



Västerås, April 21, 2016

AQ Group AB (publ) Interim report January-March 2016

**WE ARE
RELIABLE**



www.aqg.se

First quarter, January – March 2016

In brief

- Best quarterly result in the history of the group
- Net sales SEK 802 million (715)
- Operating profit (EBIT) SEK 77 million (52)
- Profit after financial items (EBT) SEK 76 million (56)
- Equity ratio 60 % (62)
- Earnings per share after tax SEK 3.46 (2.47)

AQ in brief

AQ is a leading supplier to demanding industrial customers and is listed on AktieTorget since year 2001.

The Group consists of operating companies each of which develop their special skills, and in cooperation with other companies, striving to provide cost effective solutions in close cooperation with the customer.

The Group operates in two business segments: **Component**, which produces transformers, wiring systems, mechanical components, punched sheet metal and injection-moulded thermoplastics and **System**, which produces systems, power and automation solutions and assembles complete machines in close collaboration with the customers.

The Group headquarter is located in Västerås, Sweden. AQ has about 4,500 employees in Sweden, Bulgaria, China, Estonia, India, Italy, Lithuania, Mexico, Poland, Thailand and Hungary.

In 2015 AQ had net sales of SEK 2.9 billion.

AQ has the highest credit rating, AAA.



A word from the CEO

First quarter of 2016 was yet another good quarter in regards to results (all time high). However, I want to highlight that we during the first quarter have finished an unusual amount of projects with good contribution margin. I want to underline that the EBIT margin in Q1 shall not be seen as a base for future profit margins.

Our companies in Eastern Europe have good growth and profits. The Swedish companies have a harder time to generate growth. In Sweden AQ Enclosure Systems, who had a loss in Q1 of 2015, has turned around to profit. Our company in India is growing in turnover, but is still not profitable. Our Chinese operations have seen a lower activity with our customers e.g. within the mining industry. Our Mexican company has developed positively and its results have improved compared to 2015.

Our investment to employ a marketing manager at group level, who is developing our sales force, is giving results and is contributing to increasing organic growth. The sales force is also focusing to find synergies in the production of our customers' products by utilizing the different strengths of our different AQ companies.

AQ is financially strong with an equity ratio of 60% despite the large acquisitions of last year. Our acquisition of the well managed and successful Anton Kft. (under name change to AQ Anton) in Hungary is moving forward according to plan. These two factors enable us to continue being active in acquisitions.

The work to transfer our listing from AktieTorget to Nasdaq Stockholm is moving ahead with full speed and is planned to be completed in the later part of the year. A stock exchange auditor has been appointed and we are in the process of putting all required documents in our document management system. We view the work as a positive thing for the group as we at the same time get a structure and an archive of all the important documents and agreements.

Future

My feeling is that we are gaining market share from our competitors in several areas and also are entering new markets.

With fantastic customers and engaged employees I am looking positively at the future with an opportunity to develop AQ to continued growth with stable result level. An important part of this is our core values and our efforts to be a *reliable* supplier to demanding industrial customers.

Claes Mellgren
CEO

Group overview, key figures

Data by quarters

	2016	2015				YTD
	Q1	Q1	Q2	Q3	Q4	
Net turnover, SEK thousands	801 834	715 216	758 819	654 561	803 281	2 931 878
Operating profit, SEK thousands	76 762	51 649	56 269	39 162	54 905	201 985
Profit after net financial items, SEK thousands	76 004	56 136	57 216	43 655	54 728	211 736
Operating margin	9,6%	7,2%	7,4%	6,0%	6,8%	6,9%
Liquid ratio	157%	150%	146%	149%	143%	143%
Debt/equity ratio	60%	62%	61%	62%	58%	58%
Return on total assets 2)	12,6%	12,9%	13,3%	13,1%	12,0%	12,0%
Return on equity excl. Tax 2)	16,0%	16,7%	17,9%	17,3%	15,3%	15,3%
Number of employees in Sweden	815	805	858	903	812	812
Number of employees outside Sweden	3 817	3 149	3 189	3 224	3 706	3 706
Key indicators per share, SEK 1)						
Profit for the year	3,46	2,47	2,61	1,96	2,41	9,44
Equity	68,82	62,06	61,58	64,08	64,86	64,86
Number of shares, thousands	18 034	18 034	18 034	18 034	18 034	18 034

1) There are no agreements that could lead to share dilution.

2) Rolling twelve-month earnings, compared to average equity and average total capital.

Goals

The Board of Directors of AQ Group has set the goals for the Group. The Group is governed with respect to solid profit, high quality and delivery performance, strong growth with a healthy financial risk level. The dividend policy; the dividend corresponds to about 25 % of profit after tax over a business cycle. However, the Group's financial consolidation must always be considered.

	Goals	Jan-Mar 2016
Product quality	100 %	99.6 %
Delivery performance	98 %	95.6 %
Equity ratio	>40 %	60 %
Margin (EBT)	8 %	9.5 %

Group development

First quarter

Net sales for the first quarter was SEK 802 million (715), an increase of SEK 87 million compared to the same period in the previous year. The largest part of increase in turnover can be explained by the acquisition of Anton Kft. last year. Sales in Poland and Bulgaria have also increased.

The organic growth in the first quarter was 3.6% and the growth through acquisitions was 9.7%. The total growth excluding currency effects was 12.1%.

Operating margin (EBIT) in the first quarter was SEK 78 million (52), an increase of SEK 26 million. The increase can be partly explained by the acquisition of Anton Kft. and partly by an unusual number of projects with good operating margin.

Goodwill and immaterial assets have increased with SEK 88 million compared to the same period in the previous year, which is due to the acquisition of Anton Kft.

Net investments of the group in the quarter was SEK 20.5 million (10). Investments in grinding machines were made in Hungary and in injection moulding machines in Sweden and Bulgaria.

Interest bearing debts of the group are SEK 220 million (138) and cash and cash equivalents amount to SEK 148 million (149), which means that the group has a net debt of SEK 72 million. In the same period in the previous year the group had a net cash position of SEK 11 million. The change is due to a loan in conjunction with the acquisition of Anton in quarter four of 2015.

Equity at the end of the period was SEK1 241 million (1 119) for the group.

In conjunction with the liquidation of our Norwegian subsidiary, AQ Wiring Systems AS, accumulated translation differences have had a negative effect on our result. These amounted to SEK 6.7 million and are included in other operating expenses.

Significant events during the quarter

AQ Group AB (publ) has submitted a preliminary application for admission to trading of its shares on Nasdaq Stockholm's main market. The shares of the company have been traded on AktieTorget since 2001. Under the condition that Nasdaq Stockholm approves the application, the intention is to begin trading of the company's shares on Nasdaq Stockholm during the latter part of the year.

Glen Nilsson has been employed as responsible for Investor Relations (IR) as part of the change to Nasdaq Stockholm. Glen has among other things been CFO of Systemair. Systemair is a company which is traded on the Nasdaq Stockholm exchange Mid Cap list.

AQ Plast AB has decided to close down the manufacturing site in Vadstena. The background to the change is to improve the competitiveness of AQ Plast AB by having fewer production sites. Production will be moved from Vadstena to Anderstorp and Västerås. As a consequence of the change a notice of redundancy was given for all 32 employees in Vadstena. The plan is to cease operations in Vadstena during 2016.

Our operations in Mexico is developing positively and is approaching break-even.

In our company in India we have begun deliveries of complex aluminium enclosures to a train manufacturer. The enclosures are welded with our new FSW (Friction Stir Welding) equipment.

We have received a permit for our investment of ED (Electro Discharge) painting equipment in AQ Electric in Radomir, Bulgaria. AQ will have the first ED installation in Bulgaria. It is an investment of about one million Euro. ED is a surface treatment method being used in the automotive industry.

Significant events after the end of the period

There have been no significant events after the end of the period.

Future prospects

The goal of the group is continued profitable growth. The goal for profit after financial items (EBT) is 8%.

The Board of directors are not giving any forecast for turnover or profit. Statements in this report can be perceived as forward looking and the real outcome can be significantly different. In addition to factors mentioned the real outcome can be affected by political events, economic cycles, currency rates, interest rates, competing products and their pricing, product development, commercial and technical difficulties, delivery problems and large credit losses to customers.

Transactions with related parties

There have been no transactions between AQ and related parties during Q1, which has significantly affected the position of the company and its profit.

Risks and uncertainties

AQ is a global company with operations in eleven countries. Within the group there are a number of risks and uncertainties of both operational and financial characteristics, which were described in the annual report of 2015. No additional significant risks have been identified since the annual report of 2015.

The risks that are most evident in a shorter perspective are risks related to interest rates and currency. The exposure to risks related to interest rates are low and relates to the group's financing with credit institutions and are currently with floating interest, connected to the base interest of the bank which is connected to the interest rate of Sweden's central bank.

Transactions and assets and debts in foreign currency are managed centrally within AQ in order to create balance in the respective currency thereby achieving highest possible levelling effect within the group in order to minimize currency differences.

AQ is not buying any direct raw material, but only intermediate goods for further production such as sheet metal of steel and aluminium, cables, insulated wire etc. The risk is minimized through customer agreements with price clauses.

The group's credit risks are mainly connected to receivables from customers.

The mother company is indirectly affected by the same risks and uncertainties.

Nomination committee

The nomination committee before the annual general meeting 2016 consists of P-O Andersson, Claes Mellgren and Johan Hagberg. The task of the nomination committee is to propose Board members and Chairman and remuneration to Board members and auditor to the annual general meeting. For the annual general meeting of 2016 the nomination committee has proposed election of P-O Andersson, Claes Mellgren and Björn Henriksson of Nordea Fonder as members of the nomination committee.

Future reporting dates

Interim report Q2, 2016

July 21, 2016 at 8:30 AM

Interim report Q3, 2016

October 20, 2016 at 8:30 AM

Financial information

The information of this interim report shall be made public according to the Securities Market Act of Sweden. AQ Group AB (publ) is listed on AktieTorget.

The information was made public on April 21, 2016 at 8.30 AM.

This report has not been audited by the company's financial auditors.

Further information about AQ Group AB can be given by:

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Chairman P-O Andersson, telephone +46 70-526 90 77, po.andersson@aqg.se

Financial reports and press releases are published in Swedish and English. If there are discrepancies between the two, the Swedish version shall prevail. They are available at www.aqg.se.

Certification

The Chief Executive Officer certifies that the interim report gives a true and fair overview of the Group's and the parent company's operations, financial position and results and describes material risks and uncertainties facing the parent company and the companies that form part of the Group.

Västerås, April 21, 2016

Claes Mellgren,

CEO

Financial reports, summary

Summary income statement for the Group

SEK thousands	Q1 2016	Q1 2015	Rolling 12 months	
			Q2 2015	Full year 2015
			- Q1 2016	
Net sales	801 835	715 216	3 018 496	2 931 878
Other operating income	11 234	8 261	36 978	34 005
	813 069	723 477	3 055 474	2 965 883
Raw material and consumables	-385 185	-375 913	-1 521 350	-1 478 898
Other external expenses	-105 070	-85 244	-409 396	-389 620
Personnel costs	-209 311	-189 008	-782 345	-762 041
Depreciation and amortisation	-17 898	-14 732	-64 146	-60 980
Other operating expenses	-18 893	-6 931	-51 138	-39 177
	-736 357	-671 828	-2 828 375	-2 730 717
Operating profit	76 712	51 649	227 099	201 985
Net financial income/expense	-758	4 487	4 505	9 751
Profit before tax	75 954	56 136	231 604	211 736
Taxes	-13 542	-11 548	-43 276	-41 283
Profit for the year	62 412	44 588	188 328	170 453
PROFIT FOR THE YEAR ATTRIBUTABLES TO:				
Parent company shareholders	62 332	44 541	188 125	170 283
Non-controlling interests	80	47	203	170
	62 412	44 588	188 328	170 453

Earnings per share 1) 3,46 2,47 10,43 9,44

1) There were no transactions that might result in dilution effects.

Statement of comprehensive income for the Group

SEK thousands	Q1 2016	Q1 2015	Q2 2015	
			- Q1 2016	Full year 2015
PROFIT FOR THE YEAR	62 412	44 588	188 327	170 453
OTHER COMPREHENSIVE INCOME				
Items that cannot be transferred to the profit for the period				
Actuarial gains/losses related to defined benefit pension plans			-219	-219
Items transferred or that can be transferred to the profit for the period				
Translation differences, transferred to the profit for the period	6 737		6 737	
Translation differences, foreign operations	2 208	18 636	-36 745	-20 317
Other comprehensive income for the year after tax	8 945	18 636	-30 227	-20 535
Comprehensive income for the year	71 357	63 224	158 101	149 918
COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:				
Parent company shareholders	71 277	63 177	157 912	149 762
Non-controlling interests	80	47	189	155
	71 357	63 224	158 101	149 918

Summary balance sheet for the group

SEK thousands	31/03/2016	31/03/2015	31/12/2015
ASSETS			
Goodwill	118 573	76 411	117 561
Other intangible assets	54 042	8 432	55 360
Tangible assets	405 976	298 461	402 749
Financial assets	1 994	1 701	2 053
Deferred tax assets	11 735	8 327	7 197
TOTAL NON-CURRENT ASSETS	592 320	393 332	584 920
Inventories	479 432	458 743	485 251
Trade and other receivables	687 538	674 021	670 438
Other current receivables	159 751	122 966	147 876
Cash and cash equivalents	147 810	149 425	135 797
TOTAL CURRENT ASSETS	1 474 531	1 405 155	1 439 362
TOTAL ASSETS	2 066 851	1 798 487	2 024 282
EQUITY AND LIABILITIES			
Equity attributable to parent company shareholders	1 238 674	1 117 648	1 167 429
Non-controlling interests	2 342	1 585	2 307
TOTAL EQUITY	1 241 016	1 119 233	1 169 736
Non-current liabilities to credit institutions	113 449	2 602	121 045
Non-current non-interest-bearing liabilities	78 642	44 468	65 338
Total non-current liabilities	192 091	47 070	186 383
Interest-bearing current liabilities	106 402	135 053	159 866
Trade and other payables	264 363	284 586	273 780
Other current liabilities	262 979	212 545	234 517
Total current liabilities	633 744	632 184	668 163
TOTAL LIABILITIES	825 835	679 254	854 546
TOTAL EQUITY AND LIABILITIES	2 066 851	1 798 487	2 024 282

Statement of changes in Equity for the Group

SEK thousands	Equity attributable to parent company shareholders					Non-controlling interests	Total equity
	Share capital	Other contributed capital	Translation reserve	Retained earnings incl. Profit	Subtotal		
Equity, 01/01/2015	36 068	34 014	44 508	939 040	1 053 631	1 599	1 055 230
Profit for the year				44 541	44 541	47	44 588
Translation differences in foreign operations			19 354		19 354	61	19 415
Remeasurements of defined benefit pension plans							
Other comprehensive income			19 354		19 354	61	19 415
Total comprehensive income			19 354	44 541	63 895	108	64 003
Eget kapital, 31/03/2015	36 068	34 014	63 862	983 582	1 117 526	1 707	1 119 233
Equity, 01/01/2016	36 068	34 014	24 303	1 073 044	1 167 429	2 307	1 169 736
Profit for the year				62 332	62 332	80	62 412
Translation differences, transferred to the profit for the period			6 737		6 737		6 737
Translation differences in foreign operations			2 176		2 176	23	2 199
Remeasurements of defined benefit pension plans							-
Other comprehensive income			8 913		8 912	23	8 936
Total comprehensive income			8 913	62 332	71 244	103	71 348
Changes in non-controlling interests						-68	-68
Transactions with shareholders						-68	-68
Equity, 31/03/2016	36 068	34 014	33 216	1 135 376	1 238 674	2 342	1 241 016

All share, 18 034 058 pcs are A-shares with equal voting rights.

Summary cash flow statement for the Group

(SEK thousands)	Q1 2016	Q1 2015	Full year 2015
Operating profit	76 762	51 649	201 985
Adjustment for items not included in cash flow	36 017	13 474	78 779
Interest/dividend received	1 450	5 238	9 007
Interest paid	-6 201	-719	-3 872
Income tax paid	-18 746	-16 272	-39 605
Cash flow from operating activities before change in working capital	89 282	53 368	246 294
Change in working capital	2 981	-37 141	-80 730
Cash flow from operating activities	92 263	16 227	165 564
Cash flow from investing activities	-20 534	-9 982	-267 754
Cash flow from financing activities	-58 780	-11 749	93 733
Increase/decrease in cash and cash equivalents	12 949	-5 504	-8 457
Cash and cash equivalents at the beginning of the year	135 602	145 744	145 744
Exchange rate difference in cash and cash equivalents	-937	9 185	-1 685
Cash and cash equivalents at the end of the year	147 614	149 425	135 602

Parent company development

Parent company

The parent company, AQ Group AB, focuses primarily on managing and developing the Group. As in previous years, the parent company's turnover consists almost exclusively of the sale of administrative services to subsidiaries. There are no purchases of any substance from subsidiaries.

For the quarter the invoicing was SEK 13.5 million (7.5) and the net profit was SEK 4.2 million (1.7). The parent company has during the period had a liquidation profit of SEK 2.8 million related to the liquidation of the subsidiary in Norway, AQ Wiring Systems AS. The company has been dormant for a longer period.

There has been no divestments of companies during the year.

Summary income statement for the Parent company

SEK thousands	Rolling 12 months			
	Q1 2016	Q1 2015	Q2 2015	Full year 2015
Net sales	13 749	7 511	56 185	50 213
Other operating income				3
	13 479	7 511	56 185	50 216
Other external expenses	-4 393	-2 504	-18 575	-16 685
Personnel costs	-4 747	-3 321	-19 812	-18 386
Depreciation and amortisation		-3	-9	-12
Other operating expenses	-182	-5	-1 714	-1 538
	-9 322	-5 833	-40 110	-36 620
Operating profit	4 157	1 678	16 075	13 596
Net financial income/expense	2 044	1 550	6 994	6 500
Profit before tax	6 201	3 228	23 069	20 096
Appropriations			-6 100	-6 100
Profit before tax	6 201	3 228	16 969	13 996
Taxes	259	-1 420	-2 172	-3 142
Profit for the period	6 460	1 808	14 797	10 854

Summary balance sheet for the Parent company

SEK thousands	31/03/2016	31/03/2015	31/12/2015
ASSETS			
Tangible assets		9	
Financial assets	610 359	359 292	662 250
Deferred tax assets	2 314		690
TOTAL NON-CURRENT ASSETS	612 673	359 301	662 940
Other current receivables	155 910	165 253	168 390
Cash and cash equivalents		25 792	
TOTAL CURRENT ASSETS	155 910	191 045	168 390
TOTAL ASSETS	768 583	550 346	831 330
EQUITY AND LIABILITIES			
Equity	273 213	294 485	266 752
Untaxed reserves	41 300	36 000	41 300
Interest-bearing non-current liabilities	112 198		119 681
Total non-current liabilities	112 198		119 681
Interest-bearing current liabilities	61 793		105 277
Trade and other payables	1 315	1 101	1 648
Other current liabilities	278 764	218 760	296 672
Total current liabilities	341 872	219 861	403 597
TOTAL LIABILITIES	454 070	219 861	523 278
TOTAL EQUITY AND LIABILITIES	768 583	550 346	831 330

Notes

Note 1. The drawing up of the interim report

The summary interim report has been prepared in accordance with the Swedish Annual Accounts Act as well as IFRS, applying IAS 34, Interim Financial Reporting. The interim report for the parent company has been prepared in accordance with Swedish Annual Accounts Act, chapter 9 Interim report. For the group and the parent company the accounting and valuation principles applied are the same as used in the latest annual report.

Note 2. Segment reporting

The Group operates in two business segments: *Component*, which produces transformers, wiring systems, mechanical components, punched sheet metal and injection-moulded thermoplastics and *System*, which produces systems, power and automation solutions and assembles complete machines in close collaboration with the customers.

Q1 2016	Component	System	Unallocated and eliminations	Group
Total net turnover	671 323	216 651	-86 139	801 835
Material costs, excl. purchases own segment	-331 654	-142 689	89 158	-385 185
Depreciation	-16 898	-1 000		-17 898
Other operating expenses/income	-263 727	-43 470	-14 843	-322 040
Operating profit	59 044	29 492	-11 824	76 712
Net financial items			-758	-758
Profit before tax	59 044	29 492	-12 582	75 954
Other comprehensive income plus tax			-4 597	-4 597
Comprehensive income for the year	59 044	29 492	-17 179	71 357
Q1 2015				
Total net turnover	572 828	213 444	-71 056	715 216
Material costs, excl. purchases own segment	-291 494	-154 750	70 331	-375 913
Depreciation	-12 780	-1 229	-723	-14 732
Other operating expenses/income	-221 610	-48 982	-2 330	-272 922
Operating profit	46 944	8 483	-3 778	51 649
Net financial items			4 487	4 487
Profit before tax	46 944	8 483	709	56 136
Other comprehensive income plus tax			7 088	7 088
Comprehensive income for the year	46 944	8 483	7 797	63 224

The total net sales of the first quarter was SEK 671 million (573) for Component and SEK 217 million (213) for System. The increase of Component of SEK 98 million is mainly due to the acquisition of Anton Kft.

Operating profit (EBIT) in the first quarter was SEK 59 million (47) for Component, which was SEK 12 million better than the same period last year. The reason for the improvement is mainly due to the acquisition of Anton Kft. Operating profit (EBIT) for System was SEK 29 million (8). Lower personnel costs in AQ Enclosure has affected EBIT positively both for System and Component.

Note 3. Personnel

Number of employees (full time yearly equivalents) in the Group per country:

	March 2016	Dec 2015	Dec 2014
Bulgaria	990	966	903
Sweden	815	812	827
Lithuania	671	647	610
China	527	539	557
Poland	561	508	482
Hungary	420	411	0
Estonia	385	379	320
India	143	146	96
Mexico	100	94	101
Thailand	16	12	0
Italy	4	4	4
	4 632	4 518	3 900

Note 4. Acquisitions

There has been no acquisitions or divestments during the period.

Note 5. Financial instruments

Financial instruments that are shown in the balance sheet include on the assets side mainly cash or cash equivalents, receivables from customers and other receivables. On the liabilities side they consist mainly of payables to suppliers, other payable and credit debts.

Real value is not separately shown as it is our assessment that the values shown are an acceptable estimation of the real value because of the short terms.

The Group is only in exceptional cases using derivatives to reduce currency risks. As per March 31 the market value of the derivatives was SEK 3.4 million (0) valued according to level 2.

Note 6. Events after end of the reporting period

Information about events after the end of the reporting period are presented on page 6.

WE ARE RELIABLE

Customer
focus

The customer always comes first. By making life easier for our customers and "going the extra mile", we lay the foundation for long-term collaboration.

Simplicity

We do our day-to-day work without complexity or bureaucracy. Everything we do adds customer value.

Entre-
preneurial
spirit

With our values as a starting point, companies within AQ shall run their business as entrepreneurs and strive to achieve profitability and growth.

Courage
and
respect

We have the courage to go our own way – we stand up for our beliefs and are prepared to make tough decisions, give constructive feedback and admit our own mistakes. We treat others as we like to be treated ourselves.

Cost
efficiency

We satisfy our customers' demands in the most cost-efficient way possible and work with continuous improvements.