Västerås, July 18, 2019

AQ Group AB (publ), Second quarter, 2019

www.aqg.se

Second quarter, April-June 2019 in brief

- Strongly improved profit, good growth and acquisition of Trafotek
- Net sales increased by 7.3% to SEK 1 313 million (1 224)
- Operating profit (EBIT) increased by 61.6 % to SEK 93 million (58)
- Profit after financial items (EBT) increased by 59.7 % to SEK 88 million (55)
- Profit margin before tax (EBT %) was 6.7 % (4.5)
- Cash flow from operating activities increased by 39.8 % to SEK 50 million (35)
- Earnings per share after tax increased by 50.0 % to SEK 3.81 (2.54)
- Equity ratio 49 % (54), 2019 affected by new IFRS 16 rules

Six months, January-June 2019 in brief

- Net sales increased by 10.9% to SEK 2 566 million (2 314)
- Operating profit (EBIT) increased by 46.2 % to SEK 189 million (129)
- Profit after financial items (EBT) increased by 46.5 % to SEK 181 million (124)
- Profit margin before tax (EBT %) was 7.1 % (5.4)
- Cash flow from operating activities increased by 206.8 % to SEK 215 million (70)
- Earnings per share after tax increased by 40.0 % to SEK 7.95 (5.68)

Group overview, key figures

	2019 [4]		2018 [3]				
	Q1	**Q2**	**Q1**	**Q2**	**Q3**	**Q4**	**Full year**
Net turnover, SEK thousands	1 252 861	1 313 431	1 090 122	1 223 542	1 137 327	1 216 228	**4 667 220**
Operating profit (EBIT), SEK thousands	95 707	93 363	71 539	57 766	21 959	56 921	**208 184**
Profit after net financial items (EBT), SEK thousands	92 949	88 478	68 397	55 411	21 239	53 275	**198 322**
Operating margin (EBIT %)	7,6%	7,1%	6,6%	4,7%	1,9%	4,7%	**4,5%**
Profit margin before tax (EBT %)	7,4%	6,7%	6,3%	4,5%	1,9%	4,4%	**4,2%**
Liquid ratio	108%	102%	126%	108%	106%	111%	**111%**
Debt/equity ratio	54%	49%	61%	54%	56%	58%	**58%**
Return on total assets [2]	7,6%	7,7%	8,8%	7,7%	6,7%	7,4%	**7,4%**
Return on equity after tax [2]	9,4%	10,5%	11,2%	10,5%	7,4%	8,9%	**8,9%**
Number of employees in Sweden	865	888	1 073	1 060	888	900	**900**
Number of employees outside Sweden	5 060	5 642	4 615	4 877	5 072	5 169	**5 169**
Key indicators per share, SEK [1]							
Profit for the period	4,14	3,81	3,13	2,54	0,01	2,58	**8,26**
Equity	103,66	105,42	96,18	95,88	94,95	97,45	**97,45**
Number of shares, thousands	18 294	18 294	18 294	18 294	18 294	18 294	**18 294**

[1] *There are no instruments that could lead to share dilution.*

[2] *Calculated based on 12 months rolling amounts.*

[3] *Based on the previous accounting standard for lease contracts IAS 17, see also note 2*

[4] *Based on the new current accounting standard for lease contracts IFRS 16, see also note 2*

A word from the CEO

Quarter
The second quarter is the 99th consecutive quarter that AQ Group shows profit. Profit after financial items (EBT) was 59.7% better than last year and turnover was 7.3% higher. The profit improvement comes from higher sales and that we no longer have losses from the three units we restructured in 2018.

Cash flow from operating activities was positively affected by our projects to increase inventory turnover, but other parts of working capital did not develop as strongly during the quarter. Here, we will continue our efforts to optimize our inventory and to reduce our overdue accounts receivable. On the other hand, cash flow from operating activities was good for the first half of the year.

Acquisitions
During the quarter, we completed the acquisition of Trafotek. This company is a leading supplier in the design and manufacturing of inductive components for power electronics, such as reactors, transformers and filters. Trafotek's customers are mainly active in industrial automation, renewable energy and marine electrification. The fit between AQ and Trafotek is very good and we have no overlaps in terms of customers and geographical presence. We look forward to working with our new colleagues to develop the business with inductive components around the world.

Just at the beginning of the third quarter, we also announced that one of our companies in Sweden, AQ Wiring Systems AB, has made a complementary acquisition of a company called MiniCon AB. This acquisition will strengthen our presence and expertise in wiring systems for demanding industrial customers in the Nordic region. Acquisitions like these will continue to be an important part of AQ's strategy.

Market
The organic growth for the quarter adjusted for currency, acquisitions and the larger unit we phased out last year was 8.9%. Our business with electrical cabinets for automation, inductive components for trains, wiring systems for commercial vehicles and assembly of complete machines for medical technology continue to be the strongest contributors of growth even in this quarter. In our role as a supplier, AQ is always ready for changes in demand. We need to be quick to change both in growth and when demand for our customers' products decreases.

Delivery capability
We want to continue to develop into an even better supplier for our customers. We note that our delivery reliability has improved during the quarter, but we are not yet satisfied. In the last interim report, we mentioned that one third of our manufacturing units have unsatisfactory delivery precision. Approximately half of these have improved during the quarter and this work continues. We want to continuously develop our processes and standards to become even more robust and flexible during this and coming years.

Organization
AQ Group has a strong company culture with core values that are for real in customer focus, entrepreneurship, simplicity, cost efficiency, courage and respect. We run our business in decentralized companies with talented leaders and employees who work close to their customers and have a mandate to run the business. In this way, we can be quick and utilize all the opportunities available in the market. This is a strategy we will continue with. In addition, we are now also working to strengthen our business areas with common expertise in purchasing, processes and sales. Our ambition is to increase the intensity of our sales work and to identify more opportunities for cost savings in both purchasing and manufacturing.

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

With strong relationships with world-leading customers and committed employees, we will work hard to achieve a stable profit level, accomplish new acquisitions, continue organic growth and generate good cash flow. In the coming year, we will also focus on continued good integration of Trafotek, B3CG, Mecanova and Minicon.

An important part of this is our core values and our efforts to be a long-term and "Reliable" supplier to leading industrial customers.

Anders Carlsson
CEO

Group’s financial position and results

Second quarter

Net sales for the second quarter was SEK 1 313 million (1 224), an increase of SEK 89 million compared to the same period in the previous year. The increase in turnover can be explained by a generally good state of the market, acquisitions and new business. The total growth in the quarter was 7.3 %, of which organic growth 2.2 %, growth through acquisitions 3.1 % and currency effects of 2.0 %. The currency effect of 2.0 % corresponds to about SEK 25.3 million and is mainly with the currencies EUR, BGN and PLN.

Taking into account the elimination of AQ Segerström & Svensson's turnover of SEK 75 million in the second quarter of 2018, the second quarter of 2019 shows a growth of 14.3 %, of which organic growth was 8.9 %, growth through acquisitions 3.3 % and currency effect of 2.2%.

Operating margin (EBIT) in the second quarter was SEK 93 million (58), an increase of SEK 35 million.

Goodwill and other intangible assets have increased with SEK 138 million compared to the second quarter of 2018, an increase due to overvalues in acquisitions, currency translation effects and depreciation of technology and customer relations.

The Group's acquisition of tangible fixed assets was SEK 46.7 million in the quarter. Most of this, SEK 17 million is the construction of a new factory building in Poland. In total, tangible fixed assets amounted to SEK 1 004 million (562), of which SEK 329 million consists of the book value of right-of-use assets in accordance with IFRS 16, see Note 2.

The Group's interest-bearing liabilities without regard to IFRS 16 amount to SEK 705 million (461) and cash and cash equivalents to SEK 123 million (140), which means that the Group has a net debt of SEK 582 million. The same period last year, the Group had net debt of SEK 321 million. The increase is mainly due to new loans in connection with acquisitions.

The Group's interest-bearing liabilities with regard to IFRS 16 which began to apply on January 1, 2019, amount to SEK 1 030 million and cash and cash equivalents to SEK 123 million, which means that the Group has a net debt of SEK 907 million.

Cash flow from operating activities was SEK 50 million (35). Activities to reduce working capital, mainly to reduce inventories and overdue accounts receivable have continued during the quarter.

Cash flow from investing activities was SEK -337 million (-142), which relates to investments in fixed assets and the acquisition of Trafotek.

Cash flow from financing activities was SEK 296 million (90) which relates to increased usage of overdraft facility, new bank loans and payments of financial leasing liabilities and dividend.

Equity at the end of the period was SEK 1 928 million (1 754) for the group.

First six months

Net sales for the first six months was SEK 2 566 million (2 314), an increase of SEK 252 million compared to the same period in the previous year. The increase in turnover can be explained by acquisitions, a generally good state of the market and our assessment is that we take market shares. The total growth in the first six months was 10.9 %, of which organic growth 6.8 %, growth through acquisitions 1.6 % and currency effects of 2.5 %. The currency effect of 2.5 % corresponds to about SEK 57.7 million and is mainly with the currencies EUR, BGN and CNY.

Taking into account the elimination of AQ Segerström & Svensson's turnover of SEK 134 million in the first half of 2018, the first half of 2019 shows a growth of 17.7 %, of which organic growth was 13.3 %, growth through acquisitions 1.7 % and currency effect of 2.6%.

Operating margin (EBIT) in the first six months was SEK 189 million (129), an increase of SEK 60 million.

Goodwill and other intangible assets have increased with SEK 138 million compared to the second quarter of 2018, an increase due to overvalues in acquisitions, currency translation effects and depreciation of technology and customer relations.

The Group's acquisition of tangible fixed assets was SEK 86 million (42) in the period. Most of this are replacement investments and investments for capacity increase to get a more efficient production. In total, tangible fixed assets amounted to SEK 1 004 million (562), of which SEK 329 million consists of the book value of right-of-use assets in accordance with IFRS 16, see Note 2.

The Group's interest-bearing liabilities without regard to IFRS 16 amount to SEK 705 million (461) and cash and cash equivalents to SEK 123 million (140), which means that the Group has a net debt of SEK 582 million. The same period last year, the Group had net debt of SEK 321 million. The increase is mainly due to new loans in connection with acquisitions.

The Group's interest-bearing liabilities with regard to IFRS 16 which began to apply on January 1, 2019, amount to SEK 1 030 million and cash and cash equivalents to SEK 123 million, which means that the Group has a net debt of SEK 907 million.

Cash flow from operating activities was SEK 215 million (70). During the first six months profit has improved, accounts receivables has increased while accounts payables and other current liabilities have decreased. Activities to reduce working capital have continued during the quarter.

Cash flow from investing activities was SEK -377 million (-160), which relates to acquisitions and investments in fixed assets.

Cash flow from financing activities was SEK 181 million (79) which relates to new bank loans, decreased usage of overdraft facility, and payments of dividend to shareholders.

Equity at the end of the period was SEK 1 928 million (1 754) for the group.

Significant events during the first six months

First quarter

There have been no significant events during the first quarter.

Second quarter

AQ Group AB signed an agreement on April 29, 2019 to acquire 100% of the shares in LTI Holding Oy with the subsidiary Trafotek Oy in Finland and its subsidiaries Trafotek AS in Estonia, Trafotek Suzhou Co., Ltd. in China, Trafotek Power Eletronicos e Transformadores in Brazil and Trafotek Corporation USA. The purchase price was EUR 27.5 million.

The closing took place on June 3, 2019 after the transaction was approved by the Estonian and Finnish competition authorities. Trafotek is a leading supplier in the design and manufacturing of power electronics components, such as reactors, transformers and filters for medium to high power levels. Trafotek's customers are leading players in power electronics, industrial automation, renewable energy and marine industry. The company's headquarters and a production facility is located in Kaarina, Finland. In addition, Trafotek has factories in Rae, Estonia in Itu, Brazil and in Suzhou, China. They also have a sales and R&D office in Bremen, Germany. The company has sales of approximately EUR 45 million, with an EBITDA margin of approximately 7%. The purpose of the acquisition is to expand AQ's customer base and to broaden the offering within inductive components. Trafotek has long experience of demanding industrial customers and the company fits in well with the AQ portfolio. AQ and Trafotek combined will be a strong player with technology and manufacturing presence in important parts of the world.

Significant events after the end of the period

On July 1, AQ Wiring Systems AB acquired all shares in MiniCon AB with annual sales of approximately SEK 10 million. MiniCon is a company specializing in the sale of connection technology products to the aerospace and defense industry and to civil industry such as robot manufacturers, machine builders and telecom companies. The company works directly with a number of world-leading manufacturers of connectors, rear covers, automatic fuses, relays and tools such as crimping tools, electronic tongs and torque tools. The acquisition of MiniCon is a very good complement - through its expertise on the component side - to AQ Wiring Systems, which delivers customized electrical systems & wiring systems to the defense, medical, mining and forestry industries.

Goals

The goal of the group is continued profitable growth. The Board of Directors is not giving any forecast for turnover or profit. Statements in this report can be perceived as forward looking and the real outcome can be significantly different.

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

	Goal	**Jan-Jun 2019**
Product quality	100 %	99.5 %
Delivery precision	98 %	91.4 %
Equity ratio	>40 %	49 %
Profit margin before tax (EBT %)	8 %	7.1 %

Transactions with related parties

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

During 2019, AQ Group AB has paid SEK 50.3 million in dividends to its shareholders. There have been no other transactions between AQ and closely related parties which significantly affected the position or result of the company. There are no loans to members of the Board of Directors nor to anyone in leading positions.

At the annual general meeting on April 25, 2019 it was decided that a yearly fee of SEK 200,000 shall be paid to the members of the Board of Directors and a fee of SEK 450,000 to the chairman of the board. For the chairman of the Audit Committee, the remuneration shall be SEK 100,000 and to the other members of the Audit Committee, SEK 40,000. For the chairman of the Remuneration Committee, the remuneration shall be SEK 50,000 and to the other members of the Remuneration Committee, SEK 30,000. There are no other remunerations to the Board of Directors. There is no remuneration paid after a board assignment is completed.

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

Risks and uncertainties

AQ is a global company with operations in sixteen countries. Within the group there are a number of risks and uncertainties of both operational and financial characteristics, which were described in the annual report of 2018. No additional significant risks have been identified since the annual report of 2018 was published. In addition to the commented factors the real outcome can be affected by for example political events, business cycle effects, currency and interest rates, competing products and their pricing, product development, commercial and technical difficulties, delivery problems and large credit losses at our customers.

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

Transactions and assets and liabilities in foreign currency are managed centrally within AQ in order to create balance in the respective currency thereby achieving highest possible levelling effect within the group in order to minimize currency differences.
AQ is not buying any direct raw material, but only intermediate goods for further production such as sheet metal of steel and aluminium, cables, insulated wire etc. The risk is minimized through customer agreements with price clauses.

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

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

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

Future reporting dates

Interim report Q3, 2019	October 24, 2019, at 08:00
Year-end report Q4, 2019	February 20, 2020, at 08:00

Financial information

The information of this interim report shall be made public according to the Securities Market Act of Sweden. AQ Group AB (publ) is listed on Nasdaq Stockholm's main market.

The information was made public on July 18, 2019 at 08:00.

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

Further information can be given by AQ Group AB:
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Financial reports and press releases are published in Swedish and English. If there are discrepancies between the two, the Swedish version shall prevail. They are available at www.aqg.se

Certification

The Board and the Chief Executive Officer certifies that the interim report gives a true and fair overview of the Group's and the parent company's operations, financial position and results and describes material risks and uncertainties facing the parent company and the companies that form part of the Group.

Västerås, July 18, 2019

Anders Carlsson
CEO

Patrik Nolåker Chairman	P-O Andersson Board member	Ulf Gundemark Board member
Gunilla Spongh Board member	Lars Wrebo Board member	Annika Johansson-Rosengren Board member

Claes Mellgren
Board member

Financial reports, summary

Summary income statement for the Group

SEK thousands	Apr-Jun 2019 3)	Apr-Jun 2018 2)	Jan-Jun 2019 3)	Jan-Jun 2018 2)	Rolling 12 months Jul 2018 -Jun 2019	Full year 2018 2)
Net sales	1 313 431	1 223 542	2 566 293	2 313 665	4 919 848	4 667 220
Other operating income	24 441	19 732	42 138	37 228	94 171	89 261
	1 337 873	**1 243 275**	**2 608 431**	**2 350 893**	**5 014 019**	**4 756 481**
Change in inventory and work in progress	-16 261	24 663	-6 638	34 944	-14 715	26 867
Raw material and consumables	-646 697	-627 262	-1 292 416	-1 189 376	-2 497 362	-2 394 322
Goods for resale	-19 154	-34 398	-30 931	-53 236	-72 611	-94 917
Other external expenses	-135 048	-164 454	-269 690	-302 790	-596 527	-629 627
Personnel costs	-364 521	-340 380	-699 367	-633 269	-1 309 064	-1 242 966
Depreciation and amortisation	-52 074	-26 927	-99 617	-50 735	-161 112	-112 231
Other operating expenses	-10 754	-16 751	-20 702	-27 126	-94 677	-101 101
	-1 244 510	**-1 185 509**	**-2 419 360**	**-2 221 588**	**-4 746 069**	**-4 548 297**
Operating profit	**93 363**	**57 766**	**189 070**	**129 305**	**267 950**	**208 184**
Net financial income/expense	-4 885	-2 355	-7 644	-5 497	-12 009	-9 862
Profit before tax	**88 478**	**55 411**	**181 427**	**123 808**	**255 941**	**198 322**
Taxes	-18 579	-8 400	-35 193	-19 210	-61 761	-45 778
Profit for the period	**69 899**	**47 010**	**146 234**	**104 598**	**194 180**	**152 544**
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:						
Parent company shareholders	69 621	46 538	145 412	103 827	192 639	151 053
Non-controlling interests	278	472	821	771	1 541	1 491
	69 899	**47 010**	**146 234**	**104 598**	**194 180**	**152 544**
Earnings per share [1]	3,81	2,54	7,95	5,68	10,53	8,26

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

[2] Based on the previous accounting standard for lease contracts IAS 17, see also note 2

[3] Based on the new current accounting standard for lease contracts IFRS 16, see also note 2

Statement of comprehensive income for the Group

SEK thousands	Apr-Jun 2019 3)	Apr-Jun 2018 2)	Jan-Jun 2019 3)	Jan-Jun 2018 2)	Rolling 12 months Jul 2018 -Jun 2019	Full year 2018 2)
PROFIT FOR THE PERIOD	**69 899**	**47 010**	**146 234**	**104 598**	**194 180**	**152 544**
OTHER COMPREHENSIVE INCOME						
Items that cannot be transferred to the profit for the period						
Revaluation of defined benefit pension plans					-351	-351
Revalutation of defined benefit pension plans, tax effect					13	13
Items transferred or that can be transferred to the profit for the period						
Translation difference for foreign operations	12 483	-2 304	49 854	56 351	31 124	37 621
Other comprehensive income for the period after tax	12 483	-2 304	49 854	56 351	30 786	37 283
Comprehensive income for the period	82 382	44 707	196 087	160 948	224 966	189 827
COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:						
Parent company shareholders	82 030	44 174	195 114	159 938	223 359	188 182
Non-controlling interests	352	532	973	1 010	1 607	1 645
	82 382	**44 707**	**196 087**	**160 948**	**224 966**	**189 827**

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

[2] Based on the previous accounting standard for lease contracts IAS 17, see also note 2

[3] Based on the new current accounting standard for lease contracts IFRS 16, see also note 2

Summary balance sheet for the Group

SEK thousands	30/06/2019 2)	30/06/2018 1)	31/12/2018 1)
ASSETS			
Goodwill	355 742	274 838	272 313
Other intangible assets	233 708	176 801	164 667
Tangible assets	1 004 481	562 402	567 918
Financial assets	2 306	2 232	2 174
Deferred tax assets	60 253	22 367	14 670
TOTAL NON-CURRENT ASSETS	**1 656 490**	**1 038 640**	**1 021 744**
Inventories	886 852	831 442	790 724
Trade and other receivables	1 172 077	1 103 424	1 081 833
Other current receivables	133 749	149 262	104 804
Cash and cash equivalents	122 807	139 988	100 683
TOTAL CURRENT ASSETS	**2 315 485**	**2 224 116**	**2 078 044**
TOTAL ASSETS	**3 971 975**	**3 262 755**	**3 099 788**
EQUITY AND LIABILITIES			
Equity attributable to parent company shareholders	1 922 131	1 749 321	1 777 325
Non-controlling interests	6 359	4 751	5 386
TOTAL EQUITY	**1 928 490**	**1 754 072**	**1 782 711**
Non-current liabilities to credit institutions	496 249	46 478	16 667
Non-current non-interest-bearing liabilities	144 430	173 484	137 103
Total non-current liabilities	**640 679**	**219 962**	**153 769**
Interest-bearing current liabilities	533 659	414 606	417 480
Trade and other payables	527 115	519 585	449 868
Other current liabilities	342 033	354 530	295 960
Total current liabilities	**1 402 806**	**1 288 721**	**1 163 307**
TOTAL LIABILITIES	**2 043 485**	**1 508 683**	**1 317 076**
TOTAL EQUITY AND LIABILITIES	**3 971 975**	**3 262 755**	**3 099 788**

1) *Based on the previous accounting standard for lease contracts IAS 17, see also note 2*

2) *Based on the new current accounting standard for lease contracts IFRS 16, see also note 2*

Statement of changes in Equity for the Group

SEK thousands	Share capital	Other contributed capital	Translation reserve	Retained earnings incl. profit	Subtotal	Non-controlling interests	Total equity
	Equity attributable to parent company shareholders						
Equity, 01/01/2018	**36 588**	**84 194**	**97 927**	**1 420 746**	**1 639 452**	**3 742**	**1 643 193**
Profit for the period				**103 827**	**103 827**	**771**	**104 598**
Translation differences in foreign operations			56 111		56 111	239	56 351
Other comprehensive income			**56 111**		**56 111**	**239**	**56 351**
Comprehensive income for the period			**56 111**	**103 827**	**159 938**	**1 010**	**160 948**
Acquisition of companies, revaluation tax effect				240	240		240
Dividends paid				-50 309	-50 309		-50 309
Transactions with shareholders				**-50 068**	**-50 068**		**-50 068**
Equity, 30/06/2018 1)	**36 588**	**84 194**	**154 039**	**1 474 504**	**1 749 321**	**4 751**	**1 754 072**
Equity, 01/01/2019	**36 588**	**84 194**	**135 384**	**1 521 160**	**1 777 325**	**5 386**	**1 782 711**
Profit for the period				**145 412**	**145 412**	**821**	**146 234**
Translation differences in foreign operations			49 702		49 702	152	49 854
Other comprehensive income			**49 702**		**49 702**	**152**	**49 854**
Comprehensive income for the period			**49 702**	**145 412**	**195 114**	**973**	**196 087**
Dividends paid				-50 309	-50 309		-50 309
Transactions with shareholders				**-50 309**	**-50 309**		**-50 309**
Equity, 30/06/2019 2)	**36 588**	**84 194**	**185 085**	**1 616 263**	**1 922 131**	**6 359**	**1 928 490**

1) *Based on the previous accounting standard for lease contracts IAS 17, see also note 2*

2) *Based on the new current accounting standard for lease contracts IFRS 16, see also note 2*

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

Summary cash flow statement for the Group

SEK thousands	1 Apr - 30 Jun, 2019 [2]	1 Apr - 30 Jun, 2018 [1]	1 Jan - 30 Jun, 2019 [2]	1 Jan - 30 Jun, 2018 [1]	Full year 2018 [1]
Profit before tax	88 478	55 411	181 427	123 808	198 322
Adjustment for non cash generating items	47 960	27 045	96 059	53 069	178 532
Income tax paid	-14 904	-15 214	-42 775	-30 558	-52 011
Cash flow from operating activities before change in working capital	**121 534**	**67 242**	**234 711**	**146 319**	**324 843**
Increase (-)/decrease (+) in inventories	25 618	-12 987	-2 362	-42 375	-35 245
Increase (-)/decrease (+) in trade receivables	-11 428	-7 716	-15 224	-104 928	-135 136
Increase (-)/decrease (+) in other receivables	59 834	50 987	37 704	39 580	40 241
Increase (+)/decrease (-) in trade payables	-70 342	-26 535	-6 167	18 878	-22 707
Increase (+)/decrease (-) in other liabilities	-75 673	-35 543	-33 843	12 552	-21 407
Change in working capital	**-71 991**	**-31 793**	**-19 892**	**-76 294**	**-174 253**
Cashflow from operating activities	**49 544**	**35 448**	**214 819**	**70 025**	**150 589**
Aquisitions of shares in subsidiaries	-291 108	-121 265	-291 108	-123 320	-123 286
Divestment of shares in subsidiaries/associated comp	0	1 310	0	1 310	1 310
Acquisition of intangible non-current assets	-695	-241	-2 048	-444	-2 252
Acquisition of tangible non-current assets	-46 723	-24 972	-86 095	-41 914	-136 771
Sale of tangible non-current assets	1 548	3 457	2 308	4 037	19 777
Purchase/Sales of short-term investment in securities	89	110	89	0	-106
Cashflow from investing activities	**-336 889**	**-141 601**	**-376 853**	**-160 332**	**-241 328**
New borrowings, credit institutions	299 115	170 000	299 115	170 000	170 000
Amortisation of loans	-1 890	-2 576	-3 537	-3 230	-38 062
Amortisation of loans (lease)	-20 131	-4 119	-38 915	-4 602	-7 143
Change in bank overdraft facilities	69 438	-23 259	-25 653	-32 253	-30 614
Dividends to the parent company shareholders	-50 309	-50 309	-50 309	-50 309	-50 309
Other changes in financial activities	0	-135	0	-135	0
Casflow from financing activities	**296 224**	**89 602**	**180 702**	**79 473**	**43 873**
Change in cash and cash equivalents for the period	**8 878**	**-16 551**	**18 667**	**-10 834**	**-46 866**
Cash and cash equivalents at the beginning of the year	114 916	155 152	100 683	142 049	142 049
Exchange rate difference in cash and cash equivalents	-987	1 387	3 457	8 773	5 499
Cash and cash equivalents at the end of the period	**122 807**	**139 988**	**122 807**	**139 988**	**100 683**

[1] *Based on the previous accounting standard for lease contracts IAS 17, see also note 2*

[2] *Based on the new current accounting standard for lease contracts IFRS 16, see also note 2*

Parent company development

Parent company

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

Summary income statement for the Parent company

SEK thousands	Note	Apr - Jun 2019	Apr - Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Rolling 12 months Jul 2018 -Jun 2019	Full year 2018
Net sales		11 527	13 802	26 061	24 553	53 146	51 637
Other operating income		624	1 026	1 194	1 891	2 065	2 763
		12 150	**14 828**	**27 255**	**26 444**	**55 211**	**54 400**
Other external expenses		-4 871	-5 636	-10 012	-9 684	-27 316	-26 988
Personnel costs		-8 714	-4 038	-14 351	-8 920	-24 232	-18 801
Depreciation and amortisation			-80		-160	-159	-319
Other operating expenses		-422	-63	-624	-98	-826	-299
		-14 008	**-9 817**	**-24 987**	**-18 861**	**-52 533**	**-46 407**
Operating profit		**-1 858**	**5 011**	**2 268**	**7 583**	**2 677**	**7 992**
Net financial items	6	105 263	209 085	103 479	206 931	99 246	202 699
Earnings after net financial items		**103 406**	**214 096**	**105 747**	**214 515**	**101 923**	**210 691**
Appropriations						24 752	24 752
Profit before tax		**103 406**	**214 096**	**105 747**	**214 515**	**126 676**	**235 443**
Taxes		-703	-715	-1 644	-823	-11 993	-11 172
Profit for the period		**102 703**	**213 381**	**104 103**	**213 692**	**114 683**	**224 271**

Second quarter

Net sales for the second quarter was SEK 11.5 million (13.8), somewhat lower than the same period in the previous year, because the parent company invoiced a lower service fee (group common costs) than the same period the year before. Other external expenses were SEK 4.9 million (5.6), the difference can be explained by among other things lower consultant costs.

Personnel costs were SEK 8.7 million (4.0). An explanation of the increase is among other things that the number of employees has increased, and extra personnel has decreased. Operating profit (EBIT) was SEK -1.9 million (5.0).

Net financial items were positive by SEK 105.3 million (209.1). Net financial items consist of dividends from subsidiaries SEK 109.2 million, write-down of shares in an Indian subsidiary of SEK -2.1 million, unrealized exchange losses, bank interest rates and a negative change in value of forward contracts.

The taxes of SEK 0.7 million (0.7) is equal to the same period in the previous year.

First six months

Net sales for the first six months was SEK 26.1 million (24.6), somewhat higher than the same period in the previous year, because of more companies being invoiced service fees. Other external expenses were SEK 10.0 million (9.7).

Personnel costs were SEK 14.4 million (8.9). An explanation of the increase is among other things that the number of employees has increased, and extra personnel has decreased. Operating profit (EBIT) was SEK 2.3 million (7.6).

Net financial items were positive by SEK 103.5 million (206.9). Net financial items of SEK 103.5 million (206.9) consist partly of tax-free dividends from subsidiaries SEK 109.2 million (211.0).

The taxes of SEK 1.6 million (0.8) is higher compared to the same period in the previous year and consist of among other things of "withholding tax" in connection with dividends from China.

Summary balance sheet for the Parent company

SEK thousands	30/06/2019	30/06/2018	31/12/2018
ASSETS			
Tangible assets	-	1 089	1 366
Financial fixed assets	1 200 064	879 715	840 005
Deferred tax assets	163	-	41
TOTAL NON-CURRENT ASSETS	**1 200 228**	**880 804**	**841 412**
Other current receivables	366 562	389 247	420 157
Cash and cash equivalents	-	-	-
TOTAL CURRENT ASSETS	**366 562**	**389 247**	**420 157**
TOTAL ASSETS	**1 566 790**	**1 270 051**	**1 261 569**
EQUITY AND LIABILITIES			
Restricted equity	37 745	37 745	37 745
Non-restricted equity	561 489	497 115	507 695
Total equity	**599 234**	**534 860**	**545 439**
Untaxed reserves	**53 054**	**60 407**	**53 054**
Deferred tax liabilities	121	14	-
Other provisions	31 879	41 310	41 310
Provisions	**32 000**	**41 324**	**41 310**
Non-current interest-bearing liabilities	240 000	546	683
Non-current non-interest-bearing liabilities	-	11 359	-
Total non-current liabilities	**240 000**	**11 905**	**683**
Interest-bearing current liabilities	628 998	607 802	563 411
Trade and other payables	2 921	3 313	3 568
Other current liabilities	10 583	10 441	54 103
Total current liabilities	**642 502**	**621 556**	**621 082**
TOTAL LIABILITIES	**914 502**	**674 785**	**663 076**
TOTAL EQUITY AND LIABILITIES	**1 566 790**	**1 270 051**	**1 261 569**

The change in financial fixed assets compared with the same period last year is attributable to the acquisition of the companies in the Trafotek group, which was made during the second quarter of 2019, as well as new long-term receivables from subsidiaries.

Other current receivables are mainly receivables from Group companies of SEK 323.1 million (383) and consist of the cash pool.

The increase in non-restricted equity of SEK 53.8 million compared with December 31, 2018 consists of profit in the period reduced by dividends to shareholders.

Untaxed reserves consist of accrual funds and depreciation. Other provisions of SEK 31.9 million consist of additional purchase price in connection with the acquisition of B3CG.

Non-current interest-bearing liabilities of SEK 240 million (0.5) is the non-current part of a bank loan in connection with the acquisition of Trafotek.

Interest-bearing current liabilities have increased with SEK 21.2 million compared to the same period in the previous year and consists of short-term bank loans of SEK 344.1 million (285.0), usage of bank overdraft of SEK 95.6 million (99.9) and debts to subsidiaries in the cash pool of SEK 189.3 million (222.4).

Other current liabilities SEK 10.6 million (10.4) consist of other liabilities and accrued expenses and income.

Notes

Note 1. Accounting principles

The summary interim report has been prepared in accordance IAS 34, Interim Financial Reporting, and applicable parts of the Swedish Annual Accounts Act. Information according to IAS 34.16A are presented in the financial reports and their notes as well as in other parts of the interim report. The interim report for the parent company has been prepared in accordance with Swedish Annual Accounts Act, chapter 9 Interim report. For the Group and the parent company the accounting and valuation principles applied are the same as used in the latest annual report.

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

In 2019, the Group has begun to apply IFRS 16. With IFRS 16, all leases will be accounted for in the group's balance sheet except for leases of lesser value and contracts with a lease period of less than 12 months. AQ has chosen to use the relief rules for short leases or assets of low value.

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

Note 2. Summary description of IFRS 16 Leases

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

Lessee

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

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

Short leases or leases of low value

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

Summary of the effects of the transition to IFRS 16 Leases

Definition of leasing

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

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

Leases where the Group is a lessee

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

Leases previously classified as operating leases in accordance with IAS 17

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

The Group has chosen to apply the following practical solutions:

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

Leases previously classified as finance leases

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

Effect on the financial reports

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

SEK million	**01/01/2019**
Operating leases, minumum payments December 31, 2018 according to Annual Report 2018	284
Discounted with marginal loan interest January 1, 2019	279
Additional - finance lease liabilities accounted for December 31, 2018	6
Deducted - exemption for short term leases and assets of low value	-5
Lease liabilities as per January 1, 2019	**280**

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

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

SEK million	30/06/2019	31/12/2018
Property	313	269
Machines	6	7
Vehicles	9	8
IT equipment	1	1
Total right-of-use assets	**329**	**285**

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

Excerpt from The Group's income statement

	IFRS16	IAS 17	
SEK million	**Jan-Jun 2019**	**Jan-Jun 2019**	**Jan-Jun 2018**
EBITDA	289	250	180
Depreciations	-100	-62	-51
Operating profit (EBIT)	189	188	129
Financial costs	-8	-6	-5
Profit before tax (EBT)	181	182	124
Profit for the period	145	146	104
Profit margin before tax (EBT %)	7,1%	7,1%	5,4%

Excerpt from the Group's Balance Sheet

	IFRS16	IAS 17	
SEK million	**30/06/2019**	**30/06/2019**	**30/06/2018**
Assets			
Right-of-use assets	329	-	-
Other fixed assets	1 327	1 333	1 039
Total fixed assets	**1 656**	**1 333**	**1 039**
Total assets	**3 972**	**3 648**	**3 263**
Equity			
Profit brought forward including profit for the period	1 616	1 617	1 475
Total equity	**1 928**	**1 929**	**1 754**
Liabilities			
Long term lease liabilities	244	4	3
Total long term liabilities	**641**	**400**	**220**
Short term lease liabilities	85	1	2
Total short term liabilities	**1 403**	**1 319**	**1 289**
Total liabilities	**2 043**	**1 719**	**1 509**
Total equity and liabilities	**3 972**	**3 648**	**3 263**
Debt/Equity ratio %	49%	53%	54%

Excerpt from the Group's Cash-flow statement

	IFRS16	IAS 17	
SEK million	**Jan-Jun 2019**	**Jan-Jun 2019**	**Jan-Jun 2018**
Operating activities			
Profit before tax	181	182	124
Adjustment for non-cash generating items	102	63	51
Cash flow from operating activities	**215**	**176**	**70**
Investing activities			
Cash flow from investing activities	**-377**	**-377**	**-160**
Financing activities			
Amortisation of loans (lease)	-39	-1	-5
Cash flow from financing activities	**181**	**219**	**79**
Change in cash and cash equivalents for the period	**19**	**19**	**-11**

Note 3. Segment reporting and breakdown of revenue

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

Segment reporting

Second quarter

For the segment Component, the total net sales for the second quarter was SEK 1 130 million (1 085), of which SEK 1 025 million (982) is external sales. The increase of the external sales of totally SEK 43 million is due to increased demands from our customers and our acquisitions. The result is positively affected by the fact that we no longer have the three units that we restructured in 2018.

For the segment System, the total net sales for the second quarter was SEK 330 million (294), of which SEK 288 million (242) is external sales. The increase of the external sales of SEK 46 million is due to increased demands from our customers.

Operating profit (EBIT) in the second quarter was SEK 76 million (44) for Component, which was SEK 32 million better than the same period last year. Operating profit (EBIT) for System was SEK 22 million (10), which was SEK 12 million better than the same period last year.

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

Q2 2019, SEK thousands	2)	Component	System	Unallocated and eliminations	Group
Net sales, external		1 024 954	288 477		1 313 431
Net sales, internal		104 765	41 555	-146 321	
Total net turnover		**1 129 719**	**330 033**	**-146 321**	**1 313 431**
Material costs, excl. purchases own segment		-575 365	-237 082	130 335	-682 112
Depreciation		-45 884	-6 009	-181	-52 074
Other operating expenses/income		-432 957	-64 900	11 975	-485 882
Operating profit		**75 514**	**22 042**	**-4 192**	**93 363**
Net financial items				-4 885	-4 885
Profit before tax		**75 514**	**22 042**	**-9 078**	**88 478**
Other comprehensive income plus tax				-6 096	-6 096
Comprehensive income for the period		**75 514**	**22 042**	**-15 174**	**82 382**
Q2 2018, SEK thousands	1)				
Net sales, external		981 605	241 937		1 223 542
Net sales, internal		103 022	51 901	-154 922	
Total net turnover		**1 084 627**	**293 838**	**-154 922**	**1 223 542**
Material costs, excl. purchases own segment		-565 683	-214 265	142 951	-636 997
Depreciation		-25 593	-1 254	-80	-26 927
Other operating expenses/income		-449 315	-68 676	16 139	-501 852
Operating profit		**44 036**	**9 643**	**4 087**	**57 766**
Net financial items				-2 355	-2 355
Profit before tax		**44 036**	**9 643**	**1 732**	**55 411**
Other comprehensive income plus tax				-10 704	-10 704
Comprehensive income for the period		**44 036**	**9 643**	**-8 972**	**44 707**

1) *Based on the previous accounting standard for lease contracts IAS 17, see also note 2*

2) *Based on the new current accounting standard for lease contracts IFRS 16, see also note 2*

First six months

For the segment Component, the total net sales for the first six months was SEK 2 169 million (2 018), of which SEK 1 988 million (1 824) is external sales. The increase of the external sales of totally SEK 164 million is due to increased demands from our customers and our acquisitions. The result is positively affected by the fact that we no longer have the three units that we restructured in 2018.

For the segment System, the total net sales for the first six months was SEK 662 million (589), of which SEK 578 million (490) is external sales. The increase of the external sales of SEK 88 million is due to increased demands from our customers.

Operating profit (EBIT) in the second quarter was SEK 142 million (103) for Component, which was SEK 39 million better than the same period last year. Operating profit (EBIT) for System was SEK 48 million (23), which was SEK 25 million better than the same period last year.

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

YTD 2019, SEK thousands 2)	Component	System	Unallocated and eliminations	Group
Net sales, external	1 988 008	578 284		2 566 293
Net sales, internal	181 390	84 141	-265 532	
Total net turnover	**2 169 399**	**662 426**	**-265 532**	**2 566 293**
Material costs, excl. purchases own segment	-1 095 062	-474 356	239 433	-1 329 984
Depreciation	-87 478	-11 782	-358	-99 617
Other operating expenses/income	-845 355	-128 464	26 198	-947 621
Operating profit	**141 505**	**47 823**	**-258**	**189 070**
Net financial items			-7 644	-7 644
Profit before tax	**141 505**	**47 823**	**-7 901**	**181 427**
Other comprehensive income plus tax			14 661	14 661
Comprehensive income for the period	**141 505**	**47 823**	**6 760**	**196 087**

YTD 2018, SEK thousands 1)				
Net sales, external	1 823 956	489 709		2 313 665
Net sales, internal	194 531	98 882	-293 413	
Total net turnover	**2 018 487**	**588 591**	**-293 413**	**2 313 665**
Material costs, excl. purchases own segment	-1 042 252	-438 071	272 655	-1 207 668
Depreciation	-48 411	-2 165	-160	-50 735
Other operating expenses/income	-824 811	-125 641	24 495	-925 957
Operating profit	**103 014**	**22 713**	**3 578**	**129 305**
Net financial items			-5 497	-5 497
Profit before tax	**103 014**	**22 713**	**-1 919**	**123 808**
Other comprehensive income plus tax			37 140	37 140
Comprehensive income for the period	**103 014**	**22 713**	**35 221**	**160 948**

1) *Based on the previous accounting standard for lease contracts IAS 17, see also note 2*

2) *Based on the new current accounting standard for lease contracts IFRS 16, see also note 2*

Sales divided by segment and geographical markets

Second quarter

The turnover divided among geographical markets in the second quarter: Sweden 36 % (42), other European countries 49% (46) and other countries 15% (12).

Q2 2019, SEK thousands	Component	System	Unallocated and eliminations	Group
Sweden	317 021	204 593	11 527	533 141
Other European countries	636 553	82 453		719 006
Other countries	176 145	42 986		219 132
Net sales	**1 129 719**	**330 033**	**11 527**	**1 471 279**
Internal sales, eliminations			-157 847	-157 847
Total net turnover	**1 129 719**	**330 033**	**-146 321**	**1 313 431**

Q2 2018, SEK thousands	Component	System	Unallocated and eliminations	Group
Sweden	392 476	176 394	13 802	582 672
Other European countries	569 743	70 040		639 783
Other countries	122 407	47 404		169 812
Net sales	**1 084 627**	**293 838**	**13 802**	**1 392 267**
Internal sales, eliminations			-168 725	-168 725
Total net turnover	**1 084 627**	**293 838**	**-154 922**	**1 223 542**

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

First six months

The turnover divided among geographical markets in the first six months: Sweden 37 % (44), other European countries 49% (45) and other countries 14% (11).

YTD 2019, SEK thousands	Component	System	Unallocated and eliminations	Group
Sweden	610 993	419 425	26 061	1 056 479
Other European countries	1 233 657	174 225		1 407 882
Other countries	324 749	68 776		393 525
Net sales	**2 169 399**	**662 426**	**26 061**	**2 857 886**
Internal sales, eliminations			-291 593	-291 593
Total net turnover	**2 169 399**	**662 426**	**-265 532**	**2 566 293**

YTD 2018, SEK thousands	Component	System	Unallocated and eliminations	Group
Sweden	766 660	380 600	24 553	1 171 813
Other European countries	1 051 041	128 937		1 179 978
Other countries	200 785	79 054		279 839
Net sales	**2 018 487**	**588 591**	**24 553**	**2 631 631**
Internal sales, eliminations			-317 966	-317 966
Total net turnover	**2 018 487**	**588 591**	**-293 413**	**2 313 665**

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

Note 4. Personnel

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

	Jan-Jun 2019	**Jan-Jun 2018**	**Jan-Jun 2017**
Bulgaria	1 339	1 200	1 051
Poland	1 152	1 105	954
Sweden	888	1 060	1 065
Lithuania	779	718	680
Estonia	637	408	369
China	472	450	484
Hungary	366	378	444
Finland	218	140	-
Mexico	218	165	145
Canada	168	160	-
India	133	126	131
USA	99	115	-
Serbia	33	32	27
Italy	19	20	12
Brazil	6	-	-
Germany	3	-	-
Thailand	-	44	22
	6 530	**6 121**	**5 384**

Note 5. Acquisitions

AQ’s strategy is to grow in both segments. During the period January to June a major acquisition was made. There have been no divestments.

Acquisitions during the first six months of 2019

Date	Acquisition	Number of employees*	
June 3, 2019	LTI Holding Oy	-	Finland
	Trafotek Oy	103	Finland/Germany
	Trafotek AS	250	Estonia
	Trafotek Suzhou Co, Ltd	40	China
	Trafotek Power Electronics e Transformador	60	Brazil
	Trafotek Corporation USA	-	USA

Annual revenues for acquired companies at the time of the acquisition total SEK 487 million

* Number of employees at the time of acquisition

Trafotek

On June 3, 2019, AQ Group AB acquired 100% of the shares in the unlisted company LTI Holding Oy with the subsidiary Trafotek Oy in Finland and its subsidiaries Trafotek AS in Estonia, Trafotek Suzhou Co., Ltd. in China, Trafotek Power Eletronicos e Transformadores in Brazil and Trafotek Corporation USA. The purpose of the acquisition is to expand AQ's customer base and broaden the offering within inductive components. The purchase price amounted to EUR 27.5 million in cash.

The company has prepared a preliminary acquisition analysis that shows consolidated overvalues of approx. SEK 145.3 million divided into customer relations SEK 31.7 million, technology SEK 38.1 million, goodwill SEK 75.5 million and a deferred tax liability of SEK 14.0 million. The depreciation rate is estimated at 5 years for customer relations and 10 years for technology. The estimated goodwill value of SEK 75.5 million includes synergy effects in the form of more efficient production processes and the technical knowledge of the employees. No part of the goodwill is expected to be tax deductible. The acquisition analysis is preliminary as a result of a short period of time since the acquisition.

External acquisition-related expenses arose in connection with the acquisition of SEK 2.8 million, which are included in the Group's other external costs.

Operating receivables are stated at gross value, since there are no accounts receivable reserves, which is in line with fair value. The acquisition was financed with a new bank loan.

During June, the acquired company contributed SEK 40 million to the Group's revenue and SEK 1.8 million to the Group's profit after tax. If the acquisition had occurred on January 1, 2019, i.e. including January to May, the management estimates that the Group's revenue would have been SEK 219 million higher and the profit for the period after tax would have been SEK 7 million better for the first half of 2019.

Net assets in acquired companies at the time of the acquisition
(SEK thousands)

	Trafotek Group
Intangible assets	1 678
Tangible assets, incl IFRS16	148 888
Financial assets	131
Deferred tax on tax losses	42 529
Inventories	78 169
Operating receivables	38 581
Tax liabilities	-4 307
Operating liabilities	-88 927
Liquid funds	23 050
Net loans, incl IFRS16	-79 068
Acquired net assets	**160 724**
Customer relations	31 673
Technologies	38 114
Deferred tax on surplus values	-13 957
Goodwill	75 517
Purchase price shares	**292 070**
Cash flow effect	
Cash paid	-292 070
Total consideration paid	**-292 070**
Liquid funds in acquired company	23 050
Total cash flow effect	**-269 019**
Paid purchase price for previous years' acquisitions	-22 089
Total cash flow effect acquisition of shares in subsidiaries	**-291 108**

Note 6. Financial instruments

Financial instruments that are shown in the balance sheet include on the assets side mainly cash or cash equivalents, receivables from customers and other receivables. On the liabilities side they consist mainly of payables to suppliers, other payable, credit debts and provisions for additional purchase price.

Fair value is not separately shown as it is our assessment that the values shown are an acceptable estimation of the real value because of the short terms. Fair value of assets is established from market prices. Fair value is based on the listing at brokers. Similar contracts are being traded on an active market and the prices are reflecting actual transactions of comparable instruments.

The Group is only in exceptional cases using derivatives to reduce currency risks. Per June 30, the market value of derivatives amounted to SEK -0.2 million (0) valued at level 2.

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

Note 7. Events after end of the reporting period

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

Note 8. Calculation of key figures and definitions

	2019 [2]			2018 [1]				
	Q1	Q2	YTD	Q1	Q2	Q3	Q4	Full year
Operating margin, (EBIT %)								
Operating profit	95 707	93 363	189 070	71 539	57 766	21 959	56 921	208 184
Net revenue	1 252 861	1 313 431	2 566 293	1 090 122	1 223 542	1 137 327	1 216 228	4 667 220
Operating margin	**7,6%**	**7,1%**	**7,4%**	**6,6%**	**4,7%**	**1,9%**	**4,7%**	**4,5%**
EBITDA								
Profit before tax	95 707	93 363	189 070	71 539	57 766	21 959	56 921	208 184
Depreciations/amortisations	-47 543	-52 074	-99 617	-23 808	-26 927	-32 311	-29 184	-112 231
EBITDA	**143 250**	**145 437**	**288 688**	**95 347**	**84 693**	**54 270**	**86 105**	**320 415**
Profit margin before tax, (EBT %)								
Profit before tax	92 949	88 478	181 427	68 397	55 411	21 239	53 275	198 322
Net revenue	1 252 861	1 313 431	2 566 293	1 090 122	1 223 542	1 137 327	1 216 228	4 667 220
Profit margin before tax	**7,4%**	**6,7%**	**7,1%**	**6,3%**	**4,5%**	**1,9%**	**4,4%**	**4,2%**
Liquid ratio, %								
Trade receivables	1 102 473	1 172 077	1 172 077	1 024 591	1 103 424	1 045 422	1 081 833	1 081 833
Other current receivables	130 916	133 749	133 749	161 071	149 262	115 188	104 804	104 804
Cash and cash equivalents	114 916	122 807	122 807	155 151	139 988	102 184	100 683	100 683
Current liabilities	1 251 913	1 402 806	1 402 806	1 059 940	1 288 721	1 194 084	1 163 307	1 163 307
Liquid ratio	**108%**	**102%**	**102%**	**126%**	**108%**	**106%**	**111%**	**111%**
Debt/equity ratio, %								
Total equity	1 896 417	1 928 490	1 928 490	1 759 434	1 754 072	1 736 971	1 782 711	1 782 711
Total assets	3 491 605	3 971 975	3 971 975	2 904 192	3 262 755	3 104 465	3 099 788	3 099 788
Debt/equity ratio	**54%**	**49%**	**49%**	**61%**	**54%**	**56%**	**58%**	**58%**
Return on total assets, %								
Profit before tax, rolling 12 months	222 874	255 941	255 941	231 967	216 900	176 845	198 322	198 322
Financial expenses, rolling 12 months	-19 547	-22 583	-22 583	-11 222	-9 766	-14 153	-14 715	-14 715
Total equity and liabilities, opening balance for 12 months	2 904 192	3 262 755	3 262 755	2 593 111	2 591 281	2 567 768	2 677 444	2 677 444
Total equity and liabilities, closing balance	3 491 605	3 971 975	3 971 975	2 904 192	3 262 755	3 104 465	3 099 788	3 099 788
Total equity and liabilities, average	3 197 898	3 617 365	3 617 365	2 748 651	2 927 018	2 836 117	2 888 616	2 888 616
Return on total assets	**7,6%**	**7,7%**	**7,7%**	**8,8%**	**7,7%**	**6,7%**	**7,4%**	**7,4%**
Return on equity after tax, %								
Profit for the period after tax, rolling 12 months	171 292	194 180	194 180	185 336	173 510	123 016	152 544	152 544
Total equity, opening for 12 months	1 759 434	1 754 072	1 754 072	1 543 686	1 552 257	1 580 103	1 643 193	1 643 193
Total equity, closing	1 896 417	1 928 490	1 928 490	1 759 434	1 754 072	1 736 971	1 782 711	1 782 711
Total equity, average	1 827 925	1 841 281	1 841 281	1 651 560	1 653 165	1 658 537	1 712 952	1 712 952
Return on equity after tax	**9,4%**	**10,5%**	**10,5%**	**11,2%**	**10,5%**	**7,4%**	**8,9%**	**8,9%**
Net cash / Net debt								
Cash and cash equivalents	114 916	122 807	122 807	155 151	139 988	102 184	100 683	100 683
Non-current interest bearing liabilities	206 722	496 249	496 249	9 817	46 478	21 405	16 667	16 667
Current interest bearing liabilities	391 292	533 659	533 659	248 309	414 606	420 982	417 480	417 480
Total interest bearing liabilities	598 014	1 029 907	1 029 907	258 126	461 084	442 387	434 146	434 146
Net cash / Net debt	**-483 098**	**-907 100**	**-907 100**	**-102 975**	**-321 096**	**-340 203**	**-333 464**	**-333 464**
Growth, %								
Organic growth								
Net revenue	1 252 861	1 313 431	2 566 293	1 090 122	1 223 542	1 137 327	1 216 228	4 667 220
- Effect of changes in exchange rates	32 407	25 307	57 714	21 159	32 485	42 275	28 605	124 524
- Net revenue for last year	1 090 122	1 223 542	2 313 665	1 001 898	1 077 380	923 142	1 017 321	4 019 740
- Net revenue for acquired companies	95 224	37 667	132 891	92	87 276	87 176	91 217	265 762
= Organic growth	35 108	26 914	62 023	66 973	26 402	84 733	79 085	257 194
Organic growth divided by last year net revenue, %	**3,2%**	**2,2%**	**2,7%**	**6,7%**	**2,5%**	**9,2%**	**7,8%**	**6,4%**
Growth through acquisitions								
Net revenue for acquired companies divided by last year net revenue, %	**8,7%**	**3,1%**	**5,7%**	**0,0%**	**8,1%**	**9,4%**	**9,0%**	**6,6%**

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

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

Operating margin, EBIT %

Calculated as operating profit divided by net sales.

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

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

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

Debt/Equity ratio, %
Calculated as adjusted equity divided by balance sheet total.
This key figure reflects the company's financial position and its long-term solvency. To have a good equity ratio and thus a strong financial position is important for being able to manage business cycles with varying sales. To have a strong financial position is also important for managing growth.

Return on total assets, %
Calculated as profit/loss after financial items divided by the average balance sheet total.
This key figure also shows the achieved profitability in the operative business. This number complements the operating margin as it includes tied up capital. It means that the number gives information on the return the business is given in relation to the capital tied in it. (Financial investments and cash and cash equivalents are also considered and the profit they give in the form of financial income.)

Return on equity after tax, %
Calculated as profit/loss after tax divided by average equity including minority interest.
This is a key figure showing the return of the capital that the owners have invested in the company (including retained earnings) after other stakeholders have received their dividends. This key figure shows how profitable the company is for its owners. This return also has significance for the company's opportunities to grow in a financial balance.

Operating profit, SEK thousands
Calculated as the profit before tax and financial items.
Operating profit shows the result generated by the operative business and is used together with operating margin and return on total assets for evaluating and managing the operative business.

Profit before tax / Profit after financial items (EBT), SEK thousands
Calculated as the profit before tax.
The key figure shows the result generated by the operative business and financial income taking into account payments to creditors for the capital they are contributing to finance the business. The figure shows remaining profit to the owners taking into account that part of it will be deducted for tax payments.

Net cash/Net debt, SEK thousands
Calculated as the difference between interest bearing debts and cash and cash equivalents.
This key figure is reflecting how much interest-bearing debts the company has taking into account in cash and cash equivalents. The figure gives a good picture of the debt situation. Net cash means that cash and cash equivalents exceed interest bearing debts. Net debt means that interest bearing debts exceed cash and cash equivalents.

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

Organic growth is calculated as the difference between the net sales of the current period and the net sales of the previous period, excluding currency effect and net sales of acquired units.
Organic growth in % is calculated as the organic growth divided by the net sales in the same period in the previous year.
Growth through acquisitions is calculated as net sales of acquired companies divided by the net sales in the same period in the previous year.

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

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

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

AQ in brief

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

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

The Group headquarter is in Västerås, Sweden. AQ has, on December 31, 2018, in total about 6,100 employees in Sweden, Bulgaria, China, Estonia, Hungary, India, Italy, Lithuania, Mexico, Poland, Serbia, Finland, Canada and USA.

In 2018 AQ had net sales of about SEK 4.7 billion, and the group has since its start in 1994 shown profit every quarter.

WE ARE RELIABLE

Customer focus

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

Simplicity

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

Entrepre-neurial business

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

Courage and respect

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

Cost efficiency

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