Financial update

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CFO
Alfa Laval Group
Financial Update

- Financial targets
- Funding update
- FX-effects
- Amortisation of step-up
- Order backlog
- Sales bridge
Financial targets

Return on capital employed - ROCE

Following the Frank Mohn acquisition the Group target for ROCE is 20%
Financial benchmark values

From Net Debt / Equity to Net Debt / EBITDA

The benchmark value from now on is

Net Debt / EBITDA < 2
Savings programme
- Communicated in the Q3-report

Main elements of the programme:
- Cost of goods sold, consolidation of acquired supply-chains
- R & D, adjustment to launch capacity
- S & A, re-balance to revenue development

Timing of realization:
- 2014: SEK 50 M
- 2015: 150
- 2016: 100
- Savings fully implemented during Q4-2015

Estimated impact on personnel (net):
- COGS: 40 %
- R & D and S & A: 60 %
- Totally in FTE’s: 300
Group funding
- Utilisation and maturity structure, status as per September 30, 2014

- Committed, not utilized SEK 4.9 Bn
- Credits, 80% outside RCF
- Maturity of SEK 19 Bn > 4.5 years
### Foreign exchange

**Estimated impact on adjusted EBITA from FX fluctuations**

<table>
<thead>
<tr>
<th>SEK million</th>
<th>WY 14 Av rates</th>
<th>WY 14 Cl rates</th>
<th>WY 15 Cl rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation effect</td>
<td>+ 60</td>
<td>+ 100</td>
<td>90</td>
</tr>
<tr>
<td>Transaction effect</td>
<td>- 35</td>
<td>- 35</td>
<td>130</td>
</tr>
<tr>
<td>Total</td>
<td>+ 25</td>
<td>+ 65</td>
<td>220</td>
</tr>
</tbody>
</table>

Average and closing rates refers to the rates applied as per September 30, 2014
Gross profit margin

In percent of sales

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Gross Profit Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q311</td>
<td>38.3</td>
</tr>
<tr>
<td>Q411</td>
<td>38.3</td>
</tr>
<tr>
<td>Q112</td>
<td>37.0</td>
</tr>
<tr>
<td>Q212</td>
<td>37.0</td>
</tr>
<tr>
<td>Q312</td>
<td>36.7</td>
</tr>
<tr>
<td>Q412</td>
<td>36.7</td>
</tr>
<tr>
<td>Q113</td>
<td>35.3</td>
</tr>
<tr>
<td>Q213</td>
<td>35.3</td>
</tr>
<tr>
<td>Q313</td>
<td>35.3</td>
</tr>
<tr>
<td>Q413</td>
<td>35.3</td>
</tr>
<tr>
<td>Q114</td>
<td>35.3</td>
</tr>
<tr>
<td>Q214</td>
<td>35.3</td>
</tr>
<tr>
<td>Q314</td>
<td>35.3</td>
</tr>
</tbody>
</table>
Gross profit margin

In percent of sales

LTM
Quarter

Q111 Q311 Q112 Q312 Q113 Q313 Q114 Q314
Gross profit margin
- Development 1991 – YTD 2014

1991 1993 1995 1997 1999 2001 2003 2005 2007 2009 2011 2013

- Asian crisis
- Marine & BRIC Boom Weak SEK
- Strong SEK Structure - Acquis Marine "normalis"
Gross profit margin
- Evolution over the last 25 years

- 1990’s: 36 - 39%
- 2000 - 2006: 35 - 40%
- 2006 - 2010: 37 - 43%
- 2011 – 2014: 35 - 40%

Key factors:
- Restructuring
- Procurement
- Demand
- Pricing
- Product mix
- Strong SEK
- Structure - Acquisitions
- Marine "normalization"
- Weak SEK
- Product mix
Step-up values up to 2018
- Closing balance and amortization according to plan, SEK million

Closing balance

Amortization

LBO-related
Acquisitions
Amortization acc to plan

www.alfalaval.com
Order backlog development

Order backlog % of LTM (last twelve months) sales

SEK millions

% of LTM-sales


Order backlog  % of LTM (last twelve months) sales

www.alfalaval.com
Order backlog as per Sept 30

SEK million at prevailing rates

For next year, SEK 13,4 (8.0) Bn!

For delivery later than next year
For delivery next year
For delivery during the rest of current year
Order backlog as per Sept 30
- For delivery after December 31

SEK millions at prevailing rates

Aalborg added SEK 2.0 Bn to Marine in 2011 and Frank Mohn added SEK 5.7 Bn in 2014!
## Sales
- 2014 and 2015

<table>
<thead>
<tr>
<th></th>
<th>BnSEK</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTM Q314</td>
<td>32.9</td>
</tr>
<tr>
<td>Change order backlog Q4, y-o-y</td>
<td>- 0.1</td>
</tr>
<tr>
<td>Fx. Translation</td>
<td>+ 0.3</td>
</tr>
<tr>
<td>Acquisitions (backlog + in-for-out)</td>
<td>+ 1.2</td>
</tr>
<tr>
<td>Demand &amp; Price Q414</td>
<td>+ / - 0.0</td>
</tr>
<tr>
<td>Full year 2014</td>
<td>appr 34.3</td>
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</tbody>
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- 2014 and 2015

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<td>appr 34.3</td>
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<td></td>
<td><strong>Change in order backlog y-o-y</strong></td>
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<td></td>
<td><strong>Fx. Translation</strong></td>
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<tr>
<td></td>
<td><strong>Acquisitions during 2014</strong></td>
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<tr>
<td></td>
<td><strong>Subtotal:</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Price</td>
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<tr>
<td></td>
<td>Demand</td>
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<td></td>
<td>Further acquisitions</td>
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**Full year 2015:** ?