



Västerås, April 22, 2020

# AQ Group AB (publ), First quarter, 2020

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[www.aqg.se](http://www.aqg.se)

# First quarter, January-March 2020 in brief

- Stable earnings and lower net debt than at the end of last year
- Net sales increased by 7.1 % to SEK 1 342 million (1 253)
- Operating profit (EBIT) increased by 2.3 % to SEK 98 million (96)
- Profit after financial items (EBT) decreased by 6.5 % to SEK 87 million (93)
- Profit margin before tax (EBT %) was 6.5 % (7.4)
- Cash flow from operating activities decreased to SEK 141 million (165)
- Earnings per share after tax SEK 4.11 SEK (4.14)
- Equity ratio 54 % (54)
- Covid-19 affected the quarter with SEK 25 million lower net sales and SEK 5 million lower operating profit
- Difficult to assess the impact of Covid-19 during the year
- The Board of Directors has decided to withdraw the previous dividend proposal and instead propose to the Annual General Meeting that no dividend will be paid
- The new date for the Annual General Meeting is June 25

## Group overview, key figures

	2020	2019				Full year
	Q1	Q1	Q2	Q3	Q4	
Net turnover, SEK thousands	1 341 888	1 252 861	1 313 431	1 246 556	1 299 754	5 112 602
Operating profit (EBIT), SEK thousands	97 947	95 707	93 363	86 676	64 749	340 495
Profit after net financial items (EBT), SEK thousands	86 964	92 949	88 478	82 007	57 978	321 412
Profit for the period	75 899	76 335	69 899	69 018	47 619	262 871
Total equity	2 176 452	1 896 417	1 928 490	2 020 893	2 015 157	2 015 157
Operating margin (EBIT %)	7,3%	7,6%	7,1%	7,0%	5,0%	6,7%
Profit margin before tax (EBT %)	6,5%	7,4%	6,7%	6,6%	4,5%	6,3%
Liquid ratio	108%	108%	102%	103%	106%	106%
Debt/equity ratio	54%	54%	49%	51%	52%	52%
Return on total assets <sup>2)</sup>	9,5%	7,6%	7,7%	9,7%	10,1%	10,1%
Return on equity after tax <sup>2)</sup>	12,9%	9,4%	10,5%	14,0%	13,8%	13,8%
Number of employees in Sweden	833	865	888	871	856	856
Number of employees outside Sweden	5 465	5 265	5 642	5 553	5 474	5 474
<b>Key indicators per share, SEK <sup>1)</sup></b>						
Profit for the period	4,11	4,14	3,81	3,77	2,60	14,37
Equity	118,97	103,66	105,42	110,47	110,15	110,15
Number of shares, thousands	18 294	18 294	18 294	18 294	18 294	18 294

<sup>1)</sup> There are no instruments that could lead to share dilution.

<sup>2)</sup> Calculated based on 12 months rolling amounts.

# A word from the CEO

## **First quarter**

Our EBT margin for the quarter is 6.5%, which is 0.9 percentage points lower than last year. The result is affected by the fact that factories in China, USA and Canada have been closed due to Covid-19 and that we have had costs for ending a non-profitable customer project during the quarter.

We have worked well with our productivity and reduced personnel costs for our own and hired personnel by 5% compared to the first quarter of 2019. This combined with slightly better volumes compared to the fourth quarter has had a good effect on earnings and counteracted the volume decline we have seen with many customers. Several customers in the medical technology, food industry, environmental technology and infrastructure are still growing, which helps us to keep up the profit.



The Corona crisis affected the first quarter with SEK 25 million lower net sales and SEK 5 million lower operating profit. The units that were affected in Europe in March continued to manufacture the month out, so the impact has so far been limited.

There have been major currency movements during the quarter, where mainly EUR and USD strengthened against many of the currencies in which we operate, such as PLN, MXN and SEK. The valuation of accounts receivable and accounts payable had a positive impact on operating profit, while our internal group-wide loans had a negative impact on net financial items.

Cash flow from operating activities was good during the quarter and our net debt excluding IFRS 16 has decreased from SEK 452 million to SEK 377 million during the quarter. Working capital was affected by the low level of activity at the turn of the year and the subsequent increase in production in January and February as accounts receivables and inventories increased.

## **Covid-19 pandemic**

AQ Group is affected by the Covid-19 pandemic mainly in three ways.

Firstly, we have operations in countries and states that completely shut down their economy. In China, this led to a shutdown lasting 3-5 weeks and it is gratifying that these three units are up and running again after extensive measures to be able to conduct the business as risk-free as possible. At present, 5 manufacturing units in Italy, India, USA and Canada are completely closed.

The other major impact is from the European automotive industry. This was forced to stop when Western Europe completely shut down its companies. AQ has 9 units in Sweden, Estonia, Lithuania and Poland, which are affected by the automotive customers standing still. Here we work with short-time work allowance, vacations, and cost savings to handle the situation as well as possible. We also work intensively with supply chain management to reduce the inflow of material to us, but also to be ready to start again. Worth noting is that most of these units are still running as we also have other customers.

The third effect is on our other 28 manufacturing units in the Nordic countries, Eastern Europe, China and Mexico. There the business continues but under new conditions. We spend a lot of time organizing our business in a way that reduces the risk of virus spread. Here we learned early from our Chinese colleagues who immediately, in February, started manufacturing with the help of these measures. We also have higher absence due to employees being at home taking care of children in the countries where the schools are closed. The deliveries from most of our suppliers are still working. There have been some concerns with transport, but this has improved gradually.

AQ Group has benefited from its decentralized and agile structure in this crisis. The situation is different in each country and in each unit and our local management has done a very good job of quickly following local directives, reducing the risk of virus spread, managing high sickness absence, chasing materials and continuing to deliver to our customers. It is a strength to be in many countries and we spend a lot of time on internal and external communication in order to learn from each other.

### **Outlook**

There is still a great deal of uncertainty in how this will affect us. The greatest uncertainty is for how long different countries completely shut down their economy and if more countries choose to take this measure. The other major uncertainty lies in when the European automotive industry succeeds in its restart. We will have weaker earnings in the second quarter, but today it is impossible to say how much.

We continuously work with different scenarios in each company and try to be prepared for whatever may happen and then take action quickly. This applies both in the near future during the immediate crisis but also in the medium term as we need to be prepared for whatever happens to the demand from our customers. We also work hard to reduce costs and review all decided and planned investments. Everything that can wait has been moved forward. We are very humbled by this uncertain situation, but we have a good starting point with our strong balance sheet.

Our goal remains to be a long-term, stable, growing and profitable group with a profit margin (EBT) of 8% and a strong financial position.

We want to increase our turn-over both organically and through acquisitions. The acquisition activity in the near future is affected by the great uncertainty, but there will be good growth opportunities both now and after the immediate crisis, both organically and through future acquisitions.

With strong relationships with our world-leading customers and committed employees, we will work hard on improving our efficiency in the production units and lower our purchasing costs. This includes to humbly and quickly adapt to the new reality that exists in our markets, regardless of the scenarios that occur.

Our employees and leaders are doing a good job during these difficult circumstances and they are now increasing their efforts to continue to deliver to our customers and seize the opportunities available in the market.

A continued important part of this is our core values and our efforts to be a long-term and "Reliable" supplier to leading industrial customers.

*Anders Carlsson*  
CEO

# Group's financial position and results

## First quarter

Net sales for the first quarter was SEK 1 342 million (1 253), an increase of SEK 89 million compared to the same period in the previous year. The increase in turnover can be explained by the acquisition of Trafotek and positive currency effects in the quarter. The total growth in the quarter was 7.1 %, of which organic growth -5.3 %, growth through acquisitions 11.3 % and currency effects of 1.1 %. The currency effect of 1.1 % corresponds to about SEK 14.0 million and is mainly with the currencies EUR, BGN and PLN. Covid-19 closures impacted organic growth negatively by SEK 25 million.

Operating margin (EBIT) in the first quarter was SEK 98 million (96), an increase of SEK 2 million.

Goodwill and other intangible assets have increased with SEK 142 million compared to the first quarter of 2019, an increase due to overvalues in acquisitions, currency translation effects and depreciation of technology and customer relations.

Investments in tangible fixed assets in the quarter in the group were SEK 44 million (39), including among other things construction of a new factory in Canada. In total, tangible fixed assets amounted to SEK 1 028 million (848).

Interest bearing liabilities of the group are SEK 832 million (598) and cash and cash equivalents amount to SEK 163 million (115), which means that the group has a net debt of SEK 669 million (483).

The Group's interest-bearing liabilities without regard to IFRS 16 amount to SEK 540 million (337) and liquid assets to SEK 163 (115) million, which means that the Group has a net debt of SEK 377 million (222) disregarding IFRS 16.

Cash flow from operating activities was SEK 141 million (165). Activities to reduce working capital, mainly to reduce inventories and overdue accounts receivables have continued during the quarter.

Cash flow from investing activities was SEK -49 million (-40), which relates mainly to investments in tangible fixed assets.

Cash flow from financing activities was SEK -96 million (-116) which relates to decreased usage of overdraft facility, amortizations of bank loans and leasing debts.

Equity at the end of the period was SEK 2 176 million (1 896) for the group.

Covid-19 pandemic has affected the first quarter with SEK 25 million lower net sales and SEK 5 million lower operating profit. The units affected in Europe in March, still had orders to manufacture the month out, so the impact so far has been relatively limited.

## Significant events during the first quarter

On March 27, AQ Group announced that the AGM will be moved forward. The spread of the Covid-19 pandemic in the world has meant that our three units in China were closed for another 1-3 weeks in addition to the Chinese New Year. In addition, states in Canada and USA, India and Italy closed their communities at the end of March. The European automotive industry closed its production at the same time.

## Significant events after the end of the period

After the end of the period, India, Canada and USA have extended their closures of society. Mexico has announced a similar closure, but we do not yet know how it affects AQ. The European automotive industry has announced its ambition to restart production from the end of April.

On April 22, AQ Group's Board of Directors decided to withdraw the earlier dividend proposal and instead proposes that the Annual General Meeting on June 25 decide that no dividend will be paid for 2019. When the market has stabilized and the company's financial position permits, the Board intends to re-evaluate situation. The original dividend proposal was SEK 3.33 per share.

## Goals

The goal of the group is continued profitable growth. The Board of Directors is not giving any forecast for turnover or profit. Statements in this report can be perceived as forward looking and the real outcome can be significantly different.

The Board of Directors of AQ Group has set goals for the group. The goals mean that the group is managed towards good profit, high quality and delivery precision with strong growth with a healthy financial risk level. The dividend policy is to have dividends corresponding to about 25 % of profit after tax over a business cycle. However, the Group's financial consolidation must always be considered.

	<b>Goal</b>	<b>Jan-Mar 2020</b>
Product quality	100 %	99.5 %
Delivery precision	98 %	95.6 %
Equity ratio	>40 %	54 %
Profit margin before tax, (EBT %)	8 %	6.5 %

## Transactions with related parties

The parent company has a related party relationship with its subsidiaries. There are some sales activities concerning goods between the operating group companies. The parent company is charging a management fee to the subsidiaries. All invoicing is according to market level prices and results in claims and debts between the companies which are settled regularly. There are some long-term loans between the parent company and a few subsidiaries. These loans are given with market level interest rates. Most companies in the group are part of cash pool in the parent company. The companies are charged/given interest rates at market level.

During 2019, AQ Group AB has paid SEK 50.3 million in dividends to its shareholders. There have been no other transactions between AQ and closely related parties which significantly affected the position or result of the company. There are no loans to members of the Board of Directors nor to anyone in leading positions.

At the annual general meeting on April 25, 2019 it was decided that a yearly fee of SEK 200 000 shall be paid to the members of the Board of Directors and a fee of SEK 450 000 to the chairman of the board. For the chairman of the Audit Committee, the remuneration shall be SEK 100,000 and to the other members of the Audit Committee, SEK 40,000. For the chairman of the Remuneration Committee, the remuneration shall be SEK 50,000 and to the other members of the Remuneration Committee, SEK 30,000. There are no other remunerations to the Board of Directors. There is no remuneration paid after a board assignment is completed.

People in management positions are paid a fixed salary and a variable element calculated in % of the group's profit maximized to one-year salary. There are no other benefits in addition to pension benefits for work performed via the employment contract. In individual cases and where there is special justification, the Board shall have the option of deviating from the above guidelines.

## Risks and uncertainties

AQ is a global company with operations in fourteen countries. Within the group there are a number of risks and uncertainties of both operational and financial characteristics, which were described in the annual report of 2019. Since the annual report for 2019 was published, the Covid-19 pandemic has hit the world, resulting in increased risks and uncertainties that can have a significant impact on AQ's customers and suppliers, which in turn affects the outcome for AQ. In addition to the commented factors the real outcome can be affected by for example political events, business cycle effects, currency and interest rates, competing products and their pricing, product development, commercial and technical difficulties, delivery problems and large credit losses at our customers.

The risks that are most evident in a shorter perspective are the Covid-19 pandemic's impact on customers and suppliers, currency and price risks.

Transactions and assets and liabilities in foreign currency are managed centrally within AQ in order to create balance in the respective currency thereby achieving highest possible levelling effect within the group in order to minimize currency differences.

AQ is not buying any direct raw material, but only intermediate goods for further production such as sheet metal of steel and aluminium, cables, insulated wire etc. The risk is minimized through customer agreements with price clauses.

Raw material price risk refers to the change in the price of material and its impact on earnings. The company's purchase of materials to different processes is significant. There is a risk of sharp price increases for raw materials where the Company is not able to compensate price increases, which may affect the Company's earnings negatively.

The group's credit risks are mainly connected to receivables from customers.

The parent company is indirectly affected by the same risks and uncertainties.

### **Nomination committee**

The Nomination Committee for the Annual General Meeting 2020 consists of chairman Vegard Søråunet (ODIN Fonder), Björn Henriksson (Nordea Fonder), P-O Andersson and Claes Mellgren.

### **Future reporting dates**

Annual General Meeting 2020	June 25, 2020
Interim report Q2, 2020	July 16, 2020, at 08:00
Interim report Q3, 2020	October 22, 2020, at 08:00

### **Annual report, annual general meeting and dividends**

The annual report for 2019 is available on the company website.

A new planned date for the AGM is June 25 in Västerås. Invitation for the meeting will be sent out and published no later than four weeks prior to this date.

On April 22, AQ Group's Board of Directors decided to withdraw the earlier dividend proposal and instead proposes that the Annual General Meeting on June 25 decide that no dividend will be paid for 2019. When the market has stabilized and the company's financial position permits, the Board intends to re-evaluate the situation. The original dividend proposal was SEK 3.33 per share.

### **Financial information**

The information of this interim report shall be made public according to the Securities Market Act of Sweden. AQ Group AB (publ) is listed on Nasdaq Stockholm's main market.

The information was made public on April 22, 2020 at 08:00.

This report has not been reviewed by the company's financial auditors.

Further information can be given by AQ Group AB:  
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Financial reports and press releases are published in Swedish and English. If there are discrepancies between the two, the Swedish version shall prevail. They are available at [www.aqq.se](http://www.aqq.se).

### **Certification**

The Chief Executive Officer certifies that the interim report gives a true and fair overview of the Group's and the parent company's operations, financial position and results and describes material risks and uncertainties facing the parent company and the companies that form part of the Group.

Västerås, April 22, 2020

Anders Carlsson  
CEO



# Financial reports, summary

## Summary income statement for the Group

SEK thousands	Note	Jan-Mar 2020	Jan-Mar 2019	Rolling 12 months Oct 2019 -Mar 2020	Full year 2019
Net sales		1 341 888	1 252 861	5 201 629	5 112 602
Other operating income		33 324	17 697	100 485	84 857
		<b>1 375 213</b>	<b>1 270 558</b>	<b>5 302 114</b>	<b>5 197 459</b>
Change in inventory and work in progress		-7 960	9 622	-26 369	-8 787
Raw material and consumables		-692 659	-645 719	-2 626 602	-2 579 663
Goods for resale		-11 813	-11 776	-66 252	-66 215
Other external expenses		-127 415	-134 642	-527 771	-534 998
Personnel costs		-363 602	-334 845	-1 435 693	-1 406 937
Depreciation and amortisation		-58 786	-47 543	-231 434	-220 191
Other operating expenses		-15 032	-9 948	-45 258	-40 174
		<b>-1 277 266</b>	<b>-1 174 851</b>	<b>-4 959 379</b>	<b>-4 856 964</b>
<b>Operating profit</b>		<b>97 947</b>	<b>95 707</b>	<b>342 735</b>	<b>340 495</b>
Net financial income/expense	5	-10 983	-2 758	-27 308	-19 084
<b>Profit before tax</b>		<b>86 964</b>	<b>92 949</b>	<b>315 426</b>	<b>321 412</b>
Taxes		-11 065	-16 615	-52 992	-58 541
<b>Profit for the period</b>		<b>75 899</b>	<b>76 335</b>	<b>262 435</b>	<b>262 871</b>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>					
Parent company shareholders		75 189	75 791	260 276	260 878
Non-controlling interests		710	544	2 158	1 992
		<b>75 899</b>	<b>76 335</b>	<b>262 435</b>	<b>262 871</b>
Earnings per share <sup>1)</sup>		4,11	4,14	14,23	14,37

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

## Statement of comprehensive income for the Group

SEK thousands	Jan-Mar 2020	Jan-Mar 2019	Rolling 12 months Oct 2019 -Mar 2020	Full year 2019
<b>PROFIT FOR THE PERIOD</b>	<b>75 899</b>	<b>76 335</b>	<b>262 435</b>	<b>262 871</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items that cannot be transferred to the profit for the period</b>				
Revaluation of defined benefit pension plans			-346	-346
Revaluation of defined benefit pension plans, tax effect			16	16
<b>Items transferred or that can be transferred to the profit for the period</b>				
Translation difference for foreign operations	85 351	37 371	68 193	20 213
<b>Other comprehensive income for the period after tax</b>	<b>85 351</b>	<b>37 371</b>	<b>67 863</b>	<b>19 884</b>
<b>Comprehensive income for the period</b>	<b>161 249</b>	<b>113 706</b>	<b>330 298</b>	<b>282 754</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:</b>				
Parent company shareholders	160 049	113 085	327 683	280 718
Non-controlling interests	1 200	621	2 615	2 036
	<b>161 249</b>	<b>113 706</b>	<b>330 298</b>	<b>282 754</b>

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

## Summary balance sheet for the group

SEK thousands	Note	31/03/2020	31/03/2019	31/12/2019
<b>ASSETS</b>				
Goodwill		366 258	277 838	353 246
Other intangible assets		221 389	167 328	217 076
Tangible assets		1 027 666	848 424	1 012 168
Financial assets		2 034	2 255	2 123
Deferred tax assets		60 768	17 361	54 244
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1 678 115</b>	<b>1 313 206</b>	<b>1 638 858</b>
Inventories		923 760	830 094	889 952
Trade and other receivables		1 162 088	1 102 473	1 043 903
Other current receivables		135 853	130 916	118 269
Cash and cash equivalents		163 363	114 916	161 323
<b>TOTAL CURRENT ASSETS</b>		<b>2 385 064</b>	<b>2 178 399</b>	<b>2 213 447</b>
<b>TOTAL ASSETS</b>		<b>4 063 180</b>	<b>3 491 605</b>	<b>3 852 305</b>
<b>EQUITY AND LIABILITIES</b>				
Equity attributable to parent company shareholders		2 167 830	1 890 410	2 007 735
Non-controlling interests		8 622	6 007	7 422
<b>TOTAL EQUITY</b>		<b>2 176 452</b>	<b>1 896 417</b>	<b>2 015 157</b>
Non-current liabilities to credit institutions		419 767	206 722	442 411
Non-current non-interest-bearing liabilities		113 246	136 553	143 231
<b>Total non-current liabilities</b>		<b>533 013</b>	<b>343 275</b>	<b>585 642</b>
Interest-bearing current liabilities		411 897	391 292	474 004
Trade and other payables		553 088	522 727	464 700
Other current liabilities		388 729	337 894	312 802
<b>Total current liabilities</b>		<b>1 353 714</b>	<b>1 251 913</b>	<b>1 251 506</b>
<b>TOTAL LIABILITIES</b>		<b>1 886 728</b>	<b>1 595 188</b>	<b>1 837 148</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4 063 180</b>	<b>3 491 605</b>	<b>3 852 305</b>

## Statement of changes in Equity for the Group

SEK thousands	Equity attributable to parent company shareholders				Subtotal	Non-controlling interests	Total equity
	Share capital	Other contributed capital	Translation reserve	Retained earnings incl. profit			
<b>Equity, 01/01/2019</b>	36 588	84 194	135 384	1 521 160	1 777 325	5 386	1 782 711
Profit for the year				75 791	75 791	544	76 335
Translation differences in foreign operations			37 294		37 294	77	37 371
Other comprehensive income			37 294		37 294	77	37 371
Comprehensive income for the period			37 294	75 791	113 085	621	113 706
Dividends paid							
Transactions with shareholders							
<b>Equity, 31/03/2019</b>	36 588	84 194	172 677	1 596 951	1 890 410	6 007	1 896 417
<b>Equity, 01/01/2020</b>	36 588	84 194	155 542	1 731 410	2 007 735	7 422	2 015 157
Profit for the period				75 189	75 189	710	75 899
Translation differences in foreign operations			84 861		84 861	490	85 351
Other comprehensive income			84 861		84 861	490	85 351
Comprehensive income for the period			84 861	75 189	160 049	1 200	161 249
Dividends paid							
Transactions with shareholders							
<b>Equity, 31/03/2020</b>	36 588	84 194	240 403	1 806 599	2 167 830	8 622	2 176 452

All shares, 18 294 058 pcs, are A-shares with equal voting rights and equal rights to the results.

## Summary cash flow statement for the Group

SEK thousands	Jan 1-Mar 31, 2020	Jan 1-Mar 31, 2019	Full year 2019
Profit before tax	86 964	92 949	321 412
Adjustment for non cash generating items	44 168	48 099	222 785
Income tax paid	-19 421	-27 871	-77 741
<b>Cash flow from operating activities before change in working capital</b>	<b>111 710</b>	<b>113 177</b>	<b>466 456</b>
Increase (-)/decrease (+) in inventories	-12 985	-27 980	-8 866
Increase (-)/decrease (+) in trade receivables	-88 969	-3 796	105 725
Increase (-)/decrease (+) in other receivables	-4 866	-22 131	56 505
Increase (+)/decrease (-) in trade payables	69 500	64 175	-65 015
Increase (+)/decrease (-) in other liabilities	66 349	41 830	-55 648
<b>Change in working capital</b>	<b>29 029</b>	<b>52 099</b>	<b>32 701</b>
<b>Cashflow from operating activities</b>	<b>140 739</b>	<b>165 275</b>	<b>499 158</b>
Aquisitions of shares in subsidiaries	-	-	-295 571
Acquisition of intangible non-current assets	-5 760	-1 353	-3 360
Acquisition of tangible non-current assets	-43 841	-39 371	-199 468
Sale of tangible non-current assets	280	760	17 225
Purchase/Sales of short-term investment in securities	67	1	242
<b>Cashflow from investing activities</b>	<b>-49 254</b>	<b>-39 964</b>	<b>-480 932</b>
New borrowings, credit institutions	22	-	299 115
Amortisation of loans	-16 442	-1 647	-62 132
Amortisation of loans (lease)	-23 817	-18 784	-85 418
Change in bank overdraft facilities	-55 845	-95 091	-59 675
Dividends to the parent company shareholders	-	-	-50 309
<b>Cashflow from financing activities</b>	<b>-96 082</b>	<b>-115 522</b>	<b>41 582</b>
<b>Change in cash and cash equivalents for the period</b>	<b>-4 597</b>	<b>9 790</b>	<b>59 808</b>
Cash and cash equivalents at the beginning of the year	161 323	100 683	100 683
Exchange rate difference in cash and cash equivalents	6 639	4 444	833
<b>Cash and cash equivalents at the end of the period</b>	<b>163 364</b>	<b>114 916</b>	<b>161 323</b>

# Parent company development

## Parent company

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

## Summary income statement for the Parent company

SEK thousands	Note	Jan - Mar 2020	Jan - Mar 2019	Full year 2020	Full year 2019
Net sales		10 377	14 535	10 377	43 113
Other operating income		684	570	684	2 212
		<b>11 061</b>	<b>15 105</b>	<b>11 061</b>	<b>45 326</b>
Other external expenses		-3 836	-5 140	-3 836	-19 500
Personnel costs		-7 348	-5 637	-7 348	-28 088
Other operating expenses		-27	-202	-27	-711
		<b>-11 211</b>	<b>-10 979</b>	<b>-11 211</b>	<b>-48 299</b>
<b>Operating profit</b>		<b>-150</b>	<b>4 126</b>	<b>-150</b>	<b>-2 973</b>
Net financial items	5	-9 136	-1 785	-9 136	137 091
<b>Earnings after net financial items</b>		<b>-9 286</b>	<b>2 341</b>	<b>-9 286</b>	<b>134 118</b>
Appropriations					27 654
<b>Profit before tax</b>		<b>-9 286</b>	<b>2 341</b>	<b>-9 286</b>	<b>161 772</b>
Taxes		998	-941	998	-8 514
<b>Profit for the period</b>		<b>-8 288</b>	<b>1 400</b>	<b>-8 288</b>	<b>153 259</b>

## First quarter

Net sales for the first quarter was SEK 10 million (15), lower than the same period in the previous year, because of lower invoicing of management fees (group common costs). Other external expenses were SEK 4 million (5), the difference compared to the same period last year is due to lower costs for hired staff and lower costs for consultants and consumables.

Personnel costs were SEK 7 million (6). An explanation for the increase in costs is, among other things, that the number of employees has increased and number of hired staff has decreased. Operating profit (EBIT) was SEK -0.15 million (4.1).

Net financial items were negative of SEK 9 million (-2). Net financial items consist of exchange rate losses, bank interest, change in value of forward contracts and write-down of shares in a subsidiary in India.

Operating profit (EBIT) is near zero for the period, while, among other things, exchange rate losses have a significant impact on net interest income, so that profit before tax lands at SEK -9.3 million.

## Summary balance sheet for the Parent company

SEK thousands	31/03/2020	31/03/2019	31/12/2019
<b>ASSETS</b>			
Tangible assets	-	-	-
Financial fixed assets	1 214 615	858 222	1 199 083
Deferred tax assets	1 433	-	267
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1 216 048</b>	<b>858 222</b>	<b>1 199 350</b>
Other current receivables	316 620	320 362	387 523
Cash and cash equivalents	23 761	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>340 381</b>	<b>320 362</b>	<b>387 523</b>
<b>TOTAL ASSETS</b>	<b>1 556 428</b>	<b>1 178 583</b>	<b>1 586 873</b>
<b>EQUITY AND LIABILITIES</b>			
Restricted equity	37 745	37 745	37 745
Non-restricted equity	602 357	509 095	610 645
<b>Total equity</b>	<b>640 102</b>	<b>546 840</b>	<b>648 389</b>
<b>Untaxed reserves</b>	<b>52 400</b>	<b>53 054</b>	<b>52 400</b>
Deferred tax liabilities	167	98	-
Other provisions	27 148	41 473	32 073
<b>Provisions</b>	<b>27 316</b>	<b>41 571</b>	<b>32 073</b>
Non-current interest-bearing liabilities	195 000	-	210 000
<b>Total non-current liabilities</b>	<b>195 000</b>	<b>-</b>	<b>210 000</b>
Interest-bearing current liabilities	629 116	516 482	609 118
Trade and other payables	2 456	2 721	2 766
Other current liabilities	10 039	17 916	32 126
<b>Total current liabilities</b>	<b>641 611</b>	<b>537 118</b>	<b>644 010</b>
<b>TOTAL LIABILITIES</b>	<b>863 927</b>	<b>578 690</b>	<b>886 084</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 556 428</b>	<b>1 178 583</b>	<b>1 586 873</b>

The change in financial fixed assets compared with the same period last year is attributable to the acquisition of the companies within the Trafotek group and MiniCon made during the second and third quarters of 2019, as well as new long-term receivables from subsidiaries.

Other current receivables are mainly receivables from Group companies MSEK 299 (313) and consist of cash pool, accrued interest, and accounts receivable.

The increase in unrestricted equity of SEK 93 million compared to March 31, 2019 consists of profit for the period with a deduction for dividend to shareholders.

Untaxed reserves consist of accrual funds. Other provisions of SEK 27 million consist of additional purchase price in connection with the acquisition of B3CG.

Non-current interest-bearing liabilities of SEK 195 million (0) are bank loans in connection with the acquisition of Trafotek.

Interest-bearing current liabilities increased by SEK 113 million compared to the same period last year and consist of current bank loans of SEK 319 million (285) and liabilities to group companies in the cash pool SEK 310 million (212).

Other current liabilities of SEK 10 million (18) consists of other liabilities and accrued costs and revenues.

# Notes to the financial statements in summary

## **Note 1. Accounting principles**

The summary interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, and applicable parts of the Swedish Annual Accounts Act. Information according to IAS 34.16A are presented in the financial reports and their notes as well as in other parts of the interim report. The interim report for the parent company has been prepared in accordance with Swedish Annual Accounts Act, chapter 9 Interim report. For the group and the parent company the accounting and valuation principles applied are the same as used in the latest annual report.

The total sum in tables and calculations do not always sum up of the parts due to rounding differences. The objective is that every interim row shall conform with the original source resulting in rounding differences.

In 2019, the Group began to apply IFRS 16. IFRS 16 means that all leases are recognized in the consolidated balance sheet, with the exception of leases of lesser value and contracts with a maximum term of 12 months. AQ has chosen to use the relief rules for short leases or assets of low value.

## **Note 2. Segment reporting and breakdown of revenue**

The Group operates in two business segments: *Component*, which produces transformers, wiring systems, mechanical components, punched sheet metal and injection-molded thermoplastics and *System*, which produces systems, power and automation solutions and assembles complete machines in close collaboration with the customers.

### **Segment reporting**

#### **First quarter**

For the segment Component, the total net sales for the first quarter was SEK 1 138 million (1 040), of which SEK 1 048 million (963) is external sales. The increase of the external sales of totally SEK 85 million is due to increased demand through our acquisitions.

For the segment System, the total net sales for the first quarter was SEK 331 million (332), of which SEK 294 million (289) is external sales. The increase of the external sales of SEK 4 million is due to increased demand from our customers.

Operating profit (EBIT) in the first quarter was SEK 74 million (66) for Component, which was SEK 8 million better than the same period last year. Operating profit (EBIT) for System was SEK 34 million (26), which was SEK 8 million better than the same period last year.

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

<b>Jan -Mar 2020, SEK thousands</b>	<b>Component</b>	<b>System</b>	<b>Unallocated and eliminations</b>	<b>Group</b>
Net sales, external	1 048 146	293 743		1 341 888
Net sales, internal	90 210	37 591	-127 801	
<b>Total net turnover</b>	<b>1 138 356</b>	<b>331 333</b>	<b>-127 801</b>	<b>1 341 888</b>
Material costs, excl. purchases own segment	-577 560	-231 467	96 595	-712 432
Depreciation	-52 582	-6 048	-157	-58 786
Other operating expenses/income	-434 523	-59 387	21 186	-472 724
<b>Operating profit</b>	<b>73 692</b>	<b>34 432</b>	<b>-10 177</b>	<b>97 947</b>
Net financial items			-10 983	-10 983
<b>Profit before tax</b>	<b>73 692</b>	<b>34 432</b>	<b>-21 160</b>	<b>86 964</b>
Other comprehensive income plus tax			74 286	74 286
<b>Comprehensive income for the period</b>	<b>73 692</b>	<b>34 432</b>	<b>53 125</b>	<b>161 249</b>

<b>Jan- Mar 2019, SEK thousands</b>	<b>Component</b>	<b>System</b>	<b>Unallocated and eliminations</b>	<b>Group</b>
Net sales, external	963 054	289 807		1 252 861
Net sales, internal	76 625	42 586	-119 211	
<b>Total net turnover</b>	<b>1 039 680</b>	<b>332 393</b>	<b>-119 211</b>	<b>1 252 861</b>
Material costs, excl. purchases own segment	-519 697	-237 274	109 099	-647 873
Depreciation	-41 594	-5 773	-176	-47 543
Other operating expenses/income	-412 398	-63 564	14 223	-461 739
<b>Operating profit</b>	<b>65 991</b>	<b>25 781</b>	<b>3 935</b>	<b>95 707</b>
Net financial items			-2 758	-2 758
<b>Profit before tax</b>	<b>65 991</b>	<b>25 781</b>	<b>1 177</b>	<b>92 949</b>
Other comprehensive income plus tax			20 757	20 757
<b>Comprehensive income for the period</b>	<b>65 991</b>	<b>25 781</b>	<b>21 933</b>	<b>113 706</b>

## Sales divided by segment and geographical markets

### First quarter

The turnover divided among geographical markets in the first quarter: Sweden 33 % (38), other European countries 55 % (50) and other countries 12% (13).

<b>Jan-Mar 2020, SEK Thousands</b>	<b>Component</b>	<b>System</b>	<b>Unallocated and eliminations</b>	<b>Group</b>
Sweden	270 384	201 816	10 377	482 576
Other European countries	716 448	102 062		818 510
Other countries	151 525	27 456		178 981
<b>Net sales</b>	<b>1 138 356</b>	<b>331 333</b>	<b>10 377</b>	<b>1 480 066</b>
Internal sales, eliminations			-138 178	-138 178
<b>Total net turnover</b>	<b>1 138 356</b>	<b>331 333</b>	<b>-127 801</b>	<b>1 341 888</b>

<b>Jan-Mar 2019, SEK Thousands</b>	<b>Component</b>	<b>System</b>	<b>Unallocated and eliminations</b>	<b>Group</b>
Sweden	293 972	214 832	14 535	523 338
Other European countries	597 105	91 771		688 876
Other countries	148 603	25 789		174 393
<b>Net sales</b>	<b>1 039 680</b>	<b>332 393</b>	<b>14 535</b>	<b>1 386 607</b>
Internal sales, eliminations			-133 746	-133 746
<b>Total net turnover</b>	<b>1 039 680</b>	<b>332 393</b>	<b>-119 211</b>	<b>1 252 861</b>

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

### Note 3. Personnel

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

	Jan-Mar 2020	Jan-Mar 2019	Jan-mar 2018
Bulgaria	1 337	1 304	1 181
Canada	176	163	-
China	490	429	456
Estonia	610	416	383
Finland	211	121	-
Germany	3	-	-
Hungary	356	368	403
India	130	134	128
Italy	20	19	19
Lithuania	675	761	708
Mexico	218	205	162
Poland	1 128	1 217	1 101
Serbia	33	31	35
Sweden	833	865	1 073
Thailand	-	-	39
USA	74	97	-
	<b>6 298</b>	<b>6 130</b>	<b>5 688</b>

### Note 4. Acquisitions

AQ's strategy is to grow in both segments. During the first quarter there were no acquisitions.

### Note 5. Financial instruments

Financial instruments that are shown in the balance sheet include on the assets side mainly cash or cash equivalents, receivables from customers and other receivables. On the liabilities side they consist mainly of payables to suppliers, other payable, credit debts and provisions for additional purchase price.

Fair value is not separately shown as it is our assessment that the values shown are an acceptable estimation of the real value because of the short terms. Fair value of assets is established from market prices. Fair value is based on the listing at brokers. Similar contracts are being traded on an active market and the prices are reflecting actual transactions of comparable instruments.

The Group is only in exceptional cases using derivatives to reduce currency risks. Per March 31, the market value of derivatives amounted to SEK +0.3 million (+0.5) valued at level 2.

Additional purchase prices belong to valuation level 3 and have been valued at the amount they are estimated to turn out, based on terms in the acquisition agreements on future cash flows.

#### Additional purchase price

	2020
<b>Debt opening balance 01/01/2020</b>	<b>32 073</b>
Change in additional purchase price	-4 816
Translation differences	-109
<b>Closing balance 31/03/2020</b>	<b>27 148</b>

### Note 6. Events after the end of the reporting period

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



## Note 7. Calculation of key figures and definitions

	2020	2019				Full year
	Q1	Q1	Q2	Q3	Q4	
<b>Operating margin, (EBIT %)</b>						
Operating profit	97 947	95 707	93 363	86 676	64 749	340 495
Net revenue	1 341 888	1 252 861	1 313 431	1 246 556	1 299 754	5 112 602
Operating margin	<b>7,3%</b>	<b>7,6%</b>	<b>7,1%</b>	<b>7,0%</b>	<b>5,0%</b>	<b>6,7%</b>
<b>EBITDA</b>						
Profit before tax	97 947	95 707	93 363	86 676	64 749	340 495
Depreciations/amortisations	-58 786	-47 543	-52 074	-60 687	-59 886	-220 191
EBITDA	<b>156 733</b>	<b>143 250</b>	<b>145 437</b>	<b>147 363</b>	<b>124 635</b>	<b>560 686</b>
<b>Profit margin before tax, (EBT %)</b>						
Profit before tax	86 964	92 949	88 478	82 007	57 978	321 412
Net revenue	1 341 888	1 252 861	1 313 431	1 246 556	1 299 754	5 112 602
Profit margin before tax	<b>6,5%</b>	<b>7,4%</b>	<b>6,7%</b>	<b>6,6%</b>	<b>4,5%</b>	<b>6,3%</b>
<b>Liquid ratio, %</b>						
Trade receivables	1 162 088	1 102 473	1 172 077	1 111 759	1 043 903	1 043 903
Other current receivables	135 853	130 916	133 749	151 642	118 269	118 269
Cash and cash equivalents	163 363	114 916	122 807	126 950	161 323	161 323
Current liabilities	1 353 714	1 251 847	1 402 806	1 343 761	1 251 506	1 251 506
Liquid ratio	<b>108%</b>	<b>108%</b>	<b>102%</b>	<b>103%</b>	<b>106%</b>	<b>106%</b>
<b>Debt/equity ratio, %</b>						
Total equity	2 176 452	1 896 417	1 928 490	2 020 893	2 015 157	2 015 157
Total assets	4 063 180	3 491 605	3 971 975	3 983 140	3 852 305	3 852 305
Debt/equity ratio	<b>54%</b>	<b>54%</b>	<b>49%</b>	<b>51%</b>	<b>52%</b>	<b>52%</b>
<b>Return on total assets, %</b>						
Profit before tax, rolling 12 months	315 426	222 874	255 941	316 709	321 412	321 412
Financial expenses, rolling 12 months	-44 508	-19 547	-22 583	-27 215	-29 753	-29 753
Total equity and liabilities, opening balance for 12 months	3 491 605	2 904 192	3 262 755	3 104 465	3 099 788	3 099 788
Total equity and liabilities, closing balance	4 063 180	3 491 605	3 971 975	3 983 140	3 852 305	3 852 305
Total equity and liabilities, average	3 777 392	3 197 898	3 617 365	3 543 803	3 476 046	3 476 046
Return on total assets	<b>9,5%</b>	<b>7,6%</b>	<b>7,7%</b>	<b>9,7%</b>	<b>10,1%</b>	<b>10,1%</b>
<b>Return on equity after tax, %</b>						
Profit for the period after tax, rolling 12 months	262 435	171 292	194 180	262 738	262 871	262 871
Total equity, opening for 12 months	1 896 417	1 759 434	1 754 072	1 736 971	1 782 711	1 782 711
Total equity, closing	2 176 452	1 896 417	1 928 490	2 020 893	2 015 157	2 015 157
Total equity, average	2 036 435	1 827 925	1 841 281	1 878 932	1 898 934	1 898 934
Return on equity after tax	<b>12,9%</b>	<b>9,4%</b>	<b>10,5%</b>	<b>14,0%</b>	<b>13,8%</b>	<b>13,8%</b>
<b>Net cash / Net debt</b>						
Cash and cash equivalents	163 363	114 916	122 807	126 950	161 323	161 323
Non-current interest bearing liabilities	419 767	206 722	496 249	472 012	442 411	442 411
Current interest bearing liabilities	411 897	391 292	533 659	480 895	474 004	474 004
Total interest bearing liabilities	831 664	598 014	1 029 907	952 906	916 416	916 416
Net cash / Net debt	<b>-668 301</b>	<b>-483 098</b>	<b>-907 100</b>	<b>-825 956</b>	<b>-755 093</b>	<b>-755 093</b>
<b>Growth, %</b>						
<b>Organic growth</b>						
Net revenue	1 341 888	1 252 861	1 313 431	1 246 556	1 299 754	5 112 602
- Effect of changes in exchange rates	14 028	32 407	25 307	18 195	25 530	101 439
- Net revenue for last year	1 252 861	1 090 122	1 223 542	1 137 327	1 216 228	4 667 220
- Net revenue for acquired companies	141 559	95 224	37 667	134 417	132 989	400 297
= Organic growth	-66 560	35 108	26 914	-43 384	-74 994	-56 354
Organic growth divided by last year net revenue, %	<b>-5,3%</b>	<b>3,2%</b>	<b>2,2%</b>	<b>-3,8%</b>	<b>-6,2%</b>	<b>-1,2%</b>
<b>Growth through acquisitions</b>						
Net revenue for acquired companies divided by last year net revenue, %	<b>11,3%</b>	<b>8,7%</b>	<b>3,1%</b>	<b>11,8%</b>	<b>10,9%</b>	<b>8,6%</b>

**Operating margin, EBIT %**

Calculated as operating profit divided by net sales.

This key figure shows the achieved profitability in the operative business of the company. Operating margin is a useful measure to follow up profitability and efficiency of the business before deduction of tied up capital. The figure is used internally for controlling and managing the business as well as a benchmark towards other companies in the industry.

**Profit margin before tax, EBT%**

Calculated as profit before tax divided by net sales.

This key figure shows the profitability of the business before tax. Profit margin before tax is a useful measure to follow up profitability and efficiency including tied up capital. The figure is used internally for controlling and managing the business as well as a benchmark towards other companies in the industry.

**Liquid ratio, %**

Calculated as current assets (excl. inventory) divided by current liabilities.

This key figure reflects the company's short-term solvency as it sets the company's current assets (except inventory) in relation to the short-term liabilities. If the liquid ratio exceeds 100%, it means that the assets exceed the liabilities in question.

**Debt/Equity ratio, %**

Calculated as adjusted equity divided by balance sheet total.

This key figure reflects the company's financial position and its long-term solvency. To have a good equity ratio and thus a strong financial position is important for being able to manage business cycles with varying sales. To have a strong financial position is also important for managing growth.

**Return on total assets, %**

Calculated as profit/loss after financial items divided by the average balance sheet total.

This key figure also shows the achieved profitability in the operative business. This number complements the operating margin as it includes tied up capital. It means that the number gives information on the return the business is given in relation to the capital tied in it. (Financial investments and cash and cash equivalents are also considered and the profit they give in the form of financial income.)

**Return on equity after tax, %**

Calculated as profit/loss after tax divided by average equity including minority interest.

This is a key figure showing the return of the capital that the owners have invested in the company (including retained earnings) after other stakeholders have received their dividends. This key figure shows how profitable the company is for its owners. This return also has significance for the company's opportunities to grow in a financial balance.

**Operating profit, SEK thousands**

Calculated as the profit before tax and financial items.

Operating profit shows the result generated by the operative business and is used together with operating margin and return on total assets for evaluating and managing the operative business.

### **Profit before tax / Profit after financial items (EBT), SEK thousands**

Calculated as the profit before tax.

The key figure shows the result generated by the operative business and financial income taking into account payments to creditors for the capital they are contributing to finance the business. The figure shows remaining profit to the owners taking into account that part of it will be deducted for tax payments.

### **Net cash/Net debt, SEK thousands**

Calculated as the difference between interest bearing debts and cash and cash equivalents.

This key figure is reflecting how much interest-bearing debts the company has taking into account in cash and cash equivalents. The figure gives a good picture of the debt situation. Net cash means that cash and cash equivalents exceed interest bearing debts. Net debt means that interest bearing debts exceed cash and cash equivalents. AQ reports net debt with and without the impact of IFRS 16

### **Growth, %**

The company is using two key figures to describe growth; 1) organic growth and 2) growth through acquisitions.

Organic growth is calculated as the difference between the net sales of the current period and the net sales of the previous period, excluding currency effect and net sales of acquired units.

Organic growth in % is calculated as the organic growth divided by the net sales in the same period in the previous year. Growth through acquisitions is calculated as net sales of acquired companies divided by the net sales in the same period in the previous year.

Growth is an important component in the company's strategy as growth is required to be a leading actor in the markets where the company is operating. Growth is partly through acquisition and partly organic. It's important to follow up and to present the different ways of achieving growth as it is two different ways to grow. Acquisitions are done when opportunities are given to expand the business in a certain geographic market or in a certain product area (in line with the company's strategic plan). Organic growth often has the character of a continued expansion within the existing operations.

### **Dividend per share, SEK**

Dividend per share is decided at the Annual General Meeting where the annual report is approved for the fiscal year. Number of shares are the thousands of shares issued at the set date for payment of dividends.

### **EBITDA**

Is a measure of a company's operating profit before interest, tax, write-downs and depreciation of tangible and intangible assets. EBITDA stands for "earnings before interest, taxes, depreciation and amortization".

### **AQ in brief**

AQ is a leading supplier to demanding industrial customers and is listed on Nasdaq Stockholm's main market.

The Group consists mainly of operating companies each of which develop their special skills and in cooperation with other companies, striving to provide cost effective solutions in close cooperation with the customer.

The Group headquarter is in Västerås, Sweden. AQ has, on December 31, 2019, in total about 6,300 employees in Sweden, Bulgaria, China, Estonia, Hungary, India, Italy, Lithuania, Mexico, Poland, Serbia, Finland, Canada, USA, Brazil and Germany.

In 2019 AQ had net sales of about SEK 5.1 billion, and the group has since its start in 1994 shown profit every quarter.

# WE ARE RELIABLE

## Customer focus

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

## Simplicity

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

## Entrepre- neurial business

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

## Courage and respect

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

## Cost efficiency

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