Report for Q2 2015

- 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

**April – June 2015**

- Orders received rose 2% to SEK 9,146 million.
- Net sales grew 21% to SEK 10,177 million.
- Adjusted EBITA increased 35% to SEK 1,818 million.
- Adjusted EBITA margin 17.9% vs 16.0%
  - Positive currency effect SEK 182 million.

**January – June 2015**

- Orders received rose 15% to SEK 18,990 million.
- Net sales grew 28% to SEK 19,248 million.
- Adjusted EBITA increased 41% to SEK 3,388 million.
- Adjusted EBITA margin 17.6% vs 16.0%
  - Positive currency effect SEK 330 million.
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Orders received

![Graph showing orders received in SEK million from Q2 2011 to Q2 2015. The graph includes order intake per quarter and rolling twelve months value, with percentage developments at constant rates by quarter, year on year.](www.alfalaval.com)
# Order analysis

## Q2 2015 versus Q2 2014 and versus Q1 2015 (MSEK)

<table>
<thead>
<tr>
<th></th>
<th>Q2 2014</th>
<th></th>
<th>Q1 2015</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural change, %</td>
<td>+ 3.3</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Organic development, %</td>
<td>- 10.2</td>
<td></td>
<td>- 7.6</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>- 6.9</td>
<td></td>
<td>- 7.6</td>
<td></td>
</tr>
<tr>
<td>Currency effects, %</td>
<td>+ 8.9</td>
<td></td>
<td>+ 0.5</td>
<td></td>
</tr>
<tr>
<td>Total, %</td>
<td>+ 2.0</td>
<td></td>
<td>- 7.1*</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Q2 2015</th>
<th>Q2 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2015</td>
<td>9,146</td>
<td>9,146</td>
</tr>
</tbody>
</table>

* Excluding backlog revaluation it was approx. -3%
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><strong>Process Technology</strong></th>
<th><strong>Marine &amp; Diesel</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Air-cooler systems for a power plant in the Middle East. <strong>Value: SEK 110 million</strong></td>
<td>Frame agreement with MSC to supply BWT systems until July 2016. <strong>Agreement worth SEK 230 million, of which SEK 125 million will be booked this year.</strong></td>
</tr>
<tr>
<td>Separation modules for an FPSO. <strong>Value: SEK 85 million.</strong></td>
<td>Framo pumping systems for North Sea oil platforms. <strong>Value: SEK 200 million.</strong></td>
</tr>
<tr>
<td><strong>Equipment</strong></td>
<td></td>
</tr>
<tr>
<td>Heat exchangers for district heating network in China. <strong>Value: SEK 100 million.</strong></td>
<td></td>
</tr>
</tbody>
</table>

In the quarter we booked 5 SOx systems for 5 ships, bringing the total to 13 systems for 13 ships this year.
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Orders received by customer segment

April – June 2015, 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 & Diesel Eq.

Marine & Offshore* Pumping Systems
Marine & Offshore Syst.

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

Year-on-year comparison

Equipment division
Marine & Diesel division
Process Technology division
Equipment division

<table>
<thead>
<tr>
<th>Highlights and sequential comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>* Industrial Equipment up on seasonality, supported by demand from refrigeration customers and a large Chinese district-heating order.</td>
</tr>
<tr>
<td>* Sanitary lifted by demand from dairy, brewery and pharma.</td>
</tr>
<tr>
<td>* OEM lifted by seasonal demand from A/C and heat pump manufacturers.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Order</th>
<th>Sales</th>
<th>Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2015</td>
<td>2,850</td>
<td>2,680</td>
<td>1,957</td>
</tr>
<tr>
<td>Q2 2014</td>
<td>2,607</td>
<td>2,421</td>
<td>1,728</td>
</tr>
</tbody>
</table>

*Share of Group total

Year-on-year comparison
Sequential comparison

Industrial Equipment 11%*
Sanitary 10%
OEM 5%
Service 5%
Marine & Diesel division

Highlights and sequential comments

- M&D Equipment rose amid increased demand for retrofit installations of ballast water systems. Demand for new equipment was flat while diesel power declined somewhat.
- Marine & Offshore declined due to fewer orders for SOx as well as inert gas systems.
- M&O Pumping dropped due to lower yard contracting and fewer large offshore orders.
- Service saw somewhat lower activity for parts sales.

<table>
<thead>
<tr>
<th></th>
<th>Order</th>
<th>Sales</th>
<th>Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2015</td>
<td>3,131</td>
<td>3,675</td>
<td>12,774</td>
</tr>
<tr>
<td>Q2 2014</td>
<td>2,881</td>
<td>2,421</td>
<td>11,272</td>
</tr>
</tbody>
</table>

Frank Mohn AS contribution:
- orders: SEK 829 mln
- sales: SEK 1 472 mln
- order backlog: SEK 5 727 mln

*Share of Group total
# Process Technology division

## Highlights and sequential comments

- **Energy & Process** affected as capex limitations up- and midstream led to a contraction for the Oil & Gas business. Petrochem also declined amid continued industry uncertainty as to the implications from the oil and gas sector.

- **Food & Life Science** saw stable development for base business and larger orders.

- **Water & Waste** performed very well, supported by base business and larger orders.

<table>
<thead>
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<th>Sales</th>
<th>Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2015</td>
<td>3,165</td>
<td>3,822</td>
<td>8,543</td>
</tr>
<tr>
<td>Q2 2014</td>
<td>3,481</td>
<td>3,581</td>
<td>8,695</td>
</tr>
</tbody>
</table>

*Share of Group total

Year-on-year comparison

Sequential comparison

www.alfalaval.com
Orders received by customer segment

January – June 2015, at constant rates and like for like

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

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Orders received by Region

April – June 2015, development at constant rates

- North America: 19%
- Western Europe: 21%
- Nordic: 11%
- Latin America: 4%
- Central & Eastern Europe: 5%
- Asia: 38%
- Other: 2%

Year-on-year comparison:
- North America: +42%
- Western Europe: -7%
- Nordic: -19%
- Latin America: -6%
- Central & Eastern Europe: -27%
- Asia: -17%
- Other: -27%
Highlights Asia

April – June 2015, at constant rates, sequential comments

Asia:

- Decline as lower yard contracting impacted Marine & Offshore Pumping Systems. Excluding that, the region had a positive development with growth in both Equipment and Process Technology. Best quarter ever for Service.
- China saw pent-up demand from Q1 lead to growth across all capital sales segments and most service segments.
- South Korea declined somewhat due to Marine Pumping.
Western Europe incl. Nordic:
- Region saw slight growth due to favourable development for base business and large projects alike.
- Industrial Equipment, OEM, Sanitary, Water & Waste and Marine Equipment all did well. Service was unchanged.

Central and Eastern Europe:
- Positive development for base business and Service. Large orders were unchanged from first quarter.
- Russia lifted by food-related businesses as country focuses on local food production.
Highlights Americas

April – June 2015, at constant rates, sequential comments

North America:

- Region down due to fewer large projects in the oil and gas-related sector. Base business and aftermarket also affected, showing modest declines.
- US still held up quite well, supported by Industrial Equipment, OEM, Water & Waste, Food & Life and Marine Equipment.

Latin America:

- The geopolitical situation in Brazil and Argentina continued to dampen the business sentiment, influencing the three divisions.
- Colombia, Venezuela, & Panama performed well, as did Mexico, boosted by a refinery order.
Orders received by Region

January – June 2015, development at constant rates

North America 19%
Western Europe 20%
Central & Eastern Europe 5%
Latin America 5%
Other 2%
Asia 39%

Year-on-year comparison

-17 -10 -3 +3 +13 +40
Top 10 markets*

The development of the 2014 top ten markets.
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## Highlights

<table>
<thead>
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<th>SEK millions</th>
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<tr>
<td>Order intake</td>
<td>9,146</td>
</tr>
<tr>
<td>Net sales</td>
<td>10,177</td>
</tr>
</tbody>
</table>
Gross profit margin

In percent of sales

37.0 37.9 36.3 36.3

Q212 Q113 Q213 Q114 Q214 Q314 Q414 Q115 Q215

Q312 Q412 Q113 Q213 Q313 Q413 Q114 Q214 Q314 Q414 Q115 Q215
**Gross profit margin**

**Q2 2015 versus Q2 2014 and versus Q1 2015**

<table>
<thead>
<tr>
<th></th>
<th>Q2 2014</th>
<th>Q1 2015</th>
<th>Q2 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mix/price</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Load/volume</td>
<td>-</td>
<td>=</td>
<td>=</td>
</tr>
<tr>
<td>FX</td>
<td>++</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Structure mix</td>
<td>=</td>
<td>=</td>
<td>=</td>
</tr>
<tr>
<td>FX, unrealized</td>
<td>=</td>
<td>=</td>
<td>=</td>
</tr>
</tbody>
</table>

**Q2 2015**

<table>
<thead>
<tr>
<th></th>
<th>36.3</th>
<th>Q2 2015</th>
<th>36.3</th>
</tr>
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**Q2 2015**
# Highlights

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<td>10,177 SEK millions</td>
</tr>
<tr>
<td>Adjusted EBITA</td>
<td>1,818</td>
</tr>
<tr>
<td>Adjusted EBITA-margin</td>
<td>17.9%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>1,457</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>2.54</td>
</tr>
<tr>
<td>Earnings per share, excl step-up</td>
<td>3.03</td>
</tr>
<tr>
<td>ROCE</td>
<td>20.3%</td>
</tr>
<tr>
<td>ROE</td>
<td>20.4%</td>
</tr>
</tbody>
</table>
## Divisional performance

<table>
<thead>
<tr>
<th></th>
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<td>3,822</td>
<td>3,581</td>
<td>3,675</td>
<td>2,421</td>
</tr>
<tr>
<td>Op. profit</td>
<td>347</td>
<td>306</td>
<td>497</td>
<td>565</td>
<td>798</td>
<td>452</td>
</tr>
<tr>
<td>Op margin (%)</td>
<td>12.9</td>
<td>12.6</td>
<td>13.0</td>
<td>15.8</td>
<td>21.7</td>
<td>18.7</td>
</tr>
</tbody>
</table>

**Comments on operating profit:**
- Volume
- Price/Mix (pos) (neg)
- FX (pos)
- Costs (pos)
- Volume (pos)
- Price/mix (neg)
- FX (pos)
- Sales (pos)
- FX (pos)
- Cost (neg)
- Step-up (neg)
## Cash-flow statement

<table>
<thead>
<tr>
<th>SEK millions</th>
<th>Q2 2015</th>
<th>Q2 2014</th>
<th>1H 2015</th>
<th>1H 2014</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>1,505</td>
<td>1,174</td>
<td>2,606</td>
<td>1,766</td>
</tr>
<tr>
<td>- investing activities</td>
<td>-135</td>
<td>-14,497</td>
<td>-215</td>
<td>-14,638</td>
</tr>
<tr>
<td>Financial net paid</td>
<td>-82</td>
<td>52</td>
<td>-208</td>
<td>149</td>
</tr>
<tr>
<td>Total</td>
<td>1,288</td>
<td>-13,271</td>
<td>2,183</td>
<td>-12,723</td>
</tr>
</tbody>
</table>

### Pro Forma Free cash-flow*

<table>
<thead>
<tr>
<th></th>
<th>Q2 2015</th>
<th>Q2 2014</th>
<th>1H 2015</th>
<th>1H 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pro Forma Free cash-flow*</td>
<td>1,288</td>
<td>1,094</td>
<td>2,182</td>
<td>1,661</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>Q2 15</th>
<th>1H 15</th>
<th>FY 15</th>
<th>FY 16*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation effect</td>
<td>112</td>
<td>215</td>
<td>270</td>
<td>-</td>
</tr>
<tr>
<td>Transaction effect</td>
<td>70</td>
<td>115</td>
<td>275</td>
<td>450</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>182</td>
<td>330</td>
<td>545</td>
<td>450</td>
</tr>
</tbody>
</table>

*Based on EUR/USD 1.12 and EUR/SEK 9.22

Projected FX-effect for 2015 as communicated in Q1 report: SEK 545 million
Order backlog as per June 30

SEK millions

For delivery after 2015
For delivery in 2015

Q211
Q212
Q213
Q214
Q215

0
5
10
15
20
25

0
10,240
13,034
23,274
19,351
21,695
12,351
7,06
1.08
0.98
1.05
1.06

book to bill

www.alfalaval.com
### Sales

<table>
<thead>
<tr>
<th></th>
<th>SEK (bln)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>YTD 2015</strong></td>
<td>19.2</td>
</tr>
<tr>
<td><strong>Backlog, current year</strong></td>
<td>+ 13.0</td>
</tr>
<tr>
<td><strong>Orders “in-for-out” last year H2</strong></td>
<td>+ 7.7</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>39.9</td>
</tr>
<tr>
<td><strong>Change in “in-for-out”</strong></td>
<td>+/- ?</td>
</tr>
<tr>
<td><strong>Price</strong></td>
<td>?</td>
</tr>
<tr>
<td><strong>Full year 2015</strong></td>
<td></td>
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Mr. Lars Renström
President and CEO
Alfa Laval Group
“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.