Report for Q3 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

### July – September 2016

- Orders received declined 13% to SEK 7,540 million.
- Net sales dropped 11% to SEK 8,581 million.
- Adjusted EBITA* declined 20% to SEK 1,339 million.
- Adjusted EBITA margin at 15.6% vs 17.3%
- Non-recurring charge of SEK 1,100 million.

*Positive currency effect SEK 107 million.

### January – September 2016

- Orders received declined 16% to SEK 23,351 million.
- Net sales dropped 11% to SEK 25,730 million.
- Adjusted EBITA* declined 20% to SEK 4,065 million.
- Adjusted EBITA margin at 15.8% vs 17.5%
- Non-recurring charge of SEK 1,100 million.

*Positive currency effect SEK 337 million.
Orders received

SEK million

Q312  Q412  Q113  Q213  Q313  Q413  Q114  Q214  Q314  Q414  Q115  Q215  Q315  Q415  Q116  Q216  Q316

SEK million R 12

-6%  +4%  +26%  +15%  -14%

-6%  +4%  +26%  +15%  -14%

-6%  +4%  +26%  +15%  -14%

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-6%  +4%  +26%  +15%  -14%

-6%  +4%  +26%  +15%  -14%
## Order analysis

### Q3 2016 versus Q3 2015 and versus Q2 2016 (MSEK)

<table>
<thead>
<tr>
<th></th>
<th>Q3 2015</th>
<th>Q2 2016</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8,686</td>
<td></td>
<td>8,101</td>
</tr>
<tr>
<td>Structural change, %</td>
<td>+ 0.2</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Organic development, %</td>
<td>- 14.1</td>
<td></td>
<td>- 9.6</td>
</tr>
<tr>
<td>Total</td>
<td>- 13.9</td>
<td></td>
<td>- 9.6</td>
</tr>
<tr>
<td>Currency effects, %</td>
<td>+ 0.7</td>
<td></td>
<td>+ 2.7</td>
</tr>
<tr>
<td>Total, %</td>
<td>- 13.2</td>
<td></td>
<td>- 6.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Q3 2016</th>
<th></th>
<th>Q3 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7,540</td>
<td></td>
<td>7,540</td>
</tr>
</tbody>
</table>

Note: Q3 2016 versus Q3 2015 and versus Q2 2016 (MSEK)
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 saw growth in HVAC while refrigeration declined on the back of non-repeats.
- Sanitary declined due to non-repeats in dairy and personal care. Underlying demand, however, showed a continued positive trend.
- OEM lifted by demand from engine manufacturers.
- Service slightly down due to vacation period in Western Europe.

<table>
<thead>
<tr>
<th></th>
<th>Order</th>
<th>Sales</th>
<th>Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2016</td>
<td>2,765</td>
<td>2,737</td>
<td>1,798</td>
</tr>
<tr>
<td>Q3 2015</td>
<td>2,545</td>
<td>2,671</td>
<td>1,818</td>
</tr>
</tbody>
</table>

*Share of Group total

Industrial Equipment 11%*
Sanitary 13%
OEM 6%
Service 6%

Year-on-year comparison
Sequential comparison

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Marine & Diesel division

Highlights and sequential comments

★ M&D Equipment grew on the back of demand for equipment going into cruise ships. Diesel demand grew.
★ Marine & Offshore Systems affected by lower ship contracting. Demand for offshore applications grew from very low level.
★ M&O Pumping declined due to lower ship contracting.
★ Ballast water convention ratified in the quarter.

<table>
<thead>
<tr>
<th></th>
<th>Order</th>
<th>Sales</th>
<th>Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2016</td>
<td>1,909</td>
<td>2,872</td>
<td>9,175</td>
</tr>
<tr>
<td>Q3 2015</td>
<td>2,885</td>
<td>3,555</td>
<td>12,014</td>
</tr>
</tbody>
</table>

*Share of Group total

Year-on-year comparison
Sequential comparison
Highlights and sequential comments

* In Energy & Process, the upstream business grew while downstream declined. Power did very well whereas Inorganics, Metals and Paper dropped.

* Food & LS was flat, despite non-repeat of a large order. Vegetable oil and Food Solutions did well.

* Water & Waste down due to non-repeat. Base business showed strong growth.

* Service affected by non-repeat of larger order in previous quarter.

<table>
<thead>
<tr>
<th>Year</th>
<th>Order</th>
<th>Sales</th>
<th>Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2016</td>
<td>2,866</td>
<td>2,972</td>
<td>6,818</td>
</tr>
<tr>
<td>Q3 2015</td>
<td>3,256</td>
<td>3,467</td>
<td>8,285</td>
</tr>
</tbody>
</table>

*Share of Group total
Orders received by customer segment

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

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

Equipment division
- Marine & Diesel division
- Process Technology division

Year-on-year comparison

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Orders received by Region

July – September 2016, development at constant rates

- North America 20%
- Western Europe 23%
- Nordic 11%
- Central & Eastern Europe 8%
- Latin America 5%
- Asian 31%
- Other 2%

Year-on-year comparison
Sequential comparison

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Orders received by Region

January – September 2016, development at constant rates

- North America 20%
- Western Europe 22%
- Latin America 5%
- Central & Eastern Europe 7%
- Nordic 9%
- Asia 35%
- Other 2%

Year-on-year comparison
Report for Q3 2016

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

<table>
<thead>
<tr>
<th>SEK millions</th>
<th>July – September, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>7,540</td>
</tr>
<tr>
<td>Net sales</td>
<td>8,581</td>
</tr>
</tbody>
</table>
Gross profit margin

In percent of sales

Q313: 36.7
Q413
Q114
Q214
Q314: 35.3
Q414
Q115
Q215
Q315: 35.2
Q415
Q116
Q216
Q316: 35.7
# Gross profit margin

## Q3 2016 versus Q3 2015 and versus Q2 2016

<table>
<thead>
<tr>
<th></th>
<th>Q3 2015</th>
<th>Q2 2016</th>
<th>Q3 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mix/price</td>
<td>35.2</td>
<td>++</td>
<td></td>
</tr>
<tr>
<td>Load/volume</td>
<td>--</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>PPV</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></td>
<td></td>
<td></td>
<td>35.7</td>
</tr>
</tbody>
</table>

*Q3 2016 versus Q3 2015 and versus Q2 2016*
Comparison distortion items
- Reorganization and cost adjustment initiatives

A program for reorganization and improved competitiveness with three individual initiatives:

- Reorganization and adjustment of resources to demand
- Manufacturing footprint adjustment
- “Greenhouse” - a focused improvement project for three product groups

Total non-recurring charges estimated to be SEK 1.5 billion

Q3 2016 costs and the expected effects:

- **Non-recurring charges** SEK 1,100 million
  - SEK 600 million refers mainly to write-off of goodwill and step-up*, a non-cash item
  - SEK 500 million refers mainly to staff reductions of some 700 employees

- **Estimated savings** SEK 300 million
  - refers to overhead costs
  - expected to be largely implemented by end of Q2 2017

* Refers to Greenhouse project
### Highlights

<table>
<thead>
<tr>
<th>Metric</th>
<th>July – September, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>7,540</td>
</tr>
<tr>
<td>Net sales</td>
<td>8,581</td>
</tr>
<tr>
<td>Adjusted EBITA</td>
<td>1,339</td>
</tr>
<tr>
<td>Adjusted EBITA-margine</td>
<td>15.6%</td>
</tr>
<tr>
<td>Non-recurring charge</td>
<td>-1,100</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>93</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>-0.27</td>
</tr>
<tr>
<td>Earnings per share, excl step-up</td>
<td>1.50</td>
</tr>
<tr>
<td>ROCE</td>
<td>17.0%</td>
</tr>
<tr>
<td>ROE</td>
<td>13.9%</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>Orders</strong></td>
<td>2,765</td>
<td>2,545</td>
<td>2,866</td>
</tr>
<tr>
<td><strong>Backlog</strong></td>
<td>1,798</td>
<td>1,818</td>
<td>6,818</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>2,737</td>
<td>2,671</td>
<td>2,972</td>
</tr>
<tr>
<td><strong>Op. profit</strong></td>
<td>428</td>
<td>365</td>
<td>219</td>
</tr>
<tr>
<td><strong>Op margin (%)</strong></td>
<td>15.6</td>
<td>13.7</td>
<td>7.4</td>
</tr>
</tbody>
</table>

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

## SEK millions

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td><strong>Cash flow from</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- operating activities</td>
<td>911</td>
<td>1,369</td>
<td>3,054</td>
<td>3,975</td>
</tr>
<tr>
<td>- investing activities</td>
<td>-117</td>
<td>-243</td>
<td>-344</td>
<td>-458</td>
</tr>
<tr>
<td>Financial net paid</td>
<td>20</td>
<td>-171</td>
<td>18</td>
<td>-379</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>814</td>
<td>955</td>
<td>2,728</td>
<td>3,138</td>
</tr>
<tr>
<td><strong>Pro Forma Free cash-flow</strong>*</td>
<td>797</td>
<td>1,018</td>
<td>2,710</td>
<td>3,200</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>Q3 16</th>
<th>9M 16</th>
<th>FY 16</th>
<th>FY 17*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation effect</td>
<td>2</td>
<td>-85</td>
<td>-40</td>
<td>-</td>
</tr>
<tr>
<td>Transaction effect</td>
<td>105</td>
<td>422</td>
<td>550</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>107</strong></td>
<td><strong>337</strong></td>
<td><strong>510</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Based on EUR/USD 1.12 and EUR/SEK 9.62

Projected FX-effect for 2016 as communicated in Q2 report:
SEK 475 million
Order backlog as per Sept. 30

SEK millions

For delivery after 2016
For delivery in 2016

Q312  Q313  Q314  Q315  Q316

Order backlog as per Sept. 30

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<table>
<thead>
<tr>
<th></th>
<th>SEK (bln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>YTD 2016</td>
<td>25.7</td>
</tr>
<tr>
<td>Backlog, current year</td>
<td>+ 6.9</td>
</tr>
<tr>
<td>Orders “in-for-out” last year Q4</td>
<td>+ 2.8</td>
</tr>
<tr>
<td>Subtotal</td>
<td>35.4</td>
</tr>
<tr>
<td>Change in “in-for-out”</td>
<td>+/- ?</td>
</tr>
<tr>
<td>Price</td>
<td>+/- ?</td>
</tr>
<tr>
<td>Full year 2016</td>
<td></td>
</tr>
</tbody>
</table>
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Outlook for the fourth quarter

“We expect that demand during the fourth quarter will be in line with or somewhat higher than in the third quarter.”
Activity split O&G, total
- Distribution of orders Q3 (MSEK) vs Q2 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></td>
<td>25</td>
<td>263</td>
<td>172</td>
<td>252</td>
</tr>
<tr>
<td>Marine &amp; Diesel</td>
<td>124</td>
<td>97</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Alfa Laval</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of total</td>
<td></td>
<td></td>
<td>2.3%</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

Grand total
- 712 (-4%)
- 221 (+80%)
- 933* (+8%)
- 12.4% (incl. Service)
Marine & Diesel industry split
- Distribution of sales LTM, September 2016

<table>
<thead>
<tr>
<th>Driver</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine</td>
<td>49%</td>
</tr>
<tr>
<td>Offshore oil and gas</td>
<td>8%</td>
</tr>
<tr>
<td>Environment &amp; Energy, Marine</td>
<td>9%</td>
</tr>
<tr>
<td>Diesel power</td>
<td>4%</td>
</tr>
<tr>
<td>Parts &amp; Service</td>
<td>30%</td>
</tr>
</tbody>
</table>

World trade & fleet capacity: 49%
Oil & gas demand and prices: 8%
Legislation and fuel cost: 9%
Electrical power needs: 4%
World trade: 30%
Marine & Diesel industry split
- Distribution of orders LTM, September 2016

<table>
<thead>
<tr>
<th>Driver</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine</td>
<td>43%</td>
</tr>
<tr>
<td>Offshore oil and gas</td>
<td>5%</td>
</tr>
<tr>
<td>Environment &amp; Energy, Marine</td>
<td>11%</td>
</tr>
<tr>
<td>Diesel power</td>
<td>5%</td>
</tr>
<tr>
<td>Parts &amp; Service</td>
<td>36%</td>
</tr>
</tbody>
</table>

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

July – September 2016, at constant rates, sequential comments

Asia:

- Region negatively impacted by drop in marine contracting. Service showed minor decline, explained by fewer upgrades.
- EQD grew, lifted by seasonal demand for Comfort applications. PTD saw overall decline, mainly driven by Energy & Process while Food Technology had a good quarter.
- South Korea and Japan declined due to slowdown in ship contracting. China grew, supported by the development in EQD and PTD.
Highlights Europe

July – September 2016, at constant rates, sequential comments

Western Europe incl. Nordic:
- Down as vacation period affected EQD base business. M&D Equipment, Energy & Process developed well, while rest of segments declined.
- While Nordic, UK, Benelux and France grew, remaining regions declined.

Central and Eastern Europe:
- Poland, Turkey declined - Russia grew.
- Russia did very well in the quarter, boosted by improved activity in Comfort, Power and Refinery. Service also did well.
Highlights Americas

July – September 2016, at constant rates, sequential comments

North America:

🌟 Decline due to fewer large projects than in the previous quarter. Base business continued to grow. Service was flat.

🌟 Water & Waste down, due to the non repeat. Energy & Process, Industrial Equipment also declined. Rest of segments did well.

Latin America:

🌟 Down due to continued low demand in Brazil, as well as a non repeat of larger service project in Mexico.

🌟 Argentina had a good quarter across all divisions and with a number of larger orders in food and mining.
Top 10 markets*

<table>
<thead>
<tr>
<th>Market</th>
<th>SEK Million at Prevailing Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>5000</td>
</tr>
<tr>
<td>China</td>
<td>4000</td>
</tr>
<tr>
<td>South Korea</td>
<td>3000</td>
</tr>
<tr>
<td>Nordic</td>
<td>2000</td>
</tr>
<tr>
<td>Japan</td>
<td>1000</td>
</tr>
<tr>
<td>SEA</td>
<td>2000</td>
</tr>
<tr>
<td>Mid Europé</td>
<td>1000</td>
</tr>
<tr>
<td>Adriatic</td>
<td>1000</td>
</tr>
<tr>
<td>Benelux</td>
<td>1000</td>
</tr>
<tr>
<td>India</td>
<td>1000</td>
</tr>
</tbody>
</table>

*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.