

An innovative force



2021
ANNUAL REPORT

GARO[®]



Charging the future.

It is our responsibility to provide a smarter and more sustainable future with innovative solutions for everyone. We are equipped with the right tools to create positive change. The future is ours to create.

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GARO in brief

■ GARO is a company that develops, manufactures and markets innovative products and systems for electrical installations under its own brand in the European market. In its four product areas of Electrical distribution products, E-mobility, Project business and Temporary Power, the Group supplies products and complete solutions with a focus on electrical safety, user-friendliness and sustainability. GARO is the market leader in the Nordic region in several product categories within Electrical distribution products and E-mobility.

■ Operations are divided into two business areas: GARO Sweden and GARO International. The business areas GARO Electrification and GARO E-mobility replaced the

former business areas on January 1, 2022. The Group has sales companies in six countries: Sweden, Norway, Finland, Ireland, the UK and Poland. Group external exports are made from business area GARO Sweden to other countries. GARO has a total of four production units, three of which are located in Sweden: two in Gnosjö and one in Värnamo, and one in Szczecin, in Poland.

■ GARO was founded in 1939, has its head office in Gnosjö and is today an international Group with around 500 employees. Total sales for 2021 amounted to MSEK 1,296. GARO is listed on Nasdaq Stockholm under the ticker name GARO.

MSEK **1,296**
IN NET SALES
(1,040)

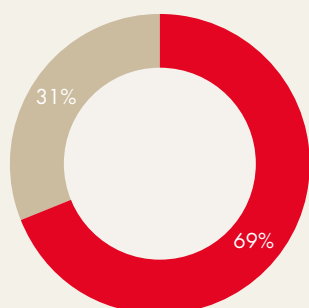
MSEK **207**
IN EBIT
(136)

25%
GROWTH
(3%)

16%
EBIT MARGIN
(13%)

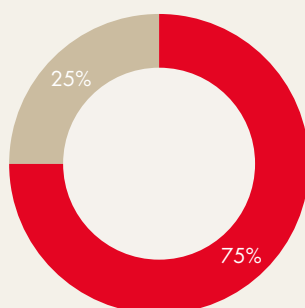
SEK **3,33**
EARNINGS PER SHARE
(1.91)

59%
EQUITY RATIO
(58%)



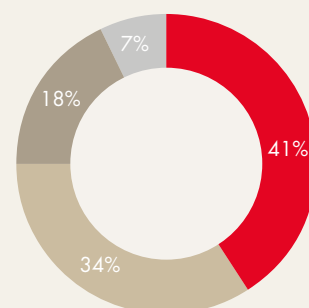
ALLOCATION OF NET SALES
per business area 2021

■ GARO Sweden
■ GARO International



ALLOCATION OF EBIT
per business area 2021

■ GARO Sweden
■ GARO International



ALLOCATION OF NET SALES
per product area 2021

■ Electrical distribution products
■ E-mobility
■ Project business
■ Temporary Power

	2021	2020	2019	2018	2017
Net sales (MSEK)	1,295.8	1,039.8	1,008.1	903.7	796.0
Growth, %	25	3	12	13	21
EBIT (MSEK)	207.2	136.2	112.6	113.8	98.1
EBIT margin, %	16.0	13.1	11.2	12.6	12.3
Net income (MSEK)	166.7	95.3	85.7	82.7	85.6
Earnings per share ¹ (SEK)	3.33	1.91	1.71	1.65	1.71
Return on equity, %	34.0	24.7	26.8	30.1	38.3
Investments (MSEK)	45.3	45.3	33.4	22.7	51.4
Equity ratio, %	58.9	57.9	52.2	52.4	47.3
Net cash position (-) / net debt (+)	-9.4	11.3	45.6	45.7	56.1
Average number of employees	460	409	420	398	345

For definitions of key figures, see Note 30 page 88.

1) Earnings per share after the 5:1 share split was completed in 2021. Earnings per share were not diluted, so earnings per share pertains to before and after dilution.



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**WITH FAITH IN
A SUSTAINABLE FUTURE,
WE ARE INVESTING FOR
THE NEXT GENERATION.**

PATRIK ANDERSSON, PRESIDENT AND CEO

CEO's comments

As we reflect on how the past two years have been in the world and all the changes that we had to make, there are surely many who share my pride over our dynamism, team spirit and determination. In 2020, we made the decision not to be limited by the challenges that world is presenting us with, but to constantly remain solution-oriented to achieve our objectives. Our innovative ability and strength to envisage potential, combined with the drive that the Group possesses has contributed to our growth, with sales of MSEK 1,296 (1,040) and EBIT of MSEK 207 (136).

We are happy to summarize another successful year for the Group. Net sales for the full-year increased 25% with strong growth for GARO Sweden and GARO International as a result of a favorable performance for all our product areas. Profitability also developed positively mainly as a result of the considerable volume growth. EBIT rose 52% to MSEK 207 and the EBIT margin was 16%, which is almost 3 percentage points higher than the preceding year, and results in our best ever year of operations.

NEWBUILDS AND RENOVATIONS CREATING CONDITIONS

As a leading company, GARO has an important role in providing the market with energy-efficient, user-friendly and smart solutions that can guarantee electrical safety for a sustainable future.

The Electrical distribution products and Project business product areas reported growth of 11% and 12% respectively, driven by favorable growth in all markets in new production and the renovation of properties. The excellent performance in the UK since our establishment there in 2019 is particularly pleasing. We believe that GARO's sales trend in both product areas has outperformed the underlying market. However, restrictions during the year have impacted performance in different ways, but ultimately growth has led to advantageous conditions for all markets.

WE ARE CHARGING THE FUTURE

Back in 2008, when we launched our first charger product, we adopted a clear position, and have been a leading company in electric car charging ever since. The number of electric and hybrid vehicles is growing significantly, and we have witnessed several new car models launched in the market during the year, which has created major demand for more comprehensive charging infrastructure. At GARO, we are creating opportunities to charge electric cars where people live and work. At home, at the workplace, at the shopping center or along the way. Quite simply, we make it possible for electric car drivers to charge their vehicles wherever they are.

Sales in the E-mobility product area increased 52%, with favorable sales mainly in wall boxes and public chargers. Developing products that are innovative and sustainable

has always been a significant aspect of our success. We made significant investments in product development in 2021 in order to remain at the forefront with smart and accessible products and services, both today and tomorrow. In 2022, considerable focus will remain in this area and we are set to launch exciting and innovative products.

SYNERGY EFFECTS MAKE US UNIQUE

Our breadth in electric installation material and electric car charging creates a unique offering in the market. The synergy effects that exist between the product areas create an overall solution that separates us from other suppliers and generates flexible solutions for our customers. We assist with everything from power supply to ensuring that charging stations are operational.

AGGRESSIVE INVESTMENTS

We continued to increase production capacity in our production facilities during the year in both Sweden and Poland to meet demand, particularly within the E-mobility product area. Further investments are now being made through the construction of a new production and logistics facility in Poland that will amount to about 15,000 sqm. The facility will generate a significant capacity increase for E-mobility and enable us to grow and develop in existing and new product categories. We can also see that the location in Poland makes distribution to the European market more efficient.

FOR THE NEXT GENERATION

UN's sustainable development goals to facilitate a fossil-free society are clear, and the transition is taking place around us all of the time.

By offering innovative, energy-smart and high-quality products that enable a more sustainable and fossil-free everyday, we as a company are able to help make the world more sustainable. We are to be part of this change, which is also reflected in our choice of materials and the work in the value chain to reduce overall environmental impact. With faith in a sustainable future, we are investing for the next generation.

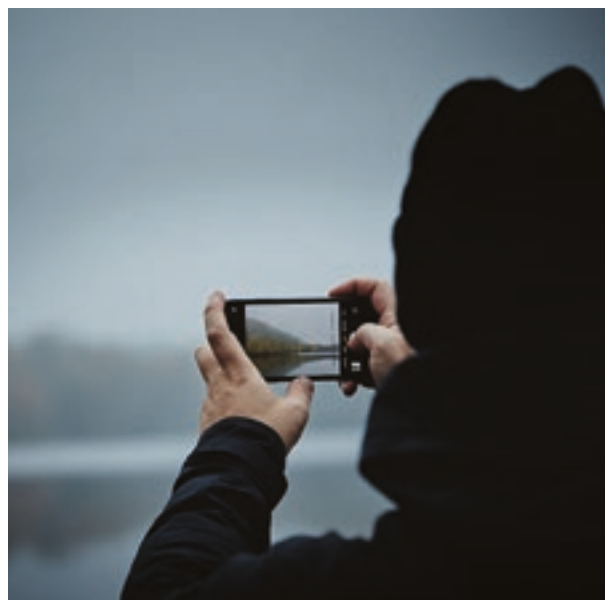
Patrik Andersson,
President and CEO

The year in brief

2021 was another year that was different for the world and GARO, as we were faced with various challenges that impacted our way of living and working. The market for charging infrastructure continued to grow structurally with rising numbers of rechargeable vehicles, and we noted a continued strong trend with expansion of the charging infrastructure in all markets. New construction and renovation continued at a high level and benefited demand in component and construction-related products.

EXPANDED PRODUCTION CAPACITY

To meet the growing demand, particularly within the E-mobility product area, we expanded production capacity at the production facilities in Sweden and Poland during the year. This was done by enhancing the efficiency of existing production spaces, and increasing the number of employees in production, as well as in market, service and support. As a result, the Group was able to maintain healthy delivery capacity throughout the year. As the organization grows, we have also worked to maintain a good work environment, to remain a good workplace and to have healthy employees.



DIGITAL INFRASTRUCTURE

To guarantee IT security that is at the leading edge for customers and employees, GARO works to ensure high quality in its digital infrastructure.

Investments have been made in various digital platforms, for example, so that training courses and meetings function optimally, with flexibility for customers and employees. In addition, a new platform was launched in the fourth quarter for customers in the Swedish market.



STRENGTHENED E-MOBILITY ORGANISATION

To create a clear focus, intensify our development efforts and adopt a structure for rapid growth, the E-mobility product area was incorporated on January 1, 2021. In July, Niklas Rönning was appointed Business Area Manager of GARO E-mobility AB, assuming this position in January 2022.

FLEXIBILITY, FOCUS AND BREADTH

During the year, the organization was solution-oriented and flexible, despite the prevailing global challenges. With its focus on the customer and continued growth creation, GARO has been aggressive in its work and stood ready in the face of the unpredictable events that arose in the past year.



LIFE CYCLE ANALYSIS

During the year, we completed a life cycle analysis for the LS4 charging station. The analysis gives us a deeper understanding of the product's impact and the phase of the life cycle at which the highest emissions occur. Read more on pages 44–45 of the Sustainability Report.

AWARDS

■ For the fourth consecutive year, GARO qualified for the list of **Sweden's Supercompanies**, which has been compiled since 2005 by Bisnode, now part of Dun & Bradstreet. A number of criteria must be met for four consecutive years to be classified as a Supercompany. This includes, increasing sales and earnings, while the company must also demonstrate stability and a long-term approach to business. The award is proof that we have continued to supply the market with sustainable and innovative solutions of high quality and confirms that we are working in the right way.

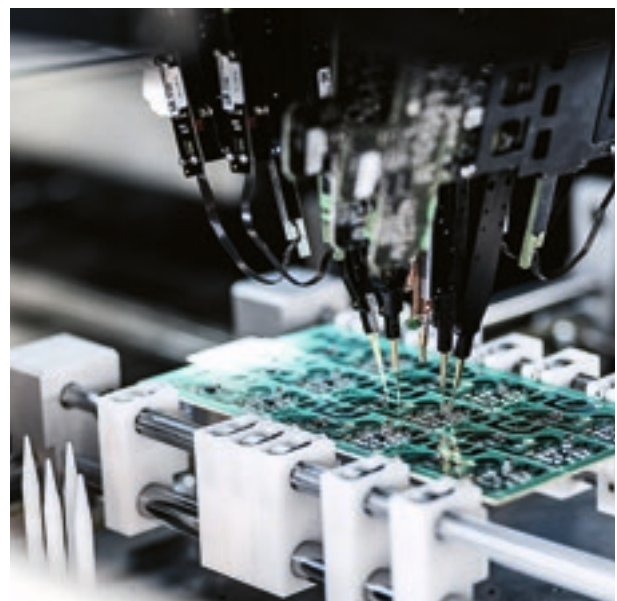
■ During the year, the Group was awarded the major **Swedish Aluminium Prize**, which we are very proud of. The prize was awarded for successful development, from manufacturing control cabinets to becoming a leading player for infrastructure for electric cars and charging stations based on aluminum, with a focus on innovation, sustainability and design.

■ For the second year in a row, GARO Poland won the **Best Entrepreneur of the year** award in the medium-sized company category in West Pomerania.

PRODUCT DEVELOPMENT WITH SYNERGY EFFECTS

Product development has always been crucial for our growth. In 2021, we continued to develop new products with the aim of broadening our customer offering and creating a unique, comprehensive solution for the market. Our breadth in product and service offering is a strength and a distinctive feature of the Group.

Our close collaboration between product development and the different product areas makes it possible to quickly meet market demands. This creates excellent growth opportunities and makes it straightforward for customers to gain a complete solution from GARO. An example of synergy effects between E-mobility and Installation that was seen during the year, is that the increased sales of wall boxes in E-mobility also entailed higher sales of electrical installation products and components in the Electrical distribution products product area. We are seeing the same synergy effects for the Project business product area, where sales of cable cabinets increased in conjunction with increased sales in the E-mobility product area.



GARO Group – Charging the future

We regard challenges as new opportunities and we are driven by a curiosity to try new approaches. Developing products and solutions for a sustainable future is a self-evident focus for us. Our history is deeply rooted in our DNA; it has created our unique GARO spirit, which combined with our business concept and vision, provides us with clear strength going forward.



BUSINESS CONCEPT

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

VISION

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

MISSION

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



CORE VALUES

Our employees are innovative, skilled and driven by a curiosity to try new approaches. Our shared values are a consistent theme throughout the entire Group.

INNOVATION

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

EXPERTISE

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

PRIDE

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

LONG-TERM

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

Strategy for continued success

Our strategy is based on organic growth, product development and geographical expansion supplemented with acquisitions. The goal is to be the leading brand in the markets in which we operate and to be able to offer unique complete solutions for the electrical industry.

Using innovation and a new approach, our customers' future opportunities are developed to bring about a more energy-efficient and convenient everyday life. We are experts in our area, which means that we develop effectively together with our partners and customers. We take a long-term approach to all of our relationships and this benefits the operations, while also contributing to a positive, sustainable corporate culture. There is well-founded pride among all employees, which is reflected in everything we do.

ORGANIC GROWTH

GARO is driven by a growth focus. GARO's growth target of not less than 10% over a business cycle will primarily be achieved through organic growth.

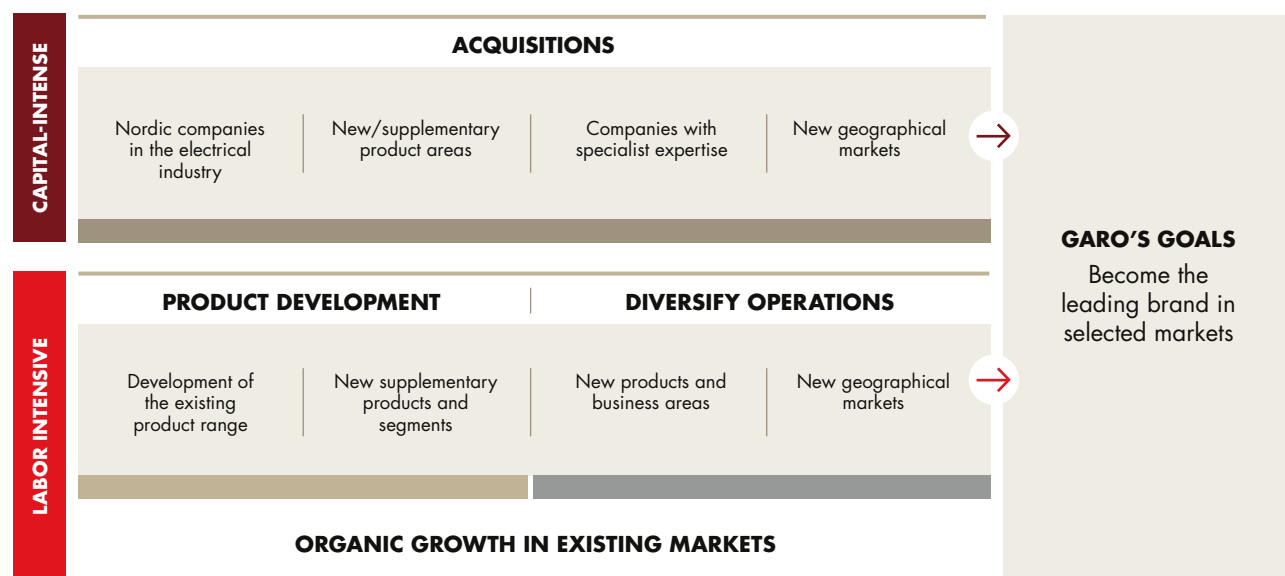
Sustainable, intelligent, user-friendly and future-proof products, alongside a strong brand, are central for achieving the desired performance. During GARO's history, the establishment and development of new and existing markets has been a large part of the organic growth. Focus is on continuing to strengthen our business in new markets in Europe.

PRODUCT DEVELOPMENT FOR SUSTAINABILITY

To make organic growth possible, product development is a decisive part of GARO's operations. We are to always maintain a high rate of development when it comes to smart products that meet current and future needs. This is achieved by continuously evaluating and improving our

GROWTH STRATEGY

The basis of GARO's success is innovation, product development and organic growth, which is supplemented with a defined acquisition strategy in accordance with the growth matrix below.





offering in all of our product areas and, at the same time, maintaining an overall perspective and vision of creating functional and sustainable solutions. Material choices, functionality and energy efficiency are three key words, in addition to sustainability, that permeate our strategy for product development.

With strong product development encompassing all of our product areas, we are creating unique opportunities to develop sustainable products that satisfy the market. Read more about our activities on pages 23–25.

DIVERSIFY OPERATIONS

GARO's strategy includes diversifying the operations by developing a broad offering to customers to create long-term complete solutions. GARO also continuously evaluates the opportunity to acquire new product or business areas, and to expand into new geographical markets.

ACQUISITIONS

The focus of the acquisition strategy is operations in which we can add new products and services or companies with specialist expertise to the Group. The acquisitions made must be a complement to GARO's existing operations and help expand our overall offering. Establishment in new markets, with a focus on Europe, is also contained in the acquisition strategy.

SUSTAINABILITY

The goal of GARO's strategic sustainability work is to be the leader in responsible business in its area of operation. One of our core values is "a long-term approach," which for GARO means developing safe and innovative products and solutions for a climate-smart future with great dedication. 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). We have selected six SDGs where we can create value and make the biggest difference. Read more about the sustainability work and the strategy in the Sustainability Report on pages 34–49.

BRAND STRATEGY

GARO's brand strategy has as its primary aim to strengthen our position in the market and achieve its business objectives. Through a strong brand and a clear strategy, GARO creates a long-term approach, profitability and security for our customers and employees. It is our conviction that communication is a fundamental requirement for a rewarding relationship with the business environment and we work actively every day to strengthen GARO's brand.

We have ambassadors in the form of proud employees and satisfied customers, who strengthen our confidence in the market, meaning that we can grow larger and stronger.

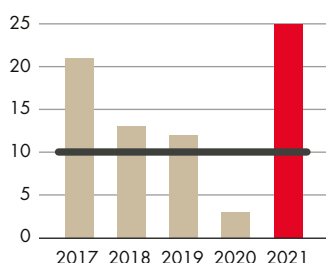
Financial targets

SALES GROWTH

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

TARGETS

$\geq 10\%$

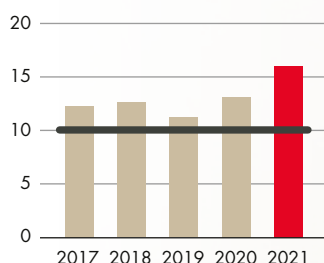


PROFITABILITY

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

TARGETS

$\geq 10\%$

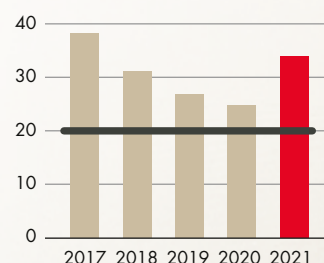


RETURN

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

TARGETS

$\geq 20\%$

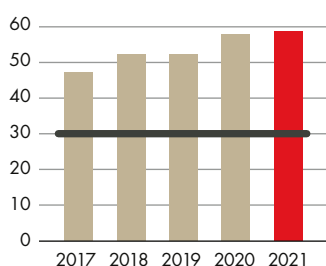


EQUITY RATIO

The equity ratio will not be less than 30%.

TARGETS

$\geq 30\%$

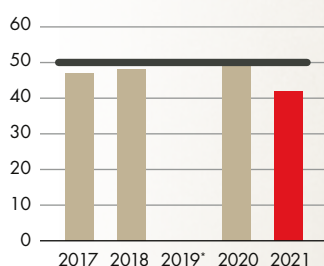


DIVIDEND POLICY

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.

TARGETS

$\approx 50\%$



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



Sustainability goals

GREENHOUSE GASES

We intend to reduce our environmental impact by reducing our emissions of direct and indirect greenhouse gases in our own facilities in terms of electricity and heating.

GOALS

0 tons

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

OUTCOME SHARE OF CO₂ EMISSIONS 2021

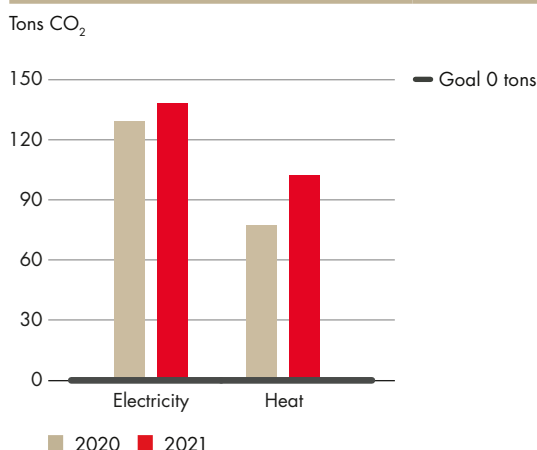
240 tons

In 2021, GARO's emissions per sales declined 1.34% year-on-year.

FUTURE FOCUS AND NEW LONG-TERM GOALS

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

SHARE OF CO₂ EMISSIONS



ENERGY

We intend to reduce our environmental impact by reducing our energy consumption and increasing our share of renewable energy in our own premises.

GOALS

100%

All electricity in all of our own facilities is to come from fossil-free sources by 2025.

OUTCOME SHARE OF FOSSIL-FREE SOURCES 2021

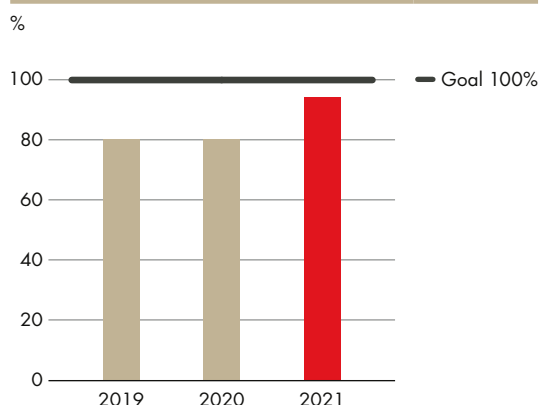
94.5%

In 2021, the share of electricity from fossil-free sources increased 14.5%.

FUTURE FOCUS AND NEW LONG-TERM GOALS

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

SHARE OF ELECTRICITY FROM FOSSIL-FREE SOURCES



RECYCLING

We intend to continuously reduce waste, increase the amount of recycling and identify and implement practical solutions for separation.

GOALS

98%

Achieve a >98% recycling level by 2025.

OUTCOMES RECYCLING LEVEL 2021

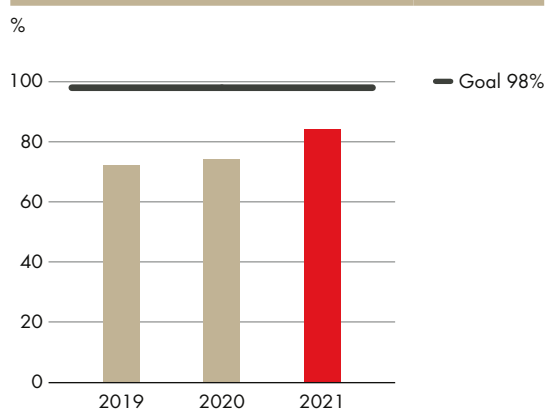
84.5%

In 2021, total waste recycling increased about 6%. The increase was the result of efficiency improvements for waste management and reducing material waste and waste to landfill.

FUTURE FOCUS AND NEW LONG-TERM GOALS

- We strive to further reduce our waste and secure increased recycling in our manufacturing.
- Retain a recycling level of over 98%.

RECYCLING LEVEL



HEALTH AND SAFETY

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

GOALS

0

GARO has a zero vision for workplace accidents.

OUTCOME NUMBER OF WORK-RELATED ACCIDENTS 2021

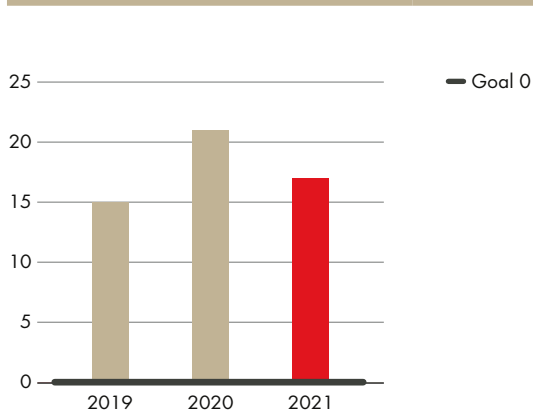
18

In 2021, 18 accidents were reported, which is a year-on-year decline of 14.3%.

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 AT LEAST EIGHT HOURS OF ABSENCE



Strong market trend with focus on sustainability

The market for electric installation material and charging infrastructure is continuing to grow and we foresee a positive trend for GARO. At the same time, there is increasing demand for products and solutions to achieve a fossil-free society in which growing numbers of players become aware of their environmental impact. This makes the sustainability aspect a crucial factor in the choice of product and service.

MARKET CONDITIONS

The market for charging infrastructure is growing structurally with rising numbers of rechargeable vehicles, and we see a continuing strong trend with further expansion of the charging infrastructure in the European market. Housing construction remains at a high production rate with increased energy efficiency and electrification in general. Demand for construction-related products combined with renovation requirements and energy efficiency is expected to remain favorable.

All in all, we have a positive view of long-term market conditions, mainly driven by growth in charging infrastructure.



NEED FOR SMARTER CHARGING INFRASTRUCTURE

New cars are becoming smarter and will convey more information, which will enable more functionality, at the same time as increasing demands on charging stations and their information transmission. As a result, software development is becoming an increasingly important part of E-mobility in making it possible to offer competitive products. Vehicle to Grid, V2G, is an example of technology that results in electricity from electric cars being transmitted back to the grid. The burden on the grid can thus be balanced, entailing that electricity is taken when it is cheap and returned for payment when the price is high. Another example is Plug & Charge, which is the simplest way for a driver to charge their electric vehicle. All the driver needs to do is to connect their electric car to the charging station, then the charging station recognizes the car automatically without the need to swipe a payment or charge card.



CHARGEABLE HYBRID CARS AND ELECTRIC CARS ON THE INCREASE

The number of electric cars and chargeable hybrid cars on the roads is steadily increasing in the Nordic region and in Europe, which means there is a need to rapidly expand the charging infrastructure. The annual growth of rechargeable passenger cars in the EU amounts to 17.8¹% and is expected to grow in the years to come. However, the total vehicle fleet in the EU still only comprises 1.6¹% rechargeable passenger cars. In 2021, there were more than 1.15¹ million rechargeable passenger cars in the Nordic countries and 3.9¹ million in the EU. In Norway, which is the leading market for electric cars, 86.1¹% of new car sales in 2021 were rechargeable passenger cars, of which 71.5¹% were pure electric cars. In the UK, the electric car fleet is expanding considerably, and there are now 720,000¹ rechargeable electric cars in circulation.

The majority of all car manufacturers are represented in the sale of rechargeable cars in the market, often with several different models and also with many models under development. As electrical operation increases in all transport sectors, the need grows for more charging stations in society, which is generating strong demand for charging infrastructure.

Norway and Sweden are at the forefront of development and making large investments in quick charging, Finland and

Ireland are in progress, and large investments are being made in Poland. In Sweden alone, there was a charging infrastructure that included more than 2,600² public charging stations with approximately 14,000² charging points in 2021. To meet the growing demand for charging stations, 19,000² charging points would be required today and a full 90,000² by 2030 in the Swedish market alone. We see the same tendency in the rest of Europe.

To accelerate the expansion of the charging infrastructure, governments in some markets are launching initiatives to promote the development of fossil-free fuel. In Sweden, green technology tax deductions of 50% of the labor and material costs for the installation of wall boxes also were introduced in January 2021. In the UK, similar measures will be implemented, with the requirement from 2022 that all new housing, business premises, offices and properties that undergo major renovation work must install a minimum of one charging station for electric cars. This requirement is expected to result in the addition of 145,000³ extra charging stations annually. Similar government initiatives exist in other countries and new strategies are constantly being developed in the European market.



1) European Alternative Fuels Observatory

2) Power Circle

3) www.gov.uk



WE CAN SEE THAT TODAY'S RENOVATIONS AND NEW CONSTRUCTION REQUIRE MORE ELECTRICAL INSTALLATIONS THAN BEFORE, LARGELY DUE TO THE DIGITALIZATION OF SOCIETY.



CONTINUING HIGH RATE OF CONSTRUCTION AND RENOVATION

New construction, renovation and investments in the energy efficiency of single-family homes and apartments are driving forces for several of GARO's product areas. New construction increased in 2021, and we can see that housing being built today has higher energy requirements and needs to meet increasing amounts of environmental and energy certifications. At the same time, end users are choosing to enhance the energy efficiency of their homes. Overall, this means that GARO's energy-efficient and smart electrical installation products are attractive in the market and we deem the pace of growth in construction and renovation to be favorable in the countries in which we are established. We can also see that today's renovations and new construction require more electrical installations than before, largely due to the digitalization of society.

SIMPLICITY, RELIABILITY AND USER-FRIENDLINESS

Simplicity, reliability and user-friendliness are three factors that we believe will gain in importance for our customers. It should be easy for electrical installers to install the products, they should be easy for the end user to use and reliable for everyone, regardless of where in the process they come into contact with our products. The end user wants to be able to easily read values in real time, make adjustments, regulate the time settings, for example, for when the product is to be used, and take energy consumption readings.

Sustainability has always been an important issue for GARO. The trend we see now is for increased safety requirements from the market, while regulations are becoming increasingly stricter for all types of electrical products. GARO welcomes the developments related to safety and certifications. All of our products are quality assured and we train installation engineers, retailers and end users in the importance of safe electrical installation.





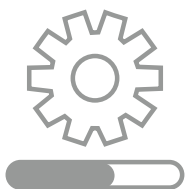
DEMAND FOR SUSTAINABLE PRODUCTS

The increasing cost and environmental awareness in the market for electric installation material has resulted in a willingness in the industry today to choose a sustainable product with a long economic life, which imposes stricter demands on suppliers. The requirements on the products' materials, contents how the product is manufactured and how the value chain's environmental impact is managed by the manufacturer are increasingly key aspects for all stakeholders.

Regardless of the market or industry, a growing need persists for energy-efficient solutions that reduce energy consumption, costs and the overall climate impact. The need to be able to measure and control individual devices, such as engine heaters, wall boxes or solar panels, is steadily rising and, accordingly, the demand for components in metering and safety.

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, in which there is enhanced cooperation between physical and digital production. We see that more industrial operations are choosing to invest in digitalization solutions and this trend is expected to become increasingly stronger.



SOFTWARE DEVELOPMENT IS ALWAYS AN IMPORTANT AREA OF E-MOBILITY TO MAKE IT POSSIBLE TO OFFER COMPETITIVE PRODUCTS.

For an electrified future

GARO's operations are based on a drive to continually develop to be the leading innovator in all of our product areas. We are innovative in our way of working which results in smart products and solutions for the electrical installations market.

By maintaining a long-term sustainable approach in our work, we continue to contribute to the market with future-proof products. Our employees are proud to be a part of GARO and to be part of the transition toward an electrified future.

We are a leading company in electrical installation and E-mobility in the Nordic region and a prominent E-mobility company in the rest of Europe. GARO develops and manufactures innovative products and complete solutions that are attractive to the market and that support society's energy transition under its own brand and within four product areas.

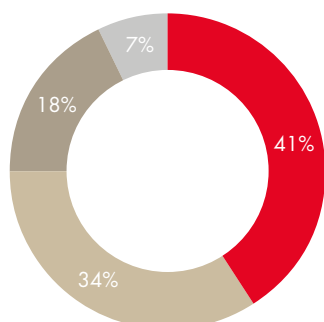
FOUR PRODUCT AREAS

The Electrical distribution products product area is the core of operations and where everything once started. In Electrical distribution products, GARO offers products and complete solutions for fixed electrical installation within industry, building new housing and for renovation projects. The E-mobility product area offers everything in electric car charging, from products for home charging for public fastchargers. The Project business product area provides complete, customized and installation-ready distribution cabinets and power supply for mainly commercial enterprises. The Temporary Power product area manufactures products for temporary electricity, heating and lighting for construction sites and events. Read more about the different product areas on pages 26–33.



INTERNATIONAL PRESENCE

GARO divides its operations into two business areas: GARO Sweden and GARO International. GARO Sweden comprises the Swedish companies including Group external exports from Sweden, while GARO International comprises the companies in Norway, Finland, Ireland, Poland and the UK. On January 1, 2022, GARO was reorganized and two new business areas were formed: GARO Electrification (the Electrical distribution products, Project business & Temporary Power product areas) and GARO E-mobility.



Share of sales 2021

PRODUCT AREAS

■ ELECTRICAL DISTRIBUTION PRODUCTS

3,500 products and complete solutions for the electrical installations market.

■ E-MOBILITY

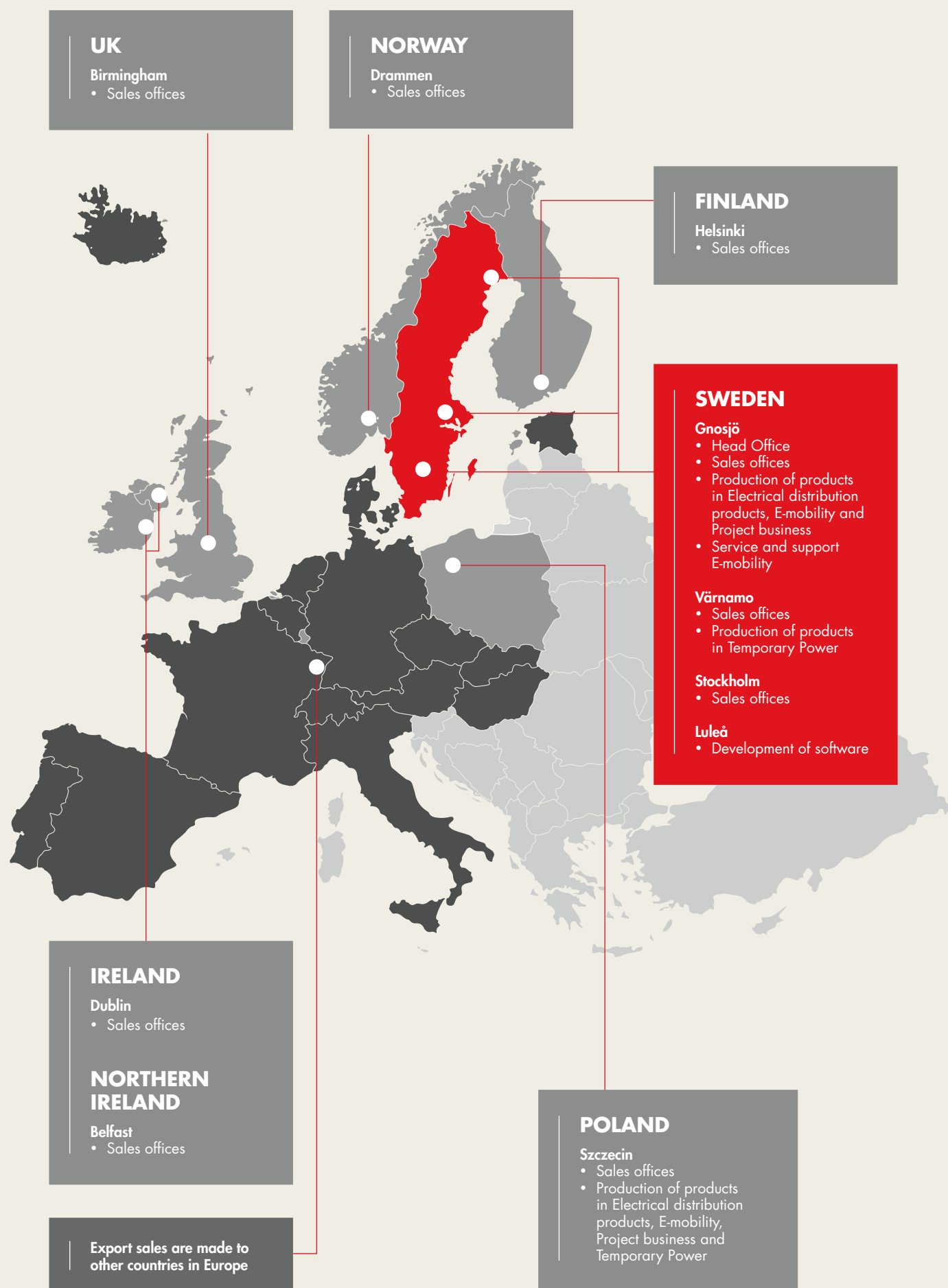
All types of vehicle charging with associated services.

■ PROJECT BUSINESS

Complete, customized solutions ready for installation.

■ TEMPORARY POWER

Power supply, lighting and heating for construction sites and events.



GARO's operations cover most of northern Europe for which Sweden comprises the largest market with 69% of the Group's net sales. In Norway, Finland, Ireland, the UK and Poland, GARO has sales companies with various distribution networks, while sales to other countries are conducted through various partners and international contracts. Logistics are operated by the production facilities in Sweden and Poland. 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.

ADAPTING TO THE MARKET

GARO adapts its offering and its products to local regulations in electricity standards and regulations for construction and end use in each country. The Group's extensive experience has contributed to healthy knowledge of the requirements and needs for different products in different markets. A specially adapted range is developed for each country in which GARO operates. Market efforts are run and organized locally to offer customers the best expertise, training and accessibility.

PRODUCTION

GARO has production facilities in three locations in Sweden: one in Värnamo and two in Gnosjö, as well as a facility in Szczecin in Poland. GARO owns production processes which provide good control over the entire production line, and enables us to be flexible and quickly adapt our products to unique customer requirements. The Group strives continually to maintain an even capacity utilization, efficient flows and low manufacturing expenses as well as strong sustainability focus for successful manufacturing. Employees work in a safe and developmental environment across the operations.

In January 2022, a decision was taken to invest in new production and logistics facility in Poland to considerably increase capacity in the GARO E-mobility business area. The new facility will be built in close proximity to the existing facility, strategically located for the rapidly growing European market, and is planned to consist of approximately 15,000 square meters. The facility is expected to be completed in summer 2023. Through investments, the Group's competitiveness is increasing in the growing European E-mobility market and providing GARO with the opportunity of maintaining its position as market leader. The facility will be designed with a focus on the environment and sustainability, meaning that energy-efficient solutions in the property are a given.



Product development

Developing products that are at the forefront of electrical installation has always been a significant aspect of GARO's success. Focus is on developing user-friendly and safe products with a modern design and a long service life.

GARO develops products internally, which creates synergy effects between the different product areas. For the Group, this entails quick and cost-efficient adaptation to new solutions, regulations and market requirements, providing 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. Recycled plastic is used as far as possible. GARO is always looking for new material with high functionality that can be used in

the products without risking jeopardizing safety, quality or service life. One such material is Magnelis®, that has been used for several years and will continue to be a natural choice of material for GARO's future outdoor products. Using Magnelis-treated sheet metal entails reduced zinc deposits during rainfall, and the production of which leads to reduced environmental impact compared with non-treated sheet metal. Read more about Magnelis® in the Sustainability Report on pages 34–49.

For products to be easily disassembled, design is adapted for products to be easily dismantled and for the different components to be replaced with new functioning parts. This saves resources and time and entails cost saving for end consumers. In addition, focus during the year has been placed on efficiently recycling products when they are obsolete by flexible dismantling that separates the various materials.

INCREASED DIGITALIZATION IMPACTS THE SERVICE LIFE OF PRODUCTS AND GARO IS WORKING CONTINUALLY TO IMPROVE THE ABILITY TO UPDATE THE PRODUCTS' SOFTWARE DIGITALLY.

SOFTWARE DEVELOPMENT

In 2021, major investments were made to develop GARO's offering in software development. This was to address market expectations for connectable products and continue to offer future-proof products.

The E-mobility product area is the area in which the largest investments were made during the year. The market for charger products is growing rapidly and GARO sees a considerable need for new smart products and improved charging infrastructure. This year's software development provides GARO with continued healthy prerequisites to develop next generation charging stations and cloud services. As a result, GARO has strengthened its expertise in software development and how products can be updated through cloud services. Increased digitalization impacts the service life of products and GARO is working continually to improve the ability to update the products' software digitally. The market continually dispenses new functional requirements and it is necessary to fulfill these requirements through software updates to extend product service lives.

INVESTMENTS IN TEST EQUIPMENT

In 2021, investments have been made on advanced technology in GARO's test equipment. More advanced and automated technology secures products of the highest quality, while the development process is made more efficient.

MATERIAL CONSUMPTION

For the production of GARO's mature product range, material consumption is continually reviewed in order to, for example, be able to alter the sheet metal size of the products where this is possible without jeopardizing quality. This leads to lighter products which are advantageous for both GARO and the company's customers. This also entails reduced material consumption in production, lighter products to install for technicians and reduced weight during transportation, resulting in reduced emissions on the roads.

One example of where product development has resulted in reduced material consumption is the development of the new connection box in 2021 that was launched in 2022. The box has been developed in collaboration with surface

finishing and coating experts to ensure a long service life and reduced environmental impact. Material consumption for the new connection box is 10–25% lower than previous constructions for equivalent boxes.

PARTNERSHIPS

GARO has long-term partnerships with organizations in the industry to continually maintain an exchange of knowledge and increase the Group's expertise in all product areas. The organizations that GARO has long-term partnerships with are those that share the ambition of contributing to the transition to a more sustainable society. Partnerships are important for GARO to continually be able to develop products in line with the technology of other market companies, and in this way, future-proof its products. GARO maintains close dialog with car manufacturers to ensure that our charging stations are adapted to the coming generations' smart vehicles. We believe that the standard consumer wants to change vehicle more frequently than they want to change charging station, which means that it is important for GARO to maintain good knowledge about developing its products for the next generation of vehicles.

Partnerships continued with the following organizations in 2021:

- **SEK.** The Swedish government's commission to establish electrical standards in Sweden.
- **EL.** Electricity supplier in Sweden.
- **SAFE.** International organization that provides the market with a technical solution to meet the German Eichrecht standard, which regulates the way in which vehicle chargers communicate their readings to end users.
- **Open Charge Alliance.** Provides the Open Charge Point Protocol (OCPP), a standardized global protocol for communication between charging poles and charging operators.
- **HUBJECT.** An organization that enables electric car drivers to charge their cars throughout Europe by regulating roaming for charging operators.



LOCAL SUPPLIERS

For the development projects that GARO has conducted during the year, considerable focus has been on using local suppliers in close proximity to our own production facilities in both Sweden and Poland. This is to shorten transportation and lead times, enabling simpler logistics flows and reduced climate impact. For example, the Group's primary supplier of sheet metal is located in Gnosjö, creating flexibility and advantages for continued development and access to material.

HIGH FUNCTIONALITY

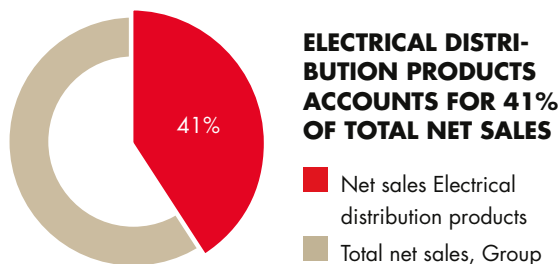
All of GARO's products are expected to have high functionality. The products are continuously developed to meet market requirements. One function that has become increasingly important is smart charging, which means that the consumer can configure their product for optimal charging depending on the burdens and requirements of the electricity grid. For example, charging can be configured to commence only when the solar panels generate electricity or that charging only takes place during the night to benefit from the surplus in the electricity grid at this time. This creates cost advantages for the consumer and reduced the need for long-term electricity grid expansion. GARO is at the forefront of development for satisfying the future requirements of consumers and contributing to more efficient energy consumption.

10–25%

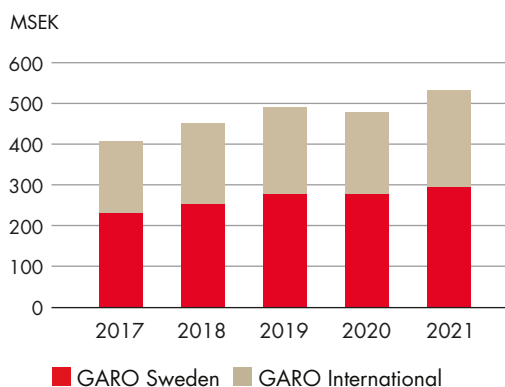
**USE OF LESS MATERIAL FOR
THE NEW CONNECTION BOX
COMPARED WITH PREVIOUS
DESIGNS OF THE SAME
TYPES OF BOXES.**

Electrical distribution products creates simple, safe and sustainable solutions

GARO's core expertise is to develop and manufacture innovative products and complete solutions for the electrical installations market and has its foundations in the Electrical distribution products product area.



NET SALES IN ELECTRICAL DISTRIBUTION PRODUCTS



OFFERING

The product range consists of electrical distribution products for the professional market and offers about 3,500 electrical products and complete solutions with energy efficiency and sustainability in focus. Complete distribution cabinets containing media, control and metering, exterior facades or ground meter cabinets. Standard components, connectors, smart engine heater outlets and electric posts for camping and marinas are also part of the offering.

DEMAND CONTROLS DEVELOPMENT

Focus is on developing products that continually meet the increasing security requirements of customers and the market while meeting expectations in terms of energy-efficient solutions. Considerable focus is also on reducing installation time for electrical installers and making their jobs easier and safer.

The expectations and needs of end users change over time but the need for energy-efficient smart solutions is increasing regardless of the industry and market, from both a sustainability and a cost perspective. Demand to measure, govern and control individual units such as an engine heater, a wall box or solar panels on a property, is growing. In turn, this creates considerable demand for energy meters and other components in the product area. The primary end users in Electrical distribution products are private individuals, tenant-owner associations, property owners that are building a new or renovating properties and camping site or marina owners.





Sales take place through wholesalers and products are installed by external electrical installers.

CONNECTABLE CAMPING CHARGING STATIONS

With extensive experience from the manufacturing of electric charging stations and engine heaters and a market leading role in products for electric car charging, GARO has a unique opportunity to quickly meet demand for a combined product that is specially designed for the growing camping trend. During the year, GARO launched the market's first camping charging station with the ability to charge two electric cars and electrical sockets for two camping groups using the same installation. The charging station is connected and designed to allow the easy implementation of future technology and services.

LAUNCHES IN 2021

As a result of the increase demand and increased trend for discrete façade meter cabinets, the product was also launched with a black lacquered front during the year. This

means that GARO now has stocks of the recessed meter cabinet in four standard colors: white, gray, red and black.

At the end of 2021, GARO launched IP65 enclosures, a range of sustainable and water-tight enclosures for low-voltage distribution that can endure the Nordic climate.

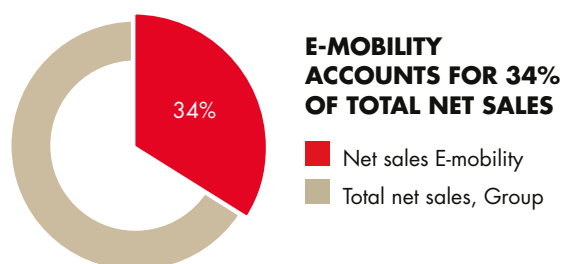
2021 DEVELOPMENTS

The strong growth in the E-mobility product area during the year has benefited sales of components in Electrical distribution products. Components such as energy meters and load balancing combined with electric car charging enable increased measurement and control of electricity consumption.

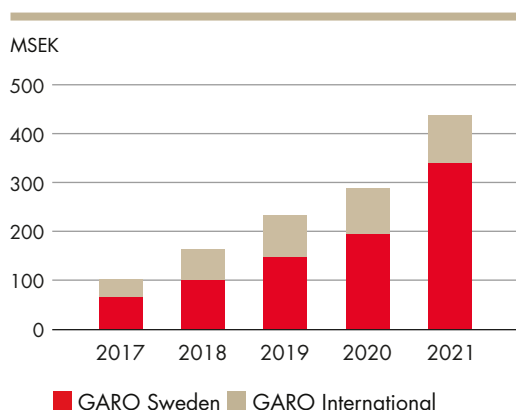
Sales in Electrical distribution products are driven by new construction, renovation and the energy efficiency of properties. The product area is the Group's largest and accounts for 41% of total sales. The market for Electrical distribution products reported growth of 11% year-on-year, which is assessed as stronger than the underlying market.

E-mobility is leading the way toward sustainable infrastructure

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 E-mobility product 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.



NET SALES IN E-MOBILITY



OFFERING

GARO presented its first charging station back in 2008. Many years of developing engine heaters formed the basis of the early launch, and our range of charger products has expanded significantly since then. With wall boxes, public charging poles, fastchargers, cable cabinets for power supply, load balancing, control, software services and measuring, we are creating vast flexibility for our customers. Together with partners, wholesalers, retailers and contract customers, GARO offers the market charging stations that are innovative, sustainable and easy to install and use.

All products that are released have undergone quality tests and meet market requirements for safety and energy consumption. In addition, all products are developed with a focus on digital control and user simplicity. The products can be connected and are thus able to share information with one another, the car and the user. They can also be connected to GARO's payment services and external payment services and share electricity consumption in an efficient way. Our offering also includes aftermarket services and support, providing support for customers. In this way, GARO is able to offer a complete solutions that is installation- and user-friendly as well as being cost-efficient for customers.

PERFORMANCE IN EUROPE

The increased demand for electric cars and chargeable hybrid cars is driving the need for products in E-mobility. The number of electric cars and chargeable hybrid cars on the roads is increasing in the Nordic region and in Europe, and the charging infrastructure must be rapidly expanded. For GARO, this has led to further opportunities to develop the range and cement the company's position as a complete solution supplier in the market.

GARO holds a strong position in the Nordic market. In the European market, GARO notes a positive trend and an increase in interest in its products. With the help of innovative product development, products are designed based on country-specific requirements and regulations in the European market. This enables GARO to rapidly grow in new markets.

In the UK, legal requirements have been introduced for increased accessibility to charging stations in connection with the construction of new buildings, such as housing and offices. The aim of the new legislation, which will enter force in 2022, is that it will become equally as easy to charge an electric car as it is to refuel with gasoline or diesel. Read more about market development on pages 16–19.



STRONG PARTNER

With favorable innovation opportunities and our complete offering of products and services, GARO will be a strong partner in the market. GARO is partners with several major companies such as E.ON, Fortum, OKQ8 and Vattenfall as well as vehicle manufacturers, which generates new strategical business opportunities. The pace of development in the energy market remains high and energy companies continue to play an important role for the end user. The relationship that energy companies have with their customers is continually changing, and GARO has noted a trend toward more long-term relationships and subscriptions for energy companies. This means that the Group's relationships with energy companies and vehicle manufacturers is becoming increasingly important. With the help of their platforms, GARO receives access to new markets and opportunities to introduce products to more European countries.

GARO is a long-term partner to its customers and assumes complete responsibility with its commitment throughout the entire process. Service and support is crucial

for procurements in major projects and for quick charging in which customers demand a long-term solution and close collaboration. The GARO service and support company EV Charge Partner plays a significant aftermarket role in E-mobility. In addition to service and support, the company also commissions charging infrastructure, primarily for charging operators and power companies in Sweden and Poland.

INCREASED FOCUS ON E-MOBILITY

The new separation of business areas as of January 1, 2022 creates the focus for GARO E-mobility and enables it to take advantage of the major opportunities that Europe offers in the product area. It also enables the business area to manage rapid growth, product development and, in particular, to satisfy customer demand for charging infrastructure. On all levels, the cornerstone for optimized sales is an in-depth knowledge of the varied requirements of the target groups. Using GARO's value chain, distribution travels via wholesalers, retailers or contract customers and on to the market before finally reaching the end user. To

capture synergy effects related to expertise, major customers and the flexibility to manage the rapid pace of growth, the organization is governed across country borders. This creates major opportunities for GARO to continue to be a strong company in the market.

LAUNCHES IN 2021

In the spring, GARO's range was expanded with a new compact fastcharger, the Atle 24 kW. The new charging station has a robust and compact design for simple installation on walls or a stand. It is a charging solution that suits, for example, car buyers, repair stores or rental firms who have a significant need for faster charging. Atle is a supplement to Althea, 50 kW, which is GARO's fastcharger adapted for quicker recharging in locations where visitors pass by briefly. Atle's charging begins effortlessly after identification using a RFID tag. The touch screen offers a number of languages, providing accessibility for everyone.

During the year, the first charging station with both electrical sockets and an electric car charger in the same installation was also launched for camping sites. Read more on page 27.

2021 DEVELOPMENTS

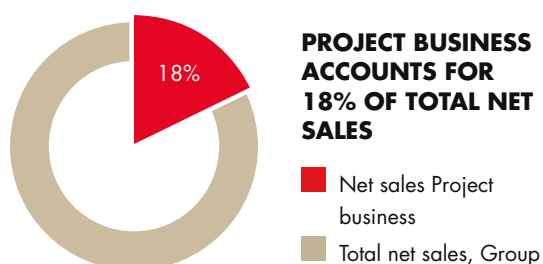
The E-mobility product area is the product area in the Group that is growing most rapidly, reporting growth of 52% for 2021 with favorable growth throughout the entire product portfolio. The product area accounted for 34% of the Group's sales with strong growth, primarily in Sweden, the UK and Finland as well as Group-external exports to European export customers.



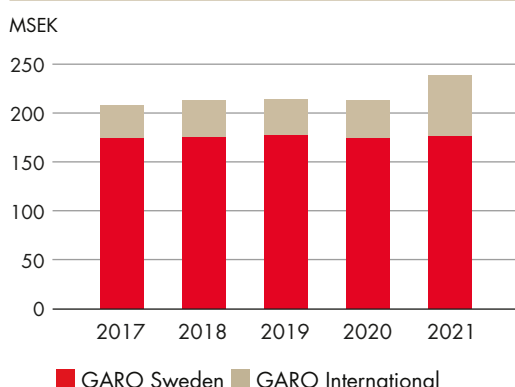


Project business offers customer-unique complete solutions

In the Project business product area, GARO provides customer-unique solutions in the switchgear, cable cabinets, distribution units and apartment fuse boxes product categories. The customer project is adapted according to each individual customer's needs and is delivered ready-assembled for simple and safe on site installation. The wide range in the product category has provided GARO with a market leading position in terms of complete solutions in low-voltage distribution.



NET SALES IN PROJECT BUSINESS



OFFERING

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

UNIQUE TOTAL SOLUTION

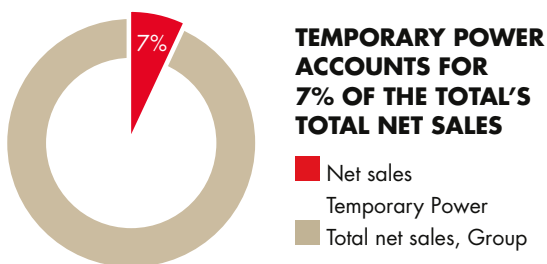
GARO's climate smart cable cabinet for power distribution created new opportunities for the product area in 2021. The cable cabinet has several valuable properties that create synergies with the other product areas. In the Electrical distribution products product area, fully configured electricity and lighting cabinets are sold that are used to, for example, supply power for homes and street lighting. When a facility is built using E-mobility products, the need for power supply combined with load balancing is, in the vast majority of cases, essential. All of these functions are built in to the cable cabinet, which makes GARO a complete solution supplier.

2021 DEVELOPMENTS

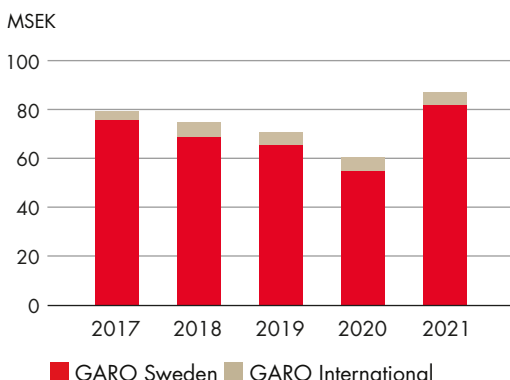
Demand in 2021 remained high in the product area as a result of the beneficial development of new construction, renovation and energy efficiency while strong growth in GARO International has had a positive effect on sales. Growth in the UK and Ireland totaled 87% during the year. The product area accounted for 18% of the Group's total sales.

Temporary Power creates a healthy work environment at construction sites

In the Temporary Power product area, we are focusing on products and solutions in temporary power supply, lighting and heating for construction sites and events. The product area also provides locations with electric car charging for temporary use, which is advantageous for larger construction projects or more extensive events. The products also contribute to a healthy working climate on building sites through heat supply, the desiccation of damp and good work lighting.



NET SALES IN TEMPORARY POWER



OFFERING

GARO's smart, safe and sustainable products, together with extensive experience and expertise in the area, makes the total offering a safe choice for companies in the construction sector.

Sales are mainly driven by new construction and the renovation of major commercial buildings such as housing, workplaces, shopping centers and hotels. At the same time, demand for quality products with long durability is increasing from companies in the construction sector. In Temporary Power, we offer products with high energy efficiency, good user-friendliness, a high level of safety and that are ergonomically designed to meet the need of a good work environment.

CLOSE PARTNERSHIPS

GARO has a close partnership with construction retailers and wholesalers to increase the accessibility of products for the construction and rental industries. Maintaining close dialog with both retailers and end customers enables us to more easily match the customers' demand with our own offering, which also contributes positively to our product development.

During the year, GARO expanded its partnership with Cramo Sverige AB, which is one of Sweden's largest companies in machine rental, equipment and rental-related services. The partnership comprises all products in the product area.

2021 DEVELOPMENTS

During the year, GARO has noted that several rental companies have begun to reinvest in new equipment following a lower pace of investment in 2020. The product area accounted for 7% of total sales, with sales increasing 49% in Sweden, mainly driven by one individual customer who invested heavily. Sales in other markets remained at essentially the same levels as 2020.





SUSTAINABILITY REPORT

GARO – for a smarter future

The Group bases its framework of GARO’s sustainability work on two cornerstones: how proprietary operations are structured, and how GARO’s product contribute to the transition to an electrified society. GARO works for an environmentally friendly, safe and enjoyable workplace in which the Group assumes overall responsibility for the organization and the value chain. The products and services that GARO provides create the preconditions for a fossil-free society and, in this way, operations can contribute to the transition to a carbon-neutral society.

GARO’s operations are divided into four product areas and the majority of manufacturing as well as all product development takes place at our own premises. The suppliers are mainly based in Europe, and through healthy business relationships and clear requirement specifications, GARO is able to ensure that suppliers meet the Group’s standard. Purchased raw materials mainly comprise steel, plastic, copper and corrugated cardboard, the origins of which are evaluated before agreements are signed.

The company’s sustainability goals form the basis of the Group’s day-to-day work and ensure that GARO meets stakeholder expectations. GARO is to deliver products with high safety standards, qualitative installations and strong sustainable material to its customers and end users. All employees at GARO and the Group’s suppliers’ employees

must have a safe, secure and health-enhancing workplace. Investors must be assured that their investments have long-term sustainability and contribute to the global transition toward a sustainable future.

STAKEHOLDERS IN FOCUS

For GARO, it is a given to consider the Group’s 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. As such, ongoing dialog is maintained with each stakeholder group. GARO designs its sustainability work and develops its sustainability goals in line with this data and other relevant information. The table below describes the Group’s most important stakeholders and their prioritized sustainability issues.

STAKEHOLDER GROUP				
PRIORITIZED ISSUES	Customers	Employees	Shareholders	Suppliers
	Product safety and secure installations	Health and safety	Environmental and social issues in the supply chain	Quality and delivery capacity
	Sustainable material choices	Anti-discrimination	Climate impact	Anti-corruption
	Anti-corruption	Equality	Anti-corruption	

Sustainability control and the UN Sustainable Development Goals

GARO governs its sustainability work with the objective of always developing. This is ensured through continually following up on sustainability targets and updating policy documents.

Responsibilities are divided based on area and the applicable steering documents are revised every year. Operations in Sweden, Poland and Norway have ISO 9001 and 14001 certifications, which are well established external certifications 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 enables GARO to continually develop and ensures that current regulations are met. Sustainability efforts permeate the entire Group.

GOVERNANCE MODEL

Board of Directors

Overall responsibility for the company's sustainability efforts

Group Management

Strategic work and policies

Management

Operational responsibility/implementation

Employees

Understand and work based on policies and sustainability frameworks

MANAGEMENT SYSTEM, POLICIES AND CODES OF CONDUCT

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

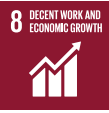
Codes of conduct

- GARO Group Code of Conduct
- Code of Conduct for suppliers



GARO's sustainability efforts are to contribute to the UN Sustainable Development Goals (SDGs) and be in line with the Paris Agreement. GARO has selected six of the 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 the value chain. The table below maps the UN SDGs against GARO's prioritized sustainability issues and describes the manner in which the Group contributes to each goal.

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 renewable electricity production and a more energy-efficient 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 (social conditions), • 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
 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.	• Material choices • Replaceable components
 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)
 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. Read more about these efforts in the risks section on page 49.	• Zero tolerance of corruption in the Group and its value chain.

GARO's impact in the value chain

GARO's value chain is an important component for the Group, impacting suppliers, customers and end users. 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 and contribute to positive development in the industry and society at large.

RAW MATERIALS AND SUPPLIERS

The suppliers that GARO selects to enter strategic partnerships with are continually assessed to live up to the Group's requirements, both from a quality and a sustainability perspective. In GARO, there is a work model in place that is used together with suppliers to develop and achieve a more sustainable joint working method. In 2021, regulations were tightened for conflict minerals in the EU. This means that GARO needs to maintain a good insight of where minerals originate and how compliance with laws can be ensured. This is guaranteed through distinct requirement specifications and evaluations of the purchases that are made.

GARO's suppliers are mainly located in Europe, which limits the risk of non-compliance with the Group's Code of Conduct. Structured and systematic efforts are ongoing to respect human rights and for GARO to be able to conduct ethically correct operations in all areas.

GARO

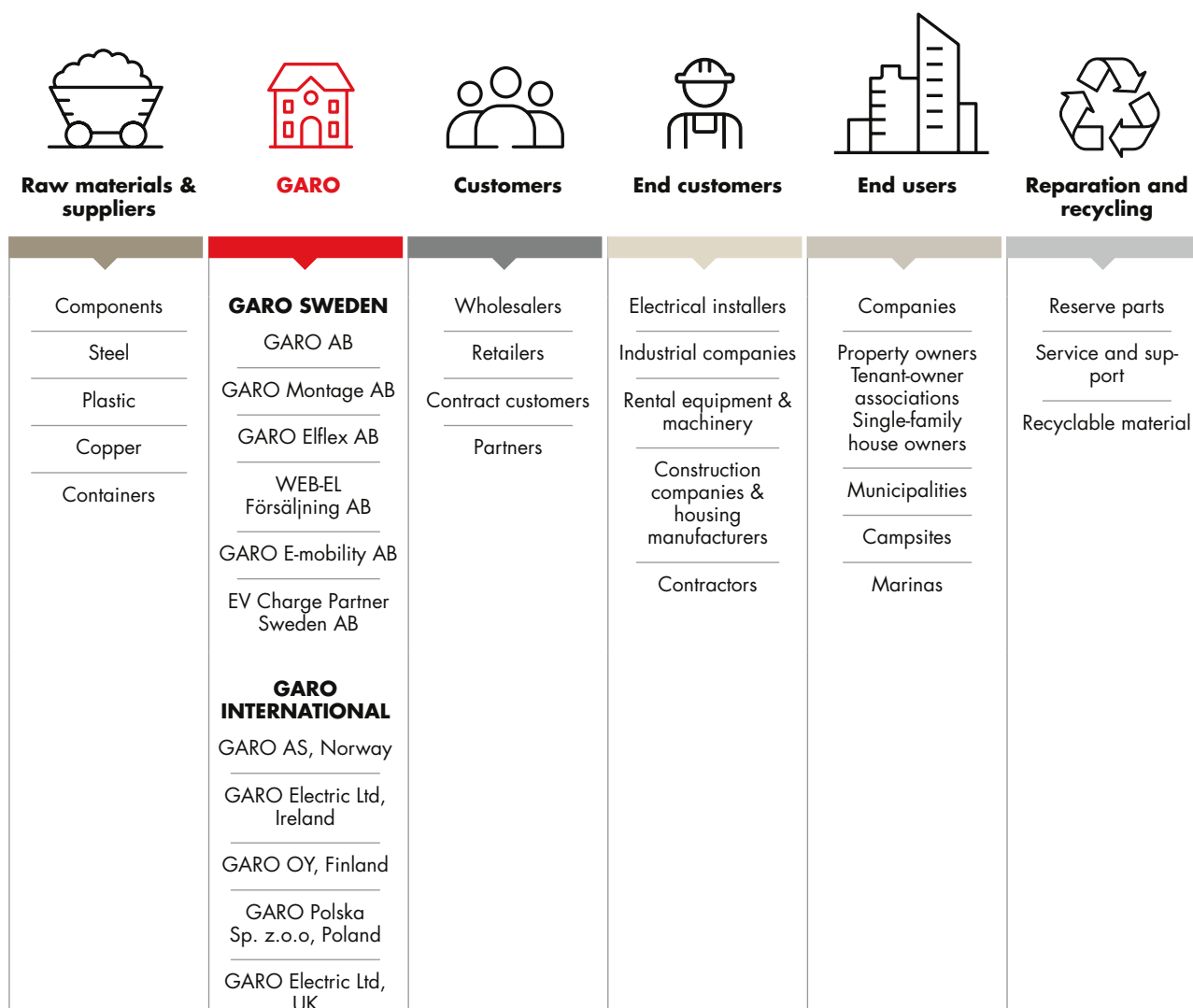
The majority of GARO's products are produced in its own premises, partly in Sweden and partly in Poland. By remaining close to production, it is easier to ensure a healthy work environment, shorten lead times and conduct efficient quality assurance of GARO's products. Continual assessments are made in production to improve the efficiency of processes and reduce resource waste. In addition, continuous work to increase the share of renewable energy in production is taking place, thus reducing the total climate impact of operations. Digitalization and sustainability are at the very top of the agenda for all product development that takes place at GARO.

Employees are a central part of operations and GARO works to create an enjoyable, inclusive environment where friendliness, openness and a genuine GARO spirit permeate everything that is done. Individual development is promoted in the Group and employees are encouraged for further development and to try out new areas in the Group.



CUSTOMERS

The sales of GARO's products and services takes place through wholesalers, retailers and contract customers. By maintaining a close relationship and conducting solution-oriented dialog, customer collaboration is developed and stimulated. Wholesalers and retailers are provided with access to market material and digital platforms. It is of the utmost importance that these customers receive the knowledge and training required to ensure correct management of GARO's products. Work is continually conducted with customers to ensure that end customers and consumers receive the best possible service.



END CUSTOMERS

For the installation of products, safety and knowledge are key factors. Customers are placing increasingly high environmental requirements, and the materials and contents of products are now evaluated very thoroughly. During the year, GARO continued to invest in training, both digitally and physically with end customers, to ensure that installations are carried out in the correct way. As products are digitalized and becoming more complex, the market's requirements for service, support and IT security are also increasing. GARO is at the forefront of meeting these requirements and offers qualitative, functional and safe products.

END USERS

The end user's needs govern demand for products. For the use of GARO's products, the end user must be confident that they have a product that will have a long service life. Products that are produced at GARO must always be of

high quality, user-friendly, safe and energy-efficient. The relationship with the end user is important and it is partly through their judgment that GARO can grow and create a strong brand with high credibility.

REPARATION AND RECYCLING

Circular flows are seen as a natural part of operations, and they impact the design of the products. In the design phase, components are adapted to be replaceable and any reparations are to be carried out in a smart way. When a product breaks, the primary objective is to always be able to repair it instead of replacing it with a brand new product. GARO provides reserve parts for the Group's product portfolio, leading to resource savings in all areas, but it is also financially advantageous for the end user. All of GARO's products can be recycled down to the smallest component. It should be simple to dismantle all of the components and sort them based on the recycling opportunities available in each country.

Smart and efficient for a better environment

GARO works to continually reduce its total environmental impact and contribute to lowering global emission levels to achieve the target of limiting global warming to under 1.5° C. The Group provides products and services that enhance the efficiency of electricity consumption and contribute to a fossil-free future.

ENVIRONMENTAL IMPACT OF TRANSPORTATION

In 2020, GARO signed up to the Swedish government's Fossil Free Sweden initiative that has identified a number of different challenges for reaching the goal of being the first entirely fossil-free welfare state. GARO Sweden joined the company car challenge, the solar challenge and the transport challenge, the transport challenge being the only one of these to remain for this fiscal year. In 2021, GARO continued to work with making Swedish domestic transportation fossil-free by 2027. This target means that transportation should have at least a 70% reduction in emissions compared with fossil alternatives. The challenge concerns the entire value chain – both outsourced and own transportation – and is followed up on continually to ensure that the challenge is completed in the allocated time.

ENERGY-SMART PRODUCTS

When GARO develops products, the objective is for them to have high functionality, be energy- and cost-efficient while having the least possible environmental impact throughout their life cycle. The products should be sustainable in the long term and characterized by timeless, modern design. 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. Read more about life cycle analysis on pages 44–45.

ENERGY EFFICIENCY

GARO's products are designed to contribute to reduced energy consumption, thereby enabling them to contribute to reduced CO₂ emissions. Regardless of the market or industry, a great need persists today for energy-efficient solutions that reduce energy consumption. Products that can monitor and control energy consumptions in real time so that the conscious user can easily reduce their environmental impact.

DESIGN WITH A LONG SERVICE LIFE

Products that can be used often and for a long time are the foundation of GARO's sustainability strategy. Customers should be offered quality products that are manufactured to endure harsh climates and daily use, thereby minimizing resource waste. GARO strives for a modern and timeless design for its products.

MANUFACTURING

GARO's production facilities have an environmentally friendly production process, which is highly valued by both customers and end users.

GARO'S SUSTAINABILITY GOALS AND OUTCOMES

Goals	Outcomes
0 tons The goal is that direct and indirect GHG emissions from the Group's own facilities in terms of electricity and heating will be zero tonnes by 2025.	240 tons In 2021, GARO's emissions per sales declined 1.34% year-on-year.
100% All electricity in the Group's own facilities is to come from fossil-free sources by 2025.	94.5% In 2021, the share of electricity from fossil-free sources increased 14.5%.
>98% Achieve a recycling level of over 98% by 2025.	84.5% In 2021, total waste recycling increased about 6%.





THE AIM IS TO ALWAYS MINIMIZE THE USE OF MATERIALS WHILE RETAINING RESISTANCE, QUALITY AND ADAPTING TO THE APPLICABLE SAFETY REQUIREMENTS.

SUSTAINABLE MATERIAL CHOICES

Market requirements are becoming increasingly stringent in terms of the choice of materials, both from customers and end users. GARO works continually for selecting sustainable materials and looks for new innovative solutions in the market. The aim is to always minimize the use of materials while retaining resistance, quality and adapting to the applicable safety requirements.

One sustainable material is Magnelis®, an environmentally friendly metal coating that provides GARO's outdoor products with superior self-healing properties and strong resistance to corrosion in adverse environments and climate

conditions. As opposed to hot galvanized materials, Magnelis® does not release zinc deposits, a major advantage as zinc is a hazardous metal that negatively impacts the pH value of watercourses. This then leads to altered habitats for animals and plants which, on a global level, may entail an increased threat for biological diversity.

The manufacturing of Magnelis® reduces hazardous emissions by 80% compared with comparable material that is used in today's market. Magnelis® is used for GARO's fast-chargers, ground meter cabinets and cable cabinets and evaluations take place continually of how more products can be developed with the material.

Global plastic consumption amounts to approximately 300 million tons per year, of which 5–13 million tons end up directly in nature. GARO takes this issue seriously and products are designed to the greatest extent possible with a high proportion of either climate-smart or recycled plastic granule. There is considerable value in using recycled plastic instead of consuming raw materials, despite the somewhat higher level of wear and tear that recycled plastic has on the production of the operation's plastic tools. By using recycled plastic, GARO contributes to the reduced need of raw materials and prolongs the service life of the plastic.

GARO also uses a considerable amount of aluminum in products, which has a longer service life and is a material that can easily be managed in recycling processes. Moreover, GARO uses halogen-free cables instead of PVC that in some cases, can be environmentally hazardous and, in the worst case, even carcinogenic.

PACKAGING

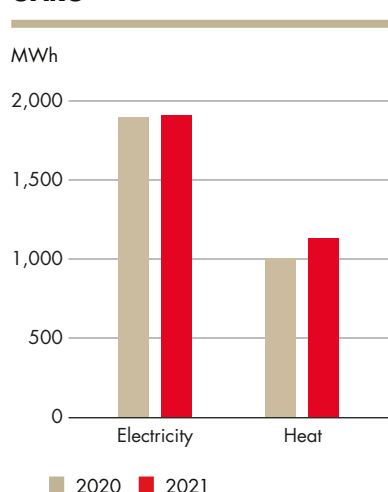
GARO maintains continual focus on reducing its carbon footprint with climate-smart packaging of products. In 2021, continued improvements were made and material use has been made even more efficient. Packaging was optimized to reduce material consumption and the Group is continually seeking out new technology and material.

ENERGY-SMART OPERATIONS

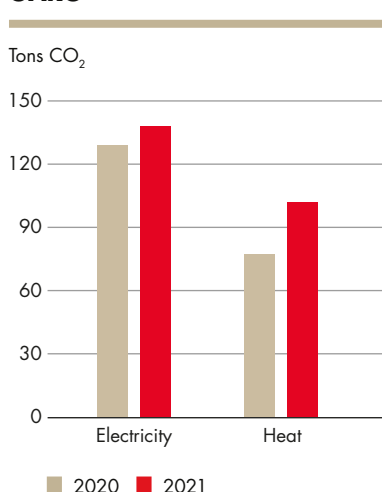
To operate modern and sustainable operations, it is a given to continually work to make processes energy efficient and reduce emissions. In 2021, GARO's emissions per sales were identical year-on-year, which was a result of various energy-efficiency measures. Through installed solar panels on factory premises and the use of biogas in several of the Group's facilities in Sweden, GARO is able to reduce total CO₂ emissions. Using biogas instead of natural gas means that GARO reduces CO₂ emissions by about 90% for heating and about 25% of total emissions from operations. At the end of 2021, GARO had 425 solar panels that accounted for about 2% of total energy consumption during the year. In 2021, GARO's total energy consumption amounted to 1,911 MWh for electricity and 1,128 for heating, which is a year-on-year reduction per sales.

In 2021, waste recycling increased about 6%. The increase was the result of efficiency improvements for waste management and reducing material waste and waste to landfill. GARO's objective is that no waste goes to landfill. GARO operates based on the EU waste hierarchy, which mainly involves work to minimize and reuse resources. When this is not possible, waste is recycled and, in a last case scenario, waste goes to landfill.

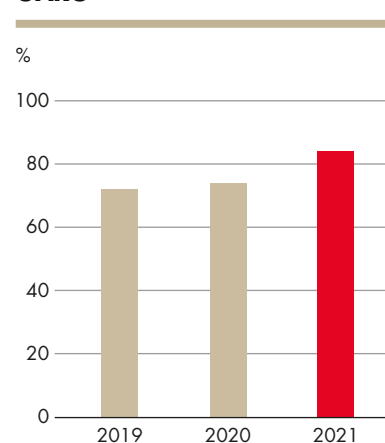
ENERGY CONSUMPTION GARO



CO₂ EMISSIONS GARO



RECYCLING LEVEL GARO

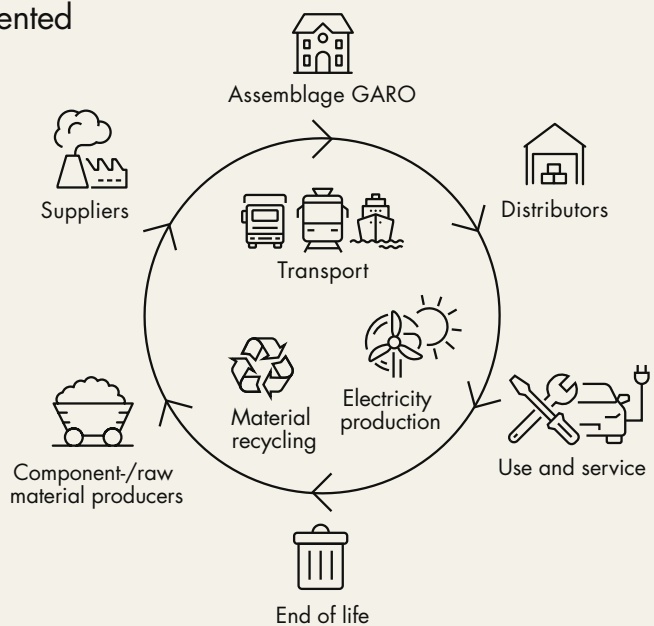


LIFE CYCLE ANALYSIS

Life cycle analysis of charging stations

To understand GARO's environmental impact and improve environmental efforts, GARO implemented a process for assessing and reporting the total environmental impact of products. In 2021, GARO decided to conduct a life cycle analysis for the LS4 charging station for electric and hybrid vehicles.

The charging station is a product with a strong connection to sustainable infrastructure and that contributes to the reduced use of vehicles with fossil fuels. It is also a product that can be considered an ambassador for other E-mobility products and that presents a general image of the products' service lives. The aim of the charting was to understand the product's resource flows and emissions during its entire service life as well as to identify how GARO can continue to develop products adapted to a more climate-smart society and how GARO can become more climate-smart itself.



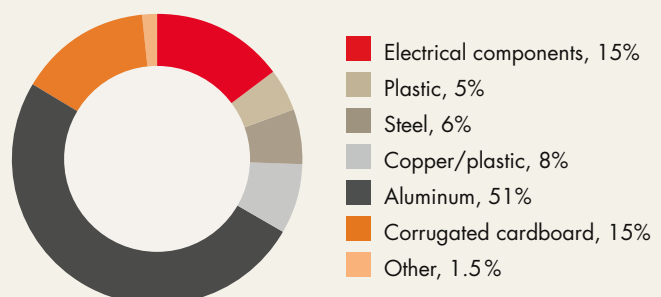
METHODOLOGY

The analysis is based on ISO 14025, an international standard for environmental declarations. The collection of data from all suppliers concerned has been carried out, in which they have been asked to supply product-specific information for each component as well as transportation choice and distance. Data has been collected from both the first and

second line of suppliers. Moreover, data from GARO's own operations has been collective, which includes the description of weight and primary material choice for each component. In certain cases, generic data has been used to ensure that all phases of the service life have been included.

SUPPLIERS AND CHOICE OF MATERIALS

The manufacturing of LS4s is conducted at GARO's premises in Gnosjö, but its components are part of a complex value chain that includes several international suppliers. Nine different material compositions make up LS4s in which aluminum comprises half of the product's total weight. The aluminum used is purchased from a local supplier about 150 km from the factories in Gnosjö. The remaining material is mainly purchased from European suppliers. Together with the electrical components used in the product, aluminum accounts for 94% of the total emissions from materials in the product's service life.





RESULTS AND ANALYSIS

The entire product's service life was charted and the point of the service life that creates the largest environmental impact was identified. The results show that more than half of CO₂ emissions occur during production, including direct emissions and those from subcontractors. In addition, almost 40% of emissions in the user phase occur when the product is in standby mode, based on consumption taking place with a Nordic energy mix. In total, LS4s release 600.2 kg CO₂e* during their service lives, excluding vehicle charging.

During the service lives of LS4s, total emissions amount to about 21.4 tons of CO₂e* including total charging of vehicles performed. This is based on 20,000 charging occasions over a 15-year period where a Volvo V60 Twin Engine is used as an example vehicle. To place this in context, this is equivalent to total savings of 240 tons of CO₂e compared with a fossil-dependent vehicle**. Assuming that Sweden will achieve its ambition to be 100% fossil-free by 2030, the total reducing will be 263 tonnes of CO₂e. In conclusion, regardless of energy mix, GARO's innovative LS4 charging stations will contribute to societal emission reductions, something that GARO is incredibly proud of. Through additional smart product development, the Group could reduce emissions even more, thus ensuring that it – together with its suppliers – contributes to reducing the global climate impact.

Service life phase	Proportion
Production	
Transportation between suppliers	0.1%
Transportation to GARO AB	0.4%
Energy consumption for the manufacturing of components	2.0%
Production of raw materials and components	52.5%
Energy emissions GARO Gnosjö	0.5%
Total production	55.5%
Distribution	
Transportation to distributors	0.1%
Total distribution	0.1%
Use and service	
Use excluding vehicle charging	39.3%
Service	5.0%
End-of-life	0.1%
Total use and service	44.4%
Total	100%

*) Nordic average mix 89.6 g of CO₂e per kWh

**) Consumption fossil-fuel cars 170 g CO₂e per km

Employees in focus

By focusing on people, GARO assumes an overall responsibility in sustainability which leads to healthy employees who contribute to maintaining favorable operational development. It is important to be part of society and to be part of creating a feeling of solidarity between employees and their surrounding community.

GARO GROUP'S SUSTAINABILITY GOALS AND OUTCOMES

Goals	Outcomes
0% GARO has a zero vision for work-place accidents.	18 During the year, 18 accidents were reported, which is a year-on-year decline of 14.3%.

to their work. Commitment creates a long-term approach for everyone's work and affects the design of the continued development of operations. Employees at GARO are to be good ambassadors for the Group and proud over their workplace. This does not only strengthen the brand and corporate culture, but also contributes to the continued development of operations while retaining strong relationships with the company's stakeholders.

STRONG CORPORATE CULTURE

Openness, friendliness and pride are the foundations of GARO's corporate culture and symbols of the GARO spirit. Regardless of position, everyone should be treated in the same way, and active and close management is the key to success. Each year, employee surveys are conducted to ensure that all employees are content and feel that they have the opportunity of developing together with GARO.

Skilled and committed employees contribute to GARO's strong corporate culture. Respect is highly valued and the aim to create an enjoyable work environment in which everyone wants to go that extra mile to contribute to operations. At GARO, it is a given that all employees should feel a sense of belonging and remain motivated and committed

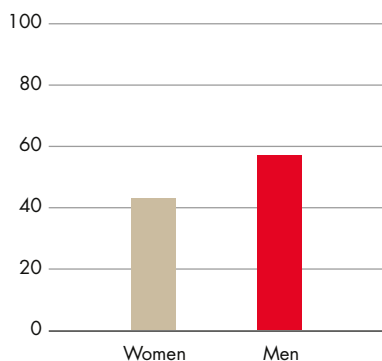
PERSONAL DEVELOPMENT

GARO is to be an attractive workplace, which means that favorable development opportunities and good prerequisites for a career in the Group are on offer. GARO has its manufacturing process in both Sweden and Poland, creating opportunities for each country's operations to take advantage of each other's lessons, culture and knowledge. In turn, this results in development opportunities in the different units and the total offering in the Group is strengthened. Employees that have previously worked in, for example, assembly, have transitioned to sales and, with combined knowledge, arrived at new insight for both departments.

All employees have annual appraisals with their immediate managers where they discuss both short- and

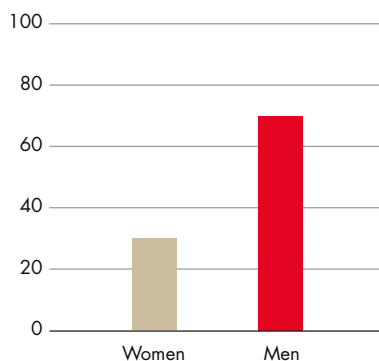
GROUP EMPLOYEES

Gender distribution, %



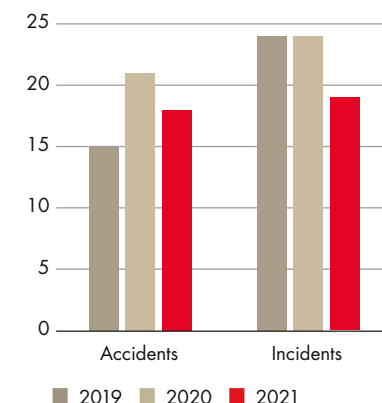
GROUP MANAGEMENT

Gender distribution, %



HEALTH AND SAFETY

Quantity





long-term goals in terms of work duties, skills development and opportunities of further training in the Group. This process helps to identify the needs of employees at the same time as valuable knowledge is defined within the Group. GARO is to be a long-term attractive employer in which its employees feel acknowledged and are offered developing and challenging work tasks, regardless of where in the Group they find themselves.

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 five men. GARO has an equality policy that prevents discrimination from occurring. All employees must study the equality

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.

FUTURE COLLEAGUES

Many of GARO's employees are staying for a long time in the Group, regardless of where in the organization they began their journey. This is something that we are pleased to highlight and Skriv 10-, 20, 30 and 40-year anniversaries are celebrated each year. By offering favorable employment conditions and a developing workplace, GARO is a highly regarded employer. It is important to also be a sought-after employer from an international perspective to attract different kinds of expertise to the Group. At the same time, GARO is engaged in local high schools' electricity programs, offering pupils with internships to raise curiosity. In many cases, this also leads to employment in the Group. In 2021, GARO has collaborated with colleges and universities in both Sweden and Poland.

SAFE, HEALTHY ENVIRONMENT

GARO's production environment is clean, bright and without noise, and designed with employee safety in focus. All employees have an ergonomically designed workplace that is adapted based on individual requirements and disabilities. It is a given that health and safety requirements are complied with and GARO conducts inspection rounds in all producing units twice a year. GARO continually follows up on health and safety issues and any reported incidents to ensure good health for everyone in the Group. 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. This creates the best opportunities for all employees to thrive at the workplace. In general, GARO has very low absenteeism, which includes long-term sick leave. The goal is for consistently low sick leave, regardless of work tasks and country. In 2021, the share of short-term sick leave was 1.24% and long-term sick leave was 1.12%.

GARO'S 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 irrespective 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.

SOCIAL COMMITMENT

Active company in society

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. It is also an opportunity for GARO to take part in people's everyday lives. GARO shows a large amount of dedication in local operations. The projects that are sponsored will create value, provide joy and contribute to continued development for the regions in which GARO operates. In this way, these regions will become attractive locations to live and work in.

GARO possesses a significant function as an employer and as such, the Group supports local schools and student activities to reach out to new employees who could become part of GARO's journey of success. Being an active employer in society entails GARO being presented with the opportunity to create healthy partnerships with the local business community, contributing together to positive development.

CHILDREN AND YOUNG ADULTS A PRIORITY

GARO sponsors sports clubs and recreational activities in our local areas. Protecting operations for children and young adults is given extra focus since GARO wants to contribute to active childhoods and create social and valuable communities.

HEALTH AND MEDICAL DEVELOPMENT

GARO's social commitment also travels further afield. This can involve grants to foster a more sustainable lifestyle, drive medical science or spread happiness to children who are ill. GARO supports different national initiatives and charities continually during the year.



GARO's sustainability risks

Various kinds of risks arise throughout GARO's operations and value chain, from both environmental and social perspectives. For the production of GARO's products, raw materials are used that could present human rights and work condition risks. Risks have also been 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 irrespective 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.
The 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 to avoid contributing to any violation of human rights. 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.

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

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 2021 on pages 34–49 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 8 April 2022

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 speculation and rumors being spread and increase interest in the company's share. The aim is to maintain continual dialog with the Group's stakeholders.

SHARE PRICE AND AVERAGE VOLUMES 2021

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 15.7 million GARO shares were traded in 2021. The average daily volume during the year amounted to 62,120 shares. On the final trading day of the year, the share price closed at SEK 216 (127, adjusted for the share split), an increase of 70% compared with the closing price on December 31, 2020. GARO's market value on December 31, 2021 was MSEK 10,800.

SHARE SPLIT

The Annual General Meeting in May resolved to increase the number of shares in the company by replacing each share with five new shares of the same type (a 5:1 share split). The record date for the share split was May 26, 2021. The share split entailed that the number of shares in the company increased from 10,000,000 to 50,000,000

and that the quotient value of the shares changed from SEK 2.00 to SEK 0.40.

The final day of trading of the company's shares before the share split was May 24, 2021. The first day of trading of the company's shares following the share split was May 25, 2021. In conjunction with the share split, the ISIN changed and is now SE0015812417.

CONVERTIBLES, WARRANTS, ETC.

GARO has no outstanding warrants, convertibles or other 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 1.40 (0.95) for the 2021 fiscal year, corresponding to 42% of profit per share.

DATA PER SHARE (ADJUSTED FOR THE SPLIT)

Data per share	2021	2020	2019	2018	2017
Earnings per share, SEK	3.33	1.91	1.71	1.74	1.71
Cash flow from operating activities per share, SEK	2.43	1.74	2.43	1.48	1.03
Equity per share, SEK	11.03	8.60	6.86	5.92	5.06
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, 2021 (FROM EUROCLEAR)

Shareholders	Number of shares	Share capital, %	Votes, %
Svensson, Lars	17,841,725	35.7	35.7
Swedbank Robur Funds	4,675,344	9.4	9.4
Svolder Aktiebolag	4,364,553	8.7	8.7
SEB Investment Management	1,901,695	3.8	3.8
Stefan Jonsson Invest AB	1,740,425	3.5	3.5
Spiltan Fonder AB	1,735,662	3.5	3.5
State Street Bank and Trust Co	1,482,822	3.0	3.0
Nordea Nordic Small Cap Fund	1,399,044	2.8	2.8
Third Swedish National Pension Fund	1,300,000	2.6	2.6
Carnegie Investment Bank Filial, AF	1,234,527	2.5	2.5
Total, largest shareholders	37,675,797	75.5	75.5
Total, other shareholders	12,324,203	24.5	24.5
Total number of shares	50,000,000	100.0	100.0

SIZE CLASSES OF OWNERSHIP STRUCTURE AT DECEMBER 31, 2021 (FROM EUROCLEAR)

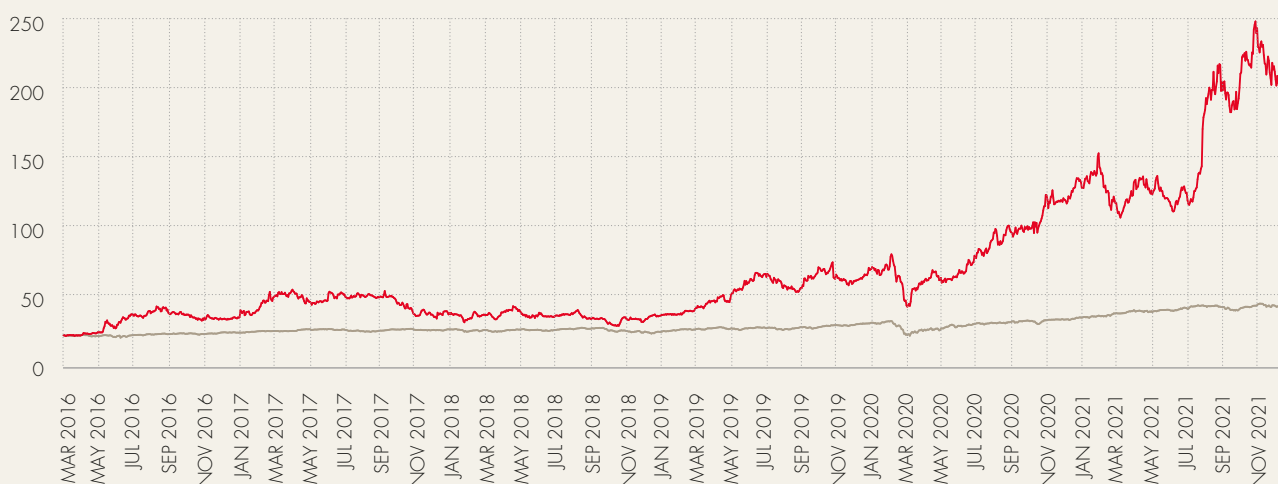
Holding	Number of shareholders	Number of shares	Share capital, %	Votes, %
1–500	12,870	1,218,077	2.4	2.4
501–1,000	791	616,414	1.2	1.2
1,001–5,000	627	1,335,155	2.7	2.7
5,001–10,000	67	509,320	1.0	1.0
10,001–15,000	17	206,402	0.4	0.4
15,001–20,000	13	234,290	0.5	0.5
20,001–	88	45,880,342	91.8	91.8
Total	8,774	50,000,000	100.0	100.0

SHARE PRICE DEVELOPMENT FROM THE IPO

March 16, 2016–December 31, 2021

■ GARO
 ■ OMX Stockholm PI

SEK



Board of Directors' Report for the Group

The Board of Directors and the President and CEO of GARO AB (publ), Corporate Registration Number 556051-7772, hereby submit the Annual Report and consolidated financial statements for the 2021 fiscal year. All amounts are stated in MSEK unless specified otherwise. Amounts in parentheses pertain to the preceding year.

OPERATIONS

GARO is a group that develops, manufactures and markets innovative products and turnkey solutions for the electrical installations market under its own brand. In its four product areas of Electrical distribution products, E-mobility, Project business & Temporary Power, the Group supplies products and complete solutions with a focus on electrical safety, user-friendliness and sustainability. 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 main customer group is electrical wholesalers, although the company also has good relationships with end customers that comprise electrical installers, original equipment manufacturers (OEMs) and industrial companies as well as tenant-owner associations and private individuals. The company has operations in Sweden, Norway, Finland, Ireland, the UK and Poland. The Group is organized in two business areas: GARO Sweden and GARO International.

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

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

On January 1, 2021, GARO completed an incorporation of the Swedish division of the E-mobility product area by transferring operations to the wholly-owned subsidiary GARO E-mobility AB. The purpose of the incorporation is to sharpen focus, intensify our development activities and to further broaden and strengthen our offering to the market.

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

GARO reported organic growth of 25% in 2021 compared with the preceding year.

During the year, the GARO Sweden business area recorded growth of almost 28%, while growth in the E-mobility product area amounted to 75% compared with 2020. The Electrical distribution products product area reported growth of 7% and the Temporary Power product area reported growth of 49%, while the Project business product area essentially remained at the same level as 2020.

During the year, the GARO International business area recorded growth of 17%, in which the largest growth of 58% was recorded in the Project business product area compared with 2020.

The Electrical distribution products product area reported growth of 17% and the E-mobility product area reported growth of 3%, while the product area Temporary Power remained at the same level as 2020. GARO Poland's sales and production continued to increase in line with rising volumes, where an increase in production efficiency has been achieved.

EVENTS AFTER THE END OF THE FINANCIAL PERIOD

For increased focus and clarity, GARO has reported operations divided into the business areas of GARO Electrification and GARO E-mobility since January 1, 2022.

In addition, a decision was made to invest in a new production and logistics facility in Poland with construction starting in the second quarter of 2022. The facility will be constructed in close proximity to the existing establishment, close to the European market and with favorable logistics conditions. The investment is expected to amount to about MSEK 85.

At the time of writing, the situation in Ukraine and the COVID-19 pandemic are not deemed to have any notable impact for GARO and its operations. However, due to the situation unfolding in Ukraine, future access to components is uncertain.

SUSTAINABILITY REPORT

In accordance with Chapter 6, Section 11 of the Annual Accounts Act, GARO AB has chosen to prepare the statutory Sustainability Report as a separate report from the Annual

Multi-year summary

SUMMARY OF THE GROUP'S FINANCIAL PERFORMANCE

MSEK	2021	2020	2019	2018	2017
Net sales	1,295.8	1,039.8	1,008.1	903.7	796.0
EBITDA	243.0	163.2	134.9	128.8	110.3
EBIT	207.2	136.2	112.6	113.8	98.1
EBIT margin %	16.0	13.1	11.2	12.6	12.3
Total assets	936.9	743.3	657.4	565.8	533.9
Equity ratio %	58.9	57.9	52.2	52.4	47.3
Return on equity %	34.0	24.7	26.8	30.1	38.3
Average number of employees	460	409	420	398	345

For definitions of key figures, see Note 30 page 88.

Report. The Sustainability Report was submitted to the auditors at the same time as the Annual Report. The Sustainability Report is presented on pages 34–49 of this document.

NET SALES AND EARNINGS

Net sales increased 25% to MSEK 1,295.8 (1,039.8). Underlying demand, primarily in the E-mobility product area, was strong during the year. EBIT amounted to MSEK 207.2 (136.2), corresponding to an EBIT margin of 16.0% (13.1).

EBIT was positively impacted by higher sales volumes primarily in the E-mobility product area and a favorable product mix. Expenses in relation to net sales were somewhat lower compared with the preceding year, primarily as a result of strict cost control and lower market activity given that the pandemic continued to impact operations in 2021. The Group's net financial items amounted to MSEK 1.2 (-13.1) in 2021, in which EUR has remained relatively stable against SEK.

The Group's income after financial items amounted to MSEK 208.4 (123.1). The tax expense for the period amounted to MSEK 41.7 (27.7), corresponding to a tax rate of 20.0% (22.5). Profit after tax was MSEK 166.7 (95.4). The Group's operations in Poland are conducted in a tax-exempt Special Economic Zone where unutilized tax benefits can be utilized until 2026.

INVESTMENTS

GARO invests continuously in the maintenance of production units and production equipment. The Group's investments in tangible assets amounted to MSEK 18.8 (15.0), of which investments in properties and land amounted to MSEK 2.2 (7.8). GARO also invests in product development and investments in intangible assets for the year totaled MSEK 26.5 (24.6).

The company has invested in right-of-use assets (leases and rental contracts) amounting to MSEK 7.0 (9.8) during the year. Depreciation/amortization for the year amounted to MSEK 35.8 (26.9), of which depreciation of tangible assets was MSEK 24.2 (22.5).

CASH FLOW, LIQUIDITY AND FINANCIAL POSITION

Cash flow from operating activities amounted to MSEK 121.7 (86.9). A higher EBIT was offset during the year by high tied-up working capital compared with 2020, which was mainly due to higher component inventories and accounts receivable as a result of tactical material purchases and growth in general. GARO repaid MSEK 6.2 (1.5) net of previously raised loans in 2021. Cash flow for the year amounted to MSEK 11.9 (28.9).

Cash and cash equivalents including unutilized overdraft facilities on December 31, 2021 amounted to MSEK 182.0 (166.7). Net cash on December 31, 2021 amounted to MSEK 9.4 (net debt: 11.3). Adjusted net cash amounted to MSEK 45.2 (26.8). The difference between these performance measures is due to the effects of IFRS 16 Leases.

The Group's equity on December 31, 2021 amounted to MSEK 551.5 (430.3). The 2021 dividend amounted to MSEK 47.5 (0.0). Refer also to Note 3.2.

EMPLOYEES

The number of full-time employees in the Group on December 31, 2021 was 498 (412). The average number of full-time employees in 2021 was 460 (409). The number of employees in the Group's foreign companies on December 31, 2021 amounted to 214 (172), corresponding to 43% (42) of the total number of employees. The percentage of women during the year was 43% (43). For more information about employees, see Note 8 pages 74–78.

REMUNERATION OF SENIOR EXECUTIVES

Information about the remuneration of senior executives can be found in Note 8 on pages 74–78.

PERFORMANCE AND EARNINGS OF GARO SWEDEN SEGMENT

Net sales increased 28% to MSEK 892.6 (698.1).

Underlying demand was strong for the E-mobility product area, in which growth amounted to 75% compared with 2020.

Group-external exports, which increased almost 300% year-on-year, are included in the growth in the E-mobility product area. The Electrical distribution products product area reported growth of 7% and the Temporary Power product area reported growth of 49%, while the Project business product area essentially remained at the same level as 2020. It is GARO's assessment that the companies captured market shares during the year mainly in the Electrical distribution products and E-mobility product areas. EBIT amounted to MSEK 151.5 (90.2), corresponding to an EBIT margin of 17.0% (12.9). A favorable product mix and good cost control are the primary reasons behind the improved EBIT.

PERFORMANCE AND EARNINGS OF GARO INTERNATIONAL SEGMENT

Net sales in the GARO International business area increased 17% to MSEK 402.3 (342.3). The largest growth of 58% was recorded in the Project business product area compared with 2020.

The product area Electrical distribution products recorded growth of 17% and the product area E-mobility recorded growth of 3%, while the product area Temporary Power remained on the same level compared with 2020. The weaker growth in the E-mobility product area is a result of a weaker sales performance in Norway due to increased maturity, primarily in home charging, compared with the preceding year. GARO Poland's sales and production continued to increase in line with rising volumes, where an increase in production efficiency was achieved during the year.

EBIT amounted to MSEK 55.7 (46.0), corresponding to an EBIT margin of 13.9% (13.4). General strict cost control and limitations to market activities due to the pandemic continuing to impact operations in 2021 are the main reasons for the increased EBIT.

PRODUCT DEVELOPMENT

GARO's aim is to be at the forefront of developments in environmentally friendly and energy-efficient electrical products and complete solutions. GARO has an in-house product development department that continuously works together with other departments on developing new and improving existing products and solutions in all product areas. GARO also works close to its customers to gain inspiration and better understand customer needs in the market. GARO has 15 full-time employees who work on product development. Refer also to Note 2.8.

ENVIRONMENTAL IMPACT

GARO conducts its business activities in accordance with the legal requirements regarding environmental impact. The company believes that it is at the forefront of developments in energy-efficient and environmentally friendly products and solutions that reduce electricity consumption. All products are subject to an environment assessment by Byggarubedömningen (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 pro-

cesses that meet local environmental legislation and also hold ISO 14001 certification.

The production facilities in Sweden and Poland conduct reportable operations and the local authority is the supervisory authority. No other companies in the Group conduct licensable or reportable operations.

RISKS AND UNCERTAINTIES

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

FINANCIAL TARGETS AND MARKET CONDITIONS

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.

Net sales for full-year 2021 increased 24.7% (3.1) to MSEK 1295.8 (1,039.8), with the E-mobility product area experiencing a strong expansion and EBIT amounted to MSEK 207.2 (136.2).

The market for charging infrastructure is growing structurally with rising numbers of rechargeable vehicles, and we see a continuing strong trend with further expansion of the charging infrastructure in the European market. Housing construction remains at a high production rate with increased energy efficiency and electrification in general. Demand for construction-related products combined with renovation requirements and energy efficiency is expected to remain favorable. All in all, GARO has a positive view of long-term market conditions, mainly driven by growth in charging infrastructure.

CORPORATE GOVERNANCE REPORT

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

A total of ten Board meetings were held in 2021. Since 2020, the Board has had a Remuneration Committee comprising some of the members of the Board. The Remuneration Committee assists the Board with proposals in remuneration-related matters and held two meetings in 2021.

GARO has also had an Audit Committee in place since 2019 comprising some of the members of the Board. The Audit Committee held four meetings in 2021. 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 110–114.

THE SHARE AND SHAREHOLDERS

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

The total number of shares on the balance-sheet date amounted to 50,000,000 with a quotient value of SEK 0.40. Each share provides entitlement to one vote at the Annual General Meeting. There are no limitations to the transferability of the GARO shares (post-sale purchase rights). There are also no limitations on how many votes each shareholder may cast at general meetings. The company is not aware of any agreements between shareholders that could entail limitations to the right to transfer shares.

On the balance-sheet date, there 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.

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 2022 Annual General Meeting will be held on May 11, at 5:00 p.m., in Gnosjö. Please visit www.garo.se for more information.

Group Annual report

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	2021	2020
Operating income			
Net sales	2, 5, 6	1,295.8	1,039.8
Other operating income	7	6.6	8.0
Total operating income		1,302.4	1,047.8
Raw materials and consumables		-649.3	-528.8
Other external expenses	9, 10	-144.9	-123.7
Personnel expenses	8	-265.2	-232.2
Disposal of fixed assets	13, 14, 15	-35.8	-26.9
Total operating expenses		-1,095.2	-911.6
EBIT		207.2	136.2
Financial income	11	5.3	0.4
Financial expenses	11	-4.1	-13.5
Financial items	11	1.2	-13.1
Profit before tax		208.4	123.1
Income tax	12	-41.7	-27.7
Net income for the year		166.7	95.4
Other comprehensive income			
Items that may be reclassified to the net income for the year			
Translation differences		2.0	-7.7
Other comprehensive income for the year, net after tax		2.0	-7.7
Net income and total comprehensive income for the year is attributable to shareholders of the Parent Company.			
Total comprehensive income for the year		168.7	87.7

EARNINGS PER SHARE*

	2021	2020
Earnings per share, before and after dilution, SEK	3.33	1.91
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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MSEK	Note	Dec 31, 2021	Dec 31, 2020
ASSETS			
Fixed assets			
Capitalized development expenditure	13	28.1	13.0
Development projects in progress	13	34.5	35.1
Goodwill	14	45.5	45.5
Lands and buildings	15	67.6	67.4
Plant and machinery	15	1.6	1.8
Equipment, tools, fixtures and fittings	15	33.9	26.4
Construction in progress and advance payments for tangible assets	15	4.4	6.3
Right-of-use asset	10	36.6	38.5
Deferred tax assets	23	3.2	6.2
Total fixed assets		255.4	240.2
Current assets			
Raw materials and consumables		159.3	104.4
Finished goods and goods for resale		78.3	73.5
Products in progress		4.5	4.6
Current receivables			
Accounts receivable	17, 18	336.0	238.6
Other current receivables	17	9.1	4.5
Prepaid expenses		12.7	8.1
Cash and cash equivalents	17, 19	81.6	69.4
Total current assets		681.5	503.1
TOTAL ASSETS		936.9	743.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, CONT.

MSEK	Note	Dec 31, 2021	Dec 31, 2020
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY			
Share capital	20, 27	20.0	20.0
Reserves		-0.9	2.9
Retained earnings (including net income for the year)		532.4	407.4
Total equity		551.5	430.3
Liabilities			
Long-term liabilities			
Liabilities to credit institutions	17, 21	26.5	30.3
Lease liability	21	26.3	28.2
Other provisions	22	6.3	3.7
Deferred tax liabilities	23	0	0.5
Total long-term liabilities		59.1	62.7
Short-term liabilities			
Liabilities to credit institutions	17, 21	2.6	4.9
Accounts payable	17	166.5	123.9
Overdraft facilities	17, 21	7.3	7.4
Current tax liabilities		18.7	7.2
Other short-term liabilities	17	36.8	28.6
Lease liability	21	9.5	9.9
Accrued expenses	24	84.9	68.4
Total short-term liabilities		326.3	250.3
Total liabilities		385.4	313.0
TOTAL EQUITY AND LIABILITIES		936.9	743.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MSEK	Note	Share capital	Reserves*	Retained earnings	Total equity
Opening balance at January 1, 2020		20.0	4.8	318.2	343.0
Net income for the year		-	-	95.4	95.4
Other comprehensive income for the year		-	-7.7	-	-7.7
Total comprehensive income		-	-7.7	95.4	87.7
Dividend according to Annual General Meeting resolution		-	-	-	-
Currency effects	17	-	-	-0.4	-0.4
Total contributions from and value transfers to shareholders, recognized directly in equity		-	-	-0.4	-0.4
Closing balance at December 31, 2020		20.0	-2.9	413.2	430.3
Opening balance at January 1, 2021		20.0	-2.9	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	532.4	551.5

*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	2021	2020
Cash flow from operating activities			
EBIT		207.2	136.2
Adjustment for non-cash items			
Depreciation		35.8	26.9
Other		2.4	6.7
Net interest income and similar items	11	5.3	0.4
Net interest expenses and similar items	11	-4.1	-13.5
Income tax paid	12	-29.1	-36.9
Cash flow from operating activities before change in working capital		217.5	119.8
Change in inventories		-59.6	-12.0
Change in accounts receivable		-97.4	-25.8
Change in other current receivables		-5.9	-0.8
Change in accounts payable		42.5	5.7
Change in other current operating liabilities		24.7	0
Total change in working capital		-95.8	-32.9
Cash flow from operating activities		121.7	86.9
Cash flow from investing activities			
Investments in intangible assets	14	-26.5	-24.6
Acquisition of subsidiaries	17, 26	0	-5.7
Investments in tangible assets	15	-18.8	-15.0
Assets sold		0.9	0
Cash flow from investing activities		-44.3	-45.3
Cash flow from financing activities			
Amortization of loans/changes in loans	17, 26	-6.1	0
Amortization of loans/changes in overdraft facilities		-0.1	-1.9
Amortization of lease liability		-11.7	-10.8
Dividend paid		-47.5	0
Cash flow from financing activities		-65.4	-12.7
Decrease/increase in cash and cash equivalents			
Net cash flow for the year		11.9	28.9
Currency effect in cash and cash equivalents		0.3	-0.3
Cash and cash equivalents at beginning of the year		69.4	40.8
Cash and cash equivalents at end of the year	19	81.6	69.4

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 67% (58) of the Group’s volumes. Export sales are conducted both from GARO AB and through the company’s own subsidiaries in Norway, Finland, Poland, Ireland Northern 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. The GARO share has been listed on Nasdaq Stockholm since March 16, 2016.

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

NOTE 2. SUMMARY OF IMPORTANT ACCOUNTING POLICIES

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

2.1 BASIS FOR PREPARING THE FINANCIAL STATEMENTS

The Annual Report was prepared based on the assumption of continuing as a going concern. Assets and liabilities 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, that are complex or are such areas in which assumptions and estimates are of significant importance to the consolidated financial statements are described in Note 4.

2.1.1 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, for both 2021 and 2020, cash and bank balances.

2.1.3 CHANGES TO ACCOUNTING POLICIES AND DISCLOSURES

New and changed IFRS that entered force for 2021 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, 2022 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.

2.2 CONSOLIDATED FINANCIAL STATEMENTS

2.2.1 FUNDAMENTAL ACCOUNTING POLICIES

SUBSIDIARIES

Subsidiaries are all companies over which the Group exercises control. The Group controls a company when the Group is exposed to, or has rights to, variable returns from its holding in the company (the investee) and has the ability to affect returns through its power over the investee. Subsidiaries are included

NOTE 2, CONT.

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 10 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 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. The Group's segments are made up of GARO Sweden and GARO International.

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

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

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

STEP 2: Identify the performance obligations in the contract.

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

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

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

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

Goods are sold in both the Group's GARO Sweden segment and GARO International segment. Sales essentially comprise standard products to other companies. The Group has both sep-

arate contracts and framework agreements with its customers. For framework agreements, a contract with a customer is not deemed to arise until the customer places an order based on the terms of the framework agreement since it is first at this point in time that enforceable rights and obligations for the Group and the customer arise.

The time from order to delivery of the goods is normally short. Each separate product in the order is considered to comprise a separate performance obligation.

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

2.5.1 PRICING WITHIN THE GROUP

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

2.6 FINANCIAL INCOME AND EXPENSES

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

2.7 LEASES

From January 1, 2019, leases are recognized in accordance with IFRS 16 Leases, which means that the lessee recognizes right-of-use assets and lease liabilities in the balance sheet.

GARO applies the practical expedient in IFRS 16 regarding short-term leases and low-value leases. Expenses arising in connection with these leases are recognized straight-line over the lease term as operating expenses in profit or loss. GARO does not apply IFRS 16 to intangible assets. 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

GARO 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 GARO 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.

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:

- it is technically and commercially feasible to prepare the asset
- the intention and conditions exist to sell or use the asset
- it is probably that the asset will generate future economic benefits or lead to cost savings
- expenditure can be calculated in a satisfactory manner
- 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.

NOTE 2, CONT.

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

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

2.9 TANGIBLE ASSETS

Tangible assets are recognized at their cost less 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
- Fair value through profit or loss
- Fair value through other comprehensive income

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

The Group's financial assets comprise accounts receivable, cash and cash equivalents, other current receivables and derivative instruments. All of these are classified at amortized cost except for derivative instruments which are classified at fair value (value hierarchy, level 2) 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.

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.

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 6.0 (3.5) and are recognized under provisions. The provision for this is not material. No provisions are made for future operating losses.

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

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

2.15 CURRENT AND DEFERRED TAX

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

Deferred tax is recognized, in accordance with the balance sheet method, on all temporary differences arising between the taxable value of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is calculated applying tax rates that have been decided or announced

NOTE 2, CONT.

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 3.2 (2020: 3.7) 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 0.012% and 0.011% respectively (0.001% and 0.014% 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 2021, Alecta's surplus in the form of the collective consolidation level was 169% (148%).

VARIABLE REMUNERATION

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

NOTE 3. RISKS AND UNCERTAINTIES

3.1 RISKS AND UNCERTAINTIES

Through its operations, the Group is exposed to a variety of different financial risks: market risk (including currency risk, interest-rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of the financial markets and seeks to minimize potential unfavorable effects on the Group's financial earnings. The Group uses derivative instruments to financially hedge certain risk exposure. However, the Group does not apply hedge accounting.

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

A MARKET RISK

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

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

(ii) Competition and price pressure

GARO competes with players in all product areas and in all geographic markets and GARO must therefore meet end customer needs and demand better than its competitors. If GARO is not sufficiently successful in meeting this competition from both existing and new players, it could have a negative impact on GARO's operations, financial position and earnings.

Price pressure is a natural element of competitive markets. There is a risk that GARO's competitors develop their product range and that end customers thus increasingly prefer products that compete with GARO's current and future range, which could have a negative impact on GARO's operations, financial position and earnings.

(iii) Product development

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

(iv) IT

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

(v) Currency risk

The Group operates internationally and is exposed to currency risks from various currency exposures, primarily in euro (EUR), Norwegian kroner (NOK) and Polish złoty (PLN). Currency risk arises through future business transactions, recognized assets and liabilities and net investments in foreign operations.

Currency risk arises when future business transactions are expressed in a currency that is not the unit's functional currency. The Group mostly purchases goods in EUR. In order to manage currency risk and outflows in EUR, the Group has decided to also have sales in EUR where possible.

Currency risk from future business transactions is managed by the Group making use of forward contracts when it is not possible to match the outflow of a currency to the inflow.

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 7.2 (6.7) 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.

(vi) Interest-rate risk

The Group's interest-rate risk arises through long-term borrowings. Borrowings raised at variable interest rates exposes the Group to interest-rate risk in respect of cash flow, which is partly neutralized by cash assets subject to variable interest rates. Borrowings raised at fixed interest rates exposes the Group to interest-rate risk in respect of fair value. The Group's policy is to have its borrowings at fixed interest rates. The CFO must approve any deviations. In 2021 and 2020, the Group's liabilities to credit institutions at fixed interest rates were denominated in SEK, EUR and PLN. The Group's overdraft facilities bear variable interest rates.

B CREDIT RISK

Credit risk is managed at Group level, except for credit risk attributable to outstanding accounts receivable. Each Group company is responsible for monitoring and analyzing credit risk for each new customer before standard payment and delivery terms are offered. Credit risk arises on the basis of cash and cash equivalents, 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 18.

C LIQUIDITY RISK

The Group's policy is to have a liquidity reserve of at least MSEK 40. Cash flow forecasts are prepared by the Group's operating companies and aggregated by the finance function. The finance

NOTE 3, CONT.

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

MATURITY STRUCTURE

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

At December 31, 2020	< 1 year	1–5 years	> 5 years	Total
Liabilities to credit institutions	7.1	21.7	6.5	35.3
Lease liability	10.4	20.6	11.4	42.4
Derivative instruments	-	-	-	-
Accounts payable	124.0	-	-	124.0
Overdraft facilities	7.4	-	-	7.4
Total	148.9	42.3	17.9	209.1

Of the MSEK 185.8 stated for 2021 in the "less than 1 year" interval, the Group intends to repay MSEK 169.4 in the first quarter of 2022 (128.4).

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

D SENSITIVITY ANALYSIS

Material factors that impact the Group's earnings are presented below. The analysis is based on the 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 not have any appreciable effect on income after financial items.

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

Sensitivity analysis	Impact on earnings 2021	Impact on equity 2021	Impact on earnings 2020	Impact on equity 2020
Change in sales prices, +/- 1%	MSEK +/- 12.9	MSEK +/- 10.3	MSEK +/- 10.4	MSEK +/- 8.1
Change in volume, 1%	MSEK 5.2	MSEK 4.1	MSEK 4.1	MSEK 3.2
Change in purchase prices, 1%	MSEK 6.5	MSEK 5.2	MSEK 4.2	MSEK 3.3
Change in payroll costs, 1%	MSEK 2.7	MSEK 2.1	MSEK 2.7	MSEK 2.1
EUR strengthened against SEK, 1%	MSEK 3.9	MSEK 3.0	MSEK 3.2	MSEK 2.5

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 GARO's financial targets is to reach an equity ratio 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. GARO has no bank covenants.

The Group assesses capital based on the debt/equity ratio, in the same way as other companies in the industry. This performance measure is calculated as net debt divided by equity. The company's debt/equity ratio has been in line with set targets during 2021, taking account of growth targets and, as a result, increased capital requirements.

The Group has an equity ratio of 58.9% (57.9), in which the equity ratio is defined as recognized equity as a percentage of total assets.

Equity ratio	Dec 31, 2021	Dec 31, 2020
Group		
Equity	551.5	430.3
Total assets	936.7	743.3
Equity ratio %	58.9%	57.9%

At December 31, 2021, GARO had net cash of MSEK 9.4. On December 31, 2020, the debt/equity ratio amounted was MSEK 2.7, in which the debt/equity ratio is defined as net loan liabilities divided by recognized equity.

Debt/equity ratio	Dec 31, 2021	Dec 31, 2020
Total borrowing (Note 21)	72.2	80.7
Less: cash and cash equivalents (Note 19)	-81.6	-69.4
Net debt	-9.4	11.3
Total equity	551.5	430.3
Debt/equity ratio, %	N/A	2.7%

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 GARO's leases contain options to either extend or terminate the lease. When the lease term is determined, GARO considers 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 GARO'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. Operating segments are recognized in a manner that corresponds to the internal reporting to the chief operating decision maker. The chief operating decision maker is the function that is responsible for allocating resources and assessing the performance of the operating segments. For the Group, this function has been identified as the CEO. Company management has established the segments based on the information used by the CEO. The CEO assesses the operation based on a geographic/legal perspective and by taking in account which business model is applied. Two operating segments have been identified in the Group: GARO Sweden and GARO International. These agree with the internal reporting.

Operations in the GARO Sweden segment are comprised of region Sweden and are organized into six legal units. Aside from trading operations, in-house manufacturing takes place at three facilities in Sweden. The GARO International segment includes the legal entities in Norway, Ireland, the UK, Finland and Poland. Poland, aside from trading operations, also conducts in-house production. Each segment is conducted under local responsibility. Mutual overhead costs are shared in the segment and based on distribution in accordance with the arm's length principle.

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

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

NOTE 5, CONT.

INCOME

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

INCOME

Segment information	GARO Sweden		GARO International		Elimination		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Sales								
Total net sales	1,126.3	883.3	688.9	570.2	-520.2	-413.0	1,294.9	1,040.5
Internal net sales	-233.7	-185.2	-286.6	-227.8	520.2	413.0	0	0
Currency effects			-	-	-	-	0.9	-0.7
External net sales	892.6	698.1	402.3	342.3	-	-	1,295.8	1,039.8
EBIT	151.5	90.2	55.7	46.0	-	-	207.2	136.2
Financial income	-	-	-	-	-	-	5.3	0.4
Financial expenses	-	-	-	-	-	-	-4.1	-13.5
Tax expense for the year	-	-	-	-	-	-	-41.7	-27.7
Net income for the year	-	-	-	-	-	-	166.7	95.3
Other disclosures								
Fixed assets	289.9	242.8	61.8	98.4	-95.8	-101.0	255.9	240.2
Other assets	743.5	480.6	327.8	229.3	-390.3	-203.3	681.0	503.1
Total assets	1,033.4	723.4	389.6	327.7	-486.1	-307.8	936.9	743.3
Short-term liabilities	374.3	299.1	176.8	154.5	-224.9	-203.3	326.2	250.3
Long-term liabilities	20.0	22.2	38.9	40.5	0	0	58.9	62.7
Total liabilities	394.3	334.6	215.7	222.7	-224.9	-244.3	385.1	313.0
Investments	38.2	42.1	7.1	3.2	-	-	45.3	45.3
Depreciation	31.2	22.4	4.6	4.4	-	-	35.8	26.9

	Income from external customers specified the customers' geographical location		Fixed assets	
	2021	2020	2021	2020
Sweden	826.5	678.0	194.1	181.1
Norway	162.7	173.4	2.6	2.6
Ireland	131.5	114.0	20.4	16.9
Finland	48.3	31.1	0.2	0.2
UK	49.2	11.0	1.1	0
Other countries	76.7	33.0	37.5	39.4
Currency effects	0.9	-0.7		
Total	1,295.8	1,039.8	255.9	240.2

The Group's assets exclude financial assets, deferred tax assets and assets related to post-employment remuneration. 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 2021, total net sales for these customers amounted to MSEK 225.4 (204.9) and MSEK 152.9 (240.1) respectively, a total of MSEK 378.3 (445.0), comprising 29.2% (42.9) of total net sales. This income is attributable to the GARO Sweden segment.

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:

Product area	GARO Sweden 2021	GARO Sweden 2020	GARO International 2021	GARO International 2020	Total 2021	Total 2020
Electrical distribution products	294.4	275.3	237.4	203.4	531.8	478.8
E-mobility	339.8	194.0	97.3	94.2	437.1	288.2
Project business	176.8	174.1	61.9	39.1	238.7	213.2
Temporary Power	81.6	54.7	5.7	5.6	87.3	60.3
Currency			-	-	0.9	-0.7
Total income from customers	892.6	698.1	402.3	342.3	1,295.8	1,039.8

GEOGRAPHIC LOCATION OF CUSTOMERS

Geographic location	GARO Sweden 2021	GARO Sweden 2020	GARO International 2021	GARO International 2020	Total 2021	Total 2020
Sweden	826.5	678.0	-	-	826.5	678.0
Norway	-	-	162.7	173.2	162.7	173.4
Ireland	-	-	131.5	114.0	131.5	114.0
UK	-	-	49.2	11.0	49.2	11.0
Finland	-	-	48.3	31.1	48.3	31.1
Other countries	66.1	20.1	10.6	12.9	76.7	33.0
Currency			-	-	0.9	-0.7
Total income from customers	892.6	698.1	402.3	342.4	1,295.8	1,039.8

Income	GARO Sweden 2021	GARO Sweden 2020	GARO International 2021	GARO International 2020
External auditors	892.6	698.1	402.3	342.3
Income between segments	233.7	185.1	286.6	22.8
Adjustments and eliminations regarding inter-segment sales	-233.7	-185.1	-286.6	-22.8
Total income from contracts with customers	892.6	698.1	402.3	342.3

PERFORMANCE OBLIGATION

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 2.5 Income from contracts with customers.

CONTRACT BALANCES

No contract assets 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 2 Summary of important accounting policies.

REPAYMENT OBLIGATION

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 repayment obligation, see Note 24 Accrued expenses and deferred income.

NOTE 7. OTHER OPERATING INCOME

	2021	2020
Capitalized own work, product development	3.7	6.6
Other	2.9	1.4
Total	6.6	8.0

NOTE 8. REMUNERATION OF EMPLOYEES, ETC.

	2021	2020
Board, CEO and other senior executives		
Salaries and other remuneration	20.7	19.6
Social security contributions	4.5	4.3
Pension costs – defined-contribution plans	3.7	3.6
Total Board, CEO and other senior executives	28.9	27.5
Other employees		
Salaries and other remuneration	164.5	141.9
Social security contributions	45.2	37.8
Pension costs – defined-contribution plans	10.1	9.1
Total other employees	219.8	188.8
Total personnel expenses	248.7	216.3

AVERAGE NUMBER OF EMPLOYEES, SPECIFIED BY COUNTRY

	2021			2020		
	Average no. of employees	of whom, men	of whom, women	Average no. of employees	of whom, men	of whom, women
Sweden	264	191	73	238	158	80
Norway	22	20	2	21	19	2
Finland	6	4	2	5	4	1
Ireland	27	23	4	23	16	7
UK	9	6	3	6	5	1
Poland	132	32	100	116	29	87
Group total	460	276	184	409	231	178

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

	2021		2020	
	No. on balance-sheet date	of whom, women	No. on balance-sheet date	of whom, women
Board members	8	2	7	2
CEO and other senior executives	10	1	10	1
Group total	18	3	17	3

REMUNERATION OF SENIOR EXECUTIVES 2021

	Basic salary/ Board fees	Variable remuneration	Other benefits	Pension costs	Other remuneration	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 Ahlén, 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

REMUNERATION OF SENIOR EXECUTIVES 2020

	Basic salary/ Board fees	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total
Stefan Jonsson, Board Chairman	0.5	-	-	-	-	0.5
Per Holmstedt, Board member until May 19, 2020	0.1	-	-	-	-	0.1
Susanna Hilleskog, Board member	0.2	-	-	-	-	0.2
Lars-Åke Rydh, Board member	0.3	-	-	-	-	0.3
Mari Kadowaki Johansson, Board member	0.2	-	-	-	-	0.2
Jonas Lohtander, employee representative	-	-	-	-	-	-
Rickard Blomqvist, Board member*	0.3	-	-	-	-	0.3
Ulf Hedlundh, Board member from May 19, 2020	0.1	-	-	-	-	0.1
Patrik Andersson, President and CEO	2.4	0.3	0.1	0.6	-	3.4
Other senior executives (5)	6.5	1.5	0.2	1.7	-	9.9
Total	10.6	1.8	0.3	2.3	-	15.0
Subsidiaries						
Other senior executives (2)	6.0	0.6	0.2	1.3	-	8.1
Group	16.6	2.4	0.5	3.6	-	23.1

* Board member Rickard Blomqvist also received a consultant's fee of MSEK 0.1 (0.6) during the year via companies, see Note 28.

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 refers in its entirety to variable remuneration that has not yet been paid. Payment will take place in 2022.

NOTE 8, 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 2020 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 2020 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 provide profitable complete solutions for the electrical industry. 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 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.

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 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 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 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 remuneration-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 2022

The Board of Directors in GARO AB (publ) proposes that the 2022 Annual General Meeting resolve on the following guidelines for remuneration of senior executives. In relation to the current guidelines, the proposal mainly entail, in addition to some editorial adjustments, an opportunity for the Board to propose on extra variable cash remuneration to be paid to the CEO and other senior executives with the aim of promoting the GARO Group's strategic initiatives between 2022 and 2023. The Board has not received any opinions from shareholders regarding the current guidelines for remuneration of senior executives.

SCOPE OF THE GUIDELINES, ETC.

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 provide profitable complete solutions for the electrical industry. For further information about the company's business strategy, visit <http://www.garo.se/en/about-garo/our-business-idea>. 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

NOTE 8, CONT.

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 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 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

The Board has established a Remuneration Committee. The committee's tasks include preparing the Board's proposals for resolutions of guidelines for remuneration to senior executives. 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 Remuneration Committee 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.

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 9. REMUNERATION OF AUDITORS

	2021	2020
Ernst & Young		
– Audit assignment	1.5	1.5
– Auditing activities in addition to audit assignment	0.5	0.3
Total	2.0	1.8
Grant Thornton		
– Audit assignment	0.1	0.1
Total	0.1	0.1

NOTE 10. 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:

2021 fiscal year	Right-of-use assets				Lease liability
	Property	Vehicles	Machinery	Total	
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

2020 fiscal year	Right-of-use assets				Lease liability
	Property	Vehicles	Machinery	Total	
Opening carrying amount	40.4	1.5	-	41.9	41.9
Additional right-of-use assets and lease liabilities	4.7	5.1	-	9.8	9.8
Depreciation of right-of-use assets	-7.1	-2.8	-	-9.9	0
Exchange-rate differences	-3.3	-	-	-3.3	-3.3
Interest expenses on lease liabilities	-	-	-	-	0.4
Lease payments	-	-	-	-	-10.8
Closing carrying amount	34.7	3.8	-	38.5	38.0

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

	2021	2020
Depreciation of right-of-use assets	-10.9	-9.9
Interest expenses on lease liabilities	-0.5	-0.4
Expenses for short-term leases	-0.3	-1.9
Expenses for low-value assets	-	-
Total expenses attributable to lease operations	-11.7	-12.2

GARO recognizes a cash outflow attributable to leases amounting to MSEK 11.7 (10.8) for the 2021 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 11. FINANCIAL INCOME AND EXPENSES

Financial income	2021	2020
Assets and liabilities mandatorily measured at fair value through profit or loss		
Net gain derivatives	3.2	-
Total financial income for items measured at fair value through profit or loss	3.2	-
Assets and liabilities measured at amortized cost;		
Interest income	0.2	-
Interest income other financial income	1.9	-
Total interest income according to effective interest method	-	0.1
Exchange-rate differences – income, financial items	-	0.3
Total	-	0.3
Total financial income	5.3	0.4

Financial expenses	2021	2020
Assets and liabilities mandatorily measured at fair value through profit or loss		
Net loss derivatives	-	-1.5
Total financial expenses for items measured at fair value through profit or loss	-	-1.5
Assets and liabilities measured at amortized cost;		
Interest expenses loans	-1.0	-1.2
Interest expenses, lease liability	-0.4	-0.4
Interest expenses, other financial liabilities	-2.5	-3.0
Total interest expenses according to effective interest method	-3.9	-4.6
Exchange-rate differences – expenses, financial items	-0.2	-7.4
Total	-0.2	-12.0
Total financial expenses	-4.1	-13.5

NOTE 12. INCOME TAX

	2021	2020
Recognized tax		
Current tax on net income for the year	-39.3	-27.0
Changed in deferred tax (Note 23)	-2.4	-0.7
Total income tax	-41.7	-27.7

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, 2021, unutilized tax advantages amounted to approximately MSEK 2.6 (4.7) 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:

	2021	2020
Profit before tax	208.4	123.1
Income tax calculated according to tax rate in Sweden (20.6%)	-42.9	-26.3
Effect of foreign tax rates	1.0	-0.7
Tax effects of:		
– Non-deductible expenses	-0.4	-0.7
– Tax attributable to non-capitalized loss carryforwards	0.6	0
Tax expense	-41.7	-27.7
Effective tax rate, %	20.0	22.5

NOTE 13. OTHER INTANGIBLE ASSETS

	Capitalized development expenditure	Development projects in progress	Total
At January 1, 2020			
Cost	37.9	17.1	55.0
Accumulated amortization and impairment	-27.2	-	-27.2
Carrying amount	10.7	17.1	27.8
2020 fiscal year			
Opening carrying amount	10.7	17.1	27.8
Capitalized expenses	-	24.6	24.6
Reclassifications	6.6	-6.6	0
Divestments and disposals	-8.9	-	-8.9
Depreciation/amortization	-4.3	-	-4.3
Resolution of depreciation/amortization due to divestments and disposals	8.9	-	8.9
Closing carrying amount	13.0	35.1	48.1
At December 31, 2020			
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

NOTE 14. GOODWILL

	Goodwill
At January 1, 2020	
Cost	42.8
Accumulated impairment	-3.2
Carrying amount	39.6
2020 fiscal year	
Opening carrying amount	39.6
Acquisition of subsidiaries	5.9
Closing carrying amount	45.5
At December 31, 2020	
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

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 and is sustained at 2%.

The assumed EBIT margins amount to 8.1% for the next year, and then a forecast lost sales volume in certain product groups without offsetting by increasing prices, combined with high competition in other product groups, resulted in an EBIT margin of a minimum of 7.7%. The growth and margin assumptions are based on outcomes of prior years and management's expectations of market trends. Investment amounts are based on forecasts and are subsequently sustained at levels corresponding to depreciation.

Goodwill is tested for impairment every year. A discount rate (WACC) of 10.0% was used in this year's test. The test did not reveal any impairment requirement. A number of sensitivity analyses have been performed where the sustained growth rate was set at 0 percentage points, the EBIT margin declines by 2 percentage points or the discount rate increases by 2%. None of these analyses indicated any impairment requirement.

Goodwill per segment	Dec 31, 2021	Dec 31, 2020
Segment GARO Sweden	45.5	45.5
Segment GARO International	-	-
Total	45.5	45.5

NOTE 15. TANGIBLE ASSETS

	Lands and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Construction in progress	Total
At January 1, 2020					
Cost	112.4	33.8	113.3	6.9	266.4
Accumulated depreciation	-47.3	-31.4	-83.5	-	-162.2
Carrying amount	65.1	2.4	29.8	6.9	104.2
2020 fiscal year					
Opening carrying amount	65.1	2.4	29.8	6.9	104.2
Exchange-rate differences	-3.0	-	-1.7	-	-4.7
Purchases	7.9	-	2.2	4.8	14.9
Reclassifications	0.7	-	4.8	-5.5	0
Divestments and disposals	-	-11.0	-32.6	-	-43.6
Depreciation	-3.3	-0.6	-8.7	-	-12.6
Resolution of depreciation/amortization due to divestments and disposals	-	11.0	32.6	-	43.6
Closing carrying amount	67.4	1.8	26.4	6.3	101.9
At December 31, 2020					
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	-0.2	-1.9	-	-2.1
Depreciation	-2.8	-0.8	-9.9	-	-13.5
Resolution of depreciation/amortization 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	0	-132.6
Carrying amount	67.6	1.6	33.9	4.4	107.5

NOTE 16. INVENTORIES

	2021	2020
Raw materials and consumables	159.3	104.4
Finished goods and goods for resale	78.3	73.5
Products in progress	4.5	4.6
Total	242.1	182.5

Impairment was recognized at a total of MSEK 9.6 (10.9).

NOTE 17. FINANCIAL INSTRUMENTS

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 assets at Dec 31, 2020	Carrying amount	Fair value
Financial assets measured at amortized cost		
Accounts receivable	238.6	238.6
Other current receivables	4.5	4.5
Cash and cash equivalents	69.4	69.4
Financial assets measured at fair value through profit or loss		
Derivative instruments	-	-
Total	312.5	312.5

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.

Measurement of financial liabilities at Dec 31, 2021	Carrying amount	Fair value
Financial assets measured at amortized cost		
Liabilities to credit institutions	36.4	36.4
Lease liability	35.8	35.7
Accounts payable	166.5	166.5
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	275.5	275.4

Measurement of financial liabilities at Dec 31, 2020	Carrying amount	Fair value
Financial assets measured at amortized cost		
Liabilities to credit institutions	42.6	42.6
Lease liability	38.1	38.1
Accounts payable	123.9	123.9
Other short-term liabilities	26.2	26.2
Financial liabilities measured at fair value through profit or loss		
Derivative instruments	-	-
Option debt	2.4	2.4
Total	233.2	233.2

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 18. ACCOUNTS RECEIVABLE

	Dec 31, 2021	Dec 31, 2020
Accounts receivable	337.2	239.3
Loss allowance	-1.2	-0.7
Accounts receivable – net	336.0	238.6

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

The age analysis of these accounts receivable was as follows:

Group	2021			2020		
	Gross	Impairment	Percentage of loss	Gross	Impairment	Percentage of loss
Not past due accounts receivable	282.8	-	-	201.1	-	-
Past due accounts receivable 0–30 days	41.3	-	-	29.6	-	-
Past due accounts receivable 31–60 days	6.9	-	-	2.7	-	-
Past due accounts receivable 61–90 days	2.5	-	-	0.4	-	-
Past due accounts receivable > 91 days	3.7	-1.2	-	0.5	-0.7	-
Total	337.2	-1.2	-	239.3	-0.7	-

At December 31, 2021, accounts receivable of MSEK 54.4 (33.2) had fallen due for payment but no material impairment requirement was deemed to exist for the Group. The past due receivables pertain to a number of customers who have not shown any payment difficulties to date.

Change in loss allowance, simplified approach

Group	2021	2020
Opening reserve	-0.7	-0.5
Acquisition of subsidiaries	-	-
Confirmed losses	-	-
Reversed unutilized reserves	-	-
Reserves for the year	-0.5	-0.2
Translation differences	-	-
Closing reserves	1.2	-0.7
Reserved amount in the balance sheet for expected credit losses	-1.2	-0.7

Expected credit losses primarily comprise accounts receivable for which the Group applies the simplified approach for recognizing expected credit losses, see Note 2.11.3 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 19. CASH AND CASH EQUIVALENTS

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

	Dec 31, 2021	Dec 31, 2020
Bank balances	81.6	69.4
Total	81.6	69.4

NOTE 20. 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, 2021 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 5, 2021, the Board proposed a dividend of SEK 0.95 per share (adjusted for the split) for the 2020 fiscal year.

At the Annual General Meeting on May 11, 2022, the Board will propose a dividend of SEK 1.40 per share for the 2021 fiscal year.

NOTE 21. BORROWINGS

	Dec 31, 2021	Dec 31, 2020
Long-term		
Liabilities to credit institutions	26.5	30.3
Financial lease liability	26.3	28.2
Total long-term borrowings	52.8	58.5
Short-term		
Overdraft facilities	7.3	7.4
Liabilities to credit institutions	2.6	4.9
Financial lease liability	9.5	9.9
Total short-term borrowings	19.4	22.2
Total borrowings Group	72.2	80.7

LIABILITIES TO CREDIT INSTITUTIONS

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

These bank loans fall due for payment in 2027 and bear average interest of 2.26% per year (1.4).

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

OVERDRAFT FACILITIES

The Group has granted overdraft facilities of MSEK 107.7 (96.2) in the currencies of SEK, EUR and PLN that are renegotiated every year.

NOTE 22. OTHER PROVISIONS

	Dec 31, 2021	Dec 31, 2020
Opening balance	3.7	2.2
Amounts used	2.6	1.5
Unutilized amounts that have been reversed	-	-
Opening balance	6.3	3.7

NOTE 23. DEFERRED TAX ASSETS AND TAX LIABILITIES

	Dec 31, 2021	Dec 31, 2020
Deferred tax assets		
Lease liability	7.5	7.9
Other (Note 12)	3.8	6.2
Total	11.3	14.1
Deferred tax liabilities		
Buildings, land and land improvements	-0.6	-0.6
Right-of-use assets	-7.4	-7.8
Total	-8.0	-8.4
Deferred tax assets – net	3.3	5.7

NOTE 24. ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2021	Dec 31, 2020
Accrued salary liabilities	22.6	20.6
Accrued social security contributions	9.1	9.9
Bonuses to customers	35.5	19.8
Accrued interest expenses	-	-
Other items	17.7	18.1
Total	84.9	68.4

NOTE 25. PLEDGED ASSETS

	Dec 31, 2021	Dec 31, 2020
For liabilities to credit institutions		
Property mortgages	66.9	71.7
Chattel mortgages	85.2	81.0
Assets with ownership reservation	6.0	6.0
Guarantees for leases	-	-
Total	158.1	158.7

NOTE 26. BUSINESS COMBINATIONS

In June, 2020, GARO acquired 70% of the shares of EV Charge Partner Sweden AB. EV Charge Partner is a company that carries out service and support as well as the commissioning of charging infrastructure primarily for charging operators and power companies in Sweden and Poland.

EV Charge Partner Sweden AB employs eight people and is based in Gnosjö, Sweden. The purchase consideration for the acquisition amounted to MSEK 5.6 that was paid in cash. The acquired unit was consolidated on June 1, 2020. The transaction costs amounted to MSEK 1.3.

The acquired unit contributed net sales of MSEK 10.4 (3.1) in 2021 with net income of MSEK -1.3 (-0.3).

With the acquisition, Group goodwill increased MSEK 5.9. Goodwill is attributable to synergies with existing operations within the Group. The goodwill value is not tax-deductible.

**PRELIMINARY ACQUISITION CALCULATION
EV CHARGE PARTNER SWEDEN AB**

Company's acquired assets on the acquisition date	Fair value in the Group
Intangible assets	-
Other assets	0.1
Inventories	1.3
Other current assets	1.8
Cash and cash equivalents	0.2
Untaxed reserves	-0.5
Other liabilities	-1.5
Net identifiable assets/liabilities	1.4
Consolidated goodwill	5.9
Cash purchase consideration	-5.6

GARO normally applies an acquisition structure with a base purchase consideration and a potential additional option. Together with the acquisition of EV Charge Partner, GARO received the right and obligation to acquire an additional 10% of the shares in EV Charge Partner during 2022. Additionally, GARO received the option to acquire – and Davids Elteknik an option to sell – the remainder of shares outstanding in EV Charge Partner after the close of 2025. The amount of MSEK 2.4 is recognized as a liability in GARO AB. The recognized amount is an estimate of the remaining purchase consideration that is dependent on the financial outcomes of EV Charge Partner Sweden AB during the contract period.

NOT 27. SHARE DATA

Earnings per share (adjusted for the split)	2021	2020
Earnings per share, before and after dilution, SEK	3.33	1.91
Equity, before and after dilution, SEK	11.03	8.61
Average number of shares, thousands	50,000	50,000
Number of shares outstanding, thousands	50,000	50,000

NOTE 28. RELATED PARTIES

Purchases of goods and services	2021	2020
Purchase of services		
Consulting services from Board member (Ekonomerna i Sverige AB)	0.1	0.6
Operations and services purchased from parties related to the Chairman of the Board	0.1	0.7
Electrical installation services purchased from parties related to the Chairman of the Board	-	0.1
Total	0.2	1.4

The above transactions took place with related parties. The services were purchased on normal commercial terms and conditions. On the balance-sheet date, no liabilities had been recognized against the related-party purchases described above.

In connection with the acquisition of EV Charge Partner Sweden in 2020, an analysis of a conflict of interest was conducted since David Jonsson, who owned 100% of the shares in the selling company Davids Elteknik AB, was a related party to GARO's Chairman Stefan Jonsson. Rickard Blomqvist managed the acquisition process together with GARO's management, and Stefan Jonsson did not participate in the Board decision to carry out the acquisition. GARO believes that the transaction was completed on market terms.

**NOTE 29. EVENTS AFTER THE END
OF THE FISCAL YEAR**

In January, 2022, the business areas GARO Electrification and GARO E-mobility replaced the previous business areas of GARO Sweden and GARO International.

In addition, GARO carried out an investment decision for a new production and logistics facility in Poland with construction scheduled to start in the second quarter of 2022. The planned investment budget amounts to about MSEK 85.

At the time of writing, the situation in Ukraine and the COVID-19 pandemic are not assessed to have any notable impact for GARO and its operations. However, due to the situation unfolding in Ukraine, uncertainty prevails concerning future access to components.

NOTE 30. 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 of 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 on the assets side, or the total on the liabilities side plus equity.

RETURN MEASURES

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

PER SHARE

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

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

ALTERNATIVE PERFORMANCE MEASURES (NON-DEFINED BY IFRS)

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

ORGANIC GROWTH: GARO'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, 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 GARO's balance sheet. With the aim of optimizing GARO's 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 GARO in absolute terms less cash and cash equivalents. Key performance indicators are defined as below:

ORGANIC GROWTH

	2021	2020
Preceding year sales	1,039.8	1,008.1
Organic growth	249.3	28.5
Acquisitions and structural changes	5.8	3.8
Exchange-rate effects	0.9	-0.6
Current period	1,295.8	1,039.8

EBITDA

	2021	2020
Income after depreciation/amortization	207.2	136.2
Depreciation/amortization for the year	35.8	26.9
EBITDA	243.0	163.1

WORKING CAPITAL:

	2021	2020
Current assets	680.8	503.1
Less cash and cash equivalents	-81.6	-69.4
Less short-term non-interest-bearing liabilities	-306.8	-228.1
Excl. liabilities attributable to additional purchase considerations	-2.4	-2.4
Working capital on balance-sheet date	290.0	203.4
Working capital in relation to total assets (%)	31.0	27.4

NET DEBT

	2021	2020
Long-term interest-bearing liabilities	26.5	30.3
Short-term interest-bearing liabilities	9.9	12.3
Lease liability according to the IFRS 16 definition	35.8	38.1
Less cash and cash equivalents	-81.6	-69.4
Net debt (-net cash)	-9.4	11.3
Net debt in relation to total assets (%)	N/A	1.5

Board of Directors' Report for the Parent Company

The Board of Directors and the President and CEO of GARO AB (publ), Corporate Registration Number 556051-7772, hereby submit the Annual Report for the 2021 fiscal year.

SHARE CAPITAL AND OWNERSHIP STRUCTURE

The Parent Company's share capital amounted to MSEK 20 on December 31, 2021. There were 50,000,000 common shares on that date.

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

The total number of shares on the balance-sheet date amounted to 50,000,000 with a quotient value of SEK 0.40. Each share provides entitlement to one vote at the Annual General Meeting. There are no limitations to the transferability of the GARO shares (post-sale purchase rights). There are also no limitations on how many votes each shareholder may cast at general meetings. The company is not aware of any agreements between shareholders that could entail limitations to the right to transfer shares.

On the balance-sheet date, there 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 controls 35.7% of the capital and votes in the company through his own holdings. More information about the GARO's shares and ownership structure can be found on pages 52–53.

APPOINTMENT AND DISMISSAL OF BOARD MEMBERS

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

OPERATIONS

GARO develops, manufactures and supplies innovative products and complete solutions for the electrical installations market under its own brand. GARO was founded in 1939 in Gnosjö in Småland, Sweden, and over its more than 80-year history 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.

The Parent Company's operations encompass a significant part of the Swedish operations and Group Management, and also certain Group-wide functions and the Group's finance function. The Parent Company's inventory function also serves to a certain extent as the central warehouse for the other operations. In addition, the Parent Company conducts sales to other Group companies.

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

On January 1, 2021, GARO completed an incorporation of the E-mobility product area by transferring the Swedish part of operations to the wholly-owned subsidiary GARO E-mobility AB. The purpose of the incorporation is to sharpen focus, intensify our development activities and further broaden and strengthen our offering to the market.

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.

EVENTS AFTER THE END OF THE FINANCIAL PERIOD

In January, 2022, the business areas GARO Electrification and GARO E-mobility replaced the previous business areas of GARO Sweden and GARO International. In addition, the Board carried out an investment decision for a new production and logistics facility in Poland with construction start in the second quarter of 2022. The planned investment budget amounts to about MSEK 85.

At the time of writing, the situation in Ukraine and the COVID-19 pandemic are not assessed to have any notable impact for GARO and its operations. However, due to the situation unfolding in Ukraine, uncertainty prevails concerning future access to components.

SUSTAINABILITY REPORT

In accordance with Chapter 6, Section 11 of the Annual Accounts Act, GARO AB has chosen to prepare the statutory Sustainability Report as a separate report from the Annual Report. The Sustainability Report was submitted to the auditors at the same time as the Annual Report. The Sustainability Report is presented on pages 34–49 of this document.

NET SALES AND EARNINGS

Net sales amounted to MSEK 481.7 (622.0). Underlying demand was strong during the year, particularly in the Electrical distribution products product area.

EBIT amounted to MSEK 63.4 (69.0), corresponding to an EBIT margin of 13.2% (11.1). EBIT is a result of a favorable product mix combined with strict cost control.

Multi-year summary

SUMMARY OF THE PARENT COMPANY'S FINANCIAL PERFORMANCE

MSEK	2021	2020	2019	2018	2017
Net sales	481.7	622.0	586.6	528.6	428.9
EBITDA	76.0	81.3	58.3	66.4	45.2
EBIT	63.4	69.0	48.4	56.5	36.5
EBIT margin, %	13.2	11.1	8.3	10.7	8.5
Total assets	608.6	546.5	451.3	385.7	356.2
Equity ratio, %	59.5	57.0	53.8	56.4	52.0
Return on equity, %	27.1	24.8	26.8	36.0	32.9
Average number of employees	120	143	137	132	122

INVESTMENTS

The Parent Company invests continuously in the maintenance of the production unit and production equipment. The Parent Company's investments in tangible assets amounted to MSEK 3.1 (3.2). Contributions in existing companies corresponded to MSEK 1.5 (acquisitions in subsidiaries MSEK 33.2). GARO also invests in product development and investments in intangible assets for the year totaled MSEK 25.1 (24.6). Depreciation/amortization for the year amounted to MSEK 12.6 (12.3), of which depreciation of tangible assets was MSEK 7.1 (7.8).

CASH FLOW, LIQUIDITY AND FINANCIAL POSITION

Cash flow from operating activities amounted to MSEK 40.8 (97.3). Cash flow for the year amounted to MSEK 7.4 (33.9).

Cash and cash equivalents including unutilized overdraft facilities on December 31, 2021 amounted to MSEK 168.6 (161.2). Net cash on December 31, 2021 amounted to MSEK 58.4 (47.0).

The Parent Company's equity on December 31, 2021 amounted to MSEK 362.2 (311.4). The 2021 dividend amounted to MSEK 47.5 (0).

EMPLOYEES

The number of full-time employees in the Parent Company on December 31, 2021 was 123 (150). The average number of full-time employees in 2021 was 120 (143). The percentage of women during the year was 37% (39). For more information about employees, see Note 5.

PRODUCT DEVELOPMENT

The company has an in-house product development department that works together with other departments on continuously developing new and improving existing products and solutions. Refer also to Note 2.8 in the consolidated financial statements.

ENVIRONMENTAL IMPACT

The Parent Company conducts reportable operations and the municipality is the supervisory authority. The Gårö 1:377 property is in risk class 2 according to the county administrative board's Method for Inventories of Contaminated Sites (MIFO) inventory. The company has no orders under the Swedish Envi-

ronmental Code. The Parent Company has ISO 14001 environmental certification.

RISKS AND UNCERTAINTIES

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

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

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

PROPOSED APPROPRIATION OF PROFIT

The Group's retained earnings in accordance with the consolidated balance sheet amounted to MSEK 528.6 (407.4).

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

(SEK)	
Opening retained earnings	241,330,970
Provisions to fund for own work, development expenditure	-40,514,361
Net income for the year	98,299,387
Total	299,115,996

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

– to be distributed to shareholders at SEK 1.40 per share	-70,000,000
– to be carried forward	229,115,996
Total	299,115,996

THE BOARD'S STATEMENT ON THE PROPOSED DIVIDENDS

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

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

Parent Company Annual Report

PARENT COMPANY INCOME STATEMENT

MSEK	Note	2021	2020
Operating income			
Net sales	2, 3	481.7	622.0
Other operating income	4	12.8	23.6
Total		494.5	645.6
Operating expenses			
Raw materials and consumables		-291.3	-383.3
Other external expenses	6	-50.1	-68.0
Personnel expenses	5	-77.1	-113.0
Depreciation/amortization of tangible and intangible assets	11, 12	-12.6	-12.3
Total operating expenses		-431.1	-576.6
EBIT		63.4	69.0
Profit from participations in Group companies	22	7.2	13.3
Net interest income and similar items	8	6.8	2.0
Net interest expenses and similar items	8	-2.5	-7.2
Total profit from financial items	7	11.5	8.1
Profit before tax		74.9	77.1
Appropriations	23	47.0	6.0
Tax on net income for the year	9	-23.6	-14.5
Net income for the year		98.3	68.6

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

PARENT COMPANY BALANCE SHEET

MSEK	Note	Dec 31, 2021	Dec 31, 2020
ASSETS			
FIXED ASSETS			
Intangible assets			
Capitalized development expenditure	11	9.1	14.3
Development projects in progress	11	34.4	35.1
Total intangible assets	11	43.5	49.4
Tangible assets			
Lands and buildings	12	24.3	24.5
Plant and machinery	12	0.2	0.6
Equipment, tools, fixtures and fittings	12	12.5	16.0
Construction in progress and advance payments for tangible assets	12	1.4	6.0
Total tangible assets	12	38.4	47.1
Financial assets			
Participations in Group companies	10	80.8	79.3
Receivables from Group companies		59.9	30.6
Total financial assets		140.7	109.9
TOTAL FIXED ASSETS		222.6	206.4
CURRENT ASSETS			
Inventories			
Raw materials and consumables		28.2	47.0
Products in progress		12.2	0.1
Finished goods and goods for resale		0.4	19.7
Total inventories		40.8	66.8
Current receivables			
Accounts receivable	13, 14	83.9	119.1
Receivables from Group companies		182.6	86.2
Other current receivables		2.0	0.6
Prepaid expenses and accrued income		5.3	3.4
Total current receivables		273.8	209.3
Cash and bank balances	14, 15, 18	71.4	64.0
TOTAL CURRENT ASSETS		386.0	340.1
TOTAL ASSETS		608.6	546.5

PARENT COMPANY BALANCE SHEET, CONT.

MSEK	Note	Dec 31, 2021	Dec 31, 2020
EQUITY AND LIABILITIES			
EQUITY			
Restricted equity			
Share capital	16	20.0	20.0
Fund for internal development expenses		40.5	35.9
Statutory reserve		2.6	2.6
Total restricted equity		63.1	58.5
Non-restricted equity			
Retained earnings		200.8	184.3
Net income for the year		98.3	68.6
Total non-restricted equity		299.1	252.9
TOTAL EQUITY		362.2	311.4
LIABILITIES			
Provisions			
Other provisions		1.0	3.5
Provision for deferred tax	17	0.7	0.7
Total provisions		1.7	4.2
Long-term liabilities			
Other liabilities to credit institutions	18	10.4	13.7
Total long-term liabilities		10.4	13.7
Short-term liabilities			
Liabilities to credit institutions	14, 18	2.6	3.3
Accounts payable		51.4	58.7
Liabilities to Group companies		132.8	107.5
Current tax liabilities		7.0	1.8
Other short-term liabilities		9.0	9.8
Accrued expenses and deferred income	19	31.5	36.2
Total short-term liabilities		234.3	217.2
TOTAL LIABILITIES		246.4	235.1
TOTAL LIABILITIES AND EQUITY		608.6	546.5

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

MSEK	Note	Restricted equity			Non-restricted equity	
		Share capital	Statutory reserve	Fund for internal development expenses	Retained earnings incl. net income for the year	Total
Opening balance at January 1, 2020		20.0	2.6	18.1	202.1	242.8
Net income for the year and comprehensive income 2020		0	0	0	68.6	68.6
Total comprehensive income		0	0	0	68.6	68.6
Change in fund for internal development expenses		0	0	17.8	-17.8	0
Dividend according to Annual General Meeting resolution		0	0	0	-0	-0
Total contributions from and value transfers to shareholders, recognized directly in equity		0	0	0	-0	-0
Closing balance at December 31, 2020		20.0	2.6	35.9	252.9	311.4
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	299.1	362.2

PARENT COMPANY CASH-FLOW STATEMENT

MSEK	Note	2021	2020
Cash flow from operating activities			
EBIT		63.4	69.0
Adjustment for non-cash items			
Depreciation/amortization	11, 12	12.6	12.3
Other		-5.3	0.9
Dividends received	22	7.2	13.3
Net interest income and similar items	8	6.8	2.0
Net interest expenses and similar items	8	-2.5	-7.2
Income tax paid	9	-16.8	-24.5
Cash flow from operating activities before change in working capital		65.4	65.8
Change in inventories		26.0	-5.8
Change in accounts receivable	13	-61.1	-1.5
Change in other current receivables		-1.9	0.3
Change in accounts payable		18.1	0.8
Change in other current operating liabilities		-5.7	37.6
Total change in working capital		-24.6	31.5
Cash flow from operating activities		40.8	97.3
Cash flow from investing activities			
Investments in intangible assets	11	-25.1	-24.6
Investments in tangible assets	12	-3.1	-3.2
Assets sold	12	30.2	0
Investments in subsidiaries		-1.5	-33.2
Acquisition of other financial assets		-29.3	-5.0
Cash flow from investing activities		-28.8	-66.0
Cash flow from financing activities			
Amortization of loans		-4.1	-3.4
Group contributions paid/received	23	47.0	6.0
Dividend paid		-47.5	0
Cash flow from financing activities		-4.6	2.6
Decrease/increase in cash and cash equivalents			
Net cash flow for the year		7.4	33.9
Cash and cash equivalents at beginning of the year		64.0	30.1
Cash and cash equivalents at end of the year		71.4	64.0

Notes

NOTE 1. GENERAL INFORMATION

GARO Aktiebolag (the "Parent Company") develops, manufactures and markets electrical installation materials. The single largest market is Sweden, which represents 65% (64) of the Parent Company's volumes. Export sales are conducted mainly to own subsidiaries in Norway, Finland, Poland, Ireland Northern 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. The GARO share has been listed on Nasdaq Stockholm since March 16, 2016.

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

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

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

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

The Annual Report was prepared following the cost method.

RFR 2 stipulates that the Parent Company is to apply all IFRSs and statements adopted by the EU to the extent that this is possible within the framework of the Annual Accounts Act with consideration 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, that are complex or are such areas in which assumptions and estimates are of significant importance to the Annual Report are described in Note 4 of the consolidated financial statements.

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

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

PRESENTATION FORMATS

Income statements and balance sheets follow the presentation format of the Annual Accounts Act. The statement of changes in equity follows the Group's presentation format but is to contain the components stipulated in the Annual Accounts Act. There are

also differences in the names of items compared with the consolidated financial statements, primarily regarding financial income and expenses and equity.

PARTICIPATIONS IN SUBSIDIARIES

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

FINANCIAL INSTRUMENTS

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

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

DERIVATIVE INSTRUMENTS

Derivative instruments are recognized in the balance sheet on the contract date and measured at fair value, both initially and when subsequently remeasured. Derivative instruments are not used for hedge accounting. Changes in fair value are subsequently immediately recognized in profit or loss. Outstanding forward contracts amounted to MEUR 6.4 (6.7) on the balance-sheet date.

APPROPRIATIONS AND UNTAXED RESERVES

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

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

	2021	2020
Nordic region	479.4	603.2
Europe excl. Nordic region	2.3	18.8
Total	481.7	622.0

NOTE 4. OTHER OPERATING INCOME

	2021	2020
Rental income	0	3.0
Capitalized own work	3.7	6.6
Lease of personnel and administrative service	7.5	13.5
Other	1.6	0.5
Total	12.8	23.6

NOTE 5. REMUNERATION OF EMPLOYEES, ETC.

	2021		2020	
	Salaries and other remuneration (of which, bonus payments)	Social security expenses (of which, pension costs)	Salaries and other remuneration (of which, bonus payments)	Social security expenses (of which, pension costs)
Board members, CEOs and other senior executives	10.1 (1.4)	4.8 (2.0)	8.5 (0.8)	4.2 (1.7)
Other employees	49.5 (0.7)	23.9 (5.2)	61.7 (0.4)	27.6 (5.7)
Total	51.6 (2.1)	28.7 (7.2)	70.2 (1.2)	31.8 (7.4)

AVERAGE NUMBER OF EMPLOYEES, SPECIFIED BY COUNTRY

	2021		2020	
	Average no. of employees	Of whom, women	Average no. of employees	Of whom, women
Sweden	120	43	143	51
Total	120	43	143	51

GENDER DISTRIBUTION OF BOARD MEMBERS AND OTHER SENIOR EXECUTIVES

	2021		2020	
	No. on balance-sheet date	Of whom, women	No. on balance-sheet date	Of whom, women
Board members	8	2	7	2
CEO and other senior executives	6	1	6	1
Total	14	3	13	3

Remuneration of senior executives: Information is provided in Note 8 of the consolidated financial statements.

NOTE 6. REMUNERATION OF AUDITORS

	2021	2020
Ernst & Young		
– Audit assignment	0.7	0.7
– Other auditing activities	0.4	0.2
PwC		
– Tax advice	0.3	0.6
Total	1.4	1.5

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	2021	2020
Within 1 year	3.3	3.1
Between 1 and 5 years	3.5	4.2
More than 5 years	0	0
Total	6.8	7.3

Expensed lease payments for the period amounted to MSEK 4.1 (3.8).

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

Financial income	2021	2020
Assets and liabilities mandatorily measured at fair value through profit or loss		
Net gain derivatives	3.2	0
Total financial income for items measured at fair value through profit or loss	3.2	0
Assets and liabilities measured at amortized cost;		
Interest income from accounts receivable	0	0
Interest income other financial income	2.9	1.9
Total interest income according to effective interest method	2.9	1.9
Exchange-rate differences – income, financial items	0.7	0.1
Total	0.7	0.1
Total financial income	6.8	2.0
Financial expenses	2021	2020
Assets and liabilities mandatorily measured at fair value through profit or loss		
Net loss derivatives	0	-1.5
Total financial expenses for items measured at fair value through profit or loss	0	-1.5
Assets and liabilities measured at amortized cost;		
Interest expenses loans	-0.4	-0.7
Interest expenses, other financial liabilities	0	0
Total interest expenses according to effective interest method	-0.4	-0.7
Exchange-rate differences – expenses, financial items	-2.1	-5.0
Total	-2.1	-5.0
Total financial expenses	-2.5	-7.2

NOTE 9. TAX ON NET INCOME FOR THE YEAR

	2021	2020
Recognized tax in profit or loss		
Current tax on net income for the year	-23.1	-15.5
Changes in deferred tax (Note 17)	-0.5	1.0
Total recognized tax	-23.6	-14.5

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

	2021	2020
Profit before tax	121.9	83.1
Income tax calculated according to tax rate in Sweden (20.6%)	-25.1	-17.8
Tax effects of:		
Non-taxable dividends	1.5	2.9
Non-deductible expenses	-0.3	-0.2
Previously unrecognized deferred tax	0.3	0.6
Total recognized tax	-23.6	-14.5
Effective tax rate, %	19.4	17.4

NOTE 10. HOLDINGS AND INVESTMENTS IN SUBSIDIARIES

	Dec 31, 2021	Dec 31, 2020
Opening cost	79.3	46.1
Investments in subsidiaries	1.5	33.2
Closing accumulated cost	80.8	79.3
Closing carrying amount	80.8	79.3

Name	Corp. Reg. No.	Registered office and country of registration and operation	Number of shares	Share of common shares directly owned by Parent Company (%)	Share of common shares owned by non-controlling interest (%)	Carrying amount Dec 31, 2021	Carrying amount Dec 31, 2020
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 Elfex 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	30.1	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	0.1
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	70	30	7.0	7.0
Total						80.8	79.3

NOTE 11. INTANGIBLE ASSETS

	Capitalized development expenditure	Development projects in progress	Goodwill	Total
At January 1, 2020				
Cost	38.0	17.0	1.9	56.9
Accumulated amortization	-25.9	-	-1.9	-27.8
Carrying amount	12.1	17.0	-	29.1
2020 fiscal year				
Opening carrying amount	12.1	17.0	-	29.1
Purchases/capitalized expenses	0	24.6	-	24.6
Reclassifications/internal sales	6.5	-6.5	-	0
Divestments and disposals	-	-	-	-
Impairment	-	-	-	-
Depreciation/amortization	-4.3	-	-	-4.3
Closing carrying amount	14.3	35.1	-	49.4
At December 31, 2020				
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	-	-	-	-
Depreciation/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

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, 2020					
Cost	69.0	31.2	82.2	6.8	189.2
Accumulated depreciation	-42.9	-30.1	-64.5	-	-137.5
Carrying amount	26.1	1.1	17.7	6.8	51.7
2020 fiscal year					
Opening carrying amount	26.1	1.1	17.7	6.8	51.7
Purchases	-	-	-	3.2	3.2
Reclassifications/internal transfers	-	-	4.0	-4.0	-
Divestments and disposals	-	-10.9	-31.6	-	-42.5
Depreciation	-1.6	-0.5	-5.7	-	-7.8
Resolution of depreciation/amortization due to divestments/disposals/internal transfers	-	10.9	31.6	-	42.5
Closing carrying amount	24.5	0.6	16.0	6.0	47.1
At December 31, 2020					
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	47.2
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/amortization 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 depreciation	-46.1	-20.1	-40.9	0	-107.1
Carrying amount	24.3	0.2	12.5	1.4	38.4

NOTE 13. ACCOUNTS RECEIVABLE

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

	Dec 31, 2021	Dec 31, 2020
Accounts receivable	84.7	119.1
Less: provision for doubtful receivables	-0.8	0
Accounts receivable – net	83.9	119.1

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

At December 31, 2021, accounts receivable of MSEK 10.7 (13.7) had fallen due for payment but no impairment require-

ment was deemed to exist. The past due receivables pertain to a number of customers who have not shown any payment difficulties to date.

The age analysis of these accounts receivable was as follows:

	Dec 31, 2021	Dec 31, 2020
Within 1–30 days	8.0	13.3
Between 31 and 60 days	1.4	0.4
More than 61 days	1.3	0
Total past due accounts receivable	10.7	13.7

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, 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

MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES AT DEC 31, 2020

2020 fiscal year	Financial assets measured at cost	Financial liabilities measured at cost	Total carrying amount
Accounts receivable	119.1	-	119.1
Receivables from Group companies	86.2	-	86.2
Other current receivables	0.6	-	0.6
Cash and cash equivalents	64.0	-	64.0
Total	269.9	-	269.9
Financial liabilities			
Accounts payable	-	58.7	58.7
Liabilities to Group companies	-	107.5	107.5
Derivative instruments	-	-	-
Other short-term liabilities	-	9.8	9.8
Total	-	176.0	176.0

NOTE 15. CASH AND CASH EQUIVALENTS

	Dec 31, 2021	Dec 31, 2020
Bank balances	71.4	64.0
Total	71.4	64.0

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.

Share capital at December 31, 2021 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.

NOTE 17. PROVISION FOR DEFERRED TAX

Deferred tax assets and liabilities are distributed as follows:

	Dec 31, 2021	Dec 31, 2020
Deferred tax assets		
– deferred tax assets attributable to temporary differences in derivative instruments	0	-0.5
Deferred tax liabilities		-
– deferred tax liabilities attributable to temporary differences in buildings and land improvements	0.6	0.7
– deferred tax liabilities attributable to temporary differences in derivative instruments	0.1	0
Deferred tax liabilities (net)	0.7	0.2

NOTE 18. BORROWINGS

	Dec 31, 2021	Dec 31, 2020
Long-term		
Liabilities to credit institutions	10.4	13.7
Total long-term borrowings	10.4	13.7
Short-term		
Liabilities to credit institutions	2.6	3.3
Total short-term borrowings	2.6	3.3
Total borrowings Parent Company	13.0	17.0

LIABILITIES TO CREDIT INSTITUTIONS

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

The bank loan has a tenor until 2027 and bears average interest for 2021 of 1.22% per year (1.4). The Parent Company has no loans that fall due after five years. 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 97.1 (88.8) that are renegotiated every year.

NOTE 19. ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2021	Dec 31, 2020
Accrued payroll costs	11.8	13.8
Accrued social security contributions	4.7	5.5
Bonuses to customers	11.2	10.1
Other items	3.8	6.8
Total	31.5	36.2

NOTE 20. PLEDGED ASSETS

	Dec 31, 2021	Dec 31, 2020
Property mortgages	35.2	35.2
Chattel mortgages	66.0	66.0
Total	101.2	101.2

Assets pledged for liabilities to credit institutions

NOTE 21. CONTINGENT LIABILITIES

	Dec 31, 2021	Dec 31, 2020
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

	2021	2020
Dividends	7.2	13.3
Impairment	-	-
Total	7.2	13.3

NOTE 23. APPROPRIATIONS

	2021	2020
Difference between recognized depreciation/amortization and depreciation/amortization according to plan	0.8	0.8
Group contributions received, net	47.0	6.0
Total	47.8	6.8

NOTE 24. RELATED PARTIES

The following transactions took place with related parties:

PURCHASES AND SALES TO SUBSIDIARIES

34% (46) of the Parent Company's sales comprise sales to Group companies, and 35% (45) 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.

	2021	2020
Purchase of services		
Consulting services from Board members, Jan–May (Ekonomerna i Sverige AB)	0.1	0.6
Operations and services purchased from parties related to the Chairman of the Board (Jan–May)	0.1	0.7
Electrical installation services purchased from parties related to the Chairman of the Board (Jan–May)	0	0.1
Total	0.2	1.4

The services described above were purchased on normal commercial terms and conditions. On the balance-sheet date, no liabilities had been recognized against the related-party purchases described above.

NOTE 25. EVENTS AFTER THE END OF THE FISCAL YEAR

On January 1, 2022, the business areas GARO Electrification and GARO E-mobility replaced the previous business areas of GARO Sweden and GARO International.

In addition, a decision was made to invest in a new production and logistics facility in Poland with construction starting in the second quarter of 2022. The expected investment will amount to about MSEK 85.

At the time of writing, the situation in Ukraine and the COVID-19 pandemic are not assessed to have any notable impact for GARO and its operations. However, due to the situation unfolding in Ukraine, uncertainty prevails concerning future access to components.

NOTE 26. PROPOSED APPROPRIATION OF PROFIT

The Group's retained earnings in accordance with the consolidated balance sheet amounted to MSEK 528.6 (407.4).

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

Opening retained earnings	241,330,970
Provisions to fund for own work, development expenditure	-40,514,361
Net income for the year	98,299,387
Total	299,115,996

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

– to be distributed to shareholders at SEK 1.40 per share	-70,000,000
– to be carried forward	229,115,996
Total	299,115,996

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, 2022.

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 30, 2022

RICKARD BLOMQVIST
Chairman

SUSANNA HILLESKOG
Board member

MARTIN ALTHÉN
Board member

JOHAN PAULSSON
Board member

ULF HEDLUNDH
Board member

MARI-KATHARINA JONSSON KADOWAKI
Board member

LARS ÅKE RYDH
Board member

JONAS LOHTANDER
Employee representative

PATRIK ANDERSSON
CEO

**Our audit report was submitted on April 8, 2022
Ernst & Young AB**

JOAKIM FALCK
Authorized Public Accountant

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

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 2021. The annual accounts and consolidated accounts of the company are included on pages x-y in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 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 2021 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

It appears from the group's reporting of the financial standing as at 31-12-2021 that the reported value of the inventory amounts to MSEK 242,1. 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.

Notes 2.12, 3.1 a (ii) and (iii) and note 4 describe, among other things, the evaluation and risks associated with inventories.

How our audit addressed this key audit matter

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 [A-B]. The remuneration report for the financial year 2021 also constitutes other information. 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. Misstate-

ments 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 2021 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 2021.

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

In our opinion, the ESEF report #[checksum] 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 technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 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 Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

Ernst & Young AB, Box 2224, 550 02 Jönköping, was appointed auditor of GARO AB by the general meeting of the shareholders on the 5 May 2021 and has been the company's auditor since the 4 May 2017.

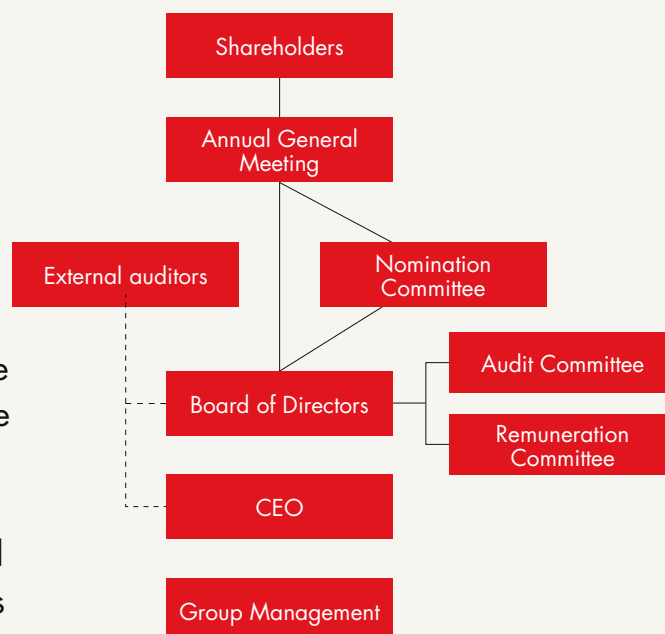
Jönköping 8 April, 2022
Ernst & Young AB

Joakim Falck
Authorized Public Accountant

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 2021 fiscal year here. The Corporate Governance Report has been audited by the company's auditors.

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



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 2021. 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 14,473 shareholders (8,774) 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., please refer to the section on the GARO share on pages 52–53 and to Note 20 in this Annual Report.

ANNUAL GENERAL MEETING 2021

At GARO's Annual General Meeting on May 5, 2021, Rickard Blomqvist, Susanna Hilleskog, Lars-Åke Rydh, Ulf Hedlundh and Mari-Katharina Jonsson Kadowaki were re-elected and was Martin Alihén and Johan Paulsson were elected as new Board members. Rickard Blomqvist was elected as the new Chairman. Stefan Jonsson had declined re-election. IF Metall's Jonas Lohtander was also elected as employee representative. Board fees were decided to be paid in a total amount of SEK 2,100,000, of which SEK 600,000 was to the Chairman and SEK 250,000 to each of the other elected Board members who are not employed in the Group. This entailed an increase of Board fees by 580,000 compared with 2020, in which one additional Board member was elected in 2021. Adjusted for this, Board fees increased 22%. Furthermore, the AGM resolved that fees to members of the Audit Committee are to 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, fees of SEK 50,000 to the Chairman and SEK 25,000 to each of the other members of the Remuneration Committee were decided upon. In accordance with the Board's proposal, the AGM resolved that a dividend of SEK 4.70 would be paid for the 2020 fiscal year (SEK 0.94 adjusted for the split). 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 Com-

mittee. 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 2021 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 2021 and at the meeting in February 2022, and reported on the observations from the 2021 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 5, 2021, seven Board members were elected, two women and five men. 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 2021 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

BOARD OF DIRECTORS

AGM-elected Board	Elected	Born	Remuneration	Remuneration Audit Committee	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	600,000	50,000	50,000	622,500	No	Yes	11/11
Susanna Hilleskog, member	2018	1963	250,000		25,000	0	Yes	Yes	11/11
Johan Paulsson, member	2021	1963	250,000			0	Yes	Yes	6/6
Ulf Hedlundh, member	2020	1960	250,000	50,000		1,500	Yes	Yes	11/11
Martin Althén, member	2021	1968	250,000			0	Yes	Yes	6/6
Mari-Katharina Jonsson Kadowaki, member	2019	1964	250,000		25,000	650	Yes	Yes	11/11
Jonas Lohtander, employee representative	2019	1974	0			89	Yes	No	11/11
Lars-Åke Rydh, member	2018	1953	250,000	100,000	0	25,000	Yes	Yes	11/11
TOTAL			2,100,000	200,000	100,000	649,739			

NOMINATION COMMITTEE FOR THE 2022 ANNUAL GENERAL MEETING

Nomination Committee member	Represents	Holdings/votes
Lars Kongstad, Chairman	Lars Svensson	35.7%
Ulrik Grönvall	Swedbank Robur Funds	9.3%
Fredrik Carlsson	Svolder AB	8.7%
Rickard Blomqvist	Chairman	1.2%

diversity and breadth of qualifications, experience and background, and the company is to strive for gender balance on the Board. The 2021 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, at the time, 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 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 118 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 2021 and the Chairman reported the results to the Board and the Nomination Committee.

In 2021, the Board held six ordinary Board meetings and four Board meetings in addition to the statutory meeting. The Board meetings have been devoted to financial follow-up of the business, strategic issues, budget discussions, investment decisions, adoption of policies and instructions 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 members 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 seven

meetings, of which the company's auditors participated in four. All Board members have otherwise attended the meetings.

REMUNERATION COMMITTEE

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

REMUNERATION OF THE BOARD

Remuneration of elected Board members is chosen by the Annual General Meeting according to a proposal from the Nomination Committee. The table on page 83 presents the fees that are payable to the elected Board members for the period 2021–2022.

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 has consisted of GARO's CFO, CTO, Purchasing & Logistics Director and the Business Area Manager of GARO E-mobility since January 1, 2022.

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

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

GUIDELINES FOR REMUNERATION

According to the Swedish Companies Act, the General Meeting will resolve on guidelines for remuneration of the CEO and other senior executives. The following guidelines were approved by the Annual General Meeting on May 19, 2020.

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.

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.

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 34–49 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 68, Note 3 in this Annual Report.

CONTROL ACTIVITIES

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

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

INFORMATION AND COMMUNICATION

The Group has information and communication channels that aim to promote completeness and accuracy in the financial reporting. Policies, guidelines and internal instructions regarding the financial reporting are available in electronic form over GARO's intranet and 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.

MONITORING, 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 8, 2022

The Board of Directors

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

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 2021 on pages 110–114 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.

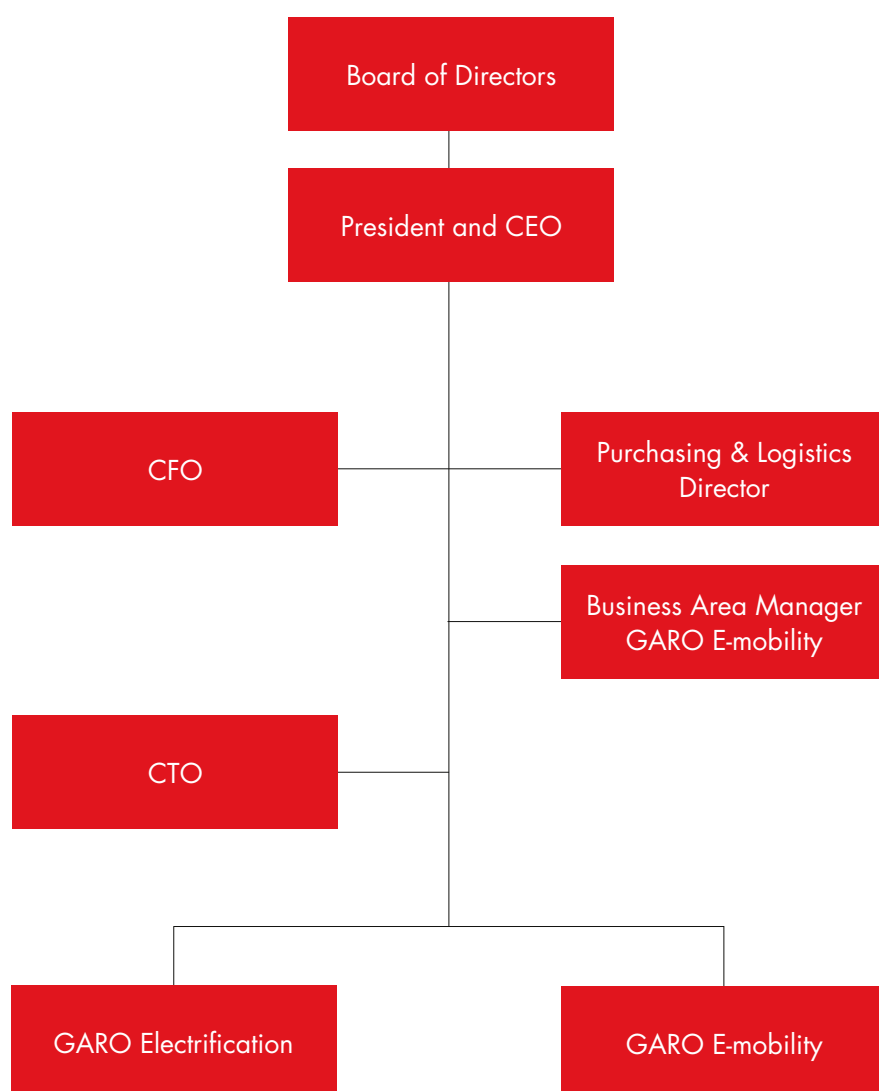
Jönköping 8 April 2022
Ernst & Young AB

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 into 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.

President and CEO Patrik Andersson leads Group Management (which has comprised of five people since January 1, 2022), following the Board's guidelines. Group Management comprises the functions according to the organizational chart below.





Board of Directors



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. CEO of Volador AB. Former CFO of the Akka-FRAKT Group, Business Development Manager at Hilding Anders International AB, and CFO of Hedson Technologies International AB (publ).

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

Shareholdings: 622,500 (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, Holmbergs First Holding AB and Gullberg & Jansson 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, Nefab AB, Söderbergs-företagen AB, Spectria Fond AB and Östrand & Hansen AB.

Shareholdings: 25,000



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



**MARI-KATHARINA
KADOWAKI**

MEMBER SINCE 2019
BORN: 1964

Education and professional experience: M.Sc. 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: 650



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: 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

Other ongoing assignments: CTO of Axis Communications AB and Board member of Acconeer AB.

Shareholdings: –



JONAS LOHTANDER

EMPLOYEE REPRESENTATIVE
SINCE 2019
BORN: 1974

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

Other ongoing assignments: Safety representative, Chairman of GARO's workshop association at IF Metall

Shareholdings: 89

Group Management

At January 1, 2022



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 El- och Belysningsföretagen i Sverige AB.

Shareholdings: 204,200



HELENA CLAESSION

CFO
EMPLOYED SINCE 2019
BORN: 1969

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

Other ongoing assignments: –

Shareholdings: 550



DANIEL EMILSSON

CTO
EMPLOYED SINCE 2007
BORN: 1975

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

President of the telecom company Comhat AB in Ödsmål, Sweden.

Other ongoing assignments: Chairman of Kjellbergs Golv & Textil AB

Shareholdings: 5,000



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: –



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





