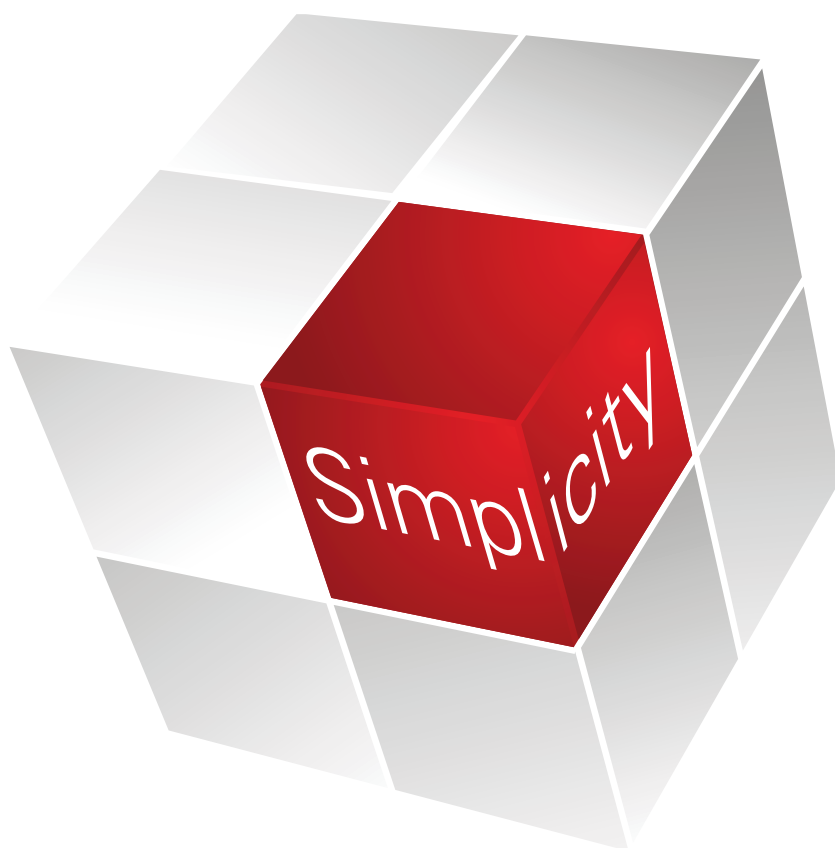


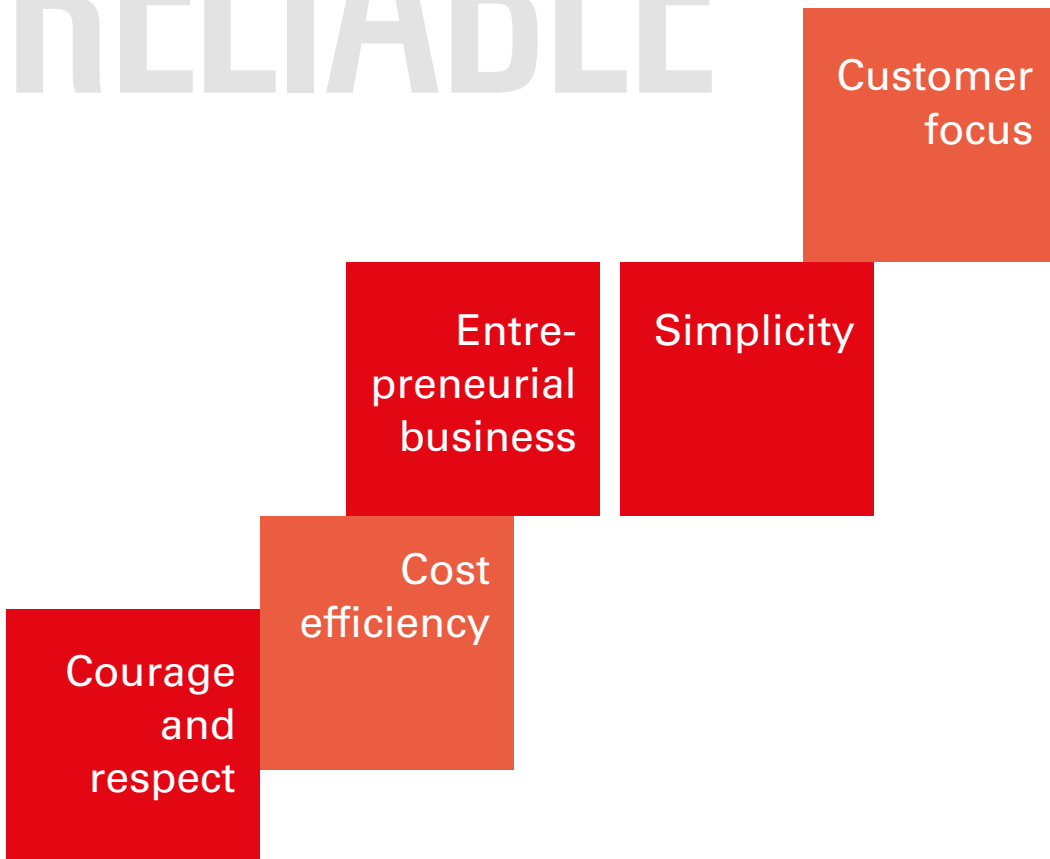


AQ Group AB

# Annual report **2016**



# WE ARE RELIABLE



Our business is **production**, we have a long term view and we fully commit ourselves to live up to customer expectations for quality, delivery performance, technological development and service.

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# AQ Group

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

## BUSINESS CONCEPT

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

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

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

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

Since its inception in 1994, AQ Group has reported steady, rapid growth with good profitability. The Group has approximately 5,200 employees in total, around 80% of them in growth countries outside Sweden. Annual turnover is SEK 3.3 billion. The company is listed on Nasdaq Stockholm's main market since January 16, 2017 and has the highest credit rating AAA Gold.

## SYSTEM

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- Electric cabinets
- System products

## COMPONENT

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- Injection moulding
- Inductive components
- Wiring systems
- Sheet metal processing
- Special Technologies and Engineering

## AQ's WORLD

AQ currently has operations in Sweden, Bulgaria, Serbia, Hungary, Estonia, Poland, Lithuania, Mexico, Italy, India, China and Thailand. The number of employees in the different countries are distributed as follows.

Average number of employees	2016			2015			2014		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Parent company, Sweden	10	9	19	10	8	18	7	8	15
Subsidiaries, Sweden	215	771	986	215	579	794	222	590	812
Bulgaria	543	438	981	519	447	966	518	385	903
Estonia	79	270	349	93	286	379	72	248	320
India	10	124	134	12	134	146	13	83	96
Italy	13	11	24	1	3	4	1	3	4
China	187	311	498	204	335	539	235	322	557
Lithuania	564	124	688	529	118	647	487	123	610
Mexico	95	32	127	68	26	94	78	23	101
Poland	520	353	873	257	251	508	239	243	482
Serbia	7	10	17	-	-	-	-	-	-
Thailand	10	10	20	4	8	12	-	-	-
Hungary	120	327	447	121	290	411	-	-	-
<b>Total</b>	<b>2,373</b>	<b>2,790</b>	<b>5,163</b>	<b>2,033</b>	<b>2,485</b>	<b>4,518</b>	<b>1,872</b>	<b>2,028</b>	<b>3,900</b>

## HISTORY IN BRIEF

**1994** AQ Group is founded via a merger of Aros Kvalitetsplast and the transformer division of ABB

**1996** Acquisition of a Bulgarian transformer factory in Godech, AQ Magnit AD

**1998** Acquisition of Ericsson's transformer operations in Söderhamn

**June 6, 2001** AQ's stock listed on Aktietorget

**2003** Acquisition of AQ Electric AD in Bulgaria

**2004** Acquisition of AQ Enclosure Systems and AQ Holmbergs, with operations in Sweden and China

**2006** Acquisition of AQ Lasertool with operations in Sweden and in Pärnu, Estonia

**2008** Acquisition of Chinese manufacturer of transformers

**2009** Acquisition of AQ Segerström & Svensson in Eskilstuna

**2010** Acquisition of TVAB, wiring harness manufacturing in Sweden and Poland

**2012** Acquisition of Durapart Industries AS with operations in Lithuania and Mexico

**2013** Acquisition of Arkivator in Falköping and IPP in Lyrestad. AQ decides to discontinue production in Bollnäs

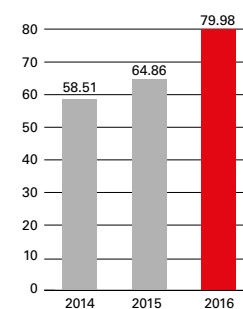
**2014** Acquisition of Carat in Bulgaria

**2015** Acquisition of Anton Kft in Hungary

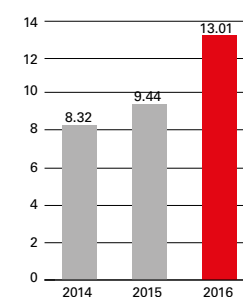
**2016** AQ Plast closes its production in Vadstena. Acquisition of Magnetica Srl. in Italy and Serbia, and the acquisition of Gerdins Industrial Systems AB and its subsidiaries.

**2017 16 Jan.** The share admitted to trading on Nasdaq Stockholm's main list, Mid Cap.

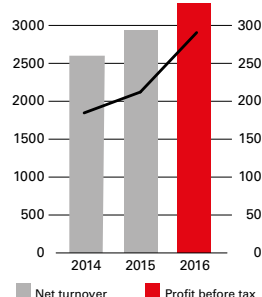
### Equity per share, SEK



### Profit after taxes per share, SEK



### Net turnover and profit before taxes, MSEK





” *With strong relationships with world-leading customers, as well as dedicated employees, I look positively to the future with continued growth and stable earnings.*

#### **MARKET**

The fourth quarter is our 89th consecutive quarter with a profit.

Since we started on October 1, 1994, we have increased turnover for 22 years. AQ has turned a profit for all of its 89 quarters! Moreover, in 2016, we once again had the highest revenue and profit in the history of the group!

Both sales and earnings are better than the corresponding quarter in 2015, but we are not losing focus.

The fourth quarter is a quarter with a substantially lower margin than the first and second quarter. As I previously communicated, in the first half of the year there were an unusually large number of projects with good operating margins. Two of our production facilities in Sweden have profitability problems and an action plan is in place, but it will take time to get them to reach satisfactory profitability. Including the acquisition of Gerdins Industrial Systems AB with its

# FULL SPEED AHEAD



subsidiaries the earnings in the quarter should have been better. Commodity prices, especially for steel, are increasing rapidly, so it is important that we can immediately adjust our customer prices when commodity prices increase.

Organic growth for the fourth quarter of 2016 was -4.6% compared to the fourth quarter, 2015. This was mainly due to lower sales to some of our customers in Sweden. Swedish industry is generally going well, but our customers in telecom and packaging machines had lower sales and reduced need for mechanical part due to technology development.

As always, our focus is to adapt to customer requirements and the actual demand. It is a strategy that we will continue with, to be agile and adaptable regardless of the surrounding world's events.

The Board has decided to leave the target for EBT margin before tax unchanged at 8%.

## ACQUISITIONS

Gerdins was acquired on October 3, 2016. It is our largest acquisition in terms of turnover to date. The subsidiaries of Gerdins have been incorporated into AQ's existing business areas. Two of Gerdins, operations have not delivered earnings in line with forecasts. An improvement plan is in motion to streamline administration and reduce overhead costs.

The acquisition brought a number of exciting new clients in areas such as defence and forestry/agricultural machinery in Sweden and Germany. In marketing, purchasing and IT there are ongoing action plans. We have already seen savings in purchasing using AQ's global purchasing organisation. Gerdins has an efficient sales organisation that will help us increase organic growth overall.

## ORGANISATION

AQ Plast AB's relocation of production to Anderstorp from Vadstena is complete. The cost of the move, however, has been higher than planned. There are still disturbances in the production in Anderstorp.

On January 16, AQ's shares began being traded on Nasdaq Stockholm Mid Cap. A film from the bell ringing is on our website [www.aqg.se](http://www.aqg.se).

Our organisation is built on entrepreneurship and it is a cornerstone of our core values.

## OUTLOOK

India is a market experiencing strong growth. AQ also sees a clear trend - that many of our customers want to use India as an alternative to China - even for deliveries to Europe. Our company in India grew strongly in 2016, also in 2017 we believe in growth. However, profitability is still unsatisfactory, but we saw a positive trend at the end of the year. Quality and delivery reliability has also improved.

Our company in Mexico is developing positively and has reversed the loss in 2015 to a profit for 2016. We believe in a good growth in 2017 and the company also contributes with a much better customer value than ever before.

AQ was awarded mechanical engineering supplier of the year in 2016 for Sony Mobile. Sony assembles an increased share of their mobile phones in Thailand instead of China. Our company in Thailand thus has good opportunities for growth and improved earnings during 2017.

My assessment is, despite negative organic growth in the fourth quarter, that we, within several areas, gain market shares and also enter new markets. One should also be aware that there is global competition with accompanying pricing pressure which AQ is acting in.

With strong relationships with world-leading customers, as well as dedicated employees, I look positively to the future with continued growth and stable results. An important part of this is our values and our commitment to be a "reliable" supplier to leading industrial customers.

AQ is well-positioned for new acquisitions, both financially and managerially.

I especially want to thank our customers for their cooperation as well as our employees for their good work during 2016.

*Claes Mellgren*

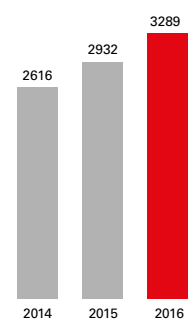
Chief Executive Officer

### The main points of the strategy for profitable organic growth are to:

- be "Reliable", entailing high quality and delivery
- use a modern and efficient production apparatus
- participate in customer development and engineering work
- decentralised organisation for strong driving forces within innovation and ambition

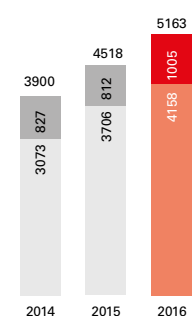
### Net turnover

Million SEK



### Average number of employees

■ In Sweden  
■ Outside of Sweden



# OUR VALUES

Our values form an important basis for our business and unites AQ's companies worldwide. Our building blocks - Customer focus, Simplicity, Entrepreneurial business, Courage and Respect and Cost efficiency - are based on a fundamental respect for our customers, employees and partners. We have a decentralised organisation to strengthen the driving forces within innovation and ambition.



## VALUES

The core values help to create a unique corporate culture. They have been around since the start in 1994 and continue to permeate throughout the company. The values are based on a fundamental respect for the individual and a belief in people's abilities to take initiative. There is an openness to new ideas and a desire for continuous improvement throughout the company. Simplicity, cost consciousness and courage and respect are other examples of values that contribute to the prestigeless culture. By sharing values, colleagues from all parts of the world can work together in a fast pace, rely on each other's knowledge and skills, develop together and create focus on customers in the best way.

In 2016, we have continued to implement our values in acquired units. It happens e.g. via the CEO and HR Manager together meeting management teams and going through everything from AQ's history to reviews of AQ's values. Our values are documented in twelve different languages. Our business is characterised by "We Are Reliable" no matter where or with whom at AQ that you come in contact with.

## EMPLOYEES

Commitment by employees is the key to AQ's success worldwide. The primary basis for AQ's success is all of our dedicated and talented employees with widely diverse backgrounds and nationalities. This combination of skills is a prerequisite for AQ's future development in a challenging market. Each employee makes a difference in the workplace to create the best offering and best experience for customers. Everyone can contribute with their own ideas and new perspectives.

We target customers who are world leaders in their respective niches. For them to be world leaders, they must work with world-leading suppliers. AQ shall be the world leader in cost efficiency, quality, delivery, alertness and service. This is the meaning of "We Are Reliable". AQ has no great patents or other protection, we live on the fact that we have the best teams. To earn the best teams we must be honest, open, interested, to have courage, give feedback and welcome opposition. The responsibility for this lies with everyone. Managers at AQ have an additional responsibility to lead by example and ensure good communication with employees.

” Together we will be the world's best supplier!



# WE ARE RELIABLE

Customer  
focus

Simplicity

Entre-  
preneurial  
business

Cost  
efficiency

Courage  
and  
respect

# GOALS AND STRATEGIES



Our Vision is to be a reliable growing partner for demanding industrial customers.

## VISION

To be a reliable growing partner for demanding industrial customers.

## BUSINESS CONCEPT

Our business concept is 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.

## OVERALL GOALS

AQ Group's Board has set targets for the Group. The objectives assure that the Group is being managed towards a good profit, high quality and delivery reliability, and strong growth with a sound level of financial risk.

- 🎯 We aim to be a world leader in terms of quality, delivery precision and customer service
- 🎯 Our goal is to be close to our customers geographically in order to offer products with the best total cost with low environmental impacts
- 🎯 We strive for profitable growth

## STRATEGY

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

- to be reliable, which means high quality and delivery reliability
- to use modern and efficient production
- to participate in customer development and engineering work
- decentralised organisation for strong driving forces within innovation and ambition
- to utilise economies of scale in purchasing and logistics
- adhere to our values in terms of ethics and moral in terms of sustainability
- to be close to our customers' production units around the world



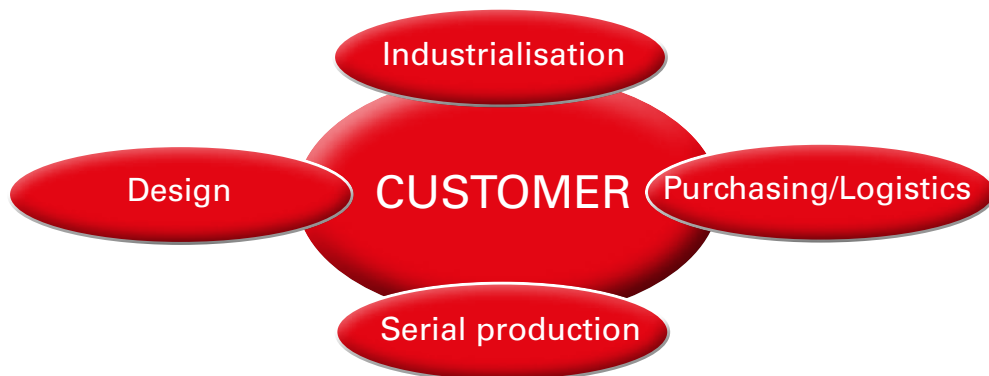
GOALS		DESCRIPTION	FULFILLMENT												
<b>PRODUCT QUALITY</b>															
Our products shall be delivered without generating any disruptions for our customers. Product quality shall be perfect in the customer's eyes.	<b>100%</b>	In order to assess product quality, we measure the number of disruptions that occur at the customer and compare it with the total number of deliveries. Over the last five years, our quality has remained at a steady level of around 99.6%.	<table border="1"> <caption>Product Quality Fulfillment (%)</caption> <thead> <tr> <th>Year</th> <th>Fulfillment (%)</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>98,8</td> </tr> <tr> <td>2013</td> <td>99,5</td> </tr> <tr> <td>2014</td> <td>99,5</td> </tr> <tr> <td>2015</td> <td>99,6</td> </tr> <tr> <td>2016</td> <td>99,6</td> </tr> </tbody> </table>	Year	Fulfillment (%)	2012	98,8	2013	99,5	2014	99,5	2015	99,6	2016	99,6
Year	Fulfillment (%)														
2012	98,8														
2013	99,5														
2014	99,5														
2015	99,6														
2016	99,6														
<b>DELIVERY PRECISION</b>															
To perform according to expectations is the key to success. Our ability to deliver on time is our main priority.	<b>98%</b>	To assess delivery performance, we measure the number of late deliveries made to a customer and compare it with the total number of deliveries. Our delivery performance has deteriorated slightly during 2016. To some extent this is related to the closure of operations in Vadstena. We are working hard to reach our goal of 98%.	<table border="1"> <caption>Delivery Precision Fulfillment (%)</caption> <thead> <tr> <th>Year</th> <th>Fulfillment (%)</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>92,0</td> </tr> <tr> <td>2013</td> <td>94,0</td> </tr> <tr> <td>2014</td> <td>96,0</td> </tr> <tr> <td>2015</td> <td>96,5</td> </tr> <tr> <td>2016</td> <td>94,0</td> </tr> </tbody> </table>	Year	Fulfillment (%)	2012	92,0	2013	94,0	2014	96,0	2015	96,5	2016	94,0
Year	Fulfillment (%)														
2012	92,0														
2013	94,0														
2014	96,0														
2015	96,5														
2016	94,0														
<b>FINANCIAL STANDING</b>															
First, we make money, then we invest. AQ shall not be dependent on lenders. Our goal is to always have an equity ratio exceeding 40%.	<b>&gt;40%</b>	AQ has a AAA gold certificate from Bisnode. This means that we have had AAA for more than fifteen years. Our equity ratio has been above the target in the last five years.	<table border="1"> <caption>Financial Standing Fulfillment (%)</caption> <thead> <tr> <th>Year</th> <th>Fulfillment (%)</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>54,0</td> </tr> <tr> <td>2013</td> <td>56,0</td> </tr> <tr> <td>2014</td> <td>63,0</td> </tr> <tr> <td>2015</td> <td>58,0</td> </tr> <tr> <td>2016</td> <td>60,0</td> </tr> </tbody> </table>	Year	Fulfillment (%)	2012	54,0	2013	56,0	2014	63,0	2015	58,0	2016	60,0
Year	Fulfillment (%)														
2012	54,0														
2013	56,0														
2014	63,0														
2015	58,0														
2016	60,0														
<b>PROFITABILITY</b>															
AQ's goal is to reach a profit before tax at 8% over a business cycle.	<b>+8%</b>	AQ has gradually improved its margin over the past five years. The assessment is that the goal of having a profit before tax of 8% over a business cycle is challenging due to constant pricing pressure and strong competition.	<table border="1"> <caption>Profitability Fulfillment (%)</caption> <thead> <tr> <th>Year</th> <th>Fulfillment (%)</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>5,5</td> </tr> <tr> <td>2013</td> <td>6,5</td> </tr> <tr> <td>2014</td> <td>7,0</td> </tr> <tr> <td>2015</td> <td>7,5</td> </tr> <tr> <td>2016</td> <td>8,5</td> </tr> </tbody> </table>	Year	Fulfillment (%)	2012	5,5	2013	6,5	2014	7,0	2015	7,5	2016	8,5
Year	Fulfillment (%)														
2012	5,5														
2013	6,5														
2014	7,0														
2015	7,5														
2016	8,5														





## BUSINESS MODEL

AQ's customers are often world leaders in what they do. Some of our largest customers are the driving force in the development of electric power transmissions, commercial and rail vehicles, construction machinery and telecommunications equipment. They depend on getting components and systems of good quality, delivered on time, from AQ. At the same time, they place high demands on us so that we produce our products in a sustainable way. AQ adds customer value in essentially four different areas.



Design	Industrialisation	Purchasing/Logistics	Serial production
AQ can, thanks to its long experience in manufacturing, help customers with the design of components and systems. This works best when AQ is involved early in the product development process.	In many cases AQ helps its clients to industrialise the prototype. It basically means that we set up an optimal production structure as close to customer markets as possible in one of our many factories.	Through our global presence in many countries, we often help our customers find an equivalent component alternative at lower prices internally within AQ, but also externally. This allows us to reduce the total cost for our customers.	AQ's many manufacturing units are focused on delivering the desired quality on time and as efficiently as possible. We often say that we sell reliability. As it is our understanding that this is what our customers value most.

# Electromobility

## AQ's business areas for electromobility

AQ has several business areas in which we are a leading component and system supplier in electromobility, i.e. electric vehicles.

- **Inductive components**
- **Wiring systems**
- **Electric cabinets**
- **Sheet metal processing**
- **Special Technologies and Engineering**

Within the community, there is a trend towards electrified transport and vehicles. Many of AQ's current customers are leaders in the transition from traditional engines to electric driven ones. AQ has long been a leader in the design and manufacture of inductive components for rail vehicles. In addition, since AQ was founded, we've worked closely with several of the companies that are world leaders in electricity and power. We see that we can now use this knowledge to create additional value for many of our customers who are active in the areas of automotive and commercial vehicles.

Going forward, we see that the increase in urbanisation and the shift towards more electric vehicles will affect AQ positively. In these areas, components and systems are required which are reliable. AQ is one of the suppliers who can deliver it.

## Reference projects

- Design of the pantograph to the world leader in electric buses
- Industrialisation of a charging wiring for electric cars
- Wiring system for the world's first heavy-duty hybrid truck
- Series delivery of roof modules for high-speed trains in Germany
- Design and delivery of prototype inductor to electric mining machine
- Series production of systems for electric and hybrid drive for leading truck manufacturers



# Global industrialisation

## Reference projects

- Industrialisation of mechanics in Sweden and China to a cloud-based data centre for a leading telecom customer
- Industrialisation in Estonia and India of aluminium enclosures for rail vehicles
- Industrialisation in Bulgaria of electrical cabinets to the system for ballast water treatment
- Industrialisation in Bulgaria of packaging machinery in the food industry
- Outsourcing of injection moulding from the customer within WSS to our factory in Bulgaria

## AQ's business areas for global industrialisation

All of AQ's business areas continuously industrialise products globally. The following describes the countries in which we operate for each area.

### Inductive components:

Bulgaria, China, India, Italy, Sweden, Serbia

### Wiring systems:

Poland, Lithuania, Sweden, India, China, Mexico

### Electric cabinets:

Bulgaria, Sweden, China, India, Poland

### Sheet metal processing:

Sweden, Bulgaria, China, Thailand, India

### Injection moulding:

Sweden, Hungary, Bulgaria, China

### System products:

Sweden, Bulgaria, China

**Special Technologies and Design:** Sweden, Hungary, China, Bulgaria

AQ follows its customers. Our customers are global suppliers of advanced technology products. They have an ongoing need to find reliable suppliers close to their own production.

We clearly see that the demand for local content is increasing on many of our customers' markets. Therefore, it is imperative that we actively listen to our customers' desire to be present locally.

In 2016, we continued to expand our company in India, Thailand, Mexico and Bulgaria. We have industrialised a large number of projects in these factories after requests from our customers.

For many years we have transferred existing products between our factories. It is important that our customers feel that we deliver in the same way in all our factories. Therefore, the implementation of our values is of paramount importance if we are to succeed globally.



# THE PURCHASING FUNCTION HELPS INCREASE AQ'S COMPETITIVENESS

The company's competitiveness depends on an effective supplier collaboration. The purchasing function is of strategic importance in a modern company like AQ Group.



*Claes Mellgren on customer visits, sitting in a truck containing AQ components.*

In purchasing, we are working to build mutually beneficial long-term relationships with our suppliers. We are working to develop and improve existing supplier bases and are constantly looking for new, more competitive suppliers.

Since we have a strong focus on ensuring top level quality and delivery for our customers, our suppliers must have high performance levels.

Together with our suppliers, we strive to act and cooperate with the customer to add value.

In order to live up to our customers' requirements, we ensure that our suppliers maintain and develop our basic requirements in terms of quality, reliability, service, ethics, sustainability, risk mitigation and cost-effectiveness. We place great emphasis on finding suppliers with the lowest total cost, and preferably with a global production to ensure a comprehensive and cost-effective supplier base.

In close cooperation with our suppliers, we develop our supplier base by conducting supplier assessments and continuously providing feedback on performance, such as delivery and quality outcomes. In cases where a supplier does not meet our requirements, we take action and replace them.

An escalation procedure for shortcomings in delivery or quality performance ensures that we act early in terms of suppliers that stand out in a negative way. To prevent quality defects, we require reports to find the root cause.

Ongoing work continues to utilise economies of scale and synergies within the Group in terms of purchased materials, components and services. Through our global footprint and close cooperation in purchasing, we create the conditions for a common ground in how we develop our supplier base and realise synergies.

During the year we integrated our acquisitions in the supply base and continued to be focused on category management of strategically important components and purchasing areas in order to strengthen and develop competitive advantages.

Upon integrating acquisitions, we see savings in several categories, where we realise advantages through the consolidation and utilisation of our global supply agreements.

Our categorisation of suppliers is based on the type of materials, components, products or services. Major and critical supplier categories are managed by a category manager.

Category managers coordinate, lead procurement and are responsible for developing and making suppliers globally competitive.

The second half of the year was characterised by increased commodity prices, which gives us challenges and requires additional focus on ensuring cooperation with competitive suppliers and focusing on cost efficiency to continue to meet our customers' needs.

# ACQUISITIONS, ACQUISITION PROCESS AND INTEGRATION

AQ's overall goal is to be a leading global contract manufacturer. An acquisition strategy is an important part of reaching the goal.



Acquisitions are an important part of AQ's strategy and are an important building block in our goal of profitable growth. Acquisitions strengthen our competitiveness and results in a broader range of products and services, new customers and new geographic markets. Acquisitions also give us opportunities for synergies in areas such as purchasing, IT and administration. We are committed and long-term industrial owners - our company shall be prosperous and developed in a positive way. Our goal is 100% ownership of the companies we acquire.

Potential acquisitions are evaluated based on their profile, financial history, growth and profitability potentials, as well as management. The companies shall be manufacturing companies in business-to-business sectors and ideally have interesting customers with strong brands. We look positively on companies with a matching corporate culture and who are entrepreneur-owned where the entrepreneurs continue being active in the companies.

Our shared values are a prerequisite for the successful integration of acquired companies. Group management holds, after an acquisition, briefings about AQ and our values with the management of acquired companies. Integration is also reinforced since staff in sales, purchasing, finance and IT rapidly become integrated into the internal networks of AQ. We see it as a way to create good relationships at various levels. Companies' parts in AQ's organisation with clear reporting lines are also a priority of integration.

## ACQUISITIONS IN 2016

On April 27, 2016, AQ Italy Srl. acquired. 100% of the shares in Magnetica S.r.l. with the subsidiary Magnetica Technology D.o.o. The companies design and manufacture electromagnetic components and power supplies. They have a turnover of about 2 MEUR and have operations in Italy and Serbia, with a total of about 35 employees. Magnetica has great

expertise in the design of power supplies and small inductive components, and they have interesting customers and are a great addition to AQ's business in inductive components.

On October 3, 2016, AQ Group AB acquired 100% of the shares in Gerdins Industrial Systems AB with subsidiaries Gerdins Components Västerås AB, Elektroprim AB, Plåxan AB, Gerdins Components AB, Gerdins Cable Systems AB, Gerdins Cable Systems Sp. z.o.o and Gerdins Nordkomponent AB. Gerdins Industrial Systems AB is a leading supplier of components and systems for demanding industrial customers. The company has a turnover of approximately 430 MSEK and has about 450 employees. Operations are conducted in Mjällom, Västerås and Sollefteå in Sweden and in Starogard/Gdanski in Poland. The Polish subsidiary Gerdins Cable Systems Sp. z.o.o owns a property of about 2,300 square metres of production area. The purpose of the deal was to expand AQ's customer base and broaden AQ's offering in metal processing and to strengthen wiring manufacturing. The acquisition resulted in a number of exciting new clients in areas such as military, forestry and agriculture industries in Sweden and Germany.

## FUTURE ACQUISITIONS

AQ will continue to grow through acquisitions. The challenge for AQ is to continue to make successful acquisitions, both in and outside of Sweden. The acquisitions will be focused on two main areas. Partly to support our commitment to adapt our existing customer requirements and demands by being agile and adaptable, and finding companies that fit the customer requirements for production processes and market location. The other main area is to acquire companies with interesting new customers and markets, consistent with AQ's focus.

AQ is well-positioned for new acquisitions, both financially and managerially.

AQ continues to digitalise its processes and, during the year, it has digitalised invoice processing for many of the Swedish companies. Furthermore during the year, we selected a partner for a cloud solution for the digital transfer of business documents between AQ's ERP and business systems of customers and suppliers.

During 2017, a number of projects shall implement the solution in our subsidiaries that will reduce costs and strengthen relationships with our business partners through the automation of processes.





# SUSTAINABLE ENTERPRISE

AQ Group is an active member of UN Global Compact. Thus, AQ Group and all its subsidiaries are committed to follow ten principles in terms of human rights, labour rights, the environment and to prevent corruption.



In 2016 and based on these principles, we have taken the following measures;

- We have begun to measure all of the Group's subsidiaries within sustainability by using a self-assessment tool. The group's average score was 2.4 of a maximum of 3. Our goal is that the group's average in 2017 will be over 2.5.
- We have invested in solar panels at our factory in Lund, Sweden. They generate about 1,000kWh per month. This has saved more than 10 tonnes of CO2 emissions since June 2016 when they were introduced
- In Bulgaria we have started a project called AQ Academy where we train welders and fitters
- We have partnered with several vehicle manufacturers in electromobility
- AQ supports the World Wildlife Foundation <https://www.worldwildlife.org/>
- Our deliveries of components for rail vehicles in Asia is increasing rapidly. This contributes effectively to reducing emissions from the transportation of people
- Our efforts to reduce the consumption of raw materials and resources is work that is ongoing in all our subsidiaries
- We are continuously holding trainings regarding our values in all of our subsidiaries
- We use web and video conferencing for international meetings so that travelling is not needed, which means savings in cost and time, and a reduced environmental impact
- During the listing process to Nasdaq Stockholm's main market, all of our processes were reviewed and we have taken action where shortcomings were found.

During 2017, this work will continue, and we feel a strong commitment to these issues. To get more information about our sustainability efforts, you can read our sustainability report published on the UN Global Compact website in May each year.

<https://www.unglobalcompact.org/>

AQ supports Hand-In-Hand <http://www.handinhandinternational.org/>



Solar panels at AQ Magnit, Bulgaria.

# SEGMENTS



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

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

In our world, quality and efficiency go hand in hand.

Sales, Product Development and production take place in:

- Sweden
- Bulgaria
- China
- India



## Electric cabinets

AQ is a complete partner for customers who need electrical systems. Our equipment is used in a variety of applications that have been delivered worldwide.

Some examples are electric cabinets for demanding food processing, control and power equipment for ship cranes, control equipment for automated handling of goods in ports, monitoring and control systems for large motors and generators.

Through a common and long-term cooperation with our customers, we have developed products that are adapted to today's requirements for security and information technology. All units are certified to ISO 9000, and we can also deliver quality assured equipment according to UL standards.

We have an approach that is very customer focused and flexible. We are organised into customer teams, an organisational form that has streamlined decision-making and takes full responsibility for the customer. This allows us to undertake assignments that place high demands on flexibility and supply reliability with short lead times.

### Our offerings include:

- Developing prototypes
- Serial deliveries
- Project deliveries
- Design in a modern CAD environment
- Turnkey undertaking, from design to installation
- Project management to reduce the manufacturing cost of products and systems

Sales, Product Development and production take place in:

- Sweden
- Bulgaria
- China
- Estonia



## System products

AQ offers a range of equipment and machines, an example of this is the ticket machines for parking and travel tickets as well as packaging machines.

The products, which are often technologically advanced, are developed and fine-tuned in close cooperation with customers to achieve cost-efficient and technically optimised solutions.

We work to create and maintain long-term relationships where we are the customers' manufacturing partner that creates added value in terms of cost, quality, development, delivery and logistics.

### Our offerings include:

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



Sales, Product Development and production take place in:

- Sweden
- Hungary
- Bulgaria
- China

## Injection moulding

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

We have modern machinery with more than 120 injection moulding machines with a clamping force of 25-1500 tonnes.

The series size can vary from a few to a million parts per year. We process most engineering plastics such as PC, PA, PBT, PC/ABS, PP, ABS, TPE, TPU, POM, and also high performance plastics that can withstand temperatures above 200 degrees Celsius, for example PES, PEI and PEEK.

We also have the ability to mould parts with up to four different plastic materials in a single component. Our customer base consists of large industrial customers in various industries such as automotive, medical and engineering industries.

Choosing AQ as a partner means choosing to work with enthusiastic and cooperative colleagues at every stage of the project - from idea to finished product.



Sales, Product Development and production take place in:

- Sweden
- Bulgaria
- India
- Italy
- China
- Serbia

## Inductive components

Inductive components from AQ are found in some of the most demanding applications, such as in high-speed trains, in relay protection, aviation equipment and equipment for process automation. Our products are largely developed in cooperation with the customer. This possibility is used by more and more businesses because it provides the opportunity to realise economically and technically optimal solutions.

### **In our offering, there is a wide range of transformers and inductors:**

- Transformers and inductors for PCB assembly
- Single-phase and three-phase transformers, EI sections, cut cores, C sections, UI sections
- Single-phase and three-phase inductors, EI sections, cut cores, C sections, UI sections, AC design with overtones and various curve forms and DC design for smoothing
- Transformers and inductors for traction
- Transformers with integrated inductors
- Toroid transformers
- HF inductors  $\leq 25$  kHz
- HF transformers  $\leq 15$  kHz
- Air inductors
- Chokes
- Coils
- System voltage up to 22 kV
- Output 1VA to 3MVA
- Cooling by natural convection or forced cooling with air or water



Sales, Product Development and production take place in:

- India
- China
- Lithuania
- Mexico
- Poland

## Wiring systems and electromechanical modules

Is a global business area that provides wiring systems and electromechanical modules for demanding customers around the world.

We have extensive experience and knowledge when it comes to working with clients in the automotive, railway and general engineering industries. This has taught us to consistently strive to improve our processes and products, and has seen us assume a leading position in the market.

Our global presence, together with our expertise and experience in producing all kinds of wiring systems and electromechanical modules makes AQ an ideal partner for customers with qualified demands.



Sales, Product Development and production take place in:

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

## Sheet Metal Processing

AQ provides contract manufacturing of sheet metal components and complex sheet metal designs in the automotive, railway, telecommunication and electromechanical industries.

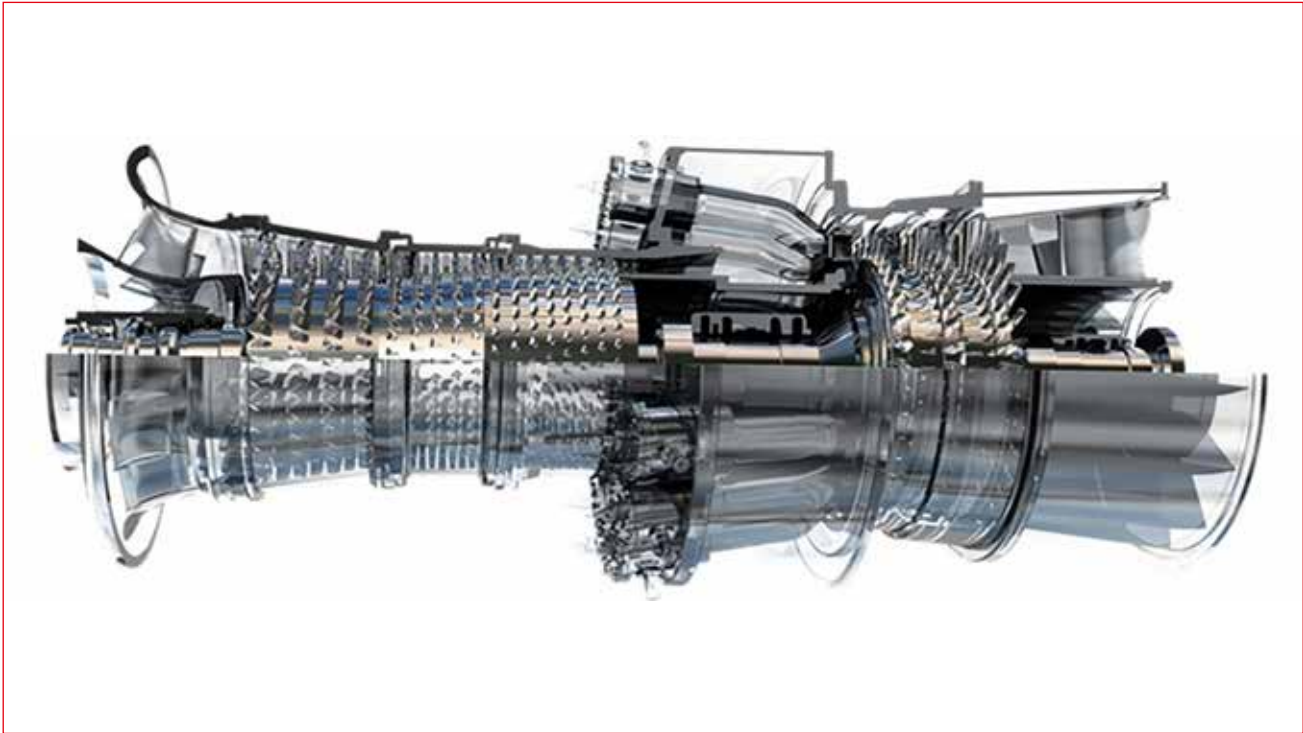
With high-tech equipment, knowledge, experience and creativity, we are an obvious choice in the industry.

### Materials

Thickness levels from 0.2 mm to 20 mm in grades standard materials, high strength materials, aluminium and stainless steel.

### Processes

- Sheet metal in high volumes (precision punching)
- Laser and edge bending
- Hydraulic and eccentric pressing from 10 to 1000 t
- Pipe bending
- Manual and robotic welding (TIG, MAG and CMT)
- Surface treatment Zinc phosphatising/ED + Powder and Oxsilan + Powder
- Assembly



Part of gas turbine

## Special Technologies and Engineering

The business area Special Technologies and Engineering consists of AQ's operations involving a high level of technology and which supplies advanced technology products and services to demanding industrial customers.

### Special Technologies

AQ Anton is a leading supplier in machine processing of components for large industrial gas turbines for leading industrial customers. They use sophisticated equipment to process high-temperature materials such as nickel-cobalt alloys.

AQ M-Tech in Uppsala, Sweden develops and manufactures components and systems for medical applications and for industry. They have developed and patented their own products which are sold to medical applications worldwide.

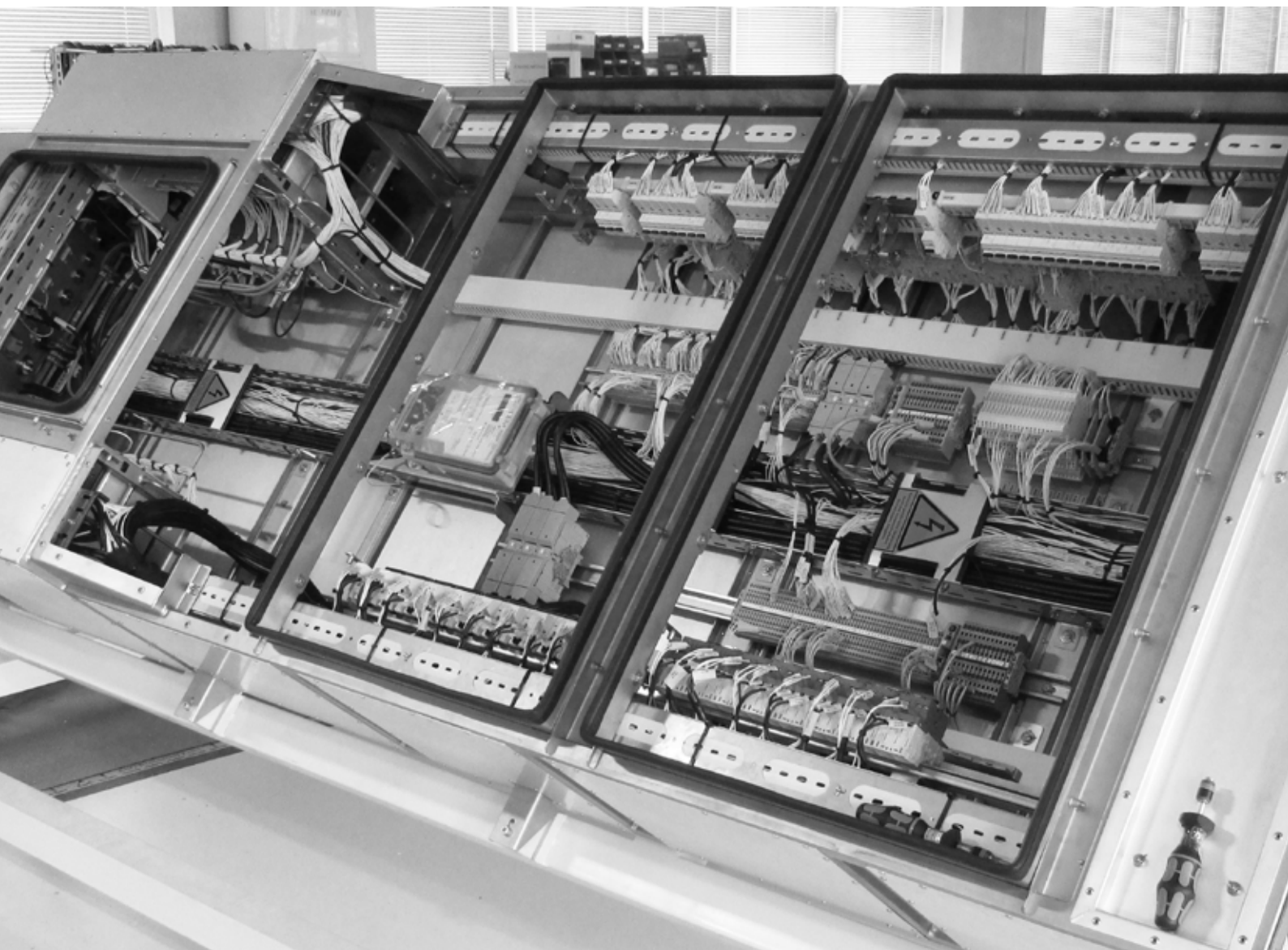
### Engineering

AQ Engineering develops complete systems for the automotive industry and provides engineers with expertise in cost estimations, quality and mechanical design of both sheet metal and plastic components for the automotive and other industries. Their engineers can develop manufacturing processes and

products in close cooperation with the customer.

The Design office at AQ Enclosure Systems in Stockholm has its roots in Ericsson's mechanical engineering department which developed the AXE switch. Engineers and project managers have extensive experience from Ericsson, but now have a broader perspective and they have received assignments from many other companies. They are experienced in the mechanical design, from simple sheet metal to plastic components for complex encapsulations and systems and are active in areas such as telecommunications and process automation.

AQ Italy and AQ Trafo are focused on the development and design of inductive components, both in terms of electrical and mechanical design. Their engineers have extensive experience in developing solutions together with customers to meet customer requirements. The design work occurs in SolidWorks where a 3D model of the product is created based on customer specifications. Verification of the design, both mechanically, electrically and thermally, is via FEM calculations.



Electric control equipment for trains

# SHARES, SHARE CAPITAL AND OWNERSHIP

The designated company name is AQ Group AB (publ) and the share's short name is AQ Group. The company's Swedish corporate identity number is 556281-8830.



The company began operations on October 1, 1994 in Västerås, where it also currently based. In 2016, AQ's share was listed on AktieTorget and was first listed there on 6 June 2001. On January 16, 2017, AQ Group changed listing and was admitted to trading on Nasdaq Stockholm's main list, Mid Cap.

The shares entitle, at the shareholders' meeting, one vote each and the shares are freely transferable. Each share carry equal rights to dividends. AQ is connected to Euroclear's book-entry securities system, which is why no physical share certificates are issued.

## SHARE INFORMATION AND SHAREHOLDER STRUCTURE

Share name: AQ Group / short name: AQ / ISIN-code: SE0000772956

Allocation value: 2 SEK per share / Commercial list in 2016: Aktietorget  
The share capital on December 31, 2016 amounted to 36,588,116 SEK distributed over 18,294,058 shares. There is only one class of shares and entitle shareholders to one vote. AQ Group holds no treasury shares.

## CONVERTIBLE BONDS AND OPTION PROGRAMME

AQ Group has no convertible bonds or option programmes.

## OWNERSHIP STRUCTURE

As per December 31, 2016, the number of shareholders in AQ Group amounted to 2,756.

See table below:

Number of shares	Number of shareholders	Percentage of equity (%)	Number of shareholders	Market value (TSEK)
1-500	299,765	1.64	2,017	57,555
501-1000	238,085	1.30	290	45,712
1001-5000	723,331	3.95	325	138,880
5001-10000	317,575	1.74	42	60,974
10001-15000	350,799	1.92	27	67,353
15001-20000	146,757	0.80	8	28,177
20001-	16,217,746	88.65	47	3,113,807
<b>Total</b>	<b>18,294,058</b>	<b>100.00</b>	<b>2,756</b>	<b>3,512,459</b>

## Share price development and turnover

On the first trading day of the year, January 4, 2016, the closing price was 135 SEK and December 30, 2016, the share price was 192 SEK. A rise of 42 %. The price was highest on November 30 at 207 SEK.

The market capitalisation on December 31 was 3,512,459 TSEK. The average number of shares traded per day was 6,720 and the average turnover per day was 1,120,430 SEK. An average of 55 trades were made per day.

The share price can be monitored daily on the company's website at: [aqg.se/en/investor/aq-shares](http://aqg.se/en/investor/aq-shares)

## Dividends

Earnings per share after taxes and after dilution amounted to 13.01 SEK (9.44). AQ Group's dividend policy is to distribute approximately 25 % of the average earnings over a business cycle. The company's financial consolidation needs must always be considered.

## Investor relations

AQ Group's information to shareholders and the market in general is provided via the annual report, year-end report, quarterly reports, press releases and on the company's website [www.aqg.se](http://www.aqg.se).





**The 10 largest shareholders as per 2016-12-30**

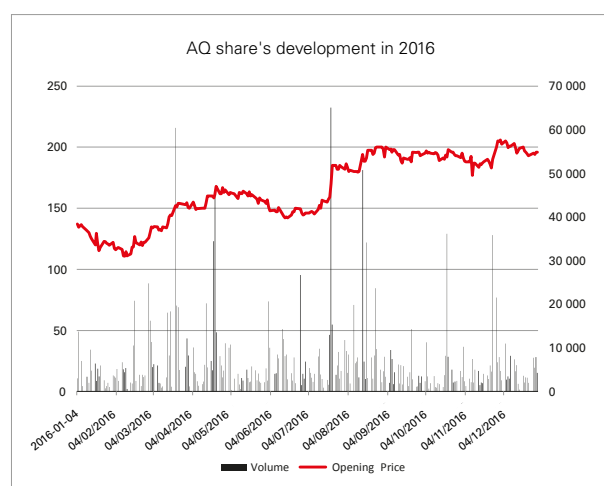
Source: Euroclear

Owner	Number of shares	Number of shares (%)	Market value (TSEK)
Claes Mellgren	5,309,950	29.03	1,019,510
Per Olof Andersson	5,234,650	28.61	1,005,053
Nordea Småbolagsfond	880,201	4.81	168,999
Fidelity Puritan Trust	853,055	4.66	163,787
Fidelity Low Price Fund	781,100	4.27	149,971
AMF Aktiefond Småbolag	439,400	2.40	84,365
AVANZA Pension	303,248	1.66	58,224
Grenspecialisten AB	281,022	1.54	53,956
Didner&Gerge Småbolag	231,451	1.27	44,439
Gerdins Industriutveckling	193,112	1.06	37,078
<b>Total of the 10 largest</b>	<b>14,507,189</b>	<b>79.30</b>	<b>2,785,380</b>
<b>Total Other</b>	<b>3,786,869</b>	<b>20.70</b>	<b>727,079</b>
<b>TOTAL SUM</b>	<b>18,294,058</b>	<b>100.00</b>	<b>3,512,459</b>

**The share capital and its development, AQ Group AB**

Year	Event	Shares	Sum Shares	Amended share capital	Total share capital
1994	AQ starts operations Fund and share issue	4,500	5,000	450,000	500,000
1998	Bonus issue	20,000	25,000	2,000,000	2,500,000
1999	Non-cash issue	290	25,290	29,000	2,529,000
2000	Non-cash issue	360	25,650	36,000	2,565,000
2000	Non-cash issue	460	26,110	46,000	2,611,000
2000	Bonus issue	26,110	52,220	2,611,000	5,222,000
2000	Split 10:1	469,980	522,200	-	5,222,000
2001	New issue	50,000	572,200	500,000	5,722,000
2002	Non-cash issue	6,000	578,200	60,000	5,782,000
2002	Split 5:1	2,313,800	2,891,000	-	5,782,000
2004	Bonus issue	2,891,000	5,782,000	5,782,000	11,564,000
2006	Non-cash issue	57,000	5,839,000	114,000	11,678,000
2006	Bonus	11,678,000	17,517,000	23,356,000	35,034,000
2007	Non-cash issue	332,058	17,849,058	664,116	35,698,116
2010	Non-cash issue	110,000	17,959,058	220,000	35,918,116
2012	Non-cash issue	35,000	17,994,058	70,000	35,988,116
2013	Non-cash issue	40,000	18,034,058	80,000	36,068,116
2016	Non-cash issue	260,000	18,294,058	520,000	36,588,116
		<b>*Sum Shares: 18,294,058</b>		<b>*Sum Share capital: 36,588,116</b>	

Source: Euroclear



# NASDAQ STOCKHOLM

January 16, 2017 was AQ share's first day of trading on Nasdaq. Employees and specially invited guests were present when the bell was rung.





# CORPORATE GOVERNANCE

AQ Group is a Swedish public company listed on Nasdaq Stockholm's main market since January, 2017.

Corporate governance in AQ Group AB (publ) means to ensure that the company is managed on behalf of its shareholders as efficiently as possible, through a combination of written rules and practices. AQ Group follows the "Swedish Code of Corporate Governance" that applies to Swedish companies whose shares are traded on a regulated market (Nasdaq Stockholm's main market).

The code's principle is to comply or explain. AQ Group deviates from the Code in terms of the Nomination Committee. The company's CEO is part of the Nomination Committee despite the fact that the CEO, according to the Code, shall not be a member of the Nomination Committee. The discrepancy is due to the Company's view that since the CEO is the largest shareholder - with a stake of almost 30% of the shares in the Company - that this warrants that the CEO is to be included in the Nomination Committee.

### The shareholders

AQ Group had at year-end 2,756 (2,044) shareholders. Information on share performance, ownership, dividends and more can be found under shares, share capital and ownership.

### Legislation and articles of association

AQ Group primarily applies the Swedish Companies Act and the rules that apply due to the share being listed. AQ's articles of association contain no restrictions on how many votes a shareholder may cast at the Annual General Meeting regarding the appointment of Board members and amending the Articles of Association.

### Annual General Meeting

Notice of an annual general meeting is issued no earlier than six and no later than four weeks before the meeting. The notice

contains information about registration and the right to participate in and vote at the meeting, as well as numbered agenda with the matters to be considered. Registration for the meeting is made in writing to the Company's address, or via e-mail. Proposals for the meeting should be addressed to the Board, with the address of its registered office, and submitted in good time before the notice is issued. The notice and agenda are also published on the website. Shareholders or representatives may vote for the full number of owned or represented shares.

### Annual General Meeting

The AGM shall be held within four months of the fiscal year's end. At the AGM, among other things decisions are made regarding the approval of the balance sheet and income statement, discharge from liability for the Board and CEO and the appropriation of retained earnings.

AQ Group's Annual General Meeting on April 21, 2016 was attended by 82 shareholders and representatives amounting to 66.6% of the total number of shares and votes in the Company. At the AGM, the CEO, Group Management Team and members of the Board were present. During the meeting, shareholders were given the opportunity to ask questions which were

also answered during the meeting. In addition to the above-mentioned decisions, the AGM decided on remuneration to the Board, 120,000 SEK to each of the members and 300,000 SEK to the Chairman. The Meeting resolved to amend the Articles of Association and to approve the Board's proposal for remuneration to senior executives. The meeting authorised the Board to, until the Annual General Meeting for fiscal year 2016, on one or several occasions, with or without preferential rights for shareholders, to decide on a share issue of a maximum of 2,000,000 shares via allocation.

AQ Group has not had an extraordinary general meeting for the fiscal year in 2016.

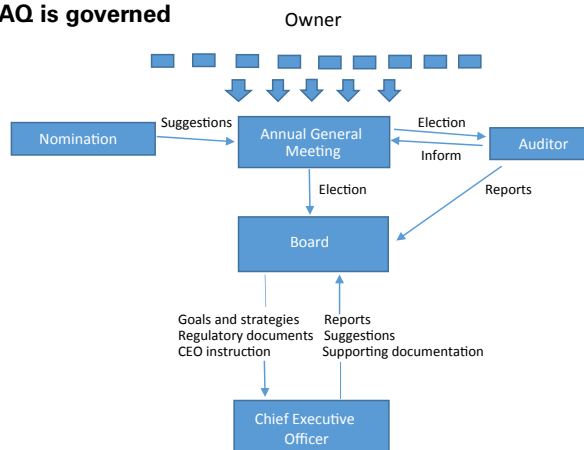
### APPOINTMENT OF OFFICERS

#### Nomination Committee

The Nomination Committee represents the shareholders and, at the Annual General Meeting on April 21, 2016, it was decided that the Nomination Committee shall consist of one member appointed by each of the three largest shareholders. These three must be members of the Nomination Committee for the AGM in 2016.

If any of the three largest shareholders waive their right to appoint a member to the

How AQ is governed



nomination committee, the next shareholder in size shall be given the opportunity to appoint a member. In the event of a significant change in the ownership structure after the Nomination Committee's constitution, the composition of the nomination committee must also be changed accordingly.

The nomination committee's task is to, before the AGM, submit proposals with respect to the number of board members which are to be elected by the Annual General Meeting, the Board's fees, the Board's composition, the Chairman, the Chairman of the Annual General Meeting and the selection of auditors and auditor fees. The nomination committee's term of office extends until a new committee is appointed. No fees shall be paid to the committee members.

The nomination committee consists of three members, of which two are not connected to the Company's Board of Directors. Furthermore, at least one must be independent of the Company.

At the AGM on April 21, 2016, via mandate, Björn Henriksson was elected from Nordea Fonder, P-O Andersson via own mandate and the Company's CEO Claes Mellgren via own mandate to the Nomination Committee until the Annual General Meeting for 2016. As indicated above, the Company thereby deviates from the Code. The explanation is that the Company believes, since the CEO is the largest shareholder - with a stake of almost 30 % of the shares in the Company - that this warrants that the CEO is to be included in the Nomination Committee.

## Board

The Nomination Committee shall submit proposals for the election of Chairman and other Board members and the fees distributed to the Chairman and the other members.

As a basis for its proposals, the Nomination Committee;

- assess the degree to which the current Board meets future requirements with regard to the Company's development and takes part in the evaluation of the Board's activities during the year
- establishes requirement profiles for new Members, and
- systematically searches for new members and considers in particular the need for versatility and breadth of the Board and strives for a good gender balance.

Upon publication of the nomination committee's proposals, information shall be stated as to age, other significant assignments, own share holdings and those of close relations, independent executives/ shareholders in managing roles, number of years on the Board (upon re-election), and other items which are considered essential for assessing skills and independence.

At the AGM, the Nomination Committee shall submit a report on how the work was done, and present and explain proposals. If no renewal is proposed, a special justification shall be provided.

Leif Andersson, after 12 years, left the Board of AQ. Claes Mellgren left the Board in order to entirely devote himself to working as CEO.

At the AGM, Ulf Gundemark was elected (member since 1998), Gunilla Spongh was elected (member since 2014), Patrik Nolåker was elected (member since 2015) and Hidayet Tercan was newly elected to the Board. P-O Andersson (elected to the board in 1994) was elected Chairman of the Board.

## Tasks for the Board

The Board shall, for its owners:

- set overall goals and strategies
- continuously evaluate the company's management
- take responsibility so that procedures and systems are designed for the Company's operations
- take responsibility for transparency in external information
- ensure that laws and regulations are complied with and
- that the Company upholds good conduct.

The Board's overall task is to manage the Company's affairs in such a way that the interests of the shareholders for good and long-term capital returns are realised in the best possible way.

## Board composition

The Board shall, according to the articles of association, consist of at least three and no more than seven members. The members are selected annually for the period until the next AGM. The majority of the members shall be independent of the Company and its management. The Board shall have the size and composition which is required in terms of skills and experience for the Company's operations and development, as well as the independence required so that the Board can independently and effectively manage the Company's affairs.

## Board's work

In 2016, six scheduled meetings were held, one statutory meeting, four teleconferences and four per capsulam meetings. Before Board meetings, Board members were provided with written information on the issues to be discussed at the meeting. The Board has, in 2016, devoted particular attention to the process surrounding the listing of the Company's shares on Nasdaq Stockholm.

Board's attendance in 2016 is as follows:

P-O Andersson	15 of (15) possible
Ulf Gundemark	14 of (15) possible
Gunilla Spongh	13 of (15) possible
Patrik Nolåker	14 of (15) possible
Hidayet Tercan	12 of (13) possible

## Board committees

In 2016, the Board has established a Remuneration Committee and an Audit Committee.

## Remuneration Committee

The Remuneration Committee is composed of Patrik Nolåker (Chairman) and P-O Andersson.

The Remuneration Committee prepares the Board's proposed guidelines for remuneration and other employment terms for senior executives. The proposal is dealt with by the Board and submitted to the AGM for approval. The Remuneration Committee is also responsible for considering and preparing the remuneration for company management that the Board then takes decisions on. The Remuneration Committee also establishes the proposals for the CEO's employment terms. The CEO consults with the Remuneration Committee regarding employment terms for other members of senior management. The Remuneration Committee shall also monitor and evaluate current remuneration structures and remuneration levels in the company and ensure that the Company's auditor, no later than three weeks before the Annual General Meeting, gives its written statement to the Board on whether the guidelines for remuneration to senior management has been followed since the last AGM. The Remuneration Committee has, in 2016, held two meetings where minutes were taken.

## Audit Committee

The Audit Committee comprises of Ulf Gundemark (Chairman), P-O Andersson and Gunilla Spongh.

The Audit Committee has a monitoring role of the Company's financial reporting. The Audit Committee monitors the effectiveness of the Company's internal controls, internal audit and risk management with respect to financial reporting. The Audit Committee's duties include keeping regular contact with the Company's auditors to ensure that the Company's internal and external accounting satisfies requirements made on market-listed companies and to discuss the scope and focus of auditing work, evaluate the completed audit activities and notify the Company's Board of Directors regarding the results of the audit and the results of the evaluation. The Audit Committee also assists the Nomination Committee in establishing proposals for auditors and fees for audit work. The Audit Committee, in 2016, held three meetings where minutes were taken.

## The Board's Rules of Procedure

In addition to laws and regulations, the Board's work is governed by the annual set work plan. The work plan contains guidelines for the work of the Board, instructions for the CEO and financial reporting.

The rules of procedure include:

- that the Board shall meet at least five times per year and, upon urgent matters, meetings may take place via telephone or video conferencing,
- that certain matters shall be dealt with at each Board meeting and that specific decisions should be made at the inaugural meeting,
- that the Board members receive documentation regarding matters to be discussed at the meetings in good time before the meetings.
- that the Board, each month, receives a report regarding the Company's operations and development,
- that the auditors shall be invited to, upon at least one Board meeting, report on the audit work without any representative from Company management participating.

The rules of procedure further describe how the minutes shall be prepared and distributed to members and how the Board will be informed upon, for example, press releases. The rules of procedure also include guidelines for the decisions the Board may delegate to the CEO and senior management.

## ACCOUNTING, AUDITING AND INTERNAL CONTROL

### General

External auditors are appointed by the AGM. The auditors' task is to, on behalf of shareholders, review the Company's annual report and accounting and the management of the Board of Director's and the CEO. The internal financial statements prepared on a monthly basis have also been submitted to the auditors.

The entire Board is involved in the internal control of the financial statements and is jointly responsible for other internal controls. The Company regularly informs how the Board's issued guidelines have been implemented in the business and how the internal control is designed. The auditors provide ongoing feedback and suggestions for improvements to the Company regarding the same.

### Internal control

The Board is responsible for the work with corporate governance and internal controls. The overall aim is to protect the company's assets and shareholders' investments. The Board is responsible for ensuring that financial statements are prepared in accordance with applicable law. Quality assurance of AQ's financial reporting is done by the Board dealing with accounting issues and the financial reports which the Company submits.

AQ Group's Board has therefore striven to provide effective and regular financial reporting. The Board's reporting instructions to the CEO regarding financial reporting include internal controls. In each subsidiary, there is an internal division of roles and responsibilities aimed at realising good internal controls of financial reporting. AQ's accounting departments of each subsidiary informs regularly management of the economic development of their respective companies. The Board is committed to realising that all financial managers have strong integrity, embrace good ethics and have high expertise within respective areas of responsibility. AQ continuously works with the development of appropriate systems for administrative management. AQ has also developed an operations manual that describes the organisation, responsibilities, powers, policies, financial controls and more.

### Risk assessment and control activities

On an monthly bases, AQ establishes the

appropriate reports with analyses and comments, which are reported for both group and individual subsidiaries. This gives the Board an excellent tool to monitor and control the ongoing developments in AQ. Financial reports from management is a recurring item taken up at all Board meetings.

AQ's risk management is governed by a policy established by the management team, with the CFO responsible for compliance and reporting within the Group.

### Information and communication

AQ's financial reporting complies with the laws and regulations applicable in Sweden and the local rules in each country where it operates. Besides external rules and recommendations, there are internal instructions and directions.

AQ Group's information to shareholders and other stakeholders through the Annual Report and interim reports are provided on the Company's website ([www.aqg.se](http://www.aqg.se)). There are also press releases and presentation materials relating to recent years. Information released by the Company follows the Board's established information and insider policy.

### Follow-up

In addition to internal monitoring and reporting, AQ's external auditors report during the year to the CEO and Board. This gathered information mentioned in this report gives the board a good idea and a reliable basis regarding financial reporting in the annual report.

### Company management

The Board has delegated operational responsibility for the Company and the Group to the CEO. An instruction concerning the division of duties between the Board and the CEO are decided annually by the Board. AQ's senior management consists of the management team which, during 2016, consisted of Claes Mellgren - CEO, Mia Tomczak - Finance, Anna Nordanstig - HR, Åsa Lostorp - Purchasing, James Ahrgren - Marketing and Sales, Per Lindblad - IT and Business Development, and Glen Nilsson - Investor Relations.

Remuneration for MDs of subsidiaries is decided by each subsidiary's Board in accordance with the principles established by the Board of the Parent company. AQ has no incentives in the form of options or

other share programmes for senior executives or other persons within or outside the Company.

### REMUNERATION TO THE BOARD

During 2016, 120,000 SEK in Board remuneration was paid to Board members Gunilla Spongh, Hidayet Tercan, Ulf Gundemark and Patrik Nolåker. The Chairman, PO Andersson, was paid 300,000 SEK (0) in directors' fees and remuneration for work amounted in salary to 435,000 SEK, and pension costs amounted to 132,000 SEK (144,000). In addition to the above, no special remuneration or benefits were received by the Board. No benefits are payable to Board members after serving on the Board.

### REMUNERATION TO THE CEO AND SENIOR EXECUTIVES

In 2016, the salary for the CEO amounted to 788,000 SEK (837,000). The CEO is entitled to a monthly pension provision corresponding to 20% of the salary. Pension costs in 2016 amounted to 144,000 SEK

(168,000). Guidelines for remuneration to senior executives is decided by the AGM. The decision means that AQ Group shall maintain remuneration levels and other employment conditions needed to ensure the company's access to executives with the competence and capacities to achieve set goals. The starting point for salary and other remuneration to senior executives of AQ Group AB is that they shall be at market level. The CEO's period of notice is six months to the Group, and the Group's period of notice is 12 months to the CEO. Salary, including bonuses and company car benefits to other senior executives, excluding the CEO, amounted to 5,932,000 SEK in 2016 (6,202,000). AQ pays pension contributions according to a defined premium plan, which corresponds to 20-31% of payroll. Pension costs in 2016 amounted to 1,218,000 SEK in 2016 (891,000). Senior executives typically have six months notice, regardless of whether the employee or the Company terminates the contract. No compensation will be paid after termination.

### AUDITORS

The company's auditor is continuously informed about the Company's operations and include regular meetings with company management, Board material and minutes of meetings. The auditor provides ongoing feedback and recommendations to the Board and management based on observations made during the audit.

Since the 2014 AGM, the auditing company is KPMG AB auditors with authorised accountant Helena Arvidsson Älgne as Chief Auditor. Helena was born in 1962 and is a member of FAR, and has been an authorised accountant since 1997.

KPMG's address:

KPMG AB, Box 16106, 103 23 Stockholm, Sweden.

### COMPENSATION TO AUDITORS

According to decisions at the Annual General Meeting, AQ's auditors receive compensation in accordance with the auditing assignment

Västerås, Sweden 04 April 2017

AQ Group AB (publ)  
Board of Directors



## Auditor's report on the corporate governance statement

To the general meeting of the shareholders in AQ Group AB (publ), corporate identity number 556281-8830

### Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2016 on pages 28-31 and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard *RevU 16 The auditor's examination of the corporate governance statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

### Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm den 5 April 2017

KPMG AB

Helena Arvidsson Älgne

Auktoriserad revisor

# BOARD



**P-O ANDERSSON (1955)**  
*Chairman of the Board*

**Elected** 1994.  
Chairman since 2009. Depending to the Company and its management, since during the last three years he has been employed by the Company. Dependent in relation to major shareholders in the Company.

**Education and experience**  
Tool expert, Founder of AQ

**Ongoing assignments**  
Board member in AQ's subsidiaries.

**Holdings in AQ** 5,234,650 AQ shares



**ULF GUNDEMARK (1951)**  
*Board member*

**Elected** 1998, independent\*.

**Education and experience**  
MSc. Has international experience and has worked as a manager for Electros candia/ Hagemeyer Nordics, IBM Utilities and various positions within ABB. Has been Chairman of Lindab International, Bridge to China and is a board member of Lönne International.

**Ongoing assignments:**  
Chairman of Nordic Waterproofing Group AB and Nordic Waterproofing Group 1 AB, board member of Nordic Waterproofing AS, Papyrus Holding AB, Ripasso Energy AB, Gumaco AB, Constructor Group AS, Solar AS (Nasdaq Copenhagen), Scandi Standard AB and Lantmännen ek. association.

**Holdings in AQ** 1,010 AQ shares



**GUNILLA SPONGH (1966)**  
*Board member*

**Elected** 2014 independent\*.

**Education and experience**  
Master of Industrial Economics. Former CFO of CashGuard, CFO Enea, CFO Mekonomen and senior positions within Fresenius Kabi and Electrolux.

**Ongoing assignments**  
Is currently CFO of Preem. Other board assignments in B&B Tools (publ), Sunpine AB, Gunilla Spongh Förvaltning AB and Infranord.

**Holdings in AQ** 0 AQ shares



**PATRIK NOLÅKER (1963)**  
*Board member*

**Elected** 2015 independent\*.

**Education and experience** Master of Business Administration. Patrick has extensive international experience. Has been CEO for Dywidag-Systems International, CEO for Alimak Hek Group, President of Atlas Copco Underground Rock Excavation Division, President of Atlas Copco Geotechnical Drilling and Exploration Division and various senior positions at ABB in Sweden and abroad.

**Ongoing assignments**  
Board member of Systemair AB, Outotec Oy, Dywidag-Systems International S.a.r.l and Patrik Nolaker Consulting AB.

**Holdings in AQ** 4,000 AQ shares



**HIDAYET TERCAN (1971)**  
*Board member*

**Elected** 2016 independent\*.

**Education and experience**  
Hidayet is trained in Business Finance at IFL/ Stockholm School of Economics. Has been a board member of Entrepreneur Of The Year, the Swedish government's IT delegation. Founder of healthcare recruitment company Zemrete AB.

**Ongoing assignments**  
Board member of SOS Barnbyar, Byggmästare Anders J Ahlström Fastighets AB, HTS Holding AB, Fasticon Kompetens Holding AB, Byggmästare Anders J Ahlström Holding AB and Hidayet Tercan AB. CEO and board member of Tjikko AB.

**Holdings in AQ** 0 AQ shares

\* Independent in relation to both the Company and the Company's management as well as to the Company's major shareholders.

Information regarding own and related parties' shareholdings refers to the situation as per December 31, 2016.



# GROUP MANAGEMENT

From Jan 1, 2017 onwards



CLAES MELLGREN (1959)  
*CEO*

MSc in Engineering.  
Founder of AQ, employed since 1994  
and CEO since October 2010.  
Holdings in AQ: 5,309,950 shares



MIATOMCZAK (1968)  
*CFO*

Msc in Economics and Master of Business  
Administration.  
Employed since 2015.  
Holdings in AQ: 1,274 shares



PER LINDBLAD (1959)  
*Business development and IT*

MSc in Engineering.  
Employed since 2008.  
Holdings in AQ: 2,000 shares



ÅSA LOSTORP (1964)  
*Purchases*

MSc in Engineering and MBA  
Employed since 2014.  
Holdings in AQ: 1,252 shares



JAMES AHRGREN (1979)  
*Marketing and sales*

MSc in Engineering education.  
Employed since 2011.  
Holdings in AQ: 13,650 shares



GLEN NILSSON (1952)  
*Investor relations*

MSc in Economics.  
Employed since 2016.  
Holdings in AQ: 0 shares

*Information regarding own and related parties' shareholdings  
refers to the situation as per December 31, 2016.*

# EVENTS DURING THE YEAR

2016

## GENERAL ABOUT OPERATIONS

The Board of Directors and CEO for AQ Group AB (publ.), Swedish corporate identity number 556281-8830, hereby submit the annual report for the fiscal year in 2016.

The Group operates in two segments; **Component** which produces transformers, wiring systems, mechanical parts, sheet metal processing and plastic injection moulding, and **System** which produces systems, automation and power solutions, as well as complete machines in close cooperation with customers.

The net turnover of the group amounted to 3,289 MSEK (2,932) which is 357 MSEK higher than the previous year. Most of the increase can be explained by the acquisition made last year, Anton Kft. in Hungary and the acquisition of Gerdins Group at the end of this year. Sales in Poland, Mexico and India have also increased compared to last year.

For the full year, the total growth is 12.2%, with organic growth at 1.7%, growth from acquisitions is 11.2% and a currency effect of -0.7%. The currency effect of -0.7% corresponds to about -20 MSEK and mainly refers to the currencies CNY, PLN and MXN which is offset by a positive currency effect in EUR.

Operating profit (EBIT) amounted to 281 MSEK (202), an increase of 79 MSEK. The increase is mainly explained by the acquisition of Anton Kft. in Hungary and that AQ Enclosure Systems AB and AQ Wiring Systems in Mexico has reversed last year's losses to profits. The Swedish companies have reported slightly better results than last year, however, there are a few Swedish companies that operate at a loss.

In connection with the liquidation of our Norwegian subsidiary, AQ Wiring Systems AS, accumulated conversion differences which has negatively affected

earnings. These amount to 6.7 MSEK and are included in other operating expenses.

Goodwill and other intangible assets increased by 60 MSEK compared with the beginning of the year. The increase is due to the acquisitions of the companies Gerdins and Magnetica in Italy and Serbia, as well as currency conversion effects.

The Group's investments in tangible assets for the year amounted to 119 MSEK (79). Investments during the year were made in machining equipment in Hungary and injection moulding machines in Sweden and Bulgaria.

The Group's interest bearing debt amounts to 272 MSEK (281 at year-start) and cash and cash equivalents amounts to 163 MSEK (136 at year-start), which means that the group has a net debt of 109 MSEK (145 at year-start). This means that the Group's interest-bearing liabilities decreased by SEK 9 MSEK and cash and cash equivalents increased by 27 MSEK since the beginning of the year. Net debt has thereby decreased by 36 MSEK compared with the end of 2015.

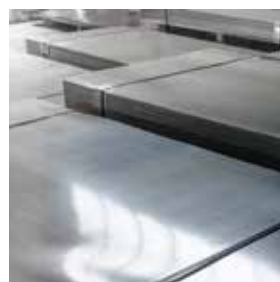
Cash flow from operating activities amounted to SEK 290 MSEK (166). The increase is explained by AQ's good results.

At the end of the period, equity amounted to 1,463 MSEK (1,170) in the Group.

Results development for each segment, see note 6.

## FIRST QUARTER

AQ Group AB (publ) submitted, on March 15, 2016, a preliminary application for admission of its shares to trading on Nasdaq Stockholm's main market. The company's shares were traded on AktieTorget since 2001. Glen Nilsson was, in connection with the planned listing change, employed as Head of Investor Relations.



AQ Plast AB decided to decommission production in Vadstena. The reason for the change was to improve the competitiveness of AQ Plast AB by coordinating production at fewer locations. The production moved successively during the year from Vadstena to Anderstorp and Västerås. In connection with the change, all 32 employees in Vadstena received notice of termination. Operations in Vadstena ended in 2016.

Our operations in Mexico continued to develop positively. In our operations in India, deliveries started of complex aluminium enclosures to a train manufacturer. The enclosures are welded in our new FSW (Friction Stir Welding) facility.

We received permission for our investment in an ED (Electro Discharge) painting facility in AQ Electric in Radomir. AQ will therefore have the first ED plant in Bulgaria. It is an investment of over 1 MEUR. ED is a surface treatment method used in the automotive industry.

#### SECOND QUARTER

AQ Italy S.r.l. acquired the company Magnetica S.r.l. and its subsidiaries Magnetica Technology D.O.O. The companies design and manufacture electromagnetic components and power supplies, and has operations in Italy and Serbia. Our operations in Mexico continued to develop positively and reported positive results.

#### THIRD QUARTER

On 21 September, AQ signed an agreement with Gerdins Holding AB to acquire a 100% stake in Gerdins Industrial Systems AB and its subsidiaries.

AQ Plast AB's relocation of production to Anderstorp from Vadstena was completed.

#### FOURTH QUARTER

AQ Group AB acquired, on October 3, 2016, 100% of the shares in Gerdins Industrial Systems AB and its subsidiaries.

#### SIGNIFICANT EVENTS AFTER THE PERIOD'S END

On January 5, 2017, Nasdaq's listing committee approved AQ Group AB (publ) for admission to trading on Nasdaq Stockholm's main market. The last day of trading on AktieTorget was January 13, 2017. The first day of trading on Nasdaq was January 16, 2017.

The IPO was not associated with any new issue, sale or other offer to the market.

#### OUTLOOK

The Group's goal is continued profitable growth. The goal for profitability is a profit margin before tax (EBT) of 8%. The Board makes no forecast of future revenues and earnings. Statements made in this report may be viewed as forecasts and actual results may be significantly different. In addition to the factors commented on, the actual outcome can be affected by factors like political events, general business conditions, foreign exchange rates and interest rates, competing products and pricing of them, product development, commercialisation and technological difficulties, problems with deliveries as well as large credit losses of customers.



**MULTI-YEAR OVERVIEW**

Below the development is shown over the past four years. Key estimates and definitions, see pages 79, 80 and 81.

**GROUP**

	2016	2015	2014	2013
Net revenue, SEK Thousands	3,289,215	2,931,878	2,616,097	2,527,372
Operating profit, SEK Thousands	281,353	201,985	182,586	159,795
Profit after net financial items, SEK thousands	279,344	211,736	186,652	156,492
Operating margin	8,6%	6,9%	7,0%	6,3%
Liquid ratio	142%	149%	145%	122%
Equity ratio	60%	58%	63%	56%
Return on total assets	13,1%	12,0%	11,8%	10,7%
Return on equity after tax	17,9%	15,3%	15,5%	14,8%
Number of employees in Sweden	1 005	812	827	853
Number of employees outside of Sweden	4 158	3 706	3 073	2 632

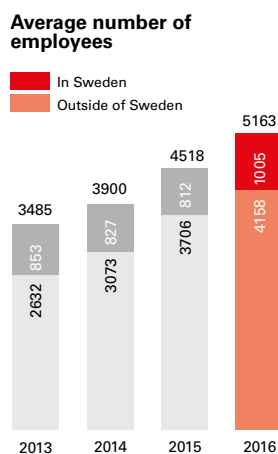
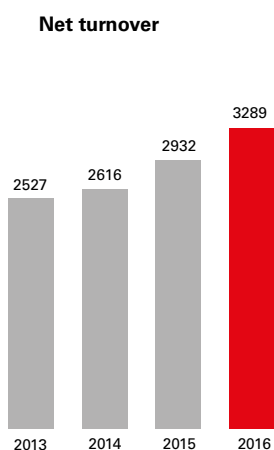
**Key figures per share, SEK <sup>1)</sup>**

Profit for the year	13,01	9,44	8,32	6,83
Dividend <sup>2)</sup>	2,75	2,25	2,00	1,60
Equity	79,98	64,86	58,51	49,10
Number of shares, thousands <sup>3)</sup>	18 294	18 034	18 034	18 034

1) There are no instruments that could cause dilution.

2) Proposals presented for each year to the AGM

3) In connection with the acquisition of Gerdins Industrial Systems AB, October 3, 2016, was issued 260,000 shares of the same kind.



AQ Group AB (publ) is the parent company in one group, herein called AQ, whose business concept is:

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

AQ is one of Sweden's leading suppliers of components and systems for demanding industrial customers. The company is listed on Nasdaq Stockholm.

## THE PARENT COMPANY

AQ Group AB (publ) is the parent company in one group, herein called AQ, whose business concept is:

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

### The parent company

	2016	2015	2014	2013
Net turnover, SEK thousands	55,696	50,213	51,236	40,080
Operating profit, SEK thousands	19,716	13,596	24,982	19,092
Profit after net financial items, SEK thousands	118,074	20,096	33,055	26,858
Liquid ratio	50 %	42%	87%	104%
Equity ratio	41 %	36%	60%	52%

The parent company, AQ Group AB, is primarily focused on the management and development of the Group. Parent company's sales are, as in previous years, almost exclusively via sales of management services to subsidiaries. Purchases from subsidiaries do not occur to any significant extent.

Net turnover for the full year amounted to 55.7 MSEK (50.2), due to higher invoicing of a "management fee" compared with the same period last year. In other external expenses 21.2 MSEK (16.7), the costs are included which relate to the completed list change from AktieTorget to NASDAQ Stockholm's main market that took place on January 16, 2017. Personnel costs amounted to 17.7 MSEK (18.4) and is roughly at the same level.

Financial net for 2016 was 98.4 MSEK (6.5), of which 94.4 MSEK is tax free dividend from subsidiaries and 2.8 MSEK is a liquidation gain of the Norwegian subsidiary, AQ Wiring Systems AS. The Parent company received a refund of the purchase price of 2 MSEK for an earlier acquisition.

Appropriations consist of group contributions from subsidiaries and provisions to a tax allocation reserve.

The increase in financial fixed assets relate to the acquisition of Gerdins.

Other provisions of 7 MSEK consists of the estimated additional purchase price due to the acquisition of Gerdins.

The reduction of interest-bearing non-current liabilities is due to an annual amortisation of 30 MSEK. Interest-bearing current

liabilities have increased partly because the Parent company has used the overdraft facility to finance the acquisition of Gerdins. The Parent company has also used the tax-free dividend to reduce the use of the overdraft facility.

Other current liabilities decreased by 1.6 MSEK compared to the same period last year.

The Parent company's risks and uncertainties are essentially the same as for the Group's other companies. See note 3 in the annual report. Regarding the company's financial risk management, cash flows etc., refer to the included financial statements and note 3 in the annual report.

## GROUP

### Environmental impact

The Parent company does not have any operations that require permits or reporting according to environmental laws. Within the Group, there are companies that conduct notifiable operations and companies that conduct permit operations. The notifiable operations are linked to the Environmental laws' guidelines regarding plastic manufacturing and machine processing, as well as emissions of non-chlorinated solvents via evaporation into the air. Such permit operations concern less emissions into waste water and the air e.g. in connection with powder coating.

### Sustainability

AQ Group is an active member of UN Glob-

al Compact. Thus, AQ Group and all its subsidiaries are committed to follow ten principles in terms of human rights, labour rights, the environment and to prevent corruption. In 2016, based on these principles, we have taken measures, see the "sustainable enterprise" section.

### Research and Development

AQ does not conduct its own research.

### investment Policy

In addition to the acquisitions from last year, investments correspond to a normal need for the current production rate. In 2017, AQ intends to continue to invest in its existing business areas.

### Personnel policy

The health and well-being of our employees has always been an important part in decision-making at all levels within the Group. Each company has its own approach to encourage employees with measures that benefit health. In addition, ongoing training occurs based on the companies' needs.

### Dividend Policy

The Board proposes that the dividend should correspond to approximately 25% of the average profit after tax over a business cycle. The company's financial consolidation needs must always be considered.

### Work of The Board and the CEO etc.

The Board has, in the past year, consisted of five members, all elected at the AGM in 2016. The Board, during the year, had fifteen meetings where minutes were taken. The Board and the CEO work based on an established work plan. Regarding remuneration for 2016 to the Board and CEO, refer to note 9.

The Board's proposed guidelines for remuneration to senior executives of AQ in 2017, according to Swedish Companies Act Chapter 8, § 51, are as follows: The board's remuneration is proposed: Chairman of the Board 400 000 SEK (300 000) and 160 000 SEK (120 000) for each of the Board members. Audit Committee Chairman 70 000 SEK (0) and the Audit Committee members 40 000 SEK (0). Remuneration Committee Chairman 50 000 SEK (0), and each Remuneration Committee member 30 000 SEK (0). AQ Group AB has no incentive programme. Variable remuneration to AQ

Group AB's management group consists of a variable cash salary (bonus). The AGM 2016 adopted the following principles for variable cash compensation: In addition to a fixed salary, variable remuneration, when applicable, shall be offered and linked to predetermined and clearly set measurable target criteria with the aim of promoting the company's long-term value creation. The remuneration may be paid in cash or additional premium payments to pension insurance. The total amount of variable remuneration shall not exceed the fixed salary paid to the executive concerned. The Board may deviate from the guidelines in individual cases should special reasons exist.

### Information regarding risks and uncertainties

Regarding the company's financial risk management, cash flows etc., refer to the included financial statements and note 3 in the annual report.

### Ownership structure

All shares are held with equal voting rights, without restrictions other than those required by the Swedish Companies Act. There are no contracts, laws or clauses of the Articles of Association that restrict the transfer of shares.

The previous Annual General Meeting authorised the Board to, until the Annual General Meeting for fiscal year 2016, decide on a new issue of a total of 2 000 000 new shares via allocation. In connection with the acquisition of Gerdins Industrial Systems AB and its subsidiaries, the Board used its authorisation and issued 260 000 shares.

There are no provisions in the Articles of Association or otherwise in agreements which govern the appointment and dismissal of Board directors or severance payment to them. There are also no limitations via agreements or Articles of Association regarding the amendment of the Articles of Association.

### The 10 largest shareholders as per 2016-12-30

Owner	Number of shares	Number of shares (%)	Market value (TSEK)
Claes Mellgren	5,309,950	29.03	1,019,510
Per Olof Andersson	5,234,650	28.61	1,005,053
Nordea Småbolagsfond	880,201	4.81	168,999
Fidelity Puritan Trust	853,055	4.66	163,787
Fidelity Low Price Fund	781,100	4.27	149,971
AMF Aktiefond Småbolag	439,400	2.40	84,365
AVANZA Pension	303,248	1.66	58,224
Grenspecialisten AB	281,022	1.54	53,956
Didner&Gerge Småbolag	231,451	1.27	44,439
Gerdins Industriutveckling	193,112	1.06	37,078
<b>Total of the 10 largest</b>	<b>14,507,189</b>	<b>79.30</b>	<b>2,785,380</b>
<b>Total Other</b>	<b>3,786,869</b>	<b>20.70</b>	<b>727,079</b>
<b>TOTAL SUM</b>	<b>18,294,058</b>	<b>100.00</b>	<b>3,512,459</b>

## PROPOSED APPROPRIATION OF PROFIT SEK

The Board proposes that the retained earnings, 357 931 069 SEK, is distributed as follows;

Available		Appropriation	
Share premium reserve	84,194,103	Distributed to shareholders, 2:75 SEK per share	50,308 660
Retained earnings incl. profit for the year	273,736,966	Carried forward <sup>1)</sup>	307,622,409
<b>Total free equity</b>	<b>357,931,069</b>	<b>Total</b>	<b>357,931,069</b>

*1) of which returns to Share premium reserve 84 194 103*

## BOARD'S STATEMENT

The Board's proposal for profit appropriation as well as the proposed framework for the distribution of profit and motivating statement is in accordance with chapter 18 § 4 of the Swedish Companies Act (2005: 551).

Provided that the Annual General Meeting for fiscal year 2016 decides in accordance with the Board's proposal for appropriation of profits, 307 622 409 SEK will be carried forward. Full coverage exists for the company's restricted equity after the proposed distribution of profit. The Board has considered the Company's consolidation needs through a comprehensive assessment of the financial position and its ability to eventually meet its commitments. The proposed dividend does

not jeopardise the company's ability to make investments deemed as being necessary. The company's financial position does not give rise to any other conclusion than that the company can continue its operations and that the company is expected to meet its obligations in the short and long term. The Board has taken into account all known circumstances that may affect the company's financial position and which have not been taken into account in assessing the company's consolidation requirements and liquidity. Regarding of the above, the Board's assessment is therefore that the proposed dividend is justifiable in reference to the requirements placed by the nature, scope, and risks of the business on the size of the company's equity, as well as the company's and

Group's consolidation requirements, liquidity, and position in general. Regarding the company's results and financial position, refer to income statements, balance sheets, cash flow statements and comments and notes.

The Board proposes that the following conditions shall apply to the profit distribution:

- 2.75 SEK per share shall be distributed, and
- 2017-05-02 is the date of reconciliation.

The Board proposes that

**2.75** SEK  
per share  
shall be  
distributed

## Consolidated income statement

TSEK	Note	01/01/2016 31/12/2016	01/01/2015 31/12/2015
<b>OPERATING INCOME</b>			
Net sales	6	3,289,215	2,931,878
Other operating income	7	47,650	34,005
		<b>3,336,866</b>	<b>2,965,883</b>
<b>OPERATING EXPENSES</b>			
Change in inventory of work in progress and finished products		-2,420	41,934
Raw material and consumables		-1,575,262	-1,513,009
Goods for resale		-43,247	-41,003
Other external expenses	8	-439,285	-389,620
Personnel costs	9	-873,114	-762,041
Depreciation and amortisation	15, 17, 18, 19	-79,944	-60,980
Other operating expenses	8	-42,241	-39,177
		<b>-3,055,513</b>	<b>-2,763,897</b>
<b>Operating profit</b>		<b>281,353</b>	<b>201,985</b>
<b>PROFIT FROM FINANCIAL ITEMS</b>			
Financial income	11	12 058	20,316
Financial expenses	12	-14 067	-10,565
<b>Net financial income/expense</b>		<b>-2,008</b>	<b>9,751</b>
<b>Profit before tax</b>		<b>279,344</b>	<b>211,736</b>
Taxes	14	-43,666	-41,283
<b>Profit for the year</b>		<b>235,678</b>	<b>170,453</b>
<b>PROFIT FOR THE YEAR ATTRIBUTABLES TO:</b>			
Parent company shareholders		235,265	170,283
Non-controlling interests		413	170
		<b>235,678</b>	<b>170,453</b>
<b>SHARE-RELATED REPORTING, SEK</b>			
Earnings per share <sup>1)</sup>		13,01	9,44

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



SEK thousands	01/01/2016 31/12/2016	01/01/2015 31/12/2015
<b>PROFIT FOR THE YEAR</b>	235,678	170,453
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that cannot be transferred to the profit for the year</b>		
Actuarial gains/losses related to defined benefit pension plans	-303	-219
<b>Items transferred or that can be transferred to the profit for the year</b>		
Translation difference transferred to the profit	6,737	
Translation differences, foreign operations	41,304	-20,317
<b>Other comprehensive income for the year after tax</b>	<b>47,739</b>	<b>-20,535</b>
<b>Comprehensive income for the year</b>	<b>283,417</b>	<b>149,918</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		
<b>ATTRIBUTABLE TO:</b>		
Parent company shareholders	282,902	149,763
Non-controlling interests	515	155
	<b>283,417</b>	<b>149,918</b>

## Consolidated balance sheet

SEK thousands	Note	31/12/2016	31/12/2015
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<i>Intangible assets</i>			
Goodwill	16	148,393	117,561
Customer relations	15	62,924	36,095
Technologies	15	12,191	12,171
Other intangible non-current assets	15	9,066	7,093
		<b>232,574</b>	<b>172,921</b>
<i>Tangible assets</i>			
Land and buildings	17	157,109	140,022
Plant and machinery	18	259,959	203,712
Equipment, tools, fixtures and fittings	19	48,195	39,609
Construction in progress	20	30,651	19,406
		<b>495,915</b>	<b>402,749</b>
<i>Financial assets</i>			
Non-current receivables	3, 22	2,147	2,053
Deferred tax assets	14	9,448	7,197
<b>TOTAL NON-CURRENT ASSETS</b>		<b>740,084</b>	<b>584,920</b>
<b>CURRENT ASSETS</b>			
<i>Inventories</i>			
Raw materials and consumables		382,597	307,616
Work in progress		85,504	79,953
Finished goods and goods for resale		113,231	97,682
		<b>581,332</b>	<b>485,252</b>
<i>Current receivables</i>			
Trade and other receivables	3	805,186	670,438
Current tax assets		30,047	26,187
Other receivables	23	25,423	36,994
Prepaid expenses and accrued income	24	104,709	84,695
		<b>965,365</b>	<b>818,314</b>
Short-term investments		204	195
Cash and cash equivalents	32	162,812	135,602
<b>Cash and cash equivalents</b>		<b>163,016</b>	<b>135,797</b>
<b>TOTAL CURRENT ASSETS</b>		<b>1,709,712</b>	<b>1,439,362</b>
<b>TOTAL ASSETS</b>		<b>2,449,796</b>	<b>2,024,282</b>

SEK thousands	Note	31/12/2016	31/12/2015
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
	25		
Share capital		36,588	36,068
Other capital contributions		84,194	34,014
Translation reserve		72,236	24,303
Retained earnings incl. profit for the year		1,267,437	1,073,044
<b>Equity attributable to parent company shareholders</b>		<b>1,460,455</b>	<b>1,167,429</b>
<b>Non-controlling interests</b>		<b>2,739</b>	<b>2,307</b>
<b>TOTAL EQUITY</b>		<b>1,463,195</b>	<b>1,169,736</b>
<b>LIABILITIES</b>			
<i>Interest-bearing non-current liabilities</i>			
Non-current liabilities to credit institutions	3	107,779	121,045
<i>Non-current non-interest-bearing liabilities</i>			
Deferred tax liabilities	14	64,438	51,814
Provisions for pensions	28	5,980	3,316
Provisions for warranty	28	1,889	
Other provisions	28	11,636	10,208
Other non-current liabilities		298	
<b>Total non-current liabilities</b>		<b>192,020</b>	<b>186,382</b>
<i>Interest-bearing current liabilities</i>			
Bank overdraft facilities	3, 32	90,316	127,985
Other liabilities to credit institutions	3	73,717	31,881
<i>Other current liabilities</i>			
Provisions for warranty undertakings	28	3,536	875
Advance payments from customers		75,579	58,786
Trade and other payables	3	351,986	273,780
Current tax liabilities		21,048	19,256
Other liabilities	29	37,230	35,380
Accrued expenses / prepaid income	30	141,169	120,220
<b>Total current liabilities</b>		<b>794,582</b>	<b>668,164</b>
<b>TOTAL LIABILITIES</b>		<b>986,601</b>	<b>854,546</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,449,796</b>	<b>2,024,282</b>

## Consolidated statement of changes in equity

GROUP	Equity attributable to parent company shareholders					Holdings without controlling influence	Total equity
	SEK thousands	Share capital	Other contributed capital	Translation reserve	Retained earnings incl. Profit		
<b>Equity, 01/01/2015</b>	<b>36,068</b>	<b>34,014</b>	<b>44,508</b>	<b>939,041</b>	<b>1,053,631</b>	<b>1,599</b>	<b>1,055,230</b>
<b>Profit for the year</b>				<b>170,283</b>	<b>170,283</b>	<b>170</b>	<b>170,453</b>
Translation differences in foreign operations			-20,205		-20,205	-112	-20,316
Revaluation of defined benefit pension plans				-212	-212	-7	-219
<b>Other comprehensive income</b>			<b>-20,205</b>	<b>-212</b>	<b>-20,416</b>	<b>-119</b>	<b>-20,535</b>
<b>Total comprehensive income</b>			<b>-20,205</b>	<b>170,071</b>	<b>149,867</b>	<b>51</b>	<b>149,918</b>
Acquisition of partially owned subsidiaries						657	657
Dividends paid				-36,068	-36,068		-36,068
<b>Transactions with shareholders</b>				<b>-36,068</b>	<b>-36,068</b>	<b>657</b>	<b>-35,412</b>
<b>Equity, 01/01/2016</b>	<b>36,068</b>	<b>34,014</b>	<b>24,303</b>	<b>1,073,044</b>	<b>1,167,429</b>	<b>2,307</b>	<b>1,169,736</b>
<b>Profit for the year</b>				<b>235,265</b>	<b>235,265</b>	<b>413</b>	<b>235,678</b>
Translation differences in foreign operations			47,933		47,933	109	48,042
Revaluation of defined benefit pension plans				-296	-296	-7	-303
<b>Other comprehensive income</b>			<b>47,933</b>	<b>-296</b>	<b>47,637</b>	<b>102</b>	<b>47,739</b>
<b>Comprehensive income for the year</b>			<b>47,933</b>	<b>234,969</b>	<b>282,902</b>	<b>516</b>	<b>283,417</b>
Acquisition of partially owned subsidiaries	520	50,180			50,700		50,700
<b>Dividends paid</b>				-40,577	-40,577		-40,577
<b>Transactions with shareholders</b>	<b>520</b>	<b>50,180</b>		<b>-40,577</b>	<b>10,123</b>	<b>-83</b>	<b>10,040</b>
<b>Equity, 31/12/2016</b>	<b>36,588</b>	<b>84,194</b>	<b>72,236</b>	<b>1,267,437</b>	<b>1,460,455</b>	<b>2,739</b>	<b>1,463,195</b>

SEK thousands	Note	01/01/2016 31/12/2016	01/01/2015 31/12/2015
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before tax		279,344	211,736
Adjustment for items not included in cash flow		162,081	74,163
Income tax paid	14	-45,182	-39,605
		<b>396,243</b>	<b>246,294</b>
Change in inventories		-19,927	-4,565
Change in trade receivables		-42,936	-47,226
Change in other receivables		-66,030	-58,204
Change in trade payables		15,448	15,855
Change in other liabilities		7,452	13,410
Change in working capital		-105,993	-80,730
<b>Cashflow from operating activities</b>		<b>290,251</b>	<b>165,564</b>
<i>Aquisitions of shares in subsidiaries</i>		-64,035	-189,177
Acquisition of intangible non-current assets	31	-1,922	-1,857
Acquisition of tangible non-current assets		-119,436	-78,613
Sale of tangible non-current assets		1,793	2,093
Purchase/Sales of short-term investment in securities			-199
Change of long-term liabilities		-58	318
<b>Cashflow from investing activities</b>		<b>-183,658</b>	<b>-267,436</b>
New borrowings		39,715	149,771
Amortisation of loans		-32,101	-11,758
Amortisation of loans (IAS 17 liability, leasing)		-2,786	-5,121
Change in bank overdraft facilities		-47,887	-3,409
Dividends to the parent company shareholders		-40,577	-36,068
<b>Cashflow from financing activities</b>		<b>-83,635</b>	<b>93,415</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>22,958</b>	<b>-8,457</b>
Cash and cash equivalents at the beginning of the year		135,602	145,744
Exchange rate difference in cash and cash equivalents		4,252	-1,684
<b>Cash and cash equivalents at the end of the year</b>		<b>162,812</b>	<b>135,602</b>

## Parent Company's Income Statement

SEK thousands	Note	01/01/2016 31/12/2016	01/01/2015 31/12/2015
Net sales		55,696	50,213
Other operating income	7	3,695	3
		<b>59,391</b>	<b>50,216</b>
<b>OPERATING EXPENSES</b>			
Other external expenses	8	-21,169	-16,685
Personnel costs	9	-17,701	-18,386
Depreciation and amortisation	19	-390	-12
Other operating expenses	8	-415	-1,537
		<b>-39,675</b>	<b>-36,620</b>
<b>Operating profit</b>		<b>19,716</b>	<b>13,596</b>
<b>PROFIT FROM FINANCIAL ITEMS</b>			
Income from participation in group companies	10	99,139	
Financial income	11	7,549	10,350
Financial expenses	12	-8,330	-3,850
<b>Net financial income/expense</b>		<b>98,358</b>	<b>6,500</b>
<b>Earnings after net financial items</b>		<b>118,074</b>	<b>20,096</b>
Appropriations	13	2,350	-6,100
<b>Profit before tax</b>		<b>120,424</b>	<b>13,996</b>
Taxes	14	-4,738	-3,142
<b>Profit for the year</b>		<b>115,686</b>	<b>10,854</b>

<sup>1)</sup> Profit for the year corresponds to the years's total earnings

SEK thousands	Note	31/12/2016	31/12/2015
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Tangible assets			-
Machinery and equipment	18, 19	1,354	-
		<b>1,354</b>	
<i>Financial assets</i>			
Participations in group companies	21	728,779	614,635
Receivables from group companies	22, 33	57,211	47,615
Deferred tax assets	14	512	690
		<b>786,503</b>	<b>662,940</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>787,856</b>	<b>662,941</b>
<b>CURRENT ASSETS</b>			
<i>Current receivables</i>			
Receivables from group companies	33	239,664	155,584
Current tax assets		10,994	11,150
Other receivables	23	190	531
Prepaid expenses/accrued income	24	656	1,125
		<b>251,503</b>	<b>168,390</b>
Cash and cash equivalents	32	-	-
<b>TOTAL CURRENT ASSETS</b>		<b>251,503</b>	<b>168,390</b>
<b>TOTAL ASSETS</b>		<b>1,039,360</b>	<b>831,330</b>

## Balance sheet for the Parent company

SEK thousands	Note	31/12/2016	31/12/2015
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>	25		
Share capital		36,588	36,068
Statutory reserve		1,156	1,156
<b>Restricted equity</b>		<b>37,745</b>	<b>37,224</b>
Share premium reserve		84,194	34,014
Retained earnings		158,051	184,660
Profit for the year		115,686	10,854
<b>Non-restricted equity</b>		<b>357,931</b>	<b>229,528</b>
<b>Total equity</b>		<b>395,676</b>	<b>266,752</b>
<b>Untaxed reserves</b>	26	<b>44,100</b>	<b>41,300</b>
<b>LIABILITIES</b>			
<i>Interest-bearing non-current liabilities</i>			
Non-current liabilities to credit institutions	3	90,439	119,681
<i>Non-current non-interest-bearing liabilities</i>			
Non-current liabilities		7,000	-
<b>Total non-current liabilities</b>		<b>97,439</b>	<b>119,681</b>
<i>Interest-bearing current liabilities</i>			
Current liabilities to credit institutions		60,000	30,000
Bank overdraft facilities	3, 32	86,664	75,277
Current lease liabilities		639	-
Interest-bearing current liabilities	33	344,024	286,254
<i>Other current liabilities</i>			
Trade and other payables	3	2,040	1,648
Liabilities to group companies	33	4	-
Other liabilities	29	3,159	4,162
Accrued expenses/deferred income	30	5,615	6,256
<b>Total current liabilities</b>		<b>502,146</b>	<b>403,597</b>
<b>TOTAL LIABILITIES</b>		<b>599,584</b>	<b>523,278</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,039,360</b>	<b>831,330</b>



## Statement of changes in equity for the Parent company

<b>PARENT COMPANY</b>	Restricted equity			Non-restricted equity			Total equity
	Share capital	Statutory reserve	Subtotal	Share premium reserve	Other non-restricted equity	Subtotal	
<b>SEK thousands</b>							
<b>Equity, 01/01/2015</b>	<b>36,068</b>	<b>1,156</b>	<b>37,224</b>	<b>34,014</b>	<b>220,728</b>	<b>254,742</b>	<b>291,966</b>
<b>Profit for the year</b>					<b>10,854</b>	<b>10,854</b>	<b>10,854</b>
Dividends paid					-36,068	-36,068	-36,068
<b>Transactions with shareholders</b>					<b>-36,068</b>	<b>-36,068</b>	<b>-36,068</b>
<b>Equity, 01/01/2016</b>	<b>36,068</b>	<b>1,156</b>	<b>37,224</b>	<b>34,014</b>	<b>195,514</b>	<b>229,528</b>	<b>266,752</b>
<b>Profit for the year<sup>1)</sup></b>					<b>115,686</b>	<b>115,686</b>	<b>115,686</b>
New Issue	520		520	50,180		50,180	50,700
Profit from mergers					3,114	3,114	3,114
Dividends paid					-40,577	-40,577	-40,577
<b>Transactions with shareholders</b>	<b>520</b>		<b>520</b>	<b>50,180</b>	<b>-37,463</b>	<b>12,717</b>	<b>13,237</b>
<b>Equity, 31/12/2016</b>	<b>36,588</b>	<b>1,156</b>	<b>37,745</b>	<b>84,194</b>	<b>273,737</b>	<b>357,931</b>	<b>395,676</b>

<sup>1)</sup> Profit for the year corresponds to the year's total earnings

## Parent Company's Cash Flow Analysis

SEK thousands	Note	01/01/2016 31/12/2016	01/01/2015 31/12/2015
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Operating profit		120,424	13,996
Adjustment for non-cash generating items		57 454	6,111
Income tax paid	14	-4,335	-3,239
<b>Cash flow from operating activities before change in working capital</b>		<b>173,543</b>	<b>16,868</b>
Change in other receivables		-1 364	-15 173
Change in trade payables		262	452
Change in other liabilities		-34,249	95,193
Change in working capital		-35,351	80,473
<b>Cashflow from operating activities</b>		<b>138,192</b>	<b>97,340</b>
Aquisitions of shares in subsidiaries	31	-82,130	-276,016
Aquisitions of shares in subsidiaries	21	-36,092	-20,342
Divestment of shares in subsidiaries		-81	
Acquisition of tangible non-current assets		-1,743	
Change in long-term inter-company transactions		11,797	7,376
New borrowings to group company		-34,414	-18,737
Amortisation of loans to group company		27,264	6,594
<b>Cashflow from investing activities</b>		<b>-115 399</b>	<b>-301,125</b>
New borrowings		31,331	149,681
Amortisation of loans		-29,934	
Change in bank overdraft facilities		11,387	68,619
Group contributions		5,000	-800
Dividends to the parent company shareholders		-40,577	-36,068
<b>Casflow from financing activities</b>		<b>-22,793</b>	<b>181,432</b>
<b>Increase/decrease in cash and cash equivalents</b>			<b>-22,353</b>
Cash and cash equivalents at the beginning of the year		-	22,353
Exchange rate difference in cash and cash equivalents		-	
<b>Cash and cash equivalents at the end of the year</b>		<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1 GENERAL INFORMATION

AQ Group AB (publ) and its subsidiaries operate under the brand AQ. AQ designs, manufactures and sells products in two segments: **Component** where the business areas Injection moulding, Inductive components, Wiring systems and Electromechanical modules, Sheet metal processing and Special Technologies and Engineering are included, as well as **System** where the business areas Electric cabinets and System Products are included.

AQ Group AB (publ) is the highest level parent company of the Group. Parent company's sales are, as in previous years, almost exclusively via sales of management services to subsidiaries. Purchases from subsidiaries do not occur to any significant extent. The parent company, which is listed on Nasdaq Stockholm's main market since January 16, 2017, is based in Västerås, Sweden. The head office is located at Regattagatan 29, 723 48 Västerås, Sweden. The consolidated financial statements for AQ Group AB (publ) for the financial year 2016 have been approved by the Board for publication and are available on the company's website [www.aqq.se](http://www.aqq.se) from April 6, 2017. The website also provides further information.

## NOTE 2 REPORT ON THE APPLICATION OF ACCOUNTING POLICIES

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

### 2.1 Fundamental standards and legislation

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

Unless otherwise specified, the cost value method was applied when valuing assets and liabilities. Unless otherwise specified below, the items in the income statement and balance sheet are recorded gross.

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

The parent company's functional currency is the Swedish krona, which is also the reporting currency for the parent company and the Group.

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

### 2.2 Consolidated statements and business acquisitions

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

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

financial statements.

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

### 2.3 Segment reporting

Two business segments are presented in the segment report – Component and System. Each has similar economic characteristics, products, production processes and customer categories. These segments are recorded in a manner which conforms to internal reporting, which is given to the senior executive decision-maker. The senior executive decision-maker is the function responsible for the allocation of resources and assessment of the operating segment's financial results. In the Group this function has been identified as the CEO and the Company management. Company management believes that this is consistent with the identification of operating segments in accordance with IFRS 8.

The parent company's turnover is derived almost exclusively from the Swedish subsidiaries. The parent company's financial statements are included in the adjustment item together with the property companies in segment reporting.

Note 6, Segment reporting, contains more detailed information.

### 2.4 Income

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

#### 2.4.1 Sale of goods and performance of service assignments

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

#### 2.4.2 Financial income

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

### 2.5 Employee benefits

#### 2.5.1 Short-term benefits

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

#### 2.5.2 Long-term benefits

The Group's net obligation in respect of other long-term benefits, except pensions, comprises the value of future benefits that employees have earned as remuneration for the services they have performed during the current and previous periods. This remuneration is discounted to present value and the fair value of any managed assets is deducted. The discount rate is established on the same basis used as for defined benefit pension plans. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recorded in the income

statement in the period when they occur. These include remuneration in connection with sabbatical leave, anniversaries and long-term inability to work. Long-term benefits also include remuneration issued in respect of a long period of service.

### 2.5.3 Benefits after termination of employment

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

In 2016, the companies paid a total of 7,794,000 SEK (8,621,000) in pension expenses to Alecta. The Group's share of the total contributions to the plan and the Group's share of the total number of active members in the plan amounts to 0.00134% and 0.00228% (2015: 0.00118% and 0.00180%). The contributions for the next reporting period are expected to be on a par with last year. In accordance with IAS 19 and UFR 10, the ITP pensions financed via Alecta must be treated as defined contribution pension plans until further notice, as information from Alecta does not enable reporting as defined benefit pension plans.

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

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

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

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

The consolidation ratio for December was 149% (153%).

The Group has no substantial defined-benefit pension plans.

### 2.5.4 Termination benefits

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

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

### 2.5.5 Share-based benefits

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

## 2.6 Lease agreements

Financial leasing exists when the financial risks and benefits associated with ownership are essentially transferred to the lessee.

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

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

## 2.7 Non-current assets and financial instruments

### Non-current assets with an indeterminate useful life

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

### Capitalised expenditures

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

### Customer relations and technology

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

### Tangible assets

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

### Estimated useful lives:

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

Land and buildings include factories and offices. There are operational properties within the Group, but no investment properties. The cost of acquisition includes expenses that can be attributed directly to the acquisition. Plant and machinery consist solely of assets intended for production, while equipment, tools, fixtures and fittings are divided between offices and production. Plant and machinery are recorded at the cost of acquisition with deductions for accumulated depreciation and amortisation. Regarding the recording of directly acquired net assets ("asset acquisition"), see Note 2.2 above. Expenses for repairs and maintenance to maintain and make marginal improvements to production capacity in the machinery are recorded as expenses directly in the income statement.

### Assets are depreciated over the periods indicated below.

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

### Buildings consist of several components with varying useful lives.

The following main groups of components have been identified and form the basis of depreciation of buildings:

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

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

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

### Financial instruments

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

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

### 2.8 Inventories

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

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

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

Of the recorded inventory values of raw materials and consumables, it is estimated that SEK 382.6 million (307.6) will be 95% turned over within one year. It is estimated that other inventory values, such as work in progress, finished products and goods for resale, totalling SEK 198.7 MSEK (177.6), will be turned over in their entirety within one year. The value of inventories was written down by SEK 73.8 MSEK (57.0) on the balance sheet date. The valuation was based on the use of an obsolescence scale. The obsolescence scale is based on each company's historical obsolescence risks.

### 2.9 Effects of changes in exchange rates

#### 2.9.1 Transactions and balance sheet items

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

#### 2.9.2 Group companies

Assets and liabilities in foreign businesses, including goodwill and other group over and under values, are translated from the foreign operation's functional currency to the groups presentation currency, the Swedish kronor (SEK), at the exchange rate as of the balance sheet date. Revenues and expenses in a foreign enterprise are translated into Swedish crowns at an average rate that constitutes an approximation of the exchange rate that prevails at each moment of transaction. Translation differences that occur upon translating currencies for foreign operations are posted separately in other comprehensive income and area accumulated in a separate component in equity, named the translation reserve. In the event that the foreign operation is not wholly owned, the translation difference is distributed to holdings without controlling influence based on its proportional share of ownership. When controlling influence, considerable influence or joint control ceases

for a foreign business, they are realised at the accumulated translation difference by which they are reclassified from the translation reserve in equity to profits for the year.

### 2.10 Provisions

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

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

### 2.11 Income taxes

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

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

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

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

### 2.12 Recording of government grants and disclosure of government assistance

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

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

### 2.13 Earnings per share

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

### 2.14 Amortisation

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

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

### 2.15 Related party disclosures

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

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

### 2.16 The parent company's accounting policies

AQ Group AB is the parent company in the AQ Group and has its head office in Västerås, Sweden. The operation includes administrative functions, holding operations and financing operations. AQ Group AB has prepared its Annual Report in accordance with the Swedish Annual Accounts Act and recommendation RFR 2

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

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

### Subsidiaries

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

### Financial warranties

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

### Group contributions and shareholder contributions

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

## NOTE 3 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

These financial instruments are presented below with classification in accordance with IAS 32, accounting and measurement in accordance with IAS 39 and disclosure of risk information in accordance with IFRS 7 and valuation at actual value according to IFRS 13. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its investments at initial reporting and re-evaluates this designation at each reporting date. Accounting for acquisitions and disposals of financial instruments occurs on the trade date.

The following instruments have appeared in the consolidated balance sheet for the last two financial years following the current categorisation: 1) Loans and trade receivables - trade receivables, other receivables and cash medium, 2) Other financial liabilities - liabilities, supplier debts and other liabilities. Fair value is not reported separately below, since our assessment is that the data presented is a reasonable estimate of fair value due to the short maturity. Trade and other receivables are financial assets that are not derivatives, they have fixed or determinable payments that are not listed on an active market, for other receivables to the extent they can be classified as financial instruments, the corresponding applies, all are measured at amortised cost, which initially corresponds to fair value. At year end, the amortisation need is tested for insecure receivables, see credit risks.

### Loans and accounts receivable

SEK thousands	Group		Parent company	
	2016	2015	2016	2015
Trade and other receivables	805,186	670,438		
Receivables from group companies			239,664	155,584
Other receivables	12,450	20,951	190	531
Cash and cash equivalents	162,812	135,602		
<b>Total</b>	<b>980,448</b>	<b>826,991</b>	<b>239,854</b>	<b>156,115</b>

Cash and cash equivalents consist of cash funds and immediately available balances in banks and similar institutions. There are no obstacles regarding utilisation. The Group's unused credit line amounts to SEK176 million (129), see also note 32. Linked to the overdraft facility are two conditions stipulated in a covenant, one relates to restrictions on the Group's net debt to earnings before interest, taxes, depreciation and amortisation (EBITDA). The second limits indebtedness, net debt/equity. During the full year of 2016, AQ met the conditions set by a good margin.

Loans and other financial liabilities, such as accounts payable, are included in "Other financial liabilities". These liabilities are measured at amortised cost, which initially corresponds to fair value. We have not calculated interest on short-term liabilities with maturity of less than one year. Read more about liquidity and interest rate risks under General risk exposure.

Other financial liabilities SEK thousands	Group		Parent company	
	2016	2015	2016	2015
Non-current liabilities to credit institutions	107,779	121,045	90,439	119,681
Bank overdraft facilities	90,316	127,985	86,664	75,277
Other debts to credit institutions	73,717	31,881	60,639	30,000
Trade and other payables	351,986	273,780	2,040	1,648
Other liabilities	14,226	14,152	2,352	3,137
Liabilities to group companies			344,028	286,254
<b>Total</b>	<b>638,025</b>	<b>568,843</b>	<b>586,163</b>	<b>515,997</b>

In the description of the liquidity risk, there is a maturity analysis for financial liabilities. For AQ, this means that almost all financial instruments are recognised at cost and any reporting of changes in value, such as foreign exchange, is carried through the income statement.

#### Financial instruments

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

Financial risk refers to fluctuations in the company's earnings and cash flow due to changes in exchange rates, interest rates, refinancing and credit risks. The Group's financial policy for managing financial risks has been prepared by management and provides guidance in the form of risk mandates and limits for financial activities. The overall objective of the Group's financial policy is to provide cost-effective financing and to minimise negative effects on the Group's profit which derive from market risks. The following is a general description of risks and uncertainties, as well as how they are managed.

#### General risk exposure relating to financial assets and liabilities

Group management classifies risks into the categories credit risk, liquidity risk and market risk. Market risk is in turn divided into interest rate risk, currency risk and price risk, the latter refers to

both purchases and sales. Group management has decided, in certain cases, to work with hedging instruments. The goal is to address the risks through currency and raw material clauses in agreements with customers and suppliers. The experience from renunciation of hedging for the said risks has not meant that management intends to change the current policy.

#### Credit risks

The Group's credit risk is mainly related to trade receivables. According to the credit policy, a credit assessment of new customers is performed. An assessment is done via an external credit rating when available, and payment history. The Group's average collection period for external trade receivables during the year was 65 (62) days. A change in the credit period of 1 day, with current turnover rate, means a change in working capital and cash flow of approximately SEK 12.3 million.

Other measures of the Group's credit risk is illustrated by the total exposure to individual customers. On the balance sheet date, the single largest receivable was SEK 164.8 million (143.1). The net sales of the Group's two largest customers amounted to 27% (26) of total net sales.

The Group's maximum exposure to credit risk is limited to the above stated value of accounts receivable. The following tables show the time aspect of the risk exposure of overdue accounts receivable. The management of credit risks is decentralised.

Specification of overdue trade and other receivables SEK thousands	Total		Of which written down	
	2016	2015	2016	2015
Not overdue	696,465	561,091	715	
Total overdue by 1 - 30 days	71,967	81,529	91	
Total overdue by 31 - 90 days	22,386	19,533	67	
Total overdue by 91 - 180 days	6,202	8,708		423
Total overdue by more than 180 days	11,358	5,796	2,320	5,796
<b>Total</b>	<b>808,379</b>	<b>676,657</b>	<b>3,193</b>	<b>6,219</b>

Accounts receivable are denominated in Swedish kronor, approximately SEK 371.4 million (280.3), thereafter, the main currencies are EUR, CNY and USD - converted to Swedish kronor - amount to approximately SEK 304.5 million (285.6), SEK 71.1 million (68.1)

and SEK 33.9 million (21.8).

Bad debts on balance date are reported as a total of SEK 3 million (6), and the year's profit includes losses of SEK 0 million (0.2).

Non-current liabilities	Group	
	2016	2015
Bank loan	101,937	119,752
Financial leasing liabilities, non-current	5,842	1,293
<b>Total</b>	<b>107,779</b>	<b>121,045</b>

Current liabilities	Group	
	2016	2015
Overdraft facility	90,316	127,985
Bank loan	68,990	30,018
Financial leasing liabilities, current	4,727	1,863
<b>Total</b>	<b>164,034</b>	<b>159,866</b>



### Liquidity risks

Liquidity risk is the risk that the Group may face problems meeting its obligations associated with financial liabilities. See specification, Other financial liabilities, above. The goal is for the Group to be able to meet its financial obligations in favourable and unfavourable markets without substantial unforeseen costs.

Liquidity risks and associated interest rate risk is managed centrally for the whole group. The rating agency Bisnode has given a rating of AAA Gold for the company's borrowing.

The following table shows the maturity of the Group's financial liabilities. The column called nominal amount relates to future non-discounted cash flows.

SEK thousands	Currency	Nom interest rate %	Due	Group			
				2016		2015	
				Nom. Amount	Booked amount	Nom. Amount	Booked amount
Bank loan <sup>1)</sup>	SEK	0.90	2020	122,447	119,747	154,050	149,681
Revolving facility	SEK	0.63	2017	30,189	30,000		
Bank loan	SEK	0.87	2020-2022	14,666	14,272	1,405	1,364
Bank loan	EUR	1.46	2017-2018	90	88	89	89
Bank loan	PLN	1.50	2018	6,945	6,820		
Financial leasing liabilities		1.5-2.88	2017-2021	10,882	10,568	8,877	8,829
Overdraft facility	SEK	0.50	2017	61,170	60,866	128,625	127,985
Overdraft facility	EUR	0.50	2017	25,927	25,798		
Overdraft facility	PLN	1.00	2017	3,689	3,652		
Trade and other payables			2017	351,986	351,986	273,780	273,780
Other liabilities			2017	14,226	14,226	14,152	14,152
<b>Total non-current interest-bearing liabilities</b>				<b>642 217</b>	<b>638 025</b>	<b>580,978</b>	<b>575,880</b>

1) Bank loan	Group					
	2016			2015		
	Interest	Amortisation	Booked amount	Interest	Amortisation	Booked amount
Within one year	1,078	30,000	119,747	1,347	30,000	149,681
Between one and five years	1,622	89,747		3,021	119,681	
<b>Total</b>	<b>2,700</b>	<b>119,747</b>	<b>119,747</b>	<b>4,368</b>	<b>149,681</b>	<b>149,681</b>

Financial leasing debt	Group					
	2016-12-31			2015-12-31		
	Minimum lease charge	Interest	Capital-amount	Minimum lease charge	Interest	Capital-amount
Within one year	4,932	205	4,727	3,891	42	3,849
Between one and five years	5,950	107	5,843	4,987	6	4,980
<b>Total</b>	<b>10,882</b>	<b>312</b>	<b>10,570</b>	<b>8,877</b>	<b>48</b>	<b>8,829</b>

Variable fees do not amount to significant amounts.

### Market risks

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

#### a) Interest risks

The Group's interest rate risk relates to the Group's financing with credit institutions. All Financing with credit institutions currently occur with variable interest, which is connected to the bank's base rate, which is related to Swedish National Bank's Repo rate. With the net debt as per 2016-12-31, a change of 1% has an impact of about SEK 1.1 million.

#### b) Currency risks

The Group also includes subsidiaries in the Euro area and Bulgaria, India, China, Mexico, Hungary, Poland, Serbia and Thailand. Transactions, assets and liabilities denominated in foreign currencies are monitored centrally at AQ to create balance in each currency and thereby achieve maximum equalisation effect within the Group which thus minimises exchange rate effects. The group only uses hedging instruments in exceptional cases.

A decision to hedge is made centrally, after which managing it can take place at the subsidiary level.

Without considering price adjustments in the sales contracts, a change in exchange rate of 10% total over an annual period means an impact on sales of about SEK180 million (163.0).

Sales in currencies other than SEK is about 55% (56) of sales.

Exchange rates	EUR	BGN	CNY	HUF	INR	MXN	NOK	PLN	THB	RSD
Average exchange rate 2012	8.60	4.45	1.03		0.13	0.52	1.16	2.06		
Closing day rate 2012	8.46	4.41	1.03		0.12	0.50	1.17	2.03		
Average exchange rate 2013	8.65	4.42	1.06		0.11	0.51	1.11	2.06		
Closing day rate 2013	8.94	4.57	1.07		0.10	0.50	1.06	2.15		
Average exchange rate 2014	9.10	4.65	1.11		0.11	0.52	1.09	2.17		
Closing day rate 2014	9.52	4.87	1.26		0.12	0.53	1.05	2.21		
Average exchange rate 2015	9.36	4.78	1.34	0.03	0.13	0.53	1.05	2.24	0.25	
Closing day rate 2015	9.14	4.67	1.29	0.03	0.13	0.48	0.96	2.15	0.23	
Average exchange rate 2016	9.47	4.84	1.29	0.03	0.13	0.46	1.02	2.17	0.24	0.08
Closing day rate 2016	9.57	4.89	1.31	0.03	0.13	0.44	1.05	2.17	0.25	0.08

Upon a conversion of foreign subsidiaries' currencies to SEK, there is a conversion effect. A one percent change, assuming no changes elsewhere, changes the Group's profit before tax by SEK 2.3 million.

Two currencies are responsible for most of the conversion exposure, CNY - where a one percent change gives an effect before tax of SEK 0.6 million, and EUR which has a corresponding effect on the result by SEK 0.7 million. Other exchange rate changes have a minor affect. The net effect on other comprehensive income of a one per cent change against SEK is SEK 7.3 million (5.3), which comprises a change in the translation reserve. The change from the previous year is mainly due to the increased exposure of net assets in CNY and EUR.

#### c) Commodity risks

Commodity price risk refers to the change in prices of input goods and its impact on earnings. For the Group, it mainly involves changes in raw materials which constitute a commodity price risk.

AQ does not buy direct raw materials but only semi-finished products for further production such as sheet metal of steel and aluminium, wiring, insulated winding wire, etc. The purchase value of the semi-finished products amounted to approx. SEK 365 million, of which 30% is purchased in EUR and 40% in SEK.

The raw material part (LME guided part) of semi-finished goods is estimated to be SEK 54.4 million in total, upon the following assumptions:

Aluminum: 975 tonnes x 1.730 USD x 9 = SEK 15.2 million  
Copper: 750 tonnes x 5.800 USD x 9 = SEK 34.5 million

The risk is minimised by price clauses in customer contracts.

## NOTE 4 CHANGES IN ACCOUNTING POLICIES

### 4.1 Parent company

Unless otherwise stated below, the Parent Company's accounting policies in 2016 changed in accordance with what is stated below for the Group.

### 4.2 Group

#### New IFRS not yet applied

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement from 2018 onwards. The standard is not expected to have any material impact on the group's income statement and balance sheet, but may affect the disclosures.

Other new and amended IFRS standards with future application deemed to be relevant for AQ Group are:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- Amended IAS 7 Statement of Cash Flows - information regarding a change in liabilities related to financing activities.

An evaluation of the impact of IFRS 15 standard is ongoing and the preliminary assessment is that it will not have any significant effects for the Group. IFRS 15 is based on income being reported when control of the good or service is transferred to the customer.

IFRS 16 will mean that all leases will be recognised in the consolidated balance sheet, except for leases of lower value and contracts which have a term of max. 12 months. IFRS 16 will have a smaller impact on the Group.

Ongoing improvements to IFRS 2010-2012 may include additional information regarding related IAS 24 and segments according to IFRS 8.

**NOTE 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The board makes estimations and assessments concerning the future. Upon signing of the financial

statements, the Group is not involved in any significant litigation. The Board, upon the establishment of the annual report for 2016, found no item that would be particularly vulnerable in terms of a risk which could induce significant adjustments for the coming year, also see notes 2.4, 2.5, 2.7, 2.11, 3, and 16.

**NOTE 6 OPERATING SEGMENTS AND MARKET DISTRIBUTION****6.1 Operating segment**

2016 SEK thousands	Component	System	Unallocated and eliminations	Group
External invoicing within Sweden	1,358,103	398,966		1,757,069
External invoicing outside Sweden	1,184,252	347,894		1,532,146
Internal invoicing, other segments	227,839	153,236	-381,074	
<b>Total net turnover</b>	<b>2,770,194</b>	<b>900,096</b>	<b>-381,074</b>	<b>3,289,215</b>
Material costs, excl. purchases own segment	-1,360,904	-618,628	358,603	-1,620,929
Depreciation	-75,871	-3,770	-303	-79,944
Other operating expenses/income	-1,147,573	-197,532	38,116	-1,306,990
<b>Operating profit</b>	<b>185,846</b>	<b>80,165</b>	<b>15,342</b>	<b>281,353</b>
Net financial items			-2,008	-2,008
<b>Profit before tax</b>	<b>185,846</b>	<b>80,165</b>	<b>13,333</b>	<b>279,344</b>
Other comprehensive income plus tax			4,069	4,069
<b>Comprehensive income for the year</b>	<b>185,846</b>	<b>80,165</b>	<b>17,402</b>	<b>283,413</b>
<b>2015</b>				
External invoicing within Sweden	1,209,284	451,611	35,817	1,696,712
External invoicing outside Sweden	880,330	328,762	26,074	1,235,166
Internal invoicing, other segments	191,184	127,837	-319,021	
<b>Total net turnover</b>	<b>2,280,798</b>	<b>908,210</b>	<b>-257,131</b>	<b>2,931,878</b>
Material costs, excl. purchases own segment	-1,160,049	-649,379	297,349	-1,512,079
Depreciation	-51,769	-4,628	-4,584	-60,980
Other operating expenses/income	-925,215	-219,992	-11,626	-1,156,833
<b>Operating profit</b>	<b>143,765</b>	<b>34,212</b>	<b>24,009</b>	<b>201,985</b>
Net financial items			9,751	9,751
<b>Profit before tax</b>	<b>143,765</b>	<b>34,212</b>	<b>33,760</b>	<b>211,736</b>
Other comprehensive income plus tax			-61,819	-61,819
<b>Comprehensive income for the year</b>	<b>143,765</b>	<b>34,212</b>	<b>-28,059</b>	<b>149,918</b>

**NOTE 6.1 OPERATING SEGMENTS (CONTD.)**

<b>2016 SEK thousands</b>	<b>Component</b>	<b>System</b>	<b>Unallocated and eliminations</b>	<b>Group</b>
Cash and cash equivalents (incl. short-term investments)	236,808	148,156	-221,948	163,016
Trade and other receivables	612,178	190,780	2,227	805,186
Inventories	450,292	134,385	-3,344	581,332
Tangible assets in Sweden	128,958	36,608	2,412	167,978
Tangible assets in other countries	276,312	51,624		327,936
Other assets	244,443	151,075	8,836	404,348
<b>Total assets</b>	<b>1,948,992</b>	<b>712,627</b>	<b>-211,818</b>	<b>2,449,796</b>
Current liabilities	716,077	237,633	-159,128	794,582
Non-current liabilities	105,170	25,993	60,862	192,020
Equity	1,127,745	449,001	-113,552	1,463,195
<b>Total liabilities and equity</b>	<b>1,948,992</b>	<b>712,627</b>	<b>-211,818</b>	<b>2,449,796</b>
<b>2015</b>				
Cash and cash equivalents (incl. short-term investments)	184,987	107,827	-157,017	135,797
Trade and other receivables	477,798	188,828	3,812	670,438
Inventories	349,813	138,975	-3,537	485,252
Tangible assets in Sweden	111,205	27,147	617	138,968
Tangible assets in other countries	223,703	40,078		263,781
Other assets	290,283	142,709	-102,946	330,046
<b>Total assets</b>	<b>1,637,789</b>	<b>645,564</b>	<b>-259,071</b>	<b>2,024,282</b>
Current liabilities	613,846	218,773	-164,455	668,164
Non-current liabilities	74,141	11,071	101,170	186,382
Equity	949,802	415,720	-195,786	1,169,736
<b>Total liabilities and equity</b>	<b>1,637,789</b>	<b>645,564</b>	<b>-259,071</b>	<b>2,024,282</b>

The product composition in the segment Component includes transformers, wiring systems, mechanical parts, sheet metal processing and plastic injection moulding. The product composition in the segment System includes production of systems, automation and power solutions, and the assembly of complete machines.

All group companies are driven by common goals for growth and profitability. This means that all trade between the companies is done on market terms (at arm's length, see note 2.15). Segment reporting does not include any adjustments for internal profit and consolidated trading with other segments, these amounts are included as reconciliation items together with real estate companies and the parent company's numbers in the matrix above, under the heading Unallocated and eliminations.

Segment reporting includes deferred tax liabilities in the total line for Equity. Negative goodwill is taken up its entirety under the heading Other operating income in the Group during the year of acquisition while it is matched against the accrual of capitalised balance sheet items in the Segment reporting. Two of the group's customers has generated revenues that constitute 10% or more each of the Group's total revenue. These revenues amounted to SEK 512 million (425) and SEK 383 million (349) and are included in both segments.

Reported amounts above reflect the financial reports that the company's executive decision makers, the CEO and the management team review on a continuous basis and which make up the control parameters in the allocation of resources and assessment of performance. To the extent that there is reporting of assets and liabilities for segments below Group level, to the executive decision-makers, these are valued in the same way as in the annual report.

## 6.2 Market Distribution

Sales are based on where the customer is located. Non-current assets are based on where the assets are located. No financial assets are included in the table.

SEK thousands	Group			
	Sales		Non-current assets	
Country	2016	2015	2016	2015
Sweden	1,772,703	1,796,712	216,547	144 828
China	319,327	321,674	31,215	30,811
Other countries in Europe	100,852	143,701		
Germany	196,699	104,009		
Finland	48,522	68,410		
Netherlands	100,126	54,251		
Poland	102,102	50,474	22 208	12 552
United Kingdom	45,189	48,343		
Belgium	82,800	45,199		
Estonia	25,792	35,628	58,482	60,079
USA	34,564	34,656		
France	107,308	32,630		
Other countries in Asia	14,198	28,859		
Bulgaria	33,221	31,106	76,029	56 219
India	47,755	26,618	22 348	18 001
Hungary	135,158	23,534	209 267	178 346
Denmark	11,550	26,780	6 976	116
Other countries in South America	28,345	19,622	1 482	1 705
Lithuania	30,802	14,565		
Australia	685	13,140		
Other countries in South America	24,942	6,775		
Denmark	7,221	1,982		
Canada	9,828			
Lithuania	2,731	1,733	74 276	69 299
Thailand	5,967		5,267	3 714
Serbia			393	
Other countries in Central America		1,255		
Africa	828	223		
<b>Total</b>	<b>3,289,215</b>	<b>2,931,878</b>	<b>728 488</b>	<b>575 670</b>

## NOTE 7 OTHER OPERATING INCOME

SEK thousands	Group		Parent company	
	2016	2015	2016	2015
Exchange gains from operations, realised	15,726	15,194	3,695	3
Exchange gains from operations, unrealised	10,251	9,718		
Capital gains on non-current assets	238	404		
Recovery of previously impaired trade and other receivables		218		
Rental income	68	41		
Negative goodwill	13	122		
Other operating income, group				
Other operating income 1)	21,356	8,307		
<b>Total</b>	<b>47,650</b>	<b>34,005</b>	<b>3 695</b>	<b>3</b>

<sup>1)</sup> Other operating income includes received insurance compensation, government grants etc.

**NOTE 8 OTHER EXTERNAL EXPENSES****8.1 Remuneration to auditors**

SEK thousands	Group		Parent company	
	2016	2015	2016	2015
<i>KPMG</i>				
Audit assignment	1,355	1,254	310	345
Audit-related assignments	185		174	
Tax consultation/other services	181	2	161	
	<b>1,721</b>	<b>1,256</b>	<b>645</b>	<b>345</b>
<i>PwC</i>				
Audit assignment		193		
Audit-related assignments	7	7		
	<b>7</b>	<b>200</b>		
<i>EY</i>				
Audit assignment	36			
Audit-related assignments				
Tax consultation/other services		42		
	<b>36</b>	<b>42</b>		
<i>FangBen CPA</i>				
Audit assignment	168	225		
Tax consultation/other services	148	108		
	<b>316</b>	<b>333</b>		
<i>Other</i>				
Audit assignment	688	700		
Audit-related assignments	6	7		
Tax consultation/other services	142	28		
	<b>836</b>	<b>735</b>		
<b>Total</b>	<b>2,916</b>	<b>2,565</b>	<b>645</b>	<b>345</b>

The audit assignment refers to the review of the annual report and accounting and the Board's and the CEO's management, which results in the established audit report. In addition, information is provided regarding compensation separately for audit activities and audit assignments besides audit tasks and tax services and other services, which may have been assigned to the main auditing company to process during the fiscal year.

**8.2 Operational leasing**

All leasing costs for assets leased according to operating lease agreements, such as rented premises, tools, office equipment, etc. are reported as Other external expenses. The following table describes the year's fees, as well as future payments under contracts which cannot be cancelled. The fees for rents are included in the summary up until the next renewal date.

SEK thousands	2016	2017	2018-2021	Later
Rental agreements for external premises	43,724	41,650	87,022	9,159
Rental agreements for machinery	1,805	1,759	5,387	
Other agreements	4,173	4,192	9,062	
<b>Total</b>	<b>49,703</b>	<b>47,601</b>	<b>101,472</b>	<b>9,159</b>

**NOTE 9 PERSONNEL**

Average number of employees	2016			2015		
	Women	Men	Total	Women	Men	Total
Parent company, Sweden	10	9	<b>19</b>	10	8	<b>18</b>
Subsidiaries, Sweden	215	771	<b>986</b>	215	579	<b>794</b>
Bulgaria	543	438	<b>981</b>	519	447	<b>966</b>
Estonia	79	270	<b>349</b>	93	286	<b>379</b>
India	10	124	<b>134</b>	12	134	<b>146</b>
Italy	13	11	<b>24</b>	1	3	<b>4</b>
China	187	311	<b>498</b>	204	335	<b>539</b>
Lithuania	564	124	<b>688</b>	529	118	<b>647</b>
Mexico	95	32	<b>127</b>	68	26	<b>94</b>
Poland	520	353	<b>873</b>	257	251	<b>508</b>
Serbia	7	10	<b>17</b>	0	0	<b>0</b>
Thailand	10	10	<b>20</b>	4	8	<b>12</b>
Hungary	120	327	<b>447</b>	121	290	<b>411</b>
<b>Total</b>	<b>2,373</b>	<b>2,790</b>	<b>5,163</b>	<b>2,033</b>	2,485	<b>4,518</b>

**Gender distribution, executive officers**

Board	Women	Men	Total	Women	Men	Total
Parent company	40%	60%	<b>100%</b>	17%	83%	<b>100%</b>
Group	11%	89%	<b>100%</b>	10%	90%	<b>100%</b>
<b>Company management and MD</b>	<b>Women</b>	<b>Men</b>	<b>Total</b>	<b>Women</b>	<b>Men</b>	<b>Total</b>
Parent company	43%	57%	<b>100%</b>	50%	50%	<b>100%</b>
Group	16%	84%	<b>100%</b>	15%	85%	<b>100%</b>

	Group		Parent company	
	2016	2015	2016	2015
<b>Salaries and remuneration, SEK thousands</b>				
Sweden				
Board, CEO and other executive officers <sup>1)</sup>	13,989	16,020	7 935	8,247
Other employees	284,747	275,496	4 512	3,946
<b>Total in Sweden</b>	<b>298,736</b>	<b>291,516</b>	<b>12 447</b>	<b>12,193</b>
1) Of which bonuses and the like to executive officers	3 303	2,597	1 595	1,680
<b>Other countries</b>				
Board and CEO 1)	13,994	12,785		
Other employees	353,056	287,496		
<b>Subsidiaries in other countries</b>	<b>367,050</b>	<b>300,281</b>		
1) Of which bonuses and the like to executive officers	7 736	2,815		
<b>Board, CEO and executive officers total</b>	<b>27,984</b>	<b>28,805</b>	<b>7 935</b>	<b>8,246</b>
<b>Other employees total</b>	<b>637,803</b>	<b>562,991</b>	<b>4 512</b>	<b>3,946</b>
<b>Total</b>	<b>665,787</b>	<b>591,797</b>	<b>12 447</b>	<b>12,192</b>
1) of which bonuses and the like to executive officers.	10,668	5,412	1,595	1,680
<b>Payroll overhead, SEK thousands</b>				
<b>Sweden</b>				
Pension expenses for Board, CEO and other executive officers	3,713	4,738	1 494	1,283
Pension expenses for other employees	12,591	11,012	235	261
Other payroll overhead	104,179	96,718	3,856	4,080
<b>Total in Sweden</b>	<b>120,482</b>	<b>112,468</b>	<b>5,585</b>	<b>5,624</b>
<b>Other countries</b>				
Pensions expenses for Board and CEO	522	657		
Pension expenses for other employees	26,581	25,003		
Other payroll overhead	35,581	20,201		
<b>Total payroll overhead</b>	<b>62,684</b>	<b>45,861</b>		
<b>Total</b>				
Pensions expenses for Board and CEO	4,235	5,395	1 494	1,283
Pension expenses for other employees	39,172	36,015	235	261
Other payroll overhead	139,760	116,920	3,856	4,080
<b>Total in other countries</b>	<b>183,166</b>	<b>158,329</b>	<b>5,585</b>	<b>5,624</b>

Remuneration to the Board, CEO and Group management	Basic salary/ fee	Variable remuneration	Other benefits	Pension expenses	Total
<b>2016</b>					
Chairman of the Board, Per-Olof Andersson	715		20	132	952
Board member, Hidayet Tercan*	120				120
Board member, Patrik Nolåker*	120				120
Board member, Ulf Gundemark*	120				120
Board member, Gunilla Spongh	120				120
CEO, Claes Mellgren	767		21	144	935
Other executive officers, 5.5 st	4,170	1 595	167	1 218	6,850
	<b>6,132</b>	<b>1,316</b>	<b>208</b>	<b>1 494</b>	<b>9,137</b>

\* Total invoiced amount including social security contributions SEK 157 704.



Remuneration to the Board, CEO and Group management	Basic salary/ fee	Variable remuneration	Other benefits	Pension expenses	Total
<b>2015</b>					
Chairman of the Board, Per-Olof Andersson	786		22	144	952
Board member, Leif Andersson	120				120
Board member, Patrik Nölåker	120				120
Board member, Ulf Gundemark*	120				120
Board member, Gunilla Spongh	120				120
Board member and CEO, Claes Mellgren	786		51	168	1,005
Other executive officers, 5	4,352	1,680	170	891	7,093
	<b>6,404</b>	<b>1,680</b>	<b>162</b>	<b>1,284</b>	<b>9,530</b>

\* Total invoiced amount including social security contributions SEK 157 704.

No special pension benefits or severance pay agreements exist, in addition to normal pensions.

The Board's proposed guidelines for remuneration in 2017, according to Chapter 8, § 51 of the Swedish Companies Act, are presented in the management report. The remuneration paid to senior executives in 2016 are presented in the note.

The following decision on guidelines for remuneration in 2016 was made at the previous AGM; AQ Group AB has no incentive programme. Variable remuneration to AQ Group AB's management group consists of a variable cash salary (bonus). The AGM 2016 adopted the following principles for variable cash compensation: In addition to a fixed salary, variable remuneration, when applicable, shall be offered and linked to predetermined and clearly set measurable target criteria with the aim of promoting the company's long-term value creation. The remuneration may be paid in cash or additional premium payments to pension insurance. The total amount of variable remuneration shall not exceed the fixed salary paid to the executive concerned. The Board may deviate from the guidelines in individual cases should special reasons exist.

## NOTE 10 PROFIT/LOSS FROM PARTICIPATIONS IN GROUP COMPANIES

SEK thousands	Parent company	
	2016	2015
Dividends from Group companies	94,397	
Liquidation profit and repayment of purchase price of previous acquisitions	4,742	
<b>Total</b>	<b>99,139</b>	

## NOTE 11 INTEREST INCOME AND SIMILAR ITEMS

SEK thousands	Group		Parent company	
	2016	2015	2016	2015
Dividends received	35	225		
Interest income, trade and other receivables	396	496		
Interest income from Group companies			3,037	1,117
Other interest income	2,195	4,719	101	1,870
Exchange rate gains, realised	2,307	3,452		3
Exchange rate gains, not realised	7,126	11,424	4,411	7,360
<b>Total</b>	<b>12,058</b>	<b>20,316</b>	<b>7,549</b>	<b>10,350</b>

All items are not valued at fair value.

## NOTE 12 INTEREST EXPENSES AND SIMILAR ITEMS

SEK thousands	Group		Parent company	
	2016	2015	2016	2015
Interest expenses, trade and other payables	-240	-529		-1
Interest expenses to Group companies			-2,040	-320
Other interest expenses	-7,351	-1,314	-6,290	-392
Exchange rate losses, realised	-4,108	-2,154		
Exchange rate losses, unrealised	-2,367 <sup>1)</sup>	-6,568 <sup>1)</sup>		-3,137
<b>Total</b>	<b>-14 067</b>	<b>-10,565</b>	<b>-8,330</b>	<b>-3,850</b>

<sup>1)</sup> Valuation of forward agreements are included in the amount of SEK -2,352,000 (-3,137,000).

All items other than forward contracts are not valued at fair value.

**NOTE 13 APPROPRIATIONS**

SEK thousands	Parent company	
	2016	2015
Change in tax allocation reserve	-2,650	-5,300
Group contribution, paid	5,000	-800
<b>Total</b>	<b>2,350</b>	<b>-6,100</b>

**NOTE 14 TAXES**

SEK thousands	Group		Parent company	
	2016	2015	2016	2015
Current tax for the year	-46,491	-34,214	-4,560	-3,835
Adjustment of the previous year's taxes				3
Deferred tax	2,825	-7,069	-178	690
<b>Tax recorded for the period</b>	<b>-43,666</b>	<b>-41,283</b>	<b>-4,738</b>	<b>-3,142</b>
Specification of recorded tax				
<i>Recorded profit before appropriations and tax</i>	279,344	211,736	120,424	13,996
Estimated tax based on applicable tax rate in Sweden 22.0 %	-61,456	-46,582	-26,493	-3,079
Tax effect of:				
Standard taxation, tax allocation reserve	-134	-170	-43	-51
Non-deductible expenses	-27,558	-11,669	-205	-34
Non-taxable income	24,845	6,051	22,003	19
Adjusted tax from previous year	3,540	-1,545		3
Effect of other tax rates in foreign companies	13,584	15,537		
Change in non-recorded tax loss carryforwards	-158	-2,734		
Utilisation of tax loss carryforwards not previously capitalised	3,682			
Other	-11	-171		
	<b>-43,666</b>	<b>-41,283</b>	<b>-4,738</b>	<b>-3,142</b>

SEK thousands	Group	
	2016	2015
<b>Non-recorded tax loss carryforwards</b>	<b>65,260</b>	<b>47,456</b>
<i>Expires:</i>		
2017		1,740
2018		3,434
2019		
2020	1,717	3,912
2021	18,160	3,064
Later	45,383	35,306
<b>Total</b>	<b>65,260</b>	<b>47,456</b>

Non-recorded tax loss carryforwards relate to subsidiaries in India, Thailand and Mexico, which are in establishment phase and where it is currently not possible to convincingly assess where companies will be able to use them to offset future profits. The parent company has no tax loss.

**NOTE 14 TAXES (CONTD.)**

SEK thousands	Group		Parent company	
	2016	2015	2016	2015
<b>Deferred tax asset</b>				
Tangible assets	1,078	1,075		
Inventories	3,387	2,696		
Liabilities	2,381			
Others	2,602	3,426	512	690
	<b>9,448</b>	<b>7,197</b>	<b>512</b>	<b>690</b>
<b>Deferred tax liability</b>				
Intangible assets	1,096	811		
Tangible assets	21,790	18,245		
Untaxed reserves	41,552	32,758		
	<b>64,438</b>	<b>51,814</b>		
<b>Change in deferred tax</b>				
Recorded in the income statement	2,825	-7,069	-178	690
Translation difference	-610	-2,460		
Acquisition of subsidiaries	-12,588	-7,887		
	<b>-10,373</b>	<b>-17,416</b>	<b>-178</b>	<b>690</b>

**NOTE 15 OTHER INTANGIBLE ASSETS**

SEK thousands	Group				Group			
	2016		2015		2016		2015	
	Customer relations	Technology	Other intangible non-current assets	Total	Customer relations	Technology	Other intangible non-current assets	Total
<b>Opening cost of acquisition</b>	<b>36,707</b>	<b>12,274</b>	<b>38 580</b>	<b>87 560</b>			<b>36,552</b>	<b>36,552</b>
Direct investments for the year			1,922	1,922			1,202	1,202
Acquisition of subsidiaries	29,927		2 154	32 081	37,964	12,694	1 426	52 084
Sales/retirements			-158	-158			-52	-52
Reclassifications			609	609				
Translation difference	1,879	673	574	3,125	-1,257	-420	-548	-2,225
<b>Closing accumulated cost of acquisition</b>	<b>68,512</b>	<b>12,946</b>	<b>43,682</b>	<b>125,140</b>	<b>36,707</b>	<b>12,274</b>	<b>38,580</b>	<b>87,560</b>
<b>Opening depreciation</b>	<b>-612</b>	<b>-102</b>	<b>-35,869</b>	<b>-36,583</b>			<b>-27,032</b>	<b>-27,032</b>
Sales/retirements			158	158			52	52
Reclassifications			451	451				
Translation difference	-83	-14	-445	-541	21	4	466	490
Depreciation for the year	-4,894	-639	-3,293	-8 826	-633	-106	-4,973	-5,711
<b>Closing accumulated depreciation</b>	<b>-5,589</b>	<b>-755</b>	<b>-34 616</b>	<b>-40 960</b>	<b>-612</b>	<b>-102</b>	<b>-31 487</b>	<b>-32 201</b>
<b>Closing planned residual value</b>	<b>62,924</b>	<b>12,191</b>	<b>9,066</b>	<b>84,181</b>	<b>36,095</b>	<b>12,171</b>	<b>7,093</b>	<b>55,360</b>

**NOTE 16 GOODWILL**

SEK thousands	Group	
	2016	2015
<b>Opening cost of acquisition</b>	<b>117,561</b>	<b>75,407</b>
Direct investments for the year	10	655
Acquisition of subsidiaries	27,443	46,070
Translation difference	4,049	-4,571
<b>Closing accumulated costs of acquisition</b>	<b>149,063</b>	<b>117,561</b>
<b>Opening accumulated impairment</b>		
Write-down for the year	-663	
Translation difference	-7	
<b>Closing accumulated write-downs</b>	<b>-670</b>	
<b>Closing residual value</b>	<b>148,393</b>	<b>117,561</b>

In 2016, two acquisitions were made (a total of ten companies), which generated a total goodwill of SEK 26 million. See Note 31.

Management annually investigates whether any amortisation need exists in terms of goodwill. The recoverable amount of the underlying cash generating unit AQ Wiring Systems, AQ Anton Kft and AQ Industrial Systems AB with subsidiaries (formerly Gerdins) has been determined based on a calculation of the Group's value in use. Other goodwill items are of less value. During the year, activities in Vadstena were decommissioned and thus the goodwill item allocated to Vadstena was amortised. There are no indications of a value decrease.

**Impairment test for cash generating units with goodwill**

The following cash-generating units have significant reported goodwill values in relation to the Group's total goodwill:

	2016	2015
AQ Wiring Systems	66,911	63,890
AQ Anton Kft	46,170	43,772
AQ Industrial Systems (formerly Gerdins)	23,513	

The calculation was made based on estimated future cash flows equivalent to a four-year period. Cash flows beyond the four-year period have been extrapolated using an estimated growth rate of 2%, the average for the last four years is 2.8%.

	Estimated growth of cash flow beyond a four-year period	Discount rate, before tax	Discount rate, after tax
AQ Wiring Systems	2% (2%)	15% (12%)	13% (12%)
AQ Anton Kft	2%	17%	16%
AQ Industrial Systems (formerly Gerdins)	2%	17%	13%

**Important variables****Method used to estimate values****Market share and growth**

The forecast for growth is based on the group's historic growth. The total market is expected to grow during the forecast period. Business areas' share of the total market is marginal.

**Operating expenses**

Operating expenses are estimated based on the planned operations for the forecast period, and reflect previous experience.

**Discount rate**

The discount rate is prepared through a weighted average cost of capital for AQ Group and reflects current market assessments of the time value of money and the risks specifically related to AQ Group and thereafter take into account the risk of each tested entity.

**Currency rates**

Currency conversion has been performed at current exchange rates.

The recoverable amount of AQ Wiring Systems, AQ Anton Kft. and AQ Industrial Systems AB with subsidiaries (formerly Gerdins) exceeds the reported value by a significant amount. Management believes that no reasonable changes in the key assumptions may lead to the recovery value being lower than their reported value.

**NOTE 17 LAND AND BUILDINGS**

SEK thousands	Group	
	2016	2015
<b>Opening cost of acquisition</b>	<b>193 927</b>	<b>146,592</b>
Direct investments for the year	7,279	2,359
Acquisition of subsidiaries	5,951	49,046
Reclassifications	7,006	606
Translation difference	6,175	-4,676
<b>Closing accumulated cost of acquisition</b>	<b>220,338</b>	<b>193,927</b>
<b>Opening accumulated depreciation</b>		
Acquisition of subsidiaries	-53 905	-49,253
Sales/retirements	-666	
Translation difference	-1,042	1,051
Depreciation for the year	-7,615	-5,703
<b>Closing accumulated depreciation</b>	<b>-63 228</b>	<b>-53 905</b>
<b>Closing planned residual value</b>	<b>157,109</b>	<b>140,022</b>

**NOTE 18 PLANT AND MACHINERY**

SEK thousands	Group						Parent company	
	2016			2015			2016	2015
	Machinery and equipment	Leased machinery	Total	Machinery and equipment	Leased machinery	Total	Equipment	Equipment
<b>Opening cost of acquisition</b>	<b>413 942</b>	<b>9 762</b>	<b>423 704</b>	<b>358,643</b>	<b>30,058</b>	<b>388,701</b>		
Direct investments for the year	62,673	4,361	67,035	43,479	233	43,712	1,743	
Acquisition of subsidiaries	15,473	6,527	22,000	40,535	1,925	42,461		
Sales/retirements	-12,085	-8,714	-20,799	-44,978		-44,978		
Reclassifications	4,257	-374	3,883	26,677	-22,115	4,562		
Translation difference	18,239	281	18,520	-10,414	-339	-10,753		
<b>Closing accumulated cost of acquisition</b>	<b>502 499</b>	<b>11 845</b>	<b>514 342</b>	<b>413 942</b>	<b>9 762</b>	<b>423 704</b>	<b>1,743</b>	
<b>Opening accumulated depreciation</b>	<b>-212 622</b>	<b>-7 324</b>	<b>-219 946</b>	<b>-223,503</b>	<b>-21,162</b>	<b>-244,665</b>		
Sales/retirements	8,138	8,490	16,628	55,233		55,233		
Reclassifications	2,060	257	2,317	-14,252	14,252			
Translation difference	-11,890	-192	-12,081	7,924	256	8,181		
Depreciation for the year	-38,792	-2,462	-41,254	-38,024	-670	-38,694	-390	
<b>Closing accumulated depreciation</b>	<b>-253 105</b>	<b>-1 231</b>	<b>-254 336</b>	<b>-212 622</b>	<b>-7 324</b>	<b>-219 946</b>	<b>-390</b>	
<b>Opening accumulated depreciation</b>	<b>-46</b>		<b>-46</b>	<b>-48</b>		<b>-48</b>		
Translation difference	-2		-2	2		2		
<b>Closing accumulated depreciation</b>	<b>-48</b>		<b>-48</b>	<b>-46</b>		<b>-46</b>		
<b>Closing planned residual value</b>	<b>249,345</b>	<b>10,614</b>	<b>259,959</b>	<b>201,274</b>	<b>2,438</b>	<b>203,712</b>	<b>1,354</b>	

**NOTE 19 EQUIPMENT, TOOLS, FIXTURES AND FITTINGS**

SEK thousands	Group		Parent company	
	2016	2015	2016	2015
<b>Opening cost of acquisition</b>	<b>126 129</b>	<b>122,210</b>	<b>59</b>	<b>59</b>
Direct investments for the year	22,275	18,468		
Acquisition of subsidiaries	2 391	1 257		
Sales/retirements	-6,396	-13,573		
Reclassifications	-5,307			
Translation difference	2,772	-2,233		
<b>Closing accumulated cost of acquisition</b>	<b>141 865</b>	<b>126 129</b>	<b>59</b>	<b>59</b>
<b>Opening accumulated depreciation</b>	<b>-86 520</b>	<b>-75,789</b>	<b>-59</b>	<b>-48</b>
Sales/retirements	6,186			
Reclassifications	2,418			
Translation difference	-1,953	1,668		
Depreciation for the year	-13,802	-12,399		-12
<b>Closing accumulated depreciation</b>	<b>-93 670</b>	<b>-86 520</b>	<b>-59</b>	<b>-59</b>
<b>Closing planned residual value</b>	<b>48,195</b>	<b>39,609</b>		

**NOTE 20 CONSTRUCTION IN PROGRESS**

SEK thousands	Group	
	2016	2015
<b>Opening cost of acquisition</b>	<b>19,406</b>	<b>11,260</b>
Direct investments for the year	22,847	14,560
Acquisition of subsidiaries	1,895	2,800
Sales/retirements	-511	-2,861
Reclassifications	-12,011	-5,638
Translation difference	905	-715
<b>Closing accumulated costs of acquisition</b>	<b>32,531</b>	<b>19,406</b>
<b>Opening depreciations</b>		
Translation difference	-2	
Depreciation for the year	-125	
<b>Closing accumulated depreciation</b>	<b>-126</b>	
<b>Opening depreciation</b>		
Depreciation for the year	-1,753	
<b>Closing accumulated depreciation</b>	<b>-1,753</b>	
<b>Closing planned residual value</b>	<b>30,651</b>	<b>19,406</b>

**NOTE 21 SHARES AND PARTICIPATIONS IN SUBSIDIARIES**

SEK thousands	Parent company	
	2016	2015
<b>Opening cost of acquisition</b>	<b>668,593</b>	<b>372,235</b>
Shareholder contribution	36,092	20,342
Investment in subsidiaries	139,911	235,817
Merger/liquidation of subsidiaries	-61,860	
Intra-group acquisitions		40,199
<b>Closing accumulated costs of acquisition</b>	<b>782,737</b>	<b>668,593</b>
<b>Opening accumulated depreciation</b>	<b>-53,958</b>	<b>-53,958</b>
<b>Closing accumulated depreciation</b>	<b>-53,958</b>	<b>-53,958</b>
<b>Closing book value</b>	<b>728,779</b>	<b>614,635</b>

**CONTINUATION: NOTE 21 SHARES AND PARTICIPATIONS IN SUBSIDIARIES**

	Corp. ID.no.	Number of participation rights	Share of equity	Shares of votes	Book value
AQ Fastighet i Tokarp AB, Anderstorp	556220-0195	1,000	100%	100%	3,578
AQ Fastighet i Pålshoda AB, Eskilstuna	556275-6212	14,200	100%	100%	5,580
AQ Fastighet i Lund AB, Lund	556527-5228	10,000	100%	100%	3,942
AQ Fastighet i Lyrestrad AB, Västerås	556443-9734	15,000	100%	100%	
AQ Fastighet i Torslanda AB, Göteborg	556690-3018	1,000	100%	100%	100
AQ Elautomatik AB, Västerås	556272-8484	1,000	100%	100%	4,457
AQ M-Tech AB, Uppsala	556358-1411	1,000	100%	100%	2,435
AQ Enclosure Systems AB, Vaggeryd	556660-1844	20,000	100%	100%	2,000
AQ Trafo AB, Enköping	556443-9726	26,000	100%	100%	
AQ Mekatronik AB, Västerås	556666-7829	1,000	100%	100%	100
AQ ParkoPrint AB, Gävle	556574-6319	20,000	100%	100%	17,314
- AQ Fastigheter i Gävle AB, Gävle	556448-3385	1,500	100%	100%	
AQ Plast AB, Västerås	556497-2239	3,000	100%	100%	4,400
AQ Segerström & Svensson AB, Eskilstuna	556545-8790	40,000	100%	100%	7,226
AQ Retor Engineering AB, Göteborg	556622-8697	1,050	100%	100%	2,105
AQ Welded Structures AB, Ludvika	556660-2016	1,000	100%	100%	100
AQ Industrial Systems AB	556937-6576	250,000	100%	100%	139,830
- AQ Components Västerås AB	556733-7216				
- AQ Plåxan AB	556473-5073				
- AQ Elektroprim AB	556634-8065				
- AQ Components Mjällom AB	556209-2634				
- AQ Wiring Systems AB	556261-0955				
- AQ Wiring Systems STG Sp. Z.o.o.	5212878589				
- AQ Enclosure Sollefteå AB	556720-8466				
AQ Electric AD, Radomir, Bulgarien	1135 61397	544,618	96%	96%	16,607
AQ Magnit AD, Godech, Bulgarien	1220 33267	679,382	99%	99%	40,318
AQ Plastronic AD, Bulgarien	1040 11529	595,560	95%	95%	14,391
AQ Wiring Systems UAB, Panevezys, Litauen	148 427 212	1,200	100%	100%	56,078
AQ Electric Suzhou Co Ltd, Suzhou, Kina	[2006] 65541	169,730	100%	100%	23,298
AQ Holmbergs Suzhou Co Ltd, Suzhou, Kina	[2002] 32190	173,517	100%	100%	1,806
- AQ Manufacturing Co., Ltd, Bangkok, Thailand	115 558 018 096				
AQ Italy S.R.L., Milano, Italien	04056160965	300	100%	100%	275
- AQ Magnetica S.r.l.	02591110420				
- AQ Magnetica Technology d.o.o.	PIB108406435				
AQ Lasertool OÜ, Pärnu, Estland	10 930 852	40,000	100%	100%	8,525
AQ Mechanical & Electrical M.I.Pvt.Ltd, Pune, Indien	U31909PN2011FTC139442	4,156,659	100%	100%	59,331
AQ Wiring Systems SA DE CV, Tultitlan Edo, Mexico	DME051116H2A	50,000	100%	100%	36,681
AQ Wiring Systems Sp.z.o.o., Lodz, Polen	7 281 357 239	2,227	100%	100%	42,630
AQ Anton Kft	20-09-061216		100%	100%	235,672
					<b>728,779</b>

**NOTE 22 NON-CURRENT RECEIVABLES**

<b>Receivables from Group companies</b>	<b>Parent company</b>	
	<b>2016</b>	<b>2015</b>
<b>Opening receivables</b>	<b>47,615</b>	<b>37,439</b>
Lending during the year	34,414	18,737
Repayments during the year	-27,264	-8,703
Translation difference	2,446	142
<b>Closing receivables</b>	<b>57,211</b>	<b>47,615</b>

**NOTE 23 OTHER RECEIVABLES**

<b>SEK thousands</b>	<b>Group</b>		<b>Parent company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
VAT receivables	12,973	16,005		
Other current receivables	12,450	20,989	190	531
	<b>25,423</b>	<b>36,994</b>	<b>190</b>	<b>531</b>

**NOTE 24 PREPAID EXPENSES AND ACCRUED INCOME**

<b>SEK thousands</b>	<b>Group</b>		<b>Parent company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Prepaid rent	6,063	4,988	59	58
Other interim receivables	98,646	79,707	597	1,067
	<b>104,709</b>	<b>84,695</b>	<b>656</b>	<b>1,125</b>



**NOTE 25 EQUITY****Capital management**

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

The Group's objective is to maintain an equity ratio of at least 40%. Group equity ratio at closing 2016-12-31 was 60% (58). The dividend policy is that the dividend should correspond to approximately 25% of the average profit after tax over a business cycle.

Parent company	Number of shares	Share capital (SEK)
<b>Number/Amount at year-end - 31/12/2011</b>	<b>17,959,058</b>	<b>35,918,116</b>
New issue (subscription)	75,000	150,000
<b>Number/Amount at year-end - 31/12/2012</b>	<b>18,034,058</b>	<b>36,068,116</b>
<b>Number/Amount at year-end - 31/12/2013</b>	<b>18,034,058</b>	<b>36,068,116</b>
<b>Number/Amount at year-end - 31/12/2014</b>	<b>18,034,058</b>	<b>36,068,116</b>
<b>Number/Amount at year-end - 31/12/2015</b>	<b>18,034,058</b>	<b>36,068,116</b>
New issue (subscription)	260,000	520,000
<b>Number/Amount at year-end - 31/12/2016</b>	<b>18,294,058</b>	<b>36,588,116</b>

Earnings per share SEK 13.01 (9.44) Share quotient value is SEK 2. The company has no share-related programme for employees and all shares have equal voting rights and privileges.

**RESERVES**

Consolidated equity includes certain reserves, of which AQ uses the conversion reserve. The conversion reserve comprises of all foreign exchange differences arising from conversion of foreign entities' financial reports.

**APPROPRIATION OF PROFITS**

The Board has proposed a dividend of SEK 2.75 (2.25) per share to the Annual General Meeting for fiscal year 2016, which means that 50,308,660 MSEK will be distributed to shareholders if the Annual General Meeting decides so in accordance with the Board's proposal. During the year, no change in the Group's capital management has taken place.

**NOTE 26 UNTAXED RESERVES**

SEK thousands	Parent company	
	2016	2015
Tax allocation reserve, Tax 2011		4,000
Tax allocation reserve, Tax 2012	18,400	18,400
Tax allocation reserve, SFL 2013	8,200	8,200
Tax allocation reserve, SFL 2014	4,900	4,900
Tax allocation reserve, SFL 2015	5,800	5,800
Tax allocation reserve, SFL 2016	6,800	
	<b>44,100</b>	<b>41,300</b>

**NOTE 27 PLEDGED ASSETS AND CONTINGENT LIABILITIES**

SEK thousands	Group	
	31/12/2016	31/12/2015
<b>Pledged assets</b>		
Property mortgages	114,020	85,900
Floating charges	315,089	239,750
<i>of which in own custody</i>	<i>208,220</i>	<i>44,625</i>
Ownership reservation regarding leased machines		2,438
Other ownership reservations	2,843	
Mortgaged trade and other receivables		31,007
<b>Contingent liabilities</b>		
Other contingencies	2,045	NONE

**NOTE 28 PROVISIONS – NON-CURRENT AND CURRENT**

SEK thousands	Group	
	2016	2015
<b>Opening pension provisions, non-current</b>	<b>3,316</b>	<b>3,281</b>
Provisions made during the year	2,020	360
Used provisions	-53	-139
Reversed provisions	-50	-51
Acquisition of companies	572	
Translation difference	175	-135
<b>Closing pension provisions, non-current</b>	<b>5,980</b>	<b>3,316</b>
<b>Opening provisions for warranty obligations, non-current</b>		<b>856</b>
Used provisions		-842
Reclassifications	1,864	
Translation difference	25	-14
<b>Closing provisions for warranty obligations, non-current</b>	<b>1,889</b>	
<b>Opening other provisions, non-current</b>	<b>10,208</b>	<b>1,236</b>
Provisions made during the year	609	10,687
Used provisions	-3,103	-4,855
Reversed provisions	-1,194	-495
Acquisition of companies	7,245	3,676
Reclassifications	-2,332	
Translation difference	203	-41
<b>Closing other provisions, non-current</b>	<b>11,636</b>	<b>10,208</b>
<b>Opening provisions for warranty obligations, current</b>	<b>875</b>	<b>545</b>
Provisions made during the year	2,486	360
Used provisions	-367	
Reclassifications	467	
Translation difference	75	-30
<b>Closing provisions for warranty obligations, current</b>	<b>3,536</b>	<b>875</b>

**NOTE 29 OTHER RECEIVABLES**

SEK thousands	Group		Parent company	
	2016	2015	2015	2015
Liability for VAT and personnel	23,004	21,228	807	1,025
Other current liabilities	14,226	14,152	2,352	3,137
	<b>37,230</b>	<b>35,380</b>	<b>3,159</b>	<b>4,162</b>

**NOTE 30 ACCRUED EXPENSES AND PREPAID INCOME**

SEK thousands	Group		Parent company	
	2016	2015	2016	2015
Liability to personnel	89,515	71,394	3,289	3,948
Liability, social security contributions	31,588	28,336	1,362	1,552
Other interim liabilities	20,066	20,490	963	756
	<b>141,169</b>	<b>120,220</b>	<b>5,615</b>	<b>6,256</b>

**NOTE 31 ACQUISITIONS****2016**

Purchase prices and the impact on the Group's cash and cash equivalents was as follows:

Acquisition of subsidiaries	Fair value at time of acquisition		
	Magnetica S.r.l.	Gerdins Industrial System AB	Group
Intangible assets	2,456	76	2,532
Tangible assets	562	32,863	33,425
Financial fixed assets	76	366	442
Operating receivables	7,265	141,392	148,657
Cash and cash equivalents	114	17,982	18,096
<b>Total assets</b>	<b>10,473</b>	<b>192,679</b>	<b>203,152</b>
Non-current provisions		777	777
Interest-bearing non-current liabilities	296	14,927	15,223
Deferred tax liabilities		6,677	6,677
Other current liabilities	13,885	76,218	90,103
<b>Total provisions and liabilities</b>	<b>14,181</b>	<b>98,599</b>	<b>112,780</b>
<b>Total Net Assets</b>	<b>-3,708</b>	<b>94,080</b>	<b>90,372</b>
Remitted remuneration			
Cash and cash equivalents	-1	-82,130	-82,131
Issued new shares (260 000 shares)		-50,700	-50,700
Contingent consideration		-7,000	-7,000
Total remitted remuneration	-1	-139,830	-139,831
Customer relations		29,945	29,945
Deferred tax relating to customer relations		-6,588	-6,588
Goodwill	3,709	22,393	26,102
Less: Cash and cash equivalents in the acquired business	114	17,982	18,096
<b>Effect on cash and cash equivalents</b>	<b>113</b>	<b>-64,148</b>	<b>-64,035</b>

Acquisitions over the past 12 months

Date	Acquisitions	Income for the year, SEK million*	Number of employees*
27 April 2016	Magnetica S.r.l.	19	36
3 October 2016	Gerdins Industrial System AB	430	438

\*Annual revenue and number of employees at the time of acquisition.

On April 27, 2016, AQ Italy S.r.l. acquired 100% of the shares in the unlisted company Magnetica S.r.l. with an accompanying subsidiary in Serbia, Magnetia Technology D.o.o. The payment was 100 EUR, and in connection with the acquisition, AQ Italy S.r.l. capitalised Magnetica S.r.l. by EUR 500 thousand. The companies design and manufacture electromagnetic components and power supplies.

During the period from May to December, the two companies acquired contributed with SEK 12.9 million to the Group's revenues and SEK 1.2 million to the Group's profit after tax. If the acquisition had occurred on January 1, 2016, i.e. including January to April, the company management estimates that consolidated revenue would have been SEK 5.8 million higher and the period's profit would have been 0.5 MSEK lower for the full year in 2016.

The acquisition was made in order to obtain an excellent expertise in the design of power supplies and small inductive components, and they have interesting customers. The acquisition is expected to be a great addition to AQ's business in inductive components.

Acquired intangible assets include customer relationships and patents. Operating receivables are stated at their gross value, which corresponds to fair value. Goodwill includes synergies in the form of more efficient production processes as well as the personnel's technical skills. No part of the goodwill is expected to be tax deductible. No acquisition-related expenses have been incurred.

On October 3, 2016, AQ Group AB acquired 100 % of the shares in the unlisted company Gerdins Industrial Systems AB with subsidiaries Gerdins Components Västerås AB, Elektroprim AB, Plåxan AB, Gerdins Components AB, Gerdins Cable Systems AB, Gerdins Cable Systems Sp. z.o.o and Gerdins Nordkomponent AB.

Gerdins Industrial Systems AB is a leading supplier of components and systems for demanding industrial customers. The company has a turnover of approximately SEK 430 million and has about 450 employees. Operations are conducted in Mjällom, Västerås and Sollefteå in Sweden and in Starogard/Gdanski in Poland.

The purpose of the deal was to expand AQ's customer base and broaden AQ's offering in metal processing and to strengthen wiring manufacturing. The acquisition brought a number of new exciting customers in industries such as defence, forestry and agriculture in Sweden and Germany.

The purchase price was SEK 82.1 million in cash plus 260,000 of shares in AQ Group, as well as an additional purchase price based on 50% of profit after tax in 2016.

The total purchase price is valued at SEK 139.8 million. The company has established an acquisition analysis that shows the effects of fair value of approximately SEK 45.7 million distributed amongst customer relationships at SEK 29.9 million, goodwill at SEK 22.4 million and a deferred tax liability of SEK 6.6 million. The depreciation rate is estimated at ten years for customer relationships. In the estimated goodwill of SEK 22.4 million, synergies are included in terms of more efficient production processes as well as the staff's technical skills of the employees. No part of the goodwill is expected to be tax deductible.

There were no external acquisition-related expenses associated with the acquisition. Operating receivables are booked at gross value, which corresponds to fair value. The shares issued in the new issue were valued at the market price on the day of control.

The acquisition was partly financed with a bank loan of SEK 30 million.

Gerdins Industrial Systems AB had, upon the acquisition, net debt of SEK 9 million and an equity ratio of 49%. The Polish subsidiary Gerdins Cable Systems Sp. z.o.o owns a property of about 2,300 square metres of production area.

During the period from October to December, Gerdins Industrial Systems AB and its subsidiaries contributed with SEK 100 million to consolidated revenues and SEK 2.8 million to the Group's profit after tax. If the acquisition had occurred on January 1, 2016, i.e. included January to September, the company management estimates that consolidated revenue would have been SEK 301 million higher and the period's profit would have been SEK 11.4 million higher for the full year 2016.

At the end of the year, AQ acquired a minority stake in the Bulgarian company, AQ Magnit AD.

No divestments were made during the period.

During the last quarter of 2016, AQ M-Tech AB (Uppsala) merged with AQ Elteknik AB. AQ 3-Elite AB has merged with AQ Staretor AB, which in turn merged with AQ Group AB. AQ Wiring Systems AB (Västerås) has also merged with AQ Group AB.

### 2015

Purchase prices and the impact on the Group's cash were as follows:

Acquisition of subsidiaries	Fair value at time of acquisition		
	Anton Kft	AQ M-Tech AB	Group
Intangible assets	914	512	1 426
Tangible assets	88 450	5 988	94 438
Financial non-current asset	805		805
Working capital	24 883	8 927	33 810
Cash and cash equivalents	51 788		51 788
<b>Total assets</b>	<b>166 840</b>	<b>15 427</b>	<b>182 267</b>
Non-current provisions	3 651		3 651
Interest-bearing non-current liabilities	1 002	931	1 933
Deferred tax liabilities	14 423	770	15 193
Other current liabilities	1 188	8 387	9 575
<b>Total provisions and liabilities</b>	<b>20 264</b>	<b>10 088</b>	<b>30 352</b>
<b>Total Net Assets</b>	<b>146 576</b>	<b>5 339</b>	<b>151 915</b>
Remitted remuneration	-235 243	-5 800	-241 043
Customer relations	37 964		37 964
Technology	12 694		12 694
Deferred tax on customer relations and technology	-7 600		-7 600
Goodwill	45 609	461	46 070
Less: Cash and cash equivalents in the acquired business	51 788		51 788
<b>Effect on cash and cash equivalents</b>	<b>-183 455</b>	<b>-5 800</b>	<b>-189 255</b>

Date	Acquisitions	Annual income, SEK million*	Number of employees*
30 June 2015	Anton Johansson Rostfria	30	24
1 November 2015	Anton Kft.	240	400

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

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

During the two months leading up to December 31, 2015, the subsidiary contributed with SEK 39.9 million to the Group's revenues and SEK 2.3 million to the Group's profit after tax. If the acquisition had occurred on 1 January 2015 i.e. included January to October, the company management estimates that consolidated revenue would have been SEK 202.7 million higher and profit would have been SEK 28.5 million higher for the twelve months ending December 31, 2015.

Acquired intangible assets consist of customer relationships and technology. Goodwill includes synergies in the form of more efficient production processes as well as the staff's technical skills of the employees. No part of the goodwill is expected to be tax deductible. Acquisition-related costs amounted to SEK 0.4 million.

On June 30, 2015, the company acquired 100% of the shares of Anton Johanssons Rostfria AB. The purchase price paid amounted to SEK 5.8 million and the net assets acquired amounted to SEK 5.3 million. The consolidated surplus value of SEK 0.46 million is entirely allocated to goodwill in the form of synergy effects in production processes as well as the staff's technical skills of the employees.

The purpose of the acquisition of Anton Johanssons Rostfria Verkstad was to gain access to a company that manufactures components in stainless steel to customers with specific and unique requirements, for example for laboratory and medical technology industries. The purpose of the acquisition of Anton Kft. was made to obtain expertise in advanced machining of components for demanding customers and to broaden the AQ Group's market and technology in injection moulding and tool production.

No divestments were made during the period.

### NOTE 32 CASH AND CASH EQUIVALENTS

SEK thousands	Group		Parent company	
	2016	2015	2016	2015
Cash and bank balances	162,812	135,602		
<b>Cash and cash equivalents recorded in the cash flow statement</b>	<b>162,812</b>	<b>135,602</b>		

Consolidated total unused limits on overdraft facilities at year end amounted to SEK 176 000 000 (128 770 000).

### NOTE 33 TRANSACTIONS WITH CLOSELY RELATED PARTIES

The parent company has a close relationship with its subsidiaries. Some sales occur between the operating Group companies regarding goods. The Parent Company invoices a management fee to the subsidiaries. All sales occur at market prices and give rise to receivables and liabilities between the Group companies, which are controlled continuously. Between the Parent company and a few Group companies, there is long-term lending and borrowing. These are charged with market interest rates. Most of the Group companies are also connected to a cash pool in the Parent company. The connected companies receive/pay market interest rates. In 2016, AQ Group AB paid SEK 40,576,631 (36,068,116) in dividends to its shareholders. No other transactions between AQ and related parties that significantly affected the company's position and earnings have taken place.

Two of the company's Board members control about 58% (60) of the votes in the company.

No loans to Board members or other key people in leading positions exist.

Other remuneration to the Board and group management, see Note 9

SEK thousands	Parent company	
	2016	2015
Billing	59,237	50,188
Purchase	248	229
Loans to group companies (long-term)	57,211	47,615
Loans to group companies (short-term))	239,644	155,585
Interest-bearing short-term liabilities to group companies	344,024	286,255
Liabilities to group companies (short-term)	4	-
Revenue interest	3,037	1,117
Interest expense	2,040	320

### NOTE 34 PROPOSED PROFIT DISPOSITION

The Board proposes that the retained earnings, SEK 357,931,069, is to be distributed as follows;

<b>Available</b>		<b>Appropriation</b>	
Share premium reserve	84,194,103	Dividend to shareholders, SEK 2,75 per share	50,308,660
Retained earnings incl. profit for the year	273,736,966	Carried forward <sup>1)</sup>	307,622,409
<b>Total non-restricted equity</b>	<b>357,931,069</b>	<b>Total</b>	<b>357,931,069</b>

*1) of which 84,194,103 is transferred to the shareholder premium reserve*

### NOTE 35 POST BALANCE SHEET EVENTS

On January 5, 2017, Nasdaq's listing committee approved AQ Group AB (publ) for admission to trading on Nasdaq Stockholm's main market. The last day of trading on AktieTorget was January 13, 2017. The first day of trading on Nasdaq was January 16, 2017.

The company's shareholders did not need to take any action in connection with the listing. The listing was not associated with any new issue, sale or other offer to the market.

### NOTE 36 EXCEPTIONAL COSTS/INCOME

The Parent company has made a liquidation profit of SEK 2.8 million of its Norwegian subsidiary, AQ Wiring Systems AS. The Parent company also received a refund of the purchase price of SEK 2 million for a previous acquisition. The closure of the plant in Vadstena has cost SEK 7.1 million. The listing change from AktieTorget to Nasdaq Stockholm cost SEK 4.5 million.

## GROUP KEY FIGURES

Key ratios that are defined in accordance with IFRS

SEK	2016	2015	2014	2013
Net revenue, SEK thousands	3,289,215	2,931,878	2,616,097	2,527,372
Earnings per share, SEK	13,01	9,44	8,32	6,83

### Alternative indicators that are not defined according to IFRS

The annual report includes certain key figures which are not defined according to IFRS. AQ's view is that the presented key figures are essential for investors, securities analysts and other stakeholders. Furthermore, the operating margin, cash liquidity and solidity are important measures in terms of AQ's monitoring of results, position and liquidity. AQ's key figures not calculated in accordance with IFRS are not necessarily comparable to similar measures presented by other companies, and have certain limitations as an analytical tool. They should therefore not be considered in isolation from, or as a substitute for, AQ's financial information prepared in accordance with IFRS.

SEK thousands	2016	2015	2014	2013
<b>Operating margin, (EBIT %)</b>				
Operating profit	281,353	201,985	182,586	159,795
Net revenue	3,289,215	2,931,878	2,616,097	2,527,372
<b>Operating margin</b>	<b>8.6%</b>	<b>6.9%</b>	<b>7.0%</b>	<b>6.3%</b>
<b>Profit margin before tax, (EBT %)</b>				
Profit before tax	279,344	211,736	186,652	156,492
Net revenue	3,289,215	2,931,878	2,616,097	2,527,372
<b>Profit margin before tax</b>	<b>8.5%</b>	<b>7.2%</b>	<b>7.1%</b>	<b>6.2%</b>
<b>Liquid ratio, %</b>				
Trade and other receivables	805,186	670,438	594,096	642,811
Other current receivables	160,179	147,876	97,411	74,498
Cash and cash equivalents	162,812	135,602	145,744	67,566
Current liabilities	794,582	668,164	575,612	643,913
<b>Liquid ratio</b>	<b>142%</b>	<b>143%</b>	<b>145%</b>	<b>122%</b>
<b>Debt/equity ratio, %</b>				
Total equity	1,463,195	1,169,736	1,055,230	885,403
Total assets	2,449,796	2,024,282	1,678,724	1,578,082
<b>Debt/equity ratio</b>	<b>60%</b>	<b>58%</b>	<b>63%</b>	<b>56%</b>
<b>Return on total assets, %</b>				
Profit before tax, rolling 12 months	279,344	211,736	186,652	156,492
Financial expenses, rolling 12 months	-12,977	-10,565	-5,778	-4,924
Total equity and liabilities, opening balance for 12 months	2,024,282	1,678,724	1,578,082	1,444,274
Total equity and liabilities, closing balance	2,449,796	2,024,282	1,678,724	1,578,082
Total equity and liabilities, average	2,237,039	1,851,503	1,628,403	1,511,178
<b>Return on total assets</b>	<b>13.1%</b>	<b>12.0%</b>	<b>11.8%</b>	<b>10.7%</b>
<b>Return on equity after tax, %</b>				
Profit for the period after tax, rolling 12 months	235,678	170,453	150,477	123,123
Total equity, opening for 12 months	1,169,736	1,055,230	885,403	783,551
Total equity, closing	1,463,195	1,169,736	1,055,230	885,403
Total equity, average	1,316,465	1,112,483	970,316	834,477
<b>Return on equity after tax</b>	<b>17.9%</b>	<b>15.3%</b>	<b>15.5%</b>	<b>14.8%</b>
<b>Net cash / Net debt</b>				
Cash and cash equivalents	162,812	135,602	145,744	67,566
Non-current interest bearing liabilities	107,779	121,045	3,256	6,660
Current interest bearing liabilities	164,034	159,866	143,656	237,437
Total interest bearing liabilities	271,812	280,911	146,913	244,097
<b>Net cash / Net debt</b>	<b>-109,000</b>	<b>-145,309</b>	<b>-1,169</b>	<b>-176,531</b>

## CONT. GROUP KEY FIGURES

SEK thousands	2016	2015	2014	2013
<b>Growth, %</b>				
<b>Organic growth</b>				
- Net revenue current period	3,289,215	2,931,877	2,616,097	2,527,372
Effect of changes in exchange rates	-20,452	99,569	56,969	-13,444
- Net revenue previous year	2,931,878	2,616,097	2,527,372	2,162,033
- Net revenue for acquired companiesh	327,803	50,450	9,478	312,587
- Organic growth	49,987	165,761	22,278	66,196
Organic growth divided by last year net revenue, %	<b>1.7%</b>	<b>6.3%</b>	<b>0.9%</b>	<b>3.1%</b>
<b>Growth through acquisitions</b>				
Net revenue for acquired companies divided by net revenue previous year, %	<b>11.2%</b>	<b>1.9%</b>	<b>0.4%</b>	<b>14.4%</b>
<b>EBITDA</b>				
Operating profit	281,353	201,985	182,586	159,795
Depreciation	-79,944	-60,980	-56,261	-49,447
EBITDA	<b>361,297</b>	<b>262,965</b>	<b>238,847</b>	<b>209,241</b>
<b>PARENT COMPANY</b>				
<b>Liquid ratio, %</b>				
Account receivables			29	
Other current receivables	251,503	168,390	156,230	302,723
Cash and cash equivalents	-	-	22,352	11,151
Current liabilities	502,146	403,597	206,372	302,062
Liquid ratio, %	<b>50%</b>	<b>42%</b>	<b>87%</b>	<b>104%</b>
<b>Debt/equity ratio, %</b>				
Total equity	395,676	266,752	291,966	310,676
Equity part of untaxed reserves	34,398	32,214	28,080	29,320
Adjusted equity	430,074	298,966	320,046	339,996
Total assets	1,039,360	831,330	534,338	650,328
Debt/equity ratio, %	41%	36%	60%	52%



## DEFINITIONS

### Operating margin, %

Calculated as operating profit divided by net sales. This ratio indicates the profitability achieved in operations. Operating margin is a useful measure for monitoring profitability and efficiency of operations before deduction of bound capital. The ratio is used both internally in the control and monitoring of operations as well as benchmarking with other companies in the industry.

### Profit margin before tax,%

Calculated as profit before tax divided by net sales. This ratio shows the profitability achieved in operations before tax. Profit margin is a useful measure for monitoring profitability and operational efficiency including bound capital. The ratio is used both internally in the control and monitoring of operations as well as benchmarking with other companies in the industry.

### Return on total assets,%

Calculated as profit after financial items plus financial expenses divided by average total assets. This ratio also shows the profitability achieved in operations. This ratio complements the operating margin to the extent that even bound capital is taken into account. It therefore means that the ratio provides information about what return the company's operations give in relation to the amount of bound capital in operations. (In this context, financial investments, cash and cash equivalents and the surplus these give in the form of financial income are taken into account.)

### Return on equity after tax, %

Calculated as profit after tax divided by average equity including minority interests. This is a ratio that shows the company's return on the capital that the owners have invested in the business (including retained earnings) after other parties have received their remuneration. This ratio therefore shows how profitable the company is for its owners. This return is also important for the company's growth opportunities while having balanced finances.

### Equity ratio, %

Calculated as adjusted equity divided by total assets. This ratio reflects the company's financial position and thus its long-term solvency. Having a good equity ratio and thus a strong financial position is important for being able to manage periods of weak economic activity. To have a strong financial position is also important for managing growth.

### Liquid ratio,%

Calculated as current assets (excl. Inventories) divided by current liabilities. This ratio reflects the company's short-term ability to make payments because it takes into account the company's current assets (excluding inventory) in relation to current liabilities. If the liquid ratio exceeds 100%, it means that the assets exceed the liabilities in question.

### Operating profit, SEK thousands

Calculated as profit before tax and financial items. The operating profit shows the results generated from operations and is used with the operating margin and the return on total assets for evaluating and managing operations.

### Profit before tax / Profit after net financial items, SEK thousands

Calculated as profit before tax. The key figure shows the earnings generated by operations and financial income while taking into account payments to creditors for the capital they are contributing to finance the business. The measure thus shows the remaining profit to the owners, yet takes into account that the public receives a share (tax) of this profit.

### Net cash/Net debt, SEK thousands

Calculated as the difference between interest-bearing debts and cash. This key figure reflects the amount of interest-bearing liabilities with regard to existing cash and cash equivalents. The ratio therefore provides a good picture of indebtedness.

### Growth, %

The company uses two indicators to describe growth; 1) organic and 2) growth through acquisitions. Organic growth is calculated as the difference between net sales for the period and the preceding period, excluding currency effect and net sales of acquired units. Organic growth in %, is calculated as the organic growth divided by the net sales for the same period previous year. Growth through acquisitions is calculated as net sales of acquired companies divided by the net sales in the same period in the previous year. Growth is a key component of the company's strategy as growth is required to be one of the leading players in the markets where it operates. Growth is partly through acquisitions and partly organic. It is important to monitor and present the growth achieved by each growth method because these are two different ways to grow. Acquisitions are made when opportunities open up to expand the business in a particular geographic market or in a specific product area (which is in line with the company's strategic plan). Organic growth usually has the character of a continuous expansion of existing operations.

### Dividend per share, SEK

Dividend per share is decided at the Annual General Meeting where the annual report is approved for the fiscal year. The number of shares is the number of thousands of shares outstanding at the date of distribution.

### EBITDA

Calculated as the period's net operating profit with the addition of depreciations and amortisation of tangible and intangible assets. The measure is used in the calculation of covenants towards the bank.

### **BOARD CERTIFICATION**

The consolidated financial statements and the annual report have been prepared in accordance with the international accounting standards referred to in the European Parliament's and Council's Regulation (EC) No 1606/2002 as of July 19, 2002 regarding the application of international accounting standards and generally accepted accounting principles in Sweden and provides a true and fair view of the group's and parent company's position and results. The Directors' Report for the Group and the Parent Company provide a fair overview of the development of the

Group's and the Parent Company's financial position and results and describes significant risks and uncertainties which the Parent company and the companies included in the Group are facing.

The annual report and the financial statements have, as stated above, been approved for publication by the Board and the CEO on April 4, 2017. Consolidated financial statements and the Parent company's income statement and balance sheet are subject to approval at the AGM on April 27, 2017.

Västerås, Sweden, 2017-04-04

Per-Olof Andersson  
*Board Chairman*

Claes Mellgren  
*CEO Board member*

Patrik Nolåker  
*Board member*

Hidayet Tercan  
*Board member*

Gunilla Spongh  
*Board member*

Ulf Gundemark  
*Board member*

Our audit report has been submitted on 2017-04-05  
*KPMG AB*

Helena Arvidsson Älgne  
*Authorised auditor*

# AUDITOR'S REPORT

# Auditor's Report

To the general meeting of the shareholders of AQ Group AB (publ), corp. id 556281-8830

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of AQ Group AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 34-82 in this document.

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 2016 and its financial performance and cash flow 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 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts. We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

#### Valuation of inventories

See disclosure 2.8 and accounting principles on page 54 in the annual accounts and consolidated accounts for detailed information and description of the matter.

##### Description of key audit matter

The Group reports per December 31, 2016 inventories of 581 million SEK, which represents 24% of total assets. Inventories consist mainly of raw materials and supplies as well as work in progress, finished goods and merchandise.

On the reporting date, the value of inventories was written down by 73.8 million SEK. The calculation of the amount written off is based on an established internal valuation model. The model is based on historical risks of obsolescence.

Accounting of inventories is deemed to be a particularly important area since the large volume of transactions means that the cut off at arrival and dispatch of stock and the right application of the obsolescence calculation model is critical to ensure that a material error in the financial reporting should not arise.

##### Response in the audit

In our audit approach, we have focused on establishing whether the Group's IT-system supports the financial reporting of inventories. For example, we tested the general IT security controls and the application controls in the financial system linked to areas that are essential to ensure correct reporting of inventory in the financial statements such as pricing, despatches and deliveries of goods.

We have assessed whether the Group's model for the obsolescence provision calculation correctly includes the redundancies that arise as a result of turnover rate as well as consumption. Furthermore, we have in our audit of the subsidiaries verified that the model has been used consistently across the Group.

We also checked the completeness of the information contained in the annual report and assessed whether it is consistent with the principles applied.

### Valuation of trade receivables

See disclosure 3 and accounting principles on page 54 in the annual account and consolidated accounts for detailed information and description of the matter.

#### Description of key audit matter

The Group reports per December 31, 2016 trade receivables of 805 million SEK, which represents 33% of total assets.

On the balance sheet date, trade receivables were written down by 3.2 million SEK. The valuation is based on a separate/specific/particular impairment test [performed by the Group].

This is considered a particularly important accounting area because the impairment test/calculation is reliant on significant levels of management judgment/estimates.

#### Response in the audit

For example, we followed up on payments received after the closing date. Furthermore, we have studied the aged accounts receivable ledger in order to identify and evaluate whether any additional provisioning requirements exist beyond those that management has taken into account in the annual report.

We have challenged management's assessment of the recoverable amount of receivables for which the due date has passed.

We also checked the completeness of the information contained in the annual report and assessed whether it is consistent with the principles applied.

### Accounting for business combinations

See disclosure 31 and accounting principles on page 52 in the annual account and consolidated accounts for detailed information and description of the matter.

#### Description of key audit matter

During the year, all of the shares in the Gerdin Group were acquired for a purchase price of 140 million SEK. In connection with business combinations, the new operations are reported in the consolidated financial statements, which requires that an acquisition analysis is prepared. In preparing this analysis, acquired assets and assumed liabilities - regardless of whether they have been reported previously or not - are identified and assigned amounts equivalent to their fair value at the acquisition date.

To perform this analysis, it is essential to have knowledge of appropriate accounting methods to use in the analysis and knowledge of the circumstances of the acquired business which will result in values to be recognized in the Group accounts.

The acquisition analysis requires Group management to make judgments regarding which assets to include in the accounts - in particular, the intangible assets can be difficult to assess - and what values they should be assigned in the financial statements. These estimates affect the Group's future results, for example because the results will be different when depreciable or non-depreciable assets are entered in the accounts. The value that remains after all the acquired assets and liabilities have been assessed and valued is recorded as goodwill. This goodwill is not amortized but should be subject to an annual impairment test.

#### Response in the audit

We have analyzed the acquisition analysis performed in order to assess whether it has been produced using the appropriate methods. We have focused our audit work on among other things the valuation of intangible assets and assessed whether the techniques that the Group management used to assign values to these assets in the financial statements comply with applicable regulations and established valuation techniques. In our work, we have been assisted by our internal valuation specialists.

Another important part of our work has been to assess whether the assets included in the acquisition analysis truly exist and whether all assets, in particular the intangible ones, have been included in the analysis. This assessment is, among other things, based on the inspection reports drawn up in connection with the due diligence process performed before the acquisition was completed.

We also checked the completeness of the information contained in the annual report and assessed whether it is consistent with the information that the group has used in its acquisition analysis and whether the information is sufficient to understand management's assumptions.

### Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 3-27, 32-33 och 88-91. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

## Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## Report on other legal and regulatory requirements

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### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of AQ Group AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

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### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

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### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

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### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

has undertaken any action or been guilty of any omission which can give rise to liability to the company, or in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a 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.

Västerås 5 April 2017

KPMG AB

Helena Arvidsson Älgne  
Authorized Public Accountant

### GROUP STRUCTURE - OPERATIONS

#### PARENT COMPANY

##### **AQ Group AB (publ) (556281-8830)**

The company, based in Västerås, is the parent company of the Group. The business consists of general corporate and financial management for Swedish subsidiaries.  
CEO: 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. Operations are conducted in Västerås, Bollnäs, Lund and Örnsköldsvik.  
MD: Ola Olsson

##### **AQ M-Tech AB (556358-1411)**

The company develops, designs, manufactures and installs control equipment. The company has its own products such as sensors for detection of gas and liquid flows and heating jackets to avoid condensation in demanding filter applications. The company designs and manufactures mechanical components and systems for high-tech clients. The company's operations are conducted in Uppsala.  
MD: Tobias Hammar

##### **AQ Enclosure Systems AB (556660-1844)**

The company is engaged in manufacturing and selling complete machines and sheet metal components. The company's operations are conducted in Vaggeryd, Kista and Falköping.  
MD: Martin Elm

##### **AQ Mekatronik AB (556666-7829)**

The company develops, designs and sells products for the rail industry, electrical products and relays. The company's operations are conducted in Västerås.  
MD: Ola Olsson

##### **AQ ParkoPrint AB (556574-6319)**

The company manufactures e.g. electromechanical products such as ticket vending machines and printers. Operations are conducted in Gävle.  
MD: Martin Elm

##### **AQ Plast AB (556497-2239)**

The company designs and manufactures stamped metal components, injection moulded thermoplastic components and combination products. Operations are conducted in Anderstorp, Torslanda and Västerås.  
MD: Leif Plate

##### **AQ Engineering AB (556622-8697)**

The company operates a consultancy business focusing on engineering work for demanding industrial customers. Operations are conducted in Torslanda.  
MD: Leif Plate

##### **AQ Segerström & Svensson AB (556545-8790)**

The company processes and assembles sheet metal through pressing, cutting, robot welding and ED/powder painting. The company's operations are conducted in Eskilstuna, Pålshoda and Lyrestad.  
MD: Ivan Obrovac

##### **AQ Trafo AB (556443-9726)**

The company develops and sells inductors and transformers. Operations are conducted in Enköping.  
MD: Claes Mellgren

##### **AQ Welded Structures AB (556660-2016)**

The company develops, manufactures and sells sheet metal components for demanding industrial customers. The company's operations are conducted in Ludvika.  
MD: Jennie Söderlund

##### **AQ Industrial Systems AB (556937-6576)**

Is a holding company for the subsidiaries AQ Components Västerås AB, AQ Elektroprim AB, AQ Plåxan AB, AQ Components AB, AQ Wiring Systems AB, AQ Wiring Systems STG Sp. Z.o.o och AQ Enclosure Sollefteå AB.  
MD: Claes Mellgren

##### **AQ Components Västerås AB (556733-7216)**

The company designs, engineers and manufactures sheet metal parts ranging from simple components to complete systems. The company's operations are conducted in Västerås.  
MD: Ivan Obrovac

##### **AQ Elektroprim AB (556634-8065)**

The company is engaged in manufacturing and selling air filter units.  
MD: Ola Olsson



**AQ Plåxan AB (556473-5073)**

The company specialises in prototyping, repairs and other needs where time and flexibility are of utmost importance. The company's operations are conducted in Västerås.  
MD: Ivan Obrovac

**AQ Components Mjällom AB (556209-2634)**

The company provides high-quality welding to customers within cranes, trains, defence, forestry and construction equipment. Delivers mechanical components and parts within sheet metal and machining.  
MD: Ivan Obrovac

**AQ Wiring Systems AB (556261-0955)**

The company offers solutions in the development and manufacture of electrical systems (wiring systems, electronics and mechanics, etc.), for the Scandinavian and European markets. The Company's operations are conducted in Mjällom.  
MD: Ivan Obrovac

**AQ Enclosure Sollefteå AB (556720-8466)**

The company designs, engineers and manufactures sheet metal parts ranging from simple components to complete systems. The company's operations are conducted in Sollefteå.  
MD: Joakim Falk

**OTHER SWEDISH SUBSIDIARIES****AQ Fastighet i Lund AB (556527-5228)**

The company manages an industrial property in Lund of approximately 2,100 m<sup>2</sup> where AQ Elautomatik AB operates.  
MD: Ola Olsson

**AQ Fastighet i Lyrestad AB (556443-9734)**

The company manages an industrial property in Lyrestad, Mariestad of 7,360 m<sup>2</sup> where AQ Segerstrom & Svensson AB operates.  
MD: Ivan Obrovac

**AQ Fastighet i Pålsboda AB (556275-6212)**

The company manages an industrial property in Pålsboda of approximately 3,000 m<sup>2</sup> where AQ Segerstrom & Svensson AB operates.  
MD: Ivan Obrovac

**AQ Fastighet Tokarp AB (556220-0195)**

The company manages an industrial property in Anderstorp of approximately 10,000 m<sup>2</sup> where AQ Plast AB operates.  
MD: Leif Plate

**AQ Fastighet i Torslanda AB (556690-3018)**

The company manages an industrial property in Torslanda of approximately 1,500 m<sup>2</sup> where AQ Plast AB and AQ Engineering AB operate.  
MD: Leif Plate

**AQ Fastigheter i Gävle AB (556448-3385)**

Subsidiary of AQ ParkoPrint AB.  
The company manages an industrial property in Gävle of 4,590 m<sup>2</sup> where AQ ParkoPrint AB operates.  
MD: Martin Elm

**FOREIGN OPERATING SUBSIDIARIES****AQ Electric AD (1135 61397)**

The company is owned 96% by AQ Group AB (publ). The company designs, manufactures and sells electric cabinets and mechanical parts. Operations are conducted in own properties of 27,994 m<sup>2</sup> in Radomir, Bulgaria.  
MD: Emil Nikolov

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

The company designs, assembles and sells cabinet units, wiring systems and inductive components. The company's operations are conducted in Suzhou, China, and are geared towards external customers in Asia.  
MD: Andreas Björk

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

The company manufactures and sells stamped metal components and injection moulded thermoplastic parts. The company's operations are conducted in Suzhou, China, and are geared towards external customers in Asia.  
MD: Ragnar Koppel

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

The company manufactures and sells metal products, inductive components and wiring systems. The company's business is conducted in Pune, India.  
MD: Ajit Vibhandik

**AQ Italy S.R.L. (04056160965)**

The company is based in Milan, Italy, and is an engineering and sales company, primarily involving inductive components. MD: Giovanni Di Manici

### CONTINUATION: FOREIGN OPERATING SUBSIDIARIES

#### **AQ Lasertool OÜ (10930852)**

The company manufactures, assembles and sells processed sheet metal parts and performs surface treatment for industrial customers. The company operates in its own property of about 10,000 m<sup>2</sup> in Pärnu, Jüri and Viimsi, Estonia.

MD: Rein Volt

#### **AQ Magnit AD (1220 33267)**

The company is owned 99 % by AQ Group AB (publ). The company manufactures and sells inductive components and relays. The company operates in its own property of approximately 7,600 m<sup>2</sup> in Godech, Bulgaria.

MD: Ivan Stratiev

#### **AQ Plastronic AD (1040 11529)**

The company is owned 95 % by AQ Group AB (publ). The company produces electric instruments, electronics, injection moulded thermoplastic components and maintains tools for injection moulding. The company conducts operations in Veliko Tarnovo, Bulgaria.

MD: Emil Nikolov

#### **AQ Wiring Systems SA de CV (DME051116H2A)**

The company manufactures and sells wiring systems and electromechanical modules for industrial customers. The company conducts business in Tultitlan Edo, Mexico.

MD: Javier Abarca

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

The company manufactures and sells wiring systems and electromechanical modules for industrial customers. The company conducts operations in Lodz, Poland.

MD: Mariusz Kopec´

#### **AQ Wiring Systems UAB (148 427 212)**

The company manufactures and sells wiring systems and electromechanical modules. The company conducts business in Panevezys, Lithuania.

MD: Nerijus Olsauskas

#### **AQ Manufacturing Co., Ltd (0115558018096)**

The company manufactures and constructs mechanical components and assembles units. The company has operations in Bangkok, Thailand.

MD: Ragnar Koppel

#### **AQ Anton Kft. (20-09-061216)**

The company is a leading within the machine processing of components for large industrial gas turbines (IGT), in the production of complex moulded components and in the design and manufacture of tools. The company operates in Zalaegerszeg, Hungary.

MD: András Németh

#### **AQ Magnetica S.R.L (02591110420)**

The company is a technology and sales company, primarily for inductive components. The company conducts business in Castelfidardo, Italy.

MD: Giovanni Di Manici

#### **AQ Magnetica Technology D.O.O (20993294)**

The company designs and manufactures inductive components.

The company conducts business in Salaš Noćajski, Serbia.

MD: Živka Stoleski

#### **AQ Wiring Systems STG Sp.Z.o.o (013080256)**

The company manufactures and sells wiring systems and electromechanical modules for industrial customers. The company conducts business in Starogard Gdanski, Poland.

MD: Ewa Sulewska

### OTHER

During 2016, AQ M AB (556090-4285) merged with AQ Elteknik AB (556090-4285) which has been renamed to AQ M-Tech AB.

AQ 3-Elite AB (556704-6981) has merged with AQ Staretor AB (556690-3026), which in turn merged with AQ Group AB.

AQ Wiring Systems AB (556630-1437) has merged with AQ Group AB.

AQ Wiring Systems AS (987 815 566) has been liquidated.

# WE ARE RELIABLE

## Customer focus

### **Customers always come first.**

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

## Simplicity

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

## Entre- preneurial business

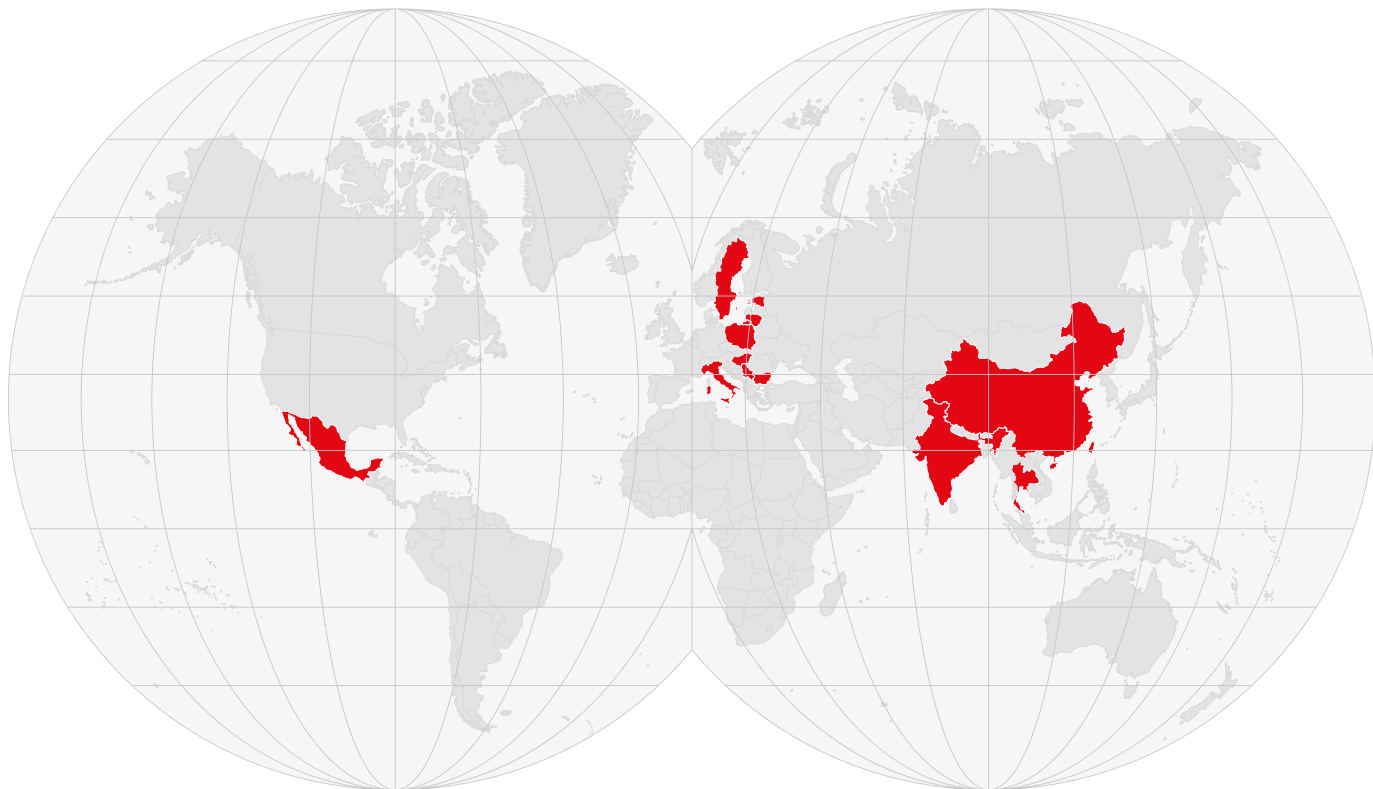
Companies within the AQ Group shall, based on AQ core values, run their business as entrepreneurs and strive for profitability and growth.

## Courage and respect

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

## Cost efficiency

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



• Countries where AQ Groups has operations:

Bulgaria	China	Serbia
Estonia	Lithuania	Sweden
India	Mexico	Thailand
Italy	Poland	Hungary