

Västerås, October 21, 2021



AQ Group AB (publ), Third quarter, 2021

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Third quarter, July-September 2021 in brief

- Strong demand but limitations in supply of materials and components
- Net sales increased by 18.2% to SEK 1,306 million (1,104)
- Operating profit (EBIT) decreased by 3.5% to SEK 94 million (97)
- Profit after financial items (EBT) decreased by 2.5% to SEK 91 million (93)
- Profit margin before tax (EBT %) was 6.9% (8.4)
- Cash flow from operating activities decreased by 28.5% to SEK 99 million (139)
- Earnings per share after tax decreased by 4.3% to SEK 4.12 (4.30)

Nine months, January-September 2021 in brief

- Net sales increased by 11.5% to SEK 3,974 million (3,563)
- Operating profit (EBIT) increased by 20.6% to SEK 333 million (276)
- Profit after financial items (EBT) increased by 28.1% to SEK 331 million (258)
- Profit margin before tax (EBT %) was 8.3% (7.2)
- Cash flow from operating activities decreased by 23.0% to SEK 343 million (445)
- Earnings per share after tax increased by 24.7% to SEK 15.23 (12.21)
- Equity ratio was 55% (56)

Group overview, key figures

SEK M unless otherwise stated	2021				2020				Full year
	Q1	Q2	Q3	Ack	Q1	Q2	Q3	Q4	
Net turnover	1,307	1,361	1,306	3,974	1,342	1,116	1,104	1,256	4,819
Operating profit (EBIT)	121	118	94	333	98	81	97	125	401
Profit after net financial items (EBT)	126	114	91	331	87	78	93	111	369
Profit for the period	109	96	76	280	76	70	79	93	318
Total equity	2,352	2,438	2,526	2,526	2,176	2,129	2,206	2,191	2,191
Operating margin (EBIT), %	9.3	8.7	7.2	8.4	7.3	7.2	8.8	10.0	8.3
Profit margin before tax (EBT), %	9.6	8.4	6.9	8.3	6.5	7.0	8.4	8.8	7.7
Liquid ratio, %	134	167	142	142	108	155	169	135	135
Debt/equity ratio, %	56	57	55	55	54	56	56	57	57
Return on total assets, % ²⁾	10.6	11.9	11.3	11.3	9.5	8.8	8.9	10.8	10.8
Return on equity after tax, % ²⁾	15.5	16.5	15.8	15.8	12.9	12.9	12.9	15.1	15.1
Number of employees in Sweden	782	792	794	794	833	805	789	794	794
Number of employees outside Sweden	5,298	5,206	5,711	5,711	5,465	5,231	5,237	5,097	5,097
Key indicators per share, SEK ¹⁾									
Profit for the period	5.89	5.22	4.12	15.23	4.11	3.80	4.30	5.03	17.24
Equity	128.56	133.29	138.06	138.06	118.97	116.38	120.60	119.75	119.75
Number of shares, thousands	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.

A word from the CEO



We have strong demand, but we have difficulties to deliver. I really don't need to say more. Just like last quarter, customers want to buy everything we can produce. We are primarily limited by the availability of components for wiring systems and electrical cabinets, but it is also difficult to find labor in some of our markets. I am impressed by our employees, who despite this turbulent situation, succeed in making our customers happy in most cases. My view is that we take market shares and that we are a little better at delivering than our competitors. Our operating margin decreases somewhat compared with the previous quarter due to component shortages that cause disruptions to our production in combination with the fact that we have some lag in the transfer of raw material price changes to our customers.

Third quarter

Our factories are running at high speed, but productivity is declining when we don't get components on time. During the quarter, some customers temporarily closed their factories because they didn't receive material from other suppliers, which has a negative effect on us. Net sales are still at an ok level, which could, however, be higher if we were not limited by the supply of materials and components. We have a growth of 18% where 10% is organic growth and 8% attributable to the acquisition from Schaffner. During the quarter, we worked intensively to pass on raw material price increases to our customers. We have come a long way but are not ready. The price changes for raw materials that are governed by agreements with our customers often have a lag of three to six months. This affects our operating margin which was 7.2% in the quarter.

The disruptions we had in the quarter affect the delivery precision to our customers, which in the quarter is 90% compared with the target of 98%. We work together with our customers to minimize disruptions in their production. During the quarter, we made several investments in increased capacity, including expanding production areas in Mexico and Bulgaria, purchasing additional machine capacity in several of our factories to increase our delivery capacity to our customers. Our work to improve our wiring systems unit in Mexico continues, we continue to have problems and we are disrupting our customers.

Customers

Being able to deliver good quality on time to our customers is our highest priority. Therefore, we have increased our inventory, especially of critical components, to minimize disruption to our customers. We also put a lot of time and effort into working with our suppliers to shorten lead times, reduce transport times and getting material.

At the same time as our existing customers have strong demand, we have many interesting new customer projects. We have several fun projects in energy storage both from large established industrial companies and start-ups, where we help our customers with the design and production of their solutions. We also have exciting projects with supercapacitors that are needed to balance the uneven supply of electricity from solar and wind power as well as water-cooled transformers to high-voltage vehicle chargers.

During the quarter, our factory in Lithuania signed a new agreement with the delivery of wiring systems for truck cabins to a well-known European customer. It is an important project that fits perfectly into our new factory in Lithuania, which will be ready in early 2022. This means additional sales of approximately SEK 135 million per year, with full volumes in 2023.

We also see that several of our customers are starting to think like us, that it is best to manufacture products close to their customers. This means that several customers are moving existing products from Asia to Europe and the USA. It is positive for us and for the environment.

The only of our customer segments that have not yet recovered from the pandemic, are trains, buses and ships. We now see that volumes for trains and buses are returning, but that the products we deliver to ships will not recover until 2022.

Acquisitions

Our M&A team works continuously to identify potential acquisitions that fit in AQ.

At the beginning of the third quarter, the three new factories that we acquired from the Schaffner Group are now part of AQ. The acquired units in Hungary and the USA have high utilization and make a positive contribution. The factory in China and the sales office in Germany have challenges in terms of utilization and profitability. Overall, these units complement AQ's business area inductive components in a very good way, both in terms of technology and geographical coverage. As a result, we have a technically strong sales organization in Germany, the USA, Italy, Sweden, Finland, China, India and Brazil. As well as fine manufacturing units in Hungary, Bulgaria, Estonia, China, India, Finland, USA and Brazil. We believe that this acquisition will contribute to AQ's long-term ambition to be a global leader in the design and production of inductive components in our niches such as rail vehicles and electrification. Our inductive components are necessary for the conversion that is now taking place to electric vehicles powered by green renewable electricity. The acquisition contributes to about 8% growth in our net sales on an annual basis. The closing of the acquisition took place according to plan on July 1 this year.

Covid-19

The pandemic had little effect on AQ during the quarter. But demand for products for trains, buses and ships has not yet recovered. We will continue with the measures we have introduced and are prepared to do so for a longer period. All our production units are up and running and we work closely with our customers to minimize the effects of the pandemic.

Environment and work environment

AQ has management systems for the environment at all our manufacturing units. These contain concrete goals, metrics and activities to reduce our environmental impact. One requirement is that there must be local targets for reducing CO2 emissions at each unit. We also try to encourage our customers to buy locally from our factories in each geographic market to reduce long-distance transports.

Cash flow and balance sheet

Our balance sheet is strong. We have low debt. On the other hand, we see that our cash flow is affected by our growth, ie. that our inventory and our accounts receivable increased during the quarter. Our strong balance sheet allows us to focus on our customers and continue to invest and grow with them. Our strong financial position and an equity ratio of 55% means that we have the freedom to act when our M&A team finds attractive acquisition opportunities.

Employees and core values

What makes AQ successful is that we have fantastic employees who work in accordance with our core values. We have no patents or complicated contracts. It should be simple to work with AQ. We want our customers to want to buy from us not because they have to. Our ambition is that we thereby will continue to grow our sales and our profit.

Quite simply: We shall continue to grow, make money, and have fun.

James Ahrgren
CEO

Group's financial position and results

Third quarter

Net sales for the third quarter were SEK 1,306 million (1,104), an increase of SEK 201 million compared to the same period in the previous year. The total growth in the quarter was 18.2%, of which organic growth 10.4%, growth through acquisitions 8.4% and currency effects of -0.6%. The currency effect corresponded to about SEK -6 million and was mainly driven by the currencies PLN, CNY and EUR.

Operating margin (EBIT) in the third quarter was SEK 94 million (97), a decrease of SEK 3 million. Our operating margin decreases somewhat due to component shortages that cause disruptions to our production in combination with the fact that we have some lag in the transfer of raw material price changes to our customers. The EBT margin was 6.9%. Net financial items in the quarter amounted to SEK -3 million (-4).

Cash flow from operating activities was SEK 99 million (139).

Cash flow from investing activities was SEK -258 million (-21), which relates mainly to acquisition of subsidiaries of SEK -185 million (-3) and replacement and capacity investments in fixed assets of SEK -62 million (-23).

Cash flow from financing activities was SEK 47 million (-34).

First nine months

Net sales for the first nine months was SEK 3,974 million (3,563), an increase of SEK 411 million compared to the previous year. For the first nine months the total growth was 11.5%, of which organic growth 12.5%, growth through acquisitions 2.6% and a currency effect of -3.6%. The currency effect corresponds to SEK -127 million and was mainly driven by the currencies EUR, PLN and BGN.

Operating margin (EBIT) for the first nine months was SEK 333 million (276) an increase of SEK 57 million compared to the previous year. The first nine months of 2021 have been characterized by high demand, primarily in medical technology, trucks and construction machines, high capacity utilization in our production units and continued cost control. However, component shortages have caused disruptions to our production in combination with the fact that we have some delay in the transfer of raw material price changes to our customers, which has had a negative effect on operating profit during the period.

The Group's investments in tangible fixed assets for the period amounted to SEK 120 million (102) and pertain to capacity investments and improvement projects for more efficient production, both in Europe and Asia. Total tangible fixed assets amounted to SEK 1,005 million (955), of which SEK 250 million (266) consisted of the book value of right-of-use assets in accordance with IFRS 16.

Interest bearing liabilities of the group was SEK 872 million (798) and cash and cash equivalents amounted to SEK 505 million (333), which means that the group had a net debt of SEK 367 million (466). The Group's interest-bearing liabilities without regard to leasing liabilities amounted to SEK 617 million (529), which means a net debt adjusted for leasing liabilities of SEK 112 million (196).

Cash flow from operating activities was SEK 343 million (445) and was during the period negatively affected by the increased inventory levels to meet the increased demand and reduce the effects of the disturbances in the supply chain.

Cash flow from investing activities was SEK -315 million (-120), which relates mainly to acquisition of subsidiaries of SEK -185 million (-20) and investments in fixed assets of SEK -120 million (-102).

Cash flow from financing activities was SEK 11 million (-151) and includes raising new loans in connection with the acquisitions in the period.

Equity at the end of the period was SEK 2,526 million (2,206) for the group.

Significant events during the first nine months

First quarter

On February 19, 2021, Aeternum Capital acquired 1,850,000 shares in AQ Group AB (publ) from AQ's founders Claes Mellgren and Per-Olof Andersson. The sale corresponds to 10.1% of the company's shares. After the transaction, the founders' shareholding amounts to 39.3%. The Nomination Committee proposes Vegard Søråunet from Aeternum Capital as a new board member of AQ Group to this year's Annual General Meeting. Anders Carlsson leaves his position as CEO on March 31, 2021

Second quarter

James Ahrgren takes over as the new CEO on April 1, 2021.

On April 15, 2021, AQ Group AB signs an agreement with the Swiss Schaffner Group to acquire their Power Magnetics division. Preliminary purchase price amounts to CHF 22.4 million on a debt-free cash-free basis (enterprise value). The division has an annual turnover of approximately CHF 45 million with an EBITDA margin of approximately 7% and the number of employees amounts to approximately 320. Closing is planned for 1 July 2021.

Third quarter

On July 1, 2021, the deal with the Schaffner Group acquiring their Power Magnetics Division was closed according to plan. Schaffner's Power Magnetics division is a leading supplier in the design and manufacturing of specialized power electronics components, such as reactors, transformers, and filters in medium to high power. Its customers include leading players in the railway, industrial and electrification sectors. AQ Group takes over the Power Magnetics units in Paderborn (Germany), Kecskemét (Hungary), Wytheville and Roanoke (Virginia, USA) and the Power Magnetics part in Shanghai (China), with all employees.

The new units will be part of the Inductive Components business area and are expected to contribute with approximately 8% growth in our net sales on an annual basis. The purchase price paid amounted to SEK 208 million, of which SEK 17 million was paid as a final adjustment on October 8, 2021.

Significant events after the end of the period

No significant events have occurred after the end of the period.

Goals

The goal of the group is continued profitable growth. The goal is a profit margin before tax (EBT) of 8% during a business cycle. 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-Sep 2021
Product quality	100%	99.4%
Delivery precision	98%	90.2%
Equity ratio	>40%	55%
Profit margin before tax, (EBT %)	8%	8.3%

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 a cash pool in the parent company. The companies are charged/given interest rates at market level.

AQ Group AB did not pay a share dividend to its shareholders during 2020, neither during this year. No other transactions between AQ and related parties that significantly affected the company's position and results have taken place either. There are no loans to board members or other key people in senior positions.

A further description of related party transactions is provided in Note 33 and remuneration to the Board and Group Management is provided in Note 9 to the Annual Report for 2020.

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 2020. The ongoing Covid-19 pandemic that has hit the world has resulted in increased risks and uncertainties that could have a significant impact on AQ's customers and suppliers, which in turn affect the actual outcome for AQ. 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 prominent in a shorter perspective are the impacts of component shortages on delivery precision and the impact of the Covid-19 pandemic on customers, personnel and suppliers, currency and price risks.

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 aluminum, 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 consists of members who are appointed by each of the four largest shareholders in terms of votes. The Nomination Committee's term of office extends until a new Nomination Committee has been appointed. The Nomination Committee before the AGM 2022 was announced on October 19, 2021, and consists of Henrik Carlman (Aeternum Capital), Hans Christian Bratterud (ODIN Fonder), Per Olof Andersson and Claes Mellgren. The Nomination Committee has elected Hans Christian Bratterud as its chairman.

Future reporting dates

Year-end report, 2021	February 17, 2022, at 08:00
Interim report Q1, 2022	April 21, 2022, at 13:00
Annual General Meeting	April 21, 2022, at 18:00
Interim report Q2, 2022	July 15, 2022, at 08:00

Other information

The information in this interim report shall be made public in accordance with the EU Market Abuse Regulation and the Securities Market Act of Sweden. The information was released by CEO James Ahrgren for publication at 08:00 hours on October 21, 2021.

AQ Group AB (publ) is listed on Nasdaq Stockholm's main market.

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.aqgroup.com

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, October 21, 2021

James Ahrgren
CEO

Review report

To the board of AQ Group AB (publ)

Corp. id. 556281-8830

Introduction

We have reviewed the summary interim financial information (interim report) of AQ Group AB (publ) as of 30 September 2021, and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Västerås, October 21, 2021

KPMG AB

Hök Olov Forsberg
Authorized Public Accountant

Financial reports, summary

Summary Income Statement for the Group

SEK M	Note	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	R12 Oct 2020 -Sep 2021	Full Year 2020
Net sales		1,306	1,104	3,974	3,563	5,230	4,819
Other operating income		25	26	82	106	130	153
Total income		1,331	1,131	4,056	3,669	5,359	4,972
Change in inventory and work in progress		55	-4	105	-11	97	-18
Raw material and consumables		-717	-545	-2,032	-1,770	-2,614	-2,352
Goods for resale		-16	-13	-102	-49	-141	-89
Other external expenses		-145	-106	-412	-347	-534	-469
Personnel costs		-344	-297	-1,077	-997	-1,433	-1,353
Depreciation and amortisation		-62	-59	-173	-177	-230	-234
Other operating expenses		-9	-9	-31	-41	-47	-57
Total operating costs		-1,237	-1,033	-3,723	-3,393	-4,901	-4,571
Operating profit		94	97	333	276	458	401
Net financial income/expense	5	-3	-4	-2	-18	-16	-32
Profit before tax		91	93	331	258	442	369
Taxes		-15	-14	-50	-33	-69	-51
Profit for the period		76	79	280	225	373	318
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:							
Parent company shareholders		75	79	279	223	371	315
Non-controlling interests		0	1	2	2	2	2
		76	79	280	225	373	318
Earnings per share ¹⁾		4.12	4.30	15.23	12.21	20.26	17.24

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

Statement of comprehensive income for the Group, summary

SEK M	Note	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	R12 Oct 2020 -Sep 2021	Full Year 2020
PROFIT FOR THE PERIOD		76	79	280	225	373	318
OTHER COMPREHENSIVE INCOME							
Items that cannot be transferred to the profit for the period							
Revaluation of defined benefit pension plans		-	-	-	-	-0	-0
Revaluation of defined benefit pension plans, tax effect		-	-	-	-	0	0
Items transferred or that can be transferred to the profit							
Translation difference for foreign operations		12	-2	55	-34	-54	-142
Other comprehensive income for the period after tax		12	-2	55	-34	-54	-142
Comprehensive income for the period		87	77	335	191	319	175
COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:							
Parent company shareholders		87	77	333	189	317	173
Non-controlling interests		0	1	2	2	2	2
		87	77	335	191	319	175

Summary Balance Sheet for the group

SEK M	Note	Sep 30 2021	Sep 30 2020	Dec 31 2020
ASSETS				
NON-CURRENT ASSETS				
Goodwill		369	347	330
Other intangible assets		168	195	178
Tangible assets		1,005	955	913
Financial assets		2	2	2
Deferred tax assets		58	62	54
Total non-current assets		1,602	1,562	1,477
Inventories		1,159	869	816
Trade and other receivables		1,117	1,004	995
Other current receivables	5	194	141	125
Cash and cash equivalents		505	333	452
Total current assets		2,975	2,346	2,388
TOTAL ASSETS		4,577	3,908	3,864
EQUITY AND LIABILITIES				
EQUITY				
Equity attributable to parent company shareholders		2,514	2,197	2,181
Non-controlling interests		11	9	9
TOTAL EQUITY		2,526	2,206	2,191
Non-current liabilities to credit institutions		670	721	406
Non-current non-interest-bearing liabilities		102	104	101
Total non-current liabilities		772	825	508
Interest-bearing current liabilities		201	77	391
Trade and other payables		661	446	439
Other current liabilities	5	416	353	336
Total current liabilities		1,279	876	1,166
TOTAL LIABILITIES		2,051	1,701	1,674
TOTAL EQUITY AND LIABILITIES		4,577	3,908	3,864

Statement of changes in Equity for the Group

SEK M	Equity attributable to parent company shareholders					Non-controlling interests	Total equity
	Share capital	Other contributed capital	Translation reserve	Retained earnings incl. profit	Subtotal		
Equity, 01/01/2020	37	84	156	1,731	2,008	7	2,015
Profit for the period				223	223	2	225
Translation differences in foreign operations			-34	-	-34	0	-34
Other comprehensive income			-34	-	-34	0	-34
Comprehensive income for the period			-34	223	189	2	191
Dividends paid				-	-	-	-
Transactions with shareholders				-	-	-	-
Equity, 09/30/2020	37	84	121	1,955	2,197	9	2,206
Equity, 01/01/2021	37	84	14	2,047	2,181	9	2,191
Profit for the period				279	279	2	280
Translation differences in foreign operations			55	-	55	0	55
Other comprehensive income			55	-	55	0	55
Comprehensive income for the period			55	279	333	2	335
Dividends paid				0	0	-0	-0
Transactions with shareholders				0	0	-0	-0
Equity, 09/30/2021	37	84	68	2,325	2,514	11	2,526

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 M	Note	Jul 1 - Sep 30 2021	Jul 1 - Sep 30 2020	Jan 1 - Sep 30 2021	Jan 1 - Sep 30 2020	Jan 1 - Dec 31 Full Year 2020
Profit before tax		91	93	331	258	369
Adjustment for non cash generating items		53	83	166	202	250
Income tax paid		-18	-16	-57	-49	-56
Cash flow from operating activities before change in working capital		126	160	440	410	564
Increase (-)/decrease (+) in inventories		-141	22	-232	8	31
Increase (-)/decrease (+) in trade receivables		84	-42	-30	25	-3
Increase (-)/decrease (+) in other receivables		-19	-10	-35	-13	-19
Increase (+)/decrease (-) in trade payables		62	19	174	-12	3
Increase (+)/decrease (-) in other liabilities		-13	-10	26	27	32
Change in working capital		-27	-21	-97	35	45
Cashflow from operating activities		99	139	343	445	609
Acquisitions of subsidiaries net of cash acquired and other businesses	4	-185	-3	-185	-20	-20
Acquisition of intangible non-current assets		-0	-1	-2	-8	-8
Acquisition of tangible non-current assets		-65	-23	-123	-102	-114
Sale of tangible non-current assets		0	6	2	10	5
Other changes in non-current assets		-1	-	0	-	1
Cashflow from investing activities		-251	-21	-309	-120	-137
New borrowings, credit institutions		70	-	82	-	-
Amortisation of loans		-16	-1	-33	-19	-21
Amortisation of loans (lease)		-25	-22	-71	-68	-91
Change in bank overdraft facilities		18	-11	32	-63	-59
Dividends		-0	-	-0	-	-
Other changes in financial activities		-	-	-	-	1
Cashflow from financing activities		47	-34	11	-151	-169
Change in cash and cash equivalents for the period		-105	84	46	175	303
Cash and cash equivalents at the beginning of the year		608	250	452	161	161
Periodens kassaflöde		-105	84	46	175	303
Exchange rate difference in cash and cash equivalents		2	-1	8	-4	-12
Cash and cash equivalents at the end of the period		505	333	505	333	452

Parent company development

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 M	Note	R12					Full year 2020
		Jul - Sep 2021	Jul - Sep 2020	Jan - Sep 2021	Jan - Sep 2020	Okt 2020 -Sep 2021	
Net sales		16	12	39	32	50	43
Other operating income		1	1	2	2	5	5
Total income		17	12	41	34	55	48
Other external expenses		-5	-5	-15	-13	-19	-17
Personnel costs		-6	-7	-23	-23	-35	-35
Other operating expenses		-0	-0	-1	-0	-1	-0
Total operating costs		-12	-11	-39	-36	-56	-53
Operating profit		5	1	2	-2	-1	-4
Net financial items	5	23	28	-4	40	8	52
Earnings after net financial items		28	29	-1	39	7	47
Appropriations		-	-	-	-	27	27
Profit before tax		28	29	-1	39	34	74
Taxes		-1	0	-2	3	-6	-1
Profit for the period		27	29	-3	42	29	74

The profit for the period is consistent with the total profit for the period.

Third quarter

Revenues during the third quarter amounted to SEK 16 million (12) and mainly pertained to internal services. Profit for the period amounted to SEK 27 million (29). Net financial items amounted to SEK 23 million (28).

First nine months

Revenues during the first nine months amounted to SEK 39 million (32) and mainly pertained to internal services. Profit for the period amounted to SEK -3 million (39). Net financial items amounted to SEK -4 million (40).

Summary balance sheet for the Parent company

SEK M	Note	Sep 30 2021	Sep 30 2020	Dec 31 2020
ASSETS				
Financial fixed assets	5	1,399	1,227	1,272
Total non-current assets		1,399	1,227	1,272
Current receivables	5	130	234	185
Cash and cash equivalents		362	196	296
Total current assets		491	430	481
TOTAL ASSETS		1,890	1,656	1,753
EQUITY AND LIABILITIES				
Restricted equity		38	38	38
Non-restricted equity		681	652	684
TOTAL EQUITY		719	690	722
Untaxed reserves		28	52	28
Provisions		0	0	0
Non-current interest-bearing liabilities		491	515	210
Total non-current liabilities		491	515	210
Interest-bearing current liabilities		629	386	753
Other current liabilities	5	23	13	39
Total current liabilities		652	399	792
TOTAL LIABILITIES		1,143	914	1,003
TOTAL EQUITY AND LIABILITIES		1,890	1,656	1,753

The reduction in non-restricted equity of SEK -3 million compared with 31 December 2020 consists of the profit for the period.

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.

Unless otherwise stated, all amounts are rounded to the nearest million. 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, which can result in rounding differences.

Note 2. 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

Third quarter

For the segment Component, the total net sales for the third quarter were SEK 1,165 million (926), of which SEK 1,076 million (854) is external sales. The increase of the external sales was SEK 222 million.

For the segment System, the total net sales for the third quarter were SEK 279 million (292), of which SEK 230 million (251) is external sales. The decrease of the external sales is SEK 21 million.

Operating profit (EBIT) in the third quarter was SEK 58 million (52) for Component, corresponding to an increase of SEK 6 million compared to previous year. Operating profit (EBIT) for System was SEK 31 million (37), corresponding to a decrease of SEK 6 million compared to previous year.

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

Jul-Sep 2021, SEK M	Component	System	Unallocated and eliminations	Group
Net sales, external	1,076	230	-	1,306
Net sales, internal	89	49	-138	-
Total net turnover	1,165	279	-138	1,306
Material costs, excl. purchases own segment	-609	-185	116	-678
Depreciation	-55	-7	-0	-62
Other operating expenses/income	-444	-56	27	-472
Operating profit	58	31	5	94
Net financials items				-3
Profit before tax				91

Jul-Sep 2020, SEK M	Component	System	Unallocated and eliminations	Group
Net sales, external	854	251	-	1,104
Net sales, internal	72	41	-113	-
Total net turnover	926	292	-113	1,104
Material costs, excl. purchases own segment	-464	-198	99	-562
Depreciation	-51	-7	-0	-59
Other operating expenses/income	-358	-50	22	-386
Operating profit	52	37	8	97
Net financials items				-4
Profit before tax				93

First nine months

For the segment Component, the total net sales for the first nine months were SEK 3,428 million (3,001), of which SEK 3,173 million (2,754) is external sales. During the period, external sales increased by SEK 419 million compared with the corresponding period last year.

For the segment System, the total net sales for the first nine months were SEK 1,025 million (943), of which SEK 800 million (809) is external sales.

Operating profit (EBIT) for the first nine months was SEK 221 million (175) for Component, which was SEK 45 million better than the same period last year. Operating profit (EBIT) for System was SEK 109 million (109), which was unchanged compared to 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.

Jan-Sep 2021, SEK M	Component	System	Unallocated and eliminations	Group
Net sales, external	3,173	800	-	3,974
Net sales, internal	254	225	-479	-
Total net turnover	3,428	1,025	-479	3,974
Material costs, excl. purchases own segment	-1,735	-716	422	-2,029
Depreciation	-151	-21	-1	-173
Other operating expenses/income	-1,320	-179	60	-1,439
Operating profit	221	109	3	333
Net financials items				-2
Profit before tax				331

Jan-Sep 2020, SEK M	Component	System	Unallocated and eliminations	Group
Net sales, external	2,754	809	-	3,563
Net sales, internal	247	134	-381	-
Total net turnover	3,001	943	-381	3,563
Material costs, excl. purchases own segment	-1,496	-646	312	-1,830
Depreciation	-157	-19	-0	-177
Other operating expenses/income	-1,173	-168	61	-1,280
Operating profit	175	109	-8	276
Net financials items				-18
Profit before tax				258

SALES DIVIDED BY SEGMENT AND GEOGRAPHICAL MARKETS

Third quarter

The turnover divided among geographical markets in the third quarter: Sweden 29% (34), other European countries 52% (49) and other countries 19% (17).

Jul-Sep 2021, SEK M	Component	System	Unallocated and eliminations	Group
Sweden	225	176	16	417
Other European countries	700	64	-	764
Other countries	240	39	-	279
Net sales	1,165	279	16	1,460
Internal sales, eliminations	-	-	-154	-154
Total net turnover	1,165	279	-138	1,306

Jul-Sep 2020, SEK M	Component	System	Unallocated and eliminations	Group
Sweden	218	183	12	412
Other European countries	542	64	-	605
Other countries	167	45	-	212
Net sales	926	292	12	1,229
Internal sales, eliminations	-	-	-125	-125
Total net turnover	926	292	-113	1,104

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

First nine months

The turnover divided among geographical markets in the first nine months: Sweden 31% (33), other European countries 51% (52) and other countries 18% (15).

Jan-Sep 2021, SEK M	Component	System	Unallocated and eliminations	Group
Sweden	780	577	39	1,396
Other European countries	2,046	225	-	2,271
Other countries	601	224	-	825
Net sales	3,428	1,025	39	4,492
Internal sales, eliminations	-	-	-518	-518
Total net turnover	3,428	1,025	-479	3,974

Jan-Sep 2020, SEK M	Component	System	Unallocated and eliminations	Group
Sweden	715	556	32	1,303
Other European countries	1,840	246	-	2,086
Other countries	446	141	-	587
Net sales	3,001	943	32	3,976
Internal sales, eliminations	-	-	-413	-413
Total net turnover	3,001	943	-381	3,563

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

Note 3. Personnel

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

Country	Jan-Sep 2021	Jan-Sep 2020	Jan-Sep 2019
Bulgaria	1,263	1,246	1,300
Poland	1,015	1,004	1,126
Sweden	794	789	871
China	767	634	474
Lithuania	633	605	780
Estonia	554	564	623
Hungary	544	377	363
Mexico	202	205	218
Finland	185	191	218
USA	171	68	87
Canada	167	163	167
India	149	129	132
Germany	23	3	3
Italy	19	18	21
Serbia	10	26	35
Brazil	9	4	6
Total	6,505	6,026	6,424

Note 4. Acquisitions

AQ's strategy is to grow in both segments. In July, Schaffner's Power Magnetics division was acquired, for SEK 208 million, which will be included in the Component segment. No divestments have been made.

Acquisitions during the first 9 months in 2021

Schaffner Power Magnetics Division

On July 1, 2021, AQ Group AB closed the deal with listed Schaffner Group to acquire their Power Magnetics division. The acquisition comprises 100% of the shares in the unlisted company Schaffner EMV Hungary Kft. (renamed after the acquisition to AQ Inductives Hungary Kft) and the Power Magnetics operations in the USA, Germany, China and India which have been acquired by AQ Group's new wholly owned companies AQ Inductive Components Germany GmbH (Germany), AQ Transformer Solutions Inc. (USA) and AQ Power Magnetics Shanghai Co. Ltd. (China) and the existing company AQ Inductive Components India Pvt Ltd (India). At the time of the acquisition, approximately 370 employees were taken over.

The purpose of the acquisition is to expand AQ's customer base and broaden the offering within inductive components. The business area is a strong supplier in the market and delivers to customers who provide electrification solutions to marine, railway, industry and renewable energy. The purchase price amounted to SEK 208 million in cash, of which SEK 17 million was paid as a final adjustment on October 8, 2021. Acquisition analysis has been prepared which shows consolidated surplus values of SEK 35 million divided into customer relations SEK 6 million and goodwill SEK 29 million and a deferred tax liability of SEK 1 million. The depreciation rate is estimated at 5 years for customer relationships. The goodwill value of SEK 29 million includes synergy effects in the form of more efficient production processes and the employees' technical knowledge. The acquisition analysis is preliminary due to the fact that a short time has elapsed since the acquisition.

External acquisition-related expenses in connection with the acquisition amounted to SEK 0.1 million, which are included in the Group's other external costs. Operating receivables are stated at gross value, as there are no accounts receivable provisions, which corresponds to fair value. The acquisition was financed partly with own funds and partly with a new bank loan.

During the period July to September, the acquired business contributed SEK 99 million to the Group's revenues and SEK -3 million to the Group's profit after tax, taking into account consolidated acquisition depreciation. The contribution to the Group's profit after tax without regard to consolidated acquisition depreciation is SEK -2 million.

If the acquisition had occurred as of January 1, 2021, ie. including January to June, the company management estimates that the Group's revenues would have been SEK 264 million higher and the profit after tax for the period with regard to consolidated acquisition depreciation would have been SEK 2 million higher for the period January-September 2021. The contribution to the Group's profit after tax without regard to consolidated Acquisition depreciation would have been SEK 3 million higher.

Acquired net assets at the time of acquisition:

(SEK M)	Schaffner Power Magnetics
Intangible assets	0
Tangible assets	84
Deferred tax on tax losses	1
Inventories	87
Operating receivables	79
Operating liabilities	-51
Liquid funds	5
Net loans, incl IFRS 16	-31
Acquired net assets	174
Customer relations	6
Deferred tax on surplus values	-1
Goodwill	29
Purchase price net assets	208
Debt purchase price	-17
Cash flow effect	
Cash paid	-191
Liquid funds in acquired company	5
Total cash flow effect	-185

Note 5. 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 where those are available. 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 September 30, 2021 the market value of derivatives amounted to SEK 0.2 million (-0.4) valued at level 2.

Parent company

During the first nine months of the year, the assessment regarding the repayment ability of the parent company's loan receivable from the subsidiary in Mexico was revalued, which resulted in a write-down of SEK 82 million. The background is the lower demand for road buses in Mexico during the period, together with the results and operational problems we have in this unit.

Note 6. Events after the end of the reporting period

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

Note 7. Calculation of key figures and definitions

SEK M unless otherwise stated	2021				2020				
	Q1	Q2	Q3	YTD	Q1	Q2	Q3	Q4	Full year
Operating margin, (EBIT %)									
Operating profit	121	118	94	333	98	81	97	125	401
Net revenue	1,307	1,361	1,306	3,974	1,342	1,116	1,104	1,256	4,819
Operating margin	9.3	8.7	7.2	8.4	7.3	7.2	8.8	10.0	8.3
EBITDA									
Profit before tax	121	118	94	333	98	81	97	125	401
Depreciations/amortisations	-55	-56	-62	-173	-59	-59	-59	-57	-234
EBITDA	177	173	156	506	157	140	156	182	635
Profit margin before tax, (EBT %)									
Profit before tax	126	114	91	331	87	78	93	111	369
Net revenue	1,307	1,361	1,306	3,974	1,342	1,116	1,104	1,256	4,819
Profit margin before tax, %	9.6	8.4	6.9	8.3	6.5	7.0	8.4	8.8	7.7
Liquid ratio, %									
Trade receivables	1,121	1,127	1,117	1,117	1,162	964	1,004	995	995
Other current receivables	132	151	194	194	136	128	141	125	125
Cash and cash equivalents	571	608	505	505	163	250	333	452	452
Current liabilities	1,361	1,132	1,279	1,279	1,354	864	876	1,166	1,166
Liquid ratio, %	134	167	142	142	108	155	169	135	135
Debt/equity ratio, %									
Total equity	2,352	2,438	2,526	2,526	2,176	2,129	2,206	2,191	2,191
Total assets	4,196	4,281	4,577	4,577	4,063	3,818	3,908	3,864	3,864
Debt/equity ratio, %	56	57	55	55	54	56	56	57	57
Return on total assets, %									
Profit before tax, rolling 12 months	408	444	442	442	315	305	316	369	369
Financial expenses, rolling 12 months	-31	-36	-36	-36	-45	-39	-36	-48	-48
Total equity and liabilities, opening balance for 12 months	4,063	3,818	3,908	3,908	3,492	3,972	3,983	3,852	3,852
Total equity and liabilities, closing balance	4,196	4,281	4,577	4,577	4,063	3,818	3,908	3,864	3,864
Total equity and liabilities, average	4,130	4,049	4,242	4,242	3,777	3,895	3,945	3,858	3,858
Return on total assets, %	10.6	11.9	11.3	11.3	9.5	8.8	8.9	10.8	10.8
Return on equity after tax, %									
Profit for the period after tax, rolling 12 months	351	377	373	373	262	263	273	318	318
Total equity, opening for 12 months	2,176	2,129	2,206	2,206	1,896	1,928	2,021	2,015	2,015
Total equity, closing	2,352	2,438	2,526	2,526	2,176	2,129	2,206	2,191	2,191
Total equity, average	2,264	2,284	2,366	2,366	2,036	2,029	2,114	2,103	2,103
Return on equity after tax, %	15.5	16.5	15.8	15.8	12.9	12.9	12.9	15.1	15.1
Net cash / Net debt									
Cash and cash equivalents	571	608	505	505	163	250	333	452	452
Non-current interest bearing liabilities	381	611	670	670	420	719	721	406	406
Current interest bearing liabilities	415	170	201	201	412	84	77	391	391
Total interest bearing liabilities	796	781	872	872	832	803	798	797	797
Net cash / Net debt	-225	-173	-367	-367	-668	-553	-466	-345	-345
Growth, %									
Organic growth									
Net revenue	1,307	1,361	1,306	3,974	1,342	1,116	1,104	1,256	4,819
- Effect of changes in exchange rates	-67	-53	-6	-127	14	-11	-44	-49	-91
- Net revenue for last year	1,342	1,116	1,104	3,563	1,253	1,313	1,247	1,300	5,113
- Net revenue for acquired companies	-	-	93	93	142	94	-	-	236
= Organic growth	32	298	115	445	-67	-280	-98	6	-439
Organic growth divided by last year net revenue, %	2.4	26.7	10.4	12.5	-5.3	-21.3	-7.8	0.4	-8.6
Growth through acquisitions									
Net revenue for acquired companies divided by last year net revenue, %	0.0	0.0	8.4	2.6	11.3	7.2	0.0	0.0	4.6

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 plus financial costs 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 M

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 M

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 M

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 shows net debt both with and without regard 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, 2020, in total about 5,900 employees in Bulgaria, Poland, Sweden, Lithuania, Estonia, China, Hungary, Mexico, Finland, Canada, India, USA, Italy, Brazil, Serbia and Germany.

In 2020 AQ had net sales of about SEK 4.8 billion, and the group has since its start in 1994 shown profit every quarter.

WE ARE RELIABLE

