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Statement by the Board of Directors, according to Chapter 18, Section 4 of the Swedish Companies Act, concerning the proposed dividend

According to Chapter 18, Section 4 of the Swedish Companies Act the Company's Board of Directors is obliged to issue a reasoned statement as a basis for a resolution on dividends at the Annual General Meeting.

The Alfa Laval Group has during the period 2003 – 2016, according to the Board of Directors' opinion, reported considerable stability with regard to profits from operating activities and generation of cash flows from operations. The Group's financial position has continuously improved during the same period.

With regard to the outlook for the future, reference is made to the Managing Director's comments in the Annual Report for 2016.

To consider various groups' interests in relation to the Company, the Board of Directors is of the opinion that the following key indicators constitute a relevant basis for the evaluation of the proposal for dividends that has been submitted to the Annual General Meeting:

- Debt ratio
- Interest coverage ratio
- Net Debt to EBITDA
- Debt profile (unutilized facilities and remaining duration of commitments)
- Unrestricted equity in the parent company

The status of the Alfa Laval Group with regard to above mentioned key indicators is presented below, as per the end of 2016 and after payment of the proposed dividend, everything else the same.

	December 31, 2016	December 31, 2016 After dividend
Debt ratio, times	0.47	0.62
Interest coverage ratio, times	24.5	22.9
Net Debt to EBITDA, times	1.81	2.14
Debt profile – unutilised facilities, SEK million	8,779	6,996
Debt profile – remaining duration of commitments in years	0-5	0-5
Unrestricted equity in the parent Company, SEK million	9,197	7,414

It is the opinion of the Board of Directors that the Group's financial position is comparable to other Swedish industrial companies with comparable activities, risk profile and size. The Board of Directors also considers that the Group's ability to meet its obligations in the short as well as longer term, inclusive of the need for capital expenditures, will not be negatively influenced by the proposed dividend.

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To summarize, the Board of Directors considers that the proposed dividend is justified taking into consideration the demands with respect to size of shareholders' equity which are imposed by the nature, scope and risks associated with the operations and the Company's and the Group's need to strengthen the balance sheet, liquidity and financial position in general.

Lund, March 2017

The Board of Directors of Alfa Laval AB (publ)