



Västerås, February 20, 2020

AQ Group AB (publ), Year-end report 2019

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Fourth quarter, October-December 2019 in brief

- Strong cash flow and continued good growth driven by acquisitions
- Net sales increased by 6.9 % to SEK 1 300 million (1 216)
- Operating profit (EBIT) increased by 13.8 % to SEK 65 million (57)
- Profit after financial items (EBT) increased by 8.8 % to SEK 58 million (53)
- Profit margin before tax (EBT %) was 4.5 % (4.4)
- Cash flow from operating activities increased to SEK 153 million (41), affected by new IFRS 16 rules by SEK 25 million
- Earnings per share after tax SEK 2.60 SEK (2.58)
- Equity ratio 52 % (58), 2019 affected by new IFRS 16 rules

Full year 2019 in brief

- Strong profit improvement compared to major extraordinary costs in 2018
- Net sales increased by 9.5 % to SEK 5 113 million (4 667)
- Operating profit (EBIT) increased by 63.6 % to SEK 340 million (208)
- Profit after financial items (EBT) increased by 62.1 % to SEK 321 million (198)
- Profit margin before tax (EBT %) was 6.3 % (4.2)
- Profit margin before tax (EBT %) adjusted for items affecting comparability was 5.8 % (6.4)
- Cash flow from operating activities increased to SEK 499 million (151), affected by new IFRS 16 rules in 2019 with SEK 84 million
- Earnings per share after tax increased to SEK 14.37 SEK (8.26)
- Equity ratio 52 % (58), 2019 affected by new IFRS 16 rules
- The Board of Directors proposes a dividend of SEK 3.33 (2.75)

Group overview, key figures

	4) 2019					3) 2018				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Net turnover, SEK thousands	1 252 861	1 313 431	1 246 556	1 299 754	5 112 602	1 090 122	1 223 542	1 137 327	1 216 228	4 667 220
Operating profit (EBIT), SEK thousands	95 707	93 363	86 676	64 749	340 495	71 539	57 766	21 959	56 921	208 184
Profit after net financial items (EBT), SEK thousands	92 949	88 478	82 007	57 978	321 412	68 397	55 411	21 239	53 275	198 322
Profit for the period	76 335	69 899	69 018	47 619	262 871	57 587	47 010	460	47 487	152 544
Total equity	1 896 417	1 928 490	2 020 893	2 015 157	2 015 157	1 759 434	-5 362	-17 102	45 741	1 782 711
Operating margin (EBIT %)	7,6%	7,1%	7,0%	5,0%	6,7%	6,6%	4,7%	1,9%	4,7%	4,5%
Profit margin before tax (EBT %)	7,4%	6,7%	6,6%	4,5%	6,3%	6,3%	4,5%	1,9%	4,4%	4,2%
Liquid ratio	108%	102%	103%	106%	106%	126%	108%	106%	111%	111%
Debt/equity ratio	54%	49%	51%	52%	52%	61%	54%	56%	58%	58%
Return on total assets ²⁾	7,6%	7,7%	9,7%	10,1%	10,1%	8,8%	7,7%	6,7%	7,4%	7,4%
Return on equity after tax ²⁾	9,4%	10,5%	14,0%	13,8%	13,8%	11,2%	10,5%	7,4%	8,9%	8,9%
Number of employees in Sweden	865	888	871	856	856	1 073	1 060	888	900	900
Number of employees outside Sweden	5 060	5 642	5 553	5 474	5 474	4 615	4 877	5 072	5 169	5 169
Key indicators per share, SEK ¹⁾										
Profit for the period	4,14	3,81	3,77	2,60	14,37	3,13	2,54	0,01	2,58	8,26
Equity	103,66	105,42	110,47	110,15	110,15	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	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

Fourth quarter

Our EBT margin for the quarter is 4.5%. This EBT result is 8.8% better than the fourth quarter of last year but lower than we have had earlier during 2019.

The reason for this is that also AQ Group sees a declining demand from our cyclical customers, while we also had a December month where several of our larger customers have taken the opportunity to take a slightly longer Christmas break than usual.

Other explanations for the result are to some extent restructuring costs and one-off effects in some companies. We have quickly reduced staffing on both our own and hired staff to adapt to lower demand during the quarter.



Full year

Earnings per share for the full year 2019 of SEK 14.37, are the best ever and significantly better than last year (8.26). The first half of the year was characterized by good organic growth and a large acquisition, which meant that growth continued during the second half of the year despite the negative organic growth.

The Board's proposal for the Annual General Meeting is to increase the dividend to SEK 3.33 per share. A curious thing is that this amount is the same as the subscription price was for an AQ share at the listing on Aktietorget in 2001. We want to thank all our customers, suppliers and employees for good cooperation and good work efforts in 2019.

Market

The declining volumes were mainly coming from buses, construction, agricultural and forestry machines. We also have railway customers who have been affected by delays in their projects and we didn't have the same large project business in traffic infrastructure as we had last year. With the acquisition of Trafotek and good development with other customers in environmental technology, medical technology and the food industry, we still grow a total of 6.9% in the quarter.

Times of declining demand are not only bad. Both the buyers at AQ and with our customers can spend less time chasing material and thus have more time to explore different opportunities in the market. This gives us the opportunity to gain market share and also to increase the pace of our efforts to streamline our factories and lower our purchasing costs. For example, we have succeeded in winning major business in electrical buses and in upgrades of drivers desks to subway cars during the fourth quarter.

Cash flow

We have a strong cash flow in the quarter due to a decreasing need for working capital when volumes are declining. However, we still have problems with some of our larger customers paying late at the end of quarters and year-end, which is something that we are working hard to improve. We also continue to implement our inventory management projects in unit by unit.

Delivery capability

It is gratifying that our delivery precision was significantly better than a year ago. We report a value for the entire Group of 94.2% during the quarter. This means that a majority of our factories have a delivery security that is close to or above our target level and that we continue to improve where needed. We are still not satisfied, and we will continuously develop our processes and standards to become even more robust and flexible in 2020.

Growth for a contract manufacturer means investing in space, machinery and people. A good example of this is AQ Wiring Systems in Lodz, Poland who has moved into new, better and larger facilities that allow them to continue to develop.

Organization

The integration of Trafotek continues according to plan. We have a new business area organization in place, and we are working on several improvement projects where we use our larger international presence more efficiently. For example, we are in India selling and manufacturing products for Trafotek's customers. Our business area for inductive components, which includes Trafotek, is well exposed to renewable energy, such as larger wind turbines. We have won several deals in this area during the quarter.

AQ Group has a strong culture with core values that are 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.

AQ has three units in Suzhou, China and they are affected by the concerns surrounding the Corona virus. We have had a longer closure than normal for the Chinese New Year following directives from the Chinese authorities. We are now back in operation with lower capacity as all our employees have not yet been able to return. Most of our customers in China have also closed and we will now do our utmost to catch up on deliveries.

Outlook

Our guideline is to be a long-term, stable, growing and profitable group with a profit margin (EBT) of 8% and a strong financial position. We want to increase our turn-over both organically and through acquisitions.

Our EBT margin for 2019 was 6.3%. This is better than last year but far from the goal. With strong relationships with our world-leading customers and committed employees, we will work hard on improving our efficiency in the production units and lower our purchasing costs. Our employees and leaders are doing a good job and they are now increasing their efforts to win new business and return to organic growth.

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

Anders Carlsson
CEO



Group's financial position and results

Fourth quarter

Net sales for the fourth quarter was SEK 1 300 million (1 216), an increase of SEK 84 million compared to the same period in the previous year. The increase in turnover can be explained by acquisitions and positive currency effects. The total growth in the quarter was 6.9 %, of which organic growth -6.2 %, growth through acquisitions 10.9 % and currency effects of 2.2 %. The currency effect of 2.2 % corresponds to about SEK 25.5 million and is mainly with the currencies EUR, PLN and CNY.

Operating margin (EBIT) in the fourth quarter was SEK 65 million (57), an increase of SEK 8 million.

Goodwill and other intangible assets have increased with SEK 133 million compared to the fourth quarter of 2018, an increase due to overvalues in acquisitions, currency translation effects and depreciation of technology and customer relations.

Investments in tangible assets in the quarter in the group were SEK 79 million (41), including among other things construction of a new factory in Poland. In total, tangible fixed assets amounted to SEK 1 012 million (568), where SEK 305 million consists of the book value of right-of-use assets in accordance with IFRS 16, see Note 2.

Interest bearing liabilities of the group, not considering IFRS 16, are SEK 613 million (434) and cash and cash equivalents amount to SEK 161 million (101), which means that the group has a net debt of SEK 452 million. In the same period last year, the group had net debt of SEK 333 million. The increase is mainly due to new loans in conjunction with acquisitions.

The Group's interest-bearing liabilities with regard to IFRS 16, which became effective January 1, 2019, amount to SEK 916 million and liquid assets to SEK 161 million, which means that the Group has a net debt of SEK 755 million with respect to IFRS 16.

Cash flow from operating activities was SEK 153 million (41). Activities to reduce working capital, mainly to reduce inventories and overdue accounts receivables have continued during the quarter.

Cash flow from investing activities was SEK -67 million (-34), which relates mainly to investments in fixed assets.

Cash flow from financing activities was SEK -47 million (-9) which relates to increased usage of overdraft facility, amortizations of bank loans and leasing debts.

Equity at the end of the period was SEK 2 015 million (1 783) for the group.

Full year

Net sales for the full year was SEK 5 113 million (4 667), an increase of SEK 446 million compared to the previous year. Increase in net sales can be explained by acquisitions. For the full year the total growth was 9.5 %, of which organic growth -1.2 %, growth through acquisitions 8.6 % and a currency effect of 2.1 %. The currency effect of 2.1 % corresponds to about SEK 101.4 million and is mainly with the currencies EUR, BGN and CNY. Taking into account the elimination of AQ Segerström & Svensson's turnover of SEK 157 million in the first nine months of 2018, shows growth for the year 2019 of 13.4%, of which organic growth 2.2%, growth through acquisitions 8.9% and currency effects of 2.3%.

Operating margin (EBIT) for the full year was SEK 340 million (208), an increase of SEK 132 million.

Goodwill and immaterial assets have increased during the year with SEK 133 million compared to the beginning of the year. The net change is due to overvalues in acquisitions, currency translation effects and depreciation of technology and customer relations.

The investments of the group in tangible fixed assets for the year were SEK 199 million (137), the major part being replacement and capacity increasing investments to gain a more efficient production. In total, tangible fixed assets amounted to SEK 1 012 million (568), where SEK 305 million consists of the book value of right-of-use assets in accordance with IFRS 16, see Note 2.

Interest bearing liabilities of the group, not considering IFRS 16, are SEK 613 million (434) and cash and cash equivalents amount to SEK 161 million (101), which means that the group has a net debt of SEK 452 million. In the same period last year, the group had net debt of SEK 333 million. The increase is mainly due to new loans in conjunction with acquisitions.

The Group's interest-bearing liabilities with regard to IFRS 16, which became effective January 1, 2019, amount to SEK 916 million and liquid assets to SEK 161 million, which means that the Group has a net debt of SEK 755 million with respect to IFRS 16.

Cash flow from operating activities amounted to SEK 499 million (151), an improvement of SEK 348 million. During the year, earnings have improved, inventories increased, accounts receivable and other receivables decreased, while accounts payable and other liabilities also decreased. Activities to release working capital continued during the period.

Cash flow from investing activities was SEK -481 million (-241), which relates to acquisitions of subsidiaries and investments in fixed assets.

Cash flow from financing activities amounted to SEK 42 million (44) and partly relates to new bank loans, reduced utilization of overdraft facilities, amortization of loans, payment of leasing debts and payment of dividends to shareholders.

Equity at the end of the period was SEK 2 015 million (1 783) for the group.

Significant events during the year

First quarter

There were 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.

Third quarter

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 interconnect technology products to the aerospace and defence industries and to civilian industries 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 pliers and torque tools. The acquisition of MiniCon is a very good complement - through its expertise on the component side - to AQ Wiring Systems, which supplies customized electrical systems & cabling to the defence, medical, mining and forestry industries.

Fourth quarter

On October 17, a new wiring systems plant was opened in Łódź, Poland. The new plant of 12,300 square meters provides an increased opportunity to offer even more competitive products to our customers and increases the comfort of our employees.

On December 16, Christina Hegg was appointed new CFO, taking effect on April 1, 2020. Christina replaces Mia Tomczak, who is moving on to a CFO service for another group.

Significant events after the end of the period

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

Goals

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

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

	Goal	Jan-Dec 2019
Product quality	100 %	99.5 %
Delivery precision	98 %	92.6 %
Equity ratio	>40 %	52 %
Profit margin before tax, (EBT %)	8 %	6.3 %

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

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

Transactions and assets and liabilities in foreign currency are managed centrally within AQ in order to create balance in the respective currency thereby achieving highest possible levelling effect within the group in order to minimize currency differences.

AQ is not buying any direct raw material, but only intermediate goods for further production such as sheet metal of steel and aluminium, cables, insulated wire etc. The risk is minimized through customer agreements with price clauses.

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

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

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

Nomination committee

The Nomination Committee for the Annual General Meeting 2020 consists of chairman Vegard Søråunet (ODIN Fonder), Björn Henriksson (Nordea Fonder), P-O Andersson and Claes Mellgren.

Future reporting dates

Interim report Q1, 2020	April 22, 2020, at 08:00
Annual General Meeting 2020	April 22, 2020, at 18:00
Interim report Q2, 2020	July 16, 2020, at 08:00
Interim report Q3, 2020	October 22, 2020, at 08:00

Annual report, annual general meeting and dividends

The annual report for 2019 will be available on the company's website no later than April 2, 2020.

The Annual General Meeting will be held on April 22, 2020, at 18:00 at Aros Congress Center, Munkgatan 7, in Västerås.

The Board of Directors proposes a dividend for the 2019 financial year of SEK 3.33 per share. A total of SEK 60,919,213.

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 February 20, 2020 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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CFO, Mia Tomczak, telephone +46 70-833 00 80, mia.tomczak@aqg.se

Financial reports and press releases are published in Swedish and English. If there are discrepancies between the two, the Swedish version shall prevail. They are available at www.aqg.se.

Certification

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

Västerås, February 20, 2020

Anders Carlsson
CEO

Financial reports, summary

Summary income statement for the Group

SEK thousands	Note	3) Oct-Dec 2019	2) Oct-Dec 2018	3) Full year 2019	2) Full year 2018
Net sales		1 299 754	1 216 228	5 112 602	4 667 220
Other operating income		25 025	36 553	84 857	89 261
		1 324 778	1 252 781	5 197 459	4 756 481
Change in inventory and work in progress		-15 261	-20 675	-8 787	26 867
Raw material and consumables		-644 856	-618 021	-2 579 663	-2 394 322
Goods for resale		-23 758	-19 051	-66 215	-94 917
Other external expenses	6	-133 924	-178 346	-534 998	-629 627
Personnel costs		-372 226	-325 295	-1 406 937	-1 242 966
Depreciation and amortisation		-59 886	-29 184	-220 191	-112 231
Other operating expenses	6	-10 119	-5 289	-40 174	-101 101
		-1 260 030	-1 195 860	-4 856 964	-4 548 297
Operating profit		64 749	56 921	340 495	208 184
Net financial income/expense	6, 7	-6 771	-3 646	-19 084	-9 862
Profit before tax		57 978	53 275	321 412	198 322
Taxes		-10 358	-5 788	-58 541	-45 778
Profit for the period		47 619	47 487	262 871	152 544
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:					
Parent company shareholders		46 865	47 111	260 878	151 053
Non-controlling interests		755	376	1 992	1 491
		47 619	47 487	262 871	152 544
Earnings per share ¹⁾		2,60	2,58	14,37	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		3) Oct-Dec 2019	2) Oct-Dec 2018	3) Full year 2019	2) Full year 2018
PROFIT FOR THE PERIOD		47 619	47 487	262 871	152 544
OTHER COMPREHENSIVE INCOME					
Items that cannot be transferred to the profit for the period					
Revaluation of defined benefit pension plans		-346	-351	-346	-351
Revaluation of defined benefit pension plans, tax effect		16	13	16	13
Items transferred or that can be transferred to the profit for the period					
Translation difference for foreign operations		-53 026	1 129	20 213	37 621
Other comprehensive income for the period after tax		-53 356	790	19 884	37 283
Comprehensive income for the period		-5 736	48 277	282 754	189 827
COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Parent company shareholders		-6 278	47 923	280 718	188 182
Non-controlling interests		541	354	2 036	1 645
		-5 736	48 277	282 754	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	Note	2) 31/12/2019	1) 31/12/2018
ASSETS			
Goodwill		353 246	272 313
Other intangible assets		217 076	164 667
Tangible assets	6	1 012 168	567 918
Financial assets		2 123	2 174
Deferred tax assets	6	54 244	14 670
TOTAL NON-CURRENT ASSETS		1 638 858	1 021 744
Inventories	6	889 952	790 724
Trade and other receivables	6	1 043 903	1 081 833
Other current receivables	6	118 269	104 804
Cash and cash equivalents		161 323	100 683
TOTAL CURRENT ASSETS		2 213 447	2 078 044
TOTAL ASSETS		3 852 305	3 099 788
EQUITY AND LIABILITIES			
Equity attributable to parent company shareholders		2 007 735	1 777 325
Non-controlling interests		7 422	5 386
TOTAL EQUITY		2 015 157	1 782 711
Non-current liabilities to credit institutions		442 411	16 667
Non-current non-interest-bearing liabilities		143 231	137 103
Total non-current liabilities		585 642	153 769
Interest-bearing current liabilities	6	474 004	417 480
Trade and other payables	6	464 700	449 868
Other current liabilities	6	312 802	295 960
Total current liabilities		1 251 506	1 163 307
TOTAL LIABILITIES		1 837 148	1 317 076
TOTAL EQUITY AND LIABILITIES		3 852 305	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	Equity attributable to parent company shareholders				Subtotal	Non-controlling interests	Total equity
	Share capital	Other contributed capital	Translation reserve	Retained earnings incl. profit			
Equity, 01/01/2018	36 588	84 194	97 927	1 420 742	1 639 452	3 742	1 643 193
Profit for the year				151 053	151 053	1 491	152 544
Translation differences in foreign operations			37 457		37 457	164	37 621
Revaluation of defined benefit pension plans				-341	-341	-10	-351
Revaluation of defined benefit pension plans, tax effect				13	13		13
Other comprehensive income			37 457	-328	37 129	154	37 283
Comprehensive income for the year			37 457	150 725	188 182	1 645	189 827
Dividends paid				-50 309	-50 309		-50 309
Transactions with shareholders				-50 309	-50 309		-50 309
Equity, 31/12/2018	36 588	84 194	135 384	1 521 160	1 777 325	5 386	1 782 711
Equity, 01/01/2019	36 588	84 194	135 384	1 521 160	1 777 325	5 386	1 782 711
Profit for the year				260 878	260 878	1 992	262 871
Translation differences in foreign operations			20 159		20 159	54	20 213
Revaluation of defined benefit pension plans				-336	-336	-10	-346
Revaluation of defined benefit pension plans, tax effect				16	16		16
Other comprehensive income			20 159	-319	19 840	44	19 884
Comprehensive income for the year			20 159	260 559	280 718	2 036	282 754
Dividends paid				-50 309	-50 309		-50 309
Transactions with shareholders				-50 309	-50 309		-50 309
Equity, 31/12/2019	36 588	84 194	155 542	1 731 410	2 007 735	7 422	2 015 157

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	2) Oct 1-Dec 31, 2019	1) Oct 1-Dec 31, 2018	2) Full year 2019	1) Full year 2018
Profit before tax	57 978	53 275	321 412	198 322
Adjustment for non cash generating items	57 733	22 957	222 785	178 532
Income tax paid	-18 664	-3 860	-77 741	-52 011
Cash flow from operating activities before change in working capital	97 047	72 372	466 456	324 843
Increase (-)/decrease (+) in inventories	34 144	40 527	-8 866	-35 245
Increase (-)/decrease (+) in trade receivables	50 038	-36 593	105 725	-135 136
Increase (-)/decrease (+) in other receivables	24 444	7 864	56 505	40 241
Increase (+)/decrease (-) in trade payables	-50 549	-24 476	-65 015	-22 707
Increase (+)/decrease (-) in other liabilities	-2 337	-18 574	-55 648	-21 407
Change in working capital	55 741	-31 251	32 701	-174 253
Cashflow from operating activities	152 788	41 121	499 158	150 589
Aquisitions of shares in subsidiaries	-	-378	-295 571	-123 286
Divestment of shares in subsidiaries/associated comp	-	-	-	1 310
Acquisition of intangible non-current assets	-943	-236	-3 360	-2 252
Acquisition of tangible non-current assets	-79 166	-40 797	-199 468	-136 771
Sale of tangible non-current assets	13 174	7 386	17 225	19 777
Purchase/Sales of short-term investment in securities	68	-107	242	-107
Cashflow from investing activities	-66 867	-34 131	-480 932	-241 328
New borrowings, credit institutions	-	-	299 115	170 000
Amortisation of loans	-31 723	-1 557	-62 132	-38 062
Amortisation of loans (lease)	-23 129	-732	-85 418	-7 143
Change in bank overdraft facilities	7 821	-6 890	-59 675	-30 614
Dividends to the parent company shareholders	-	-	-50 309	-50 309
Other changes in financial activities	-	125	-	-
Cashflow from financing activities	-47 031	-9 054	41 582	43 873
Change in cash and cash equivalents for the period	38 890	-2 064	59 808	-46 866
Cash and cash equivalents at the beginning of the year	126 950	102 184	100 683	142 049
Exchange rate difference in cash and cash equivalents	-4 517	563	833	5 499
Cash and cash equivalents at the end of the period	161 323	100 683	161 323	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	Oct - Dec 2019	Oct - Dec 2018	Full year 2019	Full year 2018
Net sales		9 609	13 415	43 113	51 637
Other operating income		473	134	2 212	2 763
		10 082	13 549	45 326	54 400
Other external expenses	6	-5 033	-12 786	-19 500	-26 988
Personnel costs		-6 668	-5 291	-28 088	-18 801
Depreciation and amortisation			-86		-319
Other operating expenses		-53	-171	-711	-299
		-11 754	-18 334	-48 299	-46 407
Operating profit		-1 672	-4 786	-2 973	7 992
Net financial items	6	19 370	-15 839	137 091	202 699
Earnings after net financial items		17 698	-20 624	134 118	210 691
Appropriations		27 654	24 752	27 654	24 752
Profit before tax		45 352	4 128	161 772	235 443
Taxes		-7 929	-4 429	-8 514	-11 172
Profit for the period		37 423	-301	153 259	224 271

Fourth quarter

Net sales for the fourth quarter was SEK 9.6 million (13.4), lower than the same period in the previous year, because of lower invoicing of management fees (group common costs). Other external expenses were SEK 5.0 million (12.8), the difference compared to the same period last year is due to lower costs for hired staff and lower IT and legal costs.

Personnel costs were SEK 6.7 million (5.3). An explanation for the increase in costs is, among other things, that the number of employees has increased and number of hired staff has decreased. Operating profit (EBIT) was SEK -1.7 million (-4.8).

Net financial items were positive of SEK 19.4 million (-15.8). Net financial items consist of dividends from subsidiaries SEK 33.2 million (0), exchange rate gains SEK 2.3 million (-0.2), bank interest rates SEK -1.7 million (-1.2), a negative change in value of forward contracts SEK 2.2 million (-0.2), positive internal net interest income SEK 2.0 million (1.3) and write-down of shares in subsidiaries of SEK 14.1 million (13.0).

In the same period the year before, net financial items were negative and also consisted of costs in connection with Segerström and Svensson's bankruptcy.

Operating profit (EBIT) is negative for the period, but the result after net financial items is positive.

Year-end allocations consist of group contributions from subsidiaries and provisions for untaxed reserves.

The parent company has a tax expense of SEK 7.9 million (4.4).

Full year

Net sales for the full year was SEK 43.1 million (51.6), lower than the same period in the previous year, because of lower invoicing of management fees. Other external expenses were SEK 19.5 million (27.0).

Personnel costs were SEK 28.1 million (18,8). An explanation for the increase in costs is, among other things, that the number of employees has increased and number of hired staff has decreased.

Operating profit (EBIT) was SEK -3.0 million (8.0). Net financial income was SEK 137.1 million (202.7) and consisted partly of tax-free dividends from subsidiaries of SEK 158.0 million (280.2) and write-down of shares in subsidiaries SEK 18.2 million (13.0).

The tax cost of SEK 8.5 million (11.2) is lower than last year.

Summary balance sheet for the Parent company

SEK thousands	31/12/2019	31/12/2018
ASSETS		
Tangible assets	-	1 366
Financial fixed assets	1 199 083	840 005
Deferred tax assets	267	41
TOTAL NON-CURRENT ASSETS	1 199 350	841 412
Other current receivables	387 523	420 157
Cash and cash equivalents	-	-
TOTAL CURRENT ASSETS	387 523	420 157
TOTAL ASSETS	1 586 873	1 261 569
EQUITY AND LIABILITIES		
Restricted equity	37 745	37 745
Non-restricted equity	610 645	507 695
Total equity	648 389	545 439
Untaxed reserves	52 400	53 054
Other provisions	32 073	41 310
Provisions	32 073	41 310
Non-current interest-bearing liabilities	210 000	683
Total non-current liabilities	210 000	683
Interest-bearing current liabilities	609 118	563 411
Trade and other payables	2 766	3 568
Other current liabilities	32 126	54 103
Total current liabilities	644 010	621 082
TOTAL LIABILITIES	886 084	663 076
TOTAL EQUITY AND LIABILITIES	1 586 873	1 261 569

The change in financial fixed assets compared with the same period last year is attributable to the acquisition of the companies within the Trafotek group and MiniCon made during the second and third quarters of 2019, as well as new long-term receivables from subsidiaries. Other current receivables are mainly receivables from Group companies MSEK 375.5 (414.1) and consist of Group contributions and cash pool.

The increase in unrestricted equity of SEK 103.0 million compared to 2018-12-31 consists of profit for the period with a deduction for dividend to shareholders.

Untaxed reserves consist of tax allocation reserves. Other provisions of SEK 32.1 million consist of additional purchase price in connection with the acquisition of B3CG.

Non-current interest-bearing liabilities of SEK 210 million (0.7) are bank loans in connection with the acquisition of Trafotek.

Interest-bearing current liabilities increased by SEK 45.7 million compared to the same period last year, and consist of short-term bank loans of SEK 260.0 million (285.0), utilization of the overdraft SEK 56.1 million (109.9) and liabilities to group companies in the cash pool SEK 233.8 million (167.9).

Other current liabilities of SEK 32.1 million (54.1) consists of other liabilities and accrued costs and revenues.

Notes to the financial statements in summary

Note 1. Accounting principles

The summary interim report has been prepared in accordance with 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, except for IFRS 16, se Note 2.

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 began to apply IFRS 16. IFRS 16 means that all leases are recognized in the consolidated balance sheet, with the exception of leases of lesser value and contracts with a maximum term of 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 comparison will be made of the comparative figures and that the initial value of equity will not be affected. See Note 2 for more information.

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

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

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

MSEK	December 31, 2019	December 31, 2018
Property	289	269
Machines	7	7
Vehicles	8	8
IT-equipment	1	1
Total right-of-use assets	305	285

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

Excerpt from The Group's income statement

SEK million	IFRS16		IAS17		IFRS16		IAS17	
	Oct-Dec 2019	Oct-Dec 2019	Oct-Dec 2018	Full Year 2019	Full Year 2019	Jan-Dec 2018	Jan-Dec 2018	
EBITDA	125	102	86	561	477	320	320	
Depreciations	-60	-38	-29	-220	-139	-112	-112	
Operating profit (EBIT)	65	64	57	340	338	208	208	
Net finance costs	-7	-6	-4	-19	-14	-10	-10	
Profit before tax (EBT)	58	58	53	321	324	198	198	
Profit for the period	48	48	47	263	265	153	153	
Profit margin before tax (EBT %)	4,5%	4,5%	4,4%	6,3%	6,3%	4,2%	4,2%	

Excerpt from the Group's Balance Sheet

SEK million	IFRS16		IAS17	
	31/12/2019	31/12/2019	31/12/2019	31/12/2018
Assets				
Right-of-use-assets	305	-	-	-
Other fixed assets	1 334	1 338	-	-
Total fixed assets	1 639	1 338	1 022	1 022
Total assets	3 852	3 551	3 100	3 100
Equity				
Profit brought forward including profit for the period	1 731	1 734	1 521	1 521
Total equity	2 015	2 017	1 783	1 783
Liabilities				
Long term lease liabilities	225	2	4	4
Total long term liabilities	586	363	154	154
Short term lease liabilities	83	2	2	2
Total short term liabilities	1 252	1 171	1 163	1 163
Total liabilities	1 837	1 534	1 317	1 317
Total equity and liabilities	3 852	3 551	3 100	3 100
Soliditet	52%	57%	58%	58%

Excerpt from the Group's Cash-flow statement

SEK million	IFRS16		IAS17		IFRS16		IAS17	
	Oct 1 -Dec 31, 2019	Oct 1 -Dec 31, 2019	Oct 1 -Dec 31, 2018	Jan 1 -Dec 31, 2019	Jan 1 -Dec 31, 2019	Jan 1 -Dec 31, 2018	Jan 1 -Dec 31, 2018	
Profit before tax	58	56	53	321	324	198	198	
Adjustment for non-cash items, etc	58	35	23	223	136	179	179	
Net cash from operating activities	153	128	41	499	415	151	151	
Net cash used in investing activities	-67	-67	-34	-481	-481	-241	-241	
Payment of finance lease liabilities	-23	0	-1	-85	-1	-7	-7	
Cash flow from financing activities	-47	-24	-9	42	126	44	44	
Change in cash and cash equivalents for the period	39	39	-2	60	60	-47	-47	

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

Fourth quarter

For the segment Component, the total net sales for the fourth quarter was SEK 1 096 million (993), of which SEK 992 million (910) is external sales. The increase of the external sales of totally SEK 82 million is due to increased demands from our acquisitions.

For the segment System, the total net sales for the fourth quarter was SEK 348 million (345), of which SEK 308 million (306) is external sales. The increase of the external sales of SEK 2 million is due to increased demand from our customers.

Operating profit (EBIT) in the fourth quarter was SEK 38 million (27) for Component, which was SEK 11 million better than the same period last year. Operating profit (EBIT) for System was SEK 29 million (35), which was SEK 6 million lower 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.

Oct-Dec 2019, SEK thousands	2)	Component	System	Unallocated and eliminations	Group
Net sales, external		992 177	307 576		1 299 754
Net sales, internal		104 400	40 794	-145 194	
Total net turnover		1 096 577	348 370	-145 194	1 299 754
Material costs, excl. purchases own segment		-556 423	-246 495	119 044	-683 874
Depreciation		-53 689	-6 040	-157	-59 886
Other operating expenses/income		-448 555	-66 660	23 970	-491 244
Operating profit		37 910	29 175	-2 336	64 749
Net financial items				-6 771	-6 771
Profit before tax		37 910	29 175	-9 107	57 978
Other comprehensive income plus tax				-63 714	-63 714
Comprehensive income for the period		37 910	29 175	-72 821	-5 736
Oct-Dec 2018, SEK thousands	1)				
Net sales, external		909 899	306 329		1 216 228
Net sales, internal		82 717	38 396	-121 113	
Total net turnover		992 616	344 725	-121 113	1 216 228
Material costs, excl. purchases own segment		-525 298	-241 827	109 378	-657 747
Depreciation		-27 639	-1 459	-86	-29 184
Other operating expenses/income		-412 296	-66 495	6 414	-472 377
Operating profit		27 383	34 945	-5 407	56 921
Net financial items				-3 646	-3 646
Profit before tax		27 383	34 945	-9 053	53 275
Other comprehensive income plus tax				-4 998	-4 998
Comprehensive income for the period		27 383	34 945	-14 051	48 277

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

Full year

For the segment Component, the total net sales for the full year was SEK 4 339 million (3 945), of which SEK 3 962 million (3 584) is external sales. The increase of the external sales of totally SEK 378 million is due to increased demand 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 full year was SEK 1 300 million (1 255), of which SEK 1 150 million (1 083) is external sales. The increase of the external sales of SEK 67 million is due to increased demand from our customers.

Operating profit (EBIT) for the full year was SEK 244 million (135) for Component, which was SEK 109 million better than the same period last year. Operating profit (EBIT) for System was SEK 103 million (84), which was SEK 19 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		3 962 476	1 150 126		5 112 602
Net sales, internal		376 985	149 967	-526 952	
Total net turnover		4 339 461	1 300 093	-526 952	5 112 602
Material costs, excl. purchases own segment		-2 181 004	-923 470	449 810	-2 654 664
Depreciation		-195 463	-24 040	-687	-220 191
Other operating expenses/income		-1 718 564	-249 988	71 300	-1 897 252
Operating profit		244 430	102 595	-6 530	340 495
Net financial items				-19 084	-19 084
Profit before tax		244 430	102 595	-25 613	321 412
Other comprehensive income plus tax				-38 658	-38 658
Comprehensive income for the period		244 430	102 595	-64 271	282 754
YTD 2018, SEK thousands	1)				
Net sales, external		3 583 912	1 083 308		4 667 220
Net sales, internal		361 435	171 355	-532 790	
Total net turnover		3 945 347	1 254 663	-532 790	4 667 220
Material costs, excl. purchases own segment		-2 040 756	-911 413	489 798	-2 462 371
Depreciation		-107 038	-4 874	-319	-112 231
Other operating expenses/income		-1 662 330	-254 133	32 029	-1 884 434
Operating profit		135 223	84 243	-11 282	208 184
Net financial items				-9 862	-9 862
Profit before tax		135 223	84 243	-21 144	198 322
Other comprehensive income plus tax				-8 495	-8 495
Comprehensive income for the period		135 223	84 243	-29 640	189 827

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

Fourth quarter

The turnover divided among geographical markets in the fourth quarter: Sweden 35 % (41), other European countries 50 % (46) and other countries 15% (13).

Oct-Dec 2019, SEK Thousands	Component	System	Unallocated and eliminations	Group
Sweden	279 195	220 205	9 609	509 008
Other European countries	645 367	87 290		732 657
Other countries	172 016	40 875		212 891
Net sales	1 096 577	348 370	9 609	1 454 556
Internal sales, eliminations			-154 802	-154 802
Total net turnover	1 096 577	348 370	-145 194	1 299 754

Oct-Dec 2018, SEK Thousands	Component	System	Unallocated and eliminations	Group
Sweden	307 766	238 857	13 415	560 039
Other European countries	547 834	72 711		620 545
Other countries	137 015	33 157		170 172
Net sales	992 616	344 725	13 415	1 350 756
Internal sales, eliminations			-134 528	-134 528
Total net turnover	992 616	344 725	-121 113	1 216 228

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

Full year

The turnover divided among geographical markets for the full year: Sweden 35 % (43), other European countries 50 % (45) and other countries 14 % (12).

YTD 2019, SEK Thousands	Component	System	Unallocated and eliminations	Group
Sweden	1 146 703	822 634	43 113	2 012 451
Other European countries	2 519 117	334 105		2 853 222
Other countries	673 640	143 354		816 994
Net sales	4 339 461	1 300 093	43 113	5 682 667
Internal sales, eliminations			-570 065	-570 065
Total net turnover	4 339 461	1 300 093	-526 952	5 112 602

YTD 2018, SEK Thousands	Component	System	Unallocated and eliminations	Group
Sweden	1 375 623	821 766	51 637	2 249 027
Other European countries	2 092 857	274 957		2 367 814
Other countries	476 866	157 939		634 806
Net sales	3 945 347	1 254 663	51 637	5 251 647
Internal sales, eliminations			-584 427	-584 427
Total net turnover	3 945 347	1 254 663	-532 790	4 667 220

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-Dec 2019	Jan-Dec 2018	Jan-Dec 2017
Bulgaria	1 308	1 268	1 146
Poland	1 123	1 147	1 010
Sweden	856	900	1 043
Lithuania	759	721	688
Estonia	596	420	385
China	478	440	472
Hungary	363	379	430
Finland	215	121	-
Mexico	196	205	162
Canada	166	153	-
India	129	133	123
USA	78	105	-
Serbia	35	32	36
Italy	21	20	19
Brazil	4	-	-
Germany	3	-	-
Thailand	-	25	34
	6 330	6 069	5 548

Note 5. Acquisitions

AQ's strategy is to grow in both segments. During the period January to December one major and one minor acquisition were made. No divestments were made.

Acquisitions during 2019:

Date	Acquisition	Number of employees*
June 3, 2019	LTI Holding Oy	3 Finland
	Trafotek Oy	100 Finland
	Trafotek Oy	3 Germany
	Trafotek AS	250 Estonia
	Trafotek Suzhou Co, Ltd	40 China
	Trafotek Power Electronics e Transformadores	6 Brazil
	Trafotek Corporation USA	- USA
July 1, 2019	MiniCon AB	3 Sweden

Annual revenues for acquired companies at the time of the acquisition total SEK 497 million, allocated to Trafotek group SEK 487 million and MiniCon AB SEK 10 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 the period June to December, the acquired company contributed SEK 302 million to the Group's revenue and SEK 8.5 million to the Group's profit after tax including acquisition related depreciations. The contribution to the profit after tax excluding acquisition related depreciations amount to SEK 14.2 million.

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 including acquisition related depreciations would have been SEK 9 million better for the full year of 2019. The contribution to the profit after tax excluding acquisition related depreciations would have been SEK 13.2 million better.

MiniCon AB

On July 1, AQ Wiring Systems AB acquired all shares in MiniCon AB with annual sales of approximately SEK 10 million. The purpose of the acquisition is that MiniCon AB is a good complement to AQ Wiring Systems AB, through its expertise in components. The purchase price was SEK 4.5 million in cash.

The company has prepared a preliminary acquisition analysis that shows consolidated overvalues of approx. SEK 3.3 million divided into customer relations SEK 1.8 million, goodwill SEK 1.5 million and a deferred tax liability of SEK 0.4 million. The depreciation rate is estimated at 5 years for customer relations. The estimated goodwill value of SEK 1.5 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.

There were no external costs in conjunction with the acquisition.

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 without a new bank loan.

During the period July to December, the acquired company contributed SEK 2.8 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 June, the management estimates that the Group's revenue would have been SEK 3.4 million higher and the profit for the period after tax would have been SEK 0.5 million better for the full year of 2019.

Net assets in acquired companies:
(SEK thousands)

	MiniCon AB	Trafotek Group	Group total
Intangible assets	-	1 678	1 678
Tangible assets	11	148 888	148 899
Financial assets	-	131	131
Deferred tax on tax losses	-	42 529	42 529
Inventories	3 971	78 169	82 140
Operating receivables	1 773	38 581	40 354
Tax liabilities	-62	-4 307	-4 369
Operating liabilities	-4 097	-88 927	-93 024
Liquid funds	38	23 050	23 088
Net loans, incl IFRS16	-	-79 068	-79 068
Acquired net assets	1 634	160 724	162 357
Customer relations	1 799	31 673	33 472
Technologies	-	38 114	38 114
Deferred tax on surplus values	-385	-13 957	-14 342
Goodwill	1 453	75 517	76 969
Purchase price shares	4 500	292 070	296 570
Cash flow effect			
Cash paid	-4 500	-292 070	-296 570
Total consideration paid	-4 500	-292 070	-296 570
Liquid funds in acquired company	38	23 050	23 088
Total cash flow effect	-4 462	-269 019	-273 482
Paid purchase price for previous years' acquisitions			-22 089
Total cash flow effect acquisition of shares in subsidiaries			-295 571

Note 6. Items affecting comparability

In the numbers for previous year are the following items affecting comparability included that refers to the bankruptcy of subsidiary Segerström & Svensson AB.

Income Statement

SEK thousands	Group		Parent company	
	Oct-Dec 2018	Jan-Dec 2018	Oct-Dec 2018	Jan-Dec 2018
Other external expenses	-5 127	-11 042	-	-577
Other operating expenses	-	-59 670	-	-
Operating profit	-5 127	-70 712	-	-577
Net financial income/expenses	-2 648	-2 648	-2 648	-63 971
Profit before tax	-7 775	-73 360	-2 648	-64 548

Specification of items affecting comparability:

Loss from divestment	-	-18 835	-	-21 226
Write-down of receivables	-2 648	-43 322	-2 648	-42 745
Bad debt loss	-5 127	-11 042	-	-577
Other accruals	-	-161	-	-
	-7 775	-73 360	-2 648	-64 548

Balance Sheet

Balance sheet of AQ Segerström & Svensson AB at the time of the bankruptcy:

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

The above items mean that the reported tax rate is high as most items are not deductible.

Not 7. Financial instruments

Financial instruments that are shown in the balance sheet include on the assets side mainly cash or cash equivalents, receivables from customers and other receivables. On the liabilities side they consist mainly of payables to suppliers, other payable, 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 December 31, the market value of derivatives amounted to SEK -1.2 million (-0.2) 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.

Additional purchase price

	2019
Debt opening balance 01/01/2019	52 593
Repaid during the year	-22 089
Translation differences	1 569
Closing balance 30/12/2019	32 073

Note 8. Events after the end of the reporting period

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

Note 9. Calculation of key figures and definitions

	2) 2019				1) 2018				
	Q1	Q2	Q3	Full year	Q1	Q2	Q3	Q4	Full year
Operating margin, (EBIT %)									
Operating profit	95 707	93 363	86 676	340 495	71 539	57 766	21 959	56 921	208 184
Net revenue	1 252 861	1 313 431	1 246 556	5 112 602	1 090 122	1 223 542	1 137 327	1 216 228	4 667 220
Operating margin	7,6%	7,1%	7,0%	6,7%	6,6%	4,7%	1,9%	4,7%	4,5%
EBITDA									
Profit before tax	95 707	93 363	86 676	340 495	71 539	57 766	21 959	56 921	208 184
Depreciations/amortisations	-47 543	-52 074	-60 687	-220 191	-23 808	-26 927	-32 311	-29 184	-112 231
EBITDA	143 250	145 437	147 363	560 686	95 347	84 693	54 270	86 105	320 415
Profit margin before tax, (EBT %)									
Profit before tax	92 949	88 478	82 007	321 412	68 397	55 411	21 239	53 275	198 322
Net revenue	1 252 861	1 313 431	1 246 556	5 112 602	1 090 122	1 223 542	1 137 327	1 216 228	4 667 220
Profit margin before tax	7,4%	6,7%	6,6%	6,3%	6,3%	4,5%	1,9%	4,4%	4,2%
Liquid ratio, %									
Trade receivables	1 102 473	1 172 077	1 111 759	1 043 903	1 024 591	1 103 424	1 045 422	1 081 833	1 081 833
Other current receivables	130 916	133 749	151 642	118 269	161 071	149 262	115 188	104 804	104 804
Cash and cash equivalents	114 916	122 807	126 950	161 323	155 151	139 988	102 184	100 683	100 683
Current liabilities	1 251 913	1 402 806	1 343 761	1 251 506	1 059 940	1 288 721	1 194 084	1 163 307	1 163 307
Liquid ratio	108%	102%	103%	106%	126%	108%	106%	111%	111%
Debt/equity ratio, %									
Total equity	1 896 417	1 928 490	2 020 893	2 015 157	1 759 434	1 754 072	1 736 971	1 782 711	1 782 711
Total assets	3 491 605	3 971 975	3 983 140	3 852 305	2 904 192	3 262 755	3 104 465	3 099 788	3 099 788
Debt/equity ratio	54%	49%	51%	52%	61%	54%	56%	58%	58%
Return on total assets, %									
Profit before tax, rolling 12 months	222 874	255 941	316 709	321 412	231 967	216 900	176 845	198 322	198 322
Financial expenses, rolling 12 months	-19 547	-22 583	-27 215	-29 753	-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	3 104 465	3 099 788	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	3 983 140	3 852 305	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	3 543 803	3 476 046	2 748 651	2 927 018	2 836 117	2 888 616	2 888 616
Return on total assets	7,6%	7,7%	9,7%	10,1%	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	262 738	262 871	185 336	173 510	123 016	152 544	152 544
Total equity, opening for 12 months	1 759 434	1 754 072	1 736 971	1 782 711	1 543 686	1 552 257	1 580 103	1 643 193	1 643 193
Total equity, closing	1 896 417	1 928 490	2 020 893	2 015 157	1 759 434	1 754 072	1 736 971	1 782 711	1 782 711
Total equity, average	1 827 925	1 841 281	1 878 932	1 898 934	1 651 560	1 653 165	1 658 537	1 712 952	1 712 952
Return on equity after tax	9,4%	10,5%	14,0%	13,8%	11,2%	10,5%	7,4%	8,9%	8,9%
Net cash / Net debt									
Cash and cash equivalents	114 916	122 807	126 950	161 323	155 151	139 988	102 184	100 683	100 683
Non-current interest bearing liabilities	206 722	496 249	472 012	442 411	9 817	46 478	21 405	16 667	16 667
Current interest bearing liabilities	391 292	533 659	480 895	474 004	248 309	414 606	420 982	417 480	417 480
Total interest bearing liabilities	598 014	1 029 907	952 906	916 416	258 126	461 084	442 387	434 146	434 146
Net cash / Net debt	-483 098	-907 100	-825 956	-755 093	-102 975	-321 096	-340 203	-333 464	-333 464
Growth, %									
Organic growth									
Net revenue	1 252 861	1 313 431	1 246 556	5 112 602	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	18 195	101 439	21 159	32 485	42 275	28 605	124 524
- Net revenue for last year	1 090 122	1 223 542	1 137 327	4 667 220	1 001 898	1 077 380	923 142	1 017 321	4 019 740
- Net revenue for acquired companies	95 224	37 667	134 417	400 297	92	87 276	87 176	91 217	265 762
= Organic growth	35 108	26 914	-43 383	-56 354	66 973	26 402	84 733	79 085	257 194
Organic growth divided by last year net revenue, %	3,2%	2,2%	-3,8%	-1,2%	6,7%	2,5%	9,2%	7,8%	6,4%
Growth through acquisitions									
Net revenue for acquired companies divided by last year net revenue, %	8,7%	3,1%	11,8%	8,6%	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 IFRS 16

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.

AQ presents net debt with and without the impact of IFRS 16.

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, 2019, in total about 6,300 employees in Sweden, Bulgaria, China, Estonia, Hungary, India, Italy, Lithuania, Mexico, Poland, Serbia, Finland, Canada, USA, Brazil and Germany.

In 2019 AQ had net sales of about SEK 5.1 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.