



Q4 2019

Advancing better™

Record strong sales and profit in Q4

- Invoicing and operating income reached new record levels, with strong performance in all divisions.
- Order intake continued on a high level and increased somewhat compared to previous quarter.
- Most end markets grew compared to last year.
- Strong service growth – 10 percent organic order growth.
- Cash flow from operating activities improved with SEK 900 million.

Outlook for the first quarter

“We expect demand in the first quarter to be about the same as in the fourth quarter.”

Earlier published outlook (October 24, 2019):
“We expect demand in the fourth quarter to be somewhat higher than in the third quarter.”

The Board of Directors will propose a dividend of SEK 5.50 (5.00) per share to the Annual General Meeting.

The Q4 2019 report has been reviewed by the company's auditors, see page 25 for the review report.

Summary

SEK millions	Q4				Jan-Dec			
	2019	2018	%	% *	2019	2018	%	% *
Order intake	11,153	11,561	-4	-6	44,119	45,005	-2	-6
Net sales	12,964	11,209	16	12	46,517	40,666	14	10
Adjusted EBITA **	2,250	1,787	26		7,989	6,718	19	
- adjusted EBITA margin (%) **	17.4	15.9			17.2	16.5		
Result after financial items	1,860	1,470	27		7,221	5,896	22	
Net income for the period	1,424	1,297	10		5,508	4,537	21	
Earnings per share (SEK)	3.39	3.07	10		13.08	10.77	21	
Cash flow from operating activities	2,392	1,490	61		5,223	4,883	7	
Impact on adjusted EBITA of foreign exchange effects	155	-90			430	-85		
Impact on result after financial items of comparison distortion items	-2	14			189	151		
Return on capital employed (%) **					23.0	22.4		
Net debt to EBITDA, times **/**					0.88	0.93		

* Excluding currency effects. ** Alternative performance measures.

*** Net debt to EBITDA for Jan-Dec 2019 excluding IFRS 16 impact: 0.60.



Comment from

Tom Erixon

President and CEO

"The positive market trends continued during the fourth quarter and most of Alfa Laval's end markets grew compared to last year. The service business was particularly strong and finished the year with 10 percent organic order growth for the quarter.

Invoicing reached a new record level at SEK 13 billion for the quarter, an increase with 16 percent compared to last year. As preparations for a more uncertain business climate in 2020 progressed during the quarter the cost level in sales and administration was kept flat compared to last year. Consequently, the EBITA margin improved and the operating profit grew with 26 percent to SEK 2.2 billion, again a new record level for Alfa Laval.

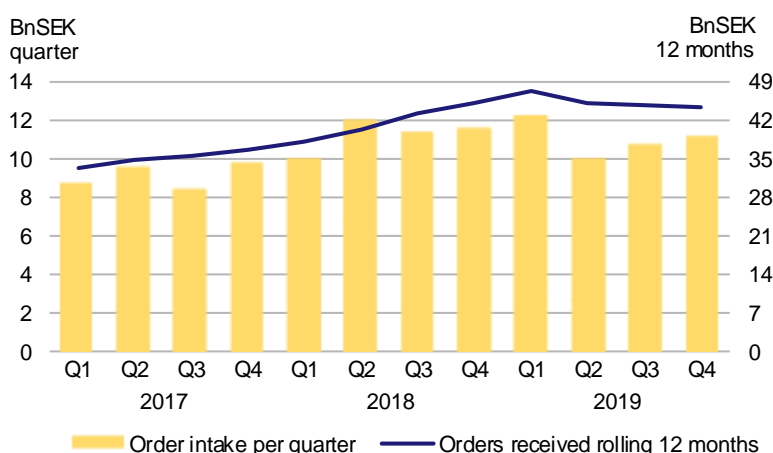
The high growth pace over the last years has been demanding from an operational perspective, especially regarding supply chain management. After a period of increased working capital, the trend reversed in the quarter. The inventory reduction was significant in the quarter and the cashflow from operating activities improved with SEK 900 million compared to last year. The group is entering 2020 with a strong balance sheet.

Even if we have a cautious attitude both regarding fixed costs and new capacity expansions at this point, the short-term outlook for Alfa Laval's core markets remain stable on a high level. For the first quarter in 2020 demand is expected to continue on about the same level as in the fourth quarter 2019, with some variations between the divisions."

Tom Erixon,
President and CEO

Financial overview

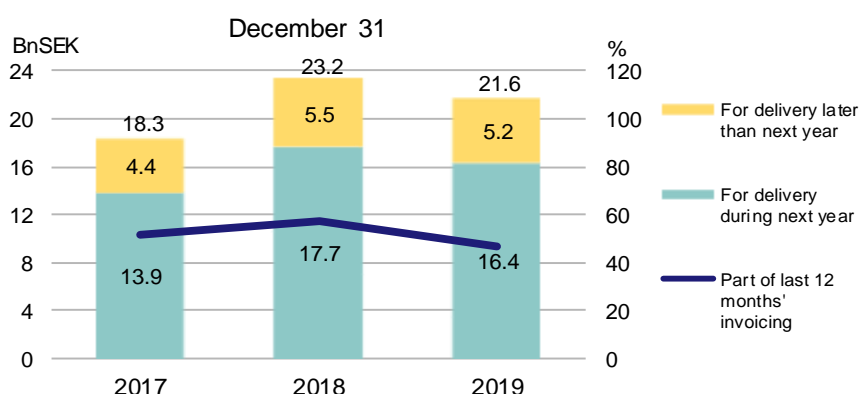
Order intake



Orders received was SEK 11,153 (11,561) million in the fourth quarter and SEK 44,119 (45,005) million in the full year 2019. The figures for the full year 2019 have been affected by the transfer of the order backlog for air heat exchangers to LU-VE on May 1, 2019, which is reported as negative orders received with SEK -330 million.

Orders received from Service constituted 29.4 (25.1) percent of the Group's total orders received during the fourth quarter and 29.1 (25.7) percent during the full year 2019.

Order backlog



Excluding currency effects and adjusted for acquisition and divestment of businesses the order backlog was 9.1 percent lower than the order backlog at the end of 2018.

Net sales

Net invoicing was SEK 12,964 (11,209) million for the fourth quarter and SEK 46,517 (40,666) million for the full year 2019.

Net invoicing relating to Service constituted 27.4 (27.6) percent of the Group's total net invoicing in the fourth quarter and 26.9 (28.2) percent in the full year 2019.

- Structure: acquisition/divestment of businesses.
- Organic: change excluding acquisition/divestment of businesses.
- Service: Parts and service.

Order bridge		
SEK millions/%	Q4	Jan-Dec
2018	11,561	45,005
Organic ¹⁾	-4.5%	-3.6%
Structural ¹⁾	-1.7%	-2.1%
Currency	2.7%	3.7%
Total	-3.5%	-2.0%
2019	11,153	44,119

1) Change excluding currency effects

Order bridge Service		
SEK millions/%	Q4	Jan-Dec
2018	2,901	11,568
Organic ¹⁾	10.3%	6.6%
Structural ¹⁾	-0.7%	-0.4%
Currency	3.5%	4.7%
Total	13.1%	10.9%
2019	3,281	12,824

1) Change excluding currency effects

Sales bridge		
SEK millions/%	Q4	Jan-Dec
2018	11,209	40,666
Organic ¹⁾	15.2%	12.5%
Structural ¹⁾	-3.5%	-2.4%
Currency	4.0%	4.3%
Total	15.7%	14.4%
2019	12,964	46,517

1) Change excluding currency effects

Sales bridge Service		
SEK millions/%	Q4	Jan-Dec
2018	3,093	11,493
Organic ¹⁾	11.3%	4.8%
Structural ¹⁾	-0.5%	-0.3%
Currency	3.7%	4.6%
Total	14.5%	9.1%
2019	3,540	12,544

1) Change excluding currency effects

Income analysis

SEK millions	Q4		Jan-Dec	
	2019	2018	2019	2018
Net sales	12,964	11,209	46,517	40,666
Adjusted gross profit *	4,540	3,972	16,763	14,774
- adjusted gross margin (%) *	35.0	35.4	36.0	36.3
Expenses **	-1,900	-2,029	-7,701	-7,430
- in % of net sales	14.7	18.1	16.6	18.3
Adjusted EBITDA *	2,640	1,943	9,062	7,344
- adjusted EBITDA margin (%) *	20.4	17.3	19.5	18.1
Depreciation	-390	-156	-1,073	-626
Adjusted EBITA *	2,250	1,787	7,989	6,718
- adjusted EBITA margin (%) *	17.4	15.9	17.2	16.5
Amortisation of step-up values	-211	-253	-980	-1,038
Comparison distortion items	-2	14	189	151
Operating income	2,037	1,548	7,198	5,831

* Alternative performance measures. ** Excluding comparison distortion items.

The gross profit has been affected positively by a higher sales volume.

Sales and administration expenses were SEK 1,777 (1,754) million during the fourth quarter and SEK 6,894 (6,526) million during the full year 2019, which for the full year corresponded to 14.8 (16.0) percent of net sales. Excluding currency effects and acquisition/divestment of businesses, sales and administration expenses were unchanged during the fourth quarter and increased by 3.8 percent during the full year 2019 compared to the corresponding periods last year.

The costs for research and development during the full year 2019 corresponded to 2.3 (2.5) percent of net sales. Excluding currency effects and acquisition/divestment of businesses, the costs for research and development decreased by 16.1 percent during the fourth quarter and increased by 6.6 percent during the full year 2019 compared to the corresponding periods last year. The decrease in the quarter is explained by a high fourth quarter 2018.

Earnings per share was SEK 13.08 (10.77) for the full year 2019. The corresponding figure excluding amortisation of step-up values and the corresponding tax, was SEK 14.96 (12.69).

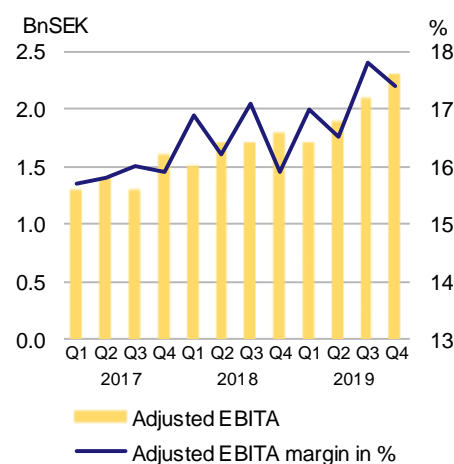
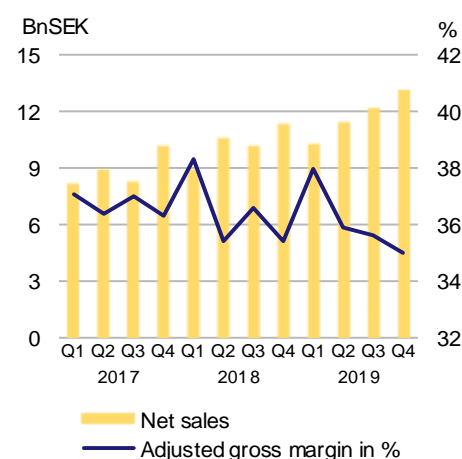
Comparison distortion items

SEK millions	Q4		Jan-Dec	
	2019	2018	2019	2018
Other operating income				
Comparison distortion income	69	14	260	151
Other operating costs				
Comparison distortion costs	-71	-	-71	-
Net comparison distortion items	-2	14	189	151

The comparison distortion income in 2019 is relating to a realised gain at the divestments of part of the air heat exchanger business related to commercial/industrial air heat exchangers in the Greenhouse division to the LU-VE Group. The comparison distortion cost in 2019 is relating to a realised loss at the divestments of the last remaining Greenhouse operation shell-and-tube Sarasota, also known as Alfa Laval Champ, to Thermal Solutions Manufacturing.

The comparison distortion income in the full year 2018 was relating to:

- the sale of a property in Lima in Peru with a realised gain of SEK 70 million,



- a realised gain of SEK 26 million for the divestments of the Alonte based commercial tubular heat exchanger business and the heat exchanger systems business and
- a purchase price reduction of SEK 55 million based on a court decision in a litigation against the former owners of Ashbrook Simon-Hartley. The acquisition of Ashbrook Simon-Hartley took place in 2012.

Consolidated financial net and taxes

The financial net for the full year 2019 was SEK -172 (-54) 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 -3 (-3) million, interest on the bilateral term loans of SEK -48 (-43) million, interest on the corporate bonds of SEK -86 (-82) million, interest on the commercial papers of SEK - (0) million and a net of dividends, changes in fair value and other interest income and interest costs of SEK -35 (74) million. The net of realised and unrealised exchange rate differences was SEK 195 (119) million.

The tax on the result after financial items was SEK -436 (-173) million in the fourth quarter and SEK -1,713 (-1,359) million in the full year 2019. The tax cost for the fourth quarter and the full year 2018 was affected by the following non-recurring items:

- revaluation of future tax deductions with SEK +130 million and
- adjustments of deferred taxes relating to step up values of about SEK +35 million, due to reduced company taxes in several countries in Europe and thereby decreased deferred tax liabilities.

Cash flow

During the full year 2019 cash flows from operating and investing activities were SEK 4,196 (3,590) million.

Depreciation, excluding allocated step-up values, was SEK 1,073 (626) million during the full year 2019. The increase is partly explained by depreciation of right-of-use assets that started with the implementation of IFRS 16 Leases.

Acquisition of businesses during the full year 2019 with SEK -61 (-) million is relating to the acquisition of Airec.

Divestment of businesses during the full year 2019 amounted to SEK 364 (77) million. The figure for 2019 is relating to the sale of part of the air heat exchanger business related to commercial/industrial air heat exchangers to the LU-VE Group with SEK 347 million and the divestments of the last remaining Greenhouse operation shell-and-tube Sarasota, also known as Alfa Laval Champ, to Thermal Solutions Manufacturing with SEK 17 million. The figure for 2018 was relating to the sale of heat exchanger systems to NIBE with SEK 40 million and shell and tube heat exchangers to BITZER with SEK 37 million.

Key figures

	Dec 31	
	2019	2018
Return on capital employed (%) ¹⁾	23.0	22.4
Return on equity (%) ²⁾	21.3	20.3
Solidity (%) ³⁾	43.1	40.6
Net debt to EBITDA, times ⁴⁾	0.88	0.93
Debt ratio, times ⁴⁾	0.29	0.30
Number of employees ⁵⁾	17,497	17,228

1) Alternative performance measure.

2) Net income in relation to average equity, calculated on 12 months' revolving basis, expressed in percent.

3) Equity in relation to total assets at the end of the period, expressed in percent.

4) Alternative performance measures. Lease liabilities have increased by SEK 2,766 million as per January 1, 2019 due to the initial application of IFRS 16 Leases, which affects the net debt at December 31, 2019. Excluding this effect, the net debt to EBITDA would instead have been 0.60 and the debt ratio 0.20.

5) At the end of the period.

Energy Division

The division targets customers in oil and gas extraction, oil and gas processing and transport, refinery, petrochemicals and power generation, but also construction related applications such as heating, ventilation and cooling and in the mining and metal industries and lighter industries.

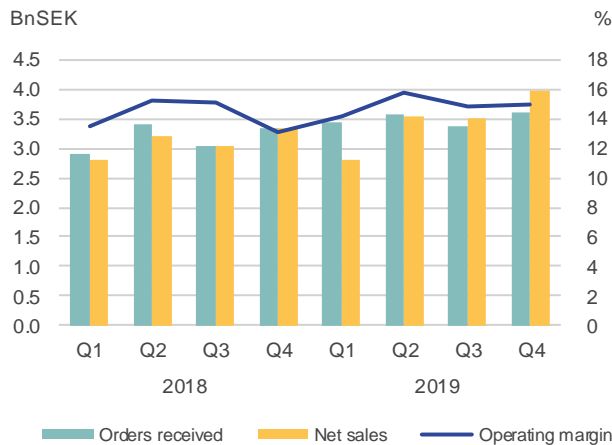
Focus is increased energy efficiency and sustainable solutions.

- Order intake from the hydro-carbon chain was overall stronger, driven by continued high investment levels in refinery and petrochemicals.
- Demand in HVAC and refrigeration continued on a high level driven by new refrigerants and demand for energy efficiency solutions.
- Order intake for service increased, supported by mid-sized orders.
- Strong invoicing growth was the main driver behind the increase in operating income.

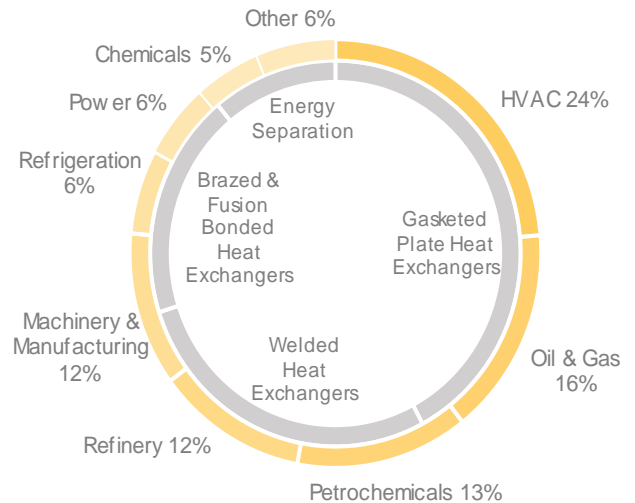
SEK millions	Q4		Jan-Dec	
	2019	2018	2019	2018
Orders received	3,594	3,330	13,963	12,685
Order backlog*	5,214	4,857	5,214	4,857
Net sales	3,961	3,343	13,814	12,413
Operating income**	593	438	2,069	1,770
Operating margin***	15.0%	13.1%	15.0%	14.3%
Depreciation and amortisation	92	74	337	304
Investments****	29	48	101	83
Assets*	11,300	10,362	11,300	10,362
Liabilities*	4,513	4,323	4,513	4,323
Number of employees*	3,015	3,112	3,015	3,112

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

Quarterly development



Order intake Jan-Dec 2019 split per end market/business unit





Order intake*

The Energy Division's overall order volumes grew compared to the fourth quarter 2018.

General growth and upgrades in Asia and in Russia drove order intake from refinery and petrochemical customers, which has resulted in five large orders in the quarter. A significant service order from the power industry was booked in the quarter. Conversion to natural refrigerants and higher demand for energy efficient solutions in the refrigeration industry is behind a growth from customers in both the commercial and the industrial segments. Order intake in HVAC (Heating, Ventilation & Air Conditioning) and general manufacturing remained on high levels. Demand from customers in the semiconductor industry recovered after a couple of quarters with lower order intake. Order intake from customers in oil & gas declined compared to last year, partly due to bottlenecks in infrastructure in the North American gas market but also because of lower drilling activity.

Service order intake increased compared to the fourth quarter 2018.

Net sales

Net invoicing was up versus the fourth quarter last year, following good base business** order intake over the past 12 months and a high project order invoicing in the fourth quarter.

Operating income

The increase in net invoicing meant a positive volume effect. Despite a high share of project invoicing the mix was positive, driven by an improved capacity utilisation. Overhead cost was slightly higher reflecting inflation. Currency effects had an overall positive impact on the result.

* Comments excluding currency effects.

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

Order bridge

SEK millions/%	Q4	Jan-Dec
2018	3,330	12,685
Organic ¹⁾	4.5%	5.4%
Structural ¹⁾	0.1%	0.1%
Currency	3.3%	4.6%
Total	7.9%	10.1%
2019	3,594	13,963

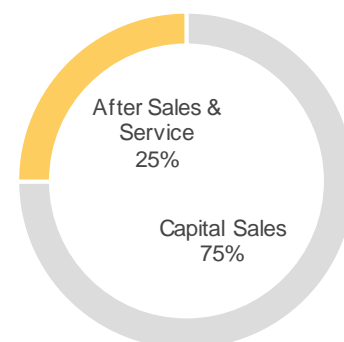
1) Change excluding currency effects

Sales bridge

SEK millions/%	Q4	Jan-Dec
2018	3,343	12,413
Organic ¹⁾	14.2%	6.4%
Structural ¹⁾	0.1%	0.1%
Currency	4.2%	4.8%
Total	18.5%	11.3%
2019	3,961	13,814

1) Change excluding currency effects

Order intake Jan-Dec 2019 split on:



Income bridge

SEK millions	Q4	Jan-Dec
Operating income 2018	438	1,770
Volume ¹⁾	142	257
Mix ¹⁾	63	160
Costs ¹⁾	-67	-182
Currency	17	64
Operating income 2019	593	2,069

1) Change excluding currency effects



Food & Water Division

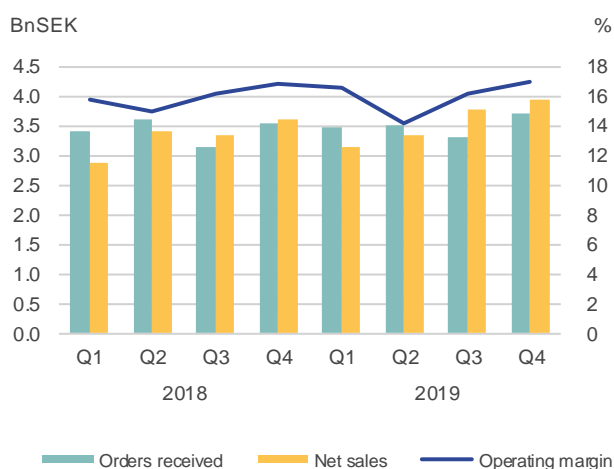
The division offers different types of products for heat transfer, separation and hygienic fluid handling and targets customers in food, pharmaceuticals, biotech, vegetable oils, brewery, dairy and body care products. In addition, the division focuses on public and industrial water treatment as well as wastewater and waste treatment.

- Demand in most end markets remained stable on a high level.
- The positive demand trends in waste & water and edible oil applications continued in the quarter.
- Strong invoicing growth and increased service volumes generated a stable margin.

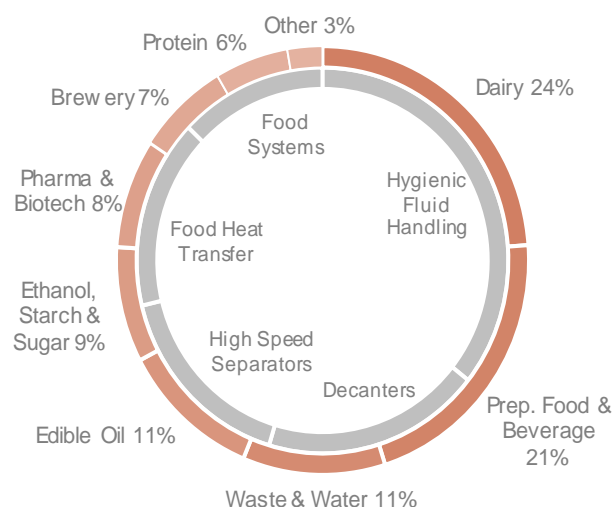
SEK millions	Q4		Jan-Dec	
	2019	2018	2019	2018
Orders received	3,720	3,540	14,026	13,691
Order backlog*	4,894	4,860	4,894	4,860
Net sales	3,938	3,604	14,189	13,210
Operating income**	664	607	2,268	2,110
Operating margin***	16.9%	16.8%	16.0%	16.0%
Depreciation and amortisation	84	35	250	145
Investments****	66	56	144	132
Assets*	10,627	9,675	10,627	9,675
Liabilities*	4,448	4,612	4,448	4,612
Number of employees*	4,405	4,194	4,405	4,194

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

Quarterly development



Order intake Jan-Dec 2019 split per end market/business unit





Order intake*

The Division's order intake was slightly up during the fourth quarter compared to the corresponding quarter last year. Geographically, North America was unchanged, while Europe increased driven by Eastern as well as Southern Europe. Asia grew, whereas Latin America contracted.

Demand from the pharma and biotech market declined compared to last year, mainly in the Western World. Order intake from the waste and water sector grew strongly in the quarter. Activity was particularly strong in North America and Europe. Overall order intake from the edible oil industry also showed strong growth, particularly in Asia and Middle East, driven by capacity investments. Order intake in dairy and the brewery sector was slightly down. Ethanol, starch & sugar contracted with a lower investment activity in ethanol, primarily in the Americas where commodity prices have been impacted by trade-war uncertainties. For the more wider application area prepared food and beverage, the order intake was somewhat below last year.

Service demand was slightly below last year's level. From an end-market perspective brewery and dairy showed a significant growth, whereas a contraction was noted in the waste & water sector.

Net sales

By realizing a good execution of the high order backlog, net sales in the quarter was well above the same quarter last year. This was also the case for the shorter lead-time after sales business.

Operating income

The increase in net invoicing in the quarter contributed to an increase in operating income. The mix effect was however slightly negative. Costs were marginally up and positive currency effects more than compensated for this.

Order bridge

SEK millions/%	Q4	Jan-Dec
2018	3,540	13,691
Organic ¹⁾	1.5%	-1.8%
Structural ¹⁾	-	-
Currency	3.6%	4.2%
Total	5.1%	2.4%
2019	3,720	14,026

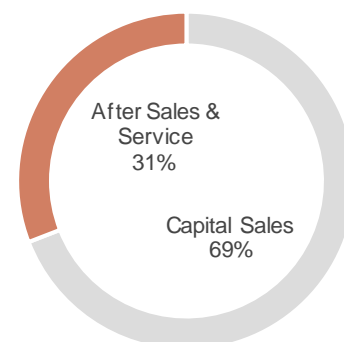
1) Change excluding currency effects

Sales bridge

SEK millions/%	Q4	Jan-Dec
2018	3,604	13,210
Organic ¹⁾	5.2%	2.9%
Structural ¹⁾	-	-
Currency	4.1%	4.5%
Total	9.3%	7.4%
2019	3,938	14,189

1) Change excluding currency effects

Order intake Jan-Dec 2019 split on:



Income bridge

SEK millions	Q4	Jan-Dec
Operating income 2018	607	2,110
Volume ¹⁾	62	134
Mix ¹⁾	-9	3
Costs ¹⁾	-18	-67
Currency	22	88
Operating income 2019	664	2,268

1) Change excluding currency effects

Marine Division

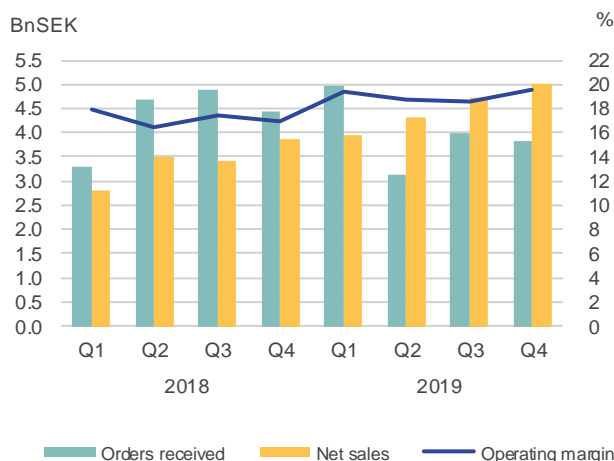
The division's customers include shipowners, shipyards, manufacturers of diesel and gas engines, as well as companies that work with offshore extraction of oil and gas. The offering includes pumping systems, boilers, heat transfer equipment, high speed separators and several different environmental products, including systems to clean ballast water and exhaust gases.

- Despite low contracting levels demand remained stable in most businesses.
- Continued strong demand for PureBallast systems, while demand for PureSOx remained on a low level.
- Service grew significantly compared to the same quarter last year.
- Continued strong invoicing growth and a good mix in capital sales contributed to the improved profitability in the quarter.

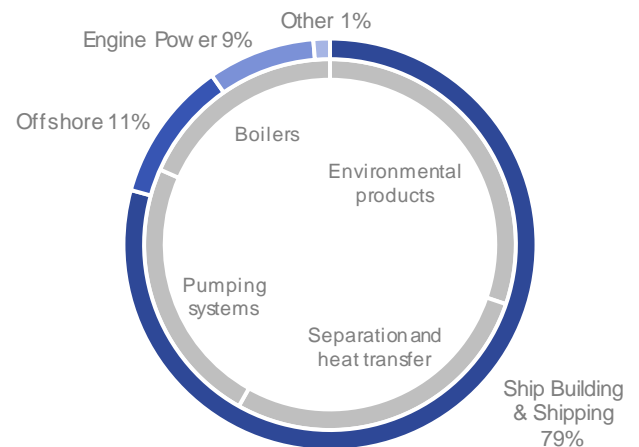
SEK millions	Q4		Jan-Dec	
	2019	2018	2019	2018
Orders received	3,840	4,439	15,953	17,322
Order backlog*	11,443	13,118	11,443	13,118
Net sales	5,017	3,869	17,993	13,583
Operating income**	985	659	3,425	2,328
Operating margin***	19.6%	17.0%	19.0%	17.1%
Depreciation and amortisation	232	192	852	785
Investments****	21	29	107	90
Assets*	26,694	24,244	26,694	24,244
Liabilities*	7,755	7,168	7,755	7,168
Number of employees*	3,393	3,098	3,393	3,098

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

Quarterly development



Order intake Jan-Dec 2019 split per end market/business unit





Order intake*

Order intake for the Marine Division showed a significant decline compared to the fourth quarter of last year due to lower demand for PureSOx as well as offshore pumping systems.

Order intake for Alfa Laval PureSOx decreased significantly compared to the fourth quarter last year. Uncertainties in the marine industry, mainly regarding the availability and price of new fuels coupled with the lack of short-term installation capacity at retrofit yards contributed to a generally lower demand for scrubber technologies. Demand for PureBallast was, on the other hand, somewhat higher than last year. General demand for equipment tied to the building of new vessels was on an overall level in line with last year, with an increased demand for tankers offset by lower demand for gas carriers. Boilers and freshwater generators recorded higher demand, whereas pumping systems and separators declined compared to last year. Offshore orders decreased in the quarter versus last year due to lack of large orders for pumping systems. The underlying market sentiment is still positive. Products going into onshore engine power applications also saw higher demand due to large orders for waste heat recovery system to power plants in West Africa and El Salvador.

Order intake for service continued the very positive development, driven mainly by the upcoming IMO 2020 regulation and an increasing installed base of environmental products with significant growth compared to last year. This was reflected in solid demand across service scopes (spare parts, field service) as well as all product groups.

Net sales

Net sales were substantially higher than in the fourth quarter last year, driven by deliveries of exhaust gas cleaning systems and ballast water systems. In addition, the growth in service throughout the year resulted in higher service revenues in the quarter.

Operating income

The main explanation to the increased operating income was a strong volume effect driven by higher invoicing of exhaust gas cleaning systems and ballast water systems. There was also strong positive mix effect from a favourable product mix in capital sales and increased service sales. The increase in cost was largely driven by the higher activity level within marine environmental products and increased royalty payments for PureBallast.

Order bridge

SEK millions/%	Q4	Jan-Dec
2018	4,439	17,322
Organic ¹⁾	-15.1%	-10.7%
Structural ¹⁾	-	-
Currency	1.6%	2.8%
Total	-13.5%	-7.9%
2019	3,840	15,953

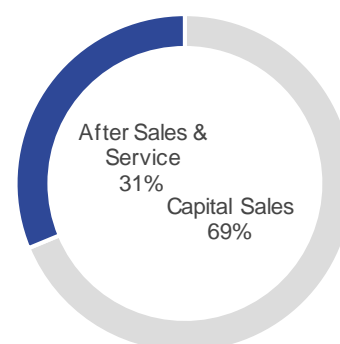
1) Change excluding currency effects

Sales bridge

SEK millions/%	Q4	Jan-Dec
2018	3,869	13,583
Organic ¹⁾	25.8%	28.5%
Structural ¹⁾	-	-
Currency	3.9%	4.0%
Total	29.7%	32.5%
2019	5,017	17,993

1) Change excluding currency effects

Order intake Jan-Dec 2019 split on:



Income bridge

SEK millions	Q4	Jan-Dec
Operating income 2018	659	2,328
Volume ¹⁾	313	1,273
Mix ¹⁾	119	110
Costs ¹⁾	-116	-344
Currency	10	58
Operating income 2019	985	3,425

1) Change excluding currency effects

* Comments excluding currency effects.

Greenhouse Division

As per the end of 2019 all parts of the division have been divested.

- At the end of December 2019, the remaining tubular heat exchanger business in the US was divested to an external buyer.

SEK millions	Q4		Jan-Dec	
	2019	2018	2019	2018
Orders received	-8	236	105	1,259
Order backlog*	0	328	0	328
Net sales	31	375	444	1,418
Operating income**	7	30	-30	80
Operating margin***	22.6%	8.0%	-6.8%	5.6%
Depreciation and amortisation	-1	4	8	14
Investments****	2	8	5	21
Assets*	39	680	39	680
Liabilities*	71	431	71	431
Number of employees*	33	502	33	502

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

Order intake, net sales and operating income

Order intake, net sales and operating income in the Greenhouse division were negatively affected in the fourth quarter by the divestment of the air heat exchanger business at the end of April, since the air heat exchangers made up the majority of Greenhouse.

The divestment of the remaining tubular heat exchanger business meant that the remaining order backlog of SEK 8 million was transferred to the buyer and is reported as negative order intake with SEK -8 million.

Operations and Other

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

SEK millions	Q4		Jan-Dec	
	2019	2018	2019	2018
Orders received	7	16	72	48
Order backlog*	0	5	0	5
Net sales	17	18	77	42
Operating income**	-247	-210	-742	-674
Depreciation and amortisation	194	104	606	416
Investments***	385	418	980	1,164
Assets*	7,880	6,778	7,880	6,778
Liabilities*	3,307	2,853	3,307	2,853
Number of employees*	6,651	6,322	6,651	6,322

* At the end of the period. ** In management accounts. *** Excluding new leases.

The order intake and net sales for Operations and Other is relating to contract manufacturing of shell and tube heat exchangers for BITZER after the sale of the business to BITZER.

Reconciliation between Divisions and Group total

SEK millions	Q4		Jan-Dec	
	2019	2018	2019	2018
Operating income				
Total for divisions	2,002	1,524	6,990	5,614
Comparison distortion items	-2	14	189	151
Consolidation adjustments *	37	10	19	66
Total operating income	2,037	1,548	7,198	5,831
Financial net	-177	-78	23	65
Result after financial items	1,860	1,470	7,221	5,896
Assets **				
Total for divisions	56,540	51,739	56,540	51,739
Corporate ***	7,856	6,333	7,856	6,333
Group total	64,396	58,072	64,396	58,072
Liabilities **				
Total for divisions	20,094	19,387	20,094	19,387
Corporate ***	16,555	15,086	16,555	15,086
Group total	36,649	34,473	36,649	34,473

* 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

Net sales by product/service *

SEK millions	Q4		Jan-Dec	
	2019	2018	2019	2018
Own products within:				
Separation	2,206	1,907	7,677	7,183
Heat transfer	5,256	4,859	18,694	17,932
Fluid handling	2,547	2,502	10,361	9,511
Other	1,689	922	5,880	2,515
Associated products	533	436	1,569	1,605
Services	733	583	2,336	1,920
Total	12,964	11,209	46,517	40,666

* 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.

New products during the fourth quarter

During the fourth quarter Alfa Laval has introduced among others the following new products:

Alfa Laval ALDEC G3 VecFlow™

The new Alfa Laval ALDEC G3 VecFlow™ decanter centrifuge offers unmatched efficiency for dewatering and thickening of wastewater sludge. The unique VecFlow feed zone minimizes turbulence, resulting in exceptional separation and 30% lower power consumption compared to traditional decanters. The combination of outstanding separation performance and operating flexibility lets the customer cut costs by optimizing the dewatering processes in terms of cake dryness, polymer consumption or throughput. The minimal turbulence also reduces wear on the conveyor, thereby lowering maintenance costs.



Alfa Laval T25-M

Alfa Laval T25-M is the latest addition to the next generation of gasketed plate heat exchangers and will replace its predecessor Alfa Laval MX25-M. Alfa Laval T25-M has wider channels compared to the recently introduced T25-P and T25-B and is specifically developed for industrial process applications and engine cooling applications in the marine industry. The Alfa Laval T25-M offers a highly durable and flexible heat transfer solution and incorporates several of the next-generation features of the Industrial range that improves efficiency, reliability and serviceability, such as:

- The OmegaPort™ non-circular port holes that enhances media flow and thermal efficiency.
- The CurveFlow™ distribution area that improves media flow and minimizes the risk of fouling.
- The FlexFlow™ plate design that improves thermal efficiency and optimizes pressure drop utilization.

In total T25-M is a lighter and more compact unit that makes a very competitive alternative for customers demanding heat transfer solutions that save space, with more effective heat transfer and require a minimal of service disruptions.

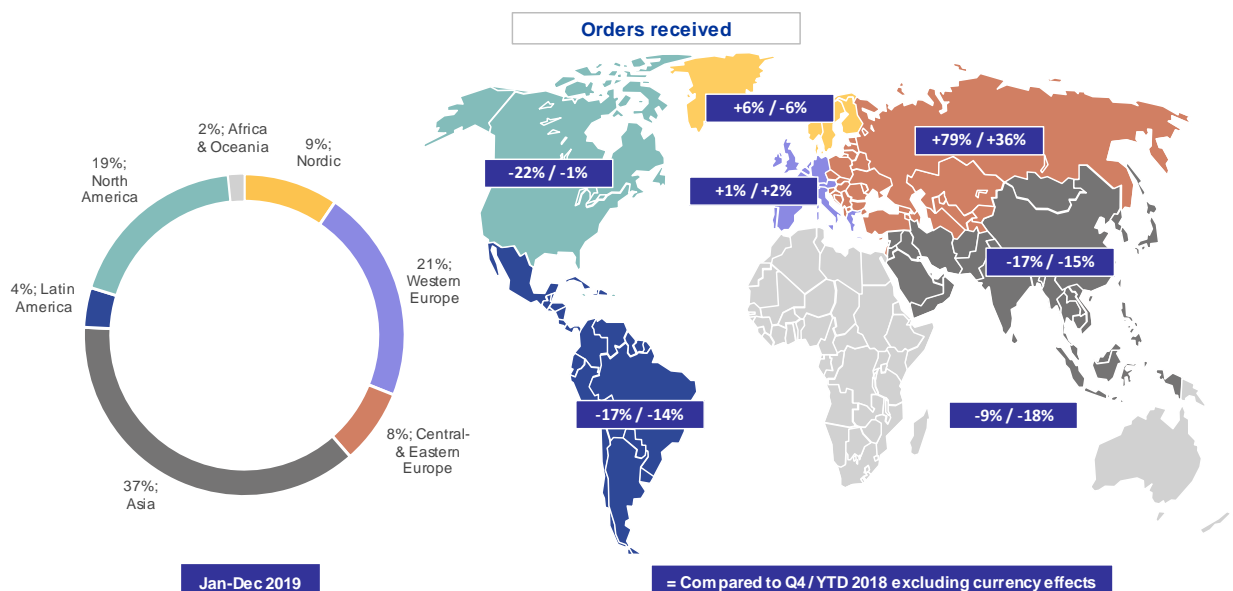


Alfa Laval ThinkTop® IO-Link

Alfa Laval has launched a new version of the Alfa Laval ThinkTop®, the company's best-selling valve sensing and control unit for hygienic valves used in the dairy, food, beverage, pharmaceutical, home and personal care industries. With the new Alfa Laval ThinkTop® IO-Link, customers can gain competitive edge with Industry 4.0. ThinkTop® IO-Link lets customers experience enhanced communication between Alfa Laval hygienic valves and automation systems. An overview of diagnostic data enables timely preventative maintenance resulting in optimized performance. Several notable new features make it easier for customers to fully leverage the value of big data. Convenient M12 connectors and automatic recording of the hygienic valve stroke duration speed installation time. During initial setup, the stroke duration is recorded to identify any deviations and to optimize the time that the valve is energized. Clearly visible LEDs with customizable colours and a 'wink' function make it easier to locate a valve from the factory floor.



Information by region



Western Europe including Nordic

The region had a modest order growth in the fourth quarter compared to the same quarter last year, despite the negative effect of the sale of the Greenhouse operations. All three divisions contributed and specifically with large orders in Food & Water and Energy. Spain and France showed good growth, whereas the development in Germany was weak. Service order intake was also robust in the region, especially in Marine and Energy.

Central and Eastern Europe

Good large order intake in Energy in Russia combined with a strong base business* in all three divisions contributed to a strong growth. For pumping systems, a strong base business did not entirely compensate for the lack of large orders compared to the same quarter last year. Service order intake was strong in the quarter.

North America

The region had a strong quarter for Marine and a modest growth in Food & Water. Energy had a weak order intake due to lack of large orders and a low activity level in the extraction and transportation part of the oil & gas market. The service growth was strong in Marine and good in Energy and Food & Water. Canada booked substantial service orders in Marine and had a strong fourth quarter.

Latin America

Political and macro-economic disturbances in many countries in the region impacted the order intake, which showed a clear contraction in the last quarter of the year. On the positive side was Energy in Brazil and service sales in Marine.

Asia

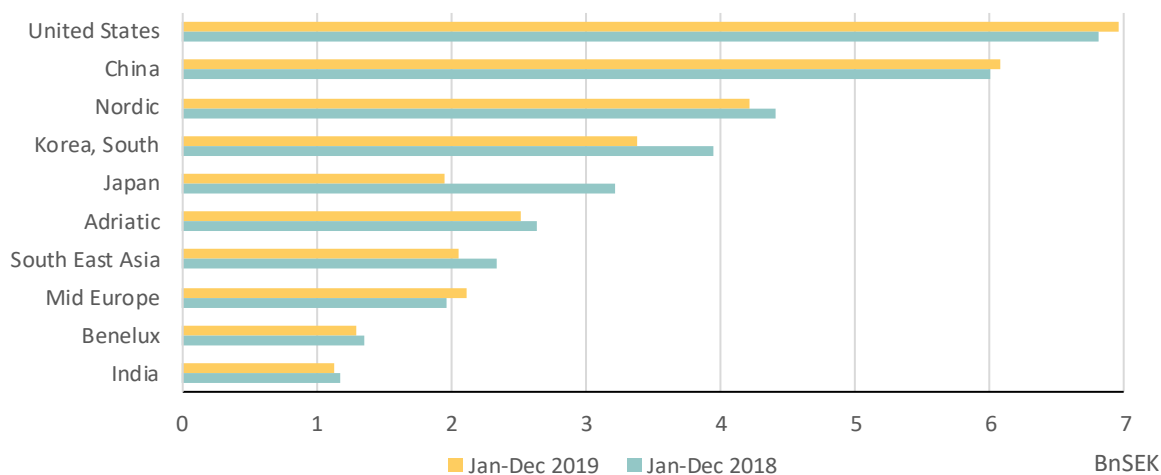
Order intake in Asia was weak in the quarter, primarily due to the lack of large PureSOx and pumping system orders. Base business and mid-sized order were however slightly up. In particular, Energy had a strong quarter in Asia coming mainly from China and Middle East, but also Food & Water showed good order intake driven by Malaysia and Middle East. In South East Asia the business activity was high.

Africa and Oceania

Medium-sized mining orders gave a good quarter for Energy. Marine also showed growth in the quarter, but these two divisions could not compensate for the decrease in Food & Water. Service order intake grew well in the quarter.

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

Order intake for the 10 largest markets



Net sales

SEK millions	Q4		Jan-Dec	
	2019	2018	2019	2018
To customers in:				
Sweden	248	259	981	924
Other EU	3,430	2,982	11,811	11,033
Other Europe	1,084	860	3,356	2,918
USA	2,017	1,711	7,390	6,394
Other North America	316	214	1,062	896
Latin America	606	500	2,060	1,835
Africa	166	118	490	450
China	1,712	1,426	6,582	5,263
South Korea	1,043	770	4,210	3,041
Other Asia	2,211	2,230	8,112	7,346
Oceania	131	139	463	566
Total	12,964	11,209	46,517	40,666

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

Non-current assets

SEK millions	Dec 31	
	2019	2018
Sweden	2,207	1,447
Denmark	5,044	4,728
Other EU	4,209	3,802
Norway	12,847	12,376
Other Europe	137	126
USA	4,468	3,964
Other North America	150	129
Latin America	313	259
Africa	12	7
Asia	3,741	3,262
Oceania	130	88
Subtotal	33,258	30,188
Other long-term securities	141	120
Pension assets	70	37
Deferred tax asset	1,801	1,755
Total	35,270	32,100

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 5.4 (5.2) percent of net sales.

Consolidated cash flows

SEK millions	Q4		Jan-Dec	
	2019	2018	2019	2018
Operating activities				
Operating income	2,037	1,548	7,198	5,831
Adjustment for depreciation, amortisation and write down	601	409	2,053	1,664
Adjustment for other non-cash items	187	-70	141	-208
	2,825	1,887	9,392	7,287
Taxes paid	-482	-365	-1,901	-1,642
	2,343	1,522	7,491	5,645
Changes in working capital:				
Increase(-)/decrease(+) of receivables	-1,164	34	-1,394	-1,026
Increase(-)/decrease(+) of inventories	1,811	-238	-617	-895
Increase(+)/decrease(-) of liabilities	-474	471	-84	1,399
Increase(+)/decrease(-) of provisions	-124	-299	-173	-240
Increase(-)/decrease(+) in working capital	49	-32	-2,268	-762
	2,392	1,490	5,223	4,883
Investing activities				
Investments in fixed assets (Capex)	-503	-559	-1,337	-1,490
Divestment of fixed assets	4	31	7	120
Acquisition of businesses	-	-	-61	-
Divestment of businesses	-5	-	364	77
	-504	-528	-1,027	-1,293
Financing activities				
Received interests and dividends	27	43	120	142
Paid interests	-39	-31	-281	-192
Realised financial exchange gains	-143	-58	239	182
Realised financial exchange losses	-449	-23	-499	-267
Dividends to owners of the parent	-	-	-2,097	-1,783
Dividends to non-controlling interests	0	0	0	0
Increase(-) of financial assets	-140	-116	-283	-116
Decrease(+) of financial assets	-10	195	0	601
Increase of loans	-	34	3,155	726
Amortisation of loans	-9	-	-3,299	-1,738
	-763	44	-2,945	-2,445
Cash flow for the period	1,125	1,006	1,251	1,145
Cash and cash equivalents at the beginning of the period	4,519	3,253	4,295	3,137
Translation difference in cash and cash equivalents	-50	36	48	13
Cash and cash equivalents at the end of the period	5,594	4,295	5,594	4,295
Free cash flow per share (SEK) *	4.50	2.29	10.00	8.56
Capex in relation to net sales	3.9%	5.0%	2.9%	3.7%
Average number of shares	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.

Consolidated comprehensive income

SEK millions	Q4		Jan-Dec	
	2019	2018	2019	2018
Net sales	12,964	11,209	46,517	40,666
Cost of goods sold	-8,635	-7,490	-30,734	-26,930
Gross profit	4,329	3,719	15,783	13,736
Sales costs	-1,242	-1,208	-4,802	-4,539
Administration costs	-535	-546	-2,092	-1,987
Research and development costs	-287	-318	-1,086	-1,020
Other operating income	428	341	1,174	906
Other operating costs	-666	-435	-1,799	-1,280
Share of result in joint ventures	10	-5	20	15
Operating income	2,037	1,548	7,198	5,831
Dividends and other financial income	5	11	32	27
Interest income and financial exchange rate gains	-117	-12	377	377
Interest expense and financial exchange rate losses	-65	-77	-386	-339
Result after financial items	1,860	1,470	7,221	5,896
Taxes	-436	-173	-1,713	-1,359
Net income for the period	1,424	1,297	5,508	4,537
Other comprehensive income:				
Items that will subsequently be reclassified to net income				
Cash flow hedges	537	-314	307	-505
Market valuation of external shares	0	0	0	0
Translation difference	-691	-366	632	641
Deferred tax on other comprehensive income	-104	73	-75	83
Sum	-258	-607	864	219
Items that will subsequently not be reclassified to net income				
Revaluations of defined benefit obligations	-213	170	-138	200
Deferred tax on other comprehensive income	30	-52	11	-60
Sum	-183	118	-127	140
Comprehensive income for the period	983	808	6,245	4,896
Net income attributable to:				
Owners of the parent	1,420	1,291	5,486	4,519
Non-controlling interests	4	6	22	18
Earnings per share (SEK)	3.39	3.07	13.08	10.77
Average number of shares	419,456,315	419,456,315	419,456,315	419,456,315
Comprehensive income attributable to:				
Owners of the parent	983	801	6,220	4,876
Non-controlling interests	0	7	25	20

Consolidated financial position

SEK millions	Dec 31	
	2019	2018
ASSETS		
Non-current assets		
Intangible assets	24,246	24,410
Property, plant and equipment	8,943	5,732
Other non-current assets	2,081	1,958
	35,270	32,100
Current assets		
Inventories	10,077	9,253
Assets related to disposal groups held for sale	-	526
Accounts receivable	7,460	6,496
Other receivables	4,929	4,694
Derivative assets	193	91
Other current deposits	873	617
Cash and cash equivalents *	5,594	4,295
	29,126	25,972
TOTAL ASSETS	64,396	58,072
SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity		
Owners of the parent	27,600	23,477
Non-controlling interests	147	122
	27,747	23,599
Non-current liabilities		
Liabilities to credit institutions etc.	10,600	8,540
Provisions for pensions and similar commitments	2,321	2,118
Provision for deferred tax	1,662	1,945
Other non-current liabilities	681	788
	15,264	13,391
Current liabilities		
Liabilities related to disposal groups held for sale	-	351
Liabilities to credit institutions etc.	1,422	3,323
Accounts payable	3,439	3,136
Advances from customers	4,269	5,221
Other provisions	1,863	1,929
Other liabilities	10,084	6,682
Derivative liabilities	308	440
	21,385	21,082
Total liabilities	36,649	34,473
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	64,396	58,072

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

Financial assets and liabilities at fair value

SEK millions	Valuation hierarchy level	Dec 31	
		2019	2018
Financial assets			
Other non-current securities	1 and 2	79	76
Bonds and other securities	1	650	435
Derivative assets	2	262	137
Financial liabilities			
Derivative liabilities	2	350	563

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.

Borrowings and net debt

SEK millions	Dec 31	
	2019	2018
Credit institutions	166	262
Swedish Export Credit	2,318	2,246
European Investment Bank	1,203	1,180
Corporate bonds	8,335	8,175
Lease liabilities	2,620	34
Interest-bearing pension liabilities	0	0
Total debt	14,642	11,897
Cash and cash equivalents and current deposits	-6,467	-4,912
Net debt *	8,175	6,985

* Alternative performance measure.

Lease liabilities have increased by SEK 2,766 million as per January 1, 2019 due to the initial application of IFRS 16 Leases, which affects the figures at December 31, 2019. Earlier only capitalised financial leases were reported on this line.

Alfa Laval has a senior credit facility of EUR 400 million and USD 544 million, corresponding to SEK 9,270 million with a banking syndicate. The facility was not utilised at December 31, 2019. The facility matures in June 2021.

The corporate bonds are listed on the Irish stock exchange and consist of one tranche of EUR 500 million that matures in September 2022 and a new tranche of EUR 300 million that matures in June 2024. The new tranche was raised under a new EMTN program and has been used to refinance the tranche of EUR 300 million that matured in September 2019.

The bilateral term loans from Swedish Export Credit consist of 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 loan from the European Investment Bank of EUR 115 million matures in June 2021.

The commercial paper programme of SEK 2,000 million was not utilised at December 31, 2019.

Changes in consolidated equity

SEK millions	Jan-Dec	
	2019	2018
At the beginning of the period*	23,599	20,486
Changes attributable to:		
Owners of the parent		
Comprehensive income		
Comprehensive income for the period	6,220	4,876
Transactions with shareholders		
Dividends	-2,097	-1,783
Subtotal	4,123	3,093
Non-controlling interests		
Comprehensive income		
Comprehensive income for the period	25	20
Transactions with shareholders		
Dividends	0	0
Subtotal	25	20
At the end of the period	27,747	23,599

* The opening equity for 2018 has been adjusted with SEK -14 million due to IFRS 15.

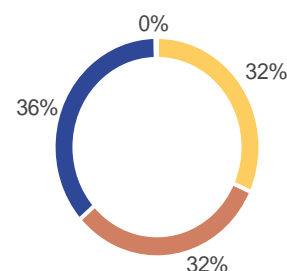
Condensed segment reporting per quarter



Orders received

	2019				2018			
SEK millions	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Energy	3,594	3,355	3,566	3,448	3,330	3,039	3,401	2,915
Food & Water	3,720	3,306	3,520	3,480	3,540	3,151	3,589	3,411
Marine	3,840	4,006	3,144	4,963	4,439	4,903	4,685	3,295
Greenhouse	-8	45	-228	296	236	244	375	404
Operations & Other	7	16	23	26	16	20	12	0
Total	11,153	10,728	10,025	12,213	11,561	11,357	12,062	10,025

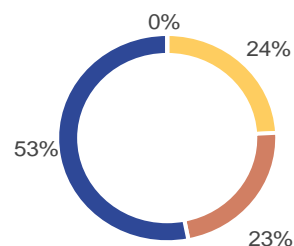
Jan-Dec 2019



Order backlog

	2019				2018			
SEK millions	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Energy	5,214	5,564	5,709	5,629	4,857	4,852	4,836	4,554
Food & Water	4,894	5,110	5,535	5,304	4,860	4,917	5,096	4,820
Marine	11,443	12,607	13,276	14,338	13,118	12,529	10,996	9,595
Greenhouse	0	38	35	381	328	467	523	520
Operations & Other	0	10	13	14	5	8	6	0
Total	21,551	23,329	24,568	25,666	23,168	22,773	21,457	19,489

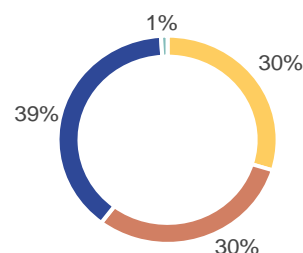
Dec 31, 2019



Net sales

	2019				2018			
SEK millions	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Energy	3,961	3,515	3,531	2,807	3,343	3,043	3,215	2,812
Food & Water	3,938	3,763	3,335	3,153	3,604	3,336	3,390	2,880
Marine	5,017	4,715	4,329	3,932	3,869	3,433	3,486	2,795
Greenhouse	31	45	120	248	375	300	379	364
Operations & Other	17	18	24	18	18	19	5	0
Total	12,964	12,056	11,339	10,158	11,209	10,131	10,475	8,851

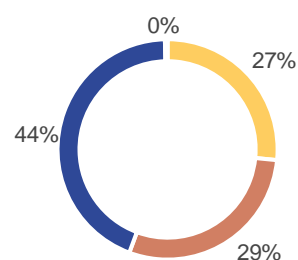
Jan-Dec 2019



Operating income*

	2019				2018			
SEK millions	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Energy	593	519	558	399	438	461	490	381
Food & Water	664	607	473	524	607	542	507	454
Marine	985	870	809	761	659	599	571	499
Greenhouse	7	-15	-15	-7	30	20	22	8
Operations & Other	-247	-105	-182	-208	-210	-160	-196	-108
Total	2,002	1,876	1,643	1,469	1,524	1,462	1,394	1,234

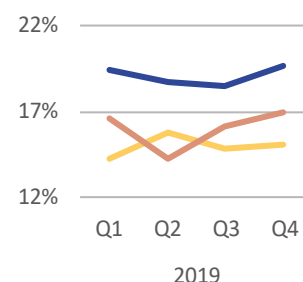
Jan-Dec 2019



Operating margin*

	2019				2018			
%	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Energy	15.0	14.8	15.8	14.2	13.1	15.1	15.2	13.5
Food & Water	16.9	16.1	14.2	16.6	16.8	16.2	15.0	15.8
Marine	19.6	18.5	18.7	19.4	17.0	17.4	16.4	17.9
Greenhouse	22.6	-33.3	-12.5	-2.8	8.0	6.7	5.8	2.2
Total	15.4	15.6	14.5	14.5	13.6	14.4	13.3	13.9

Per quarter 2019



* In management accounts, see reconciliation on page 13.

Acquisitions and divestments of businesses

On December 18, 2018 Alfa Laval announced that it had signed an agreement to acquire certain technologies and activities from Airec – a Malmö, Sweden-based innovation company with patented technology for dimple asymmetry heat exchangers. The transaction was closed on January 2, 2019.

The sale of the Alonte based commercial tubular heat exchanger business in the Greenhouse division to the BITZER Group was closed on May 1, 2018. The sale of the heat exchanger systems business in the Greenhouse division to the NIBE Group was closed on May 31, 2018.

On December 12, 2018 Alfa Laval announced that it had signed an agreement to sell part of its air heat exchanger business related to commercial/industrial air heat exchangers in the Greenhouse division to the LU-VE Group. The transaction was closed on May 1, 2019. This operation is during the period December 12, 2018 to April 30, 2019 reported as a disposal group held for sale according to IFRS 5. This means that all assets and liabilities relating to this operation are presented separately in the statement of financial position. The balance sheet items are measured at the lower of their book values and fair values less costs to sell, except for deferred tax items and defined benefit obligations. Since the transaction was estimated to result in a realised gain, no write down to fair value has been necessary.

Disposal groups

SEK millions	Dec 31	
	2019	2018
Assets		
Property, plant and equipment	-	59
Inventories	-	166
Accounts receivable	-	275
Other receivables	-	26
Financial assets	-	0
Total	-	526
Liabilities		
Accounts payable	-	120
Advances from customers	-	44
Other liabilities	-	187
Financial liabilities	-	0
Total	-	351

The last remaining Greenhouse operation shell-and-tube Sarasota, also known as Alfa Laval Champ, was sold to Thermal Solutions Manufacturing on December 31, 2019.

Large orders (>EUR 5 million) in the fourth quarter

Division	Delivery date	Order amount	Total per Business Unit	
Business Unit			Q4 2019	Q4 2018
Scope of supply			SEK millions	
Energy				
Welded Heat Exchangers				
Large heat exchangers to a petrochemical plant in Russia.	2020	90		
Air cooled heat exchangers, to be installed in an oil and gas production facility in Kazakhstan.	2020	70		
Air cooled heat exchangers, to be installed in a refinery in the Middle East.	2020	60		
Air coolers and shell and tube heat exchangers, to be installed in a refinery in Russia.	2020	200		
Alfa Laval Packinox heat exchangers to a petrochemical plant in China.	2020	65	485	360
Food & Water				
Food Systems				
Complete process lines to an edible oil processing plant in the Middle East.	2020	60	60	-
Decanters				
Decanters to be installed in wastewater treatment plants in Italy.	2020	65	65	60
Marine				
Boiler Systems				
Waste heat recovery systems to a power plant in West Africa.	2020	60		
Waste heat recovery systems to a power plant in El Salvador.	2020	95	155	-
Marine Separation & Heat Transfer Equipment			-	95
Pumping Systems			-	355
Total			765	870

Parent company

The parent company's result after financial items for the full year 2019 was SEK 604 (647) million, out of which dividends from subsidiaries SEK 633 (668) million, net interests SEK 0 (-0) million, realised and unrealised exchange rate gains and losses SEK 1 (1) million, costs related to the listing SEK -4 (-4) million, fees to the Board SEK -8 (-9) million, cost for annual report and annual general meeting SEK -2 (-2) million and other operating income and operating costs the remaining SEK -16 (-7) million.

Parent company income *

SEK millions	Q4		Jan-Dec	
	2019	2018	2019	2018
Administration costs	-2	-2	-14	-15
Other operating income	0	0	0	0
Other operating costs	-10	-1	-16	-7
Operating income	-12	-3	-30	-22
Revenues from interests in group companies	-	-	633	668
Interest income and similar result items	0	0	1	1
Interest expenses and similar result items	0	0	0	0
Result after financial items	-12	-3	604	647
Change of tax allocation reserve	-293	-698	-293	-698
Group contributions	2,142	2,810	2,142	2,810
Result before tax	1,837	2,109	2,453	2,759
Tax on this year's result	-398	-465	-395	-461
Net income for the period	1,439	1,644	2,058	2,298

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

Parent company financial position

SEK millions	Dec 31	
	2019	2018
ASSETS		
Non-current assets		
Shares in group companies	4,669	4,669
Current assets		
Receivables on group companies	10,292	10,111
Other receivables	4	5
Cash and cash equivalents	-	-
	10,296	10,116
TOTAL ASSETS	14,965	14,785
SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity		
Restricted equity	2,387	2,387
Unrestricted equity	9,893	9,932
	12,280	12,319
Untaxed reserves		
Tax allocation reserves, taxation 2014-2020	2,652	2,359
Current liabilities		
Liabilities to group companies	20	29
Accounts payable	1	-
Tax liabilities	10	76
Other liabilities	2	2
	33	107
TOTAL EQUITY AND LIABILITIES	14,965	14,785

Owners and shares

Owners and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 41,147 (34,180) shareholders on December 31, 2019. 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 5.6 to 0.5 percent. These ten largest shareholders owned 51.7 (47.1) percent of the shares.

Proposed disposition of earnings

The parent company has unrestricted funds of SEK 9,893 (9,932) million.

The Board of Directors propose a dividend of SEK 5.50 (5.00) per share corresponding to SEK 2,307 (2,097) million and that the remaining income available for distribution in Alfa Laval AB (publ) of SEK 7,586 (7,835) million be carried forward.

The Board of Directors are of the opinion that the proposed dividend is consistent with the requirements that the type and size of operations, the associated risks, the capital needs, liquidity and financial position put on the company.

Annual General Meeting 2020

The Annual General Meeting of Alfa Laval AB will be held at Scandic Star Lund, Glimmervägen 5, Lund, Sweden, on Thursday April 23, 2020, at 16.00 (CET).

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 2018 is still correct.

Asbestos-related lawsuits

The Alfa Laval Group was as of December 31, 2019 named as a co-defendant in a total of 698 asbestos-related lawsuits with a total of approximately 698 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 fourth quarter 2019 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 2018 for definitions. Alfa Laval follows the Guidelines on Alternative Performance Measures issued by ESMA (European Securities and Markets Authority).

IFRS 16 Leases is applied from January 1, 2019. Alfa Laval applies it retrospectively with the cumulative effect of initially applying it recognised as an adjustment to the opening balance of right-of-use assets, lease liabilities and unrestricted equity at January 1, 2019. The effect of the initial application was reported in the Annual Report for 2018 and meant an adjustment of the opening balances for right-of-use assets and lease liabilities by SEK +2,766 million each.

"Q4" and "Fourth quarter" refer to the period October 1 to December 31. "Jan-Dec" and "Full year" refer to the period January 1 to December 31. "The corresponding period last year" refers to the fourth quarter 2018 or the full year 2018 depending on the context.

"Currency effects" only relate to translation effects, whereas "foreign exchange effects" also relate to transactional and revaluation effects. "Mix" in the operating income bridge also includes a price effect.

Comparison distortion items are reported in the comprehensive income statement on each concerned line but are specified on page 4 and 5.

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.

Annual report 2019

The annual report will be published on Alfa Laval's website on March 26, 2020 at 10.00 CET and by sending the printed annual report to the shareholders starting in week 15, 2020.

The interim report has been issued at CET 7.30 on February 4, 2020 by the President and Chief Executive Officer Tom Erixon by proxy from the Board of Directors.

Lund, February 4, 2020,

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 December 31, 2019 and the twelve 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 for the fourth quarter 2019, 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, February 4, 2020,

Staffan Landén
Authorised Public Accountant

Karoline Tedevall
Authorised Public Accountant

**Alfa Laval AB (publ)**

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**Date for the next financial report**

Alfa Laval will publish interim reports during 2020 at the following dates:

Interim report for the first quarter	April 23
Interim report for the second quarter	July 21
Interim report for the third quarter	October 22

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 above, at CET 7.30 on February 4, 2020.

