Vision, business concept and goals

Vision and drivers

To “help create better everyday conditions for people” by offering efficient and environmentally responsible products and solutions in the areas of heat transfer, separation and fluid handling.

Business concept

The vision is at the core of the company’s efforts to realize its business concept: “To optimize the performance of our customers’ processes, time and time again.” This is achieved by helping customers to become more productive and competitive through the delivery of high-quality products and solutions in the three key technologies.

Financial goals

Alfa Laval is governed with the aim of realizing its business concept, while at the same time meeting the financial goals established with regard to growth, profitability and return. By achieving or exceeding these goals, Alfa Laval creates the necessary scope for its continued development as well as generating increased value for its shareholders in the form of an annual dividend and by boosting the value of the company.

Growth

Alfa Laval’s goal is to achieve average annual sales growth of at least 5 percent measured over a business cycle. This target is regarded as realistic, viewed in light of the prevailing business scenario and against the backdrop of Alfa Laval’s achievements in recent years.

Profitability

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

Capital utilization

The goal is to have a return on capital employed of at least 20 percent, a realistic ambition based on a combination of organic and acquired growth.

Outcome

Invoicing rose 11.8 percent* in 2018.

The adjusted operating margin for 2018 was 16.5 percent, compared with 15.9 percent for full-year 2017.

The return on capital employed for 2018 was 22.4 percent.

* Excluding exchange rate variations
Sustainability goals

In addition to its financial goals, Alfa Laval also has a number of sustainability goals. These reflect the company’s ambitions with respect to the environment, health and safety. Among other areas, these targets encompass: a reduction in the number of workplace accidents, increased energy efficiency, a reduction in water consumption and a reduction in greenhouse gas emissions.

For more information about these goals and Alfa Laval’s sustainability work, refer to the Sustainability Report available at: www.alfalaval.com

Financial benchmark values

In addition to the Group’s financial goals, the Board has established benchmark values for three key financial ratios, which further specify the framework and goals for the operation of the company.

Net debt in relation to EBITDA

<table>
<thead>
<tr>
<th>Outcome*</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt/EBITDA at year-end 2018 was 0.93.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Investments

<table>
<thead>
<tr>
<th>Outcome*</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in 2018 amounted to 3.7 percent.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cash flow from operating activities

<table>
<thead>
<tr>
<th>Outcome*</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>In 2018, cash flow from operating activities totaled 8.3 percent**.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* As a percentage of sales
** Including investments in fixed assets