2022 ANNUAL REPORT GARO

Charging the future.

It is our responsibility to provide a smarter and more sustainable future with innovative complete solutions in electrical installations, power supply and destination charging, both today and tomorrow. We are equipped with the right tools to create positive change.
The future is ours to create.

Contents

GARO in brief

As a leading supplier of electric car charging and electric installation material, GARO will continue to develop the products and solutions of the future through new innovative technology focusing on electrical safety, user-friendliness and sustainability.

GARO was founded in 1939, has its head office in Gnosjö and is today a Group with over 500 employees and operations in a number of European countries. In our two business areas, GARO E-mobility and GARO Electrification, we develop, manufacture and market products, systems and complete solutions for electrical installation in the European market. GARO is also the market leader in the Nordic region in several product categories related to E-mobility and Electrical distribution products. The Group has sales companies in six countries: Sweden, Norway, Finland, Ireland, the UK and Poland. Of our three production units, two are located in Sweden: one in Gnosjö and one in Hillerstorp. The third unit is located in Szczecin in Poland.

The Group's total sales for 2022 amounted to MSEK 1 390. The company GARO AB has been listed on Nasdaq Stockholm, segment Mid Cap, under the ticker name "GARO" since 2016.

1 390 MSEK
NET SALES (1 296)

153 MSEK
EBIT (207)

7 %
GROWTH (25%)

11%
EBIT MARGIN (16%)

2.41 SEK
EARNINGS PER SHARE (3.33)

53%
EQUITY RATIO (59%)

GARO's business concept

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

CLIMATE-SMART CHARGING INFRASTRUCTURE FOR A GREENER FUTURE

Electric car charging and services for all kinds of electric cars, chargeable hybrid cars and heavy vehicles.

GARO E-mobility

Read more on page 28

COMPLETE SOLUTIONS THAT SUPPORT ELECTRIFICATION

With products and solutions for power supply, metering, control and temporary electric installations, energy-efficient and sustainable complete solutions are created for properties, marina and campsites. Before, during and after construction.

GARO Electrification

Read more on page 32

"Electrification is the key to a faster green transition. Our offering enables us to contribute a future sustainable society."

Patrik Andersson, President and CEO

CEO’s comments

The past year can be summarized as a year in which electrification gained serious momentum. The electrification and digitalization of society presents both opportunities and challenges. For GARO, this meant a year of investments in product development, expanded production capacity and successful organizational changes, which will provide a long-term positive impact. By not compromising on our overall goals, making the right priorities and establishing a shared Group-wide direction by implementing our strategic plan, we have managed to achieve favorable earnings for the full-year, despite considerable challenges in component supply. Our unique product range and innovative product development enable us to continue to provide the market with products and solutions that facilitate a more rapid transition to a fossil-free society.

The Group’s net sales increased during the year to MSEK 1 390, corresponding to year-on-year growth of 7%, demonstrating a stable financial position. The GARO Electrification business area reported strong growth while GARO E-mobility reported a weaker year-on-year performance. We reported an EBIT of MSEK 153 (207) and an EBIT margin of 11%. Given the strong underlying market, we have continued our long-term investment by building up the organization, expanding capacity and investing in continued product development to meet future needs.

RECORD-BREAKING DEMAND

2022 was characterized by high demand for products and solutions in all of GARO’s product areas. During the year, society’s awareness and knowledge increased in general, and in particular when it comes to the importance of energy efficiency. This is an efficiency enhancement that reduces user costs while contributing to a more sustainable society. An understanding of the need to save natural resources for the sake of the environment combined with high energy and oil prices in Europe were strong driving forces behind this increase. This is driving the transition toward more sustainable solutions for energy supply, something that benefits the industry in which we operate.

As one of the industry’s leading companies, GARO plays an important role in providing the market with energy-efficient, user-friendly and smart solutions for a sustainable future. As a Group, we have a unique offering in electric installation material and electric car charging with a distinctive product and service range.

With our business areas – GARO Electrification and GARO E-mobility – we offer smart complete solutions that positively contribute to the transition to more climate-smart daily life for both us and for future generations. The synergy effects between our business areas create an end-to-end offering that sets us apart from other players and generates flexible solutions for our customers.

We electrify housing, buildings and infrastructure. Our products and solutions can be found in several million homes, workplaces and public locations. We power electric products, boats in marinas, caravans at camping sites and we charge electric and hybrid cars at charging stations. We have represented Swedish quality and innovative engineering since 1939.

Healthy demand coupled with prevailing international

KEY EVENTS IN 2022

- GARO is commencing the construction of a new production and logistics facility in Poland. Completion in 2023.
- GARO began enhancing its efficiency and expanding operations in Sweden and relocated parts of operations to new premises in Hillerstorp. The move was complete in January 2023.
- GARO signed a framework agreement with a global vehicle manufacturer regarding charging infrastructure for the European market.
- Operations in the UK were expanded to meet increased demand.
- Next generation smart wall boxes for destination charging – GARO Entity – were launched.

component shortages resulted in a record order book at the end of 2022. Despite facing these challenges, we succeeded in maintaining healthy production and delivery capacity for most of the year.

We are seeing signs at the start of 2023 of the market gradually returning to more normal material and component supplies. In parallel, we are working to adjust to the prevailing conditions by adapting product, increasing flexibility in production and making tactical component purchases.

LONG-TERM INVESTMENTS IN EFFICIENCY AND CAPACITY

In 2022, we completed a number of aggressive investments to further enhance the efficiency of our operations, expand manufacturing capacity and add new expertise to the Group. Overall, this is an investment that aims to boost positive growth and secure long-term profitability for the entire Group's operations.

A decision to invest in a new production and logistics facility was made at the start of 2022. The location of the new facility was chosen as Poland due to Europe being a growing market in electrification and electric car charging. The facility will become a central hub to effectively meet the increased European demand in electrification and contribute to a considerable capacity increase and efficient logistics. Overall, this mainly benefits the GARO E-mobility business area.

Focus is on increased proximity, accessibility and flexibility to the entire market and to create a sustainable and future-proof facility for the electric cars of future generations. Construction is in full swing and we are looking forward to production starting at the facility in summer 2023.

In Sweden, we are continuing to invest in existing production units that already feature a high degree of efficiency. At the end of 2022, the GARO Electrification business area's operations were relocated to the new production facility, which also resulted in expanded capacity for GARO E-mobility in the existing facility.

FUTURE-PROOF DESTINATION CHARGING WITH GARO ENTITY

At the end of the year, GARO Entity was launched in the European market. GARO Entity is a unique product program in destination charging, underpinned by intense and innovative product development with the goal of developing a future-proof product program in electric car charging.

GARO Entity has been developed with a focus on high electrical safety and world-class quality. We succeeded in achieving this. We never compromise on the safety or quality of our products and solutions. I am very proud of this. It is a given for us as a company to take responsibility for ensuring that homes, workplaces and public environments are safe for everyone. We strive for a safe and secure industry for both users and installation engineers.

The development of GARO Entity is the greatest investment in product development in the Group's history. We are looking forward to a time when the products that are now being released in the market become a natural part of homes, workplaces and public environments so that we can provide safe and secure charging for electric and chargeable hybrid cars for as many people as possible.

REACHING NEW CUSTOMER SEGMENTS THROUGH THE GREEN TRANSITION

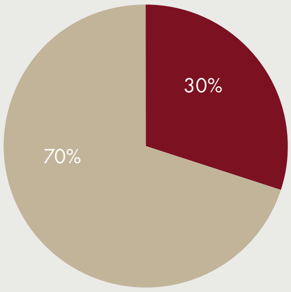
The ongoing electrification of homes, society and cities has enabled us to add additional customer segments to our value chain. This presents new strategic business opportunities. An example of this is the transport sector, which is undergoing a phase of change in which demand for green logistics solutions for deliveries both on the roads and for vehicles at construction sites is steadily increasing. In 2022, we signed agreements with heavy vehicle manufacturers and delivered products and solutions to customers in this segment.

KEY FIGURES

	2022	2021	2020	2019	2018
Net sales (MSEK)	1 390.5	1 295.8	1 039.8	1 008.1	903.7
Growth, %	7	25	3	12	13
EBIT (MSEK)	152.8	207.2	136.2	112.6	113.8
EBIT margin, %	11.0	16.0	13.1	11.2	12.6
Net income (MSEK)	120.5	166.7	95.3	85.7	82.7
Earnings per share[1] (SEK)	2.41	3.33	1.91	1.71	1.65
Return on equity, %	20.7	34.0	24.7	26.8	30.1
Investments (MSEK)	120.1	45.3	45.3	33.4	22.7
Equity ratio, %	53.2	58.9	57.9	52.2	52.4
Net cash position (-) / net debt (+)	143.7	-9.4	11.3	45.6	45.7
Average number of employees	521	460	409	420	398

For definitions of key figures, see Note G28 pages 88-89.

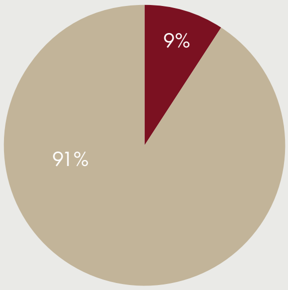
FINANCIAL DEVELOPMENT



ALLOCATION OF NET SALES

per business area 2022

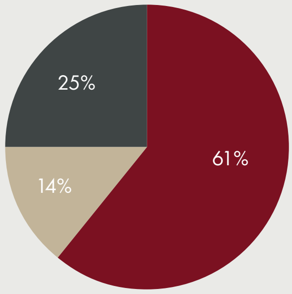
- GARO E-mobility
- GARO Electrification



ALLOCATION OF EBIT

per business area 2022

- GARO E-mobility
- GARO Electrification



ALLOCATION OF NET SALES

by geographic area 2022

- Sweden
- Nordic region excl. Sweden
- Europe excl. Nordic region

GARO IS AN ENABLER

Our sustainability work is based on the UN Global Compact and the Paris Agreement. We support the 17 Sustainable Development Goals and our intensified sustainability work during the year has demonstrated that this is a serious commitment for us. Together with other companies, we will be an enabler in the transition toward a fossil-free society. One specific example is the active guidance that employees receive in terms of implementing and integrating sustainability aspects into their respective roles and daily operations. Our value-creating sustainability work complete with initiatives to heighten expertise and further develop the Group's strategy and business planning with a clear sustainability perspective gives us the prerequisites for success.

PRODUCTS AND SOLUTIONS FOR A CLIMATE-SMART FUTURE

Our flexibility and ability to quickly adapt the operations to current and future needs, requirements and expectations is our strength. This is coupled with our depth of experience and knowledge that we have gathered over several decades that provides us with reassurance when faced with the current rapid pace of change in electrification and digitalization. We are continuing our aggressive investments with the aim of maintaining long-term growth and profitability. Our values, goals and strategic direction provides us with the right prerequisites to create business opportunities in a changing market.

I am proud of what we accomplished during the year, despite challenges conditions. Without GARO's employees, customers, partners and shareholders, this would not have been possible. We are looking forward to taking the next step in our objective of creating new energy-efficient, sustainable products and solutions for a climate-smart future.

521

PEOPLE EMPLOYED IN THE GROUP

42% / 58%

WOMEN/MEN IN THE GROUP

18 672

NUMBER OF SHAREHOLDERS AT THE END OF THE YEAR

News and events in 2022

GARO ENTITY

A new product program for destination charging, GARO Entity, was launched in the European market in the fourth quarter of 2022. Safety and security were the focal points of the development of both product and services. GARO Entity represents the start of a new era of wall boxes and services that can be adapted for use in private single-family homes, apartment blocks, commercial properties and for public environments.

GARO Entity builds on an innovative and technical platform that ensures that products are well prepared to meet future requirements and complex systems. Together with the GARO Connect cloud service, this creates a complete solution that simplifies both usage and installation. Digital and connectable functions present entirely new possibilities for simple, cost-effective electric car charging for both the technology of today and the future.

The products have been stringently tested to ensure that they withstand harsh climates and the products are approved in accordance with prevailing European electricity and safety standards. GARO Entity offers one of the market's safest electric car charging for all types of environments, needs and requirements.

NEW PRODUCTION AND LOGISTICS FACILITY IN POLAND

During the year, the investment and construction of a new production and logistics facility in Szczecin was commenced, in close proximity to the existing factory. The new factory's space will be approximately 15 000 square meters and facilitate a considerable increase in capacity primarily in the GARO E-mobility business area, and also in the GARO Electrification business area. The project commenced in the second quarter of 2022, and the factory is expected to be completed by summer 2023. The existing facility has sufficient production capacity until the new facility is operational.

KEY EVENTS IN 2022

- At the end of 2021, a new segment division was completed of the company's business areas that now comprises GARO E-mobility and GARO Electrification.
- The number of employees in GARO Group passed 500 during the year. Initiatives were completed primarily in the sales and market functions with the aim of establishing long-term growth and profitability.
- GARO introduced a new charging station with a capacity adapted for charging heavy electric vehicles.
- GARO received several awards during the year including the "E-mobility leader" in Poland and Industry Winner award in Sweden.
- GARO began enhancing its efficiency and expanding operations in Sweden and relocated parts of operations to new premises in Hillerstorp. The move was complete in January 2023.
- GARO's multi-year partnership with Cramo, one of Sweden's largest rental companies of temporary electrical institutions, was extended. This contributed to the number of deliveries of products to many of Sweden's largest construction projects increasing heavily during the year.
- GARO expanded operations in the UK to new, larger premises in Birmingham and invested in a new property in Ireland to expand operations.
- In the UK, GARO was selected as the supplier of 125 LS4 charging stations for the Commonwealth Games.
- GARO E-mobility positively impacted sales of components in GARO Electrification, the Electrical distribution products product area and cable cabinets and energy supply in the Project business product area.

You can find all news at: **www.garo.se/sv/media**

GARO's strategy

FUTURE OPPORTUNITIES ARE OUR DRIVING FORCE

Our clear ambition is to continue to develop and strengthen our position as one of the leading innovators and suppliers in electric installation material and electric car charging. The challenges we face are perceived as new opportunities, and we are strongly motivated to develop new innovative solutions to meet the needs of different markets. Developing products and solutions for a sustainable future is a natural focus for us.

GARO's strategy is based on organic growth, profitable and sustainable business, product development and geographical expansion supplemented with acquisitions. The goal is to be the leading brand in the markets in which GARO operates and to offer unique complete solutions for the electrical industry.

In order to live up to our vision and goal, we must be innovative in developing secure products for a sustainable future and evolve our customers' businesses. At the same time, we will continually expand our capacity and further develop the markets that GARO operates in – both for today and for tomorrow.

Demand is driven by an increased need to enhance electrification and energy efficiency.

CORE VALUES

INNOVATIVE

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

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.

LONG-TERM

Our focus is on developing reliable products for a sustainable future through strong commitment.

EXPERTISE

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

Strategic framework GARO

VISION

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

BUSINESS CONCEPT

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

GOALS

Financial targets

Sustainability goals

STRATEGIES

1. Product development – Reliable products for a sustainable future
2. Developing customers' future business
3. Capacity – an important competitive edge
4. Further developing the markets

SUSTAINABILITY PILLARS

1. Materials
2. Products & Services
3. Energy
4. Employees, Culture & Society

Business environment and trends

GARO works actively to identify, adapt and develop operations based on business environment trends that impact the market, customer demand and the Group's business.

THE CLIMATE CANNOT WAIT

Climate change is not an issue for the future, it is something we need to act on today. Climate change is the greatest challenge of our time, and we all have a responsibility for minimizing the negative impact that we have on our planet. Our shared environment has already been changed by human hands, largely from emissions from the combustion of fossil fuels for transportation, electricity and heating production.

Alarming reports on climate change leading to natural disasters and extreme weather conditions are being published one after the other and researchers, politicians and companies are in agreement that carbon emissions must be cut. To achieve the goal of the Paris Agreement to keep global warming under 2°C and strive to limit it to 1.5°C, we must implement a number of different measures on a global level. The set framework states that greenhouse gases are to be reduced by 40% compared with the levels from 1990 by 2030 and 80-95% by 2050.

Most of the investments required are expected to be allocated to electricity production, distribution and electric equipment for end users.

DEMAND FOR SUSTAINABLE PRODUCTS

Generally increasing cost and environment awareness in the market results in products with long lifespans being prioritized for purchases, which is also the case for electric installation material. This leads to increased requirements for the market's suppliers when it comes to material choices, contents, manufacturing methods and how the value chain's environmental impact is managed. Regardless of the market or industry, a growing need persists for energy-efficient solutions that reduce energy consumption, costs and minimize the overall climate impact of products and solutions.

SMART CHARGING INFRASTRUCTURE

Newly manufactured cars are becoming increasingly smart and the flow of data such as car model, battery status and driver information from the car to cloud services is continually increasing. Opportunities for developing new functionality for products and solutions are therefore rising, while requirements have also increased for the capacity of charging stations to transmit information. Software development in E-mobility with the aim of adding intelligence to its offering is becoming an increasingly important component when it comes to establishing market competitiveness. One example is Plug & Charge, where the driver connects their electric car to the charging station that automatically recognizes the car without the need to register a payment or charge card.

The trend is also clear for how the power supply of and between different devices will operate in the future. By using the car as battery storage for other products in the home or property, the stored energy can be used when necessary or transmitted back to the electricity grid. The Vehicle to X technology, V2X, means that the burden on the electricity grid to be balanced. This means that the car battery is charged when demand for electricity is lowest, which is often when electricity that is produced in an environmentally friendly way is widely available. Thereafter, electricity can be returned to the grid when the need to produce environmentally demanding electricity increases, which is often when costs for electricity are high. As such, this does not only cut down on electricity costs at times of the day when electricity demand is lowest, it also benefits the environment.

INCREASED DEMAND FOR FOSSIL-FREE ELECTRIC VEHICLES

The trend is clear – the vehicle fleet is transitioning. Rechargeable vehicles are on the increase and the era of internal combustion engines is being phased out. This is the case for both light and heavy vehicles.

The number of electric cars and chargeable hybrid cars on the roads is steadily increasing in the Nordic region and in Europe. The annual growth of rechargeable passenger cars in the EU amounts to 22% and is expected to grow in 2023 by about 28%. However, in 2022 the total vehicle fleet in the EU still only comprises about 2% rechargeable passenger cars. For heavy traffic, it is mainly the lighter trucks that operate in cities or drive shorter distances such as work vehicles for construction that are electrified.

As electrical operation increases, the need grows for more charging stations in society. This leads to a strong demand for expanded charging infrastructure, not just along the roads but also where people reside, work and live their lives.

To accelerate the expansion of the charging infrastructure in Europe, governments are launching various initiatives to further promote the development of fossil-free fuel. For example, the UK has introduced similar measures from 2022 with the requirement that all new housing, business premises, offices, etc., must install a minimum of one charging station for electric cars per four parking spaces. A tax deduction of 50% of the labor and material costs for the installation of home chargers for purchases through electrical installers has been available in Sweden since January 2021.

NEW BUILDS AND THE NEED FOR RENOVATION

New builds, extensions, the need for renovation and investments in the energy efficiency of single-family homes and apartments are positive driving forces for several of our product areas. Housing that is built today must both meet strict energy requirements and comply with several environmental and energy certifications compared with what has been the case only a few years ago. At the same time, renovations and new builds require more electrical installations than before, largely due to the digitalization of society. The production rate for housing construction in the Nordic region and the rest of Europe remains at a high level but the assessment is that the pace of growth will gradually slow in 2023. On the other hand, demand for other commercial and public construction, combined with renovation requirements, energy efficiency and electrification, which remains favorable.

FOCUS ON ELECTRICAL SAFETY

The energy efficiency of our cities, communities, properties and houses is still in its infancy. The need for safe and reliable energy systems is considerable, which results in higher requirements being placed on the safety and reliability of both products and solutions. As our homes are becoming increasingly connected and energy is being produced, stored and transferred in entirely new ways between the devices in our homes, all the more people are realizing the importance of products that live up to strict safety requirements. This is also the case for commercial properties and industries. Stringent regulations of all kinds of electrical products and solutions are being combined with higher safety requirements. This is creating new opportunities and incentives for the market's players.

SIMPLICITY, USER-FRIENDLINESS AND AVAILABILITY

Simplicity, user-friendliness and availability are three factors that are becoming increasingly important when it comes to the development of new products and services. This applies regardless of the stage of the process that a user comes in contact with the product or service. Efficient installation is important for electrical installers. For the end user, it should be easy to, for example, read values in real time, make adjustments through digital services, apply price adaption when the product is to be used and read energy consumption readings. Market demand for digital services that increase data availability is high and will become a clear driving force for manufacturers in the development of new complete solutions and offers.

INDUSTRY 4.0

A fourth generation of industrial revolution has evolved over the past decade. This entails that more processes are digitalized and have a focus on connectivity through the Internet of things (IoT), automation, machine learning and access to real-time data to optimize production flows and enhance the efficiency of maintenance work. This creates a more holistic perspective with improved cooperation between physical and digital production. More industrial operations are choosing to invest in digitalization solutions and this trend is expected to become increasingly stronger in the coming years.

MATERIALS SUPPLY

The prevailing global climate continued to have an impact on the electricity and manufacturing industry in 2022. The limited access to electronic components has negatively impacted the rate of production in the industry and led to logistics disruptions. This has led to long lead times, which has been particularly noticeable in terms of the manufacturing rate of electric and hybrid cars. Fewer car deliveries have led to several end customers postponing purchases of home chargers.

Product development – reliable products for a sustainable future

Product development to create growth is a decisive part of GARO's operations, and the Group continually supplying the market with smart products that meet current and future needs creates the foundations for just that. By consciously developing the product portfolio, GARO is contributing to the transition toward renewable fuel and higher energy efficiency.

Developing products that are at the forefront of electrical installation has always been a significant aspect of GARO's success. Focus is on developing safe, user-friendly and future-proof products with a modern design and a long service life. Material choices, functionality and energy efficiency are three key words, in addition to sustainability, which are hallmarks of GARO's strategy for product development.

SYNERGY EFFECTS MAKE US UNIQUE

GARO's breadth in electric installation material and electric car charging creates a unique offering in the market. The synergy effects present between the various product areas create an overall portfolio that distinguishes GARO from most other suppliers. This leads to flexible solutions for customers who use GARO as a supplier in areas such as power supply to operational charging stations and aftermarket. The synergy effects that come as a result of this promote the development of new innovative and cost-efficient products and solutions.

FOCUS ON SAFETY

GARO maintains an uncompromising focus on the safety of its products that are offered to its markets. The Group's long history has always been characterized by a willingness to deliver safe, smart products and solutions that contribute to simplifying the every-day lives of our customers. It should be safe, secure and easy to use our products, regardless of when in the process that customers come into contact with our products or services.

MATERIAL CHOICES FOR THE FUTURE

GARO is always looking for new materials with high functionality that can be used in the products without risking jeopardizing safety, quality or service life. The Group's product development creates synergy effects between the various product areas, and for the Group, this entails quick and cost-efficient adaptation to new solutions, regulations and market requirements. This provides good control and flexibility. GARO's product development comprises software, digital solutions, electronics, mechanical and electrical design.

EXTENDED SERVICE LIFE

An important aspect of product development is to develop products with long service lives. This is achieved by investing in innovative material choices, smart constructions and sustainable design. Products often require more kinds of material, mainly consisting of metal and plastic. For products to be easily disassembled, design is adapted for products to be easily dismantled in order to be repaired and recycled.

PRODUCT DEVELOPMENT

GARO owns its own product development, leading to a flexible working method and continual closeness to the market. In 2022, the world has been met by various challenges in component supply due to the prevailing circumstances. By GARO owning its own product development, the Group has rapidly and flexible been able to meet and manage changes through its opportunity to redesign.

DIGITALIZATION IS A CLEAR DRIVING FORCE

Increased digitalization and a rapidly growing market for electric car charging requires innovative product development. GARO Entity, which was launched in 2022, is proof of GARO's clear ambition to continually develop in pace with the times. GARO's objective is to always offer our customers the safest products and solutions in the market within electric car charging.

Developing customers' future business

Developing every customer's future business is, and always has been, one of GARO's primary driving forces.The Group's expertise in its operational areas creates efficient and profitable ways to develop together with partners and customers. We take a long-term approach to all of our relationships and this benefits the operations, while also fostering a positive and sustainable corporate culture.

By maintaining a long-term perspective, focusing on sustainability and having a strong market presence, GARO has future-proof products and solutions that meet expectations and needs. By identifying and analyzing the market, future business is generated in which continual business development strengthens and intensifies the rate of innovation in the Group.

Being close to electrical installers and our partners has always been one of the Group's primary keys to further developing our product and service offering. Our strategy includes diversifying the operations by developing a broad offering to customers to create long-term partnerships.

With a broad presence, GARO has created a unique offering for the entire value chain. Using innovative development strengthens GARO's customers' future opportunities to bring about a more energy-efficient, simple, convenient and safe daily life. Our products and complete solutions are to drive business throughout the chain and support society's energy transition. GARO's world-class, intelligent and sustainable energy solutions contribute to a more electrified and climate-smart society.

Capacity – an important competitive edge

Over time, GARO has developed competitive, sustainable operations characterized by a high capacity. Safety and productivity have been identified as strategic focus areas for continued strong growth.

SUSTAINABLE PRODUCTION PROCESSES

One prerequisite for being able to position ourselves as a competitive manufacturing company is to have sustainable production processes. Long-term responsibility, investments and continual development in technology, the environment and safety have, over time, created competitive operations in both Sweden and Poland. All production units feature a high productivity and a high level of value creation, creating beneficial conditions for both the Group and our customers.

GARO works continually to develop the Group's production capacity by enhancing the efficiency of spaces and manufacturing processes and by increasing the number of employees that bestow expertise. High technological know-how combined with a strong safety culture is the foundation for continually being able to develop the productivity of production operations. Since GARO owns its own production facilities, it maintains good control over the entire production line, leading to high flexibility, the ability to rapidly adapt when it comes to capacity and to quickly address unique customer requirements for products and services.

INCREASED CAPACITY

As part of reaching our growth targets and growing organically, we are continually enhancing the efficiency of operations and expanding our surface areas. The increase in demand from the European market is met successfully through strategic investments for higher production capacity, climate-smart manufacturing and efficient logistics. These strategic investments strengthen the Group's total competitiveness.

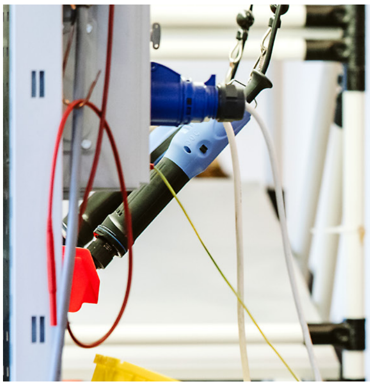
At the start of 2022, a decision was made to invest in new production and logistics facility in Poland to considerably increase capacity in the GARO E-mobility business area. Szczecin in Poland is strategically situated with direct access to the rapidly growing European market, in addition to GARO's main markets in the Nordic region. The investment will contribute to a considerable increase in capacity while we safeguard such aspects as the environment and sustainability. The factory will be complete in summer 2023.

During the year, GARO also invested in existing production units in Sweden to further increase an already high level of efficiency.

A RESPONSIBLE EMPLOYER

As an employer, GARO is responsible for ensuring that the Group's employees are satisfied at work and are granted the opportunity to develop in their roles. In the same way, the Group is responsible for ensuring that workplaces are safe and secure to work in. This is something GARO takes very seriously. The Group's employees are the core of our operations and with an open, genuine and friendly corporate culture that we call the GARO spirit, we ensure that every workplace is somewhere that can be enjoyed for everyone. Having committed, motivated and satisfied employees who enjoy their work and are proud of what they accomplish every day is a prerequisite for the Group to be able to continue to deliver cutting-edge complete solutions.

There is well-founded pride among all employees, which is reflected in everything we do.



Further developing the market

Part of the Group's organic growth involves developing in existing markets and focusing on our European business.

NEW MARKETS THROUGH ACQUISITIONS AND NEWLY CREATED SUBSIDIARIES

A combination of healthy organic growth and well-balanced acquired growth creates the best prerequisites for the organization. Acquisitions are to supplement existing operations and contribute to broadening the total offering, supplying the Group with additional excellence and creating establishment opportunities in new markets with a focus on Europe.

New geographical markets can also be expanded through establishments with newly started subsidiaries. In line with the Group's European breakthrough, opportunities are provided for establishing more operations or expanding partnerships in the future. New market entries must be well-prepared and carried out consistently for sustainable expansion.

There is the opportunity for growth in several product areas in the countries in which GARO is established. The growing market for electric cars in Europe is creating the need for charging infrastructure and therefore presenting opportunities for establishing new operations.

DEVELOPING THE VALUE CHAIN WITH NEW CUSTOMER SEGMENTS

Continually adding more customer segments to the value chain creates new strategic business opportunities. The rate of development is high and new customer segments arise through increased focus on electrification and energy efficiency enhancements. Partnerships and agreements with companies in new customer segments are continually entered into to establish optimal market presence.

EXPORTS TO OTHER MARKETS

Through partnerships and agreements with companies in vehicle manufacturing and energy companies, GARO is also reaching out to European markets where its operations are not established. GARO currently has several framework agreements in place that are strategically important for operations. This is both from a sales perspective and in terms of product development.

ADAPTING TO THE MARKET

The Group's offering also needs to be adapted to the specific rules and regulations of countries in terms of electricity standards, construction and end use. GARO complies with international market regulations and does not manufacture or sell products that are forbidden in any country or in any market. Through our long-term European presence, the Group has accumulated solid expertise in product adjustment according to the various demands and needs in Europe. Market efforts are run and organized locally to offer customers expertise, training and accessibility specifically tailored for each market or country.

Targets and outcome

FINANCIAL TARGETS

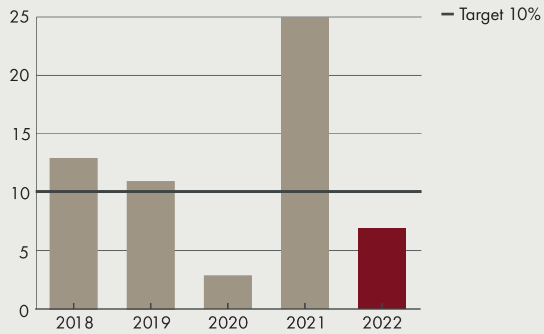
GARO's financial targets are based on the company's vision and business concept. The focus is on profitable growth and sustainable value creation, with positive and healthy finances. This will lead to long-term profitability that will enable the development of the operations and provide a healthy return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

SALES GROWTH

GARO's organic growth will amount to not less than 10% over a business cycle.

TARGET

≥10%



OUTCOMES GROWTH 2022

7%

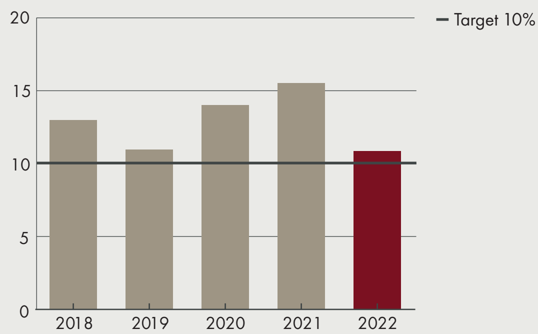
Net sales increased 7% in 2022 by MSEK 94.7 totaling MSEK 1 390.5 (1 295.8). The GARO Electrification business area reported growth of 13% but the GARO E-mobility business area reported negative growth of 3%, where the lack of electronic components impacted production and delivery capacity.

PROFITABILITY

The EBIT margin for the Group will amount to not less than 10% of net sales over a business cycle.

TARGET

≥10%



OUTCOME PROFITABILITY 2022

11%

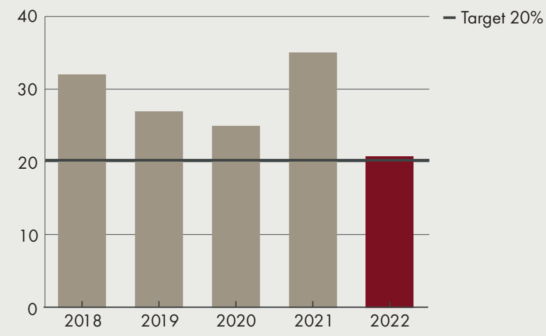
GARO's EBIT amounted to MSEK 152.8 (207.2), corresponding to an EBIT margin of 11% in 2022. The Positive EBIT from higher sales volumes in GARO Electrification was offset by lower invoicing and higher costs in GARO E-mobility.

RETURN

Return on equity will amount to not less than 20% over a business cycle.

TARGET

≥20%



OUTCOME RETURN 2022

20.7%

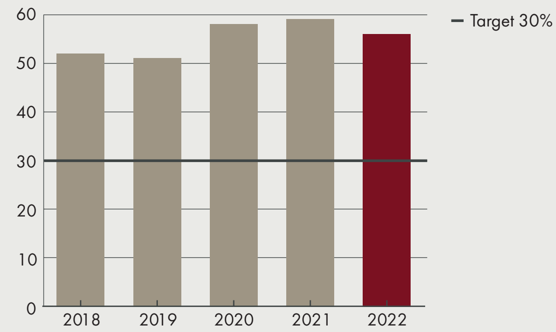
Return on equity in 2022 amounted to 20.7%. The lower return compared with previous years was mainly due to lower earnings in relation to average equity.

EQUITY RATIO

The equity ratio will not be less than 30%.

TARGET

≥30%



OUTCOME EQUITY RATIO 2022

53.2%

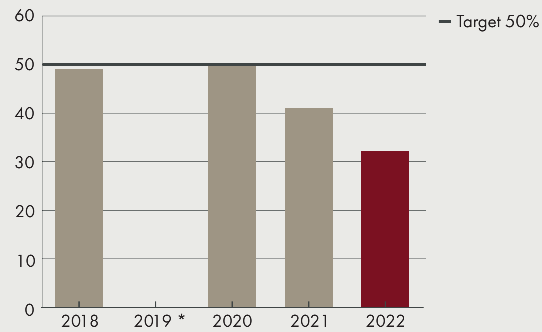
In 2022, the equity ratio declined to 53.2% (58.9) as a result of the Group raising new loans during the year and weaker earnings.

DIVIDEND POLICY

GARO's 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.

TARGET

≈50%



* As a precautionary measure, no dividend was paid for 2019 due to the ongoing COVID-19 situation.

SUSTAINABILITY GOALS

The goal of our strategic sustainability work is to be the leader in responsible business in its area of operation. One of GARO's core values is "a long-term approach," which means that the Group develops safe and innovative products and solutions for a sustainable and climate-smart future. The Group's aim is for the entire value chain to be characterized by sustainability and a high level of ethics. GARO works toward all 17 of the UN Sustainable Development Goals (SDGs). From the 17 SDGs, the Group has selected four that we believe we can create the greatest value and make the most difference. Read more about GARO's sustainability work on pages 36–51.

GREENHOUSE GASES

GARO intends to reduce the Group's climate impact by reducing emissions of direct and indirect greenhouse gases in our premises in terms of electricity and heating.

GOAL

0 tons

The goal is that direct and indirect GHG emissions from our premises in terms of electricity and heating is zero tons by 2025.

OUTCOME CO2 EMISSIONS 2022

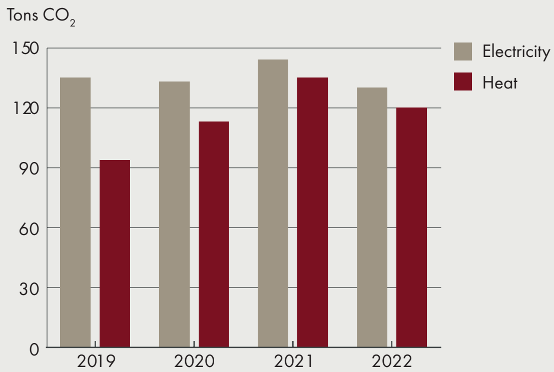
250 tons

In 2022, GARO's GHG emissions from its premises per sales declined by 16%. Ahead of 2022, the calculation model was updated to also include rented premises. As such, the outcome for 2021 is adjusted.

FUTURE FOCUS AND NEW LONG-TERM GOALS

- Continually work to make processes energy efficient and reduce emissions.

GREENHOUSE GAS EMISSIONS



ENERGY

GARO intends to reduce the Group's environmental impact by reducing the Group's energy consumption and increasing our share of fossil-free energy in our premises.

GOAL

100%

The aim is to reduce the Group's energy consumption and increase our share of fossil-free energy in our premises with the intention of reducing the Group's environmental impact.

OUTCOME SHARE OF FOSSIL-FREE SOURCES 2022

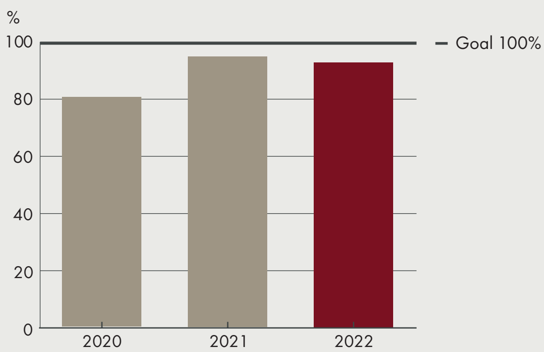
92%

In 2022, the share of electricity from fossil-free sources declined 2.5%.

FUTURE FOCUS AND NEW LONG-TERM GOALS

- Reduce total energy consumption in our facilities.
- Increase the share of energy that comes from fossil-free sources.

SHARE OF ELECTRICITY FROM FOSSIL-FREE SOURCES



RECYCLING

Reduced waste, an increased rate of recycling and the identification and implementation of practical solutions for separation is the goal.

GOAL

98%

Achieve a >98% recycling level by 2025.

OUTCOMES RECYCLING LEVEL 2022

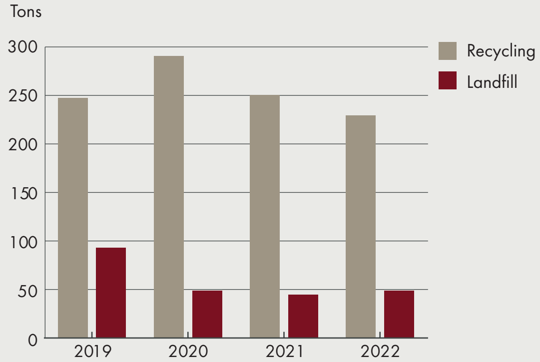
82%

In 2022, waste recycling totaled 82%, which was a 2% year-on-year reduction. Since 2020, total waste has declined 18%.

FUTURE FOCUS AND NEW LONG-TERM GOALS

- GARO strives to further reduce the Group's waste and secure increased recycling in our manufacturing.
- Retain a recycling level of over 98%.

RECYCLING



OCCUPATIONAL HEALTH AND SAFETY

Our goal is to reduce the amount of workplace accidents. We strive for a safe and healthy work environment, and the Group has a zero vision for the number of workplace accidents resulting in more than eight hours' absence.

GOAL

0

GARO has a zero vision for workplace accidents.

OUTCOME NUMBER OF WORK-RELATED ACCIDENTS 2022

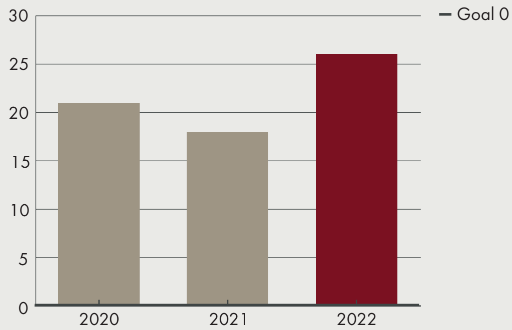
26

In 2022, 26 accidents were reported, which is a year-on-year increase of 44%. During the year, knowledge-enhancing initiatives were carried out for reporting and follow ups, leading to increased reporting aptitude. The Group also expanded in number of employees by 13%.

FUTURE FOCUS AND NEW LONG-TERM GOALS

- Clean, light and noise free work environment.
- Ergonomic workplaces for all employees.
- Continual follow-ups on health and safety issues to ensure good health.
- Training in health and safety.

NUMBER OF WORKPLACE ACCIDENTS WITH HOURS OF ABSENCE



GARO’s operations

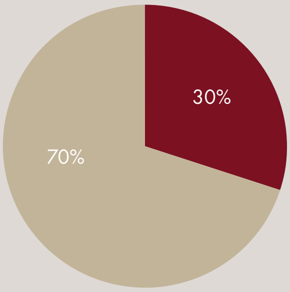
GARO’s operations are divided into two business areas – GARO E-mobility and GARO Electrification – and a number of central functions.

GARO E-MOBILITY

GARO is a significant company in Europe and one of the leading manufacturers of electric car charging products in the Nordic region. With a broad product portfolio, the GARO E-mobility business area can offer all types of vehicle charging with related services – from wall boxes for single-family homes or tenant-owner associations, to charging stations for residential areas, companies, service stations and other public environments.

GARO ELECTRIFICATION

The business area manufactures electric installation material and offers the market a broad range of power supply products and services to industry, properties and construction sites, security components as well as energy measurements. The segment includes the Electrical distribution products, Project business & Temporary Power product areas.



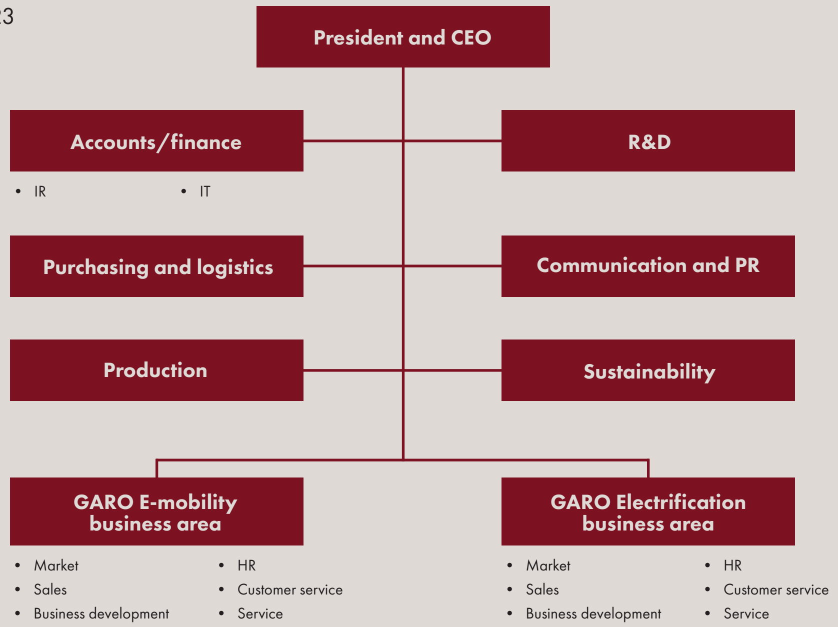
ALLOCATION OF NET SALES

per business area 2022

- GARO E-mobility
- GARO Electrification

OPERATIONAL ORGANIZATION

At January 1, 2023

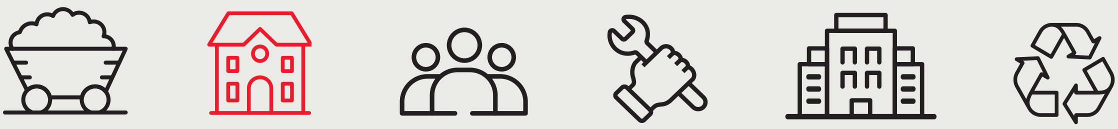


CENTRAL FUNCTIONS IN GARO

GARO's operations comprise a number of central functions that enable the Group to maximize the benefit of GARO's collective resources.

GARO'S VALUE CHAIN

At GARO, it is important to have a good insight in how interaction takes place in different stages of the value chain to continually improve relationships with suppliers, customers and end users, which contributes to positive development for the entire Group, industry and society.



Raw materials & suppliers	GARO	Customers	End customers	End users	Repairs and recycling
Components	GARO Electrification	Wholesalers	Electrical installers	Companies	Reserve parts
Steel	GARO E-mobility	Retailers	Industrial companies	Property owners	Service and support
Plastic		Contract customers	Rental equipment & machinery	Tenant-owner associations	Recyclable material
Copper		Partners	Construction companies & housing manufacturers	Single-family homes	
Containers			Contractors	Municipalities	
				Campsites	
				Marinas	

GARO E-mobility

BUSINESS SPECIALIZATION

GARO supplies the market with destination charging for electric cars, chargeable hybrid cars and heavy electrically-driven vehicle traffic. With one of the market's greatest offerings of wall boxes, public charging poles, fastchargers, cable cabinets for power supply, load balancing, programming, metering and software service, GARO is meeting the market's needs and simplifying life for customers. Our complete and unique total offering of products and services that extends from power supply to complete facilities for electric car charging makes GARO a complete supplier in destination charging.

Together with partners, wholesalers, retailers, electrical installers and contract customers, GARO offers the market charging stations that are innovative, sustainable and easy to install and use.

All products that reach the market meet market requirements for safety and energy consumption and are developed with a focus on digital control. The products can be connected and are able to share information with one another, the car and the user. They can also be connected to GARO's external cloud and payment services and share electricity consumption in an efficient way. The Group's offering also includes aftermarket services and support, increasing GARO's market competitiveness while providing support for customers. By offering a complete solution that is installation- and user-friendly as well as being cost-efficient for customers, we boost loyalty to GARO as a supplier.

DESTINATION CHARGING IN THE HOME

GARO develops and suppliers wall boxes that are tailored for private houses, whether they be single-family homes or apartment blocks. The Group's long history in electric car charging is characterized by the ambition and desire to promote safe, smart solutions that simplify daily life for users. All solutions for the home can advantageously be combined with the Group's user-friendly services that make home charging cost-efficient, simple, flexible and future-proof.

DESTINATION CHARGING IN PUBLIC

GARO has been strategically investing on developing a broad offering in public charging infrastructure for various types of public environments for many years. This has always been characterized by flexible solutions with a considerable focus on safety that can easily be combined with smart services. Our broad offering enables considerable opportunities for various types of operations and demonstrates environmental responsibility and customer consideration by offering charging to electric and hybrid vehicle owners.

QUICK CHARGING ON THE ROAD AND AT YOUR DESTINATION

The products in GARO's quick charging range are advantageously placed along roads where motorists have requirements and expectations for quick electricity charging. GARO offers numerous variants of fastchargers all of which are OCPP compatible and come with intelligent identification solutions enabling the user to quickly and easily begin charging.

DESTINATION CHARGING HEAVY TRAFFIC

Demand for sustainable transport in goods distribution is increasing, successively contributing to reducing climate impact in the transportation sector. By offering wall boxes with a capacity adapted to heavier, electric vehicles, GARO is part of the development of future fossil-free transport and is creating opportunities for increased charging infrastructure in Europe for the transport sector.

BUSINESS OBJECTIVES

GARO's business objective is to further strengthen its market-leading position in the Nordic region and improve our position in Europe. The number of markets is expanding gradually through the establishment of own subsidiaries or alternatively through other well-established sales channels.

about 2%
PROPORTION OF THE EXISTING VEHICLE FLEET THAT ARE CHARGABLE VEHICLES IN EUROPE

48 050
SOLD CHARGING STATIONS 2022

17 516
SOLD CHARGING STATIONS WITH OCPP INTEGRATION IN 2022

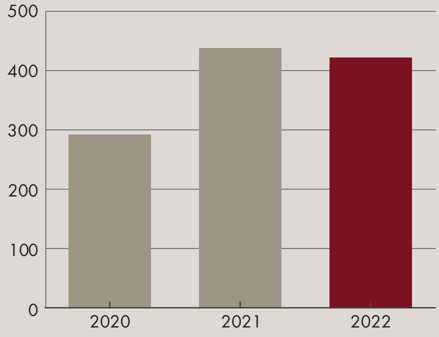
20%
GROWTH IN THE INTERNATIONAL ACCOUNTS CUSTOMER SEGMENT

FIGURES FOR 2022

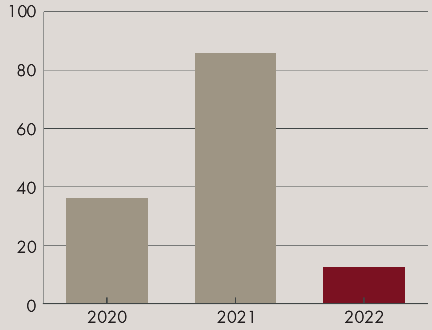
Net sales in GARO E-mobility amounted to MSEK 422 (438). The lower sales are partly a result of the challenging situation with limited supplies of electronic components, which has led to long delivery times to customers. The order book remains large, particularly in connectable systems for public charging, where the expansion of charging infrastructure is continuing.

EBIT declined to MSEK 13.1 (85.8) and the EBIT margin amounted to 3.1% (19.6). The lower sales volumes combined with lower productivity and aggressive investments led to a decline in profitability in 2022.

NET SALES (MSEK)

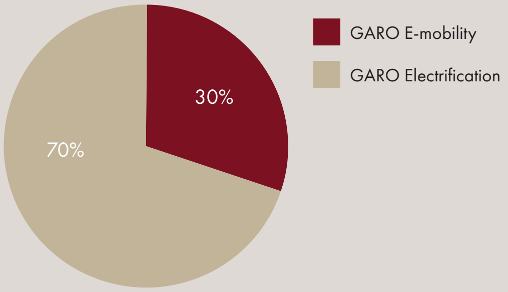


EBIT (MSEK)



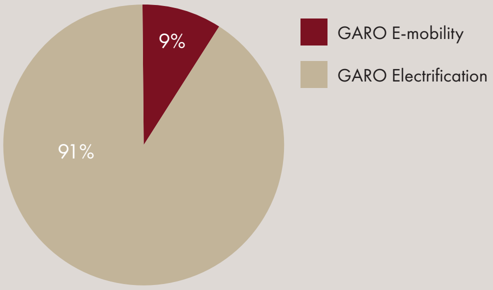
NET SALES

Share of the Group



EBIT

Share of the Group



A market with strong growth

PARTICIPATION FOR A SUSTAINABLE SOCIETY

For natural reasons, climate issues are currently high on the agendas of many countries and companies. There are driving forces in place that, combined with political initiatives, are increasing the pace of the transition to more sustainable transportation and vehicles. GARO has taken on a distinct and important role in this global transition. By offering a broad product portfolio to the market, we are making considerable contributions to a more sustainable society. We view a well-designed infrastructure in destination charging as crucial for easy ownership of an electric car, and something that leads to an increased demand for electric vehicles.

HIGH DEMAND IN ELECTRIC CAR CHARGING

In 2022, demand for electric cars was higher than ever before throughout Europe. However, the transition to a fossil-free society remains in its infancy as less than 3% of Europe's passenger car fleet is currently made up of electric or hybrid cars. The past year was also characterized by an increase in general awareness when it comes to electricity supply and consumption. This has partly been from a climate perspective, but also from a consumption perspective as a result of rising energy costs.

At GARO E-mobility, we recorded a strong order intake in 2022. However, sales were hampered by a lower delivery capacity caused by the global shortage of components. Despite high demand for electric cars, we noted a weaker demand for wall boxes in home environments. The reason for this was the long lead times for car deliveries that prompted many end customers to postpone their purchases of home chargers. The expansion of public charging was at a high level during the year, which resulted in doubled sales in the product category compared with the preceding year.

UNIQUE MARKET OFFERING

The demand for more advanced systems for public charging has increased. This benefits GARO as a supplier since our total offering is tailored for both large and small facilities. Together with our unique and complete product and service offering – from power supply to fully functioning facilities for electric car charging – we meet market needs and expectations both today and for the future. We are establishing shared synergies through a close collaboration with the GARO Electrification business area that is tangible to the development of the sustainable society of the future.

INNOVATIVE PRODUCT DEVELOPMENT

GARO's distinct strategy is for the Group to use its innovation to develop and offer complete electric car charging solutions. The company's long history in E-mobility has always had a clear objective to deliver smart, safe and future-proof solutions that enhance and simplify the every-day lives of users. We are focusing on creating safe environments for electric car charging, GARO Entity is demonstrating that we have listened to the market's needs for safety and simplicity. The launch of new innovative products is the beginning of a new era in which destination chargers are based on an entirely new technical platform that includes products and smart services for home use in single-family homes, apartment blocks, commercial properties and public environments. The market has increasingly transitioned to even demanding connectable products in the home, a need that GARO Entity meets.

In 2022, GARO took a new step in destination charging for heavy traffic. This concerns the launch of a new product in the AC-charger product category for heavy vehicles with a capacity of 43 kW. The product launch has resulted in us signing an agreement with a global manufacturer in the European market. To further strengthen our position in the market, we are continuing to strategically invest in product development and continually supply the market with smart and competitive products and solutions.

NEW OPPORTUNITIES WITH NEW PRODUCTION UNITS IN POLAND

In 2022, a decision was made to invest in a new production and logistics facility in Szczecin in Poland. The surface of the new facility extends to about 15 000 square meters, which will be a considerable capacity increase, primarily in the GARO E-mobility business area where we see great potential for substantial growth in the years ahead. Construction commenced in the second quarter of 2022, and the factory is expected to be completed by summer 2023. At the same time, we intend to continue to invest in GARO's existing production units in Sweden that are already characterized by having a high level of efficiency.

WE ARE LOOKING AHEAD

We see considerable potential in E-mobility and healthy opportunities to further develop and strengthen our position in Europe.

Access to components will increase for the entire manufacturing industry. This will result in shortened lead times and an increase in demand for charging stations.

The new factory, which is strategically located in Szczecin in Poland, will create new business opportunities for GARO and specifically for the E-mobility business area. With the construction of the new production unit and the efficiency enhancements in Sweden, we will be able to meet market demand even quicker moving forwards than we currently do.

GARO is to be market leading in destination charging in Europe.

"With the development of GARO Entity, we are demonstrating that we have listened to the market's needs."

Niklas Rönnäng, Business Area Manager GARO E-mobility

GARO Electrification

BUSINESS SPECIALIZATION

GARO's core expertise is to develop and produce innovative products and complete solutions for the electrical installations market. The total offering is characterized by a distinct focus on quality, safety, sustainability and energy enhancements. By continually investing in technology and control, GARO is meeting the market's increased interest in energy saving. Always with an objective on providing the electrical installer with the best prerequisites for being able to carry out their work in an easy, efficient and safe manner and providing the end user with a safe and simple solution.

With GARO's total range in GARO Electrification, the Group's offering primarily directed to electrical installers, property owners, construction companies, housing manufacturers and rental companies in the construction sector. Sales channels are adapted based on the market. Sales are primarily conducted through wholesalers, retailers and contract customers.

Sales in GARO Electrification are driven by new construction, renovation and adaptation to the electrified society. An example of this is major commercial buildings such as housing, workplaces, shopping centers and hotels as well as various forms of industrial operations. There are many synergy effects for GARO E-mobility since the business area's products often comprise the basic prerequisite for the power supply of facilities for electric car charging.

PRODUCT AREA ELECTRICAL DISTRIBUTION PRODUCTS

The product range consists of electrical distribution products for the professional market. The total offering consists of about 3 500 electrical products and complete solutions for fixed electrical installation within new builds of housing and properties, various types of renovation projects and different forms of industrial operations. The product range includes complete distribution cabinets containing media, control and metering, exterior facades and ground meter cabinets. Standard components, connectors, smart engine heater outlets and electric posts for camping and marinas are also part of the offering. The range is characterized by high product quality, high electrical safety and energy efficiency that have an overall positive effect in the trend toward a more climate-smart future.

PROJECT BUSINESS PRODUCT AREA

The complete product portfolio can power everything from a small apartment to large-scale, complex industry. GARO's ready-assembled distribution cabinets, cable cabinets and switchgears are customer adapted based on close collaboration with the electrical installer or the designer. These complete solutions, which have all been prepared for easy assembly, offer a low total cost and minimal effort.

TEMPORARY POWER PRODUCT AREA

The Temporary Power product area produces products for temporary electricity, heating and lighting. These include temporary distribution cabinets, workplace lighting, drying fans and fan heaters for use on construction sites or for events. The product area offers products with high energy efficiency, user-friendliness, a high level of safety and that are ergonomically designed to meet the need of a good work environment.

BUSINESS OBJECTIVES

GARO Electrification is to be a leading player in the markets in which the Group has chosen to operate. A broad product portfolio in electric installation material is strengthening the segment at the same time as GARO E-mobility's product offering in electric car charging in Europe is being added to. As a complete and safe supplier, we are fortifying and strengthening our leading position through continual product development, adapting to new markets and establishing our own subsidiaries.

13%
GROWTH

308
EMPLOYEES IN THE BUSINESS AREA

30%
GROWTH IN EUROPE (EXCL. THE NORDIC REGION)

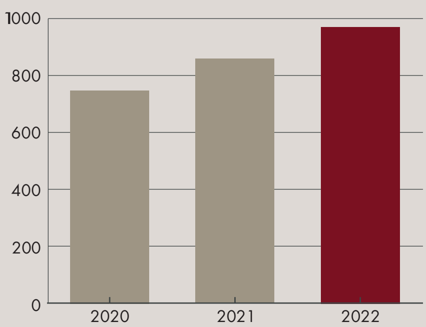
OVER 5 000
PRODUCTS IN GARO ELECTRIFICATION

FIGURES FOR 2022

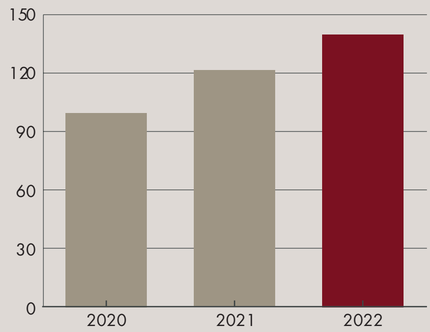
The GARO Electrification business area reported a favorable trend during the year with net sales amounting to MSEK 969 compared with MSEK 858 in the preceding year. Growth is attributable to the Electrical distribution products and Project business product areas where growth in GARO's sales companies in Europe (excluding the Nordic region) amounted to 30%. The electrification of society remained at a high pace, with an increased focus on energy efficiency and metering. Coupled with the strong performance of the new construction and renovation sector during the year, this has bolstered sales.

EBIT increased to MSEK 139.6 (121.4) during the year and the EBIT margin amounted to 14.4% (14.1).

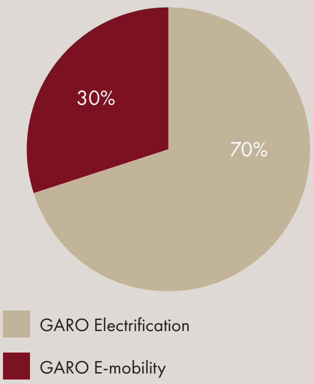
NET SALES (MSEK)



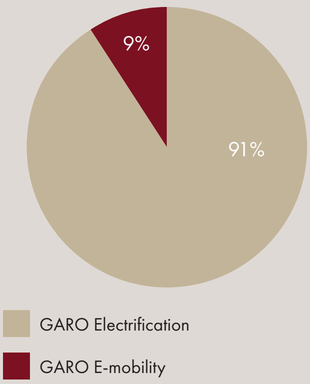
EBIT (MSEK)



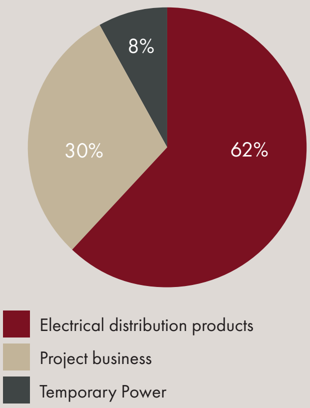
NET SALES
Share of the Group



EBIT
Share of the Group



NET SALES
Per product area



Electrification, energy enhancements and sustainability

HIGH DEMAND IN ALL PRODUCT AREAS

It can clearly be seen that the electrification of society is intensifying. A clear factor behind this is the access of sustainable energy and the high energy prices that have characterized 2022 which, regardless of market, have led to strong demand for GARO's products and complete solutions.

Growth in the GARO Electrification business area amounted to 13% during the year. The strong trend in the Electrical distribution products and Project business product areas has been particularly pronounced. The Project business product area trended positively, mainly in Sweden and the UK, while the Temporary Power product area remained at the same level as the corresponding quarter of 2021. The positive trend was the result of favorable power supply to new construction and renovation and demand in smart control and energy efficiency enhancements driving sales of products in both Electrical distribution products and Project business. The expansion of E-mobility also places considerable requirements on energy and power supply, which drives sales of products in Project business and establishes a unique complete offering to our customers. The Project business product area trended positively, mainly in Sweden, Ireland and the UK.

The new construction and renovation sector remained strong during the quarter and the assessment is that the underlying market as a whole is unchanged compared with the preceding year. This indicates that GARO has increased its market shares and further strengthened its position in the market. Healthy sales of products used to safely and securely control, measure and power marinas and camping sites has also been noteworthy.

ELECTRIFICATION ON EVERYONE'S AGENDA

As the electrification of society is intensifying, as is market interest and demand for products and solutions that help enhance efficiency and reduce our climate footprint. The majority of GARO's offering is developed to enable and accelerate the transition to a more sustainable and climate-smart society. The Group will use its innovative development of products and solutions to actively be involved in designing the future sustainable way of living.

CREATING A UNIQUE OFFERING TOGETHER

Product development is an important factor in driving the Group's growth. GARO is a supplier that offers a product range characterized by high quality and optimal electrical safety.

The Group's multi-year experience has enabled us to be a safe, reliable and long-term company that the market appre-

"Demand for GARO Electrification's products and solutions was strong in 2022."

Daniel Emilsson, Business Area Manager GARO Electrification

Synergy effects in GARO make us unique.

ciates. The offering includes a broad range of products that contributes to strengthening GARO as a potential complete supplier in certain segments. Strong demand for products in varied product groups demonstrates the importance of having a broad product offering where products can effectively be combined with one another. In Ireland and the UK, the development of charging infrastructure is driving GARO's project sales, which has generated considerable growth for these two countries.

The development of a sustainable society and its infrastructure has led to increasingly complex customer projects. This is a trend that benefits GARO, which has a unique offering of power supply products compared with other companies in the market.

MATERIALS SUPPLY IN A CHALLENGING TIME

In 2022, GARO has focused on developing and enhancing the efficiency of manufacturing processes in the GARO Electrification business area and increasing the Group's capacity with the aim of meeting strong market demand. The international shortage of components, which was made even worse during the year by the current global situation, combined with rising costs in the supply chain for materials and transportation, presented challenges. The Group managed these challenges in a satisfactory manner, both when it comes to maintaining an adequate delivery capacity and in terms of adjusted pricing.

AGGRESSIVE EFFICIENCY ENHANCEMENT INVESTMENTS

The GARO Electrification business area reported strong growth during the year. To create a stable foundation for continued positive expansion, operations in Sweden were relocated at the end of the year. We increased the efficiency of operations by relocating them from three facilities to one facility in Hillerstorp. The move was complete at the end of January 2023. In Gnosjö, which is the natural home of GARO, operations were expanded both in terms of square meters and in terms of the number of jobs on offer. This is something that is meaningful for the region. The new production unit in Poland will also create opportunities for additional growth when it is complete in summer 2023.

WE ARE LOOKING AHEAD

Housing construction remains at a high rate of production, but new production is expected to gradually slow in 2023 in line with a fewer number of construction starts. On the other hand, demand for other commercial and public construction, combined with renovation requirements, energy efficiency and electrification, is expected to remain favorable, which is beneficial for GARO.

Technical advances in energy efficiency enhancements are continuing and creating new business opportunities for us in the Nordic region and Europe. We see considerable potential in a number of areas moving forward, particularly in the intelligent heating of buildings, components and systems for the semiconductor industry and components for electric vehicles.

Sustainability at GARO

FOR FUTURE GENERATIONS

Sustainability is a central part of GARO's business concept. With a focus on innovation, sustainability and design, the Group develops products and solutions for future generations. For GARO, sustainable enterprise is a natural way of working. It is integrated into our strategy, business model and governance. As one of the leading companies in the manufacturing of electric installation material and electric car charging, GARO is taking a distinct responsibility when it comes to sustainability.

SUSTAINABILITY AT GARO

The Group bases its framework of GARO's sustainability work on two cornerstones: partly how proprietary operations are structured, and partly how the Group's products contribute to the transition to an electrified society. GARO's operations are to be conducted in a sustainable manner in which all employees are to be offered safe and comfortable workplaces. The products and services that GARO provides create the preconditions for and enable the growth of a fossil-free society. Sustainability

issues are a natural part of the Group's strategy which is characterized by operations with a long-term path that will help guide and structure sustainability activities at all levels of the company.

FOCUS 2022

In 2022, work with GARO's sustainability strategy for the Group is continually being developed. The ambition and goal is to continually develop our positions. This strategy is based on continued work connected to our sustainability goals based on Agenda 2030, deriving from the UN's 17 SDGs and the Paris Agreement. The company's sustainability goals form the basis of the Group's day-to-day work and ensure that GARO meets stakeholder expectations. Sustainability work is based on four pillars, each of which is part of the strategic framework:

- Materials
- Energy
- Products & Services
- Employees, Culture & Society

GARO has selected six of the UN SDGs for which the Group creates value and contributes to the global transition. To ensure that relevant operational targets have been identified, continual follow-ups and assessments are conducted throughout operations, including in GARO's value chain.

THE GLOBAL GOALS
For Sustainable Development

UN SDGs	Targets	Impact	Important issues for GARO
7 AFFORDABLE AND CLEAN ENERGY	7.1 Universal access to modern energy services	GARO offers products and solutions that contribute to the climate transition and an electrified and more sustainable society.	• Energy (accessibility, efficiency)
8 DECENT WORK AND ECONOMIC GROWTH	8.8 Protect labor rights and promote safe and secure working environments for all workers	GARO is responsible for all employees having decent and fair working conditions, the opportunity for education and a safe work environment. GARO always has safety as its highest priority when developing new products.	• Discrimination and equality • Human rights • Health and safety • Product safety
11 SUSTAINABLE CITIES AND COMMUNITIES	11.2 Provide access to sustainable transport systems for all	GARO's safe and smart charging solutions contribute to a sustainable and energy-efficient vehicle fleet and infrastructure.	• Electrified infrastructure • Service and maintenance
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.2 Achieve the sustainable management and efficient use of natural resources	As a producer, GARO contributes to a more circular society by designing products that make recycling components easier. GARO works continually to increase the proportion of reused materials in production. GARO's own water consumption contributes to access to clean water.	• Material choices • Replaceable components • Water consumption
13 CLIMATE ACTION	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters	GARO offers energy-efficient products that contribute to the electrification of society and thereby reduce the burning of fossil fuels. Systematic climate efforts are also conducted internally to reduce the climate impact of operations.	• Climate (emissions, energy consumption, adaption)
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	16.5 Substantially reduce corruption and bribery in all their forms	GARO has an international value chain in which the Group has the opportunity of impacting how business is conducted and there is zero-tolerance for corruption throughout the value chain.	• Zero tolerance of corruption in the Group and its value chain.

Governance and responsibility

GARO governs its sustainability work with a clear objective and ambition to continually evolve. This is ensured with continual follow ups of the compliance of sustainability goals, conducting the correct activities based on established approaches and by updating policy documents.

Clear sustainability governance and continuous follow-up ensure that the right activities are performed based on established approaches. GARO's Board of Directors is ultimately responsible for the Group's sustainability work, while its overall responsibility lies with the CEO and Group Management. The Head of Sustainability is responsible for sustainability work in the Group, strategy and guidelines, the division of responsibility and annual revision of steering documents.

Responsibility is divided based on the area for the operational sustainability work and implementation. Operations in Sweden, Poland and Norway have ISO 9001 and 14001 certifications, which are well established international standards for quality and the environmental management system. Operations in Ireland and the UK are certified in accordance with ISO 9001. By being certified, all of the operational management systems, processes and procedures undergo an annual external review which ensures that current regulations are always met.

OUR MOST IMPORTANT SUSTAINABILITY ISSUES

The Group's operations entail both risks and opportunities regarding sustainability. To ensure that the work being carried out is relevant, materiality analyses are carried out. These analyses internally clarify how the Group's operations impact the field of sustainability and how the field of sustainability impacts the Group. Analyses provide knowledge and insight that can lead to adjustments in the sustainability strategy and contribute to clarifying relevant focus on sustainability work in the Group.

The Group's value chain makes use of natural resources, various materials 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 the environment such as pollution, emissions of greenhouse gases and impact on the ecosystem. At the same time, GARO's products and services make positive impressions by contributing to the energy and climate transition with sustainable, energy-efficient and safe complete solutions.

GOVERNANCE MODEL

Board of Directors
Ultimate responsibility for the company's sustainability efforts

Group Management
Overall responsibility for the company's sustainability efforts

Operations
Operational responsibility/implementation

Employees
Understand and work based on policies, the Code of Conduct and sustainability frameworks

POLICIES AND GUIDELINES

GARO has the following policies, codes of conduct, guidelines and associated action plans to provide guidance for employees, corporate culture and social responsibility.

Policies

- Anti-corruption policy
- Operational policy
- Equality policy
- Whistleblower policy
- Purchasing policy
- Alcohol and drug policy
- Integrity policy
- Vehicle policy
- Sponsorship policy
- Insider policy
- Communication policy

Quality and environmental management system:
ISO 9001:2015
ISO 14001:2015

Code of Conduct
GARO Code of Conduct
GARO Supplier Code of Conduct

The importance of sustainable material choices

Through considerate choices of materials, GARO can act as a champion across the entire value chain and offer sustainable products to the market. This is how suppliers, customers and end users can be influenced. It is paramount for GARO to have good insight into interaction at the different stages of the value chain.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

12.2
Achieve the sustainable management and efficient use of natural resources

As a producer, GARO contributes to a more circular society by designing products that make recycling components easier. GARO works continually to increase the proportion of reused materials in production.

GARO's own water consumption contributes to access to clean water.

Important issues for GARO:

- Material choices
- Replaceable components
- Water consumption

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

16.5
Substantially reduce corruption and bribery in all their forms

GARO has an international value chain in which the Group has the opportunity of impacting how business is conducted and there is zero-tolerance for corruption throughout the value chain.

Important issues for GARO:

- Zero tolerance of corruption in the Group and its value chain.

GARO works systematically to minimize the use of materials, maintain resistance and quality and meet safety and sustainability requirements for its products.

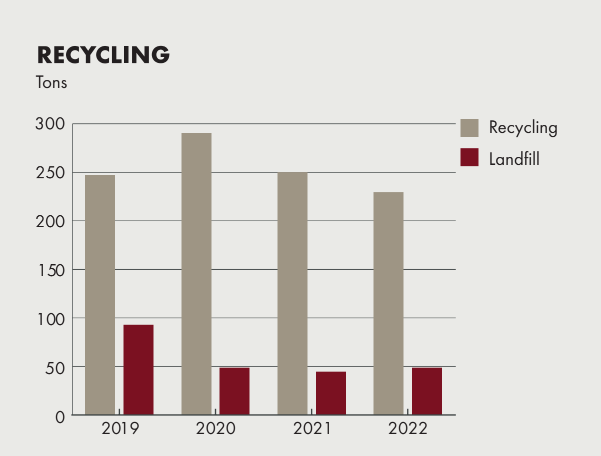
HIGH MATERIALS REQUIREMENTS TO MEET THE SDGS

Market requirements regarding the choice of materials, certification and/or standards are rising at the same or faster pace than legislation is being tightened, particular in the EU. One area is legislation and the use of conflict materials, such as tin, tungsten, tantalum, gold and several other 3TGs that are used in a variety of everyday products.

GARO sets requirements and evaluates all material purchases. The Group's suppliers are mainly located in Europe, which limits the risk of non-compliance with the Group's Code of Conduct. We initiated an expanded review during the year, which identified the need to prioritize the materials that we use in our product portfolio to an even greater extent. These efforts will continue in 2023 and could have a direct impact on

SUSTAINABILITY GOALS AND OUTCOMES

Goal		Outcomes	
>98%	Achieve a recycling level of over 98% by 2025.	**82%**	In 2022, waste recycling totaled 82%.



the choice of materials, suppliers, circular flows, packaging and waste management.

GARO'S SUPPLIERS

All suppliers with whom GARO enters into strategic partnerships are continually assessed to ensure that they meet the Group's quality and sustainability requirements. GARO works together with suppliers to develop and achieve a sustainable working method through cooperation and dialog.

The Group has a zero tolerance policy on bribery and corruption in both within the Group and in business relationships.

CIRCULAR FLOWS

When GARO develops products, the objective is for them to offer high functionality and be energy- and cost-efficient while having the least possible environmental impact throughout their life cycle. The operations have a life cycle perspective integrated in all product development projects and include the entire GARO value chain, from the choice of materials to reparation and recycling.

Circular flows are a core element of the operations and are made possible by the design of the products, the choice of materials and collaborations. In the design phase, products are adapted to make components replaceable and it should be easy to make any repairs. If a product breaks, the primary objective is to repair it instead of replacing it with a new product. GARO provides reserve parts for the Group's product portfolio, which saves resources and is financially advantageous for the end user. All of GARO's products can be recycled. It should be simple to dismantle the components and sort them based on the recycling opportunities available in each country. As an example of us continually developing circular flows and taking care of materials, GARO initiated a dialog with companies that offer cable and electronic recycling during the year. The aim of this was to increase the conditions for recycling materials for new GARO products.

PACKAGING MATERIALS

GARO maintains continual focus on reducing its carbon footprint with climate-smart packaging of products. Packaging was optimized to reduce material consumption and the Group is continually seeking out new technology and material. New guidelines were adopted at the end of 2022 on how future packaging is to be designed to be more climate smart. The implementation process on the existing range will take place gradually and will be applied to all new packing from December 1, 2022.

MATERIAL WASTE AND WATER CONSUMPTION

In 2022, waste recycling totaled 82%, which was a 2% year-on-year reduction. Since 2020, total waste has declined 18%. GARO's objective is that no waste goes to landfill and the Group operates based on the EU waste hierarchy, which mainly involves minimizing and reusing resources. When this is not possible, waste is recycled and, in a last case scenario, waste goes to landfill. During the year, 4 274 cubic meters of drinking water was consumed. Many people share this water and climate change impacts access to clean drinking water. Sustainable water consumption is therefore important for GARO.

GARO's energy and greenhouse gas emissions

GARO's products, services and various sustainability initiatives contribute to enhancing energy efficiency and reducing climate impact. Modern and sustainable production is a given for GARO, and we continually work to make processes energy efficient and reduce emissions. The Group wants to be an enabler that contributes to Agenda 2030 and the ambition of the Paris Agreement to reach net zero GHG emissions by 2050.

13 CLIMATE ACTION

13.1
Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters

GARO offers energy-efficient products that contribute to the electrification of society and thereby reduce the burning of fossil fuels. Systematic climate efforts are also conducted internally to reduce the climate impact of operations.

Important issues for GARO:

- Climate (emissions, energy consumption, adaption)

CLIMATE

Global warming is taking place at an alarming rate. Energy consumption in the transportation sector as well as the generation of electricity and heating accounts for the majority of global greenhouse gas emissions. This requires major investments to adapt to a society of climate consideration and combat the ongoing rise in temperature in accordance with the goal of the Paris Agreement.

CLIMATE TARGETS, PLANS AND COOPERATION

GARO wants to be an enabler that contributes to Agenda 2030 and the achievement of the goals of the Paris Agreement long before 2050. As a result, anything within the framework of electrification, both in terms of business and internal transition, is a focus area for the Group.

The goal is that direct and indirect GHG emissions from our premises in terms of electricity and heating will be zero tons by 2025. GARO works continually to enhance the efficiency of processes, reduce emissions and energy consumption and increase the share of renewable energy in operations. All electricity in GARO's own facilities is to come from fossil-free sources by 2025.

GARO sees opportunities in reducing the company's emissions by 2030 by developing strategic and Group-wide sustainability plans in 2023. Work to develop sustainability plans is ongoing with the following objectives:

- Increase the share of fossil-free energy for heating and cooling by phasing out gas to the benefit of energy, cost and emission reducing heat pumps.
- Increase self-generated solar electricity by investing in solar cell facility resulting in lower electricity, transmission and effect costs.
- Increase the share of electric vehicles such as service vehicles, work vehicles and transport.

GARO'S SUSTAINABILITY GOALS AND OUTCOMES

Goal		Outcomes	
0 tons	The goal is that direct and indirect GHG emissions from the Group's premises in terms of electricity and heating will be zero tons by 2025.	**250 tons**	In 2022, GARO's GHG emissions from its premises per sales declined by 16%.
100%	All electricity in the Group's facilities is to come from fossil-free sources by 2025.	**92%**	In 2022, the share of electricity from fossil-free sources declined 2.5%.

- Supplier dialogs with GARO's largest sub-supplier with a focus on fossil-free process energy.

COLLABORATIONS

It is naturally important for GARO to take social responsibility, both at an overall level and a local one in the locations where the Group operates. As such, collaboration with other players is important for contributing to development and reducing emissions with new knowledge and an established exchange of frontier research. Project dialogs in 2022:

- On GARO's initiative and with a focus on sustainable, flexible electricity systems, a project application was submitted under the management of the Jönköping School of Engineering in collaboration with Jönköping University – School of Education and Communication as well as several municipalities and companies. The project will span three years.
- GARO is participating in the SuperEffekt project under the management of the Blekinge Institute of Technology focusing on the combination of solar electricity, battery, hydrogen and AI.
- GARO is collaborating with industry players such as Elektroskandia to evaluate the opportunity of electrified freight between GARO and the players.

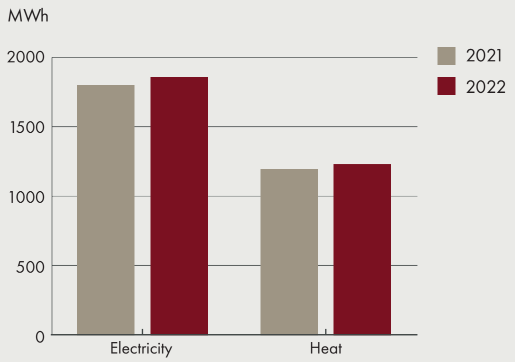
CLIMATE IMPACT

In 2022, GARO's GHG emissions from its premises per sales declined by 16%. Ahead of 2022, the calculation model was updated to also include rented premises, which is why the outcome for 2021 has been adjusted. GARO will continue to focus on systematically reducing emissions in the Group. GARO's new production facility in Poland departs from gas heating and is expanding the production of solar electricity and energy-efficiency enhancements by prioritizing heating and cooling pumps. GARO's rate of self-sustaining consumption for heating and electricity in our premises was 2% on an annual basis, which was the same rate as for 2021. In 2022, GARO's total energy consumption amounted to 1 885 MWh for electricity and 1 247 for heating, which is a year-on-year reduction per SEK of sales.

PRODUCTION AND LOGISTICS FACILITY IN POLAND CONSTRUCTED IN ACCORDANCE WITH BREEAM.

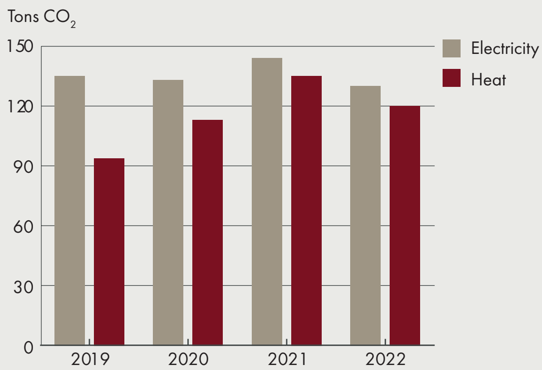
GARO's investment in a new production and logistics facility in Poland is an important step in the Group's development of sustainable production and operations. The construction of the large-scale facility, which is expected to be complete in summer 2023, is in accordance with BREEAM. This is a comprehensive method and tool to apply sustainable solutions in a cost-efficient manner and provide the market with total transparency regarding the Group's performance. The evaluation is being carried out by licensed and independent players that are evaluating factors such as energy and water efficiency, air quality, transport solutions, material consumption, waste management, biodiversity and how GARO contributes to developing its surrounding area.

ENERGY CONSUMPTION IN PREMISES



GARO's total energy consumption amounted to 3 132 MWh (3 039), of which 1 885 MWh accounted for electricity and 1 247 MWh accounted for heating.

PROPORTION OF GREENHOUSE GAS EMISSIONS FROM PREMISES



In 2022, GARO's greenhouse gas emissions totaled 290 tons. Emissions per sales declined 16% year-on-year.

Products & Services

GARO designs and manufactures complete solutions for electricity distribution and electric car charging. The Group's products and solutions, which are integrated across the low-voltage distribution, positively contribute to the transition to a sustainable and electrified society.

GARO develops both hardware and technology in product systems with a focus on electrical safety, control, metering and sustainability. This is achieved through investments in product development and continually striving to further develop manufacturing processes in the facilities for reduced material intensity, increased circular recycling of products and a systematic reduction of the Group's total greenhouse gas emissions. In this way, GARO's products and services contribute to the transition to and maintaining a sustainable society.

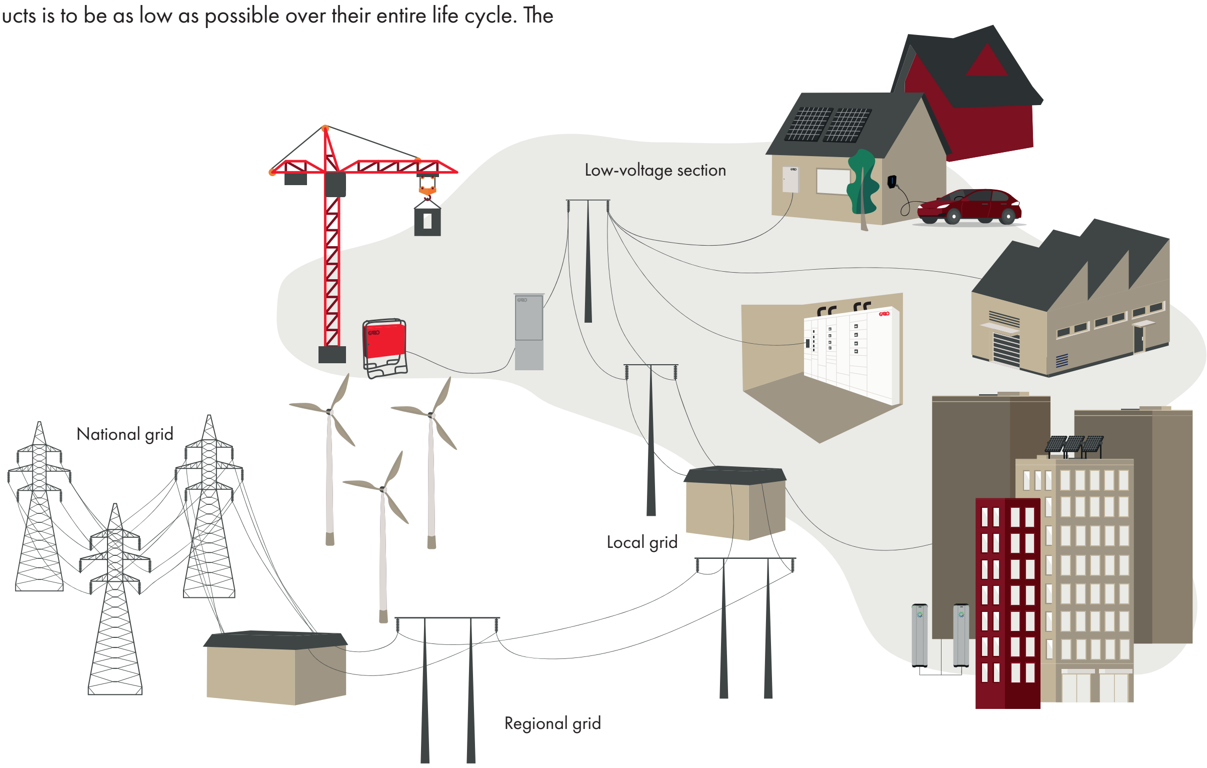
ENERGY-SMART PRODUCTS

The goal of GARO's product development is to provide the products with high functionality, energy-efficiency and cost-efficiency. At the same time, the environmental impact of products is to be as low as possible over their entire life cycle. The operations have a life cycle perspective integrated in all product development projects and include the entire GARO value chain, from the choice of materials to reparation and recycling. Digitalization and sustainability are always high on the agenda for all product development that takes place at GARO.

GARO – A LINK IN THE TOTAL ENERGY CHAIN

GARO's product development and ability to be innovative enables other companies and sectors to invest in the transition and achieve their set sustainability goals.

The fact that operations that manufacture products for the distribution of electricity play an important role in the transition is a



The Swedish electricity network comprises three levels with different voltages: the national grid (220-400kV), the regional grid (40-130kV) and the local or distribution grid that comprises two sections, a medium voltage section (10-20kV) and low voltage section (400V). In the low-voltage section, GARO conducts business with customer-adapted switchgears of up to 2 500 A down to the standardized distribution cabinets in single-family homes (20 A). Deeper into the ecosystem of products and services, vehicle charging, temporary electric installations and software for load balancing and control are offered.

factor that is particularly highlighted in the EU taxonomy. This concerns the upgrade of existing electricity distribution, use and new establishment, which is increasingly supplied via solar and wind power. Electricity distribution then enables the charging of emission-free vehicles and the transition to smart properties and societies. The trend demonstrates that the future will include more complex and entire system solutions since residential areas, logistics hubs, industries, harbors and cities' electricity use will increase both in the short and long term with the following driving factors:

- The climate transition – where fuel will be phased out to the benefit of solar and wind power.
- Energy efficiency – transition to cooling and heat pumps.
- Population growth – rising demand for energy.
- The electrification of the entire transport and energy sector and more local electricity distribution.

7.1
Universal access to modern energy services

GARO offers products and solutions that contribute to the climate transition and an electrified and more sustainable society.

Important issues for GARO:

- Energy (accessibility, efficiency)

11.2
Provide access to sustainable transport systems for all

GARO's safe and smart charging solutions contribute to a sustainable and energy-efficient vehicle fleet and infrastructure.

Important issues for GARO:

- Electrified infrastructure

13.1
Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters

GARO offers energy-efficient products that contribute to the electrification of society and thereby reduce the burning of fossil fuels. Systematic climate efforts are also conducted internally to reduce the climate impact of operations.

Important issues for GARO:

- Climate (emissions, energy consumption, adaption)

Committed employees are the key to success

It is important for GARO to be part of the society it operates in. Maintaining consideration for employees who we see as the key to the Group's continued development and success is just as meaningful. By placing people in the focus and offering favorable personal development opportunities and safe workplaces, GARO gains access to committed and motivated employees who thrive at work and contribute to the positive development of operations.

EMPLOYEES CREATE THE GARO SPIRIT

Openness, friendliness and pride are the foundations of GARO's corporate culture and the GARO spirit that has been created by its employees. An active and close leadership is a prerequisite for success, and every employee must, regardless of position, be treated with respect. Each year, employee surveys are conducted to ensure that all employees are content at work and feel that they have the opportunity of developing together with GARO as an employer.

GARO's strong corporate culture creates motivation, commitment, pride and belonging. Each employee acting as a good ambassador for the Group not only strengthens the brand and corporate culture, but also contributes to the continued development of operations and maintaining strong relationships with the company's stakeholders.

SAFE, HEALTHY ENVIRONMENT

GARO is to offer safe and secure workplaces characterized by good working conditions and a sound balance between work and free time. The Group's production environments are clean, light and without noise, and the safety of employees is always in focus.All employees have an ergonomically designed workplace that is adapted based on individual requirements and disabilities.

It is a given for GARO that health and safety requirements are complied with and the company conducts inspection rounds in all producing units twice a year. To ensure good health of everyone in the Group, GARO continually follows up on work-environment matters and any reported incidents.

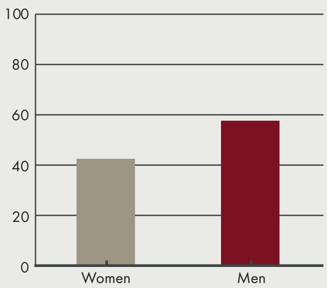
Regular training is conducted for all employees in health and safety issues, including CPR, fire evacuation and ergonomics. Physical activity is encouraged and every employee is offered a fitness subsidy and occupational healthcare services. In general,

GARO GROUP'S SUSTAINABILITY GOALS AND OUTCOMES

Goal	
0	GARO has a zero vision for workplace accidents.
Outcomes	
26	During the year, 26 accidents were reported, which is a year-on-year increase of 44%.

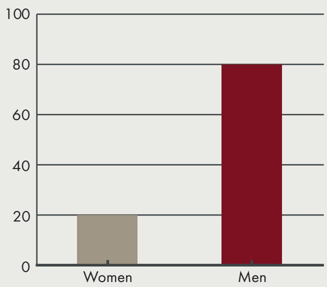
GROUP EMPLOYEES

Gender distribution, %



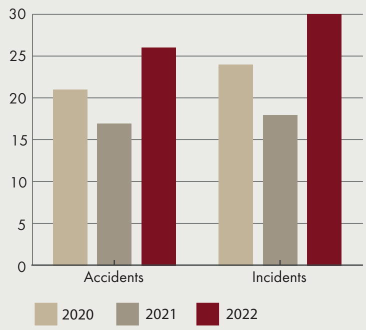
GROUP MANAGEMENT

Gender distribution, %



ACCIDENTS AND INCIDENTS

Quantity



GARO has very low absenteeism, which includes long-term sick leave. The goal is for equally low sick leave, regardless of work tasks and country. In 2022, the share of short-term sick leave was 3.4% (1.3) and long-term sick leave was 2.8% (1.1).

Workplace accidents must be as close to 0 as possible. For operational work, there are therefore established and proactive policies and guidelines in place for each area for any potential accidents and for which action can be taken immediately. In 2022, 26 accidents were reported, which is a year-on-year increase of 44%. During the year, knowledge-enhancing initiatives were carried out for reporting and follow ups, leading to increased reporting aptitude. The Group also expanded in number of employees by 13%.

8.8
Protect labor rights and promote safe and secure working environments for all workers

8 DECENT WORK AND ECONOMIC GROWTH

GARO is responsible for all employees having decent and fair working conditions, the opportunity for education and a safe work environment. GARO always has safety as its highest priority when developing new products.

Important issues for GARO:

- Discrimination and equality
- Human rights
- Health and safety
- Product safety

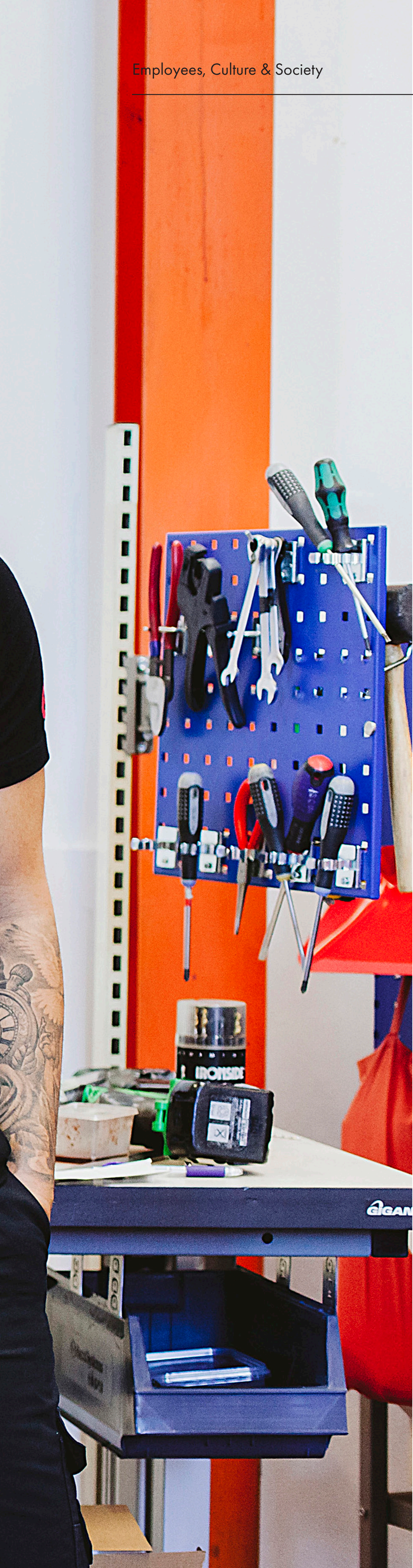
DIVERSITY AND EQUALITY

Everyone is welcome at GARO, regardless of gender, ethnicity, sexual orientation or disability. There is considerable value in having cultural diversity with even age and gender distribution throughout operations. This creates a successful corporate culture. GARO always strives to achieve an even employee composition and to have more women in senior positions. At the end of the year, Group Management consisted of one woman and four men. GARO has an equality policy that prevents discrimination from occurring, and all employees must review this policy when first employed. In addition, GARO has a whistleblower system that all employees are aware of and have access to. Employees can use the whistleblower system to report any irregularities entirely anonymously.

PERSONAL DEVELOPMENT AND RECRUITMENT

GARO is to have an attractive workplace in which its employees feel acknowledged and are offered developing and challenging work tasks, regardless of where in the Group they find themselves. Attracting and retaining expertise is an important


HyFlex
HyFlex



aspect of GARO's strategy, and creating the conditions for employees to forge a career in the Group attracts external expertise as well as ensuring that the expertise already present in the Group is maintained. The Group has its manufacturing in both Sweden and Poland, creating opportunities for each country's operations to take advantage of each other's lessons, culture and specific knowledge.

There is a wide range of various positions in the Group that creates favorable opportunities for employees to develop internally. Flexibility between different units, business areas, countries and within the Group in general has led to new insight and supplementary skills positively impacting GARO's operations.

Work with recruitment and expertise development is based on operational requirements combined with the Group's strategic direction. To identify and meet current and future recruitment and expertise requirements, GARO works actively with skills supply within various areas.

Much of these efforts are planned and carried out locally where various initiatives integrate with both elementary schools and colleges and are aimed at students taking both vocational and academic programs. Offering thesis work and apprenticeships and internships is important for providing students with an insight into potential future jobs and demonstrating the career opportunities that GARO has to offer.

All employees undergo an annual performance review with their manager. During the performance review, short- and long-term goals concerning work duties and ongoing skills development in GARO's companies are discussed.

CODE OF CONDUCT

GARO's Code of Conduct describes the guidelines and values that form the basis of how employees are to act toward one another and the business environment around them. The Code of Conduct covers the UN Global Compact's Ten Principles regarding human rights, labor, the environment and anti-corruption as well as the International Labour Organization's (ILO) current minimum standards for work conditions. The Code of Conduct is revised every year. The Code is available for all employees. GARO takes any breach of the Code of Conduct seriously.

Guidelines in brief:
The guidelines apply to the entire operations, including all partners and suppliers, regardless of where in the world they operate. All processes and projects must always operate in accordance with these guidelines.

- GARO supports, respects and guarantees the protection of internationally accepted human rights.
- GARO offers 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.
- GARO has zero tolerance towards discrimination, violence or harassment in terms of gender, sexual orientation, ethnicity, religion or other religious beliefs, disability or age.
- GARO has 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 Group operates and does business.

Risks

Various types of risks can arise in GARO's operations and value chain based on environmental, social and economic perspectives. GARO works actively to identify, manage, avoid, mitigate and follow up on risks that arise in operations. The aim of risk management is to continually assess and manage the risks that arise and to lay the foundations for successful sustainability work. The risks identified related to own operations, including work environment risks, mental health and discrimination. Refer to the table for the efforts taken to minimize these risks.

GARO's areas	Risk	Risk management
Resource consumption	Conflict minerals, resource shortages	According to GARO's Code of Conduct, products must not contain conflict materials (tin, tantalum, tungsten and gold) that are originated from conflict-affected and high-risk areas.
Environmental impact	Pollution and emissions	All of GARO's companies must have a certified environmental management system in accordance with ISO 14001 or a corresponding own non-certified system. The fundamental requirement is that each company in the Group must systematically follow up on their environmental impact with the aim of limiting their environmental impact.
Skills supply	Loss of or lack of qualified personnel	Continual work is performed for ensuring a safe and secure workplace with employees who develop and are satisfied. GARO is to provide attractive working conditions with a focus on flexibility and development.
Discrimination	Discrimination by gender, age, origin, religious beliefs, sexual orientation.	GARO has zero tolerance towards discrimination, violence or harassment in terms of gender, sexual orientation, ethnicity, religion or other religious beliefs, disability or age. This is complied with the help of the company's equality policy.
Health and wellbeing	Psychosocial risks (stress/exhaustion/strain injuries).	In accordance with GARO's Code of Conduct, the Group's employees are to have a safe and healthy work environment. Measures to prevent and manage possible incidents, accidents and diseases at the workplace must always be taken. GARO conducts continual follow-ups of employee wellbeing through dialogs and offering health-enhancing activities.
Value chain	Inadequate compliance with GARO's Code of Conduct for suppliers.	GARO has a Code of Conduct for suppliers that all parties must agree to before a partnership is entered into. This minimizes the risk of irregularities in the value chain.
Human rights	Lack of respect for human rights	GARO's Code of Conduct states that the Group is to support and respect the protection of internationally recognized human rights and ensures that any violation of human rights is avoided. Child labor must never occur within the operations or at any partner.
Ethical business	The occurrence of corruption and bribes	GARO has zero tolerance toward all forms of corruption, bribery or unethical business methods. All employees are responsible for identifying, complying with and respecting laws, regulations, and rules in the countries where the Group operates and does business.

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 2022 on pages 36–50 and 110–117 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

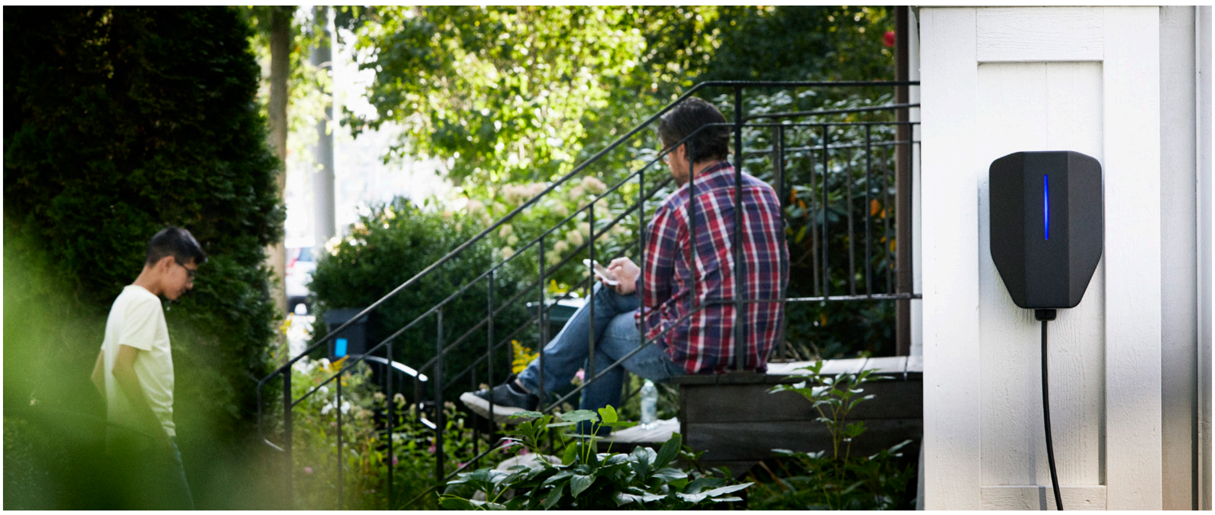
Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance 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 11 April 2023
Ernst & Young AB

Joakim Falck
Authorized Public Accountant



The GARO share

Through regular information disclosure to shareholders and the remainder of the capital market, GARO aims to efficiently and correctly create a fair image of the operations' performance, minimize the risk of rumors being spread and increase interest in the share and the company. The aim is to maintain continual dialog with the Group's various stakeholders.

SHARE PRICE AND AVERAGE VOLUMES 2022

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 13.7 million GARO shares were traded in 2022. The average daily volume during the year amounted to 55 244 shares (62 120). On the final trading day of the year, the share price closed at SEK 109 (216), a decline of 49% compared with the closing price on December 31, 2021. At the end of the period, the number of shares amounted to 50 000 000 (50 000 000).

GARO's market value on December 31, 2022 was MSEK 5 430 (10 800).

SHARE SPLIT

In the second quarter of 2021, a 5:1 share split was carried out, meaning that each existing share was replaced with five new shares. Figures pertaining to dividends and earnings per share for previous years have been recalculated in the annual report based on the new number of shares.

CONVERTIBLES, WARRANTS, ETC.

In conjunction with the 2022 AGM, a directed share issue of 200 000 warrants for senior executives was resolved. The program has a three-year term and is expected to contribute to achieving GARO's long-term business plan, strategy and financial targets. In the second quarter of 2022, 42 500 warrants were subscribed. The subscription of shares using the warrants can take place in June 2025. Oversubscription may not take place.

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

DIVIDEND

GARO's 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. The Board of Directors proposes a dividend of SEK 0.80 (1.40) for the 2022 fiscal year, corresponding to 33% (42) of profit per share. The proposal also means that the dividend will be paid on one record date in conjunction with the Annual General Meeting in May and one record date in November.

DATA PER SHARE (ADJUSTED FOR THE SPLIT)

Data per share	2022	2021	2020	2019	2018
Earnings per share, SEK	2.41	3.33	1.91	1.71	1.74
Cash flow from operating activities per share, SEK	1.78	2.43	1.74	2.43	1.48
Equity per share, SEK	12.28	11.03	8.60	6.86	5.92
Average number of shares (thousands)	50 000	50 000	50 000	50 000	50 000
Number of shares at the end of the period (thousands)	50 000	50 000	50 000	50 000	50 000

THE 10 LARGEST SHAREHOLDERS AT DECEMBER 31, 2022 (FROM EUROCLEAR)

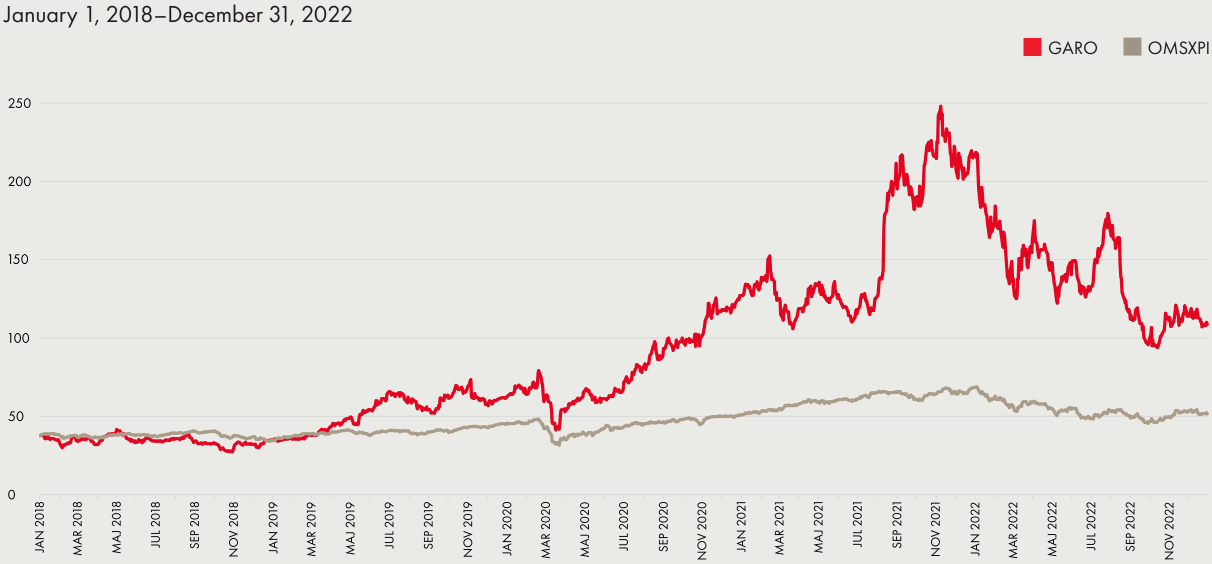
Shareholders	Number of shares	Share capital, %	Votes, %
Svensson, Lars	17 841 725	35.7	35.7
Swedbank Robur Funds	4 170 344	8.3	8.3
Svolder Aktiebolag	4 136 479	8.3	8.3
Nordea Investment Funds	2 440 126	4.9	4.9
Spiltan Fonder AB	1 888 662	3.8	3.8
Stefan Jonsson Invest AB	1 630 425	3.3	3.3
SEB Investment Management	1 573 609	3.1	3.1
State Street Bank and Trust CO, W9	1 328 304	2.7	2.7
Third Swedish National Pension Fund	1 300 000	2.6	2.6
Carnegie Investment Bank Filial, AF	1 102 862	2.2	2.2
Total, largest shareholders	**37 412 536**	**74.9**	**74.9**
Total, other shareholders	**12 587 464**	**25.1**	**25.1**
Total number of shares	**50 000 000**	**100.0**	**100.0**

SIZE CLASSES OF OWNERSHIP STRUCTURE AT DECEMBER 31, 2022 (FROM EUROCLEAR)

Holding	Number of share-holders	Number of shares	Share capital, %	Votes, %
1–500	16 759	1 543 455	3.1	3.1
501–1 000	979	761 088	1.5	1.5
1 001–5 000	736	1 554 799	3.1	3.1
5 001–10 000	85	652 455	1.3	1.3
10 001–15 000	18	218 618	0.4	0.4
15 001–20 000	10	183 601	0.4	0.4
20 001–	85	45 085 984	90.2	90.2
Total	**18 672**	**50 000 000**	**100.0**	**100.0**

SHARE PRICE DEVELOPMENT FOR THE PAST FIVE YEARS

January 1, 2018–December 31, 2022



Board of Directors' Report

The Board of Directors and the President and CEO of GARO AB (publ) hereby submit the Annual Report and consolidated financial statements for the 2022 fiscal year. All amounts are stated in MSEK and amounts in parentheses pertain to the preceding year. References to notes are either for the Group (G) or the Parent Company (PC).

GROUP STRUCTURE

GARO AB (publ) is the Parent Company of the Group with 11 directly and indirectly wholly owned subsidiaries as described in Note PC10.

Through its two business areas (BA) GARO E-mobility and GARO Electrification, as well as the Group's segments, the Group supplies products and complete solutions with a focus on electrical safety, user-friendliness and sustainability.

INFORMATION ABOUT THE OPERATIONS

GARO develops, manufactures and markets innovative products and turnkey solutions for the electrical installations market under its own brand. The GARO E-mobility business area includes the product area (PA) E-mobility, while the GARO Electrification business area comprises the Electrical distribution products, Project business & Temporary Power product areas. Over its more than 80-year history, GARO has established strong customer relationships and a highly developed supplier network that, combined with proprietary production and sales units, form a platform for delivering innovative, complete solutions.

GARO's largest customer group is electrical wholesalers. In addition, GARO has good relationships with end customers that comprise electrical installers, original equipment manufacturers (OEMs), industrial companies, tenant-owner associations and private individuals. The company has operations in Sweden, Norway, Finland, Ireland, the UK and Poland.

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

From January 1, 2022, operations are reported divided into the business areas of GARO E-mobility and GARO Electrification.

During the year, GARO commenced the construction of its new production and logistics facility in Poland. The facility is being constructed in close proximity to the existing establishment, close to the European market and with favorable logistics conditions.

A new product program on a new technical platform for products in destination charging was launched in GARO E-mobility during the year.

Toward the end of the year, parts of the Swedish operations were transferred to new premises in Hillerstorp, which will enable an expansion within GARO Electrification in the future.

The war in Ukraine has, to date, primarily affected GARO in the form of higher electricity prices, which for GARO have mainly led to higher purchasing prices. Furthermore, as a consequence of COVID-19, uncertainty prevails concerning access to components.

EMPLOYEES

The number of full-time employees in the Group on December 31, 2022 was 521 (498). The average number of full-time employees in 2022 was 521 (460). The number of employees in the Group's foreign companies on December 31, 2022 amounted to 226 (214), corresponding to 43% (43) of the total number of employees. The percentage of women during the year was 42% (43). The number of full-time employees in the Parent Company on December 31, 2022 was 123 (123), of whom 36% were women (37).

For more information about employees, see Note G7 page 76.

REMUNERATION OF SENIOR EXECUTIVES

Information about the remuneration of senior executives can be found in Note G7 on page 76.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

These guidelines are described in Note G7.

ENVIRONMENTAL IMPACT

GARO conducts its business activities in accordance with the legal requirements regarding environmental impact. The Group 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 Byggvarubedömningen (a non-profit financial unit that evaluates and provides information about goods assessed from a sustainability perspective). The Group'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 with the local authority as the supervisory authority. The Gårö 1:377 property is in risk class 2 according to the county administrative board's Method for Inventories of

MULTI-YEAR SUMMARY

SUMMARY OF THE GROUP'S FINANCIAL PERFORMANCE

MSEK	2022	2021	2020	2019	2018
Net sales	1 390.5	1 295.8	1 039.8	1 008.1	903.7
EBITDA	188.8	243.0	163.2	134.9	128.8
EBIT	152.8	207.2	136.2	112.6	113.8
EBIT margin %	11.0	16.0	13.1	11.2	12.6
Dividend per share, SEK	0.80	1.40	0.95	0	0.80
Dividend, MSEK	40.0	70.0	47.5	0	40.0
Total assets	1 153.5	936.9	743.3	657.4	565.8
Equity ratio %	53.2	58.9	57.9	52.2	52.4
Return on capital employed, %	22.1	39.2	32.2	30.4	34.7
Return on equity, %	20.7	34.0	24.7	26.8	30.1
Average number of employees	521	460	409	420	398

For definitions of key figures, see Note G28 pages 88–89.

Contaminated Sites (MIFO) inventory. The Parent Company has no orders under the Swedish Environmental Code. The Parent Company has ISO 14001 environmental certification.

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

SUSTAINABILITY REPORT

In accordance with Chapter 6, Section 11 of the Annual Accounts Act, the company 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 36–51 and on pages 110–117 of this Annual Report.

SHARE

The total number of shares on the balance-sheet date amounted to 50 000 000 with a quotient value of SEK 0.40. The 2021 Annual General Meeting resolved on a 5:1 share split, meaning that each existing share was replaced with five new shares. Figures pertaining to dividends and earnings per share for previous periods have been recalculated in the annual report based on the new number of shares.

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.

The Parent Company's share capital amounted to MSEK 20 on December 31, 2022.

OWNERSHIP STRUCTURE

On the balance-sheet date, there was one shareholder who owns and controls more than 10% of the number of votes for all of the shares in the company. That shareholder is Lars Svensson, who, through own holdings, controls 35.7%. More information about the GARO shares and ownership structure can be found on pages 52–53.

FINANCIAL TARGETS

The GARO Group's financial targets are as follows:

- GARO's organic growth will amount to not less than 10% over a business cycle.
- GARO's EBIT margin for the Group will amount to not less than 10% of net sales over a business cycle.
- Return on equity will amount to not less than 20% over a business cycle.
- The equity ratio will not be less than 30%.
- GARO's 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.

MARKET CONDITIONS

The market for charging infrastructure is growing structurally with rising numbers of rechargeable vehicles, and GARO sees a continuing strong trend with further expansion of the charging infrastructure in the European market. Housing construction remains at a favorable rate of production, but new production is expected to gradually slow during the second half of 2023 in line with the lower number of construction starts. On the other hand, demand for other commercial and public construction, combined with renovation requirements, energy efficiency and electrification, is expected to remain favorable, which is positive for GARO. All in all, GARO has a positive view of long-term market conditions, mainly driven by growth in charging infrastructure.

PARENT COMPANY

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 net sales amounted to MSEK 498.4 (481.7). EBIT amounted to MSEK 78.6 (63.4), corresponding to an EBIT margin of 15.8% (13.2). Net income was MSEK 95.1 (98.3).

RISKS AND UNCERTAINTIES

The Group's material risks and uncertainty factors include business risks related to customers and suppliers, such as the impact of the economic climate, competition risk, product development, and component supply, etc.

In addition, there are financial risks, including currency risks, interest-rate risks, credit risks and liquidity risk. A report on the Group's material financial risks is provided in Note G3.

A) IMPACT OF ECONOMIC CLIMATE AND OTHER MACRO ECONOMIC FACTORS

GARO conducts most of its operations in Sweden, Poland, Norway, Ireland and the UK, which is why the general economic climate and business conditions in these countries affect GARO's operations and earnings. 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.

B) COMPETITION AND PRICE PRESSURE

GARO competes with players in all product areas and in all geographic markets in which GARO must 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.

C) PRODUCT DEVELOPMENT

GARO's aim is to be at the forefront of developments in both environmentally friendly, affordable and energy-efficient electrical products and complete solutions. GARO's earning and competitiveness are partially dependent on its ability to develop and sell new, innovative products and solutions. Accordingly, a key element of GARO's strategy is to develop and market new products in the areas that GARO believes are important for continued growth. Close cooperation with customers is also a major focal point in order to provide inspiration and to better understand customer needs in the market.

GARO has an in-house product development department that continuously works on developing new and improving existing products and solutions. 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. GARO has 18 full-time employees who work on product development. Refer also to Note G2.8.

D) 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. This also includes GARO's' website. These systems could 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.

CORPORATE GOVERNANCE

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 adopted annually by the statutory Board meeting.

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 120–125.

THE BOARD'S WORK

After the general meeting, the Board of Directors is the company's decision-making body. The overall task of the Board is to decide on the direction of the company's business, the company's resources and capital structure and the company's organization and administration of the company's affairs. The Board's general undertakings also include continuously assessing the company's financial position and approving the company's business plan. The general undertaking involves the Board deciding on overall matters, for example, the company's strategy, acquisitions, major investments, divestments, the submission of the annual report and interim reports, the appointment and dismissal of the CEO, etc. The Board follows the written rules of procedure that are adopted every year at the statutory Board meeting. The rules of procedure stipulate the Board's responsibilities, quorum, and the division of responsibilities between the Board and the CEO, etc. The Board meets following a predetermined annual plan. Additional meetings can be held if events of exceptional importance occur. The Chairman of the Board and the CEO are in continuous contact about the administration of the company between these meetings. The division of duties between the Board and the CEO is regulated in the Board's rules of procedure and in instructions for the CEO. The CEO is responsible for carrying out the business plan and the ongoing administration of the company's affairs as well as the daily operations of the company. This means that the CEO has the right to make decisions in the matters that can be deemed to fall within the framework of the ongoing administration of the company. The CEO may also take action without the Board's authorization for matters of an unusual nature or of exceptional importance, given the scope and nature of the company's operations, for which waiting for a decision by the Board would cause major disruption to the company's operations. The instructions for the CEO also regulates the CEO's responsibility to report to the Board. A total of eight Board meetings were held in 2022. The Remuneration Committee assists the Board with proposals in renumeration-related matters and held two meeting in 2022. GARO also has an Audit Committee that held four meetings in 2022.

In 2022, the GARO Board comprised seven members elected by the Annual General Meeting in June 2022 plus one employee representative. The Chairman of the Board does not participate in the operational management of the company.

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 2023 Annual General Meeting will be held on May 11, at 5:00 p.m., in Gnosjö. Please visit www.garogroup.se for more information.

PROPOSED APPROPRIATION OF PROFIT

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

(SEK)	
Opening retained earnings	269 630 357
Provisions to fund for own work, development expenditure	-6 098 201
Net income for the year	95 10 405
Total	**358 642 561**

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

– to be distributed to shareholders at SEK 0.80 per share	40 000 000
– to be carried forward	318 642 561
Total	**358 642 561**

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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	2022	2021
Operating income			
Net sales	2,5,6	1 390.5	1 295.8
Other operating income		1.4	2.9
Total operating income		**1 391.9**	**1 298.7**
Capitalized production costs		5.4	3.7
Raw materials and consumables		-727.4	-649.3
Other external expenses	8.9	-174.3	-144.9
Personnel expenses	7	-306.8	-265.2
Disposal of fixed assets	12, 13, 14	-36.0	-35.8
Total operating expenses		**-1 239.1**	**-1 091.5**
EBIT		**152.8**	**207.2**
Financial income	10	3.3	5.3
Financial expenses	10	-2.7	-4.1
Financial items		**0.6**	**1.2**
Profit before tax		**153.4**	**208.4**
Tax on net income for the year	11	-32.9	-41.7
Net income for the year		**120.5**	**166.7**
Other comprehensive income			
Items that may be reclassified to the net income for the year			
Translation differences		10.6	2.0
Other comprehensive income for the year, net after tax		**10.6**	**2.0**
Net income and total comprehensive income for the year is attributable to shareholders of the Parent Company.			
Total comprehensive income for the year		**131.1**	**168.7**

EARNINGS PER SHARE*

	2022	2021
Earnings per share, before and after dilution, SEK	2.41	3.33
Average number of shares (thousands)	50 000	50 000
Number of shares outstanding (thousands)	50 000	50 000

* Adjusted for the 5:1 share split

COMMENTS ON THE INCOME STATEMENT

NET SALES

The Group's target is to achieve growth of not less than 10% over a business cycle. GARO's net sales increased by MSEK 94.7 (7%) during the year and amounted to MSEK 1 390.5 (1 295.8). GARO's net sales outside Sweden amounted to MSEK 650.3 (467.8), up MSEK 182.5 (39%). Foreign net sales thus accounted for 46.7% (36.1) of total net sales.

EBIT

The target is for the EBIT margin to amount to not less than 10% of net sales over a business cycle. GARO's EBIT amounted to MSEK 152.8 (207.2), corresponding to an EBIT margin of 11.0% (16.0). Positive earnings from higher sales volumes in GARO Electrification were offset by lower invoicing and higher costs in GARO E-mobility. GARO invested in its market footprint during the year and strengthened the organization. Negative currency effects in EBIT for the full-year 2022 amounted to MSEK 17.9 (positive 4.6). In addition, GARO incurred non-recurring costs of MSEK 15 during the year in the form of inventory obsolescence due to the replacement of the technical platform. Adjusted for non-recurring costs, EBIT amounted to MSEK 167.8, providing an adjusted EBIT margin of 12.1% (16.0).

INCOME AFTER FINANCIAL ITEMS

Income after financial items amounted to MSEK 153.4 (208.4), corresponding to a profit margin of 11.0% (16.0). Net financial items amounted to MSEK 0.6 (1.2) for the Group and included currency effects from loans and hedging in foreign currency.

TAX

The tax expense amounted to MSEK 32.9 (41.7), corresponding to a tax rate of 21.4% (20.0). The Group's operations in Poland are conducted in a tax-exempt Special Economic Zone where unutilized tax benefits can be utilized until 2026. Profit after tax was MSEK 120.5 (166.7).

PERFORMANCE AND EARNINGS PER SEGMENT

	GARO Electrification	GARO Electrification	GARO E-mobility	GARO E-mobility
Segment information	**2022**	**2021**	**2022**	**2021**
Net sales (MSEK)	968.7	858.1	421.8	437.7
EBIT (MSEK)	139.7	121.3	13.1	85.9
EBIT margin, %	14.4	14.1	3.1	19.6
Depreciation, MSEK	24.5	27.5	11.5	8.2
Number of employees	308	296	213	202

GARO ELECTRIFICATION

Net sales for the GARO Electrification business area for the year amounted to MSEK 968.7 (858.1), resulting in growth of almost 13%. The product areas of Electrical distribution products and Project business reported growth of 14% and 20%, respectively. Sales in the Temporary Power product area were 9% lower compared 2021. Growth in GARO's sales companies in Europe (excluding the Nordic region) amounted to 30% for the year. It is GARO's assessment that the companies captured market shares during the year in the Electrical distribution products and Project business product areas.

GARO noted healthy demand in a number of customer categories related to new production, renovation and energy efficiency, demonstrating the importance of a broad product range.

EBIT amounted to MSEK 139.7 (121.3), corresponding to an EBIT margin of 14.4% (14.1). Growth combined with a favorable product mix were the main factors contributing to the EBIT for the segment for the year.

EBIT included currency effects of MSEK -11.9 (+3.0), with SEK in particular having weakened against the EUR. The overall currency effects between the year thus amounted to MSEK -14.9.

GARO E-MOBILITY

Net sales for the GARO E-mobility business area for the year amounted to MSEK 421.8 (437.7), resulting in negative growth of 3% compared with 2021. Underlying demand in the E-mobility product area was strong during the year, but the shortage of electronic components impacted production and delivery capacity. The market shifted, to a great extent, to connectable products in 2022, which resulted in lower sales of certain non-connectable chargers for GARO.

EBIT amounted to MSEK 13.1 (85.9), corresponding to an EBIT margin of 3.1% (19.6). During the year, GARO continued to invest in its market footprint and strengthened the organization, primarily in sales and support.

GARO also incurred non-recurring costs of MSEK 15.0 in 2022 as a result of the change of technical platform in GARO E-mobility. Adjusted EBIT thus amounted to MSEK 28.1, with an adjusted EBIT margin of 6.7% (19.6).

EBIT included currency effects of MSEK -6.1 (+1.6). The overall currency effects between the year were thus MSEK 7.7.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MSEK	Note	Dec 31, 2022	Dec 31, 2021
ASSETS			
Fixed assets			
Capitalized development expenditure	12	17.1	28.1
Product development projects in progress	12	65.1	34.5
Goodwill	12	45.5	45.5
Lands and buildings	14	84.3	67.6
Plant and machinery	14	2.6	1.6
Equipment, tools, fixtures and fittings	14	33.0	33.9
Construction in progress and advance payments for tangible assets	14	69.8	4.4
Right-of-use assets	9	79.7	36.6
Deferred tax assets	22	4.1	3.2
Total fixed assets		**401.2**	**255.4**
Current assets			
Raw materials and consumables	15	213.4	159.3
Finished goods and goods for resale	15	126.6	78.3
Products in progress	15	4.9	4.5
Current receivables			
Accounts receivable	16, 17	321.1	336.0
Other current receivables	16	43.7	9.1
Prepaid expenses		13.1	12.7
Cash and cash equivalents	16, 18	29.5	81.6
Total current assets		**752.3**	**681.5**
TOTAL ASSETS		**1 153.5**	**936.9**

COMMENTS ON THE BALANCE SHEET

TOTAL ASSETS

GARO's total assets increased MSEK 216.6 (23%) during the year from MSEK 936.9 last year to MSEK 1 153.5. GARO invested MSEK 15 in new premises in Ireland during the year. Investments in the new production facility in Poland amounted to approximately MSEK 47.4 at the end of the year, and GARO continually raises construction loans in the corresponding amount.

WORKING CAPITAL

Working capital increased MSEK 73.7 (25%) during the year from MSEK 290.0 last year to MSEK 363.7. In relation to net sales, working capital increased from 22.4% to 26.2%. This was mainly due to higher short-term liabilities.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, CONT.

MSEK	Note	Dec 31, 2022	Dec 31, 2021
Equity attributable to shareholders of the Parent Company			
Share capital	19, 25	20.0	20.0
Reserves		9.7	-0.9
Other contributed capital		1.5	0
Retained earnings (including net income for the year)		582.9	532.4
Total equity		**614.1**	**551.5**
Liabilities			
Long-term liabilities			
Liabilities to credit institutions	16, 20	36.6	26.5
Lease liability	20	62.4	26.3
Other provisions	21	9.0	6.3
Deferred tax liabilities	22	0	0
Total long-term liabilities		**108.0**	**59.1**
Short-term liabilities			
Liabilities to credit institutions	16, 20	52.0	2.6
Accounts payable	16	187.4	166.5
Overdraft facilities	16, 20	6.1	7.3
Current tax liabilities		21.0	18.7
Other short-term liabilities	16	50.6	36.8
Lease liability	21	16.1	9.5
Accrued expenses	23	98.2	84.9
Total short-term liabilities		**431.4**	**326.3**
Total liabilities		**539.4**	**385.4**
TOTAL EQUITY AND LIABILITIES		**1 153.5**	**936.9**

COMMENTS ON THE BALANCE SHEET

EQUITY RATIO

The Group's equity amounted to MSEK 614.1 (551.5).
The equity ratio amounted to 53.2% (58.9) at year-end.

RETURN

GARO's return target is that the long-term return on equity will amount to not less than 20%. Return on equity in 2022 amounted to 20.7% (34.0). The decrease was mainly due to lower earnings in relation to average higher equity. Return on capital employed amounted to 22.1% (39.2).

The 2022 dividend amounted to MSEK 70.0 (47.5). Refer also to Note G3.2.

FINANCIAL POSITION

The Group's net debt, defined as interest-bearing liabilities less cash and cash equivalents and current investments, increased MSEK 153.1 during the year from net cash of MSEK 9.4 to MSEK 143.7 in net debt. Net debt excluding leases (IFRS 16) amounted to MSEK 65.2 (net cash 45.2). A new lease for production premises in Hillerstorp was signed during the year, which increased the Group's interest-bearing lease liability by MSEK 42.4.

INTEREST-BEARING LIABILITIES

Interest-bearing liabilities amounted to MSEK 173.1 (72.2) at the end of the fiscal year. Credit agreements for the construction in Poland were recognized under short-term liabilities to credit institutions.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MSEK	Note	Share capital	Reserves*	Other contributed capital	Retained earnings	Total equity
Opening balance at January 1, 2021		**20.0**	**-2.9**	**0**	**413.2**	**430.3**
Net income for the year		-	-	-	166.7	166.7
Other comprehensive income for the year		-	2.0	-	-	2.0
Total comprehensive income		**-**	**2.0**	**-**	**166.7**	**168.7**
Dividend according to Annual General Meeting resolution		-	-	-	-47.5	-47.5
Total contributions from and value transfers to shareholders, recognized directly in equity		**-**	**-**	**-**	**-47.5**	**-47.5**
Closing balance at December 31, 2021		**20.0**	**-0.9**	**0**	**532.4**	**551.5**
Opening balance at January 1, 2022		**20.0**	**-0.9**	**0**	**532.4**	**551.5**
Net income for the year		-	-	-	120.5	120.5
Other comprehensive income for the year		-	10.6	-	-	10.6
Total comprehensive income		**-**	**10.6**	**-**	**120.5**	**131.1**
Warrant liquidity received				1.5		1.5
Dividend according to Annual General Meeting resolution		-	-	-	-70.0	-70.0
Total contributions from and value transfers to shareholders, recognized directly in equity		**-**	**-**	**1.5**	**-70.0**	**-68.5**
Closing balance at December 31, 2022		**20.0**	**9.7**	**1.5**	**589.2**	**614.1**

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

CONSOLIDATED STATEMENT OF CASH FLOW

MSEK	Note	2022	2021
Cash flow from operating activities			
EBIT		152.8	207.2
Adjustment for non-cash items			
Depreciation		36.0	35.8
Other		3.8	2.4
Net interest income and similar items	10	3.3	5.3
Net interest expenses and similar items	10	-2.6	-4.1
Income tax paid	11	-33.4	-29.1
Cash flow from operating activities before changes in working capital		**159.9**	**217.5**
Change in inventories		-102.8	-59.6
Change in accounts receivable		14.8	-97.4
Change in other current receivables		-35.9	-5.9
Change in accounts payable		21.0	42.5
Change in other current operating liabilities		32.2	24.7
Total change in working capital		**-70.7**	**-95.8**
Cash flow from operating activities		**89.2**	**121.7**
Cash flow from investing activities			
Investments in intangible assets	13	-30.8	-26.5
Acquisition of subsidiaries	16, 25	-0.9	0
Investments in tangible assets	14	-89.3	-18.8
Assets sold		1.9	0.9
Cash flow from investing activities		**-119.1**	**-44.3**
Cash flow from financing activities			
Borrowings	16, 25	63.6	0
Amortization of loans		-4.3	-6.1
Changes in overdraft facilities		-1.2	-0.1
Amortization of lease liability		-12.0	-11.7
Warrant liquidity received		1.5	0
Dividend paid		-70.0	-47.5
Cash flow from financing activities		**-22.4**	**-65.4**
Decrease/increase in cash and cash equivalents			
Net cash flow for the year		-52.3	11.9
Currency effect in cash and cash equivalents		0.2	0.3
Cash and cash equivalents at beginning of the year		81.6	69.4
Cash and cash equivalents at end of the year	**18**	**29.5**	**81.6**

CASH FLOW AND LIQUIDITY

Cash flow from operating activities amounted to MSEK 89.2 (121.7) and the decline was due to lower EBIT for the year. GARO has continued to make tactical material purchases to secure critical components, which has created a high inventory value. In addition, a large share of products remain in the inventory pending missing components for final production and delivery. GARO raised new loans of a net MSEK 58.2 in 2022. Last year, GARO repaid MSEK 6.2 of previously raised loans. Cash flow for the year amounted to MSEK -52.3 (11.9).

Cash and cash equivalents including unutilized overdraft facilities on December 31, 2022 amounted to MSEK 179.5 (182.0).

INVESTMENTS

GARO invests continuously in the maintenance and development/expansion of production units and production equipment. The Group's investments in tangible assets amounted to MSEK 89.3 (18.8), of which investments in properties and land amounted to MSEK 78.5 (2.2). GARO also invests in product development, and investments in intangible assets for the year totaled MSEK 30.8 (26.5).

Right-of-use assets (leases and rental contracts) increased net by MSEK 42.7 (6.4) during the full-year. New leases were signed during the year for GARO's operations in Hillerstorp and the UK.

Depreciation/amortization for the year amounted to MSEK 36.0 (35.8), of which depreciation of tangible assets was MSEK 24.0 (24.4).

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 61% (67) of the Group's volumes. Export sales are conducted primarily from GARO E-mobility and through the company's own subsidiaries in Norway, Finland, Poland, Ireland and the UK.

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.

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 Annual Report was prepared based on the assumption of continuing as a going concern. Assets and liabilities (except derivative) are measured at their historical cost. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the Swedish Annual Accounts Act (1995:1554) and the recommendations and statements of the Swedish Financial Reporting Board in RFR 1 (Supplementary Accounting Rules for Corporate Groups). Preparing financial statements in accordance with IFRS requires a number of important estimates for accounting purposes. Accordingly, management is required to make certain assessments when applying the Group's accounting policies. The areas involving a high degree of assessment, which are complex or are such areas in which assumptions and estimates are of significant importance to the consolidated financial statements, are described in Note G4.

2.1.1 CLASSIFICATION

ASSETS

Fixed assets

Fixed assets only consist of the amount that was expected to be recovered after more than 12 months calculated from the balance-sheet date.

Current assets

Current assets only consist of the amount that was expected to be recovered within 12 months calculated from the balance-sheet date.

LIABILITIES

Long-term liabilities

Long-term liabilities and provisions only consist of the amount that is expected to be paid after more than 12 months calculated from the balance-sheet date.

Short-term liabilities

Short-term liabilities consist of the amount that is expected to be paid within their normal operational cycle, liabilities that are held mainly for trade, liabilities that will be settled within 12 months after the reporting period or liabilities for which GARO does not have the unconditional right to postpone the settlement of within 12 months after the reporting period.

All other liabilities are classified as long-term liabilities.

2.1.2 CASH-FLOW STATEMENT AND CASH AND CASH EQUIVALENTS

The cash-flow statement is prepared in accordance with the indirect method. The recognized cash flow only consists of transactions that entail payments or receipts.

Cash and cash equivalents comprise cash and bank balances and current financial investments with a maturity of less than three months that can easily be converted at a known amount and which are only exposed to an immaterial risk of fluctuations in value.

Cash and cash equivalents only consisted of cash and bank balances for both 2022 and 2021.

2.1.3 CHANGES TO ACCOUNTING POLICIES AND DISCLOSURES

New and changed IFRS that entered force for 2022 have not had any material impact on the consolidated financial statements.

2.1.4 ISSUED NEW STANDARDS AND INTERPRETATIONS THAT HAVE NOT YET BEEN APPLIED BY THE GROUP

A number of new standards and interpretations come into effect for fiscal years beginning on or after January 1, 2023 and were not applied when preparing these financial statements. No new or amended standards or IFRIC interpretations published by the IASB are not expected to have any material effect on the consolidated financial statements.

NOTE 2, CONT.

2.2 CONSOLIDATED FINANCIAL STATEMENTS

2.2.1 FUNDAMENTAL ACCOUNTING POLICIES

SUBSIDIARIES

Subsidiaries are all companies over which the Group exercises control. The Parent Company controls a company when a company 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 the non-controlling interest in the acquired company is to be measured at fair value or at the shareholding's proportional share of 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 in profit or loss. 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.

For more information about subsidiaries, see Note PC10 on page 99.

ELIMINATION OF TRANSACTIONS BETWEEN GROUP COMPANIES

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

Segments (GARO's business areas, BA) 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 segments. For the Group, this function has been identified as the CEO of the Parent Company. The Group's segments (BA) are made up of GARO Electrification and GARO E-mobility. For more information, see Note G5.

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.

Goodwill and adjustments of fair value that arise from the acquisition of a foreign operation are treated as assets and liabilities of this operation and translated to the closing rate.

2.5. REVENUE FROM CONTRACTS WITH CUSTOMERS

Goods are sold in both of the Group's segments (BA): GARO E-mobility, which consists of the E-mobility product area and GARO Electrification, which consists of the three product areas of Electrical distribution products, Project business & Temporary Power. The Group's income comprises the sale of goods in all four product areas, and essentially comprises standard products to other companies. The Group has both separate contracts and framework agreements with its customers.

CONTRACTS AND FRAMEWORK AGREEMENTS

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. Income from framework agreements and contracts with customers are recognized when the control of the goods or services is passed to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. 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, the Group estimates the variable share of the amount that the customer will be entitled to, and includes this in the transaction price, taking into account any restrictions for uncertain amounts. Income from sales of standard products is recognized at the point in time when control of the asset is passed to the customer, usually when the equipment is delivered to the customer. The normal credit period is 30 to 90 days after delivery. 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.

VOLUME DISCOUNTS

Customer framework agreements have volume discounts based on the number of products purchased. The Group applies either the most likely amount method or the expected value method to estimate the variable remuneration in a contract. The choice of method for each individual contract is the model that best predicts the estimated variable remuneration according to the volume thresholds stipulated in the contract. The most likely amount method is used for the contracts with only one volume threshold, while the expected value method is used for those with more than one volume threshold. The Group then applies the requirements for restrictive estimates of variable remuneration in order to determine the amount of the variable remuneration.

A repayment obligation is recognized for the expected future volume discounts (meaning the amount that is not included in the transaction price).

Disclosures on material estimates and assumptions related to estimates of variable purchase considerations and volume discounts are provided in Note G23.

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 recognizes leases in accordance with IFRS 16 Leases, which means that the lessee recognizes right-of-use assets and lease liabilities in the balance sheet.

The practical expedients in IFRS 16 regarding short-term leases and low-value leases are also applied. Expenses arising in connection with these leases are recognized straight-line over the lease term as operating expenses in profit or loss. The Group does not apply IFRS 16 to low-value assets (short-term leases). Non-lease components are expensed and not recognized as part of the right-of-use asset or lease liability.

When a lease is signed, the Group determines whether it is a lease or contains a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2.7.1 LEASE LIABILITIES

Lease liabilities are initially measured at the present value of the lease payments not paid on the commencement date. These lease liabilities are recognized separately from other liabilities in the balance sheet.

At the commencement date of a lease, GARO determines the lease term as the non-cancelable period plus periods covered by an extension option or termination option if exercise of these options by the Group is reasonably certain. The majority of GARO's leases contain extension or termination options. When determining the lease term, GARO considers strategic plans, the importance of the underlying asset for GARO's operations, and contract-specific conditions, such as expenses associated with terminating the lease.

Lease payments include fixed payments (less any incentive in connection with signing the lease), variable lease payments that depend on an index or a rate, and amounts expected to be payable under a residual value guarantee. Lease payments also include the exercise price under an option to purchase the underlying asset or penalties to be paid on early termination if exercise of these options by the Group is reasonably certain. Variable lease payments that do not depend on an index or a rate are recognized as an expense in the period to which they relate.

Lease payments are discounted at the implicit interest rate if the rate can be readily determined, otherwise at the incremental borrowing rate of the lease. After the commencement date of a lease, the lease liability increases to reflect the interest expenses, is reduced by paid lease payments and remeasured due to lease modifications, changes to the lease term, changes in lease payments or changes in the assessment of whether to purchase the underlying asset.

2.7.2 RIGHT-OF-USE ASSETS

The Group recognizes right-of-use assets in the balance sheet on the commencement date of the lease. Right-of-use assets are recognized separately from other liabilities in the balance sheet.

Right-of-use assets are recognized at cost less accumulated depreciation and any impairment, and adjusted for remeasurement of the lease liability. The cost includes the initial value recognized for the attributable lease liability, initial direct costs, any lease payments made at or before the commencement date less any lease incentives received, and an estimate of costs to restore the asset.

Provided that the Group is not reasonably certain that it will take over ownership of the underlying asset at the end of the lease term, the right-of-use asset is depreciated straight-line over the shorter of the term and the useful life.

NOTE 2, CONT.

2.8 INTANGIBLE ASSETS

CAPITALIZED DEVELOPMENT EXPENDITURE

Capitalized development expenditure pertains to the development of new products. Development expenses are recognized according to the activation model as intangible assets provided the following criteria is met:

a. it is technically and commercially feasible to prepare the asset

b. the intention and conditions exist to sell or use the asset

c. it is probable that the asset will generate future economic benefits or lead to cost savings

d. expenditure can be calculated in a satisfactory manner

e. a Board approved RoI (return on investment) exists for the asset

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 a maximum of seven 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.

Studies and other development expenditure that do not satisfy the above criteria are not considered to comprise an intangible asset and are 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 the Group'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 accumulated depreciation according to plan and any impairment. The cost includes the purchase price and all costs necessary to bring the asset to working condition for its intended use. Costs for improving the performance of the tangible assets in excess of its original level, increase the value of the asset and are recognized in the balance sheet as part of the original investment. Costs for repairs and maintenance are expensed when they arise.

Depreciation takes place systematically over the expected useful lives of the assets and commenced after the asset has started to be used. Land is not depreciated.

Depreciation periods:

- Buildings, permanent equipment, service facilities, etc., in buildings and land improvements: 5–25 years
- Plant and machinery:
  10–20 years
- Equipment, tools, fixtures and fittings:
  3–10 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 comparing the sales proceeds to 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

or

- Fair value through profit or loss

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.

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. For more information, see Note G17.

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.

2.12 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.

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.

NOTE 2, CONT.

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 ITP2 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. Fees for the next reporting period for ITP 2 pension plans that are signed with Alecta are expected to amount MSEK 2.5 (3.2) The Group's share of the total contributions to the plans and the Group's share of the total number of active members in the plan amount to 0.013% and 0.011% respectively (0.012% and 0.011% respectively).

The collective consolidation level is comprised of the market value of Alecta's shares in percent of insurance undertakings calculated in accordance with Alecta's actuarial methods and assumptions, which do not agree with IAS 19. The collective consolidation level is normally allowed to vary between 125% and 175%. With the aim of strengthening the consolidation level if it is assessed to be too low, one measure can be to raise the contracted subscription price and expand existing benefits. If the consolidation level exceeds 150%, premium reductions can be introduced. At the end of 2022, Alecta's surplus in the form of the collective consolidation level was 189% (169).

VARIABLE REMUNERATION

The Group recognizes a liability and an expense for variable remuneration based on net income for the year before tax.

NOTE 3. RISKS AND UNCERTAINTIES

3.1 RISKS AND UNCERTAINTIES

Through its operations, the Group is exposed to a variety of different financial risks: 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 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. Exposure to currency risk arises when purchasing or selling products and services in a different currency than the local currency of each individual subsidiary (transaction exposure) and when translating the balance sheets and income statements of the subsidiaries in foreign currencies to SEK (translation exposure). The Group's operations give rise to significant cash flows in foreign currencies.

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. 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 6.5 (7.2) on the balance-sheet date. Currency effects of changes in derivatives are recognized in net financial items in profit or loss.

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.

B 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 2022 and 2021, 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.

C 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, accounts receivable, 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.

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.

No credit limits were exceeded during the reporting period and management does not expect any losses due to non-payment from these counterparties. For more information, see Note G17.

D 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 on page 72 shows the Group's financial liabilities that will be settled in a net amount, specified by the time from the balance-sheet date remaining until the contractual due date. The amounts presented in the table are the contractual, undiscounted cash flows. The amounts falling due within 12 months

NOTE 3, CONT.

correspond to the carrying amounts since the discount effect is not material.

MATURITY STRUCTURE

At December 31, 2022	<1 year	1–5 years	>5 years	Total
Liabilities to credit institutions	56.0	36.2	12.5	104.7
Lease liability	16.6	50.8	13.6	81.0
Derivative instruments	-	-	-	-
Accounts payable	187.4	-	-	187.4
Overdraft facilities	6.1	-	-	6.1
Total	**266.1**	**87.0**	**26.1**	**379.2**

At December 31, 2021	<1 year	1–5 years	>5 years	Total
Liabilities to credit institutions	2.6	23.7	2.9	29.2
Lease liability	9.5	20.8	5.5	35.8
Derivative instruments	-	-	-	-
Accounts payable	166.4	-	-	166.4
Overdraft facilities	7.3	-	-	7.3
Total	**185.8**	**44.5**	**8.4**	**238.7**

Of the MSEK 266.1 stated for 2022 in the “less than 1 year” interval, the Group intends to repay MSEK 196.4 (169.4) in the first quarter of 2023.

In 2022, the Parent Company raised an additional MEUR 5 in overdraft facilities and MEUR 1.4 in loans for property investments in Ireland. Management continuously monitors the Group’s potential additional borrowing or refinancing requirements for meeting future commitments under the current operations and business plan.

SENSITIVITY ANALYSIS

Material factors that impact the Group’s earnings are presented below. The analysis is based on the amounts at the end of the year and is based on other factors remaining unchanged.

The Group’s net debt is low and a 1% change in the market interest rate would have a limited effect on income after financial items.

The Group has significant net currency exposure to EUR. The Group has significant currency exposure to EUR, relating to the company’s purchases of goods in Europe. The company also conducts sales of goods in EUR.

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. One of the Group’s financial targets is to reach an equity ratio of no less than 30%.

Company management continuously monitors the need to refinance external borrowing with the target of renegotiating the Group’s credit facilities no less than 12 months before their due date. 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 has no bank covenants.

Capital in the Group is assessed 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. The Group’s debt/equity ratio has been in line with set targets during 2022, taking account of growth targets and, as a result, increased capital requirements.

The Group has an equity ratio of 53.2% (58.9), in which the equity ratio is defined as recognized equity as a percentage of total assets.

Equity ratio	2022	2021
Equity	614.1	551.5
Total assets	1 153.5	936.9
Equity ratio, %	**53.2**	**58.9**

At December 31, 2022, the Group had net debt of MSEK 143.7. Net cash at December 31, 2021 was MSEK 9.4. The debt/equity ratio is defined as net loan liabilities divided by recognized equity.

Sensitivity analysis	Impact on earnings 2022 (MSEK)	Impact on equity 2022 (MSEK)	Impact on earnings 2021 (MSEK)	Impact on equity 2021 (MSEK)
Change in sales prices, +/- 1%	+/- 13.9	+/- 11.0	+/- 12.9	+/- 10.3
Change in volume, 1%	+/- 5.6	+/- 4.5	+/- 5.2	+/- 4.1
Change in purchase prices, 1%	+/- 7.3	+/- 5.8	+/-6.5	+/-5.2
Change in payroll costs, 1%	+3.0	-2.4	+2.7	-2.1
EUR strengthened against SEK, 1%	-4.7	-3.5	+3.9	+3.0

Debt/equity ratio	2022	2021
Total borrowing (Note G20)	173.2	72.2
Less: cash and cash equivalents (Note G18)	-29.5	-81.6
Net debt	143.7	-9.4
Total equity	614.1	551.5
Debt/equity ratio, %	**23.4**	**N/A**

NOTE 4. SIGNIFICANT ESTIMATES AND ASSESSMENTS FOR ACCOUNTING PURPOSES

The preparation of financial statements and the application of various accounting standards requires that company management make assessments and use estimates and assumptions that affected the amounts recognized in the consolidated financial statements. These estimates, assessments and related assumptions are based not only on experience but also 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. Changes in estimates and assessments are recognized in the period in which the change is made and in future periods if they are affected.

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 as well as recognition of right-of-use assets, see below. 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.

LEASES

IMPORTANT SOURCES OF UNCERTAINTY IN ESTIMATES

The application of IFRS 16 entails determining the lease term and the incremental borrowing rate to be assessments that affect the measurement of the financial lease liability and the right-of-use asset.

ESTIMATES AND ASSESSMENTS

The most significant assessments in determining the lease liability and the right-of-use asset are related to establishing the lease terms. The majority of the Group's leases are rental agreements for property. These leases contain options to either extend or terminate the lease. When the lease term is determined, consideration is given to all facts and circumstances that create an economic incentive to exercise the extension option or not exercise the option to terminate a lease. Examples of factors that were considered are: strategic plans, the importance of the underlying asset for the Group's operations and/or expenses associated with not extending or terminating the lease.

NOTE 5. SEGMENT INFORMATION

Segment reporting is prepared in accordance with IFRS 8. From January 1, operations are reported divided into two segments (business areas, BA) GARO E-mobility and GARO Electrification. This corresponds to the internal reporting and monitoring provided to each Business Area Manager and to the chief operating decision maker (CEO). Each segment (BA) is conducted under local responsibility with a Business Area Manager for each segment. The chief operating decision maker is the function that is responsible for allocating resources and assessing earnings (EBIT). For the Group, this function has been identified as the CEO. Company management has established the segments (BA) based on the information used by the Business Area Managers and the CEO. The CEO assesses the business areas of the operations based on product area and by taking in account which business model is applied.

The operations in the GARO Electrification segment (BA) comprise the Electrical distribution products, Project business & Temporary Power product areas. Aside from trading operations, in-house manufacturing takes place at three facilities within the business area. The GARO E-mobility segment (BA) includes only the E-mobility product area. In addition to trading operations, it also includes in-house production at two facilities. Mutual overhead costs are shared in the segments (BA) and based on distribution in accordance with the arm's length principle.

The CEO assesses the results of the segments (BA) primarily based on the metrics of sales, growth and EBIT (operating profit).

INCOME

Sales between segments (BA) 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.

NOTE 5, CONT.

Segment information	GARO Electrification 2022	GARO Electrification 2021	GARO E-mobility 2022	GARO E-mobility 2021	Elimination 2022	Elimination 2021	Total 2022	Total 2021
Sales								
Total net sales, external	1 307.4	1 150.1	653.2	665.9	-570.1	-520.3	1 390.5	1 295.8
Total net sales, internal	-339.0	-292.1	-231.1	-228.2	570.1	520.3		
Other income	1.4	2.9	**-**	**-**	**-**	-	1.4	2.9
External net sales	**969.8**	**860.9**	**422.2**	**437.7**	**0**	**0**	**1 391.9**	**1 298.7**
Capitalized production costs	5.4	3.7	.	-	-	-	5.4	3.7
Raw materials and consumables	-515.2	-443.1	-212.2	-206.3	-	-	-727.4	-649.4
Other external expenses	-72.7	-66.4	-101.7	-78.4	-	-	-174.4	-144.8
Personnel expenses	-223.1	-206.4	-83.5	-58.7	-	-	-306.7	-265.2
Disposal of fixed assets	-24.5	-27.4	-11.5	-8.4	-	-	-36.0	-35.8
EBIT	**139.7**	**121.3**	**13.1**	**85.9**	**-**	**-**	**152.8**	**207.2**
Net financial items	-	-	-	-	-	-	0.6	1.2
Tax expense for the year	-	-	-	-	-	-	-32.9	-41.7
Net income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**120.5**	**166.7**
Other disclosures								
Fixed assets	238.8	219.6	162.2	39.9	-	-	401.0	255.4
Other assets	492.7	436.0	259.8	241.4	-	-	752.5	681.5
Total assets	**731.5**	**655.6**	**422.0**	**281.3**	**-**	**-**	**1 153.5**	**936.9**
Short-term liabilities	338.7	199.1	92.7	125.6	-	-	431.4	324.7
Long-term liabilities	94.7	48.9	13.3	11.8	-	-	108.0	60.7
Total liabilities	**433.4**	**247.7**	**106.0**	**137.4**	**-**	**-**	**539.4**	**385.4**
Investments	26.3	16.1	93.8	29.2	-	-	120.1	45.3
Depreciation	24.5	27.4	11.5	8.4	-	-	36.0	35.8

	Income from external customers specified the customers' geographical location 2022	Income from external customers specified the customers' geographical location 2021	Fixed assets 2022	Fixed assets 2021
Sweden	818.2	826.5	250.6	190.9
Norway	139.9	162.7	1.9	2.6
Ireland	184.9	131.5	37.4	20.4
Finland	58.7	48.3	0.2	0.2
UK	69.8	49.2	2.8	1.1
Other countries	117.6	76.7	104.2	37.0
Currency effects	1.4	0.9	-	-
Total	**1 390.5**	**1 295.8**	**397.1**	**252.2**

The Group's assets exclude financial assets, deferred tax assets and assets related to post-employment renumeration. Assets are distributed based on where the subsidiaries are located geographically.

The Group has income from two external customers that each exceed 10% of net sales at the end of each period. In 2022, total net sales for each of these customers amounted to MSEK 272.4 (225.4) and MSEK 267.0 (152.9) respectively, a total of MSEK 539.4 (378.3), comprising 39% (29.2) of total net sales. This income is attributable to both segments GARO Electrification and GARO E-mobility.

NOTE 6. INCOME FROM CONTRACTS WITH CUSTOMERS

Income arises when companies in 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. Amounts before elimination of any foreign exchange gains/losses.

INCOME FROM CUSTOMERS SPECIFIED BY PRODUCT AREA AND SEGMENT (BA):

Product area	GARO Electrification 2022	GARO Electrification 2021	GARO E-mobility 2022	GARO E-mobility 2021	Total 2022	Total 2021
Electrical distribution products	604.3	531.8	-	-	604.3	531.8
E-mobility	-	-	422.4	437.1	422.4	437.1
Project business	287.2	238.7	-	-	287.2	238.7
Temporary Power	75.2	87.3	-	-	75.2	87.3
Currency	1.7	0.9	-0.3	-	1.4	0.9
Total income from customers	**968.4**	**858.7**	**422.1**	**437.1**	**1 390.5**	**1 295.8**

GEOGRAPHIC LOCATION OF CUSTOMERS

Geographic location	GARO Electrification 2022	GARO Electrification 2021	GARO E-mobility 2022	GARO E-mobility 2021	Total 2022	Total 2021
Sweden	616.4	550.3	223.9	276.1	840.3	826.4
Norway	121.7	127.1	18.2	35.6	139.9	162.7
Ireland	166.3	117.1	18.6	14.4	184.9	131.5
UK	31.1	35.4	38.8	13.8	69.9	49.2
Finland	23.4	20.0	35.1	28.3	58.5	48.3
Other countries	8.1	7.3	87.5	69.5	95.6	76.8
Currency	1.7	0.9	-0.3	0	1.4	0.9
Total income from customers	**968.7**	**858.1**	**421.8**	**437.7**	**1 390.5**	**1 295.8**

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 framework agreements, a contract is not deemed to arise until the customer places an order based on the terms of the framework agreement. The Group's performance obligations that form part of the contract with customers have an original expected term of a maximum of one year. The Group has no contracts with a maturity exceeding one year where disclosures of unfulfilled performance obligations are required and has as such utilized the exemption rule in IFRS 15.

For further information about performance obligation, see Note G2.5 Income from contracts with customers.

CONTRACT BALANCES

No contract assets or contract liabilities in the form of accrued or deferred income occur within the Group. Instead, revenue recognition takes place in conjunction with delivery and complete performance which is also when the invoice is issued. The Group's contract balances are comprised of accounts receivable. For more information, see Note G2 Summary of important accounting policies.

REPAYMENT OBLIGATIONS

Within the Group, customer contracts exist in which the customer is contractually entitled to volume discounts based on realized sales volumes. This volume discount is classified as repayment obligation and is continuously regulated during the year. For more information on repayment obligations, see Note G23 Accrued expenses and deferred income.

NOTE 7. REMUNERATION OF EMPLOYEES, ETC.

	2022	2021
Board, CEO and other senior executives*		
Salaries and other remuneration	12.8	20.7
Social security contributions	4.1	4.5
Pension costs – defined-contribution plans	2.6	3.7
Total Board, CEO and other senior executives	**19.5**	**28.9**
Other employees		
Salaries and other remuneration	207.8	164.5
Social security contributions	52.2	45.2
Pension costs – defined-contribution plans	12.7	10.1
Total other employees	**272.7**	**219.8**
Total personnel expenses	**292.2**	**248.7**

*GARO had new Group Management as per January 1, 2022.

AVERAGE NUMBER OF EMPLOYEES, SPECIFIED BY COUNTRY

	2022			2021		
	Average no. of employees	**of whom, men**	**of whom, women**	**Average no. of employees**	**of whom, men**	**of whom, women**
Sweden	292	201	91	264	191	73
Norway	23	22	1	22	20	2
Finland	7	5	2	6	4	2
Ireland	37	30	7	27	23	4
UK	13	11	2	9	6	3
Poland	149	32	117	132	32	100
Group total	**521**	**301**	**220**	**460**	**276**	**184**

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

	2022		2021	
	No. on balance-sheet date	**of whom, women**	**No. on balance-sheet date**	**of whom, women**
Board members	8	2	8	2
CEO and other senior executives	5	1	10	1
Group total	**13**	**3**	**18**	**3**

REMUNERATION OF SENIOR EXECUTIVES 2022

	Basic salary/ Board fees	Variable remunera-tion	Other benefits	Pension costs	Other remunera-tion	Total
Rickard Blomqvist, Board Chairman*	0.8	-	-	-	-	0.8
Susanna Hilleskog, Board member	0.3	-	-	-	-	0.3
Lars-Åke Rydh, Board member	0.4	-	-	-	-	0.4
Mari Kadowaki Johansson, Board member	0.3	-	-	-	-	0.3
Jonas Lohtander, employee representative	-	-	-	-	-	-
Johan Paulsson, Board member	0.3	-	-	-	-	0.3
Ulf Hedlundh, Board member	0.3	-	-	-	-	0.3
Martin Ahltén, Board member	0.3	-	-	-	-	0.3
Patrik Andersson, President and CEO	2.4	0.2	0.1	0.7	-	3.4
Other senior executives (4)	6.5	0.5	0.4	1.9	-	9.3
Group*	**11.6**	**0.7**	**0.5**	**2.6**	**-**	**15.4**

*GARO had new Group Management as per January 1, 2022.

REMUNERATION OF SENIOR EXECUTIVES 2021

	Basic salary/ Board fees	Variable remunera-tion	Other benefits	Pension costs	Other remunera-tion	Total
Stefan Jonsson, Board Chairman until May 5, 2021	0.2	-	-	-	-	0.2
Rickard Blomqvist, Board Chairman from May 6, 2021 *	0.6	-	-	-	-	0.6
Susanna Hilleskog, Board member	0.3	-	-	-	-	0.3
Lars-Åke Rydh, Board member	0.3	-	-	-	-	0.3
Mari Kadowaki Johansson, Board member	0.3	-	-	-	-	0.3
Jonas Lohtander, employee representative	-	-	-	-	-	-
Johan Paulsson, Board member from May 6, 2021	0.2	-	-	-	-	0.2
Ulf Hedlundh, Board member	0.3	-	-	-	-	0.3
Martin Ahltén, Board member from May 6, 2021	0.2	-	-	-	-	0.2
Patrik Andersson, President and CEO	2.2	0.5	0.1	0.6	-	3.4
Other senior executives (5)	7.3	1.9	0.3	1.9	-	11.4
Total	**11.9**	**2.4**	**0.4**	**2.5**	**-**	**17.2**
Subsidiaries						
Other senior executives (5)	4.8	1.1	0.2	1.2	-	7.3
Group	**16.7**	**3.5**	**0.6**	**3.7**	**-**	**24.5**

*Board member Rickard Blomqvist also received a consultant's fee of MSEK 0 (0.1) during the year via companies, see Note G28.

PENSIONS

DEFINED-CONTRIBUTION PENSIONS

The retirement age for the CEO is 65. The premium is not more than 30% of pensionable salary.

The retirement age for other senior executives is 65. The pension premium follows applicable collective agreements. The pension premium for premium defined pension shall amount to not more than 30% of the pension qualifying salary.

SEVERANCE PAY

A mutual period of notice of six 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 nine 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.

INFORMATION ON REMUNERATION RESOLVED BUT NOT YET DUE

Variable remuneration of senior executives partly refers to variable remuneration that has not yet been paid. Payment will take place in 2023.

NOTE 7, CONT.

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 current guidelines resolved by the 2022 Annual General Meeting mainly entail 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 and Board members who are employed by the company, referred to below as "senior executives." The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the 2022 AGM. These guidelines do not apply to any remuneration resolved or approved by the general meeting.
- 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. Such remuneration shall be determined by the Board (or the general meeting if according to law). 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.
- Employments governed by rules other than Swedish may be duly adjusted for compliance with mandatory rules or established local practice, taking into account the overall purpose of these guidelines to the extent possible.

THE GUIDELINES' PROMOTION OF THE COMPANY'S BUSINESS STRATEGY, LONG-TERM INTERESTS AND SUSTAINABILITY

In brief, the company's business strategy is, with a focus on innovation, sustainability and design, to provides profitable complete solutions for the electrical industry. For further information about the company's business strategy, visit https://www.garogroup.se/en/our-mission. A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. These guidelines enable the company to offer the executive management a competitive total remuneration.

Variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability.

TYPES OF REMUNERATION, ETC.

The remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration. The Board has proposed that the 2022 AGM resolve on a long-term incentive program through the issue and transfer of warrants to, inter alia, senior executives.

VARIABLE CASH REMUNERATION

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. Variable cash remuneration to the CEO is not to exceed MSEK 2 per year and does not comprise pensionable salary. Variable cash remuneration for other senior executives may amount to not more than 30% of fixed annual cash salary. The variable cash remuneration is to be linked to clear, target-based criteria in simple and transparent structures. The criteria can be financial or non-financial. They may also be individualized, quantitative or qualitative objectives. The criteria shall be designed so as to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development. These criteria currently include sales and earnings-based financial objectives.

The which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The Board is responsible for the evaluation so far as it concerns variable cash remuneration to the CEO. For variable cash remuneration to other executives, the CEO is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the company.

In addition to the maximum amount stated above, the Board must, with the aim of promoting resolved strategic initiatives during the 2022–2023 period, have the opportunity to resolve on variable cash remuneration to be issued to the CEO and other senior executives corresponding to not more than nine (9) monthly salaries. Such extra variable cash remuneration must be related to achieving previously set targets that promote the GARO Group's strategic initiatives during 2022–2023. The measurement period must therefore run across two fiscal years, and the evaluation regarding meeting criteria for payment is to take place following the 2024 AGM. Provided that it can be completed with cost neutrality for GARO, the CEO and other senior executives have the right to receive a maximum of 30% of such extra variable cash remuneration as a pension benefit, which should be exempt from pension premiums of 30% as described below.

PENSION BENEFITS

For the CEO, pension benefits, including health insurance, shall be premium defined. The pension premiums for premium defined pension shall amount to not more than 30% of the pension qualifying salary. For other senior executives, pension benefits including health insurance shall be premium defined unless the individual concerned is subject to defined benefit pension under mandatory collective agreement provisions. The pension premiums for premium defined pension shall amount to not more than 30% of the pension qualifying salary.

OTHER BENEFITS

Other benefits for senior executives, 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. Such benefits may total a maximum of 15% of the fixed annual cash salary.

TERMINATION OF EMPLOYMENT

The notice period may not exceed twelve months if notice of termination of employment is made by the company. Fixed cash salary during the period of notice and severance pay may together not exceed an amount equivalent to the CEO's fixed cash salary for two years, and one year for other senior executives. The period of notice may not exceed six months without any right to severance pay when termination is made by the executive.

SALARY AND EMPLOYMENT CONDITIONS FOR EMPLOYEES

In the preparation of the Board's proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Board's basis for decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to executives and remuneration to other employees will be disclosed in the remuneration report.

THE DECISION-MAKING PROCESS TO DETERMINE, REVIEW AND IMPLEMENT THE GUIDELINES

Since 2020, the Board has established a Remuneration Committee comprising some of the members of the Board. The Remuneration Committee assists the Board with proposals in renumeration-related matters. The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the AGM. The guidelines shall be in force until new guidelines are adopted by the general meeting. The Board shall also monitor and evaluate programs for variable remuneration to executive management and the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The CEO and other members of the executive management do not participate in the Board's handling of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES 2023

The Board's proposed guidelines for remuneration of senior executives ahead of the 2023 Annual General Meeting fully correspond to the principles applied in the preceding year, except for the option for the Board to decide on extra variable cash remuneration for the CEO and other senior executives in order to promote the GARO Group's strategic initiatives. Such variable remuneration has now been paid.

DEROGATION FROM THE GUIDELINES

The Board may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board's resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

NOTE 8. REMUNERATION OF AUDITORS

	2022	2021
Ernst & Young		
– Audit assignment	1.7	1.5
– Auditing activities in addition to audit assignment	0.5	0.5
Total	**2.2**	**2.0**
Grant Thornton		
– Audit assignment	0.1	0.1
Total	**0.1**	**0.1**

NOTE 9. OPERATING LEASES

GARO divides its leases into three classes of right-of-use assets: Properties, vehicles and machinery. The closing balances of the right-of-use assets and lease liabilities as well as changes during the year are presented in the table below:

	Right-of-use assets				
2022 fiscal year	**Property**	**Vehicles**	**Machinery**	**Total**	**Lease liability**
Opening carrying amount	30.1	6.0	0.5	36.6	35.8
Additional right-of-use assets and lease liabilities	47.6	5.7	-	53.3	53.3
Depreciation of right-of-use assets	-6.6	-4.2	-0.3	-11.1	-
Exchange-rate differences	0.9	-	-	0.9	0.9
Interest expenses on lease liabilities	-	-	-	-	0.5
Lease payments	-	-	-	-	-12.0
Closing carrying amount	**72.0**	**7.5**	**0.2**	**79.7**	**78.5**

	Right-of-use assets				
2021 fiscal year	**Property**	**Vehicles**	**Machinery**	**Total**	**Lease liability**
Opening carrying amount	34.7	3.8	-	38.5	38.0
Additional right-of-use assets and lease liabilities	0.5	5.8	0.5	6.8	6.8
Depreciation of right-of-use assets	-7.3	-3.6	-	-10.9	-
Exchange-rate differences	2.2	-	-	2.2	2.2
Interest expenses on lease liabilities	-	-	-	-	0.5
Lease payments	-	-	-	-	-11.7
Closing carrying amount	**30.1**	**6.0**	**0.5**	**36.6**	**35.8**

The amounts attributable to lease operations recognized in profit or loss during the year are presented below:

	2022	**2021**
Depreciation of right-of-use assets	-11.1	-10.9
Interest expenses on lease liabilities	-0.6	-0.5
Expenses for short-term leases	-0.3	-0.3
Expenses for low-value assets	-	-
Total expenses attributable to lease operations	**-12.0**	**-11.7**

The Group recognizes a cash outflow attributable to leases amounting to MSEK 12.0 (11.7) for the 2022 fiscal year. See Note 3 for the maturity structure of the Group's lease liabilities.

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.

NOTE 10. FINANCIAL INCOME AND EXPENSES

Financial income	**2022**	**2021**
Assets and liabilities mandatorily measured at fair value through profit or loss		
Net gain derivatives	0.6	3.2
Total financial income for items measured at fair value through profit or loss	**0.6**	**3.2**
Assets and liabilities measured at amortized cost;		
Interest income	0.8	0.2
Interest income other financial income	1.9	1.9
Total interest income according to effective interest method	**2.7**	**2.1**
Exchange-rate differences – income, financial items	-	-
Total	**-**	**-**
Total financial income	**3.3**	**5.3**

Financial expenses	**2022**	**2021**
Assets and liabilities mandatorily measured at fair value through profit or loss		
Net loss derivatives	-	-
Total financial expenses for items measured at fair value through profit or loss	**-**	**-**
Assets and liabilities measured at amortized cost;		
Interest expenses loans	-1.7	-1.0
Interest expenses, lease liability	-0.6	-0.4
Interest expenses, other financial liabilities	-0.3	-2.5
Total interest expenses according to effective interest method	**-2.6**	**-3.9**
Exchange-rate differences – expenses, financial items	-0.1	-0.2
Total	**-0.1**	**-0.2**
Total financial expenses	**-2.7**	**-4.1**

NOTE 11. INCOME TAX

	2022	**2021**
Recognized tax		
Current tax on net income for the year	-33.2	-39.3
Change in deferred tax (Note 23)	0.3	-2.4
Total tax on net income for the year	**-32.9**	**-41.7**

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, 2022, unutilized tax advantages amounted to approximately MSEK 2.4 (2.6) 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:

	2022	**2021**
Profit before tax	**153.4**	**208.4**
Income tax calculated according to tax rate in Sweden (20.6%)	-31.6	-42.9
Effect of foreign tax rates	0.8	1.0
Tax effects of:		
– Non-deductible expenses	-3.5	-0.4
– Non-taxable income	1.6	-
– Utilization of loss carryforwards, non-deferred tax	0.6	0.6
– Tax attributable to prior years' recognized earnings	0.6	-
– Other	-1.4	-
Tax expense	**-32.9**	**-41.7**
Effective tax rate, %	**21.5**	**20.0**

NOTE 12. OTHER INTANGIBLE ASSETS

	Capitalized development expenditure	Development projects in progress	Total
At January 1, 2021			
Cost	35.6	35.1	70.7
Accumulated amortization and impairment	-22.6	-	-22.6
Carrying amount	**13.0**	**35.1**	**48.1**
2021 fiscal year			
Opening carrying amount	13.0	35.1	48.1
Capitalized expenses	-	26.5	26.5
Reclassifications/internal transfers	26.5	-27.1	-0.6
Divestments and disposals	-	-	-
Amortization	-11.4	-	-11.4
Closing carrying amount	**28.1**	**34.5**	**62.6**
At December 31, 2021			
Cost	62.1	34.5	96.6
Accumulated amortization and impairment	-34.0	-	-34.0
Carrying amount	**28.1**	**34.5**	**62.6**
2022 fiscal year			
Opening carrying amount	28.1	34.5	62.6
Capitalized expenses	-	30.8	30.8
Reclassifications/internal transfers	0.2	-0.2	-
Divestments and disposals	-	-	-
Amortization	-11.2	-	-11.2
Closing carrying amount	**17.1**	**65.1**	**82.2**
At December 31, 2022			
Cost	62.3	65.1	127.4
Accumulated amortization and impairment	-45.2	-	-45.2
Carrying amount	**17.1**	**65.1**	**82.2**

NOTE 13. GOODWILL

	Goodwill
At January 1, 2021	
Cost	48.7
Accumulated impairment	-3.2
Carrying amount	**45.5**
2021 fiscal year	
Opening carrying amount	45.5
Closing carrying amount	**45.5**
At December 31, 2021	
Cost	48.7
Accumulated impairment	-3.2
Carrying amount	**45.5**
2022 fiscal year	
Opening carrying amount	45.5
Closing carrying amount	**45.5**
At December 31, 2022	
Cost	48.7
Accumulated impairment	-3.2
Carrying amount	**45.5**

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 approximately 10%, depending on product area, for next year's forecast.

In the GARO E-mobility and GARO Electrification segments (BA), the assumed EBIT margins amount to a total of 10% for the next few years, which is in line with the Group's financial targets. The long-term forecast is a stronger margin as an effect of higher sales volumes over time. The growth and margin assumptions are based on outcomes of prior years and management's expectations of market trends in each business area. 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 before tax (WACC) of 12.9% and 11.3% was used in this year's test for GARO E-mobility and GARO Electrification, respectively. 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, 2022	Dec 31, 2021
GARO Electrification segment	39.6	39.6
GARO E-mobility segment	5.9	5.9
Total	**45.5**	**45.5**

NOTE 14. TANGIBLE ASSETS

	Lands and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Construction in progress	Total
At January 1, 2021					
Cost	107.1	22.8	85.7	6.3	221.9
Accumulated depreciation	-39.7	-21.0	-59.3	-	-120.0
Carrying amount	**67.4**	**1.8**	**26.4**	**6.3**	**101.9**
2021 fiscal year					
Opening carrying amount	67.4	1.8	26.4	6.3	101.9
Exchange-rate differences	-	-	-	-	-
Purchases	2.2	-	3.4	13.3	18.9
Reclassifications/internal transfers	0.8	0.8	14.9	-15.2	1.3
Divestments and disposals	-	-0.2	-1.9	-	-2.1
Depreciation	-2.8	-0.8	-9.9	-	-13.5
Resolution of depreciation due to divestments and disposals	-	-	1.0	-	1.0
Closing carrying amount	**67.6**	**1.6**	**33.9**	**4.4**	**107.5**
At December 31, 2021					
Cost	109.8	23.4	102.5	4.4	240.1
Accumulated depreciation	-42.2	-21.8	-68.6	-	-132.6
Carrying amount	**67.6**	**1.6**	**33.9**	**4.4**	**107.5**
2022 fiscal year					
Opening carrying amount	67.6	1.6	33.9	4.4	107.5
Exchange-rate differences	3.4	0.3	2.7	2.9	9.3
Purchases	16.5	-	2.9	69.9	89.3
Reclassifications/internal transfers	-	1.2	6.3	-7.5	0
Divestments and disposals	-	-	-1.9	-	-1.9
Depreciation	-2.8	-0.5	-9.6	-	-12.9
Resolution of depreciation due to divestments/currency effects	-	-	-	-	-
Exchange-rate differences, depreciation	-0.4	-	-1.3	-	-1.7
Closing carrying amount	**84.3**	**2.6**	**33.0**	**69.8**	**189.7**
At December 31, 2022					
Cost	130.2	25.0	111.2	69.8	336.2
Accumulated depreciation	-45.9	-22.4	-78.2	-	-146.5
Carrying amount	**84.3**	**2.6**	**33.0**	**69.8**	**189.7**

NOTE 15. INVENTORIES

	2022	2021
Raw materials and consumables	213.4	159.3
Finished goods and goods for resale	126.6	78.3
Products in progress	4.9	4.5
Total	**344.9**	**242.1**

Costs for raw materials and consumables in profit or loss amounted to MSEK 727.4 (649.3).

Impairment was recognized at a total of MSEK 23.9 (9.6). Impairment was due to the technical features of individual items now being obsolete. MSEK 9 was set aside in 2022 in an additional obsolescence reserve due to the replacement of the technical platform in GARO E-mobility.

NOTE 16. FINANCIAL INSTRUMENTS

Measurement of financial assets at Dec 31, 2022	Carrying amount	Fair value
Financial assets measured at amortized cost		
Accounts receivable	321.1	321.1
Other current receivables	43.7	43.7
Cash and cash equivalents	29.5	29.5
Financial assets measured at fair value through profit or loss		
Derivative instruments	1.0	1.0
Total	**395.3**	**395.3**

Measurement of financial assets at Dec 31, 2021	Carrying amount	Fair value
Financial assets measured at amortized cost		
Accounts receivable	336.0	336.0
Other current receivables	8.4	8.4
Cash and cash equivalents	81.6	81.6
Financial assets measured at fair value through profit or loss		
Derivative instruments	-	-
Total	**426.0**	**426.0**

Measurement of financial liabilities at Dec 31, 2022	Carrying amount	Fair value
Financial liabilities measured at amortized cost		
Liabilities to credit institutions	94.7	94.7
Lease liability	78.5	78.5
Accounts payable	187.4	187.4
Bonuses to customers	47.6	47.6
Other short-term liabilities	50.6	50.6
Financial liabilities measured at fair value through profit or loss		
Derivative instruments	-	-
Option debt	1.6	1.6
Total	**460.4**	**460.4**

Measurement of financial liabilities at Dec 31, 2021	Carrying amount	Fair value
Financial liabilities measured at amortized cost		
Liabilities to credit institutions	36.4	36.4
Lease liability	35.8	35.8
Accounts payable	166.5	166.5
Bonuses to customers	35.5	35.5
Other short-term liabilities	34.4	34.4
Financial liabilities measured at fair value through profit or loss		
Derivative instruments	-	-
Option debt	2.4	2.4
Total	**311.0**	**311.0**

For the purpose of disclosure, a fair value is estimated for interest-bearing liabilities by discounting future cash flow by the principal amount and discounting interest at the current market interest rate. For current receivables and liabilities, the carrying amount is deemed to comprise a reasonable estimate of the fair value.

Measurement of fair value

The Group has derivative that are measured at fair value through profit or loss. Derivative instruments are included in the row Other short-term liabilities in the balance sheet and measured at fair value according to Level 2. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The different levels are defined according to below:

Level 1 – Quoted prices (non-adjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (quoted prices) or indirectly (derived from quoted prices)

Level 3 – Inputs for the asset or liability that are not based on observable market data (Unobservable inputs)

NOTE 17. ACCOUNTS RECEIVABLE

	Dec 31, 2022	Dec 31, 2021
Accounts receivable	322.5	337.2
Loss allowance	-1.4	-1.2
Accounts receivable – net	**321.1**	**336.0**

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:

	2022			2021		
Group	**Gross**	**Impairment**	**Percentage of loss**	**Gross**	**Impairment**	**Percentage of loss**
Not past due accounts receivable	263.8	-	-	282.8	-	-
Past due accounts receivable 0–30 days	44.7	-	-	41.3	-	-
Past due accounts receivable 31–60 days	7.9	-	-	6.9	-	-
Past due accounts receivable 61–90 days	4.2	-	-	2.5	-	-
Past due accounts receivable >91 days	1.9	-1.4	-	3.7	-1.2	-
Total	**322.5**	**-1.4**	**-**	**337.2**	**-1.2**	**-**

At December 31, 2022, accounts receivable of MSEK 58.7 (54.4) had fallen due for payment but no material impairment requirement was deemed to exist for the Group. The past due receivables pertain to customers who have not shown any payment difficulties to date.

Change in loss allowance, simplified approach

Group	**2022**	**2021**
Opening reserve	-1.2	-0.7
Acquisition of subsidiaries	-	-
Confirmed losses		-
Reversed unutilized reserves		-
Reserves for the year	-0.2	-0.5
Translation differences	-	-
Closing reserves	**-1.4**	**-1.2**
Reserved amount in the balance sheet for expected credit losses	**-1.4**	**-1.2**

Expected credit losses primarily comprise accounts receivable for which the Group applies the simplified approach for recognizing expected credit losses, see Note G2.11.3 Impairment of financial assets.

Realized losses for the past five years amount to an average of approximately 0.1% (0.1) of each year's net sales.

NOTE 18. CASH AND CASH EQUIVALENTS

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

	2022	2021
Bank balances	29.5	81.6
Total	**29.5**	**81.6**

NOTE 19. SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

The 2021 Annual General Meeting resolved on a 5:1 share split, meaning that each existing share was replaced with five new shares of the same series.

Share capital at December 31, 2022 comprised 50 000 000 shares with a quotient value of SEK 0.40 per share. Each share carries one vote per share. All shares that have been issued by Parent Company are fully paid.

DIVIDEND

At the Annual General Meeting on May 10, 2022, the Board proposed a dividend of SEK 1.40 per share for the 2021 fiscal year.

At the Annual General Meeting on May 11, 2023, the Board will propose a dividend of SEK 0.80 per share for the 2022 fiscal year. The proposal also means that dividends are to take place on two occasions in 2023, with record dates in May and November.

NOTE 20. BORROWINGS

	2022	2021
Long-term		
Liabilities to credit institutions	36.6	26.5
Financial lease liability	62.4	26.3
Total long-term borrowings	**99.0**	**52.8**
Short-term		
Overdraft facilities	6.1	7.3
Liabilities to credit institutions	52.0	2.6
Financial lease liability	16.1	9.5
Total short-term borrowings	**74.2**	**19.4**
Total borrowings Group	**173.2**	**72.2**

LIABILITIES TO CREDIT INSTITUTIONS

The Group's borrowings are in SEK, EUR and PLN. The Group's borrowings comprise loans from SEB. A new loan of MEUR 1.4 was raised during the year to purchase adjacent properties in Ireland. For the building in Poland, the Group has raised an overdraft facility similar to a Swedish construction loan. Bank loans have a tenor until 2029 and bear average interest of 3.42% per year (2.26).

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

OVERDRAFT FACILITIES

The Group has granted overdraft facilities of MSEK 153.2 (107.7) in the currencies of SEK and EUR that are renegotiated every year. The Parent Company expanded its overdraft facilities by MEUR 5 during the year.

NOTE 21. OTHER PROVISIONS

	2022	2021
Opening balance	6.3	3.7
Amounts used	2.7	2.6
Unutilized amounts that have been reversed	-	-
Opening balance	**9.0**	**6.3**

The Group recognizes a provision when there is a legal obligation or an informal obligation due to previous practice.

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 8.6 (6.0) and are recognized under provisions. No provisions are made for future operating losses.

NOTE 22. DEFERRED TAX ASSETS AND TAX LIABILITIES

	2022	2021
Deferred tax assets		
Lease liability	16.4	7.5
Other (Note G11)	4.2	3.8
Total	**20.6**	**11.3**
Deferred tax liabilities		
Buildings, land and land improvements	-0.4	-0.6
Right-of-use assets	-16.1	-7.4
Total	**-16.5**	**-8.0**
Deferred tax assets – net	**4.1**	**3.3**

NOTE 23. ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2022	Dec 31, 2021
Accrued salary liabilities	21.1	22.6
Accrued social security contributions	8.3	9.1
Bonuses to customers	47.6	35.5
Accrued interest expenses	-	-
Other items	21.2	17.7
Total	**98.2**	**84.9**

NOTE 24. PLEDGED ASSETS

	Dec 31, 2022	Dec 31, 2021
For liabilities to credit institutions		
Property mortgages	166.9	66.9
Chattel mortgages	81.0	85.2
Assets with ownership reservation	6.0	6.0
Guarantees for leases	-	-
Total	**253.9**	**158.1**

NOT 25. SHARE DATA

Earnings per share (adjusted for the split)	2022	2021
Earnings per share, before and after dilution, SEK	2.41	3.33
Equity, before and after dilution, SEK	12.3	11.03
Average number of shares, thousands	50 000	50 000
Number of shares outstanding, thousands	50 000	50 000

NOTE 26. RELATED PARTIES

Purchases of goods and services	2022	2021
Purchase of services		
Consulting services from Board member (Ekonomerna i Sverige AB)	-	0.1
Operations and services purchased from parties related to the Chairman of the Board	-	0.1
Electrical installation services purchased from parties related to the Chairman of the Board	-	-
Total	**-**	**0.2**

The above transactions took place with related parties. The services were purchased on normal commercial terms and conditions. No transactions with related parties took place in 2022.

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

NOTE 27. EVENTS AFTER THE END OF THE FISCAL YEAR

On January 27, GARO AB announced weaker net sales and EBIT for the fourth quarter of 2022 than previously forecasted.

Furthermore, at the time of writing, the situation in Ukraine and the COVID-19 pandemic are not assessed to have any notable impact for the Group and its operations. However, as a consequence of COVID-19, uncertainty prevails concerning future access to components.

NOTE 28. KEY FIGURES AND ALTERNATIVE PERFORMANCE MEASURES AND DEFINITIONS

The performance measures in this Annual 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.

PERFORMANCE MEASURES

NET SALES: The total sales proceeds for goods and services, less discounts provided, VAT
and other tax.

EBIT Earnings before interest and tax

MARGIN MEASURES

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

CAPITAL STRUCTURE

NET DEBT: Interest-bearing liabilities, lease liabilities according to IFRS 16 less 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.

TOTAL ASSETS: The total of all assets or the total of all liabilities plus equity.

RETURN MEASURES

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

CAPITAL EMPLOYED: Total assets less short-term liabilities adjusted for cash and bank balances.

RETURN ON CAPITAL EMPLOYED: EBIT for the past 12 months divided by capital employed.

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.

ALTERNATIVE PERFORMANCE MEASURES (NON-DEFINED BY IFRS)

The Group uses certain performance measures that are not defined in the rules for financial reporting that the Group 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: The Group's growth strategy includes an important financial target of growing organically by 10% per year seen over a business cycle, which is why management has chosen to follow organic growth, which is defined as organic growth with adjustments for currency effects from operations in currencies other than SEK.

EBITDA: With the aim of better illustrating underlying operational development, from a cash flow perspective, management has chosen to follow EBITDA, defined as EBIT before depreciation and amortization. Key performance indicators are defined as below:

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

WORKING CAPITAL: Working capital comprises a major part of the value of the consolidated balance sheet. With the aim of optimizing cash generation, management is focusing on the development of working capital as it is defined below.

NET DEBT: Net debt is defined by how large financial borrowings are in absolute terms less cash and cash equivalents. Key performance indicators are defined as below:

ORGANIC GROWTH

	2022	2021
Preceding year sales	1 295.8	1 039.8
Organic growth	93.4	249.3
Acquisitions and structural changes	0	5.8
Exchange-rate effects	1.3	0.9
Current period	1 390.5	1 295.8

EBITDA

	2022	2021
Income after depreciation/amortization	152.8	207.2
Depreciation/amortization for the year	36.0	35.8
EBITDA	188.8	243.0

WORKING CAPITAL

	2022	2021
Current assets	752.1	680.8
Less cash and cash equivalents	-29.5	-81.6
Less short-term non-interest-bearing liabilities	-357.3	-306.8
Excl. liabilities attributable to additional purchase considerations	-1.6	-2.4
Working capital on balance-sheet date	**363.7**	**290.0**
Working capital in relation to total assets (%)	**31.5**	**31.0**

NET DEBT

	2022	2021
Non-current interest-bearing liabilities	36.6	26.5
Short-term interest-bearing liabilities	58.1	9.9
Lease liability according to the IFRS 16 definition	78.5	35.8
Less cash and cash equivalents	-29.5	-81.6
Net debt (-net cash)	**143.7**	**-9.4**
Net debt in relation to total assets (%)	**12.5**	**N/A**

PARENT COMPANY INCOME STATEMENT

MSEK	Note	2022	2021
Operating income			
Net sales	2, 3	498.4	481.7
Other operating income	4	65.1	12.8
Total		**563.5**	**494.5**
Operating expenses			
Raw materials and consumables		-310.1	-291.3
Other external expenses	6	-61.6	-50.1
Personnel expenses	5	-102.1	-77.1
Depreciation/amortization of tangible and intangible assets	11, 12	-11.1	-12.6
Total operating expenses		**-484.9**	**-431.1**
EBIT		**78.6**	**63.4**
Profit from participations in Group companies	22	2.8	7.2
Net interest income and similar items	8	10.4	6.8
Net interest expenses and similar items	8	-0.8	-2.5
Total profit from financial items		**12.4**	**11.5**
Profit before tax		**91.0**	**74.9**
Appropriations	23	28.5	47.0
Tax on net income for the year	9	-24.4	-23.6
Net income for the year		**95.1**	**98.3**

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.

COMMENTS ON THE INCOME STATEMENT

NET SALES

The Parent Company's operations encompass Group Management, Group-wide functions and the Swedish part of the Electrical distribution products product area, which noted strong underlying demand during the year.

Net sales amounted to MSEK 498.4 (481.7). Internal sales to other Group companies amounted to MSEK 159.0 (146.9). Other operating income primarily comprised internally sold services to other Swedish companies in the Group.

EBIT

EBIT amounted to MSEK 78.6 (63.4), corresponding to an EBIT margin of 15.8% (13.2).

EBIT was positively impacted by higher sales volumes and a favorable product mix. Expenses in relation to net sales were somewhat higher compared with the preceding year, since the company has strengthened the organization, primarily in Group staff functions.

INCOME AFTER FINANCIAL ITEMS

Income after financial items amounted to MSEK 91.0 (74.9), corresponding to a profit margin of 18.3% (15.5). Net financial items amounted to MSEK 12.4 (11.5). The Parent Company is responsible for and manages the Group's cash pool and financial structure.

GARO AB's interest-bearing liabilities amounted to MSEK 25.8 (13.0) at year-end.

TAX

The tax expense amounted to MSEK 24.4 (23.6), corresponding to a tax rate of 20.4% (19.4). Profit after tax was MSEK 95.1 (98.3).

SUMMARY OF THE PARENT COMPANY'S FINANCIAL PERFORMANCE

MSEK	2022	2021	2020	2019	2018
Net sales	498.4	481.7	622.0	586.6	528.6
EBITDA	89.7	76.0	81.3	58.3	66.4
EBIT	78.6	63.4	69.0	48.4	56.5
EBIT margin, %	15.8	13.2	11.1	8.3	10.7
Total assets	630.9	608.6	546.5	451.3	385.7
Equity ratio, %	61.6	59.5	57.0	53.8	56.4
Return on equity, %	24.2	27.1	24.8	26.8	36.0
Average number of employees	123	120	143	137	132

PARENT COMPANY BALANCE SHEET

MSEK	Note	Dec 31, 2022	Dec 31, 2021
Assets			
Fixed assets			
Intangible assets			
Capitalized development expenditure	11	4.3	9.1
Development projects in progress	11	4.0	34.4
Total intangible assets		**8.3**	**43.5**
Tangible assets			
Lands and buildings	12	22.7	24.3
Plant and machinery	12	0.5	0.2
Equipment, tools, fixtures and fittings	12	8.8	12.5
Construction in progress and advance payments for tangible assets	12	1.8	1.4
Total tangible assets		**33.8**	**38.4**
Financial assets			
Participations in Group companies	10	80.3	80.8
Receivables from Group companies		75.8	59.9
Total financial assets		**156.1**	**140.7**
Total fixed assets		**198.2**	**222.6**
Current assets			
Inventories			
Raw materials and consumables		37.9	28.2
Products in progress		0	0.4
Finished goods and goods for resale		16.7	12.2
Total inventories		**54.6**	**40.8**
Current receivables			
Accounts receivable	13, 14	89.3	83.9
Receivables from Group companies		276.7	182.6
Other current receivables		1.1	2.0
Prepaid expenses and accrued income		5.1	5.3
Total current receivables		**372.2**	**273.8**
Cash and bank balances	14, 15, 18	5.9	71.4
Total current assets		**432.7**	**386.0**
Total assets		**630.9**	**608.6**

COMMENTS ON THE BALANCE SHEET

TOTAL ASSETS

GARO AB's total assets increased MSEK 22.3 (4%) during the year from MSEK 608.6 last year to MSEK 630.9, which was the result of higher receivables and liabilities from subsidiaries in the Group. In 2022, participations in subsidiaries were written down by MSEK 1.4 (0), at the same time as acquisitions of an additional 10% of the shares of EV Charge Partner Sweden AB took place in the amount of MSEK 0.9.

WORKING CAPITAL

Working capital increased MSEK 130.7 (163%) during the year from MSEK 80.2 last year to MSEK 210.9. In relation to net sales, working capital increased from 17% to 42%.

RETURN

Return on equity amounted to 24.5% (27.1).

PARENT COMPANY BALANCE SHEET, CONT.

MSEK	Note	Dec 31, 2022	Dec 31, 2021
Equity and liabilities			
Equity			
Restricted equity			
Share capital	16	20.0	20.0
Fund for internal development expenses		6.1	40.5
Statutory reserve		2.6	2.6
Total restricted equity		**28.7**	**63.1**
Non-restricted equity			
Retained earnings		265.0	200.8
Net income for the year		95.1	98.3
Total non-restricted equity		**360.1**	**299.1**
Total equity		**388.8**	**362.2**
LIABILITIES			
Provisions			
Other provisions		2.8	1.0
Provision for deferred tax	17	0.6	0.7
Total provisions		**3.4**	**1.7**
Long-term liabilities			
Other liabilities to credit institutions	18	22.8	10.4
Total long-term liabilities		**22.8**	**10.4**
Short-term liabilities			
Liabilities to credit institutions	14, 18	3.0	2.6
Accounts payable		59.4	51.4
Liabilities to Group companies		84.9	132.8
Current tax liabilities		13.8	7.0
Other short-term liabilities		23.9	9.0
Accrued expenses and deferred income	19	30.9	31.5
Total short-term liabilities		**215.9**	**234.3**
Total liabilities		**242.1**	**246.4**
Total liabilities and equity		**630.9**	**608.6**

COMMENTS ON THE BALANCE SHEET

EQUITY RATIO

Equity on December 31, 2022 amounted to MSEK 388.8 (362.2). The 2022 dividend amounted to MSEK 70.0 (47.5).

The equity ratio amounted to 61.6% (59.5) at year-end.

INTEREST-BEARING LIABILITIES

Interest-bearing liabilities amounted to MSEK 25.8 (13.0) at the end of the fiscal year. GARO AB's net debt, defined as interest-bearing liabilities less cash and cash equivalents and current investments, amounted to MSEK 19.9 (net cash 58.4) since the company lent capital within the Group during the year.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

MSEK	Note	Restricted equity Share capital	 Statutory reserve	 Fund for internal development expenses	Other contributed capital	Non-restricted equity Retained earnings incl. net income for the year	Total
Opening balance at January 1, 2021		**20.0**	**2.6**	**35.9**		**252.9**	**311.4**
Net income for the year and comprehensive income 2021		0	0	0		98.3	98.3
Total comprehensive income		**0**	**0**	**0**		**98.3**	**98.3**
Change in fund for internal development expenses		0	0	4.6		-4.6	0
Dividend according to Annual General Meeting resolution		0	0	0		-47.5	-47.5
Total contributions from and value transfers to shareholders, recognized directly in equity		**0**	**0**	**0**		**-47.5**	**-47.5**
Closing balance at December 31, 2021		**20.0**	**2.6**	**40.5**	**0**	**299.1**	**362.2**
Opening balance at January 1, 2022		**20.0**	**2.6**	**40.5**		**299.1**	**362.2**
Net income for the year and comprehensive income 2022		0	0	0		95.1	95.1
Total comprehensive income		**0**	**0**	**0**		**95.1**	**95.1**
Change in fund for internal development expenses		0	0	-34.4		34.4	0
Warrant liquidity received					1.5		1.5
Dividend according to Annual General Meeting resolution		0	0	0		-70.0	-70.0
Total contributions from and value transfers to shareholders, recognized directly in equity		**0**	**0**	**0**	**1.5**	**-70.0**	**-68.5**
Closing balance at December 31, 2022		**20.0**	**2.6**	**6.1**	**1.5**	**358.6**	**388.8**

PARENT COMPANY CASH-FLOW STATEMENT

MSEK	Note	2022	2021
Cash flow from operating activities			
EBIT		78.6	63.4
Adjustment for non-cash items			
Depreciation/amortization	11, 12	11.1	12.6
Other		1.1	-5.3
Dividends received	22	4.2	7.2
Net interest income and similar items	8	10.4	6.8
Net interest expenses and similar items	8	-0.8	-2.5
Income tax paid	9	-19.6	-16.8
Cash flow from operating activities before changes in working capital		**85.0**	**65.4**
Change in inventories		-13.8	26.0
Change in accounts receivable	13	-5.4	35.3
Change in other current receivables		-0.8	-1.9
Change in intra-Group accounts receivable and accounts payable		-142.0	-71.0
Change in accounts payable		8.0	-7.3
Change in other current operating liabilities		14.3	-5.7
Total change in working capital		**-139.7**	**-24.6**
Cash flow from operating activities		**-54.7**	**40.8**
Cash flow from investing activities			
Investments in intangible assets	11	-28.3	-25.1
Investments in tangible assets	12	-2.7	-3.1
Assets sold	12	64.2	30.2
Investments in subsidiaries		-0.9	-1.5
Acquisition of other financial assets		-15.9	-29.3
Cash flow from investing activities		**16.4**	**-28.8**
Cash flow from financing activities			
Amortization of loans		12.8	-4.1
Warrant liquidity received		1.5	0
Group contributions paid/received	23	28.5	47.0
Dividend paid		-70.0	-47.5
Cash flow from financing activities		**-27.2**	**-4.6**
Decrease/increase in cash and cash equivalents			
Net cash flow for the year		-65.5	7.4
Cash and cash equivalents at beginning of the year		71.4	64.0
Cash and cash equivalents at end of the year		**5.9**	**71.4**

INVESTMENTS

GARO AB's investments in tangible assets amounted to MSEK 2.7 (3.1). The Group's development department is found in the Parent Company, and the company makes regular investments in product development. Investments in intangible assets for the year amounted to MSEK 28.3 (25.1). Completed projects were sold internally to companies in the Group for a value of MSEK 64.2 (0) during the year.

CASH FLOW

Cash flow from operating activities amounted to MSEK -54.7 (40.8). A higher EBIT was offset during the year by high tied-up working capital compared with 2021, which was due to internal transactions with subsidiaries.

Cash flow for the year amounted to MSEK -65.5 (7.4).

Notes

NOTE 1. GENERAL INFORMATION

GARO Aktiebolag (the "Parent Company") develops and markets electrical installation materials. The Parent Company's operations also encompass Group Management as well as certain Group-wide functions and the Group's finance function.

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

NOTE 2. SUMMARY OF PARENT COMPANY'S MOST 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 G2 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 of 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, which are complex or are such areas in which assumptions and estimates are of significant importance to the Annual Report, are described in Note G4 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 G3 in the consolidated financial statements.

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

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.

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.

LEASES

The rules on accounting for leases under IFRS 16 are not applied in the Parent Company. This means that lease payments are recognized as an expense straight-line over the lease term, and that right-of-use assets and lease liabilities are not included in the Parent Company's balance sheet. However, a lease is identified in accordance with IFRS 16, meaning that a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

NOTE 3. ALLOCATION OF NET SALES

	2022	2021
Nordic region	496.1	479.4
Europe excl. Nordic region	2.3	2.3
Total	**498.4**	**481.7**

NOTE 4. OTHER OPERATING INCOME

	2022	2021
Rental income	0	0
Capitalized own work	5.4	3.7
Lease of personnel and administrative service	55.3	7.5
Other	4.4	1.6
Total	**65.1**	**12.8**

NOTE 5. REMUNERATION OF EMPLOYEES, ETC.

	2022		2021	
Salaries and other remuneration	**Salaries and other remuneration (of which, bonus)**	**Social security expenses (of which, pension costs)**	**Salaries and other remuneration (of which, bonus)**	**Social security expenses (of which, pension costs)**
Board members, CEOs and other senior executives	10.1 (0.5)	4.8 (2.1)	10.1 (1.4))	4.8 (2.0)
Other employees	53.7 (0.2)	26.0 (5.0)	49.5 (0.7)	23.9 (5.2)
Total	**63.8 (0.7)**	**30.8 (7.1)**	**59.6 (2.1)**	**28.7 (7.2**

AVERAGE NUMBER OF EMPLOYEES

	2022			2021		
	Average no. of employees	**Of whom, women**		**Average no. of employees**	**Of whom, women**	**%**
Sweden	123	45	37%	120	43	36%
Total	**123**	**45**	**37%**	**120**	**43**	**36%**

GENDER DISTRIBUTION OF BOARD MEMBERS AND OTHER SENIOR EXECUTIVES

	2022		2021	
	No. on balance-sheet date	**Of whom, women**	**No. on balance-sheet date**	**Of whom, women**
Board members	8	2	8	2
CEO and other senior executives	5	1	6	1
Total	**13**	**3**	**14**	**3**

Remuneration of senior executives is described in note G8 in the consolidated financial statements and on page 128.

NOTE 6. REMUNERATION OF AUDITORS

	2022	2021
Ernst & Young		
– Audit assignment	0.7	0.7
– Other auditing activities	0.4	0.4
Total	**1.1**	**1.1**

NOTE 7. OPERATING LEASES

The Parent Company leases machinery, cars and warehouse premises. 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.

The Parent Company's future lease payments for non-cancelable leases are presented below.

Future minimum lease payments	2022	2021
Within 1 year	8.9	3.3
Between 1 and 5 years	26.3	3.5
More than 5 years	17.1	0
Total	**52.3**	**6.8**

Expensed lease payments for the period amounted to MSEK 5.1 (4.1). A new lease was signed for premises in Hillerstorp in 2022.

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

Financial income	2022	2021
Assets and liabilities mandatorily measured at fair value through profit or loss		
Net gain derivatives	0.6	3.2
Total financial income for items measured at fair value through profit or loss	**0.6**	**3.2**
Assets and liabilities measured at amortized cost;		
Interest income from accounts receivable	-	-
Interest income other financial income	4.4	2.9
Total interest income according to effective interest method	**4.4**	**2.9**
Exchange-rate differences – income, financial items	5.4	0.7
Total	**5.4**	**0.7**
Total financial income	**10.4**	**6.8**

Financial expenses	2022	2021
Assets and liabilities mandatorily measured at fair value through profit or loss		
Net loss derivatives	-	-
Total financial expenses for items measured at fair value through profit or loss	**-**	**-**
Assets and liabilities measured at amortized cost;		
Interest expenses loans	-0.8	-0.4
Interest expenses, other financial liabilities	-	-
Total interest expenses according to effective interest method	**-0.8**	**-0.4**
Exchange-rate differences – expenses, financial items	-	-2.1
Total	**-**	**-2.1**
Total financial expenses	**-0.8**	**-2.5**

NOTE 9. TAX ON NET INCOME FOR THE YEAR

	2022	2021
Recognized tax in profit or loss		
Current tax on net income for the year	-24.5	-23.1
Changes in deferred tax (Note PC17)	0.1	-0.5
Total recognized tax	**-24.4**	**-23.6**

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:

	2022	2021
Profit before tax	**119.5**	**121.9**
Income tax calculated according to tax rate in Sweden (20.6%)	-24.6	-25.1
Tax effects of:		
Non-taxable dividends	0.9	1.5
Non-deductible expenses	-0.7	-0.3
Previously unrecognized deferred tax	-	0.3
Total recognized tax	**-24.4**	**-23.6**
Effective tax rate, %	**20.4**	**19.4**

NOTE 10. HOLDINGS AND INVESTMENTS IN SUBSIDIARIES

	2022	2021
Opening cost	80.8	79.3
Investments in subsidiaries	0.9	1.5
Impairment of shares in subsidiaries	-1.4	0
Closing accumulated cost	**80.3**	**80.8**
Closing carrying amount	**80.3**	**80.8**

During the year, the company purchased an additional 10% of the shares of EV Charge Partner Sweden AB at a value of MSEK 0.9. This took place in accordance with contract.

Shares in WEB-EL försäljning AB were written down by MSEK 1.4 during the year.

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 2022	Carrying amount 2021
GARO Electric Irl. Ltd	67083	Dublin, Ireland	10 000	100	0	4.7	4.7
GARO Electric Ltd	12057804	Birmingham, UK	1	100	0	0	0
GARO Elflex AB	556717-1003	Gnosjö, Sweden	1 000	100	0	2.5	2.5
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	28.7	30.1
GARO Polska SP ZOO	8513133236	Szczecin, Poland	200	100	0	5.2	5.2
GARO Fastigheter AB	559180-6426	Gnosjö, Sweden	100 000	100	0	1.6	1.6
GARO E-mobility AB	559272-1871	Gnosjö, Sweden	200 000	100	0	20.0	20.0
GARO Finland OY	2191528-5	Espoo, Finland	100	100	0	7.2	7.2
EV Charge Partner Sweden AB	556980-5384	Gnosjö, Sweden	1 000	80	20	7.9	7.0
Total						**80.3**	**80.8**

NOTE 11. INTANGIBLE ASSETS

	Capitalized development expenditure	Development projects in progress	Goodwill	Total
At January 1, 2021				
Cost	35.6	35.1	1.9	72.6
Accumulated amortization	-21.3	0	-1.9	-23.2
Carrying amount	**14.3**	**35.1**	**-**	**49.4**
2021 fiscal year				
Opening carrying amount	14.3	35.1	-	49.4
Purchases/capitalized expenses	-	25.1	-	25.1
Reclassifications/internal sales	-	-	-	-
Divestments and disposals	-4.4	-25.8	-	-30.2
Impairment	-	-	-	-
Amortization	-0.8	-	-	-0.8
Closing carrying amount	**9.1**	**34.4**	**-**	**43.5**
At December 31, 2021				
Cost	31.2	34.4	1.9	67.5
Accumulated amortization	-22.1	-	-1.9	-24.0
Carrying amount	**9.1**	**34.4**	**-**	**43.5**
2022 fiscal year				
Opening carrying amount	9.1	34.4	-	43.5
Purchases/capitalized expenses	-	28.3	-	28.3
Reclassifications/internal sales	0.2	-58.7	-	-58.5
Divestments and disposals	-	-	-	-
Impairment	-	-	-	-
Depreciation	-5.0	-	-	-5.0
Closing carrying amount	**4.3**	**4.0**	**-**	**8.3**
At December 31, 2022				
Cost	31.4	4.0	1.9	37.3
Accumulated amortization	-27.1	-	-1.9	-29.0
Carrying amount	**4.3**	**4.0**	**-**	**8.3**

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, 2021					
Cost	69.0	20.3	54.1	6.0	149.4
Accumulated depreciation	-44.5	-19.7	-38.1	-	-102.3
Carrying amount	**24.5**	**0.6**	**16.0**	**6.0**	**47.1**
2021 fiscal year					
Opening carrying amount	24.5	0.6	16.0	6.0	47.1
Purchases	1.4	-	-	1.7	3.1
Reclassifications/internal transfers	-	-	-	-	-
Divestments and disposals	-	-	-0.7	-6.3	-7.0
Depreciation	-1.6	-0.4	-5.1	-	-7.1
Resolution of depreciation due to divestments/disposals/internal transfers	-	-	2.3	-	2.3
Closing carrying amount	**24.3**	**0.2**	**12.5**	**1.4**	**38.4**
At December 31, 2021					
Cost	70.4	20.3	53.4	1.4	145.5
Accumulated amortization	-46.1	-20.1	-40.9	-	-107.1
Carrying amount	**24.3**	**0.2**	**12.5**	**1.4**	**38.4**
2022 fiscal year					
Opening carrying amount	24.3	0.2	12.5	1.4	38.4
Purchases	-	-	-	2.7	2.7
Reclassifications/internal transfers	-	0.5	0.6	-2.3	-1.2
Divestments and disposals	-	-	-0.3	-	-0.3
Depreciation	-1.6	-0.2	-4.3	-	-6.1
Resolution of depreciation due to divestments/disposals/internal transfers	-	-	0.3	-	0.3
Closing carrying amount	**22.7**	**0.5**	**8.8**	**1.8**	**33.8**
At December 31, 2022					
Cost	70.4	20.8	53.4	1.8	146.4
Accumulated amortization	-47.7	-20.3	-44.6	-	-112.6
Carrying amount	**22.7**	**0.5**	**8.8**	**1.8**	**33.8**

NOTE 13. ACCOUNTS RECEIVABLE

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

	2022	2021
Accounts receivable	90.1	84.7
Less: provision for doubtful receivables	-0.8	-0.8
Accounts receivable – net	**89.3**	**83.9**

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

At December 31, 2022, accounts receivable of MSEK 11.7 (10.7) had fallen due for payment but no impairment requirement was deemed to exist. The past due receivables pertain to customers who have not shown any payment difficulties to date. The age analysis of these accounts receivable was as follows:

	2022	2021
Within 1–30 days	10.5	8.0
Between 31 and 60 days	1.2	1.4
More than 61 days	0	1.3
Total past due accounts receivable	**11.7**	**10.7**

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, 2022

2022 fiscal year	Financial assets measured at cost	Financial liabilities measured at cost	Total carrying amount
Accounts receivable	89.3	-	89.3
Receivables from Group companies	276.7	-	276.7
Other current receivables	5.1	-	5.1
Cash and cash equivalents	5.9	-	5.9
Total	**377.0**	**-**	**377.0**
Financial liabilities			
Accounts payable	-	59.4	59.4
Liabilities to Group companies	-	84.9	84.9
Derivative instruments	-	-	-
Other short-term liabilities	-	23.9	23.9
Total	**-**	**168.2**	**168.2**

MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES AT DEC 31, 2021

2021 fiscal year	Financial assets measured at cost	Financial liabilities measured at cost	Total carrying amount
Accounts receivable	83.9	-	83.9
Receivables from Group companies	182.6	-	182.6
Other current receivables	2.0	-	2.0
Cash and cash equivalents	71.4	-	71.4
Total	**339.9**	**-**	**339.9**
Financial liabilities			
Accounts payable	-	51.4	51.4
Liabilities to Group companies	-	132.8	132.8
Derivative instruments	-	-	-
Other short-term liabilities	-	9.0	9.0
Total	**-**	**193.2**	**193.2**

NOTE 15. CASH AND CASH EQUIVALENTS

	2022	2021
Bank balances	5.9	71.4
Total	**5.9**	**71.4**

NOTE 16. SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

The 2021 Annual General Meeting resolved on a 5:1 share split, meaning that each existing share was replaced with five new shares of the same series. The share split was completed during the second quarter of 2021.

Share capital at December 31, 2022 comprised 50 000 000 shares with a quotient value of SEK 0.40 per share. Each share carries one vote per share. All shares that have been issued by Parent Company are fully paid.

In conjunction with the 2022 AGM, a directed share issue of 200 000 warrants for senior executives was resolved. During the year, 42 500 warrants were subscribed for, which means that other contributed share capital was paid in the amount of MSEK 1.4. These warrants were deducted and paid for on market terms. The value of the warrants was determined using a warrant valuation model (Black & Scholes). Warrants are classified as share-based payment.

NOTE 17. PROVISION FOR DEFERRED TAX

Deferred tax assets and liabilities are distributed as follows:

	2022	2021
Deferred tax assets		
– deferred tax assets attributable to temporary differences in derivative instruments	-	-
Deferred tax liabilities		
– deferred tax liabilities attributable to temporary differences in buildings and land improvements	0.4	0.6
– deferred tax liabilities attributable to temporary differences in derivative instruments	0.2	0.1
Deferred tax liabilities (net)	**0.6**	**0.7**

NOTE 18. BORROWINGS

	2022	2021
Long-term		
Liabilities to credit institutions	22.8	10.4
Total long-term borrowings	**22.8**	**10.4**
Short-term		
Liabilities to credit institutions	3.0	2.6
Total short-term borrowings	**3.0**	**2.6**
Total borrowings Parent Company	**25.8**	**13.0**

LIABILITIES TO CREDIT INSTITUTIONS

The Parent Company's borrowings are in SEK and EUR. The Parent Company's borrowings comprise loans from SEB.

The bank loans have a tenor until 2027 and 2029, and bear average interest for 2022 of 2.0% per year (1.22). The company raised a new loan of MEUR 1.4 during the year to purchase properties in Ireland. 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 153 (97.1) that are renegotiated every year. During the year, the company raised an additional MEUR 5 in overdraft facilities.

NOTE 19. ACCRUED EXPENSES AND DEFERRED INCOME

	2022	2021
Accrued payroll costs	10.3	11.8
Accrued social security contributions	5.1	4.7
Bonuses to customers	11.3	11.2
Other items	4.2	3.8
Total	**30.9**	**31.5**

NOTE 20. PLEDGED ASSETS

	2022	2021
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

	2022	2021
Other contingent liabilities for the benefit of subsidiaries	21.6	21.6
Total	**21.6**	**21.6**

NOTE 22. PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

	2022	2021
Dividends	4.2	7.2
Impairment	-1.4	-
Total	**2.8**	**7.2**

NOTE 23. APPROPRIATIONS

	2022	2021
Difference between recognized depreciation/amortization and depreciation/amortization according to plan	-	0.8
Group contributions received, net	28.5	47.0
Total	**28.5**	**47.8**

NOTE 24. RELATED PARTIES

The following transactions took place with related parties:

PURCHASES AND SALES TO SUBSIDIARIES

32% (34) of the Parent Company's sales comprise sales to Group companies, and 31% (35) of the Parent Company's purchases comprise purchases from Group companies.

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

	2022	2021
Purchase of services		
Consulting services from Board members, Jan–May (Ekonomerna i Sverige AB)	-	0.1
Operations and services purchased from parties related to the Chairman of the Board (Jan–May)	-	0.1
Electrical installation services purchased from parties related to the Chairman of the Board (Jan–May)	-	-
Total	**-**	**0.2**

The services described above were purchased on normal commercial terms and conditions. No services were purchased from related parties during 2022.

NOTE 25. EVENTS AFTER THE END OF THE FISCAL YEAR

In January 2023, parts of the operations in the company were transferred to new premises in Hillerstorp, which will enable further expansion within GARO Electrification. In connection with this, some production equipment and inventory was sold from the company to GARO Montage AB for simpler flow management.

The war in Ukraine has, to date, primarily affected GARO in the form of higher electricity prices, which for GARO have mainly led to higher purchasing prices. Furthermore, as a consequence of COVID-19, uncertainty prevails concerning access to components.

NOTE 26. PROPOSED APPROPRIATION OF PROFIT

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

Opening retained earnings	269 630 357
Provisions to fund for own work, development expenditure	-6 098 201
Net income for the year	95 110 405
Total	**358 642 561**

The Board of Directors proposes that profit be appropriated as follows:	
– to be distributed to shareholders at SEK 0.80 per share	40 000 000
– to be carried forward	318 642 561
Total	**358 642 561**

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 11, 2023.

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

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

Gnosjö, March 29, 2023

RICKARD BLOMQVIST
Chairman

SUSANNA HILLESKOG
Board member

MARTIN ALTHÉN
Board member

JOHAN PAULSSON
Board member

ULF HEDLUNDH
Board member

LARS ÅKE RYDH
Board member

MARI-KATHARINA KADOWAKI
Board member

MY BÄCK
Employee representative

JONAS LOHTANDER
Employee representative

PATRIK ANDERSSON
CEO

Our audit report was submitted on April 11, 2023
Ernst & Young AB

JOAKIM FALCK
Authorized Public Accountant

Audit report

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

OPINIONS

We have audited the annual accounts and consolidated accounts of GARO AB (publ) for the year 2022. The annual accounts and consolidated accounts of the company are included on pages 54–105 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 2022 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 2022 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 statement of comprehensive income and statement of financial position for 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 31-12-2022 that the reported value of the inventory amounts to MSEK 344.9. 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. Note 2.12, note 4 and note 15 describe, among other things, the evaluation and risks associated with inventories.	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.

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 2–53 and 110–117. The other information also consists of the remuneration report which we obtained before the date of this Auditor´s report. 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, actions taken to eliminate threats or related safeguards applied.

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

REPORT ON THE AUDIT OF THE ADMINISTRATION AND THE PROPOSED APPROPRIATIONS OF THE COMPANY'S PROFIT OR LOSS

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 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) 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 otherwise 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.

THE AUDITOR'S EXAMINATION OF THE ESEF REPORT

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for GARO AB (publ) for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of GARO AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

Ernst & Young AB, Box 2224, 550 02 Jönköping, was appointed auditor of GARO AB by the general meeting of the shareholders on the 11 May 2022 and has been the company's auditor since the 4 May 2017.

Jönköping 11 April, 2023
Ernst & Young AB

Joakim Falck
Authorized Public Accountant

Sustainability Report

The 2022 sustainability reporting encompasses the companies in the Group in which GARO has operational controls, meaning where GARO AB has a majority holding. The primary target group of the reporting is investors and shareholders. The most relevant parts for the operations and its stakeholders have been included in the Sustainability Report in order to provide an overall view of the Group's impact, strategies and work methods in the area of sustainability. All data for the reporting has been collected from each company via BI reports and IT and accounting systems. Data has then been compiled to calculate aggregated figures for the Group. Sustainability activities and their results are used in GARO's operations to meet the ecological and social necessities resulting from growing material and energy needs and to assign resources of talented people, which is beneficial for the Group. The Head of Sustainability is responsible for quality assurance of the data in this Sustainability Report.

EU Taxonomy Regulation

BACKGROUND INFORMATION

The EU taxonomy is a new EU Regulation that came into effect in 2020 and is to be applied with certain restrictions from January 1, 2022, and be applied completely from January 1, 2023. The taxonomy includes the EU Action Plan on Sustainable Finance 2018 and the EU Green Deal.

The aim is to illustrate the proportion of a company's turnover, capital expenditure and operating expenditure for products or services that make a significant contribution to the taxonomy's six environmental objectives.

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

GARO's economic activities have been assessed at an overall level based on whether our operations make a substantial contribution to one or more of the identified environmental objectives, while also doing no significant harm (DNSH). Environmental objectives 1 and 2 are reported on for 2022. The EU has not yet implemented environmental objectives 3–6 since no technical screening criteria are available. These technical screening criteria are laid down through secondary legislation known as delegated acts.

The taxonomy is part of the EU Green Deal that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases by 2050, where the environment and the health of European citizens are protected, and where economic growth is achieved by the most efficient and sustainable use of natural resources. The taxonomy is to protect, conserve and enhance the EU's natural capital, and protect the health and well-being of citizens from environment-related risks and impacts. These efforts are in line with the UN Agenda 2030 and the Paris Climate Agreement with the aim of limiting global warming to well below 2°C, and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels. Global warming is driven by higher greenhouse gas emissions, of which the transport and energy sector account for a high share.

REPORTING POLICIES

Description of the disclosures to be provided together with the key performance indicators

The taxonomy reporting encompasses the companies over which the Group has control, meaning that the company is a majority shareholder. Under the taxonomy, non-financial undertakings are to disclose information and report according to the taxonomy based on the three key performance indicators (KPIs) of sales (turnover), capital expenditure (CapEx) and operating expenditure (OpEx).

The Group's economic activities have been assessed and verified based on the EU Nomenclature of Economic Activities (NACE), which in the first instance shows whether or not an activity is taxonomy-eligible. In stage 2, GARO's activities have been assessed as to whether they are taxonomy-aligned based on the technical screening criteria for environmental objectives 1 and 2.

Turnover

Turnover includes the products and services that are taxonomy-eligible. The products groups have been assessed at product group level since their performance and purpose differ. All companies have reported Group-external turnover in order to eliminate double counting. Accordingly, the Group's turnover has been determined in the same was as for the financial reporting, refer also to the information in Note G2.

CapEx

CapEx comprises tangible and intangible assets, business combinations and leases (see Note G12, 13, 14). The taxonomy-eligible tangible and intangible assets refer to investments directly attributable to the production and development of the associated products. In accordance with the precautionary principle, the Group has decided not to include other taxonomy-eligible investments such as office buildings, IT security and vehicles regardless of their performance.

For classifying business combinations, the guiding factors were the purpose of the investment and the companies' current operations. For the sake of simplification, leases were classified based on the specification of sales by each company.

GARO works actively with plans aimed at expanding the company's economic activities and upgrading taxonomy-eligible activities so that they are taxonomy-aligned.

OpEx

OpEx comprises non-capitalized costs that relate to research and development, building renovation measures, maintenance and repair, machinery and equipment. Research and development were classified in the same manner as the classification of tangible and intangible assets.

KPIS

KPI	Proportion of taxonomy-eligible economic activities	Proportion of not taxonomy-eligible economic activities
Turnover	69%	31%
CapEx	91%	9%
OpEx	98%	2%

TABLE 1: PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH ECONOMIC ACTIVITIES THAT QUALIFY AS ENVIRONMENTALLY SUSTAINABLE UNDER THE TAXONOMY REGULATION - DISCLOSURE COVERING YEAR 2022.

				Substantial contribution criteria						**DNSH criteria (Do No Significant Harm)**										
GARO	Code(s) (2)	Absolute turnover (3)	Share of turnover (4)	**Environmental objective 1** Climate change mitigation (5)	**Environmental objective 2** Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year N (18)	Taxonomy-aligned proportion of turnover, year N-1 (19)	Category (enabling activity) (20)	Category* (transitional activity)*(21)
		MSEK	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	Enabling	Transitional
A. Eligible activities																				
A.1 Eligible taxonomy-aligned activities																				
Manufacture of energy efficiency equipment for buildings	3.5	105	7%	50%	50%					Yes	Yes						7%		E	
Turnover of eligible taxonomy-aligned activities (A.1)		**105**	**7%**														**7%**			
A.2 Eligible not taxonomy-aligned activities																				
Manufacture of other low carbon technologies	3.6	788	57%	50%	50%												57%		E	
Construction of new buildings	7.1	68	5%	50%	50%												5%		E	
Turnover of eligible not taxonomy-aligned activities (A.2)		**856**	**62%**														**62%**			
Total (A.1+A.2)		**961**	**69%**														**69%**			
B. Non-eligible activities																				
Turnover of non-eligible activities (B)		429	31%														31%			
Total (A+B)		**1 390**	**100%**														**100%**			

69% of GARO is taxonomy eligible (A). Only a small proportion is taxonomy-aligned, 7% (A.1). Accordingly GARO reported under both A.1 and A.2.

TABLE 2: PROPORTION OF CAPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH ECONOMIC ACTIVITIES THAT QUALIFY AS ENVIRONMENTALLY SUSTAINABLE UNDER THE TAXONOMY REGULATION - DISCLOSURE COVERING YEAR 2022.

				Substantial contribution criteria						**DNSH criteria (Do No Significant Harm)**										
GARO	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of CapEx, year N (18)	Taxonomy-aligned proportion of CapEx, year N-1 (19)	Category (enabling activity) (20)	Category* (transitional activity)*(21)
		MSEK	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	Enabling	Transitional
A. Eligible activities																				
A.1 Eligible taxonomy-aligned activities																				
Manufacture of energy efficiency equipment for buildings	3.5	14	10%	50%	50%					Yes	Yes						10%		E	
Turnover of eligible taxonomy-aligned activities (A.1)		**14**	**10%**														**10%**			
A.2 Eligible not taxonomy-aligned activities																				
Manufacture of other low carbon technologies	3.6	106	73%	50%	50%												73%		E	
Construction of new buildings	7.1	12	8%	50%	50%												8%		E	
CapEx of eligible not taxonomy-aligned activities (A.2)		**118**	**81%**														**81%**			
Total (A.1+A.2)		**132**	**91%**														**91%**			
B. Non-eligible activities																				
CapEx of non-eligible activities (B)		13	9%														9%			
Total (A+B)		**145**	**100%**														**100%**			

91% of GARO's CapEx is taxonomy eligible (A). Only a small proportion is taxonomy-aligned, 10% (A.1). Accordingly GARO reported under both A.1 and A.2.

TABLE 3: PROPORTION OF OPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH ECONOMIC ACTIVITIES THAT QUALIFY AS ENVIRONMENTALLY SUSTAINABLE UNDER THE TAXONOMY REGULATION - DISCLOSURE COVERING YEAR 2022.

				Substantial contribution criteria						DNSH criteria (Do No Significant Harm)										
GARO	Code(s) (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of CapEx, year N (18)	Taxonomy-aligned proportion of CapEx, year N-1 (19)	Category (enabling activity) (20)	Category* (transitional activity)* (21)
		MSEK	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	Enabling	Transitional
A. Eligible activities																				
A.1 Eligible taxonomy-aligned activities																				
Manufacture of energy efficiency equipment for buildings	3.5	2	6%	50%	50%					Yes	Yes						6%		E	
Turnover of eligible taxonomy-aligned activities (A.1)		**2**	**6%**														**6%**			
A.2 Eligible not taxonomy-aligned activities																				
Manufacture of other low carbon technologies	3.6	32	84%	50%	50%												84%		E	
Construction of new buildings	7.1	3	8%	50%	50%												8%		E	
OpEx of eligible not taxonomy-aligned activities (A.2)		**35**	**92%**														**92%**			
Total (A.1+A.2)		**37**	**98%**														**98%**			
B. Non-eligible activities																				
OpEx of non-eligible activities (B)		1	2%														2%			
Total (A+B)		**38**	**100%**														**100%**			

98% of GARO's OpEx is taxonomy eligible (A). Only a small proportion is taxonomy-aligned, 6% (A.1). Accordingly GARO reported under both A.1 and A.2.

TAXONOMY-ELIGIBLE ACTIVITIES

The Group's economic activities have been assessed and verified based on the EU Nomenclature of Economic Activities (NACE*), which illustrates how taxonomy-eligible the Group is. GARO's taxonomy-eligible activities subsequently have been assessed as to whether they are taxonomy-aligned based on the technical screening criteria, see A1 in tables 1, 2 and 3.

Taxonomy-eligible products and services are presented in the bullet point list below. The KPIs related to turnover, CapEx and OpEx attributable to these companies are included in column A, see tables 1, 2 and 3.

- Other research and experimental development on natural sciences and engineering (72190*)
- Manufacture of electricity distribution and control apparatus (27120*)
- Electrical installation (43210*)
- Manufacture of instruments and appliances for measuring, testing and navigation (26510*)
- Renting and operating of own or leased other premises (68203*)
- Manufacture of other electrical equipment (27900*)

TAXONOMY-NON-ELIGIBLE ECONOMIC ACTIVITIES

Economic activities that are taxonomy-non-eligible, such as "Wholesale of electrical equipment" (46434) "Wholesale of measuring and precision instruments" (46691) and "Wholesale of other machinery, equipment and supplies" (46.6) are examples of activities that comprise "Proportion of not taxonomy-eligible economic activities." The KPIs related to turnover, CapEx and OpEx attributable to these companies and activities are included in column B, see tables 1, 2 and 3.

A general description of both of the Group's business areas is provided below.

GARO ELECTRIFICATION

The majority of GARO Electrification products are taxonomy-eligible. Some examples are products for construction of new buildings, such as consumer units and combination units, switchboards and energy systems and energy meters, which are deemed to be enabling activities under the technical screening criteria of the Taxonomy Regulation, Code 3.5 Manufacture of energy efficiency equipment for buildings. The following clarifications apply to our products:

- Presence and daylight control systems for lighting systems, which include such GARO products as KNX and astrour.
- Energy-efficient systems for property automation and equipment for operations for apartment buildings and properties, which includes the product groups of energy meters, engine heaters that are user, time and temperature-controlled.
- Zone thermostat and appliances for smart surveillance of the largest electric loads or cooling requirements in buildings and senor equipment, which includes the GARO products of consumer units, combination units and switchboards.

The business area has taxonomy-non-eligible economic activities, which are reported in column B in tables 1, 2 and 3. These are activities that have the following NACE: 46.6 (Wholesale of other machinery, equipment and supplies), 46.691 "Wholesale of measuring and precision instruments" and 46.434 "Wholesale of electrical equipment."

GARO E-MOBILITY

The majority of GARO E-mobility's products and services that comprise EV charging stations are taxonomy-eligible under activity code 3.6 "Manufacture of other low carbon technologies." The technical screening criteria for activity 3.6 specifies that the economic activity is for the manufacture of technologies that are aimed at and demonstrate substantial life-cycle GHG emission savings compared to the best performing alternative technology/product/solution available on the market. Life-cycle GHG emission savings are calculated using Commission Recommendation 2013/179/EU96 or, alternatively, ISO 14067:201897 or ISO 14064-1:201898. Quantified life-cycle GHG emission savings are verified by an independent third party.

GARO E-mobility has performed a life-cycle analysis of the LS4 charging station but does not currently have the data to meet the taxonomy's strict requirements for being considered to be taxonomy-aligned.

Climate change adaptation

Climate change is an urgent global matter that threatens to result in serious consequences for our planet and life as we know it.

Work was initiated during the year on preparing a risk and vulnerability analysis for the potential effects of climate change on the Group's operations, focusing on the production facilities in Sweden (Gnosjö) and in Poland (Szczecin). GARO made use of public data and climate forecasts from the Swedish Meteorological and Hydrological Institute (SMHI) since the production facilities are geographically situated relatively close to each other. Efforts have also been made to adjust these assessments to the requirements of, for example, the taxonomy, local and regional adaptation plans, and strategies in place, primarily in the county of Jönköping when Gnosjö municipality is located. The risk and vulnerability analysis is a tool for understanding the risks and vulnerabilities that are associated with climate change and identifying measures to mitigate them for the Group's operations. The measures identified today include:

- In terms of wind, water and land-based damages, the company sees no direct effect of climate change where GARO currently has, or plans to have, production.
- To reduce the effects of future heatwaves at the production facilities, the number of trees may be maintained and, where possible, increased. Trees have an especially cooling effect.
- The consequences of torrential rain can never be completely prevented by increasing capacity in the pipe network. In most cases it would be impossible in practice and also expensive. The key for creating an area that can withstand rain is, instead, to find areas that can be flooded without leading to any serious consequences, and for everyone to assume their responsibility. Physical barriers can be used to prevent water from reaching areas at risk. Certain roads could, in cooperation with the relevant municipality, be set aside as drain lines without jeopardizing important transportation. Another method is to allow water to accumulate by leading it to areas where its can remain for a period time without doing any harm, such as green areas.

GARO's CLIMATE ADAPTATION EFFORTS FOR THE FUTURE

GARO will gradually develop its understanding of the implications of climate change, beginning with its own operations, by systematically assessing risk and vulnerability based on four different factors: Environment, Social, Economic and Political. These assessments will include:

ENVIRONMENT
The effects of climate change on natural systems, including changes in temperature, precipitation, sea levels and extreme weather. This includes risks for water resources, biodiversity and ecosystem services.

SOCIAL
The effects of climate change on our employees, including the potential for transfers and lack of supply, and effects on the social system.

ECONOMIC
Costs and benefits of climate change assumptions, including costs for carrying out mitigation and adaption measures, both the potential economic effects of climate change and the changes to agricultural productivity or the value of coastline properties.

POLITICAL
Challenges and opportunities related to climate change, including the potential for conflict or cooperation between different countries and regions.

GARO realizes that it is urgent to tackle climate change and is determined to phase out the company's own GHG emissions and prepare for the effects of climate change that GARO is already experiencing.

Read more about GARO's climate adaptation activities on **garogroup.se**

Stakeholder dialog

For GARO, it is a given to consider stakeholders and their expectations in the design of our sustainability efforts. Their input is significant for our efforts to maintain a relevant and material nature. GARO's operations, products and services are engaging, which facilitates dialog with various stakeholders.

Stakeholder dialogs are regularly conducts and form an important part in understanding society, the continuous changes that impact GARO and GARO's effect, both today and tomorrow, on society, people and cultures where the Group operates. Sustainability work and the materiality analysis are designed and sustainability goals developed based on this data and other relevant information.

Dialog with various stakeholder groups take place in various contexts depending on the stakeholder. For example, natural points of contact, customer and employee surveys, major product launches and personal meetings.

The Group has seen rising interest in sustainability from customers, clients, analysts, banks, funds, universities, authorities and employees. In 2022, dialog was conducted on such topics as the EU taxonomy, related new future legislation, climate and energy, product analyses and talent supply. GARO has also taken the initiative to carry out research and development projects into future flexible electric systems.

The table below describes the Group's most important stakeholders and their prioritized sustainability issues.

Stakeholder	**Dialog**	**Topics**
Customers	Surveys Business dialog Contracts	Safe products Sustainable products Business relationships Minimizing risk
Employees	Employee dialog Surveys	Work environment Safety Expertise
Suppliers	Surveys Business dialog Contracts	Long-term approach Performance Minimizing risk Corruption
Investors/analysts	Financial statements Personnel meetings	Return Long-term approach Sustainability topics
Management	Sustainability strategy	Management by objectives Focus areas Resources
Shareholders	Annual General Meeting Personnel meetings Management talks	Return Long-term approach Minimizing risk
Authorities	Surveys Visits Lobbying	Law and legal compliance Skills supply Infrastructure Green transition
Universities and colleges	Research projects Degree project	Energy transition Electric systems
Local community	Local cooperation Stakeholder group engagement	School collaborations Sponsorship

Corporate governance report

GARO AB (publ) is a Swedish public limited liability company and is therefore regulated in part by Swedish legislation, primarily through the Swedish Companies Act, in part by Nasdaq Stockholm's Rulebook for Issuers that requires the application of the Swedish Corporate Governance Code (the "Code"). GARO has its registered office in Gnosjö Municipality, Jönköping County, has applied the Code since 2016 and provides the Corporate Governance Report for the 2022 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 2022. Nor has GARO breached Nasdaq Stockholm's Rulebook for Issuers or good practice on the stock market.

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 18 672 shareholders (14 473) at year-end. The largest single shareholder is Lars Svensson whose total ownership amounted to 35.7% (35.7). For more information on the ownership structure, share capital, share price development, etc., refer to the section on the GARO share on pages 52–53 and to Note G19 in this Annual Report.

2022 ANNUAL GENERAL MEETING

At GARO's Annual General Meeting on May 11, 2022, Rickard Blomqvist, Susanna Hilleskog, Lars-Åke Rydh, Ulf Hedlundh,

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

Mari-Katharina Jonsson Kadowaki, Martin Althén and Johan Paulsson were re-elected. Rickard Blomqvist was re-elected Chairman. Board fees were decided to be paid in a total amount of SEK 2 440 000, of which SEK 700 000 was to the Chairman and SEK 290 000 to each of the other elected Board members who are not employed in the Group. This entailed an increase of Board fees by 340 000 SEK, 16%, compared with 2021. Furthermore, the AGM resolved that fees to members of the Audit Committee remain unchanged and consist of SEK 100 000 to the Chairman and SEK 50 000 to each of the other members of the Audit Committee. For members of the Remuneration Committee, unchanged fees of SEK 50 000 to the Chairman and SEK 25 000 to each of the other members of the Remuneration Committee were also decided upon. In accordance with the Board's proposal, the AGM resolved that a dividend of SEK 1.40 would be paid for the 2021 fiscal year. The AGM also adopted guidelines for remuneration of senior executives.

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 4, 2017 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, the Board's proposed appropriation of profit or loss for the year, and the annual reports of subsidiaries, and submits an audit report.

Ernst & Young AB were reelected auditors at the 2022 Annual General Meeting, with Joakim Falck as Auditor in Charge. The auditor from Ernst & Young participated in parts of the Audit Committee's meetings in 2022 and ahead of the Board meeting in February 2023, and reported on the observations from the 2022 audit. The audit of the Group's companies is coordinated by Ernst & Young. The Ernst & Young network audit the Group's companies, except those in Poland, the UK and Ireland.

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 elected members. At the Annual General Meeting on May 11, 2022, seven Board members were elected, two women and five men.

BOARD OF DIRECTORS

AGM-elected Board	Elected	Born	Remuneration	Remuneration Audit Committee	Remuneration Remuneration Committee	Number of shares/ votes	Independent in relation to the shareholders	Independent in relation to the company	No. meetings attended
Rickard Blomqvist, Chairman	2015	1971	700 000	50 000	50 000	760 095	No	Yes	8/8
Susanna Hilleskog, member	2018	1963	290 000		25 000	0	Yes	Yes	8/8
Johan Paulsson, member	2021	1963	290 000			0	Yes	Yes	8/8
Ulf Hedlundh, member	2020	1960	290 000	50 000		1 500	Yes	Yes	8/8
Martin Althén, member	2021	1968	290 000			0	Yes	Yes	8/8
Mari-Katharina Jonsson Kadowaki, member	2019	1964	290 000		25 000	888	Yes	Yes	8/8
Jonas Lohtander, employee representative	2019	1974	0			184	Yes	No	8/8
Lars-Åke Rydh, member	2018	1953	290 000	100 000	0	25 000	Yes	Yes	8/8
TOTAL			**2 440 000**	**200 000**	**100 000**	**787 667**			

NOMINATION COMMITTEE FOR THE 2023 ANNUAL GENERAL MEETING

Nomination Committee member	Represents	Holdings/votes
Niklas Bogefors, Chairman	Lars Svensson	35.7%
Jan Andersson	Swedbank Robur Funds	8.3%
Fredrik Carlsson	Svolder AB	8.3%
Rickard Blomqvist	Chairman	0.9%

IF Metall also elected an employee representative to be included in the Board. 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 2022 AGM, 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 2022 AGM 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 satisfactory. However, the Nomination Committee believed that continuity on the Board was of greater importance.

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% or more of the shares or votes in the company.

The Nomination Committee'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 elected by the AGM are deemed to be independent in relation to the company and its management. Six 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, refer to the section concerning the Board of Directors on page 128–129 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 agenda: business status, future prospects and economic and financial reporting.

The Chairman of the Board monitors GARO's operations through continuous contacts with the CEO. The Chairman organizes and leads the Board's work and is thereby responsible for other Board members receiving satisfactory information and decision data. The Chairman is also responsible for the Board continuously updating and deepening its knowledge of GARO and otherwise receiving the training required for the Board work to be able to be conducted effectively. It is also the Chairman who is responsible for ensuring that the Board annually evaluates its work. An evaluation of the Board was performed in 2022 and the Chairman reported the results to the Board and the Nomination Committee.

In 2022, the Board held seven ordinary Board meetings and one 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 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 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
Three of the seven member of the Board comprise the Audit Committee, which performs the duties incumbent on the Audit Committee. The CFO participates in the work incumbent on the Audit Committee only as the presenter.

The main duties of the Audit Committee are to monitor GARO's and the Group's financial reporting, 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 Audit Committee shall also assist the Nomination Committee with regard to the election of auditors. The Audit Committee is in continuous contact with the company's auditor with the aim of creating a continuous exchange of opinions and information between the company and the auditor in audit matters. During the year, the committee held four meetings, of which the company's auditors participated in three. All Board members have otherwise attended the meetings.

REMUNERATION COMMITTEE
Three of the seven member of the Board comprise the remuneration committee, which 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 rules of procedure that have 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 121 presents the fees that are payable to the elected Board members for the period 2022–2023.

CEO AND GROUP MANAGEMENT

GARO's President and CEO as well as the Business Area Manager and CEO of GARO E-mobility AB are 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 consisted of GARO's CFO, CTO, Purchasing & Logistics Director and the Business Area Manager of GARO E-mobility.

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 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 11, 2022.

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 percent of fixed salary.

In addition to the maximum amount stated above, the Board was given the mandate, with the aim of promoting resolved strategic initiatives during the 2022–2023 period, to resolve on variable cash remuneration to be issued to the CEO and other senior executives corresponding to not more than nine (9) monthly salaries. Such extra variable cash remuneration must be related to achieving previously set targets that promote the GARO Group's strategic initiatives during 2022–2023.

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.

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.

INCENTIVE PROGRAM

In conjunction with the 2022 AGM, a directed share issue of 200 000 warrants for senior executives was resolved. The program has a three-year term and is expected to contribute to achieving GARO's long-term business plan, strategy and financial targets. In the second quarter, 42 500 warrants were subscribed. The subscription of shares using the warrants can take place in June 2025. Oversubscription may not take place.

The Board believed it to be to the company's and the shareholders' advantage that, in this way, the participants were provided with a personal ownership commitment in the company.

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 Audit Committee meets the auditor at least once a year when the auditor reports his or her observations directly to the Committee without the presence of GARO's CEO or CFO. 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 36–51 and 110–117 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 70, Note G3 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 on 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 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 11, 2023

The Board of Directors

Auditor's report on the corporate governance 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 corporate governance statement for the year 2022 on pages 120–124 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 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

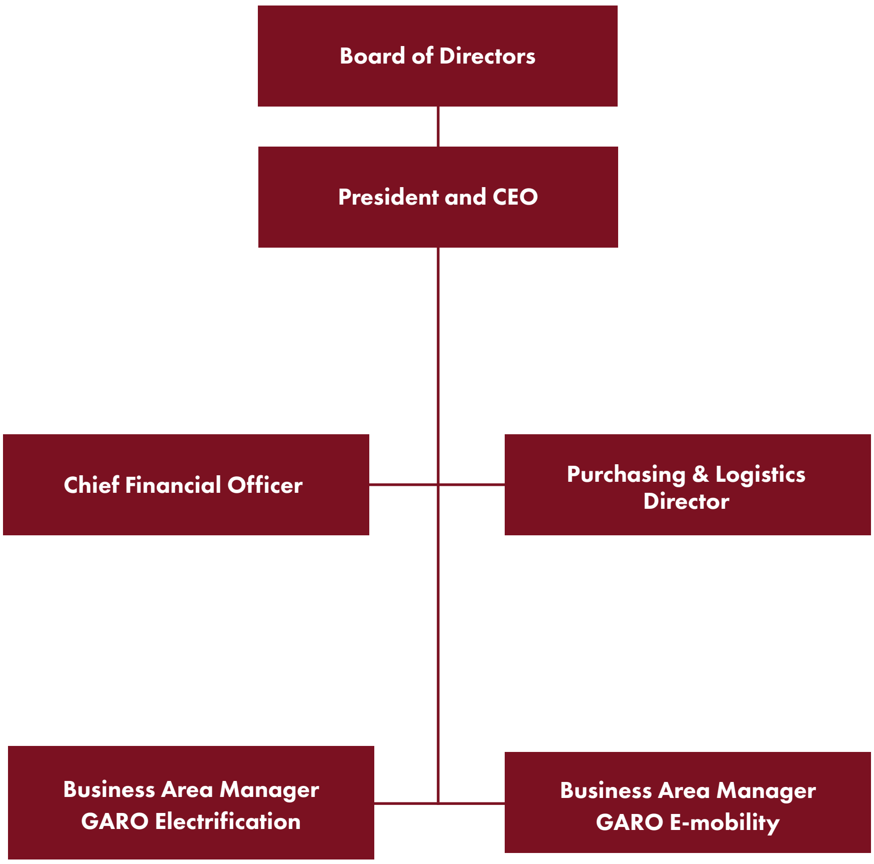
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance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

Jönköping, April 11, 2023
Ernst & Young AB

Joakim Falck
Authorized Public Accountant

Organization and structure

The GARO Group's Board of Directors comprises a total of eight people under the management of Rickard Blomqvist, Chairman of the Board. Since January 1, 2022, operations have been divided in to two business areas: GARO Electrification, which consists of the three product areas of Electrical distribution products, Project business & Temporary Power, and GARO E-mobility which includes the E-mobility product area. Following the Board's guidelines, President and CEO Patrik Andersson leads Group Management, comprising five people since January 1, 2023. Group Management comprises the functions according to the organizational chart below.



Board of Directors

At January 1, 2023

RICKARD BLOMQVIST

Chairman since 2021 and member since 2015

Born: 1971

Education and professional experience: M.Sc. and B.Sc. in Business and Economics, Halmstad University. Former CFO of the AkkaFRAKT Group, Business Development Manager at Hilding Anders International AB, and CFO of Hedson Technologies International AB (publ).

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

Shareholdings: 760 095 (privately and via company)

SUSANNA HILLESKOG

Member since 2018

Born: 1963

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

Other ongoing assignments: CEO of Trelleborg Wheel Systems Nordic AB and Board member of BIM Kemi AB, Lammhults Design Group AB, Holmberg Safety AB and SIB Solutions AB.

Shareholdings: –

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: Chairman of Danfo AB, Chiffonjén AB, Prototypen AB, Schuchardt Maskin AB and Kooperativet Olja. Board member of Nolato AB, Söderbergsföretagen AB, Spectria Fond AB and Östrand & Hansen AB.

Shareholdings: 25 000

MARI-KATHARINA KADOWAKI

Member since 2019

Born: 1964

Education and professional experience: M.Sc. in Engineering from Linköping University. Long operational experience of the electricity and manufacturing industry, including as site manager within the Electrolux Group and today as CEO of the Swedish part of the battery manufacturer Saft.

Other ongoing assignments: Vice Chairman of Teknikarbetsgivarna in Sweden and the Association of Swedish Engineering Industries (Teknikföretagen) in Sweden.

Shareholdings: 888

MARTIN ALTHÉN

Member since 2021

Born: 1968

Education and professional experience: M.Sc. in Industrial Economics, Linköping University. Has held several senior positions in Husqvarna Group, AstraZeneca, PA Consulting and Deloitte.

Other ongoing assignments: President Securitas Digital, Group CIO of Securitas AB and CEO of Securitas Intelligent Services AB since 2016

Shareholdings: –

JOHAN PAULSSON

Member since 2021

Born: 1963

Education and professional experience: M.Sc. in Electrical Engineering. Extensive experience through previous positions as COO and Head of R&D at Ericsson Mobile Platforms AB Currently CTO of Axis Communications AB.

Other ongoing assignments: Board member of Acconeer AB.

Shareholdings: –

ULF HEDLUNDH

Member since 2020

Born: 1960

Education and professional experience: M.Sc. in Business and Economics, Stockholm School of Economics, CEO of Investment AB Helikon. Senior positions in the Alfred Berg Group.

Other ongoing assignments: CEO of Svolder AB (publ) and Board member of Arla Plast AB.

Shareholdings: 1 500

JONAS LOHTANDER

Employee representative since 2019

Born: 1974

Education and professional experience: Trained electrician. Has worked at GARO since 2012.

Other ongoing assignments: Chairman of GARO's workshop association, activity group and Board member of IF Metall avd 40.

Shareholdings: 184

MY BÄCK

Employee representative since March 2023

Born: 1990

Education and professional experience: CNC education Has worked at GARO since 2019.

Other ongoing assignments: Chairman of GARO Unionen club, head health and safety representative.

Shareholdings: 16

Group Management

At January 1, 2023

PATRIK ANDERSSON

President and 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: Chairman of the Electrical Material Suppliers' Association and El- och Belysningsföretagen i Sverige AB.

Shareholdings: 204 200

Warrants: 20 000

HELENA CLAESSON

CFO

Employed since 2019

Born: 1969

Education and professional experience: B.Sc. 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: 550

Warrants: 5 000

DANIEL EMILSSON

Business Area Manager GARO Electrification

Employed since 2007

Born: 1975

Education and professional experience: Electrical and telecom upper-secondary program. M.Sc. 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: Chairman of Kjellbergs Golv & Textil AB

Shareholdings: 5 000

Warrants: 0

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: –

Warrants: 5 000

NIKLAS RÖNNÄNG

Business Area Manager E-Mobility, and CEO GARO E-mobility AB

Employed since 2022

Born: 1970

Education and professional experience: Technical college graduate and business administration. Previous served as Sales Director for NIBE AB for eight years. Prior to this, 16 years at SCA Packaging, serving as Sales and Development Director for the final eight years.

Other ongoing assignments: –

Shareholdings: 2 050

Warrants: 12 500

SÖDERGATAN 26 335 33 GNOSJÖ SWEDEN +46 (0)370 33 28 00 garo.se