Report for Q1 2016

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

January – March 2016

- Orders received declined 22% to SEK 7,710 million.
- Net sales dropped 10% to SEK 8,199 million.
- Adjusted EBITA declined 15% to SEK 1,333 million.
- Adjusted EBITA margin at 16.3% vs 17.3%

- Positive currency effect SEK 93 million.
Orders received

SEK million

Q112 Q113 Q213 Q313 Q413 Q114 Q214 Q314 Q414 Q115 Q215 Q315 Q415 Q116

+21% -5% +5% +19% -19%

= Order intake per quarter “large”

= Order intake per quarter

= Rolling twelve months value

+XX% = % development at constant rates by quarter, year on year

One order in Q1 worth SEK60 million

www.alfalaval.com
# Order analysis

## Q1 2016 versus Q1 2015 and versus Q4 2015 (MSEK)

<table>
<thead>
<tr>
<th></th>
<th>Q1 2015</th>
<th>Q4 2015</th>
<th>Q1 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural change, %</td>
<td>9,844</td>
<td>+ 0.6</td>
<td>7,710</td>
</tr>
<tr>
<td>Organic development, %</td>
<td>- 19.8</td>
<td>- 19.8</td>
<td>- 19.2</td>
</tr>
<tr>
<td>Currency effects, %</td>
<td>- 2.5</td>
<td>- 2.5</td>
<td>- 2.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>- 19.2</td>
<td>- 17.3</td>
<td>- 21.7</td>
</tr>
<tr>
<td><strong>Total, %</strong></td>
<td>- 21.7</td>
<td>- 18.2</td>
<td>- 18.2</td>
</tr>
<tr>
<td><strong>Q1 2016</strong></td>
<td>9,422</td>
<td>9,422</td>
<td>7,710</td>
</tr>
</tbody>
</table>

www.alfalaval.com
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."
Equipment division

Highlights and sequential comments

* Industrial Equipment affected by a decline in Comfort due to weak demand in key markets such as Russia. Refrigeration saw good demand.

* Sanitary lower due to the non-repeat of larger orders in dairy and personal care taken in the US in the previous quarter.

* OEM was virtually unchanged, with lower demand from heat pump customers, while demand from engine manufacturers grew.

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Q1 2016</td>
<td>2,357</td>
<td>2,392</td>
<td>1,548</td>
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<td>Q1 2015</td>
<td>2,551</td>
<td>2,455</td>
<td>1,795</td>
</tr>
</tbody>
</table>

Industrial Equipment 9%*
Sanitary 11%
OEM 5%
Service 6%

*Share of Group total

Year-on-year comparison
Sequential comparison

www.alfalaval.com
Marine & Diesel division

Highlights and sequential comments

* M&D Equipment saw lower demand for both marine and land-based applications.
* Marine & Offshore grew on the back of upswing in contracting late last year, generating higher demand for boilers. Demand for scrubbers also grew.
* M&O Pumping declined, as guided, as pre-buying effect seen in Q4 was not repeated. Offshore pumping down due to non-repeats.
* Service affected by lower repair activity.

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</thead>
<tbody>
<tr>
<td>Q1 2016</td>
<td>2,412</td>
<td>3,036</td>
<td>10,681</td>
</tr>
<tr>
<td>Q1 2015</td>
<td>4,008</td>
<td>3,495</td>
<td>13,309</td>
</tr>
</tbody>
</table>

Marine & Diesel Equipment 6%*
Marine & Offshore Systems 7%*
Marine & Offshore Pumping Systems 5%*
Service 13%*

*Share of Group total

Year-on-year comparison
Sequential comparison
## Process Technology division

### Highlights and sequential comments

- **Energy & Process** grew as cancellations in the previous quarter were not repeated. Excl those, demand was lower, affected by O&G up- and midstream decline. Refinery showed a strong development.

- **Food & LS** declined due to non-repeats. The base business was unchanged.

- **Service** grew significantly, lifted by a positive development up and midstream, as well as good demand in Water & Waste and Food.

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<tr>
<td>Q1 2016</td>
<td>2,941</td>
<td>2,771</td>
<td>7,151</td>
</tr>
<tr>
<td>Q1 2015</td>
<td>3,285</td>
<td>3,121</td>
<td>9,188</td>
</tr>
</tbody>
</table>

*Share of Group total

**Year-on-year comparison**

**Sequential comparison**

www.alfalaval.com
Orders received by customer segment

January – March 2016, at constant rates and like for like

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

Equipment division
Marine & Diesel division
Process Technology division

Year-on-year comparison
Orders received by Region

January – March 2016, development at constant rates

- North America 20%
- Western Europe 21%
- Nordic 7%
- Central & Eastern Europe 6%
- Latin America 6%
- Asia 38%
- Other 2%

Year-on-year comparison:
- North America: -10
- Other: -23
- Western Europe: -36
- Central & Eastern Europe: -25
- Latin America: -36
- Asia: +9
- Sequential comparison:
- North America: +6
- Other: +65
- Western Europe: +13
- Central & Eastern Europe: +9
- Latin America: +6
- Asia: -33
Report for Q1 2016

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

Mr. Thomas Thuresson
CFO
Alfa Laval Group
## Highlights

<table>
<thead>
<tr>
<th>SEK millions</th>
<th>January – March 2016</th>
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<tr>
<td>Order intake</td>
<td>7,710</td>
</tr>
<tr>
<td>Net sales</td>
<td>8,199</td>
</tr>
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</table>
Gross profit margin

In percent of sales

Q113 Q213 Q313 Q413 Q114 Q214 Q314 Q414 Q115 Q215 Q315 Q415 Q116

38.2 39.4 36.7 37.0
## Gross profit margin

**Q1 2016 versus Q1 2015 and versus Q4 2015**

<table>
<thead>
<tr>
<th></th>
<th>Q1 2015</th>
<th>36.7</th>
<th>Q4 2015</th>
<th>34.2</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><strong>Q1 2016</strong></td>
<td>37.0</td>
<td></td>
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<td>37.0</td>
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# Highlights

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<td>Adjusted EBITA</td>
<td>1,333</td>
</tr>
<tr>
<td>Adjusted EBITA-margin</td>
<td>16.3%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>1,090</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>2.06</td>
</tr>
<tr>
<td>Earnings per share, excl step-up</td>
<td>2.31</td>
</tr>
<tr>
<td>ROCE</td>
<td>21.1%</td>
</tr>
<tr>
<td>ROE</td>
<td>21.2%</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>Q1</td>
<td>2016</td>
<td>2016</td>
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</tr>
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</tr>
<tr>
<td></td>
<td>3,036</td>
<td>3,495</td>
<td></td>
</tr>
<tr>
<td>Op. profit</td>
<td>351</td>
<td>284</td>
<td>274</td>
</tr>
<tr>
<td></td>
<td>570</td>
<td>702</td>
<td></td>
</tr>
<tr>
<td>Op margin (%)</td>
<td>14.7</td>
<td>11.6</td>
<td>9.9</td>
</tr>
<tr>
<td></td>
<td>18.8</td>
<td>20.1</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>SEK millions</th>
<th>Q1 2016</th>
<th>Q1 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flow from</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- operating activities</td>
<td>910</td>
<td>1,101</td>
</tr>
<tr>
<td>- investing activities</td>
<td>- 99</td>
<td>- 80</td>
</tr>
<tr>
<td>Financial net paid</td>
<td>- 23</td>
<td>- 126</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>788</td>
<td>895</td>
</tr>
<tr>
<td><strong>Pro Forma Free cash-flow</strong>*</td>
<td>794</td>
<td>894</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>Q1 16</th>
<th>FY 16</th>
<th>FY 17*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation effect</td>
<td>-37</td>
<td>-200</td>
<td>0</td>
</tr>
<tr>
<td>Transaction effect</td>
<td>130</td>
<td>550</td>
<td>50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>93</strong></td>
<td><strong>350</strong></td>
<td><strong>50</strong></td>
</tr>
</tbody>
</table>

*Based on EUR/USD 1.13 and EUR/SEK 9.20

Projected FX-effect for 2016 as communicated in Q4 report:
SEK 350 million
Order backlog as per March 31

SEK millions

Q112 | Q113 | Q114 | Q115 | Q116
--- | --- | --- | --- | ---
0 | 15,730 | 1,080 | 24,292 | 12,875
0 | 0.90 | 0.90 | 8,562 | 6,505
5,000 | 6,505 | 19,380 | 19,380 | 6,505
10,000 | 12,875 | | | 
15,000 | | | | 
20,000 | | | | 
25,000 | | | | 

For delivery after 2016
For delivery in 2016
## Sales

### Full year 2016

<table>
<thead>
<tr>
<th></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>- 1.4</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>+ 0.0</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>36.6</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>
Report for Q1 2016

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Outlook for the second quarter

“We expect that demand during the second quarter will be on about the same level as in the first quarter.”
**My reflections…**

<table>
<thead>
<tr>
<th>Things to keep</th>
<th>Topics to consider</th>
</tr>
</thead>
<tbody>
<tr>
<td>✗ Competence &amp; culture</td>
<td>✗ Organic growth</td>
</tr>
<tr>
<td>✗ Market presence</td>
<td>✗ Technology transformation</td>
</tr>
<tr>
<td>✗ Technology platforms</td>
<td>✗ Resource allocation</td>
</tr>
<tr>
<td>✗ Aftermarket</td>
<td>✗ Complexity</td>
</tr>
<tr>
<td>✗ M&amp;A and integration</td>
<td></td>
</tr>
</tbody>
</table>
### Activity split O&G, total

- Distribution of orders Q1 (MSEK) vs Q4 2015

#### Process Technology
- Drilling: 63
- Processing & Transportation: 228
- Refinery: 231
- Petrochemicals: 322

#### Marine & Diesel
- Drilling: 86
- Processing & Transportation: 115
- Refinery: 0
- Petrochemicals: 0

#### Alfa Laval
- Share of total: 149

#### Grand total
- 844 (+20%**)
- 201 (-73%)
- 1 045* (-7%**)

- 13.6%

**excluding Q4 cancellations, orders dropped 16% and 27% respectively for PTD and the Group**

*) including Service
Marine & Diesel industry split
- Distribution of sales LTM, March 2016

<table>
<thead>
<tr>
<th>Driver</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine</td>
<td>47%</td>
</tr>
<tr>
<td>Offshore oil and gas</td>
<td>10%</td>
</tr>
<tr>
<td>Environment &amp; Energy, Marine</td>
<td>11%</td>
</tr>
<tr>
<td>Diesel power</td>
<td>4%</td>
</tr>
<tr>
<td>Parts &amp; Service</td>
<td>28%</td>
</tr>
</tbody>
</table>

- World trade & fleet capacity
- Oil & gas demand and prices
- Legislation and fuel cost
- Electrical power needs
- World trade

© Alfa Laval
Marine & Diesel industry split
- Distribution of orders LTM, March 2016

<table>
<thead>
<tr>
<th>Driver</th>
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</tr>
</thead>
<tbody>
<tr>
<td>World trade &amp; fleet capacity</td>
<td>46%</td>
</tr>
<tr>
<td>Oil &amp; gas demand and prices</td>
<td>8%</td>
</tr>
<tr>
<td>Legislation and fuel cost</td>
<td>10%</td>
</tr>
<tr>
<td>Electrical power needs</td>
<td>3%</td>
</tr>
<tr>
<td>World trade</td>
<td>33%</td>
</tr>
</tbody>
</table>

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Highlights Asia

January – March 2016, at constant rates, sequential comments

Asia:

* Marine declined mainly due to lower demand for pumping systems.
* PTD affected by a non-repeat and a slower project business.
* China did very well - if excluding the effect from marine pumping - reporting a broad-based positive development. Process Technology saw some pent-up demand from the previous quarter being realized.
Highlights Europe

January – March 2016, at constant rates, sequential comments

Western Europe incl. Nordic:
- Declined due to non-repeats. The base business, however, remained on the same level as in the previous quarter.
- Mid Europe had a positive development while regions Nordic and Iberica declined due to fewer large contracts.

Central and Eastern Europe:
- Russia grew as a large oil and gas order compensated for a continued slow activity level.
- Turkey did very well, with growth in all three divisions.
January – March 2016, at constant rates, sequential comments

North America:

- Unchanged order intake, reflecting a positive development for larger orders, whereas the base business declined.
- Industrial Equipment, OEM and Food did particularly well, while Sanitary and Energy & Process declined due to non-repeats.

Latin America:

- Brazil grew compared to the previous quarter, which was affected by cancellations. Even excluding these, the country recorded growth, driven by PTD service and a positive development for both capital sales and aftermarket in MDD.
Top 10 markets*

SEK million at prevailing rates

- United States
- China
- South Korea
- Nordic
- Japan
- SEA
- Mid Europé
- Adriatic
- Benelux
- India

*The development of the 2015 top ten markets.

- LTM Q1 2016
- WY 2015
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.