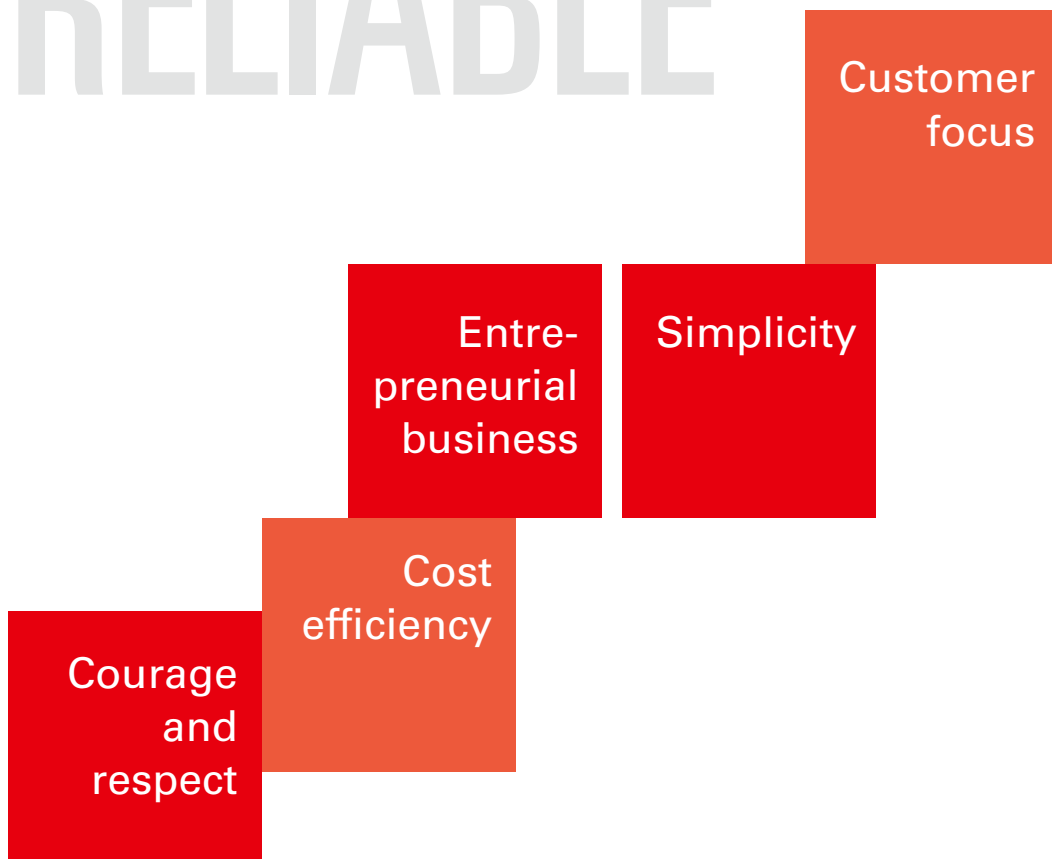




AQ Group AB

Annual Report **2017**

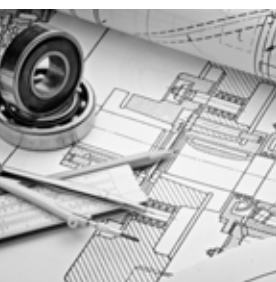
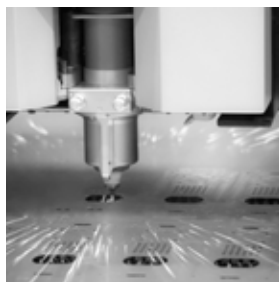
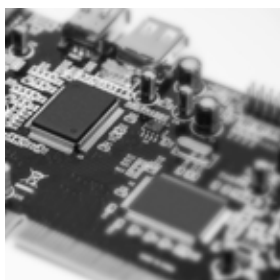
WE ARE RELIABLE



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.

Contents

AQ Group Business Concept	4	Notes to the financial statements	53
History	5	Note 1. General Information	54
A Word from the CEO	6	Note 2. Report on the application of accounting principles	54
Our values	8	Note 3. Financial instruments and financial risk management	57
Goals and strategies	10	Note 4. Amended accounting principles	60
Business model	12	Note 5. Important estimates and assessments for accounting purposes	61
Rolling stock	13	Note 6. Operating segments and market allocation	61
Global industrialization	14	Note 7. Other operating income	63
Purchasing function	15	Note 8. Other external costs	64
Acquisitions and integration	16	Note 9. Staff	65
Sustainable enterprise	17	Note 10. Profit from shares in group companies	67
Electric cabinets	23	Note 11. Interest income and similar result entries	67
System products	23	Note 12. Interest costs and similar result entries	67
Injection moulding	24	Note 13. Appropriations	68
Inductive components	24	Note 14. Taxes	68
Wiring systems and electromechanical modules	25	Note 15. Other intangible assets	69
Sheet metal processing	25	Note 16. Goodwill	70
Special technologies and engineering	26	Note 17. Buildings and land	71
Shares, share capital and ownership	27	Note 18. Machinery and other technical installations	71
Corporate Governance Report	30	Note 19. Equipment, tools and installations	72
Board	34	Note 20. Installations under construction	72
Group management	35	Note 21. Stocks and shares in subsidiaries	72
Directors' report	36	Note 22. Long-term assets	74
Events during the year	36	Note 23. Long-term receivables	74
Multi-year overview	38	Note 24. Prepaid costs and accrued income	74
Proposed appropriation of profit	41	Note 25. Equity	74
Consolidated income statement	42	Note 26. Untaxed reserves	75
Consolidated statement of total income	43	Note 27. Assets pledged and contingent liabilities	75
Consolidated balance sheet	44	Note 28. Provisions - Long and short terms	76
Consolidated statement of changes in equity	46	Note 29. Other debts	76
Consolidated cash flow analysis	47	Note 30. Accrued costs and deferred income	76
Parent company's income statement	48	Note 31. Acquisitions	77
Parent company's balance sheet	50	Note 32. Cash equivalents	79
Parent company's statement of changes in equity	51	Note 33. Related party transactions	80
Parent company's cash flow analysis	52	Note 34. Proposed distribution of profit	80
		Note 35. Events after balance sheet date	80
		Note 36. Exceptional expenses/income	80
		Group key figures	81
		Definitions	83
		The Board's testimonial	84
		Auditor's report	85
		Group structure	90
		Notes	93



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 5,500 employees in total, around 80% of them in growth countries outside Sweden. Annual turnover is SEK 4.0 billion. The company is listed on Nasdaq Stockholm's main market since January 16, 2017 and has the highest credit rating AAA Gold.

SYSTEM

- Electric cabinets
- System products

COMPONENT

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

AQ's WORLD

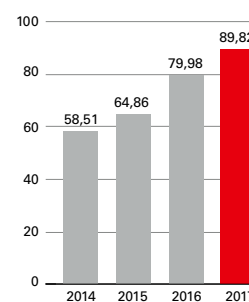
AQ currently has operations in Sweden, Bulgaria, Serbia, Hungary, Estonia, Poland, Lithuania, Mexico, Italy, India, China and Thailand. The number of employees in the different countries are distributed as follows.

Average number of employees	2017			2016			2015		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Parent company, Sweden	13	10	23	10	9	19	10	8	18
Subsidiaries, Sweden	224	796	1 020	215	771	986	215	579	794
Bulgaria	619	527	1 146	543	438	981	519	447	966
Estonia	85	300	385	79	270	349	93	286	379
India	9	114	123	10	124	134	12	134	146
Italy	7	12	19	13	11	24	1	3	4
China	177	295	472	187	311	498	204	335	539
Lithuania	561	127	688	564	124	688	529	118	647
Mexico	124	38	162	95	32	127	68	26	94
Poland	599	411	1 010	520	353	873	257	251	508
Serbia	25	11	36	7	10	17	-	-	-
Thailand	20	14	34	10	10	20	4	8	12
Hungary	104	326	430	120	327	447	121	290	411
Total	2 567	2 981	5 548	2 373	2 790	5 163	2 033	2 485	4 518

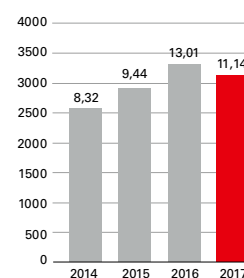
HISTORY IN BRIEF

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
2001 6 juni	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 Carat i Bulgarien, Sertec Engineering and Foleshill Metal Finishing in Estonia.
2015	Acquisition of Anton Kft in Ungern and Anton Johanssons Rostfria Verkstad AB in Sweden.
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.

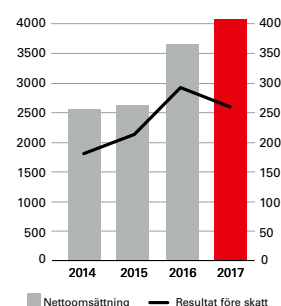
Equity per share, SEK



Profit after taxes per share, SEK



Net turnover and profit before taxes, MSEK



INVESTMENTS



It is important to continue to invest heavily in knowledge and new technology, which means that:

- We have inaugurated our new investment in a painting plant (ED), the first in Bulgaria
- We offer increased elements of design work to customers
- We introduce administrative rationalization in electronic invoice management, IT security, etc.
- We take new initiatives in additive manufacturing
- We use our in-house developed laser machine to process ceramic materials

MARKET

Firstly, let us be clear, the profit and the cash flow at the end of the year is a disappointment. The fourth quarter was our 93rd consecutive quarter with profit. We have increased our turnover every year since the start October 1, 1994 i.e. for 23 years.

The organic growth for the year was 11.4 % compared to 1.7 % in 2016. The growth for the year was good, but also challenging.

We must work harder to improve our margins. Our goal is 8% and accumulated for the full year the EBT margin was 6.4%, which means that we are well below our goal. We have some subsidiaries, which have had problems with profitability for a longer time. We have been too patient with these subsidiaries.

Our company AQ Welded Structures, with a production site in Ludvika, has shown losses for a long time. The company showed a big loss in 2017. When one of our customers announced a move of a product family abroad, we will lose more volume. As a consequence, we have called for negotiations with the unions for a restructuring of the company, which has 51 employees.

We have problems with profitability in our sheet metal and plastic components business to commercial vehicles in Sweden. The ongoing action program has given improvement, but it will take more time to get the business to a satisfactory profitability.

At the end of the year we have seen raw material prices continue to increase, e.g. within the steel and plastics areas.

On this matter we must be self-critical. We have been too "nice" and too slow to transfer the increased prices to our customers. During the first quarter of 2018 this have to come into full effect especially to our automotive customers.

We have seen some move of our product mix during the year. The volume to the automotive industry has increased. During 2017, our customers in China e.g. in telecom have seen reduced turnover, which has decreased our volume and significantly reduced our profit for AQ in China. The global demand of large gas turbines has decreased, which has affected our company in Hungary negatively. On the positive side we have started to deliver to smaller gas turbines and doing repair of components for jet engines. Our company in India is still expanding, but it hasn't reached break-even yet.

There is an economic expansion in the industry. Several of AQ's leading industrial customers show good growth. This partly explains AQ's high organic growth in the fourth quarter. In parallel I believe

that we are gaining market shares in several business areas. Some examples are:

- We won a completely new business of supply of wire harnesses to Scania Bus

- Started our first project with inductive components to new Shinkansen high speed trains in Japan

- We won new important deals where we also make design on behalf of the customer

- Signed an agreement with Northvolt, where AQ is part of the industrialization of their future products within energy storage

- Awarded several projects for driver desks to trains and metros

- Our business with a customer in marine environment technology is growing significantly

Successively during the year several of our production units have had increased utilization. We see a need in increased investment in production capacity in several areas. Therefore, during the year we have:

- Increased personnel with 350 people

- Acquired another production facility in Hungary

- Started investments in new production facilities in Poland

- Inaugurated a new production facility in Bulgaria

- Decided to expand production space in India

- Decided to move to increased production space in Mexico

These are of course positive signs, that our customers have a good order backlog and that they have confidence in AQ.

During the fourth quarter we continued to have challenges with increased lead-time of raw material and components, which has caused delays of deliveries to our customers. This cost a lot of money in express transports, overtime and extra personnel. However, the biggest cost is that it affects our customers' confidence and it's contrary to our value "We are reliable".

Inventory has grown significantly quicker than the growth of our sales. Therefore, we have started an inventory reduction project to reduce the tied-up capital and to improve our procedures. The work is well under way with the first subsidiary.

Altogether our ongoing activities shall give increased margins and a better cash flow approaching our goals.

ACQUISITIONS

After our introduction on Nasdaq in 2017 the inflow of acquisition opportunities has increased, especially from abroad.

The integration of "Gerdins", which was acquired in 2016 has gone according to plan and is now completed.

We are always looking at a number of acquisition opportunities. We would like to strengthen our presence and capabilities in the growth areas where we are already present. We also work to follow some of our important customers to completely new geographic regions. The reason that we haven't closed any deals is that in some cases we have viewed the purchase price being too high and in some cases their earnings haven't been according to plan.

ORGANISATION

Our focus is always to adapt to customers' requirements and real demands. It's a strategy we will continue to follow, to be fast movers and adaptable no matter of market conditions. Our organisation is built on entrepreneurship, which is a foundation in our core values.

OUTLOOK

Right now, we are working to eliminate our sources of loss, increase our prices and reduce the capital tied up. Our guideline is to be a stable, growing and profitable company long term. We have a strong financial position and we have entrepreneurs working in our subsidiaries. We like doing business. We have customer focus. Our employees and leaders are doing a good job and it will also in the future give new business and a stable profit.

AQ is well positioned for new acquisitions from a financial as well as from a management view. With strong relations to world leading customers and engaged employees we shall work hard with continued growth, cash flow and a stable profit level. An important part of this is our core values and our efforts to be a reliable supplier to leading industrial customers. This creates the foundation for a continued positive development for AQ and its owners.

I especially want to thank our customers for a good cooperation and our employees for their good work during 2017

Claes Mellgren
CEO

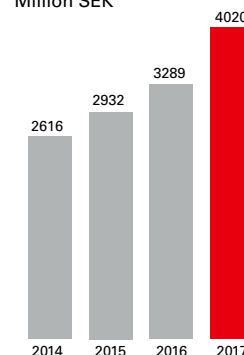


The main points of the strategy for profitable organic growth are to:

- 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

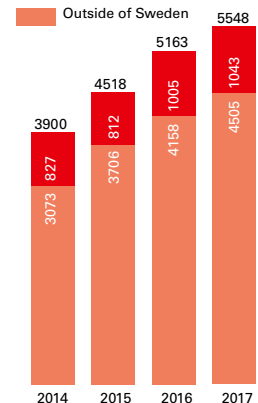
Net turnover

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 2017, 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

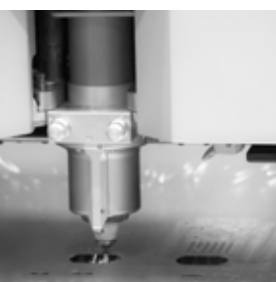
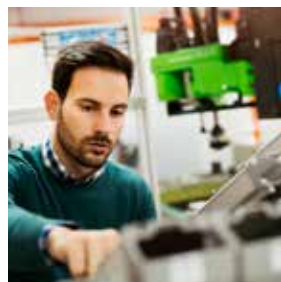
The main points in the strategy for profitable organic growth are:

- 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



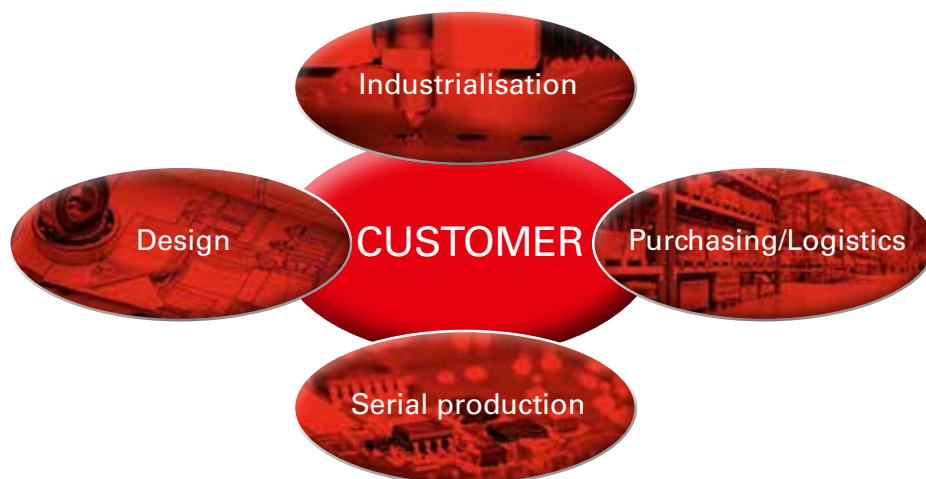
GOALS		DESCRIPTION	FULFILLMENT												
PRODUCT QUALITY															
Our products shall be delivered without generating any disruptions for our customers. Product quality shall be perfect in the customer's eyes.	100%	In order to assess product quality, we measure the number of disruptions that occur 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 99.5%.	<table border="1"> <caption>Product Quality Fulfillment (%)</caption> <thead> <tr> <th>Year</th> <th>Fulfillment (%)</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>99.5</td> </tr> <tr> <td>2014</td> <td>99.5</td> </tr> <tr> <td>2015</td> <td>99.5</td> </tr> <tr> <td>2016</td> <td>99.5</td> </tr> <tr> <td>2017</td> <td>99.5</td> </tr> </tbody> </table>	Year	Fulfillment (%)	2013	99.5	2014	99.5	2015	99.5	2016	99.5	2017	99.5
Year	Fulfillment (%)														
2013	99.5														
2014	99.5														
2015	99.5														
2016	99.5														
2017	99.5														
DELIVERY PRECISION															
To perform according to expectations is the key to success. Our ability to deliver on time is our main priority.	98%	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 2017. 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>2013</td> <td>94</td> </tr> <tr> <td>2014</td> <td>96</td> </tr> <tr> <td>2015</td> <td>96</td> </tr> <tr> <td>2016</td> <td>94</td> </tr> <tr> <td>2017</td> <td>92</td> </tr> </tbody> </table>	Year	Fulfillment (%)	2013	94	2014	96	2015	96	2016	94	2017	92
Year	Fulfillment (%)														
2013	94														
2014	96														
2015	96														
2016	94														
2017	92														
FINANCIAL STANDING															
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%.	>40%	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>2013</td> <td>55</td> </tr> <tr> <td>2014</td> <td>62</td> </tr> <tr> <td>2015</td> <td>58</td> </tr> <tr> <td>2016</td> <td>60</td> </tr> <tr> <td>2017</td> <td>60</td> </tr> </tbody> </table>	Year	Fulfillment (%)	2013	55	2014	62	2015	58	2016	60	2017	60
Year	Fulfillment (%)														
2013	55														
2014	62														
2015	58														
2016	60														
2017	60														
PROFITABILITY															
AQ's goal is to reach a profit before tax at 8% over a business cycle.	+8%	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>2013</td> <td>6</td> </tr> <tr> <td>2014</td> <td>7</td> </tr> <tr> <td>2015</td> <td>7</td> </tr> <tr> <td>2016</td> <td>8</td> </tr> <tr> <td>2017</td> <td>6</td> </tr> </tbody> </table>	Year	Fulfillment (%)	2013	6	2014	7	2015	7	2016	8	2017	6
Year	Fulfillment (%)														
2013	6														
2014	7														
2015	7														
2016	8														
2017	6														





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.

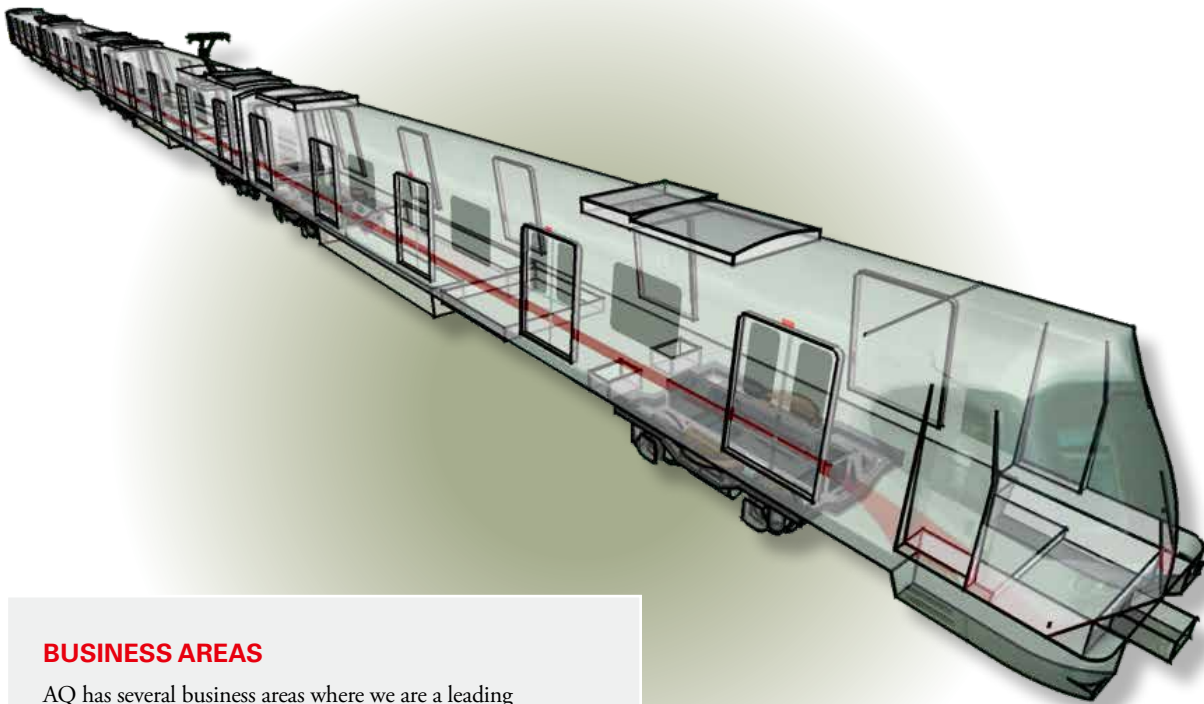
Rolling stock

Within the community, there is a trend towards electrified transport and vehicles. Large investments have been made in modern rolling stock in Europe and Asia. Many of AQ's current customers are leaders in the railway industry. AQ has for more than 20 years been a leader in the design and manufacturing of inductive components for trains and metros. We have also together with our customers developed technologies that save money and the environment e.g. the use of friction stir welding of aluminium enclosures.

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

REFERENCE PROJECTS

- Design, industrialisation and serial deliveries of transformers and inductors from Bulgaria, India and China to rolling stock all over the world.
- Industrialisation and serial deliveries of driver desks from Bulgaria to railway projects in Germany and Belgium
- Wiring systems from Poland, India, China and Mexico to railway customers globally.
- Serial deliveries of roof modules to high speed trains in Germany.
- Design and serial deliveries of master controllers from Sweden to four large railway projects in England.
- Deliveries of friction stir welded aluminium enclosures from Estonia and India to several leading train manufacturers globally
- Design and deliveries of copper bars from Sweden to train manufacturers all over the world.



BUSINESS AREAS

AQ has several business areas where we are a leading component and system supplier to rolling stock:

- Inductive components
- Wiring systems
- Electric cabinets
- Sheet metal processing
- Master controllers
- Special technologies and engineering

Local sales directly from the factory gives a strong profitable organic growth

Contract manufacturing is a competitive business. AQ can't rely on patents or its brand to gain market shares. Our strategy is with local production and sales near the customer to offer the most cost-effective solutions. Our customers are global suppliers of advanced technical products. They have a continuous need to find reliable suppliers near their own production sites.

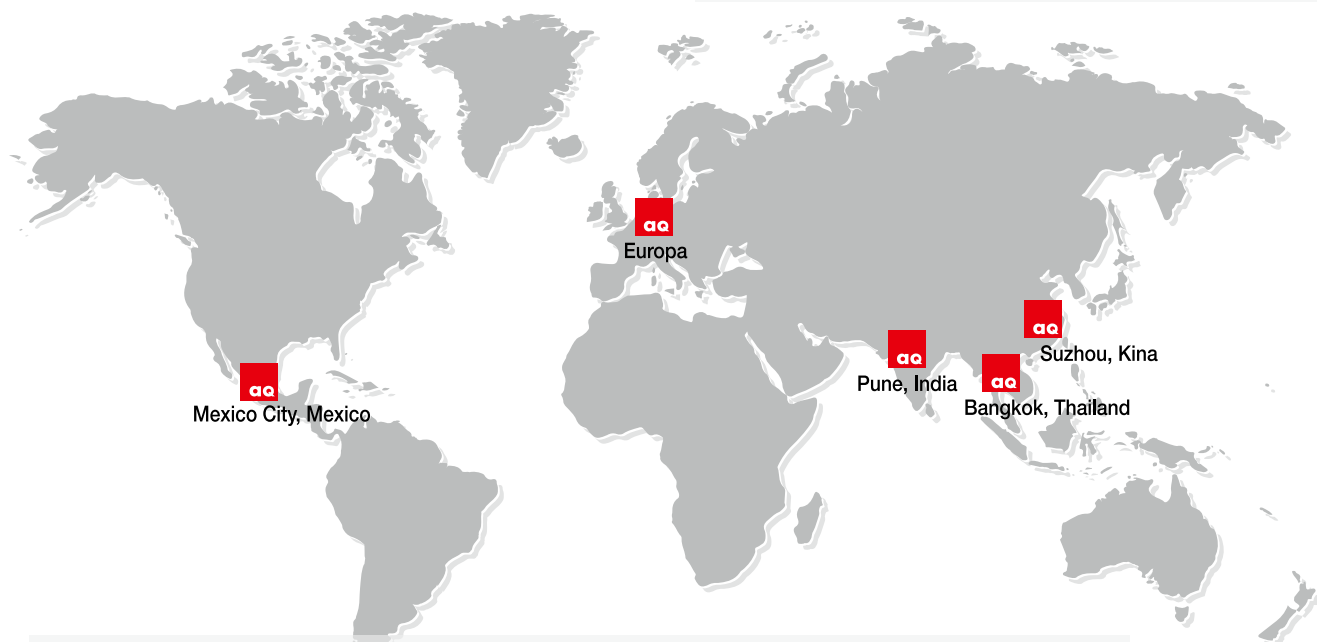
We see clearly that demand for local content is increasing on many of our customers' markets. Therefore, it is of utmost importance that we listen to our customers' request to be present on the local markets.

During 2017 we have continued expansion of our companies in India, Mexico and Eastern Europe.

We believe that local sales and production where we eliminate intermediaries such as logistics companies, sales office and distributors, makes our products more profitable for both us and our customers. It is of course also good for the environment.

REFERENCE PROJECTS

- Production of inductive components to the world largest train manufacturer in China, CRRC
- Supply of wiring system to the world leading bus manufacturer locally from our factories in China, India, Mexico and Lithuania
- Supply of equipment for the largest med tech company in the world from our factories in Bulgaria, China and Uppsala
- Supplye to the defence industry from our factories in Sweden and Poland
- Mobile phone components from our factories in Thailand and China



BUSINESS AREAS

All of AQ's business areas are close to their customers. Below are described in which countries We have activities 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, Estonia, Thailand and India.

Injection moulding: Sweden, Hungary, Bulgaria, China

System products: Sweden, Bulgaria, China

Special technologies and engineering: Sweden, Hungary, China, Bulgaria

THE PURCHASING FUNCTION CONTRIBUTES TO INCREASE AQ'S COMPETITIVENESS

The purchasing function is of strategic importance in a modern company like AQ Group. In close cooperation with sales we ensure cost effective suppliers from a base of global suppliers.

In purchasing, we are working to build mutually beneficial long-term relationships with our suppliers. We are working to develop and improve existing supplier base and are constantly looking for new, more competitive suppliers. We can offer manufacturing of components in low cost countries, often within AQ where we can benefit from AQ's competence and capacity.

Ongoing work continues to utilise economies of scale and synergies within the Group in terms of purchased materials, components and equipment. 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. We put great emphasis on finding suppliers with the lowest total cost, and preferably with a global production to ensure a global and cost-effective supplier base. We have a continued focus on category management of strategically important products and purchase areas with the purpose to strengthen and develop competitive advantages.

Since we have a strong focus on ensuring top level quality and delivery precision 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 cost-effectiveness, quality, reliability, service, ethics, sustainability, and risk mitigation.



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.

The year was characterised by increased commodity prices, which gives us challenges to get the right price of material through the whole production chain. In the current economy we see longer lead-times on components and impaired availability of certain product categories. It requires continued focus to ensure cooperation with competitive suppliers. Our share of signed agreements is increasing, which helps us to avoid cost increases and ensures that we are a priority customer for our suppliers.

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 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 companies shall be prosperous and develop 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 core 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. The companies' part in the AQ's organisation with clear reporting lines are also a priority of integration.

ACQUISITIONS IN 2017

During the end of 2016, Gerdins Industrial Systems AB was acquired with seven subsidiaries. The integration during 2017 has proceeded according to plan.

Nearly half of the increase in turnover for AQ can be explained by the acquisition of the Gerdins group.

After the listing on Nasdaq in 2017, the inflow of acquisition objects has increased, especially from abroad. During 2017, there hasn't been any new acquisitions. The reason for not doing any deals is in some cases that we have viewed the prices being too high and in some case they have not shown the earnings they have projected.

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 from a financial and management perspective.

AQ continues to digitalise its processes and during the year, it has broadened its digitalisation projects in electronic invoicing to include also foreign companies. During 2017, we have implemented a blue-print of a cloud solution for the digital transfer of business documents between AQ's ERP systems and business systems of customers and suppliers. This solution has been implemented in several subsidiaries and will be rolled out further in 2018.

During 2018, a number of projects will run to reduce the manual activities in data transfer, increasing efficiency through integration between systems.



SUSTAINABLE ENTERPRISE



AQ GROUP SUSTAINABILITY REPORT

AQ Group was founded in Sweden in 1994 and currently has around 5,500 employees, with the majority working in emerging markets outside of Sweden. We are a global manufacturer of components and systems to meet the high demands of industrial customers around the world.



AQ consists of seven business areas: Electric Cabinets, Wiring Systems, Injection Moulding, Sheet Metal Processing, System Products, Inductive Components, and finally Special Technologies and Design. We are proud of being a reliable supplier, producing high-quality products and delivering them on time in a sustainable manner. AQ has been an active member of UN Global Compact since 2012.

AQ has established 10 principles and goals for our sustainability efforts. These principles correspond to those set out in the UN Global Compact framework.

In our sustainability report, we present our principles, their implementation and a presentation of objectives and results.

HUMAN RIGHTS PRINCIPLES

Principle 1: AQ shall support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that we are not complicit in human rights abuses.

Assessment, policy and objectives

AQ's goal is for all of our employees and business partners to comply with the Universal Declaration of Human Rights. The aim is to have no reported human rights violations.

Our core values and our code of conduct describe how we shall behave and our responsibility to report any human rights violations. AQ's Code of Conduct is known to all the company's employees. Our closest supply chain shall also adhere to the same principles. The principles are clearly laid out in the AQ Code of Conduct for Suppliers.

AQ's human rights objective is to not receive any reports on human rights violations from any of our subsidiaries.

Implementation

All employees and external stakeholders can report violations directly by sending an e-mail to whistleblower@aqg.se if they become aware of any human rights violations.

This year, the AQ Group has continued the implementation of our core values, which were defined in early 2012.

One of the pillars of these core values is “Courage and Respect”, including the key words “all employees are of equal value” and “we treat others how we want to be treated”. All AQ employees have been given a presentation on the AQ core values in their local language. Workshops have also been given to further increase the understanding of our core values throughout the company. This, together with the AQ Code of Conduct and global human rights policies, provides guidance on how we are to act within AQ in each given situation.

Suppliers are regularly audited with the help of a standardised template that includes a section on human rights and they must comply with the AQ Code of Conduct for Suppliers. Suppliers whose ethics are put in doubt will not be approved as suppliers to AQ.

Follow-up and results

No human rights violations have been reported within AQ over the year. If any problems are reported in the future, they will be registered and noted by the group management, and the relevant authorities will be informed. AQ will handle any such incidents objectively and promptly take measures.

AQ also supports a village in India through the foundation Hand in Hand. We donate money to future entrepreneurs in the village to help them achieve a better life.



AQ employees in India undertaking to adhere to the AQ core values.

LABOUR RIGHTS PRINCIPLES

Principle 3: AQ upholds the freedom of association and the right to collective bargaining

Principle 4: No forms of forced and compulsory labour shall be allowed within AQ

Principle 5: We will not tolerate any form of child labour

Principle 6: AQ Group employs and treats its employees in a non-discriminatory manner in regard to gender, ethnicity, religion, age, functional ability, sexual orientation, nationality, political opinion, union affiliation or social origin. Diversity in the workplace is encouraged at all levels.

Assessment, policy and objectives

Our Code of Conduct clearly sets out the rights, compensations and responsibilities of our employees.

All employees work voluntarily at AQ and no employee is forced to work overtime.

Within AQ, we take a clear stance against discrimination of any kind. This is clearly stated in our Code of Conduct.

We of course uphold the law and our ethical responsibility by only hiring people of legal working age.

AQ's objective when it comes to employee rights is to have an average self-assessment result higher than 2.5 and that no subsidiary has a result lower than 2 in our annual self assessment, in which the lowest score is zero and the highest is 3.

Implementation

For the safety of our employees, we review and monitor working conditions to make sure that they have the appropriate protective clothing and the right equipment. The working environment is continuously monitored through regular audits to identify new or potential safety risks. Appropriate measures are taken when such risks arise.

We undertake to provide a safe working environment. New employees are given appropriate training to carry out their tasks safely and all employees are given continuous training at varying intervals based on need, in order to carry out their respective tasks.

Follow-up and results

The board of AQ consists of four men and two women. The AQ Group Management consists of two women and four men. Throughout AQ we have an even gender distribution, with 46 per cent women and 54 per cent men.

Since 2015, AQ has carried out a self assessment, conducted by the management of each separate subsidiary within the group. This provides the group management with a good understanding of the labour law status within the group. The results of the 2017 survey indicate high average scores. An action plan will be produced following analysis to strengthen the subsidiaries in areas where scores are deemed to be low.

The average score for 2017 was 2.91, with 3 being the highest. No subsidiary within the group has had a score lower than two.

AQ's subsidiaries are continuously inspected by our customers. During 2017, we have passed inspections by Audi, Volvo, Scania, Siemens, Bosch, Alstom, GE, Ericsson, Bombardier, ABB and Tetra Pak among others. These companies place great emphasis on corporate social responsibility and help us to ensure that our labour law principles are being followed.

ENVIRONMENTAL PRINCIPLES

Principle 7: AQ should take a precautionary approach to minimise our environmental impact

Principle 8: carry out initiatives to promote greater environmental responsibility

Principle 9: encourage the development and diffusion of environmentally friendly technologies

Assessment, policy and objectives

In our environmental policy, which is available on our website, we explain AQ’s view of how to improve the environment: “The operation shall be carried out in such a way that natural resources are preserved and the environment is protected while waste in all forms is minimised.”

We shall comply with rules and legislation and constantly work with improvements to reduce or prevent our environmental impact from design to delivery.

The environmental objectives for AQ is to have all production facilities certified in accordance with ISO 14001 in the long term and for all subsidiaries to have an environmental result higher than 2.5 in our annual self assessment.

Implementation

Environmental considerations and continuous improvements are part of our daily operations and discussed regularly in monthly reviews with our subsidiaries. We carry out risk analysis where needed and work according to our Code of Conduct in order to follow the precautionary principle by avoiding materials and methods related to potential environment and health risks when other alternatives are available.

We also share best practices between our different units through our weekly newsletter. One example of this is the extensive use of LED lights in most of AQ’s production units and offices to reduce our electricity consumption. Another example is the use of heat exchangers in most of our facilities to reuse excess heat from production processes.

Follow-up and results

80 per cent of the group’s production units are certified in accordance with ISO 14001. All AQ units ensure compliance with national environmental laws. This is ensured by the group management through the AQ self assessment. The result from the self assessment in regard to environmental principles in 2017 was 2.84, with 3 being the highest possible score.

None of the concrete measures taken in later years to improve the environment:

- AQ supports the World Wildlife Fund
- AQ uses electric vehicles to transport goods to and from our production facilities in Västerås and Uppsala



- Several of AQ’s factories have installed LED lighting to reduce their energy consumption
- AQ has installed solar energy facilities in three of its production facilities
- All of AQ’s factories in Sweden are using 100 per cent renewable energy
- Many of AQ’s factories reuse the heat generated from production processes to heat the factory premises
- AQ participates actively in the shift from conventional vehicles to electric vehicles

ANTI-CORRUPTION PRINCIPLES

Principle 10: AQ shall work against corruption in all its forms, including extortion and bribery.

Assessment, policy and objectives

AQ places great emphasis on building trust and long-term relationships with our employees, customers and suppliers. Part of our business ethic is to always comply with laws and regulations as a minimum requirement in all countries where we operate.

We will under no circumstances accept bribery, extortion or any other form of corrupt activity. Our Code of Conduct clearly states that we shall always practice good business ethics and we shall not offer rewards or benefits in violation of laws or ordinances to customers, suppliers or government representatives.

Each employee involved in business transactions receives training on our Code of Conduct, which clearly describes our position on corruption: “If an employee is offered a gift, a bribe, an illegal provision or any other form of personal payment, they shall not accept it.” A preliminary risk evalua-



tion has been conducted in regard to corruption. AQ assessed the greatest risks to be in the form of gifts or bribes from customers/suppliers. For this reason, we have clearly stated to our suppliers that they are strictly forbidden to give our employees any personal gifts.

AQ's anti-corruption goal is to have zero reported corruption cases.

Implementation

It is the responsibility of all managers to inform their employees of our anti-corruption policy and our Code of Conduct. All managers shall also encourage all employees to report any indications of violations. Such violations can be reported anonymously at whistleblower@aqg.se in accordance with our Whistleblower Policy.

In order to prevent the identified risks, we have taken several measures.

- Implementation of a rigorous procurement process, including cross-functional approval of suppliers
- Regular benchmarking of prices on key materials to be compared with purchase prices in our various markets
- Auditing of personal expenses
- The UN Global Compact logotype is included in our company presentation to suppliers and customers

Follow-up and results

We make it clear to our employees and suppliers that we do not accept any corrupt behaviour. Disciplinary and/or legal measures will be taken against any parties guilty of corruption within AQ.

In order to establish our anti-corruption principles, the executive of each individual subsidiary is obligated to sign a commitment to adhering to our principles in our annual self assessment.

In 2016, we implemented our Whistleblower Policy globally, which allows both internal and external parties to report violations. In 2017, we have received four reported cases.

AQ's group management have analysed these reports and found three of them to be unfounded. In one case, we have made the decision to report an employee in one of our subsidiaries to the local police authority.

SUSTAINABILITY RISK ASSESSMENT

The AQ Group has a process where the group and each subsidiary in the group carries out an annual self assessment. This is also the basis for our sustainability risk assessment. AQ has identified the following risks which could potentially have a negative impact on the company's sustainability.

Risks relating to human rights, anti-corruption and labour law principles

There is a potential risk of our principles being breached unless AQ is able to ensure that each employee understands and upholds our Code of Conduct. During 2018, we will make sure that each employee gets a presentation on the AQ Code of Conduct, after which they must declare that they have understood its meaning and will adhere to it.

AQ does its best to verify that the entire AQ supply chain respects and follows the rules in the AQ Code of Conduct for Suppliers. We carry out regular supplier reviews and each supplier is obligated to respect our Code of Conduct in order to remain a supplier of AQ. There is a risk of our suppliers breaking our rules intentionally or due to a lack of knowledge. AQ is committed to reducing this risk through control of the supply chain.

Environmental risks

AQ uses several finishes where reporting the activity is mandatory. An accident at a finishing plant can have an impact on the environment. There is also a risk of current and previous activities resulting in pollution of the land where the activity has taken place at any given time. The AQ Group controls the impact of these activities on the environment by implementing the ISO 14001 quality system in our production units. This reduces the risks of our activities having a harmful impact on the environment.

References

More information on AQ's sustainability work can be found on our website:

AQ's core values, Code of Conduct and Code of Conduct for Suppliers: <http://aqg.se/en/core-values>

AQ's Sustainability Guidelines: <http://aqg.se/en/aq-group/sustainability>

AQ's Policies: <http://aqg.se/en/aq-group/policies>

AQ Whistleblower

Please contact us at whistleblower@aqg.se if you wish to report a violation of AQ's codes of conduct or national laws and regulations. Your identity will remain confidential.



Auditor's opinion regarding the statutory sustainability report

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 sustainability report for the year 2017 on pages 17-21 and that it is prepared in accordance with the Annual Accounts Act.

The scope of the examination

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report 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 opinion.

Opinion

A statutory sustainability report has been prepared.

Västerås 3 April 2018

KPMG AB

Helena Arvidsson Älgne
Authorized Public Accountant

Sales, Product Development and production take place in:

- Sweden
- Bulgaria
- China
- India
- Poland



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 ≤ 25 kHz
- HF transformers ≤ 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.

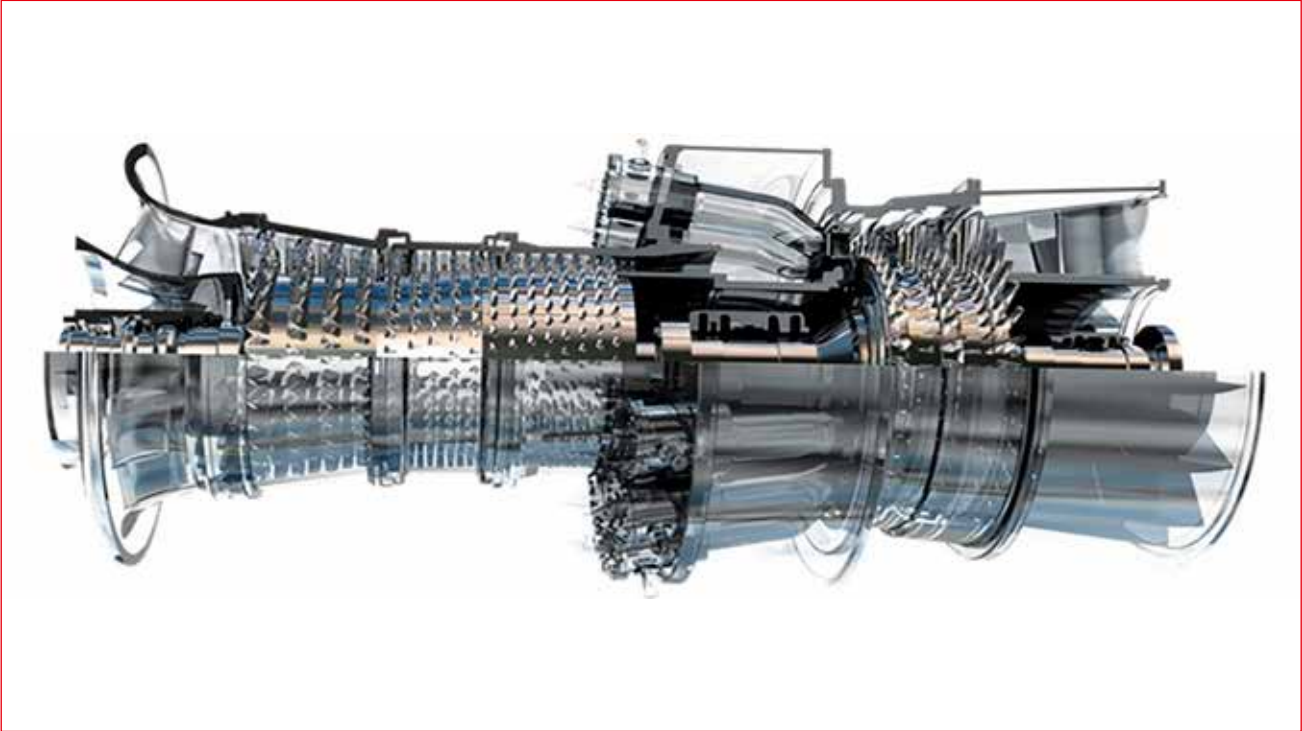
With high-tech equipment, knowledge, experience and creativity, we are an obvious choice in the industry.

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. We 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. We 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. Our engineers can develop manufacturing processes and products in close cooperation with the customer.

AQ Magnetica Italy and AQ Trafo are focused on the development and design of inductive components, both in terms of electrical and mechanical design. Our 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.

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 is also currently based. AQ Group's shares are since January 16, 2017 listed on NASDAQ OMX Nordic Exchange MidCap. The closing price at the first day of trading was SEK 212.50 per share, which corresponded to a market capitalisation of SEK 3.89 billion. From June 6, 2001 until the first day of trading at NASDAQ, the

share was listed on AktieTorget. The market cap on the last day of trading, December 29, 2017, was a little more than SEK 4 billion.

The shares entitle, at the shareholders' meeting, one vote each and the shares are freely transferable. Each share carry equal rights to dividends.

The quotient value is SEK 2 per share.

SHARE INFORMATION AND SHARE STRUCTURE

Share name: AQ Group / Short name: AQ / ISIN-kod: SE0000772956

Share capital per December 29, 2017 was SEK 36 588 116 distributed over 18 294 058 shares. There is only one type of shares and entitle shareholders to one vote. AQ Group holds no treasury shares.

CONVERTIBLE BONDS AND OPTION PROGRAMS

There are no convertible bonds or option programs in AQ Group.

OWNERSHIP STRUCTURE

Per December 29, 2017 the number of shareholders in AQ Group was 5 596 (2 756). See table below: See table below:

Number of shares	Total amount of shares	Percentage of equity (%)	Number of shareholders	Market value (TSEK)
1-500	424,751	2.32	4 836	93,445
501-1000	255,799	1.40	314	56,276
1001-5000	697,546	3.81	315	153,460
5001-10000	340,219	1.86	44	74,848
10001-15000	305,954	1.67	25	67,310
15001-20000	194,513	1.06	11	42,793
20001-	16,075,276	87.87	51	3,536,561
Total	18,294,058	100.00	5,596	4,024,693

Source: Euroclear

Share price development and turnover

On the first trading day, January 16, 2017, the closing price was SEK 212.50 and on December 29, 2017, the share price was SEK 220 SEK, an increase of 4%. The price was highest on June 26 at SEK 245. The average price over the year SEK 224 per share.

The average number of shares traded per day was

13,791 and the average turnover per day was SEK 3,074,252. An average of 119 trades were made per day. The share development is shown in a diagram on the next page.

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

Dividends

Earnings per share after taxes and after dilution amounted to SEK 11.14 (13.01). 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

Management participate in meetings with analysts, investors, other shareholders and media. This is important in order to increase the interest for the share and to give both current and new shareholders good opportunities to value AQ Group as fair as possible. Press releases are published immediately after an important event for the business has occurred. These are also archived on the web page. Interim reports are also published as press releases and are archived on the web page. Year-end reports are published on the web page and are together with other financial data archived since 2006. On the web page there is also information about the share.

Authorisation by the Annual General Meeting

The Annual General Meeting (AGM) of 2017 authorised the board to, on one or more occasions until the next AGM, with or without deviation from the shareholders' preferential rights, decide to increase the company's share capital through the new issue of

up to 2,000,000 new shares. The issue shall occur in line with market conditions and be subject to issue discounts where appropriate, and which are also in line with market conditions. This authorisation shall include the right to decide upon an issue with cash payment or payment in kind.

The purpose of the authorisation and the reason that the deviation from shareholders' preferential rights can take place is to enable financing of acquisitions.

Shareholders

The two main shareholders Claes Mellgren and Per-Olof Andersson has in October 2017 divested 675,675 shares each to Odin Verdipapierfonde. Odin, is after this, the company's third largest owner with 7.39 % of the shares.

Other large shareholders are Nordea Investment Fund 4.85 (4.81) %, Fidelity Puritan Trust 4.66 (4.66) %, Fidelity Low Price stock fund 4.09 (4.27) % and Avanza Pension Fond 1.74 (1.66) %.

The table below shows the 10 largest shareholders. Total number of shareholders per December 29, 2017 was 5,596 compared to previous year's 2,756.

The 10 largest shareholders as per 2017-12-29

Source: Euroclear

Owner	Number of shares	Number of shares (%)	Market value (TSEK)
Claes Mellgren with family	4,553,095	24.89	1,001,681
Per Olof Andersson	4,483,975	24.51	986,474
Verdipapirfonde Odin Sverige	1,351,350	7.39	297,297
Nordea Investment Funds	886,783	4.85	195,092
Fidelity Puritan Trust	853,205	4.66	187,705
Fidelity Low Price Stock Fund	748,500	4.09	164,670
AVANZA Pension Försäkring AB	317,473	1.74	69,844
AMF Försäkring och Fonder	282,907	1.55	62,240
Grenspecialisten Förvaltning AB	281,022	1.54	61,825
Didner & Gerge Fonder AB	264,000	1.44	58,080
Total of the 10 largest	14,022,310	76.65	3,084,908
Total Other	4,271,748	23.35	939,785
TOTAL SUM	18,294,058	100.00	4,024,693

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	2,312,800	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	260,000	18,294,058	520,000	36,588,116
			Sum Shares: 18,294,058		Sum Share capital: 36,588,116

AQ share's development in 2017

Source: Euroclear



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 25% 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 5,596 (2,756) 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 27, 2017 was attended by 56 shareholders and representatives amounting to 63% 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, 160,000 SEK to each of the members and 400,000 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 2017, 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 or by cash.

AQ Group has not had an extraordinary general meeting for the fiscal year in 2017.

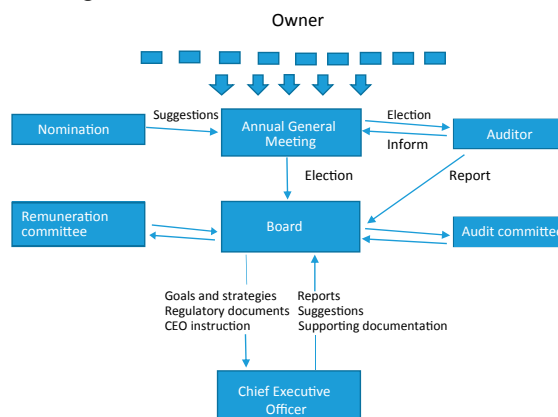
APPOINTMENT OF OFFICERS

Nomination Committee

The Nomination Committee represents the shareholders and, at the Annual General Meeting on April 27, 2017, 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 2017.

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 27, 2017, via mandate, Björn Henriksson was elected from Nordea Fonder, PO Andersson via own mandate and the Company's CEO Claes Mellgren via own mandate to the Nomination Committee until the Annual General Meeting for 2017. 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 25 % 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.

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 elected (member since 2016), and Lars Wrebo newly elected to the Board. PO 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
- 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 2017, five 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 2017, devoted particular attention to the process surrounding the listing of the Company's shares on Nasdaq Stockholm.

Board's attendance in 2017 is as follows:

P-O Andersson	10 of (10) possible
Ulf Gundemark	9 of (10) possible
Gunilla Spongh	9 of (10) possible
Patrik Nolåker	10 of (10) possible
Hidayet Tercan	8 of (10) possible
Lars Wrebo	6 of (6) possible

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 2017, held three 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 2017, held five 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.aq.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 2017, consisted of Claes Mellgren - CEO, Mia Tomczak - Finance, 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 2017, 160,000 SEK (120,000) in Board remuneration was paid to Board members Gunilla Spongh, Hidayet Tercan, Ulf Gundemark and Patrik Nolåker. The Chairman, PO Andersson, was paid 400,000 SEK (300,000) in directors' fees and remuneration for work amounted in salary to 18,000 SEK (435,000) and pension costs amounted to 12,000 SEK (132,000). Chairman of the Audit Committee, Ulf Gundemark has received SEK 70,000 and other members of the Audit Committee, Gunilla Spongh and PO Andersson have each received SEK 40,000. Chairman of the Remuneration Committee, Patrik Nolåker, has received SEK 50,000 and the other member of the Remuneration Committee, PO Andersson, has received SEK 30,000. 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 2017, the salary for the CEO amounted to 774,000 SEK (788,000). The CEO is

entitled to a monthly pension provision corresponding to 20% of the salary. Pension costs in 2017 amounted to SEK 144,000 (144,000). 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 SEK 5,341,000 in 2017 (5,932,000). AQ pays pension contributions according to a defined premium plan, which corresponds to 20-31% of payroll. Pension costs in 2017 amounted to SEK 1,273,000 (1,218,000). 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 382, 101 27 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 3 April 2018

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 2017 on pages 17-21 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 *RevR 12 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 03 April 2018

KPMG AB

Helena Arvidsson Älgne
Authorised accountant

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 4,483,975 AQ shares



ULF GUNDEMARK (1951)
Board member

Elected 1998, independent*.

Education and experience

MSc. Has international experience and has worked as a manager for Electrosandia/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 SPÖNGH (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 Spöng Författning 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 Nölåker 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



LARS WREBO (1961)
Board member

Elected 2017 independent*.

Education and experience

M.Sc. Has wide international experience in the automotive industry. Has in the Group Management been responsible for purchasing and manufacturing within Volvo Cars as well as for production and logistics within MAN Truck & Bus. Has had a number of senior positions within Scania.

Ongoing assignments

Chairman of the Board Lightning Technologies.

Holdings in AQ 1,000 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, 2017.

GROUP MANAGEMENT



CLAES MELLGREN (1959)
CEO

MSc in Engineering.
Founder of AQ, employed since 1994
and CEO since October 2010.
Holdings in AQ: 4,553,095 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, 2017.*

EVENTS DURING THE YEAR

2017

GENERAL ABOUT OPERATIONS

The Board of Directors and CEO of AQ Group AB (publ.), Swedish corporate identity number 556281-8830, hereby submit the annual report for the fiscal year in 2017.

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 SEK 4,020 million (3,289) which is SEK 731 higher than the previous year. Nearly half of the increase in turnover can be explained by the acquisition of Gerdins Group in 2016. The increase in turnover is partly due to a generally strong economy in the industry and that we are gaining market shares in rolling stock and commercial vehicles in Sweden, Bulgaria, Poland, Estonia and Lithuania.

For the full year, the total growth was 22.2%, with organic growth at 11.4%, growth from acquisitions was 9.9 % and a currency effect of 0.9 %. The currency effect of 0.9 % corresponds to about SEK 29 million and mainly refers to the currencies PLN, EUR, HUF and BGN. During the year, CNY and MXN has had a negative effect.

Operating margin (EBIT) in the period was SEK 263 million (281), a decrease of SEK 18 million. The decrease can mainly be explained by the companies in China and Hungary showing lower profit due to lower sales. In addition, we have seen increasing raw material prices during the year, which haven't been transferred to the customers in a satisfactory way. We also have problems with profitability in sheet metal and plastics for commercial vehicles in Sweden.

In conjunction with dividend from China, the

group has been charged a with-holding tax, which is included in tax costs for the year of SEK 8.6 million.

Goodwill and other intangible assets have decreased with SEK 5.8 million since the start of the year. The decrease is due to devaluation of customer relations and technology and to currency translation effects.

The investments in tangible assets of the group during the year were SEK 104 million (116). Investments during the year have been made in metal-cutting machines, sheet metal processing machines, a laser machine for machining of ceramic materials, an ED paint shop and winding machines.

Interest bearing liabilities of the group are SEK 266 million (272 at the start of the year) and cash and cash equivalents amount to SEK 142 million (163 at the start of the year), which means that the group has a net debt of SEK 124 million (109 at the start of the year). This means that the interest-bearing liabilities have decreased with SEK 6 million and cash and cash equivalents have decreased with SEK 21 million since the start of the year. Thus, the net debt has increased with SEK 15 million compared to end of 2016.

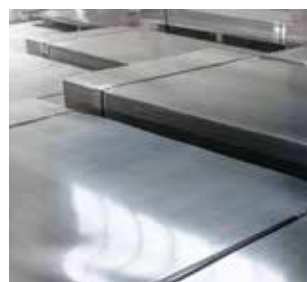
Cash flow from operating activities was SEK 147 million (290). The decrease can be explained by increased inventory and accounts receivables.

Cash flow from investing activities was SEK -107 million (-180), which relates to investments in fixed assets.

Cash flow from financing activities was SEK -58 million (-87) which relates to amortizations of bank loans, increased usage of overdraft facility and paid dividend.

Equity at the end of the period was SEK 1 643 million (1 463) for the group.

Result development for the respective segments, please see note 6.



FIRST QUARTER

On January 5, 2017 Nasdaq Stockholm's listing committee approved the trading of the shares of AQ Group AB (publ) on Nasdaq Stockholm's main market. First trading day of the company's shares on Nasdaq was January 16, 2017.

AQ Group AB (publ) has prepared a prospectus due to the listing, which has been approved and registered by the Swedish Financial Supervisory Authority (Sw. Finansinspektionen). The prospectus is available on AQ Group's website (www.aqg.se) and on the Swedish Financial Supervisory Authority's website (<http://www.fi.se/en/our-registers/prospektregistret/>).

SECOND QUARTER

After an inspiring and exclusive visit by Percy Barnevik, AQ decided to support the charity organization "Hand in Hand" with SEK 175 000 in 2017 and SEK 175 000 in 2018. The money will go to a village in India near our factory in Pune. The money will be used for training in entrepreneurship for women in self-aid groups and to successively help expanding their companies.

Legal merger of AQ Industrial Systems AB and AQ Group AB.

To simplify business in China with import and export of material AQ established a company AQ Asia Limited, in Hong Kong.

THIRD QUARTER

AQ Wiring Systems STG Sp.z.o.o. in Starogard Gdański in Poland signed on September 25, 2017 an agreement with Biznes Park to buy real estate of totally 2.2 ha where a new factory building of 7000 m² will be built. The investment has a value of PLN 18.2 million (appr. SEK 40.6 million). The real estate is located in Linowiec near Starogard Gdański. The purpose of a new factory building is to get a more efficient production space and organisation than today and to support a profitable growth for the future. Relocation to the new facilities is planned for December 2018. AQ Wiring Systems STG started production of wire harnesses in 1999 with 700 m² production space and has had a continuous growth.

AQ Wiring Systems Sp.z.o.o. i Łódź signed in parallel a ten year lease of a new factory building

which will be built nearby to the present building. The new building will have a surface of 12 150 m² with an option to expand with 5 500 m², to be compared with the current building of 8 820 m². Relocation to the new building is expected to begin in November 2018.

FOURTH QUARTER

Legal merger of AQ Elektroprim AB and AQ Elautomatik AB.

The two Italian companies AQ Italy s.r.l and AQ Magnetica s.r.l have also merged, and the name of the company is AQ Magnetica Italy s.r.l. The company has operations in Milan and Castelfidardo.

SIGNIFICANT EVENTS AFTER THE PERIOD'S END

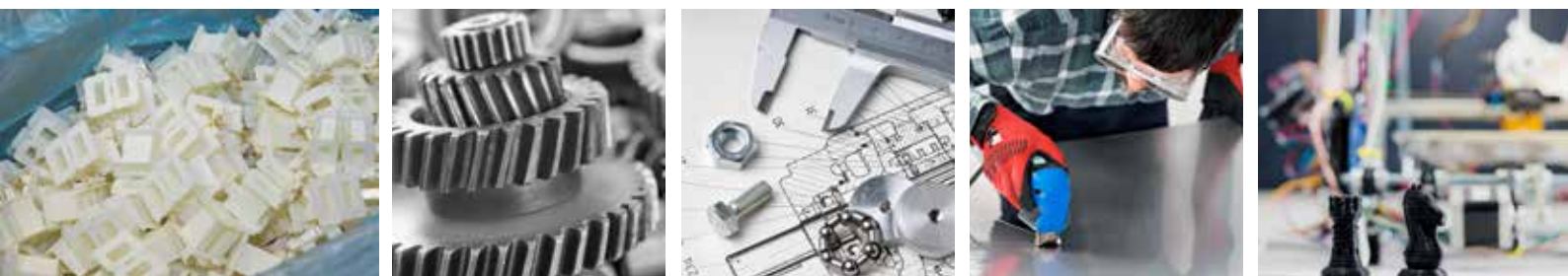
In order to give each unit full customer focus and a deepened profit responsibility, a new company AQ Special Sheet Metal AB has acquired the units in Lyrestad and Pålshoda from AQ Segerström & Svensson AB.

On February 22, 2018 the management of AQ Welded Structures AB calls to negotiations with the unions concerning restructuring of the company, which has 51 employees.

The Board of Directors of AQ Group appoints Anders S. Carlsson as new President and CEO. Anders will assume the position latest September 1, 2018, replacing one of AQ's founders, Claes Mellgren who has asked to leave his position after eight years.

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 is shown the development over the past four years. For Key indicators and definitions, see pages 81-83.

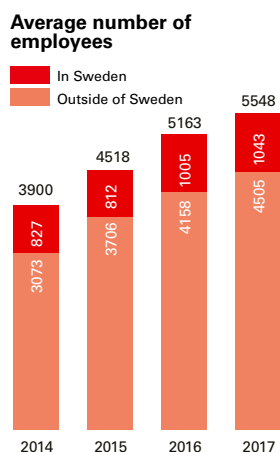
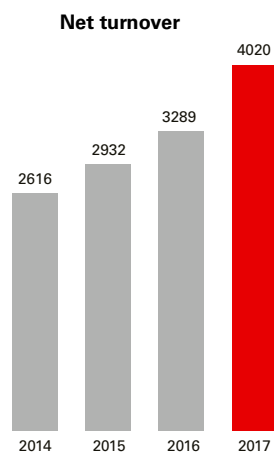
GROUP

	2017	2016	2015	2014
Net revenue, SEK thousands	4,019,740	3,289,215	2,931,878	2,616,097
Operating profit, SEK thousands	263,282	281,353	201,985	182,586
Profit after net financial items, SEK thousands	255,828	279,344	211,736	186,652
Operating margin	6.5%	8.6%	6.9%	7.0%
Liquid ratio	125%	142%	149%	145%
Debt/equity ratio	61%	60%	58%	63%
Return on total assets	10.4%	13.1%	12.0%	11.8%
Return on equity after tax	13.2%	17.9%	15.3%	15.5%
Number of employees in Sweden	1,043	1,005	812	827
Number of employees outside Sweden	4,505	4,158	3,706	3,073
Key indicators per share, SEK ¹⁾				
Profit for the year	11.14	13.01	9.44	8.32
Dividend ²⁾	2.75	2.75	2.25	2.00
Equity	89.82	79.98	64.86	58.51
Number of shares, thousands ³⁾	18.294	18.294	18,034	18,034

¹⁾ There are no instruments that could cause dilution.

²⁾ Proposal presented for each year to the AGM.

³⁾ In connection with the acquisition of Gerdins Industrial System 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.

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.

Parent company

	2017	2016	2015	2014
Net turnover, SEK thousands	50,240	55,696	50,213	51,236
Operating profit, SEK thousands	17,190	19,716	13,596	24,982
Profit after net financial items, SEK thousands	98,946	118,074	20,096	33,055
Liquid ratio	58 %	50 %	42%	87%
Equity ratio	43 %	41 %	36%	60%

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

Net sales for the full year were SEK 50.2 million (55.7), a consequence of lower invoicing of management fees than the same period previous year. Other external expenses of SEK 16.9 million (21.2), are lower than last year when we had costs related to the change of stock exchange from AktieTorget to Nasdaq Stockholm main market. Personnel costs were SEK 18.2 million (17.7) and is in parity with the previous year.

Net financial items for the full year 2017 were SEK 81.8 million (98.4), of which SEK 125.3 million are tax free dividends from subsidiaries. We have also made a devaluation of shares in subsidiaries of SEK 43.1 million. Appropriations consist of group contributions from subsidiaries and provision for untaxed reserves. The tax cost of SEK 19.9 million is higher than the same period in the previous year due to withholding tax of SEK 8.6 million in conjunction with dividends from China.

The decrease in financial fixed assets compared to the same period in the previous year is due to a reduction of share in subsidiaries because of the merger of AQ Industrial System AB and AQ Group AB and to devaluation of shares in subsidiaries.

Other current receivables are mainly with group companies of SEK 311 million.

The change in non-restricted equity compared to December 31, 2016 is partly due to paid dividends of SEK 50 million, SEK 113 million due to the financial result of the peri-

od and SEK 87 million as a result of the merger of AQ Industrial System AB and AQ Group AB.

During September an earnout of SEK 7.7 million was paid regarding the acquisition of Gerdins. Revaluation of this has influenced the quarter negatively by SEK 0.7 million.

The change in interest-bearing non-current liabilities compared to the same period in the previous year is partly due to amortization of SEK 90 million in conjunction with changes of bank credits.

Interest-bearing current liabilities have decreased compared to the same period in the previous year and consists of short-term bank loans of SEK 115 million, usage of bank overdraft of SEK 134 million and debts to subsidiaries in the cash pool of SEK 267 million.

During 2017, the parent company has repaid an internal loan to AQ Holmbergs Suzhou Co. Ltd (China) of SEK 85 million.

The parent company's risks and uncertainties are essentially the same as for the other companies in the group. See note 3 in the annual report. Concerning the company's management of financial risks, cash flow etc. please refer to the financial report in the annual report and note 3.

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 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 2017, based on these principles, we have taken measures, see the "sustainable enterprise" section, pages 17-21.

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 2018, 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 six members, all elected at the AGM in 2017. The Board, during the year, had ten meetings where minutes were taken. The Board and the CEO work based on an established work plan. Regarding remuneration for 2017 to the Board and CEO, refer to note 9.

The Board's proposed guidelines for remuneration to senior executives of AQ in 2018, according to Swedish Companies Act Chapter 8, § 51, are as follows: The board's remuneration is proposed: Chairman of the Board 400,000 SEK (400,000) and 160,000 SEK (160,000) for each of the Board members. Audit Committee Chairman 70,000 SEK (70,000) and the Audit Committee members 40,000 SEK (40,000). Remuneration Committee Chairman 50,000 SEK (50,000), and each Remuneration Committee member 30,000 SEK (30,000). AQ Group AB has no incentive programme. Variable remuneration to AQ Group AB's manage-

ment group consists of a variable cash salary (bonus). The AGM 2017 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 2017, decide on a new issue of a total of 2 000 000 new shares via allocation or by cash. 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 2017-12-29

Owner	Number of shares	Number of shares (%)	Market value (TSEK)
Claes Mellgren with family	4,553,095	24.89	1,001,681
Per Olof Andersson	4,483,975	24.51	986,474
Verdipapirfonde Odin Sverige	1,351,350	7.39	297,297
Fidelity Puritan Trust	886,783	4.85	195,092
Fidelity Low Price Fund	853,205	4.66	187,705
AMF Aktiefond Småbolag	748,500	4.09	164,670
AVANZA Pension	317,473	1.74	69,844
Grenspecialisten AB	282,907	1.55	62,240
Didner&Gerge Småbolag	281,022	1.54	61,825
Total of the 10 largest	14,022,310	76.65	3,084,908
Total Other	4,271,748	23.35	939,785
TOTAL SUM	18,294,058	100.00	4,024,693

PROPOSED APPROPRIATION OF PROFIT SEK

The Board proposes that the retained earnings, 333 731 924, 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	249,537,821	Carried forward ¹⁾	283,423,264
Total free equity	333,731,924	Total	333,731,924

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 2017 decides in accordance with the Board's proposal for appropriation of profits, SEK 283 423 264 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
- 2018-04-30 is the date of reconciliation.

The Board proposes that

2,75 SEK
per share
shall be
distributed

Consolidated income statement

SEK thousands	Note	01/01/2017 31/12/2017	01/01/2016 31/12/2016
OPERATING INCOME			
Net sales	6	4,019,740	3,289,215
Other operating income	7	48,371	47,650
		4,068,111	3,336,866
OPERATING EXPENSES			
Change in inventory of work in progress and finished products		63,498	-2,420
Raw material and consumables		-2,038,247	-1,575,262
Goods for resale		-94,905	-43,247
Other external expenses	8	-529,066	-439,285
Personnel costs	9	-1,075,051	-873,114
Depreciation and amortisation	15, 16, 17, 18, 19	-97,499	-79,944
Other operating expenses	8	-33,559	-42,241
		-3,804,829	-3,055,513
Operating profit		263,282	281,353
PROFIT FROM FINANCIAL ITEMS			
Financial income	11	3,287	12,058
Financial expenses	12	-10,741	-14,067
Net financial income/expense		-7,454	-2,008
Profit before tax		255,828	279,344
Taxes	14	-51,154	-43,666
Profit for the year		204,674	235,678
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Parent company shareholders		203,773	235,265
Non-controlling interests		901	413
		204,674	235,678
SHARE-RELATED REPORTING, SEK			
Earnings per share 1)		11,14	13,01

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

SEK thousands	01/01/2017 31/1272017	01/01/2016 31/1272016
PROFIT FOR THE YEAR	204,674	235,678
OTHER COMPREHENSIVE INCOME		
Items that cannot be transferred to the profit for the year		
Actuarial gains/losses related to defined benefit pension plans	-159	-303
Items transferred or that can be transferred to the profit for the year		
Translation difference transferred to the profit	-	6,737
Translation differences, foreign operations	25,793	41,304
Other comprehensive income for the year after tax	25,633	47,739
Comprehensive income for the year	230,307	283,417
COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:		
Parent company shareholders	229,306	282,902
Non-controlling interests	1,001	515
	230,307	283,417

Consolidated balance sheet

SEK thousands	Note	31/12/2017	31/12/2016
ASSETS			
NON-CURRENT ASSETS			
<i>Intangible assets</i>			
Goodwill	16	150,030	148,393
Customer relations	15	57,272	62,924
Technologies	15	11,881	12,191
Other intangible non-current assets	15	7,556	9,066
		226,739	232,574
<i>Tangible assets</i>			
Land and buildings	17	161,506	157,109
Plant and machinery	18	257,290	259,959
Equipment, tools, fixtures and fittings	19	52,647	48,195
Construction in progress	20	48,068	30,651
		519,512	495,915
<i>Financial assets</i>			
Non-current receivables	3, 22	1,977	2,147
Deferred tax assets	14	10,861	9,448
TOTAL NON-CURRENT ASSETS		759,089	740,084
CURRENT ASSETS			
<i>Inventories</i>			
Raw materials and consumables		482,095	382,597
Work in progress		122,017	85,504
Finished goods and goods for resale		128,231	113,231
	2	732,343	581,332
<i>Current receivables</i>			
Trade and other receivables	3	900,387	805,186
Current tax assets		19,061	30,047
Other receivables	23	44,567	25,423
Prepaid expenses and accrued income	24	79,947	104,709
		1,043,962	965,365
Short-term investments		-	204
Cash and cash equivalents	32	142,049	162,812
Cash and cash equivalents		142,049	163,016
TOTAL CURRENT ASSETS		1,918,354	1,709,712
TOTAL ASSETS		2,677,444	2,449,796

SEK thousands	Not	31/12/2017	31/12/2016
EQUITY AND LIABILITIES			
EQUITY	25		
Share capital		36,588	36,588
Other capital contributions		84,194	84,194
Translation reserve		97,927	72,236
Retained earnings incl. profit for the year		1,420,742	1,267,437
Equity attributable to parent company shareholders		1,639,452	1,460,455
Non-controlling interests		3,742	2,739
TOTAL EQUITY		1,643,193	1,463,195
LIABILITIES			
<i>Interest-bearing non-current liabilities</i>			
Non-current liabilities to credit institutions	3	12,757	107,779
<i>Non-current non-interest-bearing liabilities</i>			
Deferred tax liabilities	14	64,606	64,438
Provisions for pensions	28	7,809	5,980
Provisions for warranty	28	1,835	1,889
Other provisions	28	393	11,636
Other non-current liabilities		-	298
Total non-current liabilities		87,399	192,020
<i>Interest-bearing current liabilities</i>			
Bank overdraft facilities	3, 32	133,537	90,316
Other liabilities to credit institutions	3	119,727	73,717
<i>Other current liabilities</i>			
Provisions for warranty undertakings	28	4,300	3,536
Advance payments from customers		55,542	75,579
Trade and other payables	3	418,050	351,986
Current tax liabilities		8,811	21,048
Other liabilities	29	55,310	37,230
Accrued expenses / prepaid income	30	151,574	141,169
Total current liabilities		946,851	794,582
TOTAL LIABILITIES		1,034,250	986,601
TOTAL EQUITY AND LIABILITIES		2,677,444	2,449,796

Consolidated statement of changes in equity

SEK thousands	Equity attributable to parent company shareholders						Non-controlling interests	Total equity
	Share capital	Other contributed capital	Translation reserve	Retained earnings incl. profit	Subtotal			
Equity, 01/01/2016	36,068	34,014	24,303	1,073,044	1,167,429	2,307	1,169,736	
Profit for the year				235,265	235,265	413	235,678	
Translation differences in foreign operations			47,933		47,933	109	48,042	
Revaluation of defined benefit pension plans				-296	-296	-7	-303	
Other comprehensive income			47,933	-296	47,637	102	47,739	
Comprehensive income for the year			47,933	234,969	282,902	516	283,417	
Changes in non-controlling interests						-83	-83	
Issue	520	50,180			50,700		50,700	
Dividends paid				-40,577	-40,577		-40,577	
Transactions with shareholders	520	50,180		-40,577	10,123	-83	10,040	
Equity, 31/12/2016	36,588	84,194	72,236	1,267,437	1,460,455	2,739	1,463,195	
Equity, 01/01/2017	36,588	84,194	72,236	1,267,437	1,460,455	2,739	1,463,195	
Profit for the year				203,773	203,773	901	204,674	
Translation differences in foreign operations			25,691		25,691	101	25,793	
Revaluation of defined benefit pension plans				-159	-159		-159	
Other comprehensive income			25,691	-159	25,532	101	25,633	
Comprehensive income for the year			25,691	203,614	229,306	1,001	230,307	
Dividends paid				-50,309	-50,309		-50,309	
Transactions with shareholders				-50,309	-50,309		-50,309	
Equity, 31/12/2017	36,588	84,194	97,927	1,420,742	1,639,452	3,742	1,643,193	

SEK thousands	Note	01/01/2017 31/12/2017	01/01/2016 31/12/2016
CASH FLOW STATEMENT FOR THE GROUP			
Profit before tax		255,828	279,344
Adjustment for non-cash generating items	32	98,888	162,081
Income tax paid	14	-39,476	-45,182
Cash flow from operating activities before change in working capital		315,239	396,243
Change in inventories		-140,311	-19,927
Change in trade receivables		-83,489	-42,936
Change in other receivables		3,396	-66,030
Change in trade payables		61,191	15,448
Change in other liabilities		-8,804	7,452
Change in working capital		-168,017	-105,993
Cashflow from operating activities		147,223	290,251
Aquisitions of shares in subsidiaries	31	-7,000	-64,035
Acquisition of intangible non-current assets		-1,685	-1,922
Acquisition of tangible non-current assets		-104,002	-116,296
Sale of tangible non-current assets		5,282	1,793
Sale of short-term investment in securities		204	-
Cashflow from investing activities		-107,200	-180,460
New borrowings		114,983	36,575
Amortisation of loans		-161,433	-32,101
Amortisation of loans (financial leases)		-4,444	-2,786
Change in bank overdraft facilities		43,058	-47,887
Dividends to the parent company shareholders		-50,309	-40,577
Other changes in financial activities		173	-58
Cashflow from financing activities	32	-57,972	-86,833
Increase/decrease in cash and cash equivalents		-17,949	22,958
Cash and cash equivalents at the beginning of the year		162,812	135,602
Exchange rate differences in cash and cash equivalents		-2,814	4,252
Cash and cash equivalents at the end of the year		142,049	162,812

Parent Company's Income Statement

SEK thousands	Note	01/01/2017 31/12/2017	01/01/2016 31/12/2016
OPERATING INCOME			
Net sales		50,240	55,696
Other operating income	7	2,607	3,695
		52,846	59,391
OPERATING EXPENSES			
Other external expenses	8	-16,898	-21,169
Personnel costs	9	-18,152	-17,701
Depreciation and amortisation	18,19	-293	-390
Other operating expenses	8	-314	-415
		-35,656	-39,675
Operating profit		17,190	19,716
PROFIT FROM FINANCIAL ITEMS			
Income from participation in group companies	10	82,267	99,139
Financial income	11	3,898	7,549
Financial expenses	12	-4,408	-8,330
Net financial income/expense		81,756	98,358
Earnings after net financial items		98,946	118,074
Appropriations	13	34,193	2,350
Profit before tax		133,140	120,424
Taxes	14	-19,894	-4,738
Profit for the year		113,246	115,686

¹⁾ Profit for the year corresponds to the comprehensive income for the year

SEK thousands	Note	31/12/2017	31/12/2016
ASSETS			
NON CURRENT ASSETS			
<i>Tangible assets</i>			
Machinery and equipment	18, 19	922	1,354
		922	1,354
<i>Financial assets</i>			
Participations in group companies	21	604,577	728,779
Receivables from group companies	22, 33	57,166	57,211
Deferred tax assets	14	-	512
		661,743	786,503
TOTAL NON-CURRENT ASSETS		662,666	787,856
<i>Current receivables</i>			
Receivables from group companies		311,306	239,664
Current tax assets		1,019	10,994
Other receivables	23	35	190
Prepaid expenses/accrued income	24	4,445	656
		316,805	251,503
Cash and cash equivalents	32	-	-
TOTAL CURRENT ASSETS		316,805	251,503
TOTAL ASSETS		979,472	1,039,360

Balance sheet for the Parent company

SEK thousands	Note	31/12/2017	31/12/2016
EQUITY AND LIABILITIES			
EQUITY	25		
Share capital		36,588	36,588
Statutory reserve		1,156	1,156
Restricted equity		37,745	37,745
Share premium reserve		84,194	84,194
Retained earnings		136,292	158,051
Profit for the year		113,246	115,686
Non-restricted equity		333,732	357,931
Total equity		371,476	395,676
Untaxed reserves	26	60,407	44,100
LIABILITIES			
<i>Interest-bearing non-current liabilities</i>			
Non-current liabilities to credit institutions	3	144	90,439
<i>Non-current non-interest-bearing liabilities</i>			
Deferred tax liabilities	14	12	-
Non-current liabilities		-	7,000
Total non-current liabilities		156	97,439
<i>Interest-bearing current liabilities</i>			
Current liabilities to credit institutions		114,780	60,000
Bank overdraft facilities	3, 32	133,537	86,664
Current lease liabilities		623	639
Interest-bearing current liabilities to Group companies	33	267,059	344,024
<i>Other current liabilities</i>			
Trade and other payables	3	2,994	2,040
Liabilities to group companies	33	18,526	4
Current tax liabilities		5,400	-
Other liabilities	29	788	3,159
Accrued expenses/deferred income	30	3,728	5,615
Total current liabilities		547,433	502,146
TOTAL LIABILITIES		547,589	599,584
TOTAL EQUITY AND LIABILITIES		979,472	1,039,360

Statement of changes in equity for the Parent company

SEK thousands	Restricted equity			Share premi- um reserve	Non-restricted equity		Total equity
	Share capital	Statutory reserve	Subtotal		Other non-restricted equity	Subtotal	
Equity, 01/01/2016	36,068	1,156	37,224	34,014	195,514	229,528	266,752
Profit for the year ¹⁾					115,686	115,686	115,686
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
Transactions with shareholders	520		520	50,180	-37,463	12,717	13,237
Equity, 01/01/2017	36,588	1,156	37,745	84,194	273,737	357,931	395,676
Profit for the year ¹⁾					113,246	113,246	113,246
Loss from mergers							
Dividends paid					-87,136	-87,136	-87,136
Transactions with shareholders					-50,309	-50,309	-50,309
					-137,445	-137,445	-137,445
Equity, 31/12/2017							
Eget kapital, 2017-12-31	36,588	1,156	37,745	84,194	249,538	333,732	371,476

¹⁾ Profit for the year corresponds to the comprehensive income for the year

Parent Company's Cash Flow statement

SEK thousands	Note	01/01/2017 31/12/2017	01/01/2016 31/12/2016
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit		133,140	120,424
Adjustment for non-cash generating items	32	10,005	57,454
Income tax paid	14	-4,003	-4,335
Cash flow from operating activities before change in working capital		139,141	173,543
Change in other receivables		-75,187	-1,364
Change in trade payables		953	262
Change in other liabilities		-88,852	-34,249
Change in working capital		-163,086	-35,351
Cashflow from operating activities		-23,944	138,192
Acquisitions of shares in subsidiaries	31	-7,203	-82,130
Shareholder contributions paid	21	-5,897	-36,092
Acquisition of shares in partly owned company		-	-81
Acquisition of tangible non-current assets		-	-412
Proceeds from sale of tangible non-current assets		101	-
Change in group overdraft facility		26,151	11,797
New borrowings to group companies		-739	-34,414
Amortisation of loans to group companies		-	27,265
Cashflow from investing activities		12,412	-114,068
New borrowings		115,000	30,000
Amortisation of loans		-150,000	-29,934
Amortisation of loans (IAS 17 liability, leasing)		-564	-
Change in bank overdraft facilities		46,872	11,387
Group contributions		50,500	5,000
Dividends to the parent company shareholders		-50,309	-40,577
Other changes from financing activities		33	-
Cashflow from financing activities	32	11,532	-24,124
Increase/decrease in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Exchange rate differences in cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year		-	-

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 2017 have been approved by the Board for publication and are available on the company's website www.aqq.se from April 4, 2018. 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 2017, the companies paid a total of 4,604,000 SEK (4,251,000) 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 0.00127% and 0.00236% (2016: 0.00134% and 0.00228%). 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 2017 was 154% (149%).

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 482,1 million (382.6) 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 250.2 million (198.8), will be turned over in their entirety within one year. The value of inventories was written down by SEK 76.1 million (73.8) 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	
	2017	2016	2017	2016
Trade and other receivables	900,387	805,186	-	-
Receivables from group companies	-	-	311,306	239,664
Other receivables	16,849	12,450	35	190
Cash and cash equivalents	142,049	162,812	-	-
Total	1,059,286	980,448	311,341	239,854

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 SEK13 million (176), 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 2017, 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	
	2017	2016	2017	2016
Non-current liabilities to credit institutions	12,757	107,779	144	90,439
Bank overdraft facilities	133,537	90,316	133,537	86,664
Other debts to credit institutions	119,727	73,717	115,403	60,639
Trade and other payables	418,050	351,986	2,994	2,040
Other liabilities	10,848	14,226	8	2,352
Liabilities to group companies	-	-	285,585	344,028
Total	694,919	638,025	537,669	586,163

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 (65) 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 13.8 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 188,0 million (164,8). The net sales of the Group's two largest customers amounted to 25% (27) 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	
	2017	2016	2017	2016
Not overdue	757,479	696,465	85	715
Total overdue by 1 - 30 days	101,201	71,967	-	91
Total overdue by 31 - 90 days	25,197	22,386	-	67
Total overdue by 91 - 180 days	11,765	6,202	440	-
Total overdue by more than 180 days	8,052	11,358	2 782	2,320
Total	903,694	808,379	3 307	3,193

Accounts receivable are denominated in Swedish kronor, approximately SEK 389,4 million (371.4), thereafter, the main currencies are EUR, CNY and USD - converted to Swedish kronor - amount to approximately SEK 387.7 million (304.5), SEK 71.9 million (71.1) and SEK 29.6 million (33.9).

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

Non-current liabilities	Group	
	2017	2016
Bank loans	6,566	101,937
Financial leasing liabilities, non-current	6,191	5,842
Total	12,757	107,779

Current liabilities	Group	
	2017	2016
Overdraft facility	133,537	90,316
Bank loan	118,253	68,990
Financial leasing liabilities, current	1,475	4,727
Total	253,264	164,034

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			
				2017		2016	
				Nom. Amount	Booked Amount	Nom. Amount	Booked Amount
Bank loan ¹⁾	SEK		2017	-	-	122,447	119,747
Revolving facility	SEK	0.79%	2018	115,687	114,780	30,189	30,000
Bank loan	SEK	0.87%	2020-2022	8,666	8,437	14,666	14,272
Bank loan	EUR	1.46%	2017	-	-	90	88
Bank loan	SEK	1.50%	2019	1,626	1,602	6,945	6,820
Financial leasing liabilities		1.5-2.88%	2018-2021	7,867	7,666	10,882	10,570
Overdraft facility	SEK	0.50%	2018	81,697	81,290	61,170	60,866
Overdraft facility	EUR	0.50%	2018	46,626	46,394	25,927	25,798
Overdraft facility	SEK/EUR/PLN	0.50%	2018	4,448	4,425	3,689	3,652
Overdraft facility	USD/CNY	0.50%	2018	1,434	1,427	-	-
Trade and other payables			2018	418,050	418,050	351,986	351,986
Other liabilities			2018	10,848	10,848	14,226	14,226
Total				696,947	694,919	642,217	638,025

1) Bank loan	Group					
	2017*			2016		
	Interest	Amortisation	Booked amount	Interest	Amortisation	Booked amount
Within one year	-	-	-	1,078	30,000	119,747
Between one and five years	-	-	-	1,622	89,747	-
Total	-	-	-	2 700	119 747	119 747

* The loan is prematurely settled.

Financial leasing liabilities	Group					
	31/12/2017			31/12/2016		
	Minimum lease charge	Interest	Capital amount	Minimum lease charge	Interest	Capital amount
Within one year	1,505	30	1,475	4,932	205	4,726
Between one and five years	6,362	171	6,191	5,950	107	5,843
Total	7,867	201	7,666	10,882	312	10,570

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 2017-12-31, a change of 1% has an impact of about SEK 1.2 MSEK.

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 SEK 211,0 MSEK (180.0).

Sales in currencies other than SEK is about 52% (55) of sales.

Exchange rates	EUR	BGN	CNY	HKD	HUF	INR	MXN	NOK	PLN	THB	RSD	USD
Average exchange rate 2013	8.65	4.42	1.06			0.11	0.51	1.11	2.06			6.51
Closing day rate 2013	8.94	4.57	1.07			0.10	0.50	1.06	2.15			6.51
Average exchange rate 2014	9.10	4.65	1.11			0.11	0.52	1.09	2.17			5.86
Closing day rate 2014	9.52	4.87	1.26			0.12	0.53	1.05	2.21			7.81
Average exchange rate 2015	9.36	4.78	1.34		0.03	0.13	0.53	1.05	2.24	0.25		8.44
Closing day rate 2015	9.14	4.67	1.29		0.03	0.13	0.48	0.96	2.15	0.23		8.35
Average exchange rate 2016	9.47	4.84	1.29		0.03	0.13	0.46	1.02	2.17	0.24	0.08	8.56
Closing day rate 2016	9.57	4.89	1.31		0.03	0.13	0.44	1.05	2.17	0.25	0.08	9.10
Average exchange rate 2017	9.63	4.93	1.26	1.10	0.03	0.13	0.45	1.03	2.26	0.25	0.08	8.54
Closing day rate 2017	9.85	5.04	1.26	1.05	0.03	0.13	0.42	1.00	2.36	0.25	0.08	8.23

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 1,8 million.

Two currencies are responsible for most of the conversion exposure, PLN - where a one percent change gives an effect before tax of SEK 0.5 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 8,4 million (7.3), 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 485 million, of which 40% is purchased in EUR and 40% in SEK.

The raw material part (LME guided part) of semi-finished goods is estimated to be SEK 61.9 million in total, upon the following assumptions:

Aluminium: 720 tonnes x 2.139 USD x 8,5 = SEK 13,1 million
Copper: 832 tonnes x 6.898 USD x 8,5 = SEK 48,8 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 2017 changed in accordance with what is stated below for the Group.

4.2 Group

IFRS 9 Financial instruments deal with the presentation of financial instruments. The new standard will apply from 2018 and replace IAS 39. IFRS 9 contains rules for the classification and valuation of financial assets and liabilities, impairment of financial instruments and hedge accounting.

The standard includes a write-down model based on expected loan losses. AQ's customer losses have been very limited over the years and the effects of IFRS 9 are marginal. No adjustment has been made in the opening balances for 2018.

IFRS 15 Revenues from contracts with customers, which entered into force on January 1, 2018, have replaced IAS 18. Revenue and IAS 11 Contracts. IFRS 15 is based on the principle that revenue is recognized when the customer receives control of the sold item or service and supersedes the previous principle that revenue is reported when risks and benefits have passed to the buyer.

The impact of AQ's subsidiaries has been analyzed. No material deviations from previous standards have been established and no adjustment of opening balances for 2018 has been made. The standard brings out more information.

IFRS 16 Leases will replace IAS17 Lease Agreement on January 1, 2019. IFRS 16 will mean that all leases for the lessee will be reported in the consolidated balance sheet, with the exception of lesser leases and contracts with a maturity of no more than 12 months. IFRS 16 is expected to affect the Group's total assets by no more than 10%.

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 2017, 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 segments**

2017 SEK thousands	Component	System	Unallocated and eliminations	Group
External invoicing within Sweden	1,635,744	458,605		2,094,349
External invoicing outside Sweden	1,503,783	421,608		1,925,392
Internal invoicing, other segments	331,228	177,243	-508,471	
Total net turnover	3,470,755	1,057,456	-508,471	4,019,740
Material costs, excl. purchases own segment	-1,760,814	-783,683	474,842	-2,069,654
Depreciation	-92,011	-5,196	-293	-97,499
Other operating expenses/income	-1,436,662	-205,241	52,599	-1,589,305
Operating profit	181,268	63,337	18,678	263,282
Net financial items			-7,454	-7,454
Profit before tax	181,268	63,337	11,224	255,828
Other comprehensive income plus tax			-25,521	-25,521
Comprehensive income for the year	181,268	63,337	-14,297	230,307
2016				
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	
Total net turnover	2,770,194	900,096	-381,074	3,289,215
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
Operating profit	185,846	80,165	15,342	281,353
Net financial items			-2,008	-2,008
Profit before tax	185,846	80,165	13,333	279,344
Other comprehensive income plus tax			4,069	4,069
Comprehensive income for the year	185,846	80,165	17,402	283,413

NOTE 6.1 OPERATING SEGMENTS (CONTD.)

2017 SEK thousands	Component	System	Unallocated and eliminations	Group
Cash and cash equivalents (incl. short-term investments)	274,521	143,131	-275,603	142,049
Trade and other receivables	693,024	204,316	3,047	900,387
Inventories	554,561	180,857	-3,075	732,343
Tangible assets in Sweden	124,512	31,291	53	155,855
Tangible assets in other countries	297,564	66,093	-	363,657
Other assets	234,809	82,901	65,442	383,152
Total assets	2,178,990	708,590	-210,136	2,677,444
Current liabilities	802,606	327,929	-183,684	946,851
Non-current liabilities	99,084	19,765	-31,449	87,399
Equity	1,277,301	360,896	4,996	1,643,193
Total liabilities and equity	2,178,990	708,590	-210,136	2,677,444
2016 SEK thousands				
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
Total assets	1,948,992	712,627	-211,818	2,449,796
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
Total liabilities and equity	1,948,992	712,627	-211,818	2,449,796

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 611 million (512) and SEK 372 million (383) 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	2017	2016	2017	2016
Sweden	2,094,349	1,772,703	203,579	216,547
China	312,424	319,327	31,720	31,215
Other countries in Europe	115,368	100,852		
Germany	289,416	196,699		
Finland	39,532	48,522		
Netherlands	129,243	100,126		
Poland	157,626	102,102	35,836	29,208
United Kingdom	51,866	45,189		
Belgium	127,057	82,800		
Estonia	47,118	25,792	55,162	58,482
USA	37,333	34,564		
France	142,227	107,308		
Other countries in Asia	33,155	14,198		
Bulgaria	22,246	33,221	93,142	73,029
India	58,100	47,755	20,481	22,348
Hungary	118,404	135,158	218,038	209,267
Italy	55,818	11,550	4,314	6,976
Serbia	1,674	-	492	393
Mexico	20,223	28,345	1,698	1,482
Norway	24,100	30,802		
Spain	25,781	-		
Australia	17,216	685		
Other countries in South America	2,377	24,942		
Denmark	47,984	7,221		
Canada	4,978	9,828		
Thailand	18,455	2,731	5,554	5,267
Singapore	15,197	-		
Lithuania	3,906	5,967	76,235	74,276
Other countries in Central America	3,257	-		
Africa	2,388	828		
Hong Kong	923	-		
Total	4,019,740	3,289,215	746,250	728,488

NOTE 7 OTHER OPERATING INCOME

SEK thousands	Group		Parent company	
	2017	2016	2017	2016
Exchange gains from operations, realised	18,352	15,726	389	3,695
Exchange gains from operations, unrealised	4,818	10,251		
Capital gains on non-current assets	2,296	238		
Recovery of previously impaired trade and other receivables	1,381	-		
Rental income	108	68		
Negative goodwill	-	13		
Other operating income, group				
Other operating income ¹⁾	21,416	21,356	2,217	-
Total	48,371	47,650	2,607	3,695

¹⁾ Other operating income includes received insurance compensation, government grants etc.

NOT 8 OTHER EXTERNAL EXPENSES**8.1 Remuneration to auditors**

SEK thousands	Group		Parent company	
	2017	2016	2017	2016
<i>KPMG</i>				
Audit assignment	1,612	1,355	335	310
Audit-related assignments	37	185	37	174
Tax consultation/other services	169	181	135	161
	1,818	1,721	507	645
<i>Grant Thornton</i>				
Audit-related assignments	53	-		
Tax consultation/other services	362	-		
	415	-		
<i>PwC</i>				
Audit assignment	-	7		
	-	7		
<i>EY</i>				
Audit assignment	-	36		
	-	36		
<i>FangBen CPA</i>				
Audit assignment	158	168		
Tax consultation/other services	181	148		
	339	316		
<i>Other</i>				
Audit assignment	7	6		
Audit-related assignments	146	142		
Tax consultation/other services	915	836		
Total	3,487	2,916	507	645

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.

2017				
SEK thousands	2017	2018	2019-2022	Later
Rental agreements for external premises	51,441	47,176	131,513	7,489
Rental agreements for machinery	3,425	2,671	5,922	
Other agreements	3,062	2,294	5,330	327
Total	57,928	52,140	142,765	7,815
2016				
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	
Total	49,703	47,601	101,472	9,159

NOTE 9 PERSONNEL

Average number of employees	2017			2016		
	Women	Men	Total	Women	Men	Total
Parent company, Sweden	13	10	23	10	9	19
Subsidiaries, Sweden	224	796	1,020	215	771	986
Bulgaria	619	527	1,146	543	438	981
Estonia	85	300	385	79	270	349
India	9	114	123	10	124	134
Italy	7	12	19	13	11	24
China	177	295	472	187	311	498
Lithuania	561	127	688	564	124	688
Mexico	124	38	162	95	32	127
Poland	599	411	1,010	520	353	873
Serbia	25	11	36	7	10	17
Thailand	20	14	34	10	10	20
Hungary	104	326	430	120	327	447
Total	2,567	2,981	5,548	2,373	2,790	5,163

Gender distribution, executive officers

Board	Women	Men	Total	Women	Men	Total
Parent company	33%	67%	100%	40%	60%	100%
Group	8%	92%	100%	11%	89%	100%
Company management and MD	Women	Men	Total	Women	Men	Total
Parent company	33%	67%	100%	43%	57%	100%
Group	16%	84%	100%	16%	84%	100%

	Group		Parent company		
	2017	2016	2017	2016	
Salaries and remunerations, SEK thousands					
Sweden					
Board, CEO and other executive officers ¹⁾	13,688	13,989	6,177	7,935	
Other employees	356,169	284,747	5,954	4,512	
Total in Sweden	369,857	298,736	12,131	12,447	
<i>1) Of which bonuses and the like to executive officers</i>	<i>2,365</i>	<i>3,303</i>	<i>1,393</i>	<i>1,595</i>	
Other countries					
Board and CEO ¹⁾	13,523	13,994			
Other employees	433,084	353,056			
Subsidiaries in other countries	446,606	367,050			
<i>1) Of which bonuses and the like to executive officers</i>	<i>3,014</i>	<i>7,736</i>			
Board, CEO and executive officers total ¹⁾	27,211	27,984	6,177	7,935	
Other employees total	789,253	637,803	5,954	4,512	
Total	816,464	665,787	12,131	12,447	
<i>1) Of which bonuses and the like to executive officers.</i>	<i>5,378</i>	<i>10,668</i>	<i>1,393</i>	<i>1,595</i>	
Payroll overhead, SEK thousands					
Sweden					
Pension expenses for Board, CEO and other executive officers	5,627	3,713	1,465	1,494	
Pension expenses for other employees	15,041	12,591	847	235	
Other payroll overhead	132,806	104,179	4,259	3,856	
Total in Sweden	153,473	120,482	6,572	5,585	
Other countries					
Pensions expenses for Board and CEO	670	522			
Pension expenses for other employees	30,988	26,581			
Other payroll overhead	38,951	35,581			
Subsidiaries in other countries	70,610	62,684			
Total					
Pensions expenses for Board and CEO	6,297	4,235	1,465	1,494	
Pension expenses for other employees	46,029	39,172	847	235	
Other payroll overhead	171,757	139,760	4,259	3,856	
Total	224,083	183 166	6,572	5,585	
Remuneration to the Board, CEO and Group management					
SEK thousands	Basic salary/ fee	Variable remuneration	Other benefits	Pension expenses	Total
2017					
Chairman of the Board, Per-Olof Andersson	470		18	12	500
Board member, Hidayet Tercan ¹⁾	160				160
Board member, Patrik Nolåker ²⁾	210				210
Board member, Ulf Gundemark ³⁾	230				230
Board member, Gunilla Spongh ⁴⁾	200				200
Board member, Lars Wrebo	160				160
VD, Claes Mellgren	734		37	144	915
Other executive officers, five	3,973	1,095	273	1,273	6,614
	6,137	1,095	327	1,429	8,989

1) Total invoiced amount including social security fees 210,272 SEK
2) Total invoiced amount including social security fees 275,982 SEK
3) Total invoiced amount including social security fees 302,266 SEK
4) Total invoiced amount including social security fees 262,840 SEK

Remuneration to the Board, CEO and Group management SEK thousands	Basic salary/ fee	Variable remuneration	Other benefits	Pension expenses	Total
2016					
Chairman of the Board, Per-Olof Andersson	715		20	132	867
Board member, Hidayet Tercan	120				120
Board member, Patrik Nolåker	120				120
Board member, Ulf Gundemark*	120				120
Board member, Gunilla Spongh	120				120
VD, Claes Mellgren	767		21	144	932
Other executive officers, five	4,170	1,595	167	1,218	7,150
	6,132	1,595	208	1,494	9 429

* Total invoiced amount including social security fees 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 2018, according to Chapter 8, § 51 of the Swedish Companies Act, are presented in the management report. The remuneration paid to senior executives in 2017 are presented in the note.

The following decision on guidelines for remuneration in 2017 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 2017 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	
	2017	2016
Dividends from group companies	125,351	94,397
Liquidation profit and repayment of purchase price from previous acquisitions	-	4,742
Impairment losses from shares in subsidiaries ¹⁾	-43,084	-
Total	82,267	99 139

¹⁾ See note 36.

NOTE 11 FINANCIAL INCOME AND SIMILAR ITEMS

SEK thousands	Group		Parent company	
	2017	2016	2017	2016
Dividends received	-	35		
Interest income, trade and other receivables	156	396		
Interest income from Group companies			3,854	3,037
Other interest income	1,260	2,195	43	101
Exchange rate gains, realised	877	2,307		
Exchange rate gains, not realised	993	7,126	-	4,411
Total	3,287	12,058	3,898	7,549

No interest income are attributable to items valued to fair value

NOTE 12 FINANCIAL EXPENSES AND SIMILAR ITEMS

SEK thousands	Group		Parent company	
	2017	2016	2017	2016
Interest expenses, trade and other payables	-184	-240	-2	-
Interest expenses to Group companies			-1 805	-2,040
Other interest expenses ¹⁾	-887	-7,351	1 058	-6,290
Exchange rate losses, realised	-5,056	-4,108	-2,165	-
Exchange rate losses, unrealised	-4,614	-2,367	-1,494	-
Total	-10,741	-14,067	-4,408	-8,330

¹⁾ Valuation of forward agreements are included in the amount of SEK thousands 2,352 (-2,352).

The forward agreements are terminated 2017. No interest expenses are attributable to items valued to fair value.

NOTE 13 APPROPRIATIONS

SEK thousands	Parent company	
	2017	2016
Excess depreciation	-207	-
Change in tax allocation reserve	-16,100	-2,650
Group contribution, received	72,000	24,000
Group contribution, paid	-21,500	-19,000
Total	34,193	2,350

NOTE 14 TAXES

SEK thousands	Group		Parent company	
	2017	2016	2017	2016
Current tax for the year	-43,975	-46,491	-10,777	-4,560
Adjustment of the previous year's taxes				
Deferred tax	1,408	2,825	-529	-178
Withholding tax on dividend	-8,587	-	-8,587	-
Tax recorded for the period	-51,154	-43,666	-19,894	-4,738
Specification of recorded tax				
<i>Recorded profit before tax</i>	255,828	279,344	133,140	120,424
Estimated tax based on applicable tax rate in Sweden 22.0 %	-56,282	-61,456	-29,290	-26,493
Tax effect of:				
Standard taxation, tax allocation reserve	-112	-134	-35	-43
Non-deductible expenses	-21,802	-27,558	-602	-205
Non-taxable income	19,989	24,845	18,621	22,003
Adjusted tax from previous year	117	3,540		
Effect of other tax rates in foreign companies	19,340	13,584		
Change in non-recorded tax loss carryforwards	-2,943	-158		
Utilisation of tax loss carryforwards not previously capitalised	188	3,682		
Other	-1,062	-11		
	-42,567	-43,666	-11,307	-4,738
Withholding tax on dividend	-8,587	-	-8,587	-
Tax recorded for the period	-51,154	-43,666	-19,894	-4,738

SEK thousands	Group	
	2017	2016
Non-recorded tax loss carryforwards	81,579	65,260
<i>Expires:</i>		
2018		
2019		
2020	1,708	1,717
2021	16,977	18,160
2022	12,437	-
Later	50,457	45,383
Total	81,579	65,260

NOTE 14 TAXES (CONTD.)

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.

SEK thousands	Group		Parent company	
	2017	2016	2017	2016
Deferred tax asset				
Tangible assets	1,253	1,078		
Inventories	2,349	3,387		
Liabilities	4,134	2,381		
Loss carry forwards	1,630	836		
Other ¹⁾	1,495	1,766	-	512
	10,861	9,448	-	512
¹⁾ Included in Other are receivable write-downs and exchange rate differences				
Deferred tax liability				
Intangible assets	1,566	1,096		
Tangible assets	23,127	21,790	12	-
Untaxed reserves	39,913	41,552		
	64,606	64,438	12	-
Change in deferred tax				
Reorded in the income statement	1,408	2,825	-529	-178
Translation difference	-163	-610		
Acquisition of subsidiaries	-	-12,588		
	1,245	-10,373	-529	-178

NOTE 15 OTHER INTANGIBLE ASSETS

SEK thousands	Group							
	2017				2016			
	Customer relations	Technology	Other intangible non-current assets	Total	Customer relations	Technology	Other intangible non-current assets	Total
Opening cost of acquisition	68,512	12,946	43,682	125,140	36,707	12,274	38,580	87,560
Direct investments for the year			1,685	1,685			1,922	1,922
Acquisition of subsidiaries					29,927		2,154	32,081
Sales/retirements			-116	-116			-158	-158
Reclassifications							609	609
Translation difference	1,522	378	998	2,898	1,879	673	574	3,125
Closing accumulated cost of acquisition	70,035	13,324	46,248	129,607	68,512	12,946	43,682	125,140
Opening depreciation	-5,589	-755	-34,616	-40,960	-612	-102	-31,487	-32,201
Sales/retirements			107	107			158	158
Reclassifications							451	451
Translation difference	-254	-33	-766	-1,053	-83	-14	-445	-541
Depreciation for the year	-6,921	-656	-3,417	-10,994	-4,894	-639	-3,293	-8,826
Closing accumulated depreciation	-12,763	-1,443	-38,692	-52,899	-5,589	-755	-34,616	-40,960
Closing planned residual value	57,272	11,881	7,556	76,709	62,924	12,191	9,066	84,181

NOTE 16 GOODWILL

SEK thousands	Group	
	2017	2016
Opening cost of acquisition	149 063	117,561
Direct investments for the year	-	10
Acquisition of subsidiaries	-	27,443
Translation difference	3 579	4 049
Closing accumulated costs of acquisition	152 642	149,063
Opening accumulated impairment	-670	-
Write-down for the year	-1 880	-663
Translation difference	-62	-7
Closing accumulated write-downs	-2 612	-670
Closing residual value	150 030	148,393

In 2017 no acquisitions were made. See not 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. There are no indications of a value decrease. Other goodwill items are of lesser value. Write-downs of goodwill during the year were made by SEK 1.9 million for AQ Italy S.r.l.

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:

	2017	2016
AQ Wiring Systems UAB	68 889	66 911
AQ Anton Kft	47 519	46 170
AQ Industrial Systems (f.d Gerdins)	23 808	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 5,1%.

	Estimated growth of cash flow beyond a four-year period	Discount rate, before tax	Discount rate, after tax
AQ Wiring Systems	2% (2%)	15% (15%)	13% (13%)
AQ Anton Kft	2% (2%)	15% (17%)	13% (16%)
AQ Industrial Systems (f.d Gerdins)	2% (2%)	16% (17%)	13% (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	
	2017	2016
Opening cost of acquisition	220,338	193 927
Direct investments for the year	11,470	7,279
Acquisition of subsidiaries	-	5 951
Sales/retirements	-6,050	-
Reclassifications	-	7,006
Translation difference	5,241	6,175
Closing accumulated cost of acquisition	230,999	220 338
Opening accumulated depreciation	-63,228	-53 905
Sales/retirements	3,673	-666
Translation difference	-1,491	-1,042
Depreciation for the year	-8,447	-7,615
Closing accumulated depreciation	-69,493	-63 228
Closing planned residual value	161,506	157,109

NOTE 18 PLANT AND MACHINERY

SEK thousands	Group						Parent company	
	2017			2016			2017	2016
	Machinery and equipment	Leased machinery	Total	Machinery and equipment	Leased machinery	Total	Leased machinery	Leased machinery
Opening cost of acquisition	502,498	11,845	514,343	413,942	9,762	423,704	1,743	-
Direct investments for the year	54,120	1,037	55,157	62,673	4,361	67,035	-	1,743
Acquisition of subsidiaries				15,473	6,527	22,000		
Sales/retirements	-27,007	-761	-27,767	-12,085	-8,714	-20,799	-228	-
Reclassifications	3,540	-2,773	768	4,257	-374	3,883		
Translation difference	9,333	170	9,503	18,239	281	18,520		
Closing accumulated cost of acquisition	542,486	9,518	557,440	502,498	11,845	514,343	1,516	1,743
Opening accumulated depreciation	-253,105	-1,231	-254,336	-212,622	-7,324	-291 946	-390	-
Sales/retirements	24,644	313	24,957	8,138	8,490	16,628	89	-
Reclassifications	-2,478	2,430	-48	2,060	257	2,317		
Translation difference	-7,490	-145	-7,634	-11,890	-192	-12,080		
Depreciation for the year	-54,392	-3,052	-57,445	-38,792	-2,462	-41,254	-293	-390
Closing accumulated depreciation	-292,821	-1,684	-294,505	-253,105	-1,231	-254,336	-593	-390
Opening accumulated impairment	-48		-48	-46		-46		
Amortisation for the year	-155		-155					
Translation difference	-5		-5	-2		-2		
Closing accumulated amortisation	-208		-208	-48		-48		
Closing planned residual value	249,457	7,833	257,290	249,345	10,614	259,959	922	1,354

NOTE 19 EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

SEK thousands	Group		Parent company	
	2017	2016	2017	2016
Opening cost of acquisition	141,863	126 129	59	59
Direct investments for the year	22,788	22,275		
Acquisition of subsidiaries	-	2 391		
Sales/retirements	-7,282	-6,396		
Reclassifications	-364	-5,307		
Translation difference	3,840	2,772		
Closing accumulated cost of acquisition	160,847	141 865	59	59
Opening accumulated depreciation	-93,670	-86 520	-59	-59
Sales/retirements	5,785	6,186		
Reclassifications	-56	2,418		
Translation difference	-2,643	-1,953		
Depreciation for the year	-17,614	-13,802		
Closing accumulated depreciation	-108,199	-93 670	-59	-59
Closing planned residual value	52,647	48,195		

NOTE 20 CONSTRUCTION IN PROGRESS

SEK thousands	Group	
	2017	2016
Opening cost of acquisition	32,531	19,406
Direct investments for the year	16,834	22,847
Acquisition of subsidiaries	-	1,895
Sales/retirements	-335	-511
Reclassifications	-300	-12,011
Translation difference	1,091	905
Closing accumulated costs of acquisition	49,821	32,531
Opening depreciations	-126	-
Sales/retirements	239	-
Translation difference	1	-2
Depreciation for the year	-115	-125
Closing accumulated depreciation	-	-126
Opening write-downs	-1,753	-
Write-downs for the year	-	-1,753
Closing accumulated write-downs	-1,753	-1,753
Closing planned residual value	48,068	30,651

NOTE 21 SHARES AND PARTICIPATIONS IN SUBSIDIARIES

SEK thousands	Parent company	
	2017	2016
Opening cost of acquisition	782 737	668,593
Shareholder contribution	5 897	36,092
Investment in subsidiaries	208	139,911
Merger/liquidation of subsidiaries	-87 223	-61,860
Closing accumulated costs of acquisition	701,619	782,737
Opening accumulated impairment	-53,958	-53,958
Impairment losses ¹⁾	-43,084	-
Closing accumulated amortisation	-97,042	-53,958
Closing book value	604,577	728,779

¹⁾ Refer to Note 36.

CONTR. NOTE 21 SHARES AND PARTICIPATIONS IN SUBSIDIARIES

SEK thousands	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 Lyrestad AB, Västerås	556443-9734	15,000	100%	100%	-
AQ Fastighet i Torslanda AB, Göteborg	556690-3018	1,000	100%	100%	100
AQ Elautomatik AB, Västerås	556272-8484	1,000	100%	100%	4,457
AQ 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				
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 Special Sheet Metal AB, Pålshoda	559138-9753	1 000	100%	100%	100
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 Components Västerås AB	556733-7216	5 000	100%	100%	11 365
- AQ Plåxan AB	556473-5073				
AQ Components Mjällom AB	556209-2634	10 000	100%	100%	11 162
AQ Wiring Systems AB	556261-0955	10 000	100%	100%	16 192
- AQ Wiring Systems STG Sp. Z.o.o., Poland	5212878589				
AQ Enclosure Sollefteå AB	556720-8466	10 000	100%	100%	13 888
AQ Electric AD, Radomir, Bulgaria	1135 61397	544,618	96%	96%	16,607
AQ Magnit AD, Godech, Bulgaria	1220 33267	679,382	99%	99%	40,318
AQ Plastronic AD, Bulgaria	1040 11529	595,560	95%	95%	14,391
AQ Wiring Systems UAB, Panevezys, Lithuania	148 427 212	1,200	100%	100%	56,078
AQ Electric Suzhou Co Ltd, Suzhou, China	[2006] 65541	169,730	100%	100%	23,298
AQ Holmbergs Suzhou Co Ltd, Suzhou, China	[2002] 32190	173,517	100%	100%	1,806
- AQ Manufacturing Co., Ltd, Bangkok, Thailand	115 558 018 096				
AQ Asia Ltd, Hong-Kong	2568747		100%	100%	108
AQ Magnetica Italy S.r.l.	02591110420		100%	100%	3 127
- AQ Magnetica Technology d.o.o., Serbia	PIB108406435				
AQ Lasertool OÜ, Pärnu, Estonia	10 930 852	40,000	100%	100%	8,525
AQ Mechanical & Electrical M.I.Pvt.Ltd, Pune, India	U31909PN2011FTC139442	4,156,659	100%	100%	32 034
AQ Wiring Systems SA DE CV, Tultitlan Edo, Mexico	DME051116H2A	50,000	100%	100%	23 939
AQ Wiring Systems Sp.z.o.o., Lodz, Poland	7 281 357 239	2,227	100%	100%	42,630
AQ Anton Kft, Hungary	20-09-061216	*)	100%	100%	235,672
					604 577

*) AQ Anton Kft, has no shares. Instead the company has a "business quota" of HUF 12 millions.

NOTE 22 NON-CURRENT RECEIVABLES

Receivables from group companies	Parent company	
	2017	2016
Opening receivables	57,211	47,615
Lending during the year	739	34,414
Repayments during the year	-	-27,264
Translation difference	-783	2,446
Closing receivables	57,166	57,211

NOTE 23 OTHER RECEIVABLES

SEK thousands	Group		Parent company	
	2017	2016	2017	2016
VAT receivables	27,717	12,973		
Other current receivables	16,849	12,450	35	190
	44,567	25,423	35	190

NOTE 24 PREPAID EXPENSES AND ACCRUED INCOME

SEK thousands	Group		Parent company	
	2017	2016	2017	2016
Prepaid rent	5,224	6,063	60	59
Other interim receivables	74,723	98,646	4,385	597
	79,947	104,709	4,445	656

NOTE 25 EQUITY**Bound and unrestricted equity in the Parent Company**

Equity is divided between the bids and the respective free funds. Share capital and reserve funds are restricted equity. Free funds consist of share premium, capitalized earnings and profit for the year.

The parent company's share capital amounts to SEK 35,588 million (36,588), the reserve fund SEK 1,156 million (1,156), the share premium fund SEK 84,194 million (84,194), capitalized earnings SEK 136,292 million and profit for the year SEK 113,246 million (115,686).

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 2017-12-31 was 61% (60). 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)
Number/Amount at year-end - 31/12/2011	17,959,058	35,918,116
New issue (subscription)	75,000	150,000
Number/Amount at year-end - 31/12/2012	18,034,058	36,068,116
Number/Amount at year-end - 31/12/2013	18,034,058	36,068,116
Number/Amount at year-end - 31/12/2014	18,034,058	36,068,116
Number/Amount at year-end - 31/12/2015	18,034,058	36,068,116
New issue (subscription)	260,000	520,000
Number/Amount at year-end - 31/12/2016	18,294,058	36,588,116
Number/Amount at year-end - 31/12/2017	18,294,058	36,588,116

CONTINUATION: NOTE 25 EQUITY

	Group	
	2017	2016
Profit for the year attributable to Parent company shareholders, SEK thousands	203,773	235,265
Number of shares at the beginning of the year	18,294,058	18,034,058
Number of shares at the end of the year	18,294,058	18,294,058
Average number of outstanding shares	18,294,058	18,088,225
Earnings per share, SEK	11,14	13,01

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

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 (2.75) per share to the Annual General Meeting for fiscal year 2017, 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	
	2017	2016
Tax allocation reserve, Tax 2013	18,400	18,400
Tax allocation reserve, SFL 2013	8,200	8,200
Tax allocation reserve, SFL 2014	4,900	4,900
Tax allocation reserve, SFL 2015	5,800	5,800
Tax allocation reserve, SFL 2016	6,800	6,800
Tax allocation reserve, SFL 2017	16,100	-
Excess depreciations	207	-
	60,407	44,100

NOTE 27 PLEDGED ASSETS AND CONTINGENT LIABILITIES

SEK thousands	Group	
	31/12/2017	31/12/2016
Pledged assets		
Property mortgages	116,847	114,020
Floating charges	290,060	315,089
<i>of which in own custody</i>	<i>338,485</i>	<i>208,220</i>
Ownership reservation regarding leased machines	8,437	-
Other ownership reservations	-	2,843
Mortgaged trade and other receivables	15,157	-
Contingent liabilities		
Other contingencies	1,833	2,045

NOTE 28 PROVISIONS - NON-CURRENT AND CURRENT

SEK thousands	Group	
	2017	2016
Opening pension provisions, non-current	5,980	3,316
Provisions made during the year	2,182	2,020
Used provisions	-652	-53
Reversed provisions	-18	-50
Acquisition of companies	-	572
Reclassifications	48	-
Translation difference	269	175
Closing pension provisions, non-current	7,809	5,980
Opening provisions for warranty obligations, non-current	1,889	-
Used provisions		
Reclassifications	-108	1,864
Translation difference	53	25
Closing provisions for warranty obligations, non-current	1,835	1,889
Opening other provisions, non-current	11,636	10,208
Provisions made during the year	68	609
Used provisions	-9,725 ¹⁾	-3,103
Reversed provisions	-1,540	-1,194
Acquisition of companies	-	7,245
Reclassifications	-48	-2,332
Translation difference	2	203
Closing other provisions, non-current	393	11,636
Opening provisions for warranty obligations, current	3,536	875
Provisions made during the year	1,404	2,486
Used provisions	-510	-367
Reversed provisions	-348	-
Reclassifications	108	467
Translation difference	110	75
Closing provisions for warranty obligations, current	4,300	3,536

¹⁾ MSEK 7 refers to an earnout payment for the acquisition of Gerdins Industrial Systems AB.

NOTE 29 OTHER LIABILITIES

SEK thousands	Group		Parent company	
	2017	2016	2017	2016
Liability for VAT and personnel	44,463	23,004	781	807
Other current liabilities	10,848	14,226	8	2,352
	55,310	37,230	788	3,159

NOTE 30 ACCRUED EXPENSES AND PREPAID INCOME

SEK thousands	Group		Parent company	
	2017	2016	2017	2016
Liability to personnel	91,887	89,515	1,999	3,289
Liability, social security contributions	36,596	31,588	1,102	1,362
Other interim liabilities	23,090	20,066	627	963
	151,574	141,169	3,728	5,615

NOT 31 ACQUISITIONS**2017**

No acquisitions were made during the year. In order to facilitate our business in China with export and import of materials, AQ formed a company, AQ Asia in Hong Kong.

An additional purchase price was paid of SEK 7 million for the acquisition of Gerdins Industrial Systems AB with subsidiaries. In December 2017, AQ Special Sheet Metal AB will be formed. No divestments of companies have taken place during the period.

During the year, AQ Industrial System AB was merged into AQ Group AB. AQ Italy S.R.L has been merged into AQ Magnetica S.R.L. AQ Elektroprim has been merged into AQ Elautomatik AB.

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
Total assets	10,473	192,679	203,152
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
Total provisions and liabilities	14,181	98,599	112,780
Total Net Assets	-3,708	94,080	90,372
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
Effect on cash and cash equivalents	113	-64,148	-64,035

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.

NOTE 32 CASH AND CASH EQUIVALENTS

SEK thousands	Group		Parent company	
	2017	2016	2017	2016
Cash and bank balances	142,049	162,812		
Cash and cash equivalents recorded in the cash flow statement	142,049	162,812		

The Group's total unutilised limits for bank overdraft facilities totalled SEK 13,000 (176,000) thousands at year-end. AQ has a revolving credit facility of SEK 400 (30) millions.

Changes in interest-bearing liabilities included in financing activities

SEK thousands	Group		Parent company	
	2017	2016	2017	2016
Opening liabilities	272,110	280,911	237,742	224,958
Acquisition of companies	-	33,411		
Items affecting cashflow from financing activities	-7,803	-46,199	11,341	11,453
Non-cash generating item, financial leases	1,132	3,140	-	1,331
Non-cash generating item, exchange rate differences	582	847		
Closing liabilities	266,021	272,110	249,083	237,742

Financial leases has in previous periods been presented gross in the cashflow as New borrowings and Acquisition of tangible assets. From 2017 financial leases are presented net, since the transaction has a non-cash effect in the cashflow. Previous periods has been adjusted.

Specification of adjustments for items non-cash generating items

SEK thousands	Group		Parent company	
	2017	2016	2017	2016
Depreciations and impairment losses	96,852	82,522	43,377	390
Result from sold fixed assets	309	80,202	-33,472	57,454
Provisions	-2,298	107		
Interest	101	-2		
Exchange rate differences	3,924	-748		
Non-cash generating items	98,888	162,081	10,005	57,844

Information regarding interest and dividends

SEK thousands	Group		Parent company	
	2017	2016	2017	2016
Received interest during the year	1,416	2,589	3,898	3,138
Paid interest during the year	-970	-7,591	-749	-8,330
Received dividend during the year	-	35	125,351	94,397

NOTE 33 TRANSACTIONS WITH 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 2017, AQ Group AB paid SEK 50,308,660 (40,576,631) 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 49% (58) 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	
	2017	2016
Billing	51,619	59,237
Purchase	139	248
Loans to group companies (long-term)	57,166	57,211
Loans to group companies (short-term)	311,306	239,644
Interest-bearing short-term liabilities to group companies	267,059	344,024
Liabilities to group companies (short-term)	18,526	4
Interest revenue	3,854	3,037
Interest expense	2,603	2,040

NOTE 34 PROPOSED APPROPRIATION OF PROFITS, SEK

The Board proposes that the retained earnings, SEK 333,731,924, is distributed as follows:

Available		Appropriation	
Share premium reserve	84,194,103	Distributed to shareholders,	
Retained earnings incl.		2,75 SEK per share	50,308,660
Profit for the year	249,537,821	Carried forward ¹⁾	283,423,264
Total non-restricted equity	333,731,924	Total	333,731,924

1) of which 84 194 103 returns to the shareholder premium reserve

NOTE 35 POST BALANCE SHEET EVENTS

In order to give their respective businesses full customer focus and deeper profitability, a newly established company, AQ Special Sheet Metal AB, has acquired the operations in Lyrestad and Pålsboda from AQ Segerström & Svensson AB.

On February 22, 2018, the management of AQ Welded Structures AB called for an MBL negotiation on restructuring of the company which has 51 employees.

The Board of AQ Group has appointed Anders S Carlsson as new President and CEO. Anders accepts no later than 1 September 2018 and replaces one of AQ's founder Claes Mellgren

NOTE 36 EXCEPTIONAL COSTS/INCOME

The parent company has written impairment of shares in subsidiaries of SEK 43.1 million. The shares in AQ Mechanical & Electrical Manufacturing India Pvt. Ltd was written down by SEK 30.3 million and the shares in AQ Wiring Systems SA de CV of SEK 12.8 million. AQ uses a write-down model that takes into account the present value of future estimated cash flows.

KEY INDICATORS AND DEFINITIONS

Key indicators defined by IFRS

SEK thousands	2017	2016	2015	2014
Net revenue, SEK thousands	4,019,740	3,289,215	2,931,878	2,616,097
Earnings per share, SEK	11.14	13.01	9.44	8.32

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	2017	2016	2015	2014
Operating margin, (EBIT %)				
Operating profit	263,282	281,353	201,985	182,586
Net revenue	4,019,740	3,289,215	2,931,878	2,616,097
Operating margin	6.5%	8.6%	6.9%	7.0%
Profit margin before tax, (EBT %)				
Profit before tax	255,828	279,344	211,736	186,652
Net revenue	4,019,740	3,289,215	2,931,878	2,616,097
Profit margin before tax	6.4%	8.5%	7.2%	7.1%
Liquid ratio, %				
Trade and other receivables	900,387	805,186	670,438	594,096
Other current receivables	143,575	160,179	147,876	97,411
Cash and cash equivalents	142,049	162,812	135,602	145,744
Current liabilities	946,851	794,582	668,164	575,612
Liquid ratio	125%	142%	143%	145%
Debt/equity ratio, %				
Total equity	1,643,193	1,463,195	1,169,736	1,055,230
Total assets	2,677,444	2,449,796	2,024,282	1,678,724
Debt/equity ratio	61%	60%	58%	63%
Return on total assets, %				
Profit before tax, rolling 12 months	255,828	279,344	211,736	186,652
Financial expenses, rolling 12 months	-10,741	-12,977	-10,565	-5,778
Total equity and liabilities, opening balance for 12 months	2,449,796	2,024,282	1,678,724	1,578,082
Total equity and liabilities, closing balance	2,677,444	2,449,796	2,024,282	1,678,724
Total equity and liabilities, average	2,563,620	2,237,039	1,851,503	1,628,403
Return on total assets	10.4%	13.1%	12.0%	11.8%
Return on equity after tax, %				
Profit for the period after tax, rolling 12 months	204,674	235,678	170,453	150,477
Total equity, opening for 12 months	1,463,195	1,169,736	1,055,230	885,403
Total equity, closing	1,643,193	1,463,195	1,169,736	1,055,230
Total equity, average	1,553,194	1,316,465	1,112,483	970,316
Return on equity after tax	13.2%	17.9%	15.3%	15.5%
Net cash / Net debt				
Cash and cash equivalents	142,049	162,812	135,602	145,744
Non-current interest bearing liabilities	12,757	107,779	121,045	3,256
Current interest bearing liabilities	253,264	164,034	159,866	143,656
Total interest bearing liabilities	266,021	271,812	280,911	146,913
Net cash / Net debt	-123,972	-109,000	-145,309	-1,169

CONT. GROUP KEY FIGURES

SEK thousands	2017	2016	2015	2014
Growth, %				
Organic growth				
Net revenue last year	4,019,740	3,289,215	2,931,877	2,616,097
Effect of changes in exchange rates	29,308	-20,452	99,569	56,969
Net revenue for acquired companies	3,289,215	2,931,878	2,616,097	2,527,372
Organic growth	325,055	327,803	50,450	9,478
Net revenue current period	376,162	49,987	165,761	22,278
Organic growth divided by last year net revenue, %	11,4%	1,7%	6,3%	0,9%
Growth through acquisitions				
Net revenue for acquired companies divided by last year net revenue, %	9,9%	11,2%	1,9%	0,4%
EBITDA				
Operating profit	263,282	281,353	201,985	182,586
Depreciation	-97,499	-79,944	-60,980	-56,261
EBITDA	360,781	361,297	262,965	238,847
Parent company				
Liquid ratio, %				
Account receivables				29
Other current receivables	316,805	251,503	168,390	156,230
Cash and cash equivalents	-	-	-	22,352
Current liabilities	547,433	502,146	403,597	206,372
Liquid ratio, %	58%	50%	42%	87%
Debt/equity ratio, %				
Total equity	371,476	395,676	266,752	291,966
Equity part of untaxed reserves	47,117	34,398	32,214	28,080
Adjusted equity	418,593	430,074	298,966	320,046
Total assets	979,472	1,039,360	831,330	534,338
Debt/equity ratio, %	43%	41%	36%	60%

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 3, 2018. Consolidated financial statements and the Parent company's income statement and balance sheet are subject to approval at the AGM on April 26, 2018.

Västerås, Sweden, 2018-04-03

Claes Mellgren
CEO Board member

Per-Olof Andersson
Board Chairman

Lars Wrebo
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 2018-04-03
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 2017, except for the corporate governance statement on pages 1-16 and the sustainability report on pages 23-29.

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 2017 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 2017 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. Our opinions do not cover the corporate governance statement on pages 1-16 and sustainability report on pages 23-29. 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.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

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. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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 56 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, 2017 inventories of 732 million SEK, which represents 27% 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 76.1 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.

Financial reporting of inventories is considered to be key audit matter 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 misstatement in the financial reporting should not arise.

Response in the audit

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

We have evaluated whether the Group's model for the obsolescence calculation correctly includes the overstocking 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 have also evaluated the completeness in 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 57-58 in the annual report and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The Group reports per December 31, 2017 trade receivables of 900 million SEK, which represents 34% of total assets.

On the reporting date, trade receivables were written down by 3.3 million SEK. The valuation is based on a individually impairment test. This is considered as a key audit matter because the impairment test is reliant on significant levels of estimates performed by the management.

Response in the audit

We have for example reviewed payments received after closing date. Furthermore, we have examined the age of the accounts receivables in order to identify and evaluate whether any additional provision requirements exists in addition to those that management has taken into account in the annual report.

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

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

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts which is found on pages 1-16, 23-29, 34-35 and 90-95. The Board of Directors and the Managing Director are responsible for this 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.



Report on other legal and regulatory requirements

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 2017 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.

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.

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.

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.

KPMG AB, Box 382, 101 27 Stockholm, was elected auditor of AQ Group AB (publ) by the general meeting of the shareholders on the 24 April 2014. KPMG AB have been the company's auditor since 2014.

Västerås 3 April 2018

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: James Ahrgren

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, Pålsboda 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: Tord Pettersson

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: Ola Olsson

AQ Special Sheet Metal AB (559138-9753)

The company processes and assembles sheet by pressing and cutting. The company's operations are conducted in Pålsboda and Lyrestad.

MD: Ivan Obrovac

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: Ola Olsson

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: Jenny Gerdin

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 m² 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 m² 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 m² 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 m² 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 m² 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 m² 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 m² 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

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 m² 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 m² 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 Italy 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: Zivka 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

AQ Asia Ltd. (2568747)

Sales company in Hong Kong, without employees.

MD: Mia Tomczak

OTHER

During the year 2017, AQ Industrial System AB (556937-6576) has been merged into AQ Group AB. AQ Elektroprim AB (556634-8065) has been sold to AQ Elautomatik AB, for merging. AQ Italy S.R.L (04056160965) has been merged into AQ Magnetica S.R.L. renamed AQ Magnetica Italy S.R.L.

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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

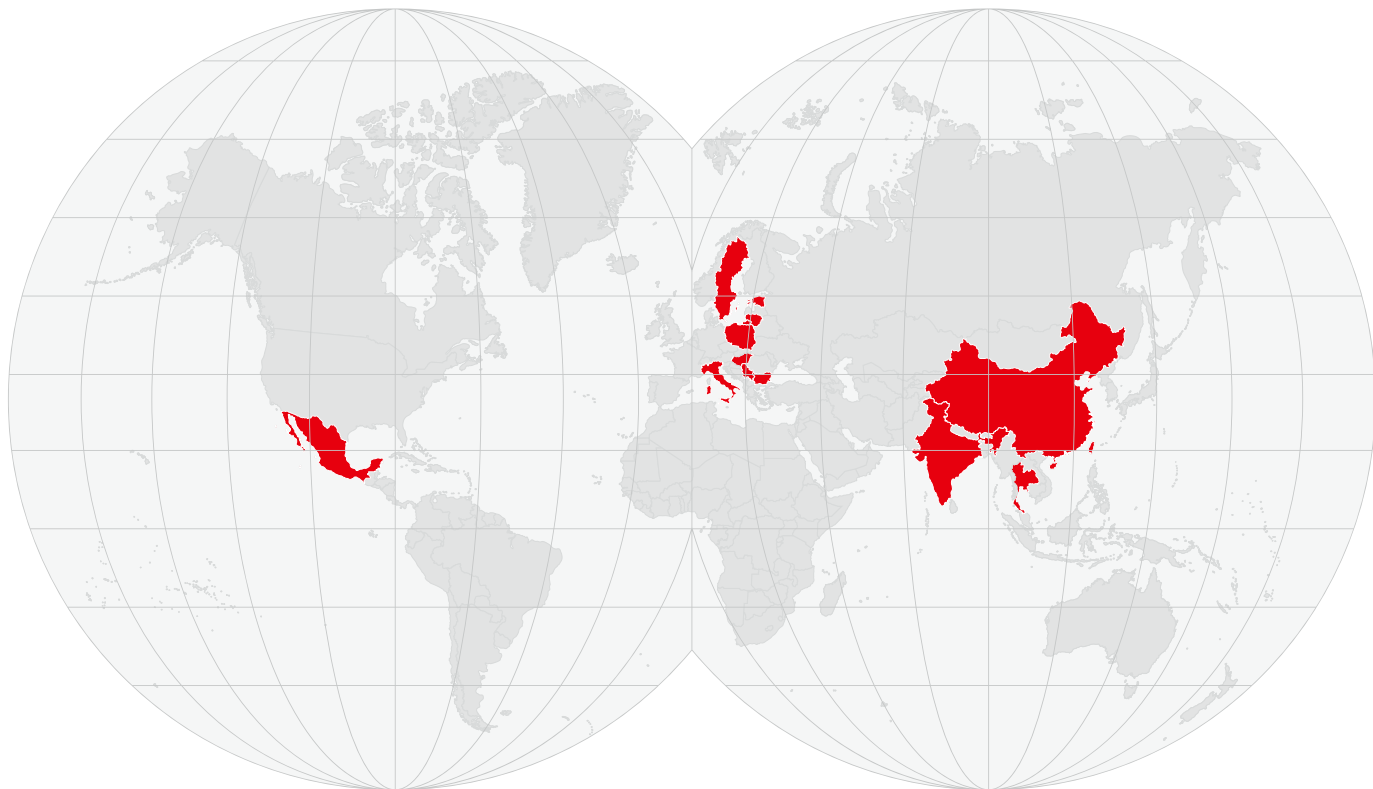
Companies within the AQ Group shall, based on AQ core values, run their business as entrepreneurs and strive for profitability and growth.

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