

ALFA  
LAVIA

# Report for Q2 2016

- 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 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

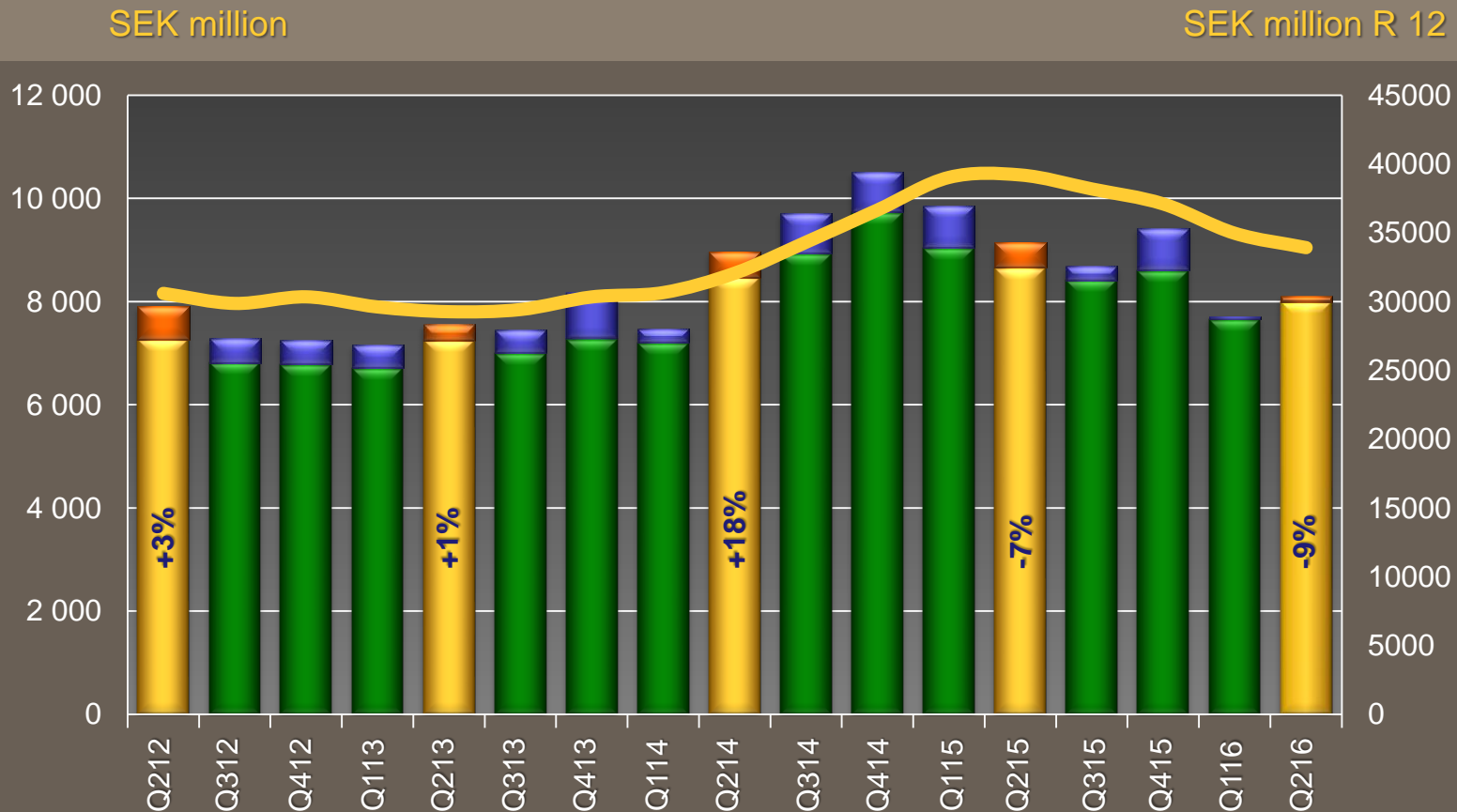
- \* Orders received declined 17% to SEK 15,811 million.
- \* Net sales dropped 11% to SEK 17,149 million.
- \* Adjusted EBITA declined 19% to SEK 2,726 million.
- \* Adjusted EBITA margin at 15.9% vs 17.6%
  - *Positive currency effect SEK 230 million.*





# 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%

# 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

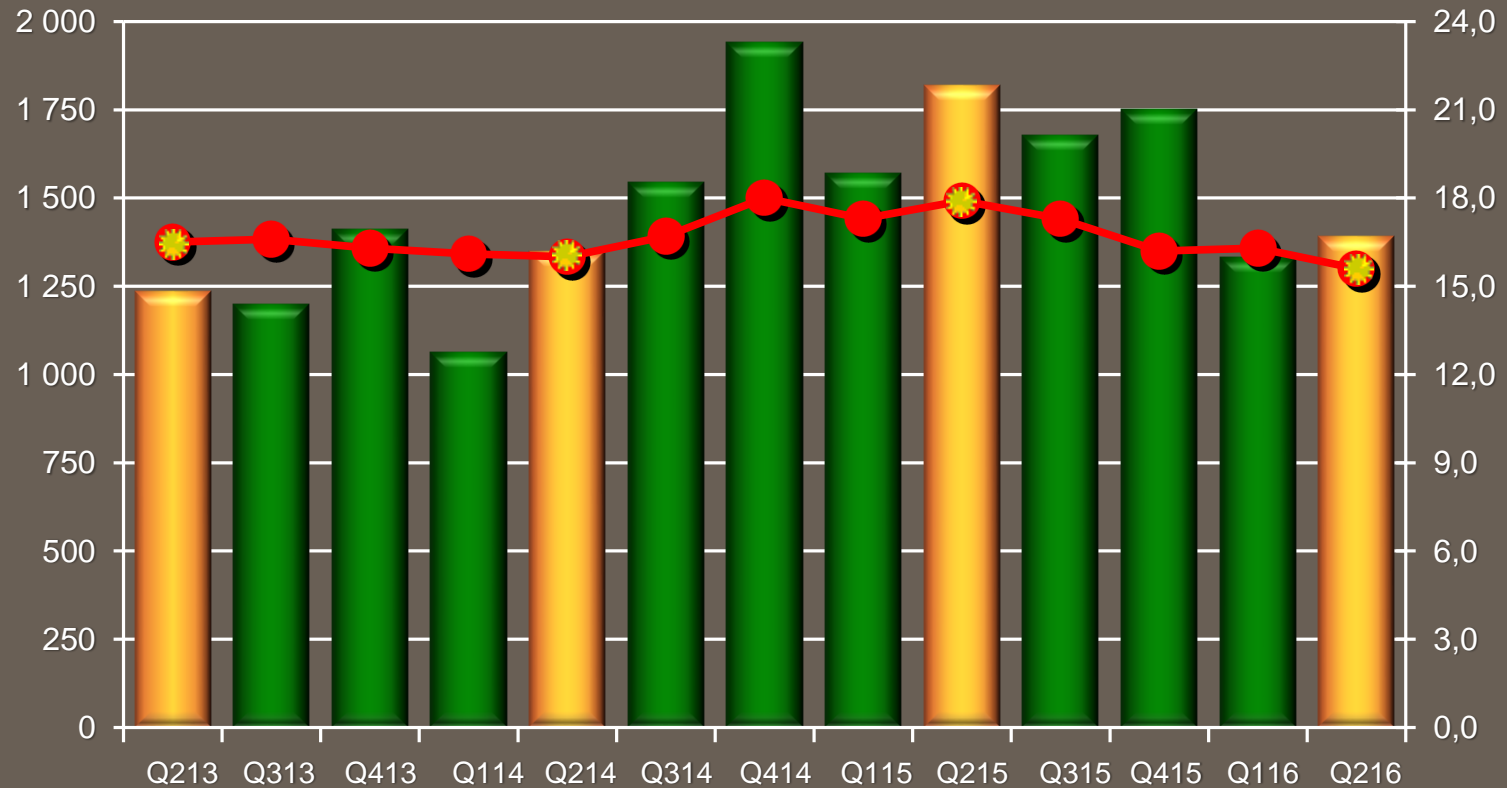
# Order analysis

Q2 2016 versus Q2 2015 and versus Q1 2016 (MSEK)

Q2 2015	9,146	Q1 2016	7,710
Structural change, %	+ 0.3		-
Organic development, %	- 9.2		+ 4.9
Total	- 8.9		+ 4.9
Currency effects,%	- 2.5		+ 0.2
Total, %	- 11.4		+ 5.1
Q2 2016	8,101	Q2 2016	8,101

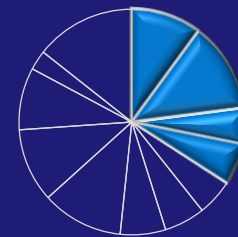
# Adjusted EBITA / margin\*

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 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.

	Order	Sales	Backlog
Q2 2016	2,758	2,529	1,767
Q2 2015	2,850	2,680	1,957



Industrial  
Equipment  
10%\*



Sanitary  
13%



OEM  
5%



Service  
6%



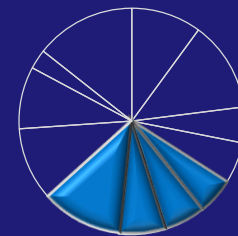
 Year-on-year comparison

 Sequential comparison

\*Share of Group total



# 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.

	Order	Sales	Backlog
Q2 2016	2,371	3,136	9,981
Q2 2015	3,131	3,675	12,774



Marine & Diesel  
Equipment  
5%\*



Marine &  
Offshore Systems  
6%\*



Marine & Offshore  
Pumping Systems  
6%\*



Service  
12%\*

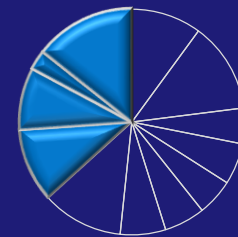


 Year-on-year comparison

 Sequential comparison

\*Share of Group total

# Process Technology division



## Highlights and sequential comments

- \* 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.

	Order	Sales	Backlog
Q2 2016	2,972	3,285	6,851
Q2 2015	3,165	3,822	8,543



Energy &  
Process 11%\*



Food & Life  
Science 9%\*



Water & Waste  
Treatment 3%\*



Service  
14%\*



\*Share of Group total



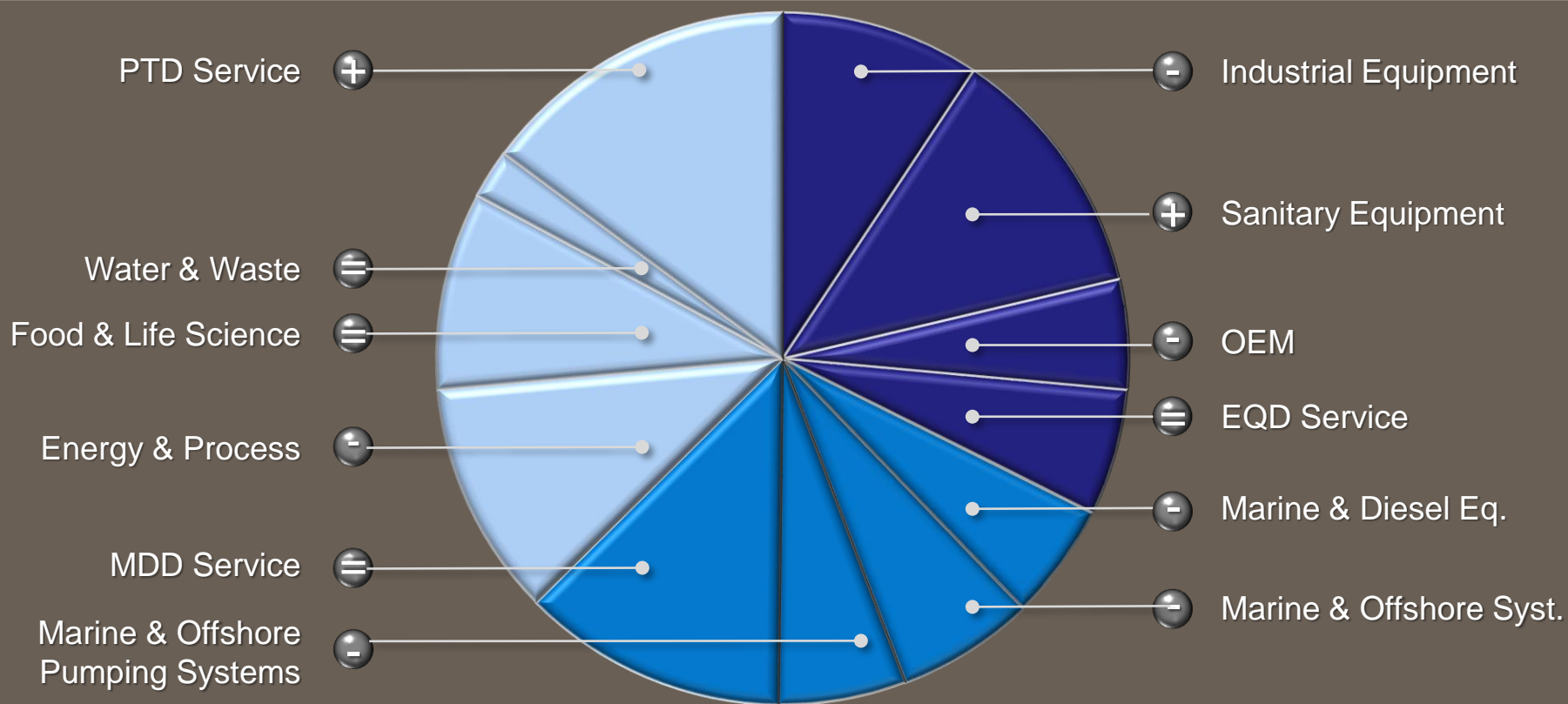
Year-on-year comparison



Sequential comparison

# Orders received by customer segment

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

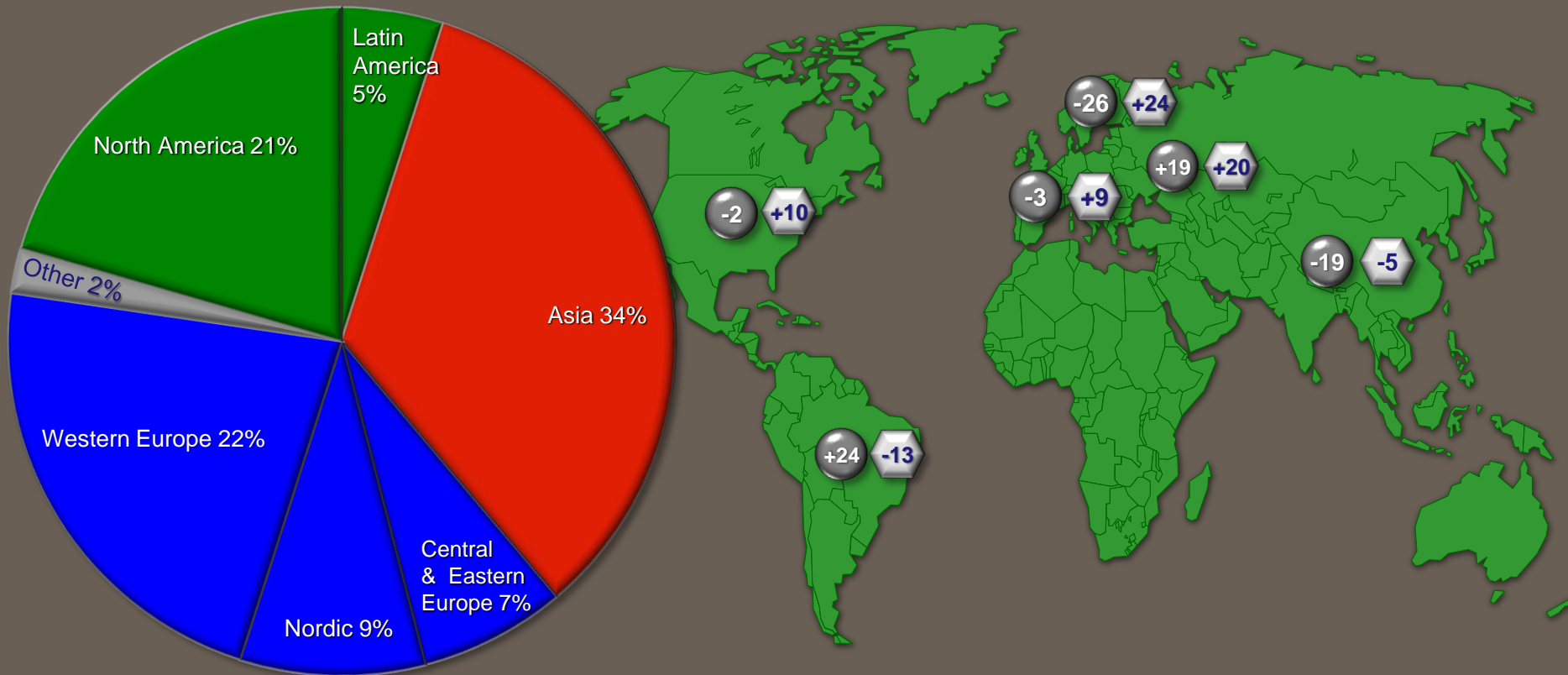


- ☐ Equipment division
- ☒ Marine & Diesel division
- ☐ Process Technology division

 Year-on-year comparison

# Orders received by Region

April – June 2016, development at constant rates



● Year-on-year comparison

⬡ Sequential comparison

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Mr. Thomas Thuresson  
CFO  
Alfa Laval Group

# Highlights

SEK millions	April – June 2016
Order intake	8,101
Net sales	8,950

# Gross profit margin

In percent of sales



# Gross profit margin

Q2 2016 versus Q2 2015 and versus Q1 2016

Q2 2015	36.3	Q1 2016	37.0
Mix/price	--		--
Load/volume	--		--
FX	+++		++
Structure	=		=
Q2 2016	36.2	Q2 2016	36.2



# Highlights

SEK millions	April – June, 2016
Order intake	8,101
Net sales	8,950
Adjusted EBITA	1,393
Adjusted EBITA-margin	15.6%
Profit before tax	1,265
Earnings per share	2.21
Earnings per share, excl step-up	2.66
ROCE	19.9%
ROE	20.2%

# Divisional performance

	Equipment		Process Technology		Marine & Diesel	
Q2	2016	2015	2016	2015	2016	2015
Orders	2,758	2,850	2,972	3,165	2,371	3,131
Backlog	1,767	1,957	6,851	8,543	9,981	12,774
Sales	2,529	2,680	3,285	3,822	3,136	3,675
Op. profit	346	347	333	497	592	798
Op margin (%)	13.7	12.9	10.1	13.0	18.9	21.7

Comments on  
operating profit:

- Price/mix (pos)
- Volume (neg)
- Cost (neg)

- Price/mix (neg)
- Volume (neg)
- E&S (neg)
- Load (neg)

- Volume (neg)
- Price/mix (neg)

# Cash-flow statement

SEK millions	Q2 2016	Q2 2015	1H 2016	1H 2015
Cash flow from				
- operating activities	1,233	1,505	2,143	2,606
- investing activities	- 128	- 135	- 227	- 215
Financial net paid	21	- 82	- 2	- 208
Total	1,126	1,288	1,914	2,183
Pro Forma Free cash-flow*	1,157	1,288	1,951	2,183

*\*Incl. operating activities, capital expenditure and financial net paid.*

# Foreign exchange

Estimated impact on adjusted EBITA from FX fluctuations

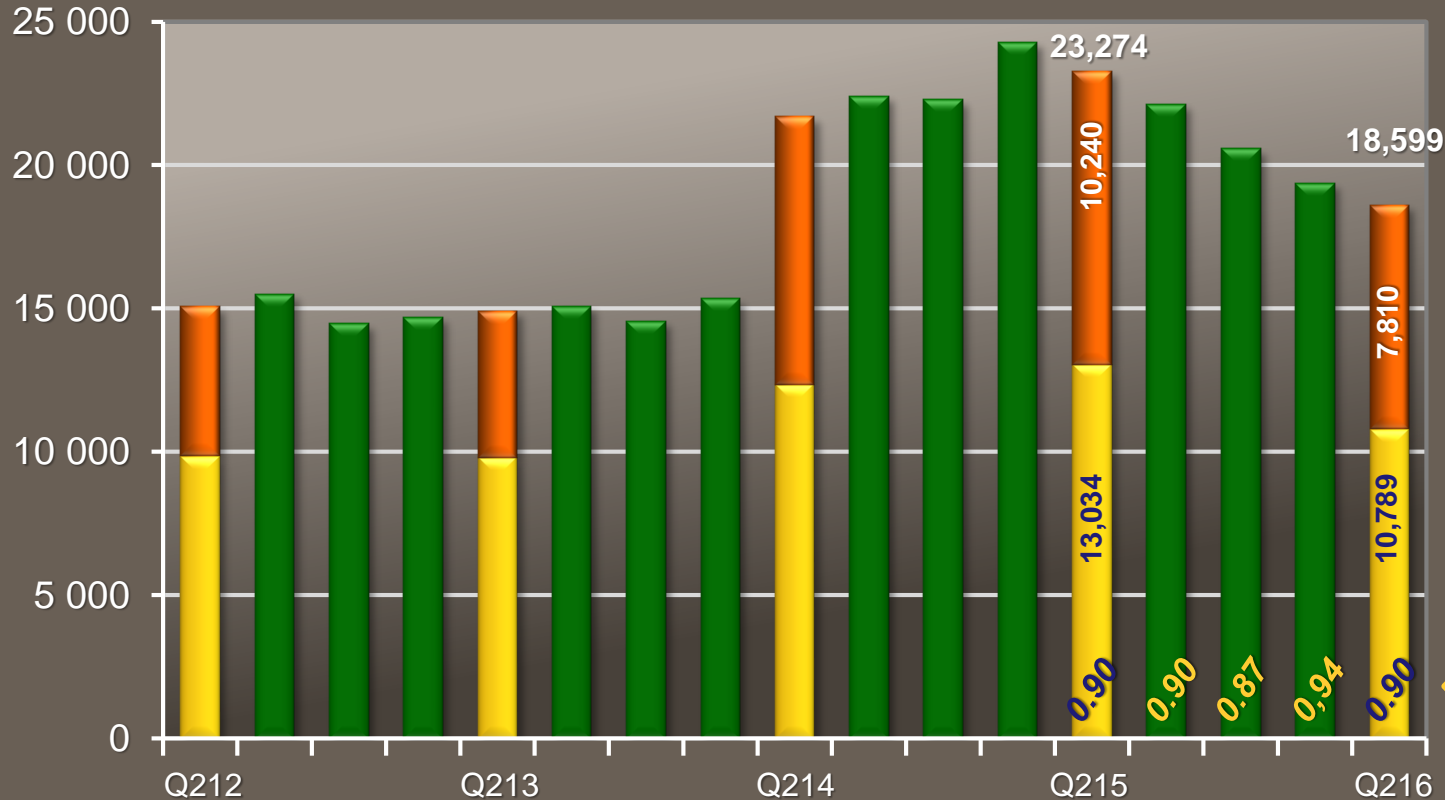
SEK million	Q2 16	1H 16	FY 16	FY 17*
Translation effect	-50	-87	-100	0
Transaction effect	187	317	575	100
Total	137	230	475	100

*\*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

SEK millions



- For delivery after 2016
- For delivery in 2016

# Sales

## Full year 2016

	SEK (bln)
YTD 2016	17.1
Backlog, current year	+ 10.8
Orders “in-for-out” last year H2	+ 7.4
<hr/>	
Subtotal	35.3
Change in “in-for-out”	+/- ?
Price	?
<hr/>	
Full year 2016	
<hr/>	

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# 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.”*



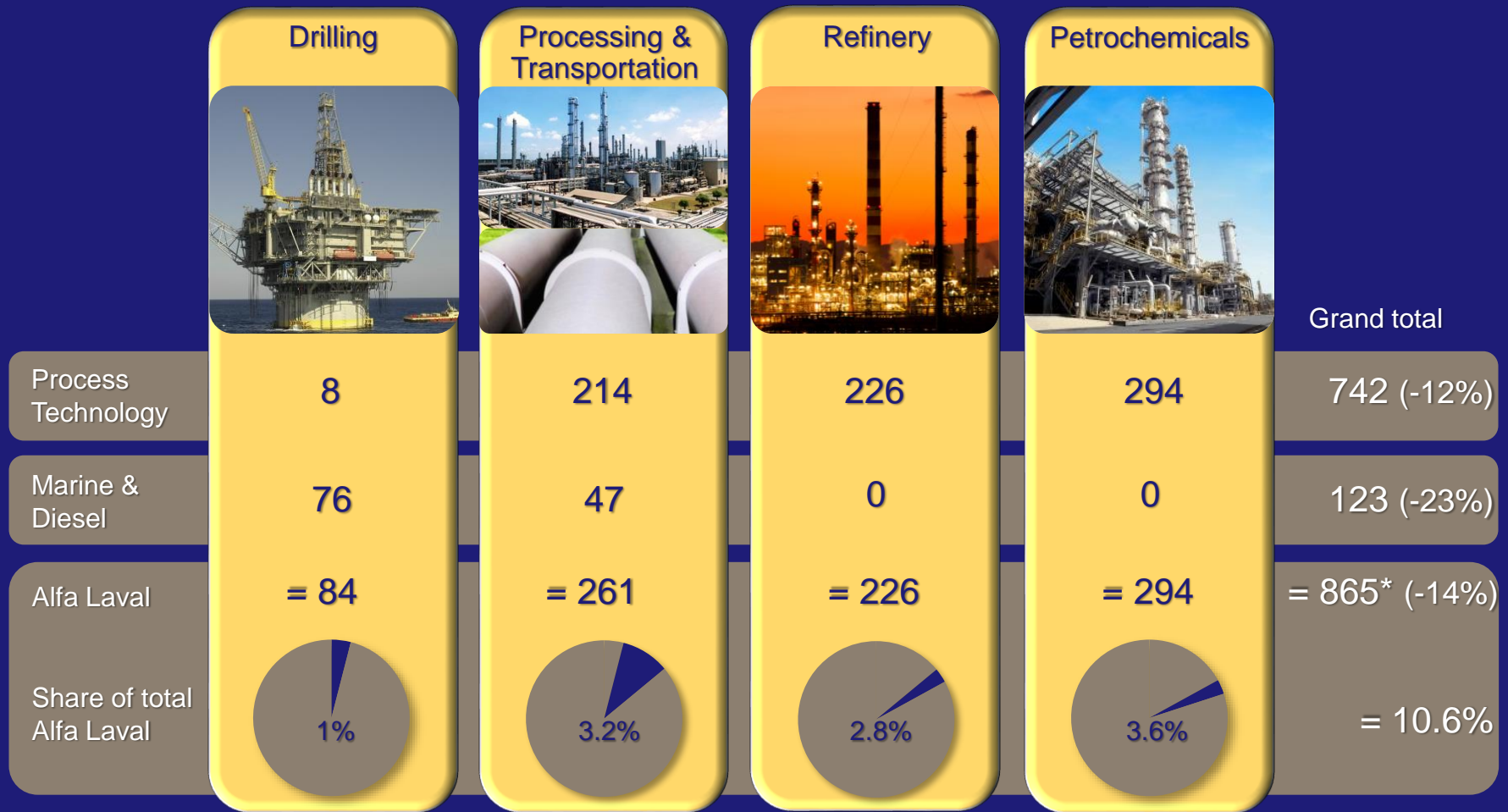


ALFA  
ROMEO

The image features the Alfa Romeo logo in white on a dark blue background. The logo is composed of the word "ALFA" in a stylized, blocky font above the word "ROMEO" in a similar font. A thin white horizontal line runs across the middle of the logo, passing through the letters. Additionally, a thin white curved line arches over the top of the logo, resembling a bridge or a stylized 'A'.

# Activity split O&G, total

- Distribution of orders Q2 (MSEK) vs Q1 2016



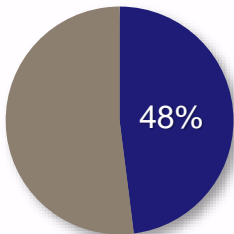
# Marine & Diesel industry split

- Distribution of sales LTM, June 2016

Marine



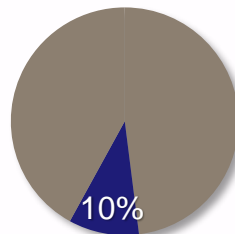
World trade & fleet capacity



Offshore oil and gas



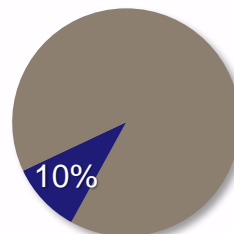
Oil & gas demand and prices



Environment & Energy, Marine



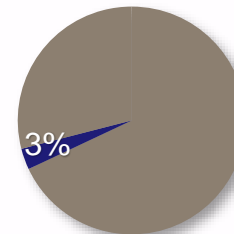
Legislation and fuel cost



Diesel power



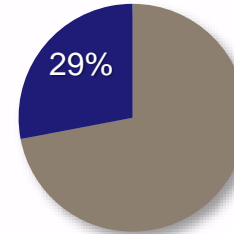
Electrical power needs



Parts & Service



World trade



Driver

Share

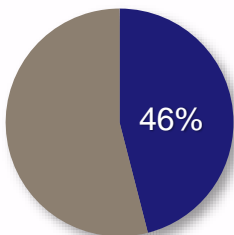
# Marine & Diesel industry split

- Distribution of orders LTM, June 2016

Marine



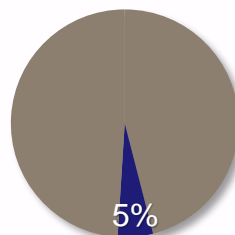
World trade & fleet capacity



Offshore oil and gas



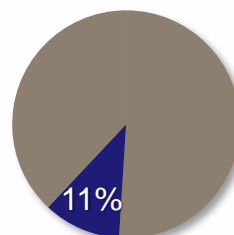
Oil & gas demand and prices



Environment & Energy, Marine



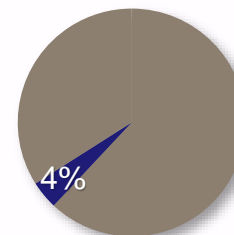
Legislation and fuel cost



Diesel power



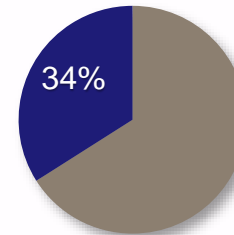
Electrical power needs



Parts & Service



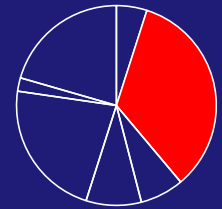
World trade



Driver

Share

# Highlights Asia



April – June 2016, at constant rates, sequential comments

## Asia:

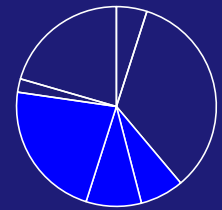
- \* Lower demand from marine shipbuilding and for the Process Technology business explains the decline.
- \* PTD affected by the non-repeat of larger orders in Food Technology, while Equipment had a good quarter, especially in Sanitary.
- \* South Korea declined due to slowdown in ship contracting.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



 Year-on-year comparison

 Sequential comparison

# 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:

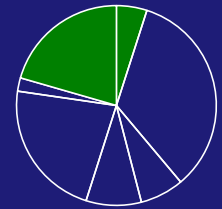
- \* Region's positive development reflected growth in most countries.
- \* Russia reported a strong quarter, for all three divisions and for base business and larger orders alike.

 Year-on-year comparison

 Sequential comparison



# 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.

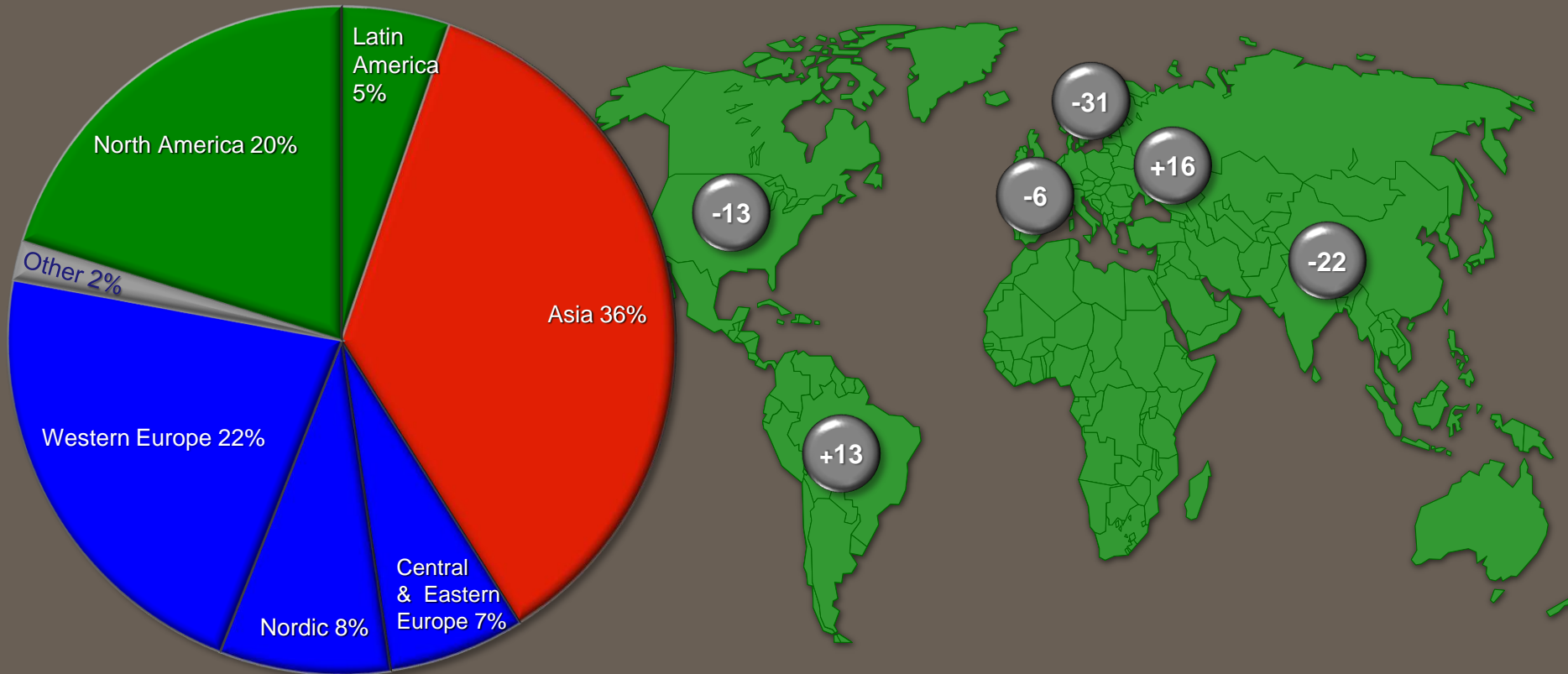



 Year-on-year comparison

 Sequential comparison

# Orders received by Region

January – June 2016, development at constant rates

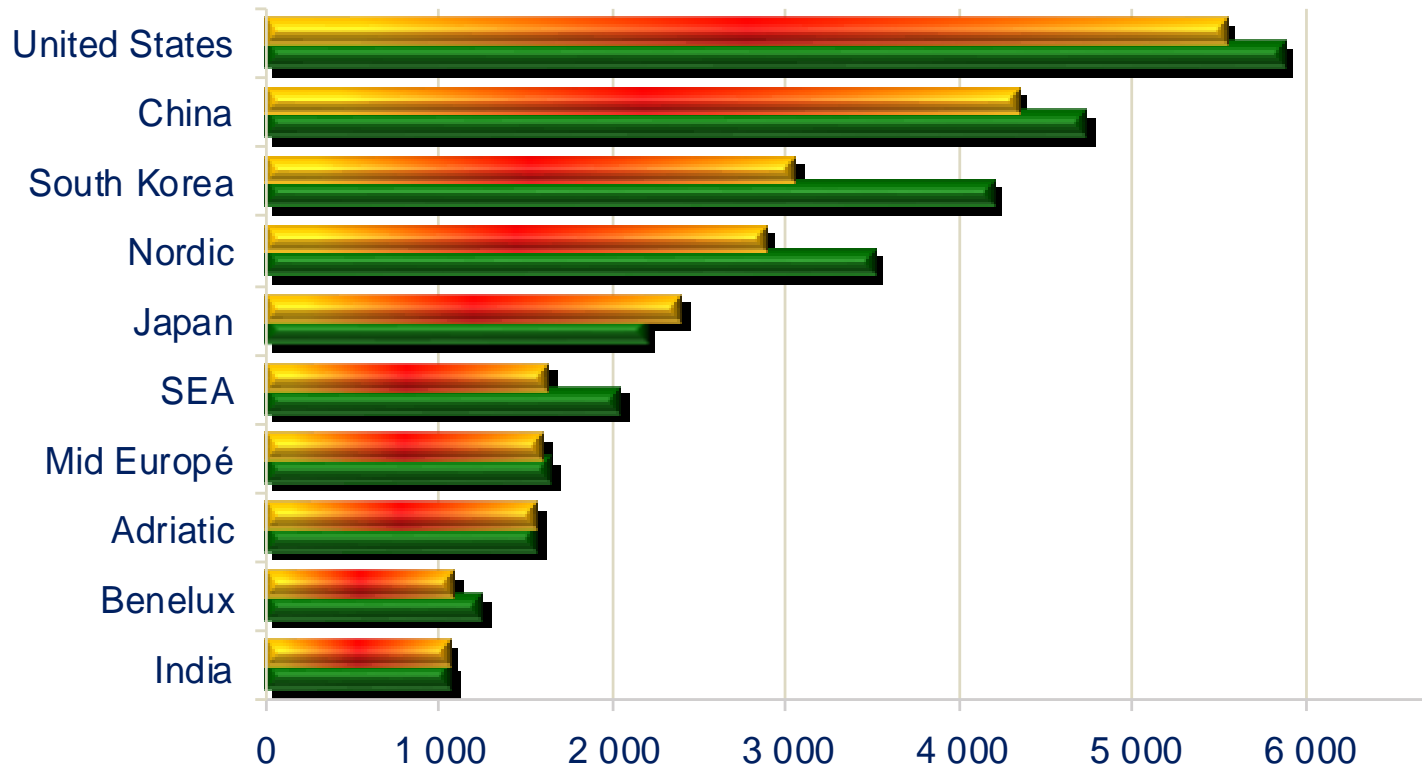




 Year-on-year comparison



# Top 10 markets\*

SEK million at prevailing rates



 = LTM Q2 2016  
 = WY 2015

*\*The development of the 2015 top ten markets.*

# 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.