



Västerås, April 25, 2019

AQ Group AB (publ), First quarter, 2019

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First quarter, January-March 2019 in brief

- Continued good growth, improved profit and strong cash flow
- Net sales increased by 14.9% to SEK 1 253 million (1 090)
- Operating profit (EBIT) increased by 33.8 % to SEK 96 million (72)
- Profit after financial items (EBT) increased by 35.9 % to SEK 93 million (68)
- Profit margin before tax (EBT %) was 7.4 % (6.3)
- Cash flow from operating activities increased by 378 % to SEK 165 million (35)
- Earnings per share after tax increased by 32.3 % to SEK 4.14 (3.13)
- Equity ratio 54 % (61), first quarter 2019 affected by new IFRS 16 rules

Group overview, key figures

	4)	3)				Full year
	2019	2018				
	Q1	Q1	Q2	Q3	Q4	
Net turnover, SEK thousands	1 252 861	1 090 122	1 223 542	1 137 327	1 216 228	4 667 220
Operating profit (EBIT), SEK thousands	95 707	71 539	57 766	21 959	56 921	208 184
Profit after net financial items (EBT), SEK thousands	92 949	68 397	55 411	21 239	53 275	198 322
Operating margin (EBIT %)	7,6%	6,6%	4,7%	1,9%	4,7%	4,5%
Profit margin before tax (EBT %)	7,4%	6,3%	4,5%	1,9%	4,4%	4,2%
Liquid ratio	108%	126%	108%	106%	111%	111%
Debt/equity ratio	54%	61%	54%	56%	58%	58%
Return on total assets ²⁾	7,6%	8,8%	7,7%	6,7%	7,4%	7,4%
Return on equity after tax ²⁾	9,4%	11,2%	10,5%	7,4%	8,9%	8,9%
Number of employees in Sweden	865	1 073	1 060	888	900	900
Number of employees outside Sweden	5 060	4 615	4 877	5 072	5 169	5 169
Key indicators per share, SEK ¹⁾						
Profit for the period	4,14	3,13	2,54	0,01	2,58	8,26
Equity	103,66	96,18	95,88	94,95	97,45	97,45
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.

³⁾ Based on the previous accounting standard for lease contracts IAS 17

⁴⁾ Based on the new current accounting standard for lease contracts IFRS 16

A word from the CEO



First quarter

AQ Group grows 14.9% in the quarter and increases operating profit (EBT) by 35.9%. The earnings improvement comes from a higher turnover in many of our companies, while we no longer have losses in the companies that we restructured in 2018.

A strong operating cash flow of SEK 165 million is also gratifying. The cash flow improvement comes from intensive efforts to reduce overdue accounts receivable, which were high at year-end. We also see good effect from the projects we conduct in our factories to increase the stock turnover rate.

Market

We continue to increase our business both with existing and new customers. The comparable organic growth is 9.1% and compensates by a margin for the operations we discontinued last year. Some good examples of growth in the quarter are, e.g. our wiring systems factory in Mexico with a new customer who makes delivery cars for global logistics companies. The Inductive Components business area has had a good development driven by the ongoing trend towards more electrified solutions. We are also delivering a larger order for complete machines to a customer in medical technology. Finally, our operations for automation and electrical cabinets have had high deliveries from their factories in Bulgaria and Sweden.

In our role as a supplier, AQ is always ready for changes in demand. We need to be quick to change both in growth and when demand for our customers' products decreases.

Supply capability

In AQ Group, we work intensively at all our companies to become an even better supplier to demanding industrial customers.

We remain aware that we have not lived up to some of our customers' expectations of, above all, delivery reliability. Just under a third of our manufacturing units have unsatisfactory delivery reliability. Often caused by a sharp increase in order intake but also because of system change, component shortage and lack of machine capacity. We are not happy with this and work hard to improve routines, standards and processes to become even more robust and flexible in the future. One part of this is capacity expansion and machine investments. During the quarter, for example, we have installed a new modern 3D laser cutting machine in our unit in Lyrestad and we installed a 1500-tonne plastic injection molding machine in Torslanda.

Organisation

AQ Group has a strong company culture with values that are for real in customer focus, entrepreneurship, simplicity, cost efficiency, courage and respect.

We run our business in decentralized companies with talented leaders and employees who work close to their customers and have a mandate to run the business. In this way, we can be quick and utilize all the opportunities available in the market. This is a strategy we will continue with.

Acquisitions

Acquisitions are an important part of AQ's strategy to strengthen our presence and ability in the product areas and geographical markets where we see opportunities for growth and improved profitability.

Another central part of the acquisition strategy is to follow some of our most important customers into new geographical areas. The integrations of AQ B3CG and AQ Mecanova are now completed, and not least AQ B3CG in North America has contributed to the increasing profit in the quarter.

Outlook

Our guideline is to be a long-term, stable, growing and profitable group with a profit margin (EBT) of 8% and a strong financial position. We like to do business with the customer in focus. Our employees and managers are doing a good job and it will also be reflected in new business in the future.

With strong relationships with world-leading customers and committed employees, we will work hard with new acquisitions, continued organic growth, good cash flow and a stable profit level. A continued 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

First quarter

Net sales for the first quarter was SEK 1 253 million (1 090), an increase of SEK 163 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 good growth. The total growth in the quarter was 14.9 %, of which organic growth 3.2 %, growth through acquisitions 8.7 % and currency effects of 3.0 %. The currency effect of 3.0 % corresponds to about SEK 32.4 million and is mainly with the currencies EUR, BGN and CNY.

Taking into account the elimination of AQ Segerström & Svensson's turnover of SEK 59 million in the first quarter of 2018, the first quarter of 2019 shows a growth of 21.5%, of which organic growth was 9.1%, growth through acquisitions 9.2% and currency effect of 3.1%.

Operating margin (EBIT) in the first quarter was SEK 96 million (72), an increase of SEK 24 million.

Goodwill and other intangible assets have increased with SEK 212 million compared to the first quarter of 2018, an increase due to overvalues in acquisitions, currency translation effects and depreciation of technology and customer relations.

The Group's investments in connection with a new factory building in Poland amounted to approximately SEK 17 million for the quarter. Total tangible fixed assets amounted to SEK 848 million (532), of which SEK 265 million consists of the book value of right-of-use assets in accordance with IFRS 16, see Note 2.

The Group's interest-bearing liabilities without regard to IFRS 16 amount to SEK 337 million (258) and cash and cash equivalents to SEK 115 million (155), which means that the Group has a net debt of SEK 222 million. The same period last year, the Group had net debt of SEK 103 million. The increase is mainly due to new loans in connection with acquisitions.

The Group's interest-bearing liabilities with regard to IFRS 16 which began to apply on January 1, 2019, amount to SEK 598 million and cash and cash equivalents to SEK 115 million, which means that the Group has a net debt of SEK 483 million.

Cash flow from operating activities was SEK 165 million (35). Activities to reduce working capital, mainly to reduce inventories have continued during the quarter and has given some positive effects. The work to collect overdue accounts receivable has intensified since the middle of the fourth quarter 2018 and it has had a good effect on cash flow.

Cash flow from investing activities was SEK -40 million (-19), which relates to investments in fixed assets.

Cash flow from financing activities was SEK -116 million (-10) which relates to decreased usage of overdraft facility, amortizations of bank loans and payments of financial leasing liabilities.

Equity at the end of the period was SEK 1 896 million (1 759) for the group.

Significant events during the first quarter

There have been no significant events during the first quarter.

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 is 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 with 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-March 2019
Product quality	100 %	99.5 %
Delivery precision	98 %	90.6 %
Equity ratio	>40 %	54 %
Profit margin before tax, (EBT %)	8 %	7.4 %

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 fourteen 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 2018. No additional significant risks have been identified since the annual report of 2018 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 for the Annual General Meeting 2019 consists of chairman Vegard Søråunet (ODIN Fonder), Björn Henriksson (Nordea Fonder), P-O Andersson and Claes Mellgren.

Future reporting dates

Interim report Q2, 2019	July 18, 2019, at 08:00
Interim report Q3, 2019	October 24, 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 April 25, 2019 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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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 25, 2019

Anders Carlsson
CEO

Financial reports, summary

Summary income statement for the Group

SEK thousands	Jan-Mar 2019	Jan-Mar 2018	Rolling 12 months Apr 2018 -Mar 2019	Full year 2018
Net sales	1 252 861	1 090 122	4 829 959	4 667 220
Other operating income	17 697	17 496	89 462	89 261
	1 270 558	1 107 618	4 919 421	4 756 481
Change in inventory and work in progress	9 622	10 281	26 209	26 867
Raw material and consumables	-645 719	-562 114	-2 477 927	-2 394 322
Goods for resale	-11 776	-18 838	-87 855	-94 917
Other external expenses	-134 642	-138 336	-625 933	-629 627
Personnel costs	-334 845	-292 888	-1 284 923	-1 242 966
Depreciation and amortisation	-47 543	-23 808	-135 965	-112 231
Other operating expenses	-9 948	-10 375	-100 674	-101 101
	-1 174 851	-1 036 079	-4 687 069	-4 548 297
Operating profit	95 707	71 539	232 352	208 184
Net financial income/expense	-2 758	-3 142	-9 478	-9 862
Profit before tax	92 949	68 397	222 874	198 322
Taxes	-16 615	-10 810	-51 582	-45 778
Profit for the period	76 335	57 587	171 292	152 544
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:				
Parent company shareholders	75 791	57 289	169 556	151 053
Non-controlling interests	544	299	1 736	1 491
	76 335	57 587	171 292	152 544
Earnings per share ¹⁾	4,14	3,13	9,27	8,26

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

Statement of comprehensive income for the Group

SEK thousands	Jan-Mar 2019	Jan-Mar 2018	Rolling 12 months Apr 2018 -Mar 2019	Full year 2018
PROFIT FOR THE PERIOD	76 335	57 587	171 292	152 544
OTHER COMPREHENSIVE INCOME				
Items that cannot be transferred to the profit for the period				
Revaluation of defined benefit pension plans			-351	-351
Revaluation of defined benefit pension plans, tax effect			13	13
Items transferred or that can be transferred to the profit for the period				
Translation difference for foreign operations	37 371	58 654	16 338	37 621
Other comprehensive income for the period after tax	37 371	58 654	15 999	37 283
Comprehensive income for the period	113 706	116 241	187 291	189 827
COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:				
Parent company shareholders	113 085	115 764	185 503	188 182
Non-controlling interests	621	478	1 787	1 645
	113 706	116 241	187 291	189 827

Summary balance sheet for the Group

SEK thousands	31/03/2019	31/03/2018	31/12/2018
ASSETS			
Goodwill	277 838	155 611	272 313
Other intangible assets	167 328	77 986	164 667
Tangible assets	848 424	532 082	567 918
Financial assets	2 255	2 106	2 174
Deferred tax assets	17 361	14 929	14 670
TOTAL NON-CURRENT ASSETS	1 313 206	782 714	1 021 744
Inventories	830 094	780 665	790 724
Trade and other receivables	1 102 473	1 024 591	1 081 833
Other current receivables	130 916	161 071	104 804
Short term investments	-	-	-
Cash and cash equivalents	114 916	155 151	100 683
TOTAL CURRENT ASSETS	2 178 399	2 121 478	2 078 044
TOTAL ASSETS	3 491 605	2 904 192	3 099 788
EQUITY AND LIABILITIES			
Equity attributable to parent company shareholders	1 890 410	1 755 215	1 777 325
Non-controlling interests	6 007	4 218	5 386
TOTAL EQUITY	1 896 417	1 759 434	1 782 711
Non-current liabilities to credit institutions	206 722	9 817	16 667
Non-current non-interest-bearing liabilities	136 553	74 935	137 103
Total non-current liabilities	343 275	84 752	153 769
Interest-bearing current liabilities	391 292	248 309	417 480
Trade and other payables	522 727	477 845	449 868
Other current liabilities	337 894	333 852	295 960
Total current liabilities	1 251 913	1 060 006	1 163 307
TOTAL LIABILITIES	1 595 188	1 144 758	1 317 076
TOTAL EQUITY AND LIABILITIES	3 491 605	2 904 192	3 099 788

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, 01/01/2018	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
Dividends paid							
Transactions with shareholders							
Equity, 31/03/2018	36 588	84 194	156 402	1 478 035	1 755 215	4 218	1 759 434
Equity, 01/01/2019	36 588	84 194	135 384	1 521 160	1 777 325	5 386	1 782 711
Profit for the period				75 791	75 791	544	76 335
Translation differences in foreign operations			37 294		37 294	77	37 371
Other comprehensive income			37 294		37 294	77	37 371
Comprehensive income for the period			37 294	75 791	113 085	621	113 706
Dividends paid							
Transactions with shareholders							
Equity, 31/03/2019	36 588	84 194	172 677	1 596 951	1 890 410	6 007	1 896 417

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	Jan - Mar 2019	Jan - Mar 2018	Full year 2018
Profit before tax	92 949	68 397	198 322
Adjustment for non cash generating items	48 099	26 024	178 532
Income tax paid	-27 871	-15 345	-52 011
Cash flow from operating activities before change in working capital	113 177	79 077	324 843
Increase (-)/decrease (+) in inventories	-27 980	-29 388	-35 245
Increase (-)/decrease (+) in trade receivables	-3 796	-97 212	-135 136
Increase (-)/decrease (+) in other receivables	-22 131	-11 408	40 241
Increase (+)/decrease (-) in trade payables	64 175	45 413	-22 707
Increase (+)/decrease (-) in other liabilities	41 830	48 094	-21 407
Change in working capital	52 099	-44 501	-174 253
Cashflow from operating activities	165 275	34 577	150 589
Aquisitions of shares in subsidiaries	-	-2 056	-123 286
Divestment of shares in subsidiaries/associated comp	-	-	1 310
Acquisition of intangible non-current assets	-1 353	-203	-2 252
Acquisition of tangible non-current assets	-39 371	-16 942	-136 771
Sale of tangible non-current assets	760	580	19 777
Purchase/Sales of short-term investment in securities	1	-110	-106
Cashflow from investing activities	-39 964	-18 731	-241 328
New borrowings, credit institutions	-	-	170 000
Amortization of loans	-1 647	-653	-38 062
Amortization of loans (lease)	-18 784	-483	-7 143
Change in bank overdraft facilities	-95 091	-8 994	-30 614
Dividends to the parent company shareholders	-	-	-50 309
Cashflow from financing activities	-115 522	-10 129	43 873
Change in cash and cash equivalents for the period	9 790	5 717	-46 866
Cash and cash equivalents at the beginning of the year	100 683	142 049	142 049
Exchange rate difference in cash and cash equivalents	4 444	7 386	5 499
Cash and cash equivalents at the end of the period	114 916	155 152	100 683

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	Jan - Mar 2019	Jan - Mar 2018	Rolling 12 months Apr 2018 -Mar 2019	Full year 2018
Net sales		14 535	10 750	55 422	51 637
Other operating income		570	865	2 468	2 763
		15 105	11 615	57 889	54 400
Other external expenses		-5 140	-4 047	-28 081	-26 988
Personnel costs		-5 637	-4 882	-19 556	-18 801
Depreciation and amortisation			-79	-240	-319
Other operating expenses		-202	-35	-466	-299
		-10 979	-9 043	-48 343	-46 407
Operating profit		4 126	2 572	9 546	7 992
Net financial items	6	-1 785	-2 154	203 067	202 699
Earnings after net financial items		2 341	418	212 614	210 691
Appropriations				24 752	24 752
Profit before tax		2 341	418	237 366	235 443
Taxes		-941	-107	-12 006	-11 172
Profit for the period		1 400	311	225 361	224 271

First quarter

Net sales for the first quarter was SEK 14.5 million (10.8), somewhat higher than the same period in the previous year, because of higher invoicing of management fees (group common costs). Other external expenses were SEK -5.1 million (-4.0), the difference compared to the same period last year is, among other things, extra personnel.

Personnel costs were SEK -5.6 million (-4.9). Operating profit (EBIT) was SEK 4.1 million (2.6).

Net financial items were negative by SEK -1.8 million (-2.2). Net financial items consist of a write-down of shares in a Mexican subsidiary of SEK -2 million, unrealized exchange losses, bank interest rates and a positive change in value of forward contracts.

The tax cost of -0,9 MSEK (-0,1) is higher than the same period in the previous year.

Summary balance sheet for the Parent company

SEK thousands	31/03/2019	31/03/2018	31/12/2018
ASSETS			
Tangible assets	-	1 170	1 366
Financial fixed assets	858 222	668 733	840 004
Deferred tax assets	-	-	41
TOTAL NON-CURRENT ASSETS	858 222	669 903	841 412
Other current receivables	320 362	287 316	420 157
Cash and cash equivalents	-	-	-
TOTAL CURRENT ASSETS	320 362	287 316	420 157
TOTAL ASSETS	1 178 583	957 219	1 261 569
EQUITY AND LIABILITIES			
Restricted equity	37 745	37 745	37 745
Non-restricted equity	509 095	334 043	507 695
Total equity	546 840	371 788	545 439
Untaxed reserves	53 054	60 407	53 054
Deferred tax liabilities	98	23	-
Other provisions	41 473	-	41 310
Provisions	41 571	23	41 310
Non-current interest-bearing liabilities	-	268	683
Non-current non-interest-bearing liabilities	-	-	-
Total non-current liabilities	-	268	683
Interest-bearing current liabilities	516 482	509 930	563 411
Trade and other payables	2 721	1 997	3 568
Other current liabilities	17 916	12 807	54 103
Total current liabilities	537 118	524 733	621 081
TOTAL LIABILITIES	578 690	525 024	663 076
TOTAL EQUITY AND LIABILITIES	1 178 583	957 219	1 261 569

The change in financial fixed assets compared with the same period last year is attributable to the acquisitions of Mecanova and B3CG, which were made during the second quarter of 2018, as well as new long-term receivables from subsidiaries.

Other current receivables are mainly receivables from Group companies of SEK 313 million (281) and consist of the cash pool.

The increase in non-restricted equity of SEK 1 million compared with December 31, 2018 consists of profit in the period.

Untaxed reserves consist of accrual funds and depreciation. Other provisions of SEK 41 million consist of additional purchase price.

Interest-bearing current liabilities have increased with SEK 7 million compared to the same period in the previous year and consists of short-term bank loans of SEK 285 million (115), usage of bank overdraft of SEK 19 million (125) and debts to subsidiaries in the cash pool of SEK 212 million (270).

Other current liabilities SEK 18 million (13) consist of other liabilities and accrued expenses and income.

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.

In 2019, the Group has begun to apply IFRS 16. 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. AQ has chosen to use the relief rules for short leases or assets of low value.

The company has also chosen to use the simplified transition method, which means that no recalculation will be made of the comparative figures and that the entry value of equity is not affected. See more information under note 2.

Note 2. Summary description of IFRS 16 Leases

When a contract is entered into, the Group assesses whether the agreement is, or contains a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lessee

The Group reports a right-of-use asset and a leasing debt on the date of the lease agreement. The right-of-use is initially valued at acquisition value, which consists of the original value of the lease liability with addition for lease payments paid at or before the start date plus any initial expenses. The right-of-use asset is subsequently written off linearly from the start date to the earliest of the end of the asset's useful life and the end of the lease term.

The leasing liability is initially valued at the present value of the future lease payments that have not been paid at the start date. The leasing fees are discounted by the implicit interest on the lease. If this interest rate cannot be easily determined, the Group's marginal borrowing rate is used. The leasing debt is valued at amortized cost using the effective interest method. The leasing debt is revalued if the future leasing fees change as a result of, among other things, changes in an index or a price. When the leasing debt is revalued in this way, a corresponding adjustment is made to the reported value of the right-of-use asset.

Short leases or leases of low value

The Group has chosen not to report liability for right-of-use assets and leasing liabilities for leases that are shorter than 12 months and contracts of lesser value. Leasing fees for these leases are reported as a cost on linearly over the lease term.

Summary of the effects of the transition to IFRS 16 Leases

Definition of leasing

Previously, the Group determined whether an agreement contained leases according to IAS 17 or IFRIC 4 at the beginning of the agreement. As of January 1, 2019, the Group assesses whether an agreement contains leases based on the definition of leasing agreements in IFRS 16.

However, at the transition to IFRS 16, the Group chose to apply the relief rule to inherit the earlier definition of leasing at the transition. This means that IFRS 16 is only applied to agreements that were previously defined as leasing agreements. Agreements that were not identified as leases under IAS 17 and IFRIC 4 were not revised. Because of this, the definition of leasing agreements in accordance with IFRS 16 is applied only to the agreements that have been amended or entered into after January 1, 2019.

Leases where the Group is a lessee

At the transition to IFRS 16, the Group has chosen to apply the modified retroactive approach. Its meaning and effects on the Group are described below. Previously, the Group classified leases as operating or financial leases based on whether the leasing agreement transferred the significant risks and benefits that ownership of the underlying asset brings to the Group. According to IFRS 16, the Group recognizes right-of-use assets and leasing liabilities for most leasing agreements, i.e. they are included in the balance sheet, exceptions to these are stated below.

Leases previously classified as operating leases in accordance with IAS 17

At the transition, the lease liabilities were valued at the present value of the remaining leasing fees, discounted by the Group's marginal borrowing rate on the first application date (January 1, 2019). The right-of-use asset was valued at an amount corresponding to the lease liability, adjusted for any prepaid or accrued lease payments.

The Group has chosen to apply the following practical solutions:

- Applied a single discount rate for all agreements for countries with a certain level of risk.
- Right-of-use assets and leasing liabilities have not been recognized for leasing agreements for which the leasing period terminated in 12 months or earlier (short-term leases).
- Excluded initial direct expenses from the valuation of the right-of-use asset on the first day of application.

Leases previously classified as finance leases

For leases classified as finance leases in accordance with IAS 17, the carrying amount of the right-of-use asset and the leasing liability as of January 1, 2019 was determined at the carrying amount of the lease asset and the leasing liability according to IAS 17 immediately before that date.

Effect on the financial reports

At the transition to IFRS 16, the Group reported right-of use assets of SEK 285 million and leasing liabilities of SEK 280 million, of which SEK 84 million is short-term lease liabilities. The difference between assets and liabilities is due to prepaid lease payments that were reported as assets on December 31, 2018, which are added to the right-of-use assets on January 1, 2019. In the valuation of the leasing debt, the Group discounted the leasing fees to the marginal borrowing rate as of January 1, 2019. The weighted average interest rate used is 1.57%.

SEK million	January 1, 2019
Operating leases, minimum payments December 31, 2018 according to Annual Report 2018	284
Discounted with marginal loan interest January 1, 2019	279
Additional - finance lease liabilities accounted for December 31, 2018	6
Deducted - exemption for short term leases and assets of low value	-5
Lease liabilities as per January 1, 2019	280

Leasing liabilities for leases that were previously classified as financial leases, in accordance with the transition rules in IFRS 16, were recognized at the beginning of the year at the same amount as at the end of 2018.

The reported right-of-use assets are attributable to the following types of assets:

SEK million	Mar 31, 2019	Dec 31, 2018
Property	251	269
Machines	6	7
Vehicles	7	8
IT equipment	1	1
Total right-of-use assets	265	285

Comparative figures as if IAS 17 had been applied also in 2019

Excerpt from The Group's income statement

SEK million	IFRS16		IAS 17
	Jan-Mar 2019	Jan-Mar 2019	Jan-Mar 2018
EBITDA	143	125	95
Depreciations	-48	-30	-10
Operating profit (EBIT)	96	95	72
Financial costs	-3	-2	-3
Profit before tax (EBT)	93	93	68
Profit for the period	76	77	57
Profit margin before tax (EBT %)	7,4%	7,5%	6,3%

Excerpt from the Group's Balance Sheet

SEK million	IFRS16		IAS 17
	31/03/2019	31/03/2019	31/03/2018
Assets			
Right-of-use assets	265	-	-
Other fixed assets	1 048	1 053	783
Total fixed assets	1 313	1 053	783
Total assets	3 492	3 231	2 904
Equity			
Profit brought forward including profit for the period	1 597	1 597	1 478
Total equity	1 896	1 897	1 759
Liabilities			
Long term lease liabilities	194	3	3
Total long term liabilities	343	152	85
Short term lease liabilities	71	1	6
Total short term liabilities	1 252	1 182	1 060
Total liabilities	1 595	1 334	1 145
Total equity and liabilities	3 492	3 231	2 904
Debt/Equity ratio %	54%	59%	61%

Excerpt from the Group's Cash-flow statement

SEK million	IFRS16		IAS 17
	Jan-Mar 2019	Jan-Mar 2019	Jan-Mar 2018
Operating activities			
Profit before tax	93	93	68
Adjustment for non-cash generating items	48	31	26
Cash flow from operating activities	165	149	35
Investing activities			
Cash flow from investing activities	-40	-40	-19
Financing activities			
Amortisation of loans (lease)	-19	-2	-
Cash flow from financing activities	-116	-98	-10
Change in cash and cash equivalents for the period	10	10	6

Note 3. 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-molded 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 1 040 million (934), of which SEK 963 million (842) is external sales. The increase of the external sales of totally SEK 121 million is due to increased demands from our customers and our acquisitions.

For the segment System, the total net sales for the first quarter was SEK 332 million (295), of which SEK 290 million (248) is external sales. The increase of the external sales of SEK 42 million is due to increased demands from our customers.

Operating profit (EBIT) in the first quarter was SEK 66 million (59) for Component, which was SEK 7 million better than the same period last year. Operating profit (EBIT) for System was SEK 26 million (13), which was SEK 13 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 markets in the first quarter: Sweden 38 % (48), other European countries 50% (44) and other countries 13% (9).

Segment reporting

Q1 2019, SEK thousands	Component	System	Unallocated and eliminations	Group
Net sales, external	963 054	289 807		1 252 861
Net sales, internal	76 625	42 586	-119 211	
Total net turnover	1 039 680	332 393	-119 211	1 252 861
Material costs, excl. purchases own segment	-519 697	-237 274	109 099	-647 873
Depreciation	-41 594	-5 773	-176	-47 543
Other operating expenses/income	-412 398	-63 564	14 223	-461 739
Operating profit	65 991	25 781	3 935	95 707
Net financial items			-2 758	-2 758
Profit before tax	65 991	25 781	1 177	92 949
Other comprehensive income plus tax			20 757	20 757
Comprehensive income for the period	65 991	25 781	21 933	113 706
Q1 2018, SEK thousands				
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

Sales divided by segment and geographical markets

Q1 2019, SEK thousands	Component	System	Unallocated and eliminations	Group
Sweden	293 972	214 832	14 535	523 338
Other European countries	597 105	91 771		688 876
Other countries	148 603	25 789		174 393
Net sales	1 039 680	332 393	14 535	1 386 607
Internal sales, eliminations			-133 746	-133 746
Total net turnover	1 039 680	332 393	-119 211	1 252 861
Q1 2018, SEK thousands				
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

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

Note 4. Personnel

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

	Jan-Mar 2019	Jan-Mar 2018	Jan-Mar 2017
Bulgaria	1 304	1 181	1 000
Poland	1 217	1 101	904
Sweden	865	1 073	1 021
Lithuania	761	708	670
China	429	456	476
Estonia	416	383	360
Hungary	368	403	449
Mexico	205	162	141
Canada	163	-	-
India	134	128	136
Finland	121	-	-
USA	97	-	-
Serbia	31	35	23
Italy	19	19	18
Thailand	-	39	21
	6 130	5 688	5 219

Note 5. Acquisitions

AQ's strategy is to grow in both segments. No acquisitions were made during the period January to March.

Note 6. 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, credit debts and provisions for additional purchase price.

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. Per March 31, the market value of derivatives amounted to SEK 0.5 million (0) valued at level 2.

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 7. Events after end of the reporting period

Information about events after the end of the reporting period are presented on page 5.

Note 8. Calculation of key figures and definitions

	2)	1)				
	2019	2018		2018		
	Q1	Q1	Q2	Q3	Q4	Full year
Operating margin, (EBIT %)						
Operating profit	95 707	71 539	57 766	21 959	56 921	208 184
Net revenue	1 252 861	1 090 122	1 223 542	1 137 327	1 216 228	4 667 220
Operating margin	7,6%	6,6%	4,7%	1,9%	4,7%	4,5%
EBITDA						
Profit before tax	95 707	71 539	57 766	21 959	56 921	208 184
Depreciations/amortisations	-47 543	-23 808	-26 927	-32 311	-29 184	-112 231
EBITDA	143 250	95 347	84 693	54 270	86 105	320 415
Profit margin before tax, (EBT %)						
Profit before tax	92 949	68 397	55 411	21 239	53 275	198 322
Net revenue	1 252 861	1 090 122	1 223 542	1 137 327	1 216 228	4 667 220
Profit margin before tax	7,4%	6,3%	4,5%	1,9%	4,4%	4,2%
Liquid ratio, %						
Trade receivables	1 102 473	1 024 591	1 103 424	1 045 422	1 081 833	1 081 833
Other current receivables	130 916	161 071	149 262	115 188	104 804	104 804
Cash and cash equivalents	114 916	155 151	139 988	102 184	100 683	100 683
Current liabilities	1 251 913	1 059 940	1 288 721	1 194 084	1 163 307	1 163 307
Liquid ratio	108%	126%	108%	106%	111%	111%
Debt/equity ratio, %						
Total equity	1 896 417	1 759 434	1 754 072	1 736 971	1 782 711	1 782 711
Total assets	3 491 605	2 904 192	3 262 755	3 104 465	3 099 788	3 099 788
Debt/equity ratio	54%	61%	54%	56%	58%	58%
Return on total assets, %						
Profit before tax, rolling 12 months	222 874	231 967	216 900	176 845	198 322	198 322
Financial expenses, rolling 12 months	-19 547	-11 222	-9 766	-14 153	-14 715	-14 715
Total equity and liabilities, opening balance for 12 months	2 904 192	2 593 111	2 591 281	2 567 768	2 677 444	2 677 444
Total equity and liabilities, closing balance	3 491 605	2 904 192	3 262 755	3 104 465	3 099 788	3 099 788
Total equity and liabilities, average	3 197 898	2 748 651	2 927 018	2 836 117	2 888 616	2 888 616
Return on total assets	7,6%	8,8%	7,7%	6,7%	7,4%	7,4%
Return on equity after tax, %						
Profit for the period after tax, rolling 12 months	171 292	185 336	173 510	123 016	152 544	152 544
Total equity, opening for 12 months	1 759 434	1 543 686	1 552 257	1 580 103	1 643 193	1 643 193
Total equity, closing	1 896 417	1 759 434	1 754 072	1 736 971	1 782 711	1 782 711
Total equity, average	1 827 925	1 651 560	1 653 165	1 658 537	1 712 952	1 712 952
Return on equity after tax	9,4%	11,2%	10,5%	7,4%	8,9%	8,9%
Net cash / Net debt						
Cash and cash equivalents	114 916	155 151	139 988	102 184	100 683	100 683
Non-current interest bearing liabilities	206 722	9 817	46 478	21 405	16 667	16 667
Current interest bearing liabilities	391 292	248 309	414 606	420 982	417 480	417 480
Total interest bearing liabilities	598 014	258 126	461 084	442 387	434 146	434 146
Net cash / Net debt	-483 098	-102 975	-321 096	-340 203	-333 464	-333 464
Growth, %						
Organic growth						
Net revenue	1 252 861	1 090 122	1 223 542	1 137 327	1 216 228	4 667 220
- Effect of changes in exchange rates	32 407	21 159	32 485	42 275	28 605	124 524
- Net revenue for last year	1 090 122	1 001 898	1 077 380	923 142	1 017 321	4 019 740
- Net revenue for acquired companies	95 224	92	87 276	87 176	91 217	265 762
= Organic growth	35 108	66 973	26 402	84 733	79 085	257 194
Organic growth divided by last year net revenue, %	3,2%	6,7%	2,5%	9,2%	7,8%	6,4%
Growth through acquisitions						
Net revenue for acquired companies divided by last year net revenue, %	8,7%	0,0%	8,1%	9,4%	9,0%	6,6%

¹⁾ Calculated based on the previous accounting standard for lease contracts IAS 17

²⁾ Calculated based on the new current accounting standard for lease contracts IFRS16

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 exceed 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.

EBITDA

Is a measure of a company's operating profit before interest, tax, write-downs and depreciation of tangible and intangible assets. EBITDA stands for "earnings before interest, taxes, depreciation and amortization".

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, 2018, in total about 6,100 employees in Sweden, Bulgaria, China, Estonia, Hungary, India, Italy, Lithuania, Mexico, Poland, Serbia, Finland, Canada and USA.

In 2018 AQ had net sales of about SEK 4.7 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.

Entrepreneurial 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.