



Q4 2022

Concept Zero is the world's first heat exchanger made using fossil-free steel.

Highlights

- Order intake of SEK 15.8 billion, corresponding to 16 percent organic growth. Demand remained positive in all three divisions.
- Net sales of 16.5 billion, corresponding to 14 percent organic growth. Record high sales was supported by improving supply chains.
- Adjusted EBITA of SEK 2,520 million, corresponding to 27 percent growth and a margin of 15.3 percent.
- Increased CAPEX investments to support future growth, estimated at SEK 2.5-3.0 billion per year.

Outlook for the first quarter

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

Earlier published outlook (October 25, 2022):
"We expect demand in the fourth quarter to be about the same as in the third quarter."

The Board of Directors will propose a dividend of SEK 6.00 (6.00) per share to the Annual General Meeting.

The Q4 2022 report has been reviewed by the company's auditors, see page 27 for the review report.

Summary

SEK millions	Q4				Jan-Dec			
	2022	2021	%	% *	2022	2021	%	% *
Order intake	15,767	11,651	35	23	58,645	45,718	28	18
Net sales	16,484	11,692	41	30	52,135	40,911	27	18
Adjusted EBITA **	2,520	1,992	27		8,229	7,114	16	
- adjusted EBITA margin (%) **	15.3	17.0			15.8	17.4		
Result after financial items	1,762	1,861	-5		6,179	6,142	1	
Net income for the period	1,260	1,478	-15		4,569	4,801	-5	
Earnings per share (SEK)	3.00	3.51	-15		10.89	11.38	-4	
Cash flow from operating activities	1,662	1,411	18		3,291	5,264	-37	
Impact on adjusted EBITA of foreign exchange effects	150	50			400	-50		
Impact on result after financial items of comparison distortion items	-440	-			-767	-192		
Return on capital employed (%) **					17.3	20.0		
Net debt to EBITDA, times **					1.47	0.87		

* Excluding currency effects. ** Alternative performance measures.



Comment from

Tom Erixon

President and CEO

"Demand remained strong in almost all end-markets and order intake grew to a new record level of SEK 15.8 billion in the fourth quarter, corresponding to a 16 percent organic growth rate. The already high growth pace of service accelerated further and the organic growth reached 18 percent as both established service areas and new offerings developed well.

All three divisions showed positive development, most notably the Marine Division. Despite a relatively soft contracting market for new ships, the division booked a record level order intake of SEK 5.7 billion. Demand across the entire product portfolio was strong, supported by the tailwinds created by sustainable shipping.

Invoicing grew 14 percent organic in the quarter and reached a new record of SEK 16.5 billion. Global supply chains continued to stabilize during 2022, with December being especially strong. Inventory, which has increased substantially during the last two years to manage customer service, started to decrease during the quarter with an improvement in cashflow towards the end of the quarter. The positive development is expected to continue during 2023.

The company took a one-time charge of SEK 440 million in the quarter. The restructuring program of SEK 367 million addresses capacity imbalances in specific parts of the Marine and Energy Divisions. The program is expected to be in full effect in the third quarter of 2023 with an estimated payback time of 2 years. In addition, SEK 73 million was reserved for the ongoing wind-down of operations in Russia.

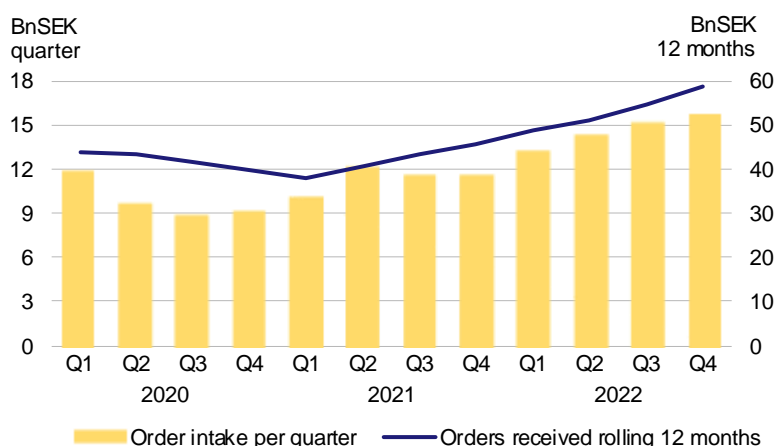
The volatility in commodity markets and general cost inflation continue to affect the Group. In all, pricing and cost control remains in focus to ensure a stable gross margin in the order book. Sequentially, both the gross margin and the operating margin were negatively affected mainly by the restructuring activities in the Energy Division and to some extent in the Marine Division.

The growth related to the energy transition is exceeding the existing capacity and demand is expected to remain positive in the coming years. To support future growth and customer service, the group has decided to invest a further SEK 3.8 billion in production capacity. The capex guidance for the coming years is increased to SEK 2.5-3.0 billion per year."

Tom Erixon,
President and CEO

Financial overview

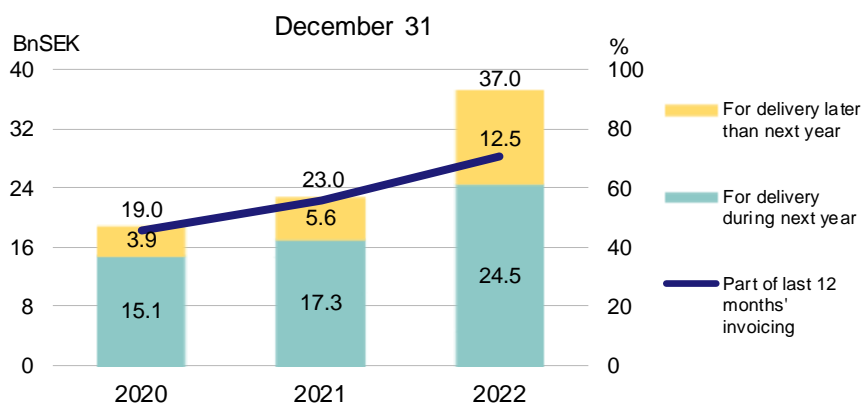
Order intake



Orders received was SEK 15,767 (11,651) million in the fourth quarter and SEK 58,645 (45,718) million in the full year 2022. Order backlog of SEK 92 million in the fourth quarter and SEK 825 million in the full year 2022 relating to the sanctions against Russia has been cancelled.

Orders received from Service constituted 28.3 (29.1) percent of the Group's total orders received during the fourth quarter and 28.4 (28.1) percent during the full year 2022.

Order backlog



The acquisitions of Desmet and Scanjet meant that the order backlog increased by SEK 5,646 million and SEK 95 million respectively at the time of the acquisitions. Excluding currency effects and adjusted for acquisition and divestment of businesses the order backlog was 29.8 percent higher than the order backlog at the end of 2021.

Net sales

Net invoicing was SEK 16,484 (11,692) million for the fourth quarter and SEK 52,135 (40,911) million for the full year 2022.

Net invoicing relating to Service constituted 28.6 (30.4) percent of the Group's total net invoicing in the fourth quarter and 30.0 (29.6) percent in the full year 2022.

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

SEK millions/%	Order bridge	
	Q4	Jan-Dec
2021	11,651	45,718
Organic ¹⁾	16.3%	14.4%
Structural ¹⁾	7.0%	3.8%
Currency	12.0%	10.1%
Total	35.3%	28.3%
2022	15,767	58,645

1) Change excluding currency effects.

SEK millions/%	Order bridge Service	
	Q4	Jan-Dec
2021	3,394	12,864
Organic ¹⁾	17.9%	15.4%
Structural ¹⁾	1.0%	2.7%
Currency	12.8%	11.3%
Total	31.7%	29.4%
2022	4,471	16,640

1) Change excluding currency effects.

SEK millions/%	Sales bridge	
	Q4	Jan-Dec
2021	11,692	40,911
Organic ¹⁾	13.8%	10.9%
Structural ¹⁾	15.7%	6.7%
Currency	11.5%	9.8%
Total	41.0%	27.4%
2022	16,484	52,135

1) Change excluding currency effects.

SEK millions/%	Sales bridge Service	
	Q4	Jan-Dec
2021	3,563	12,144
Organic ¹⁾	19.4%	15.0%
Structural ¹⁾	0.8%	2.9%
Currency	12.6%	11.3%
Total	32.8%	29.2%
2022	4,730	15,688

1) Change excluding currency effects.

Income analysis

SEK millions	Q4		Jan-Dec	
	2022	2021	2022	2021
Net sales	16,484	11,692	52,135	40,911
Adjusted gross profit *	5,443	4,240	18,589	15,306
- adjusted gross margin (%) *	33.0	36.3	35.7	37.4
Expenses **	-2,607	-1,938	-8,911	-7,001
- in % of net sales	15.8	16.6	17.1	17.1
Adjusted EBITDA *	2,836	2,302	9,678	8,305
- adjusted EBITDA margin (%) *	17.2	19.7	18.6	20.3
Depreciation	-316	-310	-1,449	-1,191
Adjusted EBITA *	2,520	1,992	8,229	7,114
- adjusted EBITA margin (%) *	15.3	17.0	15.8	17.4
Amortisation of step-up values	-266	-205	-943	-796
Comparison distortion items	-440	-	-767	-192
Operating income	1,814	1,787	6,519	6,126

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

The gross margin has in most Business Units had a good development in the quarter as pricing initiatives have offset inflationary pressure. The overall margin also reflects a positive mix between service and capital sales. Affecting the margin negatively are low factory loads in Business Unit Welded Heat Exchangers and in Marine Pumping Systems and invoiced backlog taken prior to 2022. The underlying negative contributions are being addressed through the restructuring programs to be implemented during 2023.

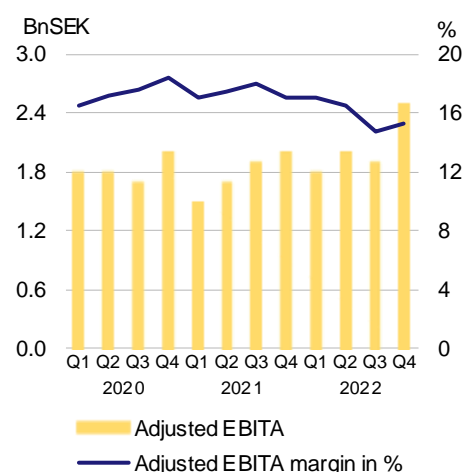
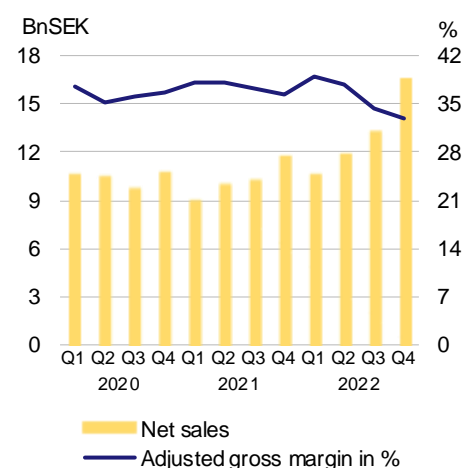
Sales and administration expenses were SEK 2,144 (1,713) million during the fourth quarter and SEK 7,939 (6,383) million during the full year 2022. The figures for the full year corresponded to 15.2 (15.6) percent of net sales. Excluding currency effects and acquisition/divestment of businesses, sales and administration expenses increased by 9.1 percent during the fourth quarter and by 10.9 percent during the full year 2022 compared to the corresponding periods last year. The increase is reflecting that the activity level now is returning to more normal levels after the pandemic.

The costs for research and development during the fourth quarter 2022 corresponded to 2.6 (2.8) percent of net sales. Excluding currency effects and acquisition/divestment of businesses, the costs for research and development increased by 3.7 percent during the fourth quarter and by 8.7 percent during the full year 2022 compared to the corresponding periods last year.

Earnings per share was SEK 10.89 (11.38) for the full year 2022. The corresponding figure excluding amortisation of step-up values and the corresponding tax, was SEK 12.78 (12.98).

Comparison distortion items

SEK millions	Q4		Jan-Dec	
	2022	2021	2022	2021
Other operating income				
Comparison distortion items:				
- Realised gain on sale of businesses	-	-	-	3
- Realised gain on sale of properties	-	-	-	9
Other operating costs				
Comparison distortion items:				
- Provision for financial consequences of Russia's war on Ukraine	-73	-	-400	-
- Restructuring costs	-367	-	-367	-204
Net comparison distortion items	-440	-	-767	-192



The comparison distortion items during the full year 2022 are relating to costs triggered by Russia's war on Ukraine and for a restructuring project for parts of the Marine Division and the Business Unit for Welded Heat Exchangers in the Energy Division, see pages 26-27 for details. The comparison distortion items during the full year 2021 were relating to the final step in the restructuring program that was started during the fourth quarter 2020 and the realised gains on the sale of the remaining air heat exchanger operation in India to LU-VE and on the sale of a property in India.

Consolidated financial net and taxes

The financial net for the full year 2022 was SEK -219 (-137) 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 -18 (-10) million, interest on the bilateral term loans of SEK -20 (-2) million, interest on the corporate bonds of SEK -127 (-83) million, interest on the commercial paper programme of SEK -10 (-0) and a net of dividends, changes in fair value and other interest income and interest costs of SEK -44 (-42) million. The net of realised and unrealised exchange rate differences was SEK -121 (153) million.

The tax on the result after financial items was SEK -502 (-383) million in the fourth quarter and SEK -1,610 (-1,341) million in the full year 2022.

Cash flow

During the full year 2022 cash flows from operating and investing activities were SEK -2,227 (239) million. The figure for 2022 has been burdened with SEK -3,140 (-797) million for build-up of inventories due to the volume growth and to secure our ability to deliver.

Depreciation, excluding allocated step-up values, was SEK 1,449 (1,191) million during the full year 2022.

Acquisition of businesses during the full year 2022 amount to SEK -3,685 (-3,828) million. The figure for 2022 is relating to the acquisition of Desmet with SEK -3,431 million, the acquisition of Scanjet with SEK -237 million, the acquisition of BunkerMetric with SEK -13 million and payment of withheld purchase price for the acquisition of Airec with SEK -4 million. The figure for 2021 was mainly relating to the acquisition of StormGeo with SEK -3,588 million and the acquisition of LiftUP with SEK -207 million. In addition, StormGeo acquired two small companies in Brazil for SEK -13 million and withheld purchase price was paid for some earlier acquisitions with SEK -15 million. Furthermore, an additional purchase price for the acquisition of Aalborg AS was paid with SEK -5 million.

Divestment of businesses during the full year 2022 amount to SEK - (8) million. The figure for 2021 was relating to additional purchase price concerning the sale of the remaining air heat exchanger operation in India to LU-VE.

Key figures

	Dec 31	
	2022	2021
Return on capital employed (%) ¹⁾	17.3	20.0
Return on equity (%) ²⁾	13.5	15.8
Solidity (%) ³⁾	43.9	50.3
Net debt to EBITDA, times ¹⁾	1.47	0.87
Debt ratio, times ¹⁾	0.37	0.22
Number of employees ⁴⁾	20,300	17,883

1) Alternative performance measure.

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

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

4) At the end of the period.

The increase in number of employees is explained mainly by the acquisitions of Desmet and Scanjet with 1,115 and otherwise by an increased activity level.



Energy Division

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

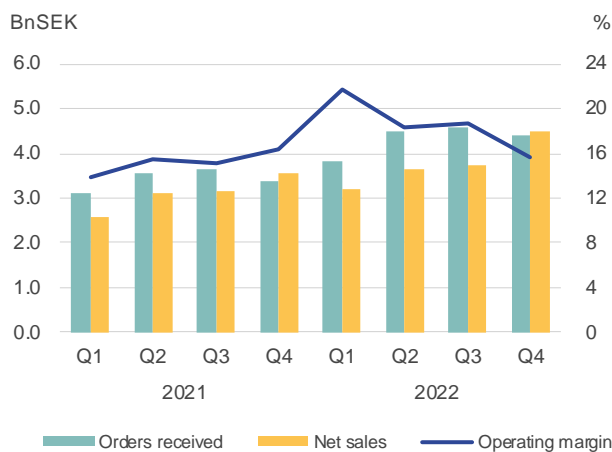
Focus is on increased energy efficiency, waste heat recovery and sustainable solutions.

- Order intake of SEK 4.4 billion, corresponding to 20 percent organic growth. Demand driven by energy transition.
- Net sales of SEK 4.5 billion, corresponding to 17 percent organic growth. Strong growth in service.
- Operating income of SEK 705 million, corresponding to a margin of 15.7 percent. Margin overall stable but affected by imbalances in Business Unit Welded Heat Exchangers.
- Restructuring program in place to address these imbalances.

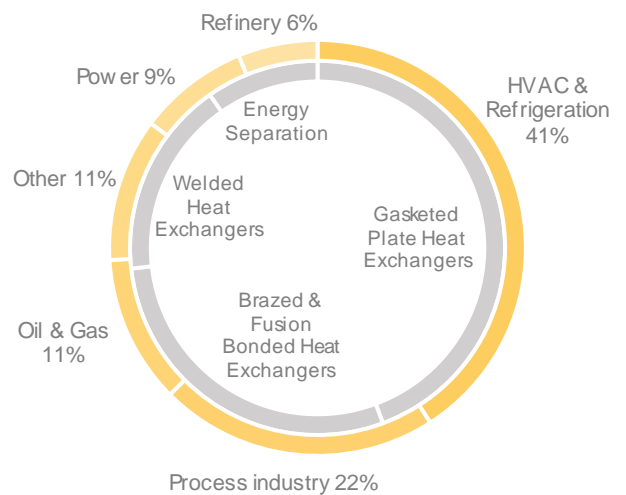
SEK millions	Q4		Jan-Dec	
	2022	2021	2022	2021
Orders received	4,407	3,362	17,294	13,675
Order backlog*	8,517	5,791	8,517	5,791
Net sales	4,500	3,556	15,074	12,383
Operating income**	705	581	2,761	1,897
Operating margin***	15.7%	16.3%	18.3%	15.3%
Depreciation and amortisation	108	114	518	433
Investments****	209	159	535	403
Assets*	17,330	13,262	17,330	13,262
Liabilities*	6,574	5,252	6,574	5,252
Number of employees*	5,457	5,126	5,457	5,126

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

Quarterly development



Order intake Jan-Dec 2022 split per end market*/business unit



* "Process industry" consists of inorganic chemicals, metals, petrochemicals and pulp & paper and "other" consists mainly of manufacturing and mining.



Order intake*

The Energy Division reported good order growth in the fourth quarter compared to the same quarter last year. Demand remained strong for energy efficiency solutions across most end markets and order intake grew for solutions in the emerging clean energy and circularity areas. The service business developed in a positive way. Order intake was strong across most geographical markets and particularly in North America and Western Europe, driven by a continued good underlying business in combination with a positive development for larger projects. Demand was good in East Asia, although somewhat lower activity level was noted in China as a result of the recent COVID-situation in the country.

The largest end market HVAC** & refrigeration continued to grow compared to last year driven by continued demand for heat pumps, general HVAC applications and datacentre cooling. Demand from customers in the process industries grew, mainly driven by sectors like chemicals, petrochemicals and pulp & paper. Volumes increased in the refinery sector, as customers were investing in new equipment for biofuel processing. Demand in oil & gas and power remained on similar levels as the same quarter last year.

Service grew well in the quarter. A positive development was seen across most industries and geographical markets. The growth was mainly driven by strong demand for cleaning solutions.

Net sales*

Net sales grew in almost all end markets, despite some remaining capacity constraints and supply chain challenges. Service sales grew faster than capital sales.

Operating income

The increased net sales in the quarter had a positive volume effect. Despite increased raw material costs, the mix effect was positive due to price increases and a higher service share. The overhead costs increased due to increased sales activities and inflationary pressure. Currency had a small positive impact.

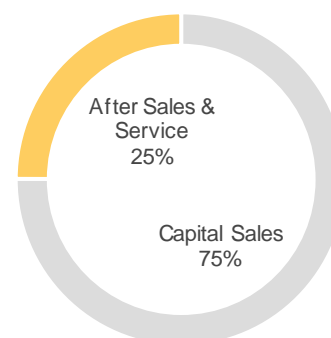
SEK millions/%	Order bridge	
	Q4	Jan-Dec
2021	3,362	13,675
Organic ¹⁾	20.2%	17.0%
Structural ¹⁾	-	-
Currency	10.9%	9.5%
Total	31.1%	26.5%
2022	4,407	17,294

1) Change excluding currency effects.

SEK millions/%	Sales bridge	
	Q4	Jan-Dec
2021	3,556	12,383
Organic ¹⁾	16.7%	12.4%
Structural ¹⁾	-	-
Currency	9.8%	9.3%
Total	26.5%	21.7%
2022	4,500	15,074

1) Change excluding currency effects.

Order intake Jan-Dec 2022 split on:



SEK millions	Income bridge	
	Q4	Jan-Dec
Operating income 2021	581	1,897
Volume ¹⁾	183	514
Mix ¹⁾	42	496
Costs ¹⁾	-131	-264
Currency	30	118
Operating income 2022	705	2,761

1) Change excluding currency effects.

* Comments excluding currency effects.

** Heating, Ventilation & Air Conditioning.



Food & Water Division

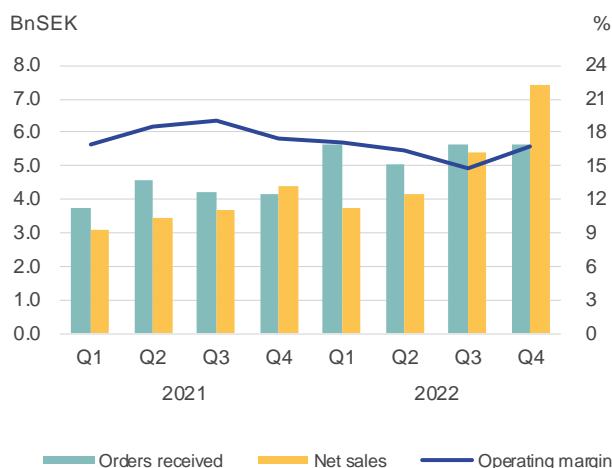
The division offers different types of products for heat transfer, separation and hygienic fluid handling and targets customers in food, pharmaceuticals, biotech, vegetable oils, brewery, dairy and body care products. In addition, the division focuses on public and industrial water treatment as well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

- Record order intake of SEK 5.6 billion, corresponding to 5 percent organic growth. Demand remained positive in most areas.
- Record net sales of 7.4 billion, corresponding to 14 percent organic growth. Sales growth was supported by improving supply chains
- Operating income of SEK 1,234 million, corresponding to a margin of 16.7 percent. Higher costs offset by pricing.
- Desmet fully integrated.

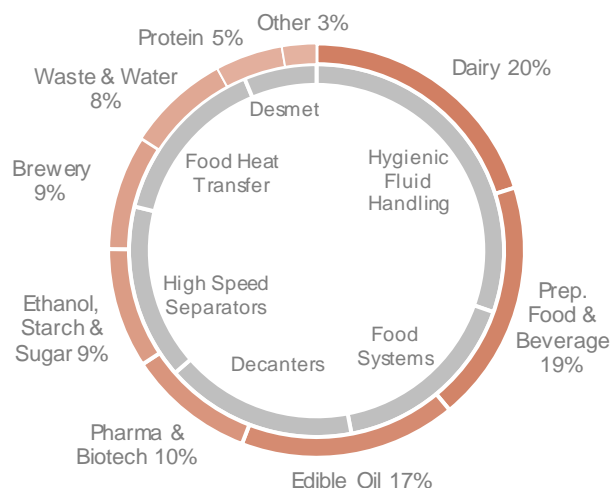
SEK millions	Q4		Jan-Dec	
	2022	2021	2022	2021
Orders received	5,613	4,139	21,909	16,664
Order backlog*	14,381	6,823	14,381	6,823
Net sales	7,407	4,388	20,691	14,640
Operating income**	1,234	767	3,339	2,637
Operating margin***	16.7%	17.5%	16.1%	18.0%
Depreciation and amortisation	146	91	568	360
Investments****	139	102	360	315
Assets*	21,196	11,714	21,196	11,714
Liabilities*	8,291	5,144	8,291	5,144
Number of employees*	8,052	6,670	8,052	6,670

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

Quarterly development



Order intake Jan-Dec 2022 split per end market/business unit





Order intake*

Order intake grew compared to the same quarter last year and demand remained positive in most geographical areas.

Strong order growth was noted in edible oil, driven by high demand for HVO** for biodiesel, primarily in the U.S. Protein and ethanol, starch & sugar also had a strong development. Order intake in the pharma & biotech market remained unchanged at a high level. Growth was somewhat negative in China, as a result of recent local and regional lockdowns, but the underlying demand in the market remained stable. Order intake in waste & water was below the same quarter last year, mainly due to a decline in Asia and in particularly China. Order intake in dairy contracted from the record level of the fourth quarter last year. Investments by end customers continued in order to meet the increased capacity demand.

Service showed double digit growth in almost all end-markets. Growth was driven by good development for the entire service portfolio, it but was especially strong for spare parts.

Net sales*

Invoicing grew strongly in the quarter, supported by an easing supply chain situation which earlier in 2022 somewhat hampered the ability to deliver. Capital sales grew faster than service. Industry wise, the strongest increase in sales was noted in pharma & biotech as well as ethanol, starch & sugar. Good growth was also seen across all other industries, with the exception of brewery. Geographically, all regions reported higher invoicing. North America delivered the most significant increase. Overall sales in Asia increased, with the exception of China where COVID-related aspects had a negative impact on invoicing.

Operating income

The strong net sales growth in the quarter significantly contributed to an increased operating income. The lower service share gave a negative mix impact. Costs increased as a result of general inflationary pressure and an overall high business activity, partly mitigated by a positive currency effect.

* Comments excluding currency effects.

** Hydrotreated Vegetable Oil.

Order bridge

SEK millions/%	Q4	Jan-Dec
2021	4,139	16,664
Organic ¹⁾	4.8%	11.8%
Structural ¹⁾	17.4%	7.5%
Currency	13.4%	12.2%
Total	35.6%	31.5%
2022	5,613	21,909

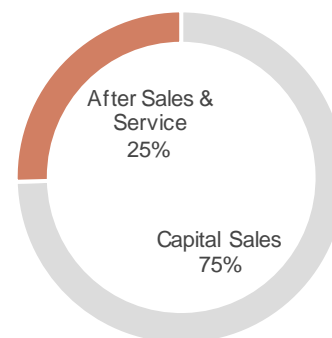
1) Change excluding currency effects.

Sales bridge

SEK millions/%	Q4	Jan-Dec
2021	4,388	14,640
Organic ¹⁾	13.6%	13.0%
Structural ¹⁾	40.3%	15.4%
Currency	14.9%	12.9%
Total	68.8%	41.3%
2022	7,407	20,691

1) Change excluding currency effects.

Order intake Jan-Dec 2022 split on:



Income bridge

SEK millions	Q4	Jan-Dec
Operating income 2021	767	2,637
Volume ¹⁾	776	1,496
Mix ¹⁾	-134	-420
Costs ¹⁾	-280	-658
Currency	105	284
Operating income 2022	1,234	3,339

1) Change excluding currency effects.



Marine Division

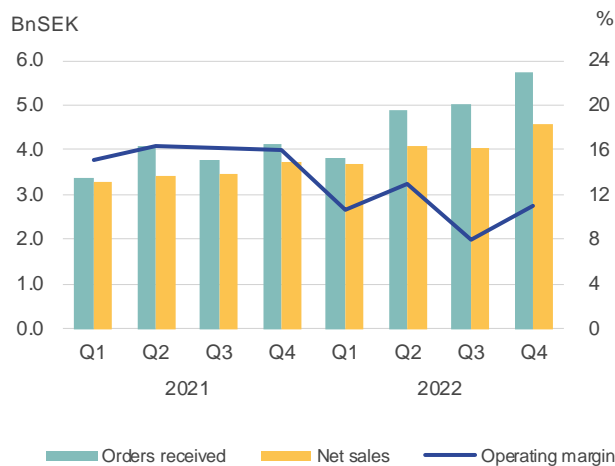
The division's customers include shipowners, shipyards, manufacturers of diesel and gas engines, as well as companies that work with offshore extraction of oil and gas. The offering includes pumping systems, boilers, heat transfer equipment, high speed separators digital solutions and several different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

- Record order intake of SEK 5.7 billion, corresponding to 25 percent organic growth. Demand driven by sustainable shipping and service.
- Net sales of SEK 4.6 billion, corresponding to 11 percent organic growth. Sales growth was supported by good development in most product groups.
- Operating income of SEK 497 million, corresponding to a margin of 10.9 percent. Margin remains affected by product mix, impact from old backlog and low sales in Pumping Systems.
- Restructuring program in place to address imbalances in specific business areas.

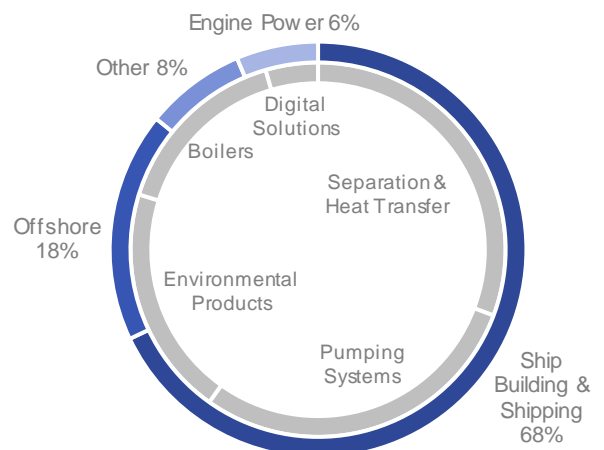
SEK millions	Q4		Jan-Dec	
	2022	2021	2022	2021
Orders received	5,747	4,150	19,442	15,379
Order backlog*	14,122	10,340	14,122	10,340
Net sales	4,577	3,748	16,370	13,888
Operating income**	497	600	1,741	2,211
Operating margin***	10.9%	16.0%	10.6%	15.9%
Depreciation and amortisation	241	221	970	840
Investments****	93	107	235	250
Assets*	30,932	28,718	30,932	28,718
Liabilities*	7,241	6,317	7,241	6,317
Number of employees*	5,465	4,932	5,465	4,932

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

Quarterly development



Order intake Jan-Dec 2022 split per end market/business unit





Order intake*

Order intake for the Marine Division was higher compared to the same quarter last year. Growth was driven by a stronger demand in most product areas and in the service business. This was the first full quarter with the Scanjet acquisition included in the numbers.

The underlying market sentiment related to the building of new vessels was on a lower level compared to the same period last year. New contracting has been driven primarily by container vessels, bulk carriers, large LNG carriers and vehicle carriers. The lower shipbuilding activity was compensated by a continued growing demand for sustainability related solutions which mitigate CO2 emissions, including solutions around energy efficiency and low and zero carbon fuels. Demand for PureBallast has eased further as fewer vessels remain to be retrofitted before the approaching 2024 regulatory deadline and the market gets more oriented to new vessels. Order intake for offshore increased significantly compared to the same quarter last year and the underlying market sentiment in this area remained strong due to increased oil prices and new projects to safeguard long term energy supply.

Order intake for service improved compared to the same quarter last year. Growth was driven by higher activity levels in both shipping and offshore and a growing environmental installed base. High freight rates in most vessel segments and the need to keep vessel assets in good operational readiness resulted in increased on-board maintenance and higher demand for spare parts and service.

Net sales*

Net sales were at a higher level than the same quarter last year. Sales growth for service and for most product groups in capital sales, particularly within oil & gas, offset the lower sales for marine cargo pumping systems and PureBallast.

Operating income

The operating income decreased in the fourth quarter compared to the corresponding quarter last year. Net sales were higher, the mix was burdened by a lower profitability level in the capital sales product mix, material cost increases and a low factory load for Marine Pumping Systems. The overhead cost increased due to high business activity and inflationary pressure.

* Comments excluding currency effects.

Order bridge

SEK millions/%	Q4	Jan-Dec
2021	4,150	15,379
Organic ¹⁾	24.7%	14.8%
Structural ¹⁾	2.2%	3.3%
Currency	11.6%	8.3%
Total	38.5%	26.4%
2022	5,747	19,442

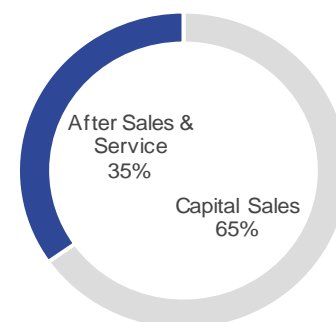
1) Change excluding currency effects.

Sales bridge

SEK millions/%	Q4	Jan-Dec
2021	3,748	13,888
Organic ¹⁾	11.2%	7.4%
Structural ¹⁾	2.0%	3.4%
Currency	8.9%	7.1%
Total	22.1%	17.9%
2022	4,577	16,370

1) Change excluding currency effects.

Order intake Jan-Dec 2022 split on:



Income bridge

SEK millions	Q4	Jan-Dec
Operating income 2021	600	2,211
Volume ¹⁾	173	527
Mix ¹⁾	-220	-503
Costs ¹⁾	-100	-597
Currency	44	103
Operating income 2022	497	1,741

1) Change excluding currency effects.

Operations and Other

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

SEK millions	Q4		Jan-Dec	
	2022	2021	2022	2021
Orders received	0	0	0	0
Order backlog*	0	0	0	0
Net sales	0	0	0	0
Operating income**	-151	-141	-507	-441
Depreciation and amortisation	87	89	336	354
Investments***	472	106	723	261
Assets*	1,983	1,486	1,983	1,486
Liabilities*	1,097	801	1,097	801
Number of employees*	1,326	1,155	1,326	1,155

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

The decreased operating income in the full year 2022 compared to the last year is mainly due to a more normalized operating level after the pandemic.

Reconciliation between Divisions and Group total

SEK millions	Q4		Jan-Dec	
	2022	2021	2022	2021
Operating income				
Total for divisions	2,285	1,807	7,334	6,304
Comparison distortion items	-440	-	-767	-192
Consolidation adjustments *	-31	-20	-48	14
Total operating income	1,814	1,787	6,519	6,126
Financial net	-52	74	-340	16
Result after financial items	1,762	1,861	6,179	6,142
Assets **				
Total for divisions	71,441	55,180	71,441	55,180
Corporate ***	9,808	9,181	9,808	9,181
Group total	81,249	64,361	81,249	64,361
Liabilities **				
Total for divisions	23,203	17,514	23,203	17,514
Corporate ***	22,342	14,503	22,342	14,503
Group total	45,545	32,017	45,545	32,017

* 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.

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

Division	Business Unit	Delivery date	Order	Total per Business Unit	
			amount	Q4 2022	Q4 2021
Scope of supply			SEK millions		
Energy					
	Welded Heat Exchangers				
	Air coolers for increased refinery capacity for sustainable aviation fuel in the Netherlands.	2023	99	99	152
Food & Water					
	Food Systems				
	Systems for pre-treatment of raw materials for production of bio fuels in the U.S.	2023	171		
	Fermentations system for pharmaceutical plant in India.	2024	81		
	Equipment for complete edible oils processing plant in South East Asia.	2023	54	306	-
	Decanters			-	141
	Desmet				
	Equipment for a vegetable oil production line in Indonesia.	2023	56		
	Equipment for a biodiesel plant in Bolivia.	2023	66		
	Equipment for an HVO* pre-treatment plant in France.	2024	93		
	Equipment for an edible oil plant in Vietnam.	2024	58		
	Systems for an edible oil plant in Canada.	2024	77	350	-
Marine					
	Marine Separation & Heat Transfer Equipment			-	58
	Pumping Systems				
	Sea water lift pumps for a HVDC** platform for wind mills in the UK.	2023	59		
	Fire water pumps for a FPSO*** vessel in Brazil.	2023	179		
	Cargo pumps for a FPSO*** vessel in Brazil.	2023	110		
	Cargo pumps for a FPSO*** vessel in Brazil.	2023	190		
	Cargo pumps for a FPSO*** vessel in Brazil.	2024	190	728	511
Total				1,483	862

* Hydrotreated Vegetable Oil

** High Voltage Direct Current.

*** Floating Production, Storage and Offloading.

Information about products and services

Net sales by product/service *

SEK millions	Q4		Jan-Dec	
	2022	2021	2022	2021
Own products within:				
Separation	2,780	2,074	8,613	7,107
Heat transfer	6,003	4,589	20,149	16,274
Fluid handling	3,123	2,544	11,275	9,291
Marine environmental	976	1,025	3,995	4,063
Other	0	0	0	0
Associated products	2,531	612	4,567	1,555
Services	1,071	848	3,536	2,621
Total	16,484	11,692	52,135	40,911

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

New products during the fourth quarter

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

Alfa Laval Moatti 180

Alfa Laval Moatti 180 is an automatic and self-cleaning filter. The new tough, compact and reliable filter is protecting the engine from contaminants and debris and extends the life of both the lubrication oil and the engine while eliminating the need to change filter cartridges. Featuring Atrium 2.0 technology, it delivers fine filtration for lubrication oil, fuel oil, and hydraulic control oil, with virtually no pressure drop. Alfa Laval Moatti 180 is designed to keep the engine running perfectly between planned maintenance, and provides OEMs (Other Equipment Manufacturer), service companies or users with a simple and profitable service solution.



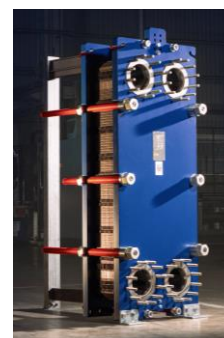
Packinox Performa - turning data into performance

Packinox Performa is a software which gives our customer a detailed view of the operation and condition of their Packinox heat exchanger. This makes it easy to optimize maintenance, ensure reliable uptime and maximize energy efficiency. Performa continuously monitors our customers Packinox heat exchanger, automatically collects key operating data, interprets it and presents the results together with relevant recommendations.



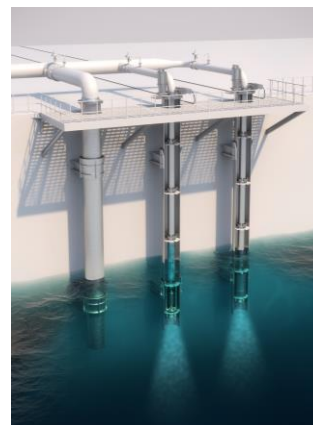
Alfa Laval T21

Alfa Laval T21 is our latest contribution to the technology development to reach net zero emissions. The wide array of plate options allows for precise tailoring, making the T21 suitable for everything from data centres and green hydrogen producers to power plants and HVAC. The new high-pressure frame handles operating pressure up to 40 bars and the new, more compact design makes it convenient to install and service. All combined, this makes the T21 the go-to heat exchanger for energy efficient heat transfer regardless of industry and application.



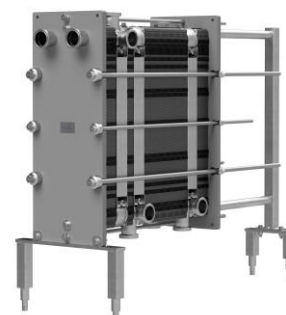
Framo Submerged Turbine

New turbine technology to regenerate energy from waste cooling water flow on offshore installations developed by Framo will enable offshore operators to reduce their carbon footprint, cut CO2 taxes and make way for increased gas exports. On offshore installations, huge volumes of seawater are lifted from sea level to deck level for use as a cooling medium for on-board operations. The used seawater is then dumped back to sea level from a great height, meaning that substantial quantities of energy is left unexploited. In order to enable offshore operators to harness this untapped energy source, Framo has designed a new submerged turbine for installation in the overboard water dump water line that can generate electric power as the wastewater flows from deck level to sea level.

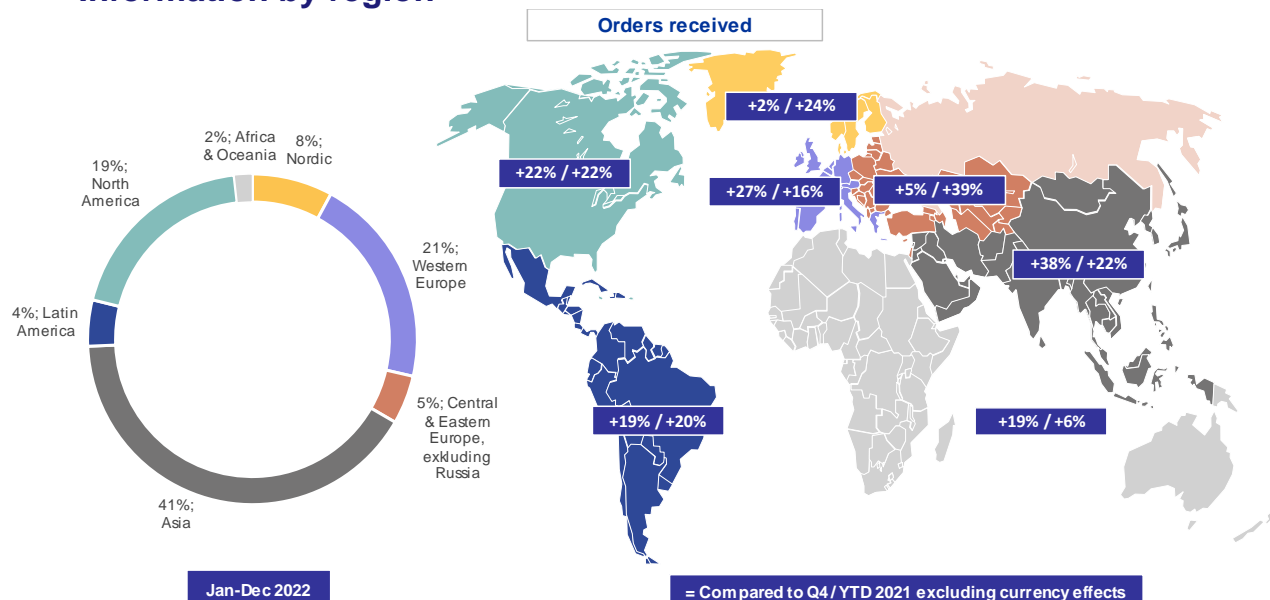


Alfa Laval Hygienic line: H8

Alfa Laval H8 gasketed plate heat exchanger was launched in November and is used in dairy, beverage, brewery and pharmaceutical industries. H8's optimal flow distribution ensures superior cleanability and long operating times. Its innovative plate pattern is not only the most hygienic, but it also increases efficiency in heating and cooling. This makes it possible to save energy and raw material.



Information by region



Western Europe including Nordic

The region reported strong order intake compared to the same quarter last year. Energy grew driven by HVAC and process industry. Food & Water had a weaker quarter, although demand remained good for prepared food & beverage, dairy, pharmaceuticals and waste & water. Marine noted continued strong demand in offshore. Service reported double-digit growth in all divisions.

Central and Eastern Europe

The order intake in the region declined compared to the same quarter last year due to the situation in Russia and Ukraine. However, the rest of the region reported a strong double-digit growth in Energy and Food & Water. Energy had a strong demand in HVAC and process industry. Food & Water reported a solid growth in ethanol, starch & sugar and prepared food & beverage. Marine noted a weaker demand in shipbuilding & shipping and engine power. Excluding Russia and Ukraine, service grew in Food & Water and Marine.

North America

The region reported strong growth compared to last year. Energy noted a double-digit growth driven by process industry and HVAC & refrigeration. Food & Water reported a strong underlying demand in dairy and edible oil. Marine experienced growth driven by engine power and shipbuilding & shipping. Service grew in all three divisions.

Latin America

The order intake in the region grew compared to the same quarter last year. Energy reported strong demand in HVAC & refrigeration and process industry, whilst somewhat lower demand in mining. Food & Water had a strong double-digit growth in edible oil and brewery. Marine declined, affected by lower demand in pumping systems. Service reported double-digit growth in all three divisions.

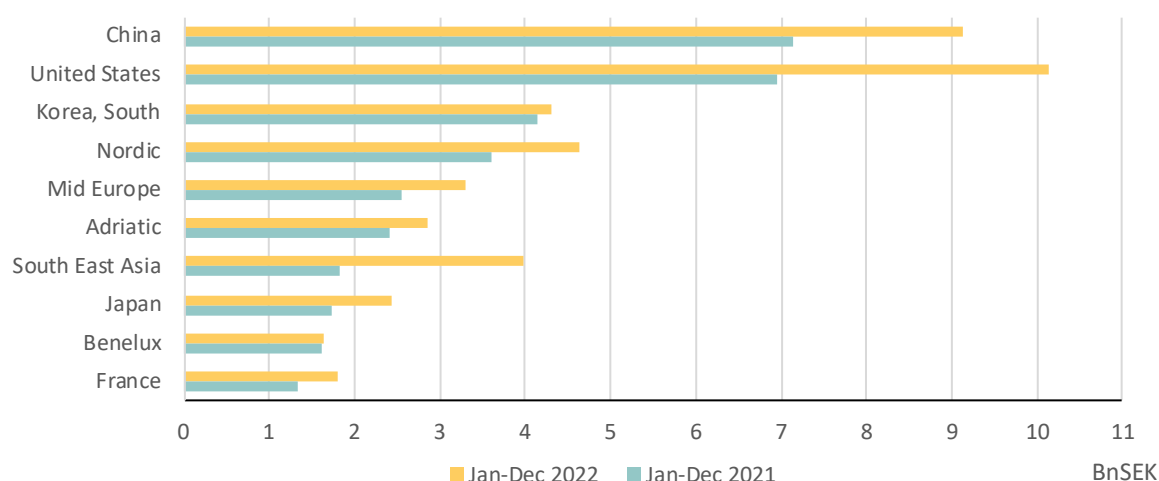
Asia

The region reported strong double-digit growth in order intake compared to last year. Energy noted a strong underlying demand in HVAC, refinery and process industry. Food & Water grew particularly well in edible oil and prepared food & beverage. Marine reported a strong growth in shipbuilding & shipping. Service reported double-digit growth in all three divisions.

Africa and Oceania

The region reported double-digit growth in order intake compared to the same quarter last year. Energy reported strong underlying demand for mining, HVAC & refrigeration and process industry. Food & Water had a strong double-digit growth in edible oil and protein. Marine reported solid growth in offshore and shipbuilding & shipping. Service reported double-digit growth in all three divisions.

Order intake for the 10 largest markets



Net sales

SEK millions	Q4		Jan-Dec	
	2022	2021	2022	2021
To customers in:				
Sweden	355	342	1,206	1,166
Other EU	4,062	2,796	12,889	9,837
Other Europe	1,460	1,278	4,812	4,182
USA	2,729	1,645	8,784	6,031
Other North America	308	213	1,081	763
Latin America	693	481	2,388	1,606
Africa	354	151	778	500
China	2,015	1,855	7,153	6,803
South Korea	1,245	902	3,801	3,160
Other Asia	3,044	1,886	8,559	6,346
Oceania	219	143	684	517
Total	16,484	11,692	52,135	40,911

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

Non-current assets

SEK millions	Dec 31	
	2022	2021
Sweden	2,942	2,273
Denmark	5,348	4,847
Other EU	8,829	3,978
Norway	15,393	15,573
Other Europe	416	377
USA	4,236	3,692
Other North America	158	137
Latin America	379	269
Africa	9	8
Asia	4,394	3,788
Oceania	118	110
Subtotal	42,222	35,052
Other long-term securities	475	1,396
Pension assets	201	70
Deferred tax asset	1,895	1,694
Total	44,793	38,212

Information about major customers

Alfa Laval does not have any customer that accounts for 10 percent or more of net sales. Tetra Pak within the Tetra Laval Group is Alfa Laval's single largest customer with a volume representing 4.0 (4.7) percent of net sales.

Consolidated cash flows

SEK millions	Q4		Jan-Dec	
	2022	2021	2022	2021
Operating activities				
Operating income	1,814	1,787	6,519	6,126
Adjustment for depreciation, amortisation and write down	582	515	2,392	1,987
Adjustment for other non-cash items	150	-4	105	147
	2,546	2,298	9,016	8,260
Taxes paid	-394	-318	-1,834	-1,599
	2,152	1,980	7,182	6,661
Changes in working capital:				
Increase(-)/decrease(+) of receivables	-862	-35	-2,155	-591
Increase(-)/decrease(+) of inventories	138	158	-3,140	-797
Increase(+)/decrease(-) of liabilities	406	-152	2,058	480
Increase(+)/decrease(-) of provisions	-172	-540	-654	-489
Increase(-)/decrease(+) in working capital	-490	-569	-3,891	-1,397
	1,662	1,411	3,291	5,264
Investing activities				
Investments in fixed assets (Capex)	-913	-474	-1,853	-1,229
Divestment of fixed assets	4	0	20	24
Acquisition of businesses	-13	-213	-3,685	-3,828
Divestment of businesses	-	-	-	8
	-922	-687	-5,518	-5,025
Financing activities				
Received interests and dividends	42	19	99	79
Paid interests	-41	-24	-290	-210
Realised financial exchange gains	-2	80	68	258
Realised financial exchange losses	-79	29	-147	-82
Repurchase of shares	-	-499	-661	-1,339
Dividends to owners of the parent	-	-	-2,480	-2,307
Dividends to non-controlling interests	-12	0	-12	-2
Increase(-) of financial assets	-93	16	-457	-80
Decrease(+) of financial assets	10	695	1,002	3,033
Increase of loans	799	-	12,546	1,000
Amortisation of loans	-899	-648	-6,575	-2,431
	-275	-332	3,093	-2,081
Cash flow for the period	465	392	866	-1,842
Cash and cash equivalents at the beginning of the period	3,932	2,952	3,356	5,150
Translation difference in cash and cash equivalents	-45	12	130	48
Cash and cash equivalents at the end of the period	4,352	3,356	4,352	3,356
Free cash flow per share (SEK) *	1.79	1.74	-5.38	0.57
Capex in relation to net sales	5.5%	4.1%	3.6%	3.0%
Average number of shares**	413,326,315	416,072,546	413,637,227	418,021,440

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

** Average number of shares has been impacted by repurchase of shares.

Consolidated comprehensive income

SEK millions	Q4		Jan-Dec	
	2022	2021	2022	2021
Net sales	16,484	11,692	52,135	40,911
Cost of goods sold	-11,307	-7,657	-34,489	-26,401
Gross profit	5,177	4,035	17,646	14,510
Sales costs	-1,553	-1,155	-5,634	-4,443
Administration costs	-591	-558	-2,305	-1,940
Research and development costs	-386	-351	-1,356	-1,159
Other operating income	261	366	772	910
Other operating costs	-1,118	-562	-2,652	-1,828
Share of result in joint ventures	24	12	48	76
Operating income	1,814	1,787	6,519	6,126
Dividends and other financial income and costs	2	1	5	35
Interest income and financial exchange rate gains	53	119	267	362
Interest expense and financial exchange rate losses	-107	-46	-612	-381
Result after financial items	1,762	1,861	6,179	6,142
Taxes	-502	-383	-1,610	-1,341
Net income for the period	1,260	1,478	4,569	4,801
Other comprehensive income:				
Items that will subsequently be reclassified to net income				
Cash flow hedges	891	-40	-346	-434
Translation difference	-553	686	1,872	1,681
Deferred tax on other comprehensive income	-134	11	211	66
Sum	204	657	1,737	1,313
Items that will subsequently not be reclassified to net income				
Revaluations of defined benefit obligations	149	417	329	567
Market valuation of external shares	1	205	-13	357
Deferred tax on other comprehensive income	-34	-102	-109	-141
Sum	116	520	207	783
Comprehensive income for the period	1,580	2,655	6,513	6,897
Net income attributable to:				
Owners of the parent	1,239	1,462	4,503	4,759
Non-controlling interests	21	16	66	42
Earnings per share (SEK)	3.00	3.51	10.89	11.38
Average number of shares*	413,326,315	416,072,546	413,637,227	418,021,440
Comprehensive income attributable to:				
Owners of the parent	1,572	2,632	6,427	6,834
Non-controlling interests	8	23	86	63

* Average number of shares has been impacted by repurchase of shares.

Consolidated financial position

SEK millions	Dec 31	
	2022	2021
ASSETS		
Non-current assets		
Intangible assets	31,417	25,921
Property, plant and equipment	10,710	9,075
Other non-current assets	2,666	3,216
	44,793	38,212
Current assets		
Inventories	14,775	10,525
Assets held for sale	100	25
Accounts receivable	9,717	6,738
Other receivables	6,596	4,756
Derivative assets	605	458
Other current deposits	311	291
Cash and cash equivalents *	4,352	3,356
	36,456	26,149
TOTAL ASSETS	81,249	64,361
SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity		
Owners of the parent	35,382	32,096
Non-controlling interests	322	248
	35,704	32,344
Non-current liabilities		
Liabilities to credit institutions etc.	13,362	3,059
Lease liabilities	1,549	1,453
Provisions for pensions and similar commitments	1,192	1,907
Provision for deferred tax	2,293	1,838
Other non-current liabilities	590	475
	18,986	8,732
Current liabilities		
Liabilities to credit institutions etc.	1,700	5,185
Accounts payable	5,314	3,502
Advances from customers	6,634	4,824
Other provisions	2,164	1,811
Other liabilities	10,054	7,757
Derivative liabilities	693	206
	26,559	23,285
Total liabilities	45,545	32,017
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	81,249	64,361

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

Financial assets and liabilities at fair value

SEK millions	Valuation hierarchy level	Dec 31	
		2022	2021
Financial assets			
Other non-current securities	1 and 2	270	1,231
Bonds and other securities	1	114	118
Derivative assets	2	700	514
Financial liabilities			
Derivative liabilities	2	833	269

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

Borrowings and net debt

SEK millions	Dec 31	
	2022	2021
Credit institutions	829	69
Swedish Export Credit	2,227	-
Handelsbanken	1,114	-
Commercial papers	892	-
Corporate bonds	10,000	8,175
Borrowings	15,062	8,244
Lease liabilities	2,671	2,427
Total debt	17,733	10,671
Cash and cash equivalents and current deposits	-4,663	-3,647
Net debt *	13,070	7,024

* Alternative performance measure.

Alfa Laval has a revolving credit facility of EUR 700 million corresponding to SEK 7,806 million on December 31, 2022 with a banking syndicate. The facility has a maturity of five years from April 2022 with a possibility to extend it for another year and it includes a possibility to increase by EUR 200 million. At December 31, 2022 SEK 500 million of the facility was utilised.

Alfa Laval has two loans of EUR 100 million from Svensk Exportkredit that matures in 2027 and 2028 respectively and one loan of EUR 100 million from Svenska Handelsbanken that matures in 2024, with a possibility to extend it for another year.

The commercial paper programme of SEK 4,000 million, was utilised with SEK 900 million at December 31, 2022.

On December 31, 2022, Alfa Laval has three tranches of corporate bonds listed on the Irish stock exchange, each of EUR 300 million that matures in June 2024, in February 2026 and in February 2029 respectively. The tranche of EUR 500 million that would have matured in September 2022 was repaid already in June 2022.

Changes in consolidated equity

SEK millions	Jan-Dec	
	2022	2021
At the beginning of the period	32,344	29,071
Changes attributable to:		
Owners of the parent		
Comprehensive income		
Comprehensive income for the period	6,427	6,834
Transactions with shareholders		
Repurchase of shares	-661	-1,339
Cancellation of repurchased shares	-15	-
Bonus issue of shares	15	-
Dividends	-2,480	-2,307
	-3,141	-3,646
Subtotal	3,286	3,188
Non-controlling interests		
Comprehensive income		
Comprehensive income for the period	86	63
Transactions with shareholders		
Non-controlling interests in acquired companies	0	24
Dividends	-12	-2
	-12	22
Subtotal	74	85
At the end of the period	35,704	32,344

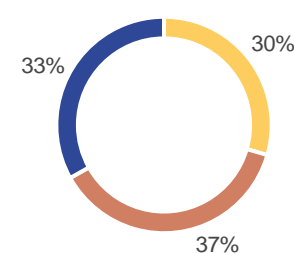
Condensed segment reporting per quarter



Orders received

SEK millions	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Energy	4,407	4,583	4,496	3,808	3,362	3,659	3,553	3,101
Food & Water	5,613	5,611	5,033	5,652	4,139	4,241	4,554	3,730
Marine	5,747	5,008	4,892	3,795	4,150	3,780	4,076	3,373
Operations & Other	0	0	0	0	0	0	0	0
Total	15,767	15,202	14,421	13,255	11,651	11,680	12,183	10,204

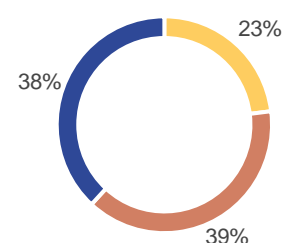
Jan-Dec 2022



Order backlog

SEK millions	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Energy	8,517	8,582	7,625	6,669	5,791	5,969	5,436	5,006
Food & Water	14,381	16,158	10,169	9,146	6,823	7,044	6,458	5,363
Marine	14,122	12,870	11,712	10,829	10,340	9,927	9,586	8,891
Operations & Other	0	0	0	0	0	0	0	0
Total	37,020	37,610	29,506	26,644	22,954	22,940	21,480	19,260

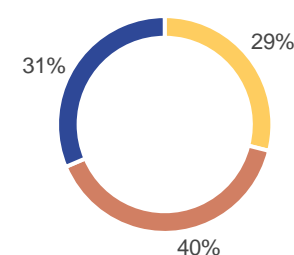
December 31, 2022



Net sales

SEK millions	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Energy	4,500	3,726	3,639	3,209	3,556	3,146	3,123	2,558
Food & Water	7,407	5,402	4,140	3,742	4,388	3,678	3,458	3,116
Marine	4,577	4,056	4,073	3,664	3,748	3,451	3,394	3,295
Operations & Other	0	0	0	0	0	0	0	0
Total	16,484	13,184	11,852	10,615	11,692	10,275	9,975	8,969

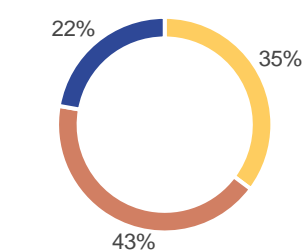
Jan-Dec 2022



Operating income*

SEK millions	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Energy	705	694	665	697	581	479	481	356
Food & Water	1,234	792	674	639	767	699	641	530
Marine	497	324	530	390	600	558	556	497
Operations & Other	-151	-113	-121	-122	-141	-99	-121	-80
Total	2,285	1,697	1,748	1,604	1,807	1,637	1,557	1,303

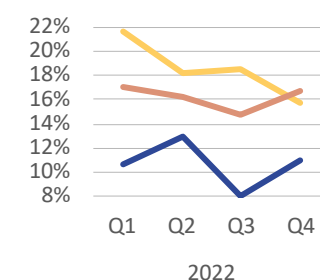
Jan-Dec 2022



Operating margin*

%	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Energy	15.7	18.6	18.3	21.7	16.3	15.2	15.4	13.9
Food & Water	16.7	14.7	16.3	17.1	17.5	19.0	18.5	17.0
Marine	10.9	8.0	13.0	10.6	16.0	16.2	16.4	15.1
Total	13.9	12.9	14.7	15.1	15.5	15.9	15.6	14.5

Per quarter



* In management accounts, see reconciliation on page 12.

Parent company

The parent company's result after financial items for the full year 2022 was SEK 95 (666) million, out of which dividends from subsidiaries SEK 62 (682) million, net interests SEK 44 (-) million, realised and unrealised exchange rate gains and losses SEK 2 (0) million, costs related to the listing SEK -4 (-4) million, fees to the Board SEK -9 (-10) million, cost for annual report and annual general meeting SEK -1 (-1) million and other operating income and operating costs the remaining SEK 1 (-1) million.

Parent company income *

SEK millions	Q4		Jan-Dec	
	2022	2021	2022	2021
Administration costs	-3	-3	-14	-15
Other operating income	-5	-1	2	0
Other operating costs	1	-1	-1	-1
Operating income	-7	-5	-13	-16
Revenues from interests in group companies	-	-	62	682
Interest income and similar result items	44	0	46	0
Interest expenses and similar result items	0	0	0	0
Result after financial items	37	-5	95	666
Change of tax allocation reserve	578	-423	578	-423
Group contributions	509	1,896	509	1,896
Result before tax	1,124	1,468	1,182	2,139
Tax on this year's result	-242	-305	-241	-303
Net income for the period	882	1,163	941	1,836

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

Parent company financial position

SEK millions	Dec 31	
	2022	2021
ASSETS		
Non-current assets		
Shares in group companies	4,669	4,669
Current assets		
Receivables on group companies	6,402	9,218
Other receivables	141	75
Cash and cash equivalents	0	21
	6,543	9,314
TOTAL ASSETS	11,212	13,983
SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity		
Restricted equity	2,387	2,387
Unrestricted equity	6,507	8,707
	8,894	11,094
Untaxed reserves		
Tax allocation reserves, taxation 2017-2023	2,293	2,871
Current liabilities		
Liabilities to group companies	22	14
Accounts payable	1	1
Other liabilities	2	3
	25	18
TOTAL EQUITY AND LIABILITIES	11,212	13,983

Owners and shares

Owners and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 54,346 (44,217) shareholders on December 31, 2022. The largest owner is Tetra Laval International SA, Switzerland, who owns 29.5 (29.1) percent. The increase compared to last year is due to the cancellation of repurchased shares that was made on May 16, 2022. Next to the largest owner, there are nine institutional investors with ownership in the range of 7.3 to 1.6 percent. These ten largest shareholders owned 63.0 (62.2) percent of the shares.

Proposed disposition of earnings

The parent company has unrestricted funds of SEK 6,507 (8,707) million.

The Board of Directors propose a dividend of SEK 6.00 (6.00) per share corresponding to SEK 2,480 (2,480) million to the Annual General Meeting and that the remaining income available for distribution in Alfa Laval AB (publ) of SEK 4,027 (6,227) 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.

Repurchase of shares

The Annual General Meeting 2021 mandated the Board to decide on repurchase of up to 5 percent of the issued shares with the purpose to cancel the repurchased shares and reduce the share capital.

Specification of repurchase of shares	2021			2022		Total
	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	
Number of repurchased shares	1,153,000	1,500,320	1,407,680	1,726,992	342,008	6,130,000
Percentage of outstanding shares	0.27%	0.36%	0.34%	0.41%	0.08%	1.46%
Cash-out and decrease in parent company and consolidated equity (SEK millions)	330	510	499	539	122	2,000

Cancellation of repurchased shares and a corresponding bonus issue

On March 18, 2022 when the notice to the Annual General Meeting was sent the number of repurchased shares was 5,579,492. The Annual General Meeting 2022 decided to cancel these repurchased shares. Cancellation of the shares meant that the share capital decreased with SEK 15 million. At the same time the Annual General Meeting decided to increase the share capital through a bonus issue of the same amount without issuing any new shares. In this way the size of the share capital was restored and the company did not have to obtain permission from Bolagsverket or if disputed the local court to cancel the repurchased shares. This meant that the number of shares has developed as follows:

Specification of number of shares	Number
Number of shares at January 1, 2022	419,456,315
Cancellation of re-purchased shares at May 16, 2022	-5,579,492
Number of shares at December 31, 2022	413,876,823

This means that 550,508 shares repurchased in the period March 21, 2022 to April 25, 2022 under the old mandate are left to be cancelled by the Annual General Meeting 2023.

Share buy-back program

The Annual General Meeting 2022 mandated the Board to decide on repurchase of up to 5 percent of the issued shares with the purpose to cancel the repurchased shares and reduce the share capital at the Annual General Meeting 2023. The reduction of the share capital will be met by a corresponding bonus issue without issuing any new shares so that the size of the share capital is restored.

No shares have been repurchased under this new mandate in 2022.

Proposal to cancel repurchased shares and make a bonus issue

The Board will propose to the Annual General Meeting 2023 to cancel the repurchased shares. At December 31, 2022, 550,508 shares are held by the company. Cancellation of these shares means that the share capital will decrease with SEK 1 million. At the same time the Board will propose that the Annual General Meeting decides to increase the share capital by a bonus issue with the same amount without issuing any new shares. In this way the size of the share capital is restored and the company avoids having to obtain permission from Bolagsverket or if disputed the local court to cancel the repurchased shares.

It is the number of repurchased shares when the notice to the Annual General Meeting is sent that is the basis for the decision on cancellation of shares at the Annual General Meeting.

Annual General Meeting 2023

The Annual General Meeting of Alfa Laval AB will be held at Scandic Star Lund, Glimmervägen 5, Lund, Sweden, on Tuesday April 25, 2023, at 16.00 (CET).

Acquisitions of businesses

On September 13, 2022 Alfa Laval announced that it has acquired BunkerMetric, a Scandinavian software company that develops advanced decision support tools for marine bunker vessels. The acquisition is part of Alfa Laval's strategy to expand its digital marine service offering and will be part of the recently acquired StormGeo, a global leader in weather intelligence software and decision support services. BunkerMetric, headquartered in Denmark, supports ship operators in finding the best bunker procurement plan and improving voyage margins by using sophisticated algorithms. The optimization tools, together with StormGeo's advanced route services, will enable ship owners to streamline operations to help them improve their bottom line. BunkerMetric's procurement optimization tool will become a subscription service within StormGeo's existing offering.

On August 31, 2022 Alfa Laval announced that it has closed the acquisition of Scanjet, a leading global supplier of tank cleaning equipment and solutions for marine, offshore and industrial applications. The acquisition will extend Alfa Laval's broad tanker offering, creating a more comprehensive product portfolio for cargo tanks. Scanjet's intelligent tank management solutions will be a valuable complement to Alfa Laval's sustainable marine offering as they reduce the water usage and energy consumption connected with tank cleaning. Adding Scanjet to Alfa Laval's portfolio will support customer efficiency at every stage of cargo handling. Scanjet employs about 150 people and has global presence with factories in Sweden, Poland and Indonesia.

On August 2, 2022 Alfa Laval announced that it has closed the acquisition of Desmet, part of the Desmet Ballestra Group, a world leader in engineering and supplying processing plants and technologies for edible oils and biofuel sectors. The acquisition will strengthen Alfa Laval's position in the renewable energy arena and complement its offering within edible oils. Headquartered in Brussels, Belgium, Desmet employs around 1,000 people in Europe, India, Southeast Asia, North America and Latin America. The business to be acquired, currently a part of the Desmet Ballestra Group, had a turnover of approximately EUR 300 million in 2021. The operational units and brands of Rosedowns and Stolz are included in the transaction. The Desmet Ballestra Group is currently owned by Financière DSBG, and ultimately controlled by Kartesia and Farallon. The acquisition will operate as a stand-alone entity within the Food & Water Division of Alfa Laval. It strengthens Alfa Laval's position in the markets for edible oils, biofuels, and plant- and animal-based proteins for food and feed. The acquisition will have a positive impact on earnings per share and be marginally decreative to Alfa Laval's EBITA margin. "The acquisition will be an excellent fit for our offering of specialized processing equipment designed to increase both yield and quality of customers' end products," says Tom Erixon, President and CEO of Alfa Laval. "It will add know-how and expertise to accelerate future innovations within food, feed and biofuels – and strengthen our ability to support the transformation towards renewable fuels."

The acquisitions during 2022 are summarized in the following table. The larger acquisitions of Desmet and Scanjet are shown separately, whereas the acquisition of BunkerMetric is shown on a single line as other minor acquisitions. All acquired assets and liabilities were reported according to IFRS at the time of the acquisitions.

SEK millions	Desmet			Scanjet			Total
	Adjustment			Adjustment			Fair value
	Book value	to fair value	Fair value	Book value	to fair value	Fair value	
Property, plant and equipment	113	-	113	28	-	28	141
Right-of-use assets	93	-	93	-	-	-	93
Patents and unpatented know-how ¹⁾	22	681	703	-	130	130	833
Trademarks ⁽¹⁾	-	1,330	1,330	-	-	-	1,330
Capitalised development costs	-	-	-	5	-	5	5
Other non-current assets	34	-	34	6	-	6	40
Inventory	212	-	212	85	-	85	297
Accounts receivable	1,032	-	1,032	31	-	31	1,063
Other receivables	810	-	810	6	-	6	816
Liquid assets	238	-	238	40	-	40	278
Provisions for pensions and similar commitments	-27	-	-27	-	-	-	-27
Other provisions	-17	-	-17	-1	-	-1	-18
Equity attributable to non-controlling interests	0	-	0	-	-	-	0
Loans	-47	-	-47	-47	-	-47	-94
Lease liability	-101	-	-101	-	-	-	-101
Accounts payable	-534	-	-534	-21	-	-21	-555
Advance payments	-469	-	-469	-7	-	-7	-476
Other liabilities	-	-	-	-	-	-	-
Tax liabilities	1,392	-	-1,392	-20	-	-20	-1,412
Deferred tax	-10	-	-10	-	-	-	-10
	-19	-438	-457	-2	-27	-29	-486
Acquired net assets	-62	1,573	1,511	103	103	206	1,717
Goodwill ²⁾			2,121			108	2,229
Purchase price			-3,632			-314	-3,946
Costs directly linked to the acquisitions ³⁾			-37			-9	-46
Retained part of purchase price ⁽⁴⁾			-			46	46
Liquid assets in the acquired businesses			238			40	278
Other minor acquisitions current year							-13
Payment of amounts retained in prior years							-4
Effect on the Group's liquid assets			-3,431			-237	-3,685

- 1) The step up value for patents and un-patented know-how is amortised over 10 years. The purchase price allocation is still preliminary so the allocated step up values may be subject to change.
- 2) The goodwill is relating to estimated synergies in procurement, logistics and corporate overheads and the companies' ability to over time recreate its intangible assets. The purchase price allocation is still preliminary so the value of the goodwill may be subject to change.
- 3) Refers to fees to lawyers, due diligence and assisting counsel. Has been expensed as other operating costs.
- 4) Contingent on certain warranties in the contract not being triggered or that certain profitability goals are fulfilled. The probable outcome has been calculated.

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 2021 is still correct.

When it comes to the global material and freight constraints that emerged during 2021, the following can be highlighted. Alfa Laval has a global footprint with 37 major manufacturing units across Europe, Asia, the US and Latin America. The company has well-established business continuity plans and a global supply chain with alternative sourcing solutions for most products and services and close collaboration with key suppliers. Sub-suppliers have from time to time also during the full year 2022 experienced shortages of mainly sourced semiconductors for control panels but also electronics for engines. Due to the risk for continued extensive outbreaks of COVID-19 in China and the ongoing war in Ukraine, the risk for continued material and freight constraints is large.

Russia's war on Ukraine

Alfa Laval has a factory and a sales company in Russia and a sales company in Ukraine. Historically the order intake from the markets in Russia and Ukraine has been approximately SEK 1 billion per year, equivalent to 2 percent of the total order intake for the company. When the war started on February 24, the total order backlog in Russia and Ukraine amounted to approximately SEK 750 million. In addition, Alfa Laval companies in other countries had orders from Russian end customers of SEK 360 million. Since then, the order backlog has been re-assessed and as a result orders of SEK 825 million have been removed from the order backlog. This is mainly due to sanctions, but also when Alfa Laval has assessed that the company will not be able to deliver or get paid. Also orders where Alfa Laval supplies equipment to ship yards in other countries building ships for ship owners now under sanctions have been removed from the order backlog. Alfa Laval's possibilities to deliver are further affected if transportation into Russia can be arranged and if our sub-suppliers set restrictions on where we can deliver products with their components.

If revenue recognition over time has started for an order that now has been removed from the order backlog, then the net invoicing and cost of goods sold have been reversed, unless the amount is covered by a non-refundable advance payment.

If orders have been removed from the order backlog, then Alfa Laval has also made provisions for:

- The value of work in progress and finished goods for these orders, if the products cannot be sold to other customers within reasonable time and with reasonable margin.
- The value of material and components that are intended for these orders, if the material and the components cannot be used for products to other customers within reasonable time and with a reasonable final margin.
- Costs for cancellation fees that can hit Alfa Laval if we cancel order that we cannot deliver or get paid for.

If we still think that we can deliver and get paid, we have made provisions for accrued costs for late delivery fees.

Concerning receivables related to past deliveries, we have made provisions for:

- Accounts receivable related to orders concerning Russia and Ukraine that we do not believe we will get paid for.
- Expected foreign exchange losses if the customer cannot pay in the contractually stipulated currency (USD, EUR etc), but only in Russian roubles.

Concerning advance payments, we have made provisions for the value of advance payments made by Alfa Laval to suppliers in Russia and Ukraine and where we do not expect any delivery or the advance being repaid to us.

Before the war, Alfa Laval had a competent team of approximately 230 employees in Russia and 10 employees in Ukraine. A restructuring programme was communicated in Russia in July 2022, meaning that the number of personnel was reduced to 85 until the end of October 2022. At year end the number of employees was 73. Alfa Laval's assessment is now that the longer-term implications of the war on the Russian market are of such a magnitude that the company has chosen to provide for a closure of the operations.

The total cost for these provisions amounts to SEK 400 million and has been reported as a comparison distortion item in the first quarter 2022 with SEK 327 million and in the fourth quarter 2022 with an additional SEK 73 million.

Consequences of COVID-19

Alfa Laval has global and local crisis teams in place for close monitoring and swift response to changes in the situation to secure the health and safety of our employees. As a result of successful vaccination programmes Alfa Laval has been able to step by step open up the offices again after the pandemic depending on the situation in each country. Current and possible future extensive outbreaks of COVID-19 in China are a concern considering Alfa Laval's large manufacturing foot print in China.

Asbestos-related lawsuits

The Alfa Laval Group was as of December 31, 2022 named as a co-defendant in a total of 485 asbestos-related lawsuits with a total of approximately 485 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.

Restructuring program

A restructuring program covering parts of the Marine Division and the Business Unit for Welded Heat Exchangers in the Energy Division has been initiated needed to adjust capacity imbalances in the supply organization and manage the impact as we transit from fossil to sustainable energy solutions. A restructuring charge of SEK 367 million has been charged in the fourth quarter. A total of approximately 430 employees will be affected.

Accounting principles

The interim report for the fourth quarter 2022 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 2021 for definitions. Alfa Laval follows the Guidelines on Alternative Performance Measures issued by ESMA (European Securities and Markets Authority).

"Q4" and "Fourth quarter" refer to the period October 1 to December 31. "Jan-Dec" and "Full year" refer to the period January 1 to December 31. "The corresponding period last year" refers to the fourth quarter 2021 or the full year 2021 depending on the context.

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

The accounting and valuation principles of the parent company comply with the Swedish Annual Accounts Act and the recommendation RFR 2 Accounting for legal entities issued by the Council for Financial Reporting in Sweden.

Annual report 2022

The annual report will be published on Alfa Laval's website on March 31, 2023 at 10.00 CET.

The interim report has been issued at CET 7.30 on February 2, 2023 by the President and Chief Executive Officer Tom Erixon by proxy from the Board of Directors.

Lund, February 2, 2023,

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

Review report

Introduction

We have reviewed the summary interim financial information (the interim report) of Alfa Laval AB (publ) as of December 31, 2022 and the twelve months' period then ended. The Board of Directors and the President are responsible for the preparation and presentation

of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report for the fourth quarter 2022, in all material aspects, is not prepared for the Group in accordance with IAS 34 and the Swedish Annual Accounts Act and for the Parent company in accordance with the Swedish Annual Accounts Act.

Lund, February 2, 2023,

Staffan Landén

Authorised Public Accountant

Karoline Tedevall

Authorised Public Accountant



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Date for the next financial reports 2023

Alfa Laval will publish financial reports at the following dates:

Interim report for the first quarter	April 25
Interim report for the second quarter	July 20
Interim report for the third quarter	October 25

This information is information that Alfa Laval AB (publ) is obliged to make public pursuant to the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at CET 7.30 on February 2, 2023.

