



AQ Group AB

Annual Report **2015**

WE ARE RELIABLE

Customer
focus

Simplicity

Entrepre-
neurial
business

Cost
efficiency

Courage
and
respect

www.aqg.se

WE ARE RELIABLE

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.

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AQ Group

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

BUSINESS CONCEPT

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

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

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

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

Since its inception in 1994, AQ Group has reported steady, rapid growth with good profitability. The Group has approximately 4,500 employees in total, around 80% of them in growth countries outside Sweden. Annual turnover is SEK 2.9 billion. The company is listed on AktieTorget and has the highest credit rating, AAA Gold.

SYSTEM

- Electric Cabinets
- System Products

COMPONENT

- Injection Moulding
- Inductive Components
- Wiring Systems
- Sheet Metal Processing
- Special Technologies and Engineering



Electric Cabinets

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

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

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

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

Our product range includes:

- Prototype development
- Batch deliveries
- Project deliveries
- Design in a modern CAD environment
- Turnkey contracts, from design to installation
- Project management in order to reduce the costs of manufacturing products and systems

Sales, product development and production take place in:

- Sweden
- Bulgaria
- China
- India



System Products

AQ offers a wide range of machines and automatic dispensers, for example ticket machines for parking and travel tickets and packaging machines.

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

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

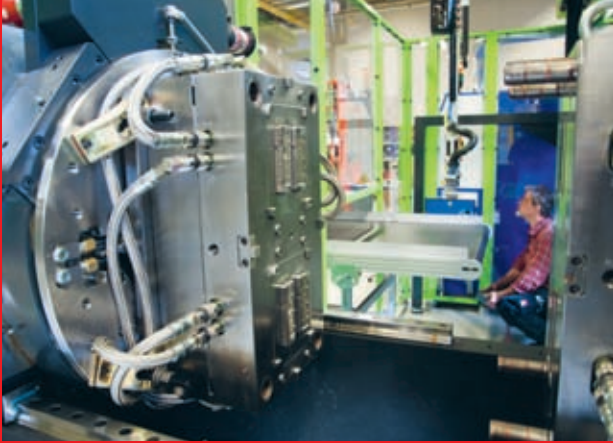
Our product range includes:

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

Sales, product development and production take place in:

- Sweden
- Bulgaria
- China
- Estonia

Business areas



Injection Moulding

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

We have modern machinery with more than 120 injection moulding machines with a clamping force of between 25 and 1,500 tonnes.

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

We also have the capability for injection moulding of plastic with up to four different materials in one and the same component.

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

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

Sales, product development and production take place in:

- Sweden
- Hungary
- Bulgaria
- China



Inductive Components

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

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

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

Sales, product development and production take place in:

- Sweden
- Bulgaria
- India
- Italy
- China



Wiring Systems and Electromechanical Modules

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

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

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

Sales, product development and production take place in:

- India
- China
- Lithuania
- Mexico
- Poland



Sheet Metal Processing

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

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

Material

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

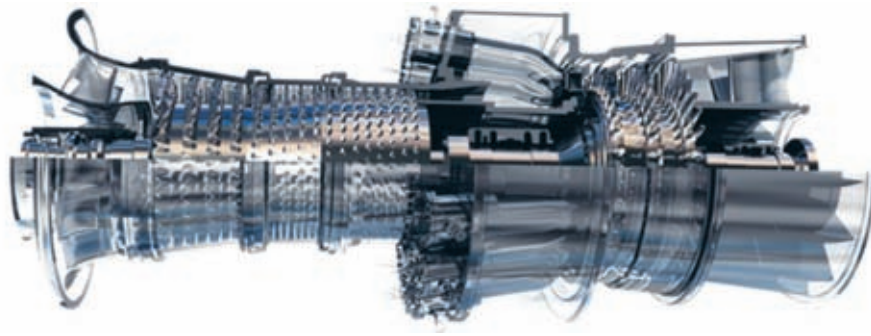
Processes

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

Sales, product development and production take place in:

- Sweden
- Bulgaria
- Estonia
- China
- India
- Thailand

Business areas



Special Technologies and Engineering

The Business Area Special Technologies and Engineering consists of AQ operations with a high level of technology providing advanced technical products or services for demanding industrial customers.

Special Technologies

AQ Anton is a leading supplier within the field of machining components for large industrial gas turbines for leading industrial clients. They use advanced equipment in order to process high-temperature materials such as Nickel-Cobalt alloy.

AQ M-Tech and AQ Elteknik in Uppsala develop and manufacture components and systems for medical applications and for industry. They have developed and patented a number of their own products that are sold for medical applications all over the world.

Engineering

AQ Retor Engineering develops complete systems for the automotive industry, and supplies exceptionally skilled engineers within cost assessment, quality and mechanical design for sheet metal and plastic components for the automotive industry and other industries. Their engineers can develop manufacturing methods and products in close cooperation with the customer.

The design office at AQ Enclosure Systems in Stockholm has its roots in Ericsson's mechanical division that developed the AXE exchange. Engineers and project managers have extensive experience in Ericsson, but now they have a wider perspective and they have received assignments from many other companies. They are experienced in mechanical design, from simple sheet metal and plastic components to complex enclosures and systems and they are active in areas like telecommunications and process automation.

AQ Italy and AQTrafo are focused on the development and design of inductive components, both electrical and mechanical designs. Their designers have extensive experience of coming up with solutions together with the customer, which satisfy the requirements and demands of the customer. The design work is performed in SolidWorks, where a 3D model of the product is designed based on the customer's specifications. Verification of the mechanical, electrical and thermal aspects of the design is done through FEM calculations.



Claes Mellgren
Managing Director and CEO

Now that we have closed the books for 2015, we see that since we started on 1 October 1994, we have increased turnover for 21 years. AQ has turned a profit for all of its 85 quarters! Moreover, in 2015, we once more had the highest revenue and profit in the history of the group! Our companies in Eastern Europe and China continue to show good growth and earnings figures. The Swedish companies have found it more difficult to generate growth and our companies in Mexico and India still suffer losses.

New managing directors have been appointed in both Mexico and India in 2015. A joint effort is underway between the group management and the business areas in developing our companies in India and Mexico more quickly.

During the past year in the Swedish operation, we have decided upon measures to reduce the number of employees in Sweden by a little more than 100 persons.

Since June 2015, we have a marketing manager in the group management who works on developing our sales people in order to increase organic growth.

AQ continues to be financially strong with an equity ratio of 58% in spite of the major acquisitions this year. If we were not to do any new acquisitions we should have no net debt at the end of 2016.

The work to switch stock exchange from AktieTorget to Nasdaq Stockholm is ongoing with full effort. We have decided upon providers of legal due diligence and tax due diligence, and the work in writing a prospectus has begun.

Market

AQ has a stable structure that allows us to compete globally with our production processes to highly demanding industrial customers. The market and the competition mean that we must always have an effective structure and organisation. One of AQ's competitive advantages is precisely the ability to change quickly thanks to the flexible organisational structure.

AQ deals with various kinds of customers, both those who simply need technically demanding components and those who want us to deliver a complete undertaking involving design, purchasing, manufacturing, testing, logistics and after-sales service. We work with our customers both locally and globally. The customer structure is broad and spans most markets. The single largest ones are commercial vehicles, power and automation, telecoms, food and drugs, as well as general industry. Approximately 50 customers account for 90% of AQ's revenue.

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

Our units in Sweden, Eastern Europe, the Baltic region, Asia and Mexico enable us to offer the best possible solution. We feel that the company is well-equipped to meet our customers' future expectations. Among the deals made in 2015 are the following:

- Control cabinets for a German train manufacturer
- Control cabinets for the cleaning of ballast water for ships
- Container-built complex systems for crane manufacturers in China
- Mechanical parts to a German lorry manufacturer
- Mechanical parts for a new model range to a Swedish lorry manufacturer
- Prototypes and pilot series for a large telecommunications project

Operations

AQ has been working for a number of years on an improvement programme for product quality and delivery accuracy. Developments have been extremely positive: the number of customer

A word from the CEO

complaints has effectively been halved since 2011, and we also see the same positive trend in delivery accuracy, where we were very close to our goal of 98% at the end of 2015.

All subsidiaries are ranked in areas such as quality performance and delivery reliability.

Our efforts to reduce inventory levels continued in 2015. In order to achieve long-term, lasting effects, a lot of energy was devoted to training and system support. All subsidiaries are monitored monthly for inventory turnover rates.

Sustainable Development

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

Sustainable enterprise is important for our future development.

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

AQ Group has signed on to the UN's Global Compact for issues such as human rights, environmental responsibility and business ethics.

Financial

In 2015, we continued to harmonise the financial processes for the Swedish companies. The financial department in Västerås has taken over the bookkeeping for four Swedish companies. Payroll has also been transferred to Västerås and at the end of the year, all the Swedish companies' payrolls were handled from the head office. During the year, we have connected several of our foreign subsidiaries to our cash pool. We have continued to work on simplifying the structure in Sweden with fewer legal entities.

HR

In 2015 we continued to implement our core values in acquired units. Activities include our HR Manager and myself meeting the management teams to go through everything from AQ's history to our core values. Our core values are documented in twelve different languages. Our operations shall be characterised by the motto "We Are Reliable", regardless of where or with whom at AQ a person comes into contact.

IT

During the year, all of the group's users have migrated to Microsoft Office365, which gives users access to e-mail, audio and video conferences, online meetings and real-time collaboration etc.

We have implemented the M-Files document management system in 2015 and this means that both governing and reporting documents are easily accessible for all authorised users throughout the entire group.

Purchasing

Ongoing work continues to make use of benefits of scale and synergies within the group when it comes to purchasing materials and components. During the year, we have further focused on category management of strategically important products and purchase areas with the purpose of strengthening and developing competitive advantages. The year has been marked by falling commodities prices and a stronger dollar, which together offer us competitive advantages, but also has created the need to respond to our customers' price pressure.

The main points in the strategy for profitable organic growth are:

- Being reliable, meaning such things as high quality and delivery reliability
- Using a modern and efficient production apparatus
- Participating in the customers' development and design work
- Decentralised organisation to strengthen driving forces within innovation and ambition

Acquisitions/Start-ups

AQ Elteknik AB purchased 100% of the shares in Anton Johanssons Rostfria Verkstads AB. The takeover of the business took place on 1 July 2015. The company, that changed its name to AQ M-Tech AB has an annual revenue of approximately SEK 30 million.

On 2 November 2015, AQ Group AB acquired 100% of the shares in Anton Kft, in Zalaegerszeg, Hungary. The company has an annual revenue of approximately SEK 240 million and is expected to provide a considerable contribution to earnings per share.

Anton Kft. is a technologically leading supplier within processing of components in difficult materials for gas turbines, the production of complex injection-moulded plastic parts and within the design and manufacture of injection-mould tools. We supplement AQ's customer base with exciting customers such as Bosch, General Electric and Siemens.

Our start-up in Thailand has got underway with minor funding. The basis of the decision to start up in Thailand was to follow a telecommunications customer with local production.

The Future

After yet another successful year, I would like to extend my profound thanks to our customers for a pleasant and rewarding cooperation, as well as to all our employees in eleven countries that make sure we remain a profitable and reliable company.

With fantastic customers and enthusiastic employees, I look positively toward the future. I look forward to continue developing AQ with continued growth and a stable level of earnings. An important part of this is our core values and our efforts to be a reliable supplier to leading industrial customers.

As well all know, we cannot simply lean back and rest on our laurels.

Now it is full speed ahead in 2016!

Västerås, March 2016

Claes Mellgren

MD and CEO



Directors' Report

GENERAL INFORMATION ABOUT THE BUSINESS

The Board of Directors and CEO of AQ Group AB (publ.), corporate ID number 556281-8830, hereby present the annual accounts and consolidated accounts for the financial year 2015.

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

PROFIT AND DEVELOPMENT DURING THE FINANCIAL YEAR, AND FUTURE DEVELOPMENTS

Net revenue of SEK 2,932 million, representing an increase of SEK 316 million compared with the previous year. For the entire year, the organic growth was 5% and growth through acquisition was 2%. This provides a total growth, cleared for currency effects, of 7% for the entire year.

Operating profits amounted to SEK 202 million (183) and profits for the year amounted to SEK 170 million (150). Earnings per share after tax was SEK 9.45 (8.34). The Group's financial position is extremely strong, with an equity ratio of 58% (63).

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

During the course of 2015, equity was affected negatively by translation differences in foreign currencies. This was primarily due to fluctuations in the EUR. In 2014, the group experienced

positive translation differences, primarily due to fluctuations in the CNY.

Our efforts to reduce inventory levels continued in 2015. The inventory turnover rate, cleared for acquisitions, increased to 3.1 (2.9). All subsidiaries are monitored monthly for inventory turnover rates.

At the turn of the year, equity amounted to SEK 1,170 million in the Group.

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

- To develop, manufacture and assemble components and systems for demanding industrial customers.
- With our commitment to Total Quality our customers become long-term partners.

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

WE ARE RELIABLE

Customer focus

Simplicity

Entrepreneurial business

Cost efficiency

Courage and respect

The share's performance over 1 year (March 2015 – March 2016)



www.aktietorget.se

SIGNIFICANT EVENTS DURING THE YEAR

A three-year contract was signed between AQ Electric in China and Bombardier CPC Propulsion for the supply of transformers and inductors for 13 metro lines in China. The total value of the contract is approximately SEK 130 million. This was made possible thanks to some exceptional design work from AQ's design offices in Italy and Sweden, in combination with AQ's global presence for the manufacture of inductive components in China, Bulgaria and India. At present, AQ supplies transformers and inductors to a majority of the metro projects that are underway in China.

AQ Enclosure Systems AB, with operations in Vaggeryd, Falköping and Kista, have laid off 55 of a total of 167 employees during the first quarter. The reduction of staff only encompassed the Vaggeryd division. The reason behind the downsizing was the reduced volumes and changed competitive situation on the market. The purpose of the measures is with a new business model to make the Vaggeryd division competitive in the field of automated sheet metal production and to use our factories in Eastern Europe for more work-intensive products. AQ Enclosure Systems AB in Vaggeryd offers development, design and manufacturing of thin sheet metal products to customers with high demands on quality and finish.

The business operation at AQ Mekatronik AB in Västerås and Bollnäs has been transferred to AQ Elautomatik AB. The reason behind the change was the reduced volumes and changed competitive situation on the market. In connection with the transfer, AQ moved Elautomatik's operation in Surahammar to Västerås, where they took over AQ Mekatronik's premises. The change resulted in the termination of employment for 18 employees.

The Group's earnings during the second quarter were encumbered by a re-structuring cost of SEK 8.7 million. The restructuring cost was due to the reduction of staff and unutilised premises in connection with the downsizing of the staff at AQ Enclosure Systems AB in Vaggeryd and the structural change that was made at the AQ Mekatronik AB operation in Västerås and AQ Elautomatik AB in Surahammar.

On 30 June 2015, AQ Elteknik AB purchased 100% of the shares in Anton Johanssons Rostfria Verkstads AB. The purchase sum was SEK 5.8 million and the acquisition took the form of a cash transaction. The takeover of the business took place on 1 July 2015. Anton Johansson Rostfria Verkstads AB has an annual revenue of approximately SEK 30 million and has 24 employees. The company manufactures components

made of stainless steel to customers with specific and unique requirements, such as laboratories and medical technology industries. The company has changed its name to AQ M-Tech AB.

During the second quarter, the group management was increased with James Ahrgren, who is responsible for marketing and sales within the group.

For 15 years, AQ Holmbergs Suzhou, which is a wholly owned subsidiary of the AQ group, has with great success manufactured metal components and assembled devices for customers in the telecommunications sector at its factory in Suzhou, China. Several of AQ's customers that have manufacturing operations in Thailand have expressed a wish for AQ to expand its operation to Thailand in order further to enhance the partnership. The AQ Group has therefore begun manufacturing in Thailand, initially with metal stamping and assembly. The new company is AQ Manufacturing Co. Ltd., a wholly owned subsidiary of AQ Holmbergs Suzhou. The company initially has a focus on the telecommunications industry. The company now has some twenty employees, a number of stamping machines and it rents a factory premise on the outskirts of Bangkok. The company is headed from AQ Holmbergs in China.

A major work is in progress with the development of parts for a new lorry for a large customer. Approximately one hundred tools for injection moulding and sheet metal pressing are being developed. No invoicing for the aforementioned parts is expected until the second half of 2016.

A new robotic tube bending machine for SEK 4 million is in operation at AQ Segerström in Eskilstuna.

Investment has been made in two new injection moulding machines for approximately SEK 10 million, a smaller one of 200 tonnes with 2K (Two Components), as well as a larger 1500 tonne at AQ Plast Västerås and in Anderstorp, respectively.

In the beginning of November, AQ Group AB acquired 100% of the shares in Anton Kft, in Zalaegerszeg, Hungary. The purchase sum was EUR 25 million and the acquisition took the form of a cash transaction, partly financed by a bank loan of SEK 150 million. Anton Kft. has no interest-bearing loans and has an equity ratio of 73%.

Anton Kft. is a leading supplier within the field of machining components for industrial gas turbines (IGT), within the production of complex injection moulded components and within the design and manufacture of tools. The company has a net revenue of approximately EUR 25 million and is expected to provide a considerable contribution to the

Directors' Report

earnings per share for the AQ Group. Anton Kft. has approximately 400 employees and owns properties amounting to approximately 10,000 square metres of production floor space. Among its customers are Bosch, General Electric and Siemens. The acquisition was made in order to obtain the expertise within advanced machining of components for demanding customers and in order to expand AQ Group's market and technology in the field of injection moulding and tool development.

The company has lump-sum costs attributable to the acquisition that encumbered the earnings figures for November and December. Anton Kft. contributed to the Group's earnings with approximately SEK 2 million in 2015.

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE PERIOD

AQ Plast AB is closing down its manufacturing operation in Vadstena. The reason behind the change is to improve competitiveness in AQ Plast AB by coordinating the manufacturing at fewer locations. The manufacturing will be moved from Vadstena

to Anderstorp and Västerås. In connection with the change a notice of redundancy was given for all 32 employees in Vadstena.

AQ Group AB has submitted a preliminary application to have its shares listed for trading on the Nasdaq Stockholm main market. Provided that Nasdaq Stockholm approves the application, it is intended for the company's share to begin trading on Nasdaq Stockholm in the autumn.

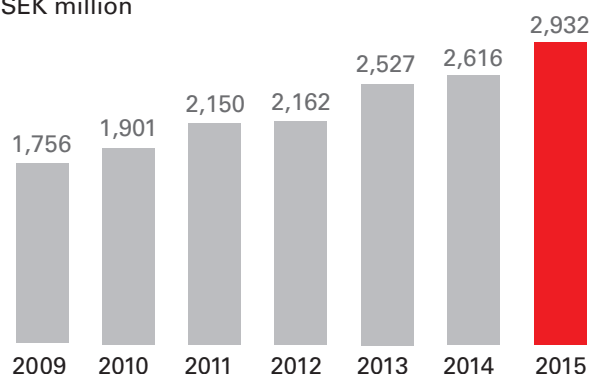
FUTURE PROSPECTS

The goal of the Group is continued profitable growth. The target profit margin (EBT) is 8% after net financial items. The board submits no prognosis on future revenue and profits. The statements in this report could be interpreted as forecasts, but the actual results may differ significantly. Except for those factors that have been commented, the actual results can be affected, for example, by political events, business cycle effects, exchange rates and interest rates, competing products and their pricing, product development, commercial and technical difficulties, problems with deliveries and customer credit losses.

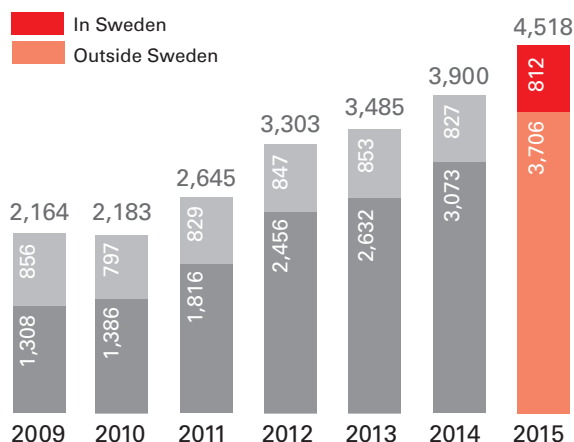
THE GROUP

Net revenue

SEK million



Average number of employees



MULTI-YEAR OVERVIEW

The trend over the last five years is shown below.

GROUP

	2015	2014	2013	2012	2011
Net revenue, SEK thousands	2,931,878	2,616,097	2,527,372	2,162,033	2,149,541
Operating profit, SEK thousands	201,985	182,586	159,795	116,997	122,264
Profit after net financial items, SEK thousands	211,736	186,652	156,492	118,573	119,989
Operating margin	6.9%	7.0%	6.3%	5.0%	6.0%
Liquid ratio	149%	145%	122%	107%	129%
Debt/equity ratio	58%	63%	56%	54%	63%
Return on total assets	12.0%	11.8%	10.7%	11.0%	11.0%
Return on equity, after tax	15.3%	15.5%	14.8%	13.0%	14.0%
Number of employees in Sweden	812	827	853	847	829
Number of employees outside Sweden	3,706	3,073	2,632	2,456	1,816

Key indicators per share, SEK

Profit for the year	9.44	8.32	6.83	5.47	5.22
Dividend ¹⁾	2.25	2.00	1.60	1.30	1.30
Equity	64.86	58.51	49.10	43.45	38.48
Number of shares, thousands	18,034	18,034	18,034	18,034	17,959

¹⁾ Proposal presented to AGM for year in question.

Definitions

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

Directors' Report

PARENT COMPANY

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

- To develop, manufacture and assemble components and systems for demanding industrial customers.
- With our commitment to Total Quality our customers become long-term partners.

Parent company

	2015	2014	2013	2012	2011
Net revenue, SEK thousands	50,213	51,236	40,080	49,437	48,650
Operating profit, SEK thousands	13,596	24,982	19,092	43,404	31,909
Profit after net financial items, SEK thousands	20,096	33,055	26,858	47,130	68,221
Liquid ratio	42%	87%	104%	120%	292%
Debt/equity ratio	36%	60%	52%	62%	82%

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

During 2015, the parent company borrowed CNY 65 million from AQ Holmbergs Suzhou Co. Ltd. The parent company has secured the internal CNY loan.

For the entire year of 2015, invoicing amounted to SEK 50 million (51) and operating profits amounted to SEK 13.6 million (25). The parent company in 2015 has both paid and received group contributions from some of its Swedish subsidiaries.

At the end of the year, the parent company acquired shares in Anton Kft. The purchase sum amounted to EUR 25 million and the acquisition took the form of a cash transaction. The acquisition was partially financed through a bank loan of SEK 150 million.

The parent company's risks and uncertainty factors in all essential respects were the same for the Group's other companies. See page 35 in the Annual Report Regarding the company's financial risk management, cash flows, etc., please refer to the financial statements included in the annual report as well as Note 3.

Environmental impact

The parent company does not run any operations for which reporting or permits are mandatory in accordance with the Swedish Environmental Code. There are companies in the Group that run operations for which reporting is mandatory, and also companies for which permits are mandatory. Operations for

which reporting is mandatory are linked to the Swedish Environmental Code's provisions on plastic manufacturing, machining and discharge of non-chlorinated solvents through evaporation into the air. Operations for which permits are mandatory relate to minor discharges in waste water and air during processes such as powder coating.

Sustainability

AQ Group is an active member of the UN Global Compact. AQ Group and all our subsidiaries are thus bound to follow ten principles with regard to human rights, labour law, environment and in preventing corruption. In 2015, based on these principles, we undertook the following measures:

- Implemented global policies within these fields.
- Invested in electrically powered transport vehicles that we use in transporting freight within Västerås and Uppsala.
- Switched to LED lamps at several of our production facilities around the world.
- Installed solar panels at one of our factories in Bulgaria.
- Held workshops with CSR in focus at our factories in China.
- We support the World Wildlife Fund

In 2016, the work will continue and as an initial step, we will begin gauging all the Group's subsidiaries by making use of the UN Global Compact's self-assessment tool.

Research and Development

AQ conducts no research undertakings of its own.

Investment policy

In addition to acquisitions during the year, investments represent normal requirements for the current production rate. In 2016, AQ intends to continue investing in its existing business areas.

Personnel policy

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

Dividend policy

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

Work of the Board and the CEO

Over the past year, the Board was made up of six members, all elected at the 2015 Annual General Meeting. During the year, the Board held five meetings during which minutes were taken. The Board and CEO work according to an established set of rules of procedure. Regarding remuneration during 2015 to Board and CEO please refer to Note 9.

The Board's proposed guidelines for remuneration to executive officers in AQ in 2016, in accordance with Chapter 8, Section 51 of the Swedish Companies Act, are as follows: For director's fees,

the Board proposes a fixed director's fee of SEK 120,000 (120,000) for each of the Board's regular external members. Other executive officers shall receive a fixed fee, currently supplemented by variable remuneration, calculated as a percentage of the Group's profit for the year. Remuneration shall not exceed what can be considered the market rate. There shall be no benefits beyond normal pension benefits as a percentage of fixed remuneration for work performed via the employment contract. In individual cases and where there is special justification, the Board shall have the option of deviating from the above guidelines.

Information about risks and uncertainty factors

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

Ownership Structure

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

The previous Annual General Meeting mandated the Board to make decisions, until the Annual General Meeting for the financial year 2015 at the latest, to issue a total of 2,000,000 new shares through subscription.

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

Ownership structure, Shareholders	31 Dec 2015	Votes/ capital	31 Dec 2014	Votes/ capital
Claes Mellgren	5,309,950	29.4	5,309,950	29.4
Per Olof Andersson	5,234,650	29.0	5,235,150	29.0
Fidelity Puritan Trust	852,944	4.7	851,055	4.7
Nordea Småbolagsfond Sverige	798,866	4.4	714,408	3.9
Fidelity Low-priced Stock Fund	792,100	4.4	842,800	4.7
AMF Aktiefond Småbolag	439,400	2.4	439,400	2.4
Other	4,606,148	25.7	4,641,295	25.9
	18,034,058	100.0	18,034,058	100.0

Directors' Report

PROPOSED APPROPRIATION OF PROFITS, SEK

The Board proposes that the profit available, SEK 229,527,710, be disposed of as follows:

Available		Appropriation	
Share premium reserve	34,014,103	Distributed to shareholders, SEK 2.25 per share	40,576,631
Retained earnings incl. profit for the year	195,513,607	Carried forward ¹⁾	188,951,080
Total non-restricted equity	229,527,710	Total	229,527,710

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

BOARD STATEMENT ON DIVIDEND PROPOSAL

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

Provided that the Annual General Meeting for the financial year 2015 approves the Board's proposal on the appropriation of profits, SEK 188,951,080 will be carried forward. There is full coverage for the company's restricted equity after the proposed appropriation of profits. The Board has considered the consolidation needs of the company and the Group through a comprehensive assessment of the financial position and its ability in due course to meet its obligations. The proposed dividend does not jeopardise the company's ability to make the investments deemed necessary. The company's financial position does not lead to any conclusion other than that the company can continue its operations and that the company is expected to fulfil both its short-term and its long-term obligations. The Board has taken into account all known circumstances that may impact the company's financial position and that have not been considered within the context of assessing the company's consolidation needs and liquidity.

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

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

- SEK 2.25 per share shall be distributed and
- the settlement date is 25/04/2016.

The Board proposes that

SEK 2.25 per share
shall be
distributed

Some of AQ's fantastic employees in Suzhou (China), Panevzys (Lithuania), Pune (India), Uppsala, Ludvika and Enköping (Sweden).



Consolidated Income Statement

SEK thousands	Note	01/01/2015 31/12/2015	01/01/2014 31/12/2014
Net revenue	6	2,931,878	2,616,097
Other operating income	7	34,005	23,229
		2,965,883	2,639,326
OPERATING EXPENSES			
Change in inventory and work in progress		41,934	-4,037
Raw materials and consumables		-1,513,009	-1,324,214
Goods for resale		-41,003	-29,643
Other External Expenses	8	-389,620	-310,369
Personnel costs	9	-762,041	-712,946
Depreciation and amortisation	15, 17, 18, 19	-60,980	-56,261
Other operating expenses		-39,177	-19,270
		-2,763,897	-2,456,740
Operating profit		201,985	182,586
PROFIT FROM FINANCIAL ITEMS			
Interest Revenues and Similar Profit Items	11	20,316	9,844
Financial expenses	12	-10,565	-5,778
Net financial items		9,751	4,066
Profit before tax		211,736	186,652
Taxes	14	-41,283	-36,175
Profit for the year		170,453	150,477
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Parent company's shareholders		170,283	150,012
Non-controlling interests		170	465
		170,453	150,477
SHARE-RELATED REPORTING, SEK			
Profit/loss for the year per share ¹⁾		9.44	8.32

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

Consolidated Report on Total Earnings

SEK thousands	01/01/2015 31/12/2015	01/01/2014 31/12/2014
PROFIT FOR THE YEAR	170,453	150,477
OTHER COMPREHENSIVE INCOME		
Items that cannot be transferred to the profit for the year		
Revaluation of defined-benefit pension plans	-219	-800
Items transferred or that can be transferred to the profit for the year		
Translation difference for foreign operations	-20,316	48,391
Other comprehensive income for the year after tax	-20,535	47,591
Comprehensive income for the year	149,918	198,068
COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO		
Parent company's shareholders	149,762	197,630
Non-controlling interests	155	438
	149,918	198,068
After-tax profits per share ¹⁾	9.44	8.32

Consolidated Balance Sheet

SEK thousands	Note	31/12/2015	31/12/2014
ASSETS			
NON-CURRENT ASSETS			
<i>Intangible assets</i>			
Goodwill	16	117,561	75,407
Other intangible non-current assets	15	55,360	9,520
		172,921	84,927
<i>Tangible assets</i>			
Land and buildings	17	140,022	97,339
Plant and machinery	18	203,712	143,988
Equipment, tools, fixtures and fittings	19	39,609	46,421
Construction in progress	20	19,406	11,260
		402,749	299,008
<i>Financial assets</i>			
Non-current receivables	3.22	2,053	1,554
Deferred tax assets	14	7,197	8,039
TOTAL NON-CURRENT ASSETS		584,920	393,528
CURRENT ASSETS			
<i>Inventories</i>			
Raw materials and consumables		307,616	306,712
Work in progress		79,953	57,181
Finished goods and goods for resale		97,682	84,052
		485,251	447,945
<i>Current receivables</i>			
Trade and other receivables	3	670,438	594,096
Current tax assets		26,187	26,342
Other receivables	23	36,994	32,818
Prepaid expenses and accrued income	24	84,695	38,251
		818,314	691,507
Short-term investments		195	-
Cash and cash equivalents	32	135,602	145,744
Cash and cash equivalents		135,797	145,744
TOTAL CURRENT ASSETS		1,439,362	1,285,196
TOTAL ASSETS		2,024,282	1,678,724

Consolidated Balance Sheet

SEK thousands	Note	31/12/2015	31/12/2014
EQUITY AND LIABILITIES			
EQUITY			
	25		
Share capital		36,068	36,068
Other capital contributions		34,014	34,014
Translation reserve		24,303	44,508
Retained earnings incl. profit for the year		1,073,044	939,041
Equity attributable to parent company shareholders		1,167,429	1,053,631
Non-controlling interests		2,307	1,599
TOTAL EQUITY		1,169,736	1,055,230
LIABILITIES			
<i>Interest-bearing non-current liabilities</i>			
Non-current liabilities to credit institutions	3	121,045	3,256
<i>Non-current non-interest-bearing liabilities</i>			
Deferred tax liability	14	51,814	35,240
Provisions for pensions	28	3,316	3,321
Other provisions	28	10,208	6,065
Total non-current liabilities		186,383	47,882
<i>Interest-bearing current liabilities</i>			
Bank overdraft facilities	3, 32	127,985	129,764
Other debts to credit institutions	3	31,881	13,893
<i>Other current liabilities</i>			
Provisions for warranty undertakings	28	875	545
Advance payments from customers		58,786	10,420
Trade and other payables	3	273,780	241,356
Current tax liabilities		19,256	19,999
Other liabilities	29	35,380	43,216
Accrued expenses / prepaid income	30	120,220	116,419
Total current liabilities		668,163	575,612
TOTAL LIABILITIES		854,546	623,494
TOTAL EQUITY AND LIABILITIES		2,024,282	1,678,724
MEMORANDUM ITEMS			
	27		

Consolidated Statement on Changes in Equity

GROUP

SEK thousands	Equity attributable to parent company shareholders					Holdings without controlling influence	Total equity
	Share capital	Other capital contributions	Translation reserve	Balanced profit for the year	Subtotal		
Equity, 01/01/2014	36,068	34,014	-3,743	818,649	884,988	415	885,403
Profit for the year				150,012	150,012	465	150,477
Translation difference			48,251		48,251	140	48,391
Revaluation of defined-benefit pension plans				-766	-766	-34	-800
Other comprehensive income			48,251	-766	47,485	106	47,591
Comprehensive income for the year			48,251	149,246	197,497	246	198,068
Acquisition of partially owned subsidiaries						614	614
Dividends paid				-28,854	-28,854		-28,854
Transactions with shareholders				-28,854	-28,854	614	-28,240
Equity, 01/01/2015	36,068	34,014	44,508	939,041	1,053,631	1599	1,055,230
Profit for the year				170,283	170,283	170	170,453
Translation difference			-20,205		-20,205	-112	-20,316
Revaluation of defined-benefit pension plans				-212	-212	-7	-219
Other comprehensive income			-20,205	-212	-20,416	-119	-20,535
Comprehensive income for the year			20,205	170,071	149,867	-231	149,918
Acquisition of partially owned subsidiaries						657	657
Dividends paid				-36,068	-36,068		-36,068
Transactions with shareholders				-36,068	-36,068	657	-35,412
Equity, 31/12/2015	36,068	34,014	24,303	1,073,044	1,167,429	2,307	1,169,736

Consolidated Cash Flow Analysis

SEK thousands	Note	01/01/2015 31/12/2015	01/01/2014 31/12/2014
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit		201,985	182,586
<i>Adjustment for items not included in cash flow</i>			
Depreciation/impairment		62,392	60,469
Change in long-term provisions		988	1,541
Capital gains/losses upon sale of equipment		4,084	13,208
Other items not affecting liquidity		8,035	-78
Unrealised exchange rate differences		3,280	-4,077
		78,779	71,063
Interest / dividends received	11	9,007	9,883
Interest paid		-3,872	-5,739
Income tax paid	14	-39,605	-41,993
Cash flow from operating activities before change in working capital		246,294	215,800
<i>Change in working capital</i>			
Increase (-)/decrease (+) in inventories		-4,565	17,753
Increase (-)/decrease (+) in inventories		-47,226	48,714
Increase (-)/decrease (+) in other receivables		-58,204	18,901
Increase (+)/decrease (-) in trade and other payables		15,855	8,898
Increase (+)/decrease (-) in other liabilities		13,410	-2,023
Change in working capital		-80,730	92,243
Cashflow from operating activities		165,564	308,043
Acquisitions of shares in subsidiaries	31	-189,177	-26,259
Acquisitions of intangible non-current assets		-1,857	-8,022
Acquisitions of tangible non-current assets		-78,613	-71,952
Sales of tangible assets		2,093	1,034
Purchase/Sales of short-term investments in securities		-199	145
Cash flow from investing activities		-267,754	-105,054
New borrowings		149,771	
Amortisation of loans		-11,758	-6,933
Amortisation of loans (IAS 17 liability, leasing)		-5,121	-3,471
Change in bank overdraft facilities		-3,409	-96,858
Change in long-term liabilities		318	
Dividends to the parent company shareholders		-36,068	-28,854
Cash flow from financing activities		93,733	-136,116
Increase/Decrease in cash and cash equivalents		-8,457	66,873
Cash and cash equivalents at the beginning of the year		145,744	67,566
Exchange rate difference in cash and cash equivalents		-1,685	11,305
Cash and cash equivalents at the end of the year		135,602	145,744

Parent Company's Income Statement

SEK thousands	Note	01/01/2015 31/12/2015	01/01/2014 31/12/2014
Net revenue	6	50,213	51,236
Other operating income	7	3	3
		50,216	51,239
OPERATING EXPENSES			
Other External Expenses	8	-16,685	-10,361
Personnel costs	9	-18,386	-15,879
Depreciation and amortisation	19	-12	-12
Other operating expenses		-1,537	-4
		-36,620	-26,256
Operating profit		13,596	24,983
PROFIT FROM FINANCIAL ITEMS			
Interest Revenues and Similar Profit Items	11	10,350	8,696
Interest Expenses and Similar Loss Items	12	-3,850	-623
Net financial items		6,500	8,073
Earnings after net financial items		20,096	33,056
Appropriations	13	-6,100	-19,671
Profit before tax		13,996	13,385
Taxes	14	-3,142	-3,239
Profit for the year¹⁾		10,854	10,146

¹⁾ Profit for the year corresponds to the year's total earnings



Parent Company's Balance Sheet

SEK thousands	Note	31/12/2015	31/12/2014
ASSETS			
NON-CURRENT ASSETS			
<i>Tangible assets</i>			
Equipment, tools, fixtures and fittings	19	-	12
		-	12
<i>Financial assets</i>			
Participations in group companies	21	614,635	318,277
Receivables from group companies	22	47,615	37,439
Deferred tax assets	14	690	-
		662,940	355,716
TOTAL NON-CURRENT ASSETS		662,940	355,728
CURRENT ASSETS			
<i>Current receivables</i>			
Trade and other receivables	3	-	29
Receivables from Group companies		155,584	142,079
Current tax assets		11,150	11,743
Other accounts receivable	23	531	443
Prepaid expenses and accrued income	24	1,125	1,965
		168,390	156,259
Cash and bank balances	32	-	22,352
TOTAL CURRENT ASSETS		168,390	178,611
TOTAL ASSETS		831,330	534,338



Parent Company's Balance Sheet

SEK thousands	Note	31/12/2015	31/12/2014
EQUITY AND LIABILITIES			
EQUITY			
	25		
Share capital		36,068	36,068
Statutory reserve		1,156	1,156
Restricted equity		37,224	37,225
Share premium reserve		34,014	34,014
Retained earnings		184,660	210,582
Profit for the year		10,854	10,146
Unrestricted equity		229,528	254,742
TOTAL EQUITY		266,752	291,966
Untaxed reserves	26	41,300	36,000
LIABILITIES			
<i>Interest-bearing non-current liabilities</i>			
Non-current liabilities to credit institutions	3	119,681	-
Total non-current liabilities		119,681	-
<i>Interest-bearing current liabilities</i>			
Current liabilities to credit institutions		30,000	
Bank overdraft facilities	3, 32	75,277	6,659
<i>Other current liabilities</i>			
Trade and other payables	3	1,648	1,397
Liabilities to Group companies		286,254	192,064
Other liabilities	29	4,162	2,241
Accrued costs / Deferred income	30	6,256	4,011
Total current liabilities		403,597	206,372
TOTAL LIABILITIES		523,278	206,372
TOTAL EQUITY AND LIABILITIES		831,330	534,338
MEMORANDUM ITEMS			
Pledged assets		NONE	NONE
Contingent liabilities			
Contingencies for group companies	27	-	1,500

Parent Company's Statement on Changes in Equity

PARENT COMPANY

SEK thousands	Restricted equity			Non-restricted equity			Total equity
	Share capital	Statutory reserve	Subtotal premium reserve	Share	Other non-restricted equity	Subtotal	
Equity, 01/01/2014	36,068	1,156	37,224	34,014	239,436	273,450	310,674
Profit for the year¹					10,146	10,146	10,146
Dividends paid					-28,854	-28,854	-28,854
Transactions with shareholders					-28,854	-28,854	-28,854
Equity, 01/01/2015	36,068	1,156	37,224	34,014	220,728	254,742	291,966
Profit for the year¹					10,854	10,854	10,854
Dividends paid					-36,068	-36,068	-36,068
Transactions with shareholders					-36,068	-36,068	-36,068
Equity, 31/12/2015	36,068	1,156	37,224	34,014	195,514	229,528	266,752

¹⁾ Profit for the year corresponds to the year's total earnings



Parent Company's Cash Flow Analysis

SEK thousands	Note	01/01/2015 31/12/2015	01/01/2014 31/12/2014
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit		13,596	24,982
<i>Adjustment for items not included in cash flow</i>			
Depreciation/impairment		12	12
Other items not affecting liquidity		4,223	3,698
Adjustment for items not included in cash flow		4,235	3,710
<i>Interest / dividends received</i>	11	2,989	8,696
Interest paid		-713	-623
Income tax paid	14	-3,239	-20,245
Cash flow from operating activities before change in working capital		16,868	16,520
<i>Change in working capital</i>			
Increase (-)/decrease (+) in inventories		29	-29
Increase (-)/decrease (+) in receivables		-15,202	158,237
Increase (+)/decrease (-) in trade and other payables		452	163
Increase (+)/decrease (-) in other liabilities		95,193	-37,271
Change in working capital		80,473	121,100
		97,340	137,620
Acquisitions of shares in subsidiaries	21	-276,016	-6,542
Shareholder contributions paid		-20,342	-6,404
Change in long-term inter-company transactions		-4,767	4,744
Cash flow from investing activities		-301,125	-8,202
Borrowings		149,681	
Change in bank overdraft facilities		68,619	-63,538
Group contribution		-800	-21,261
Dividends to the parent company shareholders		-36,068	-28,854
Cash flow from financing activities		181,432	-113,653
Increase/Decrease in cash and cash equivalents		-22,353	15,765
Cash and cash equivalents at the beginning of the year		22,353	11,151
Exchange rate difference in cash and cash equivalents			-4,563
Cash and cash equivalents at the end of the year		-	22,353

Notes to the financial statements

NOTE 1 GENERAL INFORMATION

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

AQ Group AB (publ) is the senior parent company of the Group. As in previous years, the parent company's turnover consists virtually exclusively of the sale of administrative services to subsidiaries. There are no purchases of any substance from subsidiaries. The parent company, which has been listed on AktieTorget since 2001, has its registered office in Västerås, Sweden. The address of head office is Regattagatan 29, 723 48 Västerås, Sweden. The consolidated financial statements for AQ Group AB (publ.) for the financial year 2015 have been approved for publication by the Board and are available on the company website www.aq.se as of 24 March 2016. Additional information is also available on the website.

NOTE 2 REPORT ON THE APPLICATION OF ACCOUNTING POLICIES

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

2.1 Fundamental standards and legislation

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

Unless otherwise specified, the cost value method was applied when valuing assets and liabilities. Unless otherwise specified below, the items in the income statement and balance sheet are recorded gross. The parent company does not have its own manufacturing operation, but serves as a holding company. The parent company applies the same accounting policies as the Group, with the addition of RFR 2 (Accounting for Legal Entities) instead of RFR 1.

The parent company's functional currency is the Swedish krona, which is also the reporting currency for the parent company and the Group. Unless otherwise specified, all amounts are rounded to the nearest thousand.

2.2 Consolidated statements and business acquisitions

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

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

Contingent considerations are valued at fair value on the acquisition date. If this is matched by a liability, this must be converted to fair value via the income statement for each report. Intra-Group balance sheet items as well as transactions and unrealised gains/losses on these are eliminated.

2.3 Segment reporting

Two business segments are presented in the segment report – Component and System. Each has similar economic characteristics, products, production processes and customer categories. These segments are recorded in a manner which conforms to internal reporting, which is given to the senior executive decision-maker. The senior executive decision-maker is the function responsible for the allocation of resources and assessment of the operating segment's financial results. In the Group this function has been identified as the Board, which makes strategic decisions. Company management believes that this is consistent with the identification of operating segments in accordance with IFRS 8. The parent company's turnover is derived almost exclusively from the Swedish subsidiaries. The parent company's financial statements are included in the adjustment item together with the property companies in segment reporting. Note 6, Segment reporting, contains more detailed information.

2.4 Income

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

2.4.1 Sale of goods and performance of service assignments

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

2.4.2 Financial income

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

2.5 Employee benefits

2.5.1 Short-term benefits

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

2.5.2 Long-term benefits

The Group's net obligation in respect of other long-term benefits, except pensions, comprises the value of future benefits that employees have earned as remuneration for the services they have performed during the current and previous periods. This remuneration is discounted to present value and the fair value

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of any managed assets is deducted. The discount rate is established on the same basis used as for defined benefit pension plans. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recorded in the income statement in the period when they occur. These include remuneration in connection with sabbatical leave, anniversaries and long-term inability to work. Long-term benefits also include remuneration issued in respect of a long period of service.

2.5.3 Benefits after termination of employment

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

In 2015 the companies paid a total of SEK 8,621,000 (6,323,000) in pension expenses to Alecta. The contributions for the next reporting period are expected to be on a par with last year. In accordance with IAS 19 and UFR 10, the ITP pensions financed via Alecta must be treated as defined contribution pension plans until further notice, as information from Alecta does not enable reporting as defined benefit pension plans.

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

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

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

The consolidation ratio reported below relates to Alecta's assets as a percentage of the insurance obligations. Alecta has provided the following information regarding the consolidation level: "The collective consolidation level shall normally be allowed to vary between 125% and 155 %, with a target level of 140 %. If the collective consolidation level is below 125 % or above 155 %, measures must be taken to create conditions that return the consolidation level to the normal range."

The consolidation ratio for December was 153% (143%).

The Group has no substantial defined-benefit pension plans.

2.5.4 Termination benefits

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

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

2.5.5 Share-based benefits

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

2.6 Lease agreements

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

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

2.7 Non-current assets and financial instruments

Non-current assets with an indeterminate useful life

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

Capitalised expenditures

Other intangible assets relate primarily to acquired software. Software is depreciated linearly over five years.

Customer relations and technology

Identified acquired customer relations and technology are depreciated linearly over 10 years.

Tangible assets

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

Estimated useful lives:

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

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

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

Assets are depreciated over the periods indicated below.

Buildings	10-60 years
Improvement expenses on leasehold property	20 years
Land improvements	20 years
Machinery	5-10 years
Equipment, tools, fixtures and fittings	3-10 years

Buildings consists of several components with varying useful lives.

The following main groups of components have been identified and

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form the basis of depreciation of buildings:

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

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

Regarding differences between tax and book value, please refer to the section on income taxes, 2.11.

Financial instruments

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

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

2.8 Inventories

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

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

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

Of the recorded inventory values of raw materials and consumables, it is estimated that SEK 307.6 million (306.7) will be 95% turned over within one year. It is estimated that other inventory values, such as work in progress, finished products and goods for resale, totalling SEK 177.6 million (141.2), will be turned over in their entirety within one year. The value of inventories was written down by SEK 57.0 million (54.4) on the balance sheet date. The valuation was based on the use of an obsolescence scale. The obsolescence scale is based on each company's historical obsolescence risks.

2.9 Effects of changes in exchange rates

2.9.1 Transactions and balance sheet items

Transactions in foreign currency are translated at the exchange rate prevailing on the transaction date. Exchange rate profits and losses that arise when paying for such transactions, as well as monetary assets and liabilities in foreign currency that are translated at the closing day rate, are recorded gross in the income statement. To a lesser extent there are currency hedges within the Group on the balance sheet date.

2.9.2 Group companies

Assets and liabilities in foreign businesses, including goodwill and other group over and under values, are translated from the foreign operation's functional currency to the groups presentation currency, the Swedish kronor (SEK), at the exchange rate as of the balance sheet date. Revenues and expenses in a foreign enterprise are translated into Swedish crowns at an average rate that constitutes an approximation of the exchange rate that prevails at each moment of transaction. Translation differences that occur upon translating currencies for foreign operations are posted separated in other

comprehensive income and area accumulated in a separate component in equity, named the translation reserve. In the event that the foreign operation is not wholly owned, the translation difference is distributed to holdings without controlling influence based on its proportional share of ownership. When controlling influence, considerable influence or joint control ceases for a foreign business, they are realised at the accumulated translation difference by which they are reclassified from the translation reserve in equity to profits for the year.

2.10 Provisions

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

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

2.11 Income taxes

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

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

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

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

2.12 Recording of government grants and disclosure of government assistance

Government grants are recorded in the balance sheet as deferred income when there is reasonable certainty that the grant will be received and the Group will fulfil the conditions associated with the grant. Grants are accrued systematically in the income statement in the same manner and over the same periods as the expenses the grants are intended to compensate.

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

2.13 Earnings per share

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

2.14 Amortisation

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

For other assets, a test is made to see whether there is a need to impair them where there are indications that the value of an assets exceeds its estimated recovery value. The recovery value is the higher of an asset's net sales value and its value in use. For assets that have previously been impaired, a test is done on each balance sheet date concerning whether a reversal should be done.

2.15 Related party disclosures

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

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

2.16 The parent company's accounting policies

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

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

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

Subsidiaries

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

Lease agreements

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

Financial warranties

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

Group contributions and shareholder contributions

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

NOTE 3 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

These financial instruments are presented below with classification in accordance with IAS 32, accounting and measurement in accordance with IAS 39 and disclosure of risk information in accordance with IFRS 7 and valuation at actual value according to IFRS 13. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of instruments when they are first recorded and reviews this decision every time a financial statement is prepared. Acquisitions and disposals of financial instruments are recorded on the transaction date.

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

Loans and accounts receivable

SEK thousands	Group		Parent company	
	2015	2014	2015	2014
Trade and other receivables	670,438	594,096		29
Receivables from Group companies			155,624	179,517
Other receivables	20,951	14,997	493	443
Cash and cash equivalents	135,602	145,744		22,352
Total	826,991	754,837	156,117	202,341

Cash and cash equivalents consist of cash funds and immediately available balances in banks or corresponding institutions. There are no obstacles to utilisation. The Group's unutilised bank overdraft facilities total SEK 129 million (138), see also Note 32. Linked to the bank overdraft facilities are two conditions stipulated in the covenant. One relates to restrictions on the Group's net debt in relation to earnings before interest, tax, depreciation and amortisation (EBITDA). The other limits the loan ratio, net debt/equity. Over the full year 2015, AQ satisfied the conditions by a good margin.

Loans and other financial liabilities, e.g. trade and other payables, are included in the category of Other financial liabilities. These liabilities are valued at accrued cost of acquisition, which initially corresponds to fair value. We have not calculated interest on short-term liabilities that have a maturity period of less than one year. Read more about liquidity and interest rate risk under General risk exposure.

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Other financial liabilities SEK thousands	Group		Parent company	
	2015	2014	2015	2014
Non-current liabilities to credit institutions	121,045	3,256	119,681	
Bank overdraft facilities	127,985	129,764	75,277	6,659
Other debts to credit institutions	31,881	13,893	30,000	
Trade and other payables	273,780	241,356	1,648	1,397
Other liabilities	14,152	21,152	3,137	
Liabilities to Group companies			413,663	192,064
Total	568,843	409,421	643,406	200,120

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

Financial instruments

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

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

General risk exposure in respect of financial assets and liabilities

Group management divides risks into credit risk, liquidity risk and market risk. Market risk is then broken down into interest rate risk, currency risk and price risk, the last of which refers to both purchases and sales. The group management has decided in particular cases to work with hedging instruments. The objective is to address the risks through currency and commodity clauses in agreements with customers and suppliers.

The experience of renouncing hedging for the aforementioned risks has not resulted in management intending to change the current policy.

Credit risks

The Group's credit risks are primarily associated with trade and other receivables. The Group's credit policy entails always performing a credit check on new customers. An assessment is made through external credit ratings, where available, and payment history. The Group's average credit period for external trade and other receivables during the year was 62 (66) days. A change in the credit period of 1 day, at the current turnover rate, would mean a change in capital tied up and cash flow of approx. SEK 10.7 million.

Another measure of the Group's credit risk is illustrated by total exposure to individual customers. The single largest receivable on the balance sheet date totalled SEK 143.1 million (135.4). The total turnover of the Group's two largest customers represented 26% (36) of total net turnover.

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

Specification of overdue trade and other receivables, SEK thousands	Total		Of which written down	
	2015	2014	2015	2014
Not overdue	561,091	501,473		
Total overdue by 1-30 days	81,529	69,790		
Total overdue by 31-90 days	19,533	7,412		
Total overdue by 91-180 days	8,708	9,095	423	
Total overdue by more than 180 days	5,796	12,228	5,796	5,902
Total	676,657	599,998	6,219	5,902

Trade and other receivables are in Swedish kronor, approx. SEK 280.3 million (260.7), after which the largest values are in EUR, CNY and USD, which translated into SEK total approx. SEK 285.6 million (217.0), SEK 68.1 million (72.6) and SEK

21.8 million (36.7) respectively. Bad debts were recorded on the balance sheet date at a total of SEK 7 million (7). The profit for the year includes losses of SEK 0.2 million (1.8), representing < 0.007 % of revenue.

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Liquidity risks

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

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

The Group's borrowings have increased as a result of business acquisitions in 2015. The table below indicates the term of the Group's repayment of liabilities to credit institutions.

Maturity analysis

SEK thousands	2016	2017-2020
Total interest-bearing liabilities to credit institutions	146,720	131,036
Non-current liabilities for leasing capital amount	3,849	4,980
Trade and other payables	273,780	
Other liabilities	14,152	
Total	438,501	136,016

Finance leasing liabilities	Group					
	31/12/2015			31/12/2014		
	Minimum lease charge	Interest	Capital amount	Minimum lease charge	Interest	Capital amount
Within one year	3,891	42	3,849	3,956	40	3,916
Between one and five years	4,987	6	4,980	2,220	22	2,198

Variable charges do not represent significant amounts.

Market risks

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

a) Interest rate risks

The Group's interest rate risks relate to the Group's financing from credit institutions. All financing from credit institutions is presently at variable rates linked to the bank's base rate, which in turn is related to the Swedish National Bank's repo rate. With the current net liability 31/12/2015, a change of 1 percentage point has a profit impact of < SEK 1.8 million.

b) Currency risks

The Group operates mainly in Sweden. The Group also has subsidiaries in the Eurozone and in Bulgaria, India, China and Mexico, Hungary, Poland and Thailand. Transactions, assets and liabilities in foreign currencies are monitored centrally by AQ to create a balance in each currency and thereby maximise the levelling effect within the Group and thus minimise exchange rate differences. The Group only makes use of hedging instruments in exception circumstances.

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

Without considering price adjustments in the sales contracts, an exchange rate change totalling 10 % on an annual basis impacts turnover by approximately SEK 163.0 million (116.8).

Sales in other currencies account for approximately 56 % (45) of turnover.

Exchange rates	EUR	BGN	CNY	HUF	INR	MXN	NOK	PLN	THB
Average exchange rate 2012	8.60	4.45	1.03		0.13	0.52	1.16	2.06	
Closing day rate 2012	8.46	4.41	1.03		0.12	0.50	1.17	2.03	
Average exchange rate 2013	8.65	4.42	1.06		0.11	0.51	1.11	2.06	
Closing day rate 2013	8.94	4.57	1.07		0.10	0.50	1.06	2.15	
Average exchange rate 2014	9.10	4.65	1.11		0.11	0.52	1.09	2.17	
Closing day rate 2014	9.52	4.87	1.26		0.12	0.53	1.05	2.21	
Average exchange rate 2015	9.36	4.78	1.34	0.03	0.13	0.53	1.05	2.24	0.25
Closing day rate 2015	9.14	4.67	1.29	0.03	0.13	0.48	0.96	2.15	0.23

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A translation effect occurs when foreign subsidiaries are translated into SEK. All other factors being equal, a change of one per cent changes the Group's profit before tax by SEK 2.1 million.

Two currencies account for most of the translation exposure. These are CNY, in which a change of one per cent has a profit impact before tax of SEK 0.6 million, and EUR, which has a corresponding profit impact of SEK 0.9 million. Other exchange rate changes have a minor effect. The net effect on other comprehensive income of a one per cent change against SEK is SEK 5.3 million (5.4), which comprises a change in the translation reserve. The change compared to the previous year is primarily because of increased exposure of net assets in CNY and EUR.

c) Commodity price risks

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

AQ does not buy any direct raw materials, only semi-finished goods for further processing such as sheet metal made of steel and aluminium, wiring and insulated winding wire etc. The purchase value of semi-finished goods totalled approximately SEK 360 million, 40% of which is purchased in EUR and 45% in SEK.

The raw material element (LME-based element) in semi-finished goods is estimated at a total of SEK 49 million, based on the following assumptions:

Aluminium:	800tonnesx	USD 1,600 x	8.50 = SEK 10.9 million
Copper:	700tonnesx	USD 5,800 x	8.50 = SEK 34.5 million
Nickel:	40tonnesx	USD 10,500 x	8.50 = SEK 3.6 million

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

NOTE 4 CHANGES IN ACCOUNTING POLICIES

4.1 Parent company

Unless otherwise specified below, the parent company's accounting policies in 2015 were amended in accordance with what is stated below for the Group.

4.2 Group

New and modified IFRS as of 2015 that have had an effect on the company's financial statements are the incorporation of IFRIC 21 that have affected the accounting of property tax during the current year. The interpretation statement has not had any effect on the income statement or balance sheet on either 31 Dec 2014 or 31 Dec 2015.

New IFRS that have not yet been applied

IFRS 9 "Financial Instruments" will replace IAS 39 "Financial Instruments: Recognition and valuations, which are expenses to be passed by the EU in the second half of 2016. The standard is not judged to have any essential effect on the consolidated income statement and balance sheet, but may have an effect on supplemental disclosures.

Other new and modified IFRS with future application that is deemed to be relevant to AQ Group are:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- Modified IAS 7 Statement of Cash Flows - information regarding changes in liabilities attributable to the financial operation.

An analysis has begun of what effects IFRS 15 will have on revenue accounting in the consolidated financial statements. IFRS 15 will at least contain further disclosure requirements.

IFRS 16 will mean that all leases will be posted to the consolidated balance sheet, with the exception of leases of lesser value, and contract that have a term of no more than 12 months. IFRS 16 will have a minor effect on the group.

Yearly improvements of IFRS 2010-2012 can involve future disclosures with regard to related parties in accordance with IAS 24 and segments under IFRS 8.



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NOTE 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

report is signed, the Group is not involved in any material disputes. In preparing the annual report for 2015, the Board did not find any item that would be particularly exposed to risk and thus induce significant adjustments next year; see also Notes 2.4, 2.5, 2.7, 2.11, 3 and 16.

NOTE 6 OPERATING SEGMENTS AND MARKET DISTRIBUTION

6.1 Operating segments

2015 SEK thousands	Component	System	Unallocated and eliminations	Group
External invoicing within Sweden	1,209,284	451,611	35,817	1,696,712
External invoicing outside Sweden	880,330	328,762	26,074	1,235,166
Internal invoicing, other segments	191,184	127,837	-319,021	
Total net revenue	2,280,798	908,210	-257,131	2,931,878
Material costs, excl. purchases own segment	-1,160,049	-649,379	297,349	-1,512,079
Depreciation	-51,769	-4,628	-4,584	-60,980
Other operating expenses/income	-925,215	-219,992	-11,626	-1,156,833
Operating profit	143,765	34,212	24,009	201,985
Net financial items			9,751	9,751
Profit before tax	143,765	34,212	33,760	211,736
Other comprehensive income plus tax			-61,819	-61,819
Comprehensive income for the year	143,765	34,212	-28,059	149,918
2014				
External invoicing within Sweden	1,203,633	465,436	12,238	1,681,308
External invoicing outside Sweden	669,207	258,778	6,804	934,789
Internal invoicing, other segments	172,647	86,405	-259,052	
Total net turnover	2,045,487	810,619	-240,009	2,616,097
Material costs, excl. purchases own segment	-1,053,756	-564,414	260,276	-1,357,893
Depreciation	-49,863	-2,768	-3,631	-56,261
Other operating expenses/income	-824,523	-207,067	12,233	-1,019,357
Operating profit	117,345	36,371	28,870	182,586
Net financial items			4,066	4,066
Profit before tax	117,345	36,371	32,936	186,652
Other comprehensive income plus tax			11,416	11,416
Comprehensive income for the year	117,345	36,371	44,351	198,067

Notes to the financial statements

NOTE 6.1 OPERATING SEGMENTS (CONTD.)

2015 SEK thousands	Component	System	Unallocated and eliminations	Group
Cash and cash equivalents (incl. short-term investments)	184,987	107,827	-157,017	135,797
Trade and other receivables	477,798	188,828	3,812	670,438
Inventories	349,813	138,975	-3,537	485,252
Tangible assets in Sweden	111,205	27,147	617	138,968
Tangible assets in other countries	223,703	40,078		263,781
Other assets	290,283	142,709	-102,946	330,046
Total assets	1,637,789	645,564	-259,071	2,024,282
Current liabilities	613,846	218,773	-164,455	668,164
Non-current liabilities	74,141	11,071	101,170	186,382
Equity	949,802	415,720	-195,786	1,169,736
Total Liabilities and Equity	1,637,789	645,564	-259,071	2,024,282
2014				
Cash and cash equivalents (incl. short-term investments)	192,071	56,830	-103,157	145,744
Trade and other receivables	489,258	203,526	-98,688	594,096
Inventories	290,069	164,979	-7,103	447,945
Tangible assets in Sweden	95,064	41,844	607	137,515
Tangible assets in other countries	124,206	37,287		161,493
Other assets	122,476	50,924	18,531	191,931
TOTAL ASSETS	1,313,145	555,390	-189,810	1,678,724
Current liabilities	584,137	240,102	-248,627	575,612
Non-current liabilities	32,929	21,890	-6,936	47,883
Equity	696,079	293,398	65,753	1,055,230
Total Liabilities and Equity	1,313,145	555,390	-189,810	1,678,724

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

All companies in the Group are run with common goals for growth and profitability. This means that all trade between the companies is conducted under market conditions (arm's length, see note 2.15). In segment reporting, there is no adjustment for internal profit and consolidated trade with other segments. These amounts are included as reconciliation items together with the property companies and the parent company figures in the matrix above, under the heading Unallocated and eliminations.

Segment reporting includes deferred tax liabilities in the total line for Equity. Negative goodwill is included in its entirety under Other operating income for the Group during the year of acquisition, while being matched against the accrual of capitalised balance sheet items in segment reporting. Two of the Group's customers have market shares of over 10 %, 26 % (36) in total.

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

Notes to the financial statements

6.2 Market distribution

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

SEK thousands	Group			
	Sales		Non-current assets	
Country	2015	2014	2015	2014
Sweden	1,796,712	1,681,308	133,833	205,237
China	321,674	270,739	30,967	38,017
Other countries in Europe	143,701	246,339		
Germany	104,009	149,135		
Finland	68,410			
Netherlands	54,251			
Poland	50,474	55,886	14,392	16,995
UK	48,343	33,569		
Belgium	45,199			
Estonia	35,628	36,597	60,079	64,249
USA	34,656	18,572		
France	32,630			
Other countries in Asia	28,859	35,351		
Bulgaria	31,106	13,841	68,637	40,484
India	26,618	8,139	19,331	14,134
Hungary	23,534		179,425	
Italy	26,780	12,528	171	80
Mexico	19,622	13,865	1,966	2,025
Norway	14,565	11,753		2,635
Australia	13,140	15,346		
Other countries in South America	6,775	3,996		
Denmark	1,982	8,020		
Lithuania	1,733	664	72,395	9,672
Thailand			3,722	
Other countries in Central America	1,255	422		
Africa	223	26		
Total	2,931,878	2,616,097	584,920	393,528

NOTE 7 OTHER OPERATING INCOME

SEK thousands	Group		Parent company	
	2015	2014	2015	2014
Exchange gains from operations, realised	15,194	5,606	3	
Exchange gains from operations, unrealised	9,718	8,016		
Capital gains on non-current assets	404	-385		
Recovery of previously impaired trade and other receivables	218	2,894		
Rental income	41	36		
Negative goodwill	122			
Other Operating Income ¹⁾	8,307	7,062		3
	34,005	23,229	3	3

¹⁾ Other operating income including received insurance compensations, government grants etc.

Notes to the financial statements

NOTE 8 OTHER EXTERNAL EXPENSES

8.1 Remuneration to auditors

SEK thousands	Group		Parent company	
	2015	2014	2015	2014
<i>KPMG</i>				
Audit assignment	1,254	1,310	345	200
Tax consultation/other services	2			
	1,256	1,310	345	200
<i>PwC</i>				
Audit assignment	193	1,093		879
Audit-related assignments	7	20		
	200	1,113		879
<i>EY</i>				
Audit assignment		5		
Audit-related assignments				
Tax consultation/other services	42			
	42	5		
<i>FangBen CPA</i>				
Audit assignment	225	174		
Tax consultation/other services	108	57		
	333	231		
<i>Other</i>				
Audit assignment	700	349		
Audit-related assignments	7			
Tax consultation/other services	28	13		
	735	408		
Total	2,565	3,068	345	1,079

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

8.2 Operational leasing

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

SEK thousands	2015	2016	2017-2020	Later
Rental agreements for external premises	21,306	19,256	55,993	10,147
Rental contracts for machinery	3,962	3,154	8,182	
Other agreements	2,560	2,760	9,450	
Total	27,828	25,170	73,625	10,147

Notes to the financial statements

NOTE 9 PERSONNEL

Average number of employees	2015			2014		
	Women	Men	Total	Women	Men	Total
Parent company, Sweden	10	8	18	7	8	15
Subsidiaries, Sweden	215	579	794	222	590	812
Bulgaria	519	447	966	518	385	903
Estonia	93	286	379	72	248	320
India	12	134	146	13	83	96
Italy	1	3	4	1	3	4
China	204	335	539	235	322	557
Lithuania	529	118	647	487	123	610
Mexico	68	26	94	78	23	101
Poland	257	251	508	239	243	482
Thailand	4	8	12			
Hungary	121	290	411			
Total	2,033	2,485	4,518	1,871	2,029	3,900

Gender distribution, executive officers

Board	Women	Men	Total	Women	Men	Total
Parent company	17%	83%	100%	17%	83%	100%
Group	10%	90%	100%	9%	91%	100%

Company management and CEO	Women	Men	Total	Women	Men	Total
Parent company	50%	50%	100%	33%	67%	100%
Group	15%	85%	100%	26%	74%	100%



Notes to the financial statements

	Group		Parent company		
	2015	2014	2015	2014	
Salaries and remuneration, SEK thousands					
Sweden					
Board, CEO and other executive officers ¹⁾	16,020	13,474	8,247	6,993	
Other employees	275,496	289,120	3,946	2,875	
Total in Sweden	291,516	302,595	12,193	9,868	
<i>1) Of which bonuses and the like to executive officers</i>	<i>2,597</i>	<i>3,628</i>	<i>1,680</i>	<i>1,140</i>	
Other countries					
Board and CEO ¹⁾	12,785	10,855			
Other employees	287,496	233,825			
Subsidiaries in other countries	300,281	244,680			
<i>1) Of which bonuses and the like to executive officers.</i>	<i>2,815</i>	<i>3,350</i>			
Total	591,797	547,275	12,193	9,868	
Payroll overhead, SEK thousands					
Sweden					
Pension expenses for Board, CEO and other executive officers	4,738	3,386	1,283	1,554	
Pension expenses for other employees	11,012	12,020	261	255	
Other payroll overhead	96,718	99,659	4,080	3,237	
Total in Sweden	112,468	115,065	5,624	5,046	
Other countries					
Pension expenses for Board and CEO	657	757			
Pension expenses, other employees	25,003	20,305			
Other payroll overhead	20,201	14,952			
Subsidiaries in other countries	45,861	36,014			
Total	158,329	151,079	5,624	5,046	
Remuneration to the Board, CEO and Group management					
	Basic salary/fee	Variable remuneration	Other benefits	Pension expenses	Total
2015					
Chairman of the Board, Per-Olof Andersson	786			166	952
Board member, Leif Andersson	120				120
Board member, Patrik Nolåker	120				120
Board member, Ulf Gundemark	120				120
Board member, Gunilla Spongh	120				120
Board member and CEO, Claes Mellgren	786		21	198	1,005
Other executive officers, five	4,352	1,680	141	920	7,092
	6,405	1,680	162	1,283	9,530
2014					
Chairman of the Board, Per-Olof Andersson	746			181	927
Board member, Leif Andersson	120				120
Board member, Rune Glavare	120				120
Board member, Ulf Gundemark	120				120
Board member, Gunilla Spongh	120				120
Board member and CEO, Claes Mellgren	734		43	181	958
Other executive officers	3,897	1,140	65	1,192	6,294
	5,857	1,140	108	1,554	8,659

Notes to the financial statements

There are no special pension benefits or severance payment agreements, beyond normal occupational pensions. The Board's proposed guidelines for remuneration in 2016, in accordance with Chapter 8, Section 51 of the Swedish Companies Act, are laid out in the Directors' Report. The remuneration paid out to executive officers in 2015 is specified in the note.

The following decision on guidelines for remuneration in 2015 was made at the last annual general meeting: Executive officers shall be paid a fixed fee, supplemented by variable remuneration calculated as a percentage of the Group's profit for the year, limited to maximum of one year's salary per person. There are no benefits beyond normal pension benefits for work performed via the employment contract. In individual cases and where there is special justification, the Board shall have the option of deviating from the above guidelines.

NOTE 10 PROFIT/LOSS FROM PARTICIPATIONS IN GROUP COMPANIES

SEK thousands	Parent company	
	2015	2014
Dividends from Group companies		
Group contributions received		
Sale of companies		
Amortisation of shares in subsidiaries		
Total	-	-

NOTE 11 INTEREST INCOME AND SIMILAR ITEMS

SEK thousands	Group		Parent company	
	2015	2014	2015	2014
Dividends received	225			
Interest income, trade and other receivables	496	171		
Interest income from Group companies			1,117	4,121
Other interest income	4,719	991	1,870	12
Exchange rate gains on financial items, realised	3,452	1,471	3	865
Exchange rate gains on financial items, not realised	11,424	7,211	7,360	3,698
Total	20,316	9,844	10,350	8,696

NOTE 12 INTEREST EXPENSES AND SIMILAR ITEMS

SEK thousands	Group		Parent company	
	2015	2014	2015	2014
Interest expenses, trade and other payables	-529	-92	-1	
Interest expenses to Group companies			-320	
Other interest expenses	-1,314	-2,494	-392	-623
Exchange rate losses on financial items, realised	-2,154	-2,594		
Exchange rate losses on financial items, not-realised	-6,568 ¹⁾	-598	-3,137 ¹⁾	
Total	-10,565	-5,778	-3,850	-623

¹⁾Valuation of forward agreements are included in the amount of SEK -3,137,000.

NOTE 13 APPROPRIATIONS

SEK thousands	Parent company	
	2015	2014
Change in tax allocation reserve	-5,300	1,590
Group contribution, paid	-800	-21,261
Total	-6,100	-19,671

Notes to the financial statements

NOTE 14 TAXES

SEK thousands	Group		Parent company	
	2015	2014	2015	2014
Current tax for the year	-34,214	-38,936	-3,835	-3,239
Adjustment of the previous year's tax			3	
Deferred tax	-7,069	2,761	690	
Tax recorded for the period	-41,283	-36,175	-3,142	-3,239
Specification of recorded tax				
<i>Recorded profit before appropriations and tax</i>	211,736	186,652	20,095	33,055
Estimated tax based on applicable tax rate in Sweden 22.0%	-46,582	-39,476	-4,421	-7,272
Tax effect of:				
Standard taxation, tax allocation reserves	-170	-412	-51	-124
Tax effect of untaxed reserves			1,166	-350
Non-deductible expenses	-11,669	-2,249	-34	-172
Non-taxable income	6,051	1,595	19	2
Adjusted tax from previous year/changed tax rates	-1,545	-99	3	
Effect of other tax rates in foreign companies	15,537	9,800		
Tax effect of Group contribution			176	4,677
Change in non-recorded tax loss carryforwards	-2,734	-6,115		
Utilisation of tax loss carryforwards not previously capitalised		1,384		
Other	-171	-603		
	-41,283	-36,175	-3,142	-3,239

SEK thousands	Group	
	2015	2014
Non-recorded tax loss carryforwards	47,456	16,476
<i>Deficit deduction expires in (year):</i>		
2016	1,740	
2017	3,434	556
2018		1,097
2019	3,912	
2020	3,064	
Later	35,306	14,823
Total	47,456	16,476

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

Deferred taxes in the parent company relate solely to untaxed reserves. These are not recorded separately because of the connection between accounting and taxation, see Note 26.

Notes to the financial statements

CONT'D. NOTE 14 TAXES

SEK thousands	Group		Parent company	
	2015	2014	2015	2014
Deferred tax assets				
Tangible assets	1,075	845		
Inventories	2,696	3,937		
Other	3,426	3,257	690	
	7,197	8,039	690	
Deferred tax liability				
Intangible assets	8,158	2,224		
Tangible assets	10,898	2,882		
Untaxed reserves	32,758	31,503		
Other		-1,369		
	51,814	35,240		
Change in deferred tax				
Recorded in the income statement	-7,069	2,761	690	
Translation difference	-2,460	71		
Acquisition of subsidiaries	-7,887	-361		
	-17,416	2,471	690	

NOTE 15 OTHER INTANGIBLE ASSETS

SEK thousands	Group							
	2015				2014			
	Customer relations	Technology	Other intangible non-current assets	Total	Customer relations	Technology	Other intangible non-current assets	Total
Opening cost of acquisition			36,552	36,552			27,709	27,709
Direct investments for the year			1,202	1,202			8,155	8,155
Acquisition of subsidiaries	37,964	12,694	5,808	56,466				
Sales/retirements			-52	-52			-14	-14
Translation difference	-1,257	-420	-548	-2,225			702	702
Closing accumulated costs of acquisition	36,707	12,274	42,962	91,943			36,552	36,552
Opening depreciation			-27,032	-27,032			-17,042	-17,042
Acquisition of subsidiaries			-4,382	-4,382				
Sales/retirements			52	52			14	14
Reclassifications							-4,208	-4,208
Translation difference	21	4	466	490			-362	-362
Depreciation for the year	-633	-106	-4,973	-5,711			-5,435	-5,435
Closing accumulated depreciation	-612	-102	-35,869	-36,583			-27,032	-27,032
Closing planned residual value	36,095	12,171	7,093	55,360			9,520	9,520

Notes to the financial statements

NOTE 16 GOODWILL

SEK thousands	Group	
	2015	2014
Opening cost of acquisition	75,407	74,399
Direct investments for the year	655	1,413
Acquisition of subsidiaries	46,070	
Translation difference	-4,571	-405
Closing accumulated costs of acquisition	117,561	75,407
Closing planned residual value	117,561	75,407

In 2015, two companies were acquired, which generated a total goodwill post of SEK 46 million. See Note 31.

Each year, company management investigates whether there is any amortisation of goodwill. The recoverable amount of the underlying cash-generating unit AQ Wiring Systems has been determined based on a calculation of the Group's value in use. Goodwill attributable to Anton Kft amounts to SEK 43.8 million. As the acquisitions was made at the end of 2015, no impairment test has been undertaken. Other goodwill items are of minor value and there are no indications of a permanent impairment of value.

Impairment testing for cash-generating units containing goodwill

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

	2015	2014
AQ Wiring Systems	63,890	66,551

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

Important variables

Market share and market growth

Operating expenses

Discount rate

Exchange rate

Method used to estimate values

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

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

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

Translation of currencies was performed at prevailing exchange rates.

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

NOTE 17 LAND AND BUILDINGS

	Group	
	2015	2014
Opening cost of acquisition	146,592	130,823
Direct investments for the year	2,359	424
Acquisition of subsidiaries	61,101	10,519
Reclassifications	606	1,210
Translation difference	-4,676	3,616
Closing accumulated costs of acquisition	205,982	146,592
Opening accumulated depreciation	-49,253	-40,630
Acquisition of subsidiaries	-12,055	-1,814
Translation difference	1,051	-984
Depreciation for the year	-5,703	-5,825
Closing accumulated depreciation	-65,960	-49,253
Closing planned residual value	140,022	97,339

Notes to the financial statements

NOTE 18 PLANT AND MACHINERY

SEK thousands	Group					
	2015			2014		
	Machinery and equipment	Leased machinery	Total	Machinery and equipment	Leased machinery	Total
Opening cost of acquisition	358,643	30,058	388,701	288,946	29,832	318,778
Direct investments for the year	43,479	233	43,712	39,080	126	39,206
Acquisition of subsidiaries	198,211	7,067	205,278	13,632	80	13,712
Sales/retirements	-44,978		-44,978	-7,450	-212	-7,662
Reclassifications	26,677	-22,115	4,562	11,793		11,793
Translation difference	-10,414	-339	-10,753	12,642	232	12,874
Closing accumulated costs of acquisition	571,618	14,904	586,522	358,643	30,058	388,701
Opening accumulated depreciation	-223,503	-21,162	-244,665	-181,013	-18,797	-199,810
Acquisition of subsidiaries	-157,676	-5,142	-162,818	-12,452		-12,452
Sales/retirements	55,233		55,233	6,275	147	6,422
Reclassifications	-14,252	14,252		4		4
Translation difference	7,924	256	8,181	-5,923	-153	-6,076
Depreciation for the year	-38,024	-670	-38,694	-30,394	-2,359	-32,753
Closing accumulated depreciation	-370,298	-12,466	-382,764	-223,503	-21,162	-244,665
Opening accumulated impairment	-48		-48			
Amortisation for the year				-45		-45
Translation difference	2		2	-3		-3
Closing accumulated amortisation	-46		-46	-48		-48
Closing planned residual value	201,274	2,438	203,712	135,092	8,896	143,988

Notes to the financial statements

NOTE 19 EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

SEK thousands	Group		Parent company	
	2015	2014	2015	2014
Opening cost of acquisition	122,210	101,514	59	59
Direct investments for the year	18,468	13,035		
Acquisition of subsidiaries	10,844	7,806		
Sales/retirements	-13,573	-4,999		
Reclassifications		-121		
Translation difference	-2,233	4,975		
Closing accumulated costs of acquisition	135,716	122,210	59	59
Opening accumulated depreciation	-75,789	-59,687	-48	-36
Acquisition of subsidiaries	-9,587	-4,736		
Sales/retirements		4,685		
Reclassifications		188		
Translation difference	1,668	-4,024		
Depreciation for the year	-12,399	-12,215	-12	-12
Closing accumulated depreciation	-96,107	-75,789	-59	-48
Closing planned residual value	39,609	46,421		12

NOTE 20 CONSTRUCTION IN PROGRESS

SEK thousands	Group	
	2015	2014
Opening cost of acquisition	11,260	6,343
Direct investments for the year	14,560	17,901
Acquisition of subsidiaries	2,800	
Sales/retirements	-2,861	
Reclassifications	-5,638	-13,148
Translation difference	-715	164
Closing accumulated costs of acquisition	19,406	11,260

NOTE 21 SHARES AND PARTICIPATIONS IN SUBSIDIARIES

SEK thousands	Parent company	
	2015	2014
Opening cost of acquisition	372,235	354,923
Shareholder contribution	20,342	6,404
Investment in subsidiaries	235,817	16,458
Intra-group acquisitions	40,199	
Reductions of the share capital		-7,950
Closing accumulated costs of acquisition	668,593	372,235
Opening accumulated impairment	-53,958	-53,958
Closing accumulated amortisation	-53,958	-53,958
Closing book value	614,635	318,277

Notes to the financial statements

CONTD. NOTE 21 SHARES AND PARTICIPATIONS IN SUBSIDIARIES

	Corp. ID no.	Number of participation rights	Share of equity	Shares of votes	Book value
AQ Fastighet Tokarp AB, Anderstorp	556220-0195	1,000	100%	100%	3,578
AQ Fastighet i Pålshoda AB, Eskilstuna	556275-6212	14,200	100%	100%	5,580
AQ Fastighet i Lund AB, Lund	556527-5228	10,000	100%	100%	3,942
AQ Fastighet i Lyrestad AB, Västerås	556443-9734	15,000	100%	100%	
AQ Fastighet i Torslanda AB, Göteborg	556690-3018	1,000	100%	100%	100
AQ Elautomatik AB, Västerås	556272-8484	1,000	100%	100%	4,457
AQ Elteknik AB, Uppsala	556358-1411	1,000	100%	100%	2,435
-AQ M-Tech AB, Uppsala	556090-4285				
AQ Enclosure Systems AB, Vaggeryd	556660-1844	20,000	100%	100%	2,000
AQ Trafo AB, Enköping	556443-9726	26,000	100%	100%	
AQ Mekatronik AB, Västerås	556666-7829	1,000	100%	100%	100
AQ ParkoPrint AB, Gävle	556574-6319	20,000	100%	100%	17,314
-AQ Fastigheter i Gävle AB, Gävle	556448-3385	1,500	100%	100%	
AQ Plast AB, Västerås	556497-2239	3,000	100%	100%	4,400
AQ Segerström & Svensson AB, Eskilstuna	556545-8790	40,000	100%	100%	7,226
AQ Retor Engineering AB, Gothenburg	556622-8697	1,050	100%	100%	2,105
AQ Welded Structures AB, Ludvika	556660-2016	1,000	100%	100%	100
AQ Staretor AB, Gothenburg	556690-3026	1,400	100%	100%	800
-AQ 3-Elite AB, Gothenburg	556704-6981				
AQ Wiring Systems AB, Årjäng	556630-1437	500	100%	100%	5,000
AQ Wiring Systems AS, Arendal, Norway	987,815,566	100	100%	100%	56,060
AQ Electric AD, Radomir, Bulgaria	1135 61397	544,618	96%	96%	16,607
AQ Magnit AD, Godech, Bulgaria	1220 33267	679,382	99%	99%	40,237
AQ Plastronic AD, Bulgaria	1040 11529	595,560	95%	95%	14,391
-AQ Wiring Systems UAB, Panevezys, Lithuania	148,427,212	1,200	100%	100%	56,078
AQ Electric Suzhou Co Ltd, Suzhou, China	[2006] 65541	169,730	100%	100%	23,298
AQ Holmbergs Suzhou Co Ltd, Suzhou, China	[2002] 32190	173,517	100%	100%	1,806
-AQ Manufacturing Co., Ltd, Bangkok, Thailand	115,558,018,096				
AQ Italy S.R.L., Milan, Italy	04056160965	300	100%	100%	275
AQ Lasertool OÜ, Pärnu, Estonia	10 930 852	40,000	100%	100%	8,525
AQ Mechanical&Electrical M.I.Pvt.Ltd, Pune, India	U31909PN2011FTC139442	4,156,659	100%	100%	39,919
AQ Wiring Systems SA DE CV, Tultitlan Edo, Mexico	DME051116H2A	50,000	100%	100%	20,000
AQ Wiring Systems Sp.z.o.o., Lodz, Poland	7,281,357,239	2,227	100%	100%	42,630
AQ Anton Kft	20-09-061216		100%	100%	235,672
					614,635

Notes to the financial statements

NOTE 22 NON-CURRENT RECEIVABLES

Receivables from Group companies	Parent company	
	2015	2014
Opening receivables	37,439	33,064
Lending during the year	18,737	10,345
Repayments during the year	-8,703	-8,437
Translation difference	142	2,467
Closing receivables	47,615	37,439

Financial investments	Group	
	2015	2014
Opening cost of acquisition		1,503
Acquisitions		-128
Disposed of		-28
Reclassification to non-current receivables		-1,554
Translation difference		207
Closing acquisition value		-

NOTE 23 OTHER RECEIVABLES

SEK thousands	Group		Parent company	
	2015	2014	2015	2014
VAT receivable	16,005	17,821		
Other current receivables	20,989	14,997	531	443
	36,994	32,818	531	443

NOTE 24 PREPAID EXPENSES AND ACCRUED INCOME

SEK thousands	Group		Parent company	
	2015	2014	2015	2014
Prepaid rent	4,988	2,718	58	58
Other interim receivables	79,707	35,534	1,067	1,907
	84,695	38,251	1,125	1,965

Notes to the financial statements

NOTE 25 EQUITY

Capital management

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

goal is to maintain an equity ratio of at least 40 %. The Group's equity ratio on the balance sheet date 31/12/2015 was 58 % (63). The dividend policy is that the dividend shall equal approximately 25 % of the average profit after tax over one business cycle.

Parent company	Number of shares	Share capital (SEK)
Number/amount at year-end – 31/12/2011	17,959,058	35,918,116
New issue (subscription)	75,000	150,000
Number/amount at year-end – 31/12/2012	18,034,058	36,068,116
Number/amount at year-end – 31/12/2013	18,034,058	36,068,116
Number/amount at year-end – 31/12/2014	18,034,058	36,068,116
Number/amount at year-end – 31/12/2015	18,034,058	36,068,116

Earnings per share SEK 9.44 (8.32) Share quotient value is SEK 2. The company does not have any share-based scheme for employees, and all shares carry the same voting rights and preferential rights.

RESERVES

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

APPROPRIATION OF PROFITS

The Board has proposed a dividend of SEK 2.25 (2.0) per share to the Annual General Meeting for the financial year 2015, which means that SEK 40,576,631 will be distributed to the shareholders if the Annual General Meeting adopts the Board's proposal. During the year there was no change in the Group's capital management.

NOTE 26 UNTAXED RESERVES

SEK thousands	Parent company	
	2015	2014
Tax allocation reserve, Tax 2010		500
Tax allocation reserve, Tax 2011	4,000	4,000
Tax allocation reserve, Tax 2013	18,400	18,400
Tax allocation reserve, SFL 2013	8,200	8,200
Tax allocation reserve, SFL 2014	4,900	4,900
Tax allocation reserve, SFL 2015	5,800	
	41,300	36,000

NOTE 27 PLEDGED ASSETS AND CONTINGENT LIABILITIES

SEK thousands	Group	
	31/12/2015	31/12/2014
Memorandum items		
Pledged assets		
Property mortgages	85,900	90,651
Floating charges	239,750	302,448
<i>of which in own custody</i>	44,625	44,625
Ownership reservation regarding leased machines,	2,438	8,896
Other ownership reservation		354
Mortgaged trade and other receivables	31,007	85,112
Contingent liabilities		
Other contingencies	NONE	NONE

Notes to the financial statements

NOTE 28 PROVISIONS – NON-CURRENT AND CURRENT

SEK thousands	Group	
	2015	2014
Opening provisions for warranty obligations, current	545	257
Change in warranty obligations	330	288
Closing provisions for warranty obligations, current	875	545
Opening pension provisions, current	3,321	1,996
Change in pensions	-5	1,325
Closing pension provisions, current	3,316	3,321
Opening other provisions, current	6,065	3,525
Other change	4,143	2,540
Closing other provisions, current	10,208	6,065
Total provisions on balance sheet date	14,398	9,931

NOTE 29 OTHER RECEIVABLES

SEK thousands	Group		Parent company	
	2015	2014	2015	2014
Liability for VAT and personnel	21,228	22,064	1,025	2,240
Other current liabilities	14,152	21,152	3,137	1
	35,380	43,216	4,162	2,241

NOTE 30 ACCRUED EXPENSES AND PREPAID INCOME

SEK thousands	Group		Parent company	
	2015	2014	2015	2014
Liability to personnel	71,394	68,469	3,948	2,461
Liability, social security contributions	28,336	28,679	1,552	1,204
Other interim liabilities	20,490	19,271	756	346
	120,220	116,419	6,256	4,011

Notes to the financial statements

NOTE 31 ACQUISITIONS

2015 Acquisition of subsidiaries (preliminary acquisition analyses)	Fair value at moment of acquisition			Group
	Anton Kft	AQ M-Tech AB	AQ Magnit AD (BG)	
Intangible assets	51,572	512		52,084
Tangible assets	88,450	5,988		94,438
Financial assets	805			805
Operating capital	24,883	8,927		33,810
Cash and cash equivalents	51,788			51,788
TOTAL ASSETS	217,498	15,427		232,925
Long-term provisions	3,651			3,651
Non-current interest-bearing liabilities	1,002	931		1,933
Deferred tax liability	22,023	770		22,793
Short-term operating liabilities	1,188	8,387		9,575
Total provisions and liabilities	27,864	10,088		37,952
Total net assets	189,634	5,339		194,973
Remitted remuneration	-235,243	8,387	-268	-241,043
Goodwill	45,609	461		46,070
Withdrawn: Cash and cash equivalents the acquired business	51,788			51,788
Effect on cash and cash equivalents	-183,455	-5,800	-268	-189,255

Acquisitions during the past 12 months:

Date	Acquisitions	Income for the year, SEK million*	Number of employees*
30 June 2015	Anton Johanssons Rostfria	30	24
1 November 2015	Anton Kft.	240	400

*Annual income and number of employees at the time of the acquisition.

On 1 November 2015, the group acquired 100% of the shares in the unlisted company Anton Kft for SEK 235.2 million and paid cash.

During the two months up until 31 December 2015, the subsidiary contributed SEK 39.9 million to the Group's revenues and SEK 2.3 million to the Group's earnings after tax. Had the acquisition taken place on 1 January 2015, i.e., included the period between January and October, then the management estimates that the Group's revenues would have been SEK 202.7 million higher and the earnings for the financial period would have been SEK 28.5 million higher for the twelve months that ended on 31 December 2015.

Acquired intangible assets refer to customer relations and technology. The goodwill value includes synergy effects in the form of more efficient production processes and the staff's technical skills. None of the goodwill is expected to be tax-deductible. Acquisition-related expenditures amount to SEK 0.4 million.

On 30 June 2015, 100% of the shares in Anton Johanssons Rostfria AB were acquired. The purchase sum paid amounted to SEK 5.8 million and acquired net assets amounted to SEK 5.3 million. The goodwill on consolidation of SEK 0.46 million is entirely allocated to goodwill in the form of synergy effects in the production process as well as the staff's technical skills.

The purpose of the acquisition of Anton Johanssons Rostfria Verkstad was to gain access to a company that makes components from stainless steel for customer with special and unique requirements, e.g. laboratories and medical technology industries. The acquisition of Anton Kft. was made in order to obtain the expertise within advanced machining of components for demanding customers and in order to expand AQ Group's market and technology in the field of injection moulding and in developing tools.

No disposals of companies have taken place during the financial period.

Notes to the financial statements

NOTE 31 ACQUISITIONS

2014

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

Acquisition of subsidiaries	Fair value at moment of acquisition			
	Carat Electronic AD	Foleshill Metal Finishing	Sertec Engineering	Group
Tangible assets	9,237	5,369	6,661	21,267
Inventories	4,974			4,974
Other current assets	2,042			2,042
Cash and cash equivalents	162			162
TOTAL ASSETS	16,415	5,369	6,661	28,445
Long-term provisions	328			328
Short-term operating liabilities	1,695			1,695
Total provisions and liabilities	2,023			2,023
Total net assets	14,392	5,369	6,661	26,422
Goodwill			1,413	1,413
Total purchase price	-14,392	-5,369	-8,074	-27,835
Unpaid element of the purchase price			-1,413	-1,413
Remitted remuneration	-14,392	-5,369	-6,661	-26,422
Withdrawn: Cash and cash equivalents the acquired business	162			162
Effect on cash and cash equivalents	-14,230	-5,369	-6,661	-26,260

NOTE 32 CASH AND CASH EQUIVALENTS

SEK thousands	Group		Parent company	
	2015	2014	2015	2014
Cash and bank balances	135,602	145,744	-	22,352
Cash and cash equivalents recorded in the cash flow statement	135,602	145,744	-	22,352

The Group's total unutilised limits for bank overdraft facilities totalled SEK 128,770,000 (138,459,000) at year-end.

NOTE 33 TRANSACTIONS WITH CLOSELY RELATED PARTIES

The parent company has a close relation with its subsidiaries, see Note 4.1.

In 2015, AQ Group has paid out SEK 36,068,116 in share dividends to their shareholders. No other transactions between AQ and closely related parties that substantially have affected the company's financial standing and earnings have occurred.

Two of the company's board members control approximately 60% of the votes in the company. No loans to the board members or other key figures in executive positions have been made.

For other remunerations to the board and the group management, see note 9.

Signatures

BOARD CERTIFICATION

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

and results and describes material risks and uncertainties facing the parent company and the companies that form part of the Group.

The annual accounts and consolidated account, as presented above, were approved for publication by the Board and CEO on 21 March 2016. The consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be the subject of adoption at the Annual General Meeting on 21 April 2016.

Västerås, 21/03/2016

Per-Olof Andersson
Chairman of the Board

Claes Mellgren
CEO

Patrik Nolåker
Board member

Leif Andersson
Board member

Gunilla Spong
Board member

Ulf Gundemark
Board member

Our Audit Report was submitted on 22/03/2016
KPMG AB

Helena Arvidsson Älgne
Authorised Public Accountant

Audit Report

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

Report on the annual accounts and the consolidated accounts

We have conducted an audit of the annual accounts and the consolidated accounts of AQ Group AB (publ.) for the year 2015. The annual accounts and consolidated accounts are included in the printed version of this document on Pages 12-56.

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

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

The auditor's responsibility

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

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

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

Statements

In our opinion, the annual accounts have been prepared as required by the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company on 31 December 2015, and its financial performance and its cash flows for the year, in accordance with the Swedish Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and give a true and fair view in all significant respects of the Group's financial position as of 31

December 2015 and of its financial results and cash flows for the year in accordance with the International Financial Reporting Standards, as adopted by the EU, and the Swedish Annual Accounts Act. The Directors' Report is consistent with the other parts of the annual accounts and the consolidated accounts.

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

Report on other requirements under law and other administrative provisions

In addition to our audit of the annual accounts and the consolidated accounts, we have also conducted an audit of the proposed appropriations in respect of the company's profit or loss, as well as the administration of the Board of Directors and the CEO of AQ Group AB for the year 2015.

The responsibility of the Board of Directors and the CEO

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

The Auditor's Responsibility

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

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

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

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

Statements

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

Västerås, 22 March 2016

KPMG AB

Helena Arvidsson Älgne
Authorised Public Accountant

Corporate Governance Report



Patrik Nolåker, Ulf Gundemark, Claes Mellgren, Leif Andersson and Per-Olof Andersson.
Gunilla Spongh is missing from the picture

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

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

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

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

Shareholders

At the year-end, AQ Group had 2,044 (2,172) shareholders. Information about the share trend, ownership structure, dividends, etc. may be found in the Directors' Report.

Legislation and Articles of Association

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

Shareholders' general meetings

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



Annual General Meeting in Västerås, 23 April 2015.

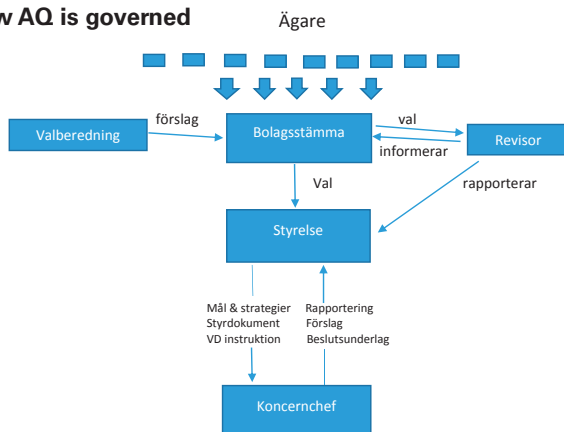
The Annual General Meeting shall be held no later than four months after the end of the financial year. At the AGM, decisions are made regarding approval of the balance sheet and income statement, discharge from liability for the Board and CEO and allocation of the company's retained earnings.

Shareholders representing 67.3% of the total number of votes in the company participated in AQ Group's Annual General Meeting on 23 April 2015. The CEO, the Group management team and the Board were in attendance. During the meeting, shareholders were given the opportunity to ask questions and have them answered during the meeting. In addition to the decisions specified above, the AGM passed resolutions on remuneration to the Board, a mandate to the Board to decide on directed new share issue (max. 2,000,000 shares) and the election of officers.

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

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

How AQ is governed



APPOINTMENT OF OFFICERS

Nomination committee

The Annual General Meeting chooses a nomination committee that represents the company's shareholders. The nomination committee shall consist of three members, of which one has no ties to the company's Board. At the 2015 general shareholders' meeting, Per-Olof Andersson, Claes Mellgren and Johan Hagberg were selected.

Board of Directors

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

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

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

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

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

At the AGM, Leif Andersson, Gunilla Spongh, Ulf Gundemark, Ulf Gundemark and Claes Mellgren were elected as Board members. Per-Olof Andersson was elected as Chairman of the Board. Remuneration in the form of a director's fee was paid to the Board's external members at SEK 120,000 each.

Auditors

Helena Arvidsson Älgne, KPMG, was elected as auditor at the 2014 AGM for the upcoming four years.

The Board's duties

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

- set overall goals and strategy
- continuously evaluate company management
- assume responsibility for ensuring that procedures and systems are adapted to the company's operations
- assume responsibility for transparency in external information
- ensure that laws and regulations are obeyed
- that the company behaves ethically and calls a general shareholders' meeting



Corporate Governance Report



Board member, Gunilla Spongh with CFO Mia Tomczak

The Board's ultimate duty is to manage the company's affairs in such a way that the owners' interests in a good, long-term return on capital are satisfied in the best possible way.

Composition of the Board

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

The majority of members must be independent in relation to the company and company management.

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

The Board's work in 2015

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

The Board's rules of procedure

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

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

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

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

ACCOUNTING, AUDITING AND INTERNAL CONTROL

General

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

The entire Board participates in the internal control of the financial statements and is jointly responsible for other aspects of internal control. In the Board's reporting instructions, there are requirements that the Board hold a meeting and talk with the company's auditor without having the managing director or CFO present. The head auditor has personally reported their observations with regard to accounting and internal control to the Board on two occasions during the year.

Control environment

The control environment is the basis of the company's internal control. The Board of AQ Group

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

Risk assessment and control activities

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

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

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

Information and communication

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

Monitoring

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

Company management

The Board has delegated operational responsibility for management of the company and the Group to the company's CEO. A set of instructions on the division of responsibilities between the Board and CEO is approved annually by the Board. AQ's company management function consists of the management team, that in 2015 consisted of Claes Mellgren as CEO, Mia Tomczak as CFO, Anna Nordanstig in HR, Åsa Lostorp in purchasing, James Ahrgren in marketing and sales, while Per Lindblad covered IT and business development.

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

Information

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

Group structure

GROUP STRUCTURE – OPERATIONS

PARENT COMPANY

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

The company, with its registered office in Västerås, is the parent company of the Group. The business consists of an administrative group management and financial administration for Swedish subsidiaries.

MD: Claes Mellgren

SWEDISH OPERATING SUBSIDIARIES

AQ Elautomatik AB (556272-8484)

The company develops, designs, manufactures and installs complete electric cabinets for controlling machines and processes. The operation is conducted in Västerås, Bollnäs, Lund and Örnköldsvik.

CEO: Ola Olsson

AQ Elteknik Aktiebolag (556358-1411)

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

MD: Tobias Hammar

AQ Enclosure Systems AB (556660-1844)

The company manufactures and sells complete machines and thin sheet metal parts. The company's operations are conducted in Vaggeryd, Kista and Falköping.

MD: Martin Elm

AQ Mekatronik AB (556666-7829)

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

MD: Carina Ståhl until Sept 2015 / Ola Olsson as of Oct 2015

AQ M-Tech AB (556090-4285)

The company designs and manufactures mechanical components and systems for high-tech customers.

The company operates in Uppsala.

MD: Tobias Hammar

AQ ParkoPrint AB (556574-6319)

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

The company operates in Gävle.

MD: Per-Olof Andersson up until February 2016 / Claes Mellgren as of March 2016

AQ Plast AB (556497-2239)

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

MD: Erik Mattsson

AQ Retor Engineering AB (556622-8697)

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

The company operates in Torslanda.

MD: Leif Plate

AQ Segerström & Svensson AB (556545-8790)

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

MD: Leif Plate

AQ Trafo AB (556443-9726)

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

MD: Claes Mellgren

AQ Welded Structures AB (556660-2016)

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

MD: Jennie Söderlund

OTHER SWEDISH SUBSIDIARIES

AQ Fastighet i Lund AB (556527-5228)

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

MD: Ola Olsson

AQ Fastighet i Lyrestad AB (556443-9734)

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

MD: Leif Plate

AQ Fastighet i Pålsboda AB (556275-6212)

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

MD: Leif Plate

AQ Fastighet Tokarp AB (556220-0195)

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

MD: Erik Mattsson

AQ Fastighet i Torslanda AB (556690-3018)

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

MD: Erik Mattsson

AQ Fastigheter i Gävle AB (556448-3385)

Subsidiary of AQ ParkoPrint AB.

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

MD: Per-Olof Andersson until February 2016 / Claes Mellgren as of March 2016

AQ Wiring Systems AB (556630-1437)

The company is dormant until further notice.

MD: Claes Mellgren

AQ 3-Elite AB (556704-6981)

Subsidiary of AQ Staretor AB.

The company is dormant until further notice.

MD: Claes Mellgren

AQ Staretor AB (556690-3026)

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

MD: Claes Mellgren

Group structure

FOREIGN OPERATING SUBSIDIARIES

AQ Electric AD (1135 61397)

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

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

The company designs, assembles and sells equipment cabinets, wiring systems and inductive components. Company operations are located in Suzhou, China and focus on external customers in Asia.
MD: James Ahrgren until May 2015 / Andreas Björk from June 2015

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

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

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

The company manufactures and sells metal products, inductive components and wiring systems. The company operates in Pune, India.
MD: Andreas Björk until May 2015 / Ajit Vibhandik from June 2015

AQ Italy S.R.L. (04056160965)

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

AQ Lasertool OÜ (10930852)

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

AQ Magnit AD (1220 33267)

The company is 99.6% owned by AQ Group AB (publ.). The company manufactures and sells inductive components and relays. The company operates in its own property of approximately 7,600 m² in Godech, Bulgaria.
MD: Krasimir Cholakov until January 2016 / Ivan Stratiev as of February 2016

AQ Plastronic AD (1040 11529)

The company is 94.6% owned by AQ Group AB (publ.). The company produces electrical instruments, electronics and injection-moulded thermoplastic components, and maintains tools for injection moulding. The company operates in Veliko Tarnovo, Bulgaria.
MD: Emil Nikolov

AQ Wiring Systems SA de CV (DME051116H2A)

The company manufactures and sells wiring systems and electromechanical modules to industrial customers. The company operates in Tultitlan Edo, Mexico.
MD: Paul Larsson until August 2015 / Javier Abarca as of September 2015

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

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

AQ Wiring Systems UAB (148 427 212)

The company manufactures and sells wiring systems and electromechanical modules. The company operates in Panevezys, Lithuania.
MD: Nerijus Olsauskas

AQ Manufacturing Co., Ltd (0115558018096)

The company manufactures and designs mechanical components and assembled units. The company conducts operations in Bangkok, Thailand.
MD: Ragnar Koppel

AQ Anton Kft. (20-09-061216)

Anton Kft. is a leading supplier within the field of machining components for industrial gas turbines (IGT), within the production of complex injection moulded components and within the design and manufacture of tools. The company conducts operations in Zalaegerzeg, Hungary.
MD: András Németh

OTHER FOREIGN SUBSIDIARIES

AQ Wiring Systems AS (987 815 566)

The Norwegian company is dormant until further notice.
MD: Claes Mellgren

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

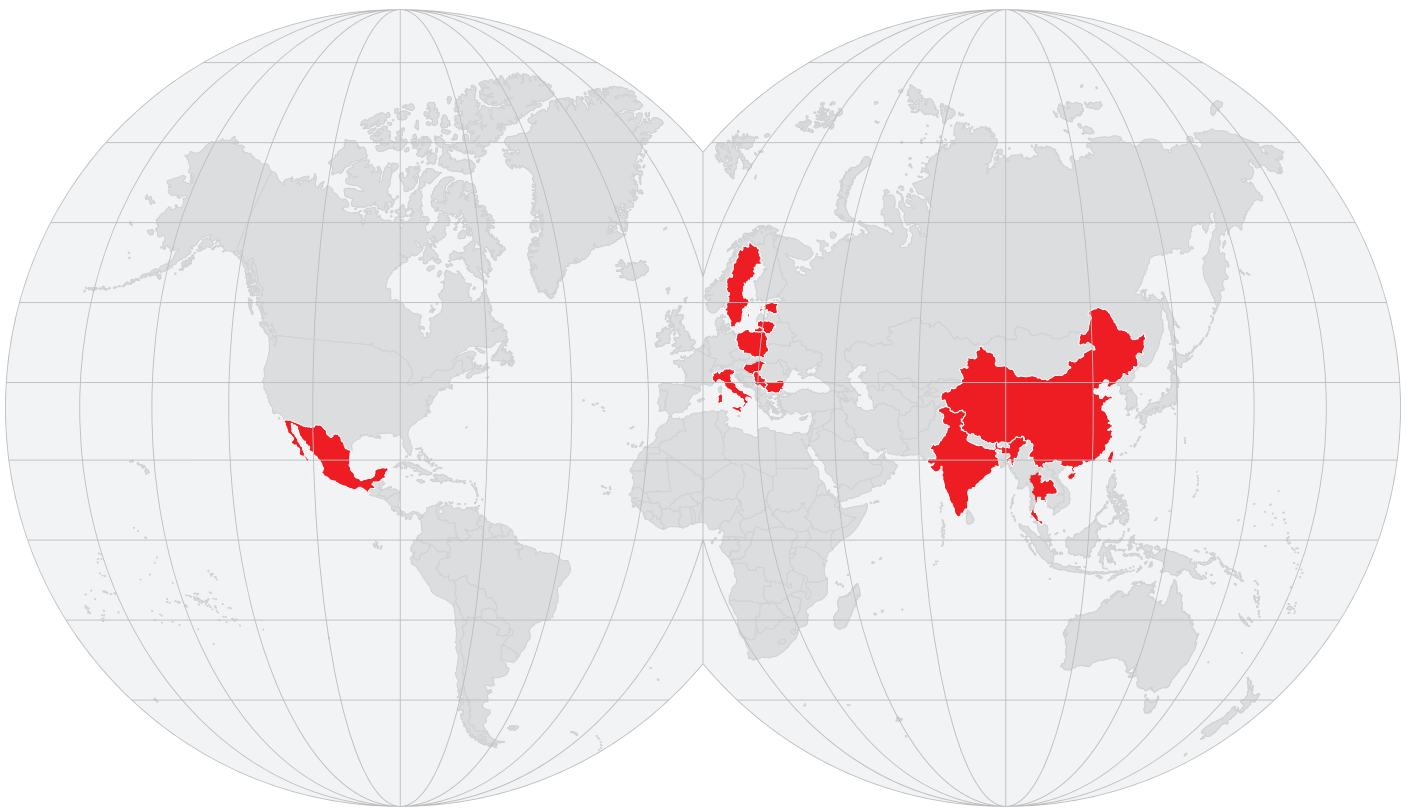
We have the courage to go our own way, we stand up for our positions, are prepared to make tough decisions, give constructive feedback and admit own mistakes. We treat others as we like to be treated ourselves.

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.



AQ Group AB
Regattagatan 29
SE-723 48
Västerås
www.aqg.se



● Countries where AQ Group has operations:

- | | |
|----------|-----------|
| Bulgaria | Lithuania |
| China | Mexico |
| Estonia | Poland |
| Hungary | Sweden |
| India | Thailand |
| Italy | |