



AQ Group AB

Annual Report

2014

**WE ARE
RELIABLE**

Customer
focus

Simplicity

Entre-
preneurial
spirit

Cost
efficiency

Courage
and
respect

www.aqg.se

WE ARE RELIABLE

Customer focus

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

Simplicity

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

Entre- preneurial spirit

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

Courage and respect

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

Cost efficiency

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

AQ Group

AQ Group is a global manufacturer of components and systems for industrial customers with high demands.

BUSINESS CONCEPT

To develop, manufacture and assemble components and systems for industrial customers with high demands.

To make our customers become long-term partners through our commitment to Total Quality.

The business consists of the System and Component segments. The System segment includes our Electric Cabinets and System Products business areas. The Component segment includes our Injection Moulding, Inductive Components, Wiring Systems and Sheet Metal Processing business segments.

Business activities take place in these specialised business areas through operating companies, which offer our customers cost-efficient solutions. The consolidated knowledge within AQ Group, combined with a global presence, offers unique benefits for customers all over the world. Quality is always central to everything we do and is something we strive constantly to develop. In our world, quality and efficiency go hand in hand.

Since its inception in 1994, AQ Group has reported steady, rapid growth with good profitability. The Group has approximately 3,900 employees in total, around 80% of them in growth countries outside Sweden. Annual turnover is SEK 2.6 billion. The company is listed on AktieTorget and has the highest credit rating, AAA Gold.

SYSTEM

- Electric Cabinets
- System Products

COMPONENT

- Injection Moulding
- Inductive Components
- Wiring Systems
- Sheet Metal Processing

BUSINESS AREAS

**WE ARE
RELIABLE**



Electric Cabinets

AQ is a complete partner for electrical systems. Our equipment is used in a number of applications that have been supplied all over the world.

Examples include electric cabinets adapted to the stringent demands of the food industry, advanced automatic teller machines, control and power equipment for ship cranes, control equipment for automated handling of goods in ports, monitoring and control systems for large motors and generators.

Long-term collaboration with our customers has enabled us to develop products that are adapted to modern requirements in the areas of safety and information technology. Work at all units is certified in accordance with ISO 9000, but we can also deliver equipment that is quality-assured in accordance with UL.

Our work method is extremely customer-oriented and flexible. We are organised in customer teams, a business with short decision-making paths and full responsibility towards the customer. This enables us to take on assignments with short lead times and strict demands on flexibility and delivery reliability.

Our product range includes:

- Prototype development.
- Batch deliveries.
- Project deliveries.
- Design in modern CAD environment.
- Turnkey contracts, from design to installation.
- Managing projects in order to reduce costs of products and systems.

Sales, product development and production take place in:

- Sweden
- Bulgaria
- China
- India



System Products

AQ offers a whole range of machines and automatic equipment, for example ticket machines for parking and travel tickets, automatic teller machines and packaging machines.

The products, which are often technically advanced, are developed and refined in close collaboration with the customer in order to achieve solutions that are cost-efficient and technically optimised.

We strive to create and maintain long-term business relationships in which we are the customer's manufacturing partner, creating added value in the form of cost-efficiency, quality, development, delivery precision and logistical solutions.

Our product range includes:

- Total responsibility for our business partners.
- Design in 3D CAD, e.g. Inventor Pro, Solid Works, Solid Edge, Siemens NX, Pro Engineer.
- Cost-efficient production.
- Competence in product development.
- Competence in sourcing materials and components on the global market.
- Testing, both mechanical and software.
- Delivery to end customer.
- Repairs and service.

Sales, product development and production take place in:

- Sweden
- Bulgaria
- China
- Poland

Business areas



Injection Moulding

AQ is a global supplier of the manufacturing and assembly of thermoplastic components.

We have modern machinery with more than 100 injection moulding machines with a clamping force of between 25 and 1,500 tonnes.

Batch sizes can vary from a small number to one million components per annum. We process most structural plastics, including PC, PA, PBT, PC/ABS, PP, ABS, TPE, TPU and POM, as well as high-performance plastics capable of withstanding temperatures in excess of 200 degrees, e.g. PES, PEI and PEEK.

Our customer base consists of large industrial customers in different sectors such as the automotive, pharmaceutical and engineering industries.

Choosing AQ as a partner means working with enthusiastic and cooperative colleagues during every stage of the project – from initial concept to finished product.

Sales, product development and production take place in:

- Sweden
- Bulgaria
- China



Inductive Components

AQ inductive components are used in some of the most demanding applications, such as in high-speed trains, relay protection systems, military equipment, aeroplanes and equipment for process automation. Most of our products have been developed in collaboration with our customers. This facility is being utilised by an increasing number of companies, as it provides an opportunity for economically and technically optimal solutions.

Our product range includes a broad spectrum of transformers and inductors:

- Transformers and inductors for circuit board assembly.
- Single-phase and 3-phase transformers, electrical sections, CUT cores, C sections, UI sections.
- Single-phase and 3-phase inductors, ELECTRICAL sections, cut cores, C sections, UI sections, AC design with harmonics and a variety of curve forms and DC designs for smoothing.
- Transformers and inductors for traction.
- Transformers with integrated inductor.
- Toroidal transformers.
- HF inductors ≤ 25 kHz.
- HF transformers ≤ 15 kHz.
- Air inductors.
- Chokes.
- Coils.
- System voltage of up to 22 kV.
- Output of 1VA to 3MVA.
- Cooling via natural convection or forced air or water cooling.

Sales, product development and production take place in:

- Sweden
- Bulgaria
- India
- Italy
- China



Wiring Systems and Electromechanical Modules

AQWiring Systems is a global business area that offers wiring systems and electromechanical modules for customers with high demands all over the world.

We have extensive experience and knowledge of working with customers in the automotive, railway and engineering industries. This has taught us to strive relentlessly to improve our processes and products, which has brought us to a leading position in the market.

Our global presence, together with knowledge and experience of manufacturing all types of wiring systems and electromechanical modules, makes AQ Wiring Systems an ideal partner for customers with qualified demands.

Sales, product development and production take place in:

- India
- China
- Lithuania
- Mexico
- Poland



Sheet Metal Processing

AQ offers contract manufacturing of sheet metal components and sheet metal assemblies in areas including the automotive, railway, telecoms and electromechanical industries.

This, combined with our high-tech equipment, knowledge, experience and creativity, makes us an obvious choice within the industry.

Material

Thickness from 0.2 mm to 20 mm in the following qualities: standard, high-tensile, aluminium and stainless steel.

Processes

- Processing of thin sheet metals in large volumes (precision punching).
- Laser and edge-bending.
- Hydraulic and eccentric presses, from 10 tonnes to 1,000 tonnes.
- Pipe-bending.
- Manual and robot welding (Tig, MAG and CMT).
- Surface treatment: zinc phosphating/ED + powder and Oxsilan + powder.
- Assembly.

Sales, product development and production take place in:

- Sweden
- Bulgaria
- Estonia
- China
- India

A WORD FROM

the CEO

In 2014 the Group achieved turnover of SEK 2,616 million, which means that ever since the company was founded in 1994 we have continued to increase turnover every year (20 years). The operating profit after net financial items in 2014 was SEK 187 million. Both turnover and profit are the highest in AQ's 20-year history.



Claes Mellgren
MD and CEO

AQ's business concept is to be a supplier for industrial customers with high demands. We are proud of our customer base, with many customers who are world leaders in their various fields. Naturally, world-leading customers have particularly stringent requirements when it comes to quality, delivery reliability, cost-efficiency, technical know-how and service. AQ must be able to compete with the very best in each industry. Our position as a small, global, agile manufacturer is appreciated by our existing customers and enables us to attract new ones.

AQ is guided by its values, and is essentially a Swedish company with a Swedish Board of Directors and Group management.

For market-related reasons, much of the company's future growth must take place outside Sweden.

Market

After 20 years, AQ now has a structure that feels stable in order to be able to compete on a global scale with defined production processes for industrial customers with high demands. The market and the competition mean that we must always have an effective structure and organisation. One of AQ's competitive advantages is precisely the ability to change quickly thanks to the flexible organisational structure.

AQ deals with various kinds of customers, both those who simply need technically demanding components and those who want us to deliver a complete undertaking involving design, purchasing, manufacturing, testing, logistics and after-sales service. We work with our customers both locally and globally. The customer structure is broad and spans most markets. The single biggest ones are commercial vehicles, complete systems,

telecoms, food and pharmaceutical, as well as other industrial sectors. Approximately 50 customers account for 90% of AQ's turnover.

We offer cost-efficient solutions with integrated development and production. We work in close collaboration with our customers. We are often involved at an early stage in the customer's development process, so that we can offer of expertise in the areas of design, material selection, manufacturing methods and total solutions.

Our units in Sweden, Eastern Europe, the Baltic region, Asia and Mexico enable us to offer the best possible solution. We feel that the company is well-equipped to meet our customers' future expectations. During 2014, totally new operations have been developed in the areas of medical technology, applications for vessels, material processing and control systems for rail traffic.

Operations

AQ has been working for a number of years on an improvement programme for product quality and delivery accuracy. Developments have been extremely positive: the number of customer complaints has effectively been halved since 2011, and we also see the same positive trend in delivery accuracy, where we were very close to our goal of 98% at the end of 2014.

All subsidiaries are given a monthly ranking on an ongoing basis in areas such as quality performance and delivery reliability.

Our efforts to reduce inventory levels continued in 2014. In order to achieve long-term, lasting effects, a lot of energy was devoted to training and system support. All subsidiaries are monitored monthly for inventory turnover rates. One positive effect is that despite continued growth, inventory levels have been reduced.

A word from the CEO

Sustainable development

We believe that sustainable enterprise is a precondition for achieving total quality in accordance with our business concept.

Sustainable enterprise is important for our future development.

The way we think and act sustainably creates a balance between economic development, environmental improvements and social responsibility.

A few facts:

- AQ Group has signed up to the UN's Global Compact for issues such as human rights, environmental responsibility and business ethics.
- Implementation of solar energy project at AQ Magnit, Bulgaria.
- Changes in logistics and production that have reduced transport operations between Sweden and the Baltic region.

HR

In 2014 we continued to implement our values in acquired units. Activities included our HR Manager and the undersigned meeting the management team to review everything from AQ's history to our values. Our values are documented in ten different languages. Our operations shall be characterised by the motto "We Are Reliable", regardless of where or with whom at AQ a person comes into contact. A programme to help all management teams at subsidiaries to develop has been completed with good results.

IT

All of AQ's subsidiaries are now using the Monitor business system to manage their operations. Consolidated reporting takes place via IBM Cognos Controller. The project to transfer IT system operations to a third party has reached the half-way stage and is expected to be completed during 2015.

During the year, in connection with a centralisation of operations, joint licensing of a number of applications was carried out via Office365. This improves cost-efficiency and provides better control. A new document management system will be introduced in 2015 to make both controlling and reporting documents easily accessible for all authorised users within the whole Group.

Purchasing

Ongoing work continues to make use of benefits of scale and synergies within the

Group when it comes to purchasing materials and components.

The year was characterised by major fluctuations in raw material prices and exchange rates. The effect on our foreign operations was generally positive, while the effect on the Swedish units was somewhat negative.

During the year Group purchasing was reinforced in order to enhance and develop work on category management of strategically important product and purchasing areas.

The main points in our strategy for organic, profitable growth are to:

- Prioritise quality and delivery reliability with a high service level.
- Use a modern, efficient production apparatus.
- Participate in customers' development and design work.

Acquisitions

During the year there were many opportunities for acquisition in the market, both in Sweden and in other countries of interest to us.

We completed two acquisitions in Estonia during the year. AQ Lasertool acquired the net assets of Foleshill Metal Finishing OU in Viimsi as well as the net assets of Sertec Engineering Estonia OU in Jüri. Takeover took place on 1 April and 1 September respectively. These businesses added turnover of approximately SEK 25 million to AQ in 2014.

AQ Group acquired 94.6% of the shares in Carat Electronics AD in Veliko Tarnovo, Bulgaria on 1 July. This added turnover of approximately SEK 10 million to AQ in 2014.

Comments on selected subsidiaries

AQ Electric Suzhou Co, Ltd., which supplies complete electric cabinets, wiring systems and transformers, has had good growth and a positive profit trend. We have also been approved as a supplier to design and manufacture transformers for the Chinese rail vehicle industry.

AQ Holmbergs Suzhou Co. Ltd., which supplies thin sheet metal products, primarily to the telecoms industry, invested in two new injection moulding machines in 2014.

During the year the company was awarded the status of a "hi-tech" company with associated tax benefits.

AQ Lasertool OÜ in Estonia acquired a business in Viimsi in 2014 that is the only one in Estonia with ED painting (painting primarily for the vehicle industry), as well as a business in Jüri that specialises in sheet metal pressing.

These acquisitions make AQ Lasertool a supplier of complete thin sheet metal components including surface treatment for industrial customers with high demands. The acquisitions will also reduce logistical expenses in future.

AQ Electric AD in Bulgaria, which supplies electric cabinets, plastic injection moulded parts and thin sheet metal products, is in an expansion phase. There is a major investment programme under way, including a new fibre laser and an ED painting facility.

With AQ Group having acquired Carat Electronics in Veliko Tarnovo, now AQ Plastronic, a new opportunity was created to focus on injection-moulding thermoplastic products and "in-house" electronics in Bulgaria.

AQ Wiring Systems, which manufactures wiring systems, has dedicated companies in Lithuania, Poland and Mexico and parts of companies in China and India. Continuous improvement work includes labour organisation, internal flows and methodological development. The company continued to expand its customer base during the year. The unit acquired in Mexico in 2012 continued to make losses in 2014, although operations have gradually improved.

AQ Mechanical & Electrical, our business in Pune, India, still has volume problems. The company has significant order stock in wiring manufacturing and transformers, with deliveries to the local Indian operations of global enterprises. Significant contracts were won in late 2014, which will result in deliveries during the second half of 2015.

AQ Elautomatik has intensified activities to acquire new customers, and these have produced good results.

AQ Plast is the result of a merger during 2014 of AQ Plast, AQ Holmbergs and AQ Rector Produktion.

The company has manufacturing facilities in Västerås, Torslanda, Vadstena and Anderstorp. This has made the business better at making joint use of its resources.

The future

With its good equity ratio of 63%, AQ is in a strong position to face the future. The financial position, combined with low exposure to any individual market or customer, puts AQ in a good position to meet future requirements.

It is our intention to continue to grow both organically and via acquisitions. Expansion is expected to be achieved using funds generated internally. Growth shall take place both in established markets and in due course also in markets that are completely new to AQ.

AQ has no amazing patents or other protection. We operate in a world of full competition at all times. Our competitive ability is based on having the best employees. I would in particular like to thank all of our employees who give their all, often silently, to meet or exceed our customers' expectations.

AQ Group celebrated its 20th anniversary in 2014. A time of constant expansion and development. The competition is constantly becoming tougher and no one can live on historical data. There must continue to be relentless progress with new improvement activities to make the next 20 years successful!

Västerås, March 2015

Claes Mellgren
MD and CEO

DIRECTORS'

Report

GENERAL INFORMATION ABOUT THE COMPANY

The Board of Directors and CEO of AQ Group AB (publ.), corporate ID number 556281-8830, hereby present the annual accounts and consolidated accounts for the financial year 2014.

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

PROFIT AND DEVELOPMENT DURING THE FINANCIAL YEAR, AND FUTURE DEVELOPMENTS

The net turnover of SEK 2,616 million represents an increase of 3.5% compared to the previous year. Excluding acquisitions and currency effects, net turnover fell by 3.0%. The operating profit increased by 14.4%. The profit was SEK 150 million. Earnings per share were SEK 8.34, representing an increase of 22.1%. The Group's financial position is extremely strong, with an equity ratio of 63%.

The Group strives to achieve continued, profitable growth within its business areas. Growth shall be both organic and through acquisitions.

Our efforts to reduce inventory levels continued in 2014. In order to achieve long-term,

lasting effects, a lot of energy was devoted to training and system support. All subsidiaries are monitored monthly for inventory turnover rates. One positive effect is that despite continued growth, inventory levels have been reduced.

AQ Group AB (publ.) is the parent company in a group of companies, hereinafter referred to as AQ, and its business concept is:

- To develop, manufacture and assemble components and systems for industrial customers with high demands.
- To make our customers become long-term partners through our commitment to Total Quality.

AQ is one of Sweden's leading suppliers of components and systems for industrial customers with high demands. The company is listed on AktieTorget.

WE ARE RELIABLE

Customer focus

Simplicity

Entrepreneurial spirit

Cost efficiency

Courage and respect

The share's performance over 1 year (March 2014 – March 2015)



There were a number of restructuring measures during the financial year. AQ Bulgaria EAD (7705/1996) was liquidated. AQ Holmbergs AB (556561-8536) and AQ Retor Production AB (556690-3083) merged to form AQ Plast AB (556497-2239).

SIGNIFICANT EVENTS DURING THE YEAR

AQ Group celebrated its 20th anniversary in 2014. Through all these years, AQ has reported increased turnover and a profit every quarter.

AQ Lasertool in Estonia was acquired during the year, as were the net assets of both Foleshill Metal Finishing Oü and Sertec Engineering Estonia Oü. The deals took the form of cash transactions. The purchase price corresponded to the value of machinery, equipment and inventories. The company has an option to acquire a property.

AQ acquired the shares in Carat Electronics AD in Veliko Tarnovo, Bulgaria. The acquisition took the form of a cash transaction. The name of the company was changed to AQ Plastronic AD.

During the year AQ Enclosure Systems AB, with operations in Vaggeryd, Falköping and Kista, reduced its workforce by 25 in Vaggeryd. In parallel with the staff cutbacks, a wide-ranging investment programme was carried out, including an investment in an advanced folding machine (the only one in Sweden) for the rational manufacturing of heavy sheet metal components. This has helped us to become a new supplier to a medical equipment customer. The same business area has also seen contracts gained with manufacturing in AQ Electric, Bulgaria.

The production facility in Bollnäs was closed down during the year, with products transferred to other AQ factories.

AQ's injection-moulding operations in Sweden were merged during the year, with our operations in Västerås, Vadstena, Anderstorp and Gothenburg now being part of one single company, AQ Plast AB.

The business in Falköping, a part of AQ Enclosure Systems AB that assembles complete machines, has reported a loss since the takeover of the bankruptcy estate. We are now starting to see the results of our process of change, and the operation is

reporting improved delivery reliability and an increased profit.

Our wiring systems operations in Lithuania and Poland are moving in a positive direction in terms of both turnover and profit.

In our Bulgarian companies, which are performing positively in terms of both turnover and profit, we have started investment programmes in both our new business, AQ Plastronic AD, and AQ Electric AD.

Our company in India has been struggling for a long time with low volumes and negative financial results, and we are now starting to see the result of our efforts. During the year we won an order from an international train manufacturer for wiring systems, transformers and enclosures for motor controls. In connection with this a decision was made to invest in FSW (Friction Stir Welding). According to the customer, there is at present no FSW in private industry in India. The plan is for the operation to break even at the end of 2015.

Our Chinese units in Suzhou, AQ Electric and AQ Holmbergs, are reporting a positive trend, including increased volumes and more customers.

Our operation in Mexico still does not have volumes, and the financial result is negative. A new management team has been appointed. We believe in the operation in the long term and are working actively to increase its volumes.

A development programme for all management teams in the subsidiaries that has been under way for two years has now been completed. The purpose of the programme was to increase organic growth with a greater focus on objectives and more efficient work by the management team.

Work to reduce inventory continues with initiatives including a broad-based training programme.

To help our customers improve their service levels we have built up a VMI warehouse, which increased our inventory by SEK 10 million during the year.

AQ works actively to minimise its environmental impact. In 2014 AQ deployed a 20 kW solar cell installation in the factory in Godech in Bulgaria, and installed LED lighting in a number of large production units.

A new Purchasing Manager for the Group was appointed in the autumn.

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE PERIOD

The Board of Directors has mandated company management to apply for a listing on the Nasdaq OMX stock exchange in 2015; this process has been delayed. Work will continue with an increased focus during the year. A new CFO started work in March.

A three-year agreement was signed between AQ Electric in China and Bombardier CPC Propulsion for deliveries of transformers and inductors. The total contract value is SEK 130 million.

AQ Enclosure Systems AB in Vaggeryd has for a long time been having problems with falling volumes and negative financial results.

The company conducted negotiations under the Swedish Co-Determination in the Workplace Act (MBL) on the redundancy of 55 people as a consequence of a restructuring process in order to streamline and

rationalise the Vaggeryd unit. Parts of the production range will be transferred to AQ's factories in Eastern Europe.

In February 2015, AQ Wiring Systems in Lithuania was awarded the national prize for exports. The prize-giving ceremony was conducted by the Lithuanian Prime Minister.



The Lithuanian Prime Minister, A. Butkevicius, MD of AQ Wiring Systems – N. Olsauskas and President of the Chamber of Commerce – S. Gailiunas.

MULTI-YEAR OVERVIEW

The trend over the last six years is shown below.

GROUP

	2014	2013	2012	2011	2010	2009
Net turnover, SEK thousands	2,616,097	2,527,372	2,162,033	2,149,541	1,900,674	1,756,055
Net turnover, SEK thousands	182,586	159,795	116,997	122,264	96,859	104,424
Profit after net financial items, SEK thousands	186,652	156,492	118,573	119,989	85,804	100,610
Operating margin	7%	6%	5%	6%	5%	6%
Liquid ratio	145%	122%	107%	129%	114%	146%
Debt/equity ratio	63%	56%	54%	63%	56%	62%
Return on total assets	12%	11%	11%	11%	10%	12%
Return on equity excl. tax	16%	15%	13%	14%	11%	14%
Number of employees in Sweden	827	853	847	829	797	856
Number of employees outside Sweden	3,073	2,632	2,456	1,816	1,386	1,308

Key indicators per share, SEK ¹⁾

Profit for the year	8.34	6.83	5.47	5.22	3.85	4.35
Dividend 2)	2.00	1.60	1.30	1.30	1.10	1.10
Equity	58.51	49.10	43.45	38.48	34.71	32.60
Number of shares, thousands	18,034	18,034	18,034	17,959	17,959	17,849

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

²⁾ Proposal presented to AGM for year in question.

Directors' report

PARENT COMPANY

	2014	2013	2012	2011	2010	2009
Net turnover, SEK thousands	51,236	40,080	49,437	48,650	33,046	27,955
Net turnover, SEK thousands	24,982	19,092	43,404	31,909	13,784	11,241
Profit after net financial items, SEK thousands	33,055	26,858	47,130	68,221	51,480	101,097
Liquid ratio	87%	104%	120%	292%	357%	561%
Debt/equity ratio	60%	52%	62%	82%	86%	88%

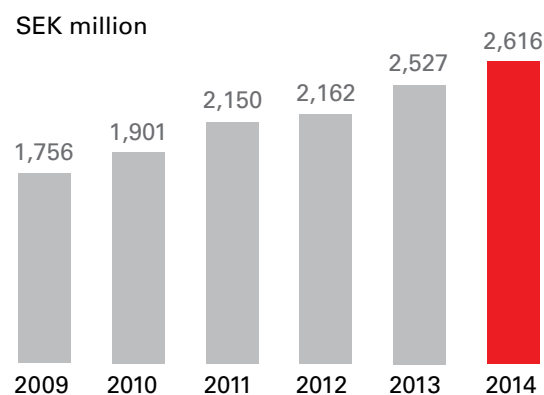
The parent company, AQ Group AB, focuses primarily on managing and developing the Group. As in previous years, the parent company's turnover consists virtually exclusively of the sale of administrative services to subsidiaries. There are no purchases of any substance from subsidiaries.

Definitions

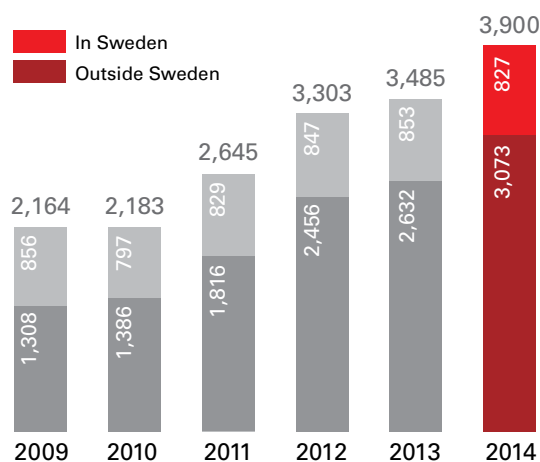
Operating margin, %	Operating profit/loss divided by operating revenue
Liquid ratio, %	Current assets (excl. inventory) divided by current liabilities
Debt/equity ratio, %	Adjusted equity divided by balance sheet total
Return on total assets, %	Profit/loss after financial items plus financial expenses divided by the average balance sheet total
Return on equity, %	Profit/loss for the year after tax divided by average equity, incl. minority interest
Profit/loss for the year per share (SEK)	Profit/loss for the year after tax divided by weighted number of shares
Equity per share (SEK)	Equity divided by number of shares at end of each year
Dividend per share (SEK)	Proposed dividend per share for the financial year

THE GROUP

Net turnover



Average number of employees



GROUP STRUCTURE – OPERATIONS

PARENT COMPANY

AQ Group AB (publ.) (556281-8830)

The company, with its registered office in Västerås, is the parent company of the Group. Operations relate to overall executive management and financial administration for Swedish subsidiaries.

MD: Claes Mellgren

SWEDISH OPERATING SUBSIDIARIES

AQ Elautomatik AB (556272-8484)

The company develops, designs, manufactures and installs complete electric cabinets for controlling machines and processes. The company operates in Lund, Surahammar and Örnköldsvik.

MD: Ola Olsson

AQ Elteknik Aktiebolag (556358-1411)

The company develops, designs, manufactures and installs control equipment. It has its own products, such as sensors for detecting gas and fluid flows, and heater jackets to prevent condensation in demanding filter applications. The company operates in Uppsala.

MD: Tobias Hammar

AQ Enclosure Systems AB (556660-1844)

The company manufactures and sells complete machines and thin sheet metal parts. The company operates in Vaggeryd and Falköping.

MD: Martin Elm

AQ Mekatronik AB (556666-7829)

The company develops, designs, manufactures and sells products for the rail vehicle industry, as well as electrical products and relays. The company operates in Uppsala.

MD: Carina Ståhl

AQ ParkoPrint AB (556574-6319)

The company manufactures electromechanical products, such as ticket machines and printers. The company operates in Gävle.

MD: Per-Olof Andersson

AQ Plast AB (556497-2239)

The company designs and manufactures stamped metal components, injection-moulded thermoplastic components and combination products. The company operates in Anderstorp, Torslanda, Vadstena and Västerås.

MD: Erik Mattsson

AQ Retor Engineering AB (556622-8697)

Subsidiary of AQ Staretor AB.

The company offers consultancy services focused on engineering work for industrial customers with high demands. The company operates in Torslanda.

MD: Leif Plate

AQ Segerström & Svensson AB (556545-8790)

The company machines and assembles sheet metal via pressing, cutting, robot welding and ED/powder painting. The company operates in Eskilstuna, Pålshoda and Lyrestad.

MD: Leif Plate

AQ Trafo AB (556443-9726)

The company develops and sells inductors and transformers. The company operates in Enköping.

MD: Claes Mellgren

AQ Welded Structures AB (556660-2016)

The company develops, manufactures and sells thin sheet metal components to industrial customers with high demands. The company operates in Ludvika.

MD: Jennie Söderlund

OTHER SWEDISH SUBSIDIARIES

AQ Fastighet i Lund AB (556527-5228)

The company manages an industrial property in Lund of approximately 2,100 m², in which AQ Elautomatik AB operates.

MD: Ola Olsson

AQ Fastighet i Lyrestad AB (556443-9734)

The company manages an industrial property in Lyrestad, Mariestad of approximately 7,360 m², in which AQ Segerström & Svensson AB operates.

MD: Leif Plate

AQ Fastighet i Pålsboda AB (556275-6212)

The company manages an industrial property in Pålsboda of approximately 3,000 m², in which AQ Segerström & Svensson AB operates.

MD: Leif Plate

AQ Fastighet Tokarp AB (556220-0195)

The company manages an industrial property in Anderstorp of approximately 10,000 m², in which AQ Plast AB operates.

MD: Erik Mattsson

AQ Fastighet i Torslanda AB (556690-3018)

Subsidiary of AQ Staretor AB.

The company manages an industrial property in Torslanda of approximately 1,500 m², in which AQ Plast AB and AQ Retor Engineering AB operate.

MD: Erik Mattsson

AQ Fastigheter i Gävle AB (556448-3385)

Subsidiary of AQ ParkoPrint AB.

The company manages an industrial property in Gävle of approximately 4,590 m², in which AQ ParkoPrint AB operates.

MD: Per-Olof Andersson

AQ Wiring Systems AB (556630-1437)

The company is dormant until further notice.

MD: Claes Mellgren

AQ 3-Elite AB (556704-6981)

Subsidiary of AQ Staretor AB.

The company is dormant until further notice.

MD: Claes Mellgren

AQ Staretor AB (556690-3026)

The company is the parent company of the Retor Group and has no other operations.

MD: Claes Mellgren

ENVIRONMENTAL IMPACT

The parent company does not run any operations for which reporting or permits are mandatory in accordance with the Swedish Environmental Code. There are companies in the Group that run operations for which reporting is mandatory, and also companies for which permits are mandatory. Operations for which reporting is mandatory are linked to the Swedish Environmental Code's provisions on plastic manufacturing, machining and discharge of non-chlorinated solvents through evaporation into the air. Operations for which permits are mandatory relate to minor discharges in waste water and air during processes such as powder coating.

FOREIGN OPERATING SUBSIDIARIES

AQ Electric AD (1135 61397)

The company designs, manufactures and sells equipment cabinets and mechanical components. The company operates in its own properties of 27,994 m² in Radomir, Bulgaria. The company is 95.5% owned by AQ Group AB (publ.).

MD: Emil Nikolov

AQ Electric Suzhou Co. Ltd ([2006] – [65541])

The company designs, assembles and sells equipment cabinets, wiring systems and inductive components. Company operations are located in Suzhou, China and focus on external customers in Asia.

MD: James Ahrgren

AQ Holmbergs Suzhou Co. Ltd ([2002] – [32190])

The company manufactures and sells punched metal components and injection-moulded thermoplastic components. Company operations are based in Suzhou, China and focus on external customers in Asia.

MD: Ragnar Koppel

AQ Mechanical & Electrical Manufacturing India Pvt. Ltd (U31909PN2011FTC139442)

The company manufactures and sells metal products, inductive components and wiring systems. The company operates in Pune, India.

MD: Andreas Björk

AQ Italy S.R.L. (04056160965)

The company's registered office is in Milan, Italy and is a technology and sales company focused primarily on inductive components.

MD: Giovanni Di Manici

AQ Lasertool OÜ (10930852)

The company manufactures, assembles and sells machined sheet metal components and performs surface treatment for industrial customers. The company operates in its own property of approximately 10,000 m² in Pärnu and also in Jüri and Viimsi, Estonia.

MD: Tarmo Luhaäär

AQ Magnit AD (1220 33267)

The company is 99.2% owned by AQ Group AB (publ.). The company manufactures and sells inductive components and relays. AQ Magnit AD operates in its own property of approximately 7,600 m² in Godech, Bulgaria.

MD: Krasimir Cholakov

AQ Plastronic AD (1040 11529)

The company produces electrical instruments, electronics and injection-moulded thermoplastic components, and maintains tools for injection moulding. The company operates in Veliko Tarnovo, Bulgaria.

MD: Emil Nikolov

AQ Wiring Systems SA de CV (DME051116H2A)

The company manufactures and sells wiring systems and electromechanical modules to industrial customers. The company operates in Tultitlan Edo, Mexico.

MD: Paul Larsson

AQ Wiring Systems Sp. Z.o.o., (7281357239)

The company manufactures and sells wiring systems and electromechanical modules to industrial customers. The company operates in Lodz, Poland.

MD: Mikael Alvarsson

AQ Wiring Systems UAB (148 427 212)

The company manufactures and sells wiring systems and electromechanical modules. The company operates in Panevezys, Lithuania.

MD: Nerijus Olsauskas

OTHER FOREIGN SUBSIDIARIES

AQ Wiring Systems AS (987 815 566)

The Norwegian company is dormant until further notice.

MD: Claes Mellgren

OTHER INFORMATION

Investment policy

In addition to acquisitions during the year, investments represent normal requirements for the current production rate. In 2015, AQ intends to continue investing in its existing business areas.

Personnel policy

The health and well-being of our employees have always been important parts of our decision-making process at all levels within the Group. Each company has its own arrangements to encourage employees to take part in health-promoting activities. There is also continuous competence development based on the companies' needs.

Dividend policy

The Board's proposal is that the dividend shall equal approximately 25% of the average profit after tax over one business cycle. However, the financial consolidation needs of the company must always be taken into consideration.

Work of the Board and the MD

Over the past year, the Board was made up of six members, all elected at the 2014 Annual General Meeting. During the year, the Board held four meetings during which minutes were taken. The Board and MD work according to an established set of rules of procedure. Regarding remuneration to the Board and MD in 2014, please refer to Note 9, Employees.

The Board's proposed guidelines for remuneration to executive officers in AQ in 2015, in accordance with Chapter 8, Section 51 of the Swedish Companies Act, are as follows: For director's fees, the Board proposes a fixed director's fee of SEK 120,000 (120,000) for each of the Board's regular external

members. Other executive officers shall receive a fixed fee, currently supplemented by variable remuneration, calculated as a percentage of the Group's profit for the year. Remuneration shall not exceed what can be considered the market rate. There shall be no benefits beyond normal pension benefits as a percentage of fixed remuneration 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.

Owner relationships

All shares are held with equal voting rights, with no limitations beyond that which is stipulated by the Swedish Companies Act. There are no agreements, laws or provisions in the Articles of Association that limit the right to transfer shares.

The previous Annual General Meeting mandated the Board to make decisions, until the Annual General Meeting for the financial year 2014 at the latest, to issue a total of 2,000,000 new shares through subscription.

There are no provisions in the Articles of Association or agreements in general that regulate the appointment or dismissal of Board members or severance pay to the same. Furthermore, there are no limitations through agreements or the Articles of Association related to modification of the Articles of Association.

Information about risks and uncertainty factors

Regarding the company's financial risk management, cash flows, etc., please refer to the financial statements included in the annual report as well as Note 3.

Owner relationships Shareholder	31/12/2014	Votes/ capital	31/12/2013	Votes/ capital
Claes Mellgren	5,309,950	29.4%	5,322,250	29.5%
Per-Olof Andersson	5,235,150	29.0%	5,235,950	29.0%
Fidelity Low-priced Stock Fund	842,800	4.7%	875,000	4.9%
Fidelity Puritan Trust Fund	851,055	4.7%	853,055	4.7%
Nordea Småbolagsfond Sverige	714,408	3.9%		
AMF Aktiefond Småbolag	439,400	2.4%	425,900	2.4%
Others	4,641,295	25.9%	5,321,903	29.5%
	18,034,058	100.0%	18,034,058	100.0%

PROPOSED DISPOSITION OF EARNINGS, SEK

The Board proposes that the profit available, SEK 254,742,311, be disposed of as follows:

Available

Share premium reserve	34,014,103
Retained earnings incl. profit for the year	220,728,208
Total non-restricted equity	254,742,311

Appropriation

Distributed to shareholders, SEK 2.00 per share	36,068,116
Carried forward ¹⁾	218,674,195
Total	254,742,311

1) of which 34,014,103 returns to the share premium reserve

BOARD STATEMENT ON DIVIDEND PROPOSAL

The Board's proposal for the appropriation of profits, draft terms for distribution of profits and reasoned opinion are in accordance with Chapter 18, Section 4 of the Swedish Companies Act (2005:551).

Provided that the Annual General Meeting for the financial year 2014 approves the Board's proposal on the appropriation of profits, SEK 218,674,195 will be carried forward. There is full coverage for the company's restricted equity after the proposed appropriation of profits. The Board has considered the consolidation needs of the company and the Group through a comprehensive assessment of the financial position and its ability in due course to meet its obligations. The proposed dividend does not jeopardise the company's ability to make the investments deemed necessary. The company's financial position does not lead to any conclusion other than that the company can continue its operations and that the company is expected to fulfil both its short-term and its long-term obligations. The Board has taken into account all known circumstances that may impact the company's financial position and that have not been considered within the context of assessing the company's consolidation needs and liquidity. With reference to the above, the

Board deems the dividend justifiable in relation to the requirements that the nature, scope and risks of the operations pose for the size of company's and Group equity as well as the company's and Group's consolidation needs, liquidity and position in general. Regarding the company's and the Group's earnings and financial position in general, please refer to the following income statements, balance sheets, cash flow statements, comments and notes.

The Board proposes that the following conditions shall apply to the appropriation of profits:

- SEK 2.00 per share shall be distributed and
- the settlement date is 27/04/2015.

The Board proposes that SEK

2.00 per share shall be distributed

INCOME

Statements and
Statements of
Comprehensive Income

Income Statements

SEK thousands	Note	Group		Parent company	
		01/01/2014	01/01/2013	01/01/2014	01/01/2013
		31/12/2014	31/12/2013	31/12/2014	31/12/2013
OPERATING INCOME					
Net sales	6	2,616,097	2,527,372	51,236	40,080
Other operating income	7	23 229	31 587	3	14
		2,639,326	2,558,959	51,239	40,095
OPERATING EXPENSES					
Change in inventory of work in progress and finished products		-4,037	-11,033		
Raw materials and consumables		-1,324,214	-1,303,311		
Goods for resale		-29,643	-41,119		
Other external expenses	8	-310,369	-320,753	-10,361	-7,483
Personnel costs	9	-712,946	-648,385	-15,879	-13,508
Depreciation and amortisation	15,17,18,19	-56,261	-49,447	-12	-12
Other operating expenses	8	-19,270	-25,117	-4	
		-2,456,740	-2,399,164	-26,258	-21,003
Operating profit		182,586	159,795	24,983	19,092
PROFIT FROM FINANCIAL ITEMS					
Profit/loss from participations in Group companies	10		-527		4,564
Financial income	11	9,844	2,148	8,696	4,622
Financial expenses	12	-5,778	-4,924	-623	-1,420
Net financial income/expense		4,066	-3,303	8,073	7,766
Profit before tax		186,652	156,492	33,055	26,858
Appropriations	13			-19,671	3,050
Taxes	14	-36,175	-33,369	-3,239	-5,440
Profit for the year		150,477	123,123	10,146	24,468
PROFIT FOR THE YEAR ATTRIBUTABLE TO:					
- Parent company shareholders		150,012	122,899		
- Non-controlling interests		465	224		
		150,477	123,123		
SHARE-RELATED REPORTING, SEK					
Earnings per share 1)		8.34	6.83		
1) There were no transactions during the year that might result in dilution effects.					

Statement of comprehensive income

SEK thousands	Note	Group		Parent company	
		01/01/2014	01/01/2013	01/01/2014	01/01/2013
		31/12/2014	31/12/2013	31/12/2014	31/12/2013
Profit for the year		150,477	123,123	10,146	24,468
OTHER COMPREHENSIVE INCOME					
Items that cannot be transferred to the profit for the year					
Translation of defined benefit plans		-801			
Items transferred or that can be transferred to the profit for the year					
Translation differences, foreign operations		48,391	2,173		
Other comprehensive income for the year after tax		48,391	2,173		
Comprehensive income for the year		198,868	125,296	10,146	24,468
COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO					
- Parent company shareholders		198,404	125,072		
- Non-controlling interests		465	224		
		198,868	125,296		

BALANCE

Sheets

Balance sheets

SEK thousands	Note	Group		Parent company	
		31/12/2014	31/12/2013	31/12/2014	31/12/2013
ASSETS					
NON-CURRENT ASSETS					
<i>Intangible assets</i>					
Capitalised expenditure	15	9,520	10,667		
Goodwill	16	75,407	74,399		
		84,927	85,066		
<i>Tangible assets</i>					
Land and buildings	17	97,339	90,192		
Plant and machinery	18	143,988	118,968		
Equipment, tools, fixtures and fittings	19	46,421	41,827	12	24
Construction in progress	20	11,260	6,343		
		299,007	257,330	12	24
<i>Financial assets</i>					
Participations in Group companies	21			318,277	303,365
Receivables from Group companies	22			37,439	33,064
Financial investments	22		1,503		
Non-current receivables	22	1,554			
		1,554	1,503	355,716	336,429
Deferred tax assets	14	8,039	6,912		
TOTAL NON-CURRENT ASSETS		393,528	350,811	355,728	336,453
CURRENT ASSETS					
<i>Inventories</i>					
Raw materials and consumables		306,712	319,752		
Work in progress		57,181	47,353		
Finished goods and goods for resale		84,053	75,293		
		447,945	442,397		
<i>Current receivables</i>					
Trade and other receivables	3	594,096	642,811	29	
Receivables from Group companies				142,079	302,356
Current tax assets		26,342	21,714	11,743	
Other receivables	23	32,818	25,453	443	
Prepaid expenses/accrued income	24	38,251	27,331	1,965	367
		691,507	717,308	156,258	302,723
Cash and cash equivalents	32	145,744	67,566	22,352	11,151
		145,744	67,566	22,352	11,151
TOTAL CURRENT ASSETS		1,285,196	1,227,271	178,611	313,874
TOTAL ASSETS		1,678,724	1,578,082	534,339	650,328

Balance sheets

SEK thousands	Note	Group		Parent company	
		31/12/2014	31/12/2013	31/12/2014	31/12/2013
EQUITY AND LIABILITIES					
EQUITY	25				
Share capital		36,068	36,068	36,068	36,068
Statutory reserve – parent company				1,156	1,156
Restricted equity – parent company				37 225	37 225
Other capital contributed/share premium reserve		34,014	34,014	34,014	34,014
Translation reserve		44,508	-3,743		
Retained earnings incl. profit for the year		939,040	818,649	220,728	239,437
Non-restricted equity – parent company				254,742	273,451
<i>of which profit for the year</i>				10,146	24,468
Attributable to parent company shareholders		1,053,630	884,988	291,967	310,676
Non-controlling interests		1,599	415		
TOTAL EQUITY		1,055,230	885,403	291,967	310,676
Untaxed reserves	26			36,000	37,590
LIABILITIES					
<i>Interest-bearing non-current liabilities</i>					
Non-current liabilities to credit institutions	27	3,256	6,660		
<i>Non-current non-interest-bearing liabilities</i>					
Deferred tax liabilities	14	35,240	36,584		
Pension provisions	28	3,321	1,996		
Other provisions	28	6,065	3,525		
Total non-current liabilities		47,882	48,766		
<i>Interest-bearing current liabilities</i>					
Bank overdraft facilities	27, 32	129,764	220,421	6,659	71,062
Other liabilities to credit institutions	27	13,893	17,016		
<i>Other current liabilities</i>					
Provisions for warranty undertakings	28	545	257		
Advance payments from customers		10,420	15,441		
Trade and other payables	3	241,356	224,793	1,397	1,309
Liabilities to Group companies				192,064	219,291
Current tax liabilities		19,999	18,294		5,263
Other liabilities	29	43,216	33,218	2,241	1,146
Accrued expenses/prepaid income	30	116,419	114,473	4,011	3,991
Total current liabilities		575,612	643,913	206,372	302,062
TOTAL LIABILITIES		623,494	692,679	206,372	302,062
TOTAL EQUITY AND LIABILITIES		1,678,724	1,578,081	534,339	650,328

Balance sheets

SEK thousands	Note	Group		Parent company	
		31/12/2014	31/12/2013	31/12/2014	31/12/2013
Memorandum items					
Information about pledged assets in the Group is reported in Note 27.					
Pledged assets				NONE	NONE
Property mortgages		90,651	87,650		
Floating charges		302,448	312,316		
<i>of which in own custody</i>		44,625	79,325		
Ownership reservation regarding leased machines, recorded in the balance sheet in accordance with IAS 17		8,896	11,036		
Other ownership reservations		354	194		
Mortgaged trade and other receivables		85,112			
Contingent liabilities					
Contingent liabilities for Group companies				1,500	1,562



STATEMENTS

of Changes
in Equity

Statements of changes in equity

GROUP

SEK thousands	Equity attributable to parent company shareholders				Subtotal	Non-controlling interests	Total equity
	Share capital	Other capital contributed	Translation reserve	Retained earnings incl. profit for the year			
Equity, 01/01/2013	36,068	34,014	-5,868	719,194	783,408	142	783,551
Profit for the year				122,899	122,899	224	123,123
Translation differences in foreign operations			2,125		2,125	48	2,173
Other comprehensive income			2,125		2,125	48	2,173
Dividends paid				-23,444	-23,444		-23,444
Transactions with shareholders				-23,444	-23,444		-23,444
Equity, 01/01/2014	36,068	34,014	-3,743	818,648	884,988	414	885,403
Profit for the year				150,012	150,012	465	150,477
Translation differences in foreign operations			48,251		48,251	140	48,391
Actuarial gains/losses on defined benefit pension plans				-766	-766	-34	-800
Other comprehensive income			48,251	-766	47,485	106	47,591
Changes in non-controlling interests						614	614
Dividends paid				-28,854	-28,854		-28,854
Transactions with shareholders				-28,854	-28,854	614	-28,240
Equity, 31/12/2014	36,068	34,014	44,508	939,040	1,053,630	1,599	1,055,230

Statements of changes in equity

PARENT COMPANY SEK thousands	Restricted equity			Non-restricted equity			Total equity
	Share capital	Statutory reserve	Subtotal	Share premium reserve	Other non-restricted equity	Subtotal	
Equity, 31/12/2013	36,068	1,156	37,225	34,014	238,413	272,427	309,652
Profit for the year					24,468	24,468	24,468
Dividend to shareholders					-23,444	-23,444	-23,444
Transactions with shareholders					-23,444	-23,444	-23,444
Equity, 31/12/2013	36,068	1,156	37,225	34,014	239,437	273,451	310,676
Profit for the year					10,146	10,146	10,146
Dividend to shareholders					-28,854	-28,854	-28,854
Transactions with shareholders					-28,854	-28,854	-28,854
Equity, 31/12/2014	36,068	1,156	37,225	34,014	220,728	254,742	291,967

CASH FLOW

Statements

Cash flow statements

SEK thousands	Note	Group		Parent company	
		01/01/2014 31/12/2014	01/01/2013 31/12/2013	01/01/2014 31/12/2014	01/01/2013 31/12/2013
CASH FLOW FROM OPERATING ACTIVITIES					
Operating profit		182,586	159,795	24,982	19,092
<i>Adjustment for items not included in cash flow</i>					
Depreciation		60,469	49,447	12	12
Change in provisions		1,541	-129		
Capital gain from sale of equipment		13,208	225		
Other items not affecting liquidity (incl. exchange rate difference)		-78			
Translation difference		-4,077	2,097	3,698	
		71,063	51,639	3,710	12
Interest/dividend received	11	9,883	2,148	8,696	2,349
Interest paid		-5,739	-2,746	-623	-542
Income tax paid	14	-41,992	-35,122	-20,245	-7,705
Cash flow from operating activities before change in working capital		215,800	175,714	21,948	13,206
<i>Change in working capital</i>					
Increase (-)/decrease (+) in inventories		17,753	55,635		
Increase (-)/decrease (+) in receivables		67,615	-129,153	158,208	-75,230
Increase (+)/decrease (-) in trade and other payables		8,898	14,186	163	773
Increase (+)/decrease (-) in other short-term, non interest-bearing liabilities		-2,023	20,775	-37,271	37,896
Change in working capital		92,243	-38,557	121,100	-36,561
Cash flow from operating activities		308,043	137,157	143,047	-23,355
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of shares in subsidiaries	31	-26,259	-42,100	-6,542	-24
Acquisition of intangible assets		-8,022	-3,545		
Acquisition of tangible assets		-71,952	-47,116		
Sale of financial assets			146		
Sale/liquidation of subsidiaries					-527
Sale of tangible assets		1,034	-751		
Purchase/sale of short-term investment in securities		145			
Shareholders' contribution				-6,404	-52,722
Change in non-current inter-company transactions				4,744	44,803
Cash flow from investing activities		-105,054	-93,366	-8,202	-8,470

Cash flow statements

SEK thousands	Note	Group		Parent company	
		01/01/2014 31/12/2014	01/01/2013 31/12/2013	01/01/2014 31/12/2014	01/01/2013 31/12/2013
CASH FLOW FROM FINANCING ACTIVITIES					
Repayment of loans		-6,933	-20,217		
Repayment of loans (IAS 17 liability, leasing)		-3,471	-1,937		
Change in bank overdraft facilities		-96,857	13,558	-63,538	22,281
Group contribution/dividend				-21,261	33,000
Dividend to parent company shareholders		-28,854	-23,444	-28,854	-23,444
Cash flow from financing activities		-136,116	-32,040	-113,653	31,837
Increase in cash and cash equivalents		66,873	11,751	15,764	11
Cash and cash equivalents at beginning of year		67,566	55,893	11,151	10,004
Exchange rate difference in cash and cash equivalents		11,305	-77	-4,563	1,136
Cash and cash equivalents at end of year		145,744	67,566	22,352	11,151



NOTES

to the financial
statements

Notes to the financial statements

NOTE 1 GENERAL INFORMATION

AQ Group AB (publ) and its subsidiaries work under the AQ brand. AQ designs, manufactures and sells products within two segments: **Component**, which includes the business areas Injection Moulding, Inductive Components, Wiring Systems and Sheet Metal Processing, and **System**, which includes the business areas Electric Cabinets and System Products.

AQ Group AB (publ) is the senior parent company of the Group. As in previous years, the parent company's turnover consists virtually exclusively of the sale of administrative services to subsidiaries. There are no purchases of any substance from subsidiaries.

The parent company, which has been listed on AktieTorget since 2001, has its registered office in Västerås, Sweden. The address of head office is Regattagatan 29, 723 48 Västerås, Sweden. The consolidated financial statements for AQ Group AB (publ.) for the financial year 2014 have been approved for publication by the Board and are available on the company website www.aqg.se as of 10 April 2015. Additional information is also available on the website.

NOTE 2 REPORT ON THE APPLICATION OF ACCOUNTING POLICIES

Below is a description of the accounting policies applied in the production of this annual report. Unless otherwise specified, these policies have been applied consistently for all years presented.

2.1 Fundamental standards and legislation

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB) as adopted by the EU. Furthermore, the Group also applies the Swedish Financial Reporting Board's recommendation RFR 1 (Supplementary Accounting Rules for Groups) as well as the Swedish Annual Accounts Act (1995:1554).

Unless otherwise specified, the cost value method was applied when valuing assets and liabilities. Unless otherwise specified below, the items in the income statement and balance sheet are recorded gross.

The parent company does not have its own manufacturing operation, but serves as a holding company. The parent company applies the same accounting policies as the Group, with the addition of RFR 2 (Accounting for Legal Entities) instead of RFR 1.

The parent company's functional currency is the Swedish krona, which is also the reporting currency for the parent company and the Group.

Unless otherwise specified, all amounts are rounded to the nearest thousand.

2.2 Consolidated financial statements – Business Combinations

The consolidated financial statements include all subsidiaries in AQ. A subsidiary is defined, in accordance with IFRS 10, as a company in which AQ Group AB has a controlling interest. A controlling interest exists when AQ Group AB has an interest over investments, is exposed to or has a right to a variable return from its involvement, and can exert its interest over the investment in order to interest the return. When assessing whether a controlling interest exists, consideration is given to shares that potentially provide entitlement to vote and whether control exists.

A subsidiary is included starting from the date on which the Group gains a controlling interest in the company. Similarly, a subsidiary is excluded as of the date on which the controlling interest ceases. The Group currently has no holdings without a controlling interest.

When incorporating a subsidiary's financial statements into the Group, IFRS 3, Business Combinations, is applied. When an acquisition takes place, an acquisition analysis is prepared in accordance with the acquisition method. The cost of acquisition of an acquisition comprises the fair value of assets issued as compensation, equity instruments issued for equity and debts incurred or taken over as at the transfer date. Transaction expenses incurred in connection with the acquisition are recorded directly as expenses. The excess amount between the acquisition value and the fair value of the Group's share of acquired net assets is recorded as goodwill. Any deficit, negative goodwill, is recorded directly in the income statement under Other operating income.

Contingent considerations are valued at fair value on the acquisition date. If this is matched by a liability, this must be converted

to fair value via the income statement for each report. Intra-Group balance sheet items as well as transactions and unrealised gains/losses on these are eliminated.

Foreign subsidiaries are translated using the current method. This means that the income statement and the profit/loss for the year in the balance sheet are translated using an average exchange rate while other items in the balance sheet are translated using the closing day rate. Translation differences that occur are recorded in other comprehensive income.

2.3 Segment reporting

Two business segments are presented in the segment report – Component and System. Each has similar economic characteristics, products, production processes and customer categories. These segments are recorded in a manner which conforms to internal reporting, which is given to the senior executive decision-maker. The senior executive decision-maker is the function responsible for the allocation of resources and assessment of the operating segment's financial results. In the Group this function has been identified as the Board, which makes strategic decisions. Company management believes that this is consistent with the identification of operating segments in accordance with IFRS 8.

The parent company's turnover is derived almost exclusively from the Swedish subsidiaries. The parent company's financial statements are included in the adjustment item together with the property companies in segment reporting.

Note 6, Segment reporting, contains more detailed information.

2.4 Income

Income comprises the fair value of goods and services sold excluding Value Added Tax and discounts, as well as the elimination of intra-Group sales.

2.4.1 Sale of goods and performance of service assignments

Income from the sale of goods is recorded in the income statement when significant risks and benefits associated with ownership of the goods have been transferred to the buyer. Income from service assignments is recorded in the income statement based on the degree of completion on the balance sheet date. The degree of completion is defined by means of an evaluation of work completed on the basis of investigations undertaken. Income is not recorded if it is unlikely that the financial benefits will accrue to the Group. If there is significant uncertainty regarding payment, related expenses or a risk of a return, and if the salesperson retains an involvement in the ongoing administration usually associated with ownership, no income is recorded. Income is recorded at the fair value received or expected to be received with deductions for any discounts given.

2.4.2 Financial income

Financial income comprises interest income on bank deposits and receivables, as well as realised and unrealised exchange rate differences in the financial sector. Income is recorded when the right to receive payment and the size of the payment have been established.

2.5 Employee benefits

2.5.1 Short-term benefits

Short-term benefits to employees are calculated with no discount and recorded as an expense when the related services are received. A provision is recorded for the expected cost of profit-sharing and bonus payments when the Group has a valid legal or information obligation to make such payments as a consequence of services having been received from employees and the obligation can be calculated reliably.

2.5.2 Long-term benefits

The Group's net obligation in respect of other long-term benefits, except pensions, comprises the value of future benefits that employees have earned as remuneration for the services they have performed during the current and previous periods. This remuneration is discounted to present value and the fair value of any managed assets is deducted. The discount rate is established on the same basis used as for defined benefit pension plans. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recorded in the income statement in the period when they occur. These include remuneration in connection with sabbatical leave, anniversaries and long-term inability to work. Long-term benefits also include remuneration issued in respect of a long period of service.

2.5.3 Defined contribution pension plans

Defined contribution pension plans are classified as plans in which the company's obligation is limited to the contributions that the company has undertaken to pay. In such cases the size of the employee's pension depends on the contributions that the company pays into the plan or to an insurance company and the return on capital that these contributions produce. Consequently, it is the employee who bears the actuarial risk (that the benefit will be lower than expected) and the investment risk (that the assets invested will be insufficient to produce the expected benefits). The company's obligations in respect of contributions to defined contribution plans are recorded as an expense in the income statement as they are earned by means of employees having performed services for the company during a period.

In 2014 the companies paid a total of SEK 6,323,000 (6,123,000) in pension expenses to Alecta. The contributions for the next reporting period are expected to be on a par with last year. In accordance with IAS 19 and UFR 3/6, the ITP pensions financed via Alecta must be treated as defined contribution pension plans until further notice, as information from Alecta does not enable reporting as defined benefit pension plans.

The premiums for Alecta are established using assumptions about interest rates, life expectancy, operating expenses and yield tax, and are calculated in such a way that the payment of a constant premium for the retirement date will be sufficient for all the target benefits, based on the insured party's current pensionable salary, to have been earned.

There is no established set of rules defining how a possible deficit should be treated, although in the first instance losses must be covered by Alecta's collective consolidation capital, and will therefore not result in increased expenses through an increase in agreed premiums. There are also no rules defining how a possible surplus or deficit is to be distributed in the event that the plan is discontinued or a company withdraws from the plan.

The information that must be provided in accordance with IAS 19, in addition to the above, relates to the consolidation ratio. Collective consolidation is a buffer for Alecta's insurance obligations against variations in return on capital and insurance risks. It comprises the difference between Alecta's assets and insurance obligations to policyholders and insured parties. The company accounts for an insignificant part of the plan.

The consolidation ratio reported below relates to Alecta's assets as a percentage of the insurance obligations. Alecta has provided the following information regarding the consolidation level: "The collective consolidation level shall normally be allowed to vary between 125% and 155%, with a target level of 140%. If

the collective consolidation level is below 125% or above 155%, measures must be taken to create conditions that return the consolidation level to the normal range."

The consolidation ratio for December was 143% (148%).

2.5.4 Termination benefits

An expense for benefits in connection with staff redundancies is recorded at the earlier of when the company can no longer withdraw the offer to employees or when the company records restructuring expenses. Benefits that are expected to be settled after twelve months are recorded at their current value. Benefits that are not expected to be settled in full within twelve months are recorded under long-term benefits.

There are no agreements regarding severance pay or the like within the Group.

2.5.5 Share-based benefits

A warrant scheme enables employees to acquire shares in the company. The fair value of the warrants allocated is recorded as a staff cost, with a corresponding increase in equity. There are no share-based benefits in the Group.

2.5.6 Provisions

A provision differs from other liabilities as there is uncertainty about the payment date and the size of the amount to settle the provision. A provision is reported in the statement of financial position when there is an existing legal or informal obligation as a consequence of an event, it is probable that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be produced. Provisions are made at the amount that represents the best estimate of what is required to settle the existing obligation on the balance sheet date. If the effect of when payment is made is significant, provisions are calculated by discounting the expected future cash flow at an interest rate before tax that reflects current market assessments of the money's time value and the risks associated with the liability. Provisions only occur in the Bulgarian and Italian companies, and the size of these defined benefit pension plans has been assessed as being insignificant for the Group.

2.6 Lease agreements

Financial leasing exists when the financial risks and benefits associated with ownership are essentially transferred to the lessee. In other cases, operational leasing applies. Recording of financial leasing means that non-current assets are recorded as an asset in the balance sheet, initially with corresponding debit item. Non-current assets are depreciated over the useful life. Leasing charges are divided into interest expense for the period and repayment of the debt item.

Operational leasing agreements are normally recorded as expenses on a straight-line basis over the lease period. Any variable charges are recorded as expenses directly in the income statement.

2.7 Non-current assets

Non-current assets with an indeterminate useful life

Goodwill represents the amount by which the cost of acquisition of companies or businesses exceeds the fair value of identified net assets on the acquisition date. When the acquisition analysis is prepared, intangible assets are included at market value and the remainder is recorded as goodwill. Goodwill and other intangible assets with indeterminate useful lives are valued at the cost of acquisition minus any amortisation. There is no depreciation according to plan for these assets. Impairment testing is performed instead on an annual basis, or more often if there is an indication of a significant decline in value, in accordance with IAS 36.

Other intangible assets

Other intangible assets relate primarily to acquired software. Software is depreciated on a straight-line basis over 5 years, and identified, acquired customer relationships are depreciated in accordance with a declining balance plan over 5 years.

Notes to the financial statements

Tangible assets

Tangible assets are depreciated on a straight-line basis over the estimated useful life; there is no depreciation of land. The Group applies component depreciation, which means that the components' estimated useful life forms the basis of depreciation.

Estimated useful lives:

Plant and machinery	5-12 years
Equipment, tools, fixtures and fittings	5-10 years

Land and buildings include factories and offices. There are operational properties within the Group, but no investment properties.

The cost of acquisition includes expenses that can be attributed directly to the acquisition. Plant and machinery consist solely of assets intended for production, while equipment, tools, fixtures and fittings are divided between offices and production. Plant and machinery are recorded at the cost of acquisition with deductions for accumulated depreciation and amortisation. Regarding the recording of directly acquired net assets ("asset acquisition"), see Note 2.2 above. Expenses for repairs and maintenance to maintain and make marginal improvements to production capacity in the machinery are recorded as expenses directly in the income statement.

Assets are depreciated over the periods indicated below.

Buildings	25 years
Improvement expenses on leasehold property	20 years
Land improvements	20 years
Machinery	5-10 years
Equipment, tools, fixtures and fittings	3-10 years

Buildings consists of several components with varying useful lives.

The following main groups of components have been identified and form the basis of depreciation of buildings:

Frame	40-60 years
Supplements to the frame, internal walls, etc.	20-40 years
Installations: heating, electricity, plumbing, ventilation, etc.	20-40 years
Outer layer: façades, roofs, etc.	20-30 years
Inner layer: mechanical equipment, etc.	10-15 years

Depreciation methods, residual values and useful lives used are reviewed at the end of every year.

Depreciation and amortisation are described in the note for each balance sheet item. Regarding differences between tax and book value, please refer to the section on income taxes, 2.11.

Financial assets

See Note 3 – Financial instruments

2.8 Inventories

2.8.1 Goods for resale, raw materials and consumables and purchased finished/semi-finished products are valued at the cost of acquisition or the net realisable value, whichever is lower. The cost of acquisition is calculated as a weighted average calculation, which is expected to be close to what the FIFO method would produce. Calculation of net realisable value arises when a risk of obsolescence has been identified in an inventory item, such as one with slow movement.

2.8.2 Finished products and work in progress are valued as direct costs and a reasonable proportion of indirect costs, based on normal utilisation capacity. The change is recorded in the income statement.

2.8.3 Work in progress on behalf of another party is valued as direct costs and an estimated proportion of indirect costs on the balance sheet date.

Internal profits in inventories are eliminated in the consolidated financial statements.

Of the recorded inventory values of raw materials and consumables, it is estimated that SEK 306,712,000 (319,752,000) will be turned over within one year. It is estimated that other inventory

values, such as work in progress, finished products and goods for resale, totalling SEK 141,234,000 (122,646,000), will be turned over in their entirety within one year. The value of inventories was written down by SEK 54.4 million (40) on the balance sheet date. The valuation was based on the use of an obsolescence scale. The obsolescence scale is based on each company's historical obsolescence risks.

2.9 Effects of changes in exchange rates

2.9.1 Transactions and balance sheet items

Transactions in foreign currency are translated at the exchange rate prevailing on the transaction date. Exchange rate profits and losses that arise when paying for such transactions, as well as monetary assets and liabilities in foreign currency that are translated at the closing day rate, are recorded gross in the income statement. There is no hedging within the Group on the balance sheet date.

2.9.2 Group companies

When consolidating foreign operations, exchange rate differences arising from translation are posted to Equity in the balance sheet and to Other comprehensive income. In the event of the disposal of a foreign operation, the related accumulated translation difference is recorded in the income statement, thereby affecting the financial results of the period in question.

2.10 Provisions

Information on provisions for employee pension obligations, etc. may be found in note 2.5.6. If there are a number of similar obligations, an individual assessment is usually made regarding the probability of whether an outflow of resources from the company will be required. A provision is recorded when the probability of outflow in respect of a special item in this group of obligations is likely. Provision is made at the amount that represents the best estimate of what is required to settle the existing obligation on the balance sheet date.

2.11 Income taxes

Recorded tax for the period comprises current tax and deferred tax. When the tax is based on an underlying transaction that is recorded directly against equity, the tax effect is also recorded directly against equity. Otherwise the tax is recorded in the income statement. Current tax is the tax payable or receivable for the year, adjusted for any correction of current tax from previous years.

Deferred tax is recorded in full, according to the balance sheet method, for all temporary differences that arise between the tax value of assets and liabilities and their carrying amounts in the consolidated financial statements. Temporary differences are not recorded for differences arising on recording of consolidated goodwill or for the initial recording of assets and liabilities that are not business combinations and that at the time of the transaction do not affect recorded or taxable profit.

Deferred taxes are calculated using the tax rates expected to apply when the tax is to be settled, which are normally the tax rates adopted on the balance sheet date. Deferred tax assets in respect of tax loss carryforwards are recorded only to the extent that it is likely that they can be utilised. Deferred tax liabilities consist mainly of untaxed reserves, which are divided into equity and deferred tax in the consolidated financial statements. The amount also includes deferred tax liabilities on the properties recorded at a higher value than the tax value.

The parent company's balance sheet items include deferred tax only as a component of untaxed reserves. Due to the connection between accounting and taxation, these are not reported separately. There are thus no deferred taxes recorded in the parent company's financial statements.

2.12 Recording of government grants and disclosure of government assistance

Government grants are recorded in the balance sheet as deferred income when there is reasonable certainty that the grant will be received and the Group will fulfil the conditions associated

Notes to the financial statements

with the grant. Grants are accrued systematically in the income statement in the same manner and over the same periods as the expenses the grants are intended to compensate.

Government grants related to assets are recorded as a reduction in the carrying amount of the asset.

2.13 Earnings per share

Calculation of earnings per share is based on the consolidated profit/loss for the year and the weighted average number of shares outstanding during the year.

2.14 Amortisation

Assets with an indeterminate useful life (such as goodwill) are not written off, but undergo impairment testing annually or more frequently if necessary with a number of estimates, such as assumed growth rate and assumed discount rate. During impairment testing, goodwill is allocated to the operating segments expected to benefit from the acquisition and in which the goodwill item arose. AQ applies IAS 36 for impairment testing, except for assets that are regulated by other standards, such as inventories and deferred taxes. During the financial year there was not any amortisation need in the Group linked to IAS 36. Note 10 clarifies amortisation and reversed amortisation in the parent company in respect of subsidiaries.

2.15 Related party disclosures

Regarding transactions between companies within the Group, these take place at arm's length in accordance with the Group's internal pricing policy. See also Notes 2.3 and 6.

There have been no transactions with owners beyond the benefits described in Note 9, Personnel.

2.16 The parent company's accounting policies

AQ Group AB is the parent company in the AQ Group and has its head office in Västerås, Sweden. The operation includes administrative functions, holding operations and financing operations. AQ Group AB has prepared its Annual Report in accordance with the Swedish Annual Accounts Act and recommendation RFR 2

(Accounting for Legal Entities), hereinafter "RFR 2", which was issued by Swedish Financial Reporting Board. In accordance with RFR 2, a parent company whose consolidated financial statements comply with the International Financial Reporting Standards (IFRS), as approved by the EU, as long as these accounting policies comply with the Swedish Annual Accounts Act, can apply the exceptions from IFRS as defined in RFR 2 with regard to Swedish tax legislation.

The financial statements are presented in Swedish kronor (SEK), rounded to the nearest thousand Swedish Kronor. Unless otherwise specified, the parent company's accounting policies have been applied consistently for all periods. There is a more detailed description of the accounting policies applied in Notes 1 and 2. The descriptions below have been limited to deviations that occur.

Subsidiaries

Shares in Group companies are recorded in the parent company in accordance with the cost value method. The carrying amount for shares in Group companies undergoes impairment testing in accordance with IAS 36, Impairment of Assets. For further information see also the Group's accounting policies, Amortisation of financial assets, in respect of amortisation. Transaction expenses that arise in connection with a business combination are recorded by the parent company as part of the cost of acquisition and are thus not recorded as an expense.

Lease agreements

In the parent company all lease agreements are recorded in accordance with the rules for operational lease agreements.

Financial warranties

Financial warranties that the parent company has issued in favour of subsidiaries are not valued at their fair value. They are recorded as contingent liabilities, unless it is probable that the warranties will result in payments, in which case a provision is recorded.

Group contributions and shareholder contributions

Group contributions in Sweden are deductible, in contrast with shareholder contributions. Group contributions are recorded as appropriations in the income statement.

NOTE 3 FINANCIAL INSTRUMENTS, INCL. RISKS AND UNCERTAINTY FACTORS

Financial instruments recorded in the balance sheet primarily include the following assets: cash and cash equivalents, trade and other receivables, other receivables and financial investments. The liabilities included are primarily trade and other payables, other liabilities and borrowings.

These financial are presented below with classification in accordance with IAS 32, accounting and measurement in accordance with IAS 39 and disclosure of risk information in accordance with IFRS 7. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of instruments when they are first recorded and reviews this decision every time a financial statement is prepared. Acquisitions and disposals of financial instruments are recorded on the transaction date.

The following instruments have been found in the consolidated balance sheet for the last two financial years with the following categorisation: 1) Loan receivables and trade and other receivables – trade and other receivables, other receivables (incl. Group) and cash and cash equivalents, 2) Financial assets held for sale – Financial investments, and 3) Other financial liabilities, borrowings, trade and other payables and other liabilities (incl. Group). Fair value is not recorded separately below as we believe that the values recorded are an acceptable approximation of the fair value. Trade and other receivables and other receivables are financial assets that are not derivatives, have fixed or determinable payments and are not listed in an active market. The same applies to other receivables to the extent that they can be classified as financial instruments; all are valued at accrued cost of acquisition, which initially corresponds to fair value. Impairment testing for bad debts takes place at the year-end, see credit risks.

SEK thousands	Group		Parent company	
	2014	2013	2014	2013
Trade and other receivables	594,096	642,811	29	
Receivables from Group companies			179,517	335,420
Other receivables (part of)	14,997	9,793	443	
Cash and cash equivalents	145,744	67,566	22,352	11,151
	754,837	720,169	202,341	346,571

Cash and cash equivalents consist of cash funds and immediately available balances in banks or corresponding institutions. There are no obstacles to utilisation. The Group's unutilised bank overdraft facilities total SEK 138 million (61), see also Note 32. Linked to the bank overdraft facilities are two conditions stipulated in the covenant. One relates to restrictions on the Group's net debt in relation to earnings before interest, tax, depreciation and amortisation (EBITDA). The other limits the loan ratio, net debt/equity. Over the full year 2014, AQ satisfied the conditions by a good margin.

Loans and other financial liabilities, e.g. trade and other payables, are included in the category Other financial liabilities. These liabilities are valued at accrued cost of acquisition, which initially corresponds to fair value. Read more about liquidity and interest rate risk under General risk exposure.

Notes to the financial statements

Other financial liabilities SEK thousands	Group		Parent company	
	2014	2013	2014	2013
Non-current liabilities to credit institutions	3,256	6,660		
Bank overdraft facilities	129,764	220,421	6,659	71,062
Other debts to credit institutions	13,893	17,016		
Trade and other payables	241,356	224,793	1,397	1,309
Other receivables (part of)	20,049	4,712		13
Liabilities to Group companies			192,064	221,257
Total	408,317	473,602	200,119	293,640

The description of liquidity risk includes a maturity analysis for financial liabilities. For AQ, the above means that virtually all financial instruments are recorded at the cost of acquisition and any recording of value change, such as for exchange rates, takes place in the income statement.

Recording in and removal from the balance sheet

A financial asset or financial liability is recorded in the balance sheet when the company becomes a party to the instrument's contractual terms. Trade and other receivables are entered in the balance sheet when an invoice has been issued. Trade and other payables are entered when an invoice has been received.

A financial asset is removed from the balance sheet when the rights under the contract have been realised, have expired or the company loses control over them. A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged or otherwise expires. The same applies for a part of a financial asset or liability.

The Group is exposed to various types of financial risks in its business.

Financial risks refer to fluctuations in the company's profits and cash flows as a consequence of changes in exchange rates, interest rate levels, refinancing risks and credit risks. The Group's finance policy for managing financial risks has been designed by Group management and provides guidelines in the form of risk mandates and limits for financing activities. The overall objective of the Group's finance policy is to provide cost-efficient financing and to minimise negative effects on the Group profits arising from market risks. Below is a general description of risks and uncertainties, and the management of these.

General risk exposure in respect of financial assets and liabilities

Group management divides risks into credit risk, liquidity risk and market risk. Market risk is then broken down into interest rate risk, currency risk and price risk, the last of which refers to both purchases and sales. At present, Group management has chosen not to trade in hedging instruments. The objective is to address the risks through currency and commodity clauses in agreements with customers and suppliers. The experience of renouncing hedging for the aforementioned risks has not resulted in management intending to change the current policy.

Credit risks

The Group's credit risks are primarily associated with trade and other receivables. The Group's credit policy entails always performing a credit check on new customers. An assessment is made through external credit ratings, where available, and payment history. The Group's average credit period for external trade and other receivables during the year was 66 (68) days. A change in the credit period of 1 day, at the current turnover rate, would mean a change in capital tied up and cash flow of approx. SEK 9 million.

Another measure of the Group's credit risk is illustrated by total exposure to individual customers. The single largest receivable on the balance sheet date totalled SEK 135.4 million (161.5). The total turnover of the Group's two largest customers represented 36% (31) of total net turnover.

The Group's maximum credit risk exposure is limited to the value of trade and other receivables described above. The tables below indicate the timing of risk exposure for overdue trade and other receivables. Management of the credit risks is decentralised.

Specification of overdue trade and other receivables, SEK thousands

	Total		Of which written down	
	2014	2013	2014	2013
Not overdue	501,473	528,538		
Total overdue by 1-30 days	69,790	96,162		
Total overdue by 31-90 days	7,412	8,845		133
Total overdue by 91-180 days	9,095	6,849		1,198
Total overdue by more than 180 days	12,228	9,189	5,902	6,041
Total	599,998	649,583	5,902	7,372

Trade and other receivables are in Swedish kronor, approx. SEK 260.7 million (335.1), after which the largest values are in EUR and USD, which translated into SEK total approx. SEK 217.0 million (191.3) and SEK 36.7 million (32.7) respectively. Bad debts were

recorded on the balance sheet date at a total of SEK 7 million (7). The profit for the year includes losses of SEK 1.8 million (5.6), representing < 0.0007% of turnover.

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Liquidity risks

Liquidity risk is the risk that the Group might be unable to fulfil its obligations associated with financial liabilities. See the specification Other financial liabilities above. The objective is for the Group to be able to meet its financial obligations in both a favourable and unfavourable market without significant unforeseen costs. Liquidity

risks and associated interest rate risk are managed centrally for the entire Group. The credit rating firm Bisnode has awarded a Gold AAA rating for the company's borrowing.

The table below indicates the term of the Group's repayment of liabilities to credit institutions.

Maturity analysis	2015	2016-2019
Liabilities to credit institutions	138,917	3,289
Liabilities, financial lease	3,955	2,220
Trade and other payables	241,356	
Other liabilities	21,152	
Total	405,381	5,509

Finance leasing liabilities	Group					
	31/12/2014			31/12/2013		
	Minimum lease charge	Interest	Capital amount	Minimum lease charge	Interest	Capital amount
Within one year	3,956	40	3,916	1,461	15	1,446
Between one and five years	2,220	22	2,198	3,651	36	3,615

Variable charges do not represent significant amounts.

Market risks

Market risks include the risk that the fair value of or future cash flows from a financial instrument will fluctuate due to changes in market prices. Market risks are divided into interest rate risk, currency risk and other price risks. The market risks that primarily affect the Group are interest rate risks, currency risks and other price risks, such as raw material prices.

a) Interest rate risks

The Group's interest rate risks relate to the Group's financing from credit institutions. All financing from credit institutions is presently at variable rates linked to the bank's base rate, which in turn is related to the Swedish National Bank's repo rate. With the current net liability 31/12/2014, a change of 1 percentage point has a profit impact of < SEK 0.4 million.

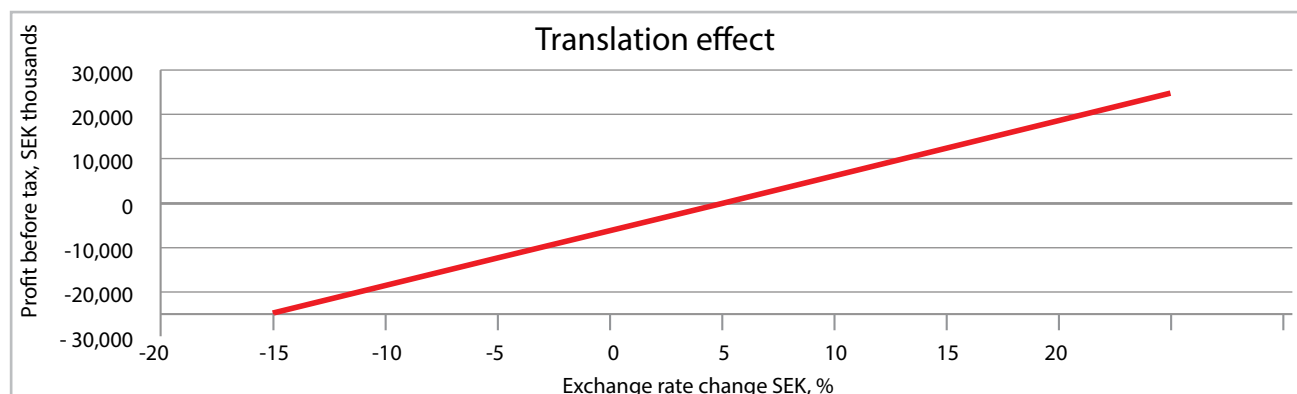
b) Currency risks

The Group operates mainly in Sweden. The Group also has subsidiaries in the Euro Zone and in Bulgaria, India, China and Mexico. Transactions, assets and liabilities in foreign currencies are monitored centrally by AQ to create a balance in each currency and thereby maximise the levelling effect within the Group and thus minimise exchange rate differences. It is the Group's policy not to use hedging instruments to eliminate translation effects.

Decisions on the use of hedging are made centrally, after which management can take place at the subsidiary level.

Without considering price adjustments in the sales contracts, an exchange rate change totalling 10% on an annual basis impacts turnover by approximately SEK 116.8 million (94.0).

Sales in other currencies account for approximately 45% (39) of turnover.



Exchange rates	EUR	CNY	NOK	PLN
Average exchange rate 2012	8.60	1.03	1.16	2.06
Closing day rate 2012	8.46	1.03	1.17	2.03
Average exchange rate 2013	8.65	1.06	1.11	2.06
Closing day rate 2013	8.94	1.07	1.06	2.15
Average exchange rate 2014	9.10	1.11	1.09	2.17
Closing day rate 2014	9.52	1.26	1.05	2.21

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A translation effect occurs when foreign subsidiaries are translated into SEK. All other factors being equal, a change of one per cent changes the Group's profit before tax by SEK 1.2 million.

Two currencies account for most of the translation exposure. These are CNY, in which a change of one per cent has a profit impact before tax of SEK 0.5 million, and EUR, which has a corresponding profit impact of SEK 0.3 million. Other exchange rate changes have a minor effect. The net effect on other comprehensive income of a one per cent change against SEK is SEK 5.4 million (1.7), which comprises a change in the translation reserve. The change compared to the previous year is primarily because of increased exposure of net assets in CNY and EUR.

c) Commodity price risks

Commodity price risk refers to the change in price of input goods and its impact on profit. For the Group, it is primarily changes in raw materials that constitute a commodity price risk

AQ does not buy any direct raw materials, only semi-finished goods for further processing such as sheet metal made of steel and aluminium, wiring and insulated winding wire. The purchase value of semi-finished goods totalled approximately SEK 400 million, 35% of which is purchased in EUR and 50% in SEK.

The raw material element (LME-based element) in semi-finished goods is estimated at a total of SEK 53 million, based on the following assumptions:

Aluminium: 800 tonnes	x USD 1,800 x 8.60 = SEK 12 million
Copper: 700 tonnes	x USD 5,800 x 8.60 = SEK 35 million
Nickel: 50 tonnes	x USD 14,000 x 8.60 = SEK 6 million

The risk is minimised by means of customer agreements containing price clauses.

NOTE 4 CHANGES IN ACCOUNTING POLICIES

4.1 Parent company

Unless specified otherwise below, the parent company's accounting policies in 2014 were amended in accordance with what is stated below for the Group.

4.2 Group

Below is a description of the amended accounting policies that the Group has applied as from 1 January 2014. Other amendments to IFRS applied as from 1 January 2014 have not had any significant effect on the consolidated financial statements.

The Group has applied IFRS 10 "Consolidated Financial Statements" since 1 January 2014. This has caused a change in the principle for assessing whether a controlling interest exists in respect of investments. The model in IFRS for assessing when a controlling interest exists is based on what interest exists, what exposure there is to a variable yield from a party's involvement in the investments and opportunities to exert an influence over the holding to influence a party's own return. The application of IFRS 10 has not had any effect on the consolidated financial statements.

IFRS 11 "Joint Arrangements" has been applied since 1 January 2014. This has had the effect that joint arrangements shall be deemed to be a joint venture or joint operation, depending on whether or not the Group has a direct right to assets and obligation in liabilities. The assessment is based on the structure of the investment, the legal form, contractual agreements, and other factors and circumstances. According to previous rules, the assessment was only performed on the basis of the structure of the investment. IFRS 11 has also meant that the proportional method may not be applied for joint ventures, and only the equity method is permitted. The Group does not have any investments that fall under IFRS 11, and its application is therefore not relevant.

New IFRS that have not yet been applied

A number of new or revised IFRS come into force in future financial years and have not been applied in advance when these financial statements were prepared. It is not planned to apply new features or amendments for future application in advance.

It is intended that IFRS 9 "Financial Instruments" will replace IAS 39 "Financial Instruments: Recognition and Measurement." IASB has now completed a complete "package" of amendments in respect of the recording of financial instruments. The package contains a model for classifying and valuing financial instruments, a forward-looking ("expected loss") amortisation model and a significantly revised approach to hedge accounting. IFRS 9 comes into force of 1 January 2018, and an earlier application is permitted subject to the EU adopting the standard. There is not yet any official timetable for when this adoption might happen. The categories for

financial assets that are contained in IAS 39 are replaced by two categories, with valuation at fair value or accrued cost of acquisition. The accrued cost of acquisition is used for instruments that are held in a business model that aims to receive the contractual cash flows, which must constitute payments of capital amounts and interest on the capital amount on specified dates. Other financial assets are recorded at fair value, and the opportunity to apply 'Fair Value Option' as in IAS 39 is retained. Changes in fair value must be recorded in the income statement, except for changes in the value of equity instruments that are not held for sale and for which an initial choice was made to record changes in value in other comprehensive income. Regarding the parts that relate to financial liabilities, most of the earlier rules in IAS 39 correspond, apart from in relation to financial liabilities that are voluntarily valued at fair value in accordance with what is known as the Fair Value Option. The value change for these liabilities must be divided into changes attributable to a party's own credit rating and changes in the reference interest rate. The new amortisation model will require more regular amortisation of "expected credit losses", which will have to be recorded from the time when the asset is first recorded. The new rules on hedge accounting include simplifications to effectiveness tests and a broadening of what are permitted hedging instruments and hedged items.

IFRS 15 "Revenue from Contracts with Customers" comes into force on 1 January 2017. This new standard introduces a new income recording model for contracts with customers. Company management is currently analysing what the effects of its introduction will be. IFRS 15 may mean that income from contracts with customers will be recorded at different times and with different amounts. Systems and processes may also need to be adapted.

Other new and amended IFRS with future application, as specified below, are not expected to have any significant effects on the company's financial statements.

- Amended IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amended IFRS 11: Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
- Amended IAS 16 and IAS 41: Bearer Plants
- Amended IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amended IAS 19: Employee Benefits: Defined Benefit Plans: Employee Contributions
- Amended IAS 27: Separate Financial Statements: Equity Method in Separate Financial Statements
- IFRIC 21 Levies
- Annual enhancements of IFRS (2010-2012), (2011-2013), (2012-14)

Notes to the financial statements

NOTE 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Board makes estimates and assumptions about the future. On the date on which the annual report

is signed, the Group is not involved in any material disputes. In preparing the annual report for 2014, the Board did not find any item that would be particularly exposed to risk and thus induce significant adjustments next year; see also Notes 2.4, 2.5, 2.7, 2.11, 3 and 16.

NOTE 6 OPERATING SEGMENTS AND MARKET DISTRIBUTION

6.1 Operating segments

2014 SEK thousands	Component	System	Unallocated and eliminations	Group
External invoicing within Sweden	1,203,633	465,436	12,238	1,681,308
External invoicing outside Sweden	669,207	258,778	6,804	934,789
Internal invoicing, other segments	172,647	86,405	-259,052	
Total net turnover	2,045,487	810,619	-240,010	2,616,097
Material costs, excl. purchases own segment	-1,053,756	-564,414	260,276	-1,357,893
Depreciation	-49,863	-2,768	-3,631	-56,261
Other operating expenses/income	-824,523	-207,067	12,233	-1,019,357
Operating profit	117,345	36,371	28,870	182,586
Net financial items			4,066	4,066
Profit before tax	117,345	36,371	32,936	186,652
Other comprehensive income plus tax			11,416	11,416
Comprehensive income for the year	117,345	36,371	44,352	198,068
2013				
External invoicing within Sweden	1,198,878	418,542	10,918	1,628,337
External invoicing outside Sweden	661,922	231,085	6,028	899,035
Internal invoicing, other segments	281,593	72,830	-354,423	
Total net turnover	2,142,393	722,456	-337,476	2,527,372
Material costs, excl. purchases own segment	-1,202,431	-478,001	324,970	-1,355,463
Depreciation	-47,287	-1,848	-312	-49,447
Other operating expenses/income	-793,662	-202,033	33,027	-962,668
Operating profit	99,013	40,573	20,209	159,795
Net financial items			-3,303	-3,303
Profit before tax	99,013	40,573	20,209	156,492
Other comprehensive income plus tax			-31,196	-31,196
Comprehensive income for the year	99,013	40,573	20,209	125,296

Notes to the financial statements

NOTE 6.1 OPERATING SEGMENTS (CONTD.)

2014 SEK thousands	Component	System	Unallocated and eliminations	Group
Cash and cash equivalents (incl. short-term investments)	192,071	56,830	-103,157	145,744
Trade and other receivables	489,258	203,526	-98,688	594,096
Inventories	290,069	164,979	-7,103	447,945
Tangible assets in Sweden	95,064	41,844	607	137,515
Tangible assets in other countries	124,206	37,287		161,493
Other assets	122,476	50,924	18,531	191,931
Total assets	1,313,144	555,390	-189,810	1,678,724
Current liabilities	584,137	240,102	-248,627	575,612
Non-current liabilities	32,929	21,890	-6,936	47,883
Equity	696,079	293,398	65,753	1,055,230
Total Liabilities and Equity	1,313,145	555,390	-189,810	1,678,724
2013				
Cash and cash equivalents (incl. short-term investments)	160,742	59,038	-152,215	67,566
Trade and other receivables	519,648	194,581	-71,419	642,811
Inventories	300,732	150,192	-8,527	442,397
Tangible assets in Sweden	101,646	28,300	-3,172	126,774
Tangible assets in other countries	98,947	31,609		130,556
Other assets	126,260	33,127	8,591	167,978
Total assets	1,307,975	496,848	-226,742	1,578,082
Current liabilities	706,716	236,438	-299,241	643,913
Non-current liabilities	27,677	20,760	329	48,766
Equity	573,583	239,649	72,170	885,403
Total Liabilities and Equity	1,307,975	496,848	-226,742	1,578,082

Product composition within the Component segment includes transformers, wiring systems, mechanical components, thin sheet metal machining and injection-moulded thermoplastic. Product composition within the System segment includes the production of systems, power solutions and automation solutions, as well as the assembly of complete machines.

All companies in the Group are run with common goals for growth and profitability. This means that all trade between the companies is conducted under market conditions (arm's length, see note 2.16). In segment reporting, there is no adjustment for internal profit and consolidated trade with other segments. These amounts are included as reconciliation items together with the property companies and the parent company figures in the matrix above, under the heading Unallocated and eliminations.

Segment reporting includes deferred tax liabilities in the total line for Equity. Negative goodwill is included in its entirety under Other operating income for the Group during the year of acquisition, while being matched against the accrual of capitalised balance sheet items in segment reporting. Two of the Group's customers have market shares of over 10%, 36% (31) in total.

The amounts recorded above reflect the financial statements, which are reviewed continually by the company's executive decision-makers, the Board, and serve as governing parameters when allocating resources and assessing performance. To the extent that there is reporting of assets and liabilities for segments below Group level, to the executive decision-makers, these are valued in the same way as in the annual report.

Notes to the financial statements

6.2 Market distribution

Sales are based on where customers are located. Non-current assets are based on where the assets are situated.

SEK thousands	Group			
	Sales		Non-current assets	
Country	2014	2013	2014	2013
Sweden	1,681,308	1,628,337	205,237	207,256
China	270,739	289,959	38,017	35,215
Other countries in Europe	246,339	279,476		
Germany	149,135	93,491		
Poland	55,886	40,348	16,995	14,845
Estonia	36,597	49,395	64,249	43,348
Other countries in Asia	35,351	19,150		
UK	33,569	18,704		
USA	18,572	23,536		
Australia	15,346	5,700		
Mexico	13,865	17,146	2,025	1,583
Bulgaria	13,841	14,248	40,484	28,318
Italy	12,528	6,719	80	103
Norway	11,753	6,497	2,635	630
India	8,139	8,808	14,134	11,192
Denmark	8,020	5,959		
Other countries in South America	3,996	12,253		
Lithuania	664	599	9,672	7,943
Other countries in Central America	422	7,014		
Africa	26	33		
Total	2,616,096	2,527,372	393,528	350,811

NOTE 7 OTHER OPERATING INCOME

	Group		Parent company	
	2014	2013	2014	2013
Exchange gains from operations, realised	5,606	8,708		
Exchange gains from operations, unrealised	8,016	5,811		
Capital gains on non-current assets	-385	306		
Recovery of previously impaired trade and other receivables	2,894	376		
Rental income	36	108		
Negative goodwill		762		
Other operating income	7,062	15,515	3	14
	23,229	31,587	3	14

Notes to the financial statements

NOTE 8 OTHER EXTERNAL EXPENSES

8.1 Remuneration to auditors

	Group		Parent company	
	2014	2013	2014	2013
SEK thousands				
<i>PwC</i>				
Audit assignment	1,093	1,099	879	155
Audit-related assignments	20	38		35
Tax consultation/other services		107		77
	1,113	1,243	879	267
<i>Ernst & Young</i>				
Audit assignment	5	324		
	5	324		
<i>KPMG</i>				
Audit assignment	1,310		200	
	1,310		200	
<i>FangBen CPA</i>				
Audit assignment	25	349		
	25	349		
<i>Others</i>				
Audit assignment	349	556		
Other services/audit-related assignments	13			
	362	556		
Total	2,815	2,472	1,079	267

An audit assignment involves a review of the annual report and accounting as well as the management of the Board and MD, which results in the production of an audit report. Furthermore, information on remuneration is provided separately for auditing activities and review assignments in addition to the audit assignment, as well as tax consultation and other services that may have been performed by the principal accounting firm during the financial year.

8.2 Operational leasing

All leasing expenses for assets rented under operational lease agreements, such as leased premises, tools, office equipment, etc., are recorded as Other external expenses in the income statement. The summary below presents the fees for the year and future fees for non-terminable agreements. The fees for rents are included in the summary up until the next renewal date.

	2014	2015	2016-2019	Later
Rental agreements for external premises	20,779	22,087	89,483	13,701
Other agreements	7,946	5,218	5,868	
Total	28,725	27,305	95,351	13,701

Notes to the financial statements

NOTE 9 PERSONNEL

Average number of employees	2014			2013		
	Women	Men	Total	Women	Men	Total
Parent company, Sweden	7	8	15	5	7	12
Subsidiaries, Sweden	222	590	812	225	616	841
Bulgaria	518	385	903	484	340	824
Estonia	72	248	320	27	204	231
India	13	83	96	8	63	71
Italy	1	3	4	1	3	4
China	235	322	557	220	280	500
Lithuania	487	123	610	435	111	546
Mexico	78	23	101	69	19	88
Poland	239	243	482	177	191	368
	1,871	2,029	3,900	1,651	1,834	3,485

Gender distribution, executive officers

Board	Women	Men	Total	Women	Men	Total
Parent company	17%	83%	100%		100%	100%
Group	9%	91%	100%	6%	94%	100%

Company management and MD	Women	Men	Total	Women	Men	Total
Parent company	33%	67%	100%	29%	71%	100%
Group	26%	74%	100%	35%	65%	100%

Notes to the financial statements

	Group		Parent company	
	2014	2013	2014	2013
Salaries and remuneration, SEK thousands				
Sweden				
Board, MD and other executive officers ¹⁾	13,474	17,740	6,993	7,042
Other employees	289,120	282,799	2,875	1,835
Total in Sweden	302,595	300,539	9,868	8,877
<i>1) Of which bonuses and the like to executive officers.</i>	<i>3,628</i>	<i>3,401</i>	<i>1,140</i>	<i>748</i>
Other countries				
Board and MD ¹⁾	10,855	11,801		
Other employees	233,825	182,091		
Subsidiaries in other countries	244,680	193,892		
<i>1) Of which bonuses and the like to executive officers.</i>	<i>3,350</i>	<i>1,948</i>		
Total	547,275	494,431	9,868	8,877

Payroll overhead, SEK thousands

Sweden				
Pension expenses for Board, MD and other executive officers	3,386	3,007	1,554	1,131
Pension expenses for other employees	12,020	12,007	255	23
Other payroll overhead	99,659	94,122	3,237	3,015
Total in Sweden	115,065	109,136	5,046	4,169
Other countries				
Pension expenses for Board and MD	757	463		
Pension expenses, other employees	20,305	15,726		
Other payroll overhead	14,952	12,215		
Subsidiaries in other countries	36,013	28,405		
Total	151,079	137,541	5,046	4,169

Remuneration to the Board, MD and Group management	Basic salary/fee	Variable remuneration	Other benefits	Pension expenses	Total
2014					
Chairman of the Board, Per-Olof Andersson	746			181	927
Board member, Leif Andersson	120				120
Board member, Rune Glavare	120				120
Board member, Ulf Gundemark	120				120
Board member, Gunilla Spongh	120				120
Board member and MD, Claes Mellgren	734		43	181	958
Other executive officers	3,897	1,140	65	1,192	6,290
	5,857	1,140	108	1,554	8,655
2013					
Chairman of the Board, Per-Olof Andersson	762			167	929
Board member, Leif Andersson	100				100
Board member, Rune Glavare	100				100
Board member, Ulf Gundemark	100				100
Board member and MD, Claes Mellgren	762			167	929
Other executive officers	4,470	748		797	6,015
	6,294	748		1,131	8,173

Notes to the financial statements

There are no special pension benefits or severance payment agreements, beyond normal occupational pensions.

The Board's proposed guidelines for remuneration in 2015, in accordance with Chapter 8, Section 51 of the Swedish Companies Act, are laid out in the Directors' Report. The remuneration paid out to executive officers in 2014 is specified in the note.

The following decision on guidelines for remuneration in 2014 was made at the last annual general meeting:

Executive offers shall be paid a fixed fee, supplemented by variable remuneration calculated as a percentage of the Group's profit for the year, limited to maximum of one year's salary per person. There are no benefits beyond normal 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.

NOTE 10 PROFIT/LOSS FROM PARTICIPATIONS IN GROUP COMPANIES

	Group		Parent company	
	2014	2013	2014	2013
Dividends from Group companies				23,500
Amortisation of shares in subsidiaries				-17,811
Liquidation of AQ Denmark A/S		-527		-1,124
		-527		4,564

NOTE 11 FINANCIAL INCOME

	Group		Parent company	
	2014	2013	2014	2013
Interest income, trade and other receivables	171	1,789		
Interest income from Group companies			4,121	4,619
Other interest income	991	358	12	3
Exchange rate gains/losses on current receivables, realised	1,471		865	
Exchange rate gains/losses on current receivables, unrealised	7,211		3,698	
	9,844	2,148	8,696	4,622

NOTE 12 FINANCIAL EXPENSES

	Group		Parent company	
	2014	2013	2014	2013
Interest expenses, trade and other payables	-92	-77		
Interest expenses to Group companies				-12
Other interest expenses	-2,494	-2,669	-623	-530
Net change rate gains/losses	-3,192	-2,177		-878
	-5,778	-4,924	-623	-1,420

NOTE 13 APPROPRIATIONS

	Parent company	
	2014	2013
Change in tax allocation reserve	1,590	-6,450
Group contribution, paid	-21,261	-28,500
Group contribution, received		38,000
	-19,671	3,050

Notes to the financial statements

NOTE 14 TAXES

Current income tax for the period, SEK thousands	Group		Parent company	
	2014	2013	2014	2013
Current tax	-38,936	-36,868	-3,239	-5,440
Deferred tax	2,761	3,500		
Tax recorded for the period	-36,175	-33,369	-3,239	-5,440
Specification of recorded tax				
<i>Recorded profit before appropriations and tax</i>	<i>186,652</i>	<i>156,492</i>	<i>33,055</i>	<i>26,858</i>
Estimated tax based on applicable tax rate in Sweden 22.0 (22.0)	-39,476	-34,428	-7,272	-5,909
<i>Tax effect of:</i>				
Standard taxation, tax allocation reserves	-412	-279	-124	-73
Tax effect of untaxed reserves			-350	1,419
Non-deductible expenses	-2,249	-2,801	-172	-28
Non-taxable income	1,595	1,628	2	1,252
Adjusted tax from previous year/changed tax rates	-99	-981		-11
Effect of other tax rates in foreign companies	9,800	8,503		
Tax effect of Group contribution			4,677	-2,090
Change in non-recorded tax loss carryforwards	-6,115	-5,176		
Utilisation of tax loss carryforwards not previously capitalised	1,384			
Other	-604	165		
	-36,175	-33,369	-3,239	-5,440

	Group	
	2014	2013
Non-recorded tax loss carryforwards	16,476	10,006
<i>Expires:</i>		
2015		129
2016		
2017	556	523
2018	1,097	1,032
2019		
Later	14,823	8,322
Total	16,476	10,006

Non-recorded tax loss carryforwards relate to the subsidiaries in India and Mexico, which are in the development stage and it is not currently possible to assess with any certainty when the companies will be able to utilise them to offset future profits. The parent company has no tax deficits.

Deferred taxes in the parent company relate solely to untaxed reserves. These are not recorded separately because of the connection between accounting and taxation, see Note 27.

Notes to the financial statements

	Group	
	2014	2013
Deferred tax assets		
Tangible assets	845	1,100
Inventories	3,937	2,475
Other	3,257	3,337
	8,039	6,912
Deferred tax liability		
Intangible assets	2,224	2,370
Tangible assets	2,882	1,302
Untaxed reserves	31,503	32,235
Other	-1,370	678
	35,240	36,584
Change in deferred tax		
Recorded in the income statement	2,761	3,500
Translation difference	72	-434
Acquisition of subsidiaries	-361	
	2,471	3,066

NOTE 15 CAPITALISED EXPENDITURE

SEK thousands	Group	
	2014	2013
Opening cost of acquisition	27,709	25,454
Direct investments for the year	8,155	3,624
Sales/retirements	-14	-1,510
Translation difference	702	141
Closing accumulated costs of acquisition	36,552	27,709
Opening depreciation	-17,042	-12,835
Sales/retirements	14	1,510
Reclassifications	-4,208	
Translation difference	-362	-124
Depreciation for the year	-5,435	-5,593
Closing accumulated depreciation	-27,032	-17,043
Closing planned residual value	9,520	10,667

Notes to the financial statements

NOTE 16 GOODWILL

SEK thousands	Group	
	2014	2013
Opening cost of acquisition	74,399	74,810
Direct investments for the year	1,413	
Acquisition of subsidiaries		6,500
Adjustment of acquisition analysis		-6,983
Translation difference	-405	72
Closing accumulated costs of acquisition	75,407	74,399
Closing planned residual value	75,407	74,399

Two operations were acquired in 2014 through acquisitions of net assets in Estonia; these generated a total goodwill item of SEK 1.4 million. See Note 31.

Each year, company management investigates whether there is any amortisation of goodwill. The recoverable amount of the underlying cash-generating unit AQ Wiring Systems has been determined based on a calculation of the Group's value in use. Other goodwill items are of minor value and there are no indications of a permanent impairment of value.

Impairment testing for cash-generating units containing goodwill

The following cash-generating unit has significant recorded goodwill in relation to the Group's total recorded goodwill:

	2014	2013
AQ Wiring Systems	66,551	66,956

This calculation was performed based on estimated future cash flows corresponding to a five-year period. Cash flows beyond the five-year period were extrapolated using an estimated growth rate of 2%. The discount rate used for the future cash flows is 9% (11.5%).

Important variables

Market share and market growth

Operating expenses

Discount rate

Exchange rate

Method used to estimate values

Growth forecasts are based on the Group's historical growth. The total market is expected to grow during the forecast period. The business area has a marginal share of the total market.

Operating expenses are estimated based on planned operations for the forecast period.

The discount rate was produced using a weighted average capital cost for the AQ Group and reflects prevailing market assessments of the time value of money and the risks that relate specifically to the AQ Group.

Translation of currencies was performed at prevailing exchange rates.

The recoverable value of AQ Wiring Systems exceeds the carrying amount by SEK 30 million. Company management does not believe that any reasonable changes in the important assumption might result in the recoverable value being lower than the carrying amount.

NOTE 17 LAND AND BUILDINGS

	Group	
	2014	2013
Opening cost of acquisition	130,823	123,834
Direct investments for the year	424	890
Acquisition of subsidiaries	10,519	4,290
Sales/retirements		-60
Reclassifications	1,210	
Translation difference	3,617	1,988
Closing accumulated costs of acquisition	146,592	130,942
Opening depreciation	-40,630	-35,747
Sales/retirements	-1,814	60
Translation difference	-985	-439
Depreciation for the year	-5,825	-4,623
Closing accumulated depreciation	-49,253	-40,750
Closing planned residual value	97,339	90,192

The residual value above includes improvement expenses on leasehold property of SEK 5,129,000 (5,800,000).

Notes to the financial statements

NOTE 18 PLANT AND MACHINERY

	Group	
	2014	2013
Opening cost of acquisition	318,778	297,784
- of which financial lease agreements	29,832	37,420
Direct investments for the year	39,207	31,290
- of which financial lease agreements	126	1,771
Acquisition of subsidiaries	13,712	5,505
- of which financial lease agreements	80	
Sales/retirements	-7,662	-22,683
- of which financial lease agreements	-212	-9,434
Reclassifications	11,793	5,288
- of which financial lease agreements		
Translation difference	12,873	2,666
- of which financial lease agreements	232	76
Closing accumulated costs of acquisition	388,701	319,850
- of which financial lease agreements	30,058	29,882
Opening depreciation	-199,810	-191,778
- of which financial lease agreements	-18,797	-25,804
Acquisition of subsidiaries	-12,452	
- of which financial lease agreements		
Sales/retirements	6,422	21,026
- of which financial lease agreements	147	9,434
Reclassifications	4	1,114
- of which financial lease agreements		
Translation difference	-6,076	-1,692
- of which financial lease agreements	-153	-80
Depreciation for the year	-32,754	-29,553
- of which financial lease agreements	-2,359	-2,346
Closing accumulated depreciation	-244,665	-200,882
- of which financial lease agreements	-21,162	-18,797
Reclassifications	-2	
Amortisation for the year	-45	
Closing accumulated amortisation	-48	
Closing planned residual value	143,988	118,968
- of which financial lease agreements	8,896	11,036

Notes to the financial statements

NOTE 19 EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

	Group		Parent company	
	2014	2013	2014	2013
Opening cost of acquisition	101,514	98,125	59	205
Direct investments for the year	13,035	11,825		
Acquisition of subsidiaries	7,806	523		
Sales/retirements	-4,999	-11,840		-146
Reclassifications	-121	1,469		
Translation difference	4,975	1,412		
Closing accumulated costs of acquisition	122,209	101,514	59	59
Opening depreciation	-59,687	-56,414	-36	-169
Acquisition of subsidiaries	-4,736			
Sales/retirements	4,685	10,356		146
Reclassifications	188	-1,114		
Translation difference	-4,024	-1,260		
Depreciation for the year	-12,215	-11,255	-12	-12
Closing accumulated depreciation	-75,789	-59,687	-48	-36
Closing planned residual value	46,420	41,827	12	24

NOTE 20 CONSTRUCTION IN PROGRESS

	Group	
	2014	2013
Opening cost of acquisition	6,343	8,511
Direct investments for the year	17,901	5,193
Reclassifications	-13,148	-6,757
Translation difference	164	-605
Closing accumulated costs of acquisition	11,260	6,343

NOTE 21 SHARES AND PARTICIPATIONS IN SUBSIDIARIES

	Parent company	
	2014	2013
Opening cost of acquisition	354,923	309,758
Shareholder contribution	6,404	
Investment in subsidiaries	16,458	52,722
Intra-Group restructuring		24
Sales/retirements		-598
Adjustment of acquisition analysis		-5,983
Closing accumulated costs of acquisition	377,785	354,923
Opening amortisation	-51,558	-33,747
Amortisation for the year	-7,950	-17,811
Closing accumulated amortisation	-59,508	-51,588
Closing book value	318,278	303,365

Notes to the financial statements

CONTD. NOTE 21 SHARES AND PARTICIPATIONS IN SUBSIDIARIES

	Corp. ID no.	Number of participation rights	Share of equity	Shares of votes	Book value
AQ Fastighet Tokarp AB, Anderstorp	556220-0195	1,000	100%	100%	3,578
AQ Fastighet i Pålshoda AB, Eskilstuna	556275-6212	14,200	100%	100%	5,580
AQ Fastighet i Lund AB, Lund	556527-5228	10,000	100%	100%	3,942
AQ Elautomatik AB, Surahammar	556272-8484	1,000	100%	100%	4,457
AQ Elteknik AB, Uppsala	556358-1411	1,000	100%	100%	2,435
AQ Enclosure Systems AB, Vaggeryd	556660-1844	20,000	100%	100%	2,000
AQ Holmbergs AB, Anderstorp ¹	556551-8536				
AQ Fastighet i Lyrestad AB, Eskilstuna	556443-9734	15,000	100%	100%	
AQ Mekatronik AB, Västerås	556666-7829	1,000	100%	100%	100
AQ ParkoPrint AB, Gävle	556574-6319	20,000	100%	100%	17,314
- AQ Fastigheter i Gävle AB, Gävle	556448-3385	1,500	100%	100%	
AQ Plast AB, Västerås	556497-2239	3,000	100%	100%	4,400
AQ Segerström & Svensson AB, Eskilstuna	556545-8790	40,000	100%	100%	7,226
AQ Staretor AB, Gothenburg	556690-3026	1,400	100%	100%	800
- AQ Fastighet i Torslanda AB, Gothenburg	556690-3018	1,000	100%	100%	
- AQ Retor Engineering AB, Gothenburg	556622-8697	1,050	100%	100%	
- AQ Retor Production AB, Gothenburg ¹	556690-3083				
- AQ 3-Elite AB, Gothenburg	556704-6981	1,002	100%	100%	
AQ Trafo AB, Enköping	556443-9726	26,000	100%	100%	
AQ Welded Structures AB, Ludvika	556660-2016	1,000	100%	100%	100
AQ Wiring Systems AB, Årjäng	556630-1437	500	100%	100%	5,000
AQ Bulgaria EAD, Sofia, Bulgaria ¹	7705/1996				
AQ Electric AD, Radomir, Bulgaria	1135 61397	544,618	96%	96%	16,607
AQ Electric Suzhou Co Ltd, Suzhou, China	[2006] 65541	169,730	100%	100%	23,298
AQ Holmbergs Suzhou Co Ltd, Suzhou, China	[2002] 32190	173,517	100%	100%	1,806
AQ Italy S.R.L., Milan, Italy	04056160965	300	100%	100%	275
AQ Lasertool OÜ, Pärnu, Estonia	10 930 852	40,000	100%	100%	8,525
AQ Magnit AD, Godech, Bulgaria	1220 33267	679,382	99%	99%	40,092
AQ Mechanical&Electrical M.I.Pvt.Ltd, Pune, India	U31909PN 2011FTC139442	4,156,659	100%	100%	19,578
AQ Plastronic AD, Bulgaria	104 011 529	595,560	95%	95%	14,392
AQ Wiring Systems AS, Arendal, Norway	987 815 566	100	100%	100%	
- AQ Wiring Systems UAB, Panevezys, Lithuania	148 427 212	1,200	100%	100%	74,143
AQ Wiring Systems SA de CV, Tultitlan Edo, Mexico	DME051116H2A	50,000	100%	100%	20,000
AQ Wiring Systems Sp.z.o.o., Lodz, Poland	7 281 357 239	2,227	100%	100%	42,630

318,278

¹⁾ These companies merged during the year.

Notes to the financial statements

NOTE 22 NON-CURRENT RECEIVABLES AND FINANCIAL INVESTMENTS

Receivables from Group companies	Parent company	
	2014	2013
Opening receivables	33,064	25,873
Lending during the year	10,345	13,030
Repayments during the year	-8,437	-5,988
Translation difference	2,467	149
Closing receivables	37,439	33,064

Other receivables consist of rental deposits and capital insurance.

Financial investments	Group	
	2014	2013
Opening cost of acquisition	1,503	1,806
Acquisitions	-128	7
Acquisitions via subsidiaries		
Disposed of	-28	-149
Reclassification to non-current receivables	-1,554	
Translation difference	207	-160
Closing book value		1,503

NOTE 23 OTHER RECEIVABLES

	Group		Parent company	
	2014	2013	2014	2013
VAT receivable	17,821	15,660		
Reclassifications	1,554			
Other current receivables	14,997	9,793	443	
	34,372	25,453	443	

NOTE 24 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent company	
	2014	2013	2014	2013
Prepaid rent	2,718	3,728	58	
Other interim receivables	35,534	23,603	1,907	367
	38,251	27,331	1,965	367

Notes to the financial statements

NOTE 25 EQUITY

Capital management

According to Board policy, the Group's financial objective is to maintain a solid capital structure and financial stability and thereby retain investors, creditors and market confidence and provide a basis for the continued development of the business. The Group's goal is to

maintain an equity ratio of at least 40%. The Group's equity ratio on the balance sheet date 31/12/2014 was 63% (56). The dividend policy is that the dividend shall equal approximately 25% of the average profit after tax over one business cycle.

Parent company	Number of shares	Share capital (SEK)
Number/amount at year-end – 31/12/2011	17,959,058	35,918,116
New issue (subscription)	75,000	150,000
Number/amount at year-end – 31/12/2012	18,034,058	36,068,116
Number/amount at year-end – 31/12/2013	18,034,058	36,068,116
Number/amount at year-end – 31/12/2014	18,034,058	36,068,116

Earnings per share SEK 8.34 (6.83) The company does not have any share-based scheme for employees, and all shares carry the same voting rights and preferential rights.

RESERVES

Consolidated equity includes certain reserves, through which AQ makes use of the translation reserve. The translation reserve consists of all exchange rate difference that arise when translating the financial statements of foreign operations.

APPROPRIATION OF PROFITS

The Board has proposed a dividend of SEK 2.0 (1.60) per share to the Annual General Meeting for the financial year 2014, which means that SEK 36,068,116 will be distributed to the shareholders if the Annual General Meeting adopts the Board's proposal. During the year there was no change in the Group's capital management.

NOTE 26 UNTAXED RESERVES

	Parent company	
	2014	2013
Tax allocation reserve, Tax 2009		6,490
Tax allocation reserve, Tax 2010	500	500
Tax allocation reserve, Tax 2011	4,000	4,000
Tax allocation reserve, Tax 2013	18,400	18,400
Tax allocation reserve, SFL 2013	8,200	8,200
Tax allocation reserve, SFL 2014	4,900	
	36,000	37,590

Deferred tax on untaxed reserves totals SEK 7,920,000 (8,270,000)

NOTE 27 LIABILITIES TO CREDIT INSTITUTIONS AND SECURITIES LODGED AS COLLATERAL

All values recorded below correspond to fair value. The Group has no non-current liabilities to credit institutions that fall due for payment later than five years after the balance sheet date.

Collateral provided for specified liability items in the balance sheet is specified below:

	Group	
	2014	2013
Liability to credit institution/bank overdraft facilities/ factoring		
Property mortgages	90,651	87,650
Floating charges	302,448	312,316
<i>of which in own custody</i>	44,625	79,325
Mortgaged trade and other receivables	85,112	
Other liabilities		
Ownership reservation in respect of leased machines recorded as non-current assets	8,896	11,036
Other ownership reservation	354	194

Notes to the financial statements

NOTE 28 PROVISIONS – NON-CURRENT AND CURRENT

	Group	
	2014	2013
Opening provisions for warranty obligations, current	257	248
Change in warranty obligations	288	9
Closing provisions for warranty obligations, current	545	257
Opening pension provisions, current	1,996	3,666
Change in pensions	1,325	-1,670
Closing pension provisions, current	3,321	1,996
Opening other provisions, current	3,525	1,921
Other change	2,540	1,605
Closing other provisions, current	6,065	3,525
Total provisions on balance sheet date	9,931	5,779

Other provisions include the contingent consideration for the acquisitions of net assets in Estonia. The conditions agreed relate to offsets from the seller in the form of purchases. If the conditions for the additional consideration are met, another EUR 170,000 fall due for payment, on two occasions in 2015 and 2016 respectively.

NOTE 29 OTHER RECEIVABLES

	Group		Parent company	
	2014	2013	2014	2013
Liability for VAT and personnel	22,064	28,520	2,240	1,146
Other current liabilities	21,152	4,698	1	
	43,216	33,218	2,241	1,146

NOTE 30 ACCRUED EXPENSES AND PREPAID INCOME

	Group		Parent company	
	2014	2013	2014	2013
Liability to personnel	68,469	68,232	2,461	2,388
Liability, social security contributions	28,679	24,846	1,204	1,283
Other interim liabilities	19,272	21,395	346	320
	116,419	114,473	4,011	3,991

Notes to the financial statements

NOTE 31 ACQUISITIONS

The Bulgarian company Carat Electronics AD was acquired during the year. AQ's Estonian subsidiary AQ Lasertool OÜ completed two acquisitions of net assets during the year. All of the assets were taken over from Foleshill Metal Finishing OÜ, and all assets excluding properties were acquired from Sertec Engineering OÜ.

The purchase prices and the effect on the Group's cash and cash equivalents were as follows:

Acquisition of subsidiaries	Carrying amount			Group
	Carat Electronic AD	Foleshill Metal Finishing	Sertec Engineering	
Tangible assets	9,237	5,369	6,661	21,267
Inventories	4,974			4,974
Cash and cash equivalents	162			162
Other current assets	2,042			2,042
Provisions	-328			-328
Current liabilities	-1,695			-1,695
Net identifiable assets	14,392	5,369	6,661	26,421
Goodwill			1,413	1,413
Total purchase price	14,392	5,369	8,074	27,835
Unpaid element of the purchase price			-1,413	-1,413
Cash and cash equivalents in the acquired companies	-162			-162
Effect on Group's cash and cash equivalents of acquisitions during the year	14,229	5,369	6,661	26,259
Total cash flow relating to investments in subsidiaries	14,229	5,369	6,661	26,259

Contributions from operations acquired in 2014

Contributions from the acquisition date

Income	9,483
Operating profit	403
Profit for the year	245

Contribution had the acquisition been completed on 1 January

Income	13,995
Operating profit	294
Profit for the year	244

The goodwill recorded for acquisitions relates to the synergy effects expected when the acquired businesses are integrated with the AQ Group's existing operations. The addition of the acquired operations enables the AQ Group to offer its existing customers a broader range of products and services. The goodwill item has not been considered to be tax-deductible. The acquisition analysis for Carat Electronics AD is a preliminary one while a final valuation is awaited.

NOTE 32 CASH AND CASH EQUIVALENTS

	Group		Parent company	
	2014	2013	2014	2013
Cash and bank balances	145,744	67,566	22,352	11,151
Cash and cash equivalents recorded in the cash flow statement	145,744	67,566	22,352	11,151

The Group's total unutilised limits for bank overdraft facilities totalled SEK 138,459 thousands (61,169 thousands) at year-end.

Signatures

BOARD CERTIFICATION

The consolidated financial statements and the annual report have been prepared in accordance with international accounting standards referred to in the European Parliament and Council Regulation (EC) No. 1606/2002 of 19 July 2002 on the application of international accounting standards and generally accepted accounting practices in Sweden and give a true and fair view of the position and results of both the Group and the parent company. The Directors' Report for the Group and for the parent company gives a true and fair overview of the development 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.

The annual accounts and consolidated account, as presented above, were approved for publication by the Board and MD on 7 April 2015. The consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be the subject of adoption at the Annual General Meeting on 23 April 2015.

Västerås, 07/04/2015

Per-Olof Andersson
Chairman of the Board

Claes Mellgren
Managing Director

Leif Andersson
Board member

Gunilla Spongh
Board member

Ulf Gundemark
Board member

Our Audit Report was submitted on 07/04/2015
KPMG AB

Helena Arvidsson Älgne
Authorised Public Accountant

Audit Report

To the Annual General Meeting of shareholders in AQ Group AB (publ.), corp. ID no. 556281-8830

Report on the annual accounts and the consolidated accounts

We have conducted an audit of the annual accounts and the consolidated accounts of AQ Group AB (publ.) for the year 2014. The annual accounts and consolidated accounts are included in the printed version of this document on Pages 13-60.

The responsibility of the Board of Directors and the MD for the annual accounts and the consolidated accounts.

The Board of Directors and the MD are responsible for preparing annual accounts that give a true and fair view in accordance with the Swedish Annual Accounts Act and consolidated accounts that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Accounts Act, and for the internal controls considered necessary by the Board of Directors and the MD to produce annual accounts and consolidated accounts that are free of material misstatement, whether this might be based on irregularities or errors.

The auditor's responsibility

It is our responsibility to express an opinion on the annual accounts and the consolidated accounts based on our audit. We conducted our audit in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require us to comply with professional requirements and plan and conduct the audit to obtain reasonable assurance that the annual accounts and consolidated accounts are free from material misstatement.

An audit includes obtaining evidence by various means of amounts and other information in the annual accounts and the consolidated accounts. The auditor chooses which measures are to be carried out, by such means as assessing the risks of material misstatement in the annual accounts and the consolidated accounts, whether this might be based on irregularities or errors. In making those risk assessments, the auditor considers the components of the internal control that are relevant to how the company prepares the annual accounts and the consolidated accounts to give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes an evaluation of the appropriateness of the accounting policies applied and of the reasonableness of estimates in the accounts provided by the Board of Directors and the MD, as well as an evaluation of the general presentation of the annual accounts and the consolidated accounts.

We believe that the evidence we have obtained is sufficient and appropriate as a basis for our statements.

Statements

In our opinion, the annual accounts have been prepared as required by the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company on 31 December 2014, and its financial performance and its cash flows for the year, in accordance with the Swedish Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and give a true and fair view in all significant respects of the Group's financial position as of 31 December 2014 and of its financial results and cash flows for the year in accordance with the International Financial Reporting Standards, as adopted by the EU, and the Swedish Annual Accounts Act. The Directors' Report is consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the parent company and the Group be adopted.

Other disclosures

The audit of the annual accounts and the consolidated accounts for the year 2013 was conducted by a different auditor, who submitted an Audit Report dated 10 April 2014 with unmodified statements in the Statement regarding the annual accounts and the consolidated accounts.

Report on other requirements under law and other administrative provisions

In addition to our audit of the annual accounts and the consolidated accounts, we have also conducted an audit of the proposed appropriations in respect of the company's profit or loss, as well as the administration of the Board of Directors and the MD of AQ Group AB for the year 2014.

The responsibility of the Board of Directors and the MD

The Board of Directors and the MD are responsible for the proposed appropriations in respect of the company's profit or loss, and the Board of Directors and the MD are responsible for administration in accordance with the Swedish Companies Act.

The auditor's responsibility

It is our responsibility to express an opinion with a reasonable level of assurance about appropriations in respect of the company's profit or loss and about the administration on the basis of our audit. We conducted our audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our statement on the Board of Directors' proposal on appropriations in respect of the company's profit or loss, we have examined the Board of Directors' statement as well as a selection of supporting evidence for this in order to be able to assess whether the proposal is compatible with the Swedish Companies Act.

As a basis for our statement on discharge from liability, in addition to our audit of the annual accounts and the consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the MD. We also examined whether any Board member or the MD has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our statements.

Statements

We recommend that the Annual General Meeting of shareholders appropriate the profit as proposed in the Directors' Report and grant the members of the Board and the Managing Director discharge from liability for the financial year.

Västerås, 07 April 2015

KPMG AB

Helena Arvidsson Älgne
Authorised Public Accountant

CORPORATE

Governance Report 2014



Per-Olof Andersson, Leif Andersson, Gunilla Spongh, Ulf Gundemark, Claes Mellgren.

The corporate governance of AQ Group AB (publ.) involves ensuring that the company is managed in a way that is as efficient as possible for the shareholders through a combination of written rules and practice. AQ Group AB complies with applicable aspects of the Swedish Code of Corporate Governance, which applies to Swedish companies whose shares are traded on a regulated market (NASDAQ OMX).

The principle of the Code is to comply or explain. AQ Group deviates from the code in the following instances:

- Nomination committee: according to the Code, this shall consist of a majority of non-Board members and no more than one of the members of the nomination committee may be dependent on the company's major shareholders. AQ's biggest shareholders have taken the view that the company's ownership structure, with two owners between them holding approximately 60% of the shares in the company, is best served in the nomination committee by these owners together with other shareholders.
- Audit and remuneration committees: related issues are dealt with by the full Board of Directors.

The Corporate Governance Report is not audited by the company's auditors.

Shareholders

At the year-end, AQ Group had 2,172 (1,705) shareholders. Information about the share trend, ownership structure, dividends, etc. may be found in the Directors' Report.

Legislation and Articles of Association

AQ Group is required primarily to comply with the Swedish Companies Act and the rules resulting from the listing of the share on AktieTorget, which is not a regulated market pursuant to the Swedish Securities Market Act. AQ Group shall also operate in accordance with the provisions specified in AQ Group's Articles of Association.

Shareholders' general meetings

A notice of a shareholders' general meeting is issued no earlier than six weeks and no later than four weeks before the meeting. The notice contains information about registration and the right to attend and vote at the meeting, as well as a numbered agenda of the matters to be considered. Registration for the meeting takes place in writing to the company's address or by email. Proposals for the meeting shall be addressed to the Board (with the address of the company's head office) and submitted in a timely manner before the notice is issued. The notice and agenda are also published on the website. Shareholders or their proxies may vote for the full number of owned or represented shares.



Annual General Meeting in Västerås, 24 April 2014.

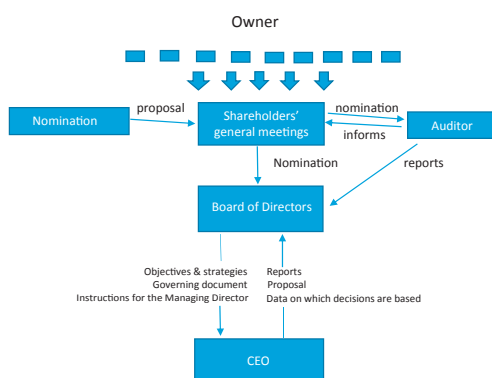
The Annual General Meeting shall be held no later than four months after the end of the financial year. At the AGM, decisions are made regarding approval of the balance sheet and income statement, discharge from liability for the Board and MD and allocation of the company's retained earnings.

Shareholders representing 65% of the total number of votes in the company participated in AQ Group's Annual General Meeting on 24 April 2014. The MD, the Group management team and the Board were in attendance. During the meeting, shareholders were given the opportunity to ask questions and have them answered during the meeting. In addition to the decisions specified above, the AGM passed resolutions on remuneration to the Board, a mandate to the Board to decide on directed new share issue (max. 2,000,000 shares) and the election of officers.

AQ Group did not hold any extraordinary shareholders' general meetings.

The date and location of the next Annual General Meeting are published in conjunction with the year-end report.

How AQ is governed



APPOINTMENT OF OFFICERS

Nomination committee

The Annual General Meeting chooses a nomination committee that represents the company's shareholders. The nomination committee shall consist of three members, of which one has no ties to the company's Board. Claes Mellgren, Gunnar Ek and Per-Olof Andersson were elected at the 2014 AGM.

Board of Directors

The nomination committee must submit proposals for the election of chairman and other Board members, as well as remuneration, divided between the chairman and other members.

As the basis for its proposals, the nomination committee shall:

- assess the degree to which the current Board will meet future needs in respect of the company's development and study the evaluation of the Board's work during the year.
- establish qualification profiles for new members, and
- systematically search for new members.

When publishing the nomination committee's proposals, information shall be provided about age, other significant assignments, own and related parties' shareholdings, independent executive officers/shareholders, number of years on the Board (for re-elections) and any other information considered significant for the assessment of competence and independence.

At the AGM, the nomination committee shall provide a statement regarding how the work was conducted, and present and justify its proposals. If no change is proposed, special justification must be provided.

At the AGM, Leif Andersson, Gunilla Spongh, Ulf Gundemark, Rune Glavare and Claes Mellgren were elected as Board members. Per-Olof Andersson was elected Chairman of the Board. Remuneration in the form of a director's fee was paid to the Board's external members at SEK 100,000 each.

Auditors

Helena Arvidsson Älgne, KPMG, was elected as auditor at the 2014 AGM.

The Board's duties

The Board shall do the following on behalf of the owners:

- set overall goals and strategy
- continuously evaluate company management

- assume responsibility for ensuring that procedures and systems are adapted to the company's operations
 - assume responsibility for transparency in external information
 - make sure that laws and rules are observed and that the company has a good ethical profile, and
 - convene shareholders' general meetings
- The Board's ultimate duty is to manage the company's affairs in such a way that the owners' interests in a good, long-term return on capital are satisfied in the best possible way.



CEO Claes Mellgren with newly elected Board member Gunilla Spongh.

Composition of the Board

According to the Articles of Association, the Board shall comprise a minimum of three and a maximum of seven members, with a maximum of two deputy members. Members are elected annually by the AGM for the period until the next AGM is held.

No more than one executive officer of AQ Group may serve as a member of the Board. The majority of members must be independent in relation to the company and company management.

The Board shall have the size and composition required in terms of competence and experience for the company's operations and development, as well as the independence required for the Board to independently and effectively manage the company's affairs.

The Board's work in 2014

During the year there were six regular Board meetings and a strategy conference. Prior to the Board meetings, members were provided with written material regarding the issues to be discussed at the meeting. During the year, the Board has paid particular attention to strategic and financial issues.

The Board's rules of procedure

The work of the Board is governed by laws and regulations, as well as by the formal work plan adopted annually. The rules of procedures include guidelines for the work of the Board and provide instructions for the MD and financial reporting.

The rules of procedure state, among other things, that:

- the Board shall meet at least four times per year and, in urgent cases, meetings can be held by teleconferencing or videoconferencing,
- certain items shall be handled at each Board meeting and that specific decisions shall be made at the inaugural meeting,
- Board members shall receive supporting documentation regarding issues to be discussed at Board meetings in a timely manner before these meetings,
- each month the Board shall receive a report regarding the company's operations and development,
- the auditors shall be invited to at least one Board meeting to report on audit work without representatives from company management being in attendance.

The rules of procedure also describe how the Board minutes are to be prepared and distributed to members, and how the Board is to be informed in connection with, for example, press releases. The rules of procedure also contain guidelines on which decisions the Board can delegate to the MD and company management.

ACCOUNTING, AUDITING AND INTERNAL CONTROL

General

External auditors are appointed by the Annual General Meeting. The auditors' task is to review the company's annual report and accounting methods, as well as management performed by the Board and the MD, on behalf of the shareholders. The internal financial statements that are prepared on a monthly basis were also submitted to the auditors.

The entire Board participates in the internal control of the financial statements and is jointly responsible for other aspects of internal control. The Board's reporting instructions require that Board members receive an annual report from the auditors describing how the company's organisation is structured, so that accounting, management of

assets and the company's general financial conditions can be checked in a satisfactory manner. The auditors have personally reported to the MD, the Board and some of the management team on a number of occasions.

Control environment

The control environment is the basis of the company's internal control. The Board of AQ Group has therefore committed itself to effective and regular financial reporting. The Board's reporting instructions to the MD regarding financial reporting include internal control. In each subsidiary there is an internal allocation of roles and responsibilities aimed at establishing effective internal control over financial reporting. AQ's accounting departments in the various subsidiaries regularly inform company management about the financial performance of their respective companies. The Board takes care to ensure that all financial officers have strong integrity and a conscious sense of ethics coupled with expertise in their area of responsibility. AQ works continuously on the development of appropriate systems for administrative management. AQ has also drafted an operational handbook, which describes the organisation, responsibilities, authorisations, policies, financial management, etc.

Risk assessment and control activities

On a monthly basis, AQ Group produces appropriate reports with extensive analyses and comments, which are reported for both the Group and individual subsidiaries.

This gives the Board an excellent tool for monitoring and controlling current developments at AQ. Financial reporting from company management is a fixed item on all Board meeting agendas.

AQ's long-term risk management strategy is governed by a policy established by the management team, with the CFO principally responsible for compliance and reporting within the Group. The risks that exist and that the CFO must deal with are described in more detail in Note 3.

Information and communication

AQ's financial reporting complies with the laws and regulations applicable to companies listed on AktieTorget and the local regulations in each country in which the company operates. In addition to external rules and recommendations, there are internal in-

structions and guidelines. In addition to the manuals, guidelines and other instructions that the company communicates via internal media, the company's financial officers receive external financial information.

Monitoring

In addition to internal monitoring and reporting, AQ's external auditors continually report observations to the MD and the Board during the financial year. The aggregated information mentioned in this report gives the Board a good perception and reliable supporting data in respect of the financial statements in the annual report.

Company management

The Board has delegated operational responsibility for management of the company and the Group to the company's MD. A set of instructions on the division of responsibilities between the Board and MD is approved annually by the Board. AQ's company management function consists of the management team, which in 2014 consisted of Claes Mellgren (MD), Cecilia Borg (Finance), Anna Nordanstig (HR), Sture Berglund (Purchasing), Christer Hiljemark (Quality) and Per Lindblad (IT and Business Development).

Remuneration for the MDs of the subsidiaries is decided by each subsidiary's Board in accordance with principles adopted by the Board of the parent company. AQ has no incentive scheme in the form of warrant schemes or other share-based schemes for executive officers or other persons within or outside the company.

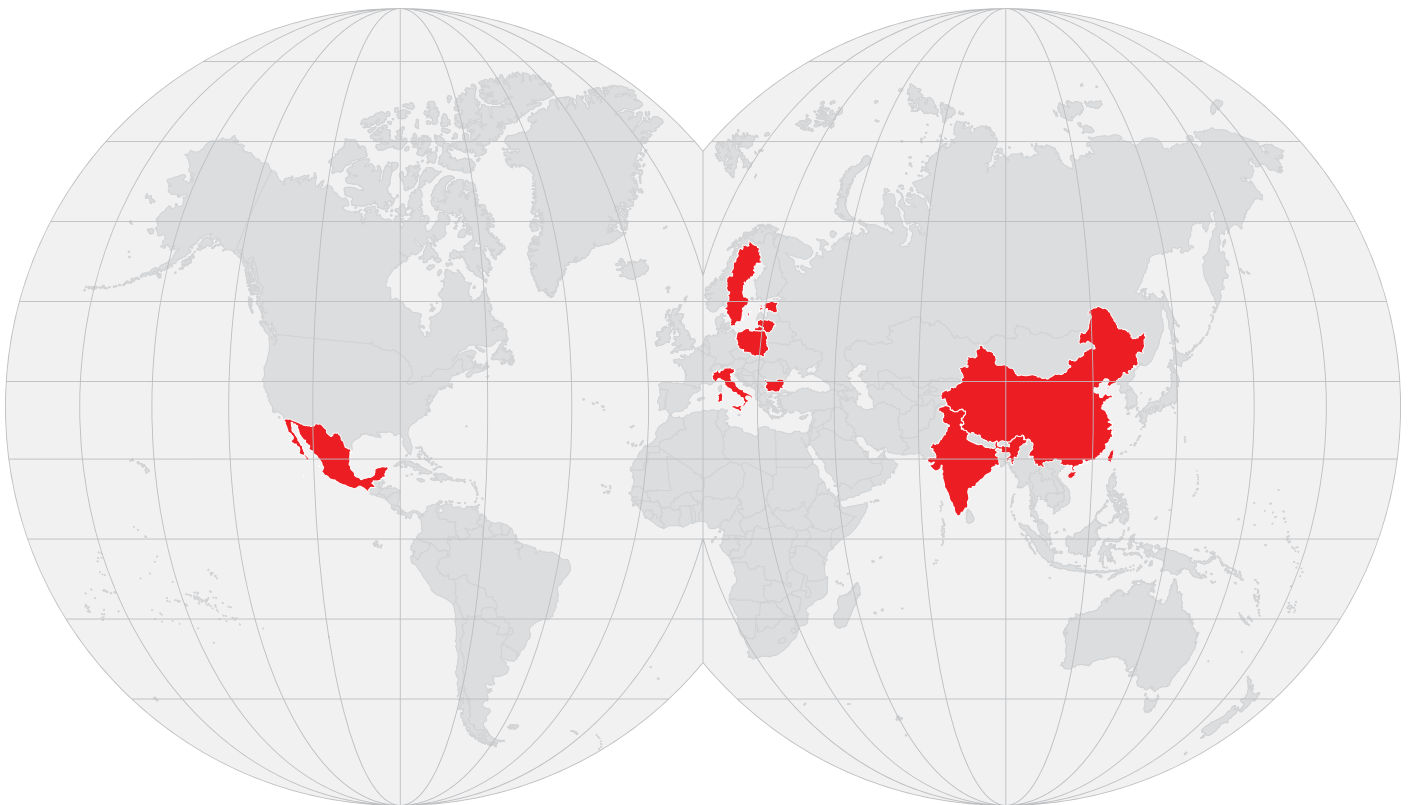
Information

AQ Group's information to shareholders and other stakeholders is presented via the annual report and interim reports on the company's website (www.aqg.se) and AktieTorget's website (www.aktietorget.se). Press releases and presentation material for the last few years may also be found there. The distribution of information in the company complies with the information policy adopted by the Board.

WE ARE RELIABLE

We know **production**, we adopt a long-term approach and we put everything into meeting our customers' expectations in terms of quality, delivery performance, technical development and service.

AQ Group AB
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SE-721 48
Västerås
www.aqg.se



- Countries where AQ Group has operations:
 - Bulgaria
 - Estonia
 - India
 - Italy
 - China
 - Lithuania
 - Mexico
 - Poland
 - Sweden