Food in the USA

Capital Markets Day
November 24th, 2015

John Atanasio
President and CEO
USA
Food is part of our DNA

...since 1883
Alfa Laval US industry split
Order intake* LTM September 2015

- Food: 36%
- Industrial: 29%
- Energy: 13%
- Environment: 8%
- Marine: 14%

*AAGR greater than 8% 2010-2014

*incl service
Food – a dynamic market

Do you believe that the US food market is mature?

Think again!
Macro drivers
– population rises – requiring cost and waste efficiencies

Population: 321,339,238 =

More food needed

…and not just any food
Macro drivers
– Urbanization, safety and quality

Social media: User Generator Content (UGC)

* **Impact**: industries and processes more transparent – elevating overall awareness of quality, safety, regulation

Urbanization: Expansion of the middle class

* **Impact**: Continuously rising demand for prepared/processed food and energy efficiency

Safety and quality

* **Impact**: Customers willing to pay for safe, high quality foods

Rising energy costs and regulation

* **Impact**: End user demand for efficient processes to conserve resources
Macro drivers
– Urbanization, safety and quality

For Alfa Laval this means:

* Increased demand for innovative, optimized equipment and processes.
* Increased demand for hygienic/aseptic equipment and process expertise.
* Strong E & S team – strengthened by the global Alfa Laval network to meet and exceed regulation.
Industry drivers
– shifting consumer demand

Demand for:
- Quality: “Foodies”
- Energy/sustainability
- Real ethnic food
- Convenient, ready to eat
- Farm to fork: sustainability
- Health and wellness

Impact: Process Innovation

For Alfa Laval: Engineering and design of processes to handle new ways of preparing and processing packaged foods.
Industry drivers
– shifting landscape

**Impact:** Process optimization and innovation

**For Alfa Laval:** Innovative, hygienic, safe equipment for process optimization that may be replicated and applied in customer plants worldwide.
Industry drivers

Safety

Quality

OEE
Overall equipment efficiency

Sustainability
US food and beverage market
– It is big and very diversified

Market consumption: final purchase of goods

- Wine: $16 B
- Non-alcoholic beverages: $50B
- Beer: $101 B
- Food manufacturing: $760B

… the list goes on
US food and beverage market
– Capex spending survey

Survey shows:

* an increase in committed capex spend of 14.8% in 2015 over 2014, reaching total spend $18 billion.

…and investments are expected to continue…but
Target industries in the US
– some examples

* Protein
* Beverage
* Confectionery
* Prepared Foods
* Dairy
## Target industries in the US

Protein: Hot commodity; additive to enhance foods

<table>
<thead>
<tr>
<th>Area</th>
<th>Driver</th>
<th>What it means to Alfa Laval</th>
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<tr>
<td>Meat</td>
<td>Food safety</td>
<td>• Refrigeration: Dehumidification, separation</td>
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<tr>
<td></td>
<td>Farm to fork</td>
<td>• Innovation and optimization of processes</td>
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<tr>
<td>Eggs</td>
<td>Bird flu: Egg shortage</td>
<td>• Virtually eliminating waste – reuse and reclamation of fats, oils, proteins</td>
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<tr>
<td>Seafood</td>
<td>Regulation: Reduction of waste</td>
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<td>Exports</td>
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Dunn and Bradstreet Industry Data

www.alfalaval.us
Target industries in the US

Beverage – beer

Profound shift in US culture: 2010: 700 craft Breweries; 2014: 3,600

Large breweries

Craft beer

Craft targets 20% market share in 2020 from today’s 11%

OVERALL BEER
+0.5%

CRAFT
+17.6%

IMPORT
+6.9%

EXPORT CRAFT
+36%

US sales volume growth 2014, Brewers Association
Target industries in the US
– Confectionery

Increased demand for
* Chocolate/cocoa
* Healthy snacks
* “Free-from”
* Diabetic and sugar-free products

Dunn and Bradstreet Industry Data; Euromonitor
Target industries in the US
– Prepared food

Increased demand for

* Convenient, ready to eat foods without giving up on quality or nutrition.
Target industries in the US
– Dairy

Dairy is not just dairy anymore. Today we want:

* Low fat, fat-free, less sodium and sugar, lactose-free, organic, probiotics, fortified nutrients, calcium, protein-infused and flavours as well as artisan brands.

Creating a need for:

* Flexibility in the manufacturing processes.

Dunn and Bradstreet Industry Data; Euromonitor, American Dairy Products Institute
Why Alfa Laval?

Alfa Laval Brand = Quality
Sustainability
Stable supplier
Innovation
PEOPLE

"In the food industry... everyone knows Alfa Laval."
Customer story
– reliability, efficiency, sustainability

Seafood processing

Challenge:

✦ Customer was losing 1-2% of fish stick oil
✦ In risk of violating new zero discharge regulation
✦ Losing usable fish – valued at a price of roughly $4.65/gallon

They needed a solution to meet regulation, save energy and also reduce waste.
Customer story
– reliability, efficiency, sustainability

Solution: HSS

* Recovery of 30-40 gallons of oil/hour
* With a clean discharge they were able to meet regulations
* Recovered oil is used as fuel which cuts energy costs
* The savings generated, led ROI of 6 months

The customer is part of a global company, planning to install oil recovery solutions worldwide!
“We cannot risk failure at such a remote location. This is not a place to experiment with cheaper solutions. We wanted the top of the line – Alfa Laval. After doing a cost benefit analysis, the savings in oil recovery pays for the machine straight away.”

– Ricardo Solis, Meal Plant Manager, Dutch Harbor Alaska
Customer story
– Quality

Challenge:
The customer couldn’t get consistent coating due to humidity issues. Humidity control is vital in confectionary manufacturing to ensure the quality of the products.

Solution:
Installation of Alfa Laval Kathabar Dehumidification Systems.
Customer story
– Quality

Result:

* Quality issues resolved
* The solution also enabled a 50% energy saving
* Signed a global supply agreement

The customer was very satisfied and went on to install the same solution throughout their plants globally. It is now written into the spec for new plants as well as expansions.
Working with major players
Conclusions

- Growing, expanding and new markets
- Continuous opportunity to increase penetration
- Products that fit customer needs

Food will always be part of our DNA!