

Annual Report 2018



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Calendar

The Annual General Meeting (AGM) for the 2018 financial year will be held on May 9, 2019.	The Interim Report for the period January–June 2019 will be published on August 21, 2019.
The Interim Report for the period January–March 2019 will be published on April 26, 2019.	The Interim Report for the period January–September 2019 will be published on October 23, 2019.

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In the event of any discrepancies between the Swedish and the English versions of the Annual Report, the Swedish version shall take precedence.

On the cover: Three Alimak construction hoists in action at the Wood Wharf E1/E2 development in Canary Wharf, London, United Kingdom.



The year in brief

Order intake
MSEK

4,621

Revenue
MSEK

4,320

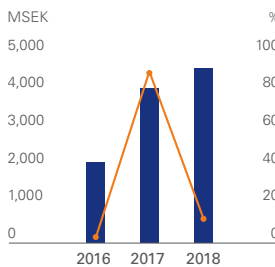
EBITA adj.
MSEK

555

Cash flow from operations
MSEK

240

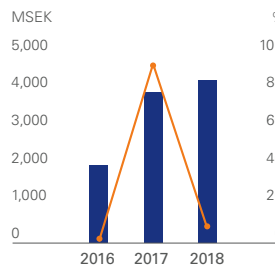
Order intake and growth



■ Order intake
 — Growth

Order intake increased by 13 per cent, 4 per cent organic growth, to MSEK 4,621.

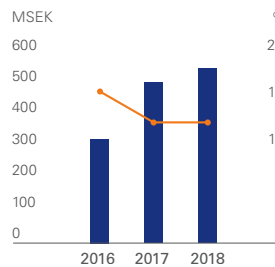
Revenue and growth



■ Revenue
 — Growth

Revenue increased by 8 per cent, organic growth remained flat, to MSEK 4,320.

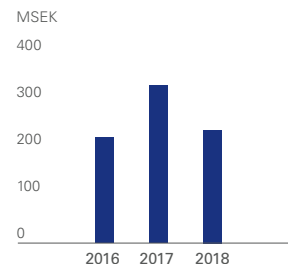
Profitability



■ EBITA adj.
 — EBITA margin adj.

EBITA adj. increased to MSEK 555, with a margin of 12.8 per cent.

Cash flow



Decreased cash flow from operations at MSEK 240, high working capital in the first half of the year.

Alimak Group in brief

Alimak Group is a world-leading provider of vertical access solutions for professional use. With sales to more than 100 countries, the Group designs, develops, manufactures, distributes and provides service to vertical access solutions with focus on adding customer value through greater safety, higher productivity and improved cost efficiency.

Business areas



CONSTRUCTION EQUIPMENT

Construction Equipment offers a wide range of hoists, elevators and platforms, in many cases installed for temporary use during construction and refurbishment projects.



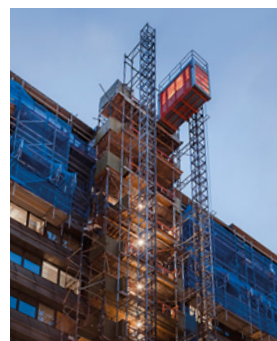
INDUSTRIAL EQUIPMENT

Industrial Equipment offers a wide range of elevators, platforms and maintenance units for permanent use across a broad spectrum of industries, including Oil & Gas, buildings and infrastructure, ports and shipyards, wind, power and cement.



AFTER SALES

After Sales provides after-market services, mainly targeted at the Group's installed base and customers. The offering includes installation, technical support, maintenance, repairs, refurbishment, training, inspections and spare parts.

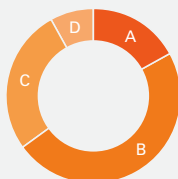


RENTAL

Business area Rental hires out the Group's construction hoists and platforms to the construction industry in Australia and several markets in Europe. The rental business is backed by a range of related support services. The business area also sells used equipment.

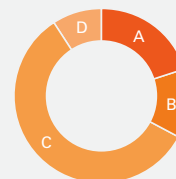
Revenue per business area %

- A) Construction Equipment, 17
- B) Industrial Equipment, 48
- C) After Sales, 27
- D) Rental, 8



Share of EBITA adj. %

- A) Construction Equipment, 20
- B) Industrial Equipment, 13
- C) After Sales, 58
- D) Rental, 9



Brands

Late September 2018, Alimak Group launched a rebranding of the product and service offering, replacing the Hek and Heis-Tek brands with Alimak and introducing the Alimak Service brand.

Today, the Group goes to market with five widely recognised and preferred brands.



The Group across the world

Alimak Group has a global network of own sales offices and distributors, reaching over 100 countries. The global organisation puts Alimak Group close to its customers, ensuring good knowledge of their business, long-term relationships and accessible, high-quality service.

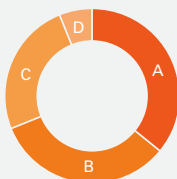
The Group has so far achieved an extensive installed base of around 70,000 units across the world.



- Headquarters
- +130 distributors
- 57 own sales offices
- 12 production and assembly facilities

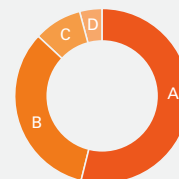
Revenue per region %

- A) Europe, 36
- B) APAC, 33
- C) Americas, 25
- D) Other, 6



Employees per region %

- A) Europe, 54
- B) APAC, 33
- C) Americas, 9
- D) Other, 4



CEO Comment

2018 was the second year where considerable time and effort went into the integration of the businesses that were acquired back in 2017. After facing both challenges and strategic opportunities, we now look forward to harvesting the results of the work we have put in.

2018 was in many ways a year of consolidation for Alimak Group. Amongst the financial highlights was a 13 per cent increase in order intake during the year while operationally, focus remained on the integration of the acquired businesses.

CHALLENGES AND POSITIVE DEVELOPMENT

It was also a year in which we faced challenges, mostly stemming from the Industrial Equipment business area and the BMU side in particular, as repeatedly mentioned in the quarterly reports. We would of course have preferred to not experience these project issues and we have put a lot of effort into ensuring that they are not repeated. We have taken measures to improve the business, including a new strategy for how we will align and market the width of the BMU portfolio. This will result in a more optimised, common platform for the two brands.

At the same time, the other acquisition – Avanti Wind Systems – has delivered well in line with my expectations though I would like to see a faster progress in transferring parts of the wind portfolio to other light industry verticals. During 2018, we reviewed market requirements and specifications to ensure that we understand the potential Customers and how we can deliver products at the right price point for them. In 2019 we will continue the work on developing and bringing products to the market that address these segments.

The legacy part of the Group continued to perform well during the year. The lifts delivered to Oil & Gas companies are far from light and simple and I am very pleased to see the increased activity level in the sector, as proven by the orders for traction lifts to both the Johan Castberg and the Johan Sverdrup Phase II projects.

Construction Equipment faced an indecisive market with projects in the pipeline that did not materialise at

the expected rate, though with a strong finish of the year when it comes to order intake.

The Rental business area increased its fleet utilisation, delivered above expectations on all parameters, and ended 2018 with a very strong backlog.

STRATEGIC OPPORTUNITIES

In late September, we launched a rebranding of the product and service portfolio and I am pleased to have the new brand positioning in place: a simpler brand for what used to be Alimak Hek – now just Alimak, and a brand of its own for our After Sales business – Alimak Service, for which we have great expectations looking ahead.

When it comes to innovation, digitalisation remains an important trend that offers opportunities both for products as well as for the after-market business, as it can serve as an enabler for increased value creation for both our Customers and the After Sales business. Controls and related software applications in terms of, for example, logistic optimisation, predictive maintenance and fleet management, will become an increasingly important part of our business going forward. Digitalisation is sweeping across the construction and industrial sectors, so it is important that we have the capability to develop innovative solutions for the industry together with our Customers.

NEW ENERGY AND FOCUS

Several changes to the Management team took place during 2018. All three business unit heads within the Industrial Equipment business area took up their new roles during the year. Our new leaders have long experience within their respective area of business and bring new energy to the organisation.

In September, Tobias Lindquist officially joined the Group as CFO and member of the Group management



team which meant new energy and focus on the CFO area and an increased ability for us to invest in both people and tools.

SUSTAINABLE DEVELOPMENT

Alimak Group's contribution to sustainability is above all based on the capacity of our solutions for creating safe, reliable and efficient workplaces for Customers and users.

After the acquisitions in 2017 it was clear that existing sustainability measurements would not be adequate or appropriate for the full, new Group and focus during 2018 has been to map the processes and maturity within the area of sustainability, align units and define what areas to spend more resources on. We then prioritised the establishment of tools and processes for measuring major KPIs selected as well as putting reporting routines in place to initiate follow-up and action on deviations.

Alimak Group continues to be a signatory of the UN Global Compact and we reaffirm our support for the initiative's Ten Principles in the areas of Human Rights, Labour, Environment and Anti-Corruption.

LOOKING AHEAD

As I have stated in every quarterly report since the consolidation of the acquired businesses, the integration is running largely according to plan. 2019 will be another important year for the Group. We now wish to see further momentum from what we have executed on and put behind us. At the same time, we know that it will be tougher to get out savings at the same pace as before in some areas. At the end of 2018, it was evident that the low-hanging fruit is becoming scarcer as we pick them off, and as we move forward, further collaboration will be needed between procurement and R&D for the anticipated synergies to be realised.

Our Customers, Shareholders, Board of Directors, Management team and Employees are all vital to the development of Alimak Group and I would like to thank all of you for your dedication, efforts and achievements.

Tormod Gunleiksrud
President & CEO

Strategy and Targets



Competitive advantages

The Group's strengths and competitive advantages spring from the strategic priorities of putting safety first, working with customer focus and as one company through vertical integration. Together, these strengths make up the Group's investment case.

1

Market leader with strong brands

Alimak Group is a global market leader within vertical access solutions for professional use and has widely recognised and preferred brands with an installed base of around 70,000 units. The products are distinguished by their high levels of safety, quality and reliability.

2

Attractive business model with resilient after-market revenues

The Group has extensive coverage across products and technologies in its four business areas. The business extends over the entire value chain, from design, product development, manufacturing, marketing, distribution and sales to after-market services. Alimak Group's broad offering helps ensure growth in revenues, sound profitability and stable cash flow.

3

Global international presence

Alimak Group conducts sales globally via its own sales organisations and a network of distributors, reaching more than 100 countries worldwide. Alimak Group has twelve cost-effective and efficient production and assembly facilities spread across several countries that secure closeness to customers. The international presence ensures a good understanding of the market needs as well as long-term relationships with customers.

4

Strong financial position

The Group has a long history of good profitability and cash generation through its cost-efficient manufacturing activities, sound capital management and high proportion of earnings from after-market services.

5

Positioned to capitalise on global trends

Global, macroeconomic trends that support the demand for the Group's solutions and services include changes in demographics as well as an increased focus on productivity and sustainability.

Trends and driving forces

The market for Alimak Group's vertical access solutions varies according to the demand from end customers in the industrial and construction sectors. In addition to local and regional market conditions, demand is driven by global megatrends: demographics, productivity and sustainability.

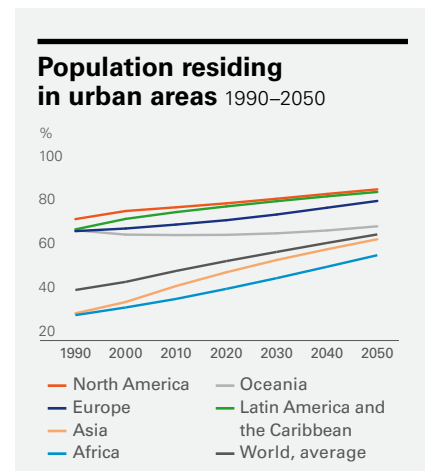
Demographics

POPULATION GROWTH

The world's population continues to grow at 1.1 per cent per year, meaning a world population growth of more than 80 million people annually. Africa and Asia are expected to contribute most to future growth. This generates increased activity in the construction and industrial sectors, which also drives their demand for vertical access solutions.

URBANISATION

Urbanisation is driving the trend towards densification in megacities dominated by high-rise buildings, primarily in emerging markets in Asia and the Middle East. This development is fuelling demand for hoists and work platforms for construction and refurbishment. Investments in tall buildings continue and facades are growing ever more complicated, resulting in a need for more innovative facade maintenance systems.



Source: United Nations Population Division, World Urbanization Prospects: The 2018 Revision.

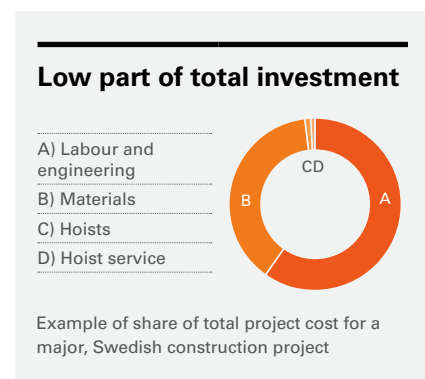
Productivity

RISING INPUT COSTS

Rising costs and scarcity of labour and energy across the globe is driving up the cost base in many construction and industrial sectors. This makes efficient vertical transport even more critical to productivity and profitability for the Group's customers. Requirements for cost-effective and energy-efficient operations are boosting demand for upgrades and investments in new vertical access solutions.

LEVERAGE ON INVESTMENTS

Hoists, elevators and platforms often represent a small proportion of the total investments in an oil rig, a wind turbine or a major construction project but may make an important contribution to supporting the overall efficiency and productivity of the customer's operations. This leads to relatively short pay-back time on investments.



Source: CLMA® Project Labor Cost Allocation and internal estimations.

Sustainability

RENEWABLE ENERGY

The increased global focus on sustainability is manifested in different ways, including the transition to renewable energy. Economic growth and the need for electrical power in China in particular and in the rest of Asia too is opening up new opportunities.

Continued expansion of electric power generation is driving up demand for investments in renewable energy. The increasing number of wind turbine towers, combined with their increasing height, is boosting demand for service elevators and above all, quality solutions.

SAFETY AND REGULATIONS

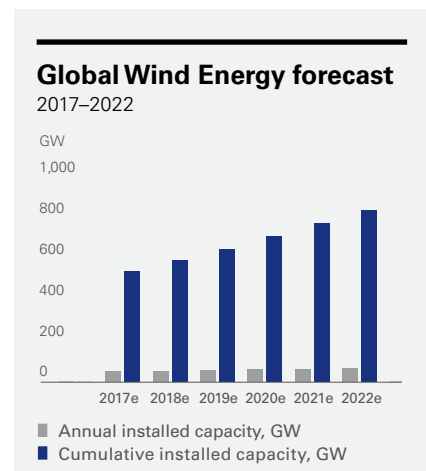
Requirements regarding product safety, reliability and safe work places are increasingly supported by more stringent legislation in these areas in both mature and emerging markets.

This is also leading to a closer focus on the safety requirements for vertical access solutions within construction projects, industrial production and building maintenance. A number of European countries already have, or are about to enact, national laws governing the maximum height to which operators may climb on tower cranes, which is contributing to greater demand for reliable vertical access solutions. Most markets have strict laws and regulations in place regarding regular inspections and servicing of lifts, which in many cases have to be carried out by certified personnel, creating demand for after sales services.

The increased focus on sustainability and safety is a market outlook driver for customers across the world as well as their choice of supplier, strengthening Alimak Group's market position.



40 Avanti service lifts are installed at Stor-Rotliden, Vattenfall's biggest on-shore wind farm in Sweden.



Source: GWEC, Global Wind Report: Annual Market Update 2017

Strategies

Alimak Group will strengthen its position as a global, market-leading provider of vertical access solutions for professional use. To achieve this, the Group is focusing on customer value through greater safety, higher productivity and improved cost efficiency. The strategies address both growth and profitability.

Strategies for growth

› Leverage on the global footprint

Alimak Group will leverage on its global presence, which further strengthened following the acquisitions in 2017. The own sales offices and distributors offers the customers a wide range of vertical access solutions, covering all business areas. Alimak Group intends to further expand its network in both mature and developing markets to deliver additional growth as well as closeness to the customers.

› Broaden the product portfolio

Alimak Group will continuously broaden and develop its product portfolio to safeguard its strong market position and strengthen the value of its brands. Product innovation will focus on safety, productivity and improved cost efficiency, to deliver additional value for customers. This will be achieved by developing activities within R&D, carried out in close cooperation with production and assembly facilities.

› Expand the After Sales business

Alimak Group will continue to expand the After Sales business by increasing the service penetration of the installed base, and by broadening the service capability in terms of geographical coverage and offering, for example, training, online monitoring and surveillance.

› Act on the acquisitions agenda

Alimak Group will evaluate potential acquisitions within selected niches in order to expand the product offering or geographical coverage.

Strategies for increased profitability

› Streamline the organisational structure

Alimak Group will benefit from an efficient, transparent and customer-led organisation. Local sales organisations, offices and legal entities have been merged and a common management function overseeing all activities within each respective country established. The reorganisation, initiated following the acquisitions in 2017, aims to reduce selling, administrative and other local costs.

› Optimise procurement and manufacturing

Alimak Group will leverage economies of scale within procurement and manufacturing by further coordinating and centralising such activities within the Group. Coordinating design and development brings potential to further harmonise use of common parts. Product development, purchasing and production account for a large part of the cost base and are a decisive factor in the Group's competitiveness and profitability.

› Improve utilisation of after-market organisation

Alimak Group's After Sales offering covers all products and technologies within the Group. A larger organisation with a global footprint and knowledge across all products brings opportunities for higher utilisation of service technicians and improved service levels. A common organisation, Alimak Service, was established in autumn of 2018 with the ambition to capture these opportunities.

Financial targets

Alimak Group's financial targets focus on growth and profitability combined with an effective capital structure, allowing for both strategic investments as well as healthy dividends to shareholders. The financial targets have remained unchanged since published in 2017, after the acquisitions of Facade Access Group and Avanti Wind Systems.

Financial targets			
Revenue growth	EBITA margin	Leverage (Net Debt/EBITDA)	Dividend policy
6%	15%	2.0x	50%

The mid-term targets, set after the two large acquisitions in the beginning of 2017, include a three percentage point increase of the EBITA margin from the baselines of 12.0 per cent actual proforma 2016.

One percentage point will come from general business improvements. The remaining two percentage points will be achieved from identified synergies through procurement and manufacturing optimisation, and via strengthened organisation and structure, increased footprint, size and utilisation, together with improved structure and service levels in After Sales.

In addition, the Group aims to have average annual organic revenue growth of at least 6 per cent and to maintain an effective capital structure with a net debt of around 2.0x EBITDA. The capital structure will be flexible and allow for strategic initiatives.

Alimak Group also has a target of paying a dividend of approximately 50 per cent of its net profit for the current period to the shareholders. Decisions on dividend payment will take account of the Group's financial position and cash flow.

Performance in 2018

Financial highlights include the 13 per cent growth in order intake, the improved net profit and proposed increased dividend. The integration of the business acquired remained in focus during 2018 for Alimak Group. Much work was done in streamlining the joint organisation, while maintaining the values of the individual brands.

Alimak Group ended 2018 on a sustained high note in terms of order intake. With growth of 13 per cent, order intake ended the year at MSEK 4,621. This following order intake growth in all business areas except Construction Equipment, though the latter demonstrated a very strong catch-up in the last quarter.

Organic revenue growth in 2018 remained flat, while reported revenue grew 8 per cent to MSEK 4,320 (4,001). With EBITA adj. of MSEK 555, this resulted in a margin of 12.8 per cent for the full year – on the same level as in 2017. While positively affected by realised synergies, the flat margin outcome resulted from the technical challenges faced in a handful of BMU projects throughout the year. These have been thoroughly addressed and now make up a very small part of the backlog.

DELEVERAGING

Build up of working capital led to negative cash flow in the first half of the year. The Group however ended 2018 with a net debt of MSEK 867, a leverage of 1.55xEBITDA. Well below the target of 2.0 and a strong financial position. A new revolving credit facility was also signed during the year, increasing the existing financing on better terms.

INCREASED DIVIDEND

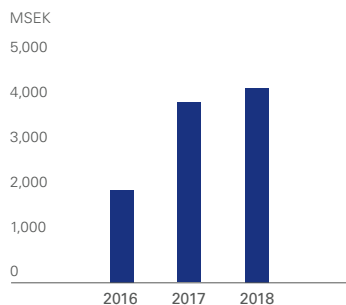
With the improved yearly result and continued strong balance sheet, the Board of Directors propose to increase the dividend to SEK 2.75 per share.

INTEGRATION IN FOCUS

Legal mergers of subsidiaries, the launch of new values, The Alimak Group Way, and the launch of the Alimak Service brand were among the highlights of integration achievements.

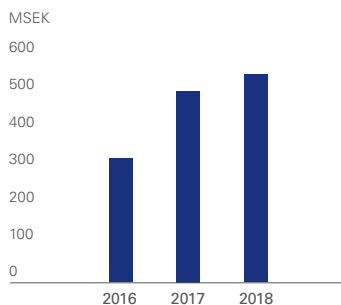
Performance

Revenue



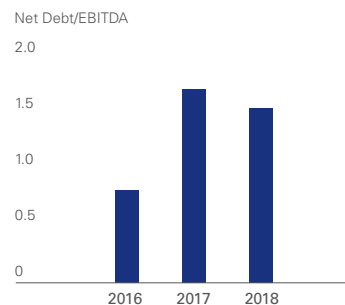
Organic revenue for the period January to December 2018 remained flat, while reported revenue grew 8% to MSEK 4,320 (4,001).

EBITA adj.



EBITA adj. for the period January to December 2018 was MSEK 555 (510), a margin of 12.8%.

Leverage



As of December 31, 2018, net debt totalled MSEK 867 (910), a leverage of 1.55xEBITDA.

Key figures

	2018	2017	2016	2015	2014
Order intake, MSEK	4,621.1	4,101.2	2,143.9	2,109.1	1,789.3
Revenue, MSEK	4,320.4	4,000.7	2,048.6	2,036.3	1,742.5
Operating profit (EBITA adj.), MSEK	554.5	510.2	330.7	350.3	316.9
Operating margin (EBITA adj.), %	12.8	12.8	16.1	17.2	18.2
Operating profit (EBITA), MSEK	490.5	464.7	307.9	296.2	287.7
Operating profit (EBITA), %	11.4	11.6	15.0	14.5	16.5
EBIT, MSEK	439.4	416.8	306.8	296.2	287.7
Profit after tax, MSEK	344.0	291.6	194.0	135.0	46.5
Earnings per share ¹ , SEK	6.35	5.58	4.10	2.86	0.98
Earnings per share ² , SEK	6.35	5.38	3.58	2.49	0.86
Cash flow from operating activities, MSEK	239.9	335.4	224.0	239.8	309.5
Dividend, SEK	2.75 ³	2.30	1.60	2.00	–
Leverage (Net Debt/EBITDA)	1.55	1.72	0.81	1.07	1.65

¹ Previous periods have been adjusted to take into account the change in the number of shares after the completion of the rights issue in Q2 2017.

² Based on the existing number of shares, 54,157,861.

³ Proposed by the Board of Directors.

Important events 2018

On May 16, Jan Svensson from Latour was elected Chair of the Board of Directors at the Annual General Meeting.

On June 27, Alimak received an order for Karlatornet in Sweden – the first construction development where a hoist and common tower solution replaces tower cranes as the main mode of vertical transportation.

On July 2, Alimak Group signed a new multi-currency revolving credit facility with Handelsbanken, an increase of the existing financing on improved terms.

On September 1, Tobias Lindquist assumed the position of Chief Financial Officer and member of the Management Team of Alimak Group AB.

Late September, Alimak Group launched a rebranding of the product and service offering; replacing the Hek and Heis-Tek brands with Alimak and introducing the Alimak Service brand.

On November 13, Alimak Group received a large order for the North Sea with a value of approximately MSEK 27,

showcasing the uptick in the Oil & Gas market.

On November 30, Alimak Group announced an order for construction hoists, with a total order value of approximately MSEK 76, as part of a volume programme with US rental company Bigge Crane and Rigging Co.

Operations

ALIMAK



Acting on a global and diverse market

Customer needs vary between industries and geographical areas. Alimak Group has an extensive and competitive product portfolio, including standard, modular and customer specific vertical access solutions. The product offering is complemented by a wide range of services to each customer's needs.

Each application of a vertical access solution is designed to satisfy the need of the end market. Such end markets include the construction sector, which needs efficient and movable designs; the building and structure maintenance sector, which requires tailored solutions; the Oil & Gas sector which asks for explosion-proof solutions; the energy sector, including wind, where space-efficient designs are required; ports and shipyards which need a combination of fast and safe products; and the cement industry which requires elevators capable of withstanding harsh environments.

THE CONSTRUCTION MARKET

Demand varies between geographic regions. The Group has a strong position in developed markets and is

expanding its mid-market offering as emerging markets account for more than half of all construction world-wide. In 2018, the Middle East and South East Asia slowed down while the US remained strong.

THE INDUSTRIAL MARKET

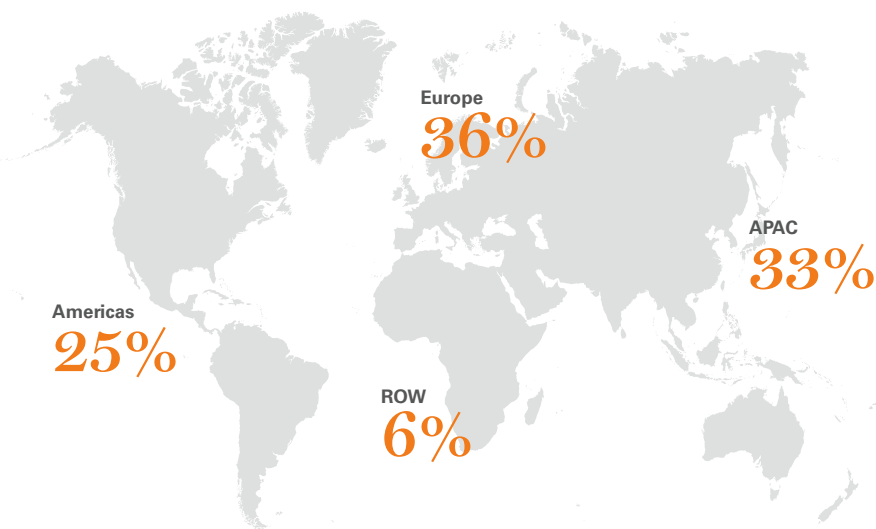
Alimak Group offers a broad range of permanently installed vertical access solutions for diverse end-uses.

In recent years, the mature markets have seen stable development while the emerging markets continue to demonstrate good growth.

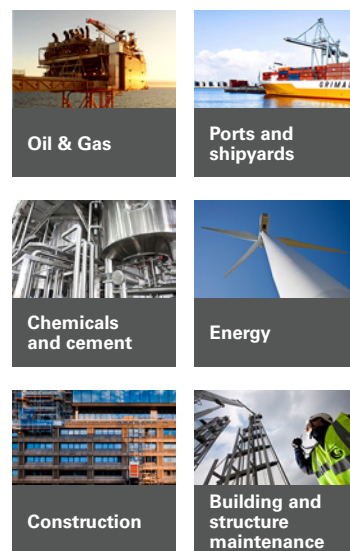
During 2018, rising oil prices and strict environmental regulations, supporting investments into wind energy, were the main growth drivers.

Alimak Group across the world

Revenue per region 2018



Examples of end markets



Value creation for all stakeholders

Alimak Group creates value through its business model of providing world-leading vertical access solutions for professional use, focusing on safety, quality and reliability.

SUPPLIERS

- Raw materials
- Electronics
- Cables
- Drive units
- Sub-assembly

Value proposition
A reliable, long-term business partner

Key facts
+800 suppliers
+30 countries

Strengths
Market leader with strong brands
Attractive business model
Global international presence
Strong financial position
Underlying global trends

Targets
> 6% revenue growth
> 15% EBITA margin
~2.0x leverage (Net Debt/EBITDA)
~ 50% dividend

ORGANISATION AND EMPLOYEES

Design	Development	Manufacturing
BUSINESS AREA CONSTRUCTION EQUIPMENT		
BUSINESS AREA INDUSTRIAL EQUIPMENT		
BUSINESS AREA AFTER SALES		
BUSINESS AREA RENTAL		

Value proposition
An attractive employer developing and maintaining qualified and motivated employees in a professional workplace

Key facts
2,400 employees in 20 countries Broad product portfolio 12 production and assembly facilities in 8 countries

SOCIETY

Value proposition
A contributor to economic development through direct and indirect job opportunities operating in a long-term way according to local legislations

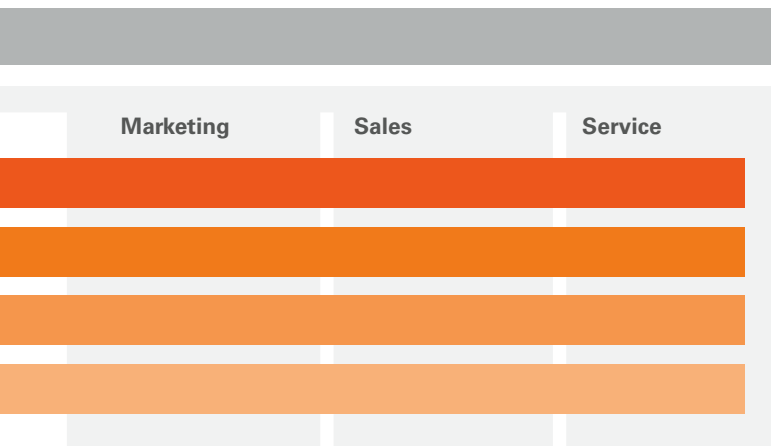
EXTERNAL FACTORS

Operational focus

Safety first
Customer focus
One company

Values

Collaboration
Integrity
Respect
Innovation



5 brands

57 sales offices

70 years of
experience

DISTRIBUTORS



Value proposition

A reliable, long-term
business partner

Key facts

+ 130 distributors
+ 80 countries

CUSTOMERS



Value proposition

Safe, reliable and
high-quality vertical
access solutions

Key facts

+ 100 countries
~ 70,000 installed base

CAPITAL MARKET AND SHAREHOLDERS

Value proposition

An attractive investment working actively to deliver long-term,
sustainable shareholder value

Innovation for growth

Alimak Group's ambition is to grow and remain a market leader through innovation, customer collaboration and investments in new technology to broaden the product portfolio and service offering. Increased safety, new service concepts and construction project productivity were in focus during 2018.

Alimak Group' target is to remain a leader in in the segments where the Group operates, through investing in technologies for the future. The development of innovative products and solutions continues with the aim of improving the customer's productivity, worksite safety and delivering more value with less impact on the environment.

The appointment of a Chief Technology Officer in 2017 reflects the strategic ambition to focus on innovation and investments in new technologies. During 2018 several new initiatives were started up to identify needs and actions to ensure the long-term competitiveness of Alimak Group. These focus on finding technical solutions to improve the productivity and total cost of ownership for customers.

A common denominator across all product lines has been to utilise the possibilities of new digital technologies to improve performance as well as to enable better services over the products' lifetime for the customers.

Innovation and technology initiatives are included in strategic decisions about the Group's future and in interaction with customers, since their input are essential to the Group's ability remain the market leader.

SAFETY FIRST

Safety has always been the number one priority for Alimak Group. Standards keep evolving and the Group always strives to innovate and meet the highest safety requirements. Existing requirements for permanently installed commercial lifts is starting also to impact the construction and industrial niche.

SERVICE WHEN NEEDED

Timely provision of accurate machine performance and operational data is important for the after-market – the customers' key requirements are asset management,

fault diagnosis and ease of doing business. Going forward, Alimak Group will invest in new solutions enabling new service concepts.

BIM-OBJECT MODELLING

Construction and BMU customers, mostly in Northern Europe, are moving towards the Building Information Model (BIM) as a standard 3D and information model to increase productivity and streamline processes in infrastructure projects through their full cycle. For the Alimak brand, the first construction projects based on BIM-objects were executed in the Netherlands during 2018. The findings so far indicate good results in improving quality, speed and communication between the various stakeholders from planning to finalisation of the construction phase.



Safety devices for construction hoists.

The Group in depth

Alimak Group offers modern and cost-efficient vertical transport solutions for professional use in the premium and mid-market segments, targeted at both mature and emerging markets. The Group is active throughout the entire value chain and offers solutions with high levels of safety, quality and reliability.

Safety, quality and reliability are important factors for all products and solutions sold under Alimak Group's brands: Alimak, Avanti, CoxGomyl, Manntech and Alimak Service. The quality of products is one of the most important characteristics distinguishing the Group from its competitors and is the reason the Group has been a market leader ever since the start in 1948.

THE NICHE AND OFFERING

The Group has specialised in vertical access solutions for professional applications, using rack-and-pinion and traction-based technologies for elevator systems and platforms. The market is significantly smaller in size and technically more specialised than that of public lifts in residential and commercial areas. With the acquisition of Facade Access Group, the Group's operations also include certain hydraulic technology.

The global network provides rapid and efficient product support and service focusing primarily on the installed base. It is an important factor to the stability of the Group's profitability and cash flow with a large part of the product's life cycle revenue stemming from after-market services.

OPERATIONS

The Group is active throughout the whole value chain and has production in eight countries across Europe, Americas and China, along with its own sales and service network and distributors that together reach more than 100 countries. At present there are around 70,000 hoists, elevators, lifts, building maintenance units and platforms installed around the world.

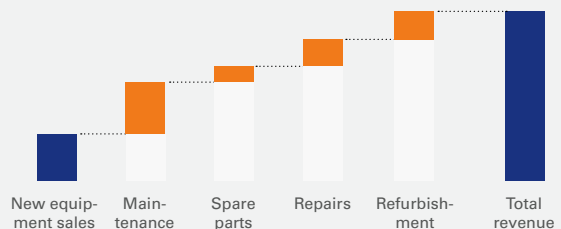
Operations are divided into four business areas: Construction Equipment, Industrial Equipment, After Sales and Rental, which are also the Group's reporting segments.



A Manntech BMU in operation at Central Market, Abu Dhabi, United Arab Emirates.

Life cycle of the industrial elevator

New equipment sales normally generate after-market service revenue of up to three times the value of the original selling price.



Construction Equipment

Alimak is a true global player in a fragmented construction market, with operations in all major regions. Activity was high in developed markets during 2018 while some emerging markets slowed down following postponement of large construction projects.

PRODUCTS AND SERVICES

The Construction Equipment business area designs, develops, manufactures, sells and distributes construction elevators and platforms globally. Product categories cover large and bespoke construction hoists, as well as more standard transport solutions and platforms installed for temporary use in connection with construction and renovation works.

Many of the products are based on modular designs, which make them flexible with respect to size and usability in many different contexts, e.g. construction and renovation of tall buildings, bridges, smoke stacks and facades.

Alimak Group has for 70 years been a market leader in rack-and-pinion vertical access solutions for temporary use. The Alimak brand is well established and

respected in the construction sector, with products distinguished by their high level of safety, reliability, versatility and quality.

CUSTOMERS

The business area is present across the world with a large number of sales offices, service outlets and distributors in close proximity to the customers. The customer base is diverse and fragmented with a few, large regional and many local construction and rental companies.

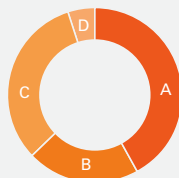
MARKET AND TRENDS

The underlying driver of demand for the business area is global and regional construction activity, primarily on commercial and high-rise residential buildings.

Alimak is a truly global player in a relatively fragmented market and competition varies by region. Alimak enjoys

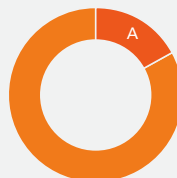
Revenue by region %

- A) Europe, 42
- B) APAC, 21
- C) Americas, 32
- D) ROW, 5



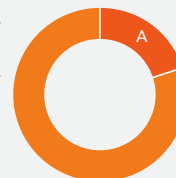
Share of Group revenue %

- A) Construction Equipment, 17



Share of EBITA adj. %

- A) Construction Equipment, 20



Key figures Construction Equipment

	2018	2017	2016
Order intake, MSEK	816.2	830.2	779.1
Revenue, MSEK	714.4	792.5	685.9
EBITA adj. MSEK	108.4	110.0	83.5
EBITA adj. %	15.2	13.9	12.2
EBIT (reported), MSEK	120.1	101.8	73.2

a leading position in most developed markets and is amongst the leading players in many of the emerging markets. However, while the Chinese market is large, Alimak has chosen a restrictive sales strategy, given the inherent credit risks.

Alimak holds a strong position in the construction hoist segment, whereas more growth opportunities exist in the platform segment.

DEVELOPMENT IN 2018

2018 was characterised by high activity in developed markets following investments by construction and rental companies that are continuing to focus on operating efficiency. The US and Australia in particular maintained high momentum during the year. Demand from Central Europe, including the UK, remained solid, although there was a lack of new investments in solutions for large, complex projects compared to the previous year. In contrast, the Middle East, South America and South East Asia experienced slower demand following increased economical and political uncertainty. This led to the postponement of major construction projects, as a result of which growth was not achieved in either order intake or revenue.

In autumn 2018, Alimak introduced a new transport platform, targeting the European market to complement the existing light platform portfolio with good initial demand from customers. Margin was strong due to favourable product mix, with an increased share of premium content being delivered.

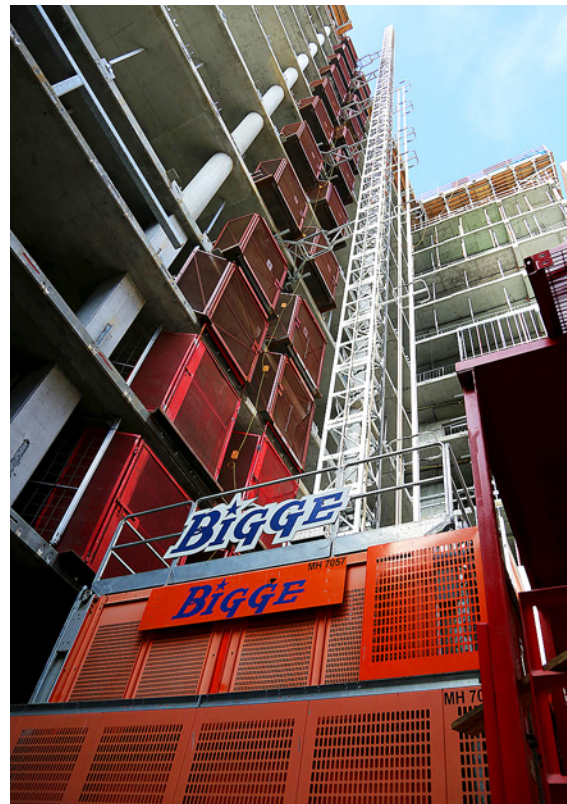
The growth strategy of the business area is to continue to grow faster than the market by strengthening its leading position in the high performance segments, further expansion into the mid-market segment and exploration of new markets through both direct sales and new distributors.

CASE: BIGGE CRANE AND RIGGING CO.

Long-term partnership

Alimak Group divested its US Rental business to rental company Bigge Crane and Rigging Co. in 2016. In 2018, the company accounted for the largest number of hoists ordered from the Group.

“At Bigge, we strive to deliver the perfect fleet and we are keenly focused on strategic partnerships. Alimak has been a great partner for the 20 years we have been purchasing hoists,” says Weston Settlemier, Bigge’s principal owner.



Industrial Equipment

Strong growth in order intake in all segments and some project execution issues characterised the Industrial Equipment business area in 2018. Operationally, the focus was on the continued integration of the acquired businesses and activities to improve profitability.

PRODUCTS AND SERVICES

Industrial Equipment designs, develops, manufactures and sells a wide range of elevators, maintenance units and platforms for permanent use.

The majority of the business is project-oriented, with vertical access solutions constituting a minor part of large complex engineering, procurement and building development projects. The Group's industrial elevators are therefore often specially adapted to suit specific customer applications and requirements with respect to size, load capacity, height, safety and speed. The business area's products have a long-anticipated life cycle, averaging approximately 25 to 30 years.

The products benefit from the Group's technological experience and are often designed to function under extreme conditions and in corrosive environments.

CUSTOMERS

Engineering, Procurement and Construction (EPC) companies are important customers and represent an effective sales channel to end users, which include companies in Oil & Gas, infrastructure and real estate, petrochemical plants, cement plants, ports and shipyards, as well as the energy industry, including wind.

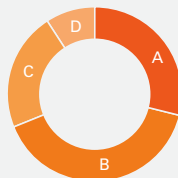
MARKET AND TRENDS

Demand for industrial elevators follows the general levels of investment in the industries of end-users. The market for industrial rack-and-pinion elevators is consolidated, with Alimak as a leading player, but the traction market is more fragmented with industrial applications being supplied both by large commercial manufacturers as well as smaller local companies.

Demand for building maintenance units is driven by

Revenue by region %

- A) Europe, 29
- B) APAC, 40
- C) Americas, 22
- D) ROW, 9



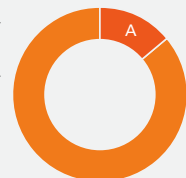
Share of Group revenue %

- A) Industrial Equipment, 48



Share of EBITA adj. %

- A) Industrial Equipment, 13



Key figures Industrial Equipment

	2018	2017	2016
Order intake, MSEK	2,256.8	1,857.1	342.8
Revenue, MSEK	2,068.8	1,795.2	373.5
EBITA adj. MSEK	75.0	68.6	-13.7
EBITA adj. %	3.6	3.8	-3.7
EBIT (reported), MSEK	-29.0	-1.3	-21.7

the continued rise in complex facades and growth in mega tall buildings where the Group's two BMU brands are market leading.

The trend towards clean, affordable and reliable power remains one of the key drivers behind the growth in renewable energy such as wind. Demand for the Group's products aimed at the industry correlates with global investments into wind energy, which are expected to grow at an 8 per cent annual compound growth rate as the market is consolidating.

DEVELOPMENT IN 2018

Focus during 2018 was on the continued integration of the acquired businesses Avanti Wind Systems and Facade Access Group through, for example, improving project management and reducing SG&A.

The business area reported strong order intake, with all segments contributing. The strongest increase came from Wind and Oil & Gas which both showed improved activity levels following a rising oil price and strict environmental regulations supporting the wind energy markets in especially Europe and China.

While the Building Maintenance Unit (BMU) business reported decent order intake, focus was shifted towards risk management and margin improvement. This was found necessary following delays in a handful of major projects, due to site constraints, factory capacity and technical issues relating to materials and design, which negatively affected margins in the business area. The phasing of this backlog and realised synergies led to an improvement in margins at the end of the year, following preceding weaker quarters.



CASE: SCA ÖSTRAND

Tough environment at pulp mill

SCA has recently invested SEK 7.8 billion at the Östrand pulp mill in Timrå, Sweden. The old mill had an Alimak hoist installed since 1986 and the decision to invest again in an industrial rack-and-pinion hoist for maintenance and inspection of the new boiler was based on Alimak's reputation for safety and reliability in tough environments.

After Sales

In After Sales, the integration of the acquired businesses continued in 2018 with further rollout of the joint offering and the launch of the Alimak Service brand. Local presence combined with a global footprint remains the Group's main competitive advantage for the business area.

PRODUCTS AND SERVICES

After Sales offers a wide range of product and service solutions through the Group's own after-market organisation, Alimak Service, and distribution partners. The offering is focused on six key areas: Service, Genuine Parts, Refurbishment, Training, Inspection and Asset Management.

In industrial and commercial applications, equipment is permanently installed, mostly with a service life of 25 years or longer. The market penetration for service is significantly higher than in the construction sector, due to the products' place in the value chain, with customers preferring to use the services from the OEM to reduce risks and costs.

In the construction sector, equipment is temporarily installed, with customers often performing maintenance

in-house. Demand for After Sales follows fluctuations in economic construction cycles and equipment utilisation.

CUSTOMERS

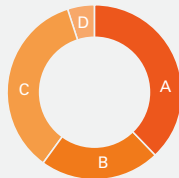
Customers operate over a diverse range of industrial, commercial and construction sectors. Focus is placed on providing a local service that meets the needs of the individual client, based on the equipment used and sector with the backup of a global service and parts business. Whether a customer owns or operates one machine or a hundred, the priority for After Sales is to ensure all customers and end users are satisfied with the ownership of their product and the service provided.

MARKET AND TRENDS

After Sales demand is affected mainly by the size of the installed base, currently at around 70,000 units,

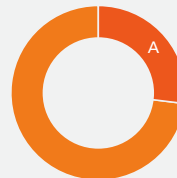
Revenue by region %

- A) Europe, 38
- B) APAC, 22
- C) Americas, 35
- D) ROW, 5



Share of Group revenue %

- A) After Sales, 27



Share of EBITA adj. %

- A) After Sales, 58



Key figures After Sales

	2018	2017	2016
Order intake, MSEK	1,157.6	1,048.4	652.5
Revenue, MSEK	1,183.2	1,107.7	680.3
EBITA adj. MSEK	320.2	295.5	223.5
EBITA adj. %	27.1	26.7	32.9
EBIT (reported), MSEK	298.4	280.3	217.7

and the business is generally more resilient to fluctuations in the markets than new sales.

Many players participate in the market, creating a competitive landscape. After Sales competes by providing customers with innovation and support that is unparalleled in the industry, through local presence combined with a global footprint.

DEVELOPMENT IN 2018

The integration of the acquired businesses continued in 2018 with the roll out of the joint sales and service organisation for all product brands in Australia, Brazil, France, Germany, the Netherlands, Singapore and the UK. The Alimak Service brand was launched in September, an important milestone for future growth and a way to further elevate the customer experience. It will be used to promote After Sales, covering all product brands, and has been well received by customers.

While orders and deliveries of high-margin spare parts and refurbishments were down in 2018, there has been increased activity in offshore due to the rising price of oil and the mobilisation of vessels for drilling and exploration. Growth in services for construction hoists and BMUs continues to provide good opportunities. Significant growth continues in Wind as new off-shore farms come on stream in Western Europe, with a high proportion sold with service agreements for maintenance and inspection.

The focus for 2019 will be to continue driving revenue growth by capturing market share and bringing new innovative products and services to the market.

CASE: BANK OF CHINA TOWER, HONG KONG

Unique solution for iconic Hong Kong high-rise

The 367-metre-high Bank of China tower is equipped with nineteen high-complexity CoxGomy1 BMUs. A dedicated Alimak Service team provides on-site maintenance for the BMUs and undertakes all cleaning on behalf of the facilities manager. This enables maintenance to be planned around cleaning, which delivers combined efficiencies and reduces the number of contractors on site.



Rental

In 2018, Alimak retained its position as a leading player in the served rental markets it serves, with high fleet utilisation. Following its strong performance, the business area ended 2018 with a record order backlog.

PRODUCTS AND SERVICES

The Rental business area provides rentals of Alimak Group's construction hoists and platforms in France, Benelux, Germany, Switzerland and Australia. It also offers sales of the Group's used construction products, mainly derived from replacements and adjustments of its own rental fleet.

The equipment is rented on short-term or long-term basis and in combination with services such as assembly, disassembly, maintenance, operating assistance, technology, transportation and insurance. The business area offers analysis of the customer's needs and development of customised solutions. This enables it to determine which of the Group's products best fulfills the customer's needs. Alimak experts are also available to offer customer training on site.

CUSTOMERS

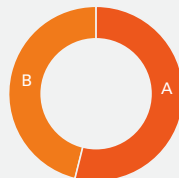
Construction projects are temporary by nature and the rental market exists because some customers prefer to rent rather than invest in equipment. Alimak Group's rental operations are conducted exclusively via its own sales organisation with rental agreements made directly with end customers. These customers consist primarily of large and small construction companies using Alimak Group's Construction Equipment for various projects.

MARKET AND TRENDS

In general terms, the rental market is impacted by trends in the construction industry and in the long term by trends in safety and productivity. In certain markets, customers have historically been more inclined to rent equipment than to buy it, and small construction firms

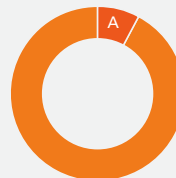
Revenue by region %

A) Europe, 54
B) APAC, 46



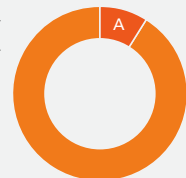
Share of Group revenue %

A) Rental, 8



Share of EBITA adj. %

A) Rental, 9



Key figures Rental

	2018	2017	2016
Order intake, MSEK	390.5	365.4	369.5
Revenue, MSEK	354.0	305.3	308.9
EBITA adj. MSEK	51.1	36.1	36.3
EBITA adj. %	14.4	11.8	11.8
EBIT (reported), MSEK	50.5	36.1	39.1

are generally more inclined to rent equipment than large companies.

Alimak is a leading player on the rental markets it serves. Competitors are mainly other manufacturers of construction hoists and platforms, as well as a number of small specialist and some generalist rental businesses.

Competitive activity in all current markets remained high during the year. The combination of a large rental fleet, supported by experienced application engineering and service teams, remains a competitive advantage for Alimak Group in addition to the strong position of the Alimak brand in the market place.

DEVELOPMENT IN 2018

All of the Group's rental markets continued to develop strongly during 2018. The high demand resulted in increased fleet utilisation throughout the year, with improved operating profitability as a result.

Investments were made, approximately in line with depreciation during the year, in replacing the platform fleet with the new mast climber and complementing the fleet with the first larger XL-hoists. The Group continues to reevaluate its strategy for the business area and will continue to apply a restrictive approach to the expansion of the fleet. This will limit capacity for further growth in order intake as some markets are close to full utilisation. The business area ended 2018 with a full order backlog representing approximately a year's revenue.

CASE: GRAND PARIS EXPRESS

Suspended lift for new metro line

The Grand Paris Express is the largest transport project in Europe and Alimak is involved in several areas. During construction of the tunnel entrance well at the Arrighi site, Alimak was chosen for its support, application and engineering capacity to enable the creation of a suspended structure for the mast and hoist that would allow for crushing below lift level.



Sustainability Report



A sustainable business

With Alimak Group's leading position in the vertical access industry comes a great responsibility to contribute to more sustainable development in the construction and industrial sectors worldwide.

Alimak Group's main contribution to sustainable development is through higher safety, quality and increased productivity via vertical access automation at the customer's facilities.

A focus in 2018 has continued to be the integration of the acquired businesses, Avanti Wind Systems and Facade Access Group. A new set of KPIs were identified for the Group, to better reflect the full extent of the offering and operations, several being measured as a revenue-ratio for better comparisons over time. A selected number of these are showcased below.

STAKEHOLDERS

Alimak Group aims for close dialogue and cooperation with its different stakeholders. The dialogue with these should be honest, transparent and based on facts. It forms the basis of the Group's sustainability work and what is prioritised in order to increase value creation, reduce environmental impact and contribute to improved social development. Stakeholder groups include customers, employees, capital markets, suppli-

ers and distributors and society as a whole. The focus on integration in 2018 has led to even closer contacts with suppliers and customers for a full understanding of requirements and opportunities, as well as with third-party stakeholders such as regulatory committees for the creation of relevant roadmaps for development.

SUSTAINABILITY FOCUS AREAS

This and the following pages make up the Group's statutory sustainability report. In addition to the areas required in accordance with the Swedish Annual Accounts Act (ÅRL), Alimak Group has identified four main focus areas for sustainability: Safe, efficient and reliable solutions; Resource-efficient production; Responsible and efficient solutions for procurement and logistics; and Employees and business ethics.

Alimak Group is a signatory to the UN Global Compact, an initiative aiming to make human rights, fair labour standards, environmental responsibility and anti-corruption core parts of the participating companies' operations.

Sustainability data

	2018	2017 ¹	2016 ²
CO ₂ emissions, tonnes/Revenue in MSEK	2.15	1.77	4.32
Office paper consumed, kg/Revenue in MSEK	2.53	4.02	8.49
Energy consumption (not district heating), MWh/Revenue in MSEK	2.21	2.45	3.65
Water consumption (estimated), m ³ /Revenue in MSEK	4.04	4.22	5.80
Number of accidents recorded with lost time (LTI & FTI)	31	30	10
Total Recordable Injury Frequency Rate (TRIFR)	97.65	100.68	–

¹ 2017 data restated to include all significant units in the Group.

² 2016 data only for the Group prior to the acquisitions finalised in 2017.

Safe, efficient and reliable solutions

Alimak Group's contribution to sustainability is above all based on its solutions' ability to create safe, reliable and efficient worksites for customers. Over the last 70 years, the Group has developed vertical access solutions supporting this cause.

Industrial processes and construction projects, not least in developing countries, are becoming increasingly complex, with an increasing demand for efficiency as a function of increasing cost of labour and capital and risk minimisation. This is driving customers to demand faster project cycles with less tolerance of disturbances. This translates into more extensive safety arrangements and increases the demand for vertical access solutions. In addition, stricter regulations concerning health and safety are now being applied globally with more severe consequences being seen when accidents occur.

The Group is a leader in technology development in the industry and its global presence enables faster and more efficient services to customers across the globe.

Alimak Group's long experience of supplying quality products backed up by extensive after-market support, enables the Group to provide exactly what customers demand; i.e. safety, quality and reliability.

SAFETY

Alimak Group contributes to a safer and more reliable work environment for those working in the construction and industrial sectors, by offering not only quality-tested vertical transport solutions but also After Sales services providing operational assistance and advice on proper use of the equipment.

Alimak Group continuously improves the safety, efficiency, ease-of-use and service life of its products



Operator in an Alimak Mammoth hoist in London, UK.

via structured quality control systems and processes deployed in engineering and manufacturing.

One example is case studies from interesting and challenging installations that are produced and distributed among existing and potential customers. This to demonstrate best-in-class solutions, as well as facilitating contacts between customers to disseminate knowledge of improved and safe solutions. As a further example, operational feedback, obtained through the After Sales activities, is taken into account in both development of new solutions and in upgrading or improving existing installations. The Group also offers refurbishment and upgrades for older equipment.

In many developing countries, where simpler, manual and less safe equipment often has been used to move people and goods vertically, the Group's products and solutions from can make a major change for the better. The Group follows up every industry-related incident, regardless of manufacturer or cause, to ensure that experience and lessons learned are incorporated in the operational procedures and new solutions. A solution that is handled as per the provided manuals by adequately trained operators and service personnel should be entirely safe to use for its intended purpose.

Local regulations often require regular inspections by certified staff, something Alimak Group offers as part of its After Sales services. Alimak Group is also actively contributing to higher standards by active participation in relevant bodies and safety committees.

EFFICIENCY

Hoists and platforms play an important part in construction and industrial projects in the endeavour to keep to tight time schedules. Alimak Group's products are known for their high quality and reliability. Their design and technical solutions also contribute to fewer transportation hold-ups and thus better efficiency.

Alimak Group focuses on continuously improving the safety, efficiency, ease-of-use and service life of its products.

Through smart solutions, the Group's hoists and platforms enable property developers to work in narrow, confined spaces, move high loads faster or to transport entire pre-fabricated modules or rooms in a construction project. This promotes efficiency in the entire construction process and optimises both land use and logistics on site. For industrial customers, service lifts provide required access to vital systems and components and help to reduce downtime. BMUs placed on, or in, high-rise buildings and other structures provide safe and efficient access for maintenance of facades and structures.

For all solutions sold, the Group provides training, preventive inspection and certifications. Service and maintenance are also offered as part of the business model. During 2018, Alimak Group started an initiative to compile and develop a common training platform for all solutions to enhance knowledge and skills of operators and users.

RELIABILITY

Alimak Group's solutions are often subject to great stress caused by heat, cold, vibration and particles, such as sand, dust or salt. Despite all this, the equipment must perform safely – day after day, year after year. Alimak Group's quality products are designed for long service, which reduces their environmental impact and promotes the customers' productivity, helping them consume less resources over time. The After Sales operations, including service, repairs, spare parts and refurbishments, contribute to ensuring and even extending, the expected life cycle of the original equipment.

Resource-efficient production

Alimak Group's largest impact on the environment derives from production in, and transportation from, its twelve production and assembly facilities across the world. The Group is actively working to reduce its environmental footprint.

Alimak Group has manufacturing units in Sweden, China, Spain, Germany, Denmark, the Netherlands, the USA and Brazil. These are managed globally in order to ensure quality, coordination and cost efficiency. The manufacturing processes includes elements such as welding, cutting, machining and treatments such as galvanising and painting of key components like masts, cradles, frames, elevator cages, platform structures and drives. A number of these activities result in waste such as excess materials. or involve the use of pollutants and different chemicals.

PRODUCT ADAPTATIONS

Some product groups are built around modular systems, which means that the equipment can be adapted to customer-specific needs, yet still be based on relatively standardised and known components. This provides the opportunity to deliver solutions based on more efficient manufacturing and controlled handling of components with minimised environmental impact. Product development takes place at the production units where sustainability also is taken into account in the design of new products, for example in the selection of materials or design aimed at ensuring longevity through maintenance and after-market support via parts that can be exchanged or upgraded.

Final assembly and testing of solutions are to a large degree performed in-house but subject to strict processes for site testing also in place to ensure safety and quality regardless of location and installation.

ENVIRONMENTAL IMPACT

Alimak Group focuses on reducing the environmental impact from its production, mainly through ensuring

efficient and responsible use of raw material, energy, water and chemicals, as well as minimising emissions and waste coming from production. The Group aims to have all major manufacturing units environmentally certified but good processes are also key to efficient and responsible production. All of the twelve produc-

Identification and definition of the new and extended sustainability-related non-financial key indicators were concluded in 2018.

tion and assembly facilities are already quality certified according to ISO 9001:2015. Nine are certified per ISO 14001 and/or OHSAS 18001 with more units expected to achieve that level during 2019.

In production and assembly facilities, daily work to lower impact via implementation of energy-saving technologies continues, and when investments in production equipment are made, power savings and reduced use of consumables are always part of the evaluation.

Identification and definition of the new and extended sustainability-related non-financial key indicators were concluded in 2018. Goals will be set in 2019 based on measurements performed during 2018.

The identified key indicators and measurements for 2018 are shown on page 27.



One of Alimak Group's manufacturing units is located in Skellefteå, Sweden, where the Group was founded 70 years ago.

Responsible and efficient solutions for procurement and logistics

Alimak Group is constantly evaluating new ways to enhance customer value, improve compliance and reduce the Group's impact on the environment. Quality, efficiency and performance are also key elements in terms of supply management and logistics.

Alimak Group has a globally coordinated procurement organisation that buys from more than 800 suppliers spread over 30 countries. The number of suppliers and the varying cultures in countries is a challenge when it comes to assuring quality, reliability and compliance. Some supplier countries are generally known to have issues related to corruption, human rights violations or environmental problems and where this is the case, the Group has special procedures in place to ensure compliance.

The primary role of procurement is to supply manufacturing and assembly units with key components, including metals, drive units, electronics, cables and sub-assemblies. Purchasing is coordinated and controlled globally, which provides flexibility and economies of scale, but carried out locally. Alimak Group aims to be a reliable business partner, strives for long-term business relationships, and uses commercial framework agreements with key suppliers for all critical components.

COMPLIANCE IS KEY

Alimak Group requires that all suppliers and their subcontractors fully comply with the Code of Conduct, other Group policies and requirements. The Code of

Conduct is included in all new and renewed agreements with suppliers, and many suppliers today have their own defined policies that meet or sometimes even exceed the requirements set by Alimak Group. Measures to ensure compliance include audits, training and regular visits to the suppliers. These are mainly directed at suppliers in defined high risk countries. The Group's classification is based on where international studies or reports have highlighted that the risk of corruption or violations of human rights is high.

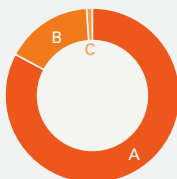
By year-end 2018, 99 per cent of all direct material suppliers had either signed the Code of Conduct or operated policies of their own that as a minimum covers the Group's requirements. Supplier conferences are held once or twice a year to discuss and follow up on outcome, cooperation models, as well as values and compliance expectations. At the end of 2018 a supplier conference was held in China and a similar one for Europe is planned for 2019.

INTEGRATION IN FOCUS WITH NEW SYSTEMS

Intensive efforts have been put into the integration of the acquired businesses during 2018. Focus has been on further harmonisation of purchasing systems to allow total spend being transparently reported across

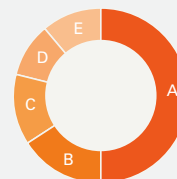
Purchasing, by geographical region %

- A) Europe, 83
- B) APAC, 16
- C) Americas, 1



Purchasing categories %

- A) Steel and steel related, 50
- B) Electronics, 16
- C) Cables and other components, 13
- D) Drive units, 10
- E) Others, 11



the organisation. This has led to common processes, budgets and evaluation being put in place. In China, three separate units in the purchasing organisation have been merged into one. Global transparency in purchasing and supplier information ensures that the advantages derived are utilised by all parts of the organisation.

A category-driven classification of components and materials has been implemented to work in a standardised way across the Group. The target has been the major procurement areas, which are steel, machined steel, electronics and other sourced components. The aim is to increase clarity on volumes and variations, both internally and externally.

In the autumn, a number of joint workshops between engineering and procurement teams took place to draw up strategic action plans for improved cooperation using both traditional sourcing tools and also re-engineering of components and materials to increase savings for the Group.

COST CONTROL

Raw material prices continued to rise in 2018, following a market uplift in 2017. The structure of having locked-in prices covering a 6- or 12-month period has also been applied on the acquired business but at the same time, re-negotiations due to integration in some cases meant that locked-in effects were less effective. In 2018, focus was on utilising the larger purchase volumes but also on improving flexibility in the sourcing base and handling of raw material going forward.

From an environmental perspective, the focus in 2018 was on procuring from so called best-cost countries instead of low-cost ones, taking into account the total

Alimak Group requires that all suppliers and their subcontractors comply fully with the Code of Conduct, other Group policies and demands.

cost and environmental impact of sourcing, which includes transportation, customs and all fees up and until landed. A Group procurement negotiation was conducted in 2018 for road transports within Europe, which led to savings in both cost and CO₂-emissions.

LOGISTICS PART OF THE CREATED VALUE

Proximity to the customer, punctual deliveries and high-quality services are important elements of Alimak Group's offering and essential in creating long-term customer relationships. Having suppliers that can support this vision is vital and relevant KPIs addressing delivery accuracy, completeness and other supplier performance metrics are followed up. Alimak Group manufactures and assembles its products in eight countries and distributes them to more than 100 countries. As a result, supplier performance must be high. For spare parts local, or regional, stock centres ensure fast service as well as minimising environmental impact.

The aim is to minimise both direct and indirect emissions of greenhouse gases from transport and travel. Alimak Group chooses "green" transport whenever possible, prefers sea transport over air and very often tries to use combined transports. The method is often determined by the customer's request, but to the greatest extent possible, equipment is shipped from the factories by the most eco-friendly way of transportation and local resources are used for installation and service.

Employees and business ethics

Alimak Group has customers in more than 100 countries, served by approximately 2,400 employees. Being an attractive employer and ensuring adherence to the Code of Conduct, not only by suppliers and distributors but also the Group's own staff is key to the Group's continued success and social responsibility.

Alimak Group's employees are vital to the success of the Group. The goal is to be an attractive employer and the ambition is to attract, develop and retain qualified and motivated employees in a professional and attractive work environment. An environment where all activities should be conducted with respect for human rights, health and safety in line with the Code of Conduct.

At the end of 2018, 54 per cent of the Group's 2,400 employees were based in Europe, some 33 per cent in the Asia and Pacific region, 9 per cent in North, Central and South America and a further 4 per cent in the rest of the world. The Group also has more than 130 distributors across the world and over 800 suppliers. The Group is therefore typically active in business and countries where understanding of concepts related to, for example, gender equality and the benefits of a proportional workforce is still in development.

EMPHASIS ON EQUAL OPPORTUNITY

Alimak Group is, within each entity, working to ensure equal employment opportunities for all qualified individuals, without distinction or discrimination due to race, religion, colour, sex, national origin, disability, age, genetic information, or any other status protected under applicable laws.

The proportion of women in the Group at the end of the year was 14 per cent. The proportion of women in the global Management team was 11 per cent, and in the Board of Directors 25 per cent. Over the next few years, the Group believe these percentages will increase both via active recruitment but also via greater numbers of female applicants during recruitments. Alimak Group's Employee and Recruitment policy emphasises equal opportunity and diversity.

As stated in the Code of Conduct, Alimak Group will not accept any form of discrimination, harassment,

retaliation, violence, abusive language or bullying behaviour.

MOTIVATING EMPLOYEES TO ENSURE LOW EMPLOYEE TURNOVER

Vital elements for the retention of existing personnel are a good work environment, room for personal development and strong leadership. An upgraded process for performance reviews was developed in 2017 with a focus on performance, possible career paths and further skills development all being discussed with the employee. This was implemented for the first time during 2018. Given the work on integration and expected realignment of functions, the employee turnover rate was not measured during 2017 and 2018. This will start 2019 and regular employee surveys and further focus on talent development will also be on the agenda going forward.

HEALTH AND SAFETY

Alimak Group is committed to strengthen in the health and safety culture at work and to make sure that employees always instill habits to ensure safe behaviour at work. The main objective is to promote Safety as an attitude. Safety first is also the underlying theme in a set of revised Group Values that were launched internally late 2018.

Every legal entity has a designated person in charge of health and safety. Tasks include ensuring that there are routines and tools in place to collect and address as many safety observations as possible. A regular recording of observations of this type was commenced at the end of 2017 and they are expected to result in a reduced number of incidents over time. Preventive actions are the most effective.

During the year, 31 occupational incidents resulting in lost time occurred. The Group's work environment focus

is on preventive measures and rapid rehabilitation, in order to avoid long periods of sick leave. Each and every reported incident is followed up and actions are taken to eliminate the root cause of the incident.

CODE OF CONDUCT

One important focus area of the integration is to ensure that all employees and members of the Board of Directors, along with all suppliers and distributors, commit themselves to observe the Group’s Code of Conduct with rules on respect for fundamental human rights and the implementation of sound principles of business ethics. The Code is based on UN Global Compact’s principles for human rights, work conditions, the environment, business ethics and anticorruption.

At the end of 2018, 97 per cent of the Group’s employees had read and signed the Code of Conduct.

During 2018 templates and agreements for use with Third Party Sales Channels such as Distributors were updated. Partners under existing old agreements were approached and requested to sign the Code of Conduct documents and approximately 79 per cent of Alimak Group’s distributors have now signed the Code of Conduct. The work to have all distributors sign the Code of Conduct will go on in 2019.

At the end of 2018, 97 per cent of the Group’s employees had read and signed the Code of Conduct.

A similar process was conducted with suppliers, where 99 per cent of direct material supplier contracts now incorporate the Code of Conduct.

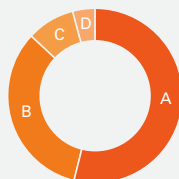
CORPORATE VALUES

The Code of Conduct is based on the principles of the UN Global Compact. It is also closely linked to Alimak Group’s corporate values, which were updated during 2018 to reflect the new Group. These new values include: Collaboration, Integrity, Respect and Innovation.

They are a part of the Alimak Group Way, which in addition to the corporate values also describe the three cornerstones of how the Group operates: Through Customer focus, as One company that always puts Safety first.

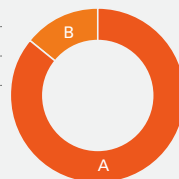
Employees by region %

- A) Europe, 54
- B) APAC, 33
- C) Americas, 9
- D) ROW, 4



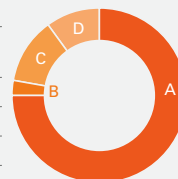
Employees by gender %

- A) Men, 86
- B) Women, 14



Employees by work category %

- A) Production and services, 75
- B) R&D, 3
- C) Sales, 12
- D) Administration, 10



Managing sustainability

Sustainability, and its most important factor of safety, is high on the agenda for Alimak Group. The focus runs through the whole organisation – from individual countries up to the Board of Directors.

Alimak Group is the global leader in vertical access solutions, with a global footprint and solutions that play a vital part in the society and economic markets where the Group operates. With global footprint comes global responsibility, and Alimak Group complies with laws and regulations in all territories where business is conducted.

Sustainability is a part of the day-to-day work of operations with health and safety being constantly monitored and reported upon by the units to the Management Team. Rules for operational escalation and interaction related to any incidents occurring have been established.

Sustainability is a part of the day-to-day work of operations with health and safety being constantly monitored.

Responsibility for the sustainability function resides inside the Group within the Operations area and with the COO where the development of systems, KPIs and also monitoring and auditing are handled and acted upon.

Health and safety related KPIs such as LTIFR, safety observations and LTIs are reported on monthly while other sustainability KPIs are reported upon at least quarterly by all Group units. Trends and developments in the area of sustainability are also monitored by the Audit Committee on behalf of the Board.

Alimak Group's Code of Conduct is the main instrument of control for the sustainability area. The Code is based on the UN Global Compact's principles for

human rights, work conditions, the environment, business ethics and anticorruption. Alimak Group has a formalised procedure for implementation of the Code for employees, suppliers and distributors based on Group Policies for relevant areas such as HR and Quality, where the more detailed requirements are defined. It is the local Country Managers' responsibility to make sure that all employees within the country receive proper and regular training in the Alimak Code of Conduct. This is followed up on a quarterly basis.

WHISTLEBLOWER SYSTEM

Alimak Group's whistleblower system enables customers, suppliers and employees to anonymously sound the alarm on any deviations from Alimak Group's Code of Conduct and business ethics guidelines. The whistleblower form and function is described in more detail on the Group's website and is dealt with externally for increased confidentiality and security.

Regardless of reporting channel, all reports of potential violations of the guidelines that are made in good faith are investigated swiftly, fairly and comprehensively, with the appropriate internal and/or external assistance.

The compliance officer of the Group is in charge of ensuring that these issues are handled correctly. Reports are made at every Board Meeting and also in the Audit Committee.

NON-CONFORMANCE PROCESS

During 2018, work was also performed on aligning the various existing non-conformance systems and processes and upgrade reporting. Rapid response to non-conformance is important, as it not only makes for improved quality but also ensures efficient processes and timely execution which in turns have positive effect on virtually all sustainability KPIs.

Auditor's report on the statutory sustainability report

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

To the general meeting of the shareholders of Alimak Group AB (publ),
corporate identity number 556714–1857.

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2018 on pages 26–36 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability statement*.

This means that our examination of the sustainability statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINIONS

A statutory sustainability statement has been prepared.

Stockholm April 9, 2019
Ernst & Young AB

Rickard Andersson
Authorized Public Accountant



Corporate Governance Report

Corporate Governance Report

Alimak Group AB has its headquarters in Stockholm and is the Parent Company of the Alimak Group, with subsidiaries in 20 countries. Alimak has approximately 2,400 employees worldwide and conducts sales to more than 100 countries via its own companies and distributors. Alimak Group is a public limited company with shares listed on Nasdaq Stockholm.

Alimak Group is managed and controlled on the basis of a system of corporate governance comprising a number of principles, policies, guidelines, structures and processes, which are described in this report. Corporate governance is intended to ensure a decision-making process that is effective and creates value, with a clear division of roles and responsibilities among Alimak Group's shareholders, Board of Directors, management and other employees.

Corporate governance is based on external regulations such as the Swedish Companies Act, Nasdaq Stockholm's Rule Book for Issuers, the Swedish Code of Corporate Governance ("the Code") and other relevant laws, regulations and rules. Internal regulations such as

Articles of Association, Code of Conduct, Insider and Communication policies and the Board's procedural rules also apply.

SHAREHOLDERS

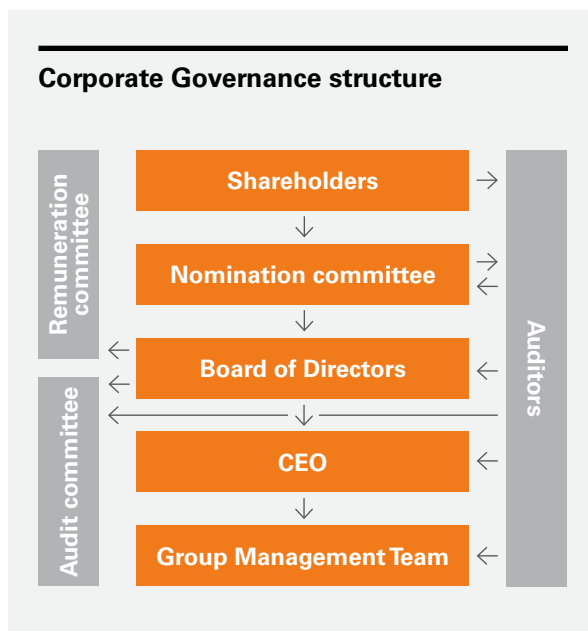
Alimak Group's share capital on December 31, 2018 totalled approximately MSEK 1.1. The number of shares outstanding was 54,157,861. Each share carries the right to one vote at the Company's General Meetings. According to the share register, Alimak Group had 6,091 known shareholders on December 31, 2018. Latour was the largest shareholder, with 29.3 per cent of the share capital. Lannebo Funds was the second largest with 10.0 per cent of the share capital. At year-end, foreign shareholders accounted for approximately 25.4 per cent of the total.

There are no restrictions as to how many votes each shareholder can cast at a General Meeting.

The Board of Directors is not aware of any shareholder agreements, or other agreements, between shareholders in Alimak Group.

ANNUAL GENERAL MEETING

According to the Swedish Companies Act, the General Meeting is the Company's highest decision-making body. In addition to the AGM, extraordinary general meetings may be convened. The Company's AGMs are held in Stockholm, Sweden, before the end of June each calendar year. At the AGM, shareholders exercise their right to vote on key issues such as the adoption of the income statements and balance sheets, appropriation of the Company's earnings, discharge from liability for the members of the Board and the President & CEO, election of Board members and auditors and remuneration to the Board and auditors, as well as



other issues in accordance with the Swedish Companies Act, the Articles of Association and the Code.

During 2018, one General Meeting was held:

Annual General Meeting 2018

The AGM 2018 was held on May 16, 2018 in Stockholm, Sweden and 63.39 per cent of the total number of shares in the Company were represented.

Decisions at the AGM 2018 included:

- adoption of balance sheets and profit and loss accounts, as well as the consolidated profit and loss account and consolidated balance sheet for the financial year 2017.
- adoption of the Board's proposal that a dividend of SEK 2.30 per share would be paid, the record day being Friday, May 18, 2018.
- discharge from liability during the 2017 financial year for the Directors and the CEO.
- re-election of Anders Jonsson, Helena Nordman-Knutson, Joakim Rosengren and Jan Svensson as Directors of the Board, election of Tomas Carlsson and Christina Hallin as new Directors. Election of Jan Svensson as the Chair of the Board.
- re-appointment of the registered audit firm Ernst & Young AB as auditor of the Company.
- adoption of the guidelines for remuneration payable to senior executives, as proposed by the Board.
- adoption of a performance-based stock savings programme for senior executives, LTI 2018.
- a resolution to authorise the Board to, on one or more occasions until the next annual general meeting of 2019, resolve on acquisition and/or transfer of own shares, the later may be resolved on with deviation from the shareholders' preferential rights.

AGM 2019

Alimak Group's AGM 2019 will be held on May 9, 2019. All shareholders who are registered in the share register maintained by Euroclear Sweden AB ("Euroclear") five days prior to the AGM are entitled to participate in the AGM. Such shareholders must have informed the Company of their intention to attend no later than on the date stated in the notice convening the AGM. Further information about the AGM is available at alimakgroup.com.

NOMINATION COMMITTEE

According to the Code, the Company is required to have a Nomination committee tasked with presenting a proposal for a Chair for the AGM. The committee also presents proposals regarding number of Board members, fees to be paid to each of the Board members, election of Board members and Chair of the Board, remuneration to the auditor and election of auditor and, if necessary, proposal for changes in the instruction for the Nomination committee. In 2016, Alimak Group's Annual General Meeting adopted an instruction regarding the appointment of the Nomination committee, applicable until the General Meeting resolves otherwise. Pursuant to this instruction, the Nomination committee shall, prior to the Annual General Meeting, be composed of persons appointed by the four largest shareholders listed in the shareholders' register maintained by Euroclear as of August 31 each year together with the Chair of the Board, who will also convene the first meeting of the Nomination committee. The member appointed by the largest shareholder shall be Chair of the Nomination committee.

Shareholders who wish to present proposals to the Nomination committee prior to the AGM may submit

them to the Chair of the Committee, in accordance with the information on procedure, published on the Company's web page prior to the AGM. The proposals will be assessed by the Nomination committee according to its instruction and the Code. The Nomination committee's decision will be reported in its proposal and reasoned statement prior to the AGM.

The Company's Articles of Association have no Company-specific provisions concerning the appointment and dismissal of Board members or concerning amendment of the Articles of Association.

NOMINATION COMMITTEE PRIOR TO 2019 AGM

As a result of a new large shareholder in Alimak Group, the Nomination committee has decided to adjust the composition of the Nomination committee for the 2019 annual general meeting, as announced in a press release dated November 21, 2018. The Nomination committee therefore comprises members appointed by the five largest shareholders holding the highest percentage of voting rights in Alimak Group, instead of the four members as set out in the instruction regarding the appointment of the Nomination committee.

The Nomination committee during the period prior to the 2019 AGM comprises the following members:

- Anders Mörck, Chair of the Nomination committee (Latour)
- Johan Lannebo (Lannebo Fonder)
- Åsa Nisell (Swedbank Robur Fonder)
- Francisco De Juan (Alantra EQMC Asset Management)
- Michael Green (Handelsbanken Fonder)
- Jan Svensson, Alimak Group's Chair of the Board.

As a basis for its proposal, the Nomination committee has conducted an evaluation of the work of the Board. The Nomination committee has prior to the 2019 AGM held two meetings, interviewed the Board members and had a number of contacts between the meetings. In addition, the Chair of the Board has presented the results of the evaluation of the work carried out by the Board, for the Nomination committee. The requirements for competence, experience and background that should be placed on the Board in Alimak Group have been discussed in detail. Matters of independence have been highlighted and an extra focus has been placed on the question of gender balance. The Nomination committee has applied a diversity policy as set out in section 4.1 of the Swedish Code of Corporate Governance.

BOARD OF DIRECTORS

The tasks of the Board of Directors are regulated first and foremost by the Swedish Companies Act and the Code. The work of the Board of Directors is also regulated by rules of procedure adopted annually by the Board. The rules of procedure for the Board of Directors determine the division of work and responsibilities among the Board members, the President & CEO and the committees. Furthermore, the division of work between the Board and President & CEO is governed by instructions to the President & CEO, which are adopted annually by the Board. The instructions to the President & CEO also include instructions on financial reporting. The duties of the Board of Directors include the establishment of strategies, business plans, budgets, interim reports, year-end accounts and annual reports, as well as the adoption of instructions, policies and guidelines. The Board shall also monitor financial performance and ensure quality in financial reporting and internal controls, and shall assess operations in

Name	Born	Member since	Position	Independence in relation to Group	Independence in relation to major shareholders	Attendance at Board Meetings	Attendance at Audit committee meetings	Attendance at Remuneration committee meetings
Jan Svensson	1956	2017	Chair	Yes	No	8/8	3/5	2/2 (Chair)
Anders Jonsson	1950	2012	Board Member	Yes	Yes	8/8	–	2/2
Helena Nordman-Knutson	1964	2016	Board Member	Yes	Yes	8/8	5/5 (Chair)	–
Joakim Rosengren	1960	2008	Board Member	Yes	Yes	8/8	–	–
Anders Thelin ¹	1950	2015	Board Member	Yes	Yes	3/8	–	1/2
Eva Lindqvist ¹	1958	2015	Board Member	Yes	Yes	3/8	2/5	–
Christina Hallin ²	1960	2018	Board Member	Yes	Yes	5/8	–	–
Tomas Carlsson ²	1965	2018	Board Member	Yes	Yes	5/8	2/5	–
Örjan Fredriksson	1968	2016	Employee representative	–	Yes	8/8	–	–
Greger Larsson	1959	2009	Employee representative	–	Yes	6/8	–	–

¹ Board and Committee member until the AGM 2018. ² Board and Committee member since the AGM 2018.

Fees during the 2018 financial year

(All input in TSEK)

Name	Basic fee	Audit committee	Remuneration committee	Total
Jan Svensson	488	28	70	586
Anders Jonsson	413	–	50	463
Anders Thelin	113	–	19	132
Eva Lindqvist	113	28	–	140
Joakim Rosengren	300	–	–	300
Helena Nordman-Knutson	300	100	–	400
Christina Hallin	188	–	–	188
Tomas Carlsson	188	47	–	234
Örjan Fredriksson	–	–	–	–
Greger Larsson	–	–	–	–
Total	2,100	203	139	2,442

terms of the targets and guidelines established by the Board. Finally, the Board of Directors makes decisions on significant investments and changes to the Group's organisation and operations.

The Chair of the Board is responsible for the Board's work, and for ensuring that it is conducted efficiently and that the Board fulfils its obligations. The Chair shall monitor the Company's performance via regular contacts with the President & CEO. The Chair presides over Board meetings, but the agenda is agreed and the meetings prepared in consultation with the President & CEO. The Chair is also responsible for ensuring that each year the Board evaluates its work and that the Board members receive on an ongoing basis the information they need to perform their work. The Chair represents the Company vis-à-vis its shareholders.

COMPOSITION OF THE BOARD OF DIRECTORS

Alimak Group's Board of Directors is made up of six members elected by the AGM and two employee representatives. No deputies have been appointed for Board members.

At the AGM held on May 16, 2018, Jan Svensson, Anders Jonsson, Joakim Rosengren and Helena Nordman-Knutson were re-elected as Directors of the Board. Tomas Carlsson and Christina Hallin were elected as new Directors of the Board. Jan Svensson was appointed Chair. The employee representatives, Greger Larsson and Örjan Fredriksson, are appointed by the trade union organisations.

Further information about the Board members is provided on pages 50–51.

Independence of the Board of Directors

According to the Code, more than half of the Board members appointed by the AGM must be independent in relation to the Group and the Company's management. At least two of the Board members who are independent in relation to the Company and the Company's management shall also be independent in relation to the Company's major shareholders.

To determine the independence of a Board member, an overall assessment shall in each case be conducted regarding the Board member's relationship to the Company. None of the Company's Board members elected by the AGM are employed by the Company or any other company in the Group. All Board members elected by the AGM are deemed to be independent in relation to the Company and the Company's management. When determining whether a Board member is independent in relation to a major shareholder, the extent of the Board member's direct and indirect relationships with the major shareholder shall be taken into consideration. A Board member is deemed not to be independent in relation to the Company's major shareholders if he or she is employed at, or is a Board member of, a company that is a major shareholder. Five out of six Board members elected by the AGM are independent in relation to the Company's major shareholders. The Company therefore satisfies the Code's requirements regarding the independence of the Board in relation to the Company, the Company's management and the Company's major shareholders.

The table on page 42 provides details of the Board members' year of birth, the year they were first elected to the Board and whether they are deemed independent in relation to the Company, the Company's management and major shareholders as defined in the Code.

The Board's working year 2018



Board meetings also deal with ongoing issues (in addition to the current state of operations), market overviews, investments, divestments, financing, employees, IT systems, updates on the integration, reports from the committee chairmen on the work of the committees, as well as issues regarding the work environment, customer-related issues and reporting of incidents.

WORK OF THE BOARD DURING THE YEAR

The Board of Directors met on eight occasions during 2018. The current Board of Directors was appointed by the AGM held on May 16, 2018 and met on five occasions during the year. In the course of the financial year, the Board not only produced financial reports but also addressed issues regarding strategic policy, budgets, business planning, auditing, investments, incentive programmes, succession planning, environment, health, insurance cover, internal control and safety, as well as issues relating to the acquisition agenda. In 2018, the Board of Directors visited Alimak Group's production and assembly facilities in Mammendorf, Germany.

BOARD COMMITTEES

The primary function of the committees is to prepare matters to be presented to the Board of Directors prior to decision. The duties and instructions for each committee are established annually by the Board of Directors.

Audit committee

According to the applicable rules of procedure for the Board, Alimak Group's Audit committee consists of no less than two members. The Swedish Companies Act stipulates that the members of the audit committee must not be employees of the Group and that at least one member shall be competent in accounting and auditing matters.

The audit committee has two members: Helena Nordman-Knutson (chair) and Tomas Carlsson. The audit committee is a committee within the Board of Directors that deals with issues relating to risk assessment, internal controls, financial reporting and auditing. Its main role is to ensure that the principles for financial

reporting and internal controls are observed and that the Company maintains appropriate relationships with its auditors. The committee shall identify and oversee the management of important auditing issues, and discuss them with the Company's auditors. The Committee shall examine the processes for monitoring the above-mentioned areas and shall form an opinion as to whether the Company is applying the financial reporting regulations consistently and fairly, and in accordance with the relevant rules and practices.

The audit committee shall also form an opinion regarding the risk situation in the Company, assess whether the internal control and governance procedures applied are fit for purpose and effective, and determine whether the Company's risk and risk management reporting in the Annual Report are accurate and adequate. Furthermore, the audit committee shall ensure that the auditor is impartial and independent, and, in consultation with the auditor, plan the annual audit process and ensure that the audit is conducted on that occasion. The audit committee shall also assist in the drawing up of proposals for the AGM on election of the auditor.

Remuneration committee

According to the applicable rules of procedure for the Board, Alimak Group's Remuneration committee shall consist of no less than two members.

The remuneration committee has two members: Jan Svensson (chair) and Anders Jonsson.

The role of the remuneration committee is to prepare issues regarding remuneration and other employment conditions for the President & CEO and the Company's other senior executives. This work involves preparing proposals for guidelines on conditions of employment,

including remuneration, the relationship between earnings and remuneration and the main principles of incentive programmes. It also includes preparing proposals for individual remuneration packages for the President & CEO and other senior executives. In addition, the remuneration committee establishes guidelines on remuneration and incentive programmes for certain senior executives who report directly to the President & CEO, and it decides upon the outcome of these programmes. The remuneration committee is also required to monitor and evaluate the Company's compliance with guidelines on remuneration to senior executives, as adopted by the AGM.

Furthermore, the remuneration committee is responsible for assisting the Board of Directors in its annual review of senior executives, including the President & CEO, and for evaluating the President & CEO's succession planning for senior executives.

REMUNERATION TO THE BOARD

At the AGM on May 16, 2018, it was decided that a fee of SEK 600,000 should be paid to the Chair of the Board and SEK 300,000 to each of the other directors elected at the annual general meeting. In addition, SEK 100,000 should be paid to the chair of the audit committee and SEK 75,000 to other members of the audit committee, SEK 70,000 to the Chair of the Remuneration committee, and SEK 50,000 to other members of the remuneration committee. For further details regarding remuneration to the members of the Board, please refer to Note 7.

EVALUATION OF THE WORK OF THE BOARD OF DIRECTORS

The Board members and the Board's work are evaluated annually in a systematic and structured manner to

ensure quality in the Board's work and to identify any additional requirements in terms of expertise and experience. The Chair of the Board leads the evaluation, which is discussed within the Board and the results are presented to the nomination committee.

EXTERNAL AUDITOR

At the AGM on May 16, 2018, EY (Ernst & Young AB) was appointed as Alimak Group's external auditor for the period up to and including the 2019 AGM. EY appointed Rickard Andersson as principal auditor. The auditor attends at least one Board meeting a year, at which the auditor reports on the audit for the year and discusses it with the Board of Directors, without the presence of the President & CEO and any member of the Company's management. Over the past financial year, EY provided the Group with tax advisory services and other advice, in addition to its audit function. The auditor is paid for his work in accordance with the AGM's decision. In 2018, the total fees paid to the Company's auditor were approximately MSEK 10. For more information, see Note 8.

ORGANISATION AND OPERATIONAL MANAGEMENT

The Alimak Group is organised into four business areas; Construction Equipment, Industrial Equipment, After Sales and Rental. The Business Area Managers, who are responsible for business operations within each area, report directly to the President & CEO of Alimak Group. The respective business areas are organised into functions driving strategic and operational business area initiatives across the global organisation. The Group has also appointed Country Managers for the countries where the Group perform own activities. These are responsible for delivering on the business area strategies and report to members

of the Group Management Team of Alimak Group. For further information about Alimak Group's business areas and operations, visit the Group's website at alimakgroup.com.

PRESIDENT & CEO AND OTHER SENIOR EXECUTIVES

Since January 1, 2018, the Management Team consists of the President & CEO, COO, CFO, CTO and heads of business areas and business units.

The President & CEO reports to the Board of Directors and conducts day-to-day management of the Company in accordance with the Board's guidelines and instructions. The division of work between the Board of Directors and President & CEO is set out in the Board of Directors' instructions to the President & CEO.

The President & CEO is also responsible for producing reports and compiling information ahead of Board meetings, as well as for presenting material at such meetings.

The President & CEO is responsible for financial reporting in the Company and must ensure that the Board receives adequate information to enable it to evaluate the Company's financial position. The President & CEO shall continually monitor, and keep the Board of Directors regularly informed about, developments in the Company's business, sales performance, results and financial position, liquidity, key business events and all other events, circumstances or conditions that may be considered to be of relevance.

The President & CEO and other senior executives are presented on pages 52–53.

GUIDELINES ON REMUNERATION TO SENIOR EXECUTIVES

Under the Swedish Companies Act, the Board of Directors is required to present to the AGM proposals for guidelines on remuneration to the President & CEO and other senior executives. Issues regarding remuneration to the President & CEO shall be prepared by the remuneration committee and decided by the Board of Directors.

Issues regarding remuneration to other senior executives shall, following recommendations by the CEO, be prepared and decided by the remuneration committee. For further information on proposals for guidelines on remuneration to senior executives and remuneration paid in 2018, see Note 7 to the Financial Statements.

INSIDER TRADING AND INFORMATION POLICY

The Company has produced policy documents and e-learning training courses, with the aim of informing employees and other parties concerned within Alimak Group about the rules and regulations regarding the Company's information provision and the specific requirements that apply to persons operating within a listed company, for example regarding price-sensitive information. In this context, the Company has also developed procedures for handling the distribution of information that has not been made public. These procedures are in line with the Market Abuse Regulation Act (MAR).

INTERNAL CONTROLS ON FINANCIAL REPORTING

Alimak Group operates a risk management programme that is an integral part of the Company's operational and strategic governance. Operations are based on a governance framework consisting of a Code of Conduct, policies and guidelines that regulate how Alimak Group

is managed. The Board of Directors and the President & CEO are ultimately responsible for ensuring that internal controls are developed, communicated to and understood by those Company employees who are responsible for the individual control procedures, and for ensuring that the control procedures are monitored, implemented, updated and maintained. Managers at each level are responsible for ensuring that internal controls are established within their own areas of activity, and that these controls fulfil their purpose.

At Group level, the President & CEO, the COO and the Group's CFO, together with the Country Managers, are responsible for ensuring that the necessary controls are in place and are followed up. Internal controls include control over the Group and the organisation, procedures and follow-up measures. The aim is to guarantee reliable and accurate financial reporting – to ensure that the Company's and Group's financial reporting is drawn up in compliance with the law, relevant accounting standards and other requirements.

The internal control system is also intended to monitor compliance with the Group's policies, principles and instructions. Furthermore, the system ensures protection of the Company's assets, and that the Company's resources are utilised in a cost-efficient and appropriate manner. Internal control is also exercised via follow up of the information and business systems implemented, as well as via risk analysis.

In order to further develop and strengthen the internal control the Board of Directors have implemented a "SAFE methodology" for the Group.

The SAFE methodology can be described as a way to:

- Safeguard the reporting and the Company assets
- Assist the subsidiaries to be firm, fair and friendly in their roles and help them to make their processes as efficient as possible
- Fix issues or see to it that outstanding issues from last year's audit will be fixed within the current calendar year, as well as fixing reporting problems in the subsidiaries
- Ensure that group guidelines are regarded as internal rules and will be followed

The SAFE methodology will be used for internal control purposes for all of the Group Companies.

The Board of Directors has concluded that Alimak Group at present has no need to add a separate internal control function to the organisation, over and above current processes and functions for internal control. Follow up is exercised by the Board of Directors and the Company's management, and the level of control is deemed to meet the Company's needs. An annual assessment will be made to determine whether a separate internal control function is necessary to maintain good internal control.

MONITORING OF CODE OF CONDUCT COMPLIANCE

Alimak Group's approach to sustainability is based on the risks and opportunities identified within the area of sustainability, including follow up of compliance with the Group's Code of Conduct, which is based on the ten principles enshrined in the UN Global Compact regarding social responsibility, the environment and business ethics. The Board of Directors adopts the Group's policies, including the Code, and the Company's management establishes sustainability targets and indicators.

The Code is communicated regularly via information to and training for the Company's employees.

Responsibility for implementing and monitoring compliance with the Code is incumbent upon the President & CEO and other members of the Company's management. Responsibility for practical implementation of the Code during the year was delegated to the Group's purchasing, production and sales and service organisations, and is followed up annually by the Company's management and reported back to the Board. For more information about Alimak Group's sustainability work, see pages 26–36.

Board of Directors, Stockholm, April 9, 2019

More information on Alimak Group's corporate governance work can be found in the section on corporate governance at alimakgroup.com. The next four pages contain information about the Board members and Management Team.

Major external regulations

- Swedish Companies Act
- Rules for issuers at Nasdaq Stockholm
- Swedish Code of Corporate Governance
- IFRS standards
- UN Global Compact
- EU's accounting regulation

Important internal regulations

- Articles of Association
- Board of Director's Rules of Procedures
- Policy regarding the composition of the Board, signers for the Company, authorisation
- Rules of procedure in the subsidiary boards
- Policies for communication, insider information, sustainability, Code of Conduct and Crisis Management
- Manuals and guidelines for important parts of the business
- Processes for internal control and risk management

Board of Directors



JAN SVENSSON

Chair of the Board since 2018 and Board member since 2017. Independent of the Company, not independent as a major owner (Latour)

Born: 1956
CEO, Investment AB Latour
Education: Mechanical engineer and Bachelor of Science (Econ.) Stockholm School of Economics

Current Board duties: Chair of the Board AB Fagerhult, Nederman Holding AB, Tomra Systems ASA, Oxeon AB and Troax Group AB. Member of the Boards of Assa Abloy AB and Loomis AB

Former positions, selection: CEO, Stenbergs

Committee work: Chair of the Remuneration committee

Shareholding, own and via closely related persons*: 11,000



ANDERS JONSSON

Board member since 2012. Independent of the Company and major shareholders

Born: 1950
Industrial Adviser to Triton Private Equity
Education: MSc, Linköping Institute of Technology, Stockholm School of Economics Executive Leadership Programme

Current Board duties: Vice Chair of the Board, Swedish Swiss Chamber of Commerce, Zürich

Former positions, selection: Member of ABB Group Executive Committee, Zürich

Committee work: Member of the Remuneration committee

Shareholding, own and via closely related persons*: 758,096



HELENA NORDMAN-KNUTSON

Board member since 2016. Independent of the Company and major shareholders

Born: 1964
Executive Director, Hallvarsson & Halvarsson
Education: MSc in Political Science, Helsinki University, MSc in Economics, Hanken School of Economics, Helsinki

Current Board duties: Board member, Exel Composites, Lexington Company, IAR Systems, Catella Fonder

Former positions, selection: Financial Analyst, Enskilda Securities, Orkla Securities and Öhman Fondkommission

Committee work: Chair of the Audit committee

Shareholding, own and via closely related persons*: 100



JOAKIM ROSENGREN

Board member since 2008. Independent of the Company and major shareholders

Born: 1960
Chief Executive Officer and President, DeLaval International AB
Education: MSc in Economics and Business, Stockholm School of Economics

Current Board duties: Board member, DeLaval International AB, DeLaval Holding AB, DeLaval Hamra Gärd, Stena Metall and Södertörn University

Former positions, selection: President Tetra Pak Nordic and Tetra Pak Packaging Material. Various positions in the Tetra Pak Group

Shareholding, own and via closely related persons*: 176,797



CHRISTINA HALLIN

Board member since 2018.
Independent of the Company and major shareholders

Born: 1960

Vice President Market India of Volvo Trucks

Education: MSc in Engineering Chalmers University of Technology

Current Board duties: Board member of SEM (Swedish Electromagnet)

Former positions, selection: Senior Vice President of Dong Feng Commercial Vehicles, various management positions within Volvo Group

Shareholding, own and via closely related persons*: 160



TOMAS CARLSSON

Board member since 2018.
Independent of the Company and major shareholders

Born: 1965

President & CEO, NCC

Education: MSc in Engineering Chalmers University of Technology, Executive MBA from London Business School and Columbia Business School

Current Board duties: -

Former positions, selection: Head of Business Area Construction Sweden, NCC, President & CEO, Sweco

Committee work: Member of the Audit committee

Shareholding, own and via closely related persons*: 4,000



ÖRJAN FREDRIKSSON

Board member since 2016.
Employee representative

Born: 1968

Appointed by: The trade union IF Metall

Shareholding, own and via closely related persons*: 0



GREGER LARSSON

Board member since 2009.
Employee representative

Born: 1959

Appointed by: PTK (the Swedish Confederation of Professional Employees)

Shareholding, own and via closely related persons*: 0

*Shareholding per December 31, 2018.

Management Team



TORMOD GUNLEIKSRUD

President & CEO since 2012

Born: 1960

Education: Engineer, Sofienberg Technical School, Oslo

Former positions, selection: Head of Operational Excellence Robotics Business Unit, ABB Switzerland; Regional Divisional Manager, Northeast Asia and China; senior positions at ABB Robotics since 1984

Shareholding, own and via closely related persons*: 464,000



TOBIAS LINDQUIST

Chief Financial Officer since 2018

Born: 1969

Education: BA in Accounting, Finance and Economics, Stockholm University and Middlesex University

Former positions, selection: Chief Financial Officer Asia, EF Education First (China), Chief Financial Officer, 3IC Inc (South Korea), Business Unit Controller, Ericsson (Sweden)

Shareholding, own and via closely related persons*: 0



STEFAN RINALDO

Chief Operational Officer since 2016 and with the Group since 2007

Born: 1963

Education: BA in Economics and Business, Karlstad University

Former positions, selection: CFO Alimak Group; Senior Vice President, Business Development & Oper. Control, Alimak Hek Group; Executive Vice President, Global Operations & Customer Service HVDC, ABB Power Systems

Shareholding, own and via closely related persons*: 304,850



CHARLOTTE BROGREN

Chief Technology Officer since 2017

Born: 1963

Education: PhD in Chemical Engineering, University of Lund

Former positions, selection: Director-General Vinnova, The Swedish Governmental Agency for Innovation Systems, Technology Manager, ABB's Robotics Division, various management positions within ABBs research & development department

Shareholding, own and via closely related persons*: 1,000

* Shareholding per December 31, 2018.



HENRIK TEIWIK

Head of Business area Construction Equipment and Business area Rental since 2015 and with the Group since 2013

Born: 1980

Education: MSc in Economics and Business, Stockholm School of Economics

Former positions, selection: Associate Principal, McKinsey & Company, specialising in Corporate Finance & Strategy

Shareholding, own and via closely related persons*: 40,980



FREDRIK BETTS

Head of Business units General Industry and Oil & Gas within Industrial Equipment since 2018 and with the Group since 2014

Born: 1975

Education: BA in Business Admin, Thames Valley University, London

Former positions, selection: Head of Business Area Construction Equipment in Alimak Group, Member of management group, ABB Robotics Service; Regional Sales Manager, ABB Robotics Southeast Asia, ABB Malaysia

Shareholding, own and via closely related persons*: 12,525



MARK CASEY

Head of Business unit BMU within Industrial Equipment since 2018 and with the Group since 2006

Born: 1963

Education: MBA Curtin University, Western Australia

Former positions, selection: Regional General Manager ROW CoxGomyl, CEO CoxGomyl, Regional Sales Director Asia Festo, Managing Director Festo SE Asia

Shareholding, own and via closely related persons*: 1,000



JOSÉ MARIA NEVOT

Head of Business unit Wind within Industrial Equipment since 2018 and with the Group since 2009

Born: 1969

Education: MSc in Mechanical Engineering, University of Zaragoza and MBA, Chamber of Commerce Zaragoza

Former positions, selection: CSO, Avanti Wind Systems, General Manager AWS S.L., General Manager Oerlikon AB

Shareholding, own and via closely related persons*: 1,000



PATRIK SUNDQVIST

Interim of Head of Business area After Sales since 2019 and with the Group since 2008

Born: 1975

Education: Service management, Handelshögskolan i Umeå, Umeå

Former positions, selection: General Manager After Sales, Alimak Hek AB, Skellefteå; Business Area Head and Product Manager, Franke Futurum, Skellefteå

Shareholding, own and via closely related persons*: 0

The Share

Alimak Group shares were listed in June 2015 and are traded on the Mid Cap list of Nasdaq Stockholm. The Group's market capitalisation at year end was SEK 6.0 billion.

SHARE PRICE AND TRADING

The share's EPIC is ALIG and its ISIN code is SE0007158910. A trading lot is one share. During 2018, a total of 25,754,159 shares were traded for an amount of MSEK 3,318 on Nasdaq Stockholm. The average number of shares traded per trading day was 103,017 and the average number of trades 524 per trading day.

The closing price at year-end 2018 was SEK 110.00, representing a market capitalisation of approximately SEK 6.0 billion. The highest share price, SEK 148.00, was recorded on August 8 and the lowest, SEK 106.60, on October 24. The average price for the year was SEK 128.85.

SHARE CAPITAL

At year-end, Alimak Group's share capital totalled MSEK 1.1, represented by 54,157,861 shares. All shares carry the same voting entitlement and an equal share in the Group's profits and capital.

OWNERSHIP STRUCTURE

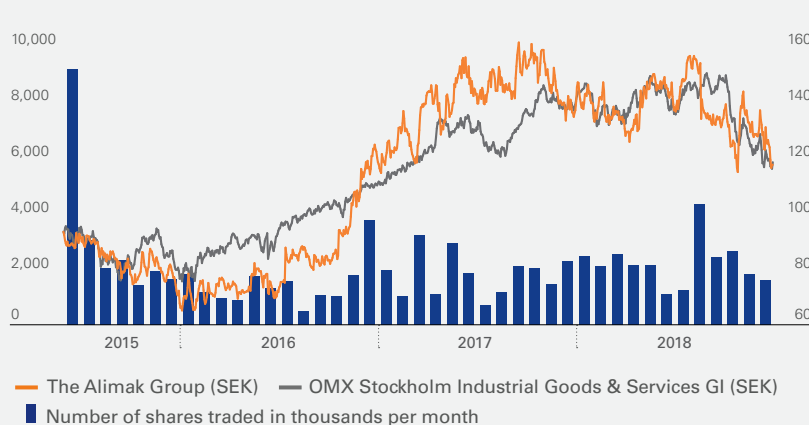
At year-end, Alimak Group had 6,091 known shareholders. The largest shareholder was Latour, with

29.3 per cent. The ten largest shareholders represented around 69 per cent of the total number of shares outstanding. At year-end, Swedish ownership accounted for approximately 75 per cent of the total. There are no restrictions on voting rights or authorisation to the Board of Directors. At year-end, Alimak Group held 0.2 per cent of all its issued shares in treasury. The Board of Directors may acquire additional treasury shares pursuant to an authorisation from the annual general meeting 2018. The Board may not vote for any shares that Alimak Group has acquired, nor shall any dividend be paid to these shares.

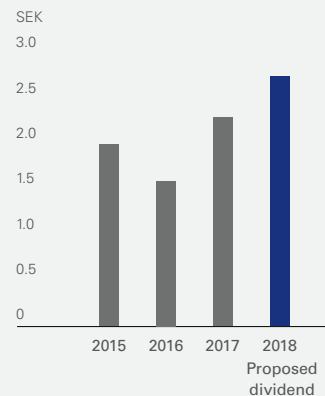
DIVIDEND

Alimak Group has a target of paying a dividend of approximately 50 per cent of its net profit for the current period to its shareholders. However, decisions on dividends shall take account of the Group's financial position, cash flow, acquisition opportunities, strategic considerations and future prospects. The Board of Directors' dividend proposal, subject to approval by the 2019 Annual General Meeting, is SEK 2.75 per share.

The Alimak Group and share turnover since listing



Dividend



Largest shareholders 31/12/2018

Shareholder	Number of shares	Capital, %	Votes, %
Latour	15,846,809	29.3	29.3
Lannebo Funds	5,441,013	10.0	10.0
Swedbank Robur Funds	3,874,268	7.2	7.2
Peder Pråhl	2,902,543	5.4	5.4
Alantra EQMC Asset Management SGIIIC	2,710,400	5.0	5.0
Handelsbanken Funds	2,378,049	4.4	4.4
BMO Global Asset Management	1,487,416	2.7	2.7
Enter Funds	1,170,305	2.2	2.2
Länsförsäkringar Funds	837,221	1.5	1.5
C WorldWide Asset Management	795,859	1.5	1.5
Total shareholding – 10 largest	37,443,883	69.1	69.1
Other shareholders	16,713,978	30.9	30.9
Total number of shares	54,157,861	100.0	100.0

Share distribution

Holdings	Number of shares	Capital, %	Votes, %	Number of shareholders
1 – 100	116,675	0.22	0.22	3,540
101 – 200	105,042	0.19	0.19	672
201 – 500	257,434	0.48	0.48	735
501 – 1,000	415,332	0.77	0.77	510
1,001 – 2,000	430,501	0.79	0.79	281
2,001 – 5,000	579,386	1.07	1.07	171
5,001 – 10,000	523,559	0.97	0.97	71
10,001 – 20,000	442,571	0.82	0.82	31
20,001 – 50,000	891,463	1.65	1.65	25
50,001 –	50,395,898	93.05	93.05	55
Total, 31 December 2018	54,157,861	100.00	100.00	6,091

Shareholders per geographical region

Country	Number of shareholders	Number of shares	Capital, %	Votes, %
Sweden	5,892	40,415,211	74.6	74.6
United States	33	4,831,911	8.9	8.9
Spain	8	3,448,067	6.4	6.4
United Kingdom	9	1,224,102	2.3	2.3
Denmark	23	1,035,202	1.9	1.9
Others	126	2,080,988	3.8	3.8
Anonymous ownership		1,122,380	2.1	2.1
Total, 31 December 2018	6,091	54,157,861	100.0	100.0

Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen).

Auditor's report on the corporate governance statement

To the general meeting of the shareholders of Alimak Group AB (publ),
corporate identity number 556714-1857.

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the corporate governance statement for the year 2018 on pages 38–55 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 *The auditor's examination of the corporate governance statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance

with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINIONS

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

Stockholm April 9, 2019
Ernst & Young AB

Rickard Andersson
Authorized Public Accountant

Alimak Group 2018 Financial Statements

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Directors' Report

The Board of Directors and the President & CEO of Alimak Group AB hereby present the Annual Report and consolidated accounts for the financial year 2018. Alimak Group AB is a public limited Company with registered offices in Stockholm, company registration number 556714-1857.

BUSINESS AND OPERATIONAL STRUCTURE

Alimak Group AB is the Parent Company of a Group that is a world-leading provider of vertical access for professional use. The Group has production in eight countries across Europe, Americas and China, along with an own sales and service network and distributors supplying and maintaining vertical access solutions to more than 100 countries. At present there are around 70,000 hoists, elevators, lifts, building maintenance units and platforms installed around the world.

Operations are divided into four business areas: Construction Equipment, Industrial Equipment, After Sales and Rental, which are also the Group's reporting segments.

Business area Construction Equipment designs, develops, manufactures and distributes a wide range of hoists, elevators and platforms, in many cases installed for temporary use during construction and refurbishment projects.

Business area Industrial Equipment designs, develops, manufactures and distributes a wide range of elevators, platforms and maintenance units for permanent use across a broad spectrum of industries, including Oil & Gas, buildings and infrastructure, ports and shipyards, wind, power and cement.

Business area After Sales offers a wide range of after-market services, mainly targeted at the Group's installed base and customers. The offering includes installation, technical support, maintenance, repairs, refurbishment, training, inspections and spare parts.

Business area Rental hires out the Group's construction hoists and platforms to the construction industry in Australia and several markets in Europe. The rental business is backed by a range of related support services. The business area also sells used equipment.

Purchasing and supply of materials

For its manufacturing, the Group purchases made-to-order and standardised materials, components and services from regional and global suppliers. Certain key components are also made within the Group. As far as possible, the Group uses a range of different suppliers, and always tries to avoid being dependent on a single supplier. The Group strives to negotiate group-wide supply agreements with its main suppliers. All suppliers must comply with the requirements stipulated by the Group regarding precision of supply and financial stability, as well as environmental and social objectives.

Sustainability and corporate responsibility

The Group's Code of Conduct summarises the Group's basic guidelines and directives for employees' relationships with one another, stakeholders and other parties. The code also defines the Group's way of working, to ensure that all operations are pursued with a high degree of integrity. The Group has high internal requirements

and strict rules with regard to social and environmental matters, as well as business ethics.

SIGNIFICANT EVENTS DURING THE YEAR

Management changes

As of January 1, 2018, Alimak Group implemented a new composition of the Group Management Team (GMT). The GMT now consists of the President & CEO, COO, CFO, CTO, the Global BA heads and Global Business Unit Heads.

As of April 1, 2018 Erik Laursen was replaced by José Maria Nevot and Tony Combe by Mark Casey as the Heads of Business Unit Wind and BMU, respectively.

Fredrik Betts was appointed Global Business Unit Head for General Industry and Oil & Gas within business area Industrial Equipment, taking over after Mark F Noble. The change came into effect as of August 20, 2018.

New CFO appointed

Tobias Lindquist was appointed Chief Financial Officer and member of the Management Team of Alimak Group AB. Tobias Lindquist assumed the position as of September 1, 2018.

The Interim CFO Stefan Rinaldo continued in his position as Chief Operational Officer after September 1, 2018.

New revolving credit facility

On July 2, 2018, Alimak Group signed a new multi-currency revolving credit facility with Handelsbanken. The facility has a tenor of five years and includes two extension options of one year, at the approval of the lender. This facility replaces the existing MSEK 2,000 credit facility originally dated June 25, 2015 and the amendment dated July 11, 2016.

For Alimak Group, this refinancing solution means an increase of the existing financing with MSEK 500 on improved terms, including lower pricing and longer maturity.

Product and service rebrand

Late September, 2018, Alimak Group launched a rebranding of the product and service offering; replacing the Hek and Heis-Tek brands with Alimak and introducing the Alimak Service brand to cover the offerings of the After Sales business area for all equipment brands.

FINANCIAL OVERVIEW

Multi-year overview

MSEK	2018	2017	2016	2015
Revenue	4,320.4	4,000.7	2,048.6	2,036.3
Operating profit	439.4	416.8	306.8	296.2
Profit before tax	396.6	388.6	281.4	198.3
Net profit for the year	344.0	291.6	194.0	135.0
Balance sheet total	6,032.3	5,577.0	3,276.2	3,359.6
Equity/assets ratio, %	57	56	67	61
Average number of employees	2,377	2,438	1,171	1,077

Revenue and operating profit (EBIT)

Revenue for the Group totalled MSEK 4,320.4 (4,000.7). Operating profit (EBIT) increased to MSEK 439.4 (416.8), representing an operating margin of 10.2 per cent (10.4).

Analysis per segment

MSEK	2018		2017	
	Revenue	Operating profit	Revenue	Operating profit
Construction	714.4	124.1	792.5	101.8
Industrial	2,068.8	-29.5	1,795.2	-1.3
After Sales	1,183.2	294.3	1,107.7	280.3
Rental	354.0	50.5	305.3	36.1
Total	4320.4	439.4	4,000.7	416.8

Business area Construction Equipment experienced slower demand in some emerging markets and revenue ended up at MSEK 714.4 which accounts for 17 per cent of the Group's sales, compared to 20 per cent in the preceding year. Demand from mature markets, especially the US, was strong during the year. This resulted in a favourable product and market mix. Profitability, measured as operating margin, rose from 12.8 per cent to 17.4 per cent.

Business area Industrial Equipment demonstrated good growth in revenues following higher demand from the Oil & Gas sector and continued good performance in the Wind business. Revenue increased to MSEK 2,068.8 – corresponding to 48 per cent of Group revenues. Operating profit decreased to MSEK -29.5 (-1.3).

Revenue for business area After Sales totalled MSEK 1,183.2 (1,107.7) corresponding to 27 per cent of Group revenue, while making up a larger part of operating profit, 67 per cent, at MSEK 294.3 (280.3).

Business area Rental reported strong revenue growth to MSEK 354.0. The operating profit increased from MSEK 36.1 to MSEK 50.5. The underlying trend of the business area is positive, with a higher utilisation rate and higher efficiency in managing the rental fleet.

Financial income and expense

Net financial items for the year amounted to MSEK -42.8 (-28.3). 2017 was positively affected by foreign currency revaluation of loans of MSEK 43.

Tax

The total tax expense for the year was MSEK 52.6 (97.0), corresponding to an effective tax rate of 13.2 per cent (25.0). The tax expense varies depending on the geographic distribution of where the Group's profits arise and the possibility of utilizing tax losses carry forwards. The full year tax rate was impacted by tax income in the fourth quarter supported by changes in deferred taxes following the legal restructuring during the year, allowing for utilisation of tax losses carried forward.

Profit for the year

Profit for the year totalled MSEK 344.0 (291.6). Comprehensive income for the year totalled MSEK 447.0 (208.4). The difference

between profit for the year and comprehensive income for the year is mainly due to an increase in the translation reserve for foreign operations, and positive revaluation of pension plans.

Cash flow

Cash and cash equivalents at December 31, 2018 totalled MSEK 355.6 (341.3). The Group's cash flow from operating activities totalled MSEK 239.8 (335.4). The Group's cash flow from investing activities amounted to MSEK -68.2 (-1,123.4). The Group's cash flow from financing activities totalled MSEK -170.4 (902.8).

Financing and financial position

The Group's balance sheet total was MSEK 6,032.3 (5,577.0) at year-end. Net debt totalled MSEK 866.7 (909.7), primarily consisting of loans from credit institutions (see Notes 17 and 21). Compared with December 31, 2017 account receivables rose from MSEK 893.6 to MSEK 1,017.8. Inventories increased by MSEK 96.1 to MSEK 679.4.

The rise was attributable to input goods as well as finished products and goods for resale.

Investments

The Group's investments in property, plant and equipment totalled MSEK 59.7 (43.2). Depreciation during the period amounted to MSEK 67.0 (64.8).

Intangible assets

At year-end, the carrying amount for intangible assets was MSEK 2,930.1 (2,896.0), of which goodwill comprised MSEK 2,298.8 (2,234.0). The yearly impairment test did not indicate any impairment need of the carrying amount of goodwill.

Equity

At December 31, 2018 the Group's shareholders' equity totalled MSEK 3,409.7 (3,099.3). In addition to the result from the year's operations, the change in equity reflects the dividend paid of MSEK 124.6 and other changes of MSEK 102.8, of which MSEK 97.5 come from the translation reserve for foreign operations and the rest from cash flow hedges and revaluation of defined benefits pension plans. The Group also made a share repurchase of 100,000 shares during the year.

PERSONNEL

The Group prioritises having its own permanent workforce and works proactively and systematically on ensuring the well-being of employees and safety in the workplace. Each company in the Group has its own personnel policy that complies with local laws, regulations and agreements. The current staffing level is considered to be well balanced in terms of current order volumes, and certain adjustments are made on an ongoing basis. The average number of employees in 2018 was 2,377 (2,438). At year-end, the number of employees totalled 2,360 (2,439). Salaries and remuneration paid during the year amounted to MSEK 1,078.5 (959.7).

RESEARCH AND DEVELOPMENT

The aim of the Group's research and development is to increase customer productivity, reduce environmental impact, improve the work environment and cut costs. R&D, a top priority in the Group, also encompasses development of production technology, production processes and IT systems, where such is necessary. The work is mainly carried out at, or close to, the production companies and in close cooperation with customers. Extensive sharing of experience takes place between the business areas in order to create synergies and new ideas for the future. R&D costs for the year totalled MSEK 68.2 (39.5).

OUTLOOK

Alimak Group has a leading position in the industry for vertical access solutions for professional use. With the acquisitions of Facade Access Group and Avanti Wind Systems made in 2017, the Group further strengthened this position by increasing the product offering to also cover building maintenance and wind power plant equipment. With its four distinct business areas, the Group has extensive coverage across most industries.

A focus area over the last two years has been to integrate the acquired business and streamline operations and gain efficiencies from economies of scale. The synergies from the acquisitions are expected to start to materialise during 2019.

Over the last years, Alimak Group has increased its investments in development of new products and services, supporting the Group's ambition to provide best-in-industry solutions. Such investments will further increase in the coming years to make sure the Group stays in the forefront of adaption of new technologies and keep the position as an industry innovator. Aligning product design and manufacturing, making them more modular, will enable the usage of technical expertise and solutions across the organisation and create additional value in the customer offering. Gathering data of equipment usage and making use of such information for future developments as well as increasing customers' awareness is another area the Group will invest in. Also, several new products and product improvements will be launched during 2019.

In 2018, the Group updated its branding to better reflect changes in the internal organisation. Under the umbrella of Alimak Group, the go-to market brands now are Alimak, Avanti, CoxGomyl, Mann-tech and Alimak Service. The new brand strategy makes use of already existing brand goodwill but also emphasises and leverages the broad coverage and capabilities of the after-market offering.

In 2019 Alimak Group will further expand its international footprint, through opening own offices in new locations as well as increasing the already large distributor network, following the growing demand of vertical access solutions. Being a global provider of quality equipment is a competitive advantage of Alimak Group since inception.

The mid-term financial targets were set in 2017 with the ambition to be on run rate by end of 2019. The targets of 6 per cent average annual organic growth, an EBITA margin of 15 per cent combined with a leverage of 2.0 times remain.

ENVIRONMENTAL IMPACT

Alimak Group's biggest impact on the environment derives from production and assembly. The Group works actively in order to reduce the environmental footprint of the Group, with focus on supply and production.

All of the twelve production and assembly facilities within Alimak Group are quality certified according to ISO 9001:2015 and nine are certified per ISO 14001 and/or OHSAS 18001.

After the acquisitions in 2017 it was clear that existing sustainability measurements would not be sufficient or correct and focus during 2018 has been to map the processes and maturity within the area of sustainability, align units and define what to measure. Following that, establishment of tools and methods for measuring the selected important KPIs and get reporting in place to start follow up and act upon deviations has been prioritised.

SUSTAINABILITY REPORTING

In accordance with chapter 6, § 11 of the Swedish Annual Accounts Act, Alimak Group has elected to prepare the statutory sustainability report separately from the Director's report. The sustainability report was submitted to the auditor for review simultaneously with the Annual Report. The sustainability report is included on pages 26–36 in this document.

SHARE CAPITAL AND OWNERSHIP

At the end of the year, Alimak Group's share capital amounted to SEK 1,083,157, represented by 54,157,861 shares. The Group has just one class of share, and all shares carry has one voting right. On December 31, 2018 Latour, the single largest shareholder in Alimak Group, held 15,846,809 shares, corresponding to 29.3 per cent of both votes and share capital. Lannebo Funds held 5,441,013 shares, corresponding to 10.0 per cent of the shares.

On 6 December, 2018 Alimak Group acquired 100,000 own shares at an average price of SEK 120 to cover commitments under the "Long term incentive program 2018".

No restriction applies in law or the Articles of Association as to the transferability of the shares. There are no restrictions as to how many votes each shareholder can cast at an AGM.

For further information regarding the Group's shares and ownership, see pages 54–55.

CORPORATE GOVERNANCE

In accordance with the Swedish Annual Accounts Act, Alimak Group has prepared a corporate governance report that includes the Board of Directors' report on internal control. This is presented separately from the Director's report and will be found on pages 39–55 of this document.

THE BOARD'S PROPOSED GUIDELINES FOR REMUNERATION PAYABLE TO SENIOR EXECUTIVES

Alimak Group AB has established principles and forms of remuneration payable to its senior executives. After preparation by the Remuneration Committee, the Board decides on the form of remuneration scheme and the size and forms of remuneration payable to senior

executives. The Board proposes that the following guidelines for determining salaries and other remuneration payable to the Group's Chief Executive Officer (CEO) and other senior executives be adopted at the AGM. The term "senior executive" refers to the Alimak Group's members of Group Management. These guidelines apply to agreements concluded after the AGM resolution and where amendments are made to existing agreements after that time.

The Board may depart from the guidelines set out below in individual cases where particular reasons or needs exist.

The proposed guidelines are the same as the currently existing ones.

General

It is of fundamental importance to the Group and its shareholders that the guidelines for remuneration payable to senior executives create good conditions in the near and long term to attract and retain competent employees and executives. To this end, it is important to establish fair and internally balanced conditions that are also competitive in terms of their structure, scope and level of remuneration.

Conditions of employment for senior executives should comprise a balanced combination of fixed salary, annual variable remuneration, long-term incentive scheme, pension and other benefits, along with conditions governing termination/severance payments.

Total annual cash remuneration, i.e. fixed salary plus variable remuneration and other long-term cash remuneration, should be at market level in the geographical market in which the individual works and is employed. Total remuneration should be reviewed annually to ensure it is in line with the market for equivalent positions in the relevant geographical market in which the individual operates.

Remuneration should be based on performance in addition to be competitive and based on a principle of "post-performance-pay". It should therefore comprise a combination of fixed salary and variable remuneration, of which the variable component constitutes a relatively large portion of the total remuneration but is capped at a predetermined amount.

Note 7 states the total remuneration and other benefits received by the Group's senior executives during the year.

Remuneration and forms of remuneration

The Group's remuneration scheme involves various forms of remuneration aimed at creating balanced remuneration supporting near and long-term management by objectives and achievement of targets.

Fixed salary

Fixed salary is individual and is based on each person's responsibility and role, along with that person's competence and experience in the relevant position.

Short-Term Incentive/Variable remuneration

Senior executives receive an annual variable remuneration payable on an annual basis. The annual variable remuneration is expressed as a percentage of fixed salary. Variable remuneration targets should primarily be related to achievement of the Group's financial targets, as well as any clearly defined individual objectives relating

to specific duties of employment. The latter are used to ensure focus on non-financial objectives of particular interest.

Financial targets for the variable remuneration are adopted annually by the Board in order to ensure they are in line with the Group's business strategy and earnings targets. When evaluating the individual performance an overall assessment is made.

The portion of the total remuneration comprising annual variable remuneration varies depending on position and may total 70 per cent of fixed annual salary when targets are fully achieved by the CEO, and up to 50 per cent of fixed annual salary when targets are fully achieved by other senior executives. Targets are formulated so that no variable remuneration is payable unless a minimum level of performance is achieved.

The Group's cost for the annual variable remuneration to senior executives during 2019 will at most amount to roughly MSEK 9.3 (excluding costs for social security contribution).

Long-term incentive scheme

In order to ensure a long-term perspective in the decision-making and to ensure long-term achievement of goals, the Board may propose the general meeting to resolve on long-term incentive programs.

The Board uses long-term incentives in order to strengthen the Alimak group's ability to recruit and maintain employees, to broaden and increase share ownership amongst the key employees, and to ensure a common focus on long-term growth in shareholder value which ensures that shareholders and the relevant employees will have the same targets. The Board is of the opinion that a performance-based stock savings program is the best approach in order to link rewards provided to the key employees' rewards to the future earnings and growth of the company.

At the 2018 Annual General Meeting, it was decided to launch a long-term incentive programme (LTI 2018). The purpose of the programme is to strengthen the Alimak group's ability to recruit and maintain employees, to broaden and increase share ownership amongst the key employees, and to ensure a common focus on long-term growth in shareholder value which ensures that shareholders and the relevant employees will have the same targets. More information about the programme can be found in Note 7.

Remuneration payable to directors

In certain cases, directors elected at the AGM should be able to receive fees and other remuneration for work carried out on the Group's behalf, alongside their Board work. Fees at market rates, to be approved by the Board, may be payable for such services.

Pensions

Senior executives qualifying for a pension and concluding new pension agreements should have defined contribution pension agreements. Senior executives retire in accordance with the pension regulations of the relevant country. The main rule is that provisions made for pensions are based on fixed salary alone. Certain individual adjustments may occur in line with practice in the relevant geographical market.

Other benefits

Other benefits, such as a company car, wellness allowance, health care and health insurance, should comprise a minor portion of total remuneration and should be in line with market practice in the relevant geographical market.

Additional remuneration

In addition to the remuneration described above, agreement may be reached in exceptional cases on further remuneration, e.g. when this is considered necessary to attract and retain key competence or to persuade individuals to relocate or accept a new position. However, additional remuneration of this kind should be subject to a time limit, which should not exceed 36 months. Nor should the additional remuneration exceed twice the remuneration the holder of the position would have received if no agreement on additional remuneration had been concluded.

Conditions governing termination and severance payments

Conditions governing termination and severance payments should accord with practice in the relevant geographical market. The Group's President & CEO should have six months' notice if he leaves of his own volition and twelve months' notice if the Group terminates his employment. Other senior executives have notice periods of up to six months. When a new employment contract is concluded, a severance payment not exceeding twelve months' fixed salary may be agreed with a senior executive. This applies solely to termination by the Group. Practice in the geographical market where the executive works applies in other respects.

PARENT COMPANY

The business of the Parent Company, Alimak Group AB, consists of certain Group-wide, shareholder-related services. During 2018, the President & CEO, and some members of the Group Management Team as well as Investor Relations Manager were employed by the Parent Company. Since January 1, 2019, only the CEO, CFO and Investor Relations Manager are employed in the Parent Company. In addition, the Group's borrowing is centralised within the Parent Company, which is also the account-holder of a Group-wide transaction account (a cash pool) with a financial institution.

Revenue for the year totalled MSEK 17.0 (10.0) and an operating loss of MSEK -23.2 (-43.1) was recorded. Financial income and expenses totalled MSEK 21.4 (10.8) and profit before tax for the year amounted to MSEK -1.8 (182.6). Profit for the year was MSEK -1.9 (145.7).

At the end of the year, the equity/assets ratio was 83.1 per cent (85.3). By resolution of the 2018 AGM, dividend of MSEK 124.6 was paid to shareholders, corresponding to SEK 2.30 per share.

At year-end, the Parent Company's cash and cash equivalents, including unutilised credit commitments and overdraft facilities, totalled MSEK 1,347.0 (797.8).

EVENTS AFTER THE FINANCIAL YEAR-END

Interim management changes

Following on Michael Pagendam being on sick leave, Patrik Sundqvist was appointed Interim Global Head of Business Area After Sales on January 10, 2019.

Acquisition of Dataline i Borås AB

On April 2, 2019, Alimak Group announced the conclusion of an agreement to acquire Dataline i Borås AB. The company has been an important supplier of control systems for construction hoists and permanent lifts for Alimak Group for more than two decades. The acquisition follows Alimak Group's strategy to invest in technologies to enable new, enhanced products and services, to increase future productivity and safety for customers.

The acquisition will be the first step for Alimak Group to establish an IoT development hub for new solutions to increase the performance and functionality of all the Group's products and services. The long-term aim is to increase safety and productivity for customers.

PROPOSED APPROPRIATION OF PROFIT

The following amounts are available for distribution by the AGM (SEK)

Retained earning	2,703,221,345
Net profit for the year	-1,890,990
	2,701,330,355

The Board proposes that the amounts be distributed as follows

Divided of 2.75 SEK per share to be paid to shareholders*	148,659,118
To be carried forward	2,552,671,237
	2,701,330,355

*The proposed record day for dividend payment is May 13, 2019. The amount proposed as dividend corresponds to SEK 2.75 per share, based on the existing number of shares, 54,157,861 and excluding the 100,000 shares held by the Group.

Risks and risk management

The Group operates in a global market and is exposed to competition and pressure on prices in that market. The general economic situation worldwide and the global markets in many ways affect the businesses operated by the Group's end customers, which in turn may impact the demand for the Group's products. Customer demand in, for example, the construction, Oil & Gas, port and shipbuilding, wind, power and cement industries is of major importance to the Group.

The aim of risk management in Alimak Group is to support the objectives established and at the same time prevent undesired financial events. Alimak Group applies a risk identification programme that seeks to identify, prioritise and manage key risks in our business operations. The Group Management reviews Alimak Group's risk profile annually and ensures that identified key risks are managed.

The risks in the Group's activities are divided into strategic, operating and financial risks. Alimak Group's Board of Directors is ultimately responsible for the governance of risk management at the Group. The Group Management Team ensures there are efficient processes in place to assure the Board of Directors that the key risks are assessed and managed effectively.

STRATEGIC RISKS

The general economy

The Group's markets may be affected by fluctuations in the general economy, investments in infrastructure, industrial production and residential construction. Any negative developments in the economy affecting the Group's customers may also affect the inflow of orders. The financial outcome of operations depends on the Group's ability to respond quickly to changes in demand and, in particular, to adjust production levels and manufacturing and operating costs.

Competition

The Group competes with regional and local competitors in all business areas. A regional/local competitor may benefit from being more familiar with the political or economic situation in the regional/local market and may have better relationships with suppliers and end customers. Some competitors may also have financial resources or the ability to offer customer financing or discounts, which may provide them with a competitive edge. The Group's competitors may also try to expand their global presence.

Any changes to the structure of the Group's competitors or the emergence of new competitors in the market may create further competitive pressures and result in a reduction of the Group's sales, market share and prices.

Acquisitions

The Group has in the past consolidated its market positions via organic growth, business acquisitions and efficiency improvements, and may continue to do so in the future. Growth through acquisitions is by its nature risky, due to the difficulties in estimating the fair value of the assets acquired and the ways in which business and personnel may be integrated. As a result, the Group may incur acquisition and other associated costs. There are no guarantees that the Group will be successful in integrating businesses that

have been acquired, or that, once integrated, these businesses will perform as expected.

Political risk

The Group is exposed to risks of political and social unrest in the countries where the Group or its customers operate. In difficult jurisdictions, such unrest may have an adverse impact on customer demand for the Group's products and services, or have a negative impact on the Group's ability to operate within such jurisdictions. Furthermore, the Group may end up not having an adequate contingency plan or capacity for recovery in place to be able to manage a major incident or crisis. As a result, its operational continuity may be affected, which could have a significant negative impact on the Group's operations, its financial situation and financial results, as well as its reputation.

Statutory requirements or standards

The Group conducts business in several jurisdictions and is subject to international, national and local laws and regulations such as, but not limited to, laws and regulations on work and employment, environment, health and safety, customs, anti-corruption, trade, competition and anti-trust. The Group is also subject to foreign trade laws. Furthermore, the Group operates in an area where regulatory requirements frequently change, are continuously developed and may be made stricter. The Group's compliance with applicable laws and regulations may be costly, especially in areas where there is inconsistency between different jurisdictions in which the Group operates. The rules applying to the products and the services may also change over time and per market.

In addition, in the countries in which the Group operates it is subject to anti-bribery laws and regulations, prohibiting companies and their intermediaries from offering or receiving inappropriate payments. Furthermore, many of the jurisdictions where the Group operates have regulations requiring the Group to refrain from doing business with certain countries or with certain organisations or individuals that are recorded on an international list. Failure to adopt and enforce suitable internal rules for ensuring compliance with this may give rise to serious criminal or civil sanctions and the Group may be the subject of other obligations which could have a significant negative impact on its operations, financial position and financial results.

Trademark and reputation

One important competitive advantage for the Group is the prestige of its trademarks, which today are associated with safety, reliability and quality. The Group's reputation is particularly important in relation to new and existing customers and distributors. So, all real or perceived problems with operations and logistics, or issues with the safety, reliability and quality of the Group's products, or the loss of a major customer, may result in damage to the Group's reputation.

OPERATIONAL RISKS

Selling prices

The prices of the Group's products and services may change very quickly in certain markets. This may be caused by a number of factors,

including short-term fluctuations in demand, product shortages or surpluses, uncertainty about local economic conditions, import rules and increased competition. Overcapacity in the industry may occur in the event of a sharp fall in demand. Such over capacity may bring further pressure on prices.

Sales channels

The Group's ability to manage, monitor and follow up the activities of its distributors is limited. The Group is not able to ensure at all times that its distributors comply with all applicable laws regarding the sale and servicing of the Group's products, or comply with the Group's Code of Conduct, which might have significantly negative impact on the reputation and business of the Group.

Profitability

The long-term profitability of the Group is dependent on the Company's ability to successfully develop and market its products and services. The Group intends to strengthen its global presence in the market by broadening its product range, but the profitability of these products may grow more slowly than the Group's previous products, or not at all. It may therefore not be possible for the Group to compete successfully due to its inability to lower its production costs or match offerings in the market with its products, at an attractive combination of price and quality compared with Alimak Group's competitors.

Manufacturing risk

The Group's production and assembly facilities are in Europe, Americas and China. Any stoppages or interruptions in the production process caused, for example, by fire, mechanical faults, weather conditions, natural disasters, labour market conflicts or acts of terrorism may have adverse effects in the form of direct property damage and stoppages, undermining the Group's ability to fulfil its obligations towards its customers.

Dependency on suppliers

The Group purchases materials and components from many external suppliers. A certain portion of the Group's requirements for materials and input goods is fulfilled by a small number of strategic suppliers. The effects of stoppages in deliveries vary according to which articles or components are involved. Certain articles and components are industry-standard, whereas others are of our own development and require unique tools that would take time to replace. The Group's costs for materials and components may vary sharply over the economic cycle. Variations in cost may be caused by changes in world market prices for commodities or the ability of our suppliers to deliver.

Dependency on global market prices

Movements in the prices of steel components, drive units, electronics and cables may impact the Group's production and manufacturing costs, which the Group may not be able to pass on to its customers. The Group aims to minimise the effects of volatility in commodity prices through price adjustment mechanisms built into its agree-

ments with suppliers and customers. Even if the Group tries to pass on cost increases through regular review of and adjustments to selling prices, and has in general displayed a good ability to adapt to changes in input prices, the Group has not in the past always been successful in passing on cost increases, and may not be able to do so in the future. Any significant price increases that the Group cannot fully pass on to its customers may have a significant negative impact on the Group's profitability.

Income taxes

The Group conducts its business via companies in several countries. Transactions between Group companies take place in accordance with the Group's understanding or interpretation of applicable tax laws, tax agreements, other rules under tax legislation and requirements by the relevant tax authorities. The tax authorities in the countries concerned could also make assessments and decisions that would deviate from the Group's understanding or interpretation of the aforementioned laws, agreements and other regulations. Many of the companies within the Group conduct cross-border transactions involving materials and services for associated Group companies. Through these cross-border transactions, the Group is exposed to taxation risks, in particular regarding rules on internal pricing that are applicable in multiple jurisdictions. To the extent that the Group is found not to have complied with applicable regulations on internal pricing, including the arm's length principle that applies in the context of such rules, the Group may be subject to further tax payments, plus interest and penalty charges. The Group's tax situation, both for the current year and preceding years, may change as a result of decisions by the tax authorities concerned, or as a result of changes to laws, agreements and other regulations. Such decisions or changes, possibly retroactive, may have negative impact on the Group's business and its financial position or financial results.

Intangible assets

The Group uses a combination of trademarks, licences, patents and other measures to protect its intangible rights. Even if the Group is not dependent on any major patents or licences for its business, the Group takes the view that its trademarks play an important role in maintaining its competitive edge. The Group has a portfolio of trademarks worldwide but does not enjoy the same level of protection in all countries, and there is a risk that the laws in certain countries where the Group operates may not provide adequate protection for its intangible rights. The measures that the Group has taken, or will take, to protect its intangible rights may not provide sufficient protection, and third parties may be able to infringe the Group's intangible rights, and the Group may not have sufficient resources to enforce its intangible rights. Furthermore, the existence of intangible rights does not guarantee that the manufacture, sale or use of the Group's products does not infringe the intangible rights of others.

The consolidated balance sheet for the Group includes significant goodwill amounts. The value of goodwill may deteriorate and the process for impairment testing includes many assessments, assumptions and estimates by management, which in turn reflect a large degree of uncertainty. If it is perceived that impairment has

occurred, the Group would be obliged to write down its goodwill, which would result in significant negative impact on the Group's operations, financial position and financial results.

Complaints and lawsuits

The Group's products and global sales expose it to potential claims regarding defects and/or usage causing, leading to, or allegedly causing or leading to personal injury, project delays or damages or other negative effects. All product liability claims, irrespective of whether they relate to personal injury or project delays or damages, may prove costly and time-consuming to defend and could potentially damage the Group's reputation. Furthermore, product liability claims could, if successful, mean that the Group would be required to pay considerable damages. Whilst the Group currently has product liability insurance to cover any product liability arising from the use of its products, the insurance cover may turn out to be insufficient in individual cases. In addition, product liability claims may derive from defects in parts and/or components purchased from third-party suppliers. Such third-party suppliers may not indemnify the Group for defects in such parts and/or components, or may only provide a limited amount of compensation for damages, insufficient to cover the damages arising from the product liability claim. A product liability claim, founded or unfounded, may give rise to considerable negative publicity and therefore have considerable negative impact on the Group's operations, financial position and financial results, as well as on its reputation.

Furthermore, any fault or defect in the material design, manufacturing or quality of the Group's products, or other security issues or related problems, may also require a product recall or a voluntary replacement programme by the Group. The Group may also be subject to complaints and lawsuits from customers, employees or other third parties. This may also apply to health, environmental, security or operational issues, or failure to comply with applicable laws and regulations. Even if such disputes were to be successfully resolved without negative financial consequences, they may have negative consequences in terms of the Group's reputation and place demands on resources.

Quality

The Group sells its products with warranty conditions limited in time. If the Group experiences an increase in warranty claims or if its repair and replacement costs relating to warranty claims increase significantly, that may harm the Group's reputation and increase the Group's warranty costs.

Environmental risks

The Group's former and current operating activities, facilities and properties are subject to extensive and changeable foreign, domestic and local laws and regulations regarding emissions into the air, wastewater emissions, handling and disposal of solid and hazardous materials and waste and cleaning up of pollution, as well as to other environmental, health and safety laws and regulations. The Group may, from time to time, be involved in administrative or legal proceedings concerning the environment, health and safety.

The Group may, from time to time, be obliged to clean up pollution and deal with emissions of regulated materials at the facilities that it owns or operates (including pollution caused by former owners and operators of such facilities).

In addition, the Group cannot guarantee that, in future, currently unidentified environmental conditions, more stringent enforcement by the supervisory authorities or other unpredicted events will not be identified and give rise to further environmental responsibilities, costs for regulatory compliance and/or sanctions that may be substantial. Furthermore, environmental laws and regulations are continuously developing and it is impossible to make precise predictions about their effect. Every aforementioned risk may have a significant negative impact on the Group's operations, financial position and financial results.

Insurance risk

The Group has liability insurance for a range of risks relating to operational stoppages, liability and property loss. While the risks are insured to levels that have been deemed as financially reasonable by Group Management, the Group's insurance cover may in individual cases turn out to be inadequate. In addition, certain types of losses are generally not insured, either because it is held they are uninsurable or they have been excluded from the relevant insurance policies. This includes, for example, loss of property due to war or terrorism, or professional/personal liability arising from dishonesty, intent or criminal acts. Furthermore, the Group cannot ensure that insurance will remain available on financially reasonable terms, or that the Group's insurance providers will not require the Group to pay a higher insurance premium. Any one of these risks, if becoming reality, could have a significant negative impact on the Group's operations, financial position and financial results.

Human capital risk

Some of the Group's employees are members of trade unions or represented by company councils operating under collective bargaining agreements. If the Group is unable to negotiate acceptable agreements with the trade unions or the Company councils, this may lead, for example, to strikes, work stoppages or other actions by the personnel concerned, which could result in higher operational costs. If the employees of the Group were to take part a strike, work stoppage or other actions, the Group may experience major disruptions to its operations and higher day-to-day personnel costs, which may have significant negative impact on the Group's operations, financial situation and financial results, as well as on its reputation.

Another factor that is key to Group achieving its objectives lies in its employees and their knowledge and competence. Future growth is dependent on the Company maintaining its position as an attractive place to work. In support of this aim, the Group aims to provide a decentralised working climate.

FINANCIAL RISKS

Through its international operations, Alimak Group is exposed to financial risks such as currency risk, interest rate risk, financing and liquidity risk, credit risk and commodity risk. These financial risks

are addressed by the Group's Treasury function, in accordance with the guidelines laid down by the Board of Directors in the Group's financial policy. The most important task of the Treasury function is to secure the Group's financial flexibility in both the long and the short term, and to monitor and manage the Group's financial risks in cooperation with the operational units. The objective of proactive work on the Group's financial risks is to develop the organisation's robustness and to create conditions that ensure stable cash flows. For more information on the Group's financial risks, see Note 3.

Currency risk

Exchange rate fluctuations affect Alimak Group's results when purchases and sales are made in different currencies (transaction exposure) and also when the income statements and balance sheets of foreign subsidiaries are translated to Swedish kronor. Over time, exchange rate fluctuations also affect the Group's long-term competitiveness and therefore its capacity for earning.

The objective of Alimak Group's currency management is to minimise the effects of exchange rates. This is done by hedging the net commercial flows via financial instruments. Binding orders are hedged at the time of ordering to safeguard the gross margin.

The translation exposure is partly hedged by raising loans in foreign currency.

Interest rate risk

Alimak Group's interest rate risk relates primarily to the Group's interest-bearing liabilities and assets. Changes in interest rates affect the Group's results and cash flow and the fair value of financial assets and liabilities.

Alimak Group's borrowings are made at variable interest rates and interest payments are generally made quarterly. The Group analyses its interest rate exposure on an ongoing basis.

Refinancing and liquidity risk

Refinancing risk is the risk that financing cannot be obtained, or can only be obtained at considerably higher cost.

Liquidity risk consists of the risk that the Group will not be able to fulfil its payment obligations. Cash flow from operating activities, which is affected, for example, by changes in working capital, is largely managed at Group level. By monitoring liquidity flows in both the short and the long term, Alimak Group maintains a high level of financial preparedness.

According to the financial policy, the liquidity reserve shall be maintained at a level such that it can cover fluctuations anticipated in day-to-day liquidity over a period of six months. The Group performs ongoing liquidity forecasts to ensure that cash and cash equivalents are sufficient to meet the requirements of the business. The Group also monitors at central level when the financial covenants linked with the Group's loan facilities are met.

Surplus liquidity is managed by the Group's Treasury function. The intention is to minimise surplus liquidity in the Group.

Credit risk

Credit risks relating to trade receivables and other current receivables are managed as part of the business risk, in accordance with strict routines. The credit risk arising from other financial instruments is low. Alimak Group strives to minimise the cash and cash equivalents invested outside the Group and to minimise depositing surplus liquidity with other counterparties.

Alimak Group's exposure to trade receivables is managed and monitored continuously. Given the geographical spread of the Group's customers over different geographical regions and market segments, the general credit risk is regarded as low. Historically, Alimak Group has sustained only low losses on trade receivables.

Commodity risk

Alimak Group's exposure to changes in commodity prices is limited. The Group's commodity risk is confined to steel.

Alimak Group uses price clauses in purchase contracts for commodities. As the commodity price risk is limited, it is not hedged financially.

Consolidated statements of comprehensive income

Amounts in MSEK	Note	2018	2017
Revenue	4, 5	4,320.4	4,000.7
Cost of goods sold	6	-2,948.4	-2,657.8
Gross profit		1,372.0	1,342.9
Selling costs		-418.9	-397.6
Administration costs		-445.5	-489.0
Development costs		-68.2	-39.5
Operating profit (EBIT)	6, 7, 8, 9	439.4	416.8
Financial income	10	44.9	67.9
Financial expenses	10	-87.7	-96.1
Profit before tax (EBT)		396.6	388.6
Income taxes	11	-52.6	-97.0
Net profit for the year		344.0	291.6
Profit for the year attributable to shareholders in the Parent Company		344.0	291.6
Earnings per share SEK	18	6.35	5.58
OTHER COMPREHENSIVE INCOME			
<i>Items that cannot be transferred to net profit for the year</i>			
Actuarial gains/losses attributable to defined-benefit pension plans		9.3	11.1
Tax attributable to items that cannot be transferred to net profit for the year		-1.7	-2.2
Total		7.6	8.9
<i>Items that may be transferred to net profit for the year</i>			
Translation differences for the year		97.5	-93.8
Change in fair value of cash flow hedges		-2.7	2.1
Tax impact of hedges		0.6	-0.4
Total		95.4	-92.1
<i>Other comprehensive income for the year</i>		103.0	-83.2
Total comprehensive income for the year		447.0	208.4
Comprehensive income for the year attributable to shareholders in the Parent Company		447.0	208.4

Consolidated balance sheets

Amounts in MSEK	Note	31/12/2018	31/12/2017
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Goodwill	13	2,298.8	2,234.0
Other intangible assets	12	631.3	662.0
Total		2,930.1	2,896.0
 <i>Property, plant and equipment</i>			
Land and buildings		122.8	126.1
Plant and machinery		89.0	96.6
Equipment, tools, fixtures and fittings		28.4	30.9
Rental equipment		117.6	106.8
Total	14	357.8	360.4
 <i>Financial and other non-current assets</i>			
Deferred tax assets	11	159.9	62.0
Other long-term receivables	17	8.7	41.5
Total		168.6	103.5
Total non-current assets		3,456.5	3,359.9
 Current assets			
Inventories	16	679.4	582.8
Contract assets	5	244.4	233.8
Accounts receivable – trade	19	1,017.8	893.6
Tax receivables		19.2	14.8
Derivatives	17, 21	6.0	4.2
Other receivables		168.6	89.9
Prepaid expenses and accrued income	20	84.8	56.7
Total		2,220.2	1,875.8
 <i>Cash and cash equivalents</i>		355.6	341.3
Total current assets		2,575.8	2,217.1
TOTAL ASSETS		6,032.3	5,577.0

Consolidated balance sheets (cont.)

Amounts in MSEK	Note	31/12/2018	31/12/2017
EQUITY AND LIABILITIES			
Equity			
Share capital		1.1	1.1
Other contributed capital		2,938.7	2,950.6
Reserves		159.9	64.5
Retained earnings, including net profit for the year		310.0	83.1
Total equity		3,409.7	3,099.3
Non-current liabilities			
Long-term borrowings	21	1,110.5	1,205.0
Provision for pensions	22	76.9	86.5
Other provisions	23	60.4	82.4
Deferred tax liability	11	190.2	212.9
Total non-current liabilities		1,438.0	1,586.7
Current liabilities			
Short-term borrowings	21, 24	111.9	44.9
Contract liabilities		87.8	95.9
Advance payments from customers		104.6	44.1
Accounts payable		448.9	393.0
Tax liabilities		140.2	50.0
Derivatives	17, 21	9.0	4.2
Other liabilities		62.9	65.2
Accrued expenses and deferred revenue	26	219.3	193.8
Total current liabilities		1,184.6	891.1
TOTAL EQUITY AND LIABILITIES		6,032.3	5,577.0

For information on the Group's pledged assets and contingent liabilities, see Note 24.

Consolidated statements of cash flow

Amounts in MSEK	Note	2018	2017
Operating activities			
Profit before tax		396.5	388.6
Depreciation and impairment of property, plant and equipment	9, 14	67.0	64.8
Amortisation and impairment of intangible assets	9, 12	51.1	47.8
Net foreign exchange difference		-8.4	-9.9
Gain or loss on disposal of property, plant and equipment		-	-0.9
Change in periodic allocation of loan costs		-7.5	0.7
Movements in provisions and pensions		-14.3	-29.5
<i>Cash flow from changes in working capital</i>			
Change in inventories		-63.5	-31.1
Change in current receivables		-229.9	-60.9
Change in current liabilities		111.6	65.3
Income tax paid		-62.8	-99.3
Net cash flows from operating activities		239.8	335.4
Investing activities			
Proceeds from sale of property, plant and equipment	14	2.3	6.0
Purchase of property, plant and equipment	14	-70.5	-43.2
Acquisition of subsidiaries, net of cash acquired	27	-	-1,086.1
Net cash flows used in investing activities		-68.2	-1,123.4
Financing activities			
Proceeds from borrowings		262.8	2,405.4
Repayment of borrowings		-296.5	-2,191.4
Proceeds from share issue		-	775.5
Purchase of Treasury shares		-12.1	-
Dividends paid		-124.6	-86.7
Net cash flows from financing activities		-170.4	902.8
Net increase in cash and cash equivalents		1.2	114.8
Net foreign exchange difference		13.1	-4.1
Cash and cash equivalents at beginning of year		341.3	230.6
Cash and cash equivalents at year-end		355.6	341.3

SUPPLEMENTARY DISCLOSURES TO THE CONSOLIDATED CASH FLOW STATEMENT

Amounts in MSEK	2018	2017
Interest received/paid		
Interest received	3.0	3.8
Interest paid	-23.7	-52.1
Cash and cash equivalents		
<i>The following sub-components are included in cash and cash equivalents:</i>		
Cash and bank balances	355.6	341.3

Consolidated statements of changes in equity

Shareholders' equity is attributable in entirety to shareholders in the Parent Company for both 2017 and 2018.
See also Note 18.

2017

Amounts in MSEK	Share capital	Other contributed capital	Translation reserve	Hedging reserve	Retained earnings including profit for the year	Total shareholders' equity
Opening balance 1 January 2017	0.9	2,175.4	158.3	-1.5	-130.9	2,202.1
Net profit for the year					291.6	291.6
Other comprehensive income	-	-	-93.9	1.6	9.0	-83.2
Comprehensive income for the year	-	-	-93.9	1.6	300.6	208.4
Share issue	0.2	775.3				775.5
Dividend	-	-	-	-	-86.6	-86.7
Closing balance 31 December 2017	1.1	2,950.6	64.4	0.1	83.1	3,099.3

2018

Amounts in MSEK	Share capital	Other contributed capital	Translation reserve	Hedging reserve	Retained earnings including profit for the year	Total shareholders' equity
Opening balance 1 January 2018	1.1	2,950.6	64.4	0.1	83.1	3,099.3
Net profit for the year					344.0	344.0
Other comprehensive income	-	-	97.5	-2.1	7.5	103.0
Comprehensive income for the year	-	-	97.5	-2.1	351.5	447.0
Share based payments		0.2	-	-	-	0.2
Repurchase of treasury shares	-	-12.1	-	-	-	-12.1
Dividend	-	-	-	-	-124.6	-124.6
Closing balance 31 December 2018	1.1	2,938.7	161.9	-2.0	310.0	3,409.7

Translation reserve

The translation reserve includes all exchange rate differences arising in translation of financial statements from foreign operations that have prepared their financial statements in a currency other than the one in which the Group's financial reports are presented.

Hedging reserve

The hedging reserve refers to currency hedging after tax for the future cash flows for which the hedged items are not yet accounted for in the balance sheet.

Issue costs

Issue costs for 2017 amounted to MSEK 15.2 and did reduce Other contributed capital.

Notes to the consolidated financial statements

Amounts in MSEK unless otherwise indicated.

Note 1. General information

Alimak Group AB (publ), org. reg. no. 556714-1857, has its registered office in Stockholm, Sweden. The address of the Company's headquarters is Brunkebergstorg 5, 3 tr, SE-111 51 Stockholm, Sweden. Alimak Group AB and its subsidiaries form the Alimak Group, later referred to as Alimak Group or the Group. Alimak Group is listed on Nasdaq Nordic under the ticker ALIG. Alimak Group is global market leader in vertical access solutions for industry, the building- and property sectors. The Group also offers a comprehensive range of aftermarket service and has sales to more than 100 countries.

These financial statements were approved for issuance by the Board of Directors on April 10, 2019. The consolidated financial statements will be definitively adopted by the AGM on May 9, 2019.

Note 2. Accounting policies

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU. Alimak Group also complies to Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups, published by the Swedish Financial Reporting Council. Alimak Group ABs (publ) annual accounts have been prepared in accordance with the Swedish Annual Accounts Act, the Swedish Financial Reporting Council's recommendation RFR 2 Reporting for legal entities and statements.

The consolidated financial statements have been prepared on a historical cost basis, except for items that are required by IFRS to be measured at fair value, principally certain financial instruments. The consolidated financial statements including notes are presented in Swedish kronor (SEK) in millions with one decimal.

Alimak Group has adopted the following new or revised IFRS from January 1, 2018.

IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers". For detailed information about how the new standards have impacted Alimak Group, see section 2.2 Application of new and revised standards.

Consolidation principles

The consolidated financial statements include Alimak Group AB and its subsidiaries in which the Parent Company exercise control. Control is achieved when Alimak Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries have been listed in Note A7, Subsidiaries.

Subsidiaries are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. If contingent consideration is classified as a financial liability, it is measured at fair value on each reporting date, and the changes in the fair value are recognised in the statement of income. Contingent consideration classified as equity is not revalued.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their acquisition date fair values. The share of non-controlling interest in the acquiree is recognised on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Subsidiaries acquired during the financial period are included in the consolidated financial statements from the date of control, and divested subsidiaries until the control ceases.

If a business combination is achieved in stages, the previously held equity interest is revalued at fair value at the acquisition date. Any gains or losses arising from remeasurement are recognised in profit and loss. Acquisition-related costs are expensed as incurred. Transactions with non-controlling interests that do not result in a change of control are treated as equity transactions. In acquiring non-controlling interests' shares in subsidiaries, the difference between any consideration paid and the share of net assets acquired in the subsidiary is recorded in equity. Gains and losses realised on disposals to non-controlling interests are also recorded in equity. Distribution of net income for the period to the equity holders of the Parent Company Alimak Group and to non-controlling interests is presented in the statement of income. Equity attributable to non-controlling interest is disclosed as a separate item in the balance sheet.

All intercompany transactions, receivables, liabilities, unrealised profits and distribution of profits within Alimak Group are eliminated in the consolidated financial statements. Accounting principles of subsidiaries have been changed, to ensure consistency with the principles adopted by the Group.

Investments in associated companies over which Alimak Group has significant influence but neither control nor joint control influence, as well as joint venture companies where Alimak Group has joint control and right to the joint venture's net assets together with the other owners, are reported in the consolidated accounts according to the equity method. Investments in associated companies and joint venture companies are initially recognised in the balance sheet through the use of the acquisition cost, which includes goodwill identified at the acquisition as well the costs of acquiring or forming the associated company or joint venture company.

Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Open foreign currency-denominated receivables and liabilities at the end of the financial period, both intercompany and external, are translated using the exchange rate of the balance sheet date and the resulting foreign exchange gains and losses are recognised in the statement of income except when hedge accounting is applied. Foreign exchange gains and losses related to normal business operations are treated as adjustments to sales or costs. Exchange rate differences on derivative instruments designated as cash flow hedges of future cash flows are recorded in the statement of comprehensive income, until transferred to the statement of income simultaneously with the underlying cash flow. Exchange rate differences on other hedges relating to business operations are recorded in other operating income and expenses. Foreign exchange gains and losses associated with financing are included in financial income and expenses.

Note 2 (cont.)

Foreign subsidiaries

Items of each subsidiary included in the consolidated financial statements are reported using the currency that best reflects the operational environment of that subsidiary ("the functional currency"). The statements of income and cash flow of subsidiaries whose functional currency is other than the SEK are translated using the average exchange rate of the financial period. Assets and liabilities on balance sheets are translated into SEK at the balance sheet date exchange rate. Translation differences caused by different exchange rates are recognised through the statement of comprehensive income in the cumulative translation differences in equity. When applying hedge accounting for a hedge of a net investment in a foreign operation, exchange rate differences on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income, and any ineffective portion is recognised immediately in the statement of income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Translation differences arising are recognised in equity.

Translation differences from acquisition cost eliminations and post-acquisition profits and losses of subsidiaries, associated companies and joint ventures are recognised in the statement of comprehensive income. When a foreign entity or part of it is disposed, accumulated translation differences previously recognised in other comprehensive income are reclassified to the statement of income as a part of the gain or loss on sale.

Segment reporting

Operating segments are reported consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Alimak Group's CEO.

Alimak Group has four reporting segments, Construction Equipment, Industrial Equipment, After Sales and Rental. The segments are monitored and controlled on the basis of operating profit, whereas net financial items, taxes, balance sheet and cash flow are not reported per segment.

Revenue recognition

Alimak Group manufactures, sells and leases out solutions for vertical transports for the construction and industry sector. Alimak Group also provides support- and service for the installed base of units. The business is operated in four business areas, Construction Equipment, Industrial Equipment, Rental and After Sales.

Revenue recognition

Revenue is recognised at an amount that reflects the expected and entitled consideration for transferring goods and/or services to customers when the performance obligation is satisfied, when control has passed to the customer.

Goods sold

Revenue from goods sold are recognised at point in time when control of the good has been transferred to the customer. This occurs for example when the Group has a present right to payment for the good, the customer has legal title of the good, the good has been delivered to the customer and/or the customer has the significant risks and rewards of the ownership of the good.

When the goods sold are highly customised and an enforceable right to payment is present, revenue is recognised over time using the proportion of cost incurred to date compared to estimated total cost to measure progress towards transferring the control of the good to the customer.

Rendering of service

Services are mainly performed within business area After Sales and normally over a very short period of time. Revenue from services are recognised at point in time when the service is performed.

Rental operations

Rental income from rental equipment is recognised on a straight-line basis over the rental period. Sale of rental equipment and spare parts is recognised as revenue when the significant risks and rewards of ownership have been transferred to the buyer. The carrying value of the rental equipment sold is recognised as cost of sales.

Contract assets and contract liabilities

The timing of revenue recognition, billings and cash collections results in billed account receivables, unbilled receivables (contract assets), and customer advances (contract liabilities) in the Consolidated balance sheet. Billing occurs either as work progresses in accordance with agreed-upon contractual terms, upon achievement of contractual milestones or when the control of the goods to the customer has been transferred. Alimak Group sometimes receives advances from customers, before revenue is recognised, resulting in contract liabilities. These contract assets and contract liabilities are reported in the Consolidated balance sheet on a contract-by-contract basis at the end of each reporting period. Payment terms range from contract to contract and are dependent upon the agreement with the customer.

Cost to obtain contracts are not capitalised as the underlying contracts are normally fulfilled and finalised within one year.

There is normally not a financing component in the contracts as the time between transferring of the goods/services and payments from the customer is shorter than one year.

Government grants

An unconditional government grant is recognised in the statement of income when the grant becomes receivable. Other government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and Alimak Group will comply with the conditions associated with the grant, and are then recognised in the statement of income on a systematic basis over the period during which the costs related to grant are incurred.

Financing costs

Financing costs are charged to the statement of income during the financial period in which they incur, with the exception that the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as a part of the cost of the respective asset.

Income taxes

Tax expenses in the statement of income include taxes of the Group companies based on the taxable income of the period, tax adjustments for previous financial periods and the changes in deferred taxes. The statement of comprehensive income includes taxes on items presented in the statement of comprehensive income. Income tax receivables and payables are recognised

Note 2 (cont.)

at the amounts expected to be paid or recovered. Deferred tax assets or liabilities are calculated based on temporary differences between financial reporting and the taxation calculated with enacted or substantively enacted tax rates. Temporary differences arise, for example, from defined benefit plans, provisions, elimination of inter Alimak Group inventory profits, depreciation differences on fixed assets, tax losses carried forward and fair value adjustments of assets and liabilities of acquired companies. Deferred tax liabilities are recognised in full and deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the fair value of previously owned interest and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of income. Goodwill is not amortised but tested for impairment at least annually. The impairment testing is described in detail in the section Impairments. Goodwill is measured at cost less impairment. Impairment losses are recognised in the statement of income.

Other intangible assets

Other intangible assets include trademarks, technologies, order backlogs, and customer relationships. These assets are recognised on the balance sheet at their original cost less cumulative amortisations and impairment losses, if any, except for intangible assets acquired in a business combination which are measured at fair value at acquisition date.

Intangible assets with definite useful lives are amortised on a straight-line basis over their useful lives as follows:

Technologies	5–15 years
Customer relationships	5–15 years
Order backlogs	1–3 years

The assets' useful lives are reviewed, and adjusted if necessary, on each balance sheet date. Trademarks with indefinite useful lives or intangible assets under development are not amortised, but tested for impairment at least annually. The impairment testing is described in detail in the section Impairments.

Research and development costs

Research and development costs are expensed when incurred.

Property, plant and equipment

Property, plant and equipment are recognised on the balance sheet at cost less accumulated depreciations and impairment losses, if any. Depreciation is recognised on a straight-line basis to write off the cost less the estimated residual value over the estimated economic useful life of assets as follows:

Machinery and equipment	3–10 years
Rental equipment	8–12 years
Buildings	20–50 years

The assets' residual values and useful lives are reviewed, and adjusted if necessary, on each balance sheet date. The cost of major renovations is

included either in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Alimak Group and the cost of the item can be distinguished from ordinary maintenance and repair costs. Gains and losses on sales of property, plant and equipment are included in the operating profit.

Impairments

The book values of property, plant and equipment, intangible assets and other assets are reviewed for potential impairment on each balance sheet date. Should any indication arise, the asset is tested for impairment. Impairment testing determines the recoverable amount of an asset. The recoverable amount is the fair value less costs to sell, or the higher cash flow-based value in use. If the recoverable amount of a single asset cannot be reliably determined, the need for impairment is assessed on the lowest level of the cash generating unit (CGU) that is mainly independent of the other units, and whose cash flows are separately identifiable from the cash flows of the other units.

An impairment loss is recognised in the statement of income when the carrying amount of an asset exceeds its recoverable amount. A previously recognised impairment loss is reversed only if there has been a significant change in the estimates used to determine the recoverable amount, however, impairment loss can be reversed only to an extent that the carrying value of an asset is returned to a level where it would have been without the recognised impairment loss.

Goodwill and intangible assets with indefinite useful lives are not amortised, but are tested for impairment when any indication of impairment exists, but at least annually. Impairment testing is performed on the level of the CGU. Goodwill is allocated to those units or groups of units, identified in accordance with the operating segments that are expected to benefit from the business combination. The testing of other intangible assets with indefinite useful life is either performed as part of a CGU, or on an individual asset level if it is possible to determine independent cash flows for it. The determined recoverable amount of a CGU is based on value-in-use calculations. Value-in-use is determined by calculating the present value of the estimated future net cash flows. The discount rate applied is the pre-tax weighted average cost of capital that reflects the current market view of the time value of money and risks related to the tested unit.

An impairment loss is recognised in the statement of income when the carrying amount of the CGU exceeds its recoverable amount. Impairment loss is first allocated to goodwill and then to other assets on a pro rata basis. Impairment losses recognised for goodwill cannot be subsequently reversed.

Leases, Alimak Group as lessee

Alimak Group has rented property, plant and equipment. Lease agreements in which substantially all the risks and rewards incidental to ownership are not transferred to Alimak Group, are classified as operating leases. The lease obligations related to operating leases are not recognised on the balance sheet and the related lease expenses are recognised in the statement of income on a straight-line basis over the lease period.

Lease agreements, in which the Alimak Group has substantially all the ownership risks and rewards, are classified as finance leases. Finance lease agreements are recognised in the balance sheet as assets and liabilities at the inception of the lease period at the lower of the fair value of the leased equipment and the present value of the minimum

Note 2 (cont.)

lease payments. Assets acquired under finance lease agreements are depreciated over the shorter of the useful life of the asset or the lease period. Lease payments are allocated between repayments of the lease liability and finance charges, so that a constant interest rate on outstanding balance is obtained. Lease obligations, net of finance charges, are included in the interest-bearing liabilities.

Leases, Alimak Group as lessor

Alimak Group rents out equipment under operating leases with varying terms and renewal rights. In an operating lease the risks and rewards incidental to ownership of an asset remain with the lessor. The leased asset is recognised in the balance sheet according to the nature of the asset. Income from operating leases is recognised on a straight-line basis over the lease term. The depreciation of the leased asset is consistent with the normal depreciation policy of similar assets in own use.

In a finance lease the risks and rewards of ownership are transferred to the lessee. The sales profit is recognised similarly to profit from an outright sale. Finance lease receivables are recognised in balance sheet at present value. The financial income relating to the finance lease contract is recognised in the statement of income over the lease term to achieve a constant interest rate on outstanding balance.

Inventories

Inventories are measured at the lower of cost and estimated net realisable value. Cost is primarily determined using the weighted average method. The cost of inventory includes purchase cost as well as transportation and processing costs. The cost of self-manufactured finished goods and work in progress includes raw materials, direct labour, other direct costs and a proportion of both indirect costs related to manufacturing and overheads. An allowance is recorded for obsolete items. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

Financial assets

Classification and subsequent measurement

The Group classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

The classification requirements for debt and equity instruments are described to the right.

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as trade receivables, loan receivables as well as government bonds.

The Group classifies its debt instruments into one of the following two measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and are not designated as FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised (see impairment below). Interest income from these financial assets is included in the financial net using the effective interest rate method.

Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost are measured at fair value through profit and loss. A gain or loss on a financial debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in the financial net in the period in which it arises. Interest income from these financial assets is included in the financial net using the effective interest rate method. Interest income from these financial assets are recognised in net financial items using the effective interest method. Accounts receivables sold without right of recourse are classified as "Hold to Sell" with profit or loss reported in operating profit.

Debt instruments are reclassified only when the Group's business model for management of these assets is changed.

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Gains and losses on equity investments at FVPL are included in the financial net in the statement of comprehensive income. The Group does not have any material investments in equity instruments.

Impairment and expected loss

Alimak Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets not carried at fair value. The Group recognises a provision for such losses at each reporting date. The measurement of ECL reflects an unbiased and probability-weighted amount based on reasonable and supportable information available such as past events, current condition and forecasts of future economic conditions. For trade receivables, the group applies a simplified approach where the provision for bad debts will be based on future expected losses. To measure the expected credit losses, trade receivables are grouped into categories based on credit risk characteristics and days past due. If the provision is considered insufficient due to individual considerations, the provision is extended to cover the extra anticipated losses.

De-recognition

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Alimak Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

Note 2 (cont.)

Financial liabilities

Classification and subsequent measurement

All of the Groups financial liabilities, excluding derivatives, are classified as subsequently measured at amortised cost. Derivatives with negative fair values are classified as at fair value through profit or loss.

De-recognition

Financial liabilities are derecognised when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

Derivatives and hedge accounting

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Fair value gain or loss related to derivatives not designated or not qualifying as hedging instruments is recognised in profit or loss.

The Alimak Group applies the hedge accounting requirements of IFRS 9. For derivatives designated and qualifying as hedging instruments, the method of recognizing the fair value gain or loss depends on the nature of the item being hedged. Derivatives are designated as either:

- Hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges);
- Hedges of highly probable future cash flows attributable to a recognised asset or liability (cash flow hedges); or
- Hedges of a net investment in a foreign operation (net investment hedges).

The Group documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items based on the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity via other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive

income. Amounts accumulated in equity are recycled to the statement of profit or loss in the periods when the hedged item affects profit or loss. They are recorded in the income or expense lines in which the revenue or expense associated with the related hedged item is reported

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in equity via other comprehensive income; the gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income. Gains and losses accumulated in equity are included in the statement of comprehensive income when the foreign operation is disposed of as part of the gain or loss on the disposal.

Cash and cash equivalents

Cash and cash equivalents include cash balances, short-term bank deposits and other short-term liquid investments with maturities up to three months. Bank overdrafts are included in other current liabilities. In the statement of cash flows, bank overdrafts are deducted from cash and cash equivalents.

Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Pension obligations

Alimak Group operates various pension plans in accordance with local conditions and practices. The plans are classified either as defined contribution plans or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity with no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plans are charged directly to the statement of income in the year to which these contributions relate.

A defined benefit plan is a pension plan under which the Group itself has the obligation to pay retirement benefits and bears the risk of change in the value of plan liability and assets. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of reporting period less fair value of plan assets. The defined benefit obligation regarding each significant plan is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate or government bonds with approximating terms to maturity and that are denominated in the currency in which the benefits are expected to be paid. The applied discount rates are determined in each country by an external actuary. If an asset is recognised in the balance sheet based on the calculation, the recognition is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Note 2 (cont.)

Actuarial gains and losses related to remeasurements of a defined benefit plan and the effect of the asset ceiling, if any, are recognised directly in the statement of comprehensive income. Interest and all other expenses related to defined benefit plans are recognised directly in the statement of income.

If a plan is changed or curtailed, the portion of the changed benefit related to past service by the employees, or the gain or loss on curtailment, is recognised directly in the statement of income when the plan amendment or curtailment occurs.

Provisions

Provisions are recognised when Alimak Group has a current legal or constructive obligation because of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are accounted for using the best estimate for the costs required to settle the obligation on the balance sheet date. In case the time value of money is significant the provision is stated at present value.

Provisions for warranties cover the estimated costs to repair or replace products still under warranty on the balance sheet date. Provision for warranty is calculated based on historical experience of levels of repairs and replacements.

Provisions for product claims consist of expected costs arising from settling customer claims for which the value, probability and realisation can be estimated. A provision is recorded for a loss-making contract when the unavoidable costs required to fulfil the commitment exceed the gain to be received from the contract.

A restructuring provision is recorded when Alimak Group has prepared a detailed restructuring plan and started the implementation of the plan or communicated the plan. A restructuring plan shall include the following information: business which is affected, the main units and personnel affected by the restructuring, as well as the costs to be incurred and the timetable of the plan. A restructuring provision and other restructuring related expenses are booked to the function costs to which they by nature belong. However, in case of a significant restructuring programme of Alimak Group or its business area, restructuring costs are presented separately in the statement of income.

Profit distribution

Profit distribution includes dividends and donations decided by the Shareholders' Meeting. The distribution of profits proposed by the Board of Directors is not recognised in the financial statements until approved by Alimak Group AB's shareholders at the Annual General Meeting.

Treasury shares

When the Parent Company Alimak Group or its subsidiaries purchase shares of Alimak Group AB, the consideration paid and directly attributable costs are recognised as a deduction in Other contributed capital in equity. When such shares are sold, the consideration received, net of directly attributable transaction costs and income tax effect, is included in equity.

2.1 ESTIMATES AND ASSUMPTIONS REQUIRING MANAGEMENTS JUDGEMENT

When preparing the consolidated financial statements, the management makes estimates and assumptions which have an impact on reported assets and liabilities, presentation of the contingent assets and liabilities in notes

and reported income and expenses of the financial year. In addition, management judgement may be required in applying the accounting principles.

Estimates and assumptions requiring management judgement are based on the management's historical experience, best knowledge about the events and other factors, such as expectations on future events, which can be considered feasible. The actual amounts may differ significantly from the estimates used in the financial statements. Alimak Group follows the changes in estimates, assumptions and the factors affecting them by using multiple internal and external sources of information. Possible changes in estimates and assumptions are recognised in the financial period the estimate or assumption is changed. The most important items in the consolidated statements, which require the management's estimates and which may include uncertainty, comprise the following:

Impairment testing

Intangible assets and property, plant and equipment are tested for impairment always, when there is any indication of impairment. In assessing impairment both external and internal sources of information are considered. External sources include a significant decline in market value that is not the result of the passage of time, normal use of the assets or increase in interest rate. Internal sources of information include evidence of obsolescence of, or physical damage to, an asset. When the recoverable amount of an asset is less than the carrying amount, an impairment loss is recognised as an expense immediately, and the carrying amount is reduced to the asset's recoverable amount.

Goodwill and other intangible assets with indefinite life are allocated to cash generating units (CGU) and tested for impairment at least annually. The recoverable amounts of CGUs are based on value-in-use calculations. These calculations require the use of estimates. On December 31, 2018 Alimak Group had goodwill amounting to 2,298.8 (2,234.0) and other intangible assets with indefinite life totalling 631.3 (662.2). Additional information is given in Note 12 and 13.

Taxes

Determination of income taxes and deferred tax assets and liabilities and the amount of deferred tax asset to be recognised requires management judgement. On December 31, 2018, Alimak Groups balance sheet includes 68.3 (18.7) deferred tax assets resulting from tax losses carried forward.

Alimak Group is subject to income tax in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. Alimak Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. More information regarding taxes is presented in Note 11, Income taxes.

Business combinations

Net assets acquired through business combinations are measured at fair value. The consideration exceeding the value of net assets acquired is recognised as goodwill according to the accounting principles. The measurement of fair value of the acquired net assets is based on market value of similar assets (property, plant and equipment), or an estimate of expected cash flows (intangible assets). The valuation, which is based on

Note 2 (cont.)

prevailing repurchase value, expected cash flows or estimated sales price, requires management judgement and assumptions. The management trusts that the applied estimates and assumptions are sufficiently reliable for determining fair values. More information on the measurement of fair value of the assets acquired through business combinations is presented in Note 27, Acquisition and disposals.

Defined benefit plans

The present value of pension obligations depends on several factors determined on an actuarial basis by using several financial and demographic assumptions, and changes in these assumptions impact the carrying amount of pension obligations. The key financial assumption used in determining the net cost (income) for pensions is the discount rate. The appropriate discount rate is determined at the end of each year and is used in calculating the present value of estimated cash outflows to settle the pension obligation. In determining the appropriate discount rate, Alimak Group considers the yields of high-quality corporate or government bonds, depending on the country, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions related to pension obligations include financial assumptions such as estimated increases in salaries and pensions, and demographic assumptions such as mortality rates. Additional information on these assumptions and uncertainties related to them is disclosed in Note 22, Post-employment benefits.

Revenue recognition

When the goods sold are highly customised, revenue is recognised over time using the proportion of cost incurred to date compared to estimated total cost to measure progress towards transferring the control of the good to the customer. This is the case mainly within business area Industrial where "Building maintenance units" are manufactured and sold.

Application of this method requires either an estimate of the actual costs incurred in proportion of the estimated total costs or an estimate of the construction contract's physical stage of completion. Additionally, if the estimate of the outcome of the contract changes, the recognition of revenue and profit is adjusted in the period the change has come to attention and can be estimated. The expected loss from the construction contract is expensed immediately.

Provisions

A provision is recognised when Alimak Group has a present legal or constructive obligation because of past events, and it is probable that an outflow of resources will be required to settle the obligation. A provision may be recognised only when the amount can be reliably estimated. The amount to be recorded is the best estimate of the cost required to settle the obligation at the reporting date. The estimate of the financial impact of the past event requires management judgement, which is based on similar events occurred in the past, and where applicable, external experts' opinion. Provisions are reviewed on a regular basis, and when necessary, adjusted to reflect the current best estimate. The actual costs may differ from the estimated costs. The most significant provisions are warranty provisions, which include the cost of repairing or replacing products during the warranty period. Restructuring provision is recognised when Alimak Group has prepared a detailed restructuring plan and started the implementation of the plan or communicated the plan. Restructuring

costs are the expected costs directly related to restructuring provisions, and other incurred costs that the management considers as related to restructuring programmes, although not provided for. On December 31, 2018, provisions totalled 79.3 (82.4). Additional information about provisions is disclosed in Note 23, Provisions.

Inventories

Alimak Group recognises an allowance for obsolete inventory items at the end of the reporting period based on the best knowledge. The estimate is based on a systematic and continuous monitoring of the inventory. The nature, state, age structure and volumes based on estimated need are taken into consideration when estimating the amount of allowance. The amount of allowance for obsolete items in the balance sheet totalled 54.0 (48.6). Additional information about inventories is disclosed in Note 16, Inventories.

Fair value of financial assets and liabilities

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The fair value of the over-the-counter derivatives used for hedging is determined by using commonly applied valuation techniques, and by maximising the use of available market prices. In applying these techniques, judgement is used to select the applied method, and where appropriate, to make assumptions that are mainly based on existing market conditions at the reporting date.

Alimak Group recognises impairments on accounts receivable at the end of the reporting period based on the best knowledge when there is objective evidence that Alimak Group will not be able to collect all amounts due. Estimates are based on systematic and continuous follow-up as part of the credit risk control. The amount of impairment in the balance sheet on December 31, 2018 totalled 39.1 (25.1). Additional information regarding the impairment of accounts receivable is disclosed in Note 19, Accounts receivable.

2.2 APPLICATION OF NEW AND AMENDED IFRS AND IFRIC INTERPRETATION

New or amended accounting standards applied in 2018

The following new, amended or improved Accounting standards were applicable from January 1, 2018: IFRS 2 Share-based Payments; IFRS 4 Insurance Contracts; IFRS 9 Financial Instruments; IFRS 15 Revenue from Contracts with Customers; IAS 40 Investment Property; and Annual Improvements 2014–2016. The effects from the application of IFRS 9 and IFRS 15 are described below. The other new, amended or improved standards did not have any material impact on Alimak group financial statements.

New interpretations of accounting standards

Interpretation 22 Foreign Currency Transactions and Advance Considerations, issued by the International Financial Reporting Interpretation Committee (IFRIC), was applicable from January 1, 2018 and has had no material impact on the financial statements of Alimak Group.

IFRS 15 "Revenue from Contracts with Customers" is effective for the annual reporting period beginning January 1, 2018 and supersedes IAS 11 and IAS 18. Alimak has implemented the new standard using the full retrospective method. No adjustments to previous periods have been made as the impact on the revenue recognition from the new standard is immaterial. According to IFRS 15 Contract assets- and liabilities should be disclosed separately in the balance sheet. This has been made also for previous periods.

Note 2 (cont.)

IFRS 15 specifies how and when revenue should be recognised as well as requires more detailed revenue disclosures. The standard provides a single, principle based five-step model to be applied to all contracts with customers. Revenue is allocated to performance obligations (equipment and services) in proportion to standalone selling prices items of the individual. Revenue is recognised when (at a point in time) or as (over a period of time) the performance obligations are satisfied, which is determined by the manner in which control passes to the customer.

Alimak Group manufactures, sells and leases out solutions for vertical transports for the construction and industry sector. Alimak also provides support- and service for the installed base of units. The business is operated in four business areas Construction Equipment, Industrial Equipment, Rental and After Sales.

Some of the areas where the new revenue standard gives detailed guidance are important for Alimak, those are described below:

Combined offerings; Alimak offers combinations of transportation units (hoist, elevators, building maintenance units) and services. For each contract a detailed analysis is performed of the performance obligations included in the contracts. The price is allocated to the included components.

IFRS 15 gives guidance on how to recognise variable consideration. Alimak has some contracts with retroactive volume rebates. Alimak considers this already in the initial revenue recognition.

There is, in IFRS 15, specific criteria to decide if revenue should be recognised at a point in time or over a period of time. Alimak's business is to a large part recognised at point in time. Revenue is recognised when the control is passed to the customer. Both the revenue allocated to the equipment and the revenue allocated to installation is recognised at a point in time. For the equipment at delivery and for installation services when the installation is finalised. Some of the solutions delivered are highly specialised and adapted for each specific customer from a very early stage in the production. A large part of the production is performed on the customer site. For these projects Alimak recognises revenue according to rules for Percentage of completion. Percentage of completion is calculated as Incurred project cost/total estimated cost of completed project. For support- and other services, which normally are performed over a very short period of time, revenue is recognised when the service is performed.

Many of Alimak's contracts include warranty clauses. As the warranties normally follows legal requirements and/or industry practice they are accounted for as provisions according to IAS 37.

IFRS 9, Financial instruments is effective from January 1, 2018. The standard is replacing IAS 39, Financial instruments and include rules on classification and valuation of financial assets and liabilities and hedge accounting. Accounting principles applied by Alimak in accordance with IFRS 9 are consistent with those described in the annual report 2017, see Notes 2 and 16 There is no impact on the classification and valuation of financial assets or liabilities nor on the hedge accounting.

The standard also regulates impairment of financial assets. Alimak applies a simplified approach to measure and recognise expected credit losses for the remaining term no matter if a loss event has occurred or not. The method is based on historical loss data adjusted for current conditions. In addition to this an assessment is done of macroeconomic factors and forecasts of future events that can have an impact on the impairment need. There is no significant impact from adapting the impairment model to IFRS 9 for the Alimak Group.

New or amended accounting standards to be applied after 2018

The following new, amended or improved accounting standards have been published but are not mandatory for 2018 and have not been early adopted by Alimak Group: IFRS 3 Business Combinations; IFRS 16 Leases (endorsed by the EU on October 31, 2017); IFRS 17 Insurance Contracts; IAS 1 Presentation of Financial Statements; IAS 8, Changes in Accounting Estimates and Errors; IAS 19 Employee Benefits; IAS 28 Investments in Associates and Joint Ventures; Annual Improvements 2015–2017. The standards have not yet been endorsed by the EU unless stated above. The effects from the application of IFRS 16 are described below. The other new, amended or improved standards mentioned above are not expected to have any material impact on the financial statements of Alimak Group.

IFRS 16 "Leases" replaces the current IAS 17 "Leases" including interpretations in IFRIC 4 SIC 15 and SIC 27. The standard takes effect from January 1, 2019. IFRS 16 applies a control model to the identification of leases, distinguishing between lease and service contracts based on whether there is an identified asset controlled by the lessee. The standard removes the classification of leases as operating leases or finance leases, for lessees and instead introduces a single accounting model. In the model, leases result in the lessee obtaining the right to use an asset during the lease term and, if lease payments are made over time, also obtaining financing. Alimak Group's long-term operating leases will be recognised as non-current assets and financial liabilities in the consolidated statement of financial position. Instead of operating lease expenses, Alimak Group will recognise depreciation and interest expenses in the consolidated statement of comprehensive income. Lease payments will affect cash flow from operating activities (e.g. interest, low value asset leases and short-term leases), and cash flow from financing activities (repayment of the lease liability) in the cash flow statement. The standard does not include significant changes to the requirements for accounting by lessors.

Alimak Group will apply the new standard using the modified retrospective approach, which means that comparative figures will not be restated. The cumulative effect of applying IFRS 16 will be recognised at January 1, 2019. The lease liabilities attributable to leases which have previously been classified as operating leases under IAS 17 will be measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of January 1, 2019. Alimak Group will recognise a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised in the consolidated statement of financial position as of December 31, 2018. Hence, the transition to IFRS 16 will have no effect on group equity.

Alimak Group will not apply IFRS 16 to intangible assets. Non-lease components will be expensed and not accounted for as part of the right-of-use-asset or the lease liability. Alimak Group will at the date of initial application of IFRS 16 reassess whether a contract is or contains a lease.

For leases classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability under IFRS 16 at January 1, 2019, will be the carrying amount of the lease asset and lease liability accounted for under IAS 17 immediately before transition to IFRS 16.

The initial application of IFRS 16 will have the following estimated preliminary effects on the consolidated statement of financial position at the date of initial application January 1, 2019.

Note 2 (cont.)

BSEK	Jan 1, 2019
Right-of-use asset	0.4
Total assets	0.4
Lease liabilities	0.4
Total liabilities	0.4

Alimak Group has identified lease contracts relating to e.g. premises, cars and office equipment.

In determining the balances above, the main judgements made are related to determining the lease terms and whether a contract is or contains a lease. Regarding lease terms, most of the lease contracts for premises includes options either to extend or to terminate the contract. When determining the lease term, Alimak Group considers all facts and circumstances that creates an economic incentive to exercise an extension option, or not to exercise a termination option. Example of factors that are considered are; strategic plans, assessment of future technology changes, the importance of the underlying asset to Alimak Group's operations and/or costs associated with not extending or not terminating the lease.

The difference between Alimak Group's future minimum lease payments under operating lease agreements in accordance with IAS 17 and the lease liability which will be recognised as of January 1, 2019, in accordance with IFRS 16 is mainly related to finance leases, estimated lease term extension periods and reassessments of whether a contract is or contains a lease. See below reconciliation of lease obligations at December 1, 2018 and Lease liabilities at January 1, 2019.

Reconciliation Lease obligations to Lease liabilities, BSEK	Jan 1, 2019
Operating lease obligations at 31 December 2018	0.20
Option to prolong leases for premises	0.25
Gross lease liability at 1 January 2019	0.45
Discounting	-0.05
Additional lease liabilities as a result of the initial application of IFRS 16 as at 1 January 2019	0.4

Note 3. Financial risk management

As a result of the Group's global operations, it is exposed to financial risks. The Board of Directors is responsible for establishing the Group's finance policy, which comprises guidelines, targets and limits for financial management and management of financial risks.

The Treasury function is tasked with managing the Group's financial risks. The primary objective of the function is to contribute to the creation of value by managing the financial risks to which the Group is exposed in the course of regular business, and to optimise the Group's net financial items. The Treasury function also provides services to Group companies and is required to support subsidiaries with loans, investment facilities and foreign exchange transactions, and to act in an advisory capacity in financial matters. The function performs internal banking operations and is also responsible for the Group's cash management.

CURRENCY RISK

Currency risk is defined as the risk that fluctuations in foreign currencies have an adverse effect on the Group's cash flow, income statement or balance sheet. Foreign currency fluctuations affect the Group's results when sales and purchases in foreign subsidiaries are made in different currencies (transaction exposure). The Group's results are also impacted when the income statements and balance sheets of foreign subsidiaries are translated to SEK (translation exposure). The currencies with the highest impact on the Group's results and net assets are USD, AUD, EUR, DKK and GBP. Currency risk affects the Group's competitive situation in various ways.

Transaction exposure

Transaction exposure affects net profit for the sales and purchases made in currencies other than each units functional currency. Since a large percentage of production is concentrated within a few countries, while sales take place in many countries, the Group is exposed to a large net flow of foreign currencies. The exposures are, as far as possible, concentrated to countries where the production is located by invoicing the

sales companies in their respective reporting currency. The effects from exchange rate changes are reduced by using incoming currency flows for payments in the same currency and currency hedging. Yearly transaction exposure for essential currencies is shown in the table below.

TRANSACTION EXPOSURE, NET CASH FLOW 2018

Currency	Amount (MSEK)
AUD	111
EUR	20
GBP	145
SGD	21
SEK	-22
USD	564
Others	11

Trade accounts receivable and payable in, for the subsidiaries, foreign currencies are hedged through financial instruments. Orders are also hedged at the point of ordering to safeguard the gross margin and investment budget. As per December 31, 2018 currency forward contracts were used to hedge these flows. The nominal amount of the hedges was MSEK 568 (341) and the average maturity was 8 months (6 months). The unrealised net result from outstanding contracts was at year-end MSEK - 3.1 (0) of which MSEK -2.9 with maturity 2019 and -0.2 with maturity 2020 and beyond.

Translation exposure

Translation exposure affect net profit for the year when the financial results of subsidiaries in various currencies are translated to SEK and other comprehensive income when net assets in various currencies are translated to SEK.

Note 3 (cont.)

INTEREST RATE RISK

Interest rate risk is defined as the risk that changes in the market interest rate will adversely impact on the Group's net interest items. How quickly a change in interest rates shows through will depend on the fixed-interest term of the assets or liabilities. The average fixed-interest term for the Group's borrowing was 2.4 months (2.5) at year-end.

On June 29, 2018 the Group signed a multi-currency senior revolving facility of MSEK 2,500 replacing the facilities from 2015 and 2016.

Drawdowns under the senior credit facility are fixed with floating interest. The average interest rate on the Group's interest-bearing loans was 1.8 per cent (1.5) at year-end 2018.

The Group's loan agreements include certain requirements – covenants – regarding key financial ratios. These covenants are represented by the following key financial ratios:

- The Group's operating profit before depreciation, in relation to net indebtedness and interest payments.
- The Group's net debt, in relation to equity.

MARKET RISK SENSITIVITY

		2018		2017	
		Effect on net profit for the year Change	Effect on shareholders' equity	Effect on net profit for the year	Effect on shareholders' equity
Market interest rates ¹	%	-9.5	-9.5	-9.7	-9.7
Exchange rates ²	SEK %	22.0	175.6	6.2	81.5
USD		-1.3	66.4	5.1	61.9
CNY		-0.6	7.3	-0.7	8.4
EUR (Incl DKK)		16.0	55.6	1.3	33.7
AUD		4.6	18.3	-4.8	-43.0
GBP		0.6	7.9	1.2	6.1
Others		2.7	20.3	4.0	14.2

1) Annual effect of a 1 per cent increase in all interest rates.

2) Effect from translation exposure of a unilateral weakening in SEK of 10 per cent against all currencies.

The table above shows the estimated effects of a parallel shift in all exchange rates and interest rates. The sensitivity analysis shows the estimated effects after tax, without taking the effects of cash flow hedges into account and with all other parameters assumed to be constant when the change in exchange rate or interest rate takes place.

FINANCING AND LIQUIDITY RISK

Financing risk is the risk that the Group cannot obtain adequate financing on acceptable terms at any given point in time. The senior revolving facility of MSEK 2,500 has a tenor of five years with maturity in 2023 with a possibility for 2 years extension. Liquidity risk is defined as the risk that the Group cannot full fill its short-term payment obligations. Under the financial policy of the Group, the liquidity reserve shall at all times be maintained such that it can cover the anticipated fluctuations in the daily business over a period of six months ahead. To meet this requirement the Group has overdraft facilities and confirmed credit facilities. The Group's overdraft facilities amount to MSEK 154.

CREDIT RISK

Credit risk is the risk that the counterpart in a transaction does not fulfil its contractual obligations.

The maximum credit exposure is equal to the carrying amount for the Group's financial assets. Given the Group's distribution of customers and the fact that the customers operate in different market and geographical segments, the general underlying credit risk is regarded as relatively low. Major exposures are subjected to credit assessments on a case-by-case basis. The Group's financial assets that have neither matured nor been impaired are considered to have high credit ratings.

MAXIMUM CREDIT EXPOSURE

	Dec 31, 2018	Dec 31, 2017
Other long-term receivables	8.7	41.5
Accounts receivable – trade	1,017.8	893.6
Derivatives	6.0	4.2
Other financial receivables	202.0	165.6
Cash and bank balances	355.6	341.3
Total	1,590.1	1,442.0

COMMODITY RISK

Commodity risk is defined as the risk that fluctuations in commodity prices will adversely affect the Group's profit. The Group's risk in connection with commodities is mainly confined to steel. The Group does not hedge commodity price risks.

EXCHANGE RATES

When translating the income statements of foreign subsidiaries to SEK, the average rate for the period concerned is used. The balance sheets are translated to SEK using the closing rate.

Currency	Average rate 2018	Closing rate, Dec 31, 2018	Average rate 2017	Closing rate, 31 Dec, 2017
AED	2.37	2.44	2.32	2.27
AUD	6.49	6.32	6.54	6.42
BRL	2.39	2.32	2.68	2.48
CAD	6.71	6.59	6.58	6.56
CNY	1.31	1.31	1.26	1.26
EUR	10.26	10.27	9.63	9.85
GBP	11.59	11.35	10.99	11.10
HKD	1.11	1.15	1.10	1.05
INR	0.13	0.13	0.13	0.13
KRW	0.008	0.008	0.007	0.008
NOK	1.07	1.02	1.03	1.00
RUB	0.14	0.13	0.15	0.14
SGD	6.44	6.56	6.18	6.16
USD	8.69	8.97	8.54	8.23

Note 4. Segment reporting

OPERATING SEGMENTS

The Group consists of the following operating segments: Construction Equipment, Industrial Equipment, After Sales and Rental. Operating segments are the Group's primary basis of classification.

Construction Equipment

The business area designs, develops, manufactures and distributes standard and custom-built hoists mainly for temporary installations. Customers are found in the construction industry and in construction-related rental.

Industrial Equipment

The business area designs, develops, manufactures and distributes standard and custom-built elevators and maintenance units mainly for permanent installations. Customers are found in industries such as power, wind, metal, mining, ports, cement and Oil & Gas.

After Sales

The business area offers servicing, spare parts, upgrades and training mainly for equipment manufactured by the Group. Customers are found in manufacturing industries, in the construction industry and in construction-related rental.

Rental

The business area offers rental and servicing of equipment manufactured by the Group's other business areas. Customers are found in the construction industry.

Geographical regions

The Group operates worldwide and normally all business segments are represented in the geographical regions of Europe, Asia and Australia, South and North America and Other Markets.

There are no intra-Group sales between the segments.

REVENUE AND PROFIT PER OPERATING SEGMENT

	Construction Equipment	Industrial Equipment	After Sales	Rental	Total, Group
2018					
External revenue	714.4	2,068.8	1,183.2	354.0	4,320.4
Operating profit/loss	124.1	-29.5	294.3	50.5	439.4
<i>Operating profit/loss %</i>	17.4	-1.4	24.9	14.3	10.2
Profit before tax	n/a	n/a	n/a	n/a	396.6
Net profit for the year	n/a	n/a	n/a	n/a	344.0

	Construction Equipment	Industrial Equipment	After Sales	Rental	Total, Group
2017					
External revenue	792.5	1,795.2	1,107.7	305.3	4,000.7
Operating profit/loss	101.8	-1.3	280.3	36.1	416.8
<i>Operating profit/loss %</i>	12.8	-0.1	25.3	11.8	10.4
Profit before tax	n/a	n/a	n/a	n/a	388.6
Net profit for the year	n/a	n/a	n/a	n/a	291.6

Note 4 (cont.)

GEOGRAPHICAL MARKETS

Revenues	2018	2017
Australia	436.8	391.6
China	457.1	411.1
Denmark	110.7	121.0
France	154.4	141.7
Germany	183.5	173.5
Hong Kong	108.3	99.5
Netherlands	109.4	103.5
Norway	111.5	99.7
Spain	161.8	165.3
Sweden	176.3	130.1
United Arab Emirates	187.6	167.3
United Kingdom	367.8	348.0
United States	954.8	890.1
Other Markets	800.4	758.3
Total	4,320.4	4,000.7

Intangible & Tangible Assets	2018	2017
Australia	615.8	702.8
China	76.1	73.6
Denmark	638.4	647.4
France	38.4	36.5
Germany	49.2	11.3
Netherlands	117.6	1.2
Norway	44.9	45.1
Spain	25.6	24.8
Sweden	1,042.0	1,133.2
United Kingdom	31.2	27.1
United States	604.4	552.3
Other Markets	4.3	1.1
Total	3,287.9	3,256.4

In 2018 the assets within the rental business were transferred from Sweden to the Netherlands.

Note 5. Revenues

REVENUES ARE SPLIT TO THE FOLLOWING RECOGNITION METHODS:

	2018	2017
Over time		
Construction Equipment	–	–
Industrial Equipment	889.1	889.1
After Sales	–	–
Rental	167.6	149.8
Total Over time	1,056.7	1,039.9
Point in time		
Construction Equipment	714.4	792.5
Industrial Equipment	1,180.2	906.1
After Sales	1,182.6	1,107.7
Rental	186.5	155.5
Total Point in time	3,263.7	2,961.8
Total	4,320.4	4,000.7

CONTRACT BALANCES WITH CUSTOMERS

At December 31, 2018	Contract assets	Contract liabilities
Opening balance	233.7	95.9
New advances from customers	–	177.3
Increase (+)/Decrease (–) due to revenue recognised	698.8	–190.2
Increase (+)/Decrease (–) due to transfers to receivables	–683.9	–
Revaluations	–10.1	–
Translation difference	5.9	4.8
Closing balance	244.4	87.8

The increases/decreases in the table above related to contract assets reflect the total adjustment needed to align revenue recognition for work completed but not yet invoiced at year end. Out of the total balance of MSEK 244, MSEK 222 is estimated to be invoiced within one year.

Note 6. Operating costs

	2018	2017
Raw materials and consumables	–2,008.6	–1,901.0
Personnel costs	–1,383.6	–1,207.5
Consulting costs	–91.0	–77.3
Depreciation/amortisation	–118.1	–112.6
Other costs	–279.7	–285.5
Total	–3,881.0	–3,583.9

Note 7. Number of employees, employee benefits and remuneration to Board of Directors and senior executives

	2018		2017	
	Average number of employees	Of whom, women, %	Average number of employees	Of whom, women, %
Sweden	386	15	388	15
Norway	43	19	49	18
Denmark	43	26	60	35
Netherlands	72	13	79	11
Belgium	5	0	2	0
France	52	13	54	15
United Arab Emirates	94	3	89	3
United Kingdom	132	13	103	16
Germany	159	17	172	18
Italy	9	11	9	11
Korea	11	9	12	17
Russia	13	23	12	17
Singapore	25	16	38	24
Spain	375	11	343	10
Austria	–	–	5	40
Malaysia	12	17	8	0
Australia	154	9	141	9
USA	161	19	155	13
China	552	16	618	14
India	38	3	42	2
Brazil	41	22	59	17
Total	2,377	14	2,438	13

Group's gender breakdown in corporate management	2018	2017
	Representation, women, %	Representation, women, %
Board of Directors	25	25
Other senior executives	11	13
Salaries, benefits, other remuneration and social welfare contributions		
	2018	2017
Salaries and benefits	1,078.5	959.7
Social welfare contributions	305.1	247.8
Total, Group	1,383.6	1,207.5
Of which, pension costs included in social security costs	67.5	52.7

Of the Group's pension costs, MSEK 1.9 (1.8) pertains to the category of Board of Directors and CEO. The Group's outstanding pension commitments to the latter amount to – (–).

Breakdown of salaries and other remuneration, by Board members and other employees	2018		2017	
	Board of Directors and President	Other employees	Board of Directors and President	Other employees
Sweden	7.9	180.6	12.0	175.0
(Of which, bonuses etc.)	(0.8)	(2.0)	(3.4)	(6.0)
Outside Sweden	–	890.0	–	772.7
(Of which, bonuses etc.)	–	(20.1)	(–)	(27.4)
Total, Group	7.9	1,070.6	12.0	959.7
(Of which, bonuses etc.)	(0.8)	(22.1)	(3.4)	(37.3)

Long-term incentive programme (LTI)

At the 2018 Annual General Meeting, it was decided to launch a long-term incentive programme (LTI 2018). The purpose of the programme is to strengthen the Alimak Group's ability to recruit and maintain employees, to broaden and increase share ownership amongst the key employees, and to ensure a common focus on long-term growth in shareholder value which ensures that shareholders and the relevant employees will have the same targets. Through a performance-based stock savings programme, the rewards provided to key employees can be linked to the Alimak Group's

future earnings and growth thereby prioritizing long-term growth and ensuring that the shareholders and relevant employees have the same targets.

The programme covers 20 senior executives and key employees within the Alimak Group. In order to participate in the programme, a personal investment in the Company's shares is required. After the qualifying period, the participants will be allotted shares in the Company without any payment of consideration provided that certain qualifying terms and conditions have been fulfilled. In order for these so-called Performance Share Rights to entitle the participant to receive shares in the Company,

Note 7 (cont.)

continued employment with the Alimak group is required during the qualifying period and the employee's own investment in shares in the Company must have been maintained in its entirety throughout the same period of time. In order for allotment of shares to take place, a financial performance target related to the average earnings per share for the Alimak group during the 2018 and 2019 financial years must also be achieved.

For the Long term incentive program, personnel costs during the vesting period are recognised based on the shares fair value on the allotment date. Fair value of the performancebased shares is based on the share price on the respective allotment date. Personnel costs for shares relating to the program are calculated on each accounting date based on an assessment of the probability of the performance targets being met. The

costs are calculated based on the number of shares Alimak Group expects to need to settle at the end of the vesting period. Fair value is adjusted for participants who do not retain their holding of shares for the duration of the respective programme. Social security contributions must be paid in some countries to the value of the employee's benefit. This value is based on fair value and recognised as a provision for social security contributions. The Long term incentive program is equity settled and an amount equivalent to the personnel cost is recognised in Other contributed capital.

The fair value of the Alimak share on the allotment date for LTI 2018 as of Dec 5 2018 was SEK 121.

The total cost of the Alimak Group's long-term incentive programme, LTI 2018, excluding social security costs amounted to MSEK 0.2 in 2018.

2018	Salary/Board fee	Variable remuneration	Other benefits	Pension cost	Total
Board of Directors					
Jan Svensson, Board chairman (Member until and Chairman from AGM May 2018)	0.6	–	–	–	0.6
Anders Jonsson, Board Chairman (Chairman until and Member from AGM May 2018)	0.5	–	–	–	0.5
Anders Thelin (until AGM May 2018)	0.1	–	–	–	0.1
Eva Lindqvist (until AGM May 2018)	0.1	–	–	–	0.1
Joakim Rosengren	0.3	–	–	–	0.3
Helena Nordman-Knutson	0.4	–	–	–	0.4
Christina Hallin (from AGM May 2018)	0.2	–	–	–	0.2
Tomas Carlsson (from AGM May 2018)	0.2	–	–	–	0.2
President	4.6	0.8	–	1.9	7.2
Other senior executives (9 persons)*	18.3	8.3	0.4	3.7	30.8
Total	25.3	9.1	0.4	5.6	40.4

*At the end of 2018, the Group Management Team consisted of CEO, COO, CFO, CTO and the Head of Business Area Construction who is also Head of BA Rental, Head of BA After Sales, Head of Business Unit General Industry, Head of BU Wind and Head of BU BMU.

2017	Salary/Board fee	Variable remuneration	Other benefits	Pension cost	Total
Board of Directors					
Anders Jonsson, Board Chairman (Member until and Chairman from AGM May 2017)	0.5	–	–	–	0.5
Anders Thelin (Chairman until and Member from AGM May 2017)	0.5	–	–	–	0.5
Carl Johan Falkenberg	0.3	–	–	–	0.3
Eva Lindqvist	0.4	–	–	–	0.4
Joakim Rosengren	0.3	–	–	–	0.3
Helena Nordman-Knutson	0.4	–	–	–	0.4
Jan Svensson (from EGM Nov 2017)	0.1	–	–	–	0.1
President	4.2	3.4	–	1.8	9.4
Other senior executives (11 persons)*	25.3	6.0	1.1	5.3	37.7
Total	32.1	9.4	1.1	7.1	49.7

*At the end of 2017, the Group Management Team consisted of CEO, COO who is also CFO, CTO and the Head of Business Area Construction who is also Head of BA Rental, Head of BA After Sales, Head of Business Unit General Industry, Head of BU Wind and Head of BU BMU.

Note 7 (cont.)

Board of Directors

Fees are paid to the Chairman and Board members in accordance with resolution of the AGM. The President and employee representatives are not paid Board fees. Under a resolution of the 2018 AGM, the annual fees to Board members elected by the AGM total SEK 2,520,000. Of this amount, SEK 600,000 is paid to the Board Chairman and SEK 300,000 each to other Board members. Furthermore, it was decided that a fee of SEK 100,000 be paid to the Chairman of the Audit Committee, SEK 75,000 to the Chairman of the Remuneration Committee, SEK 70,000 to each member of the Audit Committee (excluding the Chairman) and SEK 50,000 to each member of the Remuneration Committee (excluding the Chairman). The Audit Committee consists of Helena Nordman-Knutson (Chair), and Tomas Carlsson. The Remuneration Committee consists of Eva Lindqvist (Chair), Anders Jonsson and Anders Thelin. The Board members are not entitled to any benefits after leaving the Board.

Group Management

Remuneration to the President and other members of Group Management consists of base salary, variable salary, other benefits and pension. The variable salary generally amounts to a maximum of 40 per cent of the annual base salary and is linked to the Company's performance.

President and Chief Executive Officer

For the President and CEO Tormod Gunleiksrud, an annual fixed salary of SEK 4,557,387 and a variable salary of SEK 773,935 was expensed in 2018. The amounts are affected by the size of the previous year's reserve, the year's reserve and the year's cash payments. Tormod Gunleiksrud receives no benefit in the form of housing, company car or other benefits in kind. Every year, pension premiums calculated at 35 per cent of the annual base salary are placed in a direct pension plan classified and accounted for as a defined contribution plan. The direct pension plan is guaranteed through pledged endowment policies owned by the Company. Tormod Gunleiksrud's pensionable age is 65. Tormod Gunleiksrud's period of notice for terminating his employment contract is 6 months, while 12 months applies if the contract is terminated by the Company. The President is entitled to severance pay amounting to 12 months' base salary.

Other members of Group Management

The members of Group Management – senior executives – who are employed in Sweden are entitled to pension benefits corresponding in all essential respects to the Swedish ITP pension plan.

Senior executives who are not employed in Sweden are generally covered by defined contribution pension plans. In most cases, the pensionable age for senior executives is 65 years. For a majority of the senior executives, a notice period of 6 to 12 months applies if the employment is terminated by the Company. Four senior executives are entitled to severance pay for a period of 12 to 18 months.

Note 8. Fees to auditors

	2018	2017
Ernst & Young:		
Auditing assignment	8.9	4.8
Audit work outside the scope of the audit assignment	0.6	0.9
Tax advice	0.7	0.2
Other services	0.3	–
Total	10.5	5.9
Other auditors:		
Auditing assignment	2.7	7.0
Audit work outside the scope of the audit assignment	0.1	1.1
Tax advice	3.2	1.4
Other services	1.1	0.5
Total	7.1	10.0

Note 9. Depreciation/amortisation

	2018	2017
Depreciation/amortisation according to plan per asset		
Other intangible assets	51.1	47.8
Land and buildings	14.7	9.1
Plant and machinery	15.0	13.7
Equipment, tools and fixtures and fittings	12.9	16.4
Rental equipment	24.4	25.6
Total	118.1	112.6

Depreciation/amortisation according to plan per function

Cost of goods sold	53.1	50.4
Selling expenses	54.3	51.1
Administration expenses	8.5	9.0
Development expenses	2.2	2.1
Total	118.1	112.6

Note 10. Financial income and expense

	2018	2017
Financial income		
Interest income	6.9	3.8
Exchange gains	38.0	64.1
Total	44.9	67.9
Financial expense		
Interest expense	-46.9	-52.1
Exchange losses	-40.8	-44.0
Total	-87.7	-96.1

Note 11. Taxes

The Group's tax cost for the year totalled MSEK -52.6 (-97.0), corresponding to an effective rate of 13 per cent (25). The tax rate may vary from year to year, due in part to changes in where the Group's profits arise.

	2018	2017
Current year tax expense	-130.9	-104.6
Tax expense for previous years	-2.0	-3.0
Deferred tax	80.3	10.8
Total	-52.6	-97.0

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company has in its estimates, following the prudence principle, taken into consideration the expiry dates of the tax losses. On December 31, 2018, Alimak Group had MSEK 517 (590) of tax losses of which deferred tax assets were recognised with 244 (70). This explains the effect from previously unrecognised tax losses with MSEK 40 in the reconciliation of effective tax rate below.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax liabilities with current tax receivables and when the deferred income taxes relate to the same fiscal authority.

Effect of changed tax rates in 2017 refers to lowered tax rates in US.

Reconciliation of effective tax	2018	2017
Income before taxes	396.5	388.6
Tax at statutory tax rate 22% for Alimak Group AB	-87.2	-85.5
Effect of different tax rates in foreign subsidiaries	1.5	-11.0
Tax expense for previous years	-2.0	-3.0
Tax exempt income and non-deductible expenses	6.3	-11.5
Previously unrecognised tax losses and temporary differences	39.8	9.6
Unrecognised current year tax losses and temporary differences	-6.5	-9.3
Adjustment to previous years deferred taxes	-1.5	-0.6
Effect of changes in tax rates	-3.0	14.3
Effective tax recognised	-52.6	-97.0

Note 11 (cont.)

2018	Opening balance	Recognised in Income Statement	Recognised in Other Comprehensive Income	Acquisitions/ Disposals	Exchange rate differences	Other reclassification	Closing balance
Deferred tax assets							
Property, plant and equipment	3.6	1.4	–	–	–	–	5.0
Financial instruments	0.2	–0.6	0.6	–	–	–	0.2
Inventories	10.6	–0.9	–	–	–	–	9.7
Current receivables	2.9	38.0	–	–	0.2	–0.2	40.9
Provisions	26.0	10.3	–1.7	–	1.5	–0.5	36.6
Untaxed reserves	–	0.2	–	–	–	–	0.2
Loss carry-forwards	18.7	49.7	–	–	0.6	–0.7	68.3
Total	62.0	98.1	–1.1		2.3	–1.4	159.9
Deferred tax liabilities							
Property, plant and equipment	31.6	–	–	–	–0.5	–21.8	9.3
Intangible non-current assets	153.7	–3.2	–	–	–3.0	24.8	172.3
Provisions	2.5	1.9	–	–	–	–4.4	0.0
Untaxed reserves	25.1	–16.5	–	–	–	–	8.6
Total	212.9	–17.8	–		–3.5	–1.4	190.2

Tax loss carry-forwards

	Recognised		Not recognised		Total	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Expires in five years	24.0	–	191.8	248.7	191.8	248.7
Expires after five years	4.0	–	30.4	32.1	30.4	32.1
With expiration date	28.0	–	222.2	280.9	222.2	280.8
No expiration date	215.9	69.1	50.5	240.3	294.4	309.4
Total tax loss	243.9	69.1	272.7	521.1	516.6	590.2

Note 12. Other intangible assets

2018	Trademark	Customer relations	Technology	Order backlog	Development costs	Total
Accumulated historical cost						
Opening balance	441.1	189.5	52.0	22.5	12.5	717.6
Acquisitions	–	–	1.2	–	9.0	10.2
Sales, disposals	–	–	–	–	–3.3	–3.3
Translation differences for the year	4.7	4.3	4.1	–0.4	0.9	13.6
Reclassifications	–	11.2	–9.6	0.1	–1.7	0.0
Closing balance, acquisition values	445.8	205.0	47.7	22.2	17.4	738.1
Accumulated amortisation						
Opening balance	–	–33.8	–4.6	–13.6	–3.6	–55.6
Sales, disposals	–	–	–	–	3.1	3.1
Amortisations for the year	–	–36.2	–4.7	–8.9	–1.3	–51.1
Translation differences for the year	–	–2.6	–0.5	0.3	–0.4	–3.2
Reclassifications	–	–2.1	1.9	–	0.3	0.0
Closing balance, amortisation	–	–74.7	–7.9	–22.2	–1.8	–106.8
Carrying amount at year-end	445.8	130.3	39.8	–	15.4	631.3
2017						
	Trademark	Customer relations	Technology	Order backlog	Development costs	Total
Accumulated historical cost						
Opening balance	–	10.5	–	–	12.4	22.9
Acquisitions	455.0	179.1	52.9	24.5	0.1	711.6
Translation differences for the year	–13.9	–0.1	–0.8	–2.0	0.0	–16.9
Reclassifications	–	–	–	–	–	–
Closing balance, acquisition values	441.1	189.5	52.0	22.5	12.5	717.6
Accumulated amortisation						
Opening balance	–	–2.6	–	–	–11.8	–14.4
Amortisations for the year	–	–29.4	–3.2	–14.5	–0.7	–47.8
Translation differences for the year	–	–1.7	–1.4	0.9	0.3	–1.9
Reclassifications	–	–	–	–	8.6	8.6
Closing balance, amortisation	–	–33.8	–4.6	–13.6	–3.6	–55.6
Carrying amount at year-end	441.1	155.7	47.4	8.9	8.9	662.0

The trademarks have been valued at fair value in connection with the acquisition. The trademarks have been assessed to have indefinite useful lives and it is estimated that they will create cash flow for an indefinite period. The estimate is based on their global, regional or customer seg-

ment specific market leadership and their long history. The trademarks are continuously developed and are tested for impairment whenever Goodwill is reviewed for impairment. The process is described in more detail in Note 13, Goodwill. Trademarks are all included in business area Industrial.

Note 13. Goodwill

	2018	2017
Accumulated historical cost		
Opening balance	2,448.1	1,994.8
Aquisitions	–	516.2
Translation differences for the year	64.8	-62.9
Closing balance, acquisition values	2,512.9	2,448.1
Accumulated impairment losses		
Opening balance	-214.1	-214.1
Impairment losses for the year	–	–
Closing balance, impairment losses	-214.1	-214.1
Carrying amount at year-end	2,298.8	2,234.0

Goodwill has been allocated to the following cash flow generating units, MSEK:

	2018	2017
Business area Construction Equipment	98.8	95.2
Business area Industrial Equipment	931.0	905.1
Business area After Sales	1,269.0	1,233.7
Business area Rental	–	–
Total	2,298.8	2,234.0

Goodwill is reviewed for potential impairment whenever there is an indication that the current value may be impaired, or at least annually. Impairment testing of goodwill is carried out by allocating goodwill to the lowest cash generating unit level (CGU) which generates independent cash flows. These levels have been identified according to the operative business organisation to be the reported operating segments.

The recoverable amounts of the cash generating units (CGU) are determined on the basis of value-in-use calculations. The future cash flow projections are based on the strategic plans approved by the top management and the Board of Directors. Cash flow projections cover 10 years, of which the last year is used to define the terminal value. Cash flows beyond the forecast period are projected by using a 2 per cent long-term growth rate except for Rental where 1 per cent long-term growth has been used.

The key assumptions made by the management in the projections relate to market and profitability outlooks. Market share and growth

potential in both new equipment and service markets have been taken into account when defining future sales growth. Key factors affecting profitability are sales volume, competitiveness and cost efficiency. The better average profitability of the After Sales business means that its relative share of sales also has an impact on profitability. The utilisation rate of factories and assembly units and their cost competitiveness also have an impact on profitability. The ongoing profit improvement programme are expected to further improve the profitability in the coming years.

The discount rate used in the impairment testing is the weighted average cost of capital (WACC) determined for each segment that reflects the total cost of equity and debt, and the market risks related to the segment. Components of WACC are the risk-free interest rate, market risk premium, Alimak Groups beta, gearing and credit spread. The discount rate used in impairment testing has been determined similarly as in 2017. The WACC used for Construction was 8.6 per cent, for Industrial 7.9 per cent, for After Sales 7.6 per cent and for Rental 8.6 per cent. Discount rates have decreased from previous year mainly because of the decrease in Alimak Groups beta and the lower risk-free rate that is derived from government bond yields.

As a result of the impairment tests performed no impairment loss has been recognised in 2018 or in 2017.

The Net present value for each Cash generating unit is depending on the assumptions made when calculating the discounted cash flows. Alimak Group has made simulations of how the Net present value changes if important assumptions would change. When comparing carried value of Net operating assets to Net present value with an increase of the discount rate of 2% or more the Net present value would be lower than Carrying value. Also, should future EBITDA margin decrease with 1.5% or more, the Net present value would be lower than carrying value. Finally, should forecasted sales growth in the forecast period decrease with 2.2% or more, the Net present value would be lower than carrying value.

For other cash generating units the sensitivity analysis shows that no changes of discount rate within reasonable limits would impact the Net present value to be lower than carried value of Net assets. For these units there is substantial headroom for changes of all important parameters that could lead to an impairment need. The sensitivity analysis shows that the value of goodwill and other assets with indefinite life is well above Net present value if the discount rate is increased with 1 per cent or if long term growth rate beyond the forecast period is decreased with 1 per cent for all cash generating units. Also forecasts for sales growth and EBIT-margin is included in the sensitivity analysis and changes within reasonable limits of these parameters will not lead to an impairment need for other cash generating units.

Note 14. Property, plant and equipment

2018	Land and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Rental equipment	Total
Accumulated historical cost					
Opening balance	175.2	177.0	70.8	318.5	741.5
Acquisitions	12.6	20.9	11.4	18.5	63.2
Sales and disposals, etc.	0	-5.7	-4.6	0	-10.3
Reclassifications	-1.5	-12.6	-1.3	15.4	0
Translation differences for the year	1.6	3.8	2.9	-0.3	7.8
Closing balance, acquisition values	187.8	183.3	79.1	352.0	802.4
Accumulated depreciation					
Opening balance	-49.0	-80.4	-40.0	-211.7	-381.1
Sales and disposals, etc.	0	3.4	4.2	1.2	8.8
Depreciation according to plan for the year	-14.7	-15.0	-12.9	-24.4	-67.0
Translation differences for the year	-1.3	-2.3	-2.1	0.4	-5.3
Reclassifications					
Closing balance, depreciation	-65.0	-94.3	-50.7	-234.5	-444.6
Carrying amount at year-end	122.8	89.0	28.4	117.6	357.8
2017					
Accumulated historical cost					
Opening balance	75.4	133.6	62.4	360.2	631.6
Acquisitions	97.7	51.3	14.4	10.1	173.5
Sales and disposals, etc.	-	-6.6	-3.8	-51.1	-61.5
Translation differences for the year	2.1	-1.3	-2.1	-0.8	-2.1
Closing balance, acquisition values	175.2	177.0	70.9	318.4	741.5
Accumulated depreciation					
Opening balance	-34.9	-75.0	-33.0	-230.0	-372.9
Sales and disposals, etc.	-	6.5	7.5	43.2	57.2
Depreciation according to plan for the year	-9.1	-13.7	-16.4	-25.6	-64.8
Translation differences for the year	0.0	1.8	1.9	0.8	4.5
Reclassifications	-5.1	-	-	-	-5.1
Closing balance, depreciation	-49.1	-80.4	-40.0	-211.6	-381.1
Carrying amount at year-end	126.1	96.6	30.9	106.8	360.4

Note 15. Leased assets

The Group has operating lease commitments as a lessee. Operating lease costs consist mainly of rents for premises and are recognised among operating costs. In 2018, leasing costs totalled MSEK 88.4 (34.2). The total includes minimum lease charges of MSEK 51.3 (18.4). Future lease charges fall due as follows:

	2018	2017
Within 1 year	75.2	49.6
Between 1 and 5 years	108.4	63.6
More than 5 years	17.6	6.8
Total	201.2	120.0

Note 16. Inventories

	2018	2017
Raw materials and consumables	316.2	190.0
Work in progress	90.1	85.0
Finished products and goods for resale	273.1	307.8
Total	679.4	582.8

The inventory value includes a provision of TSEK 54.0 (48.6) for obsolescence.

In 2017 Work in process included Contract assets with MSEK 233.8, these are reclassified out of Inventory.

Note 17. Financial assets and liabilities

Financial assets	Carrying amount		Fair value	
	2018	2017	2018	2017
Derivatives	–	4.2	–	4.2
Loans and receivables at amortised cost				
Long-term receivables	–	41.5	–	41.5
Accounts receivable	–	893.6	–	893.6
Other financial receivables	–	165.6	–	165.6
Cash and cash deposits	–	341.3	–	341.3
Derivatives				
Financial assets at fair value through profit and loss	0.3	–	0.3	–
Derivatives in Hedge accounting	5.7	–	5.7	–
Financial assets at amortised cost				
Long term receivables	8.7	–	8.7	–
Accounts receivable	1,017.8	–	1,017.8	–
Other short term receivables	202.0	–	202.0	–
Cash and cash equivalents	355.6	–	355.6	–
Total	1,590.1	1,446.2	1,590.1	1,446.2

Financial liabilities	Carrying amount		Fair value	
	2018	2017	2018	2017
Derivatives	9.0	4.2	9.0	4.2
Financial liabilities measured at amortised cost				
Long-term loans from financial institutions	1,110.5	1,205.0	1,110.5	1,211.1
Current liabilities to credit institutions	111.9	46.0	111.9	46.0
Accounts payable	448.9	393.0	448.9	363.0
Other financial liabilities	256.2	204.0	256.2	243.0
Total	1,936.5	1,852.2	1,936.5	1,867.3

Note 17 (cont.)

2018	Gross amount	Offset amounts	Net amount on balance sheet	Amounts covered by framework agreement for offsetting or similar agreement*.		
				Financial instruments	Financial collateral, received/provided	Net amount
Derivative assets	6.0	–	6.0	–6.0	–	–
Derivative liabilities	9.0	–	9.0	–9.0	–	–

2017	Gross amount	Offset amounts	Net amount on balance sheet	Amounts covered by framework agreement for offsetting or similar agreement*.		
				Financial instruments	Financial collateral, received/provided	Net amount
Derivative assets	4.2	–	4.2	–4.2	–	–
Derivative liabilities	4.2	–	4.2	–4.2	–	–

*These financial assets and liabilities are offset only in case of insolvency or payment default by either party.

During the financial year, no financial assets or financial liabilities were reclassified among the valuation categories below.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

2018				
Financial assets	Level 1	Level 2	Level 3	Total
Currency derivatives	–	6.0	–	6.0
Total	–	6.0	–	6.0
Financial liabilities				
Currency derivatives	–	9.0	–	9.0
Total	–	9.0	–	9.0

2017				
Financial assets	Level 1	Level 2	Level 3	Total
Currency derivatives	–	4.2	–	4.2
Total	–	4.2	–	4.2
Financial liabilities				
Currency derivatives	–	4.2	–	4.2
Total	–	4.2	–	4.2

FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST, WHERE FAIR VALUE IS PROVIDED FOR INFORMATION

2018				
Financial liabilities	Level 1	Level 2	Level 3	Total
Long-term loans from financial institutions	–	–	1,110.5	1,110.5
Current liabilities to credit institutions	–	–	111.9	111.9
Total	–	–	1,222.4	1,222.4
2017				
Financial liabilities	Level 1	Level 2	Level 3	Total
Long-term loans from financial institutions	–	–	1,211.1	1,211.1
Current liabilities to credit institutions	–	–	46.0	46.0
Total	–	–	1,257.1	1,257.1

The fair value of long and short term liabilities to credit institutions is calculated for disclosure purposes, by discounting future cash flows at the current interest rate for the remaining term to maturity.

The Group classifies financial assets and liabilities measured at fair value in a fair value hierarchy based on the information used in the valuation of each asset and liability.

Level 1 – Quoted prices for identical assets and liabilities on an active market.

Level 2 – Quoted prices on markets that are not active, quoted prices for similar assets and liabilities, information other than quoted prices that are observable directly or indirectly primarily for the instrument's entire term and input data for valuation models obtained from observable market data.

Level 3 – Information that is important for the asset's or liability's present value is not observable, unless the Group's own assessments are applied.

The fair value of forward exchange contracts is calculated by discounting the difference between the contracted forward rate and the forward rate that may be subscribed for on the balance sheet date for the remaining contract period. A risk-free interest rate based on government bonds is applied for discounting.

Note 17 (cont.)

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

2018	Jan 1, 2018	Cash flows	Changes in fair value	Reclassifications	Translation difference	Dec 31, 2018
Current interest-bearing borrowings	46.0	-33.8	-	99.7	-	111.9
Non-current interest-bearing borrowings	1,205.0	-	-	-99.7	5.2	1,110.5
Derivatives	4.2	2.1	2.7	-	-	9.0
Total	1,255.2	-31.7	2.7	0.0	5.2	1,231.4

2017	Jan 1, 2017	Cash flows	Acquisitions of subsidiaries	Changes in fair value	Translation difference	Dec 31, 2017
Current interest-bearing borrowings	78.7	-33.4	0.7	-1.1	-	46.0
Non-current interest-bearing borrowings	450.5	250.9	507.5	-3.9	-	1,205.0
Derivatives	7.7	-3.5	-	-	-	4.2
Total	536.9	214.0	508.2	-5.0	-	1,255.2

Note 18. Equity and Earnings per share

Share capital	Issued Share capital (SEK)	Number of issued shares	Quotient value
Issued share capital			
December 2016	866,526	43,326,289	0.02
New share issue 2017	216,631	10,831,572	0.02
Issued share capital			
December 2017	1,083,157	54,157,861	0.02
Issued share capital			
December 2018	1,083,157	54,157,861	0.02

Treasury shares

On December 6, 2018 Alimak Group acquired 100,000 own shares at an average price of SEK 120 to cover commitments under the "Long term incentive programme 2018". As of December 2017 no shares were held by the Company itself or by its subsidiaries.

Earnings per share and dividends	Jan-Dec 2018	Jan-Dec 2017
Net income attributable to owners of the Parent Company (MSEK)	344.0	291.6
Average number of outstanding shares, basic and diluted (thousands)	54,158	51,131
Earnings per share basic and diluted (SEK)	6.35	5.58
Ordinary cash dividend (for 2018 as proposed by the board of directors)	2.75	2.30

Note 19. Accounts receivable

	2018	2017
Accounts receivable – trade, gross	1,056.9	918.7
Accumulated reserve for bad debts, opening balance	-25.1	-11.1
Acquisition of subsidiaries	-	-9.8
Provisions for the year	-22.1	-6.6
Reversals of provisions for the year	8.8	2.5
Exchange rate differences	-0.7	0.1
Accumulated reserve for bad debts, closing balance	-39.1	-25.1
Carrying amount at year-end	1,017.8	893.6

Age analysis for overdue trade accounts receivable not considered bad debts

	2018	2017
1–30 days	250.8	154.2
31–90 days	88.6	131.0
91–120 days	31.2	52.5
> 120 days	80.9	46.6
Total at year-end	451.5	384.3

Note 20. Prepaid expenses and accrued income

	2018	2017
Prepaid lease charges and rent	5.2	3.4
Accrued sales revenue	33.4	20.4
Prepaid insurance	15.5	12.8
Bank charges and legal costs	0.4	0.5
Transport subsidies and fees	1.8	3.1
IT services	16.5	8.7
Other	12.0	7.8
Carrying amount at year-end	84.8	56.7

Note 21. Maturity analysis, receivables and liabilities

2018	Carrying amount	<1 year	1 year–5 years	>5 years
Long-term loans from financial institutions	1,110.5	–	1,110.5	–
Carrying amount at year-end	1,110.5	–	1,110.5	–
Current liabilities to credit institutions	111.9	111.9	–	–
Carrying amount at year-end	111.9	111.9	–	–

2017	Carrying amount	<1 year	1 year–5 years	>5 years
Long-term loans from financial institutions	1,205.0	–	1,205.0	–
Carrying amount at year-end	1,205.0	–	1,205.0	–
Current liabilities to credit institutions	46.0	46.0	–	–
Carrying amount at year-end	46.0	46.0	–	–

BORROWINGS

The Long term borrowings of MSEK 1,110 is within the frame of the senior revolving facility of MSEK 2,500. The facility has a tenor of five years with maturity in 2023 and a possibility for 2 years extension.

The average fixed-interest term for long-term borrowing was 2.4 months (2.5) at year-end.

The average interest rate on the Group's interest-bearing loans was 1.8 per cent (1.5) at year-end.

The Group's loan agreements with banks contain specific requirements, covenants. These covenants are represented by the following key financial ratios:

- the Group's net debt, in relation to EBITDA.
- the Group's net debt, in relation to equity.

Note 21 (cont.)

FINANCIAL DERIVATIVE INSTRUMENTS

The table below shows the fair values of the Group's financial derivative instruments for management of financial risks.

Fair value	December 31, 2018		December 31, 2017	
	Assets	Liabilities	Assets	Liabilities
Currency forwards				
Cash flow hedges	6.0	9.0	4.2	4.2
Carrying amount at year-end	6.0	9.0	4.2	4.2

ASSET MANAGEMENT

Capital comprises both equity and borrowed capital. The aim of capital management in the Group is to ensure the Group's continued existence and freedom to trade, and to ensure that owners receive a return on funds invested. The division between equity and borrowed capital shall be such that a good balance between risk and return is maintained. The capital structure is adjusted when necessary to meet changes in economic requirements and other global factors. In order to maintain and adjust the capital structure, the Group can distribute funds, increase equity by issuing new shares or capital contributions or sell assets to reduce liabilities or, alternatively, increase liabilities in order to acquire assets.

MATURITY ANALYSIS, CONTRACTUAL INCOMING/OUTGOING PAYMENTS

2018	<1 month	1–12 months	1–5 years	>5 years
Financial assets				
Other long-term receivables	–	4.0	3.0	1.7
Accounts receivable – trade	446.5	571.3	–	–
Derivatives	–	6.0	–	–
Other receivables	64.3	104.3	–	–
Accrued income	1.1	32.3	–	–
Deposit	4.8	31.4	–	–
Cash and bank deposits	255.1	64.3	–	–
Total	771.8	813.6	3.0	1.7

2018	<1 month	1–12 months	1–5 years	>5 years
Financial liabilities				
Liabilities to credit institutions	18.6	93.3	1,110.5	–
Accounts payable – trade	127.1	321.8	–	–
Derivatives	–	9.0	–	–
Other liabilities	27.1	229.1	–	–
Total	172.8	653.2	1,110.5	–

Financial liabilities consist of undiscounted amounts, including future interest payments.

Note 21 (cont.)

2017

Financial assets	<1 month	1–12 months	1–5 years	>5 years
Other long-term receivables	–	0.6	39.6	1.3
Accounts receivable – trade	289.8	597.1	6.7	0.0
Derivatives	–	4.2	–	–
Other receivables	23.7	65.9	–	0.3
Accrued income	0.1	15.8	0.0	–
Deposit	2.4	23.3	2.6	0.3
Cash and bank deposits	118.1	194.5	0.1	–
Total	433.1	901.4	49.0	1.9

2017

Financial liabilities	<1 month	1–12 months	1–5 years	>5 years
Liabilities to credit institutions	–	46.0	1,205.0	–
Accounts payable – trade	63.5	328.6	0.8	0.1
Derivatives	–	4.2	–	–
Other liabilities	24.3	77.9	0.5	–
Total	87.8	456.7	1,206.3	0.1

THE CASH FLOW HEDGE RESERVE IS EXPECTED TO IMPACT BOTH INCOME STATEMENT AND CASH FLOW IN THE PERIODS STATED BELOW

	2018	2017
Within 1 year	–1.9	0.2
More than 1 year	–	–
Total	–1.9	0.2

The effect realised from cash flow hedges is recognised in Cost of goods sold in the income statement.

Note 22. Post-employment benefits

DEFINED CONTRIBUTION PENSION PLANS

The Group's defined contribution pension plans cover employees in all companies. Some employees in some companies are however covered by defined benefit pension plans. The defined contribution pension plans primarily cover retirement pensions, sickness pensions and family pensions. The premiums are paid on an ongoing basis throughout the year by the Group Company concerned, to various insurance companies. The size of the premiums are based on salary.

Group President & CEO Tormod Gunleiksrud is covered by a direct pension plan, which is classified and reported as a defined contribution plan. The direct pension plan is guaranteed via a pledged endowment policy owned by the Company.

DEFINED BENEFIT PENSION PLANS

The Group's defined benefit pension plans cover employees mainly in Alimak Hek AB in Sweden, Alimak Hek Ltd in the UK and Manntech GmbH in Germany. In addition, defined benefit pension plans are to a lesser extent operated in the Netherlands, Italy and France. According to these defined benefit plans, employees have a right to pension benefits based on their pensionable income and number of years of service. The pension plans primarily cover retirement pensions, sickness pensions and family pensions.

The pension plan in the UK is funded. The pension plan in Sweden is secured through balance sheet provisions, combined with credit insurance in the PRI Pension Guarantee and via pension insurance in Alecta. In the Swedish plan, all newly earned pension entitlements are secured through premiums to a defined contribution pension plan in Alecta. The year's pension plan costs to Alecta was MSEK 3.6 (3.2). The anticipated costs for 2019 are MSEK 3.2. The Group's share of the total premiums for ITP2 at Alecta is 0.01857 per cent (0.02015). On December 31, 2018, Alecta's surplus, expressed as the collective consolidation ratio, amounted to 142 per cent (154). The collective consolidation level consists of the market value for Alecta's assets as a percentage of the insurance obligations calculated in accordance with Alecta's actuarial calculation assumptions, which do not correspond with IAS19. Alecta's collective consolidation level is normally allowed to fluctuate between 125–175 per cent; if it falls below 125 per cent or goes above 175 per cent, measures are to be taken to create conditions to restore the consolidation level to within the normal range. In the event of low consolidation, one measure can be to increase the agreed price for new subscriptions and to increase existing benefits. In the event of a high consolidation, one measure can be to introduce a reduction in premiums. The discount rate used should reflect riskfree interest rate for the period the company is estimated to have the risk. This is achieved by applying the interest rate for housing bonds with a duration corresponding to remaining duration of the pension obligation. The discount rate based on this method is 2.1% (2.25%).

A sensitivity analysis has been performed for the defined benefit plans. If the discount rate were to decrease with 0,5% this would increase the value of the Swedish pension liability with MSEK 5.6, the German liability with MSEK 7.7 and the UK liability with MSEK 19.

Pension costs recognised in the income statement

	2018	2017
Defined benefit plans		
Cost of pensions earned during the year	0.7	2.6
Interest costs, net	1.6	2.2
Total for the period	2.3	4.8

Cost of defined contribution pensions	66.8	51.8
Total for the period	69.1	56.6

Pension costs recognised in other comprehensive income

	2018	2017
Defined benefit pensions		
Revaluation of pension liabilities	–4.8	–7.4
Revaluation of plan assets	–4.5	–0.1
Total for the period	–9.3	–7.5

Note 22 (cont.)

Carrying amount on the balance sheet	2018	2017
United Kingdom		
Present value of pension liabilities, funded plans	73.5	81.7
Fair value of plan assets	87.7	81.5
Net asset/debt funded plans	-14.2	0.2
Total United Kingdom	-14.2	0.2
Sweden		
Present value of pension liabilities, unfunded plans	41.3	39.9
Total Sweden	41.3	39.9
Germany		
Present value of pension liabilities, unfunded plans	44.1	42.4
Total Germany	44.1	42.4
Other countries		
Present value of pension liabilities, unfunded plans	5.7	4.0
Total other countries	5.7	4.0
Carrying amount at end of the period	76.9	86.5

Reconciliation of carrying amount on the balance sheet	2018	2017
Opening balance, net debt	86.5	58.0
Acquisition of subsidiaries	–	46.0
Cost of pensions earned during the year	2.9	2.9
Interest costs, net	1.0	1.7
Revaluation of pension liabilities	-4.7	-3.9
Revaluation of plan assets	-4.5	-3.3
Pension payments directly from employer	-3.4	-3.9
Contributions from employer	-2.6	-12.1
Other	–	0.2
Exchange rate differences	1.7	0.8
Closing balance, net debt	76.9	86.5

Reconciliation of present value of pension liabilities	2018	2017
Opening balance, pension liabilities	167.9	133.1
Acquisition of subsidiaries	–	46.0
Cost of pensions earned during the year	2.9	2.5
Cost relating to service in earlier periods	–	-6.9
Interest expense	3.2	4.2
<i>Revaluation of pensions:</i>		
– demographic assumptions	-0.1	-1.1
– financial assumptions	-5.6	0.3
– experience-based adjustments	1.0	-6.4
Pension payments	-8.4	-4.9
Contributions from employees	–	0.4
Other	–	0.2
Exchange rate differences	3.7	0.6
Closing balance, pension liabilities	164.6	168.0

Reconciliation of plan assets at fair value	2018	2017
Opening balance, plan assets	81.5	75.1
Interest income	2.2	2.1
Return over and above interest income	4.5	0.1
Contributions from employer	2.6	3.2
Contributions from employees	–	0.4
Pension payments from plan assets	-5.0	1.0
Exchange rate differences	1.8	-0.4
Closing balance, plan assets	87.7	81.5

Plan assets consist of investments in Deferred Allocation Funding With-Profits at Aviva, the UK's largest insurance company. The fund's assets are invested in the mix of stocks, bonds and real estate with an overall risk profile at low to medium level.

Significant actuarial assumptions applied	2018	2017
Sweden:		
Discount interest rate %	2.1	2.3
Future pension increases %	2.0	1.8
Life expectancy	DUS14	DUS14
United Kingdom:		
Discount interest rate %	3.1	2.6
Future salary increases %	2.5	2.5
Future pension increases %	2.5	2.5
Life expectancy	DUS14	PMA08, PFA08
Germany:		
Discount interest rate %	1.9	2.0
Future pension increases %	2.0	2.0
Life expectancy	DUS14	DUS14

FORECAST OF NEXT YEAR'S CASH FLOW, DEFINED BENEFIT PENSIONS

The projected charges for the pension plans for next year amounts to MSEK 5.0 (7.2).

Note 23. Provisions

2018	Warranty undertakings	Personnel costs	Final inspection costs	Project costs	Other provisions	Total
Carrying amount at beginning of year	22.3	28.3	2.9	6.6	22.3	82.4
Provision for the year	15.1	18.7	3.0	1.1	10.7	48.5
Amounts utilised	-13.5	-9.9	-2.1	-	-25.1	-50.6
Reversal of unutilised amounts	-1.1	-	-0.1	-0.1	-	-1.3
Reclassifications	-	-	-	-3.1	3.1	-
Exchange rate differences	0.2	0.3	0	-0.1	-0.1	0.3
Carrying amount at year-end	23.0	37.4	3.6	4.5	10.8	79.3
of which short term	1.3	8.8	1.0	1.3	6.5	18.9

2017	Warranty undertakings	Personnel costs	Final inspection costs	Project costs	Other provisions	Total
Carrying amount at beginning of year	10.3	4.8	1.9	2.0	1.5	20.6
Acquisitions	14.9	29.7	-	8.3	26.5	79.0
Provision for the year	12.5	13.3	-	0.5	10.1	36.3
Amounts utilised	-13.8	-13.1	-	-3.4	-15.0	-45.2
Reversal of unutilised amounts	-1.6	-1.8	1.0	-0.3	-0.9	-3.6
Reclassifications	-	-4.7	-	-0.6	-	-5.2
Exchange rate differences	0.0	0.0	-	0.0	0.4	0.4
Carrying amount at year-end	22.3	28.3	2.9	6.6	22.3	82.4
of which short term	-	-	-	-	-	-

Long term provision are estimated to be utilised within 3 years.

Note 24. Assets pledged and contingent liabilities

	2018	2017
Assets pledged		
Endowment insurance	10.4	10.5
Other	2.0	1.9
Total assets pledged	12.4	12.5
Contingent liabilities		
Guarantee commitments, FPG/PRI	0.6	0.6
Other contingent liabilities	448.5	445.7
Total contingent liabilities	449.1	446.3

The Group operates a defined contribution direct pension scheme covering the President & CEO. The pension scheme is secured via a pledge of the endowment insurance owned by the Company, whose value at the financial year-end was MSEK 10.4 (10.5).

Other contingent liabilities are mainly related to indemnity bonds for commitments of Group companies to their customers.

Note 25. Bank overdraft facilities

	2018	2017
Credit limits approved	154.0	100.0
Unutilised portion	141.9	86.8
Utilised credit	12.1	13.2

Note 26. Accrued expenses and deferred income

	2018	2017
Personnel costs	121.2	116.1
Prepaid income	7.1	24.3
Relocation costs	11.9	11.8
Project costs, installation projects	16.1	15.1
Consulting fees	21.6	14.3
Other items	41.4	12.2
Total	219.3	193.8

Note 27. Acquisition and disposals

Alimak Group has not acquired any companies or business operations in 2018.

In the first quarter of 2017, the acquisitions of Avanti Wind Systems and Facade Access Group were finalised. The acquisitions broaden and diversify the product portfolio of Alimak Group's business area Industrial

Equipment and provide a good foundation for continued expansion of the After Sales service and support portfolio offered by Alimak Group across brands. See the annual report 2017 for detailed information on the acquisitions.

See tables below for acquisitions made in 2017.

Purchase Price Allocation – Avanti Wind Systems	
Consideration paid – Cash	698.5
Fair value of identified assets acquired and liabilities assumed:	
Tangible fixed assets	28.7
Trade name	189.4
Customer relationships	123.1
Technology	28.4
Net working capital	274.5
Cash and cash equivalents	90.9
Deferred tax liability	-81.5
Interest bearing liabilities	-228.4
Assets acquired and liabilities assumed, net	425.3
Goodwill	273.2
Total consideration transferred	698.5

Purchase Price Allocation – Facade Access Group	
Consideration paid – Cash	511.6
Fair value of identified assets acquired and liabilities assumed:	
Tangible fixed assets	127.0
Trade name	265.6
Customer relationships	55.9
Order backlog	24.5
Technology	24.5
Net working capital	275.2
Cash and cash equivalents	34.2
Deferred tax liability	-97.9
Interest bearing liabilities	-313.0
Provisions for pensions	-40.5
Other provisions	-86.8
Assets acquired and liabilities assumed, net	268.6
Goodwill	243.0
Total consideration transferred	511.6

Note 28. Events after the balance sheet date

INTERIM MANAGEMENT CHANGES

Following on Michael Pagendam being on sick leave, Patrik Sundqvist was appointed Interim Global Head of Business Area After Sales on January 10, 2019.

ACQUISITION OF DATALINE I BORÅS AB

On April 2, 2019, Alimak Group announced the conclusion of an agreement to acquire Dataline i Borås AB. The company has been an important supplier

of control systems for construction hoists and permanent lifts for Alimak Group for more than two decades. The acquisition follows Alimak Group's strategy to invest in technologies to enable new, enhanced products and services, to increase future productivity and safety for customers.

The acquisition will be the first step for Alimak Group to establish an IoT development hub for new solutions to increase the performance and functionality of all the Group's products and services. The long-term aim is to increase safety and productivity for customers.

Parent Company Income Statement

Amounts in MSEK	Note	2018	2017
Net sales		17.0	10.0
Total revenue		17.0	10.0
Administration costs	A2, A3, A4	-40.2	-53.1
Operating profit		-23.2	-43.1
Interest income and similar profit/loss items	A5	45.6	28.5
Interest expense and similar profit/loss items	A5	-24.2	-17.7
Profit after financial items		-1.8	-32.4
<i>Appropriations</i>			
Group contributions received		-	215.0
Profit before tax			182.6
Income tax	A6	-0.1	-36.9
Net profit for the year		-1.9	145.7

Parent Company Balance Sheets

Amounts in MSEK	Note	31/12/2018	31/12/2017
ASSETS			
Non-current assets			
<i>Financial assets</i>			
Shares in Group companies	A7	1,898.4	1,898.4
Deferred tax assets	A6	1.1	1.0
Total non-current assets		1,899.5	1,899.4
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		1,594.5	1,666.0
Other current receivables		–	1.0
Prepaid expenses and accrued income		0.6	0.3
		1,595.1	1,667.3
<i>Cash and bank balances</i>			
		–	–
Total current assets		1,595.2	1,667.3
TOTAL ASSETS		3,494.6	3,566.7
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
A10			
Share capital		1.1	1.1
Revaluation reserve		200.0	200.0
		201.1	201.1
<i>Unrestricted equity</i>			
Share premium reserve		1,750.6	1,750.6
Retained earnings		952.6	943.6
Net profit for the year		–1.9	145.7
		2,701.3	2,839.9
		2,902.4	3,041.0
Long-term liabilities			
Liabilities to credit institutions	A8	106.6	63.9
		106.6	63.9
Current liabilities			
Liabilities to credit institutions, short term		29.8	13.2
Accounts payable – trade		0.4	0.6
Liabilities to Group companies		402.6	397.7
Tax liabilities		37.0	37.5
Other liabilities		2.3	10.3
Accrued expenses and deferred income		13.5	2.5
		485.6	461.8
TOTAL EQUITY AND LIABILITIES		3,494.6	3,566.7

For information on the Parent Company's pledged assets and contingent liabilities, see Note A9.

Parent Company Cash Flow Statements

Amounts in MSEK	2018	2017
Operating activities		
Profit before tax	-1.8	182.6
Adjustments for non-cash items	-7.0	-217.2
<i>Cash flow from changes in working capital</i>		
Increase(-)/decrease(+) in operating receivables	-0.8	-892.3
Increase(+)/decrease(-) in operating liabilities	3.0	115.6
Income tax paid	-0.3	0.6
Net cash flows from operating activities	-6.9	-810.7
Investing activities		
Sale of financial assets	-	2.8
Purchase of financial assets	-0.1	-0.6
Net cash flows from investing activities	-0.1	2.2
Financing activities		
Proceeds from borrowings	185.0	77.1
Repayment of borrowings	-256.3	-
Group contribution received	215.0	-
Proceeds from share issue	-	776.5
Purchase of Treasury shares	-12.1	-
Dividend paid	-124.6	-86.7
Net cash flows from financing activities	7.0	766.9
Net decrease in cash and cash equivalents	-	-41.6
Cash and cash equivalents at beginning of year	-	41.6
Cash and cash equivalents at year-end	-	-

ADDITIONAL DISCLOSURES TO THE PARENT COMPANY CASH FLOW STATEMENT

Amounts in MSEK	2018	2017
Interest received/paid		
Interest received	45.6	28.5
Interest paid	-24.2	-17.7
Adjustments for non-cash items		
Group contributions received, not settled	-	-215.0
Accrued costs of capital	-7.0	-2.2
Total	-7.0	-217.2

Statements of Changes in Parent Company Equity

2017

Amounts in TSEK	Share capital	Revaluation reserve	Share premium reserve	Retained profit including net profit for year	Total equity
Total equity, 1 January 2017	867	200,000	960,138	1,044,435	2,205,440
Dividend	–	–	–	–86,653	–86,653
Share issue, net	216	–	790,489	–14,203	776,502
Net profit for the year	–	–	–	145,668	145,668
Total equity, 31 December 2017	1,083	200,000	1,750,627	1,089,247	3,040,957

2018

Amounts in TSEK	Share capital	Revaluation reserve	Share premium reserve	Retained profit including net profit for year	Total equity
Opening balance 1 January 2018	1,083	200,000	1,750,627	1,089,247	3,040,957
Dividend	–	–	–	–124,563	–124,563
Purchase of Treasury shares	–	–	–	–12,090	–12,090
Net profit for the year	–	–	–	–1,891	–1,891
Total equity, 31 December 2018	1,083	200,000	1,750,627	950,703	2,902,413

Notes to the Parent Company financial statements

Amounts in MSEK unless otherwise indicated.

Note A1. Accounting policies

INFORMATION ABOUT THE COMPANY

Alimak Group AB, org. reg. no. 556714-1857, operates in the legal form of a public limited company. Its registered office is in Stockholm, Sweden. The address of the Company's headquarters is Brunkebergstorg 5, 3 tr, SE-111 51 Stockholm, Sweden.

The Parent Company applies the Swedish Financial Reporting Board's Recommendation RFR 2 Financial Reporting for Legal Entities. The Parent Company otherwise applies the same principles as the consolidated Group. Any deviations receive separate comment.

GROUP CONTRIBUTIONS AND SHAREHOLDERS' CONTRIBUTIONS

Shareholders' contributions are taken directly to the equity of the receiver and are capitalised in the shares and participations of the donor, provided that there is no need for impairment.

Group contributions are recognised in the income statement as appropriations.

SHARES IN SUBSIDIARIES

Shares in subsidiaries are recognised in accordance with the historical cost method. Acquisition-related costs for subsidiaries are expensed in the consolidated financial statements and are included as part of the historical cost of participations in subsidiaries. The carrying amount for shares in subsidiaries is tested for impairment annually or when there is any indication of impairment.

Note A2. Intra-Group sales and purchases

Of net sales, 100 per cent (100) relates to other Group companies. Of operating costs, 28 per cent (0) relates to purchases from other Group companies.

Note A3. Number of employees, employee benefits and remuneration to Board of Directors and senior executives

Average number of employees	2018		2017	
	Number	Of whom, women, %	Number	Of whom, women, %
Sweden	5	40	5	40

Proportion of women in Alimak Group's Board of Directors and management, %	2018	2017
	women, %	women, %
Board of Directors	25	25
Other senior executives	11	13

Salaries, benefits, other remuneration and social welfare contributions	2018		2017	
	Board and CEO	Other employees	Board and CEO	Other employees
Salaries, benefits and other remuneration	7.9	7.7	12.0	9.1
(of which, bonuses etc.)	0.8	1.4	(3.4)	(1.7)
Social welfare contributions	2.5	4.4	3.2	2.7
(of which, pension costs)	1.9	2.0	(1.8)	(1.3)
Total	10.4	12.1	15.1	11.8

The year's cost for Board fees, as per resolution of the 2018 AGM was MSEK 2.4 (2.5), excluding social welfare contributions.

Of the Group's pension costs, MSEK 1.9 (1.8) refers to the category of Board of Directors and CEO. The Group's outstanding pension commitments to the latter amount to 5.7 (5.5). The CEO is covered by a direct pension plan that is classified and recognised as a defined contribution plan. The direct pension plan is guaranteed via a pledged endowment policy owned by the Company.

For further information on remuneration to the Board members, the CEO and other members of Group Management, see Note 7 to the Consolidated financial statements.

Note A4. Remuneration to auditors

	2018	2017
Ernst & Young AB		
Auditing assignment	1.3	1.0
Audit work outside the scope of the audit assignment	0.3	0.9
Total	1.6	1.9

Note A5. Financial income and expense

	2018	2017
Financial income		
Interest income from Group companies	42.0	27.3
Interest income, other	1.6	1.0
Exchange gains	2.0	0.2
Total	45.6	28.5

Financial expense

Interest expense to Group companies	-3.9	-3.1
Interest expense, credit institutions	-6.7	-4.3
Other financial expense	-13.6	-10.3
Total	-24.2	-17.7

Since the beginning of 2016, the Company has been and is the principal account-holder of a Group-wide transaction account (cash pool) at a credit institution. Interest income and expenses relating to Group companies are managed via this account.

Note A6. Tax

	2018	2017
Current tax	0.0	-37.5
Deferred tax	-0.1	0.6
Total	-0.1	-36.9

Reconciliation of effective tax

	2018	2017
Pre-tax profit	-1.8	182.6
Income tax at current rate, 22 %	0.4	-40.2
Effect of share issue expenses	-	3.1
Permanently non deductible expenses	-0.6	-0.4
Change in deferred tax assets	0.1	0.6
Recognised effective tax	-0.1	-36.9

	2018			2017		
Deferred tax assets and liabilities	Assets	Liabilities	Net	Assets	Liabilities	Net
Pensions and similar commitments	1.1		1.1	1.0	-	1.0
Total	1.1		1.1	1.0	-	1.0

Note A7. Shares in Group companies

	2018	2017
Accumulated historical cost		
Opening balance	1,898.4	1,898.4
Shareholder contributions	-	-
	1,898.4	1,898.4

Accumulated impairment losses

Opening balance	-	-
Impairment losses for the year	-	-
Total	-	-
Carrying amount at year-end	1,898.4	1,898.4

Note A7 (cont.)

Subsidiary/ Org. reg. no. / Registered office	No. of shares	Holding, %	2018	2017
			Carrying amount	Carrying amount
Parent Company holdings				
Alimak Group Management AB/556064-1739/Stockholm, Sweden	6,378,000	100.0	1,898.4	1,898.4
Subsidiary Company holdings				
Alimak Group Sweden AB/556033-7528/Skellefteå, Sweden	360,000	100.0	–	–
Alimak Fastigheter HB/916594-5370/Skellefteå, Sweden		50.0	–	–
Alimak Hek Finance AB/556139-0583/Stockholm, Sweden	30,000	100.0	–	–
Alimak Fastigheter HB/916594-5370/Skellefteå, Sweden		50.0	–	–
Alimak Group Norway AS/971171898/Bergen, Norway	1,280	100.0	–	–
Alimak Group France SAS/348.000.480/Senlis, France	50,000	100.0	–	–
Manntech Fassadenbefahrsysteme GmbH/229733/Mammendorf, Germany	250,000	100.0	–	–
Alimak Hek GmbH/ HRB 4482, Heilbronn, Germany		100.0	–	–
Alimak Group UK Ltd/930125/London, United Kingdom	249,999	100.0	–	–
Alimak Hek Ltd/135-81-00265/Seongnam, Korea	12,500	100.0	–	–
Alimak Group Singapore Pte Ltd/199905041Z/Singapore	300,000	100.0	–	–
Alimak Hek Sdn Bhd/500452/Kuala Lumpur, Malaysia	500,000	100.0	–	–
CoxGomyl SE Asia Pte Ltd/Singapore		100.0	–	–
Alimak Group Australia Holdings Pty Ltd/627001709/Victoria, Australia	64,503,021	100.0	–	–
Alimak Group Australia Pty Ltd/ACN 005 538 947/Victoria, Australia	10,000	100.0	–	–
Facade Access Investment Holdings Pty Ltd/ACN124445969/Melbourne, Australia		100.0	–	–
Alimak Group Italy Srl/00678770520/Siena, Italy	485,715	100.0	–	–
Alimak Hek S.L./B-31-539513/Pamplona, Spain	3,999	100.0	–	–
Alimak Hek Vertical Access Equipment (Changshu)Co./78558003-2/Changshu, China		100.0	–	–
Changshu AlimakHek Imp. & Exp. Co. Ltd/320581000280767/Changshu, China		100.0	–	–
Alimak Group US Inc./06-1242771/Houston, USA	5,000	100.0	–	–
Avanti Wind Systems Inc/		100.0	–	–
CoxGomyl USA Inc/		100.0	–	–
Manntech North America Inc/		100.0	–	–
Alimak Hek BV/18012724/Tillburg, Netherlands	160	100.0	–	–
Alimak Hek NV/0479695484/Antwerp, Belgium	100	100.0	–	–
Avanti Group Denmark A/S/29215146/Hillerod, Denmark	377,751	100.0	–	–
Intervect Brasil Ltda/01.452.037/0001-13/Sao Paulo Brazil	1,556,234	100.0	–	–
Alimak Hek India Private Limited/U52341DL2008PTC173118/Secunderbad, India	99,990	100.0	–	–
Alimak Hek FZE/130418/Dubai, United Arab Emirates	1	100	–	–
Carrying amount at year-end			1,898.4	1,898.4

German subsidiaries that are subject to disclosure exemptions

The following German companies are fully consolidated and subject to disclosure exemptions pursuant to Sec. 264 para. 3 of the German Commercial Code ("HGB").

1. Manntech Fassadenbefahrsystem GmbH, domicile in Mammendorf, Germany
2. Alimak Hek GmbH, domicile in Heilbronn, Germany
3. Avanti Wind Systems GmbH, domicile in Elmshorn, Germany

Note A8. Long-term borrowings

2018				
Maturity structure	Carrying amount	<1 year	1 year–5 years	>5 years
Loans from financial institutions	–	–	106.6	–
Carrying amount at year-end	–	–	106.6	–

Note A9. Assets pledged and contingent liabilities

	2018	2017
Assets pledged		
For direct pension commitments	5.7	5.5
Total	5.7	5.5
Contingent liabilities		
Guarantee for subsidiaries' liabilities to credit institutions	1,155.1	1,249.8
Indemnity bonds for subsidiaries' guarantees	319.3	445.7
Total	1,474.4	1,867.8

The Group has a defined contribution direct pension plan for the CEO. The pension plan is guaranteed via a pledged endowment policy owned by the Company.

The Company's total limits for indemnity bonds for subsidiaries' guarantees are limited to MSEK 170.

Note A10. Equity

PROPOSED APPROPRIATION OF PROFIT, SEK

The following amounts are available for distribution by the Annual General Meeting

Retained earnings	2,703,221,345
Net loss for the year	–1,890,990

The Board of Directors proposes that the amounts are distributed as follows

Dividend of SEK 2.75 per share be paid to shareholders*	148,659,118
To be carried forward	2,552,671,237

*The proposed record day for dividend payment is May 13, 2019. The amount proposed as dividend corresponds to SEK 2.75 per share, based on the existing number of shares, 54,157,861 and excluding the 100,000 shares held by the Group.

Note A11. Events after the balance sheet date

For information on events after the balance sheet date, see Note 28 to the Consolidated Financial Statements.

Board of Directors' signatures

The undersigned declare that the consolidated accounts and the annual report have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and generally accepted accounting principles, and give a true and fair view of the financial position and earnings of the Group and the

Company, and that the Directors' Report for the Group and the Company give a fair overview of the development of the activities, financial position and financial results of the Group and the Company, and describe substantial risks and uncertainties that the Group companies face.

Stockholm, 9 April 2019

Jan Svensson
Chairman of the Board

Anders Jonsson
Board member

Christina Hallin
Board member

Tomas Carlsson
Board member

Helena Nordman-Knutson
Board member

Joakim Rosengren
Board member

Örjan Fredriksson
Board member & Employee representative

Greger Larsson
Board member & Employee representative

Tormod Gunleiksrud
President & CEO

Our Auditor's Report was submitted on 9 April 2019

Ernst & Young AB

Rickard Andersson
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Alimak Group AB (publ), corporate identity number 556714-1857.

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Alimak Group AB (publ) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 57–108 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

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

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of Goodwill

Description	How our audit addressed this key audit matter
In the consolidated balance sheet as per December 31, 2018 reported goodwill amounts to 2 298,8 MSEK, which equals 38% of the Company's total assets. As described in note 13 goodwill is reviewed for potential impairment whenever there is an indication that the current value may be impaired, or at least annually. Goodwill is allocated to cash generating units and if the book value of the unit exceeds the calculated recoverable value the asset is impaired and written down to the recoverable value. The recoverable amounts of the cash generating units are determined on the basis of value-in-use calculations. In note 13 it is described that the cash flow projections cover 10 years and is based on the Group's strategic plan with an assumed terminal growth rate of 2% annually for each cash generating unit except for Rental were 1 per cent long-term growth has been used. Due to the assumptions and judgments needed to calculate the value in use we have assessed the valuation of goodwill as a key audit matter in the audit.	In the course of our audit we have evaluated the Group's process for impairment testing of goodwill. We have audited how cash generated units are identified compared to set criteria and compared this with how goodwill is followed up internally. We have evaluated the Group's valuation methods and calculation models, assessed the reasonability of assumptions and sensitivity analyses over changes in assumptions with the assistances of our internal valuation specialists and made comparisons against historical results and the precision of prior projections. We have assessed the reasonability of the discount rate and the terminal growth rate for each of the cash generating units through benchmarking to market data and, where applicable, companies in the same industry. We have also audited the disclosures in the annual report relating to goodwill.

Revenue recognition

Description	How our audit addressed this key audit matter
<p>In the Group's statement of income for the period ended December 31, 2018 revenues amount to 4 320,4 MSEK. As described in Note 2 revenues from goods sold are generally recognized at point in time when control of the good has been transferred to the customer. When the goods sold are highly customized and an enforceable right to payment is present, revenue is recognized over time using the proportion of cost incurred to date compared to estimated total cost. Revenue from services are recognized at point in time when the service is performed. Revenues from the leasing of the Group's self-manufactured equipment is recognized on a straight-line basis over the lease term. We have assessed that revenue recognition is a Key Audit Matter since the Group makes assessments through the interpretation of agreements and delivery terms as well as estimations of the actual costs incurred in proportion of the estimated total costs which affects the accounting period in which revenue should be recognized.</p>	<p>In the course of our audit we have evaluated the Group's process for revenue recognition. We have performed analytic reviews, obtained and agreed terms to agreements, and sampled revenue transactions and verified correct cut-off, in connection to the year-end close of December 31, 2018, against customer agreements and delivery terms. For highly customized goods where revenue is recognized over time we have for a sample evaluated management's estimation of the actual costs incurred in proportion of the estimated total costs and on a sample basis tested that incurred cost such as invoices and hours spent are related to the highly customized goods. We have also audited the disclosures in the annual report relating to revenues.</p>

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–56 and 113–114. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the

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

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

Auditor's responsibility

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

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of

Directors and the Managing Director of Alimak Group AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

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

Basis for opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

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

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

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this,

is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality.

This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Ernst & Young AB, Box 7850 103 99 Stockholm, was appointed auditor of Alimak Group AB by the general meeting of the shareholders on the 16 May 2018 and has been the company's auditor since the 3 October 2013.

Stockholm April 9, 2019
Ernst & Young AB

Rickard Andersson
Authorized Public Accountant

Information to shareholders

The annual general meeting of Alimak Group AB (publ) will be held on Thursday, May 9, 2019 at 5:00 pm at St:a Clara, Klara Strand, Klarabergsviadukten 90, in Stockholm, Sweden. Registration begins at 4:30 pm.

Anyone wishing to attend the meeting must:

- be entered as a shareholder in the share register maintained by Euroclear Sweden AB as of Friday, May 3, 2019; and
- give notice to the Company of their intention to attend, by no later than Friday, May 3, 2019.

NOMINEE-REGISTERED SHARES

To be entitled to attend the meeting, holders of nominee-registered shares must instruct their nominee to have the shares registered in the holder's own name, so that the holder is entered in the share register maintained by Euroclear Sweden AB as of Friday, May 3, 2019. Such registration may be temporary.

PROXY AND PROXY FORM

Anyone who does not attend the meeting in person may exercise their rights at the meeting via a proxy in possession of a signed and dated form of proxy. Forms of proxy are available on the Company's website: www.alimakgroup.com. The form of proxy may also be obtained from the Company or be ordered over the telephone using the number below. If the proxy is issued by a legal person, a copy of registration certificate or equivalent documentary authority for the legal person must be appended. Unless a longer period of validity is specified on the form of proxy, subject to a maximum of five years, a power of attorney may not be older than one year. To facilitate entry to the meeting, forms of proxy, registration certificates and other documentary authority must be received by the Company in good time before the meeting.

NOTIFICATION TO THE COMPANY

- May be made via the Group website: www.alimakgroup.com;
- By letter to: Årsstämman i Alimak Group AB, c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden; or
- By telephone on (Int.+46) (0)8-402 92 08 (weekdays, from 9.00 a.m. to 4.00 p.m.)

When notifying the Company, please state

- your name or company name;
- personal ID or company registration number;
- address and daytime telephone number;
- number of shares;
- assistants, if any.

NOMINATION COMMITTEE

The Nomination Committee shall prepare proposals for the 2019 Annual General Meeting regarding the Chair of the Meeting, number of Directors of the Board, fees to be paid to each of the Directors of the Board, election of Directors of the Board and Board Chair, remuneration to the auditor and election of auditor and, if necessary, proposal for changes in the instruction for the Nomination Committee. The Nomination Committee for the AGM 2019 comprises the following members:

- Anders Mörck, Latour, Chair of the Nomination Committee
- Johan Lannebo, Lannebo Fonder
- Åsa Nisell, Swedbank Robur Fonder
- Francisco De Juan, Alantra EQMC Asset Management
- Michael Green, Handelsbanken Fonder
- Jan Svensson, Alimak Group's Chair of the Board

DIVIDEND

May 13, 2019 is proposed as the record day. If the meeting approves this proposal, it is estimated that the dividend will be paid by Euroclear Sweden AB on May 16, 2019.

For more information, please contact:
Mathilda Eriksson, Investor Relations Manager
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Definitions

In this report, alternative performance measures (APMs) are used, that is, key performance and earnings measures that are not defined in IFRS. APMs are used as guidance to both investors and management in their analysis of the Company's operations. The alternative performance measures used are described in the following.

Average number of shares

Weighted average number of shares outstanding during the period, plus potential additional shares.

Earnings per share

Earnings after tax in relation to the average number of shares basic and diluted.

EBITA

Operating profit before depreciation and amortisation of intangible assets.

EBITA adj

Operating profit before depreciation and amortisation of intangible assets. Items affecting comparability are added back.

EBITDA

Operating profit before depreciation and amortisation of property, plant and equipment and intangible assets.

Equity/assets ratio

Shareholders' equity as a percentage of total assets.

Equity per share

Shareholders' equity in relation to the number of basic shares outstanding at the end of the period.

Net debt

Interest bearing liabilities minus cash and cash equivalents.

Interest coverage ratio

Profit after financial items plus financial expenses in relation to financial expenses.

Items affecting comparability

Nonrecurring income or cost items with a major impact on profit and of significance to an understanding of the trend of income.

Net debt/EBITDA ratio

Interest-bearing liabilities net (excluding shareholder loans) and assets, plus cash and cash equivalents.

Net debt/equity ratio

Net debt in relation to shareholders' equity.

Organic growth

Growth adjusted for acquisitions/divestments and currency effects.

Operating margin (EBIT %)

Operating profit (EBIT), as a percentage of revenue during the period.

Operating profit (EBIT)

Profit before financial items and tax.

Order intake

All orders where contracts have been signed and confirmed during the accounting period under review. Cancelled orders affect the reported order intake if cancellation takes place during the year the order was booked.

Return on capital employed

Operating profit (EBIT), rolling 12-month amount, as a percentage of average capital employed. Capital employed is the sum of net debt plus shareholders' equity plus shareholder loans.

Return on equity

Profit after tax for the period, rolling 12-month amount, as a percentage of the average shareholders' equity excluding shares without a controlling interest.

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