# Third quarter 2017

## Summary

| SEK millions | Third quarter 2017 | 2016 | % | % * | First nine months 2017 | 2016 | % | % * |
|---|---|---|---|---|---|---|---|---|
| Order intake | 8,418 | 7,540 | 12 | 15 | 26,848 | 23,351 | 15 | 12 |
| Net sales | 8,169 | 8,581 | -5 | -2 | 25,202 | 25,730 | -2 | -4 |
| Adjusted EBITA ** | 1,310 | 1,339 | -2 | | 3,999 | 4,065 | -2 | |
| - adjusted EBITA margin (%) ** | 16.0 | 15.6 | | | 15.9 | 15.8 | | |
| Result after financial items | 1,012 | 93 | 988 | | 3,013 | 2,448 | 23 | |
| Net income for the period | 672 | -106 | | | 1,927 | 1,696 | 14 | |
| Earnings per share (SEK) | 1.59 | -0.27 | | | 4.57 | 4.00 | 14 | |
| Cash flow *** | 1,044 | 911 | 15 | | 2,890 | 3,054 | -5 | |
| Impact on adjusted EBITA of: | | | | | | | | |
| - foreign exchange effects | 19 | 107 | | | 190 | 337 | | |
| Impact on result after financial items of: | | | | | | | | |
| - comparison distortion items | - | -1,100 | | | - | -1,100 | | |

* Excluding currency effects. ** Alternative performance measures, see page 23. *** From operating activities.

## Comment from Tom Erixon, President and CEO

“The order intake in the third quarter increased by 15 percent compared to the same quarter last year. The development was particularly strong in the Marine Division, primarily driven by a good order intake for environmental applications and an improved contracting for tankers at the ship yards. Geographically, the most positive development was seen in Asia and North America. Compared to the previous quarter, the order intake decreased as expected, mainly due to fewer bookings of large orders, fewer projects within Food & Water and a normal seasonality for HVAC applications.

The adjusted EBITA margin improved in the quarter and amounted to 16 percent. The impact from the lower invoicing in the Marine Division was compensated by clear margin reinforcements in the Energy Division and the Food & Water Division. The unit called Greenhouse was affected by a factory closing in the U.S. Excluding these one-time costs the result in Greenhouse was stable compared to the previous quarter.

The change programme had a continued positive effect in the quarter. The part that relates to changes in the manufacturing structure continued according to plan.

Operations had a good productivity development in the quarter. Previous capacity adaptations, combined with an increased production pace impacted the gross margin positively. Selective investments to increase the production capacity are carried through in light of the increased order intake that has been seen during the year.”

## Outlook for the fourth quarter

“We expect that demand during the fourth quarter 2017 will be somewhat higher than in the third quarter.”

*Earlier published outlook (July 17, 2017): “We expect that demand during the third quarter 2017 will be lower than in the second quarter.”*

The interim report has been reviewed by the company’s auditors, see page 24 for the review report.

This information is information that Alfa Laval AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out below, at CET 7.30 on October 25, 2017.


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# Management's discussion and analysis

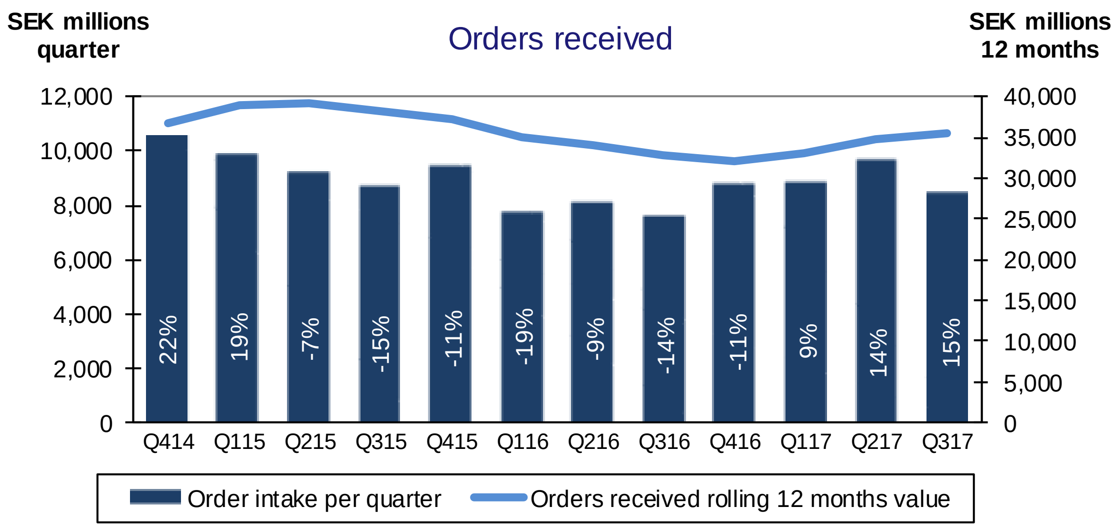
## Important events during the third quarter

**Large orders [1] in the third quarter**

| Division / Business Unit / Scope of supply | Delivery date | Order amount | Total per Business Unit Q3 2017 | Total per Business Unit Q3 2016 |
|---|---|---|---|---|
| | | SEK millions | | |
| Food & Water | | | | |
| Food Systems | | | | |
| Equipment to a fermentation plant in India. | 2017/2018 | 60 | 60 | - |
| Marine | | | | |
| Boiler & Gas Systems | | | | |
| A waste heat recovery system to a power plant in Southeast Asia. | 2018 | 50 | 50 | - |
| Total | | | 110 | - |

## Order intake

Orders received has amounted to SEK 8,418 (7,540) million for the third quarter and to SEK 26,848 (23,351) million for the first nine months 2017. Compared with earlier periods the development per quarter has been as follows.




% = change by quarter compared to corresponding period last year, at constant rates

1. Orders with a value over EUR 5 million.

The change compared with the corresponding periods last year and the previous quarter can be split into:

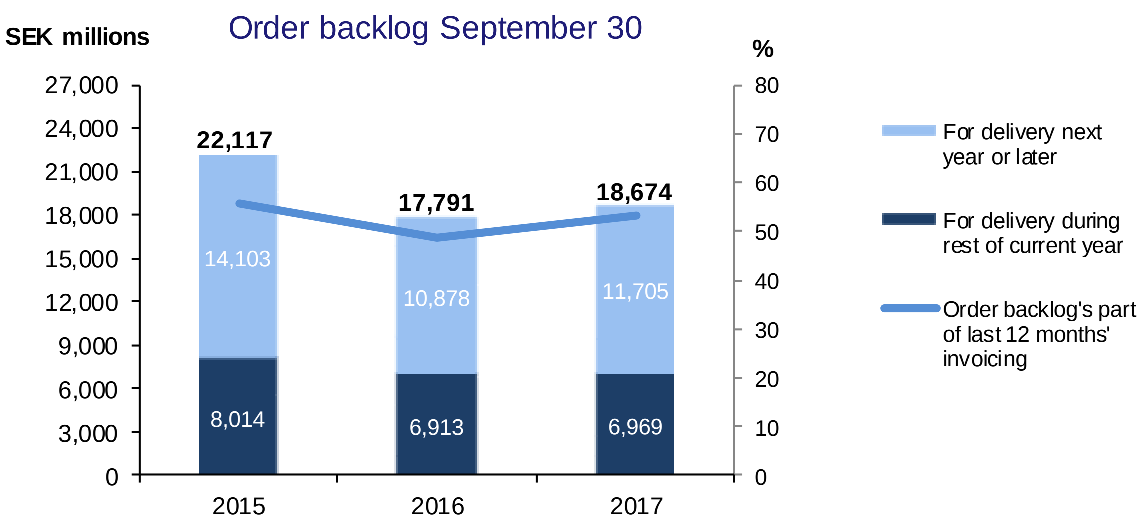
| Consolidated | Order bridge | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Change | | | | | |
| | Order intake | Excluding currency effects | | | After currency effects | | Order intake |
| | Prior periods SEK millions | Structural change [2] (%) | Organic development [3] (%) | Total (%) | Currency effects (%) | Total (%) | Current periods SEK millions |
| Q3 2017/2016 | 7,540 | - | 14.9 | 14.9 | -3.3 | 11.6 | 8,418 |
| Q3 2017/Q2 2017 | 9,629 | - | -9.0 | -9.0 | -3.6 | -12.6 | 8,418 |
| YTD 2017/2016 | 23,351 | - | 12.5 | 12.5 | 2.5 | 15.0 | 26,848 |

Orders received from the aftermarket Service[4] constituted 30.8 (34.0) percent of the Group's total orders received during the third quarter and 30.8 (33.5) percent during the first nine months 2017.

The change compared with the corresponding periods last year and the previous quarter can be split into:

| Consolidated | Service order intake | | |
|---|---|---|---|
| | Change excluding currency effects | | |
| % | Structural change | Organic development | Total |
| Q3 2017/2016 | - | 4.3 | 4.3 |
| Q3 2017/Q2 2017 | - | -5.9 | -5.9 |
| YTD 2017/2016 | - | 3.5 | 3.5 |

## Order backlog




Excluding currency effects and adjusted for acquisition of businesses the order backlog was 2.4 percent larger than the order backlog at September 30, 2016 and 9.4 percent larger than the order backlog at the end of 2016.

2. Structural change relates to acquisition of businesses.
3. Organic development relates to change excluding acquisition of businesses.
4. Parts and service.

# Net sales

Net invoicing was SEK 8,169 (8,581) million for the third quarter and SEK 25,202 (25,730) million for the first nine months 2017. The change compared with the corresponding periods last year and the previous quarter can be split into:

## Sales bridge

| Consolidated | Net sales | Change: Excluding currency effects | | | Change: After currency effects | | Net sales |
|---|---|---|---|---|---|---|---|
| | Prior periods SEK millions | Structural change (%) | Organic development (%) | Total (%) | Currency effects (%) | Total (%) | Current periods SEK millions |
| Q3 2017/2016 | 8,581 | - | -2.2 | -2.2 | -2.6 | -4.8 | 8,169 |
| Q3 2017/Q2 2017 | 8,907 | - | -4.9 | -4.9 | -3.4 | -8.3 | 8,169 |
| YTD 2017/2016 | 25,730 | - | -4.2 | -4.2 | 2.1 | -2.1 | 25,202 |

Net invoicing relating to Service constituted 31.2 (30.0) percent of the Group's total net invoicing in the third quarter and 31.2 (29.5) percent in the first nine months 2017. The change compared with the corresponding periods last year and the previous quarter can be split into:

## Service sales

| Consolidated | Change excluding currency effects | | |
|---|---|---|---|
| % | Structural change | Organic development | Total |
| Q3 2017/2016 | - | 1.6 | 1.6 |
| Q3 2017/Q2 2017 | - | -4.1 | -4.1 |
| YTD 2017/2016 | - | 1.4 | 1.4 |

# Income

## CONSOLIDATED COMPREHENSIVE INCOME

| SEK millions | Third quarter 2017 | Third quarter 2016 | First nine months 2017 | First nine months 2016 | Full year 2016 | Last 12 months |
|---|---|---|---|---|---|---|
| Net sales | 8,169 | 8,581 | 25,202 | 25,730 | 35,634 | 35,106 |
| Cost of goods sold | -5,405 | -6,336 | -16,706 | -17,733 | -24,581 | -23,554 |
| Gross profit | 2,764 | 2,245 | 8,496 | 7,997 | 11,053 | 11,552 |
| Sales costs | -1,018 | -1,138 | -3,076 | -3,386 | -4,328 | -4,018 |
| Administration costs | -378 | -327 | -1,308 | -1,056 | -1,649 | -1,901 |
| Research and development costs | -201 | -191 | -618 | -590 | -822 | -850 |
| Other operating income | 135 | 97 | 433 | 383 | 613 | 663 |
| Other operating costs | -257 | -721 | -735 | -1,194 | -1,893 | -1,434 |
| Share of result in joint ventures | 10 | 3 | 20 | 15 | 15 | 20 |
| Operating income | 1,055 | -32 | 3,212 | 2,169 | 2,989 | 4,032 |
| Dividends and changes in fair value | 0 | 0 | 0 | 0 | 47 | 47 |
| Interest income and financial exchange rate gains | 53 | 141 | 214 | 357 | 645 | 502 |
| Interest expense and financial exchange rate losses | -96 | -16 | -413 | -78 | -356 | -691 |
| Result after financial items | 1,012 | 93 | 3,013 | 2,448 | 3,325 | 3,890 |
| Taxes | -340 | -199 | -1,086 | -752 | -1,013 | -1,347 |
| **Net income for the period** | 672 | -106 | 1,927 | 1,696 | 2,312 | 2,543 |
| Other comprehensive income:<br>Items that will subsequently be reclassified to net income | | | | | | |
| Cash flow hedges | 185 | 137 | 311 | 280 | 245 | 276 |
| Market valuation of external shares | 0 | 0 | 0 | 0 | 0 | 0 |
| Translation difference | -202 | 829 | -1,271 | 1,588 | 1,882 | -977 |
| Deferred tax on other comprehensive income | -33 | -61 | 82 | -92 | -143 | 31 |
| Sum | -50 | 905 | -878 | 1,776 | 1,984 | -670 |
| Items that will subsequently not be reclassified to net income | | | | | | |
| Revaluations of defined benefit obligations | 50 | 25 | 150 | 75 | -505 | -430 |
| Deferred tax on other comprehensive income | -14 | -7 | -42 | -21 | 67 | 46 |
| Sum | 36 | 18 | 108 | 54 | -438 | -384 |
| **Comprehensive income for the period** | 658 | 817 | 1,157 | 3,526 | 3,858 | 1,489 |
| **Net income attributable to:** | | | | | | |
| Owners of the parent | 669 | -111 | 1,917 | 1,678 | 2,289 | 2,528 |
| Non-controlling interests | 3 | 5 | 10 | 18 | 23 | 15 |
| Earnings per share (SEK) | 1.59 | -0.27 | 4.57 | 4.00 | 5.46 | 6.03 |
| Average number of shares | 419,456,315 | 419,456,315 | 419,456,315 | 419,456,315 | 419,456,315 | 419,456,315 |
| **Comprehensive income attributable to:** | | | | | | |
| Owners of the parent | 658 | 810 | 1,154 | 3,487 | 3,815 | 1,482 |
| Non-controlling interests | 0 | 7 | 3 | 39 | 43 | 7 |

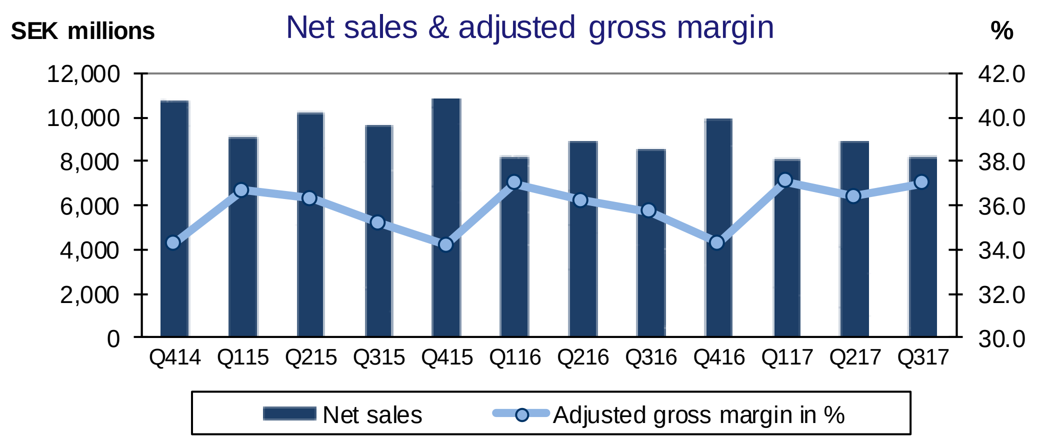
The gross profit has been affected negatively by a lower invoicing volume and positively by a favourable mix between capital sales and service, a better utilisation in certain factories and by currency effects.

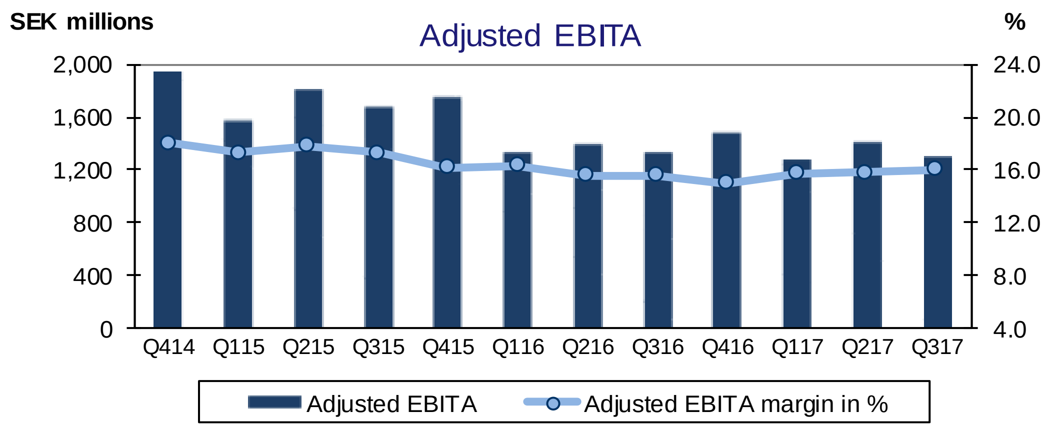
Sales and administration expenses amounted to SEK 1,396 (1,465) million during the third quarter and SEK 4,384 (4,442) million during the first nine months 2017. Excluding currency effects and acquisition of businesses, sales and administration expenses were 3.8 percent and 3.4 percent respectively lower than the corresponding periods last year. The decrease is entirely explained by the change programme that was initiated during the last six months of 2016. The corresponding figure when comparing the third quarter 2017 with the previous quarter is a decrease with 7.1 percent.

The costs for research and development during the first nine months 2017 corresponded to 2.5 (2.3) percent of net sales. Excluding currency effects and acquisition of businesses, the costs for research and development have increased by 6.3 percent during the third quarter and by 3.6 percent during the first nine months 2017 compared to the corresponding periods last year. The corresponding figure when comparing the third quarter 2017 with the previous quarter is a decrease with 7.2 percent.

Earnings per share, excluding amortisation of step-up values and the corresponding tax*, was SEK 5.94 (6.47) for the first nine months 2017.

| Consolidated | Income analysis | | | | | |
|---|---|---|---|---|---|---|
| | Third quarter | | First nine months | | Full year | Last 12 |
| SEK millions | 2017 | 2016 | 2017 | 2016 | 2016 | months |
| Net sales | 8,169 | 8,581 | 25,202 | 25,730 | 35,634 | 35,106 |
| Adjusted gross profit * | 3,019 | 3,066 | 9,283 | 9,343 | 12,744 | 12,684 |
| ***- adjusted gross margin (%) **** | ***37.0*** | ***35.7*** | ***36.8*** | ***36.3*** | ***35.8*** | ***36.1*** |
| Expenses ** | -1,558 | -1,568 | -4,816 | -4,800 | -6,548 | -6,564 |
| *- in % of net sales* | *19.1* | *18.3* | *19.1* | *18.7* | *18.4* | *18.7* |
| **Adjusted EBITDA *** | **1,461** | **1,498** | **4,467** | **4,543** | **6,196** | **6,120** |
| *- adjusted EBITDA margin (%) ** | *17.9* | *17.5* | *17.7* | *17.7* | *17.4* | *17.4* |
| Depreciation | -151 | -159 | -468 | -478 | -643 | -633 |
| **Adjusted EBITA *** | **1,310** | **1,339** | **3,999** | **4,065** | **5,553** | **5,487** |
| ***- adjusted EBITA margin (%) **** | ***16.0*** | ***15.6*** | ***15.9*** | ***15.8*** | ***15.6*** | ***15.6*** |
| Amortisation of step-up values | -255 | -271 | -787 | -796 | -1,064 | -1,055 |
| Comparison distortion items: | | | | | | |
| Write down of goodwill and step-up values | - | -550 | - | -550 | -627 | -77 |
| Restructuring | - | -550 | - | -550 | -873 | -323 |
| Operating income | 1,055 | -32 | 3,212 | 2,169 | 2,989 | 4,032 |




* Alternative performance measures, see page 23. ** Excluding comparison distortion items.

# Comparison distortion items

| Consolidated | Comparison distortion items | | | | | |
|---|---|---|---|---|---|---|
| | Third quarter | | First nine months | | Full year | Last 12 |
| SEK millions | 2017 | 2016 | 2017 | 2016 | 2016 | months |
| **Operational** | | | | | | |
| Cost of goods sold | -5,405 | -5,786 | -16,706 | -17,183 | -23,954 | -23,477 |
| Comparison distortion costs 1) | - | -550 | - | -550 | -627 | -77 |
| Total cost of goods sold | -5,405 | -6,336 | -16,706 | -17,733 | -24,581 | -23,554 |
| | | | | | | |
| Other operating costs | -257 | -171 | -735 | -644 | -1,020 | -1,111 |
| Comparison distortion costs 2) | - | -550 | - | -550 | -873 | -323 |
| Total other operating costs | -257 | -721 | -735 | -1,194 | -1,893 | -1,434 |

1) Write down of allocated step-up values and goodwill.
2) Costs for lay-off of about 1,000 employees, write down of assets and provisions for lease agreements.

The comparison distortion costs during 2016 related to three initiatives that Group Management started for cost adaptations and a new organisation, restructuring of the manufacturing structure and transformation of the activities within "Greenhouse". During the first nine months 2017 savings of SEK 230 million were realised as a result of the initiatives.

# Consolidated financial net and taxes

The financial net for the first nine months 2017 has amounted to SEK -73 (-94) million, excluding realised and unrealised exchange rate losses and gains. The main elements of costs were interest on the debt to the banking syndicate of SEK -4 (-6) million, interest on the bilateral term loans of SEK -31 (-43) million, interest on the private placement of SEK - (-3) million, interest on the commercial papers of SEK 0 (-0) million, interest on the corporate bonds of SEK -58 (-60) million and a net of dividends, fair value changes and other interest income and interest costs of SEK 20 (18) million. The net of realised and unrealised exchange rate differences has amounted to SEK -126 (373) million.

The tax on the result after financial items was SEK -340 (-199) million in the third quarter and SEK -1 086 (-752) million in the first nine months 2017. The tax cost for the third quarter and the first nine months 2017 has been affected by a dividend distribution tax in India of SEK -100 million. The tax cost for the first nine months 2017 has also been affected by a non-recurring item of SEK -113 million concerning additional tax relating to prior years concerning acquired businesses according to a settlement with the former owners. The tax cost for the first nine months 2016 was affected by non-recurring items of about SEK +86 million concerning adjustments of deferred taxes relating to step up values, due to reduced company taxes in certain countries and thereby decreased deferred tax liabilities.

# Key figures

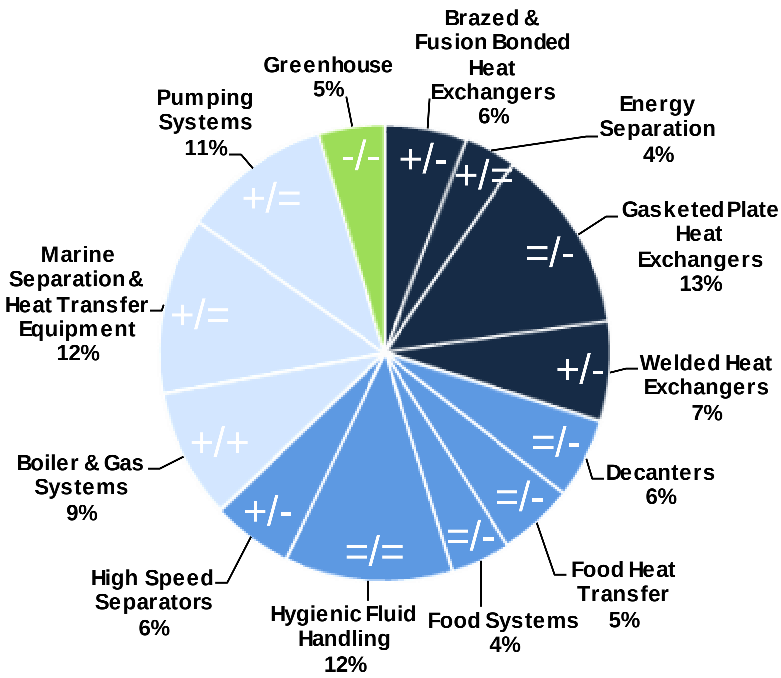
| Consolidated | Key figures | | |
|---|---|---|---|
| | September 30 | | December 31 |
| | 2017 | 2016 | 2016 |
| Return on capital employed (%) * | 15.5 | 17.0 | 15.3 |
| Return on equity (%) ** | 12.7 | 13.9 | 11.8 |
| Solidity (%) *** | 38.6 | 37.7 | 38.0 |
| Net debt to EBITDA, times * | 1.60 | 1.90 | 1.81 |
| Debt ratio, times * | 0.47 | 0.56 | 0.47 |
| Number of employees (at the end of the period) | 16,388 | 17,192 | 16,941 |

* Alternative performance measures, see page 23.
** Net income in relation to average equity, calculated on 12 months' revolving basis, expressed in percent.
*** Equity in relation to total assets at the end of the period, expressed in percent.
Observe that the return on capital employed and on equity has been impacted by the one-time costs during the last two quarters 2016.

# Business Divisions

The development of the order intake for the Divisions and their Business Units and the split between capital sales and after sales & service appear in the following charts.

## Orders received by Business Unit Q3 2017




| Q3 2017 compared to Q3 2016 | / | Q3 2017 compared to Q2 2017 |
|---|---|---|

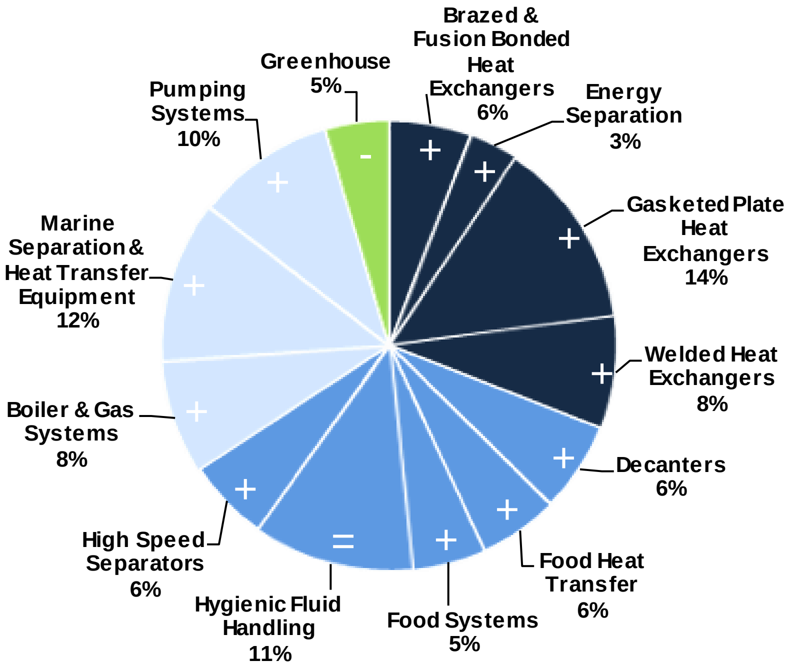
+ increase

- decrease

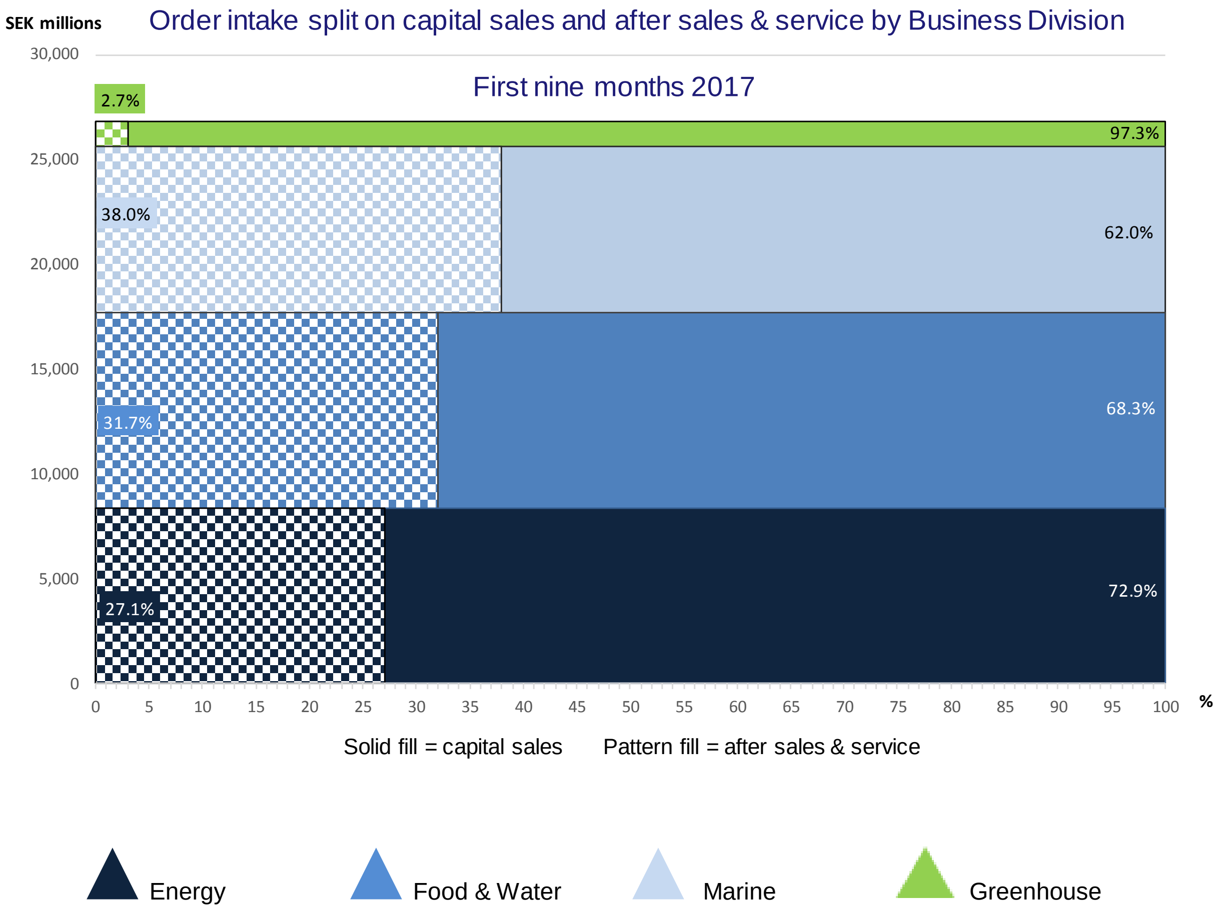
= unchanged (+/- 3 %)

at constant rates adjusted for acquisition of businesses

## Orders received by Business Unit YTD 2017




YTD 2017 compared to YTD 2016


SEK millions
Order intake split on capital sales and after sales & service by Business Division
First nine months 2017
30,000
25,000
20,000
15,000
10,000
5,000
0
2.7%
97.3%
38.0%
62.0%
31.7%
68.3%
27.1%
72.9%
0 5 10 15 20 25 30 35 40 45 50 55 60 65 70 75 80 85 90 95 100
%
Solid fill = capital sales
Pattern fill = after sales & service
Energy
Food & Water
Marine
Greenhouse

# Energy Division

| Consolidated SEK millions | Third quarter 2017 | Third quarter 2016 | First nine months 2017 | First nine months 2016 | Full year 2016 | Last 12 months |
|---|---|---|---|---|---|---|
| Orders received | 2,513 | 2,475 | 8,323 | 7,284 | 10,208 | 11,247 |
| Order backlog* | 4,883 | 4,252 | 4,883 | 4,252 | 4,230 | 4,883 |
| Net sales | 2,598 | 2,584 | 7,742 | 7,641 | 10,641 | 10,742 |
| Operating income** | 417 | 351 | 1,056 | 976 | 1,423 | 1,503 |
| Operating margin*** | 16.1% | 13.6% | 13.6% | 12.8% | 13.4% | 14.0% |
| Depreciation and amortisation | 74 | 75 | 230 | 223 | 302 | 309 |
| Investments | 16 | 14 | 48 | 44 | 76 | 80 |
| Assets* | 9,181 | 8,883 | 9,181 | 8,883 | 8,797 | 9,181 |
| Liabilities* | 3,175 | 2,522 | 3,175 | 2,522 | 2,608 | 3,175 |
| Number of employees* | 3,058 | 3,497 | 3,058 | 3,497 | 3,440 | 3,058 |

* At the end of the period. ** In management accounts. *** Operating income in relation to net sales.

| Consolidated | Change excluding currency effects | | | | | |
|---|---|---|---|---|---|---|
| | Order intake | | | Net sales | | |
| % | Structural change | Organic development | Total | Structural change | Organic development | Total |
| Q3 2017/2016 | - | 6.9 | 6.9 | - | 4.2 | 4.2 |
| Q3 2017/Q2 2017 | - | -16.2 | -16.2 | - | -5.8 | -5.8 |
| YTD 2017/2016 | - | 13.4 | 13.4 | - | 0.0 | 0.0 |

All comments below are excluding currency effects.

### Order intake

The Energy Division's overall order volume decreased in the third quarter compared to the previous quarter, mainly due to fewer large orders. The overall base business*, however, remained on the good level recorded in the second quarter.

**Welded Heat Exchangers** showed a continued positive base-business development, but declined overall as the number of larger projects that was booked in the quarter declined. The main driver for the positive base business outcome was the volumes generated by customers in the hydro carbon chain. Also for the **Energy Separation** Business Unit, the overall order volumes were down, due to non-repeat larger orders in oil & gas. Power, steel, mining and petrochemicals, however, all grew. The base business developed well across the business unit. The order intake for the Business Unit **Gasketed Heat Exchangers** was down, due to the non-repeat of a very large petrochemical order in the previous quarter. Equipment for HVAC and oil & gas-related applications, however, did well. The base business was flat compared to the previous quarter. The **Brazed & Fusion Bonded** Business Unit saw order volumes come down compared to the record-high levels seen in the second quarter. This is in line with normal seasonality for the customers in the heat pump and A/C industries.

Service also reported a decline compared to the previous quarter, the main reason being the non-repeat of larger service orders in oil & gas, refinery and power.

### Operating income

The increased operating income for Energy during the third quarter 2017 compared to the corresponding period last year is above all explained by positive effects from the Group's change programme and an improved sales mix.

* Base business and base orders refer to orders with an order value of less than EUR 0.5 million.

# Food & Water Division

| Consolidated | | | | | | |
|---|---|---|---|---|---|---|
| | Third quarter | | First nine months | | Full year | Last 12 |
| SEK millions | 2017 | 2016 | 2017 | 2016 | 2016 | months |
| Orders received | 2,788 | 2,795 | 9,335 | 8,318 | 11,327 | 12,344 |
| Order backlog* | 4,541 | 3,963 | 4,541 | 3,963 | 3,741 | 4,541 |
| Net sales | 2,882 | 2,797 | 8,563 | 8,088 | 11,364 | 11,839 |
| Operating income** | 410 | 351 | 1,263 | 1,139 | 1,596 | 1,720 |
| Operating margin*** | 14.2% | 12.5% | 14.7% | 14.1% | 14.0% | 14.5% |
| Depreciation and amortisation | 31 | 42 | 107 | 122 | 165 | 150 |
| Investments | 18 | 14 | 37 | 45 | 82 | 74 |
| Assets* | 8,084 | 7,556 | 8,084 | 7,556 | 7,525 | 8,084 |
| Liabilities* | 3,579 | 2,669 | 3,579 | 2,669 | 2,785 | 3,579 |
| Number of employees* | 4,007 | 3,702 | 4,007 | 3,702 | 3,674 | 4,007 |

* At the end of the period. ** In management accounts. *** Operating income in relation to net sales.

| Consolidated | Change excluding currency effects | | | | | |
|---|---|---|---|---|---|---|
| | **Order intake** | | | **Net sales** | | |
| % | Structural change | Organic development | Total | Structural change | Organic development | Total |
| Q3 2017/2016 | - | 4.6 | 4.6 | - | 6.5 | 6.5 |
| Q3 2017/Q2 2017 | - | -13.3 | -13.3 | - | 2.7 | 2.7 |
| YTD 2017/2016 | - | 11.2 | 11.2 | - | 4.4 | 4.4 |

All comments below are excluding currency effects.

### Order intake

The division showed a decline in order intake in the third quarter compared to the previous quarter, primarily due to fewer larger orders. The effect was particularly evident in edible oil, but also in ethanol, starch and sugar. Dairy was unchanged compared to the second quarter, while growth was recorded in areas exposed to the pharma & biotech markets. Geographically, contractions were seen in Western and Eastern Europe as well as the Americas, while Asia was unchanged.

Business Unit **High Speed Separation** declined due to lower demand from brewery, pharma and biotech as well as dairy, whereas the edible oil business recorded growth. Business Unit **Decanters** declined, partly due to a certain decline in general food applications, but more so because activity in the water treatment and waste water sector came down from the high level seen in the second quarter. A good development was noted in the areas of ethanol and starch. Order intake in Business Unit **Food Heat Transfer** was affected by a decline in traditional food applications. Brewery, however, was unchanged and the dairy sector showed a strong increase. Business Unit **Hygienic Fluid Handling** reported an unchanged order intake compared to the previous quarter. Pharma was flat, dairy developed favourably while a certain decline was noted for applications towards the other food markets. Business Unit **Food Systems** showed a decline, due to the non-repeat of larger orders, particularly in edible oil, but to some extent also within other food applications. A very large order was recorded in India, giving a strong boost to the biotech sector. Brewery also showed growth.

The aftermarket showed an overall slight decline, although both Food Heat Transfer and Hygienic Fluid handling noted unchanged levels from the previous quarter.

### Operating income

The increase in operating income for Food & Water during the third quarter 2017 compared to the corresponding period last year is explained by a slightly higher invoicing and the effect of the savings' programme.

# Marine Division

| Consolidated | | | | | | |
|---|---|---|---|---|---|---|
| | Third quarter | | First nine months | | Full year | Last 12 |
| SEK millions | 2017 | 2016 | 2017 | 2016 | 2016 | months |
| Orders received | 2,725 | 1,824 | 7,959 | 6,517 | 8,760 | 10,202 |
| Order backlog* | 8,714 | 9,074 | 8,714 | 9,074 | 8,285 | 8,714 |
| Net sales | 2,322 | 2,826 | 7,652 | 8,923 | 12,125 | 10,854 |
| Operating income** | 361 | 508 | 1,171 | 1,640 | 2,051 | 1,582 |
| Operating margin*** | 15.5% | 18.0% | 15.3% | 18.4% | 16.9% | 14.6% |
| Depreciation and amortisation | 188 | 194 | 573 | 569 | 765 | 769 |
| Investments | 18 | 14 | 38 | 51 | 77 | 64 |
| Assets* | 23,335 | 23,795 | 23,335 | 23,795 | 23,380 | 23,335 |
| Liabilities* | 5,762 | 5,055 | 5,762 | 5,055 | 5,126 | 5,762 |
| Number of employees* | 2,906 | 3,011 | 2,906 | 3,011 | 2,962 | 2,906 |

* At the end of the period. ** In management accounts. *** Operating income in relation to net sales.

| Consolidated | Change excluding currency effects | | | | | |
|---|---|---|---|---|---|---|
| | **Order intake** | | | **Net sales** | | |
| % | Structural change | Organic development | Total | Structural change | Organic development | Total |
| Q3 2017/2016 | - | 52.6 | 52.6 | - | -14.9 | -14.9 |
| Q3 2017/Q2 2017 | - | 4.2 | 4.2 | - | -10.5 | -10.5 |
| YTD 2017/2016 | - | 19.5 | 19.5 | - | -15.8 | -15.8 |

All comments below are excluding currency effects.

### Order intake

Order intake for the Marine Division increased somewhat in the third quarter compared to the second quarter 2017, mainly due to higher demand for boilers.

Business Unit **Marine Separation & Heat Transfer Equipment** reported an unchanged order intake in the third quarter compared to the second. Demand for separators and heat exchangers grew, while demand for equipment for engine power plants was down from the previous quarter. PureBallast only declined somewhat from the very strong level seen in the previous quarter, with a good mix between new-build orders and retrofit. The **Boiler & Gas Systems** Business Unit reported a good quarter, as demand for boilers increased for marine as well as diesel engine power applications. The higher order intake for boilers was only partly off-set by lower demand for Alfa Laval PureSOx. The **Pumping Systems** Business Unit was unchanged from the previous quarter, as contracting of chemical tankers at yards in South Korea and China led to a continued good demand for cargo pumping systems.

Service declined, partly as there was less of offshore commissioning for pumping systems, following a very strong second quarter. The order intake increased somewhat compared to last year.

### Operating income

The decrease in operating income for Marine during the third quarter 2017 compared to the corresponding period last year is explained by a lower sales volume and a negative mix in capital sales, partly compensated by primarily the effects of the savings' programme and positive currency effects.

# Greenhouse Division

| Consolidated | Third quarter | | First nine months | | Full year | Last 12 |
|---|---|---|---|---|---|---|
| SEK millions | 2017 | 2016 | 2017 | 2016 | 2016 | months |
| Orders received | 392 | 446 | 1,231 | 1,232 | 1,765 | 1,764 |
| Order backlog* | 536 | 502 | 536 | 502 | 614 | 536 |
| Net sales | 367 | 374 | 1,245 | 1,078 | 1,504 | 1,671 |
| Operating income** | -34 | -39 | -26 | -118 | -143 | -51 |
| Operating margin*** | -9.3% | -10.4% | -2.1% | -11.0% | -9.5% | -3.1% |
| Depreciation and amortisation | 12 | 23 | 37 | 67 | 77 | 47 |
| Investments | 1 | 4 | 5 | 13 | 21 | 13 |
| Assets* | 1,053 | 1,192 | 1,053 | 1,192 | 1,162 | 1,053 |
| Liabilities* | 516 | 519 | 516 | 519 | 572 | 516 |
| Number of employees* | 686 | 1,114 | 686 | 1,114 | 1,082 | 686 |

* At the end of the period. ** In management accounts. *** Operating income in relation to net sales.

| Consolidated | Change excluding currency effects | | | | | |
|---|---|---|---|---|---|---|
| | **Order intake** | | | **Net sales** | | |
| % | Structural change | Organic development | Total | Structural change | Organic development | Total |
| Q3 2017/2016 | - | -12.1 | -12.1 | - | -2.1 | -2.1 |
| Q3 2017/Q2 2017 | - | -5.9 | -5.9 | - | -16.5 | -16.5 |
| YTD 2017/2016 | - | -3.9 | -3.9 | - | 11.4 | 11.4 |

All comments below are excluding currency effects.

### Order intake

Greenhouse's overall order intake decreased in the third quarter compared to the previous quarter, as heat exchanger systems saw a seasonally reduced demand and as a structural change was implemented in tubular heat exchangers.

Heat exchanger systems decreased from the seasonal peak in the second quarter. Demand was steady in most regions with a particularly good development in Russia and Benelux. Tubular heat exchangers decreased due to the closure of a factory in the U.S. Air heat exchangers on the other hand, saw continued good order intake in the quarter. Demand was particularly good for industrial cooling applications in the power related industries as well as for industrial refrigeration for the cold chain in the food industry. The Nordic region and Russia showed good development.

### Operating income

The negative operating income for Greenhouse during the third quarter 2017 is more than well explained by lower productivity and additional costs in connection with a factory closing, while the other activities generated a result in line with the previous quarter.

## Operations and Other

Operations and Other covers procurement, production and logistics as well as corporate over-head and non-core businesses.

| Consolidated | | | | | | |
|---|---|---|---|---|---|---|
| | Third quarter | | First nine months | | Full year | Last 12 |
| SEK millions | 2017 | 2016 | 2017 | 2016 | 2016 | months |
| Orders received | 0 | 0 | 0 | 0 | 0 | 0 |
| Order backlog* | 0 | 0 | 0 | 0 | 0 | 0 |
| Net sales | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating income** | -99 | -93 | -303 | -411 | -471 | -363 |
| Depreciation and amortisation | 101 | 96 | 308 | 293 | 398 | 413 |
| Investments | 67 | 88 | 265 | 209 | 361 | 417 |
| Assets* | 4,965 | 5,815 | 4,965 | 5,815 | 5,826 | 4,965 |
| Liabilities* | 2,342 | 2,339 | 2,342 | 2,339 | 1,996 | 2,342 |
| Number of employees* | 5,731 | 5,868 | 5,731 | 5,868 | 5,783 | 5,731 |

* At the end of the period. ** In management accounts.

The somewhat deteriorated operating income in the third quarter compared to the corresponding period last year is mainly explained by slightly higher project related costs.

## Reconciliation between Divisions and Group total

| Consolidated | | | | | | |
|---|---|---|---|---|---|---|
| | Third quarter | | First nine months | | Full year | Last 12 |
| SEK millions | 2017 | 2016 | 2017 | 2016 | 2016 | months |
| **Operating income** | | | | | | |
| Total for divisions | 1,055 | 1,078 | 3,161 | 3,226 | 4,456 | 4,391 |
| Comparison distortion items | - | -1,100 | - | -1,100 | -1,500 | -400 |
| Consolidation adjustments * | 0 | -10 | 51 | 43 | 33 | 41 |
| Total operating income | 1,055 | -32 | 3,212 | 2,169 | 2,989 | 4,032 |
| Financial net | -43 | 125 | -199 | 279 | 336 | -142 |
| Result after financial items | 1,012 | 93 | 3,013 | 2,448 | 3,325 | 3,890 |
| **Assets **** | | | | | | |
| Total for divisions | 46,618 | 47,241 | 46,618 | 47,241 | 46,690 | 46,618 |
| Corporate *** | 4,071 | 6,065 | 4,071 | 6,065 | 6,688 | 4,071 |
| Group total | 50,689 | 53,306 | 50,689 | 53,306 | 53,378 | 50,689 |
| **Liabilities **** | | | | | | |
| Total for divisions | 15,374 | 13,104 | 15,374 | 13,104 | 13,087 | 15,374 |
| Corporate *** | 15,728 | 20,090 | 15,728 | 20,090 | 20,015 | 15,728 |
| Group total | 31,102 | 33,194 | 31,102 | 33,194 | 33,102 | 31,102 |

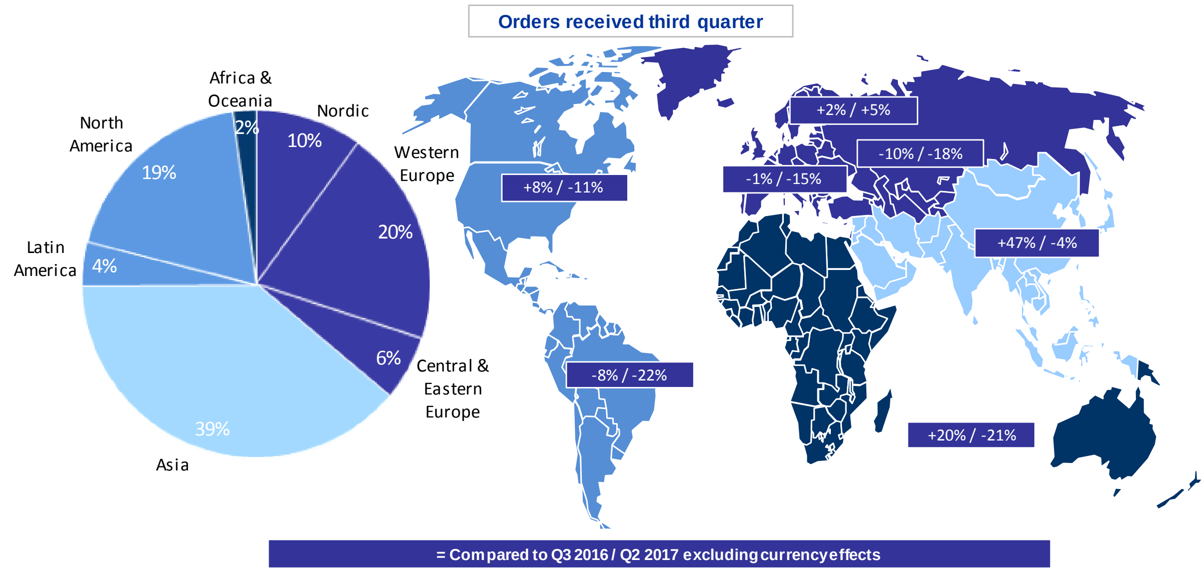
* Difference between management accounts and IFRS. ** At the end of the period. *** Corporate refers to items in the statement on financial position that are interest bearing or are related to taxes.

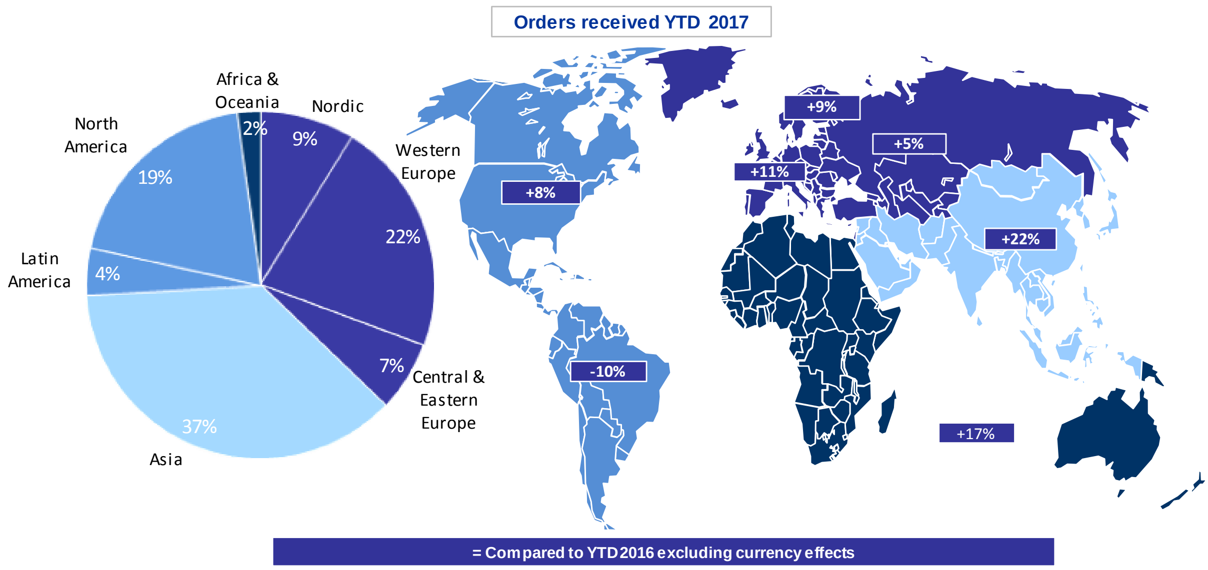
# Information about products and services

| Consolidated | Net sales by product/service * | | | | | |
|---|---|---|---|---|---|---|
| | Third quarter | | First nine months | | Full year | Last 12 |
| SEK millions | 2017 | 2016 | 2017 | 2016 | 2016 | months |
| Own products within: | | | | | | |
| Separation | 1,488 | 1,552 | 4,546 | 4,695 | 6,591 | 6,442 |
| Heat transfer | 3,799 | 4,001 | 11,785 | 11,820 | 16,371 | 16,336 |
| Fluid handling | 1,725 | 2,094 | 5,671 | 6,220 | 8,498 | 7,949 |
| Other | 267 | 231 | 748 | 769 | 1,022 | 1,001 |
| Associated products | 418 | 289 | 1,057 | 996 | 1,389 | 1,450 |
| Services | 472 | 414 | 1,395 | 1,230 | 1,763 | 1,928 |
| Total | 8,169 | 8,581 | 25,202 | 25,730 | 35,634 | 35,106 |

* The split of own products within separation, heat transfer and fluid handling is a reflection of the current three main technologies. Other is own products outside these main technologies. Associated products are mainly purchased products that complement Alfa Laval's product offering. Services cover all sorts of service, service agreements etc.

# Information by region




All comments are excluding currency effects.

## Western Europe including Nordic

The region reported a decline in order intake in the third quarter compared to the previous quarter, driven by the Energy and Food & Water Divisions. The Marine Division developed well, lifted by a large waste heat recovery order as well as an increase in demand for pumping systems.

## Central and Eastern Europe

Order intake dropped across the whole region in the third quarter compared to the second quarter. The Food & Water and Marine Divisions both declined, while the Energy Division was overall flat as a lower order intake in certain parts of the region were compensated for by a number of energy related projects in Russia.

## North America

Overall the region reported a decline in the third quarter compared to the previous quarter, as the strong development in Canada could not compensate for a decline in the U.S. Canada was boosted by a strong development for capital sales and service in both Food & Water and Energy. The U.S. reported a good base business* development in the Energy Division, but the overall order intake still declined due to the non-repeat of a large order booked in the second quarter.

## Latin America

Latin America reported a decline in order intake in the third quarter compared to the second quarter, mainly due to the non-repeat of a large vegetable oil order booked in Brazil in the second quarter. The base business developed well across the region with Brazil and Argentina as the main

* Base business and base orders refer to orders with an order value of less than EUR 0.5 million.

drivers. Still, Brazil continues to see the lingering effects from recent years' difficult economic climate as well as the political situation.

## Asia

The region reported a slight drop in order intake in the third quarter compared to the previous quarter, mainly due to the non-repeat of orders booked in the Energy Division in the second quarter. The Food & Water Division was unchanged from the previous quarter. The Marine Division did well, as both South Korea and China benefitted from an increased level of contracting at the ship yards earlier in the year. Overall, China reported a small decrease in order intake stemming from the Energy Division, which was exposed to substantial non-repeat large refinery orders. The Food & Water Division was flat, the Marine Division grew, as did the Energy Division, excluding the non-repeats. The base business was strong, across all divisions.

| Consolidated | Net sales | | | | | |
|---|---|---|---|---|---|---|
| | Third quarter | | First nine months | | Full year | Last 12 |
| SEK millions | 2017 | 2016 | 2017 | 2016 | 2016 | months |
| To customers in: | | | | | | |
| Sweden | 213 | 192 | 631 | 569 | 784 | 846 |
| Other EU | 2,140 | 2,095 | 6,770 | 6,347 | 8,959 | 9,382 |
| Other Europe | 659 | 552 | 1,880 | 1,774 | 2,597 | 2,703 |
| USA | 1,372 | 1,466 | 4,190 | 4,301 | 6,013 | 5,902 |
| Other North America | 204 | 172 | 571 | 551 | 716 | 736 |
| Latin America | 432 | 457 | 1,192 | 1,296 | 1,788 | 1,684 |
| Africa | 78 | 62 | 229 | 223 | 307 | 313 |
| China | 1,087 | 1,232 | 3,251 | 3,397 | 4,705 | 4,559 |
| South Korea | 630 | 807 | 2,074 | 2,734 | 3,594 | 2,934 |
| Other Asia | 1,242 | 1,427 | 4,051 | 4,221 | 5,731 | 5,561 |
| Oceania | 112 | 119 | 363 | 317 | 440 | 486 |
| Total | 8,169 | 8,581 | 25,202 | 25,730 | 35,634 | 35,106 |

Net sales are reported by country on the basis of invoicing address, which is normally the same as the delivery address.

| Consolidated | Non-current assets | | |
|---|---|---|---|
| | September 30 | | December 31 |
| SEK millions | 2017 | 2016 | 2016 |
| Sweden | 1,313 | 1,321 | 1,321 |
| Denmark | 4,543 | 4,580 | 4,572 |
| Other EU | 3,495 | 3,744 | 3,639 |
| Norway | 12,898 | 13,975 | 13,717 |
| Other Europe | 152 | 169 | 169 |
| USA | 3,724 | 4,156 | 4,359 |
| Other North America | 129 | 131 | 136 |
| Latin America | 295 | 312 | 329 |
| Africa | 8 | 7 | 9 |
| Asia | 2,714 | 3,013 | 2,993 |
| Oceania | 90 | 93 | 94 |
| Subtotal | 29,361 | 31,501 | 31,338 |
| Other long-term securities | 44 | 28 | 25 |
| Pension assets | 4 | 4 | 3 |
| Deferred tax asset | 1,540 | 1,883 | 2,056 |
| Total | 30,949 | 33,416 | 33,422 |

# Information about major customers

Alfa Laval does not have any customer that accounts for 10 percent or more of net sales. Tetra Pak within the Tetra Laval Group is Alfa Laval's single largest customer with a volume representing 3-5 percent of net sales.

# Cash flows

## CONSOLIDATED CASH FLOWS

| SEK millions | Third quarter 2017 | Third quarter 2016 | First nine months 2017 | First nine months 2016 | Full year 2016 | Last 12 months |
|---|---|---|---|---|---|---|
| **Operating activities** | | | | | | |
| Operating income | 1,055 | -32 | 3,212 | 2,169 | 2,989 | 4,032 |
| Adjustment for depreciation, amortisation and write down | 406 | 980 | 1,255 | 1,824 | 2,334 | 1,765 |
| Adjustment for other non-cash items | 18 | 34 | -40 | 28 | 16 | -52 |
| | 1,479 | 982 | 4,427 | 4,021 | 5,339 | 5,745 |
| Taxes paid | -362 | -363 | -1,374 | -1,218 | -1,161 | -1,317 |
| | 1,117 | 619 | 3,053 | 2,803 | 4,178 | 4,428 |
| Changes in working capital: | | | | | | |
| Increase(-)/decrease(+) of receivables | 184 | -149 | 19 | 414 | 592 | 197 |
| Increase(-)/decrease(+) of inventories | -249 | -82 | -630 | -359 | 32 | -239 |
| Increase(+)/decrease(-) of liabilities | -141 | -140 | 448 | -361 | -424 | 385 |
| Increase(+)/decrease(-) of provisions | 133 | 663 | 0 | 557 | 601 | 44 |
| **Increase(-)/decrease(+) in working capital** | **-73** | **292** | **-163** | **251** | **801** | **387** |
| | 1,044 | 911 | 2,890 | 3,054 | 4,979 | 4,815 |
| **Investing activities** | | | | | | |
| Investments in fixed assets (Capex) | -120 | -134 | -393 | -362 | -617 | -648 |
| Divestment of fixed assets | 10 | 10 | 25 | 48 | 39 | 16 |
| Acquisition of businesses | -11 | -5 | -69 | -43 | -230 | -256 |
| Divestment of businesses | 0 | 12 | - | 13 | 13 | 0 |
| | -121 | -117 | -437 | -344 | -795 | -888 |
| **Financing activities** | | | | | | |
| Received interests and dividends | 24 | 22 | 89 | 89 | 163 | 163 |
| Paid interests | -93 | -96 | -172 | -203 | -243 | -212 |
| Realised financial exchange gains | 22 | 111 | 56 | 179 | 316 | 193 |
| Realised financial exchange losses | -98 | -17 | -207 | -47 | -89 | -249 |
| Dividends to owners of the parent | 0 | 0 | -1,783 | -1,783 | -1,783 | -1,783 |
| Dividends to non-controlling interests | 0 | -5 | -5 | -17 | -17 | -5 |
| Increase(-) of financial assets | -79 | 0 | -79 | 0 | 0 | -79 |
| Decrease(+) of financial assets | -83 | -36 | 0 | 29 | 8 | -21 |
| Increase of loans | -288 | 0 | 775 | 1,860 | 1,860 | 775 |
| Amortisation of loans | -700 | -898 | -1,676 | -3,113 | -3,781 | -2,344 |
| | -1,295 | -919 | -3,002 | -3,006 | -3,566 | -3,562 |
| **Cash flow for the period** | -372 | -125 | -549 | -296 | 618 | 365 |
| Cash and cash equivalents at the beginning of the period | 2,369 | 1,772 | 2,619 | 1,876 | 1,876 | 1,680 |
| Translation difference in cash and cash equivalents | -48 | 33 | -121 | 100 | 125 | -96 |
| **Cash and cash equivalents at the end of the period** | 1,949 | 1,680 | 1,949 | 1,680 | 2,619 | 1,949 |
| Free cash flow per share (SEK) * | 2.20 | 1.89 | 5.85 | 6.46 | 9.97 | 9.36 |
| Capex in relation to net sales | 1.5% | 1.6% | 1.6% | 1.4% | 1.7% | 1.8% |
| Average number of shares | 419,456,315 | 419,456,315 | 419,456,315 | 419,456,315 | 419,456,315 | 419,456,315 |

* Free cash flow is the sum of cash flows from operating and investing activities.

During the first nine months 2017 cash flows from operating and investing activities amounted to SEK 2,453 (2,710) million. Depreciation, excluding allocated step-up values, was SEK 468 (478) million during the first nine months 2017.

Acquisition of businesses during the first nine months 2017 relates to purchase of the remaining shares in Chang San Engineering Co Ltd in South Korea for SEK -58 million and payment of retained part of purchase price concerning prior acquisitions with SEK -11 million.

# Financial position and equity

## CONSOLIDATED FINANCIAL POSITION

| | September 30 | | December 31 |
|---|---|---|---|
| SEK millions | 2017 | 2016 | 2016 |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 24,652 | 26,612 | 26,382 |
| Property, plant and equipment | 4,677 | 4,853 | 4,940 |
| Other non-current assets | 1,620 | 1,951 | 2,100 |
| | 30,949 | 33,416 | 33,422 |
| **Current assets** | | | |
| Inventories | 8,120 | 8,127 | 7,831 |
| Assets held for sale | 2 | 4 | 2 |
| Accounts receivable | 5,636 | 5,932 | 5,830 |
| Other receivables | 2,752 | 2,902 | 2,446 |
| Derivative assets | 219 | 234 | 153 |
| Other current deposits | 1,062 | 1,011 | 1,075 |
| Cash and cash equivalents * | 1,949 | 1,680 | 2,619 |
| | 19,740 | 19,890 | 19,956 |
| **TOTAL ASSETS** | 50,689 | 53,306 | 53,378 |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Owners of the parent | 19,483 | 19,975 | 20,159 |
| Non-controlling interests | 104 | 137 | 117 |
| | 19,587 | 20,112 | 20,276 |
| **Non-current liabilities** | | | |
| Liabilities to credit institutions etc. | 10,785 | 12,157 | 12,169 |
| Provisions for pensions and similar commitments | 2,178 | 1,814 | 2,425 |
| Provision for deferred tax | 2,383 | 2,747 | 2,722 |
| Other non-current liabilities | 644 | 612 | 636 |
| | 15,990 | 17,330 | 17,952 |
| **Current liabilities** | | | |
| Liabilities to credit institutions etc. | 1,425 | 1,729 | 1,078 |
| Accounts payable | 2,696 | 2,541 | 2,668 |
| Advances from customers | 3,369 | 3,224 | 2,721 |
| Other provisions | 2,247 | 2,348 | 2,365 |
| Other liabilities | 5,278 | 5,796 | 6,041 |
| Derivative liabilities | 97 | 226 | 277 |
| | 15,112 | 15,864 | 15,150 |
| Total liabilities | 31,102 | 33,194 | 33,102 |
| **TOTAL SHAREHOLDERS' EQUITY & LIABILITIES** | 50,689 | 53,306 | 53,378 |

* The item cash and cash equivalents is mainly relating to bank deposits and liquid deposits.

| Consolidated | Financial assets and liabilities at fair value | | | |
|---|---|---|---|---|
| | Valuation hierarchy | September 30 | | December 31 |
| SEK millions | level | 2017 | 2016 | 2016 |
| **Financial assets** | | | | |
| Other non-current securities | 1 and 2 | 44 | 28 | 25 |
| Bonds and other securities | 1 | 510 | 906 | 956 |
| Derivative assets | 2 | 251 | 269 | 169 |
| **Financial liabilities** | | | | |
| Derivative liabilities | 2 | 103 | 301 | 314 |

Valuation hierarchy level 1 is according to quoted prices in active markets for identical assets and liabilities.
Valuation hierarchy level 2 is out of directly or indirectly observable market data outside level 1.

| Consolidated | Borrowings and net debt | | |
|---|---|---|---|
| | September 30 | | December 31 |
| SEK millions | 2017 | 2016 | 2016 |
| Credit institutions | 198 | 197 | 137 |
| Swedish Export Credit | 2,061 | 3,091 | 3,153 |
| European Investment Bank | 2,342 | 2,355 | 2,345 |
| Commercial papers | - | 600 | - |
| Corporate bonds | 7,609 | 7,643 | 7,612 |
| Capitalised financial leases | 52 | 71 | 66 |
| Interest-bearing pension liabilities | 0 | 0 | 0 |
| Total debt | 12,262 | 13,957 | 13,313 |
| Cash and cash equivalents and current deposits | -3,011 | -2,691 | -3,694 |
| Net debt * | 9,251 | 11,266 | 9,619 |

* Alternative performance measure, see page 23.

Alfa Laval has a senior credit facility of EUR 400 million and USD 544 million, corresponding to SEK 8,241 million with a banking syndicate. The facility was not utilised at September 30, 2017. The facility matures in June 2019, with two one-year extension options.

The corporate bonds are listed on the Irish stock exchange and consist of one tranche of EUR 300 million that matures in September 2019 and one tranche of EUR 500 million that matures in September 2022.

The bilateral term loans from Swedish Export Credit consist of one loan of EUR 100 million that matured on June 16, 2017 and one loan of EUR 100 million that matures in June 2021 as well as a loan of USD 136 million that matures in June 2020.

The loans from the European Investment Bank is split on one loan of EUR 130 million that matures in March 2018 and one loan of EUR 115 million that matures in June 2021.

The commercial paper programme of SEK 2,000 million was not utilised at September 30, 2017.

## CHANGES IN CONSOLIDATED EQUITY

| SEK millions | First nine months 2017 | First nine months 2016 | Full year 2016 |
|---|---|---|---|
| **At the beginning of the period** | 20,276 | 18,423 | 18,423 |
| ***Changes attributable to:*** | | | |
| ***Owners of the parent*** | | | |
| **Comprehensive income** | | | |
| Comprehensive income for the period | 1,154 | 3,487 | 3,815 |
| **Transactions with shareholders** | | | |
| Increase of ownership in subsidiaries with non-controlling interests | -47 | -31 | -175 |
| Dividends | -1,783 | -1,783 | -1,783 |
| | -1,830 | -1,814 | -1,958 |
| ***Subtotal*** | -676 | 1,673 | 1,857 |
| ***Non-controlling interests*** | | | |
| **Comprehensive income** | | | |
| Comprehensive income for the period | 3 | 39 | 43 |
| **Transactions with shareholders** | | | |
| Decrease of non-controlling interests | -11 | -6 | -30 |
| Dividends | -5 | -17 | -17 |
| | -16 | -23 | -47 |
| ***Subtotal*** | -13 | 16 | -4 |
| **At the end of the period** | 19,587 | 20,112 | 20,276 |

# Acquisitions and divestments of businesses

On May 19, 2017 Alfa Laval has acquired the remaining 16.67 percent of the shares in the subsidiary Chang San Engineering Co Ltd in South Korea, which made it a fully owned subsidiary. The shareholding in the company was part of the acquisition of Frank Mohn AS in 2014.

# Parent company

The parent company's result after financial items for the first nine months 2017 was SEK 1,084 (75) million, out of which dividends from subsidiaries SEK 1,094 (76) million, net interests SEK 0 (-0) million, realised and unrealised exchange rate gains and losses SEK -0 (8) million, costs related to the listing SEK -3 (-4) million, fees to the Board SEK -5 (-4) million, cost for annual report and annual general meeting SEK -2 (-2) million and other operating income and operating costs the remaining SEK 0 (1) million.

## PARENT COMPANY INCOME *

| | Third quarter | | First nine months | | Full year |
|---|---|---|---|---|---|
| SEK millions | 2017 | 2016 | 2017 | 2016 | 2016 |
| Administration costs | -1 | 0 | -10 | -10 | -13 |
| Other operating income | -1 | -1 | 0 | 1 | 0 |
| Other operating costs | 0 | 0 | 0 | 0 | -5 |
| Operating income | -2 | -1 | -10 | -9 | -18 |
| Revenues from interests in group companies | - | - | 1,094 | 76 | 76 |
| Interest income and similar result items | 0 | 1 | 1 | 9 | 10 |
| Interest expenses and similar result items | 0 | 0 | -1 | -1 | -2 |
| Result after financial items | -2 | 0 | 1,084 | 75 | 66 |
| Change of tax allocation reserve | - | - | - | - | -264 |
| Group contributions | - | - | - | - | 2,002 |
| Result before tax | -2 | 0 | 1,084 | 75 | 1,804 |
| Tax on this year's result | 1 | 0 | 2 | 0 | -381 |
| Net income for the period | -1 | 0 | 1,086 | 75 | 1,423 |

* The statement over parent company income also constitutes its statement over comprehensive income.

## PARENT COMPANY FINANCIAL POSITION

| | September 30 | | December 31 |
|---|---|---|---|
| SEK millions | 2017 | 2016 | 2016 |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Shares in group companies | 4,669 | 4,669 | 4,669 |
| **Current assets** | | | |
| Receivables on group companies | 7,491 | 6,424 | 8,548 |
| Other receivables | 150 | 301 | 6 |
| Cash and cash equivalents | - | - | - |
| | 7,641 | 6,725 | 8,554 |
| **TOTAL ASSETS** | 12,310 | 11,394 | 13,223 |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Restricted equity | 2,387 | 2,387 | 2,387 |
| Unrestricted equity | 8,500 | 7,849 | 9,197 |
| | 10,887 | 10,236 | 11,584 |
| **Untaxed reserves** | | | |
| Tax allocation reserves, taxation 2011-2017 | 1,409 | 1,145 | 1,409 |
| **Current liabilities** | | | |
| Liabilities to group companies | 13 | 12 | 50 |
| Accounts payable | 1 | 1 | 0 |
| Tax liabilities | - | - | 180 |
| Other liabilities | 0 | 0 | - |
| | 14 | 13 | 230 |
| **TOTAL EQUITY AND LIABILITIES** | 12,310 | 11,394 | 13,223 |

# Owners and shares

## Owners and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 33,023 (35,699) shareholders on September 30, 2017. The largest owner is Tetra Laval B.V., the Netherlands who owns 29.1 (29.1) percent. Next to the largest owner, there are nine institutional investors with ownership in the range of 5.4 to 0.7 percent. These ten largest shareholders owned 48.1 (56.6) percent of the shares.

## Nomination Committee for the Annual General Meeting 2018

In accordance with a resolution taken at the Annual General Meeting of Alfa Laval AB on April 26, 2017, the Chairman of the Board, Anders Narvinger, has contacted the largest shareholders to constitute the Nomination Committee in preparation of the Annual General Meeting 2018. The following persons have accepted to be part of the Nomination Committee: Finn Rausing, Tetra Laval; Ramsay Brufer, Alecta Pensionsförsäkring; Jan Andersson, Swedbank Robur Fonder; Lars-Åke Bokenberger, AMF-Försäkring och Fonder och Johan Strandberg, SEB Investment Management.

The Annual General Meeting of Alfa Laval AB will be held at Sparbanken Skåne Arena, Klostergårdens idrottsområde, Stattenavägen, Lund, Sweden on Monday April 23, 2018, at 16.00 (CET).

Shareholders who wish to submit proposals for the Nomination Committee in preparation of the Annual General Meeting can turn to the Chairman of the Board of Alfa Laval AB, Anders Narvinger or to the other shareholder representatives. Contact can also be made directly via e-mail to valberedningen@alfalaval.com.

# Risks and other

## Material factors of risk and uncertainty

The main factors of risk and uncertainty facing the Group concern the price development of metals, fluctuations in major currencies and the business cycle. It is the company's opinion that the description of risks made in the Annual Report for 2016 is still correct.

## Asbestos-related lawsuits

The Alfa Laval Group was as of September 30, 2017, named as a co-defendant in a total of 887 asbestos-related lawsuits with a total of approximately 887 plaintiffs. Alfa Laval strongly believes the claims against the Group are without merit and intends to vigorously contest each lawsuit.

Based on current information and Alfa Laval's understanding of these lawsuits, Alfa Laval continues to believe that these lawsuits will not have a material adverse effect on the Group's financial condition or results of operation.

## Accounting principles

The interim report for the third quarter 2017 is prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The accounting principles are according to IFRS (International Financial Reporting Standards) as adopted by the European Union. In the report, alternative performance measures are used. See the annual report 2016 for definitions. Alfa Laval follows the Guidelines on Alternative Performance Measures issued by ESMA (European Securities and Markets Authority).

"Third quarter" refers to the period July 1 to September 30 and "First nine months" refers to the period January 1 to September 30. "Full year" refers to the period January 1 to December 31. "Last 12 months" refers to the period October 1, 2016 to September 30, 2017. "The corresponding period last year" refers to the third quarter 2016 or the first nine months 2016 depending on the context. "Previous quarter" refers to the second quarter 2017.

Comparison distortion items are reported in the comprehensive income statement on each concerned line, but are specified on page 7.

The accounting and valuation principles of the parent company comply with the Swedish Annual Accounts Act and the recommendation RFR 2 "Accounting for legal entities" issued by the Council for Financial Reporting in Sweden.

## Date for the next financial report

The fourth quarter and full year 2017 report will be published on January 30, 2018.

Alfa Laval will publish interim reports during 2018 at the following dates:

| | |
|---|---|
| Interim report for the first quarter | April 23 |
| Interim report for the second quarter | July 17 |
| Interim report for the third quarter | October 23 |

The interim report has been issued at CET 7.30 on October 25, 2017 by the President and Chief Executive Officer Tom Erixon by proxy from the Board of Directors.

Lund, October 25, 2017,

Tom Erixon
President and Chief Executive Officer
Alfa Laval AB (publ)

# Review report

## Introduction

We have reviewed the summary interim financial information (the interim report) of Alfa Laval AB (publ) as of September 30, 2017 and the nine months' period then ended. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report, in all material aspects, is not prepared for the Group in accordance with IAS 34 and the Swedish Annual Accounts Act and for the Parent company in accordance with the Swedish Annual Accounts Act.

Lund, October 25, 2017,

| | |
|---|---|
| Håkan Olsson Reising | Joakim Thilstedt |
| Authorised Public Accountant | Authorised Public Accountant |