



Q3 2020

Advancing better™

Stable demand and unchanged profitability

- Demand remained on a stable but low level in the third quarter.
- The operating margin was 17.6 percent despite lower volumes. Tangible effects from short term cost savings program.
- Continued good cash flow resulted in a low net debt.
- A public tender offer for all shares in Neles published on July 13. The acceptance level condition revised from 2/3 to >50 percent on October 15.

Outlook for the fourth quarter

“We expect demand in the fourth quarter to be somewhat higher than in the third quarter.”

Earlier published outlook (July 21, 2020):
“We expect demand in the third quarter to be somewhat lower than in the second quarter.”

The Q3 2020 report has been reviewed by the company’s auditors, see page 26 for the review report.

Summary

SEK millions	Q3				Jan-Sep			
	2020	2019	%	% *	2020	2019	%	% *
Order intake	8,935	10,728	-17	-9	30,561	32,966	-7	-5
Net sales	9,728	12,056	-19	-14	30,773	33,553	-8	-6
Adjusted EBITA **	1,710	2,141	-20		5,262	5,739	-8	
- adjusted EBITA margin (%) **	17.6	17.8			17.1	17.1		
Result after financial items ***	1,382	1,907	-28		4,053	5,361	-24	
Net income for the period ***	1,038	1,447	-28		3,016	4,084	-26	
Earnings per share (SEK) ***	2.46	3.43	-28		7.14	9.69	-26	
Cash flow from operating activities	1,256	1,247	1		5,059	2,831	79	
Impact on adjusted EBITA of foreign exchange effects	10	85			160	275		
Impact on result after financial items of comparison distortion items	-63	-5			-63	191		
Return on capital employed (%) **					21.4	22.5		
Net debt to EBITDA, times **					0.49	1.13		

* Excluding currency effects. ** Alternative performance measures. *** Prior quarters 2020 have been restated, see page 18.



Comment from

Tom Erixon

President and CEO

"After the exceptional uncertainty regarding the macro economic situation in the second quarter, demand remained on a stable but low level in the third quarter. Compared to the previous quarter order intake was marginally weaker and in line with our expectations. The demand was stable to positive in most end markets in the Food & Water Division. The increased investments in energy efficiency applications could not fully compensate for a continued weak demand in the oil & gas sector.

The operating margin of 17.6 percent was largely unchanged compared to last year despite lower volumes. The short term cost savings program continued to deliver ahead of plan in all three divisions and savings amounted to SEK 225 million in the quarter. Also cost of quality continued to decrease, especially for larger engineering projects. This has been a key factor in the improved margin trend for the Food & Water Division, reaching 19 percent in the third quarter. The strong cash flow during the first nine months 2020 has resulted in a considerably lower net debt.

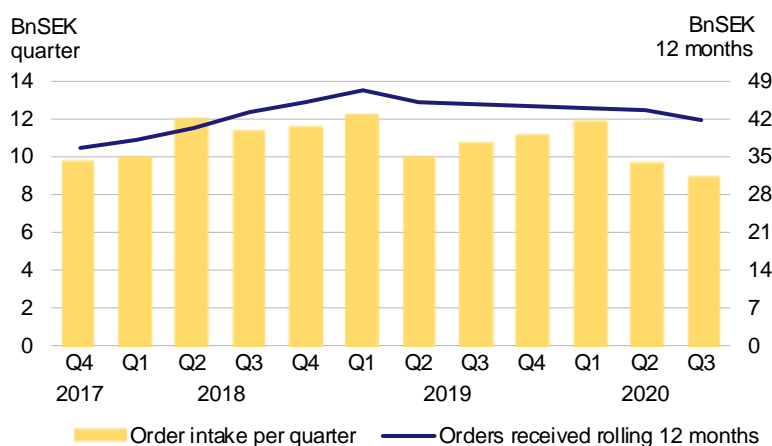
At the current demand level, the negative effects from the COVID-19 pandemic has resulted in some structural imbalances in the group. As we gradually move away from the short-term savings program and return to a more normal operational mode, a targeted restructuring program is under preparation. The details of the program will be announced latest in connection with the Q4 report.

In the third quarter Alfa Laval launched a public offering for all shares of Neles, a publicly listed company in Finland with a global position in several industrial flow end-markets. After the third quarter ended Alfa Laval modified the acceptance level condition from a 2/3 acceptance level to above 50 percent. This change reflects the strategic importance of Neles as a future growth platform for Alfa Laval. The Board of Directors of Neles have recommended the modified offer to the shareholders. The acceptance period expires on October 30."

Tom Erixon,
President and CEO

Financial overview

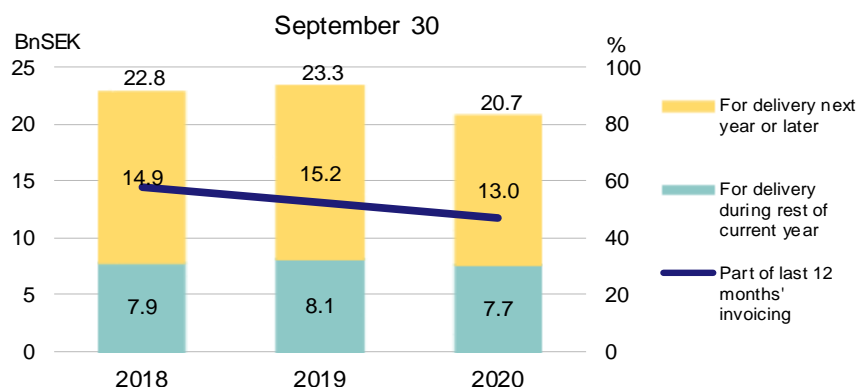
Order intake



Orders received was SEK 8,935 (10,728) million in the third quarter and SEK 30,561 (32,966) million in the first nine months 2020. Cancellations of orders were lower during the third quarter 2020 than the corresponding quarter last year.

Orders received from Service constituted 30.3 (30.4) percent of the Group's total orders received during the third quarter and 29.4 (28.9) percent during the first nine months 2020.

Order backlog



Excluding currency effects and adjusted for acquisition and divestment of businesses the order backlog was 8.2 percent lower than the order backlog at September 30, 2019 and 0.8 percent lower than the order backlog at the end of 2019.

Net sales

Net invoicing was SEK 9,728 (12,056) million for the third quarter and SEK 30,773 (33,553) million for the first nine months 2020.

Net invoicing relating to Service constituted 28.5 (25.4) percent of the Group's total net invoicing in the third quarter and 28.2 (26.7) percent in the first nine months 2020.

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

SEK millions/%	Order bridge	
	Q3	Jan-Sep
2019	10,728	32,966
Organic ¹⁾	-8.5%	-4.4%
Structural ¹⁾	-0.4%	-0.3%
Currency	-7.8%	-2.6%
Total	-16.7%	-7.3%
2020	8,935	30,561

1) Change excluding currency effects

SEK millions/%	Order bridge Service	
	Q3	Jan-Sep
2019	3,266	9,543
Organic ¹⁾	-9.6%	-3.6%
Structural ¹⁾	0.0%	-0.1%
Currency	-7.5%	-2.2%
Total	-17.1%	-5.9%
2020	2,707	8,978

1) Change excluding currency effects

SEK millions/%	Sales bridge	
	Q3	Jan-Sep
2019	12,056	33,553
Organic ¹⁾	-13.2%	-5.1%
Structural ¹⁾	-0.3%	-1.2%
Currency	-5.8%	-2.0%
Total	-19.3%	-8.3%
2020	9,728	30,773

1) Change excluding currency effects

SEK millions/%	Sales bridge Service	
	Q3	Jan-Sep
2019	3,090	9,004
Organic ¹⁾	-2.5%	-0.8%
Structural ¹⁾	0.0%	-0.3%
Currency	-7.7%	-2.2%
Total	-10.2%	-3.3%
2020	2,775	8,705

1) Change excluding currency effects

Income analysis

SEK millions	Q3		Jan-Sep		Jan-Dec	Last 12
	2020	2019	2020	2019	2019	months
Net sales	9,728	12,056	30,773	33,553	46,517	43,737
Adjusted gross profit *	3,507	4,292	11,197	12,223	16,763	15,737
- adjusted gross margin (%) *	36.1	35.6	36.4	36.4	36.0	36.0
Expenses **	-1,541	-1,923	-5,135	-5,801	-7,701	-7,035
- in % of net sales	15.8	16.0	16.7	17.3	16.6	16.1
Adjusted EBITDA *	1,966	2,369	6,062	6,422	9,062	8,702
- adjusted EBITDA margin (%) *	20.2	19.6	19.7	19.1	19.5	19.9
Depreciation	-256	-228	-800	-683	-1,073	-1,190
Adjusted EBITA *	1,710	2,141	5,262	5,739	7,989	7,512
- adjusted EBITA margin (%) *	17.6	17.8	17.1	17.1	17.2	17.2
Amortisation of step-up values	-209	-254	-653	-769	-980	-864
Comparison distortion items	-63	-5	-63	191	189	-65
Operating income	1,438	1,882	4,546	5,161	7,198	6,583

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

The gross profit has been affected negatively by a lower sales volume and the product mix in capital sales.

Sales and administration expenses were SEK 1,368 (1,676) million during the third quarter and SEK 4,486 (5,117) million during the first nine months 2020. The figures for the first nine months corresponded to 14.6 (15.3) percent of net sales. Excluding currency effects and acquisition/divestment of businesses, sales and administration expenses were 12.9 percent lower during the third quarter and 9.9 percent lower during the first nine months 2020 compared to the corresponding periods last year.

The costs for research and development during the first nine months 2020 corresponded to 2.5 (2.4) percent of net sales. Excluding currency effects and acquisition/divestment of businesses, the costs for research and development decreased by 14.7 percent during the third quarter and 3.1 percent during the first nine months 2020 compared to the corresponding periods last year. The decrease in the quarter is explained by an overall lower activity level due to the COVID-19 pandemic.

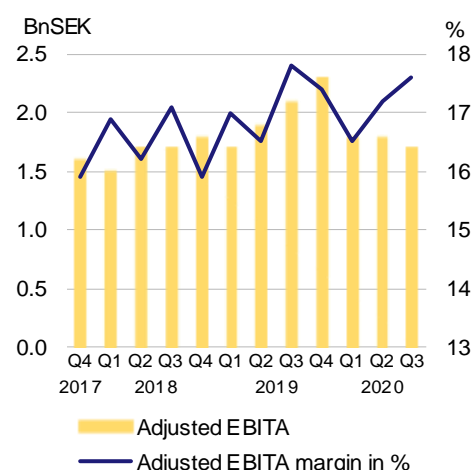
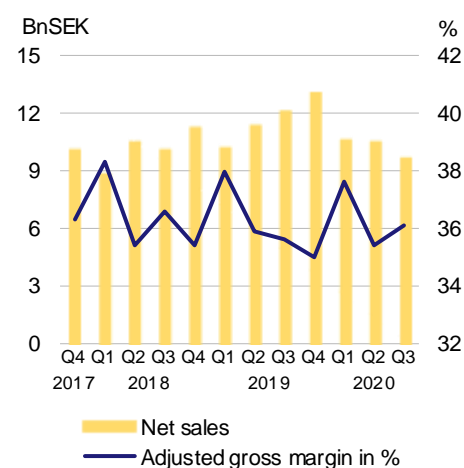
Earnings per share was SEK 7.14 (9.69) for the first nine months 2020. The corresponding figure excluding amortisation of step-up values and the corresponding tax, was SEK 8.40 (11.18).

Comparison distortion items

SEK millions	Q3		Jan-Sep		Jan-Dec	Last 12
	2020	2019	2020	2019	2019	months
Other operating income						
Comparison distortion income	-	-5	-	191	260	69
Other operating costs						
Comparison distortion costs	-63	-	-63	-	-71	-134
Net comparison distortion items	-63	-5	-63	191	189	-65

The comparison distortion cost in 2020 is relating to the realized loss at divestment of the operations in DSO Fluid Handling Inc in the U.S.

The comparison distortion income in 2019 was relating to a realised gain at the divestments of part of the air heat exchanger business related to commercial/industrial air heat exchangers in the Greenhouse division to the LU-VE Group. The comparison distortion cost in 2019 was relating to a realised loss at the divestments of the last remaining Greenhouse operation



shell-and-tube Sarasota, also known as Alfa Laval Champ, to Thermal Solutions Manufacturing.

Consolidated financial net and taxes

The financial net for the first nine months 2020 was SEK -144 (-140) million, excluding realised and unrealised exchange rate losses and gains. The main elements of costs were interest on the debt to the banking syndicate of SEK -3 (-3) million, interest on the bilateral term loans of SEK -27 (-37) million, interest on the corporate bonds of SEK -64 (-66) million and a net of dividends, changes in fair value and other interest income and interest costs of SEK -50 (-34) million. The net of realised and unrealised exchange rate differences was SEK -349 (340) million.

The tax on the result after financial items was SEK -344 (-460) million in the third quarter and SEK -1,037 (-1,277) million in the first nine months 2020.

Cash flow

During the first nine months 2020 cash flows from operating and investing activities were SEK 4,483 (2,308) million.

Depreciation, excluding allocated step-up values, was SEK 800 (683) million during the first nine months 2020.

Acquisition of businesses during the first nine months 2020 with SEK -18 (-61) million is relating to acquisition of a smaller operation in the Netherlands, WCR Benelux BV, with SEK -10 (-) million and payment of withheld purchase price for the acquisition of Airec with SEK -8 (-61) million.

Divestment of businesses during the first nine months 2020 with SEK 125 (374) million is relating to divestment of the operations in DSO Fluid Handling Inc with SEK 6 (-) million, payment of withheld purchase price for the sale of the commercial/industrial air heat exchangers business to the LU-VE Group with SEK 101 (-) million and the sale of Alfa Laval Champ to Thermal Solutions Manufacturing with SEK 18 (-) million.

Key figures

	Sep 30		Dec 31
	2020	2019	2019
Return on capital employed (%) ¹⁾	21.4	22.5	23.0
Return on equity (%) ²⁾	16.0	21.7	21.3
Solidity (%) ³⁾	45.1	40.4	43.1
Net debt to EBITDA, times ⁴⁾	0.49	1.13	0.88
Debt ratio, times ⁴⁾	0.15	0.36	0.29
Number of employees ⁵⁾	16,921	17,568	17,497

1) Alternative performance measure.

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

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

4) Alternative performance measures.

5) At the end of the period.

Organisational change

As of January 1, 2020, the product groups within Operations have been moved over to the Business Units within the Divisions. This gives the Business Units a clearer financial consolidation as a part of a more decentralised business organisation. Due to this the comparison figures for previous periods have been restated, which has impacted depreciation and amortisation, investments, assets, liabilities and number of employees by division. Remaining in Operations is procurement, logistics, distribution and production development.

The depreciation and amortisation that have been moved from Operations to the Divisions in the comparison periods have not impacted the operating income in the Divisions.



Energy Division

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

Focus is increased energy efficiency and sustainable solutions.

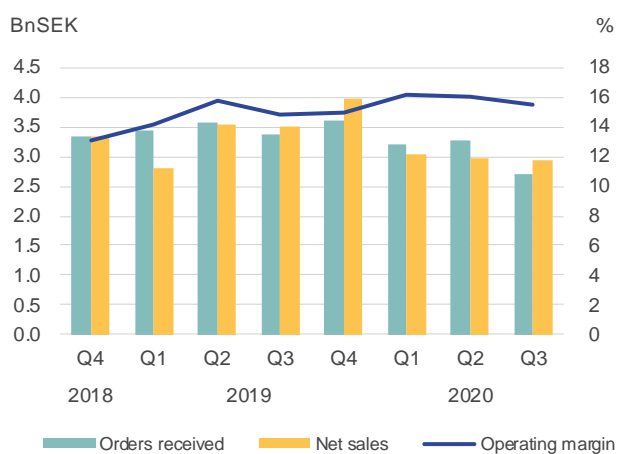
- The green energy transition drives demand in HVAC and refrigeration.
- The investment activity in the hydrocarbon chain continues on a low level, except for China.
- Service was negatively impacted by lower activity levels in the oil & gas business.
- Improved operating margin as a result from good cost control and positive mix.

SEK millions	Q3		Jan-Sep		Jan-Dec	Last 12
	2020	2019	2020	2019	2019	months
Orders received	2,716	3,355	9,192	10,369	13,963	12,786
Order backlog*	5,301	5,564	5,301	5,564	5,214	5,301
Net sales	2,922	3,515	8,940	9,853	13,814	12,901
Operating income**	454	519	1,418	1,476	2,069	2,011
Operating margin***	15.5%	14.8%	15.9%	15.0%	15.0%	15.6%
Depreciation and amortisation	104	110	327	331	467	463
Investments****	134	59	221	278	453	396
Assets*	14,107	14,822	14,107	14,822	14,570	14,107
Liabilities*	5,748	5,988	5,748	5,988	5,890	5,748
Number of employees*	5,113	5,349	5,113	5,349	5,365	5,113

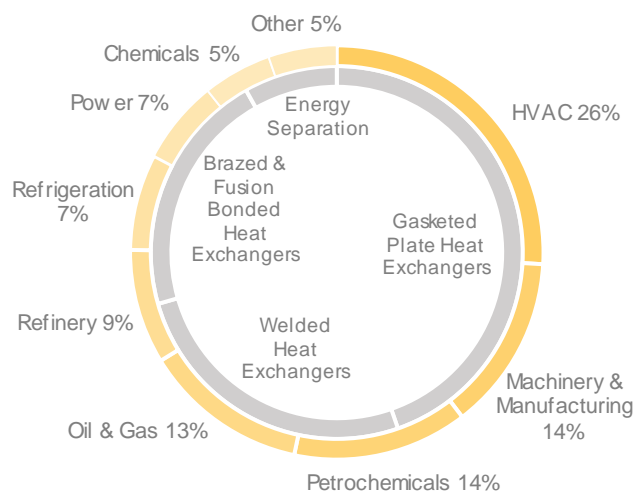
* At the end of the period. ** In management accounts. *** Operating income in relation to net sales. **** Excluding new leases.

Comparison figures for previous periods have been restated due to the organisational change described on page 5.

Quarterly development



Order intake Jan-Sep 2020 split per end market/business unit





Order intake*

The Energy Division's overall order volumes declined compared to the third quarter 2019.

The order intake in HVAC (Heating, Ventilation & Air Conditioning) and refrigeration declined, but the base business** was flat, driven by the green energy transition. The investments in parts of the oil & gas market were still low. The COVID-19 pandemic and falling oil prices have lowered activities in drilling and production of gas and oil. In refinery and petrochemicals, there is also a lower order intake, but the drop is significantly smaller. The underlying business in petrochemicals was on a higher level than in the third quarter last year, due to demand from mainly Chinese customers.

Lockdown and low activities among some large oil & gas customers reduced the order intake for service compared to the same quarter last year.

Net sales

Net invoicing was down compared to the third quarter last year, following lower deliveries to oil & gas customers, whereas net invoicing to other customers remained overall flat.

Operating income

The effect on operating income from the drop in net sales is partly compensated for by a positive mix and lower overhead cost. The latter were down following the ongoing savings programme.

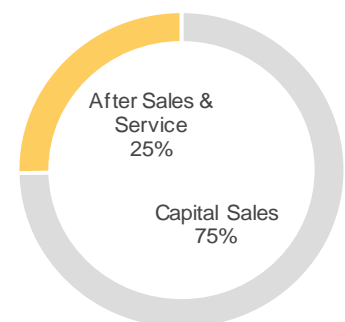
SEK millions/%	Order bridge	
	Q3	Jan-Sep
2019	3,355	10,369
Organic ¹⁾	-11.9%	-9.5%
Structural ¹⁾	-	-
Currency	-7.1%	-1.9%
Total	-19.0%	-11.4%
2020	2,716	9,192

1) Change excluding currency effects

SEK millions/%	Sales bridge	
	Q3	Jan-Sep
2019	3,515	9,853
Organic ¹⁾	-10.8%	-7.7%
Structural ¹⁾	-	-
Currency	-6.1%	-1.6%
Total	-16.9%	-9.3%
2020	2,922	8,940

1) Change excluding currency effects

Order intake Jan-Sep 2020 split on:



SEK millions	Income bridge	
	Q3	Jan-Sep
Operating income 2019	519	1,476
Volume ¹⁾	-117	-251
Mix ¹⁾	40	152
Costs ¹⁾	34	56
Currency	-22	-15
Operating income 2020	454	1,418

1) Change excluding currency effects

* 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

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

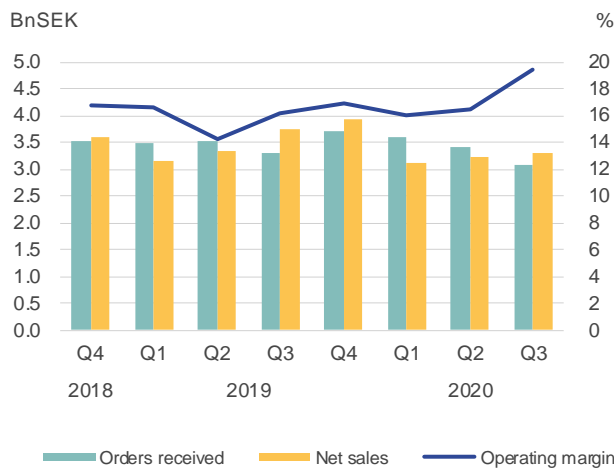
- Overall demand increased somewhat compared to the same quarter last year.
- All end markets developed better than expected, however project business still slow.
- Service was stable in the quarter.
- Strong operating income due to good cost control, factory productivity and low quality costs.

SEK millions	Q3		Jan-Sep		Jan-Dec	Last 12
	2020	2019	2020	2019	2019	months
Orders received	3,083	3,306	10,091	10,306	14,026	13,811
Order backlog*	5,170	5,110	5,170	5,110	4,894	5,170
Net sales	3,291	3,763	9,650	10,251	14,189	13,588
Operating income**	638	607	1,669	1,604	2,268	2,333
Operating margin***	19.4%	16.1%	17.3%	15.6%	16.0%	17.2%
Depreciation and amortisation	81	84	271	261	385	395
Investments****	83	54	182	170	288	300
Assets*	11,896	13,174	11,896	13,174	12,522	11,896
Liabilities*	5,250	5,570	5,250	5,570	5,088	5,250
Number of employees*	6,235	6,429	6,235	6,429	6,410	6,235

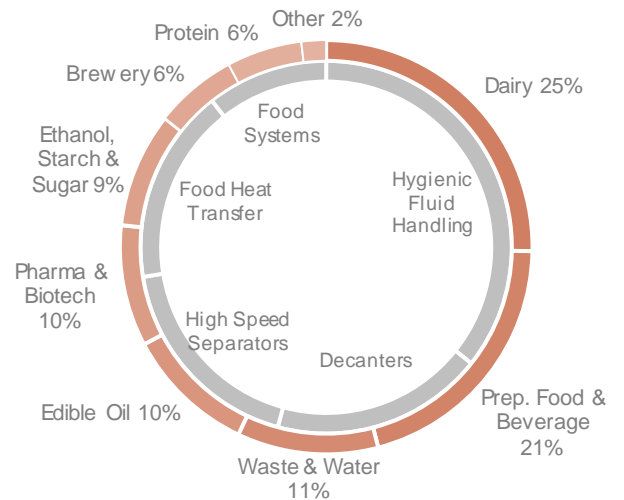
* At the end of the period. ** In management accounts. *** Operating income in relation to net sales. **** Excluding new leases.

Comparison figures for previous periods have been restated due to the organisational change described on page 5.

Quarterly development



Order intake Jan-Sep 2020 split per end market/business unit





Order intake*

The division's order intake increased somewhat compared to the third quarter last year. Geographically, Europe, Asia and Latin America overall showed growth, whereas North America contracted.

The pharma and biotech market continued to show a solid growth, driven by China and Western Europe. Order intake from the water industry continued to develop favourably, where the strongest increase was seen in Europe. Order intake from the edible oil industry grew at a strong pace, across all geographical regions. Order intake in dairy saw a minor contraction, with Americas as well as Asia declining whereas Europe overall grew. The brewery sector also declined, due to a continuing negative impact from COVID-19. Ethanol, starch & sugar declined, with the largest decline in starch. The ethanol industry was down slightly due to the competition from low crude oil prices. Protein showed strong growth.

The demand in service was slightly lower than last year. The order intake for service offerings has during the year been negatively affected by the limited access to customer sites caused by COVID-19, but an increased activity was noted in the quarter.

Net sales

Net sales in the quarter was below the same quarter last year. A slight decline was seen in capital sales whereas service was unchanged, leading to a favourable mix change.

Operating income

The operating income increased compared to the corresponding period last year despite lower net sales. A favourable product mix and a strong loading in the factories contributed positively. In addition, the costs were lower than last year, due to low quality costs and the savings program initiated during the COVID-19 pandemic.

Order bridge

SEK millions/%	Q3	Jan-Sep
2019	3,306	10,306
Organic ¹⁾	2.5%	0.5%
Structural ¹⁾	-0.1%	0.0%
Currency	-9.1%	-2.6%
Total	-6.7%	-2.1%
2020	3,083	10,091

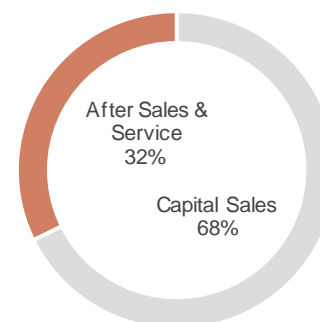
1) Change excluding currency effects

Sales bridge

SEK millions/%	Q3	Jan-Sep
2019	3,763	10,251
Organic ¹⁾	-5.5%	-3.5%
Structural ¹⁾	-0.1%	0.0%
Currency	-6.9%	-2.4%
Total	-12.5%	-5.9%
2020	3,291	9,650

1) Change excluding currency effects

Order intake Jan-Sep 2020 split on:



Income bridge

SEK millions	Q3	Jan-Sep
Operating income 2019	607	1,604
Volume ¹⁾	-74	-140
Mix ¹⁾	79	118
Costs ¹⁾	63	110
Currency	-37	-23
Operating income 2020	638	1,669

1) Change excluding currency effects

* Comments excluding currency effects.

Marine Division

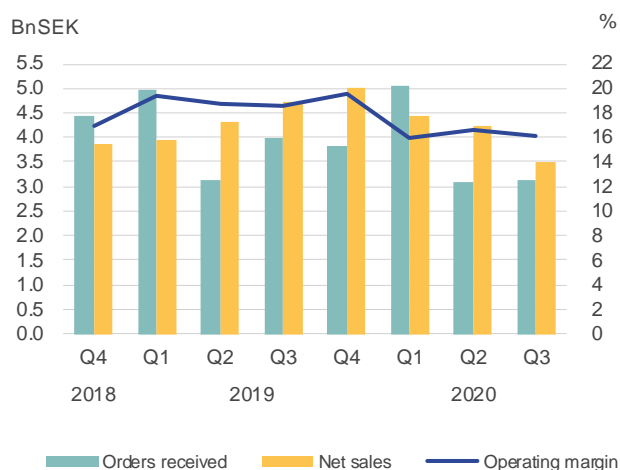
The division's customers include shipowners, shipyards, manufacturers of diesel and gas engines, as well as companies that work with offshore extraction of oil and gas. The offering includes pumping systems, boilers, heat transfer equipment, high speed separators and several different environmental products,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

- Order intake continued on a low level, although 6 percent up sequentially.
- Expected recovery in ship contracting expected to be delayed.
- Service onboard negatively affected, however spare parts stable in the quarter.
- Operating margin negatively affected by mix, mainly driven by environmental products.

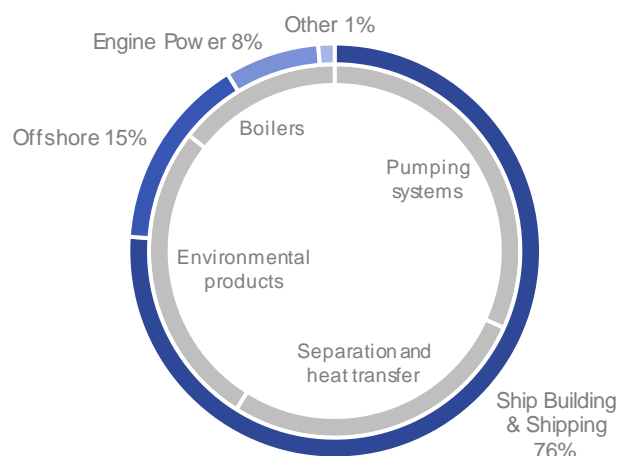
SEK millions	Q3		Jan-Sep		Jan-Dec	Last 12
	2020	2019	2020	2019	2019	months
Orders received	3,136	4,006	11,278	12,113	15,953	15,118
Order backlog*	10,198	12,607	10,198	12,607	11,443	10,198
Net sales	3,515	4,715	12,183	12,976	17,993	17,200
Operating income**	570	870	1,983	2,440	3,425	2,968
Operating margin***	16.2%	18.5%	16.3%	18.8%	19.0%	17.3%
Depreciation and amortisation	199	213	612	643	884	853
Investments****	32	46	97	134	177	140
Assets*	24,870	29,491	24,870	29,491	27,796	24,870
Liabilities*	7,291	9,423	7,291	9,423	8,481	7,291
Number of employees*	4,558	4,676	4,558	4,676	4,702	4,558

* At the end of the period. ** In management accounts. *** Operating income in relation to net sales. **** Excluding new leases. Comparison figures for previous periods have been restated due to the organisational change described on page 5.

Quarterly development



Order intake Jan-Sep 2020 split per end market/business unit





Order intake*

Order intake for the Marine Division was lower than the third quarter last year, but somewhat higher than the previous quarter.

General demand for equipment tied to the building of new vessels was on a lower level than the same period last year. The order intake for offshore increased in the quarter compared to the corresponding period last year due to a number of large orders for pumping systems. The underlying market sentiment however remains weak due to the contraction in oil price since the beginning of March this year. The demand for Alfa Laval's exhaust gas cleaning systems was unchanged compared to the third quarter last year. Demand for PureBallast was lower than the same period last year, due to COVID-19 related extensions and delays. Products going into onshore engine power applications saw a lower demand compared to the same period a year ago as the industry moves to smaller sized flexible engine power to augment power from renewables.

Order intake for service declined compared to the same quarter last year as lower vessel utilization levels reduced the demand for spares and continued travel restrictions limited on-board service.

Net sales

Net sales decreased compared to the third quarter last year, primarily because of decreased invoicing for exhaust gas cleaning systems. The decrease also affected most other product areas, except ballast water systems that had a slight increase.

Operating income

A less favourable product mix in capital sales had a negative result impact and added to the negative volume effect. The overall cost level was lower than the same quarter a year ago mainly due to cost saving initiatives linked to COVID-19.

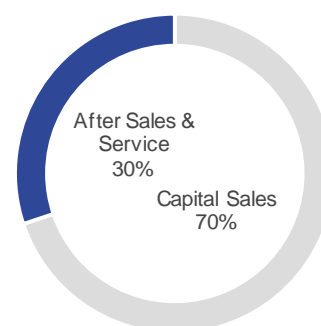
SEK millions/%	Order bridge	
	Q3	Jan-Sep
2019	4,006	12,113
Organic ¹⁾	-14.3%	-3.6%
Structural ¹⁾	-	-
Currency	-7.4%	-3.3%
Total	-21.7%	-6.9%
2020	3,136	11,278

1) Change excluding currency effects

SEK millions/%	Sales bridge	
	Q3	Jan-Sep
2019	4,715	12,976
Organic ¹⁾	-20.4%	-3.8%
Structural ¹⁾	-	-
Currency	-5.1%	-2.3%
Total	-25.5%	-6.1%
2020	3,515	12,183

1) Change excluding currency effects

Order intake Jan-Sep 2020 split on:



SEK millions	Income bridge	
	Q3	Jan-Sep
Operating income 2019	870	2,440
Volume ¹⁾	-295	-138
Mix ¹⁾	-71	-202
Costs ¹⁾	112	-55
Currency	-46	-62
Operating income 2020	570	1,983

1) Change excluding currency effects

* Comments excluding currency effects.

Greenhouse

At the end of December 2019 all parts of the division had been divested. In 2020 Greenhouse has thus ceased to exist. The historical figures are shown below.

SEK millions	Q3 2019	Jan-Sep 2019	Jan-Dec 2019
Orders received	45	113	105
Order backlog*	38	38	0
Net sales	45	413	444
Operating income**	-15	-37	-30
Operating margin***	-33.3%	-9.0%	-6.8%
Depreciation and amortisation	2	9	8
Investments****	0	3	5
Assets*	194	194	39
Liabilities*	85	85	71
Number of employees*	97	97	33

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

Operations and Other

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

SEK millions	Q3		Jan-Sep		Jan-Dec	Last 12
	2020	2019	2020	2019	2019	months
Orders received	0	16	0	65	72	7
Order backlog*	0	10	0	10	0	0
Net sales	0	18	0	60	77	17
Operating income**	-174	-105	-474	-495	-742	-721
Depreciation and amortisation	81	73	243	208	309	344
Investments***	128	69	276	249	414	441
Assets*	1,449	1,694	1,449	1,694	1,613	1,449
Liabilities*	619	583	619	583	564	619
Number of employees*	1,015	1,017	1,015	1,017	987	1,015

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

Comparison figures for previous periods have been restated due to the organisational change described on page 5.

The order intake and net sales 2019 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 lower operating income is mainly due to central provisions.

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

Division	Business Unit	Scope of supply	Delivery date	Order	Total per Business Unit	
				amount	Q3 2020	Q3 2019
				SEK millions		
Energy	Welded Heat Exchangers					
		Alfa Laval OLM1 heat exchangers to a gas compression plant in Algeria.	2021	75		
		Alfa Laval Packinox heat exchangers to a petrochemical plant in China and a refinery in Mexico.	2021/2022	130	205	210
Food & Water	Food Systems				-	50
Marine	Pumping Systems					
		Framo pumping systems for two FPSO* vessels outside Brazil.	2021	155		
		Framo pumping systems for three FPSO* vessels to be built in China.	2021	275	430	165
Total					635	425

* Floating Production, Storage and Offloading.

Reconciliation between Divisions and Group total

SEK millions	Q3		Jan-Sep		Jan-Dec	Last 12
	2020	2019	2020	2019	2019	months
Operating income						
Total for divisions	1,488	1,876	4,596	4,988	6,990	6,598
Comparison distortion items	-63	-5	-63	191	189	-65
Consolidation adjustments *	13	11	13	-18	19	50
Total operating income	1,438	1,882	4,546	5,161	7,198	6,583
Financial net	-56	25	-493	200	23	-670
Result after financial items	1,382	1,907	4,053	5,361	7,221	5,913
Assets **						
Total for divisions	52,322	59,375	52,322	59,375	56,540	52,322
Corporate ***	11,632	6,874	11,632	6,874	7,856	11,632
Group total	63,954	66,249	63,954	66,249	64,396	63,954
Liabilities **						
Total for divisions	18,908	21,649	18,908	21,649	20,094	18,908
Corporate ***	16,194	17,836	16,194	17,836	16,555	16,194
Group total	35,102	39,485	35,102	39,485	36,649	35,102

* Difference between management accounts and IFRS. ** At the end of the period. *** Corporate refers to items in the statement on financial position that are interest bearing or are related to taxes.

Information about products and services

SEK millions	Q3		Jan-Sep		Jan-Dec	Last 12
	2020	2019	2020	2019	2019	months
Net sales by product/service *						
Own products within:						
Separation	1,614	1,961	5,022	5,471	7,677	7,228
Heat transfer	4,076	4,817	12,193	13,438	18,694	17,449
Fluid handling	2,097	2,550	6,865	7,814	10,361	9,412
Marine environmental	1,138	1,763	4,141	4,175	5,802	5,768
Other	1	9	1	16	78	63
Associated products	317	387	970	1,036	1,569	1,503
Services	485	569	1,581	1,603	2,336	2,314
Total	9,728	12,056	30,773	33,553	46,517	43,737

* The split of own products within separation, heat transfer and fluid handling is a reflection of the current three main technologies. Marine environmental is a growing new product area basically outside the main technologies. Other is own products outside these four product areas. Associated products are mainly purchased products that compliment Alfa Laval's product offering. Services cover all sorts of service, service agreements etc.

New products during the third quarter

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

Alfa Laval PureBallast Compliance Service Package

Ballast water treatment is a global environmental requirement for marine vessels. Alfa Laval PureBallast 3 is one of the market's leading treatment solutions, yet the application involves more than installing a system and switching it on. The regulations demand not only discharge performance, but also system inspections, function checks, calibrations and crew training to ensure the system fulfils the requirements. Our latest service launch, the PureBallast Compliance Service Package, lets Alfa Laval service engineers take responsibility for the health of a customer's PureBallast systems. Doing so takes work and worry off the customer's shoulders, providing cost-effective assurance of meeting regulatory demands.



Alfa Laval AlfaNovaTW

Alfa Laval AlfaNovaTW is a new product range for safe and clean tap water duties. It is the first 100 percent stainless steel heat exchanger to address the challenge with contaminated tap water. The new heat exchanger eliminates the risk of unsafe drinking and tap water due to metal release from equipment made of nickel and copper. Limiting heavy metal contamination in drinking water is critical for public health and required by law in many jurisdictions. As many of the heat exchanger technologies still used in tap and warm water applications leak traces of nickel and copper into water supplies over time, Alfa Laval is now addressing this challenge. The new Alfa Laval AlfaNovaTW, with the patented fusion bonding technology, is a 100 percent stainless steel construction which thereby eliminates the risk of contaminating the tap water by heavy metals.



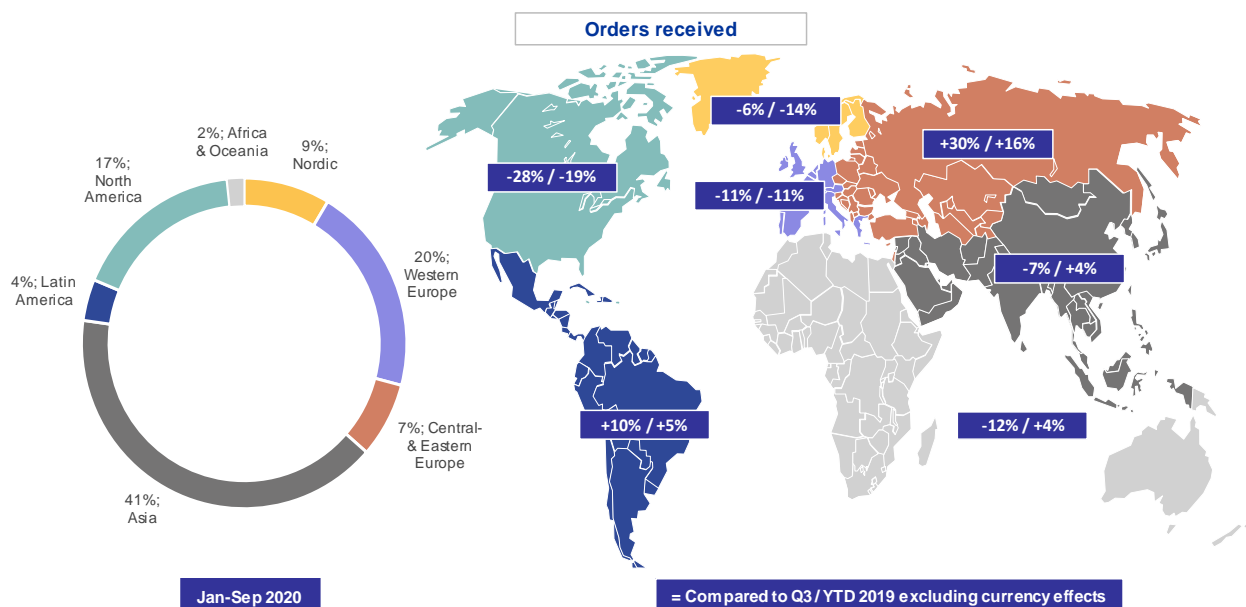
Alfa Laval AC74

Alfa Laval AC74 brazed plate heat exchangers offer increased sustainability for cooling duties and represents a new generation of brazed plate heat exchangers. Engineered as a flexible solution for air conditioning and process cooling duties, the AC74 includes unique technologies developed to improve energy efficiency and enable the use of refrigerants with low global warming potential (GWP), such as:

- DynaStatic™, a flexible distribution system that can be tailored to match the properties of the media in question, to ensure a perfect fit, for example, with low-GWP refrigerants. By ensuring ideal distribution for the media, DynaStatic further contributes to higher efficiency of the AC74 heat exchangers.
- FlexFlow™, a patented asymmetrical plate design that enables more efficient thermal transfer through optimized pressure drop and increased turbulence.
- IceSafe, which ensures controlled, non-destructive freezing when operating with sub-zero media
- PressureSecure providing for dependable operation at pressures up to 49 bar.



Information by region



Western Europe including Nordic

Order intake in the region declined in the third quarter compared to the corresponding quarter last year. The development in base business* was weak except for Nordic and France. Energy contributed with a large order. Spain and France showed good growth. Service order intake grew in Food & Water.

Central and Eastern Europe

The region reported a solid third quarter, driven by a strong performance across the three divisions. A good order intake in Russia and Turkey combined with a strong base business contributed to a good overall growth for the region. The service business grew in Energy and Food & Water.

North America

The region contracted compared to the same quarter last year. The base business was clearly impacted by lockdowns and the order intake was weak in all three divisions. Service order intake in mainly Marine decreased.

Latin America

Latin America had a strong quarter. The base business grew in Brazil while Mexico and Argentina had a positive development. Service grew in Food & Water and Marine.

Asia

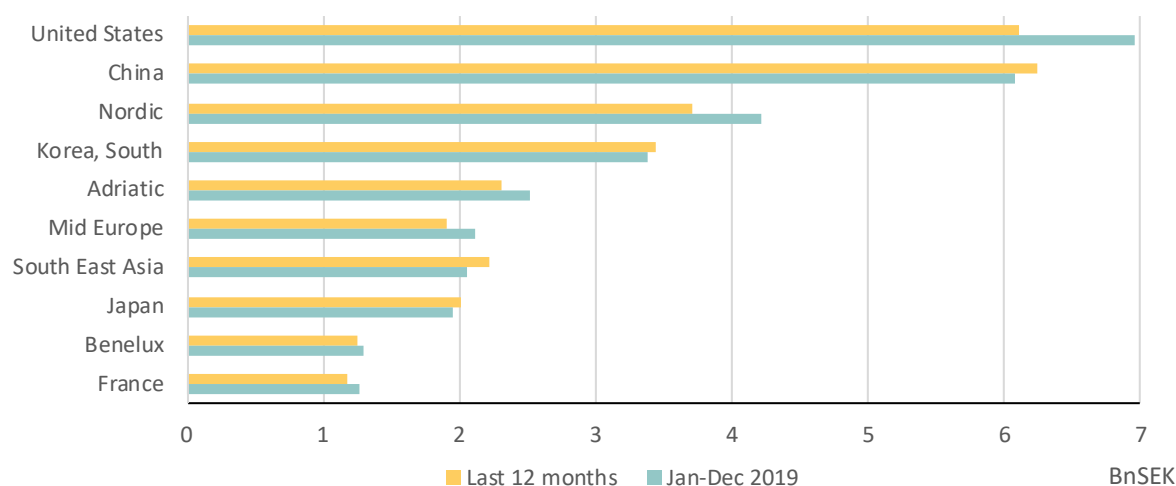
Asia declined compared to the same quarter last year. From a country perspective, the biggest declines were found in India and South Korea. China benefitted from a positive development for Food & Water, but not enough to compensate for the decline in Energy and Marine. Singapore and Japan grew on pumping system orders. The order intake for service was lower in most countries except China.

Africa and Oceania

The region declined in the third quarter because of lower order intake in Energy and Marine compared to the same period last year. Food & Water, however, grew. Marine service had a good order intake in Africa.

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

Order intake for the 10 largest markets



Net sales

SEK millions	Q3		Jan-Sep		Jan-Dec	Last 12
	2020	2019	2020	2019	2019	months
To customers in:						
Sweden	248	222	736	733	981	984
Other EU	2,741	3,073	8,305	8,381	11,811	11,735
Other Europe	708	827	2,381	2,272	3,356	3,465
USA	1,320	1,925	4,460	5,373	7,390	6,477
Other North America	182	293	753	746	1,062	1,069
Latin America	384	524	1,187	1,454	2,060	1,793
Africa	92	98	286	324	490	452
China	1,553	1,789	4,401	4,870	6,582	6,113
South Korea	717	1,133	2,710	3,167	4,210	3,753
Other Asia	1,652	2,058	5,207	5,901	8,112	7,418
Oceania	131	114	347	332	463	478
Total	9,728	12,056	30,773	33,553	46,517	43,737

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

Non-current assets

SEK millions	Sep 30		Dec 31
	2020	2019	2019
Sweden	2,227	2,150	2,207
Denmark	5,006	5,149	5,044
Other EU	4,163	4,207	4,209
Norway	11,186	13,207	12,847
Other Europe	123	149	137
USA	4,056	4,711	4,468
Other North America	134	156	150
Latin America	204	311	313
Africa	8	12	12
Asia	3,561	3,760	3,741
Oceania	121	134	130
Subtotal	30,789	33,946	33,258
Other long-term securities	167	135	141
Pension assets	80	30	70
Deferred tax asset	1,623	1,738	1,801
Total	32,659	35,849	35,270

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 approximately 5 percent of net sales.

Consolidated cash flows

SEK millions	Q3		Jan-Sep		Jan-Dec	Last 12 months
	2020	2019	2020	2019	2019	
Operating activities						
Operating income	1,438	1,882	4,546	5,161	7,198	6,583
Adjustment for depreciation, amortisation and write down	465	482	1,453	1,452	2,053	2,054
Adjustment for other non-cash items	71	127	74	-46	141	261
	1,974	2,491	6,073	6,567	9,392	8,898
Taxes paid	-439	-433	-1,292	-1,419	-1,901	-1,774
	1,535	2,058	4,781	5,148	7,491	7,124
Changes in working capital:						
Increase(-)/decrease(+) of receivables	449	-262	1,406	-230	-1,394	242
Increase(-)/decrease(+) of inventories	145	-428	-635	-2,428	-617	1,176
Increase(+)/decrease(-) of liabilities	-754	-187	-263	390	-84	-737
Increase(+)/decrease(-) of provisions	-119	66	-230	-49	-173	-354
Increase(-)/decrease(+) in working capital	-279	-811	278	-2,317	-2,268	327
	1,256	1,247	5,059	2,831	5,223	7,451
Investing activities						
Investments in fixed assets (Capex)	-377	-228	-776	-834	-1,337	-1,279
Divestment of fixed assets	1	1	93	3	7	97
Acquisition of businesses	-10	0	-18	-61	-61	-18
Divestment of businesses	86	-5	125	369	364	120
	-300	-232	-576	-523	-1,027	-1,080
Financing activities						
Received interests and dividends	16	28	63	93	120	90
Paid interests	-106	-124	-219	-242	-281	-258
Realised financial exchange gains	44	97	89	382	239	-54
Realised financial exchange losses	-48	-26	-400	-50	-499	-849
Dividends to owners of the parent	0	0	-	-2,097	-2,097	-
Dividends to non-controlling interests	0	0	0	-	0	0
Increase(-) of financial assets	1,091	728	-2,264	-143	-283	-2,404
Decrease(+) of financial assets	0	5	0	10	0	-10
Increase of loans	0	0	2,000	3,155	3,155	2,000
Amortisation of loans	233	-3,258	-2,433	-3,290	-3,299	-2,442
	1,230	-2,550	-3,164	-2,182	-2,945	-3,927
Cash flow for the period	2,186	-1,535	1,319	126	1,251	2,444
Cash and cash equivalents at the beginning of the period	4,647	6,016	5,594	4,295	4,295	4,519
Translation difference in cash and cash equivalents	-37	38	-117	98	48	-167
Cash and cash equivalents at the end of the period	6,796	4,519	6,796	4,519	5,594	6,796
Free cash flow per share (SEK) *	2.28	2.42	10.69	5.50	10.00	15.19
Capex in relation to net sales	3.9%	1.9%	2.5%	2.5%	2.9%	2.9%
Average number of shares	419,456,315	419,456,315	419,456,315	419,456,315	419,456,315	419,456,315

* Free cash flow is the sum of cash flows from operating and investing activities.

Consolidated comprehensive income

SEK millions	Q3		Jan-Sep		Jan-Dec	Last 12
	2020	2019	2020	2019	2019	months
Net sales	9,728	12,056	30,773	33,553	46,517	43,737
Cost of goods sold	-6,430	-8,018	-20,229	-22,099	-30,734	-28,864
Gross profit	3,298	4,038	10,544	11,454	15,783	14,873
Sales costs	-951	-1,184	-3,110	-3,560	-4,802	-4,352
Administration costs	-417	-492	-1,376	-1,557	-2,092	-1,911
Research and development costs	-223	-267	-760	-799	-1,086	-1,047
Other operating income	173	199	497	746	1,174	925
Other operating costs	-452	-413	-1,278	-1,133	-1,799	-1,944
Share of result in joint ventures	10	1	29	10	20	39
Operating income	1,438	1,882	4,546	5,161	7,198	6,583
Dividends and other financial income	11	11	28	27	32	33
Interest income and financial exchange rate gains	15	59	117	494	377	0
Interest expense and financial exchange rate losses	-82	-45	-638	-321	-386	-703
Result after financial items	1,382	1,907	4,053	5,361	7,221	5,913
Taxes	-344	-460	-1,037	-1,277	-1,713	-1,473
Net income for the period	1,038	1,447	3,016	4,084	5,508	4,440
Other comprehensive income:						
Items that will subsequently be reclassified to net income						
Cash flow hedges	276	-252	79	-230	307	616
Market valuation of external shares	0	0	0	0	0	0
Translation difference	-483	270	-1,914	1,323	632	-2,605
Deferred tax on other comprehensive income	0	40	81	29	-75	-23
Sum	-207	58	-1,754	1,122	864	-2,012
Items that will subsequently not be reclassified to net income						
Revaluations of defined benefit obligations	-66	25	-216	75	-138	-429
Deferred tax on other comprehensive income	20	-6	59	-19	11	89
Sum	-46	19	-157	56	-127	-340
Comprehensive income for the period	785	1,524	1,105	5,262	6,245	2,088
Net income attributable to:						
Owners of the parent	1,031	1,439	2,996	4,066	5,486	4,416
Non-controlling interests	7	8	20	18	22	24
Earnings per share (SEK)	2.46	3.43	7.14	9.69	13.08	10.53
Average number of shares	419,456,315	419,456,315	419,456,315	419,456,315	419,456,315	419,456,315
Comprehensive income attributable to:						
Owners of the parent	778	1,513	1,088	5,237	6,220	2,071
Non-controlling interests	7	11	17	25	25	17

Correction of error in the income statement for prior quarters 2020

A classification error in the income statement in Alfa Laval's interim reports during 2020 has been identified and corrected. "Comprehensive income" for each period is not affected, but the error has meant that financial measures higher up in the income statement have not become correct, which in turn among other things have meant that "Earnings per share" has been stated at too high amounts. For the first six months 2020 "Earnings per share" should rightfully amount to SEK 4.68, which is SEK 0.82 lower than the previously reported figure. The equity is not affected.

In the Group consolidation for the third quarter 2020 a classification error has been detected in the income statement for prior quarters 2020. Realized and unrealized exchange differences concerning loans that constitute a hedge of net assets in foreign currency are normally booked against other comprehensive income. The reversal of unrealized exchange losses at December 31, 2019 has in connection with loans maturing during 2020, however, due to a mistake, only partly been booked against other comprehensive income in order to meet the realized exchange loss in connection with the maturity of the loan. This has meant that the items have been reported gross instead of net, which is incorrect.

The correction now performed means the following: Unrealised financial exchange differences of SEK 129 million in Q1, SEK 306 million in Q2 and SEK 435 million for the first six months have been moved from "Interest income and financial exchange gains" to "Translation difference" in "Other comprehensive income". The corresponding tax of SEK -28 million in Q1, SEK -65 million in Q2 and SEK -93 million

for the first six months have been moved from "Taxes" to "Deferred tax on other comprehensive income". This affects "Result after financial items" with SEK -129 million in Q1, SEK -306 million in Q2 and SEK -435 million for the first six months. "Net income" is affected with SEK -101 million in Q1, SEK -241 million in Q2 and SEK -342 million for the first six months. "Other comprehensive income" is affected with SEK 101 million in Q1, SEK 241 million in Q2 and SEK 342 million for the first six months. The effect on "Net income" is attributable to the owners of the parent. This in turn means that "Earnings per share" is decreased by SEK 0.24 in Q1, SEK 0.58 in Q2 and SEK 0.82 for the first six months. The return on equity is decreased to 19.6% in Q1 and 18.0% in Q2.

As stated, this relates to a classification error within the income statement for each period. "Comprehensive income" and "Equity" for each period are thus not affected.

Consolidated financial position

SEK millions	Sep 30		Dec 31
	2020	2019	2019
ASSETS			
Non-current assets			
Intangible assets	22,208	25,036	24,246
Property, plant and equipment	8,516	8,868	8,943
Other non-current assets	1,935	1,945	2,081
	32,659	35,849	35,270
Current assets			
Inventories	10,146	12,038	10,077
Accounts receivable	6,283	7,437	7,460
Other receivables	4,828	5,343	4,929
Derivative assets	228	257	193
Other current deposits	3,014	806	873
Cash and cash equivalents *	6,796	4,519	5,594
	31,295	30,400	29,126
TOTAL ASSETS	63,954	66,249	64,396
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Owners of the parent	28,688	26,617	27,600
Non-controlling interests	164	147	147
	28,852	26,764	27,747
Non-current liabilities			
Liabilities to credit institutions etc.	10,390	10,843	10,600
Lease liabilities	1,851	1,622	1,890
Provisions for pensions and similar commitments	2,409	2,162	2,321
Provision for deferred tax	1,282	1,665	1,662
Other non-current liabilities	568	818	681
	16,500	17,110	17,154
Current liabilities			
Liabilities to credit institutions etc.	1,277	1,498	1,422
Accounts payable	2,734	3,357	3,439
Advances from customers	4,779	6,136	4,269
Other provisions	1,737	1,967	1,863
Other liabilities	7,778	8,816	8,194
Derivative liabilities	297	601	308
	18,602	22,375	19,495
Total liabilities	35,102	39,485	36,649
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	63,954	66,249	64,396

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

Financial assets and liabilities at fair value	Valuation hierarchy level	Sep 30		Dec 31
		2020	2019	2019
SEK millions				
Financial assets				
Other non-current securities	1 and 2	75	83	79
Bonds and other securities	1	1,105	633	650
Derivative assets	2	293	299	262
Financial liabilities				
Derivative liabilities	2	340	747	350

Valuation hierarchy level 1 is according to quoted prices in active markets for identical assets and liabilities.
Valuation hierarchy level 2 is out of directly or indirectly observable market data outside level 1.

Borrowings and net debt	Sep 30		Dec 31
	2020	2019	2019
SEK millions			
Credit institutions	227	179	166
Swedish Export Credit	1,052	2,404	2,318
European Investment Bank	-	1,231	1,203
SEB and Nordea	1,998	-	-
Corporate bonds	8,390	8,527	8,335
Lease liabilities	2,394	2,677	2,620
Total debt	14,061	15,018	14,642
Cash and cash equivalents and current deposits	-9,810	-5,325	-6,467
Net debt *	4,251	9,693	8,175

* Alternative performance measure.

Alfa Laval has a senior credit facility of EUR 900 million corresponding to SEK 9,476 million at September 30, 2020 with a banking syndicate. The facility was not utilised at September 30, 2020. It has a one year extension from June 2021 until June 2022. The commercial paper programme of SEK 2,000 million was not utilised at September 30, 2020.

The corporate bonds are listed on the Irish stock exchange and consist of one tranche of EUR 500 million that matures in September 2022 and one tranche of EUR 300 million that matures in June 2024. The bilateral term loans from Swedish Export Credit consist of one loan of EUR 100 million that matures in June 2021. The loan of USD 136 million that matured on June 23, 2020 has been repaid. The bilateral term loan of SEK 2,000 million with SEB and Nordea matures in December 2021. The loan from the European Investment Bank of EUR 115 million maturing in June 2021 was repaid already at March 4, 2020.

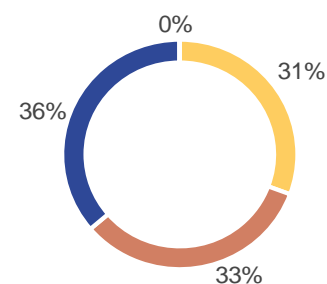
Changes in consolidated equity	Jan-Sep		Jan-Dec
	2020	2019	2019
SEK millions			
At the beginning of the period	27,747	23,599	23,599
Changes attributable to:			
Owners of the parent			
Comprehensive income			
Comprehensive income for the period	1,088	5,237	6,220
Transactions with shareholders			
Dividends	-	-2,097	-2,097
Subtotal	1,088	3,140	4,123
Non-controlling interests			
Comprehensive income			
Comprehensive income for the period	17	25	25
Transactions with shareholders			
Dividends	0	-	0
Subtotal	17	25	25
At the end of the period	28,852	26,764	27,747

Condensed segment reporting per quarter



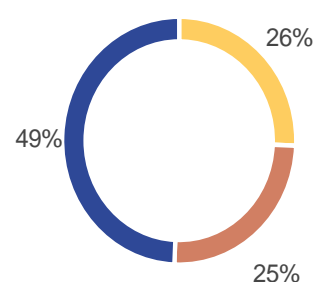
Orders received	2020			2019				2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
SEK millions								
Energy	2,716	3,279	3,197	3,594	3,355	3,566	3,448	3,330
Food & Water	3,083	3,396	3,612	3,720	3,306	3,520	3,480	3,540
Marine	3,136	3,074	5,068	3,840	4,006	3,144	4,963	4,439
Greenhouse	-	-	-	-8	45	-228	296	236
Operations & Other	0	0	0	7	16	23	26	16
Total	8,935	9,749	11,877	11,153	10,728	10,025	12,213	11,561

Last 12 months



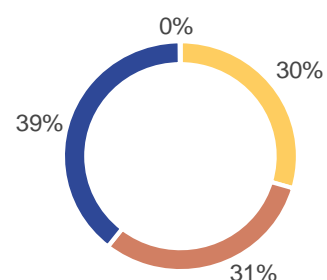
Order backlog	2020			2019				2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
SEK millions								
Energy	5,301	5,631	5,397	5,214	5,564	5,709	5,629	4,857
Food & Water	5,170	5,491	5,405	4,894	5,110	5,535	5,304	4,860
Marine	10,198	10,751	12,058	11,443	12,607	13,276	14,338	13,118
Greenhouse	-	-	-	0	38	35	381	328
Operations & Other	0	0	0	0	10	13	14	5
Total	20,669	21,873	22,860	21,551	23,329	24,568	25,666	23,168

September 30, 2020



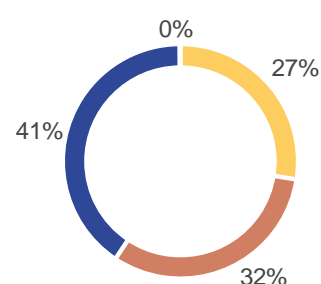
Net sales	2020			2019				2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
SEK millions								
Energy	2,922	2,979	3,039	3,961	3,515	3,531	2,807	3,343
Food & Water	3,291	3,241	3,118	3,938	3,763	3,335	3,153	3,604
Marine	3,515	4,235	4,433	5,017	4,715	4,329	3,932	3,869
Greenhouse	-	-	-	31	45	120	248	375
Operations & Other	0	0	0	17	18	24	18	18
Total	9,728	10,455	10,590	12,964	12,056	11,339	10,158	11,209

Last 12 months



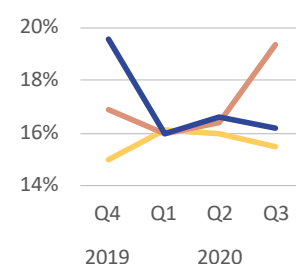
Operating income*	2020			2019				2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
SEK millions								
Energy	454	476	488	593	519	558	399	438
Food & Water	638	533	498	664	607	473	524	607
Marine	570	705	708	985	870	809	761	659
Greenhouse	-	-	-	7	-15	-15	-7	30
Operations & Other	-174	-141	-159	-247	-105	-182	-208	-210
Total	1,488	1,573	1,535	2,002	1,876	1,643	1,469	1,524

Last 12 months



Operating margin*	2020			2019				2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
%								
Energy	15.5	16.0	16.1	15.0	14.8	15.8	14.2	13.1
Food & Water	19.4	16.4	16.0	16.9	16.1	14.2	16.6	16.8
Marine	16.2	16.6	16.0	19.6	18.5	18.7	19.4	17.0
Greenhouse	-	-	-	22.6	-33.3	-12.5	-2.8	8.0
Total	15.3	15.0	14.5	15.4	15.6	14.5	14.5	13.6

Per quarter



* In management accounts, see reconciliation on page 13.

Acquisitions and divestments of businesses

On July 13, 2020 Alfa Laval announced a recommended public cash tender offer for all shares in Neles. Alfa Laval AB (publ) and Neles Corporation entered on July 13, 2020 into a combination agreement, pursuant to which Alfa Laval will make a voluntary recommended public cash tender offer for all issued and outstanding shares in Neles. Neles' shareholders will be offered a cash consideration of EUR 11.50 for each issued and outstanding share in Neles, valuing Neles' total equity at approximately EUR 1,727 million. The members of the Board of Directors of Neles who participated in the decision-making unanimously decided to recommend that the shareholders of Neles accept the tender offer.

Cevian Capital, who holds approximately 10.9 percent of the issued and outstanding shares in Neles, has on customary conditions irrevocably undertaken to accept the tender offer. The completion of the tender offer is subject to Alfa Laval obtaining all necessary regulatory approvals and that the tender offer has been accepted with respect to shares representing, together with shares otherwise acquired by Alfa Laval prior to or during the offer period, more than 2/3 of the issued and outstanding shares and votes in Neles. In a press release on October 15, 2020, Alfa Laval announced that the acceptance level condition is lowered to more than 50 % of the issued and outstanding shares and votes in Neles. Should Alfa Laval obtain more than 90% of the issued and outstanding shares and votes in Neles, Alfa Laval intends to initiate mandatory redemption proceedings in accordance with the Finnish Companies Act to acquire the remaining shares in Neles, and thereafter to cause Neles' shares to be delisted from Nasdaq Helsinki as soon as reasonably practicable. Should Alfa Laval obtain less than 90% but more than 50% of the issued and outstanding shares and votes in Neles, Alfa Laval would assess alternatives to acquire the remaining shares in Neles over time.

The tender offer will be financed through a combination of Alfa Laval's own funds and debt facilities from SEB. Alfa Laval has secured fully committed debt financing from SEB on a customary certain funds basis, and the availability of the debt financing is subject only to the completion of the tender offer and certain conditions that are customary for a certain funds financing arrangement of this kind. Alfa Laval's obligation to complete the tender offer is not conditional upon availability of financing.

On August 12, 2020 Alfa Laval published a tender offer document with detailed information about the tender offer and information on how to accept the tender offer. The offer period commenced on August 13, 2020 and was set to expire on October 22, 2020. In a press release on October 15, 2020, Alfa Laval announced that the offer period is extended to October 30, 2020, unless extended further in accordance with the terms and conditions of the tender offer and applicable laws. The tender offer is currently expected to be completed during the fourth quarter of 2020.

As a response to Alfa Laval's press release on October 15, 2020 Neles in a press release on October 19, 2020 communicated that the Board of Directors continue to recommend the tender offer by Alfa Laval.

Alfa Laval has identified the industrial flow control market as a key growth area. The transaction enables Alfa Laval to considerably strengthen its presence in the large industrial flow control space where the company currently offers mainly energy efficiency solutions. On the other hand, Alfa Laval believes there are several areas where being part of the Alfa Laval Group can make a significant contribution to the future development of Neles, such as leveraging Alfa Laval's existing global platform. Neles' Finnish footprint will be completing Alfa Laval's Nordic platform. Neles is a global leader in flow control solutions and services. The Company's valves and valve automation technologies are known for quality, reliability and highest safety. Neles started trading as an independent company on July 1, 2020 following the partial demerger of Metso Corporation. The transaction is expected to result in significant benefits for stakeholders, including creation of shareholder value for both Neles and Alfa Laval shareholders. Alfa Laval believes that there is a strong strategic and cultural fit in the transaction.

Currently Neles has about 2,900 employees in over 40 countries. During 2019 Neles had an order intake of EUR 681 million, net sales of EUR 660 million and an adjusted EBITA of EUR 97 million.

A smaller operation, WCR Benelux BV in the Netherlands, was acquired on July 1, 2020.

The operations and net assets of DSO Fluid Handling Inc in the U.S. were divested on August 28, 2020.

Parent company

The parent company's result after financial items for the first nine months 2020 was SEK 410 (616) million, out of which dividends from subsidiaries SEK 413 (633) million, net interests SEK -0 (0) million, realised and unrealised exchange rate gains and losses SEK 0 (1) million, costs related to the listing SEK -4 (-4) million, fees to the Board SEK -6 (-6) million, cost for annual report and annual general meeting SEK -1 (-2) million and other operating income and operating costs the remaining SEK 8 (-6) million.

Parent company income *

SEK millions	Q3		Jan-Sep		Jan-Dec
	2020	2019	2020	2019	2019
Administration costs	-2	-3	-11	-12	-14
Other operating income	5	0	8	0	0
Other operating costs	0	-1	0	-6	-16
Operating income	3	-4	-3	-18	-30
Revenues from interests in group companies	-	-	413	633	633
Interest income and similar result items	0	0	1	1	1
Interest expenses and similar result items	0	0	-1	0	0
Result after financial items	3	-4	410	616	604
Change of tax allocation reserve	-	-	-	-	-293
Group contributions	-	-	-	-	2,142
Result before tax	3	-4	410	616	2,453
Tax on this year's result	0	0	1	3	-395
Net income for the period	3	-4	411	619	2,058

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

Parent company financial position

SEK millions	Sep 30		Dec 31
	2020	2019	2019
ASSETS			
Non-current assets			
Shares in group companies	4,669	4,669	4,669
Current assets			
Receivables on group companies	10,494	8,262	10,292
Other receivables	193	288	4
Cash and cash equivalents	-	-	-
	10,687	8,550	10,296
TOTAL ASSETS	15,356	13,219	14,965
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Restricted equity	2,387	2,387	2,387
Unrestricted equity	10,304	8,454	9,893
	12,691	10,841	12,280
Untaxed reserves			
Tax allocation reserves, taxation 2014-2020	2,652	2,359	2,652
Current liabilities			
Liabilities to group companies	12	15	20
Accounts payable	-	0	1
Tax liabilities	-	-	10
Other liabilities	1	4	2
	13	19	33
TOTAL EQUITY AND LIABILITIES	15,356	13,219	14,965

Owners and shares

Owners and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 43,980 (40,383) shareholders on September 30, 2020. The largest owner is Tetra Laval B.V., the Netherlands, who owns 29.1 (29.1) percent. Next to the largest owner, there are nine institutional investors with ownership in the range of 5.6 to 0.7 percent. These ten largest shareholders owned 50.5 (53.2) percent of the shares.

Nomination Committee for the Annual General Meeting 2021

In accordance with a resolution taken at the Annual General Meeting of Alfa Laval AB on April 23, 2020, the Chairman of the Board, Dennis Jönsson, has contacted the largest shareholders to constitute the Nomination Committee in preparation of the Annual General Meeting 2021. The following persons have accepted to form the Nomination Committee: Jörn Rausing (Chairman of the Committee, Tetra Laval), Ramsay Brufer (Alecta Pensionsförsäkring), Anders Oscarsson (AMF-försäkring och Fonder), Jan Andersson (Swedbank Robur Fonder) and Per Trygg (SEB Fonder).

The Annual General Meeting of Alfa Laval AB will be held at Scandic Star Lund, Glimmervägen 5, Lund, Sweden, on Tuesday April 27, 2021, at 16.00 (CET).

Shareholders who wish to submit proposals for the Nomination Committee in preparation of the Annual General Meeting can turn to the Chairman of the Board of Alfa Laval AB, Dennis Jönsson or to the other shareholder representatives. Contact can also be made directly via E-mail to: valberedningen@alfalaval.com.

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 2019 is still correct, with the exception of the consequences of COVID-19, which are described below.

Consequences of COVID-19

Alfa Laval has implemented a broad cost reduction program with the objective of reducing fixed costs with SEK 1 billion on a 12-month running basis. The program is well on track and the first financial effects became visible as of April. An important part of the cost reduction program is related to the flexibility of various working hour reduction schemes in countries like Italy, Germany, France and Sweden. In Sweden specifically, the company has reduced the working time with 40 percent for approximately 800 white-collar employees, between May and August. The received support for reduced working hours in Sweden has however not been reported in the P&L but has instead been balanced due to the uncertainty around the conditions for the support. The Board of Directors withdrew the dividend proposal for 2019 as a measure to preserve cash.

In a press release on March 17, Alfa Laval expressed concerns regarding the business climate from the second quarter 2020 and onwards due to the negative effects of the COVID-19 pandemic.

Alfa Laval has global and local crisis teams in place for close monitoring and swift response to changes in the situation to secure the health and safety of our employees.

Alfa Laval has a global footprint with 39 major manufacturing units across Europe, Asia, the US and Latin America. The company is a supplier to critical infrastructure industries and has permission to continue production in countries with restrictions and lockdowns. The company has well-established business continuity plans and a global supply chain with alternative sourcing solutions for most products and services and close collaboration with key suppliers. Sourcing shortages for components due to lock downs have not been a critical problem during the year.

Asbestos-related lawsuits

The Alfa Laval Group was as of September 30, 2020 named as a co-defendant in a total of 641 asbestos-related lawsuits with a total of approximately 641 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 third quarter 2020 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 2019 for definitions. Alfa Laval follows the Guidelines on Alternative Performance Measures issued by ESMA (European Securities and Markets Authority).

"Q3" and "Third quarter" refer to the period July 1 to September 30. "Jan-Sep" and "First nine months" refer to the period January 1 to September 30. "Jan-Dec" and "Full year" refer to the period January 1 to December 31. "Last 12 months" refers to the period October 1, 2019 to September 30, 2020. "The corresponding period last year" refers to the third quarter 2019 or the first nine months 2019 depending on the context.

"Currency effects" only relate to translation effects, whereas "foreign exchange effects" also relate to transactional effects. "Mix" in the operating income bridge also includes a price effect. Comparison distortion items are reported in the comprehensive income statement on each concerned line but are specified on page 4.

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.

Forward-looking statements

This interim report contains statements that, to the extent they are not historical facts, constitute "forward-looking statements". Forward-looking statements include statements concerning plans, expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position, future operations and development, business strategy and the trends in the industries and the political and legal environment and other information that is not historical information. In some instances, they can be identified by the use of forward-looking terminology, including the terms "believes", "intends", "may", "will" or "should" or, in each case, their negative or variations on comparable terminology. By their very nature, forward-looking statements involve inherent risks, uncertainties and assumptions, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. Given these risks, uncertainties and assumptions, investors are cautioned not to place undue reliance on such forward-looking statements. Any forward-looking statements contained herein speak only as at the date of this interim report.

The interim report has been issued at CET 7.30 on October 22, 2020 by the President and Chief Executive Officer Tom Erixon by proxy from the Board of Directors.

Lund, October 22, 2020,

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

Review report

Introduction

We have reviewed the summary interim financial information (the interim report) of Alfa Laval AB (publ) as of September 30, 2020 and the nine 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, 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, October 22, 2020,

Staffan Landén

Authorised Public Accountant

Karoline Tedevall

Authorised Public Accountant



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Date for the next financial report

Alfa Laval will publish financial reports at the following dates:

Fourth quarter and full year 2020 report	February 3, 2021.
Interim report for the first quarter 2021	April 27, 2021
Interim report for the second quarter 2021	July 20, 2021

This information is information that Alfa Laval AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at CET 7.30 on October 22, 2020.