

ALFA  
LAW

# Eurobond Investor Presentation

- Business Overview
- Strategy
- Acquisition of Frank Mohn AS
- Eurobond Financing
- Appendix

Thomas Thuresson, CFO

Jonas Norlander, Group Treasurer

Alfa Laval Group

# Group overview

- \* Alfa Laval's operations are based on three key technologies for **heat transfer**, **separation** and **fluid handling**, which are of decisive importance for many industrial processes, helping customers to become more productive, energy-efficient and competitive
- \* Global leader in all three technology areas
- \* Products are used in industries that produce food, beverages, fuel, chemicals, pharmaceuticals, starch, sugar and ethanol. They are also used aboard vessels, in power plants, in the engineering industry, for treating sludge and wastewater, for comfort heating and cooling, and much more
- \* Dating back to 1883, today Alfa Laval has been listed on the NASDAQ OMX Stockholm exchange since May 2002
- \* Customers in more than 100 countries and 34 major production units across Europe, Asia, the US and Latin America
- \* BBB+ (stable outlook) S&P rating since 26 May 2014



# Alfa Laval in numbers

* Employees:	16,282
* Net sales:	SEK 29.8bn
* Adjusted EBITDA:	SEK 5.4bn
* Operating margin:	16.4%
* Free cash flow:	SEK 3.6bn
* Net debt / EBITDA:	0.48
* Net debt:	SEK 2.6bn / SEK 17.8bn*
* Market Cap*:	SEK ~72.2 bn, listed on NasdaqOMX in Stockholm
* 5 largest shareholders*	Tetra Laval (26.10%) Swedbank Robur Funds (6.30%) Alecta (6.00%) Foundation Asset Management (6.00%) Nordea Bank (5.27%)

Data as of YE2013 unless otherwise noted

\* as of 30 June 2014

[www.alfalaval.com](http://www.alfalaval.com)

# Alfa Laval in brief

- World leader in three key technologies

1 Heat transfer  
>30%\*



53% of sales

1 Separation  
25-30%\*



22% of sales

1 Fluid handling  
10-12%\*



11% of sales

*\*Share of the world market*

# Alfa Laval in brief

- 3 selling divisions, 12 customer-oriented segments

## Equipment

“Component” Driven

- \* Offers components for customers with a well-defined and regularly recurring need for Alfa Laval's products
- \* In most cases, sales are through third party contractors
- \* **4 Segments:** Sanitary, Industrial Equipment, OEM and Service
- \* 13.8% operating margin

32% of Orders

## Marine & Diesel

“Marine & Diesel Industry” Driven

- \* Offers products, solutions and systems in the areas of energy, the environment and safety for customers in the marine and offshore markets and landbased diesel power
- \* Sales through the Group's own sales organisation directly to customers
- \* **4 Segments:** Marine & Diesel Equipment, Marine & Offshore Systems, Marine & Offshore Pumping Systems and Service
- \* 19.1% operating margin

22% of Orders

## Process Technology

“Process Solution” Driven

- \* Serves customers that require customized solutions in the areas of heat transfer, separation or fluid handling in order to enhance the efficiency of their processes and boost their capacity
- \* Sales mainly through the Group's own sales companies directly to customers
- \* **4 Segments:** Process Industry, Energy & Environment, Food Technology and Service
- \* 17.9% operating margin

46% of Orders

# We serve most industries

Biofuels  
Biotech and pharmaceutical  
Chemicals  
Engine and transport  
Fluid power  
Food and beverages  
HVAC\*  
Industrial fermentation  
Latex  
Machinery  
Marine and diesel



Metal working  
Mining and mineral processing  
Oil and gas  
Oil refinery  
Power  
Pulp and paper  
Refrigeration and air-conditioning  
Semiconductor systems  
Steel and coke oven gas  
Sugar  
Wastewater treatment

\*Heating, ventilation and air conditioning

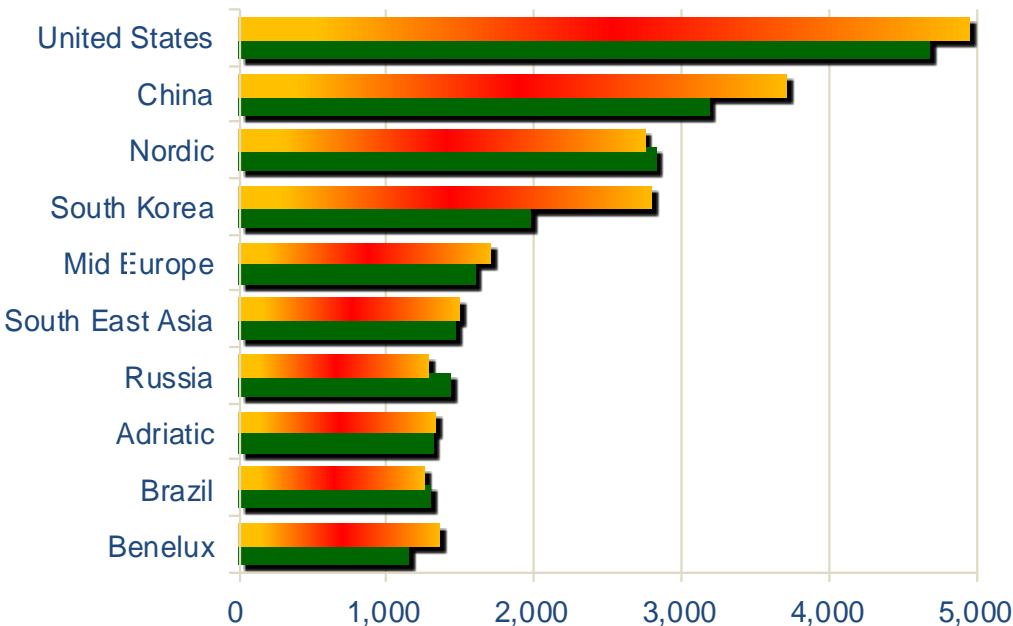
# Operations Division

- \* A shared supply chain that serves all three sales divisions
- \* Responsible for production-related procurement, manufacturing and distribution
- \* 34 major manufacturing units
- \* 8 distribution centres across N. America (1), Europe (3) and Asia (4)
- \* Direct material costs managed by long-term delivery commitments, customer price clauses and metal futures for strategic metals




# A global exposure

## Top 10 markets

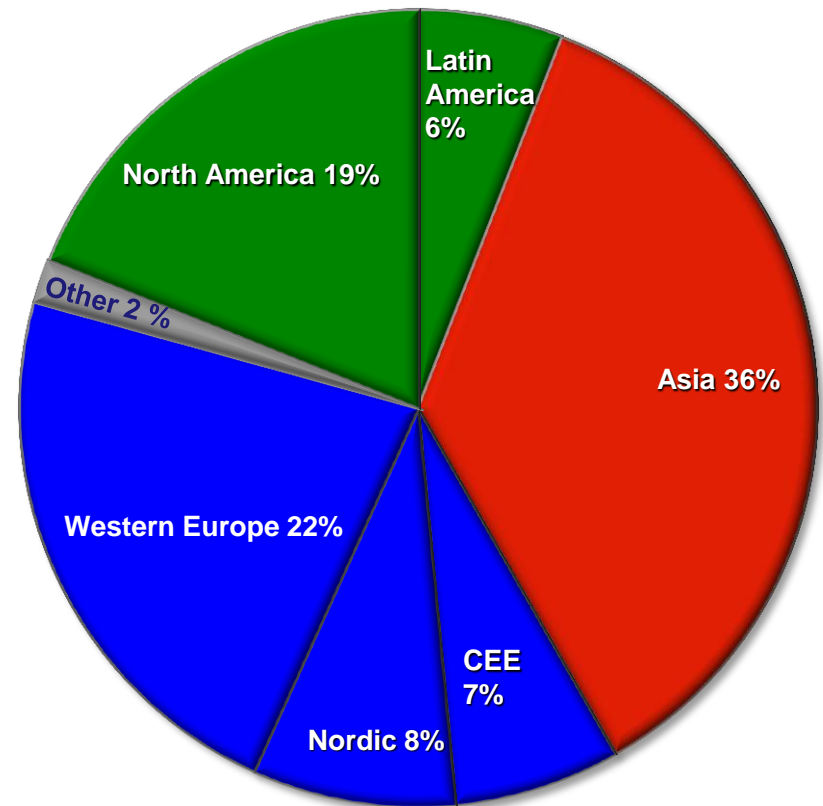


SEK million at prevailing rates

 = Rolling 12 months as per end of June

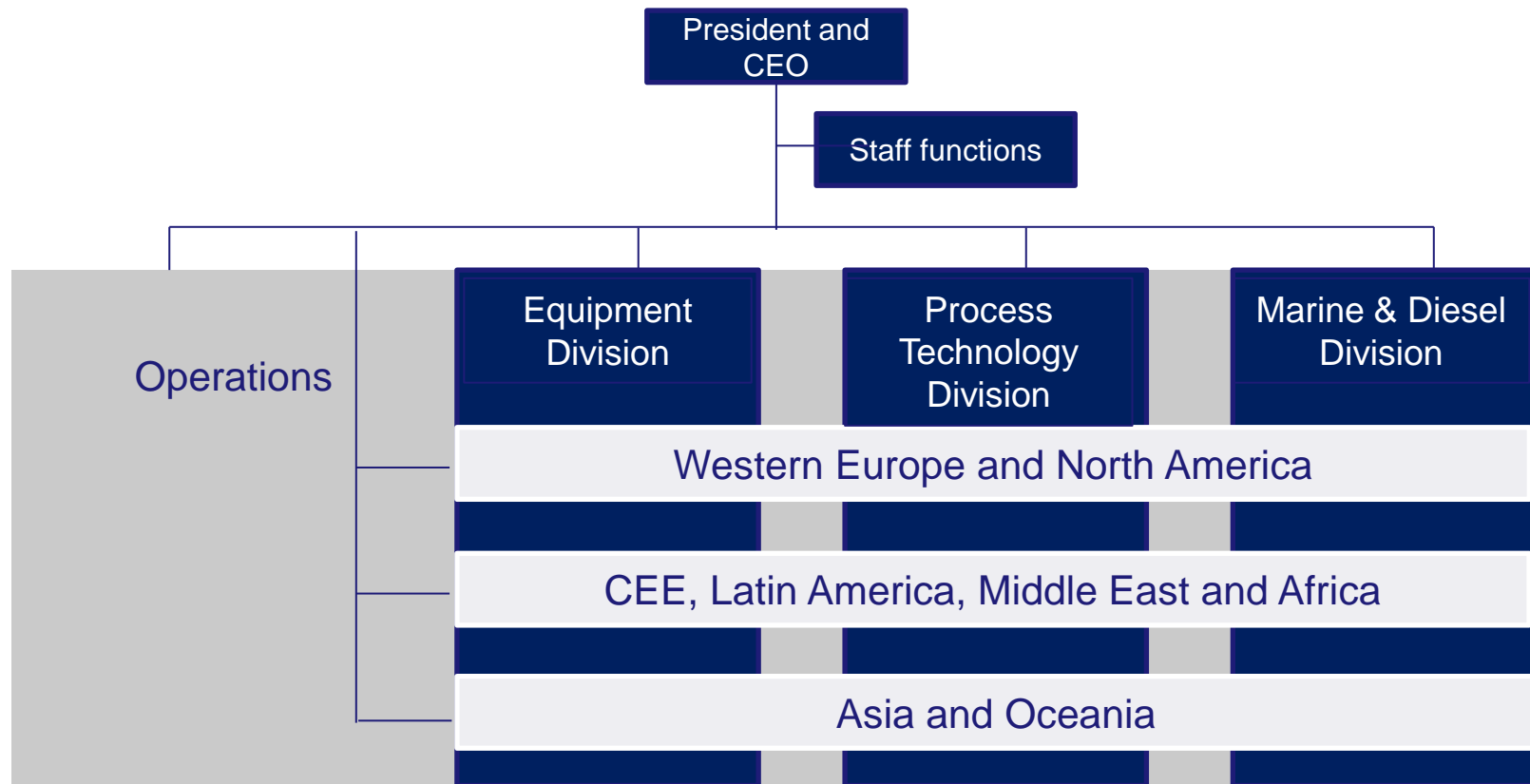
 = WY 2013

## H1 2014 Orders by region

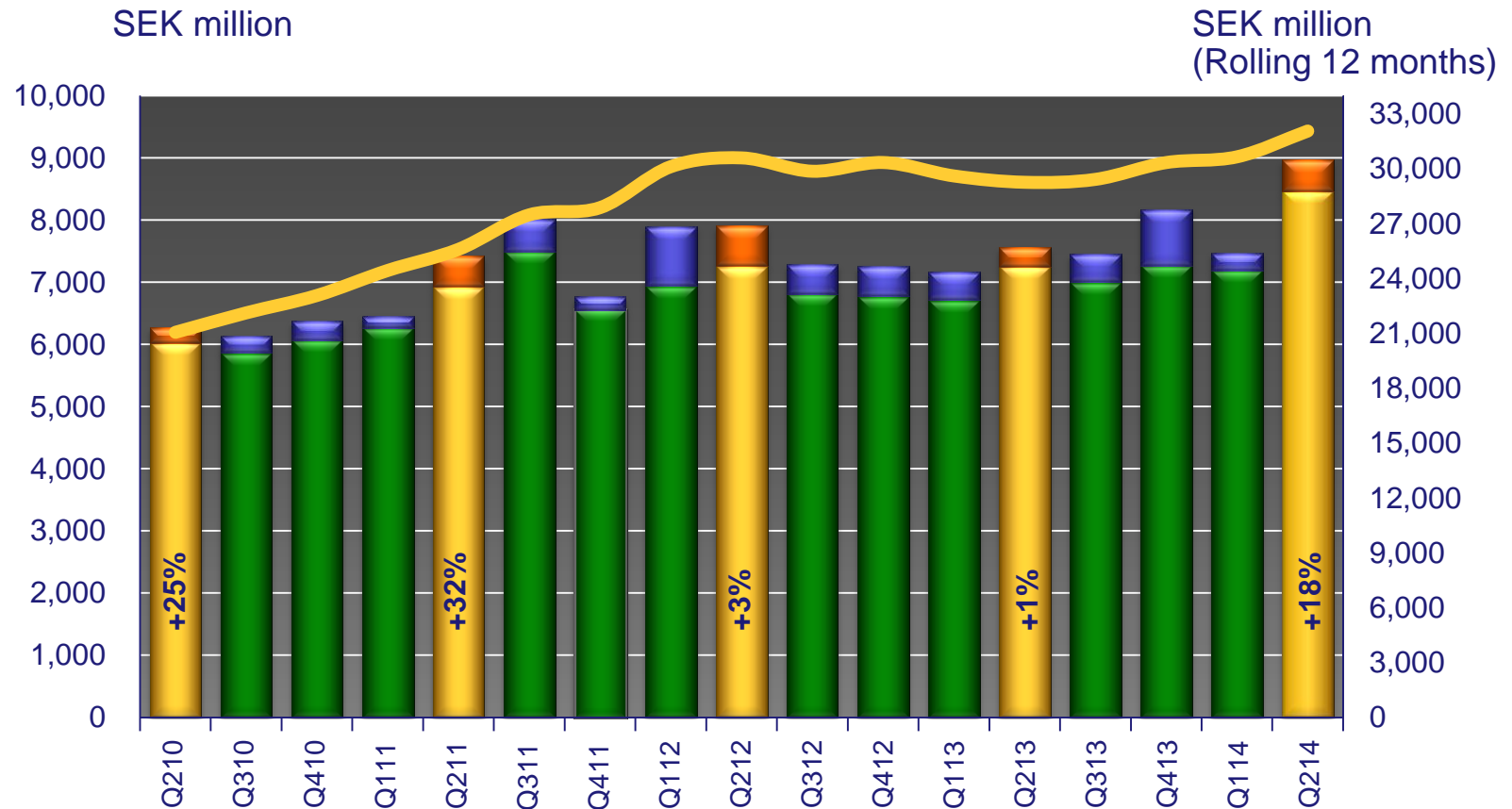






## Fast-growing regions = 49%

# Management structure



# Orders received



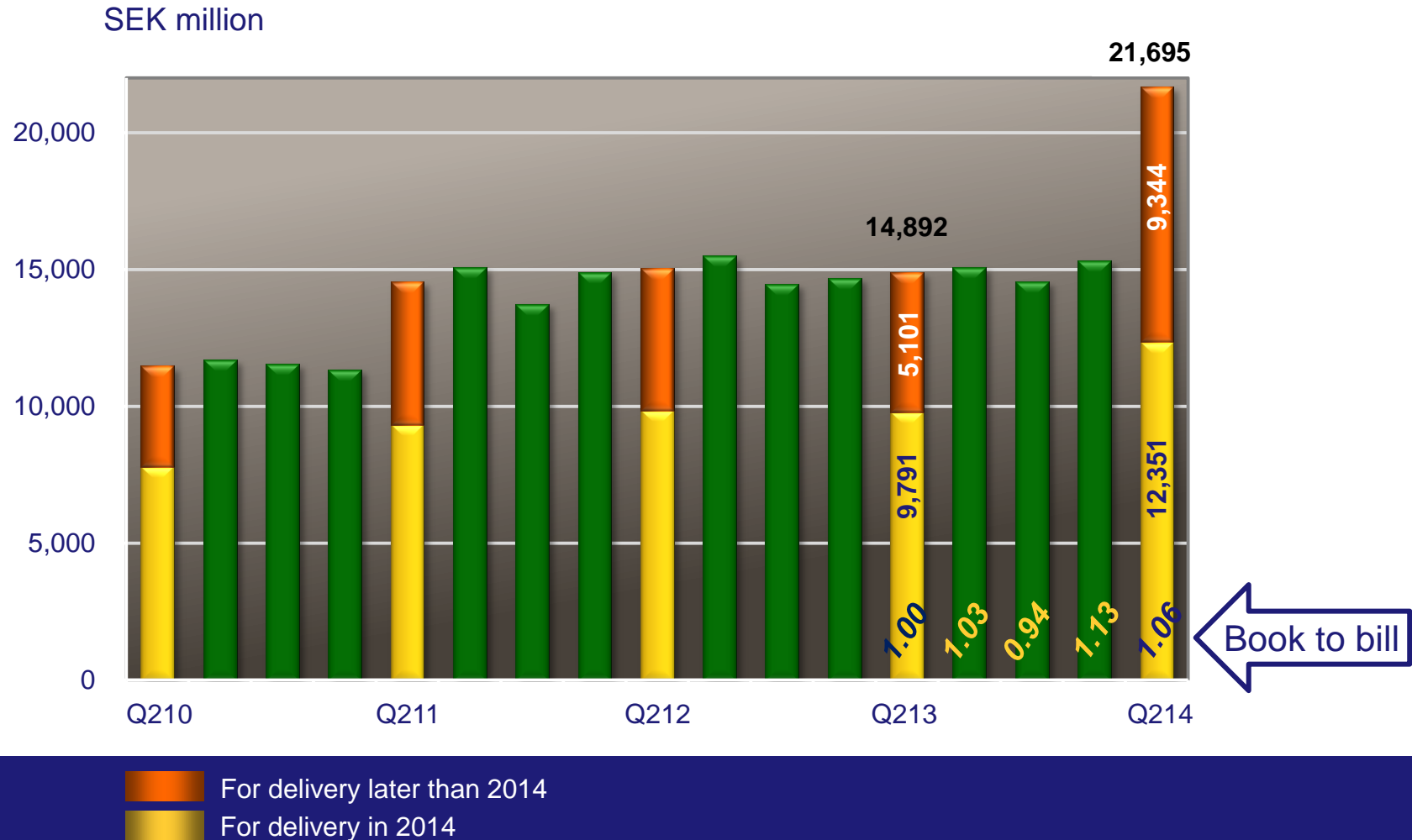
  = Order intake per quarter "large"  
  = Order intake per quarter

 = Rolling twelve months value

+XX% = % development at constant rates by quarter, year on year

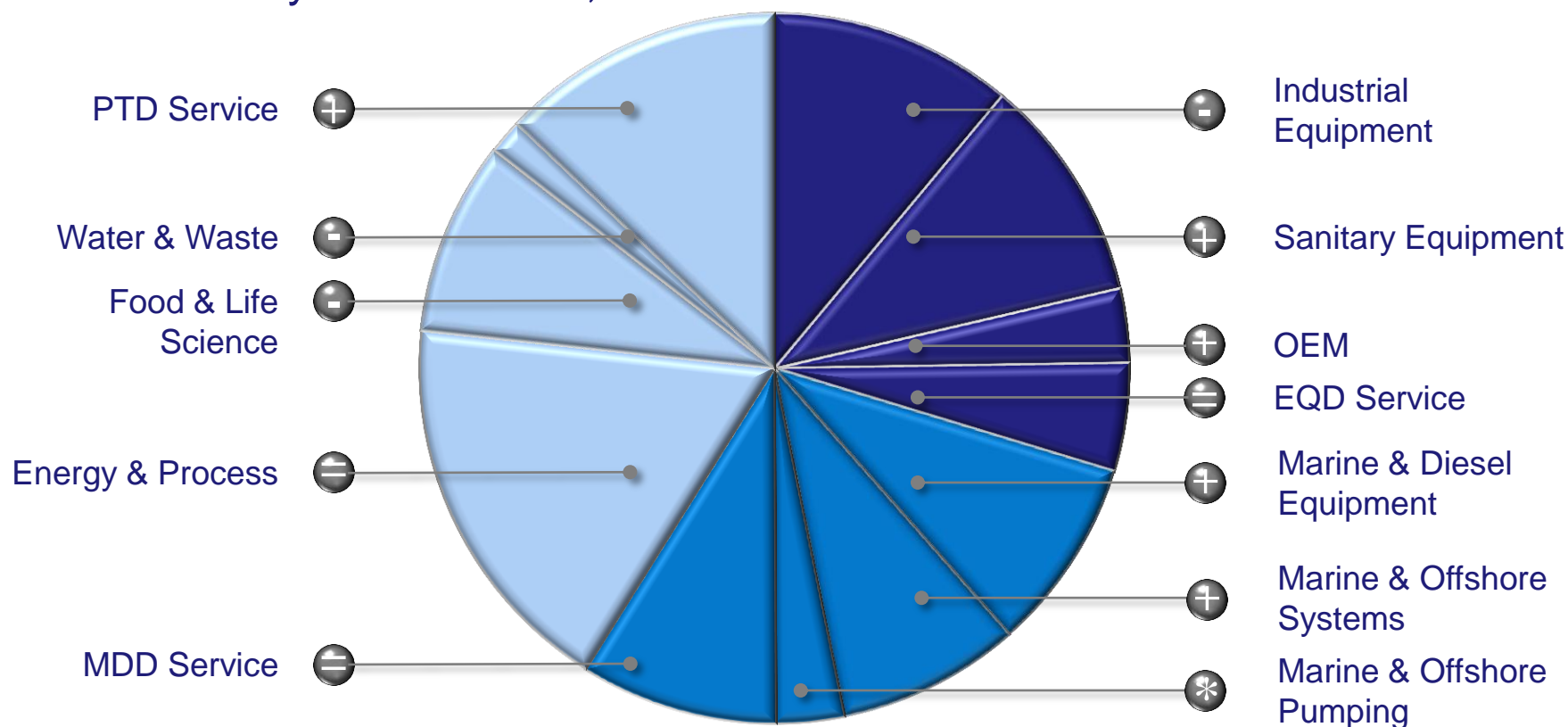
[www.alfalaval.com](http://www.alfalaval.com)

# Order backlog as per June 30



# Orders received by customer segment

January – June 2014, at constant rates and like for like



- Equipment division
- Marine & Diesel division
- Process Technology division

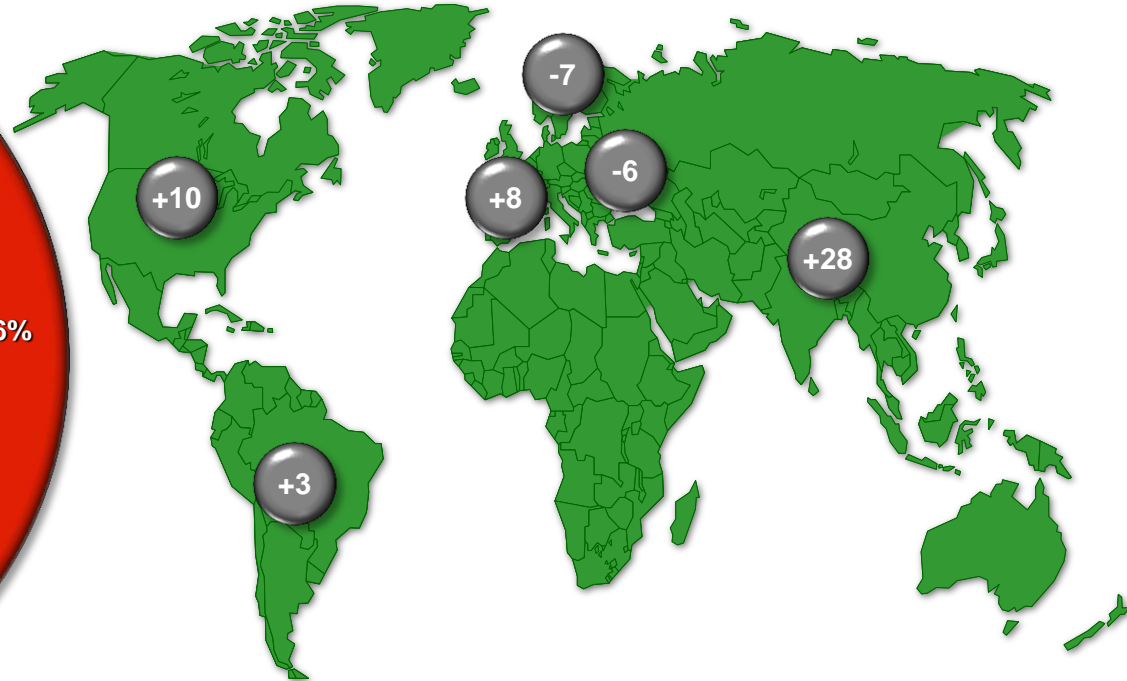
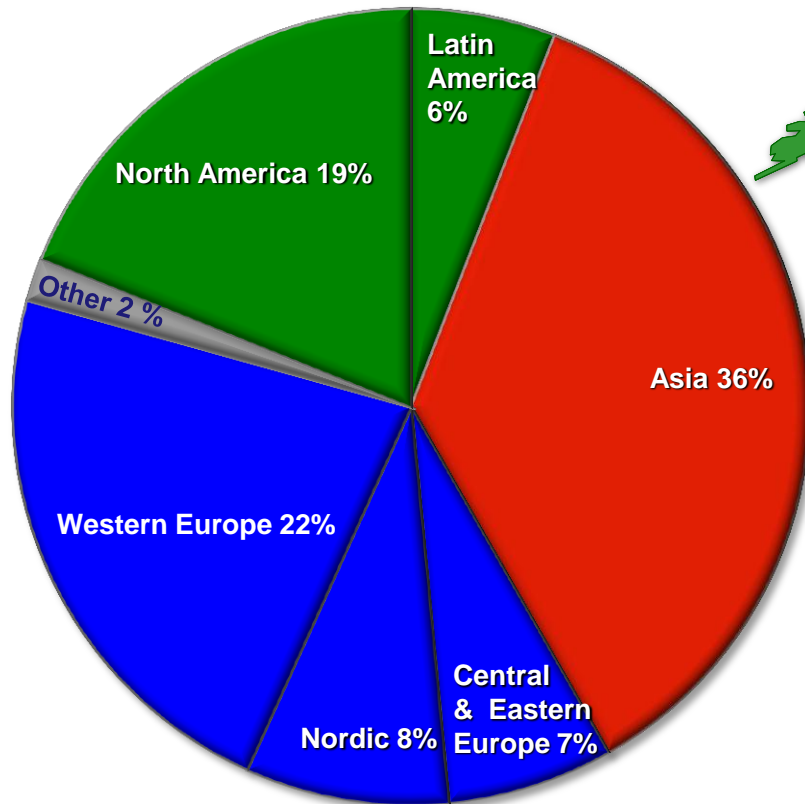
Year-on-year comparison

*Marine & Offshore Pumping Systems is a newly formed segment and therefore lack comparison numbers*

[www.alfalaval.com](http://www.alfalaval.com)

# Orders received by Region

January – June 2014, development at constant rates

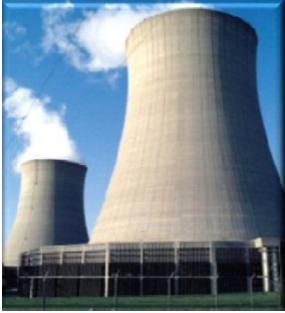


 Year-on-year comparison

# Eurobond Investor Presentation

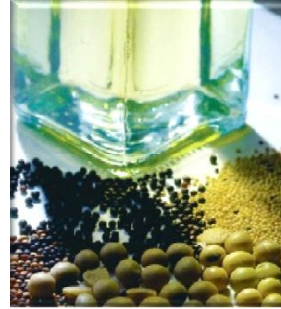
- Business Overview
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# Structural changes



## Energy demand

- \* Increased energy needs met through increased efficiency or production



## Improved living standards

- \* Accelerated urbanization driving changed eating and drinking habits and better quality food



## Environmental legislation

- \* Alfa Laval's products can reduce emissions, purify liquids and reduce water and energy consumption



## Globalization

- \* Increased demand for transportation
- \* Shipping the most cost-effective alternative

Global trends drive demand for Alfa Laval's products



# Long term strategies



## R&D

- \* Develop new products as well as improve existing
- \* >2,000 patents
- \* 2.5% of Sales invested p.a. generating between 35-40 new products



## Service

- \* Increase market share on our own installed base
- \* >100 service centres with local focus
- \* SEK8.1bn order intake in 2013 (up 33% vs. 2009)
- \* 26.8% of Group order intake



## Investments in faster-growing regions

- \* Faster-growing regions' share of order intake has grown from 34% in 2002 to 48% in 2013



## Multibrand strategy

- \* Separate channels with alternative offerings

# Priorities per Division

## Equipment Division



- Multiple sales channels
- E-commerce
- Service

## Marine & Diesel Division



- Environment
- Energy efficiency

## Process Technology Division



- Energy
- Environment
- Fast-growing regions

# Acquisition track record

Year	Name	Country	Business	Sales MSEK
2014	Frank Mohn	Norway	Manufacturer of submerged pumping systems to the marine and offshore markets	3,600
2013	Niagara Blower Co	US	Provider of air cooled heat exchangers to the North American oil and gas processing industries	425
2013	Snecma	France	Technology for a gas combustion unit. A safety equipment for Liquefied Natural Gas carriers	40
2012	Air Cooled Exchangers	US	Provider of air-cooled heat exchangers to the North American natural gas market	350
2012	Gamajet Cleaning Systems	US	Provider of tank cleaning equipment for the industrial and sanitary market in North America	75
2012	Ashbrook Simon-Hartley	US	Provider of belt filter presses, a complement and alternative to Alfa Laval's decanter range in the dewatering of municipal and industrial wastewater	500
2012	Vortex Systems	US	Supplier of mixing and blending equipment and solutions for the oil & gas industry	100

# Long-term financial targets

- \* **Invoicing growth:** Minimum average of 8% annually measured over a business cycle
  - 4.1% in 2013
- \* **Operating margin:** 15% measured over a business cycle
  - 16.4% in 2013
- \* **Return on capital employed:** At least 25%
  - 26.4% in 2013
- \* **Debt/Equity:** <75% in the long term, though may exceed 100% in connection with major acquisitions
  - 16% in 2013
- \* **Investments:** 2% of Sales
  - 1.7% in 2013
- \* **Cash flow from current operations\*:** 10% of Sales
  - 12.5% in 2013

\*including investments in fixed assets

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# Frank Mohn AS

- \* Frank Mohn AS, with the product brand FRAMO, is a leading manufacturer of pumping systems for the shipping and offshore oil and gas industries
- \* Global leader with subsidiaries on three continents and an excellent market position
- \* Activities in Bergen form a centre of excellence for marine and offshore pumping systems
- \* Frank Mohn AS has about 1,200 employees
- \* Strengthens Alfa Laval's fluid handling portfolio and reinforces its position as a leading supplier to the marine and offshore oil & gas markets
- \* Operating margin significantly above Alfa Laval average
- \* Synergies are expected to reach about NOK 120 million annually, gradually realized over a three-year period.

# Excellent fit



Sanitary

Industrial Eqt.

OEM

Marine &  
Diesel Eqt.

Marine &  
Offshore Sys.

Food

Energy &  
Environment

Process  
Industry

Service



Alfa Laval  
Key  
Technologies

Fluid  
Handling



Alfa Laval further strengthens its offer in fluid handling!



# Attractive structural growth drivers



**Frank MohnAS**



To optimise the performance of our customers' processes.  
Time and time again.

[www.alfalaval.com](http://www.alfalaval.com)



# Impact on Alfa Laval

Before and after

## Business divisions sales

	Actual	Pro-forma*
Equipment Division	32%	29%
Marine & Diesel Division	22%	30%
Process Technology Division	46%	41%

## Capital structure

	Actual	Pro-forma*
Debt / EBITDA	0.48	2.5
Debt / Equity	0.16	1.0

## P&L

SEKm	Actual	Pro-forma*
Orders received	30,335	36,845
Order backlog	14,568	20,477
Net invoicing	29,934	33,572

\* Significant increase in sales anticipated in 2014 based on Frank Mohn's AS large order backlog

\* Based on NOK/SEK of 1.06  
Pro-forma levels as of 31 Dec 2013

# Funding of the acquisition

Sources	SEK bn	Uses	SEK bn
Utilisation of existing EUR400m and USD544m credit facilities	1.9	NOK13bn cash purchase	~14.3*
EIB, EUR115m (maturity 2021)	1.1		
SEK, USD136m (maturity 2022)	0.9		
Commercial paper (maturity 2014)	1.0		
Partially utilised 18 month SEK12bn committed bridge loan	9.4		
Total:	14.3		

# Eurobond Investor Presentation

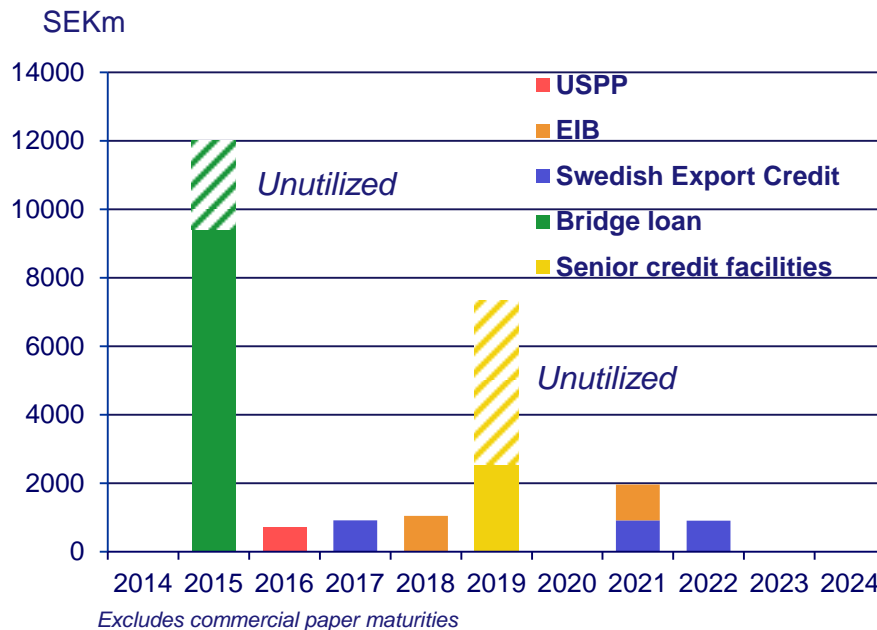
- Business Overview
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- Eurobond Financing
- Appendix - Financials

# Rating profile

## **S&P: BBB+ Stable**

- \* “We believe that Alfa Laval is well positioned to benefit from increasing demand for energy-efficient solutions
- \* Historical track record of robust cash flow generation
- \* Satisfactory customer, industry, and geographic diversity
- \* Strong liquidity supported by adequate cash balances and a multi-currency revolving facility
- \* ...we think the acquisition will meaningfully diversify Alfa Laval’s product lines and enlarge the company’s earning base
- \* Given Alfa Laval’s strong cash flow generation, we see some potential for a one-notch upgrade over the longer term”

# Debt maturity profile



Consolidated SEK millions	June 30 2014	December 31 2013*
Credit institutions	13,225	904
Swedish Export Credit	2,756	1,793
European Investment Bank	2,249	1,165
Private Placement	741	716
Commercial papers	998	-
Capitalised financial leases	78	84
Interest-bearing pension liabilities	0	0
<b>Total debt</b>	<b>20,047</b>	<b>4,662</b>
Cash, bank and current deposits	-2,279	-2,051
<b>Net debt</b>	<b>17,768</b>	<b>2,611</b>

\*Restated to IFRS 11

- \* EUR800m of bridge loan expected to be refinanced in the Euro bond market
- \* Limited debt maturities over next 5 years

# Credit highlights

- \* Market leading positions in 3 key technology positions
- \* Global presence with 49% of orders from fast-growing regions
- \* External factors driving demand for products in the areas of heat transfer, separation and fluid handling
- \* Diversified end market exposure
- \* Divisions based on customer segments for market penetration
- \* Aftermarket focus
- \* R&D investment to maintain leadership
- \* Local sales and production channels
- \* Strong history of cash generation
- \* Strong BBB+ investment grade rating

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# Key figures: last 5 years

Amounts in SEK million unless otherwise stated	+/- % <sup>6)</sup>	2013	2012	2011	2010	2009
Order intake	0	30,335	30,339	28,671	23,869	21,539
Net sales	0	29,934	29,813	28,652	24,720	26,039
Adjusted EBITDA <sup>1)</sup>	0	5,363	5,381	5,736	5,107	4,976
Adjusted EBITA <sup>2)</sup>	0	4,914	4,934	5,287	4,682	4,585
Operating margin (adjusted EBITA <sup>2)</sup> ), %		16.4	16.5	18.5	18.9	17.6
Profit after financial items	-8	4,172	4,529	4,676	4,364	3,760
Return on capital employed, %		26.4	27.4	31.3	37.4	33.6
Return on shareholders' equity, %		20.4	22.9	22.9	24.4	24.5
Earnings per share, SEK	-5	7.22	7.64	7.68	7.34	6.42
Dividend per share, SEK	7	3.75 <sup>3)</sup>	3.50	3.25	3.00	2.50
Equity per share, SEK	12	38.53	34.46	36.10	32.30	28.98
Free cash flow per share, SEK <sup>4)</sup>		7.81	0.78	-4.93	6.38	6.46
Equity ratio, %		46.3	41.3	43.9	50	46.7
Debt/equity ratio, %		16	30	22	-4	4
Number of employees <sup>5)</sup>	-1	16,308	16,419	16,064	12,618	11,390

1) Adjusted EBITDA – Operating income before depreciation, amortization of goodwill and amortization of other surplus values, adjusted for items affecting comparability.

2) Adjusted EBITA – Operating income before amortization of goodwill and other surplus 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 2012 and 2013.



# H1 2014 Income statement

## CONSOLIDATED COMPREHENSIVE INCOME

SEK millions	Second quarter		First six months		Full year	Last 12
	2014	2013 *	2014	2013 *	2013 *	months
Net sales	8,423	7,515	15,020	14,020	29,801	30,801
Cost of goods sold	-5,561	-4,806	-9,703	-8,959	-19,267	-20,011
Gross profit	2,862	2,709	5,317	5,061	10,534	10,790
Sales costs	-1,037	-934	-1,974	-1,813	-3,478	-3,639
Administration costs	-360	-330	-696	-636	-1,582	-1,642
Research and development costs	-201	-183	-389	-348	-702	-743
Other operating income **	106	77	206	185	476	497
Other operating costs **	-218	-242	-456	-421	-895	-930
Operating income	1,152	1,097	2,008	2,028	4,353	4,333
Dividends and changes in fair value	2	2	4	3	8	9
Interest income and financial exchange rate gains	184	27	270	149	358	479
Interest expense and financial exchange rate losses	-179	-157	-329	-284	-547	-592
Result after financial items	1,159	969	1,953	1,896	4,172	4,229
Taxes	-363	-325	-593	-549	-1,132	-1,176
<b>Net income for the period</b>	<b>796</b>	<b>644</b>	<b>1,360</b>	<b>1,347</b>	<b>3,040</b>	<b>3,053</b>

## CONSOLIDATED COMPREHENSIVE INCOME

SEK millions	Second quarter		First six months		Full year	Last 12
	2014	2013 *	2014	2013 *	2013 *	months
Other comprehensive income:						
Items that will subsequently be reclassified to net income						
Cash flow hedges	-80	-54	1	-85	13	99
Translation difference	417	254	526	71	39	494
Deferred tax on other comprehensive income	37	26	-5	17	-14	-36
Sum	374	226	522	3	38	557
Items that will subsequently not be reclassified to net income						
Revaluations of defined benefit obligations	0	0	0	0	234	234
Deferred tax on other comprehensive income	0	0	0	0	-81	-81
Sum	0	0	0	0	153	153
<b>Comprehensive income for the period</b>	<b>1,170</b>	<b>870</b>	<b>1,882</b>	<b>1,350</b>	<b>3,231</b>	<b>3,763</b>
<b>Net income attributable to:</b>						
Owners of the parent	792	641	1,354	1,342	3,027	3,039
Non-controlling interests	4	3	6	5	13	14
Earnings per share (SEK)	1.89	1.53	3.23	3.20	7.22	7.25
Average number of shares	419,456,315	419,456,315	419,456,315	419,456,315	419,456,315	419,456,315
<b>Comprehensive income attributable to:</b>						
Owners of the parent	1,167	865	1,875	1,335	3,212	3,752
Non-controlling interests	3	5	7	15	19	11

\* Restated to IFRS 11, see page 25.

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

# H1 2014 Balance sheet

## CONSOLIDATED FINANCIAL POSITION

SEK millions	June 30 2014	December 31 2013 *	December 31 2013 *	Opening balance January 1 2013
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	28,284	13,964	13,643	13,599
Property, plant and equipment	4,962	3,769	3,785	3,812
Other non-current assets	1,427	1,341	1,447	1,535
	34,673	19,074	18,875	18,946
<b>Current assets</b>				
Inventories	7,624	6,636	6,312	6,170
Assets held for sale	-	-	-	9
Accounts receivable	6,301	5,245	5,039	5,195
Other receivables	2,839	2,762	2,413	2,503
Derivative assets	164	208	219	325
Other current deposits	614	598	605	422
Cash and bank **	1,665	1,377	1,446	1,389
	19,207	16,826	16,034	16,013
<b>TOTAL ASSETS</b>	<b>53,880</b>	<b>35,900</b>	<b>34,909</b>	<b>34,959</b>

SEK millions	June 30 2014	December 31 2013 *	December 31 2013 *	Opening balance January 1 2013
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Owners of the parent	16,389	14,206	16,087	14,392
Non-controlling interests	95	71	75	61
	16,484	14,277	16,162	14,453
<b>Non-current liabilities</b>				
Liabilities to credit institutions	7,540	5,232	2,813	4,679
Private placement	741	739	716	714
Provisions for pensions and similar commitments	1,607	1,708	1,494	1,727
Provision for deferred tax	2,746	1,773	1,758	1,931
Other provisions	470	558	423	466
	13,104	10,010	7,204	9,517
<b>Current liabilities</b>				
Liabilities to credit institutions	10,690	450	1,049	610
Accounts payable	2,769	2,461	2,388	2,327
Advances from customers	3,863	2,409	2,027	2,121
Other provisions	1,548	1,648	1,539	1,603
Other liabilities	5,191	4,305	4,306	4,141
Derivative liabilities	231	340	234	187
	24,292	11,613	11,543	10,989
Total liabilities	37,396	21,623	18,747	20,506
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	<b>53,880</b>	<b>35,900</b>	<b>34,909</b>	<b>34,959</b>

\* Restated to the new IAS 19 and IFRS 11

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

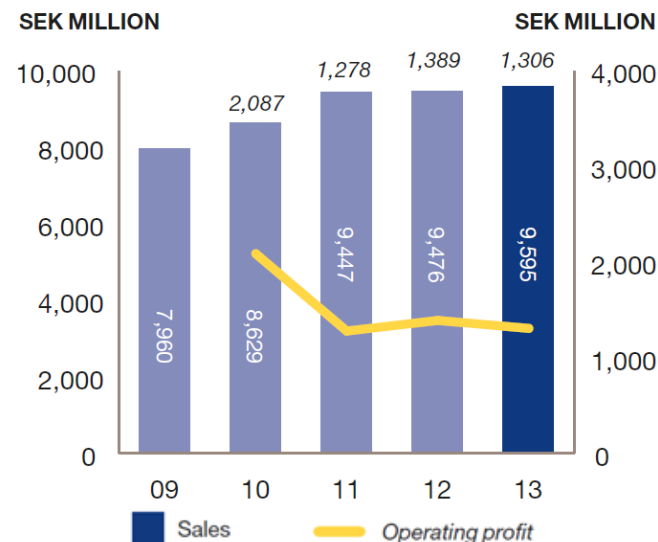
# Equipment Division

## H1 2014 performance

Consolidated			
SEK millions	First six months 2014	First six months 2013 *	Full year 2013 *
Orders received	4,882	4,703	9,471
Order backlog**	1,728	1,735	1,495
Net sales	4,627	4,501	9,462
Operating income***	607	602	1,306
Operating margin	13.1%	13.4%	13.8%
Depreciation and amortisation	88	83	170
Investments	24	21	54
Assets**	5,759	6,293	5,902
Liabilities**	818	919	882
Number of employees**	2,674	2,766	2,696

\* Restated to IFRS 11. \*\* At the end of the period. \*\*\* In management accounts

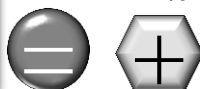
## Sales and Operating Profit trend



## H1 2014 Segment information



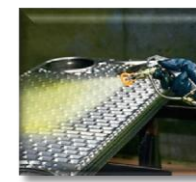
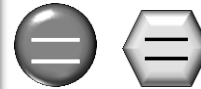
Industrial  
Equipment  
11%\*



Sanitary  
10%



OEM  
3%



Service  
5%



● Year-on-year comparison

⬡ Sequential comparison

\*Share of Group total orders

Source: 2013 annual report, Q2 results

[www.alfalaval.com](http://www.alfalaval.com)

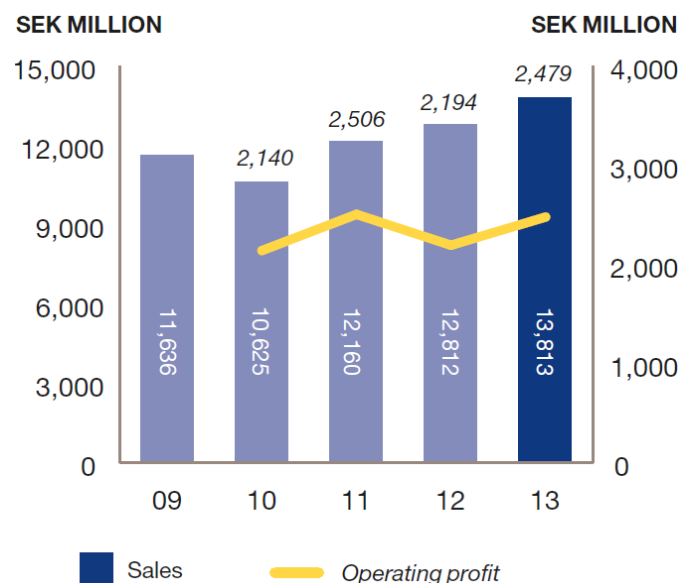
# Process Technology Division

## H1 2014 performance

Consolidated			
	First six months		Full year
SEK millions	2014	2013	2013
Orders received	6,757	6,527	13,935
Order backlog*	8,695	8,508	8,393
Net sales	6,435	6,338	13,813
Operating income**	1,071	1,148	2,479
Operating margin	16.6%	18.1%	17.9%
Depreciation and amortisation	155	149	297
Investments	47	44	98
Assets*	10,360	10,942	10,828
Liabilities*	4,963	4,688	4,029
Number of employees*	5,425	5,112	5,256

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

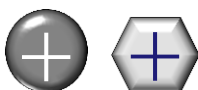
## Sales and Operating Profit trend



## H1 2014 Segment information



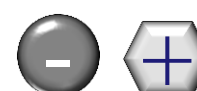
Energy &  
Process 17%\*



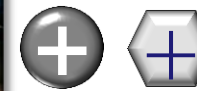
Food & Life  
Science 8%\*



Water & Waste  
Treatment 2%\*



Service  
12%\*



● Year-on-year comparison

⬡ Sequential comparison

\*Share of Group total orders

Source: 2013 annual report, Q2 results

[www.alfalaval.com](http://www.alfalaval.com)

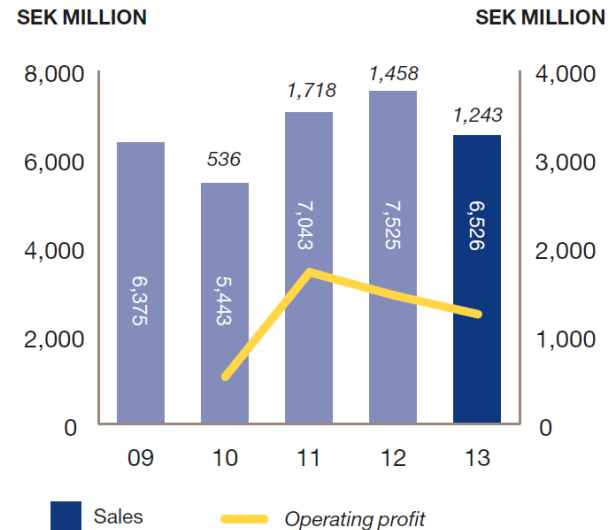
# Marine & Diesel Division

## H1 2014 performance

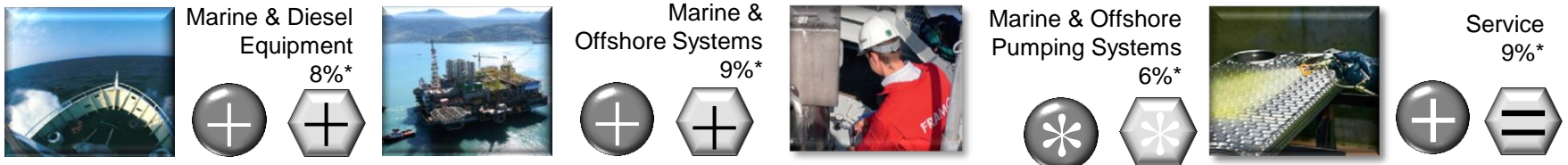
Consolidated			
SEK millions	First six months		Full year
	2014	2013 *	2013 *
Orders received	4,804	3,424	6,796
Order backlog**	11,272	4,649	4,680
Net sales	3,958	3,181	6,526
Operating income***	732	608	1,248
Operating margin	18.5%	19.1%	19.1%
Depreciation and amortisation	165	99	196
Investments	22	9	35
Assets**	24,753	7,779	7,817
Liabilities**	4,051	1,989	2,049
Number of employees**	3,089	1,824	1,817

\* Restated to IFRS 11. \*\* At the end of the period. \*\*\* In management accounts.

## Sales and Operating Profit trend



## H1 2014 Segment information



 Year-on-year comparison

 Sequential comparison

\*Share of Group total orders

Source: 2013 annual report, Q2 results

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# Going for over 130 years

**1888**

The first pumps are sold

**1963**

Name changed to Alfa Laval

**1991**

Tetra Pak acquires Alfa Laval

**2000**

Industri Kapital buys the Alfa Laval Group

**2002**

Alfa Laval returns to the Stockholm Stock Exchange

**2014**

Acquisition of Frank Mohn



**1883**

AB Separator is founded by Gustaf de Laval

**1938**

First heat exchanger introduced

**1971**

Alfa Laval acquires Danish LKM - Alfa Laval enters the fluid handling business

**1993**

Alfa Laval becomes an independent industrial group within Tetra Laval Group

**2001**

Major restructuring of Alfa Laval into market-oriented divisions and segments with distinct customer focus

**2011**

Acquisition of Aalborg Industries to strengthen its offer to the marine and off-shore industry

# Cautionary statement

This presentation contains forward-looking statements that are based on the current expectations of the management of Alfa Laval Group.

Although management believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment, other government actions and fluctuations in exchange rates. Alfa Laval undertakes no obligation to publicly update or revise these forward-looking statements, other than as required by law or other regulations.



ALFA  
ROMEO

The image features a stylized, white, geometric representation of the Alfa Romeo logo on a dark blue background. The logo is composed of two rows of characters. The top row contains the letters 'A', 'L', 'F', 'A' in a bold, sans-serif font. The bottom row contains the letters 'R', 'O', 'M', 'E', 'O' in the same font. The letters are interconnected by thin, white, curved lines that form a continuous, flowing shape. A thin, white, curved line arches over the top of the letters, and a thin, white, curved line arches under the bottom of the letters, creating a sense of movement and dynamism.