

Fourth quarter and full year 2018



Summary

SEK millions	Fourth quarter				Full year			
	2018	2017	%	% *	2018	2017	%	% *
Order intake	11,561	9,780	18	13	45,005	36,628	23	19
Net sales	11,209	10,112	11	6	40,666	35,314	15	12
Adjusted EBITA **	1,787	1,611	11		6,718	5,610	20	
- adjusted EBITA margin (%) **	15.9	15.9			16.5	15.9		
Result after financial items	1,470	1,358	8		5,896	4,371	35	
Net income for the period	1,297	1,061	22		4,537	2,988	52	
Earnings per share (SEK)	3.07	2.52	22		10.77	7.09	52	
Cash flow ***	1,490	1,573	-5		4,883	4,463	9	
Impact on adjusted EBITA of foreign exchange effects	-90	33			-85	223		
Impact on result after financial items of comparison distortion items	14	-			151	-		

* Excluding currency effects. ** Alternative performance measures. *** From operating activities.

Comment from Tom Erixon, President and CEO

"The business climate in the fourth quarter remained positive in most end markets, with order intake reaching SEK 11.6 billion, up 13 percent compared to the corresponding quarter in the previous year. Despite some volatility in oil prices, orders from the oil & gas sector climbed back to historically high levels in the quarter, supported by several large offshore orders.

2018 was the year when demand for our marine environmental solutions accelerated, bringing the order intake for Alfa Laval PureSOx and Alfa Laval PureBallast to SEK 5.6 billion. This, combined with the positive development in offshore oil and gas, brought the Marine Division's annual order growth to 46 percent, despite yard contracting remaining flat compared to 2017.

The operating margin for the year ended at 16.5 percent and net income reached a record level, bringing the EPS to SEK 10.77. The operating margin in the fourth quarter was flat compared to

last year despite continued good business conditions. Partly, the development is explained by negative foreign exchange effects. Partly, an uneven load compared to capacity, in certain areas of heat exchanger manufacturing, weighed on the Energy Division, as well as the group.

In all, 2018 was a strong year and we advanced our strategic agenda on many fronts. The investments in product development resulted in a substantial increase in product launches. The operational improvements of the Greenhouse businesses continued throughout the year and in the fourth quarter we signed an agreement to sell the major part of the remaining business. The Footprint restructuring of global manufacturing continued as planned, with both capital expenditure and operational costs affecting 2018. Finally, at the end of the year, we invested in a start-up company, focusing on developing thermal energy storage solutions for the future."

Outlook for the first quarter

"We expect demand in the first quarter to be somewhat higher than in the fourth quarter."

Earlier published outlook (October 25, 2018): "The demand in the fourth quarter is expected to be somewhat higher than in the third quarter."

The Board of Directors will propose a dividend of SEK 5.00 (4.25) per share to the Annual General Meeting.

The fourth quarter and full year 2018 report has been reviewed by the company's auditors, see page 25 for the review report.

This information is information that Alfa Laval AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out below, at CET 7.30 on February 5, 2019.

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Management's discussion and analysis

Important events during the fourth quarter

Alfa Laval has 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 closing of the agreement is expected during the first half of 2019.

Alfa Laval has acquired 13 percent of the shares in the newly created technology company Malta Inc for SEK 72 million. The company has developed an innovative energy storage solution to substantially grow the implementation of renewable energy.

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

Division	Business Unit	Delivery date	Order amount	Total per Business Unit	
			SEK millions		
Scope of supply			Q4 2018	Q4 2017	
Energy	Welded Heat Exchangers				
	Air cooler systems to a gas processing plant in the U.S.	2019	110		
	Compact heat exchangers to a petrochemical plant in the U.S.	2019/2020	140		
	Air cooler systems to a gas processing plant in the U.S.	2019	110	360	270
Food & Water	Decanters				
	Separation equipment to a food processing company in the U.S.	2019	60	60	-
Marine	Marine Separation & Heat Transfer Equipment				
	Ballast water treatment systems to a shipowner in Turkey.	2019-2021	95	95	-
	Pumping Systems				
	Framo pumping systems to oil platforms in the North Sea.	2019	175		
	Framo pumping systems to an oil facility in the Middle East and to an FPSO vessel to be built in China.	2019	180	355	60
Total				870	330

* FPSO = Floating Production, Storage and Offloading.

Order intake

Orders received was SEK 11,561 (9,780) million in the fourth quarter and SEK 45,005 (36,628) million

in the full year 2018. The graph below shows the historical development per quarter.



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

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

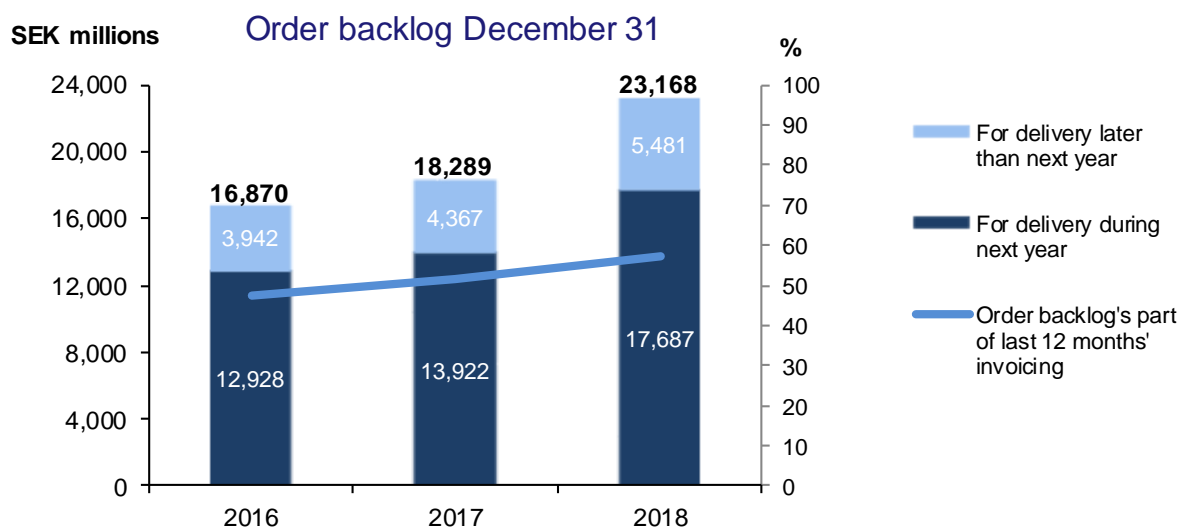
	Consolidated	Order bridge						Order intake Current periods SEK millions
		Order intake Prior periods SEK millions	Change			Change		
			Excluding currency effects	After currency effects		Order intake		
		Structural change ¹⁾ (%)	Organic development ²⁾ (%)	Total (%)	Currency effects (%)	Total (%)		
Q4 2018/Q4 2017	9,780	-0.5	14.0	13.5	4.7	18.2	11,561	
Q4 2018/Q3 2018	11,357	0.0	2.1	2.1	-0.3	1.8	11,561	
YTD 2018/2017	36,628	-0.6	19.8	19.2	3.7	22.9	45,005	

Orders received from the aftermarket Service³ constituted 25.1 (27.1) percent of the Group's total orders received during the fourth quarter and 25.7

(29.8) percent during the full year 2018. 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 2018/Q4 2017	-0.2	5.4	5.2
Q4 2018/Q3 2018	0.0	1.2	1.2
YTD 2018/2017	-0.1	3.6	3.5

Order backlog



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

23.3 percent larger than the order backlog at the end of 2017.

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

Net sales

Net invoicing was SEK 11,209 (10,112) million for the fourth quarter and SEK 40,666 (35,314) million for the full year 2018. The change compared with

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

	Consolidated	Sales bridge					Net sales Current periods SEK millions	
		Net sales Prior periods SEK millions	Change			After currency effects		
			Excluding currency effects	Organic development	Total	Currency effects		Total
		Structural change (%)	(%)	(%)	(%)	(%)		
Q4 2018/Q4 2017	10,112	-0.8	7.1	6.3	4.5	10.8	11,209	
Q4 2018/Q3 2018	10,131	0.0	10.3	10.3	0.3	10.6	11,209	
YTD 2018/2017	35,314	-0.6	12.4	11.8	3.4	15.2	40,666	

Net invoicing relating to Service constituted 27.6 (28.7) percent of the Group's total net invoicing in the fourth quarter and 28.2 (30.5) percent in the

full year 2018. 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 2018/Q4 2017		-0.1	2.3	2.2
Q4 2018/Q3 2018		0.0	9.9	9.9
YTD 2018/2017		-0.1	4.2	4.1

Income

SEK millions	Fourth quarter		Full year	
	2018	2017	2018	2017
Net sales	11,209	10,112	40,666	35,314
Cost of goods sold	-7,490	-6,673	-26,930	-23,379
Gross profit	3,719	3,439	13,736	11,935
Sales costs	-1,208	-1,051	-4,539	-4,127
Administration costs	-546	-501	-1,987	-1,809
Research and development costs	-318	-256	-1,020	-874
Other operating income	341	155	906	588
Other operating costs	-435	-400	-1,280	-1,135
Share of result in joint ventures	-5	-9	15	11
Operating income	1,548	1,377	5,831	4,589
Dividends and other financial income	11	47	27	47
Interest income and financial exchange rate gains	-12	23	377	237
Interest expense and financial exchange rate losses	-77	-89	-339	-502
Result after financial items	1,470	1,358	5,896	4,371
Taxes	-173	-297	-1,359	-1,383
Net income for the period	1,297	1,061	4,537	2,988
Other comprehensive income:				
Items that will subsequently be reclassified to net income				
Cash flow hedges	-314	-54	-505	257
Market valuation of external shares	0	2	0	2
Translation difference	-366	-68	641	-1,339
Deferred tax on other comprehensive income	73	70	83	152
Sum	-607	-50	219	-928
Items that will subsequently not be reclassified to net income				
Revaluations of defined benefit obligations	170	-135	200	15
Deferred tax on other comprehensive income	-52	46	-60	4
Sum	118	-89	140	19
Comprehensive income for the period	808	922	4,896	2,079
Net income attributable to:				
Owners of the parent	1,291	1,059	4,519	2,976
Non-controlling interests	6	2	18	12
Earnings per share (SEK)	3.07	2.52	10.77	7.09
Average number of shares	419,456,315	419,456,315	419,456,315	419,456,315
Comprehensive income attributable to:				
Owners of the parent	801	915	4,876	2,069
Non-controlling interests	7	7	20	10

The gross profit has been affected positively by a higher sales volume and negatively by currency effects, an unfavourable mix between capital sales and service and an uneven capacity utilisation within parts of the manufacturing of heat exchangers.

Sales and administration expenses were SEK 1,754 (1,552) million during the fourth quarter and SEK 6,526 (5,936) million during the full year 2018. Excluding currency effects and

acquisition/divestment of businesses, sales and administration expenses were 9.8 percent and 6.6 percent respectively higher than the corresponding periods last year. The corresponding figure when comparing the fourth quarter 2018 with the previous quarter is an increase with 11.8 percent.

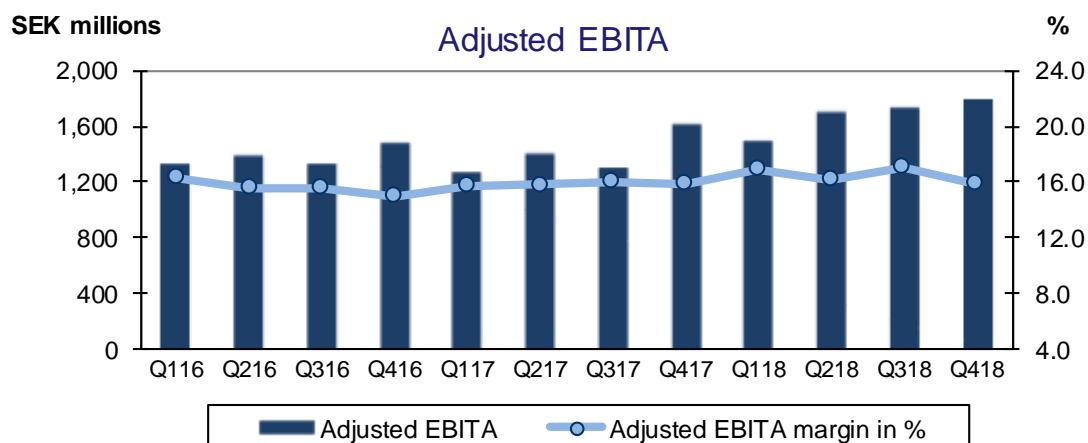
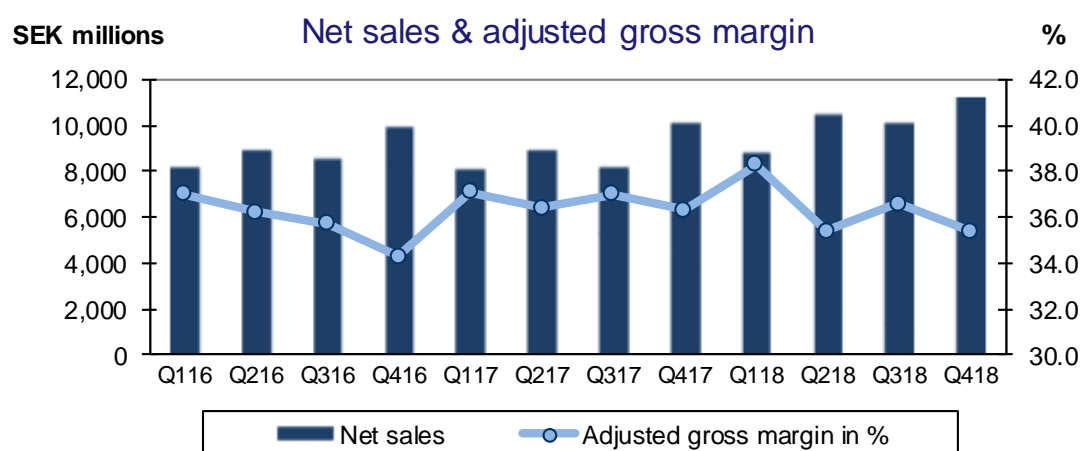
The costs for research and development during the full year 2018 corresponded to 2.5 (2.5) percent of net sales. Excluding currency effects and acquisition/divestment of businesses, the

costs for research and development have increased by 22.1 percent during the fourth quarter and by 13.9 percent during the full year 2018 compared to the corresponding periods last year. The corresponding figure when comparing the fourth quarter 2018 with the previous quarter is an increase with 38.6 percent.

The increase in costs for sales, administration and research and development is mainly explained by the increased activity level within marine environmental products.

Earnings per share, excluding amortisation of step-up values and the corresponding tax*, was SEK 12.69 (8.85) for the full year 2018.

Consolidated	Income analysis			
	Fourth quarter		Full year	
	2018	2017	2018	2017
SEK millions				
Net sales	11,209	10,112	40,666	35,314
Adjusted gross profit *	3,972	3,673	14,774	12,956
- adjusted gross margin (%) *	35.4	36.3	36.3	36.7
Expenses **	-2,029	-1,901	-7,430	-6,717
- in % of net sales	18.1	18.8	18.3	19.0
Adjusted EBITDA *	1,943	1,772	7,344	6,239
- adjusted EBITDA margin (%) *	17.3	17.5	18.1	17.7
Depreciation	-156	-161	-626	-629
Adjusted EBITA *	1,787	1,611	6,718	5,610
- adjusted EBITA margin (%) *	15.9	15.9	16.5	15.9
Amortisation of step-up values	-253	-234	-1,038	-1,021
Comparison distortion items	14	-	151	-
Operating income	1,548	1,377	5,831	4,589



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

Comparison distortion items

Other operating income has been affected by comparison distortion items of SEK 14 (-) million in the fourth quarter and SEK 151 (-) million in the full year 2018. The comparison distortion income during the full year 2018 is relating to three items.

The divestments of the Alonte based commercial tubular heat exchanger business and the heat exchanger systems business have resulted in a total gain of SEK 26 million.

The sale of a property in Lima in Peru resulted in a realised gain of SEK 70 million.

Based on a court decision in a litigation against the former owners of Ashbrook Simon-Hartley, Alfa Laval has received a purchase price reduction of SEK 55 million. The acquisition of Ashbrook Simon-Hartley took place in 2012.

Consolidated financial net and taxes

The financial net for the full year 2018 was SEK -54 (-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 (-5) million, interest on the bilateral term loans of SEK -43 (-41) million, interest on the commercial papers of SEK 0 (0) million, interest on the corporate bonds of SEK -82 (-79) million and a net of dividends, changes in fair value and other interest income and interest costs of SEK 74 (71) million. The net of realised and unrealised exchange rate differences was SEK 119 (-164) million.

The tax on the result after financial items was SEK -173 (-297) million in the fourth quarter and SEK -1,359 (-1,383) million in the full year 2018. The tax cost for the fourth quarter and the full year 2018 has been affected by the following non-recurring items:

- revaluation of future tax deductions with SEK +130 million concerning 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.

The tax cost for the full year 2017 was affected by the following non-recurring items:

- a dividend distribution tax in India of SEK -100 million,
- additional tax of SEK -113 million relating to prior years concerning acquired businesses according to a settlement with the former owners and
- adjustments of deferred taxes relating to step up values of about SEK +29 million, due to reduced company taxes in the U.S. and thereby decreased deferred tax liabilities.

Key figures

Consolidated	Key figures	
	December 31	
	2018	2017
Return on capital employed (%) *	22.4	17.7
Return on equity (%) **	20.3	13.9
Solidity (%) ***	40.6	39.0
Net debt to EBITDA, times *	0.93	1.31
Debt ratio, times *	0.30	0.40
Number of employees (at the end of the period)	17,228	16,367

* Alternative performance measures.

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

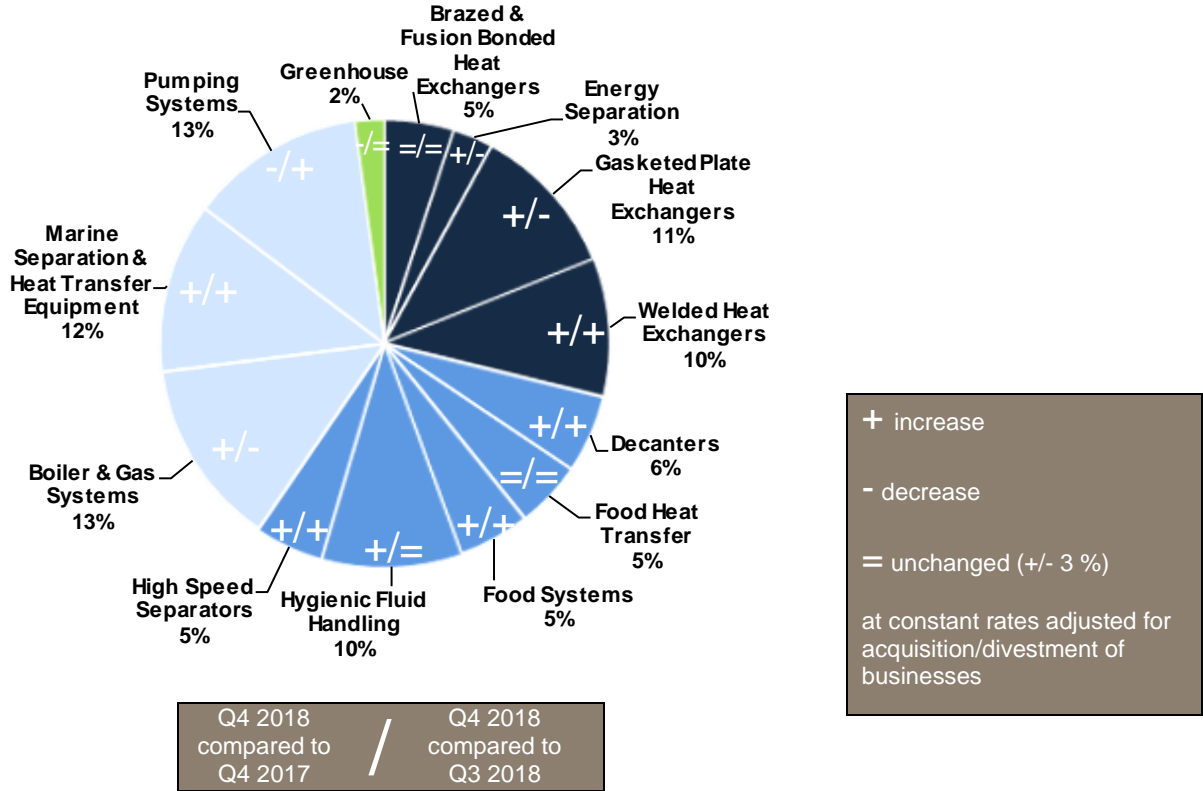
*** Equity in relation to total assets at the end of the period, expressed in percent.

Business Divisions

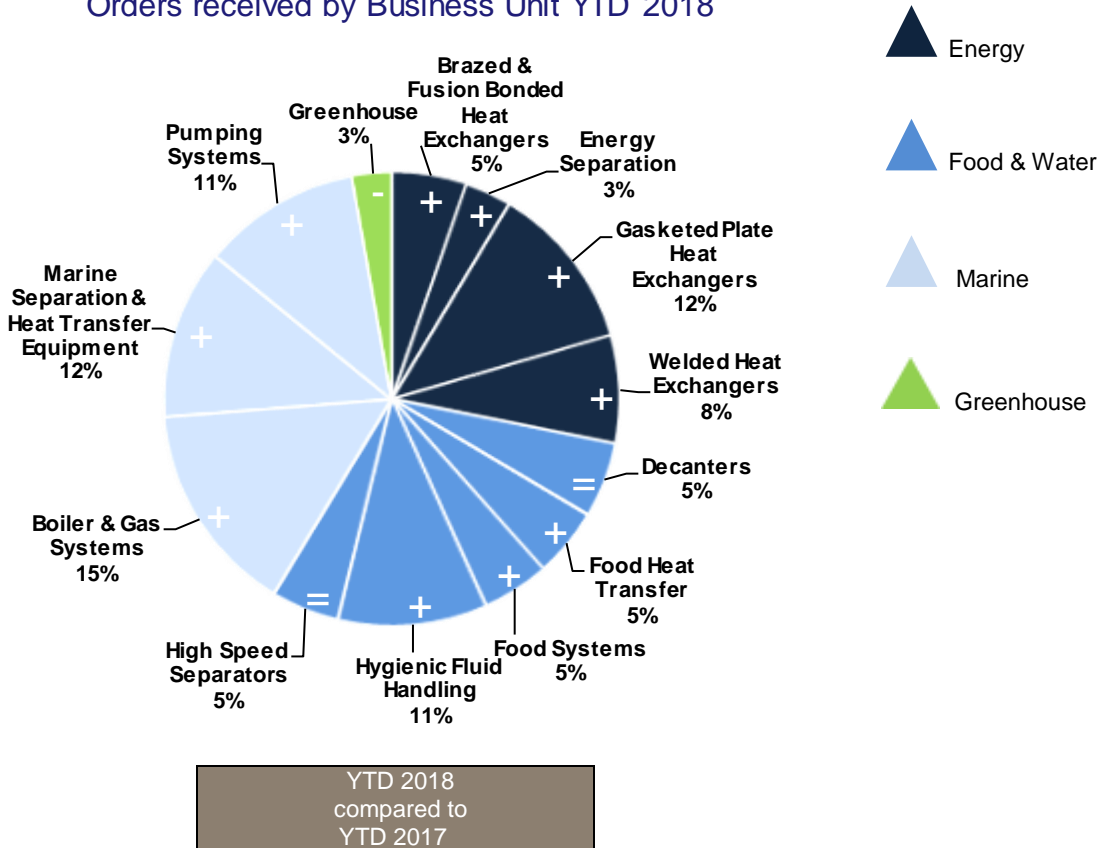
The development of the order intake for the Divisions and their Business Units and the split

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

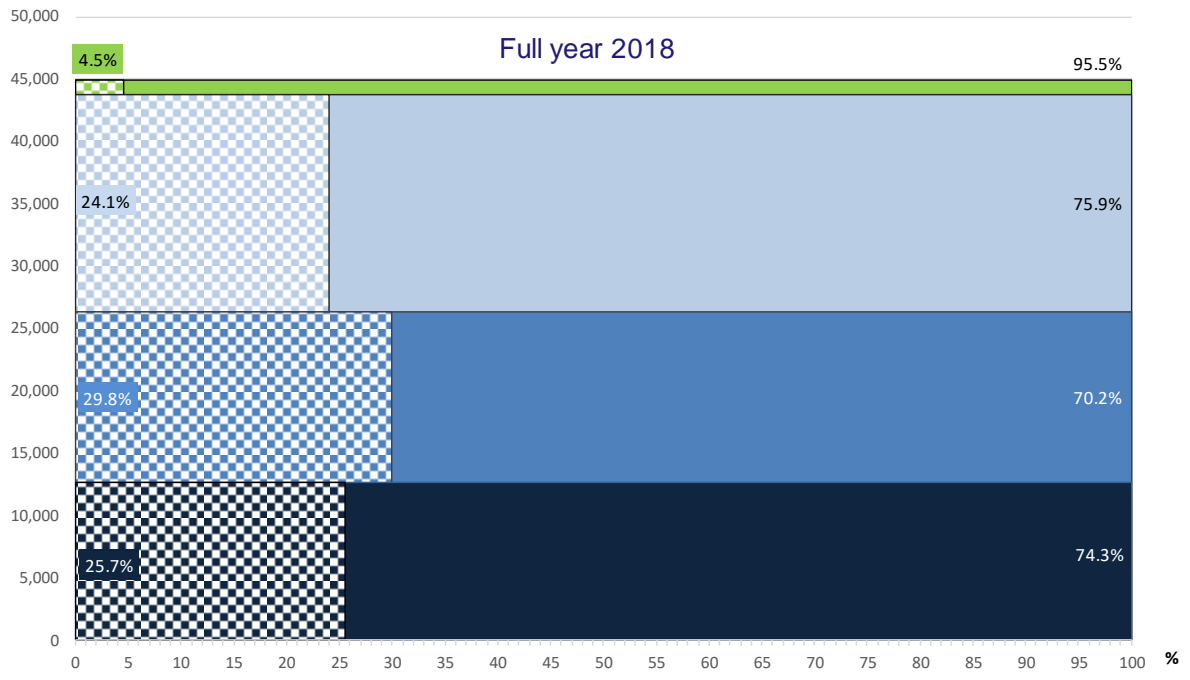
Orders received by Business Unit Q4 2018



Orders received by Business Unit YTD 2018



SEK millions Order intake split on capital sales and after sales & service by Business Division



Energy Division

Consolidated				
	Fourth quarter		Full year	
	2018	2017	2018	2017
SEK millions				
Orders received	3,330	2,852	12,685	11,175
Order backlog*	4,857	4,471	4,857	4,471
Net sales	3,343	3,259	12,413	11,001
Operating income**	438	469	1,770	1,525
Operating margin***	13.1%	14.4%	14.3%	13.9%
Depreciation and amortisation	74	87	304	317
Investments	48	36	83	84
Assets*	10,362	9,555	10,362	9,555
Liabilities*	4,323	3,743	4,323	3,743
Number of employees*	3,112	3,016	3,112	3,016

* 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 2018/Q4 2017	-	11.8	11.8	-	-1.5	-1.5
Q4 2018/Q3 2018	-	8.6	8.6	-	9.2	9.2
YTD 2018/2017	-	10.5	10.5	-	9.7	9.7

Order intake*

The Energy Division's overall order volumes increased during the fourth quarter compared to the third quarter, as strong demand from refinery customers generated good growth in both the base business** and mid-sized orders.

Another area developing well was oil & gas production - supported by some large orders in gas production. Demand from the drilling sector was unchanged compared to the third quarter. The same applied to demand from customers in the petrochemical industry, where a slightly lower base business was compensated by larger orders for welded heat exchangers. The inorganic chemicals industry, meanwhile did very well, with increasing volumes for both base business and mid-sized orders. Order intake from the HVAC sector showed modest growth compared to the previous quarter.

Service reported somewhat lower volumes compared to the third quarter, when some larger service contracts were booked. Overall, the service business had very good growth compared to the fourth quarter of the previous year.

Operating income

Consolidated	Bridge	
	Fourth quarter	Full year
SEK millions		
Operating income 2017	469	1,525
Volume ¹⁾	-19	362
Mix ¹⁾	-22	-73
Costs ¹⁾	16	-44
Currency	-6	0
Operating income 2018	438	1,770

1) Change excluding currency effects

The negative volume effect is explained by decreased net sales, excluding currency effects, in the fourth quarter compared to the corresponding quarter last year. Lower capacity utilisation in certain units had a negative effect on the profitability. The costs decreased due to lower quality costs.

* Comments excluding currency effects.

** 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	
	2018	2017	2018	2017
SEK millions				
Orders received	3,540	3,053	13,691	12,388
Order backlog*	4,860	4,317	4,860	4,317
Net sales	3,604	3,261	13,210	11,824
Operating income**	607	517	2,110	1,780
Operating margin***	16.8%	15.9%	16.0%	15.1%
Depreciation and amortisation	35	35	145	142
Investments	56	36	132	73
Assets*	9,675	8,124	9,675	8,124
Liabilities*	4,612	3,652	4,612	3,652
Number of employees*	4,194	3,997	4,194	3,997

* 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 2018/Q4 2017	-	11.9	11.9	-	6.5	6.5
Q4 2018/Q3 2018	-	12.4	12.4	-	7.5	7.5
YTD 2018/2017	-	7.9	7.9	-	9.0	9.0

Order intake*

The division's order intake showed strong growth in the fourth quarter compared to the previous quarter. All major end market industries contributed, except for water and waste. The base business grew at a healthy pace, but it was the larger orders that accounted for the most significant increase in the quarter.

The project activity was very good within brewery, mainly driven by the customers' investments into efficiency and quality, rather than capacity. Business sentiment in pharma and biotech was also continued positive, generating strong growth for Alfa Laval's offering to these industries in general, and for high-speed separators in particular. Dairy also had good growth in the quarter, from an already high level, positively impacting high-speed separators and also hygienic fluid handling. Water and waste markets showed a certain contraction, mainly as a result of somewhat lower activity in the North American market. Order intake from customers within edible oil was overall higher. While the project side in this particular market was unchanged, the base business was very healthy, confirming the opportunities that exist also outside of large capacity-related investments.

The aftermarket grew somewhat compared to the previous quarter, mainly explained by a positive business sentiment in Europe and Asia, while unchanged levels were noted in Americas.

Operating income

Consolidated	Bridge	
	Fourth quarter	Full year
SEK millions		
Operating income 2017	517	1,780
Volume ¹⁾	72	371
Mix ¹⁾	-12	66
Costs ¹⁾	13	-141
Currency	17	34
Operating income 2018	607	2,110

1) Change excluding currency effects

The improvement in operating income was to a large extent driven by a strong increase in sales, reflecting a period of strong order growth now being delivered. An overall favourable cost as well as foreign exchange development also contributed positively, whereas the mix of sales had a negative impact. This stemmed from a higher share of new sales and particularly larger projects and consequently a lower share of after sales, which generated a lower average gross margin in the quarter.

* Comments excluding currency effects.

Marine Division

Consolidated				
	Fourth quarter		Full year	
	2018	2017	2018	2017
SEK millions				
Orders received	4,439	3,497	17,322	11,456
Order backlog*	13,118	9,027	13,118	9,027
Net sales	3,869	3,157	13,583	10,809
Operating income**	659	600	2,328	1,771
Operating margin***	17.0%	19.0%	17.1%	16.4%
Depreciation and amortisation	192	199	785	772
Investments	29	21	90	59
Assets*	24,244	23,861	24,244	23,861
Liabilities*	7,168	5,963	7,168	5,963
Number of employees*	3,098	2,914	3,098	2,914

* 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 2018/Q4 2017	-	21.6	21.6	-	16.9	16.9
Q4 2018/Q3 2018	-	-8.5	-8.5	-	12.6	12.6
YTD 2018/2017	-	45.7	45.7	-	21.4	21.4

Order intake*

Order intake for the Marine Division decreased in the fourth quarter compared to the previous quarter, mainly as a result of PureSOx coming in lower, following an extraordinary development in the preceding quarter. Both offshore pumping systems and ballast water equipment reported significant growth compared to the third quarter, but not enough to compensate for the swing in PureSOx.

Regarding the environmental portfolio of products, the market's interest in PureSOx was on a continued good level as there was no change to the market's view that the scrubber technology is a long-term financially attractive solution. Actual order intake was however lower after the extraordinary third quarter, when most suppliers filled up their backlog for delivery in 2019. Meanwhile, PureBallast saw a lift in order intake compared to the third quarter, as the legislation comes closer to be enforced for the sailing fleet in September 2019. Order intake for equipment tied to the building of new vessels was on an overall level unchanged, reflecting the contracting development earlier in the year. Offshore orders increased significantly in the quarter as a number of contracts for pumping systems was booked, reflecting a certain pick up for offshore floating production facilities, but also more maintenance related investments. Engine power orders decreased in the fourth quarter compared to the third as most product groups saw lower demand in a market characterized by irregular order intake.

Order intake for Service was unchanged compared to the third quarter as lower demand for service of separators was offset by higher demand for boiler service.

Operating income

Consolidated	Bridge	
	Fourth quarter	Full year
SEK millions		
Operating income 2017	600	1,771
Volume ¹⁾	185	783
Mix ¹⁾	-111	-98
Costs ¹⁾	-29	-181
Currency	14	53
Operating income 2018	659	2,328

1) Change excluding currency effects

The main contribution to the increased profitability is a strong volume effect driven by higher invoicing of cargo pumping systems and exhaust gas cleaning systems. This development creates a negative mix effect as the share of after sales compared to new sales decreases. The increase in cost is largely driven by the higher activity level within marine environmental products.

* Comments excluding currency effects.

Greenhouse Division

Consolidated SEK millions	Fourth quarter		Full year	
	2018	2017	2018	2017
Orders received	236	378	1,259	1,609
Order backlog*	328	474	328	474
Net sales	375	435	1,418	1,680
Operating income**	30	14	80	-12
Operating margin***	8.0%	3.2%	5.6%	-0.7%
Depreciation and amortisation	4	-11	14	26
Investments	8	12	21	17
Assets*	680	806	680	806
Liabilities*	431	593	431	593
Number of employees*	502	642	502	642

* 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 2018/Q4 2017	-8.8	-31.6	-40.4	-18.4	0.1	-18.3
Q4 2018/Q3 2018	0.0	-2.9	-2.9	0.0	25.5	25.5
YTD 2018/2017	-10.0	-14.7	-24.7	-10.3	-8.5	-18.8

Order intake*

Greenhouse order intake was unchanged in the fourth quarter compared to the previous quarter as growth for the air heat exchanger business was offset by a decline for tubular heat exchangers.

Air heat exchangers' positive development was mainly driven by good demand in HVAC applications and industrial refrigeration. Good development was seen in Southern, Central and Eastern Europe as well as in India. Tubular heat exchangers decreased due to the phasing out of a long-term contract in marine engine cooling applications in the U.S.

Operating income

Consolidated SEK millions	Bridge	
	Fourth quarter	Full year
Operating income 2017	14	-12
Volume ¹⁾	-18	-45
Mix ¹⁾	-7	83
Costs ¹⁾	41	52
Currency	0	2
Operating income 2018	30	80

1) Change excluding currency effects

Net sales have decreased due to the divestments of two product groups - heat exchanger systems and the Alonte based commercial tubular heat exchanger business, partially offset by increased sales for the air heat exchangers. The negative mix effect is within capital sales. The divestments are also the main explanation to the cost development. In addition, the air heat exchangers profitability has continued to improve mainly due to good manufacturing capacity utilization but also good cost control.

* Comments excluding currency effects.

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	
	2018	2017	2018	2017
Orders received	16	0	48	0
Order backlog*	5	0	5	0
Net sales	18	0	42	0
Operating income**	-210	-230	-674	-533
Depreciation and amortisation	104	85	416	393
Investments	418	177	1,164	442
Assets*	6,778	5,372	6,778	5,372
Liabilities*	2,853	2,591	2,853	2,591
Number of employees*	6,322	5,798	6,322	5,798

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

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.

The improved operating income in the fourth quarter 2018 compared to the corresponding period last year is above all explained by lower costs for the manufacturing restructuring program.

Reconciliation between Divisions and Group total

Consolidated SEK millions	Fourth quarter		Full year	
	2018	2017	2018	2017
Operating income				
Total for divisions	1,524	1,370	5,614	4,531
Comparison distortion items	14	-	151	-
Consolidation adjustments *	10	7	66	58
Total operating income	1,548	1,377	5,831	4,589
Financial net	-78	-19	65	-218
Result after financial items	1,470	1,358	5,896	4,371
Assets **				
Total for divisions	51,739	47,718	51,739	47,718
Corporate ***	6,333	4,831	6,333	4,831
Group total	58,072	52,549	58,072	52,549
Liabilities **				
Total for divisions	19,387	16,542	19,387	16,542
Corporate ***	15,086	15,507	15,086	15,507
Group total	34,473	32,049	34,473	32,049

* 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	
	2018	2017	2018	2017
SEK millions				
Own products within:				
Separation	1,907	1,925	7,183	6,471
Heat transfer	4,859	4,941	17,932	16,726
Fluid handling	2,502	2,007	9,511	7,678
Other	922	432	2,515	1,180
Associated products	436	391	1,605	1,448
Services	583	416	1,920	1,811
Total	11,209	10,112	40,666	35,314

* 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 T10-EW



Alfa Laval T10-EW is an important addition to the semi-welded range of gasketed plate heat exchangers for high pressure applications.

The new product represents a total game change for low-charge ammonia heat pump and refrigeration applications by providing a combination of high thermal efficiency and fatigue resistance previously unseen in the market.

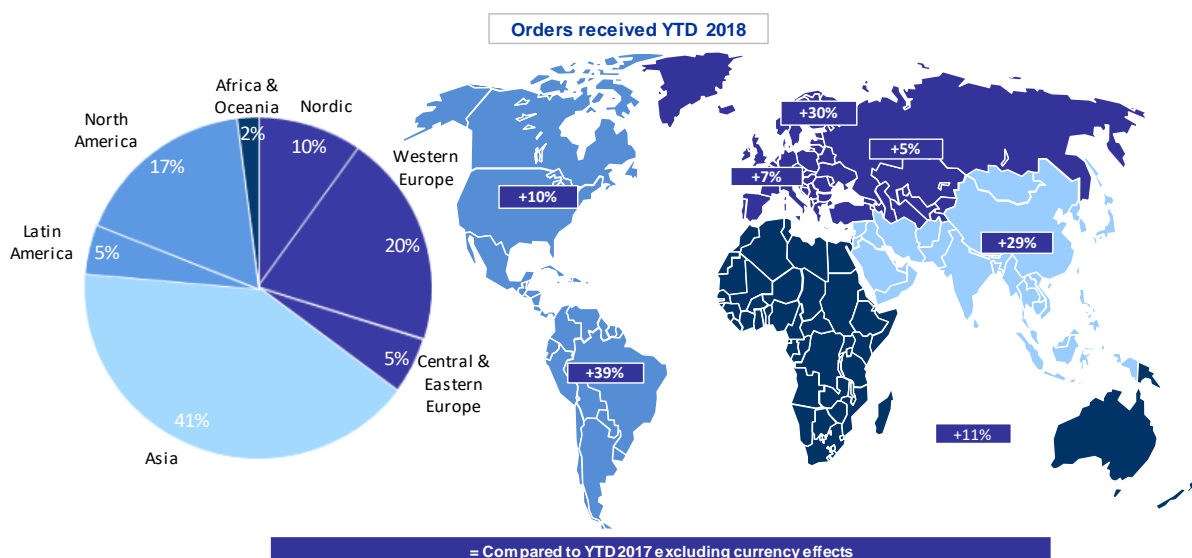
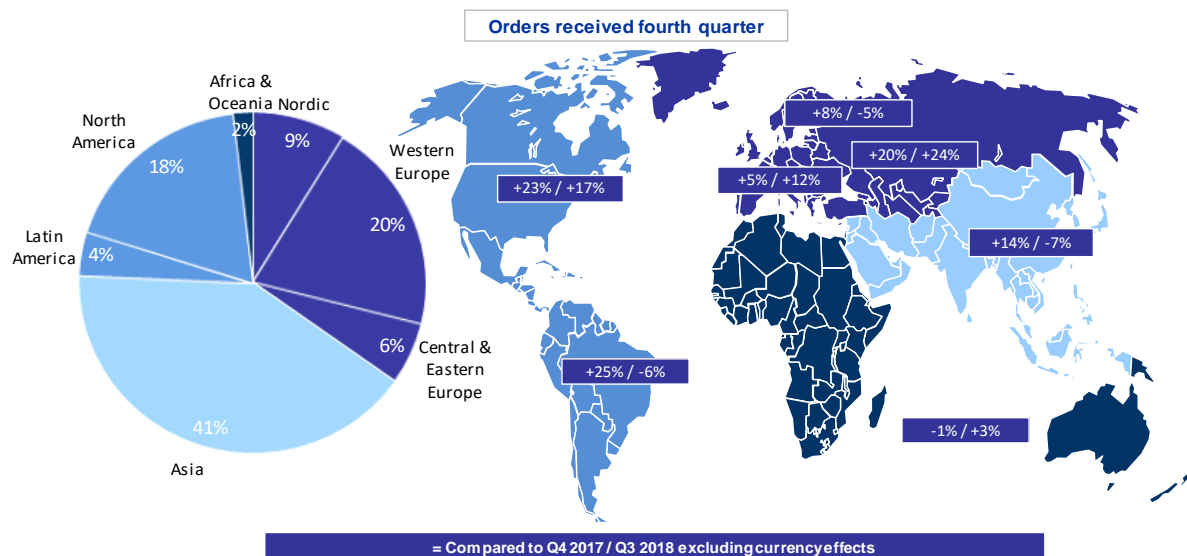
Corresponding to the growing environmental concern and a trend toward natural refrigerants, the refrigeration and heat recovery market is turning more and more to systems based on ammonia- and CO₂. In this context, the T10-EW fits perfectly with its high efficiency plate technology, its superior reliability and high-pressure resistance in a very compact design. T10-EW incorporates several next-generation features that help the customers to save energy, recover and recycle wasted heat that will help to minimize the environmental impact of their operation.

Alfa Laval Iso-Mix External Drive (IMXD)



The Alfa Laval Iso-Mix External Drive (IMXD) is a revolutionary system that enables automation and scale-up of dry hopping techniques for larger beer volumes (from 100 to over 5,000 hl). The simple and compact IMXD works with any hop introduction system. It counters excessive extraction of the aroma compounds, minimizes products loss and allows efficient CIP (cleaning in place). The system can also optimize fermentation, maturation and crash-cooling processes.

Information by region



All comments are excluding currency effects.

Western Europe including Nordic

The region grew in the fourth quarter compared to the previous quarter, driven by Energy and Food & Water. In the Marine division, a good development for offshore pumping systems and service could not fully compensate for lower order intake for PureSOx och PureBallast in the quarter. Service grew in all three divisions compared to the previous quarter.

Central and Eastern Europe

Order intake increased in the fourth quarter compared with the third, due to a good base business* development in all three divisions and several larger orders in Marine and Energy. Russia reported strong growth compared to the previous quarter, driven by a good base business in all three divisions and a number of larger orders in the Energy division. In spite of a tougher market climate, also Turkey reported strong growth

compared to the previous quarter, driven by larger orders in the Marine Division.

North America

North America had a strong fourth quarter compared to the third, driven by larger orders in oil & gas and food in the U.S. The base business was slightly muted compared to the third quarter reflecting uncertainties regarding the macro political situation.

Latin America

The order intake declined in the fourth quarter compared to the previous quarter, as a strong base business across the region was unable to fully compensate for the fact that there were fewer larger orders than in the previous quarter. The strong base business was driven by service in Brazil, Argentina and Chile and by a strong capital

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

sales business across the region in all three divisions. Brazil reported its third consecutive quarter of base-business growth.

Asia

The order intake declined in the fourth quarter compared to the third quarter as there were fewer PureSOx orders, particularly impacting countries such as China and South Korea. Excluding PureSOx, the region grew, supported by a positive development across most countries. In China,

Food & Water had a strong quarter, driven by a good base business development and larger orders. Both South East Asia and India reported growth across all three divisions.

Africa and Oceania

A decline in order intake in Oceania in the fourth quarter compared to the previous quarter was compensated by strong growth in Africa, which was supported by its land-based service business as well as a strong development in Food & Water.

Consolidated SEK millions	Net sales			
	Fourth quarter		Full year	
	2018	2017	2018	2017
To customers in:				
Sweden	259	257	924	888
Other EU	2,982	2,857	11,033	9,627
Other Europe	860	846	2,918	2,726
USA	1,711	1,522	6,394	5,712
Other North America	214	245	896	816
Latin America	500	422	1,835	1,614
Africa	118	167	450	396
China	1,426	1,058	5,263	4,309
South Korea	770	878	3,041	2,952
Other Asia	2,230	1,703	7,346	5,754
Oceania	139	157	566	520
Total	11,209	10,112	40,666	35,314

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

the delivery address.

Consolidated SEK millions	Non-current assets	
	December 31	
	2018	2017
Sweden	1,447	1,326
Denmark	4,728	4,654
Other EU	3,802	3,581
Norway	12,376	12,495
Other Europe	126	148
USA	3,964	3,707
Other North America	129	129
Latin America	259	284
Africa	7	9
Asia	3,262	2,919
Oceania	88	90
Subtotal	30,188	29,342
Other long-term securities	120	35
Pension assets	37	6
Deferred tax asset	1,755	1,589
Total	32,100	30,972

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 5.2 (5.3) percent of net sales.

Cash flows

CONSOLIDATED CASH FLOWS

SEK millions	Fourth quarter		Full year	
	2018	2017	2018	2017
Operating activities				
Operating income	1,548	1,377	5,831	4,589
Adjustment for depreciation, amortisation and write down	409	395	1,664	1,650
Adjustment for other non-cash items	-70	147	-208	107
	1,887	1,919	7,287	6,346
Taxes paid	-365	-209	-1,642	-1,583
	1,522	1,710	5,645	4,763
Changes in working capital:				
Increase(-)/decrease(+) of receivables	34	-536	-1,026	-517
Increase(-)/decrease(+) of inventories	-238	-144	-895	-774
Increase(+)/decrease(-) of liabilities	471	825	1,399	1,273
Increase(+)/decrease(-) of provisions	-299	-282	-240	-282
Increase(-)/decrease(+) in working capital	-32	-137	-762	-300
	1,490	1,573	4,883	4,463
Investing activities				
Investments in fixed assets (Capex)	-559	-282	-1,490	-675
Divestment of fixed assets	31	-2	120	23
Acquisition of businesses	-	-	-	-69
Divestment of businesses	-	-	77	-
	-528	-284	-1,293	-721
Financing activities				
Received interests and dividends	43	79	142	168
Paid interests	-31	-42	-192	-214
Realised financial exchange gains	-58	21	182	77
Realised financial exchange losses	-23	-38	-267	-245
Dividends to owners of the parent	-	-	-1,783	-1,783
Dividends to non-controlling interests	-	-9	0	-14
Increase(-) of financial assets	-116	-108	-116	-187
Decrease(+) of financial assets	195	0	601	0
Increase of loans	34	-60	726	715
Amortisation of loans	-	-	-1,738	-1,676
	44	-157	-2,445	-3,159
Cash flow for the period	1,006	1,132	1,145	583
Cash and cash equivalents at the beginning of the period	3,253	1,949	3,137	2,619
Translation difference in cash and cash equivalents	36	56	13	-65
Cash and cash equivalents at the end of the period	4,295	3,137	4,295	3,137
Free cash flow per share (SEK) *	2.29	3.07	8.56	8.92
Capex in relation to net sales	5.0%	2.8%	3.7%	1.9%
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 2018 cash flows from operating and investing activities were SEK 3,590 (3,742) million. Depreciation, excluding allocated step-up values, was SEK 626 (629) million during the full year 2018.

The sale of businesses during the full year is 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.

Financial position and equity

CONSOLIDATED FINANCIAL POSITION

SEK millions	December 31	
	2018	2017
ASSETS		
Non-current assets		
Intangible assets	24,410	24,467
Property, plant and equipment	5,732	4,851
Other non-current assets	1,958	1,654
	32,100	30,972
Current assets		
Inventories	9,253	8,424
Assets held for sale	-	2
Assets related to disposal groups held for sale	526	-
Accounts receivable	6,496	5,941
Other receivables	4,694	2,700
Derivative assets	91	165
Other current deposits	617	1,208
Cash and cash equivalents *	4,295	3,137
	25,972	21,577
TOTAL ASSETS	58,072	52,549
SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity		
Owners of the parent	23,477	20,398
Non-controlling interests	122	102
	23,599	20,500
Non-current liabilities		
Liabilities to credit institutions etc.	8,540	11,092
Provisions for pensions and similar commitments	2,118	2,297
Provision for deferred tax	1,945	2,100
Other non-current liabilities	788	677
	13,391	16,166
Current liabilities		
Liabilities related to disposal groups held for sale	351	-
Liabilities to credit institutions etc.	3,323	1,404
Accounts payable	3,136	2,964
Advances from customers	5,221	3,537
Other provisions	1,929	2,024
Other liabilities	6,682	5,783
Derivative liabilities	440	171
	21,082	15,883
Total liabilities	34,473	32,049
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	58,072	52,549

* 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	
SEK millions	level	2018	2017
Financial assets			
Other non-current securities	1 and 2	76	4
Bonds and other securities	1	435	542
Derivative assets	2	137	189
Financial liabilities			
Derivative liabilities	2	563	187

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	
SEK millions	2018	2017
Credit institutions	262	142
Swedish Export Credit	2,246	2,106
European Investment Bank	1,180	2,411
Corporate bonds	8,175	7,837
Capitalised financial leases	34	49
Interest-bearing pension liabilities	0	0
Total debt	11,897	12,545
Cash and cash equivalents and current deposits	-4,912	-4,345
Net debt *	6,985	8,200

* Alternative performance measure.

Alfa Laval has a senior credit facility of EUR 400 million and USD 544 million, corresponding to SEK 8,981 million with a banking syndicate. The facility was not utilised at December 31, 2018. The facility matures in June 2021.

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.

The loan from the European Investment Bank of EUR 115 million matures in June 2021. One loan of EUR 130 million that matured was repaid on March 29, 2018.

The commercial paper programme of SEK 2,000 million was not utilised at December 31, 2018.

CHANGES IN CONSOLIDATED EQUITY

SEK millions	Full year	
	2018	2017
At the beginning of the period*	20,486	20,276
Changes attributable to:		
Owners of the parent		
Comprehensive income		
Comprehensive income for the period	4,876	2,069
Transactions with shareholders		
Increase of ownership in subsidiaries with non-controlling interests	-	-47
Dividends	-1,783	-1,783
	-1,783	-1,830
Subtotal	3,093	239
Non-controlling interests		
Comprehensive income		
Comprehensive income for the period	20	10
Transactions with shareholders		
Decrease of non-controlling interests	-	-11
Dividends	0	-14
	-	-25
Subtotal	20	-15
At the end of the period	23,599	20,500

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

Acquisitions and divestments of businesses

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. The divestments have resulted in a total gain of SEK 26 million that is reported as a comparison distortion item.

Alfa Laval has 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 closing of the agreement is expected during the first half of 2019. This operation is as of the fourth quarter and full year 2018 report 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 is estimated to result in a realised gain, no write down to fair value has been necessary.

Consolidated	Disposal group
	December 31 2018
SEK millions	
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

Parent company

The parent company's result after financial items for the full year 2018 was SEK 647 (1,073) million, out of which dividends from subsidiaries SEK 668 (1,094) million, net interests SEK -0 (0) million, realised and unrealised exchange rate gains and losses SEK 1 (-0) million, costs related to the

listing SEK -4 (-4) million, fees to the Board SEK -9 (-8) million, cost for annual report and annual general meeting SEK -2 (-2) million and other operating income and operating costs the remaining SEK -7 (-7) million.

PARENT COMPANY INCOME *

SEK millions	Fourth quarter		Full year	
	2018	2017	2018	2017
Administration costs	-2	-4	-15	-14
Other operating income	0	0	0	0
Other operating costs	-1	-7	-7	-7
Operating income	-3	-11	-22	-21
Revenues from interests in group companies	-	-	668	1,094
Interest income and similar result items	0	1	1	2
Interest expenses and similar result items	0	-1	0	-2
Result after financial items	-3	-11	647	1,073
Change of tax allocation reserve	-698	-251	-698	-251
Group contributions	2,810	1,439	2,810	1,439
Result before tax	2,109	1,177	2,759	2,261
Tax on this year's result	-465	-260	-461	-258
Net income for the period	1,644	917	2,298	2,003

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

PARENT COMPANY FINANCIAL POSITION

SEK millions	December 31	
	2018	2017
ASSETS		
Non-current assets		
Shares in group companies	4,669	4,669
Current assets		
Receivables on group companies	10,111	8,891
Other receivables	5	3
Cash and cash equivalents	-	-
	10,116	8,894
TOTAL ASSETS	14,785	13,563
SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity		
Restricted equity	2,387	2,387
Unrestricted equity	9,932	9,417
	12,319	11,804
Untaxed reserves		
Tax allocation reserves, taxation 2013-2019	2,359	1,660
Current liabilities		
Liabilities to group companies	29	38
Accounts payable	-	0
Tax liabilities	76	61
Other liabilities	2	-
	107	99
TOTAL EQUITY AND LIABILITIES	14,785	13,563

Owners and shares

Owners and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 34,180 (32,967) shareholders on December 31, 2018. 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 5.2 to 0.6 percent. These ten largest shareholders owned 47.1 (47.9) percent of the shares.

Proposed disposition of earnings

The parent company has unrestricted funds of SEK 9,932 (9,417) million.

The Board of Directors propose a dividend of SEK 5.00 (4.25) per share corresponding to SEK 2,097

(1,783) million and that the remaining income available for distribution in Alfa Laval AB (publ) of SEK 7,835 (7,635) 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 2019

The Annual General Meeting of Alfa Laval AB will be held at Scandic Star Lund, Glimmervägen 5, Lund, Sweden on Wednesday April 24, 2019, 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 2017 is still correct.

Asbestos-related lawsuits

The Alfa Laval Group was as of December 31, 2018 named as a co-defendant in a total of 820 asbestos-related lawsuits with a total of approximately 820 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 2018 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 2017 for definitions. Alfa Laval follows the Guidelines on Alternative Performance Measures issued by ESMA (European Securities and Markets Authority).

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers are

applied from January 1, 2018. Alfa Laval applies 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 order backlog has also been adjusted as per January 1, 2018. The retrospective application only applies to financial instruments and risks for credit losses that existed at January 1, 2018 and contracts with customers that were not completed contracts at January 1, 2018. The effect of the initial application was reported in the Annual Report for 2017 and meant an adjustment of the opening equity of SEK -14 million and an adjustment of the opening order backlog of SEK +74 million.

"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 2017 or the full year 2017 depending on the context. "Previous quarter" refers to the third quarter 2018.

"Currency effects" only relate to translation effects, whereas "foreign exchange effects" also relate to transactional and revaluation effects.

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 2018

The annual report will be publishing the on Alfa Laval's website on March 26, 2019 at 10.00 CET

and by sending the printed annual report to the shareholders starting in week 15, 2019.

Interim report for the second quarter July 17
Interim report for the third quarter October 24

Date for the next financial report

Alfa Laval will publish interim reports during 2019 at the following dates:

Interim report for the first quarter April 24

Impact of IFRS 15 during 2018

The impact on the different lines in the financial statements of IFRS 15 compared to the old rules under IAS 11 and IAS 18 can be summarised as follows:

Consolidated	Effect of IFRS 15
	Full year/December 31
SEK millions	2018
Order backlog	137
Comprehensive income	
Net sales	-63
Cost of goods sold	56
Gross profit	-7
Operating income	-7
Result after financial items	-7
Taxes	0
Net income for the period	-7
Other comprehensive income	1
Comprehensive income for the period	-6
Financial position	
Assets	
Inventories	-9
Other receivables	2
Total	-7
Shareholders' equity and liabilities	
Other liabilities	13
Equity	
Opening equity adjustment	-14
Comprehensive income for the period	-6
	-20
Total	-7

New IFRS standards 2019

IFRS 16 "Leases" must be applied from January 1, 2019. Alfa Laval will apply the standard retrospectively with the cumulative effect of the initial application recognised as an adjustment to the opening balance of right-of-use assets, lease liabilities and unrestricted equity at January 1, 2019. In accordance with what was stated in the Annual Report for 2017 the new standards will

mean that mainly the operational leases concerning properties that Alfa Laval has as lessee will end up in the balance sheet, why the balance sheet total will increase and that the disclosure requirements concerning leases will become more burdening. Additional information on the effect on Alfa Laval's financial statements will be given in the Annual Report for 2018.

The interim report has been issued at CET 7.30 on February 5, 2019 by the President and Chief Executive Officer Tom Erixon by proxy from the Board of Directors.

Lund, February 5, 2019,

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, 2018 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 2018, 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.

Other matters

The review of the condensed interim report for December 31, 2017 was performed by another auditor who submitted a review report dated January 30, 2018 with an unmodified conclusion.

Lund, February 5, 2019,

Staffan Landén
Authorised Public
Accountant

Karoline Tedevall
Authorised Public
Accountant