

# First quarter 2013



## Summary

SEK millions	First three months			
	2013	2012	%	% *
Order intake	7,160	7,895	-9	-5
Net sales	6,535	6,831	-4	0
Adjusted EBITA	1,067	1,128	-5	
- adjusted EBITA margin (%)	16.3	16.5		
Result after financial items	927	1,020	-9	
Net income for the period	703	735	-4	
Earnings per share (SEK)	1.67	1.74	-4	
Cash flow **	974	1,037	-6	
Impact on EBITA of:				
- foreign exchange effects	-32	-25		

\* excluding exchange rate variations \*\* from operating activities

## Comment from Lars Renström, President and CEO

“Order intake was SEK 7.2 billion during the first quarter, unchanged compared with the fourth quarter and in line with our expectations.

The demand in the Process Technology division was sequentially somewhat lower due to fewer large orders. The activity level in the markets continued to be high, especially within oil and gas exploration and refinery of vegetable oil. Equipment reported slightly lower order intake due to fewer larger orders, but for the aftermarket business a good development was noted. Marine & Diesel had good growth, boosted by the base business as well as larger orders for environmental and offshore applications.

Central and Eastern Europe developed best among the regions, thanks to a strong demand

from refineries and oil and gas exploration in Russia. Also North America benefitted from investments within oil and gas and saw good growth in total for the base business as well as large orders. Order intake from Asia was flat as a consequence of a continued cautious attitude among the customers in China. Western Europe including the Nordic countries had growth in the base business, but decreased in total due to fewer large orders.

Sales were SEK 6.5 billion and the operating result was SEK 1.1 billion, corresponding to an operating margin of 16.3 percent. Sales and administration costs were reduced by 2.5 percent for comparable units, as a result of implemented savings measures.”

## Dividend

The Board of Directors propose a dividend of SEK 3.50 (3.25) per share and a mandate for

repurchase of up to 5 percent of the issued shares to the Annual General Meeting.

## Outlook for the second quarter

“We expect that demand during the second quarter 2013 will be on about the same level as in the first quarter.”

*Earlier published outlook (February 5, 2013): “We expect that demand during the first quarter 2013 will be on about the same level as in the fourth quarter.”*

The interim report has not been subject to review by the company’s auditors.

# Management's discussion and analysis

## Important events during the first quarter

During the first quarter 2013 Alfa Laval received large orders<sup>1)</sup> for SEK 445 (950) million:

- An order from the South Korean shipyard Daewoo Shipbuilding & Marine Engineering (DSME) to supply Alfa Laval Aalborg heaters to a floating production, storage and offloading vessel (FPSO), which will be built in South Korea. The order, booked in the Marine & Offshore Systems segment, is worth approximately SEK 130 million and delivery is scheduled for 2013.
- An order to supply compact heat exchangers to a Liquid Natural Gas plant (LNG), for processing of shale gas in the U.S. The order, booked in the Energy & Environment segment, is worth approximately SEK 55 million and delivery is scheduled for 2013.
- An order to supply heavy oil treatment systems to a power plant in Middle East. The order, booked in the Energy & Environment segment, has a value of approximately SEK 90 million and delivery is scheduled for 2013.
- An order to supply compact heat exchangers to a gas plant being built in Russia. The order, booked in the Energy & Environment segment, has a value of approximately SEK

60 million and delivery is scheduled to start in 2013 and be finalized in 2014.

- An order to supply plate heat exchangers for cooling applications in Canada. The order, booked in the Energy and Environment segment, has a value of approximately SEK 60 million and delivery is scheduled to start in 2013 and be finalized in 2014.
- An order to supply Alfa Laval PureBallast systems to a leading shipyard in South Korea. The order, booked in the Marine & Diesel Equipment segment, has a value of approximately SEK 50 million. Delivery will start in 2013 and be finalized in 2014.

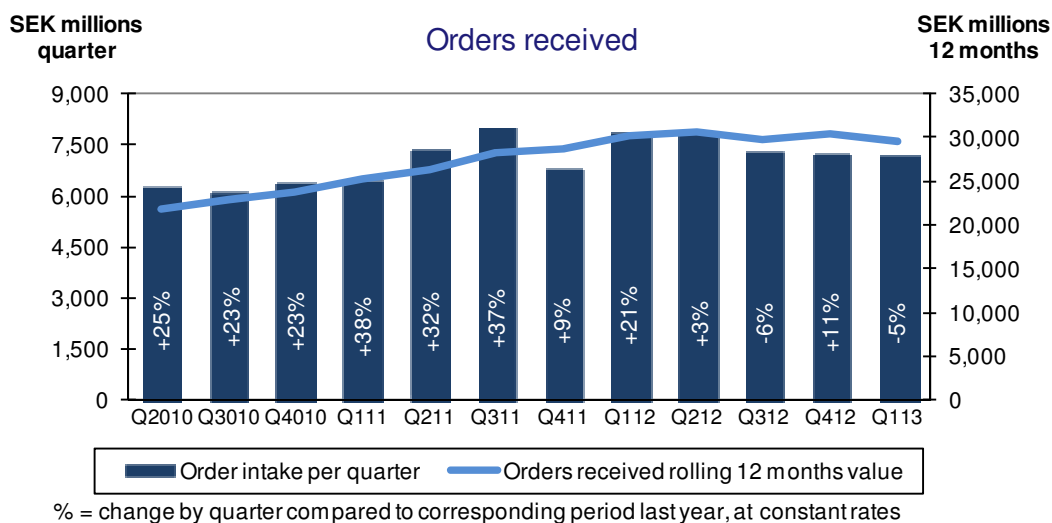
In addition it can be noted that Alfa Laval:

- increased the ownership in Alfa Laval (India) Ltd to 97.8 percent,
- has acquired the assets and technology for a gas combustion unit from the company Snecma (Safran). The product, which will be included in the offering from the Marine & Offshore Systems segment, is expected to generate sales of about SEK 40 million in 2013.

## Order intake

Orders received amounted to SEK 7,160 (7,895) million for the first quarter. Compared with earlier

periods the development per quarter has been as follows.



1. Orders with a value over EUR 5 million.

The change compared with the corresponding period last year can be split into:

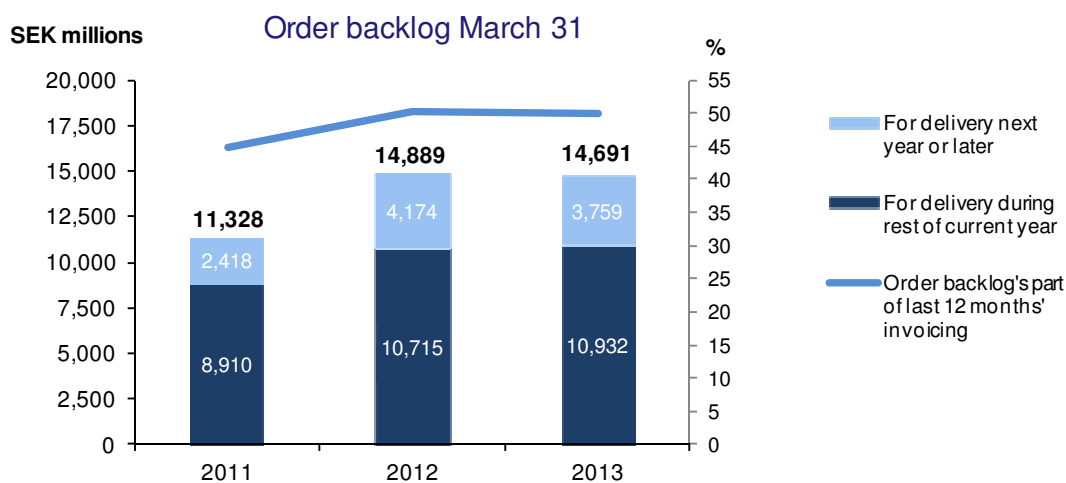
	Consolidated	Order bridge					Order intake 2013 SEK millions
		Change					
		Excluding currency effects			After currency effects		
Order intake 2012 SEK millions		Structural change <sup>2)</sup> (%)	Organic development <sup>3)</sup> (%)	Total (%)	Currency effects (%)	Total (%)	
First quarter	7,895	3.2	-8.0	-4.8	-4.5	-9.3	7,160

Compared to the previous quarter the Group's order intake excluding currency effects was 1.0 percent higher. The corresponding organic development was a decrease by 0.7 percent.

Orders received from the aftermarket Parts & Service constituted 28.7 (26.2) percent of the

Group's total orders received during the first quarter. Excluding currency effects, the order intake for Parts & Service increased by 4.6 percent during the first quarter 2013 compared to the corresponding quarter last year and increased with 5.6 percent compared to the previous quarter.

## Order backlog



Excluding currency effects and adjusted for acquisition of businesses the order backlog was 0.6 percent higher than the order backlog at

March 31, 2012 and 4.5 percent higher than the order backlog at the end of 2012.

2. Acquired businesses are: Air Cooled Exchangers, LLC (ACE) at December 31, 2012, Gamajet Cleaning Systems Inc at August 23, 2012, Ashbrook Simon-Hartley at August 1, 2012 and Vortex Systems at June 30, 2012.
3. Change excluding acquisition of businesses.

## Net sales

Net invoicing was SEK 6,535 (6,831) million for the first quarter. The change compared with the

corresponding period last year can be split into:

Consolidated		Sales bridge					Net sales 2013 SEK millions
		Change Excluding currency effects			After currency effects		
Net sales 2012 SEK millions		Structural change (%)	Organic development (%)	Total (%)	Currency effects (%)	Total (%)	
		First quarter	6,831	3.5	-3.2	0.3	

Compared to the previous quarter the Group's net invoicing excluding currency effects was 17.6 percent lower. The corresponding organic development was a decrease by 19.1 percent.

Net invoicing relating to Parts & Service constituted 28.0 (27.7) percent of the Group's

total net invoicing in the first quarter. Excluding currency effects, the net invoicing for Parts & Service increased by 1.4 percent during the first quarter 2013 compared to the corresponding quarter last year and decreased with 10.4 percent compared to the previous quarter.

## Income

### CONSOLIDATED COMPREHENSIVE INCOME

SEK millions	First three months		Full year	Last 12
	2013	2012 *	2012 *	months
Net sales	6,535	6,831	29,813	29,517
Cost of goods sold	-4,172	-4,324	-19,169	-19,017
Gross profit	2,363	2,507	10,644	10,500
Sales costs	-881	-898	-3,345	-3,328
Administration costs	-306	-325	-1,656	-1,637
Research and development costs	-170	-158	-707	-719
Other operating income **	103	85	384	402
Other operating costs **	-178	-203	-924	-899
Operating income	931	1,008	4,396	4,319
Dividends and changes in fair value	1	1	8	8
Interest income and financial exchange rate gains	122	112	501	511
Interest expense and financial exchange rate losses	-127	-101	-376	-402
Result after financial items	927	1,020	4,529	4,436
Taxes	-224	-285	-1,306	-1,245
<b>Net income for the period</b>	<b>703</b>	<b>735</b>	<b>3,223</b>	<b>3,191</b>
Other comprehensive income: Items that will subsequently be reclassified to net income				
Cash flow hedges	-31	24	168	113
Translation difference	-183	-233	-798	-748
Deferred tax on other comprehensive income	-9	2	-50	-61
Sum	-223	-207	-680	-696
Items that will subsequently not be reclassified to net income				
Revaluations of defined benefit obligations	0	0	-277	-277
Deferred tax on other comprehensive income	0	0	37	37
Sum	0	0	-240	-240
<b>Comprehensive income for the period</b>	<b>480</b>	<b>528</b>	<b>2,303</b>	<b>2,255</b>
<b>Net income attributable to:</b>				
Owners of the parent	701	730	3,206	3,177
Non-controlling interests	2	5	17	14
Earnings per share (SEK)	1.67	1.74	7.64	7.57
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	470	521	2,290	2,239
Non-controlling interests	10	7	13	16

\* Restated to the new IAS 19, see page 23.

\*\* The line has been affected by comparison distortion items, see separate specification on page 7.

The gross profit has compared to the first quarter 2012 been negatively affected by exchange rates, changes in mix and the adaptation of the cost accounting within Aalborg, while the factory utilisation had a positive effect. Compared to the previous quarter the most prominent effect was a positive impact from changes in mix.

Sales and administration expenses amounted to SEK 1,187 (1,223) million during the first quarter

2013. Excluding currency effects and acquisition of businesses, sales and administration expenses were 2.5 percent lower than the corresponding period last year.

The costs for research and development during the first quarter 2013 corresponded to 2.6 (2.3) percent of net sales. Excluding currency effects and acquisition of businesses, the costs for research and development have increased by

10.9 percent compared to the corresponding period last year. This is in line with Alfa Laval's ambition to further strengthen its position within the Group's various product areas.

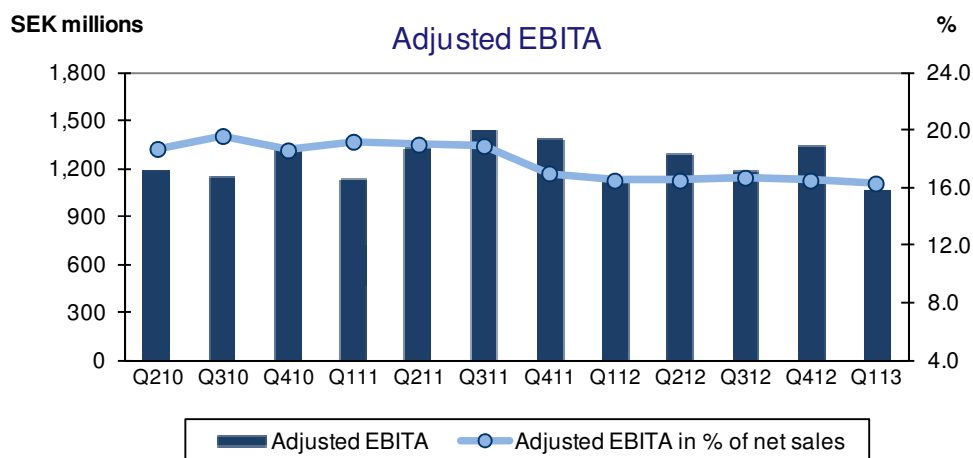
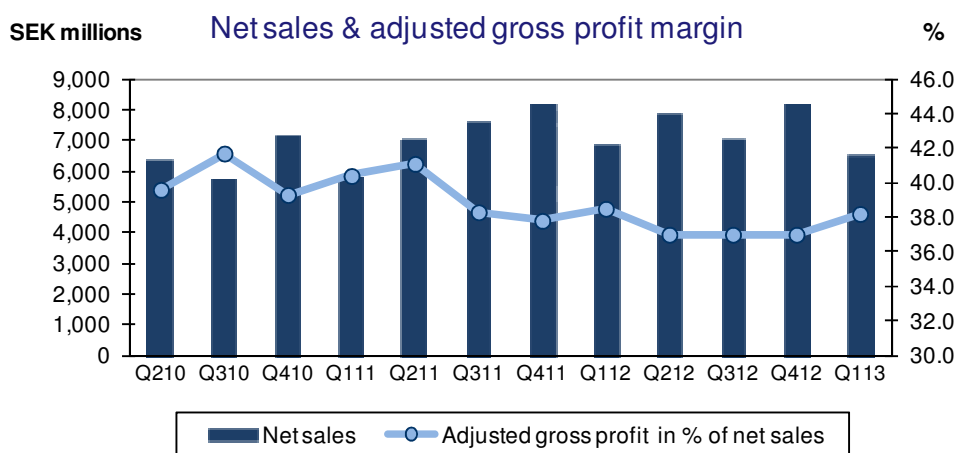
The cost in the quarter has in addition to the lower tax rate in Sweden been affected by

deferred taxes concerning pension insurances.

The net income attributable to the owners of the parent, excluding depreciation of step-up values and the corresponding tax, is SEK 1.94 (1.87) per share for the first three months 2013.

Consolidated	Income analysis			
	First three months	Full year	Last 12	
SEK millions	2013	2012	2012 *	months
Net sales	6,535	6,831	29,813	29,517
Adjusted gross profit **	2,499	2,627	11,131	11,003
- in % of net sales	38.2	38.5	37.3	37.3
Expenses ***	-1,319	-1,389	-5,750	-5,680
- in % of net sales	20.2	20.3	19.3	19.2
<b>Adjusted EBITDA</b>	<b>1,180</b>	<b>1,238</b>	<b>5,381</b>	<b>5,323</b>
- in % of net sales	18.1	18.1	18.0	18.0
Depreciation	-113	-110	-447	-450
<b>Adjusted EBITA</b>	<b>1,067</b>	<b>1,128</b>	<b>4,934</b>	<b>4,873</b>
- in % of net sales	16.3	16.5	16.5	16.5
Amortisation of step up values	-136	-120	-487	-503
Comparison distortion items	-	-	-51	-51
Operating income	931	1,008	4,396	4,319

\* Restated to the new IAS 19. \*\* Excluding amortisation of step up values. \*\*\* Excluding comparison distortion items.



## Comparison distortion items

The operating income for the first quarter 2013 has not been affected by any comparison distortion items. When applicable these are

reported gross in the comprehensive income statement as a part of other operating income and other operating costs.

Consolidated	Comparison distortion items			
	First three months		Full year	Last 12
SEK millions	2013	2012	2012	months
<b>Operational</b>				
Other operating income	103	85	384	402
Comparison distortion income	-	-	-	-
Total other operating income	103	85	384	402
Other operating costs	-178	-203	-873	-848
Comparison distortion costs	-	-	-51	-51
Total other operating costs	-178	-203	-924	-899

## Consolidated financial net

The financial net has amounted to SEK -17 (-47) million, excluding realised and unrealised exchange rate losses and gains. The main elements of costs were interest on debt to the banking syndicate of SEK -4 (-3) million, interest on the bilateral term loans SEK -17 (-23) million,

interest on the private placement of SEK -4 (-5) million and a net of dividends and other interest income and interest costs of SEK 8 (-16) million. The net of realised and unrealised exchange rate differences amounts to SEK 13 (59) million.

## Key figures

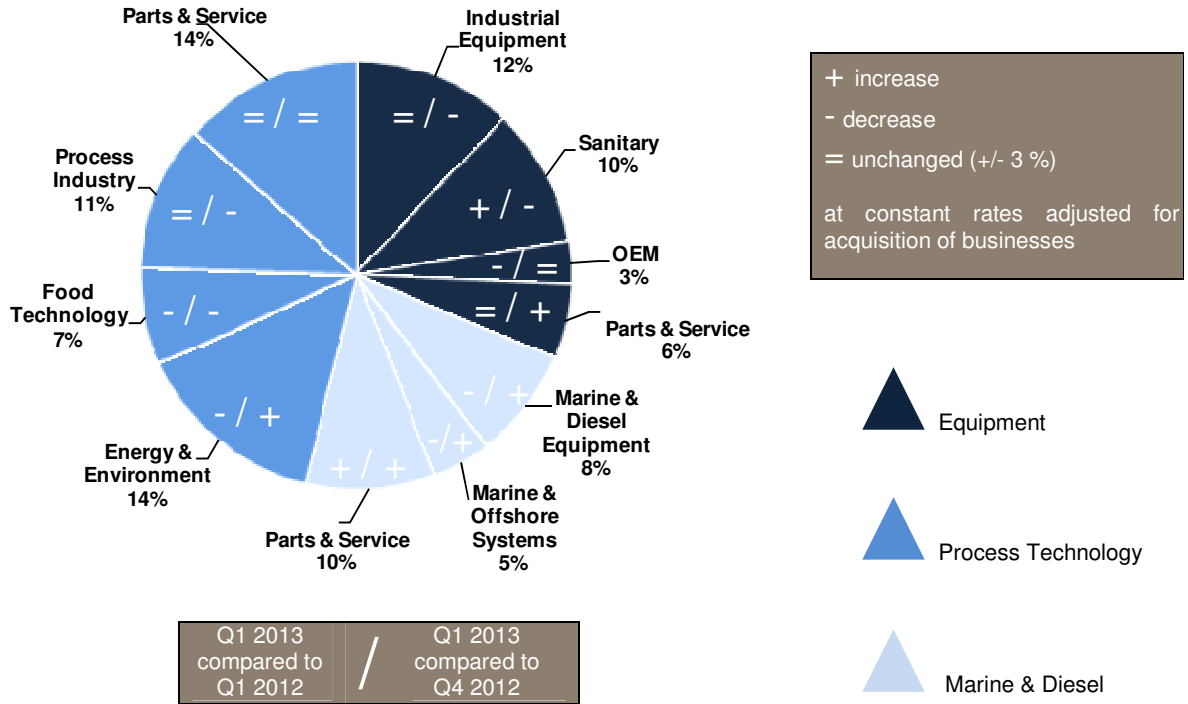
Consolidated	Key figures		
	March 31	December 31	
	2013	2012 *	2012 *
Return on capital employed (%) **	26.9	30.6	27.4
Return on equity capital (%) **	22.5	23.6	22.9
Solidity (%) ***	43.9	42.9	41.3
Net debt to EBITDA, times **	0.63	0.53	0.80
Debt ratio, times ***	0.22	0.20	0.30
Number of employees ***	16,193	15,999	16,419

\* Restated to the new IAS 19. \*\* Calculated on a 12 months' revolving basis. \*\*\* At the end of the period.

## Business divisions

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

Orders received by customer segment Q1 2013





## Equipment division

Consolidated SEK millions	First three months		Full year	Last 12
	2013	2012	2012	months
Orders received	2,257	2,339	9,701	9,619
Order backlog*	1,598	1,501	1,583	1,598
Net sales	2,178	2,233	9,476	9,421
Operating income**	275	286	1,389	1,378
Depreciation and amortisation	42	39	162	165
Investments	10	10	46	46
Assets*	5,668	5,962	5,804	5,668
Liabilities*	825	982	986	825
Number of employees*	2,733	2,850	2,813	2,733

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

Consolidated	Change excluding currency effects					
	Order intake			Net sales		
	Structural change	Organic development	Total	Structural change	Organic development	Total
%						
Q1 2013/2012	0.6	-0.1	0.5	0.7	0.8	1.5
Q1 2013/Q4 2012	0.2	-4.0	-3.8	0.2	-10.9	-10.7

All comments below are excluding exchange rate fluctuations.

### Order intake

Order intake was down slightly in the first quarter 2013, compared to the last quarter 2012. The drop was most notable in the Sanitary segment, whereas Parts & Service all-over had a good development. From a geographical perspective there was good growth reported in the U.S., France and the Adriatic region. The Nordic region and China, however, were down compared to the previous quarter, negatively affected by non-repeats in Sanitary.

Sanitary contracted compared to the previous quarter, as the larger projects booked in the fourth quarter – mainly to customers in the dairy markets in the U.S., China and the Nordic region – were not repeated. Personal care applications saw a good development and regions that performed well included Mid Europe, Adriatic and France. Industrial Equipment declined somewhat

from the previous quarter, the main reason being a slow development in district heating. At the same time demand from the refrigeration market increased. Both the U.S. and China grew compared to the previous quarter, while the Nordic countries and Russia decreased, negatively affected by the development in district heating. OEM was unchanged from the fourth quarter 2012 as the prolonged cold winter in certain parts of the world led to lower demand from customers making air conditioning units. At the same time growth was recorded from boiler manufacturers.

### Operating income

The decrease in operating income for Equipment during the first quarter 2013 compared to the corresponding period last year is mainly explained by lower sales volume and a negative price/mix variation, partly compensated by lower costs.

## Process Technology division

Consolidated SEK millions	First three months		Full year	Last 12
	2013	2012	2012	months
Orders received	3,288	3,600	14,081	13,769
Order backlog*	8,636	7,723	8,358	8,636
Net sales	2,842	2,778	12,812	12,876
Operating income**	493	501	2,194	2,186
Depreciation and amortisation	74	55	230	249
Investments	23	19	110	114
Assets*	10,413	8,787	10,608	10,413
Liabilities*	4,458	4,228	4,304	4,458
Number of employees*	5,024	4,498	5,085	5,024

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

Consolidated	Change excluding currency effects					
	Order intake			Net sales		
	Structural change	Organic development	Total	Structural change	Organic development	Total
%						
Q1 2013/2012	6.9	-11.7	-4.8	8.4	0.8	9.2
Q1 2013/Q4 2012	4.3	-8.4	-4.1	3.7	-26.8	-23.1

All comments below are excluding exchange rate fluctuations.

### Order intake

Demand in the first quarter was slightly down from the previous quarter, mainly driven by fewer large orders within the Process Industry segment and the market unit environment. Energy related areas, however, such as oil & gas and power, recorded strong growth, while Parts & Service was unchanged. Geographically, North America grew, Latin America was stable, Europe was virtually unchanged and Asia declined.

Energy & Environment showed good growth compared to the previous quarter, primarily driven by large orders, especially for oil and gas exploration. This sector showed continued strength with extensive ongoing investment programmes. The power market unit had a strong quarter, also contributing to the positive development. The environmental business saw a slight contraction even as the base business\* grew, due to less of large orders. Process Industry declined, mainly driven by fewer large

orders compared to the fourth quarter 2012. However, the base business had a stable development, reflecting the underlying activity level seen in the end markets. Food Technology showed a decline compared to the previous quarter, affected by the development in the market units brewery and beverage & viscous food. The market unit vegetable oil technology however - the largest part of the segment - noted strong growth. This reflected a continued strong activity level in the industry, with both upgrades and investments in capacity, primarily in Latin America and Asia.

### Operating income

The decrease in operating income for Process Technology during the first quarter 2013 compared to the corresponding period last year is mainly explained by a limited negative price/mix effect, mitigated by a higher sales volume.

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

## Marine & Diesel division

Consolidated SEK millions	First three months		Full year	Last 12
	2013	2012	2012	months
Orders received	1,615	1,956	6,557	6,216
Order backlog*	4,457	5,665	4,527	4,457
Net sales	1,515	1,820	7,525	7,220
Operating income**	290	369	1,458	1,379
Depreciation and amortisation	52	56	224	220
Investments	3	4	38	37
Assets*	7,825	8,694	8,309	7,825
Liabilities*	1,874	2,211	2,043	1,874
Number of employees*	3,149	3,591	3,346	3,149

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

Consolidated	Change excluding currency effects					
	Order intake			Net sales		
	Structural change	Organic development	Total	Structural change	Organic development	Total
%						
Q1 2013/2012	-	-13.1	-13.1	-	-12.6	-12.6
Q1 2013/Q4 2012	-	20.0	20.0	-	-17.3	-17.3

All comments below are excluding exchange rate fluctuations.

### Order intake

Order intake for the Marine & Diesel Division grew substantially in the first quarter of 2013 compared to the fourth quarter of 2012, boosted by growth for the base business as well as some large orders within the environmental and offshore applications.

The Marine and Diesel Equipment segment saw a recovery in demand, with solid growth across the traditional marine portfolio, diesel power plants and, in particular, marine environmental solutions. The latter included a large order for ballast water treatment systems, worth SEK 50 million. The Marine & Offshore Systems segment

also reported growth following a large offshore gas order in South Korea, worth approximately SEK 130 million. The base business showed a stable development compared to the previous quarter.

Demand for parts and services showed growth compared to the previous quarter, mainly due to good repair activity.

### Operating income

The decrease in operating income for Marine & Diesel during the first quarter 2013 compared to the corresponding period last year is mainly explained by lower sales volume, partly compensated by lower costs for sales and administration.

## Other

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

Consolidated SEK millions	First three months		Full year	Last 12
	2013	2012	2012	months
Orders received	0	0	0	0
Order backlog*	0	0	0	0
Net sales	0	0	0	0
Operating income**	-110	-110	-541	-541
Depreciation and amortisation	81	80	318	319
Investments	46	61	337	322
Assets*	5,251	5,356	5,395	5,251
Liabilities*	2,158	2,235	2,188	2,158
Number of employees*	5,287	5,060	5,175	5,287

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

## Reconciliation between divisions and Group total

Consolidated SEK millions	First three months		Full year	Last 12
	2013	2012	2012 *	months
<b>Operating income</b>				
Total for divisions	948	1,046	4,500	4,402
Comparison distortion items	-	-	-51	-51
Consolidation adjustments **	-17	-38	-53	-32
Total operating income	931	1,008	4,396	4,319
Financial net	-4	12	133	117
Result after financial items	927	1,020	4,529	4,436
<b>Assets ***</b>				
Total for divisions	29,157	28,799	30,116	29,157
Corporate	4,743	4,546	4,863	4,743
Group total	33,900	33,345	34,979	33,900
<b>Liabilities ***</b>				
Total for divisions	9,315	9,656	9,521	9,315
Corporate	9,703	9,370	11,026	9,703
Group total	19,018	19,026	20,547	19,018

\* Restated to the new IAS 19. \*\* Difference between management accounts and IFRS. \*\*\* At the end of the period.

## Information about products and services

Consolidated	Net sales by product/service *			
	First three months	Full year	Last 12	
SEK millions	2013	2012	2012	months
Own products within:				
Separation	1,473	1,530	6,646	6,589
Heat transfer	3,534	3,698	16,010	15,846
Fluid handling	774	730	3,046	3,090
Other	164	129	919	954
Associated products	312	458	1,828	1,682
Services	278	286	1,364	1,356
<b>Total</b>	<b>6,535</b>	<b>6,831</b>	<b>29,813</b>	<b>29,517</b>

\* The split of own products within separation, heat transfer and fluid handling is a reflection of the current three main technologies. Other is own products outside these main technologies. Associated products are

mainly purchased products that complement Alfa Laval's product offering. Services cover all sorts of service, service agreements etc.

## New products during the first quarter

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

### Unique Diaphragm Valve-Premium UltraPure

The Alfa Laval Unique Diaphragm Valve-Premium



UltraPure is an all new diaphragm valve that delivers an all-around performance improvement. Ideal for use in sterile, ultra-hygienic processes, this reliable valve provides a higher flow rate and lower pressure drop than traditional diaphragm

valves. The innovative design makes it easy to install, easy to service and helps to cut energy costs. The Unique Diaphragm Valve-Premium UltraPure sets a new standard for safety, efficiency and simplicity of operations. With its enhanced performance, this new low maintenance diaphragm valve doubles the flow and ultimately helps lower the total cost of ownership.

### ThinkTop D30



Compact and intelligent, The Alfa Laval ThinkTop® D30 is an easy-to-install integrated control unit for sanitary applications. It is also a cost-

effective alternative to control panels with external solenoid valves or where space is limited and operational simplicity and reliability important. The Alfa Laval ThinkTop D30, offers solid control and functionality, including seamless PLC (Programmable Logic Controller) communications with digital interface, 360° visual LED indication, spring-loaded terminals and IP66/IP67 protection class.

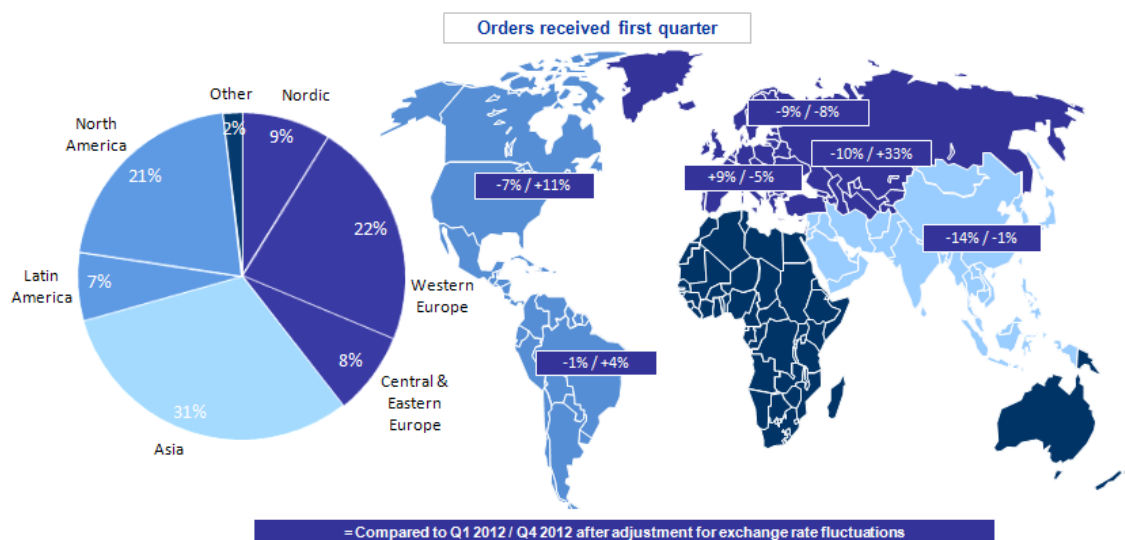
### New range of High Speed Separators

Four new high speed separators have been launched to boost Alfa Laval's competitiveness for the mid-markets. The four separators are; PAPX 10 for Crude Palm Oil, VNPX 310 for Beverages and Herbal extracts applications in China, VO 10 for Vegetable Oil (mainly for India) and VO 20 for Vegetable Oil (mainly for China).



The new separator range is unique in the sense that it is developed to compete on extremely price sensitive markets within pre-defined applications. Alfa Laval has developed the separators fulfilling the essential needs of the mid-market, while maintaining Alfa Laval's quality and reliability.

## Information by region



All comments are after adjustment for exchange rate fluctuations.

### Western Europe including Nordic

Order intake declined in the first quarter compared with the previous quarter, affected by fewer large contracts being booked in the Process Technology Division. The base business\*, however, had an overall positive development. Parts & Service developed positively across the region and a good development was also recorded for Marine & Diesel Equipment and OEM. From a regional perspective France and Mid Europe developed positively, while the Iberica and Nordic sales regions declined as a result of the fewer large contracts.

### Central and Eastern Europe

Central and Eastern Europe reported a strong increase in order intake in the first quarter compared to the fourth quarter 2012. The base business was stable and Parts & Service saw a very good development. The main driver, however, was an increase in large orders, primarily in oil & gas and refinery in Russia. Russia was hence the country to show the best performance, followed by Poland, the Baltic states and Turkey.

### North America

Order intake increased in the first quarter compared to the previous quarter, both in the US and in Canada. The base business contributed to this positive development, but the main explanation was the development for large projects. Both Energy & Environment and OEM did particularly well in the quarter, while Parts & Service declined somewhat.

### Latin America

Order intake was virtually unchanged in the first quarter compared to the fourth quarter 2012. A drop in new sales in the divisions Marine & Diesel and Equipment was compensated by an increase in project orders in the Process Technology Division. Parts & Service saw an overall good development. Geographically, the best performance was reported in Brazil and Mexico, boosted by projects relating to investments in the refinery and food sectors.

### Asia

Order intake was unchanged in the first quarter compared to the previous quarter. Demand for parts and services was also on the same level as in the fourth quarter while the Equipment division dropped somewhat due to a lower order intake for Sanitary. The Process Technology division also declined, as fewer large orders were booked in the first quarter compared to the fourth. At the same time, smaller projects within refinery, vegetable oil and life science noted a high activity level across the region. The best performance was seen in the Marine & Diesel division and in particular for ballast water treatment systems, marine boilers and the traditional Marine & Diesel Equipment portfolio. South Korea, Malaysia and Japan were the best performing countries. China declined somewhat as the project business in the country continued to be in a wait-and-see mode, the exception being Process Industry which saw strong growth compared to the previous quarter.

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

Consolidated	Net sales			
	First three months		Full year	Last 12
SEK millions	2013	2012	2012	months
To customers in:				
Sweden	203	211	856	848
Other EU	1,772	1,768	7,911	7,915
Other Europe	496	564	2,521	2,453
USA	1,112	1,136	4,626	4,602
Other North America	182	178	921	925
Latin America	387	434	1,950	1,903
Africa	78	60	330	348
China	601	786	3,298	3,113
Other Asia	1,594	1,606	6,969	6,957
Oceania	110	88	431	453
Total	6,535	6,831	29,813	29,517

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

Consolidated	Non-current assets		
	March 31		December 31
SEK millions	2013	2012 *	2012 *
Sweden	1,478	1,543	1,504
Denmark	4,217	4,613	4,385
Other EU	3,881	4,287	4,057
Other Europe	303	329	312
USA	3,584	2,141	3,631
Other North America	117	119	120
Latin America	433	489	429
Africa	1	1	1
Asia	2,807	3,002	2,890
Oceania	93	95	93
Subtotal	16,914	16,619	17,422
Other long-term securities	5	20	9
Pension assets	12	1	3
Deferred tax asset	1,289	1,423	1,488
Total	18,220	18,063	18,922

\* Restated to the new IAS 19.

## 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 3-4 percent of net sales.



## Cash flows

### CONSOLIDATED CASH FLOWS

SEK millions	First three months 2013	2012	Full year 2012 *	Last 12 months
<b>Operating activities</b>				
Operating income	931	1,008	4,396	4,319
Adjustment for depreciation	249	230	934	953
Adjustment for other non-cash items	18	5	241	254
	1,198	1,243	5,571	5,526
Taxes paid	-375	-306	-1,569	-1,638
	823	937	4,002	3,888
Changes in working capital:				
Increase(-)/decrease(+) of receivables	350	408	-158	-216
Increase(-)/decrease(+) of inventories	-84	-201	-214	-97
Increase(+)/decrease(-) of liabilities	-205	-11	-25	-219
Increase(+)/decrease(-) of provisions	90	-96	-19	167
<b>Increase(-)/decrease(+) in working capital</b>	<b>151</b>	<b>100</b>	<b>-416</b>	<b>-365</b>
	974	1,037	3,586	3,523
<b>Investing activities</b>				
Investments in fixed assets (Capex)	-82	-94	-531	-519
Divestment of fixed assets	1	0	49	50
Acquisition of businesses	-69	-600	-2,778	-2,247
	-150	-694	-3,260	-2,716
<b>Financing activities</b>				
Received interests and dividends	27	29	97	95
Paid interests	-24	-59	-252	-217
Realised financial exchange differences	40	17	104	127
Dividends to owners of the parent	-	-	-1,363	-1,363
Dividends to non-controlling interests	-	-8	-7	1
Increase(-)/decrease(+) of financial assets	33	305	5	-267
Increase(+)/decrease(-) of borrowings	-942	-537	1,009	604
	-866	-253	-407	-1,020
<b>Cash flow for the period</b>	<b>-42</b>	<b>90</b>	<b>-81</b>	<b>-213</b>
Cash and bank at the beginning of the period	1,404	1,564	1,564	1,620
Translation difference in cash and bank	-10	-34	-79	-55
<b>Cash and bank at the end of the period</b>	<b>1,352</b>	<b>1,620</b>	<b>1,404</b>	<b>1,352</b>
Free cash flow per share (SEK) **	1.96	0.82	0.78	1.92
Capex in relation to sales	1.3%	1.4%	1.8%	1.8%
Average number of shares	419,456,315	419,456,315	419,456,315	419,456,315

\* Restated to the new IAS 19.

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

During the first quarter 2013 cash flows from operating and investing activities amounted to SEK 824 (343) million. Depreciation, excluding

allocated step-up values, was SEK 113 (110) million during the first quarter.

## Financial position and equity

<b>CONSOLIDATED FINANCIAL POSITION</b>				Opening balance
SEK millions	March 31 2013	2012 *	December 31 2012 *	January 1 2012
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	13,193	12,771	13,599	13,045
Property, plant and equipment	3,721	3,847	3,823	3,936
Other non-current assets	1,306	1,445	1,500	1,588
	18,220	18,063	18,922	18,569
<b>Current assets</b>				
Inventories	6,164	6,254	6,176	6,148
Assets held for sale	-	-	9	-
Accounts receivable	4,842	4,650	5,211	5,080
Other receivables	2,660	2,251	2,505	2,280
Derivative assets	278	318	325	303
Other current deposits	384	189	427	483
Cash and bank **	1,352	1,620	1,404	1,564
	15,680	15,282	16,057	15,858
<b>TOTAL ASSETS</b>	<b>33,900</b>	<b>33,345</b>	<b>34,979</b>	<b>34,427</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Owners of the parent	14,813	14,196	14,371	14,191
Non-controlling interests	69	123	61	162
	14,882	14,319	14,432	14,353
<b>Non-current liabilities</b>				
Liabilities to credit institutions	1,127	775	2,051	1,353
Swedish Export Credit	1,669	1,776	1,723	1,787
European Investment Bank	1,085	1,154	1,120	1,162
Private placement	717	730	714	758
Provisions for pensions and similar commitments	1,622	1,507	1,691	1,570
Provision for deferred tax	1,820	1,871	1,932	1,927
Other provisions	569	499	473	520
	8,609	8,312	9,704	9,077
<b>Current liabilities</b>				
Liabilities to credit institutions	347	184	395	132
Accounts payable	2,113	2,362	2,333	2,668
Advances from customers	2,255	2,216	2,121	2,020
Other provisions	1,529	1,560	1,603	1,612
Other liabilities	3,958	4,023	4,204	4,137
Derivative liabilities	207	369	187	428
	10,409	10,714	10,843	10,997
Total liabilities	19,018	19,026	20,547	20,074
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	<b>33,900</b>	<b>33,345</b>	<b>34,979</b>	<b>34,427</b>

\* Restated to the new IAS 19, see page 24.

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

Cash, bank and current deposits include bank and other deposits in the previously publicly listed subsidiary Alfa Laval (India) Ltd of SEK 185 (204)

million. The company is not a wholly-owned subsidiary of the Alfa Laval Group. It is owned to 97.8 (94.5) percent.

Consolidated	Borrowings and net debt		
		March 31	December 31
SEK millions	2013	2012	2012
Credit institutions	1,474	959	2,446
Swedish Export Credit	1,669	1,776	1,723
European Investment Bank	1,085	1,154	1,120
Private placement	717	730	714
Capitalised financial leases	90	114	97
Interest-bearing pension liabilities	1	2	1
<b>Total debt</b>	<b>5,036</b>	<b>4,735</b>	<b>6,101</b>
Cash, bank and current deposits	-1,736	-1,809	-1,831
<b>Net debt</b>	<b>3,300</b>	<b>2,926</b>	<b>4,270</b>

Alfa Laval has a senior credit facility of EUR 301 million and USD 420 million, corresponding to SEK 5,252 million with a banking syndicate. At March 31, 2013 SEK 897 million of the facility was utilised. The facility matures in April 2016, with a one-year extension option. Alfa Laval also has a bilateral term loan with SHB of EUR 25 million, corresponding to SEK 209 million that matures in December 2013.

The bilateral term loan with Swedish Export Credit is split on one loan of EUR 100 million that matures in 2014 and one loan of EUR 100 million that matures in 2021. The loan from the European Investment Bank of EUR 130 million matures in 2018. The private placement of USD 110 million matures in 2016.

## CHANGES IN CONSOLIDATED EQUITY

SEK millions	First three months 2013	2012 *	Full year 2012 *
<b>At the beginning of the period</b>	14,432	14,353	14,353
<b>Changes attributable to:</b>			
<b>Owners of the parent</b>			
<b>Comprehensive income</b>			
Comprehensive income for the period	470	521	2,290
<b>Transactions with shareholders</b>			
Increase of ownership in subsidiaries with non-controlling interests	-28	-516	-747
Dividends	-	-	-1,363
	-28	-516	-2,110
<b>Subtotal</b>	442	5	180
<b>Non-controlling interests</b>			
<b>Comprehensive income</b>			
Comprehensive income for the period	10	7	13
<b>Transactions with shareholders</b>			
Decrease of non-controlling interests	-2	-38	-107
Dividends	-	-8	-7
	-2	-46	-114
<b>Subtotal</b>	8	-39	-101
<b>At the end of the period</b>	14,882	14,319	14,432

\* Restated to the new IAS 19.

## Acquisition of businesses

On February 28, 2013 Alfa Laval acquired the assets and technology for a gas combustion unit from the company Snecma (Safran). The product, which will be included in the offering from the Marine & Offshore Systems segment, is expected to generate sales of about SEK 40 million in 2013. Lars Renström, President and CEO of the Alfa Laval Group, comments on the acquisition: "With this acquisition we expand and further strengthen our offer to the growing gas transportation business, a business which typically has high barriers to entry. Few companies can offer this type of safety equipment."

In a press release on September 19, 2011 Alfa Laval communicated its proposal to buy all outstanding shares in its subsidiary Alfa Laval (India) Ltd and seek delisting of the shares from Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The proposal came on the back of regulatory changes in India which requires Alfa Laval (India) Ltd to have a minimum public float of 25 percent or seek delisting. In a reverse book building process that was finalised on February 23, 2012 minority shareholders together holding more than the necessary 50

percent of the public float were willing to sell to Alfa Laval at a price of INR 4,000 per share. Through the acquisition of the 1.03 million shares Alfa Laval achieved an ownership of 94.5 percent, which enabled Alfa Laval (India) Ltd to delist from both stock exchanges on April 12, 2012. The cost for the acquisition of the shares was SEK 553 million. As a part of the process the remaining minority owners can sell their shares to Alfa Laval for INR 4,000 during the next 12 months. During the first eleven months until March 31, 2013 minority owners with an additional 0.61 million shares have sold their shares to Alfa Laval for SEK 307 million, which has increased Alfa Laval's ownership to 97.8 percent. If all shareholders in the end sell their shares to Alfa Laval at this exit price the acquisition will incur a consideration of approximately SEK 1,065 million.

On February 22, 2013 Alfa Laval acquired the remaining minority shares in the small company Tranter Solarice GmbH in Germany.

The acquisitions during the first three months 2013 can be summarized as follows:

Consolidated	Acquisitions 2013						
	Minority in subsidiaries			Others			Total
	Adjustment			Adjustment			
	Book value	to fair value	Fair value	Book value	to fair value	Fair value	Fair value
SEK millions							
Acquired net assets	-	-	-	38	-	38	38
Equity attributable to owners of parent			-28			-	-28
Currency translation			0			-	0
Equity attributable to non-controlling interests			-2			-	-2
Purchase price			-30			-38	-68
Costs directly linked to the acquisitions <sup>(1)</sup>			-			0	0
Payment of amounts retained in prior years			-			-1	-1
Effect on the Group's liquid assets			-30			-39	-69

1. Refers to fees to lawyers, due diligence and assisting counsel. Has been expensed as other operating costs.

## Parent company

The parent company's result after financial items was SEK 16 (36) million, out of which net interests SEK 18 (35) million, realised and unrealised exchange rate gains and losses SEK -2 (-0) million, costs related to the listing

SEK -1 (-1) million, fees to the Board SEK -3 (-3) million, cost for annual report and annual general meeting SEK -0 (-0) million and other operating income and operating costs the remaining SEK 4 (5) million.

### PARENT COMPANY INCOME \*

SEK millions	First three months		Full year
	2013	2012	2012
Administration costs	-3	-4	-13
Other operating income	4	6	3
Other operating costs	-1	-1	-3
Operating income	0	1	-13
Revenues from interests in group companies	-	-	596
Interest income and similar result items	18	35	118
Interest expenses and similar result items	-2	0	-4
Result after financial items	16	36	697
Change of tax allocation reserve	-	-	283
Tax on this year's result	-4	-9	-1
Tax on paid Group contribution	-	-	-262
Net income for the period	12	27	717

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

### PARENT COMPANY FINANCIAL POSITION

SEK millions	March 31		December 31
	2013	2012	2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Shares in group companies	4,669	4,669	4,669
<b>Current assets</b>			
Receivables on group companies	6,972	9,150	8,035
Other receivables	319	95	253
Cash and bank	-	-	-
	7,291	9,245	8,288
<b>TOTAL ASSETS</b>	11,960	13,914	12,957
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Restricted equity	2,387	2,387	2,387
Unrestricted equity	8,297	9,694	8,285
	10,684	12,081	10,672
<b>Untaxed reserves</b>			
Tax allocation reserves, taxation 2007-2013	1,266	1,549	1,266
<b>Current liabilities</b>			
Liabilities to group companies	10	282	1,018
Accounts payable	0	2	1
Other liabilities	0	0	-
	10	284	1,019
<b>TOTAL EQUITY AND LIABILITIES</b>	11,960	13,914	12,957

## Owners and shares

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### Owners and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 36,212 (35,076) shareholders on March 31, 2013. The largest owner is Tetra Laval B.V., the Netherlands who owns 26.1 (26.1) percent. Next to the largest owner there are nine institutional investors with ownership in the range of 6.6 to 0.8 percent. These ten largest shareholders own 51.1 (51.4) percent of the shares.

### Proposed disposition of earnings

The Board of Directors propose a dividend of SEK 3.50 (3.25) per share corresponding to SEK 1,468 (1,363) million and that the remaining income available for distribution in Alfa Laval AB (publ) of SEK 6,817 (8,305) million be carried forward.

### Repurchase of shares

The Annual General Meeting 2012 gave the Board a mandate to decide on repurchase of the company's shares – if the Board deems this appropriate – until the next Annual General

Meeting. The mandate referred to repurchase of up to 5 percent of the issued shares with the purpose to cancel the repurchased shares and reduce the share capital. The repurchase would be made through purchases on OMX Stockholm Stock Exchange. Until March 31, 2013 Alfa Laval has not made any repurchases.

### Proposal on repurchase of shares

Alfa Laval's financial position is very strong. In order to adjust this to a more efficient structure while maintaining financial flexibility, the Board of Directors will propose the Annual General Meeting to mandate the Board to decide on repurchase of the company's shares – if the Board deems this appropriate – until the next Annual General Meeting. The mandate will refer to repurchase of up to 5 percent of the issued shares with the purpose to cancel the repurchased shares and reduce the share capital. The repurchase will be made through transactions on OMX Stockholm Stock Exchange.

## Risks and other

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### Material factors of risk and uncertainty

The main factors of risk and uncertainty facing the Group concern the price development of metals, fluctuations in major currencies and the business cycle. It is the company's opinion that the description of risks made in the Annual Report for 2012 is still correct.

### Asbestos-related lawsuits

The Alfa Laval Group was as of March 31, 2013, named as a co-defendant in a total of 741 asbestos-related lawsuits with a total of approximately 827 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 first quarter 2013 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.

The revised IAS 19 "Employee Benefits" has been implemented. The new standard mean substantial changes concerning the accounting for defined benefit pension schemes, for example:

- The possibility to phase actuarial gains and losses as a part of the corridor cannot be used, but these are to be accounted for currently in other comprehensive income. The items that relate to the vesting of defined benefit pensions and gains and losses that arise when settling a pension liability and the financial net concerning the defined benefit plan are reported in the income statement above net income.
- Changes in the obligations that relate to changes in actuarial assumptions are accounted for in other comprehensive income.
- The return on plan assets is calculated with the same interest rate as the discount rate. The expected return cannot be used any longer.
- The difference between the actual return on plan assets and the interest income in the previous bullet point is reported in other comprehensive income.
- Past service costs must be recognised in the income statement already when the plan is amended or curtailed.
- The plan assets must be specified on different types of assets.

- Sensitivity analysis must be made concerning reasonable changes in all assumptions made when calculating the pension liability.
- The difference between short and long term remunerations focuses on when the commitment is expected to be settled rather than the link to the employee's vesting of the commitment.
- The changes include further changes that do not focus on accounting for pensions but other forms of employee benefits. Termination benefits shall be accounted for at the earliest of the following - the time when the benefit offer cannot be withdrawn, alternatively in accordance with IAS 37 as a part of for instance restructuring the operations.
- For Swedish entities the actuarial calculations will also include future payments of special salary tax.
- The revised standard must be applied retroactively in accordance with IAS 8.

The changes to IAS 19 mean that:

- The present value of the defined benefit obligations is fully booked in the statement of

financial position, with a magnitude approximately corresponding to the unrecognised actuarial losses as per the end of 2011.

- This results in an increased deferred tax receivable.
- The net of these two amounts is booked as a reduction of equity as a change in accounting principles per January 1, 2012.
- As a consequence of this the comparison figures for 2012 have been changed.
- From January 1, 2012 the actuarial gains and losses are reported currently in other comprehensive income.
- None of these actuarial items will ever be reported in operating income, but will instead remain in other comprehensive income.
- The impact on other comprehensive income can as a result become substantial between the years.
- The amount of disclosures will increase.

In figures the consequences of the changes to IAS 19 have been as follows:

The consolidated comprehensive income on page 5 has been affected as follows:

### Effect of restatement to new IAS19

SEK millions	Full year 2012
<b>CONSOLIDATED COMPREHENSIVE INCOME</b>	
Other operating costs	24
Operating income	24
Result after financial items	24
Taxes	-8
<b>Net income for the period</b>	<b>16</b>
Other comprehensive income:	
Items that will subsequently be reclassified to net income	
Translation difference	60
Sum	60
Items that will subsequently not be reclassified to net income	
Revaluations of defined benefit obligations	-277
Deferred tax on other comprehensive income	37
Sum	-240
<b>Comprehensive income for the period</b>	<b>-164</b>
<b>Net income attributable to:</b>	
Owners of the parent	16
Non-controlling interests	0
Earnings per share (SEK)	0.03
<b>Comprehensive income attributable to:</b>	
Owners of the parent	-164
Non-controlling interests	0

Since the actuarial valuations are made annually the comprehensive income for the first quarter 2012 is not affected.

The consolidated financial position on page 18 has been changed as follows:

Effect of restatement to new IAS19 SEK millions	March 31	December 31	Opening balance
	2012	2012	January 1 2012
<b>CONSOLIDATED FINANCIAL POSITION</b>			
Decrease of plan assets	-331	-380	-331
Increase of defined benefit obligations	-718	-862	-718
Increase of deferred tax assets	255	280	255
Decrease of deferred tax liabilities	3	7	3
Decrease of equity relating to the owners of the parent	-791	-955	-791

As a consequence of these changes also the income analysis on page 6, the key figures on page 7, the reconciliation between the divisions and the Group total on page 12, the distribution of the non-current assets by country on page 16, the consolidated cash flows on page 17 and the changes in the consolidated equity on page 19 have been changed correspondingly:

“First quarter” and “First three months” both refer to the period January 1 to March 31. “Full year” refers to the period January 1 to December 31. “Last 12 months” refers to the period April 1, 2012 to March 31, 2013. “The corresponding period last year” refers to the first quarter 2012. “Previous quarter” refers to the fourth quarter 2012.

In the report the measures adjusted EBITA and adjusted EBITDA are used. Adjusted EBITA is defined as earnings before interests, taxes,

amortisation of step up values and comparison distortion items. Adjusted EBITDA is defined as earnings before interests, taxes, depreciation, amortisation of step up values and comparison distortion items.

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.

#### Date for the next financial reports

Alfa Laval will publish interim reports during 2013 at the following dates:

Interim report for the second quarter July 18  
Interim report for the third quarter October 29

The interim report has been issued on April 23, 2013 at GET 12.45 by the President and Chief Executive Officer Lars Renström by proxy from the Board of Directors.

Lund, April 23, 2013,

Lars Renström  
President and Chief Executive Officer  
Alfa Laval AB (publ)