



Västerås 02/18/2016

AQ Group AB (publ), Year-end report 2015

**WE ARE
RELIABLE**



www.aqg.se

Fiscal year 2015, in brief

- Highest profit and turnover in the history of the group
- Net sales SEK 2,932 million (2,616)
- Operating profit (EBIT) SEK 202 million (183)
- Profit after financial items (EBT) SEK 212 million (187)
- Equity ratio 58% (63)
- Earnings per share after tax SEK 9.45 (8.34)
- The Board proposes a dividend of SEK 2.25 (2.00)

Fourth quarter, October – December 2015, in brief

- The acquisition of Anton Kft. complements AQs customer base
- Net sales SEK 803 million (703)
- Operating profit (EBIT) SEK 55 million (65)
- Profit after financial items (EBT) SEK 55 million (68)
- Earnings per share after tax SEK 2.41 (3.22)

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: **Components**, 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

After closing the books for 2015 we can see that, since the start of October 1, 1994, i.e. for 21 years we have increased the turnover every year. We have shown profit in each of the 85 quarters! This year we have again the highest turnover and profit in the history of the company.

Our companies in Eastern Europe and China continue to show good growth and profitability. The Swedish companies have more difficulties to generate growth and our companies in Mexico and India still show losses.

We have appointed new MD:s in Mexico and India during 2015. A joint effort between group management and our business areas is ongoing to support a faster development of our companies in India and Mexico.

In the Swedish operations we have taken actions to reduce the workforce in Sweden with more than 100 people.

Our acquisition on November 1 of the well managed and successful Anton Kft. in Hungary gives increased opportunities for the future. Anton Kft. is a leading supplier in machining of parts of difficult materials for gas turbines, in production of complex injection moulding parts and in engineering and production of tools. We are complementing AQ's customer base with exciting customers like Bosch, General Electric and Siemens.

Since June of 2015 we have a marketing manager in group management, who is working to develop our sales people to increase organic growth.

AQ continues to be financially strong with an equity ratio of 58% despite the large acquisitions of last year. If we were not to do any new acquisitions we should again have no net debt at the end of 2016.

The work to switch stock exchange from AktieTorget to Nasdaq Stockholm is ongoing with full effort. Agreements have been signed with suppliers of legal and tax due diligence and the work to produce the prospectus has started.

Future

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

Claes Mellgren, CEO

Group overview, key figures

Group

MULTI-YEAR OVERVIEW

The trend over the last five years is shown below.

	2015	2014	2013	2012	2011
Net turnover, SEK thousands	2 931 878	2 616 097	2 527 372	2 162 033	2 149 541
Operating profit, SEK thousands	201 985	182 586	159 795	116 997	122 264
Profit after net financial items, SEK thousands	211 736	186 652	156 492	118 573	119 989
Operating margin	6,9%	7,0%	6,3%	5,0%	6,0%
Liquid ratio	149%	145%	122%	107%	129%
Debt/equity ratio	58%	63%	56%	54%	63%
Return on total assets	12,0%	11,8%	10,7%	11,0%	11,0%
Return on equity excl. tax	15,3%	15,5%	14,8%	13,0%	14,0%
Number of employees in Sweden	812	827	853	847	829
Number of employees outside Sweden	3 706	3 073	2 632	2 456	1 816
Key indicators per share, SEK 1)					
Profit for the year	9,45	8,34	6,83	5,47	5,22
Dividend 2)	2,25	2,00	1,60	1,30	1,30
Equity	64,86	58,51	49,10	43,45	38,48
Number of shares, thousands	18 034	18 034	18 034	18 034	17 959

1) Adjusted for bonus issue and split (there are no agreements that could lead to share dilution).

2) Proposal presented to AGM for year in question.

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 needs must always be considered.

	Goals	2015
Product quality	100 %	99,7 %
Delivery performance	98 %	96,4 %
Equity ratio	>40 %	58 %
Margin (EBT)	8 %	7,2 %

Group development

Fiscal year 2015 and fourth quarter

Net sales for the fiscal year was SEK 2,932 million (2,616), an increase of SEK 316 million compared with previous year.

Net sales in the fourth quarter was SEK 803 million (703), an increase of SEK 100 million compared with the same period previous year.

The organic growth for the full year was 5% and the growth through acquisitions was 2%, which makes the total growth 7% excluding currency effects for the full year.

Operating margin (EBIT) in the fourth quarter was SEK 55 million (65). Operating margin (EBIT) for the year was SEK 202 million (183), an increase with 10 %.

Equity at year-end was SEK 1,170 million (1,055) for the group.

Significant events during the fiscal year

A three year contract was signed between AQ Electric in China and Bombardier CPC propulsion for the deliveries of transformers and inductors for 13 metro lines in China. The total value of the contract is SEK 130 million. This has been made possible thanks to the excellent designs made by the AQ design teams in Italy and Sweden, in combination with AQ's global manufacturing footprint for inductive components in China, Bulgaria and India. Currently AQ is supplying transformers and inductors to a majority of the metro projects that are in progress in China.

AQ Enclosure Systems AB, with operations in Vaggeryd, Falköping and Kista, made a reduction in force of 55 of a total of 167 employees during the first quarter. The reduction affected only the Vaggeryd unit. The background to the reduction was reduced volumes and a changed competitive market situation. The purpose of the actions is to make the Vaggeryd unit competitive with a new business model within automated sheet metal production and to use our factories in Eastern Europe for more labor intensive products. AQ Enclosure Systems AB in Vaggeryd offers development, design and manufacturing of thin sheet metal products to customers with high requirements on quality and finish.

The business activities of AQ Mekatronik AB in Västerås and Bollnäs was transferred to AQ Elautomatik AB. The background to the change was reduced volumes and changed competitive market situation. In conjunction with the transfer, AQ Elautomatik's operations in Surahammar was moved to Västerås to former AQ Mekatronik's premises. The change led to a reduction in force of 18 employees.

The group's profit during the second quarter was affected by a restructuring cost of SEK 8.7 million. This cost was due to the reduction in force and unused premises in conjunction with the structural changes in AQ Enclosure Systems AB in Vaggeryd, AQ Mekatronik AB in Västerås and AQ Elautomatik AB in Surahammar.

On June 30, 2015, AQ Elteknik AB bought 100 % of the shares of Anton Johanssons Rostfria Verkstads AB. The purchase price was SEK 5.8 million and the transaction was made as a cash transaction. The takeover took place on July 1, 2015. Anton Johanssons Rostfria Verkstads AB has a turnover of approximately SEK 30 million and employs 24 people. The company manufactures components in stainless steel to customers with special and unique requirements e.g. to the laboratory and medical device industry. The company has changed its name to AQ M-Tech AB.

During the second quarter James Ahrgren joined group management responsible for marketing and sales in the group

For 15 years, AQ Holmbergs Suzhou, which is a wholly-owned subsidiary of AQ Group, has successfully produced mechanical components and assemblies for customers in the telecom sector at its plant in Suzhou, China. Several of AQ Group customers that have manufacturing units in Thailand have expressed a desire for AQ to expand the operations close by in order to further strengthen our partnership. Therefore, AQ Group has started up a manufacturing in Thailand, with metal stamping and assembly processes as its first step. The new company, AQ Manufacturing Co. Ltd., is a wholly-owned subsidiary of AQ Holmbergs Suzhou. The company will initially focus on the telecom industry. The company now has about twenty employees, a few stamping machines and is leasing premises in the outskirts of Bangkok. The company is led from AQ Holmbergs in China.

A big effort is ongoing to produce components for a new truck for a big customer. About one hundred tools for injection moulding and sheet metal pressing are under development. No sales of any of the components is expected until second half of 2016.

A new robotized tube bending machine of SEK 4 million is in operation at AQ Segerström in Eskilstuna. Investments of about SEK 10 million in two new injection moulding machines, a smaller 200 ton with 2k (two component) and a larger 1500 ton in AQ Plast in Västerås and Anderstorp respectively.

In the beginning of November AQ Group AB acquired 100% of the shares of Anton Kft. in Zalaegerszeg, Hungary. The purchase price was EUR 25 million and the transaction was made as a cash transaction, partly financed with a SEK 150 million bank loan. Anton Kft. has no interest-bearing credits and has an equity ratio of 73%. Anton Kft. is a leading supplier in part machining for industrial gas turbines (IGT), in production of complex injection moulding parts and in engineering and production of tools. The company has net sales of about EUR 25 million and is expected to significantly contribute to the earnings per share of AQ Group. Anton Kft. employs about 400 people and owns real estate with about 10,000 m² of production space. Among the customers are Bosch, General Electric and Siemens. The acquisition was made to gain competence in the advanced machining of parts for demanding customers and to broaden AQ Group's market and production technology in injection moulding and engineering of tools. The group had non-recurring costs related to the acquisition which affected the profit in November and December. Anton Kft. contributed to the group's profit with about SEK 2 million in 2015. During January 2016 the profit of the company is according to plan.

Significant events after the end of the period

AQ Plast AB is in the process of closing down the manufacturing site in Vadstena. The background to the change was 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.

AQ Wiring Systems in Lithuania was awarded the prestigious prize "Gazell". Out of 4 042 nominated companies which show sustainable profitable growth, our AQ company was among the top ten. The prize was presented by Dalia Grybauskaitė, President of Lithuania.

Future prospects

The goal of the group is continued profitable growth. The goal for profit after financial items 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

During 2015 AQ Group has payed dividends of SEK 36,068,116 to its shareholders. There has been no other transactions between AQ and related parties, 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 2014. No additional significant risks have been identified since the annual report of 2014.

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.

Future reporting dates

Interim report Q1, 2016	April 21, 2016 at 8:30 AM
Interim report Q2, 2016	July 21, 2016 at 8:30 AM
Interim report Q3, 2016	October 20, 2016 at 8:30 AM

The Annual Report for 2015 will be available at www.aktietorget.se from March 24, 2016.

The Annual General Meeting will be held April 21, 2016 at 18:00 hours at Öster Mälarstrands Krog, Strandtorget 1, in Västerås.

Financial information

AQ Group AB (publ) is listed on AktieTorget.

This information was made public on February 18, 2016 at 8:30 AM.

For further information about AQ Group AB through:
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Chairman P-O Andersson, telephone +46 70-526 90 77, po.andersson@aqq.se

Financial reports and press releases are published in Swedish and English. They are available at www.aqq.se

Certification

The Board and the Chief Executive Officer certifies that the year-end report gives a true and fair overview of the 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, February 18, 2016
Claes Mellgren, CEO

This report has not been subject to review by the auditors of the Group.

Financial reports, summary

Summary Income Statement and Statement of Comprehensive Income for the Group

(SEK thousands)	Q4 2015	Q4 2014	Full year 2015	Full year 2014
Net sales	803 281	703 448	2 931 878	2 616 097
Other operating income	14 223	11 034	34 005	23 229
Operating expenses	-762 599	-649 090	-2 763 897	-2 456 740
Operating profit	54 905	65 392	201 985	182 586
Net financial income/expense	-177	2 996	9 751	4 066
Profit before tax	54 728	68 389	211 736	186 652
Taxes	-11 295	-10 263	-41 283	-36 175
Profit for the period	43 434	58 126	170 453	150 477
Profit for the period attributable to:				
- Parent company shareholders	43 495	57 958	170 283	150 012
- Non-controlling interests	-61	168	170	465
	43 434	58 126	170 453	150 477
Other comprehensive income 2)	-29 497	17 439	-20 535	47 667
Comprehensive income for the period	13 936	75 565	149 918	198 143
Comprehensive income for the period attributable to:				
- Parent company shareholders	14 090	75 342	149 867	197 573
- Non-controlling interests	-153	223	51	570
	13 936	75 565	149 918	198 143
Earnings per share 1)	2,41	3,22	9,45	8,34
Net margin (EBT) %	6,8%	9,7%	7,2%	7,1%

1) Earnings per share attributable to parent company shareholders.

2) Mainly related to translation differences in foreign operations, see report of changes in equity.

Summary Balance Sheet for the Group

(SEK thousands)	31/12/2015	31/12/2014
Assets		
Intangible assets	172 921	84 927
Tangible assets	402 749	299 007
Financial assets	9 250	9 593
Total non-current assets	584 920	393 528
Inventories	485 252	447 945
Current receivables	818 314	691 507
Short term investments	195	
Cash and cash equivalents	135 602	145 744
Total current assets	1 439 362	1 285 196
Total assets	2 024 282	1 678 724
Equity and liabilities		
Equity attributable to parent company shareholders	1 167 429	1 053 631
Non-controlling interests	2 307	1 599
Total equity	1 169 736	1 055 230
Interest-bearing non-current liabilities	151 045	3 256
Non-current non-interest-bearing liabilities	65 338	44 626
Total non-current liabilities	216 382	47 882
Interest-bearing current liabilities	129 866	143 656
Other current liabilities	508 297	431 955
Total current liabilities	638 164	575 612
Total liabilities	854 546	623 494
Total equity and liabilities	2 024 282	1 678 724
Debt/equity ratio	58%	63%

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, 01/01/2014	36 068	34 014	-3 743	818 648	884 987	415	885 402
Profit for the year				150 012	150 012	465	150 477
Translation differences in foreign operations			48 251		48 251	140	48 391
Actuarial gains/losses on defined benefit pension plans				-766	-766	-34	-800
Other comprehensive income			48 251	-766	47 485	106	47 591
Changes in non-controlling interests						614	614
Dividends paid				-28 854	-28 854		-28 854
Transactions with shareholders				-28 854	-28 854	614	-28 240
Equity, 01/01/2015	36 068	34 014	44 508	939 040	1 053 631	1 599	1 055 230
Profit for the year				170 283	170 283	170	170 453
Translation differences in foreign operations			-20 205		-20 205	-112	-20 316
Actuarial gains/losses on defined benefit pension plans				-212	-212	-7	-219
Other comprehensive income			-20 205	-212	-20 416	-119	-20 535
Changes in non-controlling interests						657	657
Dividends paid				-36 068	-36 068		-36 068
Transactions with shareholders				-36 068	-36 068	657	-35 412
Equity, 31/12/2015	36 068	34 014	24 303	1 073 043	1 167 429	2 307	1 169 736

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

Cash flow Statement for the Group

(SEK thousands)	Full year 2015	Full year 2014
Operating profit	201 985	182 586
Adjustment for items not included in cash flow	72 239	71 062
Interest/dividend received	9 007	9 883
Interest paid	-3 872	-5 739
Income tax paid	-39 605	-41 992
Cash flow from operating activities before change in working capital	239 754	215 800
Change in working capital	-80 730	92 243
Cash flow from operating activities	159 023	308 043
Cash flow from investing activities	-261 213	-105 054
Cash flow from financing activities	93 733	-136 116
Increase/decrease in cash and cash equivalents	-8 457	66 873
Cash and cash equivalents at the beginning of the year	145 744	67 566
Exchange rate difference in cash and cash equivalents	-1 685	11 305
Cash and cash equivalents at the end of the year	135 602	145 744

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 virtually exclusively of the sale of administrative services to subsidiaries. There are no purchases of any substance from subsidiaries.

During 2015 the parent company has borrowed CNY 65 million from AQ Holmbergs Suzhou Co. Ltd. The parent company has secured the internal CNY loans.

For 2015 the invoicing was SEK 50 million (51) and the net profit was SEK 13.6 million (25). The parent company has both received and paid group contribution to/from some of the Swedish subsidiaries during 2015.

The parent company has acquired the shares of Anton Kft. at the end of the year. The purchase price was EUR 25 million and was a cash transaction. The acquisition was partially financed with a bank loan of MSEK 150 million.

There has been no disposition of companies during the year.

Summary Income Statement for the Parent company

(SEK thousands)	Q4 2015	Q4 2014	Full year 2015	Full year 2014
Net sales	22 325	17 749	50 213	51 236
Other operating income			3	3
Operating expenses	-10 043	-5 626	-36 621	-26 257
Operating profit	12 282	12 122	13 596	24 982
Net financial income/expense	229	4 359	6 500	8 073
Profit before tax	12 512	16 482	20 095	33 055
Appropriations	-6 100	-19 416	-6 100	-19 671
Taxes	-1 473	1 000	-3 142	-3 239
Profit for the period	4 938	-1 934	10 854	10 146

Summary Balance Sheet for the Parent company

(SEK thousands)	31/12/2015	31/12/2014
Assets		
Tangible assets		12
Financial assets	662 941	355 716
Total non-current assets	662 941	355 728
Current receivables	64 646	156 258
Cash and cash equivalents	135 462	22 352
Total current assets	200 109	22 352
Total assets	863 050	534 338
Equity and Liabilities		
Equity	266 752	291 967
Appropriations	41 300	36 000
Interest-bearing non-current liabilities	149 681	
Total non-current liabilities	149 681	
Interest-bearing current liabilities	392 936	6 659
Other current liabilities	12 380	199 712
Total current liabilities	405 316	206 371
Total liabilities	554 997	206 371
Total equity and liabilities	863 050	534 338
Debt/equity ratio	31%	55%

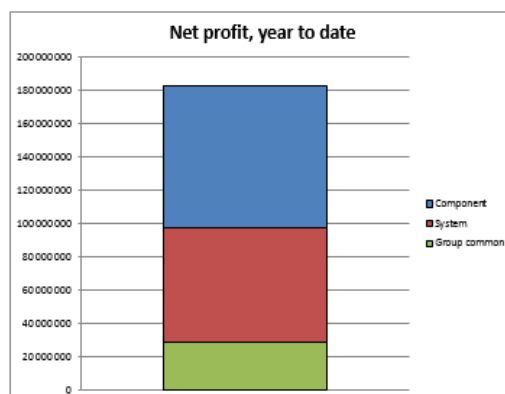
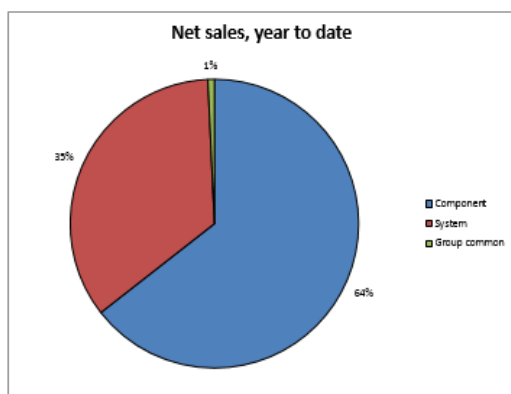
Notes

Note 1. The drawing up of the interim report

The 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

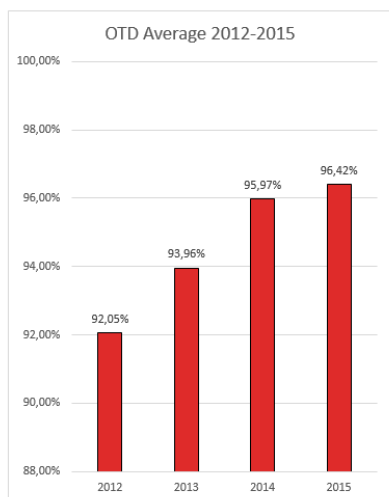
The Group operates in two business segments: *Components*, which produces transformers, wiring systems, mechanical components, punched sheet metal and injection-moulded thermoplastics and *System*, which produces systems, power and automation solutions and assembles complete machines in close collaboration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



Income statement SEK million	Component		System		Group common		Total	
	Full Year 2015	Full Year 2014	Full Year 2015	Full Year 2014	Full Year 2015	Full Year 2014	Full Year 2015	Full Year 2014
Net Sales	1 910	1 686	960	911	62	19	2 932	2 616
Operating profit (EBIT)	113	85	66	69	23	29	202	183
Net finance							10	4
Profit before tax (EBT)							212	187
Profit before tax margin (EBT)							7,2%	7,1%

Note 3. Quality and delivery precision

AQ Group has during a few years worked with a group wide improvement program for product quality and delivery precision. Delivery precision (OTD) has been measured in percentage of order rows delivered according to confirmed delivery time.



Note 4. Personnel

Number of employees in the Group per country:

	2015	2014
Bulgaria	966	903
Sweden	812	827
Lithuania	647	610
China	539	557
Poland	508	482
Hungary	411	0
Estonia	379	320
India	146	96
Mexico	94	101
Thailand	12	0
Italy	4	4
	4 518	3 900

Note 5. Acquisitions

AQs strategy is to grow in all business areas.

Acquisitions the last 12 months:

Date	Acquisition	Turnover (MSEK)*	Employees*
June 30, 2015	Anton Johanssons Rostfria	30	24
November 1, 2015	Anton Kft.	240	400

* Annual turnover and number of employees at the time of acquisition.

On November 1, 2015 the group acquired 100% of the shares in the private company Anton Kft for SEK 235.2 million paid in cash. A presentation of its business can be found on page 6.

During the two months until December 31, 2015 the subsidiary contributed with SEK 39.9 million in sales and SEK 2.3 million to the group's profit after tax. If the acquisition had been made on January 1, 2015 i.e. included January to October, the group management is estimating that the group's turnover would have been SEK 202.7 million higher and the profit SEK 28.5 million higher for the full year ending December 31, 2015.

Effects of acquisitions in 2015 (Preliminary acquisition analysis)

The acquired company's net assets at time of acquisition:

(SEK million)

Intangible assets	51,6
Tangible assets	88,5
Working capital	24,3
Liquid funds	51,8
Provisions	-3,7
Net loans	-1,3
Tax liability	-21,5
Consideration paid	235,2
Goodwill	45,5
Cash flow effect	
Consideration paid	235,2
Liquid funds in the acquired company	51,8
	183,4

Acquired immaterial assets refer to customer relations and technology. Goodwill includes synergy effects in more efficient production processes and the technical knowledge of the employees. No part of the goodwill is expected to be tax deductible. Acquisition related costs are SEK 0.4 million.

100% of the shares of Anton Johanssons Rostfria AB was acquired on June 30, 2015.

A presentation of its business can be found on page 5. The purchase price was SEK 5.8 million and net assets were valued at SEK 5.3 million. The over value of SEK 0.46 million is all allocated to goodwill in the form of production processes and the technical knowledge of the employees.

There has been no disposition of companies during the period.

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.