

AQ Group AB

Annual Report | 2013



AQ's 20 years of development

A large, thick red arrow that starts at the bottom left and curves upwards and to the right, ending in a standard arrowhead. The text 'AQ's 20 years of development' is written in white, bold, sans-serif font along the curve of the arrow.

1994

2014

WE ARE RELIABLE

Customer
focus

The customer is always our priority. By facilitating our customers and “going the extra mile” we lay the foundation for long-term collaborations.

Simplicity

We do our daily work without complexity and bureaucracy.

Everything we do adds customer value.

Entre-
preneurial
business

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

Courage
and
respect

We have the courage to pave our own path – we stand for our beliefs, are prepared to make tough decisions, give constructive feedback and admit our mistakes. **We treat others as we like to be treated ourselves.**

Cost
efficiency

We use the most cost efficient way to fulfil our customers’ demands and work with continuous improvements.



AQ Group

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

The business is organized in two segments:

System and Component. System includes our business areas Electric cabinets and OEM products. Component includes our business areas Injection moulding, Inductive components, Wiring systems and Sheet metal processing.

Activities are organized in these specialized business areas with operating companies, which offer cost-effective solutions to our customers. The consolidated knowledge in the AQ Group, along with a global presence offer unique benefits to customers around the world. Quality is always central to everything we are involved in and is something we are constantly working to develop. In our world, quality and efficiency go hand in hand.

AQ Group has since its inception in 1994 shown a steady and fast growth with good profitability. The Group has approximately 3,500 employees, including 75% in growth countries outside Sweden. The annual turnover is approximately SEK 2.5 billion. The company is listed on AktieTorget in Sweden and has the highest credit rating AAA.

SYSTEM

- Electric cabinets
- OEM products

COMPONENT

- Injection moulding
- Inductive components
- Wiring systems
- Sheet metal processing



BUSINESS AREAS

**WE ARE
RELIABLE**

1994-2014

years



Electric cabinets

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

Some examples are electric cabinets adapted to the stringent demands of the food industry, advanced automatic teller machines, control and power equipment for ship cranes, control equipment for automated handling of goods in harbours, control systems for large motors and generators.

Long-term cooperation with our customers has enabled us to develop products that are adapted to the requirements of today concerning safety and information technology. The work of all units is certified in accordance with ISO 9000, but we can also deliver equipment that is quality-assured in accordance with UL.

Our way of working is very flexible and focused on the customer. We are organized in customer teams, a business with short decision-paths and full responsibility towards the customer. This means that we can take on assignments with short lead times and high demands on flexibility and delivery reliability.

Our product range includes:

- Prototype development
- Products in series, from small to large series.
- Products in projects, small and large projects.
- Design in modern CAD environment.
- Overall undertaking, from design to installation.
- Managing projects to reduce costs of products and systems.

Sale, product development and production take place in:

- Sweden
- Bulgaria
- China

OEM products

AQ offers a whole range of machines and automatic equipment, examples of these are ticket machines for parking lots and travel tickets, automatic teller machines, packaging machines, printers and passport automation systems.

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

We strive to create and maintain long-term business relationships, where we are the manufacturing partner that creates additional value in the form of cost-efficiency, quality, development, delivery precision and solutions for logistics.

- Total responsibility for our partners
- Competence in design
- Design using 3D CAD tools e.g. Inventor Pro, Solid Works, Solid Edge, Siemens NX, Pro Engineer
- Using modern methods and components for cost-effective production
- Competence in development and life-cycle development of products
- Competence in sourcing of materials and components on the world market
- Testing, both mechanical and software
- Delivery to end customer
- Repair and service

Sale, product development and production take place in:

- Sweden
- Bulgaria
- Estonia
- China
- Poland

Segment Component



Injection moulding

AQ is a global supplier of manufacturing and assembly of thermoplastic components for industrial customers with high demands. With our commitment to Total Quality, our customers become long-term partners.

We have modern machinery with more than 100 injection moulding machines with a clamping force between 25 and 1,500 tonnes.

Production batches can vary from a few to one million components per annum. We process most structural plastics including PC, PA, PBT, PC/ABS, PP, ABS, TPE, TPU and POM, in addition to high performance plastics capable of withstanding temperatures in excess of 200°C, e.g. PES, PEI and PEEK.

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

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

Sale, product development and production take place in Sweden:

- Sweden
- 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 opportunity is being utilized by an increasing number of companies as it allows cost-effective and technically optimal solutions.

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

- Transformers and inductors for circuit board assembly
- Single and 3-phase transformers, EI sections, cut cores, C sections, UI sections
- Single and 3-phase inductors, EI 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

Sale, product development and production take place in Sweden:

- Sweden
- Bulgaria
- India
- Italy
- China



Wiring systems and Electromechanical modules

AQ Wiring Systems is a global business area, which offers wiring systems and electromechanical modules for customers with high demands around the world.

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

Our global footprint, 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.

Sale, 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 within the fields of the automotive, railway, telecoms and electromechanical industries.

This in connection with our high-technology 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 or stainless steel.

Processes

- Processing of thin sheet metals in large volumes (precision punching)
- Low-volume and short lead-on time work with laser and edge-bending
- Hydraulic and eccentric presses, from 10 tonnes to 1000 tonnes
- Pipe bending
- Welding (manual and robot) (TIG, MAG, arc welding and CMT)
- Surface treatment: zinc phosphating/ED + powder and Oxsilan + powder
- Final assembly.

Sale, product development and production take place in:

- Sweden
- Bulgaria
- Estonia
- China

A WORD

from the CEO

**WE ARE
RELIABLE**

1994-2014

20 years

In 2013, the Group achieved a turnover of SEK 2,527 million. This means that we have still increased turnover every year since the company was founded in 1994. In 2013 the operating profit after net financial items was SEK 156 million. Both turnover and profit are the highest in AQ's 20 year history.



A handwritten signature in black ink, appearing to read 'Claes Mellgren'.

Claes Mellgren
MD and CEO

AQ's business concept is to be a supplier for industrial customers with high demands. We are proud of our customer base, with many customers who are world leaders in their respective fields. Naturally, world-leading customers have particularly stringent requirements when it comes to quality, delivery reliability, cost-effectiveness, technical know-how and service. AQ must be able to compete with the best within each industry. Our position as a small, global, agile manufacturer is appreciated by our existing customers and enables us to attract new ones.

Operations

At its core, AQ is a Swedish company with a Swedish board and group management.

Based on market-related reasons, most of the future growth must occur outside Sweden.

Operations

Over recent years we have developed within the area of delivery reliability. After focusing on this for a long time, the Group now delivers 96% of our orders on time. Several of the subsidiaries attain 100% delivery reliability! Many improvement activities have been undertaken within the quality area, as a result of which we reduced the number of complaints by 24% in 2013. Both parameters require that we continually follow up, monitor, and perform improvement activities. All subsidiaries are ranked continuously on a monthly basis with respect to, among other things, quality results and delivery reliability.

Our investment for reducing the inventory by SEK 100 million in 2013 only reached approximately halfway by SEK 56 million. A continuation, strengthened by additional resources is ongoing in 2014.

HR

In 2013 we continued to implement our values in acquired units. Among the activities, our HR manager and the undersigned meet the management teams and we go through everything from AQ's history to a review of our values. Our values are documented in 10 different languages. Our operations shall be characterized by the phrase "We Are Reliable", regardless of where or with whom at AQ a person comes into contact. A programme has been started to help all subsidiary management teams develop and be able to handle increased growth – a programme which 12 subsidiaries have completed with good results.

Over the past year several managers have changed job and assumed new leading positions within other AQ companies also in other countries.

IT

AQ has decided that all manufacturing subsidiaries shall use the business management software Monitor for managing the operations. This is now completed with the exception of one company which will be migrated in Q2 2014. As a result of this, business processes can be unified and modules for business intelligence can be introduced.

**WE ARE
RELIABLE**

Furthermore, it has been decided that operation of IT systems shall be outsourced and an agreement has been concluded with a partner. This results in cost-efficiency, greater operational safety and controlled license handling. The project was started at the end of 2013 and will continue with one subsidiary at a time in 2014.

Purchasing

The work on utilizing volume benefits and synergies within the Group in terms of purchasing material and components is continuing. For example, during the year the wiring system companies in Poland and Lithuania have coordinated their volumes and supplier agreements. The small wiring system units in Mexico, China and India were also included, which has resulted in large savings.

We have also seen the effect of immediately implementing existing supplier agreements in newly acquired companies. One of the businesses acquired during the year reduced its costs of material and services by approximately 5% by doing this.

Market

After 20 years, AQ now has a structure that feels stable, enabling the company to compete globally through use of defined production processes for industrial customers with high demands. The market and competition requires us to ensure that we always have an effective structure and organization. One of AQ's competitive advantages is the ability to quickly implement changes thanks to our flexible organizational structure.

AQ handles different types of customers – both those who only need technically demanding components and those who want us to deliver a total undertaking with design, purchasing, manufacturing, testing, logistics and aftermarket services. We work both locally and globally with our customers. The customer structure is vast, spanning several markets.

We offer cost-effective solutions in which development and production are integrated. We work in close collaboration with our customers. We often become involved in the customer's development stages early on so we can contribute with our expertise in design, material selection, manufacturing methods and

total solutions. With our units in Sweden, Eastern Europe, the Baltic States, Asia and Mexico, we can offer the best manufacturing solution possible. We feel that the company is well-equipped to meet the future expectations of customers.

The main points in our strategy for organic, profitable growth are to

- Prioritize quality and delivery reliability with a high level of service
- Use a modern and efficient production apparatus
- Participate in customers' development and design work.

Acquisitions

During the year, there were many opportunities for acquisition in the market – both in Sweden and in other countries of interest to us. We made two acquisitions during the year, AQ Enclosure Systems acquired the bankruptcy estate Arkivator Machine System in Falköping and AQ Segerström acquired the bankruptcy estate Industriell Plåt Produktion in Lyrestad. Takeover took place September 4 and October 1 respectively. These businesses added a turnover of SEK 62 million to AQ in 2013.

Comments by subsidiaries

AQ Electric Suzhou Co, Ltd. which supplies complete electric cabinets, wiring systems and transformers has had good growth and a positive earnings trend. We have been approved as a supplier for designing and manufacturing transformers for the Chinese rail vehicle industry as well.

AQ Holmbergs Suzhou Co. Ltd. which supplies thin sheet metal products, primarily to the telecoms industry, conducted a large investment programme of SEK 15 million for greater capacity for sheet metal pressing and subsequent processes in 2013. During the autumn the company had an invoicing record.

AQ Lasertool OÜ in Estonia, which focuses on thin sheet metal machining, continued to have good growth of turnover and profit in 2013. Welding of aluminium enclosures is an

area in which the company continues to expand its vast expertise. During the year a fifth laser cutting machine was acquired.

AQ Electric AD in Bulgaria, which supplies electric cabinets, plastic injection moulded parts and thin sheet metal products is in an expansion phase. Here, we are growing when it comes to stainless steel components and enclosures for the medical and food product industry, with stringent requirements for quality and finish.

AQ Magnit AD in Bulgaria manufactures magnetic components (transformers and inductors) and assembles electromechanical products. The company has a strong position as a manufacturer for the rail vehicle industry and complies with stringent requirements for welding certifications. In 2013 AQ Magnit took over several business processes from the Swedish company AQ Trafo AB, such as sales order administration, stock and the remaining manufacturing. AQ Trafo works further with marketing activities and design.

AQ Wiring Systems, which manufactures wiring systems, manages dedicated companies in Lithuania, Poland and Mexico and part of the company in China and India. Continuous improvement work includes labour organization, internal flows and method development. During the year, the company has continued to expand its customer base in Germany. The accounting and handling stock of the unit acquired in 2012 in Mexico was poorly organized, which resulted in big losses in 2013.

AQ Mechanical & Electrical, our establishment in Pune, India, still has volume problems. The company has significant order stock in wiring manufacturing and transformers, with deliveries to the local Indian operations of global enterprises. We are hopeful since the factory is a well invested orderliness and a well-functioning management team.

AQ Retor Produktion, which injection moulds thermoplastic undertook a change process during the year which resulted in the com-

pany attaining a reasonable level of profitability in the latter part of the year.

AQ Elautomatik which supplies complete electric cabinets closed a small plant for programming and electric cabinet assembly in Alingsås during the year. The majority of operations moved to the plant in Lund.

Activities for new customers have intensified and have given good results.

AQ Mekatronik which supplies electromechanical products has streamlined its operations and closed its production plant in Bollnäs during the year. The majority of production has moved to AQ Electric in Bulgaria.

The future

With its good equity ratio of 56%, AQ is standing strong as it faces the future. Its financial position, together with low exposure to any particular market or customer, puts AQ in a good position to meet future requirements. It is our intention to continue to grow both organically and via acquisitions. Expansion is expected to occur with internally generated funds. The growth shall occur both in established markets as well as in markets completely new to AQ.

AQ has no fantastic patents or other protection. We act in a world of competition. Our competitive power is based on having the best employees. I would especially like to thank all of our employees, who often silently give their all to meet or exceed customer expectations.

AQ Group celebrates 20 years this year. 20 years of continuous expansion and development.

Competition intensifies constantly and it is not possible to live on historic data. Instead it is about progressing with new improvement activities for the coming 20 years to be successful!

Västerås, March 2014

Claes Mellgren
MD and CEO

DIRECTORS'

report

**WE ARE
RELIABLE**

AQ Group AB (publ) is the parent company in a group, hereinafter referred to as AQ, with the following business concept:

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

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

GENERAL ABOUT THE COMPANY

The Board of Directors and MD of AQ Group AB (publ), with corporate identity number 556281-8830, hereby present the annual accounts and consolidated accounts for financial year 2013.

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

RESULTS AND DEVELOPMENT DURING THE FINANCIAL YEAR PLUS FUTURE DEVELOPMENT

The net turnover of SEK 2,527 million is an increase of 16.9% compared to the previous year. Excluding acquisitions and currency effects net turnover increased by 3.0%. Operating profit increased by 36.6%. Profit after tax amounted to SEK 123 million. Earnings per share were SEK 6.83, which entails an increase of 24.8%. The Group's financial position is extremely strong, with an equity ratio of 56%.

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

The project for reducing restricted equity in inventories of SEK 100 million, which began in early 2013, has not had a satisfactory result. During the year we reduced the inventory by SEK 56 million, excluding acquired units. The project is continuing and the Group has set up resources for working on reducing the inventories.

During the year we received several honours from our customers which we are proud of. "We are reliable" has now been established as a stable backbone in the company.

WE ARE RELIABLE

Customer focus

Simplicity

Entrepreneurial business

Cost efficiency

Courage and respect

SIGNIFICANT EVENTS DURING AND AFTER THE PERIOD

A merger plan has been prepared in February 2014 for AQ Plast AB as takeover company and AQ Holmbergs AB and AQ Retor Production AB as transferring companies.

Share development over 1 year (March 2013 – March 2014)



The graphs were obtained from www.aktietorget.se

STRUCTURAL CHANGES

AQ Denmark A/S, in Denmark with one employee, was closed in April due to a low level of profitability.

AQ Enclosure Systems AB acquired the assets in Arkivator Machine Systems AB in bankruptcy. The deal was conducted as a cash transaction with take-over on September 4. Arkivator Machine Systems is a leading supplier of machinery for the packaging industry and works in all stages from product development through prototype to series production, field support and service. The company had an annual turnover of approximately SEK 140 million. The operations have been incorporated into AQ Enclosure Systems AB with continued location in Falköping. The acquired business suffered a loss during the year.

AQ Segerström & Svensson AB acquired the assets in Industriell Plåt Produktion AB in bankruptcy. The deal was conducted as a cash transaction. The operations were taken

over on October 1, with continued location in Lyrestad. Industriell Plåt Produktion AB is a leading supplier of exhaust systems and tubes for small and medium series production and is involved in all stages from product development, through prototype to series production and spare parts. The company had an annual turnover of approximately SEK 50 million. The acquired business generated a profit during the year.

AQ Wiring Systems office in Norway, with three employees, closed in 2013. The tasks which were previously conducted in the Norwegian company were moved to our Lithuanian company. The wiring system business in Lithuania, AQ Wiring Systems UAB, has developed to a complete company with own responsibility for purchasing and sales.

AQ Trafo AB in Sweden was restructured to only work with market and technology. AQ Magnit AD in Bulgaria, where the manufacturing of inductive components for Europe has been conducted, now has total responsibility for purchasing and sales.

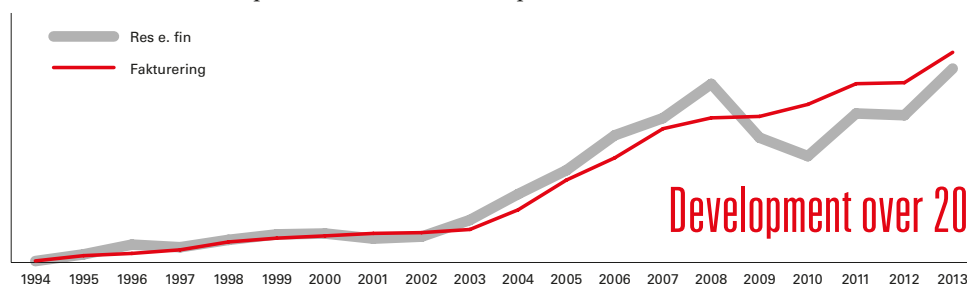
Based on these changes, all operating companies in the Group have complete responsibility for their balance sheets and income statements.

AQ Retors business in Färgelanda has been closed and production has been moved to AQ Holmbergs AB in Anderstorp.

AQ Mekatronik AB has closed the manufacturing in Bollnäs which employed 26 people. There are five remaining employees in Bollnäs who work with Market & Technology. The majority of manufacturing moved to AQ Electric in Bulgaria and other AQ companies.

AQ Elautomatik AB's business in Alingsås with six employees has been closed.

In December there was an internal structural change, where AQ Wiring Systems SA de CV in Mexico was acquired by AQ Group AB (publ) for the book value.



MULTI-YEAR OVERVIEW

The development over the past six years is shown below.

GROUP

	2013	2012	2011	2010	2009	2008
Net sales, SEK thousands	2,527,372	2,162,033	2,149,541	1,900,674	1,756,055	1,738,895
Operating profit/loss, SEK thousands	159,795	116,997	122,264	96,859	104,424	143,698
Profit/loss after net financial items, SEK thousands	156,492	118,573	119,989	85,804	100,610	144,644
Operating margin	6%	5%	6%	5%	6%	8%
Cash and cash equivalents	122%	107%	129%	114%	146%	127%
Debt-equity ratio	56%	54%	63%	56%	62%	59%
Return on total assets	11%	11%	11%	10%	12%	17%
Return on equity, excl. tax	15%	13%	14%	11%	14%	22%
Number of employees in Sweden	853	847	829	797	856	798
Number of employees outside Sweden	2,632	2,456	1,816	1,386	1,308	1,332

Key indicators per share, SEK ¹⁾

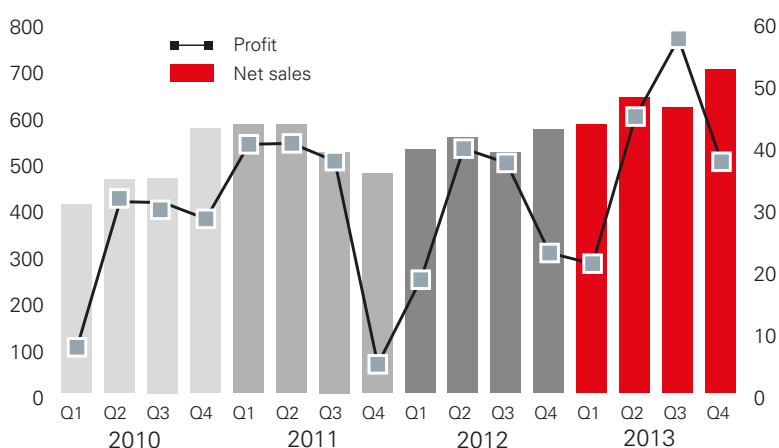
Profit/loss for the year	6.83	5.47	5.22	3.85	4.35	6.02
Dividend ²⁾	1.60	1.30	1.30	1.10	1.10	1.10
Equity	49.10	43.45	38.48	34.71	32.60	29.95
Number of shares, in thousands	18,034	18,034	17,959	17,959	17,849	17,849

¹⁾ Adjusted for bonus issue and split (there are no agreements that could lead to share dilution).

²⁾ Proposal presented to AGM for resp. year

Invoicing and operating profit/loss

Per quarter in million SEK.



Directors' report

PARENT COMPANY

	2013	2012	2011	2010	2009	2008
Net sales, SEK thousands	40,080	49,437	48,650	33,046	27,955	15,879
Operating profit/loss, SEK thousands	19,092	43,404	31,909	13,784	11,241	3,901
Profit/loss after net financial items, SEK thousands	26,858	47,130	68,221	51,480	101,097	62,989
Cash and cash equivalents	104%	120%	292%	357%	561%	133%
Debt-equity ratio	52%	62%	82%	86%	88%	61%

Definitions

Operating margin, % Operating profit/loss divided by operating revenue

Cash and cash equivalents, % Current assets (excl. inventory) divided by current liabilities

Equity ratio, % Adjusted equity divided by balance sheet total

Return on total assets, % Profit/loss after financial items plus financial costs divided by the average balance sheet total

Return on equity, % Profit/loss for the year after tax divided by average equity, incl. minority interest

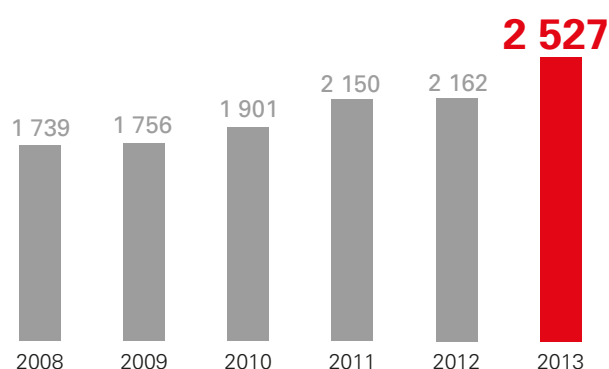
Profit/loss for the year per share (SEK) Profit/loss for the year after tax divided by weighted number of shares

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

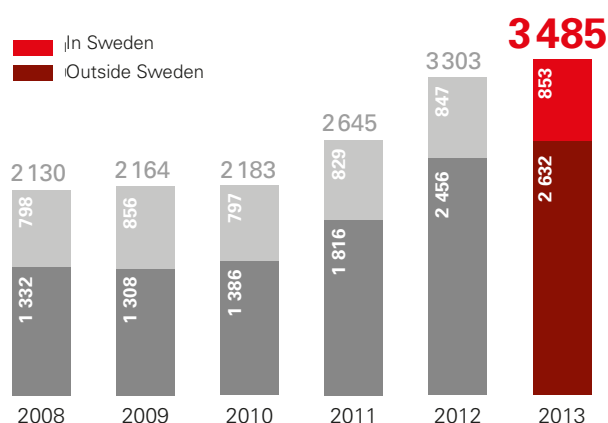
Net turnover

Development over 6 years in million SEK.



Number of employees

Development over 6 years.



GROUP STRUCTURE – OPERATIONS

PARENT COMPANY

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

The company, with its head office in Västerås, is the parent company of the Group. The operations relate to overall executive management and financial management 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 company operates in Lund, Surahammar and Örnköldsvik.

MD: Ola Olsson

AQ Elteknik Aktiebolag (556358-1411)

The company develops, designs, manufactures and installs control equipment. The company 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 operates in Vaggeryd och Falköping.

MD: Martin Elm

AQ Holmbergs AB (556551-8536)

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

MD: Anne Ericsson

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 and Bollnäs.

MD: Carina Ståhl

AQ ParkoPrint AB (556574-6319)

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

MD: Paul Larsson

AQ Plast AB (556497-2239)

The company designs and manufactures injection-moulded thermoplastic components. The company operates in Västerås.

MD: Magnus Cedergren

AQ Retor Engineering AB (556622-8697)

Subsidiary of AQ Staretor AB.

The company operates in Torslanda, offering consulting services focused on engineering work for industrial customers with high demands.

MD: Leif Plate

AQ Retor Production AB (556690-3083)

Subsidiary of AQ Staretor AB.

The company designs and manufactures injection-moulded thermoplastic components. The company operates in Torslanda.

MD: Magnus Cedergren

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, Pålsboda 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: Per-Anders Trollsfjord

Directors' report

OTHER SWEDISH SUBSIDIARIES

AQ Fastighet i Lund AB (556527-5228)

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

MD: Ola Olsson

AQ Fastighet i Lyrestad AB (556443-9734)

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

MD: Leif Plate

AQ Fastighet i Pålshoda AB (556275-6212)

The company manages a 3,000 m² industrial property in Pålshoda, in which AQ Segerström & Svensson AB operates.

MD: Leif Plate

AQ Fastighet Tokarp AB (556220-0195)

The company manages a 10,000 m² industrial property in Anderstorp, in which AQ Holmbergs AB operates.

MD: Anne Ericsson

AQ Fastighet i Torslanda AB (556690-3018)

Subsidiary of AQ Staretor AB.

The company manages a 1,500 m² industrial property in Torslanda, in which AQ Retor Production AB and AQ Retor Engineering AB operate.

MD: Magnus Cedergren

AQ Fastigheter i Gävle AB (556448-3385)

Subsidiary of AQ ParkoPrint AB.

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

MD: Paul Larsson

AQ Staretor AB (556690-3026)

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

MD: Claes Mellgren

AQ Wiring Systems AB (556630-1437)

The company is inactive until further notice.

MD: Claes Mellgren

AQ 3-Elite AB (556704-6981)

Subsidiary of AQ Staretor AB.

The company is inactive until further notice.

MD: Claes Mellgren

**WE ARE
RELIABLE**

以客户
为中心

简单

创业
公司

成本
效益

勇气与
尊重

OPERATING FOREIGN SUBSIDIARIES

AQ Electric AD (1135 61397)

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. AQ Group AB (publ). owns 95,5 % of the company. 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 customers in Asia. MD: James Ahrgren

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

The company manufactures and sells punched metal components. Company operations are based in Suzhou, China and focus on customers in Asia. MD: Ragnar Koppel

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

The company manufactures and sells thin sheet metal components, inductive components and wiring systems. The company operates in Pune, India. MD: Andreas Björk

AQ Italy S.R.L. (04056160965)

The company's head 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 to industrial customers. The company operates in its own property of approximately 10,000 m² in Pärnumaa, Estonia. MD: Tarmo Luhaäär

AQ Magnit AD (1220 33267)

AQ Group AB (publ). owns 99,2 % of the company. The company manufactures and sells inductive components and relays. AQ Magnit AD operates in its own property of approximately 7,600 m² in Godech, Bulgaria. MD: Krasimir Cholakov

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: Alejandro Rodarte

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

OTHER FOREIGN SUBSIDIARIES

AQ Bulgaria EAD (7705/1996)

The company is inactive until further notice.

AQ Wiring Systems AS (987 815 566)

The company is inactive until further notice. MD: Claes Mellgren

ENVIRONMENTAL IMPACT

The parent company does not run any operations for which reporting or permits are mandatory in accordance with the Swedish Environmental Code. Within the Group, there are companies which run operations for which reporting is mandatory and 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 discharge in waste water and air during processes such as powder coating.



OTHER INFORMATION

Investment policy

In addition to the year's acquisition, investments are for normal needs for the current production rate. In 2014, AQ intends to continue investing in its existing business areas.

Personnel policy

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

Dividend policy

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

Work of the Board and MD

Over the past year, the Board was made up of five members, all elected during the 2013 Annual General Meeting. During the year, the Board had four meetings, during which minutes were taken. The Board and MD work according to an established formal work plan. Concerning to remuneration to the Board and MD in 2013, refer to note 8, Employees.

The Board's proposed guidelines for remuneration to executive officers in AQ in 2014, in accordance with chapter 8, § 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 (100,000) for each of the Board's regular external members. Other executive officers shall receive a

fixed fee, currently supplemented with variable remuneration, calculated as a percent 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 % 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.

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 which limit the right to transfer shares. The previous Annual General Meeting mandated the Board to, until the Annual General Meeting for the 2013 financial year, make decisions on new issue totalling 2,000,000 new shares through subscription.

There are no provisions in the articles of association or agreements in general which 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.

Information about risks and uncertainty factors

In reference to the company's financial risk management, cash flows, etc. refer to the financial statements included in the annual report as well as note 2.12.

Ownership relationship Shareholder	31/12/2013	Votes/ capital	31/12/2012	Votes/ capital
Per-Olof Andersson	5,235,950	29.0%	6,291,450	34.9%
Claes Mellgren	5,322,250	29.5%	6,389,750	35.4%
Fidelity Low priced Stock Fund	875,000	4.9%	875,000	4.9%
Fidelity Puritan Trust	853,055	4.7%	7,667	0.0%
AMF Aktiefond Småbolag	425,900	2.4%		
Other	5,321,903	29.5%	4,430,191	24.6%
Shares being registered			40,000	0.2%
	18,034,058	100.0%	18,034,058	100.0%

PROPOSED ALLOCATION OF PROFIT, SEK

The Board proposes that the distributable earnings, SEK 273,451,285, be distributed as follows:

Available		Allocation	
Share premium reserve	34,014,103	Distributed to shareholders, SEK 1.60 per share	28,854,493
Profit brought forward incl. profit/loss for the year	239,437,182	Carried forward ¹⁾	244,596,792
Total non-restricted equity	273,451,285	Total	273,451,285

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

BOARD STATEMENT

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

Provided that the Annual General Meeting for financial year 2013 approves the Board's proposal on profit allocation, SEK 244,596,792 will be carried forward. There is full coverage for the company's restricted equity after the proposed allocation of profit. The Board has considered the consolidation needs of the company and the Group through a comprehensive assessment of the financial position and its ability to eventually meet its obligations. The proposed dividend does not jeopardize 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 and Group equity as well as the company's and Group's consolidation need, liquidity and position in general. In relation to the company's and the Group's earnings and financial position in general, refer to the income statements, balance sheets, cash flow statements as well as the comments and notes.

The Board suggests that the following conditions shall apply to allocation of profit:

- SEK 1.60 per share shall be distributed and
- the settlement date is 29/04/2014.

The Board proposes that

1.60 SEK per share shall be distributed.



INCOME STATEMENTS

and statements
of comprehensive
income

Income statements

SEK thousands	Note	Group		Parent company	
		01/01/2013 31/12/2013	01/01/2012 31/12/2012	01/01/2013 31/12/2013	01/01/2012 31/12/2012
OPERATING REVENUE					
Net sales	5	2,527,372	2,162,033	40,080	49,437
Other operating income	6	31,587	41,886	14	9,370
		2,558,959	2,203,919	40,095	58,807
OPERATING EXPENSES					
Change in inventories of finished products and work in progress		-11,033	-7,564		
Raw materials and consumables		-1,303,311	-1,126,328		
Goods for resale		-41,119	-28,213		
Other external expenses	7	-320,753	-274,836	-7,483	-6,783
Personnel costs	8	-648,385	-573,470	-13,508	-8,579
Depreciation and amortization	14, 16, 17, 18	-49,447	-45,725	-12	-41
Other operating expenses		-25,117	-30,786		
		-2,399,164	-2,086,922	-21,003	-15,403
Operating profit/loss		159,795	116,997	19,092	43,404
PROFIT/LOSS FROM FINANCIAL INVESTMENTS					
Profit/loss from participations in group companies	9	-527		4,564	
Financial income	10	2,148	1,750	4,622	5,121
Financial expenses	11	-4,924	-174	-1,420	-1,396
Net financial income/expense		-3,303	1,576	7,766	3,725
Earnings before tax		156,492	118,573	26,858	47,130
Appropriations	12			3,050	8,200
Taxes	13	-33,369	-19,939	-5,440	-14,590
Profit/loss for the year		123,123	98,633	24,468	40,740
PROFIT/LOSS FOR THE YEAR ATTRIBUTABLE TO					
- Parent company shareholders		122,899	98,531		
- Holdings without controlling influence		224	103		
		123,123	98,633		
SHARE-RELATED REPORTING, SEK					
Profit/loss for the year per share ¹⁾		6.83	5.47		
<small>1) Last year 75,000 shares were issued. Otherwise, there were no transactions that could lead to dilution effects.</small>					

Statements of comprehensive income

SEK thousands	Note	Group		Parent company	
		01/01/2013	01/01/2012	01/01/2013	01/01/2012
		31/12/2013	31/12/2012	31/12/2013	31/12/2012
Profit/loss for the year		123,123	98,633	24,468	40,740

OTHER COMPREHENSIVE INCOME

Items which can be re-entered in the income statement

Other translation differences		2,173	-8,247		
Other comprehensive income for the year after tax		2,173	-8,247		
Comprehensive income for the year		125,296	90,386	24,468	40,740

COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO

- Parent company shareholders		125,072	90,327		
- Holdings without controlling influence		224	59		
		125,296	90,386		





BALANCE

sheets

Balance sheets

SEK thousands	Note	Group		Parent company	
		31/12/2013	31/12/2012	31/12/2013	31/12/2012
ASSETS					
FIXED ASSETS					
<i>Intangible assets</i>					
Capitalized expenditure	14	10,667	12,619		
Goodwill	15	74,399	74,810		
		85,066	87,429		
<i>Tangible assets</i>					
Land and buildings	16	90,192	88,087		
Plant and machinery	17	118,968	106,006		
Equipment, tools, fixtures and fittings	18	41,827	41,891	24	36
Construction in progress	19	6,343	8,511		
		257,330	244,495	24	36
<i>Financial assets</i>					
Participations in group companies	20			303,365	276,011
Receivables from group companies	21			33,064	25,873
Deferred tax assets	13	6,912	4,129		
Financial investments	22	1,503	1,806		
		8,415	5,934	336,429	301,884
TOTAL FIXED ASSETS		350,811	337,858	336,453	301,919
CURRENT ASSETS					
<i>Inventories</i>					
Raw materials and consumables		319,752	336,584		
Work in progress		47,353	30,729		
Finished goods and good for resale		75,293	99,382		
		442,397	466,695		
<i>Current receivables</i>					
Accounts receivable	2.12	642,811	522,990		
Receivables from group companies				302,356	227,366
Prepaid tax		21,714	20,749		
Other receivables	23	25,453	24,367		
Prepaid expenses/accrued income	24	27,331	15,721	367	127
		717,308	583,828	302,723	227,493
Liquid assets – Cash and cash equivalents	32	67,566	55,893	11,151	10,004
		67,566	55,893	11,151	10,004
TOTAL CURRENT ASSETS		1,227,271	1,106,415	313,874	237,497
TOTAL ASSETS		1,578,082	1,444,274	650,328	539,416

Balance sheets

SEK thousands	Note	Group		Parent company	
		31/12/2013	31/12/2012	31/12/2013	31/12/2012
EQUITY AND LIABILITIES					
EQUITY	25				
Share capital		36,068	36,068	36,068	36,068
Statutory reserve – parent company				1,156	1,156
Restricted equity – parent company				37,225	37,225
Other capital contribution/share premium reserve		34,014	34,014	34,014	34,014
Translation reserve		-3,743	-5,868		
Profit/loss brought forward incl. profit/loss for the year		818,649	719,194	239,437	238,413
Non-restricted equity – parent company				273,451	272,428
of which profit/loss for the year				24,468	40,740
Attributable to parent company shareholders		884,988	783,408	310,676	309,652
Holdings without controlling influence		415	143		
TOTAL EQUITY		885,403	783,551	310,676	309,652
Untaxed reserves	26			37,590	31,140
LIABILITIES					
<i>Interest-bearing long-term liabilities</i>					
Long-term liabilities to credit institutions	27	6,660	22,383		
<i>Long-term, non-interest-bearing liabilities</i>					
Deferred tax liabilities	13	36,584	36,867		
Provisions for pensions	28	1,996	3,666		
Other provisions	28	3,525	1,921		
Total long-term liabilities		48,766	64,837		
<i>Interest-bearing, current liabilities</i>					
Bank overdraft facilities	27, 32	220,421	205,797	71,062	49,039
Other liabilities to credit institutions	27	17,016	23,861		
<i>Other current liabilities</i>					
Provisions for warranty undertakings	28	257	248		
Advance payments from customers		15,441	6,047		
Accounts payable	2	224,793	209,270	1,309	548
Liabilities to group companies				219,291	136,096
Income tax liabilities		18,294	15,642	5,263	7,528
Other liabilities	29	33,218	43,774	1,146	3,343
Accrued expenses/deferred income	30	114,473	91,245	3,991	2,069
Total current liabilities		643,913	595,885	302,062	198,624
TOTAL LIABILITIES		692,679	660,723	302,062	198,624
TOTAL EQUITY AND LIABILITIES		1,578,082	1,444,274	650,328	539,416

Balance sheets

SEK thousands	Group		Parent company	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Memorandum items				
Information on pledged assets in the Group is reported in note 27.				
Pledged assets				
Property mortgages	87,650	87,650	NONE	NONE
Floating charges	312,316	247,300		
<i>of which in own custody</i>	79,325	79,325		
Ownership reservation regarding leased machines, reported in the balance sheet in accordance with IAS 17	11,036	13,332		
Other ownership reservation	194	221		
Contingent liabilities				
Contingent liabilities for group companies			1,562	1,866
Other contingent liabilities		169		





STATEMENTS

of changes
in equity

Statements of changes in equity

GROUP

SEK thousands	Equity attributable to parent company shareholders						Minority interest	Total equity
	Share capital	Other capital contribution	Translation reserve	Profit/loss brought forward	Subtotal			
Equity, 01/01/2012	35,918	30,691	2,336	621,956	690,901	84	690,985	
Profit/loss for the year				98,531	98,531	103	98,633	
Translation diff. in foreign operations			-8,204		-8,204	-44	-8,247	
Other comprehensive income			-8,204		-8,204	-44	-8,247	
New issue (subscription)	150	3,323			3,473		3,473	
Via company acquisition				22,054	22,054		22,054	
Dividends paid				-23,347	-23,347		-23,347	
Transactions with shareholders	150	3,323		-1,293	2,180		2,180	
Equity, 31/12/2012	36,068	34,014	-5,868	719,194	783,408	142	783,551	
Profit/loss for the year				122,899	122,899	224	123,123	
Translation diff. in foreign operations			2,125		2,125	48	2,173	
Other comprehensive income			2,125		2,125	48	2,173	
Dividends paid				-23,444	-23,444		-23,444	
Transactions with shareholders				-23,444	-23,444		-23,444	
Equity, 31/12/2013	36,068	34,014	-3,743	818,648	884,988	414	885,403	

Statements of changes in equity

PARENT COMPANY

SEK thousands	Restricted equity			Non-restricted equity			Total equity
	Share capital	Statutory reserve	Subtotal	Share premium reserve	Other non-restricted equity	Subtotal	
Equity, 01/01/2012	35,918	1,156	37,075	30,691	221,020	251,711	288,786
Profit/loss for the year					40,740	40,740	40,740
New issue (subscription)	150		150	3,323		3,323	3,473
Dividend to shareholders					-23,347	-23,347	-23,347
Transactions with shareholders					-19,755	-19,755	-19,755
Equity, 31/12/2012	36,068	1,156	37,225	34,014	238,413	272,428	309,652
Profit/loss for the year					24,468	24,468	24,468
Dividend to shareholders					-23,444	-23,444	-23,444
Transactions with shareholders					-23,444	-23,444	-23,444
Equity, 31/12/2013	36,068	1,156	37,225	34,014	239,437	273,451	310,676



CASH FLOW

statement

Cash flow statements

SEK thousands	Note	Group		Parent company	
		01/01/2013 31/12/2013	01/01/2012 31/12/2012	01/01/2013 31/12/2013	01/01/2012 31/12/2012
OPERATING ACTIVITIES					
Operating profit/loss		159,795	116,997	19,092	43,404
<i>Adjustment for items not included in the cash flow</i>					
Depreciation		49,447	45,725	12	41
Change in long-term provisions		-129	2,643		
Capital gain/loss upon sale of equipment		225	1,278		
Other items not affecting liquidity (incl. exchange rate difference)		2,097	682		-241
		51,639	50,328	12	-200
Interest/dividend received (not Group)	10	2,148	1,706	2,349	5,121
Interest paid	11	-2,746	-2,993	-542	-1,096
Income tax paid	13	-35,122	-19,616	-7,705	-2
Cash flow from operating activities before change in working capital		175,714	146,422	13,206	47,228
<i>Change in working capital</i>					
Increase (-)/decrease (+) in inventories		55,635	1,559		
Increase (-)/decrease (+) in receivables		-129,153	-56,394	-75,230	-10,418
Increase (+)/decrease (-) in accounts payable		14,186	-11,387	773	-90
Increase(+)/decrease (-) in other short-term, non-interest-bearing liabilities		20,775	-35,620	37,896	-9,866
Change in working capital		-38,557	-101,482	-36,561	-20,374
Cash flow from operating activities		137,157	44,580	-23,355	26,853
INVESTMENT ACTIVITIES					
Acquisition of shares in subsidiaries	31	-42,100	-84,430	-24	-78,085
Acquisition of intangible assets		-3,545	-1,665		
Acquisition of tangible assets		-47,116	-41,564		
Sale of financial assets		146	289		
Sale/liquidation of subsidiaries				-527	
Sale of tangible assets		-751	-1,278		
Shareholders' contribution				-52,722	-19,505
Change in long-term inter-company transactions				44,803	-6,614
Cash flow from investment activities		-93,366	-128,647	-8,470	-104,204

SEK thousands	Note	Group		Parent company	
		01/01/2013 31/12/2013	01/01/2012 31/12/2012	01/01/2013 31/12/2013	01/01/2012 31/12/2012
FINANCING ACTIVITIES					
Borrowings			36,730		
Loan amortization		-20,217	-4,728		
Loan amortization (IAS 17 liability, leasing)		-1,937	-2,410		
Change in bank overdraft facilities		13,558	74,230	22,281	26,847
Group contribution/dividend				33,000	26,600
Dividend to parent company shareholders		-23,444	-23,347	-23,444	-23,347
Other changes in financing activities					29,967
Cash flow from financing activities		-32,040	80,475	31,837	60,067
Increase/decrease in liquid assets		11,751	-3,592	11	-17,283
Liquid assets at start of year		55,893	58,078	10,004	27,346
Exchange rate difference in liquid assets		-77	1,407	1,136	-59
Liquid assets at year-end	32	67,566	55,893	11,151	10,004





NOTES

to the financial
statements

Notes to the financial statements

NOTE 1 GENERAL INFORMATION

AQ Group AB (publ) and its subsidiaries work under the brand AQ. AQ designs, manufactures and sells products within two segments; **Component** which includes the business areas Injection moulding, Inductive components, Wiring systems and Sheet metal processing, as well as **System** which includes the business areas Electric cabinets and OEM products.

AQ Group AB (publ) is the parent company of the Group. As in the preceding year, parent company turnover is almost exclusively made up of sales of management services to subsidiaries. There are no purchases from subsidiaries in any significant scope.

The head office of the parent company, which has been listed on AktieTorget since 2001, is in Västerås, Sweden. The address of the head office is Regattagatan 29, 723 48 Västerås. The consolidated financial statements for AQ Group AB (publ) for financial year 2013 have been approved for publication by the Board and are available on the company website www.aqq.se as of 10 April 2014. Additional information is also available on the website.

NOTE 2 REPORT REGARDING APPLICATION OF ACCOUNTING PRINCIPLES

A description of the accounting principles applied when preparing this annual report is found below. The principles have been applied consistently to all presented years unless otherwise indicated.

2.1 Fundamental standards and legislation

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), in the event they are endorsed by the EU.

The consolidated financial statements are furthermore prepared in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 1 (Supplementary Accounting Rules for Groups). When measuring assets and liabilities, the acquisition value method was applied, unless otherwise specified. The items in the income statement and balance sheet are reported gross unless otherwise indicated below.

The parent company does not have its own producing unit, but instead serves as a holding company. The parent company applies the same accounting principles as the Group, with the addition of RFR 2 (Accounting for Legal Entities) instead of RFR 1.

The functional currency of the parent company is Swedish kronor (SEK). This also serves as the reporting currency for the parent company and the Group.

Unless otherwise specified, all amounts are rounded to the nearest thousand.

2.2 Consolidated financial statements – acquisitions

The consolidated financial statements include all subsidiaries in AQ. A subsidiary is defined as a company for which the Group has the right to define financial and operative strategies, usually as the result of the Group possessing more than half of the votes. A subsidiary is included starting from the date the Group gains a controlling influence in the company. Similarly, a subsidiary is excluded starting from the date the controlling influence ceases. At present, the Group has no holdings without controlling influence.

When incorporating a subsidiary's accounting into the Group, IFRS 3, Acquisition, is applied. During acquisition, an acquisition analysis is prepared in accordance with the acquisition method. The acquisition cost of an acquisition is made up of the actual value of assets provided as compensation, issued instruments for equity and generated or acquired liabilities per closing date. Transactions fees applied in conjunction with acquisition are charged to expenses directly. The excess amount between the acquisition value and the actual value of the Group's share of acquired net assets is reported as goodwill. Any shortfall, negative goodwill, is reported directly in the income statement under Other operating income.

Conditional purchase prices are assessed at their actual value at the time of acquisition. If it is matched by a liability, this must be

converted to fair value via the income statement at each instance of reporting. Intra-group balance sheet items as well as transactions and unrealized gains/losses on such are eliminated.

Foreign subsidiaries are converted through application of the current rate method. This means that the income statement and profit/loss for the year in the balance sheet are converted using an average exchange rate while other items in the balance sheet are converted using the exchange rate on closing day. Conversion differences that occur are reported in the income statement via the statement of comprehensive income.

2.3 Segment reporting

Two business segments are presented in the segment reporting – Component and System. Each has similar economic characteristics, products, production processes and customer categories. These segments are reported in a manner which conforms to the internal reporting which is given to the highest executing decision-maker. The highest executing decision-maker is the function which is responsible for allocation of resources and assessment of the operating segment's results. In the Group this function is identified as the Board which makes strategic decisions. Company management believes that this is consistent with the identification of operating segments under 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 the segment reporting.

More detailed information is found in note 5 Segment reporting.

2.4 Revenue

Revenue comprises the fair value of sold goods and services net of VAT and discounts as well as elimination of intra-group sales. Revenue is reported as follows:

a) Sale of goods

Sales of goods are recognized when a group company has delivered products to a customer and the risk for the product has essentially passed to the customer and it is probable that future financial benefits will flow to the company and that they can be measured reliably. All products are sold with differentiated contractual warranties. The collective experience is used to continually assess the level of provisions which must be made for warranty undertakings.

b) Sale of goods (with significant elements of services)

The percentage of completion method is applied to the degree that completion can be measured reliably. If a potential loss occurs at settlement, this is immediately recognized as an expense. In the balance sheet, work in progress that is reported in accordance with the percentage of completion method is reported net under Other receivables.

c) Financial income

Financial income comprises interest income on bank deposits and loans as well as realized and unrealized exchange rate differences in the financial sector. The income is reported when the right to receive payment and the size of such have been determined.

2.5 Benefits to employees

Reporting of benefits to employees is regulated in IAS 19, with the exception of share-based payments which are regulated in IFRS 2. There are five defined types of benefits, short-term benefits, post-employment benefits, other long-term benefits to employees, termination benefits and share-based payments.

1) Short-term benefits

This category includes wages, social security contributions, holiday and sickness benefits, earnings-related compensation, etc. as well as benefits for current employees, including bonuses and shares of profits.

2) Post-employment benefits

Group employees have contractual pensions largely based on defined contribution pension plans. Most salaried employees within the Group currently have pension agreements with Alecta (ITP), which are classified as defined benefit pension plans. Provisions only exist in the Bulgarian and Italian companies and the size of these defined benefit pension plans are not material to the Group.

In 2013, the companies paid a total of SEK 6,123 (6,674) thousand in pension expenses to Alecta. Expected fees for the next reporting period are predicted to be on a par with last year. In accordance with IAS 19 and UFR 3/6, the ITP pensions financed via Alecta are to be handled as defined contribution pension plans until further notice as information from Alecta does not enable reporting as defined benefit pension plans. The information to be submitted beyond the above, in accordance with IAS 19, regards degree of consolidation. Collective consolidation is a buffer for Alecta's insurance obligation against variations in return on capital and insurance risks. This is the difference between Alecta's assets and insurance obligations to policyholders and insured. The company accounts for an immaterial part of the plan.

The reported degree of consolidation below regards Alecta's assets as a percentage of the insurance obligations. Alecta has provided the following information regarding 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."

The degree of consolidation for December was 127% (129.0).

3) Other long-term benefits to employees

This category includes compensation for sabbaticals, compensation for anniversaries and compensation in the event of long-term inability to work. Long-term benefits also refers to compensation paid to reward long length of service.

4) Termination benefits

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

5) Share-based payments

There are no share-based payments within the Group.

2.6 Leasing agreements

Financial leasing exists when the financial risks and benefits incidental to ownership are essentially transferred to the lessee. In other cases, operational leasing applies. Recognition of financial leasing means that fixed assets are reported as an asset in the

balance sheet, with corresponding debit item initially. The fixed assets are depreciated over their period of utilization. The leasing fees are divided into interest expense for the period and amortization of the debt item.

Operational leasing agreements are normally expensed linearly over the leasing period. Any variable fees are expensed directly in the income statement.

2.7 Fixed assets

Intangible assets with indefinite utilization period

Goodwill represents the excess of the cost of the acquisition of companies or businesses over the fair value of the identifiable net assets at the acquisition date. When preparing the acquisition analysis, intangible assets, such as customer relationships and brands, are included at market value with the remainder reported as goodwill. Goodwill and other intangible assets with indefinite utilization period are valued at acquisition value minus any amortization. There is no depreciation according to plan for these assets. Impairment testing is instead performed annually or more often if there is indication of a significant decline in value, in accordance with IAS 36.

Other intangible assets

Other intangible assets relate primarily to customer relationships and acquired software. Computer programs are depreciated following a straight plan of 5 years and identified, acquired customer relationships are depreciated according to a declining balance plan over 5 years.

Tangible assets

Land and buildings include factories and offices. There are no investment properties within the Group. The acquisition value includes expenses directly attributable to the acquisition. The difference between the Group value and recognition in legal entity is approx. 1%. Plant and machinery consists solely of assets intended for production, while equipment, tools, fixtures and fittings are divided between offices and production. The acquisition value includes expenses directly attributable to the acquisition. Machinery and equipment are reported at the acquisition cost with a deduction for accumulated depreciation and write-downs. In reference to reporting of directly acquired net assets ("asset acquisition"), see note 2.2 above. Costs for repairs and maintenance to maintain and marginal improvements to production capacity in the machinery are expensed directly in the income statement. Fixed assets are depreciated linearly over the estimated utilization period, normally without calculated residual value.

The assets are depreciated over the time periods indicated below.

Buildings	25 years
Improvement expenses on leasehold	20 years
Land improvements	20 years
Machinery	5-10 years
Equipment, tools, fixtures and fittings	3-10 years

Depreciation and amortization are specified in the note for the respective balance sheet item. In reference to differences between tax and book value, refer to the section on income taxes below.

Financial assets

See note 2.12 – Financial instruments

Notes to the financial statements

2.8 Inventories (Other receivables)

a) Goods for resale, raw materials and consumables and purchased finished/semi-finished products are valued at the acquisition value or the net realizable value, whichever is lower. The acquisition value is calculated as a weighted average calculation, which is expected to be close to what the FIFO method would produce. Calculation of net realizable value arises when a risk of obsolescence has been identified in an inventory item, such as with slow movement. Read more below.

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

c) Work in progress on behalf of another party is valued as direct costs and a reasonable proportion of indirect costs unless the degree of completion can be measured reliably. The degree of completion is determined based on costs incurred at closing day compared with total budgeted costs.

In the consolidated financial statements, there is elimination of inter-company profits in inventories.

Of the reported inventory values for raw materials and consumables SEK 319,752 (336,584) thousand, 95% is expected to be turned over within one year. Other inventory values, such as work in progress, finished products and goods for resale, totalling SEK 122,646 (130,111) thousand, are expected to be turned over in their entirety within one year. On closing day, there was write-down of inventory value at about SEK 40 million (13) based on an estimate made following a prescribed obsolescence scale with a calculated future cash flow based on a historical analysis in each company.

2.9 Effects of changed exchange rates

a) Functional currency and reporting currency

Functional currency is the currency used in the financial environment in which the company operates. The financial statements are presented in Swedish kronor (SEK), which is the functional currency of the parent company.

b) Transactions and balance sheet items

Transactions in foreign currency are translated using the rate prevailing on the transaction date. Exchange gains and losses resulting from the settlement of such transactions and monetary assets and liabilities in foreign currencies are translated at the closing day rate and reported gross in the income statement. There is no hedging within the Group on closing day.

c) Group companies

When consolidating foreign operations, exchange rate differences arising from the translation of net investments are posted in Equity in the balance sheet and Other comprehensive income in the income statement. In the event of disposal of a foreign operation, the related accumulated translation difference is reported in the income statement, thereby affecting the results of the period in question.

2.10 Provisions

Information on provisions for employee pension obligations, etc. is found in note 2.5 above. 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 recognized when the probability of outflow with respect to a special item in this group of obligations is likely. Provision is made at the amount corresponding to the best estimate of that which is required to settle the existing obligation on closing day.

2.11 Income taxes

Reported tax for the period comprises current tax and deferred tax. When the tax is based on an underlying transaction that is reported directly against equity, the tax effect is also reported directly against equity. Otherwise, the tax is reported 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 reported in full, using the balance sheet method, on all temporary differences arising between the tax bases of assets and liabilities and their reported values in the consolidated financial statements. Temporary differences are not recognized for differences arising on reporting of consolidated goodwill or for the initial recognition of assets and liabilities that are not business acquisitions and that at the time of the transaction do not affect reported or taxable profit.

Deferred taxes are calculated using the tax rates expected to apply when the tax shall be settled, which are normally the tax rates enacted on closing day. Deferred tax assets for deficit deduction are recognized only to the extent that it is likely that they can be utilized. Deferred tax liabilities consist mainly of untaxed reserves, which are divided into equity and deferred tax in the consolidated financial statements. The amount includes deferred tax liabilities on the properties recognized 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. Thus no deferred taxes are reported in the parent company's financial statements.

2.12 Financial instruments, incl. risks and uncertainty factors

Financial instruments reported in the balance sheet primarily include the following assets: cash and cash equivalents, accounts receivable, other receivables and financial investments. The included liabilities are primarily accounts payable, other liabilities and borrowings.

Presented below are these financial instruments 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. The classification depends on the purpose for which the instruments were acquired. Management determined the classification of the instruments at initial recognition and evaluates this decision at each instance of reporting. Accounting for acquisition and sale of financial instruments occurs on the trade date.

The following instruments have been found in the consolidated balance sheet for the last two financial years with the following categorization: 1) Accounts receivable, etc. – accounts receivable, other receivables (incl. group) plus cash and cash equivalents, 2) Financial assets available for sale – financial investments, as well as 3) Other financial liabilities, borrowings, accounts payable and other liabilities (incl. group). Fair value is not reported separately below as we believe that the reported values are an acceptable approximation of the fair value. Accounts receivable 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 acquisition value, which initially corresponds to fair value. At year-end, there is impairment testing for bad debts; see credit risks below.

Notes to the financial statements

Accounts receivable, etc. SEK thousands	Group		Parent company	
	2013	2012	2013	2012
Accounts receivable	642,811	522,990		
Receivables from group companies			335,420	253,239
Other receivables – part of	9,793	9,511		
Liquid assets	67,566	55,893	11,151	10,004
Total	720,169	588,394	346,571	263,243

Liquid assets consist of cash on hand and deposits held at call at banks and comparable institutions. There are no obstacles to utilization. The Group's undrawn bank overdraft facilities amount to SEK 61 million (87); 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 to earnings before interest, taxes, depreciation and amortization (EBITDA). The other limits the loan ratio, net debt/equity. In full year 2013, AQ fulfilled the condition by a good margin.

Financial assets available for sale include holdings of shares and participations not reported as a subsidiary. Assets in this category are measured continually at fair value with value changes, including changes in exchange rates, and are reported as other comprehensive income in the income statement.

Financial assets available for sale SEK thousands	Group	
	2013	2012
Financial investments	1,503	1,806
	1,503	1,806

Loans and other financial liabilities, e.g. accounts payable, are included in the category *Other financial liabilities*. These liabilities are valued at accrued acquisition value, which initially corresponds

to fair value. Read more about liquidity and interest risk under *General risk exposure* below.

Other financial liabilities SEK thousands	Group		Parent company	
	2013	2012	2013	2012
Long-term liabilities to credit institutions	6,660	22,383		
Bank overdraft facilities	220,421	205,797	71,062	49,039
Other liabilities to credit institutions	17,016	23,861		
Accounts payable	224,793	209,270	1,309	548
Other liabilities – part of	4,712	12,866	13	
Liabilities to group companies			221,257	136,096
Total	473,602	474,178	293,640	185,683

The description of liquidity risk below includes a maturity analysis for financial liabilities. For AQ, the above means that virtually all financial instruments are reported at acquisition value and any reporting of value change, such as for exchange rates, is done in the income statement.

Recognition and derecognition in the balance sheet

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party in accordance with the contractual terms of the instrument. Accounts receivable are recognized in the balance sheet when the invoice is sent. Accounts payable items are recognized when the invoice is received.

A financial asset is removed from the balance sheet when the rights in the agreement are realized, expire or the company loses control over them. A financial liability is removed from the balance sheet when the obligation specified in the agreement is discharged or otherwise extinguished. The same applies to part of a financial asset or liability.

The Group's activities expose it to various types of financial risks.

Financial risks refer to fluctuations in the company's earnings and

cash flow as the result of changes in exchange rates, interest rates, refinancing risks and credit risks. The Group's finance policy for managing financial risks has been designed by the Group management and provides guidelines in the form of risk mandate and limits for finance activities. The overall objective of the Group's finance policy is to provide cost-effective financing and to minimize negative effects to Group earnings arising from market risks. A general description of risks and uncertainties and the management of such is found below.

General risk exposure from financial assets and liabilities

Group management divides risks into credit risk, liquidity risk and market risk. Market risk is then broken down into interest risk, currency risk and price risk, the last of which refers to both purchases and sales. At present, the Group management has chosen not to trade with hedging. 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 named risks has not entailed that the management intends to change the current policy.

Notes to the financial statements

Credit risks

The Group's credit risks are primarily tied to receivables. The Group's credit policy is to always perform a credit check on new customers. Assessment is made through external credit ratings, where available, and payment history. The Group's average credit period for external receivables during the year was 85 (80) days. A change in the credit period of 1 day, with the current turnover rate, would mean a change in capital tie-up and cash flow amounting to approx. SEK 8 million.

Another measure of the Group's credit risk is illustrated by total exposure to individual customers. On closing day, the single largest receivable amounted to SEK 161.5 million (124.8). The total turnover of the Group's two largest customers amounted to 31% (28) of total net turnover.

The Group's maximum credit risk exposure is limited to the above-stated value of receivables. The tables below indicate the timing of risk exposure for past due receivables. The handling of credit risks is decentralized.

Specification of past due receivables, SEK thousand

SEK thousands	Total		Of which amortized	
	2013	2012	2013	2012
Not due, but need for amortization exists				
Total past due 1-30 days	96,162	72,534		33
Total past due 31-90 days	8,845	17,184	133	52
Total past due 91-180 days	6,849	11,365	1,198	4,168
Total past due, older than 180 days	9,189	6,337	6,041	1,976
Total	121,045	107,419	7,372	6,229

The past due receivables are for a number of customers who previously had no payment difficulties. The receivables are primarily in Swedish kronor – approx. SEK 335 million (272). The next largest values are EUR and USD, which converted to SEK amount to approx.

SEK 191 million (89) and SEK 33 million (37). Bad debts were reported on closing day at a total of SEK 7 million (6). The profit/loss for the year includes losses of SEK 1.8 million (5.6), which corresponds to < 0.0007 % of the turnover.

Liquidity risks

Liquidity risk is the risk that the Group may 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. Liquid-

ity risks and associated interest risk are managed centrally for the entire Group. The credit rating firm Bisnode has not changed the Silver triple A-rating for the company's borrowing.

The table below indicates the term of the Group's repayment of liabilities to credit institutions.

Maturity analysis

	2014	2015-18	Later
Reported liabilities to credit institutions	237,437	6,660	
Accounts payable	224,793		
Other liabilities	4,712		
	466,942	6,660	0

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 risk, currency risk and other price risks. The market risks that primarily affect the Group are interest risks, currency risks and other price risks, such as raw material prices.

a) Interest risks

The Group's interest 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 Sveriges Riksbank's repo rate. With the current net liability 31/12/2013, a change of 1 percentage point has a profit impact of < SEK 2.0 million.

b) Currency risks

The Group operates mainly in Sweden. The Group also has subsidiaries with significant currency risks in areas with influence from EUR countries, Bulgaria, India, China, Lithuania, Mexico and Norway. Currency risk exposure mainly originates from translation

differences linked to the foreign subsidiaries. Transactions, assets and liabilities in foreign currencies are monitored centrally by AQ to create a balance in each currency and thereby maximize the levelling effect within the Group and thus minimize exchange rate differences. An exchange rate change of 1% affects equity at maximum SEK 1.7 million (1.2). With the increased exposure through increased foreign involvement, the need for hedging is reviewed continually. The Group's net value of currency-exposed receivables and liabilities has increased and as of 31/12/2013 amounts to approx. 28% (24) of the balance sheet total. See net receivables and liabilities in the respective currency in absolute figures below.

A decision on the use of hedging shall be 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% per year impacts turnover by approximately SEK 94 million (69).

Sales in another currency amount to approximately 39% (32) of turnover.

Notes to the financial statements

Exchange rates	EUR	CNY	NOK	PLN	Other	Total "Net"
Average exchange rate 2012	8.60	1.03	1.16	2.06		
Closing day rate 2012	8.46	1.03	1.17	2.03		
Average exchange rate 2013	8.65	1.06	1.11	2.06		
Closing day rate 2013	8.94	1.07	1.06	2.15		
"Net exposure" per 31/12/2013 in SEK million	181.6	153.9	115.2	25.6	27.1	503.3

Unrecognized rates in the table above have not been associated with the consolidation of the annual accounts. USD/GBP are only applied when determining the value of receivables and liabilities on closing day. Other unrecognized currencies are either locked to EUR (BGN) and reported as EUR or occur in a limited scope and have no or almost no impact on the amounts reported.

c) Commodity price risks

Commodity price risk refers to the change in price of input goods and its impact on earnings. For the Group, it is primarily changes in raw materials which constitute a commodity price risk. Without considering price adjustments in the sales contracts, a price change totalling 10% per year impacts earnings by approximately 5%. The impact on earnings reported above in the sensitivity analysis for the respective market risk also affects the Group's capital by about 70% of the specified amount.

2.13 Reporting of government grants and disclosure of government assistance

Government grants are reported 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 allocated to periods systematically in the income statements in the same manner and over the same periods as the expenses the grants are intended to compensate.

Government grants related to assets are reported as a reduction in the posted value of the assets.

2.14 Earnings per share

Calculation of earnings per share is based on the consolidated profit/loss for the year and the number of shares outstanding at year-end. Reporting was previously in Profit/loss for the year. In addition, an equivalent calculation of Comprehensive income for the year is found in Statements of comprehensive income for the year.

2.15 Impairment

Assets with an indefinite utilization period (such as goodwill) are not amortized, but instead undergo impairment testing annually or more frequently if necessary with a number of estimates, such as presumed growth rate and presumed discount rate. During impairment testing, goodwill is allocated to the operating segments expected to benefit from the acquisition and in which the goodwill items arose. AQ applies IAS 36 during impairment testing, except for the assets that are regulated by other standards, such as inventories and deferred taxes. During the financial year there has not been any write-down requirement in the Group linked to IAS 36. Note 9 clarifies impairment and reversed impairment in the parent company with respect to subsidiaries.

2.16 Related party disclosures

As regards transactions between companies within the Group, these occur at arm's length in accordance with the Group's internal pricing policy. See also notes 2.3 and 5.

There have been no transactions with the owner beyond the benefits described in Note 8, Personnel.

NOTE 3 CHANGES IN ACCOUNTING PRINCIPLES

3.1 Parent company

The amendment to IFRS 7 "Financial Instruments: Disclosure" concerns disclosure relating to the net reporting of assets and liabilities. The amendment contains new disclosure requirements to facilitate comparisons between companies which prepare their financial statements in accordance with IFRS and those companies which prepare their financial statements in accordance with US GAAP.

Other changes to accounting rules that went into effect in 2013 do not affect the current year's accounting in the parent company.

3.2 Group

Presented below are the standards that the Group applies for the first time with respect to the financial year commencing 1 January 2013, and which have had a material impact on the Group's financial statements:

Changes have been introduced into IAS 1 "Presentation of Financial Statements" with respect to other comprehensive income. The most important change is the requirement that the items reported in "Other comprehensive income" be presented divided into two groups. The division is based on whether the items can

be reclassified to the income statement (reclassification adjustments).

The amendment to IFRS 7 "Financial Instruments: Disclosure" concerns disclosure relating to the net reporting of assets and liabilities. The amendment contains new disclosure requirements to facilitate comparisons between companies which prepare their financial statements in accordance with IFRS and those companies which prepare their financial statements in accordance with US GAAP.

In 2012 IFRS 13 "Fair Value Measurement" was adopted, which will be applied in 2013. IFRS 13 is aimed at making measurement of fair value more consistent and less complex, by means of the standard containing an exact definition and a joint source in IFRS for fair value measurement and related disclosure. The standard provides guidance on the fair value measurement of all types of assets and liabilities, financial and non-financial. The requirements do not expand the scope of the area in which fair value is to be applied, but provide guidance on how it is to be applied where other IFRS already require or allow measurement at fair value. The Group management has assessed that the application of IFRS 13 has not had any material impact on the consolidated financial statements.

Notes to the financial statements

New standards and interpretations that have not yet been applied by the Group

IFRS 9 "Financial instruments" concerns the classification, valuation and recognition of financial assets and liabilities. IFRS 9 was published in November 2010 for financial assets and in October 2011 for financial liabilities and replaces the parts of IAS 39 that are related to the recognition and measurement of financial instruments. IFRS 9 states that financial assets must be classified in two different categories: fair-value measurement or amortized cost measurement. Assets are classified when they are first recognized, based on the company's business model and characteristics of contractual cash flows. For financial liabilities, there are no major changes compared with IAS 39. The biggest change concerns liabilities that are identified at fair value. In this case, the part of the change in fair value that is attributable to own credit risk must be recognized in other comprehensive income instead of profit, unless this results in an accounting mismatch. The Group has not yet evaluated the effects. The Group will evaluate the effects of remaining phases concerning IFRS 9 when they have been completed by IASB.

IFRS 10 "Consolidated financial" statements is based on existing principles as it identifies control as the decisive factor in determining whether a company should be included in consolidated financial

statements. The standard provides further guidance to help determine control when it is difficult to assess. The Group intends to apply IFRS 10 for the financial year beginning 1 January 2014 and has not yet evaluated its full effect on the financial statements.

IFRS 12 "Disclosure of interests in other entities" includes the disclosure requirements for subsidiaries, joint arrangements, associates and non-consolidated structured entities. The Group intends to apply IFRS 12 for the financial year beginning 1 January 2014 and has not yet evaluated its full effect on the financial statements.

IFRIC 21 Levies explains the recognition of an obligation to pay a tax or duty that is not income tax. The interpretation explains what the obligating event that triggers the obligation to pay tax or duty is and when a liability must therefore be recognized. The Group is not currently subject to any significant taxes or duties that are not income tax and therefore this interpretation has no significant impact on the Group.

No other of the IFRS or IFRIC interpretations that have not yet entered into force are expected to have any significant impact on the Group.

As previously, the Group management's objective is for all relevant changes to be implemented in the consolidated financial statements during the first accounting period after they go into effect.

NOTE 4 IMPORTANT ESTIMATES AND JUDGEMENTS FOR ACCOUNTING PURPOSES

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 concerning the future. At the signing of the annual report, the Group is not in

any material disputes. In the preparation of the annual report for 2013, 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, 2.12, 2.15 and 15.

Notes to the financial statements

NOTE 5 SEGMENT REPORTING

2013	Component	System	Adjustment/ other	Group
External invoicing within Sweden	1,198,878	418,542	10,918	1,628,337
External invoicing outside Sweden	661,922	231,085	6,028	899,035
Internal invoicing, other segment	281,593	72,830	-354,423	
Total net turnover	2,142,393	722,456	-337,476	2,527,372
Material costs, excl. purchase own segment	-1,202,431	-478,001	324,970	-1,355,463
Depreciation	-47,287	-1,848	-312	-49,447
Other operating expenses/income	-793,662	-202,033	33,027	-962,668
Operating profit/loss	99,013	40,573	20,209	159,795
Net financial income/expense				-3,303
Earnings before tax	99,013	40,573	20,209	156,492
Other comprehensive income, plus tax				-31,196
Comprehensive income for the year	99,013	40,573	20,209	125,296
2012				
External invoicing within Sweden	1,056,064	487,390	2,813	1,546,267
External invoicing outside Sweden	443,297	172,470		615,766
Internal invoicing, other segment	208,484	94,791	-303,275	
Total net turnover	1,707,845	754,651	-300,462	2,162,033
Material costs, excl. purchase own segment	-1,019,556	-496,891	354,342	-1,162,105
Depreciation	-33,624	-5,678	-6,423	-45,725
Other operating expenses/income	-584,913	-247,155	-5,139	-837,206
Operating profit/loss	69,751	4,927	42,318	116,997
Net financial income/expense				1,576
Earnings before tax	69,751	4,927	42,318	118,573
Other comprehensive income, plus tax				-28,186
Comprehensive income for the year	69,751	4,927	42,318	90,386
2013				
	Component	System	Adjustment/ other	Group
Liquid assets (incl. short-term investments)	160,742	59,038	-152,215	67,566
Accounts receivable	519,648	194,581	-71,419	642,811
Inventories	300,732	150,192	-8,527	442,397
Tangible assets in Sweden	101,646	28,300	-3,172	126,774
Tangible assets in other countries	98,947	31,609		130,556
Other assets	126,260	33,127	8,591	167,978
Total assets	1,307,975	496,848	-226,742	1,578,082
Current liabilities	706,716	236,438	-299,241	643,913
Long-term liabilities	27,677	20,760	329	48,766
Equity	573,583	239,649	72,170	885,403
Total liabilities and equity	1,307,975	496,848	-226,742	1,578,082

Notes to the financial statements

Cont. Note 5 Segment reporting

2012	Component	System	Adjustment/ other	Group
Liquid assets (incl. short-term investments)	128,473	28,178	-100,759	55,893
Accounts receivable	437,157	168,314	-82,481	522,990
Inventories	347,176	119,518	1	466,695
Tangible assets in Sweden	99,987	32,000	-354	131,633
Tangible assets in other countries	88,262	26,896		115,158
Other assets	81,180	15,753	57,080	154,012
Total assets	1,182,235	390,660	-126,513	1,446,381
Current liabilities	642,671	188,761	-235,547	595,885
Long-term liabilities	53,331	17,682	-6,176	64,837
Equity	486,232	184,217	115,209	785,658
Total liabilities and equity	1,182,235	390,660	-126,513	1,446,381

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 include production of systems, power solutions and automation solutions along with assembly of complete machines.

All companies in the Group are run following common targets for growth and profitability. This means that all trade between the companies is done under market conditions (arm's length, see note 2.16). In the segment reporting, there is no adjustment for internal profit and consolidated trade with other segments. These amounts are included as reconciliation items together with property companies and the parent company figures in the matrix above, under the heading Adjustments/other.

In segment reporting, deferred tax liabilities are included in the total line for Equity. Negative goodwill is included in its entirety

under Other operating income for the Group for the year of acquisition while being matched against the allocation of activated balance sheet items into periods in the segment reporting. Two of the Group's customers have market shares of over 10%, all in all 31% (28). The Group's product range is extensive. For this reason, management has decided that it is not feasible to report revenue from external customers for individual products. The Group does not provide any services to any significant extent.

The amounts reported above reflect the financial statements, which are continually reviewed by the executive decision-makers of the company, 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 assessed in the same way as in the annual report.

NOTE 6 OTHER OPERATING INCOME

SEK thousands	Group		Parent company	
	2013	2012	2013	2012
Exchange gains from operations, realized	8,708	16,398		
Exchange gains from operations, unrealized	5,811	6,518		
Capital gains on fixed assets	306	199		
Recovery of previously impaired receivables	376	868		
Rental income	108	364		
Reversal of provision for contingent purchase price		9,370		9,370
Gains on debt restructuring		306		
Negative goodwill	762	1,956		
Other operating income	15,515	5,907	14	
	31,587	41,886	14	9,370

Notes to the financial statements

NOTE 7 OTHER EXTERNAL EXPENSES

Remuneration to auditors SEK thousands	Group		Parent company	
	2013	2012	2013	2012
<i>PwC</i>				
Audit assignment	1,099	741	155	45
Audit-related assignments	38	300	35	20
Tax consultation/other services	107	177	77	15
	1,243	1,219	267	80
<i>Ernst & Young</i>				
Audit assignment	324	255		
	324	255		
<i>Grant Thornton</i>				
Audit assignment		102		
		102		
<i>FangBen CPA</i>				
Audit assignment	349	172		
	349	172		
<i>Other</i>				
Audit assignment	556	400		
	556	400		
Total	2,472	2,046	267	80

The audit assignment involves review of the annual report and accounting as well as the management of the Board and MD, which results in the drafted audit report. In addition, information on remuneration is provided separately for auditing activities and

review assignments beyond the audit assignment as well as tax consultation and other services which may have been performed by the principal accounting firm during the financial year.

Leasing, SEK thousands

Financial agreements

Leased assets are reported in note 17, Plant and machinery. The following table presents the fees for the year and future fees. All fees are contractually linked to the current borrowing rate. As the estimated future fees are based on future interest rates, the margin for error is greater than a conversion to current value in the current state. For this reason, the information was omitted.

Fees	2013	2014	2015-2018	Later
Leasing agreements for machines	1,561	1,461	3,651	

Operational agreements

All leasing expenses for assets rented under operational leases as well as leased premises, tools, office equipment, etc. are reported as Other external expenses in the income statement. The following table presents the fees for the year and future fees on non-terminable agreements. In the table, fees for rents are included up until the next renewal date.

Fees	2013	2014	2015-2018	Later
Rental agreements for external premises	30,702	23,553	56,484	18,933
Other agreements	6,914	5,852	6,202	

Notes to the financial statements

NOTE 8 PERSONNEL

Average number of employees	2013			2012		
	Women	Men	Total	Women	Men	Total
Parent company, Sweden	5	7	12	2	5	7
Subsidiaries, Sweden	225	616	841	220	620	840
Bulgaria	484	340	824	495	289	784
Denmark					1	1
Estonia	27	204	231	26	167	193
India	8	63	71		20	20
Italy	1	3	4	1	4	5
China	220	280	500	206	280	486
Lithuania	435	111	546	419	88	507
Mexico	69	19	88	72	23	95
Norway					5	5
Poland	177	191	368	165	195	360
	1,651	1,834	3,485	1,606	1,697	3,303

Gender distribution, executive officers

Board	Women	Men	Total	Women	Men	Total
Parent company	0%	100%	100%	0%	100%	100%
Group	6%	94%	100%	3%	97%	100%
Company management and MD	Women	Men	Total	Women	Men	Total
Parent company	29%	71%	100%	29%	71%	100%
Group	35%	65%	100%	30%	70%	100%

Wages, salaries and compensation in Sweden, SEK thousands

	Group		Parent company	
	2013	2012	2013	2012
Board, MD and other executive officers ¹⁾	17,740	15,136	7,042	4,463
Other employees	282,799	270,873	1,835	1,508
Total in Sweden	300,539	286,009	8,877	5,970
^{1) Of which is earnings-related compensation and the like to executive officers}	3,401	1,470	748	312

Other countries

Board and MD ¹⁾	11,801	12,181		
Other employees	182,091	118,974		
Total in other countries	193,892	131,155		
^{1) Of which is earnings-related compensation and the like to executive officers}	1,948	933		
Total	494,431	417,164	8,877	5,970

Social security contributions, SEK thousands in Sweden

	Group		Parent company	
	2013	2012	2013	2012
Pension expenses for the Board, MD and other executive officers	3,007	3,922	1,131	998
Pension expenses for other employees	12,007	11,476	23	77
Other social security contributions	94,122	93,634	3,015	2,310
Total in Sweden	109,136	109,033	4,169	3,386
Other countries				
Pension expenses for Board and MD	463	452		
Pension expenses for other employees	15,726	13,644		
Other social security contributions	12,215	22,589		
Total in other countries	28,405	36,685		
Total	137,541	145,718	4,169	3,386

Notes to the financial statements

Cont. Note 8 Personnel

Remuneration to the Board, MD and Group management	Basic salary/ fee	Variable remuneration	Pension costs	Total
2013				
Board chair, Per Olof Andersson	762		167	929
Board member, Leif Andersson	100			100
Board member, Rune Glavare	100			100
Board member, Ulf Gundemark	100			100
Board member and MD, Claes Mellgren	762		167	929
Other executive officers	4,470	748	797	6,015
	6,294	748	1,131	8,173

Remuneration to the Board, MD and Group management	Basic salary/ fee	Variable remuneration	Pension costs	Total
2012				
Board chair, Per Olof Andersson	762		168	930
Board member, Leif Andersson	100			100
Board member, Rune Glavare	100			100
Board member, Ulf Gundemark	100			100
Board member and MD, Claes Mellgren	762		166	928
Other executive officers	2,327	312	664	3,303
	4,151	312	998	5,461

No special pension benefits or severance agreements exist, beyond normal occupational pensions.

The Board's proposed guidelines for remuneration 2014, in accordance with chapter 8, § 51 of the Swedish Companies Act, are laid out in the directors' report. The remuneration paid out to executive officers in 2013 is specified in the note.

The following decision on guidelines for remuneration in 2013 was made at the last annual general meeting: Executive offers shall

be paid a fixed fee, supplemented by variable remuneration calculated as a % of the Group's profit for the year, limited to maximum one year's salary per person. There are no benefits beyond normal pension benefits for work performed through employment. In individual cases and where there is special justification, the Board shall have the option of deviating from the above guidelines.

NOTE 9 PROFIT/LOSS FROM PARTICIPATIONS IN GROUP COMPANIES

SEK thousands	Group		Parent company	
	2013	2012	2013	2012
Dividends from group companies			23,500	
Write-down of shares in group company			-17,811	
Liquidation of AQ Denmark A/S	-527		-1,124	
	-527		4,564	

NOTE 10 FINANCIAL INCOME

SEK thousands	Group		Parent company	
	2013	2012	2013	2012
Interest income, receivables	1,789	657		
Interest income from group companies			4,619	4,867
Other interest income	358	1,092	3	254
	2,148	1,750	4,622	5,121

Notes to the financial statements

NOTE 11 FINANCIAL EXPENSES

SEK thousands	Group		Parent company	
	2013	2012	2013	2012
Interest expenses, accounts payable	-77	-71		
Interest expenses to group companies			-12	-725
Other interest expenses	-2,669	-2,923	-530	-371
Net exchange gains/losses	-2,177	2,819	-878	-300
	-4,924	-174	-1,420	-1,396

NOTE 12 APPROPRIATIONS

SEK thousands	Parent company	
	2013	2012
Change in tax allocation reserve	-6,450	-18,400
Group contribution, paid	-28,500	-400
Group contribution, received	38,000	27,000
	3,050	8,200

NOTE 13 TAXES

Current income tax for the period, SEK thousands	Group		Parent company	
	2013	2012	2013	2012
Current tax	-36,868	-38,705	-5,440	-14,590
Deferred tax	3,500	18,765		
Reported tax for the period	-33,369	-19,939	-5,440	-14,590

Specification of reported tax

Reported profit before appropriations and tax	156,492	118,573	26,858	47,130
Estimated tax based on applicable tax rate in Sweden 22.0 (26.3)	-34,428	-31,185	-5,909	-12,395

Tax effect of tax deviations as below:

Standard taxation, tax allocation reserves	-279	-294	-73	-40
Tax effect of untaxed reserves			1,419	4,839
Non-deductible expenses	-2,801	-1,017	-28	-6
Tax-exempt revenue	1,628	1,060	1,252	8
Adjusted tax from previous year/changed tax rates	-981	6,820	-11	
Effect of other tax rates in foreign companies	8,503	8,081		
Tax effect of group contribution			-2,090	-6,996
Change in unrecognized loss carry-forwards	-5,176	-3,211		
Other	165	-193		
	-33,369	-19,939	-5,440	-14,590

Deferred tax asset	Group	
	2013	2012
Intangible assets		
Tangible assets	1,100	1,409
Inventories	2,475	1,260
Other	3,337	1,460
	6,912	4,129

Deferred tax liability	Group	
	2013	2012
Intangible assets	2,370	3,523
Tangible assets	1,302	2,079
Untaxed reserves	32,235	31,112
Other	678	153
	36,584	36,867

Deferred taxes in the parent company relate only to untaxed reserves. These are not reported separately due to the relationship between accounting and taxation; see note 26.

Notes to the financial statements

NOTE 14 CAPITALIZED EXPENDITURE

SEK thousands	Group	
	2013	2012
Opening acquisition value	25,454	21,985
Direct investments for the year	3,624	2,194
Acquisition of subsidiaries		1,700
Sales/disposals	-1,510	-30
Reclassifications		-298
Translation difference	141	-96
Closing accumulated acquisition value	27,709	25,454
Opening depreciation	-12,835	-6,776
Acquisition of subsidiaries		-1,069
Sales/disposals	1,510	30
Translation difference	-124	20
Depreciation for the year	-5,593	-5,040
Closing accumulated depreciation	-17,042	-12,835
Closing residual value according to plan	10,667	12,619

NOTE 15 GOODWILL

SEK thousands	Group	
	2013	2012
Opening acquisition value	74,810	
Acquisition of subsidiaries/businesses	6,500	74,810
Adjustment of acquisition analysis	-6,983	
Translation difference	72	
Closing accumulated acquisition value	74,399	74,810
Closing residual value according to plan	74,399	74,810

In 2012 the Group Durapart Industries AS, now AQ Wiring Systems AS was acquired, its acquisition analysis was adjusted by SEK 7.0 million in 2013.

In 2013 assets and liabilities from Arkivator AB's bankruptcy estate in to AQ Enclosure Systems AB were acquired, in which a goodwill item of SEK 6.5 million arose.

Each year, company management investigates whether there is any impairment of goodwill. The recoverable amount of the underlying cash generating unit AQ Wiring Systems (formerly Durapart) has been determined based on a calculation of the Group's value in use. The calculation was made based on estimated future cash flows equivalent to a five-year period. Cash flows beyond the five-year period were extrapolated using an estimated growth rate of 1%. The discount rate used for the future cash flows is 11.5%. Company management performed a sensitivity analysis, which includes a discount rate of 13.5%. No write-down requirement was found to exist at this higher discount rate.

NOTE 16 LAND AND BUILDINGS

SEK thousands	Group	
	2013	2012
Opening acquisition value	123,834	106,618
Direct investments for the year	890	813
Acquisition of subsidiaries	4,290	17,011
Sales/disposals	-60	
Reclassifications		1,116
Translation difference	1,988	-1,724
Closing accumulated acquisition value	130,942	123,834

Notes to the financial statements

Note 16 Land and buildings

SEK thousands	Group	
	2013	2012
Opening depreciation	-35,747	-30,519
Acquisition of subsidiaries		-1,694
Sales/disposals	60	
Reclassifications		832
Translation difference	-439	269
Depreciation for the year	-4,623	-4,635
Closing accumulated depreciation	-40,750	-35,747
Closing residual value according to plan	90,192	88,087

The residual value above includes improvement expenses on leasehold amounting to SEK 5,800 (3,998) thousand.

NOTE 17 PLANT AND MACHINERY

SEK thousands	Group	
	2013	2012
Opening acquisition value	292,530	268,348
- of which recalculated leasing agreements	37,420	25,564
Direct investments for the year	31,290	41,189
- of which recalculated leasing agreements	1,771	254
Acquisition of subsidiaries	5,505	16,268
- of which recalculated leasing agreements		11,268
Sales/disposals	-22,683	-6,603
- of which recalculated leasing agreements	-9,434	
Reclassifications	5,288	-23,416
- of which recalculated leasing agreements		365
Translation difference	2,666	-3,255
- of which recalculated leasing agreements	76	-31
Closing accumulated acquisition value	314,596	292,530
- of which recalculated leasing agreements	29,832	37,420
Opening depreciation	-191,778	-159,626
- of which recalculated leasing agreements	-25,804	-12,878
Acquisition of subsidiaries		-23,640
- of which recalculated leasing agreements		-9,880
Sales/disposals	21,026	5,256
- of which recalculated leasing agreements	9,434	
Reclassifications	1,114	11,667
- of which recalculated leasing agreements		-17
Translation difference	-1,692	1,805
- of which recalculated leasing agreements	-80	42
Depreciation for the year	-28,481	-27,238
- of which recalculated leasing agreements	-2,346	-3,071
Closing accumulated depreciation	-199,810	-191,778
- of which recalculated leasing agreements	-18,797	-25,804
Opening appreciations		
Acquisition of subsidiaries	5,254	5,361
Depreciation for the year on revaluations	-1,072	-107
Closing accumulated appreciations	4,182	5,254
Closing residual value according to plan	118,968	106,006
- of which recalculated leasing agreements	11,036	11,616

Notes to the financial statements

NOTE 18 EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

SEK thousands	Group		Parent company	
	2013	2012	2013	2012
Opening acquisition value	97,325	50,270	205	205
Direct investments for the year	11,825	8,432		
Acquisition of subsidiaries	523	21,368		
Sales/disposals	-11,040	-1,960	-146	
Reclassifications	1,469	19,422		
Translation difference	1,412	-209		
Closing accumulated acquisition value	101,514	97,325	59	205
Opening depreciation	-56,234	-31,169	-169	-128
Acquisition of subsidiaries		-5,852		
Sales/disposals	10,176	1,109	146	
Reclassifications	-1,114	-10,434		
Translation difference	-1,260	540		
Depreciation for the year	-11,255	-10,429	-12	-41
Closing accumulated depreciation	-59,687	-56,234	-36	-169
Opening appreciations	800			
Acquisition of subsidiaries		1,200		
Sales/disposals	-620			
Write-downs for the year on revaluations	-180	-400		
Closing accumulated appreciations		800		
Closing residual value according to plan	41,827	41,891	24	36

NOTE 19 CONSTRUCTION IN PROGRESS

SEK thousands	Group	
	2013	2012
Opening acquisition value	8,511	7,661
Direct investments for the year	5,193	6,527
Sales/disposals		1,258
Reclassifications	-6,757	-6,776
Translation difference	-605	-159
Closing accumulated acquisition value	6,343	8,511
Closing residual value according to plan	6,343	8,511

NOTE 20 SHARES AND PARTICIPATIONS IN SUBSIDIARIES

SEK thousands	Parent company	
	2013	2012
Opening acquisition value	309,758	204,250
Expanded investment in foreign companies	52,722	23,950
Intra-group restructuring	24	
Acquisition of new subsidiaries	-598	81,558
Adjustment of acquisition analysis 1)	-6,983	
Closing accumulated acquisition value	354,923	309,758
Opening write-downs	-33,747	-33,747
Write-downs for the year	-17,811	
Closing accumulated write-downs	-51,558	-33,747
Closing book value	303,365	276,011

1) Adjustment of acquisition analysis refers to Durapart Industries AS, now AQ Wiring Systems AS.

Notes to the financial statements

Cont. Note 20 Shares and participations in subsidiaries

Name and head office	Corporate identity number	No. of shares	Share of equity	Share of voting power	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 Elautomatik AB, Surahammar	556272-8484	1,000	100%	100%	4,457
AQ Elteknik AB, Uppsala	556358-1411	1,000	100%	100%	2,435
AQ Enclosure Systems AB, Vaggeryd	556660-1844	20,000	100%	100%	2,000
AQ Holmbergs AB, Anderstorp	556551-8536	10,000	100%	100%	1,000
AQ Fastighet i Lyrestad AB, Eskilstuna	556443-9734	15,000	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%	300
AQ Segerström & Svensson AB, Eskilstuna	556545-8790	40,000	100%	100%	7,226
AQ Staretor AB, Gothenburg	556690-3026	1,400	100%	100%	3,800
- AQ Fastighet i Torslanda AB, Gothenburg	556690-3018	1,000	100%	100%	
- AQ Retor Engineering AB, Gothenburg	556622-8697	1,050	100%	100%	
- AQ Retor Production AB, Gothenburg	556690-3083	1,000	100%	100%	
- AQ 3-Elite AB, Gothenburg	556704-6981	1,002	100%	100%	
AQ Trafo AB, Enköping	556443-9726	26,000	100%	100%	0
AQ Welded Structures AB, Ludvika	556660-2016	1,000	100%	100%	100
AQ Wiring Systems AB, Årjäng	556630-1437	40,000	100%	100%	37,000
AQ Bulgaria EAD, Sofia, Bulgaria	7705/1996	1,000	100%	100%	500
AQ Electric AD, Radomir, Bulgaria	1135 61397	544,618	96%	96%	16,607
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 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 Magnit AD, Godech, Bulgaria	1220 33267	679,382	99%	99%	39,592
AQ Mechanical&Electrical M.I.Pvt.Ltd, Pune, India	U31909PN2011FTC139442		100%	100%	13,174
AQ Wiring Systems AS, Arendal, Norway	987,815,566	100	100%	100%	72,177
- AQ Wiring Systems UAB, Panevezys, Lithuania	148,427,212	1,200	100%	100%	
AQ Wiring Systems SA de CV, Tultitlan Edo, Mexico	DME051116H2A	50,000	100%	100%	20,000
AQ Wiring Systems Sp.z.o.o., Łódź, Poland	7,281,357,239	2,227	100%	100%	18,580

303,365

NOTE 21 RECEIVABLES FROM GROUP COMPANIES

SEK thousands	Parent company	
	2013	2012
Opening receivables	25,873	36,236
Loans during the year	13,030	9,826
Amortization during the year	-5,988	-19,787
Translation difference	149	-402
Closing receivables	33,064	25,873

Notes to the financial statements

NOTE 22 FINANCIAL INVESTMENTS

SEK thousands	Group	
	2013	2012
Opening acquisition value	1,806	2,046
Acquisition	7	30
Acquisition via subsidiaries		123
Disposed	-149	-270
Translation difference	-160	-124
Closing book value	1,503	1,806

NOTE 23 OTHER RECEIVABLES

SEK thousands	Group	
	2013	2012
Advances to suppliers		
Receivable VAT	15,660	14,856
Other current receivables	9,793	9,511
	25,453	24,367

NOTE 24 PREPAID EXPENSES AND ACCRUED INCOME

SEK thousands	Group		Parent company	
	2013	2012	2013	2012
Prepaid rent	3,728	5,263		
Other interim receivables	23,603	10,458	367	127
	27,331	15,721	367	127

NOTE 25 EQUITY

Capital management

According to Board policy, the Group's financial objectives are to maintain a solid capital structure and financial stability and thereby retain investors, creditors and market confidence and provide the basis for continued development of the business. The Group's target is to maintain a equity ratio of at least 40%. The Group's equity ratio of closing day 31/12/2013 was 56% (54). The dividend

policy is for the dividend to equal approx. 25% of the average profit after tax over one business cycle. The Board has proposed a dividend of SEK 1.60 (1.30) per share to the Annual General Meeting for financial year 2013, which means that SEK 28,854,493 will be distributed to shareholders if the AGM approves the Board's proposal. During the year, there was no change in the Group's capital management.

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

Earnings per share SEK 6.83 (5.47). The company has no share option programme for employees and all shares have equal voting rights and privileges.

Notes to the financial statements

NOTE 26 UNTAXED RESERVES

SEK thousands	Parent company	
	2013	2012
Tax allocation reserve, Tax 2008		1,750
Tax allocation reserve, Tax 2009	6,490	6,490
Tax allocation reserve, Tax 2010	500	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	
	37,590	31,140

Deferred tax on untaxed reserves amounts to SEK 8,270 (6,851) thousand

NOTE 27 LIABILITIES TO CREDIT INSTITUTIONS AND SECURITIES LODGED AS COLLATERAL

All values reported below correspond to fair value. The Group has no long-term liabilities to credit institutions that mature later than five years after the closing day. Collateral provided for given liability items in the balance sheet is specified below.

SEK thousands	Group	
	2013	2012
Liability to credit institution/bank overdraft facility/factoring		
Property mortgages ¹⁾	87,650	87,650
Floating charges	232,991	167,975
Other liabilities		
Retention of ownership rights in respect of leased machines reported as fixed assets	11,036	11,616
Other ownership reservation	194	221
Other contingent liabilities		166

NOTE 28 PROVISIONS – LONG-TERM AND CURRENT

SEK thousands	Group		Parent company	
	2013	2012	2013	2012
Opening provisions for warranty obligations, current	248	997		
Change in warranty obligations	9	-749		
Closing provisions for warranty obligations, current	257	248		
Opening provisions for pensions, long-term	3,666	793		
Change in pensions	-1,670	2,873		
Closing provisions for pensions, long-term	1,996	3,666		
Opening provisions for other, long-term	1,921			9,370
Change in other	1,605	1,921		-9,370
Closing provisions for other, long-term	3,525	1,921		
Total provisions on closing day	5,779	5,835		

Notes to the financial statements

NOTE 29 OTHER LIABILITIES

SEK thousands	Group		Parent company	
	2013	2012	2013	2012
Liability to the Swedish Tax Agency for VAT and personnel	28,520	23,614	1,146	3,342
Other current liabilities	4,698	20,160		1
	33,218	43,774	1,146	3,343

NOTE 30 ACCRUED EXPENSES AND DEFERRED INCOME

SEK thousands	Group		Parent company	
	2013	2012	2013	2012
Liability to personnel	68,232	54,164	2,388	1,058
Liability, social security contributions	24,846	24,600	1,283	
Other interim liabilities	21,395	12,481	320	1,012
	114,473	91,245	3,991	2,069

NOTE 31 ACQUISITION OF SUBSIDIARIES AND BUSINESSES

Name and head office	Assets and liabilities Arkivator			Assets and liabilities IPP			Total		
	Book value	Adjusted value	Fair value	Book value	Adjusted value	Fair value	Book value	Adjusted value	Fair value
Tangible assets	407		407	8,560		8,560	8,967		8,967
Inventories	23,093		23,093	3,540		3,540	26,633		26,633
Total identified net assets	23,500		23,500	12,100		12,100	35,600		35,600
Goodwill	6,500		6,500				6,500		6,500
Total purchase price	30,000		30,000	12,100		12,100	42,100		42,100
Impact on Group's liquid assets from acquisition for the year	30,000		30,000	12,100		12,100	42,100		42,100
Total cash flow attributable to investments in subsidiaries	30,000		30,000	12,100		12,100	42,100		42,100

AQ Enclosure Systems AB acquired the assets and liabilities in Arkivator Machine Systems AB which petitioned for bankruptcy. The purchase price amounted to SEK 30,000 thousand. The deal was conducted as a cash transaction with date of taking possession as September 4. Arkivator Machine Systems was a leading supplier of machinery for the packaging industry and worked in all stages from product development through prototype to series production, field support and service. The operations have been incorporated into AQ Enclosure Systems AB with continued location in Falköping. The purpose of the deal is to broaden AQ's customer relations and acquire leading expertise within development and manufacturing of complete packaging machines. The acquired business suffered a small loss during the year.

AQ Segerström & Svensson AB and AQ Fastighet i Lyrestad AB (formerly AQ Komponent AB) acquired the assets and liabilities and the property in Industriell Plåt Produktion AB which petitioned for bankruptcy. The purchase price of the assets and liabilities was SEK 7,985 thousand and for the property SEK 4,115 thousand. The deal was conducted as a cash transaction. The operations were taken over on October 1, with continued location in Lyrestad. Industriell Plåt Produktion AB was a leading supplier of exhaust systems and tubes for small and medium series production and was involved in all stages from product development, through prototype to series production, and spare parts. The purpose of the deal is to broaden AQ's customer relations and acquire leading expertise within development and manufacturing of complete tube systems. The acquired business contributed with a profit during the year.

Notes to the financial statements

NOTE 32 LIQUID ASSETS

SEK thousands	Group		Parent company	
	2013	2012	2013	2012
Cash and cash equivalents	67,566	55,893	11,151	10,004
Liquid assets	67,566	55,893	11,151	10,004
Liquid assets reported in the cash flow statement	67,566	55,893	11,151	10,004

The Group's total unutilized limits for bank overdraft facilities amounted to SEK 61,169 (86,983) thousand at year-end.

BOARD CERTIFICATION

The consolidated financial statements and 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 making up the Group.

The annual accounts and consolidated accounts have, as presented above, been approved for publication by the Board and MD on 9 April 2014. 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 24 April 2014.

Västerås, 09/04/2014

Per-Olof Andersson
Board chair

Claes Mellgren

MD

Leif Andersson
Board member

Rune Glavare
Board member

Ulf Gundemark
Board member

Our audit report was submitted on 10/04/2014.
Öhrlings PricewaterhouseCoopers AB

Magnus Brändström
Authorized public accountant



Audit report

To the annual general meeting of shareholders in AQ Group AB, corporate identity no. 556281-8830

Statement regarding the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts for AQ Group AB for the year 2013.

Responsibilities of the Board of Directors and MD for the annual accounts and consolidated accounts

The Board of Directors and MD are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and MD determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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 evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and MD, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting

Standards, as adopted by the EU, and the Annual Accounts Act. The directors' report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the Group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and MD of AQ Group AB for the year 2013.

Responsibilities of the Board of Directors and MD

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and MD are responsible for administration under the Swedish Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or MD is liable to the company. We also examined whether any member of the Board of Directors or MD has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the directors' report and that the members of the Board of Directors and MD be discharged from liability for the financial year.

Stockholm, 10 April 2014
Öhrlings PricewaterhouseCoopers AB

Magnus Brändström
Authorized public accountant

CORPORATE

governance report
2013

**WE ARE
RELIABLE**

1994-2014

years

The corporate governance of AQ Group AB (publ) involves ensuring that the company is managed in a way which 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.

The company is not among the companies that are required to apply the Code, but strives to have governance that maintains a high standard. The Code applies to Swedish companies whose shares are traded on a regulated market (NASDAQ OMX).

The corporate governance report is not reviewed by the company's auditors.

Shareholders

At year-end, AQ Group had 1,705 (1,330) shareholders. Information on share development, ownership structure, dividend, etc. is found in the directors' report.

Legislation and articles of association

AQ Group is primarily required 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 Securities Market Act. AQ Group shall also operate in compliance with the provisions specified in AQ Group's articles of association.

Annual General Meeting

Notice of the Annual General Meeting shall be sent no earlier than six 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 along with a numbered agenda of the matters to be considered. It is possible to register for the meeting by writing to the company's address or through e-mail. 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.

The Annual General Meeting shall be held no later than 4 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 MD and allocation of the company's retained earnings.

Shareholders representing 65% of the total number of votes in the company participated in AQ Group's Annual General Meeting on 24 April 2013. The MD, Group management team,



company auditors and the Board were in attendance at the meeting. 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 made decisions on remuneration to the Board, mandate to the Board to decide on directed new share issue (max. 2,000,000 shares) and the election of officers.

AQ Group has not had any general meetings between the Annual General Meetings for financial years 2012 and 2013.

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

Appointment of officers

Nomination committee

The Annual General Meeting chooses a nomination committee that represents the company shareholders. The nomination committee shall consist of 3 members, of which 1 has no ties to the company Board. At the 2013 AGM, Claes Mellgren, Gunnar Ek and Per-Olof Andersson were elected.

Board

The nomination committee shall submit proposals for the election of chair and other board members as well as remuneration, divided between the chair 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 with respect to the company's development and become acquainted with 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 on age, other significant assignments, own and related parts' shareholdings, independent executives/shareholders, number of years on the board (if re-election) and any other information considered essential 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 proposal. If no change is proposed, special justification must be provided.

At the AGM for financial year 2012, Leif Andersson, Ulf Gundemark, Rune Glavare, Claes Mellgren and Per-Olof Andersson were elected as board members. Remuneration in the form of a director's fee was paid to the Board's external members at SEK 100,000 each.

Auditors

At the AGM for financial year 2010, a new auditor was chosen for a period of four years – Magnus Brändström, PwC. At the AGM on 24 April 2013, auditor Magnus Brändström participated and submitted the audit report.

Assignments of the Board

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

- set overall goals and strategy
- continually evaluate company management
- take responsibility for ensuring that procedures and systems are adapted to the company's operations and set future goals
- take responsibility for transparency in the external information
- ensure compliance with laws and regulations and that the company practices good ethics and
- convene general meetings

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

Board composition

According to the articles of association, the Board shall consist of minimum 3 and maximum 7 members and maximum 2 deputies. The members are elected annually by the AGM for the time up until the next AGM is held.

Maximum one executive officer of AQ Group may serve as a member of the Board. The majority of the members must be independent in relation to the company and company management.

The Board shall have the size and composition required in terms of skills and experience

for the company's operations and development and shall have the independence required for the Board to independently and effectively manage the company's affairs.

Board's work in 2013

During the year, there were four ordinary board meetings and a strategy conference. Prior to the board meetings, the members were provided written material regarding the issues to be discussed at the meeting. During the year, the Board has given particular attention to strategic and financial issues.

Formal work plan for the Board

The work of the Board is governed by laws and regulations as well as by the formal work plan adopted annually. The formal work plan covers the work of the Board and gives instructions for the MD and financial reporting.

The formal work plan stipulates, amongst other things:

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

Furthermore, the formal work plan describes how board minutes are to be prepared and distributed to the members and how the Board shall be informed in conjunction with press releases or the like. The formal work plan also contains guidelines for what decisions the Board can delegate to the MD 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 accounts and the management performed by the Board and the MD on behalf of the shareholders. The internal financial statements that are prepared on a monthly basis were also submitted to the auditors.

AQ Group has not established any special internal audit committee (read below). The entire Board participates in the internal control of the financial statements and is jointly responsible for other aspects of internal control. The Board's reporting instructions require that Board members receive from the auditors an annual report on how the company's organization is structured so that accounting, management of assets and the company's general financial conditions can be controlled in a satisfactory manner. The auditors have personally reported to the MD, Board chair and parts of the management team on at least one occasion.

The Board's report on internal control, to the extent it relates to the financial statements

This report is prepared with the guidance of the Confederation of Swedish Enterprise (Svenskt Näringsliv) and FAR's recommendation from 17 October 2005 plus the Swedish Corporate Governance Board's (Svensk Bolagsstyrning) press release from 5 September 2006.

In accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for the internal control. This report is not part of the formal annual accounts.

Control environment

The control environment is the foundation for 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 MD regarding financial reporting include internal control. In each subsidiary, there is an internal division of roles and responsibilities aimed at establishing effective internal control over financial reporting. AQ accounting departments in respective subsidiaries regularly inform company management of the financial development of their respective company. The Board is careful to ensure that all financial officers have strong integrity and conscious sense of ethics coupled with expertise in their area of responsibility.



Corporate governance report

AQ works continuously with the development of appropriate systems for administrative management. AQ has also drafted an operations handbook, which describes the organization, responsibilities, authorities, policies, financial management and more.

Risk assessment and control activities

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

This gives the Board an excellent tool for monitoring and controlling the current developments at AQ. Financial reporting from company management is a standing 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 which exist and which the CFO must handle are described in more detail in note 2.12.

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. In addition to the manuals, guidelines and other instructions which the company communicates via internal media, the company financial officers receive external financial information.

Monitoring

In addition to the internal monitoring and reporting, AQ's external auditors continually report observations to the MD and Board during the financial year. The aggregate information mentioned in this report gives the Board a good idea and a reliable basis for the declaration provided in accordance with point 3.6.2 in the Corporate Governance Code, related to financial reporting in the annual report.

Company management

The Board has delegated the operational responsibility for management of the company and the

Group to the company's MD. An instruction on the division of responsibilities between the Board and MD is approved annually by the Board. AQ's group management consists of the management team. In 2013, this team consisted of Claes Mellgren, MD, Cecilia Borg, Finance, Anna Nordanstig, Human Resources, Sture Berglund, Purchasing, Christer Hiljemark, Quality, Per Lindblad, IT and Business Development and Hans Frisholt, Production.

A proposal regarding remuneration to external members of the Board and executive officers is presented in the directors' report. Information is provided and decisions are made at the Annual General Meeting.

Remuneration for the MDs of the subsidiaries is decided in each subsidiary's board in accordance with principles adopted by the board of the parent company. AQ has no incentive programme in the form of options or other share-based programmes 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 past few years are also found there. Distribution of information in the company complies with the information policy adopted by the Board.

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Фокус
върху
клиента

Простота

Бизнес
за предприемачи

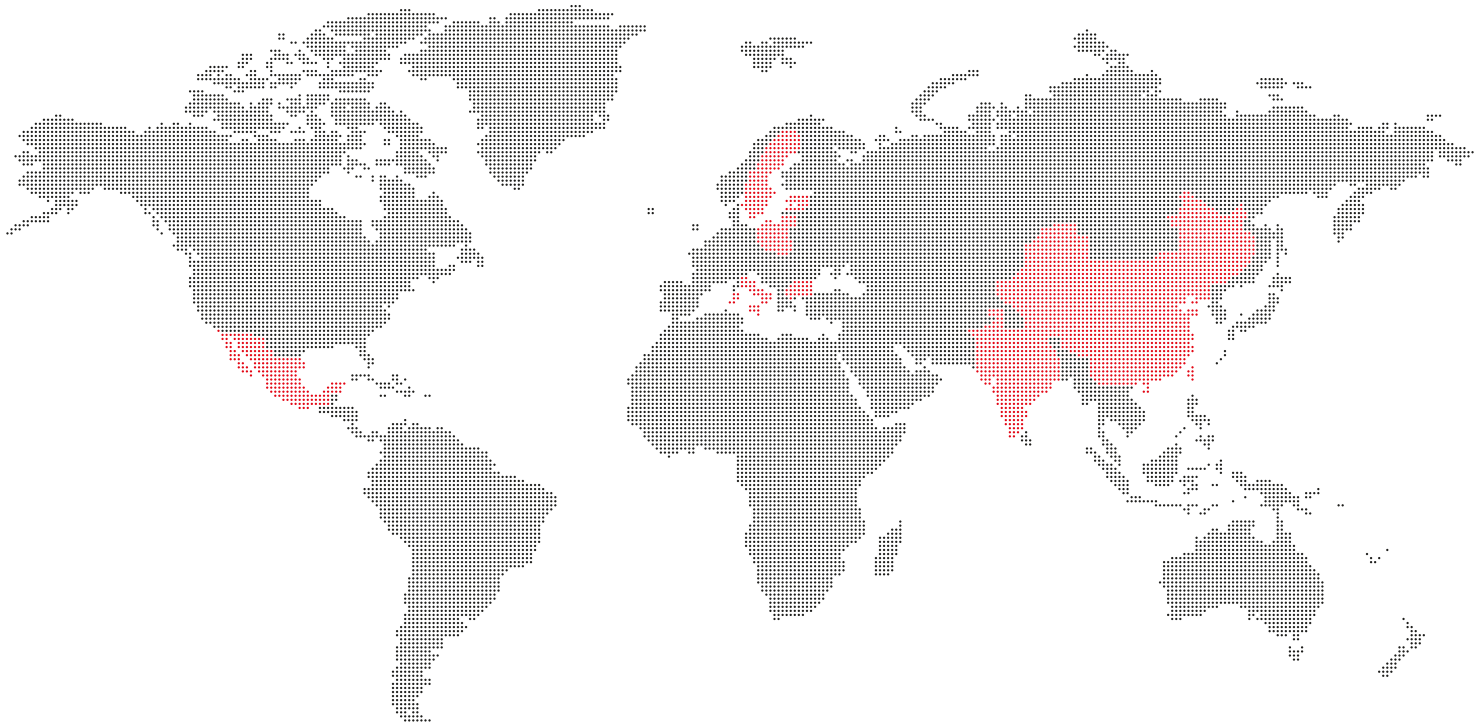
Ценова
ефективност

Смелост и
уважение

WE ARE RELIABLE

We are production experts,
have a long-term approach and
invest whole-heartedly to live
up to customer
expectations in terms of
quality, delivery precision,
technical development
and service.

1994-2014
years



- Countries in which AQ Group operates:
Bulgaria
Estonia
India
Italy
China
Lithuania
Mexico
Poland
Sweden

WE ARE RELIABLE

Customer
Focus

Simplicity

Entre-
preneurial
business

Cost
Efficiency

Courage
and
Respect