

ALFA  
LAVIA

# Report for Q1 2015

- Key figures
- Orders received and margins
- Highlights
- Development per segment
- Geographical development
- Financials
- Outlook

Mr. Lars Renström  
President and CEO  
Alfa Laval Group

# Key figures

January – March 2015

- \* Orders received rose 32% to SEK 9,844 million.
- \* Net sales grew 38% to SEK 9,071 million.
- \* Adjusted EBITA increased 48% to SEK 1,570 million.
- \* Adjusted EBITA margin 17.3% vs 16.1%
  - *Positive currency effect SEK 148 million.*

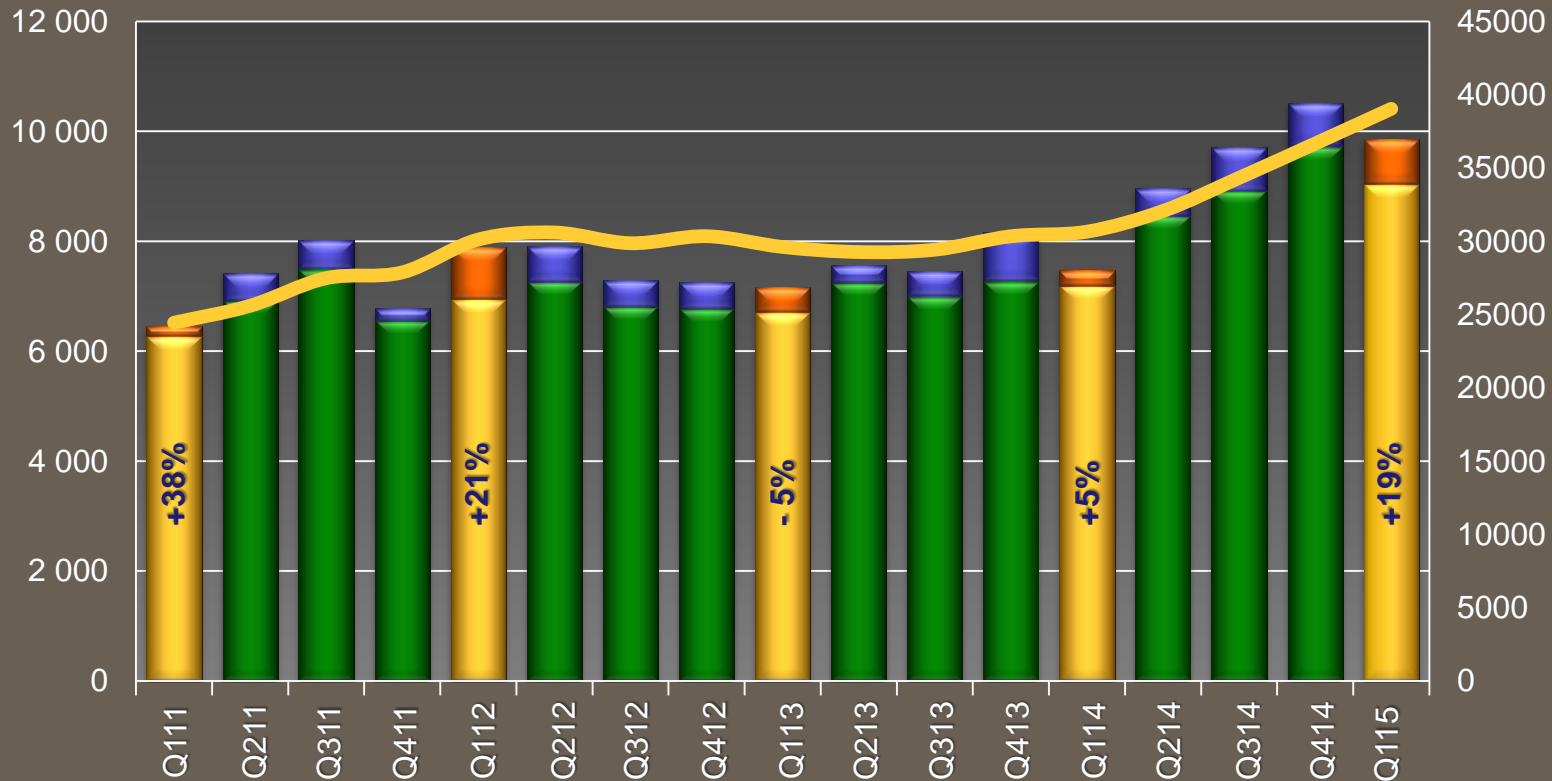
# Report for Q4 2014





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# Orders received

SEK million

SEK million R 12



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

 = Rolling twelve months value

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

# Order analysis

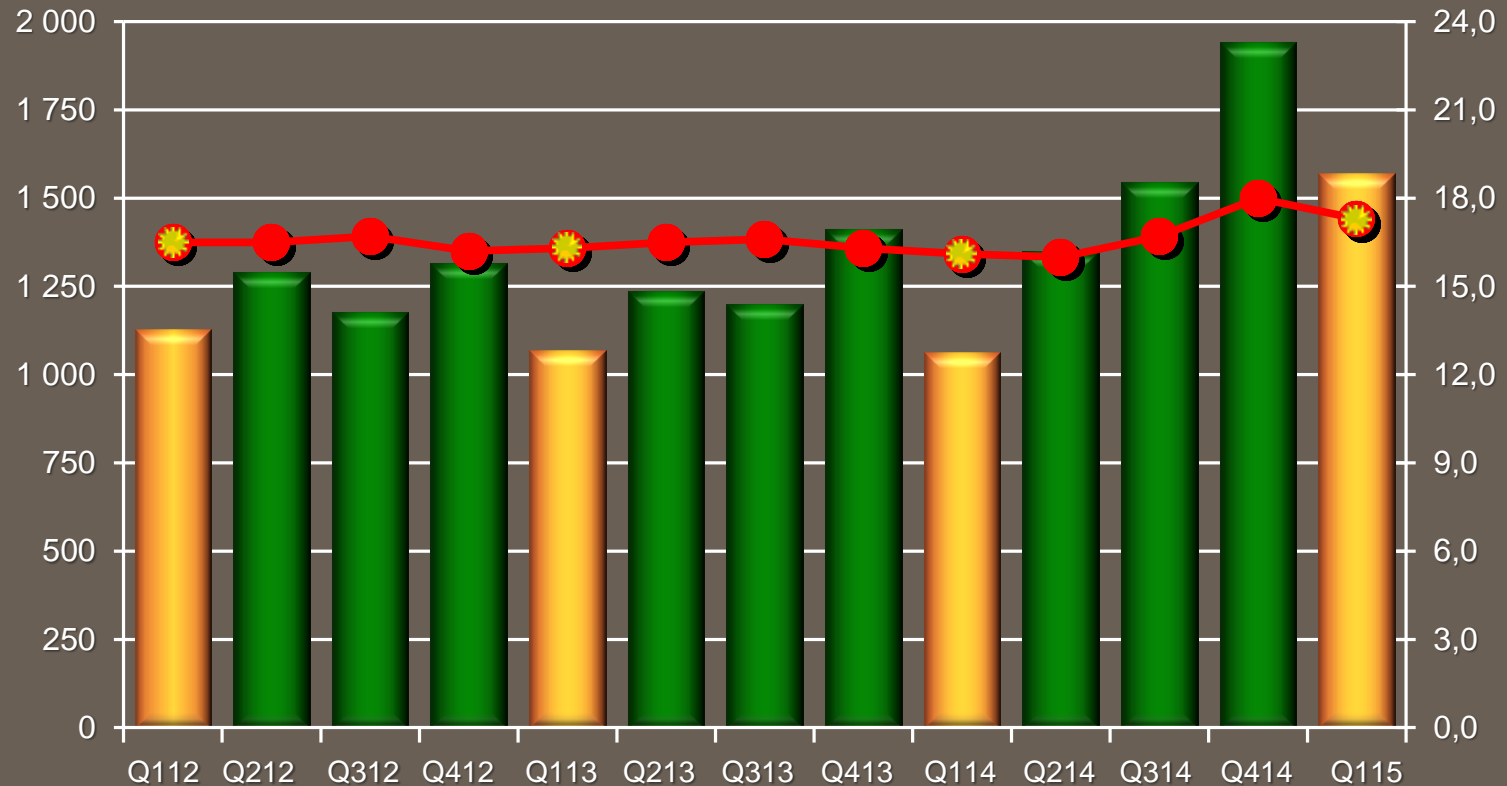
Q1 2015 versus Q1 2014 and versus Q4 2014 (MSEK)

Q1 2014	7,474	Q4 2014	10,509
Structural change, %	+ 22.4		- 0.1
Organic development, %	- 3.8		- 10.0
Total	+ 18.6		- 10.1*
Currency effects,%	+ 13.1		+ 3.8
Total, %	+ 31.7		- 6.3
Q1 2015	9,844	Q1 2015	9,844

\* Excluding backlog revaluation it was approx. -3%

# Adjusted EBITA / margin\*

SEK millions and in percent of sales



\* Adjusted EBITA – "Earnings before interests, taxes, amortization of goodwill and step up values and comparison distortion items."

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# Highlights in the quarter

## Process Technology



Compact heat exchangers for a heat-recovery application in a U.S. refinery.

**Value: SEK 80 million**

Air-cooler systems for a natural gas plant in the U.S.

**Value: SEK 85 million**

Compact heat exchangers to a power plant in the Middle East. **Value: SEK 55 million**

Order for air-cooler systems to a natural gas plant in Brazil. **Value: SEK 75 million**

Air-cooler systems for a natural gas plant in the US. **Value: SEK 70 million**

OLMI heat exchangers for petrochemical plant in Turkmenistan. **Value: SEK 70 million.**

## Marine & Diesel



Framo pumping systems for two Floating Production Storage and Offloading vessels, to be moored outside the Angolan coast. **Value: SEK 260 million.**

Framo pumping systems for a Floating Storage and Offloading Vessel project in Norway. **Value: SEK 115 million.**

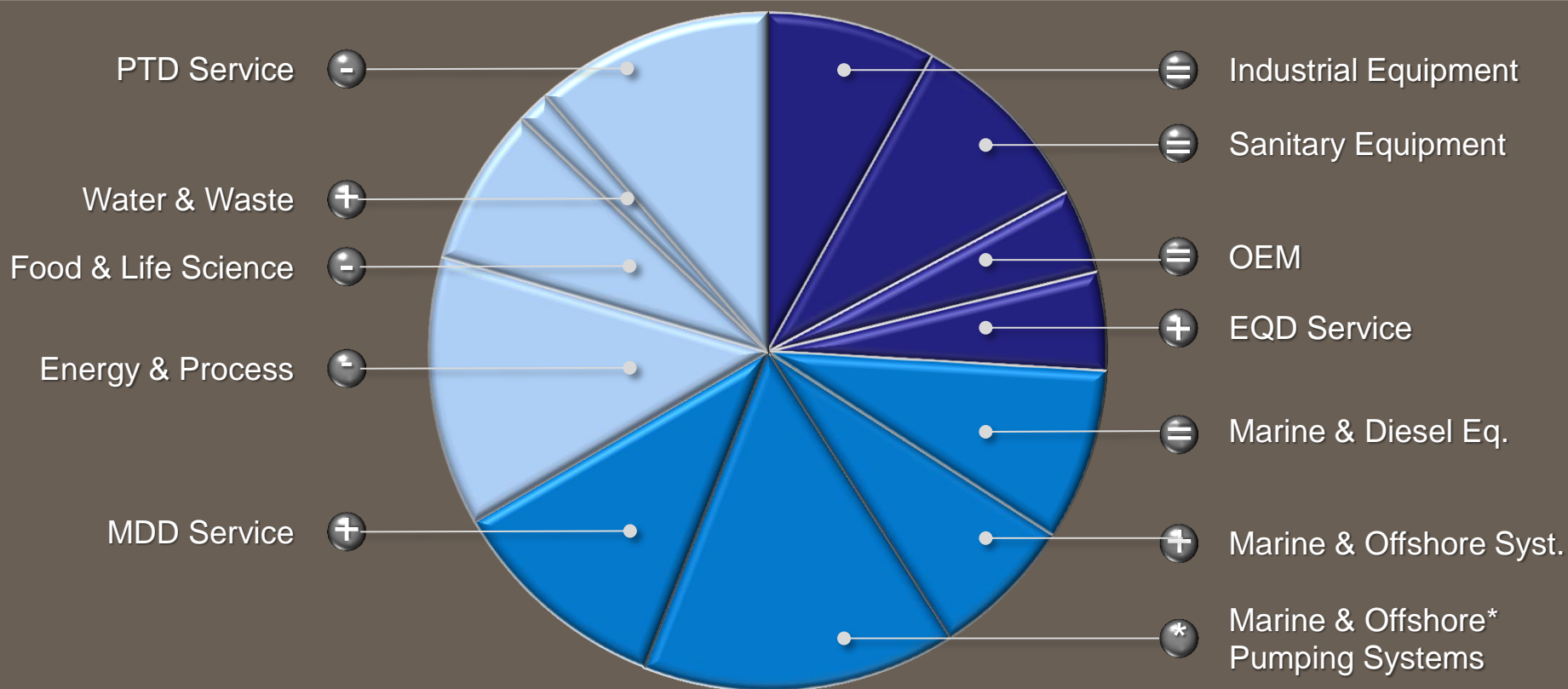
In the quarter we booked **8** SOx systems for **8** ships, bringing the total to **78** systems for **71** ships.

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# Orders received by customer segment

January – March 2015, at constant rates and like for like

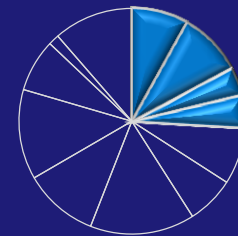


- Equipment division
- Marine & Diesel division
- Process Technology division

Year-on-year comparison

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

# Equipment division



## Highlights and sequential comments

- \* Industrial Equipment saw lower demand in HVAC and industrial ref, partly compensated by higher demand from commercial ref and data cooling.
- \* Sanitary saw positive demand from the food, beverage and personal care markets, while both dairy and pharma declined.
- \* OEM affected by lower demand from AC and heat pump manufacturers.

	Order	Sales	Backlog
Q1 2015	2,551	2,455	1,795
Q1 2014	2,275	2,206	1,542



Industrial  
Equipment  
8%\*



Sanitary  
9%



OEM  
4%



Service  
5%



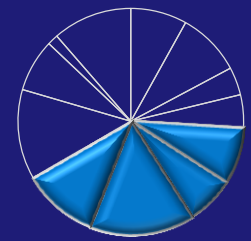
Year-on-year comparison



Sequential comparison

\*Share of Group total

# Marine & Diesel division



## Highlights and sequential comments

- \* M&D Equipment slightly up as increased demand for environmental products offset lower demand for equipment for new ships.
- \* Marine & Offshore saw lower demand for SOx while marine boilers rose.
- \* M&O Pumping unchanged as fewer new marine orders were offset by two large offshore orders.
- \* Decline for Service amid lower activity for repair and upgrading.

	Order	Sales	Backlog
Q1 2015	4,008	3,495	13,309
Q1 2014	1,923	1,537	5,093



Marine & Diesel  
Equipment  
8%\*



Marine &  
Offshore Systems  
7%\*



Marine & Offshore  
Pumping Systems  
15%\*



Service  
11%\*



Year-on-year comparison



Sequential comparison

Frank Mohn AS contribution:

orders:

sales:

order backlog:

SEK 1 708 mln

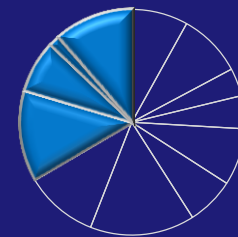
SEK 1 439 mln

SEK 6 348 mln

\*Share of Group total

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

# Process Technology division



## Highlights and sequential comments

- \* Energy & Process affected by up and midstream customers reining in spending due to lower oil price. Refinery and petrochemical customers meanwhile entered a wait-and-see mode for new investments.
- \* Food & Life Science saw fewer large orders while the base business was unchanged.
- \* Service was unchanged.

	Order	Sales	Backlog
Q1 2015	3,285	3,121	9,188
Q1 2014	3,276	2,854	8,698



Energy &  
Process 13%\*



Food & Life  
Science 7%\*



Water & Waste  
Treatment 2%\*



Service  
11%\*



\*Share of Group total



Year-on-year comparison



Sequential comparison

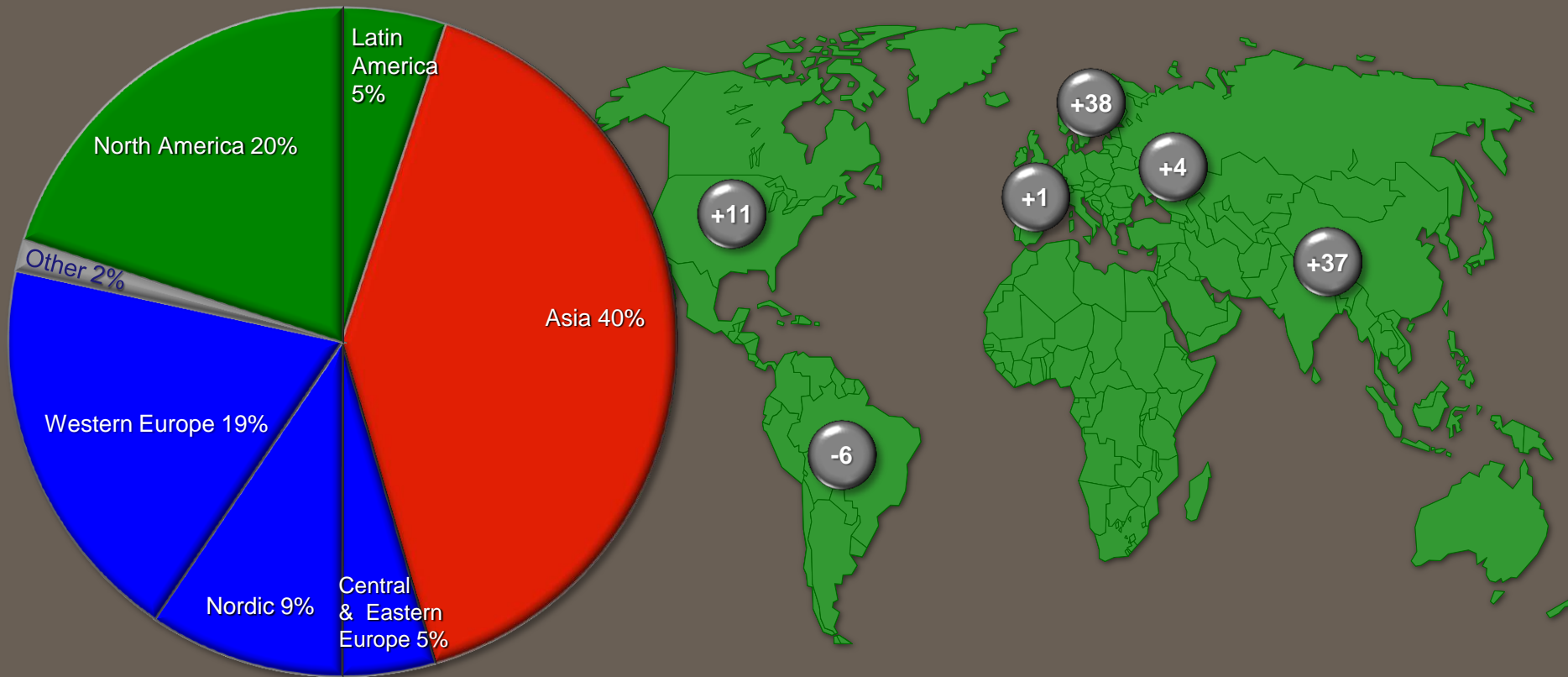
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# Orders received by Region

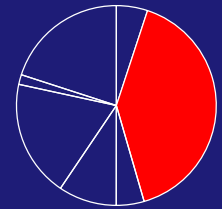
January – March 2015, development at constant rates



 Year-on-year comparison



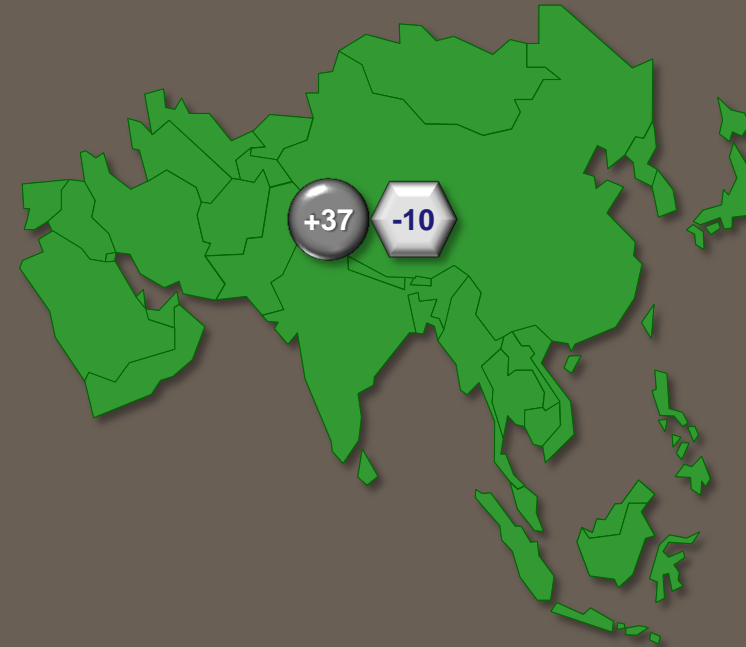
# Highlights Asia




January – March 2015, at constant rates, sequential comments

## Asia:

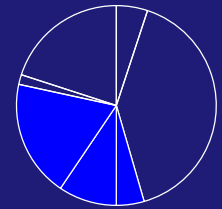
- \* China impacted by a somewhat slower business climate. Base business was still unchanged.
- \* The Chinese development affected the Asian export economies. Furthermore, lower oil and gas prices caused delays in placement of large orders.
- \* Marine business in South Korea and Japan benefited from good demand.



 Year-on-year comparison

 Sequential comparison

# Highlights Europe



January – March 2015, at constant rates, sequential comments



## Western Europe incl. Nordic:

- \* Western Europe declined as a Q4 record-size order was not repeated. Base business and Service were unchanged.
- \* Nordic was lifted by a large offshore oil and gas order.

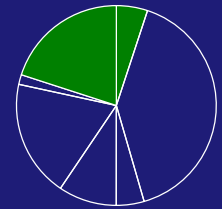
## Central and Eastern Europe:

- \* Russian customers' difficulties in securing financing dampened investments and led to a drop in large orders.
- \* Turkey had a record first quarter, with a strong base business.

 Year-on-year comparison

 Sequential comparison

# Highlights Americas



January – March 2015, at constant rates, sequential comments

## North America:

- \* US declined, affected by the non repeat of a large EGC order as well as a decline in OEM. Canada was unchanged.
- \* Industrial Equipment, Energy & Process and Water & Waste did well in the quarter. Service also had positive development.

## Latin America:

- \* Brazil declined, mainly due to non-repeats but also as a result of the slower business climate.
- \* Argentina had a strong quarter and region Venezuela, Colombia & Panama also performed well.

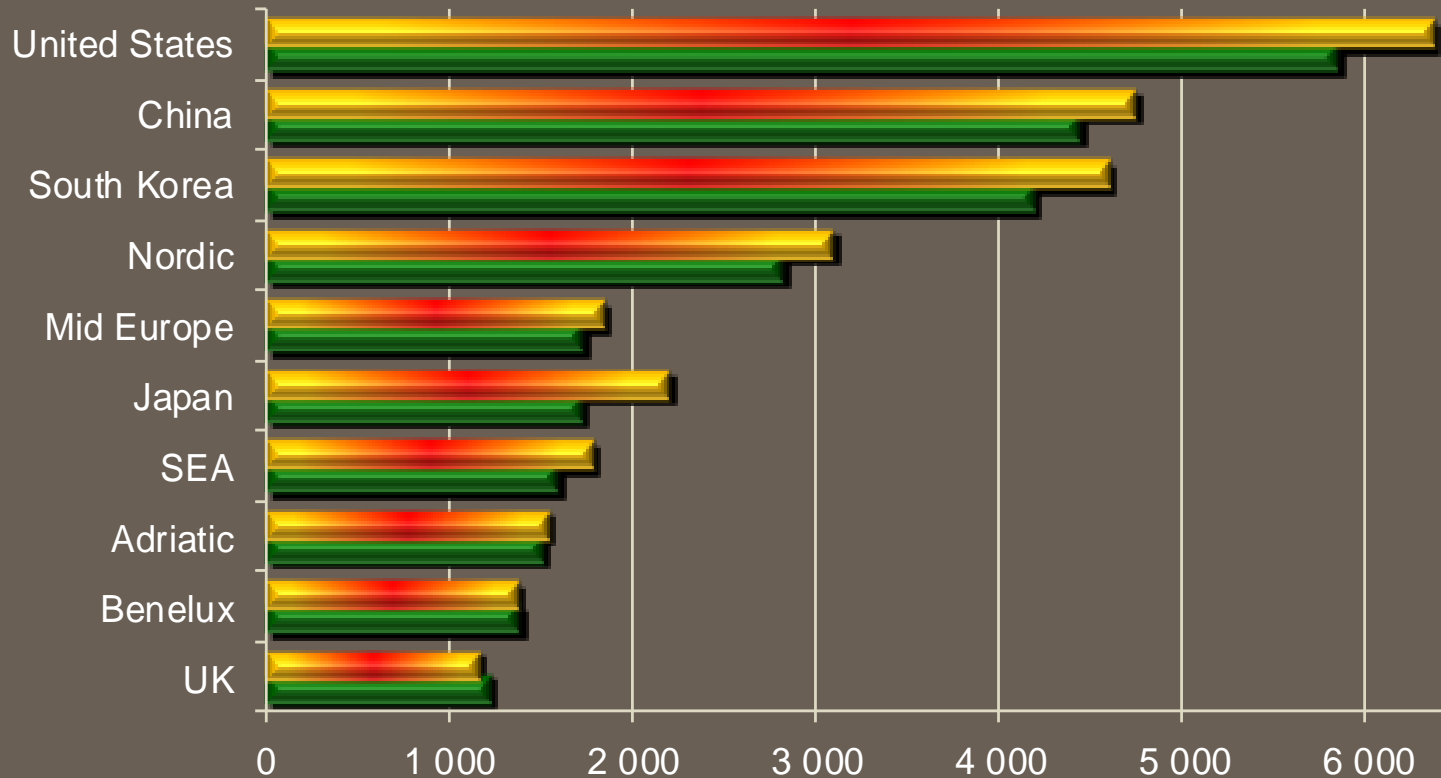




 Year-on-year comparison

 Sequential comparison

# Top 10 markets\*

SEK million at prevailing rates



 = R12M end of March  
 = WY 2014

*\*The development of the 2014 top ten markets.*

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Mr. Thomas Thuresson  
CFO  
Alfa Laval Group

# Highlights

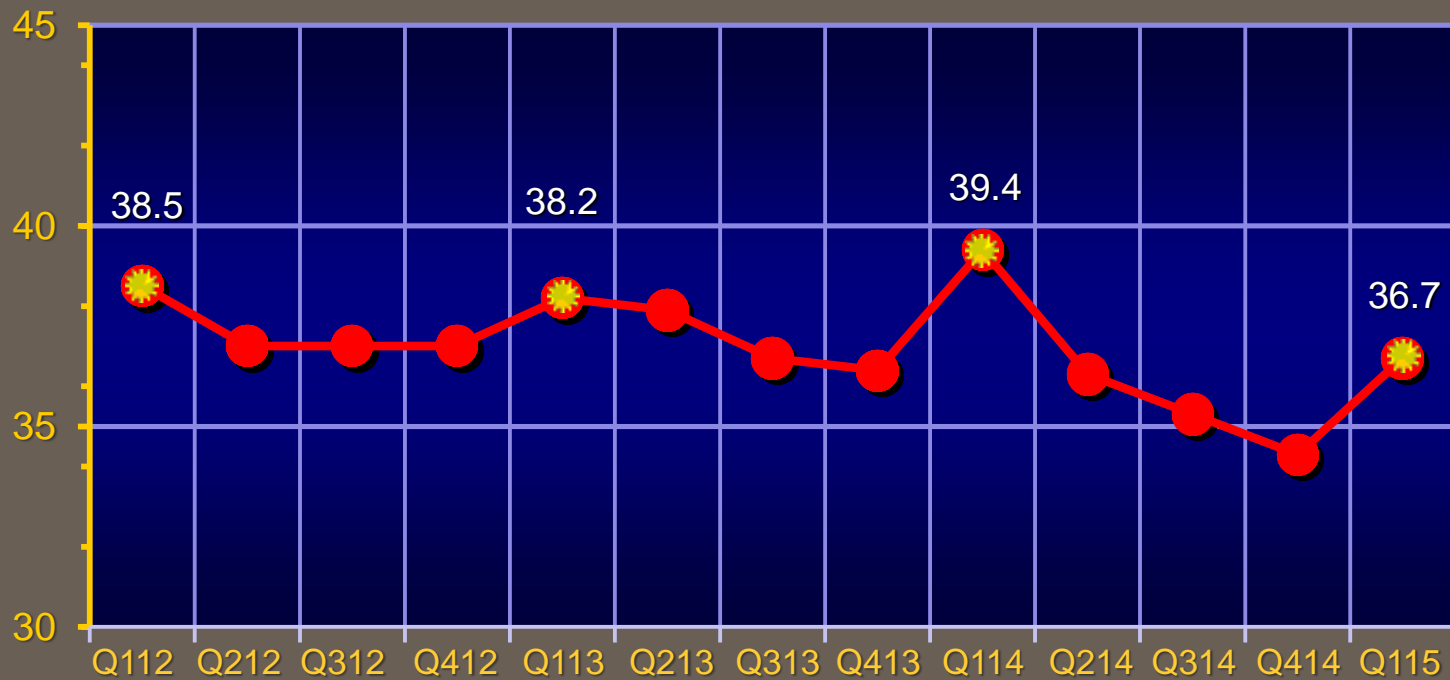
SEK millions

January – March 2015

Order intake	9,844
Net sales	9,071

# Gross profit margin

In percent of sales



# Gross profit margin

Q1 2015 versus Q1 2014 and versus Q4 2014

Q1 2014	39.4	Q4 2014	34.3
Mix/price	- -		+
Load/volume	-		=
FX	++		+
Structure mix	-		=
FX, unrealized	=		=
Q1 2015	36.7	Q1 2015	36.7



# Highlights

SEK millions	January – March, 2015
Order intake	9,844
Net sales	9,071
Adjusted EBITA	1,570
Adjusted EBITA-margin	17.3%
Profit before tax	1,264
Earnings per share	2.05
Earnings per share, excl step-up	2.50
ROCE	20.5%
ROE	18.9%

# Divisional performance

	Equipment		Process Technology		Marine & Diesel	
Q1	2015	2014	2015	2014	2015	2014
Orders	2,551	2,275	3,285	3,276	4,008	1,923
Backlog	1,795	1,542	9,188	8,698	13,309	5,093
Sales	2,455	2,206	3,121	2,854	3,495	1,537
Op. profit	284	301	410	506	702	280
Op margin (%)	11.6	13.6	13.1	17.7	20.1	18.2

- Restructuring (neg)
- Volume (neg)
- FX & R&D (pos)

- Volume (neg)
- Price/mix (neg)
- FX (pos)

- Sales (pos)
- FX (pos)
- Cost (neg)
- Step-up (neg)

# Cash-flow statement

SEK millions	Q1 2015	Q1 2014
Cash flow from		
- operating activities	1,101	592
- investing activities	- 80	- 141
Financial net paid	- 126	97
Total	895	548

Pro Forma Free cash-flow*	894	567
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*\*Incl. operating activities, capital expenditure and financial net paid.*

# Foreign exchange

## Estimated impact on adjusted EBITA from FX fluctuations

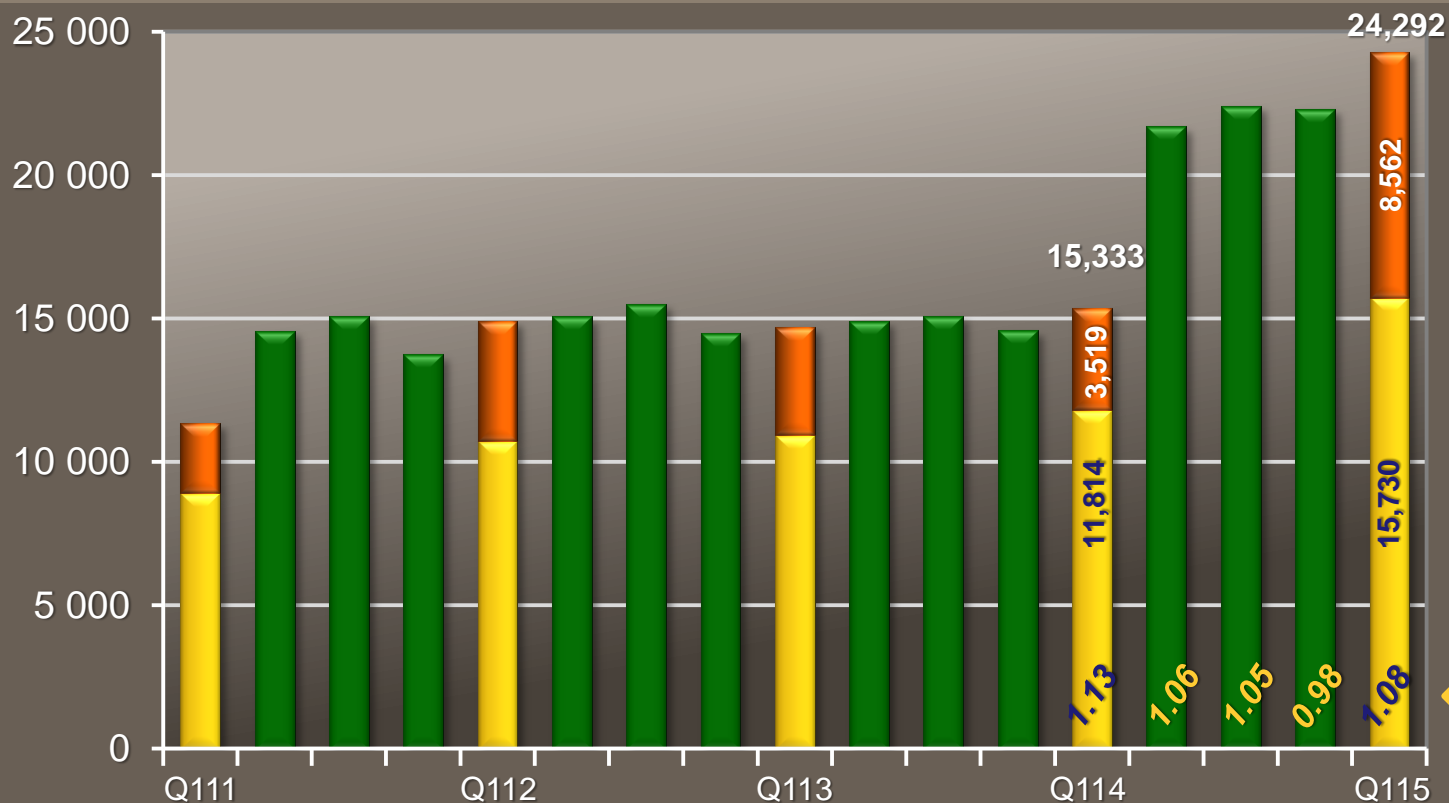
SEK million	Q1 15	FY 15	FY 16*
Translation effect	103	270	-
Transaction effect	45	275	450
Total	148	545	450

*\*Based on EUR/USD 1.06 and EUR/SEK 9.33*

Projected FX-effect for 2015 as communicated in Q4 report: **SEK 280 million**

# Order backlog as per March 31

SEK millions



- For delivery after 2015
- For delivery in 2015

# Sales

## Full year 2015

	SEK (bln)
Full year 2014	35.1
Order backlog, like-for-like	+ 1.0
FX-translation	+ 1.8
Acquisitions	+ 1.6
<hr/>	
Subtotal	39.5
Orders "in-for-out"	?
Price	?
<hr/>	
Full year 2015	

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# Outlook for the second quarter

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



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# 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.