



# Q4 2020

Advancing better™

## Stable demand and improved profitability

### Q4 2020

- Demand was stable during the fourth quarter, with 4% sequential order growth.
- The adjusted EBITA margin improved to 18.4 (17.4) percent.
- Launch of a global restructuring program.

### Full year 2020

- Order intake declined with 6 percent, excluding currency effects.
- The adjusted EBITA margin improved to 17.4 (17.2) percent, mainly driven by the cost reduction program.
- The cash flow from operating activities improved by close to 50 percent to SEK 7.7 billion and resulted in a further strengthening of the balance sheet.

### Outlook for the first quarter

“We expect demand in the first quarter to be about the same as in the fourth quarter.”

Earlier published outlook (October 22, 2020):  
“We expect demand in the fourth quarter to be somewhat higher than in the third quarter.”

The Board of Directors will propose a dividend of SEK 5.50 (-) per share and a mandate for repurchase of up to 5 percent of the issued shares to the Annual General Meeting.

The Q4 2020 report has been reviewed by the company's auditors, see page 24 for the review report.

## Summary

SEK millions	Q4				Jan-Dec			
	2020	2019	%	% *	2020	2019	%	% *
Order intake	9,272	11,153	-17	-10	39,833	44,119	-10	-6
Net sales	10,695	12,964	-18	-11	41,468	46,517	-11	-8
Adjusted EBITA **	1,969	2,250	-12		7,231	7,989	-9	
- adjusted EBITA margin (%) **	18.4	17.4			17.4	17.2		
Result after financial items	924	1,860	-50		4,977	7,221	-31	
Net income for the period	564	1,424	-60		3,580	5,508	-35	
Earnings per share (SEK)	1.33	3.39	-61		8.47	13.08	-35	
Cash flow from operating activities	2,664	2,392	11		7,723	5,223	48	
Impact on adjusted EBITA of foreign exchange effects	20	155			180	430		
Impact on result after financial items of comparison distortion items	-733	-2			-796	189		
Return on capital employed (%) **					19.1	23.0		
Net debt to EBITDA, times **					0.48	0.88		

\* Excluding currency effects. \*\* Alternative performance measures.



Comment from

# Tom Erixon

President and CEO

“Market conditions were stable during the fourth quarter and order intake increased sequentially by 4 %, in line with expectations. For the full year order intake declined with 6 % adjusted for currency effects. A continued strong growth in the Food & Water Division contributed to limit the downturn for the Group.

The operating margin strengthened considerably in the quarter and reached 18.4 % despite lower invoicing. The cost reduction program launched in the beginning of 2020 contributed SEK 300 million (SEK 200 million excluding currency effects) to the profit improvement in the quarter. In addition, the work to improve selectivity and performance on large projects and reduce the cost of quality had a **substantial contribution** to the profitability improvement.

From a sustainability perspective, 2020 became transformational for Alfa Laval. The company committed to the Carbon Neutral 2030 agenda and further worked to reduce the climate impact of our operations. Even more importantly, Alfa Laval’s technologies are critical both in reducing our customer’s environmental impact and in creating sustainable energy solutions for the future. We significantly increased our investments in strategically important areas such as thermal energy storage, biofuels, and infrastructure for hydrogen including fuel cells. The environmental products and solutions continued to grow in 2020 and contributed to stabilize the order intake in a year with considerable volatility.

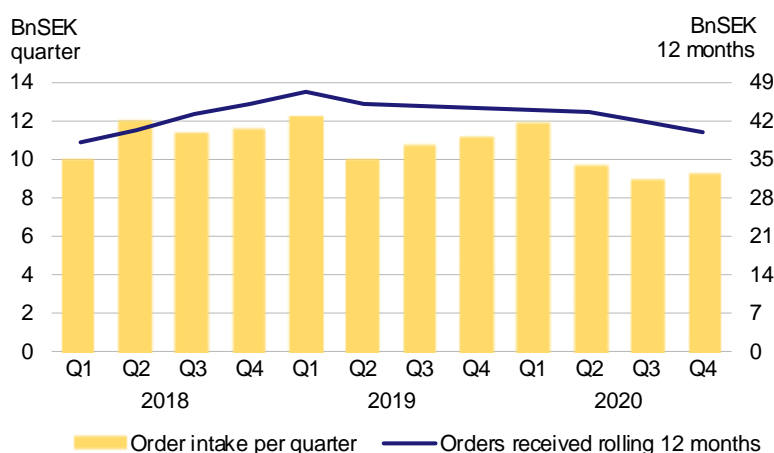
Cash flow from operating activities improved by almost 50 % for the full year and amounted to SEK 7.7 billion. Based on a strong balance sheet and expected stable market conditions Alfa Laval will resume dividends for 2020. In addition, we plan for a three year share buy-back program of up to 5 percent of the issued shares per year.

A restructuring program was announced in December last year, addressing structural demand changes in part of the portfolio. The program will have a one-time cost of SEK 850 million in 2020 and 2021, out of which SEK 741 million has affected the fourth quarter. The program aims to ensure the competitiveness in several product groups and is expected to generate annual savings of SEK 300 million with full effect in 2022.”

Tom Erixon,  
President and CEO

## Financial overview

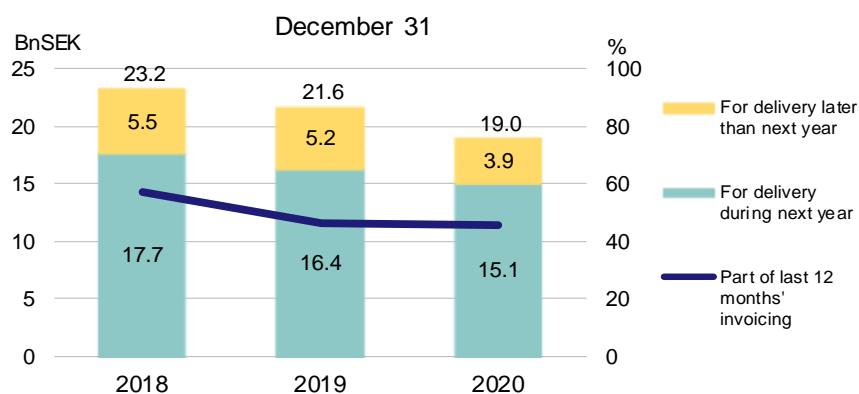
### Order intake



Orders received was SEK 9,272 (11,153) million in the fourth quarter and SEK 39,833 (44,119) million in the full year 2020.

Orders received from Service constituted 30.1 (29.4) percent of the Group's total orders received during the fourth quarter and 29.6 (29.1) percent during the full year 2020.

### Order backlog



Excluding currency effects and adjusted for acquisition and divestment of businesses the order backlog was 7.6 percent lower than the order backlog at the end of 2019.

### Net sales

Net invoicing was SEK 10,695 (12,964) million for the fourth quarter and SEK 41,468 (46,517) million for the full year 2020.

Net invoicing relating to Service constituted 29.8 (27.4) percent of the Group's total net invoicing in the fourth quarter and 28.7 (26.9) percent in the full year 2020.

SEK millions/%	Order bridge	
	Q4	Jan-Dec
2019	11,153	44,119
Organic <sup>1)</sup>	-9.8%	-5.8%
Structural <sup>1)</sup>	0.1%	-0.2%
Currency	-7.2%	-3.7%
Total	-16.9%	-9.7%
2020	9,272	39,833

1) Change excluding currency effects

SEK millions/%	Order bridge Service	
	Q4	Jan-Dec
2019	3,281	12,824
Organic <sup>1)</sup>	-6.8%	-4.4%
Structural <sup>1)</sup>	-0.2%	-0.1%
Currency	-7.8%	-3.7%
Total	-14.8%	-8.2%
2020	2,795	11,773

1) Change excluding currency effects

SEK millions/%	Sales bridge	
	Q4	Jan-Dec
2019	12,964	46,517
Organic <sup>1)</sup>	-10.6%	-6.6%
Structural <sup>1)</sup>	-0.2%	-0.9%
Currency	-6.7%	-3.4%
Total	-17.5%	-10.9%
2020	10,695	41,468

1) Change excluding currency effects

SEK millions/%	Sales bridge Service	
	Q4	Jan-Dec
2019	3,540	12,544
Organic <sup>1)</sup>	-2.5%	-1.3%
Structural <sup>1)</sup>	0.0%	-0.2%
Currency	-7.3%	-3.6%
Total	-9.8%	-5.1%
2020	3,193	11,898

1) Change excluding currency effects

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

## Income analysis

SEK millions	Q4		Jan-Dec	
	2020	2019	2020	2019
Net sales	10,695	12,964	41,468	46,517
Adjusted gross profit *	3,916	4,540	15,113	16,763
<b>- adjusted gross margin (%) *</b>	<b>36.6</b>	<b>35.0</b>	<b>36.4</b>	<b>36.0</b>
Expenses **	-1,613	-1,900	-6,748	-7,701
- in % of net sales	15.1	14.7	16.3	16.6
<b>Adjusted EBITDA *</b>	<b>2,303</b>	<b>2,640</b>	<b>8,365</b>	<b>9,062</b>
- adjusted EBITDA margin (%) *	21.5	20.4	20.2	19.5
Depreciation	-334	-390	-1,134	-1,073
<b>Adjusted EBITA *</b>	<b>1,969</b>	<b>2,250</b>	<b>7,231</b>	<b>7,989</b>
<b>- adjusted EBITA margin (%) *</b>	<b>18.4</b>	<b>17.4</b>	<b>17.4</b>	<b>17.2</b>
Amortisation of step-up values	-202	-211	-855	-980
Comparison distortion items	-733	-2	-796	189
Operating income	1,034	2,037	5,580	7,198

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

The gross profit has been affected negatively by a lower sales volume and positively by the mix between service and capital sales.

Sales and administration expenses were SEK 1,473 (1,777) million during the fourth quarter and SEK 5,959 (6,894) million during the full year 2020. The figures for the full year corresponded to 14.4 (14.8) percent of net sales. Excluding currency effects and acquisition/divestment of businesses, sales and administration expenses were 11.6 percent lower during the fourth quarter and 10.4 percent lower during the full year 2020 compared to the corresponding periods last year.

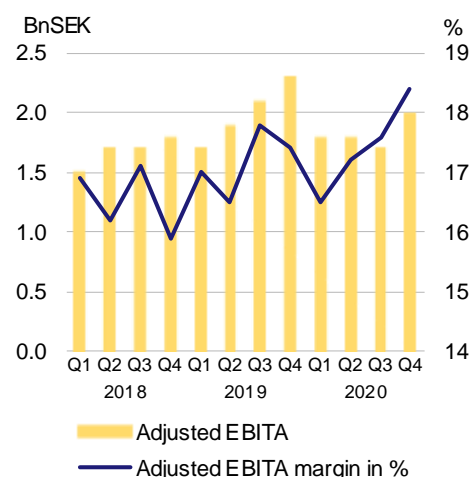
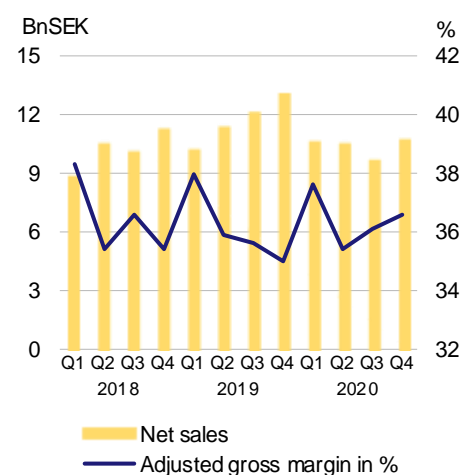
The costs for research and development during the full year 2020 corresponded to 2.5 (2.3) percent of net sales. Excluding currency effects and acquisition/divestment of businesses, the costs for research and development decreased by 0.4 percent during the fourth quarter and 2.4 percent during the full year 2020 compared to the corresponding periods last year.

Earnings per share was SEK 8.47 (13.08) for the full year 2020. The corresponding figure excluding amortisation of step-up values and the corresponding tax, was SEK 10.12 (14.96).

### Comparison distortion items

SEK millions	Q4		Jan-Dec	
	2020	2019	2020	2019
<b>Other operating income</b>				
Comparison distortion items:				
- Realised gain on sale of businesses	-	69	-	260
<b>Other operating costs</b>				
Comparison distortion items:				
- Realised loss on sale of businesses	8	-71	-55	-71
- Write down of goodwill	-360	-	-360	-
- Restructuring costs	-381	-	-381	-
<b>Net comparison distortion items</b>	<b>-733</b>	<b>-2</b>	<b>-796</b>	<b>189</b>

The realized loss in 2020 is relating to the divestment of the operations in DSO Fluid Handling Inc in the U.S. The write down of goodwill and the restructuring costs are part of the programme for adapting the organisation to changing market fundamentals that was announced on December 16, 2020. The program is mainly addressing structural imbalances in specific parts of the oil & gas business as well as parts of the Marine business. In addition, the program will further drive the competence shift required in light



of the accelerated pace of digitalization. The write down of goodwill concerns oil & gas related businesses. The total restructuring cost is expected to amount to approximately SEK 850 million, out of which the remaining part is expected to be charged in the second quarter of 2021. Approximately 600 employees mainly in Europe and North America will be affected by the program. The program will generate annual savings of around SEK 300 million, with full effect expected from mid-2022.

The realised gain in 2019 was related to 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 realised loss in 2019 was relating to a realised loss from 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 full year 2020 was SEK -191 (-172) million, excluding realised and unrealised exchange rate losses and gains. The main elements of costs were interest on the debt to the banking syndicate of SEK -5 (-3) million, interest on the bilateral term loans of SEK -34 (-48) million, interest on the corporate bonds of SEK -82 (-86) million and a net of dividends, changes in fair value and other interest income and interest costs of SEK -70 (-35) million. The net of realised and unrealised exchange rate differences was SEK -412 (195) million.

The tax on the result after financial items was SEK -360 (-436) million in the fourth quarter and SEK -1,397 (-1,713) million in the full year 2020.

### Cash flow

During the full year 2020 cash flows from operating and investing activities were SEK 6,665 (4,196) million.

Depreciation, excluding allocated step-up values, was SEK 1,134 (1,073) million during the full year 2020.

Acquisition of businesses during the full year 2020 with SEK -70 (-61) million is relating to the acquisition of Sandymount in the U.S. with SEK -52 million, the 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 full year 2020 amount to SEK 125 (364) million. The figure for 2020 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. The figure for 2019 was relating to the sale of part of the air heat exchanger business related to commercial/industrial air heat exchangers to the LU-VE Group with SEK 347 million and the divestments of the last remaining Greenhouse operation shell-and-tube Sarasota, also known as Alfa Laval Champ, to Thermal Solutions Manufacturing with SEK 17 million.

### Key figures

	Dec 31	
	2020	2019
Return on capital employed (%) <sup>1)</sup>	19.1	23.0
Return on equity (%) <sup>2)</sup>	12.7	21.3
Solidity (%) <sup>3)</sup>	47.8	43.1
Net debt to EBITDA, times <sup>1)</sup>	0.48	0.88
Debt ratio, times <sup>1)</sup>	0.13	0.29
Number of employees <sup>4)</sup>	16,882	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) At the end of the period.



# Energy Division

The division targets customers in HVAC and refrigeration markets as well as process industries such as chemicals, petrochemical industry and the oil & gas industry.

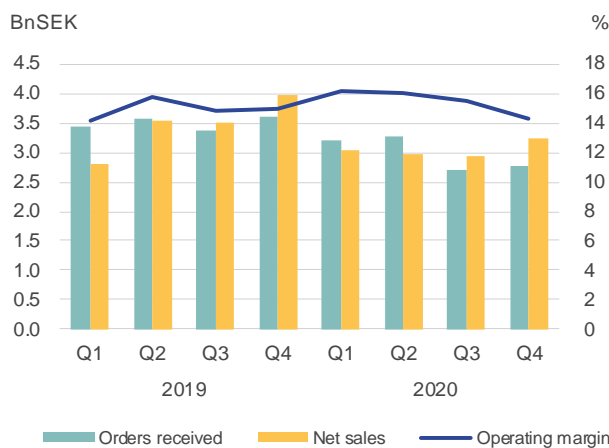
Focus is on increased energy efficiency, waste heat recovery and sustainable solutions.

- Strong demand for energy efficiency solutions positively impacting the HVAC business.
- Good growth through the distributor channel.
- Weak demand for large projects in refinery and petrochemicals.
- Service declined, entirely due to lower activity level in the oil & gas business.
- Operating margin negatively affected by lower volume and mix, partly offset by lower costs.

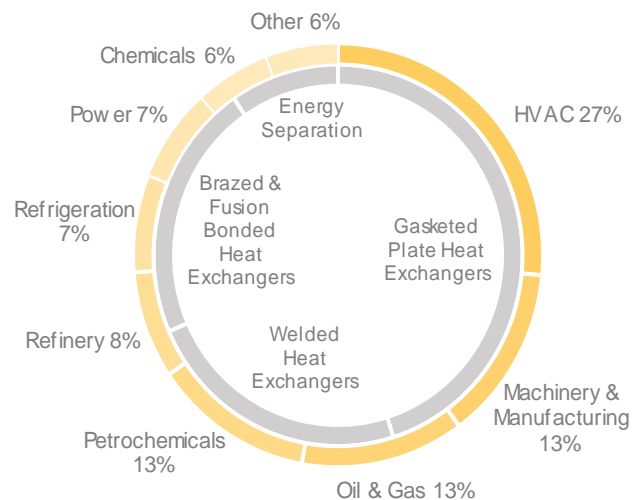
SEK millions	Q4		Jan-Dec	
	2020	2019	2020	2019
Orders received	2,760	3,594	11,952	13,963
Order backlog*	4,740	5,214	4,740	5,214
Net sales	3,247	3,961	12,187	13,814
Operating income**	464	593	1,882	2,069
Operating margin***	14.3%	15.0%	15.4%	15.0%
Depreciation and amortisation	125	136	452	467
Investments****	131	175	352	453
Assets*	12,726	14,570	12,726	14,570
Liabilities*	5,574	5,890	5,574	5,890
Number of employees*	5,111	5,365	5,111	5,365

\* 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 23.

## Quarterly development



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





### Order intake\*

The Energy Division's overall order volumes declined compared to the fourth quarter 2019, mainly due to lower investments in refinery and petrochemicals.

Power, chemicals and mining had a strong quarter driven by the project business. HVAC (Heating, Ventilation & Air Conditioning) and machinery & manufacturing also showed good growth. After a couple of quarters with low order intake in the oil & gas sector, an increased activity level could be seen.

Service was characterized by lock-downs and low activities - again mainly among some of our large oil & gas customers – that reduced the order intake compared to the same quarter last year. In other process industries and in light industry sectors, service sales was developing positively.

### Net sales

Net sales were down compared to the fourth quarter last year, following a few quarters with lower deliveries to especially oil & gas customers. Net sales to other customers remained overall flat.

### Operating income

The effect on operating income from the drop in net sales was worsened by a negative mix effect in the fourth quarter, partly compensated for by lower overhead cost. The latter were down following the ongoing savings programme.

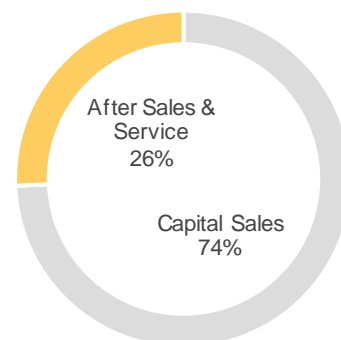
SEK millions/%	Order bridge	
	Q4	Jan-Dec
2019	3,594	13,963
Organic <sup>1)</sup>	-17.2%	-11.5%
Structural <sup>1)</sup>	0.2%	0.0%
Currency	-6.2%	-2.9%
Total	-23.2%	-14.4%
2020	2,760	11,952

1) Change excluding currency effects

SEK millions/%	Sales bridge	
	Q4	Jan-Dec
2019	3,961	13,814
Organic <sup>1)</sup>	-11.9%	-8.9%
Structural <sup>1)</sup>	0.1%	0.0%
Currency	-6.2%	-2.9%
Total	-18.0%	-11.8%
2020	3,247	12,187

1) Change excluding currency effects

### Order intake Jan-Dec 2020 split on:



SEK millions	Income bridge	
	Q4	Jan-Dec
Operating income 2019	593	2,069
Volume <sup>1)</sup>	-155	-407
Mix <sup>1)</sup>	-39	114
Costs <sup>1)</sup>	87	143
Currency	-22	-37
Operating income 2020	464	1,882

1) Change excluding currency effects

\* Comments excluding currency effects.



# Food & Water Division

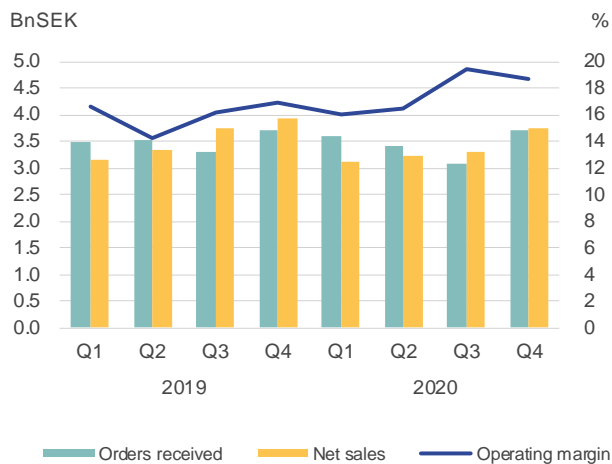
The division offers different types of products for heat transfer, separation and hygienic fluid handling and targets customers in food, pharmaceuticals, biotech, vegetable oils, brewery, dairy and body care products. In addition, the division focuses on public and industrial water treatment as well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

- Order intake grew both sequentially and compared to the same quarter last year.
- Strong demand for edible oil, pharma and protein.
- Solid growth in service.
- Strong operating income due to higher volume, positive mix and good cost control.
- Acquisition of Sandymount, a U.S. based beverage technology company.

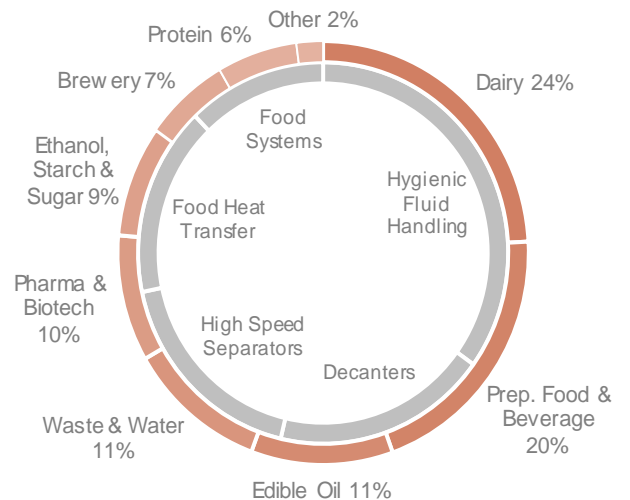
SEK millions	Q4		Jan-Dec	
	2020	2019	2020	2019
Orders received	3,723	3,720	13,814	14,026
Order backlog*	5,056	4,894	5,056	4,894
Net sales	3,764	3,938	13,414	14,189
Operating income**	702	664	2,371	2,268
Operating margin***	18.7%	16.9%	17.7%	16.0%
Depreciation and amortisation	113	124	384	385
Investments****	113	118	295	288
Assets*	11,226	12,522	11,226	12,522
Liabilities*	5,184	5,088	5,184	5,088
Number of employees*	6,215	6,410	6,215	6,410

\* 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 23.

## Quarterly development



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







### Order intake\*

The division's order intake in the fourth quarter was characterized by strong growth compared to the corresponding quarter last year. Geographically, this was especially evident in Latin America and South East Asia, but also North America and Asia and not least China showed solid growth. Europe, however, saw a slight contraction.

The pharma and biotech market continued to show strong growth, driven by China and Western Europe. Order intake from the water industry grew in line with the division average, but with a strong increase in Asia. Order intake from the edible oil industry grew, with contribution from a large order in the U.S. for renewable diesel. Order intake in dairy saw a small contraction with Americas as well as Europe declining, whereas Asia overall grew. The brewery sector has been particularly impacted by COVID-19 and the order intake contracted slightly. Order intake for ethanol declined, while starch & sweeteners showed strong growth. Protein showed solid growth and the wider application area Prepared food and beverage had a strong development.

The demand in service was well above last year. From an end-market perspective, pharma & biotech as well as the water industry showed strong growth. The order intake for field service, which early in the pandemic were negatively affected by the limited access to customer sites, increased significantly compared to last year.

### Net sales

Net sales in the quarter was up compared to the same quarter last year. The increase was driven by service, with high activity in general and good execution of service orders. Capital sales was unchanged, which led to an overall favourable mix for the division with a somewhat higher share of aftermarket sales.

### Operating income

The operating income in the quarter increased compared to last year, due to higher net sales and a favourable mix. Total costs came in slightly higher, but the sales and administration costs were below last year, due to the savings program initiated during the year in response to the COVID-19 pandemic.

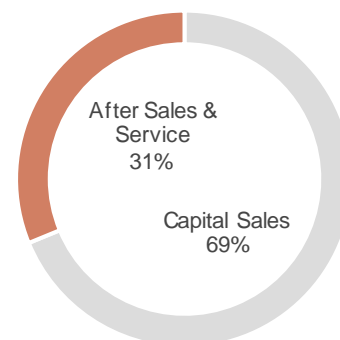
SEK millions/%	Order bridge	
	Q4	Jan-Dec
2019	3,720	14,026
Organic <sup>1)</sup>	8.8%	2.7%
Structural <sup>1)</sup>	-0.1%	0.0%
Currency	-8.6%	-4.2%
Total	0.1%	-1.5%
2020	3,723	13,814

1) Change excluding currency effects

SEK millions/%	Sales bridge	
	Q4	Jan-Dec
2019	3,938	14,189
Organic <sup>1)</sup>	3.4%	-1.7%
Structural <sup>1)</sup>	-0.1%	0.0%
Currency	-7.7%	-3.8%
Total	-4.4%	-5.5%
2020	3,764	13,414

1) Change excluding currency effects

### Order intake Jan-Dec 2020 split on:



SEK millions	Income bridge	
	Q4	Jan-Dec
Operating income 2019	664	2,268
Volume <sup>1)</sup>	38	-99
Mix <sup>1)</sup>	57	172
Costs <sup>1)</sup>	-15	94
Currency	-42	-64
Operating income 2020	702	2,371

1) Change excluding currency effects

\* Comments excluding currency effects.

# Marine Division

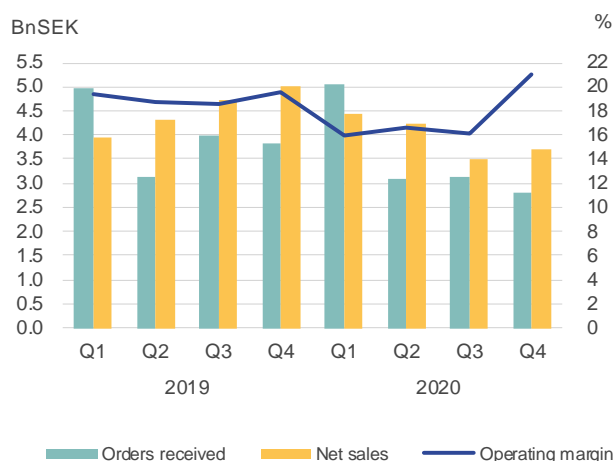
The division's customers include shipowners, shipyards, manufacturers of diesel and gas engines, as well as companies that work with offshore extraction of oil and gas. The offering includes pumping systems, boilers, heat transfer equipment, high speed separators and several different environmental products,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

- Demand for environmental products was stable compared to last year.
- Order intake supported by firm demand in offshore.
- Lower volumes in service due to low activity in the marine industry.
- Operating margin positively affected by mix, the cost reduction program and strong project execution.

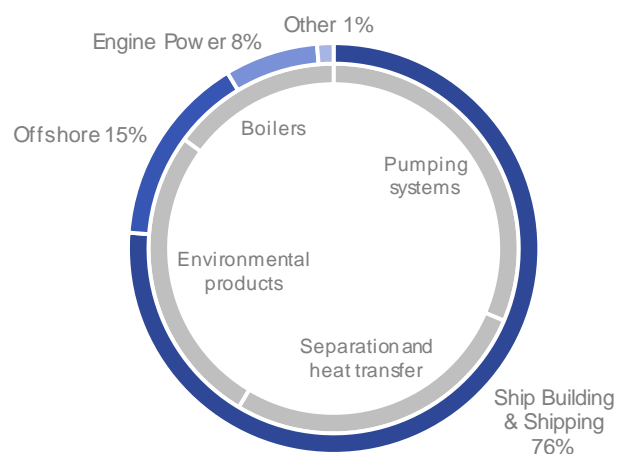
SEK millions	Q4		Jan-Dec	
	2020	2019	2020	2019
Orders received	2,789	3,840	14,067	15,953
Order backlog*	9,173	11,443	9,173	11,443
Net sales	3,684	5,017	15,867	17,993
Operating income**	775	985	2,758	3,425
Operating margin***	21.0%	19.6%	17.4%	19.0%
Depreciation and amortisation	202	241	814	884
Investments****	40	43	137	177
Assets*	24,086	27,796	24,086	27,796
Liabilities*	6,695	8,481	6,695	8,481
Number of employees*	4,489	4,702	4,489	4,702

\* 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 23.

## Quarterly development



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





### Order intake\*

Order intake for the Marine Division was lower than the fourth quarter last year, with a lower demand across most product areas.

General demand for equipment tied to the building of new vessels was on a lower level than the same period last year, due to low shipbuilding activity. Demand for Alfa Laval's exhaust gas cleaning systems was slightly better than the low level of the fourth quarter last year. Demand for PureBallast was lower than the same period last year, due to COVID-19 related extensions and delays. The order intake for offshore pumping systems increased in the quarter compared to the corresponding period last year. The underlying market sentiment has improved in the quarter due to the higher oil price. 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 fourth quarter last year, with a reduction across most product areas and especially exhaust gas cleaning equipment, slightly offset by a modest increase in offshore pumping systems.

### Operating income

The operating income decreased in the fourth quarter compared to last year mainly due to a large negative volume effect. There was a small positive mix effect mainly due to a higher portion of service sales. A good project execution also gave a positive contribution. The overall cost level was lower and cost savings have been achieved through restructuring and COVID-19 related savings initiatives. Currency effects had a slight negative impact.

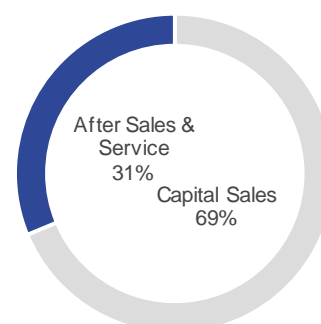
SEK millions/%	Order bridge	
	Q4	Jan-Dec
2019	3,840	15,953
Organic <sup>1)</sup>	-20.6%	-7.7%
Structural <sup>1)</sup>	-	-
Currency	-6.8%	-4.1%
Total	-27.4%	-11.8%
2020	2,789	14,067

1) Change excluding currency effects

SEK millions/%	Sales bridge	
	Q4	Jan-Dec
2019	5,017	17,993
Organic <sup>1)</sup>	-20.2%	-8.4%
Structural <sup>1)</sup>	-	-
Currency	-6.4%	-3.4%
Total	-26.6%	-11.8%
2020	3,684	15,867

1) Change excluding currency effects

### Order intake Jan-Dec 2020 split on:



SEK millions	Income bridge	
	Q4	Jan-Dec
Operating income 2019	985	3,425
Volume <sup>1)</sup>	-345	-480
Mix <sup>1)</sup>	62	-142
Costs <sup>1)</sup>	118	62
Currency	-45	-107
Operating income 2020	775	2,758

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	Q4 2019	Jan-Dec 2019
Orders received	-8	105
Order backlog*	0	0
Net sales	31	444
Operating income**	7	-30
Operating margin***	22.6%	-6.8%
Depreciation and amortisation	-1	8
Investments****	2	5
Assets*	39	39
Liabilities*	71	71
Number of employees*	33	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	Q4		Jan-Dec	
	2020	2019	2020	2019
Orders received	0	7	0	72
Order backlog*	0	0	0	0
Net sales	0	17	0	77
Operating income**	-155	-247	-629	-742
Depreciation and amortisation	96	101	339	309
Investments***	172	165	448	414
Assets*	1,276	1,613	1,276	1,613
Liabilities*	522	564	522	564
Number of employees*	1,069	987	1,069	987

\* 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 23.

The improved operating income in the fourth quarter is mainly due to the COVID-19 cost reduction program. 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.

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

Division Business Unit Scope of supply	Delivery date	Order amount		Total per Business Unit	
		Q4 2020	Q4 2019	Q4 2020	Q4 2019
SEK millions					
Energy					
Welded Heat Exchangers			-		485
Food & Water					
Food Systems					
Processing line to HollyFrontier Corporation for production of renewable diesel in the US.	2021	130	130		60
Decanters					
Decanters to a wastewater treatment plant in Singapore.	2022	75	75		65
Marine					
Boiler Systems			-		155
<b>Total</b>			<b>205</b>		<b>765</b>

## Reconciliation between Divisions and Group total

SEK millions	Q4		Jan-Dec	
	2020	2019	2020	2019
<b>Operating income</b>				
Total for divisions	1,786	2,002	6,382	6,990
Comparison distortion items	-733	-2	-796	189
Consolidation adjustments *	-19	37	-6	19
Total operating income	1,034	2,037	5,580	7,198
Financial net	-110	-177	-603	23
Result after financial items	924	1,860	4,977	7,221
<b>Assets **</b>				
Total for divisions	49,314	56,540	49,314	56,540
Corporate ***	11,546	7,856	11,546	7,856
Group total	60,860	64,396	60,860	64,396
<b>Liabilities **</b>				
Total for divisions	17,975	20,094	17,975	20,094
Corporate ***	13,814	16,555	13,814	16,555
Group total	31,789	36,649	31,789	36,649

\* 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

### Net sales by product/service \*

SEK millions	Q4		Jan-Dec	
	2020	2019	2020	2019
Own products within:				
Separation	2,094	2,206	7,116	7,677
Heat transfer	4,246	5,256	16,439	18,694
Fluid handling	2,291	2,547	9,156	10,361
Marine environmental	1,029	1,627	5,170	5,802
Other	0	62	1	78
Associated products	368	533	1,338	1,569
Services	667	733	2,248	2,336
Total	10,695	12,964	41,468	46,517

\* 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 fourth quarter

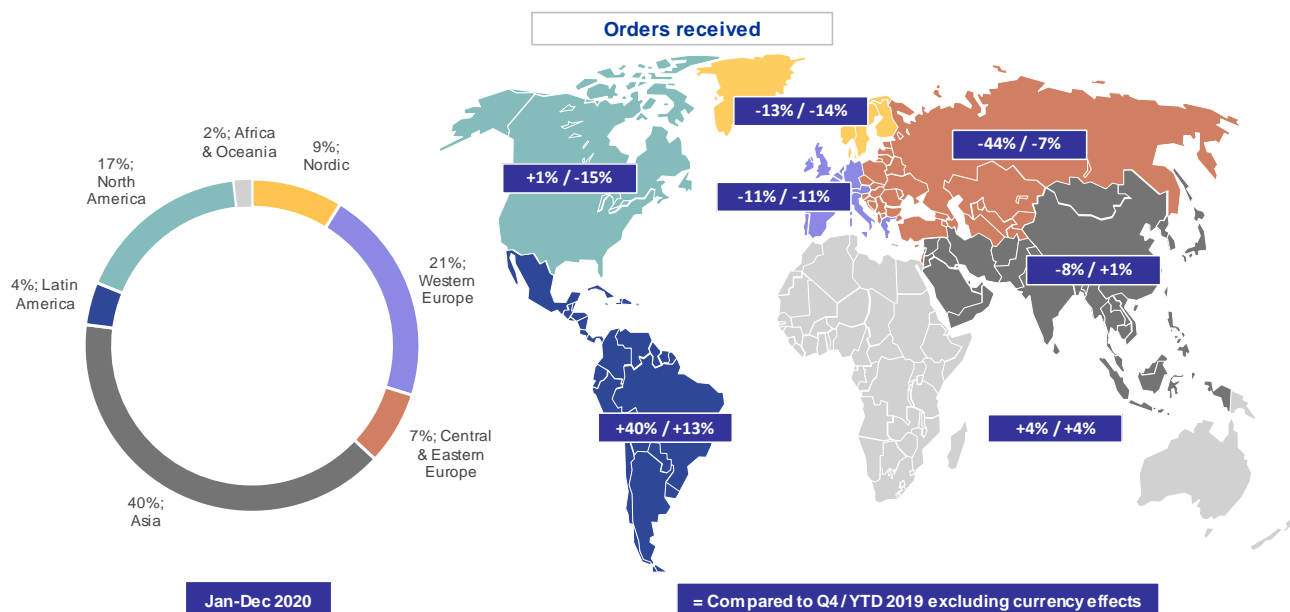
During the fourth quarter Alfa Laval has introduced among others the following new product:

### Alfa Laval CM

Alfa Laval has taken a decisive step forward in its digital transformation journey towards Industry 4.0 with the launch of the Alfa Laval CM. The CM is a new wireless vibration monitoring system that tracks the operating condition of rotating equipment, such as pumps, mixers and agitators, used in hygienic process environments. Compact and easy to use, the CM supports decision-making to protect valuable plant assets. A sensor measures vibration and alerts operators through a visible LED indicator on the monitor and on any connected mobile device within range if pre-set thresholds are exceeded. Broadening the company's portfolio of sensing and control products enables Alfa Laval to harness the power of digital data and through remote monitoring help customers in the hygienic processing industries secure more process uptime and thereby remain competitive. Initially the CM has been optimized for use with Alfa Laval SX, SX UltraPure and SRU positive displacement pumps and, with product adaptation, can also monitor other rotating equipment.



## Information by region



### Western Europe including Nordic

Order intake in the region declined in the fourth quarter compared to the corresponding quarter last year. The base business\* grew, driven by Energy and Food & Water. Marine had a good development for offshore pumping systems, but it could not compensate for lower large orders.

### Central and Eastern Europe

Order intake contracted compared to the same quarter last year. The development in large orders was weak compared to the large orders received last year in Energy in Russia. Growth was recorded in base business in Energy, Food & Water and service.

### North America

North America performed well during the fourth quarter compared to last year. Food & Water showed strong growth driven by edible oil, pharma & biotech and brewery, which compensated for the lower order intake in Energy and Marine. Service order intake grew in Food & Water.

### Latin America

The region reported strong growth across all countries and across the three divisions in the fourth quarter compared to the same quarter last year. Brazil had a good order intake for protein, edible oil and pharma & biotech and Central America for offshore pumping systems.

### Asia

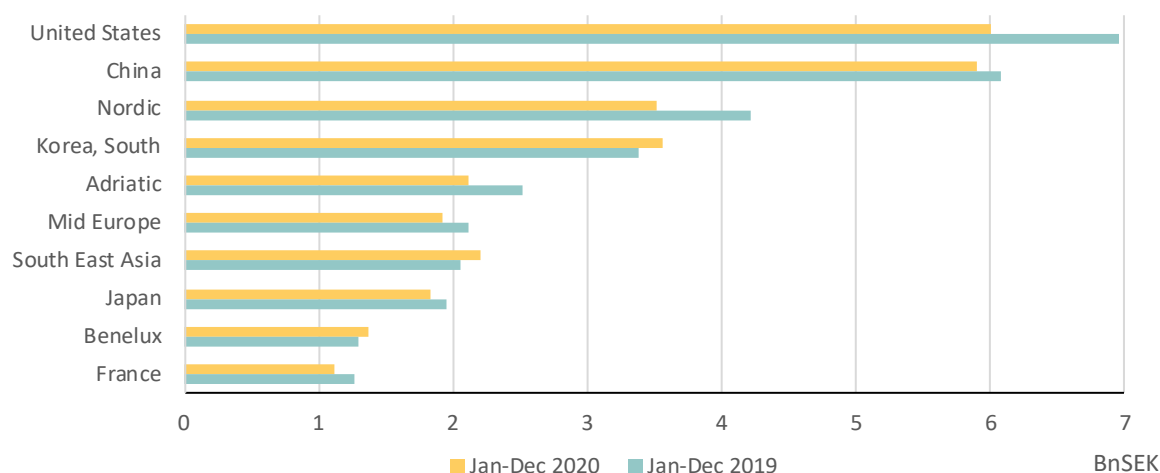
Order intake in the region declined compared to the same quarter last year. Food & Water had a strong order intake in most countries including China and India. The order intake for pumping systems was lower than last year.

### Africa and Oceania

The region had a positive quarter in Energy and Food & Water in Australia and New Zealand. Marine benefitted from an order for pumping systems in Africa. Service order intake grew in all three divisions.

\* 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	Q4		Jan-Dec	
	2020	2019	2020	2019
To customers in:				
Sweden	253	248	989	981
Other EU	2,900	3,430	11,205	11,811
Other Europe	866	1,084	3,247	3,356
USA	1,463	2,017	5,923	7,390
Other North America	193	316	946	1,062
Latin America	443	606	1,630	2,060
Africa	132	166	418	490
China	1,779	1,712	6,180	6,582
South Korea	746	1,043	3,456	4,210
Other Asia	1,777	2,211	6,984	8,112
Oceania	143	131	490	463
<b>Total</b>	<b>10,695</b>	<b>12,964</b>	<b>41,468</b>	<b>46,517</b>

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	Dec 31	
	2020	2019
Sweden	2,344	2,207
Denmark	4,806	5,044
Other EU	4,046	4,209
Norway	11,172	12,847
Other Europe	117	137
USA	3,343	4,468
Other North America	130	150
Latin America	202	313
Africa	9	12
Asia	3,523	3,741
Oceania	110	130
<b>Subtotal</b>	<b>29,802</b>	<b>33,258</b>
Other long-term securities	1,575	141
Pension assets	70	70
Deferred tax asset	1,791	1,801
<b>Total</b>	<b>33,238</b>	<b>35,270</b>

## 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 4.7 (5.4) percent of net sales.

## Consolidated cash flows

SEK millions	Q4		Jan-Dec	
	2020	2019	2020	2019
<b>Operating activities</b>				
Operating income	1,034	2,037	5,580	7,198
Adjustment for depreciation, amortisation and write down	896	601	2,349	2,053
Adjustment for other non-cash items	323	187	397	141
	2,253	2,825	8,326	9,392
Taxes paid	-245	-482	-1,537	-1,901
	2,008	2,343	6,789	7,491
Changes in working capital:				
Increase(-)/decrease(+) of receivables	3	-1,164	1,409	-1,394
Increase(-)/decrease(+) of inventories	761	1,811	126	-617
Increase(+)/decrease(-) of liabilities	-317	-474	-580	-84
Increase(+)/decrease(-) of provisions	209	-124	-21	-173
<b>Increase(-)/decrease(+) in working capital</b>	<b>656</b>	<b>49</b>	<b>934</b>	<b>-2,268</b>
	2,664	2,392	7,723	5,223
<b>Investing activities</b>				
Investments in fixed assets (Capex)	-456	-503	-1,232	-1,337
Divestment of fixed assets	26	4	119	7
Acquisition of businesses	-52	-	-70	-61
Divestment of businesses	-	-5	125	364
	-482	-504	-1,058	-1,027
<b>Financing activities</b>				
Received interests and dividends	13	27	76	120
Paid interests	-41	-39	-260	-281
Realised financial exchange gains	3	-143	92	239
Realised financial exchange losses	-124	-449	-524	-499
Dividends to owners of the parent	-	-	-	-2,097
Dividends to non-controlling interests	0	0	0	0
Increase(-) of financial assets	-1,196	-140	-3,460	-283
Decrease(+) of financial assets	0	-10	0	0
Increase of loans	-	-	2,000	3,155
Amortisation of loans	-2,408	-9	-4,841	-3,299
	-3,753	-763	-6,917	-2,945
<b>Cash flow for the period</b>	<b>-1,571</b>	<b>1,125</b>	<b>-252</b>	<b>1,251</b>
Cash and cash equivalents at the beginning of the period	6,796	4,519	5,594	4,295
Translation difference in cash and cash equivalents	-75	-50	-192	48
<b>Cash and cash equivalents at the end of the period</b>	<b>5,150</b>	<b>5,594</b>	<b>5,150</b>	<b>5,594</b>
Free cash flow per share (SEK) *	5.20	4.50	15.89	10.00
Capex in relation to net sales	4.3%	3.9%	3.0%	2.9%
Average number of shares	419,456,315	419,456,315	419,456,315	419,456,315

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



## Consolidated comprehensive income

SEK millions	Q4		Jan-Dec	
	2020	2019	2020	2019
Net sales	10,695	12,964	41,468	46,517
Cost of goods sold	-6,981	-8,635	-27,210	-30,734
Gross profit	3,714	4,329	14,258	15,783
Sales costs	-1,015	-1,242	-4,125	-4,802
Administration costs	-458	-535	-1,834	-2,092
Research and development costs	-279	-287	-1,039	-1,086
Other operating income	322	428	819	1,174
Other operating costs	-1,243	-666	-2,521	-1,799
Share of result in joint ventures	-7	10	22	20
Operating income	1,034	2,037	5,580	7,198
Dividends and other financial income	-2	5	26	32
Interest income and financial exchange rate gains	103	-117	220	377
Interest expense and financial exchange rate losses	-211	-65	-849	-386
Result after financial items	924	1,860	4,977	7,221
Taxes	-360	-436	-1,397	-1,713
<b>Net income for the period</b>	<b>564</b>	<b>1,424</b>	<b>3,580</b>	<b>5,508</b>
Other comprehensive income:				
Items that will subsequently be reclassified to net income				
Cash flow hedges	665	537	744	307
Market valuation of external shares	-125	0	-125	0
Translation difference	-540	-691	-2,454	632
Deferred tax on other comprehensive income	-157	-104	-76	-75
Sum	-157	-258	-1,911	864
Items that will subsequently not be reclassified to net income				
Revaluations of defined benefit obligations	-216	-213	-432	-138
Deferred tax on other comprehensive income	28	30	87	11
Sum	-188	-183	-345	-127
<b>Comprehensive income for the period</b>	<b>219</b>	<b>983</b>	<b>1,324</b>	<b>6,245</b>
<b>Net income attributable to:</b>				
Owners of the parent	557	1,420	3,553	5,486
Non-controlling interests	7	4	27	22
Earnings per share (SEK)	1.33	3.39	8.47	13.08
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	220	983	1,308	6,220
Non-controlling interests	-1	0	16	25

## Consolidated financial position

SEK millions	Dec 31	
	2020	2019
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	21,284	24,246
Property, plant and equipment	8,321	8,943
Other non-current assets	3,633	2,081
	33,238	35,270
<b>Current assets</b>		
Inventories	9,223	10,077
Assets held for sale	55	-
Accounts receivable	5,834	7,460
Other receivables	4,153	4,929
Derivative assets	589	193
Other current deposits	2,618	873
Cash and cash equivalents *	5,150	5,594
	27,622	29,126
<b>TOTAL ASSETS</b>	60,860	64,396
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Owners of the parent	28,908	27,600
Non-controlling interests	163	147
	29,071	27,747
<b>Non-current liabilities</b>		
Liabilities to credit institutions etc.	8,043	10,600
Lease liabilities	1,573	1,890
Provisions for pensions and similar commitments	2,494	2,321
Provision for deferred tax	1,553	1,662
Other non-current liabilities	686	681
	14,349	17,154
<b>Current liabilities</b>		
Liabilities to credit institutions etc.	1,125	1,422
Accounts payable	2,758	3,439
Advances from customers	4,381	4,269
Other provisions	1,757	1,863
Other liabilities	7,311	8,194
Derivative liabilities	108	308
	17,440	19,495
Total liabilities	31,789	36,649
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	60,860	64,396

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

## Financial assets and liabilities at fair value

SEK millions	Valuation hierarchy level	Dec 31	
		2020	2019
<b>Financial assets</b>			
Other non-current securities	1 and 2	1,490	78
Bonds and other securities	1	1,447	650
Derivative assets	2	785	262
<b>Financial liabilities</b>			
Derivative liabilities	2	113	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

SEK millions	Dec 31	
	2020	2019
Credit institutions	120	166
Swedish Export Credit	1,008	2,318
European Investment Bank	-	1,203
Corporate bonds	8,040	8,335
Lease liabilities	2,235	2,620
<b>Total debt</b>	<b>11,403</b>	<b>14,642</b>
Cash and cash equivalents and current deposits	-7,768	-6,467
<b>Net debt *</b>	<b>3,635</b>	<b>8,175</b>

\* Alternative performance measure.

Alfa Laval has a senior credit facility of EUR 900 million corresponding to SEK 9,077 million at December 31, 2020 with a banking syndicate. The facility was not utilised at December 31, 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 December 31, 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 maturing in December 2021 was repaid already at December 23, 2020. 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

SEK millions	Jan-Dec	
	2020	2019
<b>At the beginning of the period</b>	<b>27,747</b>	<b>23,599</b>
<b>Changes attributable to:</b>		
<b>Owners of the parent</b>		
<b>Comprehensive income</b>		
Comprehensive income for the period	1,308	6,220
<b>Transactions with shareholders</b>		
Dividends	-	-2,097
<b>Subtotal</b>	<b>1,308</b>	<b>4,123</b>
<b>Non-controlling interests</b>		
<b>Comprehensive income</b>		
Comprehensive income for the period	16	25
<b>Transactions with shareholders</b>		
Dividends	0	0
<b>Subtotal</b>	<b>16</b>	<b>25</b>
<b>At the end of the period</b>	<b>29,071</b>	<b>27,747</b>

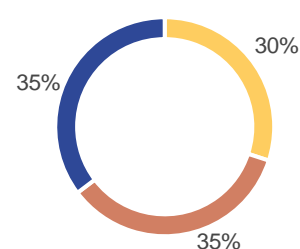
## Condensed segment reporting per quarter



### Orders received

SEK millions	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Energy	2,760	2,716	3,279	3,197	3,594	3,355	3,566	3,448
Food & Water	3,723	3,083	3,396	3,612	3,720	3,306	3,520	3,480
Marine	2,789	3,136	3,074	5,068	3,840	4,006	3,144	4,963
Greenhouse	-	-	-	-	-8	45	-228	296
Operations & Other	0	0	0	0	7	16	23	26
<b>Total</b>	<b>9,272</b>	<b>8,935</b>	<b>9,749</b>	<b>11,877</b>	<b>11,153</b>	<b>10,728</b>	<b>10,025</b>	<b>12,213</b>

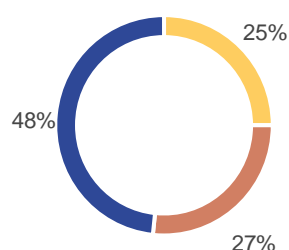
### Jan-Dec 2020



### Order backlog

SEK millions	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Energy	4,740	5,301	5,631	5,397	5,214	5,564	5,709	5,629
Food & Water	5,056	5,170	5,491	5,405	4,894	5,110	5,535	5,304
Marine	9,173	10,198	10,751	12,058	11,443	12,607	13,276	14,338
Greenhouse	-	-	-	-	0	38	35	381
Operations & Other	0	0	0	0	0	10	13	14
<b>Total</b>	<b>18,969</b>	<b>20,669</b>	<b>21,873</b>	<b>22,860</b>	<b>21,551</b>	<b>23,329</b>	<b>24,568</b>	<b>25,666</b>

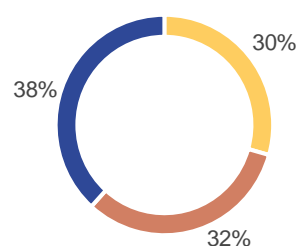
### December 31, 2020



### Net sales

SEK millions	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Energy	3,247	2,922	2,979	3,039	3,961	3,515	3,531	2,807
Food & Water	3,764	3,291	3,241	3,118	3,938	3,763	3,335	3,153
Marine	3,684	3,515	4,235	4,433	5,017	4,715	4,329	3,932
Greenhouse	-	-	-	-	31	45	120	248
Operations & Other	0	0	0	0	17	18	24	18
<b>Total</b>	<b>10,695</b>	<b>9,728</b>	<b>10,455</b>	<b>10,590</b>	<b>12,964</b>	<b>12,056</b>	<b>11,339</b>	<b>10,158</b>

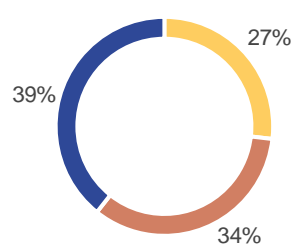
### Jan-Dec 2020



### Operating income\*

SEK millions	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Energy	464	454	476	488	593	519	558	399
Food & Water	702	638	533	498	664	607	473	524
Marine	775	570	705	708	985	870	809	761
Greenhouse	-	-	-	-	7	-15	-15	-7
Operations & Other	-155	-174	-141	-159	-247	-105	-182	-208
<b>Total</b>	<b>1,786</b>	<b>1,488</b>	<b>1,573</b>	<b>1,535</b>	<b>2,002</b>	<b>1,876</b>	<b>1,643</b>	<b>1,469</b>

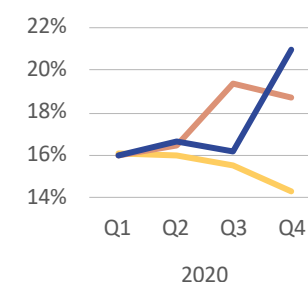
### Jan-Dec 2020



### Operating margin\*

%	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Energy	14.3	15.5	16.0	16.1	15.0	14.8	15.8	14.2
Food & Water	18.7	19.4	16.4	16.0	16.9	16.1	14.2	16.6
Marine	21.0	16.2	16.6	16.0	19.6	18.5	18.7	19.4
Greenhouse	-	-	-	-	22.6	-33.3	-12.5	-2.8
<b>Total</b>	<b>16.7</b>	<b>15.3</b>	<b>15.0</b>	<b>14.5</b>	<b>15.4</b>	<b>15.6</b>	<b>14.5</b>	<b>14.5</b>

### Per quarter 2020



\* In management accounts, see reconciliation on page 13.

## Parent company

The parent company's result after financial items for the full year 2020 was SEK 404 (604) 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 -8 (-8) million, cost for annual report and annual general meeting SEK -2 (-2) million and other operating income and operating costs the remaining SEK 5 (-16) million.

### Parent company income \*

SEK millions	Q4		Jan-Dec	
	2020	2019	2020	2019
Administration costs	-3	-2	-14	-14
Other operating income	-3	0	5	0
Other operating costs	0	-10	0	-16
<b>Operating income</b>	<b>-6</b>	<b>-12</b>	<b>-9</b>	<b>-30</b>
Revenues from interests in group companies	-	-	413	633
Interest income and similar result items	-1	0	0	1
Interest expenses and similar result items	1	0	0	0
<b>Result after financial items</b>	<b>-6</b>	<b>-12</b>	<b>404</b>	<b>604</b>
Change of tax allocation reserve	205	-293	205	-293
Group contributions	79	2,142	79	2,142
<b>Result before tax</b>	<b>278</b>	<b>1,837</b>	<b>688</b>	<b>2,453</b>
Tax on this year's result	-65	-398	-64	-395
<b>Net income for the period</b>	<b>213</b>	<b>1,439</b>	<b>624</b>	<b>2,058</b>

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

### Parent company financial position

SEK millions	Dec 31	
	2020	2019
<b>ASSETS</b>		
<b>Non-current assets</b>		
Shares in group companies	4,669	4,669
<b>Current assets</b>		
Receivables on group companies	10,704	10,292
Other receivables	3	4
Cash and cash equivalents	-	-
	10,707	10,296
<b>TOTAL ASSETS</b>	<b>15,376</b>	<b>14,965</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Restricted equity	2,387	2,387
Unrestricted equity	10,518	9,893
	12,905	12,280
<b>Untaxed reserves</b>		
Tax allocation reserves, taxation 2015-2021	2,447	2,652
<b>Current liabilities</b>		
Liabilities to group companies	15	20
Accounts payable	3	1
Tax liabilities	3	10
Other liabilities	3	2
	24	33
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>15,376</b>	<b>14,965</b>

## Owners and shares

### Owners and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 43,417 (41,147) shareholders on December 31, 2020. The largest owner is Tetra Laval International SA, 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 5.8 to 0.7 percent. These ten largest shareholders owned 49.7 (51.7) percent of the shares.

### Proposed disposition of earnings

The parent company has unrestricted funds of SEK 10,518 (9,893) million.

The Board of Directors propose a dividend of SEK 5.50 (-) per share corresponding to SEK 2,307 (-) million to the Annual General Meeting and that the remaining income available for distribution in Alfa Laval AB (publ) of SEK 8,211 (9,893) 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.

### Proposed share buy-back program

The Board of Directors will also propose the Annual General Meeting to mandate the Board to decide on repurchase of up to 5 percent of the issued shares with the purpose to cancel the repurchased shares and reduce the share capital. The reduction of the share capital will be met by a corresponding bonus issue of shares so that the size of the share capital is restored.

### Annual General Meeting 2021

The Annual General Meeting of Alfa Laval AB will be held on Tuesday April 27, 2021, at 16.00 (CET).

## Acquisitions and divestments of businesses

On December 31, 2020 Alfa Laval has acquired Sandymount, a U.S. based beverage technology company with a unique and patented membrane technology to concentrate beer. The technology in combination with Alfa Laval's extensive product range, will open up interesting business opportunities for the company and enable a more sustainable beer-delivery supply chain. Sandymount's patented membrane technology, Revos™, in combination with Alfa Laval's extensive product range for beer production, will enable beer producers to deliver high quality beer in concentrated form. The solution addresses the transportation inefficiencies in beer supply where beer remains one of the few water-laden products distributed as a 'mostly water' from producer to consumer. The newly acquired company will be integrated into the Business Unit Food Systems in the Food & Water Division.

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.

## 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 December 31, 2020 named as a co-defendant in a total of 623 asbestos-related lawsuits with a total of approximately 623 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 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).

"Q4" and "Fourth quarter" refer to the period October 1 to December 31. "Jan-Dec" and "Full year" refer to the period January 1 to December 31. "The corresponding period last year" refers to the fourth quarter 2019 or the full year 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 and 5.

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.

### 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.

### Annual report 2020

The annual report will be published on Alfa Laval's website on March 31, 2021 at 10.00 CET.

The interim report has been issued at CET 7.30 on February 3, 2021 by the President and Chief Executive Officer Tom Erixon by proxy from the Board of Directors.

Lund, February 3, 2021,

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

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## Review report

### Introduction

We have reviewed the summary interim financial information (the interim report) of Alfa Laval AB (publ) as of December 31, 2020 and the twelve months' period then ended. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report for the fourth quarter 2020, 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, February 3, 2021,

**Staffan Landén**  
Authorised Public Accountant

**Karoline Tedevall**  
Authorised Public Accountant



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#### Date for the next financial reports

Alfa Laval will publish financial reports at the following dates:  
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 Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at CET 7.30 on February 3, 2021.