

# First quarter 2015



## Summary

SEK millions	First three months			
	2015	2014	%	% *
Order intake	9,844	7,474	32	19
Net sales	9,071	6,597	38	24
Adjusted EBITA	1,570	1,062	48	
- adjusted EBITA margin (%)	17.3	16.1		
Result after financial items	1,264	794	59	
Net income for the period	863	564	53	
Earnings per share (SEK)	2.05	1.34	53	
Cash flow **	1,101	592	86	
Impact on EBITA of:				
- foreign exchange effects	148	-10		
Impact on result after financial items of:				
- comparison distortion items	-	-60		

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

## Comment from Lars Renström, President and CEO

“Both net sales and result reached record levels for a first quarter. Net sales increased with 38 percent to 9.1 billion and the operating result increased with 48 percent to 1.6 billion.

The order intake in the first quarter was SEK 9.8 billion, out of which 0.4 billion related to a revaluation of the order backlog due to continued currency rate movements. Adjusted for this revaluation the order intake decreased with 3 percent from the fourth quarter and in line with our expectations.

The Process Technology division’s order intake showed a decrease compared to the fourth quarter since fewer large orders were booked. The downturn in the oil price meant that capital sales to customers within oil & gas, both up- and

downstream decreased while Service within refinery and petrochemicals had an excellent growth.

The Marine & Diesel division showed a small decrease in the first quarter compared to the fourth. Excluding substantial revaluations of the order backlog in both quarters, the underlying order intake was higher, thanks to a very strong demand for systems to ships transporting liquid natural gas as well as ships used when producing oil at sea.

For the Equipment division the order intake was marginally lower. Applications within food, beverages and data centre cooling had a good development.”

## Dividend

The Board of Directors propose a dividend of

SEK 4.00 (3.75) per share.

## Outlook for the second quarter

“We expect that demand during the second quarter 2015 will be somewhat lower than in the first quarter.”

*Earlier published outlook (February 3, 2015): “We expect that demand during the first quarter 2015 will be somewhat lower than in the fourth quarter.”*

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

# Management’s discussion and analysis

## Important events during the first quarter

During the first quarter 2015 Alfa Laval received large orders<sup>1)</sup> for SEK 810 (280) million:

- An order to supply compact heat exchangers to a refinery in the U.S. The order, booked in the Energy & Process segment, has a value of approximately SEK 80 million. Delivery is scheduled for 2016.
- An order to supply air cooler systems to a natural gas plant in the U.S. The order, booked in the Energy & Process segment, has a value of approximately SEK 85 million. Delivery is scheduled for 2015.
- An order to supply compact heat exchangers to a power plant in the Middle East. The order, booked in the Energy & Process segment, has a value of approximately SEK 55 million. Delivery is scheduled for this year.
- An order to supply Framo pumping systems for FPSO projects (Floating Production Storage and Offloading vessel) in Angola. The order, booked in the Marine & Offshore Pumping Systems segment, has a value of approximately SEK 260 million and delivery is scheduled for 2015 and 2016.
- An order to supply air cooler systems to a natural gas plant in Brazil. The order, booked in the Energy & Process segment, has a value of approximately SEK 75 million. Delivery is scheduled for this year.
- An order to supply Framo pumping systems for a FSO project in Norway. The order, booked in the Marine & Offshore Pumping Systems segment, has a value of approximately SEK 115 million and delivery is scheduled for 2016.
- An order to supply air cooler systems to a natural gas plant in the US. The order, booked in the Energy & Process segment, has a value of approximately SEK 70 million. Delivery is scheduled for 2015 and 2016.
- An order to supply Alfa Laval OLMI heat exchangers to a petrochemical plant in Turkmenistan. The order, booked in the Energy & Process segment, has a value of approximately SEK 70 million and delivery is scheduled for 2016.

## Order intake

Orders received has amounted to SEK 9,844 (7,474) million for the first quarter 2015. The order intake for Frank Mohn has impacted the

2015 figure with SEK 1,708 million. 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:

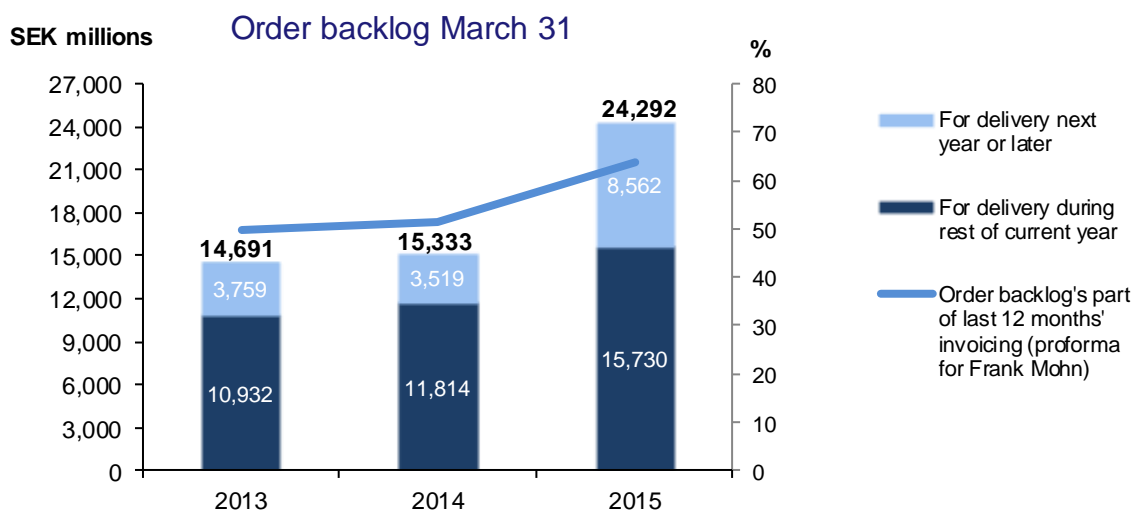
	Order bridge						Order intake Current periods SEK millions
	Order intake Prior periods SEK millions	Change			Change		
		Excluding currency effects	After currency effects	Structural change <sup>2)</sup> (%)	Organic development <sup>3)</sup> (%)	Total (%)	
Q1 2015/2014	7,474	22.4	-3.8	18.6	13.1	31.7	9,844
Q1 2015/Q4 2014	10,509	-0.1	-10.0	-10.1	3.8	-6.3	9,844

It should be noted that the revaluation of the order backlog within mainly the Marine & Diesel division as a consequence of the continued USD strengthening during the fourth as well as the first quarter has impacted the order intake. Excluding these revaluations the total decrease compared to the fourth quarter, excluding currency effects, was only about 3 percent.

Orders received from Service<sup>4</sup> constituted 26.8 (28.0) percent of the Group's total orders received during the first quarter 2015.

Excluding currency effects, the order intake for Service increased by 11.7 percent during the first quarter 2015 compared to the corresponding quarter last year (the corresponding organic development was an increase by 1.2 percent) and decreased with 2.1 percent compared to the previous quarter totally as well as organically.

## Order backlog



Excluding currency effects and adjusted for acquisition of businesses the order backlog was 3.9 percent larger than the order backlog at March 31, 2014 and 3.1 percent larger than the

order backlog at the end of 2014. The order backlog at March 31, 2015 for Frank Mohn was SEK 6,348 million.

- Acquired businesses are: CorHex Corp at November 4, 2014 and Frank Mohn AS at May 22, 2014.
- Change excluding acquisition of businesses.
- Formerly Parts & Service.

## Net sales

Net invoicing was SEK 9,071 (6,597) million for the first quarter 2015. The net sales for Frank Mohn has impacted the 2015 figure with

SEK 1,439 million. 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 2015/2014	6,597	21.5	2.6	24.1	13.4	37.5	9,071	
Q1 2015/Q4 2014	10,775	0.0	-19.1	-19.1	3.3	-15.8	9,071	

Net invoicing relating to Service constituted 27.6 (29.2) percent of the Group's total net invoicing in the first quarter 2015.

Excluding currency effects, the net invoicing for Service increased by 14.9 percent during the first

quarter 2015 compared to the corresponding quarter last year (the corresponding organic development was an increase by 4.8 percent) and decreased with 15.5 percent compared to the previous quarter totally as well as organically.

## Income

SEK millions	First three months		Full year	Last 12
	2015	2014	2014	months
Net sales	9,071	6,597	35,067	37,541
Cost of goods sold	-6,015	-4,142	-23,347	-25,220
<b>Gross profit</b>	<b>3,056</b>	<b>2,455</b>	<b>11,720</b>	<b>12,321</b>
Sales costs	-1,077	-937	-3,862	-4,002
Administration costs	-367	-336	-1,738	-1,769
Research and development costs	-190	-188	-790	-792
Other operating income *	103	97	565	571
Other operating costs *	-239	-238	-1,224	-1,225
Share of result in joint ventures	8	3	0	5
<b>Operating income</b>	<b>1,294</b>	<b>856</b>	<b>4,671</b>	<b>5,109</b>
Dividends and changes in fair value	0	2	30	28
Interest income and financial exchange rate gains	492	86	420	826
Interest expense and financial exchange rate losses	-522	-150	-1,000	-1,372
<b>Result after financial items</b>	<b>1,264</b>	<b>794</b>	<b>4,121</b>	<b>4,591</b>
Taxes	-401	-230	-1,153	-1,324
<b>Net income for the period</b>	<b>863</b>	<b>564</b>	<b>2,968</b>	<b>3,267</b>
Other comprehensive income:				
Items that will subsequently be reclassified to net income				
Cash flow hedges	-552	81	-621	-1,254
Translation difference	1,002	109	439	1,332
Deferred tax on other comprehensive income	-38	-42	220	224
<b>Sum</b>	<b>412</b>	<b>148</b>	<b>38</b>	<b>302</b>
Items that will subsequently not be reclassified to net income				
Revaluations of defined benefit obligations	-10	0	-476	-486
Deferred tax on other comprehensive income	3	0	71	74
<b>Sum</b>	<b>-7</b>	<b>0</b>	<b>-405</b>	<b>-412</b>
<b>Comprehensive income for the period</b>	<b>1,268</b>	<b>712</b>	<b>2,601</b>	<b>3,157</b>
<b>Net income attributable to:</b>				
Owners of the parent	858	562	2,946	3,242
Non-controlling interests	5	2	22	25
<b>Earnings per share (SEK)</b>	<b>2.05</b>	<b>1.34</b>	<b>7.02</b>	<b>7.73</b>
Average number of shares	419,456,315	419,456,315	419,456,315	419,456,315
<b>Comprehensive income attributable to:</b>				
Owners of the parent	1,248	708	2,563	3,103
Non-controlling interests	20	4	38	54

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

The gross profit has compared to both the first quarter 2014 and the previous quarter been positively affected by an increased sales volume and positive currency effects. Negative factors have been a negative price/mix effect and a lower gross margin level for the acquired Frank Mohn compared to the rest of Alfa Laval.

Sales and administration expenses amounted to SEK 1,444 (1,273) million during the first quarter 2015. Excluding currency effects and acquisition

of businesses, sales and administration expenses were 0.7 percent lower than the corresponding period last year. The corresponding figure when comparing the first quarter 2015 with the previous quarter is a decrease with 8.3 percent. The development shows that the initiated cost reduction programme continues to have effect.

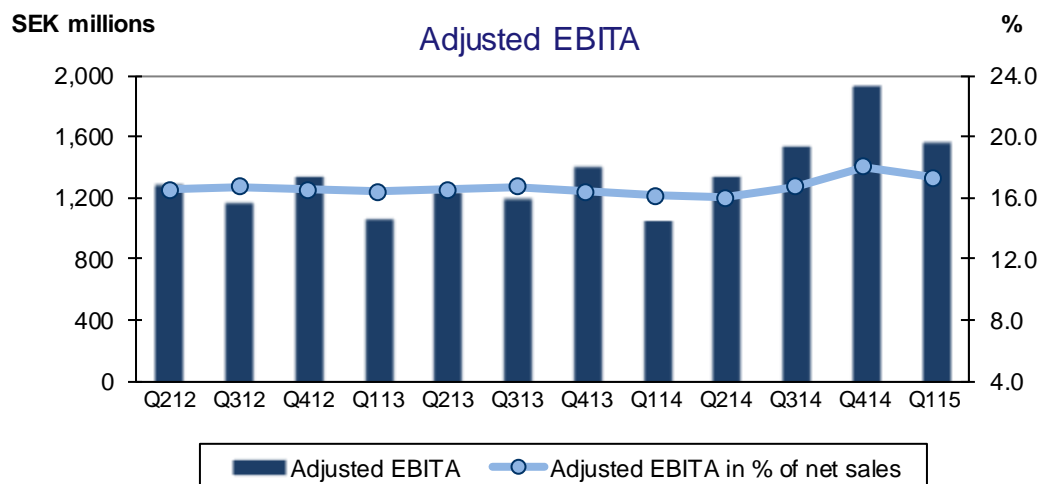
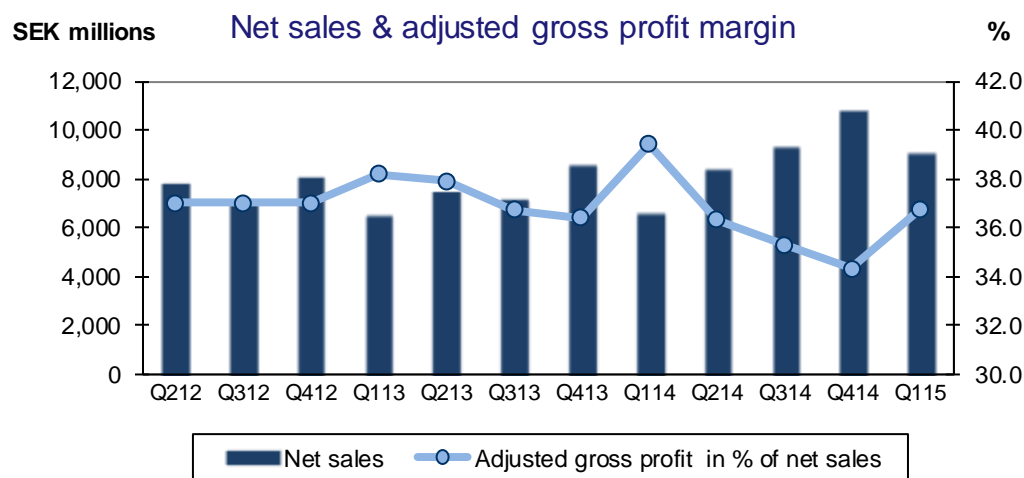
The costs for research and development during the full year 2015 corresponded to 2.1 (2.8) percent of net sales. Excluding currency effects

and acquisition of businesses, the costs for research and development have decreased by 7.2 percent during the first quarter 2015 compared to the corresponding period last year. The decrease is mainly explained by the phasing of individual projects and the cost reduction programme.

The net income attributable to the owners of the parent, excluding depreciation of step-up values and the corresponding tax, was SEK 2.50 (1.57) per share for the first three months 2015.

Consolidated SEK millions	Income analysis			
	First three months 2015	2014	Full year 2014	Last 12 months
Net sales	9,071	6,597	35,067	37,541
Adjusted gross profit *	3,332	2,601	12,624	13,355
- in % of net sales	36.7	39.4	36.0	35.6
Expenses **	-1,600	-1,424	-6,164	-6,340
- in % of net sales	17.6	21.6	17.6	16.9
<b>Adjusted EBITDA</b>	<b>1,732</b>	<b>1,177</b>	<b>6,460</b>	<b>7,015</b>
- in % of net sales	19.1	17.8	18.4	18.7
Depreciation	-162	-115	-565	-612
<b>Adjusted EBITA</b>	<b>1,570</b>	<b>1,062</b>	<b>5,895</b>	<b>6,403</b>
- in % of net sales	17.3	16.1	16.8	17.1
Amortisation of step up values	-276	-146	-904	-1,034
Comparison distortion items	-	-60	-320	-260
Operating income	1,294	856	4,671	5,109

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



## Comparison distortion items

The operating income has been affected by comparison distortion items of SEK - (-60) million for the first quarter 2015. Comparison distortion items are reported gross in the comprehensive income statement as a part of other operating income and other operating costs.

The comparison distortion cost of SEK -60 million in the first quarter 2014 related to one time acquisition costs in connection with the acquisition of Frank Mohn AS.

Consolidated	Comparison distortion items			
	First three months		Full year	Last 12
SEK millions	2015	2014	2014	months
<b>Operational</b>				
Other operating income	103	97	565	571
Comparison distortion income	-	-	-	-
Total other operating income	103	97	565	571
Other operating costs	-239	-178	-904	-965
Comparison distortion costs	-	-60	-320	-260
Total other operating costs	-239	-238	-1,224	-1,225

## Consolidated financial net

The financial net has amounted to SEK -65 (-32) million, excluding realised and unrealised exchange rate losses and gains. The main elements of costs were interest on the debt to the banking syndicate and on the bridge loan of SEK -6 (-2) million, interest on the bilateral term loans of SEK -22 (-17) million, interest on the private placement of SEK -3 (-3) million, interest on the commercial papers of SEK -1 (-) million, interest on the corporate bonds of SEK -21 (-) million and a net of dividends and other interest

income and interest costs of SEK -12 (-10) million. The net of realised and unrealised exchange rate differences has amounted to SEK 35 (-30) million. The exchange rate differences in the first quarter 2015 have been impacted with SEK -81 million for additional realised and unrealised exchange rate losses in Frank Mohn for the currency forward contracts that at year end were not possible to link directly to the operational exposure of the business.

## Key figures

Consolidated	Key figures		
	2015	March 31 2014	December 31 2014
Return on capital employed (%) *	20.5	26.0	20.5
Return on equity capital (%) *	18.9	18.8	17.6
Solidity (%) **	32.4	48.7	30.8
Net debt to EBITDA, times *	2.07	0.39	2.45
Debt ratio, times **	0.76	0.12	0.88
Number of employees **	17,503	16,314	17,753

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

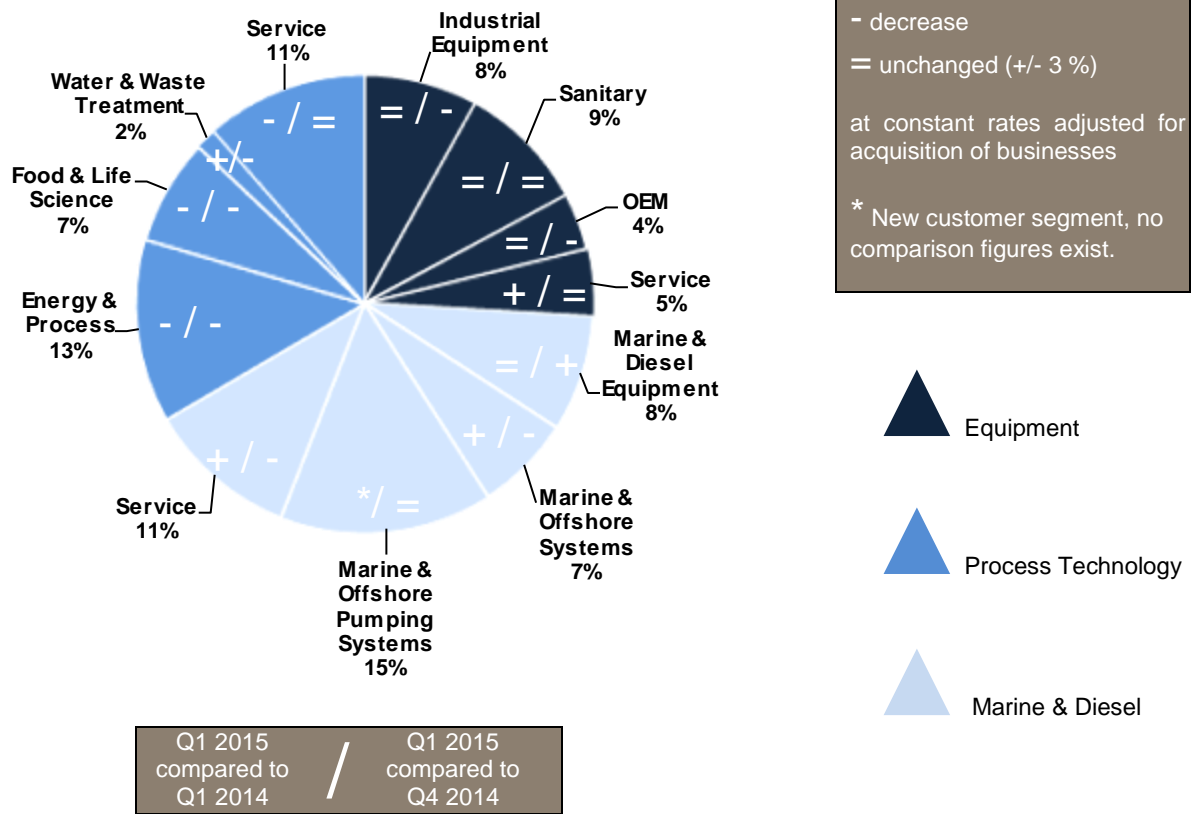
Please note that all key figures calculated on a 12 months' revolving basis have not been proforma

adjusted for the acquisition of Frank Mohn AS.

## Business divisions

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

Orders received by customer segment Q1 2015





## Equipment division

Consolidated SEK millions	First three months		Full year	Last 12
	2015	2014	2014	months
Orders received	2,551	2,275	9,867	10,143
Order backlog*	1,795	1,542	1,571	1,795
Net sales	2,455	2,206	9,787	10,036
Operating income**	284	301	1,320	1,303
Operating margin	11.6%	13.6%	13.5%	13.0%
Depreciation and amortisation	53	45	188	196
Investments	9	10	59	58
Assets*	6,691	5,941	6,424	6,691
Liabilities*	792	749	764	792
Number of employees*	2,632	2,651	2,667	2,632

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

Consolidated %	Change excluding currency effects					
	Order intake			Net sales		
	Structural change	Organic development	Total	Structural change	Organic development	Total
Q1 2015/2014	-	0.5	0.5	-	-0.6	-0.6
Q1 2015/Q4 2014	-	-3.0	-3.0	-	-10.7	-10.7

All comments below are excluding currency effects.

### Order intake

Order intake for the first quarter decreased somewhat compared to the previous quarter. While markets in Western Europe showed overall growth, demand from customers in Asia, the U.S. and Central & Eastern Europe came in lower than in the fourth quarter.

The **Sanitary** segment saw overall demand remaining on the previous quarter's level, with a mixed picture in its different end markets. Products for food, beverage and personal care applications saw a good development, while order intake from customers in the dairy sector came in lower due to fewer new projects. Products aimed at applications in the pharmaceutical sector also faced lower demand. **Industrial Equipment** experienced a small drop in order volume in the first quarter compared to the previous quarter, mainly in the HVAC and industrial refrigeration areas. This was partly

compensated by increased demand in commercial refrigeration and data-cooling areas. In **OEM**, order intake decreased somewhat in the first quarter compared to the fourth. The main explanatory factor was lower demand from customers manufacturing air-conditioning and heat pump equipment, as a number of large customers in these areas reduced stock. In contrast, the boiler market experienced a positive trend.

Demand for **Service** remained on the same high level as in the fourth quarter.

### Operating income

The decrease in operating income for Equipment during the first quarter 2015 compared to the corresponding period last year is mainly explained by effects in connection with the structural measures within air products, a negative price/mix effect and a smaller volume, partly mitigated by a higher sales volume, positive foreign exchange effects and lower development costs.

## Process Technology division

Consolidated SEK millions	First three months		Full year	Last 12
	2015	2014	2014	months
Orders received	3,285	3,276	14,271	14,280
Order backlog*	9,188	8,698	8,440	9,188
Net sales	3,121	2,854	14,410	14,677
Operating income**	410	506	2,230	2,134
Operating margin	13.1%	17.7%	15.5%	14.5%
Depreciation and amortisation	88	77	325	336
Investments	22	24	111	109
Assets*	12,028	10,668	11,893	12,028
Liabilities*	4,770	4,425	4,237	4,770
Number of employees*	5,324	5,310	5,342	5,324

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

Consolidated %	Change excluding currency effects					
	Order intake			Net sales		
	Structural change	Organic development	Total	Structural change	Organic development	Total
Q1 2015/2014	0.0	-13.2	-13.2	0.0	-4.0	-4.0
Q1 2015/Q4 2014	-0.1	-21.6	-21.7	0.0	-32.2	-32.2

All comments below are excluding currency effects.

### Order intake

The first quarter meant a decline compared to the previous quarter for the Process Technology division, mainly due to lower activity in the Energy & Process segment. Both base business\* and large orders were affected.

**Energy & Process** noted a clear contraction as a majority of its end markets were affected by the low oil price. The power-related business, however, grew thanks to some larger orders. Turning to the oil & gas chain, the businesses exposed up- and midstream showed a decline as capex constraints and project prioritization, i.e. the focus on only critical investments, led to a lower activity level. Refinery and petrochemicals also declined, as players in these industries entered a wait and see mode for new investments, as they continued to monitor and evaluate the current development. A lower order intake was also seen in the **Food & Life Science** segment, due to less of large orders. The base

business was however unchanged. The food solutions offering did very well, boosted by strong demand across a majority of regions. **Water & Waste Treatment** showed a slight decline compared to the fourth quarter, but with the important U.S. market growing.

In **Service** demand for parts as well as service was unchanged. Food & Life Science as well as oil & gas related applications declined, whereas good demand was recorded in the power industry as well as inorganics, metals and paper.

### Operating income

The decrease in operating income for Process Technology during the first quarter 2015 compared to the corresponding period last year is mainly explained by a negative price/mix variation and a smaller volume, partly mitigated by positive foreign exchange effects.

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

## Marine & Diesel division

Consolidated SEK millions	First three months		Full year	Last 12
	2015	2014 *	2014	months
Orders received	4,008	1,923	12,522	14,607
Order backlog**	13,309	5,093	12,282	13,309
Net sales	3,495	1,537	10,870	12,828
Operating income***	702	280	2,019	2,441
Operating margin	20.1%	18.2%	18.6%	19.0%
Depreciation and amortisation	206	52	591	745
Investments	14	6	84	92
Assets**	25,515	7,998	25,299	25,515
Liabilities**	4,557	1,986	4,132	4,557
Number of employees**	3,096	1,819	3,127	3,096

\* Restated for move of manufacturing to Operations and Other. \*\* At the end of the period. \*\*\* In management accounts.

Consolidated %	Change excluding currency effects					
	Order intake			Net sales		
	Structural change	Organic development	Total	Structural change	Organic development	Total
Q1 2015/2014	87.8	7.3	95.1	92.9	19.6	112.5
Q1 2015/Q4 2014	-	-3.5	-3.5	-	-10.1	-10.1

All comments below are excluding currency effects.

### Order intake

Order intake for the Marine & Diesel division decreased somewhat in the first quarter compared to the fourth quarter 2014, this including considerable revaluations of the order backlog both in the fourth and first quarter. The underlying order intake was somewhat higher due to two large offshore orders, mitigated by lower demand for exhaust gas cleaning systems and marine cargo pumping systems.

The **Marine & Diesel Equipment** segment saw a slight increase in order intake from the previous quarter, as increased demand for environmental solutions offset the lower demand from equipment going into new ships. Equipment for diesel power plants remained on about the same level as in the fourth quarter. The **Marine & Offshore Systems** segment saw declining order intake, due to lower demand for exhaust gas

cleaning systems as well as for boilers going into offshore applications. Demand for marine boilers was, however, higher than in the previous quarter. **Marine & Offshore Pumping Systems** saw an unchanged level of order intake in the first quarter compared to the fourth, as fewer new marine orders were offset by two large offshore orders.

**Service** had a lower order intake than in the previous quarter due to lower activity for repair and upgrading.

### Operating income

The increase in operating income for Marine & Diesel during the first quarter 2015 compared to the corresponding period last year is primarily explained by a higher sales volume, mainly due to the acquisition of Frank Mohn and positive foreign exchange effects, partly mitigated by higher costs for sales and administration and higher amortisations on step-up values related to the acquisition of Frank Mohn.

## Operations and Other

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

overhead and non-core businesses.

Consolidated				
SEK millions	First three months		Full year	Last 12
	2015	2014 *	2014	months
Orders received	0	0	0	0
Order backlog**	0	0	0	0
Net sales	0	0	0	0
Operating income***	-59	-154	-529	-434
Depreciation and amortisation	91	87	365	369
Investments	36	82	349	303
Assets**	6,286	5,292	5,906	6,286
Liabilities**	3,428	2,186	3,974	3,428
Number of employees**	6,451	6,534	6,617	6,451

\* Restated for move of manufacturing from Marine & Diesel. \*\* At the end of the period. \*\*\* In management accounts.

## Reconciliation between divisions and Group total

Consolidated				
SEK millions	First three months		Full year	Last 12
	2015	2014	2014	months
<b>Operating income</b>				
Total for divisions	1,337	933	5,040	5,444
Comparison distortion items	-	-60	-320	-260
Consolidation adjustments *	-43	-17	-49	-75
Total operating income	1,294	856	4,671	5,109
Financial net	-30	-62	-550	-518
Result after financial items	1,264	794	4,121	4,591
<b>Assets **</b>				
Total for divisions	50,520	29,899	49,522	50,520
Corporate	6,487	4,717	6,264	6,487
Group total	57,007	34,616	55,786	57,007
<b>Liabilities **</b>				
Total for divisions	13,547	9,346	13,107	13,547
Corporate	24,990	8,396	25,477	24,990
Group total	38,537	17,742	38,584	38,537

\* Difference between management accounts and IFRS. \*\* At the end of the period.

## Information about products and services

Consolidated	Net sales by product/service *			
	First three months		Full year	Last 12
SEK millions	2015	2014	2014	months
Own products within:				
Separation	1,690	1,493	7,222	7,419
Heat transfer	3,943	3,437	16,587	17,093
Fluid handling	2,372	834	6,933	8,471
Other	294	187	862	969
Associated products	399	339	1,915	1,975
Services	373	307	1,548	1,614
<b>Total</b>	<b>9,071</b>	<b>6,597</b>	<b>35,067</b>	<b>37,541</b>

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

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

### New products during the first quarter

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

#### Alfa Laval TK20



Compact size and low energy consumption delivered by Alfa Laval TK20.

The new Alfa Laval TK20 semi-welded gasketed plate heat exchanger is optimized to deliver the best in performance and reliability for heating and cooling of aggressive media. The TK20 is developed for all main refrigeration applications where high efficiency is key, such as evaporators, condensers, desuperheaters, cascade duties and

economizers/subcoolers. It is optimized for the use of natural refrigerants, e.g. NH<sub>3</sub> and CO<sub>2</sub>, and for low and high pressures. The heat exchanger features innovative new developments that include Alfa Laval RefTight™ – the unique gasket groove design with maximum gasket support and minimum gasket contact, Alfa Laval CurveFlow™ – patented distribution zone with more energy efficiency per m<sup>2</sup> plate surface and Alfa Laval ClipGrip™ – patented mounting method that attaches the gasket securely, gripping both sides of the plate, ensuring that it stays in place when opening. The TK20's compact design makes it easy to open for inspection and cleaning, which facilitates higher serviceability.

#### Benefits at a glance:

- Leakage-proof design of the welded channels
- Flexible configuration – heat transfer area can be modified
- Compact design
- High serviceability – possible to open the heat exchanger for inspection and cleaning
- Part of a large portfolio of heat transfer products

The TK20 makes an excellent extension to Alfa Laval's range of semi-welded gasketed plate heat exchangers.

### Alfa Laval DuroCore

In offshore oil and gas operations, uptime is critical. Equipment fouling means production loss, expensive downtime or even safety- and environmental hazards. The new Alfa Laval DuroCore high-pressure offshore gas compression cooler is designed for the toughest jobs and guarantees maximum uptime in minimum space.



Thanks to its unique and patented plate design, Alfa Laval DuroCore can handle extreme pressure and temperature variations. Offering superior performance compared to existing heat exchangers, including shell-and-tube, it is a game changer for demanding offshore gas compression cooling installations.

### Alfa Laval PCHE

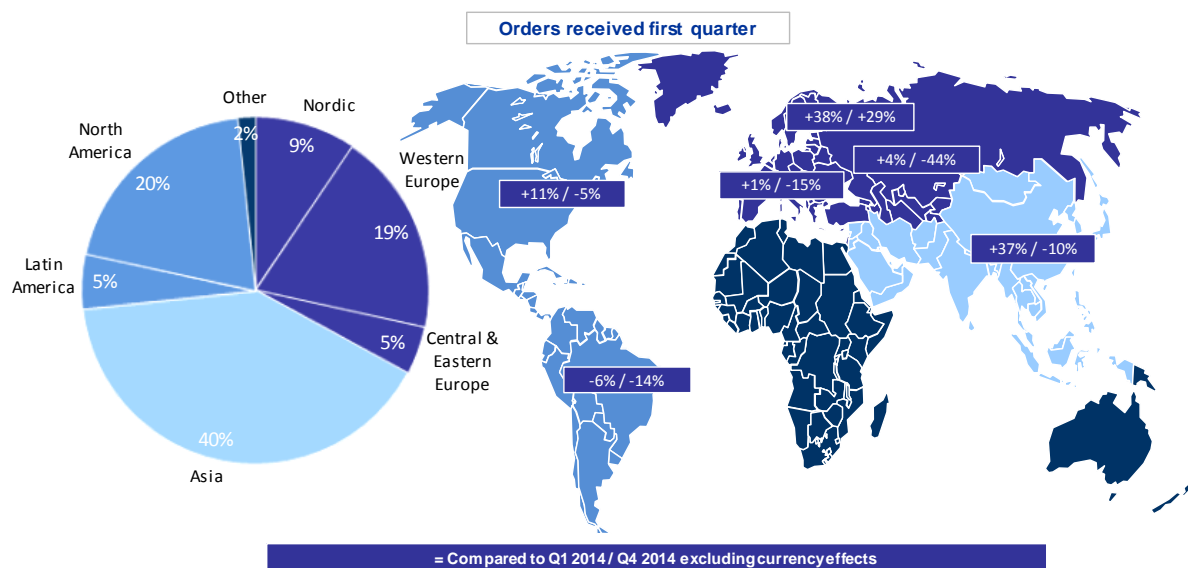
Representing the most modern diffusion bonding technology on the market, the Alfa Laval PCHE printed circuit heat exchanger completes our offer to the demanding offshore oil and gas sector.



Alfa Laval PCHE provides extraordinary performance compressed into the smallest operating footprint. It can operate in a wide range of temperatures and handle extreme pressures. Thanks to its compactness and full customization possibilities it is suitable for many different applications, wherever space is limited. The market for PCHE is global and well established. Entering it, Alfa Laval benefits greatly by the fact that our supply chain is strategically placed in South Korea, close to our customers and in the most rapidly growing part of the market.



## Information by region



All comments are excluding currency effects.

### Western Europe including Nordic

Order intake declined somewhat in the first quarter compared to the previous quarter as the record-size order, taken in the fourth quarter, was not repeated. The base business\* remained unchanged, as did Service. Energy & Process was affected by the non-repeat, but underlying the segment continued to perform well. Both Industrial Equipment and Sanitary saw a good development. From a regional perspective the Nordic, Iberica, Benelux and Mid Europe sales regions all developed positively, while France, UK and Adriatic declined due to fewer large contracts.

### Central and Eastern Europe

Central & Eastern Europe saw order intake decline in the first quarter compared to the very strong fourth quarter of last year. This was mainly due to a drop in large orders in Russia, but also as a result of a decline in the base business in most parts of the region. The majority of the drop in Russia related to the project business within the Process Technology division, as the customers' difficulties in securing financing dampened the investment climate. On the positive side, South Eastern Europe reported growth compared to the fourth quarter and Turkey had a record quarter, with a strong base business across the divisions as well as two larger orders.

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

### North America

Order intake declined somewhat in the first quarter compared to the fourth, affected by a decline in OEM and a non-repeated large exhaust gas cleaning order in the U.S. Meanwhile, overall demand in Canada remained on the same level as in the previous quarter, for both the base business and large orders. Industrial Equipment, Energy & Process and Water & Waste Treatment did well in the region as a whole and Service also had a positive development.

### Latin America

Latin America reported a decrease in order intake in the first quarter compared to the fourth, impacted by Brazil which did not replicate the very high level of large orders seen in the previous quarter. In general, the political situation, combined with the ongoing corruption charges, is permeating the country. This has a dampening effect on the business climate in the country, impacting the three divisions. Still, one large order was booked in oil & gas and the Service business performed well both in the Equipment and Process Technology divisions. Argentina had a strong quarter thanks to a large vegetable oil order and good performance was also reported for region Venezuela, Colombia & Panama.

### Asia

Order intake showed a weaker development during the first quarter of 2015 compared to the fourth quarter of 2014. The first quarter in Asia is traditionally slower, due to the Lunar New Year holidays. At the same time oil & gas, petrochemicals and refinery were all impacted by lower oil and gas prices. Also, a large refinery order booked in the previous quarter was not repeated. Consequently, the Process Technology

division showed a weaker development. Meanwhile, the Marine & Diesel division benefited from new-building contracts for LNG carriers at Korean shipyards. While China was impacted by the New Year holidays as well as a generally slower business climate, leading to a drop in large orders, the base business was unchanged from the previous quarter. South Korea also came in behind the previous quarter, affected by a slower inflow of large orders. Still, the country's Marine & Diesel division was lifted

by a good demand for equipment going into new ships such as LNG. Japan showed the best country performance, partly as a result of strong Service growth in the Process Technology and Marine & Diesel divisions, partly due to good demand for equipment going into new ships. The Middle East was affected by lower demand in the Process Technology division at the same time as Service on the other hand was doing very well across the three divisions.

Consolidated	Net sales			
	First three months		Full year	Last 12
SEK millions	2015	2014	2014	months
To customers in:				
Sweden	194	195	820	819
Other EU	2,175	1,883	9,153	9,445
Other Europe	555	506	2,575	2,624
USA	1,532	1,099	5,446	5,879
Other North America	207	176	1,105	1,136
Latin America	499	411	2,205	2,293
Africa	113	78	364	399
China	1,040	671	3,838	4,207
South Korea	1,310	454	3,952	4,808
Other Asia	1,358	1,039	5,122	5,441
Oceania	88	85	487	490
Total	9,071	6,597	35,067	37,541

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

the delivery address.

Consolidated	Non-current assets		
	March 31		December 31
SEK millions	2015	2014	2014
Sweden	1,377	1,436	1,370
Denmark	4,518	4,451	4,680
Other EU	4,057	4,022	4,216
Norway	14,868	69	14,747
Other Europe	193	218	194
USA	4,794	3,832	4,434
Other North America	121	106	122
Latin America	343	367	371
Africa	1	1	1
Asia	3,348	2,661	3,086
Oceania	91	80	89
Subtotal	33,711	17,243	33,310
Other long-term securities	33	23	30
Pension assets	5	7	6
Deferred tax asset	2,051	1,384	1,986
Total	35,800	18,657	35,332

## 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 2015	2014	Full year 2014	Last 12 months
<b>Operating activities</b>				
Operating income	1,294	856	4,671	5,109
Adjustment for depreciation and amortisation	438	261	1,469	1,646
Adjustment for other non-cash items	-133	17	-83	-233
	1,599	1,134	6,057	6,522
Taxes paid	-285	-321	-1,422	-1,386
	1,314	813	4,635	5,136
Changes in working capital:				
Increase(-)/decrease(+) of receivables	91	196	-282	-387
Increase(-)/decrease(+) of inventories	-254	-229	-99	-124
Increase(+)/decrease(-) of liabilities	40	-227	596	863
Increase(+)/decrease(-) of provisions	-90	39	273	144
<b>Increase(-)/decrease(+) in working capital</b>	<b>-213</b>	<b>-221</b>	<b>488</b>	<b>496</b>
	1,101	592	5,123	5,632
<b>Investing activities</b>				
Investments in fixed assets (Capex)	-81	-122	-603	-562
Divestment of fixed assets	1	2	76	75
Acquisition of businesses	0	-21	-14,443	-14,422
	-80	-141	-14,970	-14,909
<b>Financing activities</b>				
Received interests and dividends	17	22	114	109
Paid interests	-52	-44	-281	-289
Realised financial exchange differences	-91	119	-266	-476
Dividends to owners of the parent	-	-	-1,573	-1,573
Dividends to non-controlling interests	-	-	-5	-5
Increase(-)/decrease(+) of financial assets	52	200	54	-94
Increase(+)/decrease(-) of borrowings	-1,194	-570	12,207	11,583
	-1,268	-273	10,250	9,255
<b>Cash flow for the period</b>	<b>-247</b>	<b>178</b>	<b>403</b>	<b>-22</b>
Cash and bank at the beginning of the period	2,013	1,446	1,446	1,620
Translation difference in cash and bank	111	-4	164	279
<b>Cash and bank at the end of the period</b>	<b>1,877</b>	<b>1,620</b>	<b>2,013</b>	<b>1,877</b>
Free cash flow per share (SEK) *	2.43	1.08	-23.48	-22.12
Capex in relation to sales	0.9%	1.8%	1.7%	1.5%
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 2015 cash flows from operating and investing activities amounted to SEK 1,021 (451) million. Depreciation, excluding

allocated step-up values, was SEK 162 (115) million during the first quarter.

## Financial position and equity

### CONSOLIDATED FINANCIAL POSITION

SEK millions	March 31		December 31
	2015	2014	2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	28,687	13,491	28,306
Property, plant and equipment	5,025	3,752	5,004
Other non-current assets	2,088	1,414	2,022
	<b>35,800</b>	<b>18,657</b>	<b>35,332</b>
<b>Current assets</b>			
Inventories	8,381	6,517	7,883
Assets held for sale	8	-	6
Accounts receivable	6,690	4,964	6,684
Other receivables	3,299	2,261	2,995
Derivative assets	239	177	176
Other current deposits	713	420	697
Cash and bank *	1,877	1,620	2,013
	<b>21,207</b>	<b>15,959</b>	<b>20,454</b>
<b>TOTAL ASSETS</b>	<b>57,007</b>	<b>34,616</b>	<b>55,786</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Owners of the parent	18,325	16,795	17,077
Non-controlling interests	145	79	125
	<b>18,470</b>	<b>16,874</b>	<b>17,202</b>
<b>Non-current liabilities</b>			
Liabilities to credit institutions etc	15,418	2,770	16,454
Provisions for pensions and similar commitments	2,283	1,498	2,221
Provision for deferred tax	2,888	1,579	3,074
Other provisions	528	430	543
	<b>21,117</b>	<b>6,277</b>	<b>22,292</b>
<b>Current liabilities</b>			
Liabilities to credit institutions etc	1,107	1,235	1,251
Accounts payable	2,947	2,228	2,904
Advances from customers	4,192	2,157	3,796
Other provisions	1,871	1,563	1,862
Other liabilities	6,007	4,127	5,507
Derivative liabilities	1,296	155	972
	<b>17,420</b>	<b>11,465</b>	<b>16,292</b>
Total liabilities	<b>38,537</b>	<b>17,742</b>	<b>38,584</b>
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	<b>57,007</b>	<b>34,616</b>	<b>55,786</b>

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

Consolidated	Financial assets and liabilities at fair value			
	Valuation hierarchy level	March 31		December 31
SEK millions		2015	2014	2014
<b>Financial assets</b>				
Other long term securities	1 and 2	33	23	30
Bonds and other securities	1	585	223	532
Derivative assets	1	239	177	176
<b>Financial liabilities</b>				
Derivative liabilities	1	1,296	155	972

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

Consolidated	Borrowings and net debt			
		March 31		December 31
SEK millions		2015	2014	2014
Credit institutions		2,086	341	2,981
Swedish Export Credit		3,033	1,788	2,975
European Investment Bank		2,279	1,162	2,332
Private placement		946	714	864
Commercial papers		800	-	999
Corporate bonds		7,381	-	7,554
Capitalised financial leases		67	80	73
Interest-bearing pension liabilities		0	0	0
Total debt		16,592	4,085	17,778
Cash, bank and current deposits		-2,590	-2,040	-2,710
Net debt		14,002	2,045	15,068

Alfa Laval has a senior credit facility of EUR 400 million and USD 544 million, corresponding to SEK 8,404 million with a banking syndicate. At March 31, 2015 SEK 1,765 million of the facility was utilised. The facility matures in June 2019, with two one year extension options.

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

The bilateral term loans with Swedish Export Credit consist of one loan of EUR 100 million that matures in June 2017 and one loan of EUR 100 million that matures in June 2021 as well as a

loan of USD 136 million that matures in June 2020.

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

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

The commercial paper programme has been extended to SEK 2,000 million during the first quarter 2015, out of which nominally SEK 800 million with 3-5 months duration was utilised at March 31, 2015.

## CHANGES IN CONSOLIDATED EQUITY

SEK millions	First three months		Full year
	2015	2014	2014
<b>At the beginning of the period</b>	17,202	16,162	16,162
<b>Changes attributable to:</b>			
<b>Owners of the parent</b>			
<b>Comprehensive income</b>			
Comprehensive income for the period	1,248	708	2,563
<b>Transactions with shareholders</b>			
Dividends	-	-	-1,573
	-	-	-1,573
<b>Subtotal</b>	1,248	708	990
<b>Non-controlling interests</b>			
<b>Comprehensive income</b>			
Comprehensive income for the period	20	4	38
<b>Transactions with shareholders</b>			
Non-controlling interests in acquired companies	-	-	17
Dividends	-	-	-5
	-	-	12
<b>Subtotal</b>	20	4	50
<b>At the end of the period</b>	18,470	16,874	17,202

## Acquisition of businesses

The purchase price allocations relating to the acquisition of Frank Mohn AS at May 22, 2014

and the acquisition of CorHex Corp at November 4, 2014 are still preliminary.

## Parent company

The parent company's result after financial items was SEK -2 (16) million, out of which net interests SEK - (13) million, realised and unrealised exchange rate gains and losses SEK -4 (-0) million, costs related to the listing SEK -4 (-1)

million, fees to the Board SEK -0 (-3) million, cost for annual report and annual general meeting SEK -1 (-0) million and other operating income and operating costs the remaining SEK 7 (7) million.

**PARENT COMPANY INCOME \***

SEK millions	First three months		Full year
	2015	2014	2014
Administration costs	-5	-4	-13
Other operating income	7	8	3
Other operating costs	0	-1	-4
<b>Operating income</b>	<b>2</b>	<b>3</b>	<b>-14</b>
Revenues from interests in group companies	-	-	1,630
Interest income and similar result items	2	15	51
Interest expenses and similar result items	-6	-2	-8
<b>Result after financial items</b>	<b>-2</b>	<b>16</b>	<b>1,659</b>
Change of tax allocation reserve	-	-	-65
Group contributions	-	-	947
<b>Result before tax</b>	<b>-2</b>	<b>16</b>	<b>2,541</b>
Tax on this year's result	-	-3	-205
<b>Net income for the period</b>	<b>-2</b>	<b>13</b>	<b>2,336</b>

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

**PARENT COMPANY FINANCIAL POSITION**

SEK millions	March 31		December 31
	2015	2014	2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Shares in group companies	4,669	4,669	4,669
<b>Current assets</b>			
Receivables on group companies	9,327	8,142	10,120
Other receivables	116	110	51
Cash and bank	-	-	-
	9,443	8,252	10,171
<b>TOTAL ASSETS</b>	<b>14,112</b>	<b>12,921</b>	<b>14,840</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Restricted equity	2,387	2,387	2,387
Unrestricted equity	10,013	9,265	10,015
	12,400	11,652	12,402
<b>Untaxed reserves</b>			
Tax allocation reserves, taxation 2009-2015	1,301	1,236	1,301
<b>Current liabilities</b>			
Commercial papers	400	-	999
Liabilities to group companies	9	32	138
Accounts payable	2	1	0
Other liabilities	-	0	-
	411	33	1,137
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>14,112</b>	<b>12,921</b>	<b>14,840</b>

## Owners and shares

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### Owners and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 39,724 (36,312) shareholders on March 31, 2015. The largest owner is Tetra Laval B.V., the Netherlands who owns 26.1 (26.1) percent. Next to the largest owner there are nine institutional investors with ownership in the range of 6.5 to 0.7 percent. These ten largest shareholders owned 55.2 (54.6) percent of the shares.

### Proposed disposition of earnings

The Board of Directors propose a dividend of SEK 4.00 (3.75) per share corresponding to SEK 1,678 (1,573) million and that the remaining income available for distribution in Alfa Laval AB (publ) of SEK 8,337 (7,680) million be carried forward.

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

## Risks and other

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### Material factors of risk and uncertainty

The main factors of risk and uncertainty facing the Group concern the price development of metals, fluctuations in major currencies and the business cycle. It is the company's opinion that the description of risks made in the Annual Report for 2014 is still correct.

### Asbestos-related lawsuits

The Alfa Laval Group was as of March 31, 2015, named as a co-defendant in a total of 806 asbestos-related lawsuits with a total of approximately 809 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 2015 is prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The accounting principles are according to IFRS (International Financial Reporting Standards) as adopted by the European Union.

“First quarter” and “First three months” both refer to the period January 1 to March 31. “Full year” refers to the period January 1 to December 31. “Last 12 months” refers to the period April 1, 2014 to March 31, 2015. “The corresponding period last year” refers to the first quarter 2014. “Previous quarter” refers to the fourth quarter 2014.

In the report the measures adjusted EBITA and adjusted EBITDA are used. Adjusted EBITA is defined as earnings before interests, taxes, amortisation of step up values and comparison distortion items. Adjusted EBITDA is defined as earnings before interests, taxes, depreciation, amortisation of step up values and comparison distortion items.

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

### Date for the next financial reports

Alfa Laval will publish interim reports during 2015 at the following dates:

Interim report for the second quarter July 16  
Interim report for the third quarter October 22

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The interim report has been issued on April 23, 2015 at CET 12.45 by the President and Chief Executive Officer Lars Renström by proxy from the Board of Directors.

Lund, April 23, 2015,

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