Report for Q3 2014

- 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

### July – Sep 2014

- Orders received rose 31% to SEK 9,708 million.
- Net sales grew 29% to SEK 9,272 million.
- Adjusted EBITA increased 29% to SEK 1,545 million.
- Adjusted EBITA margin 16.7% vs 16.7%
  - Negative currency effect SEK 7 million.

### Jan – Sep 2014

- Orders received rose 18% to SEK 26,151 million.
- Net sales increased 15% to SEK 24,292 million.
- Adjusted EBITA grew 13% to SEK 3,955 million.
- Adjusted EBITA margin 16.3% vs 16.5%
  - Negative currency effect SEK 27 million.
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Orders received

<table>
<thead>
<tr>
<th>SEK million</th>
<th>SEK million R 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q310</td>
<td></td>
</tr>
<tr>
<td>Q410</td>
<td></td>
</tr>
<tr>
<td>Q111</td>
<td></td>
</tr>
<tr>
<td>Q211</td>
<td></td>
</tr>
<tr>
<td>Q311</td>
<td></td>
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<tr>
<td>Q411</td>
<td></td>
</tr>
<tr>
<td>Q112</td>
<td></td>
</tr>
<tr>
<td>Q212</td>
<td></td>
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<tr>
<td>Q312</td>
<td></td>
</tr>
<tr>
<td>Q412</td>
<td></td>
</tr>
<tr>
<td>Q113</td>
<td></td>
</tr>
<tr>
<td>Q213</td>
<td></td>
</tr>
<tr>
<td>Q313</td>
<td></td>
</tr>
<tr>
<td>Q413</td>
<td></td>
</tr>
<tr>
<td>Q114</td>
<td></td>
</tr>
<tr>
<td>Q214</td>
<td></td>
</tr>
<tr>
<td>Q314</td>
<td></td>
</tr>
</tbody>
</table>

- Order intake per quarter "large"
- Order intake per quarter
- Rolling twelve months value
- % development at constant rates by quarter, year on year

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# Order analysis

Q3 2014 versus Q3 2013 and versus Q2 2014 (MSEK)

<table>
<thead>
<tr>
<th></th>
<th>Q3 2013</th>
<th>Q2 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2014</td>
<td>7,415</td>
<td>8,969</td>
</tr>
<tr>
<td>Structural change, %</td>
<td>+ 20.0</td>
<td>+ 10.4</td>
</tr>
<tr>
<td>Organic development, %</td>
<td>+ 5.7</td>
<td>- 4.5</td>
</tr>
<tr>
<td>Total</td>
<td>+ 25.7</td>
<td>+ 5.9</td>
</tr>
<tr>
<td>Currency effects,%</td>
<td>+ 5.2</td>
<td>+ 2.3</td>
</tr>
<tr>
<td>Total, %</td>
<td>+ 30.9</td>
<td>+ 8.2</td>
</tr>
<tr>
<td>Q3 2014</td>
<td>9,708</td>
<td>9,708</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."
## 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 to supply Framo pumping systems for an FPSO to be built by Samsung in South Korea.</td>
</tr>
<tr>
<td>Value: SEK 95 million</td>
<td>Value: SEK 240 million</td>
</tr>
<tr>
<td>Energy efficiency order for compact heat exchangers to an oil production facility in Canada.</td>
<td>Offshore Framo pumping systems ordered for oil drilling platform off the Canadian coast.</td>
</tr>
<tr>
<td>Value: SEK 80 million</td>
<td>Value: SEK 120 million</td>
</tr>
<tr>
<td>Air cooler systems for U.S natural gas plant.</td>
<td>Repeat order for 4 closed-loop PureSOx systems for two ships. Value: SEK 55 million</td>
</tr>
<tr>
<td>Value: SEK 65 million</td>
<td></td>
</tr>
<tr>
<td>Order in South Korea for compact heat exchangers to a phosphoric acid plant to be built in the Middle East.</td>
<td>Added to the above, orders for another 4 EGC systems taken in the quarter for 4 ships, bringing the total number to 8 systems for 6 ships in the quarter and 58 systems for 51 ships to date.</td>
</tr>
<tr>
<td>Value: SEK 55 million</td>
<td></td>
</tr>
<tr>
<td>Alfa Laval Packinox heat exchangers for a capacity expansion in a refinery in India.</td>
<td></td>
</tr>
<tr>
<td>Value: SEK 70 million</td>
<td></td>
</tr>
</tbody>
</table>
Report for Q3 2014

- Key figures
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Orders received by customer segment

July – Sep. 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 Systems

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

Highlights and sequential comments

- Industrial Equipment down due to lower activity in areas requiring refrigeration products, such as food related cold chains. Good demand for HVAC.
- Sanitary negatively affected by dairy as well as an overall weaker development in conflict-affected areas such as Russia and the Middle East.
- OEM saw weak demand from A/C industry following relatively poor summer in parts of Europe. Customers phasing orders in Q2 also had negative impact.

<table>
<thead>
<tr>
<th></th>
<th>Order</th>
<th>Sales</th>
<th>Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2014</td>
<td>2,462</td>
<td>2,531</td>
<td>1,665</td>
</tr>
<tr>
<td>Q3 2013</td>
<td>2,360</td>
<td>2,443</td>
<td>1,614</td>
</tr>
</tbody>
</table>

*Share of Group total
Marine & Diesel division

Highlights and sequential comments

* M&D Equipment showed very modest decline. Demand for environmental solutions and diesel power partly offset lower demand from the yards for equipment going into new ships.

* M&O Systems dropped as Q2 orders for boilers going into larger ship series were not repeated. Continued good demand for EGC systems.

* M&O Pumping Systems was boosted by two large offshore orders.

<table>
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<th>Sales</th>
<th>Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2014</td>
<td>3,660</td>
<td>3,122</td>
<td>11,958</td>
</tr>
<tr>
<td>Q3 2013</td>
<td>1,533</td>
<td>1,519</td>
<td>4,667</td>
</tr>
</tbody>
</table>

Frank Mohn AS contribution: orders: SEK 1 466 mln  
sales: SEK 1 298 mln  
order backlog: SEK 5 944  
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**Highlights and sequential comments**

- In Energy & Process, Oil & Gas did very well while Refinery and Petrochem declined.
- Food & Life Science boosted by Brewery as well as Life Science & Renewable Resources.
- Water & Waste did very well in North America and Asia. In Europe it declined as current investments cycles are coming to an end.

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<th>Sales</th>
<th>Backlog</th>
</tr>
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<tbody>
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<td>Q3 2014</td>
<td>3,586</td>
<td>3,619</td>
<td>8,777</td>
</tr>
<tr>
<td>Q3 2013</td>
<td>3,522</td>
<td>3,210</td>
<td>8,790</td>
</tr>
</tbody>
</table>

*Share of Group total

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**Year-on-year comparison**

**Sequential comparison**
Orders received by customer segment

January – September 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 Q3 2014

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Orders received by Region

July – Sep. 2014, development at constant rates

- North America 21%
- Western Europe 18%
- Nordic 8%
- Central & Eastern Europe 6%
- Latin America 5%
- Asia 40%
- Other 2%

Year-on-year comparison

+47
+4
= 10
+46
-20
Highlights Asia

July – Sep. 2014, at constant rates, sequential comments

Asia:

- Orders declined slightly excl. Framo, due to non-repeat large projects. Base business and Service both did well.
- China saw a broad-based positive development, driven by the base business and Marine. Fewer of the large projects, due to “wait-and-see” mode among customers.
Highlights Europe

July – Sep. 2014, at constant rates, sequential comments

Western Europe incl. Nordic:

- Fewer large orders and a decline in the base business explains the decline in Western Europe in the quarter.
- Nordic and Adriatic grew. France was unchanged while Mid Europe declined.

Central and Eastern Europe:

- Down due to fewer large orders and a decline in the base business.
- Russia declined as there were less of large projects. The base business performed well, supported by a positive development in Industrial Equipment.
Highlights Americas

July – Sep. 2014, at constant rates, sequential comments

North America:
- Continued good growth in the region, driven by large orders. The base business was unchanged.

Latin America:
- Decline in the region as Brazil saw fewer large orders. Base business in Brazil was still up, boosted by the Equipment Division.
- Food volumes were generally lower in the region. Service developed well, as did Oil & Gas, excluding Brazil, with large orders booked in Peru and Mexico.
Orders received by Region

January – September 2014, development at constant rates

- North America 20%
- Western Europe 21%
- Central & Eastern Europe 7%
- Nordic 8%
- Latin America 5%
- Asia 37%
- Other 2%

Year-on-year comparison:
- Western Europe: +22%
- Central & Eastern Europe: -2%
- Asia: +7%
- Nordic: +35%
- Latin America: -4%
- North America: +35%
- Other: -6%
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.
Report for Q3 2014

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Mr. Thomas Thuresson
CFO
Alfa Laval Group
## Highlights

<table>
<thead>
<tr>
<th>SEK millions</th>
<th>July – Sep, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>9,708</td>
</tr>
<tr>
<td>Net sales</td>
<td>9,272</td>
</tr>
</tbody>
</table>
Gross profit margin

In percent of sales

Q311 Q411 Q112 Q212 Q312 Q412 Q113 Q213 Q313 Q413 Q114 Q214 Q314

38.3 37.0 36.7 38.3 35.3
## Highlights

<table>
<thead>
<tr>
<th>Metric</th>
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<td>Order intake</td>
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<tr>
<td>Net sales</td>
<td>9,272</td>
</tr>
<tr>
<td>Adjusted EBITA</td>
<td>1,545</td>
</tr>
<tr>
<td>Adjusted EBITA-margin</td>
<td>16.7%</td>
</tr>
<tr>
<td>Profit before tax*</td>
<td>991</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>1.65</td>
</tr>
<tr>
<td>Earnings per share, excl step-up</td>
<td>2.13</td>
</tr>
<tr>
<td>ROCE</td>
<td>20.6%</td>
</tr>
<tr>
<td>ROE</td>
<td>17.9%</td>
</tr>
</tbody>
</table>

*Includes a one-time charge of SEK260 million for cost-cutting measures*
Cost savings program

- Measures under implementation to have reduced the number of employees with some 400 by Q4 2015. The net number, once completed, is estimated at 300 employees.
- Annualized savings level of approximately SEK 300 million seen in Q4 2015.
- Implementation estimated to lead to non-recurring costs of about SEK 260 million – all charged to Q3.
- Cash out is estimated at SEK235 million.
## Divisional performance

<table>
<thead>
<tr>
<th></th>
<th>Equipment Q3 ’14</th>
<th>Equipment Q3 ’13</th>
<th>Process Technology Q3 ’14</th>
<th>Process Technology Q3 ’13</th>
<th>Marine &amp; Diesel Q3 ’14</th>
<th>Marine &amp; Diesel Q3 ’13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>2,462</td>
<td>2,360</td>
<td>3,586</td>
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<td>2,443</td>
<td>3,619</td>
<td>3,210</td>
<td>3,122</td>
<td>1,519</td>
</tr>
<tr>
<td>Op. profit</td>
<td>306</td>
<td>365</td>
<td>523</td>
<td>525</td>
<td>550</td>
<td>221</td>
</tr>
<tr>
<td>Op margin (%)</td>
<td>12,1</td>
<td>14,9</td>
<td>14,5</td>
<td>16,4</td>
<td>17,6</td>
<td>14,5</td>
</tr>
</tbody>
</table>

Frank Mohn AS contribution to Marine & Diesel:
- Orders: SEK 1,466 million
- Sales: SEK 1,298 million
- Order backlog: SEK 5 944 million
Alfa Laval raised EUR 800 million in the corporate bond market in Q3. The bonds replace the bridge loan take in connection with the acquisition of Frank Mohn AS.

The bonds were raised in two tranches, EUR 300 million with a maturity of five years and EUR 500 million, with a maturity of eight years. They are listed on the Irish stock exchange.

Guidance on interest net going forward is SEK 90 per quarter.
# Cash-flow statement

<table>
<thead>
<tr>
<th>Cash flow from</th>
<th>Q3 2014</th>
<th>Q3 2013</th>
<th>9M 2014</th>
<th>9M 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>- operating activities</td>
<td>1,667</td>
<td>994</td>
<td>3,433</td>
<td>3,003</td>
</tr>
<tr>
<td>- investing activities</td>
<td>-152</td>
<td>-96</td>
<td>-14,790</td>
<td>-786</td>
</tr>
<tr>
<td>Financial net paid</td>
<td>-262</td>
<td>-32</td>
<td>-113</td>
<td>-51</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,253</strong></td>
<td><strong>866</strong></td>
<td><strong>-11,470</strong></td>
<td><strong>2,166</strong></td>
</tr>
<tr>
<td><strong>Pro Forma Free cash-flow</strong></td>
<td>1,261</td>
<td>857</td>
<td>2,922</td>
<td>2,667</td>
</tr>
</tbody>
</table>

*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>Q3 14</th>
<th>9M 14</th>
<th>FY 14</th>
<th>FY 15*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation effect</td>
<td>36</td>
<td>18</td>
<td>50</td>
<td>120</td>
</tr>
<tr>
<td>Transaction effect</td>
<td>-43</td>
<td>-45</td>
<td>-35</td>
<td>130</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-7</td>
<td>-27</td>
<td>15</td>
<td>250</td>
</tr>
</tbody>
</table>

*Based on EUR/USD 1.26 and EUR/SEK 9.14

Projected FX-effect for 2014 as communicated in Q2 report: SEK 0
Order backlog as per Sep. 30

SEK millions

For delivery in 2014
For delivery later than 2014

Book to bill

Q310 Q311 Q312 Q313 Q314
22,400 7,371 15,029 22,400
15,071 8,399 6,672 15,071
15,071 8,399 6,672 15,071
15,071 8,399 6,672 15,071
22,400 7,371 15,029 22,400

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## 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></td>
<td><strong>Subtotal</strong> 33.1</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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Outlook for the fourth quarter

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