Report for Q3 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

## July – September 2015

- Orders received declined 11% to SEK 8,686 million.
- Net sales grew 5% to SEK 9,693 million.
- Adjusted EBITA increased 9% to SEK 1,677 million.
- Adjusted EBITA margin 17.3% vs 16.7%
  
  - Positive currency effect SEK 40 million.

## January – September 2015

- Orders received rose 6% to SEK 27,676 million.
- Net sales grew 19% to SEK 28,941 million.
- Adjusted EBITA increased 28% to SEK 5,065 million.
- Adjusted EBITA margin 17.5% vs 16.3%
  
  - Positive currency effect SEK 370 million.
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Orders received

- Order intake per quarter “large”
- Order intake per quarter
- Rolling twelve months value
+XX% = % development at constant rates by quarter, year on year
## Order analysis

### Q3 2015 versus Q3 2014 and versus Q2 2015 (MSEK)

<table>
<thead>
<tr>
<th></th>
<th>Q3 2014</th>
<th>Q2 2015</th>
<th></th>
<th>Q3 2015</th>
<th>Q2 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural change, %</td>
<td>+ 0.2</td>
<td>+ 0.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organic development, %</td>
<td>- 15.0</td>
<td>- 3.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>- 14.8</td>
<td>- 3.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency effects, %</td>
<td>+ 4.3</td>
<td>- 1.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total, %</td>
<td>- 10.5</td>
<td>- 5.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>9,708</td>
<td>9,146</td>
<td></td>
<td>8,686</td>
<td>8,686</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>
</table>
| Process solution for a brewery in India.  
   **Value:** SEK 60 million. | Alfa Laval Aalborg boiler modules for an FPSO.  
   **Value:** SEK 90 million. |
| Order for process solution to an edible oil refinery in China.  
   **Value:** SEK 75 million. | Preferred supplier of BWT systems in frame agreement.  
   **Value:** SEK 35 million this year and another SEK 35 million Q1 of 2016. |
| Order in Italy for an ammonia process line in Slovakia.  
   **Value:** SEK 55 million. | In the quarter we booked 4 SOX systems for 4 ships, bringing the total to 17 systems for 17 ships this year. |
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Orders received by customer segment

July – September 2015, at constant rates and like for like

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

Equipment division
- Marine & Diesel division
- Process Technology division

Year-on-year comparison

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Equipment division

Highlights and sequential comments

- Industrial Equipment negatively affected by the non-repeat of a large district heating order.
- Sanitary saw lower volumes in food. Demand from pharma and personal care was very good.
- OEM was down after customers stocking up already in the second quarter, ahead of the vacation period.

<table>
<thead>
<tr>
<th></th>
<th>Order</th>
<th>Sales</th>
<th>Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2015</td>
<td>2,545</td>
<td>2,671</td>
<td>1,818</td>
</tr>
<tr>
<td>Q3 2014</td>
<td>2,462</td>
<td>2,531</td>
<td>1,665</td>
</tr>
</tbody>
</table>

*Share of Group total
**Marine & Diesel division**

### Highlights and sequential comments

- **M&D Equipment** declined, affected by lower ship contracting earlier in the year.
- **Marine & Offshore** saw lower marine boiler demand, only partly offset by a large offshore order.
- **M&O Pumping** rose due to backlog revaluation. Underlying, orders were down as growth in marine pumping did not manage to compensate for a non-repeat offshore order.
- **Service** lifted by higher parts activity and more pumping systems service.

<table>
<thead>
<tr>
<th>Year</th>
<th>Order</th>
<th>Sales</th>
<th>Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2015</td>
<td>2,885</td>
<td>3,555</td>
<td>12,014</td>
</tr>
<tr>
<td>Q3 2014</td>
<td>3,660</td>
<td>3,122</td>
<td>11,958</td>
</tr>
</tbody>
</table>

*Share of Group total

Year-on-year comparison

Sequential comparison

Marine & Diesel Equipment 7%

Marine & Offshore Systems 5%

Marine & Offshore Pumping Systems 10%

Service 12%
Process Technology division

Highlights and sequential comments

* Energy & Process unchanged amid continued low oil & gas industry activity. Decline upstream was offset by midstream growing on efficiency investments and upgrades. Petrochemicals saw strong recovery while Refinery declined.

* Food & Life Science boosted by large capacity-related brewery and vegetable oil orders in emerging markets.

* Service saw higher demand from oil and gas chain, while activity was slower in Water & Waste.

<table>
<thead>
<tr>
<th></th>
<th>Order</th>
<th>Sales</th>
<th>Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2015</td>
<td>3,256</td>
<td>3,467</td>
<td>8,285</td>
</tr>
<tr>
<td>Q3 2014</td>
<td>3,586</td>
<td>3,619</td>
<td>8,777</td>
</tr>
</tbody>
</table>

*Share of Group total

*Year-on-year comparison

*Sequential comparison

www.alfalaval.com
Orders received by customer segment

January – September 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

*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

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Orders received by Region

July – September 2015, development at constant rates

- North America 16%
- Western Europe 20%
- Central & Eastern Europe 6%
- Latin America 6%
- Nordic 8%
- Asia 42%
- Other 2%

Year-on-year comparison

- North America: -44%
- Western Europe: +13%
- Central & Eastern Europe: -1%
- Latin America: -6%
- Nordic: -4%
- Asia: -12%

www.alfalaval.com
Highlights Asia

July – September 2015, at constant rates, sequential comments

Asia:

- Process Technology did well amid large orders in vegetable oil and brewery. Oil & Gas and Petrochemicals also up, but from low levels.
- Equipment lower due to non-repeat while Marine & Diesel grew as Marine Pumping saw positive impact from ship contracting mix.
- China grew somewhat, both as a result of a positive onshore development, especially in the food-related business, and also due to an increase in Marine & Diesel.
- India, Japan and parts of South East Asia all did well.
Highlights Europe

July – September 2015, at constant rates, sequential comments

Western Europe incl. Nordic:
- Nordic down due to a non-repeat offshore order.
- Industrial Equipment, Sanitary and Food declined, while Energy & Process and Water & Waste had a good development.

Central and Eastern Europe:
- Positive development driven by Russia and Turkey.
- Russia had a strong Service quarter and Energy & Process recovered from low levels seen earlier in the year.
Highlights Americas

July – September 2015, at constant rates, sequential comments

North America:
- Decline for both large orders and base business.
- US declined, mainly due to non-repeats in Water & Waste as well as for EGC. The business related to the hydrocarbon chain was unchanged.

Latin America:
- Good base business in Equipment and Process Technology, an increase in larger orders and a good service performance.
- Despite a continued slow business climate in Brazil, orders grew thanks to larger orders in food and process-related areas and a positive base business.
Orders received by Region

January – September 2015, development at constant rates

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>18%</td>
</tr>
<tr>
<td>Latin America</td>
<td>5%</td>
</tr>
<tr>
<td>Central &amp; Eastern Europe</td>
<td>5%</td>
</tr>
<tr>
<td>Asia</td>
<td>40%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>20%</td>
</tr>
<tr>
<td>Nordic</td>
<td>10%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
</tbody>
</table>

Year-on-year comparison:

- Asia: -19
- Western Europe: +26
- Nordic: -3
- Central & Eastern Europe: -8
- Latin America: +3
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Mr. Thomas Thuresson
CFO
Alfa Laval Group
## Highlights

<table>
<thead>
<tr>
<th>SEK millions</th>
<th>July – September 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>8,686</td>
</tr>
<tr>
<td>Net sales</td>
<td>9,693</td>
</tr>
</tbody>
</table>
# Gross profit margin

Q3 2015 versus Q3 2014 and versus Q2 2015

<table>
<thead>
<tr>
<th></th>
<th>Q3 2014</th>
<th>35.3</th>
<th>Q2 2015</th>
<th>36.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mix/price</td>
<td>+</td>
<td></td>
<td>=</td>
<td></td>
</tr>
<tr>
<td>Load/volume</td>
<td>-</td>
<td></td>
<td>- -</td>
<td></td>
</tr>
<tr>
<td>FX</td>
<td>-</td>
<td></td>
<td>- -</td>
<td></td>
</tr>
<tr>
<td>Structure</td>
<td>=</td>
<td></td>
<td>=</td>
<td></td>
</tr>
<tr>
<td>Q3 2015</td>
<td>35.2</td>
<td></td>
<td>Q3 2015</td>
<td>35.2</td>
</tr>
</tbody>
</table>
## Highlights

<table>
<thead>
<tr>
<th>Metric</th>
<th>July – September, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>8,686</td>
</tr>
<tr>
<td>Net sales</td>
<td>9,693</td>
</tr>
<tr>
<td>Adjusted EBITA</td>
<td>1,677</td>
</tr>
<tr>
<td>Adjusted EBITA-margin</td>
<td>17.3%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>1,338</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>2.34</td>
</tr>
<tr>
<td>Earnings per share, excl step-up</td>
<td>2.81</td>
</tr>
<tr>
<td>ROCE</td>
<td>21.8%</td>
</tr>
<tr>
<td>ROE</td>
<td>21.8%</td>
</tr>
</tbody>
</table>
## Divisional performance

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 Orders</td>
<td>2,545</td>
<td>2,462</td>
<td>3,256</td>
<td>3,586</td>
<td>2,885</td>
<td>3,660</td>
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<tr>
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<td>8,777</td>
<td>12,014</td>
<td>11,958</td>
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<td>3,467</td>
<td>3,619</td>
<td>3,555</td>
<td>3,122</td>
</tr>
<tr>
<td>Q3 Op margin (%)</td>
<td>13.7</td>
<td>12.1</td>
<td>10.2</td>
<td>14.5</td>
<td>20.3</td>
<td>17.6</td>
</tr>
</tbody>
</table>

**Comments on operating profit:**
- Volume
- FX (pos)
- Cost (pos)
- Volume
- Engineering productivity (neg)
- Volume
- Price/mix (pos)
- Cost (neg)
- Step-up (neg)
Cash-flow statement

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flow from</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- operating activities</td>
<td>1,369</td>
<td>1,667</td>
<td>3,975</td>
<td>3,433</td>
</tr>
<tr>
<td>- investing activities</td>
<td>-243</td>
<td>-152</td>
<td>-458</td>
<td>-14,790</td>
</tr>
<tr>
<td>Financial net paid</td>
<td>-171</td>
<td>-262</td>
<td>-379</td>
<td>-113</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>955</td>
<td>1,253</td>
<td>3,138</td>
<td>-11,470</td>
</tr>
</tbody>
</table>

**Pro Forma Free cash-flow***

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pro Forma Free cash-flow</strong>*</td>
<td>1,018</td>
<td>1,261</td>
<td>3,200</td>
<td>2,922</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 15</th>
<th>9M 15</th>
<th>FY 15</th>
<th>FY 16*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation effect</td>
<td>45</td>
<td>260</td>
<td>280</td>
<td>-</td>
</tr>
<tr>
<td>Transaction effect</td>
<td>95</td>
<td>210</td>
<td>300</td>
<td>475</td>
</tr>
<tr>
<td>Revaluation in w/c</td>
<td>-100</td>
<td>-100</td>
<td>-80</td>
<td>80</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>40</td>
<td>370</td>
<td>500</td>
<td>555</td>
</tr>
</tbody>
</table>

*Based on EUR/USD 1.12 and EUR/SEK 9.30

Projected FX-effect for 2015 as communicated in Q2 report: SEK 545 million
Order backlog as per Sep. 30

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q311</th>
<th>Q312</th>
<th>Q313</th>
<th>Q314</th>
<th>Q315</th>
</tr>
</thead>
<tbody>
<tr>
<td>For delivery after 2015</td>
<td>7,050</td>
<td>15,029</td>
<td>14,103</td>
<td>22,400</td>
<td>22,117</td>
</tr>
<tr>
<td>For delivery in 2015</td>
<td>7,371</td>
<td>0,98</td>
<td>1,08</td>
<td>0,90</td>
<td>0,90</td>
</tr>
</tbody>
</table>
# Sales

<table>
<thead>
<tr>
<th>Full year 2015</th>
<th>SEK (bln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>YTD 2015</td>
<td>28.9</td>
</tr>
<tr>
<td>Backlog, current year</td>
<td>+ 8.0</td>
</tr>
<tr>
<td>Orders “in-for-out” last year Q4</td>
<td>+ 3.4</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>40.3</strong></td>
</tr>
<tr>
<td>Change in “in-for-out”</td>
<td>+/- ?</td>
</tr>
<tr>
<td>Price</td>
<td>?</td>
</tr>
<tr>
<td><strong>Full year 2015</strong></td>
<td></td>
</tr>
</tbody>
</table>
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Mr. Lars Renström
President and CEO
Alfa Laval Group
Outlook for the fourth quarter

“We expect that demand during the fourth quarter will be in line with or somewhat higher than in the third quarter.”
# Activity split O&G, total

- Distribution of orders Q3 2015 (MSEK)

<table>
<thead>
<tr>
<th>Process Technology</th>
<th>Drilling</th>
<th>Processing &amp; Transportation</th>
<th>Refinery</th>
<th>Petrochemicals</th>
<th>Grand total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alfa Laval</td>
<td>53</td>
<td>339</td>
<td>170</td>
<td>385</td>
<td>947 (+20%**)</td>
</tr>
<tr>
<td>Share of total Alfa Laval</td>
<td>190</td>
<td>230</td>
<td>0</td>
<td>0</td>
<td>420 (-22%**)</td>
</tr>
<tr>
<td>Sequential development</td>
<td><strong>243</strong></td>
<td><strong>569</strong></td>
<td><strong>170</strong></td>
<td><strong>385</strong></td>
<td><strong>1,367</strong> (+3%**)</td>
</tr>
</tbody>
</table>

**2.8%**  
**6.6%**  
**2.0%**  
**4.4%**  

*) including Service  **) Sequential comparison
Industry split
- Distribution of sales LTM, September 2015

Marine: 46%
Offshore oil and gas: 11%
Environment & Energy, Marine: 11%
Diesel power: 3%
Parts & Service: 29%

Driver:
- World trade & fleet capacity
- Oil & gas demand and prices
- Legislation and fuel cost
- Electrical power needs
- World trade
Top 10 markets*

SEK million at prevailing rates

United States
China
South Korea
Nordic
Mid Europe
Japan
SEA
Adriatic
Benelux
UK

0 1 000 2 000 3 000 4 000 5 000 6 000

The development of the 2014 top ten markets.

= R12M end of September

= WY 2014
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.