



Västerås, August 17, 2017

AQ Group AB (publ), Second quarter, 2017

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Second quarter, April- June 2017 in brief

- Net sales increased by 25% to SEK 1 077 million (860)
- Operating profit (EBIT) decreased by 19 % to SEK 74 million (92)
- Profit after financial items (EBT) decreased by 22 % to SEK 70 million (91)
- Profit margin before tax (EBT %) 6.5% (10.6)
- Cash flow from operating activities increased by 3 % to SEK 79 million (76)
- Equity ratio 60 % (60)
- Earnings per share after tax decreased by 23 % to SEK 3.20 (4.18)

Six months, January - June 2017 in brief

- Net sales increased by 25% to SEK 2 079 million (1 661)
- Operating profit (EBIT) decreased by 5 % to SEK 161 million (169)
- Profit after financial items (EBT) decreased by 2 % to SEK 163 million (167)
- Profit margin before tax (EBT %) 7.8% (10.0)
- Cash flow from operating activities decreased by 44 % to SEK 94 million (168)
- Earnings per share after tax decreased by 3 % to SEK 7.40 (7.64)

Group overview, key figures

	2017		2016				Full year
	Q1	Q2	Q1	Q2	Q3	Q4	
Net turnover, SEK thousands	1 001 898	1 077 380	801 834	859 584	723 223	904 575	3 289 215
Operating profit (EBIT), SEK thousands	86 813	74 397	76 712	92 326	52 646	59 669	281 353
Profit after net financial items (EBT), SEK thousands	92 258	70 478	75 954	90 758	53 050	59 583	279 344
Operating margin (EBIT %)	8,7%	6,9%	9,6%	10,7%	7,3%	6,6%	8,6%
Profit margin before tax (EBT %)	9,2%	6,5%	9,5%	10,6%	7,3%	6,6%	8,5%
Liquid ratio	142%	140%	157%	153%	164%	142%	142%
Debt/equity ratio	60%	60%	60%	60%	64%	60%	60%
Return on total assets ²⁾	13,2%	12,3%	12,6%	14,0%	14,5%	13,1%	13,1%
Return on equity excl. Tax ²⁾	18,0%	16,4%	16,0%	18,1%	18,1%	17,9%	17,9%
Number of employees in Sweden	1 021	1 065	815	803	791	1 005	1 005
Number of employees outside Sweden	4 198	4 319	3 817	3 865	3 888	4 158	4 158
Key indicators per share, SEK ¹⁾							
Profit for the period	4,19	3,20	3,46	4,18	2,58	2,79	13,01
Equity	84,38	84,85	68,82	71,56	75,79	79,98	79,98
Number of shares, thousands ³⁾	18 294	18 294	18 034	18 034	18 034	18 294	18 294

¹⁾ There are no instruments that could lead to share dilution.

²⁾ Calculated based on 12 months rolling amounts.

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

A word from the CEO

Market

The second quarter was our 91st consecutive quarter with profit. AQ's second quarter with a turnover exceeding a billion SEK. The highest turnover in the history of the group. We have increased our turnover every year since the start October 1, 1994 i.e. for 22 years.

We are satisfied with the growth and cash flow is better than in the first quarter 2017, but we are not satisfied with the margin (EBT) 6.5%. We need to work on improving the margin.

The organic growth for the quarter was 10.1% compared to 6.2% the second quarter of 2016.

The second quarter of 2017 shows our margin sliding downwards, partly because of additional costs in conjunction with increasing utilization and partly because we haven't succeeded in increasing our prices in the same pace as raw material prices have increased. It is important that we quickly adjust prices to our customers when prices of raw material are increasing. We still have work to do here. We are also intensifying our work to get our supplier base to be more competitive. Our goal is to have an EBT margin of 8%. As we have previously communicated, the second quarter of 2016 had a number of unusually profitable projects in telecom.

There is an economic expansion in the industry. Several of AQ's leading industrial customer show good growth. This partly explains AQ's high organic growth in the second quarter. In parallel I believe that we are gaining market shares in several business areas.

Gradually during the year, several of our production units have had increasing utilization rate and we see a need of increased investments in production capacity in several areas. We have signed an agreement to buy adjacent real estate to our production unit in Hungary. We are negotiating more production space in Poland and we are planning for expansion space in Mexico. This is obviously a good sign that our customers have a good order backlog and that our customers have confidence in AQ.

We have had some late deliveries to our customers, which have cost a lot of money in express shipments, overtime and extra personnel. Late deliveries don't only cost money, the biggest cost is that it affects our customers' confidence and it's contrary to our value "We are reliable" and intense improvement work is ongoing.

The cash flow from operating activities during the second quarter 2017 was better than the first quarter 2017 and we are working to reduce the capital tied up in accounts receivable and inventory. There is still a pressure from customers to extend credit terms though.

Acquisitions

Gerdins was acquired on October 3, 2016. It is our biggest acquisition so far when it comes to turnover. The subsidiaries of Gerdins have been integrated into AQ's existing business areas, the EBT margin is however still below AQ's goal. We have gained competent and dedicated employees and exciting customers so we are looking positively at the future for "Gerdins"

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.



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 and it is a foundation of our core values.

Outlook

My assessment is that we are gaining market shares in several areas and we are also entering new markets. However, one shall be aware of the fact that AQ is acting in a global competition with subsequent price pressure.

With operations in 12 countries and more than 5 000 employees it is important for us to maintain our simplicity and speed in our decision making and to minimise bureaucracy which can easily occur in a larger organisation.

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 I am looking positively at the future with continued growth with 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.

Claes Mellgren

CEO

Group's financial position and results

Second quarter

Net sales for the second quarter was SEK 1 077 million (860), an increase of SEK 217 million compared to the same period in the previous year. The increase in turnover is due to acquisitions SEK 108 million (Gerdins Industrial System AB with subsidiaries and Magnetica). In addition, net sales in Sweden, Poland, Bulgaria, Estonia and India have increased compared to the same period last year. The total growth in the quarter was 25.3 %, of which organic growth 10.1 %, growth through acquisitions 12.6 % and currency effects of 2.7 %. The currency effect of 2.7 % corresponds to about SEK 22.8 million and is mainly with the currencies EUR, PLN and HUF.

Operating margin (EBIT) in the second quarter was SEK 74 million (92), a decrease of SEK 18 million. The decrease can partly be explained by costs for raw material, consumables and personnel being higher than the same period in the previous year. During the second quarter in the previous year AQ had a number of unusually profitable projects.

Goodwill has increased with SEK 26 million compared to the same period in the previous year, which is due to the acquisitions of Gerdins, Magnetica in Italy and Serbia and currency translation effects.

Investments in material assets in the quarter in the group was SEK 33 million (45). Investments were mainly made in more efficient production machines to increase production capacity.

Interest bearing debts of the group are SEK 222 million (195) and cash and cash equivalents amount to SEK 103 million (117), which means that the group has a net debt of SEK 119 million. In the same period last year, the group had net debt of SEK 78 million. The increase is due to a short term credit facility in conjunction with the acquisition of Gerdins and increased usage of the operating credit.

Cash flow from operating activities was SEK 79 million (76). Cash flow is more or less at the same level as the second quarter last year.

Cash flow from investing activities was SEK -30 million (-45), which relates to investments in fixed assets.

Cash flow from financing activities was SEK -69 million (-65) which relates to amortizations of bank loans, reduction of operating credit and payment of dividends.

Equity at the end of the period was SEK 1 552 million (1 291) for the group.

First six months

Net sales for the first six months was SEK 2 079 million (1 661), an increase of SEK 418 million compared to the same period previous year. Increase in net sales can be explained by acquisitions (Gerdins Industrial System AB with subsidiaries and Magnetica). In addition, sales in Sweden, Poland, Bulgaria, Estonia, India and Lithuania have increased compared to the same period last year. In the first six months the total growth was 25.1 %, of which organic growth 9.4 %, growth through acquisitions 13.8 % and a currency effect of 1.9 %. The currency effect of 1.9 % corresponds to about SEK 32 million and is mainly with the currencies EUR, PLN and HUF.

Operating margin (EBIT) in the first six months was SEK 161 million (169), a decrease of SEK 8 million. The decrease can partly be explained by costs for raw material, consumables and personnel being higher than the same period in the previous year. During the first six months in the previous year AQ had a number of unusually profitable projects.

Goodwill has increased with SEK 26 million compared to the same period in the previous year. The increase is due to the acquisition of Gerdins and Magnetica in Italy and Serbia and currency translation effects.

The investments of the group in tangible fixed assets in the first six months were SEK 53 million (63). Investments were mainly made in more efficient production machines to increase production capacity.

Interest bearing debts of the group are SEK 222 million (195) and cash and cash equivalents amount to SEK 103 million (117), which means that the group has a net debt of SEK 119 million. In the same period last year, the group had a net debt of SEK 78 million. The increase is due to a short term credit facility in conjunction with the acquisition of Gerdins and increased usage of the operating credit.

Cash flow from operating activities were SEK 94 million (168). Cash flow is lower than the same period last year due to capital tied up in accounts receivable and inventory.

Cash flow from investing activities was SEK -51 million (-63), which relates to investments in fixed assets.

Cash flow from financing activities was SEK -100 million (-126) which relates to amortizations of bank loans, reduction of operating credit and payment of dividends.

Equity at the end of the period was SEK 1 552 million (1 291) for the group.

Significant events during the first six months

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 (www.fi.se/Register/Prospektregistret).

Second quarter

After an inspiring and exclusive visit by Percy Barnevik, AQ decided to support the charity organisation " 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 the board has decided to establish a company in Hong Kong.

Significant events after the end of the period

There have been no significant events after the end of the period.

Goals

The goal of the group is continued profitable growth. The Board of directors are 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 and 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.

	Goal	Jan-June 2017
Product quality	100 %	99.6 %
Delivery precision	98 %	92.2 %
Equity ratio	>40 %	60 %
Profit margin before tax (EBT %)	8 %	7.8 %

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.

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 27, 2017 it was decided that a yearly fee of SEK 160 000 shall be paid to the members of the board of directors and a fee of SEK 400 000 to the chairman of the board. For the chairman of the Audit Committee, the remuneration shall be SEK 70,000 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 twelve 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 2016. No additional significant risks have been identified since the annual report of 2016 was published. 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 risks related to interest rates and currency. The exposure to risks related to interest rates are low and relates to the group's financing with credit institutions and are currently with floating interest, connected to the base interest of the bank which is connected to the interest rate of Sweden's central bank.

Transactions and assets and debts 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.

Future reporting dates

Interim report Q3, 2017	October 26, 2017 at 8:00
Year-end report 2017	February 22, 2018 at 8:00
Interim report Q2, 2018	April 26, 2018 at 08:00

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 August 17, 2017 at 8.00 AM.
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.aqg.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, August 17, 2017

Claes Mellgren,
CEO

P-O Andersson
Chairman

Ulf Gundemark
Board member

Patrik Nolåker
Board member

Gunilla Spongå
Board member

Hidayet Tercan
Board member

Lars Wrebo
Board member

Financial reports, summary

Summary income statement for the Group

SEK thousands	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Rolling 12 months		
					Jul 2016	- Jun 2017	Full year 2016
Net sales	1 077 380	859 584	2 079 278	1 661 418	3 707 075	3 289 215	
Other operating income	16 681	8 384	27 363	19 618	55 395	47 650	
	1 094 061	867 967	2 106 641	1 681 036	3 762 471	3 336 866	
Change in inventory and work in progress	14 223	3 223	24 401	-10 178	32 159	-2 420	
Raw material and consumables	-555 360	-418 407	-1 061 909	-782 367	-1 854 804	-1 575 262	
Goods for resale	-32 612	-8 216	-41 803	-16 038	-69 012	-43 247	
Other external expenses	-132 833	-108 752	-256 332	-213 822	-481 795	-439 285	
Personnel costs	-283 234	-221 364	-548 101	-430 675	-990 540	-873 114	
Depreciation and amortisation	-23 656	-17 769	-46 519	-35 667	-90 796	-79 944	
Other operating expenses	-6 192	-4 358	-15 167	-23 251	-34 157	-42 241	
	-1 019 664	-775 642	-1 945 431	-1 511 999	-3 488 945	-3 055 513	
Operating profit	74 397	92 326	161 210	169 037	273 525	281 353	
Net financial income/expense	-3 919	-1 568	1 526	-2 326	1 843	-2 008	
Profit before tax	70 478	90 758	162 736	166 712	275 368	279 344	
Taxes	-11 641	-15 192	-26 974	-28 734	-41 906	-43 666	
Profit for the period	58 837	75 565	135 762	137 978	233 463	235 678	
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:							
Parent company shareholders	58 601	75 354	135 334	137 686	232 914	235 265	
Non-controlling interests	236	212	427	292	549	413	
	58 837	75 565	135 762	137 978	233 463	235 678	
Earnings per share ¹⁾	3,20	4,18	7,40	7,64	12,77	13,01	

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

In conjunction with the acquisition of Gerdins Industrial System AB on October 3, 2016, 260 000 shares of the same kind were issued.

Statement of comprehensive income for the Group

SEK thousands	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Rolling 12 months		
					Jul 2016	- Jun 2017	Full year 2016
PROFIT FOR THE PERIOD	58 837	75 565	135 762	137 978	233 463	235 678	
OTHER COMPREHENSIVE INCOME							
Items that cannot be transferred to the profit for the period							
Revaluation of defined benefit pension plans					-303	-303	
Items transferred or that can be transferred to the profit for the period							
Translation difference transferred to the profit		6 737		6 737		6 737	
Translation difference for foreign operations	44	7 835	3 610	16 770	28 145	41 304	
Other comprehensive income for the period after tax	44	14 572	3 610	23 507	27 842	47 739	
Comprehensive income for the period	58 880	90 137	139 372	161 484	261 305	283 417	
COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:							
Parent company shareholders	58 605	89 876	138 910	161 120	260 692	282 902	
Non-controlling interests	275	261	462	364	613	515	
	58 880	90 137	139 372	161 484	261 305	283 417	

Summary balance sheet for the group

SEK thousands	30/06/2017	30/06/2016	31/12/2016
ASSETS			
Goodwill	150 121	124 148	148 393
Other intangible assets	81 037	55 722	84 181
Tangible assets	508 083	432 467	495 915
Financial assets	2 024	2 092	2 147
Deferred tax assets	12 530	12 283	9 448
TOTAL NON-CURRENT ASSETS	753 794	626 712	740 084
Inventories	624 954	486 061	581 332
Trade and other receivables	947 782	749 032	805 186
Other current receivables	161 748	170 376	160 179
Short term investments	-	200	204
Cash and cash equivalents	103 003	116 631	162 812
TOTAL CURRENT ASSETS	1 837 487	1 522 300	1 709 712
TOTAL ASSETS	2 591 281	2 149 012	2 449 796
EQUITY AND LIABILITIES			
Equity attributable to parent company shareholders	1 549 057	1 287 974	1 460 455
Non-controlling interests	3 201	2 603	2 739
TOTAL EQUITY	1 552 257	1 290 577	1 463 195
Non-current liabilities to credit institutions	91 653	105 842	107 779
Non-current non-interest-bearing liabilities	82 788	76 317	84 241
Total non-current liabilities	174 441	182 158	192 020
Interest-bearing current liabilities	130 614	89 178	164 034
Trade and other payables	414 437	306 639	351 986
Other current liabilities	319 532	280 460	278 562
Total current liabilities	864 583	676 277	794 582
TOTAL LIABILITIES	1 039 024	858 435	986 601
TOTAL EQUITY AND LIABILITIES	2 591 281	2 149 012	2 449 796

Statement of changes in Equity for the Group

SEK thousands	Equity attributable to parent company shareholders						Total equity
	Share capital	Other contributed capital	Translation reserve	Retained earnings incl. Profit	Subtotal	Non-controlling interests	
Equity, 01/01/2016	36 068	34 014	24 303	1 073 044	1 167 430	2 307	1 169 737
Profit for the year				137 686	137 686	292	137 978
Translation differences in foreign operations		23 434			23 434	73	23 507
Other comprehensive income	23 434				23 434	73	23 507
Total comprehensive income	23 434			137 686	161 120	364	161 485
Changes in non-controlling interests						-68	-68
Dividends paid		-		-40 577	-40 577	-	-40 577
Transactions with shareholders	-	-		-40 577	-40 577	-68	-40 644
Equity, 30/06/2016	36 068	34 014	47 738	1 170 154	1 287 974	2 603	1 290 577
Equity, 01/01/2017	36 588	84 194	72 236	1 267 437	1 460 455	2 739	1 463 195
Profit for the period				135 334	135 334	427	135 762
Translation differences in foreign operations		3 576			3 576	34	3 610
Other comprehensive income	3 576				3 576	34	3 610
Comprehensive income for the period	3 576			135 334	138 910	462	139 372
Dividends paid				-50 309	-50 309		-50 309
Transactions with shareholders	-	-		-50 309	-50 309		-50 309
Equity, 30/06/2017	36 588	84 194	75 812	1 352 462	1 549 057	3 201	1 552 257

All shares, 18 294 058 pcs, are A-shares with equal voting rights and equal rights to the results. In conjunction with the acquisition of Gerdins Industrial System AB on October 3, 2016, 260 000 shares of the same kind were issued.

Summary cash flow statement for the Group

SEK thousands	1 Apr - 30 Jun, 2017	1 Apr - 30 Jun, 2016	1 Jan - 31 Jun, 2017	1 Jan - 31 Jun, 2016	Full year 2016
Profit before tax	70 478	90 758	162 736	166 712	279 344
Adjustment for non cash generating items	25 363	20 508	44 776	52 582	162 081
Income tax paid	2 295	-12 227	-23 540	-30 973	-45 182
Cash flow from operating activities before change in working capital	98 135	99 038	183 972	188 321	396 243
Increase (-)/decrease (+) in inventories	-7 264	-253	-40 121	5 938	-19 927
Increase (-)/decrease (+) in trade receivables	-25 312	-53 676	-138 718	-69 362	-42 936
Increase (-)/decrease (+) in other receivables	12 568	-1 821	6 050	-3 874	-66 030
Increase (+)/decrease (-) in trade payables	12 436	28 021	61 827	18 946	15 448
Increase (+)/decrease (-) in other liabilities	-11 943	4 693	20 678	28 296	7 452
Change in working capital	-19 514	-23 037	-90 284	-20 056	-105 993
Cashflow from operating activities	78 621	76 002	93 688	168 264	290 251
Aquisitions of shares in subsidiaries		113		34	-64 035
Acquisition of intangible non-current assets	-463	-376	-1 258	-590	-1 922
Acquisition of tangible non-current assets	-32 939	-44 902	-53 167	-62 684	-119 436
Sale of tangible non-current assets	3 508	70	3 585	70	1 793
Purchase/Sales of short-term investment in securities	205		204		
Cashflow from investing activities	-29 689	-45 094	-50 635	-63 169	-183 600
New borrowings			436	50	39 715
Amortisation of loans	-14 103	-7 487	-24 795	-14 975	-32 101
Amortisation of loans (leasing)	-1 082	-466	-2 032	-936	-2 786
Change in bank overdraft facilities	-3 319	-16 456	-23 828	-69 823	-47 887
Dividends to the parent company shareholders	-50 309	-40 577	-50 309	-40 577	-40 577
Other changes in financial activities	73	11	104	46	-58
Cashflow from financing activities	-68 740	-64 976	-100 424	-126 216	-83 693
Increase(Decrease) in cash and cash equivalents	-19 808	-34 068	-57 372	-21 120	22 958
Cash and cash equivalents at the beginning of the year	125 316	147 614	162 812	135 602	135 602
Exchange rate difference in cash and cash equivalents	-2 505	3 086	-2 437	2 149	4 252
Cash and cash equivalents at the end of the year	103 003	116 631	103 003	116 631	162 812

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	Apr - Jun 2017	Apr - Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Rolling 12 months		
					Jul 2016	-Jun 2017	Full year 2016
Net sales	12 427	13 174	24 770	26 440	54 026	55 696	
Other operating income	998	181	1 323	395	4 622	3 695	
	13 425	13 356	26 092	26 835	58 649	59 391	
Other external expenses	-4 511	-6 007	-8 063	-10 401	-18 832	-21 169	
Personnel costs	-5 507	-2 713	-10 398	-7 460	-20 639	-17 701	
Depreciation and amortisation	-74		-153		-543	-390	
Other operating expenses	-42	-110	-109	-291	-233	-415	
	-10 135	-8 830	-18 724	-18 152	-40 247	-39 675	
Operating profit	3 290	4 526	7 369	8 683	18 402	19 716	
Net financial items	40 848	12 022	84 285	14 066	168 577	98 358	
Earnings after net financial items	44 139	16 548	91 654	22 749	186 979	118 074	
Appropriations					2 350	2 350	
Profit before tax	44 139	16 548	91 654	22 749	189 329	120 424	
Taxes	-587	-2 464	-2 765	-2 204	-5 299	-4 738	
Profit for the period	43 551	14 084	88 889	20 544	184 031	115 686	

Second quarter

Net sales for the second quarter was SEK 12.4 million (13.2), SEK 0.8 million lower than the same period in the previous year. Other external expenses were SEK 4.5 million (6.0).

Personnel costs were SEK 5.5 million (2.7), a part of the increase is due to an adjusted accrued salary cost in 2016 which made the cost in 2016 lower than normal. Operating profit (EBIT) was SEK 3.3 MSEK (4.5). Net financial items were SEK 40.8 million (12.0), of which SEK 42.2 million is tax free dividends from subsidiaries.

First six months

Net sales for the first six months was SEK 24.8 million (26.4), SEK 1.6 million lower than the same period in the previous year. Other external expenses were SEK 8.1 million (10.4). The difference is due to costs last year in conjunction with the list change from Aktietorget to Nasdaq.

Personnel costs were SEK 10.4 million (7.5). Operating profit (EBIT) was SEK 7.4 MSEK (8.7). Net financial items were SEK 84.3 million (14.1), of which SEK 79.9 million is tax free dividends from subsidiaries.

Summary balance sheet for the Parent company

SEK thousands	30/06/2017	30/06/2016	31/12/2016
ASSETS			
Tangible assets	1 068	-	1 354
Financial fixed assets	704 185	639 082	785 990
Deferred tax assets	581	3 494	512
TOTAL NON-CURRENT ASSETS	705 833	642 576	787 856
Other current receivables	225 432	181 748	251 503
Cash and cash equivalents	-	-	-
TOTAL CURRENT ASSETS	225 432	181 748	251 503
TOTAL ASSETS	931 265	824 324	1 039 360
EQUITY AND LIABILITIES			
Restricted equity	37 745	37 225	37 745
Non-restricted equity	309 375	209 496	357 931
Total equity	347 120	246 720	395 676
Untaxed reserves	44 100	41 300	44 100
Other provisions	7 708	-	7 000
Interest-bearing non-current liabilities	75 472	104 274	90 439
Total non-current liabilities	83 180	104 274	97 439
Interest-bearing current liabilities	442 870	427 587	491 327
Trade and other payables	1 709	2 108	2 040
Other current liabilities	12 287	2 335	8 778
Total current liabilities	456 866	432 030	502 146
TOTAL LIABILITIES	540 046	536 304	599 584
TOTAL EQUITY AND LIABILITIES	931 265	824 324	1 039 360

The increase in financial fixed assets compared to the same period previous year is related to the acquisition of Gerdins. The decrease compared to December 31, 2016 is due to reduction of shares in subsidiaries because of the merger of AQ Industrial System AB into AQ Group AB.

Other current receivables consist of tax receivables of SEK 10 million and receivables from subsidiaries of SEK 215 million. The increase compared to the same period previous year consists mainly of an increase of receivables from subsidiaries. During May the parent company received SEK 11 million back from preliminary paid taxes.

The change in non-restricted equity compared to December 31, 2016 is partly due to dividends of SEK 50.3 million, SEK 88.9 million result of the period and SEK 87.1 million from results of the merger of AQ Industrial System AB into AQ Group AB.

Other provisions of SEK 7.7 million consist of the calculated earnout payment due to the acquisition of Gerdins. A revaluation of this payment has affected the quarter negatively by SEK 0.7 million.

The change of interest-bearing non-current liabilities is partly due to a yearly amortization of SEK 30 million.

Interest-bearing current liabilities have increased compared to the same period previous year, and consist of overdraft credit of SEK 30 million, usage of operating credit and debt to the subsidiaries in the cash pool.

Notes

Note 1. Accounting principles

The summary interim report has been prepared in accordance with the Swedish Annual Accounts Act as well as IFRS, applying IAS 34, Interim Financial Reporting. 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.

AS of July 3, 2016, ESMA's (European Securities And Markets Authority) "Guidelines – Alternative performance measures" are applied. In accordance with these guidelines information about financial numbers have been added that are not defined by IFRS.

Note 2. Segment reporting

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

Q2 2017	Component	System	Unallocated and eliminations	
			Group	
Net sales, external	848 381	228 999		1 077 380
Net sales, internal	86 760	43 287	-130 046	
Total net turnover	935 140	272 286	-130 046	1 077 380
Material costs, excl. purchases own segment	-478 825	-215 311	120 386	-573 749
Depreciation	-21 833	-1 749	-74	-23 656
Other operating expenses/income	-369 226	-47 282	10 931	-405 578
Operating profit	65 257	7 944	1 196	74 397
Net financial items			-3 919	-3 919
Profit before tax	65 257	7 944	-2 723	70 478
Other comprehensive income plus tax			-11 597	-11 597
Comprehensive income for the period	65 257	7 944	-14 320	58 880
<hr/>				
Q2 2016				
Net sales, external	658 609	200 974		859 584
Net sales, internal	64 344	41 279	-105 624	
Total net turnover	722 954	242 254	-105 624	859 584
Material costs, excl. purchases own segment	-348 236	-171 298	96 135	-423 399
Depreciation	-17 052	-999	282	-17 769
Other operating expenses/income	-293 316	-48 796	16 022	-326 090
Operating profit	64 350	21 161	6 815	92 326
Net financial items			-1 568	-1 568
Profit before tax	64 350	21 161	5 247	90 758
Other comprehensive income plus tax			-621	-621
Comprehensive income for the period	64 350	21 161	4 627	90 137

Second quarter

For the segment Component, the total net sales for the second quarter was SEK 935 million (723), of which SEK 848 million (659) is external sales. The increase of the external sales of totally SEK 189 million is partly due to the acquisition of Gerdins.

For the segment System, the total net sales for the second quarter was SEK 272 million (242), of which SEK 229 million (201) is external sales. The increase of the external sales of SEK 28 million is due to increased demand of assembly of packaging machines.

Operating profit (EBIT) was in the second quarter SEK 65 million (64) for Component, which was SEK 1 million better than the same period last year. Operating profit (EBIT) for System was SEK 8 million (21), which was SEK 13 million lower than the same period in the previous year.

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

YTD 2017	Component	System	Unallocated and eliminations	Group
Net sales, external	1 647 729	431 548		2 079 278
Net sales, internal	161 876	85 899	-247 775	
Total net turnover	1 809 605	517 447	-247 775	2 079 278
Material costs, excl. purchases own segment	-929 574	-381 915	232 177	-1 079 312
Depreciation	-43 208	-3 159	-153	-46 519
Other operating expenses/income	-710 294	-102 036	20 094	-792 236
Operating profit	126 529	30 338	4 343	161 210
Net financial items			1 526	1 526
Profit before tax	126 529	30 338	5 869	162 736
Other comprehensive income plus tax			-23 364	-23 364
Comprehensive income for the period	126 529	30 338	-17 495	139 372

YTD 2016

Net sales, external	1 284 232	377 186		1 661 418
Net sales, internal	110 044	81 719	-191 763	
Total net turnover	1 394 277	458 904	-191 763	1 661 418
Material costs, excl. purchases own segment	-677 490	-313 987	182 893	-808 584
Depreciation	-33 949	-2 072	354	-35 667
Other operating expenses/income	-557 991	-96 855	6 716	-648 130
Operating profit	124 846	45 991	-1 800	169 037
Net financial items			-2 326	-2 326
Profit before tax	124 846	45 991	-4 126	166 712
Other comprehensive income plus tax			-5 227	-5 227
Comprehensive income for the period	124 846	45 991	-9 353	161 484

First six months

For the segment Component, the total net sales for the first six months was SEK 1 810 million (1394), of which SEK 1 648 million (1 284) is external sales. The increase of the external sales of totally SEK 364 million is partly due to the acquisition of Gerdins.

For the segment System, the total net sales for the first six months was SEK 517 million (459), of which SEK 432 million (377) is external sales. The increase of the external sales of SEK 55 million is due to increased demand of assembly of packaging machines.

Operating profit (EBIT) was in the first six months SEK 127 million (125) for Component, which was SEK 2 million better than the same period last year. Operating profit (EBIT) for System was SEK 30 million (46), which was SEK 16 million lower than the same period in the previous year.

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

Note 3. Personnel

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

	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016	Jan-Dec 2015
Bulgaria	1 051	978	981	966
Sweden	1 065	803	1 005	812
Lithuania	680	674	688	647
China	484	515	498	539
Poland	954	587	873	508
Hungary	444	415	447	411
Estonia	369	369	349	379
India	131	139	134	146
Mexico	145	130	127	94
Italy	12	23	24	4
Thailand	22	18	20	12
Serbia	27	17	17	0
	5 384	4 668	5 163	4 518

Note 4. Acquisitions

AQ's strategy is to grow in both segments. During the first six months there were no acquisitions or divestments.

On May 17 AQ Industrial Systems AB (556937-6576) was merged into AQ Group AB.

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 and credit debts.

Real 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. Real value of assets is established from market prices. Real 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. As per June 30 the market value of the derivatives was SEK -2.7 million (-1.4) valued according to level 2.

The earnout payment for the acquisition of Gerdins SEK 7.7 million has been valued at real value according to level 3. The earnout is based on 50% of the profit after tax 2016 of the acquired Gerdins group.

Note 6. Events after end of the reporting period

Information about events after the end of the reporting period are presented on page 6.

Note 7. Calculation of key figures and definitions

	2017			2016				
	Q1	Q2	YTD	Q1	Q2	Q3	Q4	Full year
Operating margin, (EBIT %)								
Operating profit	86 813	74 397	161 210	76 712	92 326	52 646	59 669	281 353
Net revenue	1 001 898	1 077 380	2 079 278	801 834	859 584	723 223	904 575	3 289 215
Operating margin	8,7%	6,9%	7,8%	9,6%	10,7%	7,3%	6,6%	8,6%
Profit margin before tax, (EBT %)								
Profit before tax	92 258	70 478	162 736	75 954	90 758	53 050	59 583	279 344
Net revenue	1 001 898	1 077 380	2 079 278	801 834	859 584	723 223	904 575	3 289 215
Profit margin before tax	9,2%	6,5%	7,8%	9,5%	10,6%	7,3%	6,6%	8,5%
Liquid ratio, %								
Trade and other receivables	922 728	947 782	947 782	687 538	749 032	697 938	805 186	805 186
Other current receivables	184 722	161 748	161 748	159 750	170 376	166 477	160 179	160 179
Cash and cash equivalents	125 316	103 003	103 003	147 614	116 631	118 960	162 812	162 812
Current liabilities	865 301	864 583	864 583	633 744	676 277	598 307	794 582	794 582
Liquid ratio	142%	140%	140%	157%	153%	164%	142%	142%
Debt/equity ratio, %								
Total equity	1 543 686	1 552 257	1 552 257	1 241 016	1 290 577	1 366 832	1 463 195	1 463 195
Total assets	2 593 111	2 591 281	2 591 281	2 066 851	2 149 012	2 130 582	2 449 796	2 449 796
Debt/equity ratio	60%	60%	60%	60%	60%	64%	60%	60%
Return on total assets, %								
Profit before tax, rolling 12 months	295 648	275 368	275 368	231 604	265 145	274 539	279 344	279 344
Financial expenses, rolling 12 months	-12 669	-15 652	-15 652	-12 570	-13 160	-14 962	-12 977	-12 977
Total equity and liabilities, opening balance for 12 months	2 066 851	2 149 012	2 149 012	1 798 487	1 828 465	1 861 878	2 024 282	2 024 282
Total equity and liabilities, closing balance	2 593 111	2 591 281	2 591 281	2 066 851	2 149 012	2 130 582	2 449 796	2 449 796
Total equity and liabilities, average	2 329 981	2 370 147	2 370 147	1 932 669	1 988 738	1 996 230	2 237 039	2 237 039
Return on total assets	13,2%	12,3%	12,3%	12,6%	14,0%	14,5%	13,1%	13,1%
Return on equity after tax, %								
Profit for the period after tax, rolling 12 months	250 191	233 463	233 463	188 327	216 778	227 944	235 678	235 678
Total equity, opening for 12 months	1 241 016	1 290 577	1 290 577	1 119 233	1 110 539	1 155 688	1 169 736	1 169 736
Total equity, closing	1 543 686	1 552 257	1 552 257	1 241 016	1 290 577	1 366 832	1 463 195	1 463 195
Total equity, average	1 392 351	1 421 417	1 421 417	1 180 125	1 200 558	1 261 260	1 316 465	1 316 465
Return on equity after tax	18,0%	16,4%	16,4%	16,0%	18,1%	18,1%	17,9%	17,9%
Net cash / Net debt								
Cash and cash equivalents	125 316	103 003	103 003	147 614	116 631	118 960	162 812	162 812
Non-current interest bearing liabilities	100 757	91 653	91 653	113 449	105 842	98 341	107 779	107 779
Current interest bearing liabilities	139 998	130 614	130 614	106 402	89 178	53 088	164 034	164 034
Total interest bearing liabilities	240 755	222 267	222 267	219 851	195 020	151 430	271 812	271 812
Net cash / Net debt	-115 439	-119 264	-119 264	-72 237	-78 389	-32 470	-109 000	-109 000
Growth, %								
Organic growth								
Net revenue	1 001 898	1 077 380	2 079 278	801 834	859 584	723 223	904 575	3 289 215
- Effect of changes in exchange rates	8 945	22 944	31 890	-8 615	-15 435	-6 759	10 357	-20 452
- Net revenue for last year	801 834	859 584	1 661 418	715 216	758 819	654 561	803 281	2 931 878
- Net revenue for acquired companies	121 766	108 181	229 947	69 287	68 926	61 495	128 095	327 803
= Organic growth	69 353	86 671	156 023	25 946	47 274	13 926	-37 158	49 986
Organic growth divided by last year net revenue, %	8,6%	10,1%	9,4%	3,6%	6,2%	2,1%	-4,6%	1,7%
Growth through acquisitions								
Net revenue for acquired companies divided by last year net revenue, %	15,2%	12,6%	13,8%	9,7%	9,1%	9,4%	15,9%	11,2%

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.

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 exceeds interest bearing debts. Net debt means that interest bearing debts exceed cash and cash equivalents.

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.

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, 2016, in total about 5,100 employees in Sweden, Bulgaria, China, Estonia, Hungary, India, Italy, Lithuania, Mexico, Poland, Serbia and Thailand.

In 2016 AQ had net sales of SEK 3.3 billion and the group has since its start in 1994 shown profit every quarter.

AQ has the highest credit rating AAA according to Bisnode.

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.

Entrepreneurial 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.