

# First quarter 2016



## Summary

SEK millions	First three months			
	2016	2015	%	% *
Order intake	7,710	9,844	-22	-19
Net sales	8,199	9,071	-10	-6
Adjusted EBITA	1,333	1,569	-15	
- adjusted EBITA margin (%)	16.3	17.3		
Result after financial items	1,090	1,263	-14	
Net income for the period	871	863	1	
Earnings per share (SEK)	2.06	2.05	0	
Cash flow **	910	1,101	-17	
Impact on EBITA of:				
- foreign exchange effects	93	148		

\* Excluding currency effects. \*\* From operating activities.

## Comment from Tom Erixon, President and CEO

“Order intake developed as expected in the first quarter, following a decline in demand for pumping systems as well as a low level of large orders compared to the previous quarter. The latter reflected a tendency among customers to delay investment decisions. Adjusted for pumping systems and large orders the underlying demand was unchanged. Order intake reached SEK 7.7 billion versus SEK 9.4 billion in the fourth quarter.

Looking specifically at the end-market development, the low oil price continued to hamper the business sentiment in the oil and gas industries and the contracting level for ships was low. Parts and service demand, particularly in Process Technology, had a strong development. The Service business in total reported a 4 percent growth year-on-year and 3 percent growth sequentially.

The EBITA-margin of 16.3 percent was on the same level as in the previous quarter, despite a decline in sales. The margin was negatively affected by Process Technology due to mix effects from declining sales in oil & gas and a weaker factory as well as engineering performance. The Equipment Division developed well with a significant margin improvement, driven by good cost control and a positive mix. Marine & Diesel delivered a margin close to the previous quarter, despite a sales decline, thanks to a positive mix.

Given the challenging conditions in some of our largest markets, we are constantly driving initiatives, including improved and more efficient sourcing as well as a balancing of resources in our supply chain to protect profitability. In addition we have initiated a review of the strategic direction for the Group.”

## Dividend

The Board of Directors propose a dividend of

SEK 4.25 (4.00) per share.

## Outlook for the second quarter

“We expect that demand during the second quarter 2016 will be on about the same level as in the first quarter.”

*Earlier published outlook (February 2, 2016): “We expect that demand during the first quarter 2016 will be somewhat lower than in the fourth quarter, excluding a substantially lower demand for pumping systems.”*

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

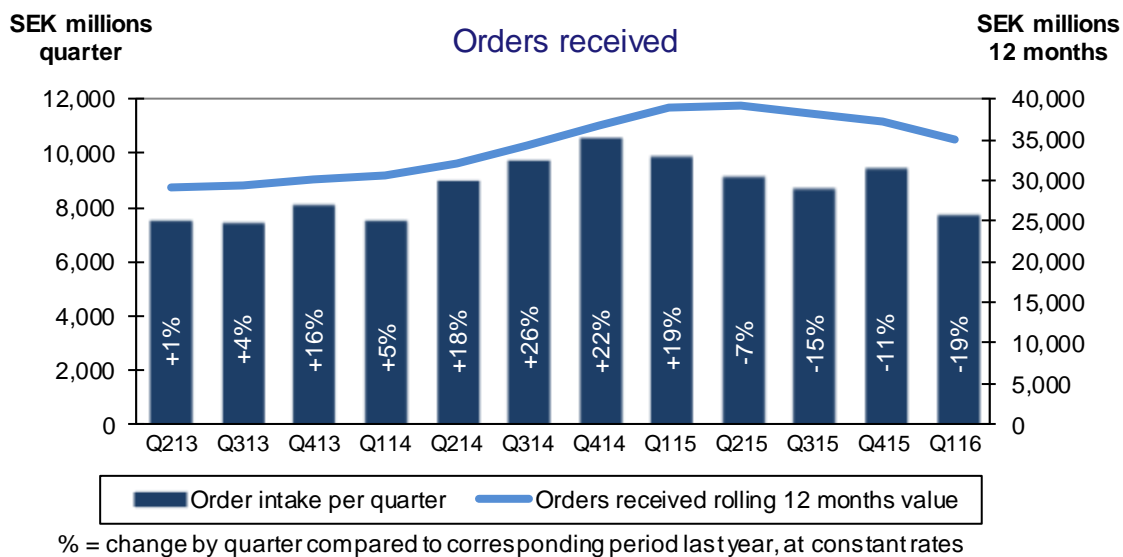
### Large orders <sup>1)</sup> in the first quarter

Division	Customer segment	Delivery date	Order amount	Total per segment Q1 2016	Q1 2015
Scope of supply		SEK millions			
Process Technology	Energy & Process				
	Alfa Laval compact heat exchangers to a refinery in Russia.	2016/2017	60	60	435
Marine & Diesel	Marine & Offshore Pumping Systems			-	375
Total				60	810

## Order intake

Orders received has amounted to SEK 7,710 (9,844) million for the first quarter 2016.

Compared with earlier periods the development per quarter has been as follows.



1. Orders with a value over EUR 5 million.

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

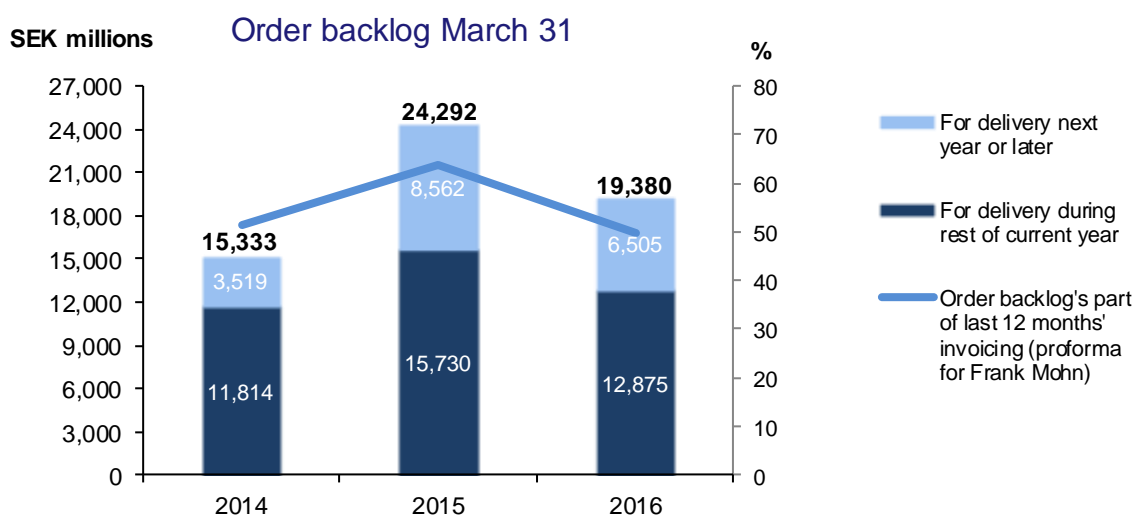
	Consolidated	Order bridge					Order intake
		Order intake	Change			Order intake	
			Prior periods	Excluding currency effects	After currency effects		
SEK millions	SEK millions	Structural change <sup>2)</sup>	Organic development <sup>3)</sup>	Total	Currency effects	Total	SEK millions
		(%)	(%)	(%)	(%)	(%)	
Q1 2016/2015	9,844	0.6	-19.8	-19.2	-2.5	-21.7	7,710
Q1 2016/Q4 2015	9,422	-	-17.3	-17.3	-0.9	-18.2	7,710

Orders received from the aftermarket Service<sup>4</sup> constituted 34.5 (26.8) percent of the Group's total orders received during the first quarter 2016.

Excluding currency effects, the order intake for Service increased by 4.9 percent during the first

quarter 2016 compared to the corresponding quarter last year (the corresponding organic development was an increase by 4.0 percent) and increased with 2.7 percent compared to the previous quarter (the corresponding organic development was the same).

## Order backlog



Excluding currency effects and adjusted for acquisition of businesses the order backlog was 16.8 percent smaller than the order backlog at

March 31, 2015 and 2.9 percent smaller than the order backlog at the end of 2015.

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

## Net sales

Net invoicing was SEK 8,199 (9,071) million for the first quarter 2016. The change compared with

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

	Consolidated	Sales bridge					Net sales Current periods SEK millions	
		Net sales Prior periods SEK millions	Change			After currency effects		
			Structural change (%)	Organic development (%)	Total (%)	Currency effects (%)		Total (%)
Q1 2016/2015	9,071	0.4	-6.8	-6.4	-3.2	-9.6	8,199	
Q1 2016/Q4 2015	10,805	-	-22.9	-22.9	-1.2	-24.1	8,199	

Net invoicing relating to Service constituted 29.7 (27.6) percent of the Group's total net invoicing in the first quarter 2016.

Excluding currency effects, the net invoicing for Service increased by 0.6 percent during the first

quarter 2016 compared to the corresponding quarter last year (the corresponding organic development was a decrease by 0.3 percent) and decreased with 15.1 percent compared to the previous quarter (the corresponding organic development was the same).

## Income

SEK millions	First three months		Full year	Last 12
	2016	2015	2015	months
Net sales	8,199	9,071	39,746	38,874
Cost of goods sold	-5,429	-6,015	-26,707	-26,121
<b>Gross profit</b>	<b>2,770</b>	<b>3,056</b>	<b>13,039</b>	<b>12,753</b>
Sales costs	-1,089	-1,077	-4,107	-4,119
Administration costs	-339	-367	-1,813	-1,785
Research and development costs	-186	-190	-756	-752
Other operating income	111	103	495	503
Other operating costs	-201	-239	-1,149	-1,111
Share of result in joint ventures	4	7	8	5
<b>Operating income</b>	<b>1,070</b>	<b>1,293</b>	<b>5,717</b>	<b>5,494</b>
Dividends and changes in fair value	0	0	33	33
Interest income and financial exchange rate gains	186	492	404	98
Interest expense and financial exchange rate losses	-166	-522	-710	-354
<b>Result after financial items</b>	<b>1,090</b>	<b>1,263</b>	<b>5,444</b>	<b>5,271</b>
Taxes	-219	-400	-1,583	-1,402
<b>Net income for the period</b>	<b>871</b>	<b>863</b>	<b>3,861</b>	<b>3,869</b>
Other comprehensive income:				
Items that will subsequently be reclassified to net income				
Cash flow hedges	275	-552	-195	632
Market valuation of external shares	0	0	2	2
Translation difference	51	1,002	-1,056	-2,007
Deferred tax on other comprehensive income	-38	-38	20	20
<b>Sum</b>	<b>288</b>	<b>412</b>	<b>-1,229</b>	<b>-1,353</b>
Items that will subsequently not be reclassified to net income				
Revaluations of defined benefit obligations	24	-10	332	366
Deferred tax on other comprehensive income	-7	3	-47	-57
<b>Sum</b>	<b>17</b>	<b>-7</b>	<b>285</b>	<b>309</b>
<b>Comprehensive income for the period</b>	<b>1,176</b>	<b>1,268</b>	<b>2,917</b>	<b>2,825</b>
<b>Net income attributable to:</b>				
Owners of the parent	866	858	3,839	3,847
Non-controlling interests	5	5	22	22
<b>Earnings per share (SEK)</b>	<b>2.06</b>	<b>2.05</b>	<b>9.15</b>	<b>9.17</b>
Average number of shares	419,456,315	419,456,315	419,456,315	419,456,315
<b>Comprehensive income attributable to:</b>				
Owners of the parent	1,156	1,248	2,903	2,811
Non-controlling interests	20	20	14	14

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

Sales and administration expenses amounted to SEK 1,428 (1,444) million during the first quarter

2016. Excluding currency effects and acquisition of businesses, sales and administration expenses were 1.3 percent higher than the corresponding period last year. The corresponding figure when comparing the first quarter 2016 with the previous quarter is a decrease with 6.0 percent.

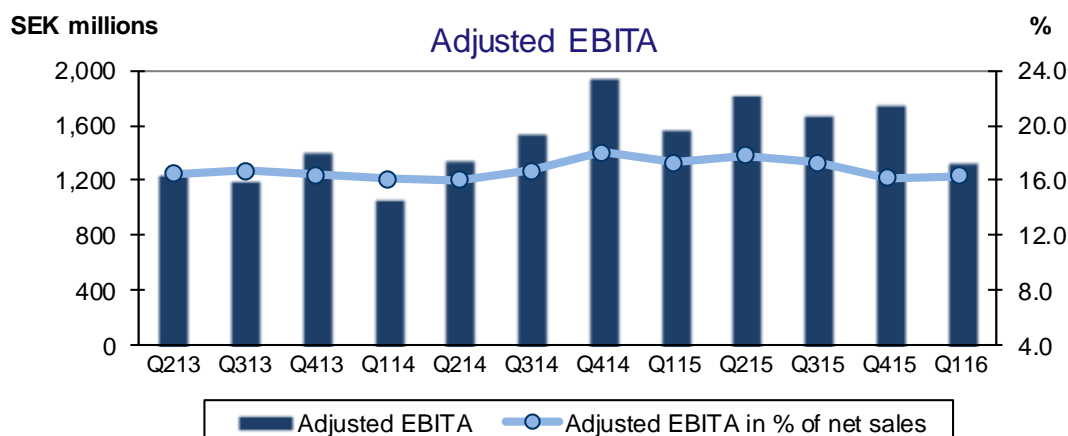
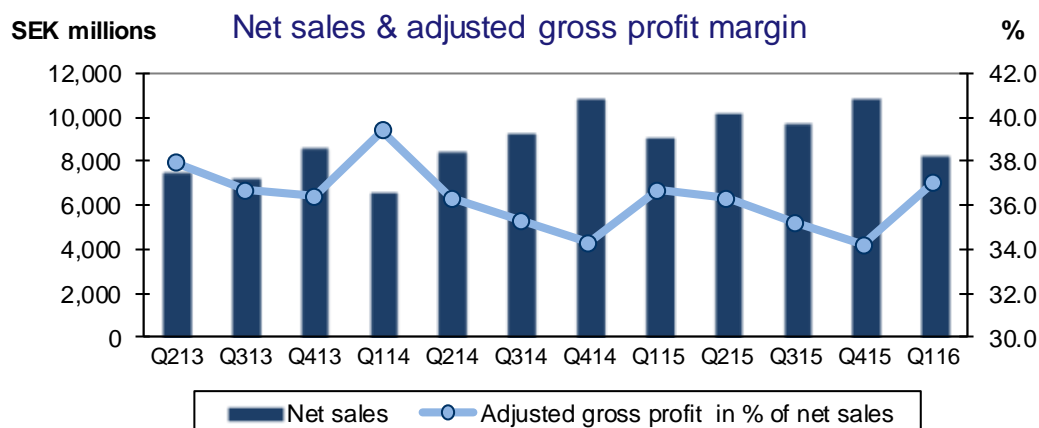
The costs for research and development during the first quarter 2016 corresponded to 2.3 (2.1) percent of net sales. Excluding currency effects and acquisition of businesses, the costs for

research and development have decreased by 1.1 percent during the first quarter 2016 compared to the corresponding period last year.

The net income attributable to the owners of the parent, excluding depreciation of step-up values and the corresponding tax, was SEK 2.31 (2.50) per share for the first three months 2016.

Consolidated SEK millions	Income analysis			
	First three months 2016	2015	Full year 2015	Last 12 months
Net sales	8,199	9,071	39,746	38,874
Adjusted gross profit *	3,033	3,332	14,133	13,834
- in % of net sales	<b>37.0</b>	<b>36.7</b>	<b>35.6</b>	<b>35.6</b>
Expenses **	-1,541	-1,601	-6,655	-6,595
- in % of net sales	18.8	17.6	16.7	17.0
<b>Adjusted EBITDA</b>	<b>1,492</b>	<b>1,731</b>	<b>7,478</b>	<b>7,239</b>
- in % of net sales	18.2	19.1	18.8	18.6
Depreciation	-159	-162	-667	-664
<b>Adjusted EBITA</b>	<b>1,333</b>	<b>1,569</b>	<b>6,811</b>	<b>6,575</b>
- in % of net sales	<b>16.3</b>	<b>17.3</b>	<b>17.1</b>	<b>16.9</b>
Amortisation of step up values	-263	-276	-1,094	-1,081
Comparison distortion items	-	-	-	-
<b>Operating income</b>	<b>1,070</b>	<b>1,293</b>	<b>5,717</b>	<b>5,494</b>

\* Excluding amortisation of step up values. \*\* Excluding comparison distortion items.



## Consolidated financial net and taxes

The financial net for the first quarter 2016 has amounted to SEK -46 (-65) 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 -2 (-6) million, interest on the bilateral term loans of SEK -16 (-22) million, interest on the private placement of SEK -2 (-3) million, interest on the commercial papers of SEK -0 (-1) million, interest on the corporate bonds of SEK -20 (-21) million and a net of dividends and other interest income and interest costs of SEK -6 (-12) million. The net

of realised and unrealised exchange rate differences has amounted to SEK 66 (35) million.

The tax on the result after financial items was SEK -219 (-400) million in the first quarter 2016. The tax cost for the quarter has been affected by non-recurring items of about SEK 86 million concerning adjustments of deferred taxes relating to step up values, due to reduced company taxes in certain countries and thereby decreased deferred tax liabilities.

## Key figures

Consolidated	Key figures		
	March 31		December 31
	2016	2015	2015
Return on capital employed (%) *	21.1	20.5	21.6
Return on equity capital (%) *	21.2	18.9	21.7
Solidity (%) **	38.5	32.4	35.5
Net debt to EBITDA, times *	1.51	2.07	1.56
Debt ratio, times **	0.56	0.76	0.63
Number of employees **	17,447	17,503	17,417

\* Calculated on a 12 months' revolving basis. \*\* At the end of the period.

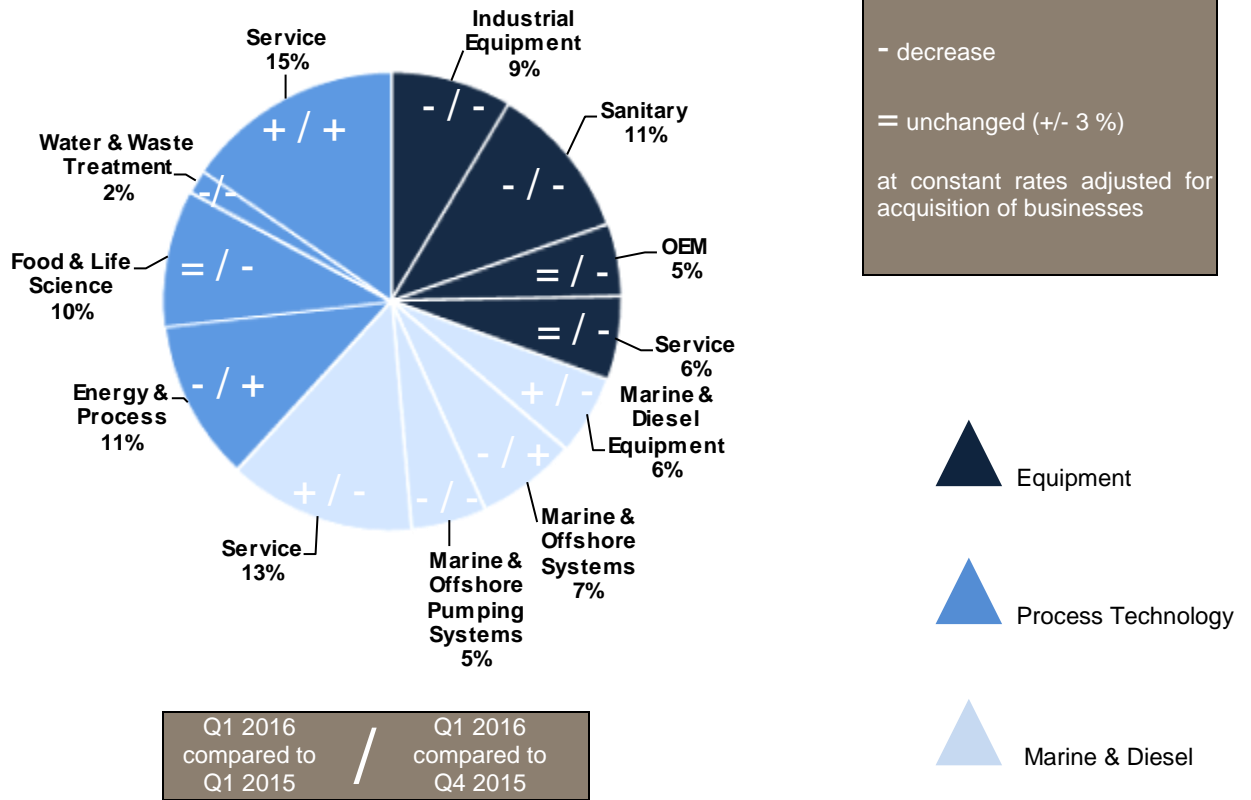
Please note that all key figures calculated on a 12 months' revolving basis have not been proforma

adjusted for the acquisition of Frank Mohn AS.

## 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 2016





## Equipment division

Consolidated SEK millions	First three months		Full year	Last 12
	2016	2015	2015	months
Orders received	2,357	2,551	10,472	10,278
Order backlog*	1,548	1,795	1,637	1,548
Net sales	2,392	2,455	10,500	10,437
Operating income**	351	284	1,321	1,388
Operating margin	14.7%	11.6%	12.6%	13.3%
Depreciation and amortisation	50	53	218	215
Investments	12	9	61	64
Assets*	6,203	6,691	6,339	6,203
Liabilities*	811	792	973	811
Number of employees*	2,565	2,632	2,552	2,565

\* 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 2016/2015	-	-5.7	-5.7	-	-0.5	-0.5
Q1 2016/Q4 2015	-	-5.3	-5.3	-	-9.8	-9.8

All comments below are excluding currency effects.

### Order intake

Order intake was down somewhat in the first quarter of 2016 compared to the fourth quarter of 2015, as Sanitary was negatively impacted by non-repeats and Industrial Equipment by slow comfort demand in some key markets. OEM and Service were both unchanged.

The **Sanitary** segment was slower as larger dairy and personal care orders taken in the U.S. in the fourth quarter were not repeated. The main explanatory factor for the decline in **Industrial Equipment** was the drop in order intake in comfort, due to weak demand in some key

markets such as Russia. At the same time order intake for refrigeration products was good, with increased demand for plate heat exchanger products in particular. The **OEM** segment saw an overall almost flat development. Demand for products for engine manufacturers recovered, while order intake from heat pump customers was lower due to seasonality.

### Operating income

The increase in operating income for Equipment during the first quarter 2016 compared to the corresponding period last year is mainly explained by a positive price/mix effect and lower operating costs, partly mitigated by a lower sales volume.

## Process Technology division

Consolidated SEK millions	First three months		Full year	Last 12
	2016	2015	2015	months
Orders received	2,941	3,285	12,795	12,451
Order backlog*	7,151	9,188	7,226	7,151
Net sales	2,771	3,121	14,511	14,161
Operating income**	274	410	1,899	1,763
Operating margin	9.9%	13.1%	13.1%	12.4%
Depreciation and amortisation	87	88	366	365
Investments	21	22	156	155
Assets*	10,451	12,028	10,832	10,451
Liabilities*	4,003	4,770	3,812	4,003
Number of employees*	5,234	5,324	5,242	5,234

\* 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 2016/2015	1.4	-7.9	-6.5	0.7	-8.3	-7.6
Q1 2016/Q4 2015	-	-2.7	-2.7	-	-31.0	-31.0

All comments below are excluding currency effects.

### Order intake

The division's order intake was unchanged in the first quarter compared to the fourth quarter last year. Geographically, Western Europe was unchanged and Asia as well as North America saw a slight contraction, while Central & Eastern Europe delivered strong growth. The previous quarter was affected by oil and gas cancellations in Brazil, which impacts the comparison. Excluding these, overall order intake declined, affected by fewer large orders. The base business\* was stable across the capital sales segments and the service business showed significant growth.

**Energy & Process**, the segment affected by oil and gas cancellations in the fourth quarter, reported modest growth. Excluding the cancellations the segment reported a decline compared to the previous quarter. The base business was however unchanged. Both drilling and processing continued recent quarters' development, of oscillating around a very low level, amid continued market uncertainty. Refinery, however, had a strong development, with several larger orders booked. Petrochemicals showed a decline compared to the previous quarter, due to a very large non-repeat. **Food & Life Science** had a decline, in its entirety related to a non-repeat of a very large brewery order in the fourth quarter. Brewery was consequently down and so was Protein and Food Solutions, whereas Vegetable Oil and Life

Science & Renewable showed strong growth. The base business was unchanged. Order intake in the **Water & Waste Treatment** segment showed a decline compared to the previous quarter, primarily driven by Europe and Asia. The important North American market was however unchanged.

The **Service** segment showed significant growth, driven by several larger orders, with a particularly strong development noted up- and mid-stream. Demand in Water & Waste Treatment as well as Food & Life Science was also good.

### Operating income

The decrease in operating income for Process Technology during the first quarter 2016 compared to the corresponding period last year is explained by a lower sales volume and lower margins, partly mitigated by lower operating costs. The lower margins are explained by negative price/mix, a lower outcome for some factories and the engineering operations.

\* 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
	2016	2015	2015	months
Orders received	2,412	4,008	13,831	12,235
Order backlog*	10,681	13,309	11,715	10,681
Net sales	3,036	3,495	14,735	14,276
Operating income**	570	702	2,999	2,867
Operating margin	18.8%	20.1%	20.4%	20.1%
Depreciation and amortisation	185	206	806	785
Investments	15	14	131	132
Assets*	22,522	25,515	22,905	22,522
Liabilities*	4,750	4,557	4,966	4,750
Number of employees*	3,115	3,096	3,176	3,115

\* 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 2016/2015	0.4	-38.5	-38.1	0.4	-10.0	-9.6
Q1 2016/Q4 2015	-	-36.8	-36.8	-	-23.4	-23.4

All comments below are excluding currency effects.

### Order intake

Order intake for the Marine & Diesel division decreased in the first quarter 2016 compared to the fourth quarter 2015, the main explanatory factor being lower demand for pumping systems.

The **Marine & Diesel Equipment** segment also saw lower demand compared to the previous quarter, as both equipment going into new ships and equipment for diesel power plants declined. The demand for environmental solutions also dropped due to lower order intake for PureBallast during the quarter. The **Marine & Offshore Systems** segment recorded higher order intake for systems for new ships due to a favourable vessel mix leading to higher demand for boilers. Orders for exhaust gas systems also increased, whereas the demand for offshore systems

declined as investments in the oil and gas sector remained on a low level. **Marine & Offshore Pumping Systems**, which saw a substantial upswing in demand in the previous quarter due to a pre-buying effect, had as expected a considerably lower level of orders for marine pumping systems in the first quarter. In addition, orders for pumping systems for the offshore sector decreased due to non-repeat of two large offshore orders booked in the fourth quarter.

**Service** reported a lower order intake than in the previous quarter due to lower activity for repair sales.

### Operating income

The decrease in operating income for Marine & Diesel during the first quarter 2016 compared to the corresponding period last year is explained by a lower sales volume.

## Operations and Other

Operations and 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
	2016	2015	2015	months
Orders received	0	0	0	0
Order backlog*	0	0	0	0
Net sales	0	0	0	0
Operating income**	-137	-59	-438	-516
Depreciation and amortisation	100	91	371	380
Investments	45	36	326	335
Assets*	6,288	6,286	5,797	6,288
Liabilities*	2,332	3,428	2,359	2,332
Number of employees*	6,533	6,451	6,447	6,533

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

The worsened operating income in the first quarter is mainly explained by costs for group-

wide change projects and positive one-time items last year.

## Reconciliation between divisions and Group total

Consolidated SEK millions	First three months		Full year	Last 12
	2016	2015	2015	months
<b>Operating income</b>				
Total for divisions	1,058	1,337	5,781	5,502
Comparison distortion items	-	-	-	0
Consolidation adjustments *	12	-44	-64	-8
Total operating income	1,070	1,293	5,717	5,494
Financial net	20	-30	-273	-223
Result after financial items	1,090	1,263	5,444	5,271
<b>Assets **</b>				
Total for divisions	45,464	50,520	45,873	45,464
Corporate ***	5,504	6,487	6,024	5,504
Group total	50,968	57,007	51,897	50,968
<b>Liabilities **</b>				
Total for divisions	11,896	13,547	12,110	11,896
Corporate ***	19,473	24,990	21,364	19,473
Group total	31,369	38,537	33,474	31,369

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

## Information about products and services

Consolidated SEK millions	Net sales by product/service *			
	First three months		Full year	Last 12
	2016	2015	2015	months
Own products within:				
Separation	1,475	1,690	7,886	7,671
Heat transfer	3,612	3,943	17,372	17,041
Fluid handling	2,035	2,372	9,866	9,529
Other	308	294	1,194	1,208
Associated products	399	399	1,786	1,786
Services	370	373	1,642	1,639
<b>Total</b>	<b>8,199</b>	<b>9,071</b>	<b>39,746</b>	<b>38,874</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:

#### Alfa Laval LKH Prime and Alfa Laval LKH Prime UltraPure

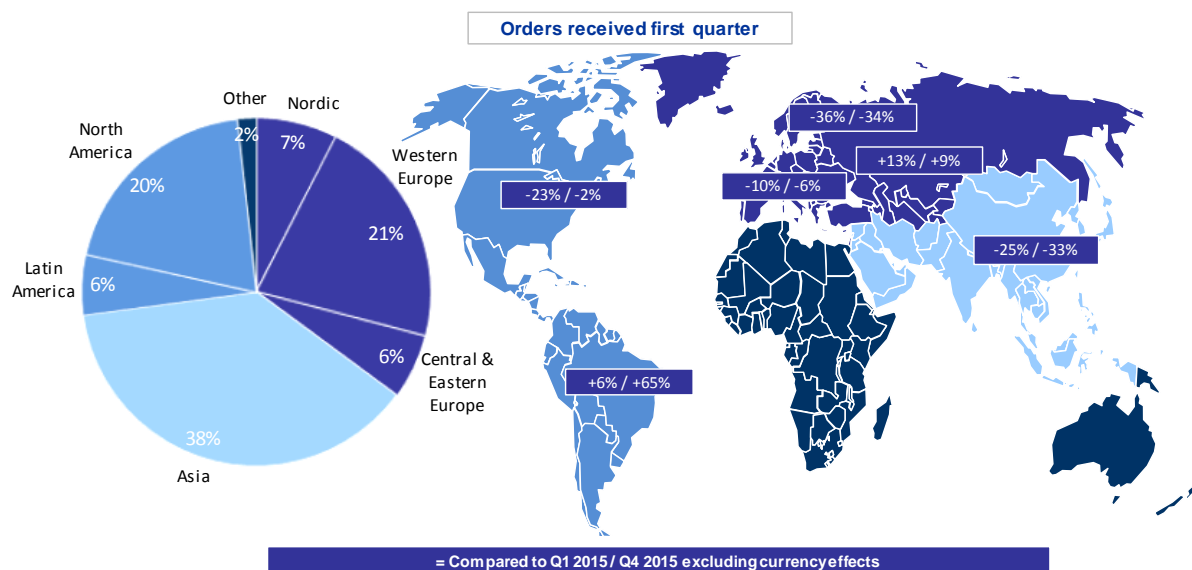


Alfa Laval LKH Prime delivers superior efficiency resulting in low energy consumption.

The Alfa Laval LKH Prime Pump sets a new standard in self-priming pump technology. Based on the market-leading Alfa Laval LKH pump

range, it is a versatile, efficient, self-priming pump that uses a combination of air-screw technology and advanced design to meet the most stringent requirements in a range of industries, from food to pharmaceuticals. The superior efficiency of the Alfa Laval LKH Prime results in reduced energy consumption. This, together with the fact that it is based on the market-leading LKH pump range, delivers low cost of ownership and increased uptime. Designed for Cleaning-in-Place (CIP) duties containing entrained air, it can also pump product, potentially reducing the capital investment when designing process systems. Quiet in operation, Alfa Laval LKH Prime is engineered to meet the most stringent standards and hygienic requirements of the food, dairy, beverage, and home & personal care industries. The pump is also available as an UltraPure model, meeting the needs of pharmaceutical customers.

## Information by region



All comments are excluding currency effects.

### Western Europe including Nordic

Order intake declined in the first quarter compared with the fourth, affected by fewer large contracts. Meanwhile, the base business\* remained at the level seen in the previous quarter. Sanitary developed well, while Marine & Diesel Equipment, Marine & Offshore Systems and Water & Waste Treatment declined. From a regional perspective Mid Europe developed positively, while regions Nordic and Iberica declined due to fewer large contracts.

### Central and Eastern Europe

The region reported order intake growth in the first quarter compared to the previous quarter, driven by larger orders for oil and gas in Russia and Croatia and also by all three divisions having a strong development in Turkey. In Russia, the positive development for oil and gas compensated for an otherwise continued low business activity across all three divisions.

### North America

Order intake was unchanged in the first quarter compared to the fourth, with a positive development for larger orders, whereas the base business declined. Industrial Equipment, OEM and Food & Life Science did particularly well in the quarter, while Sanitary and Energy & Process declined due to non-repeats. Overall Service developed positively.

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

### Latin America

Order intake increased significantly in the first quarter compared to the previous quarter. The main driver was Brazil that reported large cancellations in the previous quarter. There was also a positive impact from the base business, which had a strong development throughout the region. Brazil also had a positive development for Service.

### Asia

Order intake was weaker during the first quarter compared to the previous quarter, due to a substantially lower demand for marine pumping systems as well as a generally slower project business in the region. The segments in the Marine & Diesel division showed a mixed performance. The Marine & Offshore Systems segment was unchanged, with a weaker demand in Korea and a very strong demand in China. Marine & Diesel Equipment declined following slower contracting during the second half of last year. The Marine & Offshore Pumping Systems segment declined substantially, as the pre-buying effect noted in the fourth quarter, as expected was not repeated. The Process Technology division declined as a large petrochemical order booked in the fourth quarter was not repeated. The project business climate was in general slower with decisions being deferred by the customers. The exception was Food Technology, which saw strong growth in vegetable oil and life science-related applications. Service had a positive development in the quarter. The Equipment division declined somewhat, reflecting a decline in Industrial Equipment, with the exception of the comfort market, which benefited from stronger demand for data centre cooling. The Sanitary segment, however, enjoyed a positive development, the main driver being the food market, reflecting the increased focus on

food across Asia and particularly in China. China in total declined compared to the previous quarter, reflecting lower demand for marine

pumping systems. Excluding pumping systems, China reported strong growth.

Consolidated SEK millions	Net sales			
	First three months		Full year	Last 12
	2016	2015	2015	months
To customers in:				
Sweden	182	194	864	852
Other EU	2,028	2,175	9,490	9,343
Other Europe	618	555	2,950	3,013
USA	1,410	1,532	6,725	6,603
Other North America	132	207	1,031	956
Latin America	399	499	1,826	1,726
Africa	69	113	337	293
China	1,043	1,040	4,879	4,882
South Korea	904	1,310	5,172	4,766
Other Asia	1,326	1,358	5,991	5,959
Oceania	88	88	481	481
<b>Total</b>	<b>8,199</b>	<b>9,071</b>	<b>39,746</b>	<b>38,874</b>

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

the delivery address.

Consolidated SEK millions	Non-current assets		
	March 31		December 31
	2016	2015	2015
Sweden	1,328	1,460	1,337
Denmark	4,383	4,518	4,374
Other EU	3,957	4,057	3,992
Norway	13,117	14,868	12,986
Other Europe	165	193	166
USA	4,332	4,794	4,510
Other North America	126	121	123
Latin America	279	343	271
Africa	3	1	2
Asia	2,912	3,348	2,986
Oceania	89	91	87
<b>Subtotal</b>	<b>30,691</b>	<b>33,794</b>	<b>30,834</b>
Other long-term securities	29	33	28
Pension assets	3	5	4
Deferred tax asset	1,676	2,051	1,765
<b>Total</b>	<b>32,399</b>	<b>35,883</b>	<b>32,631</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 3-5 percent of net sales.

## Cash flows

### CONSOLIDATED CASH FLOWS

SEK millions	First three months 2016	2015	Full year 2015	Last 12 months
<b>Operating activities</b>				
Operating income	1,070	1,293	5,717	5,494
Adjustment for depreciation and amortisation	422	438	1,761	1,745
Adjustment for other non-cash items	9	-133	-231	-89
	1,501	1,598	7,247	7,150
Taxes paid	-466	-284	-1,577	-1,759
	1,035	1,314	5,670	5,391
Changes in working capital:				
Increase(-)/decrease(+) of receivables	495	91	426	830
Increase(-)/decrease(+) of inventories	-238	-254	347	363
Increase(+)/decrease(-) of liabilities	-286	40	-438	-764
Increase(+)/decrease(-) of provisions	-96	-90	-155	-161
<b>Increase(-)/decrease(+) in working capital</b>	<b>-125</b>	<b>-213</b>	<b>180</b>	<b>268</b>
	910	1,101	5,850	5,659
<b>Investing activities</b>				
Investments in fixed assets (Capex)	-93	-81	-674	-686
Divestment of fixed assets	0	1	25	24
Acquisition of businesses	-6	0	-73	-79
Divestment of businesses	-	-	12	12
	-99	-80	-710	-729
<b>Financing activities</b>				
Received interests and dividends	42	17	124	149
Paid interests	-57	-52	-316	-321
Realised financial exchange gains	24	-91	157	272
Realised financial exchange losses	-32	0	-288	-320
Dividends to owners of the parent	-	-	-1,678	-1,678
Dividends to non-controlling interests	-	-	-18	-18
Increase(-) of financial assets	0	0	-311	-311
Decrease(+) of financial assets	178	52	0	126
Increase of loans	83	400	3,400	3,083
Amortisation of loans	-1,000	-1,594	-6,299	-5,705
	-762	-1,268	-5,229	-4,723
<b>Cash flow for the period</b>	<b>49</b>	<b>-247</b>	<b>-89</b>	<b>207</b>
Cash and cash equivalents at the beginning of the period	1,876	2,013	2,013	1,877
Translation difference in cash and cash equivalents	0	111	-48	-159
<b>Cash and cash equivalents at the end of the period</b>	<b>1,925</b>	<b>1,877</b>	<b>1,876</b>	<b>1,925</b>
Free cash flow per share (SEK) *	1.93	2.43	12.25	11.75
Capex in relation to sales	1.1%	0.9%	1.7%	1.8%
Average number of shares	419,456,315	419,456,315	419,456,315	419,456,315

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

During the first quarter 2016 cash flows from operating and investing activities amounted to SEK 811 (1,021) million. Depreciation, excluding allocated step-up values, was SEK 159 (162) million during the first quarter 2016.

Acquisition of businesses in the first quarter 2016 of SEK -6 million relates to adjustment of preliminary purchase price for one of the acquisitions during 2015.



## Financial position and equity

### CONSOLIDATED FINANCIAL POSITION

SEK millions	March 31 2016	2015	December 31 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	25,976	28,687	26,054
Property, plant and equipment	4,701	5,025	4,773
Other non-current assets	1,722	2,171	1,804
	32,399	35,883	32,631
<b>Current assets</b>			
Inventories	7,635	8,381	7,405
Assets held for sale	8	8	9
Accounts receivable	5,582	6,690	5,796
Other receivables	2,460	3,299	3,001
Derivative assets	139	156	158
Other current deposits	820	713	1,021
Cash and cash equivalents *	1,925	1,877	1,876
	18,569	21,124	19,266
<b>TOTAL ASSETS</b>	<b>50,968</b>	<b>57,007</b>	<b>51,897</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Owners of the parent	19,458	18,325	18,302
Non-controlling interests	141	145	121
	19,599	18,470	18,423
<b>Non-current liabilities</b>			
Liabilities to credit institutions etc.	12,541	15,418	12,484
Provisions for pensions and similar commitments	1,808	2,283	1,931
Provision for deferred tax	2,745	2,888	2,925
Other non-current liabilities	485	752	521
	17,579	21,341	17,861
<b>Current liabilities</b>			
Liabilities to credit institutions etc.	1,037	1,107	2,019
Accounts payable	2,564	2,947	2,664
Advances from customers	3,216	4,192	3,136
Other provisions	1,756	1,871	1,798
Other liabilities	4,927	6,007	5,424
Derivative liabilities	290	1,072	572
	13,790	17,196	15,613
Total liabilities	31,369	38,537	33,474
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	<b>50,968</b>	<b>57,007</b>	<b>51,897</b>

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

Consolidated	Financial assets and liabilities at fair value			
	Valuation hierarchy level	March 31		December 31
SEK millions		2016	2015	2015
<b>Financial assets</b>				
Other long term securities	1 and 2	29	33	28
Bonds and other securities	1	723	585	768
Derivative assets	2	153	239	165
<b>Financial liabilities</b>				
Derivative liabilities	2	355	1,296	675

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

Consolidated	Borrowings and net debt			
		March 31		December 31
SEK millions		2016	2015	2015
Credit institutions		149	2,086	107
Swedish Export Credit		2,953	3,033	2,970
European Investment Bank		2,257	2,279	2,240
Private placement		896	946	921
Commercial papers		-	800	1,000
Corporate bonds		7,323	7,381	7,265
Capitalised financial leases		78	67	82
Interest-bearing pension liabilities		0	0	0
Total debt		13,656	16,592	14,585
Cash and cash equivalents and current deposits		-2,745	-2,590	-2,897
Net debt		10,911	14,002	11,688

Alfa Laval has a senior credit facility of EUR 400 million and USD 544 million, corresponding to SEK 8,121 million with a banking syndicate. At March 31, 2016 the facility was not utilised. The facility matures in June 2019, with two one year extension options.

The corporate bonds are listed on the Irish stock exchange and consist of one tranche of EUR 300 million that matures in September 2019 and one tranche of EUR 500 million that matures in September 2022.

The bilateral term loans with Swedish Export Credit consist of one loan of EUR 100 million that matures in June 2017 and one loan of EUR 100

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

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

The private placement of USD 110 million matures in April 2016.

The commercial paper programme is SEK 2,000 million, but nothing was utilised at March 31, 2016.

## CHANGES IN CONSOLIDATED EQUITY

SEK millions	First three months		Full year
	2016	2015	2015
<b>At the beginning of the period</b>	18,423	17,202	17,202
<b>Changes attributable to:</b>			
<b>Owners of the parent</b>			
<b>Comprehensive income</b>			
Comprehensive income for the period	1,156	1,248	2,903
<b>Transactions with shareholders</b>			
Dividends	-	-	-1,678
<b>Subtotal</b>	1,156	1,248	1,225
<b>Non-controlling interests</b>			
<b>Comprehensive income</b>			
Comprehensive income for the period	20	20	14
<b>Transactions with shareholders</b>			
Dividends	-	-	-18
<b>Subtotal</b>	20	20	-4
<b>At the end of the period</b>	19,599	18,470	18,423

## Acquisition of businesses

In the first quarter 2016 Alfa Laval has paid SEK 6 million as an adjustment of the preliminary purchase price for the aftermarket company specialized in separation technology that was acquired in the second half of 2015. The entire

amount has increased the preliminary goodwill for this acquisition.

Please observe that the purchase price allocations for the two acquisitions during 2015 are still preliminary.

## Parent company

The parent company's result after financial items for the first quarter 2016 was SEK 3 (-2) million, out of which net interests SEK -0 (-) million, realised and unrealised exchange rate gains and losses SEK 7 (-4) million, costs related to the

listing SEK -4 (-4) million, fees to the Board SEK -4 (-0) million, cost for annual report and annual general meeting SEK -0 (-1) million and other operating income and operating costs the remaining SEK 4 (7) million.

**PARENT COMPANY INCOME \***

SEK millions	First three months		Full year
	2016	2015	2015
Administration costs	-8	-5	-13
Other operating income	4	7	2
Other operating costs	0	0	0
Operating income	-4	2	-11
Revenues from interests in group companies	-	-	1,070
Interest income and similar result items	7	2	7
Interest expenses and similar result items	0	-6	-15
Result after financial items	3	-2	1,051
Change of tax allocation reserve	-	-	156
Group contributions	-	-	59
Result before tax	3	-2	1,266
Tax on this year's result	-1	-	-46
Net income for the period	2	-2	1,220

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

**PARENT COMPANY FINANCIAL POSITION**

SEK millions	March 31		December 31
	2016	2015	2015
<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	8,239	9,327	9,581
Other receivables	196	116	143
Cash and cash equivalents	-	-	-
	8,435	9,443	9,724
<b>TOTAL ASSETS</b>	13,104	14,112	14,393
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Restricted equity	2,387	2,387	2,387
Unrestricted equity	9,559	10,013	9,557
	11,946	12,400	11,944
<b>Untaxed reserves</b>			
Tax allocation reserves, taxation 2009-2016	1,145	1,301	1,145
<b>Current liabilities</b>			
Commercial papers	-	400	-
Liabilities to group companies	13	9	1,304
Accounts payable	0	2	0
Other liabilities	0	-	-
	13	411	1,304
<b>TOTAL EQUITY AND LIABILITIES</b>	13,104	14,112	14,393

## Owners and shares

---

### Owners and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 35,994 (39,724) shareholders on March 31, 2016. 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 6.9 to 1.1 percent. These ten largest shareholders owned 56.8 (55.2) percent of the shares.

### Proposed disposition of earnings

The Board of Directors propose a dividend of SEK 4.25 (4.00) per share corresponding to SEK 1,783 (1,678) million and that the remaining income available for distribution in Alfa Laval AB (publ) of SEK 7,774 (8,337) million be carried forward.

The Board of Directors are of the opinion that the proposed dividend is consistent with the requirements that the type and size of operations, the associated risks, the capital needs, liquidity and financial position put on the company.

## Risks and other

---

### Material factors of risk and uncertainty

The main factors of risk and uncertainty facing the Group concern the price development of metals, fluctuations in major currencies and the business cycle. It is the company's opinion that the description of risks made in the Annual Report for 2015 is still correct.

### Asbestos-related lawsuits

The Alfa Laval Group was as of March 31, 2016, named as a co-defendant in a total of 768 asbestos-related lawsuits with a total of approximately 768 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 2016 is prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The accounting principles are according to IFRS (International Financial Reporting Standards) as adopted by the European Union.

"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, 2015 to March 31, 2016. "The corresponding period last year" refers to the first quarter 2015. "Previous quarter" refers to the fourth quarter 2015.

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 report

Alfa Laval will publish interim reports during 2016 at the following dates:

Interim report for the second quarter July 18  
Interim report for the third quarter October 25

---

The interim report has been issued on April 25, 2016 at CET 12.45 by the President and Chief Executive Officer Tom Erixon by proxy from the Board of Directors.

Lund, April 25, 2016,

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