



## Summary

SEK millions	First three months			
	2014	2013 *	%	% **
Order intake	7,474	7,130	5	5
Net sales	6,597	6,505	1	2
Adjusted EBITA	1,062	1,067	0	
- adjusted EBITA margin (%)	16.1	16.4		
Result after financial items	794	927	-14	
Net income for the period	564	703	-20	
Earnings per share (SEK)	1.34	1.67	-20	
Cash flow ***	592	971	-39	
Impact on EBITA of:				
- foreign exchange effects	-10	-32		
Impact on result after financial items of:				
- comparison distortion items	-60	-		

\* Restated to IFRS 11. \*\* Excluding currency effects. \*\*\* From operating activities.

## Comment from Lars Renström, President and CEO

"The order intake was SEK 7.5 billion in the first quarter. Fewer large orders is the main explanation to the sequential downturn. Compared to the corresponding quarter last year order intake increased with 5 percent.

Within Process Technology the base business was stable, whereas the number of large orders decreased from the extraordinary levels of the fourth quarter. At the same time the order intake for Marine & Diesel increased from the high level that was established in the fourth quarter, boosted by the high contracting at the ship yards last year. The environmental solution Alfa Laval PureSOx continued to developed well and several orders were booked from both existing and new customers. The marine service business gathered speed, lifted by an increased demand for spare parts as well as a higher repair activity. Equipment's order intake decreased somewhat

partly due to the cold winter in the U.S. but also due to the prevailing uncertainty in Russia.

In Central and Eastern Europe both Russia and Turkey were marked by political uncertainty, while the other markets in the region were stable. In Asia the order intake increased somewhat as growth within the base business compensated for fewer large orders. In Western Europe the order intake was slightly higher, whereas fewer large orders affected North America, which however had an unchanged base business.

On April 7 we signed an agreement to acquire the Norwegian company Frank Mohn AS – a leading manufacturer of pumping systems for marine and offshore. We expect the transaction to be closed during May, after approval from regulatory authorities."

## Dividend

The Board of Directors propose a dividend of

SEK 3.75 (3.50) per share.

## Outlook for the second quarter

"We expect that demand during the second quarter 2014 will be on about the same level as in the first quarter."

*Earlier published outlook (February 5, 2014): "We expect that demand during the first quarter 2014 will be in line with or 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 2014 Alfa Laval received large orders<sup>1)</sup> for SEK 280 (445) million:

- An order from the Korean company Daewoo Shipbuilding & Marine Engineering (DSME) for a freshwater generator module to an offshore oil platform in the North Sea. The order, booked in the Energy & Environment segment, has a value of approximately SEK 110 million. Delivery is scheduled for 2014.
- An order to supply Alfa Laval Packinox heat exchangers to an integrated refinery-petrochemical complex in the Middle East. The order, booked in the Process Industry segment, is worth approximately SEK 65 million and delivery is scheduled for 2014 and 2015.
- An order to supply equipment for a complete process line to a vegetable oil refining plant in Brazil. The order, booked in the Food

Technology segment has a value of approximately SEK 50 million and delivery is scheduled for 2014 and 2015.

- An order to supply Alfa Laval Packinox heat exchangers to a refinery and petrochemical plant in Vietnam. The order is booked in the Process Industry segment and has a value of approximately SEK 55 million. Delivery is scheduled for 2015.

In addition it can be noted that Alfa Laval:

- has signed an agreement to acquire Frank Mohn AS, a leading manufacturer of submerged pumping systems to the marine and offshore markets for a total cash consideration of NOK 13 billion. The closing of the transaction is subject to approval from regulatory authorities.

## Order intake

Orders received amounted to SEK 7,474 (7,130) million for the first quarter. 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 intake 2013 SEK millions	Order bridge Change			Order intake 2014 SEK millions			
	Excluding currency effects		After currency effects				
	Structural change <sup>2)</sup> (%)	Organic development <sup>3)</sup> (%)	Total (%)				
First quarter	7,130	1.2	3.8	5.0	-0.2	4.8	7,474

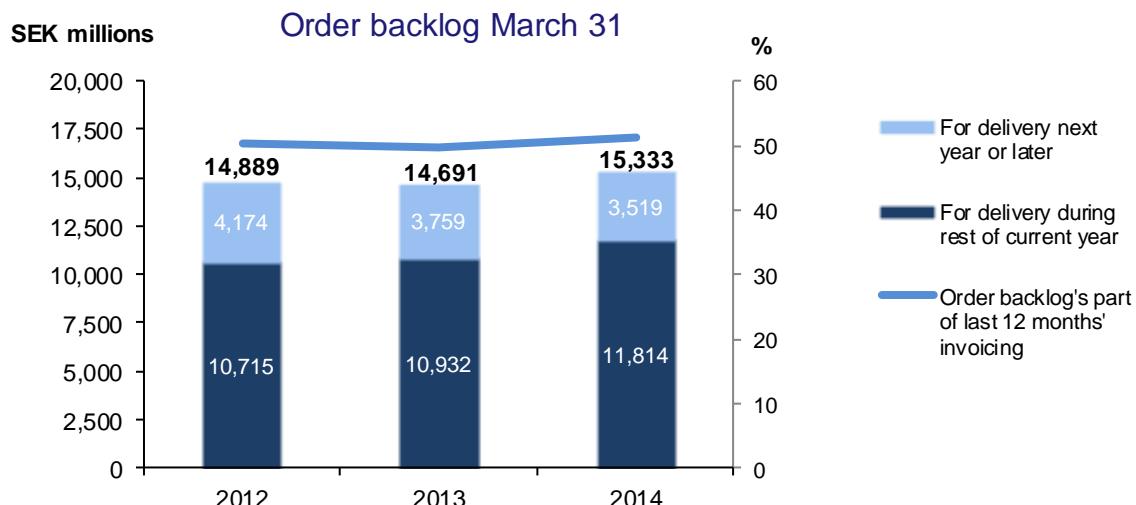
Compared to the previous quarter the Group's order intake excluding currency effects was 8.1 percent lower, which entirely was due to an organic decrease mainly explained by fewer large orders.

Orders received from Service (formerly Parts & Service) constituted 28.0 (28.9) percent of the

Group's total orders received during the first quarter.

Excluding currency effects, the order intake for Service increased by 2.9 percent during the first quarter 2014 compared to the corresponding quarter last year and increased with 3.8 percent compared to the previous quarter.

## Order backlog



Excluding currency effects and adjusted for acquisition of businesses the order backlog was 4.6 percent larger than the order backlog at

March 31, 2013 and 5.9 percent larger than the order backlog at the end of 2013.

2. Acquired businesses are: Niagara Blower Company at May 29, 2013.  
3. Change excluding acquisition of businesses.

## Net sales

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Net invoicing was SEK 6,597 (6,505) million for the first quarter. The change compared with the

corresponding periods last year can be split into:

Consolidated	Sales bridge						Net sales 2014 SEK millions	
	Excluding currency effects			After currency effects				
	Structural change	Organic development	Total	Currency effects	Total	(%)		
Net sales 2013 SEK millions	(%)	(%)	(%)	(%)	(%)	(%)		
First quarter	6,505	0.5	1.1	1.6	-0.2	1.4	6,597	

Compared to the previous quarter the Group's net invoicing excluding currency effects was 23.1 percent lower, which entirely was due to an organic decrease due to seasonality.

Net invoicing relating to Service (formerly Parts & Service) constituted 29.2 (28.1) percent of the Group's total net invoicing in the first quarter.

Excluding currency effects, the net invoicing for Service increased by 6.3 percent during the first quarter 2014 compared to the corresponding quarter last year and decreased with 12.6 percent compared to the previous quarter.

## Income

CONSOLIDATED COMPREHENSIVE INCOME				
SEK millions	First three months		Full year	Last 12 months
	2014	2013 *	2013 *	
Net sales	6,597	6,505	29,801	29,893
Cost of goods sold	-4,142	-4,153	-19,267	-19,256
Gross profit	2,455	2,352	10,534	10,637
Sales costs	-937	-879	-3,478	-3,536
Administration costs	-336	-306	-1,582	-1,612
Research and development costs	-188	-165	-702	-725
Other operating income **	100	108	476	468
Other operating costs **	-238	-179	-895	-954
Operating income	856	931	4,353	4,278
Dividends and changes in fair value	2	1	8	9
Interest income and financial exchange rate gains	86	122	358	322
Interest expense and financial exchange rate losses	-150	-127	-547	-570
Result after financial items	794	927	4,172	4,039
Taxes	-230	-224	-1,132	-1,138
<b>Net income for the period</b>	<b>564</b>	<b>703</b>	<b>3,040</b>	<b>2,901</b>
Other comprehensive income:				
Items that will subsequently be reclassified to net income				
Cash flow hedges	81	-31	13	125
Translation difference	109	-183	39	331
Deferred tax on other comprehensive income	-42	-9	-14	-47
Sum	148	-223	38	409
Items that will subsequently not be reclassified to net income				
Revaluations of defined benefit obligations	0	0	234	234
Deferred tax on other comprehensive income	0	0	-81	-81
Sum	0	0	153	153
<b>Comprehensive income for the period</b>	<b>712</b>	<b>480</b>	<b>3,231</b>	<b>3,463</b>
<b>Net income attributable to:</b>				
Owners of the parent	562	701	3,027	2,888
Non-controlling interests	2	2	13	13
Earnings per share (SEK)	1.34	1.67	7.22	6.89
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	708	470	3,212	3,450
Non-controlling interests	4	10	19	13

\* Restated to IFRS 11, see page 22.

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

The gross profit has compared to the first quarter 2013 been positively affected by mainly changes in mix and sales volume. Compared to the previous quarter the most prominent effect was a positive impact from changes in mix.

Sales and administration expenses amounted to SEK 1,273 (1,185) million during the first quarter 2014. Excluding currency effects and acquisition of businesses, sales and administration expenses

were 5.6 percent higher than the corresponding period last year. The increase partly comes from a build-up of resources for organic growth, primarily in developing economies.

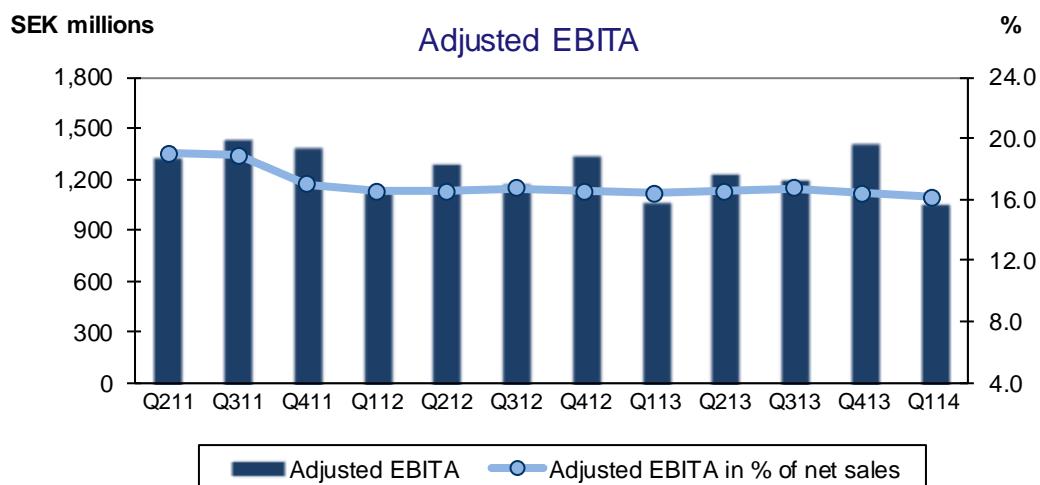
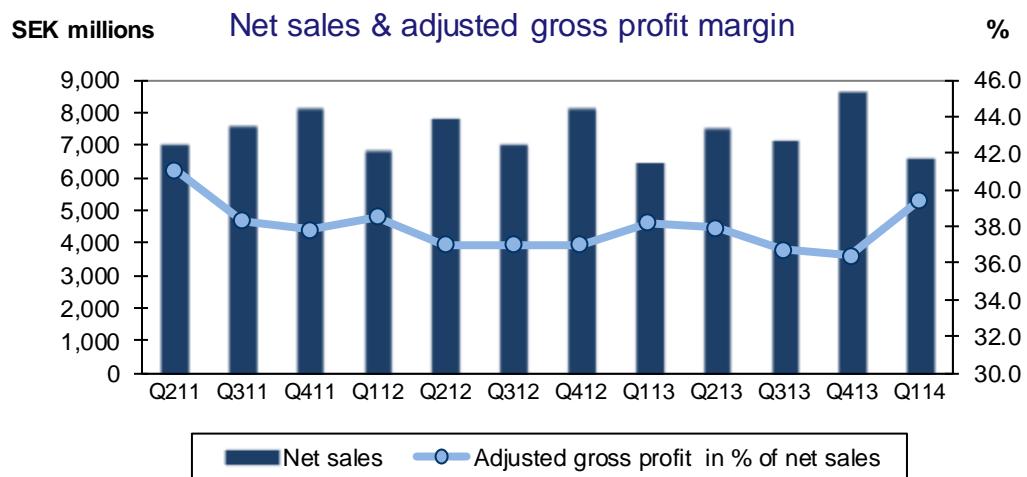
The costs for research and development during the first quarter 2014 corresponded to 2.8 (2.5) percent of net sales. Excluding currency effects and acquisition of businesses, the costs for research and development have increased by

11.4 percent during the first quarter compared to the corresponding period last year. The increase is explained by a limited increase of the development resources, but is primarily due to purchases related to individual projects.

The net income attributable to the owners of the parent, excluding depreciation of step-up values and the corresponding tax, is SEK 1.57 (1.94) per share for the first three months 2014.

Consolidated	Income analysis			
	First three months	Full year	Last 12	months
SEK millions	2014	2013 *	2013 *	
Net sales	6,597	6,505	29,801	29,893
Adjusted gross profit **	2,601	2,488	11,095	11,208
- <i>in % of net sales</i>	39.4	38.2	37.2	37.5
Expenses ***	-1,424	-1,308	-5,735	-5,851
- <i>in % of net sales</i>	21.6	20.1	19.2	19.6
<b>Adjusted EBITDA</b>	<b>1,177</b>	<b>1,180</b>	<b>5,360</b>	<b>5,357</b>
- <i>in % of net sales</i>	17.8	18.1	18.0	17.9
Depreciation	-115	-113	-446	-448
<b>Adjusted EBITA</b>	<b>1,062</b>	<b>1,067</b>	<b>4,914</b>	<b>4,909</b>
- <i>in % of net sales</i>	16.1	16.4	16.5	16.4
Amortisation of step up values	-146	-136	-561	-571
Comparison distortion items	-60	-	-	-60
<b>Operating income</b>	<b>856</b>	<b>931</b>	<b>4,353</b>	<b>4,278</b>

\* Restated to IFRS 11. \*\* Excluding amortisation of step up values. \*\*\* Excluding comparison distortion items.



## Comparison distortion items

The operating income for the first quarter 2014 has been affected by comparison distortion items of SEK -60 (-) 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 of SEK -60 million in the first quarter 2014 relate to one time acquisition costs in connection with the ongoing acquisition of Frank Mohn AS.

Consolidated	Comparison distortion items			
	First three months		Full year	Last 12 months
SEK millions	2014	2013 *	2013 *	
<b>Operational</b>				
Other operating income	100	108	476	468
Comparison distortion income	-	-	-	-
Total other operating income	100	108	476	468
Other operating costs	-178	-179	-895	-894
Comparison distortion costs	-60	-	-	-60
Total other operating costs	-238	-179	-895	-954

\* Restated to IFRS 11.

## Consolidated financial net

The financial net has amounted to SEK -32 (-17) 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 -2 (-4) million, interest on the bilateral term loans SEK -17 (-17) million,

interest on the private placement of SEK -3 (-4) million and a net of dividends and other interest income and interest costs of SEK -10 (8) million. The net of realised and unrealised exchange rate differences has amounted to SEK -30 (13) million.

## Key figures

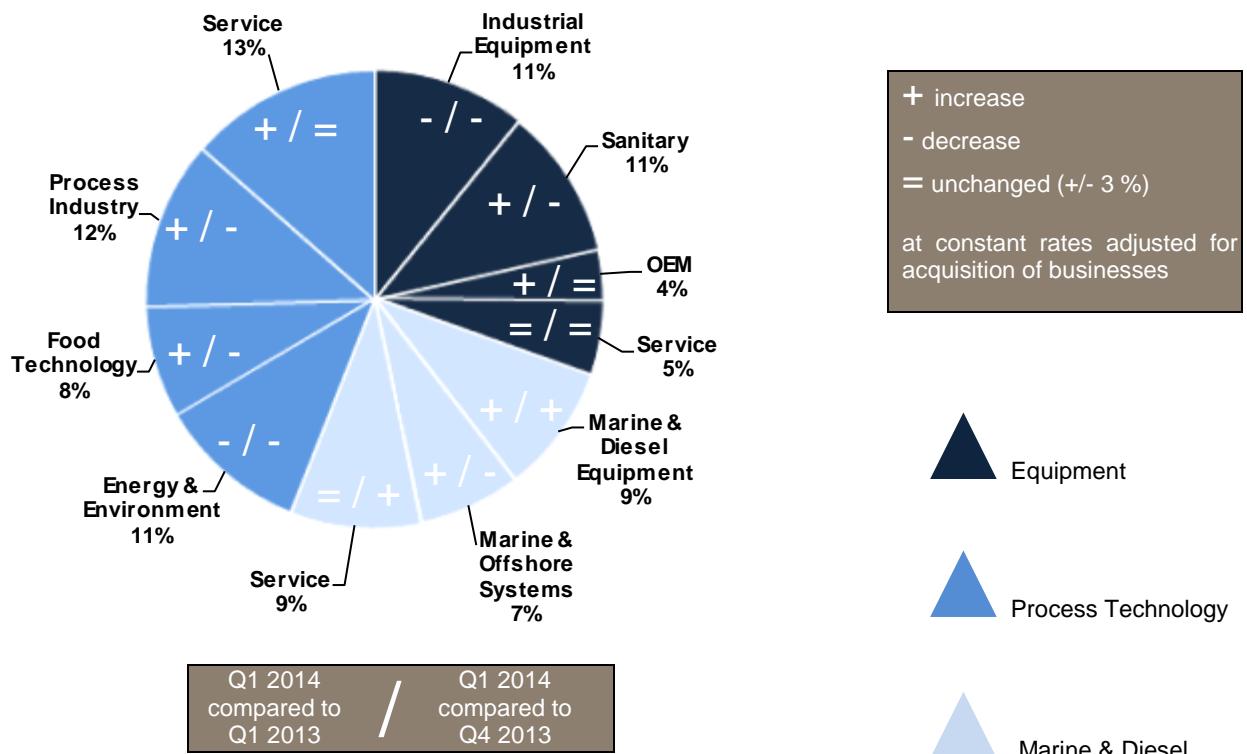
Consolidated	Key figures		
	March 31		December 31
	2014	2013 *	2013 *
Return on capital employed (%) **	26.0	26.9	26.4
Return on equity capital (%) **	18.8	22.5	20.4
Solidity (%) ***	48.7	44.0	46.3
Net debt to EBITDA, times **	0.39	0.63	0.49
Debt ratio, times ***	0.12	0.22	0.16
Number of employees ***	16,314	16,150	16,262

\* Restated to IFRS 11. \*\* Calculated on a 12 months' revolving basis. \*\*\* At the end of the period.

## 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 2014



## Equipment division

SEK millions	First three months		Full year	Last 12 months
	2014	2013 *	2013 *	
Orders received	2,275	2,227	9,471	9,519
Order backlog**	1,542	1,598	1,495	1,542
Net sales	2,206	2,148	9,462	9,520
Operating income***	301	275	1,306	1,332
Operating margin	13.6%	12.8%	13.8%	14.0%
Depreciation and amortisation	45	42	170	173
Investments	10	9	54	55
Assets**	5,941	5,618	5,902	5,941
Liabilities**	749	789	882	749
Number of employees**	2,651	2,690	2,696	2,651

\* Restated to IFRS 11. \*\* 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
Q1 2014/2013	-	1.6	1.6	1.6	-	2.2
Q1 2014/Q4 2013	-	-5.4	-5.4	-5.4	-	-12.2

All comments below are excluding currency effects.

### Order intake

Order intake for the Equipment Division came in somewhat lower in the first quarter than in the fourth, partly explained by the development in Industrial Equipment which was affected by the non-repeat of larger orders as well as the unusually cold winter weather in North America. The latter also explained the lower demand from customers in the U.S. as a whole. In the Nordic area and Asia Pacific, however, the division had a good development.

In Sanitary demand declined compared to the fourth quarter for dairy applications following non-repeat orders in the previous quarter and for products going into personal care applications, where legislation in China drove investments during 2013. Products for pharmaceutical applications, on the other hand, reported a good

development. Industrial Equipment experienced a decline compared to the fourth quarter, partly due to the reasons already mentioned. At the same time, the unstable situation in Ukraine had a negative impact on demand in Russia, especially for products going into HVAC and refrigeration applications. In OEM, the overall order intake remained unchanged. The demand was higher than in the previous quarter from manufacturers of air conditioning units, while demand for products targeting the heat pump market came in somewhat lower.

The overall demand for services and spare parts was unchanged from the previous quarter.

### Operating income

The increase in operating income for Equipment during the first quarter 2014 compared to the corresponding period last year is mainly explained by a higher sales volume, partly mitigated by higher development costs.

## Process Technology division

Consolidated SEK millions	First three months		Full year	Last 12 months
	2014	2013	2013	
Orders received	3,276	3,288	13,935	13,923
Order backlog*	8,698	8,636	8,393	8,698
Net sales	2,854	2,842	13,813	13,825
Operating income**	506	493	2,479	2,492
Operating margin	17.7%	17.3%	17.9%	18.0%
Depreciation and amortisation	77	74	297	300
Investments	24	23	98	99
Assets*	10,668	10,413	10,828	10,668
Liabilities*	4,425	4,458	4,029	4,425
Number of employees*	5,310	5,024	5,256	5,310

\* 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 2014/2013	2.5	-1.2	1.3	1.1	1.1	2.2
Q1 2014/Q4 2013	-	-15.2	-15.2	-	-32.4	-32.4

All comments below are excluding currency effects.

### Order intake

Process Technology declined in the first quarter compared to the previous quarter, explained by the non-repeat of large orders. The base business\*, however, remained unchanged compared with the previous quarter.

Energy & Environment declined due to large orders, primarily in the market units Power and Oil & Gas, not being repeated. Order intake from the oil & gas industry however, although down, remained on a high level reflecting the extensive investment programmes ongoing in the industry. Environment declined, primarily caused by non-repeats in the North American municipal market. Process Industry was virtually unchanged from the fourth quarter. The market units Life Science and Petrochemicals both declined as a result of non-repeat of large orders. The Refinery market unit however, grew substantially, boosted by several large orders. The segment's base business was unchanged. Food Technology noted a contraction compared to the previous quarter, mainly due to the development in the

Protein and Brewery market units, which both had very large orders of a non-repeat nature booked in the fourth quarter. The market units Food Solutions and Vegetable Oil Technology on the other hand showed very strong growth. The base business for the segment also recorded strong growth, sharply up from the fourth quarter.

Demand for parts as well as service remained unchanged.

### Operating income

The increase in operating income for Process Technology during the first quarter 2014 compared to the corresponding period last year is mainly explained by a positive price/mix variation, partly mitigated by higher sales and administration costs.

\* 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 months
	2014	2013 *	2013 *	
Orders received	1,923	1,615	6,796	7,104
Order backlog**	5,093	4,457	4,680	5,093
Net sales	1,537	1,515	6,526	6,548
Operating income***	287	290	1,243	1,240
Operating margin	18.7%	19.1%	19.0%	18.9%
Depreciation and amortisation	54	52	204	206
Investments	12	3	49	58
Assets**	7,998	7,819	8,098	7,998
Liabilities**	1,986	1,873	2,166	1,986
Number of employees**	2,930	3,149	2,945	2,930

\* Restated to IFRS 11. \*\* 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 2014/2013	-	17.1	17.1	-	-0.2	-0.2
Q1 2014/Q4 2013	-	3.7	3.7	-	-16.3	-16.3

All comments below are excluding currency effects.

### Order intake

Order intake for the Marine & Diesel Division increased in the first quarter compared with the fourth, as the positive yard contracting development in 2013 continued to boost demand.

The Marine & Diesel Equipment segment saw overall higher order intake in the first quarter, explained by last year's yard contracting which generated good growth in demand for the marine equipment base business. Demand for equipment for diesel power plants, however, declined somewhat. Environmental products and solutions also declined, due to the non-repeat of

a large Alfa Laval Pure Dry order, while ballast water treatment showed an increase. Marine & Offshore Systems reported lower order intake as demand for boilers as well as offshore systems declined compared to the very strong fourth quarter. Exhaust gas cleaning systems however, recorded growth.

Service showed a very good development due to increased parts sales as well as higher repair activity.

### Operating income

The decrease in operating income for Marine & Diesel during the first quarter 2014 compared to the corresponding period last year is explained by higher costs for sales and administration.

## Other

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

SEK millions	Consolidated		First three months	Full year	Last 12 months
	2014	2013	2013	2013	months
Orders received	0	0	0	0	0
Order backlog*	0	0	0	0	0
Net sales	0	0	0	0	0
Operating income**	-161	-110	-581	-632	
Depreciation and amortisation	85	81	336	340	
Investments	76	46	291	321	
Assets*	5,292	5,251	5,236	5,292	
Liabilities*	2,186	2,158	2,442	2,186	
Number of employees*	5,423	5,287	5,365	5,423	

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

## Reconciliation between divisions and Group total

SEK millions	Consolidated		First three months	Full year	Last 12 months
	2014	2013 *	2013 *	2013 *	months
<b>Operating income</b>					
Total for divisions	933	948	4,447	4,432	
Comparison distortion items	-60	-	-	-60	
Consolidation adjustments **	-17	-17	-94	-94	
Total operating income	856	931	4,353	4,278	
Financial net	-62	-4	-181	-239	
Result after financial items	794	927	4,172	4,039	
<b>Assets ***</b>					
Total for divisions	29,899	29,101	30,064	29,899	
Corporate	4,717	4,771	4,845	4,717	
Group total	34,616	33,872	34,909	34,616	
<b>Liabilities ***</b>					
Total for divisions	9,346	9,278	9,519	9,346	
Corporate	8,396	9,691	9,228	8,396	
Group total	17,742	18,969	18,747	17,742	

\* Restated to the new IAS 19 and IFRS 11. \*\* Difference between management accounts and IFRS. \*\*\* At the end of the period.

## Information on joint ventures

Joint ventures have previously been consolidated according to the proportional consolidation method. Through the implementation of IFRS 11 "Joint arrangements" the equity method must be used instead. This means that the below items are not part of Alfa Laval's statements over consolidated comprehensive income and consolidated financial position any longer.

Instead the equity method mean that the net income before tax in the joint ventures is booked into one line in other operating income and the corresponding tax on the tax line. The counter entry will be an increase or decrease of the value of shares in joint ventures. In addition, received dividend of SEK 12 (12) million has decreased the value of the shares in joint ventures

Consolidated SEK millions	Assets/liabilities in joint ventures			
	March 31		Opening balance	
	2014	2013	December 31 2013	January 1 2013
Current assets	57	49	55	54
Non-current assets	10	11	11	11
Current liabilities	36	32	28	30
Non-current liabilities	11	9	11	8

Consolidated SEK millions	Revenues/expenses in joint ventures		
	First three months		Full year
	2014	2013	2013
Net sales	41	31	133
Cost of goods sold	-27	-20	-81
Other operating income	7	7	26
Other operating costs	-15	-11	-61
Financial net	0	0	0
Result before tax	6	7	17
Taxes	-1	-1	-4
Net income	5	6	13

## Information about products and services

Consolidated SEK millions	Net sales by product/service **			
	First three months 2014	First three months 2013 *	Full year 2013 *	Last 12 months
Own products within:				
Separation	1,493	1,443	6,576	6,626
Heat transfer	3,437	3,534	16,001	15,904
Fluid handling	834	774	3,254	3,314
Other	187	164	799	822
Associated products	339	312	1,848	1,875
Services	307	278	1,323	1,352
<b>Total</b>	<b>6,597</b>	<b>6,505</b>	<b>29,801</b>	<b>29,893</b>

\* Restated to IFRS 11.

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

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

## New products during the first quarter

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

### Alfa Laval PureDry



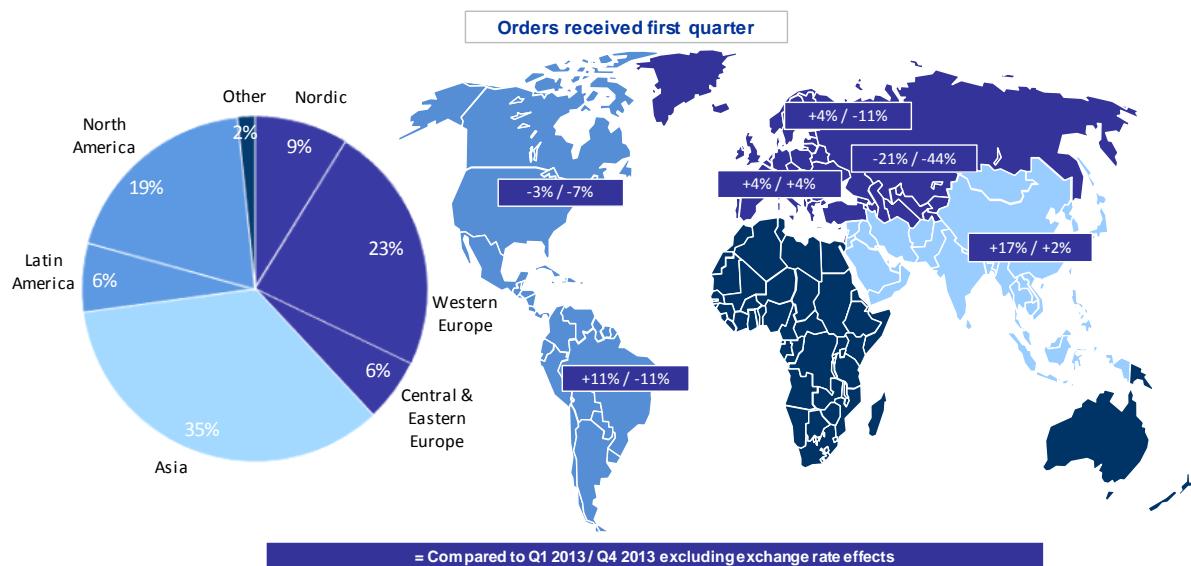
The new Alfa Laval PureDry waste fuel recovery system is an automated modular system for the continuous recovery of fuel oil from waste fuel oil from machinery spaces of diesel engine installations on-board ships and in power plants. It is compact, reliable and effective. Rising fuel oil costs and more stringent emissions controls are putting increasing pressures on owners and operators of diesel engine installations at sea or on land. To address these challenges they are undertaking measures, such as reduced engine speed and the introduction of emission control technologies, to improve fuel efficiency and reduce emissions. Alfa Laval PureDry effectively removes water from waste oil and enables the reuse of fuel oil, thereby minimizing the handling costs associated with oily waste and delivering up to 2% savings in fuel oil costs.

### Alfa Laval AQUA Blue



The new Alfa Laval AQUA Blue freshwater generator is an addition to Alfa Laval's offer to the marine & diesel power industries. It uses vacuum distillation to convert seawater into high-quality fresh water for domestic and process utilization. By providing a constant supply of low-salinity water and continuously controlling the water quality, it eliminates the need for bunker water. AQUA Blue is designed for start-and-forget operation in periodically unmanned engine rooms and other automated operations. It is suitable for installation on ships and rigs, as well as in remote onshore locations. AQUA Blue's optimized technology converts more of the feed water into fresh water and reduces the seawater used for cooling by half. This also means that only half the energy is needed for pumping, which is a large portion of the overall energy consumption in generating fresh water. Even over a short period of time, it means a substantial increase in energy efficiency and reduction in operating costs; up to 25% compared to other plate-based freshwater generators and up to 72% compared to shell-and-tube models.

## Information by region



All comments are excluding exchange rate effects.

### Western Europe including Nordic

The overall order intake in Western Europe, including the Nordic region, was unchanged in the first quarter compared with the fourth. Marine & Offshore Systems, Food Technology and Process Industry had a good development, while Energy & Environment was affected by fewer large contracts than in the previous quarter. The Service business developed well in both the Equipment and Marine & Diesel division, whereas the Process Technology division reported a decline. The base business\* remained unchanged. Region wise, UK, Iberica and Benelux showed growth while France and Nordic were affected by the non-repeat of larger contracts.

### Central and Eastern Europe

Central and Eastern Europe reported a significant drop in order intake in the first quarter compared to the fourth as the previous quarter's record development for large orders was not repeated. Central and South Eastern Europe reported a good development and Poland and the Baltic states came in just slightly below the fourth quarter's level. The base business was lower in Russia and Turkey, reflecting the prevailing uncertainty.

### North America

In North America, the overall order intake declined in the first quarter, compared to the fourth, as a result of fewer large orders. The base business, however, remained on an unchanged level compared to the previous quarter. Both Energy & Environment and OEM did particularly well in the quarter, while Process Industry, Industrial Equipment and Sanitary declined,

mainly due to less of larger contracts than in the previous quarter.

### Latin America

Order intake in Latin America came in lower in the first quarter than in the fourth quarter, due to fewer large orders in Brazil. The service business had a very strong run in the region, across the three divisions. Mexico, Colombia, Venezuela and Panama also reported strong growth, boosted by the oil & gas and food markets.

### Asia

Order intake remained unchanged in the first quarter compared to the fourth. The base business showed a positive development, especially within Industrial Equipment, Marine & Diesel Equipment, Sanitary and OEM, where Marine Equipment continued to benefit from last year's development in ship contracting. The project business was however more mixed, reflecting a continued cautious approach from customers across the Asia region. Process Technology had a strong development, especially for solutions going into refinery, petrochemical and vegetable oil applications. Marine & Offshore Systems, however, showed a slower development to a large extent caused by the distribution over time of marine boiler contracts. Geographically the best development was seen in South East Asia, India and Japan. China declined as larger projects, booked in the fourth quarter, were not repeated. The base business in China still showed a continued good development, supported by a high activity level in Industrial Equipment, Sanitary and Environment.

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

Consolidated	Net sales			
	First three months 2014	2013 *	Full year 2013 *	Last 12 months
SEK millions				
To customers in:				
Sweden	195	196	881	880
Other EU	1,883	1,762	8,127	8,248
Other Europe	506	496	2,702	2,712
USA	1,099	1,100	4,811	4,810
Other North America	176	182	1,117	1,111
Latin America	411	387	1,797	1,821
Africa	78	78	299	299
China	671	601	2,992	3,062
Other Asia	1,493	1,593	6,643	6,543
Oceania	85	110	432	407
<b>Total</b>	<b>6,597</b>	<b>6,505</b>	<b>29,801</b>	<b>29,893</b>

\* Restated to IFRS 11.

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 2014	2013 *	December 31 2013 *
SEK millions			
Sweden	1,456	1,486	1,461
Denmark	4,451	4,217	4,493
Other EU	4,022	3,881	4,079
Other Europe	287	303	298
USA	3,832	3,584	3,890
Other North America	106	117	110
Latin America	367	433	366
Africa	1	1	1
Asia	2,661	2,807	2,680
Oceania	80	93	77
<b>Subtotal</b>	<b>17,263</b>	<b>16,922</b>	<b>17,455</b>
Other long-term securities	3	5	8
Pension assets	7	12	11
Deferred tax asset	1,384	1,298	1,401
<b>Total</b>	<b>18,657</b>	<b>18,237</b>	<b>18,875</b>

\* Restated to the new IAS 19 and IFRS 11.

## 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 2014	Full year 2013 *	Last 12 months
<b>Operating activities</b>			
Operating income	856	931	4,353
Adjustment for depreciation	261	249	1,007
Adjustment for other non-cash items	17	18	-38
	1,134	1,198	5,322
Taxes paid	-321	-375	-1,093
	813	823	4,229
Changes in working capital:			
Increase(-)/decrease(+) of receivables	196	354	113
Increase(-)/decrease(+) of inventories	-229	-85	-133
Increase(+) /decrease(-) of liabilities	-227	-211	204
Increase(+) /decrease(-) of provisions	39	90	-180
<b>Increase(-)/decrease(+) in working capital</b>	<b>-221</b>	<b>148</b>	<b>4</b>
	592	971	4,233
<b>Investing activities</b>			
Investments in fixed assets (Capex)	-122	-81	-492
Divestment of fixed assets	2	0	36
Acquisition of businesses	-21	-69	-495
	-141	-150	-951
<b>Financing activities</b>			
Received interests and dividends	22	27	122
Paid interests	-44	-24	-208
Realised financial exchange differences	119	40	-16
Dividends to owners of the parent	-	-	-1,468
Increase(-)/decrease(+) of financial assets	200	34	-190
Increase(+) /decrease(-) of borrowings	-570	-942	-1,431
	-273	-865	-3,191
<b>Cash flow for the period</b>	<b>178</b>	<b>-44</b>	<b>91</b>
Cash and bank at the beginning of the period	1,446	1,389	1,389
Translation difference in cash and bank	-4	-10	-34
<b>Cash and bank at the end of the period</b>	<b>1,620</b>	<b>1,335</b>	<b>1,446</b>
Free cash flow per share (SEK) **	1.08	1.96	7.82
Capex in relation to sales	1.8%	1.2%	1.7%
Average number of shares	419,456,315	419,456,315	419,456,315

\* Restated to IFRS 11.

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

During the first quarter 2014 cash flows from operating and investing activities amounted to SEK 451 (821) million. Depreciation, excluding

allocated step-up values, was SEK 115 (113) million during the first quarter.

## Financial position and equity

CONSOLIDATED FINANCIAL POSITION		Opening balance		
SEK millions		March 31 2014	December 31 2013 *	January 1 2013
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets		13,491	13,193	13,643
Property, plant and equipment		3,752	3,710	3,785
Other non-current assets		1,414	1,334	1,447
		18,657	18,237	18,875
				18,946
<b>Current assets</b>				
Inventories		6,517	6,159	6,312
Assets held for sale		-	-	9
Accounts receivable		4,964	4,823	5,039
Other receivables		2,261	2,656	2,413
Derivative assets		177	278	219
Other current deposits		420	384	605
Cash and bank **		1,620	1,335	1,446
		15,959	15,635	16,034
				16,013
<b>TOTAL ASSETS</b>		34,616	33,872	34,909
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Owners of the parent		16,795	14,834	16,087
Non-controlling interests		79	69	75
		16,874	14,903	16,162
				14,453
<b>Non-current liabilities</b>				
Liabilities to credit institutions		2,056	3,672	2,813
Private placement		714	717	716
Provisions for pensions and similar commitments		1,498	1,658	1,494
Provision for deferred tax		1,579	1,818	1,758
Other provisions		430	562	423
		6,277	8,427	7,204
				9,517
<b>Current liabilities</b>				
Liabilities to credit institutions		1,235	556	1,049
Accounts payable		2,228	2,101	2,388
Advances from customers		2,157	2,255	2,027
Other provisions		1,563	1,529	1,539
Other liabilities		4,127	3,894	4,306
Derivative liabilities		155	207	234
		11,465	10,542	11,543
				10,989
Total liabilities		17,742	18,969	18,747
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>		34,616	33,872	34,909

\* Restated to the new IAS 19 and IFRS 11, see page 22.

\*\* 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 339 (185

million. The company is not a wholly-owned subsidiary of the Alfa Laval Group. It is owned to 98.2 (97.8) percent.

Consolidated	Financial assets and liabilities at fair value			
	Valuation hierarchy	March 31	December 31	
SEK millions	level	2014	2013	2013 *
<b>Financial assets</b>				
Other long term securities	1 and 2	23	24	35
Bonds and other securities	1	223	110	247
Derivative assets	1	177	278	219
<b>Financial liabilities</b>				
Derivative liabilities	1	155	207	234

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.

\* Restated to IFRS 11.

Consolidated	Borrowings and net debt		
	March 31	December 31	
SEK millions	2014	2013 *	2013 *
Credit institutions	341	1,474	904
Swedish Export Credit	1,788	1,669	1,793
European Investment Bank	1,162	1,085	1,165
Private placement	714	717	716
Capitalised financial leases	80	90	84
Interest-bearing pension liabilities	0	1	0
Total debt	4,085	5,036	4,662
Cash, bank and current deposits	-2,040	-1,719	-2,051
<b>Net debt</b>	<b>2,045</b>	<b>3,317</b>	<b>2,611</b>

\* Restated to IFRS 11.

Alfa Laval has a senior credit facility of EUR 301 million and USD 420 million, corresponding to SEK 5,422 million with a banking syndicate. At March 31, 2014 the facility was not utilised. The facility matures in April 2017.

The bilateral term loan with Swedish Export Credit is split on one loan of EUR 100 million that matures in June 2014 and one loan of EUR 100 million that matures in June 2021. The loan from

the European Investment Bank of EUR 130 million matures in March 2018. The private placement of USD 110 million matures in April 2016.

In December 2013 Alfa Laval has made an agreement with the European Investment Bank of a loan facility of EUR 115 million with a 7 year duration. This loan has not been utilised at March 31, 2014.

## CHANGES IN CONSOLIDATED EQUITY

SEK millions	First three months		Full year
	2014	2013 *	2013
<b>At the beginning of the period</b>	16,162	14,453	14,453
<b>Changes attributable to:</b>			
<b>Owners of the parent</b>			
<b>Comprehensive income</b>			
Comprehensive income for the period	708	470	3,212
<b>Transactions with shareholders</b>			
Increase of ownership in subsidiaries with non-controlling interests	-	-28	-49
Dividends	-	-	-1,468
	-	-28	-1,517
<b>Subtotal</b>	708	442	1,695
<b>Non-controlling interests</b>			
<b>Comprehensive income</b>			
Comprehensive income for the period	4	10	19
<b>Transactions with shareholders</b>			
Decrease of non-controlling interests	-	-2	-5
	-	-2	-5
<b>Subtotal</b>	4	8	14
<b>At the end of the period</b>	16,874	14,903	16,162

\* Restated to the new IAS 19.

## Acquisition of businesses

In a news release on April 7, 2014 Alfa Laval communicated that the company has signed an agreement to acquire Frank Mohn AS, a leading manufacturer of submerged pumping systems to the marine and offshore markets. The acquisition, which strengthens Alfa Laval's fluid handling portfolio by adding a unique pumping technology, will further reinforce Alfa Laval's position as a leading supplier to the marine and offshore oil & gas markets. Alfa Laval has agreed to acquire Frank Mohn AS ("Frank Mohn"), with the product brand Framo, for a total cash consideration of NOK 13 billion, on cash and debt free basis, from Wimoh AS, a company controlled by the Mohn family. Frank Mohn, headquartered in Bergen, Norway and with approximately 1,200 employees, generated sales of NOK 3.4 billion and had an order intake of NOK 6.1 billion in 2013. The operating margin is significantly above the Alfa Laval average. The acquisition is expected to be EPS accretive as from closing of the transaction. Lars Renström, President and CEO of the Alfa Laval Group, comments on the acquisition: "Frank Mohn is an excellent company that we have been following closely for several years. It has highly skilled employees, high quality products and a market-leading position within segments offering attractive long-term growth prospects. The combination of Frank

Mohn and Alfa Laval will provide a very attractive offering of products, systems and services and it will strengthen our leading position as a provider of critical systems for ships and offshore oil & gas production units, with unmatched service capabilities." The acquisition of Frank Mohn will be funded by existing credit facilities and a fully committed bridge facility. Alfa Laval's net debt/EBITDA ratio on a pro forma basis (following completion of the acquisition) would be around 2.5x. The synergies are expected to reach about NOK 120 million annually, gradually realized over a three year period.

After closing, Alfa Laval intends to include Frank Mohn and the product brand Framo in the Marine & Diesel division. The company will be kept together and form a new segment in the Marine & Diesel division, under the same management as today. The activities in the Bergen area in Norway; the head office and sales & service facility at Askøy – as well as production facilities at Fusa, Flatøy and Frekhaug – will become Alfa Laval's operational centre for marine and offshore pumping systems.

The closing of the transaction is subject to approval from regulatory authorities.

## Parent company

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The parent company's result after financial items was SEK 16 (16) million, out of which net interests SEK 13 (18) million, realised and unrealised exchange rate gains and losses SEK -0 (-2) million, costs related to the listing

SEK -1 (-1) million, fees to the Board SEK -3 (-3) million, cost for annual report and annual general meeting SEK -0 (-0) million and other operating income and operating costs the remaining SEK 7 (4) million.

### PARENT COMPANY INCOME \*

SEK millions	First three months		Full year
	2014	2013	2013
Administration costs	-4	-3	-11
Other operating income	8	4	4
Other operating costs	-1	-1	-3
<b>Operating income</b>	<b>3</b>	<b>0</b>	<b>-10</b>
Revenues from interests in group companies	-	-	1,697
Interest income and similar result items	15	18	79
Interest expenses and similar result items	-2	-2	-4
<b>Result after financial items</b>	<b>16</b>	<b>16</b>	<b>1,762</b>
Change of tax allocation reserve	-	-	30
Group contributions	-	-	855
<b>Result before tax</b>	<b>16</b>	<b>16</b>	<b>2,647</b>
Tax on this year's result	-3	-4	-212
<b>Net income for the period</b>	<b>13</b>	<b>12</b>	<b>2,435</b>

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

### PARENT COMPANY FINANCIAL POSITION

SEK millions	March 31		December 31
	2014	2013	2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Shares in group companies	4,669	4,669	4,669
<b>Current assets</b>			
Receivables on group companies	8,142	6,972	8,263
Other receivables	110	319	44
Cash and bank	-	-	-
	8,252	7,291	8,307
<b>TOTAL ASSETS</b>	<b>12,921</b>	<b>11,960</b>	<b>12,976</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Restricted equity	2,387	2,387	2,387
Unrestricted equity	9,265	8,297	9,253
	11,652	10,684	11,640
<b>Untaxed reserves</b>			
Tax allocation reserves, taxation 2008-2014	1,236	1,266	1,236
<b>Current liabilities</b>			
Liabilities to group companies	32	10	99
Accounts payable	1	0	1
Other liabilities	0	0	-
	33	10	100
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>12,921</b>	<b>11,960</b>	<b>12,976</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 36,312 (36,212) shareholders on March 31, 2014. 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 6.2 to 0.9 percent. These ten largest shareholders own 54.6 (51.1) percent of the shares.

### Proposed disposition of earnings

The Board of Directors propose a dividend of SEK 3.75 (3.50) per share corresponding to SEK 1,573 (1,468) million and that the remaining income available for distribution in Alfa Laval AB

(publ) of SEK 7,680 (6,817) million be carried forward.

### Repurchase of shares

The Annual General Meeting 2013 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 Stockholm Stock Exchange. Until March 31, 2014 Alfa Laval has not made any repurchases.

## 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 2013 is still correct.

### Asbestos-related lawsuits

The Alfa Laval Group was as of March 31, 2014, named as a co-defendant in a total of 793 asbestos-related lawsuits with a total of approximately 851 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 2014 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.

The new accounting pronouncements IFRS 10 "Consolidated financial statements", IFRS 11 "Joint arrangements" and IFRS 12 "Disclosures of interest in other entities" and the amended IAS 32 "Financial Instruments: Presentation" have been implemented in the interim report for the first quarter 2014, with retroactive effect from January 1, 2013.

In the interim closing it is really only IFRS 11 that means any change. Joint ventures have previously been consolidated according to the proportional consolidation method in IAS 31 "Interests in Joint Ventures". Since the proportional consolidation method disappears all amounts in note 33 "Interests in joint ventures" in the annual report will disappear out of Alfa Laval's statements over consolidated comprehensive income and consolidated financial position. Instead the application of the equity method will mean that the net income before tax in the joint ventures will be booked into one line in other operating income and the corresponding tax on the tax line. The counter entry will be an increase or decrease of the value of shares in joint ventures. As a consequence of this the comparison figures for 2013 have been changed. The change in accounting principle has not affected the equity. See the section on joint ventures on page 13.

The revised IAS 19 "Employee Benefits" was implemented in the interim report for the first quarter 2013, with retroactive effect from January 1, 2012. The new standard meant substantial changes concerning the accounting for defined benefit pension schemes and these changes were extensively described in the mentioned interim report. In connection with the yearend closing for 2013 certain adjustments were made to the opening balance at January 1, 2012 and the closing balance at December 31, 2012 and these changes have also impacted the comparison figures for the first quarter 2013. For the first quarter 2013 deferred tax assets have increased with SEK 9 million, provisions for pensions have increased with SEK 36 million, other liabilities have decreased with SEK 48 million and the equity has increased with SEK 21 million.

“First quarter” and “First three months” both refer to the period January 1 to March 31. “Full year” refers to the period January 1 to December 31. “Last 12 months” refers to the period April 1, 2013 to March 31, 2014. “The corresponding period last year” refers to the first quarter 2013. “Previous quarter” refers to the fourth quarter 2013.

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 2014 at the following dates:

Interim report for the second quarter July 17

Interim report for the third quarter October 28

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The interim report has been issued on April 28, 2014 at CET 12.45 by the President and Chief Executive Officer Lars Renström by proxy from the Board of Directors.

Lund, April 28, 2014,

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