



## Year-end report 2014

### Fiscal year 2014, in brief

- Highest profit and turnover in the history of the company
- Net sales SEK 2,616 million (2,527)
- Operating profit SEK 183 million (160)
- Profit after financial items SEK 187 million (156)
- Equity ratio 63 % (56)
- Earnings per share SEK 8.34 (6.83)
- The Board proposes a dividend of SEK 2.00 (1.60)

### Fourth quarter, October - December 2014, in brief

- Best quarter in the history of the company
- Net sales SEK 703 million (697)
- Operating profit SEK 65 million (37)
- Profit after financial items SEK 68 million (39)
- Earnings per share after tax SEK 3.22 (1,79)

#### AQ in brief

AQ is a leading supplier to demanding industrial customers and is listed on AktieTorget.

The Group consists of operating companies each of which develop their special skills, and in cooperation with other companies, striving to provide cost effective solutions in close cooperation with the customer.

AQ has about 3,900 employees in Sweden, Bulgaria, China, Estonia, India, Italy, Lithuania, Mexico and Poland. In 2014 AQ had net sales of SEK 2.6 billion.

AQ has the highest credit rating AAA.

[www.aqq.se](http://www.aqq.se)

## **Fiscal year 2014 and fourth quarter**

Net sales for the fiscal year was SEK 2,616 million (2,527), an increase of SEK 89 million compared with previous year. Turnover and profit of the year is the best in the history of the company. Operating margin for the year was SEK 183 million (160). Sales excluding acquisitions decreased by 3%.

Net sales in the fourth quarter was SEK 703 million (697), an increase with SEK 6 million compared with the same period previous year. Operating margin in the fourth quarter was SEK 65 million (37). Turnover and profit in the quarter is the best in the history of the company. Sales excluding acquisitions decreased by 3%.

Equity at year-end was SEK 1,055 million (885) for the group.

## **Significant events during the fiscal year**

AQ celebrated 20 years in 2014. During these 20 years, AQ has shown profit each quarter and increased sales each year.

AQ Lasertool in Estonia acquired during the year the business assets of Foleshill Metal Finishing Oü and Sertec Engineering Estonia Oü. The transactions were made as cash transactions. The purchase prices corresponded to the value of machines, equipment and inventory.

AQ acquired the shares of Carat Electronics AD in Veliko Tărnovo, Bulgaria. The transaction was made as a cash transaction. The name of the company has been changed to AQ Plastronic AD.

AQ Enclosure Systems AB with operations in Vaggeryd, Falköping and Kista has during the year made reduction in staff by 25 people in Vaggeryd. In parallel with the redundancies, substantial investments were made in e.g. an advanced panel bending machine (only one in Sweden) for efficient manufacturing of advanced sheet metal components. It has enabled us to become a new supplier to a customer in the medical technology sector. We have also won new business for the same customer for production in AQ Electric in Bulgaria.

The production in Bollnäs was closed during the year and the products were transferred to other AQ factories.

AQ's injection molding business in Sweden was restructured during the year. The sites in Västerås, Vadstena, Anderstorp and Göteborg were all merged into AQ Plast AB.

The site in Falköping, part of AQ Enclosure Systems AB, which assembles complete machines has since the takeover of the bankrupt company shown a loss. We are starting to see results from our improvement work and the business is showing increased delivery precision and improved result.

Our Wiring Systems companies in Lithuania and Poland are developing in a positive direction both in sales and profit.

In our Bulgarian companies, which are developing positively both in sales and profit, we have started investment programs partly in our new company AQ Plastronic AD and partly in AQ Electric AD.

Our company in India has during a long period struggled with low volumes and financial loss. We are now starting to see results of our effort. During the year we received orders from an international train manufacturer of wire harnesses, transformers and enclosures for traction control. In conjunction with this we have decided to invest in FSW (Friction Stir Welding). According to our customer, there is no FSW within the private industry in India today. We are planning a break-even for the company at the end of 2015.

Our companies in Suzhou, China AQ Electric and AQ Holmbergs are developing positively with increased volumes and more customers.

Our company in Mexico is still lacking volumes and the result is negative. New management is in place and we believe in the business long term and we are working actively to increase the business volume.

A development program for all management teams that has been going on for two years is now completed. The purpose of the program was to increase organic growth with increased focus on our goals and more effective work in the management teams.

The work to decrease our inventory is continuing with among other things an education program. To help our customer improving their service we have built VMI stock, which has increased our inventory with SEK 10 million during the year.

AQ is working actively to reduce the effect on the environment. During 2014 photovoltaic equipment of 20 kW was put in operation at our factory in Godech, Bulgaria and LED lightning has been installed in a number of larger manufacturing sites.

During the autumn a new Purchasing manager for the group has started. A new CFO with background from e.g. Sandvik will start on March 2, 2015.

**Significant events after the end of the period**

The Board has given the company the assignment to apply for a listing on Nasdaq OMX during 2015. This work is delayed and during the spring of 2015 it will get increased attention when our new CFO is in place.

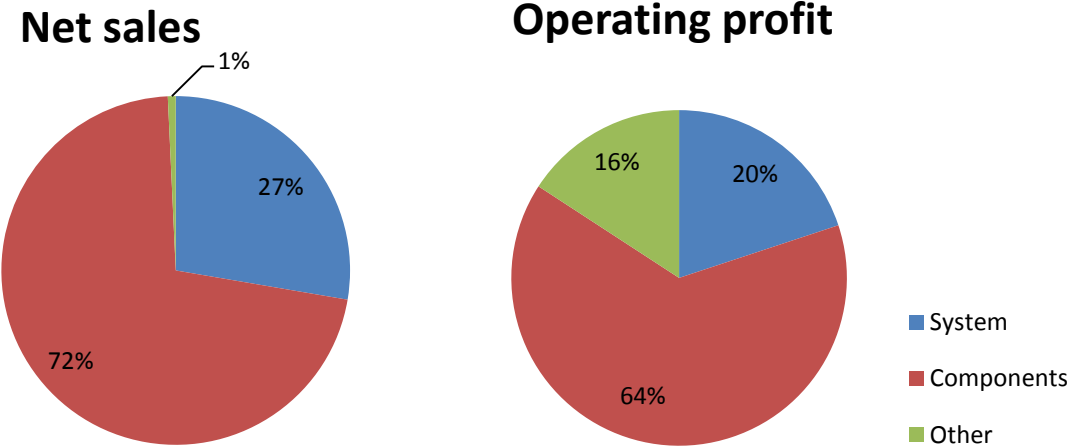
On February 13, 2015 AQ Wiring Systems in Lithuania was awarded the national export prize. The prize ceremony was led by the Lithuanian Prime Minister.

A three year contract has been signed between AQ Electric in China and Bombardier CPC Propulsion for supply of transformers and inductors. The total value of the contract is SEK 130 million.

AQ Enclosure Systems AB in Vaggeryd has during a longer period had problems with decreased volumes and negative result. The company has given notice of redundancy to 65 employees as a consequence of a restructuring to focus and increase efficiency of the site in Vaggeryd. Parts of the product portfolio will be transferred to AQ’s units in Eastern Europe.

**Segment reporting**

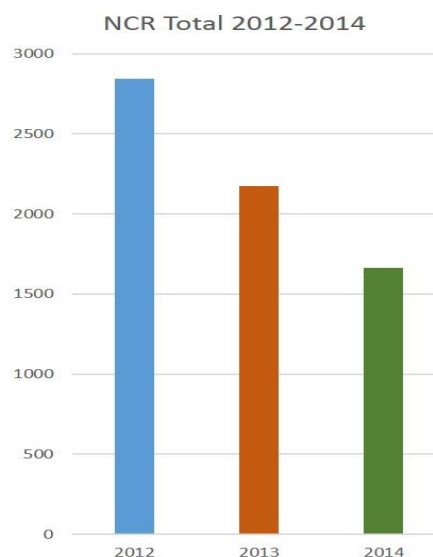
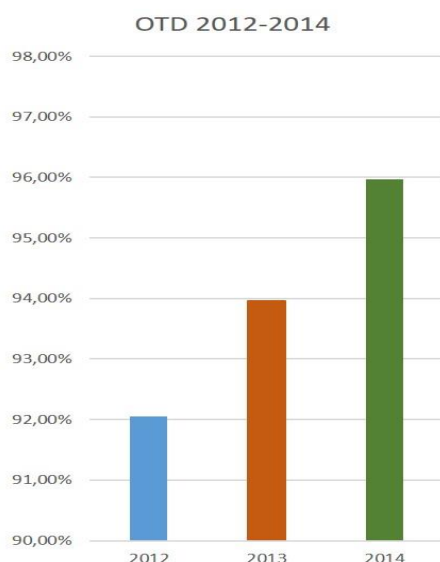
The Group operates in two business segments; *Components*, which produces transformers, wiring systems, mechanical components, punched sheet metal and injection-molded thermoplastics; and *System*, which produces systems, power and automation solutions and assembles complete machines in close collaboration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



	2014			2013		
	System	Components	Other	System	Components	Other
Net sales	724 214	1 872 840	19 043	649 626	1 860 800	16 946
Operating profit	36 371	117 345	28 870	40 573	99 013	20 209

## Quality and delivery precision

AQ Group has during a few years worked with a group wide improvement program for product quality and delivery precision. Product quality has been measured in number of customer claims (NCR) and delivery precision (OTD) in percentage of order rows delivered according to confirmed delivery time. The development is shown in the diagrams below, which also can be found on [www.aqq.se](http://www.aqq.se).



## Information of parent company

The parent company, AQ Group AB, focuses primarily on leadership and development of the Group. Company sales are, as in previous years, almost exclusively of sale of management services to subsidiaries. Purchases from the subsidiaries do not exist to any appreciable extent.

## The drawing up of the interim report

The interim report has been prepared in accordance with the Swedish Annual Accounts Act as well as IFRS, applying IAS 34, Interim Financial Reporting, which contains general requirements for the design, structure and minimum information requirements in the interim report. The accounting and valuation principles applied are the as used in the latest annual report for 2013.

The report has not been audited.

## Significant estimates and evaluations for accounting purposes

The Board has in preparing the interim report found no record that would be especially exposed from a risk point of view and thus induce significant adjustments to future periods.

## Future prospects

The Board is currently assessing sales and profits for the full year 2015 will be slightly better compared to 2014.

The Group strives for continued profitable growth within its business areas. The growth will be achieved both organically and through acquisitions.

## Financial reports

### The Group's Income Statement and statement of comprehensive income (KSEK)

	Q4 2014	Q4 2013	Acc 2014	Acc 2013
Net sales	703 448	696 544	2 616 097	2 527 372
Other operating income	11 034	10 034	23 229	31 587
Operating expenses	-649 090	-669 308	-2 456 740	-2 399 164
<b>Operating profit</b>	<b>65 392</b>	<b>37 269</b>	<b>182 586</b>	<b>159 795</b>
Result from financial items	2 996	1 507	4 066	-3 303
<b>Profit after financial items</b>	<b>68 389</b>	<b>38 776</b>	<b>186 652</b>	<b>156 492</b>
Tax on profit for the year	-10 263	-6 485	-36 175	-33 369
<b>Net profit for the year</b>	<b>58 126</b>	<b>32 291</b>	<b>150 477</b>	<b>123 123</b>
<b>Other comprehensive income</b>				
Other translation differences	17 439	8 938	47 591	2 173
<b>Comprehensive income for the year</b>	<b>75 565</b>	<b>41 229</b>	<b>198 068</b>	<b>125 296</b>
Earnings per share after full tax	3,22	1,79	8,34	6,83
Net margin %	9,7%	5,6%	7,1%	6,2%

### The Parent Company's Income Statement (KSEK)

	Q4 2014	Q4 2013	Acc 2014	Acc 2013
Net sales	17 749	12 281	51 236	40 080
Other operating income	0	13	3	14
Operating expenses	-5 626	-4 027	-26 257	-21 003
<b>Operating profit</b>	<b>12 122</b>	<b>8 268</b>	<b>24 982</b>	<b>19 092</b>
Result from financial items	4 359	17 810	8 073	7 766
<b>Profit after financial items</b>	<b>16 482</b>	<b>26 077</b>	<b>33 055</b>	<b>26 858</b>
Appropriations	-19 416	4 300	-19 671	3 050
Tax on profit for the year	1 000	-3 262	-3 239	-5 440
<b>Net profit for the year</b>	<b>-1 934</b>	<b>27 115</b>	<b>10 146</b>	<b>24 468</b>

### Balance Sheet (KSEK)

Assets	Group		Parent company	
	Q4 2014	Q4 2013	Q4 2014	Q4 2013
Fixed assets	393 528	350 811	353 762	338 419
Inventories	447 945	442 397	0	0
Other current receivables	691 507	717 308	156 258	302 723
Cash and bank balances	145 744	67 566	22 352	11 151
<b>Total assets</b>	<b>1 678 724</b>	<b>1 578 082</b>	<b>532 372</b>	<b>652 294</b>
<b>Equity and liabilities</b>				
Equity	1 055 230	885 403	291 967	310 676
Untaxed reserves	0	0	36 000	37 590
Interest-bearing liabilities	146 913	244 097	4 692	71 062
Other liabilities	476 581	448 582	199 713	232 966
<b>Total equity and liabilities</b>	<b>1 678 724</b>	<b>1 578 082</b>	<b>532 372</b>	<b>652 294</b>
<b>Equity ratio</b>	<b>63%</b>	<b>56%</b>	<b>60%</b>	<b>52%</b>

## Cash Flow Analysis (KSEK)

	Group		Parent company	
	Acc 2013	Acc 2012	Acc 2013	Acc 2012
Net operating profit/loss	182 586	159 795	24 982	19 092
Result from financial items	-1 346	-599	17 199	1 807
Income tax paid	-41 992	-35 122	-20 245	-7 705
Non-cash transactions	84 643	51 639	-88	12
Changes in working capital	89 169	-38 557	121 100	-36 561
Cash flow from investing	-92 135	-93 366	-8 102	-8 470
Cash flow from financing activities	-131 442	-32 040	-119 082	31 837
<b>Increase/reduction of liquid funds</b>	<b>89 483</b>	<b>11 751</b>	<b>15 764</b>	<b>11</b>
Liquid funds at beginning of year	67 566	55 893	11 151	10 004
Exchange rate difference in liquid funds	-11 305	-77	-4 563	1 136
<b>Liquid funds at end of period</b>	<b>145 744</b>	<b>67 566</b>	<b>22 352</b>	<b>11 151</b>

## Equity (KSEK)

Group KSEK	Equity attributable to parent company shareholders					Minority share- holding	Total Equity	
	Share- capital	Other paid-in capital	Trans- lation reserve	Profit/ Loss brought forward	Sub-total			
<b>Equity, 01/01/2013</b>	<b>36 068</b>	<b>34 014</b>	<b>-5 868</b>	<b>719 194</b>	<b>783 408</b>	<b>142</b>	<b>783 551</b>	
Net profit				122 899	122 899	224	123 123	
Transl.diff. in foreign comp.			2 125		2 125	48	2 173	
Other comprehensive income			2 125		2 125	48	2 173	
Paid dividends				-23 444	-23 444		-23 444	
Transactions with shareholders				-23 444	-23 444		-23 444	
<b>Equity, 01/01/2014</b>	<b>36 068</b>	<b>34 014</b>	<b>-3 743</b>	<b>818 648</b>	<b>884 988</b>	<b>414</b>	<b>885 403</b>	
Net profit				150 012	150 012	465	150 477	
Transl.diff. in foreign comp.			48 251		48 251	140	48 391	
Remeasure defined benefit pension				-766	-766	-34	-801	
Other comprehensive income			48 251	-766	47 485	106	47 591	
Paid dividends				-28 854	-28 854		-28 854	
Transactions with shareholders				-28 854	-28 854	614	-28 240	
<b>Equity, 31/12/2014</b>	<b>36 068</b>	<b>34 014</b>	<b>44 508</b>	<b>939 040</b>	<b>1 053 630</b>	<b>1 599</b>	<b>1 055 230</b>	
Parent company	Restricted equity			Non - restricted equity			Sub-total	Total Equity
	Share- capital	Statutory reserve	Sub- total	Share premium reserve	Fair value reserve	Oth. Non- restr. EQ		
<b>Equity, 01/01/2013</b>	<b>36 068</b>	<b>1 156</b>	<b>37 225</b>	<b>34 014</b>			<b>238 413</b>	<b>309 652</b>
Net profit							24 468	24 468
Paid dividends							-23 444	-23 444
Transactions with shareholders							-23 444	-23 444
<b>Equity, 01/01/2014</b>	<b>36 068</b>	<b>1 156</b>	<b>37 225</b>	<b>34 014</b>			<b>239 437</b>	<b>310 676</b>
Net profit								
Paid dividends							-28 854	-28 854
Transactions with shareholders							-28 854	-28 854
<b>Equity, 31/12/2014</b>	<b>36 068</b>	<b>1 156</b>	<b>37 225</b>	<b>34 014</b>			<b>210 582</b>	<b>281 821</b>

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

## Employees

Number of employees	Bulgaria	China	Estonia	India	Italy	Lithuania	Mexico	Poland	Sweden	Total
2014-12-31	903	557	320	96	4	610	101	482	827	3 900

**Annual Report for 2014 will be available [www.aktietorget.se](http://www.aktietorget.se) from April 10, 2014. Annual General Meeting will be held April 23, 2015 at 18.00 in Västerås.**

## Future Reporting Dates

Annual Report	April 2015
Interim report Q1, 2015	April 23, 2015
Interim Report Q2, 2015	July 23, 2015
Interim report Q3, 2015	October 22, 2015
Year-end report 2015	February 18, 2016

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***[www.aqg.se](http://www.aqg.se)***