

# Fourth quarter and full year 2016



## Summary

SEK millions	Fourth quarter				Full year			
	2016	2015	%	% *	2016	2015	%	% *
Order intake	8,709	9,422	-8	-11	32,060	37,098	-14	-13
Net sales	9,904	10,805	-8	-12	35,634	39,746	-10	-10
Adjusted EBITA **	1,488	1,751	-15		5,553	6,811	-18	
- adjusted EBITA margin (%) **	15.0	16.2			15.6	17.1		
Result after financial items	877	1,390	-37		3,325	5,444	-39	
Net income for the period	616	935	-34		2,312	3,861	-40	
Earnings per share (SEK)	1.46	2.22	-34		5.46	9.15	-40	
Cash flow ***	1,925	1,875	3		4,979	5,850	-15	
Impact on adjusted EBITA of:								
- foreign exchange effects	141	80			478	450		
Impact on result after financial items of:								
- comparison distortion items	-400	-			-1,500	-		

\* Excluding currency effects. \*\* Alternative performance measures, defined on page 23. \*\*\* From operating activities.

## Comment from Tom Erixon, President and CEO

“As a result of the strategy review a restructuring programme was launched during the autumn 2016. It developed well and the new organisation became fully operational from first of January this year. The remaining onetime cost of SEK 400 million related to the initiative concerning the manufacturing structure burdened the result in the fourth quarter. This initiative is estimated, in combination with already announced changes, to give annual savings of SEK 500 million in total.

Order intake for the fourth quarter strengthened compared to the third quarter, partly driven by large projects within Process Technology and partly by an increased demand for marine equipment to new cruise ships. A number of larger projects of SEK 545 million in total were announced during the quarter, mainly from the refinery and petrochemical sectors. At the same time, somewhat improved conditions for other

parts of the business directed to oil & gas was noted. The order intake within Marine & Diesel was sequentially positive with support from a good ship mix and an improved demand for pumping systems as well as the exhaust gas cleaning system PureSOx. The U.S. Coast Guard's approval of Alfa Laval PureBallast in December means that the conditions for a gradually increased order intake for the system are good, starting in 2017.

The cost development in the quarter was positive. Initiatives within manufacturing and engineering delivered according to plan at the same time as we started to see positive effects from the adjustments within sales and administration. The tied up capital decreased and the cash flow from operating activities was strong with SEK 1.9 billion in the quarter.”

## Outlook for the first quarter

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

*Earlier published outlook (October 25, 2016): “We expect that demand during the fourth quarter 2016 will be in line with or 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 2016 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 January 31, 2017.

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# Management's discussion and analysis

## Important events during the fourth quarter

Structural measures were decided during the fourth quarter at an estimated cost of SEK 400 million.

Alfa Laval has received the U.S. Coast Guard's type approval for its PureBallast 3 system.

### Large orders <sup>1)</sup> in the fourth quarter

Division	Order amount	Total per segment	
Customer segment	Delivery date	Q4 2016	Q4 2015
Scope of supply		SEK millions	
<b>Process Technology</b>			
<b>Energy &amp; Process</b>			
Alfa Laval OLM heat exchangers to a petrochemical plant in the Middle East.	2017	125	
Various pieces of equipment to a power plant in the Middle East.	2017	50	
Alfa Laval OLM heat exchangers to a power plant in the Middle East.	2017	100	
Compact heat exchangers to a natural gas plant in the Middle East.	2017/2018	150	355
<b>Food Technology &amp; Life Science</b>			-
<b>Service</b>			
Upgrade compact heat exchangers to a nuclear power plant in France.	2017	55	55
<b>Marine &amp; Diesel</b>			
<b>Marine &amp; Diesel Equipment</b>			
Waste heat recovery systems for diesel power plants that will be built in Asia.	2017	65	65
<b>Marine &amp; Offshore Pumping Systems</b>			-
<b>Total</b>		<b>545</b>	<b>815</b>

## Order intake

Orders received has amounted to SEK 8,709 (9,422) million for the fourth quarter 2016 and to SEK 32,060 (37,098) million for the full year

2016. 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:

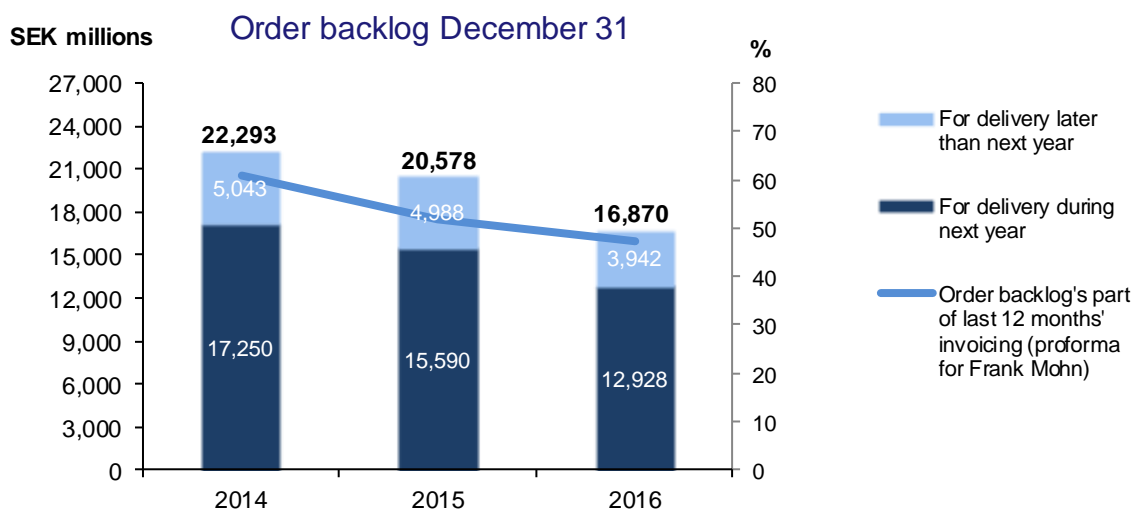
	Consolidated	Order bridge					Order intake Current periods SEK millions	
		Order intake Prior periods SEK millions	Change			After currency effects		
			Excluding currency effects			Currency effects		Total
		Structural change <sup>2)</sup> (%)	Organic development <sup>3)</sup> (%)	Total (%)	(%)	(%)		
Q4 2016/2015	9,422	-	-11.3	-11.3	3.7	-7.6	8,709	
Q4/Q3 2016	7,540	-	12.8	12.8	2.7	15.5	8,709	
YTD 2016/2015	37,098	0.3	-13.7	-13.4	-0.2	-13.6	32,060	

Orders received from the aftermarket Service<sup>4</sup> constituted 31.7 (28.1) percent of the Group's total orders received during the fourth quarter and 33.0 (28.6) percent during the full year 2016.

Excluding currency effects, the order intake for Service decreased by 0.3 percent during the fourth quarter 2016 compared to the corresponding quarter last year (the

corresponding organic development was the same) and increased with 4.7 percent compared to the previous quarter (the corresponding organic development was the same). For the full year 2016 the increase was 0.1 percent compared to the corresponding period last year (the corresponding organic development was a decrease by 0.5 percent).

## Order backlog



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

17.7 percent smaller than the order backlog at the end of 2015.

- Structural change relates to acquisition of businesses. Acquired businesses are: K-Bar Parts LLC (renamed to Alfa Laval Kathabar Inc) in the U.S. at July 31, 2015 and an aftermarket company specialized in separation technology at July 3, 2015.
- Organic development relates to change excluding acquisition of businesses.
- Parts and service.

## Net sales

Net invoicing was SEK 9,904 (10,805) million for the fourth quarter and SEK 35,634 (39,746) million for the full year 2016. 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
		Change					
Net sales Prior periods SEK millions		Excluding currency effects			After currency effects		
		Structural change (%)	Organic development (%)	Total (%)	Currency effects (%)	Total (%)	
Q4 2016/2015	10,805	-	-12.2	-12.2	3.9	-8.3	9,904
Q4/Q3 2016	8,581	-	12.4	12.4	3.0	15.4	9,904
YTD 2016/2015	39,746	0.3	-10.4	-10.1	-0.2	-10.3	35,634

Net invoicing relating to Service constituted 30.0 (27.0) percent of the Group's total net invoicing in the fourth quarter and 29.6 (26.6) percent in the full year 2016.

Excluding currency effects, the net invoicing for Service decreased by 2.3 percent during the fourth quarter 2016 compared to the corresponding quarter last year (the corresponding

organic development was the same) and increased with 12.2 percent compared to the previous quarter (the corresponding organic development was the same). For the full year 2016 the decrease was 0.1 percent compared to the corresponding period last year (the corresponding organic development was an decrease by 0.7 percent).

## Income

SEK millions	Fourth quarter		Full year	
	2016	2015	2016	2015
Net sales	9,904	10,805	35,634	39,746
Cost of goods sold	-6,848	-7,377	-24,581	-26,707
<b>Gross profit</b>	<b>3,056</b>	<b>3,428</b>	<b>11,053</b>	<b>13,039</b>
Sales costs	-942	-825	-4,328	-4,107
Administration costs	-593	-716	-1,649	-1,813
Research and development costs	-232	-200	-822	-756
Other operating income	230	177	613	495
Other operating costs	-699	-369	-1,893	-1,149
Share of result in joint ventures	0	-12	15	8
<b>Operating income</b>	<b>820</b>	<b>1,483</b>	<b>2,989</b>	<b>5,717</b>
Dividends and changes in fair value	47	33	47	33
Interest income and financial exchange rate gains	288	3	645	404
Interest expense and financial exchange rate losses	-278	-129	-356	-710
<b>Result after financial items</b>	<b>877</b>	<b>1,390</b>	<b>3,325</b>	<b>5,444</b>
Taxes	-261	-455	-1,013	-1,583
<b>Net income for the period</b>	<b>616</b>	<b>935</b>	<b>2,312</b>	<b>3,861</b>
Other comprehensive income:				
Items that will subsequently be reclassified to net income				
Cash flow hedges	-35	156	245	-195
Market valuation of external shares	0	2	0	2
Translation difference	294	-256	1,882	-1,056
Deferred tax on other comprehensive income	-51	-74	-143	20
<b>Sum</b>	<b>208</b>	<b>-172</b>	<b>1,984</b>	<b>-1,229</b>
Items that will subsequently not be reclassified to net income				
Revaluations of defined benefit obligations	-580	407	-505	332
Deferred tax on other comprehensive income	88	-73	67	-47
<b>Sum</b>	<b>-492</b>	<b>334</b>	<b>-438</b>	<b>285</b>
<b>Comprehensive income for the period</b>	<b>332</b>	<b>1,097</b>	<b>3,858</b>	<b>2,917</b>
<b>Net income attributable to:</b>				
Owners of the parent	611	933	2,289	3,839
Non-controlling interests	5	2	23	22
<b>Earnings per share (SEK)</b>	<b>1.46</b>	<b>2.22</b>	<b>5.46</b>	<b>9.15</b>
Average number of shares	419,456,315	419,456,315	419,456,315	419,456,315
<b>Comprehensive income attributable to:</b>				
Owners of the parent	328	1,096	3,815	2,903
Non-controlling interests	4	1	43	14

The gross profit has except a lower invoicing volume been negatively affected by price/mix effects within capital sales and a lower outcome for certain factories. The gross profit has been positively affected by a favourable mix between capital sales and service and positive procurement variations and by currency effects, largely related to a strong USD.

Sales and administration expenses amounted to SEK 1,535 (1,541) million during the fourth

quarter and SEK 5,977 (5,920) million during the full year 2016. Excluding currency effects and acquisition of businesses, sales and administration expenses were 2.7 percent lower and 1.2 percent higher respectively than the corresponding periods last year. The corresponding figure when comparing the fourth quarter 2016 with the previous quarter is an increase with 3.6 percent.

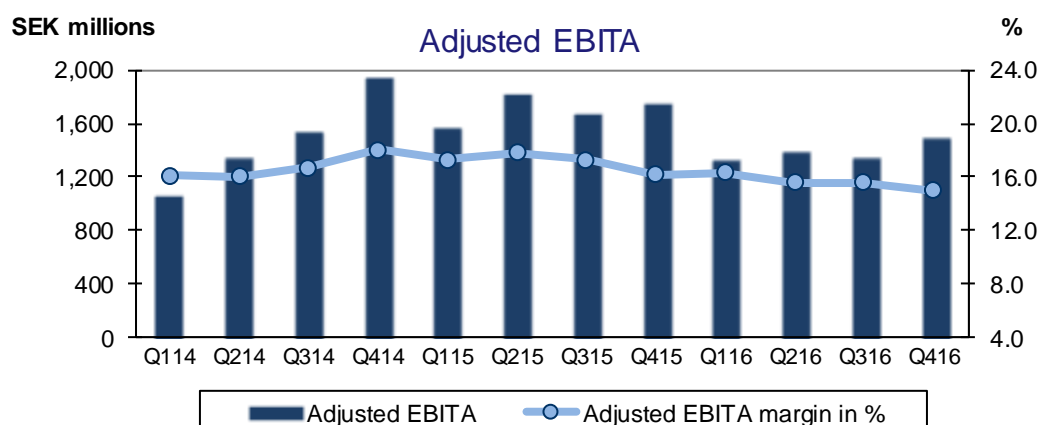
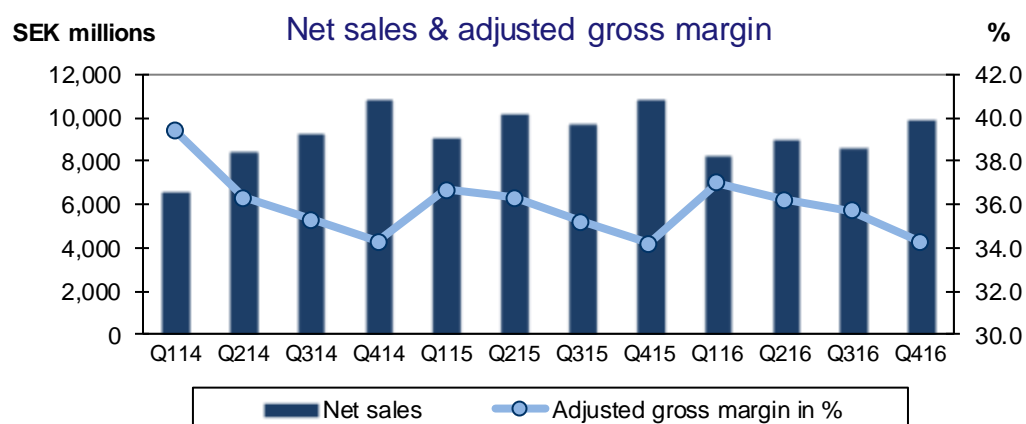
The costs for research and development during the full year 2016 corresponded to 2.3 (1.9)

percent of net sales. Excluding currency effects and acquisition of businesses, the costs for research and development have increased by 13.7 percent during the fourth quarter and by 8.3 percent during the full year 2016 compared to the

corresponding periods last year.

Earnings per share, excluding amortisation of step-up values and the corresponding tax\*, was SEK 8.48 (11.02) for the full year 2016.

Consolidated SEK millions	Income analysis			
	Fourth quarter		Full year	
	2016	2015	2016	2015
Net sales	9,904	10,805	35,634	39,746
Adjusted gross profit *	3,401	3,696	12,744	14,133
- <b>adjusted gross margin (%) *</b>	<b>34.3</b>	<b>34.2</b>	<b>35.8</b>	<b>35.6</b>
Expenses **	-1,748	-1,764	-6,548	-6,655
- in % of net sales	17.6	16.3	18.4	16.7
<b>Adjusted EBITDA *</b>	<b>1,653</b>	<b>1,932</b>	<b>6,196</b>	<b>7,478</b>
- <b>adjusted EBITDA margin (%) *</b>	<b>16.7</b>	<b>17.9</b>	<b>17.4</b>	<b>18.8</b>
Depreciation	-165	-181	-643	-667
<b>Adjusted EBITA *</b>	<b>1,488</b>	<b>1,751</b>	<b>5,553</b>	<b>6,811</b>
- <b>adjusted EBITA margin (%) *</b>	<b>15.0</b>	<b>16.2</b>	<b>15.6</b>	<b>17.1</b>
Amortisation of step-up values	-268	-268	-1,064	-1,094
Comparison distortion items:				
Write down of goodwill and step-up values	-77	-	-627	-
Restructuring	-323	-	-873	-
Operating income	820	1,483	2,989	5,717



\* Alternative performance measures, defined on page 23. \*\* Excluding comparison distortion items.

## Comparison distortion items

Comparison distortion items are reported in the comprehensive income statement on each concerned line.

Group Management has started three initiatives for restructuring and implementation of a new organisation. The three initiatives concern:

### 1 - *Cost adaptations and a new organisation*

The initiative includes the consequences of establishing a new more efficient organisational structure at the same time as it contains adaptations to the current demand situation.

### 2 - *Restructuring of the manufacturing structure*

This initiative includes a stepwise implementation of measures to achieve an even more competitive manufacturing structure. The initiative comprises re-locations and closures of entities during a period of about three years.

### 3 - *"Greenhouse"*

The initiative means that three product groups that have had an unsatisfactory development will be operated separately from the new organisation in order to in an even more focused manner give the best preconditions for a better development.

The costs for the initiatives are of a non-recurring nature and have amounted to SEK 400 million for

the fourth quarter and SEK 1,500 million for the full year 2016. The amount for the fourth quarter contains estimated costs for measures mainly concerning initiative 2, whereas the amount for the full year 2016 contains estimated costs for measures concerning all three initiatives. The cost contains among others a write down of above all allocated step-up values and goodwill with about SEK 100 million for the fourth quarter and about SEK 700 million for the full year 2016, which has burdened cost of goods sold. The remaining part of the cost of SEK 300 million for the fourth quarter and SEK 800 million for the full year 2016 concerns mainly lay off of about 300 and 1,000 employees respectively and in addition certain costs for write down of assets and provisions for lease agreements, which has burdened other operating costs.

The measures during the fourth quarter are estimated to give savings related to cost of goods sold of about SEK 125 million and are expected to be implemented in full by the end of 2018. The measures during the full year 2016 are estimated to give savings related to cost of goods sold of approximately SEK 200 million and to operating costs, excluding cost of goods sold, of about SEK 300 million and are expected to be implemented to approximately 75 % by the end of 2017 and to be implemented in full by the end of 2018.

## Consolidated financial net and taxes

The financial net for the full year 2016 has amounted to SEK -76 (-177) 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 -8 (-15) million, interest on the bilateral term loans of SEK -56 (-77) million, interest on the private placement of SEK -3 (-9) million, interest on the commercial papers of SEK -0 (-1) million, interest on the corporate bonds of SEK -80 (-83) million and a net of dividends, fair value changes and other interest income and interest costs of SEK 71 (8) million. The net of realised and unrealised exchange rate differences has amounted to SEK 412 (-96) million.

The tax on the result after financial items was SEK -261 (-455) million in the fourth quarter and SEK -1,013 (-1,583) million in the full year 2016. The effective tax has been affected by the write down of goodwill of SEK -533 million, where no corresponding deferred tax has been released. The tax cost for the full year 2016 has been affected by non-recurring items of about SEK 132 million concerning adjustments of deferred taxes relating to step-up values, due to reduced company taxes in certain countries and thereby decreased deferred tax liabilities.

## Key figures

Consolidated	Key figures	
	December 31	
	2016	2015
Return on capital employed (%) *	15.3	21.6
Return on equity (%) **	11.8	21.7
Solidity (%) ***	38.0	35.5
Net debt to EBITDA, times *	1.81	1.56
Debt ratio, times *	0.47	0.63
Number of employees (at the end of the period)	16,941	17,417

\* Alternative performance measures, defined on page 23.

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

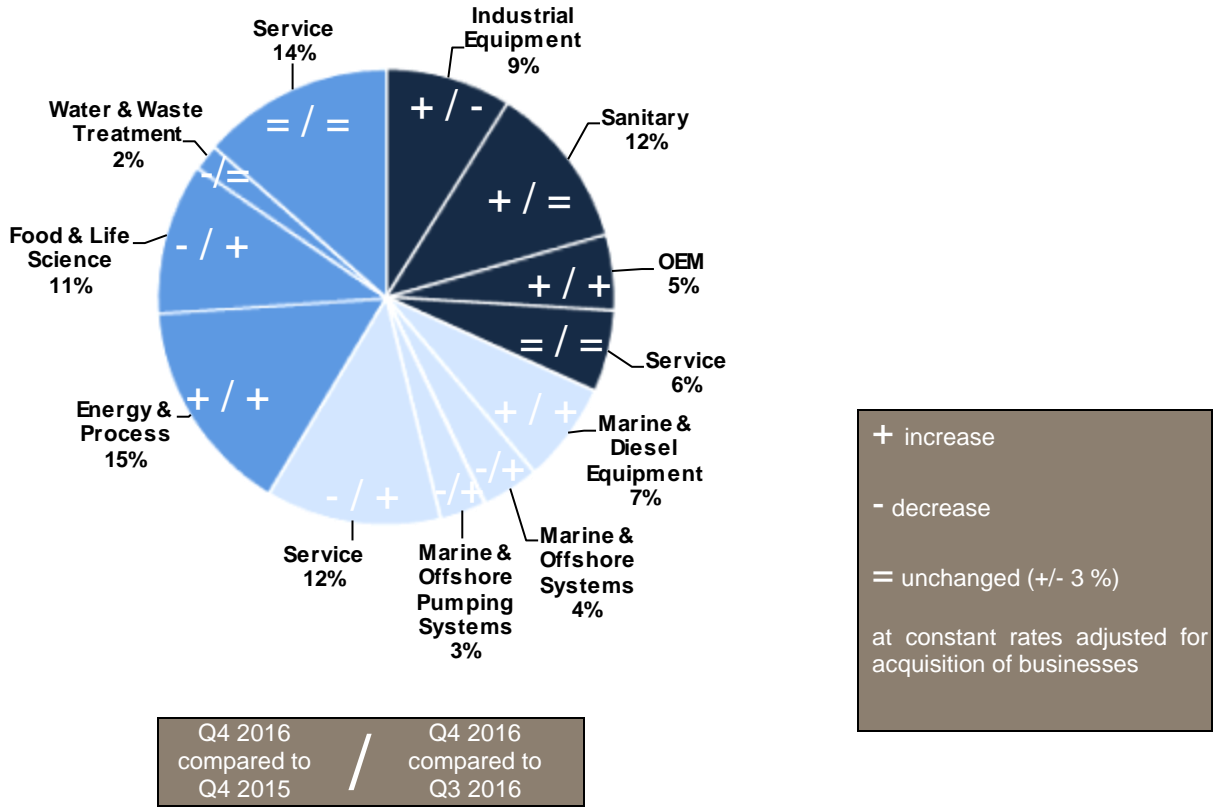
\*\*\* Equity in relation to total assets at the end of the period, expressed in percent.



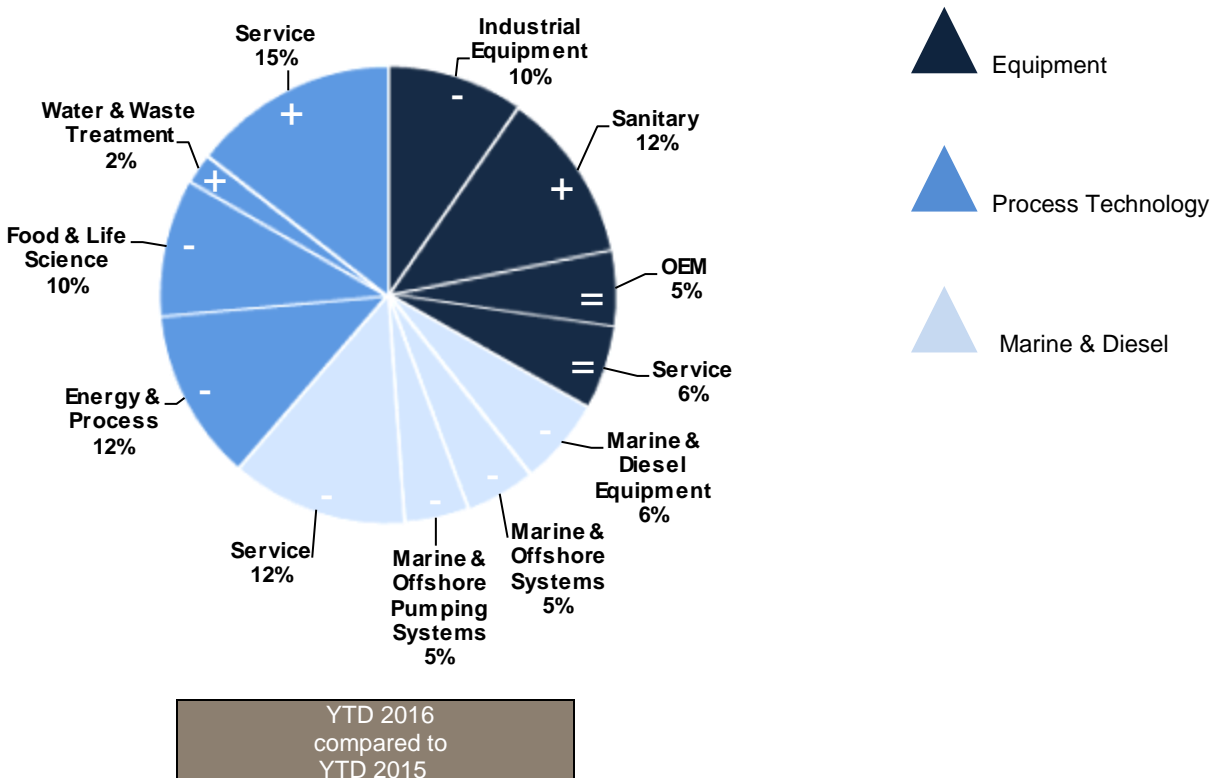
## Business divisions

The development of the order intake for the divisions and their customer segments appears in the following charts.

Orders received by customer segment Q4 2016



Orders received by customer segment YTD 2016



## Equipment division

Consolidated SEK millions	Fourth quarter		Full year	
	2016	2015	2016	2015
	Orders received	2,759	2,526	10,639
Order backlog*	1,695	1,637	1,695	1,637
Net sales	2,874	2,694	10,532	10,500
Operating income**	402	325	1,527	1,321
Operating margin***	14.0%	12.1%	14.5%	12.6%
Depreciation and amortisation	31	61	179	218
Investments	30	24	61	61
Assets*	5,957	6,339	5,957	6,339
Liabilities*	1,249	973	1,249	973
Number of employees*	2,508	2,552	2,508	2,552

\* 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 2016/2015	-	5.3	5.3	-	3.1	3.1
Q4/Q3 2016	-	-3.1	-3.1	-	2.1	2.1
YTD 2016/2015	-	1.7	1.7	-	0.4	0.4

All comments below are excluding currency effects.

### Order intake

Overall order intake was on about the same level in the fourth quarter as in the third. While several end markets reported growth, it was offset by seasonality for parts of Industrial Equipment's business. Demand for spare parts and services remained on the same level as in the previous quarter.

The **Sanitary** segment was flat compared to the previous quarter. Demand from customers working with prepared food was higher, whereas order intake related to the dairy sector came down from the high levels seen in the previous

quarter. In **Industrial Equipment** volumes were lower compared to the previous quarter, mainly due to seasonality in the Comfort market unit. The overall refrigeration market continues to be good and demand was higher than in the third quarter. The **OEM** segment reported a positive development, mainly lifted by increased demand from customers manufacturing boilers and A/C equipment.

### Operating income

The increased operating income for Equipment during the fourth quarter 2016 compared to the corresponding period last year is mainly explained by a positive price/mix effect and higher sales volume, mitigated by somewhat higher operating costs.

## Process Technology division

Consolidated SEK millions	Fourth quarter		Full year	
	2016	2015	2016	2015
Orders received	3,604	3,089	12,383	12,795
Order backlog*	6,758	7,226	6,758	7,226
Net sales	3,756	4,101	12,784	14,511
Operating income**	463	640	1,289	1,899
Operating margin***	12.3%	15.6%	10.1%	13.1%
Depreciation and amortisation	96	99	360	366
Investments	44	60	108	156
Assets*	10,966	10,832	10,966	10,832
Liabilities*	4,227	3,812	4,227	3,812
Number of employees*	5,092	5,242	5,092	5,242

\* 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 2016/2015	-	12.8	12.8	-	-11.6	-11.6
Q4/Q3 2016	-	22.8	22.8	-	23.3	23.3
YTD 2016/2015	0.7	-2.9	-2.2	0.7	-11.9	-11.2

All comments below are excluding currency effects.

### Order intake

The division reported very strong growth in the fourth quarter compared to the previous quarter, mainly driven by large orders. The development was generally positive among the capital sales segments with Energy & Process contributing the most. Geographically, a positive development was reported by largely all regions.

**Energy & Process** reported growth in order intake across all end-market industries. The business exposed to the hydrocarbon chain did very well in all parts of the chain. The positive development was driven by customers carrying out certain capacity and efficiency-related investments. This was reflected in the large orders booked in the quarter, even as the overall market sentiment continued to be cautious. The base business\* also reported growth. **Food & Life Science** did very well in the quarter, particularly in the market units Brewery, Food Solutions and Life Science. Protein also developed favourably, while Vegetable oil contracted, reflecting fewer capacity related investments in the market. Large projects explained most of the segment's positive development, but the base business also showed

a positive trend. Order intake in the **Water & Waste Treatment** segment was unchanged in the fourth quarter compared to the third, as a strong Western European market compensated for a lower activity in the North American market. The base business was stable.

The **Service** segment remained on the same level as in the third quarter. Order intake increased in Water & Waste Treatment applications as well as Energy & Process, while a certain contraction was noted in the Food & Life Science area. The service share of total order intake on the aftermarket continued to expand.

### Operating income

The decrease in operating income for Process Technology during the fourth quarter 2016 compared to the corresponding period last year is above all explained by lower sales volume and lower margin. The lower margin is explained by negative price/mix, a lower outcome in the project business and slightly higher operating costs.

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

## Marine & Diesel division

Consolidated SEK millions	Fourth quarter		Full year	
	2016	2015	2016	2015
Orders received	2,346	3,807	9,038	13,831
Order backlog*	8,417	11,715	8,417	11,715
Net sales	3,274	4,010	12,318	14,735
Operating income**	425	778	2,111	2,999
Operating margin***	13.0%	19.4%	17.1%	20.4%
Depreciation and amortisation	194	191	745	806
Investments	26	25	77	131
Assets*	23,166	22,905	23,166	22,905
Liabilities*	5,179	4,966	5,179	4,966
Number of employees*	2,962	3,176	2,962	3,176

\* 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 2016/2015	-	-41.7	-41.7	-	-23.0	-23.0
Q4/Q3 2016	-	20.8	20.8	-	11.0	11.0
YTD 2016/2015	0.3	-35.3	-35.0	0.2	-16.7	-16.5

All comments below are excluding currency effects.

### Order intake

Order intake increased in the fourth quarter compared to the third, as the uptick in cruise ship contracting earlier in the year generated demand for Alfa Laval's traditional offering and as demand for pumping systems grew from the third quarter's very low level.

The **Marine & Diesel Equipment** segment benefitted from a positive ship mix as demand increased for equipment going into new cruise ships. Further support came from an increase in demand for equipment going into land-based diesel power plants. The **Marine & Offshore Systems** segment also reported an increase in order intake compared to the third quarter as a decline in demand for systems going into new

ships was more than offset by higher demand for exhaust gas cleaning as well as offshore systems. The order intake for **Marine & Offshore Pumping Systems** grew compared to the previous quarter, as demand for marine pumping systems came back after a weak third quarter. Demand for solutions for offshore applications, however, declined.

**Service** reported good growth in order intake due to upgrading orders and higher service activity for offshore pumping systems.

### Operating income

The decrease in operating income for Marine & Diesel during the fourth quarter 2016 compared to the corresponding period last year is mainly explained by a lower sales volume, onetime costs related to a number of specific product deliveries and changes in the supply chain.

## Operations and Other

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

overhead and non-core businesses.

Consolidated SEK millions	Fourth quarter		Full year	
	2016	2015	2016	2015
Orders received	0	0	0	0
Order backlog*	0	0	0	0
Net sales	0	0	0	0
Operating income**	-60	-232	-471	-438
Depreciation and amortisation	112	98	423	371
Investments	155	169	371	326
Assets*	6,601	5,797	6,601	5,797
Liabilities*	2,432	2,359	2,432	2,359
Number of employees*	6,379	6,447	6,379	6,447

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

The higher operating income in the fourth quarter compared to the corresponding period last year is

mainly explained by lower group-wide and project related costs.

## Reconciliation between divisions and Group total

Consolidated SEK millions	Fourth quarter		Full year	
	2016	2015	2016	2015
<b>Operating income</b>				
Total for divisions	1,230	1,511	4,456	5,781
Comparison distortion items	-400	-	-1,500	-
Consolidation adjustments *	-10	-28	33	-64
Total operating income	820	1,483	2,989	5,717
Financial net	57	-93	336	-273
Result after financial items	877	1,390	3,325	5,444
<b>Assets **</b>				
Total for divisions	46,690	45,873	46,690	45,873
Corporate ***	6,688	6,024	6,688	6,024
Group total	53,378	51,897	53,378	51,897
<b>Liabilities **</b>				
Total for divisions	13,087	12,110	13,087	12,110
Corporate ***	20,015	21,364	20,015	21,364
Group total	33,102	33,474	33,102	33,474

\* 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	
	2016	2015	2016	2015
SEK millions				
Own products within:				
Separation	1,940	2,206	6,670	7,886
Heat transfer	4,401	4,760	15,765	17,372
Fluid handling	2,294	2,539	8,544	9,866
Other	249	376	1,160	1,194
Associated products	488	447	1,732	1,786
Services	532	477	1,763	1,642
<b>Total</b>	<b>9,904</b>	<b>10,805</b>	<b>35,634</b>	<b>39,746</b>

\* 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 product:

#### Alfa Laval TJ40G

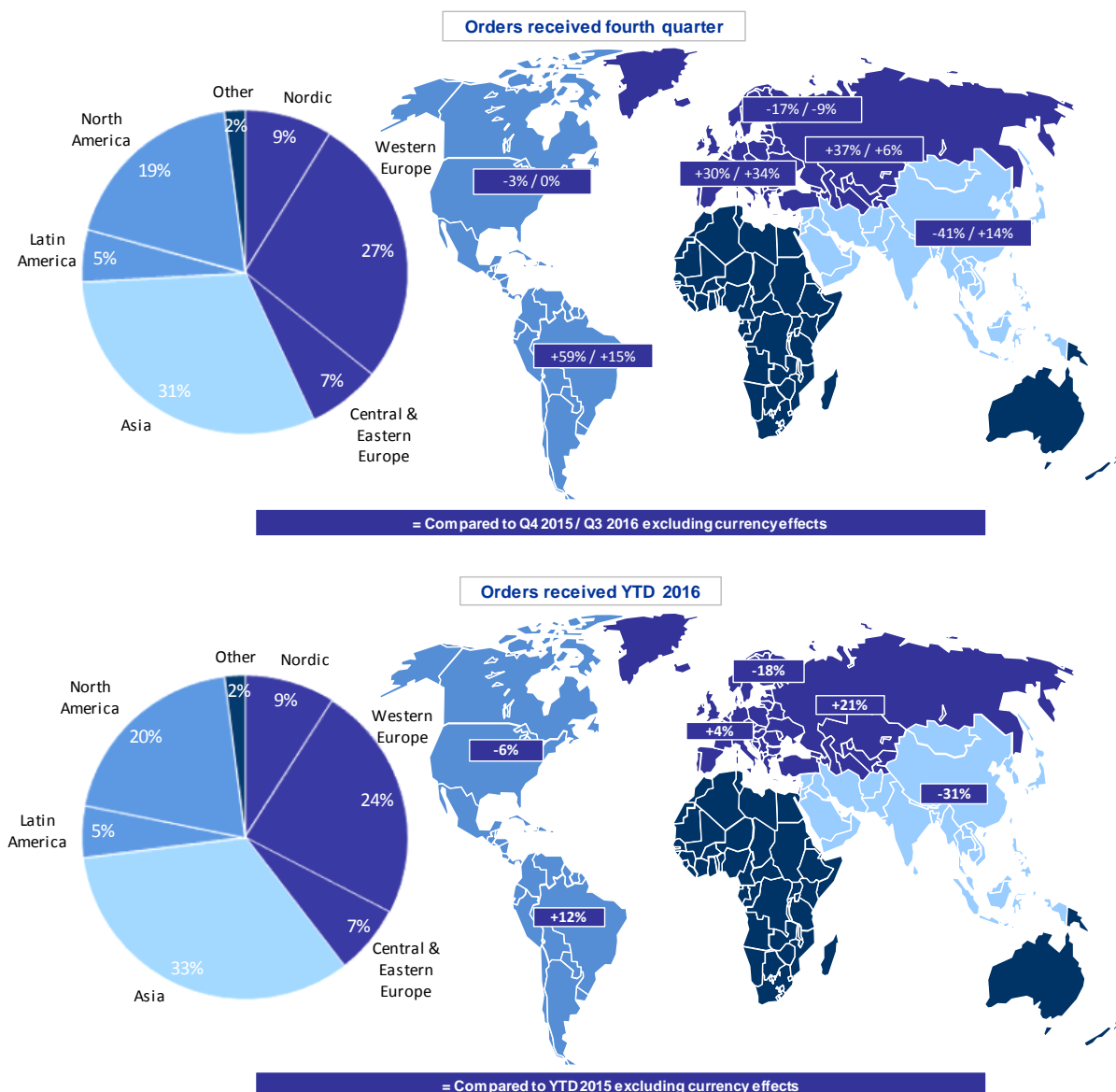


Alfa Laval TJ40G Rotary Jet Head is the latest tank cleaning machine from Alfa Laval and is designed in response to the demand for increased hygienic levels in large tanks such as beer fermenters, dairy tanks, beverage tanks, pharma etc. The optimal cleaning pattern ensures full coverage and thorough cleaning of the tank and the self-cleaning system is more effective due to numerous of new features such as small holes in the hub that make sure the cone of the machine is clean, thereby removing residue that other tank cleaning devices may miss. Having a clean tank and a clean tank cleaning machine reduces the risk for contamination and thereby contributes to safer end-customer products.

The new Alfa Laval TJ40G complements the Alfa Laval TJ20G. Both offer the same exceptional cleanability, product quality and significant savings on energy, water and cleaning agents, due to faster and more effective cleaning than comparable technologies. However, the Alfa Laval TJ40G easily handles large tanks with capacities between 100 and more than 500 cubic meters in size, while the Alfa Laval TJ20G handles small to mid-size tanks with capacities between 15 and 150 cubic meters in size.

Exceptional levels of tank cleaning from the new Alfa Laval TJ40G.

## Information by region



All comments are excluding currency effects.

### Western Europe including Nordic

Order intake increased in the fourth quarter compared with the third for large projects as well as the base business\*. Demand for spare parts and services was also positive across the region. Among the segments, Sanitary, Marine & Diesel Equipment, Marine Offshore Systems, Energy & Process and Water & Waste Treatment had a positive development. All sub-regions reported growth, except Nordic which had a strong third quarter.

### Central and Eastern Europe

The region reported a growing order intake in the fourth quarter compared to the third. The main reason was a sizeable order for waste heat recovery systems in Turkey. The base business had a strong development, mainly driven by Sanitary and Service, which both did well across

the region. Russia, which did well throughout the year, saw a decline compared to the previous quarter as there were fewer larger projects booked in the quarter.

### North America

Order intake in North America was unchanged in the fourth quarter compared to the third, for large projects as well as the base business. The Service segment reported growth. Overall, in the region, Industrial Equipment, OEM and Food & Life Science all had a positive development.

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

## Latin America

Order intake grew in the fourth quarter compared to the third, boosted by a very positive development in Mexico, where some larger brewery projects were booked and where the Service business also reported a good development. Argentina and Chile contributed to the region's growth through a good base business development in both the Equipment and Process Technology division. Brazil remained flat compared to the previous quarter, following the gradual recovery seen over the past few quarters.

## Asia

Order intake grew in the fourth quarter compared to the previous quarter, mainly explained by large orders in the Process Technology division and order growth in the Marine & Diesel division compared to the very low level reported in the previous quarter. The Equipment division showed a decline in order intake in the quarter as the

comfort business in Industrial Equipment came down from the strong levels recorded in the third quarter. Service showed a general improvement in the quarter, mainly driven by the marine business. From a country perspective India and South Korea reported the strongest development compared to the third quarter. Japan also did well, with growth across all divisions and particularly so in Marine & Diesel. India benefitted from a number of projects in the food and refinery sectors. The positive development in South Korea was mainly explained by marine pumping systems, which improved from a weak third quarter. China reported a decline in order intake compared to the previous quarter. The Equipment division in China reported a lower order intake, due to a decline in Sanitary. Process Technology also showed a decline in China, explained by a slower base business, while larger orders were unchanged.

Consolidated	Net sales			
	Fourth quarter		Full year	
	2016	2015	2016	2015
SEK millions				
To customers in:				
Sweden	215	225	784	864
Other EU	2,612	2,746	8,959	9,490
Other Europe	823	796	2,597	2,950
USA	1,712	1,697	6,013	6,725
Other North America	165	311	716	1,031
Latin America	492	449	1,788	1,826
Africa	84	94	307	337
China	1,308	1,457	4,705	4,879
South Korea	860	1,261	3,594	5,172
Other Asia	1,510	1,625	5,731	5,991
Oceania	123	144	440	481
<b>Total</b>	<b>9,904</b>	<b>10,805</b>	<b>35,634</b>	<b>39,746</b>

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

the delivery address.



Consolidated	Non-current assets	
	December 31	
	2016	2015
SEK millions		
Sweden	1,321	1,337
Denmark	4,572	4,374
Other EU	3,639	3,992
Norway	13,717	12,986
Other Europe	169	166
USA	4,359	4,510
Other North America	136	123
Latin America	329	271
Africa	9	2
Asia	2,993	2,986
Oceania	94	87
Subtotal	31,338	30,834
Other long-term securities	25	28
Pension assets	3	4
Deferred tax asset	2,056	1,765
Total	33,422	32,631

## 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 5.0 (4.2) percent of net sales.

## Cash flows

### CONSOLIDATED CASH FLOWS

SEK millions	Fourth quarter		Full year	
	2016	2015	2016	2015
<b>Operating activities</b>				
Operating income	820	1,483	2,989	5,717
Adjustment for depreciation, amortisation and write down	510	449	2,334	1,761
Adjustment for other non-cash items	-12	0	16	-231
	1,318	1,932	5,339	7,247
Taxes paid	57	-431	-1,161	-1,577
	1,375	1,501	4,178	5,670
Changes in working capital:				
Increase(-)/decrease(+) of receivables	178	9	592	426
Increase(-)/decrease(+) of inventories	391	645	32	347
Increase(+)/decrease(-) of liabilities	-63	-98	-424	-438
Increase(+)/decrease(-) of provisions	44	-182	601	-155
<b>Increase(-)/decrease(+) in working capital</b>	<b>550</b>	<b>374</b>	<b>801</b>	<b>180</b>
	1,925	1,875	4,979	5,850
<b>Investing activities</b>				
Investments in fixed assets (Capex)	-255	-278	-617	-674
Divestment of fixed assets	-9	14	39	25
Acquisition of businesses	-187	0	-230	-73
Divestment of businesses	-	12	13	12
	-451	-252	-795	-710
<b>Financing activities</b>				
Received interests and dividends	74	61	163	124
Paid interests	-40	-68	-243	-316
Realised financial exchange gains	137	11	316	157
Realised financial exchange losses	-42	52	-89	-288
Dividends to owners of the parent	-	-	-1,783	-1,678
Dividends to non-controlling interests	0	0	-17	-18
Increase(-) of financial assets	0	-183	0	-311
Decrease(+) of financial assets	-21	0	8	0
Increase of loans	0	600	1,860	3,400
Amortisation of loans	-668	-1,862	-3,781	-6,299
	-560	-1,389	-3,566	-5,229
<b>Cash flow for the period</b>	<b>914</b>	<b>234</b>	<b>618</b>	<b>-89</b>
Cash and cash equivalents at the beginning of the period	1,680	1,660	1,876	2,013
Translation difference in cash and cash equivalents	25	-18	125	-48
<b>Cash and cash equivalents at the end of the period</b>	<b>2,619</b>	<b>1,876</b>	<b>2,619</b>	<b>1,876</b>
Free cash flow per share (SEK) *	3.51	3.87	9.97	12.25
Capex in relation to net sales	2.6%	2.6%	1.7%	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 2016 cash flows from operating and investing activities amounted to SEK 4,184 (5,140) million. Depreciation, excluding allocated step-up values, was SEK 643 (667) million during the full year 2016.

Acquisition of businesses during the full year 2016 of SEK -230 million relates five items. The largest item of SEK -174 million concerns the buy-out of non-controlling interests in the Indian subsidiary Alfa Laval (India) Ltd in connection

with a selective reduction of the share capital in the company, after which the company became a fully owned subsidiary. The remaining SEK -56 million relates to purchase of additional shares in Chang San Engineering Co Ltd in South Korea, adjustment of preliminary purchase price for one of the acquisitions during 2015, purchase of the remaining 4.67 percent of the shares in Frank Mohn do Brasil Ltda and payment of withheld additional purchase price concerning the acquisition of Olmi SpA in Italy.

Divestment of businesses of SEK 13 million relates to the sale of Halaas og Mohn AS in Norway with SEK 1 million and LHE (Qingdao)

Heat Exchanger Co. Ltd. in China with SEK 12 million.

## Financial position and equity

### CONSOLIDATED FINANCIAL POSITION

SEK millions	December 31	
	2016	2015
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	26,382	26,054
Property, plant and equipment	4,940	4,773
Other non-current assets	2,100	1,804
	33,422	32,631
<b>Current assets</b>		
Inventories	7,831	7,405
Assets held for sale	2	9
Accounts receivable	5,830	5,796
Other receivables	2,446	3,001
Derivative assets	153	158
Other current deposits	1,075	1,021
Cash and cash equivalents *	2,619	1,876
	19,956	19,266
<b>TOTAL ASSETS</b>	<b>53,378</b>	<b>51,897</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Owners of the parent	20,159	18,302
Non-controlling interests	117	121
	20,276	18,423
<b>Non-current liabilities</b>		
Liabilities to credit institutions etc.	12,169	12,484
Provisions for pensions and similar commitments	2,425	1,931
Provision for deferred tax	2,722	2,925
Other non-current liabilities	636	521
	17,952	17,861
<b>Current liabilities</b>		
Liabilities to credit institutions etc.	1,078	2,019
Accounts payable	2,668	2,664
Advances from customers	2,721	3,136
Other provisions	2,365	1,798
Other liabilities	6,041	5,424
Derivative liabilities	277	572
	15,150	15,613
Total liabilities	33,102	33,474
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	<b>53,378</b>	<b>51,897</b>

\* 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 level	December 31	
		2016	2015
SEK millions			
<b>Financial assets</b>			
Other long term securities	1 and 2	25	28
Bonds and other securities	1	956	768
Derivative assets	2	169	165
<b>Financial liabilities</b>			
Derivative liabilities	2	314	675

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	
	2016	2015
SEK millions		
Credit institutions	137	107
Swedish Export Credit	3,153	2,970
European Investment Bank	2,345	2,240
Private placement	-	921
Commercial papers	-	1,000
Corporate bonds	7,612	7,265
Capitalised financial leases	66	82
Interest-bearing pension liabilities	0	0
Total debt	13,313	14,585
Cash and cash equivalents and current deposits	-3,694	-2,897
Net debt *	9,619	11,688

\* Alternative performance measure, defined on page 23.

Alfa Laval has a senior credit facility of EUR 400 million and USD 544 million, corresponding to SEK 8,779 million with a banking syndicate. The facility was not utilised at December 31, 2016. 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 with Swedish Export Credit consist of one loan of EUR 100 million that matures in June 2017 and one loan of EUR 100

million that matures in June 2021 as well as a loan of USD 136 million that matures in June 2020.

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

The private placement of USD 110 million matured in April 2016 and was re-paid.

The commercial paper programme of SEK 2,000 million was not utilised at December 31, 2016.

## CHANGES IN CONSOLIDATED EQUITY

SEK millions	Full year	
	2016	2015
<b>At the beginning of the period</b>	18,423	17,202
<b>Changes attributable to:</b>		
<b>Owners of the parent</b>		
<b>Comprehensive income</b>		
Comprehensive income for the period	3,815	2,903
<b>Transactions with shareholders</b>		
Increase of ownership in subsidiaries with non-controlling interests	-175	-
Dividends	-1,783	-1,678
	-1,958	-1,678
<b>Subtotal</b>	1,857	1,225
<b>Non-controlling interests</b>		
<b>Comprehensive income</b>		
Comprehensive income for the period	43	14
<b>Transactions with shareholders</b>		
Decrease of non-controlling interests	-30	-
Dividends	-17	-18
	-47	-18
<b>Subtotal</b>	-4	-4
<b>At the end of the period</b>	20,276	18,423

## Acquisition and divestments of businesses

On January 12, 2016 Alfa Laval has paid SEK 6 million as an adjustment of the preliminary purchase price for the aftermarket company specialized in separation technology that was acquired in the second half of 2015. The entire amount has increased the goodwill for this acquisition.

On May 21, 2016 Alfa Laval has acquired an additional 8.33 percent of the shares in the subsidiary Chang San Engineering Co Ltd in South Korea, which increases the holding from 75 percent to 83.33 percent.

On July 15, 2016 Alfa Laval has acquired the remaining 4.67 percent of the shares in Frank Mohn do Brasil Ltda, which makes it a 100 percent owned subsidiary. The shareholding in these two companies was part of the acquisition

of Frank Mohn AS in 2014.

On June 15, 2016 Alfa Laval has sold all shares in the joint venture Halaas og Mohn AS in Norway. The shareholding in the company accompanied the acquisition of Frank Mohn AS in 2014.

On August 24, 2016 Alfa Laval has sold all shares in LHE (Qingdao) Heat Exchanger Co. Ltd. in China.

On October 5, 2016 a selective reduction of the share capital in the Indian subsidiary Alfa Laval (India) Ltd was finalised, upon which the non-controlling interests corresponding to 1.8 percent of the shareholding were bought out. Thereafter the company is a fully owned subsidiary.

## Parent company

The parent company's result after financial items for the full year 2016 was SEK 67 (1,051) million, out of which dividends from subsidiaries SEK 76 (1,070) million, net interests SEK 1 (0) million, realised and unrealised exchange rate gains and losses SEK 8 (-8) million, costs related to the

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

**PARENT COMPANY INCOME \***

SEK millions	Fourth quarter		Full year	
	2016	2015	2016	2015
Administration costs	-3	-4	-13	-13
Other operating income	-1	-3	0	2
Other operating costs	-5	0	-5	0
Operating income	-9	-7	-18	-11
Revenues from interests in group companies	-	1,001	76	1,070
Interest income and similar result items	1	1	10	7
Interest expenses and similar result items	-1	-7	-2	-15
Result after financial items	-9	988	66	1,051
Change of tax allocation reserve	-264	156	-264	156
Group contributions	2,002	59	2,002	59
Result before tax	1,729	1,203	1,804	1,266
Tax on this year's result	-381	-47	-381	-46
Net income for the period	1,348	1,156	1,423	1,220

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

**PARENT COMPANY FINANCIAL POSITION**

SEK millions	December 31	
	2016	2015
<b>ASSETS</b>		
<b>Non-current assets</b>		
Shares in group companies	4,669	4,669
<b>Current assets</b>		
Receivables on group companies	8,548	9,581
Other receivables	6	143
Cash and cash equivalents	-	-
	8,554	9,724
<b>TOTAL ASSETS</b>	13,223	14,393
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Restricted equity	2,387	2,387
Unrestricted equity	9,197	9,557
	11,584	11,944
<b>Untaxed reserves</b>		
Tax allocation reserves, taxation 2011-2017	1,409	1,145
<b>Current liabilities</b>		
Liabilities to group companies	50	1,304
Accounts payable	0	0
Tax liabilities	180	-
	230	1,304
<b>TOTAL EQUITY AND LIABILITIES</b>	13,223	14,393

## Owners and shares

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### Owners and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 35,840 (37,097) shareholders on December 31, 2016. The largest owner is Tetra Laval B.V., the Netherlands who owns 29.1 (26.1) percent. Next to the largest owner, there are nine institutional investors with ownership in the range of 7.2 to 0.6 percent. These ten largest shareholders owned 54.7 (57.4) percent of the shares.

### Proposed disposition of earnings

The parent company has unrestricted funds of SEK 9,197 (9,557) 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 7,414 (7,774) 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.

## Risks and other

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### 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 2015 is still correct.

### Asbestos-related lawsuits

The Alfa Laval Group was as of December 31, 2016, named as a co-defendant in a total of 824 asbestos-related lawsuits with a total of approximately 824 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 2016 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.

Alfa Laval follows the Guidelines on Alternative Performance Measures issued by ESMA (European Securities and Markets Authority), see the following section.

"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 2015

or the full year 2015 depending on the context. "Previous quarter" refers to the third quarter 2016.

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.

### Alternative performance measures

An alternative performance measure is a financial measure of historical financial performance, financial position or cash flows, other than a financial measure defined or specified in the financial reporting framework.

In the report, the following alternative performance measures have been used (all of these alternative performance measures relate to actual historical figures and never to expected performance in future periods):

**Measures to achieve full comparability over time.** All of these concern the comparison distorting impact from above all amortisation of step-up values both over time and compared to external companies. For the same reasons adjustments are also made for comparison distortion items. How they are calculated is exhibited in the Income analysis table on page 6, except for the last one.

- **Adjusted EBITA** or Adjusted Earnings Before Interests, Taxes and Amortisation is defined as operating income before amortisation of step-up values, adjusted for comparison distortion items. This measure of result is fully comparable over time independent of the comparison distortion items, the financing costs and the amortisation of step-up values that from time to time burden the Group.

- **Adjusted EBITA margin (%)** is defined as Adjusted EBITA in relation to net sales and expressed in percent.
- **Adjusted EBITDA** or Adjusted Earnings Before Interest, Taxes, Depreciation and Amortisation is defined as operating income before depreciation and amortisation of step-up values, adjusted for comparison distortion items. This measure of result is fully comparable over time independent of the comparison distortion items, the financing costs, the depreciation and the amortisation of step-up values that from time to time burden the Group.
- **Adjusted EBITDA margin (%)** is defined as Adjusted EBITDA in relation to net sales and expressed in percent.
- **Adjusted gross profit** is defined as gross profit excluding amortisation of step-up values. This measure of result is fully comparable over time independent of the amortisation of step-up values that from time to time burden the Group.
- **Adjusted gross margin (%)** is defined as Adjusted gross profit in relation to net sales and expressed in percent.
- **Earnings per share, excluding amortisation of step-up values and the corresponding tax** is defined as net income attributable to the owners of the parent, excluding amortisation of step-up values and the corresponding tax divided by the average number of shares. The net income attributable to the owners of the parent is presented in the consolidated comprehensive income statement and the amortisation of step-up values is exhibited in the Income analysis table on page 6, while the corresponding tax is SEK 311 (235) million. This key figure is fully comparable over time independent of the amortisation of step-up values that from time to time burden the Group.

#### Measures to show how the Group is funded and manages its capital:

- **Return on capital employed (%)** is defined as EBITA in relation to average capital employed, calculated on 12 months' revolving basis and expressed in percent. Capital employed is defined as total assets less liquid funds, other long-term securities, accrued interest income, operating liabilities and other non-interest bearing liabilities, including tax and deferred tax, but excluding accrued interest costs. The measure shows how well the capital that is used in the operations is managed.
- **Net debt** is defined as interest-bearing liabilities including interest-bearing pension liabilities and capitalised financial leases less liquid funds. The calculation of net debt is exhibited in the Borrowings and net debt table on page 20. The measure shows the net financial indebtedness.
- **Net debt to EBITDA, times** is defined as Net debt in relation to EBITDA, calculated on 12 months' revolving basis and expressed as a multiple of EBITDA. This is one of the covenants of Alfa Laval's loans and an important key figure when reviewing the proposed dividend. EBITDA or Earnings Before Interest, Taxes, Depreciation and Amortisation is defined as operating income before depreciation and amortisation of step-up values.
- **Debt ratio, times** is defined as Net debt in relation to equity at the end of the period and expressed as a multiple of the equity. This is another measure of how the Group is funded.

#### Date for the next financial report

Alfa Laval will publish interim reports during 2017 at the following dates:

Interim report for the first quarter	April 26
Interim report for the second quarter	July 17
Interim report for the third quarter	October 25

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The interim report has been issued at CET 7.30 on January 31, 2017 by the President and Chief Executive Officer Tom Erixon by proxy from the Board of Directors.

Lund, January 31, 2017,

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



## Review report

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### Introduction

We have reviewed the summary interim financial information (the fourth quarter and full year report) of Alfa Laval AB (publ) as of December 31, 2016 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 fourth quarter and full year report, in all material aspects, is not prepared for the Group in accordance with IAS 34 and the Swedish Annual Accounts Act and for the Parent company in accordance with the Swedish Annual Accounts Act.

Lund, January 31, 2017,

Håkan Olsson Reising  
Authorised Public  
Accountant

Joakim Thilstedt  
Authorised Public  
Accountant