Report for Q3 2017

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

July – September 2017

❖ Orders received grew 12% to SEK 8,418 million.
❖ Net sales decreased 5% to SEK 8,169 million.
❖ Adjusted EBITA* declined 2% to SEK 1,310 million.
❖ Adjusted EBITA margin at 16.0% vs 15.6%.
  *) Positive currency effect SEK 19 million.

January – September 2017

❖ Orders received grew 15% to SEK 26,848 million.
❖ Net sales declined 2% to SEK 25,202 million.
❖ Adjusted EBITA* down 2% at SEK 3,999 million.
❖ Adjusted EBITA margin at 15.9% vs 15.8%.
  *) Positive currency effect SEK 190 million.
Highlights in the quarter

Marine
Order for waste heat recovery systems and boilers for power plant in Southeast Asia.  
Value: SEK 50 million.

Food & Water
Biotech order in India for various pieces of equipment for insulin manufacturing. 
Value: SEK 60 million.

Alfa Laval PureBallast order intake: 
SEK 192 million.

Alfa Laval PureSOx: order intake 
SEK 170 million.
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
# Order analysis
- Q3 2017 versus Q3 2016 and versus Q2 2017 (MSEK)

<table>
<thead>
<tr>
<th></th>
<th>Q3 2016</th>
<th></th>
<th>Q2 2017</th>
<th></th>
<th>Q3 2017</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7,540</td>
<td></td>
<td>9,629</td>
<td></td>
<td>8,418</td>
<td></td>
</tr>
<tr>
<td>Structural change, %</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Organic development, %</td>
<td>+ 14.9</td>
<td></td>
<td>- 9.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>+ 14.9</td>
<td></td>
<td>- 9.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency effects, %</td>
<td>- 3.3</td>
<td></td>
<td>- 3.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total, %</td>
<td>+ 11.6</td>
<td></td>
<td>- 12.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3 2017</td>
<td>8,418</td>
<td></td>
<td>8,418</td>
<td></td>
<td></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.”
Orders received by business unit
- July – September 2017, 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
- Boilers & Gas Systems
- High-speed Separators
- Marine Separation & Heat Transfer
- Pumping Systems

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Brazed & Fusion saw volumes come down from record levels in Q2, in line with normal seasonal pattern.

Energy separation was flat as a decline due to non-repeat orders in oil & gas was compensated for in power, steel, mining and petrochemicals. Positive base-business development.

GPHE declined as large petrochemical order in Q2 was not repeated. HVAC and oil & gas related business did well.

Welded affected by fewer large orders, but base business did well, driven demand from customers in the hydrocarbon chain.

<table>
<thead>
<tr>
<th></th>
<th>Order</th>
<th>Backlog</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2017</td>
<td>2,513</td>
<td>4,883</td>
<td>2,598</td>
</tr>
</tbody>
</table>
Decanters: water treatment and waste water declined compared to a very strong second quarter.

Food heat transfer: lower demand for traditional food applications.

Food Systems: lower on the back of fewer larger orders.

Hygienic fluid handling: flat as pharma was unchanged, dairy grew and applications to broader food markets came down a bit.

HSS: lower demand from brewery, pharma biotech.

<table>
<thead>
<tr>
<th></th>
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<th>Backlog</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2017</td>
<td>2,788</td>
<td>4,541</td>
<td>2,882</td>
</tr>
</tbody>
</table>
Boilers & Gas systems boosted by demand for boilers for marine and engine power applications. Continued good demand for SOx.

Separation & Heat transfer, unchanged reflecting an increased demand for separators and heat exchangers, while demand for equipment for engine power plants decreased. PureBallast somewhat down from strong level in previous quarter.

Pumping systems: unchanged amid continued good level of demand for cargo pumping systems.

<table>
<thead>
<tr>
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<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2017</td>
<td>2,725</td>
<td>8,714</td>
<td>2,322</td>
</tr>
</tbody>
</table>

*Share of Group total

Sequential comparison
Service versus capital sales
- Q3

Energy: 28%
Food & Water: 33%
Marine: 35%

Arrows show development in absolute terms
= Service
= Capital sales
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Order intake declined, mainly due to seasonal demand coming off for district heating but also as a result of closure of a tubular factory in the US.

Air heat exchangers grew, driven by industrial cooling equipment for the power industry. An increase in demand for industrial refrigeration contributed.

Loss entirely due to factory closure in the US.
Orders received by region
- July-September 2017, development at constant rates

North America 19%
Western Europe 20%
Asia 39%
CEE 6%
Nordic 10%
Africa & Oceania 2%
Latin America 4%

Year-on-year comparison
Sequential comparison

North America:
-11%
Asia:
-22%
CEE:
-18%
Western Europe:
+8%
Latin America:
-15%
Nordic:
-10%
Africa & Oceania:
+2%

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Top ten markets*
- SEK million at prevailing rates

*The development of the 2016 top ten markets.

- United States
- China
- Nordic
- Japan
- Mid Europe
- Adriatic
- SEA
- South Korea
- Benelux
- France

= LTM Q3 2017
= WY 2016
Report for Q3 2017

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

Mr. Thomas Thuresson
CFO
Alfa Laval Group
<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>8,418</td>
</tr>
<tr>
<td>Net sales</td>
<td>8,169</td>
</tr>
</tbody>
</table>
Gross profit margin
- In percent of sales

35.3 35.2 35.7 37.0

Q314 Q414 Q115 Q215 Q315 Q415 Q116 Q216 Q316 Q416 Q117 Q217 Q317
## Gross profit margin

- Q3 2017 versus Q3 2016 and versus Q2 2017

<table>
<thead>
<tr>
<th></th>
<th>Q3 2016</th>
<th>35.7</th>
<th>Q2 2017</th>
<th>36.4</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>PPV</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>Q3 2017</td>
<td>37.0</td>
<td>Q3 2017</td>
<td>37.0</td>
<td></td>
</tr>
</tbody>
</table>
### Highlights 2017
- July-September, SEK million

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>8,418</td>
</tr>
<tr>
<td>Net sales</td>
<td>8,169</td>
</tr>
<tr>
<td>Adjusted EBITA</td>
<td>1,310</td>
</tr>
<tr>
<td>Adjusted EBITA margin, %</td>
<td>16.0</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>1,012</td>
</tr>
<tr>
<td>Earnings per share, %</td>
<td>1.59</td>
</tr>
<tr>
<td>Earnings per share, excl. step-up, %</td>
<td>2.04</td>
</tr>
<tr>
<td>ROCE</td>
<td>17.3</td>
</tr>
<tr>
<td>ROE</td>
<td>12.7</td>
</tr>
</tbody>
</table>
Reorganisation & capacity adjustment programme
- Update as per September 30th, 2017

<table>
<thead>
<tr>
<th>EMPLOYEE IMPACT, FTE</th>
<th>TOTAL SAVINGS, MSEK</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D</td>
<td>-</td>
</tr>
<tr>
<td>S&amp;A</td>
<td>- 100</td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>COGS</td>
<td>- 100</td>
</tr>
<tr>
<td>Total</td>
<td>- 100</td>
</tr>
</tbody>
</table>

Savings expected to be reached to 75% level by end 2017 and completely by end of 2018
Divisional performance

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>2,513</td>
<td>2,475</td>
<td>2,725</td>
<td>1,824</td>
<td>2,788</td>
<td>2,795</td>
</tr>
<tr>
<td>Backlog</td>
<td>4,883</td>
<td>4,252</td>
<td>8,714</td>
<td>9,074</td>
<td>4,541</td>
<td>3,963</td>
</tr>
<tr>
<td>Sales</td>
<td>2,598</td>
<td>2,584</td>
<td>2,322</td>
<td>2,826</td>
<td>2,882</td>
<td>2,797</td>
</tr>
<tr>
<td>Op. profit</td>
<td>417</td>
<td>351</td>
<td>361</td>
<td>508</td>
<td>410</td>
<td>351</td>
</tr>
<tr>
<td>Op. margin, %</td>
<td>16.1</td>
<td>13.6</td>
<td>15.5</td>
<td>18.0</td>
<td>14.2</td>
<td>12.5</td>
</tr>
</tbody>
</table>

Comments on operating profit:
- Cost (pos)
- Mix (pos)
- Volume (neg)
- Mix (neg)
- Cost (pos)
- FX (pos)
- Volume (pos)
- Cost (pos)
# Cash-flow statement

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></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>1,044</td>
<td>911</td>
<td>2,890</td>
<td>3,054</td>
</tr>
<tr>
<td>- investing activities</td>
<td>-121</td>
<td>-117</td>
<td>-437</td>
<td>-344</td>
</tr>
<tr>
<td>Financial net paid</td>
<td>-145</td>
<td>20</td>
<td>-234</td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td>778</td>
<td>814</td>
<td>2,219</td>
<td>2,728</td>
</tr>
<tr>
<td>Pro Forma Free cash-flow*</td>
<td>779</td>
<td>797</td>
<td>2,263</td>
<td>2,710</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 2017</th>
<th>9M 2017</th>
<th>FY 2017</th>
<th>FY 2018*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction effect</td>
<td>41</td>
<td>135</td>
<td>185</td>
<td>45</td>
</tr>
<tr>
<td>Translation effect</td>
<td>-22</td>
<td>55</td>
<td>15</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>19</td>
<td>190</td>
<td>200</td>
<td>45</td>
</tr>
</tbody>
</table>

*Based on EUR/USD 1.17 and EUR/SEK 9.53

Projected FX-effect for 2017 communicated with the Q2 report: SEK 180 million
Order backlog as per Sep 30

- For delivery later than 2017
- For delivery in 2017

- Book to bill

<table>
<thead>
<tr>
<th>Quarter</th>
<th>SEK million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q313</td>
<td>18,674</td>
</tr>
<tr>
<td>Q413</td>
<td>17,791</td>
</tr>
<tr>
<td>Q114</td>
<td>11,705</td>
</tr>
<tr>
<td>Q214</td>
<td>10,878</td>
</tr>
<tr>
<td>Q314</td>
<td>6,913</td>
</tr>
<tr>
<td>Q414</td>
<td>6,969</td>
</tr>
<tr>
<td>Q115</td>
<td>0.88</td>
</tr>
<tr>
<td>Q215</td>
<td>0.88</td>
</tr>
<tr>
<td>Q315</td>
<td>1.03</td>
</tr>
<tr>
<td>Q415</td>
<td>1.08</td>
</tr>
<tr>
<td>Q116</td>
<td>1.08</td>
</tr>
<tr>
<td>Q216</td>
<td>1.03</td>
</tr>
<tr>
<td>Q316</td>
<td>1.08</td>
</tr>
<tr>
<td>Q416</td>
<td>1.03</td>
</tr>
<tr>
<td>Q117</td>
<td>1.08</td>
</tr>
<tr>
<td>Q217</td>
<td>1.08</td>
</tr>
<tr>
<td>Q317</td>
<td>1.03</td>
</tr>
</tbody>
</table>
### Sales

**Full year 2017, SEK (bn)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>YTD 2017</td>
<td>25.2</td>
</tr>
<tr>
<td>Backlog, current year</td>
<td>+ 7.0</td>
</tr>
<tr>
<td>Orders “in-for-out” Q4 2016</td>
<td>+ 3.0</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>35.2</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 2017</strong></td>
<td>xx</td>
</tr>
</tbody>
</table>
Report for Q3 2017

- Key figures
- Orders received and margins
- Development per segment
- Geographical development
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Mr. Tom Erixon
President and CEO
Alfa Laval Group
Outlook for the fourth quarter

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

**Distribution of orders Q3 (MSEK) 2017**

<table>
<thead>
<tr>
<th></th>
<th>Drilling</th>
<th>Processing &amp; Transportation</th>
<th>Refinery</th>
<th>Petrochemicals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Energy</strong></td>
<td>35</td>
<td>413</td>
<td>246</td>
<td>166</td>
</tr>
<tr>
<td><strong>Marine</strong></td>
<td>112</td>
<td>79</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Alfa Laval</strong></td>
<td>147</td>
<td>492</td>
<td>246</td>
<td>166</td>
</tr>
<tr>
<td><strong>Share of total Alfa Laval</strong></td>
<td>147</td>
<td>492</td>
<td>246</td>
<td>166</td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
<td>860 (-)</td>
<td>191 (+)</td>
<td>= 1,051*(-)</td>
<td>= 12.5%</td>
</tr>
</tbody>
</table>

* including Service

Sequential direction within parentheses

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Marine Division’s industry split
- Distribution of orders LTM September 2017

- Marine
- Offshore oil and gas
- Environment & Energy, Marine
- Engine power
- Service

Driver
- World trade & fleet capacity: 39%
- Oil & gas demand and prices: 2%
- Legislation & fuel cost: 15%
- Electrical power needs: 6%
- World trade: 38%

Share
Marine Division’s industry split
- Distribution of sales LTM September 2017

<table>
<thead>
<tr>
<th>Industry</th>
<th>Share</th>
<th>Driver</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine</td>
<td>45%</td>
<td>World trade &amp; fleet capacity</td>
</tr>
<tr>
<td>Offshore oil and gas</td>
<td>5%</td>
<td>Oil &amp; gas demand and prices</td>
</tr>
<tr>
<td>Environment &amp; Energy, Marine</td>
<td>11%</td>
<td>Legislation &amp; fuel cost</td>
</tr>
<tr>
<td>Diesel power</td>
<td>5%</td>
<td>Electrical power needs</td>
</tr>
<tr>
<td>Service</td>
<td>35%</td>
<td>World trade</td>
</tr>
</tbody>
</table>

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Orders received by business unit
- January-September 2017, at constant rates and like for like

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

Year-on-year comparison
Western Europe incl. Nordic
- Region reported a decline as lower order intake in Energy and Food outweighed a positive development for Marine.
- Nordic area did well, lifted by Marine.

Central and Eastern Europe
- Region declined reflecting lower demand in Food & Water and Marine. Energy was flat as lower demand in certain parts of the region were compensated for by projects in Russia.
Asia

The region reported a small sequential decline, mainly due to the non-repeat of large Energy-related orders. Food & Water was unchanged and Marine did well, as South Korea and China benefitted from an increase in contracting earlier in the year. India grew on the back of a large biotech order.

China came in slightly lower than previous quarter as large refinery orders, taken in Q2, were not repeated. Excluding these, Energy division grew. Food & Water was flat and Marine grew.
North America

* Canada did very well in the quarter, but could not compensate for a certain decline in the US. Canada benefited from a strong development in Food & Water and Energy. The US had a good base-business development, driven by Energy, but the overall outcome was still a decline due to the non-repeat of a large order booked in Q2.

Latin America

* The non-repeat of a large vegetable oil order, taken in Q2, weighed on the region.
* The base business developed well across the region, with Brazil and Argentina leading the way.
Orders received by region
- January-September 2017, development at constant rates

- Asia 37%
- North America 19%
- Latin America 4%
- CEE 7%
- Western Europe 22%
- Nordic 9%
- Africa & Oceania 2%

Year-on-year comparison

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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.