# Fourth quarter and full year 2012

## Summary

| SEK millions | Fourth quarter 2012 | 2011 | % | % * | Full year 2012 | 2011 | % | % * |
|---|---|---|---|---|---|---|---|---|
| Order intake | 7,252 | 6,774 | 7 | 11 | 30,339 | 28,671 | 6 | 6 |
| Net sales | 8,119 | 8,149 | 0 | 2 | 29,813 | 28,652 | 4 | 4 |
| Adjusted EBITA | 1,316 | 1,387 | -5 | | 4,910 | 5,287 | -7 | |
| - adjusted EBITA margin (%) | 16.2 | 17.0 | | | 16.5 | 18.5 | | |
| Result after financial items ** | 1,148 | 1,381 | -17 | | 4,505 | 4,676 | -4 | |
| Net income for the period | 902 | 934 | -3 | | 3,207 | 3,251 | -1 | |
| Earnings per share (SEK) | 2.13 | 2.21 | -4 | | 7.61 | 7.68 | -1 | |
| Cash flow *** | 917 | 1,291 | -29 | | 3,586 | 3,429 | 5 | |
| Impact on EBITA of: | | | | | | | | |
| - foreign exchange effects | -63 | -80 | | | -139 | -468 | | |
| Impact on result after financial items of: | | | | | | | | |
| - comparison distortion items | -51 | -90 | | | -51 | -170 | | |

* excluding exchange rate variations ** Full year includes financial exchange rate differences of SEK 259 (115) million *** from operating activities

## Comment from Lars Renström, President and CEO

"Order intake was SEK 7.3 billion during the fourth quarter, an increase with 7 percent compared to the corresponding quarter 2011 and an unchanged level compared to the third quarter.

The demand was unchanged for the Process Technology division and on the same high level as during the third quarter, with a particularly good development within Process Industry and Food Technology. Also the Equipment division had a good quarter with unchanged order intake. The Marine & Diesel division saw a limited decline, as the growth within the after sales business not completely could compensate for somewhat lower capital sales.

Western Europe, including Nordic, had good growth since both the base business and large projects developed favourably. Also Asia showed growth, where South East Asia, India and the Middle East had a good order intake, whereas the customers in China had an awaiting attitude. In North America the demand was unchanged sequentially as the U.S. showed continued growth while Canada backed since large orders taken in the third quarter were not repeated in the fourth.

Sales were SEK 8.1 billion, which was an increase compared to the third quarter and an unchanged level compared to the fourth quarter 2011. The operating result was SEK 1.3 billion, corresponding to an operating margin of 16.2 percent. Sales and administration costs were reduced with 11.5 percent for comparable entities, as a result of the measures that were initiated at the end of 2011."

## Outlook for the first quarter

"We expect that demand during the first quarter 2013 will be on about the same level as in the fourth quarter."

*Earlier published outlook (October 23, 2012): "We expect that demand during the fourth quarter 2012 will be in line with or somewhat lower than in the third quarter."*

The Board of Directors will propose a dividend of SEK 3.50 (3.25) per share and a mandate for repurchase of up to 5 percent of the issued shares to the Annual General Meeting.

The fourth quarter and full year 2012 report has been reviewed by the company's auditors, see page 25 for the review report.

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# Management's discussion and analysis

## Important events during the fourth quarter

During the fourth quarter 2012 Alfa Laval received large orders[1)] for more than SEK 450 (220) million:

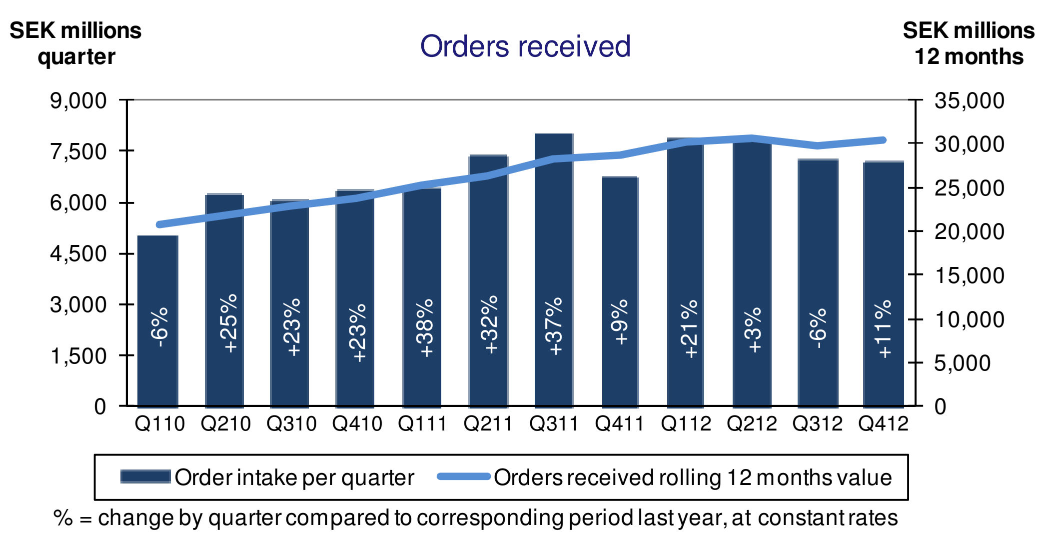
- An order to supply Alfa Laval Packinox heat exchangers to one of the world's largest petrochemical complexes in Saudi Arabia. The order value is approximately SEK 120 million and delivery is scheduled to start in 2013 and be finalized in 2014.
- An order from a major pharmaceutical company in India to supply a processing line for a new insulin plant in Malaysia. The order is worth approximately SEK 90 million and delivery is scheduled for 2014.
- An order from Abengoa to supply Alfa Laval Packinox heat exchangers to a concentrated solar power plant in South Africa. Delivery is scheduled to be finalized in 2014. Due to a confidentiality agreement Alfa Laval is unable to disclose the exact value of the order.
- An order to supply compact heat exchangers to an LNG plant (Liquefied Natural Gas) in Australia. The order is worth approximately SEK 50 million and delivery is scheduled to take place in 2013 and 2014.
- An order from Wärtsilä to supply Alfa Laval Aalborg waste heat recovery system to a gas-fired power plant in South Africa. The order has a value of approximately SEK 50 million. Delivery is scheduled for 2013.
- The first order to supply Alfa Laval PureSOx exhaust gas cleaning systems. The order has a value of approximately SEK 60 million. Delivery is scheduled for 2013. Due to a confidentiality agreement Alfa Laval is unable to disclose the name of the customer or other details about the order.

In addition it can be noted that Alfa Laval:

- increased the ownership in Alfa Laval (India) Ltd to 97.5 percent,
- has won the first commercial order from MAN Diesel & Turbo to supply Alfa Laval PureNOx water treatment systems to be integrated in a process to reduce harmful nitrogen oxides (NOx) emission onboard vessels.
- on December 31, 2012 has acquired the US-based company Air Cooled Exchangers, LLC (ACE), a leading manufacturer of custom-engineered air-cooled heat exchangers, used to cool air, natural gas, oil and water in the natural gas market as well as other energy-related end markets.

## Order intake

Orders received amounted to SEK 7,252 (6,774) million for the fourth quarter and to SEK 30,339 (28,671) million for the full year 2012. 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 can be split into:

Order bridge

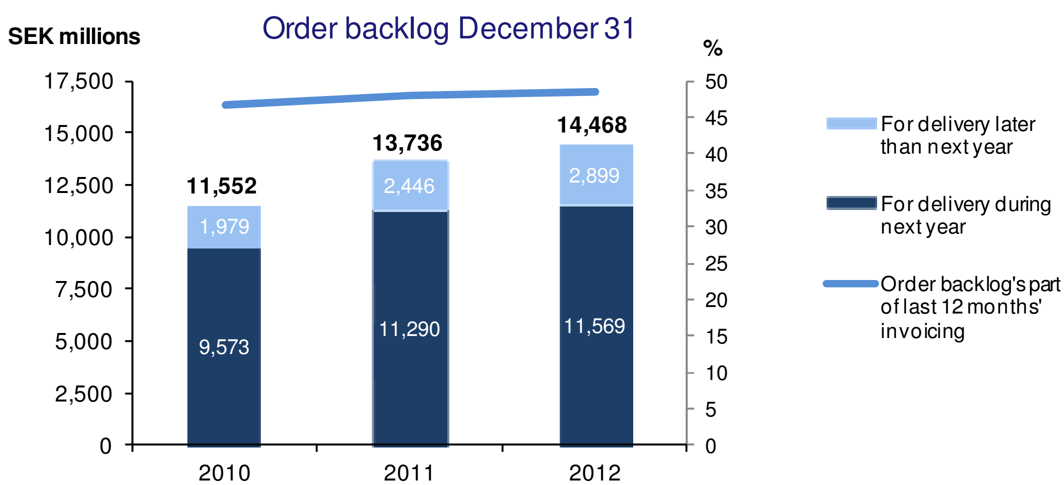
| Consolidated | Order intake | Change | | | | | Order intake |
|---|---|---|---|---|---|---|---|
| | | Excluding currency effects | | | After currency effects | | |
| | 2011 SEK millions | Structural change [2] (%) | Organic development [3] (%) | Total (%) | Currency effects (%) | Total (%) | 2012 SEK millions |
| Fourth quarter | 6,774 | 1.8 | 8.9 | 10.7 | -3.6 | 7.1 | 7,252 |
| Full year | 28,671 | 1.6 | 4.7 | 6.3 | -0.5 | 5.8 | 30,339 |

Compared to the previous quarter the Group's order intake excluding currency effects was 1.2 percent lower. The corresponding organic development was a decrease by 1.4 percent.

Orders received from the aftermarket Parts & Service constituted 27.6 (28.8) percent of the Group's total orders received during the fourth quarter and 26.4 (26.1) percent during the full year 2012.

Excluding currency effects, the order intake for Parts & Service increased by 5.6 percent during the fourth quarter 2012 compared to the corresponding quarter last year and increased with 4.2 percent compared to the previous quarter.

## Order backlog




Excluding currency effects and adjusted for acquisition of businesses the order backlog was 3.8 percent higher than the order backlog at the end of 2011.

2. Acquired businesses are: Air Cooled Exchangers, LLC (ACE) at December 31, 2012, Gamajet Cleaning Systems Inc at August 23, 2012, Ashbrook Simon-Hartley at August 1, 2012, Vortex Systems at June 30, 2012, Aalborg Industries at May 1, 2011 and a service company in the US at May 1, 2011.
3. Change excluding acquisition of businesses.

# Net sales

Net invoicing was SEK 8,119 (8,149) million for the fourth quarter and SEK 29,813 (28,652) million for the full year 2012. The change compared with the corresponding periods last year can be split into:

Sales bridge

| Consolidated | Net sales 2011 SEK millions | Change: Excluding currency effects – Structural change (%) | Change: Excluding currency effects – Organic development (%) | Change: Excluding currency effects – Total (%) | Change: After currency effects – Currency effects (%) | Change: After currency effects – Total (%) | Net sales 2012 SEK millions |
|---|---|---|---|---|---|---|---|
| Fourth quarter | 8,149 | 1.7 | 0.7 | 2.4 | -2.8 | -0.4 | 8,119 |
| Full year | 28,652 | 3.5 | 0.9 | 4.4 | -0.3 | 4.1 | 29,813 |

Compared to the previous quarter the Group's net invoicing excluding currency effects was 14.2 percent higher. The corresponding organic development was an increase by 13.9 percent.

Net invoicing relating to Parts & Service constituted 25.8 (25.2) percent of the Group's total net invoicing in the fourth quarter and 26.6 (25.9) percent for the full year 2012.

Excluding currency effects, the net invoicing for Parts & Service increased by 4.8 percent during the fourth quarter 2012 compared to the corresponding quarter last year and increased with 8.5 percent compared to the previous quarter.

# Income

## CONSOLIDATED COMPREHENSIVE INCOME

| | Fourth quarter | | Full year | |
|---|---|---|---|---|
| SEK millions | 2012 | 2011 | 2012 | 2011 |
| Net sales | 8,119 | 8,149 | 29,813 | 28,652 |
| Cost of goods sold | -5,236 | -5,177 | -19,169 | -17,829 |
| Gross profit | 2,883 | 2,972 | 10,644 | 10,823 |
| Sales costs | -658 | -821 | -3,345 | -3,410 |
| Administration costs | -688 | -660 | -1,656 | -1,601 |
| Research and development costs | -209 | -175 | -707 | -648 |
| Other operating income * | 128 | 136 | 384 | 403 |
| Other operating costs * | -315 | -264 | -948 | -876 |
| Operating income | 1,141 | 1,188 | 4,372 | 4,691 |
| Dividends and changes in fair value | 5 | -5 | 8 | 0 |
| Interest income and financial exchange rate gains | 97 | 148 | 501 | 436 |
| Interest expense and financial exchange rate losses | -95 | 50 | -376 | -451 |
| Result after financial items | 1,148 | 1,381 | 4,505 | 4,676 |
| Taxes | -246 | -447 | -1,298 | -1,425 |
| **Net income for the period** | 902 | 934 | 3,207 | 3,251 |
| Other comprehensive income: | | | | |
| Cash flow hedges | 78 | -197 | 168 | -335 |
| Translation difference | -28 | -227 | -858 | -206 |
| Deferred tax on other comprehensive income | -13 | 40 | -50 | 120 |
| **Comprehensive income for the period** | 939 | 550 | 2,467 | 2,830 |
| **Net income attributable to:** | | | | |
| Owners of the parent | 895 | 928 | 3,190 | 3,223 |
| Non-controlling interests | 7 | 6 | 17 | 28 |
| Earnings per share (SEK) | 2.13 | 2.21 | 7.61 | 7.68 |
| Average number of shares | 419,456,315 | 419,456,315 | 419,456,315 | 419,456,315 |
| **Comprehensive income attributable to:** | | | | |
| Owners of the parent | 936 | 547 | 2,454 | 2,812 |
| Non-controlling interests | 3 | 3 | 13 | 18 |

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

The gross profit has compared to the fourth quarter 2011 been negatively affected by exchange rates, changes in price/mix and the adaptation of the cost accounting within Aalborg, while the factory utilisation had a positive effect. Compared to the previous quarter the most prominent effect was a limited negative impact from changes in mix.

Sales and administration expenses amounted to SEK 1,346 (1,481) million during the fourth quarter and SEK 5,001 (5,011) million during the full year 2012. Excluding currency effects and acquisition of businesses, sales and administration expenses were 11.5 percent lower and 3.1 percent lower respectively than the corresponding periods last year. The decrease in the quarter and during the year is a result of the measures initiated at the end of 2011.

The costs for research and development during the full year 2012 corresponded to 2.4 (2.3) percent of net sales. Excluding currency effects and acquisition of businesses, the costs for research and development have increased by 7.6 percent during the full year 2012 compared to last year. The increase is entirely in line with the established plan for product development.

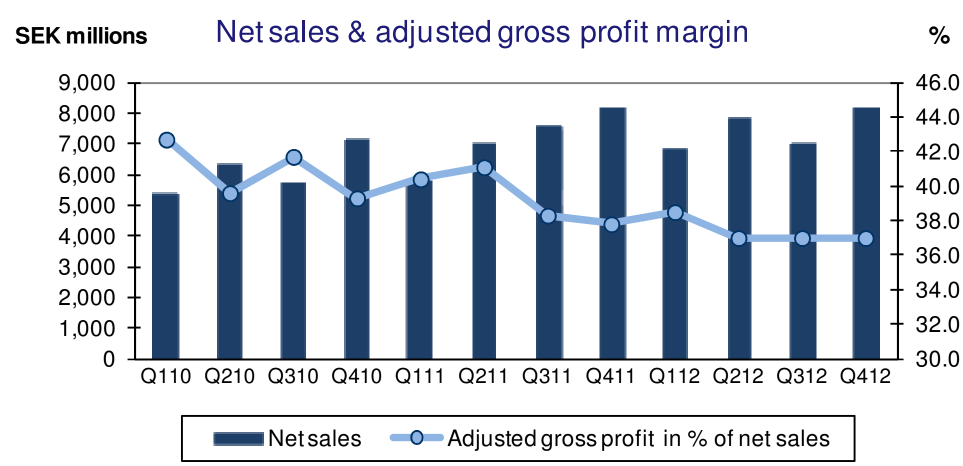
The reduction in the Swedish corporate income tax has meant a one-time effect on the tax cost in the fourth quarter with SEK 99 million.

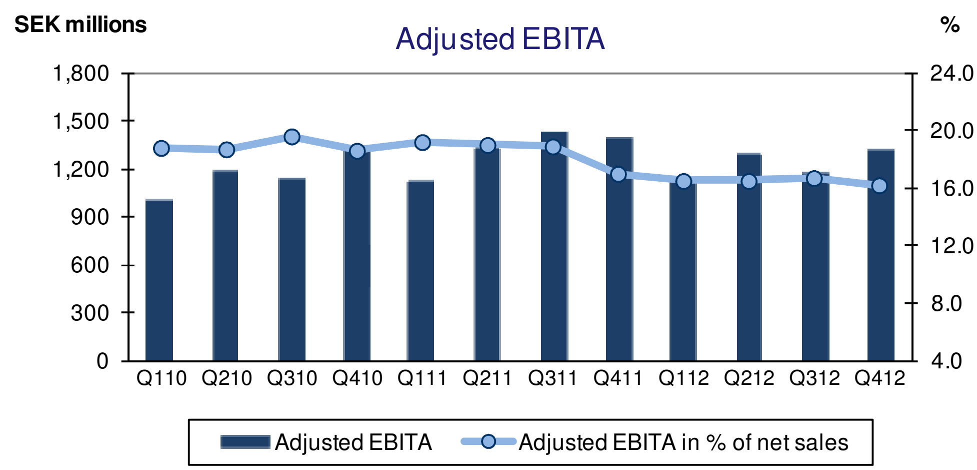
The net income attributable to the owners of the parent, excluding depreciation of step-up values and the corresponding tax, is SEK 8.39 (8.42) per share for the full year 2012.

## Income analysis

| Consolidated<br>SEK millions | Fourth quarter 2012 | Fourth quarter 2011 | Full year 2012 | Full year 2011 |
|---|---|---|---|---|
| Net sales | 8,119 | 8,149 | 29,813 | 28,652 |
| Adjusted gross profit * | 3,007 | 3,081 | 11,131 | 11,249 |
| ***- in % of net sales*** | ***37.0*** | ***37.8*** | ***37.3*** | ***39.3*** |
| Expenses ** | -1,576 | -1,574 | -5,774 | -5,513 |
| *- in % of net sales* | *19.4* | *19.3* | *19.4* | *19.2* |
| **Adjusted EBITDA** | **1,431** | **1,507** | **5,357** | **5,736** |
| *- in % of net sales* | *17.6* | *18.5* | *18.0* | *20.0* |
| Depreciation | -115 | -120 | -447 | -449 |
| **Adjusted EBITA** | **1,316** | **1,387** | **4,910** | **5,287** |
| ***- in % of net sales*** | ***16.2*** | ***17.0*** | ***16.5*** | ***18.5*** |
| Amortisation of step up values | -124 | -109 | -487 | -426 |
| Comparison distortion items | -51 | -90 | -51 | -170 |
| Operating income | 1,141 | 1,188 | 4,372 | 4,691 |

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



## Comparison distortion items

The operating income for the fourth quarter has been affected by comparison distortion items of SEK -51 (-90) million. For the full year 2012 the corresponding figure is SEK -51 (-170) million. When applicable these are reported gross in the comprehensive income statement as a part of other operating income and other operating costs.

The comparison distortion cost during the fourth quarter and full year 2012 relates to write down of the goodwill relating to the acquisition of Onnuri with SEK -48 million and a realised loss on sale of a property in Korea that has been used by Onnuri with SEK -3 million.

The comparison distortion costs during the full year 2011 of SEK -170 million was related to structural costs for saving measures of SEK -90 million and non-recurring integration costs of SEK -80 million in connection with the acquisition of Aalborg Industries respectively.

| Consolidated | Comparison distortion items | | | |
|---|---|---|---|---|
| | Fourth quarter | | Full year | |
| SEK millions | 2012 | 2011 | 2012 | 2011 |
| **Operational** | | | | |
| Other operating income | 128 | 136 | 384 | 403 |
| Comparison distortion income | - | - | - | - |
| Total other operating income | 128 | 136 | 384 | 403 |
| | | | | |
| Other operating costs | -264 | -174 | -897 | -706 |
| Comparison distortion costs | -51 | -90 | -51 | -170 |
| Total other operating costs | -315 | -264 | -948 | -876 |

## Consolidated financial net

The financial net has amounted to SEK -126 (-130) million, excluding realised and unrealised exchange rate losses and gains. The main elements of costs were interest on debt to the banking syndicate of SEK -25 (-34) million, interest on the bilateral term loans SEK -83 (-62) million, interest on the private placement of SEK -16 (-17) million and a net of dividends and other interest income and interest costs of SEK -2 (-17) million. The net of realised and unrealised exchange rate differences amounts to SEK 259 (115) million.

## Key figures

| Consolidated | Key figures | |
|---|---|---|
| | December 31 | |
| | 2012 | 2011 |
| Return on capital employed (%) * | 26.1 | 31.3 |
| Return on equity capital (%) * | 21.6 | 22.9 |
| Solidity (%) ** | 43.9 | 43.9 |
| Net debt to EBITDA, times * | 0.80 | 0.59 |
| Debt ratio, times ** | 0.28 | 0.22 |
| Number of employees ** | 16,419 | 16,064 |

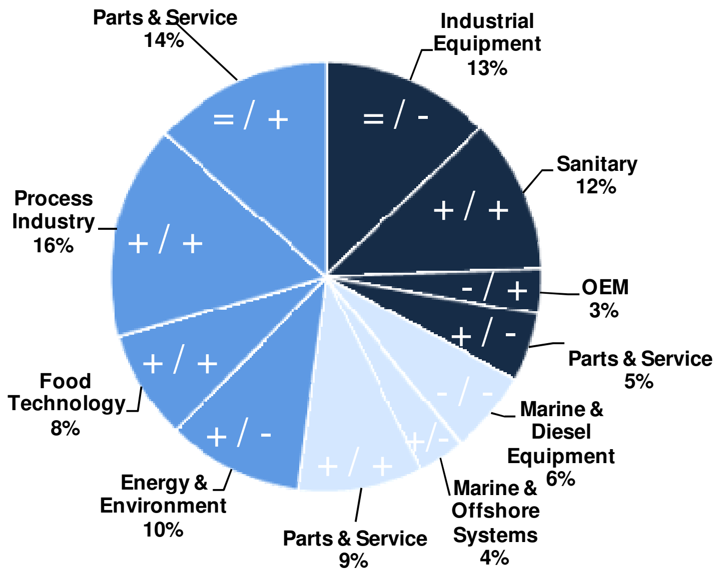
* Calculated on a 12 months' revolving basis. ** At the end of the period.

## Business divisions

Starting at January 1, 2012 a new business division Marine & Diesel has been added to Alfa Laval's two business divisions Equipment and Process Technology. It consists of the absolutely greater part of the acquired Aalborg Industries that is engaged in marine applications and the former business segment Marine & Diesel and the marine part of Parts & Service from the Equipment division. The residual part of Aalborg Industries is included in Process Technology.

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

## Orders received by customer segment Q4 2012

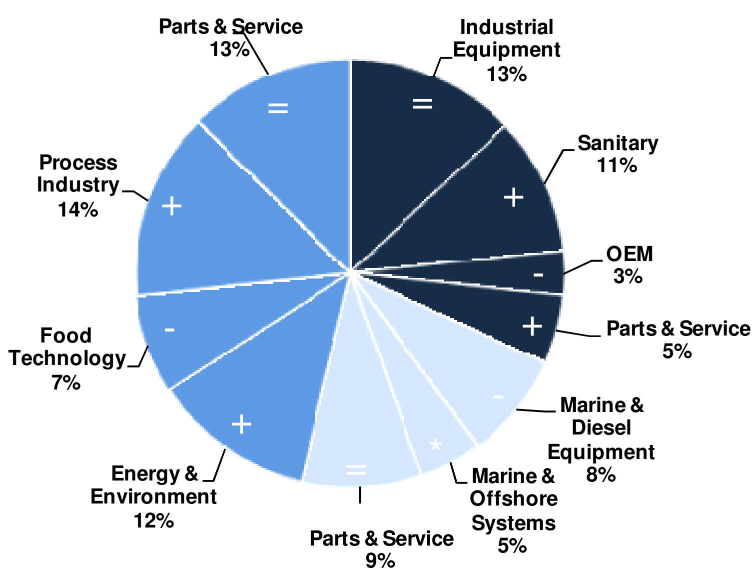


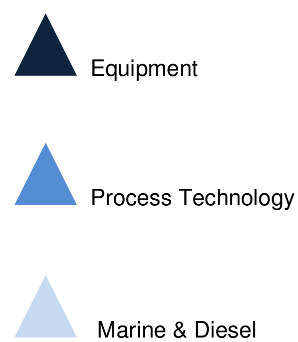

Q4 2012 compared to Q4 2011 / Q4 2012 compared to Q3 2012

+ increase
- decrease
= unchanged (+/- 3 %)

at constant rates adjusted for acquisition of businesses

## Orders received by customer segment YTD 2012




YTD 2012 compared to YTD 2011

* New customer segment, no corresponding period last year exists.

# Equipment division

| Consolidated | Fourth quarter | | Full year | |
|---|---|---|---|---|
| SEK millions | 2012 | 2011 | 2012 | 2011 |
| Orders received | 2,397 | 2,152 | 9,701 | 9,508 |
| Order backlog* | 1,583 | 1,385 | 1,583 | 1,385 |
| Net sales | 2,495 | 2,157 | 9,476 | 9,447 |
| Operating income** | 396 | 204 | 1,389 | 1,278 |
| Depreciation and amortisation | 41 | 39 | 162 | 156 |
| Investments | 16 | 28 | 46 | 67 |
| Assets* | 5,804 | 6,018 | 5,804 | 6,018 |
| Liabilities* | 986 | 1,063 | 986 | 1,063 |
| Number of employees* | 2,813 | 2,799 | 2,813 | 2,799 |

* 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 |
| Q4 2012/2011 | 0.7 | 6.0 | 6.7 | 0.6 | 3.8 | 4.4 |
| Q4/Q3 2012 | 0.4 | -0.9 | -0.5 | 0.4 | 3.3 | 3.7 |
| YTD 2012/2011 | 0.5 | 1.6 | 2.1 | 0.6 | -0.1 | 0.5 |

All comments below are excluding exchange rate fluctuations.

### Order intake

Order intake was stable in the fourth quarter compared to the third as Industrial Equipment declined due to seasonality, while both Sanitary and OEM reported growth. From a geographical perspective Benelux, Japan, the UK and India all did well. There was a decline in the U.S. as the large district heating order, booked in the third quarter, was not repeated. Still, the base business* in the country remained unchanged.

Sanitary saw an increase in the quarter and demand was strong for products targeting all applications, with products for brewery, health care and “other food” doing particularly well. Most major markets grew and most significant were the U.S., Benelux and India. Industrial Equipment declined compared to the third quarter, the main reason being seasonality in HVAC. Another factor was the non-repeat of a large district heating order in the U.S., something which also explained the decline in the U.S. The development for the market unit refrigeration was flat while demand was higher for both fluids & utility and engine. Geographically, Mid Europe, Benelux and the UK all had a positive development and significant growth was also reported from previous low activity levels in India, Japan and the Middle East. OEM came out well above the level seen in the third quarter, mainly through orders from customers producing air conditioning and air dryer products. Growth was reported in Japan, Benelux and China.

Parts & Services declined somewhat compared to the third quarter reflecting a lower demand for parts and services for HVAC applications.

### Operating income

The increase in operating income for Equipment during the fourth quarter 2012 compared to the corresponding period last year is mainly explained by higher sales volume, a positive price/mix variation and lower costs.

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

# Process Technology division

| Consolidated | Fourth quarter | | Full year | |
|---|---|---|---|---|
| SEK millions | 2012 | 2011 | 2012 | 2011 |
| Orders received | 3,476 | 2,898 | 14,081 | 12,738 |
| Order backlog* | 8,358 | 6,889 | 8,358 | 6,889 |
| Net sales | 3,748 | 3,656 | 12,812 | 12,160 |
| Operating income** | 570 | 773 | 2,194 | 2,506 |
| Depreciation and amortisation | 60 | 31 | 230 | 208 |
| Investments | 40 | 61 | 110 | 127 |
| Assets* | 10,608 | 9,500 | 10,608 | 9,500 |
| Liabilities* | 4,304 | 4,167 | 4,304 | 4,167 |
| Number of employees* | 5,085 | 4,531 | 5,085 | 4,531 |

* 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 |
| Q4 2012/2011 | 3.7 | 20.7 | 24.4 | 3.2 | 2.2 | 5.4 |
| Q4/Q3 2012 | 0.2 | 0.1 | 0.3 | -0.2 | 27.5 | 27.3 |
| YTD 2012/2011 | 2.2 | 9.2 | 11.4 | 2.0 | 4.2 | 6.2 |

All comments below are excluding exchange rate fluctuations.

### Order intake

Demand was unchanged in the fourth quarter compared to the previous quarter. Large orders were slightly lower than in the third quarter, although still at a high level, while the base business reported growth. Geographically, North America was stable, Latin America was down somewhat and Asia, in particular India and the Middle East, showed strong growth.

Energy & Environment declined as the level of large contracts booked for the market unit oil & gas was lower. Still, the strong demand seen throughout the year remained and the sector had a continued high activity level. At the same time, the environmental business recorded a strong increase in orders, in particular from the base business. Noteworthy within the power market unit, was the large order to supply a Packinox heat exchanger solution to a concentrated solar power plant in South Africa. Process Industry rose from the third quarter, with a positive development in most areas and the base business developed favourably across all market units. The refinery market unit saw a continued good development, driven by the Middle East and Asia. The market unit petrochemicals on the other hand declined somewhat due to a large non-repeat order in the third quarter, but the underlying sentiment remained positive. Market unit life science developed very well as the favourable development in Asia continued, to a large extent driven by demand from the biotech industry. Food Technology showed strong growth compared to the third quarter, caused by both the base business and an even stronger recovery in large orders, primarily for vegetable oil in Asia. The brewery sector remained stable, and within beverage & viscous food, a continued beneficial development for food solutions, including fruit processing, contributed to growth.

Parts & Service grew in the quarter, with the most significant development seen in the Process Industry applications.

### Operating income

The decrease in operating income for Process Technology during the fourth quarter 2012 compared to the corresponding period last year is mainly explained by a changed mix in capital sales towards delivery of lower margin contract orders, mitigated by a higher sales volume.

# Marine & Diesel division

| Consolidated | Fourth quarter | | Full year | |
|---|---|---|---|---|
| SEK millions | 2012 | 2011 | 2012 | 2011 |
| Orders received | 1,379 | 1,722 | 6,557 | 6,423 |
| Order backlog* | 4,527 | 5,462 | 4,527 | 5,462 |
| Net sales | 1,876 | 2,334 | 7,525 | 7,043 |
| Operating income** | 409 | 523 | 1,458 | 1,718 |
| Depreciation and amortisation | 57 | 74 | 224 | 196 |
| Investments | 11 | 23 | 38 | 44 |
| Assets* | 8,309 | 8,874 | 8,309 | 8,874 |
| Liabilities* | 2,043 | 2,256 | 2,043 | 2,256 |
| Number of employees* | 3,346 | 3,563 | 3,346 | 3,563 |

* 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 |
| Q4 2012/2011 | - | -8.9 | -8.9 | - | -5.5 | -5.5 |
| Q4/Q3 2012 | - | -5.9 | -5.9 | - | 6.3 | 6.3 |
| YTD 2012/2011 | 3.3 | -0.8 | 2.5 | 11.8 | -5.1 | 6.7 |

All comments below are excluding exchange rate fluctuations.

### Order intake

Order intake for the division was down somewhat in the fourth quarter compared with the third, due to lower capital sales to marine as well as diesel power customers.

The Marine & Diesel Equipment segment was below the previous quarter mainly driven by weaker demand for land-based diesel power solutions. Order intake for marine environmental solutions declined as well, as large orders booked in the third quarter were not repeated in the fourth. However, the base business recovered and showed a slight increase from the previous quarter. Marine & Offshore Systems reported lower order intake compared to the third quarter, reflecting the low contracting levels seen at the yards earlier in the year. The first commercial order for exhaust gas cleaning – the Alfa Laval PureSOx - was booked in the quarter at a value of SEK 60 million.

Demand for parts and services showed growth compared to both the previous quarter and the fourth quarter last year, mainly due to a good repair activity.

### Operating income

The decrease in operating income for Marine & Diesel during the fourth quarter 2012 compared to the corresponding period last year is mainly explained by lower sales volume and lower margins on certain capital sales contracts, partly compensated by lower costs for sales and administration.

# Other

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

| Consolidated | | | | |
|---|---|---|---|---|
| | Fourth quarter | | Full year | |
| SEK millions | 2012 | 2011 | 2012 | 2011 |
| Orders received | 0 | 2 | 0 | 2 |
| Order backlog* | 0 | 0 | 0 | 0 |
| Net sales | 0 | 2 | 0 | 2 |
| Operating income** | -169 | -200 | -541 | -568 |
| Depreciation and amortisation | 81 | 85 | 318 | 315 |
| Investments | 110 | 160 | 337 | 317 |
| Assets* | 5,395 | 5,178 | 5,395 | 5,178 |
| Liabilities* | 2,188 | 2,284 | 2,188 | 2,284 |
| Number of employees* | 5,175 | 5,171 | 5,175 | 5,171 |

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

# Reconciliation between divisions and Group total

| Consolidated | | | | |
|---|---|---|---|---|
| | Fourth quarter | | Full year | |
| SEK millions | 2012 | 2011 | 2012 | 2011 |
| **Operating income** | | | | |
| Total for divisions | 1,206 | 1,300 | 4,500 | 4,934 |
| Comparison distortion items | -51 | -90 | -51 | -170 |
| Consolidation adjustments * | -14 | -22 | -77 | -73 |
| Total operating income | 1,141 | 1,188 | 4,372 | 4,691 |
| Financial net | 7 | 193 | 133 | -15 |
| Result after financial items | 1,148 | 1,381 | 4,505 | 4,676 |
| **Assets** ** | | | | |
| Total for divisions | 30,116 | 29,570 | 30,116 | 29,570 |
| Corporate | 4,963 | 4,933 | 4,963 | 4,933 |
| Group total | 35,079 | 34,503 | 35,079 | 34,503 |
| **Liabilities** ** | | | | |
| Total for divisions | 9,521 | 9,770 | 9,521 | 9,770 |
| Corporate | 10,171 | 9,589 | 10,171 | 9,589 |
| Group total | 19,692 | 19,359 | 19,692 | 19,359 |

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

# Information about products and services

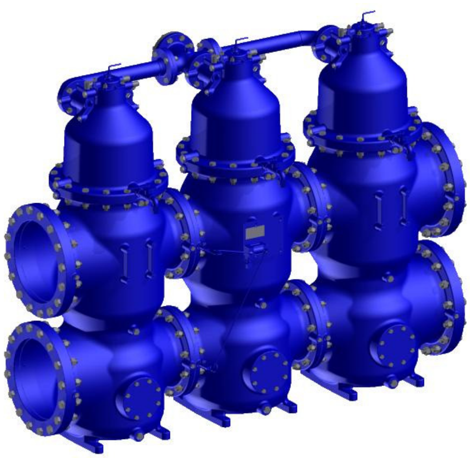
| Consolidated | Net sales by product/service * | | | |
|---|---|---|---|---|
| | Fourth quarter | | Full year | |
| SEK millions | 2012 | 2011 | 2012 | 2011 |
| Own products within: | | | | |
| Separation | 1,900 | 1,790 | 6,646 | 6,345 |
| Heat transfer | 4,215 | 4,295 | 16,010 | 15,480 |
| Fluid handling | 843 | 775 | 3,046 | 3,006 |
| Other | 160 | 231 | 919 | 670 |
| Associated products | 620 | 684 | 1,828 | 1,881 |
| Services | 381 | 374 | 1,364 | 1,270 |
| Total | 8,119 | 8,149 | 29,813 | 28,652 |

* 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 fourth quarter

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

### Large Lube Oil filters



Alfa Laval's range of large marine automatic lube oil filters, Protector X350, has been further expanded with new sizes. The shipbuilding industry sees a continued trend towards even bigger and more sophisticated vessels and the new sizes are especially targeted to protect the main lubrication systems of the main engine, in the largest container vessels (ULCV) and crude oil carriers (ULCC). With capacity exceeding 1 000 $m^3$/h, the new sizes can handle the full lubrication oil flow in one filter, compared to existing solutions on the market, where at least two automatic filters in parallel are needed. In addition to smaller footprint, this offers significant savings in piping, valves and installation work.

### AlfaPilot

AlfaPilot is a fluid navigation system that optimizes the use of renewable energy before any use of fossil energy. Typical applications are apartment buildings, hospitals, schools and hotels, where you want to use green energy optimally. The AlfaPilot's simplicity, robustness, plug-and-play packaging and unique patented control give reduced installation cost, high reliability and high return on the investment.

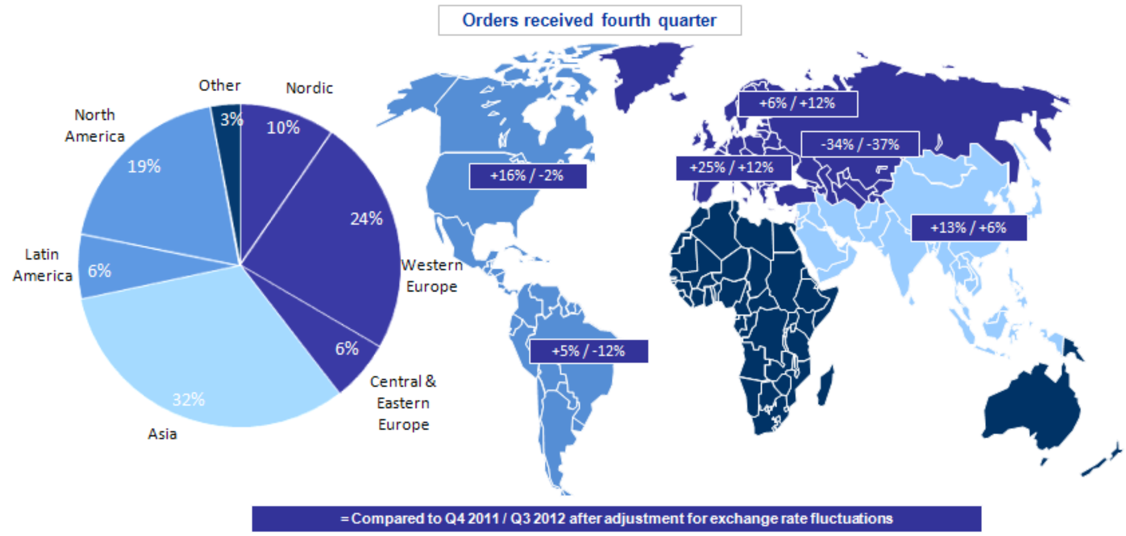
### RM11

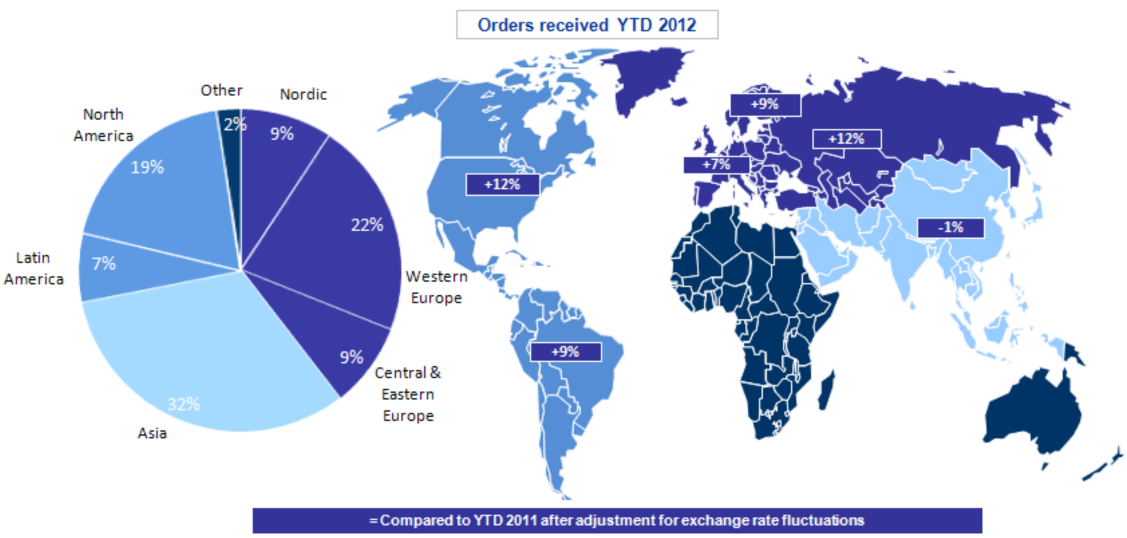
Alfa Laval offers a special AlfaNova heat exchanger, the RM11, for transferring heat between water and hot flue gas. The remarkably compact RM11 captures the exhaust heat from a standard boiler and preheats the tap water before it is delivered for consumption. Extensive real-life testing has shown that this procedure typically saves 30% of tap-water heating energy in a 150 $m^2$ family home. The RM11 heat recuperator is the first of its kind based on plate technology. This makes it more compact and more efficient than other solutions, due to the closer temperature approach and the lower pressure drop on the gas side. The RM11 is made of 100 % stainless steel bonded together with Alfa Laval's unique AlfaFusion technology, making it extremely resistant to the high temperatures and corrosion of flue gases. RM11 allows the boiler to exceed required efficiency levels and comply with new legislation.

### AlfaChill AC72

AlfaChill AC72 is a brazed plate heat exchanger optimized for high efficiency chillers in air conditioning, where low pressure drop, in combination with high evaporation temperature, is required. AC72 works in the range of 5-70 kW, and is a so called minichiller or residential chiller. With its improved refrigerant distribution system, it reaches an efficiency that is in line with regulations giving premiums to customers with high efficiency units.

## Information by region




All comments are after adjustment for exchange rate fluctuations.

### Western Europe including Nordic

Order intake increased in the fourth quarter compared to the third quarter, as both the base business* and large projects developed favourably. Sanitary, Food Technology, Energy & Environment and Process Industry all reported increases, as did Parts & Service, which saw a good development across the region. From a geographical view, most areas reported growth, Benelux being the only one declining.

### Central and Eastern Europe

Central and Eastern Europe had a weak fourth quarter compared to the third quarter, mainly due to fewer large orders. The base business, however, increased compared to the previous quarter. Looking at geographies, Russia declined, explained by the drop in large orders. The base business in the country was still unchanged as the general activity trend in the country was continued beneficial.

### North America

Order intake was virtually unchanged in the region in the fourth quarter compared to the previous quarter, with an increase in the U.S., while Canada declined due to fewer large projects being booked. The base business continued to grow. Growth was recorded in the Sanitary and Food Technology segments and Parts & Service also continued to develop favourably.

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

## Latin America

Order volumes dropped in the fourth quarter compared to the previous quarter as fewer large orders were booked in the Process Technology division. The base business still developed well, with strong growth reported both in the Marine & Diesel and the Process Technology divisions. Brazil was affected by non-repeats, while the base business' development was good. Mexico, Chile and Peru all developed well in the quarter.

## Asia

Order intake showed an increase in the fourth quarter compared to the previous quarter, with Process Industry, Food Technology and OEM performing the best. The market units refinery, life science, vegetable oil and oil & gas were the end markets doing particularly well. Marine & Diesel Equipment also showed growth, but from a low level. From a geographical perspective, the sentiment among customers in China was in a wait-and-see mode, due to the general political and macro economic development in the country, which was reflected by a lower level of investments. India, however, delivered a good quarter, through a large order for a new insulin plant in Malaysia, but also by the Equipment division's nationwide development of distributors, which started to take effect. South East Asia also developed well, especially in Thailand, Indonesia and Malaysia, where the two latter saw good demand within vegetable oil applications among others. The Middle East reported substantial growth during the quarter. The development was partly explained by a good development for the base business, but also by a large order from a petrochemical plant in Saudi Arabia.

| Consolidated | Net sales | | | |
|---|---|---|---|---|
| | Fourth quarter | | Full year | |
| SEK millions | 2012 | 2011 | 2012 | 2011 |
| To customers in: | | | | |
| Sweden | 238 | 255 | 856 | 942 |
| Other EU | 2,283 | 2,278 | 7,911 | 7,634 |
| Other Europe | 696 | 673 | 2,521 | 2,313 |
| USA | 1,152 | 1,028 | 4,626 | 3,832 |
| Other North America | 230 | 182 | 921 | 788 |
| Latin America | 498 | 532 | 1,950 | 1,981 |
| Africa | 120 | 64 | 330 | 216 |
| China | 849 | 1,004 | 3,298 | 3,772 |
| Other Asia | 1,914 | 2,027 | 6,969 | 6,774 |
| Oceania | 139 | 106 | 431 | 400 |
| Total | 8,119 | 8,149 | 29,813 | 28,652 |

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 | |
|---|---|---|
| | December 31 | |
| SEK millions | 2012 | 2011 |
| Sweden | 1,504 | 1,553 |
| Denmark | 4,385 | 4,672 |
| Other EU | 4,057 | 4,361 |
| Other Europe | 312 | 329 |
| USA | 3,631 | 2,251 |
| Other North America | 120 | 121 |
| Latin America | 429 | 500 |
| Africa | 1 | 1 |
| Asia | 2,890 | 3,096 |
| Oceania | 93 | 97 |
| Subtotal | 17,422 | 16,981 |
| Other long-term securities | 9 | 25 |
| Pension assets | 383 | 346 |
| Deferred tax asset | 1,208 | 1,293 |
| Total | 19,022 | 18,645 |

## 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 about 3 percent of net sales.

# Cash flows

## CONSOLIDATED CASH FLOWS

| | Fourth quarter | | Full year | |
|---|---|---|---|---|
| SEK millions | 2012 | 2011 | 2012 | 2011 |
| **Operating activities** | | | | |
| Operating income | 1,141 | 1,188 | 4,372 | 4,691 |
| Adjustment for depreciation | 239 | 229 | 934 | 875 |
| Adjustment for other non-cash items | 67 | 119 | 265 | 167 |
| | 1,447 | 1,536 | 5,571 | 5,733 |
| Taxes paid | -307 | -415 | -1,569 | -1,446 |
| | 1,140 | 1,121 | 4,002 | 4,287 |
| Changes in working capital: | | | | |
| Increase(-)/decrease(+) of receivables | -47 | -111 | -158 | -157 |
| Increase(-)/decrease(+) of inventories | 358 | 89 | -214 | -1,172 |
| Increase(+)/decrease(-) of liabilities | -546 | 382 | -25 | 611 |
| Increase(+)/decrease(-) of provisions | 12 | -190 | -19 | -140 |
| **Increase(-)/decrease(+) in working capital** | **-223** | **170** | **-416** | **-858** |
| | 917 | 1,291 | 3,586 | 3,429 |
| **Investing activities** | | | | |
| Investments in fixed assets (Capex) | -177 | -272 | -531 | -555 |
| Divestment of fixed assets | 49 | 13 | 49 | 14 |
| Acquisition of businesses | -1,158 | -2 | -2,778 | -4,956 |
| | -1,286 | -261 | -3,260 | -5,497 |
| **Financing activities** | | | | |
| Received interests and dividends | 21 | 34 | 97 | 91 |
| Paid interests | -67 | -123 | -252 | -271 |
| Realised financial exchange differences | 18 | 53 | 104 | 285 |
| Dividends to owners of the parent | - | - | -1,363 | -1,258 |
| Dividends to non-controlling interests | 1 | - | -7 | -10 |
| Increase(-)/decrease(+) of financial assets | -155 | -236 | 5 | -17 |
| Increase(+)/decrease(-) of borrowings | 227 | -915 | 1,009 | 3,497 |
| | 45 | -1,187 | -407 | 2,317 |
| **Cash flow for the period** | -324 | -157 | -81 | 249 |
| Cash and bank at the beginning of the period | 1,724 | 1,722 | 1,564 | 1,328 |
| Translation difference in cash and bank | 4 | -1 | -79 | -13 |
| **Cash and bank at the end of the period** | 1,404 | 1,564 | 1,404 | 1,564 |
| Free cash flow per share (SEK) * | -0.88 | 2.46 | 0.78 | -4.93 |
| Capex in relation to sales | 2.2% | 3.3% | 1.8% | 1.9% |
| 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 full year 2012 cash flows from operating and investing activities amounted to SEK 326 (-2,068) million. Depreciation, excluding allocated step-up values, was SEK 447 (449) million during the full year 2012.

# Financial position and equity

## CONSOLIDATED FINANCIAL POSITION

| | December 31 | |
|---|---|---|
| SEK millions | 2012 | 2011 |
| **ASSETS** | | |
| **Non-current assets** | | |
| Intangible assets | 13,599 | 13,045 |
| Property, plant and equipment | 3,823 | 3,936 |
| Other non-current assets | 1,600 | 1,664 |
| | 19,022 | 18,645 |
| **Current assets** | | |
| Inventories | 6,176 | 6,148 |
| Assets held for sale | 9 | - |
| Accounts receivable | 5,211 | 5,080 |
| Other receivables | 2,505 | 2,280 |
| Derivative assets | 325 | 303 |
| Other current deposits | 427 | 483 |
| Cash and bank * | 1,404 | 1,564 |
| | 16,057 | 15,858 |
| **TOTAL ASSETS** | 35,079 | 34,503 |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | |
| **Equity** | | |
| Owners of the parent | 15,326 | 14,982 |
| Non-controlling interests | 61 | 162 |
| | 15,387 | 15,144 |
| **Non-current liabilities** | | |
| Liabilities to credit institutions | 2,051 | 1,353 |
| Swedish Export Credit | 1,723 | 1,787 |
| European Investment Bank | 1,120 | 1,162 |
| Private placement | 714 | 758 |
| Provisions for pensions and similar commitments | 829 | 852 |
| Provision for deferred tax | 1,939 | 1,930 |
| Other provisions | 473 | 520 |
| | 8,849 | 8,362 |
| **Current liabilities** | | |
| Liabilities to credit institutions | 395 | 132 |
| Accounts payable | 2,333 | 2,668 |
| Advances from customers | 2,121 | 2,020 |
| Other provisions | 1,603 | 1,612 |
| Other liabilities | 4,204 | 4,137 |
| Derivative liabilities | 187 | 428 |
| | 10,843 | 10,997 |
| Total liabilities | 19,692 | 19,359 |
| **TOTAL SHAREHOLDERS' EQUITY & LIABILITIES** | 35,079 | 34,503 |

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

Cash, bank and current deposits include bank and other deposits in the previously publicly listed subsidiary Alfa Laval (India) Ltd of SEK 174 (139) million. The company is not a wholly-owned subsidiary of the Alfa Laval Group. It is owned to 97.5 (88.8) percent.

## Borrowings and net debt

| Consolidated<br>SEK millions | December 31<br>2012 | 2011 |
|---|---|---|
| Credit institutions | 2,446 | 1,485 |
| Swedish Export Credit | 1,723 | 1,787 |
| European Investment Bank | 1,120 | 1,162 |
| Private placement | 714 | 758 |
| Capitalised financial leases | 97 | 118 |
| Interest-bearing pension liabilities | 1 | 1 |
| Total debt | 6,101 | 5,311 |
| Cash, bank and current deposits | -1,831 | -2,047 |
| Net debt | 4,270 | 3,264 |

Alfa Laval has a senior credit facility of EUR 301 million and USD 420 million, corresponding to SEK 5,324 million with a banking syndicate. At December 31, 2012 SEK 1,784 million of the facility was utilised. The facility matures in April 2016, with a one-year extension option. Alfa Laval also has a bilateral term loan with SHB of EUR 25 million, corresponding to SEK 215 million that matures in 2013.

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

## CHANGES IN CONSOLIDATED EQUITY

| SEK millions | Full year<br>2012 | 2011 |
|---|---|---|
| **At the beginning of the period** | 15,144 | 13,582 |
| ***Changes attributable to:*** | | |
| ***Owners of the parent*** | | |
| **Comprehensive income** | | |
| Comprehensive income for the period | 2,454 | 2,812 |
| **Transactions with shareholders** | | |
| Cancellation of repurchased shares | - | -7 |
| Bonus issue of shares | - | 7 |
| Increase of ownership in subsidiaries with non-controlling interests | -747 | 1 |
| Dividends | -1,363 | -1,258 |
| | -2,110 | -1,257 |
| ***Subtotal*** | 344 | 1,555 |
| ***Non-controlling interests*** | | |
| **Comprehensive income** | | |
| Comprehensive income for the period | 13 | 18 |
| **Transactions with shareholders** | | |
| Decrease of non-controlling interests | -107 | -1 |
| Non-controlling interests in acquired companies | - | 0 |
| Dividends | -7 | -10 |
| | -114 | -11 |
| ***Subtotal*** | -101 | 7 |
| **At the end of the period** | 15,387 | 15,144 |

# Acquisition of businesses

Alfa Laval has acquired the US-based company Air Cooled Exchangers, LLC (ACE), a leading manufacturer of custom-engineered air-cooled heat exchangers, used to cool air, natural gas, oil and water in the natural gas market as well as other energy-related end markets. Lars Renström, President and CEO of the Alfa Laval Group, comments: “The acquisition of ACE brings a new product range into our heat transfer offering, at a time when demand for air-cooled heat exchangers is accelerating – especially in the natural gas industry. Together, Alfa Laval’s overall position is further strengthened and we are even better positioned to serve the energy-related industries.” ACE is expected to generate sales of approximately SEK 350 million in 2012, with profitability well above the average for the Alfa Laval Group. The intention is to integrate Air Cooled Exchangers, LLC into Alfa Laval’s Energy & Environment segment, within the Process Technology division. The company was acquired on December 31 2012. The company is located in Broken Arrow, Oklahoma, the U.S. and has 230 employees.

On November 27, 2012 Alfa Laval acquired the remaining 10 percent of the shares in the subsidiary LHE Co Ltd in South Korea from the minority shareholder.

Alfa Laval has acquired Gamajet Cleaning Systems, Inc., a leading provider of tank cleaning machines as well as self-contained and portable cleaning systems for the industrial and sanitary markets in North America. Gamajet, which had sales of approximately SEK 75 million in 2011 and some 30 employees, is headquartered in Exton, Pennsylvania. Lars Renström, President and CEO of the Alfa Laval Group, comments on the acquisition: “We have built the leading position within tank cleaning equipment over the past 10 years. Gamajet fits very well with our ambitions and it expands our product portfolio. It will especially extend our offer to the industrial market and also strengthen our position in North America.” Gamajet Cleaning Systems will be integrated into Alfa Laval. The company is consolidated from August 23, 2012.

Alfa Laval has acquired Ashbrook Simon-Hartley, a leading provider of belt filter presses, which is a complement and alternative to Alfa Laval’s decanter range in the dewatering of municipal and industrial wastewater. Ashbrook Simon-Hartley is headquartered in Houston, Texas, USA, with offices in the UK, Chile and Brazil, and has an installed base in many countries around the world. Lars Renström, President and CEO of the Alfa Laval Group, comments on the acquisition: “I’m very pleased that we have been able to acquire Ashbrook Simon-Hartley. With this acquisition we are adding a complementary and expanded range of products and solutions further strengthening our offer for municipal and industrial wastewater treatment applications.” Ashbrook Simon-Hartley was founded more than 100 years ago, had sales of approximately SEK 500 million in 2011 and has about 250 employees. The intention is to integrate Ashbrook Simon-Hartley into Alfa Laval. The company is consolidated into Alfa Laval from August 1, 2012.

Alfa Laval has acquired the US based company Vortex Systems, a leading manufacturer of innovative mixing and blending solutions for the oil and gas industry. Lars Renström, President and CEO of the Alfa Laval Group, comments on the acquisition: “The acquisition of Vortex Systems will further strengthen our offering to the interesting oil and gas industry, both for onshore and offshore applications.” Vortex Systems had sales of approximately SEK 100 million in 2011 and about 20 employees at its location in Houston, Texas, the US. The intention is to integrate Vortex Systems into Alfa Laval. The company is consolidated into Alfa Laval from June 30, 2012.

In a press release on September 19, 2011 Alfa Laval communicated its proposal to buy all outstanding shares in its subsidiary Alfa Laval (India) Ltd and seek delisting of the shares from Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The proposal came on the back of regulatory changes in India which requires Alfa Laval (India) Ltd to have a minimum public float of 25 percent or seek delisting. At the time, Alfa Laval held 88.8 percent of the share capital of Alfa Laval (India), meaning the public float was 11.2 percent. The objective is to achieve full ownership of the subsidiary, which will provide Alfa Laval with increased operational flexibility to support the business and meet the customers’ needs. In a reverse book building process that was finalised on February 23, 2012 minority shareholders together holding more than the necessary 50 percent of the public float were willing to sell to Alfa Laval at a price of INR 4,000 per share. The Board of Directors of Alfa Laval AB therefore decided to proceed with the delisting process. Through the acquisition of the 1.03 million shares Alfa Laval has achieved an ownership of 94.5 percent, which enabled Alfa Laval (India) Ltd to apply for delisting from both stock exchanges. The applications have been approved and Alfa Laval (India) Ltd was delisted on April 12, 2012. The cost for the acquisition of the shares has been SEK 553 million. As a part of the process the remaining minority owners can sell their shares to Alfa Laval for INR 4,000 during the next 12 months. During the first eight months until December 31, 2012 minority owners with an additional 0.55 million shares have sold their shares to Alfa Laval for SEK 278 million, which has increased Alfa Laval's ownership to 97.5 percent. If all shareholders in the end sell their shares to Alfa Laval at this exit price the acquisition will incur a consideration of approximately SEK 1,065 million.

If Alfa Laval had not succeeded in achieving an ownership of 94.4 percent the company would have been required to increase the public float to 25 percent latest in June 2013.

The acquisitions during the full year 2012 can be summarized as follows:

| Consolidated | Acquisitions 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Minority in subsidiaries | | | Others | | | Total |
| SEK millions | Book value | Adjustment to fair value | Fair value | Book value | Adjustment to fair value | Fair value | Fair value |
| Property, plant and equipment | - | - | - | 96 | - | 96 | 96 |
| Patents and unpatented know-how (1) | - | - | - | - | 866 | 866 | 866 |
| Inventory | - | - | - | 89 | - | 89 | 89 |
| Accounts receivable and other receivables | - | - | - | 220 | - | 220 | 220 |
| Liquid assets | - | - | - | 11 | - | 11 | 11 |
| Accounts payable and other liabilities | - | - | - | -134 | - | -134 | -134 |
| Deferred tax | - | - | - | - | -61 | -61 | -61 |
| Acquired net assets | - | - | - | 282 | 805 | 1,087 | 1,087 |
| Goodwill (2) | | | - | | | 725 | 725 |
| Equity attributable to owners of parent | | | -747 | | | - | -747 |
| Currency translation | | | -80 | | | - | -80 |
| Equity attributable to non-controlling interests | | | -107 | | | - | -107 |
| Purchase price | | | -934 | | | -1,812 | -2,746 |
| Costs directly linked to the acquisitions (3) | | | -8 | | | -9 | -17 |
| Retained part of purchase price (4) | | | - | | | 90 | 90 |
| Liquid assets in the acquired businesses | | | - | | | 11 | 11 |
| Payment of amounts retained in prior years | | | - | | | -115 | -115 |
| Effect on the Group's liquid assets | | | -942 | | | -1,836 | -2,778 |

1. The step up values for patents and unpatented know-how are amortised over 10 years.
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 value of the goodwill is still preliminary.
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.

# Parent company

The parent company's result after financial items was SEK 697 (2,187) million, out of which dividends from subsidiaries were SEK - (1,679) million, group contributions SEK 596 (405) million, net interests SEK 115 (113) million, realised and unrealised exchange rate gains and losses SEK -1 (-0) million, costs related to the listing SEK -3 (-3) million, fees to the Board SEK -6 (-5) million, cost for annual report and annual general meeting SEK -4 (-3) million and other operating income and operating costs the remaining SEK -0 (1) million.

## PARENT COMPANY INCOME *

| | Fourth quarter | | Full year | |
|---|---|---|---|---|
| SEK millions | 2012 | 2011 | 2012 | 2011 |
| Administration costs | -4 | -4 | -13 | -11 |
| Other operating income | -7 | -5 | 3 | 6 |
| Other operating costs | -1 | -3 | -3 | -5 |
| Operating income | -12 | -12 | -13 | -10 |
| Revenues from interests in group companies | 596 | 2,084 | 596 | 2,084 |
| Interest income and similar result items | 24 | 37 | 118 | 115 |
| Interest expenses and similar result items | 0 | -1 | -4 | -2 |
| Result after financial items | 608 | 2,108 | 697 | 2,187 |
| Change of tax allocation reserve | 283 | -115 | 283 | -115 |
| Tax on this year's result | 22 | -89 | -1 | -110 |
| Tax on paid Group contribution | -262 | - | -262 | - |
| Net income for the period | 651 | 1,904 | 717 | 1,962 |

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

## PARENT COMPANY FINANCIAL POSITION

| | December 31 | |
|---|---|---|
| SEK millions | 2012 | 2011 |
| **ASSETS** | | |
| **Non-current assets** | | |
| Shares in group companies | 4,669 | 4,669 |
| | | |
| **Current assets** | | |
| Receivables on group companies | 8,035 | 9,287 |
| Other receivables | 253 | 42 |
| Cash and bank | - | - |
| | 8,288 | 9,329 |
| | | |
| **TOTAL ASSETS** | 12,957 | 13,998 |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | |
| **Equity** | | |
| Restricted equity | 2,387 | 2,387 |
| Unrestricted equity | 8,285 | 9,668 |
| | 10,672 | 12,055 |
| | | |
| **Untaxed reserves** | | |
| Tax allocation reserves, taxation 2007-2013 | 1,266 | 1,549 |
| | | |
| **Current liabilities** | | |
| Liabilities to group companies | 1,018 | 393 |
| Accounts payable | 1 | 0 |
| Tax liabilities | - | 1 |
| Other liabilities | - | 0 |
| | 1,019 | 394 |
| | | |
| **TOTAL EQUITY AND LIABILITIES** | 12,957 | 13,998 |

# Owners and shares

## Owners and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 34,629 (36,567) shareholders on December 31, 2012. 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 6.7 to 0.7 percent. These ten largest shareholders own 51.4 (53.5) percent of the shares.

## Proposed disposition of earnings

The parent company has unrestricted funds of SEK 8,285 (9,668) million.

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

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 2012 gave the Board a mandate to decide on repurchase of the company's shares – if the Board deems this appropriate – until the next Annual General Meeting. The mandate referred to repurchase of up to 5 percent of the issued shares with the purpose to cancel the repurchased shares and reduce the share capital. The repurchase would be made through purchases on OMX Nordic Exchange Stockholm. Until December 31, 2012 Alfa Laval has not made any repurchases.

## Proposal on repurchase of shares

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

# Risks and other

## 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 2011 is still correct. For additional information reference is also made to the coming Annual report for 2012.

## Asbestos-related lawsuits

The Alfa Laval Group was as of December 31, 2012, named as a co-defendant in a total of 716 asbestos-related lawsuits with a total of approximately 802 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 fourth quarter 2012 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.

"Fourth quarter" refers to the period October 1 to December 31 and "Full year" refers to the period January 1 to December 31. "The corresponding period last year" refers to the fourth quarter 2011 or the full year 2011 depending on the context. "Previous quarter" refers to the third quarter 2012.

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

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

## Date for the next financial reports

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

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|---|---|
| Interim report for the first quarter | April 23 |
| Interim report for the second quarter | July 18 |
| Interim report for the third quarter | October 29 |

The interim report has been issued on February 5, 2013 at CET 7.30 by the President and Chief Executive Officer Lars Renström by proxy from the Board of Directors.

Lund, February 5, 2013,

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

# Review report

## Introduction

We have performed a review of the condensed interim financial statements (fourth quarter and full year report) for Alfa Laval AB (publ) at December 31, 2012 and the twelve months' period then ended. The Board of Directors and the President are responsible for the preparation and presentation of this fourth quarter and full year report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this fourth quarter and full year report based on our review.

## Scope of review

We conducted our review in accordance with the Standard on Review Engagements SÖG 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 fourth quarter and full year report, 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 5, 2013,

| | |
|---|---|
| Staffan Landén | Håkan Olsson Reising |
| Authorised Public Accountant | Authorised Public Accountant |

# Alfa Laval in brief

## Food, energy and environment

Alfa Laval has developed products since the 1880s, with the vision of creating better everyday conditions for people. Alfa Laval's products are particularly topical in today's world, where increasing focus is being placed on identifying ways to save energy and protect the environment. This involves treating water, reducing carbon emissions and minimizing water and energy consumption, as well as heating, cooling, separating and transporting food – areas that impact us all in various ways.

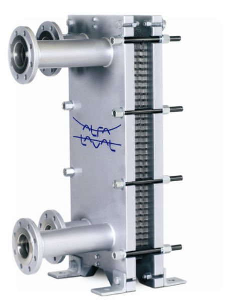
## Three key technologies to fulfil basic needs

Alfa Laval is a leading global supplier of products and solutions for heat transfer, separation and fluid handling. The company's key products – heat exchangers, boilers, separators, pumps and valves – play a vital role in areas that are crucial for society, such as energy, the environment and food. Alfa Laval's products are used in the manufacturing of food, chemicals, pharmaceuticals, starch, sugar and ethanol. They are also used in nuclear power, onboard vessels and in the engineering sector, mining industry and refinery sector, as well as for treating wastewater and creating a comfortable indoor climate. They also reduce the consumption of energy and water and minimize carbon emissions.

## Factors for future growth

There are some clearly positive trends in the world: average life expectancy is constantly increasing, reaching nearly 70 years and global poverty is continuously decreasing. However, everything is related and on the minus side are the negative effects on the environment. Emissions generated by industry, international trade and growing urbanization are thus being met by increasing numbers of regulatory systems and laws in the field of energy and the environment. For Alfa Laval, all of these are factors for future growth. The company's products and expertise contribute to improving conditions for people in their everyday lives. This involves treating water, reducing carbon emissions, reducing water and energy consumption, and heating, cooling, separating and transporting food. Alfa Laval's factors for future growth have thus been established in four defined areas: Energy, Food, Globalization (International Trade) and the Environment. They are areas crucial to human development in which we already make or can make an even more positive impact.

1. Growing demand for energy requires efficient solutions.
2. Higher standards of living boost demand for processed food.
3. More international trade drives demand for transportation.
4. Intensified focus on the environment generates opportunities for Alfa Laval.



1. Heat transfer

2. Separation

3. Fluid handling