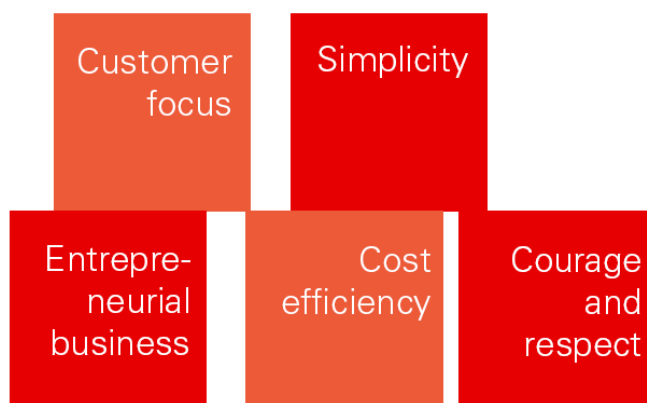




Västerås, April 26, 2018

AQ Group AB (publ), First quarter, 2018

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First quarter, January – March 2018 in brief

- Continued good growth, but improvement work is still required concerning margins and cash flow
- Net sales increased by 8.8 % to SEK 1 090 million (1 002)
- Operating profit (EBIT) decreased by 17.6 % to SEK 72 million (87)
- Profit after financial items (EBT) decreased by 25.8 % to SEK 68 million (92)
- Profit margin before tax (EBT %) was 6.3 % (9.2)
- Cash flow from operating activities increased by 129 % to SEK 35 million (15)
- Equity ratio 61 % (60)
- Earnings per share after tax decreased by 25.3 % to SEK 3.13 SEK (4.19)

Group overview, key figures

	2018		2017				Full year
	Q1	Q1	Q2	Q3	Q4		
Net turnover, SEK thousands	1 090 122	1 001 898	1 077 380	923 142	1 017 321	4 019 740	
Operating profit (EBIT), SEK thousands	71 539	86 813	74 397	63 562	38 510	263 282	
Profit after net financial items (EBT), SEK thousands	68 397	92 258	70 478	61 295	31 797	255 828	
Operating margin (EBIT %)	6,6%	8,7%	6,9%	6,9%	3,8%	6,5%	
Profit margin before tax (EBT %)	6,3%	9,2%	6,5%	6,6%	3,1%	6,4%	
Liquid ratio	126%	142%	140%	139%	125%	125%	
Debt/equity ratio	61%	60%	60%	62%	61%	61%	
Return on total assets ²⁾	8,8%	13,2%	12,3%	12,6%	10,3%	10,3%	
Return on equity after tax ²⁾	11,2%	18,0%	16,4%	16,1%	13,2%	13,2%	
Number of employees in Sweden	973	1 021	1 065	1 066	1 043	1 043	
Number of employees outside Sweden	4 615	4 198	4 319	4 414	4 505	4 505	
Key indicators per share, SEK ¹⁾							
Profit for the period	3,13	4,19	3,20	2,77	0,97	11,14	
Equity	96,18	84,38	84,85	86,37	89,82	89,82	
Number of shares, thousands	18 294	18 294	18 294	18 294	18 294	18 294	

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

²⁾ Calculated based on 12 months rolling amounts.

A word from the CEO



Market

Profit margin 6.3% and cash flow in the first quarter is higher than the fourth quarter of 2017 (3.1%), but we have some way to go.

The first quarter 2018 was our 94th consecutive quarter with profit. As I have mentioned earlier, the first quarter of 2017 had some unusually profitable projects.

Increasing inventory is still a challenge.

We must continue the work to improve our margins. In the first quarter our profit margin before tax (EBT %) was 6.3 %. Our goal is 8 % which means that we are below our goal. We have some subsidiaries, which have had problems with profitability for a longer time. We have now increased the pace to correct this.

AQ Welded Structures, with production in Ludvika, has shown losses for a long time, and also for the first quarter this year. Actions to wind down the company and to transfer products to a number of other subsidiaries are ongoing. Operations are expected to be discontinued during the year.

During the period our customers in China in e.g. telecom have decreased their sales, which has caused decreased volumes and sharply reduced earnings from AQ in China. The global demand of large gas turbines has decreased, which has affected our company in Hungary negatively. On the positive side we have started to deliver to smaller gas turbines and doing repair of components for jet engines. The company in Thailand has decreasing volumes in telecom and continues to show losses.

We continue to have problems with profitability in our sheet metal and plastic components business to commercial vehicles in Sweden. The ongoing action program has given minor improvements, but it will take more time to get the business to a satisfactory profitability.

There is an economic expansion in the industry. Several of AQ's leading industrial customers show good growth, which partly explains our continued high organic growth. In parallel I believe that we are gaining market shares in several business areas. Our company in Mexico has a new managing director and they are planning to move to new and larger premises during June. Our business in the medical technology sector is growing and is developing well. During the quarter we have complemented the business with a minor acquisition, which strengthens our position in the area.

Our company in India is growing and is approaching break-even. Our business in inductive components in India is expanding heavily going forward and because of this we have chosen to move this business into a separate company for increased focus.

In the first quarter we have seen raw material prices continue to increase and during April the price of aluminium has increased with 20%! We have improved in transferring higher prices of raw material to our customers, but further actions are required.

During the first quarter we continued to have challenges with increased lead-time of raw material and components, which causes delays of deliveries to our customers. This cost a lot of money in express transports, overtime and extra personnel. However, the biggest cost is that it affects our customers' confidence and it's contrary to our value "We are reliable".

Inventory has continued to grow significantly quicker than the growth of our sales. The work with a specific inventory reduction project is well under way with the first subsidiary. It's important that we achieve a better way of working as well as building increased competence in this area.

Acquisitions

Acquisitions are a significant part of AQ's strategy to strengthen the presence and ability in the product areas and geographical areas where we see opportunities for growth and improved profitability. Another central part of the acquisition strategy is to follow our customers to new geographical regions.

On April 3 we acquired Mecnova Oy with a factory in Nivala, Finland and Mecnova Oü with a factory in Pärnu, Estonia. Mecnova has a good reputation among the customers, but has suffered with a weak balance sheet. The operations in Estonia complements AQ's operations in Pärnu in a very good way. We are also happy to get a company on the growing Finnish market.

Organisation

Our focus is always to adapt to customers' requirements and real demands. It's a strategy we will continue to follow, to be fast movers and adaptable no matter of market conditions.

Our organisation is built on entrepreneurship, which is a foundation in our core values.

Outlook

We continue working to eliminate our sources of loss, transfer increased material prices to our customers and reducing our capital tied up in inventory.

Our guideline is to be a stable, growing and profitable company long term. We have a strong financial position and we have entrepreneurs working in our subsidiaries. We like doing business. We have customer focus. Our employees and leaders are doing a good job and it will also in the future give new business and a stable profit.

AQ is well positioned for new acquisitions from a financial as well as from a management view. With strong relations to world leading customers and engaged employees we shall work hard with continued growth, cash flow and a stable profit level. An important part of this is our core values and our efforts to be a reliable supplier to leading industrial customers.

Claes Mellgren
CEO

Group's financial position and results

First quarter

Net sales for the first quarter was SEK 1 090 million (1 002), an increase of SEK 88 million compared to the same period in the previous year. The increase in turnover can be explained by a generally good state of the market and that we are gaining market share. The total growth in the quarter was 8.8 %, of which organic growth 6.7 %, growth through acquisitions 0 % and currency effects of 2.1 %. The currency effect of 2.1 % corresponds to about SEK 21.2 million and is mainly with the currencies PLN, EUR and BGN. The currencies CNY, INR and MXN have had a negative currency effect during the quarter.

Operating margin (EBIT) in the first quarter was SEK 72 million (87), a decrease of SEK 15 million. The decrease can mainly be explained by the unusually profitable projects during first quarter 2017 are no longer running. A couple of companies in the business area Sheet Metal Processing, the company in Thailand and a company in China are performing worse than the previous year. We have continued low profitability in a couple of Swedish factories who are delivering to the automotive industry.

Goodwill and other intangible assets have increased during the first quarter with SEK 2.3 million compared to the first quarter of 2017, an increase due to overvalues, currency translation effects and depreciation of technology and customer relations.

Investments in tangible assets in the quarter in the group were SEK 17 million (20). Investments were made in metal machining equipment and a machine for manufacturing of wiring harnesses.

Interest bearing liabilities of the group are SEK 258 million (241) and cash and cash equivalents amount to SEK 155 million (125), which means that the group has a net debt of SEK 103 million. In the same period last year, the group had net debt of SEK 116 million.

Cash flow from operating activities was SEK 35 million (15). The positive cash flow from operating activities are due to activities to release working capital.

Cash flow from investing activities was SEK -19 million (-21), which relates to investments in fixed assets.

Cash flow from financing activities was SEK -10 million (-32) which relates to amortizations of bank loans and decreased usage of overdraft facility.

Equity at the end of the period was SEK 1 759 million (1 544) for the group.

Significant events during the first quarter

In order to give the give the respective operations full customer focus and an enhanced P&L responsibility, a new company, AQ Special Sheet Metal AB, has acquired the operations in Lyrestad and Pålshoda from AQ Segerström & Svensson AB.

On February 22, 2018, company management of AQ Welded Structures AB called for negotiations with the unions for a restructuring of the company, which has 51 employees.

The Board of Directors of AQ Group has appointed Anders S Carlsson as new President and CEO. Anders will assume the position latest September 1, 2018, replacing one of AQ's founders, Claes Mellgren.

Significant events after the end of the period

AQ Group AB has on April 3, 2018 signed an agreement to acquire 100% of the shares of Mecanova Oy in Nivala, Finland with the subsidiary Mecanova Oü in Pärnu, Estonia. The purchase price for the shares was EUR 1.1 million. The takeover took place on the same day. Mecanova is a supplier of sheet metal and copper components for demanding industrial customers. The company has net sales of about EUR 17 million and employs about 160 people. The purpose of the acquisition is to extend AQ's customer base, to give a presence in Finland, to broaden our offering in sheet metal processing and copper component manufacturing and to obtain synergies with our current factory in Pärnu.

Goals

The goal of the group is continued profitable growth. 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.

The board of directors of AQ Group has set goals for the group. The goals mean that the group is managed towards good profit, high quality and delivery precision with strong growth and a healthy financial risk level. The dividend policy is to have dividends corresponding to about 25 % of profit after tax over a business cycle. However, the Group's financial consolidation must always be considered

	Goal	Jan-Mar 2018
Product quality	100 %	99.5 %
Delivery precision	98 %	89.6 %
Equity ratio	>40 %	61 %
Profit margin before tax, (EBT %)	8 %	6.3 %

Transactions with related parties

The parent company has a related party relationship with its subsidiaries. There are some sales activities concerning goods between the operating group companies. The parent company is charging a management fee to the subsidiaries. All invoicing is according to market level prices and results in claims and debts between the companies which are settled regularly. There are some long-term loans between the parent company and a few subsidiaries. These loans are given with market level interest rates. Most companies in the group are part of cash pool in the parent company. The companies are charged/given interest rates at market level.

During 2017, AQ Group AB has paid SEK 50.3 million in dividends to its shareholders. There have been no other transactions between AQ and closely related parties which significantly affected the position or result of the company. There are no loans to members of the board of directors nor to anyone in leading positions.

At the annual general meeting on April 27, 2017 it was decided that a yearly fee of SEK 160 000 shall be paid to the members of the board of directors and a fee of SEK 400 000 to the chairman of the board. For the chairman of the Audit Committee, the remuneration shall be SEK 70,000 and to the other members of the Audit Committee, SEK 40,000. For the chairman of the Remuneration Committee, the remuneration shall be SEK 50,000 and to the other members of the Remuneration Committee, SEK 30,000. There are no other remunerations to the board of directors. There is no remuneration paid after a board assignment is completed.

People in management positions are paid a fixed salary and a variable element calculated in % of the group's profit maximized to one-year salary. There are no other benefits in addition to pension benefits for work performed via the employment contract. In individual cases and where there is special justification, the Board shall have the option of deviating from the above guidelines.

Risks and uncertainties

AQ is a global company with operations in thirteen 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 2017. No additional significant risks have been identified since the annual report of 2017 was published. In addition to the commented factors the real outcome can be affected by for example political events, business cycle effects, currency and interest rates, competing products and their pricing, product development, commercial and technical difficulties, delivery problems and large credit losses at our customers.

The risks that are most evident in a shorter perspective are risks related to currency and prices.

Transactions and assets and liabilities 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.

Raw material price risk refers to the change in the price of material and its impact on earnings. The company's purchase of materials to different processes is significant. There is a risk of sharp price increases for raw materials where the Company is not able to compensate price increases, which may affect the Company's earnings negatively.

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

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

Nomination committee

The nomination committee before the Annual General Meeting 2018 consists of P-O Andersson, Claes Mellgren and Björn Henriksson. Chairman of the Nomination Committee is Björn Henriksson, who represents Nordea Asset Management.

Future reporting dates

Interim report Q2, 2018

July 19, 2018, at 08:00

Interim report Q3, 2018

October 25, 2018, at 08:00

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 Nasdaq Stockholm's main market.

The information was made public on April 26, 2018 at 08:00.

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

Further information can be given by AQ Group AB:

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CFO, Mia Tomczak, telephone +46 70-833 00 80, mia.tomczak@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 26, 2018

Claes Mellgren,
CEO

Financial reports, summary

Summary income statement for the Group

SEK thousands	Jan-Mar 2018	Jan-Mar 2017	Rolling 12 months Apr 2017 -Mar 2018	Full year 2017
Net sales	1 090 122	1 001 898	4 107 965	4 019 740
Other operating income	17 496	10 682	55 184	48 371
	1 107 618	1 012 580	4 163 149	4 068 111
Change in inventory and work in progress	10 281	10 177	63 601	63 498
Raw material and consumables	-562 114	-506 549	-2 093 812	-2 038 247
Goods for resale	-18 838	-9 191	-104 552	-94 905
Other external expenses	-138 336	-123 498	-543 904	-529 066
Personnel costs	-292 888	-264 867	-1 103 073	-1 075 051
Depreciation and amortization	-23 808	-22 863	-98 444	-97 499
Other operating expenses	-10 375	-8 975	-34 959	-33 559
	-1 036 079	-925 767	-3 915 141	-3 804 829
Operating profit	71 539	86 813	248 008	263 282
Net financial income/expense	-3 142	5 445	-16 041	-7 454
Profit before tax	68 397	92 258	231 967	255 828
Taxes	-10 810	-15 333	-46 631	-51 154
Profit for the period	57 587	76 925	185 336	204 674
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:				
Parent company shareholders	57 289	76 734	184 328	203 773
Non-controlling interests	299	192	1 007	901
	57 587	76 925	185 336	204 674
Earnings per share ¹⁾	3,13	4,19	10,08	11,14

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

In conjunction with the acquisition of Gerdins Industrial System AB on October 3, 2016, 260 000 shares of the same kind were issued.

Statement of comprehensive income for the Group

SEK thousands	Jan-Mar 2018	Jan-Mar 2017	Rolling 12 months Apr 2017 -Mar 2018	Full year 2017
PROFIT FOR THE PERIOD	57 587	76 925	185 336	204 674
OTHER COMPREHENSIVE INCOME				
Items that cannot be transferred to the profit for the period				
Revaluation of defined benefit pension plans			-159	-159
Items transferred or that can be transferred to the profit for the period				
Translation difference transferred to the profit				
Translation difference for foreign operations	58 654	3 562	80 884	25 793
Other comprehensive income for the period after tax	58 654	3 562	80 725	25 633
Comprehensive income for the period	116 241	80 488	266 061	230 307
COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO				
Parent company shareholders	115 764	80 301	264 767	229 306
Non-controlling interests	478	187	1 293	1 001
	116 241	80 488	266 060	230 307

Summary balance sheet for the group

SEK thousands	31/03/2018	31/12/2017
ASSETS		
Goodwill	155 611	150 030
Other intangible assets	77 986	76 709
Tangible assets	532 082	519 512
Financial assets	2 106	1 977
Deferred tax assets	14 929	10 861
TOTAL NON-CURRENT ASSETS	782 714	759 089
Inventories	780 665	732 343
Trade and other receivables	1 024 591	900 387
Other current receivables	161 071	143 575
Short term investments	-	-
Cash and cash equivalents	155 151	142 049
TOTAL CURRENT ASSETS	2 121 478	1 918 354
TOTAL ASSETS	2 904 192	2 677 444
EQUITY AND LIABILITIES		
Equity attributable to parent company shareholders	1 755 215	1 639 452
Non-controlling interests	4 218	3 742
TOTAL EQUITY	1 759 434	1 643 193
Non-current liabilities to credit institutions	9 817	12 757
Non-current non-interest-bearing liabilities	75 001	74 642
Total non-current liabilities	84 818	87 399
Interest-bearing current liabilities	248 309	253 264
Trade and other payables	477 845	418 050
Other current liabilities	333 786	275 537
Total current liabilities	1 059 940	946 851
TOTAL LIABILITIES	1 144 758	1 034 250
TOTAL EQUITY AND LIABILITIES	2 904 192	2 677 444

Statement of changes in Equity for the Group

SEK thousands	Equity attributable to parent company shareholders				Subtotal	Non-controlling interests	Total equity
	Share capital	Other contributed capital	Translation reserve	Retained earnings incl. profit			
Equity, 01/01/2017	36 588	84 194	72 236	1 267 437	1 460 455	2 739	1 463 195
Profit for the period				76 734	76 734	192	76 925
Translation differences in foreign operations			3 567		3 567	-5	3 562
Other comprehensive income			3 567		3 567	-5	3 562
Comprehensive income for the period			3 567	76 734	80 301	187	80 488
Equity, 31/03/2017	36 588	84 194	75 804	1 344 170	1 540 760	2 926	1 543 686
Equity, 01/01/2018	36 588	84 194	97 927	1 420 746	1 639 452	3 742	1 643 193
Profit for the period				57 289	57 289	299	57 587
Translation differences in foreign operations			58 475		58 475	179	58 654
Other comprehensive income			58 475		58 475	179	58 654
Comprehensive income for the period			58 475	57 289	115 764	478	116 241
Equity, 31/03/2018	36 588	84 194	156 402	1 478 035	1 755 215	4 218	1 759 434

All shares, 18 294 058 pcs, are A-shares with equal voting rights and equal rights to the results. In conjunction with the acquisition of Gerdins Industrial System AB on October 3, 2016, 260 000 shares of the same kind were issued.

Summary cash flow statement for the Group

SEK thousands	1 Jan - 31 Mar, 2018	1 Jan - 31 Mar, 2017	Full year 2017
Profit before tax	68 397	92 258	255 828
Adjustment for non cash generating items	26 024	19 412	98 888
Income tax paid	-15 345	-25 834	-39 476
Cash flow from operating activities before change in working capital	79 077	85 836	315 239
Increase (-)/decrease (+) in inventories	-29 388	-32 857	-140 311
Increase (-)/decrease (+) in trade receivables	-97 212	-113 406	-83 489
Increase (-)/decrease (+) in other receivables	-11 408	-6 517	3 396
Increase (+)/decrease (-) in trade payables	45 413	49 390	61 191
Increase (+)/decrease (-) in other liabilities	48 094	32 620	-8 804
Change in working capital	-44 501	-70 769	-168 017
Cashflow from operating activities	34 577	15 067	147 223
Aquisitions of shares in subsidiaries	-2 056	-	-7 000
Acquisition of intangible non-current assets	-203	-795	-1 685
Acquisition of tangible non-current assets*)	-16 942	-19 892	-104 002
Sale of tangible non-current assets	580	77	5 281
Purchase/Sales of short-term investment in securities	-110	-	204
Cashflow from investing activities	-18 731	-20 610	-107 200
New borrowings, credit institutions*)	-	100	114 983
Amortisation of loans	-653	-10 692	-161 433
Amortisation of loans (leasing)	-483	-950	-4 444
Change in bank overdraft facilities	-8 994	-20 509	43 058
Dividends to the parent company shareholders	-	-	-50 309
Other changes in financial activities	-	30	173
Cashflow from financing activities	-10 129	-32 021	-57 972
Change in cash and cash equivalents for the period	5 717	-37 564	-17 949
Cash and cash equivalents at the beginning of the year	142 049	162 812	162 812
Exchange rate difference in cash and cash equivalents	7 386	68	-2 814
Cash and cash equivalents at the end of the period	155 152	125 316	142 049

*) In previous periods financial leasing has been presented with gross numbers in the cash flow, as new loans and acquisitions of tangible assets. As of the third quarter in 2017 financial leasing is presented with net numbers, as the transaction doesn't have any impact on the cash flow. Earlier periods have been adjusted.

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.

Summary income statement for the Parent company

SEK thousands	Jan - Mar 2018	Jan - Mar 2017	Rolling 12 months Apr 2017 -Mar 2018	Full year 2017
Net sales	10 750	12 342	48 647	50 240
Other operating income	865	325	3 147	2 607
	11 615	12 668	51 794	52 846
Other external expenses	-4 047	-3 552	-17 393	-16 898
Personnel costs	-4 882	-4 892	-18 142	-18 152
Depreciation and amortisation	-79	-79	-293	-293
Other operating expenses	-35	-67	-282	-314
	-9 043	-8 589	-36 110	-35 656
Operating profit	2 572	4 078	15 684	17 190
Net financial items	-2 154	43 437	36 166	81 756
Earnings after net financial items	418	47 515	51 850	98 946
Appropriations			34 193	34 193
Profit before tax	418	47 515	86 043	133 140
Taxes	-107	-2 178	-17 823	-19 894
Profit for the period	311	45 337	68 220	113 246

Net sales for the first quarter was SEK 10.8 million (12.3), somewhat lower than the same period in the previous year, partly because of lower invoicing of management fees (group commons costs). Other external expenses were SEK 4.0 million (3.6).

Personnel costs were SEK 4.9 million (4.9). Operating profit (EBIT) was SEK 2.6 million (4.1). Net financial items were SEK -2.2 million (43.4). Net financial items last year consisted partly of tax free dividends from subsidiaries of SEK 37.7 million.

Tax costs of SEK 0.1 million are lower than the same period in the previous year.

Summary balance sheet for the Parent company

SEK thousands	31/03/2018	31/03/2017	31/12/2017
ASSETS			
Tangible assets	1 170	1 138	922
Financial fixed assets	668 733	788 165	661 743
Deferred tax assets	-	175	-
TOTAL NON-CURRENT ASSETS	669 903	789 479	662 666
Other current receivables	287 316	220 045	316 805
Cash and cash equivalents	-	-	-
TOTAL CURRENT ASSETS	287 316	220 045	316 805
TOTAL ASSETS	957 219	1 009 524	979 472
EQUITY AND LIABILITIES			
Restricted equity	37 745	37 745	37 745
Non-restricted equity	334 043	403 269	333 732
Total equity	371 788	441 013	371 476
Untaxed reserves	60 407	44 100	60 407
Other provisions	-	7 000	-
Interest-bearing non-current liabilities	268	82 955	144
Deferred tax liabilities	23	-	12
Total non-current liabilities	291	89 955	156
Interest-bearing current liabilities	509 930	422 034	515 998
Trade and other payables	1 997	2 473	2 994
Other current liabilities	12 807	9 950	28 441
Total current liabilities	524 733	434 456	547 433
TOTAL LIABILITIES	525 024	524 411	547 589
TOTAL EQUITY AND LIABILITIES	957 219	1 009 524	979 472

The decrease in financial fixed assets compared to the same period in the previous year is due to a reduction of shares in subsidiaries because of the merger of AQ Industrial System AB and AQ Group AB and to devaluation of shares in subsidiaries in Mexico and India.

Other current receivables are mainly with group companies of SEK 281 million (199).

The change in non-restricted equity compared to first quarter last year is due to retained earnings including profit for the year is lower than the same period last year.

The change in interest-bearing non-current liabilities compared to the same period in the previous year is partly due to amortization of SEK 82 million in conjunction with changes of bank credits.

Interest-bearing current liabilities have increased compared to the same period in the previous year and consists of short-term bank loans of SEK 115 million, usage of bank overdraft of SEK 132 million and debts to subsidiaries in the cash pool of SEK 270 million.

Notes

Note 1. Accounting principles

The summary interim report has been prepared in accordance IAS 34, Interim Financial Reporting, and applicable parts of the Swedish Annual Accounts Act. Information according to IAS 34.16A are presented in the financial reports and their notes as well as in other parts of the interim report. 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.

The total sum in tables and calculations do not always sum up of the parts due to rounding differences. The objective is that every interim row shall conform with the original source resulting in rounding differences.

As of July 3, 2016, ESMAs (European Securities And Markets Authority) "Guidelines – Alternative performance measures" are applied. In accordance with these guidelines information about financial numbers have been added that are not defined by IFRS.

During 2018 the group has started to apply IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*.

The transition to IFRS 9 and IFRS 15 has not had any major effect for the group or the parent company. IFRS 15 has added additional information which is shown together with business segments in note 2.

IFRS 9 includes rules for classification and valuation of financial assets and liabilities, impairment of financial instruments and hedge accounting. The standard introduces among other things an impairment model based on expected credit losses instead of actual credit losses.

IFRS 15 builds on the principle that revenue is recognized when the customer gets control of the sold goods or service and replaces the earlier principle when revenue is recognized when risks and benefits have transferred to the buyer. IFRS 15 is also clearer in identifying the performance obligations in customer contracts.

IFRS 16 Leases will replace IAS 17 Leases on January 1, 2019. With IFRS 16, all leases will be accounted for in the group's balance sheet except for leases of lesser value and contracts with a lease period of less than 12 months. IFRS 16 is estimated to influence the group's balance sheet total with maximum 10%.

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.

First quarter

For the segment Component, the total net sales for the first quarter was SEK 934 million (874), of which SEK 842 million (799) is external sales. The increase of the external sales of totally SEK 43 million is due to high demands from our customers.

For the segment System, the total net sales for the first quarter was SEK 295 million (245), of which SEK 248 million (203) is external sales. The increase of the external sales of SEK 45 million is due to high demands from our customers.

Operating profit (EBIT) in the first quarter was SEK 59 million (61) for Component, which was SEK 2 million lower than the same period last year. The reason for the lower profit in Component is mainly

due to our companies in China, Hungary, Thailand and Mexico are showing a lower operating profit than the same period last year. Operating profit (EBIT) for System was SEK 13 million (22), which was SEK 9 million than the same period last year. The reason for the lower profit of segment System is a consequence of projects with lower profitability than last year.

In the column "Unallocated and eliminations" there are items which have not been allocated to the two segments, mainly real estate companies, parent company and group eliminations.

Operating segments for the quarter, SEK thousands

	Component	System	Unallocated and eliminations	Group
Q1 2018				
Net sales, external	842 351	247 771		1 090 122
Net sales, internal	91 509	46 982	-138 491	
Total net turnover	933 860	294 753	-138 491	1 090 122
Material costs, excl. purchases own segment	-476 569	-223 806	129 704	-570 671
Depreciation	-22 818	-911	-79	-23 808
Other operating expenses/income	-375 495	-56 965	8 356	-424 104
Operating profit	58 978	13 070	-509	71 539
Net financial items			-3 142	-3 142
Profit before tax	58 978	13 070	-3 651	68 397
Other comprehensive income plus tax			47 844	47 844
Comprehensive income for the period	58 978	13 070	44 193	116 241
Q1 2017				
Net sales, external	799 349	202 549		1 001 898
Net sales, internal	75 116	42 612	-117 729	
Total net turnover	874 465	245 162	-117 729	1 001 898
Material costs, excl. purchases own segment	-450 750	-166 604	111 791	-505 563
Depreciation	-21 375	-1 410	-79	-22 863
Other operating expenses/income	-341 068	-54 754	9 163	-386 658
Operating profit	61 273	22 394	3 147	86 813
Net financial items			5 445	5 445
Profit before tax	61 273	22 394	8 592	92 258
Other comprehensive income plus tax			-11 770	-11 770
Comprehensive income for the period	61 273	22 394	-3 179	80 488

Net sales allocated to operating segments and geographical markets Quarter, SEK thousands

	Component	System	Unallocated and eliminations	Group
Q1 2018				
Sweden	374 184	204 206	10 750	589 141
Other European countries	481 298	58 897		540 195
Other countries	78 378	31 650		110 028
Net sales	933 860	294 753	10 750	1 239 363
Internal sales, eliminations			-149 241	-149 241
Total net turnover	933 860	294 753	-138 491	1 090 122
Q1 2017				
Sweden	360 061	184 955	12 342	557 358
Other European countries	434 895	37 182		472 077
Other countries	79 509	23 025		102 534
Net sales	874 465	245 162	12 342	1 131 969
Internal sales, eliminations			-130 071	-130 071
Total net turnover	874 465	245 162	-117 729	1 001 898

Geographical markets are based on where AQ Group's subsidiaries has it registered office.

Note 3. Personnel

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

	Jan-Mar 2018	Jan-Mar 2017	Jan-Dec 2017
Bulgaria	1 181	1 000	1 146
Sweden	1 073	1 021	1 043
Lithuania	708	670	688
China	456	476	472
Poland	1 101	904	1 010
Hungary	403	449	430
Estonia	383	360	385
India	128	136	123
Mexico	162	141	162
Italy	19	18	19
Thailand	39	21	34
Serbia	35	23	36
	5 688	5 219	5 548

Note 4. Acquisitions

AQ's strategy is to grow in both segments. During the period January to March a minor acquisition and no divestments were made.

Acquisitions during the first quarter 2018:

Date	Acquisition	Net sales, million SE	Number of employees*
01/03 2018	Teknoprodukter Finmekanik Vännäs A	3,1	3 Sweden

* Net sales and number of employees at the time of acquisition

On March 1, 2018 AQ M-Tech acquired 100% of the shares in the private company Teknoprodukter Finmekanik i Vännäs AB. The purchase was divided into SEK 2 600 thousand in cash and a deferred payment of SEK 600 thousand to be paid when machines and knowledge has been transferred to AQ M-Tech AB.

The company has established an acquisition analysis, which shows consolidated overvalues of about SEK 1.9 million divided in customer relations SEK 1.0 million, technology SEK 0.4 million, goodwill SEK 0.5 million and a deferred tax debt of SEK 0.4 million. The depreciation rate is estimated to 5 years for the customer relations and 5 years for the technology. The estimated goodwill value of SEK 0.5 million includes synergy effects in the form of more efficient production processes and the technical competence of personnel. No part of the goodwill is expected to be tax deductible.

There were no acquisition related expenses in conjunction with the acquisition. Operating receivables are taken at their gross value, which correspond to real value. The acquisition was financed without bank loans.

During the period March the acquired company contributed with SEK 92 thousand to the group's turnover and SEK 0 thousand to the profit after tax. If the acquisition had been made on January 1, 2018, i.e. included January and February, management is estimating that the group's sales would have been SEK 430 thousand higher and the profit would have been SEK 78 thousand higher for the first quarter of 2018.

Net assets of acquired company:

(SEK thousands)

	Teknoprod. Finmek. Vännäs AB
Tangible assets	362
Inventories	149
Tax receivables	43
Operating receivables	547
Operating liabilities	-351
Liquid funds	544
Acquired net assets	1 294
Customer relations	1 313
Technologies	511
Deferred tax on surplus values	-401
Goodwill	483
Purchase price shares	3 200
Debt additional purchase price	-600
Cash flow effect	
Cash paid	-2 600
Total consideration paid	-2 600
Liquid funds in acquired company	544
Total cash flow effect	-2 056

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.

Fair 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. Fair value of assets is established from market prices. Fair value is based on the listing at brokers. Similar contracts are being traded on an active market and the prices are reflecting actual transactions of comparable instruments.

The Group is only in exceptional cases using derivatives to reduce currency risks and it has not had any derivatives during the year.

Note 6. Events after end of the reporting period

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

Note 7. Calculation of key figures and definitions

	2018	2017				Helår
	Q1	Q1	Q2	Q3	Q4	
Operating margin, (EBIT %)						
Operating profit	71 539	86 813	74 397	63 562	38 510	263 282
Net revenue	1 090 122	1 001 898	1 077 380	923 142	1 017 321	4 019 740
Operating margin	6,6%	8,7%	6,9%	6,9%	3,8%	6,5%
Profit margin before tax, (EBT %)						
Profit before tax	68 397	92 258	70 478	61 295	31 797	255 828
Net revenue	1 090 122	1 001 898	1 077 380	923 142	1 017 321	4 019 740
Profit margin before tax	6,3%	9,2%	6,5%	6,6%	3,1%	6,4%
Liquid ratio, %						
Trade receivables	1 024 591	922 728	947 782	889 208	900 387	900 387
Other current receivables	161 071	184 722	161 748	155 202	143 575	143 575
Cash and cash equivalents	155 151	125 316	103 003	105 741	142 049	142 049
Current liabilities	1 059 940	865 301	864 583	828 792	946 851	946 851
Liquid ratio	126%	142%	140%	139%	125%	125%
Debt/equity ratio, %						
Total equity	1 759 434	1 543 686	1 552 257	1 580 103	1 643 193	1 643 193
Total assets	2 904 192	2 593 111	2 591 281	2 567 768	2 677 444	2 677 444
Debt/equity ratio	61%	60%	60%	62%	61%	61%
Return on total assets, %						
Profit before tax, rolling 12 months	231 967	295 648	275 368	283 613	255 828	255 828
Financial expenses, rolling 12 months	-11 222	-12 669	-15 652	-12 671	-10 741	-10 741
Total equity and liabilities, opening balance for 12 months	2 593 111	2 066 851	2 149 012	2 130 582	2 449 796	2 449 796
Total equity and liabilities, closing balance	2 904 192	2 593 111	2 591 281	2 567 768	2 677 444	2 677 444
Total equity and liabilities, average	2 748 651	2 329 981	2 370 147	2 349 175	2 563 620	2 563 620
Return on total assets	8,8%	13,2%	12,3%	12,6%	10,3%	10,3%
Return on equity after tax, %						
Profit for the period after tax, rolling 12 months	185 336	250 191	233 463	237 884	204 674	204 674
Total equity, opening for 12 months	1 543 686	1 241 016	1 290 577	1 366 832	1 463 195	1 463 195
Total equity, closing	1 759 434	1 543 686	1 552 257	1 580 103	1 643 193	1 643 193
Total equity, average	1 651 560	1 392 351	1 421 417	1 473 468	1 553 194	1 553 194
Return on equity after tax	11,2%	18,0%	16,4%	16,1%	13,2%	13,2%
Net cash / Net debt						
Cash and cash equivalents	155 151	125 316	103 003	105 741	142 049	142 049
Non-current interest bearing liabilities	9 817	100 757	91 653	84 587	12 757	12 757
Current interest bearing liabilities	248 309	139 998	130 614	112 052	253 264	253 264
Total interest bearing liabilities	258 126	240 755	222 267	196 639	266 021	266 021
Net cash / Net debt	-102 975	-115 439	-119 264	-90 898	-123 972	-123 972
Growth, %						
Organic growth						
Net revenue	1 090 122	1 001 898	1 077 380	923 142	1 017 321	4 019 740
- Effect of changes in exchange rates	21 159	8 945	22 944	-1 319	-1 262	29 308
- Net revenue for last year	1 001 898	801 834	859 584	723 223	904 575	3 289 215
- Net revenue for acquired companies	92	121 766	108 181	95 109	0	325 055
= Organic growth	66 973	69 353	86 671	106 130	114 008	376 162
Organic growth divided by last year net revenue, %	6,7%	8,6%	10,1%	14,7%	12,6%	11,4%
Growth through acquisitions						
Net revenue for acquired companies divided by last year net revenue, %	0,0%	15,2%	12,6%	13,1%	0,0%	9,9%

Operating margin, EBIT %

Calculated as operating profit divided by net sales.

This key figure shows the achieved profitability in the operative business of the company. Operating margin is a useful measure to follow up profitability and efficiency of the business before deduction of tied up capital. The figure is used internally for controlling and managing the business as well as a benchmark towards other companies in the industry.

Profit margin before tax, EBT%

Calculated as profit before tax divided by net sales.

This key figure shows the profitability of the business before tax. Profit margin before tax is a useful measure to follow up profitability and efficiency including tied up capital. The figure is used internally for controlling and managing the business as well as a benchmark towards other companies in the industry.

Liquid ratio, %

Calculated as current assets (excl. inventory) divided by current liabilities.

This key figure reflects the company's short-term solvency as it sets the company's current assets (except inventory) in relation to the short-term liabilities. If the liquid ratio exceeds 100%, it means that the assets exceed the liabilities in question.

Debt/Equity ratio, %

Calculated as adjusted equity divided by balance sheet total.

This key figure reflects the company's financial position and its long term solvency. To have a good equity ratio and thus a strong financial position is important for being able to manage business cycles with varying sales. To have a strong financial position is also important for managing growth.

Return on total assets, %

Calculated as profit/loss after financial items divided by the average balance sheet total.

This key figure also shows the achieved profitability in the operative business. This number complements the operating margin as it includes tied up capital. It means that the number gives information on the return the business is given in relation to the capital tied in it. (Financial investments and cash and cash equivalents are also considered and the profit they give in the form of financial income.)

Return on equity after tax, %

Calculated as profit/loss after tax divided by average equity including minority interest.

This is a key figure showing the return of the capital that the owners have invested in the company (including retained earnings) after other stakeholders have received their dividends. This key figure shows how profitable the company is for its owners. This return also has significance for the company's opportunities to grow in a financial balance.

Operating profit, SEK thousands

Calculated as the profit before tax and financial items.

Operating profit shows the result generated by the operative business and is used together with operating margin and return on total assets for evaluating and managing the operative business.

Profit before tax / Profit after financial items (EBT), SEK thousands

Calculated as the profit before tax.

The key figure shows the result generated by the operative business and financial income taking into account payments to creditors for the capital they are contributing to finance the business. The figure shows remaining profit to the owners taking into account that part of it will be deducted for tax payments.

Net cash/Net debt, SEK thousands

Calculated as the difference between interest bearing debts and cash and cash equivalents.

This key figure is reflecting how much interest-bearing debts the company has taking into account in cash and cash equivalents. The figure gives a good picture of the debt situation. Net cash means that cash and cash equivalents exceeds interest bearing debts. Net debt means that interest bearing debts exceed cash and cash equivalents.

Growth, %

The company is using two key figures to describe growth; 1) organic growth and 2) growth through acquisitions.

Organic growth is calculated as the difference between the net sales of the current period and the net sales of the previous period, excluding currency effect and net sales of acquired units.

Organic growth in % is calculated as the organic growth divided by the net sales in the same period in the previous year.

Growth through acquisitions is calculated as net sales of acquired companies divided by the net sales in the same period in the previous year.

Growth is an important component in the company's strategy as growth is required to be a leading actor in the markets where the company is operating. Growth is partly through acquisition and partly organic. It's important to follow up and to present the different ways of achieving growth as it is two different ways to grow. Acquisitions are done when opportunities are given to expand the business in a certain geographic market or in a certain product area (in line with the company's strategic plan). Organic growth often has the character of a continued expansion within the existing operations.

Dividend per share, SEK

Dividend per share is decided at the Annual General Meeting where the annual report is approved for the fiscal year. Number of shares are the thousands of shares issued at the set date for payment of dividends.

AQ in brief

AQ is a leading supplier to demanding industrial customers and is listed on Nasdaq Stockholm's main market.

The Group consists mainly 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 headquarter is in Västerås, Sweden. AQ has, on December 31, 2017, in total about 5,500 employees in Sweden, Bulgaria, China, Estonia, Hungary, India, Italy, Lithuania, Mexico, Poland, Serbia and Thailand.

In 2017 AQ had net sales of SEK 4.0 billion and the group has since its start in 1994 shown profit every quarter.

AQ has the highest credit rating AAA according to Bisnode.

WE ARE RELIABLE

Customer focus

Customer always comes first By making our customers' life easy and by giving the "little extra" we will create a long term partnership.

Simplicity

We do our daily work without complexity and bureaucracy. Everything we do adds customer value.

Entrepre- neurial business

Companies within the AQ Group shall, based on AQ core values, run their business as entrepreneurs and strive for profitability and growth.

Courage and respect

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

Cost efficiency

We use the most cost efficient way to fulfill our customers' demands and work with continuous improvements. Our business is production, we have a long term view and we fully commit ourselves to live up to customer expectations for quality, delivery performance, technological development and service.