Report for Q4 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

### October – December 2015
- Orders received declined 10% to SEK 9,422 million.
- Net sales unchanged at SEK 10,805 million.
- Adjusted EBITA dropped 10% to SEK 1,751 million.
- Adjusted EBITA margin 16.2% vs 18.0%
  - Positive currency effect SEK 80 million.

### January – December 2015
- Orders received rose 1% to SEK 37,098 million.
- Net sales grew 13% to SEK 39,746 million.
- Adjusted EBITA increased 16% to SEK 6,811 million.
- Adjusted EBITA margin 17.1% vs 16.8%
  - Positive currency effect SEK 450 million.
The board of directors proposes a dividend of SEK 4.25 (4.00)
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Orders received

SEK million

SEK million R 12

Q411  Q112  Q212  Q312  Q412  Q113  Q213  Q313  Q413  Q114  Q214  Q314  Q414  Q115  Q215  Q315  Q415

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

www.alfalaval.com
# Order analysis

## Q4 2015 versus Q4 2014 and versus Q3 2015 (MSEK)

<table>
<thead>
<tr>
<th></th>
<th>Q4 2014</th>
<th>10,509</th>
<th>Q3 2015</th>
<th>8,686</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural change, %</td>
<td>+ 0.1</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Organic development, %</td>
<td>- 11.1</td>
<td></td>
<td>+ 10.9</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>- 11.0</td>
<td></td>
<td>+ 10.9</td>
<td></td>
</tr>
<tr>
<td>Currency effects, %</td>
<td>+ 0.7</td>
<td></td>
<td>- 2.4</td>
<td></td>
</tr>
<tr>
<td><strong>Total, %</strong></td>
<td>- 10.3</td>
<td></td>
<td>+ 8.5</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Q4 2015</th>
<th>9,422</th>
<th>Q4 2015</th>
<th>9,422</th>
</tr>
</thead>
</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>Complete process line for a vegetable protein extraction plant in India. <strong>Value: SEK 50 million.</strong></td>
<td>Alfa Laval Framo power generator systems for an oil platform in the North Sea. <strong>Value: SEK 100 million.</strong></td>
</tr>
<tr>
<td>Order for air heat exchangers to refinery in Spain. <strong>Value: SEK 65 million.</strong></td>
<td>Offshore order for Framo pumping systems from Maersk. <strong>Value SEK 100 million.</strong></td>
</tr>
<tr>
<td>Order to supply various pieces of equipment for a complete process line in a brewery in Mexico. <strong>Value:SEK 210 million.</strong></td>
<td>In the quarter we booked 1 SOx system for 1 ship, bringing the total in 2015 to 18 systems for 18 ships.</td>
</tr>
<tr>
<td>Air coolers for US power plant. <strong>Value:SEK 60 million.</strong></td>
<td></td>
</tr>
<tr>
<td>Heat exchangers for LNG plant in the US. <strong>Value: SEK 60 million.</strong></td>
<td></td>
</tr>
<tr>
<td>South Korean order for Packinox heat exchangers for a petrochemical plant. <strong>Value SEK 170 million.</strong></td>
<td></td>
</tr>
</tbody>
</table>
Report for Q4 2015

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Orders received by customer segment

Oct – December 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 Syst.
- Marine & Offshore*
- Pumping Systems

Year-on-year comparison

- Equipment division
- Marine & Diesel division
- Process Technology division

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Equipment division

Highlights and sequential comments

* Industrial Equipment was negatively affected by Russia as well as the transfer from direct to channel sales. Refrigeration saw good demand.

* Sanitary saw good order growth from customers in both food and pharmaceuticals.

* OEM saw order growth for traditional products such as brazed heat exchangers, while demand for products for construction equipment declined.

<table>
<thead>
<tr>
<th></th>
<th>Order</th>
<th>Sales</th>
<th>Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 2015</td>
<td>2,526</td>
<td>2,694</td>
<td>1,637</td>
</tr>
<tr>
<td>Q4 2014</td>
<td>2,523</td>
<td>2,629</td>
<td>1,571</td>
</tr>
</tbody>
</table>

Industrial Equipment 8%*
Sanitary 10%
OEM 4%
Service 5%

*Share of Group total
Marine & Diesel division

Highlights and sequential comments

* M&D Equipment affected by lower ship contracting earlier in the year. Decline partly compensated by increase for diesel power.
* Marine & Offshore saw higher marine demand while offshore dropped due to a non-repeat.
* M&O Pumping saw extraordinary growth for marine systems as new legislation led to substantial order placement before year end.
* Service saw higher spare parts activity and demand for pumping systems service also grew.

<table>
<thead>
<tr>
<th></th>
<th>Order</th>
<th>Sales</th>
<th>Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 2015</td>
<td>3,807</td>
<td>4,010</td>
<td>11,715</td>
</tr>
<tr>
<td>Q4 2014</td>
<td>4,058</td>
<td>3,790</td>
<td>12,282</td>
</tr>
</tbody>
</table>

Marine & Diesel Equipment 6%*
Marine & Offshore Systems 5%*
Marine & Offshore Pumping Systems 18%*
Service 11%*

*Share of Group total

Year-on-year comparison
Sequential comparison

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Process Technology division

Highlights and sequential comments

- Energy & Process affected by oil & gas sentiment. Cancellations also had negative impact. Petrochemicals was unchanged.
- Food & LS reported strong growth in protein and brewery while vegetable oil and food declined.
- Service saw decline up- and midstream, while downstream was strong. Water & Waste rose and Food was unchanged.

<table>
<thead>
<tr>
<th>Year</th>
<th>Order</th>
<th>Sales</th>
<th>Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 2015</td>
<td>3,089</td>
<td>4,101</td>
<td>7,226</td>
</tr>
<tr>
<td>Q4 2014</td>
<td>3,928</td>
<td>4,356</td>
<td>8,440</td>
</tr>
</tbody>
</table>

*Share of Group total

Year-on-year comparison
Sequential comparison
Orders received by customer segment

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

PTD Service
Water & Waste
Food & Life Science
Energy & Process
MDD Service
Marine & Offshore*

Industrial Equipment
Sanitary Equipment
OEM
EQD Service
Marine & Diesel Eq.
Marine & Offshore Syst.

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

Equipment division
Year-on-year comparison

Marine & Diesel division
Process Technology division

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Report for Q4 2015

- Key figures
- Orders received and margins
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Orders received by Region

October – December 2015, development at constant rates

- North America 17%
- Western Europe 19%
- Nordic 9%
- Central & Eastern Europe 5%
- Latin America 3%
- Asia 46%

Year-on-year comparison

- North America: +26%
- Western Europe: +2%
- Nordic: +26%
- Central & Eastern Europe: +26%
- Latin America: -25%
- Asia: -43%
- Other: -40%

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Highlights Asia

Oct. – Dec. 2015, at constant rates, sequential comments

Asia:

* Extraordinary demand for Framo pumping systems boosted order intake in the region. The base business also grew while service was unchanged. Excluding pumping systems, orders were flat.

* Energy & Process did well, lifted by a large petrochemical order, as did Marine & Offshore Systems.

* South Korea, Japan did the best while China declined due to a non repeat Food order. In general, demand in China was mixed with customers still in a wait-and-see mode.
Western Europe incl. Nordic:
- Positive development for large projects and base business alike.
- Marine & Diesel Equipment and Food & Life Science did particularly well. Service also had a positive development.

Central and Eastern Europe:
- Russia negatively affected by oil prices as well as sanctions. Poland/ Baltics and Central Europe reported growth.
- Decline for base business and large orders. Service had strong order intake across all three divisions.
Highlights Americas

Oct. – Dec. 2015, at constant rates, sequential comments

North America:

🌟 Positive development driven by growth for large projects and base business in the US.


Latin America:

🌟 Brazil had a weak development mainly due to cancellations in oil & gas.

🌟 Mexico reported strong growth, boosted by a very large brewery order and good Service order intake in the Process Technology Division.
Orders received by Region

Jan. – Dec. 2015, development at constant rates

- North America 18%
- Western Europe 20%
- Nordic 9%
- Latin America 4%
- Central & Eastern Europe 5%
- Asia 42%
- Other 2%

Year-on-year comparison

- North America: +3%
- Western Europe: -7%
- Central & Eastern Europe: -18%
- Asia: +26%
- Nordic: -17%

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Report for Q4 2015

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Mr. Thomas Thuresson
CFO
Alfa Laval Group
## Highlights

<table>
<thead>
<tr>
<th>SEK millions</th>
<th>Oct. – Dec. 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>9,422</td>
</tr>
<tr>
<td>Net sales</td>
<td>10,805</td>
</tr>
</tbody>
</table>
Gross profit margin

In percent of sales

- Q412: 37.0
- Q113: 36.3
- Q213: 36.3
- Q313: 36.3
- Q413: 34.3
- Q114: 34.3
- Q214: 34.3
- Q314: 34.3
- Q414: 34.3
- Q115: 34.2
- Q215: 34.2
- Q315: 34.2
- Q415: 34.2
### Gross profit margin

#### Q4 2015 versus Q4 2014 and versus Q3 2015

<table>
<thead>
<tr>
<th></th>
<th>Q4 2014</th>
<th>Q3 2015</th>
<th>Q4 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mix/price</td>
<td>34.3</td>
<td>35.2</td>
<td>34.2</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</td>
<td>=</td>
<td>=</td>
<td>=</td>
</tr>
</tbody>
</table>

Q4 2015 versus Q4 2014 and versus Q3 2015

- **Mix/price**
  - Q4 2014: 34.3
  - Q3 2015: 35.2
  - Q4 2015: 34.2

- **Load/volume**
  - Q4 2014: -
  - Q3 2015: ---
  - Q4 2015: -

- **FX**
  - Q4 2014: +
  - Q3 2015: +
  - Q4 2015: +

- **Structure**
  - Q4 2014: =
  - Q3 2015: =
  - Q4 2015: =
## Highlights

<table>
<thead>
<tr>
<th>SEK millions</th>
<th>Oct. – Dec., 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>9,422</td>
</tr>
<tr>
<td>Net sales</td>
<td>10,805</td>
</tr>
<tr>
<td>Adjusted EBITA</td>
<td>1,751</td>
</tr>
<tr>
<td>Adjusted EBITA-margin</td>
<td>16.2%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>1,390</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>2.22</td>
</tr>
<tr>
<td>Earnings per share, excl step-up</td>
<td>2.68</td>
</tr>
<tr>
<td>ROCE</td>
<td>21.6%</td>
</tr>
<tr>
<td>ROE</td>
<td>21.7%</td>
</tr>
</tbody>
</table>
## Divisional performance

<table>
<thead>
<tr>
<th></th>
<th>Equipment</th>
<th>Process Technology</th>
<th>Marine &amp; Diesel</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Q4</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Orders</strong></td>
<td>2,526</td>
<td>3,089</td>
<td>3,807</td>
</tr>
<tr>
<td><strong>Backlog</strong></td>
<td>1,637</td>
<td>7,226</td>
<td>11,715</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>2,694</td>
<td>4,101</td>
<td>4,010</td>
</tr>
<tr>
<td><strong>Op. profit</strong></td>
<td>325</td>
<td>640</td>
<td>778</td>
</tr>
<tr>
<td><strong>Op margin (%)</strong></td>
<td>12.1</td>
<td>15.6</td>
<td>19.4</td>
</tr>
</tbody>
</table>

**Comments on operating profit:**
- Price/mix (neg)
- Load (neg)
- Cost (pos)
- FX (pos)
- Volume (neg)
- Volume (pos)
- Price/mix (neg)
- S&A cost (neg)
## Cash-flow statement

<table>
<thead>
<tr>
<th>SEK millions</th>
<th>Q4 2015</th>
<th>Q4 2014</th>
<th>FY 2015</th>
<th>FY 2014</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>1,875</td>
<td>1,690</td>
<td>5,850</td>
<td>5,123</td>
</tr>
<tr>
<td>- investing activities</td>
<td>-252</td>
<td>-180</td>
<td>-710</td>
<td>-14,970</td>
</tr>
<tr>
<td>Financial net paid</td>
<td>56</td>
<td>-320</td>
<td>-323</td>
<td>-433</td>
</tr>
<tr>
<td>Dividend</td>
<td>-1,696</td>
<td>-1,578</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,679</td>
<td>1,190</td>
<td>3,121</td>
<td>-11,858</td>
</tr>
<tr>
<td><strong>Pro Forma Free cash-flow</strong></td>
<td>1,653</td>
<td>1,165</td>
<td>4,853</td>
<td>4,087</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>Q4 15</th>
<th>FY 15</th>
<th>FY 16*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation effect</td>
<td>34</td>
<td>294</td>
<td>-200</td>
</tr>
<tr>
<td>Transaction effect</td>
<td>88</td>
<td>298</td>
<td>550</td>
</tr>
<tr>
<td>Revaluation in w/c</td>
<td>-42</td>
<td>-142</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>80</td>
<td>450</td>
<td>350</td>
</tr>
</tbody>
</table>

*Based on EUR/USD 1.09 and EUR/SEK 9.26

Projected FX-effect for 2015 as communicated at the CMD in November:
SEK 500 million, w/o translation effect
Order backlog as per Dec. 31

<table>
<thead>
<tr>
<th>Quarter</th>
<th>For delivery in 2016</th>
<th>For delivery after 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q411</td>
<td>15,590</td>
<td>0</td>
</tr>
<tr>
<td>Q412</td>
<td>17,250</td>
<td>0</td>
</tr>
<tr>
<td>Q413</td>
<td>4,988</td>
<td>0</td>
</tr>
<tr>
<td>Q414</td>
<td>22,293</td>
<td>5,043</td>
</tr>
<tr>
<td>Q415</td>
<td>20,578</td>
<td>4,988</td>
</tr>
</tbody>
</table>

Book to bill
# Sales

## Full year 2016

<table>
<thead>
<tr>
<th>Description</th>
<th>SEK (bln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2015</td>
<td>39.7</td>
</tr>
<tr>
<td>Order backlog, like-for-like</td>
<td>- 1.7</td>
</tr>
<tr>
<td>FX-translation</td>
<td>- 1.2</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>+ 0.0</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>36.8</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 2016</strong></td>
<td></td>
</tr>
</tbody>
</table>
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Outlook for the first quarter

“We expect that demand during the first quarter 2016 will be somewhat lower than in the fourth quarter, excluding a substantially lower demand for pumping systems.”
Activity split O&G, total
- Distribution of orders FY2015 (MSEK) vs FY2014

<table>
<thead>
<tr>
<th>Process Technology</th>
<th>Drilling</th>
<th>270</th>
<th>1 346</th>
<th>1 616</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Processing &amp; Transportation</td>
<td>1 409</td>
<td>690</td>
<td>2 099</td>
</tr>
<tr>
<td>Refinery</td>
<td>625</td>
<td></td>
<td></td>
<td>625</td>
</tr>
<tr>
<td>Marine &amp; Diesel</td>
<td>1 274</td>
<td>0</td>
<td>0</td>
<td>1 274</td>
</tr>
<tr>
<td>Alfa Laval</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of total Alfa Laval</td>
<td>4.4%</td>
<td>5.6%</td>
<td>1.7%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Grand total</td>
<td>3 578</td>
<td>2 036</td>
<td></td>
<td>5 614*</td>
</tr>
</tbody>
</table>

*) including Service
Industry split
- Distribution of sales LTM, December 2015

Driver
- World trade & fleet capacity: 47%
- Oil & gas demand and prices: 11%
- Legislation and fuel cost: 11%
- Electrical power needs: 4%
- World trade: 27%

Share
- Marine
- Offshore oil and gas
- Environment & Energy, Marine
- Diesel power
- Parts & Service
Food and pharma
- Increased living standard, MSEK fixed rates

2015: MSEK 9 596
2015 vs. 2014: +2%

Americas
- 3 322
- + 7%

Europe
- 2 988
- - 7%

Asia, Pacific & Africa
- 3 286
- + 6%
Top 10 markets*

SEK million at prevailing rates

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

*The development of the 2014 top ten markets.
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.