



# YEAR END REPORT 2019

## GARO EXCEEDS SEK ONE BILLION IN NET SALES AND LAUNCHES IN-HOUSE FASTCHARGER

### OCTOBER – DECEMBER 2019

- Net sales increased 4% to MSEK 277.8 (268.4).
- EBIT amounted to MSEK 35.9 (37.5).
- EBIT margin amounted to 12.9% (14.0).
- Net income was MSEK 24.6 (25.5).
- Earnings per share, before and after dilution, amounted to SEK 2.46 (2.55).

### JANUARY – DECEMBER 2019

- Net sales increased 12% to MSEK 1,008.1 (903.7).
- EBIT amounted to MSEK 112.6 (113.8).
- EBIT margin amounted to 11.2% (12.6).
- Net income was MSEK 85.7 (82.7).
- Earnings per share, before and after dilution, amounted to SEK 8.57 (8.27).
- The Board proposes a dividend for 2019 of SEK 4.20 per share (4.00).

### EVENTS AFTER THE END OF THE QUARTER

- Launch of in-house fastcharger GARO Fast Charger.
- Launch of wallbox with double outlets and G-Cloud for individual measuring.

GARO Group key figures	Oct-Dec 2019	Oct-Dec 2018	%	Jan-Dec 2019	Jan-Dec 2018	%
Net sales, MSEK	277.8	268.4	4	1,008.1	903.7	12
EBITDA, MSEK	42.2	41.3	2	134.9	128.8	5
EBITDA margin, %	15.2	15.4	-	13.4	14.3	-
EBIT, MSEK	35.9	37.5	-4	112.6	113.8	-
EBIT margin, %	12.9	14.0	-	11.2	12.6	-
Net income, MSEK	24.6	25.5	-4	85.7	82.7	4
Earnings per share <sup>1</sup> , SEK	2.46	2.55	-4	8.57	8.27	4
Cash flow from operating activities, MSEK	66.9	26.8	149	114.7	72.7	58
Investments, MSEK	8.3	5.0	18	33.4	22.7	47
Depreciation, MSEK	6.3	3.8	65	22.3	15.0	49
Equity ratio, %	52.2	52.4		52.2	52.4	-
Adjusted equity per share <sup>1</sup> , SEK	34.3	29.6	17	34.3	29.6	17
Return on equity, %	26.8	31.2	-	26.8	31.2	-
Net debt (+) / net cash position (-), MSEK	45.6	45.7	-	45.6	45.7	-

<sup>1</sup>) Before and after dilution

For definitions of key figures, see page 19

GARO develops, manufactures and supplies innovative products and systems for the electrical installations market under its own brand. With a focus on user-friendliness, sustainability and design, GARO takes responsibility for the entire life cycle of its product areas within Electrical distribution products, Project business, Temporary electric installations and E-mobility.

At year-end, the Group had 420 employees with operations in Sweden, Norway, Finland, Ireland, Poland and Great Britain and Northern Ireland. Sales are divided into 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. GARO is listed on Nasdaq Stockholm, Mid Cap.

The business concept is "with a focus on innovation, sustainability and design, GARO provides profitable complete solutions for the electrical industry."

# CEO's comments on the quarter

## GARO EXCEEDS SEK ONE BILLION IN NET SALES AND LAUNCHES IN-HOUSE FASTCHARGER

After a highly active year in many fields, GARO achieved annual net sales in excess of SEK 1 billion for the first time, corresponding to an increase of 12% compared with 2018. The growth was well balanced between Sweden and Other markets business areas and was driven by strong growth in our largest product area Electrical distribution products where we once again captured market shares. We also saw strong growth in our fastest growing product area E-mobility with a healthy 43%. We met our profitability goals with an operating margin exceeding 10% with an outcome of 11.2% (12.6) despite increased product and market investments primarily in the E-mobility product area. Profit per share improved compared with the previous year and amounted to SEK 8.57 (8.27). The Board proposes a dividend of 4.20 (4.00) per share.

### FOURTH QUARTER

Net sales for the fourth quarter of 2019 increased 4%. The market was reticent mainly within in the product areas *Electrical distribution products* and *E-mobility* during the quarter. For *Electrical distribution products* the lower sales was a result of the mild weather negatively affecting sales of engine heaters and heating fans. Growth in the E-mobility product area was negatively affected by fewer sold DC chargers (fast chargers) compared to previous year. For DC chargers a significant portion of sales occur through large procurements and the timing of sales from those orders can vary resulting in higher volatility year-on-year.

GARO strengthened its presence in the UK during the quarter by opening a local subsidiary with the intention of establishing its range in Electrical distribution products and E-mobility. The UK market is one of the largest in Europe with over 250,000 rechargeable cars on the roads, and high political aspirations to transform the vehicle fleet to be electric driven.

EBIT amounted to MSEK 35.9 (37.5) in the fourth quarter of 2019, corresponding to an EBIT margin of 12.9% (14.0), with earnings affected by costs relating to the creation of the subsidiary in the UK and product development in several of our product areas.

### NEW PRODUCTS AND SERVICES

GARO is now launching a new fastcharger that has been developed in-house in Sweden. GARO Fast Charger is mainly characterized by its user-friendliness, reliability and sustainability. With this new product, we are expanding our range of in-house charger products, as well as meeting the high demand for short-stop quick charging. As a leading player in E-mobility, this investment has turned us into a complete solution supplier with a proprietary range covering all manner of electric car charging requirements, including from wall boxes for charging at home, charging stations in public places and roadside fastchargers.

The E-mobility product area is being developed at a quick pace and we anticipate higher demand for various types of services in the future. GARO developed its software service G-Cloud during the year, a subscription-based service aimed at apartment buildings and workplaces to measure individual energy usage. We have also launched the wallbox GARO Twin after the end of the quarter, with the capability of charging two cars at the same time.

During the year, GARO also developed a strong after sales concept with close access to service and maintenance.

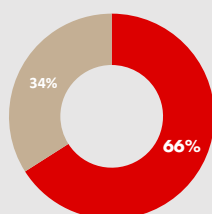
### MARKET CONDITIONS

In the market for E-mobility we see a strong trend with further expansion of the charging infrastructure in all markets. Demand for construction-related products in Sweden remains favorable but is expected to slow in 2020 in line with fewer construction starts. However, the important renovation sector has been deemed stable. The trend in other markets served by GARO is expected to remain favorable. All in all, GARO has a positive view of market conditions, mainly driven by the continued expansion of charging infrastructure.

Patrik Andersson

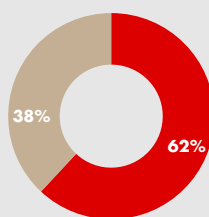
President and CEO

Allocation of net sales by segment, Jan-Dec 2019



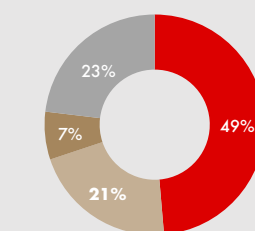
■ GARO Sweden  
■ GARO Other markets

Allocation of EBIT by segment, Jan-Dec 2019



■ GARO Sweden  
■ GARO Other markets

Allocation of net sales by product area, Jan-Dec 2019



■ Electrical distribution products  
■ Project business  
■ Temporary electric installations  
■ E-mobility

## Group figures

### NET SALES

The Group's net sales for the fourth quarter of 2019 increased 4% to MSEK 277.8 (268.4) primarily as a result of organic growth.

Analysis of change in net sales	Oct-Dec 2019 (MSEK)	Oct-Dec 2019 (%)	Oct-Dec 2018 (MSEK)	Oct-Dec 2018 (%)
Year-earlier period	268.4	-	238.3	-
Organic growth	12.3	5	31.8	13
Acquisitions and structural changes	-	-	0.8	-
Exchange-rate effects	-2.9	-1	-1.7	0
<b>Current period</b>	<b>277.8</b>	<b>4%</b>	<b>268.4</b>	<b>13%</b>

The Group's net sales for the full-year 2019 increased 12% to MSEK 1,008.1 (902.3) as a result of organic growth.

Analysis of change in net sales	Jan-Dec 2019 (MSEK)	Jan-Dec 2019 (%)	Jan-Dec 2018 (MSEK)	Jan-Dec 2018 (%)
Year-earlier period	903.7	-	796.0	-
Organic growth	106.0	13	97.6	12
Acquisitions and structural changes	-	-	2.5	-
Exchange-rate effects	-1.6	-1	7.6	1
<b>Current period</b>	<b>1,008.1</b>	<b>12%</b>	<b>903.7</b>	<b>13%</b>

For definitions of key figures, see page 19

For the full-year 2019, the Sweden business area reported growth of 11%, with a strong performance in *Electrical distribution products* and *E-mobility* and stable performance in *Project Business* while the trend in *Temporary electric installations* remained volatile.

The Other markets business area reported growth of 12% during the year, with a strong performance in *Electrical distribution products* and *E-mobility* while performance in *Project business* and *Temporary electric installations* was weak. GARO reported growth in all its countries.

### EBIT

EBIT for the quarter declined compared with the preceding year to MSEK 35.9 (37.5), corresponding to an EBIT margin of 12.9% (14.0). Expenses increased as a result of continued market investments, primarily in *E-mobility*. Earnings were also charged with costs relating to the creation of the subsidiary in the UK and product development in several of our product areas.

Development expenditure for the full-year 2019 of MSEK 7.8 (4.4) was immediately expensed. The expenditure pertained to customization of systems and products, but also to certain product development, primarily in *E-mobility*.

EBIT for the full-year 2019 amounted to MSEK 112.6 (113.8). EBIT includes non-recurring costs of MSEK 1.8 pertaining to the outgoing CEO. Adjusted for this comparative item, EBIT was MSEK 114.4, which yielded an EBIT margin of 11.3% (12.6).

### NET INCOME

Net income for the fourth quarter amounted to MSEK 24.6 (25.5) and earnings per share, before and after dilution, amounted to MSEK 2.46 (2.55).

Net income for the full-year improved to MSEK 85.7 (82.7), partially as a result of stronger net financial expenses of MSEK -2.5 (-8.1). Earnings per share for the year, before and after dilution, amounted to SEK 8.57 (8.27).

Tax for the full-year was MSEK 24.4 (23.1) and the average effective tax rate for the Group for January–December was 22.1% (21.8). In 2018, a tax adjustment was made for the company's operations in Poland, which yielded a positive earnings effect of MSEK 2.0. The Group's operations in Poland are conducted in a tax-exempt Special Economic Zone where unutilized tax benefits can be utilized until 2026.

## CASH FLOW AND INVESTMENTS

Cash flow from operating activities in the quarter amounted to MSEK 66.9 (26.8), which was attributable to a stable EBITDA but lower tied-up working capital than in 2018. Cash flow from operating activities for the full-year amounted to MSEK 114.7 (72.7).

Investments for the quarter amounted to MSEK 8.3 (5.0), of which MSEK 5.6 (2.7) pertained to product development. Investments for the full-year amounted to MSEK 33.4 (22.7), of which MSEK 15.0 (9.3) pertained to product development.

GARO AB have acquired the remaining 5% of the shares in GARO Elflex AB during the fourth quarter in accordance with a previously predefined option at a value of MSEK 2.4.

## LIQUIDITY AND FINANCIAL POSITION

The Group's net debt at the end of the period amounted to MSEK 45.6 compared with MSEK 45.7 for the year-earlier period and MSEK 45.7 at the end of 2018. The adjusted net debt amounted to MSEK 3.7 (45.7). The difference between these performance measures is due to the effects of IFRS 16 Leases.

Available liquidity in the Group, including unutilized overdraft facilities, amounted to MSEK 128.7 (91.8) and the equity ratio was 52.2% (52.4). The adjusted equity ratio was 55.0% (52.4). The difference between these two performance measures is due to the effects of IFRS 16 Leases.

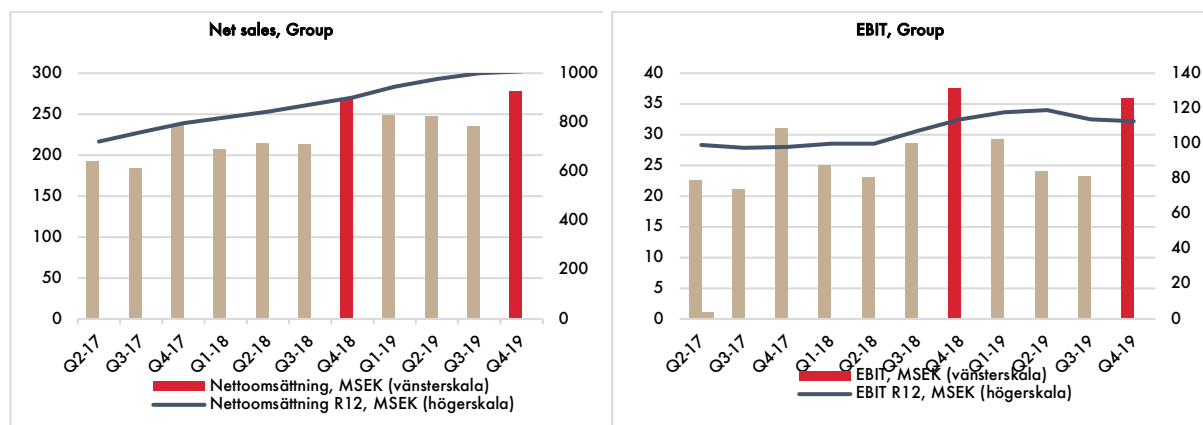
## SIGNIFICANT EVENTS AFTER THE QUARTER

- Launch of in-house fastcharger GARO Fast Charger

From the end of December 2019 until the publication of this report, no significant events or conditions have occurred, except for what has been stated above, favorable or unfavorable, that would require further disclosures.

## DIVIDEND

The Board proposes a dividend for 2019 of SEK 4.20 per share (4.00), corresponding to a total dividend of MSEK 42.0, which comprises 49% (48) of net income for the period. The company's dividend policy is to distribute approximately 50% of earnings after tax. The dividend policy is to take into account GARO's long-term dividend potential and the Group's general investment and consolidation requirements.



## Income from customers specified by product area and segment

Product area	Sweden segment		Other markets segment		Total	
	Oct-Dec 2019	Oct-Dec 2018	Oct-Dec 2019	Oct-Dec 2018	Oct-Dec 2019	Oct-Dec 2018
Electrical distribution products	74.0	75.3	53.3	56.6	127.3	131.9
Project business	47.1	46.0	9.2	9.8	56.3	55.8
Temporary electric installations	21.4	20.3	1.7	1.5	23.1	21.9
E-mobility	45.2	34.8	25.9	24.1	71.1	58.9
<b>Total</b>	<b>187.7</b>	<b>176.4</b>	<b>90.1</b>	<b>92.0</b>	<b>277.8</b>	<b>268.4</b>

Product area	Sweden segment		Other markets segment		Total	
	Jan-Dec 2019	Jan-Dec 2018	Jan-Dec 2019	Jan-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Electrical distribution products	276.8	253.0	213.6	199.9	490.4	452.9
Project business	177.2	175.2	36.9	37.8	214.1	213.0
Temporary electric installations	65.5	68.6	5.1	6.0	70.7	74.6
E-mobility	145.7	100.0	87.4	63.2	233.0	163.2
<b>Total</b>	<b>665.2</b>	<b>596.8</b>	<b>343.0</b>	<b>306.9</b>	<b>1008.1</b>	<b>903.7</b>

## Total income from customers based on geographic location

Geographic location	Sweden segment		Other markets segment		Total	
	Jan-Dec 2019	Jan-Dec 2018	Jan-Dec 2019	Jan-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Sweden	646.4	578.7	-	-	646.4	578.7
Norway	-	-	187.4	174.7	187.4	174.7
Ireland	-	-	117.8	100.6	117.8	100.6
Finland	-	-	26.6	19.4	26.6	19.4
Other countries	18.7	18.1	11.2	12.2	29.9	30.3
<b>Total income from customers</b>	<b>665.2</b>	<b>596.8</b>	<b>343.0</b>	<b>306.9</b>	<b>1,008.1</b>	<b>903.7</b>

# Operations and segments

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

## GARO Sweden

### NET SALES AND EARNINGS

Net sales for GARO Sweden increased 6% to MSEK 187.7 (176.4) during the fourth quarter, with *E-mobility* comprising the lion's share of growth. The market was otherwise weak during the quarter, partly as a result of the mild weather negatively affecting sales including those of engine heaters and heating fans. Sales in other product areas for the quarter were overall similar to 2018.

EBIT for the quarter was MSEK 23.8 (24.5) and the EBIT margin amounted to 12.7% (13.9). Expanded market activity, primarily in *E-mobility*, has continue to negatively affect profitability during the quarter.

### PRODUCT AREAS

In GARO's base area, *Electrical distribution products*, the company continued to capture market shares during the quarter despite a decrease in sales compared with the preceding year. The market reduced somewhat as a whole during the fourth quarter as an effect of a temporary decline in November. For the full-year 2019, the market is estimated to have grown by approximately 3% and GARO by 10%.

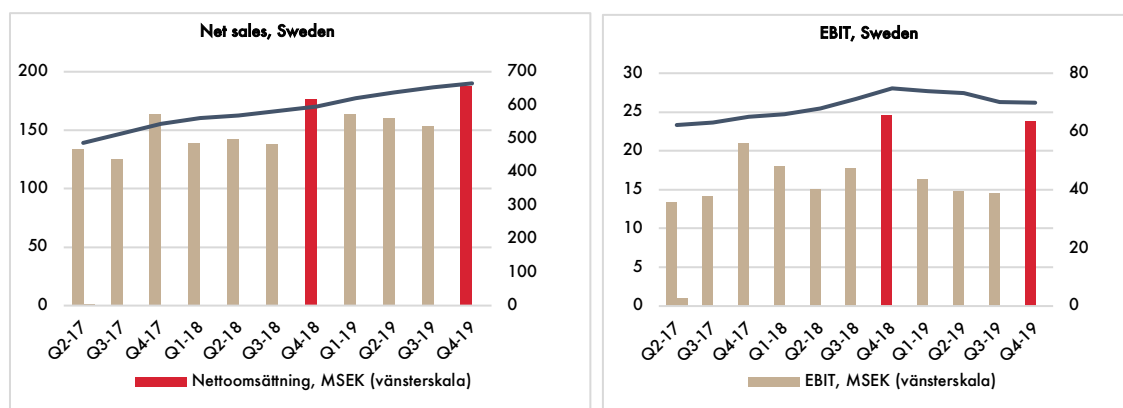
The *Temporary electric installations* product area reported growth of 5% for the quarter. Activity in *Temporary electric installations* has, for some time, displayed a higher degree of volatility, and it is the product area that has reacted the quickest to economic fluctuations. GARO has delivered the first products from the new heat and drying program, which were well received on the market.

The *Project business* product area experienced a stable quarter with similarly high activity as 2018. The first deliveries began of the company's in-house ground cabinets, made with environmentally friendly material, creating a comprehensive solution together with products in *E-mobility*.

The *E-mobility* product area reported growth of 30% for the fourth quarter. Sales in the quarter were primarily driven by charging solutions in the home, at work and in public, which includes GARO's wall boxes and charging poles. GARO launched its own cloud service G-Cloud during the quarter to allow tenant-owner associations and companies to inspect their facilities and distribute energy consumption costs.

GARO Sweden		Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Key figures		2019	2018	2019	2018
Net sales	MSEK	187.7	176.4	665.2	596.8
Growth	%	6	8	11	10
EBIT	MSEK	23.8	24.5	69.8	74.7
EBIT margin	%	12.7	13.9	10.5	12.5
Investments	MSEK	5.6	4.8	26.1	15.3
Depreciation	MSEK	5.3	2.7	18.1	11.0
Number of employees		237	234	237	234

For definitions of key figures, see page 19



## GARO Other markets

### NET SALES AND EARNINGS

Net sales in GARO *Other markets* declined 2% to MSEK 90.1 (92.0) in the quarter primarily as a result of a weak performance in the *Electrical distribution products* product area and in *E-mobility* in Norway.

EBIT was MSEK 12.1 (13.0) and the EBIT margin amounted to 13.4% (14.1) for the fourth quarter. GARO strengthened its presence in the UK by opening a local subsidiary with the intention of establishing its range in *E-mobility*, which impacted EBIT with MSEK 1.0 in the fourth quarter and MSEK 1.7 for the full-year.

### PRODUCT AREAS

Sales in the *Electrical distribution products* product area reduced 5% in the fourth quarter, which can, similarly to Sweden, be explained by weak sales in some weather-dependent products such as engine heaters. For the full-year, the product area reported stable growth in almost all of the product groups.

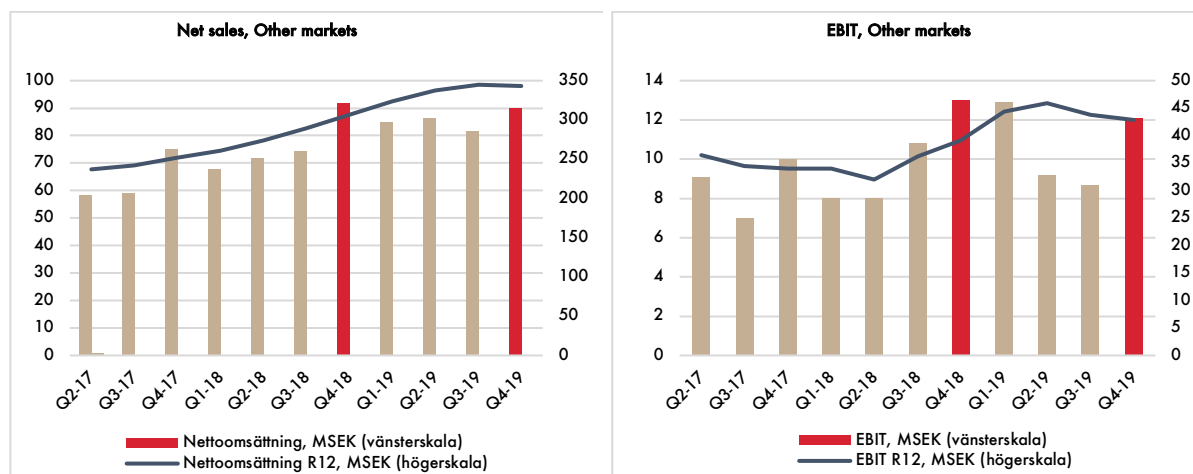
The *Project business* product area reported reduced sales of 6% for the quarter. There may be large variations to sales between the quarters in the product area depending on the kind of solutions that have been supplied during each quarter. The first deliveries began of the company's in-house ground cabinets, made with environmentally friendly material, creating a comprehensive solution together with products in *E-mobility*.

Sales in *Temporary electric installations* have been cautious during the year but have increased for the quarter. In other markets, the first products from the new heat and drying program have been delivered during the quarter.

*E-mobility* reported a continued strong sales increase for the full-year 2019 with growth of 38% even though lower growth of 7% was reported for the fourth quarter. Growth in Norway was relatively weak primarily as result of fewer deliveries of fastchargers compared with the preceding year. GARO has a larger amount of DC chargers (fastchargers) in the country, and a relatively large portion of sales occur through large procurements, meaning that the time of the order can impact sales in individual quarters. The company has great confidence in the fact that sales of charging infrastructure have picked up in all countries, and the demand for *E-mobility* charging in the home, at work and in public is high in all markets.

GARO Other markets		Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Key figures		2019	2018	2019	2018
Net sales	MSEK	90.1	92.0	343.0	306.7
Growth	%	-2	23	12	22
EBIT	MSEK	12.1	13.0	42.9	39.1
EBIT margin	%	13.4	14.1	12.5	12.7
Investments	MSEK	0.3	0.2	5.0	7.4
Depreciation	MSEK	1.1	1.1	4.2	4.0
Number of employees	No.	184	168	184	168

For definitions of key figures, see page 19





# Sustainability

The goal of GARO's strategic sustainability work is to be the leader in its area of operation for responsible business. One of our core values is "a long-term approach," which for GARO entails developing safe and innovative products and solutions for a sustainable future with a large amount of dedication.

**GARO has chosen the following 6 of the UN's 17 Sustainable Development Goals to work on for long-term sustainable development.**



During the fourth quarter of 2019, GARO focused on UN Sustainable Development Goal number 12 – "Responsible consumption and production" – with a focus on digitalization. This has been asserted by, among other things:

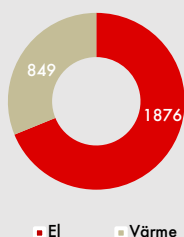
- GARO continually strives to be at the leading edge when it comes to digital solutions to increase the accessibility of information, thereby indirectly minimizing climate impact by reducing such things as printed material. We affix QR-codes to more of our end products to make product manuals and instruction films available digitally.
- Our end customers can use several of our products with various app solutions, providing an energy-efficient usage of our products while also providing increased flexibility for our end-users.

During the quarter, GARO received a rating of 5 out of 6 in DI's ranking of companies and their sustainability agendas. The basis for DI's ranking includes the company's ability to actively work on and meet the UN's Sustainable Development Goals in its strategic planning and daily operations.

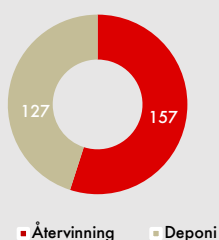
GARO also strives to reduce its climate impact, for example, through electric or hybrid company cars, using fuel with a lower environmental impact and through streamlining internal transportation and delivery. Different sustainability aspects are an integrated part of the company's daily operations. Activities to continue to reduce the company's own climate impact have continued in 2019.

For more information about GARO's goals for a more sustainable environment, refer to our 2018 Annual Report, pages 34-39.

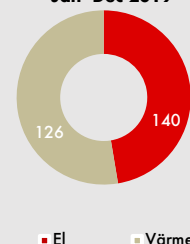
**Energy consumption (MWh)  
Group  
Jan-Dec 2019**



**Waste (Ton), Group  
Jan-Dec 2019**



**Energy consumption (Ton CO<sub>2</sub>)  
emissions  
Jan-Dec 2019**



## Parent Company figures

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

Net sales for the Parent Company in the fourth quarter amounted to MSEK 161.3 (165.6), down 3%. Of this amount, MSEK 48.0 (56.9) comprised internal sales to other Group companies.

EBIT for the quarter amounted to MSEK 17.5 (22.6).

## ABOUT GARO

*Since 1939, GARO has collected experience and knowledge that, over the years, has been updated to keep up with the times. We are no stranger to new business areas and our entrepreneurial spirit persists.*

### 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.

### FINANCIAL TARGETS

- Sales growth: Organic growth will amount to not less than 10% per year.
- Profitability: The EBIT margin for the Group will amount to not less than 10% of net sales per year.
- Return: Return on equity will amount to not less than 20%.
- Equity ratio: The equity ratio will be not less than 30%.
- 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.

### VALUES

#### Innovative

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

#### Pride

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

#### Expertise

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

# Overview

## NATURE OF OPERATIONS

GARO develops, manufactures and supplies innovative products and systems for the electrical installations market under its own brand. The company has operations in Sweden, Norway, Finland, Ireland and Poland, and the Group is organized in two business areas: GARO Sweden and GARO Other markets. GARO has a broad product assortment and is a market leader within several product areas.

The business concept is *"with a focus on innovation, sustainability and design, GARO provides profitable complete solutions for the electrical industry."*

## SEASONAL VARIATIONS

GARO's operations are, to a certain degree, subject to seasonal variations. GARO's sales are generally stable from one quarter to the next, but can fluctuate monthly within the quarter. Sales can be somewhat lower during the vacation months (July–August) and from December to January. During periods of high production, GARO is normally tied up in working capital. Cash and cash equivalents are freed from working capital after the busy season, when the finished products have been installed in customers' facilities and invoices have been paid.

## RISKS AND UNCERTAINTIES

GARO's risks and uncertainties are described in Note 3 on pages 57–60 of the 2018 Annual Report. The Annual Report is available at [www.garo.se](http://www.garo.se). IFRS 16 Leases applies from January 1, 2019 with a modified retrospective approach. The company believes that this new application of IFRS 16 entails some changes that affect the company's risks and uncertainties compared with how they were described in the 2018 Annual Report. Aside from these, no other changes have affected the company's view of risks and uncertainties.

## ALTERNATIVE PERFORMANCE MEASURES

In this interim report, GARO presents certain financial measures that are not defined by IFRS, known as alternative performance measures. The Group believes that these measures provide valuable supplementary information to investors since they enable evaluations of the company's earnings and financial position. These financial measures are not always comparable with the measures used by other companies since not all companies calculated them in the same way. Investors should view these financial measures as a supplement rather than a replacement of financial reporting in accordance with IFRS.

## RELATED-PARTY TRANSACTIONS

Related-party transactions took place to the same extent as previously, and the same principles were applied as those described in the 2018 Annual Report.

## ACCOUNTING POLICIES

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. Disclosures in accordance with IAS 34, 16A are presented in the financial statements and their notes in the interim information on pages 1–23, which constitute an integrated part of this financial statement.

The Parent Company's interim report was prepared in accordance with Chapter 9 of the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2.

GARO AB applies the same accounting policies as in the most recent Annual Report, except that GARO AB from January 1, 2019 applies IFRS 16, which requires that assets and liabilities attributable to all leases, with some exceptions, are recognized in the balance sheet.

The implementation of IFRS 16 means that almost all leases are recognized in the lessee's balance sheet, since there is no longer any distinction made between operating and finance leases. According to the new standard, an asset (the right to use a leased asset) and a financial liability regarding the obligation to pay lease payments are reported. Short-term leases and low-value assets are exempt.

Implementing IFRS 16 has entailed a change in the Group's accounting policies, which are applied using the modified retrospective approach. This means that the opening balance has been restated at January 1, 2019.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Oct-Dec 2019</b>	<b>Oct-Dec 2018</b>	<b>Jan-Dec 2019</b>	<b>Jan-Dec 2018</b>
<i>Amount in MSEK</i>				
<b>Operating income</b>				
Net sales	277.8	268.4	1008.1	903.7
Other operating income	-1.8	0.9	2.8	2.7
<b>Total operating income</b>	<b>276.0</b>	<b>269.3</b>	<b>1010.9</b>	<b>906.4</b>
<b>Operating expenses</b>				
Raw materials and consumables	-139.9	-135.1	-518.3	-457.1
Other external expenses	-36.6	-36.6	-132.7	-116.1
Personnel expenses	-57.3	-56.3	-225.0	-204.4
Depreciation/amortization of tangible and intangible assets	-6.3	-3.8	-22.3	-15.0
Other operating expenses	-	-	-	-
<b>EBIT</b>	<b>35.9</b>	<b>37.5</b>	<b>112.6</b>	<b>113.8</b>
<b>Result from financial items</b>				
Net financial income/expenses	-2.5	-1.3	-2.5	-8.1
<b>Profit before tax</b>	<b>33.3</b>	<b>36.2</b>	<b>110.2</b>	<b>105.7</b>
Income tax	-8.7	-10.7	-24.4	-23.0
<b>Net income</b>	<b>24.6</b>	<b>25.5</b>	<b>85.7</b>	<b>82.7</b>
<b>Other comprehensive income:</b>				
<b>Items that may be reclassified to the income statement</b>				
Translation differences	-1.5	-1.7	1.2	1.5
<b>Other comprehensive income, net</b>	<b>-1.5</b>	<b>-1.7</b>	<b>1.2</b>	<b>1.5</b>
<b>Total comprehensive income for the year</b>	<b>23.1</b>	<b>23.8</b>	<b>87.0</b>	<b>84.2</b>
Net income and total comprehensive income for the year is attributable to shareholders of the Parent Company				
<b>Key ratios per share</b>				
Average number of shares	10,000,000	10,000,000	10,000,000	10,000,000
Earnings per share, before and after dilution, SEK	2.46	2.55	8.57	8.27

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<i>Amount in MSEK</i>	<b>Dec 31, 2019</b>	<b>Dec 31, 2018</b>
<b>ASSETS</b>		
<b>Fixed assets</b>		
Intangible assets	67.4	55.1
Tangible assets	146.1	100.3
Financial assets	8.1	10.3
<b>Total fixed assets</b>	<b>221.6</b>	<b>165.7</b>
<b>Current assets</b>		
Inventories	170.4	161.8
Accounts receivable	213.4	218.7
Other current receivables	11.2	11.2
Cash and cash equivalents	40.8	8.4
<b>Total current assets</b>	<b>435.8</b>	<b>400.1</b>
<b>TOTAL ASSETS</b>	<b>657.4</b>	<b>565.8</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	20.0	20.0
Other reserves	2.6	3.6
Other equity including net income for the period	320.4	272.6
<b>Total equity</b>	<b>343.0</b>	<b>296.2</b>
<b>Long-term liabilities</b>		
Liabilities to credit institutions	65.5	36.4
Other provisions	2.2	1.5
Deferred tax liabilities	1.1	2.0
<b>Total long-term liabilities</b>	<b>68.8</b>	<b>39.9</b>
<b>Short-term liabilities</b>		
Liabilities to credit institutions	12.8	17.7
Accounts payable	118.3	103.4
Other short-term liabilities	114.5	108.6
<b>Total short-term liabilities</b>	<b>245.6</b>	<b>229.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>657.4</b>	<b>565.8</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

<b>Equity attributable to shareholders in the Parent Company</b> <i>Amount in MSEK</i>	<b>Share capital</b>	<b>Reserves</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>Equity at January 1, 2018</b>	<b>20.0</b>	<b>2.1</b>	<b>230.6</b>	<b>252.7</b>
Net income for the period			82.7	82.7
Other comprehensive income for the period		1.5		1.5
Dividend to shareholders			-40.4	-40.4
Change in value, liability, put option			-0.3	-0.3
<b>Closing equity, December 31, 2018</b>	<b>20.0</b>	<b>3.6</b>	<b>272.6</b>	<b>296.2</b>
<b>Equity at January 1, 2019</b>	<b>20.0</b>	<b>3.6</b>	<b>272.6</b>	<b>296.2</b>
Net income for the period			85.7	85.7
Other comprehensive income for the period		-1.0		-1.0
Acquisition of subsidiaries			2.4	2.4
Dividend to shareholders			-40.3	-40.3
<b>Closing equity, December 31, 2019</b>	<b>20.0</b>	<b>2.6</b>	<b>320.4</b>	<b>343.0</b>

**CONDENSED CONSOLIDATED CASH-FLOW STATEMENT**

	<b>Oct-Dec</b>	<b>Oct-Dec</b>	<b>Jan-Dec</b>	<b>Jan-Dec</b>
<i>Amount in MSEK</i>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Operating activities</b>				
Cash flow from operating activities				
before changes in working capital	29.6	36.6	107.7	99.9
Cash flow from changes in working capital	37.3	-9.8	7.0	-26.0
<b>Cash flow from operating activities</b>	<b>66.9</b>	<b>26.8</b>	<b>114.7</b>	<b>72.7</b>
<b>Investing activities</b>				
Investments in intangible assets	-5.9	-2.7	-15.0	-9.3
Acquisition of subsidiaries	-2.4	-	-2.4	-
Investments in tangible assets	-	-2.3	-16.0	-13.9
Disposal of tangible assets	0.7	-	0.7	1.3
<b>Cash flow from investing activities</b>	<b>-7.6</b>	<b>-5.0</b>	<b>-32.7</b>	<b>-21.9</b>
<b>Financing activities</b>				
Net borrowing/amortization of loans	-25.8	-18.5	-9.6	-31.5
Dividend paid to shareholders	-	-	-40.2	-40.4
<b>Cash flow from financing activities</b>	<b>-25.8</b>	<b>-18.5</b>	<b>-49.8</b>	<b>-71.9</b>
<b>Cash flow for the period</b>	<b>33.5</b>	<b>3.3</b>	<b>32.2</b>	<b>-19.9</b>
Currency effect in cash and cash equivalents	-0.1	-0.2	0.2	0.1
Cash and cash equivalents, start of the period	7.4	5.3	8.4	28.2
<b>Cash and cash equivalents, end of the period</b>	<b>40.8</b>	<b>8.4</b>	<b>40.8</b>	<b>8.4</b>

**CONDENSED PARENT COMPANY INCOME STATEMENT**

<i>Amount in MSEK</i>	<b>Oct-Dec 2019</b>	<b>Oct-Dec 2018</b>	<b>Jan-Dec 2019</b>	<b>Jan-Dec 2018</b>
<b>Operating income</b>				
Net sales	161.3	165.8	586.6	527.3
Other operating income	3.6	2.6	12.0	12.0
<b>Total income</b>	<b>164.9</b>	<b>168.4</b>	<b>600.6</b>	<b>539.3</b>
<b>Operating expenses</b>				
Raw materials and consumables	-99.5	-104.4	-372.4	-331.4
Other external expenses	-20.2	-17.5	-67.2	-52.0
Personnel expenses	-26.1	-27.4	-107.8	-95.4
Depreciation/amortization of tangible and intangible assets	-2.8	-2.5	-9.9	-9.9
Other operating expenses	1.3	5.9	5.2	5.9
<b>EBIT</b>	<b>17.5</b>	<b>22.6</b>	<b>48.4</b>	<b>56.5</b>
<b>Result from financial items</b>				
Profit from participations in Group companies	12.8	12.3	18.5	30.3
Net interest income and similar items	0.2	0.5	3.1	2.5
Net interest expenses and similar items	-1.6	-1.5	-1.7	-8.3
<b>Profit before tax</b>	<b>28.9</b>	<b>33.9</b>	<b>68.4</b>	<b>80.9</b>
Appropriations	9.9	13.0	9.9	13.0
Income tax	-6.1	-9.2	-13.1	-15.5
<b>Net income</b>	<b>32.6</b>	<b>37.7</b>	<b>65.2</b>	<b>78.4</b>

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

**CONDENSED PARENT COMPANY BALANCE SHEET**

<i>Amount in MSEK</i>	<b>Dec 31, 2019</b>	<b>Dec 31, 2018</b>
<b>ASSETS</b>		
Intangible assets	29.1	15.6
Tangible assets	51.8	49.6
Participations in Group companies	46.1	43.7
Other financial assets	25.6	24.1
<b>Total fixed assets</b>	<b>152.6</b>	<b>133.0</b>
<b>Current assets</b>		
Inventories	61.0	55.4
Accounts receivable	97.3	101.1
Other receivables	110.2	96.1
Cash and bank balances	30.1	-
<b>Total current assets</b>	<b>298.7</b>	<b>252.7</b>
<b>TOTAL ASSETS</b>	<b>451.3</b>	<b>385.7</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	20.0	20.0
Fund for internal development expenses	18.1	8.2
Statutory reserve	2.6	2.6
Non-restricted equity including net income for the period	202.1	186.8
<b>Total equity</b>	<b>242.8</b>	<b>217.6</b>
<b>Untaxed reserves</b>	<b>0.0</b>	<b>0.9</b>
<b>Provisions</b>	<b>3.1</b>	<b>2.8</b>
<b>Long-term liabilities</b>		
Liabilities to credit institutions	17.1	20.4
<b>Total long-term liabilities</b>	<b>17.1</b>	<b>20.4</b>
<b>Short-term liabilities</b>		
Short-term interest-bearing liabilities	3.4	11.1
Short-term non-interest-bearing liabilities	184.9	132.9
<b>Total short-term liabilities</b>	<b>188.3</b>	<b>144.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>451.3</b>	<b>385.7</b>



## SALES AND EBIT BY SEGMENT

	Sweden		Other markets		Elimination		Group	
Segment information	Q4 2019	Q4 2018	Q4 2019	Q4 2018	Q4 2019	Q4 2018	Q4 2019	Q4 2018
<b>Sales</b>								
Total net sales	239.7	238.4	152.8	149.9	-114.7	-119.0	277.8	268.4
Internal net sales	-52.0	-62.0	-62.7	-57.9	114.7	119.0	-	-
<b>External net sales</b>	<b>187.7</b>	<b>176.4</b>	<b>90.1</b>	<b>92.0</b>	<b>-</b>	<b>-</b>	<b>277.8</b>	<b>268.4</b>
<b>EBIT</b>	<b>23.8</b>	<b>24.5</b>	<b>12.1</b>	<b>13.0</b>	<b>-</b>	<b>-</b>	<b>35.9</b>	<b>37.5</b>
Net financial income/expenses	-	-	-	-	-	-	-2.5	-1.3
Tax expense for the year	-	-	-	-	-	-	-8.7	-10.7
<b>Net income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24.6</b>	<b>25.5</b>

## GARO GROUP MULTI-YEAR OVERVIEW AND KEY FIGURES

		Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018	2017	2016	2015
Net sales	MSEK	277.8	268.4	1008.1	903.7	796.0	657.8	554.1
Growth	%	4	13	12	13	21	19	25
EBITDA	MSEK	42.2	41.3	135.0	128.8	110.3	84.8	74.3
EBITDA margin	%	15.2	15.4	13.4	14.3	13.9	12.9	13.4
EBIT	MSEK	35.9	37.5	112.6	113.8	98.1	73.8	62.4
EBIT margin	%	12.9	14.0	11.2	12.6	12.3	11.2	11.3
Earnings per share, before and after dilution	SEK	2.46	2.55	8.57	8.27	n/a	n/a	n/a
Equity per share	SEK	34.3	29.6	34.3	29.6	25.3	19.4	-
Return on equity*	%	26.8	31.2	26.5	31.2	38.3	32.4	31.3
Investments	MSEK	8.3	5.0	33.4	22.7	51.4	12.8	13.8
Depreciation	MSEK	6.3	3.8	22.3	15.0	12.2	11.0	11.9
Equity ratio	%	52.2	52.4	52.2	52.4	47.3	52.0	49.8
Net debt	MSEK	45.6	45.7	45.6	45.7	56.1	-17.3	-0.4
Net debt/EBITDA*	multiple	0.3	0.4	0.3	0.4	0.5	-0.2	0.0
Number of employees		421	402	421	402	376	274	254

For definitions of key figures, see page 19

## KEY FIGURES AFFECTED BY IFRS 16

		Oct-Dec 2019	Adj. for effects of IFRS 16	Pro forma Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Adj. for effects of IFRS 16	Pro forma Jan-Dec 2019	Jan-Dec 2018
EBITDA	MSEK	42.2	-2.3	39.9	41.3	135.0	-8.0	127.0	128.8
EBITDA margin	%	15.2	-0.8	14.4	15.4	13.4	-0.8	12.6	14.3
EBIT	MSEK	35.9	-	35.9	37.5	112.6	-0.3	112.3	113.8
Net debt	MSEK	45.7	-41.9	3.7	45.7			3.7	45.7
Equity ratio	%	52.2	+2.8	55.0	52.4			55.0	52.4

For definitions of key figures, see page 19

## QUARTERLY FIGURES

<b>Consolidated income statement</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>
<i>Amount in MSEK</i>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>
Net sales	277.8	<b>235.2</b>	246.7	248.4	268.4	212.7	214.2	207.0	238.3	184.1	192.0
Operating expenses	-242.0	<b>211.5</b>	-222.8	-219.2	-230.9	-184.2	-191.4	-181.9	-207.4	-163.0	-169.5
EBIT	<b>35.9</b>	<b>23.6</b>	<b>24.0</b>	<b>29.2</b>	<b>37.5</b>	<b>28.5</b>	<b>22.8</b>	<b>25.1</b>	<b>30.9</b>	<b>21.1</b>	<b>22.5</b>
Net financial income/expenses	-2.5	<b>-0.8</b>	-0.5	1.4	-1.3	-2.8	-3.2	-0.8	-1.6	-0.3	-0.2
Profit before tax	<b>33.3</b>	<b>22.8</b>	<b>23.5</b>	<b>30.6</b>	<b>36.2</b>	<b>25.7</b>	<b>19.6</b>	<b>24.3</b>	<b>29.3</b>	<b>20.8</b>	<b>22.3</b>
Tax	-8.7	<b>-4.9</b>	-5.0	-5.7	-10.7	-3.0	-4.2	-5.2	-3.3	2.4	-4.4
<b>Net income</b>	<b>24.6</b>	<b>17.9</b>	<b>18.4</b>	<b>24.8</b>	<b>25.5</b>	<b>22.7</b>	<b>15.4</b>	<b>19.1</b>	<b>26.0</b>	<b>23.2</b>	<b>17.9</b>

<b>Net sales per segment</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>
<i>Amount in MSEK</i>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>
GARO Sweden	187.7	<b>153.7</b>	160.4	163.4	176.4	138.3	142.3	138.6	163.5	124.9	133.5
GARO Other markets	90.1	<b>81.5</b>	86.3	85.0	92.0	74.4	71.9	68.4	74.8	59.2	58.5
<b>Total Group</b>	<b>277.8</b>	<b>235.2</b>	<b>246.7</b>	<b>248.4</b>	<b>268.4</b>	<b>212.7</b>	<b>214.2</b>	<b>207.0</b>	<b>238.3</b>	<b>184.1</b>	<b>192.0</b>

<b>EBIT per segment</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>
<i>Amount in MSEK</i>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>
GARO Sweden	23.8	<b>14.9</b>	14.8	16.3	24.5	17.7	15.1	17.5	20.8	14.1	13.4
GARO Other markets	12.1	<b>8.7</b>	9.2	12.9	13.0	10.8	7.7	7.6	10.1	7.0	9.1
<b>Total Group</b>	<b>35.9</b>	<b>23.6</b>	<b>24.0</b>	<b>29.2</b>	<b>37.5</b>	<b>28.5</b>	<b>22.8</b>	<b>25.1</b>	<b>30.9</b>	<b>21.1</b>	<b>22.5</b>

## Key figures, alternative performance measures and definitions

The performance measures in this report take into account the nature of the operations and are deemed to provide relevant information to shareholders and other stakeholders and also enable comparability with other companies.

**Organic growth:** organic growth with adjustments for currency effects from operations in currencies other than SEK.

**EBITDA:** Earnings before interest, taxes, depreciation and amortization

**EBITDA margin, %:** EBITDA as a percentage of net sales for the period

**EBIT:** Earnings before interest and tax

**EBIT margin, %:** EBIT as a percentage of net sales for the period

**Earnings per share, before and after dilution, SEK:** Net income for the period divided by the number of shares at the end of the period

**Equity per share, SEK:** Equity divided by the number of shares at the end of the period

**Return on equity, %:** Net income for the past 12 months divided by average equity

**Equity ratio, %:** Equity as a percentage of total assets

**Net debt:** Interest-bearing liabilities, lease liabilities according to IFRS 16 less assets including cash and cash equivalents

**Net debt/EBITDA, multiple:** Net debt at the end of the period as a percentage of EBITDA for the past 12 months

**R12:** A summary of the outcome of the past 12 months

## Alternative performance measures

GARO uses certain performance measures that are not defined in the rules for financial reporting that GARO applies. The goal of these performance measures is to create better understanding of how the operations are performing. It must be stressed that these alternative performance measures, as defined, are not entirely comparable with performance measures of the same name used by other companies.

**Organic growth:** organic growth with adjustments for currency effects from operations in currencies other than SEK.

**EBITDA:** Earnings before interest, taxes, depreciation and amortization

**EBITDA margin, %:** EBITDA as a percentage of net sales for the period

**R12:** A summary of the outcome of the past 12 months

**Net debt:** Interest-bearing liabilities, lease liabilities according to IFRS 16 less assets including cash and cash equivalents

**Equity ratio, %:** Equity as a percentage of total assets

# Economic information

## INVITATION TO PRESENTATION FOR THE PRESS AND ANALYSTS

On February 18, 2020 at 9:30 a.m., the President and CEO Patrik Andersson and CFO Helena Claesson will present the report and respond to questions in a teleconference.

Telephone number:

Sweden: 010 884 80 16

International: +44 20 3936 2999

Code: 064590

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

## FOR MORE INFORMATION, PLEASE CONTACT:

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Helena Claesson, CFO: +46 70 676 07 50

Malin Rylander Thordén, IR Director: +46 76 894 95 96

## FINANCIAL CALENDAR

First quarter of 2020

May 19, 2020

2019 Annual General Meeting

May 19, 2020

Second quarter of 2020:

August 27, 2020

Third quarter of 2020:

November 18, 2020

## FORWARD-LOOKING INFORMATION

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

## NOMINATION COMMITTEE APPOINTMENT

The members appointed to the Nomination Committee until the 2020 Annual General Meeting are: Lars Kongstad, Mannheimer Swartling Advokatbyrå (legal firm) appointed by Lars Svensson, Fredrik Carlsson appointed by Svolder AB, Jan Särilvik appointed by Nordea Investment Funds and Stefan Jonsson in his capacity as Chairman of the Board of GARO AB. Lars Kongstad has been appointed Chairman of the Nomination Committee. Shareholders who wish to submit proposals to the Nomination Committee can send an e-mail to [valberedningen@garo.se](mailto:valberedningen@garo.se) by March 31, 2020 at the latest.

## ANNUAL REPORT

GARO's 2019 Annual Report will be published on the company's website not later than April 24, 2020.

## 2020 ANNUAL GENERAL MEETING

The Annual General Meeting will take place on Tuesday, May 19, 2020 in Gnosjö. Shareholders who wish to submit proposals for consideration at the AGM should, to ensure that the proposals will be considered at the AGM, send such proposals no later than March 31, 2020 by e-mail to [arsstamma@garo.se](mailto:arsstamma@garo.se) or by letter to "AGM," GARO AB, Box 203, SE-335 25 Gnosjö, Sweden. More information about the AGM will be published on the company's website at the following address [www.garo.se](http://www.garo.se).

**ASSURANCE BY THE BOARD AND CEO**

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

Gnosjö, February 18, 2020

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

Stefan Jonsson  
Chairman

Rickard Blomqvist  
Board member

Susanna Hilleskog  
Board member

Per Holmstedt  
Board member

Mari-Katharina Kadowaki  
Board member

Lars-Åke Rydh  
Board member

Jonas Lothander  
Board member  
Employee representative

Patrik Andersson  
President and CEO

*This information is such information that GARO aktiebolag is obligated to publish in accordance with the EU Market Abuse Regulation. The information was published by the abovementioned contact persons on February 18, 2020. 7.30 a.m.*