markets in which we are active. We endeavor to be a leading player, in terms of responsible business, in all of our operating areas. To achieve this, we work with a long-term and systematic approach to improve the impact of our activities, products and decisions on the environment, society and people all along the value chain.

GARO works toward all of the UN Sustainability Goals, but has identified six areas in which our operations and our product have the most impact. Based on these, we are working to determine the Group's long-term sustainability goals for 2030.

ENERGY ADJUSTMENT

The UN climate panel, the IPCC, shows that the next ten years will be entirely decisive for the avoidance of catastrophic climate effects. To date, it is possible to restrict the warming to 1.5 degrees, but this requires that emissions are reduced – radically. GARO takes this very seriously and for many years has invested major resources on the development of EV charging and solar products, as well as improvements of existing products to make them more energy-efficient.

Some examples:

- Our active role in the development of charging infrastructure has increased the sales of electric vehicles.
- By using our engine heaters, cars use less fuel and reduce their CO₂ emissions.
- Our most recent upgrade of engine heater control has halved the power-on time, which saves energy.
- Our complete solutions for proprietary power production from solar energy that can be used, for example, to charge the car.

FUTURESMART SOLUTIONS

In future, increasing numbers of people will live and spend their time together in restricted spaces. This places demands on the electricity grid and on new solutions so that we can better manage

energy use. To facilitate managing the needs of the future, GARO has, for example:

- Developed load balancing, which means that energy use is distributed over the entire day.
- Built-in KNX control for energy-efficient lighting, ventilation and heat.
- Intelligent electric sockets for engine heaters, marinas and camping that only use energy when the outdoor temperature requires it or when the user is present.
- Smart time switches that program the lighting.
- Sustainable, ergonomic and energy-efficient construction site lighting that can be used again and again.



UN SUSTAINABLE DEVELOPMENT GOALS

Based on the UN Sustainable Development Goals, GARO has chosen to focus on the six goals for which our products have the most impact. A complete description of this work is available in the Sustainability Report on page 34.





Sustainable communities are a key issue for GARO and a natural part of our product development. For example, our engine heaters, charging stations, solar panels and products for energy measurements already contribute now to a more sustainable society through reduced CO₂ emissions and reduced energy consumption.

SUSTAINABLE MATERIAL CHOICES

The materials used when we make our products are adapted for robustness, environmental aspects, user-friendliness and appearance. The product must be able to handle a harsh Nordic climate and must be packaged in an environmental manner. Among other things, we use:

- Environmentally friendly and corrosion-resistant Magnelis®, instead of galvanized sheet metal.
- Halogen-free cable instead of PVC.
- Honeycomb instead of cellular plastic in our packaging.

Our GARO LS4 charging station is a fine example of design, function and sustainability in good combination. It comprises a mix of deliberate material choices with long useful lives. To achieve an optimal result, we also make use of our proprietary plastic production. The foot is of cast aluminum, the pole of extruded, anodized aluminum, the ceiling and the sockets are of injection-molded plastic and there is a large amount of sheet metal components on the inside. GARO LS4 is easy to strip down with replaceable parts, so there is no need for the whole product to be scrapped if any part breaks.

SUSTAINABLE SUPPLIER CHAIN

In 2018, GARO has worked a step further to create a sustainable supply chain. By developing a toolbox and training in the sustainability audit, we secure the choice of conscientious suppliers who we can follow up on an annual basis. We also require that the freight companies used work with sustainability. We like to opt for local suppliers where possible, and can be motivated in environmental and business terms.

DISTRIBUTION TO CUSTOMERS

To minimize transports, we have chosen to distribute our products primarily through wholesalers, retailers and subsidiaries. From this point, there is onward distribution to the local installation engineers.

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. In addition, we make an active contribution of know-how and experience in a number of different organizations that promote the development toward a sustainable society:

- SEK, with the government's assignment to establish the Swedish electrical standard.
- Climate Council in Jönköping County, Sweden.
- CSR West Sweden, business network for social responsibility.
- EL - Elleverantörerna i Sverige.
- KNX Sweden.
- SAFE. International organization that develops a technical solution to meet the German Eichrecht standard, which regulates the way in which vehicle chargers communicate their measurements to end users.
- Open Charge Alliance. Responsible for the OCPP (Open Charge Point Protocol), a standardized global protocol for communication between charging poles and charging operators.
- HUBJECT, organization that regulates roaming for charging operators so that electric car drivers have the ability to charge their cars throughout Europe.





GARO LS4



Strong team spirit

GARO is a modern and attractive employer moving into the future. This requires a healthy working climate and good, coaching management. We are an international Group that offers many different types of services and individual development opportunities, which is a major advantage for recruiting, developing and retaining the right competence for the future.

EMPLOYEES ARE THE KEY TO SUCCESS

There is an open, friendly and strong GARO spirit in our corporate culture. We endeavor to have close management relations, with a high level of accessibility for discussions or quick feedback using digital platforms. Around us, we see many skilled employees who endeavor to go the extra mile that

makes a difference – not only to our financial results but to everyone who is directly or indirectly impacted by the operations.

The key to success is to constantly develop the company's employees so that they retain their motivation for their work, stay longer and serve as good ambassadors. This is also something

that facilitates successful recruitments and builds relationships with satisfied customers.

Employee surveys are conducted continuously, alongside an extensive health profile. The results show extremely satisfied personnel and generally low sickness absence and very low long-term sickness absence, despite an intense tempo and strong growth.

INDIVIDUAL DEVELOPMENT IMPORTANT

Internal career opportunities are a key success factor in the endeavor to be an attractive employer. GARO employees have generous opportunities and are encouraged to further develop their roles within the organization. Each employee has an annual career appraisal, which comprises long and short-term plans in terms of work assignments within the company, skills development or training. GARO has many concrete examples of employees that started out in assembly before later transferring to the white-collar side as in-house sales staff, designers, buyers or product engineers.

FUTURE RECRUITMENT

GARO has loyal and committed personnel. Ten, 20, 30 and 40-year anniversaries are celebrated each year. To enable us to attract and retain employees from coming generations, we need to be able to offer challenges and personal development. Accordingly, it is important that we continue to develop all types of services internally from an international perspective.

To awake an interest in our workplace as early as possible, we take part in such events as job fairs. GARO also cooperates with the local high school's electrical engineering program. Pupils are offered internships with a good chance of employment after completing their studies. We often have cooperation with colleges and universities in Sweden and Poland.

A WORK ENVIRONMENT THAT PROMOTES WELLBEING

GARO's production environment is clean, bright and without noise. There is a high level of safety in the assembly phase and inspection rounds are conducted regularly. The workplaces in production and in the office are ergonomically designed, with the possibility for individual adaptation. Employees are offered company healthcare and exercise contributions.

RESPECT AND ZERO TOLERANCE

Ethnic and cultural diversity and an even age and gender distribution are other factors that contribute to a successful corporate culture. All of GARO's operations, partners and suppliers, regardless of where in the world they operate, must have a shared view of the principles to be observed:

- We support, respect and guarantee the protection of internationally accepted human rights.
- We offer employees the right to form and join organizations they choose themselves, and to negotiate collective agreements.
- Child labor must never occur within the operations or at any partner.
- We have zero tolerance towards discrimination, violence or harassment irrespective of gender, sexual orientation, ethnicity, religion or other religious beliefs, disability and age.
- We have zero tolerance toward 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.

OUTCOME = SATISFIED CUSTOMERS

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 from Sweden every second year that comprises reception, visit experience, competence, sustainability, orders, quotes, refunds, catalog and website. We generally get a very high grade for this.



SOME SPONTANEOUS RESPONSES FROM THE CUSTOMER SURVEY

WHAT IS BEST ABOUT GARO?

"They dare to develop."

"Skilled personnel and top-rate products. Skilled employees who are engaged and have become an excellent partner for us. We feel that we have an open dialog and that it is a creative environment. Effective and innovative products. Swedish product development and Swedish manufacturing instill confidence and provide rapid delivery."

"Great personnel, always on their toes. Pleasant, able and helpful personnel who listen to and understand our views. High degree of service!"

"Good support and technical service. Always respond when help is needed."



GARO's aktie

GARO's information disclosure to its shareholders and the remainder of the capital market aims to create a fair image of the operation's performance, minimize the risk of rumors being spread and of speculation, as well as contributing to increasing interest in the company's share. The ambition is to act quickly and correctly.

SHARE PRICE AND AVERAGE VOLUMES 2018

GARO's share has been listed on Nasdaq Stockholm since March 2016 and has been part of the Mid Cap segment since January 2, 2018. Shares are traded under the ticker name GARO. A total of 2.8 million GARO shares were traded in 2018. On the final trading day of the year, the share price closed at SEK 173.6, a decline of 0.8% compared with the closing rate on December 31, 2017. The average daily volume in 2018 amounted to 11,077 shares. GARO's market value on December 31, 2018, was MSEK 1,736.

IPO 2016

The price in the listing offer in 2016 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.

CONVERTIBLES, WARRANTS, ETC.

GARO has no outstanding warrants, convertibles or other share-related financial instruments.

DIVIDEND

GARO's Board of Directors proposes that the Annual General Meeting resolve to approve a dividend of SEK 4.00 (4.00) per share, corresponding to 48% 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	2018	2017	2016
Adjusted EPS	–	–	6.68
Earnings per share	8.27	8.56	5.70
Cash flow from operating activities per share	7.39	5.15	4.84
Equity per share	29.6	25.27	19.44
Average number of shares (thousands)	10000	10000	10000
Number of shares at the end of the period (thousands)	10000	10000	10000

THE 10 LARGEST SHAREHOLDERS AT DECEMBER 28, 2018 (FROM EUROCLEAR)

Shareholder	Number of shares	Capital %
Lars Svensson	3568345	35.7
Svolder aktiebolag	1495070	14.95
Nordea Investment Funds	908316	9.08
Stefan Jonsson Invest AB	585085	5.8
Third Swedish National Pension Fund	475476	4.7
Spiltan Fonder AB	391560	3.9
SEB Investment Management	328259	3.3
Volador AB	219109	2.2
Skandinaviska Enskilda Banken S.A W8IMY	111010	1.1
Lannebo Fonder	98928	0.99

OWNERSHIP STRUCTURE AT DECEMBER 28, 2018 (FROM EUROCLEAR)

HOLDING	Number of shares	%
1-500	4,113	91.5
501-1000	183	4.1
1001-5000	135	3.0
5001-10000	20	0.4
10001-15000	7	0.2
15001-20000	6	0.1
20001-	33	0.7
Total	4,497	100.0

PRICE GRAPH FROM MARCH 16, 2017-DECEMBER 31, 2018

■ GARO ■ OMX Stockholm PI ■ Number of shares traded in thousands per month



Sustainability Report

OUR BUSINESS MODEL

GARO was formed in 1939 and has developed its business in stages ever since. Our business is organized into four product areas: Electrical distribution products, Project business, E-mobility and Temporary electric installations.

We purchase components from suppliers, mainly European, and manufacture products and complete solutions for the

electrical installations market. We also purchase raw materials; mainly steel, plastic and copper. Production takes place in Sweden, in Gnosjö and Värnamo, as well as in Szczecin, Poland. Sales are divided into two business areas: GARO Sweden and GARO Other markets. We have sales offices in Sweden, Norway, Finland, Ireland, Northern Ireland and Poland. Our products are

primarily sold through electrical wholesalers to electrical installers, industries, hire companies and construction companies. Sales are mainly made in Europe, but also on a smaller scale to the Middle East and Australia, among other markets. Sweden is the largest market by far, with 64% of the sales volume. Our head office is in Gnosjö, Sweden.

GARO IN THE VALUE CHAIN



OUR MOST IMPORTANT SUSTAINABILITY ISSUES

Our operations entail both risks and opportunities regarding sustainability. To ensure that our work is relevant, we conducted a materiality analysis and subsequently related this to the global goals. The analysis gave us greater knowledge and insight into where we should focus our work.

A large amount of resources and

material are used in our value chain – metal, plastic and energy. The extraction of resources and the production of components are related to risks, in terms of human rights and work conditions, as well as environmental problems, such as pollution, emissions of greenhouse gases and impact on the ecosystem. At the same time, we are able to make a positive impression with our products and contribute to the energy adjustment

by focusing on solar energy and smart energy-efficient systems and products.

This table shows the UN Sustainable Development Goals that we have identified as most important for our business and they way in which they are relevant to the Group. Under the headings “Sustainability issues in focus” and “Sustainability control”, we describe how we manage the risks, the action we take and how we control our work.



UN SDGs	Targets	GARO's impact
7	Affordable and clean energy	7.1 Modern energy services
8	Decent work and economic growth	8.8 Protect labor rights and promote safe and secure working environments for all workers
11	Sustainable cities and communities	11.2 Provide access to sustainable transport systems for all
12	Responsible consumption and production	12.2 Achieve the sustainable management and efficient use of natural resources
13	Climate action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters
16	Peace, justice and strong institutions	16.5 Substantially reduce corruption and bribery in all their forms

WE LISTEN TO OUR STAKEHOLDERS

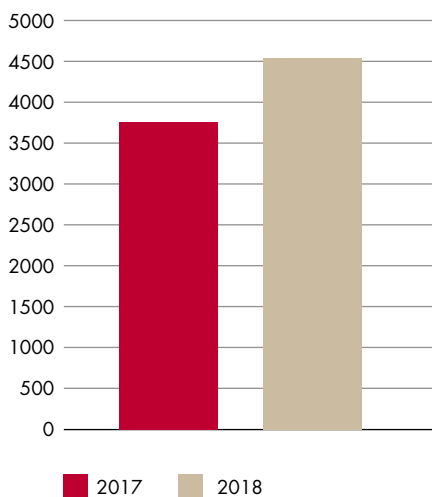
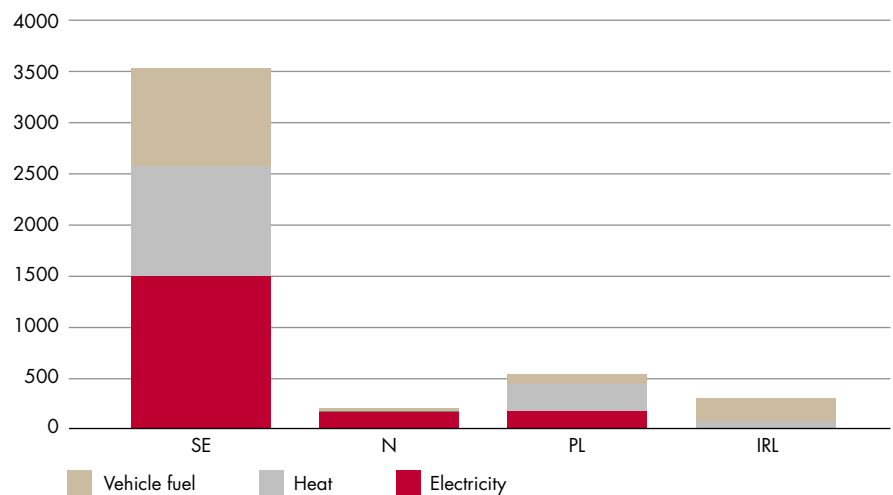
We work constantly to understand how we impact our various stakeholders and their expectations of us. We do this through recurring contacts with the owners, in customer dialogs, through employee talks and supplier contacts.

In 2017, we conducted a dialog with our various stakeholder groups and in 2018, we supplemented this work through further shareholder dialog, with a focus on their expectations of our sustainability work.

Our stakeholders largely share our evaluation of risks and opportunities.

Although there is some variation between the various stakeholders, there is nonetheless accord on several key sustainability issues, including anti-corruption, climate and materials/resources. In the table below, we present the prioritized sustainability issues among our most important stakeholder groups.

Stakeholder group	Most important issues
Customers	<ul style="list-style-type: none"> • Product safety and secure installations • Sustainable material choices • Anti-corruption
Employees	<ul style="list-style-type: none"> • Health and safety • Anti-discrimination
Shareholders	<ul style="list-style-type: none"> • Environmental and social issues in the supply chain • Climate impact • Anti-corruption
Suppliers	<ul style="list-style-type: none"> • Long-term approach and clarity • Anti-corruption

**TOTAL ENERGY CONSUMPTION
MWh****ENERGY CONSUMPTION 2018 MWH PER COUNTRY**

Sustainability issues in focus

ENERGY AND CLIMATE ADJUSTMENT

Sweden is in the midst of a comprehensive energy adjustment, in which increased electrification is one of the most important components. Using digitalization and future-smart products, GARO is contributing to this, particularly in E-mobility and solar energy.

ENERGY-SMART OPERATIONS

In addition to offering our customers energy-smart products, our ambition is for our own operations to be future-smart from an energy perspective. We will achieve this by increasing the proportion of renewable energy, producing our own solar energy and continuously enhancing the efficiency of our facilities.

During the year, further solar panels were installed at the facility in Gnosjö. Together with the panels in Szczecin, in Poland, we are now producing solar electricity with a maximum output of 70 kW. This corresponds to the size of about 20 normal-size single-family home facilities. Solar panels are expected to contribute about 10% of GARO's total electricity requirements in both countries.

GARO increased its energy use by 21% in 2018, compared with 2017. It is mainly the higher transport requirement in Sweden, combined with an overall greater heat consumption, that are responsible for the increase.

FURTHER STEPS IN CLIMATE WORK

At the end of 2018, we replaced natural gas with biogas for heating the facilities in Gnosjö. This is expected to lead to approximately 90% lower climate emissions from heating and a reduction of about 25% in the operations' total climate emissions. Biogas has the advantage that it can be produced locally from food waste and sewage sludge. Thus, a natural loop is closed, at the same time as there will be shorter transport routes, with all of the benefits that that brings.

Transport will be our next focus in the climate work. GARO has established the goal of only using fuels that provide an emission reduction of 70% compared with the fossil alternative not later than 2027. In 2019, we will commence a deeper survey of GARO's transport-related emissions.

Although biogas was introduced as heating during the year, GARO increased its emissions by 2% compared with the preceding year. The increase was attributable to greater transport requirements combined with the expansion of the facilities in Poland.

SUSTAINABLE PRODUCTS IN A CIRCULAR ECONOMY

GARO's products comprise part of the community's infrastructure. The prod-

ucts must maintain a high quality and be able to withstand harsh weather conditions in a climate that is expected to become even more extreme in the future. This means that choice of materials and design are one of GARO's most important sustainability issues. In addition to the statutory CE mark, several of our products are certified by a third party. This entails that an independent party both tests and certifies the products in accordance with strict quality requirements.

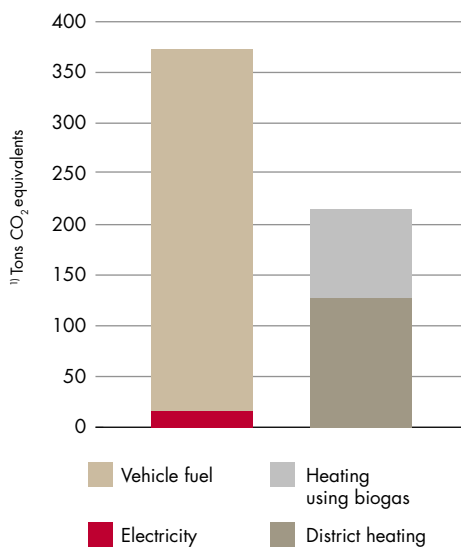
The entire value chain is taken into account during the products' design phase. A value chain with more recycling and reuse reduces not only the risks connected with transports and raw materials shortages, but also leads to reduced costs, lower emissions and a better work environment. Products that can be repaired using replaceable components extend the lifetime, reduce the waste and generate better finances for GARO and its customers.

GARO's total waste increased in 2018 from 200 tons to 309 tons as a result of growing production and increased sales.

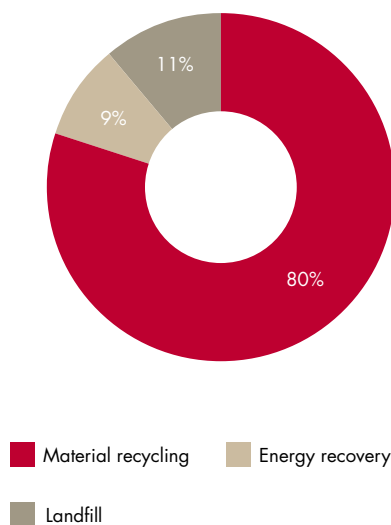
In addition to our goal that a larger share of the waste should go to recycling and reuse, GARO also has an ambition to increase the use of recycled and reused material, with retained or improved product quality.

¹⁾ Average emissions for biogas are approximately 0.6 g CO₂e/Mj and for natural gas, 8 g CO₂e/Mj. (Swedish Gas Association)

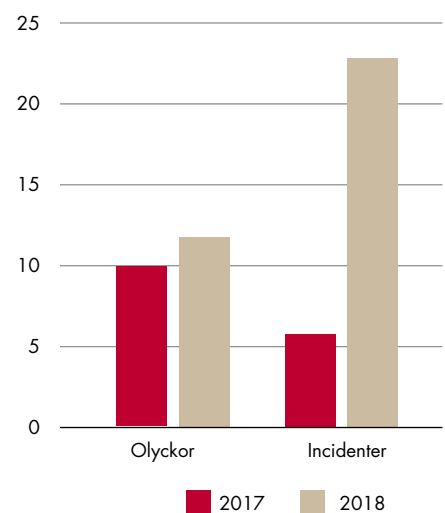
CLIMATE IMPACT 2018



GARO'S WASTE IN 2018



ACCIDENTS AND INCIDENTS



A RELIABLE SUPPLY CHAIN

In 2018, GARO introduced new procedures and methods for follow-up of the supply chain. These include audits, in which aspects in environment, anti-corruption, health and work conditions are followed up. The supplier assurance on conflict minerals is also a key part of the new procedures. In addition, tools are included to systematically help the suppliers to develop toward a more sustainable work method.

GARO has made a deliberate choice, as far as possible, to use suppliers from low-risk countries in Europe. This reduces transport needs and risks of human rights violations, as well as generating improved possibilities for supplier developments. Further surveys of the supply chain are conducted continuously to ensure a reliable and efficient supply of components and materials.

OUR BUSINESS STARTS WITH OUR EMPLOYEES

Our employees are the core of our business. They are not only to be free of injury, but also healthy, have the same opportunities for development regardless of background and have a sense of motivation in their work. Employee surveys and annual performance reviews provide a useful view of what leads to employee contentment and what needs

to be improved. We regard possibilities for internal career paths as an important aspect of being an attractive employer with a balanced staff turnover.

HEALTH AND SAFETY

Our health and safety guidelines, together with our system for the reporting and follow-up of health and safety issues, is to ensure good health for our employees. The staff are trained regularly in relevant health and safety areas, such as CPR, fire evacuation and ergonomics. The health and safety work includes our products being safe to use and, in principle, impossible to sustain an injury from.

When GARO launched a new halogen-free cable, the assembly technicians initially suffered wrist problems that were registered using the company's reporting system. This was clearly seen in the large increase in the number of incidents during 2018.

Neither Norway nor Ireland reported any long-term sickness absence during the year. Sickness absence is highest in Poland and Sweden, where there are many assembly technicians who are exposed to hard physical work. Our goal is to have consistently low sickness absence, regardless of work tasks and country.

RAPID MANAGEMENT OF OCCUPATIONAL HEALTH AND SAFETY RISKS

In conjunction with GARO changing to halogen-free cables²⁾ during the year, the assembly technicians that peeled the cable manually developed wrist problems. The problems arose only at customizes centers and not at standard centers, where the cable is cut and peeled by machine. The casing of the new cable proved to be stiffer than on the original cable. Thanks to the reporting system, the problem was discovered quickly and GARO was able to take action. The outcome was a decision, where the same heat resistance was not required, to change to more easily managed halogen-free cable that did not result in injury to users during assembly.

EVERYONE IS TO HAVE THE SAME OPPORTUNITIES FOR DEVELOPMENT

At GARO, all employees must have the opportunity for development. We ensure this by such measures as offering all employees employee talks with their immediate manager. In these talks, the employee has the possibility to make suggestions as to what competence development is required for the work in question. All employees were offered appraisals and 1,144 hours of training were completed in 2018.

²⁾ Cables free of halogen entails that they are free of PVC, which often contains environmentally hazardous substances, including plasticizers that may be released into the indoor air, lead to allergies and have a hormonal effect, and may damage immune and reproductive systems. When PVC burns it forms caustic hydrochloric acid and toxic dioxins.

DIVERSITY AND EQUALITY

Diversity and openness to various perspectives are important for GARO. It gives us the possibility to better utilize resources and understand the needs of society and the market.

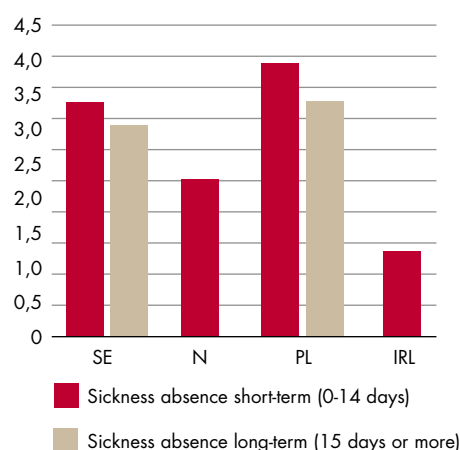
Our equality policy describes how all employees, in particular, persons in leading positions are to behave to eliminate discrimination. In their introduction, all new employees are given an overview of the policy. GARO ensures that it is followed through employee talks and the possibility for employees and others affected to report irregularities using GARO's whistleblower system,

where reports can be made entirely anonymously.

Part of our work toward an equal organization is to have more women in leading positions. During the year, a new female employee was recruited to Group Management. She assumed her position on January 1, 2019 and Group Management is thus now represented by two women and six men.

In 2018, the share of women employed increased to 46%, from 40% in 2017. The share of women in the management groups is not as large as for the company in total, but this is something we are working to achieve.

SICKNESS ABSENCE (%) BY COUNTRY



Sustainability control

CONTROL TABLE

Clear control of sustainability work and continuous follow-up ensures that we conduct the right activities in the right way.

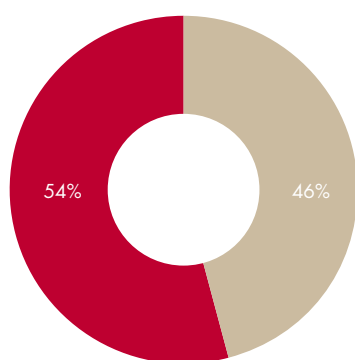
Important issues	Control/Policy	Activities in 2018	Follow-up	Results	Responsibility
Anti-corruption	Anti-corruption policy (internal) Code of Conduct ³	Training of employees exposed to risk	Incident-reporting system and whistleblower system ⁴	No incidents occurred in 2018	CFO
Energy and climate	Operational policy ⁵ with guidelines for energy and climate. ISO 14001:2015 Certified environmental management system. Goal of fossil-free transports and climate-smart company cars.	Expansion of solar cells New goals formulated	Follow-up of result indicators. See the section on energy and climate.	See the section on energy and climate.	Quality and Sustainability Manager
Other environmental issues	Operational policy ⁵ with guidelines for environment. ISO 14001:2015 Certified environmental management system.	Change to halogen-free Electrical distribution products. Reduced use of printed material through digitalization.	Follow-up of environmental goals and activities established in the environmental management system.	See section on Products in a circular economy	Quality and Sustainability Manager
Discrimination and equality	Equality policy Equality plan	Information in the event of new recruitment and continuous information for existing personnel	Follow-up of result indicators. Whistleblower system ⁴	No cases of discrimination were reported.	HR Director
Human rights (social conditions)	Purchasing policy Procedures for supplier assessment Suppliers' signing of GARO's Code of Conduct ³ .	New procedures for supplier assessment introduced. New supplier follow-up system.	Recurring audits of strategic suppliers and suppliers with the greatest risks.	No identified deviations.	Purchasing & Logistics Director Quality and Sustainability Manager
Health and safety	Operational policy ⁵ with guidelines for work and safety issues. Alcohol and drug policy Fire safety policy (internal)	Training of personnel in health and safety issues such as HLR, fire evacuation and ergonomics.	Incident reporting system. Follow-up of result indicators.	See section on health and safety on page 37.	HR Director
Product safety	Third-party quality assurance of products. ISO 9001:2015 certification Operational policy ⁵ with guidelines for quality issues.	Product development in respect of product safety. Standardization for product safety.	Incident reporting system.	No incidents occurred in 2018	Quality and Sustainability Manager Product managers

³) Reference Code of Conducts <http://corporate.garo.se/en/about-garo/code-of-conduct>

⁴) Reference whistleblower system <http://www.garo.se/om-garo/visselblasarpolicy>

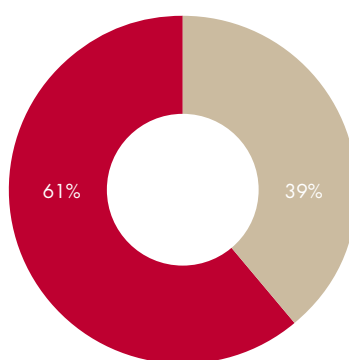
⁵) Reference Operational policy <http://corporate.garo.se/en/about-garo>

**GROUP EMPLOYEES
GENDER DISTRIBUTION, %**



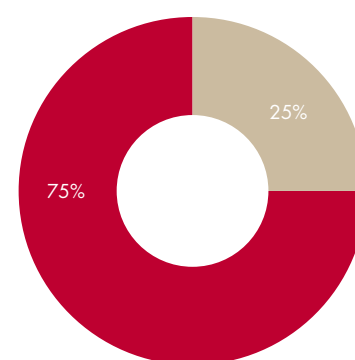
Men
Women

**MANAGEMENT GROUPS
GENDER DISTRIBUTION, %**



Men
Women

**GROUP MANAGEMENT
GENDER DISTRIBUTION, %**



Men
Women

SUSTAINABILITY GOALS

By establishing sustainability goals for the operations, the ambitions become clearer and we gain greater opportunities to meet our stakeholders' expectations. GARO is in the process of establishing sustainability goals to be achieved by 2030. Our current strategic sustainability goals are presented below.

SUSTAINABILITY RISKS

A large amount of resources and material are used in our value chain – metal, plastic and energy. The extraction of resources and the production of components are related to risks, in terms of human rights and work conditions, as well as environmental problems, such as pollution, emissions of greenhouse gases and impact on the ecosystem.

Based on the risk analysis conducted

in 2018, we assess that our greatest sustainability risks are

- Quality problems
- Environment and climate impact from transports
- Shortfalls in working conditions on the supplier level
- Corruption

The analysis also showed that none of the sustainability risks were so significant that they comprised a significant risk to the Group's earnings. This is due to a lower level of risk exposure as a result of our guidelines, procedures and codes of conduct. The Group's general risk analysis can be found in Note 3 of the Board of Directors' Report.

Our greatest risks in terms of personnel and social conditions in our operations comprise, firstly, psychosocial risks in

the form of stress and exhaustion, or repetitive strain injuries from assembly work. These are assessed as medium risks in the risk analysis.

Through this analysis, we have also been able to establish that we have no significant risks of corruption or human rights violations among our first-line suppliers, mainly because we primarily work with European suppliers, with good procedures and processes for sustainability work. Despite this, human rights violations still occur several steps down in the supplier chain as a result of potential conflict minerals in electronic components. Unfortunately, this risk occurs throughout the electronic industry, as the traceability of the minerals' origins is difficult to follow. GARO is continuing its work to minimize the risks of conflict minerals in the products.

Objectives	Outcome/status
GARO's transports are to be fossil-free not later than 2027. The conditions for the goal are designed in accordance with fossil-free Sweden's transport challenge as required, in accordance with the EU's Renewable Energy Directive, that fuel providing an emissions reduction of 70 percent compared with fossil alternatives for transports are to be considered fossil-free.	New goal formulated. A plan for follow-up will be prepared in 2019.
As of 2020, only permit contracts for chargeable company cars that receive a bonus in Sweden's bonus malus system.	New company car policy was prepared with a plan for revision in 2019.
Not later than 2020 installed solar cells and produced proprietary solar electricity.	The goal was achieved. GARO installed solar panels at its facility in Gnosjö in 2018.

Auditor's report on the statutory sustainability statement

To the general meeting of the shareholders of GARO AB
(publ), corporate identity number 556051-7772

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2018 on pages 34–39 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 RevR 12 The auditor's opinion regarding the statutory sustainability 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 statutory sustainability statement has been prepared.

Jönköping 3 April 2019
Ernst & Young AB

JOAKIM FALCK
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 2018 fiscal year. All amounts are stated in MSEK unless specified otherwise. Amounts in parentheses pertain to the preceding year.

In accordance with Chapter 6, Section 11 of the Annual Accounts Act, GARO AB has chosen to prepare the statutory Sustainability Report as a separate report from the Annual Report. The Sustainability Report was submitted to the auditors at the same time as the Annual Report. The Sustainability Report is presented on pages 34-39 of this printed document.

OPERATIONS

GARO is a company that develops, manufactures and markets innovative products and turnkey solutions for the electrical installations market 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 nearly 80-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 REPORTING PERIOD

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

All product areas reported solid growth, with E-mobility and Electrical distribution products outperforming average growth levels.

GARO Poland's sales and productivity continued to increase

in line with rising volumes and the number of employees grew to manage increased production. Additional production could be relocated in 2018 from Gnosjö to Poland.

The Norwegian operations reported robust growth in construction-related products, and the Finnish operations continued to perform in a positive direction. The Irish operations reported strong growth due to increased construction and in E-mobility.

SIGNIFICANT EVENTS

AFTER THE END OF THE REPORTING PERIOD

The Board of GARO AB decided to terminate Carl-Johan Dalin's employment as CEO, as set out in a press release published on February 18. Patrik Andersson, currently Sales and Marketing Director, has taken over as Acting CEO until further notice. The recruitment process for a permanent CEO has been initiated.

Helena Claesson became CFO of GARO AB on January 1, 2019.

NET SALES AND EARNINGS

Net sales increased 13.5% to MSEK 903.7 (796.0). 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 113.8 (98.1), corresponding to an EBIT margin of 12.6% (12.3).

EBIT was positively impacted by higher volumes and a stable gross margin; expenses in relation to net sales increased mostly due to employee-related activities regarding sales and product development. These activities were mainly carried out in our E-mobility product area.

The Group's net financial expenses amounted to MSEK -8.1 (-2.2).

The Group's income after financial items was MSEK 105.7 (95.9). The tax expense for the period amounted to MSEK 23.0 (10.3), corresponding to a tax rate of 21.7% (10.7). Tax expenses for 2017 were positively impacted by the recognition of

Multi-year summary

SUMMARY OF THE GROUP'S FINANCIAL PERFORMANCE

MSEK	2018	2017	2016	2015	2014
Net sales	903.7	796.0	657.8	554.1	441.7
EBITDA	128.8	110.3	84.8	74.3	50.6
EBIT	113.8	98.1	73.8	62.4	39.8
EBIT margin %	12.6	12.3	11.2	11.3	9.0
Total assets	565.8	533.9	374.0	314.9	279.8
Equity ratio %	52.4	47.3	52.0	49.8	48.5
Return on equity %	30.1	38.3	32.4	31.3	17.1
Average number of employees	398	345	275	254	244

a deferred tax asset in the Polish company, amounting to MSEK 9.1 for operations in a tax-free zone. Profit after tax was MSEK 82.7 (85.6).

INVESTMENTS

GARO invests continuously in the maintenance of production units and production equipment. The Group's investments in tangible assets amounted to MSEK 13.9 (43.9). GARO also invests in product development and investments in intangible assets for the year totaled MSEK 9.3 (7.5). Depreciation/amortization for the year amounted to MSEK 14.9 (12.2), of which depreciation of tangible assets was MSEK 12.3 (9.9).

CASH FLOW, LIQUIDITY AND FINANCIAL POSITION

Cash flow from operating activities amounted to MSEK 73.9 (51.5), which was positively affected by slightly lower utilization of working capital compared with 2017. GARO repaid MSEK 14.6 of previously raised loans in 2018. Cash flow for the year amounted to MSEK -19.9 (-13.2).

Cash and cash equivalents including unutilized overdraft facilities on December 31, 2018 amounted to MSEK 91.5 (94.5). Net debt on December 31, 2018 amounted to MSEK 45.7 (56.2).

The Group's equity on December 31, 2018 amounted to MSEK 296.2 (252.7). The 2018 dividend amounted to MSEK 40.0 (28.5). Refer also to Note 3.2.

EMPLOYEES

The number of full-time employees in the Group on December 31, 2018 was 402 (376). The average number of full-time employees in 2018 was 398 (345). The number of employees in the Group's foreign companies on December 31, 2018 amounted to 168 (142), corresponding to 42% (38) of the total number of employees. The percentage of women among employees

during the year was 45% (40). For more information about employees, see Note 8.

PERFORMANCE AND EARNINGS OF GARO SWEDEN SEGMENT

Net sales increased 10% to MSEK 596.8 (543.7). Underlying demand was strong in the E-mobility product area and remained stable for other product areas during the year. The company believes that it has increased its market shares in all product areas. The acquired operations contributed MSEK 2.5 (51.5) to net sales. EBIT amounted to MSEK 74.7 (64.5), corresponding to an EBIT margin of 12.5% (11.8). EBIT was positively impacted by higher volumes and stable expenses in relation to net sales.

PERFORMANCE AND EARNINGS OF GARO OTHER MARKETS SEGMENT

Net sales increased 22% to MSEK 306.9 (252.3). Underlying demand was favorable during the year, with strong growth in E-mobility. GARO Ireland reported strong growth for the year and GARO Norway noted a favorable trend in construction-related products. EBIT amounted to MSEK 39.1 (33.6), corresponding to an EBIT margin of 12.7% (13.3).

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 works close to its customers to gain inspiration and better understand customer needs in the market. GARO has ten 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 Byggarubedömningen (building material assessment). The company's facilities have environmentally friendly production processes that meet local environmental legislation and 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

The Group's material risks and uncertainty factors include business risks related to customers and suppliers, such as price risks for supplies. Added to this are financial risks as a result of changes in currency rates and interest rate levels. A report on the Group's material financial and business risks is provided in Note 3.

FUTURE FINANCIAL TARGETS AND EXPECTATIONS

The GARO Group's financial targets over a business cycle are as follows:

- Organic growth will amount to not less than 10% per year.
- The EBIT margin for the Group will amount to not less than 10% of net sales per year.
- Return on equity will amount to not less than 20%.
- The equity ratio will be not less than 30%.
- The dividend will amount to approximately 50% of the Group's net earnings after tax. The dividend proposal must take into account GARO's long-term dividend potential and the Group's general investment and consolidation requirements.

In 2018, net sales increased 13.5% (21) for the full-year to MSEK 903.7 (796), with most product segments reporting a positive trend and EBIT rising 16% (14) to MSEK 113.8 (98.1). This healthy growth was the result of a strong construction market in Sweden, continued expansion in the E-mobility product area, and a generally favorable trend in other markets where we were successful in our product launches. The important acquisitions of Emedius AB at the start of 2017 and WEB-EL Försäljning AB at the end of 2017 should be taken into account in the comparison with the 2017 figures.

GARO has a positive outlook regarding market conditions for 2019. Demand for construction-related products in Sweden remains at a high level, but the expectation for 2019 is that market growth will slow. The trend in other markets served by GARO is expected to be favorable. We see strong growth in the E-mobility 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 2019, mainly driven by the continued expansion of charging infrastructure.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

The General Meeting resolves on guidelines for determining salary and other remuneration for the CEO and other senior executives. The guidelines resolved by the 2018 Annual General Meeting mainly entailed the following:

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 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 2 (2), 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 these 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 are 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.

PROPOSED GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES 2019

The Remuneration Committee's proposed guidelines for remuneration of senior executives to the 2019 Annual General Meeting are as follows (these guidelines comply with the guidelines of the preceding year in their entirety):

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 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 2 (2) per year, including social security contributions, 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 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% 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 these 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 are not part of the Board assignment, remuneration paid is market-based, taking into ac-

count 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.

CORPORATE GOVERNANCE REPORT

Governance of the company is conducted through the annual general meeting, by the Board of Directors and the CEO in accordance with the Swedish Companies Act and the Articles of Association, and the Nasdaq Stockholm's Rule Book for Issuers, including the Swedish Corporate Governance Code. The work of the Board of GARO AB is governed by the rules of procedure established annually by the statutory Board meeting.

A total of eight Board meetings were held in 2018. The Board of Directors in its entirety comprises the Audit Committee and the Remuneration Committee, and immerses itself in and prepares the Board's decisions regarding the key issues affecting each area. Further information about the Board's work, corporate governance, the Group's systems for internal control and risk management can be found in the Corporate Governance Report on pages 94-99.

THE SHARE AND SHAREHOLDERS

The total number of shares on the balance-sheet date amounted to 10,000,000 with a quotient value of SEK 2. Each share provides entitlement to one vote at the Annual General Meeting. There are no limitations to the transferability of the GARO shares (post-sale purchase rights). There are also no limitations on how many votes each shareholder may cast at general meetings. The company is not aware of any agreements between shareholders that could entail limitations to the right to transfer shares.

On the balance-sheet date, there were two shareholders who own and control more than 10% of the number of votes for all of the shares in the company. Lars Svensson controls 35.7% and Svolder controls 14.95% of the capital and votes in the company, through his own holdings. More information about the GARO shares and ownership structure can be found on pages 32-33.

APPOINTMENT AND DISMISSAL OF BOARD MEMBERS

The Articles of Association do not contain any special provisions regarding the appointment and dismissal of Board members.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on May 15, at 5:00 p.m., in Gnosjöandans Kunskapecentrum, in Gnosjö.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	2018	2017
Operating income			
Net sales	2,5,6	903.7	796.0
Other operating income	7	2.7	1.8
Total operating income		906.4	797.8
Raw materials and consumables		-457.1	-404.2
Other external expenses	9,10	-116.1	-100.1
Personnel expenses	8	-204.4	-183.2
Depreciation/amortization of tangible and intangible assets	13,14,15	-15.0	-12.2
Other operating expenses		-	-
Total operating expenses		-792.6	-699.7
EBIT		113.8	98.1
Financial income	11	2.0	2.2
Financial expenses	11	-10.1	-4.4
Net financial income/expenses	11	-8.1	-2.2
Profit before tax		105.7	95.9
Income tax	12	-23.0	-10.3
Net income for the year		82.7	85.6
Other comprehensive income			
Items that may be reclassified to the net income for the year			
Translation differences		1.5	2.2
Other comprehensive income for the year, net after tax		1.5	2.2
Total comprehensive income for the year		84.2	87.8

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

EARNINGS PER SHARE

	2018	2017
Earnings per share (SEK)	8.27	8.56
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, 2018	Dec 31, 2017
ASSETS			
Fixed assets			
Intangible assets			
Capitalized development expenditure	14	5.2	8.0
Development projects in progress	14	10.3	2.3
Goodwill	13	39.6	39.6
Total intangible assets		55.1	49.9
Tangible assets			
Lands and buildings	15	66.9	63.8
Plant and machinery	15	3.0	3.4
Equipment, tools, fixtures and fittings	15	27.1	29.4
Construction in progress and advance payments for tangible assets	15	3.4	1.2
Total tangible assets		100.3	97.8
Financial assets			
Deferred tax assets	23	10.3	9.6
Total financial assets		10.3	9.6
Total fixed assets		165.7	157.3
Current assets			
Inventories	16		
Raw materials and consumables		93.4	85.1
Finished goods and goods for resale		65.1	54.4
Products in progress		3.3	3.3
Total inventories		161.8	142.8
Current receivables			
Accounts receivable	17.18	218.7	196.7
Other current receivables	17	2.6	4.4
Prepaid expenses and accrued income		8.5	4.5
Total current receivables		229.8	205.6
Cash and cash equivalents	17.19	8.4	28.2
Total current assets		400.1	376.6
Total assets		565.8	533.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, CONT.

MSEK	Note	Dec 31, 2018	Dec 31, 2017
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY			
Share capital	20, 27	20.0	20.0
Reserves		3.6	2.1
Retained earnings (including net income for the year)		272.6	230.6
Total equity		296.2	252.7
LIABILITIES			
Long-term liabilities			
Liabilities to credit institutions	17.21	36.4	38.3
Other provisions	22	1.5	1.6
Deferred tax liabilities	23	2.0	4.5
Total long-term liabilities		39.9	44.4
Short-term liabilities			
Liabilities to credit institutions	17.21	5.0	17.7
Accounts payable	17	103.4	93.7
Overdraft facilities	17.21	12.7	28.3
Current tax liabilities		19.1	13.8
Other short-term liabilities	17	24.6	21.1
Accrued expenses and deferred income	24	64.9	62.2
Total short-term liabilities		229.7	236.8
Total liabilities		269.6	281.2
Total equity and liabilities		565.8	533.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MSEK	Note	Share capital	Reserves	Retained earnings	Total	Total equity
Opening balance at January 1, 2017		20.0	-0.1	174.5	194.4	194.4
Net income for the year		–	–	85.6	85.6	85.6
Other comprehensive income for the year		–	2.2	–	2.2	2.2
Total comprehensive income		–	2.2	85.6	87.8	282.2
Dividend according to Annual General Meeting resolution		–	–	-28.5	-28.5	-28.5
Dividend according to Extraordinary General Meeting resolution		–	–	-0.4	-0.4	-0.4
Change in value, liability, put option	17	–	–	-0.7	-0.7	-0.7
Total contributions from and value transfers to shareholders, recognized directly in equity		–	–	-29.6	-29.6	-29.6
Closing balance at December 31, 2017		20.0	2.1	230.5	252.7	252.7
Opening balance at January 1, 2018		20.0	2.1	230.5	252.7	252.7
Net income for the year		–	–	82.7	82.7	82.7
Other comprehensive income for the year		–	1.5	–	1.5	1.5
Total comprehensive income		–	1.5	82.7	84.2	336.9
Dividend according to Annual General Meeting resolution		–	–	-40.0	-40.0	-40.0
Dividend minority shareholders in subsidiaries		–	–	-0.4	-0.4	-0.4
Change in value, liability, put option	17	–	–	-0.3	-0.3	-0.3
Total contributions from and value transfers to shareholders, recognized directly in equity		–	–	-40.7	-40.7	-40.7
Closing balance at December 31, 2018		20.0	3.6	272.6	272.6	296.2

The entire "reserves" column is attributable to currency translation differences pertaining to currency in the translation of foreign operations.

MSEK	Note	2018	2017
Cash flow from operating activities			
EBIT		113.8	98.1
<i>Adjustment for non-cash items</i>			
Depreciation/amortization		14.5	12.2
Other		0.4	-0.2
Interest received	11	2.0	2.2
Financial expenses	11	-10.1	-4.4
Income tax paid	12	-20.7	-21.0
Cash flow from operating activities before change in working capital		99.9	86.9
Change in inventories		-19.0	-40.1
Change in accounts receivable		-22.0	-21.9
Change in other current receivables		-1.9	-2.1
Change in accounts payable		9.7	18.5
Change in other current operating liabilities		7.2	10.2
Total change in working capital		-26.0	-35.4
Cash flow from operating activities		73.9	51.5
Cash flow from investing activities			
Investments in intangible assets	14	-9.3	-7.5
Acquisition of subsidiaries	26	0	-45.2
Investments in tangible assets	15	-13.9	-43.9
Assets sold		1.3	1.5
Cash flow from investing activities		-21.9	-95.1
Cash flow from financing activities			
Loans raised/change in liability call option	26	-1.3	45.9
Amortization of loans		-14.6	-3.4
Change in overdraft facilities		-15.6	16.8
Dividend paid		-40.4	-28.9
Cash flow from financing activities		-71.9	30.4
Decrease/increase in cash and cash equivalents			
Net cash flow for the year		-19.9	-13.2
Currency effect in cash and cash equivalents		0.1	-0.2
Cash and cash equivalents at beginning of the year		28.2	41.6
Cash and cash equivalents at end of the year	19	8.4	28.2

Notes

NOTE 1. GENERAL INFORMATION

GARO 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 58% (64) 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 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 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 GARO 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.

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

The Group applied IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers for the first time in 2018. The effects of the application of these new accounting standards are described below. None of the new standards, amended standards or interpretations had a material effect on the consolidated or Parent Company’s financial statements. No new or amended IFRSs were applied in advance.

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 Financial Instruments replaced IAS 39 Financial Instruments: Recognition and Measurement for fiscal years beginning on or after January 1, 2018. The Group has applied IFRS 9 since January 1, 2018 and comparative information has not been restated.

Similar to IAS 39, financial assets and liabilities are classified in different categories, some measured at amortized cost and others at fair value. IFRS 9 introduced new categories to those found in IAS 39. The classification under IFRS 9 is based on the instrument’s contractual cash flows and on the company’s business model.

The new standard also contains new rules for impairment testing of financial assets. Impairment under the former standard was based on credit events that had already occurred whereas the new model states that impairment is to be made for expected credit losses. The impairment rules in IFRS 9 are based on a three-step model with impairment recognition governed by changes in the credit risk of the financial assets. In other words, a loss event no longer has to take place for impairment to be recognized. However, the standard includes simplifications for impairment of, for example, accounts receivable. This means that a reserve for credit losses (loss allowance) can be recognized directly and changes in the credit risk do not have to be assessed.

As regards financial liabilities, IFRS 9 largely corresponds to IAS 39. However, for liabilities measured at fair value, part of the change in fair value attributable to changes in own credit risk is to be recognized in other comprehensive income instead of through profit or loss, unless this causes a recognition inconsistency.

The transition to IFRS 9 did not have any material effect on the Group’s financial position.

a) Recognition and measurement

The introduction of IFRS 9 entailed that the Group’s financial assets and liabilities were classified into new categories. The financial assets that were classified as loans and receivables under IAS 39 have now been classified as financial assets measured at amortized cost under IFRS 9. The Group’s financial liabilities that were previously classified as other financial liabilities are classified as financial liabilities measured at amortized cost under IFRS 9.

b) Impairment

The Group applies the simplified approach for recognizing expected credit losses on accounts receivable. The introduction of impairment under IFRS 9 did not have a material impact on the Group’s credit losses.

NOTE 2, CONT.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 applies to fiscal years beginning on or after January 1, 2018. Accordingly, GARO has applied the standard since January 1, 2018 and in connection with the transition to IFRS 15 decided to apply the modified retrospective approach, which is why comparative figures were not restated.

IFRS 15 entails new requirements for the recognition of income and replaced the previous standards on income (IAS 18 Revenue and IAS 11 Construction Contracts) and related interpretations. 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.

Based on a five-step model described in the standard, the Group's streams of income were analyzed and resulting in no material effects on the Group and Parent Company from the implementation of IFRS 15. Accordingly, all of the Group's material income has continued to be recognized at a point in time (on delivery to the customer). Based on this, GARO believes that the standard will not entail any change in income recognition for the Group's income.

IFRS 16 LEASES

IFRS 16 Leases replaces IAS 17 Leases and its related interpretations. The new standard is applied from January 1, 2019. IFRS 16 applies a control model for identifying leases, whereby leases and service agreements are distinguished based on whether there is an identified asset controlled by the lessee.

The new standard eliminates the classification of leases as operating and finance leases for the lessee, as required under IAS 17, and instead introduces a single model for recognition. Under the new model, all leases result in the lessee receiving the right to use an asset over the estimated lease term and, if payments are made over time, also obtain financing. GARO's long-term operating leases will be recognized as assets and financial liabilities in the consolidated balance sheet. Instead of operating lease expenses, GARO will recognize depreciation and interest expenses in the Group's comprehensive income. Lease payments will impact cash flow from operating activities (for example, interest, leases for low-value assets and short-term leases) and cash flow from financing activities (repayment of the lease liability) in the cash-flow statement. The new standard contains no material changes in the reporting requirements for the lessor.

GARO will apply the new standard by using the modified retrospective approach, meaning that comparative figures will not be restated. The accumulated effect of applying IFRS 16 will be recognized on January 1, 2019. Lease liabilities attributable to leases that were previously classified as operating leases under IAS 17 will be measured at the present value of the remaining lease payments, discounted by using the incremental borrowing rate on January 1, 2019. GARO will recognize a right-of-use at an amount corresponding to the lease liability, adjusted by the amount of any deferred or accrued payments

attributable to the lease, recognized on December 31, 2018. Accordingly, the transition to IFRS 16 will not have any material impact on consolidated equity.

GARO will apply the practical exemptions of recognizing payments attributable to short-term leases and leases for low-value assets as an expense in profit or loss. GARO will not apply IFRS 16 to intangible assets. Non-lease components will be expensed and not recognized as part of the right-of-use or lease liability. On the transition to IFRS 16, GARO will reassess whether an agreement is a lease or contains a lease.

For leases classified as financial leases under IAS 17, the carrying amount of the right-of-use and the lease liability under IFRS 16 on January 1, 2019 will correspond to the carrying amount of the lease asset and the lease liability under IAS 17 immediately prior to the transition to IFRS 16.

The transition to IFRS 16 will have the following preliminary effects on the consolidated balance sheet on the transition date of January 1, 2019.

Preliminary effects of IFRS 16 (MSEK)	Jan 1, 2019
Right-of-use asset	10.1
Deferred tax assets	2.2
Increase in non-current assets	12.3
Long-term lease liability	5.8
Deferred tax liabilities	2.2
Short-term lease liability	4.3
Increase in total liabilities	12.3

In the table above, deferred tax assets and tax liabilities attributable to the right-of-use and the lease liability have been recognized net in those cases in which a legal right exists to offset the deferred taxes. GARO has identified leases pertaining to, for example, company cars, office equipment and rental agreements. The most significant assessments in determining the amounts above refer to establishing the lease terms and whether an agreement is or contains a lease.

Examples of factors that were considered are: strategic plans, the importance of the underlying asset for GARO's operations and/or expenses associated with not extending or terminating the lease. GARO reassessed whether an agreement is a lease or contains a lease on the date of initial application of IFRS 16. The difference between GARO's minimum lease payments for operating leases under IAS 17 and the lease liability that will be recognized on January 1, 2019 under IFRS 16 is mainly attributable to financial leases, estimated extension periods and reassessments of whether an agreement is or contains a lease.

In addition, GARO has a rental agreement for a property in Norway where the company has not yet started utilizing its right-of-use, which is why this lease is not in the table above. The agreement will be recognized as an asset when the property starts to be used, which is expected to take place in the second quarter of 2019.

The exemption for leases in RFR 2 will be applied in the Parent

Company. This means that the Parent Company's policies for recognizing leases will remain unchanged.

No other new or amended standards and interpretations to be applied from January 1, 2019 are deemed to have a material effect on the consolidated or Parent Company's financial statements. No new or amended IFRSs were applied in advance.

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 are recognized in EBIT in profit or loss. Monetary assets and liabilities in foreign currency are translated at the closing rate and exchange-rate gains and losses arising on such translation are recognized in net financial items 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.

NOTE 2, CONT.

2.5. REVENUE FROM CONTRACTS WITH CUSTOMERS

In order for the Group to recognize income from contracts with customers, each customer contract is analyzed in accordance with the five-step model described below:

STEP 1: Identify an agreement between two or more parties that creates enforceable rights and obligations.

STEP 2: Identify the performance obligations in the contract.

STEP 3: Determine the transaction price, meaning the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services. The transaction price is to be adjusted for variable consideration, for example, discounts.

STEP 4: Allocate the transaction price to the performance obligations.

STEP 5: Recognize income when (or as) the entity satisfies a performance obligation, meaning when control is passed to the customer. This takes place either at a point in time or over time if one of the criteria in the standard is met.

The Group's income comprises the sale of goods in the product areas of Electrical distribution products, Project business, Temporary electric installations and E-mobility.

Goods are sold in both of the Group's Sweden segment and Other markets segment. Sales essentially comprise standard products to other companies. The Group has both separate contracts and framework agreements with its customers. For framework agreements, a contract with a customer is not deemed to arise until the customer places an order based on the terms of the framework agreement since it is first at this point in time that enforceable rights and obligations for the Group and the customer arise. The time from order to delivery of the goods is normally short. Each separate product in the order is considered to comprise a separate performance obligation.

The transaction price of each customer contract usually comprises a fixed amount. If the transaction price includes variable amounts (some customer framework agreements have volume discounts based on the number of products purchases), the Group estimates the amount that it will be entitled to and includes in the transaction price, taking into account any restrictions for uncertain amounts. Income is recognized at a point in time since the criteria for control being passed over time is not always met. The Group believes that control is passed when delivery is completed in accordance with the delivery terms, which coincides with when the risks and rewards are passed to the customer.

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 mainly 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 lease term are expensed in profit or loss on a straight line basis over the lease term.

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
Plant and machinery	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

Financial instruments are every form of contract that gives rise to a financial asset in a company and a financial liability or an equity instrument in another company. Financial instruments are

classified on initial recognition based on factors including the purpose for which the instrument was acquired and is held. This classification determines the measurement of the instruments.

2.11.1 RECOGNITION AND DERECOGNITION

A financial asset or a financial liability is recognized in the balance sheet when the company becomes a party to the contractual provisions of the instrument. Accounts receivable are recognized in the balance sheet when an invoice has been sent and the company's right to receive compensation is unconditional. A liability is recognized when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Accounts payable are recognized once the invoice has been received.

A financial asset and a financial liability are offset against each other and the net amount is recognized in the balance sheet only when there is a legal right to offset the amounts and there is an intention to settle the items by a net amount or to simultaneously realize the asset and settle the liability. A financial asset is derecognized from the balance sheet when the rights in the contract have been realized, expire or the company loses control of them. A financial liability is derecognized from the balance sheet when the contractual obligation has been fulfilled or otherwise extinguished. The same applies to portions of a financial asset or financial liability.

Gains and losses from derecognition from the balance sheet and modifications are recognized in profit or loss to the extent that hedge accounting is not applied.

2.11.2 CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

Debt instruments: classification of financial assets that are debt instruments is based on the Group's business model for holding the asset and the characteristics of the contractual cash flows of the asset. The instruments are classified as:

- Amortized cost
- Fair value through profit or loss
- Fair value through other comprehensive income

Financial assets classified at amortized cost are initially measured at fair value plus transaction costs. After initial recognition, the assets are measured at amortized cost less loss allowance for expected credit losses. Assets classified at amortized cost are held according to the business model of collecting the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets comprise accounts receivable, cash and cash equivalents, other current receivables and derivative instruments. All of these are classified at amortized cost except for derivative instruments which are classified at fair value through profit or loss. The Group does not apply hedge accounting.

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2.11.3 IMPAIRMENT OF FINANCIAL ASSETS

The Group's impairment model is based on expected credit losses and considers forward-looking information. A loss allowance is made when there is exposure to credit risk, usually on initial recognition of an asset or receivable. Under the simplified approach, a loss allowance is recognized for full lifetime expected credit losses. The simplified approach is applied to accounts receivable and contract assets and is based on past losses combined with forward-looking factors.

For other items encompassed by expected credit losses, a three-stage impairment model is applied. A loss allowance is recognized initially and on the balance-sheet date for the next 12 months or for a shorter period of time depending on the lifetime (stage 1). The Group's assets have been deemed to be in stage 1, meaning that credit risk has not significantly increased.

Other receivables and assets are impaired according to a rating-based method through external credit ratings. Expected credit losses are measured at the total of probability of default, loss given default and exposure at default. Credit-impaired assets and receivables are individually assessed, taking into consideration past, current and forward-looking information. Measurement of expected credit losses also considers any collateral and other credit enhancement in the form of guarantees.

2.11.4 CLASSIFICATION AND MEASUREMENT OF FINANCIAL LIABILITIES

Financial liabilities are classified at amortized cost except for derivatives. Financial liabilities measured at amortized cost are initially measured at fair value including transaction costs. After initial recognition, the liabilities are measured at amortized cost according to the effective interest method.

The majority of the Group financial liabilities (liabilities to credit institutions, accounts payable, overdraft facilities and other short-term liabilities) are classified at amortized cost. Derivative instruments are classified at fair value through profit or loss. The Group does not apply hedge accounting.

2.11.5 COMPARATIVE YEAR ACCORDING TO IAS 39

Financial instruments are recognized according to IAS 39 for the comparative year 2017.

Even though IAS 39 had different classification categories compared with IFRS 9, these IAS 39 categories nevertheless required recognition at amortized cost, except for derivative instruments that are measured at fair value through profit or loss, which corresponds to the approach under IFRS 9.

IAS 39 had a different method for reserves for credit losses that entailed that a reserve was established when the credit event was confirmed, as opposed to the IFRS 9 approach whereby reserves are made for expected credit losses. There are no other differences between the standards for the Group. No transitional effects arose on the transition from IAS 39 to IFRS 9.

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 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.

2.14 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 include 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 (1.5) 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.

2.15 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 tax 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.

2.16 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. RISKS AND UNCERTAINTIES

3.1 RISKS AND UNCERTAINTIES

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. However, 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 identifies, 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, Poland, Norway and Ireland, the general economic climate and business conditions in these countries have 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

NOTE 3, CONT.

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.

(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 6.0 (5.4) 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 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 2018 and 2017, 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 takes 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 expect 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 40. 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.

DEBT/EQUITY RATIO

At December 31, 2018	< 1 year	1-5 years	> 5 years
Liabilities to credit institutions	33.7	12.7	7.7
Interest payments	0.4	1.4	–
Accounts payable	103.4	–	–
Total	137.5	14.1	7.7

At December 31, 2017	< 1 year	1-5 years	> 5 years
Liabilities to credit institutions	46.0	12.7	10.3
Interest payments	0.9	1.4	0.3
Accounts payable	93.7	–	–
Total	140.6	14.1	10.6

Of the MSEK 137.5 stated for 2018 in the "less than 1 year" interval, the company intends to repay MSEK 109.2 in the first quarter of 2019 (2018: 105.6).

There are currently not deemed to be any additional borrowing or refinancing requirements for meeting future commitments under the current operations and business plan.

D 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 9.0 (8.0).

Volume trends and purchase prices impact GARO's earnings. A 1% change in volume results in an EBIT effect of about MSEK 4.5 (3.9) and a 1% change in purchase prices of goods for resale and raw materials results in an EBIT effect of about MSEK 4.5 (4.0).

Payroll costs account for a large portion of the Group's expenses and a 1% increase impacts EBIT by MSEK 2.0 (1.8).

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.

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 2.9 (1.8).

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 assesses 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.

Debt/equity ratio	Dec 31, 2018	Dec 31, 2017
Total borrowing (Note 21)	54.1	84.3
Less: cash and cash equivalents (Note 19)	-8.4	-28.2
Net debt	-45.7	56.1
Total equity	296.2	252.7
Debt/equity ratio, %	-15.4%	-22.2%

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, the risk of losses on accounts receivable, valuations of deferred tax assets, 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	2018	2017	2018	2017	2018	2017	2018	2017
Sales								
Total net sales	793.2	686.2	473.8	357.8	-363.3	-248.0	903.7	796.0
Internal net sales	-196.4	-142.5	-166.9	-105.5	363.3	248.0	–	–
External net sales	596.8	543.7	306.9	252.3	–	–	903.7	796.0
EBIT	74.7	64.5	39.1	33.6	–	–	113.9	98.1
Financial income	–	–	–	–	–	–	2.0	2.2
Financial expenses	–	–	–	–	–	–	-10.1	-4.4
Tax expense for the year	–	–	–	–	–	–	-23.0	-10.3
Net income for the year	–	–	–	–	–	–	82.7	85.6
Other disclosures								
Fixed assets	160.7	173.4	59.5	54.9	-54.5	-71.0	165.7	157.3
Other assets	348.9	326.9	183.0	145.2	-131.9	-95.5	400.1	376.6
Total assets	509.6	500.3	242.5	200.1	-186.4	-166.5	565.8	533.9
Short-term liabilities	210.0	209.2	146.5	118.0	-126.9	-90.4	229.6	236.8
Long-term liabilities	42.4	26.7	21.2	15.1	-23.5	2.6	40.1	44.4
Total liabilities	251.4	235.9	167.7	133.1	-150.4	-87.8	269.7	281.2
Investments	15.3	27.2	7.4	24.2	–	–	22.7	51.4
Depreciation/amortization	11.0	9.6	4.0	2.6	–	–	15.0	12.2

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

	2018	2017
Sweden	578.7	537.4
Norway	174.7	146.2
Poland	10.7	2.8
Ireland	100.6	85.5
Finland	19.4	16.7
Other countries	19.6	7.4
Total	903.7	796.0

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

	2018	2017
Electrical distribution products	452.9	407.8
Project business	213.0	207.9
Temporary electric installations	74.6	79.3
E-mobility	163.2	101.0
Total	903.7	796.0

NOTE 6. INCOME FROM CONTRACTS WITH CUSTOMERS

Income arises when the Group satisfies a performance obligation by delivering a promised good and control of the asset passes to the customer. This usually takes place on delivery in accordance with the applicable delivery terms

INCOME FROM CUSTOMERS SPECIFIED BY PRODUCT AREA AND SEGMENT:

Product area	Sweden segment 2018	Other markets segment 2018	Total 2018
Electrical distribution products	253.0	199.9	452.9
Project business	175.2	37.8	213.0
Temporary electric installations	68.6	6.0	74.6
E-mobility	100.0	63.2	163.2
Total income from customers	596.8	306.9	903.7

GEOGRAPHIC LOCATION OF CUSTOMERS

Geographic location	Sweden segment 2018	Other markets segment 2018	Total 2018
Sweden	578.7	–	578.7
Norway	–	174.7	174.7
Poland	–	10.7	10.7
Ireland	–	100.6	100.6
Finland	–	19.4	19.4
Other countries	18.1	1.5	19.6
Total income from customers	596.8	306.9	903.7

	2018 fiscal year	
Income	Sweden	Other markets
External auditors	596.8	306.9
Income between segments	122.7	–
Adjustments and eliminations regarding inter-segment sales	-122.7	–
Total income from contracts with customers	596.8	306.9

PERFORMANCE OBLIGATIONS

The Group's sales of goods to companies take place by invoice, normally with terms of payment 30-60 days. The Group's performance obligations that form part of the contract with customers have an original expected term of a maximum of one year. For more information about the Group's performance obligations, see the Group's Note 2 Summary of important accounting policies.

NOTE 7. OTHER OPERATING INCOME

	2018	2017
Capitalized own work, product development	2.3	1.2
Other	0.4	0.6
Total	2.7	1.8

NOTE 8. REMUNERATION OF EMPLOYEES, ETC.

	2018	2017
Board, CEO and other senior executives		
Salaries and other remuneration	13.4	18.4
Social security contributions	3.3	4.8
Pension costs – defined-contribution plans	2.4	3.4
Total Board, CEO and other senior executives	19.1	26.6
Other employees		
Salaries and other remuneration	127.1	106.4
Social security contributions	39.5	33.7
Pension costs – defined-contribution plans	9.8	6.8
Total other employees	176.4	146.9
Total personnel expenses	195.5	173.5

The comparative figures for 2017 include remuneration of CEOs of subsidiaries, 4 individuals.

AVERAGE NUMBER OF EMPLOYEES, SPECIFIED BY COUNTRY

	2018		2017	
	Average no. of employees	Of whom, men	Average no. of employees	Of whom, men
Sweden	237	157	228	151
Norway	17	16	16	15
Finland	3	2	3	2
Ireland	23	18	22	16
Poland	122	30	76	22
Group total	402	223	345	206

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

	2018		2017	
	No. on balance-sheet date	Of whom, men	No. on balance-sheet date	Of whom, men
Board members	6	5	9	7
CEO and other senior executives	8	8	12	12
Group total	14	13	21	19

REMUNERATION OF SENIOR EXECUTIVES 2018

	Basic salary/ Board fees	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total
Stefan Jonsson, Board Chairman	0.3	–	–	–	–	0.3
Anders Pålsson, Board Chairman until May 2, 2018	0.1	–	–	–	–	0.1
Lars Svensson, Board member	0.2	–	–	–	–	0.2
Per Holmstedt, Board member	0.2	–	–	–	–	0.2
Susanna Hilleskog, Board member	0.1	–	–	–	–	0.1
Lars-Åke Rydh, Board member	0.1	–	–	–	–	0.1
Rickard Blomqvist, Board member*	0.2	–	–	–	–	0.2
Carl-Johan Dalin, President and CEO	1.9	1.1	0.1	0.8	–	3.9
Other senior executives (5)	3.6	0.4	0.2	1.2	0.9	6.3
Total	6.7	1.5	0.3	2.0	0.9	11.5
Subsidiaries						
Other senior executives (2)	2.9	1.0	–	0.4	–	4.3
Group	9.6	2.5	0.3	2.4	0.9	15.8

*The Board member received a consultant's fee during the period, see Note 28.

REMUNERATION OF SENIOR EXECUTIVES 2017

	Basic salary/ Board fees	Variable remuneration	Other benefits	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
Carl-Johan Dalin, President and CEO from September 5, 2017	0.8	0.2	–	–	–	1.0
Stefan Jonsson, President and CEO until September 4, 2017	2.8	0.4	0.1	1.0	–	4.3
Other senior executives (4)	3.4	0.5	0.3	1.2	0.8	6.2
Total	7.8	1.1	0.4	2.2	0.8	12.3
Subsidiaries						
Other senior executives (2)	2.9	0.8	–	0.4	–	4.1
Group	10.7	1.9	0.4	2.6	1.2	16.4

*The Board member received a consultant's fee during the period, see Note 28.

PENSIONS

DEFINED-CONTRIBUTION PENSIONS

The retirement age for the CEO is 65. The premium is 30% 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 nine months applies to the

company and the CEO. In 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 CEO terminates employment.

A period of notice of three to six months applies between the company and other senior executives if employment is terminated by the employee, and six to 12 months if employment is terminated by the company.

NOTE 9. REMUNERATION OF AUDITORS

	2018	2017
PwC until May 4, 2017 / Ernst & Young from May 4, 2017		
– Audit assignment (EY)	0.9	1.0
– Auditing activities in addition to audit assignment (EY)	0.2	0.2
– Tax advice (PwC)	–	–
– Other services (EY and PwC)	–	0.2
Total	1.1	1.4
Grant Thornton		
– Audit assignment	0.1	0.1
– Auditing activities in addition to audit assignment	–	–
Total	0.1	0.1

NOTE 10. 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:

	2018	2017
Within 1 year	6.7	4.0
Between 1 and 5 years	8.4	18.8
More than 5 years	–	25.3
Total	15.1	48.1

Leasing costs of MSEK 6.9 (4.9) are included in profit or loss.

IFRS 16 LEASES

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 and introduces a shared model for recognizing all leases. Under this model, the lessee is to recognize assets and liabilities for all leases except for low-value assets and short-term leases. Depreciation of leased assets is also to be recognized separately from the interest on debt in profit or loss. GARO applies the modified retrospective approach to the transition to the standard, whereby comparative figures are not restated, the lease liability is measured at the present value of the outstanding lease payments discounted by the incremental borrowing rate on January 1, 2019 and the right-of-use asset is recognized at an amount corresponding to the lease liability on January 1, 2019. For more information

about the transition to IFRS 16, see Note 2 “Issued and amended standards and interpretations that have not yet been applied by the Group.”

The impact of the transition on operating leases is presented below.

	2018
Commitments for operating leases at December 31, 2018	15.1
Additional adjustments due to different handling of options to extend and terminate a lease	0.0
Less short-term leases and leases for which the underlying asset is of low value which is expensed straight-line	-5.0
Discounting using incremental borrowing rate at January 1, 2019	0.0
Additional liabilities for finance leases at December 31, 2018	10.1
Lease liability recognized on January 1, 2019	10.1

NOTE 11. FINANCIAL INCOME AND EXPENSES

Financial income	2018
Assets and liabilities mandatorily measured at fair value through profit or loss	
Net gain derivatives	–
Total financial income for items measured at fair value through profit or loss	–
Assets and liabilities measured at amortized cost;	
Interest expenses loans	–
Interest expenses other financial liabilities	0.1
Total interest income according to effective interest method	0.1
Exchange-rate differences – income, financial items	1.9
Total	1.9
Total financial income	2.0

Financial expenses	2018
Assets and liabilities mandatorily measured at fair value through profit or loss	
Net loss derivatives	-2.4
Total financial expenses for items measured at fair value through profit or loss	-2.4
Assets and liabilities measured at amortized cost;	
Interest expenses loans	-1.4
Interest expenses other financial liabilities	-0.5
Total interest expenses according to effective interest method	-1.9
Exchange-rate differences – expenses, financial items	-5.8
Total	-7.7
Total financial expenses	-10.1

	2017
Interest income	0.1
Remeasurement of derivative instruments	1.9
Other financial income	0.2
Other financial income	2.2
Interest expenses	-0.8
Exchange-rate losses	-1.9
Remeasurement of derivative instruments	–
Other financial expenses	-1.7
Total financial expenses	-4.4
Total net financial items	-2.2

NOTE 12. INCOME TAX

	2018	2017
Current tax		
Current tax on net income for the year	-26.1	-20.7
Adjustments pertaining to prior years	–	–
Total current tax	-26.1	-20.7
Deferred tax (Note 23)		
Occurrence and reversal of temporary differences	3.1	10.4
Total deferred tax	3.1	10.4
Total income tax	-23.0	-10.3

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, 2018, unutilized tax advantages amounted to approximately MSEK 10.2 (9.6) for use until 2026. 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:

	2018	2017
Profit before tax	105.7	95.9
Income tax calculated according to tax rate in Sweden (22%)	-23.3	-21.1
Effect of foreign tax rates	0.7	1.4
Tax effects of:		
– Non-deductible expenses	-1.9	-0.6
– Temporary differences	-1.7	-0.4
– Change attributable to changed tax rate, Sweden	–	–
– Tax attributable to prior years' recognized earnings	0.3	–
Tax expense	-26.1	-20.7
Effective tax rate, %	24.7	21.6

NOTE 13. GOODWILL

Cost	Goodwill
2017 fiscal year	
Opening carrying amount	–
Acquisition of subsidiaries	39.6
Divestments and disposals	–
Translation differences	–
Amortization	–
Impairment	–
Closing carrying amount	39.6

At December 31, 2017

Cost	43.1
Accumulated amortization and impairment	-3.5
Carrying amount	39.6

2018 fiscal year

Opening carrying amount	39.6
Acquisition of subsidiaries	–
Divestments and disposals	–
Translation differences	–
Amortization	–
Impairment	–
Closing carrying amount	39.6

At December 31, 2018

Cost	43.1
Accumulated amortization and impairment	-3.5
Carrying amount	39.6

Goodwill is distributed between the Group's cash-generating units, which comprise the segments. The assessment of recoverable amount includes assumptions regarding growth, earnings trend and investments, including investments in working capital. Assumed growth amounts to 0-30%, depending on business area for the next three-year forecast and then is sustained at 2%.

Assumed EBIT margins amount to a sustained 8.5%, with forecast lost sales volume in certain business areas offset by higher prices. The growth and margin assumptions are based on outcomes of prior years and management's expectations of market trends. Investment amounts are based on forecasts and are subsequently sustained at levels corresponding to depreciation.

Goodwill is tested for impairment every year. A discount rate (WACC) of 7.5% was used in this year's test. The test did

not reveal any impairment requirement. A number of sensitivity analyses have been performed where the sustained growth rate was set at 0 percentage points, the EBIT margin declines by 2 percentage points or the discount rate increases by 2%. None of these analyses indicated any impairment requirement.

Goodwill per segment	Dec 31, 2018	Dec 31, 2017
Sweden segment	39.6	39.6
Other markets segment	–	–
Total	39.6	39.6

NOTE 14. OTHER INTANGIBLE ASSETS

Cost	Capitalized development expenditure	Development projects in progress	Total
2017 fiscal year			
Opening carrying amount	6.5	2.1	8.6
Exchange-rate differences	–	0.1	0.1
Purchases/capitalized expenses	–	7.5	7.5
Reclassifications	4.1	-7.4	-3.3
Divestments and disposals	-0.3	–	-0.3
Amortization	-2.3	–	-2.3
Impairment	–	–	–
Closing carrying amount	8.0	2.3	10.3
At December 31, 2017			
Cost	29.8	2.3	32.1
Accumulated amortization and impairment	-21.8	–	-21.8
Carrying amount	8.0	2.3	10.3
2018 fiscal year			
Opening carrying amount	8.0	2.3	10.3
Exchange-rate differences	–	–	–
Purchases/capitalized expenses	–	9.3	9.3
Reclassifications	0.6	-1.3	-0.7
Divestments and disposals	-0.8	–	-0.8
Amortization	-2.6	–	-2.6
Impairment	–	–	–
Closing carrying amount	5.2	10.3	15.5
At December 31, 2018			
Cost	29.7	10.3	40.0
Accumulated amortization and impairment	-24.5	–	-24.5
Carrying amount	5.2	10.3	15.5

NOTE 15. TANGIBLE ASSETS

	Lands and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Construction in progress	Total
2017 fiscal year					
Opening carrying amount	36.4	3.0	17.6	1.8	58.8
Exchange-rate differences	1.9	0.1	0.2	–	2.2
Purchases	–	–	2.6	41.3	43.9
Through acquisition of subsidiaries	–	–	0.6	–	0.6
Reclassifications	27.9	1.0	16.3	-41.9	3.3
Divestments and disposals	–	–	-1.1	–	-1.1
Depreciation	-2.4	-0.7	-6.8	–	-9.9
Closing carrying amount	63.8	3.4	29.4	1.2	97.8
At December 31, 2017					
Cost	105.3	33.3	96.1	1.2	235.9
Accumulated depreciation	-41.5	-29.9	-66.7	–	-138.1
Carrying amount	63.8	3.4	29.4	1.2	97.8
2018 fiscal year					
Opening carrying amount	63.8	3.4	29.4	1.2	97.8
Exchange-rate differences	0.6	–	0.2	–	0.8
Purchases	0.5	–	1.8	11.6	13.9
Through acquisition of subsidiaries	–	–	–	–	–
Reclassifications	5.1	0.3	4.8	-9.4	0.8
Divestments and disposals	–	–	-0.6	–	-0.6
Depreciation	-3.1	-0.7	-8.5	–	-12.3
Closing carrying amount	66.9	3.0	27.1	3.4	100.4
At December 31, 2018					
Cost	111.5	33.6	102.2	3.4	250.7
Accumulated depreciation	-44.6	-30.6	-75.6	–	-150.3
Carrying amount	66.9	3.0	27.1	3.4	100.4

NOTE 16. INVENTORIES

	2018	2017
Raw materials and consumables	93.4	85.1
Finished goods and goods for resale	65.1	54.4
Products in progress	3.3	3.3
Total	161.8	142.8

Impairment was recognized at a total of MSEK 7.3 (6.2).

NOTE 17. FINANCIAL INSTRUMENTS

Measurement of financial assets and liabilities at Dec 31, 2018	Financial assets measured at fair value through profit or loss	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total carrying amount	Total fair value
Financial assets					
Accounts receivable	–	218.7	–	218.7	–
Derivative instruments	–	–	–	–	–
Other current receivables	–	2.6	–	2.6	–
Cash and cash equivalents	–	8.4	–	8.4	–
Total	–	229.7	–	229.7	0
Financial liabilities					
Liabilities to credit institutions	–	–	41.4	41.4	–
Derivative instruments	–	–	1.1	1.1	–
Accounts payable	–	–	103.4	103.4	–
Other short-term liabilities	–	–	12.7	12.7	–
Total	–	–	158.6	158.6	0

On December 31, 2018, the Group had a recognized liability with the minority shareholders in GARO Elflex AB due to a put/call option that can be triggered either by GARO AB or the minority shareholder. The liability was measured at fair value and the translation difference recognized directly in equity. The total liability on December 31, 2018 amounted to MSEK 2.4. The liability to GARO Finland OY was settled during the year.

The financial assets encompassed by the loss allowance according to the general approach comprise cash and cash equivalents. GARO applied a rating-based approach combined with other known information and forward-looking factors for assessing expected credit losses. The Group has defined default as when payment of a receivable is 90 or more days past due, or if other factors indicate that payment will be suspended. If the amounts are not deemed to be insignificant, a loss allowance is also recognized for these financial instruments. The Group has currently made the assessment that there are no credit losses on cash and cash equivalents.

Measurement of financial assets and liabilities at Dec 31, 2017	Financial assets measured at fair value through profit or loss	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total carrying amount	Total fair value
Financial assets					
Accounts receivable	–	–	–	196.7	–
Derivative instruments	–	–	–	1.6	–
Other current receivables	–	–	–	2.8	–
Cash and cash equivalents	–	–	–	28.2	–
Total	0	0	0	229.3	0
Financial liabilities					
Liabilities to credit institutions	–	–	–	56.0	–
Accounts payable	–	–	–	93.7	–
Other short-term liabilities	–	–	–	28.3	–
Total	0	0	0	178.0	0

On December 31, 2017, the Group had 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 was measured at fair value at accounting year-end and remeasurements were recognized directly in equity. The total liability on December 31, 2017 amounted to MSEK 3.6.

NOTE 18. ACCOUNTS RECEIVABLE

	Dec 31, 2018	Dec 31, 2017
Accounts receivable	218.7	197.0
Less: provision for doubtful receivables	–	-0.3
Accounts receivable – net	218.7	196.7

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

The age analysis of these accounts receivable was as follows:

Group	2018			2017*		
	Gross	Impairment	Percentage of loss	Gross	Impairment	Percentage of loss
Not past due accounts receivable	183.5	–	–	158.3		
Past due accounts receivable 0-30 days	30.4	–	–	37.2		
Past due accounts receivable 31-60 days	2.6	–	–	1.0		
Past due accounts receivable 61-90 days	2.2	–	–	0.2		
Past due accounts receivable > 91 days	0	–	–	0		
Total	218.7	–	–	196.7		

* 2017 recognized in accordance with former accounting policies.

At December 31, 2018, accounts receivable of MSEK 35.2 (38.4) 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.

EXPECTED CREDIT LOSSES, SIMPLIFIED APPROACH

Loss allowance, simplified approach:

Group	2018	2017**
Opening balance	-0.3	-
Reversal of previous reserves	0.3	-
Impairment	-	-
Written-off amounts (confirmed losses)	-	-
Recovered, previously written-off amounts	-	-
Translation differences/currency differences	-	-
Total	0	-

** 2017 reserves under IAS 39 are reserves for confirmed credit events.

Receivables primarily comprise accounts receivable for which the Group has decided to apply the simplified approach for recognizing expected credit losses. This means that a loss allowance for full lifetime expected credit losses is made. The lifetime is expected to be less than one year for all receivables. The Group establishes a loss allowance based on past credit losses and forward-looking information.

The majority of the Group's customers are a homogeneous group with a similar risk profile, which is why the credit risk is initially assessed collectively for all customers. Any major individual receivables are assessed per counterparty.

The Group writes off a receivable when there is no longer any expectation that it will receive payment and when active measures to collect payment have been discontinued.

NOTE 19. CASH AND CASH EQUIVALENTS

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

	Dec 31, 2018	Dec 31, 2017
Bank balances	8.4	28.2
Total	8.4	28.2

NOTE 20. SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

Share capital at December 31, 2018 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.

DIVIDEND

Dividends paid in 2018 amounted to MSEK 40.0 (28.5), corresponding to SEK 4.00 per share (2.85).

A dividend of SEK 4 per share, a total of MSEK 40, for the 2018 fiscal year is proposed to the Annual General Meeting to be held on May 15, 2019. The proposed dividend has not been recognized as a liability in these financial statements.

NOTE 21. BORROWINGS

	Dec 31, 2018	Dec 31, 2017
Long-term		
Liabilities to credit institutions	36.4	38.3
Total long-term borrowings	36.4	38.3
Short-term		
Overdraft facilities	12.7	28.3
Liabilities to credit institutions	5.0	17.7
Total short-term borrowings	17.7	46.0
Total borrowings Group	54.1	84.3

LIABILITIES TO CREDIT INSTITUTIONS

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

These bank loans fall due for payment in 2027 and bear average interest of 1.4% per year (1.6).

The Group does not have any specific loan conditions (covenants) with external borrowers.

OVERDRAFT FACILITIES

The Group has granted overdraft facilities of MSEK 95.7 MSEK (94.6) in the currencies of SEK, EUR and PLN that are renegotiated every year.

NOTE 22. OTHER PROVISIONS

	Dec 31, 2018	Dec 31, 2017
Long-term		
Guarantee reserve	1.5	1.5
Pension commitments	–	0.1
Total	1.5	1.6

NOTE 23. DEFERRED INCOME TAX

	Dec 31, 2018	Dec 31, 2017
Deferred tax assets		
Other (Note 12)	10.3	9.6
Total	10.3	9.6
Deferred tax liabilities		
Machinery and equipment	-1.7	-1.5
Tax allocation reserves	-0.3	-1.3
Expenses reversed in taxation, deductible in future years	–	-1.7
Total	-2.0	-4.5
Deferred tax liabilities – net	8.3	5.1

NOTE 24. ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2018	Dec 31, 2017
Accrued salary liabilities	19.4	19.3
Accrued social security contributions	8.1	7.4
Bonuses to customers	18.4	17.0
Accrued interest expenses	–	–
Other items	19.0	18.5
Total	64.9	62.2

NOTE 25. PLEDGED ASSETS

	Dec 31, 2018	Dec 31, 2017
For liabilities to credit institutions		
Property mortgages	69.2	59.9
Chattel mortgages	81.0	85.5
Assets with ownership reservation	6.0	6.0
Guarantees for leases	0.5	0.5
Total	156.7	151.9

NOTE 26. BUSINESS COMBINATIONS/ DIVESTMENTS

The total value of the acquired assets and liabilities, purchase consideration and impact on the Group's cash and cash equivalents was as follows:

	2018	2017
Acquisition total		
Goodwill	0.0	39.6
Tangible assets	0.0	0.6
Current assets	0.0	34.7
Acquisition of minority shares	1.0	–
Change in minority shares	0.3	–
Long-term liabilities	0.0	-1.1
Short-term liabilities	0.0	-13.3
Total purchase consideration	1.3	60.5
Cash and cash equivalents in acquired operations	0.0	-15.3
Total cash flow attributable to acquired operations	1.3	45.2

Transaction costs regarding acquiring units amounted to MSEK 1.1 and were recognized in 2017 as other external expenses in net income for the year.

ACQUISITIONS 2018

No acquisitions took place in GARO in 2018 except for the acquisition of minority shares of 9% that arose in connection with the acquisition of the Finnish company GARO Finland OY in 2012. The purchase consideration for the acquisition of the minority shares amounted to MSEK 1.0.

ACQUISITIONS 2017

GARO acquired 100% of the shares in Emedius AB in Gnosjö in February 2017. Emedius AB manufactures and markets consumer units, distribution boards as well as switchgears under its own brand. In 2016, the company's sales amounted to MSEK 71.5 with an EBIT of MSEK 6.4. The purchase consideration amounted to MSEK 31, paid in cash. Goodwill pertains to customer relationships and synergies. The acquired unit contributed net sales of MSEK 50.8 with net income of MSEK 2.1. The acquired unit was consolidated on March 1, 2017. The transaction costs amounted to MSEK 0.4. If the acquired unit had been consolidated for the full-year 2017, net sales would have amounted to MSEK 61.2 and net income for the year to MSEK 2.7. The acquisition strengthened GARO's position in customized solutions on the Swedish market and contributed to expanding production capacity.

GARO acquired 100% of the shares in WEB-EL Försäljnings AB in Luleå in October 2017. WEB-EL develops and sells systems and electronic components for controlling sockets for charging stations, engine heaters, camp sites and marinas. In 2016/2017, the company's sales amounted to MSEK 7.5 with an EBIT of MSEK 3.0. The purchase consideration amounted to MSEK 29.5. Of this amount, MSEK 26.5 M was paid cash and MSEK 3 comprises an additional purchase consideration that was recognized as a liability in the balance sheet. Goodwill

pertains to customer relationships and technical know-how. The acquired unit contributed net sales of MSEK 0.7 with net income of MSEK 0.4. The acquired unit was consolidated on November 1, 2017. The transaction costs amounted to MSEK 0.7. If the acquired unit had been consolidated for the full-year 2017, net sales would have amounted to MSEK 6.0 and net income for the year to MSEK 2.6. With the acquisition, GARO gained access to broad expertise for the further development of products and services in the product areas of E-mobility and Electrical distribution products.

The dormant subsidiary LjL Intressenter AB was liquidated in November 2017.

Transaction costs regarding acquiring units amounted to MSEK 1.1 and were recognized in 2017 as other external expenses in profit or loss.

NOT 27. SHARE DATA

Earnings per share	2018	2017
Earnings per share, before and after dilution (SEK)	8.27	8.56
Equity, before and after dilution (SEK)	29.6	25.3
Average number of shares, thousands	10,000	10,000
Number of shares outstanding, thousands	10,000	10,000

The following transactions took place with related parties:

NOTE 28. RELATED PARTIES

Purchases of goods and services	2018	2017
Purchase of services		
Consulting services from Board member (Ekonomerna i Sverige AB)	0.4	0.7
Operations and services purchased from parties related to the CEO/Board member	1.9	1.7
Electrical installation services purchased from parties related to the CEO/Board member	0.6	1.5
Total	2.9	3.9

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

NOTE 29. EVENTS AFTER THE END OF THE FISCAL YEAR

The Board of GARO AB decided to terminate Carl-Johan Dalin's employment as CEO, as set out in a press release published on February 18. Patrik Andersson, currently Sales and Marketing Director, has taken over as Acting CEO until further notice. The recruitment process for a permanent CEO has been initiated.

Helena Claesson became CFO of GARO AB on January 1, 2019.

NOTE 30. 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.

The performance measures presented 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. Margin targets are also presented internally.

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 2018 fiscal year.

In accordance with Chapter 6, Section 11 of the Annual Accounts Act, GARO AB has chosen to prepare the statutory Sustainability Report as a separate report from the Annual Report. The Sustainability Report was submitted to the auditors at the same time as the Annual Report. The Sustainability Report is presented on pages 34-39 of this printed document.

SHARE CAPITAL AND OWNERSHIP STRUCTURE

The Parent Company's share capital amounted to MSEK 20 on December 31, 2018. There were 10,000,000 common shares on that date.

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

The total number of shares on the balance-sheet date amounted to 10,000,000 with a quotient value of SEK 2. Each share provides entitlement to one vote at the Annual General Meeting. There are no limitations to the transferability of the GARO shares (post-sale purchase rights). There are also no limitations on how many votes each shareholder may cast at general meetings. The company is not aware of any agreements between shareholders that could entail limitations to the right to transfer shares.

On the balance-sheet date, there were two shareholders who own and control more than 10% of the number of votes for all of the shares in the company. Lars Svensson controls 35.7% and Svolder controls 14.95% of the capital and votes in the company, through his own holdings. More information about the GARO shares and ownership structure can be found on pages 32-33.

APPOINTMENT AND DISMISSAL OF BOARD MEMBERS

The Articles of Association do not contain any special provisions regarding the appointment and dismissal of Board members.

OPERATIONS

GARO develops, manufactures and supplies innovative products and complete solutions for the electrical installations market under its own brand. GARO was founded in 1939 in Gnosjö in Småland, Sweden, and has established strong customer rela-

tionships 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. In addition, the Parent Company conducts significant manufacturing and sales to other Group companies.

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

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

All product areas reported solid growth and the E-mobility and Temporary electric installations areas outperformed average growth levels.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

The Board of GARO AB decided to terminate Carl-Johan Dalin's employment as CEO, as set out in a press release published on February 18. Patrik Andersson, currently Sales and Marketing Director, has taken over as Acting CEO until further notice. The recruitment process for a permanent CEO has been initiated.

Helena Claesson became CFO of GARO AB on January 1, 2019.

NET SALES AND EARNINGS

Net sales increased 23% to MSEK 528.6 (428.9). 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 56.5 (36.5), corresponding to an EBIT margin of 10.7% (8.5). EBIT was positively impacted by higher volumes and stable expenses in relation to net sales 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 (18.2). GARO also invests in product development and investments in intangible assets for the year totaled MSEK 9.3 (7.2). Depreciation/amortization for the year amounted to MSEK 9.9 (8.7), of which depreciation of tangible assets was MSEK 7.6 (6.7).

CASH FLOW, LIQUIDITY AND FINANCIAL POSITION

Cash flow from operating activities amounted to MSEK 51.4 (34.2). Cash flow for the year amounted to MSEK 0 (-18.2).

Cash and cash equivalents including unutilized overdraft facilities on December 31, 2018 amounted to MSEK 80.3 (60.4). Net

Multi-year summary

Summary of the Parent Company's financial performance

MSEK	2018	2017	2016	2015	2014
Net sales	528.6	428.9	357.3	300.3	253.6
EBITDA	66.4	45.2	24.6	27.9	20.9
EBIT	56.5	36.5	16.3	19.9	12.2
EBIT margin, %	10.7	8.5	4.6	6.6	4.8
Total assets	385.7	356.2	254.1	233.7	208.2
Equity ratio, %	56.4	52.0	61.5	59.4	56.1
Return on equity, %	36.0	32.9	27.6	33.7	17.4
Average number of employees	132	122	119	116	118

CONT.

debt on December 31, 2018 amounted to MSEK 31.4 (59.4).

The Parent Company's equity on December 31, 2018 amounted to MSEK 217.6 (179.2). The 2018 dividend amounted to MSEK 40.0 (28.5).

EMPLOYEES

The number of full-time employees in the Parent Company on December 31, 2018 was 132 (129). The average number of full-time employees in 2018 was 131 (122). The percentage of women during the year was 36% (39). For more information about employees, see Note 5.

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 works close to its customers to gain inspiration and better understand customer needs on the market. GARO has ten 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 Gårö 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.

PROPOSED APPROPRIATION OF PROFIT

The Group's retained earnings in accordance with the consolidated balance sheet amounted to MSEK 272.6 (230.6).

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

(SEK)	
Opening retained earnings	114,783,812
Provisions to fund for own work, development expenditure	-6,423,437
Net income for the year	78,426,359
Total	186,786,734

The Board of Directors proposes that profit be appropriated as follows:

– to be distributed to shareholders at SEK 4.00 per share	40,000,000
– to be carried forward	146,786,734
Total	186,786,734

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

		Fiscal year	
MSEK	Note	2018	2017
Operating income			
Net sales	2.3	528.6	428.9
Other operating income	4	10.7	8.2
Total		539.3	437.1
Operating expenses			
Raw materials and consumables		-331.4	-255.6
Other external expenses	6.7	-52.0	-48.3
Personnel expenses	5	-95.4	-88.0
Depreciation/amortization of tangible and intangible assets	11.12	-9.9	-8.7
Other operating expenses		5.9	–
Total operating expenses		-482.8	-400.6
EBIT		56.5	36.5
Profit from participations in Group companies	22	30.3	20.4
Net interest income and similar items	8	2.5	2.1
Net interest expenses and similar items	8	-8.3	-2.6
Total profit from financial items		24.4	19.9
Profit before tax		80.9	56.4
Appropriations	23	13.0	8.3
Tax on net income for the year	9	-15.5	-8.5
Net income for the year		78.4	56.2

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, 2018	Dec 31, 2017
ASSETS			
Fixed assets			
Intangible assets			
Capitalized development expenditure	11	5.5	7.2
Development projects in progress	11	10.1	2.1
Total intangible assets	11	15.6	9.3
Tangible assets			
Lands and buildings	12	27.8	27.9
Plant and machinery	12	1.6	2.1
Equipment, tools, fixtures and fittings	12	16.9	19.5
Construction in progress and advance payments for tangible assets	12	3.3	0.8
Total tangible assets	12	49.6	50.3
Financial assets			
Participations in Group companies	10	43.7	42.7
Receivables from Group companies		24.1	36.6
Total financial assets		67.8	79.3
Total fixed assets		133.0	138.9
Current assets			
Inventories			
Raw materials and consumables		35.7	42.4
Products in progress		0.4	1.8
Finished goods and goods for resale		19.3	18.2
Total inventories		55.4	62.4
Current receivables			
Accounts receivable	13.14	101.2	84.4
Receivables from Group companies		91.2	67.5
Other current receivables		0.1	1.2
Prepaid expenses and accrued income		4.8	1.8
Total current receivables		197.3	154.9
Cash and bank balances	14.15	–	–
Total current assets		252.7	217.3
Total assets		385.7	356.2

PARENT COMPANY BALANCE SHEET, CONT.

MSEK	Note	Dec 31, 2018	Dec 31, 2017
EQUITY AND LIABILITIES			
EQUITY			
Restricted equity			
Share capital	16	20.0	20.0
Fund for internal development expenses		8.2	1.8
Statutory reserve		2.6	2.6
Total restricted equity		30.8	24.4
Non-restricted equity			
Retained earnings		108.4	98.6
Net income for the year		78.4	56.2
Total non-restricted equity		186.8	154.8
Total equity		217.6	179.2
Untaxed reserves	24	0.9	7.9
LIABILITIES			
Provisions			
Other provisions		1.5	1.5
Provision for deferred tax	17	1.3	1.8
Total provisions		2.8	3.3
Long-term liabilities			
Other liabilities to credit institutions	18	20.4	23.5
Total long-term liabilities		20.4	23.5
Short-term liabilities			
Liabilities to credit institutions	14.18	3.3	13.6
Accounts payable		45.9	43.9
Overdraft facilities	14.18	7.7	22.3
Liabilities to Group companies		10.9	20.9
Current tax liabilities		11.3	4.7
Other short-term liabilities		29.6	4.5
Accrued expenses and deferred income	19	35.3	32.4
Total short-term liabilities		144.0	142.3
Total liabilities		167.2	169.1
Total liabilities and equity		385.7	356.2

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 January 1, 2017		20.0	2.6	0.8	128.1	151.5
Net income for the year and comprehensive income 2017		–	–	–	56.2	56.2
Total comprehensive income		–	–	–	56.2	56.2
Change in fund for internal development expenses		–	–	1.0	-1.0	0
Dividend according to Annual General Meeting resolution		–	–	–	-28.5	-28.5
Total contributions from and value transfers to shareholders, recognized directly in equity		–	–	1.0	-29.5	-28.5
Closing balance at December 31, 2017		20.0	2.6	1.8	154.8	179.2
Opening balance at January 1, 2018		20.0	2.6	1.8	154.8	179.2
Net income for the year and comprehensive income 2018		–	–	–	78.4	78.4
Total comprehensive income		–	–	–	78.4	78.4
Change in fund for internal development expenses		–	–	6.4	-6.4	0.0
Dividend according to Annual General Meeting resolution		–	–	-	-40.0	-40.0
Total contributions from and value transfers to shareholders, recognized directly in equity		–	–	6.4	-46.4	-40.0
Closing balance at December 31, 2018		20.0	2.6	8.2	186.8	217.6

PARENT COMPANY CASH-FLOW STATEMENT

MSEK	Note	Fiscal year	
		2018	2017
Cash flow from operating activities			
EBIT		56.5	36.5
<i>Adjustment for non-cash items</i>			
Depreciation/amortization	11.12	9.9	8.7
Other		0.7	0.2
Dividends received	22	30.3	20.4
Interest received	8	2.5	2.1
Financial expenses	8	-8.3	-2.6
Income tax paid	9	-9.4	-10.4
Cash flow from operating activities before change in working capital		82.2	54.9
Change in inventories		7.0	-18.2
Change in accounts receivable	13	-16.8	-6.1
Change in other current receivables		-25.5	-21.2
Change in accounts payable		2.0	9.4
Change in other current operating liabilities		2.5	15.4
Total change in working capital		-30.8	-20.7
Cash flow from operating activities		51.4	34.2
Cash flow from investing activities			
Investments in intangible assets	11	-9.3	-7.2
Investments in tangible assets	12	-6.4	-18.2
Assets sold	12	0.3	0.3
Acquisition of subsidiaries	10	-1.0	-30.1
Acquisition of other financial assets		12.4	-28.5
Cash flow from investing activities		-4.0	-83.7
Cash flow from financing activities			
Amortization of loans		-13.4	49.8
Group contributions paid/received	23	6.0	10.0
Dividend paid		-40.0	-28.5
Cash flow from financing activities		-47.4	31.3
Decrease/increase in cash and cash equivalents			
Net cash flow for the year		0	-18.2
Cash and cash equivalents at beginning of the year		0	18.2
Cash and cash equivalents at end of the year		-	-

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 74% (79) 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.

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

Due to the relationship between accounting and taxation, the rules on financial instruments stated in IFRS 9 are not applied in the Parent Company as a legal entity and instead the Parent Company applied the cost method in accordance with the Swedish Annual Accounts Act. Accordingly, in the Parent Company financial assets are measured at cost and financial current assets according to the lowest value principle, by applying impairment of expected credit losses according to IFRS 9 for assets that are debt instruments. For other financial assets, impairment is based on market value. Derivative instruments with negative fair value are recognized as a liability at the negative fair value with changes in value through profit or loss.

The Parent Company applies the exemption of not measuring financial guarantees for subsidiaries, associated companies and joint ventures in accordance with IFRS 9 rules. Instead it applies the measurement principles stated in IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

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 or loss. Outstanding forward contracts amounted to MEUR 6.0 (3.6) 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

	2018	2017
Nordic region	459.6	392.9
Europe excl. Nordic region	69.0	36.0
Total	528.6	428.9

NOTE 4. OTHER OPERATING INCOME

	2018	2017
Rental income	3.1	2.6
Capitalized own work	2.3	1.2
Lease of personnel and administrative service	5.2	3.7
Other	0.1	0.7
Total	10.7	8.2

NOTE 5. REMUNERATION OF EMPLOYEES, ETC.

Salaries and other remuneration	2018		2017	
	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, CEOs and other senior executives	8.2 (1.5)	4.8 (2.1)	8.9 (1.1)	5.3 (2.1)
Other employees	52.5 (0.5)	25.4 (5.2)	46.1 (0.5)	21.5 (4.1)
Total	60.7 (2.0)	30.2 (7.3)	55.0 (1.6)	26.8 (6.2)

AVERAGE NUMBER OF EMPLOYEES, SPECIFIED BY COUNTRY

	2018		2017	
	Average no. of employees	Of whom, men	Average no. of employees	Of whom, men
Sweden	132	84	122	74
Total	132	84	122	74

GENDER DISTRIBUTION OF BOARD MEMBERS AND OTHER SENIOR EXECUTIVES

	2018		2017	
	No. on balance-sheet date	Of whom, men	No. on balance-sheet date	Of whom, men
Board members	6	5	6	5
CEO and other senior executives	5	5	4	4
Total	11	10	10	9

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

NOTE 6. REMUNERATION OF AUDITORS

	2018	2017
PwC until May 4, 2017 / Ernst & Young from May 4, 2017		
– Audit assignment	0.6	0.5
– Auditing activities in addition to audit assignment	–	0.2
– Tax advice	–	–
– Other services	–	0.2
Total	0.6	0.9

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:

	2018	2017
Within 1 year	2.8	1.5
Between 1 and 5 years	2.0	1.2
More than 5 years	–	–
Total	4.8	2.7

Leasing costs of MSEK 3.7 (2.5) are included in profit or loss.

NOTE 8. NET INTEREST INCOME AND SIMILAR ITEMS AND INTEREST EXPENSES AND SIMILAR ITEMS

Financial income	2018
Assets and liabilities mandatorily measured at fair value through profit or loss	
Net gain derivatives	–
Total financial income for items measured at fair value through profit or loss	–
Assets and liabilities measured at amortized cost;	
Interest income from accounts receivable	–
Interest income other financial income	1.1
Total interest income according to effective interest method	1.1
Exchange-rate differences – income, financial items	1.4
Total	1.4
Total financial income	2.5

Financial expenses	2018
Assets and liabilities mandatorily measured at fair value through profit or loss	
Net loss derivatives	-2.3
Total financial expenses for items measured at fair value through profit or loss	-2.3
Assets and liabilities measured at amortized cost;	
Interest expenses loans	-0.5
Interest expenses other financial liabilities	
Total interest expenses according to effective interest method	-0.5
Exchange-rate differences – expenses, financial items	-5.5
Total	-5.5
Total financial expenses	-8.3

	2017
Interest income on bank balances	–
Interest income on receivables from Group companies	0.6
Exchange-rate gains	–
Remeasurement of derivative instruments	1.5
Total net interest income and similar items	2.1
Interest expenses on liabilities to credit institutions	-0.3
Interest expenses on liabilities to shareholders	–
Exchange-rate losses	-2.3
Remeasurement of derivative instruments	–
Other financial expenses	–
Total interest expenses and similar items	-2.6
Total net financial items	-0.5

NOTE 9. TAX ON NET INCOME FOR THE YEAR

	2018	2017
Recognized tax in profit or loss		
Current tax		
Current tax on net income for the year	-15.8	-10.1
Adjustments pertaining to prior years	-0.2	–
Total current tax	-16.0	-10.1
Deferred tax (Note 17)		
Occurrence and reversal of temporary differences	0.5	1.6
Total deferred tax	0.5	1.6
Total recognized tax	-15.5	-8.5

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:

	2018	2017
Profit before tax	80.9	56.4
Income tax calculated according to tax rate in Sweden (22%)	-17.8	-14.2
Tax effects of:		
Non-taxable dividends	4.0	4.5
Non-deductible expenses	-3.0	-0.5
Temporary differences	1.5	1.7
Tax attributable to prior years' recognized earnings	-0.2	–
Tax effect of standard interest on tax allocation reserve	–	–
Total recognized tax	-15.5	-8.5

NOTE 10. HOLDINGS AND INVESTMENTS IN SUBSIDIARIES

	Dec 31, 2018	Dec 31, 2017
Opening cost	42.7	12.8
Acquisitions	1.0	30.1
Divestments (liquidation)		-0.2
Closing accumulated cost	43.7	42.7
Closing carrying amount	43.7	42.7

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, 2018	Carrying amount Dec 31, 2017
GARO Electric Irl. Ltd	67083	Dublin, Ireland	10,000	100	0	4.7	4.7
GARO Elflex AB	556717-1003	Gnosjö, Sweden	950	95	5	0.1	0.1
GARO Montage AB	556658-9544	Gnosjö, Sweden	1,000	100	0	1.8	1.8
GARO AS	935722713	Drammen, Norway	800	100	0	0.7	0.7
WEB-EL Försäljning AB	556658-1079	Luleå, Sweden	1,000	100	0	30.1	30.1
GARO 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	–	–
GARO Finland OY	2191528-5	Espoo, Finland	100	100	0	1.1	0.1
Total						43.7	42.7

NOTE 11. INTANGIBLE ASSETS

	Capitalized development expenditure	Development projects in progress	Goodwill	Total
At January 1, 2017				
Cost	24.6	1.9	1.9	28.4
Accumulated amortization	-19.1	–	-1.9	-21.0
Carrying amount	5.5	1.9	–	7.4
2017 fiscal year				
Opening carrying amount	5.5	1.9	–	7.4
Purchases/capitalized expenses	–	7.2	–	7.2
Reclassifications	3.7	-7.0	–	-3.3
Divestments and disposals	–	–	–	–
Impairment	–	–	–	–
Amortization	-2.0	–	–	-2.0
Closing carrying amount	7.2	2.1	–	9.3
At December 31, 2017				
Cost	28.3	2.1	1.9	32.3
Accumulated amortization	-21.1	–	-1.9	-23.0
Carrying amount	7.2	2.1	–	9.3
2018 fiscal year				
Opening carrying amount	7.2	2.1	–	9.3
Purchases/capitalized expenses	–	9.3	–	9.3
Reclassifications	0.6	-1.3	–	-0.7
Divestments and disposals	–	–	–	–
Impairment	–	–	–	–
Amortization	-2.3	–	–	-2.3
Closing carrying amount	5.5	10.1	–	15.6
At December 31, 2018				
Cost	28.8	10.1	1.9	40.8
Accumulated amortization	-23.3	–	-1.9	-25.2
Carrying amount	5.5	10.1	–	15.6

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
At January 1, 2017					
Cost	57.0	31.2	62.4	1.5	152.1
Accumulated depreciation	-37.1	-28.7	-50.5	–	-116.3
Carrying amount	19.9	2.5	11.9	1.5	35.8
2017 fiscal year					
Opening carrying amount	19.9	2.5	11.9	1.5	35.8
Purchases	–	–	–	18.2	18.2
Reclassifications	10.1	–	12.1	-18.9	3.3
Divestments and disposals	–	–	-0.3	–	-0.3
Depreciation	-2.1	-0.4	-4.2	–	-6.7
Closing carrying amount	27.9	2.1	19.5	0.8	50.3
At December 31, 2017					
Cost	67.1	31.2	73.8	0.8	172.9
Accumulated depreciation	-39.2	-29.1	-54.3	–	-122.6
Carrying amount	27.9	2.1	19.5	0.8	50.3
2018 fiscal year					
Opening carrying amount	27.9	2.1	19.5	0.8	50.3
Purchases	–	–	–	6.4	6.4
Reclassifications	2.0	–	2.6	-3.9	0.7
Divestments and disposals	–	–	-0.2	–	-0.2
Depreciation	-2.1	-0.5	-5.0	–	-7.6
Closing carrying amount	27.8	1.6	16.9	3.3	49.6
At December 31, 2018					
Cost	69.0	31.2	76.1	3.3	179.6
Accumulated depreciation	-41.2	-29.6	-59.2	–	-130.0
Carrying amount	27.8	1.6	16.9	3.3	49.6

NOTE 13. ACCOUNTS RECEIVABLE

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

	Dec 31, 2018	Dec 31, 2017
Accounts receivable	101.2	84.4
Less: provision for doubtful receivables	–	–
Accounts receivable – net	101.2	84.4

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

At December 31, 2018, accounts receivable of MSEK 13.1 (17.5) 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.

The age analysis of these accounts receivable was as follows:

	Dec 31, 2018	Dec 31, 2017
Within 1-30 days	10.7	17.4
Between 31 and 60 days	0.5	0.1
More than 61 days	1.8	–
Total past due accounts receivable	13.1	17.5

NOTE 14. FINANCIAL INSTRUMENTS

The table below presents the Parent Company's financial assets and liabilities classified based on cost. For current receivables and liabilities, the carrying amount is deemed to comprise a reasonable estimate of the fair value, and these amounts are presented in the table below.

Measurement of financial assets and liabilities at Dec 31, 2018.

2018 fiscal year	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total carrying amount	Total fair value
Accounts receivable			101.2	
Receivables from Group companies			91.2	
Other current receivables			0.1	
Cash and cash equivalents			0.0	
Total	0	0	192.5	0
Financial liabilities				
Accounts payable			45.9	
Liabilities to Group companies			10.9	
Derivative instruments			1.1	
Other short-term liabilities			29.4	
Total	0	0	87.3	0

On December 31, 2018, GARO AB had a recognized liability with the minority shareholders in Garo Elflex AB due to a put/call option that can be triggered either by GARO AB or the minority shareholder. The liability was measured at fair value and the translation difference recognized directly in equity. The total liability on December 31, 2018 amounted to MSEK 2.4. The liability to Garo Finland OY was settled during the year.

Measurement of financial assets and liabilities at Dec 31, 2017.

2017 fiscal year	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total carrying amount	Total fair value
Accounts receivable			84.4	
Receivables from Group companies			67.5	
Other current receivables			1.2	
Cash and cash equivalents			0	
Total	0	0	153.1	0
Financial liabilities				
Accounts payable			43.9	
Liabilities to Group companies			22.3	
Derivative instruments			–	
Other short-term liabilities			4.5	
Total	0	0	70.7	0

On December 31, 2017, GARO AB 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 was measured at fair value at accounting year-end and remeasurements were recognized directly in equity. The total liability on December 31, 2017 amounted to MSEK 3.6.

NOTE 15. CASH AND CASH EQUIVALENTS

	Dec 31, 2018	Dec 31, 2017
Bank balances	–	–
Total	–	–

NOTE 16. SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

Share capital at December 31, 2018 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 the Parent Company are fully paid.

NOTE 17. PROVISION FOR DEFERRED TAX

Deferred tax assets and liabilities are distributed as follows:

	Dec 31, 2018	Dec 31, 2017
Deferred tax assets		
– deferred tax assets to be utilized after more than 12 months	–	–
– deferred tax assets to be utilized within 12 months	–	–
Deferred tax liabilities		
– deferred tax liabilities to be utilized after more than 12 months	1.3	1.8
– deferred tax liabilities to be utilized within 12 months	–	–
Deferred tax liabilities (net)	1.3	1.8

NOTE 18. BORROWINGS

	Dec 31, 2018	Dec 31, 2017
Long-term		
Liabilities to credit institutions	20.4	23.5
Total long-term borrowings	20.4	23.5
Short-term		
Liabilities to credit institutions	11.0	35.9
Total short-term borrowings	11.0	35.9
Total borrowings Parent Company	31.4	59.4

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 2027 and bear average interest of 1.0% per year (1.1). 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 88.6 (82.5) that are renegotiated every year.

NOTE 19. ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2018	Dec 31, 2017
Accrued payroll costs	11.0	10.5
Accrued social security contributions	4.7	3.9
Bonuses to customers	11.6	10.1
Other items	8.0	7.9
Total	35.3	32.4

NOTE 20. PLEDGED ASSETS

	Dec 31, 2018	Dec 31, 2017
Property mortgages	35.2	35.2
Chattel mortgages	66.0	66.0
Total	101.2	101.2

Assets pledged for liabilities to credit institutions

NOTE 21. CONTINGENT LIABILITIES

	Dec 31, 2018	Dec 31, 2017
Other contingent liabilities for the benefit of subsidiaries	21.6	4.5
Total	21.6	4.5

NOTE 22. PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

	2018	2017
Dividends	30.3	20.4
Impairment	–	–
Total	30.3	20.4

NOTE 23. APPROPRIATIONS

	2018	2017
Difference between recognized depreciation/amortization and depreciation/amortization according to plan	5.5	-1.7
Change in tax allocation reserve	1.5	–
Group contributions received	6.0	10.0
Total	13.0	8.3

NOTE 24. UNTAXED RESERVES

	Dec 31, 2018	Dec 31, 2017
Accumulated difference between recognized depreciation/amortization and depreciation/amortization according to plan	0.9	6.4
Tax allocation reserve	–	1.5
Total	0.9	7.9

NOTE 25. RELATED PARTIES

The following transactions took place with related parties:

PURCHASES AND SALES TO SUBSIDIARIES

37% (32) of the Parent Company's sales were sales to Group companies, and 34% (25) of the Parent Company's purchases were purchases from Group companies.

Sales to subsidiaries comprise goods. Purchases from subsidiaries comprise goods. Services are sold to subsidiaries on the basis of normal commercial terms and conditions.

	2018	2017
Purchase of services		
Consulting services from Board member (Ekonomerna i Sverige AB)	0.4	0.7
Operations and services purchased from parties related to the CEO	1.9	1.7
Electrical installation services purchased from parties related to the CEO	0.6	1.3
Total	2.9	3.7

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

NOTE 26. EVENTS AFTER THE END OF THE FISCAL YEAR

The Board of GARO AB decided to terminate Carl-Johan Dalin's employment as CEO, as set out in a press release published on February 18. Patrik Andersson, currently Sales and Marketing Director, has taken over as Acting CEO until further notice. The recruitment process for a permanent CEO has been initiated.

Helena Claesson became CFO of GARO AB on January 1, 2019.

NOTE 27. PROPOSED APPROPRIATION OF PROFIT

The Group's retained earnings in accordance with the consolidated balance sheet amounted to MSEK 272.6 (230.6).

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

Opening retained earnings	114,783,812
Provisions to fund for own work, development expenditure	-6,423,437
Net income for the year	78,426,359
Total	186,786,734

The Board of Directors proposes that profit be appropriated as follows:

– to be distributed to shareholders at SEK 4 per share	40,000,000
– to be carried forward	146,786,734
Total	186,786,734

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.

Signing of the Annual Report

The consolidated income statement and balance sheet will be presented to the Annual General Meeting for approval on May 15, 2019.

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, April 2, 2019

STEFAN JONSSON
Board Chairman

SUSANNA HILLESKOG
Board member

RICKARD BLOMQVIST
Board member

PER HOLMSTEDT
Board member

LARS SVENSSON
Board member

LARS ÅKE RYDH
Board member

PATRIK ANDERSSON
Acting CEO

**Our audit report was submitted on April 3, 2019
Ernst & Young AB**

JOAKIM FALCK
Authorized Public Accountant
Auditor in Charge

Auditor's report

To the general meeting of the shareholders of GARO AB (publ), corporate identity number 556051-7772

OPINIONS

We have audited the annual accounts and consolidated accounts of GARO AB (publ) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages x-y 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 the parent company as of 31 December 2018 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 2018 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.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

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. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU. We believe that the audit

evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Obsolescence in inventories

Description	How our audit addressed this key audit matter
It appears from the group's reporting of the financial standing as at 31-12-2018 that the reported value of the inventory amounts to MSEK 161.8. In the industries in which the group operates, the product development rate and innovation driving force are high. This means that business management and the board of directors must evaluate and assess on an ongoing basis how the company's products should be priced taking into account market demand. The innovation driving force in combination with the size of the inventory and the fact that the management and the board of directors make appraisals and assessments of the obsolescence of the inventory, means that obsolescence is assessed as being a specifically significant area of our audit.	In our audit, we have reviewed the assessment of obsolescence of all units including through follow-up of inertia with the information about inventory movements from the statement of the inventory. We have also checked whether the use of the obsolescence model is consistent over the years and assessed assumptions made in the obsolescence model. The assumptions are made at different levels of the group and include both decision-makers in individual companies and the group management team. In addition, our audit has included a review of the management protocol and discussions with the company management on the development of new products. We have reviewed the information obtained in the financial statement.
Notes 2.12, 3.1 a (ii) and (iii) and note 4 describe, among other things, the evaluation and risks associated with inventories.	

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 A-B. 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform

of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

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 AB (publ) for the year 2018 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 fulfill 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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Ernst & Young AB, Box 2224, 550 02 Jönköping, was appointed auditor of GARO AB by the general meeting of the shareholders on the 2 May 2018 and has been the company's auditor since the 4 May 2017.

Jönköping 3 April, 2019

Ernst & Young AB

Joakim Falck
Authorized Public Accountant

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 2018 fiscal 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.corporategovernanceboard.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 made no such deviations in 2018.

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 4,497 shareholders (4,336) at year-end. The largest single shareholder is Lars Svensson whose total ownership amounted to 35.68%. For more information on the ownership structure, share capital, share price development, etc., please refer to the section on the GARO share on pages 32-33 and to Note 20 in this Annual Report.

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



ANNUAL GENERAL MEETING 2018

At GARO's Annual General Meeting on May 2, 2018, Stefan Jonsson was elected the new Board Chairman, Susanna Hilleskog and Lars-Åke Rydh were elected new Board members, and Rickard Blomqvist, Per Holmstedt, Lars Svensson were reelected as Board members. Board fees were decided to be paid in a total amount of SEK 1,450,000, of which SEK 450,000 was to the Chairman and SEK 200,000 to each of the other elected Board members who are not employed in the Group. This represents an increase in Board fees in 2017 which amounted to SEK 850,000. 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 4.00 per share (2.85) corresponding to a total of MSEK 40.0 (28.5). 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 May 2, 2018 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 August 31 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 annual reports of subsidiaries, and submits an audit report.

Ernst & Young AB were reelected auditors at the 2018 Annual General Meeting, with Joakim Falck as Auditor in Charge. The auditor from Ernst & Young participated in the Board meeting in

February 2019 and then reported on the observations from the 2018 audit. The audit of the Group's companies is coordinated by Ernst & Young. All of the Group's companies, except that in Poland, are audited by the Ernst & Young 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 May 2, 2018, six Board members were elected. No representative of company management is on the Board. The President and CEO participates in Board meetings to present reports. Other officers in GARO participate in the Board's meetings as presenters in particular matters. The company's CFO serves as the Board's secretary.

In the Nomination Committee's reasoned statement ahead of the 2018 Annual General Meeting, the Nomination Committee stated that the Board applied rule 4.1 of the Code as its diversity policy in preparing its proposals on Board members. The aim of the policy is for the Board to have a composition appropriate to the company's operations, phase of development and other relevant circumstances. The Board members are collectively to exhibit diversity and breadth of qualifications, experience and background, and the company is to strive for gender balance on the Board. The 2018 Annual General Meeting resolved to appoint Board members in accordance with the Nomination Committee's proposals, which resulted in the current Board. The Nomination Committee established when it prepared its proposals that the gender balance in the proposed Board was not

(CONTINUED OVERLEAF)

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	No. meetings attended
Stefan Jonsson, Chairman	1997	1953	450,000	585,085	No	No	8/8
Susanna Hilleskog, member	2018	1963	200,000	0	Yes	Yes	5/5
Rickard Blomqvist, member	2015	1971	200,000	223,609	No	Yes	8/8
Per Holmstedt, member	1999	1950	200,000	4,000	Yes	Yes	8/8
Lars Svensson, member	1985	1945	200,000	3,568,345	No	No	8/8
Lars-Åke Rydh	2018	1953	200,000	7,500	Yes	Yes	5/5
TOTAL			1,450,000	4,370,430			

NOMINATION COMMITTEE FOR THE 2019 ANNUAL GENERAL MEETING

Nomination Committee member	Represents	Holdings/votes
Lars Kongstad, Chairman	Lars Svensson	35.7%
Ulf Hedlundh	Svolder AB	15.0%
Jan Särilvik	Nordea Investment Funds	9.1%
Stefan Jonsson	Board chairman	5.8%

satisfactory. However, the Nomination Committee believed that continuity on the Board was, at the time, of greater importance and for this reason proposed that all Board members be reelected. Six Board members were elected at the 2018 Annual General Meeting, one woman and five men.

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 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 102-103 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 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 agen-

da: 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. An evaluation of the Board was performed in 2018 and the Chairman reported the results to the Board and the Nomination Committee.

In 2018, the Board held six ordinary Board meetings and one extraordinary Board meeting 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 will fulfill the tasks incumbent on the remuneration committee and audit committee. The 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 these meetings, all members were present.

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 by 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 Nomination Committee. The table on page 64 presents the fees that are payable to the elected Board members for the period 2018-2019.

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, CMO, CTO, IR Director, Purchasing & Logistics Director and the CEOs of GARO Norway A/S and GARO Electric Irl Ltd.

Group Management has meetings once a month to 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 May 2, 2018.

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 sal-

ary 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 2 (2), 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 8.

PERIOD OF NOTICE AND SEVERANCE PAY

In the termination of the CEO's employment contract, there is a period of notice of nine 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 six monthly salaries. 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 not to establish a separate internal audit.

DIVERSITY

With regard to diversity, refer to the company's Sustainability Report on pages 34-39 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 that GARO's objectives are achieved 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, control 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 page 57, Note 3 in this Annual Report.

CONTROL ACTIVITIES

The risks that have been identified regarding the financial reporting 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 is 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 and the company's website. Regular updates and messages regarding changes of accounting policies, 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.

The Corporate Governance Report has been audited by the company's auditor.
Gnosjö, April 2, 2019

The Board of Directors

Auditor's report on the corporate governance statement

To the general meeting of the shareholders of
GARÖ AB (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 2018 on pages 94–99 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

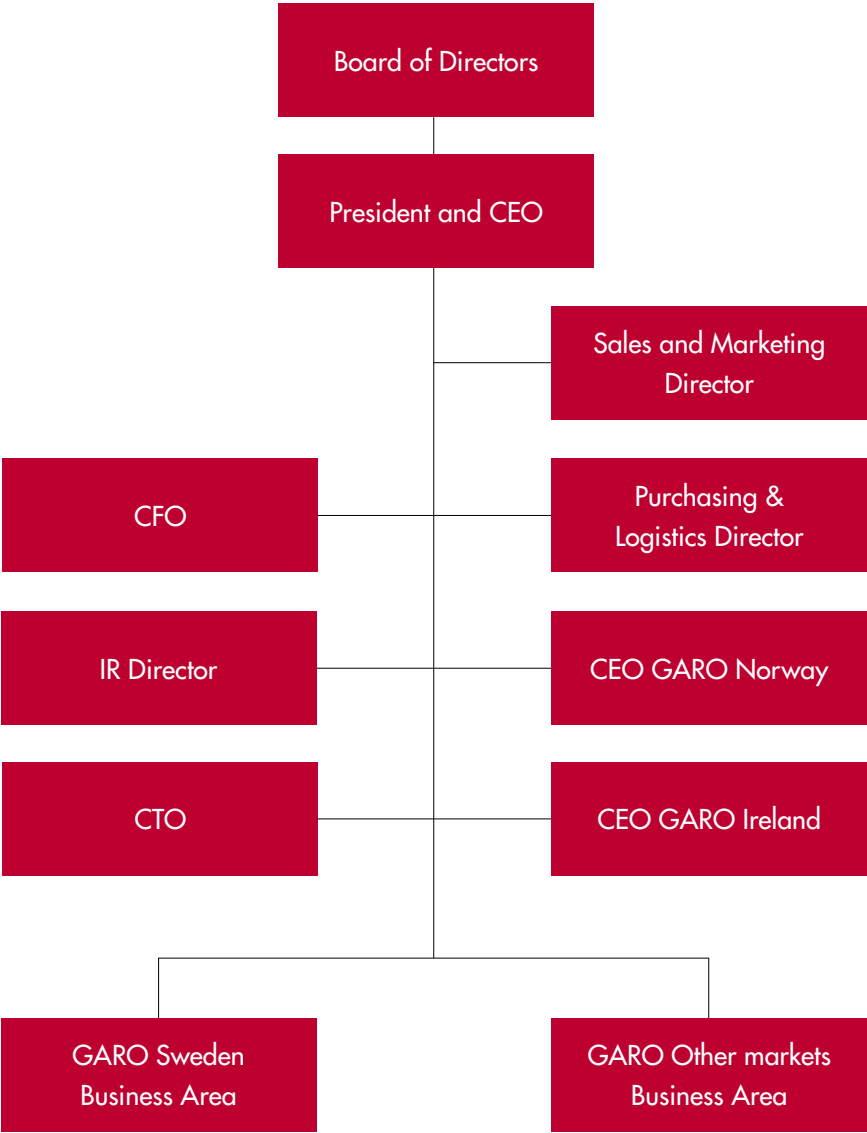
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Jönköping 3 April 2019
Ernst & Young AB

Joakim Falck
Authorized Public Accountant

Organization and structure

The GARO Group’s Board of Directors comprises a total of seven people under the management of Stefan Jonsson, Chairman of the Board. President and CEO Patrik Andersson leads Group Management (comprising six people), following the Board’s guidelines. The operations are divided into two business areas: Sweden and Other markets. The Sweden business area comprises the Swedish companies, while the Other markets business area comprises the companies in Norway, Poland, Ireland and Finland. Group Management comprises the functions according to the organizational chart below





Board of Directors



STEFAN JONSSON

CHAIRMAN AND MEMBER OF THE BOARD 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. Former President and CEO of GARO AB.

Other ongoing assignments: Board member of Hörle Wire Group AB and Flåren AB. Deputy member of the Board of Fiber Fenix economic association. Board member of Stefan Jonsson Invest AB

Shareholdings: 585,085 (via company)



RICKARD BLOMQVIST

MEMBER SINCE 2015
BORN: 1971

Education and professional experience: MSc and BSc in Business and Economics, Halmstad University. President of Volador AB and Ekonomerna Holding Sverige AB. Former CFO of the Akka-FRAKT Group, Business Development Manager at Hilding Anders International AB, and CFO of Hedson Technologies International AB (publ).

Other ongoing assignments: Board member of Volador AB, Ekonomerna Holding Sverige AB, Ekonomerna Family Office AB and Ekonomerna i Sverige AB.

Shareholdings: 223,609 (privately and via company)



LARS-ÅKE RYDH

MEMBER SINCE 2018
BORN: 1953

Education and professional experience: Master of Engineering, Institute of Technology at Linköping University. Former President and CEO of Nefab AB and Board Chairman of OEM International AB (publ).

Other ongoing assignments: Board chairman of Danfo AB, Chiffonjén AB, Prototypen AB, Schuchardt Maskin AB and Kooperativet Olja. Board member of Nolato AB, Nefab AB, Söderbergs-företagen AB, Spectria Fond AB and Östrand & Hansen AB.

Shareholdings: 7,500



SUSANNA HILLESKOG

MEMBER SINCE 2018
BORN: 1963

Education and professional experience: Master of Economics, Lund University. Susanna has held several senior positions at Akzo Nobel and the Trelleborg Group and has been a Board member of ProfilGruppen AB (publ).

Other ongoing assignments: CEO of Trelleborg Wheel Systems Nordic AB and Board member of BIM Kemi AB och Gullberg & Jansson AB (publ).

Shareholdings: –



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 ongoing 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 ongoing assignments: –

Shareholdings: 3,568,345

Group Management

At January 1, 2019



JOE REE

CEO OF GARO ELECTRIC
LRL LTD IRELAND
EMPLOYED SINCE 1989
CEO SINCE 1997
BORN: 1962

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

Other ongoing assignments: Board member of ARK Platform. Auditor and secretary for Aoibheann's Pink Tie.

Shareholdings: –



JAN LARSGAARD

CEO OF GARO A/S, NORWAY
EMPLOYED SINCE 1987
CEO SINCE 1997
BORN: 1965

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

Other ongoing assignments: –

Shareholdings: 37,865



HELENA CLAESSION

CFO AT GARO,
EMPLOYED SINCE 2019
BORN: 1969

Education and professional experience: Bachelor of Science in Economics, Jönköping University, Business Management, IFL Stockholm University. Former CEO at Sensys Gatso Sweden AB and CFO at Sensys Traffic AB.

Other ongoing assignments: –

Shareholdings: –



HÅKAN DAVIDSSON

PURCHASING & LOGISTICS
DIRECTOR,
EMPLOYED SINCE 2018
BORN: 1968

Education and professional experience: Technical college graduate and business administration. Former CEO of STEELO AB (Lagercrantz Group), joint owner and Site Manager MSA Sordin (part of MSA Group), Production Engineering Manager and Head of Operations in the Aearo Peltor Group, as well as sales of business platforms at 20 Hundra AB.

Other ongoing assignments: –

Shareholdings: –



PATRIK ANDERSSON

SALES AND MARKETING
DIRECTOR, ACTING CEO
EMPLOYED SINCE 2007
BORN: 1978

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

Other ongoing assignments: Board member of EL (Elmateriel Leverantörerna).

Shareholdings: 40,840



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 ongoing assignments: –

Shareholdings: 34,643



CARL-JOHAN DALIN

PRESIDENT AND CEO
MEMBER SINCE 2017
BORN: 1977

Education and professional experience: Msc in Engineer, Materials Engineering from the Royal Swedish Institute of Technology, Stockholm Företagsledning, SDA Bocconi School of Management, Milan. Former CEO and Chief Technology Officer at Draka Kabel Sverige AB.

Other ongoing assignments: –

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MALIN RYLAND-ER-THORDÉN

INVESTOR RELATIONS
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