Report for Q2 2016

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

**April – June 2016**

- Orders received declined 11% to SEK 8,101 million.
- Net sales dropped 12% to SEK 8,950 million.
- Adjusted EBITA declined 23% to SEK 1,393 million.
- Adjusted EBITA margin at 15.6% vs 17.8%
  
  - *Positive currency effect SEK 137 million.*

**January – June 2016**

- Orders received declined 17% to SEK 15,811 million.
- Net sales dropped 11% to SEK 17,149 million.
- Adjusted EBITA declined 19% to SEK 2,726 million.
- Adjusted EBITA margin at 15.9% vs 17.6%
  
  - *Positive currency effect SEK 230 million.*
Key figures

April - June versus January – March

- Order intake grew 5% and reached SEK 8,101 million.
- Net sales increased 9% to SEK 8,950 million.
- Adjusted EBITA grew 4.5% to SEK 1,393 million.
- Adjusted EBITA margin at 15.6% vs 16.3%
## Order analysis

<table>
<thead>
<tr>
<th></th>
<th>Q2 2016</th>
<th>Q2 2015</th>
<th>Q1 2016</th>
<th>Q2 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Q2 2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Q2 2016</strong></td>
<td>8,101</td>
<td>9,146</td>
<td>7,710</td>
<td>8,101</td>
</tr>
<tr>
<td><strong>Currency effects, %</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Q2 2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total, %</strong></td>
<td>- 11.4</td>
<td>- 8.9</td>
<td>+ 4.9</td>
<td>+ 5.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>- 2.5</td>
<td>+ 4.9</td>
<td>+ 0.2</td>
</tr>
<tr>
<td><strong>Organic development, %</strong></td>
<td></td>
<td>- 9.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>+ 4.9</td>
<td></td>
</tr>
<tr>
<td><strong>Structural change, %</strong></td>
<td></td>
<td>+ 0.3</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>+ 0.2</td>
<td></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."

www.alfalaval.com
Equipment division

Highlights and sequential comments

* Industrial Equipment boosted by seasonality. Demand for products for refrigeration and the manufacturing industry grew.

* Sanitary did well, driven by demand from customers in dairy, prepared food and pharmaceuticals.

* OEM products for HVAC and refrigeration did well, on the back of seasonality and new product launches.

<table>
<thead>
<tr>
<th></th>
<th>Order</th>
<th>Sales</th>
<th>Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2016</td>
<td>2,758</td>
<td>2,529</td>
<td>1,767</td>
</tr>
<tr>
<td>Q2 2015</td>
<td>2,850</td>
<td>2,680</td>
<td>1,957</td>
</tr>
</tbody>
</table>

*Share of Group total

Year-on-year comparison
Sequential comparison

www.alfalaval.com
Marine & Diesel division

Highlights and sequential comments

- M&D Equipment down on lower ship contracting. Diesel demand grew, as did demand for ballast water treatment systems.
- Marine & Offshore Systems also affected by lower ship contracting. Decline partly offset by orders for exhaust gas cleaning.
- M&O Pumping grew amid increased demand for pumping systems for chemical and product tankers.
- Service affected by lower demand for boiler repairs.

<table>
<thead>
<tr>
<th>Year</th>
<th>Order</th>
<th>Sales</th>
<th>Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2016</td>
<td>2,371</td>
<td>3,136</td>
<td>9,981</td>
</tr>
<tr>
<td>Q2 2015</td>
<td>3,131</td>
<td>3,675</td>
<td>12,774</td>
</tr>
</tbody>
</table>

*Share of Group total

Year-on-year comparison
Sequential comparison
In Energy & Process, the business exposed to the hydrocarbon chain showed an overall decline, compensated for by growth in Inorganics, Metals and Paper.

In Food & LS, Brewery and Vegetable oil grew on the back of larger orders and Life Science and natural resources declined.

Service saw a limited contraction, explained by the non-repeat of larger orders taken in Q1.

<table>
<thead>
<tr>
<th></th>
<th>Order</th>
<th>Sales</th>
<th>Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2016</td>
<td>2,972</td>
<td>3,285</td>
<td>6,851</td>
</tr>
<tr>
<td>Q2 2015</td>
<td>3,165</td>
<td>3,822</td>
<td>8,543</td>
</tr>
</tbody>
</table>

*Share of Group total
Orders received by customer segment

January – June 2016, 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.

Equipment division
Year-on-year comparison

Marine & Diesel division
Process Technology division

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Orders received by Region

April – June 2016, development at constant rates

North America 21%
Western Europe 22%
Nordic 9%
Latin America 5%
Central & Eastern Europe 7%
Asia 34%
Other 2%

Sequential comparison:
- North America: -2%
- Latin America: +10%
- Western Europe: +24%
- Central & Eastern Europe: +9
- Nordic: -3%
- Asia: +19
- Other: -19
- Sequential comparison:

Year-on-year comparison:
- North America: -2%
- Latin America: +10%
- Western Europe: +24%
- Central & Eastern Europe: +9
- Nordic: -3%
- Asia: +19
- Other: -19
- Year-on-year comparison:

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Report for Q2 2016

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- Outlook

Mr. Thomas Thuresson
CFO
Alfa Laval Group
# Highlights

<table>
<thead>
<tr>
<th>SEK millions</th>
<th>April – June 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>8,101</td>
</tr>
<tr>
<td>Net sales</td>
<td>8,950</td>
</tr>
</tbody>
</table>
Gross profit margin

In percent of sales

Q213: 37.9%
Q313: 36.3%
Q413: 36.3%
Q114: 36.3%
Q214: 36.3%
Q314: 36.3%
Q414: 36.3%
Q115: 36.3%
Q215: 36.3%
Q315: 36.3%
Q415: 36.3%
Q116: 36.3%
Q216: 36.2%
## Gross profit margin

**Q2 2016 versus Q2 2015 and versus Q1 2016**

<table>
<thead>
<tr>
<th></th>
<th>Q2 2015</th>
<th>Q1 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mix/price</td>
<td>36.3</td>
<td>37.0</td>
</tr>
<tr>
<td>Load/volume</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>FX</td>
<td>+++</td>
<td>++</td>
</tr>
<tr>
<td>Structure</td>
<td>=</td>
<td>=</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Q2 2016</th>
<th>Q2 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>36.2</td>
<td>36.2</td>
</tr>
</tbody>
</table>

Note: -- means no change, +++ means strong positive change, ++ means positive change, = means no change.
## Highlights

<table>
<thead>
<tr>
<th></th>
<th>May – June, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Order intake</strong></td>
<td>8,101</td>
</tr>
<tr>
<td><strong>Net sales</strong></td>
<td>8,950</td>
</tr>
<tr>
<td><strong>Adjusted EBITA</strong></td>
<td>1,393</td>
</tr>
<tr>
<td><strong>Adjusted EBITA-margin</strong></td>
<td>15.6%</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>1,265</td>
</tr>
<tr>
<td><strong>Earnings per share</strong></td>
<td>2.21</td>
</tr>
<tr>
<td><strong>Earnings per share, excl step-up</strong></td>
<td>2.66</td>
</tr>
<tr>
<td><strong>ROCE</strong></td>
<td>19.9%</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>20.2%</td>
</tr>
</tbody>
</table>
### Divisional performance

#### Q2 2016 vs Q2 2015

<table>
<thead>
<tr>
<th></th>
<th>Equipment</th>
<th>Process Technology</th>
<th>Marine &amp; Diesel</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Orders</strong></td>
<td>2016</td>
<td>2016</td>
<td>2016</td>
</tr>
<tr>
<td></td>
<td>2,758</td>
<td>2,972</td>
<td>2,371</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>3,165</td>
<td>3,131</td>
</tr>
<tr>
<td><strong>Backlog</strong></td>
<td>1,767</td>
<td>6,851</td>
<td>9,981</td>
</tr>
<tr>
<td></td>
<td>1,957</td>
<td>8,543</td>
<td>12,774</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>2,529</td>
<td>3,285</td>
<td>3,136</td>
</tr>
<tr>
<td></td>
<td>2,680</td>
<td>3,822</td>
<td>3,675</td>
</tr>
<tr>
<td><strong>Op. profit</strong></td>
<td>346</td>
<td>333</td>
<td>592</td>
</tr>
<tr>
<td></td>
<td>347</td>
<td>497</td>
<td>798</td>
</tr>
<tr>
<td><strong>Op margin (%)</strong></td>
<td>13.7</td>
<td>10.1</td>
<td>18.9</td>
</tr>
<tr>
<td></td>
<td>12.9</td>
<td>13.0</td>
<td>21.7</td>
</tr>
</tbody>
</table>

**Comments on operating profit:**

- Price/mix (pos) (neg)
- Volume (neg)
- Cost (neg)
- Price/mix (neg)
- Volume (neg)
- E&S (neg)
- Load (neg)
- Volume (neg)
- Price/mix (neg)
## Cash-flow statement

<table>
<thead>
<tr>
<th>SEK millions</th>
<th>Q2 2016</th>
<th>Q2 2015</th>
<th>1H 2016</th>
<th>1H 2015</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>1,233</td>
<td>1,505</td>
<td>2,143</td>
<td>2,606</td>
</tr>
<tr>
<td>- investing activities</td>
<td>- 128</td>
<td>- 135</td>
<td>- 227</td>
<td>- 215</td>
</tr>
<tr>
<td>Financial net paid</td>
<td>21</td>
<td>- 82</td>
<td>- 2</td>
<td>- 208</td>
</tr>
<tr>
<td>Total</td>
<td>1,126</td>
<td>1,288</td>
<td>1,914</td>
<td>2,183</td>
</tr>
<tr>
<td>Pro Forma Free cash-flow*</td>
<td>1,157</td>
<td>1,288</td>
<td>1,951</td>
<td>2,183</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 16</th>
<th>1H 16</th>
<th>FY 16</th>
<th>FY 17*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation effect</td>
<td>-50</td>
<td>-87</td>
<td>-100</td>
<td>0</td>
</tr>
<tr>
<td>Transaction effect</td>
<td>187</td>
<td>317</td>
<td>575</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>137</strong></td>
<td><strong>230</strong></td>
<td><strong>475</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Based on EUR/USD 1.1070 and EUR/SEK 9.3500

Projected FX-effect for 2016 as communicated in Q1 report:
SEK 350 million
Order backlog as per June 30

<table>
<thead>
<tr>
<th>Quarter</th>
<th>For delivery after 2016</th>
<th>For delivery in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q212</td>
<td>10,240</td>
<td>18,599</td>
</tr>
<tr>
<td>Q213</td>
<td>13,034</td>
<td>18,599</td>
</tr>
<tr>
<td>Q214</td>
<td>23,274</td>
<td>18,599</td>
</tr>
<tr>
<td>Q215</td>
<td>7,810</td>
<td>18,599</td>
</tr>
<tr>
<td>Q216</td>
<td>0.90</td>
<td>18,599</td>
</tr>
</tbody>
</table>

Book to bill
## Sales

### Full year 2016

<table>
<thead>
<tr>
<th></th>
<th>SEK (bln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>YTD 2016</td>
<td>17.1</td>
</tr>
<tr>
<td>Backlog, current year</td>
<td>+ 10.8</td>
</tr>
<tr>
<td>Orders “in-for-out” last year H2</td>
<td>+ 7.4</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>35.3</td>
</tr>
<tr>
<td>Change in “in-for-out”</td>
<td>+/- ?</td>
</tr>
<tr>
<td>Price</td>
<td>?</td>
</tr>
</tbody>
</table>

Full year 2016
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Mr. Tom Erixon
President and CEO
Alfa Laval Group
Outlook for the third quarter

“We expect that demand during the third quarter will be in line with or somewhat lower than in the second quarter.”
Activity split O&G, total
- Distribution of orders Q2 (MSEK) vs Q1 2016

<table>
<thead>
<tr>
<th>Process Technology</th>
<th>Drilling</th>
<th>Processing &amp; Transportation</th>
<th>Refinery</th>
<th>Petrochemicals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drilling</td>
<td>8</td>
<td>214</td>
<td>226</td>
<td>294</td>
</tr>
<tr>
<td>Marine &amp; Diesel</td>
<td>76</td>
<td>47</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Alfa Laval</td>
<td>84</td>
<td>261</td>
<td>226</td>
<td>294</td>
</tr>
<tr>
<td>Share of total Alfa Laval</td>
<td>1%</td>
<td>3.2%</td>
<td>2.8%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

Grand total
- 742 (-12%)
- 123 (-23%)
- 865* (-14%)
- 10.6%

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

<table>
<thead>
<tr>
<th>Driver</th>
<th>Share</th>
<th>Driver</th>
<th>Share</th>
<th>Driver</th>
<th>Share</th>
<th>Driver</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine</td>
<td>48%</td>
<td>Offshore oil and gas</td>
<td>10%</td>
<td>Environment &amp; Energy, Marine</td>
<td>10%</td>
<td>Diesel power</td>
<td>3%</td>
</tr>
<tr>
<td>World trade &amp; fleet capacity</td>
<td></td>
<td>Oil &amp; gas demand and prices</td>
<td>10%</td>
<td>Legislation and fuel cost</td>
<td></td>
<td>Electrical power needs</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>World trade</td>
<td>29%</td>
</tr>
</tbody>
</table>

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Marine & Diesel industry split
- Distribution of orders LTM, June 2016

Driver
- World trade & fleet capacity: 46%
- Oil & gas demand and prices: 5%
- Legislation and fuel cost: 11%
- Electrical power needs: 4%
- World trade: 34%

Share
- Marine: 46%
- Offshore oil and gas: 34%
- Environment & Energy, Marine: 17%
- Diesel power: 5%
- Parts & Service: 5%
April – June 2016, at constant rates, sequential comments

Asia:

- Lower demand from marine shipbuilding and for the Process Technology business explains the decline.
- PTD affected by the non-repeat of larger orders in Food Technology, while Equipment had a good quarter, especially in Sanitary.
- South Korea declined due to slowdown in ship contracting. China grew, supported by increased demand for pumping systems. China also grew excluding marine.
Highlights Europe

April – June 2016, at constant rates, sequential comments

Western Europe incl. Nordic:
☆ Positive development for base business and larger projects alike. Most countries and regions grew.
☆ Industrial Equipment, Sanitary, Marine & Diesel Equipment did particularly well. Service was unchanged.

Central and Eastern Europe:
☆ Region’s positive development reflected growth in most countries.
☆ Russia reported a strong quarter, for all three divisions and for base business and larger orders alike.
Highlights Americas

April – June 2016, at constant rates, sequential comments

North America:
- Growth driven by larger projects. The base business was unchanged.
- Several segments reported growth, especially Sanitary and Water & Waste. Service was unchanged.

Latin America:
- Negative development explained by the non-repeat of larger Service orders booked in Brazil in the first quarter.
- Mexico, however, grew supported by good growth in the Equipment Division and for Service in Process Technology.
Orders received by Region

January – June 2016, development at constant rates

- North America 20%
- Western Europe 22%
- Nordic 8%
- Latin America 5%
- Central & Eastern Europe 7%
- Asia 36%

Year-on-year comparison

- North America: -13%
- Western Europe: +16%
- Nordic: +13%
- Latin America: -31%
- Central & Eastern Europe: -6%
- Asia: -22%
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 Q2 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.