Report for Q2 2014

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

### April – June 2014

- Orders received rose 19% to SEK 8,969 million.
- Net sales grew 12% to SEK 8,423 million.
- Adjusted EBITA increased 9% to SEK 1,348 million.
- Adjusted EBITA margin 16.0% vs 16.5%
  - *Negative currency effect SEK 10 million.*

### January – June 2014

- Orders received rose 12% to SEK 16,443 million.
- Net sales increased 7% to SEK 15,020 million.
- Adjusted EBITA advanced 5% to SEK 2,410 million.
- Adjusted EBITA margin 16.0% vs 16.4%
  - *Negative currency effect SEK 20 million.*
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Orders received

SEK million

Orders received

SEK million R 12

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## Order analysis

### Q2 2014 versus Q2 2013 and versus Q1 2014 (MSEK)

<table>
<thead>
<tr>
<th></th>
<th>Q2 2013</th>
<th>Q1 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural change, %</td>
<td>+ 9.3</td>
<td>+ 10.0</td>
</tr>
<tr>
<td>Organic development, %</td>
<td>+ 9.1</td>
<td>+ 8.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>+ 18.4</td>
<td>+ 18.1</td>
</tr>
<tr>
<td>Currency effects,%</td>
<td>+ 0.8</td>
<td>+ 1.9</td>
</tr>
<tr>
<td><strong>Total, %</strong></td>
<td>+ 19.2</td>
<td>+ 20.0</td>
</tr>
<tr>
<td>Q2 2014</td>
<td>7,524</td>
<td>7,474</td>
</tr>
<tr>
<td></td>
<td>8,969</td>
<td>8,969</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Process Technology</th>
<th>Marine &amp; Diesel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order to supply air cooler systems for a natural gas liquids export terminal in the U.S.</td>
<td>Order for 4 open-loop Alfa Laval PureSOx exhaust gas cleaning systems from Finnlines.</td>
</tr>
<tr>
<td><strong>Value:</strong> SEK 55 million</td>
<td><strong>Value not disclosed.</strong></td>
</tr>
<tr>
<td>Energy-efficiency order for compact welded heat exchangers to a coal liquefaction plant in China.</td>
<td>Order to retrofit 4 hybrid Alfa Laval Pure SOx systems.</td>
</tr>
<tr>
<td><strong>Value:</strong> SEK 100 million.</td>
<td><strong>Value:</strong> SEK 75 million</td>
</tr>
<tr>
<td>Compact heat exchangers for caustic evaporation plant in the Netherlands.</td>
<td>Acquisition of <strong>Frank Mohn AS</strong> closed.</td>
</tr>
<tr>
<td><strong>Value:</strong> SEK 120 million.</td>
<td></td>
</tr>
<tr>
<td>Welded heat exchangers to a natural gas stabilization plant in Russia.</td>
<td>Added to the above, orders for another 2 EGC systems taken in the quarter, bringing the total number to 10 systems for 10 ships in the quarter and 50 systems for 45 ships to date.</td>
</tr>
<tr>
<td><strong>Value:</strong> SEK 50 million.</td>
<td></td>
</tr>
<tr>
<td>Offshore oil and gas order for heat exchangers in the UK.</td>
<td><strong>Value:</strong> SEK 50 million.</td>
</tr>
</tbody>
</table>

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Report for Q2 2014

- Key figures
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Orders received by customer segment

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

PTD Service
Industrial Equipment

Water & Waste
Sanitary Equipment

Food & Life Science
OEM

Energy & Process
EQD Service

MDD Service
Marine & Offshore Systems

Marine & Offshore Pumping Systems

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

Year-on-year comparison

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Equipment division

Highlights and sequential comments

* All-time high order level, driven by seasonality in Industrial Equipment as well as a positive development for Sanitary, which saw an increase in demand for products going into personal care, dairy and other food applications.

* Positive development in many geographies, especially US and China.

<table>
<thead>
<tr>
<th></th>
<th>Order</th>
<th>Sales</th>
<th>Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2014</td>
<td>2,607</td>
<td>2,421</td>
<td>1,728</td>
</tr>
<tr>
<td>Q2 2013</td>
<td>2,476</td>
<td>2,353</td>
<td>1,735</td>
</tr>
</tbody>
</table>

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Marine & Diesel division

Highlights and sequential comments

- M&D Equipment saw overall higher order intake following ship contracting growth.
- M&O Systems saw very strong demand for boilers and heaters.

<table>
<thead>
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<th>Sales</th>
<th>Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2014</td>
<td>2,881</td>
<td>2,421</td>
<td>11,272</td>
</tr>
<tr>
<td>Q2 2013</td>
<td>1,809</td>
<td>1,666</td>
<td>4,649</td>
</tr>
</tbody>
</table>

Year-on-year comparison
Sequential comparison

Marine & Diesel Equipment 8%*
Marine & Offshore Systems 9%*
Marine & Offshore Pumping Systems 6%*
Service 9%*

Frank Mohn AS contribution: orders: SEK 583 mln
sales: SEK 552 mln
order backlog: SEK 5 719 mln

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Process Technology division

Highlights and sequential comments

- The division had a very strong base business, with added support from large orders.
- Energy & Process saw higher demand, lifted by Inorganics, Metals and Paper. Oil & Gas also grew.
- Food & Life Science was affected by non-repeats while Water & Waste grew, mainly due to larger orders.
- Strong development for Service.

<table>
<thead>
<tr>
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<th>Order</th>
<th>Sales</th>
<th>Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2014</td>
<td>3,481</td>
<td>3,581</td>
<td>8,695</td>
</tr>
<tr>
<td>Q2 2013</td>
<td>3,239</td>
<td>3,496</td>
<td>8,508</td>
</tr>
</tbody>
</table>

*Share of Group total
Orders received by customer segment

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

- PTD Service
- Water & Waste
- Food & Life Science
- Energy & Process
- MDD Service
- Industrial Equipment
- Sanitary Equipment
- OEM
- EQD Service
- Marine & Diesel Equipment
- Marine & Offshore Systems
- Marine & Offshore Pumping

Marine & Offshore Pumping Systems is a newly formed segment and therefore lack comparison numbers.
Report for Q2 2014

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Orders received by Region

April – June 2014, development at constant rates

- North America 19%
- Western Europe 22%
- Nordic 8%
- Latin America 5%
- Central & Eastern Europe 7%
- Asia 37%

Year-on-year comparison:
- +24
- -15
- +7
- +11
- -4
- +39

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Highlights Asia

April – June 2014, at constant rates, sequential comments

Asia:

* The strong development was supported by growth in both the base and project business.
* Marine & Diesel Division did very well as it continued to benefit from an earlier surge in yard contracting as well as increased demand for energy transportation. The development supported shipbuilding nations such as South Korea, Japan and China.
* China enjoyed a broad and positive development, following growth for all three divisions.
Highlights Europe

April – June 2014, at constant rates, sequential comments

Western Europe incl. Nordic:
- Good development across most countries and regions. Base business and large orders grew.
- Segments doing particularly well were Industrial Equipment, OEM and Energy & Process. Service grew.

Central and Eastern Europe:
- Significant increase in orders following positive development for the base business and large orders alike.
- Russia recovered following large orders in Refinery, O&G and Power, but it also had a strong base business.
North America:
* Growth in the region came from both the base business and large orders. Service also performed well.
* Equipment and Process Technology divisions both performed well across the board.

Latin America:
* A slight sequential decline in order intake due to fewer large orders. Argentina was the exception, showing very good growth across all divisions.
* The service business developed very well across the region.
Orders received by Region

January – June 2014, development at constant rates

- North America 19%
- Western Europe 22%
- Latin America 6%
- Central & Eastern Europe 7%
- Asia 36%
- Nordic 8%
- Other 2%

Year-on-year comparison:
- North America: +8%
- Western Europe: +3%
- Latin America: +10%
- Central & Eastern Europe: -7%
- Asia: +28%
- Nordic: -6%

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Top 10 markets*

- United States
- China
- Nordic
- South Korea
- Mid Europe
- South East Asia
- Russia
- Adriatic
- Brazil
- Benelux

SEK million at prevailing rates

*The development of the 2013 top ten markets.

= R12 as per end of June
= WY 2013
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Mr. Thomas Thuresson
CFO
Alfa Laval Group
## Highlights

<table>
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<tr>
<th></th>
<th>April – June, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>8,969</td>
</tr>
<tr>
<td>Net sales</td>
<td>8,423</td>
</tr>
</tbody>
</table>
Gross profit margin

In percent of sales

Q211 Q311 Q411 Q112 Q212 Q312 Q412 Q113 Q213 Q313 Q413 Q114 Q214

41.1 37.0 37.9 36.3

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<td>Net sales</td>
<td>8,423</td>
</tr>
<tr>
<td>Adjusted EBITA</td>
<td>1,348</td>
</tr>
<tr>
<td>Adjusted EBITA-margin</td>
<td>16.0%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>1,159</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>1.89</td>
</tr>
<tr>
<td>Earnings per share, excl step-up</td>
<td>2.24</td>
</tr>
<tr>
<td>ROCE</td>
<td>22.9%</td>
</tr>
<tr>
<td>ROE</td>
<td>19.4%</td>
</tr>
</tbody>
</table>
## Divisional performance

<table>
<thead>
<tr>
<th></th>
<th>Equipment Q2 ´14</th>
<th>Equipment Q2 ´13</th>
<th>Process Technology Q2 ´14</th>
<th>Process Technology Q2 ´13</th>
<th>Marine &amp; Diesel Q2 ´14</th>
<th>Marine &amp; Diesel Q2 ´13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>2,607</td>
<td>2,476</td>
<td>3,481</td>
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<tr>
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<td>2,421</td>
<td>2,353</td>
<td>3,581</td>
<td>3,496</td>
<td>2,421</td>
<td>1,666</td>
</tr>
<tr>
<td>Op. profit</td>
<td>306</td>
<td>327</td>
<td>565</td>
<td>655</td>
<td>452</td>
<td>319</td>
</tr>
<tr>
<td>Op margin (%)</td>
<td>12.6</td>
<td>13.9</td>
<td>15.8</td>
<td>18.7</td>
<td>18.7</td>
<td>19.1</td>
</tr>
</tbody>
</table>

Frank Mohn AS contribution to Marine & Diesel:  
- Orders: SEK 583 million  
- Sales: SEK 552 million  
- Order backlog: SEK 5 719 million
# Cash-flow statement

<table>
<thead>
<tr>
<th>SEK millions</th>
<th>Q2 2014</th>
<th>Q2 2013</th>
<th>H1 2014</th>
<th>H1 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- operating activities</td>
<td>1,174</td>
<td>1,038</td>
<td>1,766</td>
<td>2,009</td>
</tr>
<tr>
<td>- investing activities</td>
<td>-14,497</td>
<td>-540</td>
<td>-14,638</td>
<td>-690</td>
</tr>
<tr>
<td>Financial net paid</td>
<td>52</td>
<td>-62</td>
<td>149</td>
<td>-19</td>
</tr>
<tr>
<td>Total</td>
<td>-13,271</td>
<td>436</td>
<td>-12,723</td>
<td>1,300</td>
</tr>
</tbody>
</table>

Pro Forma Free cash-flow* | 1,094 | 877 | 1,661 | 1,810 |

*Incl. operating activities, capital expenditure and financial net paid.
## Foreign exchange

### Estimated impact on adjusted EBITA from FX fluctuations

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Q2 14</th>
<th>1H 14</th>
<th>FY 14</th>
<th>FY 15*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation effect</td>
<td>-20</td>
<td>-18</td>
<td>25</td>
<td>0</td>
</tr>
<tr>
<td>Transaction effect</td>
<td>10</td>
<td>-2</td>
<td>-25</td>
<td>55</td>
</tr>
<tr>
<td>Total</td>
<td>-10</td>
<td>-20</td>
<td>0</td>
<td>55</td>
</tr>
</tbody>
</table>

*Based on EUR/USD 1.36 and EUR/SEK 9.25

Projected FX-effect for 2014 as communicated in Q1 report: SEK -50 million
Order backlog as per June 30

SEK millions

Q210 Q211 Q212 Q213 Q214

For delivery later than 2014
For delivery in 2014

Book to bill
## Sales

### Full year 2014

<table>
<thead>
<tr>
<th></th>
<th>SEK (bln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full year 2013</td>
<td>29.8</td>
</tr>
<tr>
<td>Order backlog, like-for-like</td>
<td>- 0.2</td>
</tr>
<tr>
<td>FX-translation</td>
<td>+ 0.5</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>+ 3.0</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>33.1</strong></td>
</tr>
<tr>
<td>Orders “in-for-out”</td>
<td>?</td>
</tr>
<tr>
<td>Price</td>
<td>?</td>
</tr>
</tbody>
</table>

**Full year 2014**
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Mr. Lars Renström
President and CEO
Alfa Laval Group
Outlook for the third quarter

“We expect that demand during the third quarter will be on about the same level as in the second quarter.”
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.