



Enabling

2023 Annual & Sustainability Report

change

Alfa Laval contributes to progress towards the UN Sustainable Development Goals for 2030. We continuously improve our own sustainability performance and enable change by supporting customers to reach their environmental targets.



Alfa Laval's products and solutions enable our customers to improve the efficiency of their production processes by, for example, improving energy efficiency, reusing water or reducing waste. Moreover, Alfa Laval supports the transition to a more sustainable future in the energy, food and marine industries.



Alfa Laval is a world-leading, global provider of first-rate products in the areas of heat transfer, separation and fluid handling. With these as its base, Alfa Laval aims to help enhance the productivity and competitiveness of its customers in various industries throughout the world. We understand their challenges and deliver sustainable products and solutions that meet their requirements – mainly in energy, food and the marine industry.

World-leading in three key technologies

Heat transfer

Compact heat exchangers that recycle heat, optimize customers' energy consumption, cut costs and reduce negative environmental impact.

Separation

Separators, decanter centrifuges, filters, strainers and membranes that separate liquids from other liquids and solid particles from liquids or gases.

Fluid handling

Pumps, valves, tank cleaning equipment and installation material for industries with stringent hygiene requirements as well as pumping systems specifically for the marine industry and the offshore market.

Three business divisions with customer needs front and centre

Food & Water

The Food & Water Division works with products and systems for food and water applications, for example in industries such as food, pharmaceuticals, biotech, brewing, dairy and water treatment.

Energy Division

The Energy Division focuses on solutions to promote greater energy efficiency, in both financial and environmental terms. Customers include companies operating in data centres, renewable energy, heating, ventilation and refrigeration, oil and gas extraction, refining, petrochemicals and power generation.

Marine Division

The Marine Division specializes in solutions for shipping customers, including shipping companies, shipyards, engine manufacturers and companies involved in offshore oil and gas exploration.

70,742

Order intake amounted to SEK 70,742 million in 2023, a growth of 21 percent to 2022. Organic order intake grew 11 percent.

63,598

Net sales amounted to SEK 63,598 million in 2023, a growth of 22 percent to 2022. Organic sales growth was 12 percent.

16.1%

Adjusted EBITA amounted to SEK 10,221 million in 2023, a growth of 24 percent to 2022. The adjusted EBITA margin was 16.1 percent.

21,321

Alfa Laval's employees are the company's most important resource. Creating a secure, inspiring work environment is therefore a top priority, as is forming a culture that can both attract and retain talent and allow people to thrive.

About Alfa Laval

Alfa Laval in brief	3
CEO comments	6
2023 in brief	8
Drivers for growth	10
Goals and outcomes	12
Our purpose	14
Strategic priorities	16
Customers	18
Products	20
Service	22
Key technologies	24
Heat transfer	26
Separation	28
Fluid handling	30
Division overview	32
Food & Water	34
Energy	38
Marine	42

Sustainability Report

Pioneering positive impact	46
Sustainability Strategy	48
Targets, Stakeholder engagement	50
Climate	52
Circularity	58
Caring	62
Committed	68
EU Taxonomy Report	75
Auditor's statement on the Sustainability Report	79

The share

Alfa Laval's share in 2023	80
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Corporate Governance

Corporate Governance Report 2023	82
Board of Directors and auditors	94
President and Group management	96
Board of Directors' report on internal control	98
Auditor's report on the Corporate Governance Statement	100

Financial statements

Board of Directors' Report	102
Consolidated cash flows	117
Comments to the consolidated cash flows	118
Consolidated comprehensive income	119
Comments to the consolidated comprehensive income	120
Consolidated financial position	122
Comments to the consolidated financial position	124
Changes in consolidated equity	124
Comments on changes in consolidated equity	125
Parent company cash flows	126
Parent company income	126
Parent company financial position	127
Changes in parent company equity	128
Notes to the financial statements	129
Accounting principles	129
Objectives, policies and processes for managing capital	136
Financial risks	137
Operational risks	142
Notes	148
Auditor's report	184
Ten-year overview	188
Definitions	190
Financial information	191
Annual General Meeting	191



Partnership for the goals

Alfa Laval has been a signatory of the UN Global Compact since 2011. We actively engage with stakeholders throughout our entire value chain to develop common solutions and create shared value.





For the most part, 2023 became a year of operational stability. After a several years of exceptional volatility due to the pandemic and geopolitical turmoil, global supply chains normalized, and customer service and delivery lead times improved through the year. Cashflow was a good indicator of the improved business conditions and increased to a record level of 10 BSEK for the full year. Although it was expected, it did confirm the strength of Alfa Laval's operating model.

The market conditions were generally favorable across all three divisions, but still with some demand fluctuations.

In the **Marine division** demand was strong in all key areas and resulted in an order intake of 24 BSEK, a growth of 23% compared to 2022. Contracting of new ships continued on a good level and will likely reach approximately 2000 vessels when the final count is ready. The mix was good, with a strong re-bounce for product tankers. The trend towards green fuels, and multi-fuels, continued and had a positive impact on orders in many parts of the business. Service grew to a new record level, impacted by the high utilization levels of the merchant fleet and freight rates being high in almost all areas.

In the **Food & Water division** the demand situation was mixed. The weakness in the transactional business which started already in mid-2022, continued. The business volume with channel partners decreased, especially in China. On the other hand, the project business was exceptionally strong and with the recent acquisition of Desmet the division had a record year with an order intake of 26.4 BSEK, 20% higher than in 2022. The division will enter 2024 with a strong order book for projects, and a lower utilization rate in certain production units.

The **Energy division** continued to grow with support from the global energy transition and demand for energy efficient solutions. At the same time the traditional natural gas business had a strong recovery, as a needed transition fuel away from fossil dependency. The first signs of a growing global capital allocation towards the energy transition became evident with orders being booked in key verticals like hydrogen production, carbon capture, and e-fuels. From a climate point of view, the transition is going too slow, but gradually the pace of final investment decisions is increasing. On the negative side, after a number of years of strong demand the European heat pump market weakened significantly in the second half of 2023 due to lower gas prices and the termination of certain government subsidy programs. The order intake of 20.4 BSEK, also a new record level, was strong given the market conditions.

The total order intake of 70.7 BSEK, corresponding to a growth of 21%, confirms the competitiveness of the current product portfolio. During several years Alfa Laval's growth rate has been above market average, leading to stronger market positions and scale advantages.

The financial strength of the group is key to sustain the increased technology investments with the intent to lead the ongoing industrial transformation. Innovative solutions and capabilities, in industry and in Alfa Laval, are needed at a faster pace than ever before.

The biggest transformation decision made in Alfa Laval in 2023 was to form a dedicated business unit for Fuel cell and Electrolyzer technology. The plate technology needed in the hydrogen economy is a version of what Alfa Laval has done for decades in the heat exchanger businesses. If the project is successful, it will be an important addition as a new technology platform for the Group. In parallel the development in earlier announced projects continue as planned. The Oceanbird wind propulsion solution for large ships is advancing well and the first pilot installation is expected early 2025. The OceanGlide project, aiming to reduce water friction under the ship's hull is in commercial phase with several orders signed in 2023. The recently launched "single use" separation solution for the biotech industry is in the early stage of market penetration and grew well during the year. There are many more projects in the pipeline, providing Alfa Laval with a future toolbox to lead the industrial transformation towards 2030. The target to reach 10 BSEK from these new technologies remains, as communicated at the Capital Markets Day in 2022.

The internal sustainability work has continued with increased efforts and resources during 2023. As a company that is helping customers to reach their sustainability targets, we must also lead in implementing our own sustainability strategy. The full scope is included in the sustainability section, but I would like to comment on two important priorities, carbon emissions and safety.

Our target for carbon emissions is to reach net zero by 2030 for scope 1 and 2. Despite growing activities and production volumes the emissions decreased in 2023, well in line with plans. The most important progress during the year was clear road maps for all business units for how specifically to reach their targets by 2030. The action plans are now established, owned, and reported by the line of business. We will treat sustainability reporting with the same rigor and process as the financial reporting. The alliances to secure the supply of fossil-free metals have continued to grow. As our suppliers continue to ramp-up their capacity, Alfa Laval will start to grow a range of net-zero products. The main challenge remaining is the scope 3 use phase. Alfa Laval's large installed base of rotating equipment consumes a significant amount of energy during operation. Part of the electricity at our customer's sites is fossil-dependent and will for some time weigh on Alfa Laval's scope 3 impact. More energy efficient solutions are available to improve the situation, but it will be a gradual process. National energy strategies away from coal and gas are needed for us to reach the scope 3 targets.

During many years the safety trend in Alfa Laval was positive. From an elevated frequency of work-related accidents, a focused work on culture, processes, and investments has yielded positive results

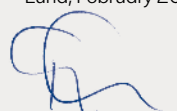
and a safer working environment. In 2023 that trend was broken and the number of accidents remained flat versus the previous year, amounting to 85 recorded accidents with a minimum of one day of sick leave. Still, we have confidence in the ongoing program for improved safety at work and expect the positive trend to return in 2024. With many of the operating units being completely accident free for years, we know it can be achieved.

The financial performance of the group was satisfactory, with record high earnings and EPS. The Adjusted EBITA grew to 10.2 BSEK an increase of 24%. EPS grew to 15.31 SEK, an improvement of 41% compared to 2022, resulting in a proposal to the AGM to increase the dividend from 6 SEK to 7.50 SEK. The operating cashflow fully financed the ongoing capacity investment program, amounting to 2.5 BSEK during the year. In addition, loans have been repaid and the cash position has been strengthened. With a strong balance sheet and ROCE above the target level of 20 % for the first time in many years, the group is in a healthy position to continue the growth journey.

On a divisional level the Energy division had a very strong year with a record high Adjusted EBITA margin of 20.7%. All business units improved the performance compared to 2022. The Marine division started the year on a low margin but improved in the 2nd half of the year, as had been guided. With a strong margin of 18% in the fourth quarter and a solid order book for 2024. The margin challenge from early 2022 is now behind us. Finally, the Food & Water division had a good profitability in the beginning of the year but ended on the low side with a 14.3% Adjusted EBITA margin in the fourth quarter. The division has performed well in most aspects, but the mix of lower transactional volumes and higher share of project invoicing had some impact on the margin development.

In all 2023 was a strong year for Alfa Laval. Even more important is that we enter 2024 stronger than ever. The product portfolio continues to improve, the large capacity expansion program has progressed and eliminated all short-term bottlenecks, market positions have been strengthened, and the balance sheet is strong with a net debt of just around 0.6. We look forward to continuing to lead the industrial transition towards 2030 and beyond.

Lund, February 2024



Tom Erixon
President & CEO



Life on land

Alfa Laval has provided a cooling solution that protects the world's largest seed collection stored to provide a backup if a natural catastrophe, environmental damage or war would deplete the Earth's crop diversity.

2023 in brief

Amounts in SEK million unless otherwise stated	+/- % ⁹⁾	2023	2022	2021	2020	2019
Order intake	21%	70,742	58,645	45,718	39,833	44,119
Net sales	22%	63,598	52,135	40,911	41,468	46,517
Adjusted EBITDA ¹⁾	22%	11,780	9,678	8,305	8,365	9,062
Adjusted EBITA ²⁾	24%	10,221	8,229	7,114	7,231	7,989
Adjusted EBITA ²⁾ , %		16.1	15.8	17.4	17.4	17.2
Result after financial items	40%	8,650	6,179	6,142	4,977	7,221
Return on capital employed, %		21.0	17.3	20.0	19.1	23.0
Return on shareholders' equity, %		17.6	13.5	15.8	12.7	21.3
Earnings per share, SEK	41%	15.31	10.89	11.38	8.47	13.08
Dividend per share, SEK		7.50 ³⁾	6.00	6.00	5.50	0
Free cash flow per share, SEK ⁴⁾		16.50	3.52	9.71	15.76	9.28
Solidity, %		45.4	43.9	50.3	47.8	43.1
Net debt to EBITDA, times		0.85	1.47	0.87	0.48	0.88
Number of employees ⁵⁾	5%	21,321	20,300	17,883	16,882	17,497

¹⁾ Adjusted EBITDA – Operating income before depreciation and amortization of step-up values, adjusted for items affecting comparability.

²⁾ Adjusted EBITA – Operating income before amortization of step-up values, adjusted for items affecting comparability.

³⁾ Board proposal to the Annual General Meeting.

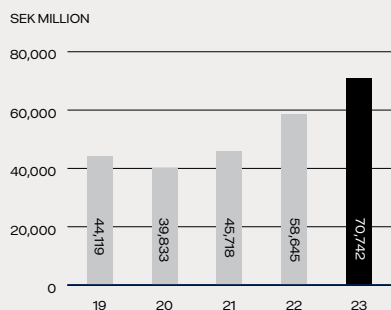
⁴⁾ Free cash flow is the sum of cash flow from operating and investing activities.

⁵⁾ Number of employees at year-end.

⁶⁾ Percentage change between 2022 and 2023.

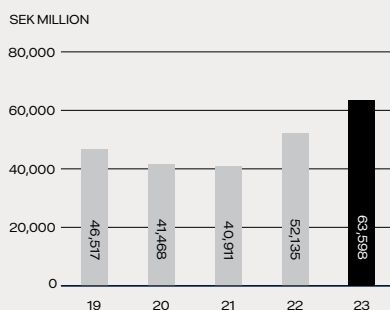
Order intake

Order intake amounted to SEK 70,742 million in 2023, a growth of 21 percent to 2022. Organic order intake grew 11 percent.



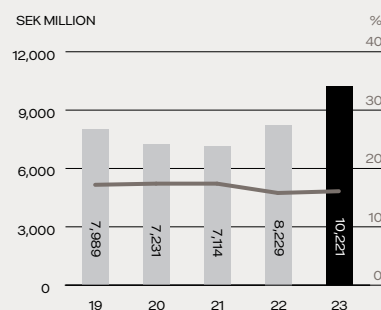
Sales

Net sales amounted to SEK 63,598 million in 2023, a growth of 22 percent to 2022. Organic sales growth was 12 percent.



Adjusted EBITA

Adjusted EBITA amounted to SEK 10,221 million in 2023, a growth of 24 percent to 2022. The adjusted EBITA margin was 16.1 percent.



70,742

Order intake, SEK million

63,598

Net sales, SEK million

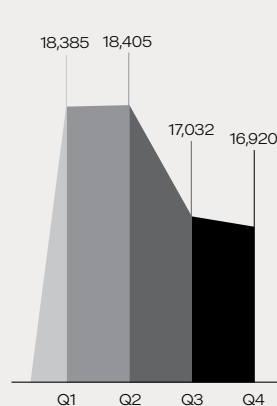
10,221

Adjusted EBITA, SEK million

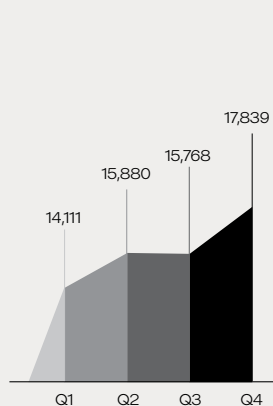
16.1%

Adjusted EBITA, margin

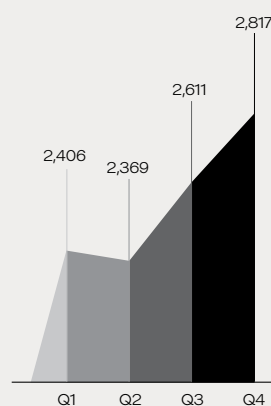
Development per quarter



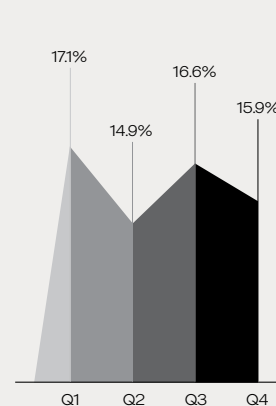
Order intake, SEK million



Net sales, SEK million



Adjusted EBITA, SEK million



Adjusted EBITA, margin

Drivers for growth

In a changing world we face new challenges, but also opportunities. Global trends in food, transportation and energy are fuelling growth in areas that are new for us. Climate change is one such example. The quest for greener and more sustainable energy sources is also creating new needs and with it interesting business opportunities. The same is true of changes in the food market, where the need for clean water must be secured and the search for new raw materials intensifies as consumers demand products with a lower carbon footprint.

Climate

There is a growing realization among communities, businesses and citizens that the world needs to make major changes in order to manage climate change. This transition will increasingly take place in collaborative partnerships between organizations – via new technology, guidelines and decisions – to ensure that solutions and measures are both long term and effective.

We offer technical solutions that optimize customers' processes and use of resources, which is crucial to reducing companies' carbon footprint. Helping our customers become more energy and resource efficient – and thus reduce their carbon footprint – is one of the driving forces for Alfa Laval.

Energy

Global energy needs are on the rise. At the same time, emissions must be reduced to meet agreed climate targets aimed at mitigating global warming. This challenge can be tackled in two ways: by focusing on efficient usage and increasing recycling of the energy currently generated, and by replacing current sources of energy with new sources that have a significantly lower carbon footprint.

Our solutions for green power generation, low-carbon hydrogen production and usage, renewable fuel production, refineries, green chemicals and other industries play an important role in the transition to more energy efficient processes in industry, both now and in the development of new forms of energy in the longer term.

Water

Water is an increasingly scarce natural resource in many parts of the world. Rising demand for fresh water and the challenges posed by climate change are having a major impact on both the Earth's population and ecosystems.

Alfa Laval's solutions and technologies help reduce water consumption in industrial processes and improve water quality. These technologies can also significantly increase the amount of recycled water.

Environmental legislation

Human impact on the environment is resulting in increasingly stringent legislation. Meanwhile, companies are being encouraged to make voluntary efforts to improve their sustainability performance.

Alfa Laval offers products and solutions to help customers monitor and manage the implementation of new regulations and guidelines relating to areas such as energy needs and emissions from shipping.

Food

A growing middle class and increasing urbanization continue to be strong global trends. As a result, demand for ready-made food and resource-efficient supply chains is increasing. At the same time, more and more consumers want the products they eat and drink to have minimal environmental impact.

Today's hygienic applications for the food industry include separators, heat exchangers, pumps and valves. These products meet stringent hygiene requirements, help optimize the use of raw materials and create sustainable alternatives as the world's population expands.

Global trade

International trade connects a world where raw materials are extracted in one country and processed in another, and where the finished products are transported to customers all over the world.

Increasing international trade brings growing demands for efficient global value chains. For more than a century, Alfa Laval has been supplying products and systems to the marine industry, including separators for cleaning fuel in engine rooms, heat exchangers that generate fresh water, pumping systems to clean ballast water and technology to reduce the sulphur content of ship exhaust gases.



Clean water and sanitation

Alfa Laval offers a wide range of technologies to treat wastewater and generate fresh water. These solutions contribute to improved access to clean water around the globe.

Goals and outcomes

Financial targets

Alfa Laval aims to realize its business purpose, while at the same time meet its financial targets established with regard to growth, profitability and capital utilization. By achieving or exceeding these targets, Alfa Laval creates the necessary scope for its continued favourable development as well as generating increased value for its shareholders in the form of an annual dividend and by maximizing the value of the company.

Financial benchmarks

In addition to its financial targets, Alfa Laval also has a number of financial benchmarks reflecting the company's ambitions with respect to the net debt / EBITA ratio and cashflow from operating activities. Further information on the financial benchmarks can be found on page 136.

Sustainability targets

Alfa Laval's environmental and social targets aim to drive efficiency and behavioural change to achieve better results in the long term. The table on the next page contains the company's sustainability targets. More details and information about the progress are presented on pages 46–79.

Goal

5%

Growth

Alfa Laval's goal is to achieve average annual sales growth of at least 5 percent measured over a business cycle. The target was set in light of the longer-term demand trends for Alfa Laval's key technologies, the prevailing business scenario and against the backdrop of Alfa Laval's achievements in recent years.

Goal

15%

Profitability

Alfa Laval is to achieve an operating margin – adjusted EBITA – of 15 percent measured over a business cycle. This target was established based on the company's ambitions for growth, investments and portfolio development, while also taking historical margins into consideration.

Goal

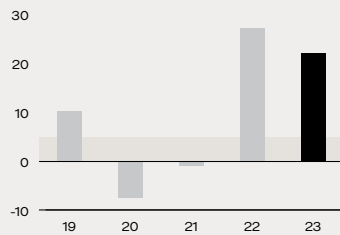
20%

Capital utilization

The goal is to have a return on capital employed of at least 20 percent. The target reflects the company's ambition to optimize the capital utilization by balancing investments and operating working capital.

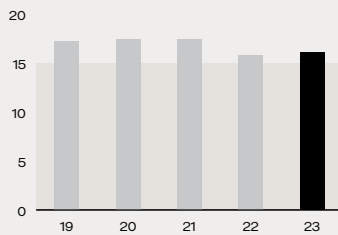
Outcome 2023

22%



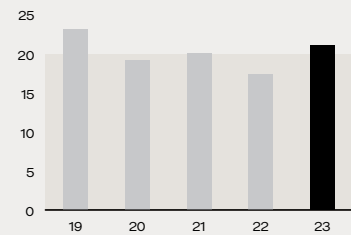
Outcome 2023

16.1%



Outcome 2023

21.0%



Area	Targets	Target Year	Trend*
Carbon emissions	50% reduction Scope 1 & 2 emissions	2023 (base year 2020)	●
Carbon emissions	95% reduction Scope 1 & 2 emissions, 50% reduction Scope 3 emission	2030 (base year 2020)	●
Energy	5% improvement in energy efficiency (MWh/k direct hours)	2023 (base year 2020)	●
Water	5% reduction of water withdrawal at sites located in water stressed areas	2023 (base year 2020)	●
Water	100% recirculation of water at sites located in water stressed areas	2030	●
Waste	85% recycling of waste	Recurring	●
Waste	Zero waste to landfill	2030	●
Materials	30% recycled material content in products	2030	●
Diversity	35% female employees	2025	●
Diversity	25% female managers	2025	●
Diversity	<70% homogeneity (gender and nationality) in highest management groups	2025	●
Health & Safety	<1.5 Lost Time Injury Frequency Rate (LTIFR)	2025	●
Chemicals	No unauthorized chemicals used	Recurring	●
Ethics	100% of employees trained in Business Principles, Anti-Bribery, Anti-Corruption and whistleblowing	Recurring	●

*Trend to achieving target based on results 2023

● Well aligned with target ● Progress made towards target ● Not aligned with target

Our purpose and how we create value

Our purpose provides the motivational force in our daily activities. Dedicated to outstanding customer service, an inspiring and embracing workplace, and with sustainability in our DNA, we define our purpose as accelerating success for our customers, people and planet.

The resources we employ...

Business

1,563 R&D investments, SEKm

2,440 Capex investments, SEKm

36 Manufacturing sites

> 4,200 Patents

> 600 Distributors

Human

> 100 Present in number of countries

21,321 Employees

Natural

301,673 Energy consumption, MWh

21,850 In direct material purchases, SEKm

747,212 Water consumption, m³

How we apply them...

Strategic priorities

Sustainability and digitization boost our three key areas

- Customers
- Products
- Services

Technology leadership

Growing number of applications based on our three core technologies

- Separation
- Heat transfer
- Fluid handling

Three divisions – global presence

Three industry based divisions served by a common sales and service organization

- Energy
- Food & Water
- Marine

We apply our resources to develop and broaden application of our three leadership technologies heat transfer, fluid handling and separation and take them to market through our three industry based divisions Food & Water, Energy and Marine and a large network of distributors.

Our operational focus addresses macro trends while leveraging our technology leadership and global market presence through the prioritized areas of products, services, customers, sustainability and digitization.

Based on our Business Principles...

Alfa Laval's four Business Principles describe the way we must act within society whilst achieving our business goals.

Caring

We care about every individual's rights and opportunities including their safety and well-being.

Committed

We are committed to ethical conduct within our organization and in all external business relationships. Honesty, integrity and respect for others are values that we live and work by.

Transparency

We engage in open dialogue with all our stakeholders to develop business relationships built on trust.

Planet

We are in a unique position as our products make a significant contribution to reducing the environmental impact of industrial processes. We also have a responsibility to continuously reduce the environmental impact in all areas of our value chain.

To create stakeholder value.

Customers

- Energy savings.
- Lower total cost of ownership.
- Increased productivity.
- High level of innovation.

Investors

Financial targets:

- Growth of 5%
- Adjusted EBITA-margin of 15%
- Return on capital employed of 20%

Employees

- Opportunities to learn and develop in the Alfa Laval Group.
- An organization that promotes respect, diversity and is free from discrimination.
- Alfa Laval strives to be a workplace that is free from accidents and work-related illness.

Suppliers & partners

- A reliable and ethical partner.
- On-time deliveries.
- Broad market access.
- A global supply chain with strong local presence.

Society

- Alfa Laval has a target to be carbon neutral by 2030.
- Recycling of 100% of the water used in sites located in water-scarce regions by 2030.
- In 2021 alone, Alfa Laval heat exchangers reduced energy use in heating and cooling applications by around 50 GW while reducing 25 million tonnes of CO₂ emissions.

Strategic priorities

To achieve its vision, implement its business purpose and attain its growth, profitability and capital utilization goals, Alfa Laval has established various strategic priorities that encompass customer collaboration, a focus on products and working to further strengthen the aftermarket offering.

Customers

At Alfa Laval, we strive to always meet our customers' high expectations when it comes to quality, service, interaction and sustainability.

Products

Alfa Laval is, and has always been, a product-driven company. A strong focus on research and development (R&D) will remain the single most important factor for market leadership and organic growth.

Service

Alfa Laval continuously develop its service business in order to fully leverage its large installed base, fuel growth and improve the customer experience.



Affordable and clean energy

Alfa Laval's products are involved throughout the renewable energy production process, from heating and cooling to mixing and separation.

Customer Relevance

Growth through customer relevance means that we shall deliver outstanding customer experiences and retain technological leadership in our field. We always work to drive progress and anticipate the best way forward, for our customers and for the environment. By building seamless solutions with relentless innovation, we can overcome the toughest challenges and drive change together.

Customer relevance starts day one in any business relationship. For Alfa Laval, it is all about understanding the true needs of our customers. Customers should feel that Alfa Laval offers the best possible overall experience with an attention to detail at every step – from initial contact and technology expertise to subsequent service needs once the products are in operation.

Doing business with Alfa Laval should be easy. Customers want us to be a partner working closely together throughout their business process. Our global reach and strong local market presence, in combination with deep end-customer understanding through a commitment to service, product development and customer care, allows us to build long-term relationships. We aim to respond quickly and professionally to customer and offer appropriate solutions on time. This is true irrespective of whether the solution is a standardized component or a more advanced system for customers with specific needs. To be truly successful, we have to look beyond just selling and servicing products and solutions. We work relentlessly to make the purchasing process as convenient and responsive as possible and to have a truly solution-oriented approach to urgent or unexpected events.

In our endeavour to optimize our customers' processes as a company that is easy to do business with,

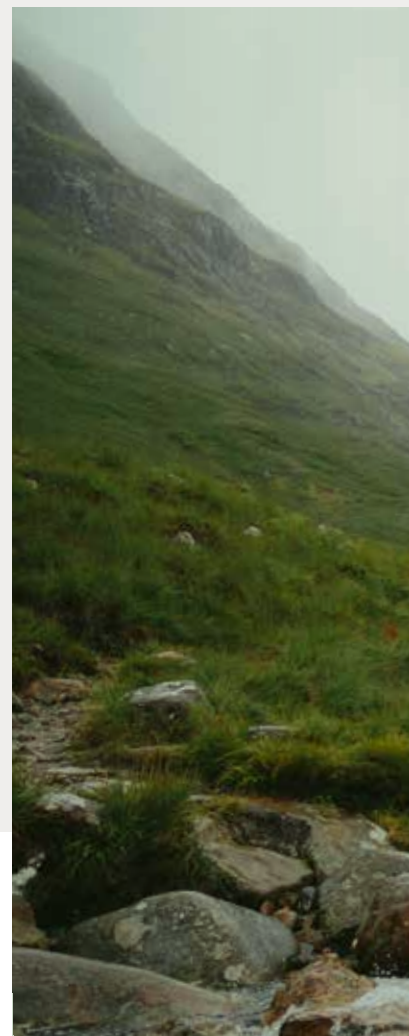
Alfa Laval's products are central. But customers also prioritize other criteria when they evaluate their overall experience with a supplier. By meeting the customer's expectations and needs, from the initial contact and the sales process to delivery and even aftermarket, the conditions are created for a positive customer experience. This makes it more likely that Alfa Laval will become their first choice for their next procurement.

Alfa Laval works broadly to simplify customer collaboration. This requires an organizational structure to ensure short decision-making and faster customer responses and increased on-time deliveries. It also involves the establishment of three standardized business models to address customers' differing needs, challenges and purchasing processes.

1. Standard – sale of standardized components through channels and online, with a focus on easy accessibility and lead times.
2. Configured – defined from standard components, we are able to customize the product to suit specific customer needs.
3. Project – customized systems and solutions for customers with specific requirements.

Adapting to new demands

How we do business and what is required from us when doing business are changing rapidly, both by the introduction of new tools and processes and through legislation and regulations. Our ambition is to ensure that all customer interaction, whether digital or physical, is as seamless as possible and supports the increasingly stringent and ambitious sustainability requirements.



Putting our customers first

Our innovative solutions support industries to purify, refine and recycle materials. We are committed to optimizing our customers' processes, to drive responsible growth and progress. We are responsive to our customers' needs – always going that extra mile to support them in achieving their business goals and sustainability targets.

Action

We are agile in handling changes in customer behaviours and needs

- We make decisions and own them, always with our customers in mind
- We are focused and fast
- We are pro-active and take the initiative
- We are bold and unafraid to try new ways of working
- We adapt to meet changing customer needs

Interaction

We create an outstanding customer experience

- We always put our customers first in everything we do
- We spend time to build meaningful relationships
- We communicate clearly and simply
- We actively seek opportunities to delight
- We inspire and engage people while fostering a culture of accountability and ownership

Satisfaction

We bring high value to our customers

- We go the extra mile to exceed expectations
- We seek and take feedback to continually improve
- We relentlessly explore better ways to add value
- We do our utmost to benefit and satisfy our customers

Climate action

Alfa Laval works to minimize climate impact throughout the value chain. Our diverse products improve energy efficiency which, in turn, lowers the consumption of fossil fuels and reduces carbon emissions.



Product leadership

Product development and engineering expertise is at the core of Alfa Laval and is the most important factor to secure the company's strong position and enable profitable growth. With increased customer emphasis on improving existing processes and exploring new technology areas at an accelerated pace, our commitment to develop highly reliable, efficient and sustainable products and solutions that meet their new needs and requirements is more relevant than ever before.

As societies, industries and citizens strive to take better care of the planet we have inherited, great technological steps have been taken and many more will be needed to ensure the more efficient and sustainable use of the world's resources. Our equipment is a key enabler in many areas such as the energy transition, wastewater treatment and production and usage of new alternative fuels. Being a technology leader in our industries means that we are well positioned to push industry standards in areas where we believe we can make a difference for customers, people and the planet.

Meeting customer needs often involves optimizing an industrial process in which our technology is essential in promoting energy efficiency, durability and productivity. The pace of our development efforts has been increasing in recent years. R&D investment now accounts for about 3 percent of sales and covers not only new technologies and products, but also product improvements and upgrades to meet industry standards. With a rapidly growing demand for more efficient solutions and the development of entirely new technologies such as hydrogen, power-to-x and wind propulsion for marine vessels, we continue to accelerate our investments in innovation.

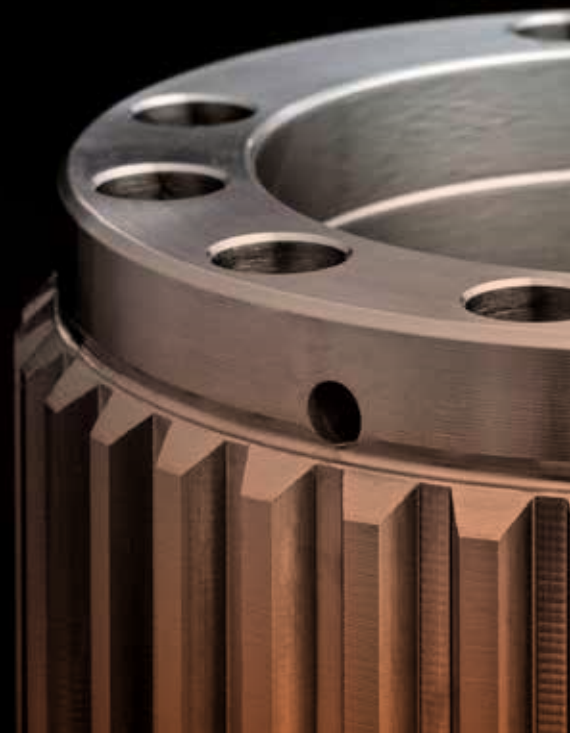
Our core technologies as a platform for growth

Our deep technology competence in the core areas of fluid handling, separation and heat transfer has been the driver for our successful historic performance and will remain as the foundation for future growth. As we see new technologies and new applications develop rapidly, Alfa Laval needs to make sure that it continues to invest throughout its product portfolio.



Industry, innovation and infrastructure

Alfa Laval invests heavily in research and development. The company launches 100 new products per year and has over 4,200 patents.



AlfaNova GL50



Power-to-X and fuel cells will play an important role in the global transition to green energy stored in hydrogen and derivatives such as ammonia, methanol, and methane. AlfaNova GL50 with its patented AlfaFusion technology, is the first Alfa Laval heat exchanger specially developed for fuel cell systems and advanced electrolyzer solutions where it increases efficiency and minimizes energy losses.

Methanol-fueled steam boilers



Methanol is emerging as a frequently chosen alternative fuel that can assist the marine industry in reducing emissions and achieving decarbonization targets. Alfa Laval's portfolio of multi-fuel boiler systems has now expanded to include methanol-fueled steam boilers. These are the world's first boiler systems that offer the fuel flexibility to accommodate methanol as fuel.

Life-cycle Assessment Solution



The Alfa Laval Life-cycle Assessment Solution is a subscription-based software solution that calculates, analyses and validates the environmental impact of food and beverage products, offering full supply-chain transparency. It will help food and beverage customers to specify necessary data demonstrating their environmental impact and compliance with the coming EU directives.

This includes more traditional industries where the development of new and improved generations of products helps existing customers to improve, as well as in completely new industrial partnerships and technology areas likely to play a part in the emerging energy landscape. We call this *Evolve, Expand, Explore*.

Evolve

Evolve includes the majority of Alfa Laval's product and service portfolio, with solutions and customers in end-markets where Alfa Laval has been a leading solution provider for decades. Large parts of Alfa Laval's product platforms and product programmes have been replaced over the past five years and we continuously work to improve operational efficiency and enhance performance. Product development for solutions in this category is tilted towards constant progression rather than technological leaps.

Expand

Expand covers end-markets that are growing at an accelerated pace driven by the greater emphasis on energy transition and decarbonization. These markets are rapidly expanding Alfa Laval's addressable market for its core technology portfolio. The need for energy efficiency solutions is illustrated by growth in heat pumps, the development of district heating and district

cooling systems and the shift to more advanced cooling solutions in data centres – which all require heat transfer equipment to achieve greater energy efficiency. The opportunities related to decarbonization are notable in growing areas such as the use of multi-fuel solutions in the marine industry, increased need for biofuels in the transportation sector and carbon capture in emission-intense applications. Product development mainly focuses on the specific engineering challenges attributable to the respective end-customer requirements with our key technology platforms as a base.

Explore

The industry is now at the cusp of breaking a number of technological boundaries in the urge to find ways to reduce carbon emissions. In several of these development projects, completely new competences, technology assets and metallurgical knowledge are required. Investments in these new technology programmes have accelerated in recent years to make Alfa Laval a technological leader as well as being considered a committed partner. Opportunities in areas such as hydrogen, fuel cells, wind propulsion for marine vessels and long-duration energy storage can be significant over the coming decade, and a focus on product development in all these areas remain a priority.

Service excellence

When turning to Alfa Laval for services and support, we strive for customers to experience readiness, reliability and great expertise that save time and money – while making a responsible choice for safety and environment. Combined with our unparalleled product and application knowledge, this is why Alfa Laval is a trusted service partner. Our experts are your asset, working tirelessly to bring you performance and peace of mind.

Alfa Laval aims to always be available to customers when and wherever needed. With a local presence in more than 100 countries, we are ready to service and support our customers at all times. A comprehensive and continuously growing network of people and competence where service and maintenance are performed by skilled technicians is an integral part of our offering.

The Alfa Laval 360° Service Portfolio

The services and solutions in the Alfa Laval 360° Service Portfolio help customers to get the best return on their equipment investment throughout its life cycle. We partner with them in every aspect, from start-up, maintenance and support to improvements and monitoring services over time.

Our offering

Technical documentation

With our accurate technical documentation, customers can ensure proper equipment handling in their day-to-day operations and perform maintenance procedures correctly. Having the right documentation on hand also facilitates certification and auditing when needed – and shortens lead time when ordering spare parts.

Troubleshooting

Our skilled and experienced troubleshooters are the direct route to solving any issue related to customer equipment. Working on site or remotely, they find the cause of unplanned shutdowns and help customers get the best possible operation from their equipment.

Training

Purchasing Alfa Laval equipment means buying reliability. But peace of mind depends just as much on the equipment's operators. Our skilled training experts extend and develop their competence for increased and prolonged performance.

Spare parts

Using Alfa Laval genuine spare parts ensures optimal productivity. Manufactured with knowledge and precision, our parts deliver function and uptime that prolong equipment life and lower ownership cost. We deliver them on time worldwide through an extensive logistics network.

A broader service scope

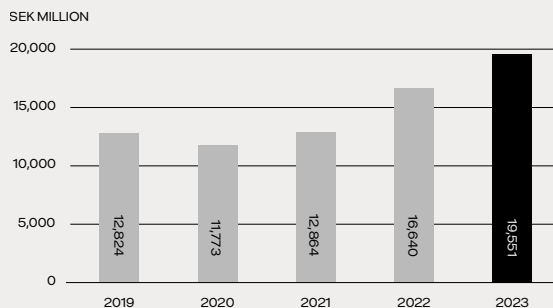
Growth in the service business is driven by our high pace in innovation, with demand for new and more sustainable technologies that drive the adaptation of services to meet new needs. At the same time, new generations of products are equipped with more serviceability, digital capabilities and contracted services as part of the purchase proposition. This creates more opportunities to touch more products, more often.

Strategically located service centres and partners ensure that local expertise and equipment are close to our customers whenever they need us. Our local service centres provide preventive maintenance and innovative service solutions that improve processes, minimize unplanned downtime and improve the operating economy of the equipment. Our service centres engage in well-developed sustainability activities, where the focus is on low water consumption, treatment of process water and the safe disposal of chemicals and cleaning fluids as a value-add service.

In recent years, Alfa Laval has built dedicated service organizations to tend to the needs of our customers. The International Marine Service organization was established in 2019 and comprises an international marine service team of more than 200 technicians supporting marine customers with the availability of fast and competent global service 24/7 – every day of the year. This approach ensures outstanding service experience and enables Alfa Laval to meet its brand promise to customers.

The growing demand for digital ways of working creates opportunities to serve customers in new ways. Digital tools are being introduced in the service business that enable service engineers to connect to customer equipment, identify needs and provide preventive maintenance. The introduction of more digital services also improves the productivity of the service organization, as more routine matters are handled remotely and the time spent on site at the customer can be focused on developing the customer relationship.

Service Order intake, SEK million





Responsible consumption and production

Alfa Laval's ambition is to make every new product more efficient than its predecessor from a life cycle perspective. Many of our products contribute to turning waste into value in different production processes.

360° Service Portfolio

Start-up services

- Commissioning
- Commissioning supervision
- Installation
- Installation supervision

Maintenance services

- Calibration
- Preventive maintenance
- Reconditioning
- Cleaning services
- Repair
- Spare parts
- Service kits
- Service tools
- Exchange

Monitoring services

- Condition audit
- Condition monitoring
- Performance audit

Improvement services

- Equipment upgrades
- Redesign
- Replacement and Retrofit

Support services

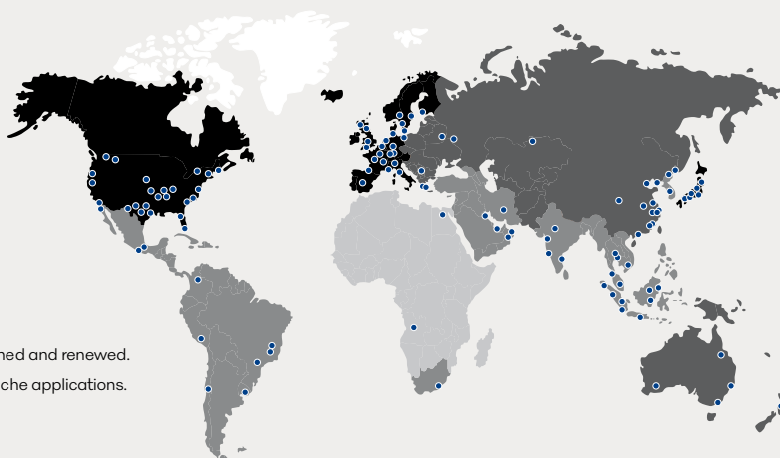
- Exclusive stock
- Remote support
- Technical documentation
- Training
- Troubleshooting

Service centres

>100

More than 100 service centres with the capacity to deliver services in over 160 countries.

- Service centres.
- Large and mature installed base that needs to be maintained and renewed.
- A combination of fast-growing markets and established niche applications.
- Installed base that is growing rapidly.



World-leading in three key technologies

Alfa Laval's operations are based on three key technologies – heat transfer, separation and fluid handling. These technologies play a key role in a number of industrial processes and Alfa Laval commands a world-leading position in all three areas.



Heat transfer

Heating and cooling are basic needs for both individuals and most industrial processes. In a large number of industries, heat transfer solutions are essential for heating, cooling, ventilation, evaporation and/or condensation. All of this can be achieved efficiently using a heat exchanger. Therefore, heat transfer products from Alfa Laval are now found in numerous areas – within everything from food production and marine environmental solutions to the creation of a pleasant indoor climate or hot tap water in private households with a heat pump or air-conditioner. Heat exchangers are a key technology in various new clean energy solutions to drive emission reduction, such as green hydrogen, energy storage and fuel cells.

Separation

Separation is the technology that represents the origin of the Alfa Laval we see today. The business began in 1883, based solely on separation, and this technology remains a core feature to this day. With precision and a high degree of reliability, liquids, solid particles and gases are separated from one another, which is a requirement in a large and growing number of industry applications.

Fluid handling

The transportation and regulation of fluids in an efficient and safe manner is crucial to many industries. Alfa Laval focuses on fluid handling products, such as pumps and valves for food and pharmaceutical industries with stringent hygiene requirements and on pumping systems for the marine industry and the offshore market.



Life below water

Alfa Laval offers a whole range of products in the areas of energy and environment that contribute to reducing marine pollution and protecting marine biodiversity.

Heat transfer

A technology at the heart of the energy transition

How it works

Heating and cooling are basic and essential needs in societies, businesses and homes around the world and the requirements for more energy efficient and sustainable solutions are increasing. Heat exchangers transfer heat or cold – often from one fluid to another – safely and efficiently. Every unique application has its specific needs and requirements for optimized temperature control. Alfa Laval's main product is the compact plate heat exchanger, which is more energy efficient compared to alternative solutions. Our extensive offering of plate heat exchangers – gasketed, brazed and welded – are each designed to not only withstand different pressure, temperature levels and challenging environments but also specified hygiene and safety requirements.

The problems that it solves

Energy efficiency is today one of the most important ways of reducing global emissions. This can be achieved through innovative heat transfer technologies that reduce energy consumption and by using more efficient solutions in existing processes, such as solutions that capture and reuse waste heat for other purposes. Alfa Laval has solutions in both of these areas, in which industries and societies must now work together to accelerate developments to save energy and reduce carbon emissions. The pace of innovation to find new and clean energy sources is accelerating. This means not only new opportunities for Alfa Laval, but also a responsibility to make sure that we keep up with the technological development to allow for the transition to clean energy solutions in the years to come. With the industry's broadest product portfolio, Alfa Laval offers efficient solutions that are easy to service and maintain. This reduces costs and lessens the impact on the environment.



Sustainable cities and communities

Alfa Laval provides solutions for energy efficient district heating and cooling — often using waste heat as well as thermal storage solutions.

Business units with heat transfer products in their range

Energy Division

- Brazed & Fusion Bonded Heat Exchangers
- Gasketed Plate Heat Exchangers
- Welded Heat Exchangers

Food & Water Division

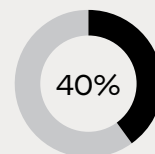
- Food Heat Transfer
- Food Systems
- Hygienic Fluid Handling

Marine Division

- Marine Separation & Heat Transfer Equipment
- Boilers

Sales

Share of group sales



Market position



30-35 percent of the global market



Separation

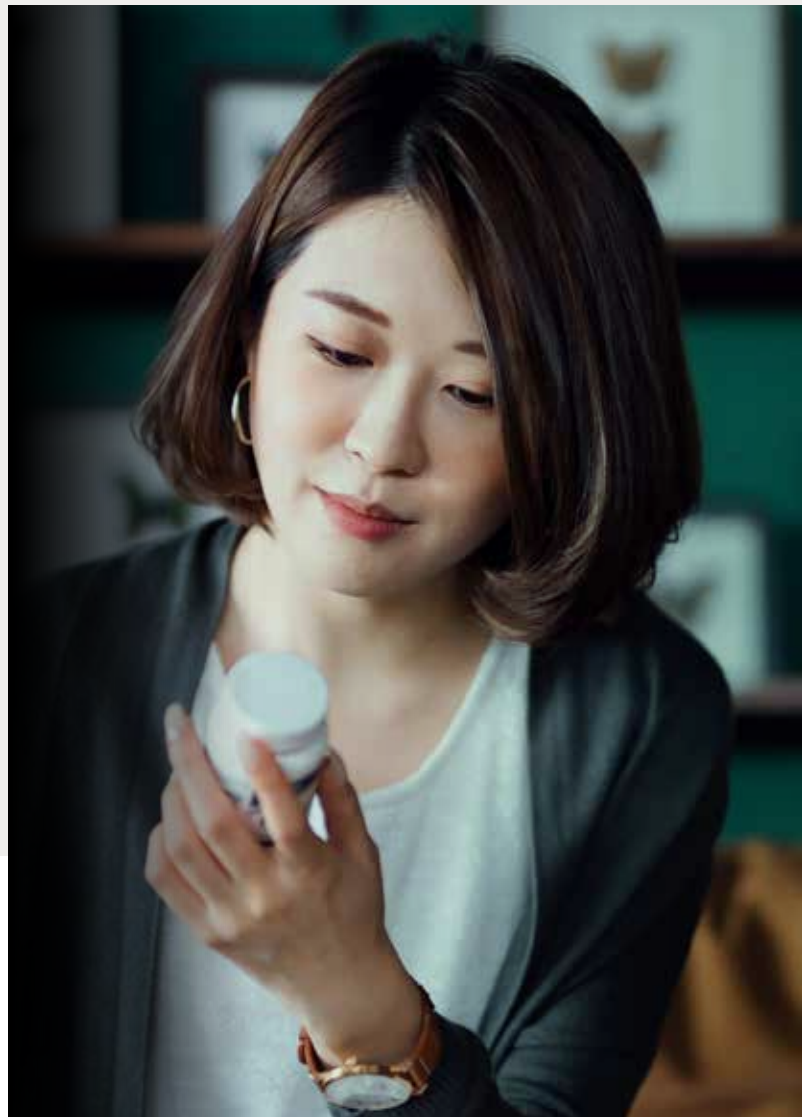
Our technology origin more relevant than ever before

How it works

Separation is used to separate liquids from other liquids and solid particles from liquids or gases and is a key technology in many industries, such as food, dairy, water treatment and pharmaceuticals, as well as in shipping and chemical production. Alfa Laval's separation products are dominated by high-speed separators and decanter centrifuges. Separators have high rotation speeds, are generally mounted vertically and can separate small particles from liquids and gases. Decanter centrifuges are normally mounted horizontally, operate at lower speeds and are used to separate larger particles from liquids. Other separation products include membrane filters, which are the established solution for separating very small particles, and belt filter presses, which are used for mechanical dewatering, mainly of municipal wastewater.

The problems that it solves

The needs of our customers' businesses are the driving force behind our innovative solutions, which are reliable and help increase productivity, sustainability and digitalization. As an invention originally developed to separate cream from milk, the technology is now used in a wide range of applications such as advanced pharmaceutical production, purifying wastewater and biofuel production. There are numerous benefits, including improvements in product quality and guaranteeing the performance of industrial processes, or satisfying strict hygiene and safety requirements. And just as important, the separation process also helps boost efficiency, which cuts costs and reduces environmental impact.



Business units with separation products in their range

Energy Division

- Energy Separation

Food & Water Division

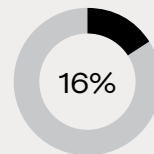
- High Speed Separators
- Decanters
- Food Systems

Marine Division

- Marine Separation & Heat Transfer Equipment

Sales

Share of group sales



Market position



25-30 percent of the global market



Good health and well-being

Alfa Laval delivers hygienic equipment that enables efficient and safe production in the pharmaceutical industry.

Fluid handling

The art of taking control

How it works

Fluid handling is all about transporting, controlling and regulating fluids and other product flows. Pumps drive the flow of liquids, while valves control the flow by opening, closing and redirecting. Alfa Laval's offering includes centrifugal, liquid ring and rotary lobe pumps, a broad range of hygienic valves and hygienic tank equipment ranging from mixers to cleaning equipment. Correctly specified, the equipment not only provides safe and efficient processes, but also optimizes the use of resources and reduces waste.

The problem that it solves

Optimized fluid handling increases the yield of a manufacturing or processing operation, satisfies hygiene requirements, improves energy efficiency and reduces the amount of waste. As well as increasing productivity and ensuring quality in flow processes,

these systems facilitate filling and sampling, and simplify cleaning and monitoring. As a result, our solutions help to both maximize plant uptime and minimize costs in a customer's business. The technology is used in a large variety of industries, for example, in the manufacturing and processing of food, beverages and pharmaceuticals, as well as in shipping and in offshore. For hygienic food and water applications, the offering includes various valves for increased control, but also mixers used for mixing of milk, wine, juice, yoghurt, desserts and fruit drinks. For the Marine industry, products and solutions include submerged, hydraulic pumping systems for product and chemical tankers and tank cleaning technologies. For the offshore industry, the offering includes pumping systems for collecting sea water for various onboard applications, water injection in drill holes and fire extinguishing, which contribute to safe and efficient operations.



Zero hunger

Alfa Laval's products and solutions improve shelf life, reduce waste and make food production hygienic and safe.

Business units with fluid handling products in their range

Food & Water Division

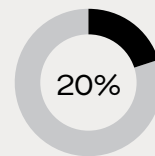
- Food Systems
- Hygienic Fluid Handling

Marine Division

- Pumping Systems

Sales

Share of group sales



Market position



10-15 percent of the global market



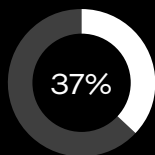
Three business divisions with customer needs front and centre

Alfa Laval's business concept is to persistently optimize performance in customer processes. To achieve this, the Group has a solid product offering, a high level of technical expertise and an agile structure that ensures a sound understanding of customer needs, buying behaviour and processes.

Food & Water

The Food & Water Division works with products and systems for food and water applications, for example in industries such as food, pharmaceuticals, biotech, brewing, dairy and water treatment.

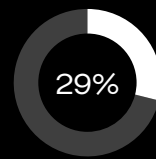
Share of Group order intake



Energy

The Energy Division focuses on solutions to promote greater energy efficiency, in both financial and environmental terms. Customers include companies operating in data centres, renewable energy, heating, ventilation and refrigeration, oil and gas extraction, refining, petrochemicals and power generation.

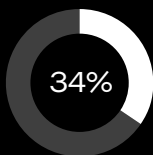
Share of Group order intake



Marine

The Marine Division specializes in solutions for shipping customers, including shipping companies, shipyards, engine manufacturers and companies involved in off-shore oil and gas exploration.

Share of Group order intake



Growth despite uncertain macro-economic conditions

After a couple of years of strong growth driven by low interest rates and supportive structural trends, demand normalized in 2023 as a consequence of a weaker macro-economic environment in several regions. Despite a less favourable investment environment, order intake increased by 20 percent and reached a new record level of SEK 26 billion in 2023 driven by the 2022 acquisition of Desmet, continued investments in the biofuel industry and good growth in service.

The market is still benefitting from growing structural demand trends such as new foods, more efficient water treatment and biofuels as part of fuel blending. However, the weaker macro-economic activity impacted most end markets and several geographic markets. The pipeline of projects continued to develop positively but higher interest rates and increased uncertainty in some cases caused customers to postpone decisions. The somewhat weaker macro-economic conditions were partly compensated by the recent focus on innovation and building an even stronger market presence, both through direct sales channels and through a broader partner network, which allowed the division to strengthen its market position in several technologies and end markets during the year.

Demand remained strong in the biofuel sector, both in bioethanol and biodiesel. For bioethanol and biodiesel, regulations stipulating a higher blending of petrol in regions such as North America, South America and India continue to drive investments. Alfa Laval's historical presence and offering in this growing market was complemented by the wider offering and presence by Desmet, with competence and know how in renewable fuels and the biofuel industry.

Investments also continued in technical infrastructure for water treatment applications in many geographical markets, with several countries prioritizing investments in the area. The increased need for more efficient water and wastewater treatment is driven not only by new regulations and lower operational costs, but water scarcity and environmental concerns in general.

A weaker demand was seen in the pharma and biotech industry, albeit coming from an exceptionally high level after strong growth in recent years. Demand also normalized in the dairy and brewery sectors as customers adapt to a new interest rate environment.

The service business developed strongly during the year with 11 percent growth and today represents 24 percent of the division. A positive effect was seen from a stronger market presence, a structured approach of how to reach the installed base of Alfa Laval equipment and the wider development of value-added and field services.

Innovation enables more sustainable use of resources

The need for more sustainable ways of producing, transporting and consuming goods is affecting Alfa Laval's offering as well as the setting of new requirements in the applications and industries that we serve. Significant reductions in energy consumption have been achieved in the new separation technology portfolio, both for high-speed separators and decanters, where new products can typically reduce energy consumption by as much as 50 percent. Water and waste treatment remains a prioritized area, where improved products help reduce customers' water consumption or make water treatment processes more efficient. Zero liquid discharge is one such example, where water is recovered from wastewater for reuse in customers' processes and residual waste streams are significantly reduced.

The recently introduced CultureOne is the first premium separator portfolio offered to single-use biopharma processing. The technology allows companies to bring more medicine to the market through improved yield and in a safer way through flexible factories. In addition, CultureOne uses 40-80 percent less water, energy and cleaning agents compared to less efficient filter-based harvesting methods, whilst also only using much less plastics.

A new generation of control tops was introduced during the year, which is a technology used to operate actuators on valves to ensure safe valve opening and closing. Alfa Laval has over 20 years of experience in the field and maintains a leading position through continuous innovation. The latest version, V50/V70 has been developed with a clear mission to help customers save water, chemicals and energy. During the year, process customers around the world chose several of Alfa Laval's digital solutions to upgrade existing equipment which resulted in significant environmental and financial savings.

The digital transition of sales continues, including the configuration of products, ordering and support. To support this trend, the division continues to expand its e-commerce platform, which enables more business to be fully conducted in a digital, secure and efficient way. Digitalization is also having an impact on service and maintenance work, with more products being connected and monitored via sensors and cameras. This kind of remote support saves time, facilitates problem solving, simplifies preventive service and ultimately gives the customer more reliable uptime.

Number of
employees

8,283

Aftermarket's share
of the division

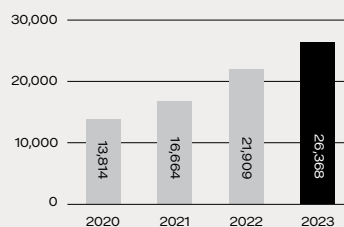
24%





Order intake

SEK MILLION



ORDER INTAKE, BUSINESS SEGMENTS

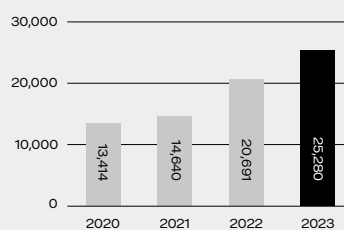
Desmet	25%
Decanters	13%
Food Heat Transfer	14%
Food Systems	10%
High Speed Separators	13%
Hygienic Fluid Handling	25%

ORDER INTAKE, END MARKETS

Dairy	17%
Prepared food & beverage	17%
Oils & Fats	30%
Pharma & Biotech	6%
Ethanol, starch & sugar	9%
Waste & Water	7%
Protein	6%
Brewery	5%
Other	3%

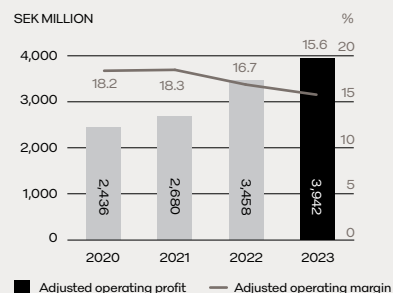
Sales

SEK MILLION

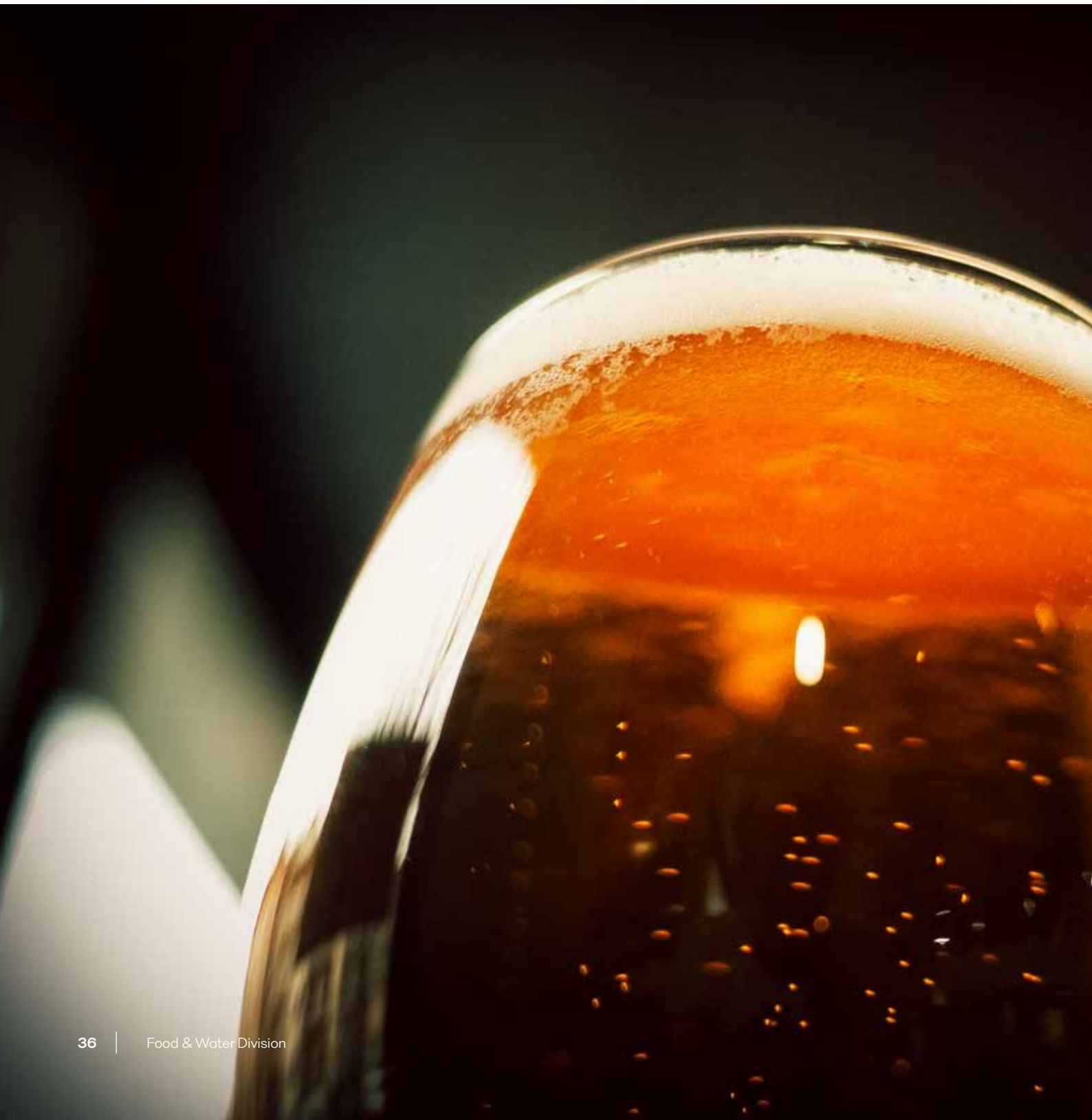


Adjusted operating profit/margin

SEK MILLION



Revolutionizing beer – high-quality brews from concentrate





The future of beer has arrived, and it's in the form of beer concentrate – a new generation of beer that's every bit as good as the fresh draft beer poured straight from the tap. This remarkable innovation, supported by extensive taste tests, is transforming the way we enjoy our favourite brews.

The secret behind this breakthrough lies in a high-pressure, low-temperature process, which yields a top-notch concentrate. Once rehydrated, this concentrate retains the exact taste, aroma, and alcohol content of the original beer, making it indistinguishable from the fresh brew.

This brewing revolution is being driven by Alfa Laval and its pioneering beer processing system "Revos." What makes this system truly exceptional is its ability to deliver the same great-tasting beer and beverages from concentrate while simultaneously addressing critical environmental concerns.

By adopting a high-pressure, low-temperature process, Alfa Laval has not only created a high-quality concentrate but also paved the way for a more sustainable beer production and distribution process. The Revos system significantly reduces emissions, water consumption, and energy costs, making it a more sustainable choice for both beer makers and beer enthusiasts.

One of the major issues in the beer supply chain has always been the transportation inefficiencies associated with hauling heavy kegs and bulky containers to bars, cafes, and restaurants. This outdated approach is not only fossil-fuel intensive but also wasteful. Beer is, after all, primarily water, which makes transporting it in its traditional form an inefficient practice.

This is where beer concentrate can really make a difference. Transporting concentrate is up to six times more efficient than transporting regular beer and beverages. By embracing the concentration system, beer manufacturers, as well as bars, cafes, and restaurants, can significantly reduce transport costs and their carbon footprint. Moreover, it helps to reduce costs related to packaging, storage, shipping, and refrigeration.

The introduction of beer concentrate is a true win-win for society. It not only enables a more sustainable beverage supply but also ensures that beer lovers can enjoy their favourite brews without compromise. Cheers to a more sustainable future in beer production and distribution!

An energy market in rapid transition

Strong dynamics in the energy market

The need for improved energy efficiency in societies, industries, and households in all parts of the world remain as the single most important driver of growth in the Energy division. In addition, a maintained high activity level in the oil and gas sector and increased investments into the new energy landscape drove order intake growth of 18 percent to a new record level of SEK 20 billion in 2023.

2023 marked a year in which the division initiated the first steps of the significant capacity increases announced for the coming years. The increase in production capacity reached a historical high which was a vital response to a sustained high demand and ensures the ability to serve customers in the best possible way. Several years with exceptionally high growth in the Brazen and Gasketed business units created bottlenecks in parts of the production system that are now being better balanced as new capacity gradually comes on-line. The growing demand for energy-efficient applications and the decarbonization of heating is expected to continue, and Alfa Laval will continue to invest in sufficient capacity to serve and support this transition in the years to come. The division also successfully executed on restructuring measures in the Welded business unit to better balance the organization to the new demand levels in the oil and gas industry.

Energy efficiency and the electrification of heating

Sales of products and services related to energy efficiency account for more than 80 percent of the division's business and is evident in all industries. Annually, it contributes to 100 GW and 50 million tonnes CO₂e in emission savings. The need for more advanced and energy efficient solutions drive demand for new equipment as well as for services and expertise.

The importance of energy efficiency in reducing emissions is driving increased demand for services and ensuring the smooth operation for customers during the lifetime of their equipment. Service offers a significant growth potential with continuous expansion, including the development of new service models and partnerships with customers to support them in reducing emissions. Product sales are increasingly linked to long-term maintenance agreements that include energy audits to identify energy savings in the customer's equipment to ensure optimal usage.

There are also areas where energy efficiency and water supply are connected, such as in clean hydrogen production. Excess heat from the electrolyser can be used for desalination and provide the clean water needed in the hydrogen production process from sea- or river water instead of valuable portable water.

As efforts continue in Europe to reduce gas dependency, electrifying residential heating by substituting gas boilers with more efficient and environmentally friendly heat pumps is a key action. Heat exchangers play an important role in the overall efficiency of the system. With a strong global footprint, long-term relationships and a broad product portfolio to manage the full range of refrigerants, Alfa Laval is well positioned to support customers in this growing sector.

Accelerating the energy transition

The shift to alternative fuel and energy solutions is accelerating. To speed-up the journey to net zero, where heat transfer optimization is a key enabler, the focus on innovation is high in the Energy division. This resulted in a large amount of product launches during the year and the heat exchanger product portfolio now represents the most comprehensive range of heat exchangers in the company's history. Investments in innovation will increase significantly going forward and can be categorized into two primary focus areas:

- The first one covers incremental as well as more radical innovations of the existing portfolio and will also include optimization in the supply chain and manufacturing landscape.
- The second focus area addresses certain technological and scalability gaps in the transforming energy landscape. The hydrogen market is one example where there are high innovation needs. The Division has been present in the hydrogen market in recent years, pioneering products and technologies in the areas of electrolyzers and fuel cells. Recognizing the potential, Alfa Laval has decided to establish a new Business Unit responsible for Electrolyzers & Fuel Cell Technologies, and is developing new products in hydrogen applications in collaboration with industry leaders. Drawing upon the company's extensive expertise in heat transfer, metallurgy and industrialization, Alfa Laval is uniquely positioned to accelerate the hydrogen economy.

To drive these two innovation categories forward, a new innovation centre will be built in Lund, Sweden, to significantly increase R&D capabilities and the pace of innovation.

Number of
employees

5,902

Aftermarket's share
of the division

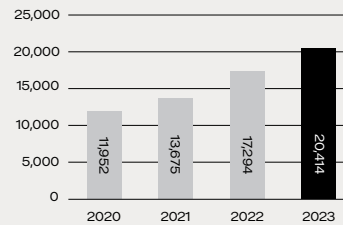
26%





Order intake

SEK MILLION



ORDER INTAKE, BUSINESS SEGMENTS

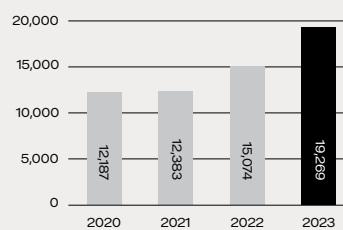
Gasketed Plate Heat Exchangers	39%
Brazed & Fusion Bonded Heat Exchangers	28%
Welded Heat Exchangers	21%
Energy Separation	12%

ORDER INTAKE, END MARKETS

HVAC & Refrigeration	38%
Process industries	20%
Oil & Gas	14%
Refinery	8%
Power	8%
Other	12%

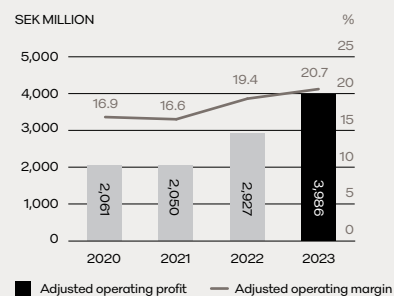
Sales

SEK MILLION

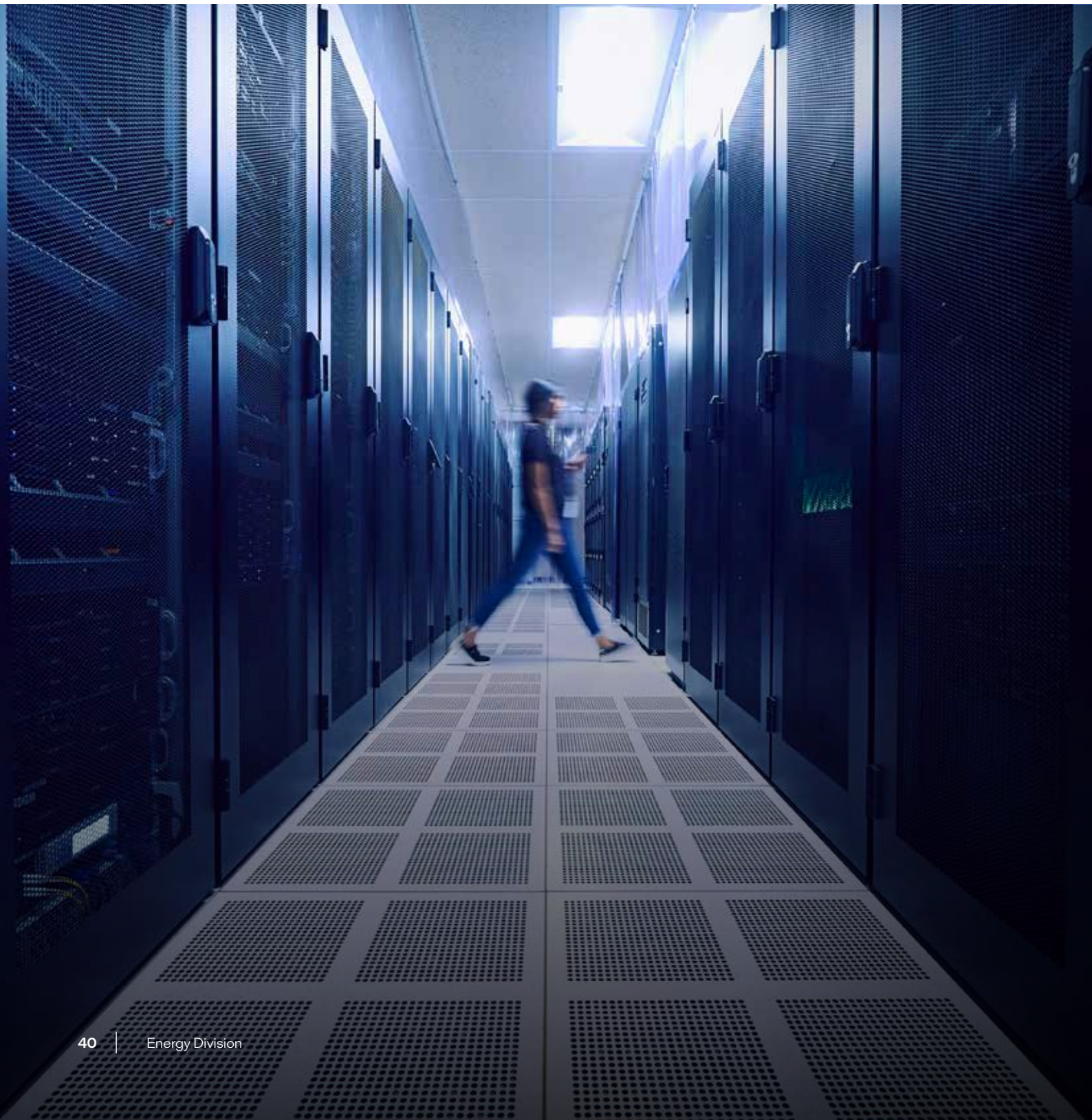


Adjusted operating profit /margin

SEK MILLION



Helping data centres keep cool





With digitalization and data-centric operating processes as fundamental enablers to create net-zero industries, optimizing data centres is crucial to creating a more sustainable society. Data centre servers, which are responsible for managing and transmitting vast amounts of data globally, generate large quantities of excess heat that must be efficiently removed to ensure seamless, uninterrupted operations. Alfa Laval, a pioneer in heat exchanger technology, has emerged as a key player in addressing this critical aspect of data centre management.

Alfa Laval's heat exchangers play a crucial role in maintaining optimal server temperatures. Not only do they efficiently cool servers, but they also convert the challenge of excess heat into district heating and even to help produce food by heating greenhouses and fish farms. However, many data centres around the world do not currently recycle excess data centre heat, which highlights a huge untapped potential.

Projections indicate that by 2030, if all data centres adopted waste heat recovery, 3,000 TWh of energy could be saved – equivalent to heating 300 million European homes. The Nordic region stands out as an ideal candidate for such waste heat solutions due to its well-established district heating infrastructure. Several successful installations, including a Danish data centre where Alfa Laval's heat exchangers annually provide domestic heating to more than 7,000 households, showcase the substantial benefits of this innovative approach.

With almost 100 years of experience in thermal technology, Alfa Laval has become a trusted partner in designing reliable and sustainable cooling systems for data centres. The company's industry-leading plate heat exchangers that offer optimal heat transfer efficiency are not only paving the way for greener data centres but also enabling net-zero industries around the world.

A larger and more resilient business

Order intake grew 23 percent in 2023 driven by an increased share of tankers in the ship contracting mix, a strong offshore market, a good development in services and a growing demand for our multi-fuel solutions. As our portfolio broadens and with the increased complexity coming from new fuel solutions in recent years, Alfa Laval continues to increase content onboard vessels.

After 12 months of margin pressure driven by both external circumstances and internal imbalances, a great emphasis in 2023 was on making sure that actions to improve profitability developed as expected. The programme launched in 2022 to address operational inefficiencies was implemented. The Boilers and Gas Business Unit have been merged into one with a consequent leaner management structure and lower cost base. Manufacturing in Aalborg, Denmark, was relocated to China with a better supply chain and footprint. Furthermore, the ballast water business has been right-sized to balance cost with the normalized demand level as the retrofit of existing vessels with these systems is almost completed. These initiatives together with a strong growth in service, an improved production load in the pumping systems business in the second half of the year, and good profitability in our growing multi-fuel portfolio helped improve the profitability of the division to 14.9 percent for the year.

The race to zero is on

In July 2023, the International Maritime Organization revised its greenhouse gas strategy and now aims for the industry to be net zero around 2050, which is a step change from its previously stated ambition of a 50 percent reduction in 2050. The race to zero is on and the industry pathway to get there will involve implementing increased energy efficiency measures and deploying cleaner energy. There is however an industry consensus that green fuels will not be available at scale for shipping in the short to medium term, that the energy transition in shipping will be a multi-fuel and multi-decade one. The Marine division is enabling this transition in three distinct dimensions. Foremost, we aim for our own offer to be carbon neutral by 2030 to lead the energy transition in shipping and help our customers to mitigate their scope 3 upstream emissions. In relation to the fuel transition, we are developing our existing portfolio to be multi-fuel capable to future proof our customers' assets and a new range of fuel pumping systems for methanol and gas was launched in 2023. A triple digit number of multi-fuel solutions are now deployed and operational. Finally, we added several new energy saving technologies into our portfolio that attenuate the energy intensity of sailing vessels. Oceanbird, our wind propulsion collaboration with Wallenius, OceanGlide, our air lubrication solution and StormGeo, our digital solution are three good examples of solutions that can each reduce fuel consumption

in excess of 5 percent. We see a strong demand for these solutions as the industry recognizes that any future fuel will be more expensive than the current ones and implementing energy efficiency measures makes sound economic sense.

A wider and deeper digital offering

In 2023, we further strengthened our Digital offering. This include StormGeo's roll-out of the EU-ETS emission measurement solution within its fleet performance management suite to enable ship operators to comply with new EU legislative requirements that will come into effect in 2024. The roll-out of Flood analytics and a warning solution in StormGeo's Terra suite helps land-based facilities to mitigate the impact of extreme weather events. In addition, we took over NSI's bunker trading platform and coupled it with StormGeo's bunker routing service to enable customers to not just optimize a vessel's route around bunkering fuel but also buy/trade bunkers on this same digital platform in one seamless solution.

We continue to invest in our digital infrastructure to improve the digital customer journey and enable data driven services, which increase operational efficiency across the value chain. The customer portal launched in 2022 to monitor Alfa Laval's pumping equipment in real time continues to grow and more than 2,000 ships used this platform at the end of 2023, which is twice as many as in 2022. As with other digital services, the portal helps optimize use, simplify maintenance and in the longer term, improve overall operating efficiency for the customer. Alfa Laval's ballast water systems are now supplied as connected assets by default and an increasing number of these are now coming on-line as customers recognize the off-hire risk connected to a non-operational or defective ballast water system during cargo operations. Implementation of a Customer Relationship management system and connecting this with our Installed Base tool has enabled our service support team to identify the service and upgrade needs of our customers with a couple of clicks rather than a demanding manual process.

Number of
employees

5,655

Aftermarket's share
of the division

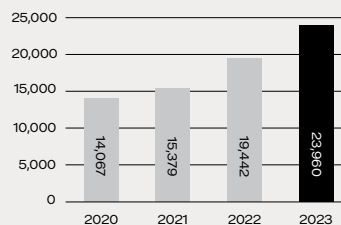
33%





Order intake

SEK MILLION



ORDER INTAKE, BUSINESS SEGMENTS

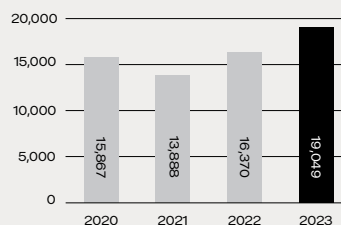
Heat & Gas systems	21%
Pumping Systems	40%
Water, Wind & Fuel solutions	35%
Digital Solutions	4%

ORDER INTAKE, END MARKETS

Shipbuilding and shipping	67%
Offshore	18%
Engine power	6%
Other	9%

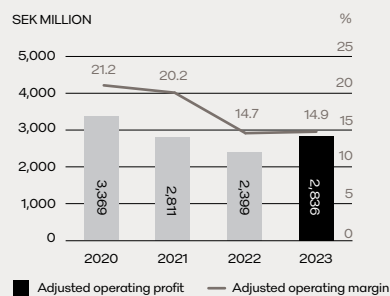
Sales

SEK MILLION



Adjusted operating profit /margin

SEK MILLION



Setting sail toward a sustainable future





In a world where sustainability is an ever-more urgent concern, A.P. Moller-Maersk has embarked on a ground-breaking voyage to introduce the world's first methanol-fuelled container vessel. With Alfa Laval's innovative solutions for methanol as fuel, this vessel embodies the way pioneering technologies and equipment can facilitate shipping companies' adaptation to the evolving energy landscape and environmental regulations.

Methanol is increasingly emerging as a viable marine fuel, aligning with the shipping industry's pursuit of cleaner and more sustainable energy sources. When produced from renewable resources, methanol has the potential to significantly reduce CO₂ emissions. Moreover, its compliance with the International Maritime Organization's (IMO) stringent emission regulations has sparked widespread interest in its adoption as a marine fuel.

With the ambitious target of achieving net-zero greenhouse gas emissions by 2040, A.P. Moller-Maersk, a renowned Danish shipping and logistics powerhouse, is swiftly propelling itself toward the adoption of novel technologies, state-of-the-art vessels, and clean fuels.

Operating a vessel powered by methanol requires thorough attention to onboard equipment, safety and user-friendliness. The 172-meter-long ship is equipped with an array of Alfa Laval's products and solutions, including FCM Methanol fuel supply system, methanol-ready steam boiler system, freshwater generator, heat exchangers, and separators. These components are meticulously designed to accommodate methanol as a fuel source while simultaneously enhancing vessel efficiency through energy savings and a reduced carbon footprint.

Over the years, Alfa Laval has established itself as a pioneering solution provider by expanding its capabilities for alternative fuels and energy-efficient solutions. Through its firm commitment to research and development, combined with an unparalleled service network, Alfa Laval supplies its customers and partners with innovative, sustainable technologies to help navigate the transition towards a cleaner, more environmentally responsible future.

Pioneering positive impact

Recognizing the fact that we live in a world with finite natural resources, Alfa Laval is pioneering innovative technologies and solutions to help customers unlock the full potential of these resources. Alfa Laval is uniquely positioned to play an essential role in enhancing the efficient use of energy, food, water, and other critical resources on which we all depend, and in this way also contributing to a more sustainable and decarbonized world.



Innovating for tomorrow

Together with our customers we are innovating solutions to meet tomorrow's demands on more circular business models with a limited climate impact. Each of Alfa Laval's divisions have exciting possibilities ahead, with opportunities to change the way our customers do business and support them on their journey to a fossil-free and less resource-intensive future.

In the Energy Division, we partner with many industries to optimise energy efficiency and reduce emissions with new generations of heat exchangers, but also extending the useful life of already installed products with our service offering. We are also contributing to a new energy landscape, driving the shift towards cleaner energy with a leading range of products to produce biofuels, hydrogen power, and for energy storage.

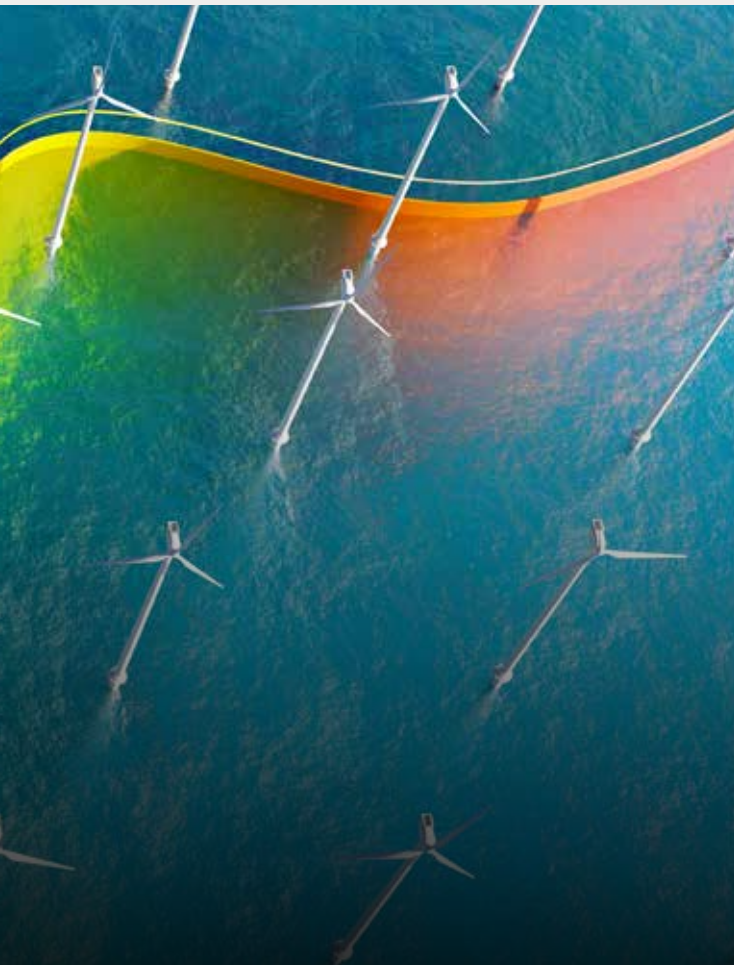
In the Food & Water Division, we are also seeing a significant demand for more energy-efficient products. As separators and pumps are typically always in use and have comparatively long lifetimes, Alfa Laval can make a significant contribution to customers' energy efficiency by developing products with a low energy intensity. In addition, Alfa Laval products help customers recover and reuse water while reducing wastewater to a minimum.

In the Marine Division, we are actively supporting the switch to carbon-neutral shipping by developing products for new and more sustainable fuel types. Alfa Laval provides pioneering solutions that reduce the need for fossil fuels and improves energy efficiency in the marine sector, helping sustainably transport cargo and people around the world.

Partnerships for sustainable innovation

The transformation towards a more sustainable business and society requires extensive collaboration between many different stakeholders. Alfa Laval seeks out strong partnerships with suppliers who also want to contribute to this transformation, for instance by innovating materials with a low carbon footprint or providing services that increase the circularity of products and resources.

By establishing the Alfa Laval Innovation House at our facilities in Copenhagen, we are aiming to accelerate the transformation by supporting start-ups that focus specifically on sustainability innovations. Partnering with other local organizations, Alfa Laval Innovation House hosts several start-up companies intent on solving a variety of resource and energy efficiency issues that can produce new knowledge and potentially also be a foundation for new business ideas.



Sustainability reporting

Alfa Laval's Sustainability Report according to the GRI Standards, including the Statutory Sustainability Report (with EU Taxonomy disclosures) according to the Swedish Annual Accounts Act, is found on pages 46–79 in this Annual Report.

Supplementary sustainability information to ensure reporting in accordance with the GRI Standards (including a GRI index) is found in the separate document "Sustainability notes" published on our corporate website www.alfalaval.com.

Alfa Laval's sustainability reporting covers the 2023 calendar year and focuses on material topics and activities in line with stakeholder concerns. It covers the entire Alfa Laval group and all wholly owned subsidiaries. Sustainability reports for previous years are available at www.alfalaval.com/about-us/sustainability/a-matter-of-trust/sustainability-reports/

For more information about Alfa Laval sustainability activities and reporting, please contact

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Tel: + 46 730 55 48 00
e-mail: anna.celsing@alfalaval.com



Sustainability strategy sets key priorities

The sustainability strategy established in 2021 remains highly relevant and continues to guide Alfa Laval activities. Organized around four central themes, the strategy sets the agenda and indicates key priorities for the business to focus on until 2030. Group targets are in place for all material issues, some with a deadline in 2023, others in 2025. Science-based carbon emission reduction targets have been set for 2030.



We exist to accelerate the success of our customers, people and planet

The purpose of the sustainability strategy is to focus on those areas where Alfa Laval has the largest impact and wants to show leadership as a company. The strategy is divided into four main areas – caring, committed, circularity and climate. These areas reflect the environment, social and governance (ESG) issues that are most significant and where Alfa Laval can contribute most.

Each area includes a vision that sets out the ambition. For the different areas, Alfa Laval has also set long- and short-term targets which are followed up through relevant performance metrics to ensure continuous progress and to meet potential challenges through action. Where applicable, Alfa Laval will encompass the whole value chain in its ambitions including how the products and technologies we put on the market contribute to the sustainable transformation of business and society.

The sustainability section of the annual report for 2023 follows the structure of the 4C sustainability strategy. Each section provides an overview of focus areas, targets, processes, governance and how we follow-up on progress.

Climate

Net-zero emissions

Alfa Laval aims to achieve net-zero carbon emissions in own operations and the value chain by 2050.

In focus

- Scope 1 emissions
- Scope 2 emissions
- Scope 3 emissions

Caring

Safe inclusive culture

Alfa Laval promotes a safe, inclusive culture both within the company and in its relationships with external partners.

In focus

- Health & Safety
- Inclusion & Diversity
- Human rights

Circularity

Circular business

Alfa Laval is dedicated to safeguarding the value of natural resources throughout its value chain.

In focus

- Improving process efficiency
- Extending product life span
- Reuse and recycling

Committed

Ethical conduct

Alfa Laval is committed to honest, respectful and ethical conduct within its organization, as well as in all external business relationships.

In focus

- Business principles
- Anti-Bribery, anti-corruption
- Whistleblowing

Targets and achievements

Alfa Laval's sustainability targets aim to drive efficiency and behavioural change to achieve better results in the short- and long term. The table below shows the company's sustainability targets. Progress on the targets is presented in more detail within each section of the report as well as in the Sustainability Notes document available on www.alfalaval.com.

Area	Targets	Target Year	Trend to achieving target based on results 2023	Read more
Carbon emissions	50% reduction Scope 1 & 2 emissions	2023 (base year 2020)		p. 52-57
Carbon emissions	95% reduction Scope 1 & 2 emissions 50% reduction Scope 3 emission	2030 (base year 2020)		p. 52-57
Energy	5% improvement in energy efficiency (MWh/k direct hours)	2023 (base year 2020)		p. 58-61
Water	5% reduction of water withdrawal at sites located in water stressed areas	2023 (base year 2020)		p. 58-61
Water	100% recirculation of water at sites located in water stressed areas	2030		p. 58-61
Waste	85% recycling of waste	Recurring		p. 58-61
Waste	Zero waste to landfill	2030		p. 58-61
Materials	30% recycled material content in products	2030		p. 58-61
Diversity	35% female employees	2025		p. 66-67
Diversity	25% female managers	2025		p. 66-67
Diversity	<70% homogeneity (gender and nationality) in highest management groups	2025		p. 66-67
Health & Safety	<1.5 Lost Time Injury Frequency Rate (LTIFR)	2025		p. 62-64
Chemicals	No unauthorized chemicals used	Recurring		p. 62-64
Ethics	100% of employees trained in Business Principles, Anti-Bribery, Anti-Corruption and whistleblowing	Recurring		p. 68-71

 Well aligned with target  Progress made towards target  Not aligned with target



Assessment of sustainability focus areas

Materiality assessment

Alfa Laval regularly conducts a materiality assessment to review the sustainability issues with greatest significance and ensure that the company's sustainability strategy remains relevant. This assessment is typically informed by interactions with internal and external stakeholders to fully capture material sustainability impacts, risks, and opportunities. The materiality assessment is validated by Group Management and the Board of Directors.

During 2023, Alfa Laval has initiated activities to align with the EU Corporate Sustainability Reporting Directive (CSRD) to be able to publish compliant sustainability statements in the 2024 annual report. The European Sustainability Reporting Standards (ESRS) that are a part of the CSRD regulations mandate that a double materiality assessment shall be carried out to identify sustainability topics on which to report.

Alfa Laval has performed such an assessment of sustainability impacts as well as financial risks and opportunities as required by ESRS, and this largely confirms that the focus areas of the current sustainability strategy are material topics. In addition, some new potentially material topics have been identified and will be analysed in more detail. The assessment also highlights the financial materiality of Alfa Laval's business opportunities in helping customers improve their energy and resource efficiency and reduce carbon emissions. We will disclose full details of the double materiality assessment in the 2024 sustainability statements.

Stakeholder engagement

Alfa Laval has identified customers, shareholders and investors, employees and future employees, and business partners as priority groups for engagement on sustainability issues. We have selected the stakeholder groups that make up our value chain and that can provide meaningful insights on our company's sustainability strategy.

We have regular contact with all these significant stakeholder groups throughout the year, and frequently address various aspects of Alfa Laval's sustainability strategy in these dialogues. Customer contact is typically handled by the business units, and in addition we regularly conduct customer surveys, which provide in-depth understanding of how customers perceive the company, including how Alfa Laval contributes to sustainable business development.

Alfa Laval shareholders participate in Annual General Meetings and investors are invited to annual capital markets days. Alfa Laval's potential to effectively respond to future sustainability challenges is one of the topics discussed at these meetings. In addition, we answer numerous ESG questionnaires during the year, and submit responses to rating organizations such as CDP and EcoVadis. These information requests from investors and analysts also provide input to our materiality assessment.

Employees are encouraged to give feedback directly to their managers and through recurring employee surveys. Suppliers are important partners for Alfa Laval's business success. Regular interaction with them results in mutual development. Alfa Laval has an open dialogue with the communities in which the company operates, including collaboration with universities and local governments.

Dialogues with key stakeholders

Alfa Laval's stakeholder engagement builds on both formal and informal dialogues. Most of these dialogues occur as part of everyday business and sustainability topics are frequently part of these conversations.

Two stakeholder groups in particular – customers and investors – stand out in this area and are increasingly asking more in-depth questions on Alfa Laval sustainability strategy, actions and performance.

Some of the issues raised in the past year include:

- Climate change adaptation and climate-related risks
- Climate change mitigation and carbon emissions
- Resource efficiency and circular economy
- Business opportunities related to sustainability
- Health and safety performance
- Diversity and inclusion in the workforce
- Human rights and supplier business conduct

Stakeholder dialogues continue to be an important part of the Alfa Laval sustainability agenda and the results of these dialogues inform and validate our strategy. Input from various stakeholder dialogues has also been valuable in the double materiality assessment that is presently being conducted.

Strengthening our climate commitments

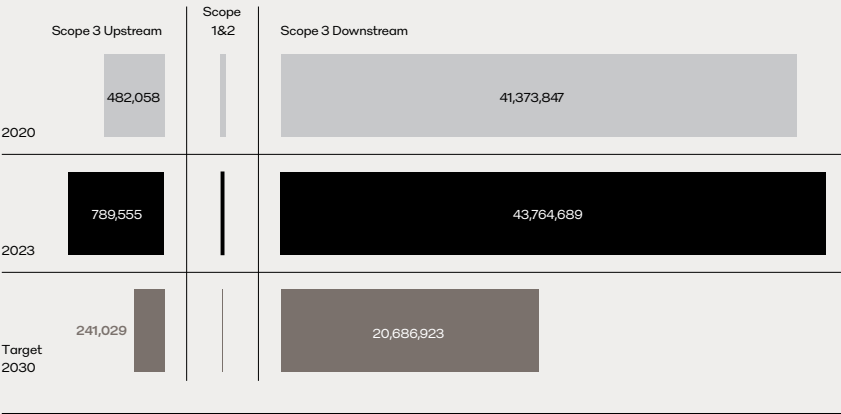
Alfa Laval's climate commitment has been strengthened significantly during 2023, with a science-based validation of our climate targets, collaboration with external partners both up- and downstream in our value chain, and introducing new and more energy efficient products on the market.

Validation of science-based targets

Alfa Laval has committed to a near-term science-based target to reduce scope 1 and 2 carbon emissions by 95 percent and scope 3 value chain emissions by 50 percent by 2030 (compared with a 2020 baseline). Furthermore, we have committed to achieve net-zero emissions in all scopes by 2050. Both the near-term and long-term targets have been validated by the Science-Based Targets Initiative (SBTi) in 2023, ensuring that Alfa Laval's climate ambitions are in line with the latest science and contribute to meeting the 1.5-degree target defined in the Paris Agreement.

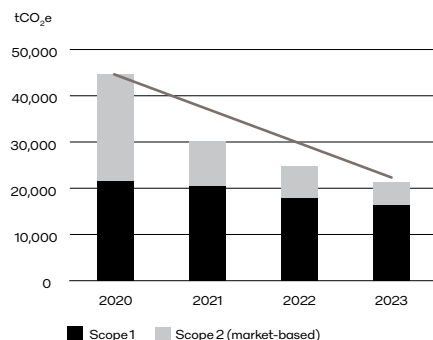
Progress on emission reduction targets

Operational emissions (scope 1 and 2) have been reduced by 52 percent since 2020 and we have therefore achieved our 2023 target and are on track towards the near-term target (2030). Value chain emissions (scope 3) have continued to increase, mainly due to a growing business and larger volumes of products put on the market. An error in the calculation of downstream emissions was identified in 2023, resulting in an increase in emissions compared to what was reported in 2022. This has also affected the baseline (2020) and emissions of previous years.



Operational emissions

Fossil fuels for heating and electricity production are the main sources of greenhouse gas emissions from operations (scope 1 and 2). Replacing these fuels with renewable sources and using energy more efficiently are high priorities for Alfa Laval in the short- to medium-term.



Reaching the target 2023

Alfa Laval continues the journey to analyze the energy consumption on sites globally to find savings opportunities. We are currently working on five sites where we analyze patterns and trends more thoroughly together with an external partner. The analysis is performed on a bi-monthly basis in Ronneby, Pune, Qingdao, Jiangyin and Richmond. During 2023, Alfa Laval has mapped the natural gas consumption in our facilities to formulate a strategy on how to phase out the gas usage, and we will continue the work in 2024.

Switching to renewable sources of electricity

During 2023, emissions from scope 2 were reduced by 78 percent (versus the baseline in 2020). The decrease can mainly be attributed to changing

electricity agreements, from fossil-based to renewable sources at our sites. Now more than 60 percent of our sites use energy from renewable sources and 97 percent of the electricity came from renewable sources in 2023 compared with 80 percent in 2020.

Alfa Laval is continuously expanding its self-generating production capability especially from solar plants where we have added capacity in Italy and Sweden during the year. In 2023, we started installation of solar panels on the roofs in Monza, which will generate approximately 575 MWh per year when fully operational, corresponding to almost 60 percent of the site's annual electricity consumption. Alfa Laval will continue the journey to produce its own electricity in the coming years.

Introducing the Climate Playbook

The Climate Playbook sets out four important steps towards more energy-efficient operations that will help us reach our near-term climate target.



1. Control

To have control of energy consumption data by installing Alfa Laval Energy Management (ALEM).



2. Analyze

To analyze energy patterns and trends to identify energy savings opportunities.



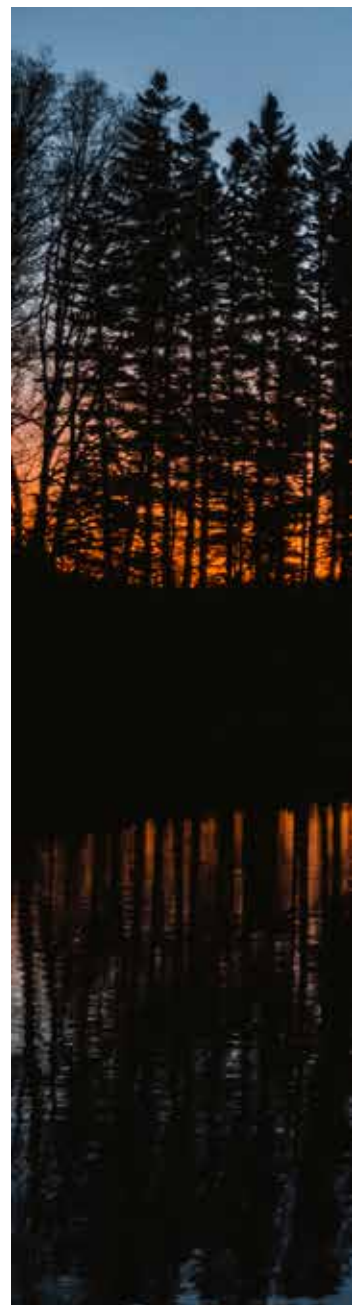
3. Optimize

To optimize ways of working based on identified energy savings opportunities.



4. Modify

To modify existing infrastructure and invest in new equipment or technologies.



Energy efficiency improvements at Alfa Laval in Denmark

By applying the Climate Playbook methodology, Alfa Laval in Kolding, Denmark, has reduced total energy use by almost 3,000 MWh (close to 25 percent) in the past year.

Control

The starting point was to increase the number of energy measure points to establish a baseline understanding of the site's energy usage and pattern, and all in all, approximately 4,000 points were identified. The establishment of the baseline was performed across all departments on the site.



4,000 points were identified

Analyse

From the extensive list, the top 50 energy users were detected. These were analysed with local site manager, facility management and real estate. Results from the analysis showed a high degree of energy usage not linked directly to production, e.g. lighting and ventilation were turned on in non-working hours.



High degree of energy usage not linked directly to production

Optimize

Change of human behaviour and control of facility energy use was in focus and several activities were initiated. For example, energy use during Christmas could be reduced by 30 percent by reminding employees to switch off lights and machines when not at work.



Human behavior and Facility controlling campaigns

Modify

In the modify stage, the ventilation units in the production facility were replaced – this gave greater opportunity for adjusting ventilators. The higher controlling resulted in a 50 percent reduction of energy consumption in the ventilation system.



Ventilation units replaced – 50 percent reduction of power consumption

Climate-related risks and opportunities

According to the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), companies should disclose information on climate-related risks and opportunities relevant for investors. Alfa Laval aims to apply the TCFD recommendations, and we include disclosures on the management of climate-related risks and opportunities, including governance, strategy, targets and metrics in the annual report and separate sustainability notes.

In the transition to a low-carbon economy, there are regulatory and market pressures to reduce carbon emissions. In response to this, Alfa Laval has set a science-based target aiming for a 95% reduction of scope 1 and 2 emissions by 2030 (with a 2020 baseline) and 50% reduction of scope 3 emissions. We

also see opportunities in this transition, providing energy efficient products that help customers mitigate climate impacts.

Alfa Laval has carried out an initial in-house assessment of physical climate-related risks and we are currently in the process of updating this analysis with more granular data using a third-party solution. The updated analysis will cover all Alfa Laval locations around the world and provide valuable insights regarding the need for local adaptation solutions based on state-of-the-art climate projections.

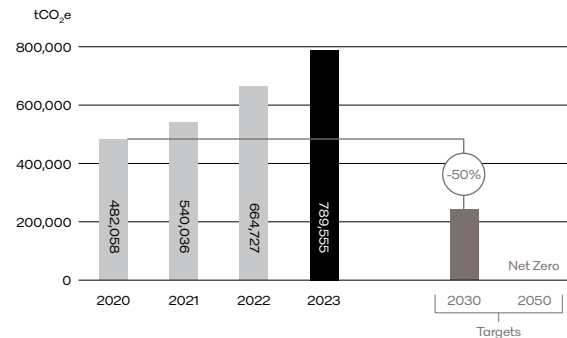
TCFD

TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES

Scope 3 – Upstream

Upstream value chain emissions

Greenhouse gas emissions upstream are mainly embodied in the materials Alfa Laval purchase from suppliers, representing about 80 percent of emissions. Steel and copper are some of the most significant raw materials used in Alfa Laval products, and we are aiming to reduce the impacts from metals manufacturing by purchasing increasing quantities of steel and copper with a low carbon footprint.



Collaboration with Boliden

Alfa Laval has teamed up with Boliden, a Swedish mining and smelting company, to use their Low-Carbon copper to produce heat exchangers. The cooperation will enable Alfa Laval to produce heat exchangers with a reduced carbon footprint, and help achieve our science-based climate targets.

"To drive the transition towards a more sustainable society it's vital that we find partnerships and collaborations that complement the ambitions that we have as a company. Bringing together Boliden's copper and our energy-efficient heat exchangers means we can contribute to the industry's transformation towards net zero," says Tom Erixon, President and CEO of Alfa Laval.

The cooperation with Boliden is part of Alfa Laval's strategic ambition to reduce the environmental impact of raw materials. Boliden's Low-Carbon copper is produced from copper mined in the north of Sweden and recycled material such as electronic waste, using renewable

energy which gives the raw material one of the lowest carbon footprints of any refined copper in the world. The copper will mainly be used in Alfa Laval's brazed heat exchangers which are used for heating, cooling, evaporation and condensing in numerous applications, including heat pumps. By using Boliden's copper, the carbon footprint of the heat exchangers will be reduced compared to other available alternatives.

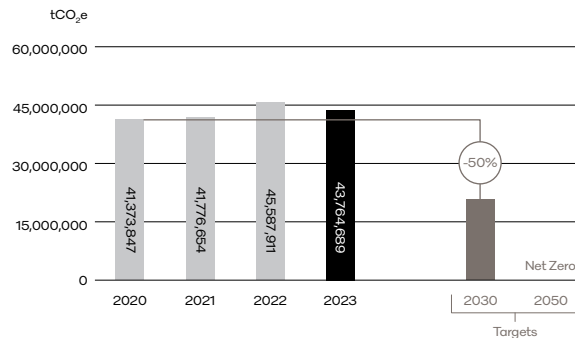
"With our Green Transition Metals, we create a foundation for Europe's climate transition as they represent some of the most sustainable options on the market. If we want to enable the society of tomorrow, we need to start today. And Alfa Laval is now utilizing the fact that our offering is available today, and by that they are part of leading the industry", says Mikael Staffas, CEO of Boliden.



Scope 3 – Downstream

Downstream value chain emissions

Customers' use of Alfa Laval products is the single largest source of downstream emissions, accounting for around 98% of total greenhouse gas emissions. Innovating products that use less energy during their lifetime is essential for Alfa Laval to reach our near-term and net-zero target. In 2023, we discovered a calculation error for products in use emissions. Emissions for 2020-2022 have been recalculated, but we have not yet formally restated the baseline or target year emissions.



New product installation

Chelsea Sugar aimed to reduce carbon emissions with a new evaporation system installed and activated during 2023.

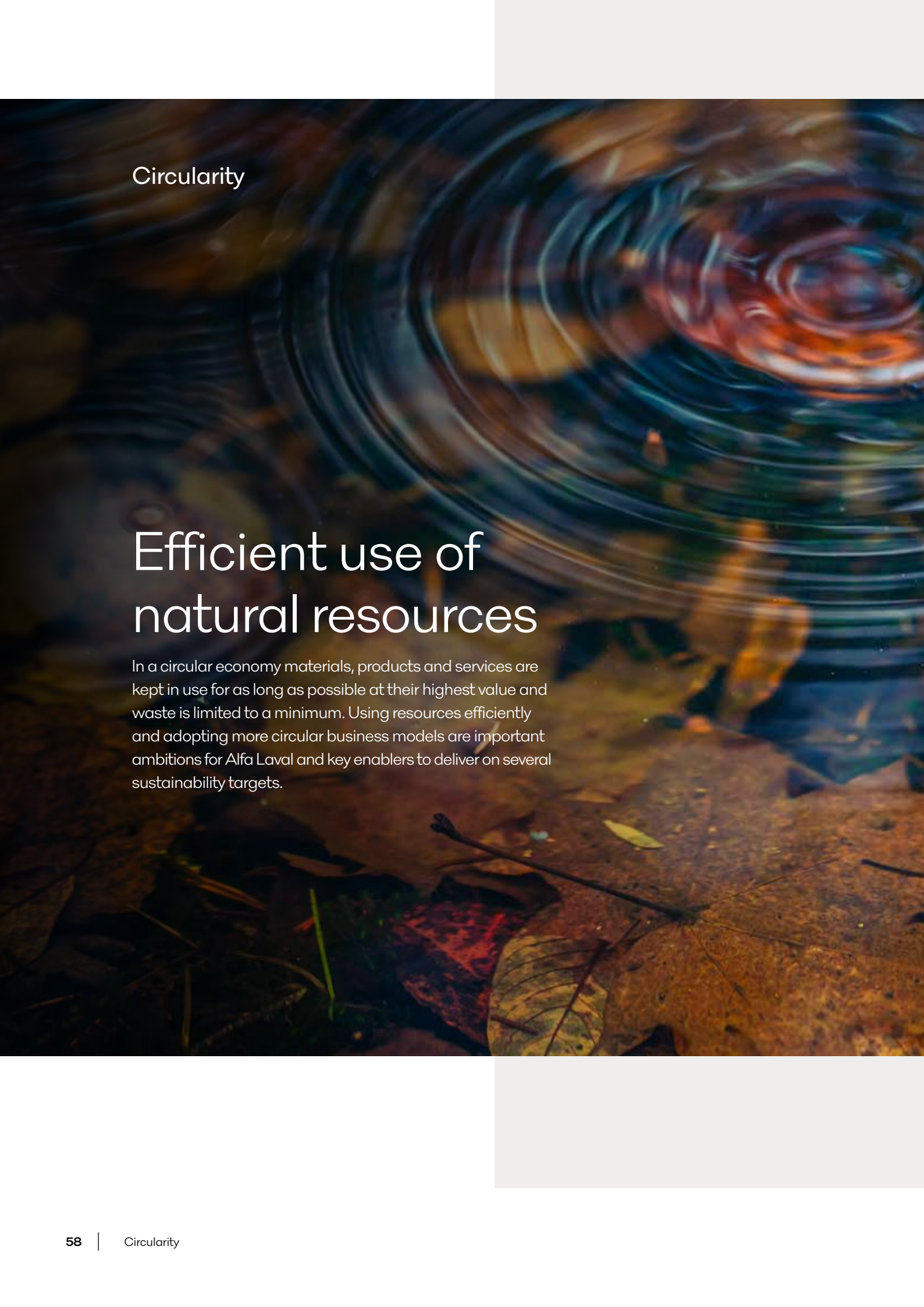
Alfa Laval's Mechanical Vapour Recompression (MVR) technology enabled Chelsea to turn to wind, solar or another renewable power source and thereby cut carbon emissions from this part of the process to near zero. This also lowered natural gas usage at the sugar refinery by drastically reducing the input steam demand of the evaporator and cutting energy consumption of the evaporator plant by 76 percent. In concentrating the sugar from 65 percent to 78 percent dry solids, the energy consumption of the MVRs was reduced to 36 Wh/kg whereas in the existing TVR system, the energy consumption is around 190 Wh/kg. Overall, the refinery's equipment upgrades reduces energy consumption for the whole site by 9%, and CO₂ emissions by 11%.

CO₂ emissions reduced

11%

"It is the ability of Chelsea to evolve and adapt to changing times, which has enabled us to thrive and grow over the past 138 years. Today, one of our biggest challenges is that we must develop an increasingly sustainable operation and business, and the environmental impact of our sugar production is an important part of this," says Graeme Smith (GM Operations ANZ) from Chelsea. "Our relationship with Alfa Laval goes back many years, and it is the strength of our interaction and the mutual confidence in our competences, which has now enabled Chelsea to take on the journey in making the business even more sustainable."





Circularity

Efficient use of natural resources

In a circular economy materials, products and services are kept in use for as long as possible at their highest value and waste is limited to a minimum. Using resources efficiently and adopting more circular business models are important ambitions for Alfa Laval and key enablers to deliver on several sustainability targets.



Addressing circularity has become increasingly important. The extraction and processing of raw materials comes with a significant climate impact. Therefore efforts to become more resource efficient and circular as a business are a key to reach climate targets. In addition, increased circularity has positive impacts on biodiversity, the availability of fresh water and air pollution.

At Alfa Laval we are dedicated to safeguarding the value of natural resources throughout the value chain, and we are continuously working on improving our understanding of the opportunities of a circular economy in the different parts of the value chain. We have chosen to focus on three main areas to promote circularity:

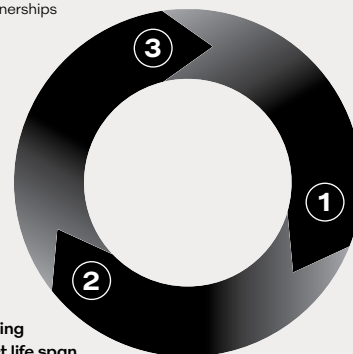
- ❶ Improving process efficiency
- ❷ Extending product life span
- ❸ Reuse and recycling

Recycle/reuse materials

- Design for recycling
- Partnerships

**Extending
product life span**

- Regular service
of products



Process efficiency

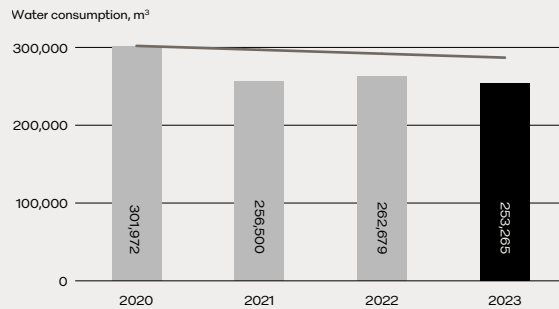
- Reuse water
- Energy efficiency
- Reduce waste

1 Improving process efficiency

Alfa Laval is continuously making efforts to use resources more efficiently in our operations. We have set specific targets for water consumption, energy efficiency, and waste recycling covering our manufacturing sites worldwide.

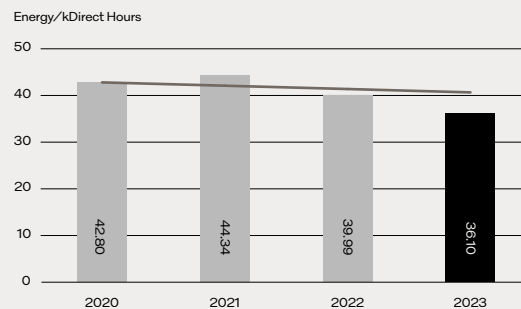
Water

While Alfa Laval does not use significant amounts of water, we are present in water-stressed areas where even limited water withdrawals can be problematic. Alfa Laval has set a target for 2030 to recycle 100 percent of the water used on sites located in water-stressed areas. In the shorter term, the target for 2023 was to reduce water withdrawn in these areas by 5 percent (baseline 2020) and we achieved this target with a 16 percent reduction at our sites included in the baseline.



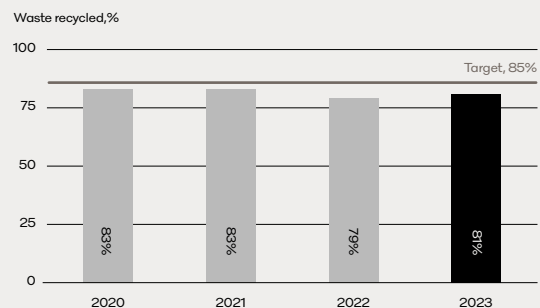
Energy

Alfa Laval is continuously working with energy efficiency at all our sites, also as a means to reach our climate targets. Our short-term target for 2023 was to improve energy efficiency - expressed as energy use per direct working hours - by 5 percent compared with a 2020 baseline. This target was achieved with a 16 percent improvement in energy efficiency at sites included in the baseline.



Waste

Alfa Laval's waste management approach is based on the waste hierarchy, supporting circularity by favouring the prevention and reduction of waste and increasing reuse and recycling. The ambition is to divert as much waste as possible from landfill, aiming to have zero landfill waste by 2030. Our target is also to maintain a high (85 percent or more) level of recycling. In 2023, we managed to recycle 81 percent of waste from operations, and more work is needed to create internal awareness on resource efficiency and appropriate waste management.



2 Extending product life span

Keeping products in use at their highest value for as long as possible is the foundation of circularity. Many Alfa Laval products have a lifespan of over 20 years. By designing products that are easy to maintain, repair, upgrade, and refurbish, in combination with offering service, the lifespan of our products can be extended and resources saved.

Today, service expertise is provided through a global team of nearly 3,000 professionals. They are trained in providing technical support, maintenance, repairs and problem-solving for customers to ensure optimal performance along with continued productivity and product durability.

3 Reuse and recycling

Despite a long lifetime all products will reach an end of life, in some cases since they have been operating for decades and in other cases since newer and more energy efficient equipment motivate a replacement. Product design is important for making the products easy to disassemble, to reuse parts and finally recycled as valuable raw materials. Alfa Laval is continuously looking into business models, partnerships and possibilities to increase the reusability and recycling of our products.

In addition, we are continuously working on sourcing recycled materials. The target for recycled materials is that at least 30 percent of the materials used in products should come from recycled sources. Already now we have data indicating that more than 30 percent of the material used comes from recycled materials. This will allow us to re-assess the target and potentially raise our ambition.

Water initiatives at Alfa Laval Brazil

As the focus on water as a scarce and valuable resource intensifies, companies around the world are increasing their efforts to implement water-saving measures in industrial production. At the Alfa Laval production site in São Paulo, Brazil, 100 percent of the water used operationally is now being reused and zero water is drawn from the public supply following the successful implementation of a series of water-capture and recycling initiatives.

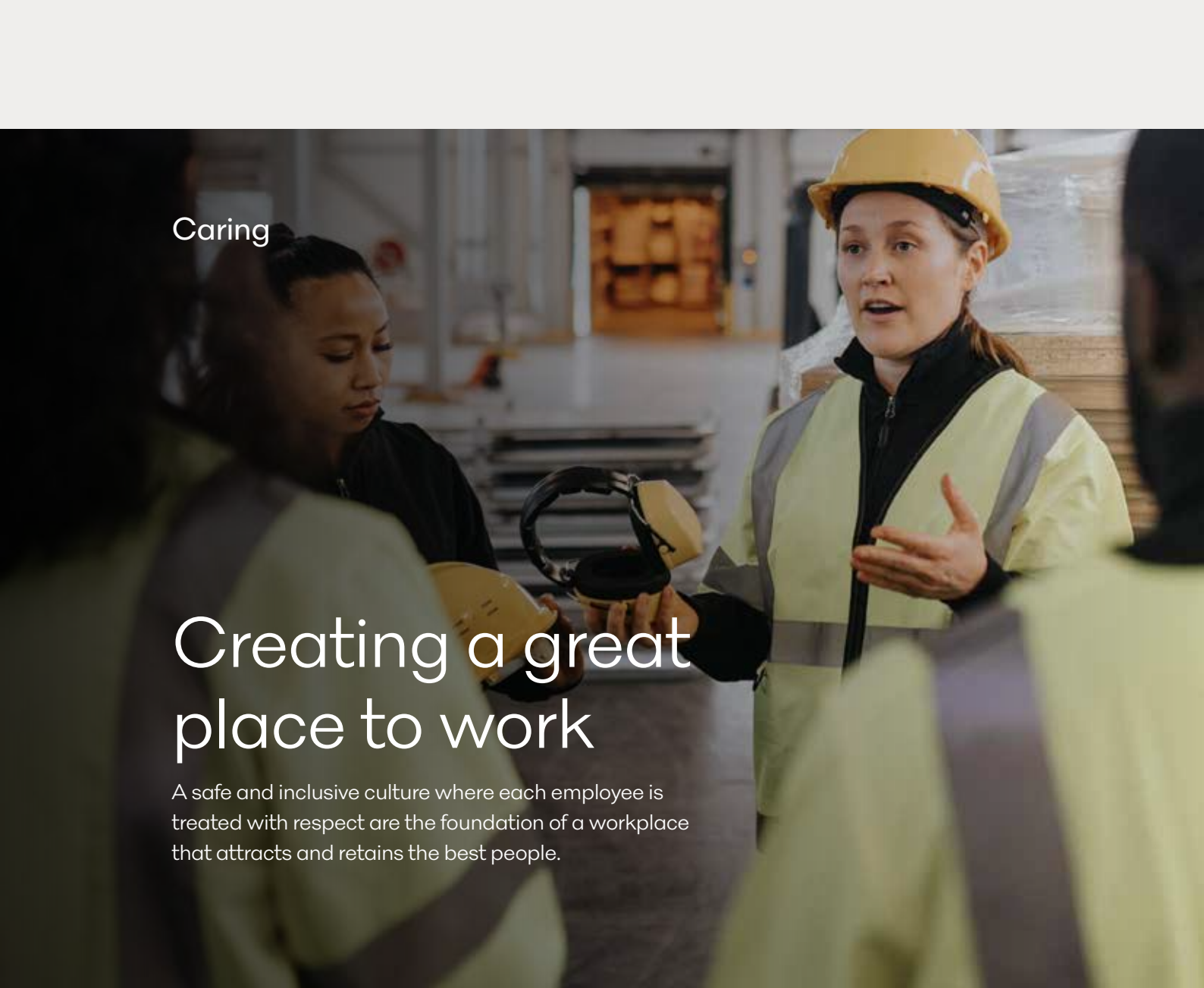
The first of these initiatives was launched in 2008 when a decision was made to return the water used in heat-exchanger hydrotesting to a collection tank for reuse rather than sending it down the drain. This system is a closed loop with only rainwater being added to the tank during the year.

The next step, in 2015, saw the construction of a 128-metre deep well on site, which has cut the annual water bill while further boosting overall water security. Today, no water is drawn from the public supply.

In the on-site service centre, where plates come in for cleaning and maintenance, fresh mains water was previously used to clean the plates following treatment in an acid bath. But in 2021, a water tank was installed to collect the wastewater for treatment and reuse.

Today all the water used for testing and cleaning heat exchangers, high-speed separators and decanters is either immediately re-circulated for reuse or first undergoes a treatment process prior to being recycled and reused. This process can be repeated multiple times.





Caring

Creating a great place to work

A safe and inclusive culture where each employee is treated with respect are the foundation of a workplace that attracts and retains the best people.

Health and safety (H&S) is a top priority at Alfa Laval. We are continuously working to improve our H&S performance and monitor this closely. A new H&S policy was launched during the year, and it emphasizes our vision: "We return home safely – every day". The extensive safety programme launched in 2022 continued during the year focusing on leadership and safety culture.

Targets and progress

Alfa Laval has updated its targets for 2023-2025 and the Group target is to be below 1.5 in LTIFR ("lost-time injury frequency rate") before the end of 2025 with a milestone of 2.2 at the end of 2023. The vision and long-term target remains. In 2023, the total number of LTIs increased to 90 (87) with 3,650 (2,707) lost working days, and an LTIFR of 2.45 (2.60). This means the milestone for the LTIFR reduction target was not met, even if significant progress was made. Continued focus and work is needed to fulfill our targets and long-term aspirations.

In August, one of our employees was tragically involved in a fatal traffic accident while crossing the street in Singapore during a service assignment. The fatality is included in the number of LTIs. Other lost time injuries were mainly related to slips, trips and falls, lifting and use of personal protective equipment.

Good health and well-being

The pandemic put additional focus on health and well-being, and Alfa Laval continued that work during 2023. Several pilots were initiated in a broader and slightly more structured way of working with health and wellbeing. An evaluation of the pilot projects and new working procedures will be done as the pilots are concluded.

During the year, Alfa Laval conducted a global employee survey, and health and well-being was an important topic in the survey. More information on the survey is presented later in this chapter.



Reducing the use of hazardous chemicals

To reduce the use of hazardous chemicals is important for the health, safety and well-being of Alfa Laval employees. This is a prioritized focus area and part of the continuous improvement work for all our sites. The substitution of hazardous substances is guided by internal procedures and the Alfa Laval Group Restricted Substance List, which is the primary tool for us to control the use of hazardous chemical substances.

This year we actively phased out all chemical products reported in 2023 containing unauthorized substances, which are substances listed as banned on the Alfa Laval Group Restricted Substance List.

Improved safety in China

Several initiatives were initiated in 2023 to increase safety awareness, involve management teams, and strengthen the safety performance and culture in China.

All three manufacturing sites conducted Job Safety Analysis updates for all working posts to increase risk identification and effective risk communication. All employees were encouraged to report risks in the workplace, which resulted in more than 6,455 hazard and risk observations during the first ten months. Increased focus on follow-up resulted in a closing rate of 92 percent.

Participation in Gemba Walk and more than 651 "I Care Walk & Talks" were initiated to increase leadership involvement and the activities resulted in over 405 risk observations by the management teams.

Other initiatives to increase safety awareness in the workplace included the development of a checklist with safety rules for high-risk operations, a hand safety manual and distribution of hand safety posters to all operators to improve employee hand safety consciousness.

Since 2022, a New Employee Safety Training program is in place to secure that before starting any work, new employees participate in 24 hours of training on site, workshop and team levels.

The initiatives greatly improved the safety trend for lost time injuries (LTI) and minor injuries (MI) in JiangYin, Kunshan and Qingdao compared to the same period last year.

2021: 6 LTI with 368 lost days and 506 MI
2022: 3 LTI with 438 lost days and 172 MI
2023: 2 LTI with 84 lost days and 46 MI

To secure the increased safety performance and culture over time, the safety leadership initiatives and employee empowerment will continue and be actively followed-up in a new safety KPI chart. Safety awards will be issued to further encourage employee involvement, safety improvement and reporting.

Continued focus on safety performance

Health and Safety priorities

During the year, Alfa Laval has had a continued high focus on the three main areas of safety: people (safe culture), safe technology, and safe processes.

Safe culture

Promoting behavioural change is necessary to create a culture focused on safety in the workplace, which concerns all employees. Managers have a particularly important role in leading the development towards a better safety culture and acting as safety role models. All employees must also take responsibility for their own health and safety.

During the year, work with behavioural aspects continued and focused on some significant areas. For example, a method called Last Minute Risk Assessment (LMRA) was implemented, intended to increase a person's safety awareness just before he/she starts to work on a task and thereby reduces the risk for accidents. The methodology aims to create a safety culture where the employees are constantly assessing their workplace and their own activities to detect hazards as a natural part of their daily work.

The initiative "I Care Walk & Talk" continued during the year. It is focused on leaders and other key stakeholders for them to demonstrate visible leadership on the shopfloor and talk with employees about safe and unsafe behaviours.

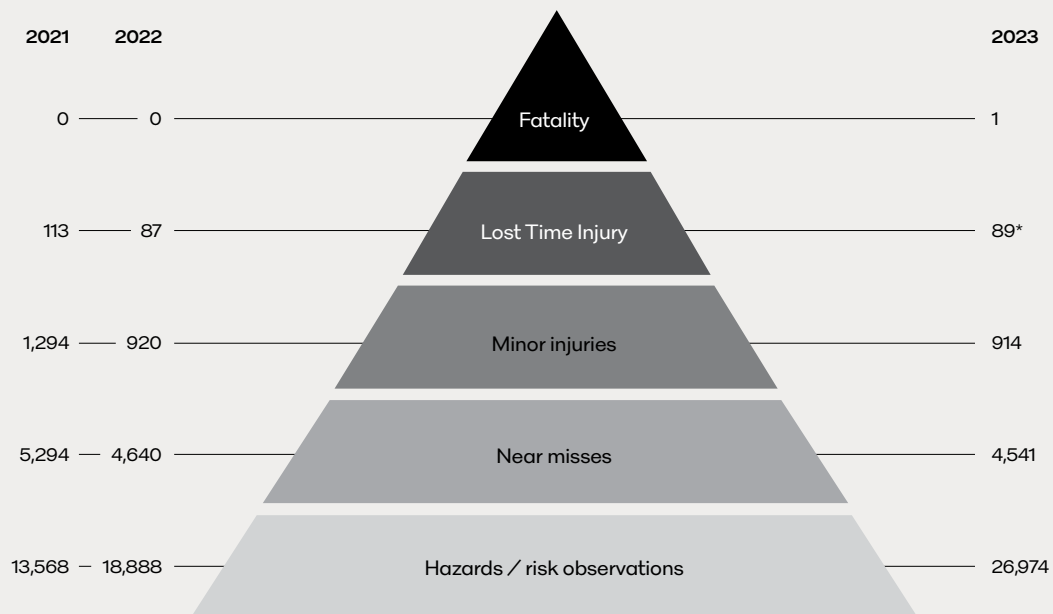
Towards the end of the year, we took the next step for safety and an updated safety strategy was prepared and approved. Focus is to ensure operational excellence with a few selected tools and methods. It also emphasizes the work with safety culture, and more specifically leadership. This next step creates a platform for us to achieve our ambitious targets in this area.

Safe technology and equipment

An important part of Alfa Laval's safety work is to ensure safe machines and equipment. Risk assessments are therefore carried out regularly to identify hazards and measures to reduce risks.

Safe processes

A new H&S policy was launched during the year and implemented in the organization. Alfa Laval has also continued to implement relevant major hazard standards and there has been a particular focus on working in confined spaces.



*Excluding fatality

Commitment to respect human rights

Accelerating success for our customers, people and planet is at the heart of everything we do. Our respect for human rights – including the International Bill of Human Rights and the core conventions of the International Labour Organization – is embedded in our organization and expressed in our Business Principles.

We work actively to avoid causing or contributing to negative human rights impacts by following recommended due diligence frameworks, such as the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

Embedding human rights in our company

In 2022, we embarked on a project to identify improvement areas in our human rights due diligence processes, focusing on own operations and first tier suppliers. Based on an analysis of salient human rights risks, a roadmap was developed, and key internal stakeholders were identified to drive prioritized activities.

During 2023, we have taken a number of actions to further embed human rights in the way we do things. Two key milestones were the launch of Alfa Laval's Human Rights

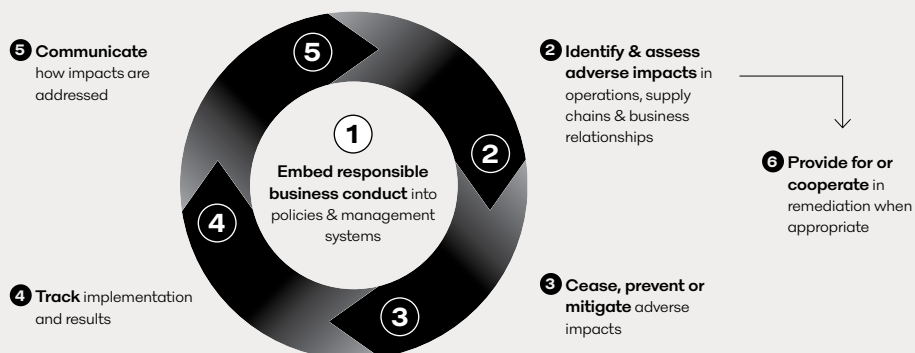
Policy and Human Rights Report. New trainings on human rights have also been developed and introduced this year.

The Human Rights Policy sets the commitments on human rights with a special focus on health and safety, freedom of association, freedom of expression, discrimination and harassment, child labour, forced labour and anti-bribery and anti-corruption.

The Human Rights Report captures how human rights due diligence is conducted in Alfa Laval. This highlights our way of working to identify and assess human rights risks, prevent and mitigate negative impacts, provide remediation where necessary and monitor and report our progress.



Human Rights Due Diligence Framework



Building an inclusive culture

Inclusion and diversity is high on the agenda at Alfa Laval and our journey towards an inclusive and diverse workplace continued during 2023, focusing on some key activities.

Alfa Laval's vision is to be recognized as an inclusive workplace where diversity is essential to achieve the company's objectives. The composition of our people should reflect the diversity of the markets where we operate and society at large.

We promote a safe, inclusive culture both within our company and in our relationships with external

partners. Alfa Laval's workplace demonstrates a set of behaviours and unique values that make people feel valued, respected, and involved. They reach their full potential based on competence, experience and performance. All traits and elements people bring to the workplace help to build strong and diverse teams.

Ambitions

Our ambitions towards 2025 are:

35%
employees to be women

25%
managers to be women

<70%
homogeneity in senior management team



Towards an inclusive and diverse workplace

Progress on inclusion and diversity targets

In 2023, Alfa Laval had women comprising 22 (21) percent of our total employee base and 22 (22) percent women representation in our managerial population, which is still well below our target levels. For new hires, the proportion of women was 33 (34) percent in the white-collared talent pool, showing our commitment to increase the representation of women in the company.

Being an international company, Alfa Laval aims to be a highly diverse and inclusive organization. In 2023, homogeneity in senior management teams, from a gender and citizenship (nationality) perspective, reached 71 (70) percent, marginally above the target. In the annual engagement survey 'VOICE', the dimension of inclusive leaders was scored 72 by the employees, which represents a noticeable increase from last year (69).

Local I&D action plans

There is no single recipe in making the change to become a truly inclusive and diverse workplace, which is why Alfa Laval has built its Inclusion and Diversity (I&D) strategy on a long list of initiatives: awareness and change management, education and training, culture and leadership, people processes, local activities, targets and data, and communication.

Alfa Laval continues the I&D journey by building awareness in the organization through workshops, initiatives, forums and networks. For example, in 2023, I&D workshops were held at the sites of San Bonifacio (Italy), Ronneby (Sweden), Richmond (US) and JiangYin (China) targeting the managerial population.

Another initiative called "Unleashing HER Power" has been driven by Alfa Laval North East Asia to support the attraction, development and retention of female talents. The program is intended to help female employees achieve self-driven development by sharing, listening and interacting.

In Sweden, Alfa Laval has initiated a partnership with Teknikkvinnor, a Swedish network reaching over 35,000 women with a technical or engineering education. The current focus is to gain further understanding of how diversity contributes to company success, why inclusion is important to create a diverse environment, and strengthen our managers' ability to have inclusive communication.

This partnership also opens the door for Alfa Laval to use Teknikkvinnor's network to advertise and be seen as an employer who promotes and values diversity.

This is just a selection of examples and there are many more local initiatives that are driven by the business, HR, and/or employees themselves, while receiving full support from top management.

Learning

During 2023, Alfa Laval continued its education and training activities for leaders and employees globally in themes such as "Becoming an inclusive leader", "Acting inclusively" and "Overcoming implicit bias". All employees are encouraged to take the "Global inclusive course", and "Becoming an inclusive leader" is aimed at managers on all levels throughout the company. In September 2023, the North Europe cluster held a Learning Festival week and one of the sessions was specifically about "Living Diversity Together".

In 2023 trainings were supported by Alfa Laval's Learning Portal, eLearning tools, and through Teams and live sessions in several business units.

Networks

Diversity networks and employee resource groups have been initiated by employees and supported by Alfa Laval throughout the company. Examples include "W@lfa Women network" that started in Tumba in 2017 and in 2023 has been expanded to our sites at Lund, Eskilstuna, and Ronneby in Sweden. The "Young@Alfa Laval" network has members in Lund and Tumba.

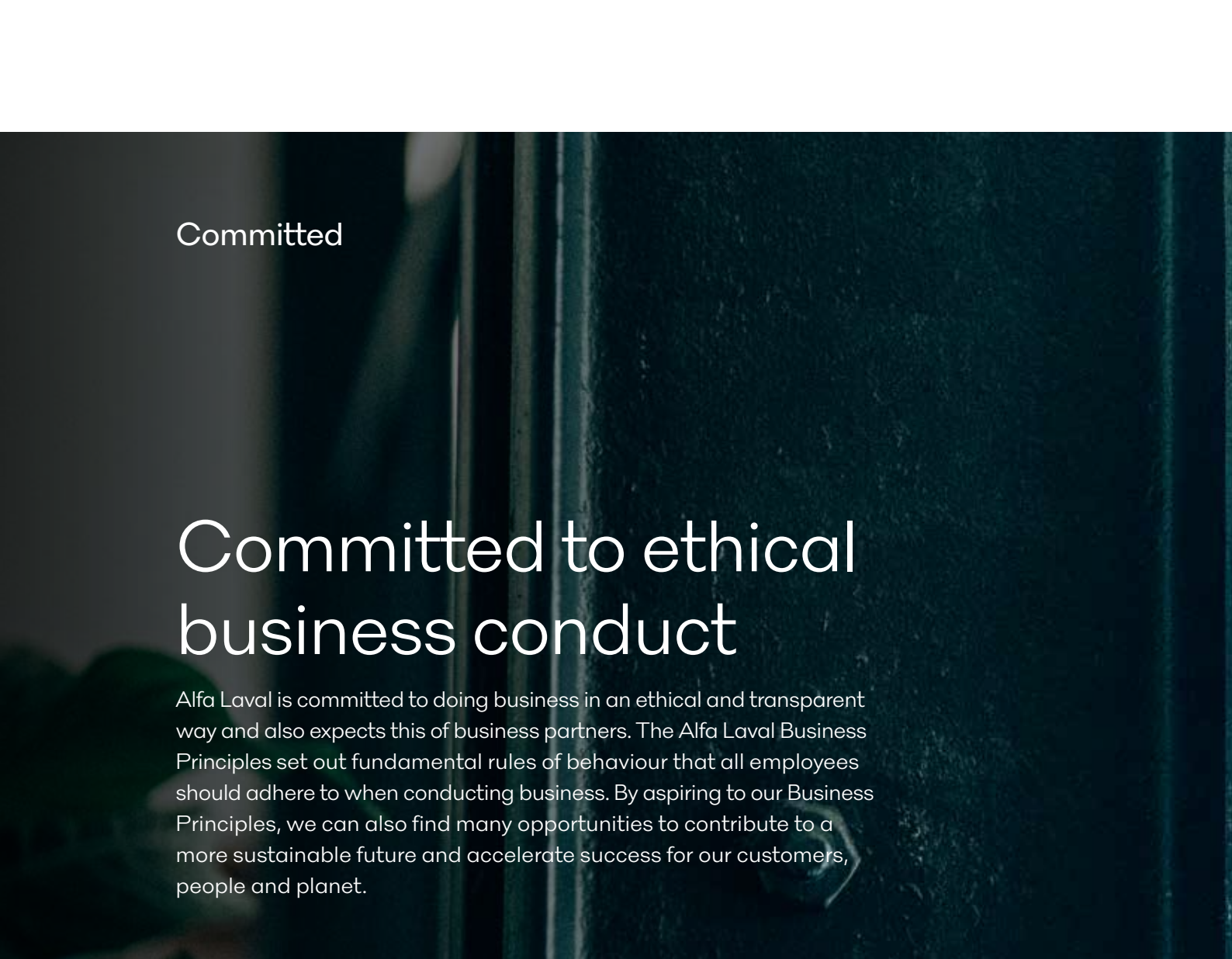
Communications

Communications is crucial in keeping I&D high on the agenda and keeping up the momentum by showcasing initiatives and underlining the importance of having an inclusive and diverse workplace among leaders and employees in the whole organization.

Communication activities in 2023 focused on sharing to the broader audience the many initiatives via testimonials from participants in trainings, workshops, networks and to showcase local initiatives.

Listening

In 2023, Alfa Laval conducted its employee engagement survey "VOICE" to allow all employees to make themselves heard and contribute to making Alfa Laval an even more inclusive and attractive workplace. This year as many as 86 percent of Alfa Laval employees completed the survey and the score on engagement was 78 (78).



Committed

Committed to ethical business conduct

Alfa Laval is committed to doing business in an ethical and transparent way and also expects this of business partners. The Alfa Laval Business Principles set out fundamental rules of behaviour that all employees should adhere to when conducting business. By aspiring to our Business Principles, we can also find many opportunities to contribute to a more sustainable future and accelerate success for our customers, people and planet.

The Business Principles apply to all companies in the Alfa Laval Group and apply to all employees, including temporary employees and consultants. They also guide the relationships with business partners, such as suppliers and customers.

There are internal guidelines available to help employees interpret the Business Principles, with concrete examples for how they should be implemented in everyday work life for everyone at Alfa Laval.

In 2023, a new Business Principles training was rolled out to improve employee awareness and increase knowledge on the Business Principles.

Alfa Laval's Business Principles incorporate the 'Protect, Respect and Remedy' concept of the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for multi-national enterprises and the concepts in the UK Modern Slavery Act. The Business Principles are approved by the Alfa Laval Board.



Alfa Laval Business Principles

There are four fundamental Business Principles - Caring, Committed, Transparency, Planet - that cover a number of topics that are essential to responsible and sustainable business conduct.

Caring

We care about every individual's rights and opportunities including their safety and well-being. We are a global company, and we firmly believe that diversity maximizes the potential of every employee and we care about every individual's rights and opportunities.

The Business Principle covers:

- Human rights
- Inclusion and diversity
- Health and safety
- Freedom of association
- Child and forced labour
- Working conditions

Committed

We are committed to ethical conduct within our organization and in all external business relationships. High ethical standards guide our behaviour, and honesty, integrity and respect for others are values that we live and work by.

The Business Principle covers:

- Anti-bribery and anti-corruption
- Non-complicity
- Conflict of interest
- Fair competition
- Export control and trade sanctions
- Political contributions

Transparency

We engage in open dialogue with all our stakeholders to develop business relationships built on trust. Trust also requires that we are careful not to reveal or communicate confidential information.

The Business Principle covers:

- Protection of personal data
- Confidential information
- Accounting and verification
- Company assets

Planet

We are in a unique position because our products make a significant contribution to reducing the environmental impact of industrial processes. We also have a responsibility to continuously reduce our environmental impact in all areas of our value chain.

The Business Principle covers:

- Environmental impact
- Continuous improvement
- Precautionary principle

Ensuring compliance with laws, regulations and Alfa Laval Business Principles

Conducting business with honesty, integrity, and respect for others is fundamental for Alfa Laval. This means that we not only follow the applicable laws and regulations in the countries in which we operate, but we are also determined to follow the highest ethical standards of business conduct. Alfa Laval carefully monitors the development of international legislation, social standards, and voluntary initiatives, including those concerning anti-bribery, anti-corruption, and conflicts of interest.

The compliance and ethics program has been further developed in 2023, and a Three Lines of Defence model has been implemented to clarify roles and responsibilities in applying the Alfa Laval Business Principles and underlying governing documents. The governing documents are policies, directives, and procedures. Adherence to the governing documents is mandatory for all employees in the Alfa Laval Group.

Governance

The Three Lines of Defence concept is the cornerstone of good governance. This is a model to secure compliance and a good working environment, identify gaps and secure that remedial actions are taken on discovered deficiencies. The first line of defence includes managers at a global level and the second line is corporate functions with an oversight role. The third line of defence involves internal audits, external auditors, and external regulators.

At Alfa Laval, the three lines of defence are set up so that the second line creates compliance demands, checks and controls called Minimal Internal Control Requirements (MICR). These requirements are sent to the first line of defence, who shall explain how they intend to act to comply. This information is collected by the second line of defence and used as a tool for risk assessment. Based on this risk assessment, internal audit programmes are compiled. Internal audits challenge both the first and second line of defence by making sure that the first line of defence is compliant and that the second line of defence use controls that are effective. Securing compliance is thus made both by acting on deficiencies in the first line or by keeping governing documents created by the second line of defence updated.

The Risk and Compliance Board is the corporate oversight body. This board is appointed by Group Management to be responsible for reviewing the effectiveness of risk management and compliance processes within the company. The Board secures identification, assessment, mitigation, and monitoring of enterprise-wide risks. They also ensure implementation and administration of the company's policies, directives, and ethical programmes, including the Business Principles.

All managers are responsible for ensuring compliance with Alfa Laval's policies, including the Anti-Bribery and Anti-Corruption (ABAC) Policy and the implementation of local guidelines. Line managers are continuously trained to keep up their awareness of the latest developments in Alfa Laval corporate policies and global compliance programmes.

Reporting breaches

Alfa Laval encourages its people to report any concern about actual or potential violation of the Business Principles or the law, and any unethical conduct. Reporting concerns to your manager is always the first step. If this is not an option, Alfa Laval has a company-wide whistleblowing system, which enables both internal and external stakeholders to report suspected breaches anonymously. Alfa Laval's whistleblowing system is a secure and efficient tool that enables employees to combat fraud and uphold the good reputation of the company. The system complies with the EU data privacy regulation (GDPR) and EU Whistleblower Protection Directive.

Informing people about Alfa Laval's whistleblowing system and encouraging people to report is an ongoing process. In some countries, Alfa Laval has established a hotline for whistleblower support, along with a web-based supporting system.

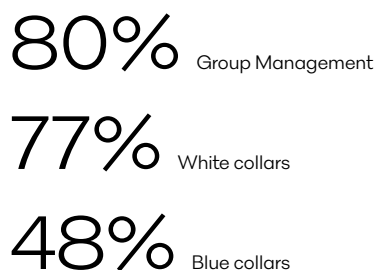
Anti-bribery and anti-corruption

Alfa Laval has zero-tolerance for any form of bribery and corruption. The international scope of Alfa Laval's sales organization means that Alfa Laval is active in several countries where there is a high risk of corruption. One of many tools used by Alfa Laval in assessing risk is the Transparency International Corruption Perception Index.

In 2023, Alfa Laval launched an updated ABAC policy which outlines the expectations the company has on all employees. The new policy is aligned with the ISO 37001 on Anti-bribery management systems to prepare for possible future certification of Alfa Laval's anti-bribery and anti-corruption program. The launch of the updated policy was accompanied by several ABAC webinars attended by more than 2,000 people. A new ABAC e-learning course was also launched during the year - it is available to all employees and the expectation is that every employee takes this training at least every second year to maintain awareness.

Training in focus

Proportion of employees trained in anti-corruption (as of July 2023) presented below. New courses were introduced during the year and will be reported in 2024.



Besides the ABAC e-learning, there are also class-room trainings held for certain groups of employees based on risk assessments and on demand from the organization. In these trainings the participants get the chance to get deeper knowledge and involve in discussions on the subject.



Anti-bribery and anti-corruption process

Top level commitment

- Group ABAC Policy
- Risk Compliance Board
- Corporate self-assessment

Proportionate procedures

- Risk management actions
- Supplier contracts include ABAC clause

Due diligence

- Third parties screening, compliance screening
- Due diligence on mergers and acquisitions

Risk assessment

- Enterprise Risk Management
- Risk assessment in supply chain

Communication & training

- ABAC information available on the intranet
- ABAC training for employees
- ABAC training for suppliers

Monitoring & review

- Internal audit
- Whistleblowing function
- Annual Sustainability Reporting



Responsible sourcing

Alfa Laval has the responsibility to ensure that sourced materials and resources meet the company's ethical standards. Alfa Laval's sustainability commitments also apply to our suppliers.

Global sourcing with a local presence

Alfa Laval has more than 40 production sites and distribution centres in Europe, Asia, and Americas. Each of these is supplied with raw materials, components, services and other inputs from global and local suppliers.

The central sourcing organization defines the strategy for supply and supplier management, while the responsibility for the sourcing of products and services is executed locally. Sustainability is an integral part of the commodity strategies and strategic supplier programmes.

Responsible sourcing

The sustainability expectations on our suppliers are based on the Alfa Laval Business Principles for Suppliers and clearly stated in our supplier agreements. Suppliers are expected to acknowledge the Business Principles and are accountable for following and fully incorporating the Business Principles into their own supply chain.

The Responsible Sourcing Programme steering committee sets the focus areas for delivering on Alfa Laval's overall sustainability agenda in respect to activities that require collaboration with suppliers.

Climate action was a sustainability focus area for the sourcing organization in 2023. Alfa Laval has a responsibility to help our customers reduce emissions, we make the same effort ourselves and expect climate actions to be taken also by our suppliers.

The Supplier Risk and Compliance Council sets the direction for targeted initiatives to secure governance. They also play an integral role in following up results to enable continuous improvements.

Risk analysis and mitigation

Responsible sourcing includes identifying, assessing, and managing supply chain risks. Risk exposure is reduced through clear expectations, risk management and a structured way of working with mitigation and follow-up.

To identify risk areas, the sourcing organization uses macro risk trend reports, external insights for critical risk indicators, for example anti-corruption, environmental and working conditions indexes, and internal data and insights. Risks can also be identified continuously through supplier evaluation activities, reported incidents, risk analysis, the whistleblower mechanism or follow-up activities such as audits.

Supplier risk assessment includes an initial screening of new suppliers and annual screening of existing suppliers to identify suppliers with the highest risk of breaches of the Business Principles for targeted actions.

Risks are managed depending on the characteristics of the identified risk. A corrective action plan is created, and preventive actions include targeted activities and a follow-up programme. Mitigation activities are developed with a case-by-case approach supported by the Supplier Risk and Compliance Council.

Risk analysis is not only about mitigating risks for the company. Through increased knowledge about sustainability risks, it is possible to become more proactive and work together with suppliers towards innovation and sustainable business growth that can create benefits in the entire value chain.

Supplier evaluation and engagement

Alfa Laval's sourcing process outlines how we develop our existing supplier base and evaluate potential suppliers across our organization. It is important for Alfa Laval to onboard suppliers that can deliver to our expectations and share our sustainability ambitions.

Evaluation tools such as questionnaires, sustainability programme evaluation and audits are used to assess new and existing suppliers. Supplier engagement to promote sustainable sourcing also includes activities such as workshops for suppliers, and a supplier award recognizing outstanding sustainability practices.

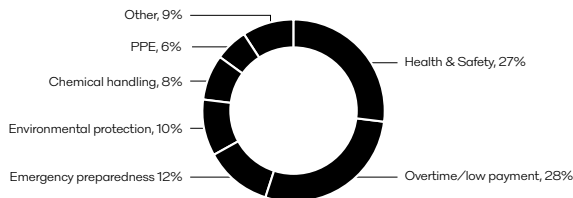
Supplier audits

Alfa Laval has clear sourcing KPIs and a robust follow-up programme including three types of audits for the supply chain, Business Principles and special processes.

In a supply chain audit, Alfa Laval's internally certified auditor verifies supplier capabilities to deliver products and material according to Alfa Laval's requirements. Special process audits typically target the suppliers' manufacturing methods.

Business Principles audits are an important part of the Responsible Sourcing Programme and include areas such as environment, health and safety, human and labour rights, and anti-corruption efforts.

Most common deviations in supplier audits 2023



In particular, the Business Principles audits highlight six critical areas: child labour, young labour, forced labour, freedom of association, health and safety, fire protection and environment. Deviations in any of these areas require immediate correction, both from new and established suppliers.

Suppliers with serious breaches have a limited time to implement the necessary improvements, supported by an effective supplier development programme, while the case is escalated and monitored. Non-compliance without corrective action can lead to phase-out or termination of the supplier agreement with Alfa Laval.

A total of 73 Business Principles audits were performed in 2023, mainly in China, India and Mexico, countries with a large supplier base and many manufacturing units. Suppliers targeted for Business Principles audits are selected based on the risk assessment process.

The most common deviations discovered in the Business Principles audits in recent years have been in the areas of health and safety, overtime/low payment, emergency preparedness and environmental protection.

Continuous improvement

Alfa Laval believes in continuous improvement as a dynamic rather than a static process. We recognize the need to work with our development areas and stay informed about coming sustainability directives and legislation.

In 2023, some 60 sourcing employees participated in the supplier auditor courses in Lund, Richmond, Jiangyin, and Kunshan, to take the first steps toward becoming internally certified auditors and secure the audit process regionally. An audit app was also released to support the audit process.

The Alfa Laval Business Principles for Suppliers is continuously reviewed to secure alignment with legislation and other directives. In 2023, a review of the documentation was initiated to align with the updated OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. We expect our suppliers to show the same dedication to continuous improvements and to show progress in all areas covered by our Business Principles for Suppliers.

Conflict minerals

Alfa Laval has a policy specifically targeting conflict minerals to secure that the minerals used are not sourced from mines that finance armed groups guilty of human rights violations. A supplier assessment platform is used to increase transparency.

Climate action in focus

In 2023, several sourcing activities were initiated to contribute to the Alfa Laval scope 3 climate target to reduce greenhouse gas emissions by 50 percent by 2030 (with a 2020 baseline).

As an example, an impact-based project was initiated with suppliers specifically targeting greenhouse gas reductions. A questionnaire was sent out to 50 focus suppliers representing about 70 percent of the emissions from purchased goods and services. The intention was to collect supplier-specific data on emissions and enquire about any activities to reduce emissions, emphasizing that this would be an important contribution to reducing Alfa Laval's carbon footprint.

Another example of climate action during 2023 is our sourcing managers in the distribution centres working with customers and suppliers to change air freight orders to sea or rail transport with the aim of reducing greenhouse gas emissions. Short-term initiatives target close collaboration with customers and suppliers to change existing air freight orders to sea or rail, if possible. The long-term goal is to reach more sustainable solutions for freight already when placing the order and avoid transport modes with a high climate impact.



Assessing supplier risk

The following three areas guide our risk assessment of suppliers



Country risk

Risk related to human rights breaches or bribery/corruption in the country where the supplier is based.



Product & production process risk

Risk related to occupational health and safety or environmental impacts associated with supplier production processes.



Governance & policies

Risk based on analyses and screenings of the supplier's available documentation of policies and governance.

Biodiversity impacts and dependencies

Taking account of the recently released recommendations from the Taskforce on Nature-related Financial Disclosures (TNFD), Alfa Laval is taking steps to better understand our biodiversity impacts and dependencies on natural capital assets.

An initial evaluation using the publicly available ENCORE database shows that while Alfa Laval's direct dependencies on ecosystem services are limited, our operations may have material impacts on biodiversity loss, for instance through water use, greenhouse gas emissions and waste from production. Impacts in the supply chain are even more significant, particularly beyond tier 1, for instance in mining operations.

Based on the initial analysis, Alfa Laval has developed a roadmap for addressing biodiversity impacts in the coming years. Starting with the direct impacts from operations, most of these are already addressed in our sustainability strategy with reduction targets to 2023 and beyond in place. We will continue to take action to reduce water use, increase recycling of waste, and limit greenhouse gas emissions.

In the value chain, many Alfa Laval products have a potential positive biodiversity impact downstream by helping customers improve energy and resource efficiency. In the upstream value chain, we are working closely with suppliers to source materials with lower environmental and biodiversity impacts, and in the longer term will consider more explicit supplier requirements for example on water use and waste management.



Taskforce on Nature-related
Financial Disclosures



EU taxonomy reporting

For 2023 the taxonomy reporting covers the following substantial contribution criteria:

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Pollution prevention and control
- Transition to a circular economy
- Protection and restoration of biodiversity and ecosystems

Alfa Laval has concluded that the company does not have activities related to "Pollution prevention and control" and "Protection and restoration of biodiversity and ecosystems".

The company:

- does not perform,
- does not finance and
- is not exposed to research, development, demonstration and expansion, erection, renovation, operation or safe operation concerning

nuclear related or fossil gas related activities. The company is however selling components and service to companies covered by the above description.

Alfa Laval has after a thorough analysis arrived at the conclusion that the company does not have any environmentally sustainable activities that are covered by the economic activities specified in the taxonomy or meets the technical screening criteria or fulfils the Do Not Substantially Harm (DNSH) criteria. The reason for this is that the EU taxonomy does not really fit for a manufacturing company. As an example, the EU taxonomy works well for companies that produce biodiesel, but it does not at all work for a company that manufactures the equipment that the biodiesel producers need for their production. The same thing applies for the service that Alfa Laval sells to biodiesel producers. The first problem is that the economic activities listed in the taxonomy are not covering all business activities of Alfa Laval, which makes it impossible to report them as environmentally sustainable despite that our products are helping our customers to reduce their energy consumption

and carbon emission. Many of the technical screening and DNSH criteria are also very difficult for a manufacturing company to fulfil, simply because they usually are designed for the producers and not the equipment manufacturers that sell to the producers.

In addition, Alfa Laval and not the least the Marine Division sells products and systems into the fossil energy area to reduce energy consumption and carbon emission, but these important contributions to environmental sustainability are outside the scope of the EU taxonomy.

In summary, the products and systems that Alfa Laval manufacture and sell have a very important role in reducing energy consumption and carbon emissions – BUT the taxonomy does not cover this!

During 2023 a work has been done to better identify the net sales, the operational expenses and the investments that fits within the economic activities specified in the taxonomy. Earlier only an end-market based (industry based) approach was used, but that has now been supplemented by a more product oriented approach. This has increased the coverage within 3.6 "Manufacturing of other low carbon technologies" with about 3 percentage units. For the new area "Circular economy" also specific after market offerings have been identified, which has replaced what was earlier reported on 5.1 "Construction, extension and operation of water collection, treatment and supply systems" and 7.3 "Installation, maintenance and repair of energy efficiency equipment" within "Climate change mitigation". The reason for this change was that the new area better fits Alfa Laval's aftermarket business. It is foremostly the addition of the economic activity 5.1 "Repair, refurbishment and re-manufacturing" within "Circular economy" that accounts for the large increase in the coverage within the taxonomy.

The key performance indicators according to the EU taxonomy are presented in the following tables.

Net sales

Consolidated				Substantial contribution criteria						Do not significantly harm criteria (DNSH)						Minimum safeguards	Proportion of net sales 2022	Category enabling activity (E)	Category transitional activity (T)
Economic activities	Code	Net sales 2023	Proportion of net sales 2023	Climate change mitigation (CCM)	Climate change adaptation (CCA)	Water and marine resources (W)	Pollution (P)	Circular economy (CE)	Biodiversity and ecosystems (BE)	Climate change mitigation (CCM)	Climate change adaptation (CCA)	Water and marine resources (W)	Pollution (P)	Circular economy (CE)	Biodiversity and ecosystems (BE)				
		SEK millions	%	Yes; No; N/A						Yes; No							%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
Net sales of environmentally sustainable activities (taxonomy-aligned) (A.1)	-	-															-		
Of which enabling	-	-															-		
Of which transitional	-	-															-		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																			
				Taxonomy eligible (EL) or non-eligible (N/EL) activity															
Manufacturing of renewable energy technologies	CCM 3.1	120	0.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL						0.2%				
Manufacturing of equipment for the production and use of hydrogen	CCM 3.2	202	0.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL						0.1%				
Manufacturing of energy efficiency equipment for buildings	CCM 3.5	5,077	8.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL						7.8%				
Manufacturing of other low carbon technologies	CCM 3.6	8,916	14.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL						11.0%				
Construction, extension and operation of water collection, treatment and supply systems	CCM 5.1	-	-	EL	N/EL	N/EL	N/EL	N/EL	N/EL						2.3%				
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	-	-	EL	N/EL	N/EL	N/EL	N/EL	N/EL						0.8%				
Data-driven solutions for GHG emissions reductions	CCM 8.2	246	0.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL						-				
Software enabling physical climate risk management and adaptation	CCA 8.4	114	0.2%	N/EL	EL	N/EL	N/EL	N/EL	N/EL						-				
Urban waste water treatment	W 2.2	815	1.3%	N/EL	N/EL	EL	N/EL	N/EL	N/EL						-				
Production of alternative water resources for purposes other than human consumption	CE 2.2	401	0.6%	N/EL	N/EL	N/EL	N/EL	EL	N/EL						-				
Repair, refurbishment and re-manufacturing	CE 5.1	14,957	23.5%	N/EL	N/EL	N/EL	N/EL	EL	N/EL						-				
Net sales of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		30,848	48.5%	22.9%	0.2%	1.3%	-	24.1%	-						22.2%				
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Net sales of taxonomy-non-eligible activities		32,750	51.5%																
TOTAL		63,598	100.0%																

The taxonomy eligible economic activities in Alfa Laval that are covered by the taxonomy have primarily been identified based on what end-markets (industries) each division sell into. For the economic activity 3.6 "Manufacturing of other low carbon technologies" within "Climate change mitigation" a more product oriented approach has however also been used, where primarily sales of brazed, gasketed and welded heat exchangers have been included provided that they are not sold to nuclear or fossil fuels or already are covered by the identified end-markets (industries). Specific products have also been used to identify sales within 8.2 "Data-driven solutions for GHG emissions reductions" and 8.4 "Software enabling physical climate risk management and adaptation". For 5.1 "Repair, refurbishment and re-manufacturing" a selection of aftermarket offerings have been used to identify the sales that qualify within "Circular economy".

The net sales figures relate to contracts with customers. The bulk of the taxonomy eligible economic activities are primarily relating to the Energy Division and secondly to the Food & Water Division.

The above table on net sales can be summarized as follows:

Consolidated	Proportion of net sales / Total net sales split on	
	Environmentally sustainable (taxonomy-aligned) criteria	Taxonomy-eligible but not environmentally sustainable (not taxonomy-aligned) criteria
2023		
Climate change mitigation (CCM)	-	22.9%
Climate change adaptation (CCA)	-	0.2%
Water and marine resources (W)	-	1.3%
Pollution (P)	-	-
Circular economy (CE)	-	24.1%
Biodiversity and ecosystems (BE)	-	-
Total	-	48.5%

Operational expenditure

Consolidated				Substantial contribution criteria						Do not significantly harm criteria (DNSH)						Minimum safeguards	Proportion of operational expenditure 2022	Category enabling activity (E)	Category transitional activity (T)
Economic activities	Code	Operational expenditure 2023	Proportion of operational expenditure 2023	Climate change mitigation (CCM)	Climate change adaptation (CCA)	Water and marine resources (W)	Pollution (P)	Circular economy (CE)	Biodiversity and ecosystems (BE)	Climate change mitigation (CCM)	Climate change adaptation (CCA)	Water and marine resources (W)	Pollution (P)	Circular economy (CE)	Biodiversity and ecosystems (BE)				
		SEK millions	%	Yes; No; N/A						Yes; No						%	E	T	
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
Operational expenditure of environmentally sustainable activities (taxonomy-aligned) (A.1)	-	-															-		
Of which enabling	-	-															-		
Of which transitional	-	-															-		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																			
				Taxonomy eligible (EL) or non-eligible (N/EL) activity															
Manufacturing of renewable energy technologies	CCM 3.1	41	2.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.2%		
Manufacturing of equipment for the production and use of hydrogen	CCM 3.2	36	2.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.5%		
Manufacturing of energy efficiency equipment for buildings	CCM 3.5	87	4.8%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								4.2%		
Manufacturing of other low carbon technologies	CCM 3.6	65	3.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2.4%		
Construction, extension and operation of water collection, treatment and supply systems	CCM 5.1	-	-	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.8%		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	-	-	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.7%		
Data-driven solutions for GHG emissions reductions	CCM 8.2	60	3.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Software enabling physical climate risk management and adaptation	CCA 8.4	0	0.0%	N/EL	EL	N/EL	N/EL	N/EL	N/EL								-		
Urban waste water treatment	W 2.2	81	4.5%	N/EL	N/EL	EL	N/EL	N/EL	N/EL								-		
Production of alternative water resources for purposes other than human consumption	CE 2.2	1	0.1%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								-		
Repair, refurbishment and re-manufacturing	CE 5.1	60	3.3%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								-		
Net sales of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		431	23.9%	16.0%	0.0%	4.5%	-	3.4%	-								9.7%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Operational expenditure of taxonomy-non-eligible activities		1,373	76.1%																
TOTAL		1,804	100.0%																

Operational expenditure relates to direct costs for:

- training and other HR adaptation (conversion and transformation) needs,
- research and development,
- building renovation,
- short term lease,
- maintenance and repair and
- other direct expenditures for day-to-day servicing of assets or property, plant & equipment by Alfa Laval or third parties.

The above table on operational expenditure can be summarized as follows:

Consolidated	Proportion of net sales / Total net sales split on	
	Environmentally sustainable (taxonomy-aligned) criteria	Taxonomy-eligible but not environmentally sustainable (not taxonomy-aligned) criteria
2023		
Climate change mitigation (CCM)	-	16.0%
Climate change adaptation (CCA)	-	0.0%
Water and marine resources (W)	-	4.5%
Pollution (P)	-	-
Circular economy (CE)	-	3.4%
Biodiversity and ecosystems (BE)	-	-
Total	-	23.9%

The following table shows how the eligible operational expenditure has developed from 2022 to 2023.

Consolidated	Operational expenditure split on cost types	
SEK millions	2023	2022
Training and other HR adaptation (conversion and transformation) needs	0	0
Research and development	311	107
Building renovation	25	5
Short term lease	27	5
Maintenance and repair	45	25
Other direct expenditures for day-to-day servicing of assets or property, plant & equipment by Alfa Laval or third parties	23	10
Total	431	152

The major part of the operational expenditure refer to research and development, which is a high priority area to support the company's future growth in the sustainability area. The largest part of the increase in operational expenses is due to an increased spending on research and development within the sustainability area.

Investments

Consolidated				Substantial contribution criteria						Do not significantly harm criteria (DNSH)										
	Code	Investments 2023	Proportion of investments 2023	Climate change mitigation (CCM)	Climate change adaptation (CCA)	Water and marine resources (W)	Pollution (P)	Circular economy (CE)	Biodiversity and ecosystems (BE)	Climate change mitigation (CCM)	Climate change adaptation (CCA)	Water and marine resources (W)	Pollution (P)	Circular economy (CE)	Biodiversity and ecosystems (BE)	Minimum safeguards	Proportion of operational expenditure 2022	Category enabling activity (E)	Category transitional activity (T)	
Economic activities		SEK millions	%	Yes; No; N/A						Yes; No							%	E	T	
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (taxonomy-aligned)																				
Investments of environmentally sustainable activities (taxonomy-aligned) (A.1)	-	-																-		
Of which enabling	-	-																-		
Of which transitional	-	-																-		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																				
				Taxonomy eligible (EL) or non-eligible (N/EL) activity																
Manufacturing of renewable energy technologies	CCM 3.1	22	0.7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL											1.1%
Manufacturing of equipment for the production and use of hydrogen	CCM 3.2	48	1.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL											0.3%
Manufacturing of energy efficiency equipment for buildings	CCM 3.5	832	28.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL											3.3%
Manufacturing of other low carbon technologies	CCM 3.6	85	2.8%	EL	N/EL	N/EL	N/EL	N/EL	N/EL											2.3%
Construction, extension and operation of water collection, treatment and supply systems	CCM 5.1	-	-	EL	N/EL	N/EL	N/EL	N/EL	N/EL											0.2%
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	-	-	EL	N/EL	N/EL	N/EL	N/EL	N/EL											0.8%
Data-driven solutions for GHG emissions reductions	CCM 8.2	24	0.8%	EL	N/EL	N/EL	N/EL	N/EL	N/EL											-
Software enabling physical climate risk management and adaptation	CCA 8.4	23	0.8%	N/EL	EL	N/EL	N/EL	N/EL	N/EL											-
Urban waste water treatment	W 2.2	67	2.2%	N/EL	N/EL	EL	N/EL	N/EL	N/EL											-
Production of alternative water resources for purposes other than human consumption	CE 2.2	27	0.9%	N/EL	N/EL	N/EL	N/EL	EL	N/EL											-
Repair, refurbishment and re-manufacturing	CE 5.1	88	2.9%	N/EL	N/EL	N/EL	N/EL	EL	N/EL											-
Investments of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		1,216	40.7%	33.9%	0.8%	2.2%	-	3.8%	-											8.0%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Operational expenditure of taxonomy-non-eligible activities		1,770	59.3%																	
TOTAL		2,986	100.0%																	

Investments are defined as the sum of purchased and leased capital investments.

Taxonomy eligible investments and operational expenditure relate to:

- assets or processes associated with taxonomy eligible economic activities and
- purchase of output from taxonomy eligible economic activities and individual measures to become low-carbon or reduce greenhouse gas provided that the measures are implemented and operational within 18 months.

The above table on investments can be summarized as follows:

Consolidated	Proportion of net sales / Total net sales split on	
	Environmentally sustainable (taxonomy-aligned) criteria	Taxonomy-eligible but not environmentally sustainable (not taxonomy-aligned) criteria
2023		
Climate change mitigation (CCM)	-	33.9%
Climate change adaptation (CCA)	-	0.8%
Water and marine resources (W)	-	2.2%
Pollution (P)	-	-
Circular economy (CE)	-	3.8%
Biodiversity and ecosystems (BE)	-	-
Total	-	40.7%

The following table shows how the eligible investments have developed from 2022 to 2023.

Consolidated	Investments split on assets	
SEK millions	2023	2022
Property, plant & equipment	1,153	173
Internally generated intangible assets	36	5
Licenses and other intellectual property rights	0	0
Capitalised right-of-use assets	27	12
Total	1,216	190

The increase in investments is partly due to a more product oriented way to identify which investments that taxonomy eligible than last year. The increase is however primarily a reflection of Alfa Laval's intention to grow in the environmental and sustainability area. Internally generated intangible assets are relating to capitalised development costs within research and development and IT.

The investments are mainly focusing on increasing production capacity for existing and new products that reduce energy consumption and carbon emissions for our customers and to reduce Alfa Laval's own energy consumption and carbon emissions.

Auditor's Limited Assurance Report on Alfa Laval AB's Sustainability Report and statement regarding the Statutory Sustainability Report

This is the translation of the auditor's report in Swedish.

To Alfa Laval AB, Corp.id. 556587-8054

Introduction

We have been engaged by the Board of Directors of Alfa Laval AB to undertake a limited assurance engagement of Alfa Laval AB's, Sustainability Report for the year 2023. The sustainability report consists of information presented on pages 46–79 in the Annual and Sustainability Report and the separate document Sustainability notes and GRI Content Index. Alfa Laval AB has defined the scope of the Statutory Sustainability Report on page 47.

Responsibilities of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined in the separate document Sustainability notes and GRI Content index, and are part of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative), that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our review is limited to the information in this document and Sustainability notes and GRI Content Index, and to the historical information and does therefore not include future oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 (Revised) *Assurance engagements other than audits or reviews of financial information*. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR12 *The auditor's opinion regarding the statutory sustainability report*. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies International Standard on Quality Management 1, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Alfa Laval AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusions

Based on the limited review performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

March 25, 2024

Ernst & Young AB

Andreas Troberg
Authorized Public Accountant

Outi Alestalo
Specialist member of FAR

Alfa Laval's share in 2023

Alfa Laval's share in 2023

During 2023, Alfa Laval's stock valuation has enjoyed a positive trend. The valuation has followed the general development of the stock exchange, with a strong rise until the summer, followed by a slightly falling rate until the end of October, and a strong price increase during the end of the year.

The share price was quoted at SEK 403.40 (301.10) at closing on the last trading day of the year – which is an increased valuation of SEK 102.30 since the start of the year. This corresponds to an increase of 33.98 percent, compared to OMX Stockholm Industrials, the industry index that Alfa Laval is part of, which increased with 25.09 percent during 2023.

The Stockholm Stock Exchange as a whole (OMXSPI) increased by 15.49 percent. Alfa Laval therefore outperformed both the industry and the stock market in general. The year's highest closing price for Alfa Laval's share, SEK 405.40, was recorded on 27 December. The year's lowest closing price, SEK 304.00, was noted on 3 January. Alfa Laval's market value at the end of the year was SEK 166.74 billion (124.62). The Alfa Laval share is listed on Nasdaq Stockholm and is part of the stock exchange's Large Cap segment in Stockholm and the Nordics, as well as OMXS30, which includes the 30 most traded shares in Stockholm.

Long-term total return

Since Alfa Laval was relisted on the Stockholm Stock Exchange on 17 May 2002, the share, including reinvested dividend, has returned 2,591 percent. Over the listing period, this equates to an average annual effective return of 17.38 percent. This can be compared to a 11.48 percent annual return for the Stockholm Stock Exchange during the same period (SIX Return Index).

Share turnover

Alfa Laval's shares are not only traded on Nasdaq Stockholm, but also on the Chicago Board Options Exchange (CBOE) Global Markets, the London Stock Exchange and Turquoise Europe, to name a few of the larger alternative marketplaces. In 2023, the Stockholm Stock Exchange accounted for 25.8 percent (23.9) of

all trading in the share. Trading on CBOE Global Markets was the largest with 52.95 percent (56.35).

The turnover of Alfa Laval shares decreased in 2023 and amounted to 643 million shares (874). This trade meant that the stock's turnover rate reduced 2023, to 1.56 times the number of shares outstanding (2.1). In 2023, the average number of closings in Alfa Laval's share reduced to 2,56 million shares per trading day (3.49), including all marketplaces. Trading in the company's stock corresponded to a total transaction value of SEK 236.78 billion (252.42).

Dividend policy

It is the Board's goal to regularly propose a dividend that reflects the Group's development, financial status, and current and expected capital needs. In consideration of the Group's ability to generate cash, the goal is that the dividend over a business cycle should correspond to 40–50 percent of the net profit. For 2023, the Board proposes a dividend of SEK 7.50 (6.00) to the AGM. The proposed dividend corresponds to 43.7 percent of earnings per share (46.9), adjusted for excess value.

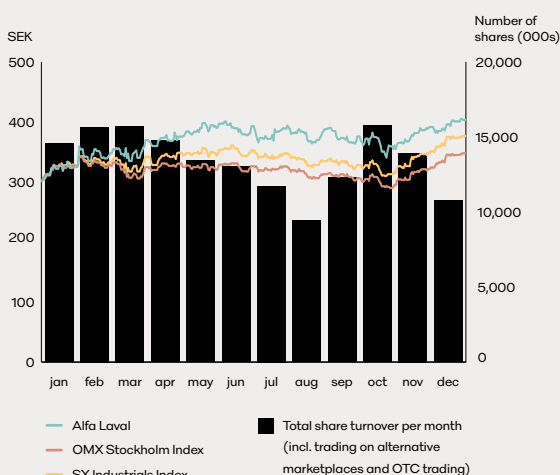
The share capital

At the end of the year, the quota value amounted to SEK 2.70 (2.70) per share. All shares have equal voting value and give equal rights to a share in the company's assets. There are no issued options or anything else that could mean dilution for the shareholders. The total number of shares at the end of the year was 413,326,315, which is a decrease of 550,508 since the beginning of the year.

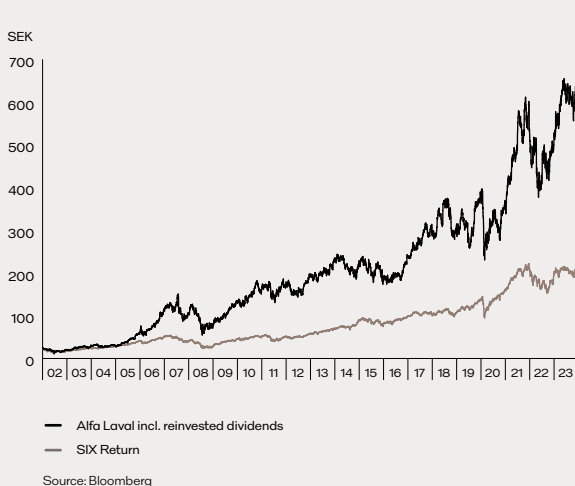
Shareholders

At the end of 2023, Alfa Laval had 54,098 shareholders (54,245), which equates to a decrease of 147 shareholders (+10,109). The ten largest owners controlled 61.48 percent of the shares (63.07), excluding trustee-registered shares. The largest shareholder is Winder Holding AG, which on 28 February 2023 acquired all shares from Tetra Laval B.V. During the year, three additional owners joined the ten largest – these are Deutsche Bank Trust Company America, AMF Tjänstepension, and Första AP-fonden.

Price trend, January 1 – December 31, 2023



Total return, May 17, 2002 – December 31, 2023



Ownership distribution by size at December 31, 2023

	No. of shareholders	No. of share- holders, %	No. of shares	Holding, %
1-500	45,326	83.78%	4,819,871	1.17%
501-1,000	4,108	7.59%	3,295,831	0.80%
1,001-5,000	3,518	6.50%	7,904,650	1.91%
5,001-10,000	473	0.87%	3,488,217	0.84%
10,001-20,000	143	0.26%	1,779,583	0.43%
20,001-50,000	83	0.15%	1,512,106	0.37%
50,001-	447	0.83%	390,602,283	94.50%
Total	54,098	100.00%	413,326,315	100.00%

Source: Euroclear

Ownership categories at December 31, 2023

	No. of shares	Holding, %
Financial companies	73,250,338	17.72%
Other financial companies	704,471	0.17%
Social insurance funds	9,026,615	2.18%
Government	1,030,250	0.25%
Municipal sector	40,400	0.01%
Trade organizations	3,481,229	0.84%
Other Swedish legal entities	5,286,227	1.28%
Uncategorized legal entities	48,642	0.01%
Shareholders domiciled abroad (legal entities and individuals)	299,540,081	72.47%
Swedish individuals	20,994,288	5.08%

Source: Euroclear

Data per share

	2023	2022	2021	2020	2019
Share price at year-end, SEK	403.3	301.10	364.40	226.30	235.90
Highest paid, SEK	405.4	382.70	388.80	257.20	242.40
Lowest paid, SEK	304	234.80	219.60	149.60	165.05
Shareholders' equity, SEK	90.43	86.27	77.11	70.24	66.15
Earnings per share	15.31	10.89	11.38	8.47	13.08
Dividend, SEK ¹⁾	7.50	6.00	6.00	5.50	-
Free cash flow, SEK ²⁾	15.68	-5.38	0.57	16.10	10.00
Price change during the year, %	33.98	-17.40	61.00	-4.07	24.39
Dividend as % of EPS, %	48.99	55.10	52.72	64.94	-
Direct return, % ³⁾	1.86	1.99	1.65	2.43	-
Share price/shareholders' equity, multiple	4.46	3.49	4.73	3.22	3.57
P/E ratio ⁴⁾	26.34	27.65	32.02	26.72	18.04
No. of shareholders	54,098	54,245	44,136	43,334	41,147

Source: Bloomberg, Euroclear, Alfa Laval

¹⁾ Board motion to the Annual General Meeting.

²⁾ Free cash flow is the sum of cash flow from operating and investing activities.

³⁾ Measured as the proposed dividend in relation to closing price on the last trading day.

The direct return for 2023 is calculated based on the board's proposal to the general meeting.

⁴⁾ Closing price on the last trading day in relation to earnings per share.

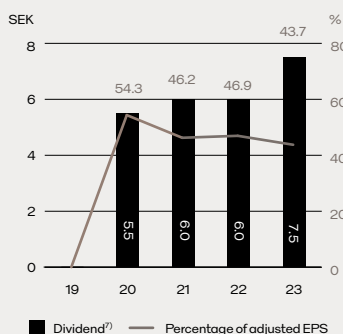
Ten largest shareholders at December 31, 2023⁵⁾

	No. of shares	Capital/ voting rights, %	Change in holding in 2023, percentage points
Winder Holding AG	122,037,736	29.53	29.53
State Street Bank and Trust Company	30,621,679	7.41	0.10
BNY Mellon	26,204,470	6.34	2.58
Alecta	23,221,464	5.62	-1.09
Northern Trust Company	16,046,652	3.88	-0.01
JP Morgan Chase	14,379,572	3.48	-0.13
Norges Bank	6,627,441	1.60	0.04
Deutsche Bank Trust Company America	5,491,642	1.33	1.33
AMF Tjänstepension	5,000,000	1.21	1.21
Första AP-fonden	4,490,170	1.09	1.09
Total ten largest shareholders	254,120,826	61.48	-1.59

Source: Euroclear

⁵⁾ The table is adjusted for nominee-registered shares.

Dividend and percentage of adjusted EPS⁶⁾

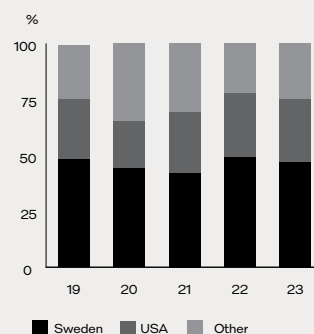


⁶⁾ Adjusted for step up amortization net of taxes.

⁷⁾ Board motion to the Annual General Meeting.

Source: Alfa Laval

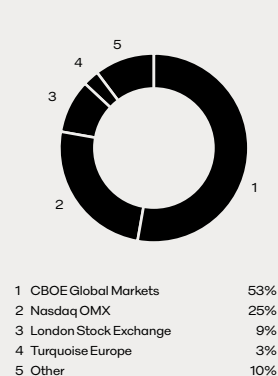
Geographic distribution of the free float, % of capital and voting rights⁸⁾



⁸⁾ Excluding Winder Holding (Switzerland 29.5%).

Source: Euroclear

Share turnover on various marketplaces 2023



Source: Bloomberg

Corporate Governance

Corporate Governance Report 2023	82
Share and ownership structure	85
Annual General Meeting	86
Annual General Meeting for the 2023 fiscal year	86
Nominating Committee	88
Board of Directors	90
Committees	92
The company's auditors	93
Remuneration to auditors	93
Board of Directors and auditors	94
President and Group management	96
Areas of responsibility	97
Remuneration to senior executives	97
Operational control	97
Group management meetings in 2023	97
Board of Directors' report on internal control	98
Control environment	98
Risk assessment	99
Control structures	99
Information and communication	99
Follow-up	99
Auditor's statement on the Corporate Governance Report	100

Alfa Laval as a company

Alfa Laval AB

The company's business name is Alfa Laval AB (publ). The company is listed on Nasdaq Stockholm and the registered office of the Board of Directors is in Lund, Sweden. The object of the company's operations is to, directly or through subsidiaries and joint venture companies in and outside Sweden, develop, manufacture and sell equipment and installations, primarily in the areas of separation, heat transfer and fluid handling, and to administer fixed and movable property, and other related operations. Alfa Laval's fiscal year runs from January 1 to December 31.

The company's share capital shall amount to no less than SEK 745,000,000 and no more than SEK 2,980,000,000. The number of shares shall be no less than 298,000,000 and no more than 1,192,000,000. The Articles of Association do not include any limitations regarding the number of votes a shareholder can cast at a general meeting. Nor do they contain any specific rules regarding the appointment and dismissal of Board members or changes to the Articles of Association. The Articles of Association include a right for the Board of Directors to collect proxies in accordance with Chapter 7, Section 4 of the Swedish Companies Act and to decide that shareholders may vote in advance of a general meeting.

Alfa Laval's currently prevailing Articles of Association were adopted at the Annual General Meeting on April 27, 2021 and are available in their entirety on

www.alfalaval.com

Responsible, sustainable and effective

Corporate governance identifies what the decision-making process at Alfa Laval looks like and the structures that regulate how the company is governed. Sound corporate governance is an essential basis for ensuring that, from a shareholder perspective, Alfa Laval is governed responsibly, sustainably and effectively. As a Swedish public limited liability company with shares listed on Nasdaq Stockholm, the framework for Alfa Laval's corporate governance is dictated by external rules as set out, inter alia, in the Swedish Companies Act, the Swedish Annual Accounts Act, the Nordic Main Market Rulebook for Issuers of shares ('Main Market Rulebook') and the Swedish Corporate Governance Code ('the Code').

These provisions are supplemented by internal principles and regulations, including governing documents with guidelines and instructions as well as procedures for control and risk management. At Alfa Laval, these internal governing documents include the Articles of Association, the Board and CEO instructions as well as Alfa Laval's Business Principles and governing policies. This Corporate Governance Report describes Alfa Laval's corporate governance for 2023. The report has been prepared in accordance with the Swedish Annual Accounts Act and the Code, and has been reviewed by the company's Auditors.

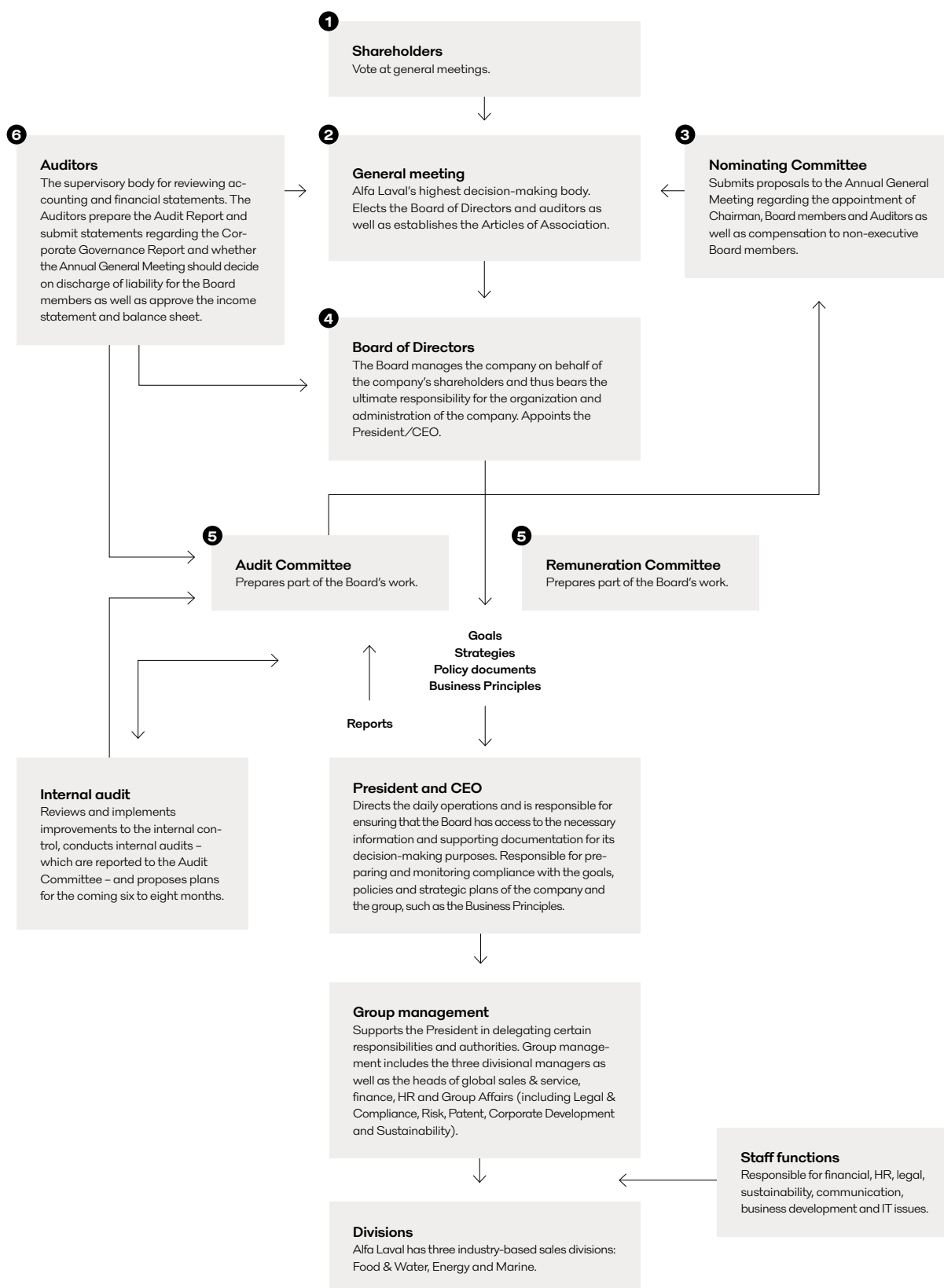
Acting in society and reaching business goals

In today's society, human impact on our planet is in constant focus. As new legislation becomes increasingly stringent, a sustainability paradigm is taking deeper root in society. This paradigm is leading many companies,

including Alfa Laval, to voluntarily take initiatives aimed at improvements. At Alfa Laval, such initiatives are, inter alia, reflected in the Group's Business Principles. Alfa Laval's four Business Principles, *Planet*, *Transparency*, *Caring* and *Committed*, guide all of the Group's work and describe how Alfa Laval is to act in society and how the individual business goals are to be achieved – in other words, ethically and sustainably. Adhering to the Business Principles means that there are many occasions and situations where Alfa Laval can contribute to a more sustainable future and to the success of Alfa Laval's customers, people and the planet. All employees at Alfa Laval are to comply with the Business Principles and are encouraged to bring to light anything that conflicts with these principles, either to their immediate supervisor, the HR department or through the whistleblower tool 'Speak up!' Alfa Laval's Business Principles also contain a distinct Code of Conduct.

As a part of its internal work, Alfa Laval regularly reviews its governing documents to ensure they are relevant and consistent with applicable laws and developments in terms of, for example, the Group's Business Principles. During the last years, Alfa Laval's *Business Resilience Management Policy*, *Intellectual Property Right Policy*, *Data Privacy Policy*, *Inclusion & Diversity Policy*, *Insider Policy*, *Bid Process for Contract Based Sales Policy*, *Information Security Policy* and *Export Control and Trade Sanctions Policy* have been reviewed and revised. A new Sourcing Policy was adopted in 2023, which sets the standard for Alfa Laval Global Sourcing regarding the purchase of goods and services.

Corporate governance



1 Share and ownership structure

At December 31, 2023, Alfa Laval had 413,326,315 shares allocated among 54,098 shareholders according to Euroclear Sweden's share register. Alfa Laval has only one class of shares and each share corresponds to one vote. Winder Holding AG was the largest owner, with 29.53 percent of the shares in Alfa Laval at year-end, and the only owner with a holding larger than 10 percent. The second largest owner was Alecta with 5.62 percent, followed by Norges Bank with a holding of 1.60 percent. Swedish private ownership amounted to 5 percent and other ownership accounted for 95 percent of the total ownership of Alfa Laval's shares. For more information about Alfa Laval's share, share performance and ownership structure, please refer to the Share section on pages 80–81.

Ownership categories at December 31, 2023

	No. of shares	Holding, %
Financial companies	73,250,338	17.72%
Other financial companies	704,471	0.17%
Social insurance funds	9,026,615	2.18%
Government	1,030,250	0.25%
Municipal sector	40,400	0.01%
Trade organizations	3,481,229	0.84%
Other Swedish legal entities	5,286,227	1.28%
Uncategorized legal entities	48,642	0.01%
Shareholders domiciled abroad (legal entities and individuals)	299,540,081	72.47%
Swedish individuals	20,994,288	5.08%

Source: Euroclear

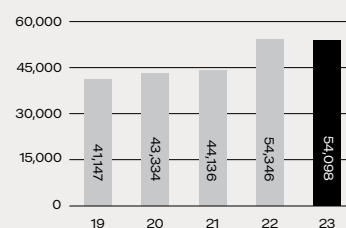
Ten largest shareholders at December 31, 2023*

	No. of shares	Capital/ voting rights, %	Change in holding in 2023, percentage points
Winder Holding AG	122,037,736	29.53	29.53
State Street Bank and Trust Company	30,621,679	7.41	0.10
BNY Mellon	26,204,470	6.34	2.58
Alecta	23,221,464	5.62	-1.09
Northern Trust Company	16,046,652	3.88	-0.01
JP Morgan Chase	14,379,572	3.48	-0.13
Norges Bank	6,627,441	1.60	0.04
Deutsche Bank Trust Company America	5,491,642	1.33	1.33
AMF Tjänstepension	5,000,000	1.21	1.21
Första AP-fonden	4,490,170	1.09	1.09
Total ten largest shareholders	254,120,826	61.48	-1.59

Source: Euroclear

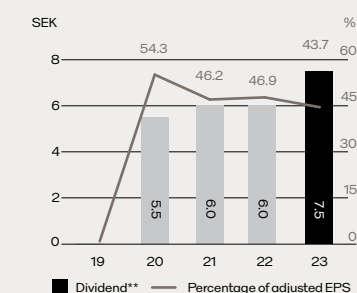
* The table is adjusted for nominee-registered shares.

Total number of shareholders



Source: Euroclear

Dividend and percentage of adjusted EPS*



*Adjusted for step up amortization net of taxes.

**Board motion to the Annual General Meeting.

Source: Alfa Laval



2 General meetings

Shareholders exercise their voting rights at general meetings. The general meeting is Alfa Laval's highest decision-making body. At the general meeting, the Board of Directors and Auditors are elected, and the Chairman of the Board is appointed. Decisions are also made regarding compensation to the Board of Directors, discharge of the Board members and the president from liability as well as adoption of the income statement, balance sheet, Executive Remuneration Policy and distribution of the company's profit.

In case the Articles of Association or the applicable instructions for the Nominating Committee are to be changed, such resolutions are also decided by the general meeting.

Each shareholder who is listed in the register of shareholders and has notified the company of their participation is entitled to participate in a general meeting and vote according to their shares. Shareholders are entitled to be represented by a proxy at the meeting. Most proposals addressed at a general meeting are decided by a simple majority. However, certain resolutions require a qualified majority, such as changes to the Articles of Association or repurchase of shares. Every shareholder, regardless of the size of their holding, is entitled to have an item brought up at a general meeting.

Alfa Laval's ordinary general meeting (the Annual General Meeting) is held annually within six months of the end of the fiscal year. Normally, the Annual General Meeting takes place in late April in Lund. The date and location of the Annual General Meeting are announced not later than in conjunction with the publication of the interim report for the third quarter.

Notice of the Annual General Meeting is published as an announcement in the Swedish Official Gazette and on the company's website not more than six and not less than four weeks prior to the Annual General Meeting.

2023 Annual General Meeting

The 2023 Annual General Meeting of Alfa Laval AB was held on April 25, 2023 at Scandic Star Lund, Glimmervägen 5, Lund, Sweden.

The notice of the Meeting was issued on March 21, 2023. Shareholders who wished to participate in the Annual General Meeting could either participate by advance voting or at the venue in person or by a proxy.

A total of 297,730,427 votes and shares were registered at the Meeting. Dennis Jönsson, Chairman of the Board, was appointed as Chairman of the general meeting.

The Meeting adopted the agenda proposed in the convening notice and decided on the below resolutions in accordance with the proposals from the Nominating Committee and the Board of Directors. The CEO of the company held a presentation during the general meeting which was published on Alfa Laval's website after the Meeting.

The minutes from the 2023 Annual General Meeting, the notice and all other information related to the Meeting are available at www.alfalaval.com/investors/corporate-governance/.

2024 Annual General Meeting

The Annual General Meeting of Alfa Laval AB (publ) will be held on Thursday, April 25, 2024, at 4:00 p.m. at Stadshallen in Lund (Lund City Hall). The notice of the 2024 Annual General Meeting will be published not earlier than March 14 and not later than March 28, 2024.

Notice of the Annual General Meeting will be inserted as an announcement in the Swedish Official Gazette and on the company's website. An announcement that the notification has been issued will thereafter be published in Dagens Nyheter. Supporting documentation will be published on Alfa Laval's website well in advance of the general meeting. Copies of the documents will also be sent to those shareholders who request them and state their address.

Resolutions passed by the 2023 Annual General Meeting

- The Meeting adopted the income statement and balance sheet as well as the consolidated income statement and consolidated balance sheet, as presented in the 2022 Annual Report.
- The Meeting resolved on a dividend of SEK 6 per share, with April 27, 2023, as record date.
- The Meeting resolved to discharge all individuals who held positions in Alfa Laval AB as Board members, deputy members or president during 2022 from liability in respect of their management of the company's business for the 2022 fiscal year.
- The Meeting approved the remuneration report prepared by the Board of Directors.
- The Meeting resolved that the number of Board members elected by the Meeting was to be nine, with no deputy members. This resolution led to an increase in the number of Board members by one compared with the previous year. The Meeting also resolved that the number of Auditors was to be two with two deputy Auditors.
- The Meeting resolved on compensation to non-executive Board members in an amount of SEK 7,150,000 with an additional compensation to the Chairman and other members of the Audit Committee and the Remuneration Committee.
- The Meeting resolved, for the time up to the end of the 2024 Annual General Meeting, to re-elect Dennis Jönsson, Finn Rausing, Henrik Lange, Jörn Rausing, Lilian Fossum Biner, Ray Mauritsson and Ulf Wiinberg as Board members, to elect Anna Müller and Nadine Crauwels as new members of the Board, as well as to re-appoint Dennis Jönsson as Chairman of the Board.
- The Meeting resolved for the time up to the end of the Annual General Meeting 2024, to re-elect the Authorized Public Accountant Karoline Tedevall and to elect the Authorized Public Accountant Andreas Troberg as the company's Auditors, as well as to re-elect the Authorized Public Accountants Henrik Jonzén and Andreas Mast as deputy Auditors.
- The Annual General Meeting resolved to reduce the share capital by cancellation of 550,508 shares, repurchased under Alfa Laval's share buy-back programme, and that the reduction amount was to be transferred to the company's non-restricted equity. This led to a reduction of the share capital by SEK 1,485,377.34. Simultaneously the general meeting resolved to restore the share capital with SEK 1,485,377.34 by way of a bonus issue without issuing new shares and that the amount was to be transferred from the company's non-restricted equity. The resolutions were supported by share-holders holding at least two-thirds of both votes cast and the shares represented at the Meeting.
- The Meeting resolved, in accordance with the Board of Directors' proposal included in the notice, to amend the Executive Remuneration Policy adopted by the Annual General Meeting 2021.

The 2024 Annual General Meeting pertains to the 2023 fiscal year. The 2023 Annual General Meeting pertains to the 2022 fiscal year.

3 Nominating Committee

Work of the Nominating Committee

The Nominating Committee prepares and submits proposals to the Annual General Meeting regarding candidates for Board members and Chairman of the Board as well as the company's Auditors. The Nominating Committee's task also includes preparing proposals to the Annual General Meeting regarding compensation to non-executive Board members, additional compensation to members of the committees and to propose a Chairman of the Annual General Meeting. Rules for the Nominating Committee's work and composition are provided in the Code and in specific instructions adopted by the 2018 Annual General Meeting. The instructions apply until further notice and stipulates, inter alia, that the Nominating Committee is to consist of a minimum of five members appointed by the largest shareholders as of August 31, and that the Chairman of the Board should be part of the Nominating Committee.

Every year, the composition of the Nominating Committee is announced in a press release, in the third-quarter interim report and on Alfa Laval's website. In conjunction with this, information is also provided about how shareholders can propose candidates for the Board.

Assessing strengths and future needs

The Nominating Committee's proposal for candidates to the Board of Directors is, among other things, based on the annual evaluation of the Board's work. The evaluation is prepared by the Chairman of the Board and is intended to provide the Nominating Committee with a deeper understanding of the Board's work methods, its work climate and its need for particular Board competence considering the company's strategy. Moreover, as a member of the Nominating Committee, the Chairman of the Board can easily keep the Nominating Committee informed about the company's strategy and future challenges. In connection with the preparatory work to present a proposal for the Board, the Nominating Committee can also conduct interviews with individual Board members about the Board work and can, when deemed appropriate, call upon the assistance of external resources in its search for suitable candidates.

Work of the Nominating Committee ahead of the 2023 Annual General Meeting

In respect of the Annual General Meeting 2023, the Nomination Committee consisted of Dennis Jönsson and five members appointed by the largest shareholders in Alfa Laval as of August 31, 2022. Please see the below table Nominating Committee ahead of the 2023 Annual General Meeting for more information.

The work of the Nominating Committee began with a statutory meeting where Jörn Rausing was elected Chairman and Emma Adlerton, Chief Legal Officer and Secretary to the Board of Alfa Laval AB, was appointed Secretary to the Nomination Committee. Due to Jörn Rausing's position as a Board member of Alfa Laval AB, his role as Chairman is a deviation from the Code. The Nominating Committee considered this in its decision and deemed Jörn Rausing to be particularly well suited to lead the work of the Committee and obtain the best possible results for the company's owners.

Ahead of the general meeting 2023, the Nominating Committee held eight formal meetings, which were partly digital, and had contact by e-mail. The following items were addressed at the meetings:

- Composition of the Board of Directors and the need for new members.
- The Code's requirement concerning that an even gender balance within the Board should be aimed for. Due to this, the Nominating Committee decided that the strive to reach an even gender balance in the Board of Directors will continue to be prioritized during the coming years.
- The Chairman of the Board presented the results of the latest digital Board evaluation.
- Interviews were carried out with all members of the Board, except for such members who also were members of the Nomination Committee.

Nominating Committee ahead of the 2023 Annual General Meeting

Name	Representing	Shareholding in Alfa Laval, %*
Jörn Rausing	Tetra Laval International S.A.	29.5
Anna Magnusson	Alecta Pensionsförsäkring	6.7
Lennart Francke	Swedbank Robur Funds	2.5
Anders Oscarsson	AMF Insurance and Funds	2.6
Javiera Ragnartz	SEB Funds	1.8

*As of August 31, 2022.



Composition and work of the Nominating Committee ahead of the 2024 Annual General Meeting

Ahead of the 2024 Annual General Meeting, the Nominating Committee included Finn Rausing (Winder Holding), Daniel Kristiansson (Alecta Tjänstepension Ömsesidigt), Lennart Francke (Swedbank Robur Funds), Anders Oscarsson (AMF Insurance and Funds), Javiera Ragnartz (SEB Funds) and Dennis Jönsson (Chairman of the Board of Alfa Laval AB). Finn Rausing was elected Chairman and Emma Adlerton, Chief Legal Officer and Secretary to the Board of Alfa Laval AB, was appointed secretary. Due to Finn Rausing's position as Board member of Alfa Laval AB, his role as Chairman of the Nominating Committee is a deviation from the Code. The Nominating Committee considered this in its decision, and deemed Finn Rausing to be particularly well suited to lead the work of the Committee and obtain the best possible results for the company's owners.

The composition of the Nominating Committee was published in a press release on September 27, 2023.

The information was also included in Alfa Laval's third-quarter interim report, which was published on October 25, 2023. The total holding of the shareholders appointing the Nominating Committee represented 42.4 percent of the number of shares in the company on August 31, 2023. Information about how to submit proposals for Board candidates to the Nominating Committee was published along with the composition of the Nominating Committee.

– Report from the president and CEO Tom Erixon on Alfa Laval's operations and his view on the company's strategy and challenges.

– Compensation to the Board members, including additional compensation to members of the Audit Committee and the Remuneration Committee.

After an overall assessment, the Nominating Committee decided to propose to the Annual General Meeting, re-election of all the Board members that were available for re-election and election of Anna Müller and Nadine Crauwels as new members of the Board. The Nomination Committee's proposal meant that the Board of Directors would comprise of nine members elected by the general meeting up until the end of the Annual General Meeting 2024. In considering the proposal, the Nominating Committee applied Rule 4.1 of the Code as diversity policy. In the recent years, the Nomination Committee has strived for an even gender balance within the Board of Directors in accordance with the ambitions communicated by the Swedish Corporate Governance Board. Following the Nominating Committee's proposal, the Board of

Directors consists of three women and six men up until the Annual General Meeting 2024. This corresponds to a women proportion of 33 percent. The Nomination Committee noted in its reasoned statement that this is still lower than desired, and that the strive to reach an even gender balance in the Board of Directors will continue to be prioritized during the coming years. Further information is available in the Nominating Committee's reasoned statement prepared ahead of the 2023 Annual General Meeting.

Election of auditors

Ahead of the 2023 Annual General Meeting, the Nominating Committee also held a meeting where Henrik Lange, Chairman of the Audit Committee, was invited. Henrik Lange presented the work of the Audit Committee during the year and the work with the Auditors elected by the Annual General Meeting. Based on the Audit Committee's recommendation, the Nominating Committee decided to propose to the Annual General Meeting 2023, re-election of Karoline Tedevall and the election of Andreas Troberg as the company's Auditors for the coming year.

4 Board of Directors

The Board of Alfa Laval manages the company on behalf of the shareholders and bears the ultimate responsibility for the organization and administration of the company. The work and responsibilities of the Board are governed by the Swedish Companies Act, the Swedish Board Representation (Private Sector Employees) Act, Alfa Laval's Articles of Association, the Main Market Rulebook and the Code. The Board is also responsible for establishing Board and CEO instructions in writing. These instructions describe the Board's work assignments, the committees to be established within the Board and the allocation of work between the Board, the committees, and the President. Further, the Board instructions define the role of the Chairman of the Board. To enable the ongoing assessment of the company's financial position, the Board instructions include separate instructions regarding the financial reporting to be submitted to the Board.

In accordance with Alfa Laval AB's Articles of Association, the Board of Directors is to comprise a minimum of four and maximum of ten members, with a maximum of four deputy members. The members are elected annually by the general meeting for a period until the next Annual General Meeting. In order to safeguard the best interests of the company and its owners, the Board members shall devote the required time and care to the assignment and have the necessary competence. Additionally, the trade-union organizations appoint three employee representatives to the Board as well as deputy employee representatives.

The Board's work includes establishing and evaluating Alfa Laval's overall long-term objectives and strategies. This is accomplished by establishing business and financial plans, reviewing and approving financial statements, adopting guidelines, making decisions on issues relating to acquisitions and divestments, deciding on major investments as well as significant changes to Alfa Laval's organization and operations. Moreover, the Board appoints, evaluates, and dismisses the company's President and establishes the instructions for the President with respect to the daily operations. The Board of Directors is also responsible for Alfa Laval's corporate governance and Business Principles.

The Board conducts its work primarily within the framework of formal Board meetings. Approximately eight ordinary Board meetings are held every year and extraordinary meetings are held when needed. Recurring agenda items at these meetings include health and safety, earnings results, order trends, investments, sustainability and business development. The company's President prepares an agenda for each meeting in consultation with the Chairman of the Board. When relevant, the work of each committee is presented by its respective Chairman at the meetings.

Employees in the company are also invited to Board meetings as presenters and experts. The company's Chief Financial Officer participates in all meetings, as does the Chief Legal Officer, who serves as Secretary to the Board. Within some areas, the Board of Directors conducts its work through the Audit Committee and the Remuneration Committee. More information about the work of each committee of the Board is presented below.

Responsibilities of the Chairman of the Board

The Chairman of the Board directs the work of the Board in a manner that ensures that it complies with prevailing laws and regulations as well as internal instructions. The Chairman must ensure that the Board work is well organized and conducted efficiently, and that the Board fulfills its tasks. In dialogue with the company's President, the Chairman monitors operational developments and is responsible for ensuring that the other Board members continuously receive all information necessary for the work of the Board to be performed in the most effective manner. The Chairman ensures that the Board's decisions are executed and represents the company in ownership issues.

Moreover, the Chairman is responsible for introductory education for new Board members and the annual evaluation of the Board's work. The Chairman participates in evaluation and development matters with respect to the Group's senior executives.

Compensation of Board members and attendance at Board meetings during 2023

	Name	Present	Compensation*
Appointed by the AGM	Dennis Jönsson	● 8	1,950,000
	Lilian Fossum Biner	8	650,000
	Nadine Crauwels (elected at the Annual General Meeting 2023)	5	650,000
	Henrik Lange	8	650,000
	Ray Mauritsson	8	650,000
	Maria Moræus Hanssen**	3	-
	Anna Müller (elected at the Annual General Meeting 2023)	5	650,000
	Finn Rausing	8	650,000
	Jörn Rausing	8	650,000
	Ulf Wiinberg	7	650,000
Employee representatives	Henrik Nielsen	7	-
	Bror García Lantz	8	-
	Johan Ranshög	8	-
	Stefan Sandell (deputy member)	8	-
	Total	8	7,150,000

● Chairman

*The compensation recognized pertains to the period between two AGMs. ** Declined re-election at the AGM 2023.

Compensation of the Board

Compensation to the Board is determined by the Annual General Meeting based on a proposal from the Nominating Committee. The Chairman as well as other members of the Audit Committee and the Remuneration Committee receive supplementary compensation. No Board or committee member is entitled to pension payments from the company.

Composition of the Board after the 2023 Annual General Meeting

The Board elected by the 2023 Annual General Meeting consists of nine members, with no deputy members. The Board's assignment lasts until the end of the 2024 Annual General Meeting. The Board also includes three employee representatives with three deputy employee representatives, appointed by the trade-union organizations.

Alfa Laval's Board of Directors demonstrates both diversity and breadth of competence, knowledge, and experience. The Chairman and the members have a broad operational experience within an industry that is relevant for Alfa Laval and within strategic development areas for the company. The members of the Board have gained experience in previous and current Board assignments in other companies as well as from senior positions held at other companies. In the last years, the collective skills of the Board have been expanded with experience from product development, network solutions, and retail and consumer goods companies. Furthermore, since the 2020 Annual General Meeting, the Board has a new Chairman, with thorough experience in successfully leading a large international company in a sector that is significant and relevant for Alfa Laval. More information about the Board members is available on page 94–95 and on Alfa Laval's website.

All members of the Alfa Laval Board elected by the Annual General Meeting 2023 are considered independent of the company and its management. All members are also considered independent of the company's major shareholders, except Finn Rausing and Jörn Rausing, who cannot be considered independent due to their relationship with the largest shareholder in Alfa Laval AB, Winder Holding AG.

Work of the Board in 2023

Work of the Board in 2023 The Board held eight Board meetings in 2023, including eight ordinary meetings and none extraordinary. Recurring items addressed at the Board meetings throughout the year included health and safety, the impact on the company due to the Russian invasion of Ukraine, inflation, earnings results, order trends, investments, sustainability, business development and acquisitions.

Another important area was climate and sustainability issues, with a focus on the Group's sustainability goals, product development to meet customers' sustainability-related goals and on strategic partnerships and acquisitions to position Alfa Laval for a more sustainable future. As a part of this focus, Alfa Laval acquired full ownership of Marine Performance Systems (MPS) The acquisition strengthens Alfa Laval's position to support the decarbonization in the marine industry. Also, Alfa Laval entered into a strategic joint venture with Aalborg CSP, a concentrated solar power technology company, to accelerate the development of long duration energy storage solutions. The Board of Directors was also regularly updated and involved in Alfa Laval's internal sustainability efforts during 2023 (see pages 46–79). In addition, the Board also approved the Sustainability Report 2023.

Moreover, the Board regularly monitored the Group's earnings and financial position, and risk management as well as discussed the Group's strategy and business plan. Investment and operational restructuring issues and follow-ups of previous investments were also addressed at the Board meetings in 2023.

Evaluation of the Board's work and Board education

Each year, an evaluation is made of the Board in order to lay the foundation for well-functioning and effective governance. The evaluation is carried out by the Chairman of the Board, some years in combination with external resources. Recurring areas of the evaluation include the Board's work methods, its work climate and its access to and need for particular Board competence. The evaluation is the foundation of the work of the Nominating Committee, both in terms of proposals for Board members and in terms of compensation. In 2023, the Chairman's annual evaluation was carried out through the customary interviews with Board members and through a digital platform. During the interviews, the Board members were asked to answer several questions related to various areas relevant to the Board's work.

New Board members are to go through a comprehensive introduction programme within six months of their election. The programme includes an introduction to the company and any other training agreed on by the Chairman and the individual member. In addition, an educational field trip takes place each year for the entire Board. The Board attended a field trip to Bergen, Norway during the fall. The trip included a visit to the StormGeo site, to the Framo head-quarter including the Framo service workshop, as well as an aquaculture farm. The purpose of the visit was, among other things, to give the Board a deeper dive into some of the Marine Division applications and products.

5 Committees

The Board instructions stipulate that there must be a Remuneration Committee and an Audit Committee that report to the Board. Members of the committees are appointed annually from within the Board at the statutory meeting.

Audit Committee

The Audit Committee's work and responsibilities

Through the Audit Committee, the Board procures auditing services, maintains ongoing contact with the company's auditors and works to ensure that a sound internal control function and formalized procedures are in place to enable monitoring and assessment of the company's financial situation.

The Audit Committee ensures compliance with the principles for financial reporting and internal control. The Committee formulates guidelines for the company's financial reporting and follow-up, and has the right to determine the focus of the internal audit. The Committee examines the procedures for reporting and financial controls as well as the work, qualifications and independence of the external auditors. The Committee also follows up the effectiveness of the internal control systems and reviews the company's financial reports. For further information regarding the responsibilities of the Audit Committee, refer to 'The Board of Directors' report on internal control' on page 98–99.

The Audit Committee's composition and work in 2023

In 2023, the Audit Committee comprised Henrik Lange (Chairman), Dennis Jönsson and Lilian Fossum Biner with the Group Controller serving as secretary. The company's Chief Financial Officer, the Head of the Internal Audit Function and the company's auditors also participate in the Committee's meetings.

The Audit Committee held 6 meetings during 2023, out of which 5 were digital. Recurring items addressed at meetings included financial reports and a debriefing from the external auditors, planning external and internal audits, internal control processes, and Group provisions and allocations. In addition, the following were discussed:

- the finance policy and capital structure strategy, the update of the EMTN program and the company's Treasury Policy,
- review of the outcome of the self-assessment in 2023 of managers regarding internal control points,
- the review of the Sustainability Report,
- International tax compliance projects initiated by the EU and OECD,
- follow-up on non-audit-services,
- Upcoming CSRD reporting for 2024, including a limited review of the preparations,
- the reporting of environmentally sustainable activities in 2023 according to the EU taxonomy.
- propose auditors for the Annual General Meeting

Audit Committee: fees and attendance

Name	Present	Compensation
Henrik Lange	● 6	300,000
Lilian Fossum Biner	6	150,000
Dennis Jönsson	6	150,000
Total	6	600,000

● Chairman

Remuneration Committee

The Remuneration Committee's work and responsibilities

Through the Remuneration Committee, the Board determines salaries and remuneration for the President and senior executives. The Remuneration Committee is involved in recruitment, appointments, and matters pertaining to other conditions of employment relating to the President and Group management. The Committee is responsible for preparing the Executive Remuneration Policy to be resolved on by the Annual General Meeting and for submitting proposals to the Board regarding the remuneration report, which is to be prepared by the Board of Directors each fiscal year and be presented to the Annual General Meeting for approval. In addition, the Committee submits proposals to the Board on matters regarding salary and employment terms for the President and for senior executives reporting directly to the President.

The Remuneration Committee's composition and work in 2023

In 2023, the Remuneration Committee comprised Dennis Jönsson (Chairman), Jörn Rausing and Ulf Wiinberg. President Tom Erixon and Pascale Gimenez, Executive Vice President Human Resources, also participate in the Committee's meetings. Minutes were taken separately or directly in the corresponding Board minutes.

The Remuneration Committee held two meetings in 2023. Recurring items addressed included the objectives of short-term (STI) and long-term (LTI) incentive plans as well as compensation to senior executives. In addition, the following items were also addressed:

- A proposal to the Board regarding a remuneration report for 2022 that were presented at the 2023 Annual General Meeting. The report describes how the Executive Remuneration Policy was applied in 2022.

Remuneration Committee: fees and attendance

Name	Present	Compensation
Dennis Jönsson	● 2	75,000
Jörn Rausing	2	75,000
Ulf Wiinberg	2	75,000
Total	2	225,000

● Chairman

6 The company's Auditors

The Auditors' work and responsibilities

The Auditors comprise a supervisory body appointed every year by the Annual General Meeting. In accordance with Alfa Laval AB's Articles of Association, the company must have at least one but not more than two Auditors and not more than two deputy Auditors. An authorized public accountant or a registered auditing firm must be appointed.

The assignment includes the following areas:

- auditing the accounting and financial statements of individual companies,
- evaluating the accounting policies applied,
- assessing the administration of company management,
- reviewing the interim report for the third quarter,
- evaluating the overall presentation in the Annual Report,
- review of sustainability report, and
- review of compliance with the principles for remuneration to senior executives.

The results of the auditors' work – the Audit Report – are communicated to shareholders in the Annual Report and at the Annual General Meeting. In addition, the Auditors present a statement regarding the proposed discharge from liability, which is included in the agenda of every Annual General Meeting, along with the adoption of the income statement and balance sheet. The Auditors also present a statement regarding the Corporate Governance Report.

Auditors elected at the 2023 Annual General Meeting

At the Annual General Meeting, 2023, the Authorized Public Accountant Karoline Tedevald was re-elected and the Authorized Public Accountant Andreas Troberg was elected as the company's Auditors and Henrik Jonzén and Andreas Mast were re-elected as deputy auditors. The company has assessed that none of the elected Auditors or their deputies have any relationship to Alfa Laval or any company related to Alfa Laval, which could affect their independent status. In 2023, the entire Board of Directors received a report from the company's external auditors on one occasion, which took place without the President or anyone in Group management being present. The Audit Committee received separate reports on six occasions.

The company's auditors are remunerated according to approved invoices. Refer to Note 7 on page 153.

Board of Directors and auditors

Appointed by the Annual General Meeting



Dennis Jönsson

Chairman since 2020.

Born: 1956.

Formerly President and CEO of Tetra Pak.

Education: BSc. Econ from Stockholm University.

Board member: ICC Sweden

Independent of the company and major shareholders.

Number of shares in Alfa Laval:
210,000* (210,000**)



Ulf Wiinberg

Board member since 2013.

Born: 1958

President of X-Vax Inc. Formerly CEO of H. Lundbeck A/S, Director of Wyeth Pharmaceuticals, EMEA/Canada & BioPharma, and a number of other senior positions in Wyeth.

Education: Courses at Colombia University (IBM) and University of Pennsylvania - Wharton

Chairman of the Board: Hansa Biopharma AB and Sigrid Therapeutics.

Board member: UCB Pharma and Agenus Inc.

Independent of the company and major shareholders.

Number of shares in Alfa Laval:
20,000* (20,000**)



Henrik Lange

Board member since 2018.

Born: 1961

Previously President and CEO of Gunnebo AB; held several senior positions within the SKF Group, including Industry Division Manager and CFO, and served as CEO of Johnson Pump AB.

Education: BSc. Econ. from the Gothenburg School of Business, Economics and Law

Board member: Velux A/S, Trelleborg AB, BDR Thermea Group BV, Dunkerstiftelsen, Traction AB and The German-Swedish Chamber of Commerce.

Independent of the company and major shareholders.

Number of shares in Alfa Laval:
6,000* (6,000**)



Finn Rausing

Board member since 2000.

Born: 1955

Education: B.L., MBA from INSEAD.

Board member: Tetra Laval Group, DeLaval Holding AB and Excillum AB.

Independent of the company.

Number of shares in Alfa Laval:
-* (-**)



Jörn Rausing

Board member since 2000.

Born: 1960

Head of Mergers and Acquisitions (M&A) in the Tetra Laval Group.

Education: BSc. Econ.

Board member: Tetra Laval Group, Ocado PLC and DeLaval Holding AB.

Independent of the company.

Number of shares in Alfa Laval:
-* (-**)



Nadine Crauwels

Board member since 2023.

Born: 1971

Holds the position as President Sandvik Machining Solutions and Executive Vice President at Sandvik.

Held several senior positions in Switzerland and Belgium, mainly in Sandvik Coromant AB.

Education: MSc, Mechanical Engineering, Production, from the University of Leuven (KU Leuven), Belgium.

Independent of the company and major shareholders.

Number of shares in Alfa Laval:
920* (-**)

*Holdings on December 31, 2023. **Holdings on December 31, 2022.

**Ray Mauritsson**

Board member since 2020.

Born: 1962

President and CEO, Axis AB.

Former positions include several different leading positions in Axis Communications AB and Tac (today part of Schneider Electric).

Education: MSc. Engineering Physics, Lund University Faculty of Engineering. Executive MBA, Lund University School of Economics.

Independent of the company and of major shareholders.

Number of shares in Alfa Laval:
6,000* (6,000**)**Lilian Fossum Biner**

Board member since 2021.

Born: 1962

Previously CFO at Axel Johnson AB and Senior Vice President and Head of HR and Organizational Development for Electrolux Group.

Education: M.Sc. in Finance and International Business, Stockholm School of Economics.**Board member:** LeDap AB, Röka AB, Scania AB, Carlsberg Group A/S, Givaudan SA and a-connect AG.

Independent of the company and major shareholders.

Number of shares in Alfa Laval:
800* (800**)**Anna Müller**

Board member since 2023.

Born: 1967

Holds the position as President and CEO AB Volvo Penta.

Has held several senior positions within AB Volvo including Senior Vice President Europe North & Central at Volvo Trucks, and served as Managing Director at Ford Motor Company AB.

Education: BSc, International Business & Economics from Linköping University.

Independent of the company and major shareholders.

Number of shares in Alfa Laval:
130* (-**)**Employee representatives****Henrik Nielsen**

Employee representative since 2015.

Born: 1968

Employed by Alfa Laval since 1994.

Employee representative for the Swedish Metal Workers' Union (IF Metall).

Number of shares in Alfa Laval:
50* (50**)**Johan Ranhög**

Employee representative since 2021.

Born: 1964

Employed by Alfa Laval since 2016.

Employee representative for the Swedish Confederation of Professional Associations (SACO).

Number of shares in Alfa Laval:
101* (101**)**Bror García Lantz**

Employee representative since 2012.

Born: 1965

Employed by Alfa Laval since 1990.

Employee representative for the Swedish Union of Clerical and Technical Employees in Industry (Unionen).

Number of shares in Alfa Laval:
100* (100**)**Deputy employee representatives****Leif Norkvist**

Deputy member since 2009.

Born: 1961

Employed by Alfa Laval since 1993.

Deputy employee representative for the Swedish Metal Workers' Union (IF Metall).

Stefan Sandell

Deputy member since 2005.

Born: 1971

Employed by Alfa Laval since 1989.

Deputy employee representative for the Swedish Organization for Managers (Ledarna).

Johnny Hultén

Deputy member since 2017.

Born: 1961

Employed by Alfa Laval since 1977.

Deputy employee representative for the Swedish Metal Workers' Union (IF Metall).

*Holdings on December 31, 2023. **Holdings on December 31, 2022.

Auditors**Andreas Troberg**

Authorized Public Accountant, EY.

Born: 1976

Company auditor since 2023.

Karoline Tedeval

Authorized Public Accountant, EY.

Born: 1978

Company auditor since 2018.

Deputy Auditors**Henrik Jonzén**

Authorized Public Accountant, EY.

Born: 1977

Deputy auditor since 2018.

Andreas Mast

Authorized Public Accountant, EY.

Born: 1979

Deputy auditor since 2020.

President and Group management

Fredrik Ekström

Chief Financial Officer.

Born: 1975

Employed by Alfa Laval since 1998.

Chief Financial Officer since 2022.

Former positions include several international positions in Alfa Laval, most recently as President Business Unit Brazed & Fusion Bonded Heat Exchangers.

Education: MBA, University of Illinois at Urbana Champaign, USA.

Number of shares in Alfa Laval: 3,000* (2,000**)

Thomas Møller

President, Energy Division.

Born: 1974

Employed by Alfa Laval since 2002.

President of the Energy Division since 2021. Former positions include President Business Unit Decanters, Water & Waste Segment Manager and Market Unit Power Manager.

Education: BSc. Eng.

Number of shares in Alfa Laval: 6,800* (4,800**)

Joakim Vilson

Senior Vice President, Global Sales & Service.

Born: 1965

Employed by Alfa Laval since 1990.

Former positions include Executive Vice President in charge of the Central and Eastern Europe, Latin America, Middle East and Africa Regions, Head of Mid Europe Region and Head of the Process Industry segment.

Education: BSc. Eng.

Number of shares in Alfa Laval: 7,520* (6,520**)

Tom Erixon

President and CEO.

Born: 1960

CEO since March 1, 2016.

Former positions include President and CEO of OVAKO AB and President of Sandvik Coromant. Chairman of the Board: Afry AB.

Education: MA Law from the University of Lund in Sweden and MBA Business Administration from IESE in Spain.

Number of shares in Alfa Laval: 129,200* (101,200**)



Pascale Gimenez

Senior Vice President, Human Resources.

Born: 1966

Employed by Alfa Laval since August 1, 2018.

Former positions include Senior Vice President of Human Resources at various units within Sandvik and Electrolux.

Education: Master's degree in marketing from ESSEC Business School and a degree in engineering from the Institut Supérieur Agricole de Beauvais.

Number of shares in Alfa Laval: 200* (-)

Nish Patel

President, Food & Water Division.

Born: 1962

Employed by Alfa Laval since 1984.

Former positions include Executive Vice President in charge of the Western Europe and North America Regions, and Head of India and the UK.

Education: BSc. Eng.

Number of shares in Alfa Laval: 47,552* (47,552**)

Emma Adlerton

General Counsel & Secretary to the Board of Directors.

Born: 1973

Employed by Alfa Laval since 2008.

General Counsel and Secretary to the Board of Directors since 2015; President of Group Affairs (Sustainability, Corporate Development, Legal & Compliance, Risk & Patent). Former positions include senior legal counsel in the Alfa Laval Group and attorney at law.

Education: Master Laws (LLM), Lund University.

Number of shares in Alfa Laval: 2,500* (1,000**)

Sameer Kalra

President, Marine Division.

Born: 1962

Employed by Alfa Laval since 2011.

Previously Managing Director FRAMO AS, Executive Vice President- Sales and Marketing - Aalborg Industries AS

Education: Marine engineer and MBA.

Number of shares in Alfa Laval: 12,500* (10,500**)

*Holdings on December 31, 2023. **Holdings on December 31, 2022.



Areas of responsibility

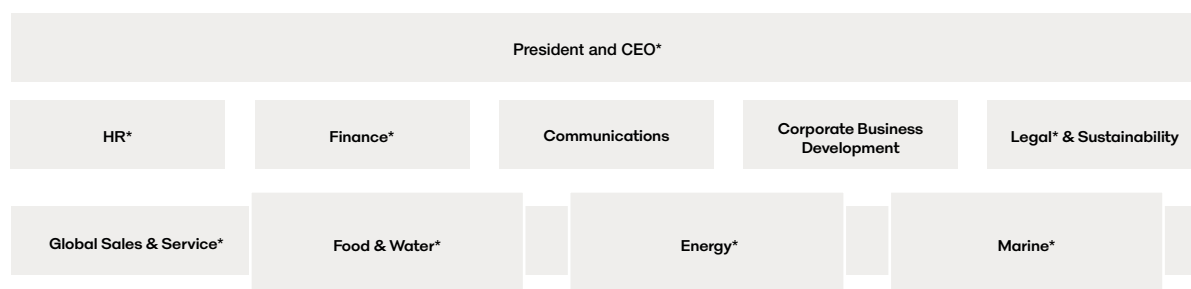
The President directs the daily operations and is responsible for ensuring that the Board of Directors has access to the necessary information and supporting documentation for its decision-making purposes. The President is also responsible for ensuring that the company's accounting complies with applicable laws and regulations, and shall prepare and monitor compliance with the goals, policies and strategic plans of the company and the Group, such as the Business Principles. The President has the support of Group management, to which responsibilities and authority are delegated. The members of Group management include a head of global sales and service, three divisional managers and the heads of HR, Group Affairs (Sustainability, Corporate Development, Legal & Compliance, Risk & Patent) and Finance.

Remuneration to senior executives, pensions and severance pay/termination of employment

The Executive Remuneration Policy for the President and other members of Group management was adopted at the Annual General Meeting 2021 and amended at the Annual General Meeting 2023. For additional information, refer to pages 151–153 and 181–183.

Operational control

Alfa Laval's operational control model comprises a matrix in which the Group's divisions are presented vertically, intersecting with the Group's geographic regions, which are presented horizontally.



*Members of Group management

Group management meetings in 2023

Group management held eight scheduled meetings in 2023 during which minutes were taken. In addition, quarterly reviews were performed to discuss the business developments in the divisions and regions. These reviews addressed the business climate, earnings, earnings projections for the next 12 months and specific issues affecting the respective business areas. Separate strategy meetings were also held to address, among other areas, management's proposals

concerning the future direction with regard to organic growth and growth through acquisitions. In 2023, Group management addressed health and safety, business development in divisions and regions with deeper reviews in specific countries, research and development, sustainability, investment requirements, and acquisition opportunities.



Board of Directors' report on internal control

The Board is responsible for the internal control of the company, with the aim of safeguarding its assets and thus the interests of the shareholders. Through sound internal control, the Board ensures the reliability of Alfa Laval's reporting and its compliance with legislation, regulations, applicable accounting policies and the company's Business Principles. All communication and financial reporting are to be correct, relevant, objective and transparent.

Control environment

The control environment includes the internal governance instruments adopted by the Board for the company's daily operations. The control instruments comprise policy documents, which are continuously assessed, reviewed and updated. These documents include, for example, the Board's instructions, the President's instructions, reporting instructions, the company's finance policy, business principles, investment policy and communication policy.

The Board has overriding responsibility for financial reporting, among other things, and must therefore assess the performance and earnings of the operations through a package of reports including results, forecasts and analyses of key indicators. The Board also reviews the company's interim reports and year-end report and shall meet with the external auditors at least once a year without the presence of the President or other members of Group management.

The President is subject to instructions issued by the Board and is responsible for ensuring an effective control environment. The President is also responsible for the ongoing control work and for ensuring that the company's accounting complies with legislation and that the management of assets is adequately performed. The President is also responsible for ensuring that all Board members regularly receive sufficient information to be able to assess the company's financial position.

Group management is responsible for managing and maintaining the internal control systems required to manage significant risks in the company's operating activities. Management is also responsible for clearly ensuring that all employees understand the requirements for and the individual's role in maintaining sound internal control.

Alfa Laval follows the 3 lines of defence model to ensure a standardized and comprehensive approach to governance and risk management and establish adequate levels of ownership and accountability. The first line of defence is represented by the business operations which implement and maintain the control activities. The second line is represented by various group and oversight functions who also set directions, define policy and procedures, and have functional oversight. The third line is represented by the internal audit function that has the responsibility of providing independent and objective assurance over the internal control activities performed by the first and second line.

The Board's Audit Committee is tasked with ensuring compliance with the principles for financial reporting and internal control. The Committee follows up the effectiveness of the internal control system and reviews the financial procedures to ensure that the information can be traced back to underlying financial systems and that it is in line with legislation and relevant standards.

The Committee examines procedures for reporting and financial controls as well as addressing the company's financial reports. It also monitors, evaluates and discusses significant issues related to accounting and financial reporting. The Committee evaluates and manages information pertaining to disputes and potential improprieties, and assists management with identifying and evaluating mainly financial and similar risks that are relevant to the operations in order to ensure that the focus is on managing these risks. It also reviews the company's information security system and the contingency plans in place to ensure delivery of financial information.

The Audit Committee has the right to determine the focus of the internal audit and is responsible for ensuring the efficiency of the function by assessing its activities, resources and structure. The Committee is also responsible for reviewing the results and recommendations of the internal audit to ensure that they are handled in an appropriate manner. It is responsible for reviewing the internal audit plan every six months to ensure that it addresses the relevant risk areas and for ensuring that there is suitable coordination between the internal and external audit. The Audit Committee holds regular meetings with the external auditors and reviews their work, qualifications and independence, and the results of this review are reported to the company's Nominating Committee on an annual basis. The Audit Committee supports the Nominating Committee in its work to nominate auditors and conducts an annual review of the proposed scope of the audit. Reports are provided to the Board regarding internal meetings as well as meetings with the internal auditors, the external auditors and various specialists in Group management and its support functions. The Committee is responsible for reviewing significant results from the external audit and the recommendations issued by the external auditors as a result. It is also responsible for establishing guidelines that ensure the independence of the external auditors.

The internal auditors review and implement improvements to the internal control function, conduct internal audits – which are reported to the Audit Committee – and propose plans for the coming six to eight months. The internal auditors also issue reports from individual audits to the appropriate members of Group management. Procedures are in place for performing regular reviews of the agreed actions to guarantee that specific actions are taken following the internal audit. These are based on an agreed schedule set with the party responsible for the individual activities. The Internal Audit Function comprises of internal auditors, internal specialist resources and external auditors. Internal audits encompass a broad spectrum of functions and issues determined by the Board. The areas audited include: compliance with the systems, guidelines, policies and processes established for the Group's business operations; the existence of systems to ensure that financial transactions are carried out, archived and reported in an accurate and lawful manner; and opportunities to improve management control, the company's profitability and the organization, which may be identified during audits. In 2023, 37 internal audits were performed.

Risk assessment

Within the framework of the company's operating activities and review functions, procedures are in place for risk assessments pertaining to the financial reporting. These procedures aim to identify and evaluate the risks that may affect internal control. The procedures encompass risk assessments in conjunction with strategic planning and acquisition activities as well as processes for identifying amendments to the accounting policies to ensure that they are accurately reflected in the financial reporting.

Control structures

Control structures are in place in all areas of the organization in order to prevent, identify and adjust errors or deviations. They manage the risks that the Board and management consider to be significant to the business, internal control and financial reporting. These structures comprise both an organization with clearly defined roles that enables an effective and – from an internal control perspective – appropriate division of responsibility, and specific control activities that enable the identification and timely prevention of risks becoming a reality. Control activities also include clearly defined decision-making processes and a policy for decision-making with respect to, for example, investments, agreements, acquisitions and divestments, earnings analyses and other forms of analytical reviews, reconciliations, inventory-taking and automatic controls in the IT systems.

Information and communication

The company's regulations, guidelines and manuals are communicated through several internal channels and the efficiency of this communication is monitored on an ongoing basis. There are formal and informal information channels that enable employees to communicate important information to relevant recipients and ultimately, if necessary, to the Board of Directors. Clear guidelines have also been established for external communications, the aim of which is to provide the most accurate and relevant overview possible while at the same time ensuring that all obligations are met.

Follow-up

The internal control process is mainly followed up by two bodies: the Audit Committee and the Internal Audit Function. The Audit Committee establishes the principles that apply for the company with respect to accounting and financial reporting, and monitors compliance with these regulations.

The Committee meets with the external auditors to obtain information about the focus and scope of the audit and to discuss results and coordination of the external and internal audits. In addition, the Committee establishes the direction, scope and time schedules for the work of the internal audit team, whose audits are reported to the Audit Committee and continuously to Group management so that any necessary measures may be taken. The scope of the internal audit includes, among other factors, operational efficiency, compliance with regulations and guidelines, and the quality of financial reporting from the subsidiaries.

Alfa Laval has implemented a management testing process for key internal controls over business processes in the company. The managers and key employees evaluated their compliance through a control self-assessment test for important internal controls in these business processes and will perform this on an annual basis. Based on the results, the internal controls framework will be strengthened and assist in risk-based valuation of the business processes at Alfa Laval.

Lund, March 2024
Board of Directors

Auditor's report on the corporate governance statement

To the general meeting of the shareholders of Alfa Laval AB (publ), corporate identity number 556587-8054

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2023 on pages 82-99 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International

Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

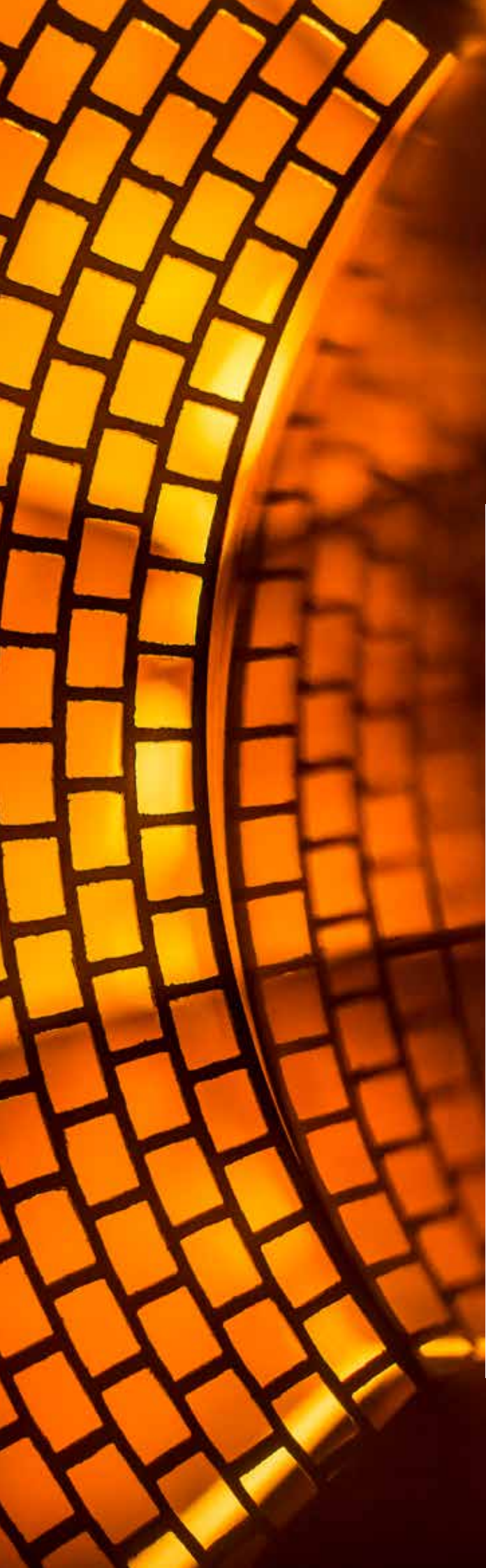
Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Lund, March 25 2024

Andreas Troberg
Authorized Public Accountant
Ernst & Young AB

Karoline Tedevall
Authorized Public Accountant
Ernst & Young AB



Financial statements

Board of Directors' Report	102
Consolidated cash flows	117
Comments to the consolidated cash flows	118
Consolidated comprehensive income	119
Comments to the consolidated comprehensive income	120
Consolidated financial position	122
Comments to the consolidated financial position	124
Changes in consolidated equity	124
Comments on changes in consolidated equity	125
Parent company cash flows	126
Parent company income	126
Parent company financial position	127
Changes in parent company equity	128
Notes to the financial statements	129
Accounting principles	129
Objectives, policies and processes for managing capital	136
Financial risks	137
Operational risks	142
Notes	148
Auditor's report	184
Ten-year overview	188
Definitions	190

Board of Directors' Report

The Board of Directors and the President of Alfa Laval AB (publ) hereby submit their annual report for the year of operation January 1, 2023 to December 31, 2023.

The information in this annual report is such information that Alfa Laval AB (publ) must publish in accordance with the Securities Market Act. The information was made public by publishing the annual report on Alfa Laval's website on March 28, 2024 at 10.00 CET.

Alfa Laval AB is a public limited liability company. The seat of the Board is in Lund and the company is registered in Sweden under corporate registration number 556587-8054. The visiting address of the head office is Rudeboksvägen 1 in Lund and the postal address is Box 73, 221 00 Lund, Sweden. Alfa Laval's website is: www.alfalaval.com.

Financial statements

The following parts of the annual report are financial statements: the Board of Directors' Report, the ten-year overview, the consolidated cash flows, the consolidated comprehensive income, the consolidated financial position, the changes in consolidated equity, the parent company cash flows, the parent company income, the parent company financial position, the changes in parent company equity and the notes. All of these have been audited by the auditors.

The Corporate Governance Report, which also has been reviewed by the auditors, is to be found on page 82.

The statutory sustainability report for the parent company and the consolidated Group, which also has been reviewed by the auditors, is to be found on pages 46–79. Supplementary sustainability notes are to be found on Alfa Laval's website Alfa Laval - Publications. The supplementary sustainability notes were published on the website at the same time as the annual report.

Ownership and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group.

The company had 54,178 (54,346) shareholders on December 31, 2023. The largest owner is Winder Holding AG, Switzerland (formerly Tetra Laval International SA, Switzerland), who owns 29.5 (29.5) percent. Next to the largest owner, there are nine institutional investors with ownership in the range of 7.4 to 1.7 percent. These ten largest shareholders owned 61.3 (63.0) percent of the shares.

Operations

Alfa Laval is a world leader in heat transfer, centrifugal separation and fluid handling, and is active in the areas of Energy, Marine, and Food & Water, offering its expertise, products, and service to a wide range of industries in some 100 countries. The company is committed to optimizing processes, creating responsible growth, and driving progress to support customers in achieving their business goals and sustainability targets. Alfa Laval is engaged in the development, production and sales of products and systems based on three main technologies: separation/filtration, heat transfer and fluid handling.

Alfa Laval's business is divided into three Business Divisions "Energy", "Food & Water" and "Marine" that sell to external customers and are responsible for the manufacturing of the products and one division "Operations & Other" covering procurement and logistics as well as corporate overhead and non-core businesses. These four divisions constitute Alfa Laval's four operating segments.

The customers to the Energy Division purchase products and systems for energy applications, whereas the customers to the Food & Water Division purchase products and systems for food and water applications. The customers to the Marine Division purchase products, systems and digital solutions for marine and offshore applications.

The three Business Divisions are in turn split into a number of Business Units. The Energy Division consists of four Business Units: Brazed & Fusion Bonded Heat Exchangers, Energy Separation, Gasketed Plate Heat

Exchangers and Welded Heat Exchangers. The Food & Water Division consists of six Business Units: Decanters, Food Heat Transfer, Food Systems, Hygienic Fluid Handling, High Speed Separators and Desmet. The Marine Division consists of four Business Units: Pumping Systems, Water, Wind & Fuel Solutions, Heat & Gas Systems and Digital Solutions.

Material factors of risk and uncertainty

The main factors of risk and uncertainty facing the Group concern the business cycle, the consequences of Russia's war on Ukraine and other geo-political tensions, the price development of metals, inflationary pressures, the interest rate development and volatile fluctuations in major currencies. For additional information, see the sections on financial and operational risks and the section on critical accounting principles, the section on key sources of estimation uncertainty and the section on judgements under accounting principles.

Acquisition of businesses

2023

On March 2, 2023, Alfa Laval acquired an additional 38.7 percent of StormGeo's subsidiary Climatempe in Brazil from the minority owners. Alfa Laval's ownership thereby increased from 51 percent to 89.7 percent. The transaction is reported as a change within the equity.

In 2021, Alfa Laval acquired a minority stake of 16.5 percent in the Netherland-based company Marine Performance Systems (MPS) with an option to acquire the remaining part later. Now Alfa Laval has executed that option and completed the acquisition to own 100 percent of MPS. The closing date for the acquisition was March 21, 2023. MPS' innovative technology significantly reduces the friction from vessels when sailing, resulting in fuel savings. Friction between the hull and the water when sailing is the most significant driver of a vessel's fuel consumption, and the cost of fuel represents up to 60 percent of a vessel's operating costs. Fuel consumption has a direct impact on greenhouse gas emissions, as reducing 1 ton of fossil fuel consumption equals the reduction of approximately 3 tonnes of CO₂ emissions. Marine Performance Systems' air lubrication technology generates micro bubbles under a ship's hull, reducing friction between the vessel and the water by 50–70 percent and enabling substantial fuel cost savings and improvement in overall ship efficiency, during normal service speed. The technology was first tested on a seagoing vessel in 2020 and the fuel savings have been confirmed by the shipowner based on several months of operation. The patented solution can be installed on vessels of any size or fuel type at point of building or retrofitted on already operating vessels. Since the acquisition Alfa Laval has launched the Alfa Laval OceanGlide product that creates an even layer of micro air bubbles across the vessel's flat bottom area, which reduces drag by up to 75 percent. Since Alfa Laval OceanGlide needs few compressors and no large hull penetrations it can be easily installed.

On July 31, 2023 Alfa Laval acquired 100 percent of a European service provider. The company will operate under its own name as an independent channel.

On July 31, 2023 Alfa Laval acquired 51 percent of the Danish company Header-coil Company A/S that develops and manufactures heat exchangers and steam generation system equipment components based on its header-coil design for the concentrated solar power (CSP) industry, thermal energy storage etc.

2022

On September 13, 2022 Alfa Laval announced that it has acquired BunkerMetric, a Scandinavian software company that develops advanced decision support tools for marine bunker vessels. The acquisition is part of Alfa Laval's strategy to expand its digital marine service offering and will

be part of the recently acquired StormGeo, a global leader in weather intelligence software and decision support services. BunkerMetric, headquartered in Denmark, supports ship operators in finding the best bunker procurement plan and improving voyage margins by using sophisticated algorithms. The optimization tools, together with StormGeo's advanced route services, will enable ship owners to streamline operations to help them improve their bottom line. BunkerMetric's procurement optimization tool will become a subscription service within StormGeo's existing offering.

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

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

Investments in joint ventures and other companies

During 2023 Alfa Laval acquired additional shares in Malta Inc for SEK 50 million (-), whereby the ownership increased from 18.3 percent to 19.2 percent. During 2022 Alfa Laval acquired shares for an additional SEK 13 million in the Swedish company Liquid Wind, which gave a 5.2 percent ownership in the company. The company develops electro-fuel facilities to produce renewable clean fuels.

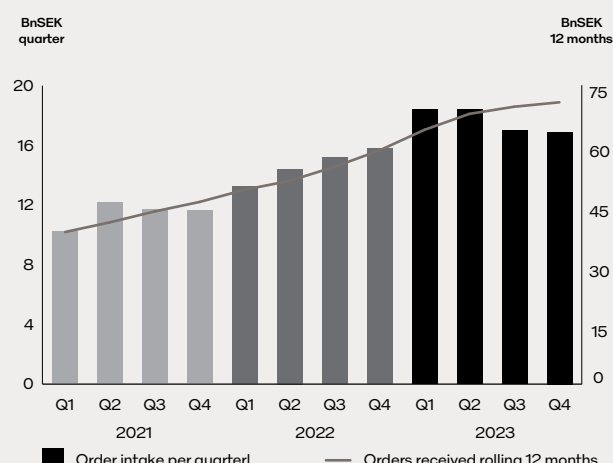
During 2023 Alfa Laval made a capital contribution of SEK 62 (40) million into AlfaWall Oceanbird, which is a joint venture together with Wallenius to supply innovative wind propulsion solutions for cargo vessels and other ship types. Alfa Laval also made a capital contribution of SEK 1 (-) million into Stadion Laks, which is a joint venture together with the Norwegian fish farming company Lingalaks to develop pumping technology for more sustainable fish farming.

Sale of real estate

During 2023 the property in Eastbourne in the UK has been sold for SEK 71 (15) million with a realised result of SEK 68 (-7) million.

The property in Singapore, the property in Alonte in Italy, the properties in Camberley and Cwmbran in the UK and four smaller properties in India are for sale and are expected to be sold within the next year. These have therefore been classified as current assets held for sale with SEK 59 (100) million. The fair value of the properties for sale exceeds the book value by approximately SEK 373 (246) million.

Orders received



Orders received amounted to SEK 70,742 (58,645) million during 2023.

Order bridge

Consolidated		
SEK millions/%	2023	2022
Order intake last year	58,645	45,718
Organic ¹⁾	10.5%	14.4%
Structural ¹⁾	6.3%	3.8%
Currency	3.8%	10.1%
Total	20.6%	28.3%
Order intake current year	70,742	58,645

¹⁾ Change excluding currency effects.

Orders received from the aftermarket Service constituted 27.6 (28.4) percent of the Group's total orders received for 2023.

Order bridge Service

Consolidated		
SEK millions/%	2023	2022
Order intake last year	16,640	12,864
Organic ¹⁾	11.9%	15.4%
Structural ¹⁾	0.7%	2.7%
Currency	4.9%	11.3%
Total	17.5%	29.4%
Order intake current year	19,551	16,640

¹⁾ Change excluding currency effects.

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

Large orders

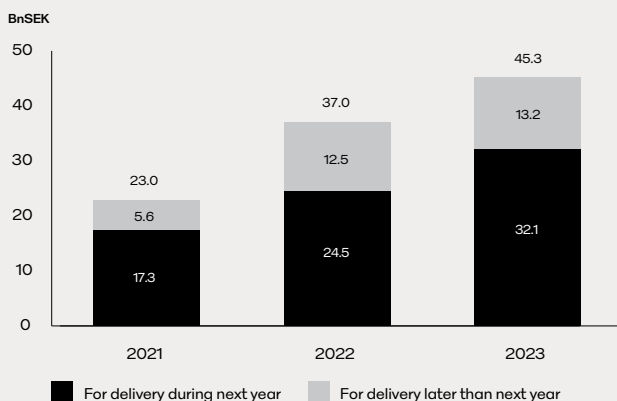
Large orders are orders with a value over EUR 5 million. The volume of large orders is an important indicator of the demand situation and is therefore monitored separately within Alfa Laval. A large volume of large orders normally also means a good load in the factories. During 2023 Alfa Laval has received the following large orders:

Large orders (>EUR 5 million)						
Division	Business Unit	Order received in	Delivery date	Order amount	Total per Business Unit	
	Scope of supply				2023	2022
				SEK millions		
Energy						
Welded Heat Exchangers						
	Air coolers for a gas plant in the US.	Q1	2023	70		
	Wet surface air cooler for a polypropylene plant in the U.S.	Q2	2024	143		
	Spiral heat exchangers for a refinery in India.	Q2	2024	86		
	Heat exchangers for an LNG terminal in China.	Q3	2024	76		
	Air coolers for propylene condensers to an ethane plant in the U.S.	Q3	2024	248	623	224
Energy Separation						
	Zero liquid discharge system to a recycling plant in the U.S.	Q4	2024	71	71	93
Gasketed Plate Heat Exchangers						
	Heat exchangers for a hydrogen plant in the Middle East.	Q1	2023	63		
	Heat exchangers for district heating in China.	Q1	2023	119		
	Plate heat exchangers for a petrochemical plant in the Middle East.	Q2	2023	105		
	Heat exchangers for data centres in the U.S.	Q3	2024	72		
	Heat exchangers for a fertilizer plant in Australia.	Q4	2024	70	429	313
Food & Water						
Decanters						
	Ashbrook winkle presses for a sludge processing plant in the U.S.	Q2	2026	68	68	78
Food Systems						
	Equipment for a pharmaceutical plant in Malaysia.	Q2	2023	59		
	Pre-treatment systems for a bio fuel plant in South Korea.	Q2	2024	87		
	Equipment for a juice mixing plant in Denmark.	Q4	2025	324		
	Equipment for edible oil processing plant in Mexico.	Q4	2025	120		
	Refining equipment for palm oil plant in Nigeria.	Q4	2024	61	651	1,284
Desmet						
	Equipment for soy bean extraction in the US.	Q1	2024	208		
	Equipment for sunflower oil refinery in Kazakhstan.	Q1	2024	58		
	Vacuum dryer for a canola oil extraction plant in Australia.	Q2	2024	85		
	Steam jet ejector and separator for a biodiesel plant in Indonesia.	Q2	2024	83		
	Refining equipment for an oilseed refinery in the U.S.	Q2	2024	334		
	Preparation equipment for a soybean and canola seed plant in the U.S.	Q2	2024	214		
	Extraction and water degumming equipment for a soybean and canola seed plant in the U.S.	Q2	2024	146		
	Pretreatment and refining equipment for a soybean and sunflower refinery in the U.S.	Q2	2024	159		
	Equipment for a palm oil fractionation plant in Indonesia.	Q2	2024	152		
	Equipment for a palm oil fractionation plant in Indonesia.	Q3	2024	66		
	Equipment for a canola pre-pressing plant in Canada.	Q3	2025	142		
	Equipment for a canola oil extraction plant in Canada.	Q3	2025	118		
	Equipment for a canola oil refinery plant in Canada.	Q3	2025	208		
	Pre-treatment equipment for a biodiesel plant in Bolivia.	Q3	2024	76		
	HVO pre-treatment equipment for a biofuel plant in Australia.	Q3	2024	402		
	HVO pre-treatment equipment for a biofuel plant in Thailand.	Q3	2024	113		
	Equipment for a rapeseed pressing plant in Poland.	Q3	2023	76		
	Equipment for an oleochemical plant in Indonesia.	Q4	2024	237		
	Equipment for an oleochemical plant in Indonesia.	Q4	2024	244		
	Equipment for an oleochemical plant in Indonesia.	Q4	2024	74		
	Equipment for a rapeseed preparation and extraction plant in Lithuania.	Q4	2025	176		
	Refining equipment for a tropical oil refinery in Guatemala.	Q4	2025	113		
	Equipment for a vegetable oil refinery in the Netherlands.	Q4	2025	251	3,735	350

Large orders (>EUR 5 million), continued

Division	Business Unit	Order received in	Delivery date	Order amount	Total per Business Unit	
				2023	2022	
				SEK millions		
Marine						
Heat & Gas Systems						
	Boiler system for a FSRU* in Europe.	Q2	2024	69		
	Waste heat recovery and back-up boiler system for a paper mill in Europe.	Q2	2024	200		
	Waste heat recovery system for a gas turbine plant in the Caribbean.	Q3	2024	240	509	219
Pumping Systems						
	Firewater pumps for FPSO** vessels in South America.	Q1	2024	820		
	Seawater lift pumps for FPSO** vessel in Australia.	Q1	2023	135		
	Firewater pumps for oil platform in Norway.	Q1	2024	161		
	Water injection and firewater pumps for oil platform in Norway.	Q1	2024	218		
	Cargo oil pumps for FPSO** vessels in South America.	Q1	2024	393		
	Sea water lift pumps to an FPSO** vessel outside West Africa.	Q2	2024	66		
	Sea water lift pumps to an FPSO** vessel outside South America.	Q2	2024	62		
	Cargo pumps to an FPSO** vessel outside South America.	Q2	2024	123		
	Fire water pumps for an FPSO** vessel in China.	Q3	2024	69		
	Sea water lift pumps for an FPSO** vessel in Singapore.	Q3	2025	68		
	Sea water lift pumps for an FPSO** vessel in Singapore.	Q3	2024	128		
	Sea water lift pumps for an FPSO** vessel in Singapore.	Q3	2024	127		
	Sea water lift pumps for an oil platform in Norway.	Q3	2025	86		
	Cargo pumps for an FPSO** vessel in China.	Q3	2025	185		
	Suction pump system for an offshore wind farm in Taiwan.	Q4	2025	277	2,918	1,326
Totalt					9,004	3,887

* Floating Storage Regasification Unit. ** Floating Production, Storage and Offloading.

Order backlog December 31

Excluding currency effects and adjusted for acquisition and divestment of businesses the order backlog was 19.0 percent higher than the order backlog at the end of 2022.

Net sales

Net sales amounted to SEK 63,598 (52,135) million during 2023.

Sales bridge

Consolidated		
SEK millions/%	2023	2022
Net sales last year	52,135	40,911
Organic ¹⁾	12.3%	10.9%
Structural ¹⁾	5.3%	6.7%
Currency	4.4%	9.8%
Total	22.0%	27.4%
Net sales current year	63,598	52,135

¹⁾ Change excluding currency effects.

Net invoicing relating to Service constituted 30.3 (30.0) percent of the Group's total net invoicing for 2023.

Sales bridge Service

Consolidated		
SEK millions/%	2023	2022
Net sales last year	15,688	12,144
Organic ¹⁾	17.2%	15.0%
Structural ¹⁾	0.7%	2.9%
Currency	5.2%	11.3%
Total	23.1%	29.2%
Net sales current year	19,308	15,688

¹⁾ Change excluding currency effects.

Operating segments

Energy Division

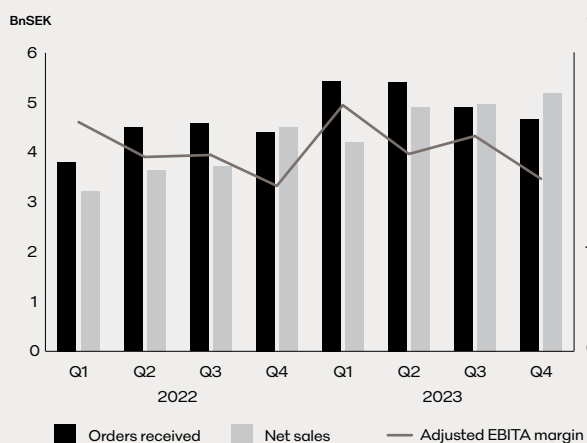
The division targets customers in HVAC and refrigeration markets as well as process industries such as chemicals, petrochemical industry and the oil & gas industry. Focus is on increased energy efficiency, waste heat recovery and sustainable solutions.

The Energy Division consists of four Business Units: Brazed & Fusion Bonded Heat Exchangers, Energy Separation, Gasketed Plate Heat Exchangers and Welded Heat Exchangers.

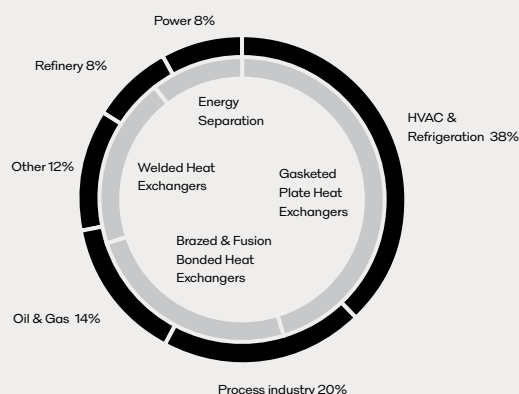
Energy Division		
Consolidated		
SEK millions	2023	2022
Orders received	20,414	17,294
Order backlog ¹⁾	10,075	8,517
Net sales	19,269	15,074
Operating income ²⁾	3,927	2,761
Adjusted EBITA ³⁾	3,986	2,927
Adjusted EBITA margin ⁴⁾	20.7%	19.4%
Depreciation	372	352
Amortisation	59	166
Investments ⁵⁾	992	535
Assets ¹⁾	19,263	17,330
Liabilities ¹⁾	7,433	6,574
Number of employees ¹⁾	5,902	5,457

¹⁾ At end of period. ²⁾ Excluding comparison distortion items. ³⁾ Alternative performance measure. ⁴⁾ Adjusted EBITA/net sales. ⁵⁾ Excluding new leases.

Quarterly development



Order intake 2023 split per end market*/business unit



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

Order intake

Order bridge		
Consolidated		
SEK millions/%	2023	2022
Order intake last year	17,294	13,675
Organic ¹⁾	13.2%	17.0%
Structural ¹⁾	0.1%	–
Currency	4.7%	9.5%
Total	18.0%	26.5%
Order intake current year	20,414	17,294

¹⁾ Change excluding currency effects.

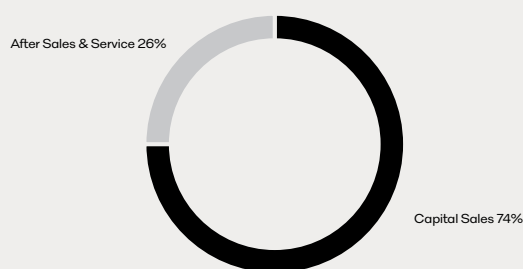
The Energy Division reported a good growth in order intake during the year compared to last year. Demand has been very strong for energy efficiency solutions and there has been a strong interest in Alfa Laval's solutions for clean energy and circularity, which has resulted in a growing number of orders. Order intake was strong across most geographical markets. The strongest growth was in North and Latin America and in India and the Middle East.

The largest end market, HVAC* & Refrigeration, continued to grow, but towards the end of the year the growth slowed down. The biggest growth came from products for heat pumps. There was also continued investments in data centres driving demand for products for cooling. Demand from customers in the process industries grew mainly from sectors like chemicals, metals and pulp & paper. Underlying factors included investments in production of green hydrogen and renewable chemicals. During the year prices for oil and gas have stabilized on a level that stimulates continued investments in production. As a consequence, demand for products and services in especially gas has been strong during the year. The refinery sector is recovering from low levels and grew significantly during the year.

The aftermarket grew well in the year. A positive development was seen across most industries and geographical markets.

* Heating, Ventilation & Air Conditioning.

Order intake 2023 split on:



Net sales

Sales bridge		
Consolidated		
SEK millions/%	2023	2022
Net sales last year	15,074	12,383
Organic ¹⁾	22.7%	12.4%
Structural ¹⁾	0.1%	–
Currency	5.0%	9.3%
Total	27.8%	21.7%
Net sales current year	19,269	15,074

¹⁾ Change excluding currency effects.

Net sales grew in almost all end markets. Aftermarket sales grew somewhat faster than capital sales. There has been capacity constraints during most parts of the year, but the ability to invoice and work through the backlog has improved during the year.

Adjusted EBITA

Income bridge		
Consolidated		
SEK millions	2023	2022
Adjusted EBITA last year	2,927	2,050
Volume ¹⁾	1,292	514
Mix ¹⁾	123	496
Costs ¹⁾	-411	-251
Currency	55	118
Adjusted EBITA current year	3,986	2,927

¹⁾ Change excluding currency effects.

The adjusted EBITA increased compared to last year. The increased net sales had a large positive volume effect. The mix effect was positive due to a higher service share, a more profitable product mix and our ability to balance fluctuations in the commodity markets. The overhead costs increased due to increased sales activities, costs related to investments and inflationary pressure. Currency had a positive impact.

Food & Water Division

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

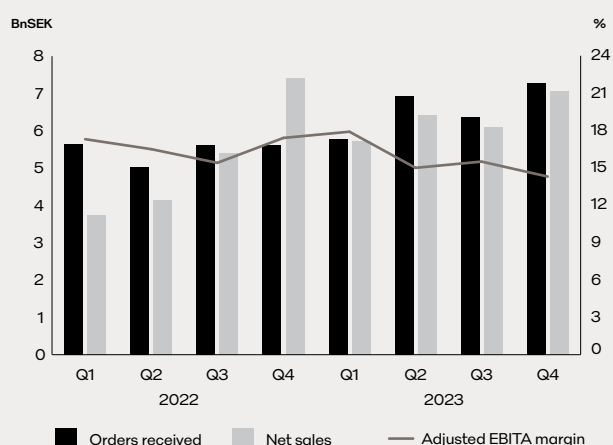
The Food & Water Division consists of six Business Units: Decanters, Food Heat Transfer, Food Systems, Hygienic Fluid Handling, High Speed Separators and Desmet.

Food & Water Division

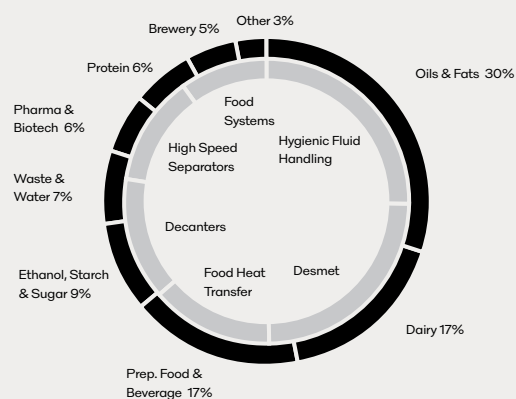
Consolidated		
SEK millions	2023	2022
Orders received	26,368	21,909
Order backlog ¹⁾	15,977	14,381
Net sales	25,280	20,691
Operating income ²⁾	3,698	3,339
Adjusted EBITA ³⁾	3,942	3,458
Adjusted EBITA margin ⁴⁾	15.6%	16.7%
Depreciation	502	449
Amortisation	244	119
Investments ⁵⁾	472	360
Assets ¹⁾	20,376	21,196
Liabilities ¹⁾	8,295	8,291
Number of employees ¹⁾	8,283	8,052

¹⁾ At end of period. ²⁾ Excluding comparison distortion items. ³⁾ Alternative performance measure. ⁴⁾ Adjusted EBITA/net sales. ⁵⁾ Excluding new leases.

Quarterly development



Order intake 2023 split per end market/business unit



Order intake

Order bridge		
Consolidated		
SEK millions/%	2023	2022
Order intake last year	21,909	16,664
Organic ¹⁾	0.0%	11.8%
Structural ¹⁾	15.4%	7.5%
Currency	5.0%	12.2%
Total	20.4%	31.5%
Order intake current year	26,368	21,909

¹⁾ Change excluding currency effects.

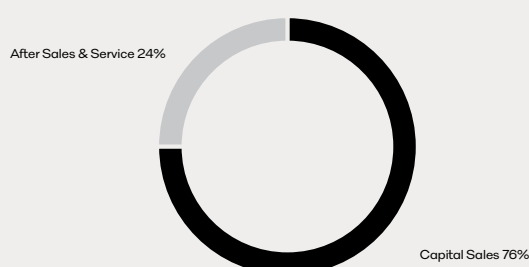
The organic growth was flat compared to last year despite generally weaker macro-economic conditions, where high inflation and geo-political uncertainty impacted the propensity to investment for several customers and industries. However, primarily the sustainability related areas were disconnected from the weaker macro-economic activity and grew, thereby compensating for declining areas. The division held on to its market shares through a strong presence and technological leadership in many areas, a result of the innovation focus and R&D spending since several years back. Geographically, Europe was showing a somewhat higher activity and the North American market a somewhat lower activity, to a large extent due to a non-repeat of a very large order in 2022. Asia overall was unchanged but held back by a lower activity in China.

The order intake for dairy was almost unchanged, following previous years of significant capacity build up in the industry, both in the industrialised and the developing part of the world. The pharma and biotech market was down after several years of constant growth. A short-term saturation post the pandemic years has been noted, with previously ordered additional capacity now being commissioned. This is evident not least in China. The trend is however still to invest in upgrading national supply chains in the pharma sector to avoid vulnerability in future critical or high demand situations. The waste & water industry contracted slightly. Many countries prioritize the water sector, approving governmental support to encourage investments but releasing funding typically takes longer than planned. The activity in traditional oils & fats was good. The ever more important HVO* technology for biodiesel also grew and combined with the growth in ethanol, they represented an important part of the sustainability related business. The growth in ethanol is very much driven by environmental regulation. One example being higher blending requirements in petrol globally, not least in the U.S., Brazil and India, but also higher oil prices driving demand for alternative fuels. The brewery sector was down and not comparable with last year with the largest order ever of SEK 721 million, for a new brewery in North America last year. Overall new capacity addition in the industry has been somewhat lower during the year.

The aftermarket was strong across almost all key industries. Growth was solid for parts, but even stronger for service scopes. A wider presence and a structured approach of addressing the installed base of equipment following several years of strong new sales, contributed to the overall growth.

* Hydrotreated Vegetable Oil.

Order intake 2023 split on:



Net sales

Sales bridge		
Consolidated		
SEK millions/%	2023	2022
Net sales last year	20,691	14,640
Organic ¹⁾	5.2%	13.0%
Structural ¹⁾	12.0%	15.4%
Currency	5.0%	12.9%
Total	22.2%	41.3%
Net sales current year	25,280	20,691

¹⁾ Change excluding currency effects.

Net sales increased compared to last year, secured through a 2023 opening backlog being solid and benefitting from a more normalized supply chain after several years of disruption. Sales of capital equipment was solid, but aftermarket sales were very strong during the year, which changed the mix somewhat. Net sales grew above average in pharma, water, ethanol, protein, prepared food as well as brewery and was flat or contracted somewhat in dairy and oils & fats.

Adjusted EBITA

Income bridge		
Consolidated		
SEK millions	2023	2022
Adjusted EBITA last year	3,458	2,680
Volume ¹⁾	1,097	1,496
Mix ¹⁾	-261	-420
Costs ¹⁾	-490	-582
Currency	138	284
Adjusted EBITA current year	3,942	3,458

¹⁾ Change excluding currency effects.

The adjusted EBITA increased compared to last year, mainly driven by a positive volume effect. The negative mix effect is explained by the mix between product groups, a higher share of large projects with higher project related costs and the Desmet project business, partly mitigated by the higher service share. Costs increased as a result of general inflationary pressure and an overall high business activity, partly mitigated by a positive currency effect.

Marine Division

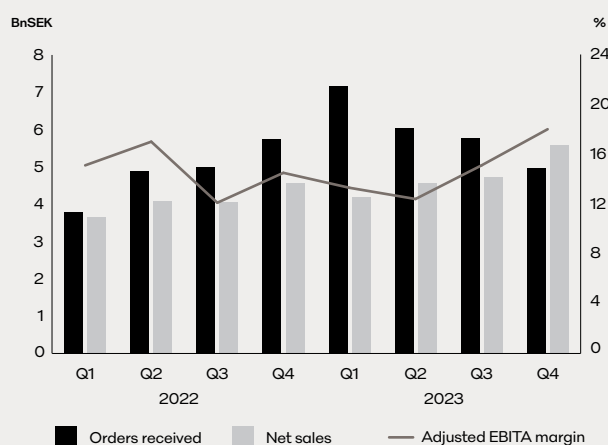
The division's customers include shipowners, shipyards, manufacturers of diesel and gas engines, as well as companies that work with offshore extraction of oil and gas. The offering includes pumping systems, boilers, heat transfer equipment, high speed separators, digital solutions and several different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

The Marine Division consists of four Business Units: Pumping Systems, Water, Wind & Fuel Solutions, Heat & Gas Systems and Digital Solutions.

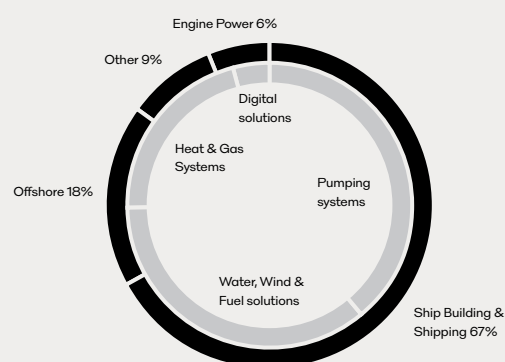
Marine Division		
Consolidated		
SEK millions	2023	2022
Orders received	23,960	19,442
Order backlog ¹⁾	19,273	14,122
Net sales	19,049	16,370
Operating income ²⁾	2,178	1,741
Adjusted EBITA ³⁾	2,836	2,399
Adjusted EBITA margin ⁴⁾	14.9%	14.7%
Depreciation	336	312
Amortisation	658	658
Investments ⁵⁾	336	235
Assets ¹⁾	29,856	30,932
Liabilities ¹⁾	7,998	7,241
Number of employees ¹⁾	5,655	5,465

¹⁾ At end of period. ²⁾ Excluding comparison distortion items. ³⁾ Alternative performance measure. ⁴⁾ Adjusted EBITA/net sales. ⁵⁾ Excluding new leases.

Quarterly development



Order intake 2023 split per end market/business unit



Order intake

Order bridge		
Consolidated		
SEK millions./%	2023	2022
Order intake last year	19,442	15,379
Organic ¹⁾	19.9%	14.8%
Structural ¹⁾	1.6%	3.3%
Currency	1.7%	8.3%
Total	23.2%	26.4%
Order intake current year	23,960	19,442

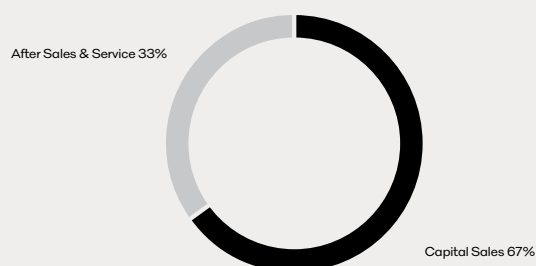
¹⁾ Change excluding currency effects.

The order intake for the Marine Division increased compared to last year. Growth was driven by a stronger demand in most product areas and in the service business.

The underlying market sentiment related to the building of new vessels was on a higher level compared to last year. New contracting has been driven primarily by tankers and vehicle carriers, supported by a fair level of contracting in the other ship segments as well. The increased shipbuilding activity has been further supplemented by a continued growing demand for sustainability related solutions which mitigate CO₂ emissions, including solutions around energy efficiency and low and zero carbon fuels. Demand for PureBallast has as expected eased further as fewer vessels remain to be retrofitted before the approaching 2024 regulatory deadline and the market gets more oriented to new vessels. Multi-fuel capable solutions continue to gain traction. Order intake for offshore increased significantly compared to last year and the underlying market sentiment in this area remained strong due to increased oil prices and new projects to safeguard long term energy supply.

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

Order intake 2023 split on:



Net sales

Sales bridge		
Consolidated		
SEK millions./%	2023	2022
Net sales last year	16,370	13,888
Organic ¹⁾	11.7%	7.4%
Structural ¹⁾	1.5%	3.4%
Currency	3.2%	7.1%
Total	16.4%	17.9%
Net sales current year	19,049	16,370

¹⁾ Change excluding currency effects.

Net sales were at a higher level than last year. Sales growth for service and for most product groups in capital sales, offset the lower sales for PureBallast.

Adjusted EBITA

Income bridge		
Consolidated		
SEK millions	2023	2022
Adjusted EBITA last year	2,399	2,811
Volume ¹⁾	774	527
Mix ¹⁾	-286	-503
Costs ¹⁾	-67	-539
Currency	16	103
Adjusted EBITA current year	2,836	2,399

¹⁾ Change excluding currency effects.

The adjusted EBITA increased compared to last year, where the first half of the year was still burdened by unbalanced factory loads and invoicing of backlog with lower margin yields due to uncompensated cost increases from the date of booking. The second half of the year benefitted from higher invoicing volume, a more balanced factory load, the impact of restructuring activities that were announced in the fourth quarter 2022 and a margin accretive mix. The cost continued to be impacted by inflationary pressure but was partially offset by a positive currency effect.

Operations & Other

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

Operations & Other		
Consolidated		
SEK millions	2023	2022
Orders received	0	0
Order backlog ¹⁾	0	0
Net sales	0	0
Operating income ²⁾	-565	-507
Adjusted EBITA ³⁾	-561	-507
Depreciation	349	336
Amortisation	4	0
Investments ⁵⁾	640	723
Assets ¹⁾	1,986	1,983
Liabilities ¹⁾	885	1,097
Number of employees ¹⁾	1,481	1,326

¹⁾ At end of period. ²⁾ Excluding comparison distortion items. ³⁾ Alternative performance measure. ⁵⁾ Excluding new leases.

The decreased adjusted EBITA in 2023 is mainly due to a higher activity level driven by the high sales and order level.

Reconciliation between Divisions and Group total		
Consolidated		
SEK millions	2023	2022
Adjusted EBITA		
Total for divisions	10,203	8,277
Amortisation	-965	-943
Comparison distortion items	-	-767
Consolidation adjustments *	18	-48
Total operating income	9,256	6,519
Financial net	-606	-340
Result after financial items	8,650	6,179
Assets **		
Total for divisions	71,481	71,441
Corporate***	10,807	9,808
Group total	82,288	81,249
Liabilities **		
Total for divisions	24,611	23,203
Corporate***	20,299	22,342
Group total	44,910	45,545

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

*** Corporate refers to items in the statement on financial position that are interest bearing or are related to taxes.

Information about geographical areas

All comments are excluding currency effects.

Western Europe including Nordic

The order intake in the region showed growth compared to last year. Energy showed growth in almost all markets, driven by a high demand from the power and HVAC industries. However, the HVAC demand slowed down during the year. Food & Water grew well in Benelux, France and Nordic, particularly in protein and prepared food & beverage. Marine grew in Nordic, Benelux and United Kingdom supported by good development in shipbuilding and shipping. Service had a good development and grew.

Central and Eastern Europe

The region reported growth in order intake compared to last year in almost all markets. In Energy the growth was primarily driven by continued demand for HVAC and refrigeration. However the HVAC demand slowed down during the year. Food & Water reported growth in most of the countries in the region primarily driven by protein and ethanol, starch & sugar. Marine reported a decline in the region, mainly driven by less demand for PureBallast within shipbuilding. Service order intake grew strongly.

North America

North America reported strong growth in order intake compared to last year. In Energy the growth was particularly strong for oil & gas and refinery in the U.S. Food & Water noted growth for oils & fats and ethanol, starch & sugar. Marine reported growth in engine power. Service order intake had a strong growth.

Latin America

The region showed strong growth in order intake compared to last year. Energy had a high demand in refinery and oil & gas in most countries in the region. Food & Water reported strong growth in most countries in the region primarily driven by oils & fats and ethanol, starch & sugar. Marine showed strong growth in most countries in the region primarily driven by engine power. Service order intake had a strong growth.

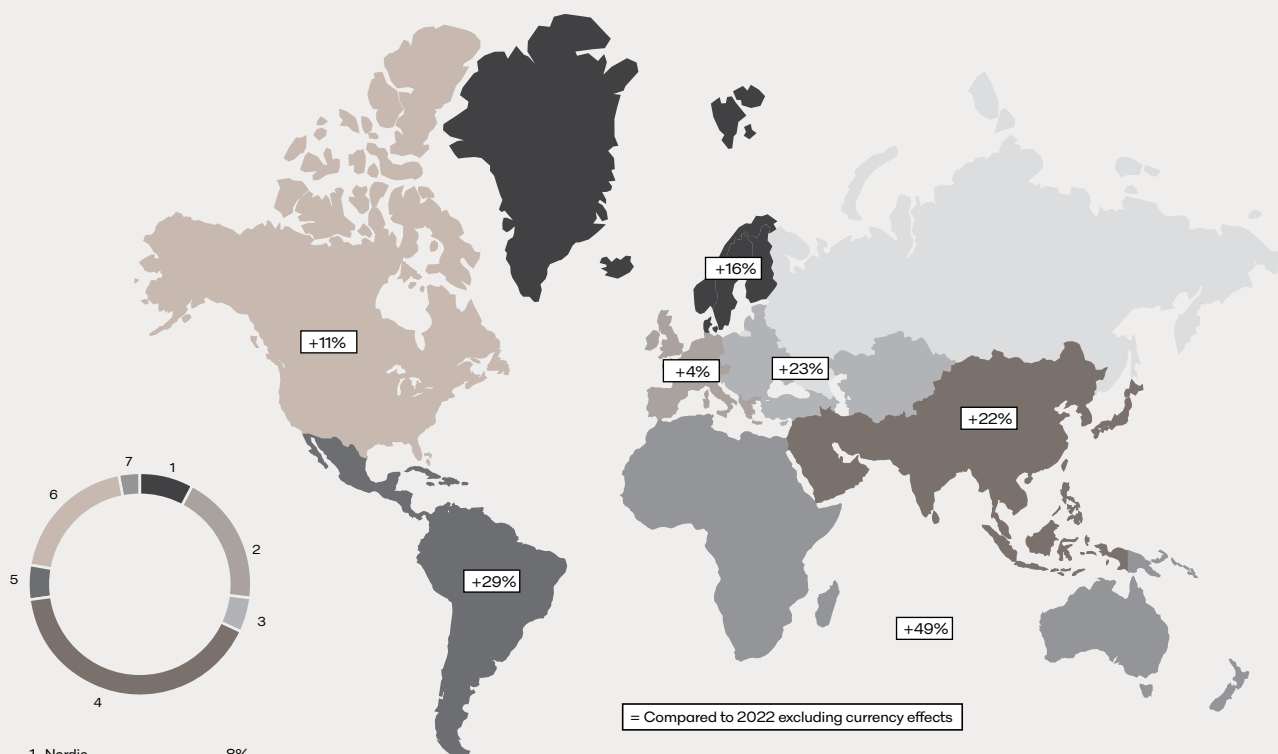
Asia

The region reported strong growth in order intake compared to last year. Energy reported growth and it was particularly high in the Middle East, India and Thailand driven by oil & gas and power. HVAC in China had a good start of the year, but the demand slowed down during the year. Growth in Food & Water was particularly high in Indonesia, Thailand and India driven by a continued demand in oils & fats and brewery. Marine reported good growth in China, Taiwan and Malaysia driven by increased order intake from both shipbuilding and shipping. Service developed well and grew.

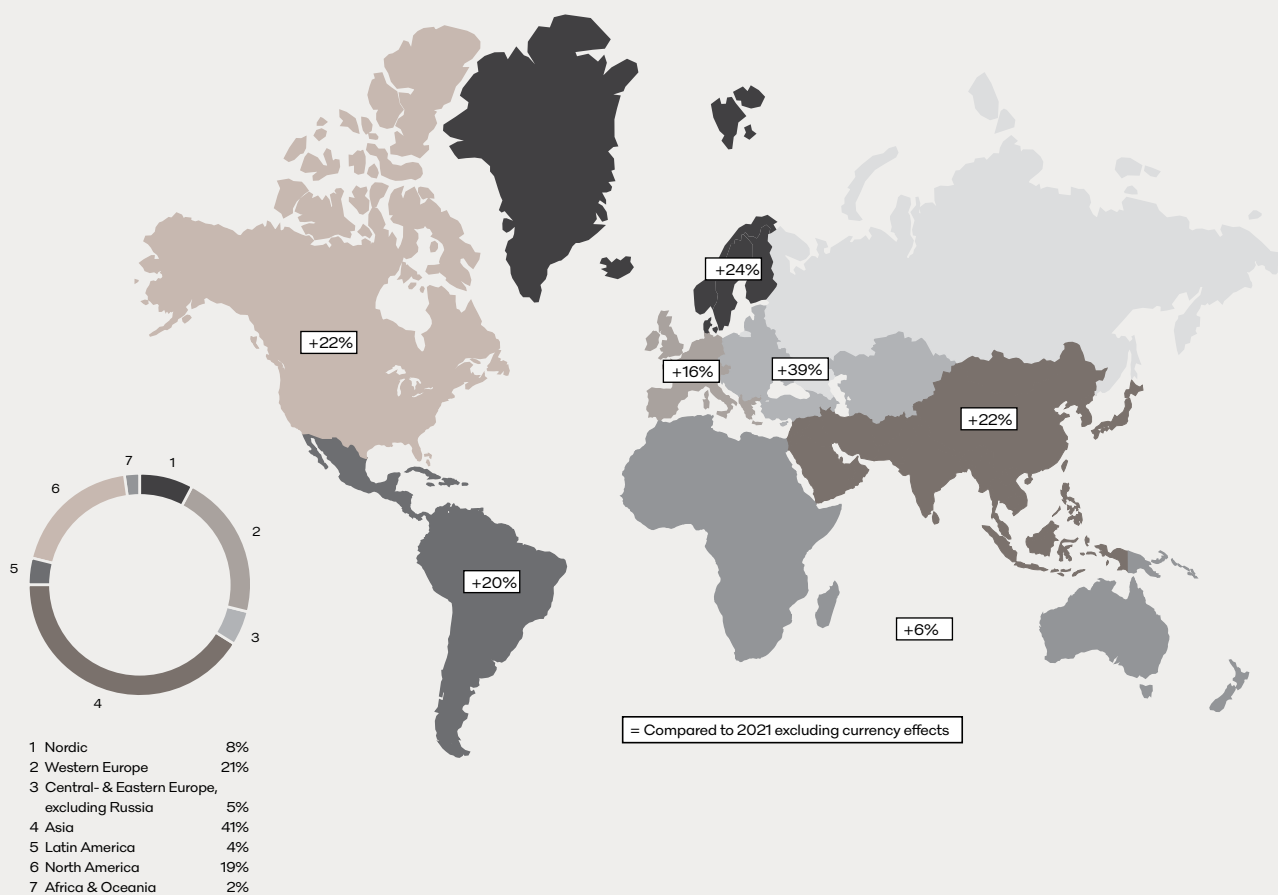
Africa and Oceania

The order intake in the region showed growth compared to last year. Energy had a high demand in power and process industry in Australia and Africa. Food & Water reported growth in the region driven by protein and brewery. Marine reported a weaker demand for oil & gas. Service order intake was weaker than last year.

Orders received 2023



Orders received 2022



Personnel

The number of employees is measured and reported as full time equivalents.

The parent company does not have any employees.

The Group has on average had 20,803 (19,002) employees. At the end of December 2023, the Group had 21,321 (20,300) employees. The employee turnover rate excluding temporary employees for 2023 is 5.9 (6.9) percent. The highest employee turnover rate in 2023 is found in management & administration and manufacturing, logistics & procurement.

Alfa Laval has the ambition to develop the employees on all levels within the Group. The largest part of the competence development takes place in the daily work when our employees continuously get more demanding tasks as well as get the opportunity to participate in different projects together with more experienced colleagues. Local training and development efforts in the different factories and sales companies around the world are equally important, for instance ALPS (Alfa Laval Production System) that is based on the well-known concepts of Lean and Six Sigma and also on ALPAS (Alfa Laval Product & Application School). The ALPAS trainings are designed and developed by the product responsible Business Unit.

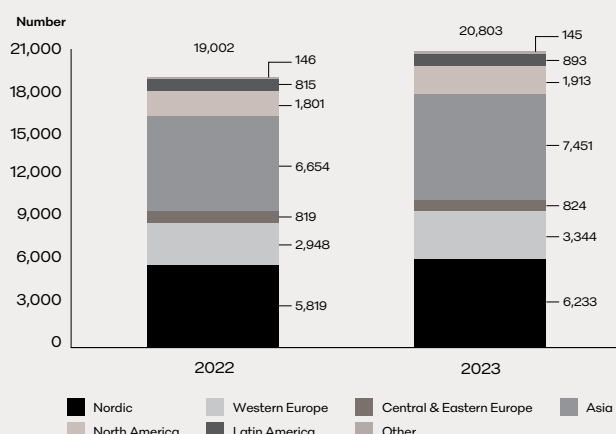
All training programmes and development projects are performed within the Alfa Laval Academy framework, to ensure they follow the Alfa Laval Learning Principles. Further examples of such training programmes are Challenger (for young talents with international leadership potential), Evolve (training and mentor programme for employees with high potential in leadership positions), Project Management, Information Security (mandatory training via E-learning), Inclusion & Diversity (for all employees), Pure Leadership (for middle management) and Drive (for senior management).

Alfa Laval has a global certification in "Learning Facilitation Capabilities" called "Licence to Train" to secure quality and consistency in the way we deliver our learning programmes internally as well as towards customers and partners.

Alfa Laval is promoting inclusion and diversity at all levels to give all employees fair and equal opportunities for development and career. While we consciously work towards increasing the share of female managers and the share of female employees in the total workforce, leadership programs like Challenger, Evolve and Drive are important to drive the shift in leadership and inclusion to reach the goal.

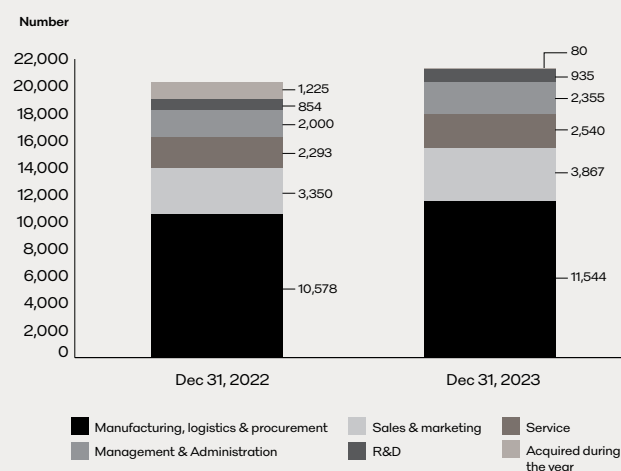
The distribution of the number of employees by region is:

Average number of employees – by region



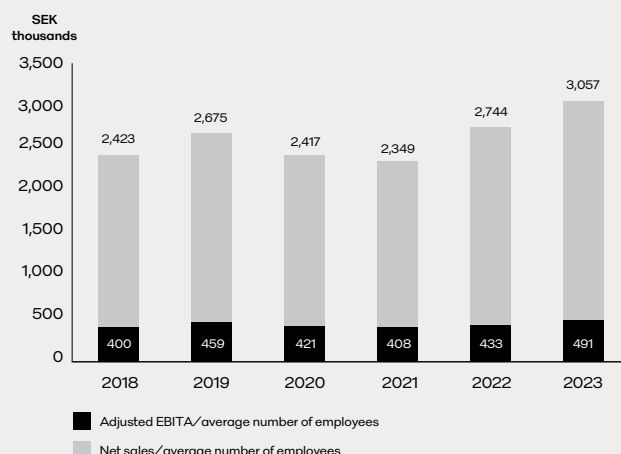
The distribution of the number of employees by personnel category at year end is:

Employees – by category



The productivity by employee has developed as follows:

Employees – Productivity development



The improvement for 2019 was impacted by the change programme that was launched during the autumn 2016 but reinforced by the stronger demand within primarily environmental products and the weakening of the Swedish krona. The deterioration during 2020 and 2021 is explained by the consequences of the COVID-19 pandemic and the stronger Swedish krona. The improvement during 2022 is explained by the increased sales and the weakening of the Swedish krona. The weaker development of the profitability during 2022 is due partly to increased raw material prices in combination with invoiced backlog taken prior to 2022 and the Desmet project business and partly to capacity imbalances in the supply organization and the impact of the transition from fossil to sustainable energy solutions for parts of the Marine Division and the Business Unit for Welded Heat Exchangers in the Energy Division. The latter was being addressed in the announced restructuring programme.

In 2023 there was a marked increase in both adjusted EBITA and net sales per employee. The increase of adjusted EBITA per employee was primarily driven by the improvements yielded by the restructuring programs, a positive mix effect from service business offsetting higher project invoicing and the increased volume impact of sales that increased with 22 percent.

The latter offset absorption imbalances in some manufacturing units, negative currency and material hedges and inflationary pressure. The increased net sales per employee was driven by more than half by the organic sales growth, 22 percent by currency and 24 percent by structural additions.

The distribution of employees per country and per municipality in Sweden and between males and females can be found in Note 5 in the notes to the financial statements. The specification of salaries, wages, remunerations, social costs and pension costs are provided in Note 6 in the notes to the financial statements.

Remuneration policy for executive officers

The remuneration policy for executive officers is established by the Annual General Meeting, see further description in Note 6 and the complete policy in Note 37.

The Board of Directors decided in 2023 to implement six of the modified cash based long-term incentive programme for maximum 95 senior managers in the Group including the Chief Executive Officer and the persons defined as executive officers. The outcome of the modified programme depends on how the adjusted EBITA margin and the net sales growth have developed during a three-year period, with a 50/50 weight between the targets. This means that there will be no award during the first two years since it is first in year three that it can be determined to what extent the targets have been achieved. Maximum outcome is awarded when the targets are exceeded. The remuneration from the modified long-term incentive programme can constitute maximum 25, 40 or 50 percent of the fixed remuneration depending on position. Payment to the participants in the programme is made after year three and only provided that they are still employed at the date of payment.

Research and development

As the result of an intensive and consistent commitment over many years to research and development, Alfa Laval has achieved a world-leading position within the areas of separation and heat transfer. The product development within fluid handling has resulted in a strong market position for a number of products. In order to strengthen the Group's position and to support the organic growth, by identifying new applications for existing products as well as developing new products, research and development is always an activity of high priority. Research and development is conducted at approximately twenty facilities around the world.

The costs for research and development have amounted to SEK 1,563 (1,356) million, corresponding to 2.5 (2.6) percent of net sales. Excluding currency effects and acquisition/divestment of businesses, the costs for research and development have increased by 7.9 percent compared to last year.

Ethics and social responsibility

Two of Alfa Laval's four business principles are: "Respect for human rights is fundamental" and "High ethical standards guide our conduct". This means that Alfa Laval respects human rights and the very different social cultures in which the company works and supplies its products and services and that Alfa Laval conducts its business with honesty, integrity and respect for others.

Globalisation gives Alfa Laval new business opportunities for increased sales as well as lower costs for manufacturing the products. But when part of the supply chain is moved to countries with lower costs the company is often confronted with ethical questions in a more obvious manner. Health, security and working conditions for the employees at the company's suppliers are some of Alfa Laval's main topics. When Alfa Laval procures products from quickly growing economies like China and India it is important for the company to secure that the cost reduction opportunities are not at the expense of those performing the work in each country. Alfa Laval regards it as an obligation to make sure that its suppliers develop quickly if the work, health and security conditions are not acceptable.

Alfa Laval has developed an internal training programme to give sales-people and purchase departments knowledge on legal business practice.

Environment

One of Alfa Laval's four business principles is: "Optimizing the use of natural resources in the most efficient manner is our business." The company's products make a significant contribution to reducing the environmental impact of industrial processes and are used to produce renewable energy.

All sites have an environmental management system in place. More than 95 percent of the delivery value comes from production sites with ISO 14001 certification.

The subsidiary Alfa Laval Corporate AB is involved in operational activities that are subject to an obligation to report and compulsory licensing according to Swedish environmental legislation. The permits mainly relate to the manufacturing of heat exchangers in Lund and Ronneby and the manufacturing of separators in Eskilstuna. The impact on the external environment is through limited discharges into the air and water and through waste and noise.

The foreign manufacturing sites within the Alfa Laval Group are engaged in operational activities with a similar effect on the external environment. To what extent this activity is subject to an obligation to report and/or compulsory licensing according to local environmental legislation varies from country to country. Alfa Laval has an overall intention to operate well within the limits that are set by local legislation.

Russia's war on Ukraine

Alfa Laval had a factory and a sales company in Russia and a sales company in Ukraine. Historically the order intake from the markets in Russia and Ukraine has been approximately SEK 1 billion per year, equivalent to 2 percent of the total order intake for the company. When the war started on February 24, 2022, the total order backlog in Russia and Ukraine amounted to approximately SEK 750 million. In addition, Alfa Laval companies in other countries had orders from Russian end customers of SEK 360 million. Since then, the order backlog has been re-assessed and as a result orders of SEK 973 million have been removed from the order backlog. This is mainly due to sanctions, but also when Alfa Laval has assessed that the company will not be able to deliver or get paid. Also orders where Alfa Laval supplies equipment to ship yards in other countries building ships for ship owners under sanctions have been removed from the order backlog.

In the interim reports and the annual report for 2022 a detailed description was made of how Alfa Laval has calculated and provided for the company's costs for cancelled orders, late delivery fees, accounts receivable that we do not believe we will get paid for, foreign exchange losses and advance payments to suppliers in Russia and Ukraine where we do not expect any delivery or the advance being repaid to us.

Before the war, Alfa Laval had a competent team of approximately 230 employees in Russia and 10 employees in Ukraine. At December 31, 2023 the number of employees in Russia had decreased further down to 6. Alfa Laval's assessment is that the longer-term implications of the war on the Russian market are of such a magnitude that the company in the fourth quarter 2022 provided for a closure of the operations. The total cost for these provisions amounted to SEK 400 million and was reported as a comparison distortion item in the first quarter 2022 with SEK 327 million and in the fourth quarter 2022 with an additional SEK 73 million.

Asbestos-related lawsuits

The Alfa Laval Group was as of December 31, 2023, named as a co-defendant in a total of 427 asbestos-related lawsuits with a total of approximately 427 plaintiffs. Alfa Laval strongly believes the claims against the Group are without merit and intends to vigorously contest each lawsuit.

Based on current information and Alfa Laval's understanding of these lawsuits, Alfa Laval continues to believe that these lawsuits will not have a material adverse effect on the Group's financial condition or results of operation.

Restructuring program

A restructuring program covering parts of the Marine Division and the Business Unit for Welded Heat Exchangers in the Energy Division was initiated in the fourth quarter 2022 to adjust capacity imbalances in the supply organization and manage the impact as we transit from fossil to sustainable energy solutions. The program was completed during 2023.

Result for the parent company

The parent company's result after financial items for 2023 was SEK 4,271 (95) million, out of which dividends from subsidiaries SEK 4,037 (62) million, net interests SEK 252 (44) million, realised and unrealised exchange rate gains and losses SEK -1 (2) million, costs related to the listing SEK -4 (-4) million, fees to the Board SEK -9 (-9) million, cost for annual report and annual general meeting SEK -1 (-1) million and other operating income and operating costs the remaining SEK -3 (1) million. Change of tax allocation reserve has been made with SEK -48 (578) million. Group contributions amount to SEK 1,314 (509) million. Tax on this year's result amount to SEK -271 (-241) million. Net income for the year was SEK 5,266 (941) million.

Unrestricted equity for the parent company

The unrestricted equity of Alfa Laval AB (publ) was SEK 9,293 (6,507) million.

Disclosure on share related information

Paragraph 2a in chapter 6 of the Swedish Annual Accounts Act requires listed companies to disclose certain information relating to the company's shares in the Board of Directors' Report. This information is found in the following paragraphs, in the "Changes in consolidated equity" and in Note 6.

Proposed disposition of earnings

The Board of Directors propose a dividend of SEK 7.50 (6.00) per share corresponding to SEK 3,100 (2,480) million and that the remaining income available for distribution in Alfa Laval AB (publ) of SEK 6,193 (4,027) million be carried forward, see Note 40.

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.

Cancellation of repurchased shares and a corresponding bonus issue

On March 21, 2023 when the notice to the Annual General Meeting was sent the number of repurchased shares was 550,508. The Annual General Meeting 2023 decided to cancel these repurchased shares. Cancellation of the shares means that the share capital will decrease with SEK 1 million. At the same time the Annual General Meeting decided to increase the share capital through a bonus issue of the same amount without issuing any new shares. In this way the size of the share capital was restored and the company did not have to obtain permission from Bolagsverket or if disputed the local court to cancel the repurchased shares. This means that the number of shares has developed as follows:

Specification of number of shares

	Number
Number of shares at January 1, 2023	413,876,823
Cancellation of re-purchased shares at May 15, 2023	-550,508
Number of shares at December 31, 2023	413,326,315

Outlook for the first quarter

In the fourth quarter and full year 2023 report issued on February 6, 2024 the President and Chief Executive Officer Tom Erixon stated:

"We expect demand in the first quarter to be somewhat lower compared to the fourth quarter."

Earlier published outlook (October 25, 2023):

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

Date for the next financial reports 2024

Alfa Laval will publish financial reports at the following dates:

Interim report for the first quarter	April 25
Interim report for the second quarter	July 23
Interim report for the third quarter	October 24

Consolidated cash flows

Consolidated cash flows			
SEK millions	Note	2023	2022
Operating activities			
Operating income		9,256	6,519
Adjustment for depreciation and amortisation		2,524	2,392
Adjustment for other non-cash items		-419	105
		11,361	9,016
Taxes paid		-1,933	-1,834
		9,428	7,182
Changes in working capital:			
Increase(-)/decrease(+) of receivables		-1,319	-2,155
Increase(-)/decrease(+) of inventories		-652	-3,140
Increase(+)/decrease(-) of liabilities		2,373	2,058
Increase(+)/decrease(-) of provisions		-661	-654
Increase(-)/decrease(+) in working capital		-259	-3,891
		9,169	3,291
Investing activities			
Investments in fixed assets (Capex)		-2,440	-1,853
Divestment of fixed assets		90	20
Acquisition of businesses	17	-337	-3,685
		-2,687	-5,518
Financing activities			
Received interests and dividends		168	99
Paid interests		-489	-290
Realised financial exchange gains		52	68
Realised financial exchange losses		-536	-147
Repurchase of shares		-	-661
Dividends to owners of the parent		-2,480	-2,480
Dividends to non-controlling interests		-18	-12
Increase(-) of financial assets		-555	-457
Decrease(+) of financial assets		11	1,002
Increase of loans		2,400	12,546
Amortisation of loans		-4,096	-6,575
		-5,543	3,093
Cash flow for the year			
Cash and cash equivalents at the beginning of the year		4,352	3,356
Translation difference in cash and cash equivalents		-156	130
Cash and cash equivalents at the end of the year	26	5,135	4,352
Free cash flow per share (SEK) *		16.50	3.52
Capex in relation to net sales		3.8%	3.6%
Average number of shares**		413,326,315	413,637,227

* Free cash flow is an alternative performance measure. It is the sum of cash flows from operating activities, investments and divestments of fixed assets.

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

Comments to the consolidated cash flows

For further comments on certain individual lines in the cash flow statement, reference is made to Notes 17 and 26.

Cash flows from operating activities

The increase in cash flows from operating activities in 2023 is explained by the increase in operating income and the lower increase in working capital.

Cash and cash equivalents

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

Cash flow

Cash flow from operating and investing activities amounted to SEK 6,482 (-2,227) million during 2023. Out of this, acquisitions of businesses were SEK -337 (-3,685) million.

Adjustment for other non-cash items

Other non-cash items are mainly referring to realised gains and losses in connection with sale of assets. These have to be eliminated since the cash impact of divestments of fixed assets and businesses are reported separately under cash flow from investing activities.

Working capital

Working capital increased by SEK 259 (3,891) million during 2023, mainly due to build-up of inventories related to the volume growth and build-up of work in progress.

Investments

Investments in property, plant and equipment amounted to SEK 2,440 (1,853) million during 2023.

A number of structural changes in the form of new or improved buildings including move of production and productivity increasing investments for improved cost and availability have been implemented or started during the year, among others in Lund in Sweden, Satara in India, Kolding in Denmark and Jiang Yin, Kunshan and Qingdao in China. Examples of investments made for the individual product groups are as follows:

Heat exchangers

Investments have been made in machines for increased capacity and manufacturing of new products and in productivity enhancing equipment in Ronneby in Sweden, San Bonifacio in Italy and Jiang Yin in China for brazed heat exchangers. Additional investments have been made in Jiang Yin in China, Satara in India and in Lund in Sweden in equipment to widen the product range and increase the productivity for gasketed heat exchangers.

High speed separators

Continued capacity investments in machining equipment for separators have been made in Eskilstuna in Sweden, Krakow in Poland and Pune in India.

Decaners

Capacity and productivity enhancing investments have been made in Nakskov in Denmark.

Pumps and valves

Capacity and productivity enhancing investments have been made in Kolding in Denmark and Kunshan in China. The complete transfer of manufacturing from Eastbourne in UK to Kolding in Denmark was finalised during the year.

Depreciations

Depreciation, excluding allocated step-up values, amounted to SEK 1,559 (1,449) million during the year.

Acquisitions and disposals

For a further analysis of the impact on the cash flow by acquisitions and disposals, see Note 17.

Free cash flow per share

The free cash flow per share is SEK 16.50 (3.52).

Consolidated comprehensive income

Consolidated comprehensive income			
SEK millions	Note	2023	2022
Net sales	1, 2, 3, 4, 36	63,598	52,135
Cost of goods sold	9	-42,714	-34,489
Gross profit		20,884	17,646
Sales costs	5, 6, 9	-6,342	-5,634
Administration costs	5, 6, 7, 9	-2,880	-2,305
Research and development costs	9	-1,563	-1,356
Other operating income	8	932	772
Other operating costs	8, 9	-1,827	-2,652
Share of result in joint ventures	34	52	48
Operating income		9,256	6,519
Dividends and other financial income and costs	10	13	5
Interest income and financial exchange rate gains	11	448	267
Interest expense and financial exchange rate losses	11	-1,067	-612
Result after financial items		8,650	6,179
Tax on this year's result	16	-2,220	-1,574
Other taxes	16	-49	-36
Net income for the year		6,381	4,569
Other comprehensive income:			
Items that will subsequently be reclassified to net income			
Cash flow hedges		54	-346
Translation difference		-2,040	1,872
Deferred tax on other comprehensive income	16	-31	211
Sum		-2,017	1,737
Items that will subsequently not be reclassified to net income			
Revaluations of defined benefit obligations		-125	329
Market valuation of external shares	16	-2	-13
Deferred tax on other comprehensive income		23	-109
Sum		-104	207
Comprehensive income for the year		4,260	6,513
Net income attributable to:			
Owners of the parent		6,330	4,503
Non-controlling interests		51	66
Earnings per share (SEK)		15.31	10.89
Average number of shares*		413,326,315	413,637,227
Comprehensive income attributable to:			
Owners of the parent		4,224	6,427
Non-controlling interests		36	86

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

Comments to the consolidated comprehensive income

For comments on the individual lines in the consolidated comprehensive income statement, reference is made to Notes 1 to 16 and Notes 34, 36 and 38. For comments on the operating segments, see Note 1.

As a basis for comments on the various main items of the consolidated comprehensive income statement, please find a comparison between the last two years:

Income analysis		
Consolidated		
SEK millions	2023	2022
Net sales	63,598	52,135
Adjusted gross profit *	21,849	18,589
- adjusted gross margin (%) *	34.4	35.7
Expenses **	-10,069	-8,911
- in % of net sales	15.8	17.1
Adjusted EBITDA *	11,780	9,678
- adjusted EBITDA margin (%) *	18.5	18.6
Depreciation	-1,559	-1,449
Adjusted EBITA *	10,221	8,229
- adjusted EBITA margin (%) *	16.1	15.8
Amortisation of step-up values	-965	-943
Comparison distortion items	-	-767
Operating income	9,256	6,519

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

The gross profit margin has been negatively affected by under-absorption in manufacturing units where demand has shifted quickly and negative material and currency hedges. Some of these negative impacts are offset by net positive mix effects that are further reinforced by the increase of invoicing.

Sales and administration expenses amounted to SEK 9,222 (7,939) million, which corresponded to 14.5 (15.2) percent of net sales. Excluding currency effects and acquisition/divestment of businesses, sales and administration expenses were 7.8 percent higher than last year.

The costs for research and development have amounted to SEK 1,563 (1,356) million, corresponding to 2.5 (2.6) percent of net sales. Excluding currency effects and acquisition/divestment of businesses, the costs for research and development have increased by 7.9 percent compared to last year.

Earnings per share was SEK 15.31 (10.89) for 2023. The corresponding figure excluding amortisation of step-up values and the corresponding tax, was SEK 17.15 (12.78).

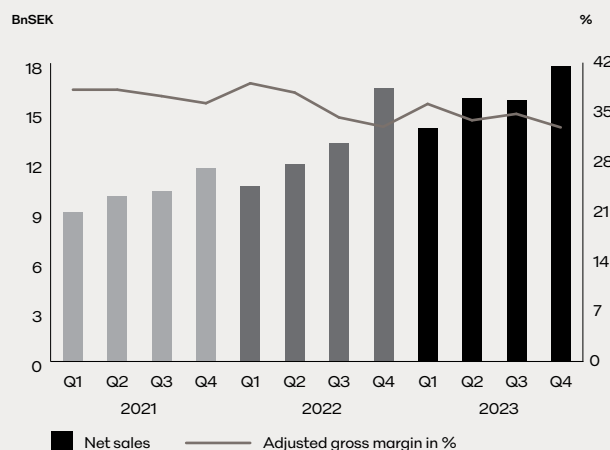
The changes that have impacted the development of adjusted EBITA during the year are presented in the following table.

Income bridge		
Consolidated		
SEK millions	2023	2022
Adjusted EBITA last year	8,229	7,114
Volume ¹⁾	3,157	2,684
Mix ¹⁾	-518	-582
Costs ¹⁾	-854	-1,545
Currency	207	558
Adjusted EBITA current year	10,221	8,229

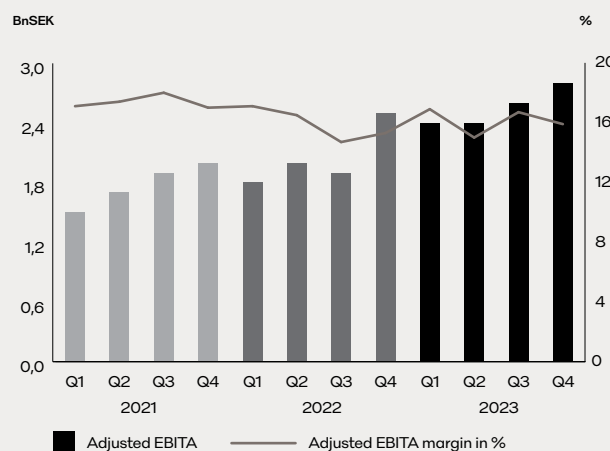
¹⁾ Change excluding currency effects.

In order to illustrate the quarterly development, the last 12 quarters are shown below for four of the parameters in the income analysis:

Net sales & Adjusted gross margin



Adjusted EBITA



Comparison distortion items

Consolidated		
SEK millions	2023	2022
Other operating costs		
Comparison distortion items:		
- Provision for financial consequences of Russia's war on Ukraine	-	-400
- Restructuring costs	-	-367
Net comparison distortion items	-	-767

The comparison distortion items during 2022 were relating to costs triggered by Russia's war on Ukraine and for a restructuring project for parts of the Marine Division and the Business Unit for Welded Heat Exchangers in the Energy Division.

Consolidated financial net and taxes

The financial net for 2023 was SEK -337 (-219) million, excluding realised and unrealised exchange rate losses and gains. The main elements of costs were interest on the debt to the banking syndicate of SEK -26 (-18) million, interest on the bilateral term loans of SEK -132 (-20) million, interest on the corporate bonds of SEK -125 (-127) million, interest on the commercial paper programme of SEK -16 (-10) and a net of dividends, changes in fair value and other interest income and interest costs of SEK -38 (-44) million.

The net of realised and unrealised exchange rate differences was SEK -269 (-121) million.

The tax on the result after financial items was SEK -2,269 (-1,610) million in 2023.

Accumulated translation differences *

Consolidated

SEK millions

Year	Main explanation to translation differences	Change	Accumulated	Pre-tax effect on change by hedging measures
Formation of the Group				
2000	The EUR was appreciated by 6 %, which affected the EUR based acquisition loans	-94	-94	-312
2001	The USD was appreciated by 10.7 %	97	3	-105
2002	The USD was depreciated by 16.7 %	-190	-187	165
2003	The USD was depreciated by 17.5 %	-38	-225	195
2004	The USD was depreciated by 9.0 %	-103	-328	-19
2005	The USD was appreciated by 20.3 % and the EUR was appreciated by 4.8 %	264	-64	-65
2006	The USD was depreciated by 13.5 % and the EUR was depreciated by 4.0 %	-269	-333	56
2007	The USD was depreciated by 5.7 % whereas the EUR was appreciated by 4.7 %	224	-109	13
2008	The USD was appreciated by 20.5 % and the EUR was appreciated by 16.2 %	850	744	-468
2009	The USD was depreciated by 7.5 % and the EUR was depreciated by 6.0 %	-392	352	220
2010	The USD was depreciated by 5.7 % and the EUR was depreciated by 12.9 %	-554	-202	99
2011	The USD was appreciated by 1.4 % whereas the EUR was depreciated by 0.8 %	-254	-456	34
2012	The USD was depreciated by 5.8 % and the EUR was depreciated by 3.6 %	-798	-1,254	214
2013	The USD was appreciated by 0.3 % and the EUR was appreciated by 4.1 %	39	-1,215	-83
2014	The USD was appreciated by 20.5 % and the EUR was appreciated by 6.3 %	439	-776	-1,033
2015	The USD was appreciated by 6.6 % whereas the EUR was depreciated by 4.0 %	-1,056	-1,832	301
2016	The USD was appreciated by 8.6 % and the EUR was appreciated by 4.6 %	1,882	50	-643
2017	The USD was depreciated by 9.4 % whereas the EUR was appreciated by 2.8 %	-1,339	-1,289	-207
2018	The USD was appreciated by 8.8 % and the EUR was appreciated by 4.2 %	641	-648	-571
2019	The USD was appreciated by 4.2 % and the EUR was appreciated by 2.1 %	632	-16	-288
2020	The USD was depreciated by 12.2 % and the EUR was depreciated by 3.7 %	-2,454	-2,470	313
2021	The USD was appreciated by 10.2 % and the EUR was appreciated by 1.5 %	1,681	-789	-165
2022	The USD was appreciated by 15.6 % and the EUR was appreciated by 8.9 %	1,872	1,083	-946
2023	The USD was depreciated by 4.5 % and the EUR was depreciated by 0.9 %	-2,040	-957	89

* Reported against other comprehensive income. Prior to 2009 these translation differences were reported against equity.

Consolidated financial position

Consolidated financial position			
ASSETS			
SEK millions	Note	2023	2022
Non-current assets			
Intangible assets	17, 18		
Patents and unpatented know-how		2,376	2,633
Trademarks		1,438	1,978
Licenses, renting rights and similar rights		113	18
Internally generated intangible assets		626	530
Goodwill		25,069	26,258
		29,622	31,417
Property, plant and equipment	17, 19		
Real estate		3,339	3,611
Machinery and other technical installations		2,734	2,423
Equipment, tools and installations		1,150	1,058
Construction in progress and advances to suppliers concerning property, plant and equipment		2,090	1,089
Right-of-use assets		2,456	2,529
		11,769	10,710
Other non-current assets			
Other long-term securities	13, 14, 20	542	475
Pension assets	27	239	201
Derivative assets	13, 14, 15	167	95
Deferred tax assets	16	1,720	1,895
		2,668	2,666
Total non-current assets		44,059	44,793
Current assets			
Inventories	21	14,950	14,775
Assets held for sale	19	59	100
Current receivables			
Accounts receivable	13, 22, 36	10,282	9,717
Current tax assets		811	763
Other receivables	13, 23	5,372	5,338
Prepaid costs and accrued income	13, 24	578	495
Derivative assets	13, 14, 15	314	605
		17,357	16,918
Current deposits			
Other current deposits	13, 25	728	311
Cash and cash equivalents	13, 26	5,135	4,352
Total current assets		38,229	36,456
TOTAL ASSETS		82,288	81,249

Consolidated financial position, continued			
EQUITY AND LIABILITIES			
SEK millions	Note	2023	2022
Equity			
<i>Attributable to owners of the parent</i>			
Share capital		1,117	1,117
Other contributed capital		2,770	2,770
Other reserves		-1,910	196
Retained earnings		35,056	31,299
		37,033	35,382
<i>Attributable to non-controlling interests</i>	12	345	322
Total equity		37,378	35,704
Non-current liabilities			
Liabilities to credit institutions etc	13, 29	9,829	13,362
Lease liabilities	13, 35	1,473	1,549
Provisions for pensions and similar commitments	27	1,090	1,192
Provision for deferred tax	16	2,372	2,293
Other provisions	28	337	450
Derivative liabilities	13, 14, 15	53	140
Total non-current liabilities		15,154	18,986
Current liabilities			
<i>Other current liabilities</i>			
Liabilities to credit institutions etc	13, 29	3,444	1,700
Advances from customers		7,975	6,634
Accounts payable	13	4,871	4,891
Notes payable	13	334	423
Current tax liabilities		989	893
Lease liabilities	13, 35	1,128	1,122
Other liabilities	13, 30	6,096	5,269
Other provisions	28	1,757	2,164
Accrued costs and prepaid income	13, 31	2,636	2,770
Derivative liabilities	13, 14, 15	526	693
Total current liabilities		29,756	26,559
Total liabilities		44,910	45,545
TOTAL EQUITY AND LIABILITIES		82,288	81,249

Comments on the consolidated financial position

For comments on the individual lines in the statement on financial position, reference is made to Notes 12 to 36. For comments on the operating segments, see Note 1.

Capital employed

The average capital employed including goodwill and step-up values amounted to SEK 48,753 (43,060) million during the year.

Return on capital employed

The return on average capital employed including goodwill and step-up values amounted to 21.0 (17.3) percent during the year.

Capital turnover rate

The capital turnover rate calculated on the average capital employed including goodwill and step-up values amounted to 1.3 (1.2) times for the year.

Return on equity

Net income in relation to the average equity was 17.6 (13.5) percent during the year.

Solidity

The solidity, that is the equity in relation to total assets, was 45.4 (43.9) percent at the end of the year.

Net debt

The net debt was SEK 10,011 (13,070) million at the end of the year.

Net debt to EBITDA

Net debt in relation to EBITDA was 0.85 (1.47) times at the end of December.

Debt ratio

The debt ratio, that is the net debt in relation to equity, was 0.27 (0.37) times at the end of December.

Changes in consolidated equity

Changes in consolidated equity													
Attributable to:	Owners of the parent								Non-controlling interests			Total	
	Other reserves												
	Share capital	Other contributed capital	Cash flow hedges	Market valuation of external shares	Translation differences	Revaluations	Retained earnings	Subtotal	Translation differences	Retained earnings	Subtotal		
SEK millions													
As of December 31, 2021	1,117	2,770	148	217	-808	-1,285	29,937	32,096	28	220	248	32,344	
2022													
Comprehensive income													
Net income	-	-	-	-	-	-	4,503	4,503	-	66	66	4,569	
Other comprehensive income	-	-	-276	-41	1,993	248	-	1,924	20	-	20	1,944	
Comprehensive income	-	-	-276	-41	1,993	248	4,503	6,427	20	66	86	6,513	
Transactions with shareholders													
Repurchase of shares	-	-	-	-	-	-	-661	-661	-	-	-	-661	
Cancellation of repurchased shares	-15	-	-	-	-	-	15	-	-	-	-	-	
Bonus issue of shares without issuing any new shares	15	-	-	-	-	-	-15	-	-	-	-	-	
Non-controlling interests in acquired companies	-	-	-	-	-	-	-	-	-	0	0	0	
Dividends to owners of the parent	-	-	-	-	-	-	-2,480	-2,480	-	-	-	-2,480	
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-12	-12	-12	
As of December 31, 2022	1,117	2,770	-128	176	1,185	-1,037	31,299	35,382	48	274	322	35,704	
2023													
Comprehensive income													
Net income	-	-	-	-	-	-	6,330	6,330	-	51	51	6,381	
Other comprehensive income	-	-	45	-2	-2,047	-102	-	-2,106	-15	-	-15	-2,121	
Comprehensive income	-	-	45	-2	-2,047	-102	6,330	4,224	-15	51	36	4,260	
Transactions with shareholders													
Cancellation of repurchased shares	-1	-	-	-	-	-	1	-	-	-	-	-	
Bonus issue of shares without issuing any new shares	1	-	-	-	-	-	-1	-	-	-	-	-	
Decrease of non-controlling interests	-	-	-	-	-	-	-93	-93	-	-27	-27	-120	
Non-controlling interests in acquired companies	-	-	-	-	-	-	-	-	-	32	32	32	
Dividends to owners of the parent	-	-	-	-	-	-	-2,480	-2,480	-	-	-	-2,480	
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-18	-18	-18	
As of December 31, 2023	1,117	2,770	-83	174	-862	-1,139	35,056	37,033	33	312	345	37,378	

Specification of changes in number of shares and share capital

Year	Event	Date	Change in number of shares	Total number of shares	Change in share capital SEK millions	Total share capital SEK millions
2000	Company formation	March 27, 2000	10,000,000	10,000,000	0.1	0.1
	New issue of shares	August 24, 2000	27,496,325	37,496,325	0.3	0.4
2002	Bonus issue of shares	May 3, 2002	37,496,325	74,992,650	0.4	1
	Bonus issue of shares	May 16, 2002	–	–	749	750
	New issue of shares	May 16, 2002	3,712,310	78,704,960	37	787
	New issue of shares	May 17, 2002	32,967,033	111,671,993	330	1,117
2008	Cancellation of repurchased shares	May 27, 2008	-4,323,639	107,348,354	-43	
	Bonus issue of shares	May 27, 2008	–	107,348,354	43	1,117
	Split 4:1	June 10, 2008	322,045,062	429,393,416	–	1,117
2009	Cancellation of repurchased shares	July 9, 2009	-7,353,950	422,039,466	-19	
	Bonus issue of shares	July 9, 2009	–	422,039,466	19	1,117
2011	Cancellation of repurchased shares	May 16, 2011	-2,583,151	419,456,315	-7	
	Bonus issue of shares	May 16, 2011	–	419,456,315	7	1,117
2022	Cancellation of repurchased shares	May 16, 2022	-5,579,492	413,876,823	-15	
	Bonus issue of shares	May 16, 2022	–	413,876,823	15	1,117
2023	Cancellation of repurchased shares	May 15, 2023	-550,508	413,326,315	-1	
	Bonus issue of shares	May 15, 2023	–	413,326,315	1	1,117

Comments on changes in consolidated equity

The articles of association of Alfa Laval AB (publ) state that the share capital should be between SEK 745,000,000 and 2,980,000,000 and that the number of shares should be between 298,000,000 and 1,192,000,000.

At January 1, 2023 the share capital of SEK 1,116,719,930 was divided into 413,876,823 shares. At the Annual General Meeting 2023, 550,508 shares have been cancelled, which decreased the share capital with 1,485,377. At the same time a bonus issue was made with the same amount without issuing any new shares, which restored the size of the share capital. At the end of the year the share capital of SEK 1,116,719,930 was divided into 413,326,315 shares.

The company has only issued one type of shares and all these have equal rights. There are no restrictions in law or in the articles of association in the negotiability of the shares.

The only shareholder holding more than 10 percent of the shares is Winder Holding AG, Switzerland (formerly Tetra Laval International SA, Switzerland), who owns 29.5 (29.5) percent. The employees of the company do not own any shares in the company through company pension trusts.

No restrictions exist in how many votes that each shareholder can represent at a general meeting of shareholders. The company has no knowledge of any agreements between shareholders that would limit the negotiability of their shares.

The articles of association stipulate that members of the Board are elected at the Annual General Meeting. Election or discharge of members of the Board is otherwise regulated by the provisions in the Swedish Companies Act and the Swedish Corporate Governance Code. According to the Companies Act changes in the articles of association are decided at general meetings of shareholders.

The senior credit facility with the banking syndicate and the corporate bonds each contain conditions that give the lenders the opportunity to terminate the loans and declare them due and payable if there is a change of control of the company through an acquisition of more than 50 and 30 percent respectively of the total number of shares.

The possibilities to distribute unappropriated profits from foreign subsidiaries are limited in certain countries due to local legislation. These limitations are not material. The limitations relate to:

- the existence of general restrictions concerning restricted equity in many countries,
- that subsidiaries in for instance China and India cannot take up loans to pay dividends, which limits the size of the dividends and
- rules on interest deduction limitations and thin capitalisation in many countries, for instance the U.S., Denmark and Norway limit the possibilities for these countries to increase debt to pay dividends.

Parent company cash flows

Parent company cash flows		
SEK millions	2023	2022
Cash flow from operating activities		
Operating income	-17	-13
Taxes paid	-244	-307
	-261	-320
Changes in working capital:		
Increase(-)/decrease(+) of receivables	-2,058	1,430
Increase(+)/decrease(-) of liabilities	5	8
Increase(-)/decrease(+) in working capital	-2,053	1,438
	-2,314	1,118
Cash flow from investing activities		
Investment in subsidiaries	-	-
	-	-
Cash flow from financing activities		
Received interests	252	44
Repurchase of shares	-	-661
Received dividends from subsidiaries	4,037	62
Paid dividends	-2,480	-2,480
Received group contribution	510	1,896
Paid group contribution	-1	0
	2,317	-1,139
Cash flow for the year	3	-21
Cash and cash equivalents at the beginning of the year	-	21
Cash and cash equivalents at the end of the year	3	-

Parent company income

Parent company income *		
SEK millions	2023	2022
Administration costs	-14	-14
Other operating income	1	2
Other operating costs	-4	-1
Operating income	-17	-13
Dividends from subsidiaries	4,037	62
Interest income and similar result items	252	46
Interest expenses and similar result items	-1	0
Result after financial items	4,271	95
Change of tax allocation reserve	-48	578
Group contributions	1,314	509
Result before tax	5,537	1,182
Tax on this year's result	-271	-241
Net income for the year	5,266	941

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

Parent company financial position

Parent company financial position			
SEK millions	Note	2023	2022
ASSETS			
Non-current assets			
Financial non-current assets			
Shares in group companies	20	4,669	4,669
Current assets			
Current receivables			
Receivables on group companies		9,266	6,402
Current tax assets		112	139
Other receivables		4	2
		9,382	6,543
Cash and cash equivalents		3	-
Total current assets		9,385	6,543
TOTAL ASSETS		14,054	11,212
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		1,117	1,117
Statutory reserve		1,270	1,270
		2,387	2,387
Unrestricted equity			
Profit brought forward		4,027	5,566
Net income for the year		5,266	941
		9,293	6,507
Total equity		11,680	8,894
Untaxed reserves			
Tax allocation reserve, taxation 2018		-	391
Tax allocation reserve, taxation 2019		698	698
Tax allocation reserve, taxation 2020		614	614
Tax allocation reserve, taxation 2021		99	99
Tax allocation reserve, taxation 2022		491	491
Tax allocation reserve, taxation 2024		439	-
		2,341	2,293
Current liabilities			
Liabilities to group companies		30	22
Accounts payable		0	1
Other liabilities		3	2
		33	25
TOTAL EQUITY AND LIABILITIES		14,054	11,212

Changes in parent company equity

Changes in parent company equity				
SEK millions	Share capital	Statutory reserve	Unrestricted equity	Total
As of December 31, 2021	1,117	1,270	8,707	11,094
2022				
Comprehensive income				
Net income	–	–	941	941
	–	–	941	941
Transactions with shareholders				
Repurchase of shares	–	–	-661	-661
Cancellation of repurchased shares	-15	–	15	–
Bonus issue of shares	15	–	-15	–
Dividends	–	–	-2,480	-2,480
As of December 31, 2022	1,117	1,270	6,507	8,894
2023				
Comprehensive income				
Net income	–	–	5,266	5,266
	–	–	5,266	5,266
Transactions with shareholders				
Cancellation of repurchased shares	-1	–	1	–
Bonus issue of shares	1	–	-1	–
Dividends	–	–	-2,480	-2,480
As of December 31, 2023	1,117	1,270	9,293	11,680

The share capital of SEK 1,116,719,930 (1,116,719,930) is divided among 413,326,315 (413,876,823) shares.

Notes to the financial statements

Material accounting principles

The accounting principles mentioned below are only the ones that are material for the parent company and the consolidated group.

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments including derivatives that are valued at fair value. The statements are presented in SEK millions, unless otherwise stated.

Statement of compliance

Alfa Laval applies International Financial Reporting Standards (IFRS) as adopted by the European Union. Furthermore, recommendation RFR 1 "Supplementary accounting principles for consolidated groups" from the Council for Financial Reporting in Sweden is applied. Alfa Laval follows the Guidelines on Alternative Performance Measures issued by ESMA (European Securities and Markets Authority).

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.

Changed/implemented accounting principles

The company has chosen to only comment the changed accounting principles that are material for the company's financial reporting. During 2023 the changed rules concerning deferred tax related to assets and liabilities arising from a single transaction been implemented. This relates to the accounting for a right-of-use asset and a corresponding lessee liability in connection with a lease. The deferred tax is to be calculated separately for the asset and the liability and be reported gross in the notes but reported net in the statement of financial position. The size of the deferred tax asset and liability can be seen in note 16. In addition, the new rules on disclosure of accounting policies in IAS 1 Presentation of Financial Statements have been implemented, which has meant that the section on accounting policies has been reduced. The description of material accounting policies and accounting policies where Alfa Laval has made a choice according to the rules of the standards has however been kept.

During 2022 no changed accounting principles were implemented.

Alternative Performance Measures

In the annual report, alternative performance measures are used. See page 190 for definitions. Alfa Laval follows the Guidelines on Alternative Performance Measures issued by ESMA (European Securities and Markets Authority).

Critical accounting principles

IFRS 3 "Business Combinations" means that goodwill and intangible assets with indefinite useful life are not amortised. They are instead tested for impairment both annually and when there is an indication. The effect of IFRS 3 can be considerable for the Group if the profitability within the Group or parts of the Group goes down in the future, since this could trigger a substantial impairment write down of the goodwill according to IAS 36 "Impairment of Assets". Such a write down will affect net income and thereby the financial position of the Group. The reported goodwill is SEK 25,069 (26,258) million at the end of the year. No intangible assets with indefinite useful life other than goodwill exist.

The Group has defined benefit plans, which are reported according

to IAS 19 "Employee Benefits". This means that the plan assets are valued at fair value and that the present value of the benefit obligations in the defined benefit plans is decided through yearly actuarial calculations made by independent actuaries. If the value of the plan assets starts to decrease at the same time as the actuarial assumptions increase the benefit obligations the combined effect could result in a substantial deficit. The monetary magnitude comes from the fact that the deficit is the difference between two large numbers. The effect on profit and loss however only affects other comprehensive income and not net income. The risk has been limited since many of these defined benefit schemes are closed for new participants and replaced by defined contribution schemes.

The Group's reporting of provisions according to IAS 37 means that SEK 2,094 (2,614) million is reported as other provisions. This constitutes 2.5 (3.2) percent of the Group's assets and is important for the assessment of the Group's financial position, not the least since provisions normally are based on judgements of probability and estimates of costs and risks. If the accounting principles for provision would be changed sometime in the future, this could have a substantial impact on the Group's financial position.

Key sources of estimation uncertainty

The key source of estimation uncertainty is related to the impairment test of goodwill, since the testing is based on certain assumptions concerning future cash flows. See the section on critical accounting principles above for further details.

Judgements

In applying the accounting policies Management has made various judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements. These judgements mainly relate to:

- probability in connection with business risks;
- the probable outcome of claims;
- the probable outcome of litigations;
- determination of percentage of completion in contracts with customers recognised over time;
- recoverability of accounts receivable;
- obsolescence in inventory; and
- classification of financial instruments.

Business combinations - consolidation principles

The consolidated financial statements include the parent company Alfa Laval AB (publ) and the subsidiaries in which it has a decisive influence.

The statement on consolidated financial position has been prepared in accordance with the purchase method, which means that the book value of shares in the subsidiaries is eliminated from the reported equity in the subsidiaries at the time of their acquisition. This means that the equity in the subsidiaries at the time of acquisition is not included in the consolidated equity.

The difference between the purchase price paid and the net assets of the acquired companies is allocated to the step-up values related to each type of asset, with any remainder accounted for as goodwill.

During the first 12 months after the acquisition the value of the goodwill is often preliminary. The reason for this is that experience has shown

that there is some uncertainty linked to the different components of the purchase price allocation concerning:

- primarily the calculation of the allocation to different intangible step-up values, that are dependent on different judgemental questions and estimations;
- the calculation of tangible step-up values, that are dependent on external market valuations, which can extend in time before they can be finalised;
- adjustments of the purchase price contingent on contractual terms, that are dependent on the final size of the operating capital at the acquisition date, once this has been audited and the outcome has been approved by the parties; and
- the final value of the acquired equity, which is also dependent on the audit of the acquired closing balance sheet.

Since the goodwill is a residual that emerges once all other parameters in the purchase price allocation have been established, it will be preliminary and open for changes until all other values are final.

At acquisitions where there is a goodwill it should be stated what the goodwill is relating to. Since goodwill by definition is a residual, this is not always that easy. Generally speaking, the goodwill is usually relating to estimated synergies in procurement, logistics and corporate overheads. It can also be claimed that the goodwill is relating to the acquired entity's ability to over time recreate its intangible assets. Since the value of the intangible assets at the time of acquisition only can be calculated on the assets that exist then, no value can be attached to the patents etc. that the operations manage to create in the future partially as a replacement for the current ones and these are therefore referred to goodwill.

Goodwill and intangible assets with indefinite useful life are not amortised. These assets are instead tested for impairment both annually and when there is an indication. The impairment test is made according to IAS 36 "Impairment on assets".

Transaction costs are reported in net income. If the value of an additional purchase price is changed the change is reported in net income. In business combinations achieved in stages the goodwill is calculated and valued when the acquirer obtains control over a business. If the acquirer previously has reported an equity interest in the company the accumulated change in value of the holding is recognised in net income at the acquisition date. Changes in holdings in subsidiaries, where the majority owner does not lose its decisive influence, are reported in equity. This means that these transactions no longer will generate goodwill or lead to any gains or losses. In addition, the transaction will result in a transfer between owners of the parent and non-controlling interests in equity. If the non-controlling interest's share of reported losses is higher than its reported share of the equity, a negative non-controlling interest is reported.

Comparison distortion items

Items that do not have any link to the normal operations of the Group or that are of a non-recurring nature are classified as comparison distortion items. In the consolidated comprehensive income statement these are reported gross as a part of the most concerned lines but are specified separately in Note 8. To report these together with other items in the consolidated comprehensive income statement without this separate reporting in a note would have given a comparison distortion effect that would have made it difficult to judge the development of the ordinary operations for an outside viewer. Comparison distortion items affecting operating income are reported as a part of operating income, while comparison distortion items affecting the result after financial items are reported as a part of the financial net.

Comprehensive income

Alfa Laval has chosen to report the items in other comprehensive income as a part of one statement over comprehensive income instead of reporting the result down to net income for the year in one statement and the result

below this down to comprehensive income in a separate statement.

Other comprehensive income is referring to items that are not transactions with shareholders and relates to for instance cash flow hedges, market valuation of external shares, translation differences and revaluations and deferred tax related to these.

Employee benefits

Employee benefits are reported according to IAS 19 "Employee Benefits".

The present value of the benefit obligations in the defined benefit plans is decided through yearly actuarial calculations made by independent actuaries. The plan assets are valued at fair value. The net plan asset or liability is arrived at in the following way.

$$\begin{array}{rcl}
 + & \text{the present value of the defined benefit obligation at December 31} & \\
 - & \text{the fair value of the plan assets at December 31} & \\
 \hline
 = & \text{a net liability if positive / a net asset if negative} &
 \end{array}$$

If the calculation per plan gives a negative amount, thus resulting in an asset, the amount to be recognised as an asset for this particular plan is the lower of the two following figures:

- The above net negative amount.
- The present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. This is referred to as the asset ceiling.

The items that relate to the vesting of defined benefit pensions and gains and losses that arise when settling a pension liability and the financial net concerning the defined benefit plan are reported in the income statement above net income. Past service costs are recognised in the income statement already when the plan is amended or curtailed.

Actuarial gains and losses are accounted for currently in other comprehensive income. Changes in the obligations that relate to changes in actuarial assumptions are accounted for in other comprehensive income. None of these actuarial items will ever be reported in operating income but will instead remain in other comprehensive income.

The return on plan assets is calculated with the same interest rate as the discount rate. The difference between the actual return on plan assets and the interest income in the previous sentence is reported in other comprehensive income.

The difference between short and long-term remunerations focuses on when the commitment is expected to be settled rather than the link to the employee's vesting of the commitment.

Termination benefits are accounted for at the earliest of the following – the time when the benefit offer cannot be withdrawn, alternatively in accordance with IAS 37 as a part of for instance restructuring the operations.

For Swedish entities the actuarial calculations also include future payments of special salary tax. The Swedish tax on returns from pension funds is reported currently as a cost in the profit and loss and are not included in the actuarial calculation for defined benefit pension plans.

The discount rate used to calculate the obligations is determined based on the market yields in each country at the closing date on high quality corporate bonds with a term that is consistent with the estimated term of the obligations. In countries that lack a deep market in such bonds the country's government bonds are used instead.

The costs for defined contribution plans are reported in Note 6.

The Swedish ITP plan is a multi-employer plan insured by Alecta. It is a defined benefit plan, but since the plan assets and liabilities cannot be allocated on each employer it is reported as a defined contribution plan according to item 30 in IAS 19. The construction of the plan does not enable Alecta to provide each employer with its share of the assets and liabilities or the information to be disclosed. The cost for the plan is reported together with the costs for other defined contribution plans in Note 6. Alecta reported a collective consolidation level at December 31,

2023 of 178 (172) percent. The collective consolidation level is defined as the fair value of Alecta's plan assets in percent of the insured pension commitments calculated according to Alecta's actuarial assumptions, which are not in accordance with IAS 19. Such a surplus can be distributed among the employers or the beneficiaries, but there is no agreement concerning this that enables the company to report a receivable on Alecta.

Financial instruments

The reporting of financial instruments is governed by the following four accounting and financial reporting standards:

- IFRS 9 "Financial Instruments";
- IAS 32 "Financial Instruments: Presentation";
- IFRS 7 "Financial Instruments: Disclosures"; and
- IFRS 13 "Fair Value Measurement".

IFRS 9 means that the company's business model and the characteristics of the asset influence the classification and measurement of financial assets.

Debt instruments are all financial instruments except derivatives and shares. The company's purpose with holding a debt instrument is called its business model. Depending on what business model a company is using for managing its debt instruments the accounting treatment is different. The following business models exist in IFRS 9:

- Held to collect – the debt instrument is held to maturity to collect the contracted cash flows (interest and principal).
- Trading – the company trades with the debt instruments.
- Mixed model – a mix of the two above models.

Alfa Laval business model for managing its debt instruments is "Held to collect". This classification does not mean that we occasionally cannot sell debt instruments before maturity even for large amounts or that we regularly cannot sell many small debt instruments before maturity.

Financial derivatives, holdings of bonds and external shares are adjusted to fair value.

Both financial assets and financial liabilities are classified into three different portfolios:

- Valued at fair value through profit or loss;
- Valued at fair value through other comprehensive income and
- Valued at amortised cost.

The classification into different portfolios reflects the valuation of the instruments, i.e. if the instrument is valued at fair value or amortised cost and also where in the statement of consolidated comprehensive income that the valuation to fair value is reported.

The amortised cost is normally equal to the amount recognised upon initial recognition, less any principal repayments and plus or minus any effective interest adjustments.

Prepaid costs, prepaid income and advances from customers are not defined as financial instruments since they will not result in future cash flows.

Disclosures must be made on the methods and, when a valuation technique is used, the assumptions applied in determining the fair value of each class of financial assets and liabilities. The methods are to be classified in a hierarchy of three levels:

1. Quoted prices in active markets;
2. Other inputs than quoted prices that are directly observable (prices) or indirectly observable (derived from prices); and
3. Unobservable market data.

The fair values of holdings of bonds are arrived at using market prices according to level 1. The effect of the measurement at fair value is reported in net income. The fair value adjustment of these instruments is reflected directly on the item bonds in the statement of financial position.

The fair values of shares in external companies are arrived at using market prices according to level 1 or other inputs according to level 2. The effect of the measurement at fair value is reported in other comprehensive income. The fair value adjustment of these instruments is reflected directly on the item other long-term securities in the statement of financial position.

The fair values of the Group's currency forward contracts, currency options, interest-rate swaps, metal forward contracts and electricity futures are arrived at using market prices according to level 2. The fair value changes are arrived at by comparing the conditions of the derivative entered into with the market price for the same instrument at the closing date and with the same maturity date. The effect of the measurement at fair value is reported in other comprehensive income if the derivative constitutes an effective cash flow hedge and otherwise on the concerned line above net income. The fair value adjustment of these instruments is reported as derivative assets or derivative liabilities in the statement of financial position. The derivative assets or derivative liabilities are split into a current and a non-current part depending on if the derivatives mature within 12 months or after 12 months.

For each class of financial instruments disclosures shall be made on credit risk and an analysis of financial assets that are past due or impaired. Within Alfa Laval credit risk is in reality mainly related to accounts receivable. The disclosures just mentioned are therefore to be found in Note 22.

IFRS 9 has a model for expected credit losses. It is a three steps model that reflects changes in the credit risk. The steps are:

1. Recorded at inception (normally an historical experience-based percentage);
2. For credit risks that have increased significantly since initial recognition (the credit risk has increased significantly if the receivable is more than 30 days overdue; otherwise based on indications of the customer having payment difficulties or financial weakness); and
3. Related to objective evidence of impairment (incurred losses).

The model results in a provision for bad debts. Only at a final loss the receivable is written off.

Government grants

Government grants are recognised in profit and loss over the same periods as the costs the grants are intended to compensate for. The grants are recognised in the income statement as a deduction of these costs.

Group contributions to and from the parent company

The parent company is accounting for group contributions according to the alternative rule in RFR 2 issued by the Council for Financial Reporting in Sweden. This means that both received and given group contributions are reported as appropriations in the income statement.

Hedge accounting

Alfa Laval applies two types of hedge accounting: cash flow hedges and hedges of net investments in foreign operations.

Cash flow hedges

Alfa Laval has implemented documentation requirements to qualify for hedge accounting on derivative financial instruments.

The effect of the fair value adjustment of derivatives is reported as a part of other comprehensive income for the derivatives where hedge accounting is made (according to the cash flow hedging method) and above net income only when the underlying transaction has been realised. Hedge accounting requires the derivative to be appropriate and expected to be effective regarding the identified risks.

For the derivatives where hedge accounting is not made the fair value valuation is reported above net income. The fair value adjustment of derivatives is reported separately from the underlying instrument as a separate item called derivative assets/derivative liabilities in the statement of financial position.

Hedges of net investments in foreign operations

In order to finance acquisitions of foreign operations loans are raised, if possible, in the same currency as the net investment. The loans thereby constitute a hedge of the net investment in each currency. Exchange rate differences relating to these loans are therefore booked to other comprehensive income.

Income Taxes

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period. Current tax liabilities (receivables) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the closing date. In essence, this means that current tax is calculated according to the rules that apply in the countries where the profit was generated.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax liabilities are recognised for all taxable temporary differences, except for goodwill.

Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of: (a) deductible temporary differences; (b) the carry-forward of unused tax losses; and (c) the carry-forward of unused tax credits. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable (>50 percent) that taxable profit will be available against which the deductible temporary difference can be utilised. Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable (>50 percent) that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred tax is booked related to temporary differences concerning assets and liabilities arising from a single transaction. This relates to the accounting for a right-of-use asset and a corresponding lessee liability in connection with a lease. The deferred tax is to be calculated separately for the asset and the liability and be reported gross in the notes but reported net in the statement of financial position. The size of the deferred tax asset and liability can be seen in note 16.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the closing date.

If it is not any longer probable that sufficient taxable profits will be available against which a deferred tax asset can be utilised, then the deferred tax asset is reduced accordingly.

Pillar II Model Rules implications

The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar II income taxes.

Pillar II legislation has been enacted or substantively enacted in certain jurisdictions the Group operates. The legislation will be effective for the Group's financial year beginning 1 January 2024. The Group is in scope of the enacted legislation and has performed an assessment of the Group's potential exposure to Pillar II income taxes.

The assessment of the potential exposure to Pillar II income taxes is based on the most recent tax filings, country-by-country reporting, and financial statements for the constituent entities in the Group. Based on the assessment, the Pillar II effective tax rates in most of the jurisdictions in which the Group operates are above 15 percent. However, there are a limited number of jurisdictions where the transitional safe harbour relief does not apply and the Pillar II effective tax rate is close to 15 percent. The Group does not expect a material exposure to Pillar II income taxes in those jurisdictions.

In connection with the upcoming implementation of the Pillar II reporting, the loss carry-forwards in the Group's companies will be taken into account irrespective of the companies earning capability in accordance with the Pillar II regulations.

The Group is continuing to assess the impact of the Pillar II income taxes legislation on its future financial performance.

Inventories

The Group's inventory has been accounted for after elimination of inter-company gains. The inventory has been valued according to the "First-In-First-Out" (FIFO) method at the lowest of cost or net realisable value, taking into account obsolescence.

This means that raw material and purchased components normally are valued at the acquisition cost, unless the market price has fallen. Work in progress is valued at the sum of direct material and direct labour costs with a mark-up for the product's share in capital costs in the manufacturing and other indirect manufacturing costs based on a forecasted assumption on the capacity utilisation in the factory. Finished goods are normally valued at the delivery value (i.e. at cost) from the factory if the delivery is forthcoming. Spare parts that can be in the inventory during longer periods of time are normally valued at net realisable value.

Leasing

Alfa Laval has decided to apply a practical expedient for leasing contracts where the contract period is maximum 12 months or the leased asset is of low value. With reference to the materiality rules in IAS 8.8, Alfa Laval has chosen to apply IFRS 16 for leases concerning buildings and land, company cars and other vehicles, forklifts, large servers and large printers. The present value for other leases is estimated to be non-material. The leasing fees for these leases are expensed as incurred.

Lease contracts can include both a leasing part and a service part. According to IFRS 16, the company in these cases can choose to separate them from each other and thus only recognise the leasing part in the balance sheet or capitalise the entire contract. Alfa Laval has chosen to exclude the service part from the lease accounting and it is instead expensed as before.

When Alfa Laval is the lessee, leased assets are accounted for as right-of-use assets and a corresponding financial payable to the lessor in the statement on financial position. The leasing fee to the lessor is accounted for as financial cost calculated as interest on the outstanding payable and as amortisation of the payable. The right-of-use asset is depreciated according to plan in the same manner as for purchased assets.

Non-current assets (tangible and intangible)

Assets have been accounted for at cost, net after deduction of accumulated depreciation according to plan. Depreciation according to plan is based on the assets' acquisition values and is calculated according to the estimated useful life of the assets.

The following useful lives have been used:

<i>Tangible:</i>	
Computer programs, computers	3.3 years
Office equipment	4 years
Vehicles	5 years
Machinery and equipment	7-14 years
Land improvements	20 years
Buildings	25-33 years
Right-of-use assets	depends on the lease term
<i>Intangible:</i>	
Patents and unpatented know-how	10-20 years
Trademarks	10-20 years
Licenses, renting rights and similar rights	10-20 years
Internally generated intangible assets	5 years

The depreciation is made according to the straight-line method.

Any additions to the purchase price in connection with investments in non-current assets or acquisitions of businesses are amortised over the same period as the original purchase price. This means that the time when the asset is fully depreciated is identical regardless of when payments are made. This is a reflection of the fact that the estimated useful life of the asset is the same.

Upon sale or scrapping of assets, the results are calculated in relation to the net book value after depreciation according to plan. The result on sales is included in operating income.

Impairment of assets

When there are indications that the value of a tangible asset or an intangible asset with a definite useful life has decreased, there is a valuation made if it must be written down according to IAS 36 "Impairment of Assets". If the reported value is higher than the recoverable amount, a write down is made that burdens net income. When assets are up for sale, for instance items of real estate, a clear indication of the recoverable amount is received that can trigger a write down.

Goodwill is not amortised but is instead tested for impairment both annually and when there is an indication. The impairment test is made according to IAS 36 "Impairment on assets".

The recoverable amount for goodwill is determined from the value in use based on discounted future cash flows. For other assets the recoverable amount is normally determined from the fair value less costs to sell based on an observable market price.

For the impairment testing of goodwill, three of Alfa Laval's operating segments, the three business divisions "Energy", "Food & Water" and "Marine" have been identified as the cash-generating units within Alfa Laval. Technically a recently acquired business activity could be followed independently during an initial period, but acquired businesses are normally integrated into the divisions at a fast rate. This means that the independent traceability is lost fairly soon and then any independent measurement and testing becomes impracticable. The net present value is based on the projected EBITDA figures for the next five years, less projected investments and changes in operating capital during the same period and thereafter the perceived expected average industry growth rate. The used discount rate is the pre-tax weighted average cost of capital (WACC).

Other operating income and other operating costs

Other operating income relates to for instance commission, royalty and license income. Other operating costs refer mainly to restructuring costs and royalty costs.

Comparison distortion items that affect the operating income are reported in other operating income and other operating costs.

Provisions

The Group is applying IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" for the reporting of provisions, contingent liabilities and contingent assets.

A provision is recognised when and only when:

- there is a present legal or constructive obligation as a result of past events;
- it is probable that a cost will be incurred in settling the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the cost required to settle the present obligation at the closing date.

In measuring the provision:

- risks and uncertainties are taken into account;
- the provisions are discounted, where the effect of the time value of money is material. When discounting is used, the increase of the provision over time is recognised as an interest cost;
- future events, such as changes in law and technology, are taken into account where there is sufficient objective evidence that they will occur; and
- gains from the expected disposal of assets are not taken into account, even if the expected disposal is closely linked to the event giving rise to the provision.

If a reimbursement of some or all of the costs to settle a provision is expected (e.g. through insurance contracts, indemnity clauses or supplier's warranties), the reimbursement is recognised:

- when and only when, it is virtually certain that the reimbursement will be received if the obligation is settled. The amount recognised for the reimbursement must not exceed the amount of the provision; and
- as a separate asset (gross). In the consolidated comprehensive income statement, however, the income related to the reimbursement is netted against the cost for the provision.

Provisions are reviewed at each closing date and adjusted to reflect the current best estimate. If it is no longer probable that a payment to settle the obligation will be incurred, the provision is reversed.

A provision must only be used for the purpose it was originally recognised for. Provisions are not recognised for future operating losses. An expectation of future operating losses is though an indication that certain assets of the operation may be impaired. If a contract is onerous, the present obligation under the contract is recognised and measured as a provision, once the assets used in order to finalize the contract have been tested for impairment.

A provision for restructuring costs is recognised only when the general recognition criteria are met. A constructive obligation to restructure arises only when there is:

- a detailed formal plan for the restructuring, identifying at least:
 - a) the business or part of a business concerned;
 - b) the principal locations affected;
 - c) the location, function and approximate number of employees who will be compensated for terminating their services;
 - d) the costs that will be undertaken; and
 - e) when the plan will be implemented; and
- a valid expectation in those affected that the restructuring will be carried out.

A management or board decision to restructure does not give rise to a constructive obligation at the closing date unless the company has, before the closing date:

- started to implement the restructuring plan; or
- communicated the restructuring plan to those affected by it in a sufficiently specific manner to raise a valid expectation in them that the restructuring will happen.

When a restructuring involves the sale of an operation, no obligation arises for the sale until the company is committed to the sale, i.e. through a binding sales agreement.

A restructuring provision only includes the direct costs arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the company.

Research and development

Research costs are charged to the result in the year in which they are incurred. Development costs are charged to the result in the year in which they are incurred provided that they do not fulfil the conditions for instead being capitalised according to IAS 38 "Intangible Assets".

Revenue recognition

Revenue from contracts with customers and revenues from leasing are reported as "Net sales" in the statement of consolidated comprehensive income. "Net sales" are referring to sales value less sales taxes, cancellations, late delivery fees and discounts. Contracts with customers relate to sale of goods, services and projects.

IFRS 15 "Revenue from Contracts with Customers" covers how revenue recognition on contracts with customers shall be made. Revenue recognition is based on five steps:

1. Identify the contract with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when the entity satisfies a performance obligation.

A performance obligation is a promise in a contract with a customer to transfer to the customer either:

- a good or service (or a bundle of goods or services) that is distinct; or
- a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Two or more contracts entered into at or near the same time with the same customer are accounted for as a single contract if:

- the contracts are negotiated as a package; and/or
- the amount of consideration to be paid in the contracts are linked to each other; and/or
- the goods or services in the contracts are a single performance obligation.

A contract modification is treated as a separate contract if added products or services:

- are distinct; and
- have a stand-alone selling price.

Alfa Laval shall recognise the revenue when the performance obligation has been satisfied by transferring control over a promised good or service to the customer.

Performance obligations can be satisfied either over time or at a point in time.

Alfa Laval transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by Alfa Laval's performance as Alfa Laval performs. This is normally the case for Alfa Laval's service offerings;

– Alfa Laval creates or enhances an asset that the customer controls as the asset is created or enhanced. This is normally the case when Alfa Laval performs the work at the customer's premises, which mainly relates to installation/commissioning; or

– Alfa Laval's performance does not create an asset with an alternative use to Alfa Laval and Alfa Laval has an enforceable right to payment for performance completed to date.

Alternative use to Alfa Laval means if Alfa Laval can sell the equipment to another customer. The number of engineering hours spent by Alfa Laval on making a product or process solution customer specific with a unique configuration is a good indication of whether there is an alternative use to Alfa Laval or not. As a practical expedient, only orders of more than EUR 1 million and with more than 200 engineering hours are recognised over time.

In order to establish the performance over time an output or input method is used. In Alfa Laval output methods are more applicable to service and component deliveries, whereas input methods are more applicable to projects and module sales. Depending on the nature of the project, the following methods are used:

Input methods:

- The proportion that the project costs incurred for work performed to date bear to the estimated total project costs.
- Surveys of work performed.

Considering the type of projects that Alfa Laval companies are involved in, the first method is usually the preferred.

Output methods:

- Completion of a physical proportion of the performance obligations.

If a performance obligation is not satisfied over time it is satisfied at a point in time. To establish the point in time when the customer obtains control of a promised asset and Alfa Laval satisfies a performance obligation, the following control criteria must be considered:

- Alfa Laval has a present right to payment for the asset.
- The customer has legal title to the asset.
- The customer has physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

Alfa Laval uses a variety of delivery terms depending on the customers preference, including Ex Works. Alfa Laval's preference is to use DAP (Delivered At Place) or DDP (Delivered Duty Paid) since these gives Alfa Laval better control that the customer really receives the goods in working order.

It is common that Alfa Laval provides a warranty in connection with the sale. The nature of the warranty can vary significantly across contracts. Normally warranties provide a customer with assurance that the related product will function as the parties intended according to the agreed-upon specifications. This is an assurance-type warranty. Alfa Laval's warranties normally cover a 12 months' period and are accounted for as a provision.

Operating segments

IFRS 8 means that the reporting of operating segments must be made according to how the chief operating decision maker monitors the operations, which may deviate from IFRS. Furthermore, information according to IFRS for the company as a whole must be given about products and services as well as geographical areas and information about major customers.

Alfa Laval's operating segments are the divisions. The chief operating decision maker within Alfa Laval is its Board of Directors.

As from 2023 the alternative performance measure "Adjusted EBITA" has been added in the follow-up per division. The reason is that Adjusted EBITA is the most important performance measure used for the consolidated Group. In order to show how it is arrived at, information on amortisation has been added by division (operating income by division less amortisation by division equals Adjusted EBITA by division).

The difference between the adjusted EBITA for the operating segments and the adjusted EBITA for the company as a whole is explained by one reconciliation item - consolidation adjustments.

Transactions in foreign currencies

Receivables and liabilities denominated in foreign currencies have been valued at year-end rates of exchange.

Within the Group, exchange gains and losses on loans denominated in foreign currencies that finance acquisitions of foreign subsidiaries are transferred to other comprehensive income as foreign currency translation adjustments if the loans act as a hedge to the acquired net assets. There they offset the translation adjustments resulting from the consolidation of the foreign subsidiaries. In the parent company, these exchange differences are reported above net income.

IAS 21 "The Effects of Changes in Foreign Exchange Rates" covers among other things the existence of functional currencies. Almost all of Alfa Laval's subsidiaries are affected by changes in foreign exchange rates for their procurement within the Group. They do however usually sell in their local currency and they have more or less all of their non-product related costs and their personnel related costs in their local currency. This means that none of Alfa Laval's subsidiaries qualify for the use of another functional currency than the local currency, with the following exception. Subsidiaries in highly inflationary countries report their closings in the functional hard currency that is valid in each country.

In the consolidation, the foreign subsidiaries have been translated using the current method. This means that assets and liabilities are translated at closing exchange rates and income and expenses are translated at the year's average exchange rate. The translation difference that arises is a result of the fact that net assets in foreign companies are translated at one rate at the beginning of the year and another at year-end and that the result is translated at average rate. The translation differences are part of other comprehensive income.

Recently issued accounting standards

International Accounting Standards Board (IASB) has not issued any new or revised accounting pronouncements, which may be applicable on Alfa Laval and are effective for fiscal years beginning on or after January 1, 2024.

International Accounting Standards Board (IASB) has not issued any financial reporting interpretation developed by the International Financial Reporting Interpretations Committee (IFRIC), which may be applicable on Alfa Laval and are effective for fiscal years beginning on or after January 1, 2024.

Otherwise Alfa Laval will further evaluate the effects of the application of the new or revised accounting standards or interpretations before each time of application.

Objectives, policies and processes for managing capital

Alfa Laval defines its managed capital as the sum of consolidated net debt and equity including the part that is attributable to non-controlling interests. At the end of 2023 the managed capital was SEK 47,389 (48,774) million.

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and provide an adequate return for shareholders and benefits for other stakeholders.

When managing the capital, the Group monitors several measures including:

Measure	Goal	Target standard	Target not set	Outcome		Average over last		
				2023	2022	3 years	5 years	8 years
Invoicing growth per year	≥5% *			22.0%	27.4%	16.0%	11.3%	7.5%
Adjusted EBITA margin **	15% *			16.1%	15.8%	16.4%	16.8%	16.5%
Return on capital employed **	≥20%			21.0%	17.3%	19.4%	20.1%	19.5%
Net debt to EBITDA **		≤2.0		0.85	1.47	1.06	0.91	1.08
Cash flow from operating activities including investments in fixed assets ***		10%		10.6%	2.8%	7.8%	9.5%	9.8%
Investments ***			X	3.8%	3.6%	3.5%	3.3%	3.1%
Return on equity			X	17.6%	13.5%	15.6%	16.2%	15.9%
Solidity			X	45.4%	43.9%	46.5%	46.1%	43.5%
Debt ratio **			X	0.27	0.37	0.29	0.26	0.31
Interest coverage ratio **			X	23.1	27.9	29.8	29.9	30.2
Credit rating			X	BBB+	BBB+			

* Average over a business cycle. ** Alternative performance measures. *** In % of sales.

These measures are connected to each other as communicating vessels. This means that if actions are taken that primarily aim at a certain measure, they will also have an impact on other measures to a varying degree. It is therefore important to consider the whole picture.

In order to maintain a good capital structure, the Group may for instance raise new loans or amortise on existing loans, adjust the amount of dividends paid to shareholders, return capital to shareholders, repurchase own shares, issue new shares or sell assets.

As examples on the Group's active work with managing its capital the following can be mentioned:

– On August 1, 2022 Alfa Laval raised two loans of EUR 100 million from Svensk Exportkredit that matures in 2027 and 2028 respectively and one loan of EUR 100 million from Svenska Handelsbanken with maturity in June 2024 that was repaid already on December 22, 2023.

– The company's Euro Medium Term Note (EMTN) programme was increased from EUR 1,500 million to EUR 2,000 million in November 2021. Under the programme, four tranches of corporate bonds have been issued. Three of them of EUR 300 million each matures in June 2024, in February 2026 and in February 2029 respectively, whereas the fourth of SEK 1,000 million was raised in May 2023 and matures in November 2025.

– The company's commercial paper programme was increased from SEK 2,000 million to SEK 4,000 million in November 2021 with an unchanged duration of 1-12 months.

– On April 22, 2021 Alfa Laval successfully refinanced the company's revolving credit facility with a EUR 700 million credit facility with a banking syndicate. The facility has a maturity of five years with a possibility to extend it for further two years and it includes a possibility to increase by EUR 200 million. During 2023 also the second extension option of 1 year was utilised.

Risks

Risks are divided into financial risks and operational risks, which are described below.

In order to handle and minimise the risks, Alfa Laval has established a comprehensive set of Group wide policies and an internal control framework. To support the work with internal control an extensive set of minimum internal controls has been established.

During the year, managers and other key personnel have made a self-assessment based on a selection of the most important minimum internal controls.

Internal control is monitored by both internal audit and by the external auditors.

Financial risks

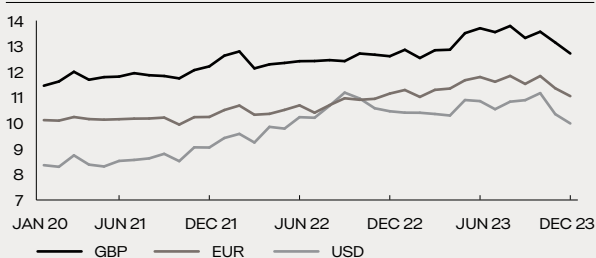
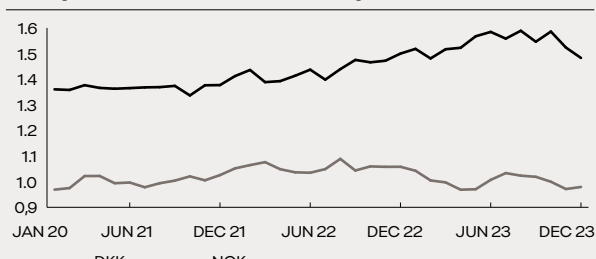
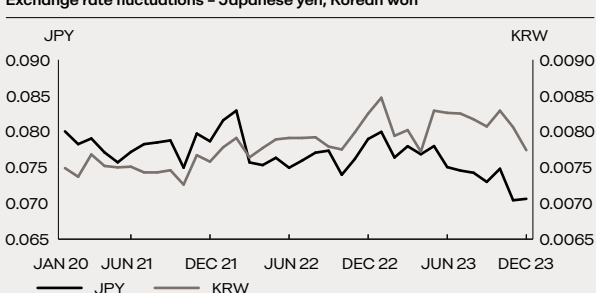
Financial risks are referring to financial instruments.

Financial instruments

Alfa Laval has the following financial instruments: cash and cash equivalents, deposits, trade receivables, bank loans, trade payables and a limited number of derivative instruments to hedge primarily currency rates or interests, but also the price of metals and electricity. These include currency forward contracts, currency options, interest-rate swaps, metal forward contracts and electricity futures. See Notes 13 and 14 for more information on these financial instruments.

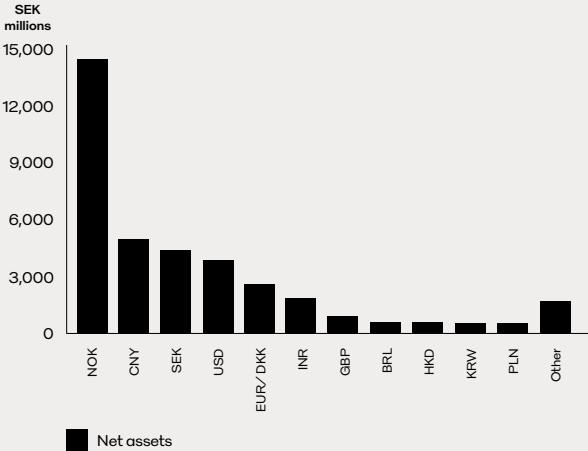
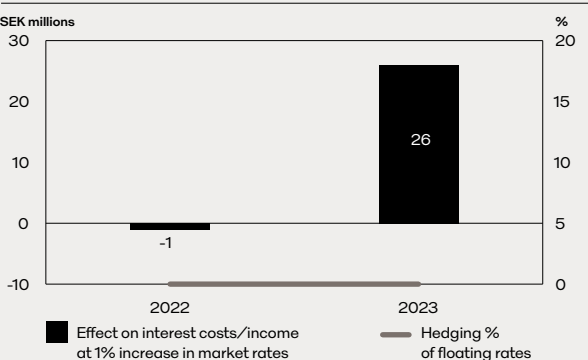
Treasury policy

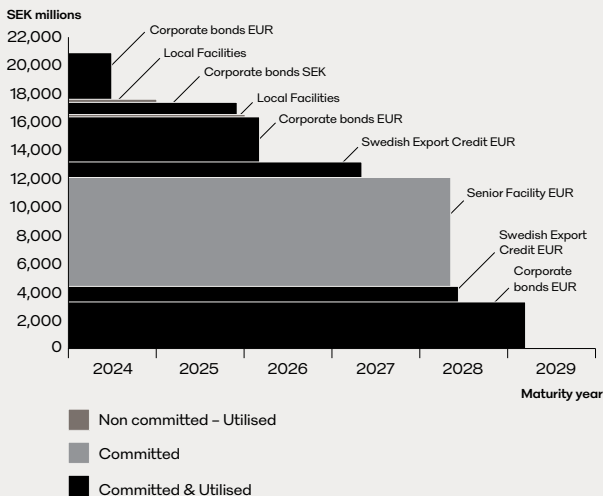
In order to control and limit the financial risks, the Board of Directors for the Group has established a treasury policy. The Group has an aversive attitude toward financial risks, which is expressed in the policy. It establishes the distribution of responsibility between the local companies and the central finance function in Alfa Laval Treasury International, what financial risks the Group can accept and how the risks should be limited.

Risk	Explanation	Mitigation
Financial risks		
Price risk	There are three different types of price risks: currency risk, interest risk and market risk. See below.	
Currency risk	Due to the Alfa Laval Group's international business activities and geographical spread the Group is exposed to currency risks. The exchange rate movements in the major currencies for the Group during the last years are presented below (SEK/foreign currency): Exchange rate fluctuations – UK pounds, Euro, US dollars  Exchange rate fluctuations – Danish and Norwegian kroner  Exchange rate fluctuations – Japanese yen, Korean won 	

Risk	Explanation	Mitigation																																																							
	Currency risk is divided into transaction exposure and translation exposure.																																																								
Transaction exposure	Transaction exposure relates to currency risks that arise due to exchange rate fluctuations that affect the currency flows that are generated by the business activities. During 2023 Alfa Laval's sales to countries outside Sweden amounted to 97.8 (97.7) percent of total sales. The Group's net transaction exposure at December 31, 2023 in the most important currencies before and after derivatives for the coming 12 months amounts to: Net transaction exposure per currency pair at December 31, 2023 for the coming 12 months The positive bars are a reflection of: – subsidiaries in Sweden and Denmark exporting in EUR; – subsidiaries in Norway exporting mainly in USD but also in JPY; and – subsidiaries in China exporting in EUR. The negative bars are a reflection of subsidiaries in mainly the U.S. and Japan importing in EUR. Currency contracts for projected flows are entered into continuously during the year. For contract-based exposures the aim for the derivatives is to follow the duration of the underlying contract. This means that the company experiences the effects from the market currency rate movements with a varying degree of delay. If the currency rates between SEK and the most important foreign currencies are changed by +/- 10 % it has the following effect on operating income, if no hedging measures are taken: Effect on operating income by exchange rate fluctuations excluding hedging measures <table><tr><td>Consolidated</td><td></td><td></td><td></td><td></td></tr><tr><td>SEK millions</td><td colspan="2">2023</td><td colspan="2">2022</td></tr><tr><td>Exchange rate change against SEK</td><td>+ 10%</td><td>- 10%</td><td>+ 10%</td><td>- 10%</td></tr><tr><td>USD</td><td>676</td><td>-676</td><td>656</td><td>-656</td></tr><tr><td>EUR</td><td>352</td><td>-352</td><td>281</td><td>-281</td></tr><tr><td>CNY</td><td>144</td><td>-144</td><td>163</td><td>-163</td></tr><tr><td>NOK</td><td>-338</td><td>338</td><td>-278</td><td>278</td></tr><tr><td>DKK</td><td>-205</td><td>205</td><td>-209</td><td>209</td></tr><tr><td>JPY</td><td>41</td><td>-41</td><td>41</td><td>-41</td></tr><tr><td>Other</td><td>-44</td><td>44</td><td>-28</td><td>28</td></tr><tr><td>Total</td><td>626</td><td>-626</td><td>626</td><td>-626</td></tr></table>	Consolidated					SEK millions	2023		2022		Exchange rate change against SEK	+ 10%	- 10%	+ 10%	- 10%	USD	676	-676	656	-656	EUR	352	-352	281	-281	CNY	144	-144	163	-163	NOK	-338	338	-278	278	DKK	-205	205	-209	209	JPY	41	-41	41	-41	Other	-44	44	-28	28	Total	626	-626	626	-626	Alfa Laval's local sales companies normally sell in domestic currency to local end customers and have their local cost base in local currency. Exports from production and logistical centres to other Group companies are invoiced in the exporting companies' domestic currencies, except for Sweden, Denmark and the UK where the exports are denominated in EUR. The Group is principally exposed to currency risk from potential changes in contracted and projected flows of payments and receipts. The objective of foreign exchange risk management is to reduce the impact of foreign exchange movements on the Group's income and financial position. The Group normally has natural risk coverage through sales as well as costs in local currencies. The treasury policy states that the local companies are responsible for identifying and hedging exchange rate exposures on all commercial flows via Alfa Laval Treasury International. Transaction exposure from firm committed orders shall be hedged to 100 percent when the value of the net exposure exceeds EUR 200,000. Furthermore, companies with yearly net exposure exceeding EUR 1,000,000 must hedge at least 50 percent of the next 12 months net exposure concerning all uncommitted flows and committed flows below EUR 200,000. The total hedge must never exceed 100 percent. Longer hedging contracts of 13-24 months for uncommitted exposures require special approval. Alfa Laval Treasury International can add to or reduce the total hedging initiated by the local companies in the currencies that Alfa Laval has commercial exposure up to but not exceeding 100 percent and down to but not below 50 percent of the commercial exposure for each currency in a given time period.
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Risk	Explanation	Mitigation
Translation exposure	Translation exposure relates to the currency risks that arise due to the translation of the subsidiaries' statements on financial position from local currency to SEK. When the subsidiaries' statements of financial position in local currency are translated into SEK a translation difference arises that is due to the current year being translated at a different closing rate than last year and that the comprehensive income statement is translated at the average rate during the year whereas the statement of financial position is translated at the closing rate at December 31. The translation differences are reported against other comprehensive income. The translation exposure consists of the risk that the translation difference represents in terms of impact on comprehensive income. The risk is largest for the currencies where the Group has the largest net assets and where the exchange rate movements against SEK are largest. The Group's net assets or liabilities for the major currencies are distributed as follows: Net assets by currency  The assets and liabilities in EUR and DKK are seen together since the rate for DKK is fixed against the EUR.	The translation differences are a central responsibility and are managed by distributing the loans on different currencies based on the net assets in each currency and through cross currency swaps. Loans taken in the same currency as there are net assets in the Group, decrease these net assets and thereby decrease the translation exposure. These hedges of net investments in foreign operations work in the following way. Exchange gains and losses on loans denominated in foreign currencies that finance acquisitions of foreign subsidiaries are reported as a part of other comprehensive income if the loans act as a hedge to the acquired net assets. In other comprehensive income they offset the translation adjustments resulting from the consolidation of the foreign subsidiaries. In the Group, net exchange differences of SEK 89 (-946) million relating to debts in foreign currencies have been charged to other comprehensive income as hedges of net investments in foreign operations. The loans that hedge net investments in foreign operations are denominated in EUR since this foreign currency has the largest impact on the statement of financial position. Since the Group uses part of its cash flows to amortise the loans in order to improve the financial net, the extent of this hedge tends to decrease over time. A change in the net assets of the foreign subsidiary over time can have the same effect.
Interest risk	By interest risk is meant how changes in the interest level affect the financial net of the Group and how the value of financial instruments vary due to changes in market interest rates. At December 31, 2023, the total debt portfolio of SEK 13,273 (15,062) million was split on loans with fixed interest of SEK 10,921 (11,392) and loans with floating interest rates of SEK 2,352 (3,670) million. The Group has chosen not to hedge the loans with floating interest to fixed interest rate. The average interest rate for all loans was 1.73 (1.30) during 2023. The average interest duration for all loans including derivatives was 25.7 (29.1) months at the end of 2023. Calculated on an overall increase of market rates by 100 basis points (1 percentage unit), the interest net of the Group would change according to the bar chart below. The reason why it was an income in 2023 was that large parts of the cash and cash equivalents and the current deposits had floating interest rates at the same time as the loans with floating interest rates were of a lower magnitude. Interest sensitivity analysis versus hedging % of floating rates 	The Group attempts to manage the interest risk by: – seeking a balance between floating and fixed interest rates in the debt portfolio and – through the use of derivative financial instruments such as interest rate swaps. The high portion of loans with fixed interest rate at December 31, 2023 meant a low interest risk. The treasury policy states that: – the interest rate risk is measured separately for each main currency and for the total debt; and – the average interest duration for the total portfolio should be between 6 and 36 months.

Risk	Explanation	Mitigation
Market risk	Market risk is defined as the risk for changes in the value of a financial instrument due to changed market prices. This applies only to financial instruments that are listed or otherwise traded, which for Alfa Laval concern bonds and other securities and other long-term securities totalling SEK 416 (387) million.	The market risk for these is perceived as low. For other financial instruments, the price risk only consists of currency risk and interest risk.
Liquidity risk and refinancing risk	Liquidity risk is defined as the risk that the Group would incur increased costs due to lack of liquid funds. Refinancing risk is defined as the risk that the refinancing of maturing loans becomes difficult or costly. In summary the maturity structure of the loans and the loan facilities is as follows: Maturity structure of Group funding  SEK millions 22,000 20,000 18,000 16,000 14,000 12,000 10,000 8,000 6,000 4,000 2,000 0 2024 2025 2026 2027 2028 2029 Maturity year ■ Non committed - Utilised ■ Committed ■ Committed & Utilised Corporate bonds EUR Local Facilities Corporate bonds SEK Local Facilities Corporate bonds EUR Swedish Export Credit EUR Senior Facility EUR Swedish Export Credit EUR Corporate bonds EUR	Alfa Laval Treasury International is responsible for ensuring that: – the Group has a sufficient liquidity reserve, including cash and cash equivalents, short-term investments and unutilized committed credit facilities, – a too large part of the outstanding debt is not maturing within the coming 12 month period and – the remaining average credit duration of the total debt portfolio is not too short. The loans of the Group are mainly long-term and only mature when the agreed loan period expires. Since the maturity of the loans is distributed over time the refinancing risk is reduced. Alfa Laval has two loans of EUR 100 million from Svensk Exportkredit that matures in 2027 and 2028 respectively. The loan of EUR 100 million from Svenska Handelsbanken with maturity in June 2024, was repaid already on December 22, 2023. Alfa Laval has a revolving credit facility of EUR 700 million corresponding to SEK 7,736 million on December 31, 2023 with a banking syndicate. The facility has a maturity of five years from April 2023 and it includes a possibility to increase by EUR 200 million. At December 31, 2023 the facility was not utilised. The commercial paper programme of SEK 4,000 million, was not utilised at December 31, 2023. On December 31, 2023, Alfa Laval has four tranches of corporate bonds listed on the Irish stock exchange. Three of them of EUR 300 million each that matures in June 2024, in February 2026 and in February 2029 respectively, whereas the fourth of SEK 1,000 million was raised in May 2023 and matures in November 2025.

Risk	Explanation	Mitigation
Cash flow risk	Cash flow risk is defined as the risk that the size of future cash flows linked to financial instruments is fluctuating.	This risk is mostly linked to changed interest and currency rates. To the extent that this is perceived as a problem, different derivative instruments are used to fix rates. See description of exposure and hedging measures under interest and currency risks. Maturity analyses of the contractual undiscounted cash flows for loans (including interests) are shown in Note 29 and for currency derivatives, interest derivatives, metal futures and electricity futures in Note 15.
Counterparty risk	Counterparty risk is defined as the risk that the counterpart is not able to fulfill its contractual obligations. Financial instruments that potentially subject the Group to significant concentrations of credit risk consist principally of cash and cash equivalents, deposits and derivatives. Received bank guarantees and letters of credit move the credit risk from the customer to the bank, but can still contain a credit risk, but now towards the bank.	The Group has a bank strategy with the objective to establish, maintain and develop strong bank relations at Group level. This in order to provide the Group with long-term banking support, a relevant product range and geographical coverage. The banks at Group level must have a credit rating from two rating institutions of minimum A. The Group maintains cash and cash equivalents and current and non-current investments with various financial institutions approved by the Group. These financial institutions are located in major countries throughout the world and the Group's policy is designed to limit exposures to any one institution. The risk for a counterpart not fulfilling its commitments is limited through the selection of financially solid counterparts and by limiting the engagement per counterpart. The Group performs periodic evaluations of the relative credit standing of those financial institutions that are considered in its investment strategy. The Group does not require collateral on these financial instruments. The Group is exposed to credit risk in the event of non-performance by counterparts to derivative instruments. The Group limits this exposure by diversifying among counterparts with high credit ratings and by limiting the volume of transactions with each counterpart. Furthermore, the Group has entered into ISDA agreements (International Swaps and Derivatives Association) with the counterparts in order to be able to offset assets and liabilities in case of a counterparty default. Alfa Laval has never encountered a counterparty default, which means that such an offset never has been made. In total it is the Group's opinion that the counterparty risks are limited and that there is no concentration of risk in these financial instruments.

Operational risks

Risk	Explanation	Mitigation									
Business risks											
Credit risk/Risk for bad debts	The risk that the customer cannot pay for delivered goods due to financial difficulties. The amount of accounts receivable being overdue is an indication of the risk the company runs for ending up in a bad debt situation. The Group's costs for bad debts and the overdues in percent of accounts receivable are presented in the following graph. Costs for bad debts / overdues in % of accounts receivable <table border="1"> <caption>Costs for bad debts / overdues in % of accounts receivable</caption> <thead> <tr> <th>Year</th> <th>Costs for bad debts in SEK millions</th> <th>% of accounts receivable</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>116</td> <td>10</td> </tr> <tr> <td>2023</td> <td>91</td> <td>8</td> </tr> </tbody> </table> ■ Costs for bad debts in SEK millions — ≤ 30 days — > 30 days but < 90 days — > 90 days	Year	Costs for bad debts in SEK millions	% of accounts receivable	2022	116	10	2023	91	8	Alfa Laval has established a Group Credit Policy to manage and mitigate the credit risk. The Group sells to a large number of customers in countries all over the world. That some of these customers from time to time face payment problems or go bankrupt is unfortunately part of reality in an operation of Alfa Laval's magnitude. All customers except Tetra Laval represent less than 1 percent of net sales and thereby represent a limited risk. Alfa Laval regularly collects credit information on new customers and, if needed, on old customers. Earlier payment habits have an impact on the acceptance of new orders. On markets with political or financial risks, the Group strives to attain credit insurance solutions. Accounts receivable constitutes the single largest financial asset according to Note 13. With reference to the above description, it is management's opinion that there is no material concentration of risk in this financial asset.
Year	Costs for bad debts in SEK millions	% of accounts receivable									
2022	116	10									
2023	91	8									

Risk	Explanation	Mitigation									
Risk for claims	The risk for the costs Alfa Laval would incur to rectify faults in products or systems and possible costs for penalties. The Group's net claim costs and their relation to net sales are found in the following graph. Claim costs in SEK millions and in % of net sales <table border="1"> <thead> <tr> <th>Year</th> <th>Costs for claims & warranty in SEK millions</th> <th>Claims & warranty in % of net sales</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>485</td> <td>~0.8%</td> </tr> <tr> <td>2023</td> <td>435</td> <td>~0.7%</td> </tr> </tbody> </table>	Year	Costs for claims & warranty in SEK millions	Claims & warranty in % of net sales	2022	485	~0.8%	2023	435	~0.7%	Alfa Laval strives to minimize these costs through an ISO certified quality assurance. The major risks for claim costs appear in connection with new technical solutions and new applications. The risks are limited through extensive tests at the manufacturing site and at the customer site.
Year	Costs for claims & warranty in SEK millions	Claims & warranty in % of net sales									
2022	485	~0.8%									
2023	435	~0.7%									
Economic risk											
Competition	The Group operates in competitive markets, which can impact the company's development negatively.	In order to address this competition, the Group has for instance: – organized the operations into divisions based on business units in order to get a customer focused market penetration; – a strategy for acquisition of businesses in order to for instance reinforce the presence on certain markets or widen the Group's product offering; – worked with creating a competitive cost level based on its international presence; and – worked with securing the availability of strategic metals and components in order to maintain the ability to deliver.									
Business climate	In an overall economic downturn, the Group tends to be affected with a delay of six to twelve months depending on business division. The same applies with an economic upturn.	The fact that the Group is operating on a large number of geographical markets and within a wide range of business units means a diversification that limits the effects of fluctuations in the business climate. Historically, fluctuations in the business climate have not generated decreases in orders received by more than approximately 10-15 percent. The downturn in the business climate in 2009 and 2010 however meant a considerably larger decline in order intake. This was partly due to the fact that the decline happened abruptly from a very high level of demand that was the culmination of a long-lasting boom and that the price level in connection with this peak was inflated by substantial increases in raw material prices.									
Pandemics	The outbreak of the COVID-19 pandemic proved to have a large impact on the world economy and the international business climate. Lockdowns in many regions within countries or in entire countries did during certain periods limit Alfa Laval's ability to visit potential customers and perform service on site at customers but did only to a limited extent impact the company's supply chain and ability to manufacture products. Future pandemics can, depending on the rate of the spread of the infection and the risk for severe illness and death have smaller or larger consequences than COVID-19.	Global and local crisis management work and obedience to advice, instructions and rules from authorities are important to be able to short and long term handle the consequences of the pandemic. Cost reduction programmes and the flexibility in different national work time reduction schemes are important components to reduce costs to match the declining revenues. Employees outside the manufacturing have to a large extent been able to work from home. Travelling has been severely restricted and has to a large extent been replaced by digital meetings.									

Risk	Explanation	Mitigation
Commodity prices	The Group depends on deliveries of stainless steel, carbon steel, copper and titanium etc and on electricity for the manufacture of products. The prices in some of these markets are volatile and the supply of titanium has occasionally been limited. There are a limited number of possible suppliers of titanium. The risk for severely increased prices or limited supply constitutes serious risks for the operations. The possibilities to pass on higher input prices to an end customer vary from time to time and between different markets depending on the competition. The below graph shows how much of the purchases of nickel and copper that have been hedged during 2023 and how much of the expected purchases during 2024 that were hedged at the end of 2023. The graph also presents to what extent the Group's costs for these purchases during 2024 would be affected if the prices would double from the level at December 31, 2023. Sensitivity analysis and metal price hedging SEK millions 1,500 1,200 900 600 300 0 Nickel Copper ■ Cost increase if current metal prices increase by 100%, without hedging ■ Cost increase if current metal prices increase by 100%, with hedging — Hedging 2023 — Hedging 2024 % 75 60 45 30 15 0	The Group is addressing this risk by securing long-term supply commitments and through fixed prices from the suppliers during six to twelve months and through derivatives for metals and electricity. For metals: – The exposures for the coming 12 months of expected flows must be hedged between 30-70 percent. – In certain situations, exposures beyond 12 months can also be hedged. For electricity the coming 12 months' expected exposure shall be hedged between 30-90 percent and the coming 13-24 months can be hedged up to 80 percent. During periods of large price increases the customer price on titanium products has been linked to Alfa Laval's procurement costs for titanium. The Group has during certain periods experienced large price fluctuations for many raw materials, but in particular for stainless steel, carbon steel, copper and titanium. During 2023 the prices for nickel have decreased substantially. The price volatility for the most important metals is presented below. Nickel USD/ton 55,000 50,000 45,000 40,000 35,000 30,000 25,000 20,000 15,000 10,000 5,000 0 16 17 18 19 20 21 22 23 Year Copper USD/ton 12,000 10,000 8,000 6,000 4,000 2,000 0 16 17 18 19 20 21 22 23 Year Aluminium USD/ton 4,000 3,500 3,000 2,500 2,000 1,500 1,000 500 0 16 17 18 19 20 21 22 23 Year The Group uses metal futures to secure the price on strategic metals.
Supply chain and logistical disruptions	During 2023 many companies have continued to experience the impacts and disturbances stemming from disrupted supply chains. Alfa Laval has suffered only limited continued impact from these disruptions. However, the current geopolitical developments and accentuated uncertainties, elevate the risk of new disruptions in coming years.	Alfa Laval has a global footprint with 37 major manufacturing units across Europe, Asia, the US and Latin America. The company has well-established business continuity plans and a global supply chain with alternative sourcing solutions for most products and services and close collaboration with key suppliers.

Risk	Explanation	Mitigation
Legal and compliance risks		
Non-compliance with socioeconomic or environmental legislation	Alfa Laval's global and diversified business means that the Group is required to adhere to a variety of laws and regulations. Failure to meet socio-economic or environmental requirements could lead to legal and financial consequences, and negatively impact the company's reputation.	Policies, procedures and training programmes are in place to ensure that legal risks relating to its business activities are identified and that decisions are made on the appropriate level in the organisation. The legal counsel supports the business in identifying and handling these legal risks. A whistle-blowing system is in place where employees can report any breaches of laws or Alfa Laval policies anonymously without repercussions.
Bribery and corruption	If Alfa Laval employees fail to comply with anti-bribery and anti-corruption laws, this could potentially lead to loss of business, financial penalties and reputational damage.	The Alfa Laval Anti-Bribery and Anti-Corruption Policy is applicable to all employees within the Group. The policy sets procedures for preventing, detecting, reporting and investigating acts of bribery and corruption. Training is a focus area to ensure an understanding of the risks associated with improper behaviour in this area.
Material source or type	Alfa Laval uses metals that may originate from areas classified as "conflict areas". We manufacture products for customers with specific demands due to industry standards, for example marine, food and pharmaceutical customers.	Alfa Laval supports the US Securities and Exchange Commission's rules and other initiatives concerning conflict minerals. Alfa Laval established a Conflict Minerals Policy in 2013. Due diligence is conducted in our supply chain to minimise the risk that minerals originate from conflict areas (especially in the Democratic Republic of Congo). Alfa Laval's Supplier Risk & Compliance unit has processes in place to identify risks and monitor potential high-risk suppliers. The Alfa Laval Regulatory Operations unit monitors emerging legislation to ensure adherence in prioritized areas.
Unfair competition and antitrust	Infringements of applicable competition rules may result in Alfa Laval having to pay fines and losing goodwill.	The Fair Competition Policy provides guidelines to assist employees with how to adhere to competition law/antitrust laws, rules and regulation. Employees working with sales or purchasing are obliged to comply with this policy.
Export control and trade sanction regulations	Breach of export control and trade sanction regulations can lead to a denial of trade privileges, criminal proceedings and reputational damage.	The Alfa Laval Export Control Policy establishes rules for Group-wide handling of the relevant export control regulations, adherence to applicable trade sanctions and it ensures that no products or services supplied by Alfa Laval are used in relation to weapons of mass destruction.
Risk for and in connection with litigations	This risk for the costs the Group may incur in managing litigations, costs in connection with settlements and costs for imposed penalties. The Group is involved in a few litigations, mainly with customers.	Any estimated loss risks are provided for.
Asbestos-related lawsuits	The Alfa Laval Group was as of December 31, 2023, named as a co-defendant in a total of 427 asbestos-related lawsuits with a total of approximately 427 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.
Supply chain risks		
Business Principles deviation in the supply chain	Deviations could have an adverse impact on people, the environment and society that could damage the company's reputation.	Alfa Laval works to have a supply chain that follows laws and the company's business principles. All suppliers sign contracts where they agree to abide by the Alfa Laval Business Principles. Suppliers are assessed based on a risk analysis (country/process) and high-risk suppliers are regularly audited. All employees within the procurement organisation and many suppliers are trained in all areas that are covered by the business principles.
Human Rights breaches	The risk that the human rights of individuals linked to Alfa Laval are violated. For example, child labour, forced labour and freedom of association.	Alfa Laval's Business Principles build on the UN Global Compact, the OECD Guidelines for multinational enterprises, the UN Guiding Principles for Business and Human Rights and incorporate the UK Modern Slavery Act. Suppliers sign off on these business principles in their contracts with Alfa Laval. High-risk suppliers are also audited that they follow the business principles.

Risk	Explanation	Mitigation
Production or product related risks		
Risk connected to technical development	The risk that a competitor develops a new technical solution that makes Alfa Laval's products technically obsolete and therefore difficult to sell.	Alfa Laval makes a deliberate investment in research and development aiming at being in the absolute frontline of technical development.
Risk for technically related damages	The risk for the costs Alfa Laval may incur in connection with a product delivered by the Group breaking down and causing damages to life and property. The main risk in this context concerns high-speed separators, due to the large forces that are involved when the bowl in the separator spins with a very high number of revolutions. In a breakdown the damages can be extensive.	Alfa Laval makes extensive testing and has an ISO certified quality assurance. The Group has product liability insurance. The number of damages is low and few damages have occurred historically.
Health & Safety	Health and safety risks such as occupational diseases and accidents. The risk that an employee is injured or killed in a workplace accident.	The Alfa Laval Occupational Health & Safety (OHS) Policy guides the work together with our OHS Manual. The purpose with these is to safeguard a healthy and safe working environment by preventing accidents, occupational diseases and other health risks. We have a process to continuously monitor high-risk areas in our operations, train employees and enforce changes.
Environmental risks		
Major environmental incident at a site	An incident that causes a significant environmental damage could lead to long-term environmental impact, negative impact on people, fines and reputational damage to the company.	The Alfa Laval Environmental Policy is applicable to the entire Alfa Laval Group. Environmental performance is monitored and measured through Environmental Management Systems. The large sites are ISO 14001 certified. Smaller sites work according to Environmental Management Systems where risks are identified, and effective countermeasures are implemented.
Use of hazardous chemicals	Using hazardous chemicals could lead to severe illness or have a serious negative impact on our environment or society.	The Alfa Laval Group Restricted Substance List (former Alfa Laval Group Black & Grey List) is the primary tool to control the use of hazardous chemical substances. The list comprises legislations and global agreements deemed relevant for our products and area of business with an annexed list of the concerned substances. It is updated annually to reflect any legislative changes. The substances in the Restricted Substance List is divided in three categories: Banned, Restricted and Substances of Concerns.
Climate and water	Climate change and water scarcity can lead to increased costs and constraints on production. Apart from legislative and other transition risks arising from society's attempts to mitigate climate change, Alfa Laval faces potential physical climate-related risks from extreme weather events that may impact asset and business values.	Alfa Laval is working actively to mitigate the climate impact in its own operations and the value chain. Progress is being made towards the science-based targets for 2030 to reduce scope 1 and 2 emissions by 95 percent and scope 3 emissions by 50 percent from a 2020 baseline. Alfa Laval does not use a significant amount of water, yet the target to decrease water consumption in water-stressed areas by 5 percent from 2020 to 2023 was surpassed, achieving a 17 percent reduction. In late 2023, Alfa Laval carried out an in-depth assessment of climate related physical risks based on IPCC climate scenarios. The results will be further analysed and appropriate actions taken during 2024.
IT related risks		
Loss of intellectual property, financial or personal data	Loss of intellectual property, financial or personal data due to for instance unauthorized access to Alfa Laval's computer systems.	Alfa Laval holds compulsory trainings on information security awareness. Policies describe what is confidential information and how the information should be classified. Alfa Laval's IT agreements contain the necessary Information Security components. Information security is also monitored in our project model – feasibility, pre-study and project. A template is also sent at an early stage to all potential suppliers to identify if there are any possible infringements of information security.

Risk	Explanation	Mitigation
Human capital risks		
Risk connected to attracting and retaining talents	Companies that do not succeed in attracting and retaining talents risk experiencing an inferior development compared to companies that succeed with this.	To offer interesting positions, personal and professional development, a good working environment and competitive compensation and benefits are prioritized areas within Alfa Laval.
Other risks		
Business interruption risks	The risk that single units or functions within the Group can be hit by business interruption due to: – strikes and other labour market conflicts; – fires, natural catastrophes etc.; – computer access violations, lack of; backups etc.; and – corresponding problems at major sub-suppliers.	Alfa Laval has a well-developed dialog with the local unions, which reduces the risk for conflicts and strikes where Alfa Laval is directly involved. It is however more difficult to protect the company against conflicts in other parts of the labour market, for instance within transportation. Alfa Laval is minimizing the following two risks through an active preventive work at each site in line with the developed global policies in each area under supervision of manufacturing management, the Group's Risk Management function, Real Estate Management, IT and HR. Problems at major sub-suppliers are minimized by Alfa Laval trying to use several suppliers of input goods that when needed can cover up for a drop in production somewhere else. The wish for long-term and competitive delivery agreements however puts restrictions on the level of flexibility that can be achieved. When there is a shortage, the total supply may be too limited to allow exchangeability. The production facility in Lund in Sweden, which is the Group's largest is together with some of our more important sites annually reviewed by third party risk engineers to secure that our key production facilities are being evaluated and protected to highest standard possible. All sites are part of the survey program but with different frequency.
Political risk	The risk that the authorities, in the countries where the Group is operating, by political decisions or administration make continued operations difficult, expensive or impossible for the Group.	The Group is mainly operating in countries where the political risk is considered to be negligible or minor. The operations that are performed in countries where the political risk is deemed to be higher are not material.
Insurance risks	These risks refer to the costs that Alfa Laval may incur due to an inadequate insurance coverage for property, business interruption, liability, transport, life and pensions.	The Group strives to maintain an insurance coverage that keeps the risk level at an acceptable level for a Group of Alfa Laval's size and still is cost efficient. At the same time a continuous work is going on to minimise the risks in the operations through proactive measures.
Risks connected to credit terms	The limited freedom of action that can be imposed on the Group through restrictions connected to credit terms in loan agreements.	Alfa Laval's strong solidity and profitability limits this risk.

Notes

Note 1. Operating segments

Alfa Laval's business is divided into three Business Divisions "Energy", "Food & Water" and "Marine" that sell to external customers and are responsible for the manufacturing of the products and one division "Operations & Other" covering procurement and logistics as well as corporate overhead and non-core businesses. These four divisions constitute Alfa Laval's four operating segments.

The customers to the Energy Division purchase products and systems for energy applications, whereas the customers to the Food & Water Division purchase products and systems for food and water applications. The customers to the Marine Division purchase products, systems and digital solutions for marine and offshore applications.

The three first Business Divisions are in turn split into a number of Business Units. The Energy Division consists of four Business Units: Brazed & Fusion Bonded Heat Exchangers, Energy Separation, Gasketed Plate Heat Exchangers and Welded Heat Exchangers. The Food & Water Division consists of six Business Units: Decanters, Food Heat Transfer, Food Systems, Hygienic Fluid Handling, High Speed Separators and Desmet. The Marine Division consists of four Business Units: Pumping Systems, Water, Wind & Fuel Solutions, Heat & Gas Systems and Digital Solutions.

The operating segments are only responsible for the result down to and including operating income excluding comparison distortion items and for the operating capital they are managing. This means that financial assets and liabilities, pension assets, provisions for pensions and similar commitments and current and deferred tax assets and liabilities are a Corporate responsibility and not an operating segment responsibility. This also means that the financial net and income taxes are a Corporate responsibility and not an operating segment responsibility.

The operating segments are only measured based on their transactions with external parties.

Orders received		
Consolidated		
SEK millions	2023	2022
Energy	20,414	17,294
Food & Water	26,368	21,909
Marine	23,960	19,442
Operations & Other	0	0
Total	70,742	58,645

Order backlog		
Consolidated		
SEK millions	2023	2022
Energy	10,075	8,517
Food & Water	15,977	14,381
Marine	19,273	14,122
Operations & Other	0	0
Total	45,325	37,020

Netsales		
Consolidated		
SEK millions	2023	2022
Energy	19,269	15,074
Food & Water	25,280	20,691
Marine	19,049	16,370
Operations & Other	0	0
Total	63,598	52,135

Adjusted EBITA in management accounts		
Consolidated		
SEK millions	2023	2022
Energy	3,986	2,927
Food & Water	3,942	3,458
Marine	2,836	2,399
Operations & Other	-561	-507
Total	10,203	8,277
Reconciliation with Group total:		
Amortisation	-965	-943
Comparison distortion items	-	-767
Consolidation adjustments *	18	-48
Total operating income	9,256	6,519
Financial net	-606	-340
Result after financial items	8,650	6,179

* Difference between management accounts and IFRS.

Assets / Liabilities				
Consolidated	Assets		Liabilities	
SEK millions	2023	2022	2023	2022
Energy	19,263	17,330	7,433	6,574
Food & Water	20,376	21,196	8,295	8,291
Marine	29,856	30,932	7,998	7,241
Operations & Other	1,986	1,983	885	1,097
Subtotal	71,481	71,441	24,611	23,203
Corporate	10,807	9,808	20,299	22,342
Total	82,288	81,249	44,910	45,545

Corporate refers to items in the statement on financial position that are interest bearing or are related to taxes.

Investments		
Consolidated		
SEK millions	2023	2022
Energy	992	535
Food & Water	472	360
Marine	336	235
Operations & Other	640	723
Total	2,440	1,853

Depreciation and amortisation		
Consolidated		
SEK millions	2023	2022
Energy	431	518
Food & Water	746	568
Marine	994	970
Operations & Other	353	336
Total	2,524	2,392

Note 2. Information about geographical areas

Countries with more than 10 percent of either net sales, non-current assets or investments are reported separately.

Net sales				
Consolidated				
	2023		2022	
	SEK millions	%	SEK millions	%
To customers in:				
Sweden	1,411	2.2	1,206	2.3
Other EU	15,591	24.5	12,889	24.7
Other Europe	5,076	8.0	4,812	9.2
USA	10,613	16.7	8,784	16.9
Other North America	1,327	2.1	1,081	2.1
Latin America	3,578	5.6	2,388	4.6
Africa	1,187	1.9	778	1.5
China	8,943	14.1	7,153	13.7
South Korea	3,527	5.5	3,801	7.3
Other Asia	11,558	18.2	8,559	16.4
Oceania	787	1.2	684	1.3
Total	63,598	100.0	52,135	100.0

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

Non-current assets				
Consolidated				
	2023		2022	
	SEK millions	%	SEK millions	%
Sweden	3,509	8.0	2,942	6.6
Denmark	5,354	12.2	5,348	11.9
Other EU	9,219	20.9	8,829	19.7
Norway	13,689	31.1	15,393	34.4
Other Europe	391	0.9	416	0.9
USA	3,961	9.0	4,236	9.5
Other North America	154	0.3	158	0.4
Latin America	352	0.8	379	0.8
Africa	7	0.0	9	0.0
Asia	4,808	10.9	4,394	9.8
Oceania	114	0.3	118	0.3
Subtotal	41,558	94.4	42,222	94.3
Other long-term securities	542	1.2	475	1.1
Pension assets	239	0.5	201	0.4
Deferred tax asset	1,720	3.9	1,895	4.2
Total	44,059	100.0	44,793	100.0

Investments				
Consolidated				
	2023		2022	
	SEK millions	%	SEK millions	%
Sweden	576	23.6	641	34.6
Italy	376	15.4	46	2.5
Other EU	333	13.7	252	13.6
Norway	256	10.5	150	8.1
Other Europe	36	1.5	33	1.8
North America	153	6.3	124	6.7
Latin America	39	1.6	23	1.2
Africa	1	0.0	1	0.0
China	533	21.8	453	24.5
Other Asia	135	5.5	123	6.6
Oceania	2	0.1	7	0.4
Total	2,440	100.0	1,853	100.0

Note 3. Information about products and services

Net sales by product/service		
Consolidated		
SEK millions	2023	2022
Own products within:		
Separation	10,312	8,304
Heat transfer	25,311	20,149
Fluid handling	13,024	11,584
Marine environmental	3,596	3,995
Other	0	0
Associated products	7,083	4,567
Services	4,272	3,536
Total	63,598	52,135

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

Note 4. 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 5.4 (4.0) percent of net sales. See Note 33 for more information.

Note 5. Employees*

Average number of employees - total				
Consolidated				
	Number of female employees		Total number of employees	
	2023	2022	2023	2022
Parent company	-	-	-	-
Subsidiaries in Sweden (8)	745	653	2,904	2,625
Total in Sweden (8)	745	653	2,904	2,625
Total abroad (165)	3,890	3,586	17,899	16,377
Total (173)	4,635	4,239	20,803	19,002

* Full time equivalents.

The figures in brackets in the text column state how many companies had employees as well as salaries and remunerations in 2023.

Average number of employees - in Sweden by municipality		
Consolidated		
	2023	2022
Botkyrka	664	615
Eskilstuna	243	243
Gothenburg	10	4
Lund	1,370	1,254
Ronneby	404	328
Stockholm	16	14
Vänersborg	104	98
Other *	93	69
Total	2,904	2,625

* "Other" refers to municipalities with less than 10 employees and also includes employees at branch offices abroad.

Average number of employees – by country/district

Consolidated				
	Number of female employees		Total number of employees	
	2023	2022	2023	2022
Argentina	16	13	61	49
Australia	19	20	84	84
Belgium	40	18	155	80
Brazil	150	144	633	590
Bulgaria	8	4	21	11
Chile	6	7	32	32
Colombia	21	22	44	44
Denmark	502	482	1,937	1,875
Philippines	15	14	39	37
Finland	30	27	115	106
France	222	186	1,107	920
United Arab Emirates	27	26	110	111
Greece	11	9	34	31
Hong Kong	14	13	33	34
India	167	111	1,891	1,441
Indonesia	32	24	128	103
Iran	-	-	-	0
Italy	183	168	795	759
Japan	67	62	248	242
Canada	23	21	106	100
China	843	823	3,945	3,776
Korea	54	55	319	306
Latvia	5	5	10	9
Lithuania	6	3	73	48
Malaysia	87	60	236	164
Mexico	15	13	74	59
Netherlands	99	84	369	353
Norway	262	248	1,277	1,213
New Zealand	2	2	18	19
Panama	10	6	21	17
Peru	7	6	28	24
Poland	134	112	509	430
Portugal	4	4	9	8
Qatar	-	-	9	8
Romania	3	2	12	11
Russia	20	68	51	169
Saudi Arabia	1	1	38	38
Switzerland	3	3	10	10
Singapore	86	78	289	257
Slovakia	2	2	9	8
Slovenia	6	5	16	14
Spain	32	27	135	108
UK	85	82	414	387
Sweden	745	653	2,904	2,625
South Africa	17	16	43	43
Taiwan	27	20	52	46
Thailand	18	18	62	57
Czech Republic	5	5	26	25
Turkey	20	16	77	74
Germany	78	71	297	276
Ukraine	1	1	9	9
Hungary	4	2	11	11
USA	388	368	1,807	1,701
Vietnam	10	6	52	34
Austria	3	3	19	16
Total	4,635	4,239	20,803	19,002

Gender distribution

Consolidated						
	2023			2022		
	Total number	Male %	Female %	Total number	Male %	Female %
Board members (excluding deputies)	12	83.3	16.7	12	83.3	16.7
President and other executive officers	8	75.0	25.0	9	77.8	22.2
Managers in Sweden	356	73.9	26.1	325	75.7	24.3
Managers outside Sweden	2,348	79.3	20.7	2,157	79.7	20.3
Managers total	2,704	78.6	21.4	2,482	79.2	20.8
Employees in Sweden	2,904	74.3	25.7	2,625	75.1	24.9
Employees outside Sweden	17,899	78.3	21.7	16,377	78.1	21.9
Employees total	20,803	77.7	22.3	19,002	77.7	22.3

Note 6. Salaries and remunerations

Salaries and remunerations – total

Consolidated		
SEK millions	2023	2022
Board of Directors, Presidents and Vice Presidents	377	326
– out of which, variable	72	74
Other	11,806	10,226
Total salaries and remunerations	12,183	10,552
Social security costs	2,080	1,762
Pension costs, defined benefit plans	56	106
Pension costs, defined contribution plans	841	707
Total personnel costs	15,160	13,127

The Group's pension costs and pension liabilities relating to the Board of Directors, presidents and vice presidents amounts to SEK 30 (30) million and SEK 244 (263) million respectively. SEK 66 (67) million of the pension liabilities is covered by the Alfa Laval Pension Fund.

Equity compensation benefits

During the period 2022 to 2023 no equity related benefits existed within Alfa Laval.

Variable remunerations

All employees have either a fixed salary or a fixed base salary. For certain personnel categories the remuneration package also includes a variable element. This relates to personnel categories where it is customary or part of a market offer to pay a variable part. Variable remunerations are most common in sales related jobs and on higher managerial positions. Normally the variable part constitutes a minor part of the total remuneration package.

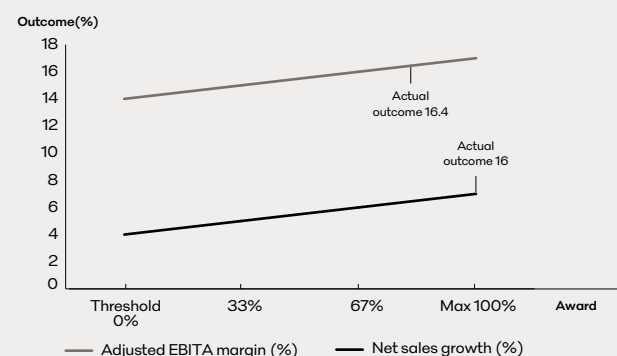
Cash-based long-term incentive programme

The Board of Directors decided in 2023 to implement step six of the modified cash based long-term incentive programme for maximum 95 senior managers in the Group including the Chief Executive Officer and the persons defined as executive officers. The outcome of the modified programme depends on how the adjusted EBITA margin and the net sales growth have developed during the three-year period, with a 50/50 weight between the targets. This means that there will be no award during the first two years since it is first in year three that it can be determined to what extent the targets have been achieved. Maximum outcome is awarded when the targets are exceeded. The remuneration from the modified long-term incentive programme can constitute maximum 25, 40 or 50 percent of the fixed remuneration depending on position. Payment to the participants in the programme is made after year three and only provided that they are still employed at the date of payment (except in case of termination of employment due to retirement, death or disability). If the employee resigns or is dismissed before the end of the three-year period, the employee will not be entitled to any pay-out. If the employee moves to a position that is not eligible for this programme, a pro-rata payment will be made after the end of the three year period. Paid remunerations from the long-term incentive programme do normally not affect the pensionable income or the holiday pay.

In 2023 step four, five and six of the modified programme were running in parallel.

The outcome of step four covering the period January 1, 2021 – December 31, 2023 was:

Long-term incentive plan 2021-2023



The performance targets were:

Long-term incentive plans		
	Performance targets	
	Threshold	Maximum
Adjusted EBITA margin (%)	14.0	17.0
Net sales growth (%)	4	7
If achieved, the award is (%)	0	100

The actual outcome and the resulting award were:

Long-term incentive plans					
Consolidated					
Plan 2021-2023	Outcome				Award in %
	2021	2022	2023	Average	
Adjusted EBITA margin (%)	17.4	15.8	16.1	16.4	80.00
Net sales growth (%)	-1	27	22	16	100.00
Plan 2020-2022	Outcome				Award in %
	2020	2021	2022	Average	
Adjusted EBITA margin (%)	17.4	17.4	15.8	16.9	96.67
Net sales growth (%)	-11	-1	27	5	33.33
Plan 2019-2021	Outcome				Award in %
	2019	2020	2021	Average	
Adjusted EBITA margin (%)	17.2	17.4	17.4	17.3	100.00
Net sales growth (%)	14	-11	-1	1	0.00

There are three opportunity levels in the plan and the award per opportunity level and the total cost for the plan was:

Long-term incentive plans, Award					
Consolidated					
	Outcome per maximum opportunity			Total cost SEK millions	Paid in
	25%	40%	50%		
Plan 2021-2023	22.50%	36.00%	45.00%	51	2024
Plan 2020-2022	16.25%	26.00%	32.50%	36	2023
Plan 2019-2021	12.50%	20.00%	25.00%	27	2022

Remuneration policy for executive officers

The remuneration policy for executive officers is established by the Annual General Meeting. The complete policy is found in Note 37.

The remunerations to the Chief Executive Officer/Managing Director are decided by the Board of Directors based on proposals from the Remuneration Committee according to the guidelines established by the Annual General Meeting. The remunerations to the other members of Group Management are decided by the Remuneration Committee according to the same guidelines. The principle used when deciding the remunerations to executive officers is to offer a competitive remuneration where the remuneration package is mainly based on a fixed monthly salary, with an option for a company car and in addition to that a variable remuneration of up to 50 percent of the salary (managing director up to 60 percent of the salary). The outcome of the variable remuneration depends on the level of fulfilment of the established mainly financial targets and to a limited extent also qualitative objectives. The guidelines for pension, termination and severance pay

differ between the Chief Executive Officer/Managing Director and the other executive officers, see the below table.

The Board of Directors decided in 2023 to implement step six of the modified cash based long-term incentive programme for maximum 95 senior managers in the Group including the Chief Executive Officer and the persons defined as executive officers. The outcome of the modified programme depends on how the adjusted EBITA margin and the net sales growth have developed during a three-year period, with a 50/50 weight between the targets. This means that there will be no award during the first two years since it is first in year three that it can be determined to what extent the targets have been achieved. Maximum outcome is awarded when the targets are exceeded. The remuneration from the modified long-term incentive programme can constitute maximum 25, 40 or 50 percent of the fixed remuneration depending on position. Payment to the participants in the programme is made after year three and only provided that they are still employed at the date of payment.

Salaries and remunerations to Group Management

Consolidated	Group Management			
	Chief Executive Officer/President		Other executive officers	
	Tom Erixon			
SEK thousands	2023	2022	2023	2022
Salary and remunerations				
Fixed remuneration				
Base salary	15,521	15,069	31,174	30,437
Other benefits ¹⁾	443	445	2,577	2,846
Variable remuneration ²⁾				
Variable salary	3,345	8,652	6,096	13,868
Cash-based long-term incentive programme	4,897	3,605	7,999	5,965
Total salary and remuneration	24,206	27,771	47,846	53,116
Pension costs				
Retirement and survivors' pension ³⁾	7,905	7,549	10,837	11,039
Life, disability and health care insurance ⁴⁾	42	41	493	445
Total pension costs	7,947	7,590	11,330	11,484
Total remuneration	32,153	35,361	59,176	64,600
Proportion of fixed and variable remuneration				
Fixed remuneration including fixed pension costs	74%	65%	71%	65%
Variable remuneration including variable pension costs	26%	35%	29%	35%
Number of other executive officers at year end			7	8
Variable salary (STI)				
Included	Yes		Yes	
Un-guaranteed target of base salary	30%		Not set	
Maximum of base salary	60%		50%	
Cash-based long-term incentive programme (LTIP)				
Included	Yes		Yes	
Current year award ⁵⁾	6,984	4,855	11,439	7,854
Vested unpaid awards at December 31	6,984	4,855	11,439	7,854
Commitment for early retirement ⁶⁾	No		Yes	
Commitment for severance pay	Yes ⁷⁾		Yes ⁸⁾	
Commitment for retirement and survivors' pension	⁹⁾		¹⁰⁾	

¹⁾ Value of company car, housing benefit, taxable daily allowances, holiday pay and payment for vacation taken in cash.

²⁾ Refers to what was paid during the year.

³⁾ Defined contribution based.

⁴⁾ Defined benefit based.

⁵⁾ Based on current base salary.

⁶⁾ From the age of 62. A defined contribution solution for early retirement with a premium of 15 percent of the pensionable salary.

⁷⁾ If Alfa Laval terminates his employment:

– before the age of 64, he will receive 24 months' base salary
– after the age of 64 he will receive 12 months' base salary.

⁸⁾ Maximum 2 years' salary. The commitments define the conditions that must be fulfilled in order for them to become valid.

⁹⁾ Is not included in the ITP plan. He has a defined contribution benefit comprising 50 percent of the base salary. In addition, he may exchange salary and variable remunerations for a temporary old age and family pension.

¹⁰⁾ For salaries above 30 base amounts there is a defined contribution pension solution with a premium of 30 percent of the pensionable salary above 30 base amounts. Until May 1, 2012 the executive officers also had a special family pension that represented a supplement between the old age pension and the family pension according to ITP. For the persons that were executive officers on May 1, 2012 the special family pension has been converted to a premium based supplementary retirement pension based on the premium level in December 2011. In addition, they may exchange salary and variable remunerations for a temporary old age and family pension.

One of the other executive officers in Group Management, Mikael Tydén has left Group Management on September 30, 2023 due to a re-organisation. He will continue as Chairman of the Board for Tranter and LHE and focus on industrial relations as Senior Technical Advisor to Tom Erixon. His costs are included in the above table for the period he has been part of Group Management.

One of the other executive officers in Group Management, Jan Allde left the company on October 31, 2022 and his successor Fredrik Ekström joined Group Management on November 1, 2022. Their costs are included in the above table for the period they were part of Group Management.

Board of Directors

For 2023, the Board of Directors receive a total fixed remuneration of SEK 7,975 (7,170) thousand, which is distributed among the members elected at the Annual General Meeting that are not employed by the company. These Directors do not receive any variable remuneration.

Remunerations to Board members *

Consolidated			
SEK thousands		2023	2022
Fees by function:			
Chairman of the Board		1,950	1,900
Other members of the Board		650	635
Supplement to:			
Chairman of the Audit Committee		300	300
Other members of the Audit Committee		150	150
Chairman of the remuneration committee		75	75
Other members of the remuneration committee		75	75
Fees by name:			
Dennis Jönsson	Chairman	2,175	2,125
Lilian Fossum Biner	Member	800	785
Nadine Crauwels	Member	650	-
Henrik Lange	Member	950	935
Ray Mauritsson	Member	650	635
Maria Moræus Hanssen	Member	-	635
Anna Müller	Member	650	-
Finn Rausing	Member	650	635
Jörn Rausing	Member	725	710
Ulf Wiinberg	Member	725	710
Total		7,975	7,170

* Elected at the Annual General Meeting and not employed by the company.

The reported remunerations refer to the period between two Annual General Meetings.

The Chairman of the Board does not have any agreement on future retirement or severance pay with Alfa Laval.

The audit committee and the remuneration committee have had the following members during the last two years:

	2023	2022
Audit Committee:		
Chairman	Henrik Lange	Henrik Lange
Other member	Dennis Jönsson	Dennis Jönsson
Other member	Lilian Fossum Biner	Lilian Fossum Biner
Remuneration committee:		
Chairman	Dennis Jönsson	Dennis Jönsson
Other member	Ulf Wiinberg	Ulf Wiinberg
Other member	Jörn Rausing	Jörn Rausing

The members of the committees are appointed at the constituent meeting of the Board of Directors directly after the Annual General Meeting.

Note 7. Information on auditors and auditors' fee

The line "Group auditors" in the below table is referring to the auditors elected at Annual General Meeting of Alfa Laval AB (publ). The Annual General Meetings 2022 and 2023 decided to elect EY as the Group's auditors for the coming year.

Fees and expense compensation

Consolidated		
SEK millions	2023	2022
Audit engagements		
Group auditors	56	48
Other audit firms	2	1
Total	58	49
Audit related services		
Group auditors	3	1
Other audit firms	1	0
Total	4	1
Tax services		
Group auditors	7	9
Other audit firms	20	15
Total	27	24
Other services		
Group auditors	4	3
Other audit firms	4	10
Total	8	13
Expenses		
Group auditors	0	0
Other audit firms	0	0
Total	0	0
Total		
Group auditors	70	61
Other audit firms	27	26
Total	97	87

An audit engagement includes examining the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. It also includes an examination in order to give an opinion on the Board's discharge from liability. Audit related services are audit services that are outside the audit engagement. Tax services refer to advices given in connection with various tax matters. All other assignments are defined as other services. Expenses refer to reimbursements of travel costs, secretarial services etc.

Note 8. Comparison distortion items

Comparison distortion items		
Consolidated		
SEK millions	2023	2022
Other operating costs		
Comparison distortion items:		
- Provision for financial consequences of Russia's war on Ukraine	-	-400
- Restructuring costs	-	-367
Net comparison distortion items	-	-767

The comparison distortion items during 2022 were relating to costs triggered by Russia's war on Ukraine and for a restructuring project for parts of the Marine Division and the Business Unit for Welded Heat Exchangers in the Energy Division.

Note 9. Depreciation and amortisation

Split by function			
Consolidated			
SEK millions	2023	2022	
Cost of goods sold	-1,764	-1,606	
Sales	-355	-353	
Administration	-191	-229	
Research and development	-16	-10	
Other income and costs	-198	-194	
Total	-2,524	-2,392	
Split by type of asset			
Consolidated			
SEK millions	2023	2022	
Intangible assets			
Patents and unpatented know-how	-419	-468	
Trademarks	-529	-451	
Licenses, renting rights and similar rights	-13	-9	
Internally generated intangible assets	-98	-94	
	-1,059	-1,022	
Tangible assets			
Purchased assets			
Buildings and ground installations	-260	-249	
Machinery	-444	-424	
Equipment	-257	-227	
	-961	-900	
Leased assets			
Right-of-use asset real estate	-417	-384	
Right-of-use asset machinery	-16	-18	
Right-of-use asset equipment	-71	-68	
	-504	-470	
Sum tangible assets	-1,465	-1,370	
Total	-2,524	-2,392	

Note 10. Dividends and other financial income and costs

Split by type			
Consolidated			
SEK millions	2023	2022	
Dividends from other	3	0	
Gain or loss on sale of marketable securities	14	2	
Fair value changes in marketable securities	-4	3	
Total	13	5	

Note 11. Interest income/expense and financial exchange rate gains/losses

Split on type of income/expense or gain/loss			
Consolidated			
SEK millions	2023	2022	
Interest income			
Leasing	3	5	
Other interest	153	90	
Exchange rate gains			
Unrealised	240	104	
Realised	52	68	
Total	448	267	
Interest expenses			
Leasing	-94	-87	
Other interest	-412	-232	
Exchange rate losses			
Unrealised	-25	-146	
Realised	-536	-147	
Total	-1,067	-612	

In the Group, reported net exchange differences of SEK 89 (-946) million relating to debts in foreign currencies have been charged to other comprehensive income. These debts finance the acquisition of shares in foreign subsidiaries and act as a hedge to the acquired net assets. The amount is charged with tax resulting in a net after tax impact on other comprehensive income of SEK 71 (-751) million.

Split on type of income/expense or gain/loss			
Moderbolaget			
SEK millions	2023	2022	
Interest income			
External companies	3	0	
Subsidiaries	249	44	
Exchange rate gains			
Unrealised	0	2	
Total	252	46	
Interest costs			
External companies	-1	0	
Total	-1	0	

Note 12. Non-controlling interests

Alfa Laval has the following subsidiaries with non-controlling interests. None of these non-controlling interests are material.

Specification of subsidiaries with non-controlling interests							
SEK millions, unless otherwise stated							
Company name	Country of domicile	Non-controlling interest		Attributable to non-controlling interest			
		2023	2022	Net income		Equity	
				2023	2022	2023	2022
Alfa Laval Aalborg Indústria e Comércio Ltda	Brazil	0.5	0.5	0	0	1	0
ClimaTempo Participacoes SA	Brazil	10.34	49	0	12	4	18
Agência Brasileira de Meteorologia Ltda	Brazil	10.35	49.01	1	1	3	7
Climanet Serviços de Internet Ltda	Brazil	10.34	49	0	-2	1	2
TV Meteorológica Ltda*	Brazil	-	70.42	-	0	-	1
Somar Meteorologia Ltda	Brazil	10.34	49	0	1	0	1
Southern Marine Weather Services Ltda	Brazil	10.34	49	0	0	0	2
Liyang Sifang Stainless Steel Products Co., Ltd.	China	35	35	51	52	298	285
Alfa Laval Aalborg Header-coil Company A/S**	Denmark	49	-	-3	-	32	-
Ziepack SA	France	49	49	2	2	6	6
Desmet Rosedowns GmbH	Germany	20	20	0	0	0	0
AO Alfa Laval Potok	Russia	0.0005	0.0005	0	0	0	0
Total				51	66	345	322

* Divested in 2023. ** Acquired in 2023.

Note 13. Classification of financial assets and liabilities

Financial assets		Measured at					
Consolidated	Valuation hierarchy level	Fair value through				Amortised cost	
		Profit or loss		Other comprehensive income			
SEK millions		2023	2022	2023	2022	2023	2022
Non-current assets							
Other non-current assets							
Other long-term securities	1 and 2	-	-	280	270	-	-
Derivative assets	2	20	-	147	95	-	-
Current assets							
Current receivables							
Accounts receivable	*	-	-	-	-	10,282	9,717
Notes receivable	*	-	-	-	-	336	435
Other receivables	*	-	-	-	-	5,036	4,903
Accrued income	*	-	-	-	-	34	45
Derivative assets	2	14	111	300	494	-	-
Current deposits							
Deposits with banks	*	-	-	-	-	586	187
Bonds and other securities	1	132	114	-	-	-	-
Debt instruments	*	-	-	-	-	4	3
Other deposits	*	-	-	-	-	6	7
Cash and cash equivalents							
	*	-	-	-	-	5,135	4,352
Total financial assets		166	225	727	859	21,419	19,649
Financial liabilities							
Consolidated	Valuation hierarchy level	Measured at				Amortised cost	
		Profit or loss		Other comprehensive income			
SEK millions		2023	2022	2023	2022	2023	2022
Non-current liabilities							
Liabilities to credit institutions etc	*	-	-	-	-	9,829	13,362
Lease liabilities	*	-	-	-	-	1,473	1,549
Derivative liabilities	2	7	5	46	135	-	-
Current liabilities							
Liabilities to credit institutions etc	*	-	-	-	-	3,444	1,700
Accounts payable	*	-	-	-	-	4,871	4,891
Notes payable	*	-	-	-	-	334	423
Lease liabilities	*	-	-	-	-	1,128	1,122
Other liabilities	3	117	-	-	-	5,979	5,269
Accrued costs	*	-	-	-	-	2,552	2,753
Derivative liabilities	2	25	94	501	599	-	-
Total financial liabilities		149	99	547	734	29,610	31,069

* Valued at amortised cost.

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. Valuation hierarchy level 3 is out of unobservable market data.

Derivatives measured through other comprehensive income only relate to cash flow hedges. Other liabilities measured at fair value through profit or loss is relating to a liability for the seller's earn-out possibility in connection with an acquisition of businesses.

All of the financial instruments above sum up either to the corresponding item in the statement on financial position or to the item specified in the notes referred to in the statement on financial position. The risks linked to these financial instruments including any concentrations of risk are presented in the sections on risks on pages 137–147.

Result of financial instruments

The result of the bonds and other current and non-current securities measured at fair value through profit or loss is found in Note 10 as fair value changes in securities.

The result of financial assets measured at amortised cost is presented in Note 11 as other interest income for deposits with banks, other deposits and cash and cash equivalents. The other financial assets measured at amortised cost do not generate a result but only a cash-in of the principal amount.

The result of the financial liabilities measured at amortised cost is presented in Note 11 as other interest costs for the liabilities to credit institutions etc. The other financial liabilities measured at amortised cost do not generate a result but only a cash-out of the principal amount.

The result of the derivative instruments impacting net income is presented below:

Result effect on net income of derivatives

Consolidated	2023	2022
SEK millions		
Reported in cost of goods sold, relating to:		
Currency forward contracts	-734	-470
Metal forward contracts	-40	392
Electricity futures	11	40
Derivative assets and liabilities measured at fair value through profit or loss	-59	42
Subtotal	-822	4
Reported in interest income in the financial net, relating to:		
Currency swaps	-	23
Subtotal	-	23
Reported in exchange gains and losses in the financial net, relating to:		
Currency forward contracts and options	-109	-
Derivative assets and liabilities measured at fair value through profit or loss	43	-42
Subtotal	-66	-42
Total impact on net income	-888	-15

The result of the derivative assets and liabilities measured at fair value through other comprehensive income is reported as part of other comprehensive income in the consolidated comprehensive income statement.

Note 14. Fair value of financial instruments

The fair value changes in shares in external companies are made under other comprehensive income and amounts to SEK -2 (-13) million, see the consolidated comprehensive income statement.

The fair value changes in marketable securities are made on the line dividends and other financial income and costs in the consolidated comprehensive income statement and amounts to SEK -4 (3) million, see Note 10.

The net of derivative assets and derivative liabilities in the consolidated financial position is a net liability of SEK -98 (-133) million, which is specified below:

Fair value of derivatives

Consolidated

			Difference between contracted rate and current rate	
SEK millions	Currency pairs		2023	2022
Derivative assets/liabilities				
Foreign exchange forward contracts:				
	EUR USD	14	0	
	EUR SEK	131	-244	
	EUR AUD	-1	1	
	EUR CAD	0	4	
	EUR CNY	-40	-9	
	EUR DKK	-1	-	
	EUR JPY	-2	-4	
	EUR SGD	0	1	
	EUR INR	-3	-7	
	USD CAD	-2	0	
	USD DKK	14	-39	
	USD GBP	1	1	
	USD SEK	3	-	
	USD JPY	-1	-	
	USD KRW	-3	0	
	USD INR	-	-4	
	CAD SEK	0	1	
	DKK NOK	-	-2	
	DKK SEK	4	-3	
	NOK EUR	-25	10	
	NOK USD	62	-178	
	CNY SEK	1	3	
	CNY USD	0	-1	
	AUD USD	0	-	
	JPY NOK	21	-1	
	KRW EUR	-	-2	
	Other Other	-5	-1	
Subtotal			168	-474
Currency options			9	-39
Metal forward contracts			-277	319
Electricity futures			2	61
Total, corresponding to a net derivative asset (+) or liability (-)			-98	-133

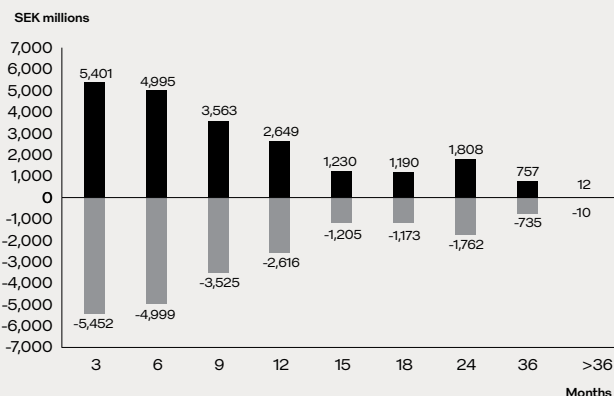
For currency options and electricity futures hedge accounting has not been applied. For foreign exchange forward contracts and metal forward contracts hedge accounting has been applied when the conditions for hedge accounting have been fulfilled.

The fair value adjustment of derivatives is made through other comprehensive income if hedge accounting can be applied and the derivatives are effective. In all other cases the fair value adjustment is made above net income. The corresponding entries are made on derivative assets and liabilities and not on the underlying financial instruments in the statement on financial position.

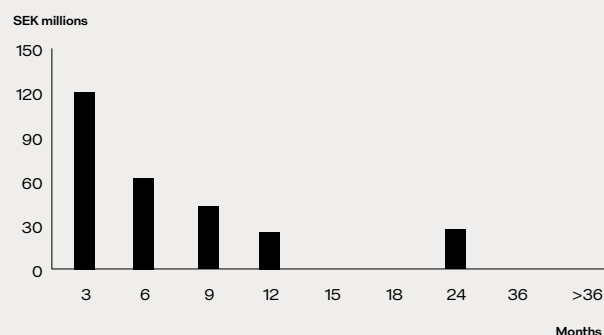
Note 15. Maturity analysis of derivatives

The future undiscounted cash flows for the different types of derivatives are shown in the following three graphs:

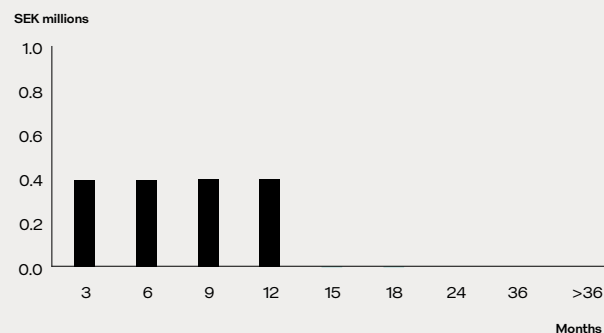
Maturity analysis for currency derivatives



Maturity analysis for metal derivatives



Maturity analysis for electricity futures



■ Positive cashflows ■ Negative cashflows

Note 16. Current and deferred taxes

Tax on this year's net income and other taxes		
Consolidated		
SEK millions	2023	2022
Major components of the Group's tax cost:		
Current tax cost	-2,119	-1,579
Adjustment for current taxes on prior periods	-63	120
Deferred tax costs/income on changes in temporary differences	-50	-138
Deferred tax costs/income on changes in tax rates or new taxes	-4	1
Previously unrecognised tax assets related to tax losses and tax credits	4	20
Previously unrecognised deferred tax assets related to tax losses, tax credits and temporary differences	4	1
Deferred tax cost from the write down or reversal of a previous write down of a deferred tax asset	8	1
Dividend distribution tax	0	0
Other taxes	-49	-36
Total tax cost	-2,269	-1,610

Other taxes are mainly referring to wealth tax.

Tax on this year's other comprehensive income		
Consolidated		
SEK millions	2023	2022
Major components of the Group's tax cost		
Deferred tax on:		
Cash flow hedges	-9	69
Market valuation of external shares	1	-28
Translation difference	-23	142
Revaluations of defined benefit obligations	23	-81
Total tax cost	-8	102

The difference between the tax costs of the group and the tax cost based upon applicable tax rates can be explained as follows:

Tax cost reconciliation		
Consolidated		
SEK millions	2023	2022
Result after financial items	8,650	6,179
Tax according to applicable tax rates	-2,053	-1,454
Tax effect of:		
Non-deductible costs	-530	-352
Non-taxable income	98	183
Differences between reported official depreciation and depreciation according to tax rules	11	6
Differences between reported other official appropriations and other appropriations according to tax rules	256	-55
Tax losses and tax credits	61	-22
Adjustment for current tax on prior periods	-63	120
Adjustment deferred tax	0	0
Dividend distribution tax	0	0
Other	-49	-36
Total tax costs	-2,269	-1,610

Alfa Laval has provisions for uncertain tax positions and they are booked as a part of current tax liabilities when for instance a local tax audit or a taxation decision indicate an increased tax burden and the company makes the judgement that the tax authority wholly or partially can gain success in the future litigation.

Temporary differences exist when there is a difference between the book value and the tax base of assets and liabilities. The Group's temporary differences have resulted in a deferred tax asset or a deferred tax liability relating to the following assets and liabilities:

Deferred tax assets and liabilities				
Consolidated				
	2023		2022	
SEK millions	Assets	Liabilities	Assets	Liabilities
Relating to:				
Intangible non-current assets	1	1,257	9	1,362
Tangible non-current assets	95	155	121	188
Right-of-use assets	22	141	-	-
Inventory	211	121	212	56
Other current assets	3	9	4	11
Financial assets	1	9	43	11
Short term liabilities	1,348	50	1,520	83
Lessee liability	140	-	-	-
Tax losses and tax credits *	93	-	130	-
Other	17	841	21	747
Subtotal	1,931	2,583	2,060	2,458
Possible to net	-211	-211	-165	-165
Total deferred taxes	1,720	2,372	1,895	2,293

* The Group has reported a deferred tax asset on unused tax losses and tax grants of SEK 534 (665) million. These unused tax losses and tax grants are essentially not restricted in time.

In the Group there are temporary differences and unused tax losses and tax credits of SEK 761 (999) million that have not resulted in corresponding deferred tax assets, since these are not likely to be used within foreseeable time. The temporary differences are mainly relating to pensions, where the date of payment is so far into the future that considering discounting and uncertainty concerning future profit levels no asset is deemed to exist. The unused tax losses and tax grants are essentially not restricted in time, but the tax losses that can be utilised per year can be restricted to a certain proportion of the taxable result.

The nominal tax rate has changed in the following countries between 2022 and 2023 or will change during 2024.

Tax rates by country			
Consolidated			
Percent	2024	2023	2022
Argentina	35.0	35.0	30.0
Lithuania	15.0	15.0	20.0
UK	25.0	25.0	19.0
South Africa	27.0	27.0	28.0
Czech Republic	21.0	19.0	19.0
Turkey	25.0	25.0	23.0
Austria	23.0	24.0	25.0

The tax rates for 2023 and 2022 have been used to calculate the actual tax each year, while the tax rates for 2024 and 2023 have been used to calculate the deferred tax for 2023 and 2022 respectively.

The Group's normal effective tax rate is approximately 26 (26) percent based on taxable result, and it is calculated as a weighted average based on each subsidiary's part of the result before tax. One-time items can however increase or decrease the tax rate for an individual year.

Tax cost per country/district

Consolidated

SEK millions (unless otherwise stated)	2023			2022		
	Earnings before tax and received dividends	Tax cost	Tax percentage (%)	Earnings before tax and received dividends	Tax cost	Tax percentage (%)
Top ten countries/districts						
China	1,840	-499	27.1%	1,584	-388	24.5%
Sweden	1,468	-442	30.1%	1,517	-363	23.9%
Norway	1,210	-258	21.3%	746	-78	10.5%
USA	781	-175	22.3%	692	-155	22.4%
India	585	-154	26.3%	388	-101	26.1%
Denmark	704	-152	21.7%	432	-88	20.4%
Brazil	430	-122	28.5%	339	-107	31.5%
Italy	205	-65	31.6%	-104	11	10.9%
Hong Kong	238	-63	26.5%	90	-38	42.3%
Belgium	148	-54	36.4%	1,198	-13	1.1%
Total top ten countries/districts	7,609	-1,984	26.1%	6,882	-1,320	19.2%
Other countries/districts						
With a positive result	1,314	-314	23.9%	1,648	-363	22.0%
With losses	-188	-32	-17.2%	-75	2	2.1%
Total all countries/districts	8,735	-2,330	26.7%	8,455	-1,681	19.9%
Consolidation entries						
Elimination of appropriations	104	-17	16.3%	-479	97	20.3%
Amortisation of step-up values	-965	216	22.4%	-943	211	22.4%
Central provisions and consolidation adjustments	776	-138	17.8%	-854	-237	-27.8%
Total	8,650	-2,269	26.2%	6,179	-1,610	26.1%

The above table presents the earnings before tax and received dividends, the tax cost and the tax percentage per country for the top ten countries/districts separately and the others grouped under profit generating and loss-making respectively and the consolidation entries in order to arrive at the total. The local results include appropriations. The reason why the result is before received dividends is that these mostly are non-taxable. The top ten countries/districts are defined as the ten countries/districts with the highest tax cost in 2023. The comparison figures 2022 are for these ten countries/districts, although they might not have been among the ten countries/districts with highest tax cost also in 2022.

Observe that individual companies in the top ten countries/districts and in the group with a positive result can report losses. The group with losses can contain individual companies with profits. Also observe that the presented result is without correction for any non-deductible costs and non-taxable revenues outside received tax free dividends.

Companies with losses in countries/districts without tax pooling might have unused tax losses that have not resulted in a corresponding deferred tax asset, since these are not likely to be used. The lack of such a deferred tax income in these cases has an impact on the tax percentage in the concerned countries/districts.

Note 17. Goodwill and step-up values – acquisition of businesses

The allocation of step-up values to tangible and intangible assets and the residual goodwill in effect means that all acquisitions are valued at market. In order to separate out this valuation effect Alfa Laval focuses on EBITA, where any amortisation of step-up values is excluded. The development of these step-up values and any goodwill is shown in the table below.

Movement schedule

Consolidated

SEK millions	Opening balance 2023	Acquisitions	Adjustment of last year's purchase price allocation	Planned depreciation/amortisation	Translation difference	Closing balance 2023
Buildings	160	-	-	-38	3	125
Land and land improvements	-54	-	-	-	12	-42
Patents and unpatented know-how	2,528	268	-	-399	-207	2,190
Trademarks	1,972	9	-	-527	-36	1,418
Other	2	-	-	-1	0	1
Subtotal step-up values	4,608	277	-	-965	-228	3,692
Goodwill	26,258	52	-42	-	-1,199	25,069
Total	30,866	329	-42	-965	-1,427	28,761

During 2023 the Group has not recorded any impairment losses related to goodwill and step-up values.

There is no deferred tax liability calculated on the goodwill. The deferred tax liability on the other step-up values is SEK 861 (983) million.

For assets sold, net gains or losses are recognised on the cost basis including any related step-up value.

The next table shows each acquisition separately. Any later adjustments to the allocations are referred to the original year of the acquisition. The figures for the allocations are based on the prevailing rates at the time the transactions took place and any change in exchange rates until December 31, 2023 is shown as a translation difference. The corresponding presentation by asset type is found in Notes 18 and 19.

Acquisition of businesses since 2000										
Consolidated										
SEK millions										
Year	Businesses	Buildings	Land and land improvements	Inventory	Patents and unpatented know-how	Trademarks	Other	Total step-up values	Goodwill	Total
2000	Alfa Laval Holding	1,058	-228	340	1,280	461	1,112	4,023	3,683	7,706
2002	Danish Separation Systems	-	-	-	-	-	-	-	118	118
2003	Toftejorg	1	-	-	-	-	-	1	35	36
2005	Packinox	-	-	6	99	183	-	288	253	541
2006	Tranter	17	-	6	180	265	-	468	530	998
2007	AGC Engineering	-	-	-	-	12	-	12	20	32
	Helpman	9	8	-	36	-	-	53	4	57
	Public offer Alfa Laval (India)	-	-	-	-	-	-	-	441	441
	DSO Fluid Handling	-	-	-	-	39	-	39	42	81
	Fincoil	-	-	-	233	-	-	233	241	474
2008	Høyer Promix A/S	-	-	-	-	-	-	-	16	16
	Nitrile India Pvt Ltd	-	-	-	-	-	-	-	6	6
	Standard Refrigeration	-	-	5	166	-	-	171	152	323
	Pressko AG	-	-	1	-	-	-	1	69	70
	Hutchison Hayes Separation	-	-	1	95	49	-	145	46	191
	P&D's Plattvärmeväxlarservice	-	-	-	-	-	-	-	10	10
	Ageratec	-	-	-	-	-	-	-	44	44
		-	-	-	-	-	-	-	-	-
2009	Two providers of parts & service	-	-	-	-	291	-	291	210	501
	Onnuri Industrial Machinery	-	-	-	40	39	-	79	48	127
	HES Heat Exchanger Systems	-	-	-	83	-	-	83	59	142
	Public offer Alfa Laval (India)	-	-	-	-	-	-	-	311	311
	Termatrans	-	-	-	-	7	-	7	6	13
	Tranter acquisitions in Latin America	-	-	-	-	20	-	20	16	36
	ISO Mix	-	-	-	22	-	-	22	-	22
	LHE	-	-	-	298	297	-	595	344	939
2010	Champ Products	-	-	-	15	14	-	29	2	31
	A leading U.S. service provider	-	-	-	-	134	-	134	82	216
	G.S Anderson	-	-	-	35	-	-	35	23	58
	Astepo	-	-	-	24	15	-	39	8	47
	Si Fang Stainless Steel Products	-	-	-	27	16	-	43	42	85
	Definox	-	-	-	4	5	-	9	2	11
	Olmi	-	-	37	58	32	-	127	-	127
2011	Service company in the U.S.	-	-	-	-	150	-	150	126	276
	Aalborg Industries	248	-	-	430	860	-	1,538	3,630	5,168
2012	Vortex Systems	-	-	-	148	-	-	148	225	373
	Ashbrook Simon-Hartley	-	-	-	86	-	-	86	55	141
	Gamajet Cleaning Systems	-	-	-	47	-	-	47	37	84
	Air Cooled Exchangers (ACE)	-	-	-	585	-	-	585	346	931
2013	Niagara Blower Company	-	-	-	202	-	-	202	203	405
2014	Frank Mohn AS	-	-	38	1,160	3,793	-	4,991	9,831	14,822
	CorHex Corp	-	-	-	15	-	-	15	-	15
2015	Aftermarket company (separation)	-	-	-	-	32	-	32	24	56
	K-Bar Parts LLC	-	-	-	-	16	-	16	-	16
2019	Airec	-	-	-	60	-	-	60	22	82
2020	WCR Benelux	-	-	-	-	10	-	10	3	13
	Sandymount	-	-	-	41	-	-	41	15	56
2021	StormGeo	-	-	-	1,397	-	-	1,397	2,245	3,642
	LiftUP	-	-	-	106	-	-	106	109	215
2022	Desmet	-	-	-	681	1,330	-	2,011	2,079	4,090
	Scanjet	-	-	-	130	-	-	130	108	238
	Bunker Metric	-	-	-	9	-	2	11	8	19
2023	MPS	-	-	-	211	-	-	211	0	211
	Header-coil	-	-	-	11	-	-	11	7	18
	European service provider	-	-	-	46	9	-	55	45	100
Accumulated during the period										
	Realised	-542	122	-435	-	-	-123	-978	-50	-1,028
	Write down	-6	-9	-	-89	-5	-	-109	-941	-1,050
	Planned depreciation/amortisation	-671	-	-	-6,156	-6,612	-994	-14,433	-612	-15,045
	Translation difference	11	65	1	375	-44	4	412	691	1,103
Closing balance		125	-42	-	2,190	1,418	1	3,692	25,069	28,761

The acquisition of the Alfa Laval Holding AB group in connection with the acquisition by Industri Kapital of the Alfa Laval Group from Tetra Laval on August 24, 2000 is shown on the first row.

"Other" relates to step-up values from 2000 for "Machinery" of SEK 548 million and "Equipment" of SEK 452 million that have been fully depreciated or realised, for "Research and development" of SEK 54 million and "Capital gain (Industrial Flow)" of SEK 42 million that have been fully realised and for "Construction in process" of SEK 16 million that has been transferred to "Machinery".

Acquisition of businesses

During 2023

On March 2, 2023, Alfa Laval acquired an additional 38.7 percent of StormGeo's subsidiary Climatempo in Brazil from the minority owners. Alfa Laval's ownership thereby increased from 51 percent to 89.7 percent. The purchase price is SEK 118 million, out of which all has been paid in cash. The transaction is reported as a change within the equity.

In 2021, Alfa Laval acquired a minority stake of 16.5 percent in the Netherlands-based company Marine Performance Systems (MPS) with an option to acquire the remaining part later. Now Alfa Laval has executed that option and completed the acquisition to own 100 percent of MPS. The closing date for the acquisition was March 21, 2023. MPS' innovative technology significantly reduces the friction from vessels when sailing, resulting in fuel savings. Friction between the hull and the water when sailing is the most significant driver of a vessel's fuel consumption, and the cost of fuel represents up to 60 percent of a vessel's operating costs. Fuel consumption has a direct impact on greenhouse gas emissions, as reducing 1 ton of fossil fuel consumption equals the reduction of approximately 3 tonnes of CO₂ emissions. Marine Performance Systems' air lubrication technology generates micro bubbles under a ship's hull, reducing friction between the vessel and the water by 50-70 percent and enabling substantial fuel cost savings and improvement in overall ship efficiency, during normal service speed. The technology was first tested on a sea-going vessel in 2020 and the fuel savings have been confirmed by the shipowner based on several months of operation. The patented solution can be installed on vessels of any size or fuel type at point of building or retrofitted on already operating vessels. Since the acquisition Alfa Laval has launched the Alfa Laval OceanGlide product that creates an even layer of micro air bubbles across the vessel's flat bottom area, which reduces drag by up to 75 percent. Since Alfa Laval OceanGlide needs few compressors and no large hull penetrations it can be easily installed. The purchase price is SEK 141 million, out of which SEK 24 million has been paid in cash and SEK 117 million is retained for a period of 3 years. The retained part of the purchase price is contingent on that certain profitability and liquidity goals are fulfilled. The outcome can be as low as SEK 0 million, but the probable outcome is SEK 117 million, which is also the fair value since the contingent consideration is to be paid in cash. The costs directly linked to the acquisition (fees to lawyers, due diligence and assisting counsel) come in addition to this and have amounted to SEK 0 million, which is reported as other operating costs. The impact on the cash flow is thus SEK -24 million. Out of the difference between the purchase price paid and the net assets acquired SEK 211 million has been allocated to patents and un-patented know-how, while the residual SEK 0 million has been allocated to goodwill. The goodwill is relating to estimated synergies in procurement, logistics and corporate overheads and the company's ability to over time recreate its intangible assets. The value of the goodwill is still preliminary. The step-up value for patents and un-patented know-how is amortised over 10 years. From the date of the acquisition the company has added SEK 15 million in orders received, SEK 43 million in invoicing and SEK -27 million in adjusted EBITA to Alfa Laval. If the company had been acquired at January 1, 2023 the corresponding figures would have been SEK 100 million, SEK 86 million

and SEK -5 million respectively. At the end of December 2023, the number of employees was 21.

On July 31, 2023 Alfa Laval acquired 100 percent of a European service provider. The company will operate under its own name as an independent channel. The purchase price is SEK 199 million, out of which all has been paid in cash. At the acquisition cash of SEK 40 million has been taken over. The costs directly linked to the acquisition (fees to lawyers, due diligence and assisting counsel) come in addition to this and have amounted to SEK 4 million, which is reported as other operating costs. The impact on the cash flow is thus SEK -163 million. Out of the difference between the purchase price paid and the net assets acquired SEK 46 million has been allocated to patents and un-patented know-how and SEK 9 million to the trademark, while the residual SEK 45 million has been allocated to goodwill. The goodwill is relating to estimated synergies in procurement, logistics and corporate overheads and the company's ability to over time recreate its intangible assets. The value of the goodwill is still preliminary. The step-up values for patents and un-patented know-how and the trademark are amortised over 10 years. From the date of the acquisition the company has added SEK 31 million in orders received, SEK 31 million in invoicing and SEK 5 million in adjusted EBITA to Alfa Laval. If the company had been acquired at January 1, 2023 the corresponding figures would have been SEK 87 million, SEK 87 million and SEK 21 million respectively. At the end of December 2023, the number of employees was 55.

On July 31, 2023 Alfa Laval acquired 51 percent of the Danish company Header-coil Company A/S that develops and manufactures heat exchangers and steam generation system equipment components based on its header-coil design for the concentrated solar power (CSP) industry, thermal energy storage etc. The purchase price is SEK 47 million, out of which all has been paid in cash. At the acquisition cash of SEK 0 million has been taken over. The costs directly linked to the acquisition (fees to lawyers, due diligence and assisting counsel) come in addition to this and have amounted to SEK 2 million, which is reported as other operating costs. The impact on the cash flow is thus SEK -49 million. Out of the difference between the purchase price paid and the net assets acquired SEK 11 million has been allocated to patents and un-patented know-how, while the residual SEK 7 million has been allocated to goodwill. The goodwill is relating to estimated synergies in procurement, logistics and corporate overheads and the company's ability to over time recreate its intangible assets. The value of the goodwill is still preliminary. The step-up value for patents and un-patented know-how is amortised over 10 years. From the date of the acquisition the company has added SEK 1 million in orders received, SEK 1 million in invoicing and SEK -7 million in adjusted EBITA to Alfa Laval. If the company had been acquired at January 1, 2023 the corresponding figures would have been SEK 3 million, SEK 3 million and SEK -15 million respectively. At the end of December 2023, the number of employees was 4.

The acquisitions during 2023 are summarized in the following table. The larger acquisitions of MPS and the European service provider are shown separately, whereas the acquisitions of the other companies are shown on a single line as other minor acquisitions. All acquired assets and liabilities were reported according to IFRS at the time of the acquisitions.

Acquisitions 2023

SEK millions	MPS			European service provider			Total
	Book value	Adjustment to fair value	Fair value	Book value	Adjustment to fair value	Fair value	Fair value
Property, plant and equipment	1	-	1	44	-	44	45
Patents and unpatented know-how ¹⁾	0	211	211	-	46	46	257
Trademarks ¹⁾	-	-	-	18	9	27	27
Inventory	4	-	4	14	-	14	18
Accounts receivable	1	-	1	-	-	-	1
Other receivables	37	-	37	15	-	15	52
Liquid assets	-	-	-	40	-	40	40
Accounts payable	-11	-	-11	-	-	-	-11
Advance payments	-14	-	-14	-	-	-	-14
Other liabilities	-7	-	-7	-17	-	-17	-24
Deferred tax	-	-55	-55	-	-15	-15	-70
Acquired net assets	11	156	167	114	40	154	321
Goodwill ²⁾			0			45	45
Equity attributable to owners of parent			26			-	26
Purchase price			-141			-199	-340
Costs directly linked to the acquisitions ³⁾			0			-4	-4
Retained part of purchase price ⁴⁾			117			-	117
Liquid assets in the acquired businesses			0			40	40
Other minor acquisitions current year							-167
Payment of amounts retained in prior years							17
Effect on the Group's liquid assets			-24			-163	-337

¹⁾ The step up values for patents and un-patented know-how as well as trademarks are amortised over 10 years. The purchase price allocation is still preliminary so the allocated step up values may be subject to change.

²⁾ The goodwill is relating to estimated synergies in procurement, logistics and corporate overheads and the companies' ability to over time recreate its intangible assets. The purchase price allocation is still preliminary so the value of the goodwill may be subject to change.

³⁾ Refers to fees to lawyers, due diligence and assisting counsel. Has been expensed as other operating costs.

⁴⁾ Contingent on certain warranties in the contract not being triggered or that certain profitability goals are fulfilled. The probable outcome has been calculated.

During 2022

On September 13, 2022 Alfa Laval announced that it had acquired BunkerMetric, a Scandinavian software company that develops advanced decision support tools for marine bunker vessels. The acquisition was part of Alfa Laval's strategy to expand its digital marine service offering and will be part of the recently acquired StormGeo, a global leader in weather intelligence software and decision support services. BunkerMetric, headquartered in Denmark, supports ship operators in finding the best bunker procurement plan and improving voyage margins by using sophisticated algorithms. The optimization tools, together with StormGeo's advanced route services, will enable ship owners to streamline operations to help them improve their bottom line. BunkerMetric's procurement optimization tool will become a subscription service within StormGeo's existing offering. The purchase price was SEK 13 million, out of which all was paid in cash. At the acquisition cash of SEK 1 million was taken over. The costs directly linked to the acquisition (fees to lawyers, due diligence and assisting counsel) came in addition to this and amounted to SEK 1 million, which was reported as other operating costs. The impact on the cash flow was thus SEK -13 million. Out of the difference between the purchase price paid and the net assets acquired SEK 9 million was allocated to patents and un-patented know-how and SEK 2 million to other intangible assets (non-competition clause), while the residual SEK 8 million was allocated to goodwill. The goodwill was relating to estimated synergies in procurement, logistics and corporate overheads and the company's ability to over time recreate its intangible assets. The value of the goodwill has been finalised in 2023. The step-up value for patents and un-patented know-how is amortised over 10 years while the step-up value of the non-competition clause is amortised over 2 years. From the date of the acquisition the company added SEK 1 million in orders received, SEK 1 million in invoicing and SEK 0 million in adjusted EBITA to Alfa Laval. If the company had been acquired at January 1, 2022 the corresponding figures would have been SEK 3 million, SEK 3 million and SEK 0 million respectively. At the end of December 2022, the number of employees was 1.

On August 31, 2022 Alfa Laval announced that it had closed the acquisition of Scanjet, a leading global supplier of tank cleaning equipment and solutions for marine, offshore and industrial applications. The acquisition will extend Alfa Laval's broad tanker offering, creating a more comprehensive product portfolio for cargo tanks. Scanjet's intelligent tank management solutions will be a valuable complement to Alfa Laval's sustainable marine offering as they

reduce the water usage and energy consumption connected with tank cleaning. Adding Scanjet to Alfa Laval's portfolio will support customer efficiency at every stage of cargo handling. Scanjet has global presence with factories in Sweden, Poland and Indonesia. The purchase price was SEK 314 million, out of which SEK 268 was paid in cash and SEK 46 million is retained for a period of 12 to 18 months. At the acquisition cash of SEK 40 million was taken over. The costs directly linked to the acquisition (fees to lawyers, due diligence and assisting counsel) came in addition to this and amounted to SEK 9 million, which was reported as other operating costs. The impact on the cash flow was thus SEK -237 million. Out of the difference between the purchase price paid and the net assets acquired SEK 130 million was allocated to patents and un-patented know-how, while the residual SEK 108 million was allocated to goodwill. The goodwill was relating to estimated synergies in procurement, logistics and corporate overheads and the company's ability to over time recreate its intangible assets. The value of the goodwill has been finalised in 2023. The step-up value for patents and un-patented know-how is amortised over 10 years. From the date of the acquisition the company added SEK 121 million in orders received, SEK 94 million in invoicing and SEK 17 million in adjusted EBITA to Alfa Laval. If the company had been acquired at January 1, 2022 the corresponding figures would have been SEK 346 million, SEK 281 million and SEK 41 million respectively. At the end of December 2022, the number of employees was 153.

On August 2, 2022 Alfa Laval announced that it had closed the acquisition of Desmet, part of the Desmet Ballestra Group, a world leader in engineering and supplying processing plants and technologies for edible oils and biofuel sectors. The acquisition will strengthen Alfa Laval's position in the renewable energy arena and complement its offering within edible oils. Headquartered in Brussels, Belgium, Desmet employs around 1,000 people in Europe, India, Southeast Asia, North America and Latin America. The acquired business was a part of the Desmet Ballestra Group and had a turnover of approximately EUR 300 million in 2021. The operational units and brands of Rosedowns and Stolz were included in the transaction. The Desmet Ballestra Group was owned by Financière DSBG and ultimately controlled by Kartesia and Farallon. The acquisition will operate as a stand-alone entity within the Food & Water Division of Alfa Laval. It strengthens Alfa Laval's position in the markets for edible oils, biofuels, and plant- and animal-based proteins for food and feed. The acquisition will have a positive impact on earnings per share and be

marginally decreative to Alfa Laval's EBITA margin. "The acquisition will be an excellent fit for our offering of specialized processing equipment designed to increase both yield and quality of customers' end products," says Tom Erixon, President and CEO of Alfa Laval. "It will add know-how and expertise to accelerate future innovations within food, feed and biofuels – and strengthen our ability to support the transformation towards renewable fuels." The purchase price was SEK 3,632 million, out of which all was paid in cash. At the acquisition cash of SEK 238 million was taken over. The costs directly linked to the acquisition (fees to lawyers, due diligence and assisting counsel) came in addition to this and amounted to SEK 37 million, which was reported as other operating costs. The impact on the cash flow was thus SEK -3,431 million. Out of the difference between the purchase price paid and the net assets acquired SEK 681 million was allocated to patents and un-patented know-how and SEK 1,330 to the trademark Desmet, while the residual SEK 2,201 million was allocated to goodwill. The goodwill was relating to estimated synergies in procurement, logistics and corporate overheads and

the company's ability to over time recreate its intangible assets. In 2023 the purchase price has been reduced by SEK 42 million, which has reduced the goodwill correspondingly. The value of the goodwill has been finalised in 2023. The step-up value for patents and un-patented know-how and the step-up value for the trademark Desmet are both amortised over 10 years. From the date of the acquisition the company added SEK 1,374 million in orders received, SEK 2,474 million in invoicing and SEK 314 million in adjusted EBITA to Alfa Laval. If the company had been acquired at January 1, 2022 the corresponding figures would have been SEK 4,288 million, SEK 4,861 million and SEK 444 million respectively. At the end of December 2022, the number of employees was 1,071.

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

Acquisitions 2022

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

¹⁾ The step up values for patents and un-patented know-how as well as trademarks are amortised over 10 years. The purchase price allocation was still preliminary so the allocated step up values may be subject to change.

²⁾ The goodwill is relating to estimated synergies in procurement, logistics and corporate overheads and the companies' ability to over time recreate its intangible assets. The purchase price allocation was still preliminary so the value of the goodwill may be subject to change.

³⁾ Refers to fees to lawyers, due diligence and assisting counsel. Was 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 was calculated.

Impairment testing

An impairment test has been performed at the end of 2023 indicating that there is not any need to write down the goodwill.

Three of Alfa Laval's operating segments, the three business divisions "Energy", "Food & Water" and "Marine" have been identified as the cash-generating units within Alfa Laval. Technically a recently acquired business activity could be followed independently during an initial period, but acquired businesses are normally integrated into the divisions at a fast rate. This means that the independent traceability is lost fairly soon and then any independent measurement and testing becomes impracticable.

The recoverable amount of the cash-generating units is based on their value in use, which is established by calculating the net present value of future cash flows. The net present value is based on the projected EBITDA figures for the next five years, less projected investments and changes in operating capital during the same period and thereafter the perceived expected average industry growth rate.

This projection is based on the following components:

– The projection for 2024 is based on the Group's normal 12 month revolving "Forecast" reporting. This is based on a very large number of rather detailed

assumptions throughout the organisation concerning the business cycle, volume growth, market initiatives, product mix, currency rates, cost development, cost structure, R&D etc.

– The projection for the years 2025 till 2028 is based on Management's general assumptions concerning the business cycle, volume growth, market initiatives, product mix, currency rates, cost development, cost structure, R&D etc.

– The projection for the years 2029 and onwards is based on the perceived expected average industry growth rate of 2.25 (2.25) percent.

The assumptions used for the projections reflect past experiences or information from external sources.

The used discount rate is the pre-tax weighted average cost of capital (WACC) of 9.97 (9.86) percent.

There exists no reasonably possible change in a key assumption in the impairment test that would cause the carrying amount to exceed the recoverable amount. The reason is that the recoverable amounts with a very good margin exceed the carrying amounts. Due to this a sensitivity analysis is not presented.

Alfa Laval does not have any intangible assets with indefinite useful lives other than goodwill.

Goodwill has been allocated to the following cash-generating units:

Goodwill		
Consolidated		
SEK millions	2023	2022
Energy	3,347	3,431
Food & Water	4,885	5,017
Marine	16,837	17,810
Total	25,069	26,258

Note 18. Intangible non-current assets

Patents and unpatented know-how		
Consolidated		
SEK millions	2023	2022
Accumulated acquisition values		
Opening balance	8,903	7,433
Purchases	10	4
Acquisition of businesses	107	177
Sales/disposals	-3	-3
Reclassifications	0	1
Step-up values	268	820
Translation difference	-381	471
Closing balance	8,904	8,903
Accumulated amortisation		
Opening balance	-6,270	-5,384
Acquisition of businesses	-22	-155
Sales/disposals	3	0
Reclassifications	1	-4
Amortisation of step-up value	-399	-459
Amortisation for the year	-20	-9
Translation difference	179	-259
Closing balance	-6,528	-6,270
Closing balance, net book value	2,376	2,633

Trademarks		
Consolidated		
SEK millions	2023	2022
Accumulated acquisition values		
Opening balance	8,780	6,889
Purchases	-	6
Acquisition of businesses	17	-
Step-up values	9	1,330
Translation difference	-384	555
Closing balance	8,422	8,780
Accumulated amortisation		
Opening balance	-6,802	-5,927
Acquisition of businesses	-2	-
Amortisation of step-up values	-527	-451
Amortisation for the year	-2	0
Translation difference	349	-424
Closing balance	-6,984	-6,802
Closing balance, net book value	1,438	1,978

Licenses, renting rights and similar rights		
Consolidated		
SEK millions	2023	2022
Accumulated acquisition values		
Opening balance	145	212
Purchases	5	2
Sales/disposals	-34	-17
Reclassifications	121	-63
Step-up values	-	2
Translation difference	-16	9
Closing balance	221	145
Accumulated amortisation		
Opening balance	-127	-180
Sales/disposals	33	17
Reclassifications	-11	54
Amortisation of step-up values	-1	0
Amortisation for the year	-13	-9
Translation difference	11	-9
Closing balance	-108	-127
Closing balance, net book value	113	18

Internally generated intangible assets		
Consolidated		
SEK millions	2023	2022
Accumulated acquisition values		
Opening balance	1,000	633
Acquisition of businesses	-	86
Expenses	214	197
Sales/disposals	-8	-11
Reclassifications	-2	56
Translation difference	-43	39
Closing balance	1,161	1,000
Accumulated amortisation		
Opening balance	-470	-235
Acquisition of businesses	-	-81
Sales/disposals	8	4
Reclassifications	2	-46
Amortisation for the year	-98	-94
Translation difference	23	-18
Closing balance	-535	-470
Closing balance, net book value	626	530

Internally generated intangible assets are referring to capitalised IT costs and capitalised development cost related to R&D.

Goodwill		
Consolidated		
SEK millions	2023	2022
Accumulated acquisition values		
Opening balance	27,975	24,320
Goodwill in connection with acquisition of businesses	52	2,237
Reduction of purchase price	-42	-
Translation difference	-1,251	1,418
Closing balance	26,734	27,975
Accumulated amortisation		
Opening balance	-1,717	-1,840
Translation difference	52	123
Closing balance	-1,665	-1,717
Closing balance, net book value	25,069	26,258

Note 19. Property, plant and equipment

Real estate		
Consolidated		
SEK millions	2023	2022
Accumulated acquisition values		
Opening balance	7,145	6,247
Purchases	209	250
Acquisition of businesses	29	130
Sales/disposal	-32	-166
Reclassifications	-124	365
Reclassification to assets for sale	-65	-265
Translation difference	-212	584
Closing balance	6,950	7,145
Accumulated depreciation		
Opening balance	-3,534	-3,187
Acquisition of businesses	-10	-49
Sales/disposals	31	166
Reclassifications	-1	-3
Reclassification to assets for sale	49	165
Depreciation of step-up value	-38	-33
Depreciation for the year	-222	-216
Translation difference	114	-377
Closing balance	-3,611	-3,534
Closing balance, net book value	3,339	3,611

Non-current assets held for sale

Within Alfa Laval these assets are normally relating to real estate.

The property in Singapore, the property in Alonte in Italy, the properties in Camberley and Cwmbran in the UK and four smaller properties in India are for sale and are expected to be sold within the next year. These have therefore been classified as current assets held for sale with SEK 59 (100) million. The fair value of the properties for sale exceeds the book value by approximately SEK 373 (246) million.

Machinery and other technical installations		
Consolidated		
SEK millions	2023	2022
Accumulated acquisition values		
Opening balance	8,262	8,112
Purchases	577	260
Acquisition of businesses	96	105
Sales/disposal	-388	-746
Reclassifications	318	133
Translation difference	-234	398
Closing balance	8,631	8,262
Accumulated depreciation		
Opening balance	-5,839	-5,742
Acquisition of businesses	-75	-90
Sales/disposals	319	696
Reclassifications	-31	-29
Depreciation for the year	-444	-424
Write down	-	-12
Translation difference	173	-238
Closing balance	-5,897	-5,839
Closing balance, net book value	2,734	2,423

Equipment, tools and installations		
Consolidated		
SEK millions	2023	2022
Accumulated acquisition values		
Opening balance	3,408	3,263
Purchases	280	219
Acquisition of businesses	9	184
Sales/disposal	-50	-367
Reclassifications	78	105
Translation difference	-99	4
Closing balance	3,626	3,408
Accumulated depreciation		
Opening balance	-2,350	-2,417
Acquisition of businesses	-7	-136
Sales/disposals	61	386
Reclassifications	-2	24
Depreciation for the year	-257	-227
Translation difference	79	20
Closing balance	-2,476	-2,350
Closing balance, net book value	1,150	1,058

Construction in progress and advances to suppliers concerning property, plant and equipment

Consolidated		
SEK millions	2023	2022
Accumulated acquisition values		
Opening balance	1,089	475
Purchases	1,145	915
New advances	507	173
Reclassifications	-414	-481
Translation difference	-237	7
Closing balance	2,090	1,089
Closing balance, net book value	2,090	1,089

Right-of-use asset real estate

Consolidated		
SEK millions	2023	2022
Accumulated acquisition values		
Opening balance	3,533	2,931
New or adjusted leases	410	422
Acquisition of businesses	-	167
Sales/disposal	-190	-192
Reclassifications	6	-30
Translation difference	-134	235
Closing balance	3,625	3,533
Accumulated depreciation		
Opening balance	-1,192	-773
Acquisition of businesses	-	-79
Sales/disposals	154	182
Reclassifications	18	-66
Depreciation for the year	-417	-384
Translation difference	49	-72
Closing balance	-1,388	-1,192
Closing balance, net book value	2,237	2,341

Right-of-use asset machinery

Consolidated		
SEK millions	2023	2022
Accumulated acquisition values		
Opening balance	74	65
New or adjusted leases	23	19
Sales/disposal	-20	-20
Reclassifications	-10	-1
Translation difference	-5	11
Closing balance	62	74
Accumulated depreciation		
Opening balance	-44	-41
Sales/disposals	23	18
Reclassifications	0	3
Depreciation for the year	-16	-18
Translation difference	1	-6
Closing balance	-36	-44
Closing balance, net book value	26	30

Right-of-use asset equipment, tools and installations

Consolidated		
SEK millions	2023	2022
Accumulated acquisition values		
Opening balance	369	314
New or adjusted leases	113	72
Acquisition of businesses	-	7
Sales/disposal	-56	-49
Reclassifications	-7	3
Translation difference	-7	22
Closing balance	412	369
Accumulated depreciation		
Opening balance	-211	-172
Acquisition of businesses	-	0
Sales/disposals	52	42
Reclassifications	6	0
Depreciation for the year	-71	-68
Translation difference	5	-13
Closing balance	-219	-211
Closing balance, net book value	193	158

Note 20. Other non-current assets

Shares in subsidiaries, joint ventures and other companies

SEK millions	Consolidated		Parent company	
	2023	2022	2023	2022
Shares in subsidiaries	-	-	4,669	4,669
Shares in joint ventures	262	205	-	-
Shares in other companies	280	270	-	-
Total	542	475	4,669	4,669

Alfa Laval does not hold any shares in unconsolidated structured entities.

The consolidated financial statements include the parent company Alfa Laval AB (publ) and the subsidiaries in which it has a decisive influence, which in all cases refer to companies where the parent company directly or indirectly had an ownership of more than 50 percent during the period. These are consolidated according to the purchase method and are referred to as subsidiaries. Most of the subsidiaries are owned to 100 percent and only 11 (11) companies have non-controlling interests, see Note 12. The subsidiaries are displayed in the table on pages 166–168. Since all consolidated companies are owned to more than 50 percent there is no risk that judgments if a decisive influence exists or not at ownerships below 50 percent means that companies from time to time are included or not included in the consolidation.

Alfa Laval also has interests in 5 (5) small joint ventures, out of which one has a fully owned subsidiary, that are consolidated according to the equity method since no decisive influence exists. These are displayed in a separate table on page 169. The risks associated with joint ventures are basically business oriented and are not materially different than the risks linked to subsidiaries, with one exception. The exception relates to the risk of disagreeing with the other joint venture partner concerning for instance larger investments, financing and future direction for market penetration and product development, which could result in a sub-optimal development of the operations. Since Alfa Laval's joint ventures are of marginal significance for the Group as a total this risk is judged to be small.

The share of capital in the below tables is in all cases the same as the share of voting rights.

The below specification of shares contains some simplifications, for instance in connection with ownership in multiple layers or when the ownership is split on several owners or at cross-holdings. This is in order not to unnecessarily burden the presentation. A complete specification of shares can be ordered by contacting Alfa Laval's head office in Lund.

Specification of shares in subsidiaries					
Company name	Registration number	Domicile	Number of shares	Share of capital %	Book value SEK millions
Alfa Laval Holding AB	556587-8062	Lund, Sweden	8,191,000	100	4,461
Alfa Laval NV		Maarsse, Netherlands	887,753	100	-
Alfa Laval Inc.		Newmarket, Canada	1,000,000	67	-
Alfa Laval S.A. DE C.V.		Tlalnepantla, Mexico	45,057,057	100	-
Alfa Laval S.A.		San Isidro, Argentina	1,223,967	95	-
Alfa Laval Ltda		Sao Paulo, Brazil	21,129,066	100	-
Framo do Brasil Ltda		Rio de Janeiro, Brazil	14,850	4.67	-
Alfa Laval SpA		Santiago, Chile	2,735	100	-
Alfa Laval S.A.		Bogota, Colombia	11,563	95	-
Alfa Laval S.A.		Lima, Peru	4,346,832	100	-
Alfa Laval Venezolana S.A.		Caracas, Venezuela	10,000	100	-
Alfa Laval Taiwan Ltd		Taipei, Taiwan	1,499,994	100	-
Alfa Laval (China) Ltd		Hong Kong, China	79,999	100	-
Alfa Laval (Jiangyin) Manufacturing Co Ltd		Jiang Yin, China		100	-
Alfa Laval Flow Equipment (Kunshan) Co Ltd		Jiangsu, China		30	-
Alfa Laval Flow Equipment (Kunshan) Co Ltd		Jiangsu, China		70	-
Alfa Laval (Shanghai) Technologies Co Ltd		Shanghai, China		100	-
Wuxi MCD Gasket Co Ltd		Jiang Yin, China		100	-
Tranter Heat Exchangers (Beijing) Co Ltd		Beijing, China		100	-
Liyang Sifang Stainless Steel Products Co., Ltd		Liyang City, China		65	-
Alfa Laval (Taicang) Technologies Co Ltd		Taicang City, China		100	-
Alfa Laval Iran Ltd		Teheran, Iran	32,983	100	-
Framo Korea Ltd		Busan, South Korea	20,000	100	-
Alfa Laval Philippines Inc.		Makati, Philippines	72,000	100	-
Alfa Laval Singapore Pte Ltd		Singapore	5,000,000	100	-
Alfa Laval (Thailand) Ltd		Bangkok, Thailand	1,199,999	100	-
Alfa Laval Technologies Equipment and Service Solutions LLC		Abu Dhabi, United Arab Emirates	100	100	-
Alfa Laval Middle East Ltd		Nicosia, Cyprus	40,000	100	-
Alfa Laval Arabia for Maintenance Company LLC		Jubali, Saudi Arabia	5,000	100	-
Alfa Laval Service Operations Qatar LLC		Doha, Qatar	9,800	49	-
Alfa Laval Benelux NV/SA		Brussels, Belgium	98,284	100	-
N.V. Desmet Belgium S.A.		Savatem, Belgium	146,540	100	-
Desmet Mexico Technologies S.A. de C.V.		Mexico City, Mexico	59,999	99.9	-
Desmet Argentina S.A.		Buenos Aires, Argentina	9,276,277	97.8	-
Desmet Brasil Ltda		Sao Paulo, Brazil	2,100,217	25	-
Desmet Brasil Ltda		Sao Paulo, Brazil	6,159,206	75	-
Desmet Ballestra (Shanghai) Co., Ltd.		Shanghai, China	9,144,505	100	-
Desmet India Corporation Private Limited		Bangalore, India	259,645	99.9	-
Desmet Engineering Center Private Limited		Bangalore, India	9,999	99.9	-
Desmet Malaysia Sdn. Bhd.		Shah Alam, Malaysia	1,000,000	100	-
Desmet Singapore Pte. Ltd.		Singapore	4,000,000	100	-
Desmet India Corporation Private Limited		Bangalore, India	1	0.1	-
Desmet Engineering Center Private Limited		Bangalore, India	1	0.1	-
Desmet Stolz France SAS		Wailly Beaucamp, France	168,819	100	-
Desmet Stolz Singapore Pte. Ltd.		Singapore	2	100	-
Desmet Stolz Vietnam LLC		Ho Chi Minh City, Vietnam	4,156,200,000	100	-
Desmet España Empresarial SA		Madrid, Spain	12,922,100	100	-
Desmet Mexico Technologies S.A. de C.V.		Mexico City, Mexico	1	0.1	-
Desmet Argentina S.A.		Buenos Aires, Argentina	207,259	2.2	-
Desmet Rosedowns Ltd		Hull, UK	23,408	100	-
Desmet Ballestra Rosedowns India Private Limited		Bangalore, India	9,900	99	-
Desmet Rosedowns GmbH		Eversen, Germany	54,252	80	-
Desmet Ballestra Rosedowns India Private Limited		Bangalore, India	100	1	-
Desmet Rus LLC		Moscow, Russia	1	100	-
Alfa Laval EOOD		Sofia, Bulgaria	100	100	-
Alfa Laval Slovakia S.R.O.		Bratislava, Slovakia		1	-
Alfa Laval Spol S.R.O.		Prague, Czech Republic		20	-
Alfa Laval Nordic OY		Espoo, Finland	20,000	100	-
Alfa Laval Benelux BV		Maarsse, Netherlands	20,000	100	-
Alfa Laval Rotterdam BV		Rotterdam, Netherlands	10,000	100	-
PHE Holding AB	556306-2404	Lund, Sweden	2,500	100	-
Tranter Heat Exchangers Canada Inc.		Edmonton, Canada	100	100	-
Tranter Indústria e Comércio de Equipamentos Ltda		Sao Paulo, Brazil	2,018,370	100	-
Tranter India Pvt Ltd		Pune, India	3,009,999	100	-
Alfa Laval India Pvt Ltd		Pune, India	1	0	-
Alfa Laval Korea Ltd		Seoul, South Korea	36,400	10	-
Alfa Laval Korea Holding Company Ltd		Chungnam, South Korea	13,318,600	100	-
Alfa Laval Korea Ltd		Seoul, South Korea	327,600	90	-
Alfa Laval Corhex Ltd		Daejeon, South Korea	50,000	100	-

Specification of shares in subsidiaries, continued

Company name	Registration number	Domicile	Number of shares	Share of capital %	Book value SEK millions
LHE Co. Ltd		Gim Hae, South Korea	4,104,000	90	-
LHE Co. Ltd		Gim Hae, South Korea	456,000	10	-
Tranter International AB	556559-1764	Vänersborg, Sweden	100,000	100	-
Multbran AB	556662-3988	Lund, Sweden	2,723	100	-
Alfa Laval India Pvt Ltd		Pune, India	1	0	-
Breezewind AB	556773-6532	Lund, Sweden	1,000	100	-
Alfa Laval India Pvt Ltd		Pune, India	1	0	-
Alfa Laval Corporate AB	556007-7785	Lund, Sweden	13,920,000	100	-
Alfa Laval S.A.		San Isidro, Argentina	64,419	5	-
Alfa Laval S.A.		Bogota, Colombia	609	5	-
Definox (Beijing) Stainless Steel Equipment Ltd		Beijing, China		100	-
Alfa Laval India Pvt Ltd		Pune, India	17,832,712	100	-
Tranter India Pvt Ltd		Pune, India	1	0	-
PT Alfa Laval Indonesia		Jakarta, Indonesia	16,250	100	-
Alfa Laval Malaysia Sdn Bhd		Shah Alam, Malaysia	10,000	100	-
Alfa Laval d.o.o.		Trzin, Slovenia		100	-
Alfa Laval Kolding A/S		Kolding, Denmark	40	100	-
Alfa Laval Nordic A/S		Rødovre, Denmark	1	100	-
Alfa Laval Copenhagen A/S		Søborg, Denmark	1	100	-
Alfa Laval Nakskov A/S		Nakskov, Denmark	242,713	100	-
Alfa Laval Aalborg A/S		Aalborg, Denmark	2,560,972	100	-
Alfa Laval Aalborg Indústria e Comércio Ltda		Petrópolis, Brazil	5,969,401	99.5	-
Alfa Laval Qingdao Ltd		Jiaozhou City, China		100	-
Alfa Laval Aalborg Oy		Rauma, Finland	3,000	100	-
Alfa Laval Nijmegen BV		Nijmegen, Netherlands	182	100	-
Alfa Laval Aalborg Header-coil Company A/S		Aalborg, Denmark	510,000	51	-
Alfa Laval Olmi SpA		Suisio, Italy	500,000	100	-
Alfa Laval Italy Srl		Milan, Italy		33.3	-
Alfa Laval Nordic AS		Oslo, Norway	100	100	-
Framo AS		Nesttun, Norway	95,347,695	100	-
Framo do Brasil Ltda		Rio de Janeiro, Brazil	303,002	95.33	-
Framo Shanghai Ltd		Shanghai, China		100	-
Framo Singapore PTE Ltd		Singapore	1,000,000	100	-
Framo Nederland BV		Spijkensisse, Netherlands	500	100	-
Framo Nippon KK		Tokyo, Japan	600	100	-
Framo Fusa AS		Fusa, Norway	86,236	100	-
Framo Holsnøy AS		Frekhaug, Norway	25,000	100	-
LiftUP AS		Eikelandsosen, Norway	106	100	-
Framo Flatøy AS		Frekhaug, Norway	45,330	100	-
Framo Services AS		Nesttun, Norway	10,000	100	-
PHE Holding AS		Nesttun, Norway	45,000	100	-
StormGeo AS		Bergen, Norway	125,960	100	-
StormGeo Ltd		Aberdeenshire, UK	1,000	100	-
StormGeo Japan KK		Tokyo, Japan	500	100	-
StormGeo Pte Ltd		Singapore	100,000	100	-
StormGeo Inc		Seoul, South Korea	40,000	100	-
StormGeo PH Inc		Makati City, Philippines	2,000	100	-
StormGeo Ltd		Hong Kong, China	100	100	-
StormGeo Denmark A/S		Søborg, Denmark	400,000	100	-
StormGeo FZ LLC		Dubai, United Arab Emirates	50	100	-
StormGeo AB	556761-9472	Stockholm, Sweden	10,000	100	-
StormGeo GmbH		Hamburg, Germany	25,000	100	-
StormGeo Brasil AS		Bergen, Norway	30,000	100	-
StormGeo do Brasil Servicos Meteorologicos Ltda		Rio de Janeiro, Brazil	150,000	100	-
ClimaTempo Participacoes SA		Sao Paulo, Brazil	1,733,181	89.66	-
Agência Brasileira de Meteorologia Ltda		Sao Paulo, Brazil	859,999	100	-
Climanet Serviços de Internet Ltda		Sao Paulo, Brazil	45,000	100	-
Somar Meteorologia Ltda		Sao Paulo, Brazil	790,000	100	-
Southern Marine Weather Services Ltda		Sao Paulo, Brazil	1,400,000	100	-
UAB StormGeo		Vilnius, Lithuania	2,500	100	-
Alfa Laval Nordic AB	556243-2061	Tumba, Sweden	1,000	100	-
Scanjet Holding AB	556705-2286	Sjöbo, Sweden	1,300	100	-
Scanjet Asia Pacific Pte Ltd		Singapore	200,000	100	-
PT Scanjet Production		Batam, Indonesia	417,400	100	-
Scanjet Service EOOD		Varna, Bulgaria	200	100	-
Maas Marine & Industrial Equipment BV		Rotterdam, Netherlands	40	100	-
Scanjet Ariston AS		Porsgrunn, Norway	780,000	100	-
Scanjet Production sp z oo		Lobes, Poland	100	100	-
Scanjet Marine & Systems AB	556291-2427	Sjöbo, Sweden	2,000	100	-
PSM Systems Ltd		Haywards Heath, UK	146,000	100	-
PSM Instrumentation Ltd		Haywards Heath, UK	600	100	-
Alfa Laval Treasury International (publ) AB	556432-2484	Lund, Sweden	50,000	100	-
Alfa Laval India Pvt Ltd		Pune, India	1	0	-
Alfa Laval Europe AB	556128-7847	Lund, Sweden	500	100	-
Alfa Laval Technologies AB	556016-8642	Lund, Sweden	100	100	-
Alfa Laval India Pvt Ltd		Pune, India	1	0	-

Specification of shares in subsidiaries, continued

Company name	Registration number	Domicile	Number of shares	Share of capital %	Book value SEK.millions
Alfa Laval International Engineering AB	556039-8934	Lund, Sweden	4,500	100	-
BeamTeam AB	559401-3517	Lund, Sweden	100,000	100	-
AO Alfa Laval Potok		Koroljov, Russia	31,092,939	100	-
Alfa Laval Makine Sanayii ve Ticaret Ltd Sti		Istanbul, Turkey	27,001,755	99	-
Alfa Laval SIA		Riga, Latvia	125	100	-
Alfa Laval Australia Pty Ltd		Homebush, Australia	2,088,076	100	-
Alfa Laval New Zealand Pty Ltd		Hamilton, New Zealand	1,000	100	-
Alfa Laval Holding BV		Maarsse, Netherlands	60,035,631	100	-
Alfa Laval (Pty) Ltd		Isando, South Africa	2,000	100	-
Alfa Laval SA (Pty) Ltd		Isando, South Africa	100	100	-
Alfa Laval Slovakia S.R.O.		Bratislava, Slovakia		99	-
Alfa Laval Spol S.R.O.		Prague, Czech Republic		80	-
Alfa Laval Holding SAS		Saint-Priest, France	2,000,000	100	-
Alfa Laval France & North West Africa SAS		Saint-Priest, France	606,700	100	-
Alfa Laval Moatti SAS		Elancourt, France	24,000	100	-
Alfa Laval Spiral SAS		Nevers, France	79,999	100	-
MCD SAS		Guny, France	71,300	100	-
Alfa Laval Vicarb SAS		Grenoble, France	200,000	100	-
Canada Inc.		Newmarket, Canada	480,000	100	-
Alfa Laval Inc.		Newmarket, Canada	481,600	33	-
SCI du Companil		Grenoble, France	32,165	100	-
Alfa Laval Packinox SAS		Courbevoie, France	348,115	100	-
Ziepack SA		Courbevoie, France	37,701	51	-
Tranter SAS		Nanterre, France		100	-
Definox SAS		Clisson, France	10,000	100	-
Alfa Laval Holding GmbH		Glinde, Germany	1	100	-
Alfa Laval Mid Europe GmbH		Wiener Neudorf, Austria	1	100	-
Tranter Wärmetauscher GmbH		Guntramsdorf, Austria		100	-
Alfa Laval Mid Europe GmbH		Glinde, Germany	1	100	-
Tranter GmbH		Artern, Germany	1	100	-
Alfa Laval Heat Exchanger Service GmbH		Frechen, Germany	1	100	-
Alfa Laval Mid Europe AG		Dietlikon, Switzerland	647	100	-
Alfa Laval Single Member SA		Koropi, Greece	807,000	100	-
Alfa Laval Kft		Budapest, Hungary	1	100	-
Alfa Laval SpA		Monza, Italy	1,992,276	99	-
Alfa Laval Italy Srl		Milan, Italy		66.7	-
WCR Benelux BV		Veenendahl, the Netherlands	180	100	-
Alfa Laval Polska Sp.z.o.o.		Warsaw, Poland	7,600	100	-
Alfa Laval Kraków Sp.z.o.o.		Krakow, Poland	80,080	100	-
Alfa Laval (Portugal) Ltd		Linda-A-Velha, Portugal		1	-
Alfa Laval SRL		Bucharest, Romania	38,566	100	-
Alfa Laval Iberia SA		Madrid, Spain	99,999	99.999	-
Alfa Laval (Portugal) Ltd		Linda-A-Velha, Portugal	1	99	-
Alfa Laval Holdings Ltd		Camberley, UK	14,053,262	100	-
Alfa Laval Ltd		Camberley, UK	11,700,000	100	-
Tranter Ltd		Doncaster, UK	10,000	100	-
Alfa Laval Eastbourne Ltd		Eastbourne, UK	10,000	100	-
Alfa Laval Makine Sanayii ve Ticaret Ltd Sti		Istanbul, Turkey	1	1	-
Alfa Laval USA Inc.		Richmond, Virginia, USA	1,000	100	-
Alfa Laval US Holding Inc.		Richmond, Virginia, USA	180	100	-
Alfa Laval Inc.		Richmond, Virginia, USA	44,000	100	-
Framo Houston Inc.		La Porte, Texas, USA	5,000	100	-
Desmet USA Inc		Marietta, Georgia, USA	500	100	-
Alfa Laval US Treasury Inc.		Richmond, Virginia, USA	1,000	100	-
AGC Heat Transfer Inc.		Bristow, Virginia, USA	1,000	100	-
Tranter Inc.		Wichita Falls, Texas, USA	1,000	100	-
MCD Gaskets Inc.		Richmond, Virginia, USA	1,000	100	-
Definox Inc.		New Berlin, Wisconsin, USA	1,000	100	-
StormGeo Holding Inc.		Houston, Texas, USA	100	100	-
StormGeo Inc		Houston, Texas, USA	1,000	100	-
StormGeo Corp. Inc		Sunnyvale, California, USA	542,554	100	-
Alfa Laval IC Disc Inc.		Richmond, Virginia, USA	1,000	100	-
Alfa Laval Ltda		Sao Paulo, Brazil	2	0	-
Tranter Indústria e Comércio de Equipamentos Ltda		Sao Paulo, Brazil	1	0	-
Alfa Laval Benelux NV/SA		Brussels, Belgium	2	0	-
Alfa Laval SpA		Monza, Italy	20,124	1	-
Alfa Laval Iberia SA		Madrid, Spain	1	0.001	-
Alfa Laval Ukraine		Kiev, Ukraine		100	-
Alfa Laval India Pvt Ltd		Pune, India	1	0	-
Alfa Laval Vietnam LLC		Ho Chi Minh City, Vietnam		100	-
Alfa Laval KK		Tokyo, Japan	1,200,000	100	208
Total					4,669

Specification of shares in joint ventures

Company name	Registration number	Domicile	Number of shares	Share of capital %	Book value SEK millions
Alfa Laval Holding AB					
Alfdex AB	556647-7278	Landskrona, Sweden	1,000	50	116
Alfdex Kunshan Co Ltd		Kunshan, China		100	20
Alfa Laval Corporate AB					
AlfaWall AB	556723-6715	Botkyrka, Sweden	500	50	13
AlfaWall Oceanbird AB	559333-0003	Botkyrka, Sweden	500	50	89
PHE Holding AS					
Stadion Laks AS		Norheimsund, Norway	17,630	50	24
Alfa Laval Ltd					
Rolls Laval Heat Exchangers Ltd		Wolverhampton, UK	5,000	50	0
Total					262

Specification of shares in other companies

Company name	Domicile	Number of shares	Share of capital %	Book value SEK thousands
Alfa Laval US Holding Inc.				
Malta Inc	USA	19,575,713	1915	226,683
Alfa Laval Inc.				
AMI Global LLC	USA		20	34,951
Alfa Laval Aalborg Indústria e Comércio Ltda				
Tractebel	Brazil	1,268		88
Elektrobras	Brazil	7,107		119
Alfa Laval Philippines Inc.				
Philippine Long Distance Telephone	Philippines	820		0
Alfa Laval Nordic OY				
As Oy Koivulantie 7A	Finland	1		343
Helsinki Halli	Finland	4		155
Framo Nederland BV				
Triangle (Air) Freight Forwarders BV	Netherlands	12	33	99
Framo Flatøy AS				
Gløde AS	Norway	8,960	5.4	27
Alfa Laval Technologies AB				
Smedhålsan Ekonomisk Förening	Sweden			61
Alfa Laval Corporate AB				
European Development Capital Corporation (EDCC) NV	Curacao	36,129		0
Multiprogress	Hungary	100	3	0
Kurose Chemical Equipment Ltd	Japan	180,000	11	0
Liquid Wind AB	Sweden	555,245	5.2	17,713
Poljopriveda	former Yugoslavia			0
Tecnica Argo-Industrial S.A.	Mexico	490	49	0
Adela Investment Co S.A. (preference)	Luxembourg	1,911	0	0
Adela Investment Co S.A.	Luxembourg	1,911	0	0
Mas Dairies Ltd	Pakistan	125,000	5	0
Total				280,239

None of these other companies with a share of capital of 20 percent or more are accounted for as associates since they are dormant or have very limited activities and Alfa Laval does not have a significant influence according to IAS 28 item 6.

Note 21. Inventories

Type of inventory		
Consolidated		
SEK millions	2023	2022
Raw materials and consumables	4,862	4,833
Work in progress	3,871	3,679
Finished goods & goods for resale, new sales	3,560	3,577
Finished goods & goods for resale, spare parts	1,975	2,112
Advance payments to suppliers	682	574
Total	14,950	14,775

A considerable part of the inventory for spare parts is carried at net realisable value.

Obsolescence related to inventories amounts to and has changed as follows:

Obsolescence						
Consolidated						
SEK millions	January 1	Translation difference	Acquired	Write down	Reversal of previous write down	December 31
År:						
2022	1,330	101	27	664	-413	1,709
2023	1,709	-51	-	312	-209	1,761

The Group's inventories have been accounted for after deduction for inter-company gains in inventory due to internal sales within the Group. The inter-company profit reserve at the end of 2023 amounts to SEK 731 (761) million.

Note 22. Accounts receivable

Accounts receivable with a maturity exceeding one year of SEK 125 (78) million have not been accounted for as non-current assets as they are not intended for permanent use.

Accounts receivable are reported net of provisions for bad debts. The provision for bad debts amounts to and has changed as follows:

Bad Debts								
Consolidated								
SEK millions	January 1	Translation difference	Acquired	New provisions and increase of existing provisions	Amounts used	Unused amounts reversed	Change due to discounting	December 31
Year:								
2022	316	35	64	198	-36	-82	0	495
2023	495	-15	-	161	-101	-70	0	470

The amount of accounts receivable being overdue is an indication of the risk the company runs for ending up in bad debts. The percentage is in relation to the total amount of accounts receivable.

Accounts receivable – overdue				
Consolidated				
SEK millions	2023	%	2022	%
Overdue:				
Maximum 30 days	1,017	9.9	949	9.7
More than 30 days but maximum 90 days	736	7.2	580	6.0
More than 90 days	745	7.2	671	6.9
Total	2,498	24.3	2,200	22.6

Provision for lifetime expected credit losses

Consolidated										
SEK millions	Relating to		Provision							
	Accounts and notes receivables / Other receivables		Recorded at inception		For credit risks that have increased significantly since initial recognition		Related to objective evidence of impairment		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Accounts and notes receivable										
Undue	8,541	8,388	5	7	17	9	45	57	67	73
Overdue 1-30 days	1,017	949	-	2	1	13	6	-	7	15
Overdue 31-60 days	565	433	-	-	8	7	5	4	13	11
Overdue 61-90 days	171	147	-	-	3	5	20	4	23	9
Overdue 91-365 days	521	418	-	-	88	109	33	26	121	135
Overdue >365 days	224	253	-	-	127	117	63	76	190	193
Total	11,039	10,588	5	9	244	260	172	167	421	436
Other receivables										
Contract assets	2,621	2,613	15	15	22	24	8	8	45	47
Financial lessor receivable	0	1	1	2	-	-	3	10	4	12
Total	2,621	2,614	16	17	22	24	11	18	49	59

Note 23. Other short-term receivables

Split on type and maturity		
Consolidated		
SEK millions	2023	2022
Notes receivable	336	435
Financial lessor receivable	0	1
Revenue recognition ahead of progress invoicing	2,576	2,566
Other receivables	2,460	2,336
Total	5,372	5,338
Of which, not due within one year:		
Notes receivable	0	0
Other receivables	13	32
Total	13	32

Other receivables relate to a wide range of other receivables, including balanced invoicing relating to satisfied performance obligations that have not yet been invoiced (where the revenue recognition is ahead of the progress invoicing), VAT receivables, receivables on governments for export incitements, receivables on personnel, rent receivables etc.

Note 24. Prepaid expenses and accrued income

Split on type		
Consolidated		
SEK millions	2023	2022
Prepaid expenses	544	450
Accrued income	34	45
Total	578	495

Note 25. Other current deposits

Split on type and maturity		
Consolidated		
SEK millions	2023	2022
Deposits with banks	586	187
Bonds and other securities	136	117
Other deposits	6	7
Total	728	311
Of which, not due within one year:		
Deposits with banks	32	41
Other deposits	0	0
Total	32	41

Note 26. Cash and cash equivalents

The item cash and cash equivalents in the statement on financial position and in the cash flow statement is relating to cash and bank deposits.

Note 27. Defined benefit obligations

The Group has defined benefit commitments to employees and former employees and their survivors. The benefits are referring to old age pension, survivor's pension, disability pension, health care and severance pay.

The defined benefit plans are in place in Austria, Belgium, France, Germany, India, Indonesia, Italy, Japan, Mexico, the Netherlands, Norway, Philippines, South Africa, Sweden, Switzerland, Taiwan, the United Kingdom and the United States. Most plans have been closed for new participants and replaced by defined contribution plans for new employees.

Risks

The cost for defined benefit obligations is impacted by several factors that are outside the control of the company, such as the discount rate, the return on plan assets, future salary increases, the development of the average length of life and the claim rates under medical plans. The size of and the development of these costs are therefore difficult to predict. According to the IAS 19 all of these remeasurements are reported in other comprehensive income.

The following table presents how the net defined benefit liability is arrived at out of the present values of the different defined benefit plans, less the fair value of the plan assets.

Net defined benefit liability		
Consolidated		
SEK millions	2023	2022
Present value of defined benefit obligation, unfunded	-926	-1,042
Present value of defined benefit obligation, funded	-4,357	-4,390
Present value of defined benefit obligation at year end	-5,283	-5,432
Fair value of plan assets	4,438	4,486
Net defined benefit liability	-845	-946
Less disallowed assets due to asset ceiling	-6	-45
(-) liability/(+) asset at December 31	-851	-991

The net plan cost for the defined benefit plans describes the different cost elements of the plans. The net plan cost is reported in the consolidated comprehensive income statement on the lines where personnel costs are reported. The interest cost/income is not part of the financial net, but instead just a way to categorize the components of the net plan cost. All remeasurements are reported in other comprehensive income and will never be reclassified to net income.

Total plan cost		
Consolidated		
SEK millions	2023	2022
Net plan cost		
Current service cost	-46	-25
Net interest cost/income	-31	-31
Past service cost/income from plan amendments and curtailments and gains and losses on settlements	109	15
Net plan (-) cost/(+) income	32	-41
Remeasurements		
Actuarial losses/gains arising from changes in demographic assumptions	46	14
Actuarial losses/gains arising from changes in financial assumptions	-159	1705
Actuarial losses/gains arising from changes in experience	41	-77
Return on plan assets less interest on plan assets	-48	-1269
Change in disallowed assets due to asset ceiling	-6	-45
Other comprehensive income (OCI)	-126	328
Total plan cost	-94	287

The following table presents how the present value of the defined benefit liability has changed during the year and lists the different components of the change.

Present value of defined benefit liability		
Consolidated		
SEK millions	2023	2022
Present value of defined benefit liability at January 1	-5,432	-6,762
Acquired businesses	-	-154
Translation difference	79	-297
Current service cost	-46	-25
Interest cost	-183	-124
Employee contributions	-1	-4
Actuarial losses/gains arising from changes in demographic assumptions	46	14
Actuarial losses/gains arising from changes in financial assumptions	-159	1,705
Actuarial losses/gains arising from changes in experience	41	-77
Past service cost/income from plan amendments and curtailments and gains and losses on settlements	109	15
Benefit payments	263	263
Settlement payments	0	14
(-) liability at December 31	-5,283	-5,432

The liability has the following duration and maturity:

Duration and maturity		
Consolidated		
	2023	2022
Weighted average duration of the defined benefit obligation (years)	6	7
Maturity analysis of benefit payments (non-discounted amounts) SEK millions		
maturity ≤ 1 year	272	263
maturity > 1 ≤ 5 years	1,120	1,015
maturity > 5 ≤ 10 years	1,592	1,574
maturity > 10 ≤ 20 years	3,029	3,057
maturity > 20 years	3,748	3,933

The following table presents how the fair value of the plan assets has developed during the year and lists the components of the change.

Fair value of plan assets		
Consolidated		
SEK millions	2023	2022
Fair value of plan assets at January 1	4,486	4,925
Acquired businesses	-	118
Translation difference	-81	177
Employer contributions	130	652
Employee contributions	1	4
Interest on plan assets	152	93
Return on plan assets less interest on plan assets	-48	-1,269
Benefit payments	-202	-202
Settlement payments	0	-12
Other	0	0
(+) asset at December 31	4,438	4,486

The plan assets are split on the following types of assets:

Split of plan assets		
Consolidated		
SEK millions	2023	2022
Cash and cash equivalents	379	612
Equity instruments	788	782
Debt instruments	2,174	1,976
Real estate	95	111
Investment funds	1,002	1,005
Fair value at December 31	4,438	4,486

The plan assets are in all essentials valued at quoted market prices in active markets.

The table below presents how the net defined benefit liability has changed and the factors affecting the change.

Net defined benefit liability/asset		
Consolidated		
SEK millions	2023	2022
Defined benefit liability/asset at January 1	-991	-1,837
Acquired businesses	-	-36
Translation difference	43	-120
Net plan cost	32	-41
Employer contributions	130	652
Remeasurements (other comprehensive income)	-126	328
Benefit payments, unfunded plans	61	61
Settlement payments, unfunded plans	0	2
Other	0	0
(-) liability/(+) asset at December 31	-851	-991

The gross plan assets and gross defined benefit liabilities of each plan are to be reported as a net amount. The following table shows how the net asset and the net liability are calculated.

Gross defined benefit liability/asset		
Consolidated		
SEK millions	2023	2022
Assets		
Fair value of plan assets	4,438	4,486
Less disallowed assets due to asset ceiling	-6	-45
	4,432	4,441
Netting	-4,193	-4,240
Assets in statement on financial position	239	201
Liabilities		
Present value of defined benefit obligation at year end	-5,283	-5,432
Netting	4,193	4,240
Provision in statement on financial position	-1,090	-1,192

The weighted averages for the more significant actuarial assumptions that have been used at the year-end are:

Actuarial assumptions		
Consolidated		
	2023	2022
Discount rate (%)	3.88	3.95
Expected average retirement age (years)	64	64
Life expectancy for a 45-year-old male (years)	81	81
Life expectancy for a 45-year-old female (years)	85	85
Claim rates under medical plans (%)	5	5
Expected rate of salary/wage increase (%)	3	3
Change in health care costs (%)	5	5
Index for future compensation increases (%)	2	2

Future contributions

Consolidated	
SEK millions	2024
Expected employer contributions to the plan for the next calendar year	-206
Expected employer contributions for the next calendar year to multi-employer plans reported as defined contribution plans	-104

The following table presents how the defined benefit pension schemes are distributed on different countries.

Regional split

Consolidated									
SEK millions, unless otherwise stated	United States	United Kingdom	Netherlands	Germany	Norway	Italy	Belgium	Other	Total
Net defined benefit liability									
Present value of the defined benefit obligation, unfunded	-454	-	-	-159	-9	-14	-	-290	-926
Present value of the defined benefit obligation, funded	-	-2,562	-553	-	-757	-	-187	-298	-4,357
Present value of the defined benefit obligation at year end	-454	-2,562	-553	-159	-766	-14	-187	-588	-5,283
Fair value of plan assets	-	2,619	554	-	817	-	187	261	4,438
Net defined benefit liability	-454	57	1	-159	51	-14	0	-327	-845
Less disallowed assets due to asset ceiling	-	-5	-1	-	-	-	-	-	-6
(-) liability/ (+) asset	-454	52	0	-159	51	-14	0	-327	-851
Net plan cost	19	-4	0	-6	-4	-1	-10	38	32
Remeasurements (OCI)	-29	-57	0	-2	-31	-	2	-9	-126
Sensitivity analysis*									
Discount rate decreased by 1% point	-39	-356	-93	-14	-93	-	-3	-171	-769
Life expectancy increased by 1 year	-12	-110	-18	-9	-7	-	0	-9	-165
Expected average retirement age decreased by 1 year	-7	-	-	0	0	-	0	2	-5
Claim rates under medical plans increased by 1% point	0	-	-	-	-	-	-	-	0
Expected rate of salary increases increased by 1% point	-	-21	-	-	-6	-	-8	-114	-149
Medical costs increased by 1% point	-1	-	-	-	-	-	-	0	-1
Index for future compensation increases increased by 1% point	-	-48	-30	-13	-90	-	-	-2	-183
Cost for actuarial services	-2	-4	0	0	0	0	0	-1	-7
Number of participants in the plans at December 31									
Current employees (active members)	1,067	32	10	5	48	-	141	3,211	4,514
Current employees (only vested value for closed plans)	-	-	24	4	-	96	-	7	131
Former employees that are not yet pensioners	-	302	310	2	-	-	161	-	775
Pensioners	678	680	117	198	412	-	-	65	2 150
Total	1,745	1,014	461	209	460	96	302	3,283	7,570
Remaining service period									
Average remaining service period for active members (years)	10	13	11	3	3	-	18	12	12

* How much would the present value of the defined benefit obligation at December 31 increase if the (all other things being equal):

Note 28. Other provisions

Movement schedule							
Consolidated							
SEK millions	January 1	Translation difference	Acquired	New provisions and increase of existing provisions	Amounts used	Unused amounts reversed	December 31
2022							
Claims & warranty	1,262	66	62	598	-757	-113	1,118
Deferred costs	170	11	-	119	-105	-13	182
Restructuring	143	6	-	597	-97	-23	626
Onerous contracts	70	5	-	90	-58	-11	96
Environmental	50	-	-	-	-	-	50
Litigations	184	3	-	59	-38	0	208
Other	344	40	-	197	-196	-51	334
Total	2,223	131	62	1,660	-1,251	-211	2,614
Of which:							
current	1,811						2,164
non-current	412						450
2023							
Claims & warranty	1,118	-31	4	541	-445	-106	1,081
Deferred costs	182	0	-	219	-169	-12	220
Restructuring	626	-51	-	59	-371	-49	214
Onerous contracts	96	-2	-	2	-79	-1	16
Environmental	50	-	-	-	-	-	50
Litigations	208	-3	-	117	-138	-13	171
Other	334	-15	-	187	-120	-44	342
Total	2,614	-102	4	1,125	-1,322	-225	2,094
Of which:							
current	2,164						1,757
non-current	450						337

Unused amounts reversed refer to, among other items, changed classifications and reversals of provisions made in prior years that have not been used.

Each type of provision entails everything from a few up to a large number of different items. It is therefore not practicable or particularly meaningful to specify the provisions item by item. As indicated above a clear majority of the provisions will result in disbursements within the next year.

Claims & warranty refers to claims from customers according to the conditions in issued warranties. The claims concern technical problems with the delivered goods or that promised performance has not been achieved.

Deferred costs are partly costs that are known but not yet debited at the time of invoicing, partly costs that are unknown but expected at the time of invoicing. The provision for deferred costs is charged to costs of goods sold in order to get a correct phasing of the gross margin.

Provisions for restructuring are usually relating to closure of plants or closure or move of production lines, businesses, functions etc. or reduction of the number of employees in connection with a downturn in the business climate. The provisions for restructuring are affecting approximately 6 (500) employees.

The provision for onerous contracts is relating to orders where a negative gross margin is expected. Provisions are made as soon as a final loss on the order can be expected. This can in exceptional cases happen already at the time when the order is taken. Normally this provision is relating to larger and complex orders where the final margin is more uncertain.

The provision for litigations refers to ongoing or expected legal disputes. The provision covers expected legal costs and expected amounts for damages or settlements.

Other refers to miscellaneous provisions that do not fall within any of the above categories.

Note 29. Borrowings and net debt

Net debt		
Consolidated		
SEK millions	2023	2022
Credit institutions	145	829
Swedish Export Credit	2,207	2,227
Handelsbanken	-	1,114
Commercial papers	-	892
Corporate bonds	10,921	10,000
Borrowings*	13,273	15,062
Cash and cash equivalents and current deposits	-5,863	-4,663
Net debt excluding lease liabilities***	7,410	10,399
Lease liabilities**	2,601	2,671
Net debt including lease liabilities***	10,011	13,070

* Equals the sum of the non-current and current liabilities to credit institutions etc in the statement of consolidated financial position, which is also displayed in the below table "Maturity of loans by currency".

** Equals the sum of the non-current and current lease liabilities in the statement of consolidated financial position.

*** Alternative performance measure.

The changes in the loans during the year are explained by the following table:

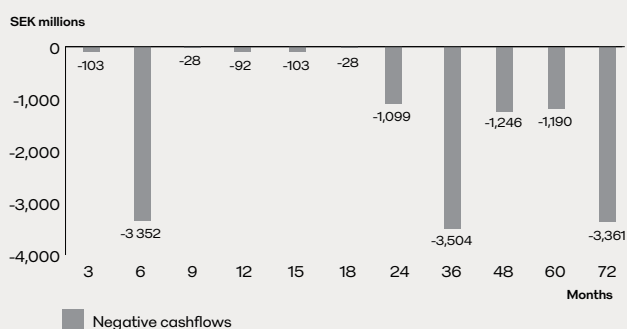
Loans				
Consolidated				
SEK millions	January 1	Cash flows	Exchange rate effects	December 31
Year:				
2022	8,244	5,971	847	15,062
2023	15,062	-1,696	-93	13,273

The loans are distributed among currencies as follows:

Maturity of loans by currency						
Consolidated						
SEK millions	Current		Non-current		Total	
	2023	2022	2023	2022	2023	2022
Currency:						
BRL	17	22	-	-	17	22
CAD	1	1	-	-	1	1
DKK	6	-	-	-	6	-
EUR	3,371	159	8,830	13,362	12,201	13,521
GBP	20	5	-	-	20	5
INR	8	2	-	-	8	2
NOK	-	3	-	-	-	3
PLN	21	116	-	-	21	116
SEK	-	1,392	999	-	999	1,392
Total	3,444	1,700	9,829	13,362	13,273	15,062
Of which, not due within five years:			3,315	4,461	3,315	4,461

The maturity structure of the loans is presented in the bar chart in the section "Liquidity risk and refinancing risk" under Financial risks.

Maturity analysis for loans



Loans with floating interest rate

Bilateral term loans with other lenders

Alfa Laval has two loans of EUR 100 million from Svensk Exportkredit that mature in 2027 and 2028 that accrue interest at a floating interest rate based on EURIBOR plus a margin.

The loan of EUR 100 million from Svenska Handelsbanken with maturity in June 2024, was repaid already on December 22, 2023.

The average interest rate for the loans with floating interest rate was 4.62 (2.21) percent at the end of 2023. The Group has chosen not to hedge the loans to fixed interest rate.

Loans with fixed rate

Loan from credit institutions

Alfa Laval has a revolving credit facility of EUR 700 million corresponding to SEK 7,736 million on December 31, 2023 with a banking syndicate. The facility has a maturity of five years from April 2023 and it includes a possibility to increase by EUR 200 million. When utilised, the interest is fixed based on the base rate for the currency of the individual loan plus a mark-up that depends on Alfa Laval's credit rating. At December 31, 2023 the facility was not utilised.

At year end the commitment fee on the un-utilised facility was 14.0 (14.0) basis points.

Corporate bonds

Alfa Laval has a Euro Medium Term Note (EMTN) programme of EUR 2,000 million. Under the programme, Alfa Laval has four tranches of corporate bonds listed on the Irish stock exchange. Three of them of EUR 300 million each that matures in June 2024, in February 2026 and in February 2029 respectively, whereas the fourth of SEK 1,000 million was raised in May 2023 and matures in November 2025.

At the end of 2023 the loans were accruing interest in the range of 0.250 % - 4.235 % (0.250 % - 1.375 %). The average interest rate at the end of 2023 was 1.14 (0.83) percent.

Commercial papers

The company's commercial paper programme is SEK 4,000 million with a duration of 1-12 months. It was not utilised at December 31, 2023. When commercial papers are issued, the interest rate is fixed at inception based on current interest level.

The average interest rate for the commercial papers is - (2.17) percent.

Transaction costs

The transaction costs in connection with raising the loans or issuing the bonds have been capitalised and are being amortised over the maturity of the loans. At the end of the year the capitalised amount was SEK 21 (31) million. The current year's cost for the fee amortisation is SEK -10 (-14) million.

Average interest duration

The average interest duration for all loans including derivatives is 25.7 (29.1) months at the end of 2023.

Financial covenants

The corporate bonds, the commercial papers and the loans from Svensk Exportkredit and the banking syndicate are not linked to any financial covenants that must be fulfilled throughout the life of the loans.

Note 30. Other current liabilities

Split by type		
Consolidated		
SEK millions	2023	2022
VAT liabilities, employee withholding taxes	231	222
Progress invoicing ahead of revenue recognition	2,455	2,076
Other non-interest bearing liabilities	3,410	2,971
Total	6,096	5,269

Note 31. Accrued costs and prepaid income

Split by type and maturity		
Consolidated		
SEK millions	2023	2022
Accruals for social security	342	382
Reserve for severance pay	51	264
Accrued interest expenses	118	91
Other accrued expenses	2,041	2,016
Prepaid income	84	17
Total	2,636	2,770
Of which, not due within one year:		
Accruals for social security	4	66
Reserve for severance pay	11	195
Other accrued expenses	137	146
Total	152	407

Note 32. Pledged assets and contingent liabilities

Split by type		
Consolidated		
SEK millions	2023	2022
Pledged assets		
Other pledges and similar commitments	9	9
Total	9	9
Contingent liabilities		
Discounted bills	10	15
Performance guarantees	2,030	1,606
Other contingent liabilities	1,142	1,407
Total	3,182	3,028

As of December 31, 2023, the Group had sold receivables with recourse totalling SEK 10 (15) million. These are disclosed as discounted bills above.

Other contingent liabilities are among other items referring to bid guarantees, payment guarantees to suppliers and retention money guarantees.

Note 33. Transactions with related party

Tetra Pak within the Tetra Laval Group is Alfa Laval's single largest customer with 5.4 (4.0) percent of net sales. In June 1999, Tetra Pak entered into a purchasing agreement with Alfa Laval that governs the distribution, research and development, market and sales information, use of trademarks and intellectual property. The following areas shall be agreed upon from time to time between representatives of the parties: products that are subject to the agreement, prices and discounts of such products, geographical markets and product areas where Tetra Pak is Alfa Laval's preferred distributor, the right of Tetra Pak to affix its trademarks to Alfa Laval products, sales goals for Tetra Pak in defined geographical markets, products and technologies that are the focus of joint research and development and the ownership rights of the research and development result and use of market and sales information. The agreement aims at the applications within liquid food where Tetra Pak has a natural market presence through the deliveries of packaging equipment and packaging material.

The agreement has a 12-month period of notice. The prices Tetra Pak receives are not lower than the prices Alfa Laval would obtain when selling to a comparable third party. The prices are fixed on a calendar year basis.

The Board of Directors of Alfa Laval AB (publ) has two members, Finn Rausing and Jörn Rausing, that are also members of the Tetra Laval Group Board.

At year-end, Alfa Laval has the following balance items against companies within the Tetra Laval group (Tetra Pak and DeLaval).

Receivables on/payables to related parties		
Consolidated		
SEK millions	2023	2022
Receivables:		
Accounts receivable	153	162
Liabilities:		
Accounts payable	47	-

Alfa Laval has had the following transactions with companies within the Tetra Laval group (Tetra Pak and DeLaval).

Revenues/expenses from related parties		
Consolidated		
SEK millions	2023	2022
Net sales	3,431	2,072

Note 34. Interests in joint ventures

Alfa Laval owns 50 percent in five different joint ventures: Rolls Laval Heat Exchangers Ltd with Rolls Royce as partner, Alfdex AB with Concentric as partner, Stadion Laks AS with Lingalaks AS partner and AlfaWall AB and AlfaWall Oceanbird AB with Wallenius as partner. Alfdex AB has a fully owned subsidiary Alfdex Kunshan Co Ltd. None of these joint ventures are of material importance and for that reason no disclosures are made of each individual joint venture. Instead, disclosures in aggregate are made on the carrying amount of Alfa Laval's interests in these individually immaterial joint ventures. See the below tables.

Since joint ventures as from 2014 are consolidated according to the equity method in IFRS 11 "Joint arrangements", the amounts in the following two tables are no longer part of Alfa Laval's statements over consolidated comprehensive income and consolidated financial position.

Assets/liabilities		
Joint ventures		
SEK millions	2023	2022
Current assets	380	331
Non-current assets	136	115
Current liabilities	168	148
Non-current liabilities	16	17
Contingent liabilities	-	-

Revenues/expenses		
Joint ventures		
SEK millions	2023	2022
Net sales	386	326
Cost of goods sold	-242	-204
Other operating income	87	95
Other operating costs	-165	-156
Financial net	1	1
Result before tax	67	62
Taxes	-14	-13
Net income	53	49
Other comprehensive income	-1	-1
Comprehensive income	52	48

Instead, the application of the equity method means that the net income in the joint ventures is booked into one line in the operating income. The counter entry is an increase or decrease of the value of shares in joint ventures. Received dividends reduce the value of the shares in joint ventures.

Interests in joint ventures		
Consolidated		
SEK millions	2023	2022
Opening balance	205	165
Acquisition/capital contribution	64	40
Comprehensive income	52	48
Received dividends	-59	-48
Shares in joint ventures	262	205

The effect on comprehensive income is the same as the net income.

Note 35. Leasing

Leasing disclosures						
Consolidated						
SEK millions	2023		2022			
Lessee						
Financial position						
Right-of-use assets	2,456		2,529			
Lease liabilities	2,601		2,671			
New or adjusted leases	546		513			
Income statement						
Depreciation	-504		-470			
Interest cost on lease liabilities	-94		-87			
Expenses						
Expense for not capitalised short-term leases	80		78			
Expense for not capitalised leases of low-value assets not included in above line	4		5			
Expense for not capitalised leases of low-value assets according to Alfa Laval's higher materiality thresholds not included in above lines	12		14			
Expense for variable lease payments not included in lease liabilities	9		5			
Cash flow						
Total cash outflow for all leases, including leases that are not capitalised, excluding non-lease components	831		678			
Lessor						
Financial position						
Financial lessor receivable	0		1			
Income statement						
Finance income	3		5			
Income from subleasing	1		0			
Income from variable lease payments not included in financial lessor receivable	-		-			
Lease income from operating leases	19		16			
- out of which variable lease payments not dependent on an index or a rate	-		-			
The leasing periods are between 1 and 25 years. The latter figure relates to a very limited number of properties. Normally the maximum leasing period is 10 years for buildings and 3-5 years for all other assets.						
The weighted average incremental borrowing rate used to discount the value of the lease liabilities during 2023 is 4.30 (3.77) percent.						
Maturity analysis of lease liabilities and receivables						
Consolidated						
	Lease payments by the lessee		Finance lease payments received by the lessor	Operating lease payments received by the lessor		
SEK millions	2023	2022	2023	2022	2023	2022
Maturity in year:						
2023	N/A	569	N/A	1	N/A	0
2024	642	512	-	-	-	0
2025	545	441	-	-	-	-
2026	446	353	-	-	-	-
2027	350	269	-	-	-	-
2028	262	N/A	-	N/A	-	N/A
Later	886	1,038	-	-	-	-
Total	3,131	3,182	-	1	-	0
Unearned finance income			-	-		
Discounted unguaranteed residual value			-	1		

Note 36. Revenue recognition from contracts with customer

Revenue recognition from contracts with customers		
Consolidated		
SEK millions	2023	2022
Income statement		
Net sales from:		
Contracts with customers	63,355	51,963
Leasing	243	172
Total net sales	63,598	52,135
Net sales from contracts with customers with a contract duration of:		
≤ 1 year	50,403	44,720
> 1 year	12,952	7,243
	63,355	51,963
Performance obligations towards customers satisfied:		
at a point in time	52,535	43,399
over time	10,820	8,564
	63,355	51,963
Additional information:		
Net sales:		
included in contract liability at January 1	6,336	3,905
from performance obligations satisfied or partially satisfied in previous periods	930	471
Amortisation of capitalised costs to obtain or fulfil contracts with external customers	-	-
Impairment losses	-	-
Assets		
Accounts and notes receivables, contracts with external customers	10,610	10,126
Accounts and notes receivables, external, other	8	26
Contract assets	2,576	2,566
Capitalised costs to obtain a contract with a customer	-	8
Capitalised costs to fulfil a contract with a customer	-	-
Liabilities		
Contract liabilities	10,430	8,710

Net sales per Business Division, per geography and per product is shown in Note 1, 2 and 3. Since contracts with customers account for 99.6 (99.7) percent of net sales and leasing only 0.4 (0.3) percent the figures are shown for total net sales in these notes and not separately for contracts with customers.

A contract asset is Alfa Laval's right to consideration in exchange for goods or services that Alfa Laval has transferred to a customer when that right is conditioned on something other than the passage of time (for example, Alfa Laval's future performance). It could be balanced invoicing relating to satisfied performance obligations that have not yet been invoiced (where the revenue recognition is ahead of the progress invoicing) and inventory linked to revenue recognised over time (like work in progress).

A contract liability is Alfa Laval's obligation to transfer goods or services to a customer for which Alfa Laval has received consideration (or the amount is due) from the customer. It could be advance payments and balanced invoicing relating to unsatisfied performance obligations that have been invoiced (where the progress invoicing is ahead of the revenue recognition).

Note 37. Remuneration policy for executive officers

The executive officers, i.e. the CEO and other members of Group Management reporting to the CEO, fall within the provisions of this policy. The policy must be adopted by the annual general meeting once every four years or when changed. The policy is forward-looking, i.e. applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the policy by the annual general meeting. This policy does not apply to any remuneration decided or approved by the general meeting. The below policy was adopted by the annual general meeting 2023.

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel, consequently it is necessary that the company offers market competitive remuneration.

For information regarding Alfa Laval's business strategy, please visit <https://www.alfalaval.com/investors/in-brief/#xaa>

This policy enables the company to offer the executive officers a competitive total remuneration. The remuneration shall be on market terms and may consist of the following components: fixed base salary, variable cash remuneration (including STI and LTIP), pension benefits and other benefits. The components, their purpose and link to the company's business strategy are described below.

The decision-making process to determine, review and implement the policy

The Board of Directors has established a Committee within the Board (the Remuneration Committee), with the tasks of preparing, within the Board of Directors, the policy for remuneration for executive officers. The Board of Directors shall propose a revised policy at least every fourth year and submit it to the general meeting. The policy shall be in force until a new policy is adopted by the general meeting.

Unless otherwise stated herein, the Board of Directors shall resolve on matters regarding remuneration and employment provisions for all other executive officers. The Board of Directors may delegate decision-making to the Remuneration Committee. The Committee shall continuously report to the Board of Directors. The CEO and the other executive officers shall not be present when their respective remuneration terms are decided.

Additionally, the general meeting may – irrespective of this policy – resolve on, among other things, share-related or share price-related remuneration.

Fixed Base Salary	
Purpose and link to strategy	Supports the attraction and retention of the best talents. Ensures competitiveness while controlling fixed costs to maximise efficiency.
Operational Details	– Normally reviewed annually and increases will usually be effective from 1 January or following a change in responsibilities. – The Remuneration Committee will consider, among other things, the following parameters when reviewing fixed base salary: – Economic and salary conditions and trends. – The individual's performance and responsibilities. – Base salaries and total remuneration at other companies that operate in the same markets, typically benchmarked against similar roles.
Variable Cash Remuneration	
A portion of the total remuneration for the executive officers is linked to business performance so that total remuneration will increase or decrease in line with performance, thus promoting the company's business strategy and long-term interests.	
Annual Short-Term Incentive (STI)	
Purpose and link to strategy	To incentivise and create focus on the delivery of annual financial and strategic criteria.
Operational Details	– The performance criteria, weighting and targets are to be determined annually. Targets shall be set by reference to the company's operating plan and historical and projected performance. – The outcome of criteria for awarding STI is to be measured over a period of one year and depend on the degree of fulfilment of predetermined targets. – The Board of Directors shall have the possibility, under applicable law or contractual provisions, subject to the restrictions that may apply under law or contract, to reclaim in whole or in part STI paid on incorrect grounds (so-called claw-back).
Opportunity Levels	The maximum opportunity for STI can amount up to 50 percent of fixed base salary. For the CEO the maximum opportunity can amount up to 60 percent of fixed base salary. The Remuneration Committee shall have the possibility to review the opportunity levels in order to ensure market competitiveness.
Performance criteria	The STI plan awards shall be based on mainly financial criteria. The criteria shall be designed so as to contribute to the company's business strategy and long-term interests.

Long-Term Incentive Plan (LTIP)

Purpose and link to strategy	Give extra focus on the long-term value creation for the shareholders.
Operational Details	– An annual grant of the LTIP, with a three-year performance period, can be decided by the Board of Directors each year. – Payment to the participants of the program is made after year three, provided, that they are still employed at the date of payment. – The Board of Directors shall have the possibility, under applicable law or contractual provisions, subject to the restrictions that may apply under law or contract, to reclaim in whole or in part LTIP paid on incorrect grounds (so-called claw-back). – In the event of a restructuring of the Company or any other extraordinary event which the Remuneration Committee considers will affect the value of an award, the method of calculating the proportion of the maximum value of the award which will be paid to a Participant on vesting may be adjusted in such manner as the Remuneration Committee shall determine to be fair and reasonable.
Opportunity Levels	For executive officers the maximum opportunity for LTIP can amount up to 40 percent of fixed base salary for each three-year performance period. For the CEO the maximum opportunity can amount up to 50 percent of fixed base salary for each three-year performance period.
Performance Criteria	The performance criteria of the LTIP are to be related to financial targets over a business cycle, including but not necessarily limited to, Operating margin (adjusted EBITA margin) and Net invoicing growth. Maximum outcome is awarded when the externally communicated long-term financial targets are clearly exceeded.

For retention or recruitment purposes or extraordinary performance beyond the individual's ordinary tasks the Remuneration Committee based on proposal of CEO, may decide on a specific cash remuneration. Such remuneration may not exceed an annual amount corresponding to 40 percent of fixed annual cash salary and may not be paid more than once each year per individual.

Pension Benefits

Purpose and link to strategy	Provide competitive and cost-effective pension benefits.
Operational Details	– Pension benefits shall be defined contribution (premium defined) unless the individual concerned is subject to defined benefit pension under mandatory collective agreement provisions. – Variable cash remuneration shall not qualify for pension benefits unless the executive officer is part of mandatory collective agreed provisions where this is stipulated. – Early retirement may be offered selectively and only after a special decision by the Remuneration Committee, with a defined contribution early retirement scheme. – For executive officers governed by rules other than Swedish, pension benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of this policy.
Opportunity Levels	The pension premiums for defined contribution pension shall amount to not more than 50 percent of the pensionable salary (for the CEO fixed annual base salary).

Other Benefits

Purpose and link to strategy	Provide competitive and cost-effective benefits.
Operational Details	– Other benefits may include but is not limited to life insurance, disability insurance and medical insurance/cover and a company car or car allowance. – For executive officers governed by rules other than Swedish, benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of this policy. – Executive officers who are international assignees (for example expatriates) to or from Sweden may receive additional remuneration and other benefits to the extent reasonable in light of the special circumstances associated with the international assignment arrangement, taking into account, to the extent possible, the overall purpose of this policy.
Opportunity Levels	Other benefits may amount to not more than 5 percent of the fixed annual cash salary and shall be set at a level which the Remuneration Committee considers to: – provide the relevant level of benefit depending on role and the individual circumstances, – be in line with comparable roles in companies with similar size and complexity in the local market, and – be appropriate compared to the benefits offered to the wider workforce in the local market.

Termination of employment

Details	– If notice of termination of employment is made by the company: – The notice period may not exceed twelve months. – Fixed cash salary during the period of notice and severance pay may together not exceed an amount equivalent to the fixed cash salary for two years. – When termination is made by the executive officer the period of notice may not to exceed six months without any right to severance pay. – Appropriate so-called good leaver/bad leaver principles are to be applied for STI and LTIP. – Repatriation – If the executive officer is an international assignee the company may reimburse reasonable cost for the repatriation of good leavers, taking into account, to the extent possible, the overall purpose of this policy. For executive officers governed by rules other than Swedish, payments in connection with termination may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of this policy.
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Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for this remuneration policy, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time. The development of the difference between the remuneration to executive officers and remuneration to other employees will be disclosed in the remuneration report.

Derogation from the policy

The Board of Directors may temporarily resolve to derogate from the policy, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the policy.

Note 38. Government grants

In 2023 Alfa Laval has received SEK 93 (9) million in government grants, out of which, SEK 72 (6) as employment or company support, SEK 12 (3) million as energy support and SEK 9 (0) million as investment support. Most of it relates to China and to some part Italy.

Note 39. Events after the closing date

The statements on financial position and the comprehensive income statements will be adopted at the Annual General Meeting of shareholders on April 25, 2024.

Note 40. Proposed disposition of earnings

The unrestricted equity in Alfa Laval AB (publ) is SEK:	
Profit brought forward	4,027,466,708
Repaid dividend	27,156
Net income 2023	5,265,821,931
	9,293,315,795

The Board of Directors propose a dividend of SEK 7.50 (6.00) per share corresponding to SEK 3,099,947,363 (2,479,957,890) and that the remaining income of SEK 6,193,368,432 (4,027,466,708) be carried forward.

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

True and fair view

The undersigned certify that the annual report for the Group and the Parent company has been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union, and generally accepted accounting principles respectively, and gives a true and fair view of the financial positions and results of the Group and the Parent company, and that the Board of Directors' report gives a fair review of the development of the operations, financial positions and results of the Group and the Parent company and describes substantial risks and uncertainties that the Group companies face.

Lund, March 17, 2024

Dennis Jönsson <i>Chairman</i>	Lilian Fossum Biner <i>Director</i>	Nadine Crauwels <i>Director</i>
Henrik Lange <i>Director</i>	Bror Garcia Lantz <i>Employee representative</i>	Ray Mauritsson <i>Director</i>
Anna Müller <i>Director</i>	Henrik Nielsen <i>Employee representative</i>	Johan Ranhög <i>Employee representative</i>
Finn Rausing <i>Director</i>	Jörn Rausing <i>Director</i>	Ulf Wiinberg <i>Director</i>
	Tom Erixon <i>President and CEO</i>	

Our Auditors' Report concerning this Annual Report has been issued on March 25, 2024.

Andreas Troberg <i>Authorised Public Accountant</i>	Karoline Tedevall <i>Authorised Public Accountant</i>
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Auditor's report

To the general meeting of the shareholders of Alfa Laval AB (publ), corporate identity number 556587-8054

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Alfa Laval AB (publ) for the year 2023. The annual accounts and consolidated accounts of the company are included on pages 101–183 and 188–190 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the consolidated financial position and parent company income and financial position for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Goodwill

Description

Book value of goodwill amounts to 25 069 MSEK per 31 December 2023 which corresponds to 31% of the group's total assets. The company evaluates whether the book value of goodwill exceeds its recoverable amount on an annual basis or upon indications of declining value. The recoverable amount is determined for each cash-generating unit through means of a calculation of net present value of future cash flows. Future cash flows are based on management's business plans and forecasts and includes various assumptions such as development in earnings, growth, investment needs and discount rates. If a decision is made to wind-up or dispose a business a separate impairment test is performed and a write down is recorded if the recoverable amount is lower than the recorded value for the business.

Changes to the assumptions could have a major impact on the calculation of the recoverable amount and the assumptions applied by the company are thus important to the assessment as to whether an impairment is present. We have thus determined valuation of goodwill to represent a key audit matter for the group.

A description of goodwill and the impairment tests is included in note 17.

How our audit addressed this key audit matter

During our audit we have evaluated and tested the company's process for the impairment test, for example by evaluating historic growth and current forecasts. We have also benchmarked with peer companies in order to evaluate the reasonableness of the valuation and, through support of our valuation specialists, evaluated the chosen discount rate and assumptions on long-term growth. We have also evaluated the company's model and method for executing the impairment test and made sensitivity analyses.

In our audit we have also examined whether the disclosures in the annual report are appropriate and in accordance with the assumptions applied by group management.

Other provisions

Description

Book value of other provisions in the group amounts 2 094 MSEK per 31 December 2023. The provisions amongst other relates to provision for expected expenses for warranties, litigation, restructuring and deferred costs, as expressed in note 28 Other provisions.

The provisions include assumptions about future outcome, primarily as it relates to amount, timing and magnitude of the final settlement. Provisions for this type of expenses are uncertain and are based on various assumptions made by the company. Changes to the assumptions upon which the provisions are based could have a major impact on the reported earnings.

How our audit addressed this key audit matter

We have obtained the group's documentation of the provisions. We have evaluated the provisions recorded and discussed the assumptions and risk assessments made by the company for each major provision in order to establish that the provisions are in compliance with applicable accounting standards. We have also followed up the provisions with legal assessments, documented decisions and historic outcome.

In our audit we have also examined whether the disclosures in the annual report are appropriate.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on 1–100. The remuneration report for the financial year 2023 also constitutes other information. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Alfa Laval AB (publ) for the year 2023 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Alfa Laval AB (publ) for the financial year 2023.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 *Examination of the ESEF report*. Our responsibility under this recommendation is described in more detail in the *Auditors' responsibility* section. We are independent of Alfa Laval AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with professional ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation of the Esef report, which is prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether financial performance, financial position, changes in equity and cash flow as well as notes in Esef report has if it has been tagged with iXBRL in accordance with the requirements of the EUSF Regulation.

Andreas Troberg, Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Alfa Laval AB by the general meeting of the shareholders on the 25th of April 2023 and has been the company's auditor since the 25th of April 2023.

Karoline Tedeval, Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Alfa Laval AB by the general meeting of the shareholders on the 25th of April 2023 and has been the company's auditor since the 23rd of April 2018.

Lund March 25, 2024

Ernst & Young AB

Andreas Troberg
Authorized Public Accountant

Karoline Tedeval
Authorized Public Accountant

Ten-year overview

Ten-year overview										
Consolidated										
SEK millions, unless otherwise stated	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Profit and loss										
Net sales	63,598	52,135	40,911	41,468	46,517	40,666	35,314	35,634	39,746	35,067
Comparison distortion items	-	-767	-192	-796	189	151	-	-1,500	-	-320
Operating income	9,256	6,519	6,126	5,580	7,198	5,831	4,589	2,989	5,717	4,667
Financial net	-606	-340	16	-603	23	65	-218	336	-273	-550
Result after financial items	8,650	6,179	6,142	4,977	7,221	5,896	4,371	3,325	5,444	4,117
Taxes	-2,269	-1,610	-1,341	-1,397	-1,713	-1,359	-1,383	-1,013	-1,583	-1,149
Net income for the year	6,381	4,569	4,801	3,580	5,508	4,537	2,988	2,312	3,861	2,968
Financial position										
Goodwill	25,069	26,258	22,480	19,080	21,112	20,537	19,775	20,436	19,498	20,408
Other intangible assets	4,553	5,159	3,441	2,204	3,134	3,873	4,692	5,946	6,556	7,898
Property, plant and equipment	11,769	10,710	9,075	8,321	8,943	5,732	4,851	4,940	4,773	5,004
Other non-current assets	2,668	2,666	3,216	3,633	2,081	1,958	1,654	2,100	1,804	2,092
Inventories	14,950	14,775	10,525	9,223	10,077	9,253	8,424	7,831	7,405	7,883
Current receivables	17,416	17,018	11,977	10,631	12,582	11,807	8,808	8,431	8,964	9,791
Current deposits	728	311	291	2,618	873	617	1,208	1,075	1,021	697
Cash and cash equivalents	5,135	4,352	3,356	5,150	5,594	4,295	3,137	2,619	1,876	2,013
TOTAL ASSETS	82,288	81,249	64,361	60,860	64,396	58,072	52,549	53,378	51,897	55,786
Equity	37,378	35,704	32,344	29,071	27,747	23,599	20,500	20,276	18,423	17,202
Provisions for pensions etc.	1,090	1,192	1,907	2,494	2,321	2,118	2,297	2,425	1,931	2,221
Provisions for taxes	2,372	2,293	1,838	1,553	1,662	1,945	2,100	2,722	2,925	3,074
Other non-current liabilities	1,863	2,139	1,928	2,259	2,571	802	677	636	521	660
Non-current loans	9,829	13,362	3,059	8,043	10,600	8,540	11,092	12,169	12,484	16,454
Current liabilities	29,756	26,559	23,285	17,440	19,495	21,068	15,883	15,150	15,613	16,175
TOTAL EQUITY & LIABILITIES	82,288	81,249	64,361	60,860	64,396	58,072	52,549	53,378	51,897	55,786

Changes in accounting standards

A reader of the ten-year overview should observe that accounting standards have changed repeatedly over this period of time. The major changes are the following.

During 2019 IFRS 16 "Leases" was implemented, which meant that right-of use assets and lease liabilities increased by SEK 2,766 million as per January 1, 2019 in connection with the initial application.

Ten-year overview

Consolidated

SEK millions, unless otherwise stated	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Key ratios										
Orders received	70,742	58,645	45,718	39,833	44,119	45,005	36,628	32,060	37,098	36,660
Order backlog at year end	45,325	37,020	22,954	18,969	21,551	23,168	18,289	16,870	20,578	22,293
EBITA	10,221	7,462	6,922	6,435	8,178	6,869	5,610	4,680	6,811	5,571
EBITDA	11,780	8,911	8,113	7,569	9,251	7,495	6,239	5,323	7,478	6,136
EBITA-margin %	16.1%	14.3%	16.9%	15.5%	17.6%	16.9%	15.9%	13.1%	17.1%	15.9%
EBITDA-margin %	18.5%	17.1%	19.8%	18.3%	19.9%	18.4%	17.7%	14.9%	18.8%	17.5%
Adjusted EBITA	10,221	8,229	7,114	7,231	7,989	6,718	5,610	5,553	6,811	5,891
Adjusted EBITDA	11,780	9,678	8,305	8,365	9,062	7,344	6,239	6,196	7,478	6,456
Adjusted EBITA-margin %	16.1%	15.8%	17.4%	17.4%	17.2%	16.5%	15.9%	15.6%	17.1%	16.8%
Adjusted EBITDA-margin %	18.5%	18.6%	20.3%	20.2%	19.5%	18.1%	17.7%	17.4%	18.8%	18.4%
Profit margin %	13.6%	11.9%	15.0%	12.0%	15.5%	14.5%	12.4%	9.3%	13.7%	11.7%
Excl. goodwill and step-up values:										
Capital turnover rate, times	3.4	3.5	3.8	3.9	4.4	7.4	5.7	8.6	10.6	7.9
Capital employed	18,509	15,087	10,839	10,751	10,649	5,474	6,201	4,146	3,734	4,447
Return on capital employed %	55.2%	49.5%	63.9%	59.9%	76.8%	125.5%	90.5%	112.9%	182.4%	125.3%
Incl. goodwill and step-up values:										
Capital turnover rate, times	1.3	1.2	1.2	1.2	1.3	1.3	1.1	1.2	1.3	1.3
Capital employed	48,753	43,060	34,677	33,678	35,550	30,729	31,698	30,663	31,512	27,259
Return on capital employed %	21.0%	17.3%	20.0%	19.1%	23.0%	22.4%	17.7%	15.3%	21.6%	20.4%
Return on equity %	17.6%	13.5%	15.8%	12.7%	21.3%	20.3%	13.9%	11.8%	21.7%	17.6%
Solidity %	45.4%	43.9%	50.3%	47.8%	43.1%	40.6%	39.0%	38.0%	35.5%	30.8%
Net debt *	10,011	13,070	7,024	3,635	8,175	6,985	8,200	9,619	11,688	15,068
Net debt to EBITDA, times *	0.85	1.47	0.87	0.48	0.88	0.93	1.31	1.81	1.56	2.46
Debt ratio, times *	0.27	0.37	0.22	0.13	0.29	0.30	0.40	0.47	0.63	0.88
Interest coverage ratio, times	23.1	27.9	38.4	27.3	32.8	39.3	28.4	24.5	22.3	18.2
Cash flow from:										
operating activities	9,169	3,291	5,264	7,723	5,223	4,883	4,463	4,979	5,850	5,123
investing activities	-2,687	-5,518	-5,025	-1,058	-1,027	-1,293	-721	-795	-710	-14,970
financing activities	-5,543	3,093	-2,081	-6,917	-2,945	-2,445	-3,159	-3,566	-5,229	10,250
Investments	2,440	1,853	1,229	1,232	1,337	1,490	675	617	674	603
Average number of employees	20,803	19,002	17,419	17,160	17,387	16,785	16,521	17,305	17,486	17,109
Earnings per share, SEK	15.31	10.89	11.38	8.47	13.08	10.77	7.09	5.46	9.15	7.02
Free cash flow per share, SEK **	16.50	3.52	9.71	15.76	9.28	8.38	9.09	10.49	12.40	10.96

* Lease liabilities have increased by SEK 2,766 million as per January 1, 2019 due to the initial application of IFRS 16 Leases, which affects the net debt at December 31, 2019.

** Free cash flow is the sum of cash flows from operating activities, investments and divestments of fixed assets.

Observe that certain financial measures above constitute alternative performance measures.



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Alternative performance measures and definitions

Alternative performance measures

An alternative performance measure is a financial measure of historical financial performance, financial position or cash flows, other than a financial measure defined or specified in the financial reporting framework.

In the annual report, the following alternative performance measures have been used (all of these alternative performance measures relate to actual historical figures and never to expected performance in future periods):

Measures to achieve full comparability over time

All of these concern the comparison distorting impact from above all amortisation of step-up values both over time and compared to external companies. For the same reasons adjustments are also made for comparison distortion items. How they are calculated is exhibited in the Income analysis table on page 120, except for the last one.

- **EBITA** or Earnings Before Interests, Taxes and Amortisation is defined as operating income before amortisation of step-up values. This measure of result is fully comparable over time independent of the financing costs and the amortisation of step-up values that from time to time burden the Group.
- **EBITA margin (%)** is defined as EBITA in relation to net sales and expressed in percent.
- **EBITDA** or Earnings Before Interest, Taxes, Depreciation and Amortisation is defined as operating income before depreciation and amortisation of step-up values. This measure of result is fully comparable over time independent of the financing costs, the depreciation and the amortisation of step-up values that from time to time burden the Group.
- **EBITDA margin (%)** is defined as EBITDA in relation to net sales and expressed in percent.
- **Adjusted EBITA** or Adjusted Earnings Before Interests, Taxes and Amortisation is defined as operating income before amortisation of step-up values, adjusted for comparison distortion items. This measure of result is fully comparable over time independent of the comparison distortion items, the financing costs and the amortisation of step-up values that from time to time burden the Group.
- **Adjusted EBITA margin (%)** is defined as Adjusted EBITA in relation to net sales and expressed in percent.
- **Adjusted EBITDA** or Adjusted Earnings Before Interest, Taxes, Depreciation and Amortisation is defined as operating income before depreciation and amortisation of step-up values, adjusted for comparison distortion items. This measure of result is fully comparable over time independent of the comparison distortion items, the financing costs, the depreciation and the amortisation of step-up values that from time to time burden the Group.
- **Adjusted EBITDA margin (%)** is defined as Adjusted EBITDA in relation to net sales and expressed in percent.
- **Adjusted gross profit** is defined as gross profit excluding amortisation of step-up values. This measure of result is fully comparable over time independent of the amortisation of step-up values that from time to time burden the Group.
- **Adjusted gross margin (%)** is defined as Adjusted gross profit in relation to net sales and expressed in percent.
- **Earnings per share, excluding amortisation of step-up values and the corresponding tax** is defined as net income attributable to the owners of the parent, excluding amortisation of step-up values and the corresponding tax divided by the average number of shares. The net income attributable to the owners of the parent is presented in the consolidated comprehensive income statement and the amortisation of step-up values is exhibited in the Income analysis table on page 120, while the corresponding tax is SEK 208 (159) million. This key figure is fully comparable over time independent of the amortisation of step-up values that from time to time burden the Group.

hensive income statement and the amortisation of step-up values is exhibited in the Income analysis table on page 120, while the corresponding tax is SEK 208 (159) million. This key figure is fully comparable over time independent of the amortisation of step-up values that from time to time burden the Group.

Measures to show how the Group is funded and manages its capital

- **Return on capital employed (%)** is defined as EBITA in relation to average capital employed, calculated on 12 months' revolving basis and expressed in percent. Capital employed is defined as total assets less liquid funds, other long-term securities, accrued interest income, operating liabilities and other non-interest-bearing liabilities, including tax and deferred tax, but excluding accrued interest costs. The measure shows how well the capital that is used in the operations is managed.
- **Net debt** is defined as interest-bearing liabilities and lease liabilities less cash and cash equivalents and current deposits. The calculation of net debt is exhibited in the Net debt table in Note 29. The measure shows the net financial indebtedness.
- **Net debt to EBITDA, times** is defined as Net debt in relation to EBITDA, calculated on 12 months' revolving basis and expressed as a multiple of EBITDA. This is one of the covenants of Alfa Laval's loans and an important key figure when reviewing the proposed dividend. EBITDA or Earnings Before Interest, Taxes, Depreciation and Amortisation is defined as operating income before depreciation and amortisation of step-up values.
- **Debt ratio, times** is defined as Net debt in relation to equity at the end of the period and expressed as a multiple of the equity. This is another measure of how the Group is funded.
- **Interest coverage ratio, times** is defined as EBITDA plus financial net increased by interest costs in relation to interest costs. Expressed as a multiple of interest costs. Gives an expression for the Group's ability to pay interest. The reason EBITDA is used as the starting point is that this forms the starting point for a cash flow perspective on the ability to pay interest. Financial items classified as comparison distorting are excluded from the calculation.
- **Free cash flow per share** is sum of cash flows from operating activities, investments and divestments of fixed assets for the year divided by the average number of shares. This represents the cash flow available for interest payments, acquisition of businesses and dividends to investors.

Definitions of other performance measures

- Net sales**
Revenues from goods sold and services performed that are part of the ordinary operations of the Group, after deduction for given discounts, value added tax and other tax directly linked to the sales.
- Comparison distortion items**
Items that do not have any link to the normal operations of the Group or that are of a non-recurring nature, where a reporting together with other items in the consolidated comprehensive income statement would have given a comparison distortion effect that would have made it difficult to judge the development of the ordinary operations for an outside viewer.
- Orders received**
Incoming orders during the year, calculated in the same way as net sales. The orders received give an indication of the current demand for the Group's products and services, that with a varying delay appear in net sales.

Order backlog at year-end

Incoming orders that not yet have been invoiced, translated at the current closing rate. The order backlog at the end of the year is equal to the sum of the order backlog at the beginning of the year plus the orders received during the year less the net sales for the year. It gives an indication of how the net sales can be expected to develop in the future.

Profit margin %

Result after financial items in relation to net sales, expressed in percent.

Capital turnover rate, times

Net sales in relation to average capital employed, expressed as a multiple of capital employed. Shown excluding and including goodwill, step-up values and the corresponding deferred tax liability.

Capital employed

Average total assets less liquid funds, other long-term securities, accrued interest income, operating liabilities and other non-interest-bearing liabilities, including tax and deferred tax, but excluding accrued interest costs. Shown excluding and including goodwill and step-up values and the corresponding deferred tax liability. Shows the capital that is used in the operations. The capital employed for the Group differs from the net capital for the operating segments concerning taxes, deferred taxes and pensions.

Return on equity %

Net income for the year in relation to average equity, expressed in percent.

Solidity %

Equity in relation to total assets, expressed in percent.

Cash flow from operating activities

Shows the Group's cash flow from operating activities, that is the cash flow generated in the daily operational activities.

Cash flow from investing activities

Shows the Group's cash flow from investing activities, i.e. the cash flow generated by mainly the Group's investments in fixed assets, divestments and acquisitions of businesses and divestments of real estate.

Cash flow from financing activities

Shows the Group's cash flow from financing activities, that is mainly dividends, increase and amortisation of loans and the cash flow components of the financial net.

Investments

Investments represent an important component in the cash flow for the Group. The level of investments during a couple of years gives a picture of the capacity build up in the Group.

Average number of employees

The number of employees is measured and reported as full time equivalents. The average number of employees is calculated based on the number of employees at the end of the last 5 quarters. The costs that are related to the number of employees represent a large part of the total costs for the Group. The development of the average number of employees over time in relation to the development of the net sales therefore gives an indication of the cost rationalisation that is taking place.

Earnings per share

Net income for the year attributable to the equity holders of the parent divided by the average number of shares.

Financial information

Alfa Laval uses a number of channels to provide information about the company's operations and financial development. The website – www.alfalaval.com/investors – is updated continuously with annual reports, quarterly reports, press releases and presentations. Annual reports are also sent to those shareholders who have notified the company that they wish to receive a copy. Conference calls with analysts, investors and the media are arranged by Alfa Laval in conjunction with the publication of the company's quarterly reports. A capital markets day is organized each year, during which representatives from the financial market are offered more in-depth information

regarding the company's operations. In addition, representatives of Group management meet with analysts, investors and journalists on an ongoing basis to ensure that they have correct and current information. Pursuant to the company's agreement with Nasdaq Stockholm, information that could have an effect on the share price and that is not yet publicly known is never disclosed in conjunction with these types of meetings or contacts. Alfa Laval employs a so-called silent period of three weeks prior to the publication of a quarterly report. The President and Chief Financial Officer do not meet or speak to representatives from the financial market during this period.

Financial information for fiscal year 2024

Alfa Laval will publish quarterly reports on the following dates in 2024:

First quarter report:	April 25, 2024
Second quarter report:	July 23, 2024
Third quarter report:	October 24, 2024
Year-end report:	Februari 5, 2025

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Annual General Meeting 2024

The Annual General Meeting of Alfa Laval AB (publ) will be held on Thursday, April 25, 2024, at 4.00 p.m. at Stadshallen, Stortorget 9, in Lund. Notice of the Annual General Meeting will be inserted as an announcement in the Swedish Official Gazette and on the company's website not more than six and not less than four weeks prior to the Meeting. An announcement that notification has been issued will be placed in Dagens Nyheter. As a service to existing shareholders, information about the Annual General Meeting can also be sent to them by mail. The following information concerning the Meeting does not constitute legal notice.

Notification of participation

A shareholder who wishes to attend the Annual General Meeting must be recorded as shareholder in the register of shareholders prepared by Euroclear Sweden AB relating the circumstances on April 17, 2024, and notify participation – no later than April 19, 2024 – in accordance with the

instructions in the notice. Shareholders may exercise their voting rights at the Annual General Meeting 2023 by voting in advance. A shareholder whose shares are held in the name of a nominee must, in addition to providing notification of participation, register its shares in its own name so that the shareholder is recorded in the share register relating to the circumstances on April 17, 2024. Please see the notice for more information.

Notification of participation shall be made to:

- Alfa Laval AB, Group Staff Legal, Box 73, SE-221 00 Lund, Sweden
- E-mail: arsstamma.lund@alfalaval.com
- Website: www.alfalaval.com
- Tel: +46 46 36 74 00 or +46 46 36 65 00.

Shareholders must state their name, personal identity number and telephone number on the notice of participation. If participation is by proxy, a power of attorney or authorization must be submitted to the company prior to the Meeting.

Meeting program

4:00 p.m. Start of Meeting

Dividend

The Board of Directors and the President propose that a dividend of SEK 7.50 per share be distributed to shareholders. The proposed record date for the dividend is Monday, April 29, 2024. If the Annual General Meeting approves the proposal, the dividend is expected to be distributed by Euroclear Sweden AB on Friday, May 3, 2024. The record date and dividend payment date may be postponed due to the technical procedures required for the execution of the payment.



This is Alfa Laval

Alfa Laval is active in the areas of Energy, Marine, and Food & Water, offering its expertise, products, and service to a wide range of industries in some 100 countries. The company is committed to optimizing processes, creating responsible growth, and driving progress – always going the extra mile to support customers in achieving their business goals and sustainability targets.

Alfa Laval's innovative technologies are dedicated to purifying, refining, and reusing materials, promoting more responsible use of natural resources. They contribute to improved energy efficiency and heat recovery, better water treatment, and reduced emissions. Thereby, Alfa Laval is not only accelerating success for its customers, but also for people and the planet. Making the world better, every day. It's all about *Advancing better™*.

How to contact Alfa Laval

Up-to-date Alfa Laval contact details for all countries are always available on our website at www.alfalaval.com