

Fourth quarter and full year 2017



Summary

SEK millions	Fourth quarter				Full year			
	2017	2016	%	% *	2017	2016	%	% *
Order intake	9,780	8,709	12	16	36,628	32,060	14	13
Net sales	10,112	9,904	2	5	35,314	35,634	-1	-2
Adjusted EBITA **	1,611	1,488	8		5,610	5,553	1	
- adjusted EBITA margin (%) **	15.9	15.0			15.9	15.6		
Result after financial items	1,358	877	55		4,371	3,325	31	
Net income for the period	1,061	616	72		2,988	2,312	29	
Earnings per share (SEK)	2.52	1.46	73		7.09	5.46	30	
Cash flow ***	1,573	1,925	-18		4,463	4,979	-10	
Impact on adjusted EBITA of:								
- foreign exchange effects	33	141			223	478		
Impact on result after financial items of:								
- comparison distortion items	-	-400			-	-1,500		

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

Comment from Tom Erixon, President and CEO

"2017 has for Alfa Laval been a year marked by a broad economic upswing and a stable increase in demand within most sectors. The fourth quarter was also characterized by the positive development and resulted in a sequential increase in order intake of 16 percent, which was somewhat higher than expected.

The contracting for new ships at the ship yards increased by about 50 percent compared to 2016. This had a significant effect on the order intake in the Marine Division during the year as well as in the fourth quarter, when a sequential upturn of 27 percent was reported. The best performance was found in Pumping Systems, which had very short lead times from the contracting at the yards until the order was booked in Alfa Laval. In the Food & Water Division the positive trend that has been seen during the year continued and the order intake grew by 6 percent sequentially in the fourth

quarter. For the full year the increase was slightly higher. Clear improvements within project execution and increased productivity resulted in an improved operating margin. In the Energy Division signs were noted of an increased activity in the market following a higher oil price and the order intake grew for the full year. Sequentially it increased by 11 percent, supported by large orders.

Most of the Group's restructuring programme, decided in the autumn 2016, was implemented during 2017. Fully according to plan, important parts of the consolidation of the Group's production sites are, however, remaining. The costs for the implementation of the programme will burden the result during 2018 with about SEK 150 million. The estimated saving is expected to gradually impact the gross margin positively, with full effect from early 2019."

Outlook for the first quarter

"We expect that demand during the first quarter 2018 will be somewhat lower than in the fourth quarter."

Earlier published outlook (October 25, 2017): "We expect that demand during the fourth quarter 2017 will be somewhat higher than in the third quarter."

The Board of Directors will propose a dividend of SEK 4.25 (4.25) per share to the Annual General Meeting.

The fourth quarter and full year 2017 report has been reviewed by the company's auditors, see page 24 for the review report.

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Management's discussion and analysis

Important events during the fourth quarter

Large orders ¹⁾ in the fourth quarter

Division			Order	Total per Business Unit	
Business Unit		Delivery	amount	Q4 2017	Q4 2016
Scope of supply		date	SEK millions		
Energy					
Welded Heat Exchangers					
Welded heat exchangers to a refinery in the Middle East.	2018		55		
Evaporative air-cooler systems to a gas processing plant in the U.S.	2018		95		
Alfa Laval Packinox heat exchangers to a petrochemical plant in India.	2018		65		
Alfa Laval Packinox heat exchangers to a refinery in the Middle East.	2018		55	270	375
Energy Separation					50
Gasketed Plate Heat Exchangers					55
Marine					
Boiler & Gas Systems					65
Pumping Systems					
Framo pumping systems to an oil platform in the North Sea.	2018		60	60	-
Total				330	545

Order intake

Orders received has amounted to SEK 9,780 (8,709) million for the fourth quarter and to SEK 36,628 (32,060) million for the full year 2017.

Compared with earlier periods the development per quarter has been as follows.



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:

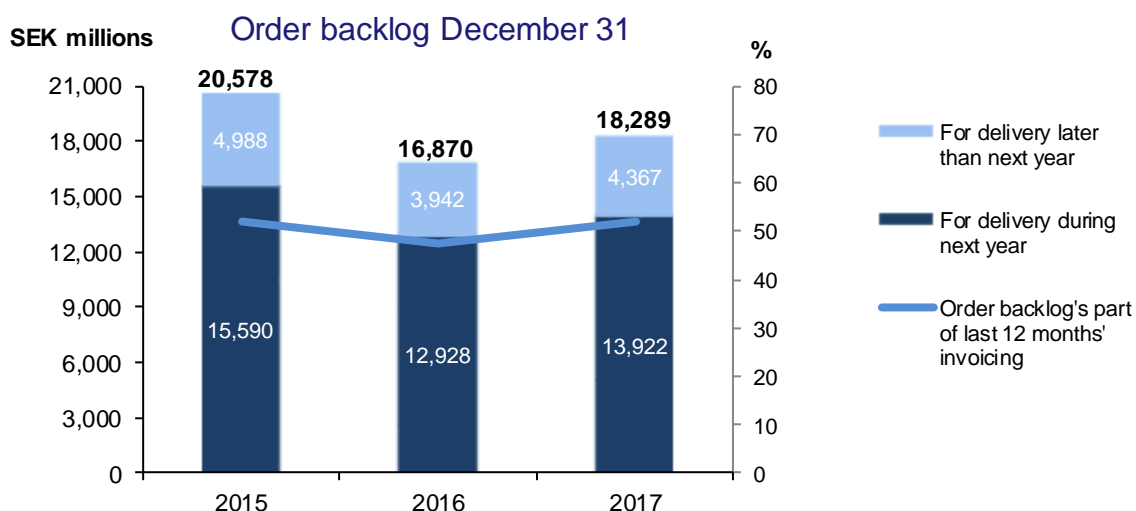
Consolidated		Order bridge					
Order intake	Prior periods SEK millions	Change					Order intake Current periods SEK millions
		Excluding currency effects			After currency effects		
		Structural change ²⁾	Organic development ³⁾	Total	Currency effects	Total	
		(%)	(%)	(%)	(%)	(%)	
Q4 2017/2016	8,709	-	15.8	15.8	-3.5	12.3	9,780
Q4/Q3 2017	8,418	-	13.6	13.6	2.6	16.2	9,780
YTD 2017/2016	32,060	-	13.3	13.3	0.9	14.2	36.628

Orders received from the aftermarket Service⁴ constituted 27.1 (31.7) percent of the Group's total orders received during the fourth quarter and 29.8

(33.0) percent during the full year 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
Q4 2017/2016		-	-0.2	-0.2
Q4/Q3 2017		-	-0.1	-0.1
YTD 2017/2016		-	2.6	2.6

Order backlog



Excluding currency effects and adjusted for acquisition of businesses the order backlog was

7.5 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 10,112 (9,904) million for the fourth quarter and SEK 35,314 (35,634) million for the full year 2017. The change compared with

the corresponding periods last year and the previous quarter can be split into:

Consolidated		Sales bridge					
Net sales		Change					Net sales
		Excluding currency effects			After currency effects		
Prior		Structural	Organic		Currency		Current
periods		change	development	Total	effects	Total	periods
SEK millions		(%)	(%)	(%)	(%)	(%)	SEK millions
Q4 2017/2016	9,904	-	5.1	5.1	-3.0	2.1	10,112
Q4/Q3 2017	8,169	-	21.0	21.0	2.8	23.8	10,112
YTD 2017/2016	35.634	-	-1.7	-1.7	0.8	-0.9	35.314

Net invoicing relating to Service constituted 28.7 (30.0) percent of the Group's total net invoicing in the fourth quarter and 30.5 (29.6) percent in the

full year 2017. The change compared with the corresponding periods last year and the previous quarter can be split into:

Consolidated		Service sales		
		Change excluding currency effects		
%		Structural change	Organic development	Total
Q4 2017/2016		-	0.9	0.9
Q4/Q3 2017		-	11.4	11.4
YTD 2017/2016		-	1.2	1.2

Income

CONSOLIDATED COMPREHENSIVE INCOME

SEK millions	Fourth quarter		Full year	
	2017	2016	2017	2016
Net sales	10,112	9,904	35,314	35,634
Cost of goods sold	-6,673	-6,848	-23,379	-24,581
Gross profit	3,439	3,056	11,935	11,053
Sales costs	-1,051	-942	-4,127	-4,328
Administration costs	-501	-593	-1,809	-1,649
Research and development costs	-256	-232	-874	-822
Other operating income	155	230	588	613
Other operating costs	-400	-699	-1,135	-1,893
Share of result in joint ventures	-9	0	11	15
Operating income	1,377	820	4,589	2,989
Dividends and changes in fair value	47	47	47	47
Interest income and financial exchange rate gains	23	288	237	645
Interest expense and financial exchange rate losses	-89	-278	-502	-356
Result after financial items	1,358	877	4,371	3,325
Taxes	-297	-261	-1,383	-1,013
Net income for the period	1,061	616	2,988	2,312
Other comprehensive income:				
Items that will subsequently be reclassified to net income				
Cash flow hedges	-54	-35	257	245
Market valuation of external shares	2	0	2	0
Translation difference	-68	294	-1,339	1,882
Deferred tax on other comprehensive income	70	-51	152	-143
Sum	-50	208	-928	1,984
Items that will subsequently not be reclassified to net income				
Revaluations of defined benefit obligations	-135	-580	15	-505
Deferred tax on other comprehensive income	46	88	4	67
Sum	-89	-492	19	-438
Comprehensive income for the period	922	332	2,079	3,858
Net income attributable to:				
Owners of the parent	1,059	611	2,976	2,289
Non-controlling interests	2	5	12	23
Earnings per share (SEK)	2.52	1.46	7.09	5.46
Average number of shares	419,456,315	419,456,315	419,456,315	419,456,315
Comprehensive income attributable to:				
Owners of the parent	915	328	2,069	3,815
Non-controlling interests	7	4	10	43

The gross profit has been negatively affected by a negative mix within capital sales and higher costs for metals and positively by a higher sales volume and a better utilisation in a number of factories.

Sales and administration expenses amounted to SEK 1,552 (1,535) million during the fourth quarter and SEK 5,936 (5,977) million during the full year 2017. Excluding currency effects and acquisition of businesses, sales and administration expenses were 4.2 percent higher and 1.4 percent lower

respectively than the corresponding periods last year. The increase in the quarter compared to last year is entirely explained by an increased activity level within marketing and sales, while the underlying effects of the savings programme remains. The corresponding figure when comparing the fourth quarter 2017 with the previous quarter is an increase with 10.2 percent.

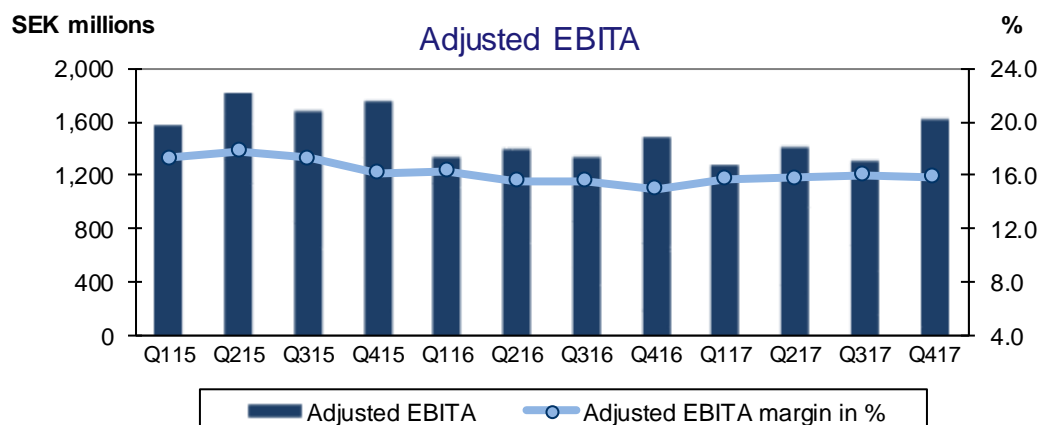
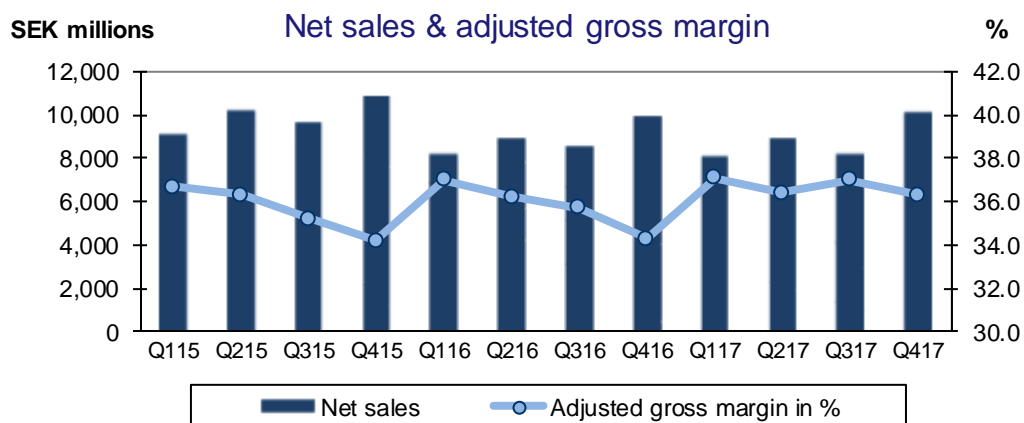
The costs for research and development during the full year 2017 corresponded to 2.5 (2.3)

percent of net sales. Excluding currency effects and acquisition of businesses, the costs for research and development have increased by 9.9 percent during the fourth quarter and by 5.3 percent during the full year 2017 compared to the corresponding periods last year. The corresponding figure when comparing the fourth quarter 2017

with the previous quarter is an increase with 25.1 percent.

Earnings per share, excluding amortisation of step-up values and the corresponding tax*, was SEK 8.85 (8.48) for the full year 2017.

Consolidated	Income analysis			
	Fourth quarter		Full year	
	2017	2016	2017	2016
SEK millions				
Net sales	10,112	9,904	35,314	35,634
Adjusted gross profit *	3,673	3,401	12,956	12,744
- adjusted gross margin (%) *	36.3	34.3	36.7	35.8
Expenses **	-1,901	-1,748	-6,717	-6,548
- in % of net sales	18.8	17.6	19.0	18.4
Adjusted EBITDA *	1,772	1,653	6,239	6,196
- adjusted EBITDA margin (%) *	17.5	16.7	17.7	17.4
Depreciation	-161	-165	-629	-643
Adjusted EBITA *	1,611	1,488	5,610	5,553
- adjusted EBITA margin (%) *	15.9	15.0	15.9	15.6
Amortisation of step-up values	-234	-268	-1,021	-1,064
Comparison distortion items:				
Write down of goodwill and step-up values	-	-77	-	-627
Restructuring	-	-323	-	-873
Operating income	1,377	820	4,589	2,989



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

Comparison distortion items

Consolidated	Comparison distortion items			
	Fourth quarter		Full year	
	2017	2016	2017	2016
SEK millions				
Operational				
Cost of goods sold	-6,673	-6,771	-23,379	-23,954
Comparison distortion costs ¹⁾	-	-77	-	-627
Total cost of goods sold	-6,673	-6,848	-23,379	-24,581
Other operating costs	-400	-376	-1,135	-1,020
Comparison distortion costs ²⁾	-	-323	-	-873
Total other operating costs	-400	-699	-1,135	-1,893

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 full year 2017 savings of SEK 330 million were realised as a result of the initiatives.

Consolidated financial net and taxes

The financial net for the full year 2017 has amounted to SEK -54 (-76) 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 -5 (-8) million, interest on the bilateral term loans of SEK -41 (-56) 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 -79 (-80) million and a net of dividends, fair value changes and other interest income and interest costs of SEK 71 (71) million. The net of realised and unrealised exchange rate differences has amounted to SEK -164 (412) million.

The tax on the result after financial items was SEK -297 (-261) million in the fourth quarter and SEK -1 383 (-1,013) million in the full year 2017. The tax cost for the full year 2017 has been affected by a dividend distribution tax in India of SEK -100 million. The tax cost for the full year 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 full year 2017 has been affected by non-recurring items of about SEK +29 (+132) million concerning adjustments of deferred taxes relating to step up values, due to reduced company taxes in the U.S. (2017) and Norway and Denmark (2016) and thereby decreased deferred tax liabilities.

Key figures

Consolidated	Key figures	
	December 31	
	2017	2016
Return on capital employed (%) *	17.7	15.3
Return on equity (%) **	13.9	11.8
Solidity (%) ***	39.0	38.0
Net debt to EBITDA, times *	1.31	1.81
Debt ratio, times *	0.40	0.47
Number of employees (at the end of the period)	16,367	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.

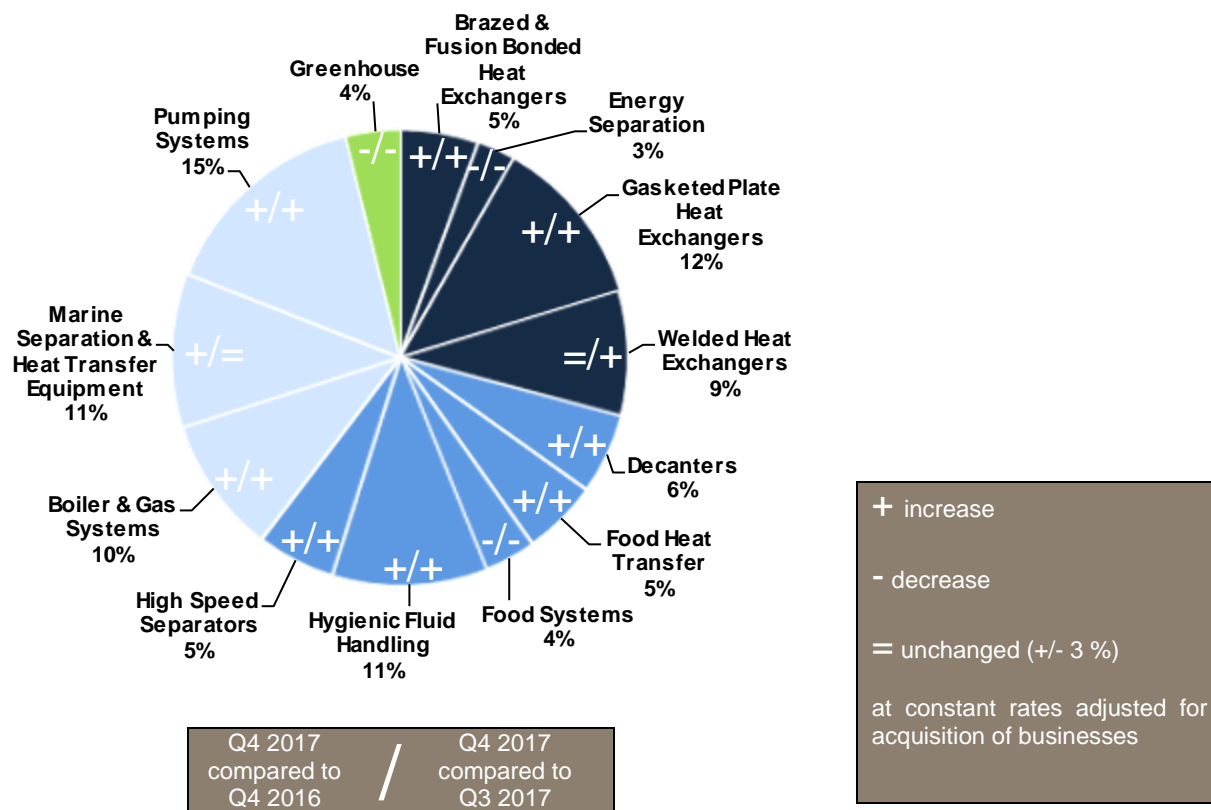
Observe that the return on capital employed and on equity has been impacted by the one-time costs during 2016.

Business Divisions

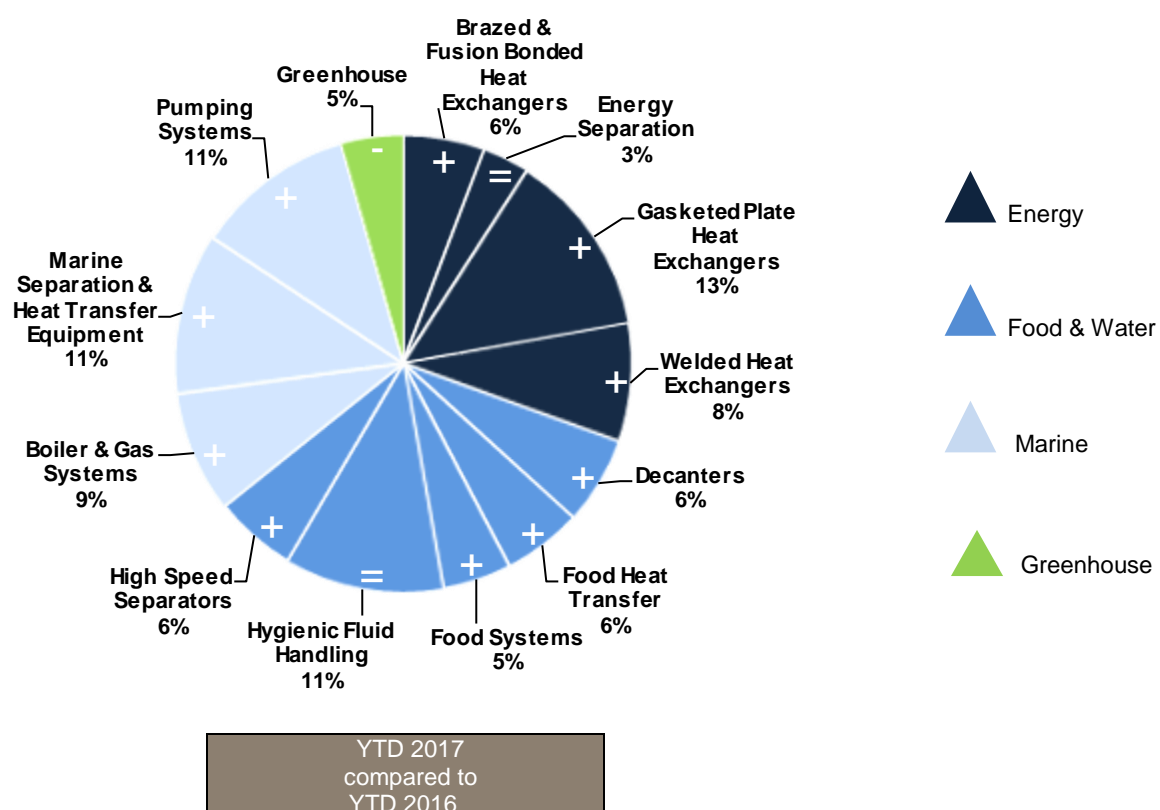
The development of the order intake for the Divisions and their Business Units and the split

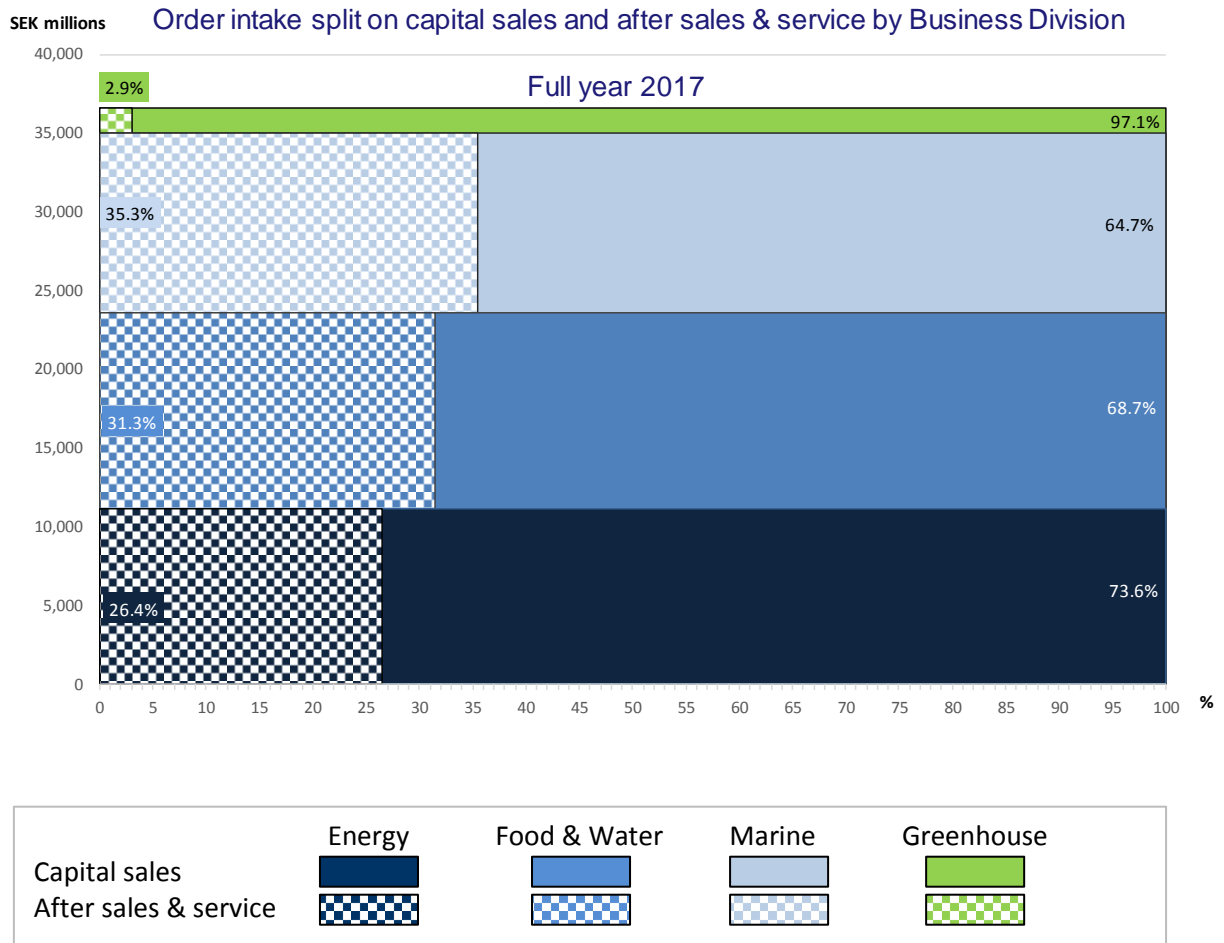
between capital sales and after sales & service appear in the following charts.

Orders received by Business Unit Q4 2017



Orders received by Business Unit YTD 2017





Energy Division

Consolidated	Fourth quarter		Full year	
	2017	2016	2017	2016
SEK millions				
Orders received	2,852	2,924	11,175	10,208
Order backlog*	4,471	4,230	4,471	4,230
Net sales	3,259	3,000	11,001	10,641
Operating income**	469	447	1,525	1,423
Operating margin***	14.4%	14.9%	13.9%	13.4%
Depreciation and amortisation	87	79	317	302
Investments	36	32	84	76
Assets*	9,555	8,797	9,555	8,797
Liabilities*	3,743	2,608	3,743	2,608
Number of employees*	3,016	3,440	3,016	3,440

* 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
Q4 2017/2016	-	1.0	1.0	-	12.1	12.1
Q4/Q3 2017	-	10.6	10.6	-	22.6	22.6
YTD 2017/2016	-	9.8	9.8	-	3.3	3.3

All comments below are excluding currency effects.

Order intake

The Energy Division's overall order volume showed good growth in the fourth quarter, mainly driven by large orders for applications in the hydro carbon chain. The base business* remained unchanged. From a geographical point of view, the best performance was noted in the U.S., Europe and Asia.

Welded Heat Exchangers did very well in the quarter driven by a number of larger orders from customers throughout the hydrocarbon chain. The base business contracted somewhat compared to the third quarter. In **Energy Separation**, the overall order volumes were down, due to a decline in base business demand. At the same time, larger orders were on the same level as in the previous quarter. **Gasketed Heat Exchangers** reported a small increase in order intake thanks to larger orders in oil and gas processing as well as power. The base business was flat. The **Brazed & Fusion Bonded Heat Exchangers** Business Unit saw order volumes grow compared to the third quarter

– the main driver being demand from manufacturers of boilers and A/C equipment.

Service declined somewhat. Most areas were flat to positive, the exception being aftermarket demand for spares and service for separation products.

Operating income

The increased operating income for Energy during the fourth quarter 2017 compared to the corresponding period last year is explained by a higher invoicing, mitigated by higher costs for R&D as well as sales and administration.

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

Food & Water Division

Consolidated				
	Fourth quarter		Full year	
	2017	2016	2017	2016
SEK millions				
Orders received	3,053	3,009	12,388	11,327
Order backlog*	4,317	3,741	4,317	3,741
Net sales	3,261	3,276	11,824	11,364
Operating income**	517	457	1,780	1,596
Operating margin***	15.9%	13.9%	15.1%	14.0%
Depreciation and amortisation	35	43	142	165
Investments	36	37	73	82
Assets*	8,124	7,525	8,124	7,525
Liabilities*	3,652	2,785	3,652	2,785
Number of employees*	3,997	3,674	3,997	3,674

* 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
%						
Q4 2017/2016	-	4.9	4.9	-	3.4	3.4
Q4/Q3 2017	-	6.1	6.1	-	10.4	10.4
YTD 2017/2016	-	9.4	9.4	-	3.9	3.9

All comments below are excluding currency effects.

Order intake

The fourth quarter meant order intake growth compared to the previous quarter, supported by the base business development and further boosted by a higher level of larger orders. Brewery and ethanol applications were particularly strong, followed by the more general food applications. Water treatment and waste water, however, contracted somewhat.

Business Unit **High Speed Separation** developed well, primarily thanks to the brewery, pharma and biotech sectors. Dairy and edible oil also recorded good growth. Business Unit **Decaners** also showed a strong development, to a large extent through a positive development in edible oil as well as in ethanol and starch, but also from a healthy growth in general food applications. A slight contraction was noted in the areas of water treatment and waste water. Business Unit **Food Heat Transfer** delivered robust growth among customers in more general food applications and

even more so in ethanol, starch and dairy. Brewery, edible oil and pharma were unchanged. Business Unit **Hygienic Fluid Handling** reported a slight increase in order intake compared to the third quarter. Dairy and the broader food markets, which constitute the bulk of the business, were both unchanged. The smaller pharma business developed favourably. Business Unit **Food Systems** ended up marginally below the third quarter. The non-repeat of a large pharma/bio-tech order was partly compensated for by a strong development in brewery as well as a healthy growth in general food applications.

The aftermarket showed a slight decline compared to the previous quarter, mainly as fewer larger repair orders were received.

Operating income

The increase in operating income for Food & Water during the fourth quarter 2017 compared to the corresponding period last year is explained by an improved project execution, mitigated by a negative mix and higher costs in the quarter.

Marine Division

Consolidated				
	Fourth quarter		Full year	
	2017	2016	2017	2016
SEK millions				
Orders received	3,497	2,243	11,456	8,760
Order backlog*	9,027	8,285	9,027	8,285
Net sales	3,157	3,202	10,809	12,125
Operating income**	600	411	1,771	2,051
Operating margin***	19.0%	12.8%	16.4%	16.9%
Depreciation and amortisation	199	196	772	765
Investments	21	26	59	77
Assets*	23,861	23,380	23,861	23,380
Liabilities*	5,963	5,126	5,963	5,126
Number of employees*	2,914	2,962	2,914	2,962

* 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
%						
Q4 2017/2016	-	62.5	62.5	-	2.6	2.6
Q4/Q3 2017	-	27.0	27.0	-	33.3	33.3
YTD 2017/2016	-	30.1	30.1	-	-11.2	-11.2

All comments below are excluding currency effects.

Order intake

Order intake for the Marine Division increased in the fourth quarter compared with the third. The main explanation to the uplift were higher demand for marine pumping systems and exhaust gas cleaning.

Business Unit **Marine Separation & Heat Transfer Equipment** reported an unchanged level of order intake in the fourth quarter compared to the third. Demand for fresh water generators grew, driven by a higher level of contracting of cruise ships. Equipment for engine power plants also saw higher order intake and demand for PureBallast remained strong, with a good mix between new-build orders and retrofit. At the same time gasketed plate heat exchangers, which recorded an extraordinary level of order intake in the previous quarter, came back to a more normal level. The **Boiler & Gas Systems** Business Unit

reported a good quarter, as demand for gas systems grew. The increase was seen for exhaust gas cleaning systems as well as for inert gas systems. Marine boilers declined from the very high level seen in the previous quarter, while boilers for onshore engine power grew. The **Pumping Systems** Business Unit saw order intake rise compared to the previous quarter, reflecting a higher level of contracting of chemical tankers. In addition, an increase in order intake was reported from the offshore sector, be it from a low level.

Service increased, due to strong demand for parts as well as field service.

Operating income

The increase in operating income for Marine during the fourth quarter 2017 compared to the corresponding period last year is above all explained by a good gross margin and that one-time costs for certain product deliveries last year were not repeated.

Greenhouse Division

Consolidated SEK millions	Fourth quarter		Full year	
	2017	2016	2017	2016
Orders received	378	533	1,609	1,765
Order backlog*	474	614	474	614
Net sales	435	426	1,680	1,504
Operating income**	14	-25	-12	-143
Operating margin***	3.2%	-5.9%	-0.7%	-9.6%
Depreciation and amortisation	-11	10	26	77
Investments	12	8	17	21
Assets*	806	1,162	806	1,162
Liabilities*	593	572	593	572
Number of employees*	642	1,082	642	1,082

* 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
Q4 2017/2016	-	-28.5	-28.5	-	3.6	3.6
Q4/Q3 2017	-	-5.5	-5.5	-	16.4	16.4
YTD 2017/2016	-	-11.2	-11.2	-	9.2	9.2

All comments below are excluding currency effects.

Order intake

The overall order intake for Greenhouse decreased in the fourth quarter compared to the previous quarter in line with the low season for heat exchanger systems and the structural change in tubular heat exchangers.

Air heat exchangers still increased with continuing good order intake for industrial cooling applications in the conventional power industry as well as strong demand in commercial and industrial refrigeration applications. The Nordic region and India showed good development. Heat exchanger systems decreased as the fourth

quarter is typically the low season for district heating systems. Regions with continued underlying good development were Norway, Finland and Benelux. Tubular heat exchangers decreased following the disposal of the Standard Refrigeration operations in the U.S. Demand for the remaining businesses in the product group increased slightly in the quarter.

Operating income

The improved operating income for Greenhouse during the fourth quarter 2017 shows the result of the many measures that have been taken since the establishment of "Greenhouse". The improvements relate to for instance the chain of supply, local presence and the product offering.

Operations and Other

Operations and Other covers procurement, production and logistics as well as corporate over-

head and non-core businesses.

Consolidated SEK millions	Fourth quarter		Full year	
	2017	2016	2017	2016
Orders received	0	0	0	0
Order backlog*	0	0	0	0
Net sales	0	0	0	0
Operating income**	-230	-60	-533	-471
Depreciation and amortisation	85	105	393	398
Investments	177	152	442	361
Assets*	5,372	5,826	5,372	5,826
Liabilities*	2,591	1,996	2,591	1,996
Number of employees*	5,798	5,783	5,798	5,783

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

The deteriorated operating income in the fourth quarter compared to the corresponding period last

year is partly explained by increased activities within the change programme.

Reconciliation between Divisions and Group total

Consolidated SEK millions	Fourth quarter		Full year	
	2017	2016	2017	2016
Operating income				
Total for divisions	1,370	1,230	4,531	4,456
Comparison distortion items	-	-400	-	-1,500
Consolidation adjustments *	7	-10	58	33
Total operating income	1,377	820	4,589	2,989
Financial net	-19	57	-218	336
Result after financial items	1,358	877	4,371	3,325
Assets **				
Total for divisions	47,718	46,690	47,718	46,690
Corporate ***	4,831	6,688	4,831	6,688
Group total	52,549	53,378	52,549	53,378
Liabilities **				
Total for divisions	16,542	13,087	16,542	13,087
Corporate ***	15,507	20,015	15,507	20,015
Group total	32,049	33,102	32,049	33,102

* 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 *			
	Fourth quarter		Full year	
	2017	2016	2017	2016
SEK millions				
Own products within:				
Separation	1,925	1,893	6,471	6,588
Heat transfer	4,941	4,554	16,726	16,374
Fluid handling	2,007	2,278	7,678	8,498
Other	432	253	1,180	1,022
Associated products	391	393	1,448	1,389
Services	416	533	1,811	1,763
Total	10,112	9,904	35,314	35,634

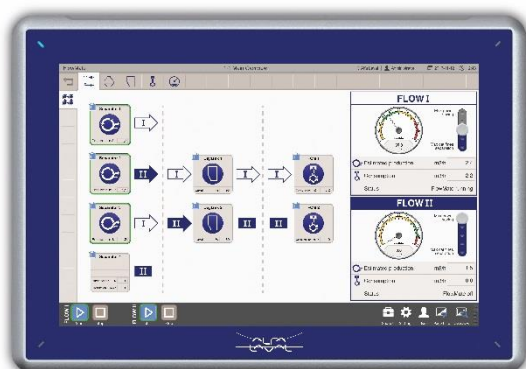
* The split of own products within separation, heat transfer and fluid handling is a reflection of the current three main technologies. Other is own products outside these main technologies. Associated products are

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 FlowSync



Automatic feed pump control system for separators on-board vessels.

Alfa Laval FlowSync is an automatic feed pump control system for use with separators on marine vessels. It strengthens Alfa Laval's long-held position as the market and application leader in fuel treatment, supplying innovation that capitalizes on ships' slow steaming. Based on the engine's fuel consumption, FlowSync adjusts the flow of fuel to the separators by means of variable-speed pumps. This leads to smart separation and synchronizes the fuel flow with the engine load, which reduces energy use and gives the separators the best possible conditions for doing their job.

By using FlowSync, ship owners can improve engine protection while reducing their costs. FlowSync provides more time for the fuel in the separator bowl, which increases the removal of smaller and lighter cat fines – particles that can potentially damage the engine. In addition, the capacity is managed to minimize recirculation and no fuel needs to be separated repeatedly.

Alfa Laval PureBallast 3.1 Compact Flex

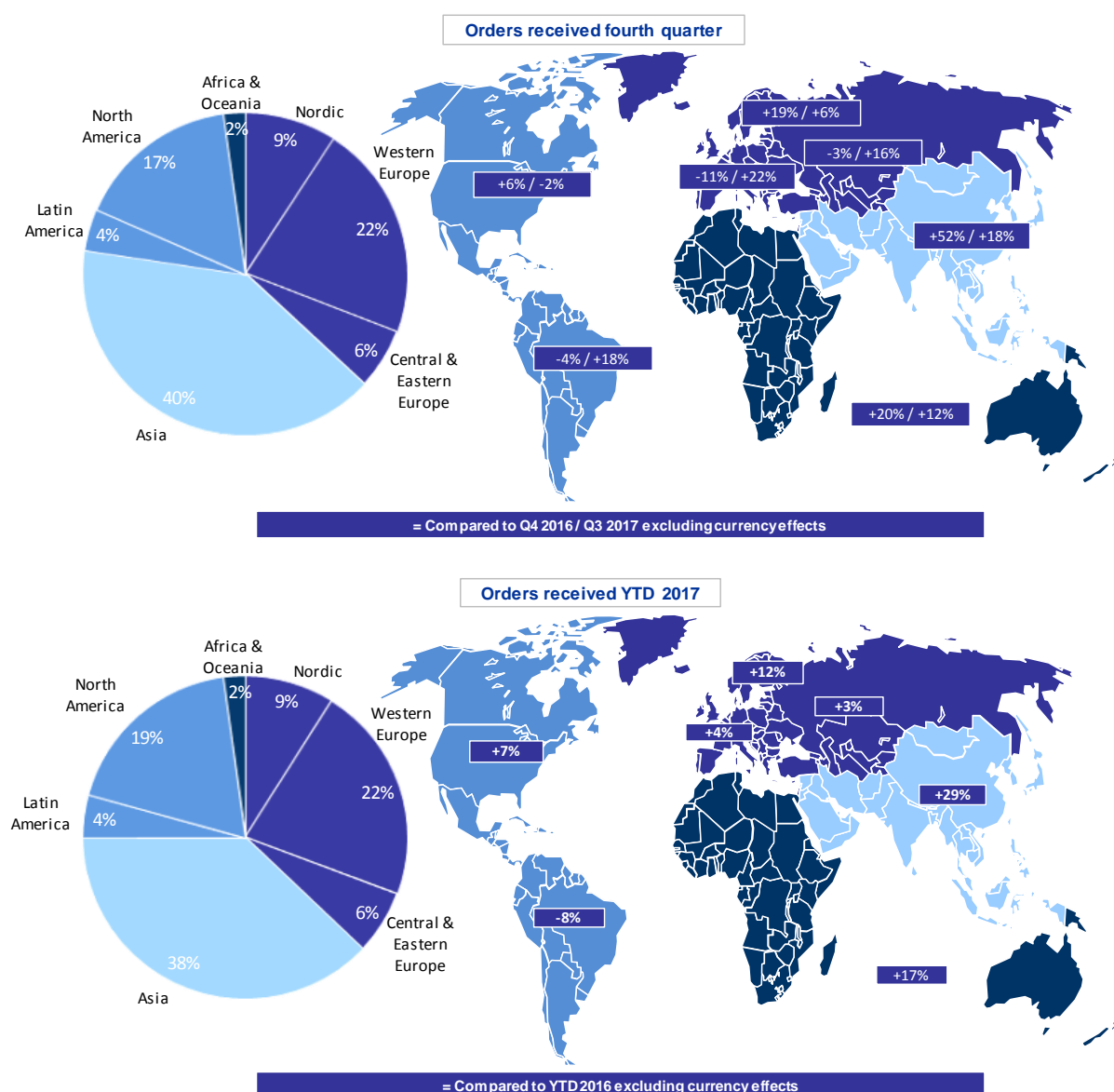


The latest addition to the family of third-generation PureBallast systems.

Alfa Laval PureBallast 3.1 Compact Flex is the latest addition to the family of third-generation PureBallast systems. Driven by global legislation that aims to stop the spread of invasive species, ballast water treatment is now an environmental requirement for marine vessels.

PureBallast 3.1 Compact Flex minimizes space needs and installation costs by packing the proven PureBallast technology into the market's smallest footprint. Based on loose plug-and-play components, it also simplifies engineering with its high flexibility. This makes it an ideal choice for ballast water treatment system retrofits, which will be required for most existing vessels in the years to come.

Information by region



All comments are excluding currency effects.

Western Europe including Nordic

The region reported growth in the fourth quarter compared to the previous quarter, supported by higher demand in all three divisions for base business* and larger orders alike. Geographically all areas grew, except for Mid Europe, which declined somewhat amid lower order intake in Energy and Marine while Food & Water had a very good quarter. Service grew in the region, driven by Marine.

Central and Eastern Europe

Order intake developed very well in the fourth quarter, completely explained by Turkey, which saw increased order intake across the three divisions. Russia delivered a somewhat lower order intake than in the previous quarter as growth in the Food & Water Division could not fully compensate for a lower order intake in Energy and

Marine. The service business in the region reported growth compared to the third quarter.

North America

Overall the region reported a modest decline in the fourth quarter compared to the previous quarter, explained by Canada which was unable to repeat the very strong order intake. The U.S. reported growth compared to the third quarter, supported by a good capital sales development in Food & Water as well as Energy and a growing service business across all the three divisions.

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

Latin America

The order intake showed a very positive development in the fourth quarter compared to the third, driven by a strong Food & Water performance in Brazil and Mexico. Brazil grew, thanks to the positive trend in Food & Water, but also due to an improved service business in Marine.

Asia

Asia reported growth in the fourth quarter compared to the previous quarter, which applied to most countries in the region. China, Japan and India performed the best with both China and Japan benefiting from an increase in ship yard contracting. India's positive development was explained by the Energy division. The same applied to the Middle East, following large downstream contracts being booked in the quarter.

Consolidated	Net sales			
	Fourth quarter		Full year	
	2017	2016	2017	2016
SEK millions				
To customers in:				
Sweden	257	215	888	784
Other EU	2,857	2,612	9,627	8,959
Other Europe	846	823	2,726	2,597
USA	1,522	1,712	5,712	6,013
Other North America	245	165	816	716
Latin America	422	492	1,614	1,788
Africa	167	84	396	307
China	1,058	1,308	4,309	4,705
South Korea	878	860	2,952	3,594
Other Asia	1,703	1,510	5,754	5,731
Oceania	157	123	520	440
Total	10,112	9,904	35,314	35,634

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

Consolidated	Non-current assets	
	December 31	
	2017	2016
SEK millions		
Sweden	1,326	1,321
Denmark	4,654	4,572
Other EU	3,581	3,639
Norway	12,495	13,717
Other Europe	148	169
USA	3,707	4,359
Other North America	129	136
Latin America	284	329
Africa	9	9
Asia	2,919	2,993
Oceania	90	94
Subtotal	29,342	31,338
Other long-term securities	35	25
Pension assets	6	3
Deferred tax asset	1,589	2,056
Total	30,972	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 5.3 (5.0) percent of net sales.

Cash flows

CONSOLIDATED CASH FLOWS

SEK millions	Fourth quarter		Full year	
	2017	2016	2017	2016
Operating activities				
Operating income	1,377	820	4,589	2,989
Adjustment for depreciation, amortisation and write down	395	510	1,650	2,334
Adjustment for other non-cash items	147	-12	107	16
	1,919	1,318	6,346	5,339
Taxes paid	-209	57	-1,583	-1,161
	1,710	1,375	4,763	4,178
Changes in working capital:				
Increase(-)/decrease(+) of receivables	-536	178	-517	592
Increase(-)/decrease(+) of inventories	-144	391	-774	32
Increase(+)/decrease(-) of liabilities	825	-63	1,273	-424
Increase(+)/decrease(-) of provisions	-282	44	-282	601
Increase(-)/decrease(+) in working capital	-137	550	-300	801
	1,573	1,925	4,463	4,979
Investing activities				
Investments in fixed assets (Capex)	-282	-255	-675	-617
Divestment of fixed assets	-2	-9	23	39
Acquisition of businesses	-	-187	-69	-230
Divestment of businesses	-	-	-	13
	-284	-451	-721	-795
Financing activities				
Received interests and dividends	79	74	168	163
Paid interests	-42	-40	-214	-243
Realised financial exchange gains	21	137	77	316
Realised financial exchange losses	-38	-42	-245	-89
Dividends to owners of the parent	-	-	-1,783	-1,783
Dividends to non-controlling interests	-9	0	-14	-17
Increase(-) of financial assets	-108	0	-187	0
Decrease(+) of financial assets	0	-21	0	8
Increase of loans	-60	0	715	1,860
Amortisation of loans	0	-668	-1,676	-3,781
	-157	-560	-3,159	-3,566
Cash flow for the period	1,132	914	583	618
Cash and cash equivalents at the beginning of the period	1,949	1,680	2,619	1,876
Translation difference in cash and cash equivalents	56	25	-65	125
Cash and cash equivalents at the end of the period	3,137	2,619	3,137	2,619
Free cash flow per share (SEK) *	3.07	3.51	8.92	9.97
Capex in relation to net sales	2.8%	2.6%	1.9%	1.7%
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.

During the full year 2017 cash flows from operating and investing activities amounted to SEK 3,742 (4,184) million. Depreciation, excluding allocated step-up values, was SEK 629 (643) million during the full year 2017.

Acquisition of businesses during the full year 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

SEK millions	December 31	
	2017	2016
ASSETS		
Non-current assets		
Intangible assets	24,467	26,382
Property, plant and equipment	4,851	4,940
Other non-current assets	1,654	2,100
	30,972	33,422
Current assets		
Inventories	8,424	7,831
Assets held for sale	2	2
Accounts receivable	5,941	5,830
Other receivables	2,700	2,446
Derivative assets	165	153
Other current deposits	1,208	1,075
Cash and cash equivalents *	3,137	2,619
	21,577	19,956
TOTAL ASSETS	52,549	53,378
SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity		
Owners of the parent	20,398	20,159
Non-controlling interests	102	117
	20,500	20,276
Non-current liabilities		
Liabilities to credit institutions etc.	11,092	12,169
Provisions for pensions and similar commitments	2,297	2,425
Provision for deferred tax	2,100	2,722
Other non-current liabilities	677	636
	16,166	17,952
Current liabilities		
Liabilities to credit institutions etc.	1,404	1,078
Accounts payable	2,964	2,668
Advances from customers	3,537	2,721
Other provisions	2,024	2,365
Other liabilities	5,783	6,041
Derivative liabilities	171	277
	15,883	15,150
Total liabilities	32,049	33,102
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	52,549	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	December 31	
	level	2017	2016
SEK millions			
Financial assets			
Other non-current securities	1 and 2	4	4
Bonds and other securities	1	542	956
Derivative assets	2	189	169
Financial liabilities			
Derivative liabilities	2	187	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	
	December 31	
	2017	2016
SEK millions		
Credit institutions	142	137
Swedish Export Credit	2,106	3,153
European Investment Bank	2,411	2,345
Corporate bonds	7,837	7,612
Capitalised financial leases	49	66
Interest-bearing pension liabilities	0	0
Total debt	12,545	13,313
Cash and cash equivalents and current deposits	-4,345	-3,694
Net debt *	8,200	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 8,422 million with a banking syndicate. The facility was not utilised at December 31, 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

matures in June 2021 as well as a loan of USD 136 million that matures in June 2020. One loan of EUR 100 million that matured was repaid on June 16, 2017.

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 December 31, 2017.

CHANGES IN CONSOLIDATED EQUITY

SEK millions	Full year	
	2017	2016
At the beginning of the period	20,276	18,423
Changes attributable to:		
Owners of the parent		
Comprehensive income		
Comprehensive income for the period	2,069	3,815
Transactions with shareholders		
Increase of ownership in subsidiaries with non-controlling interests	-47	-175
Dividends	-1,783	-1,783
	-1,830	-1,958
Subtotal	239	1,857
Non-controlling interests		
Comprehensive income		
Comprehensive income for the period	10	43
Transactions with shareholders		
Decrease of non-controlling interests	-11	-30
Dividends	-14	-17
	-25	-47
Subtotal	-15	-4
At the end of the period	20,500	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.

During the year, the Standard Refrigeration operations in Wood Dale in the U.S. has been taken over by one of the customers in exchange for them taking over the rent agreement for the premises.

Parent company

The parent company's result after financial items for the full year 2017 was SEK 1,073 (66) million, out of which dividends from subsidiaries SEK 1,094 (76) million, net interests SEK 0 (1) million, realised and unrealised exchange rate gains and losses SEK -0 (7) million, costs related

to the listing SEK -4 (-4) million, fees to the Board SEK -8 (-7) million, cost for annual report and annual general meeting SEK -2 (-2) million and other operating income and operating costs the remaining SEK -7 (-5) million.

PARENT COMPANY INCOME *

SEK millions	Fourth quarter		Full year	
	2017	2016	2017	2016
Administration costs	-4	-3	-14	-13
Other operating income	0	-1	0	0
Other operating costs	-7	-5	-7	-5
Operating income	-11	-9	-21	-18
Revenues from interests in group companies	-	-	1,094	76
Interest income and similar result items	1	1	2	10
Interest expenses and similar result items	-1	-1	-2	-2
Result after financial items	-11	-9	1,073	66
Change of tax allocation reserve	-251	-264	-251	-264
Group contributions	1,439	2,002	1,439	2,002
Result before tax	1,177	1,729	2,261	1,804
Tax on this year's result	-260	-381	-258	-381
Net income for the period	917	1,348	2,003	1,423

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

PARENT COMPANY FINANCIAL POSITION

SEK millions	December 31	
	2017	2016
ASSETS		
Non-current assets		
Shares in group companies	4,669	4,669
Current assets		
Receivables on group companies	8,891	8,548
Other receivables	3	6
Cash and cash equivalents	-	-
	8,894	8,554
TOTAL ASSETS	13,563	13,223
SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity		
Restricted equity	2,387	2,387
Unrestricted equity	9,417	9,197
	11,804	11,584
Untaxed reserves		
Tax allocation reserves, taxation 2012-2018	1,660	1,409
Current liabilities		
Liabilities to group companies	38	50
Accounts payable	0	0
Tax liabilities	61	180
	99	230
TOTAL EQUITY AND LIABILITIES	13,563	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 32,967 (35,840) shareholders on December 31, 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 0.6 percent. These ten largest shareholders owned 47.9 (54.7) percent of the shares.

Proposed disposition of earnings

The parent company has unrestricted funds of SEK 9,417 (9,197) million.

The Board of Directors propose a dividend of SEK 4.25 (4.25) per share corresponding to SEK 1,783 (1,783) million and that the remaining income available for distribution in Alfa Laval AB (publ) of SEK 7,635 (7,414) 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 2018

The Annual General Meeting of Alfa Laval AB will be held on Monday April 23, 2018, 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 2016 is still correct.

Asbestos-related lawsuits

The Alfa Laval Group was as of December 31, 2017, named as a co-defendant in a total of 902 asbestos-related lawsuits with a total of approximately 902 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 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).

"Fourth quarter" refers to the period October 1 to December 31 and "Full year" refers to the period January 1 to December 31. "The corresponding

period last year" refers to the fourth quarter 2016 or the full year 2016 depending on the context. "Previous quarter" refers to the third 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.

Annual report 2017

The annual report will be publishing the on Alfa Laval's website on March 26, 2018 at 10.00 CET and by sending the printed annual report to the shareholders in week 14, 2018 starting at April 3, 2018.

Date for the next financial report

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

New IFRS standards 2018

IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" must be applied from January 1, 2018. Alfa Laval will apply them retrospectively with the cumulative effect of initially applying them recognised as an adjustment to the opening balance of unrestricted equity at January 1, 2018. The opening backlog will also be adjusted as per January 1, 2018. The retrospective application only applies to financial instruments and risks for credit losses existing at January 1, 2018 and contracts with customers that

are not completed contracts at January 1, 2018. In accordance with what was stated in the Annual Report for 2016 the new standards will have limited impact on the financial statements of Alfa Laval. The amount of disclosures concerning

mainly IFRS 15 will however increase. Additional information on the effect on Alfa Laval's financial statements will be given in the Annual Report for 2017.

The interim report has been issued at CET 7.30 on January 30, 2018 by the President and Chief Executive Officer Tom Erixon by proxy from the Board of Directors.

Lund, January 30, 2018,

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, 2017 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.

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 2017, 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.

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

Lund, January 30, 2018,

Håkan Olsson Reising
Authorised Public
Accountant

Joakim Thilstedt
Authorised Public
Accountant