

First quarter 2018



Summary

SEK millions	First three months			
	2018	2017	%	% *
Order intake	10,025	8,801	14	16
Net sales	8,851	8,126	9	11
Adjusted EBITA **	1,497	1,279	17	
- adjusted EBITA margin (%) **	16.9	15.7		
Result after financial items	1,469	1,268	16	
Net income for the period	1,049	776	35	
Earnings per share (SEK)	2.49	1.84	35	
Cash flow ***	666	804	-17	
Impact on adjusted EBITA of:				
- foreign exchange effects	35	75		
Impact on result after financial items of:				
- comparison distortion items	67	-		

* Excluding currency effects. ** Alternative performance measures. *** From operating activities.

Comment from Tom Erixon, President and CEO

"Demand in important end markets strengthened in the first quarter compared to the fourth quarter 2017. Improved activity in upstream oil and gas, on shore, as well as in the off-shore sector contributed to both Energy and Marine reporting a somewhat better order intake than we had expected. Food & Water saw a continued positive development, with an added contribution from a large brewery order. Combined, order intake in the quarter came in at just above SEK 10 billion.

The productivity development in the Group was strong in the quarter driven by an increased factory load while retaining the effects from the cost-savings program. In combination with a good mix

compared to the previous quarter, the gross margin improved to just above 38 percent. We maintained the positive effects on the gross margin level down to the adjusted EBITA margin, which improved to 16.9 percent.

As earlier announced, the capital expenditure level will be on a higher level in 2018-19 due to the ongoing manufacturing restructuring program. Due to the strong growth trend in order intake additional investment decisions will be made to ensure capacity and delivery performance in our supply chain. The capital expenditure for 2018 is therefore expected to increase somewhat, compared to the earlier forecast of SEK 1 billion."

Dividend

The Board of Directors propose a dividend of SEK 4.25 (4.25) per share.

Outlook for the second quarter

"We expect that demand during the second quarter 2018 will be on the same level as in the first quarter."

Earlier published outlook (January 30, 2018): "We expect that demand during the first quarter 2018 will be somewhat lower than in the fourth quarter."

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

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Management's discussion and analysis

Important events during the first quarter

Alfa Laval has signed an agreement to sell its heat exchanger systems business in the Greenhouse division to the NIBE Group. The closing of the agreement is expected during the second quarter of 2018.

Alfa Laval has also signed an agreement to sell its commercial tubular heat exchanger business in the Greenhouse division to the BITZER Group. The closing of the agreement is expected on May 1, 2018.

Large orders ¹⁾ in the first quarter

Division	Business Unit	Scope of supply	Delivery date	Order amount	Total per Business Unit Q1 2018	Business Unit Q1 2017
				SEK millions		
Energy	Welded Heat Exchangers				-	380
Food & Water	Food Systems	A complete process line to a brewery plant in Mexico.	2018	300	300	-
Marine	Boiler & Gas Systems				-	205
	Pumping Systems	Framo pumping systems and emergency generators to an oil platform in the North Sea.	2018	170		
		Framo pumping systems to an FPSO* vessel to be built in China.	2018	70		
		Framo pumping systems to an FLNG** vessel to be built in South Korea.	2018	50		
		Framo pumping systems to an FPSO* vessel in the North Sea.	2018	125	415	-
Total					715	585

* FPSO = Floating Production, Storage and Offloading

** FLNG = Floating Liquid Natural Gas

Order intake

Orders received has amounted to SEK 10,025 (8,801) million for the first quarter 2018. Compared

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



1. Orders with a value over EUR 5 million.

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

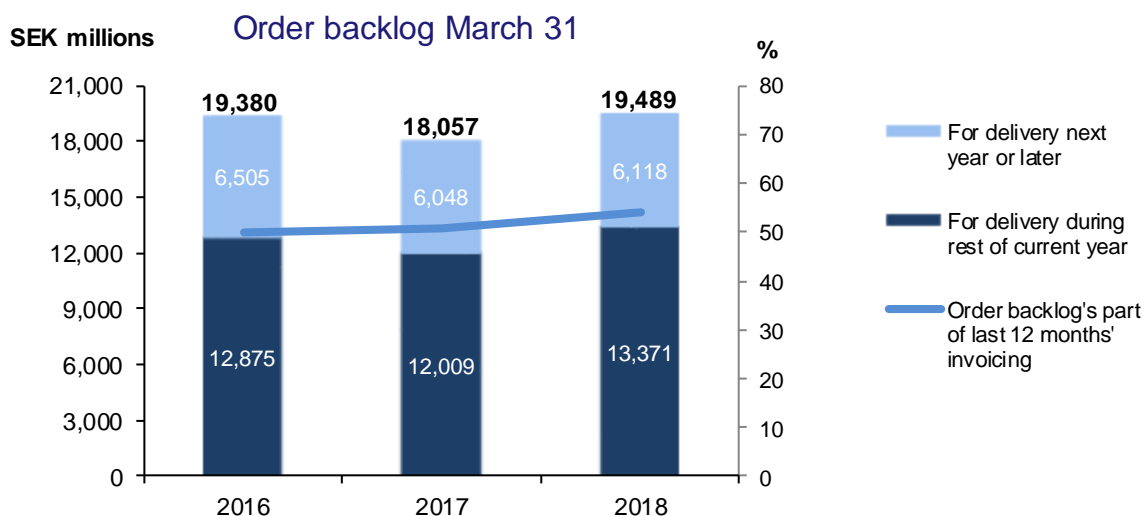
	Consolidated	Order bridge					Order intake Current periods SEK millions
		Order intake Prior periods SEK millions	Change			After currency effects Currency effects (%)	
			Excluding currency effects	Total			
		Structural change ²⁾ (%)	Organic development ³⁾ (%)	Total (%)	Total (%)		
Q1 2018/Q1 2017	8,801	-	16.3	16.3	-2.4	13.9	10,025
Q1 2018/Q4 2017	9,780	-	1.9	1.9	0.6	2.5	10,025

Orders received from the aftermarket Service⁴ constituted 29.0 (31.8) percent of the Group's total orders received during the first quarter 2018. The

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

Consolidated	Service order intake		
	Change excluding currency effects		
%	Structural change	Organic development	Total
Q1 2018/Q1 2017	-	7.1	7.1
Q1 2018/Q4 2017	-	9.4	9.4

Order backlog



Excluding currency effects and adjusted for acquisition of businesses the order backlog was 10.6 percent larger than the order backlog at

March 31, 2017 and 6.7 percent larger than the order backlog at the end of 2017.

2. Structural change relates to acquisition of businesses.
3. Organic development relates to change excluding acquisition of businesses.
4. Parts and service.

Net sales

Net invoicing was SEK 8,851 (8,126) million for the first quarter 2018. The change compared with the

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

	Consolidated	Sales bridge					Net sales Current periods SEK millions	
		Net sales Prior periods SEK millions	Change			After currency effects		
			Structural change (%)	Organic development (%)	Total (%)	Currency effects (%)		Total (%)
Q1 2018/Q1 2017	8,126	-	11.4	11.4	-2.5	8.9	8,851	
Q1 2018/Q4 2017	10,112	-	-12.7	-12.7	0.2	-12.5	8,851	

Net invoicing relating to Service constituted 30.0 (31.4) percent of the Group's total net invoicing in the first quarter 2018. The change compared with

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

	Consolidated	Service sales		
		Change excluding currency effects		
%		Structural change	Organic development	Total
Q1 2018/Q1 2017		-	7.6	7.6
Q1 2018/Q4 2017		-	-8.4	-8.4

Income

SEK millions	First three months		Full year	Last 12
	2018	2017	2017	months
Net sales	8,851	8,126	35,314	36,039
Cost of goods sold	-5,718	-5,371	-23,379	-23,726
Gross profit	3,133	2,755	11,935	12,313
Sales costs	-1,056	-1,013	-4,127	-4,170
Administration costs	-499	-440	-1,809	-1,868
Research and development costs	-217	-197	-874	-894
Other operating income	225	123	588	690
Other operating costs	-280	-220	-1,135	-1,195
Share of result in joint ventures	4	8	11	7
Operating income	1,310	1,016	4,589	4,883
Dividends and other financial income	6	0	47	53
Interest income and financial exchange rate gains	259	368	237	128
Interest expense and financial exchange rate losses	-106	-116	-502	-492
Result after financial items	1,469	1,268	4,371	4,572
Taxes	-420	-492	-1,383	-1,311
Net income for the period	1,049	776	2,988	3,261
Other comprehensive income:				
Items that will subsequently be reclassified to net income				
Cash flow hedges	-7	21	257	229
Market valuation of external shares	0	0	2	2
Translation difference	863	-295	-1,339	-181
Deferred tax on other comprehensive income	42	68	152	126
Sum	898	-206	-928	176
Items that will subsequently not be reclassified to net income				
Revaluations of defined benefit obligations	10	50	15	-25
Deferred tax on other comprehensive income	-3	-14	4	15
Sum	7	36	19	-10
Comprehensive income for the period	1,954	606	2,079	3,427
Net income attributable to:				
Owners of the parent	1,045	773	2,976	3,248
Non-controlling interests	4	3	12	13
Earnings per share (SEK)	2.49	1.84	7.09	7.74
Average number of shares	419,456,315	419,456,315	419,456,315	419,456,315
Comprehensive income attributable to:				
Owners of the parent	1,944	603	2,069	3,410
Non-controlling interests	10	3	10	17

The gross profit has been affected positively by a higher sales volume and a better utilisation in a number of factories and negatively by an unfavourable mix between capital sales and service.

Sales and administration expenses amounted to SEK 1,555 (1,453) million during the first quarter 2018. Excluding currency effects and acquisition of businesses, sales and administration expenses

were 8.2 percent higher than the corresponding period last year. The increase is entirely explained by an increased activity level within marketing and sales, while the number of employees still is lower. The corresponding figure when comparing the first quarter 2018 with the previous quarter is a decrease with 0.5 percent.

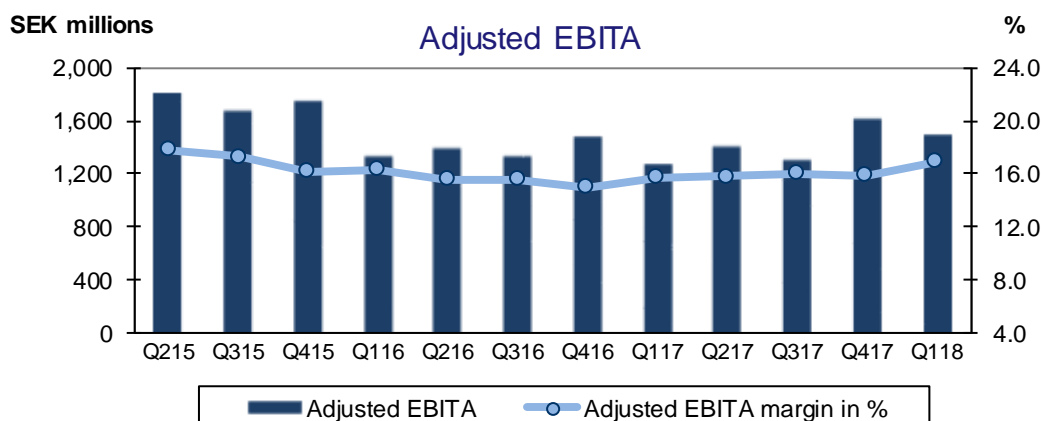
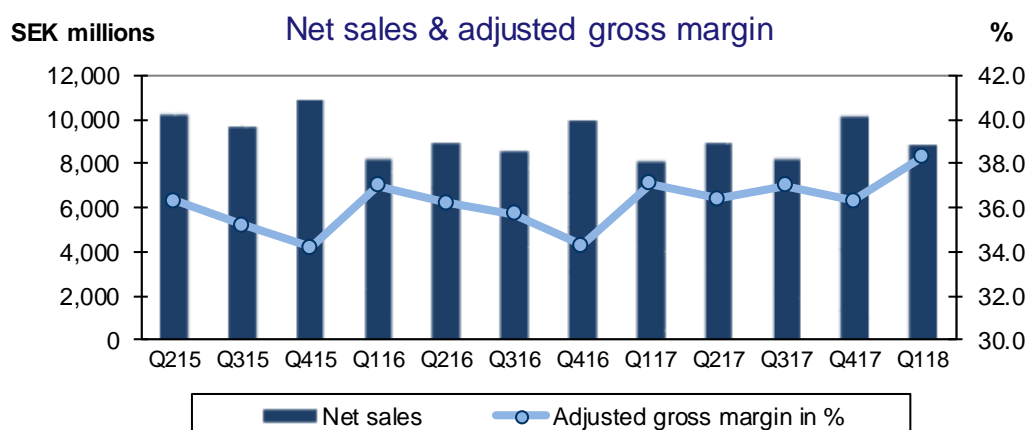
The costs for research and development during the first quarter 2018 corresponded to 2.5 (2.4)

percent of net sales. Excluding currency effects and acquisition of businesses, the costs for research and development have increased by 8.7 percent during the first quarter 2018 compared to the corresponding period last year. The corresponding figure when comparing the first

quarter 2018 with the previous quarter is a decrease with 15.8 percent.

Earnings per share, excluding amortisation of step-up values and the corresponding tax*, was SEK 2.98 (2.28) for the first three months 2018.

Consolidated SEK millions	Income analysis			
	First three months 2018	2017	Full year 2017	Last 12 months
Net sales	8,851	8,126	35,314	36,039
Adjusted gross profit *	3,387	3,018	12,956	13,325
- adjusted gross margin (%) *	38.3	37.1	36.7	37.0
Expenses **	-1,735	-1,577	-6,717	-6,875
- in % of net sales	19.6	19.4	19.0	19.1
Adjusted EBITDA *	1,652	1,441	6,239	6,450
- adjusted EBITDA margin (%) *	18.7	17.7	17.7	17.9
Depreciation	-155	-162	-629	-622
Adjusted EBITA *	1,497	1,279	5,610	5,828
- adjusted EBITA margin (%) *	16.9	15.7	15.9	16.2
Amortisation of step-up values	-254	-263	-1,021	-1,012
Comparison distortion items	67	-	-	67
Operating income	1,310	1,016	4,589	4,883



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

Comparison distortion items

Consolidated	Comparison distortion items			
	First three months		Full year	Last 12
SEK millions	2018	2017	2017	months
Operational				
Other operating income	158	123	588	623
Comparison distortion income	67	-	-	67
Total other operating income	225	123	588	690

The comparison distortion income during the first three months 2018 is relating to the realised gain in a sale of a property in Lima in Peru. The property

was classified as an asset for sale in the Annual report for 2017. The sales price was SEK 69 million.

Consolidated financial net and taxes

The financial net for the first three months 2018 has amounted to SEK -5 (-27) 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 -1 (-1) million, interest on the bilateral term loans of SEK -11 (-11) million, interest on the corporate bonds of SEK -20 (-19) million and a net of dividends, changes in fair value and other interest income and interest costs of SEK 27 (4) million. The net of realised and unrealised exchange rate

differences has amounted to SEK 164 (279) million.

The tax on the result after financial items was SEK -420 (-492) million in the first quarter 2018. The tax cost for the first quarter 2017 was affected by a non-recurring item of SEK -113 million concerning additional tax relating to prior years concerning acquired businesses according to a settlement with the former owners.

Key figures

Consolidated	Key figures		
	2018	March 31 2017	December 31 2017
Return on capital employed (%) *	18.5	15.1	17.7
Return on equity (%) **	14.9	11.1	13.9
Solidity (%) ***	40.3	39.0	39.0
Net debt to EBITDA, times *	1.23	1.70	1.31
Debt ratio, times *	0.35	0.43	0.40
Number of employees (at the end of the period)	16,513	16,555	16,367

* Alternative performance measures.

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

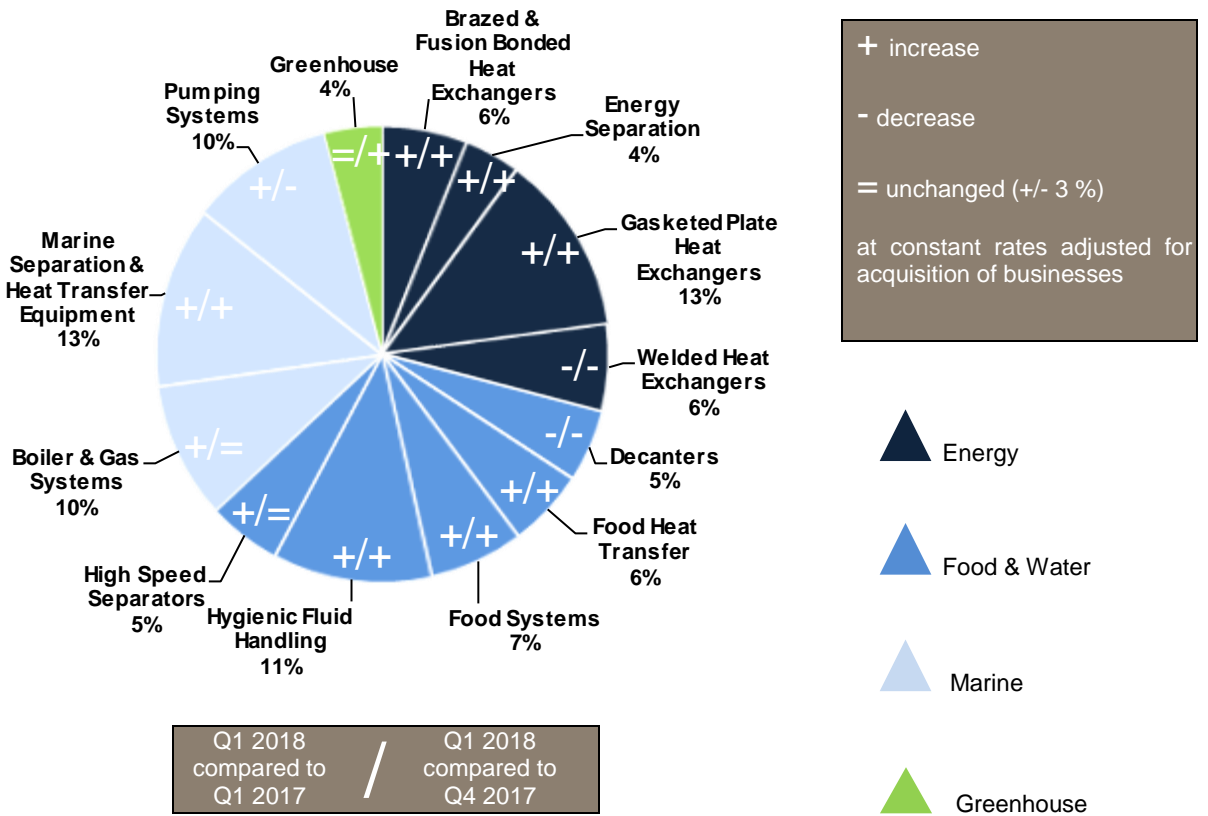
*** Equity in relation to total assets at the end of the period, expressed in percent.

Business Divisions

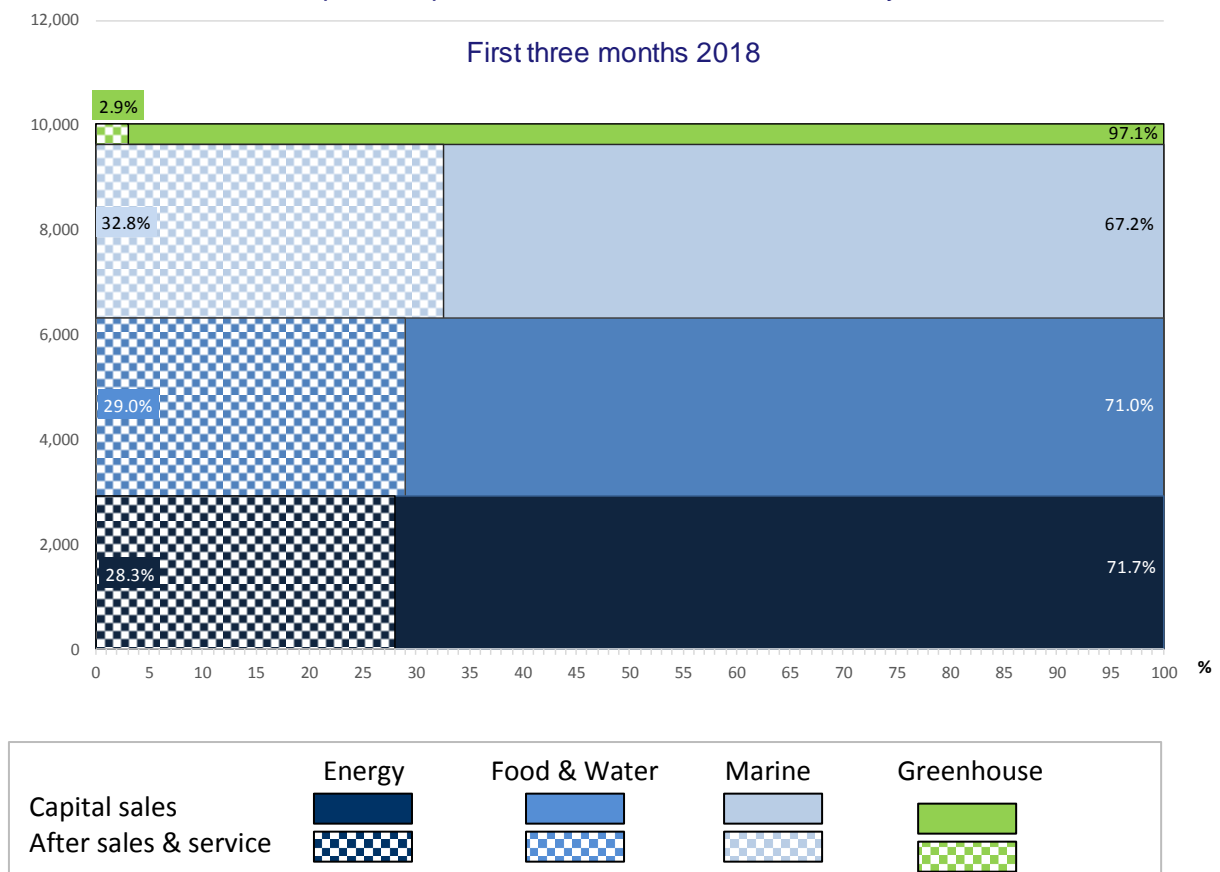
The development of the order intake for the Divisions and their Business Units and the split

between capital sales and after sales & service appear in the following charts.

Orders received by Business Unit Q1 2018



Order intake split on capital sales and after sales & service by Business Division



Energy Division

Consolidated	First three months		Full year	Last 12
	2018	2017	2017	months
SEK millions				
Orders received	2,915	2,674	11,175	11,416
Order backlog*	4,554	4,780	4,471	4,554
Net sales	2,812	2,283	11,001	11,530
Operating income**	381	255	1,525	1,651
Operating margin***	13.5%	11.2%	13.9%	14.3%
Depreciation and amortisation	74	80	317	311
Investments	9	15	84	78
Assets*	10,614	9,502	9,555	10,614
Liabilities*	4,422	3,174	3,743	4,422
Number of employees*	3,065	2,997	3,016	3,065

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

Consolidated	Change excluding currency effects					
	Order intake			Net sales		
	Structural change	Organic development	Total	Structural change	Organic development	Total
%						
Q1 2018/Q1 2017	-	12.2	12.2	-	26.7	26.7
Q1 2018/Q4 2017	-	2.2	2.2	-	-13.2	-13.2

All comments below are excluding currency effects.

Order intake

The Energy Division's overall order volume remained unchanged in the first quarter compared to the fourth, despite the lack of large orders. The flat development was hence explained by a strong base business*, which grew significantly in all industries and across all geographies.

Welded Heat Exchangers contracted compared to the previous quarter as the large refinery and petrochemical orders booked in the fourth quarter, were not repeated. The base business, however, grew through a good development in gas production. For the **Energy Separation** Business Unit, the overall order volumes were up due to a very good development throughout the hydrocarbon chain and due to some larger project orders for decanters in mining as well as waste water treatment related to mining. Business Unit **Gasketed Heat Exchangers** also reported growth compared to the previous quarter, again driven by the base business which developed favourably in many industries like HVAC, refrigeration, sulphuric acid and power. The **Brazed & Fusion Bonded Heat Exchangers** Business Unit saw order volumes grow compared to the fourth quarter

2017, the main driver being demand from manufacturers of heat pumps, engines as well as A/C for refrigeration applications.

Service reported strong growth compared to the fourth quarter. The development was general, but particularly positive in the up- and midstream section of the hydrocarbon chain, as well as downstream, in refinery.

Operating income

The increased operating income for Energy during the first quarter 2018 compared to the corresponding period last year is explained by a higher invoicing and good margins on some larger service contracts, mitigated by negative mix effects between capital sales and service.

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

Food & Water Division

Consolidated SEK millions	First three months		Full year	Last 12
	2018	2017	2017	months
Orders received	3,411	3,162	12,388	12,637
Order backlog*	4,820	4,263	4,317	4,820
Net sales	2,880	2,758	11,824	11,946
Operating income**	454	432	1,780	1,802
Operating margin***	15.8%	15.7%	15.1%	15.1%
Depreciation and amortisation	34	39	142	137
Investments	24	10	73	87
Assets*	9,321	8,141	8,124	9,321
Liabilities*	4,595	3,641	3,652	4,595
Number of employees*	4,115	4,068	3,997	4,115

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

Consolidated %	Change excluding currency effects					
	Order intake			Net sales		
	Structural change	Organic development	Total	Structural change	Organic development	Total
Q1 2018/Q1 2017	-	10.4	10.4	-	7.1	7.1
Q1 2018/Q4 2017	-	11.0	11.0	-	-11.9	-11.9

All comments below are excluding currency effects.

Order intake

Food & Water recorded good growth in order intake in the first quarter compared to the previous quarter. The growth was mainly driven by a large brewery order, but also supported by a positive development for the base business. Brewery, dairy, water & waste as well as protein represented particularly strong industries. Geographically, Latin America, Northern Europe and North-East Asia, in particular China, accounted for the growth.

Business Unit **High Speed Separators** was unchanged compared to the previous quarter. Dairy was strong, accompanied by a good development for starch and more general food applications. The pharma and biotech sectors however declined, as did edible oil and brewery. Business Unit **Decanters** showed an overall decline, but underneath the development was mixed. A very healthy development was noted within water treatment & waste water and edible

oil, whereas ethanol and more general food applications noted contractions. Business Unit **Food Heat Transfer** delivered solid growth, evident in a number of applications, but perhaps most pronounced in dairy. Business Unit **Hygienic Fluid Handling** also reported a healthy increase in order intake compared to the fourth quarter of last year. Dairy and the broader food markets, which combined constitute a significant part of the business, both developed favourably. Business Unit **Food Systems** ended up well above the previous quarter, primarily due to the SEK 300 million order for a brewery system in Mexico.

The aftermarket showed good growth compared to the previous quarter, driven by a particularly strong increase in repair and reconditioning activities in the service centres.

Operating income

The increase in operating income for Food & Water during the first quarter 2018 compared to the corresponding period last year is explained by higher net sales and a continued good project execution.

Marine Division

Consolidated SEK millions	First three months		Full year	Last 12
	2018	2017	2017	months
Orders received	3,295	2,556	11,456	12,195
Order backlog*	9,595	8,476	9,027	9,595
Net sales	2,795	2,658	10,809	10,946
Operating income**	499	402	1,771	1,868
Operating margin***	17.9%	15.1%	16.4%	17.1%
Depreciation and amortisation	192	193	772	771
Investments	12	15	59	56
Assets*	25,203	24,513	23,861	25,203
Liabilities*	6,571	5,981	5,963	6,571
Number of employees*	2,897	2,921	2,914	2,897

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

Consolidated %	Change excluding currency effects					
	Order intake			Net sales		
	Structural change	Organic development	Total	Structural change	Organic development	Total
Q1 2018/Q1 2017	-	30.6	30.6	-	6.8	6.8
Q1 2018/Q4 2017	-	-6.7	-6.7	-	-12.1	-12.1

All comments below are excluding currency effects.

Order intake

Order intake for the Marine Division decreased in the first quarter compared with the fourth quarter 2017. The main reason was marine pumping systems, which declined from the very high order level in the previous quarter.

Business Unit **Marine Separation & Heat Transfer Equipment** reported a good quarter with increased demand for most product groups, reflecting the growth in ship contracting during 2017. The strongest growth was recorded for gasketed plate heat exchangers and PureBallast. Fresh water generators, which recorded a very high level of order intake in the previous quarter, came back to a more normal level. The **Boiler & Gas Systems** Business Unit reported an unchanged level of order intake in the quarter.

While demand for marine boilers grew, it was off-set by a decline for exhaust gas cleaning systems – a business that is more project-oriented and hence can swing between quarters. Demand for inert gas systems was flat. The order intake for the **Pumping Systems** Business Unit declined compared to the very strong previous quarter, reflecting a lower level of contracting of chemical tankers. This was partly off-set by an increase in order intake from the offshore sector, where four large orders were booked.

The order intake for Service increased, due to strong demand for upgrading as well as repair.

Operating income

The increase in operating income for Marine during the first quarter 2018 compared to the corresponding period last year is above all explained by positive price/mix effects, but also higher net sales.

Greenhouse Division

Consolidated SEK millions	First three months		Full year	Last 12
	2018	2017	2017	months
Orders received	404	409	1,609	1,604
Order backlog*	520	538	474	520
Net sales	364	427	1,680	1,617
Operating income**	8	1	-12	-5
Operating margin***	2.2%	0.2%	-0.7%	-0.3%
Depreciation and amortisation	6	7	26	25
Investments	4	3	17	18
Assets*	806	1,295	806	806
Liabilities*	623	428	593	623
Number of employees*	601	734	642	601

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

Consolidated %	Change excluding currency effects					
	Order intake			Net sales		
	Structural change	Organic development	Total	Structural change	Organic development	Total
Q1 2018/Q1 2017	-	-1.3	-1.3	-	-14.9	-14.9
Q1 2018/Q4 2017	-	5.4	5.4	-	-18.4	-18.4

All comments below are excluding currency effects.

Order intake

The overall order intake for Greenhouse increased slightly in the first quarter compared to the previous quarter, with steady demand across the product groups.

Air heat exchangers decreased somewhat due to weaker performance in commercial refrigeration. Demand for industrial cooling applications in the conventional power industry was at the same time stable and applications in industrial refrigeration and HVAC showed a good development. The order intake for heat exchanger systems increased in the quarter, reflecting higher demand

for district heating systems. The regions that reported continued good development were Norway, Finland, the UK and Central Europe. Demand for tubular heat exchangers increased in the quarter, with a particularly good development in engine cooling applications in the U.S. as well as a steady development in the refrigeration and air conditioning markets in the Adriatic region and Western Europe.

Operating income

The increase in operating income for Greenhouse during the first quarter 2018 is due to an improved factory result and lower costs including the effect of the closure of the site in Wood Dale, partly mitigated by lower net sales.

Operations and Other

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

head and non-core businesses.

Consolidated				
SEK millions	First three months		Full year	Last 12
	2018	2017	2017	months
Orders received	0	0	0	0
Order backlog*	0	0	0	0
Net sales	0	0	0	0
Operating income**	-108	-64	-533	-577
Depreciation and amortisation	103	106	393	390
Investments	132	90	442	484
Assets*	5,596	4,958	5,372	5,596
Liabilities*	2,682	2,363	2,591	2,682
Number of employees*	5,835	5,835	5,798	5,835

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

The deteriorated operating income in the first quarter 2018 compared to the corresponding period last year is above all explained by

increased activities within the manufacturing restructuring program.

Reconciliation between Divisions and Group total

Consolidated				
SEK millions	First three months		Full year	Last 12
	2018	2017	2017	months
Operating income				
Total for divisions	1,234	1,026	4,531	4,739
Comparison distortion items	67	-	-	67
Consolidation adjustments *	9	-10	58	77
Total operating income	1,310	1,016	4,589	4,883
Financial net	159	252	-218	-311
Result after financial items	1,469	1,268	4,371	4,572
Assets **				
Total for divisions	51,540	48,409	47,718	51,540
Corporate ***	4,178	5,165	4,831	4,178
Group total	55,718	53,574	52,549	55,718
Liabilities **				
Total for divisions	18,893	15,587	16,542	18,893
Corporate ***	14,385	17,105	15,507	14,385
Group total	33,278	32,692	32,049	33,278

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

Information about products and services

Consolidated	Net sales by product/service *			
	First three months 2018	2017	Full year 2017	Last 12 months
SEK millions				
Own products within:				
Separation	1,574	1,437	6,471	6,608
Heat transfer	4,050	3,690	16,726	17,086
Fluid handling	2,132	2,074	7,678	7,736
Other	388	216	1,180	1,352
Associated products	326	297	1,448	1,477
Services	381	412	1,811	1,780
Total	8,851	8,126	35,314	36,039

* 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 AQUA Blue S-type



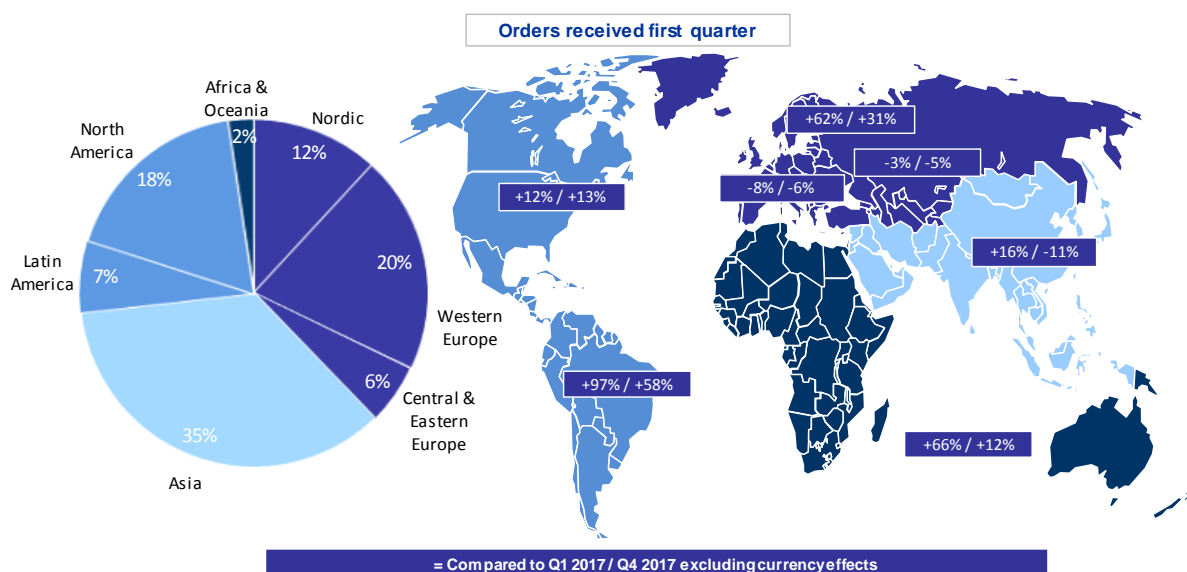
Energy efficient desalination that saves footprint.

By removing salt and impurities from seawater, the Alfa Laval AQUA Blue S-type freshwater generator provides ships with a constant supply of fresh

water for different onboard processes. Unlike conventional desalination units, which handle evaporation, separation and condensation separately, it uses innovative AQUA plate technology to perform these processes in a single plate pack with no outer shell.

When Alfa Laval first introduced it, the 3-in-1 AQUA technology cut seawater pumping needs in half. But the AQUA Blue S-type takes the savings even further, reducing energy use by almost 70% compared to conventional solutions. With minimized piping and a smaller footprint as well, the AQUA Blue S-type does far more in far less space.

Information by region



All comments are excluding currency effects.

Western Europe including Nordic

The region as a whole reported growth in the first quarter compared to the previous quarter, driven by orders for offshore pumping systems to the North Sea and by a good development for the service business in most parts of the region and across all three divisions. In addition, the Nordic region reported strong growth in the Food & Water Division. Western Europe declined somewhat due to the non-repeat of larger orders, while the base business* showed good growth.

Central and Eastern Europe

Order intake declined somewhat in the first quarter compared to the previous quarter, as the growth recorded in the base business could not fully compensate for a lower level of larger orders in the quarter. The exception was Central & South Eastern Europe, where larger orders in both Energy and Food & Water added to the good base business development. Russia showed a modest decline due to Food & Water. Both Energy and Marine, however, reported growth.

North America

North America performed very well in the first quarter, with both the U.S. and Canada contributing to the development. Canada, in particular, saw very strong growth numbers, visible across the three divisions and especially for the Energy Division. The growth in the U.S. came

mainly from Marine. Food & Water was flat and Energy declined a bit, more than explained by the non-repeat of a large order booked in fourth quarter. Excluding this, the Energy Division saw good growth.

Latin America

The region came in higher in the first quarter than in the fourth, lifted by the SEK 300 million brewery order that was booked in Mexico. Another positive factor was the service business, which reported growth across all three divisions. Brazil declined due to non-repeat project orders, but there were signs of a recovery as the base business showed a strong development.

Asia

The region reported a decline in the first quarter compared to the previous quarter, explained by marine pumping systems which came in lower than the very high level recorded in the fourth quarter. Excluding this, the region grew, supported by Food & Water as well as the other areas in the Marine Division. The base business developed very well with growth across all three divisions. It was mainly China that was affected by the decline in marine pumping. Excluding this, the country grew lifted by the other Marine businesses as well as Food & Water. South Korea had a very good first quarter with growth across all divisions.

* 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
	2018	2017	2017	months
SEK millions				
To customers in:				
Sweden	219	207	888	900
Other EU	2,394	2,096	9,627	9,925
Other Europe	609	622	2,726	2,713
USA	1,439	1,376	5,712	5,775
Other North America	205	158	816	863
Latin America	401	383	1,614	1,632
Africa	96	68	396	424
China	1,063	967	4,309	4,405
South Korea	789	766	2,952	2,975
Other Asia	1,491	1,384	5,754	5,861
Oceania	145	99	520	566
Total	8,851	8,126	35,314	36,039

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

Consolidated	Non-current assets		
	March 31		December 31
	2018	2017	2017
SEK millions			
Sweden	1,348	1,491	1,326
Denmark	4,809	4,555	4,654
Other EU	3,753	3,580	3,581
Norway	13,201	13,424	12,495
Other Europe	144	167	148
USA	3,712	4,038	3,707
Other North America	127	134	129
Latin America	285	331	284
Africa	9	9	9
Asia	2,961	3,068	2,919
Oceania	90	97	90
Subtotal	30,439	30,894	29,342
Other long-term securities	40	40	35
Pension assets	3	5	6
Deferred tax asset	1,403	1,716	1,589
Total	31,885	32,655	30,972

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 2018	2017	Full year 2017	Last 12 months
Operating activities				
Operating income	1,310	1,016	4,589	4,883
Adjustment for depreciation, amortisation and write down	409	425	1,650	1,634
Adjustment for other non-cash items	-91	-28	107	44
	1,628	1,413	6,346	6,561
Taxes paid	-478	-604	-1,583	-1,457
	1,150	809	4,763	5,104
Changes in working capital:				
Increase(-)/decrease(+) of receivables	-359	116	-517	-992
Increase(-)/decrease(+) of inventories	-202	-298	-774	-678
Increase(+)/decrease(-) of liabilities	64	319	1,273	1,018
Increase(+)/decrease(-) of provisions	13	-142	-282	-127
Increase(-)/decrease(+) in working capital	-484	-5	-300	-779
	666	804	4,463	4,325
Investing activities				
Investments in fixed assets (Capex)	-181	-133	-675	-723
Divestment of fixed assets	71	13	23	81
Acquisition of businesses	-	-	-69	-69
	-110	-120	-721	-711
Financing activities				
Received interests and dividends	42	37	168	173
Paid interests	-24	-44	-214	-194
Realised financial exchange gains	120	24	77	173
Realised financial exchange losses	-195	-20	-245	-420
Dividends to owners of the parent	-	-	-1,783	-1,783
Dividends to non-controlling interests	-	-	-14	-14
Increase(-) of financial assets	0	-248	-187	61
Decrease(+) of financial assets	208	0	0	208
Increase of loans	258	0	715	973
Amortisation of loans	-1,338	-61	-1,676	-2,953
	-929	-312	-3,159	-3,776
Cash flow for the period	-373	372	583	-162
Cash and cash equivalents at the beginning of the period	3,137	2,619	2,619	3,012
Translation difference in cash and cash equivalents	40	21	-65	-46
Cash and cash equivalents at the end of the period	2,804	3,012	3,137	2,804
Free cash flow per share (SEK) *	1.33	1.63	8.92	8.62
Capex in relation to net sales	2.0%	1.6%	1.9%	2.0%
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 2018 cash flows from operating and investing activities amounted to SEK 556 (684) million. Depreciation, excluding

allocated step-up values, was SEK 155 (162) million during the first quarter 2018.

Financial position and equity

CONSOLIDATED FINANCIAL POSITION

SEK millions	March 31		December 31
	2018	2017	2017
ASSETS			
Non-current assets			
Intangible assets	25,377	25,959	24,467
Property, plant and equipment	5,017	4,915	4,851
Other non-current assets	1,491	1,781	1,654
	31,885	32,655	30,972
Current assets			
Inventories	8,677	8,116	8,424
Assets held for sale	-	2	2
Assets related to disposal groups held for sale	93	-	-
Accounts receivable	6,263	5,856	5,941
Other receivables	4,736	2,510	2,700
Derivative assets	242	92	165
Other current deposits	1,018	1,331	1,208
Cash and cash equivalents *	2,804	3,012	3,137
	23,833	20,919	21,577
TOTAL ASSETS	55,718	53,574	52,549
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Owners of the parent	22,328	20,762	20,398
Non-controlling interests	112	120	102
	22,440	20,882	20,500
Non-current liabilities			
Liabilities to credit institutions etc.	11,561	12,117	11,092
Provisions for pensions and similar commitments	2,327	2,319	2,297
Provision for deferred tax	1,968	2,431	2,100
Other non-current liabilities	707	630	677
	16,563	17,497	16,166
Current liabilities			
Liabilities related to disposal groups held for sale	53	-	-
Liabilities to credit institutions etc.	175	1,130	1,404
Accounts payable	2,883	2,585	2,964
Advances from customers	4,997	3,183	3,537
Other provisions	2,121	2,260	2,024
Other liabilities	6,269	5,854	5,783
Derivative liabilities	217	183	171
	16,715	15,195	15,883
Total liabilities	33,278	32,692	32,049
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	55,718	53,574	52,549

* 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 2018	March 31 2017	December 31 2017
SEK millions				
Financial assets				
Other non-current securities	1 and 2	5	3	4
Bonds and other securities	1	558	1,049	542
Derivative assets	2	287	113	189
Financial liabilities				
Derivative liabilities	2	256	215	187

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 2018	March 31 2017	December 31 2017
SEK millions			
Credit institutions	195	192	142
Swedish Export Credit	2,166	3,126	2,106
European Investment Bank	1,182	2,338	2,411
Corporate bonds	8,193	7,591	7,837
Capitalised financial leases	47	61	49
Interest-bearing pension liabilities	0	0	0
Total debt	11,783	13,308	12,545
Cash and cash equivalents and current deposits	-3,822	-4,343	-4,345
Net debt *	7,961	8,965	8,200

* Alternative performance measure.

Alfa Laval has a senior credit facility of EUR 400 million and USD 544 million, corresponding to SEK 8,660 million with a banking syndicate. The facility was not utilised at March 31, 2018. 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 from Swedish Export Credit consist of 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 loan from the European Investment Bank of EUR 115 million matures in June 2021. One loan of EUR 130 million that matured was repaid on March 29, 2018.

The commercial paper programme of SEK 2,000 million was not utilised at March 31, 2018.

CHANGES IN CONSOLIDATED EQUITY

SEK millions	First three months		Full year
	2018	2017	2017
At the beginning of the period*	20,486	20,276	20,276
Changes attributable to:			
Owners of the parent			
Comprehensive income			
Comprehensive income for the period	1,944	603	2,069
Transactions with shareholders			
Increase of ownership in subsidiaries with non-controlling interests	-	-	-47
Dividends	-	-	-1,783
	-	-	-1,830
Subtotal	1,944	603	239
Non-controlling interests			
Comprehensive income			
Comprehensive income for the period	10	3	10
Transactions with shareholders			
Decrease of non-controlling interests	-	-	-11
Dividends	-	-	-14
	-	-	-25
Subtotal	10	3	-15
At the end of the period	22,440	20,882	20,500

* The opening equity for 2018 has been adjusted with SEK -14 million due to IFRS 15.

Acquisitions and divestments of businesses

Alfa Laval has signed an agreement to sell its heat exchanger systems business in the Greenhouse division to the NIBE Group. The closing of the agreement is expected during the second quarter of 2018.

Alfa Laval has also signed an agreement to sell its commercial tubular heat exchanger business in the Greenhouse division to the BITZER Group. The closing of the agreement is expected on May 1, 2018.

Both of these operations are as of the interim report for the first quarter 2018 reported as disposal groups held for sale according to IFRS 5. This means that all assets and liabilities relating to these operations are presented separately in the statement of financial position. The balance sheet items are measured at the lower of their book values and fair values less costs to sell, except for deferred tax items and defined benefit obligations. Since both transactions are estimated to result in a realised gain, no write down to fair value has been necessary.

Consolidated	<u>Disposal groups</u>
SEK millions	March 31 2018
Assets	
Property, plant and equipment	3
Inventories	20
Accounts receivable	44
Other receivables	19
Financial assets	7
Total	93
Liabilities	
Accounts payable	11
Advances from customers	5
Other liabilities	35
Financial liabilities	2
Total	53

Parent company

The parent company's result after financial items for the first quarter 2018 was SEK -6 (995) million, out of which dividends from subsidiaries SEK - (1,000) million, net interests SEK -0 (0) million, realised and unrealised exchange rate gains and losses SEK 1 (-0) million, costs related to the

listing SEK -4 (-3) million, fees to the Board SEK -3 (-4) million, cost for annual report and annual general meeting SEK -0 (-0) million and other operating income and operating costs the remaining SEK -0 (2) million.

PARENT COMPANY INCOME *

SEK millions	First three months		Full year
	2018	2017	2017
Administration costs	-7	-7	-14
Other operating income	0	2	0
Other operating costs	0	0	-7
Operating income	-7	-5	-21
Revenues from interests in group companies	-	1,000	1,094
Interest income and similar result items	1	1	2
Interest expenses and similar result items	0	-1	-2
Result after financial items	-6	995	1,073
Change of tax allocation reserve	-	-	-251
Group contributions	-	-	1,439
Result before tax	-6	995	2,261
Tax on this year's result	1	1	-258
Net income for the period	-5	996	2,003

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

PARENT COMPANY FINANCIAL POSITION

SEK millions	March 31		December 31
	2018	2017	2017
ASSETS			
Non-current assets			
Shares in group companies	4,669	4,669	4,669
Current assets			
Receivables on group companies	8,731	9,290	8,891
Other receivables	78	43	3
Cash and cash equivalents	-	-	-
	8,809	9,333	8,894
TOTAL ASSETS	13,478	14,002	13,563
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Restricted equity	2,387	2,387	2,387
Unrestricted equity	9,412	10,193	9,417
	11,799	12,580	11,804
Untaxed reserves			
Tax allocation reserves, taxation 2012-2018	1,660	1,409	1,660
Current liabilities			
Liabilities to group companies	19	12	38
Accounts payable	0	1	0
Tax liabilities	-	-	61
Other liabilities	0	0	-
	19	13	99
TOTAL EQUITY AND LIABILITIES	13,478	14,002	13,563

Owners and shares

Owners and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 34,042 (35,050) shareholders on March 31, 2018. The largest owner is Tetra Laval B.V., the Netherlands who owns 29.1 (29.1) percent. Next to the largest owner, there are nine institutional investors with ownership in the range of 5.4 to 0.6 percent. These ten largest shareholders owned 47.7 (51.1) percent of the shares.

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 2017 is still correct.

Asbestos-related lawsuits

The Alfa Laval Group was as of March 31, 2018 named as a co-defendant in a total of 917 asbestos-related lawsuits with a total of approximately 917 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 2018 is prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The accounting principles are according to IFRS (International Financial Reporting Standards) as adopted by the European Union. In the report, alternative performance measures are used. See the annual report 2017 for definitions. Alfa Laval follows the Guidelines on Alternative Performance Measures issued by ESMA (European Securities and Markets Authority).

IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" are applied from January 1, 2018. Alfa Laval applies them retrospectively with the cumulative effect of initially applying them recognised as an adjustment to the opening balance of unrestricted equity at January 1, 2018. The opening order backlog has also been adjusted as per January 1,

Proposed disposition of earnings

The Board of Directors propose a dividend of SEK 4.25 (4.25) per share corresponding to SEK 1,783 (1,783) million and that the remaining income available for distribution in Alfa Laval AB (publ) of SEK 7,635 (7,414) 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.

2018. The retrospective application only applies to financial instruments and risks for credit losses that existed at January 1, 2018 and contracts with customers that were not completed contracts at January 1, 2018. The effect of the initial application was reported in the Annual Report for 2017 and meant an adjustment of the opening equity of SEK -14 million and an adjustment of the opening order backlog of SEK +74 million.

"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, 2017 to March 31, 2018. "The corresponding period last year" refers to the first quarter 2017. "Previous quarter" refers to the fourth quarter 2017.

Comparison distortion items are reported in the comprehensive income statement on each concerned line, but are specified on page 7.

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 2018 at the following dates:

Interim report for the second quarter	July 16
Interim report for the third quarter	October 25

Impact of IFRS 15 during 2018

The impact on the different lines in the financial statements of IFRS 15 compared to the old rules

under IAS 11 and IAS 18 can be summarised as follows:

Consolidated	Effect of IFRS 15	
	March 31 2018	
SEK millions		
Order backlog		82
Comprehensive income		
Net sales		-8
Cost of goods sold		12
Gross profit		4
Operating income		4
Result after financial items		4
Taxes		-1
Net income for the period		3
Comprehensive income for the period		3
Financial position		
Assets		
Inventories		-14
Other receivables		12
Total		-2
Shareholders' equity and liabilities		
Other liabilities		9
Equity		
Opening equity adjustment		-14
Comprehensive income for the period		3
		-11
Total		-2

The reason why the impact on net sales and gross profit has different signs is that the lines are a net of orders with varying gross profit that according to

the old rules would be recognised as revenue either earlier or later compared to IFRS 15.

The interim report has been issued at CET 12.45 on April 23, 2018 by the President and Chief Executive Officer Tom Erixon by proxy from the Board of Directors.

Lund, April 23, 2018,

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