

Interim Report January - March 2023

SALES START OF GARO ENTITY WITH AN IMPROVED MATERIALS SITUATION AT THE END OF THE QUARTER

JANUARY - MARCH 2023

- Net sales amounted to MSEK 370.3 (381.6).
- Net sales declined 3% (+31).
- EBIT amounted to MSEK 27.8 (66.8).
- EBIT margin amounted to 7.5% (17.5).
- Net income was MSEK 20.7 (53.7).
- Earnings per share amounted to SEK 0.41 (1.07).

EVENTS DURING THE QUARTER

- Sales start of GARO Entity, the new product program for destination charging, with the first deliveries of GARO Entity Pro to customers in Sweden and the UK.
- GARO Electrification has relocated parts of its operations to new premises in Hillerstorp, creating healthy prerequisites for expansion and increased efficiency in both business areas.

GARO GROUP KEY FIGURES ¹⁾	Jan-Mar 2023	Jan-Mar 2022	+/- %	R 12	Jan-Dec 2022
Net sales, MSEK	370.3	381.6	-3	1,379.3	1,390.5
EBITDA, MSEK	37.2	75.4	-51	150.6	188.8
EBITDA margin, %	10.0	19.8		10.9	13.6
EBIT, MSEK	27.8	66.8	-58	113.7	152.8
EBIT margin, %	7.5	17.5		8.2	11.0
Net income, MSEK	20.7	53.7	-62	87.3	120.5
Earnings per share ²⁾ , (SEK)	0.41	1.07	-62	1.75	2.41
Cash flow from operating activities, MSEK	-46.6	12.2		32.1	89.2
Investments, MSEK	50.1	16.7		153.5	120.1
Depreciation, MSEK	9.4	8.6		36.9	36.0
Equity ratio, %	50.8	62.3		50.8	53.2
Equity per share ²⁾ , SEK	12.71	12.13		12.71	12.3
Return on equity, %	14.1	33.8		14.1	20.7
Return on capital employed, %	15.6	38.6		15.6	22.1
Net debt (+) / net cash position (-), MSEK	245.6	-1.7		245.6	143.7
Net debt (+) / net cash position (-) excluding IFRS 16, MSEK	172.3	-37.6		172.3	65.2

1) For definitions of key figures, see page 19.

2) Earnings per share were not diluted, so earnings per share pertains to before and after dilution.

GARO AB (publ) Corp. Reg. No. 556071-7772 is a company that develops, manufactures and markets innovative products and systems for the electrical installations market under its own brand. GARO's customer offering is to provide complete solutions in the product areas of Electrical distribution products, E-mobility, Project business & Temporary Power with a focus on electrical safety, user-friendliness and sustainability. GARO was founded in 1939, has its head office in Gnosjö and is today an international company with operations in six countries with around 550 employees. The company's production units are located in Gnosjö and Hillerstorp in Sweden and in Szczecin in Poland. GARO is listed on Nasdaq Stockholm under the ticker name GARO. For more information, see www.garo.se.

SALES START OF GARO ENTITY WITH AN IMPROVED MATERIALS SITUATION AT THE END OF THE QUARTER

Net sales for the first quarter amounted to MSEK 370 (381), which was 3% lower than the year-earlier period. Sales in GARO Electrification increased 5% while GARO E-mobility reported invoicing that was 17% lower than the year-earlier quarter. The shortage of electronic components for connectable products limited our production and delivery capacity during the start of the quarter, but with the launch of GARO Entity, we are now gradually seeing an improved situation.

EBIT amounted to MSEK 28 (67) as a result of lower sales combined with a weaker gross margin and higher expenses compared with the year-earlier quarter. During the quarter, we relocated parts of our operations to new premises in Hillerstorp. The new premises is creating healthy prerequisites for growth in both business areas while enhancing efficiency and enabling synergy effects between the product areas. GARO has a broad product portfolio and the two business areas offer GARO a complete solution from power supply to electric car charging.

We have the conditions in place for improved profitability in line with the new deliveries in E-mobility.

GARO E-MOBILITY

Net sales in the GARO E-mobility business area amounted to MSEK 122 (146) during the quarter. Lower sales in the quarter were primarily an effect of the limited access to electronic components, but invoicing toward the end of the quarter was stronger in line with the materials situation improving. Comparative figures for January and February were also high due to major deliveries of home chargers in this period last year from back orders as a result of component shortages.

The start of sales for GARO's new product program for destination charging based on a new technical platform with a high degree of safety and functionality for home use, commercial properties and public environments took place during the quarter. The first deliveries of GARO Entity Pro (mainly for semi and public charging) were made to customers in Sweden and the UK, with other markets planned for the second quarter. GARO Entity Compact, which is mainly designed for homes, will begin to be sold in the second half of 2023.

The issue of safety has recently received widespread attention in the E-mobility market. End user awareness of the importance of high safety is also increasing as a result of more connectable electrical products in homes and households. GARO's products have always maintained a focus on safety and high quality.

GARO ELECTRIFICATION

Net sales in the GARO Electrification business area increased 5% to MSEK 248 (235). The Electrical distribution products product area performed well, driven by strong growth in Ireland. The Project business product area reported strong growth particularly in the Swedish market supported by expanded production capacity in Poland. The Temporary Power product area declined in sales compared with the year-earlier period. Sales in the business area were driven by demand from newly produced apartments and commercial properties combined with increased need for renovation, while demand for the new construction of single-family homes has declined significantly. EBIT declined in the quarter and amounted to MSEK 21 (36) as the result of a lower gross margin combined with higher expenses. In May, the company will launch GARO Entity Heat, an engine heater based on the same platform as the GARO Entity electric car charger, at this year's large Elfack trade fair in Gothenburg. This is another example of the successful collaboration between GARO's business areas.

MATERIALS SUPPLY

The shortage of electronic components has impacted GARO's production and delivery capacity, primarily in the E-mobility business area. The situation improved gradually in parallel with GARO becoming less vulnerable in line with the increase in production of the new generation of destination charger GARO Entity.

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.

In Sweden, the construction of single-family homes has declined considerably and new production of apartments is expected to be weak during the second half of 2023. On the other hand, demand for other commercial and public construction, combined with renovation requirements, energy efficiency and electrification, is expected to remain favorable, which is positive for GARO.

All in all, we have a positive view of long-term market conditions, mainly driven by growth in charging infrastructure and its requirements for power supply.

Patrik Andersson

President and CEO

Earnings

NET SALES

Net sales for the first quarter amounted to MSEK 370.3, a decline of 3% compared with the same quarter in 2022. During the quarter, sales in GARO Electrification increased 5% while sales in GARO E-mobility declined 17%.

CHANGE IN NET SALES	Jan-Mar 2023 (MSEK)	Jan-Mar 2023 (%)
Year-earlier period	381.6	
Organic growth	-11.3	-3%
Acquisitions and structural changes	0	
Exchange-rate effects	0	
Current quarter	370.3	-3%

For definitions of key figures, see page 19.

EBIT

EBIT for the quarter amounted to MSEK 27.8 (66.8) providing an EBIT margin of 7.5% (17.5).

The lower EBIT was the result of a lower sales volume in GARO E-mobility combined with a weaker gross margin, particularly in GARO Electrification, and higher expenses compared with the year-earlier quarter. During the quarter, GARO relocated parts of our operations to new premises in Hillerstorp, leading to a non-recurring cost of MSEK 3.1 for the quarter. The new premises is creating healthy prerequisites for growth for both business areas while enhancing efficiency and enabling synergy effects between the product areas. During the quarter, GARO established operations in Germany.

Currency effects on EBIT in the quarter amounted to MSEK -5.9 (-4.4), with a weakened EUR against the SEK.

NET INCOME

Net financial items amounted to MSEK -0.4 (-0.1) for the quarter and included currency effects from loans and hedging in foreign currency. No currency effects attributable to revaluations in hedging were noted (MSEK 0). Interest expenses for the quarter amounted to MSEK 1.2 (0.2), with GARO now utilizing its overdraft facility to a greater extent compared with the year-earlier quarter.

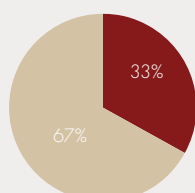
Net income amounted to MSEK 20.7 (53.7) for the quarter, and earnings per share amounted to MSEK 0.41 (1.07). The tax expense amounted to MSEK 6.7 (13.0) generating a high average effective tax rate of 24.5% (19.5).

CASH FLOW AND INVESTMENTS

Cash flow from operating activities for the quarter amounted to MSEK -46.6 (12.2). The weak cash flow was attributable to a lower EBIT together with increased working capital. The increased working capital was mainly the result of continued high component inventories and accounts receivable due to higher invoicing in March.

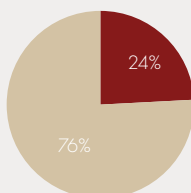
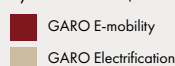
Investments for the quarter amounted to MSEK 50.1 (16.7) with GARO continuing to invest in the new production facility in Poland. Investments attributable to product development amounted to MSEK 9.7 (8.1). GARO also invested MSEK 1.1 in shares in subsidiaries to establish companies in Germany during the quarter.

In addition, the company has right-of-use assets (leases and rental contracts) that, aside from currency effects and customary depreciation, were unchanged during the quarter (increase of MSEK 1.9).



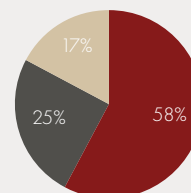
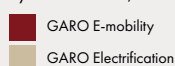
ALLOCATION OF NET SALES

by business area, Jan-Mar 2023



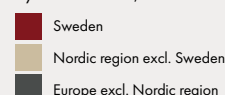
ALLOCATION OF EBIT

by business area, Jan-Mar 2023



ALLOCATION OF NET SALES

by business area, Jan-Mar 2023



LIQUIDITY AND FINANCIAL POSITION

The Group's net debt at the end of the quarter amounted to MSEK 245.6 (net cash 1.7). The Group's net debt excluding lease liabilities, which is to say effects of IFRS 16, amounted to MSEK 172.3 (net cash: 37.6). Available liquidity in the Group, including unutilized overdraft facilities, amounted to MSEK 96.8 (173.1) and the equity ratio was 50.8% (62.3).

THE GARO SHARE

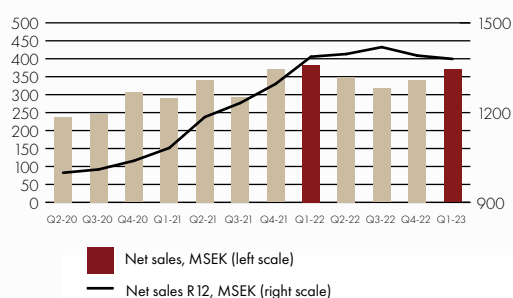
At the end of the period, the number of shares amounted to 50,000,000 (50,000,000). The average number of shares amounted to 50,000,000 (50,000,000) for the first quarter of 2023. On March 31, 2023, the share price closed at SEK 76.55 (144.80).

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

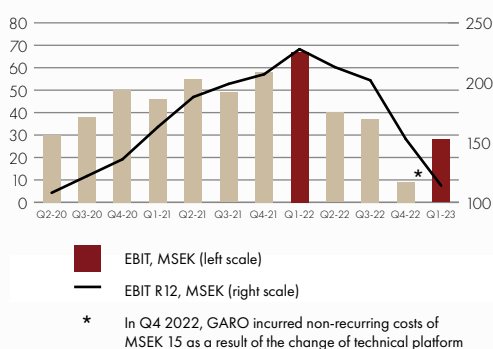
EVENTS AFTER THE END OF THE QUARTER

From the end of the period until the publication of this report, no significant events or conditions have occurred, favorable or unfavorable, that would require further disclosures.

NET SALES, GROUP



EBIT, GROUP



GARO's business areas

GARO divides its operations into two business areas: GARO E-mobility and GARO Electrification. GARO E-mobility consists of the E-mobility product area and GARO Electrification consists of the three product areas of Electrical distribution products, Project business & Temporary Power.

GARO E-mobility

NET SALES

Net sales for GARO E-mobility amounted to MSEK 122.2 for the first quarter, which is 17% lower compared with MSEK 146.4 for the year-earlier quarter. The order intake was favorable during the quarter and lower invoicing was the result of component shortages. The situation improved toward the end of the quarter, enabling GARO to reduce its order book somewhat. However, the order book remains large, particularly in connectable systems for public charging, where the expansion of charging infrastructure is continuing. During the quarter, GARO made its first deliveries of GARO Entity to customers in Sweden and the UK.

In Sweden, sales to wholesalers have been weak, particularly in home charging. Compared with the year-earlier quarter, the market has increasingly transitioned to connectable products, even for home use. This has resulted in a decline in GARO's sales of certain non-connectable home chargers.

In addition, the combination of long lead times for electric cars, the global economic situation and less incentive in certain countries is negatively impacting total sales of home chargers.

EARNINGS

EBIT for the quarter amounted to MSEK 6.6 (30.7) providing an EBIT margin of 5.4% (20.9). The lower EBIT in the quarter was mainly the result of a lower sales volume combined with a changed customer and product mix compared with the year-earlier quarter. Compared with the year-earlier quarter, EBIT was also impacted by costs for market activities in the UK. During the quarter, GARO established sales companies in Germany, a large market in the automotive industry with high safety requirements, which is a good fit for GARO's product portfolio. In 2023/2024, GARO will gradually develop a sales and support organization for E-mobility in Germany.

The number of employees at the end of the period was 220 (214). In addition, six temporary personnel were contracted in production.

THE MARKET

The global transition to a fossil-free society benefits GARO, and our ambition to transition to fossil-free transportation is clear. The strong demand for electric and chargeable hybrid cars is driving the need for the rapid expansion of charging infrastructure in Europe through products for electric car charging in the home, in public and at workplaces. In 2022, the number of electric and chargeable hybrid cars on European roads was 50% higher than in 2021 and the expansion of public charging locations and stations at larger properties is increasing steadily. There are currently 20,000 public charging stations in Sweden. The target is to reach 250,000 by 2030, which will require a substantial increase in the pace of expansion.

In 2022, there were more than 3 million rechargeable passenger cars in Europe. This figure is expected to amount to 41 million by 2030, which would represent almost a 14-fold increase.

Electric and chargeable hybrid cars accounted for 35% of the number of newly registered cars in Europe in 2022. However, the number of electric cars only amounted to about 1% of the total number of cars on the roads. This can be compared with Norway, the country that is at the forefront in the transition to more fossil-free vehicles and where electric cars accounted to 15.5% of the total number of cars during the same period.

The country with the highest total number of electric cars is currently Germany, with over 1 million, while Norway, the Netherlands, Denmark and Sweden have the highest numbers of electric cars in terms of percent of total number of cars. By 2035, all new cars sold in the EU will be zero-emission vehicles according to the agreement reached between the EU member states and the European Parliament in autumn 2022. This is another reason why charging infrastructure will need to be significantly expanded in the years ahead, primarily in destination charging.

GARO E-MOBILITY KEY FIGURES		Jan-Mar 2023	Jan-Mar 2022	R12	Jan-Dec 2022
Net sales	MSEK	122.2	146.4	397.5	421.8
Growth	%	-17	56	-19	-3%
EBIT	MSEK	6.6	30.7	-10.9	13.1
EBIT margin	%	5.4	20.9	-2.7	3.1
Investments	MSEK	46.2	14.5	125.5	93.8
Depreciation	MSEK	2.9	2.6	11.8	11.5
Number of employees		220	214	214	213

For definitions of key figures, see page 19.

To accelerate the transition and thereby the development of charging infrastructure, the EU and the governments of a number of countries are introducing and regulating a number of different initiatives. The European Parliament and the European Council have agreed on proposed legislation to increase the availability of charging stations for electric vehicles. The regulation sets the foundations for a cohesive network of public charging stations for both passenger cars and trucks throughout the EU.

The expansion is crucial for players within the transportation and construction sectors to transition their vehicle fleets. The legislation also includes guarantees for joint coordination concerning, for example, locating charging stations, predicting the cost of charging and joint payment solutions.

Legislation in Sweden requires properties with more than ten parking places to have 20% of the places prepared for charging infrastructure and at least one parking place is to be equipped for electric car charging.

When it comes to charging infrastructure at home, Norway and Sweden offer a widely-distributed charging infrastructure. However, long lead times for deliveries of new cars negatively impacted sales of products and solutions for home charging during the quarter.

GARO'S OPERATIONS

Access to components has gradually improved during the first quarter. As such, GARO has been able to increase production in the quarter within a number of the business area's product groups.

During the first quarter, sales commenced in Sweden – including in the export market and in the UK – of GARO's new platform for destination charging, which was launched in December 2022. The sales of the product variant GARO Entity Pro, a destination charger mainly for semi and public charging, started. As planned, the first deliveries commenced in early March and the order intake is in line with expectations. The launch was received very positively and the products have also been well received by the market. Sales will also commence in other markets in the second quarter. Sales for GARO Entity Compact, the product mainly designed for single-family homes, will commence in the second half of 2023.

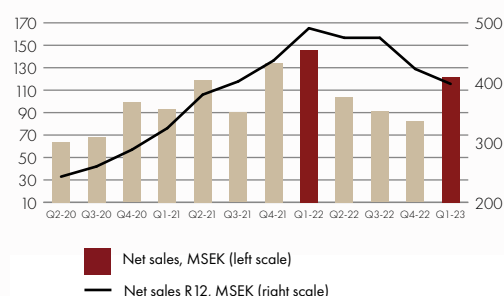
A gradual escalation of GARO Entity will take place in the second quarter in order to achieve the planned rate of production in the third quarter when the new production and logistics facility in Poland is complete. This escalation will enable GARO to handle the uncertain availability of electronic components,

but it will also be a factor for ensuring high quality in production. The merger of the production units in GARO Electrification also leads to a more efficient production flow in GARO E-mobility, which creates growth opportunities.

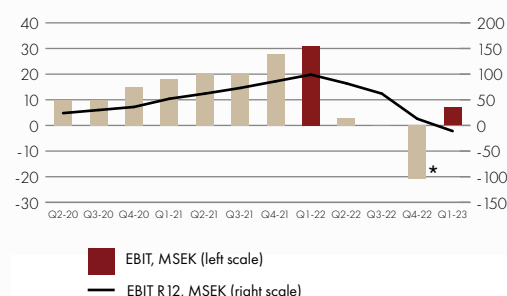
GARO'S SYNERGY EFFECTS

GARO currently has a very broad and strong product portfolio, which is a prerequisite for success in this rapidly growing industry. Together with the GARO Electrification business area, GARO offers a complete solution from power supply to electric car charging. GARO E-mobility has a positive impact on sales of components in GARO Electrification and the Electrical distribution products product area as well as cable cabinets and energy supply in the Project business product area. This synergy effect between the business areas is a great advantage for customers and creates growth.

NET SALES, GARO E-MOBILITY



EBIT, GARO E-MOBILITY



GARO Electrification

NET SALES

Net sales amounted to MSEK 248.1 for the first quarter, compared with MSEK 235.2 for the year-earlier quarter, yielding an increase of 5%. The business area recorded increased growth within two of three product areas, with Temporary Power recording lower sales compared with the year-earlier quarter.

EARNINGS

EBIT for the quarter amounted to MSEK 21.2 (36.1) providing an EBIT margin of 8.5% (15.3). The lower EBIT margin was the result of a lower gross margin combined with a larger organization compared with the year-earlier quarter. EBIT was also charged with MSEK 3.1 in non-recurring costs related to the relocation of operations to new premises in Hillerstorp. The move also led to some production inefficiency during the quarter. The new location is creating healthy prerequisites for expansion while enhancing efficiency and enabling synergy effects between the product areas.

The number of employees at the end of the period was 323 (303). In addition, around 25 temporary personnel were contracted in production.

ELECTRICAL DISTRIBUTION PRODUCTS

Sales in the Electrical distribution products product area amounted to MSEK 147 (143) for the quarter, yielding an increase of 2% compared with the year-earlier quarter. Sales in the quarter were driven by demand related to new production, renovation and energy efficiency, demonstrating the importance of a broad product range. Sales of engine heaters were lower compared with the year-earlier quarter as a result of a milder winter.

PROJECT BUSINESS

Sales in the Project business product area amounted to MSEK 84 (72) for the quarter, yielding growth of 17% compared with the year-earlier quarter. The increased sales in Sweden is a result of healthy demand for large and more complex customer projects. Volume growth in Ireland is driven by new construction, renovation and the energy efficiency enhancements as well as by electrification of the vehicle fleet.

In the UK, it is primarily the construction of charging infrastructure that is driving sales. Overall, these conditions enable continued favorable growth.

TEMPORARY POWER

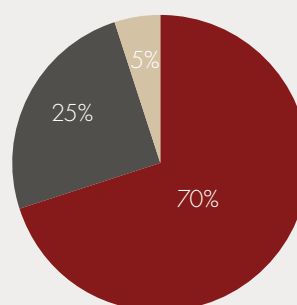
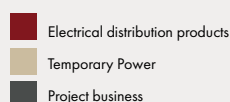
Sales in the Temporary Power product area were 13% lower compared with the year-earlier quarter. Sales in this product area are primarily to customers in Sweden.

THE MARKET

New construction and the renovation sectors remained favorable during the quarter, even if there has been a slight slowdown in the market for the new construction of housing in both Sweden and Norway. In parallel, GARO is gratified to note the strong growth in Ireland and the UK. GARO believes that the underlying market as a whole is unchanged compared with the preceding year.

ALLOCATION OF NET SALES

by product area, Jan-Mar 2023

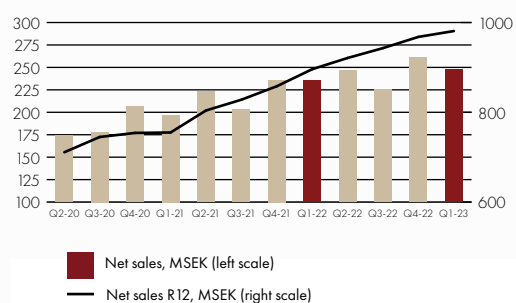


GARO ELECTRIFICATION KEY FIGURES

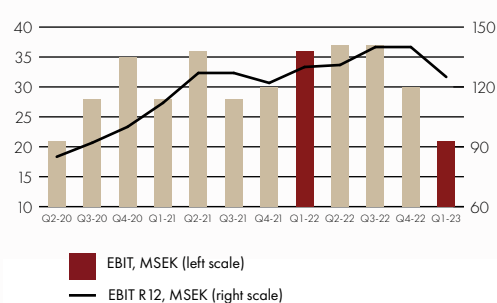
		Jan-Mar 2023	Jan-Mar 2022	R 12	Jan-Dec 2022
Net sales	MSEK	248.1	235.2	981.8	968.7
Growth	%	5	20	9	13
EBIT	MSEK	21.2	36.1	124.6	139.6
EBIT margin	%	8.5	15.3	12.7	14.4
Investments	MSEK	3.9	2.2	28.0	26.3
Depreciation	MSEK	6.6	6.0	25.1	24.5
Number of employees		323	303	312	308

For definitions of key figures, see page 19.

NET SALES, GARO ELECTRIFICATION



EBIT, GARO ELECTRIFICATION



Product development with a focus on safety

GARO is continually developing its customer offering in both of its business areas of GARO E-mobility and GARO Electrification. To ensure that the customer offering remains at the forefront and expands with smart products, considerable resources are invested in product development, primarily in destination charging. Development is a basic prerequisite for continued expansion. In 2023, considerable focus is placed on further developing GARO Entity with new functions and services.

GARO has a long history in the manufacturing of products for electrical installations and in focusing on the safety of these products. The trend we see now is for increased safety requirements from different players in the market, while regulations are becoming increasingly stringent for all types of electrical products. GARO does not compromise when it comes to safety and the company delivers products and solutions that comply with laws and standards. The products are to maintain a high level of quality and are tested by a third party. Innovation is also very important, but must not stand in the way of safety.



Sustainability

The Group bases its framework of GARO's sustainability work on two cornerstones: how proprietary operations are structured, and how the products contribute to the transition to an electrified society.

GARO is making preparations to report its impact in 2023 with guidance from the GRI standards, which supports continued efforts with the Corporate, Sustainability Reporting Directive (CSRS), the European Sustainability Reporting Standards (ESRS) and the EU Taxonomy. GARO is continually strengthening its efforts, knowledge and internal and external collaboration for sustainable products.

In Poland, the new production and logistics facility is being constructed, with the BREEAM standard being followed by the company during construction.

Dialogs are ongoing with universities and other bodies regarding the bio-based materials used in GARO's products.

Work has also commenced for Environmental Product Declarations (EPD) in line with Eco-Passport and ISO 14067 for GARO Entity.

Dialog with players concerning the possibility of electrified freight has also commenced.

For more information about GARO's goals for a more sustainable environment, refer to our 2022 Annual Report, pages 36-51.



Parent Company figures

The Parent Company's operations encompass the product area Electrical distribution products and the development department, Group Management, Group-wide functions and the Group's finance function. Since January 1, 2023, certain customer transactions with associated production in GARO Electrification were internally transferred from the Parent Company to other companies in the Group. This impacted comparative figures in terms of both external and internal sales.

Net sales for the Parent Company in the first quarter amounted to MSEK 96.5 (122.2). Of this amount, MSEK 20.0 (40.7) comprised internal sales to other Group companies. EBIT for the quarter amounted to MSEK 9.3 (22.5).

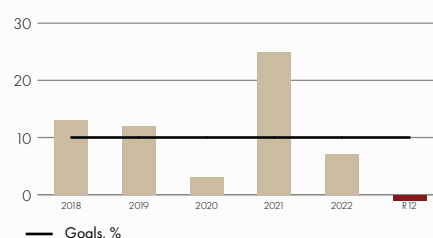
The Group's financial targets

SALES GROWTH

Organic growth will amount to not less than 10% over a business cycle.

TARGET

≥10%

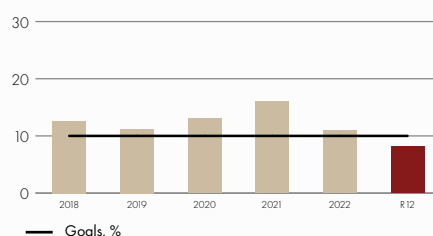


PROFITABILITY

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

TARGET

≥10%

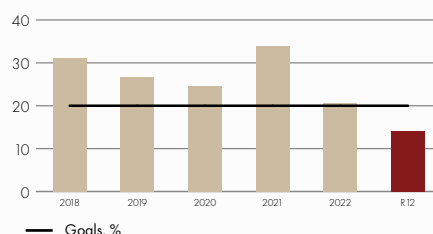


RETURN

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

TARGET

≥20%

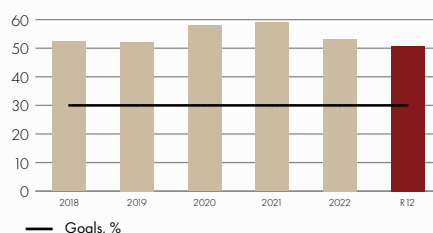


EQUITY RATIO

The equity ratio will not be less than 30%.

TARGET

≥30%



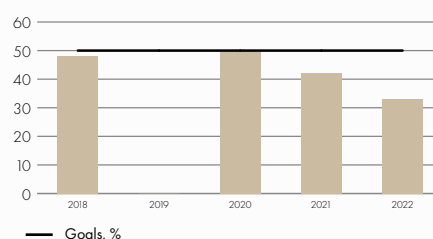
DIVIDEND POLICY

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.

TARGET

≥50%



Overview

NATURE OF OPERATIONS

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

GARO's business concept is to, with a focus on innovation, sustainability and design, provide profitable complete solutions for the electrical industry.

SEASONAL VARIATIONS

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

RISKS AND UNCERTAINTIES

GARO's risks and uncertainties are described in Note 3 on pages 70-72 of the 2022 Annual Report. The Annual Report is available at www.garo.se. Aside from these, no other changes have affected the company's view of risks and uncertainties.

ALTERNATIVE PERFORMANCE MEASURES

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

RELATED-PARTY TRANSACTIONS

Related-party transactions take place in accordance with the principles described in the 2022 Annual Report. No related-party transactions have taken place to date in 2023 or for the full-year 2022.

ACCOUNTING POLICIES

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. Disclosures in accordance with IAS 34, 16A are presented in the financial statements and their notes in the interim information on pages 1–18, which constitute an integrated part of this financial statement.

The Parent Company's interim report was prepared in accordance with Chapter 9 of the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2. GARO AB applies the same accounting policies as in the most recent Annual Report.

AUDITORS' STATEMENT

This interim report has not been reviewed by the company's auditors.

Gnosjö, May 11, 2023

GARO AB (publ)
The Board of Directors

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amount in MSEK	Jan-Mar 2023	Jan-Mar 2022	R12	Jan-Dec 2022
Operating income				
Net sales	370.3	381.6	1,379.3	1,390.5
Other operating income	0.6	0.6	1.7	1.4
Total operating income	370.9	382.2	1,381.0	1,391.9
Operating expenses				
Capitalized production costs	1.1	1.7	4.7	5.4
Raw materials and consumables	-206.5	-193.2	-740.8	-727.4
Other external expenses	-44.8	-37.9	-181.5	-174.3
Personnel expenses	-83.5	-77.4	-312.8	-306.8
Depreciation/amortization of tangible and intangible assets	-9.4	-8.6	-36.9	-36.0
EBIT	27.8	66.8	113.7	152.8
Result from financial items				
Net financial income/expenses	-0.4	-0.1	0.2	0.6
Profit before tax	27.4	66.7	113.9	153.4
Income tax	-6.7	-13.0	-26.6	-32.9
Net income	20.7	53.7	87.3	120.5
Other comprehensive income:				
Items that may be reclassified to the income statement				
Translation differences	0.9	1.3	10.4	10.6
Other comprehensive income, net	0.9	1.3	10.4	10.6
Total comprehensive income for the period	21.6	55.0	97.7	131.1
Net income and total comprehensive income for the period are attributable to shareholders of the Parent Company in their entirety.				
Key ratios per share				
Average number of shares	50,000,000	50,000,000	50,000,000	50,000,000
Earnings per share, before and after dilution, SEK	0.41	1.07	1.75	2.41

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amount in MSEK	Mar 31, 2023	Mar 31, 2022	Dec 31, 2022
ASSETS			
Fixed assets			
Intangible assets	135.4	113.7	127.7
Tangible assets	303.6	149.5	269.4
Other assets	4.0	2.9	4.1
Total fixed assets	443.1	266.1	401.2
Current assets			
Inventories	351.1	267.5	344.9
Accounts receivable	374.5	349.8	321.1
Other current receivables	70.2	16.7	56.8
Cash and cash equivalents	11.9	73.3	29.5
Total current assets	807.7	707.3	752.3
TOTAL ASSETS	1,250.8	973.4	1,153.5
EQUITY AND LIABILITIES			
Share capital	20.0	20.0	20.0
Other reserves	10.6	0.4	9.7
Other contributed capital	1.5	0	1.5
Retained earnings including net income for the period	603.6	586.1	582.9
Total equity	635.7	606.5	614.1
Long-term liabilities			
Liabilities to credit institutions	35.8	23.9	36.6
Lease liabilities	58.1	26.4	62.4
Other provisions	9.0	7.1	9.0
Deferred tax liabilities	0	0	0
Total long-term liabilities	102.9	57.4	108.0
Short-term liabilities			
Liabilities to credit institutions	148.5	11.8	58.1
Lease liabilities	15.2	9.5	16.1
Accounts payable	195.4	145.0	187.4
Other short-term liabilities	153.4	143.2	169.8
Total short-term liabilities	512.2	309.5	431.4
TOTAL EQUITY AND LIABILITIES	1,250.8	973.4	1,153.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to shareholders in the Parent Company Amount in MSEK	Sharecapital	Reserves	Other contributed capital	Retained earnings	Total equity
Equity at January 1, 2022	20.0	-0.9		532.4	551.5
Net income for the period				120.5	120.5
Other comprehensive income for the period		10.6			10.6
Warrant liquidity received			1.5		1.5
Dividend to shareholders				-70.0	-70.0
Closing equity, December 31, 2022	20.0	9.7	1.5	582.9	614.1
Equity at January 1, 2023	20.0	9.7	1.5	582.9	614.1
Net income for the period				20.7	20.7
Other comprehensive income for the period		0.9			0.9
Dividend to shareholders					
Closing equity, December 31, 2022	20.0	10.6	1.5	603.6	635.7

CONDENSED CONSOLIDATED CASH-FLOW STATEMENT

Amount in MSEK	Jan-Mar 2023	Jan-Mar 2022	R12	Jan-Dec 2022
Operating activities				
Cash flow from operating activities before changes in working capital	25.4	59.7	126.3	159.9
Cash flow from changes in working capital	-72.0	-47.5	-94.2	-70.7
Cash flow from operating activities	-46.6	12.2	32.1	89.2
Investing activities				
Investments in intangible assets	-9.7	-8.1	-32.4	-30.8
Acquisition of subsidiaries	-1.1	0	-2.0	-0.9
Investments in tangible assets	-40.4	-8.6	-121.1	-89.3
Disposal of tangible assets	0	0	1.9	1.9
Cash flow from investing activities	-51.2	-16.7	-153.6	-119.1
Financing activities				
Net borrowing/amortization of loans	84.3	-0.7	143.2	58.1
Amortization of lease liability	-4.2	-2.9	-13.3	-12.0
Warrant liquidity received	0		1.5	1.5
Dividend paid to shareholders	0	0	-70.0	-70.0
Cash flow from financing activities	80.1	-3.6	61.4	-22.4
Cash flow for the period	-17.7	-8.1	-60.1	-52.3
Currency effect in cash and cash equivalents	29.5	-0.2	-1.3	0.2
Cash and cash equivalents, start of the period	0.1	81.6	73.3	81.6
Cash and cash equivalents, end of the period	11.9	73.3	11.9	29.5

CONDENSED PARENT COMPANY INCOME STATEMENT

Amount in MSEK	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022
Operating income			
Net sales	96.5	122.2	498.4
Other operating income	19.6	16.4	65.1
Total income	116.1	138.6	563.5
Operating expenses			
Raw materials and consumables	-64.6	-75.2	-310.1
Other external expenses	-18.1	-13.1	-61.6
Personnel expenses	-22.4	-25.3	-102.1
Depreciation/amortization of tangible and intangible assets	-1.8	-2.5	-11.1
EBIT	9.3	22.5	78.6
Result from financial items			
Profit from participations in Group companies	0	0	2.8
Net interest income and similar items	2.7	1.0	10.4
Net interest expenses and similar items	0	0.5	-0.8
Profit before tax	12.0	24.0	91.0
Appropriations	0	0	28.5
Income tax	-2.5	-5.0	-24.4
Net income	9.5	19.0	95.1

The Parent Company does not have any items recognized as other comprehensive income which is why comprehensive income corresponds to net income. Since January 1, 2023, certain customer transactions with associated production in GARO Electrification were internally transferred from the Parent Company to other companies in the Group. This impacted comparative figures in terms of both external and internal sales.

CONDENSED PARENT COMPANY BALANCE SHEET

Amount in MSEK	Mar 31, 2023	Mar 31, 2022	Dec 31, 2022
ASSETS			
Fixed assets			
Intangible assets	17.3	50.7	8.3
Tangible assets	32.2	37.5	33.8
Participations in Group companies	81.0	80.5	80.3
Other financial assets	146.6	56.8	75.8
Total fixed assets	277.1	225.4	198.2
Current assets			
Inventories	34.5	40.9	54.6
Accounts receivable	87.4	95.1	89.3
Other receivables	246.2	177.3	282.9
Cash and bank balances	0	52.0	5.9
Total current assets	368.1	365.3	432.7
TOTAL ASSETS	645.2	590.7	630.9
EQUITY AND LIABILITIES			
Share capital	20.0	20.0	20.0
Fund for internal development expenses	6.1	40.5	6.1
Statutory reserve	2.6	2.6	2.6
Non-restricted equity including net income for the period	369.6	318.1	360.1
Total equity	398.3	381.2	388.8
Provisions	3.4	1.7	3.4
Long-term liabilities			
Liabilities to credit institutions	22.1	9.7	22.8
Total long-term liabilities	22.1	9.7	22.8
Short-term liabilities			
Short-term interest-bearing liabilities	69.4	2.6	3.0
Short-term non-interest-bearing liabilities	152.0	195.5	212.9
Total short-term liabilities	221.4	198.1	215.9
TOTAL EQUITY AND LIABILITIES	645.2	590.7	630.9

SALES AND EBIT BY BUSINESS AREA

	GARÖ Electrification		GARÖ E-mobility		Elimination		Group	
	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022
Business area information								
Income								
Total external income	327.7	315.3	165.2	237.6	-122.6	-171.3	370.3	381.6
Total internal income	-79.6	-80.1	-42.9	-91.2	122.6	171.3	0	0
Income from contracts with customers	248.1	235.2	122.2	146.4	0	0	370.3	381.6
EBIT	21.2	36.2	6.6	30.7	0	0	27.8	66.8
Net financial income/expenses							-0.4	0.1
Tax expense for the year							-6.7	-13.0
Net income for the year							20.7	53.7

REVENUE PER GEOGRAPHIC LOCATION (JANUARY-MARCH)

Product area	GARÖ Electrification			GARÖ E-mobility			Total		
	Jan-Mar 2023	Jan-Mar 2022	+/-	Jan-Mar 2023	Jan-Mar 2022	+/-	Jan-Mar 2023	Jan-Mar 2022	+/-
Sweden	158.7	151.5	5%	56.0	81.1	-30%	214.7	232.6	-8%
Nordic region excl. Sweden	26.7	29.7	-10%	34.9	17.0	105%	61.6	46.7	32%
Europe excl. Nordic region	62.7	54.0	+16%	31.3	49.5	-37%	94.0	103.5	-9%
Currency effects	0	0	-	0	-1.2	-	0	-1.2	-
Total	248.1	235.2	5%	122.2	146.4	-17%	370.3	381.6	-3%

GARO GROUP MULTI-YEAR OVERVIEW AND KEY FIGURES *

		Jan-Mar 2023	Jan-Mar 2022	R12	2022	2021	2020	2019	2018
Net sales	MSEK	370.3	381.6	1,379.3	1,390.5	1,295.8	1,039.8	1,008.1	903.7
Growth	%	-3	31	-1	7	25	3	12	13
EBITDA	MSEK	37.2	75.4	150.6	188.8	243.0	163.2	134.9	128.8
EBITDA margin	%	10.0	19.8	10.9	13.6	18.8	15.7	13.4	14.3
EBIT	MSEK	27.8	66.8	113.7	152.8	207.2	136.2	112.6	113.8
EBIT margin	%	7.5	17.5	8.2	11.0	16.0	13.1	11.2	12.6
Earnings per share, before and after dilution	SEK	0.41	1.07	1.75	2.41	3.33	1.91	1.71	1.65
Equity per share	SEK	12.71	12.13	12.70	12.28	11.03	8.61	6.86	5.92
Dividend per share	SEK	N/A	N/A	N/A	0.80**	1.40	0.95	0	0.8
Dividend	MSEK	N/A	N/A	N/A	40.0**	70.0	47.5	0	40.0
Closing rate, share	SEK	76.55	144.80	N/A	108.6	216.0	127.0	61.4	34.7
Return on equity	%	14.1	33.8	14.1	20.7	34.0	24.7	26.8	31.2
Return on capital employed	%	15.6	38.6	15.6	22.1	39.2	32.2	30.4	34.7
Investments	MSEK	50.1	16.7	153.5	120.1	45.3	45.3	33.4	22.7
Depreciation	MSEK	9.4	8.6	36.9	36.0	35.8	26.9	22.3	15.0
Equity ratio	%	50.8	62.3	50.8	53.2	58.9	57.9	52.2	52.4
Net debt	MSEK	245.6	-1.7	245.6	143.7	-9.4	11.3	45.6	45.7
Net debt/EBITDA	multiple	1.6	0	1.6	0.8	0.0	0.1	0.3	0.4
Number of employees		543	517	528	521	498	412	421	402

* For definitions of key figures, see page 19

** The Board of Directors' proposals ahead of the AGM

QUARTERLY FIGURES

Consolidated income statement	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Amount in MSEK	2023	2022	2022	2022	2022	2021	2021	2021	2021	2020	2020	2020
Net sales	370.3	341.8	317.0	350.2	381.6	370.1	293.9	341.2	290.6	306.3	247.0	238.3
Operating expenses	-342.5	-332.9	-279.6	-310.6	-314.7	-312.4	-245.4	-286.1	-244.7	-256.8	-209.5	-208.0
EBIT	27.8	8.9	37.4	39.6	66.8	57.7	48.5	55.1	45.9	49.5	37.5	30.3
Net financial income/expenses	-0.4	2.1	-2.9	1.8	-0.1	1.4	0.5	-2.1	1.3	-4.6	-1.3	-6.8
Profit before tax	27.4	11.0	34.5	41.4	66.7	59.1	49.0	53.0	47.2	45.0	36.3	23.6
Tax	-6.7	-4.0	-7.9	-8.1	-13.0	-12.7	-9.6	-10.5	-8.9	-10.5	-7.9	-5.5
Net income	20.7	7.0	26.6	33.3	53.7	46.4	39.4	42.6	38.3	34.4	28.3	18.1

Net sales per business area	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Amount in MSEK	2023	2022	2022	2022	2022	2021	2021	2021	2021	2020	2020	2020
GARO E-mobility	122.2	80.6	92.1	103.3	146.4	134.4	91.2	118.4	93.8	100.2	68.9	64.8
GARO Electrification	248.1	261.2	224.9	246.9	235.2	235.7	202.7	222.8	196.8	206.1	178.1	173.5
Total Group	370.3	341.8	317.0	350.2	381.6	370.1	293.9	341.2	290.6	306.3	247.0	238.3

EBIT per business area	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Amount in MSEK	2023	2022	2022	2022	2022	2021	2021	2021	2021	2020	2020	2020
GARO E-mobility	6.6	-20.9	0.4	3.0	30.7	27.9	20.1	20.2	17.6	14.7	9.6	9.7
GARO Electrification	21.2	29.8	37.0	36.6	36.1	29.8	28.4	34.9	28.3	34.8	27.9	20.6
Total Group	27.8	8.9	37.4	39.6	66.8	57.7	48.5	55.1	45.9	49.5	37.5	30.3

Key figures, alternative performance measures and definitions

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

EBIT: Earnings before interest and tax

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

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

number of shares at the end of the period

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

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

Return on capital employed, %: EBIT for the past 12 months divided by capital employed.

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

Capital employed, SEK: Total assets less short-term liabilities adjusted for cash and bank balances

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

Net debt excluding IFRS 16: Interest-bearing liabilities excluding lease liabilities in accordance with IFRS 16 minus assets including cash and cash equivalents

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

Alternative performance measures

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

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

EBITDA: Earnings before interest, taxes, depreciation and amortization

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

R 12: A summary of the outcome of the past 12 months

Number of employees: The number of employees at the end of the period

Economic information

INVITATION TO PRESENTATION FOR THE PRESS AND ANALYSTS

On May 11, 2023 at 3:00 p.m., the President and CEO Patrik Andersson and CFO Helena Claesson will present the report and respond to questions in a teleconference.

Telephone number:

Sweden: +46 10 884 80 16
International: +44 203 936 29 99
Code: 19 68 43

The presentation used during this teleconference can be downloaded at www.garo.se, under GARO Group. A recording of the teleconference will be available on the company's website afterwards.

FOR MORE INFORMATION, PLEASE CONTACT:

Patrik Andersson, President and CEO: +46 76 148 44 44
Helena Claesson, CFO: +46 70 676 07 50

FINANCIAL CALENDAR

Interim report April–June 2023 August 15, 2023
Interim report July–September 2023 November 10, 2023

FORWARD-LOOKING INFORMATION

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

Disclosures according to IAS 34.16A are presented in the financial statements and their notes as well as other parts of the interim report.

GARO IN BRIEF

GARO's develops and manufactures innovative products and solutions within electricity and e-mobility. GARO targets both professionals and end users. GARO's brand is your guarantee for electrical safety, user-friendliness and sustainability. GARO was founded in 1939 in Gnosjö, in Småland, in southern Sweden where our distinct entrepreneurial spirit originates from and where our head office remains. There is not much else that is similar from that time. Today, GARO is an international Group with operations in six countries and with approximately 550 employees. The foundation of GARO's work is all of the knowledge and experience that the Group has collected since 1939 until today.

Disclosures according to IAS 34.16A are presented in the financial statements and their notes as well as other parts of the interim report.

This information is such information that GARO aktiebolag is obligated to publish in accordance with the EU Market Abuse Regulation. The information was published by the abovementioned contact persons on May 11, 2023, at 2:00 p.m.

