



Västerås, October 25, 2018

# AQ Group AB (publ), Third quarter, 2018

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## Third quarter, July – September 2018 in brief

- Continued good growth both organically and through acquisitions. Net sales increased by 23.2% to SEK 1 137 million (923)
- Positive result despite major extraordinary costs for AQ Segerström & Svensson. Underlying profit margin before tax, adjusted for items affecting comparability of SEK 66 million, was 7.6%.
- Operating profit (EBIT) decreased by 65.5 % to SEK 22 million (64)
- Profit after financial items (EBT) decreased by 65.3 % to SEK 21 million (61)
- Profit margin before tax (EBT %) was 1.9 % (6.6)
- Profit margin before tax (EBT %) adjusted for items affecting comparability was 7.6 % (6.6)
- Cash flow from operating activities decreased by 31.2 % to SEK 39 million (57)
- Equity ratio 56 % (62)
- Earnings per share after tax decreased by 99.6 % to SEK 0.01 SEK (2.77)

## Nine months, January – September 2018 in brief

- Net sales increased by 14.9 % to SEK 3 451 million (3 002)
- Operating profit (EBIT) decreased by 32.7 % to SEK 151 million (225)
- Profit after financial items (EBT) decreased by 35.2 % to SEK 145 million (224)
- Profit margin before tax (EBT %) was 4.2 % (7.5)
- Profit margin before tax (EBT %) adjusted for items affecting comparability was 6.1 % (7.5)
- Cash flow from operating activities decreased by 27.5 % to SEK 109 million (151)
- Earnings per share after tax decreased by 44.1 % to SEK 5.68 (10.17)

## Group overview, key figures

	2018				2017				Full year	
	Q1	Q2	Q3	YTD	Q1	Q2	Q3	YTD		
Net turnover, SEK thousands	1 090 122	1 223 542	1 137 327	3 450 992	1 001 898	1 077 380	923 142	3 002 419	1 017 321	4 019 740
Operating profit (EBIT), SEK thousands	71 539	57 766	21 959	151 263	86 813	74 397	63 562	224 772	38 510	263 282
Profit after net financial items (EBT), SEK thousands	68 397	55 411	21 239	145 047	92 258	70 478	61 295	224 030	31 797	255 828
Operating margin (EBIT %)	6,6%	4,7%	1,9%	4,4%	8,7%	6,9%	6,9%	7,5%	3,8%	6,5%
Profit margin before tax (EBT %)	6,3%	4,5%	1,9%	4,2%	9,2%	6,5%	6,6%	7,5%	3,1%	6,4%
Liquid ratio	126%	108%	106%	106%	142%	140%	139%	139%	125%	125%
Debt/equity ratio	61%	54%	56%	56%	60%	60%	62%	62%	61%	61%
Return on total assets <sup>2)</sup>	8,8%	7,7%	6,7%	6,7%	13,2%	12,3%	12,6%	12,6%	10,3%	10,3%
Return on equity after tax <sup>2)</sup>	11,2%	10,5%	7,4%	7,4%	18,0%	16,4%	16,1%	16,1%	13,2%	13,2%
Number of employees in Sweden	1 073	1 060	888	888	1 021	1 065	1 066	1 066	1 043	1 043
Number of employees outside Sweden	4 615	4 877	5 072	5 072	4 198	4 319	4 414	4 414	4 505	4 505
<b>Key indicators per share, SEK <sup>1)</sup></b>										
Profit for the period	3,13	2,54	0,01	5,68	4,19	3,20	2,77	10,17	0,97	11,14
Equity	96,18	95,88	94,95	94,95	84,38	84,85	86,37	86,37	89,82	89,82
Number of shares, thousands	18 294	18 294	18 294	18 294	18 294	18 294	18 294	18 294	18 294	18 294

<sup>1)</sup> There are no instruments that could lead to share dilution.

<sup>2)</sup> Calculated based on 12 months rolling amounts.

# A word from the CEO

After seven weeks as President and CEO of AQ Group, it is with great humility and joy that I have the privilege of writing these words to our report for the third quarter of 2018.

I have spent my first weeks in the group visiting more than half of our production units to meet employees, customers and other stakeholders. It has been fun to meet many of the talented employees who carry AQ and make us what we are.



It has also been interesting to take part of all the customer cases that are behind our strong organic and acquisition driven growth.

There is a lot to bring with us in our continued journey. I have seen many fine examples of actionable entrepreneurship that have given us new business, but also things we can improve together, such as capital tied up, delivery capacity and continued efficiency improvements.

It is also good that we can report a positive result in the quarter despite the major extraordinary cost, SEK 66 million we have in connection with the bankruptcy of our subsidiary AQ Segerström & Svensson AB. If we exclude this extraordinary cost, the profit margin before tax is 7.6%, which is a percentage point better than the third quarter last year.

The biggest event in the quarter for AQ Group was that the board of our subsidiary AQ Segerström & Svensson filed an application for bankruptcy on August 20, as there were no preconditions to run the business further. Note 5 and 6 of this quarterly report detail how this event affects our earnings. The operating loss in addition to this, in AQ Segerström & Svensson amounts to SEK 28.8 million, of which SEK 1.7 million in the third quarter. AQ Group supports the bankruptcy administrator on a continuous basis to contribute to the best possible solution for customers, employees and suppliers.

The work to wind down AQ's operations in Thailand continues according to plan and it has moved to one of our units in China. The production in Ludvika has moved to other AQ units in Bulgaria and Sweden. We have also opened a smaller unit in Smedjebacken to be able to competitively carry out production that needs to be close to customer and should not be moved. Operating losses for these two discontinued plants amounts to SEK 23.2 million in 2018, of which SEK 9.9 million in the third quarter.

The organic growth in the quarter comes from both larger existing and new smaller customers. Customer segments that significantly contribute to the growth are marine applications, commercial vehicles, railway, medical technology and material handling. Our units in China, Hungary and Sweden have also succeeded to find new customers to partly compensate the decline in telecom and power generation. Our wiring systems business grows significantly with several different customers.

Our suppliers have increased their prices of raw material during the last years. We have worked hard for a long time to transfer these price increases to our customers. We are slowly starting to see improvements, even if a lot of work remains.

Production is at high pressure in most of our production units. We continue to have challenges with long lead times for components, which sometimes lead to delayed deliveries and additional costs. However, the biggest cost is that it affects our customers' confidence and it's contrary to our value "We are reliable". We are not satisfied, and we work hard to come back to where we want to be. We also work to increase our capacity in the units where we are closest to the capacity ceiling.

The work to reduce capital tied up in inventory and accounts receivable continues. For example, the production unit that carried out our pilot project has managed to stabilize and slightly reduce its inventory

even though production has increased by more than 30%. We continue this project with two other companies in the Group.

### **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 balance sheet is now improved, and the confidence of the suppliers is increasing. The operations in Estonia is now integrated with our original company in Estonia. It complements AQ's operations in Pärnu in a very good way. We are also happy to get a company on the growing Finnish market.

The acquisition of the B3CG companies in USA and Canada gives us a strong platform for further expansion in North America. What was extra positive was that the acquisition took place in consultation with one of our largest global customers. The companies have developed according to plan during the quarter.

### **Organisation**

AQ's organisation is built on strong local entrepreneurs in each company, who are close to the customers' requirements and real demands. This way we can quickly seize the opportunities that appear no matter of market conditions. This is a strategy we will continue to follow

### **Outlook**

Our guideline is to be a stable, growing and profitable company long term with a profit margin of 8 % and a strong financial position. We have made a big effort and spent a lot of money to get units in order that haven't delivered acceptable results over time. Now we can focus on business with focus on the customers. 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 long term and reliable supplier to leading industrial customers.

*Anders Carlsson*  
CEO

# Group's financial position and results

## Third quarter

Net sales for the third quarter was SEK 1 137 million (923), an increase of SEK 214 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, good growth both organically and through acquisitions. The total growth in the quarter was 23.2 %, of which organic growth 8.7 %, growth through acquisitions 9.9 % and currency effects of 4.6 %. The currency effect of 4.6 % corresponds to about SEK 42.3 million and is mainly with the currencies EUR, BGN and PLN. The currencies INR and RSD have had a small negative currency effect during the quarter.

Operating margin (EBIT) in the third quarter was SEK 22 million (64), a decrease of SEK 42 million. The decrease can mainly be explained by non-recurring costs in conjunction with the bankruptcy of Segerström & Svensson AB of SEK 66 million.

Goodwill and other intangible assets have increased during the third quarter with SEK 219 million compared to the third quarter of 2017, an increase due to overvalues in acquisitions, currency translation effects and depreciation of technology and customer relations.

Investments in tangible assets in the quarter in the group were SEK 54 million (25), where the majority were replacement and capacity increasing investments to achieve a more efficient production.

Interest bearing liabilities of the group are SEK 442 million (197) and cash and cash equivalents amount to SEK 102 million (106), which means that the group has a net debt of SEK 340 million. In the same period last year, the group had net debt of SEK 91 million. The increase is mainly due to new loans in conjunction with acquisitions.

Cash flow from operating activities was SEK 39 million (57). The positive cash flow from operating activities is lower than the same period in the previous year. Activities to reduce working capital, mainly to reduce inventories have continued during the quarter but has not given the desired results yet.

Cash flow from investing activities was SEK -47 million (-25), which relates to investments in fixed assets.

Cash flow from financing activities was SEK -27 million (-26) which relates to decreased usage of overdraft facility and amortizations of bank loans.

Equity at the end of the period was SEK 1 737 million (1 580) for the group.

## First nine months

Net sales for the first nine months was SEK 3 451 million (3 002), an increase of SEK 449 million compared to the same period previous year. Increase in net sales can be explained by acquisitions, good market conditions, gained market shares and organic growth. In the first nine months the total growth was 14.9 %, of which organic growth 5.7 %, growth through acquisitions 6.0 % and a currency effect of 3.2 %. The currency effect of 3.2 % corresponds to about SEK 95.5 million and is mainly with the currencies EUR, PLN and BGN. During the first nine months INR, MXN and USD have had a small negative currency effect.

Operating margin (EBIT) in the first nine months was SEK 151 million (225), a decrease of SEK 74 million. The decrease can mainly be explained by non-recurring costs in conjunction with the bankruptcy of Segerström & Svensson AB of SEK 66 million.

Goodwill and immaterial assets have increased during the first nine months with SEK 218 million compared to the beginning of the year. The net change is due to overvalues in acquisitions, currency translation effects and depreciation of technology and customer relations.

The investments of the group in tangible fixed assets in the first nine months were SEK 96 million (78), the major part being replacement and capacity increasing investments to gain a more efficient production.

Interest bearing debts of the group are SEK 442 million (197) and cash and cash equivalents amount to SEK 102 million (106), which means that the group has a net debt of SEK 340 million. In the same period last year, the group had a net debt of SEK 91 million. The increase is mainly due to new loans in conjunction with acquisitions.

Cash flow from operating activities were SEK 109 million (151). Cash flow is lower than the same period in the previous year, mainly due to capital tied up in customer receivables and other receivables. The increase in inventory has been lower than the same period in the previous year and activities to release working capital have continued during the period, but have not given the desired results yet.

Cash flow from investing activities was SEK -207 million (-75), which relates to acquisitions and investments in fixed assets.

Cash flow from financing activities was SEK 53 million (-127) which relates to new bank loan, reduction of operating credit and payment of dividends.

Equity at the end of the period was SEK 1 737 million (1 580) for the group.

## **Significant events during the first nine months**

### **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, 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 September 1, 2018, replacing one of AQ's founders, Claes Mellgren. Claes Mellgren is a member of the board.

### **Second quarter**

AQ Group AB signed on April 3, 2018 an agreement to acquire 100% of the shares of Mecnova Oy in Nivala, Finland with the subsidiary Mecnova Oü in Pärnu, Estonia. The purchase price for the shares was EUR 1.1 million. The takeover took place the same day. Mecnova 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, get a presence in Finland and to broaden our offering in sheet metal processing and copper component manufacturing and to obtain synergies with our current factory in Pärnu.

AQ Manufacturing Co., Ltd is started on May 2, 2018 a process to close down the manufacturing site in Samutprakarn, Thailand. The company had 43 employees in Thailand and its turnover was less than one percent of AQ Group's turnover. The background to the closure is that the company has generated losses since the inception in 2015 and that the main customers have had declining sales. The business volumes from customers mainly operating in extremely competitive telecom and consumer electronics market showed negative trends and the company didn't see a profitable future. The manufacturing is being transferred to AQ Components in China.

AQ Group AB signed on May 8, 2018 an agreement to acquire 100% of the shares of B3CG Interconnect Inc. (<http://www.b3cg.com/en/home/>) and its affiliate B3CG Interconnect USA Inc. The purchase price consists of CAD 13.8 million plus an earnout over two years with a maximum of CAD 6 million. The closing took place the same day.

B3CG is a leading supplier of complex electrical harnesses, high voltage cables, and electromechanical assemblies for various industries. The two companies have total net sales of about Can\$ 35 million with a profit margin in line with AQ. They employ about 300 people in their operations in Saint Eustache, Quebec, Canada and in Plattsburgh, New York, U.S.A. B3CG has a long history with experienced management and the company fits well in AQ and our business area Wiring Systems.

### Third quarter

On August 20, 2018, the subsidiary AQ Segerström & Svensson AB filed a bankruptcy application. Non-recurring items affecting profit due to the bankruptcy was initially estimated at SEK 70 million. All non-recurring items due to the bankruptcy were charged in the third quarter of 2018 and amounted to SEK 66 million, see Notes 5 and 6.

### Significant events after the end of the period

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

### 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.

	<b>Goal</b>	<b>Jan-Sep 2018</b>
Product quality	100 %	99.5 %
Delivery precision	98 %	87.0 %
Equity ratio	>40 %	56 %
Profit margin before tax, (EBT %)	8 %	4.2 % (adjusted 6.1 %)

### 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 2018, 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 26, 2018 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 fifteen 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.

## **Future reporting dates**

Year-end report, 2018

February 21, 2019, at 08:00

Interim report Q1, 2019

April 25, 2019, 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 October 25, 2018 at 08:00.

This report has been briefly reviewed by the company's financial auditors.

Further information can be given by AQ Group AB:

CEO and IR, Anders Carlsson, telephone +46 70-513 42 99, [anders.carlsson@aqg.se](mailto:anders.carlsson@aqg.se) ,

CFO, Mia Tomczak, telephone +46 70-833 00 80, [mia.tomczak@aqg.se](mailto: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](http://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, October 25, 2018

Anders Carlsson,  
CEO

## **Review report**

To the board of AQ Group AB (publ)

Corp. id. 556281-8830

### **Introduction**

We have reviewed the summary interim financial information (interim report) of AQ Group AB (publ) as of 30 September 2018 and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Västerås, October 25, 2018

KPMG AB

Helena Arvidsson Älgne  
Authorized Public Accountant

# Financial reports, summary

## Summary income statement for the Group

SEK thousands	Note	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Rolling 12 months Oct 2017 -Sep 2018	Full year 2017
Net sales		1 137 327	923 142	3 450 992	3 002 419	4 468 313	4 019 740
Other operating income		15 480	14 423	52 708	41 786	59 293	48 371
		<b>1 152 807</b>	<b>937 565</b>	<b>3 503 700</b>	<b>3 044 205</b>	<b>4 527 606</b>	<b>4 068 111</b>
Change in inventory and work in progress		12 598	29 638	47 542	54 039	57 001	63 498
Raw material and consumables		-586 925	-484 688	-1 776 301	-1 546 597	-2 267 951	-2 038 247
Goods for resale		-22 629	-18 062	-75 865	-59 865	-110 905	-94 905
Other external expenses	5	-148 491	-125 295	-451 282	-381 627	-598 721	-529 066
Personnel costs		-284 402	-244 205	-917 671	-792 306	-1 200 417	-1 075 051
Depreciation and amortisation		-32 311	-24 310	-83 047	-70 830	-109 716	-97 499
Other operating expenses	5	-68 687	-7 081	-95 812	-22 248	-107 123	-33 559
		<b>-1 130 848</b>	<b>-874 003</b>	<b>-3 352 436</b>	<b>-2 819 433</b>	<b>-4 337 832</b>	<b>-3 804 829</b>
<b>Operating profit</b>		<b>21 959</b>	<b>63 562</b>	<b>151 263</b>	<b>224 772</b>	<b>189 773</b>	<b>263 282</b>
Net financial income/expense	5	-719	-2 267	-6 216	-741	-12 929	-7 454
<b>Profit before tax</b>		<b>21 239</b>	<b>61 295</b>	<b>145 047</b>	<b>224 030</b>	<b>176 845</b>	<b>255 828</b>
Taxes	6	-20 780	-10 341	-39 990	-37 315	-53 829	-51 154
<b>Profit for the period</b>		<b>460</b>	<b>50 954</b>	<b>105 057</b>	<b>186 716</b>	<b>123 016</b>	<b>204 674</b>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>							
Parent company shareholders		116	50 689	103 942	186 023	121 692	203 773
Non-controlling interests		344	265	1 115	692	1 323	901
		<b>460</b>	<b>50 954</b>	<b>105 057</b>	<b>186 716</b>	<b>123 016</b>	<b>204 674</b>
Earnings per share <sup>1)</sup>		0,01	2,77	5,68	10,17	6,65	11,14

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

## Statement of comprehensive income for the Group

SEK thousands	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Rolling 12 months Oct 2017 -Sep 2018	Full year 2017
<b>PROFIT FOR THE PERIOD</b>	<b>460</b>	<b>50 954</b>	<b>105 057</b>	<b>186 716</b>	<b>123 016</b>	<b>204 674</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
<b>Items that cannot be transferred to the profit for the period</b>						
Revaluation of defined benefit pension plans					-159	-159
<b>Items transferred or that can be transferred to the profit for the period</b>						
Translation difference for foreign operations	-17 321	-23 112	39 029	-19 502	81 783	25 793
<b>Other comprehensive income for the period after tax</b>	<b>-17 321</b>	<b>-23 112</b>	<b>39 029</b>	<b>-19 502</b>	<b>81 624</b>	<b>25 633</b>
<b>Comprehensive income for the period</b>	<b>-16 862</b>	<b>27 842</b>	<b>144 086</b>	<b>167 214</b>	<b>204 639</b>	<b>230 307</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:</b>						
Parent company shareholders	-17 142	27 612	142 796	166 522	203 037	229 306
Non-controlling interests	280	230	1 290	691	1 601	1 001
	<b>-16 862</b>	<b>27 842</b>	<b>144 086</b>	<b>167 214</b>	<b>204 638</b>	<b>230 307</b>

## Summary balance sheet for the group

SEK thousands		30/09/2018	30/09/2017	31/12/2017
<b>ASSETS</b>				
Goodwill		273 974	148 472	150 030
Other intangible assets		170 902	77 423	76 709
Tangible assets	5	547 547	505 305	519 512
Financial assets		2 135	1 925	1 977
Deferred tax assets	5	15 883	11 925	10 861
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1 010 441</b>	<b>745 050</b>	<b>759 089</b>
Inventories	5	831 231	672 567	732 343
Trade and other receivables	5	1 045 422	889 208	900 387
Other current receivables	5	115 188	155 202	143 575
Cash and cash equivalents		102 184	105 741	142 049
<b>TOTAL CURRENT ASSETS</b>		<b>2 094 024</b>	<b>1 822 718</b>	<b>1 918 354</b>
<b>TOTAL ASSETS</b>		<b>3 104 465</b>	<b>2 567 768</b>	<b>2 677 444</b>
<b>EQUITY AND LIABILITIES</b>				
Equity attributable to parent company shareholders		1 731 939	1 576 673	1 639 452
Non-controlling interests		5 032	3 431	3 742
<b>TOTAL EQUITY</b>		<b>1 736 971</b>	<b>1 580 103</b>	<b>1 643 193</b>
Non-current liabilities to credit institutions		21 405	84 587	12 757
Non-current non-interest-bearing liabilities		152 006	74 286	74 642
<b>Total non-current liabilities</b>		<b>173 411</b>	<b>158 873</b>	<b>87 399</b>
Interest-bearing current liabilities	5	420 982	112 052	253 264
Trade and other payables	5	469 952	423 103	418 050
Other current liabilities	5	303 150	293 636	275 537
<b>Total current liabilities</b>		<b>1 194 084</b>	<b>828 792</b>	<b>946 851</b>
<b>TOTAL LIABILITIES</b>		<b>1 367 495</b>	<b>987 664</b>	<b>1 034 250</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3 104 465</b>	<b>2 567 768</b>	<b>2 677 444</b>

## 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			
<b>Equity, 01/01/2017</b>	36 588	84 194	72 236	1 267 437	1 460 455	2 739	1 463 195
<b>Profit for the period</b>				186 023	186 023	692	186 716
Translation differences in foreign operations			-19 502		-19 502		-19 502
<b>Other comprehensive income</b>			-19 502		-19 502		-19 502
<b>Comprehensive income for the period</b>			-19 502	186 023	166 521	692	167 214
Dividends paid				-50 309	-50 309		-50 309
Transactions with shareholders				-50 309	-50 309		-50 309
<b>Equity, 30/09/2017</b>	36 588	84 194	52 734	1 403 151	1 576 669	3 431	1 580 103
<b>Equity, 01/01/2018</b>	36 588	84 194	97 927	1 420 746	1 639 452	3 742	1 643 193
<b>Profit for the period</b>				103 942	103 942	1 115	105 057
Translation differences in foreign operations			38 854		38 854	175	39 029
<b>Other comprehensive income</b>			38 854		38 854	175	39 029
<b>Comprehensive income for the period</b>			38 854	103 942	142 796	1 290	144 086
Dividends paid				-50 309	-50 309		-50 309
Transactions with shareholders				-50 309	-50 309		-50 309
<b>Equity, 30/09/2018</b>	36 588	84 194	136 781	1 474 380	1 731 939	5 032	1 736 971

All shares, 18 294 058 pcs, are A-shares with equal voting rights and equal rights to the results.

## Summary cash flow statement for the Group

SEK thousands	1 Jul - 30 Sep, 2018	1 Jul - 30 Sep, 2017	1 Jan - 30 Sep, 2018	1 Jan - 30 Sep, 2017	Full year 2017
Profit before tax	21 239	61 295	145 047	224 030	255 828
Adjustment for non cash generating items	102 473	19 677	155 575	64 452	98 888
Income tax paid	-17 593	-8 333	-48 152	-31 872	-39 476
<b>Cash flow from operating activities before change in working capital</b>	<b>106 118</b>	<b>72 639</b>	<b>252 470</b>	<b>256 610</b>	<b>315 239</b>
Increase (-)/decrease (+) in inventories	-33 397	-55 145	-75 772	-95 266	-140 311
Increase (-)/decrease (+) in trade receivables	6 385	47 722	-98 543	-90 996	-83 489
Increase (-)/decrease (+) in other receivables	-7 202	5 263	32 377	11 314	3 396
Increase (+)/decrease (-) in trade payables	-17 110	14 353	1 769	76 180	61 191
Increase (+)/decrease (-) in other liabilities	-15 385	-27 575	-2 833	-6 897	-8 804
<b>Change in working capital</b>	<b>-66 708</b>	<b>-15 382</b>	<b>-143 002</b>	<b>-105 666</b>	<b>-168 017</b>
<b>Cashflow from operating activities</b>	<b>39 410</b>	<b>57 257</b>	<b>109 468</b>	<b>150 945</b>	<b>147 223</b>
Acquisitions of shares in subsidiaries			-122 908		-7 000
Divestment of shares in subsidiaries/associated comp			1 310		
Acquisition of intangible non-current assets	-1 572	-162	-2 016	-1 419	-1 685
Acquisition of tangible non-current assets	-53 650	-25 156	-95 974	-77 986	-104 002
Sale of tangible non-current assets	8 356	177	12 391	3 762	5 282
Purchase/Sales of short-term investment in securities	110			204	204
<b>Cashflow from investing activities</b>	<b>-46 756</b>	<b>-25 141</b>	<b>-207 197</b>	<b>-75 440</b>	<b>-107 200</b>
New borrowings, credit institutions			170 000		114 983
Amortisation of loans	-33 276	-38 548	-36 505	-63 343	-161 433
Amortisation of loans (lease)	-1 809	-997	-6 411	-3 029	-4 444
Change in bank overdraft facilities	8 529	13 427	-23 724	-10 402	43 058
Dividends to the parent company shareholders			-50 309	-50 309	-50 309
Other changes in financial activities	-100	251	-125	455	173
<b>Cashflow from financing activities</b>	<b>-26 656</b>	<b>-25 867</b>	<b>52 927</b>	<b>-126 628</b>	<b>-57 972</b>
<b>Change in cash and cash equivalents for the period</b>	<b>-34 002</b>	<b>6 249</b>	<b>-44 802</b>	<b>-51 123</b>	<b>-17 949</b>
Cash and cash equivalents at the beginning of the year	140 022	103 003	142 049	162 812	162 812
Exchange rate difference in cash and cash equivalents	-3 837	-3 511	4 936	-5 948	-2 814
<b>Cash and cash equivalents at the end of the period</b>	<b>102 184</b>	<b>105 741</b>	<b>102 184</b>	<b>105 741</b>	<b>142 049</b>

# 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	Note	Jul - Sep 2018	Jul - Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Rolling 12 months Oct 2017 -Sep 2018	Full year 2017
Net sales		13 669	12 677	38 222	37 447	51 015	50 240
Other operating income		738	328	2 629	1 651	3 585	2 607
		<b>14 407</b>	<b>13 005</b>	<b>40 851</b>	<b>39 098</b>	<b>54 600</b>	<b>52 846</b>
Other external expenses	5	-4 518	-3 911	-14 202	-11 974	-19 126	-16 898
Personnel costs		-4 590	-4 657	-13 510	-15 056	-16 606	-18 152
Depreciation and amortisation		-73	-74	-232	-227	-298	-293
Other operating expenses		-31	-87	-129	-196	-247	-314
		<b>-9 213</b>	<b>-8 729</b>	<b>-28 073</b>	<b>-27 452</b>	<b>-36 277</b>	<b>-35 656</b>
<b>Operating profit</b>		<b>5 195</b>	<b>4 276</b>	<b>12 778</b>	<b>11 645</b>	<b>18 323</b>	<b>17 190</b>
Net financial items	5	11 606	10 999	218 537	95 284	205 010	81 756
<b>Earnings after net financial items</b>		<b>16 801</b>	<b>15 275</b>	<b>231 315</b>	<b>106 929</b>	<b>223 332</b>	<b>98 946</b>
Appropriations						34 193	34 193
<b>Profit before tax</b>		<b>16 801</b>	<b>15 275</b>	<b>231 315</b>	<b>106 929</b>	<b>257 526</b>	<b>133 140</b>
Taxes	6	-5 920	-986	-6 743	-3 751	-22 886	-19 894
<b>Profit for the period</b>		<b>10 880</b>	<b>14 289</b>	<b>224 572</b>	<b>103 178</b>	<b>234 640</b>	<b>113 246</b>

## Third quarter

Net sales for the third quarter was SEK 13.7 million (12.7), somewhat higher than the same period in the previous year, because of higher invoicing of management fees (group commons costs). Other external expenses were SEK 4.5 million (3.9).

Personnel costs were SEK 4.6 million (4.7). Operating profit (EBIT) was SEK 5.1 million (4.3).

Net financial items were SEK 11.6 million (11.0) and consisted partly of tax-free dividends from subsidiaries of SEK 69 million (10.0), capital loss of SEK 21.2 million and a cost of SEK 40.1 million for impairment losses, see note 5.

Tax costs of SEK 5.9 million (1.0) is higher than the same period in the previous year. The increased tax expense is due to the fact that the capital loss and write-down of receivables in connection with Segerström & Svensson AB's bankruptcy are not tax-deductible expenses, see note 6.

## First nine months

Net sales for the first nine months was SEK 38.2 million (37.5), similar to the same period in the previous year. Other external expenses were SEK 14.2 million (12.0).

Personnel costs were SEK 13.5 million (15.1). Operating profit (EBIT) was SEK 12.8 million (11.6).

Net financial items were SEK 218.5 million (95.3) and consisted partly of tax-free dividends from subsidiaries of SEK 280.0 million (90.0), capital loss SEK 21.2 million and SEK 40.1 million due to write-down of receivables, see note 5.

Tax costs of SEK 6.7 (3.7) million are higher than the same period in the previous year. The increased tax expense is due to the fact that the capital loss and write-down of receivables in connection with Segerström & Svensson AB's bankruptcy are not tax-deductible expenses, see note 6.

## Summary balance sheet for the Parent company

SEK thousands	30/09/2018	30/09/2017	31/12/2017
<b>ASSETS</b>			
Tangible assets	1 288	990	922
Financial fixed assets	852 384	705 565	661 743
Deferred tax assets	-	549	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>853 673</b>	<b>707 104</b>	<b>662 666</b>
Other current receivables	401 676	218 722	316 805
Cash and cash equivalents	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>401 676</b>	<b>218 722</b>	<b>316 805</b>
<b>TOTAL ASSETS</b>	<b>1 255 349</b>	<b>925 826</b>	<b>979 472</b>
<b>EQUITY AND LIABILITIES</b>			
Restricted equity	37 745	37 745	37 745
Non-restricted equity	507 996	323 664	333 732
<b>Total equity</b>	<b>545 740</b>	<b>361 409</b>	<b>371 476</b>
<b>Untaxed reserves</b>	<b>60 407</b>	<b>44 100</b>	<b>60 407</b>
Deferred tax liabilities	6	-	12
Other provisions	41 310	-	-
<b>Provisions</b>	<b>41 316</b>	<b>-</b>	<b>12</b>
Non-current interest-bearing liabilities	688	67 972	144
Non-current non-interest-bearing liabilities	11 359	-	-
<b>Total non-current liabilities</b>	<b>12 047</b>	<b>67 972</b>	<b>144</b>
Interest-bearing current liabilities	582 728	438 048	515 998
Trade and other payables	2 026	1 560	2 994
Other current liabilities	11 085	12 737	28 441
<b>Total current liabilities</b>	<b>595 839</b>	<b>452 346</b>	<b>547 433</b>
<b>TOTAL LIABILITIES</b>	<b>649 202</b>	<b>520 317</b>	<b>547 588</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 255 349</b>	<b>925 826</b>	<b>979 471</b>

The change in financial fixed assets compared to the same period in the previous year is due to the acquisitions of Mecanova and B3CG and 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 the subsidiaries in Mexico and India in December 2017. The write-down of shares in connection with the bankruptcy of Segerström and Svensson also affects the financial fixed assets.

Other current receivables are mainly with group companies of SEK 396 million (203).

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

Other provisions consist of additional purchase price.

Interest-bearing current liabilities have increased compared to the same period in the previous year due to acquisitions and consists of short-term bank loans of SEK 285 million, usage of bank overdraft of SEK 112 million and debts to subsidiaries in the cash pool of SEK 185 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, ESMA's (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 and breakdown of revenue**

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.

### **Third quarter**

For the segment Component, the total net sales for the third quarter was SEK 934 million (781), of which SEK 850 million (700) is external sales. The increase of the external sales of totally SEK 150 million is due to high demands from our customers and our acquisitions.

For the segment System, the total net sales for the third quarter was SEK 321 million (261), of which SEK 287 million (223) is external sales. The increase of the external sales of SEK 64 million is due to increased demands from our customers.

Operating profit (EBIT) in the third quarter was SEK 5 million (34) for Component, which was SEK 29 million lower than the same period last year. The reason for the lower profit in Component is mainly

due to costs in conjunction the bankruptcy of AQ Segerström & Svensson. Operating profit (EBIT) for System was SEK 27 million (25), which was SEK 2 million better than the same period last year.

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

The turnover divided among geographical market in the third quarter: Sweden 41% (48), other European countries 45% (40) and other countries 14% (12).

## Segment reporting

Q3 2018, SEK thousands	Component	System	Unallocated and eliminations	Group
Net sales, external	850 057	287 270		1 137 327
Net sales, internal	84 184	34 076	-118 260	
<b>Total net turnover</b>	<b>934 240</b>	<b>321 346</b>	<b>-118 260</b>	<b>1 137 327</b>
Material costs, excl. purchases own segment	-473 206	-231 515	107 764	-596 957
Depreciation	-30 988	-1 250	-73	-32 311
Other operating expenses/income	-425 223	-61 997	1 120	-486 100
<b>Operating profit</b>	<b>4 823</b>	<b>26 585</b>	<b>-9 449</b>	<b>21 959</b>
Net financial items			-719	-719
<b>Profit before tax</b>	<b>4 823</b>	<b>26 585</b>	<b>-10 168</b>	<b>21 239</b>
Other comprehensive income plus tax			-40 638	-40 638
<b>Comprehensive income for the period</b>	<b>4 823</b>	<b>26 585</b>	<b>-50 806</b>	<b>-19 399</b>

Q3 2017, SEK thousands	Component	System	Unallocated and eliminations	Group
Net sales, external	699 747	223 394		923 142
Net sales, internal	81 175	37 263	-118 438	
<b>Total net turnover</b>	<b>780 923</b>	<b>260 657</b>	<b>-118 438</b>	<b>923 142</b>
Material costs, excl. purchases own segment	-394 086	-188 243	109 218	-473 111
Depreciation	-23 621	-615	-74	-24 310
Other operating expenses/income	-329 102	-46 655	13 599	-362 158
<b>Operating profit</b>	<b>34 113</b>	<b>25 144</b>	<b>4 304</b>	<b>63 562</b>
Net financial items			-2 267	-2 267
<b>Profit before tax</b>	<b>34 113</b>	<b>25 144</b>	<b>2 037</b>	<b>61 295</b>
Other comprehensive income plus tax			-33 453	-33 453
<b>Comprehensive income for the period</b>	<b>34 113</b>	<b>25 144</b>	<b>-31 416</b>	<b>27 842</b>

## Sales divided by segment and geographical markets

Q3 2018, SEK thousands	Component	System	Unallocated and eliminations	Group
Sweden	301 193	202 309	13 673	517 175
Other European countries	493 982	73 309		567 291
Other countries	139 066	45 728		184 794
<b>Net sales</b>	<b>934 240</b>	<b>321 346</b>	<b>13 673</b>	<b>1 269 260</b>
Internal sales, eliminations			-131 934	-131 934
<b>Total net turnover</b>	<b>934 240</b>	<b>321 346</b>	<b>-118 260</b>	<b>1 137 327</b>

Q3 2017, SEK thousands	Component	System	Unallocated and eliminations	Group
Sweden	313 846	177 068	12 677	503 590
Other European countries	380 846	43 606		424 451
Other countries	86 231	39 984		126 216
<b>Net sales</b>	<b>780 923</b>	<b>260 657</b>	<b>12 677</b>	<b>1 054 257</b>
Internal sales, eliminations			-131 115	-131 115
<b>Total net turnover</b>	<b>780 923</b>	<b>260 657</b>	<b>-118 438</b>	<b>923 142</b>

Geographical markets are based on where AQ Group's subsidiaries have their registered office.

## First nine months

For the segment Component, the total net sales for the first nine months was SEK 2 953 million (2 591), of which SEK 2 674 million (2 347) is external sales. The increase of the external sales of totally SEK 327 million is due to high demands from our customers and our acquisitions.

For the segment System, the total net sales for the first nine months was SEK 910 million (778), of which SEK 777 million (655) is external sales. The increase of the external sales of SEK 122 million is due to increased demands from our customers.

Operating profit (EBIT) in the first nine months was SEK 108 million (161) for Component, which was SEK 53 million lower than the same period last year. The reason for the lower profit in Component is mainly due to costs in conjunction the bankruptcy of AQ Segerström & Svensson of SEK 66 million. Operating profit (EBIT) for System was SEK 49 million (55), which was SEK 6 million lower than the same period last year due to 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, parent company and group eliminations.

The turnover divided among geographical market in the first nine months: Sweden 43% (49), other European countries 45% (40) and other countries 12% (11).

## Segment reporting

YTD 2018, SEK thousands	Component	System	Unallocated and eliminations	Group
Net sales, external	2 674 013	776 979		3 450 992
Net sales, internal	278 719	132 959	-411 677	
<b>Total net turnover</b>	<b>2 952 731</b>	<b>909 937</b>	<b>-411 677</b>	<b>3 450 992</b>
Material costs, excl. purchases own segment	-1 515 458	-669 586	380 420	-1 804 625
Depreciation	-79 399	-3 415	-232	-83 047
Other operating expenses/income	-1 250 034	-187 638	25 615	-1 412 057
<b>Operating profit</b>	<b>107 840</b>	<b>49 298</b>	<b>-5 875</b>	<b>151 263</b>
Net financial items			-6 216	-6 216
<b>Profit before tax</b>	<b>107 840</b>	<b>49 298</b>	<b>-12 091</b>	<b>145 047</b>
Other comprehensive income plus tax			-3 498	-3 498
<b>Comprehensive income for the period</b>	<b>107 840</b>	<b>49 298</b>	<b>-15 589</b>	<b>141 549</b>
<b>YTD 2017, SEK thousands</b>				
Net sales, external	2 347 477	654 943		3 002 419
Net sales, internal	243 051	123 162	-366 213	
<b>Total net turnover</b>	<b>2 590 528</b>	<b>778 105</b>	<b>-366 213</b>	<b>3 002 419</b>
Material costs, excl. purchases own segment	-1 323 660	-570 158	341 395	-1 552 423
Depreciation	-66 829	-3 774	-227	-70 830
Other operating expenses/income	-1 039 396	-148 691	33 692	-1 154 395
<b>Operating profit</b>	<b>160 643</b>	<b>55 482</b>	<b>8 647</b>	<b>224 772</b>
Net financial items			-741	-741
<b>Profit before tax</b>	<b>160 643</b>	<b>55 482</b>	<b>7 906</b>	<b>224 030</b>
Other comprehensive income plus tax			-56 816	-56 816
<b>Comprehensive income for the period</b>	<b>160 643</b>	<b>55 482</b>	<b>-48 911</b>	<b>167 214</b>

## Sales divided by segment and geographical market

YTD 2018, SEK thousands	Component	System	Unallocated and eliminations	Group
Sweden	1 067 857	582 909	38 222	1 688 988
Other European countries	1 545 023	202 246		1 747 269
Other countries	339 851	124 782		464 634
<b>Net sales</b>	<b>2 952 731</b>	<b>909 937</b>	<b>38 222</b>	<b>3 900 891</b>
Internal sales, eliminations			-449 899	-449 899
<b>Total net turnover</b>	<b>2 952 731</b>	<b>909 937</b>	<b>-411 677</b>	<b>3 450 992</b>

YTD 2017, SEK thousands	Component	System	Unallocated and eliminations	Group
Sweden	1 083 926	546 012	37 447	1 667 385
Other European countries	1 253 264	125 629		1 378 893
Other countries	253 338	106 464		359 801
<b>Net sales</b>	<b>2 590 528</b>	<b>778 105</b>	<b>37 447</b>	<b>3 406 079</b>
Internal sales, eliminations			-403 660	-403 660
<b>Total net turnover</b>	<b>2 590 528</b>	<b>778 105</b>	<b>-366 213</b>	<b>3 002 419</b>

Geographical markets are based on where AQ Group's subsidiaries have their registered office.

### Note 3. Personnel

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

	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Bulgaria	1 235	1 103	1 146
Poland	1 111	977	1 010
Sweden	888	1 066	1 043
Lithuania	720	685	688
China	444	480	472
Estonia	377	378	385
Hungary	377	435	430
Mexico	204	172	162
Finland	124	-	-
India	130	122	123
Canada	155	-	-
Thailand	36	27	34
USA	107	-	-
Serbia	32	17	36
Italy	20	18	19
	<b>5 960</b>	<b>5 480</b>	<b>5 548</b>

## Note 4. Acquisitions

AQ's strategy is to grow in both segments. During the period January to September some minor and two larger acquisitions were made.

Acquisitions during the first half year 2018:

Date	Acquisition	Net sales, SEK million*	Number of employees*
April 3, 2018	Mecanova OY	138,4	120 Finland
	Mecanova OÜ	34,6	45 Estonia
May 8, 2018	B3CG Interconnect Inc.	158,4	180 Canada
	B3CG Interconnect USA Inc.	81,6	120 USA

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

### Minor acquisitions

March 1, 2018	Teknoprodukter Finmekanik Vännäs AB
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### Mecanova

On April 3, 2018 AQ Group acquired 100 % of the shares in the private company Mecanova Oy in Nivala, Finland with its subsidiary Mecanova Oü in Pärnu, Estonia. The purchase price was MEUR 1.1 million in cash. In conjunction with the purchase it was agreed that AQ Group shall pay additionally EUR 500 thousand and make a shareholder contribution of EUR 2.1 million.

The company has established an acquisition analysis, which shows consolidated overvalues of about EUR 6.9 million divided in customer relations EUR 0.9 million, technology EUR 2.3 million, goodwill EUR 4.3 million and a deferred tax debt of EUR 0.6 million. The depreciation rate is estimated to 10 years for the customer relations and 10 years for the technology. The estimated goodwill value of EUR 4.3 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 SEK 1.2 million of 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 with existing credits.

During the period April to September the acquired companies contributed with SEK 93 million to the group's turnover and SEK 0.4 million to the profit after tax. If the acquisition had been made on January 1, 2018, i.e. included the first quarter, management is estimating that the group's sales would have been SEK 55 million higher and the profit would have been SEK 3.2 million higher for the first nine months of 2018.

### B3CG

AQ Group AB signed on May 8, 2018 an agreement to acquire 100% of the shares in B3CG Interconnect Inc. and its subsidiary B3CG Interconnect USA Inc. The purchase price was CAD 13.8 million plus an earnout over two years of maximum CAD 6 million.

The company has established an acquisition analysis, which shows consolidated overvalues of about CAD 17.3 million divided in customer relations CAD 4.7 million, technology CAD 5.7 million, goodwill CAD 9.6 million and a deferred tax debt of CAD 2.8 million. The depreciation rate is estimated to 10 years for the customer relations and 10 years for the technology. The estimated goodwill value of CAD 9.6 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 SEK 0.9 million of 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 with a new bank loan.

During the period May to September the acquired companies contributed with SEK 81 million to the group's turnover and SEK 2.2 million to the profit after tax. If the acquisition had been made on January 1, 2018, i.e. included the first quarter and the month of April, management is estimating that the group's

sales would have been SEK 70 million higher and the profit would have been SEK 5 million higher for the first nine months of 2018.

**Net assets in acquired companies:**

(SEK thousands)

	<b>Mecanova OY and Mecanova OÜ</b>	<b>B3CG Interc. Inc and B3CG Interc. USA</b>	<b>Group</b>
Intangible assets	2 418	9 140	11 558
Tangible assets	24 128	8 500	32 628
Financial assets	5 466	-	5 466
Inventories	18 429	19 507	37 935
Operating receivables	9 760	45 220	54 979
Tax liabilities	-	-659	-659
Operating liabilities	-44 921	-31 563	-76 484
Liquid funds	137	1 061	1 198
Provisions	-	-1 405	-1 405
Net loans	-48 189	-31 668	-79 857
<b>Acquired net assets</b>	<b>-32 772</b>	<b>18 132</b>	<b>-14 640</b>
Customer relations	9 211	32 223	41 433
Technologies	23 890	39 442	63 331
Deferred tax on surplus values	-6 620	-19 349	-25 969
Goodwill	44 636	65 958	110 594
<b>Purchase price shares</b>	<b>38 344</b>	<b>136 405</b>	<b>174 749</b>
Debt purchase price	-11 326	-1 415	-12 741
Debt additional purchase price		-41 310	-41 310
<b>Cash flow effect</b>			
Cash paid	-27 018	-93 680	-120 698
<b>Total consideration paid</b>	<b>-27 018</b>	<b>-93 680</b>	<b>-120 698</b>
Liquid funds in acquired company	137	1 061	1 198
<b>Total cash flow effect</b>	<b>-26 881</b>	<b>-92 619</b>	<b>-119 500</b>
<b>Cash flow effect from minor acquisitions:</b>			<b>-3 408</b>
<b>Total cash flow effect acquisition of shares in subsidiaries</b>			<b>-122 908</b>

## Note 5. Items affecting comparability

Items affecting comparability related to the bankruptcy of AQ Segerström & Svensson

### Income Statement

SEK thousands	Group		Parent company	
	Jul-Sep 2018	Jan-Sep 2018	Jul-Sep 2018	Jan-Sep 2018
Other external expenses	-5 915	-5 915	-577	-577
Other operating expenses	-59 670	-59 670	-	-
<b>Operating profit</b>	<b>-65 585</b>	<b>-65 585</b>	<b>-577</b>	<b>-577</b>
Net financial income/expenses	-	-	-61 323	-61 323
<b>Profit before tax</b>	<b>-65 585</b>	<b>-65 585</b>	<b>-61 900</b>	<b>-61 900</b>

### Specification of items affecting comparability:

Loss from divestment	-18 835	-18 835	-21 226	-21 226
Write-down of receivables	-40 674	-40 674	-40 097	-40 097
Bad debt loss	-5 915	-5 915	-577	-577
Other accruals	-161	-161	-	-
	<b>-65 585</b>	<b>-65 585</b>	<b>-61 900</b>	<b>-61 900</b>

### Balance Sheet

	Group 30/09/2018
Tangible assets	-25 663
Deferred tax asset	-995
Inventories	-28 305
Trade receivables	-37 551
Other current receivables	-39 333
Interest-bearing current liabilities	40 674
Trade payables	59 908
Other current liabilities	12 430
<b>Net assets</b>	<b>-18 835</b>

## Note 6. Effective tax rate

SEK thousands	Group		Parent company	
	Jul-Sep 2018	Jan-Sep 2018	Jul-Sep 2018	Jan-Sep 2018
<b>Specification of recorded tax:</b>				
<i>Profit before tax</i>	21 239	145 047	16 800	231 315
Tax calculated according to tax rate in Sweden 22%	-4 673	-31 910	-3 696	-50 889
<i>Tax effect due to:</i>				
Non-deductible expenses	-13 110	-14 853	-13 486	-13 540
Non-taxable income	-255	1 144	15 223	61 647
Effect of tax rates in foreign operations	3 039	13 946	-	-
Change in non-recorded tax loss carryforwards	-1 568	-4 139	-	-
Other	-252	-217	-	-
	<b>-16 819</b>	<b>-36 029</b>	<b>-1 959</b>	<b>-2 782</b>
Withholding tax on dividends	-3 961	-3 961	-3 961	-3 961
<b>Tax recorded for the period</b>	<b>-20 780</b>	<b>-39 990</b>	<b>-5 920</b>	<b>-6 743</b>
<i>Recorded effective tax rate</i>	<i>-97,84%</i>	<i>-27,57%</i>	<i>-35,24%</i>	<i>-2,92%</i>

The deviating effective tax rate is primarily attributable to non-deductible expenses relating to the capital losses in connection with bankruptcy in the subsidiary Segerström & Svensson and losses of the financial receivables held by the parent company to the subsidiary. The tax effect amounts to SEK 12.9 million in the Group and in the parent company by SEK 13.5 million. In addition, the Group cannot utilize the losses in the subsidiary during the year from a tax perspective. The parent company's non-taxable income relates primarily to dividends from subsidiaries.

**Note 7. 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.

Additional purchase prices belong to valuation level 3 and have been valued at the amount they are estimated to turn out, based on terms in the acquisition agreements on future cash flows.

**Note 8. Events after end of the reporting period**

Information about events after the end of the reporting period are presented on page 7.

## Note 9. Calculation of key figures and definitions

	2018				2017				Full year
	Q1	Q2	Q3	YTD	Q1	Q2	Q3	Q4	
<b>Operating margin, (EBIT %)</b>									
Operating profit	71 539	57 766	21 959	151 263	86 813	74 397	63 562	38 510	263 282
Net revenue	1 090 122	1 223 542	1 137 327	3 450 992	1 001 898	1 077 380	923 142	1 017 321	4 019 740
Operating margin	6,6%	4,7%	1,9%	4,4%	8,7%	6,9%	6,9%	3,8%	6,5%
<b>Profit margin before tax, (EBT %)</b>									
Profit before tax	68 397	55 411	21 239	145 047	92 258	70 478	61 295	31 797	255 828
Net revenue	1 090 122	1 223 542	1 137 327	3 450 992	1 001 898	1 077 380	923 142	1 017 321	4 019 740
Profit margin before tax	6,3%	4,5%	1,9%	4,2%	9,2%	6,5%	6,6%	3,1%	6,4%
<b>Liquid ratio, %</b>									
Trade receivables	1 024 591	1 103 424	1 045 422	1 045 422	922 728	947 782	889 208	900 387	900 387
Other current receivables	161 071	149 262	115 188	115 188	184 722	161 748	155 202	143 575	143 575
Cash and cash equivalents	155 151	139 988	102 184	102 184	125 316	103 003	105 741	142 049	142 049
Current liabilities	1 059 940	1 288 721	1 194 084	1 194 084	865 301	864 583	828 792	946 851	946 851
Liquid ratio	126%	108%	106%	106%	142%	140%	139%	125%	125%
<b>Debt/equity ratio, %</b>									
Total equity	1 759 434	1 754 072	1 736 971	1 736 971	1 543 686	1 552 257	1 580 103	1 643 193	1 643 193
Total assets	2 904 192	3 262 755	3 104 465	3 104 465	2 593 111	2 591 281	2 567 768	2 677 444	2 677 444
Debt/equity ratio	61%	54%	56%	56%	60%	60%	62%	61%	61%
<b>Return on total assets, %</b>									
Profit before tax, rolling 12 months	231 967	216 900	176 845	176 845	295 648	275 368	283 613	255 828	255 828
Financial expenses, rolling 12 months	-11 222	-9 766	-14 153	-14 153	-12 669	-15 652	-12 671	-10 741	-10 741
Total equity and liabilities, opening balance for 12 months	2 593 111	2 591 281	2 567 768	2 567 768	2 066 851	2 149 012	2 130 582	2 449 796	2 449 796
Total equity and liabilities, closing balance	2 904 192	3 262 755	3 104 465	3 104 465	2 593 111	2 591 281	2 567 768	2 677 444	2 677 444
Total equity and liabilities, average	2 748 651	2 927 018	2 836 117	2 836 117	2 329 981	2 370 147	2 349 175	2 563 620	2 563 620
Return on total assets	8,8%	7,7%	6,7%	6,7%	13,2%	12,3%	12,6%	10,3%	10,3%
<b>Return on equity after tax, %</b>									
Profit for the period after tax, rolling 12 months	185 336	173 510	123 016	123 016	250 191	233 463	237 884	204 674	204 674
Total equity, opening for 12 months	1 543 686	1 552 257	1 580 103	1 580 103	1 241 016	1 290 577	1 366 832	1 463 195	1 463 195
Total equity, closing	1 759 434	1 754 072	1 736 971	1 736 971	1 543 686	1 552 257	1 580 103	1 643 193	1 643 193
Total equity, average	1 651 560	1 653 165	1 658 537	1 658 537	1 392 351	1 421 417	1 473 468	1 553 194	1 553 194
Return on equity after tax	11,2%	10,5%	7,4%	7,4%	18,0%	16,4%	16,1%	13,2%	13,2%
<b>Net cash / Net debt</b>									
Cash and cash equivalents	155 151	139 988	102 184	102 184	125 316	103 003	105 741	142 049	142 049
Non-current interest bearing liabilities	9 817	46 478	21 405	21 405	100 757	91 653	84 587	12 757	12 757
Current interest bearing liabilities	248 309	414 606	420 982	420 982	139 998	130 614	112 052	253 264	253 264
Total interest bearing liabilities	258 126	461 084	442 387	442 387	240 755	222 267	196 639	266 021	266 021
Net cash / Net debt	-102 975	-321 096	-340 203	-340 203	-115 439	-119 264	-90 898	-123 972	-123 972
<b>Growth, %</b>									
<b>Organic growth</b>									
Net revenue	1 090 122	1 223 542	1 137 327	3 450 992	1 001 898	1 077 380	923 142	1 017 321	4 019 740
- Effect of changes in exchange rates	21 159	32 485	42 275	95 919	8 945	22 944	-1 319	-1 262	29 308
- Net revenue for last year	1 001 898	1 077 380	923 142	3 002 419	801 834	859 584	723 223	904 575	3 289 215
- Net revenue for acquired companies	92	89 105	91 426	180 623	121 766	108 181	95 109	0	325 055
= Organic growth	66 973	24 574	80 483	172 030	69 353	86 671	106 130	114 008	376 162
Organic growth divided by last year net revenue, %	6,7%	2,3%	8,7%	5,7%	8,6%	10,1%	14,7%	12,6%	11,4%
<b>Growth through acquisitions</b>									
Net revenue for acquired companies divided by last year net revenue, %	0,0%	8,3%	9,9%	6,0%	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.

# 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.