Alimak Group AB
ALIG, SE0007158910

ALIMAK GROUP

Annual Report
2017

2017

Contents

Calendar

The Company's Annual General Meeting (AGM) for the 2017 financial year will be held on 16 May 2018.

The Interim Report for the period January–March 2018 will be published on 25 April 2018.

The Interim Report for the period January–June 2018 will be published on 21 August 2018.

The Interim Report for the period January–September 2018 will be published on 25 October 2018.

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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.

Alimak Group in brief

Alimak Group is a world-leading provider of vertical access solutions for the industry and construction sectors. With presence in more than 100 countries, Alimak Group develops, manufactures, sells and provides service to vertical access solutions with focus on adding customer value through greater safety, higher productivity and improved cost efficiency.

Business areas

CONSTRUCTION EQUIPMENT

Construction Equipment develops, manufactures and sells a wide range of hoists, work and transport platforms and material and tower crane elevators for temporary use in construction and renovation projects.

Share of Group sales

20%

INDUSTRIAL EQUIPMENT

Industrial Equipment develops, manufactures and sells a wide range of elevators, maintenance units and platforms for permanent use. The most important markets are industrial sectors such as infrastructure, cement, ports, oil & gas and power, including wind.

Share of Group sales

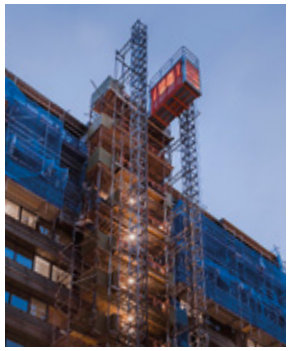
45%

AFTER SALES

After Sales offers a wide range of after-market options, mainly targeted at the Group's own customers. The offering includes technical support, maintenance, repairs, refurbishment, modernisation, remote surveillance and training.

Share of Group sales

28%



RENTAL

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

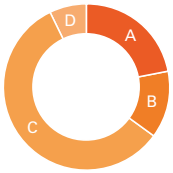
Share of Group sales

7%

Vertical access solutions include products which make it possible to safely and efficiently move personnel and materials between different heights and under varying circumstances. Generally, markets or applications for vertical access solutions for commercial premises and residences are focused on escalators, passenger elevators and staircases, while markets or applications for industry and construction focus on cranes, scaffolding, service elevators and hoists or transport platforms. Alimak Group is market leader in permanent vertical access solutions for industry sectors and mobile solutions for the construction market.

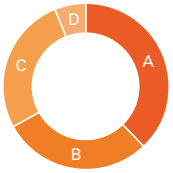
Share of EBITA adj. %

A Construction Equipment, 22
B Industrial Equipment, 13
C After Sales, 58
D Rental, 7



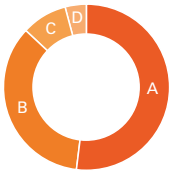
Sales per region, %

A Europe, 38
B APAC, 29
C Americas, 27
D Other, 6



Employees per region, %

A Europe, 52
B APAC, 35
C Americas, 9
D Other, 4



Investment case

STRONG GLOBAL MARKET POSITION AND BRANDS

Alimak Group has widely recognised and preferred brands as well as good knowledge of the market and an installed base of 67,000 units. The products are distinguished by their high levels of safety, quality and reliability.

ATTRACTIVE BUSINESS MODEL WITH RESILIENT AFTERMARKET REVENUES

The business extends over the entire value chain, from product development, manufacturing, marketing, distribution and sales to after-market services, which help ensure stable revenues and sound profitability. The Group has extensive coverage across products and technologies in the four business areas. Alimak Group's broad range of after-market services, mostly focused on the Group's installed base, represent an important factor in the stability of the cash flow.

STRONG INTERNATIONAL PLATFORM IN EMERGING AND MATURE MARKETS

Alimak Group conducts sales globally via its own sales organisations and a network of distributors. The global organisation offers closeness to the market, ensuring good knowledge of the customer and long-term relationships. Alimak Group has cost-effective and efficient production plants that contribute long term to the Group's competitiveness. Manufacturing is continuously evolved in order to strengthen the Group's position in key markets in Asia and to fully optimise production and purchasing costs.

GOOD PROFITABILITY AND CASH CONVERSION

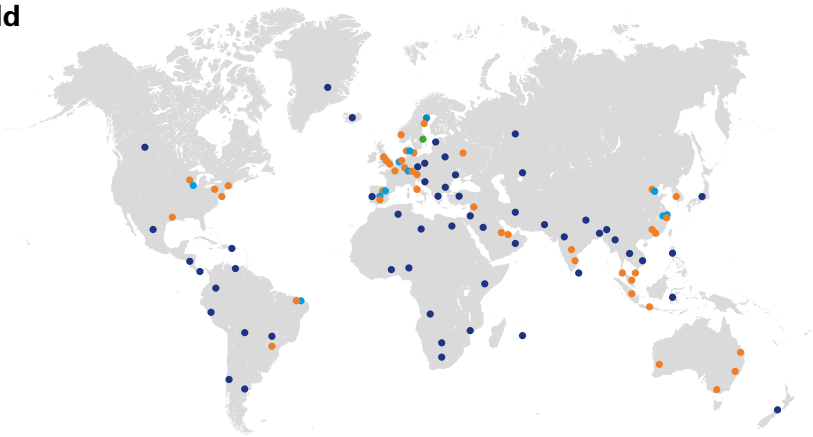
The Group has a long history of good profitability and cash generation through its cost-efficient manufacturing activities, sound capital management and high proportion of profits from after-market services.

POSITIONED TO CAPITALIZE ON GLOBAL TRENDS AND OWN INITIATIVES

Own initiatives as well as macro-economic trends in both mature and emerging markets are important factors behind the company's market growth. Urbanisation, health, safety and environmental concerns, together with automation and mechanisation, have been identified as especially important.

Alimak Group across the world

- Headquarters
- +130 distributors
- +60 own sales offices
- 12 production facilities



In 2017, Alimak Group doubled in size. Now we're set for future growth.

Installed base
Number of hoists, elevators, maintenance units and platforms

67,000

Market capitalisation
MSEK

6,900

Number of employees
Approx.

2,400

Number of countries

>100

All figures per 31 December 2017

Important events 2017

Q1


The acquisition of Facade Access Group was finalized in February

– Alimak Group held an Extraordinary General Meeting, authorising the Board to resolve to issue new shares.

– The acquisition of Avanti Wind Systems was finalized on 30 January and the business operation was consolidated as of 1 February.

– The acquisition of Facade Access Group was finalized on 28 February and the business operation was consolidated as of 1 March.

– Alimak Group presented its revised financial targets reflecting the new business mix including Facade Access Group and Avanti Wind Systems.

Q2

– The Board resolved to undertake a share issue of approximately SEK 791 million with preferential rights for existing shareholders. The share issue was fully subscribed. The number of shares and votes in Alimak Group AB changed, totalling 54,157,861 shares in the company.

– The acquisition of Avanti Wind Systems was financed by a Bridge loan facility of MSEK 800, to be repaid with proceeds from the issue of new shares. The loan was repaid in full in April.

Q3

– Increased focus on R&D as Charlotte Brogren was appointed Chief Technology Officer for Alimak Group.

– Triton sold its shares. Most of them, some 26.7 per cent of the votes and equity of Alimak Group, to the investment company Latour, thereby making Latour the largest

Q4

– Alimak Group held an Extraordinary General Meeting. Jan Svensson from Latour replaced Carl Johan Falkenberg from Triton as member of the Board.

– Alimak Group signed the largest order in the Group's history, a contract for a vertical access maintenance solution for the Sydney Harbour Bridge with a value of MSEK 170.


The Sydney Harbour Bridge order is the largest in the Group's history

Group summary

KEY FIGURES

	2017	2016	2015	2014	2013
Order intake, MSEK	4,101.2	2,143.9	2,109.1	1,789.3	1,561.0
Revenue, MSEK	4,000.7	2,048.6	2,036.3	1,742.5	1,517.1
Operating profit (EBITA adj.), MSEK	510.2	330.7	350.3	316.9	275.3
Operating margin (EBITA adj.), %	12.8	16.1	17.2	18.2	18.1
Operating profit (EBITA), MSEK	464.7	307.9	296.2	287.7	267.3
Operating margin (EBITA), %	11.6	15.0	14.5	16.5	17.6
Profit after tax, MSEK	291.6	194.0	135.0	46.5	79.0
Earnings per share[1], SEK	5.58	4.10	2.86	0.98	1.67
Earnings per share[2], SEK	5.38	3.58	2.49	0.86	1.46
Cash flow from operating activities, MSEK	335.4	224.0	239.8	309.5	107.7

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.

Order intake
MSEK

4,101

Turnover
MSEK

4,001

EBITA adj.
MSEK

510

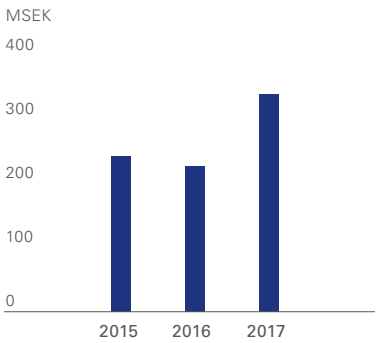
Revenue and growth

Revenue increased by 95 per cent, 5 per cent organic growth, to MSEK 4,001 after a year focused on the integration of the acquired businesses.

EBITA adj. margin

EBITA adj. increased to MSEK 510, with a margin of 12.8 per cent - 13.2 per cent when excluding the PPA-adjustment of MSEK 17 made in Q3 related to the acquisition of Avanti Wind Systems.

Cash flow



Cash flow from operating activities improved to MSEK 335.

Set for future growth

During the past year, Alimak Group took several important steps in fortifying its position. With strong brands added to the portfolio, the signing of several, new important orders – including the largest contract the company has received through its history – and with a strong financial position, Alimak Group is set for future growth.

In 2017, Alimak Group doubled its size through the acquisitions of Facade Access Group and Avanti Wind Systems. The acquisitions broaden and diversify Alimak Group's product portfolio, offering an expansion into two high potential niche areas; i.e. building maintenance and renewable energy.

Focus during the year has been on fast and effective integration of the companies, which are now part of the Industrial Equipment business area, with good progress registered through our launched integration projects addressing areas including After Sales, purchasing, production and cross selling opportunities.

Both new businesses operate globally through strong, market leading brands within their respective areas and have a reputation for delivering solutions that promote safety and productivity, i.e. the same strengths that characterize Alimak Group and has made us a world leader in our niche of vertical access solutions.

LARGEST ORDER SO FAR

Our conviction that the acquired companies would to create value for Alimak Group's shareholders was confirmed already during the year, when we received several important orders for the products and services. In October 2017, Manntech in Australia, part of Facade Access Group, signed a MSEK 170 order for building maintenance units for the Sydney Harbour Bridge. This is the largest order ever awarded to Alimak Group.

In general, Industrial Equipment showed strong growth in 2017, to which the acquired businesses contributed substantially. Meanwhile, the project pipeline in Oil & Gas and General Industry improved though it will take time until this is materialized into revenue.

Construction Equipment also continued to demonstrate solid growth numbers. Several European construction markets picked up during the year, with the UK registering an all-time high. We are proud to see continued interest in our solutions for construction works in the expanding Canary Wharf district in London, for which we received our fifth large order. This location is the first in which Alimak Group uses the latest improved Mammoth Hoist – a giant transport hoist with a payload of 5,500 kg allowing vertical access of heavy and bulky building materials.

Left: **CEO Tormod Gunleiksrud inspecting a project in Manhattan, New York City, USA.**

Right: **CEO Tormod Gunleiksrud and operator in a building maintenance unit by CoxGomyl at the 474 metre tall Shanghai World Financial Center in Shanghai, China.**

STRONG POTENTIAL IN AFTER SALES

Canary Wharf is also a showcase for successful integration of our after-market services. This is an important part of our offering for both the industrial and construction sectors and where we see a substantial future potential, both when it comes to Alimak Group's previously installed base and that of our new acquisitions. It is also an important part of how we contribute to a sustainable society, as these services prolong the lifetime of the products and increase productivity in the projects.

The acquired companies have previously not had the same strong position in After Sales as Alimak Group, something that offers good growth potential. A pilot project introducing a joint sales and service organisation for After Sales was launched in the US in the end of the year. Based on lessons learned from this, similar projects will be initiated in the UK, Australia and other markets during 2018.

Meanwhile, despite a challenging start of the year the Rental business area performed in line with expectations in 2017.

DRIVING INNOVATION

Our growth strategy is based on growing faster than the market through expanding into the mid-market segment, as well as into new markets through a combination of direct sales and new distributors. The acquired businesses provided an additional footprint in a number of markets. We will also continue to evaluate potential acquisitions as we operate in a fragmented market with many small players and in which good growth opportunities sometimes arise.

In parallel, we want to drive innovation, for example in the construction area where new technologies can drive improved logistic solutions and thereby improved profitability for property developers. The aim is to further improve both safety and productivity, i.e. some of the most important values we offer.

Engineering is becoming an increasingly larger part of our value creation, where the combination of safety, mechanical design, automation and digitalisation will be key enablers for fulfilling future customer needs. During the year, we appointed a Chief Technology Officer, Charlotte Brogren, as an important part of our increased focus on research and development.

LOOKING AHEAD

Urbanisation, health and safety as well as an increased focus on operational efficiency remain market outlook drivers and during 2017 we joined the UN Global Compact as a signatory. Our goal for 2018 is to increase our market share and achieve continued, sustainable, profitable growth in a market that shows strong signs of continued development.

Meanwhile, the integration process will continue. It will be an important year for the company, during which we expect to be able to take advantage of the synergies and opportunities offered through the acquisitions.

Our customers, shareholders, Board of Directors, management team and employees all played an important part in the successful development of our business during the year. I would like to thank all of you for taking part in this exciting journey.

Tormod Gunleiksrud
President & CEO

Urbanisation and sustainability drive market growth

The market for Alimak Group's vertical access solutions varies according to the demand from end customers in the industrial and construction sectors. The increased focus on sustainability is a market outlook driver for customers across the world as well as their choice of supplier.

The market's increased focus on sustainability is manifested in different ways, including higher safety standards and the transition to renewable energy and more efficient solutions. Stricter work environment legislation in both mature and emerging markets calls for safer working places. A number of European countries already have, or are about to implement, national laws that regulate the maximum height the operator may climb on a tower crane, which contributes to increased demand for reliable vertical access solutions. In the long term, demand for Alimak Group's products is also driven by increased automation and requirements for cost-effective and energy-efficient production, which boost demand for upgrades and investments in new solutions.

THE INDUSTRIAL MARKET

The market for the business area Industrial Equipment consists of customers in many different industries and demand follows the general levels of investment in them. In recent years, the mature markets have seen stable positive development while the emerging markets continue to demonstrate good growth. The pace of investment in oil & gas has weakened globally, though some renewed early activity within the segment has been noted during 2017.

China's and South East Asia's increasing growth and need for electrical power opens up possibilities. Investments in tall buildings continue and facades are growing ever more complicated, resulting in the need for innovative facade maintenance systems. As continued expansion of electrical power production is necessary, wind towers grow taller and utilties increase their focus on occupational health and safety which strengthens demand for service elevators. There is, however, an on-going price pressure in the market driven by reduced subsidies to wind power by local governments. This highlights the need for constant cost reduction to stay competitive.

THE CONSTRUCTION MARKET

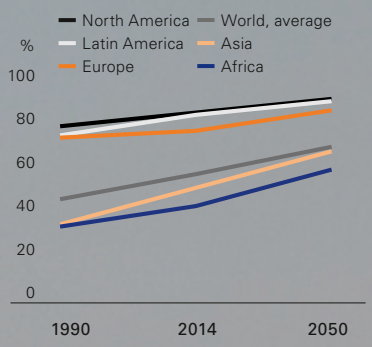
Population growth and urbanisation generate increased construction activity which drives demand for the Group's construction solutions. Demand varies greatly between geographic regions with developing countries accounting for more than half of all construction worldwide. Going forward, emerging markets are therefore expected to account for an increasing share of the world market.

To meet this, Alimak Group has developed new products specifically designed for the mid-market. This has resulted in growing sales in many Asian and African markets as well as in South America.

1.

Global urbanisation

Population residing in urban areas (%)



- Megacities
- High-rises
- Catch-up of emerging markets
- Increased industrial activity

Source: United Nations Population Division, World Urbanization Prospects: The 2014 Revision (June 2014).

2.

Health, safety & environmental regulations

"Maximum height for climbing up to the tower crane lift – 50 meters.

EU regulation in place from 2017.

"China Aims to Spend at Least $360 Billion on Renewable Energy by 2020.

CNBC January 2017

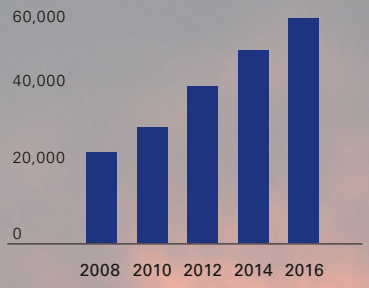
- Product safety & reliability
- Regulations
- Environmental focus
- Energy efficiency

3.

Operational efficiency grows more important

Chinese wages in manufacturing 2008–16

CNY per year



- Higher cost of labour
- Larger industrial structures
- Mechanization & automation

Source: Trading Economics 2017

The best vertical access solutions for construction and industry

Alimak Group offers modern and cost-efficient vertical transport solutions for the construction and industry sector. The market is significantly smaller in size and technically more specialized than that for lifts in, for example, housing and shopping centers.

OFFERING

The Group has specialized in vertical access solutions for industrial and construction applications which use technologies for rack-and-pinion and traction-based elevator systems and platforms. With the acquisition of Facade Access Group, the Group's operations also include certain hydraulic technology.

The Group operates in the premium and mid-market segments in both mature and emerging markets.

Industrial elevators, lifts and building maintenance units are permanent installations customised according to need in the particular industry. Hoists and platforms for the construction industry are temporary and normally more standardised with safety as the most highly prioritised element. Alimak Group also hires out construction hoists and work platforms.

A global network provides rapid and efficient product support and service focusing primarily on the installed base of 67,000 units. It is an important factor to the stability of the Group's cash flow.

VALUE CHAIN

Alimak Group is active throughout the entire chain from design, product development, manufacturing, marketing, distribution and sales to maintenance and services.

With a global presence and direct sales combined with over 130 distributors, 12 production sites and life cycle cost-sourcing and lean manufacturing, the Group has so far achieved an extensive installed base.

END MARKETS

Each application of a vertical access solution is designed to satisfy the need of the end market. Such end markets include the construction sector, where economical and movable designs are required; the building and structure maintenance sector, which requires tailored solutions; the oil & gas sector where anti-explosion designs are required; the energy sector, including wind, where space-saving designs are required; ports and shipyards where a combination of speed and safety designs are required; and the cement industry which requires elevators capable of withstanding dust, humidity, cold and heat.

COMPETITIVE ADVANTAGES

Safety. Safety and reliability are important qualities for all products sold under Alimak Group's trademarks. The quality of products is one of the most important characteristics distinguishing the company from its competitors.

Customised solutions. Customer needs vary between industries and geographical areas. Alimak Group has an extensive and competitive product portfolio, including both customer specific, modular and standard elevators as well as a wide service offering adapted to each customer's needs.

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

Vertical integration. Alimak Group controls the whole value chain, from product development to After Sales. Research and development is integrated with marketing, sales and production, maximizing customer benefit.

A 5000 series building maintenance unit placed on the mixed-use skyscraper 568 Collins Street, Melbourne, Australia.

Financial targets and strategies

Alimak Group's financial targets were adjusted in the first quarter of 2017 in view of the fact that the acquisitions of Facade Access Group and Avanti Wind Systems alter the Group's business mix. The prolonged downturn in oil & gas is also reflected in the revised growth target.

Growth is a central pillar of Alimak Group's strategy, but this year there has been and will continue to be an increased focus on profitability. Large focus has been put on the integration of Manntech, CoxGomyl and Avanti Wind Systems and the transformation is expected to be ready by 2019. The acquisitions are expected to have a positive impact on the profit and be in full effect by 2019 with a 2 percentage point increase in EBITA margin. There are 15 cross functional integration work streams with the task to develop best practice across the organisation.

REVENUE GROWTH
The Group's mid-term target is to have an average annual organic revenue growth of at least 6 per cent.

EBITA MARGIN
The Group's mid-term target is to reach an operating EBITA margin of at least 15 per cent.

LEVERAGE TARGET (NET DEBT/EBITDA)
The company will 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.

DIVIDEND POLICY
Alimak Group 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 company's financial position and cash flow.

Revenue growth target

6%

The Group's mid-term target is to have an average annual organic revenue growth of at least 6 per cent.

In 2017, the organic revenue growth reached 9 per cent.

EBITA margin target

15%

The Group's mid-term target is to reach an operating EBITA margin of at least 15 per cent.

In 2017, the EBITA margin adj. was 13.2 per cent, excluding the PPA adjustment made in Q3.

Leverage target (net debt/EBITDA)

2.0 x

The company will maintain an effective capital structure with a net debt of around 2.0 x EBITDA. The capital structure will be flexible and allow for strategic initiatives.

By the end of 2017, the net debt reached 1.72 x EBITDA.

Left: Sales of spare parts increased for business area After Sales. Continued growth in service contracts and support to customers with minor hire businesses, notably in Australia.

Right: The product portfolio was expanded in 2017 with the first industrial hoist directed at the Chinese and South East Asian market.

Strategies for growth

Alimak Group will broaden and develop its product portfolio and develop sales in the business areas Construction Equipment, Industrial Equipment and After Sales.

Business area After Sales will grow via expanded penetration of the installed base.

Alimak Group will focus on a more efficient product development process and lower costs of ownership and operation of the Group's products and services.

Alimak Group will expand its global sales network to deliver further growth and closeness to the customer.

Alimak Group will evaluate potential acquisitions within selected niches in order to consolidate and broaden the Group's market position.

Highlights of the year

Expansion of the product portfolio with the first industrial hoist directed at the Chinese and South East Asian market. Adoption of a traction unit programme for the Industrial Equipment Business Area. The acquisitions offer an expansion into two high potential niche areas; i.e. building maintenance and renewable energy.

Detailed identification of the installed base in the acquired businesses and possible expansion into one-stop-shopping for wind customers. Pilot project introducing a joint After Sales organisation launched in the US.

Charlotte Brogren recruited as CTO of Alimak Group.

The Group's global footprint was expanded through the acquisitions and now includes 60+ own sales offices and 130+ distributors.

Continuous M&A agenda though main focus on integration of the two acquisitions finalized in the first quarter.

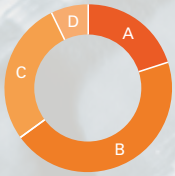
Alimak Group

Business areas

Alimak Group's operations are organised into four business areas: Construction Equipment, Industrial Equipment, After Sales and Rental. The business areas are responsible for product planning, marketing, sales and earnings.

Sales per business area
%

A) Construction Equipment, 20
B) Industrial Equipment, 45
C) After Sales, 28
D) Rental, 7



EBITA adj. per business area
%

A) Construction Equipment, 22
B) Industrial Equipment, 13
C) After Sales, 58
D) Rental, 7

Business area

Construction Equipment

Order intake, MSEK
830

Revenue, MSEK
793

EBITA adj., MSEK
110

Strong growth and global construction momentum

Installed base, thousands of hoists	15.8
Market	The construction industry needs a variety of hoists, work and transport platforms and tower crane elevators for temporary use.
Products and services	Construction elevators and platforms together with analysis of customer's needs, identification of solutions and products and offering of customers training on site.
Share of Alimak Group's revenue	20%
Customers	A few, large regional and many local construction or rental companies.
Share of Alimak Group's operating profit (EBITA adj.)	22%

Strong growth in core markets characterized the Construction Equipment business area in 2017. This was partly a reflection of continued strong global momentum in construction, with Alimak Group's products in high demand across several customer segments and geographies.

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

Products range from basic work platforms to high speed construction elevators, including rack-and-pinion operated construction elevators for passengers and materials, tower crane elevators, transport platforms and material elevators for vertical transportation of people and materials, 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, e.g. the construction and renovation of tall buildings, bridges, smoke stacks and facades.

Alimak Group is a pioneer in the industry and has been a market leader for nearly 70 years. The Alimak Hek brand is well established and respected in the construction sector with products distinguished by their high level of safety, reliability, versatility and quality.

VALUE CREATION

Construction Equipment creates value through offering products designed for a number of different uses where work safety, reliability, versatility and price are key requirements for the customer. Another key driver for demand is the use of modular designs, which 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 and more of a focal point for end users and developers, and it is gradually migrating down the construction value chain to equipment providers as well.

CUSTOMERS

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

Alimak Hek construction hoists at work at the Wood Wharf A1 tower in Canary Wharf, London.

MARKET, TRENDS AND COMPETITION

Demand varies considerably in the key geographical regions, namely the Asia and Pacific region, including Australia and New Zealand, Europe, Latin America and North America.

Population growth and urbanisation are the main driving forces behind growth in construction, which, in turn, results in increased demand for hoists. Workplace safety is fuelling the need for safe vertical access solutions and is an increasingly important driving force in both mature and growth markets.

Construction activity during 2017 was strong in Northern/Central Europe, Middle East, US and Australia. Many Asian and African markets continued to enjoy positive momentum as well, while others, e.g. India, Thailand, South Africa, slowed due to political and economical factors. Meanwhile, there were signs of emerging recovery and investment demand in South America, Southern Europe and China.

Competition varies from market to market. In markets where Alimak Group enjoys a market leading position, the three major players account for some 75 per cent of the consolidated market. In growth markets, competition is more fragmented, while the Chinese market is led by a number of local Chinese companies. Competition has increased in the wake of more construction projects, particularly in the European market. Asian competition remains strong, although some local competitors have experienced increased financial difficulties given long payment terms, particularly in China.

Alimak Hek won Product of the Year in the category Mast climbing work platforms/hoists for its Alimak Mammoth Triplex system – the largest construction hoist system in the world at the 2017 IAPA Award. IAPA – International Awards for Powered Access – took place in London on April 4 with more than 450 industry professionals gathered at the award ceremony.

OPERATIONS IN 2017

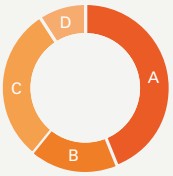
The business area enjoyed strong growth in 2017 in the company's traditional core markets, including Northern Europe, UK, US and Australia, while the momentum in the Middle East was sustained. Meanwhile, expansion in many South East Asian markets continued.

During the year, the new Mastclimber MC450, the next generation of strong, robust and quality mast climbing work platforms, was successfully introduced in a number of markets, while the Mammoth Triplex System was awarded 2017 Product of the Year in the category Mast climbing work platforms/hoists by the International Awards for Powered Access (IAPA).

The growth strategy of the business area is based on continuing to grow faster than the market by expanding into the mid-market segment and into new markets through a combination of direct sales and new distributors. The acquisitions of Avanti and Facade Access provided an additional footprint in a number of markets that the Construction Equipment team will continue to capitalize on in 2018.

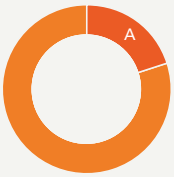
Revenue by region
%

A) Europe, 44
B) APAC, 17
C) Americas, 30
D) Other, 9



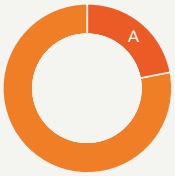
Share of Group turnover
%

A) Construction Equipment, 20



Share of operating profit
%

A) Construction Equipment, 22



Key figures Construction Equipment

	2017	2016	2015
Order intake, MSEK	830.2	779.1	547.3
Revenue, MSEK	792.5	685.9	553.3
EBITA adj. MSEK	110.0	83.5	58.8
EBITA adj. %	13.9	12.2	10.6
EBIT (reported), MSEK	101.8	73.2	38.3

Business area

Industrial Equipment

Order intake, MSEK

1,857

Revenue, MSEK

1,795

EBITA adj., MSEK

69

Strengthened global position through acquisitions

Installed base, thousands of hoists	51.2
Market	The most important markets for Industrial Equipment are the power industry, ports, offshore oil & gas, petrochemical plants, cement plants and shipyards as well as wind tower fabricators and turbine constructors, building constructors and developers.
Products and services	BMUs, Service lifts, Tower internals, ladder systems, Rack-and-pinion industrial elevators, traction lifts.
Share of Alimak Group's revenue	45%
Customers	The customers are engineering, procurement and construction (EPC) companies. End users include companies in the power industry, ports, offshore oil and gas, petrochemical plants, cement plants and shipyards. Customers are also large multinational listed companies from within the wind industry. Construction companies who are main contractors for the building developers and owners are also important customers.
Share of Alimak Group's operating profit (EBITA adj.)	13%

With the acquisitions in 2017 of Avanti Wind Systems and Facade Access Group, Alimak Group diversified its product portfolio and strengthened its world leading position in permanently installed elevators for the industrial market. The new group members have been incorporated within the business area Industrial Equipment. Avanti offers solutions for the wind industry, while Facade Access, through brands CoxGomyl and Manntech, specialises in permanent building maintenance solutions. Both are global market leaders in their respective area.

The Industrial Equipment business area designs, develops, manufactures, sells and distributes a broad range of permanently installed vertical access solutions to move people and materials up tall vertical structures for facilities maintenance purposes, for many different end markets including oil & gas, harbours and shipbuilding, energy, wind power and cement.

The business is project-oriented and vertical access solutions mostly constitute a smaller part of large complex engineering, procurement and construction projects. The Group's industrial elevators are therefore often specially adapted to suit specific customer applications and requirements with respect to size, load capacity, height and speed. Alimak Group's Industrial Equipment products have a long anticipated life cycle, averaging approximately 25 to 30 years.

The new Group member Avanti Wind Systems offers compliant and cost effective vertical access solutions for wind turbine towers worldwide. The activities include product development, sales and marketing of products and solutions used for safe work in wind turbine towers. Most of the products and solutions are developed in close collaboration with the customers.

A motion compensated gangway significantly increases the ability to connect to offshore installations. It creates safe and secure environments for the transfer of offshore personnel, reduces downtime and increases productivity.

Avanti has more than 30,000 service lifts installed globally.

Facade Access Group has a global market leading position in permanent Building Maintenance Units, BMU solutions, based on high safety standards and with a long lifecycle. The more than 10,000 systems installed worldwide, including 90 per cent of the world's tallest buildings taller than 450 meters, are used for building cleaning and replacing panels, signage and windows. The solutions are marketed under two brands; CoxGomyl and Manntech.

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.

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.

CUSTOMERS

Customers for Industrial elevators are evenly distributed across the geographical areas of the Americas, EMEA and Asia Pacific. Engineering, Procurement and Construction (EPC) companies are important customers. They are also an effective sales channel to end users, which include companies in the power industry, ports, offshore oil & gas, petrochemical plants, cement plants and shipyards.

Avanti's key customers within the wind industry are large multinational listed companies where high ethics is a precondition for doing business.

Facade Access mainly provides solutions to construction companies who are main contractors for the building developers and owners.

The combined business area has a global network of sales offices and distributors.

MARKETS, TRENDS AND COMPETITION

Demand for industrial elevators follows the general levels of investment in industries including oil & gas, power, cement, ports and mining. The market for industrial rack-and-pinion elevators is about SEK 1 billion per year; the market for traction is far larger than the traditional rack-and-pinion market.

In recent years, demand from power industries have continued to grow, especially in China and South East Asia, in line with the increase in number of coal fired and nuclear plants. The port segment worldwide is also expanding, while global investments in the oil & gas segment have fallen considerably.

The market for industrial rack-and-pinion elevators is consolidated with the three leading players covering 75 per cent of the market. The traction market is more fragmented with the industrial applications supplied both by large commercial manufacturers as well as smaller local companies.

The drivers for wind products and solutions are related to increased focus on OHS (Occupational Health and Safety) and productivity. Generally, wind turbine towers are getting taller, which improves the business opportunities for providing service lifts. There is, however, an on-going price pressure in the market driven by reduced subsidies to wind power by local governments. This highlights the need for constant cost reduction to stay competitive.

The wind product market is highly competitive, but no competitor offers the same range of products and solutions on a global scale as Avanti does.

In 2017, the market for new installed wind power slowed down by about 6 per cent compared with 2016, to approximately 49,5 GW. The decrease was mainly a result of a slowdown in the largest market for wind power; China and the Americas. In Europe, MEA and the rest of Asia outside China, the markets grew. The outlook for new wind power installation, however, remains positive with 56 GW forecasted for 2018 and some 75 GW for 2026.

The wind product market is highly competitive, but no competitor offers the same range of products and solutions on a global scale as Avanti does.

From a geographical perspective, the BMU market in China and emerging markets slowed down, while demand was strong in developed markets like North America, UK and Australia. The Middle East continued to grow, driven by the need to have facilities ready for the World Expo 2020 in Dubai. From a product perspective, there was continued growth for systems with the capability to change glass facades, where Facade Access has a strong competitive advantage as some of the material handling hoists it offers have a capacity of carrying up to two tonnes of heavy large laminated window panels.

2017 was a record year when it comes to order intake for the business area. New orders included a large replacement system for a New York mega tall building and the record MSEK 170 order for the Sydney Harbour bridge.

OPERATIONS IN 2017

Alimak Group considerably increased its growth opportunities in the industrial sector in 2017 with the introduction of a new range of traction elevators, which complements the Group's market-leading rack-and-pinion products. The range includes traction products for challenging industrial applications, including on-shore oil & gas, as well as heavy-duty general industry applications. A new industrial rack-and-pinion lift, made in the factory in Changshu and designed to serve the needs of the emerging markets was also introduced during the year.

The business area sometimes gets orders linked to large, exceptional projects. One such order in 2017 was providing lifts for CCGT Power Stations in Iran and another for Kongsberg Maritime in Denmark, to which Industrial Equipment supplied a heave compensated gangway prototype. Strategies for growth consist of broadening the business area's product offering within the traction range, allowing access to an industrial market that is far larger than the traditional rack-and-pinion market. It also includes developing specific mid-market products that meet the needs of customers in rapidly growing emerging markets and strengthening the global sales and distribution network.

Avanti continued its growth in 2017, despite difficult wind market conditions. Product development continued at a high level in 2017. Highlights included the development and market introduction of new service lift types based on different guiding technologies. The

New orders included a large replacement system for a New York mega tall building.

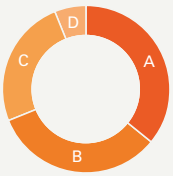
CCGT Power Stations in Iran.

new applications serve both on-shore and off-shore wind farms. In the wind area, focus is to develop share of wallet with key-customers globally by offering safe products with high quality that helps customers drive down cost of wind energy. The strategy builds on initiatives per key customer and product offering.

For Facade Access, 2017 was a record year when it comes to order intake. New orders included a large replacement system ordered from CoxGomyl for a New York mega tall building at SEK 85 million, and the Sydney Harbour Bridge access system ordered from Manntech at MSEK 170. One of the more leading-edge projects was an access system for a large multinational technology company based in California. The glass building had solar panels occupying the available roof space, for which an autonomous navigating and self-driving mobile BMU system, utilising laser guidance features to always remain a constant distance from the facade, was designed and produced. These laser guided units are being deployed in Q1 2018 and will be fully commissioned in the first half of the year.

Revenue by region
%

A) Europe, 35
B) APAC, 33
C) Americas, 26
D) Other, 6

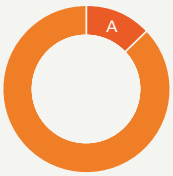


Share of Group turnover
%

A) Industrial Equipment, 45

Share of operating profit
%

A) Industrial Equipment, 13



Key figures, Industrial Equipment

	2017	2016	2015
Order intake, MSEK	1,857,1	342.8	530.9
Revenue, MSEK	1,795.2	373.5	485.5
EBITA adj. MSEK	68.6	-13.7	42.0
EBITA adj. %	3.8	-3.7	8.6
EBIT reported, MSEK	-1.3	-21.7	27.5

Business area

After Sales

Order intake, MSEK

1,048

Revenue, MSEK

1,108

EBITA adj., MSEK

296

Increased potential following acquisitions

Installed base, thousands of hoists	67
Market	The market is largely made up of Alimak Group's installed base of industrial and construction equipment.
Products and services	Installation and technical support, maintenance, repairs, spare parts and service, refurbishment and modernisation, surveillance systems and training.
Share of Alimak Group's revenue	28%
Customers	Customers are found in many industries, including harbours, oil & gas, power, cement, mining and construction.
Share of Alimak Group's operating profit (EBITA adj.)	58%

Local presence combined with a global footprint are some of Alimak Group's main competitive advantages in the expansive After Sales business area. The acquisition of Avanti and Facade Access Group, with their strong base of permanent installations, further strengthens the Group's global presence. In order to start realizing some of the expected synergies a pilot integration project was launched in the US during 2017.

After Sales services is an important part of Alimak Group´s offering for both the industrial and construction sector. The offering ranges from installation and technical support to maintenance, repairs, spare parts and service, refurbishment and modernisation, surveillance systems and training.

In industrial projects, elevators are installed permanently, mostly with a service life of 25 years or longer. Over the first 15 years, the main requirement is for routine servicing and maintenance. In the subsequent 10 to 15 years, continuous refurbishment and modernisation is recommended until the equipment is replaced in its entirety. Servicing and maintenance of complex industrial elevators can generate revenues three times the value of the original sale.

In the construction sector, hoists are installed temporarily and are constantly moved from one site to another. Services are called for both when the equipment is used and when it is moved to another site.

VALUE CREATION

The After Sales team creates value through offering safe, reliable and fast service worldwide, minimising operational disruptions for its customers. Regularly performed maintenance also prolongs the service life of the equipment.

A pilot project introducing a joint sales and service organisation was launched in the US during the fourth quarter. Based on learnings from this project, similar projects will be initiated in the UK, Australia and several other major markets during 2018.

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. The acquisition of Avanti and Facade Access Group meant that the Group's installed base took a giant leap from some 22,000 installations to around 67,000. It also meant that the number of distributors increased from 80 to 130.

CUSTOMERS

After Sales' customers are found in many industries, including harbours, oil & gas, and the power, cement, mining and construction industries.

MARKET, TRENDS AND COMPETITION

After Sales demand is affected mainly by the size of the installed base, which in turn is driven by developments in the industrial and construction markets. However, Alimak Group's services are more resilient to sudden fluctuations in the markets and instead tend to follow the age profile of the installed equipment.

The market penetration is significantly higher in the industrial segment than in construction. One reason is the complicated nature of industrial products, and their place in the value chain as enabling equipment and as a result customers outsource service and maintenance in order to reduce operating risks and costs. Meanwhile, some customers in the construction segment have historically preferred to perform their own service and repair work.

Many players operate in the market, from manufacturers like Alimak Group to OEM manufacturers, construction companies, third-party suppliers and local service providers. Based on the Group's global presence and its broad local sales and service network, Alimak Group, however, is the leading servicing supplier for equipment it has delivered. All expertise is coordinated and readily available, irrespective of market segment or elevator technology the customer is using.

Considering the age profile, and substantial increase, of the company's installed base, there is a strong potential to further increase the After Sales and refurbishment services business. In addition, the Group complements its extensive range of services in rack-and-pinion technology and traction-based elevator systems by addressing certain competing equipment.

OPERATIONS IN 2017

In the past, the acquired companies have not been as strong in after-market services as Alimak Group has been, this offers a good growth potential. The integration of the acquired After Sales business is therefore an important part of realizing identified synergies.

A pilot project introducing a joint sales and service organisation as well as a harmonized services and spare parts offering was launched in the US during the fourth quarter. This pilot will be followed by similar set-ups in additional markets during 2018 after evaluation and fine-tuning of the concept.

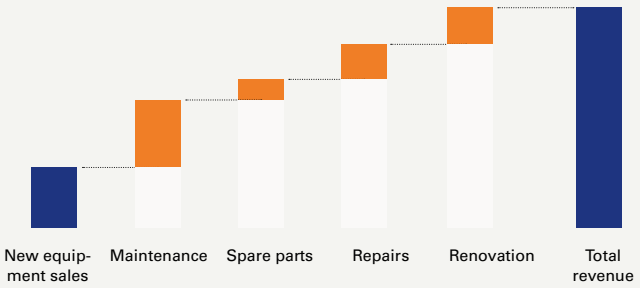
In 2017, the business area delivered a positive performance in several segments. After Sales expanded in the construction segment, sales of spare parts rose and demand for refurbishment services increased year on year. The decline in the oil & gas industry levelled off, but still created a negative comparative effect over time on the overall picture for the business area.

In total, the revenue increased over the preceding year.

Considering the age profile, and substantial increase, of the company's installed base, there is a strong potential to further increase the after sales and refurbishment services business.

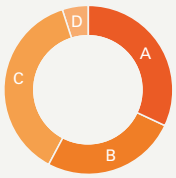
Life cycle of the industrial elevator

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



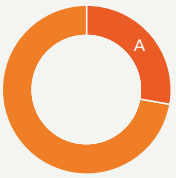
Revenue by region
%

A) Europe, 34
B) APAC, 27
C) Americas, 35
D) Other, 4



Share of the Group's turnover
%

A) After Sales, 28



Share of operating profit
%

A) After Sales, 58

Key figures, After Sales

	2017	2016	2015
Order intake, MSEK	1,048.4	652.5	702.0
Revenue, MSEK	1,107.7	680.3	689.0
EBITA adj. MSEK	295.5	223.5	222.6
EBITA adj. %	26.7	32.9	32.3
EBIT (reported), MSEK	280.3	217.7	209.9

Business area

Rental

Order intake, MSEK

365

Revenue, MSEK

305

EBITA adj., MSEK

36

High utilization of the rental fleet

Number of markets	8
Market	Many construction companies prefer to rent Alimak Group's construction equipment rather than buying it or buying used equipment. The rental option provides greater flexibility and is advantageous in terms of the customer's liquidity.
Products and services	Construction elevators and platforms together with analysis of customer's needs, identification of solutions, and products and offering of customers training on site.
Share of Alimak Group's revenue	7%
Customers	Construction companies.
Share of Alimak Group's operating profit (EBITA adj.)	7%

Despite a challenging start of the year, the Rental business area performed in line with expectations in 2017. The year ended with good momentum in all underlying rental markets with continued growth and high utilization levels of the rental fleet.

The Rental business area provides rentals of Alimak Group's construction elevators and platforms on eight main markets: France, Belgium, the Netherlands, Luxemburg, Germany, Switzerland, Austria and Australia. It also offers sales of the company's used construction products, mainly derived from replacements and adjustments of the rental equipment.

The equipment is rented on short-term or long-term basis and in combination with services such as assembly, disassembly, maintenance, operating assistance, technology, transportation and insurance. The business area offers analysis of the customer's needs, identification of a tailored solution, and determination of which of the company's products best fulfil the needs of the customer. Alimak Group experts are also available to offer customers 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 applications allows for more basic machinery, particularly in emerging markets.

The year was characterized by a strong momentum in all underlying rental markets, with continued growth and high utilization levels of the rental fleet.

CUSTOMERS

Rental's operations are conducted exclusively via its own sales organisation and are made directly to end customers. The business area has a broad customer base on the markets in France, Benelux, Germany, Switzerland, Austria and Australia. The customers consist primarily of large and small construction companies in need of Alimak Group's construction equipment for various projects.

MARKET, TRENDS AND COMPETITION

Construction projects are temporary by nature and the rental market is based on the fact that some customers prefer to rent rather than invest in equipment. In general terms, the rental market is impacted by trends in the construction industry and in the long term by trends in safety and productivity. Population growth and urbanisation are major driving forces behind growth in rental of construction equipment. In certain markets, customers have historically been more inclined to rent equipment than buy it and small construction firms are generally more inclined to rent equipment than large companies.

Alimak Group has an estimated market share of around 25 per cent of its served rental markets. Competitors are mainly other manufacturers of construction hoists and platforms, as well as a number of specialist rental businesses. Competition activity in all present 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. Rental rates continue to be under pressure with aggressive pricing from competition.

OPERATIONS IN 2017

The year was characterized by a strong momentum in all underlying rental markets, with continued growth and high utilization levels of the rental fleet. Some unexpected project delays were experienced during the first quarter, primarily due to poor weather conditions, while the business performed well the remaining quarters with continued improved efficiency.

The construction activity level in the Australian market remained high in 2017, with a solid intake of new orders and success in combining sales and rentals to large construction projects. Construction activities in

Left: Combining transport platforms and hoists speeds up construction.

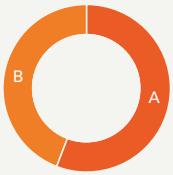
Right: Three Alimak construction hoists were utilized in the construction of three solar receivers/boiler towers at the Ivanpah Solar Generating Facility in the Mohave Desert, USA.

central Europe were also high, with many construction projects of various sizes requiring both construction hoists and platforms. Meanwhile, competition remained aggressive particularly in European markets. The European fleet invested in the first sets of the new Mastclimber MC450 which was well received, while the replacement programme for mid-market hoists in the Australian market continued.

The objective of the business area is to grow profitably in line with the economic cycle of the construction market in the selected countries where Alimak Group rental operates, with a fleet balanced for long-term market prospects.

Revenue by region
%

A) Europe, 56
B) APAC, 44
C) Americas, 0
D) Other, 0

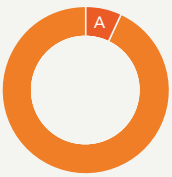


Share of the Group's turnover
%

A) Rental, 7

Share of operating profit
%

A) Rental, 7



Key figures, Rental

	2017	2016	2015
Order intake, MSEK	365.4	369.5	328.8
Revenue, MSEK	305.3	308.9	308.4
EBITA adj. MSEK	36.1	36.3	26.9
EBITA adj. %	11.8	11.8	8.7
EBIT (reported), MSEK	36.1	39.1	20.4

70 years of revolutionizing vertical access

The first steel construction passenger hoist. The first rack-and-pinion mast climbing work platform and the first rack-and-pinion construction hoist. Ever since the start in 1948, Alimak Group has been inventing products and revolutionized vertical access.

In 2018, Alimak Group celebrates 70 years. The company was founded in Skellefteå, Sweden, in 1948 by engineer and technical inventor Alvar Lindmark. From the start, Alimak's business was focused on developing and manufacturing industrial elevators, construction hoists and work platforms.

The company introduced the first steel construction passenger hoist in 1953 and the first rack-and-pinion mast climbing work platform in 1956. Six years later, Alimak revolutionized the approach to rack-and-pinion vertical access solutions by introducing the first rack-and-pinion-driven construction hoist.

STRONG GLOBAL EXPANSION

Between 1968 and 2001, Alimak expanded its geographic footprint and its business operations by enhancing its product and service offerings, growing its customer base across a number of end markets. Meanwhile, the offshore industry was included among the customers.

In 2001, Alimak merged its operations with the Dutch company Hek, a producer of industrial elevators, construction hoists and work platforms. Five years later, Alimak established production operations in China and, to strengthen its US presence, acquired Champion Elevators, a Texas-based rack-and-pinion elevator company. During the following years, Alimak increased its focus on the BRIC markets, opening sales offices in India and Brazil.

In 2014, the company broadened its technology offering through the acquisition of Heis-Tek, a Norway-based specialized traction elevator company that offers its products and services predominantly for oil & gas offshore applications in the North Sea.

For 70 years Alimak Group has been inventing products that have revolutionized vertical access in construction projects and industrial operations worldwide.

LISTING – AND FURTHER EXPANSION

Alimak Group AB was listed on Nasdaq Stockholm in June 2015. In January 2017, the company acquired Avanti Wind Systems, a market leader in vertical access solutions for the wind power industry and one month later Facade Access Group, a market leader in permanently installed building maintenance solutions.

Through the acquisitions, Alimak Group extended its product range and number of production sites. The turnover and number of employees doubled in size and the company established a stronger and broader customer offering with global coverage. The acquisitions also strengthened the Group's technological backbone and innovation capacities.

Today, Alimak Group is a global market leader in vertical access solutions for the industrial and construction sectors.

Enabling the most challenging construction projects to be built and ensuring that the tallest building in the world retains its sparkle.

Providing access to the deepest mines – to the tallest wind turbines. All over the world. At land. Or sea. Up or down. Wherever people and equipment need vertical access, Alimak Group provides solutions.

Case #1

CoxGomyl / Burj Khalifa

Projects: Cleaning and maintenance of the world's tallest building, 828 metres and 162 floors high

Location: Dubai, UAE

Customer: Emaar Properties

Vertical Access Solutions: 18 custom-made Building Maintenance Units, BMUs, for different levels. Parapet mounted sliding BMU's to access the lower levels. The machines, when not in use, are parked inside the building and then travel on customised tracks along a set of tubular steel rails to the outside

CoxGomyl ensures the sparkle of the Burj

Dubai 2017

With a design inspired by a desert flower, the glistening facade of the Burj Khalifa in Dubai can be seen from almost anywhere in the emirate. Not only is it the tallest building in the world, it is also one of the most complex. Given its unique tri-petal design and a lack of space, a conventional building maintenance solution was not possible for the building. To begin with, the whole facade was in fact cleaned by adventurous window cleaners on rope ladders. But now CoxGomyl has risen to the challenge and developed 18 bespoke machines to achieve safe access to all 162 floors – ensuring that the sparkle stays.

Nearly twice as tall as the Empire State Building, the Burj Khalifa stands at 828 metres, soaring over Dubai. Aside from holding the world record for being the tallest building in the world, the Burj Khalifa also holds a number of other world records, including the world's highest mosque, swimming pool and outdoor observation deck, as well as the elevator with longest travel distance.

Excavation began in January 2004 and six years later, in 2010, the Burj Khalifa opened. The impressive petal shape of the building was inspired by a desert flower native to the region; the Hymenocallis. Traditional Islamic patterns were incorporated throughout the structure, with the central core emerging at the top and culminating in a sculpted spire.

– The Burj Khalifa is unique – there is simply no building that comes close in either height or complexity. As an icon of Dubai, it continuously attracts a stream of tourists and it's vital that the facade remains clean at all times, says Mark Casey, Regional Manager of CoxGomyl who as of April 1 2018 was appointed Business Unit Manager BMU of Alimak Group.

Custom-made solutions for different levels

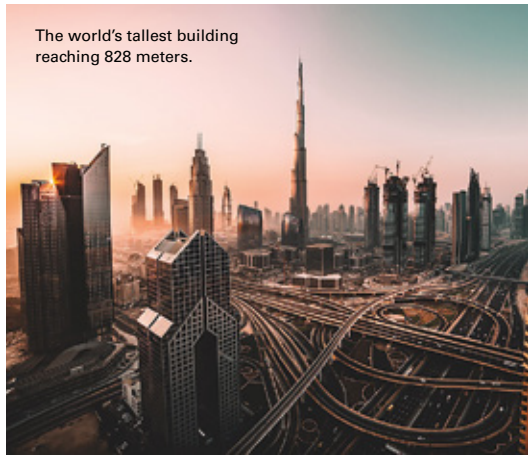
When CoxGomyl got the assignment to deliver Building Maintenance Units (BMU's) for the Burj, different sets of innovative machines and systems had to be developed due to the complexity of the facade, with custom-made solutions for different levels. Parapet-mounted sliding BMU's were designed to access the lower levels up to 380 metres above ground. Positioned along three levels (142, 252 and 380 metres), the machines, when not in use, are parked inside the building and then travel on customised tracks along a set of tubular steel rails to the outside. They are also fitted with a materials hoist, which is used to replace broken glass panels on the tower. The cleaning operators travel down the facade in order to carry out their cleaning and maintenance duties.

Further up, the Telescopic Boom Unit works between 643 and 682 metres. These are stationary and can rotate as well as extend and retract in order to reach all surfaces. Further up – to the height of 759 metres, which is the highest point where a BMU can be installed – machines with the ability to rotate to clean the glass surrounding them have been installed.

Two to three months to clean

Under normal weather conditions, with all 18 BMU's in operation and 36 men manning the machines, the entire facade will take approximately two to three months to clean.

– The cleaning cycle is influenced by the weather conditions; if we have a dust storm the windows will need to be cleaned more often; if we have a lot of rain, the cleaning will be much faster. The normal cleaning cycle is four times per year. We always start at the top going down to prevent dirty water from falling on clean win-



The world's tallest building reaching 828 meters.

Mark Casey, CoxGomyl on top of the world.

dows. Also, during the summer, the windows become very hot, so once water is applied to the glass it evaporates immediately. This means that we must follow the shaded area of the building when cleaning, Mark Casey explains.

– The BMU's, which took almost a year to install, had to be designed to operate in extreme conditions. Factors that had to be taken into account were wind speeds, movement of the building and extremely tight tolerances. The cleaning cycle also had to be taken into account given the size of the building, he continues.

The very top of the Burj, however, is unreachable by ordinary window-washing cradles, and is still reserved for more adventurous window cleaners using rope access. The building has specific rope access anchorage on areas such as the spire that enable safe access to change the building's aircraft warning lights, aesthetic lights and general surface cleaning.

Contrary to belief, height is not the biggest challenge for the technicians working on the maintenance of the Burj – it is the heat, which can be scorching at times. To protect themselves from the sun, the technicians have to carry with them hydration packs supplying an electrolyte sport beverage. They also have to wear specialised clothing, resembling moon suits. Work is planned around the positioning of the sun by using the natural shade of the building.

Recognised for the innovative design of the BMU's

CoxGomyl has been recognised for its innovations linked to the Burj Khalifa project being nominated as a finalist in the 2015 Performance and Innovations Awards, part of the Council on Tall Buildings and Urban Habitat Annual Awards. CoxGomyl was the finalist in the Facade Access Equipment category for the Burj Khalifa. In the motivation, the jury highlighted the way the designers cleverly had integrated the BMU tracks with an architectural feature of the building.

"Burj Khalifa posed the standard challenges of any tall building, which is how to provide facade access, but not compromise the architecture. Due to the height, area, and architecture of the Burj, it was obvious that a large quantity of Building Maintenance Units (BMUs) were required to provide the necessary maintenance. The designers of the Burj had introduced a series of horizontal architectural tubes to break up the massing of the tower. A joint effort of both the architectural design team and the facade access equipment design team resulted in an elegant solution… By utilizing an architectural feature of the building as a track, no visual impact was created", the jury stated.

In short, CoxGomyl's innovative facade access systems mean the world's tallest building will continue to look immaculate – at all times.

Case #2

Alimak Hek / Canary Wharf

Projects: Newfoundland Tower, Wood Wharf E1/E2 and Wood Wharf A1 Tower

Location: Canary Wharf, London, UK

Customer: Canary Wharf Contractors

Vertical Access Solutions: Combination of Mammoths, high-speed passenger hoist and towers

Alimak Hek hoists at work expanding Canary Wharf

London 2017

The high-rise buildings of Canary Wharf form an iconic skyline in London. Once the hub of trade and manufacturing, the fast-growing area is now home to one of the leading financial centres in the world. Three new projects are currently under development by Canary Wharf Contractors Ltd. Minimal building sites in comparison to the size of the buildings and the large amount of building material required is a challenge for which Alimak Group has provided solutions.

Much of London's success in history has revolved around the Thames. In the 17th century, Londoners started to seriously use the water access of the East End. The Docks thrived for centuries, attracting trade, industry and workers from all over the world, making it a densely populated area. During the Second World War, however, the docks became a prime target for German bombing raids, destroying much of the dock areas and local housing. There was some rebuilding work after the war and the docks continued to operate. But they were not big enough to deal with container ships and much of London's industry moved out to ports with deeper water access. By the 1980s, when all of the major docks had closed down, the British government set up the London Docklands Development Corporation to re-develop the area. Tax exemptions and capital allowances resulted in a building boom.

Construction challenges

Today – apart from offering luxury housing – the Docklands has also become a financial hub, featuring the impressive Canary Wharf Tower at One Canada Square. And construction of new buildings is still going strong in the wharf's small, narrow footprint on the Isle of Dogs. Three projects, with more to come, are currently being developed by Canary Wharf Contractors Ltd using Alimak Hek's equipment and construction services; Wood Wharf A1, Wood Wharf E1/E2 and the Newfoundland Tower.

The prestigious developments have posed construction challenges due to complicated facades, the need for large material deliveries and minimal building footprint in comparison to the size of the buildings – challenges that Alimak Group has been able to provide solutions for. With the extremely limited ground space Ashley Handely-Collins, project manager at CWC, calls the hoists "an important success factor" and his colleague agrees:

– If we can't get the workforce and the materials up to the floors, we're not going hit our targets. This site has a very small footprint; which in combination with the size of the buildings and the logistical complexity this presents is challenging. We've only got two tower cranes, so we are relying heavily on the hoists and common tower logistics, says Alec Vallintine, Director at CWC.

The Mammoth hoist speeding up the process

The Newfoundland project is a 60-storey residential development at the western end of the Canary Wharf Estate. The underground runs directly beneath it, which puts heavy restrictions on the construction work, as there is very little room for additional craneage or hoists. To spread the weight of the building away from the underground, the Newfoundland tower is enclosed in a steel diagrid, similar to the one covering the famous Gherkin. The diagrid spans diagonally across the facade and crosses floor levels which restricts the access to floors. This required special adaptions to be designed of the hoist's access points into the building. As the structural work and fit out has been done simultaneously, more stress is put on the vertical access solution.


Andrew Unwin, CWC and Cameron Reid, Alimak Hek.

The project is one of the first in which Alimak Group used the latest improved Mammoth™ Hoist – a giant 5,500 kg transport hoist allowing vertical access of heavy and bulky building materials. Combined with a number of high-speed Alimak Hek passenger hoists, it has greatly contributed to speeding up the construction process of the Newfoundland project.

Complicated constructions calls for creative solutions

Different combinations of Alimak Mammoths and high-speed passenger hoists have also been used on two other Canary Wharf Estate development projects. These are located in an area known as Wood Wharf, a site designed to provide a new residential led, mixed use, waterside community. The Wood Wharf A1 is a circular building, with a complex exterior cladding design and high-end interior finish. The top floors feature double height, bay windows and beautiful balconies overlooking the Thames.

– The key challenge for building A1 was the interface with the building itself, since it has a very complicated facade. We had to figure out how to get the right number of hoists and common towers to coordinate with the facade. It is probably one of the most complicated projects I have worked on, says Cameron Reid, Project Director at Alimak Group.

The other project in the same area, the Wood Wharf E1/E2 buildings, consists of two connected towers spanning 36 floors. As the building footprint is also quite small, the most efficient solution has been to produce as much as possible of the interior off site, including prefabricated bathrooms being delivered in pods. The size of these pods demand large hoists and the Mammoth's™ large cubic capacity was key in the solution provided.

A global showcase

During the construction, Canary Wharf Contractors has had visitors from around the world facing similar challenges studying the vertical access solutions put in place. Since hundreds of employees need to access different floors at various times, the high-speed hoists have increased efficiency and saved money, while the Mammoth™ has enabled transport of large panels and material to all levels. They have also improved safety, as they are furnished with the latest safety equipment from overload sensors to self-greasing reservoirs for reducing worker exposures during routine maintenance.

– Hoists are key cogs in the system on these projects and cannot break down. If they do we are not able to feed the projects and it can cause delays. We are running a cycle of roughly one floor per week and every hour of downtime is a large percentage – which is why it is critical for the machines to work and be maintained correctly, says Andrew Unwin, Associate Director at CWC for Wood Wharf A1 and Wood Wharf E1/E2.

In addition to reliability, quality and custom solutions, day-to-day service of the hoists during construction were the main driving factors for Canary Wharf Contractors to choose Alimak Group.

– They're iconic buildings and in arguably one of the most impressive cities in the world. As we are in the business of vertical access these high rises are definitely something we want to be involved in, Cameron Reid says.

Case #3

Avanti / Stor-Rotliden

Projects: Vattenfall's biggest on-shore wind farm

Location: 570 metres above the sea level in the municipality of Åsele in Lappland

Customer: Vattenfall

Vertical Access Solutions: 40 Avanti Wind System's service lifts to support 40 Vestas V90 turbines

Estimated annual production: Electricity for 50,000 households

Safety first at Vattenfall's biggest on-shore wind farm

Stor-Rotliden 2017

The view is spectacular. Vattenfall's biggest on-shore wind farm in Sweden sits on a remote hill in Lappland, set against a sky ablaze with colours as the sun quickly sets. It is autumn 2017 and Avanti has just finalised replacing the emergency brakes of the service lifts, installed to facilitate maintenance of the 40 wind turbines. – This is a high risk environment and we always consider the safety of our staff in all aspects of our operations, Ingemar Forsgren, Site Manager at the Stor-Rotliden wind farm, explains.

From the outside, the wind turbine resembles a rocket from a Tintin comic. The impression is reinforced when you climb the steps, open the door and glance inside. The shiny, spotless interior features an elevator with a grid door, pointing towards the top of the narrow, 95-metre tall turbine.

– We're extremely happy to be able to use the lifts again. For more than a year, our technicians have had to climb the ladder all the way to the top to service the turbines, which is extremely strenuous, Ingemar Forsgren says.

Completed ahead of schedule

The wind farm was taken into operation in 2011, after new roads had been constructed, a high-voltage transmission line was drawn to the site and ground works had been completed in record time. The construction of the wind farm was an important step in Vattenfall's investment in renewable energy. Meanwhile, the company decided to set up a service office in the nearby village of Fredrika to show its long-term commitment to the area, municipality and region. Support of the project from local politicians, businesses and, not least, the residents of the area, helped speed up the process, from planning to putting the turbines into operation.

– It was fascinating to watch as one turbine a day was erected starting at the end of June. In November, three months ahead of schedule, we pressed the button to start the turbines – and it all worked according to plan, Ingemar Forsgren says.

Cold climate a challenge

Operating wind farms in cold climates, such as in Lappland in Northern Sweden, is linked to a number of hazards faced by the on-site staff. These include cold temperatures, snow and accumulation of ice on the turbines. Wind turbines must be able to sustain at least limited icing without incurring damage.

– We constantly check to see if there is any icing on the turbine blades. It can be dangerous to walk close to the turbines if ice starts falling off – and we must plan for ice from October until May. If we see that ice is starting to build up, we take extreme caution when we inspect the site, Ingemar Forsgren says.

– The turbines must also be able to withstand the strong winds we can experience. The highest wind strength we have measured here is 39 metres per second.

Service lifts improve working conditions

The wind turbines at Stor-Rotliden have been delivered by Vestas and the service lifts by Avanti Wind Systems. The lifts are used for transport of personnel, tools and equipment. They are important as they enable more thorough and frequent checks - which in turn reduce maintenance costs. Experience shows that service technicians perform better quality service when they are transported in a lift, as opposed to when they have to climb up the wind turbine using a ladder. The lift is

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

equipped with a manual emergency stop, and additionally an automatic safety stop, which is activated by the bottom trip bar installed under the lift.

Stricter safety demands

As wind turbines grow taller, demand for employee safety increases. That's why Vattenfall immediately decided to replace the brakes in the service lifts following a serious incident in Germany a couple of years ago. The defect found prevents the correct functionality of the over speed guard.

– The system has two functions – one is to manually brake the hoist, the other is to automatically stop the hoist in case of over speed. The system was previously provided by a sub-supplier, until Avanti started to manufacture its own system in 2011. Following the incident in Germany, we created retrofit solutions to replace the earlier systems with our own in the already existing lifts, Allan Johansen, Service Manager at Avanti Wind Systems, explains.

The first delivery of new safety brakes failed to pass Avanti's security test, which meant a delay before the new over speed guards could be installed in the lifts at Stor-Rotliden.

– In general, we face a challenge to be pro-active and exchange parts before they cause a production shutdown. The turbines have a life span of some 25 years, but some parts must be exchanged well before that. This includes the gearbox, which weighs 16 tonnes and must be installed using a crane truck – this means that planning is essential, Ingemar Forsgren says.

– When it comes to the rotor blades, we strive to maintain these extremely well because if we do they will last throughout the life span of the turbine. That's why the service lifts are so important, he continues.

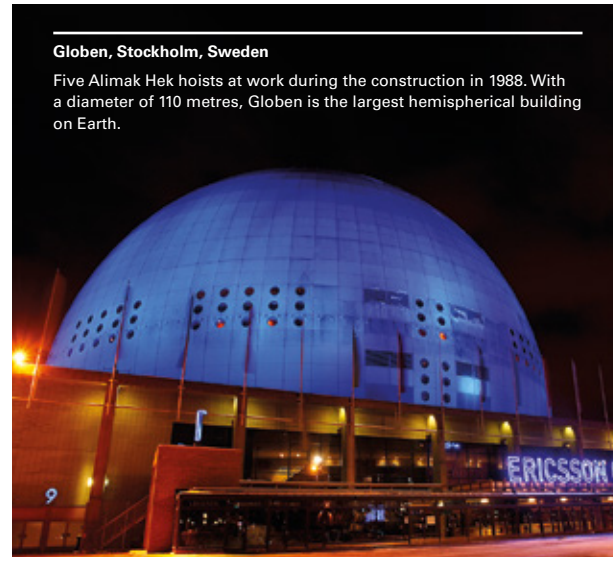
Successful project

Despite the challenges, the wind farm at Stor-Rotliden has been a huge success, providing some 50,000 households with reliable and sustainable electricity. In fact, it has been so successful that Vattenfall is now investigating the possibility to construct two more wind farms in the area – at Blakliden and Fäbodberget – with a total of 84 even more powerful turbines, producing electricity for more than 200,000 households.

– We provide renewable energy as well as job opportunities in an area that has been afflicted by depopulation and unemployment. This has contributed to the positive reaction among people and politicians here, Ingemar Forsgren says.

Grasberg Mine, Irian Jaya, Indonesia

The deepest Alimak Hek lift goes 640 metres below ground. It is also the highest situated Alimak lift at an altitude of 4,100 metres.

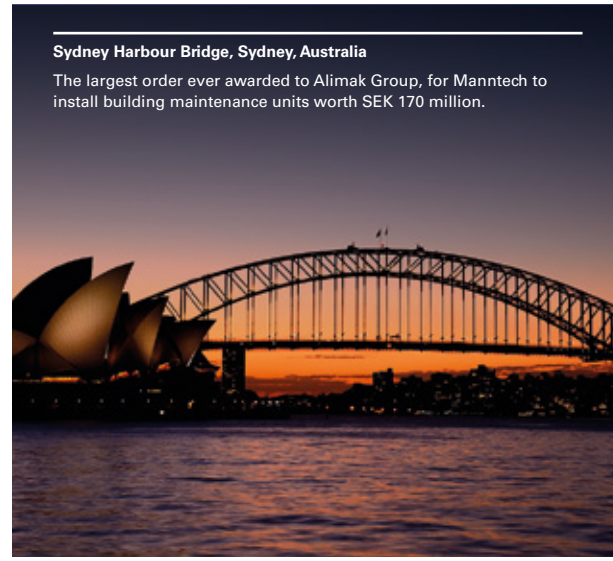


Globen, Stockholm, Sweden

Five Alimak Hek hoists at work during the construction in 1988. With a diameter of 110 metres, Globen is the largest hemispherical building on Earth.

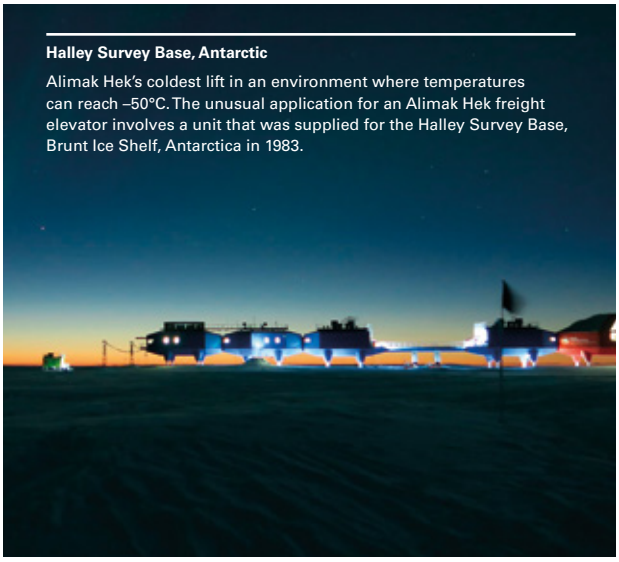
A divine platform, Caracas, Venezuela

When Pope John Paul II addressed 600,000 people in Caracas, Venezuela in 1996, his speech took place on a platform set up at the airport. To reach the platform, the Pope used a special white-lacquered Scando 10/30 hoist, making it Alimak Hek's holiest lifts.



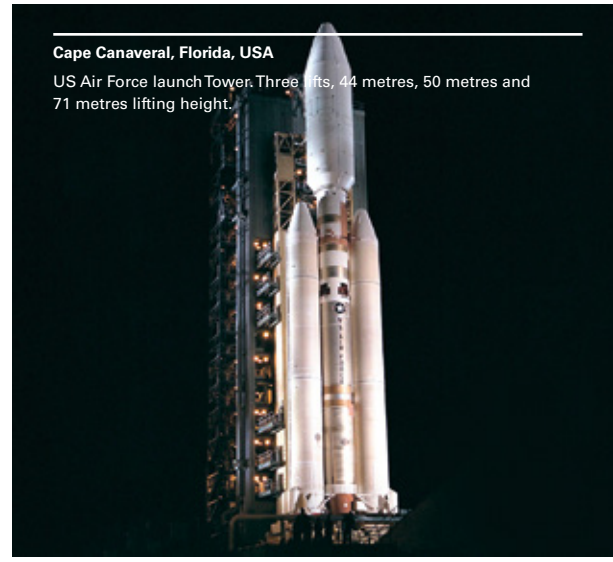
Sydney Harbour Bridge, Sydney, Australia

The largest order ever awarded to Alimak Group, for Manntech to install building maintenance units worth SEK 170 million.



Halley Survey Base, Antarctic

Alimak Hek's coldest lift in an environment where temperatures can reach –50°C. The unusual application for an Alimak Hek freight elevator involves a unit that was supplied for the Halley Survey Base, Brunt Ice Shelf, Antarctica in 1983.



Cape Canaveral, Florida, USA

US Air Force launch Tower. Three lifts, 44 metres, 50 metres and 71 metres lifting height.

Petronas Tower, Kuala Lumpur, Malaysia

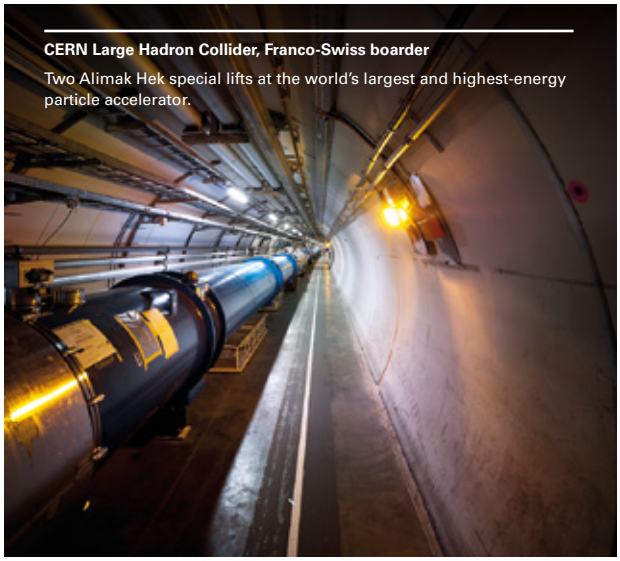
452 metre twin towers. Building maintenance units by Manntech. The towers, by the time of construction the highest in the world, were built using Alimak Hek construction hoists.

Statue of Liberty, NYC, USA

An emergency and service lift inside the Statue of Liberty in New York, first used by Nancy Reagan during the re-opening of the renovated statue in 1986. Alimak Hek's construction hoist were also used during the external renovation.

CERN Large Hadron Collider, Franco-Swiss boarder

Two Alimak Hek special lifts at the world's largest and highest-energy particle accelerator.



Eiffel Tower refurbishment, Paris, France

Alimak Hek's most visible lift was a construction one used in the renovation of the Eiffel Tower in Paris at the start of the 1980's. When further renovations were started again in the 1990's, Alimak assisted once more.

Norilsk Nickel, Norilsk, Russia

Five Alimak Hek explosion-protected lifts with lifting heights between 100 metres and 200 metres are operating in the mine.

Taipei 101, Taipei, Taiwan

508 metre tall building. Building maintenance units by CoxGomyl.

Driving customer value in every part of the process

Alimak Group is constantly evaluating new ways to improve customer value. Quality, efficiency and performance are subsequently key elements in terms of purchasing, production and logistics. Through the acquisitions in 2017, Alimak Group strengthened its innovative powers and almost doubled its engineering capacity.

Product development, purchasing and production account for a major share of Alimak Group's cost base and represent a decisive factor in the company's competitiveness and profitability. Coordinated global purchasing and production yields flexibility and opportunities for economies of scale.

Product development takes place in close cooperation between the production units. During 2017, several new products were released, particularly to better serve the Asian market with hoists and platforms.

PURCHASING

Alimak Group has a global purchasing organisation that buys from more than 800 suppliers in 30 countries. Its role is to supply the manufacturing units with key components, including steel, drive units, electronics and cables. Purchasing is coordinated globally, which provides flexibility and economies of scale. Global transparency regarding purchasing information ensures that the advantages derived are utilized by all parts of the organisation.

The manufacturing process includes elements such as welding, processing, and laser cutting for producing key components.

Cost and performance guides the choice of supplier both locally and globally. At the same time, it is important to maintain long-term relationships with suppliers. The company has commercial frame agreements with key suppliers for all critical components.

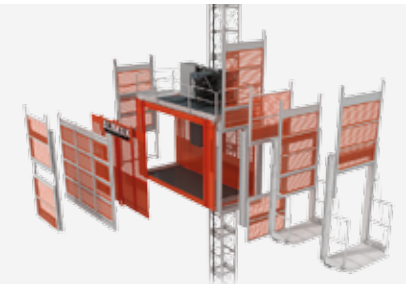
The purchasing organisation has a large number of prioritized areas, including reducing the total purchasing costs, reducing the number of suppliers and increasing purchases from best-cost countries.

GLOBAL PRODUCTION PLATFORM

Alimak Group has manufacturing units in Sweden, China, Spain, Germany, Denmark, the Netherlands, the US and Brazil. These are managed globally in order to ensure quality, coordination and cost efficiency. The manufacturing process includes elements such as welding, processing, and laser cutting for producing key components such as masts, elevator baskets, platforms and gearboxes.

Many products are built around modular systems, which means that the equipment can be adapted to customer specific needs. This provides the opportunity to produce both customer-specific solutions and modular standard solutions, which can be adapted from one application to another.

Final assembly and testing is often performed in-house but certified processes for site testing are also in place to ensure safety and quality regardless of location.



Production is largely built on a modular system that enables efficient modification of the final hoist/elevator to specific requirements. It creates the capacity to produce 100 per cent customer-specific solutions and "modular" hoists/elevators that can be modified from one area of use to another.

LOGISTICS PART OF CREATING VALUE

Proximity to the customer, punctual deliveries and high quality services are important elements of Alimak Group's offering and essential for creating long-term customer relationships. Many deliveries of industrial elevators are project-based, including tailored design and other customer adaptations which Alimak Group is well equipped to support at the customers site.

The transportation method is often determined by the customer's requests, but to the greatest extent possible the products are shipped by boat or train in order to minimize the Group's impact on the environment.

RESEARCH AND DEVELOPMENT

Alimak Group's product development team works continuously to improve existing products and to develop new products and product applications for its growing customer base. The Group's manufacturing plants possess extensive research and development capacities, focused on different aspects.

Some earlier examples of research and development initiatives include standard construction elevators focused on the mid-range segment for emerging markets and Europe. They also include lighter service elevators, basic explosion-proof elevators and elevators for use in extreme temperatures, remote monitoring applications and safety features for replacing elevators and platforms.

Through the acquisitions in 2017, Alimak Group almost doubled its engineering capacity, strengthening its competence and geographic footprint. One important aspect of the integration process is to link engineering centres so that the broadened capabilities can be leveraged across the whole Group. Focus will be on evaluating new materials improving the performance, but also on how digitalisation can be used to drive improved performance, reliability and safety for customers.

During the year, several new products were released that will strengthen the product offering, especially to better serve the Asian market in the field of hoists and platforms, with the first real industrial lift for China and South East Asia. Launches also included a high-speed unit, a traction unit for industrial applications and tools supporting easier and safer installation.

Development activities in 2018 will include continued focus on cost improvements to support best price to the market, improved software for more intelligent control, an upgrade of the remote monitoring system – providing a more customer friendly interface – and continued review of manuals with focus on health and safety.

Alimak Group has manufacturing units in Sweden, China, Spain, Germany, Denmark, the Netherlands, the US and Brazil. These are managed globally in order to ensure quality, coordination and cost efficiency.

Focus on integration

The acquisitions in 2017 of Facade Access Group and Avanti Wind Systems meant that Alimak Group doubled in size. It also meant that a new company was created with new prerequisites, opportunities, competencies and new manufacturing units and sales offices. During the year, great efforts were made to create a common corporate platform with shared processes, Code of Conduct and values – the necessary foundation to optimize and realize potential synergies.

During a short period of time in 2017, Alimak Group grew from 1,200 to 2,400 employees. From two manufacturing units to twelve. Meanwhile, the company's global presence was strengthened to include 60 sales offices and more than 130 distributors worldwide.

Today, 52 per cent of the company's employees are based in Europe, some 35 per cent in the Asia and Pacific region, 9 per cent in North and South America and a further 4 per cent in the rest of the world. The two single largest workplaces are the two production facilities in Changshu, China, and Skellefteå, Sweden with more than 300 employees in each of these locations.

BUILDING ONE COMPANY

After the acquisitions, a number of projects were initiated aimed at speeding up the integration process. These are organized into a number of shared work streams. In the Human Resources area, focus was on building a foundation for a strong, common corporate culture. One of the first measures was to ensure that all employees, along with all suppliers and distributors, committed themselves to pursue the company's Code of Conduct with rules on respect for fundamental human rights and the application of sound principles of business ethics.

CORPORATE VALUES

The Code of Conduct is based on the principles of the UN Global Compact. It is also closely linked to Alimak Group's corporate values. These are:

- Customer focus
- One company
- Respect
- Honesty
- Enthusiasm

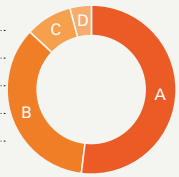
Customer focus is defined as streamlining internal processes to enable employees to devote their time and energy on ensuring customer satisfaction. Alimak Group wants to be perceived as reliable, proactive and a long-term partner by customers. One company means to build and promote team spirit throughout the whole Group. Respect means to always deliver what has been promised and to see diversity as part of the Group's competitive advantage. Honesty means being transparent and accepting and acting in line with Alimak Group's values, among other things, while Enthusiasm is to have a positive attitude and be committed to continuous improvements.

COMPLIANCE TO GDPR

In 2017, focus was on mapping data and creating policies and processes that ensures that Alimak Group

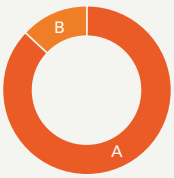
Employees, by regions
%

A) Europe, 52
B) APAC, 35
C) Americas, 9
D) Other, 4



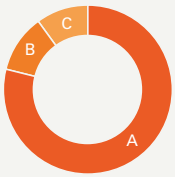
Employees by gender
%

A) Men, 87
B) Women, 13



Employees by work category
%

A) Production and service, 79
B) Sales, 11
C) Administration, 10



adheres to The General Data Protection Regulation that comes into force May 25, 2018. The regulation aims primarily at strengthening data protection and to give citizens and residents control over their personal data.

Alimak Group's efforts within this area include improved awareness and control of how personal data are collected, used, maintained and protected. The rights of the data subjects are in focus.

EMPHASIS ON EQUAL OPPORTUNITY

Alimak Group is working to ensure equal employment opportunities for all qualified individuals, without distinction or discrimination due to age, ethnicity, color, national origin, religion, sex, disability or other characteristics.

The proportion of women in the company is 13 per cent. The proportion of women in the global management group is 13 per cent and in the Board of Directors 25 per cent. The company aims to increase the proportion of women. Alimak Group's employee policy emphasises equal opportunity and diversity.

MOTIVATING EMPLOYEES TO ENSURE LOW TURNOVER

Vital areas in the retention of existing personnel is a good work environment, room for personal development and strong leadership. An upgraded process for performance reviews have been developed where focus is on performance and possible career paths and further skills development are discussed with the employee.

Work with talent assessment and succession plans has been started in 2017 with the aim to identify both high performers, retain talents and ensure available resources on key positions.

Vital areas in the retention of existing personnel is a good work environment, room for personal development and strong leadership.

During the year, 15 occupational incidents resulting in more than one day of absence occurred. The company's work environment focus is on preventive measures and rapid rehabilitation, in order to avoid long periods of sick leave.

The Alimak Group share

Alimak Group shares were listed in June 2015 and are traded on the Mid Cap list of Nasdaq Stockholm. The company's market capitalisation at year end was SEK 6.9 billion.

SHARE TURNOVER AND TRADING
The share's EPIC is ALIG and its ISIN code is SE0007158910. A trading lot is one share. During 2017, a total of 21,229,297 shares were traded for a total amount of MSEK 2 824 on Nasdaq Stockholm. The average number of shares traded per trading day was 116,490. On average, approximately 464 trades were made per trading day.

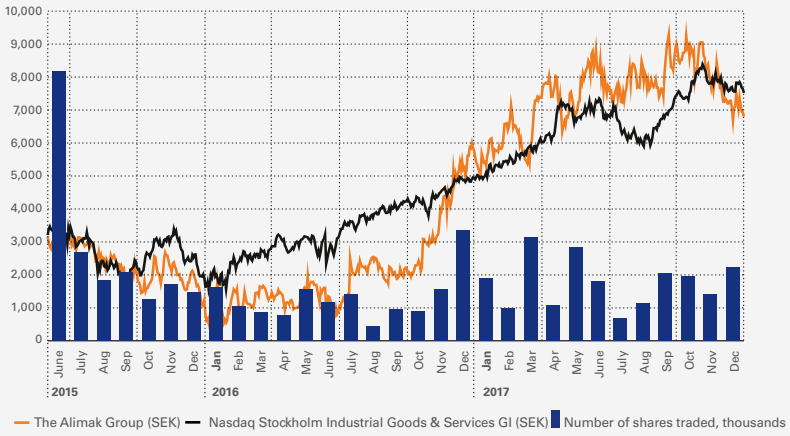
CHANGES IN SHARE PRICE
The closing price for Alimak Group shares at year-end 2017 was SEK 128.00, representing a market capitalisation of approximately SEK 6.9 billion for the company. Over the year of 2017, the market capitalization of Alimak Group shares increased by approximately 23 per cent. The highest share price, SEK 157.00, was recorded on 17 August and the lowest, SEK 106.30, on 12 January. The average price for the year was SEK 133.96.

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

OWNERSHIP STRUCTURE
At year-end, Alimak Group had 4,348 known shareholders. The largest shareholder was Latour, with 26.8 per cent. The ten largest shareholders represented around 68 per cent of the total number of shares outstanding. The 100 largest shareholders represented approximately 90 per cent of the total. The members of the Board of Directors and management together owned around 3.8 per cent. 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 regarding the issue or acquisition of treasury shares.

DIVIDEND
Alimak Group has a target of paying a dividend of approximately 50 per cent of its net profit for the current period to its shareholders. However, decisions on dividends shall take account of the Group's financial position, cash flow, acquisition opportunities, strategic considerations and future prospects. The Board of Directors' dividend proposal, subject to approval by the 2018 Annual General Meeting is SEK 2.30 per share.

The Alimak Group and share turnover since listing



Largest shareholders 31/12/2017

Shareholder	Number of shares	Capital,%	Votes, %
Latour	14,501,809	26.8	26.8
Lannebo Funds	5,668,884	10.5	10.5
Swedbank Robur Funds	4,152,955	7.7	7.7
Peder Pråhl	2,902,543	5.4	5.4
Handelsbanken Funds	2,786,375	5.1	5.1
Lazard	2,157,128	4.0	4.0
York Capital Management LLC	1,625,932	3.0	3.0
Enter Funds	1,119,098	2.1	2.1
C WorldWide Asset Management	1,013,859	1.9	1.9
BlackRock	948,321	1.8	1.8
Total shareholding – 10 largest	**36,876,904**	**68.1**	**68.1**
Other shareholders	17,280,957	31.9	31.9
Total number of shares	**54,157,861**	**100.0**	**100.0**

Share distribution

Holdings	Number of shares	Capital, %	Votes %	Number of shareholders
1 – 100	93,386	0.17	0.17	2,022
101 – 200	94,446	0.17	0.17	624
201 – 500	241,637	0.45	0.45	695
501 – 1,000	296,288	0.55	0.55	385
1,001 – 2,000	416,811	0.77	0.77	292
2,001 – 5,000	579,279	1.07	1.07	173
5,001 – 10,000	359,947	0.66	0.66	48
10,001 – 20,000	429,337	0.79	0.79	31
20,001 – 50,000	702,905	1.30	1.30	20
50,001 –	50,943,825	94.07	94.07	58
Total, 31 December 2017	**54,157,861**	**100.0**	**100.0**	**4,348**

Shareholders per geographical region

Country	Number of shareholders	Number of shares	Capital, %	Votes, %
Sweden	4,150	39,581,349	73.1	73.1
United States	31	6,372,667	11.8	11.8
United Kingdom	13	1,239,772	2.3	2.3
Denmark	39	1,170,644	2.2	2.2
Switzerland	6	883,222	1.6	1.6
Others	109	2,120,577	3.9	3.9
Anonymous ownership		2,789,630	5.2	5.2
Total, 31 December 2017	**4,348**	**54,157,861**	**100.0**	**100.0**

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

Sustainability report

As an international company with 2,400 employees, production in eight countries and sales in more than 100 countries, Alimak Group affects society in many ways. With Alimak Group's leading position in the industry follows a great responsibility to contribute to a more sustainable development of the construction and industrial sectors worldwide.

Alimak Group's long experience, in 2018, the Group celebrates its 70-year anniversary, of supplying quality products backed up by extensive after sales support, enables the company to provide exactly what the clients demand; i.e. safety, quality and reliability.

In 2017, the company finalised two major acquisitions. The integration of these has a strong base in the fact that the acquired companies share the same values as Alimak Group.

Part of the integration process consists of examining and evaluating how the acquired companies conduct their business today. By using the concept Best of Four, best practices are identified and implemented to the benefit of the whole organisation. The energy created by the present momentum in the organisation, provides the company with a unique opportunity to implement new methods, goals and practices aimed at resulting in even safer and more efficient solutions to the challenges of tomorrow.

SAFER AND MORE EFFICIENT SITES

Alimak Group's definition of sustainability is above all based on contributing to creating safe, reliable and efficient sites for customers. Hundreds of thousands of construction and industrial workers come in contact with Alimak Group's products every year and every time this happens, they should be able trust that safety has been prioritised during production and installation.

Industrial processes and construction projects in all markets, not least in the developing countries, are becoming increasingly complex and customers demand more extensive safety arrangements and increased efficiency combined with a high degree of cost control. In addition to this, stricter regulations concerning health and safety are now applied globally.

Safety

Alimak Group contributes to a safer and more reliable work environment for all those employed by the companies' customers within the construction and industrial sector by supplying quality tested vertical transport solutions. In many developing countries, where simpler and less safe equipment often has been used to move people and goods vertically, the company's products and solutions make a major change for the better.

Local regulations often require regular inspections by certified staff, something which Alimak Group offers as part of its After Sales services.

Efficiency

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

Through smart solutions, the company's hoists and platforms enable property developers to work in smaller spaces, or to lift entire room modules in a construction project. This promotes efficiency in the entire construction process and optimises land use. For industrial customers, service lifts provide access to vital systems and components. BMU units placed on, or in, high-rise buildings and constructions provide safe and efficient access for facade maintenance. Information and training, safety controls, energy efficiency, service and maintenance, as well recycling, are also offered as part of the business model.

Life cycle

Alimak Group's solutions are often subject to great stress caused by heat, cold, vibrations and particles,

The acquisition of Avanti Wind Systems diversified Alimak Group's product portfolio into renewable energy.

such as sand, dust or dirt and heavy lifts. Despite all this, the equipment must perform – day after day, year after year. Alimak Group's products are of high quality and last for a long time, something that promotes the productivity of the customers while reducing their environmental impact as they use fewer resources. The After Sales operations, including service, repairs, spare parts and renovation, contribute to ensuring, or even extending, the expected life cycle of the equipment.

ALIMAK GROUP'S IMPACT ON HEALTH AND THE ENVIRONMENT

In many countries, the Alimak name is synonym with construction hoists. The fact that the brand has lent its name to a whole products category is, of course, something to be proud of – but it also brings certain obligations.

The environment and quality

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

All of the twelve production facilities within Alimak Group are quality certified according to ISO 9001. Work is currently under way to expand the certification to ISO 9001:2015 during 2018 and 2019.

During the year, a project was conducted aimed at defining the new and extended Group's most relevant non-financial key indicators. Measuring of these has been initiated and goals will be set in 2018.

Examples of identified key indicators include:

- CO_2 emissions;
- number of employees, suppliers and distributors that have agreed to the Code of Conduct of the Group;
- energy and water consumption of the production facilities;
- waste generation as well as disposal and recycling of this.

Work environment

Alimak Group's impact on society is also about offering a good work environment for its 2,400 employees at the factories, on sites, in the field and at the offices. In 2017, the acquired companies contributed with ten new production plants in a further six countries.

Work condition regulations differ greatly between different countries, which also means great variations between experience in measuring and controlling work conditions around the globe consistently. Alimak Group is currently educating and training its employees in order to fulfil the demands that the company has set.

Alimak Group's systematic work to improve the work environment is mainly focused on prevention and fast rehabilitation in order to avoid long sick leaves and permanent ill health.

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

Many of Alimak Group's employees perform tasks on site at the customer's premises, in work environments that Alimak Group cannot control. Some customers might have a lower level of security consciousness than the standards adhered to by Alimak Group. The

All employees always carry relevant safety equipment and they are also safety trained for the tasks that they perform, including work at height, first aid, evacuation and fire protection.

company meets these challenges through training, demands, visualising the risks as well as dealing with these risks.

All employees always carry relevant safety equipment and they are also safety trained for the tasks that they perform, including work at height, first aid, evacuation and fire protection. Great efforts are made on project coordination with the customer and risk analysis together with co-workers and the customer.

Transports
Alimak Group manufactures and assembles its products in eight countries and distributes these to more than 100 countries. Mostly, there are local, or regional, spare part centers in order for the company to be able to offer fast service as well as minimising environmental impact through avoiding unnecessary transports. Alimak Group always prefers "green" and environmental friendly transports whenever this is possible.

CODE OF CONDUCT

Alimak Group's business and operations are governed by the Code of Conduct, which is based on UN Global Compact's principles for human rights, work conditions, the environment, business ethics and anti corruption. The Code applies to all employees, members of the Board of Directors, distributors and suppliers. It has played a central role in the work during 2017 to ensure that the whole group, including external partners, shares the same values. During the year, Alimak Group has rolled out a global training campaign regarding the Code aimed at the whole group, including the acquired companies. The entire Code, as well as the training campaign, is available at the Group's intranet in English as well as a number of other languages.

COOPERATION WITH STAKEHOLDERS

Alimak Group strives for close dialogue and cooperation with its different stakeholders. The dialogue with these should be honest, transparent and based on facts. It forms the basis of the company's sustainability work and what is prioritised in order to increase value creation, reduce environmental impact and contribute to improved social development in all different parts of the supply chain.

Customers
Alimak Group strives to offer safe products of high quality together with services that create value for the customer. Alimak Group should always act in an ethical way in business contexts and follow the company's guidelines for conducting ethical business.

Employees
Alimak Group's employees are key 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. Alimak Group's activities should be conducted with respect for human rights, health and safety in line with its Code of Conduct.

Capital market
Alimak Group strives to be an attractive investment for shareholders and work actively to achieve long-term, responsible and sustainable development of the shareholder value. Events that affect the company are communicated simultaneously and transparently to shareholders and the market.

Suppliers and distributors
Alimak Group should be a reliable partner and strive for long-term business relations. The company expects suppliers and sub suppliers to adhere to international

standards for human rights, work conditions and relevant laws and regulations concerning the environment, anti-corruption, export control and sanctions according to the company's Code of Conduct.

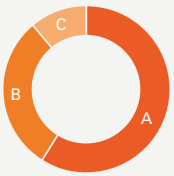
Society
Alimak Group contributes to economic development locally through creating direct and indirect job opportunities, as well paying taxes and social contributions in the markets where the company operates. The company should operate in a long-term and responsible way and according to local legislation in the countries where it operates and based on the Code of Conduct.

Sustainability data for the doubled Group[1]

	2017	2016	2015
Power consumption, electricity (not district heating), MWh	8,640[3]	7,819	6,837
CO_2 emissions, tonnes	6,602[3]	9,272[4]	6,759[4]
Water consumption (estimated), m^3	15,689[3]	12,430	8,258
Solvent emissions (estimated), tonnes	29.01[2]	29.03	25.77
Wood residue, tonnes	311.2[3]	247.5	170.8
Corrugated cardboard, tonnes	15.5[3]	14.9	14
Combustible waste, tonnes	104.2[2]	59.3	55.4
Office paper, tonnes	9.1[2]	18.2	4.5
Number of incidents (more than one day's absence)	15[2]	10	14

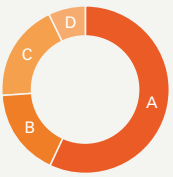
Purchasing, by geographical region, %

A) Europe, 59
B) APAC, 30
C) Americas, 11



Purchasing categories, %

A) Steel and steel related, 57
B) Cables and other components, 17
C) Electronics, 19
D) Drive units, 7



1) 2016 and 2015 data only for the Group prior to the acquisitions, 2) Only Alimak Hek
3) Only Alimak Hek and parts of the aquisitions, 4) Previous years recalculated

Four sustainability focus areas

1.

Safe, efficient and reliable solutions

Alimak Group focuses on continuously improving the safety, efficiency, ease-of-use and service life of its products. The company leads technology development in the industry and its global presence enables faster and more efficient services to customers across the globe.

Through the acquisitions of Facade Access Group and Avanti, Alimak Group almost doubled its technical capacity, strengthened its competence base and extended its geographical footprint. The technical development centres were connected in 2017 through a global network.

In 2017, Alimak Group launched several new hoists and platform products adapted for the Asian market. Several record-breaking facade maintenance products were also launched, increasing their future competitiveness and application areas. In the wind segment, several new tools and solutions were launched, aimed at supporting safer and simpler installations and a higher degree of efficiency.

ACTIVITIES IN 2017

- Expansion of the product portfolio with the first industrial hoist directed at Chinese and South East Asian markets and a high-speed unit for future markets.
- Adoption of a traction unit programme for the Industrial Equipment business area.
- Charlotte Brogren recruited as CTO of Alimak Group.

ACTIVITIES IN 2018

- Full operation of the global organisation driving innovation.
- Investments in new technology, improving reliability and safety for customers.

2.

Resource efficient production

Alimak Group focuses on reducing the environmental impact from its production in the long term, mainly through ensuring efficient and responsible use of raw material, energy, water and chemicals as well as minimising emissions and waste. All of the twelve production facilities are quality certified according to ISO 9001. Work is currently under way to expand the certification to ISO 9001:2015, ISO 14001 and OHSAS 18001 during 2018 and 2019.

In recent years the production facilities have invested in a number of resource saving measures. These include the introduction of new laser cutting equipment, timer controlled ovens in the paint shop, switching to low energy bulbs and several other measures resulting in reduced energy consumption.

ACTIVITIES IN 2017

- All production facilities appointed a person responsible for health and safety.
- A power survey at the Skellefteå plant was finalised, resulting in a number of measures aimed at reducing energy consumption, including switching to low energy bulbs and time controlled engine preheaters.

ACTIVITIES IN 2018

- Strong focus on ensuring good working conditions and improving internal communication.
- A new paint system will be evaluated, aimed at reducing the consumption of solvents in the long term.

3.

Responsible and efficient purchasing and logistics solutions

Alimak Group requires that all suppliers and their subcontracted suppliers comply with the Group's Code of Conduct, other policies and demands. The Code of Conduct is included in all new and renewed agreements with suppliers. Measures to ensure compliance also include training and visiting suppliers.

Alimak Group has an extensive global presence, which means that efficient logistics is crucial for reducing the number of transports of products and spare parts as well as trips made by representatives of Alimak Group's sales and service organisation. The aim is to minimize both direct and indirect emissions of greenhouse gases from transports and trips. Alimak Group chooses "green" transports whenever possible, by for example replacing transports of goods by sea from China with train.

ACTIVITIES IN 2017

- In 2017, 80 per cent of Avanti's, Manntech's and CoxGomyl's suppliers signed the Code of Conduct. All previous suppliers of the Group have already signed the Code.
- Processes were established to regularly evaluate suppliers of direct material and their compliance to local laws and regulations related to the environment, health and safety.

ACTIVITIES IN 2018

- All suppliers are expected to sign the Code of Conduct by the year-end 2018.
- Training sessions will be held for the company's key suppliers. These will include information about Alimak Group, its values and expectations.

4.

Employees and business ethics

Alimak Group operates in more than 100 countries and through the acquisition of Manntech, CoxGomyl and Avanti, the number of employees increased from some 1,200 to 2,400. The Code of Conduct has been instrumental in ensuring that everyone in the company understands and shares Alimak Group's values when it comes to business ethics. All employees, including management, have taken part in a web based training programme.

Alimak Group's whistle-blower 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 compliance responsible of the company is in charge of ensuring that these issues are dealt with. Reports are made at every Board meeting.

ACTIVITIES IN 2017

- Key indicators of health and safety were defined and these started to be measured. Information is collected and distributed via the intranet.
- Approximately 70 per cent of Alimak Group's distributors have signed the Code of Conduct. The goal is for 100 per cent to have signed in 2018.
- The whistle-blower system was developed and placed externally for increased confidentiality.

ACTIVITIES IN 2018

- All production units with a ISO 9001:2008 certificate will be certified according to ISO 9001:2015 and OHSAS 18001.

The Auditor's Report on the Statutory Sustainability Report

ENGAGEMENT AND RESPONSIBILITY
The Board of Directors is responsible for that the statutory Sustainability Report on pages 40–45 has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT
Our examination of the statutory Sustainability Report has been conducted in accordance with FAR´s auditing standard RevR 12 The auditor´s report on the statutory Sustainability Report. This means that our examination of the statutory Sustainability Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINION
A statutory Sustainability Report has been prepared.

Stockholm, April 23rd 2018
Ernst & Young AB

Rickard Andersson
Authorized Public Accountant

Corporate Governance Report

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

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

Corporate governance is based on external regulations such as the Swedish Companies Act, Nasdaq Stockholm's Rule Book for Issuers, the Swedish Code of Corporate Governance ("the Code") and other relevant laws, regulations and rules. Internal regulations such as articles of association, Code of Conduct, Insider and Communication policies and the Board's procedural rules also apply.

Corporate Governance structure

SHAREHOLDERS

Alimak Group's share capital on 31 December 2017 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 AGM. According to the share register, Alimak Group had 4,348 known shareholders on 31 December 2017. Latour was the largest shareholder, with 26.8 per cent of the share capital. Lannebo Funds was the second largest with 10.5 per cent of the share capital. At year-end, foreign shareholders accounted for approximately 27 per cent of the total.

There are no restrictions as to how many votes each shareholder can cast at an AGM.

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

ANNUAL GENERAL MEETING

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

During 2017, three General Meetings were held:

Extraordinary General Meeting January 2017
An Extraordinary General Meeting was held on January 23, 2017 in Stockholm, Sweden and 66 per cent of the total number of shares in the company were represented.

Decisions at the EGM January 2017 included:
- a resolution to authorise the Board to resolve to issue new shares.

Annual general meeting 2017
The AGM 2017 was held on May 11, 2017 in Stockholm, Sweden and 68 per cent of the total number of shares in the company were represented.

Decisions at the AGM 2017 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 2016.
- adoption of the Board's proposal that a dividend of SEK 1.60 per share would be paid, the record day being Monday, 15 May 2017.
- discharge from liability during the 2016 financial year for the Directors and the CEO.
- re-election of the Board of Directors and appointment of Anders Jonsson as Chairman 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.
- a resolution to alter the articles of association in accordance with the Board's proposal.

Extraordinary General Meeting November 2017
An Extraordinary General Meeting was held on November 1, 2017 in Stockholm, Sweden and 56 per cent of the total number of shares in the company were represented.

Decisions at the EGM November 2017 included:
- election of Jan Svensson as new member of the Board, for the period until the end of the next annual general meeting.

AGM 2018
Alimak Group's AGM 2018 will be held on 16 May 2018. All shareholders who are registered in the share register maintained by Euroclear Sweden AB ("Euroclear") five days prior to the AGM are entitled to participate in the AGM. Such shareholders must have informed the Company of their intention to attend no later than on the date stated in the notice convening the AGM. Further information about the AGM is available at alimakgroup.com.

NOMINATION COMMITTEE
According to the Code, the Company is required to have a nomination committee tasked with presenting a proposal for a chairman for the AGM. The committee also presents proposals regarding number of Board members, fees to be paid to each of the Board members, election of Board members and Chairman of the Board, remuneration to the auditor and election of auditor and, if necessary, proposal for changes in the instruction for the Nomination Committee. In 2016, Alimak Group's Annual General Meeting adopted an instruction regarding the appointment of the Nomination Committee, applicable until the General Meeting resolves otherwise. Pursuant to this instruction, the Nomination Committee shall, prior to the Annual General Meeting, be composed of persons appointed by the four largest

Alimak's corporate governance aims to ensure a decision-making process that is effective and creates value, with a clear division of roles and responsibilities among Alimak's owners, Board of Directors, Company management and other employees.

shareholders listed in the shareholders' register maintained by Euroclear Sweden as of 31 August each year together with the Chairman of the Board, who will also convene the first meeting of the Nomination Committee. The member appointed by the largest shareholder shall be Chairman of the Nomination Committee.

The largest shareholder as of 31 August 2017 Triton Advisers AB (Triton) on 14 September sold most of its remaining shares to Investment AB Latour (Latour), thereby making Latour the largest shareholder. Pursuant to the instruction regarding the appointment of the Nomination Committee, the member appointed by Triton made its chair of the committee available for Latour's disposal. Since Latour is the largest shareholder, the Chairman of the Nomination Committee is the member appointed by Latour.

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

NOMINATION COMMITTEE PRIOR TO 2018 AGM

The nomination committee during the period prior to the 2018 AGM comprises the following members: Anders Mörck, Chairman of the Nomination Committee (Latour), Johan Lannebo (Lannebo Fonder), Åsa Nisell (Swedbank Robur Fonder), Michael Green (Handelsbanken Fonder) and Anders Jonsson, Alimak Group's Chairman of the Board. The nomination committee has held three meetings in the period prior to the 2018 AGM.

As a basis for its proposal, the Nomination Committee has conducted an evaluation of the Board work. The Nomination Committee has prior to the 2018 AGM had three meetings, interviewed the majority of the Board members and had a number of contacts between the meetings. In addition, the Chairman of the Board has presented the results of the evaluation of the own work carried out by the Board, for the Nomination Committee. The requirements for competence, experience and background that should be placed on the Board in Alimak Group have been discussed in detail. Matters of independence have been highlighted and an extra focus has been placed on the question of gender balance. The Nomination Committee has applied a diversity policy as set out in section 4.1 of the Swedish Code of Corporate Governance.

BOARD OF DIRECTORS

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

Name	Born	Member since	Position	Independence in relation to Group	Independence in relation to major shareholders	Attendance at Board Meetings	Attendance at Audit Committee	Attendance at Remuneration Committee
Anders Jonsson	1950	2011	Chairman	Yes	Yes*	13/13		1/1
Anders Thelin [1]	1950	2015	Board Member	Yes	Yes	13/13		1/1 Chair
Carl Johan Falkenberg [2]	1975	2009	Board Member	Yes	No	11/12	4/5	
Eva Lindqvist	1958	2015	Board Member	Yes	Yes	11/13	5/6	1/1
Helena Nordman-Knutson	1964	2016	Board Member	Yes	Yes	12/13	6/6 Chair	
Jan Svensson [3]	1956	2017	Board Member	Yes	No	1/1	1/1	
Joakim Rosengren	1960	2008	Board Member	Yes	Yes	13/13		
Örjan Fredriksson	1968	2016	Board Member	–	Yes	13/13		
Greger Larsson	1959	2009	Board Member	–	Yes	11/13		

** Independent since Triton divested it's shares in September 2017*

FEES EXPENSED DURING THE 2017 FINANCIAL YEAR
(All input in TSEK)

Name	Basic fee	Audit committee	Remuneration committee	Total
Anders Jonsson	487.5	–	41.7	529.2
Anders Thelin [1]	412.5	–	66.6	479.1
Carl Johan Falkenberg [2]	250.0	62.5	–	312.5
Eva Lindqvist	300.0	75.0	50.0	425.0
Helena Nordman-Knutson	300.0	100.0	–	400.0
Jan Svensson [3]	50.0	12.5	11.7	74.2
Joakim Rosengren	300.0	–	–	300.0
Örjan Fredriksson	–	–	–	–
Greger Larsson	–	–	–	–
Total	**2,100**	**250**	**170**	**2,520**

1) Chairman until the AGM in May 2017
2) Resigned as Board Member at the EGM in November 2017
3) Elected as new Board Member at the EGM in November 2017

The Chairman 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 Chairman shall monitor the Company's performance via regular contacts with the President and CEO. The Chairman presides over Board meetings, but the agenda is agreed and the meetings prepared in consultation with the President and CEO. The Chairman 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 Chairman represents the Company vis-à-vis its shareholders.

COMPOSITION OF THE BOARD OF DIRECTORS

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

At the AGM held on 11 May 2017, Anders Jonsson, Anders Thelin, Carl Johan Falkenberg, Eva Lindqvist, Joakim Rosengren and Helena Nordman-Knutson were re-elected to the Board. Anders Jonsson was appointed Chairman. The employee representatives, Greger Larsson and Örjan Fredriksson, are appointed by the trade union organisations.

At the EGM held on 1 November 2017, Jan Svensson was appointed member of the Board.

Further information about the Board members is provided on pages 58–59.

Independence of the Board of Directors

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

To determine the independence of a Board member, an overall assessment shall in each case be conducted regarding the Board member's relationship to the Company. None of the Company's Board members elected by the AGM are employed by the Company or any other company in the Group. All Board members elected by the AGM are deemed to be independent in relation to the Company and the Company's management. When determining whether a Board member is independent in relation to a major shareholder, the extent of the Board member's direct and indirect relationships with the major shareholder shall be taken into consideration. A Board member is deemed not to be independent in relation to the Company's major shareholders if he or she is employed at, or is a Board member of, a company that is a major shareholder. Four Board members elected by the AGM are also independent in relation to the Company's major shareholders, five after Triton's divestment. 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 50 provides details of the Board members' year of birth, the year they were first elected to the Board and whether they are deemed independent in relation to the Company, the Company's management and major shareholders as defined in the Code.

WORK OF THE BOARD DURING THE YEAR

The Board of Directors met on 13 occasions during 2017. The current Board of Directors, with the exception

The Board's working year

Jan

Board Meeting
- Share issue terms
- Annual review of remuneration to CEO

Feb

Board Meeting
- Full year results and Q4 report
- Dividend

Board Meeting
- Approval of prospectus

Mar

Board Meeting
- ERP and Insurance coverage review
- Financial targets and guidance
- AGM proposals
- Audit memorandum and LTI proposal
- New articles of association

Apr

Board Meeting
- MAR and GDPR update
- Auditor's report
- Audit strategy and scope for the year
- AGM decisions
- Performance review of CEO and senior management
- Update of whis-tleblower function

May

Board Meeting
- Q1 report

June

Statutory Board Meeting
- Signing authorization
- Appointment of members of the committees
- Adoption of the procedural rules for the Board
- Adoption of instructions for the CEO, the audit committee and the remuneration committee

Board Meeting
- Allotment of shares
- Adoption of Annual Report

July

Board Meeting
- Succession planning of CEO and senior management
- Presentation of Busines unit BMU

Aug

Board Meeting
- Updated shareholder list and EGM
- BA presentations and M&A opportunities
- Review of strategic plan
- Decision on Board meeting days for the coming year
- Board evaluation

Sept

Board Meeting
- Q2 report

Oct

Board Meeting
- Q3 report
- November EGM
- Adoption of financial calendar

Nov

Board Meeting
- Adoption of budget for the coming year
- Adoption of policies
- Evaluation of internal control and discussion of #metoo

Dec

Issues, in addition to current state of operations, prospects, investments, sales, financing, reports from committee chairmen about the committee work as well as working environment questions, customer-related questions and reporting of incidents.

of Jan Svensson, was appointed by the AGM held on 11 May 2017 and met on six occasions during the year. During 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. During 2017, the Board of Directors visited Alimak Group's production facilities in Skellefteå, Sweden, Zaragoza and Madrid in Spain.

BOARD COMMITTEES

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

Audit committee

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

The audit committee has three members: Helena Nordman-Knutson (chair), Jan Svensson and Eva Lindqvist. Carl Johan Falkenberg was a member of the committee during 2017 and was replaced by Jan Svensson after the EGM in November. The audit committee is a committee within the Board of Directors that deals with issues relating to risk assessment, internal controls, financial reporting and auditing. Its main role is to ensure that the principles for financial reporting and internal controls are observed and that the Company maintains appropriate relationships with its auditors. The committee shall identify and oversee the management of important auditing issues, and discuss them with the Company's auditors. The Committee shall examine the processes for monitoring the above-mentioned areas and shall form an opinion as to whether the Company is applying the financial reporting regulations consistently and fairly, and in accordance with the relevant rules and practices.

The audit committee shall also form an opinion regarding the risk situation in the Company, assess whether the internal control and governance procedures applied are fit for purpose and effective, and determine whether the Company's risk and risk management reporting in the Annual Report 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 AGM on election of the auditor.

Remuneration committee

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

During 2017, the remuneration committee had three members: Anders Thelin (chairman), Eva Lindqvist and Anders Jonsson. After Jan Svensson's appointment to the Board of Directors, he assumed the Chairman position of the remuneration committee and Anders Jonsson left the committee.

The role of the remuneration committee is to prepare issues regarding remuneration and other employment

conditions for the President and 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 and 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 and CEO, and it decides upon the outcome of these programmes. The remuneration committee is also required to monitor and evaluate the Company's compliance with guidelines on remuneration to senior executives, as adopted by the AGM.

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

REMUNERATION TO THE BOARD

At the AGM on 11 May 2017, it was decided that a fee of SEK 600,000 should be paid to the Chairman of the Board and a fee of SEK 300,000 to each of the other AGM-elected Board members. Furthermore, it was decided that a fee of SEK 100,000 should be paid to the chairman of the audit committee, SEK 75,000 to the other members of the audit committee, SEK 70,000 to the chairman of the remuneration committee and SEK 50,000 to the other members of the remuneration committee. For further details regarding remuneration to the members of the Board, please refer to Note 6.

EVALUATION OF THE WORK OF THE BOARD OF DIRECTORS

The Board members and the Board's work are evaluated annually in a systematic and structured manner to ensure quality in the Board's work and to identify any additional requirements in terms of expertise and experience. The Chairman of the Board leads the evaluation, which is discussed within the Board and the results presented to the nomination committee.

EXTERNAL AUDITOR

At the AGM on 11 May 2017, EY (Ernst & Young AB) was appointed as Alimak Group's external auditor for the period up to and including the 2018 AGM. EY appointed Rickard Andersson as principal auditor. The auditor attends at least one Board meeting a year, at which the auditor reports on the audit for the year and discusses it with the Board of Directors, without the presence of the President and CEO and any member of the Company's management. Over the past financial year, EY provided the Group with tax advisory services and other advice related to the acquisitions, in addition to its audit function. The auditor is paid for his work in accordance with the AGM's decision. In 2017, the total fees paid to the Company's auditor were approximately MSEK 6.

ORGANISATION AND OPERATIONAL MANAGEMENT

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

are responsible for delivering on the business area strategies and report to members of the Group Management Team of Alimak Group. For further information about the Alimak Group's business areas and operations, visit the Group's website at alimakgroup.com.

PRESIDENT AND CEO AND OTHER SENIOR EXECUTIVES

In 2017, Alimak Group's company management consisted of Tormod Gunleiksrud, Group President and CEO; Per Ekstedt CFO until September 2017; Stefan Rinaldo, COO and since September 2017 interim CFO; Fredrik Betts, until July 2017 Head of Business area Construction Equipment; Frank Klessens, Head of Group Product Management; José Olguin, until December 2017 Head of Business unit Oil & Gas, part of Business area Industrial Equipment; Mark F Noble, Head of Business unit General Industry and since December 2017 Head of Business unit Oil & Gas which has been merged into Business unit General Industry, part of Business area Industrial Equipment; Tony Combe since March 2017, Head of Business unit BMU, part of Business area Industrial Equipment; Erik Laursen since February 2017, Head of Business unit Wind, part of Business area Industrial Equipment; Michael Pagendam, Head of Business area After Sales; Alexander Pantchev, Chief Procurement Officer; Rolf Persson, Head of Global Manufacturing and Managing Director of Alimak Hek AB; Sofia Wretman, until September 2017 Head of Communications & IR; Henrik Teiwik, Head of Business area Rental & Business Development and since July 2017 Head of Business area Construction Equipment and Charlotte Brogren, since October 2017 Chief Technology Officer.

Since 1 January 2018, the management team consists of the President and CEO, CFO, CTO and heads of business areas and business units. As of April 1, 2018 Mark Casey replaced Tony Combe and José Maria Nevot replaced Erik Laursen in their roles as Business unit Heads.

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

The President and 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 and 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 and CEO shall continually monitor, and keep the Board of Directors regularly informed about, developments in the Company's business, sales performance, results and financial position, liquidity, key business events and all other events, circumstances or conditions that may be considered to be of relevance.

The President and CEO and other senior executives are presented on pages 60 – 61.

GUIDELINES ON REMUNERATION TO SENIOR EXECUTIVES

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

by the remuneration committee and decided by the Board of Directors.

Issues regarding remuneration to other senior executives shall, following recommendations by the CEO, be prepared and decided by the remuneration committee. For further information on proposals for guidelines on remuneration to senior executives and remuneration paid in 2017, see Note 6 to the Financial Statements.

INSIDER TRADING AND INFORMATION POLICY

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

INTERNAL CONTROLS ON FINANCIAL REPORTING

Alimak Group operates a risk management programme that is an integral part of the Company's operational and strategic governance. Operations are based on a governance framework consisting of a Code of Conduct, policies and guidelines that regulate how Alimak Group is managed. The Board of Directors and the President and CEO are ultimately responsible for ensuring that internal controls are developed, communicated to and understood by those Company employees who are responsible for the individual control procedures, and for ensuring that the control procedures are monitored, implemented, updated and maintained. Managers at each level are responsible for ensuring that internal controls are established within their own areas of activity, and that these controls fulfil their purpose.

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

The internal control system is also intended to monitor compliance with the Group's policies, principles and instructions. Furthermore, the system ensures protection of the Company's assets and that the Company's resources are utilised in a cost-efficient and appropriate manner. Internal control is also exercised via follow up of the information and business systems implemented, as well as via risk analysis. The Company's external auditors are also used to attest fundamental controls attributable to authorised signatories, and for special audit projects on a case by case basis.

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

MONITORING OF CODE OF CONDUCT COMPLIANCE

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

Responsibility for implementing and monitoring compliance with the Code is incumbent upon the President and CEO and other members of the Company's management. Responsibility for practical implementation of the Code during the year was delegated to the Group's purchasing, production and sales and service organisations, and is followed up annually by the Company's management and reported back to the Board. For more information about Alimak Group's sustainability work, see pages 40–45.

Major external regulations

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

Important internal regulations

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

Board of Directors, Stockholm, 23 April 2018

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

Board of Directors

ANDERS JONSSON

Chairman of the Board since 2017
Independent of the Company and major shareholders
Born: 1950
Industrial consultant, Triton Private Equity
Education: MSc, Linköping Institute of Technology. Stockholm School of Economics Executive Leadership Program
Current Board duties: Chairman of the Board, Talis GmbH; Vice Chairman of the Board, Swedish Swiss Chamber of Commerce, Zürich; Board member, Logstor A/S
Former positions, selection: Divisional Manager, ABB Robotics and member of ABB Group management, Head of ABB Automation Segment, China, global management roles at ABB
Shareholding, own and via closely related persons*: 758,096

JAN SVENSSON

Board member since 2017
Independent of the Company, not independent as a major owner (Latour)
Born: 1956
CEO, Investment AB Latour
Education: Mechanical engineer and Bachelor of Science (Econ.) Stockholm School of Economics
Current Board duties: Chairman of the Board AB Fagerhult, Nederman Holding AB, Tomra Systems ASA, Oxeon AB and Troax Group AB. Member of the Boards of Assa Abloy AB and Loomis AB
Former positions, selection: CEO, Stenbergs
Committee work: Chairman of the Remuneration Committee and member of the Audit Committee
Shareholding, own and via closely related persons*: 6,000

ANDERS THELIN

Board member since 2015
Independent of the Company and major shareholders
Born: 1950
Education: MSc in Engineering Physics, Uppsala University
Current Board duties: Chairman of the Board, Logstor A/S
Former positions, selection: Member of Group management, Sandvik AB; President of Sandvik Coromant, Sandvik Tooling and Sandvik Venture. Board member, Haldex AB and Seco Tools AB
Committee work: Member of the Remuneration Committee
Shareholding, own and via closely related persons*: 113,582

EVA LINDQVIST

Board member since 2015
Independent of the Company and major shareholders
Born: 1958
Education: MSc in Engineering, Linköping Institute of Technology. MBA, Melbourne University
Current Board duties: Board member Assa Abloy AB, Bodycote, Caverion Oy, ComHem AB and Sweco AB
Former positions, selection: President, Xelerated Holding AB, President, TeliaSonera International Carrier; Senior Vice President Telia Equity
Committee work: Member of the Audit and Remuneration Committee
Shareholding, own and via closely related persons*: 13,488

HELENA NORDMAN-KNUTSON

Board member since 2016
Independent of the Company and major shareholders
Born: 1964
Senior Director, Hallvarsson & Halvarsson
Education: MSc in Political Science, Helsinki University. MSc in Economics, Hanken School of Economics, Helsinki
Current Board duties:
Board member, Rejlers, Bygga Bostäder and Exel Composites
Former positions, selection: Financial Analyst, Enskilda Securities, Orkla Securities and Öhman Fondkommission
Committee work: Chairman of the Audit Committee
Shareholding, own and via closely related persons*: 100

JOAKIM ROSENGREN

Board member since 2008
Independent of the Company and major shareholders
Born: 1960
Chief Executive Officer and President, DeLaval International AB
Education: MSc in Economics and Business, Stockholm School of Economics
Current Board duties: Board member, DeLaval International, DeLaval Holding, DeLaval Hamra Gård, Stena Metall and Södertörns Högskola
Former positions, selection: President Tetra Pak Nordic and Tetra Pak Packaging Material. Various positions in the Tetra Pak Group
Shareholding, own and via closely related persons*: 176,797

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

Anders Jonsson assumed the position of Chairman at the AGM in May 2017. Carl Johan Falkenberg, Board member and member of the Audit Committee resigned his duties and was replaced by Jan Svensson after the EGM on 1 November 2017.

** Shareholding per 31 December 2017.*

Management

TORMOD GUNLEIKSRUD

President and CEO
Born: 1960. Took up post in 2012
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 ABB Robotics since 1984
Shareholding, own and via closely related persons*: 456,750

STEFAN RINALDO

Chief Operating Officer and acting CFO
Born: 1963. Took up post in 2007
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*: 300,000

CHARLOTTE BROGREN

Chief Technology Officer
Born: 1963. Took up post in 2017
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*: 0

HENRIK TEIWIK

Head of Business Area Construction Equipment and Business Area Rental
Born: 1980. Took up post in 2013
Education: MSc in Economics and Business, Stockholm School of Economics
Former positions, selection: Associate Principal, McKinsey & Company
Shareholding, own and via closely related persons*: 39,980

** Shareholding per 31 December 2017.*

MARK F NOBLE

Head of Business unit General Industry within Industrial Equipment
Born: 1951. Took up post in 2015
Education: BA in English, Allegheny College, Meadville PA, USA
Former positions, selection: Global Head of After Sales Services, Schindler Management, Switzerland. VP Sales & Marketing Asia Pacific Schindler Management, Hong Kong; VP Schindler Elevator, Shanghai
Shareholding, own and via closely related persons*: 0

MARK CASEY

Head of Business unit BMU within Industrial Equipment
Born: 1963. Took up post in 2018
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*: 0

JOSÉ MARIA NEVOT

Head of Business unit Wind within Industrial Equipment
Born: 1969. Took up post in 2018
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*: 0

MICHAEL PAGENDAM

Head of Business area After Sales
Born: 1966. Took up post in 2005
Education: BA in Business Management, specialising in sales and marketing
Former positions, selection: Business Development Manager Volvo Truck and Bus Southern England, UK; Director of After Sales, Volvo Trucks International, Singapore; managerial roles Volvo UK
Shareholding, own and via closely related persons*: 211,875

The current management team was set on January 1, 2018. During 2017, the following persons were also part of management: Frank Klessens, Head of Group Product Management, José Olguin, Head of Business unit Oil & Gas within BA Industrial Equipment, Sofia Wretman, Head of Communications and IR, Alexander Pantchev, Chief Procurement Officer and Rolf Persson, Head of Global Manufacturing. In September 2017, Per Ekstedt left his position as CFO and was replaced by Stefan Rinaldo. Tony Combe and Erik Laursen joined the management team in March and February, respectively. Charlotte Brogren joined the management team in October of 2017. As of April 1, 2018 Mark Casey replaced Tony Combe and José Maria Nevot replaced Erik Laursen in their roles as Business unit Heads.

Auditor's Report on the Corporate Governance Statement

To the general meeting of the shareholders of Alimak Group AB, 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 2017 on pages 47–61 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT
Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

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

Stockholm April 23, 2018
Ernst & Young AB

Rickard Andersson
Authorized Public Accountant

Alimak Group 2017 Financial statements

Directors' Report

The Board of Directors and the President and CEO of Alimak Group AB hereby present the Annual Report and consolidated accounts for the financial year 2017. Alimak Group AB is a public limited Company with registered offices in Stockholm, company registration number 556714-1857.

BUSINESS AND OPERATIONAL STRUCTURE

Alimak Group AB is the Parent Company of a Group that is a world-leading supplier of hoists, elevators, platforms and aftermarket services for the industrial, power and construction sectors. The Group has production in eight countries across Europe, Americas and China, along with an own sales and service network and distributors supplying and maintaining vertical access solutions to more than 100 countries. At present there are more than 67,000 hoists, elevators, lifts, building maintenance units and platforms installed around the world.

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

Business area Construction Equipment designs, develops, manufactures and distributes a wide range of hoists 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, maintenance units, platforms and service lifts. The demand from the business area's customers is for equipment for permanent use across a broad spectrum of industries, including oil & gas, buildings, ports and shipyards, wind, power and cement.

Business area After Sales supports the Group's installed equipment in both industry and construction, through after-market services such as installation, maintenance, spare parts, contract-based servicing, technical support, remote monitoring systems and direct customer training throughout the service life of the equipment.

Business area Rental offers rental of Alimak construction hoists and platforms to customers in the markets of France, Benelux, Germany, Switzerland, Austria and Australia. Rental also offers sales of used equipment.

Purchasing and supply of materials

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

Sustainability and corporate responsibility

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

SIGNIFICANT EVENTS DURING THE YEAR

Acquisitions

Alimak Group acquired Facade Access Group, a global market leader in permanently installed facade maintenance solutions on 28 February 2017. The consideration transferred in cash was MSEK 511.6. The acquisition strengthened and broadened Alimak Group's existing product portfolio and will enable an expansion into a related niche market, building maintenance, with good underlying growth. The acquisition will enable benefits of scale and synergies in purchasing and production, and will create business opportunities including further development of the aftermarket business.

Alimak Group also acquired Avanti Wind Systems, a market leader in vertical access solutions for wind towers during 2017. The consideration transferred in cash was MSEK 698.5 and the acquisition was completed on 30 January 2017. The acquisition of Avanti Wind Systems broadened and diversified Alimak Group's product portfolio, enabling the Group to expand into a growing sector of renewable energy. Avanti was established in 1885 and today has more than 30,000 service lifts installed globally. The Company operates worldwide with six production facilities, in Denmark, Spain, China, the US and Brazil.

Rights issue

In January, Alimak Group held an Extraordinary General Meeting, authorising the Board to resolve to issue new shares on one or more occasions before the next AGM.

The Board resolved to undertake a share issue of approximately SEK 791 million with preferential rights for existing shareholders. The share issue was fully subscribed. The number of shares and votes in Alimak Group AB changed, totalling 54,157,861 shares in the Company.

The acquisition of Avanti Wind Systems was financed by a Bridge loan facility of MSEK 800, to be repaid with proceeds from the issue of new shares. The loan was repaid in full in April 2017.

Revised financial targets for the Group

On 23 February 2017 Alimak Group presented updated financial targets that reflect the Group's new operational mix, with the inclusion of Facade Access Group and Avanti Wind Systems. The prolonged decline in oil & gas and the slower Chinese market are also reflected in the revised growth target. The financial targets will be to progressively achieved over a period of three to four years.

The Group's mid-term target is for annual organic revenue growth to average no less than 6 per cent.

The measure EBITA has been selected as the new measure of profitability instead of EBIT. The change was made against the background of the acquisitions and associated future amortisation

of intangible assets. The Group's target in the mid-term is to achieve an EBITA margin of no less than 15 per cent.

The Group's target for capital structure (net debt/EBITDA) remains unchanged. The objective is an effective capital structure with net debt of around twice EBITDA.

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. Decisions on dividend payment will take account of the Company's financial position, cash flow, acquisition opportunities, strategic considerations and prospects. Ahead of the 2018 AGM, the Board of Directors proposes a dividend of SEK 2.30 per share based on the existing number of shares.

Largest order

On October 25, Alimak Group signed a contract for a vertical access maintenance solution for the Sydney Harbour Bridge with an order value of MSEK 170, the largest in the Group's history.

New Board member

In September, Triton sold 26.7 per cent of the shares in Alimak Group AB to Investment AB Latour, thereby making Latour the largest owner of Alimak Group.

November 1, Alimak Group held an Extraordinary General Meeting where Jan Svensson from Latour replaced Carl Johan Falkenberg from Triton as member of the Board.

FINANCIAL OVERVIEW

Multi-year overview

MSEK	2017	2016	2015	2014
Net sales	4,000.7	2,048.6	2,036.3	1,742.5
Operating profit	416.8	306.8	296.2	287.7
Profit before tax	388.6	281.4	198.3	91.7
Net profit for the year	291.6	194.0	135.0	46.5
Balance sheet total	5,577.0	3,276.2	3,359.6	3,253.9
Equity/assets ratio*, %	56	67	61	27
Average number of employees	2,438	1,171	1,077	996

*Adjusted equity/balance sheet total

Net sales and operating profit (EBIT)

Net sales for the Group totalled MSEK 4,000.7 (2,048.6) and profitability remained firm. Expansion of sales channels continued during the year and now more than 130 distributors worldwide can offer Alimak Group's solutions. Operating profit (EBIT) increased to MSEK 416.8 (306.8), representing an operating margin of 10.4 per cent (15.0).

Analysis per segment	2017		2016	
MSEK	Net sales	Operating profit	Net sales	Operating profit
Construction	792.5	101.8	685.8	72.7
Industrial	1,795.2	-1.3	373.5	-22.1
After Sales	1,107.7	280.3	680.3	217.4
Rental	305.3	36.1	308.9	38.8
	4,000.7	**416.8**	**2,048.6**	**306.8**

Business area Construction Equipment showed a good growth in revenues. The increase amounts to MSEK 106.7 and the revenues of MSEK 792.5 accounts for 20 percent of the Group's sales, compared to 33 per cent in the preceding year. The growth is seen in both mature and growth markets. Profitability, measured as operating margin, rose from 10.6 per cent to 12.8 per cent.

In Business area Industrial Equipment, the demand in upstream oil & gas and in the mining industry, started to improve from a low level and turnover increased to MSEK 1,795.2 – corresponding to 45 per cent of Group revenues. Operating profit also improved to MSEK -1.3 (-22.1).

Revenue for business area After Sales totalled MSEK 1,107.7 (680.3) corresponding to 28 per cent of Group turnover, while making up a larger part of operating profit at 280.3 (217.4).

Business area Rental reported turnover at MSEK 305.3. The operating profit decreased from MSEK 38.8 to MSEK 36.1. 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 -28.3 (-25.4), benefiting from a continuously low interest rate.

Tax

The total tax expense for the year was MSEK 97.0 (87.4), corresponding to an effective tax rate of 25.0 per cent (31.1). The tax expense varies depending on the geographic distribution of where the Group's profits arise and the possibility of utilizing tax losses carry forwards. The tax rate was impacted by a low rate in the fourth quarter caused by revaluation triggered by the new, lower tax rate in the US.

Profit for the year

Profit for the year totalled MSEK 291.6 (194.0). Profit for the year was affected by costs of MSEK 15.7 (29.7), arising from the acquisitions of Facade Access Group and Avanti Wind Systems.

Comprehensive income for the year totalled MSEK 208.4 (236.6). The difference between profit for the year and comprehensive income for the year is mainly due to an increase in the translation reserve for foreign operations, and positive revaluation of pension plans.

Cash flow
Cash and cash equivalents at 31 December 2017 totalled MSEK 341.3 (230.6). The Group's cash flow from operating activities totalled MSEK 335.4 (224.0). The Group's cash flow from investing activities amounted to MSEK -1,123.4 (-36.9), including the MSEK 1,086.1 consideration payed for Facade Access and Avanti. The Group's cash flow from financing activities totalled MSEK 902.8 (-425.5).

Financing and financial position
The Group's balance sheet total was MSEK 5,577.0 (3,276.2) at year-end. Net debt totalled MSEK 909.7 (294.6), primarily consisting of loans from credit institutions (see Note 19). Compared with 31 December 2016, account receivables rose MSEK 484.8 to MSEK 893.6. Inventories increased by MSEK 422.0 to MSEK 816.6. The rise was attributable to input goods as well as finished products and goods for resale.

Investments
The Group's investments in Property, plant and equipment totalled MSEK 43.2 (57.1). Depreciation during the period amounted to MSEK 64.8 (49.5). Acquisitions of subsidiaries amounted to 1,086.1 (-).

Intangible assets
At year-end, the carrying amount for intangible assets was MSEK 2,896.0 (1,789.2), of which goodwill comprised MSEK 2,234.0 (1,780.7). The yearly impairment test did not indicate any impairment need of the carrying amount of goodwill.

Equity
At 31 December 2017, the Group's shareholders' equity totalled MSEK 3,099.3 (2,202.1). The change in equity reflects not only the result from the year's operations but also the share issue of MSEK 775.5 and the translation reserve for foreign operations, revaluation of defined benefit pension plans of MSEK -93.8 and dividend paid of MSEK 86.7 paid.

PERSONNEL
The Group prioritises having its own permanent workforce and works proactively and systematically on ensuring the well-being of employees and safety in the workplace. Each company in the Group has its own personnel policy that complies with local laws, regulations and agreements. The current staffing level is considered to be well-balanced in terms of current order volumes, and certain adjustments are made on an ongoing basis. The average number of employees in 2017 was 2,438 (1,171). At year-end, the number of employees totalled 2,397 (1,098). Salaries and remuneration paid during the year amounted to MSEK 959.7 (533.3).

RESEARCH AND DEVELOPMENT
The aim of the Group's research and development is to increase customer productivity, reduce environmental impact, improve the work environment and cut costs. R&D, a top priority in the Group, also encompasses development of production technology, production processes and IT systems, where such is necessary. The work is mainly carried out at, or close to, the production companies and in close cooperation with customers. Extensive sharing of experience takes place between the business areas in order to create synergies and qualitative source documentation. R&D costs for the year totalled MSEK 39.5 (43.2).

OUTLOOK
During a short period of time in 2017, Alimak Group grew from 1,200 to 2,400 employees. From two manufacturing units to twelve. Meanwhile, the Company's global presence was strengthened.

With the finalization of the acquisitions of Facade Access and Avanti, Alimak Group is consolidating its position as a leading global niche player in vertical access solutions. The acquisitions complement the existing portfolio via the addition of building maintenance and wind power plants applications.

Alimak Group intends to continue to operate its business in four business areas – Construction Equipment, Industrial Equipment, After Sales and Rental. The acquired businesses are incorporated into Industrial Equipment, which includes BMU (Building Maintenance Units) and Wind. After Sales also expanded through the acquisitions.

Alimak Group will continue to market the Group's products under the brands of Alimak, Avanti, CoxGomyl and Manntech.

Along with the strategic motives for the acquisitions, Alimak Group identifies opportunities for coordination gains and synergies in the purchasing and production organisation, as well as opportunities for expansion of the Group's overall aftermarket offering. The integration process is well under way and expected to be complete by 2019 and to involve integration costs of around MSEK 110 in 2017 and 2018.

The Group's mid-term target is to achieve annual growth of no less than 6 per cent and an operating margin of 15 per cent. For more information, see the section Revised financial targets for Group, above.

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

All of the twelve production facilities within Alimak Group are quality certified according to ISO 9001. Work is currently under way to expand the certification to ISO 9001:2015 during 2018 and 2019.

During the year, a project was conducted aimed at defining the new and extended Group's most relevant non-financial key indicators. Measuring of these has been initiated and goals will be set in 2018.

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 Company has just one class of share, and all shares carry has one voting right. On 31 December 2017, Latour, the single largest shareholder in Alimak Group, held 14,501,809 shares, corresponding to 26.8 per cent of

both votes and share capital. Lannebo Funds held 5,668,884 shares, corresponding to 10.5 per cent of the shares.

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 Company's shares and ownership, see page 38.

CORPORATE GOVERNANCE

In accordance with the Swedish Annual Accounts Act, Alimak Group has prepared a corporate governance report that includes the Board of Directors' report on internal control. This is presented separately from the Director's report and will be found on pages 47–61 of this document.

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

Alimak Group AB has established principles and forms of remuneration payable to its senior executives. The Board and its Remuneration Committee decide 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 Company'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 Company and its shareholders that the guidelines for remuneration payable to senior executives create good conditions in the near and long term to attract and retain competent employees and executives. To this end, it is important to establish fair and internally balanced conditions that are also competitive in terms of their structure, scope and level of remuneration.

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

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

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

The Annual Report states the total remuneration and other benefits received by the Company's senior executives during the year.

Remuneration and forms of remuneration

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

Fixed salary

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

Short-Term Incentive/Variable remuneration

Senior executives receive an annual variable remuneration payable on an annual basis. The annual variable remuneration is expressed as a percentage of fixed salary. Variable remuneration targets should primarily be related to achievement of the Company'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 Company's business strategy and earnings targets. On the Board's instructions the Remuneration Committee adopts financial targets for individual employees as proposed by the CEO. When evaluating the individual performance an overall assessment is made.

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

The Company's cost for the annual variable remuneration to senior executives during 2018 will at most amount to roughly SEK 11 million (excluding costs for social security contribution).

Long-Term incentive scheme

In order to foster 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 ensure the Company's ability to attract and retain employees in addition to expand and increase the Company's share amongst key employees. As well, an incentive scheme is used in pursuance to establish a mutual aim on long-term value growth amongst shareholders and participating employees. The Board is in the opinion that a share based long-term incentive scheme is the best approach in order to attract employees to reinvest remuneration in the future 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 Company's behalf, alongside their Board work. Fees at market rates, to be approved by the Board, may be payable for such services.

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

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

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

Conditions governing termination and severance payments
Conditions governing termination and severance payments should accord with practice in the relevant geographical market. The Company's President and CEO should have six months' notice if he leaves of his own volition and 12 months' notice if the Company terminates his employment. Other senior executives have notice periods of up to 6 months. When a new employment contract is concluded, a severance payment not exceeding 12 months' fixed salary may be agreed with a senior executive. This applies solely to termination by the Company. Practice in the geographical market where the executive works applies in other respects.

PARENT COMPANY
The business of the Parent Company, Alimak Group AB, consists of certain Group-wide services. The President and CEO and the COO who is also the acting CFO, the CTO, the IR Manager and the former CFO currently on sick leave 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.

Net sales for the year totalled MSEK 10.0 (8,0) and an operating loss of MSEK -43,1 (-19.5) was recorded. Financial income and expenses totalled MSEK 10,8 (-4,0) and profit before tax for the year amounted to MSEK 182,6 (136,6). Profit for the year was MSEK 145,7 (106,3). Group contributions received, MSEK 215,0 (160,1), are included in profit for the year.

At the end of the year, the equity/assets ratio was 85,3 per cent (88,1). By resolution of the 2017 AGM, dividend of MSEK 86.7 was paid to shareholders, corresponding to SEK 2.00 per share.

At year-end, the Parent Company's cash and cash equivalents, including unutilised credit commitments and overdraft facilities, totalled MSEK 797,8 (841.3).

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 simulaneously with the Annual Report. The sustainability report is included on pages 40-45 in this document.

EVENTS AFTER THE FINANCIAL YEAR-END
Management changes
Per January 1, 2018, Alimak Group decided on a new composition of the Group Management Team (GMT). The GMT now consists of the President and CEO, COO and CFO, CTO as well as heads of business areas and business units.

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

PROPOSED APPROPRIATION OF PROFIT

The following amounts are available for distribution by the AGM (SEK)	
Retained earning	2,694,206,709
Net profit for the year	145,667,618
	2,839,874,326

The Board proposes that the amounts be distributed as follows	
Divided of 2.30 SEK per share to be paid to shareholders*	124,563,080
To be carried forward	2,715,311,246
	2,839,874,326

*The proposed record day for dividend payment is 18 May 2018. The amount proposed as dividend corresponds to SEK 2.30 per share, based on the existing number of shares, 54,157,861.

Risks and risk management

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

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

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

STRATEGIC RISKS

The general economy

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

Competition

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

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

Acquisitions

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

Political risk

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

Statutory requirements or standards

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

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

Trademark and reputation

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

OPERATIONAL RISKS

Selling prices

The prices of the Group's products and services may change very quickly in certain markets. This may be caused by a number of factors, including short-term fluctuations in demand, product shortages or surpluses, uncertainty about local economic conditions, import rules and increased competition. Overcapacity in the industry may

occur in the event of a sharp fall in demand. Such over capacity may bring further pressure on prices.

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

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

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

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

Dependency on global market prices
Movements in the prices of steel components, drive units, electronics and cables may impact the Group's production and manufacturing costs, which the Group may not be able to pass on to its customers. The Group aims to minimise the effects of volatility in commodity prices through price adjustment mechanisms built into its agreements with suppliers and customers. Even if the Group tries to pass on cost increases through regular review of and adjustments to selling prices, and has in general displayed a good ability to adapt to changes in input prices, the Group has not in the past always been successful in passing on cost increases, and may not be able to do so in the future. Any significant price increases that the Group cannot fully pass on to its customers may have a significant negative impact on the Group's profitability.

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

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

The consolidated balance sheet for the Group includes significant goodwill amounts. The value of goodwill may deteriorate and the process for impairment testing includes many assessments, assumptions and estimates by management, which in turn reflect a large degree of uncertainty. If it is perceived that impairment has occurred, the Group would be obliged to write down its goodwill, which would result in significant negative impact on the Group's operations, financial position and financial results.

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

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

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

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

The Group may, from time to time, be obliged to clean up pollution and deal with emissions of regulated materials at the facilities that it owns or operates (including pollution caused by former owners and operators of such facilities). In addition, the Group cannot guarantee that, in future, currently unidentified environmental conditions, more stringent enforcement by the supervisory authorities or other unpredicted events will not be identified and give rise to further environmental responsibilities, costs for regulatory compliance and/or sanctions that may be substantial. Furthermore, environmental laws and regulations are continuously developing and it is impossible to make precise predictions about their effect. Every aforementioned risk may have a significant negative impact on the Group's operations, financial position and financial results.

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

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

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

FINANCIAL RISKS
Through its international operations, Alimak Group is exposed to financial risks such as currency risk, interest rate risk, financing and liquidity risk, credit risk and commodity risk. These financial risks are addressed by the Group's Treasury function, in accordance with the guidelines laid down by the Board of Directors in the Group's financial policy. The most important task of the Treasury function is to secure the Group's financial flexibility in both the long and the short term, and to monitor and manage the Group's financial risks in cooperation with the operational units. The objective of proactive

work on the Group's financial risks is to develop the organisation's robustness and to create conditions that ensure stable cash flows. For more information on the Group's financial risks, see Note 2.

Currency risk

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

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

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

Interest rate risk

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

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

Refinancing and liquidity risk

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

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

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

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

Credit risk

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

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

Commodity risk

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

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

Consolidated statements of comprehensive income

Amounts in MSEK	Note	2017	2016
Revenue	4	4,000.7	2,048.6
Cost of goods sold	5	-2,657.8	-1,230.7
Gross profit		**1,342.9**	**817.9**
Selling costs		-397.6	-276.5
Administration costs		-489.0	-191.3
Development costs		-39.5	-43.2
Operating profit (EBIT)	5, 6, 7, 8	**416.8**	**306.8**
Financial income	9	67.9	27.1
Financial expenses	9	-96.2	-52.5
Profit before tax (EBT)		**388.6**	**281.4**
Income taxes	10	-97.0	-87.4
Net profit for the year		**291.6**	**194.0**
Profit for the year attributable to shareholders in the Parent Company		291.6	194.0
Earnings per share SEK [1]		5.58	4.10
OTHER COMPREHENSIVE INCOME			
Items that cannot be transferred to net profit for the year			
Actuarial gains/losses attributable to defined-benefit pension plans		11.1	-27.9
Tax attributable to items that cannot be transferred to net profit for the year		-2.2	5.6
Total		**8.9**	**-22.3**
Items that may be transferred to net profit for the year			
Translation differences for the year		-93.8	66.8
Change in fair value of cash flow hedges		1.7	-2.5
Tax impact of hedges		–	0.5
Total		**-92.1**	**64.9**
Other comprehensive income for the year		-83.2	42.6
Total comprehensive income for the year		**208.4**	**236.6**
Comprehensive income for the year attributable to shareholders in Parent Company		**208.4**	**236.6**

1 Based on the average existing number of shares 51,130,956.

Consolidated balance sheets

Amounts in MSEK	Note	31/12/2017	31/12/2016
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	12	2,234.0	1,780.7
Other intangible assets	11	662.0	8.5
Total		**2,896.0**	**1,789.2**
Property, plant and equipment			
Land and buildings		126.1	40.5
Plant and machinery		96.6	58.5
Equipment, tools, fixtures and fittings		30.9	29.4
Rental equipment		106.8	130.3
Total	13	**360.4**	**258.7**
Financial and other non-current assets			
Deferred tax assets	10	62.0	38.3
Other long-term receivables		41.5	9.7
Total		**103.5**	**48.0**
Total non-current assets		**3,359.9**	**2,095.9**
Current assets			
Inventories	15	816.6	394.6
Current receivables			
Accounts receivable – trade	16	893.6	408.8
Tax receivables		14.8	9.3
Derivatives	16, 19	4.2	4.9
Other receivables		89.9	97.5
Prepaid expenses and accrued income	18	56.7	34.7
Total		**1,059.1**	**555.2**
Cash and cash equivalents		341.3	230.6
Total current assets		**2,217.1**	**1,180.3**
TOTAL ASSETS		**5,577.0**	**3,276.2**

Consolidated balance sheets (cont.)

Amounts in MSEK	Note	31/12/2017	31/12/2016
EQUITY AND LIABILITIES			
Equity			
Share capital		1.1	0.9
Other contributed capital		2,950.6	2,175.4
Reserves		64.6	156.7
Retained earnings, including net profit for the year		83.1	-130.9
Total equity		**3,099.3**	**2,202.1**
Non-current liabilities			
Long-term borrowings	19	1,205.0	446.5
Provision for pensions	20	86.5	58.0
Other provisions	21	82.4	20.6
Deferred tax liability	10	212.9	49.9
Total non-current liabilities		**1,586.7**	**575.0**
Current liabilities			
Short-term borrowings	19, 23	44.9	78.7
Advance payments from customers		140.0	42.8
Accounts payable		393.0	176.5
Tax liabilities		50.0	32.0
Derivatives	16, 19	4.2	7.7
Other liabilities		65.2	40.2
Accrued expenses and deferred revenue	24	193.8	121.3
Total current liabilities		**891.1**	**499.1**
TOTAL EQUITY AND LIABILITIES		**5,577.0**	**3,276.2**

For information on the Group's pledged assets and contingent liabilities, see Note 22.

Consolidated statements of cash flow

Amounts in MSEK	Note	2017	2016
Operating activities			
Profit before tax		388.6	281.4
Depreciation and impairment of property, plant and equipment	8, 13	64.8	49.5
Amortisation and impairment of intangible assets	8, 11	47.8	1.0
Net foreign exchange difference		-9.9	25.7
Gain or loss on disposal of property, plant and equipment		-0.9	-0.9
Change in periodic allocation of loan costs		0.7	1.1
Movements in provisions, pensions and government grants		-29.5	-19.8
Cash flow from changes in working capital			
Change in inventories		-31,1	-40.5
Change in current receivables		-60,9	-29.5
Change in current liabilities		65,3	33.2
Income tax paid		-99.3	-39.3
Net cash flows from operating activities		**335.4**	**224.0**
Investing activities			
Proceeds from sale of property, plant and equipment	13	6.0	20.1
Purchase of property, plant and equipment	13	-43.2	-57.0
Acquisition of subsidiaries, net of cash aquired	25	-1,086.1	–
Net cash flows used in investing activities		**-1,123.4**	**-36.9**
Financing activities			
Proceeds from borrowings		2,405.4	59.6
Repayment of borrowings		-2,191.4	-398.5
Proceeds from share issue		775.5	–
Dividends paid		-86.7	-86.7
Net cash flows from financing activities		**902.8**	**-425.5**
Net increase in cash and cash equivalents		114.9	-238.4
Net foreign exchange difference		-4.1	18.9
Cash and cash equivalents at beginning of year		230.6	450.0
Cash and cash equivalents at year-end		**341.3**	**230.6**

SUPPLEMENTARY DISCLOSURES TO THE CONSOLIDATED CASH FLOW STATEMENT

Amounts in MSEK	2017	2016
Interest paid		
Interest received	3.8	2.1
Interest paid	-52.1	-20.6
Cash and cash equivalents		
The following sub-components are included in cash and cash equivalents:		
Cash and bank balances	341.3	230.6

Consolidated statements of changes in equity

Shareholders' equity is attributable in entirety to shareholders in the Parent Company for both 2016 and 2017.

Number of shares
The number of issued shares were 54,157,861 (43,326,289) to a quotient value of SEK 0,02 (0,02) per share.

Amounts in kSEK	Share capital	Other contributed capital	Translation reserve	Hedging reserve	Retained earnings including profit for the year	Total share-holders' equity
Opening balance 1 January 2016	**867**	**2,175,371**	**91,432**	**384**	**-215,952**	**2,052,102**
Net profit for the year	–	–	–	–	193,990	193,990
Other comprehensive income	–	–	66,826	-1,933	-22,259	42,634
Comprehensive income for the year	**–**	**–**	**66,826**	**-1,933**	**171,731**	**236,624**
Dividend	–	–	–	–	-86,653	-86,653
Closing balance 31 December 2016	**867**	**2,175,371**	**158,258**	**-1,549**	**-130,874**	**2,202,073**
Opening balance 1 January 2017	**867**	**2,175,371**	**158,258**	**-1,549**	**-130,874**	**2,202,073**
Net profit for the year					291,586	291,586
Other comprehensive income	–	–	-93,798	1,689	8,935	-83,174
Comprehensive income for the year	**–**	**–**	**-93,798**	**1,689**	**300,521**	**208,412**
Share issue	217	775,261				775,478
Dividend	–	–	–	–	-86,653	-86,653
Closing balance 31 December 2017	**1,084**	**2,950,632**	**64,460**	**140**	**82,994**	**3,099,310**

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

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

Issue costs
Issue costs reported against the emission allowance amounted to kSEK 15,228.0.

Notes to the consolidated financial statements

Amounts in MSEK unless otherwise indicated.

Note 1. General information

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

These financial statements were approved for issuance by the Board of Directors on April 12, 2018. The consolidated financial statements will be definitively adopted by the AGM on 16 May 2018.

Note 2. Accounting policies

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

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

Alimak Group has adopted the following new or revised IFRS from 1 January 2017.

Amendments to IAS 7 Disclosure Initiative. Alimak Group is required to explain changes in liabilities arising from financing activities including changes arising from cash flows and non-cash changes such as acquisitions, disposals, accretion of interest and unrealized exchanges differences. Changes in financial assets is included if the cash flows are included in cash flows of financing activities.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses. This amendment had no significant effect on the consolidated financial statements.

Consolidation principles

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

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

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

If a business combination is achieved in stages, the previously held equity interest is revalued at fair value at the acquisition date. Any gains or losses arising from remeasurement are recognised in profit and loss. Acquisition-related costs are expensed as incurred. Transactions with non-controlling interests that do not result in a change of control are treated as equity transactions. In acquiring non-controlling interests' shares in subsidiaries, the difference between any consideration paid and the share of net assets acquired in the subsidiary is recorded in equity. Gains and losses realised on disposals to non-controlling interests are also recorded in equity. Distribution of net income for the period to the equity holders of the parent 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 exercises significant influence, but not control or joint control, and joint ventures in which Alimak Group exercises joint control and has a right to joint venture's net assets with the other owners, are accounted for in the consolidated financial statements under the equity method. Investments in associated companies and joint ventures are initially recognised on the balance sheet at the acquisition cost that includes the goodwill identified on acquisition as well as the costs for acquiring or establishing the associated Alimak Group or joint venture.

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

Note 2 (cont.)

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.

Foreign subsidiaries

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

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

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

Segment reporting

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

Sales include revenues from goods and services sold net of sales taxes, discounts and translation differences from foreign currency denominated revenues. The revenue recognition criteria are usually applied separately to each transaction. Although included within a single agreement, an entity may contract to deliver multiple elements, for example equipment and services. If the agreement contains separately identifiable components, the fair value of the consideration from the agreement is allocated to each component and the revenue recognition criteria is then separately determined for each component of the agreement.

Revenues from sold machines and spares are recorded after the significant risks and rewards have been transferred to the buyer and Alimak Group no longer has authority or control over the goods. Usually this means the moment when the goods sold or leased under a finance lease have been handed over to the customer in accordance with the agreed contractual terms, or when the customer has accepted the product. Sales against which trade-ins are accepted are recorded at contract price. Any difference between the agreed trade-in price and its recorded value in inventory is recognised in cost of goods sold to adjust the sales margin.

Revenue from separately identified construction contracts is recorded as sales under the percentage of completion method when the outcome of the project can be estimated reliably. The percentage of completion is determined by reference to the individual contract costs incurred to date as a percentage of the total estimated contract costs (cost-to-cost method) or by completion of a certain physical milestone (milestone method). However, if it is not possible to reliably estimate the outcome of a project, costs are recognised as incurred and revenues only to an extent the corresponding costs are expected to be recovered. Expected contract losses are recognised as an expense immediately.

Revenue from service contracts is recognised as sales under the percentage of completion method when the outcome of the project can be estimated reliably. The stage of completion is determined by reference to the individual contract costs incurred to date as a percentage of the total estimated contract costs (cost-to-cost method) or by reference to the amount of service work performed from the expected total amount of service work to be performed. With small service contracts, the percentage of completion is not assessed on a contract level based on the costs incurred, or based on amount of work performed but based on an estimate on how costs are incurred and services performed over the contract period. When the services are delivered constantly over time such as maintenance and support services and operating leases, or require an undefined number of acts, the revenue is recognised on a straight-line basis over the contract period. When the conditions for percentage of completion method are not met, costs are recognised as incurred and revenues to the extent that corresponding costs are expected to be recovered. Possible contract losses are recognised as an expense immediately.

Government grants

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

Financing costs

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

Note 2 (cont.)

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

Goodwill

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

Other intangible assets

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

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

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

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

Research and development costs

Research and development costs are expensed when incurred.

Property, plant and equipment

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

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

The assets' residual values and useful lives are reviewed, and adjusted if necessary, on each balance sheet date. The cost of major renovations is included either in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Alimak Group and the cost of the item can be distinguished from ordinary maintenance and repair costs. Gains and losses on sales of property, plant and equipment are included in the operating profit.

Impairments

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

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

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

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

Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction instead of normal use and a sale is considered highly probable. Non-current assets held for sale are measured immediately before reclassification in accordance with the normal measurement principles after which they are

Note 2 (cont.)

measured at the lower of carrying amount and fair value less cost to sell. Impairment losses or gains are recognised in the statement of income. Non-current assets held for sale are not depreciated or amortised.

Leases, Alimak Group as lessee

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

Lease agreements, in which the Alimak Group has substantially all the ownership risks and rewards, are classified as finance leases. Finance lease agreements are recognised in the balance sheet as assets and liabilities at the inception of the lease period at the lower of the fair value of the leased equipment and the present value of the minimum lease payments. Assets acquired under finance lease agreements are depreciated over the shorter of the useful life of the asset or the lease period. Lease payments are allocated between repayments of the lease liability and finance charges, so that a constant interest rate on outstanding balance is obtained. Lease obligations, net of finance charges, are included in the interest-bearing liabilities.

Leases, Alimak Group as lessor

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

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

Inventories

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

Construction contracts

Construction contracts in progress represent the gross amount expected to be collected from customers for contract work performed to date. It is measured at costs incurred plus profits recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads that are attributable to contract activity in general.

Construction contracts in progress are presented as part of accounts receivable and other non-interest-bearing assets in the balance sheet for all contracts in which costs incurred plus recognised profits exceed progress billings and recognised losses. If progress billings and recognised losses exceed costs incurred plus recognised profits, then the difference is presented as a liability in the balance sheet as part of accounts payable and other non-interest-bearing liabilities. Customer advances are presented as liabilities in the balance sheet.

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables at amortised cost, and available-for-sale financial assets. Financial assets are classified at the initial recognition in accordance with the features and planned use of the asset. Financial assets are presented as non-current when their maturity exceeds one year.

Financial assets recognised at fair value through profit or loss includes derivative instruments unless hedge accounting is applied. The transaction costs and subsequent fair value changes of financial assets recognised at fair value through profit or loss are recognised directly in the statement of income. Fair value changes related to derivatives under hedge accounting are recognised in the statement of comprehensive income and subsequently, recycled to the income statement when hedge accounting is ceased. Loans and receivables at amortised cost mainly include accounts receivable, and cash and cash equivalents that are not quoted in an active market and that are not kept for trading purposes. Loans receivable are measured initially at fair value plus transaction costs and subsequently, at amortised cost using the effective interest method. An impairment loss is recognised in the statement of income if the book value of the loan receivable is higher than the estimated recoverable amount.

Accounts receivable are initially recognised at fair value and, subsequently, at amortised cost less impairment. Impairments recognised to individual receivables are based on a regular review of accounts receivable, and Alimak Group's best knowledge of customer's ability to pay. Additionally, an allowance is recognised for overdue receivables based on an estimate of incurred credit losses for which Alimak Group has no knowledge yet. Impairments and allowances are recognised in the statement of income under selling, general and administrative expenses. Bad debts are written off when official announcement of liquidation or bankruptcy is received confirming that the receivable will not be collected.

Financial assets available-for-sale mainly consist of shares not quoted in an active market and which are carried at cost, as the fair value of these assets cannot be measured reliably or the fair value would not significantly differ from the acquisition cost. Available-for-sale assets also include other investments that are initially recognised at fair value plus transaction costs and subsequently at fair value through the statement of comprehensive income. If there is objective evidence that the fair value has decreased, an impairment loss is recognised in the statement of income. Impairment on investments in shares cannot be subsequently reversed.

Purchases and sales of derivative instruments are recognised on the trade date, while transactions in the other financial asset categories are recognised on the settlement date.

A financial asset is derecognised when the contractual rights to cash flow from the asset expire or are transferred, and when material risks and rewards of ownership have been transferred to another party.

Note 2 (cont.)

Cash and cash equivalents

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

Financial liabilities

Financial liabilities are classified as financial liabilities recognised at amortised cost and as financial liabilities recognised at fair value through profit or loss. Financial liabilities are presented as non-current when their maturity exceeds one year.

Financial liabilities recognised at fair value through profit or loss include derivative instruments unless hedge accounting is applied. The transaction costs and subsequent fair value changes of financial liabilities recognised at fair value through profit or loss are recognised directly in the statement of income. Fair value changes related to derivatives under hedge accounting are recognised in the statement of comprehensive income and, subsequently, recycled to the income statement when hedge accounting is ceased.

Financial liabilities recognised at amortised cost include mainly interest-bearing liabilities and trade payables and they are initially recognised at fair value less transaction costs, and subsequently, at amortised cost using the effective interest method.

Bought and sold derivative instruments are recognised on the trade date while transactions with the other financial liabilities are recognised on the settlement date.

A financial liability is derecognised when the related obligation is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of income.

Derivative financial instruments and hedge accounting

Alimak Group uses mainly currency forwards, and cross-currency and interest rate swaps to hedge from the identified significant market risks. Derivative instruments are initially recognised on the balance sheet at cost, which equals the fair value, and are subsequently measured at fair value on each balance sheet date. Derivatives are classified at the inception either as hedges of binding agreements and future cash flows, in which case cash flow hedge accounting is applied to them, or as derivatives at fair value through profit or loss, when the preconditions for hedge accounting are not fully met.

Fair values of foreign currency forward contracts are based on quoted market rates on the balance sheet date. The fair values of cross-currency and interest rate swaps are calculated as the present value of the estimated future cash flows. Derivative instruments are presented as non-current when their maturity exceeds one year.

Cash flow hedge accounting is mainly applied to hedges of operative cash flows. In addition, hedge accounting is applied to hedges of certain foreign currency denominated borrowings, and certain hedges of net investment in a foreign operation. To qualify for hedge accounting, the Alimak Group documents the hedge relationship of the derivative instruments and the underlying items, Group's risk management targets and the strategy of applying hedge accounting. When starting hedge accounting and at least in every interim and annual closing, the Alimak Group documents and estimates the effectiveness of the hedge by measuring the ability of the hedging instrument to offset changes in fair value of the underlying cash flow.

Fair value changes of hedging instruments under effective cash flow hedge relationship are recognised via statement of comprehensive income in the fair value reserve of equity, and under effective net investment hedges via statement of comprehensive income in the translation differences of equity. However, only the exchange rate difference of foreign currency forward agreements is recognised in other comprehensive income whereas the changes in forward points are recognised as financial income or expense in the statement of income. Cumulative gain or loss on the hedge recognized via statement of comprehensive income in fair value reserve or translation differences is recognised in the statement of income as adjustment to the underlying cash flow when the underlying cash flow is recognised. The effective portion of foreign currency forwards hedging sales and purchases is recognised in sales and cost of goods sold, respectively. If the hedged cash flow is no longer expected to materialise, the deferred gain or loss is immediately recognised in the statement of income. If the hedging instrument is sold, expires, is revoked or exercised, or the relation of the hedging instrument and the underlying item is revoked, the cumulative change in the fair value of the hedging instrument remains to be recognised in the fair value reserve and is recycled to the statement of income when the underlying operative item materialises. If effectiveness testing results in ineffectiveness, the ineffective portion of the hedges is recognised immediately in the statement of income.

Changes in the fair values of hedges, for which hedge accounting is not applied, are recognised in the statement of income, either in other operating income and expenses, or financial income and expenses depending on the underlying exposure.

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

Note 2 (cont.)

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

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

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

Provisions

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

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

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

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

Profit distribution

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

Treasury shares

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

2.1 ESTIMATES AND ASSUMPTIONS REQUIRING MANAGEMENTS JUDGEMENT

When preparing the consolidated financial statements, the management makes estimates and assumptions which have an impact on reported assets and liabilities, presentation of the contingent assets and liabilities in notes and reported income and expenses of the financial year. In addition, management judgement may be required in applying the accounting principles.

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

Impairment testing

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

Goodwill and other intangible assets with indefinite life are allocated to cash generating units (CGU) and tested for impairment at least annually. The recoverable amounts of CGUs are based on value-in-use calculations. These calculations require the use of estimates. On 31 December 2017, Alimak Group had goodwill amounting to 2,234.0 (1,780.7) and other intangible assets with indefinite life totalling 662.0 (8.5). Additional information is given in note 11 and 12.

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 31 December 2017, Alimak Groups balance sheet includes 18.6 (8.7) deferred tax assets resulting from tax losses carried forward.

Alimak Group is subject to income tax in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. Alimak Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes

Note 2 (cont.)

will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. More information regarding taxes is presented in note 10, Income taxes.

Business combinations
Net assets acquired through business combinations are measured at fair value. The consideration exceeding the value of net assets acquired is recognised as goodwill according to the accounting principles. The measurement of fair value of the acquired net assets is based on market value of similar assets (property, plant and equipment), or an estimate of expected cash flows (intangible assets). The valuation, which is based on 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 25, Acquisition and disposals.

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

Additional information on these assumptions and uncertainties related to them is disclosed in note 20, Post- employment benefits.

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

Provisions
A provision is recognised when Alimak Group has a present legal or constructive obligation because of past events, and it is probable that an outflow of resources will be required to settle the obligation. A provision may be recognised only when the amount can be reliably estimated. The amount to be recorded is the best estimate of the cost required to settle the obligation at the reporting date. The estimate of the financial impact of the past event requires management judgement, which is based on similar events occurred in the past, and where applicable, external experts' opinion. Provisions are reviewed on a regular basis, and when necessary, adjusted to reflect the current best estimate. The actual costs may differ from the estimated costs. The most significant provisions are warranty provisions, which include the cost of repairing or replacing products during the warranty period. Restructuring provision is recognised when Alimak Group has prepared a detailed restructuring plan and started the implementation of the plan or communicated the plan. Restructuring costs are the expected costs directly related to restructuring provisions, and other incurred costs that the management considers as related to restructuring programmes, although not provided for. On 31 December 2017, provisions totalled 82.4 (20.6). Additional information about provisions is disclosed in note 21, Provisions.

Inventories
Alimak Group recognises an allowance for obsolete inventory items at the end of the reporting period based on the best knowledge. The estimate is based on a systematic and continuous monitoring of the inventory. The nature, state, age structure and volumes based on estimated need are taken into consideration when estimating the amount of allowance. The amount of allowance for obsolete items in the balance sheet totalled 48.6 (32.3). Additional information about inventories is disclosed in note 15, 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 31 December 2017 totalled 25.1 (11.1). Additional information regarding the impairment of accounts receivable is disclosed in note 17, Accounts receivable.

2.2 APPLICATION OF NEW AND AMENDED IFRS AND IFRIC INTERPRETATION

The following standards, interpretations and amendments will be applied in 2018 or later:

IFRS 15 Revenue from contracts with customers with additional clarifications, and associated amendments to various other standards (effective from 1 January 2018). IFRS 15 replaces the existing revenue recognition guidance in IAS 18 Revenue, IAS 11 Construction contracts, and the related interpretations. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue can be recognised. The impact of IFRS 15 has been assessed for each main product. During this assessment, business practices, contracts, and underlying performance

Note 2 (cont.)

obligations have been analysed under the IFRS 15 framework to identify areas of change.

Based on the impact assessment, IFRS 15 will mainly change revenue recognition because of the more detailed guidance on allocation and recognition of revenue separately for each distinct performance obligation. This requirement is especially relevant in a sales transaction where a combination of deliverables sold together does not form a single distinct performance obligation. This is typical in a situation where the components sold together do not form a complete functioning product. The impact of requirements related to other steps in the new revenue recognition model regarding identification of a contract, identification of a transaction price, and allocation of a transaction price to distinct performance obligations is assessed as small because the current accounting principles and practices are mostly in accordance with the principles of IFRS 15. In addition to impacts described above, the standard's more detailed guidance regarding rights and obligations related to sales contracts, and based on which sold products may subsequently return to Alimak Group, could be of importance only in exceptional cases. The overall impact of IFRS 15 has been quantified, and found to be of no significance on consolidated level.

IFRS 9 Financial Instruments and subsequent amendments (effective from 1 January 2018). IFRS 9 replace the existing guidance in IAS 39 Financial instruments: Recognition and measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. Based on the final assessment, it is expected that the impact of the new classification and measurement rules will not have significant impact on Alimak Group's financial reporting. The new rules for measuring impairment on financial assets will not significantly change Alimak Group's credit loss measurement initially. The changes in the hedge accounting rules are not resulting in significant changes in Alimak Group's hedge accounting model.

Amendments to IFRS 2* Classification and Measurement of Share-based Payment Transactions (effective from 1 January 2018). Amendments provide clarification on situations where a share-based payment scheme changes its classification from cash-settled to equity-settled. Additionally, amendments provide new guidance for plans with net settlement features for withholding tax obligations. Alimak Groups current share-based payment scheme the long-turn incentive programme (LTI) is not effectuated by these amendments.

IFRIC 22* Foreign Currency Transactions and Advance Consideration have been issued clarifying which exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.

IFRS 16 Leases replaces IAS 17 Leases and related interpretations and was published in January 2016. The most significant effect of the new requirements is that a lessee will recognise a lease asset (right-of-use asset) and a financial liability, representing mainly the present value of leased premises, in the balance sheet. In the income statement, the straight-line operating lease expense will be replaced by a depreciation charge for the lease asset and an interest expense on the financial liability. Currently the lessees' operating leases are not recorded in the balance sheet. The Standard should be applied from 1 January 2019.

IFRIC 23 Uncertainty over Income Tax Treatments has been issued and specifies how to reflect the effects of uncertainty in accounting for income taxes. IAS 28 Investments in Associates and Joint Ventures has been amended so IFRS 9 Financial Instruments should be applied to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. Amendments have been made to IFRS 9 Financial Instruments regarding prepayment features with negative compensation. IAS 23 Borrowing Costs, IAS 12 Income Taxes, IFRS 3 Business Combinations and IFRS 11 Joint Arrangements have been amended within the Annual improvement cycle 2015-2017.These amendments* and interpretations* should be applied from 1 January 2019.

IFRS 17* Insurance Contracts was published in May 2017. This standard should be applied from 1 January 2021.

*The standards, interpretations or amendments in question have not yet been endorsed in the EU.

Note 3. Financial risk management

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

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

CURRENCY RISK

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

Transaction exposure

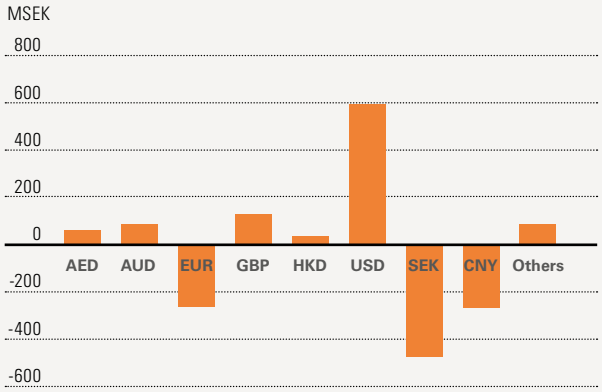
Transaction exposure affects net profit for the sales and purchases made in different currencies.

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 inflow of foreign currencies. To reduce the exposure to foreign currencies, foreign currency receipts are used for payments in the same currency.

Trade accounts receivable and payable are hedged through financial instruments. Orders are hedged at the point of ordering to safeguard the gross margin and investment decision.

The forecast transaction exposure for net cash flows in 2018 is illustrated in Graph 1. The forecast is based on the intra-Group payments and on payments flows from customers and to suppliers in the most important currencies. If the SEK unilaterally weakens/strengthens by 1 per cent against all currencies, the impact on the transaction exposure would be a rise/fall of around MSEK 4.7.

FORECAST TRANSACTION EXPOSURE FOR NET CASH FLOWS IN 2018



Translation exposure

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

INTEREST RATE RISK

Interest rate risk is defined as the risk that changes in the market interest rate will adversely impact on the Group's net interest items. How quickly a change in interest rates shows through will depend on the fixed-interest term of the assets or liabilities. The average fixed-interest term for the Group's borrowing was 2.5 months (3) at year-end.

On 25 June 2015, the Group signed a multi-currency senior revolving facility of MSEK 1,250. In June 2016, the revolving facility was increased by MSEK 750 to a total of MSEK 2,000. The increase were made to finance the acquisition of the Facade Access Group.

Drawdowns under the senior credit facility are made as short terms loans. The average interest rate on the Group's interest-bearing loans was 1.5 per cent (2.0) at year-end 2017.

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.

Note 3 (cont.)

MARKET RISK SENSITIVITY

		2017		2016	
	Change	**Effect on net profit for the year**	**Effect on share-holders' equity**	**Effect on net profit for the year**	**Effect on share-holders' equity**
Market interest rates [1]	1%	-9.7	-9.7	-4.1	-4.1
Exchange rates [2]	SEK -10%	6.2	81.5	5.3	114.3
USD		5.1	61.9	3.0	73.7
CNY		-0.7	8.4	-3.4	-8.7
EUR		1.3	33.7	0.4	10.4
AUD		-4.8	-43.0	1.9	19.5
GBP		1.2	6.1	0.3	4.5
Others		4.0	14.2	3.0	14.9

1) Annual effect of a 1% increase in all interest rates.
2) Effect of a unilateral weakening in SEK of 10% against all currencies.

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

FINANCING AND LIQUIDITY RISK

Financing risk is the risk that the Group cannot obtain adequate financing on acceptable terms at any given point in time. The senior revolving facility of MSEK 2,000 has a tenor of five years with maturity in 2020. Liquidity risk is defined as the risk that the Group cannot full fill its short-term payment obligations. Under the financial policy of the Group, the liquidity reserve shall at all times be maintained such that it can cover the anticipated fluctuations in the daily business over a period of six months ahead. To meet this requirement the Group has overdraft facilities and confirmed credit facilities. The Group's overdraft facilities amount to MSEK 124.

CREDIT RISK

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

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

MAXIMUM CREDIT EXPOSURE

	31/12/2017	31/12/2016
Other long-term receivables	40.3	9.7
Accounts receivable – trade	893.6	408.8
Derivatives	4.2	4.9
Other receivables	89.9	97.5
Cash and bank balances	341.3	230.6
Total	**1,369.3**	**751.4**

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 2017**	**Closing rate, 31/12/17**	**Average rate, 2016**	**Closing rate, 31/12/16**
AED	2.32	2.27	2.33	2.48
AUD	6.54	6.42	6.37	6.57
BRL	2.68	2.48	2.48	2.80
CAD	6.58	6.56	6.46	6.74
CNY	1.26	1.26	1.29	1.31
EUR	9.63	9.85	9.47	9.57
GBP	10.99	11.10	11.57	11.18
INR	0.13	0.13	0.13	0.13
KRW	0.007	0.008	0.007	0.008
NOK	1.03	1.00	1.02	1.05
SGD	6.18	6.16	6.20	6.29
USD	8.54	8.23	8.56	9.10

Note 4. Segment reporting

OPERATING SEGMENTS

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

Construction Equipment

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

Industrial Equipment

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

After Sales

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

Rental

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

Geographical regions

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

There are no intra-Group sales between the segments.

REVENUE AND PROFIT PER OPERATING SEGMENT

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

2016	Construction Equipment	Industrial Equipment	After Sales	Rental	Total, Group
External revenue	685.8	373.5	680.3	308.9	2,048.6
Operating profit	72.7	-22.1	217.4	38.8	306.8
Operating profit, %	10.6	-5.9	32.0	12.6	15.0
Profit before tax	n/a	n/a	n/a	n/a	281.4
Net profit for the year	**n/a**	**n/a**	**n/a**	**n/a**	**194.0**

GEOGRAPHICAL MARKETS

Revenue	2017	2016
Europe	1,528.2	757.9
of which, Sweden	(130.1)	(87.0)
APAC	1,155.0	496.3
South and North America	1,095.2	688.6
Other Markets	222.3	105.7
Total	**4,000.7**	**2,048.6**

Property, plant and equipment	2017	2016
China	27.4	27.7
Denmark	18.7	–
Germany	39.8	–
Spain	50.7	–
Sweden	182.8	209.5
Other Markets	41.0	21.5
Total	**360.4**	**258.7**

Note 5. Operating costs

	2017	2016
Raw materials and consumables	-1,901.0	-787.2
Personnel costs	-1,207.5	-706.1
Consulting costs	-77.3	-45.9
Depreciation/amortisation	-112.6	-50.5
Other costs	-285.4	-152.0
Total	**-3,583.8**	**-1,741.7**

Note 6. Number of employees, employee benefits and remuneration to Board of Directors and senior executives

	2017		2016	
	Average number of employees	Of whom, women, %	Average number of employees	Of whom, women, %
Sweden	388	15	363	15
Norway	49	18	45	15
Denmark	60	35	0	0
Netherlands	79	11	31	9
Belgium	2	0	3	0
France	54	15	45	11
United Arab Emirates	89	3	0	0
United Kingdom	103	16	61	15
Germany	172	18	36	8
Italy	9	11	8	13
Korea	12	17	12	17
Russia	12	17	0	0
Singapore	38	24	15	27
Spain	343	10	0	0
Austria	5	40	0	0
Malaysia	8	0	15	13
Australia	141	9	91	5
USA	155	13	96	13
China	618	14	319	14
India	42	2	19	5
Brazil	59	17	11	9
Total	**2,438**	**13**	**1,171**	**13**

	2017	2016
Group's gender breakdown in corporate management	**Representation, women, %**	**Representation, women, %**
Board of Directors	25	12
Other senior executives	13	14

Salaries, benefits, other remuneration and social welfare contributions	**2017**	**2016**
Salaries and benefits	959.7	532.2
Social welfare contributions	247.8	173.9
Total, Group	**1,207.5**	**706.1**
Of which, pension costs included in social security costs	52.7	39.0

Of the Group's pension costs, MSEK 1.8 (1.7) pertains to the category of Board of Directors and CEO. The Group's outstanding pension commitments to the latter amount to – (–).

	2017		2016	
Breakdown of salaries and other remuneration, by Board members and other employees	**Board of Directors and President**	**Other employees**	**Board of Directors and President**	**Other employees**
Sweden	**12.0**	**175.0**	**9.2**	**159.6**
(Of which, bonuses etc.)	(3.4)	(6.0)	(1.3)	(3.1)
Outside Sweden	**–**	**774.6**	**–**	**363.6**
(Of which, bonuses etc.)	(-)	(27.4)	(-)	(15.6)
Total, Group	**12.0**	**949.6**	**9.2**	**523.2**
(Of which, bonuses etc.)	(3.4)	(37.3)	(1.3)	(18.7)

Note 6 (cont.)

2017	Salary/Board fee	Variable remuneration	Other benefits	Pension cost	Total
Board of Directors					
Anders Jonsson, Board Chairman	0.5	–	–	–	0.5
Carl Johan Falkenberg	0.3	–	–	–	0.3
Jan Svensson (From EGM November 2017)	0.1	–	–	–	0.1
Anders Thelin	0.5	–	–	–	0.5
Eva Lindqvist	0.4	–	–	–	0.4
Joakim Rosengren	0.3	–	–	–	0.3
Helena Nordman-Knutson	0.4	–	–	–	0.4
President	4.2	3.4	–	1.8	9.4
Other senior executives (14 persons)*	25.3	6.0	1.1	5.3	37.7
Total	**32.1**	**9.4**	**1.1**	**7.1**	**49.7**

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

2016	Salary/Board fee	Variable remuneration	Other benefits	Pension cost	Total
Board of Directors					
Anders Thelin, Board Chairman	0.7	–	–	–	0.7
Carl Johan Falkenberg	0.4	–	–	–	0.4
Anders Jonsson	0.4	–	–	–	0.4
Eva Lindqvist	0.4	–	–	–	0.4
Joakim Rosengren	0.4	–	–	–	0.4
Helena Nordman-Knutson (from 2016 AGM)	0.2	–	–	–	0.2
Göran Gezelius (until 2016 AGM)	0.2	–	–	–	0.2
President	4.0	1.3	–	1.2	6.5
Other senior executives (11 persons)*	19.2	2.9	0.3	3.8	26.2
Total	**25.9**	**4.2**	**0.3**	**5.0**	**35.4**

*In 2016, the Group Management Team has been extended by two new members and at year-end the management team consisted of 11 persons. On 1 February 2016, the Head of communications and IR joined the management team. During the year, the Group's then CFO was appointed COO. In mid-December 2016, the Group's new CFO took up his position, whereupon Group management expanded to 11 persons.

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 2017 AGM, the annual fees to Board members elected by the AGM total SEK 2,520,000. Of this amount, SEK 600,000 is paid to the Board Chairman and SEK 300,000 each to other Board members. Furthermore, it was decided that a fee of SEK 100,000 be paid to the Chairman of the Audit Committee, SEK 75,000 to the Chairman of the Remuneration Committee, SEK 70,000 to each member of the Audit Committee (excluding the Chairman) and SEK 50,000 to each member of the Remuneration Committee (excluding the Chairman). The Audit Committee consists of Helena Nordman-Knutson (Chair), Eva Lindqvist and Jan Svensson. The Remuneration Committee consists of Eva Lindqvist (Chair), Anders Jonsson and Anders Thelin. The Board members are not entitled to any benefits after leaving the Board.

Group management

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

President and Chief Executive Officer

In 2017, the President and Chief Executive Officer Tormod Gunleiksrud received an annual base salary of SEK 4,250,073 and a variable salary of SEK 3,371,707. 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

Note 6 (cont.)

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 7. Fees to auditors

	2017	2016
Ernst & Young:		
Auditing assignment	4.8	5.3
Audit work outside the scope of the audit assignment	0.9	0.5
Tax advice	0.2	0.2
Total	**5.9**	**6.0**

	2017	2016
Other auditors :		
Auditing assignment	7.0	0.2
Audit work outside the scope of the audit assignment	1.1	0.2
Tax advice	1.4	1.4
Other services	0.5	0.3
Total	**10.0**	**2.1**

Note 8. Depreciation/amortisation

	2017	2016
Depreciation/amortisation according to plan per asset		
Other intangible assets	47.8	1.4
Land and buildings	9.1	3.3
Plant and machinery	13.7	12.3
Equipment, tools and fixtures and fittings	16.4	5.9
Rental equipment	25.6	27.5
Total	**112.6**	**50.5**
Depreciation/amortisation according to plan per function		
Cost of goods sold	50.5	42.0
Selling expenses	51.1	3.5
Administration expenses	9.0	3.0
Development expenses	2.2	2.0
Total	**112.6**	**50.5**

Note 9. Financial income and expense

Financial income	2017	2016
Interest income	3.8	2.2
Exchange gains	64.1	24.9
Total	**67.9**	**27.1**
Financial expense		
Interest expense	-52.1	-25.4
Exchange losses	-44.0	-27.1
Total	**-96.2**	**-52.5**

Note 10. Taxes

The Group's tax cost for the year totalled MSEK -97.0 (-87.4), corresponding to an effective rate of 25 per cent (31). The tax rate may vary from year to year, due in part to changes in where the Group's profits arise.

	2017	2016
Current year tax expense	-104.6	-54.7
Tax expense for previous years	-3.0	-0.9
Deferred tax	10.7	-31.8
Total	**-97.0**	**-87.4**

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The company has in its estimates, following the prudency principle, taken into consideration the expiry dates of the tax losses. On 31 December 2017, Alimak Group had more than MSEK 100 (44) of tax losses of which no deferred tax assets were recognised.

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

Reconciliation of effective tax	2017	2016
Income before taxes	388.6	281.4
Tax at statutory tax rate 22% for Alimak Group AB	-85.5	-61.9
Effect of different tax rates in foreign subsidiaries	-11.0	-10.1
Tax expense for previous years	-3.0	-0.9
Tax exempt income and non-deductible expenses	-11.5	-8.7
Previously unrecognised tax losses and temporary differences	-9.3	-6.9
Unrecognised current year tax losses and tetemporary differences	9.6	0.4
Adjustment to previous years deferred taxes	-0.6	0.3
Effect of changes in tax rates	14.3	0.4
Effective tax recognised	**-97.0**	**-87.4**

	2017			2016		
Deferred tax assets and tax liabilities	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Property, plant and equipment	3.6	-31.6	-28.0	7.5	-40.7	-33.2
Intangible non-current assets	–	-153.7	-153.7	–	-2.1	-2.1
Financial instruments	0.2	–	0.2	0.7	–	0.7
Inventories	10.6	–	10.6	7.7	–	7.7
Current receivables	2.9	–	2.9	0.7	–	0.7
Provisions	26.0	-2.5	23.6	13.0	-0.0	13.0
Untaxed reserves	–	-25.1	-25.1	–	-7.0	-7.0
Loss carry-forwards	18.6	–	18.6	8.7	–	8.7
Total	**62.0**	**-212.9**	**-150.9**	**38.3**	**-49.9**	**-11.6**

Note 11. Other intangible assets

	2017						2016		
	Trademark	Customer relations	Technology	Order backlog	Develop-ment costs	Total	Customer relations	Develop-ment costs	Total
Accumulated historical cost									
Opening balance	–	10.5	–	–	12.4	22.9	9.6	11.9	21.4
Acquisitions	455.0	179.1	52.9	24.5	0.1	711.6	–	0.2	0.2
Translation differences for the year	-13.9	-0.1	-0.8	-2.0	0.0	-16.9	–	–	–
Reclassifications	–	–	–	–	–	–	1.0	0.3	1.3
Closing balance, acquisition values	**441.1**	**189.5**	**52.0**	**22.5**	**12.5**	**717.6**	**10.5**	**12.4**	**22.9**
Accumulated depreciation									
Opening balance	–	-2.6	–	–	-11.8	-14.4	-1.4	-11.1	-12.5
Sales, disposals	–	–	–	–	-0.0	-0.0	–	–	–
Depreciation for the year	–	-29.4	-3.2	-14.5	-0.7	-47.8	-1.0	-0.4	-1.4
Translation differences for the year	–	-1.7	-1.4	0.9	0.3	-1.9	-0.2	-0.3	-0.5
Reclassifications	–	–	–	–	8.6	8.6	–	–	–
Closing balance, depreciation	–	**-33.8**	**-4.6**	**-13.6**	**-3.6**	**-55.6**	**-2.6**	**-11.8**	**-14,4**
Carrying amount at year-end	**441.1**	**155.7**	**47.4**	**8.9**	**8.9**	**662.0**	**7.9**	**0.6**	**8.5**

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. The trademarks are tested for impairment whenever Goodwill is reviewed for impairment. The process is described in more detail in note 12, Goodwill.

Note 12. Goodwill

	2017	2016
Accumulated historical cost		
Opening balance	1,994.8	1,934.9
Aquisitions	516.2	–
Translation differences for the year	-62.9	59.9
Closing balance, acquisition values	**2,448.1**	**1,994.8**
Accumulated impairment losses		
Opening balance	-214.1	-214.1
Impairment losses for the year	–	–
Closing balance, impairment losses	**-214.1**	**-214.1**
Carrying amount at year-end	**2,234.0**	**1,780.7**

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

	2017	2016
Business area Construction Equipment	95.2	95.2
Business area Industrial Equipment	905.1	715.9
Business area After Sales	1,233.8	969.6
Business area Rental	–	–
Total	**2,234.0**	**1,780.7**

Goodwill is reviewed for potential impairment whenever there is an dication 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 3 per cent long-term growth rate except for Rental were 1 per cent long-term growth has been used.

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

The discount rate used in the impairment testing is the weighted average cost of capital (WACC) determined for each segment that reflects the total cost of equity and debt, and the market risks related to the segment. Components of WACC are the risk-free interest rate, market risk premium, Alimak Groups beta, gearing and credit spread. The discount rate used in impairment testing has been determined similarly as in 2016. The WACC used for Construction was 8,1%, for Industri 7,3%, for After sales 6,1% and for Rental 8,1%. Discount rates have decreased from previous year mainly because of the decrease in Alimak Groups beta and the lower risk-free rate that is derived from government bond yields.

As a result of the impairment tests performed no impairment loss has been recognised in 2017 or in 2016.

Note 13. Property, plant and equipment

2017	Land and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Rental equipment	Total
Accumulated historical cost					
Opening balance	75.4	133.6	62.4	360.2	631.6
Acquisitions	97.7	51.3	14.4	10.1	173.5
Sales and disposals, etc.	–	-6.6	-3.8	-51.1	-61.5
Translation differences for the year	2.1	-1.3	-2.0	-0.7	-2.0
Closing balance, acquisition values	**175.2**	**177.0**	**70.9**	**318.5**	**741.5**
Accumulated depreciation					
Opening balance	-34.9	-75.0	-33.0	-230.0	-372.9
Sales and disposals, etc.	–	6.5	7.5	43.3	57.2
Depreciation according to plan for the year	-9.1	-13.7	-16.4	-25.6	-64.8
Translation differences for the year	0.0	1.9	1.9	0.6	4.4
Reclassifications	-4.9	–	–	–	-4.9
Closing balance, depreciation	**-49.0**	**-80.4**	**-40.0**	**-211.7**	**-381.0**
Carrying amount at year-end	**126.1**	**96.6**	**30.9**	**106.8**	**360.4**

2016	Land and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Rental equipment	Total
Accumulated historical cost					
Opening balance	74.4	131.8	67.8	380.8	655.0
Acquisitions	0.3	12.5	7.8	37.3	57.9
Sales and disposals, etc.	–	-12.3	-17.1	-61.5	-90.9
Translation differences for the year	0.6	1.6	3.9	3.6	9.7
Closing balance, acquisition values	**75.4**	**133.6**	**62.4**	**360.2**	**631.6**
Accumulated depreciation					
Opening balance	-31.1	-74.3	-38.8	-242.6	-386.9
Sales and disposals, etc.	–	12.3	14.9	42.6	69.8
Depreciation according to plan for the year	-3.3	-12.3	-5.9	-27.5	-49.1
Translation differences for the year	-0.4	-0.7	-3.1	-2.4	-6.7
Closing balance, depreciation	**-34.9**	**-75.0**	**-33.0**	**-229.9**	**-372.9**
Carrying amount at year-end	**40.5**	**58.6**	**29.4**	**130.3**	**258.7**

Note 14. Leased assets

The Group has operating lease commitments as a lessee. Operating lease costs consist mainly of rents for premises and are recognised among operating costs. In 2017, leasing costs totalled MSEK 34.2 (29.5). The total includes minimum lease charges of MSEK 18.4 (25.4). Future lease charges fall due as follows:

	2017	2016
Within 1 year	49.6	26.9
Between 1 and 5 years	63.6	61.2
More than 5 years	6.8	0.4
Total	**120.0**	**88.5**

Note 15. Inventories

	2017	2016
Raw materials and consumables	190.0	139.4
Work in progress	318.3	96.2
Finished products and goods for resale	308.4	159.0
Total	**816.6**	**394.6**

The inventory value includes a provision of kSEK 48.6 (32.3) for obsolescence.

Note 16. Financial assets and liabilities

	Carrying amount		Fair value	
Financial assets	**2017**	**2016**	**2017**	**2016**
Derivative assets for hedging purposes				
Derivatives	4.2	4.9	4.2	4.9
Loan receivables and accounts receivable – trade				
Long-term receivables	103.5	9.7	103.5	9.7
Accounts receivable	893.6	408.8	893.6	408.8
Other financial receivables	165.6	91.4	165.6	91.4
Cash and bank deposits	341.3	230.6	341.3	230.6
Total	**1,504.0**	**740.5**	**1,504.0**	**740.5**

	Carrying amount		Fair value	
Financial liabilities	**2017**	**2016**	**2017**	**2016**
Derivative liabilities for hedging purposes				
Derivatives	4.2	7.7	4.2	7.7
Other financial liabilities				
Long-term loans from financial institutions	1,205.0	446.5	1,211.1	450.4
Current liabilities to credit institutions	46,0	78.7	46.0	78.7
Accounts payable	393.0	176.5	363.0	176.5
Other financial liabilities	202.7	84.5	241.6	84.5
Total	**1,846.6**	**786.2**	**1,861.7**	**790.1**

Note 16 (cont.)

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

				Amounts covered by framework agreement for offsetting or similar agreement*.		
2016	**Gross amount**	**Offset amounts**	**Net amount on balance sheet**	**Financial instruments**	**Financial collateral, received/ provided**	**Net amount**
Derivative assets	4.9	–	4.9	-4.9	–	–
Derivative liabilities	7.7	–	7.7	-4.9	–	2.8

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

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

FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

2017

Financial assets	**Level 1:**	**Level 2:**	**Level 3:**	**Total**
Currency derivatives	–	4.2	–	4.2
Total	**–**	**4.2**	**–**	**4.2**

Financial liabilities	**Level 1:**	**Level 2:**	**Level 3:**	**Total**
Currency derivatives	–	4.2	–	4.2
Total	**–**	**4.2**	**–**	**4.2**

2016

Financial assets	**Level 1:**	**Level 2:**	**Level 3:**	**Total**
Currency derivatives	–	4.9	–	4.9
Total	**–**	**4.9**	**–**	**4.9**

Financial liabilities	**Level 1:**	**Level 2:**	**Level 3:**	**Total**
Currency derivatives	–	7.7	–	7.7
Total	**–**	**7.7**	**–**	**7.7**

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

2017

Financial liabilities	**Level 1:**	**Level 2:**	**Level 3:**	**Total**
Long-term loans from financial institutions	–	–	1,211.1	1,211.1
Current liabilities to credit institutions	–	–	46.0	46.0
Total	**–**	**–**	**1,257.1**	**1,257.1**

2016

Financial liabilities	**Level 1:**	**Level 2:**	**Level 3:**	**Total**
Long-term loans from financial institutions	–	–	450.4	450.4
Current liabilities to credit institutions	–	–	78.7	78.7
Total	**–**	**–**	**529.1**	**529.1**

Note 16 (cont.)

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

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

Level 1 – Quoted prices for identical assets and liabilities on an active market.
Level 2 – Quoted prices on markets that are not active, quoted prices for similar assets and liabilities, information other than quoted prices that are observable directly or indirectly primarily for the instrument's entire term and input data for valuation models obtained from observable market data.
Level 3 – Information that is important for the asset's or liability's present value is not observable, unless the Group's own assessments are applied.

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

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

2017	01-jan-17	Cash flows	Aquisitions of subsidi-aries	Changes in fair value	New leases	Other	31-dec-17
Current interest-bearing borrowings	78,677	-33,375	719				46,021
Non-current interest-bearing borrowings	450,438	250,963	507,488	2,207			1,211,096
Derivatives	7,736	-3,546					4,190
Total	**536,851**	**214,042**	**508,207**	**2,207**	**0**	**0**	**1,261,307**

Note 17. Accounts receivable

	2017	2016
Accounts receivable – trade, gross	**918.6**	**419.9**
Accumulated reserve for bad debts, opening balance	-11.1	-23.7
Acquisition of subsidiaries	-9.8	–
Provisions for the year	-6.6	-2.0
Reversals of provisions for the year	2.5	15.2
Exchange rate differences	0.1	-0.6
Accumulated reserve for bad debts, opening balance	**-25.1**	**-11.1**
Carrying amount at year-end	**893.6**	**408.8**

Age analysis for overdue trade accounts receivable not considered bad debts	2017	2016
1–30 days	154.2	86.0
31–90 days	131.0	31.5
91–120 days	52.5	7.7
> 120 days	46.6	33.3
Total at year-end	**384.3**	**158.5**

Note 18. Prepaid expenses and accrued income

	2017	2016
Prepaid lease charges and rent	3.4	1.7
Accrued sales revenue	20.4	15.9
Prepaid insurance	12.8	5.1
Bank charges and legal costs	0.5	0.4
Transport subsidies and fees	3.1	1.7
IT services	8.7	4.1
Other	7.8	5.8
Carrying amount at year-end	**56.7**	**34.7**

Note 19. Maturity analysis, receivables and liabilities

2017	Carrying amount	<1 year	1 year–5 years	>5 years
Long-term loans from financial institutions	1,205.0	–	1,205.0	–
Carrying amount at year-end	**1,205.0**	**–**	**1,205.0**	**–**
Current liabilities to credit institutions	44.9	44.9	–	–
Carrying amount at year-end	**44.9**	**44.9**	**–**	**–**

2016	Carrying amount	<1 year	1 year–5 years	>5 years
Long-term loans from financial institutions	446.5	–	446.5	–
Carrying amount at year-end	**446.5**	**–**	**446.5**	**–**
Current liabilities to credit institutions	78.7	78.7	–	–
Carrying amount at year-end	**78.7**	**78.7**	**–**	**–**

Note 19 (cont.)

BORROWINGS

The average fixed-interest term for long-term borrowing was 2.5 months (3) at year-end.

The average interest rate on the Group's interest-bearing loans was 1.5 per cent (2.0) 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.

FINANCIAL DERIVATIVE INSTRUMENTS

The table below shows the fair values of the Group's financial derivative instruments for management of financial risks.

	31 December 2017		31 December 2016	
Fair value	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Currency forwards				
Cash flow hedges	4.2	4.2	4.9	7.7
Carrying amount at year-end	**4.2**	**4.2**	**4.9**	**7.7**

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

2017

Financial assets	**<1 month**	**1–12 months**	**1–5 years**	**>5 years**
Other long-term receivables	–	0.6	39.6	1.3
Accounts receivable – trade	289.7	597.0	6.7	0.0
Derivatives	–	4.2	–	–
Other receivables	23.7	65.9	–	0.3
Accrued income	0.1	15.8	0.0	–
Deposit	2.4	23.3	2.6	0.3
Cash and bank deposits	117.5	194.5	0.1	–
Total	**433.3**	**901.3**	**49.0**	**1.9**

Financial liabilities	**<1 month**	**1–12 months**	**1–5 years**	**>5 years**
Liabilities to credit institutions	–	44.9	1,205.0	–
Accounts payable – trade	63.5	328.6	0.8	0.1
Derivatives	–	4.1	–	–
Other liabilities	24.3	77.9	0.5	–
Total	**87.9**	**455.6**	**1,206.2**	**0.1**

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

2016

Financial assets	**<1 month**	**1–12 months**	**1–5 years**	**>5 years**
Other long-term receivables	–	3.3	6.4	–
Accounts receivable – trade	223.2	182.5	2.9	0.2
Derivatives	1.1	3.7	–	–
Other receivables	40.5	53.3	0.2	–
Accrued income	–	15.9	–	–
Deposit	–	20.6	–	0.3
Cash and bank deposits	200.8	8.8	0.1	–
Total	**465.7**	**288.1**	**9.6**	**0.5**

Financial liabilities	**<1 month**	**1–12 months**	**1–5 years**	**>5 years**
Liabilities to credit institutions	2.5	86.7	473.0	–
Accounts payable – trade	63.2	112.3	0.9	0.1
Derivatives	3.5	4.2	–	–
Other liabilities	9.3	29.4	1.1	0.3
Total	**78.5**	**232.6**	**474.9**	**0.4**

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

	2017	**2016**
Within 1 year	0.2	-2.9
More than 1 year	0.0	–
Total	**0.2**	**-2.9**

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

Note 20. 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 and CEO Tormod Gunleiksrud is covered by a direct pension plan, which is classified and reported as a defined contribution plan. The direct pension plan is guaranteed via a pledged endowment policy owned by the Company.

DEFINED BENEFIT PENSION PLANS

The Group's defined benefit pension plans cover employees mainly in Alimak Hek AB in Sweden, Alimak Hek Ltd in the UK and Manntech GmbH in Germany. In addition, defined benefit pension plans are to a lesser extent operated in the Netherlands, Italy and France. According to these defined benefit plans, employees have a right to pension benefits based on their pensionable income and number of years of service. The pension plans primarily cover retirement pensions, sickness pensions and family pensions.

The pension plan in the UK is funded. The pension plan in Sweden is secured through balance sheet provisions, combined with credit insurance in the PRI Pension Guarantee and via pension insurance in Alecta. In the Swedish plan, all newly earned pension entitlements are secured through premiums to a defined contribution pension plan in Alecta. The year's pension plan costs to Alecta was MSEK 3.2 (3.3). The anticipated costs for 2018 are MSEK 3.0. The Group's share of the total premiums for ITP2 at Alecta is 0.01857 per cent (0.02015). On 31 December 2017, Alecta's surplus, expressed as the collective consolidation ratio, amounted to 154 per cent (149). 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 125-155 per cent; if it falls below 125 per cent or goes above 155 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.

Pension costs recognised in the income statement	**2017**	**2016**
Defined benefit plans		
Cost of pensions earned during the year	2.5	2.8
Interest costs, net	2.2	0.7
Total for the period	**4.8**	**3.5**
Cost of defined contribution pensions	51.9	35.5
Total for the period	**56.6**	**39.0**

Pension costs recognised in other comprehensive income	**2017**	**2016**
Defined benefit pensions		
Revaluation of pension liabilities	-7.4	27.0
Revaluation of plan assets	-0.1	0.8
Total for the period	**-7.5**	**27.9**

Carrying amount on the balance sheet	**2017**	**2016**
Present value of pension liabilities, funded plans	81.7	89.7
Fair value of plan assets	-81.5	-75.1
Net debt, funded plans	0.2	14.6
Present value of pension liabilities, unfunded plans	86.2	43.5
Carrying amount at end of the period	**86.5**	**58.0**

Reconciliation of carrying amount on the balance sheet	**2017**	**2016**
Opening balance, net debt	**58.0**	**34.6**
Acquisition of subsidiaries	46.0	–
Cost of pensions earned during the year	2.9	2.8
Interest costs, net	1.7	0.7
Revaluation of pension liabilities	-3.9	26.7
Revaluation of plan assets	-3.3	0.8
Pension payments directly from employer	-3.9	-1.6
Contributions from employer	-12.1	-6.5
Other	0.2	0.4
Exchange rate differences	0.8	0.1
Closing balance, net debt	**86.5**	**58.0**

Note 20 (cont.)

Reconciliation of present value of pension liabilities	2017	2016
Opening balance, pension liabilities	**133.1**	**110.8**
Acquisition of subsidiaries	46.0	–
Cost of pensions earned during the year	2.5	2.8
Cost relating to service in earlier periods	-6.9	–
Interest expense	4.2	3.7
Revaluation of pensions;		
– demographic assumptions	-1.1	-2.9
– financial assumptions	0.3	30.6
– experience-based adjustments	-6.4	-1.1
Pension payments	-4.9	-4.4
Contributions from employees	0.4	0.7
Other	0.2	0.4
Exchange rate differences	0.4	-7.5
Closing balance, pension liabilities	**167.9**	**133.1**

Reconciliation of plan assets at fair value	2017	2016
Opening balance, plan assets	**75.1**	**76.3**
Interest income	2.1	2.9
Return over and above interest income	0.1	-0.8
Contributions from employer	5.2	6.5
Contributions from employees	0.4	0.7
Pension payments from plan assets	1.0	-2.8
Exchange rate differences	-0.4	-7.6
Closing balance, plan assets	**81.5**	**75.1**

Plan assets consist of investments in Deferred Allocation Funding With-Profits at Aviva, the UK's largest insurance company. The fund's assets are invested in the mix of stocks, bonds and real estate with an overall risk profile at low to medium level.

Significant actuarial assumptions applied	2017	2016
Sweden:		
Discount interest rate %	2.3	2.1
Future pension increases %	1.8	1.5
Life expectancy	DUS14	DUS14
United Kingdom:		
Discount interest rate %	2.6	2.8
Future salary increases %	2.5	4.0
Future pension increases %	2.5	2.5
Life expectancy	PMA08, PFA08	PMA08, PFA08
Future uprating %	2.0	1.0

FORECAST OF NEXT YEAR'S CASH FLOW, DEFINED BENEFIT PENSIONS

The projected charges for the pension plans for next year amounts to MSEK 7.2 (3.8).

Note 21. Provisions

	Guarantee undertakings	Personnel costs	Final inspection costs	Project costs	Other provisions	Total
2017						
Carrying amount at beginning of year	10.3	4.8	1.9	2.0	1.5	20.6
Acquisitions	14.9	29.7	–	8.3	26.5	79.0
Provision for the year	12.5	13.3	–	0.5	10.1	36.3
Amounts utilised	-13.8	-13.1	–	-3.4	-15.0	-45.2
Reversal of unutilised amounts	-1.6	-1.8	1.0	-0.3	-0.9	-3.6
Reclassifications	–	-4.7	–	-0.6	–	-5.2
Exchange rate differences	0.0	0.0	–	0.0	0.4	0.4
Carrying amount at year-end	**22.3**	**28.3**	**2.9**	**6.6**	**22.3**	**82.4**
2016						
Carrying amount at beginning of year	12.0	0.7	2.8	19.0	0.7	35.2
Provision for the year	4.6	0.2	–	21.1	0.7	26.6
Amounts utilised	-5.6	-3.0	-0.9	-39.3	-0.4	-49.1
Reversal of unutilised amounts	-1.0	-0.0	–	-0.7	-0.0	-1.7
Reclassifications	–	6.2	–	–	–	6.2
Exchange rate differences	0.2	0.8	–	1.9	0.5	3.4
Carrying amount at year-end	**10.3**	**4.8**	**1.9**	**2.0**	**1.5**	**20.6**

Note 22. Assets pledged and contingent liabilities

	2017	2016
Assets pledged		
Endowment insurance	10.5	7.1
Other	1.9	3.8
Total assets pledged	**12.5**	**10.9**
Contingent liabilities		
Guarantee commitments, FPG/PRI	0.6	0.6
Other contingent liabilities	445.7	106.3
Total contingent liabilities	**446.3**	**106.9**

The Group operates a defined contribution direct pension scheme covering the President and CEO. The pension scheme is secured via a pledge of the endowment insurance owned by the Company, whose value at the financial year-end was MSEK 10.5 (7.1).

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

Note 23. Bank overdraft facilities

	2017	2016
Credit limits approved	100.0	105.3
Unutilised portion	86.8	105.3
Utilised credit	13.2	–

Note 24. Accrued expenses and deferred income

	2017	2016
Personnel costs	116.1	76.5
Prepaid income	24.3	6.8
Relocation costs	11.8	2.9
Project costs, installation projects	15.1	3.0
Consulting fees	14.3	27.1
Other items	12.1	5.0
Total	**193.7**	**121.3**

Note 25. Acquisition and disposals

In the first quarter of 2017 the acquisitions of Avanti Wind Systems and Facade Access Group were finalized. The acquisitions broaden and diversify the product portfolio of Alimak Group's business area Industrial Equipment and offers an expansion into the growing area of renewable energy. It also provide a good foundation for continued expansion of the After Sales service and support portfolio offered by the Alimak Group across brands. Opportunities to achieve cost synergies in the supply chain as well as an expanded after sales offering will be captured.

Goodwill related to both acquisitions is mainly pertaining to cost synergies in the supply chain area, leveraging of the after sales business model, know-how and additional sales to non-relationship customers.

AVANTI WIND SYSTEMS

The acquisition of Avanti Wind Systems, was finalized on 30 January 2017. The acquisition of Avanti comprises 100% of the voting shares and the business is consolidated as of 1 February 2017. Acquisition costs of approximately MSEK 3.5 have been charged to the consolidated operating costs for 2017.

Avanti is the global market leader in vertical access solutions for wind turbine towers and has more than 30,000 service lifts installed globally. Avanti's revenue and EBITDA adj for the period 1 January to 31 December 2017 totalled MSEK 970.0 and MSEK 72.1. Avantis contribution during 2017 to revenues in the Group was MSEK 902.0.

The purchase price allocation has been finalized. The purchase price and the fair values are definitive.

Purchase Price Allocation	
Consideration paid – Cash	**698.5**
Fair value of identified assets acquired and liabilities assumed:	
Tangible fixed assets	28.7
Trade name	189.4
Customer relationships	123.1
Technology	28.4
Net working capital	274.5
Cash and cash equivalents	90.9
Deferred tax liability	-81.5
Interest bearing liabilities	-228.4
Assets acquired and liabilities assumed, net	**425.3**
Goodwill	273.2
Total consideration transferred	**698.5**

FACADE ACCESS GROUP

The acquisition of Facade Access Group, was finalized on 28 February 2017. The acquisition of Facade Access Group encompasses 100 per cent of the voting shares and the business is consolidated as of 1 Mars 2017. Acquisition costs of around MSEK 12.2 have been charged to the consolidated operating costs for 2017.

With the trade names CoxGomyl and Manntech, Facade Access Group is a global market leader in permanently installed building maintenance solutions (Building Maintenance Units – BMUs). Revenues and EBITDA adj for Facade Access Group for the period 1 January to 31 December 2017 amounted to MSEK 1,036.1 and MSEK 56.3 respectivelly. Facade Access contribution for 2017 to revenues in the Group was MSEK 890.0.

The purchase price allocation has been finalized. The purchase price and the fair values are definitive.

Purchase Price Allocation	
Consideration paid – Cash	**511.6**
Fair value of identified assets acquired and liabilities assumed:	
Tangible fixed assets	127.0
Trade name	265.6
Customer relationships	55.9
Order backlog	24.5
Technology	24.5
Net working capital	275.2
Cash and cash equivalents	34.2
Deferred tax liability	-97.9
Interest bearing liabilities	-313.0
Provisions for pensions	-40.5
Other provisions	-86.8
Assets acquired and liabilities assumed, net	**268.6**
Goodwill	243.0
Total consideration transferred	**511.6**

Note 26. Events after the balance sheet date

MANAGEMENT CHANGES

Per January 1, 2018, Alimak Group decided on a new composition of the Group Management Team (GMT). The GMT now consists of the President and CEO, COO and CFO, CTO as well as heads of business areas and business units.

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

Parent Company Income Statements

Amounts in MSEK	Note	2017	2016
Net sales		10.0	8.0
Total revenue		**10.0**	**8.0**
Administration costs	A2,A3,A4	-53.1	-27.5
Operating profit		**-43.1**	**-19.5**
Interest income and similar profit/loss items	A5	28.5	5.6
Interest expense and similar profit/loss items	A5	-17.7	-9.6
Profit after financial items		**-32.4**	**-23,.5**
Appropriations			
Group contributions received		215.0	160.1
Profit before tax		**182.6**	**136.6**
Income tax	A6	-36.9	-30.3
Net profit for the year		**145.7**	**106.3**

Parent Company Balance Sheets

Amounts in MSEK	Note	31/12/2017	31/12/2016
ASSETS			
Non-current assets			
Financial assets			
Shares in Group companies	A7	1,898.4	1,898.4
Long-term receivables		–	2.8
Deferred tax assets	A6	1.0	0.4
Total non-current assets		**1,899.5**	**1,901.7**
Current assets			
Current receivables			
Receivables from Group companies		1,665.9	558.2
Other current receivables		1.0	0.3
Prepaid expenses and accrued income		0.3	1.4
		1,667.2	**559.9**
Cash and bank balances		–	41.6
Total current assets		**1,667.2**	**601.5**
TOTAL ASSETS		**3,566.7**	**2,503.2**
EQUITY AND LIABILITIES			
Equity	A10		
Restricted equity			
Share capital		1.1	0.9
Revaluation reserve		200.0	200.0
		201.1	**200.9**
Unrestricted equity			
Share premium reserve		1,750.6	960.1
Retained earnings		943.6	938.2
Net profit for the year		145.7	106.3
		2,839.9	**2,004.6**
		3,041.0	**2,205.4**
Long-term liabilities			
Liabilities to credit institutions	A8	77.1	–
		77.1	**–**
Current liabilities			
Accounts payable – trade		0.6	0.5
Liabilities to Group companies		397.6	287.6
Tax liabilities		37.5	–
Other liabilities		10.3	1.1
Accrued expenses and deferred income		2.5	8.5
		448.6	**297.7**
TOTAL EQUITY AND LIABILITIES		**3,566.7**	**2,503.2**

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

Parent Company Cash Flow Statements

Amounts in MSEK	2017	2016
Operating activities		
Profit before tax	182.6	136.6
Adjustments for non-cash items	-217.2	-158.9
Cash flow from changes in working capital		
Increase(-)/decrease(+) in operating receivables	-892.2	267.0
Increase(+)/decrease(-) in operating liabilities	115.6	-13.6
Income tax paid	0.6	–
Net cash flows from operating activities	**-810.7**	**231.1**
Investing activities		
Sale of financial assets	2.8	–
Purchase of financial assets	-0.6	–
Net cash flows from investing activities	**2.2**	**–**
Financing activities		
Proceeds from borrowings	77.1	–
Repayment of borrowings	–	-231.5
Proceeds from share issue	776.5	–
Dividend paid	-86.7	-86.7
Net cash flows from financing activities	**767.0**	**-318.1**
Net decrease in cash and cash equivalents	-41.6	-87.0
Cash and cash equivalents at beginning of year	41.6	128.6
Cash and cash equivalents at year-end	**–**	**41.6**

ADDITIONAL DISCLOSURES TO THE PARENT COMPANY CASH FLOW STATEMENT

Amounts in MSEK	2017	2016
Interest paid and received		
Interest received	28.5	5.6
Interest paid	-17.7	-7.1
Adjustments for non-cash items		
Group contributions received, not settled	-215.0	-160.1
Accrued costs of capital	-2.2	1.1
Total	**-217.2**	**-158.9**

Statements of Changes in Parent Company Equity

2016

Amounts in kSEK	Share capital	Revaluation reserve	Share premium reserve	Retained profit including net profit for year	Total equity
Total equity, 1 January 2016	**867**	**200,000**	**960,138**	**1,024,804**	**2,185,809**
Dividend	–	–	–	-86,653	-86,653
Net profit for the year	–	–	–	106,284	106,284
Total equity, 31 December 2016	**867**	**200,000**	**960,138**	**1,044,435**	**2,205,441**

Comprehensive income for the year is the same as net profit for the year.

2017

Amounts in kSEK	Share capital	Revaluation reserve	Share premium reserve	Retained profit including net profit for year	Total equity
Total equity, 1 January 2017	**867**	**200,000**	**960,138**	**1,044,435**	**2,205,440**
Dividend	–	–	–	-86,653	-86,653
Share issue, net	216	–	790,489	-14,203	776,502
Net profit for the year	–	–	–	145,668	145,668
Total equity, 31 December 2017	**1,083**	**200,000**	**1,750,627**	**1,089,247**	**3,040,957**

Comprehensive income for the year is the same as net profit for the year.

Notes to the Parent Company financial statements

Amounts in MSEK unless otherwise indicated.

Note A1. Accounting policies

INFORMATION ABOUT THE COMPANY

Alimak Group AB, org. reg. no. 556714-1857, operates in the legal form of a public limited company. Its registered office is in Stockholm, Sweden. The address of the Company's headquarters is Brunkebergstorg 5, 3 tr, SE-111 51 Stockholm, Sweden.

The Parent Company applies the Swedish Financial Reporting Board's Recommendation RFR 2 Financial Reporting for Legal Entities. The Parent Company otherwise applies the same principles as the consolidated Group. Any deviations receive separate comment.

GROUP CONTRIBUTIONS AND SHAREHOLDERS' CONTRIBUTIONS

Shareholders' contributions are taken directly to the equity of the receiver and are capitalised in the shares and participations of the donor, provided that there is no need for impairment.

Group contributions are recognised in the income statement as appropriations.

SHARES IN SUBSIDIARIES

Shares in subsidiaries are recognised in accordance with the historical cost method. Acquisition-related costs for subsidiaries are expensed in the consolidated financial statements and are included as part of the historical cost of participations in subsidiaries. The carrying amount for shares in subsidiaries is tested for impairment annually or when there is any indication of impairment.

Note A2. Intra-Group sales and purchases

Of net sales, 100 per cent (100) relates to other Group companies. Of operating costs, 28 per cent (0) relates to purchases from other Group companies.

Note A3. Number of employees, employee benefits and remuneration to Board of Directors and senior executives

	2017		2016	
Average number of employees	**Number**	**Of whom, women, %**	**Number**	**Of whom, women, %**
Sweden	5	40	3	33

Proportion of women in Alimak Group's Board of Directors and management, %	**2017 % women**	**2016 % women**
Board of Directors	25	25
Other senior executives	13	9

	2017		2016	
Salaries, benefits, other remuneration and social welfare contributions	**Board and CEO**	**Other employees**	**Board and CEO**	**Other employees**
Salaries, benefits and other remuneration	12.0	9.1	8.4	6.4
(of which, bonuses etc.)	(3.4)	(1.7)	(1.3)	(1.0)
Social welfare contributions	3.2	2.7	2.1	2.2
(of which, pension costs)	(1.8)	(1.3)	(1.7)	(1.4)
Total	**15.1**	**11.8**	**10.4**	**8.5**

The year's cost for Board fees, as per resolution of the 2017 AGM was MSEK 2.5 (2.5), excluding social welfare contributions.

Of the Group's pension costs, MSEK 1.8 (1.7) refers to the category of Board of Directors and CEO. The Group's outstanding pension commitments to the latter amount to 5.5 (3.0). The CEO is covered by a direct pension plan that is classified and recognised as a defined contribution plan. The direct pension plan is guaranteed via a pledged endowment policy owned by the Company.

For further information on remuneration to the Board members, the CEO and other members of Group management, see Note 6 to the Consolidated financial statements.

Note A3 (cont.)

Note A4. Remuneration to auditors

	2017	2016
Ernst & Young AB		
Auditing assignment	1.0	0.4
Audit work outside the scope of the audit assignment	0.9	–
Total	**1.9**	**0.4**

Note A5. Financial income and expense

Financial income	2017	2016
Interest income from Group companies	27.3	5.2
Interest income, other	1.0	0.4
Exchange gains	0.2	–
Total	**28.5**	**5,6**

Financial expense		
Interest expense to Group companies	-3.1	-1,9
Interest expense, credit institutions	-4.3	-7,6
Other financial expense	-10.3	-0.1
Total	**17.7**	**-9,6**

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

	2017	2016
Current tax	-37.5	–
Deferred tax	0.6	-30.3
Total	**-36.9**	**-30.3**

Reconciliation of effective tax	2017	2016
Pre-tax profit	182.6	136.6
Income tax at current rate, 22 %	-40.2	-30.1
Effect of share issue expenses	3.1	–
Permenately non deductable expenses	-0.4	-0.5
Change in deferred tax assets	0.6	0.2
Recognised effective tax	**-36.9**	**-30,4**

	2017			2016		
Deferred tax assets and liabilities	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Pensions and similar commitments	1.0	–	1.0	0.4	–	0.4
Total	**1.0**	**–**	**1.0**	**0.4**	**–**	**0.4**

Note A7. Shares in Group companies

	2017	2016
Accumulated historical cost		
Opening balance	1,898.4	1,898,4
Shareholder contributions	–	–
	1,898.4	**1,898,4**
Accumulated impairment losses		
Opening balance	–	–
Impairment losses for the year	–	–
Total	**–**	**–**
Carrying amount at year-end	**1,898.4**	**1,898,433**

Note A7 (cont.)

			2017	2016
Subsidiary/ Org. reg. no. / Registered office	**No. of shares**	**Holding, %**	**Carrying amount**	**Carrying amount**
Alimak Hek Group AB/556064-1739/Stockholm, Sweden	6,378,000	100.0	1,898.4	1,898.4
Alimak Hek AB/556033-7528/Skellefteå, Sweden	360,000	100.0	–	–
Alimak Fastigheter HB/916594-5370/Skellefteå, Sweden		50.0	–	–
Alimak Hek Finance AB/556139-0583/Stockholm, Sweden	30,000	100.0	–	–
Alimak Fastigheter HB/916594-5370/Skellefteå, Sweden		50.0	–	–
Heis Tek AS/971171898/Bergen, Norway	1,280	100.0	–	–
Alimak Hek France SAS/348.000.480/Senlis, France	50,000	100.0	–	–
Alimak Hek GmbH/ HRB 4482, Heilbronn, Germany		100.0	–	–
Alimak Hek Ltd/930125/London, United Kingdom	249,999	100.0	–	–
Alimak Hek Ltd/135-81-00265/Seongnam, Korea	12,500	100.0	–	–
Alimak Hek Pte Ltd /199905041Z/Singapore	300,000	100.0	–	–
Alimak Hek Sdn Bhd/500452/Kuala Lumpur, Malaysia	500,000	100.0	–	–
Alimak Hek Pty Ltd/ACN 005 538 947/Victoria, Australia	10,000	100.0	–	–
Alimak Hek Slr/00678770520/Siena, Italy	485,715	100.0	–	–
Alimak Hek S.L./B-31-539513/Pamplona, Spain	3,999	100.0	–	–
Alimak Hek Vertical Access Equipment (Changshu)Co. /78558003-2/Changshu, China		100.0	–	–
Changshu AlimakHek Imp. & Exp. Co. Ltd/320581000280767 /Changshu, China		100.0	–	–
Alimak Hek Inc. /06-1242771/ Houston, USA	5,000	100.0	–	–
Alimak Hek BV/18012724/Tillburg, Netherlands	160	100.0	–	–
Alimak Hek NV/0479695484/Antwerp, Belgium	61.5	100.0	–	–
Avanti Group A/S/33774206/Hillerod, Denmark		100.0	–	–
Facade Access Investement Holdings Pty Ltd/ACN124445969 /Melbourne, Australia		100.0	–	–
Intervect Brasil Ltda/01.452.037/0001-13/Sao Paulo Brazil	1,556,234	100.0	–	–
Alimak Hek India Private Limited /U52341DL2008PTC173118 /Secunderbad, India	99,990	100.0	–	–
Alimak Hek FZE/130418/Dubai, United Arab Emirates	1	100.0	–	–
Carrying amount at year-end			**1,898.4**	**1,898.4**

Note A8. Long-term borrowings

Maturity structure	Carrying amount	<1 year	1 year–5 years	>5 years
2017				
Loans from financial institutions	–	77.1	–	–
Carrying amount at year-end	**–**	**77.1**	**–**	**–**

Note A9. Assets pledged and contingent liabilities

	2017	2016
Assets pledged		
For direct pension commitments	5.5	2.9
Total	**5.5**	**2.9**
Contingent liabilities		
Guarantee for subsidiaries' liabilities to credit institutions	1,249.8	529.1
Indemnity bonds for subsidiaries' guarantees	445.7	106.9
Total	**1,867.8**	**636.0**

The Group has a defined contribution direct pension plan for the CEO. The pension plan is guaranteed via a pledged endowment policy owned by the Company.

The Company's total limits for indemnity bonds for subsidiaries' guarantees are limited to MSEK 170.

Note A10. Equity

PROPOSED APPROPRIATION OF PROFIT, SEK	
The following amounts are available for distribution by the Annual General Meeting	
Retained earnings	2,694,206,709
Net profit for the year	145,667,618
	2,839,874,326
The Board of Directors proposes that the amounts are distributed as follows	
Dividend of SEK 2.30 per share be paid to shareholders*	124,563,080
To be carried forward	2,715,311,246
	2,839,874,326

*The proposed record day for dividend payment is 18 May 2018. The amount proposed as dividend corresponds to SEK 2.30 per share, based on the existing number of shares, 54,157,861. During 2018, the Company issued 10,831,572 new shares to a quotient value of SEK 0,02 per share with a share premium of SEK 72,98 per share.

Note A11. Events after the balance sheet date

For information on events after the balance sheet date, see Note 26 to the Consolidated Financial Statements.

Board of Directors' signatures

The undersigned declare that the consolidated accounts and the annual report have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and generally accepted accounting principles, and give a true and fair view of the financial position and earnings of the Group and the Company, and that the Directors' Report for the Group and the Company give a fair overview of the development of the activities, financial position and financial results of the Group and the Company, and describe substantial risks and uncertainties that the Group companies face.

Stockholm, 23 April 2018

Anders Jonsson
Chairman of the Board

Anders Thelin
Board member

Jan Svensson
Board member

Eva Lindqvist
Board member

Helena Nordman-Knutson
Board member

Joakim Rosengren
Board member

Örjan Fredriksson
Board member & Employee representative

Greger Larsson
Board member & Employee representative

Tormod Gunleiksrud
President & CEO

Our Auditor's Report was submitted on 23 April 2017

Ernst & Young AB

Rickard Andersson
Authorised Public Accountant

Auditor's Report

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Alimak Group AB (publ) for the year 2017. The annual accounts and consolidated accounts of the Company are included on pages 63–114 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 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the Parent Company and the Group.

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

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited Company or, where applicable, its Parent Company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of goodwill

Description	How our audit addressed this key audit matter
In the consolidated balance sheet as per December 31, 2017 reported goodwill amounts to MSEK 2 234, which equals 40 per cent of the Company's total assets. As described in Note 12 goodwill is reviewed for potential impairment whenever there is an indication that the current value may be impaired, or at least annually. Goodwill is allocated to cash generating units and if the book value of the unit exceeds the calculated recoverable value the asset is impaired and written down to the recoverable value. The recoverable amounts of the cash generating units (CGU) are determined on the basis of value-in-use calculations. In Note 12 it is described that the cash flow projections cover 10 years and is based on the Group's strategic plan with an assumed terminal growth rate of 3 per cent annually for each cash generating unit except for Rental were 1 per cent long-term growth has been used. Due to the assumptions and judgments needed to calculate the value in use we have assessed the valuation of goodwill as a key audit matter in the audit.	In the course of our audit we have evaluated the Group's process for impairment testing of goodwill. We have audited how cash generated units are identified compared to set criteria and compared this with how goodwill is followed up internally. We have evaluated the Group's valuation methods and calculation models, assessed the reasonability of assumptions and sensitivity analyses over changes in assumptions with the assistances of our internal valuation specialists and made comparisons against historical results and the precision of prior projections. We have assessed the reasonability of the discount rate and the terminal growth rate for each of the cash generating units through benchmarking to market data and, where applicable, companies in the same industry. We have also verified that disclosures in the annual report relating to goodwill are appropriate.

Revenue recognition

Description	How our audit addressed this key audit matter
In the Group's statement of income for the period ended December 31, 2017 revenues amount to MSEK 4 000,7. As described in Note 2 revenues from sold products and spares are recorded after the significant risks and rewards have been transferred to the buyer and Alimak Group no longer has authority or control over the goods. Revenues from construction and service contracts is recorded as sales under the percentage of completion method when the outcome of the project can be estimated reliably. 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 based on that the Group makes assessments though the interpretation of agreements and delivery terms as well as determination of percentage of completion which affects the accounting period in which revenue should be recognized.	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, 2017, against customer agreements and delivery terms. For projects where revenue is recognized using the percentage of completion method we have for a sample evaluated management's assessment of cost to complete and on a sample basis tested that incurred cost such as invoices and hours spent are related to the projects. We have also verified that disclosures in the annual report relating to revenues are appropriate.

Business combinations

Description	How our audit addressed this key audit matter
In 2017 the Company has finalized two significant business combinations through the acquisition of shares in Avanti Wind Systems and Facade Access Group. As described in Note 2 net assets acquired through business combinations are measured at fair value. The consideration exceeding the value of net assets acquired is recognized as goodwill. The fair value determinations of the Company's acquisitions are disclosed in Note 25. As described in Note 2 the fair value determinations requires management judgement and assumptions. Due to the substance of the transactions and that the fair value determinations related to business combinations involves a high degree of management judgment we have assessed business combinations as a key audit matter in our audit.	In our audit we have reviewed the purchase agreements and the opening balances at time of the acquisitions. We have reviewed management's purchase price allocation process. We have, with support from our valuation specialists, evaluated management's assessments and valuations of identifiable assets and assumed liabilities including discount rate, expected cash flows and useful lives of the assets. In addition, we have reviewed the disclosures and determined if they are in line with the requirements.

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 1–39 and 118–119. 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 2017 and the proposed appropriations of the Company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (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 the 11 May 2017 and has been the Company's auditor since the 3 October 2013.

Stockholm 23 April, 2018
Ernst & Young AB

Rickard Andersson
Authorized Public Accountant

Information to shareholders

The AGM of Alimak Group AB (publ) will be held at 5.00 p.m. on Wednesday, 16 May, 2018 in Kreugersalen, Tändstickspalatset, Västra Trädgårdsgatan 15, Stockholm, Sweden.

Anyone wishing to attend the meeting must:
- be entered as a shareholder in the share register maintained by Euroclear Sweden AB as of Wednesday, 9 May, 2018; and
- give notice to the Company of their intention to attend, by no later than Wednesday, 9 May, 2018.

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 Wednesday, 9 May 2018. 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 above. 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 Company website: www.alimakgroup.com;
- By letter to: AGM 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 2018 Annual General Meeting regarding the Chairman of the meeting, number of Board members, fees to be paid to each of the Board members, election of Board members and Board Chairman, remuneration to the auditor and election of auditor and, if neccessary, proposal for changes for the Nomination Committee. The Nomination Committee for the AGM 2018 comprises the following members:
- Anders Mörck, Latour, Chairman of the Nomination Committee
- Johan Lannebo, Lannebo Fonder
- Åsa Nisell, Swedbank Robur Fonder
- Michael Green, Handelsbanken Fonder
- Anders Jonsson, Alimak Group's Chairman of the Board

DIVIDEND

18 May, 2018 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 23 May, 2018.

For more information, please contact:
Mathilda Eriksson, IR Manager
Telephone: (Int.+46) (0)8-402 14 41
E-mail: mathilda.eriksson@alimakgroup.com

FINANCIAL REPORTS ARE AVAILABLE ON REQUEST FROM ALIMAK GROUP

- Via the Company's website: www.alimakgroup.com
- By telephone on: (Int.+46) (0)8-402 14 41
- Mailing address: Alimak Group, Box 70340, SE-107 23 Stockholm, Sweden

Definitions

In this report, alternative performance measures (APMs) are used, that is, key performance and earnings measures that are not defined in IFRS. APMs are used as guidance to both investors and management in their analysis of the Company's operations. The alternative performance measures used are described in the following.

Average number of shares, diluted
Weighted average number of shares outstanding during the period, plus potential additional shares.

Earnings per share, basic/diluted
Earnings after tax in relation to the average number of shares basic and diluted.

EBITA
Operating profit before depreciation and amortisation of intangible assets.

EBITDA
Operating profit before depreciation and amortisation, 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.

Interest coverage ratio
Profit after financial items plus financial expenses in relation to financial expenses.

Items affecting comparability
Nonrecurring income 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.

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: Sthlm Kommunikation & IR

Design: Anders Schmidt, Uniform

Photos: Peter Karlsson, Svarteld (cover, fold, p 1, 4, 11, 14, 16, 21, 24, 26, 28, 33, 35, 37, 41, 49, 58-61. Cases, 6-7, 9, 10-11, 13), Gary Clarke (cases p 5), Offshoreenergytoday.com (p 20), Unsplash (22, cases: 14, David Rodrigo p 5, 14, Bobby Ghoshal p 15, Steven Hung p 15, Vlad Shapochnikov p 15). Shutterstock (cases p 2-3, 14). Richard Inman (cases p 14). Other photos Alimak Gorup

Print: Strokirk-Landströms 2018

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