Report for Q2 2018

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

Mr. Tom Erixon
President and CEO
Alfa Laval Group
# Key figures

## April – June 2018

- Orders received grew 25% to SEK 12,062 million.
- Net sales increased 18% to SEK 10,475 million.
- Adjusted EBITA* up 20% at SEK 1,698 million.
- Adjusted EBITA margin at 16.2% vs 15.8%.

*) Negative currency effect SEK 40 million.

## January – June 2018

- Orders received grew 20% to SEK 22,087 million.
- Net sales increased 13% to SEK 19,326 million.
- Adjusted EBITA* increased 19% to SEK 3,195 million.
- Adjusted EBITA margin at 16.5% vs 15.8%.

*) Negative currency effect SEK 5 million.
### Order analysis

- Q2 2018 versus Q2 2017 and versus Q1 2018 (MSEK)

<table>
<thead>
<tr>
<th></th>
<th>Q2 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Q2 2017</strong></td>
<td>9,629</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Q1 2018</strong></td>
<td></td>
<td>10,025</td>
<td></td>
</tr>
<tr>
<td><strong>Structural change, %</strong></td>
<td>- 0.7</td>
<td>- 0.4</td>
<td></td>
</tr>
<tr>
<td><strong>Organic development, %</strong></td>
<td>+ 22.2</td>
<td>+ 15.7</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>+ 21.5</td>
<td></td>
<td>+ 15.3</td>
</tr>
<tr>
<td><strong>Currency effects, %</strong></td>
<td>+ 3.8</td>
<td></td>
<td>+ 5.0</td>
</tr>
<tr>
<td><strong>Total, %</strong></td>
<td>+ 25.3</td>
<td></td>
<td>+ 20.3</td>
</tr>
<tr>
<td><strong>Q2 2018</strong></td>
<td>12,062</td>
<td></td>
<td>12,062</td>
</tr>
</tbody>
</table>
Orders received

= Order intake per quarter
= Order intake per quarter "large"
= Rolling twelve months value
+XX% = % development at constant rates by quarter, year on year
## Highlights in the quarter

### Energy

- **Alfa Laval Packinox heat exchangers** to a U.S. refinery. **Value: SEK 85 million.**
- **Order for Alfa Laval Olmi heat exchangers** to a petrochemical plant in China. **Value SEK 120 million.**
- **Welded and gasketed heat exchangers** for energy recovery and cooling duties in a petrochemical plant in the Middle East. **Value: SEK 55 million.**

### Marine

- **Order for exhaust gas heat recovery boilers** for a greenfield power plant in Bangladesh. **Value: SEK 70 million.**
- **Framo pumping systems** for oil platform in the North Sea. **Value: SEK 60 million.**
- **Framo pumping systems** to an FPSO in the North Sea. **Value: SEK 65 million.**

### Food & Water

- **Process lines for edible oil plants** in South East Asia. **Value: SEK 55 million.**
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.”
Energy division
- Highlights and sequential comments

Order intake grew, driven by a good inflow of mid-sized and large orders, the latter from the refinery and petrochemical sectors.

- Brazed & Fusion slightly lower as a non-repeat was only partly balanced by the normal seasonal growth.
- Energy separation had slightly less of orders in drilling and mining, while oil processing recorded sequential growth.
- GPHE grew, partly due to a large petrochemical order, partly due to seasonally higher demand for HVAC.
- Welded was boosted by three large refinery and petrochemical orders.

<table>
<thead>
<tr>
<th></th>
<th>Order</th>
<th>Backlog</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2018</td>
<td>3,401 (+11.4%)</td>
<td>4,836</td>
<td>3,215</td>
</tr>
</tbody>
</table>

* Share of Group total
Unexpectedly strong base business across most end markets kept order intake unchanged versus very strong Q1.

- BU Decanters saw increased demand in the water & waste market.
- Food Systems declined due to the non-repeat of a record-sized brewery order.
- HSS boosted by a positive development in pharma and biotech.
- Hygienic Fluid Handling was supported by a strong dairy market.

<table>
<thead>
<tr>
<th></th>
<th>Order</th>
<th>Backlog</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2018</td>
<td>3,589 (+1.1%)</td>
<td>5,096</td>
<td>3,390</td>
</tr>
</tbody>
</table>

*Share of Group total
Order intake stronger than expected, boosted by PureSOx and pumping systems.

- Boilers & Gas systems saw flat boiler demand, while PureSOx orders rose significantly versus the previous quarter.
- Pumping systems grew, reflecting a higher level of contracting of chemical tankers. Offshore pumping saw fewer large orders.

<table>
<thead>
<tr>
<th>Order</th>
<th>Backlog</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2018</td>
<td>4,685 (+36.7%)</td>
<td>10,996</td>
</tr>
</tbody>
</table>

*Share of Group total
Overall order intake declined due to the finalisation of the divestment of two product groups in the quarter – heat exchanger systems and tubular heat exchangers.

Air heat exchangers, the remaining and largest area, performed well, with continued high demand for cooling applications in conventional power, as well as for refrigeration and HVAC applications.
Service, by division

Order intake

**ENERGY**
- Q2: 24%

**FOOD & WATER**
- Q2: 29%

**MARINE**
- Q2: 22%

**SERVICE SHARE**

**ABSOLUTE DEVELOPMENT**

- ENERGY: YoY, SEQ
- FOOD & WATER: YoY, SEQ
- MARINE: YoY, SEQ
Orders received by business unit
- April – June 2018, at constant rates, like for like and year-on-year

- “Greenhouse”
- Brazed & fusion-bonded HEX
- Energy Separation
- GPHE
- WHE
- Decanters
- Food Heat Transfer
- Food Systems
- Hygienic Fluid Handling
- Marine Separation & Heat Transfer
- Boilers & Gas Systems
- High-speed Separators
- Pumping Systems

“Greenhouse”
Orders received by region
- April – June 2018, development at constant rates

- Asia 43%
- Western Europe 21%
- North America 16%
- Latin America 3%
- Africa & Oceania 2%
- CEE 5%

Year-on-year comparison
- North America: 16%
- Western Europe: 21%
- Nordic: 10%
- CEE: 5%
- Asia: 43%
- Africa & Oceania: 2%
- Latin America: 3%

Sequential comparison
- North America: +2%
- Western Europe: +36%
- Nordic: +23%
- CEE: +41%
- Asia: +37%
- Africa & Oceania: +10%
- Latin America: -38%
- Year-on-year comparison: +2 - 10 + 36 + 41 + 37 -38 + 23 + 8 + 4 - 7 + 2
Top ten markets*
- SEK million at prevailing rates

*The development of the 2017 top ten markets.
Report for Q2 2018

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

Mr. Jan Allde
CFO
Alfa Laval Group
# Highlights 2018
- April - June, SEK million

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>12,062</td>
</tr>
<tr>
<td>Net sales</td>
<td>10,475</td>
</tr>
</tbody>
</table>
Gross profit margin
- In percent of sales

36.3 36.2 36.4 35.4
## Gross profit margin
- Q2 2018 versus Q2 2017 and versus Q1 2018

<table>
<thead>
<tr>
<th></th>
<th>Q2 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</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>PPV/metals</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>
<tr>
<td>Q2 2018</td>
<td>35.4</td>
<td>Q2 2018</td>
<td>35.4</td>
</tr>
</tbody>
</table>
# Highlights 2018

- April - June, SEK million

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>12,062</td>
</tr>
<tr>
<td>Net sales</td>
<td>10,475</td>
</tr>
<tr>
<td>Adjusted EBITA</td>
<td>1,698</td>
</tr>
<tr>
<td>Adjusted EBITA margin, %</td>
<td>16.2</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>1,499</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>2.65</td>
</tr>
<tr>
<td>Earnings per share, excl. step-up</td>
<td>3.17</td>
</tr>
<tr>
<td>ROCE</td>
<td>20.8</td>
</tr>
<tr>
<td>ROE</td>
<td>18.8</td>
</tr>
</tbody>
</table>

© Alfa Laval
## Divisional performance

<table>
<thead>
<tr>
<th>Q2</th>
<th>Energy</th>
<th>Marine</th>
<th>Food &amp; Water</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>3,401</td>
<td>3,136</td>
<td>4,685</td>
</tr>
<tr>
<td>Backlog</td>
<td>4,836</td>
<td>5,032</td>
<td>10,996</td>
</tr>
<tr>
<td>Sales</td>
<td>3,215</td>
<td>2,861</td>
<td>3,486</td>
</tr>
<tr>
<td>Op. profit</td>
<td>490</td>
<td>384</td>
<td>571</td>
</tr>
<tr>
<td>Op. margin, %</td>
<td>15.2</td>
<td>13.4</td>
<td>16.4</td>
</tr>
</tbody>
</table>

### Comments on operating margin

- Volume/load (pos)
- Project execution (pos)
- Mix, FX (neg)
- Mix (neg)

© Alfa Laval
### Cash-flow statement

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Q2 2018</th>
<th>Q2 2017</th>
<th>1H 2018</th>
<th>1H 2017</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>1,377</td>
<td>1,042</td>
<td>2,043</td>
<td>1,846</td>
</tr>
<tr>
<td>- investing activities</td>
<td>-240</td>
<td>-196</td>
<td>-350</td>
<td>-316</td>
</tr>
<tr>
<td>Financial net paid</td>
<td>49</td>
<td>-86</td>
<td>-8</td>
<td>-89</td>
</tr>
<tr>
<td>Total</td>
<td>1,186</td>
<td>760</td>
<td>1,685</td>
<td>1,441</td>
</tr>
<tr>
<td>Pro Forma Free cash-flow*</td>
<td>1,109</td>
<td>818</td>
<td>1,608</td>
<td>1,499</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></th>
<th>SEK million</th>
<th>Q2 2018</th>
<th>1H 2018</th>
<th>FY 2018</th>
<th>FY 2019*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction effect</td>
<td>-25</td>
<td>0</td>
<td>-40</td>
<td>115</td>
<td></td>
</tr>
<tr>
<td>Revaluation</td>
<td>-55</td>
<td>-5</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Translation effect</td>
<td>40</td>
<td>0</td>
<td>190</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>-40</strong></td>
<td><strong>-5</strong></td>
<td><strong>150</strong></td>
<td><strong>115</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Based on EUR/USD 1.2250 and EUR/SEK 10.3000

Projected FX-effect for 2018 communicated with the Q1 earnings' release: SEK 0 million
Order backlog as per June 30

SEK million

Q214  Q314  Q414  Q115  Q215  Q315  Q415  Q116  Q216  Q316  Q416  Q117  Q217  Q317  Q417  Q118  Q218

- For delivery after 2018
- For delivery this year

book to bill

www.alfalaval.com
<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1H sales</td>
<td>19.3</td>
</tr>
<tr>
<td>Backlog, for delivery current year</td>
<td>+ 12.3</td>
</tr>
<tr>
<td>FX translation</td>
<td>+ 0.5</td>
</tr>
<tr>
<td>Divestments</td>
<td>- 0.2</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>31.9</strong></td>
</tr>
<tr>
<td>“In-for-out”</td>
<td>+/-?</td>
</tr>
<tr>
<td>Price</td>
<td>+/-?</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>+?</td>
</tr>
</tbody>
</table>

**Full year 2018**

*In-for-out, same period 2017: SEK 7.3 bln.*
Report for Q2 2018

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

Mr. Tom Erixon
President and CEO
Alfa Laval Group
Outlook for the third quarter

“We expect that demand during the third quarter will be somewhat lower than in the second quarter.”
# Activity split O&G, total

Distribution of orders Q2 (MSEK) 2018

<table>
<thead>
<tr>
<th>Drilling</th>
<th>Processing &amp; Transportation</th>
<th>Refinery</th>
<th>Petrochemicals</th>
</tr>
</thead>
</table>
| **Energy** | 88                          | 328      | 276           | 588
| **Marine** | 290                         | 135      | 0             | 0
| **Alfa Laval** | = 378                      | = 463    | = 276         | = 588

| Share of total | 3.1%                          | 3.8%      | 2.3%          | 4.9% |

<table>
<thead>
<tr>
<th>Grand total</th>
<th>SEQ/YOY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,280 (+/+)</td>
<td></td>
</tr>
<tr>
<td>425 (-/+)</td>
<td></td>
</tr>
<tr>
<td>=1,705* (+/+)</td>
<td></td>
</tr>
<tr>
<td>= 14.1%</td>
<td></td>
</tr>
</tbody>
</table>

* including Service
Marine Division’s industry split
- Distribution of orders LTM June

<table>
<thead>
<tr>
<th>Driver</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>World trade &amp; fleet capacity</td>
<td>38%</td>
</tr>
<tr>
<td>Oil &amp; gas demand and prices</td>
<td>8%</td>
</tr>
<tr>
<td>Legislation &amp; fuel cost</td>
<td>22%</td>
</tr>
<tr>
<td>Electrical power needs</td>
<td>4%</td>
</tr>
<tr>
<td>World trade</td>
<td>28%</td>
</tr>
</tbody>
</table>

- Marine
- Offshore oil and gas
- Environment & Energy, Marine
- Engine power
- Service
Marine Division’s industry split
- Distribution of sales LTM June

<table>
<thead>
<tr>
<th>Share</th>
<th>Driver</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine</td>
<td>World trade &amp; fleet capacity</td>
</tr>
<tr>
<td>Offshore oil and gas</td>
<td>Oil &amp; gas demand and prices</td>
</tr>
<tr>
<td>Environment &amp; Energy, Marine</td>
<td>Legislation &amp; fuel cost</td>
</tr>
<tr>
<td>Engine power</td>
<td>Electrical power needs</td>
</tr>
<tr>
<td>Service</td>
<td>World trade</td>
</tr>
</tbody>
</table>

- Marine: 40%
- Offshore oil and gas: 5%
- Engine power: 5%
- Service: 33%
- Environment & Energy, Marine: 17%
- World trade & fleet capacity: 5%
- Oil & gas demand and prices: 17%
- Legislation & fuel cost: 5%
- Electrical power needs: 5%
- World trade: 33%
Orders received by business unit
- January – June 2018, at constant rates, like for like and year-on-year

- “Greenhouse”
- Brazed & fusion-bonded HEX
- Energy Separation
- GPHE
- WHE
- Decanters
- Food Heat Transfer
- Boilers & Gas Systems
- Marine Separation & Heat Transfer
- High-speed Separators
- Hygienic Fluid Handling
- Food Systems

Year-on-year comparison

“Greenhouse” = +
Western Europe incl. Nordic

* Overall a strong quarter with growth driven by Alfa Laval PureSOx.
* Nordic also benefited from PureSOx orders, but not enough to compensate for the non-repeat of the previous quarter’s large offshore orders.

Central and Eastern Europe

* The region saw a positive base business development in all three divisions.
* Russia and Poland drove the regional development, benefiting from growth across the divisions.
Asia

* The region reported a very strong quarter across most countries and across the three divisions.

* The strongest performance was seen in PureSOx, as well as for pumping systems which did very well in China, Japan and South Korea.

* The Energy Division also had a very strong quarter, coming both from the base business, but also from a number of large orders.
North America

* A good performance in the US, more than compensated for a decline in Canada.
* The US saw an increased volume of larger orders from the oil & gas and food-related industries, which together with a continued high level of base business contributed to the positive development.

Latin America

* The region declined as the previous quarter’s record-sized order was not repeated. Excluding this order, the region delivered growth and the base business grew across the region and across divisions.
* Brazil was lifted by the Food & Water division, which not only booked larger orders, but also reported a generally good base-business development.
Orders received by region
- January – June 2018, development at constant rates

North America 17%
Western Europe 21%
Asia 39%
CEE 5%
Latin America 5%
Africa & Oceania 2%
Nordic 11%

Year-on-year comparison

+7 +36 +48 +29 +6 +48 +36 +29 +6 +48 +36 +29 +6
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.