

Annual Report 2019



2019

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Calendar	The Annual General Meeting (AGM) for the 2019 financial year will be held on May 7, 2020.	The Interim Report for the period January – June 2020 will be published on July 23, 2020.
	The Interim Report for the period January – March 2020 will be published on April 24, 2020.	The Interim Report for the period January – September 2020 will be published on October 22, 2020.

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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: A vertical sliding C-door of an Alimak construction hoist before assembly.



Alimak Group's products and solutions enable the building, operation and maintenance of future sustainable cities, communities and industrial applications in a safe and efficient way.

Alimak Group in brief

Alimak Group is a world-leading provider of vertical access solutions for professional use and has been a pioneer and industry leader for over 70 years. With a global reach spanning over more than 100 countries, the Group offers vertical access solutions adding customer value through greater safety, productivity and resource efficiency.

Business areas

CONSTRUCTION EQUIPMENT



ALIMAK

Construction Equipment offers a wide range of hoists, elevators and platforms based on rack-and-pinion technology. These are used temporarily during construction and refurbishment projects.

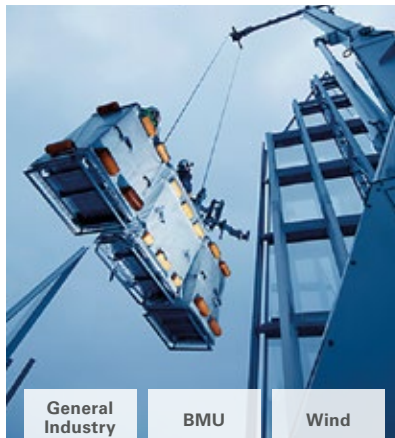
RENTAL



ALIMAK

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.

INDUSTRIAL EQUIPMENT



General Industry

BMU

Wind

ALIMAK

COX
COMYL
manntech

AVANTI

Industrial Equipment offers a wide range of elevators, platforms service lifts and maintenance units for permanent use across a broad spectrum of industries, including ports and shipyards, power, wind, cement, oil & gas as well as buildings and infrastructure.

AFTER SALES



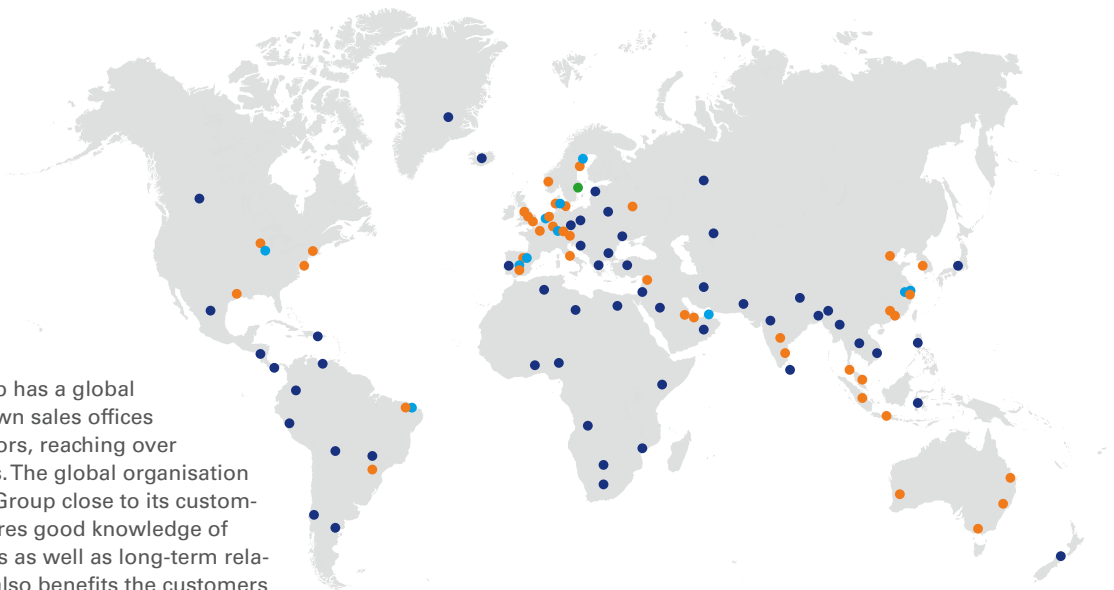
ALIMAK SERVICE

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

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 and ensures good knowledge of their business as well as long-term relationships. It also benefits the customers through a unique combination of international and local service and support.

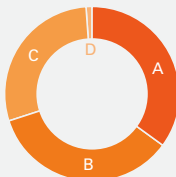
The Group has an installed base of around 70,000 units across the world.



- Headquarters
- 120+ distributors
- 56 own sales offices
- 11 production and assembly facilities

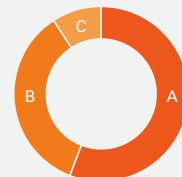
Revenue per region %

- _____ A) Europe, 35
- _____ B) APAC, 35
- _____ C) Americas, 29
- _____ D) ROW, 1



Employees per region %

- _____ A) Europe, 56
- _____ B) APAC, 35
- _____ C) Americas, 9
- _____ D) Other, 0



The year in brief

Key figures

	2019	2018	2017	2016	2015
Order intake, MSEK	4,363.2	4,621.1	4,101.2	2,143.9	2,109.1
Revenue, MSEK	4,587.4	4,320.4	4,000.7	2,048.6	2,036.3
Operating profit (EBITA adj.), MSEK	628.8	554.5	510.2	330.7	350.3
Operating margin (EBITA adj.), %	13.7	12.8	12.8	16.1	17.2
Operating profit (EBITA), MSEK	608.1	490.5	464.7	307.9	296.2
Operating profit (EBITA), %	13.3	11.4	11.6	15.0	14.5
EBIT, MSEK	565.1	439.4	416.8	306.8	296.2
Profit for the period, MSEK	394.0	344.0	291.6	194.0	135.0
Earnings per share ¹ , SEK	7.28	6.35	5.58	4.10	2.86
Earnings per share ² , SEK	7.28	6.35	5.38	3.58	2.49
Cash flow from operating activities, MSEK	502.1	239.9	335.4	224.0	239.8
Dividend, SEK	3.25 ³	2.75	2.30	1.60	2.00
Leverage (Net Debt/EBITDA)	1.33 ⁴	1.55	1.72	0.81	1.07

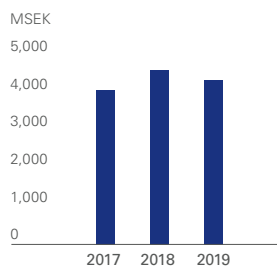
1. Previous periods have been adjusted to take into account the change in the number of shares after the completion of the rights issue in Q2 2017.

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

3. Proposed by the Board of Directors.

4. The leverage excluding the impact of IFRS 16 would be 0.97.

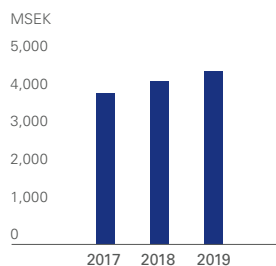
Order intake



■ Order intake

Order intake decreased by 6 per cent, 10 per cent organic decrease, to MSEK 4,363.

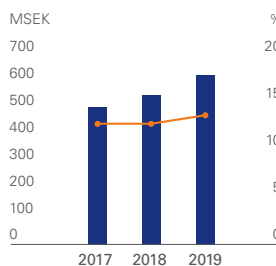
Revenue



■ Revenue

Revenue increased by 6 per cent, 2 per cent organic growth, to MSEK 4,587.

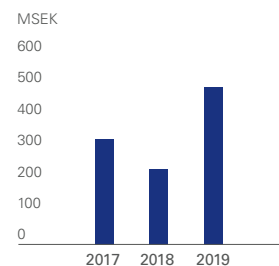
Profitability



■ EBITA adj.
— EBITA margin adj.

EBITA adj. increased to MSEK 629, with a margin of 13.7 per cent.

Cash flow



■ Cash flow from operations

Cash flow from operations more than doubled to MSEK 502.

Order intake

MSEK

4,363

Revenue

MSEK

4,587

EBITA adj.

MSEK

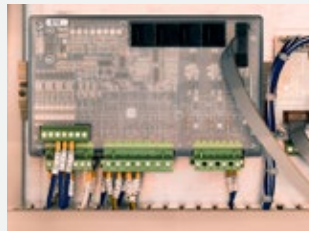
629

Cash flow from operations

MSEK

502

Important events 2019



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

On April 25, the Group announced the order for two CoxGomy! BMUs for the Landmark Pinnacle development in London to which Alimak Group previously provided construction hoists. This was the first joint construction and BMU order for Alimak Group showcasing the benefits of the integrated offering after the two large acquisitions in 2017.

On July 2, Alimak Group extended the multi-currency revolving credit facility with Handelsbanken that was signed in July 2018. The facility now runs until 2024 with the same terms and conditions.

On August 27, Alimak Group announced a broadened scope, of approximately MSEK 80, for the Sydney Harbour Bridge order that was awarded in October 2017. The total value thereby increased to MSEK 250.



On December 5, the Group announced the closing of Avanti's assembly unit in Tianjin, China, following the changed market conditions for wind tower internals. The Group now has eleven production and assembly facilities in eight countries.

A word from the CEO

Alimak Group made improvements in several areas in 2019. I was especially pleased with the fact that After Sales continued to grow and it will be in focus also in the years to come. The coronavirus outbreak is a new uncertainty for the business.

Throughout the year 2019, three main trends have impacted the Group and our financials: a weak construction equipment market, changed market conditions for Wind tower internals and good growth for our After Sales business.

The first two led to a decrease in order intake for the Group, with the consequent closing of our assembly plant in Tianjin, while the third was a result of continued good momentum of increasing the scope of services to our BMU and Wind customers. A major rationale behind the two large acquisitions in 2017 was the potential to develop the after-market business in Facade Access Group and Avanti Wind Systems and I am pleased to see the progress in this area. This trend also impacted the product mix for the business area as After Sales for the acquired businesses still is biased towards the service offering over spare parts, which led to somewhat lower margins for the year. At the same time, profit increased as a result of the higher revenue.

All in all, 2019 was a year with many improvements for Alimak Group, with three out of four business areas reporting all-time high revenues and an improvement of 0.9 percentage points of the EBITA margin adj., though not quite up to my ambition and plan.

CONNECTIVITY TO FUEL AFTER SALES GROWTH

After Sales will continue to be an area of strong focus for Alimak Group in the years to come. Growth in this business area is instrumental to taking the Group to where we want to be. We need to both go wider, by touching a broader part of the product portfolio that serves as our installed base across the world, as well as deeper by developing our service offering to bring more value to our customers. Therefore, I am excited about the development of the next generation control system, and the opportunities that it will provide for having our products real-time connected with value-added functionality for our customers.

With the acquisition of Dataline in 2019, we are now in a much better position to develop solutions where we own the intellectual property, and we can move faster from being a mechanical biased company to control a full ecosystem for IoT-connected products, allowing us to faster analyse and understand the condition of our installed products out at the customers' sites, providing huge opportunities for After Sales to go after.

BUILDING, OPERATING AND MAINTAINING THE FUTURE

We constantly need to make sure that our business is conducted with all our stakeholders in mind. In a world that is growing and becoming ever more global, mega cities are created – driven by population growth and urbanisation. These growing communities need infrastructure, housing and renewable energy.

Alimak Group's vertical access solutions enable the development of this in an efficient way, but most importantly through higher safety via vertical access automation at the customer's facilities. Sustainable operations as well as focus on the people are necessary to achieve this.

Alimak Group is 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. We have expanded the mapping of the Sustainable Development Goals in this year's sustainability report.

SHORT-TERM CHALLENGES

Looking ahead, we see continued opportunities, but we are facing short-term challenges. We entered 2020 with a lower backlog in Construction Equipment. The backlog in BMU is promising, but with scheduled deliveries that are overweight to the latter part of the year. This will have an impact on our financials in the first two quarters.



Additionally, the business areas are facing new challenges following the outbreak of the coronavirus. We are taking all available measures to protect our employees, and the health and safety of our people is our number one priority.

While we in February were challenged with the virus outbreak in China and the closing of our factories there, we have seen China recovering, being back on nearly normal capacity while the virus outbreak has spread to the rest of the world. How this will impact Alimak Group is too early to say with the rapid development.

We experience country by country locking down for activities that are not critical to maintain the most important functions of the communities, and we have to prepare ourselves for difficult months ahead, that could even go beyond the first half of 2020.

The corona outbreak affects the entire vertical access industry. However, we have an advantage through our well diversified manufacturing footprint across the world, giving us the opportunity to move product lines between regions, and even if we are not manufacturing the exact same solutions, we are able to offer alternative products to customers with a current demand. When it comes to supporting the customers, we have the most comprehensive network in the market with Alimak Service, so we need to make sure that we use that strength and the opportunity whenever the situation allows for it.

Tormod Gunleiksrud
President & CEO

Strategy and targets

A close-up, low-angle shot of a metal mesh or grate. The mesh consists of rectangular openings, with the top edges of the bars being a bright blue color and the bottom edges and the mesh itself being a copper or bronze color. The lighting is dramatic, creating strong highlights and deep shadows, giving the texture a three-dimensional appearance. The background is dark and out of focus.

Market and global presence

As a global player with sales to over 100 countries, market conditions for the Group vary by geographical region and customer sectors. The Group's vertical access solutions and services are tailored to meet these different end-market requirements.

The Group has specialised in vertical access solutions for professional use, with 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. The Group's facade access portfolio also includes certain hydraulic technology.

CUSTOMERS

The customer base is diverse and fragmented with a few, large regional and many local players for all business units except Wind whose customer base is more consolidated. Customers operate over a diverse range

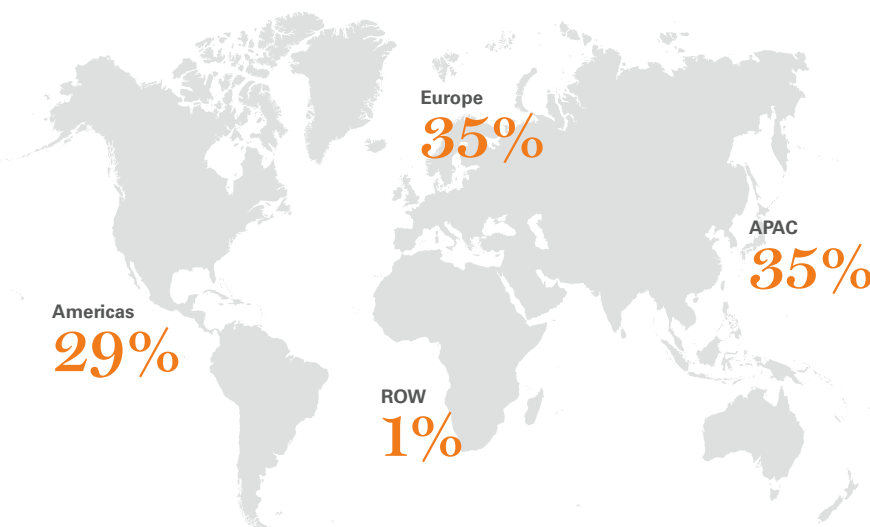
of industrial, commercial and construction sectors and their needs vary depending on application and geographical areas.

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 superior reliability and global support capabilities; and the cement industry which requires elevators capable of withstanding harsh environments.

For both temporary and permanent installations,

Alimak Group across the world

Revenue per region 2019



Examples of end markets



Construction sector



Ports and shipyards



Chemicals and cement



Energy



Oil & gas



Building and structure maintenance

intermediaries such as rental providers as well as EPC (engineering, procurement and construction) companies are important customers and represent an effective sales channel to end users.

MARKET AND COMPETITORS

The market for Alimak Group's applications is divided into temporary and permanent installations.

Temporary installations

The underlying driver of demand for the temporary installations, sold through business areas Construction Equipment and Rental under the Alimak product brand, is global and regional construction activity, primarily on commercial and high-rise residential buildings.

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

In certain markets, customers have historically been more inclined to rent equipment than to buy it, and small construction firms are generally more inclined to rent equipment than large companies. Alimak is a leading player in the handful of 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.

Permanent installations

Demand for permanently installed elevators, sold through business area Industrial Equipment, 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. The traction market is more fragmented with industrial applications supplied both by large commercial manufacturers as well as smaller local companies.

Demand for building maintenance units (BMUs) is driven by the continued rise in complex facades and growth in mega tall buildings where the Group's two BMU brands, CoxGomyl and Manntech, are market leaders in the high- to mid-complexity range. The BMU market is a competitive and complex market which is in a speciality niche within the construction industry.

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 this industry, sold under the Avanti brand with a market-leading position, correlates with global investments in wind energy. While there is an expectation of a lower number of towers installed as a result of larger turbines, the lift market will expand due to the increase in lift penetration in the US and Chinese markets. The customers are mainly wind turbine OEMs which have undergone consolidation in the past years. Only a few competitors have a complete product portfolio similar to Avanti's.

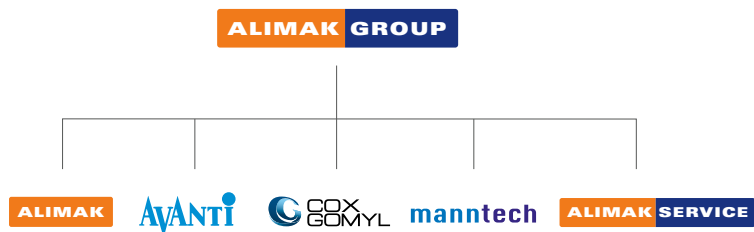
After Sales

After Sales demand is affected mainly by the size of the installed base of Alimak Group's equipment, currently at around 70,000 units. The business is generally more resilient to fluctuations in the markets than sales of new products.

With many players participating in the market, After Sales competes by providing customers with innovation and support that is unparalleled in the industry, through local presence combined with global capabilities.

Brands

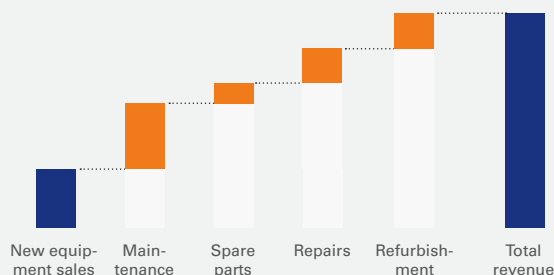
The Group goes to market with five widely recognised and preferred brands – Alimak, Avanti, CoxGomyl and Mann-tech for vertical access solutions and Alimak Service for After Sales.



Demand for After Sales varies between installation types and the solutions’ place in the customers’ value chains. For a permanently installed industrial elevator with a 25–30 year life cycle, After Sales services such as maintenance, spare parts, repairs and refurbishments can make up 75 per cent of the potential life-cycle revenues.

Life cycle of the industrial elevator

New equipment sales can generate after-market revenue of up to three times the value of the original selling price. Graph for illustration purposes only.



GLOBAL PRESENCE

Alimak Group is present across the world with sales to over 100 countries through a large number of sales offices, service outlets and distributors located in close proximity to the customers.

The Group has a strong position in developed markets and is expanding its mid-market offering to better address emerging markets for an even more diversified customer base.

In 2019, 35 per cent of the Group’s revenues came from Europe, some 35 per cent from the Asia and Pacific region, 29 per cent from North, Central and South America and a further 1 per cent from the rest of the world.

BRANDS

Safety, productivity and reliability are important factors for all solutions sold under Alimak Group’s brands: Alimak, Avanti, CoxGomyl, Manntech and Alimak Service. These are all widely recognised and preferred by customers, and are known for being up to the challenge of the most complex projects in their niche of the market.

Trends and driving forces

The Group is well-positioned to take advantage of important, global macro-economic trends in both mature as well as emerging markets which form the basis for market growth: demographics, productivity and sustainability.

MEGA TRENDS



Demographic changes

The world's population continues to grow at 1.1 per cent per year, especially in quickly developing economies, with Africa and Asia expected to contribute most to future growth. At the same time, urbanisation is driving the trend towards densification in megacities dominated by high-rise buildings. This leads to a need for the construction of more homes, offices, hospitals, schools and transportation through new and upgraded infrastructure as well as increased energy consumption.



Productivity

The scarcity of labour, raw materials and energy across the globe is driving up the cost base in many construction and industrial sectors. This makes efficient vertical access even more critical to productivity and profitability for the Group's customers. At the same time, Industry 4.0 through automation and big data creates opportunities for enhanced products and services, to increase future productivity for customers.



Sustainability

The increased global focus on sustainability is manifested in different ways, including the transition to renewable energy and stricter work environment legislation. Health and safety requirements increase the demand for vertical access solutions in both mature markets as well as emerging markets, while also increasing the pressure on businesses to switch to more sustainable products and processes.

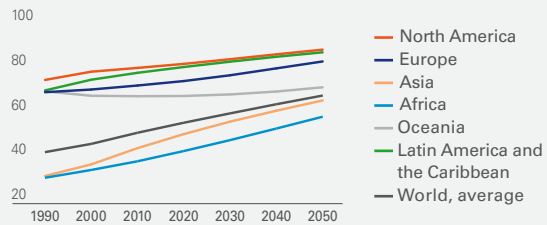
ALIMAK GROUP'S RESPONSE

Expanded product portfolio

The growing population and development of megacities generates increased activity in the construction and industrial sectors, which also drives the demand for vertical access solutions across the Group's product portfolio. Alimak Group's mid-market portfolio, constantly developed to offer safe vertical access solutions at a lower price point, is specifically aimed at emerging markets where the growth is expected to be the highest.

Population residing in urban areas

1990–2050, %

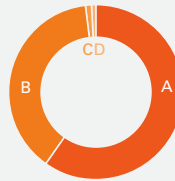


Source: United Nations Population Division, World Urbanization Prospects: The 2018 Revision.

Digital offering

Hoists, elevators and platforms represent a small portion of the total investments in an oil rig, wind turbine or major construction project but make an important contribution to the overall efficiency and productivity of the customer's operations. With the Dataline acquisition, Alimak Group is expanding its effort for more connected vertical access solutions and remote monitoring.

Low part of total investment



- A) Labour and engineering
- B) Materials
- C) Hoists
- D) Hoist service

Example of share of total project cost for a major, Swedish construction project

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

Safety first and proven track-record

The Group puts safety first in product development and in its own operations. With a proven track-record and market leadership in safe vertical access solutions, Alimak Group benefits from stricter regulations of the market. The Group's product portfolio includes solutions for the growing wind industry and continuous R&D efforts are put into more energy-effective solutions as well as the use of new materials to contribute to the UN Sustainable Development Goals.

UN Sustainable Development Goals



Strategies

Alimak Group will strengthen its position as a global, market-leading provider of vertical access solutions for professional use to achieve sustainable growth and increased profitability. This will be done through market expansion, growing the After Sales business and by optimising operations.

Market expansion

› Global footprint

Alimak Group will leverage on its global presence, with sales today to over 100 countries. The Group intends to further expand its network in both mature and developing markets through new sales offices and distributors, to deliver additional growth.

› Product portfolio

Alimak Group will continuously broaden and develop its product portfolio to meet evolving customer needs and safeguard its strong market position. The Group will strengthen its R&D capabilities to develop upgraded and more digitally connected solutions.

› Acquisition agenda

Alimak Group will evaluate potential acquisitions in selected niches in order to expand the geographical coverage and the product and service solution offering.

After Sales growth

› Service penetration

Alimak Group will continue to expand the After Sales business by increasing the service penetration of the installed base, focusing in particular on the BMU installations. This will be achieved through increased customer education, promoting safety legislation and by designing products with After Sales in mind.

› Connected products – new service offerings

Alimak Group will broaden its service capability by developing and packaging new service offerings tailored to customer needs. This includes for example remote monitoring and troubleshooting as well as online training.

› After Sales utilisation

Alimak Group will continue with the cross-training of service technicians in Alimak Service to leverage on the global footprint and knowledge across all products, which will provide opportunities for higher utilisation of technicians to serve more customers.

Optimised operations

› Streamlined organisation

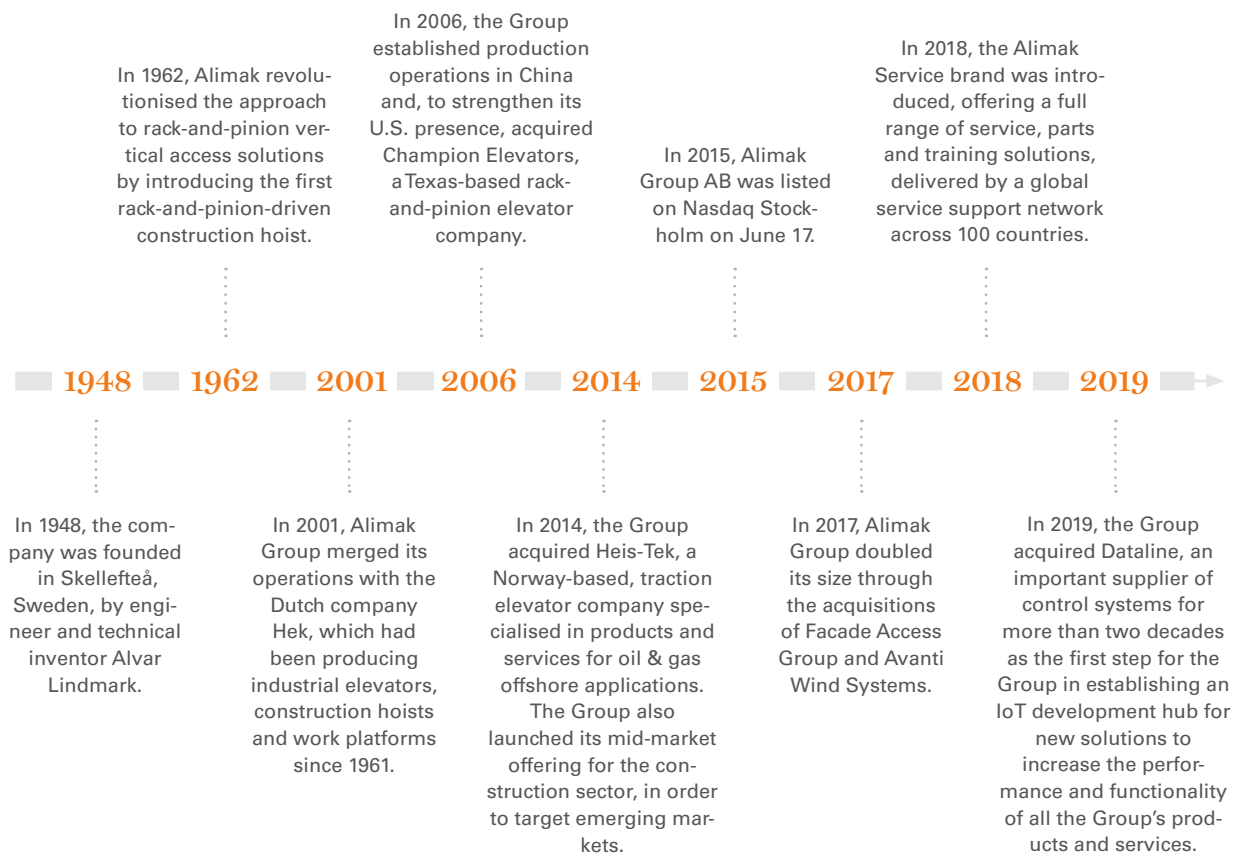
Alimak Group has over the past years put a lot of effort into integration activities that have resulted in an established, scalable organisation. The structure includes a good mix between clear local ownership together with strong, shared central functions. Building on the One Company value, the Group will utilise global best practices for common processes and systems that allow growth without increased cost through economies of scale and efficiency improvements.

› Common platforms

Alimak Group will leverage economies of scale within procurement and manufacturing. Coordinating design and development across the product portfolio brings potential to further harmonise use of common components and processes. 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.

Strategic milestones

Alimak Group has been a pioneer and industry leader for over 70 years in supplying a comprehensive product range of vertical access solutions, with several strategic milestones along the way.



Group targets and progress 2019

Alimak Group made significant improvement in important areas during 2019. Highlights included a 0.9 percentage point increase in the EBITA margin adj. to 13.7 per cent, all-time high revenues in three out of four business areas and a leverage at year-end of 1.33.

Financial targets

Organic revenue growth

6%

EBITA margin

15%

Leverage
(Net Debt/EBITDA)

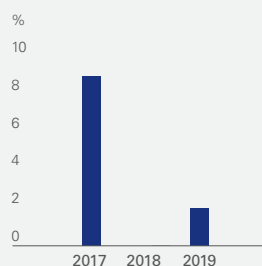
2.0x

Dividend policy

50%

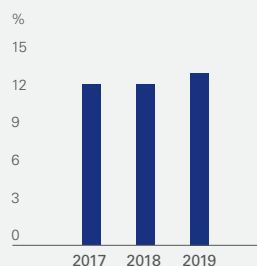
Progress

Organic revenue growth



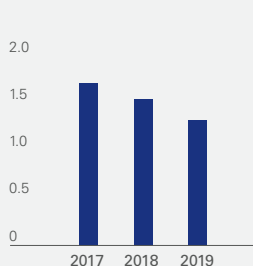
Revenue grew 2 per cent organically with all business areas except Industrial Equipment recording all-time high numbers.

EBITA margin adj.



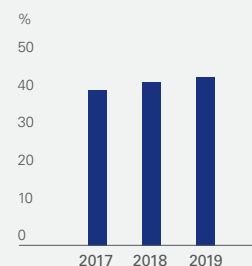
The margin improved by 0.9 percentage points to 13.7 per cent.

Leverage



Leverage (Net debt/EBITDA) decreased to 1.33, 0.97 excluding the impact of IFRS 16 implemented in 2019.

Dividend payout ratio



The Board of Directors propose a dividend of SEK 3.25 per share (2.75) representing 45 per cent of earnings per share.

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

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.

DEVELOPMENT IN 2019

Three out of four business areas; After Sales, Construction Equipment and Rental, reported their best year ever on the revenue side which supported an increase of profit and EPS by 15 per cent, with an increased proposed dividend per share of SEK 3.25 (2.75). Cash flow more than doubled compared to 2018. EBITA margin adj. increased by 0.9 percentage points, though did not reach the 15 per cent target.

Order intake during the period decreased by 6 per cent to MSEK 4,363 (4,621) with an organic decrease of 10 per cent, stemming from changed market conditions for Wind tower internals and uncertainty on the Construction market.

REVENUE GROWTH OF 2% ORGANICALLY

Revenue grew by 6 per cent to MSEK 4,587 (4,320) with an organic increase of 2 per cent. All business areas recorded growth in revenue for the full year with After Sales, Construction Equipment and Rental all reporting all time high numbers.

2019 included continued positive momentum for increased scope of services to Wind and BMU custom-

ers. As After Sales for the acquired businesses still is biased towards the service offering instead of spare parts, this trend has impacted the mix for the business area resulting in slightly lower margins.

EBITA MARGIN ADJ. IMPROVED BY 0.9 PERCENTAGE POINTS

EBITA adj. for the period was MSEK 629 (555), corresponding to a margin of 13.7 per cent (12.8). Compared to last year, the margin improved for all business areas except for After Sales.

DELEVERAGING TO 1.33

The Group ended 2019 with a net debt of MSEK 1,007, a leverage of 1.33x EBITDA. This is well below the target of 2.0 and the Group maintained a strong financial position. IFRS 16 was implemented on January 1, 2019. The leverage excluding the impact of IFRS 16 would be 0.97.

INCREASED DIVIDEND

With the improved yearly result and continued strong balance sheet, the Board of Directors propose to increase the dividend to SEK 3.25 (2.75) per share, corresponding to a dividend pay out ratio of 45 per cent.

Value creation for stakeholders

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

Natural resources

- 13,191 MWh of energy used
- MSEK 1,935 in raw material and consumables
- 16,464 m³ of estimated water consumption

Financial resources

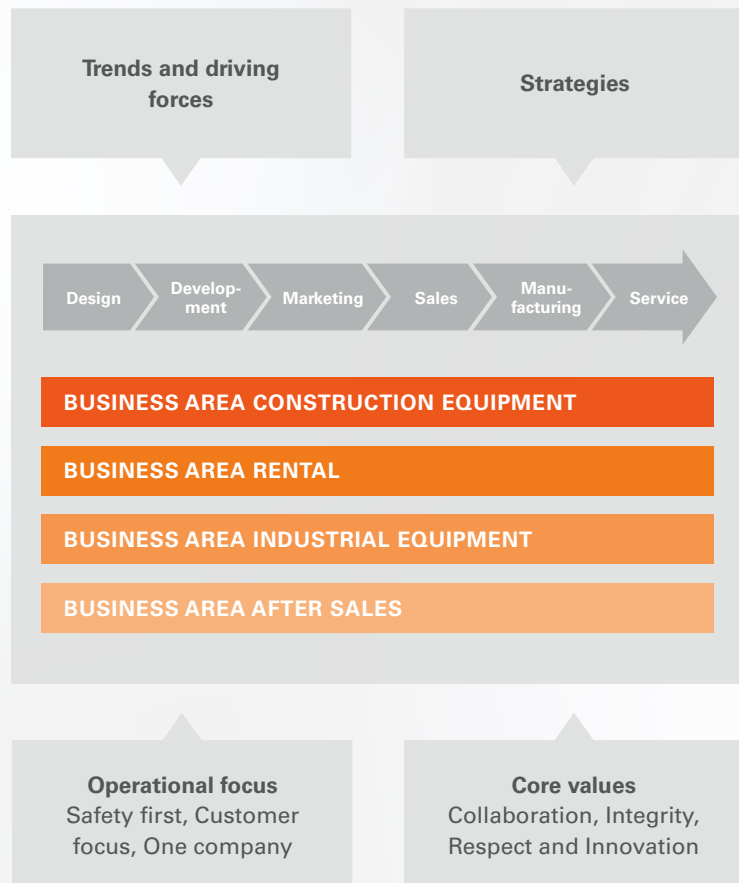
- Net investments in fixed assets MSEK 87
- Total spend on innovation and R&D MSEK 92

Human resources

- Average of 2,286 FTEs in 21 countries during the year

Knowledge and experience

- Over 70 years in business
- An installed base of ~70,000 units
- 5 widely recognised and preferred brands
- Unique global and local service and support reaching over 100 countries
- Broad product portfolio



CREATED VALUE

Customers

- Higher productivity in transporting people and material
- Safer working conditions for the customers' employees
- Low total cost of ownership

Shareholders

- Net profit of MSEK 394
- 11.3% return on equity
- Total shareholder return of 27.6% during the year
- Proposed dividend of SEK 3.25 per share for 2019

Employees

- Salaries and remuneration of MSEK 1,099
- Professional development
- Reduced number of accidents with lost time 44 (49)

Environment/Society

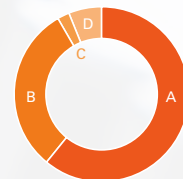
- Reduced CO₂ emissions by 17%
- Taxes for the year's profit of MSEK 115
- Industry association participation – setting standards for safer equipment and its usage
- Refurbishment and upgrades through After Sales means longer lifetimes and less new resources used

Business partners

- Reliable, long-term business relations and opportunities for around 120 distributors and 850 suppliers
- Improved safety, health, environment, and quality through audits and Code of Conduct

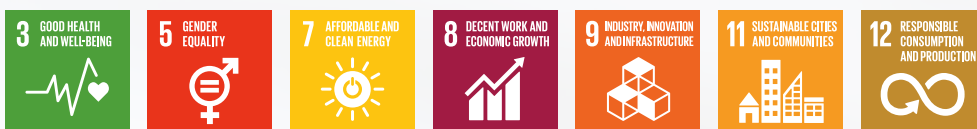
Distribution of direct economic value of MSEK 4,401 million¹

- A) Business partners, 2,690
- B) Employees, 1,352
- C) Government (taxes), 96
- D) Shareholders and other providers of capital, 262



¹ Direct economic value according to Global Reporting Initiative Guidelines. The MSEK 4,401 of distributed economic value above does not include the MSEK 264 of economic value retained.

ADDRESSING GLOBAL CHALLENGES



Operations

Business areas

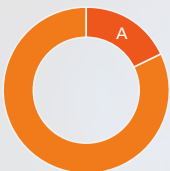
Construction Equipment

YEAR IN BRIEF

- › **Market uncertainty** affected order intake, especially in the Nordics and the UK
- › **All-time high revenues** of MSEK 813 (714) with overweight of deliveries to developed markets
- › **EBITA margin adj. improvement** of 1 percentage point from 15.1 to 16.1 per cent following the strong revenue development and mix

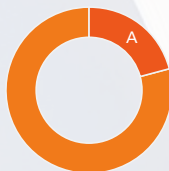


Share of Group revenue
%



A) Construction Equipment, 18

Share of EBITA adj.
%



A) Construction Equipment, 21

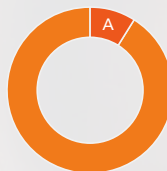
Rental

YEAR IN BRIEF

- › **High utilisation of the fleet** throughout the year
- › **All-time high revenues** of MSEK 397 (354) as a result of the strong backlog at the end of last year
- › **Stable, high margin** of 14.7 per cent compared to 14.3 per cent in 2018

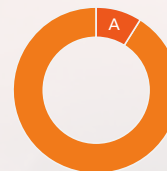


Share of Group revenue
%



A) Rental, 9

Share of EBITA adj.
%



A) Rental, 9

Industrial Equipment

YEAR IN BRIEF

- › **Changed market conditions** for Wind tower internals led to the closure of the Tianjin assembly plant
- › **Revenue grew slightly** to MSEK 2,115 (2,069)
- › **EBITA margin adj. improvement** of 1.5 percentage points, from 3.6 to 5.1 per cent

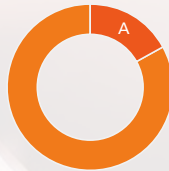


Share of Group revenue
%



A) Industrial Equipment, 46

Share of EBITA adj.
%



A) Industrial Equipment, 17

After Sales

YEAR IN BRIEF

- › **Increased business from Wind and BMU customers.** Continued good momentum of increasing scope of services
- › **Record revenue** of MSEK 1,263 (1,183)
- › **EBITA margin adj. of 26.3 per cent (27.1)** affected by shifted mix with more revenue from service than spare parts leading to somewhat lower margins



Share of Group revenue
%



A) After Sales, 27

Share of EBITA adj.
%



A) After Sales, 53

Construction Equipment

Uncertainty about future construction activity characterised 2019 for Construction Equipment with a decline in order intake following customers' hesitation for fleet expansion. The Alimak brand retained its market share in the weaker market and reported all-time high annual revenues with a stable, high margin.

Construction Equipment develops, manufactures and sells a wide range of vertical access solutions for temporary use in construction and renovation projects. The offering also includes analysis of customer needs, identification of solutions and products and customer training on site.

Products range from basic to large, bespoke high-speed solutions. These include rack-and-pinion operated construction hoists for passengers and materials, tower crane elevators, transport platforms and material elevators for vertical transportation of people and material, as well as mobile work platforms. Many of these are based on modular designs, which make them flexible with respect to size and usability in many different contexts.

Alimak Group is a pioneer in the industry and has been a market leader for over 70 years. The Alimak brand is well established and respected in the construction sector and in many regions synonymous with the term construction hoist.

VALUE CREATION

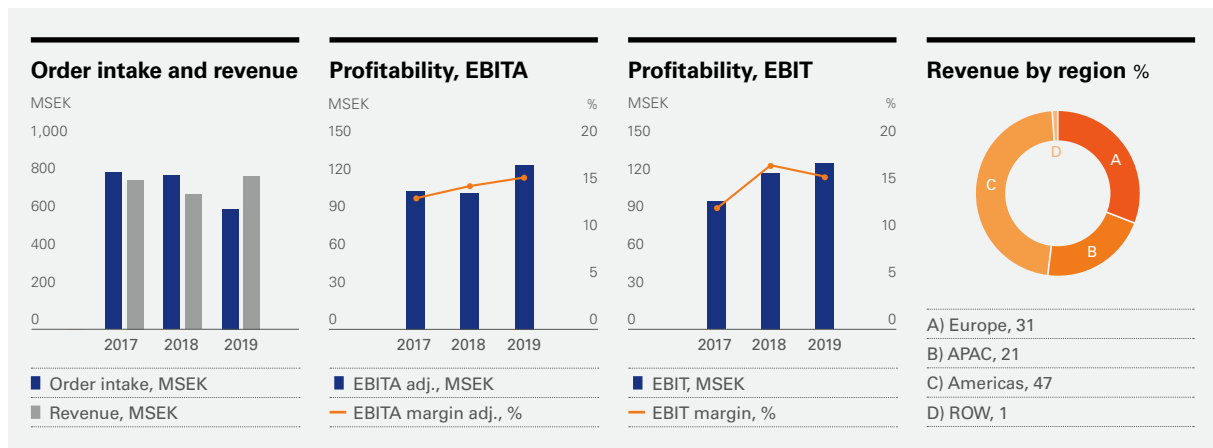
Construction Equipment creates value through products designed for a number of different uses where work safety, reliability, versatility and price are key requirements. The use of modular designs as a foundation for further customisation reduces assembly time and maintenance costs for the customer.

Avoiding unplanned maintenance interruptions is key to keeping utilisation levels high and overall construction efficiency at planned levels. Building green is also becoming more of a focal point for end users and developers. To meet this demand, more product development efforts are put into energy-efficient solutions.

DEVELOPMENT IN 2019

2019 was characterised by a weaker construction market, resulting in a significant drop in order intake.

The biggest impact came from the UK and the Nordics. These markets represent a significant portion of the volumes in the European region as the Rental business area focuses on central Europe. The US remained strong at the beginning of the year but later moved towards



more normalised levels with fewer large frame agreements. Uncertainty about future construction activity delayed customers' decisions about investments in fleet expansions and prolonged negotiations. These investments are made when customers need to replace old equipment early in the business cycle and to meet their long-term needs. However, they are held back when there is uncertainty for the future, even though the construction activity remains high.

Despite the weaker market, Alimak retained its market share. Following the strong order intake at the end of 2018, the business area reported organic growth of 9 per cent for the year and thereby reached all-time high revenues. The margin remained at a stable, high level as a result of the high volumes and favourable mix with an overweight of deliveries to mature markets. Continuous adjustments of the organisation and cost base were made in the later part of the year.

CASE: DUOMO DI MILANO

20 years of safe vertical access at Duomo di Milano



Milan Cathedral is the fifth largest church in the world and has a history going back centuries. The Veneranda Fabbrica del Duomo di Milano is the institution responsible for the conservation and development of the Cathedral. Established in 1387 by Gian Galeazzo Visconti, it has been safeguarding and restoring the Duomo for more than 630 years.

The Candoglia marble used in the Cathedral requires continuous maintenance work in order to not collapse. It is a very long and ongoing regular maintenance, refurbishment and developing project. The construction site and with it the end of the works does not have an expected completion date.

Over the last 20 years, Alimak has been chosen as the main supplier of vertical access solutions to Veneranda Fabbrica del Duomo di Milano due to the brand's world-wide reputation for safety

and quality. The Group's scope of work includes the supply of temporary vertical access equipment, installation and a maintenance contract for the machines on site.

In 2019, Alimak Group dismantled a transport platform to allow the installation of an Alimak Scando 450 construction hoist to guarantee rapid and safe access to the top for the large number of operators daily involved in the maintenance of the Cathedral. With a speed four times quicker than the previous transport platform, the time and cost of accessing the construction site on the roof has been considerably reduced.

The hoist was also equipped with several special adaptations to accommodate the architecture and was also painted light ivory to blend in with the monument as much as possible, as it is visited by two million tourists each year.

Rental

High fleet utilisation limited the short-term order intake during 2019 but allowed the business to focus on orders with longer project times. Revenues ended up at an all-time high following a year in which the Australian market showed an increasing preference for rental solutions for new construction projects.

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

The equipment is rented on a short-term or long-term basis and in combination with services such as assembly, disassembly, maintenance, operating assistance, transportation and insurance. The business area offers analysis of the customer's needs and configuration of customised solutions. Alimak experts are also available to offer customer training on site.

VALUE CREATION

The rental option provides the customer greater flexibility, since use of the construction equipment is project-based and thus subject to a time limit. Renting the equipment is less capital-intensive and offers the customer lower risk and greater cost control.

Used sales provides customers an alternative to investing in new products when market conditions

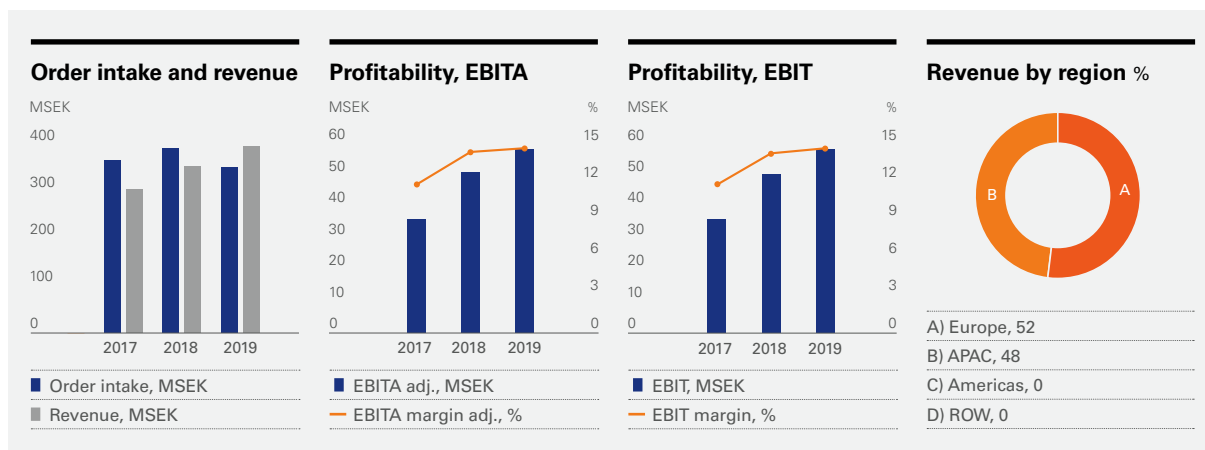
and uses allow for more basic machinery, particularly in emerging markets.

DEVELOPMENT IN 2019

Business area Rental reported good development in 2019 on the back of ending 2018 with a strong backlog representing approximately one year of revenue.

Alimak is a leading rental operator in the 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.

The high fleet utilisation and solid backlog translated into all-time high revenues for the year and stable, high margins but also a more volatile order intake between quarters. The main challenge for continued growth was the shortage of machines in the fleet, and when there



was low availability orders with longer project times and start dates further in the future were prioritised. The capacity was expanded somewhat as the majority of the Group's investments in fixed assets related to additions in the rental fleet, although the Group maintains its cautious approach to fleet expansion.

In Australia, where the Group offers both new sales and rental of equipment, the year was characterised by an increasing preference for rental solutions. The business area ended the year with a solid backlog and a promising pipeline, especially for Australia.

CASE: EIFFEL TOWER, PARIS

High payload at iconic structure

Alimak has delivered vertical access equipment for the Eiffel Tower several times since the 1980s. The iconic structure has more than six million visitors each year and requires maintenance to stand the test of time.

Since October, 2018, the Société d'Exploitation de la Tour Eiffel (SETE) has entrusted the concession of the Eiffel Tower's dining areas to Umanis, led by Sodexo Sports et Loisirs, in partnership with three shareholders: Michelin-starred chefs Frédéric Anton and Thierry Marx, as well as the start-up Ubudu. The new offer aims to enhance French and Parisian gastronomy to improve the experience of visitors to the Eiffel Tower.

In 2019, Alimak Group France was selected on a project with Umanis to deliver vertical access for the renovation project of the restaurant "58 Tour Eiffel", the brasserie on the first floor of the Eiffel Tower.

Alimak was chosen as the rental supplier due to the need for high capacity lifting and a strong technical service offering. A building site hoist Scando 650 with the capacity to lift 2,000 kg was installed in an unusual configuration consisting of a triple mast column instead of only one for a standard installation. This configuration allows the installation to reach 50 metres high with only one top anchorage.

This involved complex design challenges and installation only during the night, so as not to disturb the flow of tourists.

Until spring 2020, the Alimak hoist will transport goods and people for the brasserie refurbishment.



Industrial Equipment

Significant improvements in profitability were made during 2019 for business area Industrial Equipment. At the same time, the Wind business unit experienced changed market conditions for the tower internals offering which led to the closing of an assembly unit in Tianjin, China.

Industrial Equipment designs, manufactures and sells a wide range of elevators, maintenance units and platforms for permanent use to move people and materials up tall vertical structures for maintenance and accessibility purposes. Sales are conducted through the market-leading brands Alimak, Avanti, CoxGomyl and Manntech. Customers are found in many different end markets including buildings and infrastructure, ports and shipyards, wind, power, oil & gas and cement. The business area is further divided up into business units General Industry and Oil & Gas, BMU and Wind.

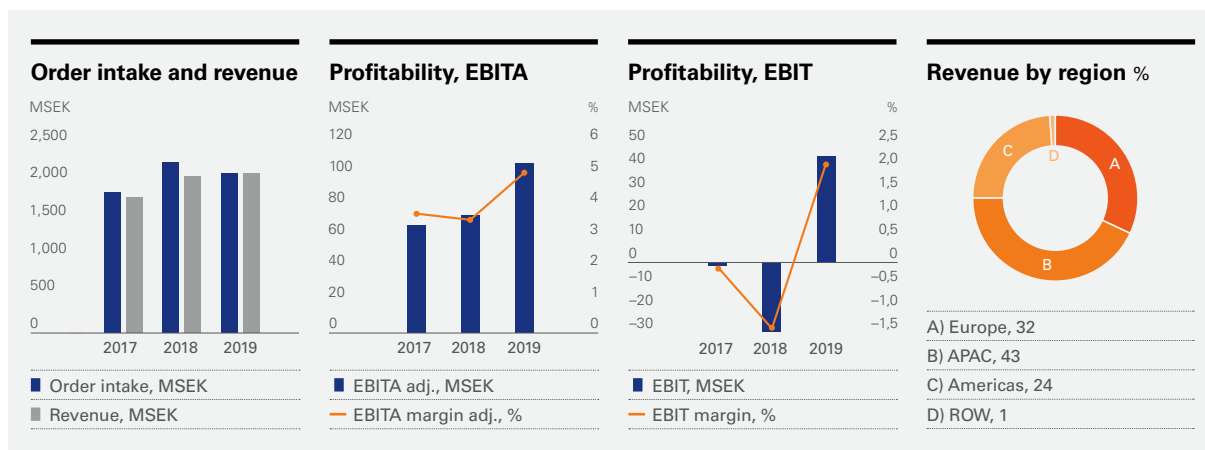
The majority of the business is customised and the vertical access solutions constitute a minor part of large complex engineering, procurement and building development investments. The Group's industrial elevators are therefore often specially adapted to suit specific customer applications and requirements 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.

VALUE CREATION

Industrial Equipment creates value for its customers through providing safe, reliable and high-quality products and services, delivered by professionals who are close to the customer's business and understand their needs. With over 70 years of experience and a presence in over 100 countries, Alimak Group has close relationships to key customers on both a local and a global level. The products benefit from the Group's significant technological experience and are often designed to function under extreme conditions and in corrosive environments while offering reliability and efficiency.

DEVELOPMENT IN 2019

Revenue grew slightly during the year while order intake decreased. Both were impacted by the Wind business unit facing a more competitive environment regarding tower internals for the Chinese market. Alimak Group does not participate in price competition on more commoditised, low-margin products such as tower internals. In December, the Group therefore closed Avanti's assembly plant in Tianjin, streamlin-



ing the manufacturing footprint, concentrating on one facility only, for Wind in China. The lift and ladder parts of the Wind business continued to perform well and the business unit is now in good shape to leverage on its strong position within this area. The changed tower internals market during 2019 translated to a cut in order intake of roughly MSEK 300 for the full year, impacting also revenue and profitability.

Following stricter internal conditions on commercial terms and order bookings, the BMU business unit reported solid growth as well as improved profitability during the year. The General Industry and Oil & Gas units improved their margins because of increased volumes. Together, this led to the business area as a whole improving its margin by 1.5 percentage points which meant a significant improvement to the profitability.

CASE: LANDMARK PINNACLE, LONDON

Benefits of integrated offering at Landmark Pinnacle

Alimak Group was awarded a contract from Chalegrove Properties Ltd in 2017 to provide construction hoist equipment and services for the Landmark Pinnacle skyscraper in London.

The Landmark Pinnacle is located in Canary Wharf and will, upon completion in 2020, be the tallest residential tower in Western Europe.

In April 2019, the Group received

an additional order for a CoxGomyl BMU solution for the building. The solution includes two BMUs on the roof of the 239 metre, 75-storey building, which are mounted on a central track.

CoxGomyl secured the project by building on the Group's pre-existing and continuous relationship with Chalegrove Properties, the benefits of engineer cross-training currently underway as part of the integration project and a joint after-market offering through Alimak Service.

Since the acquisition of CoxGomyl as part of Facade Access Group in 2017, this project is the first combined Alimak and CoxGomyl order for Construction Hoists and Building Maintenance Units in the UK.

The supplied systems will be maintained by Alimak Service, Alimak Group's After Sales brand. Alimak Service provides a full range of installation services, maintenance, parts and training solutions, delivered by a global service support network.



After Sales

With continued good momentum in expanding the scope of service to Wind and BMU customers, business area After Sales achieved all-time high revenues in 2019. The order intake grew even further. The changed mix led to somewhat lower margins but earnings rose due to the volume growth.

After Sales offers a wide range of service solutions, primarily to the Group's own installed base, 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.

Customers operate in 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, backed up by a global service and parts business.

VALUE CREATION

The After Sales team creates value by offering safe, reliable and fast service worldwide, minimising operational disruptions for its customers. Regularly performed maintenance also prolongs the equipment's useful lifetime.

In order to offer fast service, local presence is of vital importance. It is also important to be able to offer service wherever the customer needs it, which makes Alimak

Group's global presence an important selling point.

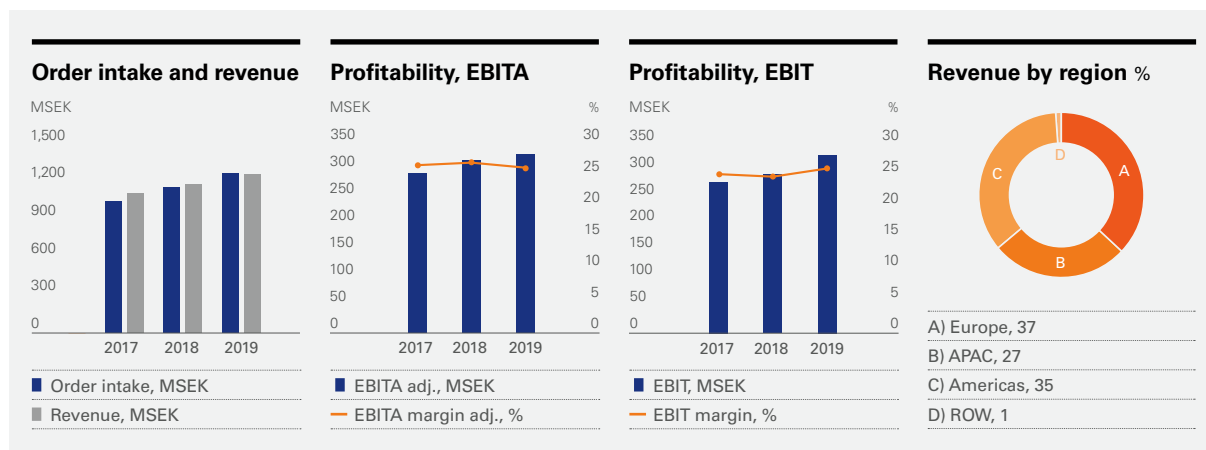
Whether a customer owns or operates one machine or a hundred, the priority for After Sales is to ensure all customers and end users are satisfied with the ownership of their product and the service provided.

DEVELOPMENT IN 2019

For the full year, After Sales reported a 7 per cent growth in revenues, up 2 per cent organically to all-time high numbers, and even stronger development on the order intake side which was up 10 per cent, 5 per cent of which was organic. The geographical mix differed between quarters. For the full year, Asia Pacific grew the most.

A big rationale behind the two large acquisitions in 2017 was the potential to develop the after-market business in Facade Access Group and Avanti Wind Systems. The year 2019 started and continued with positive momentum in increasing the scope of services sold and the share of the business area After Sales' revenue relating to Wind and BMU.

This trend also impacted the product mix as After



Sales for the acquired businesses still is biased towards the service offering over spare parts, which impacted the mix for the business area and led to somewhat lower margins for the year. At the same time, profit increased as a result of the higher revenue.

The Group is addressing the service bias on the engineering side through designing future products with After Sales in mind, but this will not have an immediate effect. The business area is also working on ways to

further digitalise and expand its after-market offering to facilitate further growth.

With the Dataline acquisition made in April, Alimak Group is expanding its effort to enable more connected vertical access solutions and remote monitoring.

CASE: SHANGHAI WORLD FINANCIAL CENTER, SHANGHAI, CHINA

One-stop services at 492 metres



The highly recognised 492-metre-tall Shanghai World Financial Center (SWFC) has stood as a symbol of commerce and culture since its completion in 2008. It is equipped with twenty high-complexity Cox-Gomyl BMUs and maintained daily by Alimak Service.

As the building is meant to be an architectural statement for Shanghai and China, it was required that the BMU systems would not detract from the iconic form of the tower. Cox-Gomyl provided a solution that gives powered access to 100 per cent of the facade, while having the ability to retract into the building for parking purposes.

Since the development phase, over 15 years ago, the two Alimak Group brands have been providing one-stop services to the building including BMU supply, installation and com-

missioning as well as two stable, experienced on-site service teams providing BMU maintenance together with daily LED and facade cleaning while managing the customer's own on-site spare parts warehouse.

For this collaboration Cox-Gomyl was, together with the developers, architects, engineers and construction contractors, awarded the "10 Year Award of Excellence" in 2018 by the CTBUH for the contributions to the Shanghai World Financial Center in the past decade. The "10 Year Award of Excellence" is a prize presented to skyscrapers with a decade of history behind them, assessed in terms of the results they have achieved on the basis of environmental and technological criteria ten years after their construction.

Sustainability report

ALLIUMAK

A sustainable business

Alimak Group's products and solutions enable the building, operation and maintenance of future sustainable cities, communities and industrial applications in a safe and efficient way. This is the main way Alimak Group contributes to the UN Sustainable Development Goals.

In a world that is growing and becoming ever more global, megacities are created – driven by population growth and urbanisation. These growing communities need infrastructure, housing and renewable energy. Alimak Group's vertical access solutions enable the development of this in an efficient way, but most importantly through higher safety via vertical access automation at the customer's facilities. Sustainable operations as well as a focus on the people are necessary to achieve this. The Group's major focus on the After Sales business is a vital part in creating a more sustainable society as the offering of upgrades and refurbishment extends the solutions' lifetime.

In 2019, a lot of the Group's efforts were put into the continued validation and measurement of the metrics and KPIs defined as most relevant in 2018. A first life-cycle assessment was also carried out for the Group's solutions produced at the factory in Skellefteå, Sweden.

STAKEHOLDERS

Alimak Group aims for close dialogue and collaboration with its various stakeholders. The dialogue is based on honesty, transparency and 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. Stakeholders include customers, employees, investors, suppliers and distributors and society as a whole.

The dialogue in 2019 has focused on close contact with key customers, investors, development and renegotiations with suppliers and a deeper connection with employees through the launch of a revised set of Group Values and a Group-wide employee survey. Channels of communication include, for example, exhibitions, continuous supplier assessments and investor meetings.

ABOUT THIS REPORT

This and the following pages make up the Group's statutory Sustainability report in accordance with the Swedish Annual Accounts Act (ÅRL). While it does not follow all the requirements, this report has been inspired by the GRI framework.

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. These pages also constitute Alimak Group's Communication on Progress.

Alimak Group's view of a sustainable business practice consists of three building blocks; the impact made on society, sustainable operations and taking care of the people involved in the business.



Making an impact

With applications unmatched in the industry, Alimak Group is able to provide access to places that would otherwise be unreachable in a safe and efficient way. The solutions help create access to renewable energy parks, improved logistics at construction sites and better work conditions within the industries building the infrastructure of the future.

7 AFFORDABLE AND CLEAN ENERGY



Urbanisation, growth of new megacities and the global need for larger wind parks require new, innovative and safe solutions for access and work at high heights.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Alimak Group's business idea is to provide solutions for safe and efficient vertical transportation of people and goods, meeting the demands of these global trends.

11 SUSTAINABLE CITIES AND COMMUNITIES



The Group's Avanti brand has over the last decade delivered vertical access solutions to wind towers representing 170 GW of renewable energy around the world.

Alimak branded hoists and elevators

have been used in the construction, refurbishment and operation of many of the world's most iconic structures with just a few examples including the Eiffel Tower, the Statue of Liberty and London's Royal Opera House.

The Group's BMU systems cover a wide range of applications and are, for example, installed at 90 per cent of the world's tallest buildings, at heights of over 450 metres, where they are used for building cleaning and replacing panels, signage and windows.

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, productivity and reliability.



The After Sales operations contribute to ensuring and even extending the expected lifetime of the original equipment.

SAFETY

Alimak Group contributes to a safer work environment for those working in the construction and industrial sectors, by offering not only quality-tested vertical transport solutions but also continuous After Sales services providing operational assistance and advice on proper use of the equipment. Alimak Group is committed to improving the safety, efficiency, ease-of-use and service life of its products 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 contact 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 the 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 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.

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

PRODUCTIVITY

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, shorter projects and thus better efficiency. Through smart solutions, the Group's hoists and platforms enable property developers to work in narrow, confined spaces, move heavy loads faster or to transport entire pre-fabricated modules or rooms in a construction project. This promotes productivity 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 offers training, preventive inspection and certifications. Service, repairs and maintenance are also offered as part of the business model.

RELIABILITY

Alimak Group's solutions are often used in environments 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 profitable After Sales operations, including service, repairs, spare parts and refurbishments, contribute to extending the expected lifetime of the original equipment.

Sustainable operations

Having sustainable operations is a core part of delivering world-leading vertical access solutions. Sustainable development, from an environmental, social and economic perspective, is emphasised throughout the value chain, where safety comes first.



Alimak Group's business extends over the whole value chain, from product development to After Sales. Research and development is integrated with marketing, sales and production, maximising customer benefit.



The Group manufactures and assembles its products in eight countries across the world and distributes them

to more than 100 countries through its own sales and service network and distributors.

Alimak Group is committed to the environment in which it carries out its activities and aims to minimise the negative impact they cause. 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 and involve the use of pollutants and different chemicals. Alimak Group is working actively to reduce its environmental footprint.

A sustainable development, from an environmental, social and economic perspective, is important to the Group, which sees sustainability as meeting the needs of the present without compromising the ability of future generations to meet their needs.

HEALTH AND SAFETY

Safety is a system aspect which impacts all of Alimak Group's processes – from sales and design to the interaction with end users. The Group is committed to strengthening the health and safety culture at work and making sure that employees acquire habits that ensure safe behaviour at work. The main objective is to promote safety as an attitude. Safety first is also the underlying theme in the Group Values.

Every legal entity has a designated person in charge of health and safety and coordination of activities is carried out with suppliers, customers and contractors to prevent risks and accidents.

Alimak Group requires that employees must have the necessary training to respond satisfactorily to current and future challenges so these needs are identified annually, in order to be able to plan the formative action and ensure maximum effectiveness for each course or training programme. Training plans are defined in the annual performance appraisals of employees: these aim to

- ensure acquisition of the necessary skills in the workplace,
- or increase effectiveness as part of the Group's philosophy of continuous improvement,
- or keep the knowledge and skills required in the sector updated.

Through the whole value chain



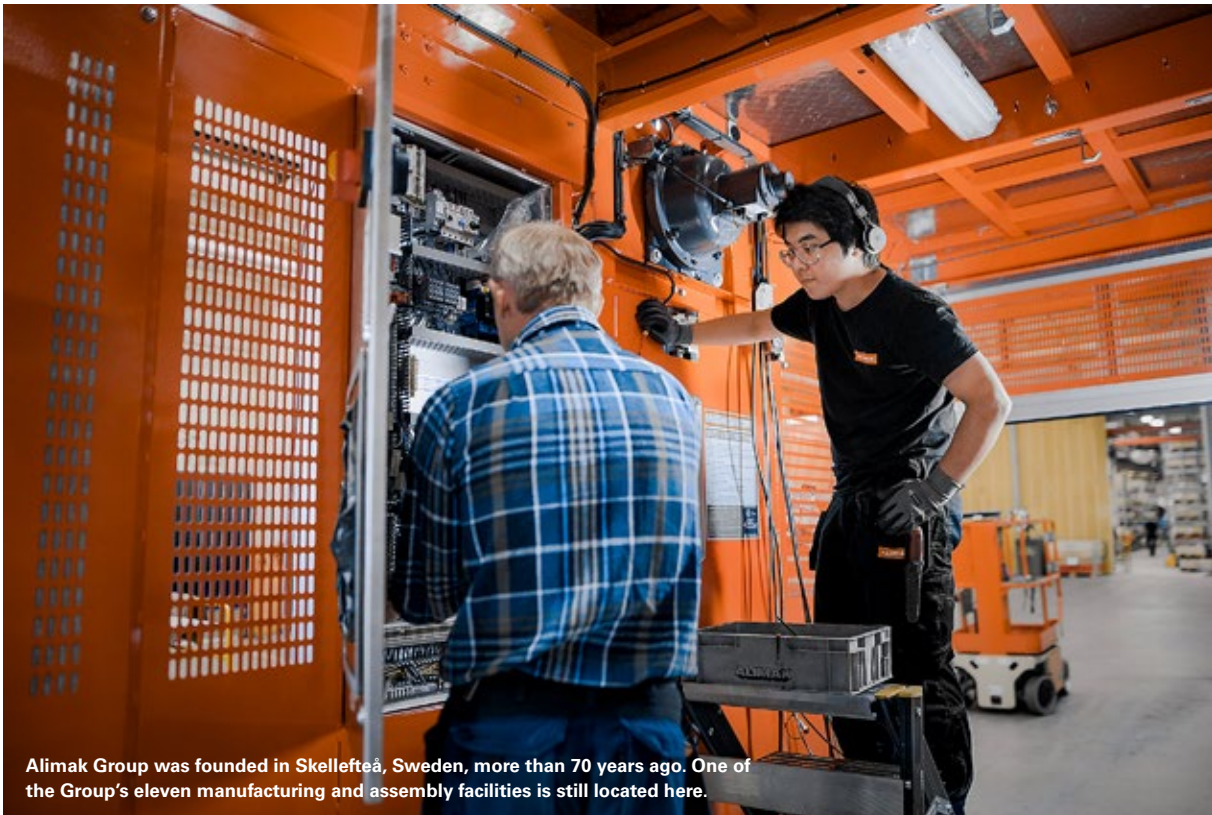
The business extends over the entire value chain, from product development, marketing, sales, manufacturing and distribution to after-market services. This facilitates the control and monitoring of risks and opportunities within the sustainability area.

Always putting Safety First, Alimak Group also offers safety training to all customers and people outside the company who operate the Group's products.

Further measures that are in place include a prevention management system based on ISO 45001 in all relevant units as well as generally introduced internal audits, Safety Walks and Safety Observations to detect opportunities for improvement. All the measures that have been implemented have resulted in a steady decline in the accident rates of the organisation but the work to drive these numbers down never stops. During

the year, 44 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.

Alimak Group participates in several industry association, to set standards for safer equipment and their usage. Product safety measures include design risk assessment, DFMEA (Design Failure Mode & Effect Analysis), compliance with different product standards



Alimak Group was founded in Skellefteå, Sweden, more than 70 years ago. One of the Group's eleven manufacturing and assembly facilities is still located here.



The safety device is the most important safety component on an Alimak construction hoist or industrial elevator. The primary function of the safety device is to bring the hoist or elevator to a safe and controlled stop in the event that the rated speed is exceeded.

Sustainability data

	2019	2018 ¹	2017 ¹
CO ₂ emissions, tonnes/Revenue in MSEK	1.61	2.06	1.93
Office paper consumed, kg/Revenue in MSEK	3.36	2.53	4.39
Energy consumption (not district heating), MWh/Revenue in MSEK	2.88	3.10	3.67
Water consumption (estimated), m ³ /Revenue in MSEK	3.59	4.32	4.60
Number of accidents recorded with lost time (LTI & FTI) ²	44	49	54
Total Recordable Injury Frequency Rate (TRIFR) ²	16.34	18.33	21.37

1. 2018 and 2017 data restated following upgraded data capturing. 2. 2018 and 2017 data restated to include all units in the Group.

and regulations, external certifications by third parties, product documentation for final users and product training for users, installers and service personnel.

ENVIRONMENTAL IMPACT

In its Environmental Policy, Alimak Group considers the environmental protection as a priority in terms of reducing the impact caused by business activity throughout the product lifecycle.

A lifecycle assessment on construction hoists shows that the vast majority of Alimak Group's CO₂ impact stems from the solution's operation at customer sites. The Group addresses this through constant product innovation including research into product optimisation from a weight perspective. Reduced product weight means reductions in the customer's operational costs as well as their environmental impact. Continuous R&D efforts are put into more energy-effective solutions as well as the use of new materials.

The Group participates in several research and collaboration contexts that look at how new materials, e.g. composites, can make a difference in the future. One example of this is the triple helix concept Lighter which is an innovation platform driven by key players in the automotive and aeronautics sector to develop lightweight material structures with high performance.

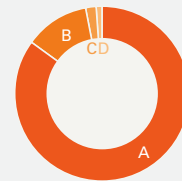
In addition, Alimak Group is actively working on reducing the environmental impact from its production and assembly, mainly through ensuring efficient and responsible use of raw materials, energy, water and chemicals, as well as minimising emissions and waste coming from production.

The Group's production and assembly plants are certified under the ISO14001 standard, to ensure proper environmental management in all areas of the organisation as well as with stakeholders.

In the production and assembly facilities, daily work to lower impact via the implementation of energy-sav-

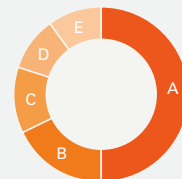
Purchasing, by geographical region %

A) Europe, 85
B) APAC, 12
C) Americas, 2
D) ROW, 1



Purchasing categories %

A) Steel and steel related, 50
B) Electronics, 18
C) Cables and other components, 12
D) Drive units, 10
E) Others, 10



ing technologies continues, and when investments in production equipment are made. Power savings and reduced use of consumables are always part of the evaluation and LEAN projects are implemented to improve and optimise the processes. Authorised waste managers are used for hazardous and non-hazardous waste.

The identified key indicators and measurements for 2019 are shown on page 34.

During 2020, the Group will re-evaluate the selected KPIs and metrics and also define targets for the most important indicators.

DIGITALISATION AND 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 reduced environmental impact.

Product development takes place at the production units, where sustainability is a key development area 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 are subjected to strict processes for site testing that are also in place to ensure safety and quality regardless of location and installation.

In 2019, Alimak Group acquired Dataline i Borås AB, a long-time supplier of control systems. This acquisition paves the way for taking the next step in the digitalisation of the Group's products and solutions.

Dataline creates electronics that enable Alimak Group's products to be run in an optimal and safe way. The electronics also enable the collection of important data on usage and the status of the machines. This provides a safer work environment for the employees of Group's customers and builds a strong base for future after-market business.

PROCUREMENT AND LOGISTICS

Proximity to the customer, punctual deliveries and high-quality services are important elements of Alimak Group's offering and are 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 monitored.

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.

Alimak Group has a globally coordinated procure-

In 2019, Alimak Group acquired Dataline i Borås AB, a long-time supplier of control systems.

ment organisation that buys from more than 850 main suppliers spread over 30 countries. The number of suppliers and the varying business cultures between countries is a challenge when it comes to assuring quality, reliability and compliance. Some of the 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 uses more stringent evaluation and control procedures to ensure compliance.

For transport and travel, the aim is to minimise both direct and indirect emissions of greenhouse gases. Alimak Group chooses "green" transport, strives for sea transport over air and uses combined transports whenever possible. The shipping 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.

For spare parts, local or regional stock centres ensure fast service as well as minimised environmental impact.

During 2019, the Group has also piloted some internal projects related to improvement of packing to optimise transportation.

The people

Alimak Group has customers in more than 100 countries, served by approximately 2,300 employees. Being an attractive employer and ensuring adherence to the Code of Conduct, not only by suppliers and distributors but also by the Group's own staff, is a 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. Alimak Group strictly complies with the legal labour framework of all the countries where it operates and implements labour practices that allow sustainable economic growth.



At the end of 2019, 56 per cent of the Group's approximately 2,300 employees were based in Europe, some 35 per cent in the Asia and Pacific region and a further 9 per cent in North, Central and South America. The Group also has more than 120 distributors across the world and approximately 850 suppliers.

The Group is active across the world, with the level of gender equality and diversity varying between countries.

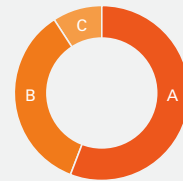
EMPHASIS ON EQUAL OPPORTUNITY

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 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. The proportion in the Board of Directors was 25 per cent, or 33 per cent for Directors elected by the Annual General Meeting. Alimak Group's Employee and Recruitment Policy emphasises equal opportunity and diversity.

As stated in the Code of Conduct, Alimak Group will

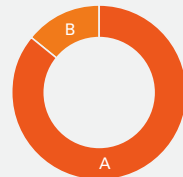
Employees by region %

- A) Europe, 56
- B) APAC, 35
- C) Americas, 9
- D) ROW, 0



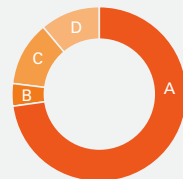
Employees by gender %

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



Employees by work category %

- A) Production and services, 73
- B) R&D, 4
- C) Sales, 12
- D) Administration, 11



not accept any form of discrimination, harassment, retaliation, violence, abusive language or bullying behaviour.

EMPLOYEE SATISFACTION

Vital elements for the retention and development of existing personnel are a good work environment, room for personal development and strong leadership. The Group also recognises the importance of sharing a common set of values, and at the end of 2018 launched

a revised set of Group Values which was promoted internally during all of 2019.

During autumn 2019, the first company-wide employee survey was conducted. The survey was distributed to almost 1,950 employees via email and to another 350 employees without an email address through a kiosk system at the larger factories. 1,639 surveys were completed, corresponding to a response rate around 72 per cent. The results showed that more than 70 per cent of all employees are satisfied or very satisfied with their jobs and the working climate.

The survey provides a strong basis to identify areas for improvement both locally and across the Group. The largest areas for improvement relate to development in terms of job-related training, education and professional growth. The ambition is to run this survey every year to measure the development and progress in key areas, making Alimak Group a great place to work.

COMPLIANCE IS KEY

Alimak Group's Code of Conduct is based on the UN Global Compact's principles as well as on the Group's core values, international and national legislation, international norms and conventions including the OECD Guidelines for Multinational Enterprises. At the end of 2019, 98 per cent of the Group's employees had completed the Code of Conduct training, which is available in nine different languages.

Alimak Group requires that all suppliers, distributors and third party sales channels comply with the Code of Conduct and other Group policies and requirements. The Code of Conduct is included in all new and renewed agreements with third-party sales channels and many larger distributors have their own defined policies that meet or sometimes exceed the requirements defined by Alimak Group. For suppliers, the Code of Conduct is included in all new and renewed

Alimak Group's Code of Conduct is based on UN Global Compact's principles.

agreements and is also included as standard in all purchase orders placed.

Measures to ensure quality and compliance include audits, training and regular visits to the suppliers. These are mainly directed at significant suppliers in defined high risk countries, where over 85 per cent of the 54 own supplier audits were performed. The Group's classification of risk is based on where international studies or reports have highlighted that the risk of corruption or violations of human rights is high.

CORPORATE VALUES

The Code of Conduct is 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 describes the three cornerstones of how the Group operates:

- Customer Focus
- One Company
- Safety First



The approximately 2,300 employees
are key to Alimak Group's success.

Managing sustainability

Sustainability, and the key factor of safety, is high on the agenda for Alimak Group. The management structure for the area 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 in which the Group operates. With a 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 that occur have been defined.

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

Health and safety related KPIs such as TRIFR, safety observations and LTIs are reported on a monthly basis 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 as well as on the Group's core values, international and national legislation, international norms and conventions including the OECD Guidelines for Multinational Enterprises. 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. The Group provides a Code of Conduct e-learning and it is the local Country Managers' responsibility

Topics covered by the Code of Conduct

- Legal requirements
- Freedom of association and collective agreements
- Prohibition of discrimination
- Salaries and compensation
- Working hours
- Health and safety in the workplace
- Housing conditions
- Prohibition of child labour
- Terms of employment
- Prohibition of forced labour and disciplinary measures
- Environmental protection and environmental work
- Business ethics

to make sure that all employees within the country receive proper and regular training in the Alimak Group 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 processed externally for increased confidentiality and security.

Regardless of the 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 Board Meetings and also to the Audit Committee.

Auditor's report on the statutory sustainability statement

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 2019 on pages 28–40 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 state-

ment. 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, March 25, 2020
Ernst & Young AB

Rickard Andersson
Authorized Public Accountant

Corporate governance report



Corporate governance

Alimak Group AB has its headquarters in Stockholm and is the Parent Company of Alimak Group, with subsidiaries in 21 countries. The Group has approximately 2,300 employees worldwide and conducts sales to more than 100 countries via its own companies and distributors. The Company 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 the Company's shareholders, Board, 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.

1 SHAREHOLDERS

The Company's share capital on December 31, 2019 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 annual general meetings. According to the share register, the Company had 5,656 known shareholders on December 31, 2019.

Investment AB Latour was the largest shareholder, with 29.3 per cent of the share capital. Alantra EQMC Asset Management was the second largest with 10.1 per cent of the share capital. At year-end, foreign shareholders accounted for approximately 33.7 per cent of the total. There are no restrictions as to how many votes each shareholder can cast at a general meeting. The Board is not aware of any shareholder agreements, or other agreements, between shareholders in the Company.

2 GENERAL MEETING

According to the Swedish Companies Act, the general meeting is the Company's highest decision-making body. In addition to the annual general meeting, extraordinary general meetings may also be convened. The Company's annual general meetings are held in Stockholm, Sweden, before the end of June each calendar year. At the annual general meeting, 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 Directors of the Board and the President & CEO, election of Directors of the Board 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 2019, one general meeting was held:

Annual General Meeting 2019

The annual general meeting 2019 was held on May 9, 2019 in Stockholm, Sweden and 65.48 per cent of the total number of shares in the Company were represented.

Decisions at the annual general meeting 2019 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 2018.
- adoption of the Board's proposal that a dividend of SEK 2.75 per share would be paid, the record day being Monday, May 13, 2019.
- discharge from liability during the 2018 financial year for the Directors and the CEO.
- re-election of Jan Svensson, Anders Jonsson,

Helena Nordman-Knutson, Christina Hallin and Tomas Carlsson as Directors. Sven Törnkvist was elected as new Director. Jan Svensson was re-elected 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 2019.
- a resolution to authorise the Board to, on one or more occasions until the next annual general meeting of 2020, pass resolutions on the acquisition and/or transfer of own shares. The latter may be resolved with deviation from the shareholders' preferential rights.

Annual General Meeting 2020

The annual general meeting 2020 will be held on May 7, 2020. All shareholders who are registered in the share register maintained by Euroclear Sweden AB ("Euroclear") five days prior to the annual general meeting are entitled to participate in the annual general meeting. Such shareholders must have informed the Company of their intention to attend no later than on the date stated in the notice convening the annual general meeting. Further information about the annual general meeting is available at alimakgroup.com.

3 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 annual general meeting. The Nomination Committee also presents proposals regarding number of Directors of the Board, fees to be paid to each of the Directors, election of Directors and

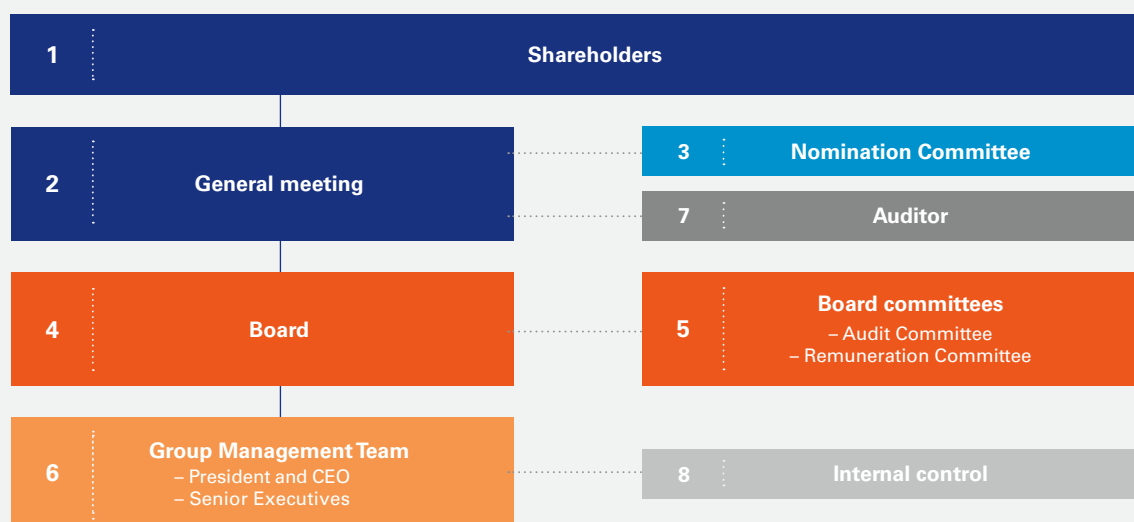
Chair of the Board, remuneration to the auditor and election of the auditor and, if necessary, proposal for changes in the instruction for the Nomination Committee. In 2016, the Company's annual general meeting adopted an instruction regarding the appointment of the Nomination Committee, applicable until 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 annual general meeting may submit them to the Chair of the Committee, in accordance with the information on procedure published on the Company's website prior to the annual general meeting. The proposals will be assessed by the Nomination Committee according to its instruction and the Code. The Nomination Committee's proposal and reasoned statement will be reported prior to the annual general meeting. The Company's Articles of Association have no Company-specific provisions concerning the appointment and dismissal of Directors of the Board or concerning amendment of the Articles of Association.

Nomination Committee prior to the 2020 annual general meeting

The Nomination Committee ahead of the annual general meeting 2020 comprises the following members:

- Anders Mörck, Investment AB Latour, Chair of the Nomination Committee

Corporate governance structure



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

Important 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

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	–	2/2 (Chair)
Anders Jonsson	1950	2012	Board Member	Yes	Yes	8/8	–	2/2
Helena Nordman-Knutson	1964	2016	Board Member	Yes	Yes	7/8	4/4 (Chair)	–
Christina Hallin	1960	2018	Board Member	Yes	Yes	8/8	–	–
Tomas Carlsson	1965	2018	Board Member	Yes	Yes	8/8	4/4	–
Joakim Rosengren ¹	1960	2008	Board Member	Yes	Yes	3/3	–	–
Sven Törnkvist ²	1971	2019	Board Member	Yes	Yes	4/5	–	–
Örjan Fredriksson	1968	2016	Employee representative	–	Yes	8/8	–	–
Greger Larsson	1959	2009	Employee representative	–	Yes	8/8	–	–

1. Board and Committee member until the AGM 2019. 2. Board and Committee member since the AGM 2019.

Fees during the 2019 financial year

(All input in thousands of SEK)

Name	Basic fee	Audit committee	Remuneration committee	Total
Jan Svensson	625	–	70	695
Anders Jonsson	306	–	50	356
Helena Nordman-Knutson	306	100	–	406
Christina Hallin	306	–	–	306
Tomas Carlsson	306	75	–	381
Joakim Rosengren	113	–	–	113
Sven Törnkvist	194	–	–	194
Örjan Fredriksson	–	–	–	–
Greger Larsson	–	–	–	–
Total	2,156	175	120	2,451

- Francisco De Juan, Alantra EQMC Asset Management
- Johan Lannebo, Lannebo Fonder
- Åsa Nisell, Swedbank Robur 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. Prior to the 2020 annual general meeting, the Nomination Committee has held a number of meetings, interviewed the Directors of the Board 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, to the Nomination Committee. The requirements regarding competence, experience and background that should be placed specified for the Board in the Company 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.

4 BOARD

The tasks of the Board are regulated first and foremost by the Swedish Companies Act and the Code. The work of the Board is also regulated by rules of procedure adopted annually by the Board. The rules of procedure for the Board determine the division of work and responsibilities among the Directors, 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 include the establishment of strategies, business plans, budgets,

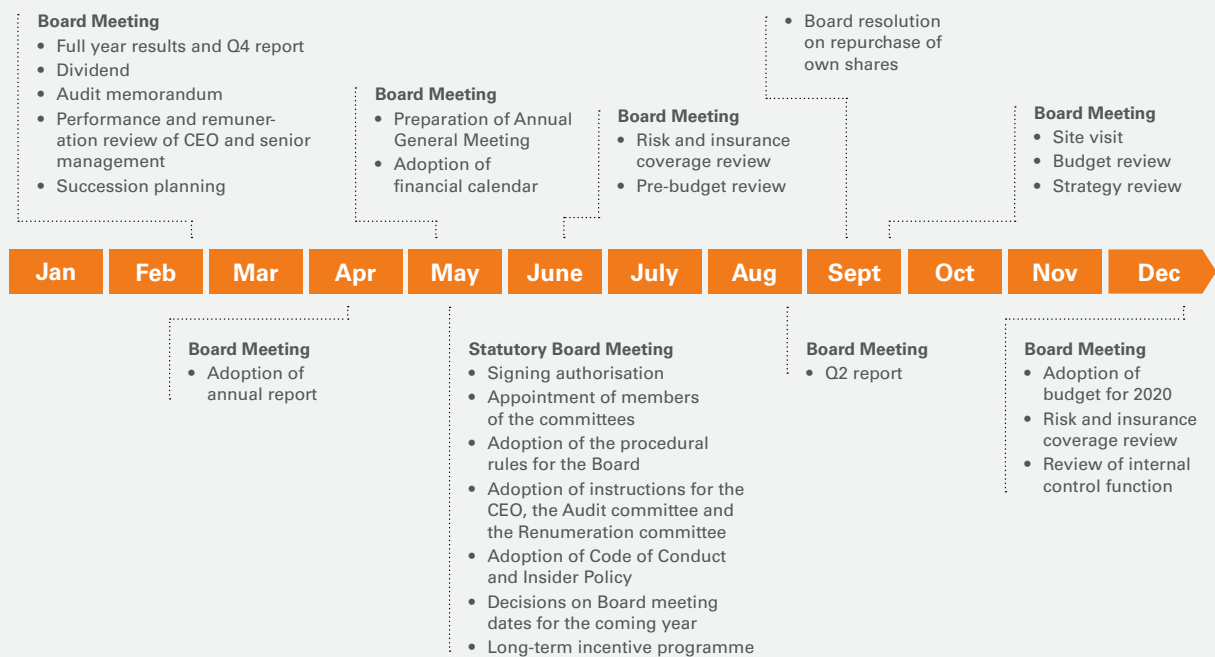
interim reports, year-end accounts and annual reports, as well as the adoption of instructions, policies and guidelines. The Board shall also monitor financial performance and ensure quality in financial reporting and internal controls and shall assess operations in terms of the targets and guidelines established by the Board. Finally, the Board makes decisions on significant investments and changes to the Company'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 contact with the President & CEO. The Chair presides over the 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

The Company's Board is currently made up of six members elected by the annual general meeting and two employee representatives. No deputies have been appointed for Directors of the Board. At the annual general meeting held on May 9, 2019, Jan Svensson, Anders Jonsson, Helena Nordman-Knutson, Christina Hallin and Tomas Carlsson were re-elected as Directors. Sven Törnkvist was elected as new Director. Jan Svensson was re-elected Chair of the Board. The employee representatives, Greger Larsson and Örjan Fredriksson, are appointed by the trade union organisations. Further information about the Directors is provided on pages 44–45.

The Board's working year 2019



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 chairs on the work of the committees, as well as issues regarding the work environment, customer-related issues and reporting of incidents.

Independence of the Board

According to the Code, more than half of the Directors appointed by the general meeting must be independent in relation to the Company and the Company's management. At least two of the Directors 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 Director, an overall assessment shall in each case be conducted regarding the Director's relationship to the Company. None of the Company's Directors elected by the general meeting are employed by the Company or any other company in the Group. All Directors elected by the general meeting are deemed to be independent in relation to the Company and the Company's management. When determining whether a Director is independent in relation to a major shareholder, the extent of the Director's direct and indirect relationships with the major shareholder shall be taken into consideration. A Director is deemed not to be independent in relation to the Company's major shareholders if he or she is or recently has been employed at, or a Director of, a company that is a major shareholder. Five of six Directors elected by the general meeting 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 46 provides details of the Director's 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.

Work of the Board during the year

The Board met on eight occasions during 2019. The current Board was appointed by the annual general meeting held on May 9, 2019 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 2019, the Board visited the Group's production and assembly facilities in China.

Remuneration to the Board

At the annual general meeting on May 9, 2019, it was decided that a fee of SEK 640,000 should be paid to the Chair of the Board and SEK 310,000 each to other Directors elected by the 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 Directors, please see Note 7.

5 BOARD COMMITTEES

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

Audit Committee

According to the applicable rules of procedure for the Board, the 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 Company 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 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 is 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 appointment of the auditor at the annual general meeting.

Remuneration Committee

According to the applicable rules of procedure for the Board, the Remuneration Committee consists 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 annual general meeting. Furthermore, the Remuneration Committee is responsible for assisting the Board in its annual review of senior executives, including the President & CEO, and for evaluating the President & CEO's succession planning for senior executives.

6 PRESIDENT & CEO AND OTHER SENIOR EXECUTIVES

The 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. 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 in which the Group performs own activities. These are responsible for delivering on the business area strategies and report to members of the Management Team. For further information about the Group's business areas and operations, visit the website at www.alimakgroup.com.

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 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 and President & CEO is set out in the Board's 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 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 56–57.

Guidelines on remuneration to senior executives

Under the Swedish Companies Act, the Board is required to present proposals to the annual general meeting 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. Issues regarding remuneration to other senior executives shall, following recommendations by the President & 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 2019, see the Director's Report and Note 7 to the Financial Statements.

7 EXTERNAL AUDITOR

At the annual general meeting on May 9, 2019, EY (Ernst & Young AB) was appointed as the Company's external auditor for the period up to and including the 2020 annual general meeting. 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, without the presence of the President & CEO and any member of the Company's management. During the past financial year, EY provided the Company with tax advisory services and other advice, in addition to its audit function.

The auditor is paid for its work in accordance with the general meeting's decision. In 2019, the total fees paid to the Company's auditor were approximately MSEK 10. For more information, see Note 8.

8 INTERNAL CONTROL

Insider trading and information policy

The Company has produced policy documents and e-learning training courses, with the aim of informing employees and other relevant parties within the Group about the rules and regulations regarding the

Company's provision of information 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

The Company 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 the Company is managed. The Board and the President & CEO are ultimately responsible for ensuring that internal controls are developed, communicated to and understood by those 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 the Group level, the President & CEO, the COO and the CFO, together with the Country Managers, are responsible for ensuring that the necessary controls are in place and are monitored. Internal controls include checks of 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 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 ensure that outstanding issues from last year's audit are fixed within the current calendar year, as well as fixing reporting problems in the subsidiaries
- Ensure that the Group's guidelines are regarded as internal rules and will be followed

The SAFE methodology is used for internal control purposes for all the Group Companies. The Board has concluded that the Company currently 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 and the Company's management, and the level of control is deemed to meet the Company's needs. An annual assessment is made to determine whether a separate internal control function is necessary to maintain good internal control.

Sustainable governance

The Board is responsible for the Company's approach to sustainability and its implied risks and opportu-

nities, which are described in the Risk chapter of this document. This responsibility of the Board includes monitoring 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 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 Group's employees.

The responsibility for implementing and monitoring compliance with the Code lies with the President & CEO and other members of the Company's management. Responsibility for practical implementation of the Code is delegated to the Group's purchasing, production and sales and service organisations, and is monitored by the Company's management and reported back to the Board. For more information about the Group's sustainability initiatives and priorities, see pages 28–40.

The Board, Stockholm, March 25, 2020

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

Board



JAN SVENSSON

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

Born: 1956

Education: Mechanical engineer and Bachelor of Science (Econ.) Stockholm School of Economics

Current Board duties: Chair of the Board of AB Fagerhult, Tomra Systems ASA and Troax Group AB. Member of the Boards of Assa Abloy AB, Loomis AB, Climeon AB, Herenco AB and Stena Metall AB

Former positions, selection: CEO, Investment AB Latour and 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 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



SVEN TÖRNKVIST

Board member since 2019. Independent of the Company and major shareholders

Born: 1971

Head of Digital Business Development at EQT AB Group

Education: Master of Science in Business and Economics, Stockholm School of Economics

Current Board duties: -

Former positions, selection: Vice President Head of Digital Ericsson, various leading positions Google Sweden

Shareholding, own and via closely related persons*: 0



CHRISTINA HALLIN

Board member since 2018.
Independent of the Company and major shareholders
Born: 1960
Board member and consulting
Education: MSc in Engineering Chalmers University of Technology
Current Board duties: Board member of SEM (Swedish Electromagnet) and Sensys Gatso Group
Former positions, selection: President, Volvo Trucks China, Senior Vice President of Dong Feng Commercial Vehicles, various management positions within Volvo Group in Sweden
Shareholding, own and via closely related persons*: 180



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, 2019.

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*: 466,000



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*: 305,000



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*: 2,000

* Shareholding per December 31, 2019.



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*: 41,980



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*: 5,525



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*: 2,000



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*: 2,000



PATRIK SUNDQVIST

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

Born: 1975

Education: Service management, Handelshögskolan in 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*: 1,000

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 2019 on pages 42–57 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, March 25, 2020
Ernst & Young AB

Rickard Andersson
Authorized Public Accountant

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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 2019 financial year. Alimak Group AB is a public limited Company with its 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 and assembly facilities in eight countries across Europe, the Middle East, the Americas and China, along with a own sales and service network and distributors that supply and maintain vertical access solutions in 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 also are 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 range of industries, including buildings and infrastructure, ports and shipyards, oil & gas, 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. Where 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 targets.

Sustainability and corporate responsibility

The Group's Code of Conduct summarises the Group's basic guidelines and directives for employees' interactions with one another, stakeholders and other parties. The code also defines the Group's way of working, to ensure that all activities are carried out

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

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.

Extension of credit facility

Alimak Group has extended the multi-currency revolving credit facility with Handelsbanken that was signed in July 2018. The facility now runs until 2024 with the same terms and conditions.

Share repurchase

Based on the authorisation from the 2019 annual general meeting, the Board decided to buy back some of the Company's own shares on Nasdaq Stockholm. A repurchase of 197,111 shares took place in September.

Factory closing

On December 5, the Group announced the closing of Avanti's assembly unit in Tianjin, China. This was based on the changed market conditions for wind tower internals.

FINANCIAL OVERVIEW

Multi-year overview

MSEK	2019	2018	2017	2016
Revenue	4,587.4	4,320.4	4,000.7	2,048.6
Operating profit	565.1	439.4	416.8	306.8
Profit before tax	508.6	396.6	388.6	281.4
Net profit for the year	394.0	344.0	291.6	194.0
Balance sheet total	6,416.9	6,032.3	5,577.0	3,276.2
Equity/assets ratio, %	57	57	56	67
Average number of employees	2,286	2,377	2,438	1,171

Revenue and operating profit (EBIT)

Revenue for the Group totalled MSEK 4,587.4 (4,320.4). Operating profit (EBIT) increased to MSEK 565.1 (439.4), representing an operating margin of 12.3 per cent (10.2).

Analysis per segment

MSEK	2019		2018	
	Revenue	Operating profit	Revenue	Operating profit
Construction	813.2	130.9	714.4	124.1
Industrial	2,115.0	45.2	2,068.8	-29.5
After Sales	1,262.6	330.7	1,183.2	294.3
Rental	396.6	58.3	354.0	50.5
Total	4,587.4	565.1	4,320.4	439.4

Business area Construction Equipment experienced challenging market conditions with lower order intake but ended the year with an all time high revenue of MSEK 813.2 (714.4) which accounts for 18 per cent of the Group's sales, compared to 17 per cent in the previous year. Deliveries from mature markets, especially the US, were strong during the year. This resulted in a favourable product and market mix. Operating profit increased to MSEK 130.9 (124.1).

Business area Industrial Equipment faced changed market conditions for the tower internals part of the Wind business unit during the year. The other units grew, resulting in growth for the business area to MSEK 2,115.0 (2,068.8) – corresponding to 46 per cent of Group revenues. Operating profit increased to MSEK 45.2 (-29.5).

Revenue for business area After Sales totalled MSEK 1,262.6 (1,183.2) corresponding to 27 per cent of Group revenue, while making up a larger part of operating profit, 58 per cent, at MSEK 330.7 (294.3).

Business area Rental reported strong revenue growth and reached an all time high MSEK 396.6 (354.0). The operating profit increased from MSEK 50.5 to MSEK 58.3. 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 -56.5 (-42.8). The impact from applying IFRS 16, Leasing, is MSEK 11 (-).

Tax

The total tax expense for the year was MSEK 114.6 (52.6), corresponding to an effective tax rate of 22.5 per cent (13.2). The tax expense varies depending on the geographic distribution of where the Group's profits arise and the possibility of utilising tax loss carry forwards. The tax rate in 2018 was impacted by tax income in the fourth quarter resulting from 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 394.0 (344.0). Comprehensive income for the year totalled MSEK 447.3 (447.0). 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 the negative revaluation of pension plans.

Cash flow

Cash and cash equivalents at December 31, 2019 totalled MSEK 313.6 (355.6). The Group's cash flow from operating activities totalled MSEK 502.1 (239.8). The Group's cash flow from investing activities amounted to MSEK -167.6 (-68.2). The Group's cash flow from financing activities totalled MSEK -390.0 (-170.4).

Financing and financial position

The Group's balance sheet total was MSEK 6,416.9 (6,032.3) at year-end. Net debt totalled MSEK 1,007.3 (866.7), primarily consisting of loans from credit institutions (see Notes 18 and 21). Compared with December 31, 2018 trade receivables decreased from MSEK 1,017.8 to MSEK 966.0. Inventories decreased by MSEK 66.1 to MSEK 613.3.

Investments

The Group's investments in property, plant and equipment totalled MSEK 64.8 (59.7). Depreciation during the period amounted to MSEK 63.0 (67.0).

Intangible assets

At year-end, the carrying amount for intangible assets was MSEK 2,988.4 (2,930.1), of which goodwill comprised MSEK 2,366.7 (2,298.8). The yearly impairment test did not indicate any impairment need of the carrying amount of goodwill.

Equity

On December 31, 2019 the Group's shareholders' equity totalled MSEK 3,684.2 (3,409.7). In addition to the result from the year's operations, the change in equity reflects the dividend paid of MSEK 148.7 and other changes of MSEK 29.7, of which MSEK 65.9 come from the translation reserve for foreign operations and the rest from cash flow hedges and revaluation of defined benefits in pension plans. The Group also made a share repurchase of 197,111 shares during the year.

PERSONNEL

The Group prioritises having its own permanent workforce and works proactively and systematically to ensure 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 2019 was 2,286 (2,377). At year-end, the number of employees totalled 2,314 (2,360). Salaries and remuneration paid during the year amounted to MSEK 1,099.0 (1,078.5).

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 the 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 shar-

ing of experiences 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 92.0 (68.2).

OUTLOOK

Alimak Group has a leading position in the industry for vertical access solutions for professional use, with applications suitable for both temporary and permanent installations for various industries. The product offering is complemented with a broad range of after-market services targeted at the Group's installed base of currently around 70,000 units. With its own sales offices and an extensive distributor network, the Group has a global reach to more than 100 countries. Furthermore, the Group's is well positioned to take advantage of important global trends supporting an increase in the demand for the Groups products and services.

Based on the above, the Group's mid-term financial targets, set in 2017, are to achieve an annual average organic growth in revenues of 6 per cent, an EBITA margin of 15 per cent combined with a leverage (net debt/EBITDA) of 2.0 times.

Since 2017, one focus area has been to integrate the acquired business and streamline operations and gain efficiencies from economies of scale. The After Sales activities have been merged into one business area, servicing all the Group's installed base. In 2019, positive effects of these activities were noticed, resulting in an improved margin in business area Industrial Equipment as well as higher penetration ratio of services to the installed BMU and Wind equipment.

Furthermore, Alimak Group has increased its investments in the 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 at the forefront of the adaption of new technologies and retains its position as an industry innovator.

In 2020, the focus areas to reach the mid-term financial targets are to further expand the market share, grow the After Sales business and improve efficiencies in operations.

1. New products will be launched during the year, consisting of both enhancements to the existing product portfolio but also for applications currently not yet served. These launches are the result of recent development activities within the Group. The range of services will also expand further in 2020, to more comprehensively cover all the Group's equipment and broaden geographical coverage further.
2. Further After Sales growth will mainly be reached through increasing the service penetration of the installed base, especially BMU equipment, but also through higher utilisation of service technicians. The latter is driven by continued training and development of staff, but also through improved scheduling and planning of activities using the common Field Service Management System that will be launched during the year.
3. To improve efficiencies in product design and manufacturing, further efforts will be taken to make the products more modular. Having common processes and tools in services and administration is also of importance, which is why the implementation of a common Field Service Management System and a common ERP will be initiated during the year.

The overall success will however largely be dependent on external market factors including the general economic environment, customers' investment decisions as well as changes in the competitive environment. The coronavirus outbreak is a new uncertainty. The Group has implemented a number of measures to protect its employee and business. The outbreak has caused issues in the supply chain, transportation of equipment to customers and the possibility for service technicians to visit customer sites.

Group management continuously monitors and evaluates the potential financial impact. This, in addition to the lower backlog in Construction Equipment and the schedule of BMU deliveries, with overweight to the latter part of the year, will have an impact on the Group's financials in at least the first two quarters.

Despite the global uncertainty, the Group has a strong financial position and is comfortable with its current capital and covenant structure, and bank relationships. The Group sees no relevant effects on impairment tests nor the valuation of receivables.

ENVIRONMENTAL IMPACT

Alimak Group's biggest impact on the environment derives from the solutions' operation at customer sites but also from production and assembly. The Group works actively in order to reduce its environmental footprint, with a focus on supply and production as well as R&D to decrease the weight of the vertical access solutions.

All major production and assembly sites are certified according to ISO14001 and several locations are also certified according to OHSAS18001 / ISO45001.

In 2019, a lot of the Group's efforts were put into the continued validation and measurement of the metrics and KPIs defined as most relevant in 2018. A first life cycle assessment was also carried out for the Group's solutions produced at the factory in Skellefteå, Sweden.

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 together with the Annual report. The Sustainability report is included on pages 28–40 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 one voting right. On December 31, 2019 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. Alantra EQMC Asset Management held 5,475,110 shares, corresponding to 10.1 per cent of the shares.

In September, 2019 Alimak Group acquired 197,111 of its own shares at an average price of SEK 129 to cover commitments under the "Long term incentive program 2018 and 2019"

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 120–121.

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 can be found on pages 42–57 of this document.

CURRENT GUIDELINES FROM THE BOARD 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.

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 being 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 proportion 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

The 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 the 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 the position and may total 70 per cent of the fixed annual salary when targets are fully achieved by the CEO, and up to 50 per cent of the 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.

Long-term incentive programme

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 programme is the best approach in order to link rewards provided to the key employees to the future earnings and growth of the company.

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 solely on the fixed salary. 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 practices 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.

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

The Board proposes that the general meeting resolve on the following guidelines for salary and other remuneration to directors, President and Chief Executive Officer (CEO), Deputy CEO and other senior executives. Senior executives refer to senior executives of the Group executive management. These guidelines will be valid for agreements entered into after the general meeting's resolution and for changes made to existing agreements thereafter. These guidelines do not apply to any director fees decided or approved by the general meeting or such issues and transfers as are covered by Chapter 16 of the Swedish Companies Act (SFS 2005:551).

The guidelines' promotion of the Company's business strategy, long-term interests and sustainability

In short, the Company's business strategy is the following.

Alimak Group will improve its position as a global, market leading supplier of professional vertical access solutions in order to achieve sustainable, profitable growth. This is to be achieved through market expansion, growth in after sales business and through business optimisation.

For more information regarding the business strategy of the Group, please see alimakgroup.com, as well as the latest annual report including sustainability report.

It is of fundamental importance to the Group and its shareholders that these guidelines, in both a short- and long-term perspective, create good conditions to attract and retain senior executives and other employees with excellent competence. The purpose of these guidelines is to increase transparency in remuneration issues and through relevant remuneration structures, create incentives for senior executives, to execute strategic plans and deliver effective operational results to support the Group's business strategy and long-term interests, including its sustainability. To obtain this, it is important to sustain fair and internally balanced terms that are at the same time competitive on the market with respect to structure, scope and compensation levels. These guidelines ensure that senior executives, regardless of geographical market, may be offered a competitive total compensation.

Remuneration and forms of remuneration

The terms of employment for senior executives should consist of a balanced combination of fixed remuneration, variable remuneration, pension and other benefits and terms for dismissal/ severance payment. Furthermore, the Board may prepare and the general meeting resolve, on share and share-price related incentive programs. Such a combination of compensation fosters and supports management and achievement of objectives in both a short and long-term perspective. The various types of remuneration that may be paid out are described below.

Fixed remuneration

The fixed remuneration shall be individually determined and shall be based on each individual's responsibility and role as well as the individual's competence and experience in the relevant position. In the event of full payment of variable remuneration, the fixed remuneration comprises between 45-55 per cent of the total remuneration to senior executives.

Variable remuneration

Senior executives have an annual variable remuneration that is payable after each year end. The annual variable remuneration is structured as a percentage rate of the total compensation. Variable remuneration objectives shall primarily be based on the outcomes of financial objectives for the Group as well as clearly defined individual objectives with respect to specific assignments or the Group's sustainability efforts. The objectives shall be designed so as to promote the Group's business strategy and long-term interests, including its sustainability, through having a direct alignment to business strategy and promoting the long-term development of the senior executive.

The variable remuneration varies depending on position and may be up to 70 per cent of the fixed remuneration for the CEO and up to 50 per cent of the fixed remuneration for other senior executives. The objectives are constructed so that no variable remuneration will be paid if a certain minimum performance level is not achieved. In the event of full payment of variable remunera-

tion, the variable remuneration comprises between 25–30 per cent of the total remuneration to senior executives.

At the end of the annual measurement period, an overall performance evaluation shall be made to determine the extent to which the objectives have been achieved. The Remuneration Committee is responsible for the evaluation with respect to variable compensation to the CEO and other senior executives. With regards to financial objectives, the evaluation will be based on the latest audited financial information made public by the Group.

The Group does not have any potential deferral periods or, according to agreements, any possibility to reclaim variable remuneration.

Pension

The main principle is that pension contributions are based on collective bargaining agreement provisions in each geographical market. On entering into new pension agreements, senior executives entitled to pension will have defined contribution pension agreements based on fixed remuneration. Variable remuneration shall constitute pensionable salary to the extent necessary to comply with mandatory collective bargaining agreement provisions applicable to the senior executive. Pensioning of senior executives takes place in accordance with the respective country's pension rules.

Pension agreements for the CEO may exceed applicable local collective bargaining agreements, but must be defined contribution based, and must not exceed between 30-40 per cent of the fixed remuneration.

For employments governed by rules other than Swedish, pension benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

In the event of full payment of variable remuneration, pensions comprise between 15-20 per cent of the total remuneration to senior executives.

Other benefits

Other benefits, such as company car, housing allowance, compensation for healthcare, and health and medical insurance must comprise a minor part of the total compensation and must correspond to what may be deemed market practice in each geographical market.

For employments governed by rules other than Swedish, other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

In the event of full payment of variable remuneration, other benefits comprise between 5–10 per cent of the total remuneration to senior executives.

Special remuneration

Further special remuneration, provided that such extraordinary arrangements are limited in time and do not exceed 36 months, and may only be awarded on an individual basis, either for the purpose of recruiting or retaining executives, or to induce individuals to move to new places of service or accept new positions, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. These must not exceed an amount equivalent

to two times the remuneration the senior executive would have received in the absence of such an agreement on special remuneration. Such remuneration may not be awarded more than once per year and per individual. Any resolution on such remuneration shall be made by the Board based on a proposal from the Remuneration Committee.

Long-Term incentive program

This year, as twice previously, the Board has proposed that the general meeting adopts a performance-based stock option program, as the Board believes that such a program offers the best means of tying rewards to senior executive and key employees, to the Company's future earnings and value development.

The program mentioned requires a personal investment in the Company's shares, and that these shares are retained during a three-year period of service. At the end of the period of service, participants will be allotted shares in the Company at no cost, on the condition that certain terms of service such as continued employment and a specific financial performance objective, are fulfilled.

These long-term incentive programs foster the Group's business strategy, long-term interests, including its sustainability, through improving the ability of the Group to recruit and retain employees, spread and increase share ownership among key employees, and ensure a united focus on long-term value increase for shareholders.

There will be no allotment under the Company's long-term incentive program during the year 2020, as no previous incentive program comes to an end at this time.

Terms for dismissal etc.

Terms for dismissal and severance pay shall correspond to what may be deemed market practice on each geographical market. The CEO has a notice period of 6 months on their part and 12 months on the part of the Company. Other senior executives have a notice period up to 6 months. On entering into new employment agreements, agreement may be made with senior executives on severance pay corresponding to a maximum of 12 months' fixed remuneration. The foregoing applies only to notice given by the Company and, in general, the established practice in each geographical market where the executive works, applies.

Remuneration payable to Directors

In certain cases, Directors re-elected by the general meeting, should be able to receive fees and other remuneration for work carried out on behalf of the Group, alongside their Board work. Fees at market rates, approved by the other Board members, may be payable for such services.

Remuneration and employment conditions for other employees

In the preparation of this proposal for guidelines, remuneration and employment conditions for employees of the Company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and the Board's basis of decision when evaluating the reasonableness of the guidelines and appurtenant limitations.

The decision-making process to determine, review and implement the guidelines

The Board resolves, after preparation by the Remuneration Committee, on the structures of remuneration systems, as well as levels and forms of remuneration to senior executives. The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting for adoption. The guidelines shall be in force until new guidelines are adopted by the general meeting. The Remuneration Committee shall monitor and evaluate programs for variable remuneration for the Group executive management, the application of the guidelines as well as the current remuneration structures and compensation levels in the Group.

The members of the Remuneration Committee are independent of the Group and the executive management of the Group. The CEO and other members of the Group executive management do not participate in the Board' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters. Conflicts of interest are counteracted in all resolutions and any potential conflicts of interest are handled in accordance with the Group's framework for governance, consisting out of a code of conduct, policies and guidelines.

Derogation from the guidelines

The Board may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board's resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

Description of material changes to the guidelines

Description of material changes to the guidelines and how the views of shareholders' have been taken into consideration. The content of the guidelines has been reviewed and adapted to the legal requirements imposed by Directive (EU) 2017/828 of the European Parliament and of the Council amending Directive 2007/36/ EC as regards encouragement of the long-term shareholder engagement.

Miscellaneous

Total remuneration and other benefits paid to senior executives during the year are stated in the annual report.

PARENT COMPANY

The business of the Parent Company, Alimak Group AB, consists of certain Group-wide, shareholder-related services. Since January 1, 2019, only the CEO, CFO and Investor Relations and Group Communications Manager are employed by 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 12.1 (17.0) and an operating loss of MSEK -21.3 (-23.2) was recorded. Financial income and expenses totalled MSEK 17.5 (21.4) and profit before tax for the

year amounted to MSEK 138.9 (-1.8.). Profit for the year was MSEK 109.9 (-1.9).

At the end of the year, the equity/assets ratio was 78.3 per cent (83.1). By resolution of the 2019 AGM, a dividend of MSEK 148.7 was paid to shareholders, corresponding to SEK 2.75 per share.

At year-end, the Parent Company's cash and cash equivalents, including unutilised credit commitments and overdraft facilities, totalled MSEK 1,636.5 (1,347.0).

EVENTS AFTER THE FINANCIAL YEAR-END

Management changes

As communicated in a press release on January 15, Tormod Gunleiksrud has informed Alimak Group's Board of Directors that he wishes to leave his position as President and CEO during 2020.

New CEO appointed

The Board of Directors of Alimak Group has appointed Ole Kristian Jødahl as President and CEO of Alimak Group, effective as of June 1, 2020. Ole Kristian Jødahl is to succeed Tormod Gunleiksrud, who will, as previously communicated, leave the company after 8 years as President and CEO.

Ole Kristian Jødahl will join Alimak Group from the assignment as CEO of Hultafors Group. He has previously worked with operations management and held operational positions within SKF Group, most recently as Director, Sales & Marketing, Industrial Market, SKF Group.

Ole Kristian Jødahl is a Norwegian citizen and an economist from the Norwegian School of Economics (NHH Norges Handelshøyskole).

Until the date of accession, Tormod Gunleiksrud continues as President and CEO.

PROPOSED APPROPRIATION OF PROFIT

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

Retained earning	2,527,232,373
Net profit for the year	109,838,104
	2,637,070,477

The Board proposes that the amounts be distributed as follows

Dividend of 3.25 SEK per share to be paid to shareholders*	175,047,438
To be carried forward	2,462,023,039
	2,637,070,477

* The proposed record day for dividend payment is May 11, 2020. The amount proposed as dividend corresponds to SEK 3.25 per share, based on the existing number of shares, 54,157,861 and excluding the 297,111 shares held by the Group.

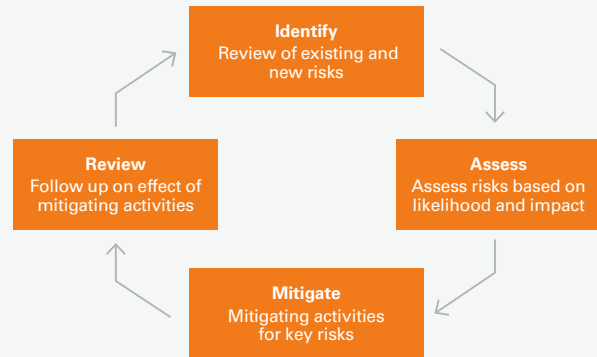
Risks and risk management

Exposure to risk is a natural element in running a business and the purpose of risk management is not to avoid risk, but to take a controlled approach to the risks that the business is exposed to.

Alimak Group applies a risk review process that seeks to identify, assess and manage key risks. The risks are divided into strategic, operational and financial risks and the members of the Group management team review the Group's risk profile annually and ensure that identified key risks are managed and that the information is used as input for the strategy process. The Board of Directors is ultimately responsible for ensuring that there is an appropriate and efficient risk management process in place and the CEO and CFO give regular risk updates to the Audit Committee and the Board.

The Group is also exposed to risks in the sustainability area, for example, risks concerning environmental issues, climate change, health & safety, respect for human rights, bribery and corruption. These risks are part of the operational risks.

Risk review process



STRATEGIC RISKS

Risk area	Description	Alimak Group's response
Market and economy	The Group's ability to generate profits may be affected by a down-turn in the general economy or in a specific country, region or industry. Political and social instability may also have a negative impact on the Group's ability to generate profit.	Alimak Group's products are sold to customers in more than 100 countries every year. The Group operates through its own subsidiaries in 21 countries and the remaining markets are covered by a distributor network. Altogether, this provides the Group with a favourable underlying risk diversification.
Competition	The Group competes with regional and local competitors in all business areas and markets. Any changes to the structure of the Group's current competitors or the emergence of new competitors may result in a reduction in the Group's sales, market share and revenue.	It is the responsibility of the Business Area Heads, in close co-operation with their sales teams around the world, to monitor the competitors and to ensure that the Group does not become too dependent on few major customers.
Strategy development and execution	The Group's strategy is subject to review on a yearly basis. There is always a risk of not having reliable financial forecasts and enough insight into current markets trends and threats to support the development of the strategy. Another risk in this area relates to the strategy execution and that the Group's strategy is not clearly communicated to and understood by the Group's employees.	The Group's strategy is developed jointly by the Group Management Team and the Board. Each year a two-day strategic workshop with the Group Management Team and the Board takes place to develop the strategy for the Group and for each of the Business Areas. Once the strategy has been approved by the Board, the Heads of each Business Area are responsible to communicate and implement the strategy in their organisations.
Brand and reputation	One important competitive advantage of the Group is its trademarks, which are associated with safety, reliability and quality. All real or perceived problems with products, operations or regulatory compliance in areas such as the Market Abuse Regulation ("MAR") and anti-corruption may result in damage to the Group's reputation.	Operational and product safety are of great importance to the Group and Safety First is the underlying theme in the Group's values. The Group's Insider policy, Communication policy and the Code of Conduct provide guidance both internally and to the Group's business partners on ethical and compliance matters relating to the Group's business operations. The Group's Investor Relations and Communications Manager together with the Group Compliance Officer provide guidance within the organisation and coordinates information to the market.

STRATEGIC RISKS		
Risk area	Description	Alimak Group's response
M&A	The Group has in the past years strengthened its market position through organic growth, business acquisitions and efficiency improvements. Growth through acquisitions is risky by nature due to the difficulties in evaluating the business that is going to be acquired but also to be able to realise synergies during the integration phase.	Acquisitions are co-ordinated by the Group Business Development function. External expertise is brought in for legal, tax, financial and environmental assessments when necessary. Acquisitions are carried out according to a defined M&A process consisting of pre-evaluation, due diligence, post-signing integration planning and integration execution. Processes are also in place for management of confidential and sensitive information.
Statutory requirements and standards	The global nature of the Group's business means that it is subject to numerous laws and regulations in areas such as environment, health & safety, trade restrictions, exchange control and competition law. Ensuring compliance with laws and regulations as well as monitoring the development in this area is a challenging task.	The managing director of each legal entity in the Group is responsible for ensuring that local laws and regulations are followed. The Group has active representation in relevant committees for development of new technical standards enabling the Group to monitor the development in this area. All major production and assembly sites are certified according to ISO14001 and several locations are also certified according to OHSAS18001 / ISO45001.

OPERATIONAL RISKS, INCLUDING SUSTAINABILITY RISKS		
Risk area	Description	Alimak Group's response
Sales channels and price management	Sudden cost increases resulting from for example increases in commodity and component prices or changes in customs and trade tariffs may result in margin erosion if the Group does not manage to pass on this additional cost to the customers.	The Business Area Heads are responsible for price management in their respective businesses. Price adjustment mechanisms should be included in agreements with customers and regular reviews and updates of selling price lists are performed. The Procurement Manager together with the local procurement functions are responsible for supplier selection and management. Threshold price adjustment clauses should be included in agreements with suppliers and the aim is to work with multiple sourcing opportunities to avoid being dependent on certain suppliers.
Manufacturing and sourcing	Alimak Group has 11 production and assembly facilities in 8 countries and production disruptions may occur due to events such as a fire, extreme weather, epidemic outbreak and strikes resulting from labour disputes. Production disruptions may also occur as a result of problems in the supply chain, such as a business interruption for an important supplier.	Some of the Group's products are manufactured in more than one location but when there is single site production, the processes are structured to allow for temporary locations or subcontracting. The Group has insurance coverage for business interruptions in significant sites with regular inspections of the Group's main manufacturing facilities performed by insurance risk consultants. Local contingency planning exists at the main manufacturing sites. The sourcing organisation is actively working with having multiple sourcing channels for critical parts.

OPERATIONAL RISKS, INCLUDING SUSTAINABILITY RISKS

Risk area	Description	Alimak Group's response
Contracting practices	The Group faces a risk that contracts with customers, distributors and suppliers are not negotiated, reviewed and authorised in accordance with existing internal policies resulting in an exposure to for example liability claims and too far-reaching commitments.	All agreements with third party sales channels, such as distributors and sales representatives, are handled according to a structured process based on agreement templates. There are standard agreement templates for contracts with suppliers and customers. The Group COO organisation issues Group policies for sales and contracting practices, including instructions about minimum trading terms.
Product development	There exists a risk of not being able to launch new products and service offerings in line with customer expectations or that the Group does not manage to capture the benefits of digitalisation.	Product managers from the business areas together with Group CTO decide which development project to run. Development projects shall be executed in accordance with the agreed toll-gate model.
Intangible assets	The Group risks failing to capture, enhance, and protect the Group's intellectual property rights, e.g. know-how, product innovations, trademarks.	Group Trademarks and domain names are handled by the Group COO organisation with support from external advisors. Patents are handled by the Group CTO together with product managers from each Business Area and external advisors when needed.
IT and Information Security	Unauthorised access to the Group's information or computer systems may result in loss of sensitive data and business interruptions.	IT Infrastructure and security is the responsibility of the Group IT Manager reporting to the Group COO. All hardware for infrastructure is controlled by Group IT and this function also handles user account creation and removal, system access and rights management and security controls. E-learning course on malicious e-mails distributed by Group IT to all employees in 2019. GDPR adherence handled by appointed Global Data Protection Manager.
SUSTAINABILITY RISKS		
Business ethics/ Code of conduct	Risk of corruption and bribery exists in many countries where Alimak Group operates and it is therefore of great importance to ensure that the Group's own employees as well as distributors, suppliers and consultants understand the Group's code of conduct and act in accordance with it. The Group's code of conduct is based on the ten principles of UN Global Compact and covers the areas human rights, labor, environment and anti-corruption.	The Group provides a Code of Conduct e-learning and the Managing Director of each legal entity in Alimak Group is responsible for ensuring that all employees have received proper training on the code. The Group's code of conduct is included in all templates for agreements with distributors, sales representatives and suppliers. Alimak Group has a whistleblower channel in place enabling anonymous reporting on any deviations from the code of conduct. For more details see the Sustainability Report.

OPERATIONAL RISKS, INCLUDING SUSTAINABILITY RISKS

Risk area	Description	Alimak Group's response
SUSTAINABILITY RISKS		
Environment Health and Safety	<p>The laws and regulations in the Environment, Health & Safety area are complex and changes over time. Non-compliance may result in injuries and accidents, damage to the environment as well as penalties.</p>	<p>All major production and assembly facilities are certified in accordance with the ISO14001 standard to ensure proper environmental management.</p> <p>Safety first is one out of three core statements in the Alimak Group Way. Every legal entity should have a designated person in charge of performing a health and safety risk assessment.</p> <p>The Group HSEQ Manager provides policies and tools in the areas of Health & Safety, Environment and Quality to ensure that all production and assembly facilities actively work to promote a safe work environment to prevent accidents from happening. All major production and assembly facilities and some of the sales entities are certified in accordance with OSHA 18001 or ISO 45001.</p> <p>For more detailed information about activities carried out during 2019 and KPI performance, see the Sustainability Report.</p>
Human resources	<p>The Group's biggest asset is its employees and it is of utmost importance to be able to attract new talent to the Group but also to ensure to develop and retain current employees.</p>	<p>A performance review process is in place.</p> <p>During autumn 2019, the first group-wide employee survey was conducted to gain better understanding of employee satisfaction and engagement. Each Country Manager / General Manager has prepared an action plan based on the local employee survey result and the intention is to run the employee survey every year to be able to monitor development in key areas.</p> <p>The Code of Conduct outlines the Group's commitment to treating all employees in a fair and equal manner.</p>
Product safety	<p>Alimak Group contributes to a safer and more reliable work environment for people working in the construction and industrial sectors by offering its vertical access solutions. If the products do not function properly it may cause severe bodily injuries which in its turn may damage the reputation of the Company.</p>	<p>Product and system testing included in the R&D project model. Preventive safety measures are built into many products based on design standards, risk assessments and market feedback.</p> <p>Certification process for service technicians and people operating the equipment is being developed to ensure proper handling of the solutions.</p> <p>The Group also has active representation in relevant committees for development of new technical standards for products and solutions.</p>

FINANCIAL RISKS

Risk area	Description	Alimak Group's response
Currency risk	<p>As a result of the Group's global operations, Alimak Group is exposed to currency risk which impacts the income statement, balance sheet and cash flow. Over time, exchange rate fluctuations also affect the Group's long-term competitiveness and therefore its capacity of earning.</p> <p>The foreign currency exposure arises primarily when purchases and sales are not made in the functional currency of the entity making the transaction (transaction risk) and, also when the income statements and balance sheets of foreign subsidiaries are translated to Swedish kronor (translation risk).</p> <p>Since a large part of production is concentrated to a few countries, while sales occur in many countries, the Group is exposed to a net inflow of foreign currencies. The currencies with the largest currency exposure impact are EUR, USD and AUD resulting from the significant business activities in these currencies.</p>	<p>It is the responsibility of the Group's Treasury function to manage the Group's financial risks in accordance with the guidelines laid down by the Board of Directors in the Group's financial policy.</p> <p>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.</p> <p>Alimak Group's objective when managing foreign currency risks is to reduce the short-term fluctuations in the income statement and to increase the predictability of the financial results. This is done by hedging the net commercial flows by entering foreign currency forward contracts and foreign currency swaps. The exposures are hedged at the time of a binding order to safeguard the gross margin and the investment budget.</p> <p>Foreign currency risks related to sales and cost incurred in foreign entities converted to Swedish kronor is not hedged.</p> <p>Alimak does not enter into any speculative transactions.</p>
Interest rate risk	<p>Alimak Group's interest rate risk relates primarily to cash flow from interest-bearing short-term investments in cash and cash equivalents as well as from outstanding interest-bearing debt with floating interest. Alimak Group's borrowings are made at variable interest rates and interest payments are generally made quarterly.</p>	<p>The Group's interest rate risk is limited considering the relatively low leverage rate. The leverage target of 2.0 is set by the Board of Directors. It is the responsibility of the Group's Treasury function to manage and monitor the interest rate risk in accordance with the guidelines in the Group's financial policy.</p>
Liquidity and refinancing risk	<p>The risk that the Group cannot meet payment commitments to suppliers and banks due to insufficient liquidity or the inability to obtain adequate financing on acceptable terms at any given point in time.</p>	<p>Alimak Group has access to a senior credit facility of MSEK 2,500 with five-year tenor maturing in 2024 with the possibility for a 1-year extension.</p> <p>With a leverage of 1.32 as of December 31, 2019, the Group has good headroom in relation to the bank covenant stated in the loan agreement, and the risk is limited.</p> <p>Under the financial policy the liquidity reserve shall always be maintained such that it can cover the anticipated fluctuations in the daily business over a period of six months. To meet this requirement the Group has overdraft facilities and confirmed credit facilities amounting to MSEK 207.</p> <p>For efficient use of the Group's liquidity, the Group Treasury function is managing a global multicurrency cash pool. For entities that cannot participate in the cash pool due to local regulations, excess liquidity and short-term funding is managed via intercompany loan agreements with Group Treasury.</p>
Counterparty and credit risk	<p>Risk of adverse effects on the Group's finances from inadequate credit evaluation of new and existing customers and risk of bad debts due to insufficient routines in collecting customer payments.</p>	<p>Accounts receivables are managed locally by each subsidiary and monitored at Business Area level and by Group Treasury.</p> <p>Both local credit rating institutes and Dun & Bradstreet are used in assessing financial viability of counterparties.</p>

FINANCIAL RISKS		
Risk area	Description	Alimak Group's response
Accounting and reporting risk	Risk that reports to investors, lenders and regulatory bodies do not give a fair view of the Group's financial position and results.	<p>Instructions and training is provided by Group Finance to the local finance organisations.</p> <p>A group of controllers from Group Finance and the Business Areas closely monitor the accuracy of the reporting.</p> <p>A new group reporting & consolidation system was introduced in 2019.</p> <p>In 2018 and 2019 the number of operating legal entities in the Group has been reduced through consolidation and/or liquidation of legal entities in some of the countries where the Group had more than one legal entity.</p>
Tax risk	The Group is taxed in the jurisdictions where operations are carried out through subsidiaries and the Group's ambition is to pay the right tax in the right countries. There is however always a risk that tax authorities make a different interpretation of tax laws and regulations and impose additional tax and penalties.	<p>The Finance Manager of each Group entity is responsible for the local tax compliance.</p> <p>The Group's central tax function provides policies and guidance for pricing of intra-group transactions to ensure a consistent methodology within the Group.</p> <p>Tax audit support is provided by the Group's central tax function and, when needed, also by external tax advisors.</p>
Fraud risk	Risk of adverse effects on the Group's finances resulting from internal or external fraud or mistakes in the local finance processes.	<p>The Group's financial policy requires that all payments are approved by two persons jointly. The Group Treasury function is responsible for cash management and bank relations at Group level and co-operates closely with the local Finance Managers. Most of the subsidiaries are included in the Group's cash-pool allowing Group Treasury to closely monitor all transactions taking place in the different entities.</p> <p>Regular reminders are distributed to the finance organisation referring to examples of fake CEO fraud attempts.</p>
Insurance risk	An insufficient insurance coverage could have a negative impact on the Group's financial result.	<p>A Group-wide insurance program is in place mainly relating to property, business interruption, travel and liability risks.</p> <p>The insurance coverage is managed by Group COO and Group Tax & Legal and it has been set up so that it provides a reasonable balance between risk exposure and insurance cost.</p> <p>The adequacy of the insurance coverage is reviewed once per year together with the insurance broker.</p>

Consolidated statements of comprehensive income

Amounts in MSEK	Note	2019	2018
Revenues	4, 5	4,587.4	4,320.4
Cost of sales ¹	6	-3,042.7	-2,926.5
Gross profit		1,544.7	1,393.9
Selling costs		-382.9	-418.9
Administration costs		-487.0	-445.5
Development costs		-92.0	-68.2
Other operating gains and losses ¹		-17.7	-21.9
Operating profit (EBIT)	6, 7, 8, 9, 10	565.1	439.4
Financial income	11	57.1	44.9
Financial expenses	11	-113.6	-87.7
Profit before tax (EBT)		508.6	396.6
Income tax	12	-114.6	-52.6
Net profit for the year		394.0	344.0
Attributable to owners of the Parent Company		394.0	344.0
Earnings per share, SEK	22	7.28	6.35
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified to net profit for the year</i>			
Remeasurements of defined benefit pension plans		-14.2	9.3
Income tax relating to remeasurements of pension plans		2.8	-1.7
Total		-11.4	7.6
<i>Items that may be reclassified to net profit for the year</i>			
Foreign exchange translation differences		65.9	97.5
Change in fair value of cash flow hedges		-1.5	-2.7
Income tax relating to change in fair value of cash flow hedges		0.3	0.6
Total		64.7	95.4
<i>Other comprehensive income</i>		53.3	103.0
Total comprehensive income		447.3	447.0
Attributable to owners of the Parent Company		447.3	447.0

1. Restatement have been made for 2018 between Cost of sales and Other operating gains and losses, see note 10.

Consolidated statements of financial position

Amounts in MSEK	Note	Dec 31, 2019	Dec 31, 2018
ASSETS			
<i>Intangible assets</i>			
Goodwill	13	2,366.7	2,298.8
Other intangible assets	13	621.7	631.3
Total		2,988.4	2,930.1
<i>Property, plant and equipment</i>			
Land and buildings		121.6	122.8
Plant and machinery		93.9	89.0
Equipment, tools, fixtures and fittings		30.0	28.4
Rental equipment		123.4	117.6
Right-of-use assets		262.9	–
Total	14, 15	631.8	357.8
<i>Financial and other non-current assets</i>			
Deferred tax assets	12	165.9	159.9
Other long-term receivables	18	11.5	8.7
Total		177.4	168.6
Total non-current assets		3,797.6	3,456.5
Inventories	16	613.3	679.4
Contract assets	17	357.9	244.4
Trade receivables	18, 19	966.0	1,017.8
Other receivables	18, 21	254.5	193.8
Prepaid expenses and accrued income	20	57.8	84.8
Short term investments	18, 21	56.2	–
Total		2,305.7	2,220.2
<i>Cash and cash equivalents</i>		313.6	355.6
Total current assets		2,619.3	2,575.8
TOTAL ASSETS		6,416.9	6,032.3

Consolidated statements of financial position (cont.)

Amounts in MSEK	Note	Dec 31, 2019	Dec 31, 2018
EQUITY AND LIABILITIES			
Share capital		1.1	1.1
Other contributed capital		2,914.6	2,938.7
Reserves		224.6	159.9
Retained earnings, including net profit for the year		543.9	310.0
Total equity	22	3,684.2	3,409.7
Long-term borrowings	18, 21	1,034.9	1,110.5
Lease liabilities	15	202.9	–
Provision for pensions	23	82.1	76.9
Other provisions	24	63.7	60.4
Deferred tax liabilities	12	204.4	190.2
Total non-current liabilities		1,588.0	1,438.0
Short-term borrowings	18, 21	84.0	111.9
Lease liabilities	15	64.1	–
Contract liabilities	17	99.4	87.8
Advance payments from customers		107.0	104.6
Trade payables	18, 21	336.7	448.9
Tax liabilities		167.9	140.2
Other current liabilities	18, 21	111.9	71.9
Accrued expenses and deferred revenue	25	173.7	219.3
Total current liabilities		1,144.7	1,184.6
TOTAL EQUITY AND LIABILITIES		6,416.9	6,032.3

For information on the Group's pledged assets and contingent liabilities, see Note 26.

Consolidated statements of cash flow

Amounts in MSEK	Note	2019	2018
Operating activities			
Profit before tax		508.6	396.5
Adjustments for:			
Depreciation and impairment of property, plant and equipment	9, 14, 15	154.0	67.0
Amortisation and impairment of intangible assets	9, 13	43.1	51.1
Net foreign exchange translation differences		4.1	-8.4
Provisions and pensions		-15.1	-14.3
Other non-cash items		-2.5	-7.5
Income tax paid		-95.1	-62.8
Cash flow before change in working capital		597.1	421.6
<i>Change in working capital</i>			
Change in inventories		87.3	-63.5
Change in contract assets		-102.8	-38.3
Change in current receivables		81.2	-191.6
Change in current liabilities		-160.7	111.6
Cash flow from change in working capital		-95.0	-181.8
Cash flow from operating activities		502.1	239.8
Investing activities			
Proceeds from sale of property, plant and equipment	14	-	2.3
Purchase of intangible assets	13	-22.3	-10.8
Purchase of property, plant and equipment	14	-64.8	-59.7
Acquisition of subsidiaries, net of cash acquired	28	-16.5	-
Net change in short term financial investments		-64.0	-
Cash flow from investing activities		-167.6	-68.2
Financing activities			
Proceeds from borrowings		262.0	262.8
Repayment of borrowings		-389.8	-296.5
Repayment of leasing liability	15	-88.1	-
Repurchase of treasury shares		-25.4	-12.1
Dividend paid		-148.7	-124.6
Cash flow from financing activities		-390.0	-170.4
Net change in cash and cash equivalents		-55.5	1.2
Cash and cash equivalents at beginning of year		355.6	341.3
Exchange rate differences in cash and cash equivalents		13.5	13.1
Cash and cash equivalents at year-end		313.6	355.6

SUPPLEMENTARY DISCLOSURES TO THE CONSOLIDATED STATEMENTS OF CASH FLOW

Amounts in MSEK	2019	2018
Interest received/paid		
Interest received	6.0	3.0
Interest paid	-45.8	-23.7
Cash and cash equivalents		
<i>The following sub-components are included in cash and cash equivalents:</i>		
Cash and bank balances	313.6	355.6

Consolidated statements of changes in equity

Shareholders' equity is attributable in its entirety to shareholders in the Parent Company for both 2018 and 2019.
See also Note 22.

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 January 1, 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 December 31, 2018	1.1	2,938.7	161.9	–2.0	310.0	3,409.7

2019

Amounts in MSEK	Share capital	Other contributed capital	Translation reserve	Hedging reserve	Retained earnings including profit for the year	Total shareholders' equity
Opening balance January 1, 2019	1.1	2,938.7	161.9	–2.0	310.0	3,409.7
Net profit for the year	–	–	–	–	394.0	394.0
Other comprehensive income	–	–	65.9	–1.2	–11.4	53.3
Comprehensive income for the year	–	–	65.9	–1.2	382.6	447.3
Share based payments	–	1.3	–	–	–	1.3
Repurchase of treasury shares	–	–25.4	–	–	–	–25.4
Dividend	–	–	–	–	–148.7	–148.7
Closing balance December 31, 2019	1.1	2,914.6	227.8	–3.2	543.9	3,684.2

Translation reserve

The translation reserve includes all exchange rate differences arising in translation of financial statements from foreign operations that 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 in the balance sheet.

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 Blekholmstorget 30, SE-111 64 Stockholm, Sweden. Alimak Group AB and its subsidiaries form the Alimak Group, hereinafter 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 professional use. 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 March 25, 2020. The consolidated financial statements will be definitively adopted by the AGM on May 7, 2020.

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 with the Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups, published by the Swedish Financial Reporting Council. Alimak Group AB's (publ) annual accounts have been prepared in accordance with the Swedish Annual Accounts Act, and 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.

Detailed information about new accounting standards applied by Alimak Group from 2019 is available in section 2.2 Application of new and revised standards.

Consolidation principles

The consolidated financial statements include Alimak Group AB and the subsidiaries over which the Parent Company exercises 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 on 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 controlling influence, as well as joint venture companies where Alimak Group has joint control and a 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 that arise 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 consistently 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 the point in time when control of the good has been transferred to the customer. This occurs for example when the Group has a 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 exists, revenue is recognised over time using the proportion of cost incurred to date compared to the 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 the 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 has been transferred to the customer. 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 the 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 the 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 at the amounts expected to be paid or recovered. Deferred

Note 2 (cont.)

tax assets or liabilities are calculated based on temporary differences between financial reporting and the taxation calculated with 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 bene-

fits 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 the 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 occurs, 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 rents property, plant, equipment and vehicles. Lease agreements are recognised in the Statement of financial position as Right-of-use assets and future payments of leasing fees as Lease liabilities. 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 create 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.

In the consolidated statement of comprehensive income. Alimak Group

Note 2 (cont.)

recognises depreciation of the Right-of-use assets and interest expenses. Lease payments affect cash flow from operating activities (e.g. interest), and cash flow from financing activities (repayment of the lease liability). Alimak Group does not apply IFRS 16 to intangible assets. Non-lease components are expensed and not accounted for as part of the right-of-use-asset or the lease liability. The parent company applies the exception from IFRS 16 allowed under RFR 2 and Right-of-use asset or lease liabilities are not recognised.

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 below.

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 is 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 changes.

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 on 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 is 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

Note 2 (cont.)

when they have been transferred and either (i) Alimak Group substantially transfers all the risks and rewards of ownership, or (ii) the Group neither substantially transfers nor retains all the risks and rewards of ownership and the Group has not retained control.

Financial liabilities**Classification and subsequent measurement**

All of the Group's financial liabilities, excluding derivatives, are classified as subsequently measured at amortised cost. Derivatives with negative fair values are classified 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 recognising 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 of up to three months. Bank overdrafts are included in other current liabilities.

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

Note 2 (cont.)

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.

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 implicitly 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 MANAGEMENT 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, that can be considered to be 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 always tested for impairment if, 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 an 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, 2019 Alimak Group had goodwill amounting to 2,366.7 (2,298.8) and other intangible assets with indefinite life totalling 453.4 (445.8). Additional information is given in Note 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, 2019, Alimak Group's balance sheet included 67.8 (68.3) 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 provided in Note 12, Income taxes.

Business combinations

Net assets acquired through business combinations are measured at fair value. The consideration exceeding the value of net assets acquired

Note 2 (cont.)

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 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 28, 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 to calculate 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 23, 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 made 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 to 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 been identified 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' opinions. 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 replac-

ing 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, 2019, provisions totalled 76.3 (79.3). Additional information about provisions is disclosed in Note 24, Provisions.

Inventories

Alimak Group recognises an allowance for obsolete inventory items at the end of the reporting period based on its 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 50.4 (54.0). 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, 2019 totalled 48.6 (39.1). Additional information regarding the impairment of accounts receivable is disclosed in Note 19, Trade receivables.

2.2 APPLICATION OF NEW AND AMENDED IFRS AND IFRIC INTERPRETATION

New or amended accounting standards applied in 2019

The following new, amended or improved Accounting standards were applicable from January 1, 2019. The effects of the application of IFRS 16 is described below. The other new, amended or improved standards are either not applicable for Alimak Group or do not have any material impact on the financial statements.

IFRS 16 Leases

IFRS 16 "Leases" replaces the current IAS 17 "Leases" including interpretations in IFRIC 4, SIC 15 and SIC 27. The standard is effective 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 operating leases are recognised as non-current assets and financial liabilities in the consolidated statement of financial position.

Note 2 (cont.)

Instead of operating lease expenses, Alimak Group recognises depreciation and interest expenses in the consolidated statement of comprehensive income. Lease payments affect cash flow from operating activities (e.g. interest), 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 applies the new standard using the modified retrospective approach, which means that comparative figures are not restated. The cumulative effect of applying IFRS 16 is recognised at January 1, 2019. The lease liabilities attributable to leases which have previously been classified as operating leases under IAS 17 are measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate for all markets where Alimak Group have Right-of-use assets is 3.8 per cent. Alimak Group recognises 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 has no effect on group equity.

Alimak Group is not applying IFRS 16 to intangible assets. Non-lease components are expensed and not accounted for as part of the right-of-use-asset or the lease liability. Alimak Group has at the date of initial application of IFRS 16 reassessed 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, is 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 had the following effects on the consolidated statement of financial position at the date of initial application

MSEK	Jan 1, 2019
Right-of-use asset	345
Total assets	345
Lease liabilities	345
Total liabilities	345

Alimak Group has identified lease contracts relating to e.g. premises, vehicles and 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 that are 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 31, 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	201
Option to prolong leases for premises	171
Gross lease liability at January 1, 2019	372
Discounting	-27
Additional lease liabilities as a result of the initial application of IFRS 16 as at January 1, 2019¹	345

1. The effects from the initial application of IFRS 16 has been adjusted compared to previously disclosed numbers.

Amendment to IAS 19 Employee Benefits

The amendment relates to defined benefit plan changes, such as plan amendment, curtailment and settlement. The IAS 19 update prescribes that the same assumptions should be used for calculating the current service cost and the net interest for the period after the change as are used for the remeasurement itself (no original assumptions).

The IAS 19 update also clarified the impact of plan changes (amendment, curtailment or settlement) on asset ceiling. The amendment has no material impact on Alimak Group's Financial reports.

Amendments to IFRS 3 Business Combinations and IFRS 11 Joint Operations

Both amendments are closely related and deal with the changes in a group composition. If an entity obtains control of another entity that was joint operation (i.e. joint operation becomes subsidiary), then the parent must remeasure previously held interest in the subsidiary. If an entity obtains joint control of another entity that is a joint operation, then the investor should not remeasure previously held interest in the joint operation.

Amendment to IFRS 9 Financial Instruments

This amendment relates to the classification of certain financial assets, those with specific prepayment options. Financial assets should be classified as at amortized cost only when they meet the "Contractual cash flow characteristics test". The amendment will enable for more assets to qualify, meet the test, for classification at Amortised cost or Fair Value Through Other comprehensive income. Besides changes related to classification of financial assets with prepayment options, this amendment also clarified accounting for modification of the financial liabilities.

Amendments to IAS 28 Investments in Associates and Joint Ventures

IAS 28 now clarifies that when an entity is a venture capital or similar organisation, it can elect to measure the investment in joint venture or associate at fair value through profit or loss in line with IFRS 9 (no equity method). The amendment clarifies that this option is available on investment-by-investment basis upon initial recognition (no need to apply for the whole portfolio).

Amendment to IAS 12 Income Taxes

The amendment clarifies the recognition and measurement of current and deferred taxes on dividends.

Amendment to IAS 23 Borrowing Costs

If any specific borrowing remains outstanding after the related asset is ready, then this borrowing becomes a part of general borrowings. It means that the capitalisation rate on general borrowings is recalculated taking the specific borrowing on completed asset into account (if outstanding).

IFRIC 23 Uncertainty over income tax treatment

IFRIC 23 clarifies the accounting for uncertainties in income taxes. It states that decision on if tax treatment is made independently or collectively should be based on judgement of which approach gives the better prediction. An entity is to assume that the tax authority has full knowledge of all relevant information to be able to assess correct tax treatment. The entity should consider if it is probable that the relevant tax authorities will accept each tax treatment or group of tax treatments in its tax filings.

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.

Group Treasury 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 Group 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. Group Treasury 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 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 AUD, EUR, and USD. 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 unit's 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 flows 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 following table.

Amendments to IAS 28 Investments in Associates and Joint Ventures

The amendment clarifies that when an entity is a venture capital or similar organization, it can elect to measure the investment in joint venture or associate at fair value through profit or loss in line with IFRS 9 (no equity method). The amendment clarified that this option is available on investment-by-investment basis upon initial recognition (no need to apply for the whole portfolio).

New or amended accounting standards to be applied after 2019

IFRS 17 Insurance is a completely new standard that originally was issued in 2017 and is planned to become effective from 2021. Amendment in IFRS 3 Business Combinations brings new definitions of business. Amendments to IAS 1 and IAS 8 that relates to the definition of material information. IFRS 17 is not applicable for Alimak Group.

NET CASH FLOW IN NON REPORTING CURRENCY

Currency (MSEK)	2019	2018
AUD	96	111
EUR	41	20
GBP	135	145
SGD	30	21
SEK	-6	-22
USD	514	564
Others	84	11

Trade receivables and payables in other currencies than the subsidiaries reporting currency 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, 2019 currency forward contracts were used to hedge these flows. The nominal amount of the hedges was MSEK 428 (568) and the average maturity was 4 months (8 months). The unrealised net result from outstanding contracts was at year-end MSEK -0.8 (-3.1) of which MSEK 0.8 with maturity 2020 and -1.6 with maturity 2021 and beyond.

Translation exposure

Translation exposure affects 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.

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 takes effect depends on the fixed-interest term of the assets or liabilities. The average fixed-interest term for the Group's borrowing was 2.6 months (2.4) 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.

Note 3 (cont.)

Drawdowns under the senior credit facility are fixed with floating interest. The average interest rate on the Group's interest-bearing loans was 1.4 per cent (1.8) at year-end 2019.

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

	Change	2019		2018	
		Effect on net profit for the year	Effect on shareholders' equity	Effect on net profit for the year	Effect on shareholders' equity ³
Market interest rates ¹	%	-8.7	-8.7	-9.5	-9.5
Exchange rates ²	SEK %	19.3	316.9	22.0	288.3
AED		1.6	10.5	0.6	3.0
AUD		3.9	41.2	4.6	65.7
CNY		-2.0	23.1	-0.6	22.0
EUR (Incl DKK)		8.7	117.4	16.0	101.3
GBP		0.3	11.4	0.6	8.3
HKD		0.3	12.5	1.1	8.2
NOK		0.9	14.1	0.1	12.9
USD		4.2	75.2	-1.3	61.1
Others		1.5	11.5	0.9	5.8

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.
3. Effect on equity 2018 is restated.

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 2024 with a possibility for 1 year extension. Liquidity risk is defined as the risk that the Group cannot fulfill 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 207.

CREDIT RISK

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

The maximum credit exposure is equal to the carrying amount of 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, 2019	Dec 31, 2018
Other long-term receivables	11.5	8.7
Trade receivables	966.0	1,017.8
Derivatives, net	-0.8	6.0
Other financial receivables	284.8	202.0
Cash and bank balances	313.6	355.6
Total	1,575.1	1,590.1

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 2019	Closing rate, Dec 31, 2019	Average rate 2018	Closing rate, Dec 31, 2018
AED	2.58	2.54	2.37	2.44
AUD	6.57	6.51	6.49	6.32
BRL	2.40	2.38	2.39	2.32
CAD	7.13	7.13	6.71	6.59
CNY	1.37	1.33	1.31	1.31
EUR	10.59	10.43	10.26	10.27
GBP	12.07	12.21	11.59	11.35
HKD	1.21	1.20	1.11	1.15
INR	0.13	0.13	0.13	0.13
KRW	0.008	0.008	0.008	0.008
NOK	1.07	1.06	1.07	1.02
RUB	0.15	0.15	0.14	0.13
SGD	6.93	6.90	6.44	6.56
USD	9.46	9.32	8.69	8.97

Note 4. Segment reporting

OPERATING SEGMENTS

The Group consists of the following operating segments (business areas): 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 markets

The Group operates worldwide and normally all operating 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
2019					
External revenue	813.2	2,115.0	1,262.6	396.6	4,587.4
Operating profit/loss	130.9	45.2	330.7	58.3	565.1
<i>Operating profit/loss %</i>	16.1	2.1	26.2	14.7	12.3
Profit before tax	n/a	n/a	n/a	n/a	508.6
Net profit for the year	n/a	n/a	n/a	n/a	394.0

	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	396.5
Net profit for the year	n/a	n/a	n/a	n/a	344.0

Note 4 (cont.)

GEOGRAPHICAL MARKETS

Revenues	2019	2018
Australia	475.7	436.8
China	520.7	565.4
Denmark	262.7	110.7
France	167.1	154.4
Germany	162.8	183.5
Netherlands	110.7	109.4
Norway	145.8	111.5
Spain	123.6	161.8
Sweden	76.0	176.3
United Arab Emirates	225.6	187.6
United Kingdom	396.9	367.8
United States	1,194.4	954.8
Other Markets	725.4	800.4
Total	4,587.4	4,320.4

Intangible assets and Property, plant & equipment

	2019	2018
Australia	383.8	615.8
China	205.2	76.1
Denmark	592.7	638.4
France	61.6	38.4
Germany	156.4	49.2
Netherlands	46.7	117.6
Norway	51.5	44.9
Spain	111.7	25.6
Sweden	1,105.8	1,042.0
United Arab Emirates	63.3	–
United Kingdom	84.1	31.2
United States	740.4	604.4
Other Markets	17.0	4.3
Total	3,620.2	3,287.9

In 2018 the assets within the rental business were transferred from Sweden to the Netherlands. In 2019 Right-of-Use assets are included, and distributed by country, with MSEK 262.9.

Note 5. Revenues**REVENUES ARE SPLIT INTO THE FOLLOWING RECOGNITION METHODS:**

	2019	2018
Over time		
Construction Equipment	–	–
Industrial Equipment	870.0	889.1
After Sales	–	–
Rental	216.7	167.6
Total Over time	1,086.7	1,056.7
Point in time		
Construction Equipment	813.2	714.4
Industrial Equipment	1,245.1	1,180.2
After Sales	1,262.5	1,182.6
Rental	179.9	186.5
Total Point in time	3,500.7	3,263.7
Total	4,587.4	4,320.4

Note 6. Operating costs

	2019	2018
Raw materials and consumables	–1,935.3	–2,008.6
Personnel costs	–1,434.1	–1,383.6
Consulting costs	–68.1	–91.0
Depreciation/amortisation	–197.1	–118.1
Other costs	–387.7	–279.7
Total	–4,022.3	–3,881.0

Depreciations of Right-of-use assets of MSEK 91 (–) are included in 2019, see also note 9.

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

	2019		2018	
	Average number of employees	Of whom, women, %	Average number of employees	Of whom, women, %
Australia	146	10	154	9
Belgium	7	0	5	0
Brazil	50	22	41	22
China	473	16	552	16
Denmark	43	19	43	26
France	55	13	52	13
Germany	159	20	159	17
India	36	3	38	3
Italy	8	13	9	11
South Korea	12	8	11	9
Malaysia	13	15	12	17
Netherlands	70	14	72	13
Norway	46	15	43	19
Russia	14	25	13	23
Singapore	21	24	25	16
Spain	360	12	375	11
Sweden	373	17	386	15
Switzerland	2	0	–	–
United Arab Emirates	104	5	94	3
United Kingdom	132	14	132	13
USA	162	12	161	19
Total	2,286	14	2,377	14

Group's gender breakdown in corporate management	2019	2018
	Of whom, women, %	Of whom, women, %
Board of Directors	29	25
Other senior executives	13	11
Personnel expenses		
	2019	2018
Salaries and benefits	1,099.0	1,078.5
Social welfare contributions	255.9	248.1
Other personnel expenses	79.2	57.0
Total, Group	1,434.1	1,383.6
Of which, pension costs included in social security costs	59.0	67.5

Of the Group's pension costs, MSEK 2.0 (1.9) refer to the category of Board of Directors and CEO. The Group's outstanding pension commitments to the latter amount to 10.9 (5.7).

Breakdown of salaries and other remuneration, by Board members and other employees (excl. pensions and social security contributions)	2019		2018	
	Board of Directors and President	Other employees	Board of Directors and President	Other employees
Sweden	8.9	186.1	7.9	180.6
(Of which, bonuses etc.)	(1.8)	(5.1)	(0.8)	(2.0)
Outside Sweden	–	904.0	–	890.0
(Of which, bonuses etc.)	–	(38.5)	–	(20.1)
Total, Group	8.9	1,090.1	7.9	1,070.6
(Of which, bonuses etc.)	(1.8)	(43.6)	(0.8)	(22.1)

Long-term incentive programme (LTI)

The 2018 and 2019 Annual General Meetings resolved to implement long-term incentive programmes directed at senior executives and other key employees in the Group (LTI 2018 and LTI 2019). The main purpose of the programmes is to strengthen the Group's ability to recruit and retain employees and to broaden and increase share ownership amongst senior

executives and key employees. Through a performance-based stock savings programme, the rewards provided to key employees can be linked to the Group's future earnings and long-term growth, aligning the interests of the shareholders with the interests of the concerned employees.

Participation in the programme requires a personal investment in Alimak shares. For each acquired share, the participants are granted so

Note 7 (cont.)

called Performance Share Rights. After the qualifying period, which is approximately three years, each Performance Share Right entitles the participant to one Alimak share without any consideration provided that certain conditions are met. The participants must keep their own investment in shares and continue to be employed within the Group throughout the qualifying period in order to be entitled to shares. There is also a financial performance target related to the earnings per share for the Group that should be achieved in order for allotment to take place.

LTI 2018 has 19 participants and LTI 2019 has 22 participants. In accordance with the terms of the two programmes, employees have acquired 30,000 Alimak shares, of which 15,500 shares were acquired in 2019 within the framework of LTI 2019.

For the Long-term incentive programmes, personnel costs during the qualifying period are recognised based on the shares fair value on the allotment date. Personnel costs for shares relating to the programme 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 the commitment at the end of the qualifying period. The cost is adjusted for participants who do not remain employed by the Group. Social security contributions must be paid in some countries based on the value of the employee's benefit. This value is based on fair value and recognised as a provision for social security contributions. The LTI programmes are equity settled and an amount equivalent to the personnel cost is recognised in Other contributed capital.

The fair value of the Alimak share used in the calculation of the cost for LTI 2018 and 2019 was SEK 121.

The total cost of the Group's long-term incentive programmes, LTI 2018 and LTI 2019, excluding social security costs amounted to MSEK 1.3 in 2019 (MSEK 0.2 in 2018).

2019	Salary/ Board fee	Variable remuneration	Other benefits	Pension cost	Total
Board of Directors					
Jan Svensson, Board chairman	0.7	–	–	–	0.7
Anders Jonsson	0.4	–	–	–	0.4
Joakim Rosengren (until AGM May 2019)	0.1	–	–	–	0.1
Helena Nordman-Knutson	0.4	–	–	–	0.4
Christina Hallin	0.3	–	–	–	0.3
Tomas Carlsson	0.4	–	–	–	0.4
Sven Törnkvist (From AGM May 2019)	0.2	–	–	–	0.2
President	4.7	1.8	–	2.0	8.5
Other senior executives (8 persons)¹	17.4	0.9	3.0	3.3	24.6
Total	24.6	2.7	3.0	5.3	35.6
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)¹	18.3	8.3	0.4	3.7	30.8
Total	25.3	9.1	0.4	5.6	40.4

1. At the end of 2019 and 2018 the Group Management Team consisted of CEO, COO, CFO, CTO and 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. During the year 2018 one person was added to the Management team.

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 2019 AGM, the annual fees to Board members elected by the AGM total SEK 2,190,000. Of this amount, SEK 640,000 is paid to the Board Chairman and SEK 310,000 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 Jan Svensson (Chair) and Anders Jonsson. 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 4,662,000 and a variable salary of SEK 1,816,063 was expensed in 2019. 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

	2019	2018
Ernst & Young:		
Auditing assignment	9.0	8.9
Audit work outside the scope of the audit assignment	0.4	0.6
Tax advice	0.2	0.7
Other services	0.4	0.3
Total	10.0	10.5
Other auditors:		
Auditing assignment	0.7	2.7
Audit work outside the scope of the audit assignment	0.1	0.1
Tax advice	0.4	3.2
Other services	0.7	1.1
Total	1.9	7.1

Note 9. Depreciation/amortisation

	2019	2018
Depreciation/amortisation according to plan per asset		
Other intangible assets	43.1	51.1
Land and buildings	5.4	14.7
Plant and machinery	17.7	15.0
Equipment, tools and fixtures and fittings	16.5	12.9
Rental equipment	23.4	24.4
Right-of-use assets	91.0	–
Total	197.1	118.1
Depreciation/amortisation according to plan per function		
Cost of goods sold	116.8	53.1
Selling expenses	49.3	54.3
Administration expenses	28.7	8.5
Development expenses	2.3	2.2
Total	197.1	118.1

Note 10. Other operating gains and losses

	2019	2018
Operating gains		
Exchange gains	14.2	4.4
Other gains	1.8	–
Total	16.0	4.4
Operating losses		
Exchange losses	–33.7	–26.3
Total	–33.7	–26.3

Other operating gains and losses are restated for 2018 compared to previously published financial reports where they were included in Cost of sales.

Restatement of previously reported numbers have been made according to the table below.

	2018
Cost of sales	
Reported	–2,948.4
Effect of reclassification	21.9
Restated	–2,926.5
Gross profit	
Reported	1,372.0
Effect of reclassification	21.9
Restated	1,393.9
Other operating gains and losses	
Reported	–
Effect of reclassification	–21.9
Restated	–21.9

Note 11. Financial income and expense

	2019	2018
Financial income		
Interest income	6.5	6.9
Exchange gains	50.6	38.0
Total	57.1	44.9
Financial expense		
Interest expense	–47.0	–46.9
Interest expenses leases	–10.5	–
Exchange losses	–56.1	–40.8
Total	–113.6	–87.7

Note 12. Income Tax

The Group's tax cost for the year totalled MSEK –114.6 (–52.6), corresponding to an effective tax rate of 22.5 per cent (13.0).

	2019	2018
Current year tax expense	–96.1	–132.9
Deferred tax	–18.5	80.3
Total	–114.6	–52.6
Reconciliation of effective tax	2019	2018
Income before taxes	508.6	396.5
Tax expense at Swedish tax rate 21.4% (22.0%)	–108.9	–87.2
Effect of different tax rates in foreign subsidiaries	–5.4	1.5
Tax expense for previous years	–0.8	–2.0
Tax exempt income and non-deductible expenses	1.0	6.3
Previously unrecognised tax losses and temporary differences	16.0	39.8
Adjustment to previous years deferred taxes	–	–1.5
Unrecognised current year tax losses and temporary differences	–10.1	–6.5
Effect of changes in tax rates	–2.0	–3.0
Other (including withholding tax)	–4.4	0.0
Income tax expense	–114.6	–52.6
Effective tax rate in %	22.5	13.3

Effect of revaluation of deferred tax due to change in tax rates relates to Netherlands where a decision has been taken to lower the corporate income tax rate from 25 per cent to 21.7 per cent in 2021. The effect of different tax rates in foreign subsidiaries mainly comes from the profits generated in Australia, Spain and USA where the corporate income tax rates are higher than in Sweden. The tax effect of not recognised tax losses mainly relates to losses in two of the Group's Chinese subsidiaries.

Note 12 (cont.)

The tables below show deferred tax assets and liabilities per category at the end of each reporting period and the movement in net deferred tax during the year.

	Dec 31, 2019	Dec 31, 2018
Deferred tax assets		
Property, plant and equipment	9.4	5.0
Financial instruments	0.5	0.2
Inventories	9.2	9.7
Current receivables	41.7	40.9
Provisions	40.4	36.6
Untaxed reserves	0.3	0.2
Loss carry-forwards	67.8	68.3
Other deferred tax assets	-3.4	-1.0
Total	165.9	159.9
Deferred tax liabilities		
Property, plant and equipment	9.6	9.3
Intangible non-current assets	164.3	172.3
Provisions	0.8	-
Untaxed reserves	24.1	8.6
Other deferred tax liabilities	5.6	0
Total	204.4	190.2

	2019	2018
Changes in deferred taxes, net		
Opening balance, 1 Jan	-30.3	-150.9
Recognised in income statement	-18.5	80.3
Recognised in other comprehensive income	3.1	-1.1
Reclassification	7.1	35.6
Translation differences	0.1	5.8
Closing balance, 31 Dec	-38.5	-30.3

Deferred tax assets on tax loss carry-forwards are reported to the extent that the realisation of the related tax benefit through future taxable profits is probable also when considering the period during which the losses can be utilised.

As of December 31, 2019, the total amount of tax loss carry-forwards was MSEK 424.4 (516.6). The deferred tax relating to the recognised losses amounted to MSEK 67.8 (68.3). The tax losses on which deferred tax has been recognised mainly relate to Australia, Netherlands and Spain. The tax losses on which no deferred tax has been recognised mainly relate to China and Brazil.

TAX LOSS CARRY-FORWARDS

	Recognised		Not recognised	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Expires within five years	78.6	24.0	45.4	191.8
Expires after five years	9.5	4.0	0.7	30.4
With expiration date	88.1	28.0	46.1	222.2
No expiration date	158.8	215.9	131.4	50.5
Total tax loss	246.9	243.9	177.5	272.7

Note 13. Goodwill and other intangible assets

2019	Goodwill	Trademark	Customer relations	Technology	Order backlog	Development costs	Total
Accumulated historical cost							
Opening balance, Jan 1	2,512.9	445.8	205.0	47.7	22.2	17.4	3,251.0
Acquisitions	28.0	0.5	–	–	–	21.8	50.3
Sales, disposals	–	–	–	–	–	–1.2	–1.2
Reclassifications	–	1.3	0.1	0.6	–	–	2.0
Translation differences for the year	42.7	6.5	2.2	1.3	0.7	1.6	55.0
Closing balance, Dec 31	2,583.6	454.1	207.3	49.6	22.9	39.6	3,357.1
Accumulated amortisation and impairment loss							
Opening balance, Jan 1	–214.1	–	–74.7	–7.9	–22.2	–2.0	–320.9
Sales, disposals	–	–	–	–	–	1.2	1.2
Amortisations for the year	–	–0.1	–35.7	–6.1	–	–1.2	–43.1
Reclassifications	–	–1.3	–0.1	–0.6	–	–	–2.0
Translation differences for the year	–2.8	0.7	–0.5	0.3	–0.7	–0.9	–3.9
Closing balance, Dec 31	–216.9	–0.7	–111.0	–14.3	–22.9	–2.9	–368.7
Carrying amount at year-end	2,366.7	453.4	96.3	35.3	0.0	36.7	2,988.4
2018							
Accumulated historical cost							
Opening balance, Jan 1	2,448.1	441.1	189.5	52.0	22.5	12.5	3,165.7
Acquisitions	–	–	–	1.2	–	9.0	10.2
Sales, disposals	–	–	–	–	–	–3.3	–3.3
Reclassifications	–	–	11.2	–9.6	0.1	–1.7	0.0
Translation differences for the year	64.8	4.7	4.3	4.1	–0.4	0.9	78.4
Closing balance, Dec 31	2,512.9	445.8	205.0	47.7	22.2	17.4	3,251.0
Accumulated amortisation and impairment loss							
Opening balance, Jan 1	–214.1	–	–33.8	–4.6	–13.6	–3.6	–269.7
Sales, disposals	–	–	–	–	–	3.1	3.1
Amortisations for the year	–	–	–36.2	–4.7	–8.9	–1.3	–51.1
Reclassifications	–	–	–2.1	1.9	–	0.3	0.0
Translation differences for the year	–	–	–2.6	–0.5	0.3	–0.6	–3.2
Closing balance, Dec 31	–214.1	–	–74.7	–7.9	–22.2	–2.0	–320.9
Carrying amount at year-end	2,298.8	445.8	130.3	39.8	–	15.4	2,930.1

Note 13 (cont.)

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 segment specific market leadership and their long history. The trademarks are continuously developed and are tested for impairment whenever Goodwill is reviewed for impairment. Trademarks are all included in business area Industrial.

GOODWILL HAS BEEN ALLOCATED TO THE FOLLOWING CASH FLOW GENERATING UNITS, MSEK:

	Dec 31 2019	Dec 31 2018
Business area Construction Equipment	112.2	98.8
Business area Industrial Equipment	946.6	931.0
Business area After Sales	1,307.9	1,269.0
Total	2,366.7	2,298.8

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.

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 Group's beta, gearing and credit spread. The discount rate used in impairment testing has been determined similarly as in 2018. The WACC used for Construction was 8.6 per cent, for Industrial 7.3 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 Group's 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 2019 or in 2018.

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 for Business area Industrial equipment, an increase of the discount rate of 1.5 per cent or more would affect the Net present value to be lower than Carrying value. Also, should future EBITDA margin decrease with 2.0 per cent or more, the Net present value would be lower than carrying value. Finally, should forecasted sales growth in the forecast period decrease with 2.8 per cent 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

2019	Land and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Rental equipment	Total
Accumulated historical cost					
Opening balance, Jan 1	187.8	183.3	79.1	352.2	802.4
Acquisitions	1.5	18.4	11.0	33.9	64.8
Sales and disposals, etc.	–	–17.0	–3.1	–3.0	–23.1
Reclassifications	–0.3	–15.2	–4.8	7.0	–13.3
Translation differences for the year	3.8	13.8	8.4	–1.9	24.1
Closing balance, Dec 31	192.8	183.3	90.6	388.2	854.9
Accumulated depreciation					
Opening balance, Jan 1	–65.0	–94.3	–50.7	–234.6	–444.6
Sales and disposals, etc.	–	17.0	3.1	2.6	22.8
Depreciation according to plan for the year	–5.4	–17.7	–16.5	–23.4	–63.0
Reclassifications	0.3	15.2	4.8	–7.0	13.3
Translation differences for the year	–1.1	–9.6	–1.3	–2.4	–14.4
Closing balance, Dec 31	–71.2	–89.4	–60.6	–264.8	–486.0
Carrying amount at year-end	121.6	93.9	30.0	123.4	368.9
2018					
Accumulated historical cost					
Opening balance, Jan 1	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.	–	–5.7	–4.6	0	–10.3
Reclassifications	–1.5	–12.6	–1.3	15.4	0
Translation differences for the year	1.5	3.8	2.9	–0.4	7.8
Closing balance, Dec 31	187.8	183.4	79.2	352.0	802.4
Accumulated depreciation					
Opening balance, Jan 1	–49.0	–80.4	–40.0	–211.7	–381.1
Sales and disposals, etc.	–	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	–2.4	–2.1	0.5	–5.3
Closing balance, Dec 31	–65.0	–94.4	–50.8	–234.4	–444.6
Carrying amount at year-end	122.8	89.0	28.4	117.6	357.8

Note 15. Right-of-use assets and Lease liabilities

2019	Premises	Vehicles	Other machinery and equipment	Total
Accumulated historical cost				
Opening balance, Jan 1	281.5	36.6	26.9	345.0
New contracts	46.1	26.6	6.4	79.1
Sales and disposals	-78.6	-4.8	-2.7	-86.1
Translation differences for the year	-3.5	-0.4	0.1	-3.8
Closing balance, Dec 31	245.5	58.0	30.7	334.2
Accumulated depreciation				
Opening balance, Jan 1	-	-	-	-
Depreciation for the year	-50.8	-22.4	-17.8	-91.0
Sales and disposals	12.0	4.4	2.5	18.9
Translation differences for the year	0.6	0.3	-0.1	0.8
Closing balance, Dec 31	-38.2	-17.7	-15.4	-71.3
Carrying amount at year-end	207.3	40.3	15.3	262.9

LEASE LIABILITIES

2019	Premises	Vehicles	Other machinery and equipment	Total
Non current lease liabilities	176.8	16.9	6.2	202.9
Current lease liabilities	40.4	15.2	8.5	64.1
Total carrying value lease liabilities	217.2	32.1	14.7	267.0
Maturity analysis undiscounted contractual leasing payments				
1-12 months	46.2	17.1	9.9	73.2
13-36 months	82.8	18.5	5.1	106.4
37-60 months	78.3	2.3	1.0	76.6
> 60 months	34.2	0.3	0.2	34.7
Total	241.5	38.2	16.2	295.9

IMPACT ON CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2019	2018
Depreciations of Right-of-use assets included in:		
Cost of sales	-61.9	-
Selling costs	-7.3	-
Administration cost	-21.1	-
Development cost	-0.7	-
Total	-91.0	-
Included in Interest expenses	-10.5	-

IMPACT ON CONSOLIDATED STATEMENTS OF CASH FLOW

	2019	2018
Included in cash flow from Operating activities		
Paid interest	-10.5	-
Included in cash flow from Financing activities		
Repayment of lease liabilities	-88.1	-

Alimak Group does not apply the exceptions for low value- or short term leases allowed under IFRS 16, all leases are included in the tables above. Alimak Group does not have any leases of intangible assets. Contracts with variable leasing fees are few and amounts are immaterial.

Note 16. Inventories

	Dec 31 2019	Dec 31 2018
Raw materials and consumables	347.5	316.2
Work in progress	58.0	90.1
Finished products and goods for resale	207.8	273.1
Total	613.3	679.4

The inventory value includes a provision of MSEK 50.4 (54.0) for obsolescence.

Note 17. Contract assets and liabilities

CONTRACT BALANCES WITH CUSTOMERS

2019	Contract assets	Contract liabilities
Opening balance, Jan 1	244.4	87.8
New advances from customers	–	51.7
Increase (+)/Decrease (–) due to revenue recognised	487.7	–40.6
Increase (+)/Decrease (–) due to transfers to receivables	–392.2	–
Revaluations	11.5	–1.9
Translation differences	6.5	2.4
Closing balance, Dec 31	357.9	99.4

CONTRACT BALANCES WITH CUSTOMERS

2018	Contract assets	Contract liabilities
Opening balance, Jan 1	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 differences	5.9	4.8
Closing balance, Dec 31	244.4	87.8

The increases/decreases in the tables 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 358 (244), MSEK 348 (222) is estimated to be invoiced within one year.

Note 18. Financial assets and liabilities

Financial assets	Dec 31, 2019		Dec 31, 2018	
	Level 2	Level 3	Level 2	Level 3
Financial assets				
Derivatives				
Financial assets at fair value through profit and loss	2.9	–	0.3	–
Derivatives in hedge accounting	1.6	–	5.7	–
Financial assets at amortised cost				
Other long term receivables	–	11.5	–	8.7
Trade receivables	–	966.0	–	1,017.8
Other short term receivables	–	284.8	–	202.0
Cash and cash equivalents	–	313.6	–	355.6
Total	4.5	1,575.9	6.0	1,584.1

Financial liabilities	Dec 31, 2019		Dec 31, 2018	
	Level 2	Level 3	Level 2	Level 3
Financial liabilities				
Derivatives				
Derivatives	5.3	–	9.0	–
Financial liabilities measured at amortised cost				
Long-term borrowings	–	1,034.9	–	1,110.5
Long-term lease liabilities	–	202.9	–	–
Short-term borrowings	–	84.0	–	111.9
Short-term lease liabilities	–	64.1	–	–
Trade payables	–	336.7	–	448.9
Other financial liabilities	–	206.7	–	256.2
Total	5.3	1,929.3	9.0	1,927.5

Fair values are the same as carrying values for all financial assets and liabilities. 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. During the financial year, no financial assets or financial liabilities were reclassified among the valuation categories.

Currency derivatives are valued at fair value by discounting the difference between the contracted forward rate and the forward rate that can 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.

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.

Note 18 (cont.)

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

2019	Long-term Borrowings	Long-term Lease liabilities	Short-term Borrowings	Short-term Lease liabilities	Derivatives	Total
Opening balance, Jan 1	1,110.5	–	111.9	–	9.0	1,231.4
Adjusted opening balance, Jan 1	–	269.0	–	76.0	–	345.0
Cash flows	–87.3	–75.1	–34.3	–13.0	–7.2	–216.9
Other changes lease liabilities	–	6.0	–	0.6	–	6.6
Changes in fair value	–	–	–	–	3.5	3.5
Reclassifications	–0.2	–	5.7	–	–	5.5
Translation difference	11.9	3.0	0.7	0.5	–	16.1
Closing balance, Dec 31	1,034.9	202.9	84.0	64.1	5.3	1,391.2

2018	Long-term Borrowings	Long-term Lease liabilities	Short-term Borrowings	Short-term Lease liabilities	Derivatives	Total
Opening balance, Jan 1	1,205.0	–	46.0	–	4.2	1,255.2
Cash flows	–	–	–33.8	–	2.1	–31.7
Changes in fair value	–	–	–	–	2.7	2.7
Reclassifications	–99.7	–	99.7	–	–	0.0
Translation difference	5.2	–	–	–	–	5.2
Closing balance, Dec 31	1,110.5	–	111.9	–	9.0	1,231.4

Note 19. Trade receivables

	2019	2018
Trade receivables, gross	1,014.6	1,056.9
Accumulated reserve for bad debts, opening balance, 1 Jan	–39.1	–25.1
Provisions for the year	–11.5	–22.1
Reversals of provisions for the year	2.3	8.8
Exchange rate differences	–0.3	–0.7
Accumulated reserve for bad debts, closing balance, 31 Dec	–48.6	–39.1
Trade receivables, net at year-end	966.0	1,017.8

Age analysis for overdue trade accounts receivable not considered bad debts	Dec 31 2019	Dec 31 2018
1–30 days	180.0	250.8
31–90 days	53.1	88.6
91–120 days	36.5	31.2
> 120 days	41.2	80.9
Total at year-end	310.8	451.5

Note 20. Prepaid expenses and accrued income

	Dec 31 2019	Dec 31 2018
Prepaid lease charges and rent	3.5	5.2
Accrued sales revenue	19.1	33.4
Prepaid insurance	9.5	15.5
Bank charges and legal costs	0.4	0.4
Transport subsidies and fees	6.4	1.8
IT services	6.4	16.5
Other	12.5	12.0
Carrying amount at year-end	57.8	84.8

Note 21. Maturity analysis, receivables and liabilities**BORROWINGS**

The long term borrowings of MSEK 1,034 is within the frame of the senior revolving facility of MSEK 2,500. The facility has a tenor of five years with maturity in 2024 and a possibility for 1 year extension.

The average fixed-interest term for long-term borrowing was 2.5 months (2.4) at year-end.

The average interest rate on the Group's interest-bearing loans was 1.4 per cent (1.8) 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.

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**31 Dec 2019**

Financial assets	<1 month	1–12 months	1–5 years	>5 years
Other long-term receivables	–	–	10.4	1.1
Trade receivables	427.2	538.8	–	–
Derivatives	–	4.5	–	–
Other financial receivables	116.5	149.2	–	–
Accrued income	1.5	17.6	–	–
Cash equivalents	1.4	3.4	–	–
Cash and bank	297.1	11.7	–	–
Total	843.7	725.2	10.4	1.1

Financial liabilities	<1 month	1–12 months	1–5 years	>5 years
Borrowings and lease liabilities	–	157.8	1,381.6	34.6
Trade payables	176.5	160.2	–	–
Derivatives	–	5.3	–	–
Other financial liabilities	36.1	170.6	–	–
Total	212.6	493.9	1,381.6	34.6

Financial liabilities consist of undiscounted amounts, including future interest payments.

31 Dec 2018

Financial assets	<1 month	1–12 months	1–5 years	>5 years
Other long-term receivables	–	4.0	3.0	1.7
Trade receivables	446.5	571.3	–	–
Derivatives	–	6.0	–	–
Other receivables	64.3	104.3	–	–
Accrued income	1.1	32.3	–	–
Cash equivalents	4.8	31.4	–	–
Cash and bank	255.1	64.3	–	–
Total	771.8	813.6	3.0	1.7

Financial liabilities	<1 month	1–12 months	1–5 years	>5 years
Borrowings	18.6	93.3	1,110.5	–
Trade payables	127.1	321.8	–	–
Derivatives	–	9.0	–	–
Other liabilities	27.1	229.1	–	–
Total	172.8	653.2	1,110.5	–

THE CASH FLOW HEDGE RESERVE IS EXPECTED TO IMPACT BOTH INCOME STATEMENT AND CASH FLOW IN THE PERIODS STATED BELOW

	Dec 31 2019	Dec 31 2018
Within 1 year	–2.5	–1.9
More than 1 year	–1.6	–
Total	–4.1	–1.9

The effect realised from cash flow hedges is recognised in Cost of goods sold in the income statement.

Note 22. Equity and Earnings per share

Share capital	Issued Share capital (SEK)	Number of issued shares	Quotient value
Issued share capital December 31, 2016	866,526	43,326,289	0.02
New share issue 2017	216,631	10,831,572	0.02
Issued share capital December 31, 2017	1,083,157	54,157,861	0.02
Issued share capital December 31, 2019	1,083,157	54,157,861	0.02

TREASURY SHARES

In September 2019 Alimak Group acquired 197,111 own shares at an average price of SEK 129 to cover commitments under the Long term incentive programme 2018 and 2019. As of December 2019 Alimak Group owns 297,111 treasury shares (As per 31 Dec 2018 100,000).

Earnings per share and dividends	2019	2018
Net income attributable to owners of the Parent Company (MSEK)	394.0	344.0
Average number of outstanding shares, basic and diluted (thousands)	54,158	54,158
Earnings per share basic and diluted (SEK)	7.28	6.35
Ordinary cash dividend (for 2019 as proposed by the board of directors)	3.25	2.75

Note 23. 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 Group Sweden AB, Alimak Group UK and Alimak Group Deutschland GmbH. 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 4.2 (3.6). The anticipated costs for 2020 are MSEK 4.3. The Group's share of the total premiums for ITP2 at Alecta is 0.02064 per cent (0.01857). On December 31, 2019, Alecta's surplus, expressed as the collective consolidation ratio, amounted to 148 per cent (142). 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 1.25 per cent (2.1 per cent).

A sensitivity analysis has been performed for the defined benefit plans. If the discount rate were to decrease with 0.5 per cent this would increase the value of the Swedish pension liability by MSEK 3.0, the German liability by MSEK 2.7 and the UK liability by MSEK 8.6.

Note 23 (cont.)

Pension costs recognised in the income statement	2019	2018
Defined benefit plans		
Cost of pensions earned during the year	0.1	0.7
Interest costs, net	1.8	1.6
Total for the period	1.9	2.3
Cost of defined contribution pensions	59.0	66.8
Total for the period	60.9	69.1

Pension costs recognised in other comprehensive income	2019	2018
Defined benefit pensions		
Revaluation of pension liabilities	28.2	-4.8
Revaluation of plan assets	-14.0	-4.5
Total for the period	14.2	-9.3

Carrying amount on the balance sheet	Dec 31 2019	Dec 31 2018
United Kingdom		
Present value of pension liabilities, funded plans	66.1	73.5
Fair value of plan assets	-79.3	-87.7
Net asset/debt funded plans	-13.2	-14.2
Total United Kingdom	-13.2	-14.2
Sweden		
Present value of pension liabilities, unfunded plans	43.4	41.3
Total Sweden	43.4	41.3
Germany		
Present value of pension liabilities, unfunded plans	46.1	44.1
Total Germany	46.1	44.1
Other countries		
Present value of pension liabilities, unfunded plans	5.8	5.7
Total other countries	5.8	5.7
Carrying amount at end of the period	82.1	76.9

Reconciliation of carrying amount on the balance sheet	2019	2018
Opening balance, Jan 1	76.9	86.5
Cost of pensions earned during the year	0.1	2.9
Interest costs, net	1.8	1.0
Revaluation of pension liabilities	28.2	-4.8
Revaluation of plan assets	-14.0	-4.5
Pension payments directly from employer	-3.8	-3.4
Contributions from employer	-2.8	-2.6
Other	-5.2	-
Exchange rate differences	0.9	1.8
Closing balance, Dec 31	82.1	76.9

Reconciliation of present value of pension liabilities	2019	2018
Opening balance, Jan 1	164.6	167.9
Cost of pensions earned during the year	0.1	2.9
Interest expense	3.9	3.2
<i>Revaluation of pensions:</i>		
- demographic assumptions	-1.0	-0.1
- financial assumptions	19.0	-5.6
- experience-based adjustments	10.3	1.0
Pension payments	-37.5	-8.4
Other	-5.3	-
Exchange rate differences	7.3	3.7
Closing balance, Dec 31	161.4	164.6

Reconciliation of plan assets at fair value	2019	2018
Opening balance, Jan 1	87.7	81.5
Interest income	2.1	2.2
Return over and above interest income	14.0	4.5
Contributions from employer	2.8	2.6
Pension payments from plan assets	-33.7	-5.0
Exchange rate differences	6.4	1.8
Closing balance, Dec 31	79.3	87.7

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.

Note 23 (cont.)

Significant actuarial assumptions applied	2019	2018
Sweden:		
Discount interest rate %	1.25	2.1
Future pension increases %	1.7	2.0
Life expectancy	DUS14	DUS14
United Kingdom:		
Discount interest rate %	2.0	3.1
Future salary increases %	2.1	2.5
Future pension increases %	1.95	2.5
Life expectancy	DUS14	DUS14
Germany:		
Discount interest rate %	0.68	1.9
Future pension increases %	1.7	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 6.5 (5.0).

Note 24. Provisions

2019	Warranty undertakings	Personnel costs	Final inspection costs	Project costs	Other provisions	Total
Opening balance, Jan 1	23.0	37.4	3.6	4.5	10.8	79.3
Provision for the year	10.7	6.8	1.7	0.0	20.6	39.8
Amounts utilised	-7.3	-14.0	-1.5	-0.5	-9.7	-33.0
Reversal of unutilised amounts	-4.5	0.0	0.0	-3.1	-1.7	-9.3
Reclassifications	-	-5.8	-	-0.2	3.9	-2.1
Exchange rate differences	0.4	0.7	-	0.1	0.4	1.6
Closing balance, Dec 31	22.3	25.1	3.8	0.8	24.3	76.3
of which short term	5.1	1.7	1.9	0.0	3.9	12.6

2018	Warranty undertakings	Personnel costs	Final inspection costs	Project costs	Other provisions	Total
Opening balance, Jan 1	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	-	-	-0.1	-3.1	3.0	-
Exchange rate differences	0.2	0.3	0	-0.1	-0.1	0.3
Closing balance, Dec 31	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

Other provisions includes contingent consideration for the acquisition of Alimak Group CSS AB, 10 MSEK. This provision is expected to be utilised in 2024. Remaining long term provisions are estimated to be utilised within 3 years.

Note 25. Accrued expenses and deferred income

	Dec 31 2019	Dec 31 2018
Personnel costs	102.8	121.2
Prepaid income	4.9	7.1
Relocation costs	1.6	11.9
Project costs, installation projects	24.1	16.1
Consulting fees	7.7	21.6
Other items	32.6	41.4
Total	173.7	219.3

Note 26. Assets pledged and contingent liabilities

	Dec 31 2019	Dec 31 2018
Assets pledged		
Endowment insurance	17.0	10.4
Other	4.1	2.0
Total assets pledged	21.1	12.4
Contingent liabilities		
Guarantee commitments, FPG/PRI	0.6	0.6
Other contingent liabilities	477.0	448.5
Total contingent liabilities	477.6	449.1

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 17.0 (10.4).

Other contingent liabilities are mainly related to indemnity bonds for commitments of Group companies to their customers.

Note 27. Bank overdraft facilities

	Dec 31 2019	Dec 31 2018
Credit limits approved	206.9	154.0
Unutilised portion	162.2	141.9
Utilised credit	44.7	12.1

Note 28. Acquisition and disposals

During the second quarter of 2019 Alimak Group made one minor acquisition, Dataline i Borås AB, later renamed to Alimak Group CSS 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.

Alimak Group did not acquire any companies or business operations in 2018.

Note 29. Events after the balance sheet date**MANAGEMENT CHANGES**

As communicated in a press release on January 15, Tormod Gunleiksrud has informed Alimak Group's Board of Directors that he wishes to leave his position as President and CEO during 2020.

NEW CEO APPOINTED

The Board of Directors of Alimak Group has appointed Ole Kristian Jødahl as President and CEO of Alimak Group, effective as of June 1, 2020. Ole Kristian Jødahl is to succeed Tormod Gunleiksrud, who will, as previously communicated, leave the company after 8 years as President and CEO.

Ole Kristian Jødahl will join Alimak Group from the assignment as CEO of Hultafors Group. He has previously worked with operations management and held operational positions within SKF Group, most recently as Director, Sales & Marketing, Industrial Market, SKF Group.

Ole Kristian Jødahl is a Norwegian citizen and an economist from the Norwegian School of Economics (NHH Norges Handelshøyskole).

Until the date of accession, Tormod Gunleiksrud continues as President and CEO.

Parent Company income statements

Amounts in MSEK	Note	2019	2018
Revenues		12.1	17.0
Administration costs	A2, A3, A4	-33.4	-40.2
Operating loss		-21.3	-23.2
Financial income	A5	39.9	45.6
Financial expenses	A5	-22.4	-24.2
Loss after financial items		-3.8	-1.8
<i>Appropriations</i>			
Change in untaxed reserves		-47.3	-
Group contributions received		190.0	-
Profit before tax		138.9	-1.8
Income tax	A6	-29.0	-0.1
Net profit for the year		109.9	-1.9

Parent Company balance sheets

Amounts in MSEK	Note	Dec 31, 2019	Dec 31, 2018
ASSETS			
Non-current assets			
<i>Financial assets</i>			
Shares in Group companies	A7	1,898.4	1,898.4
Deferred tax assets	A6	2.4	1.2
Total non-current assets		1,900.8	1,899.6
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		1,622.4	1,594.5
Other current receivables		1.6	0.6
		1,624.0	1,595.1
<i>Cash and bank balances</i>			
		89.4	–
Total current assets		1,713.4	1,595.1
TOTAL ASSETS		3,614.2	3,494.7
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	A10	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		776.6	952.6
Net profit for the year		109.9	–1.9
		2,637.1	2,701.3
		2,838.2	2,902.4
<i>Untaxed reserves</i>			
		47.3	–
Long-term liabilities			
Long-term borrowings	A8	37.9	106.7
		37.9	106.7
Current liabilities			
Short-term borrowings		–	29.8
Trade payables		–	0.4
Liabilities to Group companies		648.0	402.6
Tax liabilities		31.3	37.0
Other liabilities		7.7	2.3
Accrued expenses and deferred income		3.8	13.5
		690.8	485.6
TOTAL EQUITY AND LIABILITIES		3,614.2	3,494.7

For information on the Parent Company's pledged assets and contingent liabilities, see Note A9.

Parent Company cash flow statements

Amounts in MSEK	2019	2018
Operating activities		
Profit before tax	138.9	-1.8
Adjustments for non-cash items	-143.1	-7.0
<i>Cash flow from changes in working capital</i>		
Increase(-)/decrease(+) in operating receivables	-6.7	-0.8
Increase(+)/decrease(-) in operating liabilities	-4.2	3.0
Income tax paid	-37.3	-0.3
Cash flow from operating activities	-52.4	-6.9
Investing activities		
Purchase of financial assets	-	-0.1
Cash flow from investing activities	-	-0.1
Financing activities		
Proceeds from borrowings	385.9	185.0
Repayment of borrowings	-70.0	-256.3
Group contribution received	-	215.0
Purchase of Treasury shares	-25.4	-12.1
Dividend paid	-148.7	-124.6
Cash flow from financing activities	141.8	7.0
Net change in cash and cash equivalents	89.4	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at year-end	89.4	-

ADDITIONAL DISCLOSURES TO THE PARENT COMPANY CASH FLOW STATEMENT

Amounts in MSEK	2019	2018
Interest received/paid		
Interest received	39.4	45.6
Interest paid	-12.6	-24.2
Adjustments for non-cash items		
Group contributions received, not settled	-190.0	-
Change in untaxed reserves	47.3	-
Accrued costs of capital	-	-7.0
Adjustments for other non-cash items	-0.4	-
Total	-143.1	-7.0

Statements of changes in Parent Company equity

2018

Amounts in TSEK	Share capital	Revaluation reserve	Share premium reserve	Retained profit including net profit for year	Total equity
Opening balance, Jan 1	1,083	200,000	1,750,627	1,089,247	3,040,957
Dividend	–	–	–	–124,563	–124,563
Repurchase of Treasury shares	–	–	–	–12,090	–12,090
Net profit for the year	–	–	–	–1,891	–1,891
Total equity, Dec 31	1,083	200,000	1,750,627	950,703	2,902,413

2019

Amounts in TSEK	Share capital	Revaluation reserve	Share premium reserve	Retained profit including net profit for year	Total equity
Opening balance, Jan 1	1,083	200,000	1,750,627	950,703	2,902,413
Dividend	–	–	–	–148,659	–148,659
Repurchase of Treasury shares	–	–	–	–25,439	–25,439
Net profit for the year	–	–	–	109,838	109,838
Total equity, Dec 31	1,083	200,000	1,750,627	886,443	2,838,153

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 Blekholmstorget 30, SE-111 64 Stockholm, Sweden.

The Parent Company applies the Swedish Financial Reporting Board's Recommendation RFR 2 Financial Reporting for Legal Entities. Alimak Group AB applies the exception from IFRS 16 allowed under RFR 2. Leases are accounted for as operational. Right-of-use assets or lease liabilities are not recognised in the balance sheet. 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, 24 per cent (28) 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	2019		2018	
	Number	Of whom, women, %	Number	Of whom, women, %
Sweden	3	33	5	40

Proportion of women in Alimak Group's Board of Directors and management, %	2019 women, %	2018 women, %
Board of Directors	29	25
Other senior executives	13	11

Salaries, benefits, other remuneration and social welfare contributions	2019		2018	
	Board and CEO	Other employees	Board and CEO	Other employees
Salaries, benefits and other remuneration	8.9	3.1	7.9	7.7
(of which, bonuses etc.)	1.8	-0.1	0.8	1.4
Social welfare contributions	5.2	1.6	2.5	4.4
(of which, pension costs)	2.0	0.6	1.9	2.0
Total	14.1	4.7	10.4	12.1

The year's cost for Board fees, as per resolution of the 2019 AGM was MSEK 2.5 (2.4), excluding social welfare contributions.

The CEO is covered by a direct pension plan that is classified and recognised as a defined contribution plan. The parent company's outstanding commitment referring to this plan amounts to 10.9 (5.7). 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

	2019	2018
Ernst & Young AB		
Auditing assignment	0.8	1.3
Audit work outside the scope of the audit assignment	0.1	0.3
Total	0.9	1.6

Note A5. Financial income and expense

	2019	2018
Financial income		
Interest income from Group companies	38.7	42.0
Interest income, other	1.2	1.6
Exchange gains	0.0	2.0
Total	39.9	45.6
Financial expense		
Interest expense to Group companies	-2.7	-3.9
Interest expense, credit institutions	-9.9	-6.7
Other financial expense	-9.8	-13.6
Total	-22.4	-24.2

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

	2019	2018
Income tax expense		
Current taxes	-30.4	0.0
Deferred taxes	1.4	-0.1
Total	-29.0	-0.1

	2019	2018
Reconciliation of effective tax		
Profit before tax	138.9	-1.8
Tax expense at Swedish tax rate, 21.4% (22% in 2018)	-29.7	0.4
Tax effect non-deductable expenses		-0.6
Deferred tax previous years	0.8	0.1
Current taxes previous years	-0.1	
Income tax expense	-29.0	-0.1

	2019			2018		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred tax assets and liabilities						
Pensions and similar commitments	2.4	-	2.4	1.1	-	1.1
Total	2.4	-	2.4	1.1	-	1.1

Note A7. Shares in Group companies

	2019	2018
Accumulated historical cost		
Opening balance, 1 Jan	1,898.4	1,898.4
Closing balance, 31 Dec	1,898.4	1,898.4
Accumulated impairment losses		
Opening balance, 31 Jan	-	-
Impairment losses for the year	-	-
Closing balance, 31 Dec	-	-
Carrying amount at year-end	1,898.4	1,898.4

Note A7 (cont.)

Subsidiary/ Org. reg. no. / Registered office	No. of shares	Holding, %	2019	2018
			Carrying amount	Carrying amount
Parent Company holding				
Alimak Group Management AB/556064-1739/ Stockholm, Sweden	6,378,000	100.0	1,898.4	1,898.4
Subsidiary Company holdings, dormant and holding companies excluded				
E W Cox Middle east LLC/521637/ Dubai, Arab Emirates			–	–
Alimak Group Australia Pty Ltd/ACN 005 538 947/ Victoria, Australia			–	–
Alimak Group Benelux N.V./0479.695.484/ Wommelgem, Belgium			–	–
Alimak Hek do Brasil Elevadores LLtda/01.452.037/0001-13/ Sao Paulo, Brasil			–	–
Avanti Brasil Sistemas Eólicos Ltd/13.821.193/0001-93/ Sao Paulo, Brasil			–	–
Alimak Group Swiss AG/CHE-317.026.357/ Nänikon, Switzerland			–	–
Alimak Hek Vertical Access Equipment (Changshu)Co/913205817855800000/ Changshu, China			–	–
Avanti Wind Systems Co. Ltd/91310000666001712P/ Shanghai, China			–	–
Avanti Wind Systems Co. Manufacturing Ltd/911201165864046420/ Tianjin, China			–	–
Cox Gomyl Shanghai Ltd/91310115717861932C/ Shanghai, China			–	–
Cox Gomyl Shenzen Ltd/91440300550321829B/ Shenzen, China			–	–
Alimak Group Deutschland GmbH/ HRB 229733 / Mammendorf, Germany			–	–
Alimak Group Denmark A/S/29215146/ Them, Denmark			–	–
Avanti Wind Systems S.L./B92721729/ La Muela (Zaragoza), Spain			–	–
Avanti Wind Systems Technology S.L./B99358095/ La Muela (Zaragoza) Spain			–	–
Avanti Wind Systems Instalaciones Servicios S.L./B99432767/ La Muela (Zaragoza), Spain			–	–
Cox Gomyl Operations S.A.U/ESA-79247433/ Madrid, Spain			–	–
Alimak Group France SAS/348 000 480/ Neuilly En Thelle, France			–	–
Alimak Group UK Ltd/00930125/ Rushden, Great Britain			–	–
Alimak Group HK Ltd/409200/ Hong Kong SAR, China			–	–
Manntech (HK) Ltd/923086/ Hong Kong SAR, China			–	–
Alimak Group India Pvt Ltd/U52341TG2008PTC070216/ Secunderbad, India			–	–
Avanti Wind Systems India Pvt Ltd/U45207TN2009PTC072550/ Chennai, India			–	–
Alimak Group Italy Srl/83514/ Colle di Val d'Elsa (SI), Italy			–	–
Alimak Group Korea CO. Ltd/134511-008266/ Seongnam-si, South Korea			–	–
CoxGomyl Macau Ltd/22994 SO/ Macau, SAR, China			–	–
Alimak Group Malaysia Sdn Bhd/199901025552 (500452-H)/ Bukit Kemuning, Shah Alam, Malaysia			–	–
Alimak Group Benelux BV/20094140/ Tillburg, Netherlands			–	–
Alimak Group Norway A/S/971171898/ Godvik, Norway			–	–
Alimak Group Rus Ltd/Moscow/771001001/ Moscow, Russia			–	–
Alimak Group Singapore Pte Ltd/199905041/ Singapore			–	–
Alimak Group Sweden AB/556033-7528/ Skellefteå, Sweden			–	–

Note A7 (cont.)

Subsidiary/ Org. reg. no. / Registered office	No. of shares	Holding, %	2019	2018
			Carrying amount	Carrying amount
Alimak Hek Finance AB/556139-0583/ Stockholm, Sweden			–	–
Alimak Group CSS AB/556256-9359/ Borås, Sweden			–	–
Alimak Group US Inc /2018363415001/ Webster TX, USA			–	–
Carrying amount at year-end			1,898.4	1,898.4

Companies subject to disclosure exemptions:

The German subsidiaries Manntech Fassadenbefahrssystem GmbH, Alimak Hek GmbH and Avanti Wind Systems GmbH were fully consolidated in the Alimak Group. In 2019 Alimak Hek GmbH and Avanti Wind Systems GmbH were merged into Manntech Fassadenbefahrssysteme GmbH that was namechanged to Alimak Group Deutschland GmbH, domicile in Mammendorf, Germany. This company is subject to disclosure exemptions pursuant to Sec. 264 para. 3 of the German Commercial Code ("HGB").

Note A8. Long-term borrowings

Maturity structure	31 Dec 2019			
	Carrying amount	<1 year	1 year–5 years	>5 years
Loans from financial institutions	37.6	–	39.4	–
Carrying amount at year-end	37.6	–	39.4	–

Amounts maturing in year 1-5 includes contractual interest payments.

Note A9. Assets pledged and contingent liabilities

	2019	2018
Assets pledged		
For direct pension commitments	10.9	5.7
Total	10.9	5.7
Contingent liabilities		
Guarantee for subsidiaries' liabilities to credit institutions	1,236.8	1,155.1
Indemnity bonds for subsidiaries' guarantees	273.7	319.3
Total	1,510.5	1,474.4

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.

Note A10. Equity

PROPOSED APPROPRIATION OF PROFIT, SEK

The following amounts are available for distribution by the Annual General Meeting

Retained earnings	2,527,232,373
Net profit for the year	109,838,104

The Board of Directors proposes that the amounts are distributed as follows

Dividend of SEK 3.25 per share be paid to shareholders ¹	175,047,438
To be carried forward	2,462,023,039

1. The proposed record day for dividend payment is May 11, 2020. The amount proposed as dividend corresponds to SEK 3.25 per share, based on the existing number of shares, 54,157,861 and excluding the 297,111 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 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. The Board of Directors declares the Group's and the Parent Company's statutory sustainability report in accordance with the Swedish Annual Accounts Act (ÅRL) chapter 6, § 11, see page 28.

Stockholm, March 25, 2020

Jan Svensson

Chairman of the Board

Anders Jonsson

Board member

Christina Hallin

Board member

Tomas Carlsson

Board member

Helena Nordman-Knutson

Board member

Sven Törnkvist

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 March 25, 2020

Ernst & Young AB

Rickard Andersson

Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Alimak Group AB, 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 2019. The annual accounts and consolidated accounts of the company are included on pages 59-114 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 2019 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 2019 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 consolidated statements of comprehensive income and financial position for 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
<p>In the consolidated statements of financial position as per December 31, 2019 reported goodwill amounts to 2,366.7 MSEK, which equals 37% 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 amount the asset is impaired and written down to the recoverable amount. 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 plans approved by the top management and the Board of Directors with an assumed terminal growth rate of 2% annually for each cash generating unit. 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.</p>	<p>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.</p>

Revenue recognition

Description	How our audit addressed this key audit matter
<p>In the Group's consolidated statements of comprehensive income for the period ended December 31, 2019 revenues amount to 4,587.4 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, 2019, 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 1–58 and 115–124. 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 2019 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 organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

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

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

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this,

is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional 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 9 May 2019 and has been the company's auditor since the 3 October 2013.

Stockholm March 25, 2020

Ernst & Young AB

Rickard Andersson

Authorized Public Accountant

Key figures

	2019	2018	2017	2016	2015
Order intake, MSEK	4,363.2	4,621.1	4,101.2	2,143.9	2,109.1
Revenue, MSEK	4,587.4	4,320.4	4,000.7	2,048.6	2,036.3
EBITDA, MSEK	762.2	557.5	529.4	357.3	348.1
EBITA adj., MSEK	628.9	554.5	510.7	330.7	350.3
EBITA margin adj., %	13.7	12.8	12.8	16.1	17.2
EBITA, MSEK	608.2	490.5	464.7	307.9	296.2
EBITA margin, %	13.3	11.4	11.6	15.0	14.5
EBIT, MSEK	565.1	439.4	416.8	306.8	296.2
EBIT margin, %	12.3	10.2	10.4	15.0	14.5
Result for the period, MSEK	394.0	344.0	291.6	194.0	135.0
Total comprehensive income, MSEK	447.3	447.0	208.4	236.5	227.5
Cash flow from operations, MSEK	502.1	239.9	335.4	224.0	239.8
Cash flow for the period, MSEK	-55.5	1.2	114.8	-238.4	76.4
Cash flow from operations/EBITDA	0.66	0.43	0.63	0.63	0.69
Number of shares, thousands	54,157.9	54,157.9	43,326.3	43,326.3	43,326.3
Average number of shares, thousands	54,157.9	54,157.9	51,130.9	43,326.3	43,326.3
Earnings per share, SEK	7.28	6.35	5.58	4.10	2.86
Cash flow per share, SEK	-1.02	0.02	2.12	-5.50	1.76
Equity per share, SEK	68.03	62.96	57.23	50.83	47.36
Total assets, MSEK	6,416.9	6,032.3	5,577.0	3,276.2	3,359.6
Cash and cash equivalents end of period, MSEK	313.6	355.6	341.3	230.6	450.0
Equity, MSEK	3,684.2	3,409.7	3,099.3	2,202.1	2,052.1
Capital employed, MSEK	4,691.5	4,276.5	4,009.0	2,496.7	2,423.2
Net debt, MSEK	1,007.3	866.7	909.7	294.6	371.1
Net debt excl. lease liability (IFRS 16), MSEK	740.3	866.7	909.7	294.6	371.1
Equity ratio, %	57.4	56.5	55.6	67.2	61.0
Return on equity, %	11.1	10.6	11.0	9.1	6.3
Return on capital employed goodwill excluded, %	26.4	23.4	33.5	43.3	41.8
Return on capital employed, %	12.6	10.6	12.8	12.5	12.0
Interest coverage ratio, times	9.31	15.63	5.0	6.36	3.6
Net debt/EBITDA ratio	1.33	1.55	1.72	0.81	1.07
Net debt excl. lease liability/EBITDA ratio	0.97	1.55	1.72	0.81	1.07
Number of employees	2,286	2,360	2,438	1,171	1,077

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 7.6 billion.

SHARE PRICE AND TRADING

The share's EPIC is ALIG and its ISIN code is SE0007158910. A trading lot is one share. During 2019, a total of 14,836,515 shares were traded for an amount of MSEK 1,987 on Nasdaq Stockholm. The average number of shares traded per trading day was 59,346 and the average number of trades 310 per trading day. The closing price at year-end 2019 was SEK 140.00, representing a market capitalisation of approximately SEK 7.6 billion. The highest share price, SEK 159.20, was recorded on April 30 and the lowest, SEK 107.60, on January 3. The volumed weighted average price for the year was SEK 133.91.

OWNERSHIP STRUCTURE

At year-end, Alimak Group had 5,583 known shareholders. The largest shareholder was Investment AB Latour, with 29.3 per cent. The ten largest shareholders represented around 74 per cent of the total number of shares outstanding. At year-end, Swedish ownership accounted for approximately 73 per cent of the total. There are no restrictions on voting rights or authorisation to the Board of Directors.

SHARE CAPITAL AND VOTING RIGHTS

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.

REPURCHASE OF SHARES

Since 2018, the Board of Directors has requested and received a mandate from the annual general meeting to repurchase and transfer Alimak Group shares. The aim has been, among other things, to secure the Group's/Company's undertakings in connection with its long-term incentive programmes (LTI).

The 2019 annual general meeting authorised the Board of Directors to acquire, during the period until the next annual general meeting, a maximum number of own shares to the extent the company's holdings of own shares in total amounts to no more than one tenth of all shares in the company.

The Board may not vote for any shares that Alimak Group has acquired, nor shall any dividend be paid to these shares.

During 2019, Alimak Group repurchased 197,111 shares. At year-end, Alimak Group held 0.55 per cent of all its issued shares in treasury.

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' propose, subject to approval by the 2020 Annual General Meeting, that the dividend to shareholders be raised by approximately 18 per cent to SEK 3.25 (2.75) per share for the 2019 financial year.

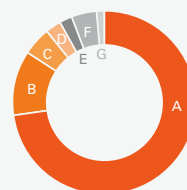
In 2019, the total return on the Alimak Group share, defined as market price movement plus reinvested dividends, was 27.6 per cent. Since the IPO, total shareholder return has been 62.3 per cent.

Largest shareholders December 31, 2019

Shareholder	Number of shares	Capital, %	Votes, %
Investment AB Latour	15,846,809	29.3	29.3
Alantra EQMC Asset Management SGIIC	5,475,110	10.1	10.1
Lannebo Funds	4,408,760	8.1	8.1
Swedbank Robur Funds	3,770,497	7.0	7.0
Peder Pråhl	2,902,543	5.4	5.4
Handelsbanken Funds	2,712,238	5.0	5.0
Länsförsäkringar Funds	1,412,187	2.6	2.6
C WorldWide Asset Management	1,277,315	2.4	2.4
Enter Funds	1,261,905	2.3	2.3
Anders Jonsson	758,096	1.4	1.4
Total shareholding – 10 largest	39,825,460	73.5	73.5
Other shareholders	14,332,401	26.5	26.5
Shares held by Alimak Group	297,111	0.5	0.5
Total number of shares	54,157,861	100.0	100.0

Shareholders by country

December 31, 2019
% of capital



A) Sweden	72.8
B) Spain	11.5
C) United States	4.9
D) Denmark	2.7
E) Canada	2.3
F) Others	4.4
G) Anonymous ownership	1.3

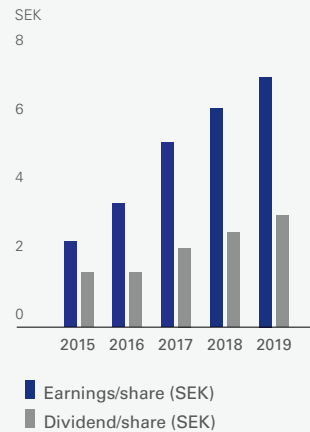
Data per share

SEK/share	2019	2018	2017	2016	2015
Earnings per share ²	7.28	6.35	5.38	3.58	2.49
Dividend ²	3.25 ¹	2.75	2.30	1.60	1.60
Dividend, % of EPS ²	44	43	43	45	64
Cash flow from operations ²	9.27	4.43	6.19	4.14	4.43
Share price at year-end	140.00	110.00	128.00	129.25	85.50
Highest share price	159.20	148.00	157.00	132.50	103.50
Lowest share price	107.60	106.60	106.30	70.50	80.50
Average number of shares outstanding, millions	54.2	54.2	51.1	43.3	43.3

1. Proposed by the Board of Directors.

2. Calculated based on the current number of shares outstanding, 54,157,86.

Dividend and earnings per share

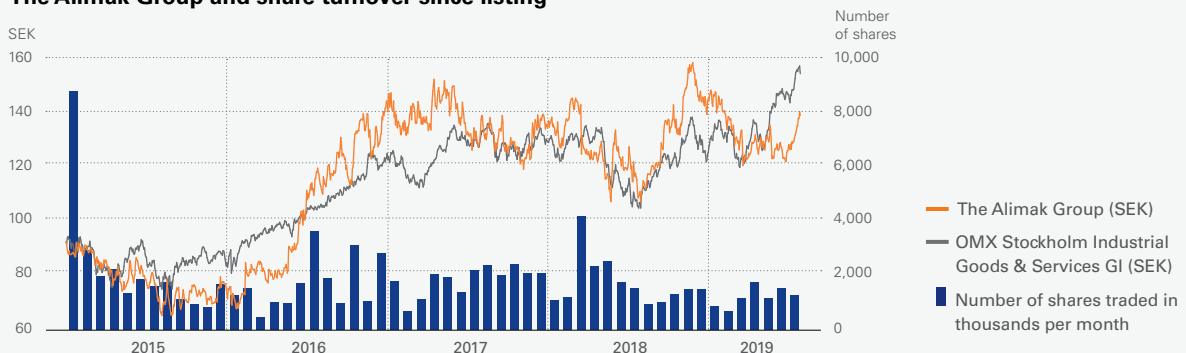


Total shareholder return



The total return during a given period is defined as the share price development in addition to the dividends paid during the period. The dividend is calculated as reinvested the day the share is traded exclusive right to dividend. Total shareholder return is presented as an index with 100 representing the IPO price.

The Alimak Group and share turnover since listing



Source: Web Financial Group

Information to shareholders

The annual general meeting of Alimak Group AB (publ) will be held on Thursday, May 7, 2020 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 Thursday, April 30, 2020; and
- give notice to the Company of their intention to attend, by no later than Thursday, April 30, 2020.

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 Thursday, April 30, 2020. 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's 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 2020 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 2020 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
- Jan Svensson, Alimak Group's Chair of the Board

DIVIDEND

May 11, 2020 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 14, 2020.

For more information, please contact:

Mathilda Eriksson,
Investor Relations and Group Communications Manager
Telephone: (Int.+46) (0)8-402 14 41
E-mail: mathilda.eriksson@alimakgroup.com

FINANCIAL REPORTS ARE AVAILABLE ON REQUEST FROM ALIMAK GROUP

- Digitally at the Group's website: www.alimakgroup.com
- By telephone on: (Int.+46) (0)8-402 14 41
- Postal address: Alimak Group AB, Blekholmstorget 30, SE-111 64 Stockholm, Sweden

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 eleven 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.

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.

R12M

Numbers for the last 12 months measured backwards from the reporting period.

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 before tax plus interest expenses in relation to interest expenses.

Non-recurring items

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.

Production: Springtime-Intellecta

Photos: Peter Karlsson/Svarteld (cover, p 1, 3, 5, 6, 10, 16–17, 18–19, 28, 30, 33, 34, 39, 42, 54, 55, 56, 57, 59), CoxGomyl (inside cover, p 7, 27), Alimak (p 7, 21, 23), Axel Ahoi (p 7), Crystal Kwok (p 7), Avanti (p 7), Nasa (p 10), Scott Webb (p 10), Ben Veasey (p 25)

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