

# Report for Q2 2020

**Tom Erixon**  
President and CEO  
Alfa Laval Group

# Key figures



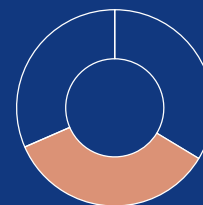
|                           | Q2 2020  | Q2 2019  | %-change | %-▲,org* |
|---------------------------|----------|----------|----------|----------|
| Order intake              | 9,749    | 10,025   | -3       | -3       |
| Net sales                 | 10,455   | 11,339   | -8       | -5       |
| Adjusted EBITA**          | 1,802    | 1,870    | -4       |          |
| Adjusted EBITA-margin (%) | 17.2     | 16.5     |          |          |
| <hr/>                     |          |          |          |          |
|                           | YTD 2020 | YTD 2019 | %-change | %-▲,org* |
| Order intake              | 21,626   | 22,238   | -3       | -2       |
| Net sales                 | 21,045   | 21,497   | -2       | -1       |
| Adjusted EBITA***         | 3,552    | 3,598    | -1       |          |
| Adjusted EBITA-margin (%) | 16.9     | 16.7     |          |          |

\*) Organic growth i.e. excluding currency effects and structural changes.

\*\*) Positive currency effect SEK 60 million (95) \*\*\*) Positive currency effect SEK 150 million (190).

# Food & Water division

– Highlights and comments



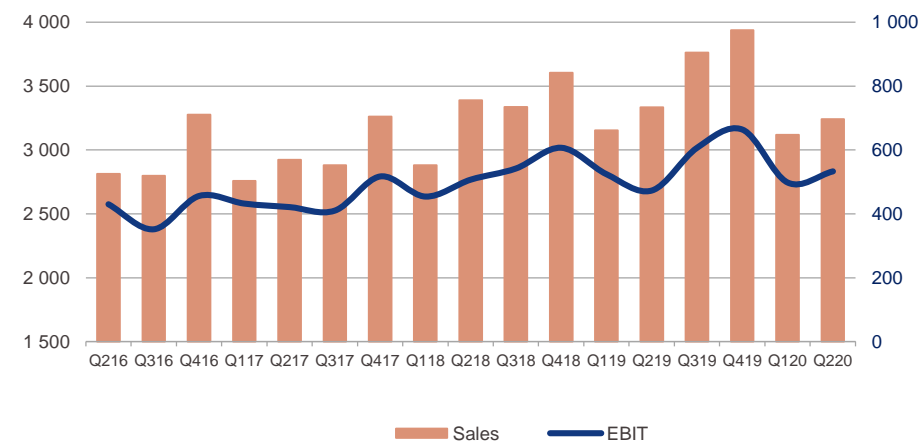
## MARKETS & ORDER INTAKE

- Overall demand remained stable with some end market variations.
- Demand was especially strong in the wastewater and pharma & biotech segments.
- Service grew in the quarter on the back of spare parts and service agreements.

## PROFITABILITY (EBIT)

- Generally lower cost in combination with a stable invoicing and gross margin generated an improved operating margin.

|          | Q2 20 | Q2 19 | YoY %-change | Q1 20 |
|----------|-------|-------|--------------|-------|
| ORDERS   | 3,396 | 3,520 | -3.5         | 3,612 |
| SALES    | 3,241 | 3,335 | -2.8         | 3,118 |
| EBIT     | 533   | 473   |              | 498   |
| EBIT (%) | 16.4  | 14.2  |              | 16.0  |



# Energy division

– Highlights and comments



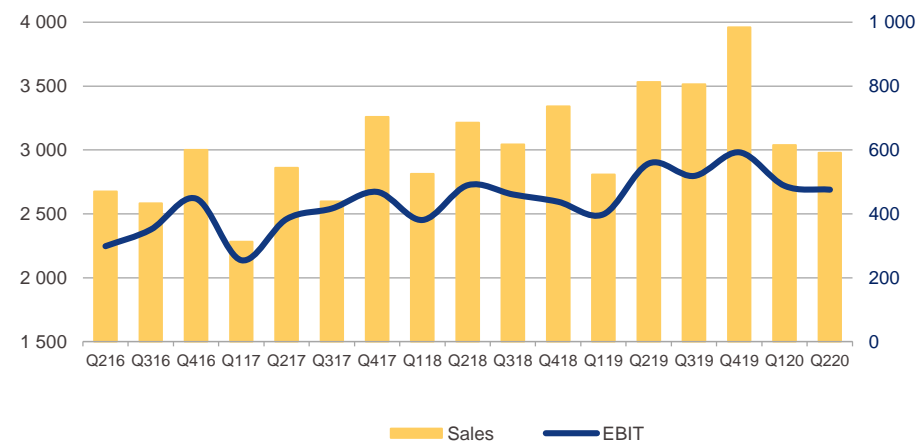
## MARKETS & ORDER INTAKE

- Overall investment activity levels in the hydrocarbon chain negatively impacted by COVID-19.
- Demand in HVAC/refrigeration continued on a stable level.
- COVID-19 related closures and lower activity levels at oil and gas customers had a negative impact on service in the quarter.

## PROFITABILITY (EBIT)

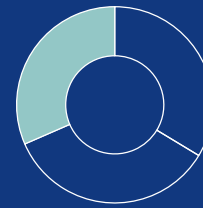
- Positive effects from the cost reduction program secured a stable operating margin in line with last year.

|          | Q2 20 | Q2 19 | YoY %-change | Q1 20 |
|----------|-------|-------|--------------|-------|
| ORDERS   | 3,279 | 3,566 | -8.0         | 3,197 |
| SALES    | 2,979 | 3,531 | -15.6        | 3,039 |
| EBIT     | 476   | 558   |              | 488   |
| EBIT (%) | 16.0  | 15.8  |              | 16.1  |



# Marine division

– Highlights and comments



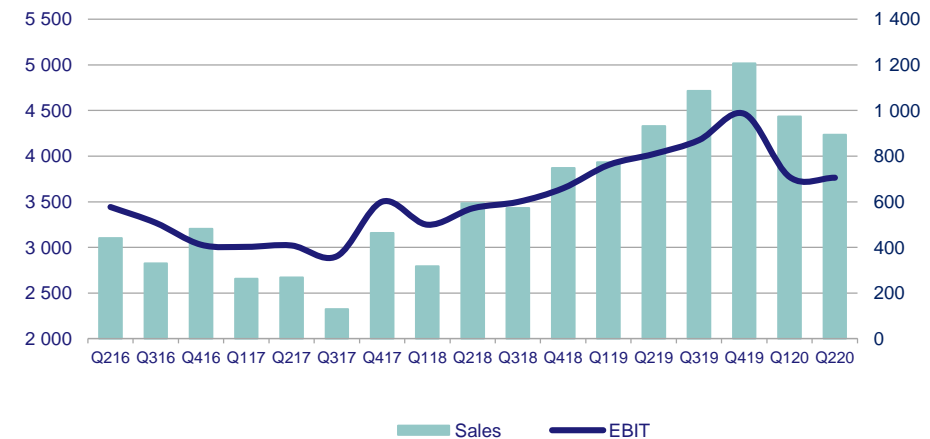
## MARKETS & ORDER INTAKE

- Order intake in BU Pumping systems was solid.
- Demand for PureBallast systems continued on a high level, while the retrofit demand for PureSOx was low.
- Service negatively affected by travel and accessibility restrictions in the quarter.

## PROFITABILITY (EBIT)

- Operating margin negatively affected by mix within capital sales and continued negative FX effects.

|          | Q2 20 | Q2 19 | YoY %-change | Q1 20 |
|----------|-------|-------|--------------|-------|
| ORDERS   | 3,074 | 3,144 | -2.2         | 5,068 |
| SALES    | 4,235 | 4,329 | -2.2         | 4,433 |
| EBIT     | 705   | 809   |              | 708   |
| EBIT (%) | 16.6  | 18.7  |              | 16.0  |

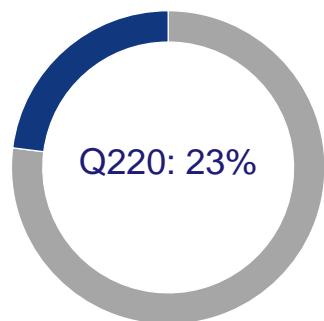


# Service, by division

– Order intake Q2, share and development



## ENERGY

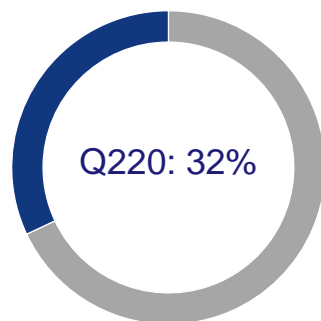


Absolute development



YoY

## FOOD & WATER

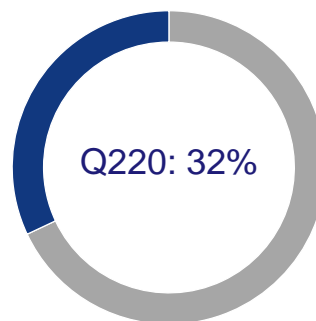


Absolute development



YoY

## MARINE



Absolute development

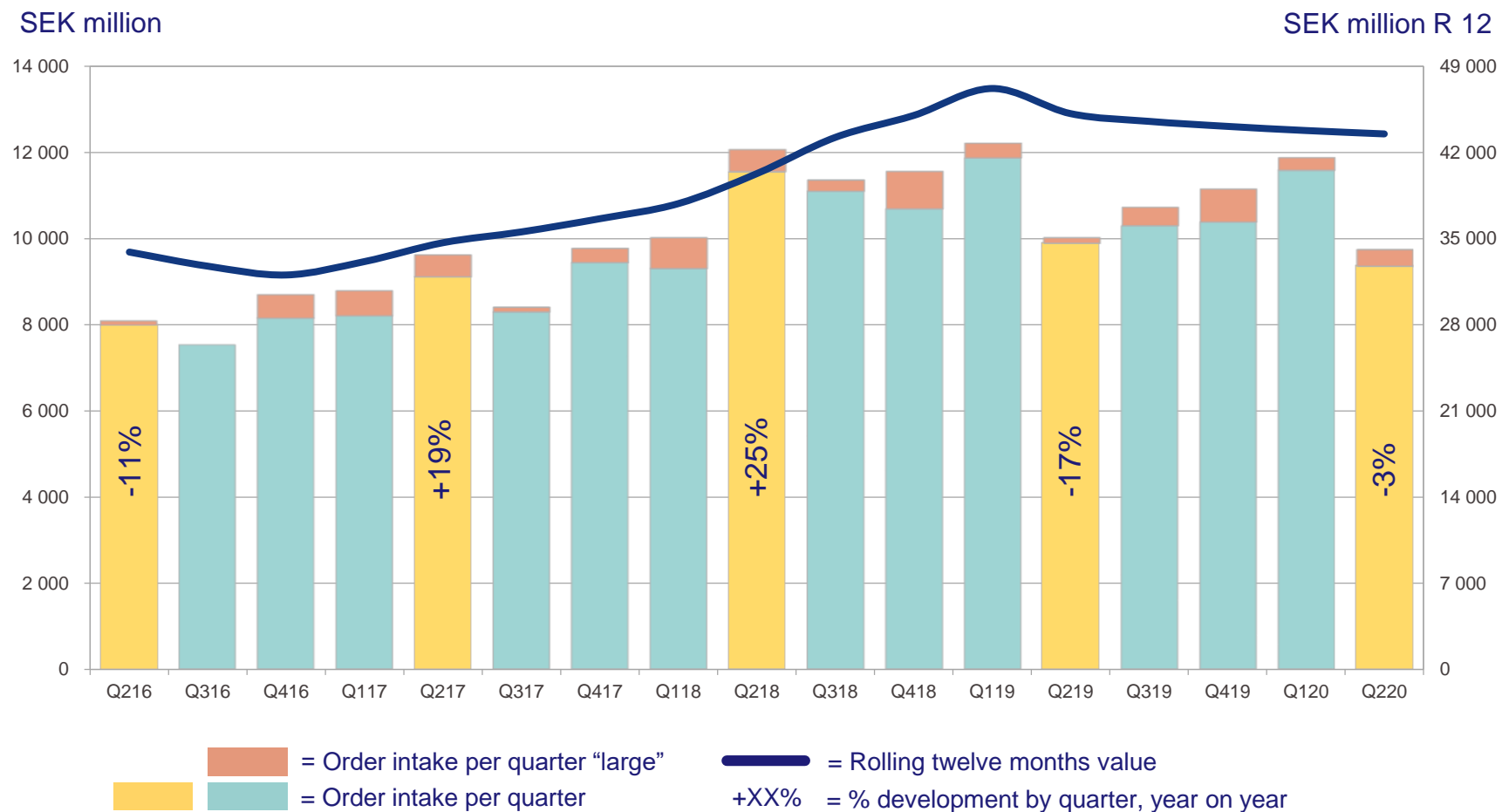


YoY

 = Service share of total order intake



# Orders received

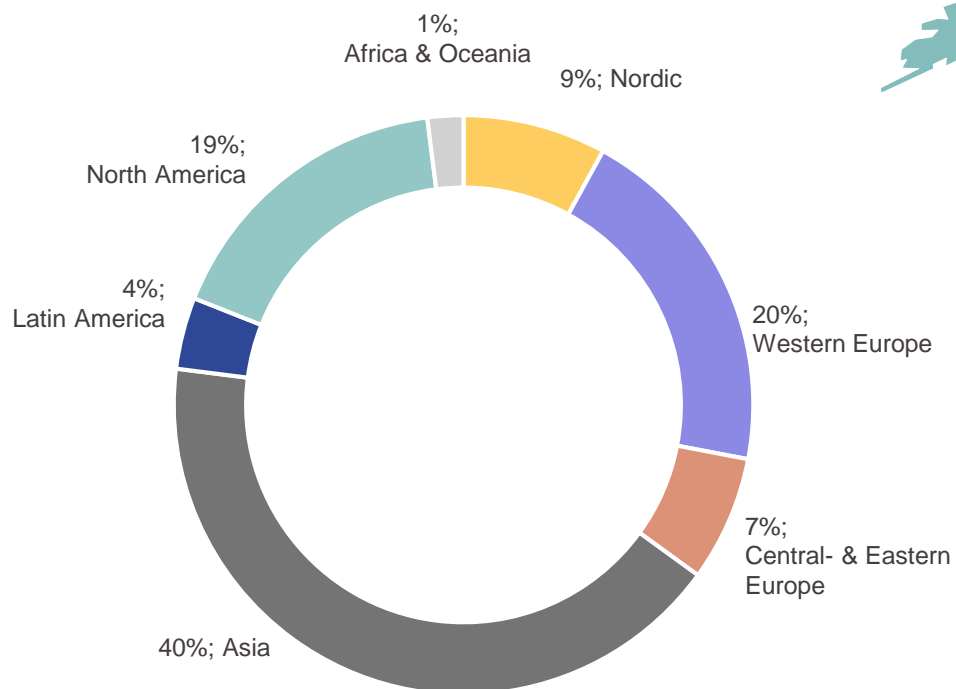




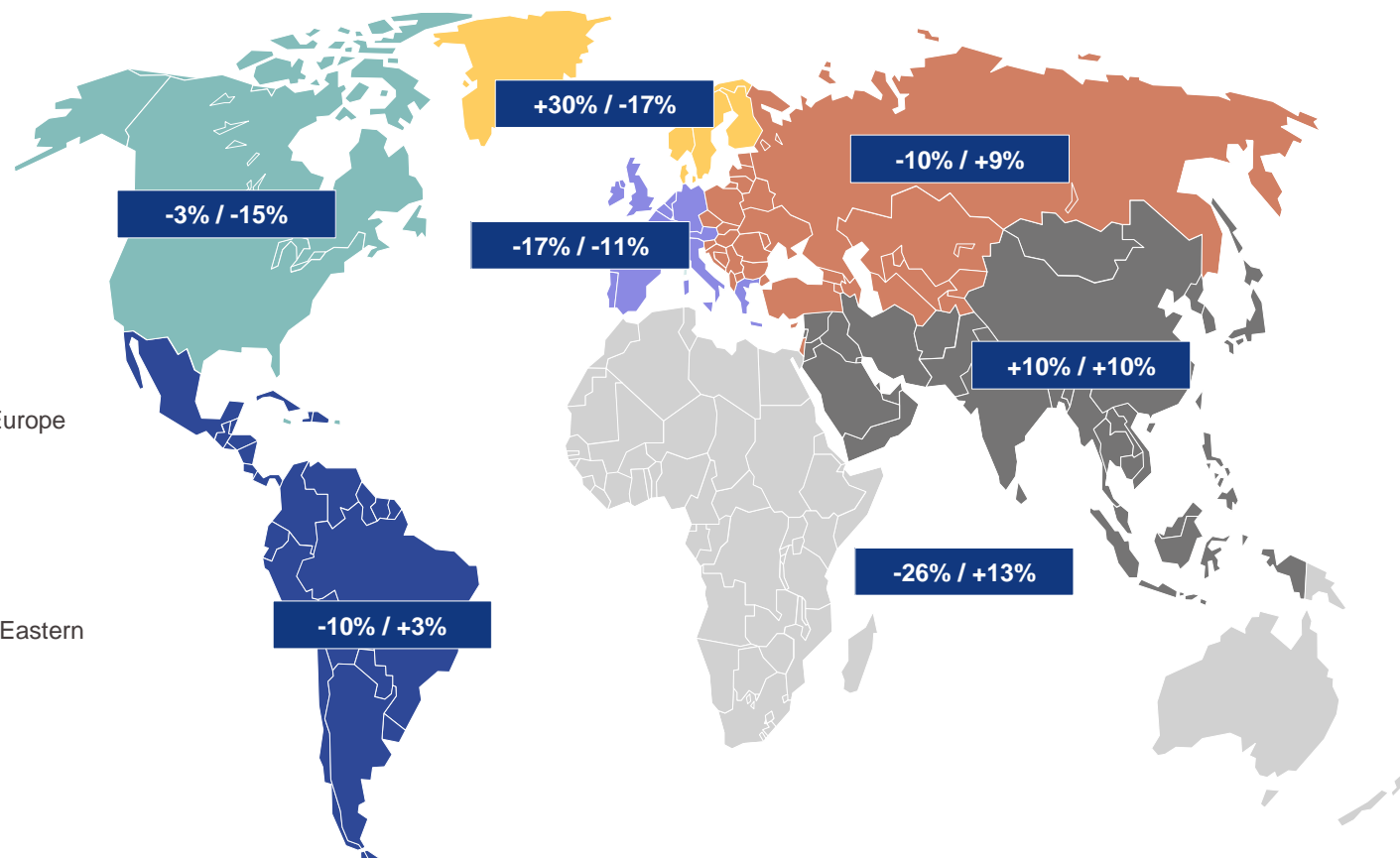
# Orders received by region



– Development Q2 vs Q2 / YTD vs YTD, at constant rates



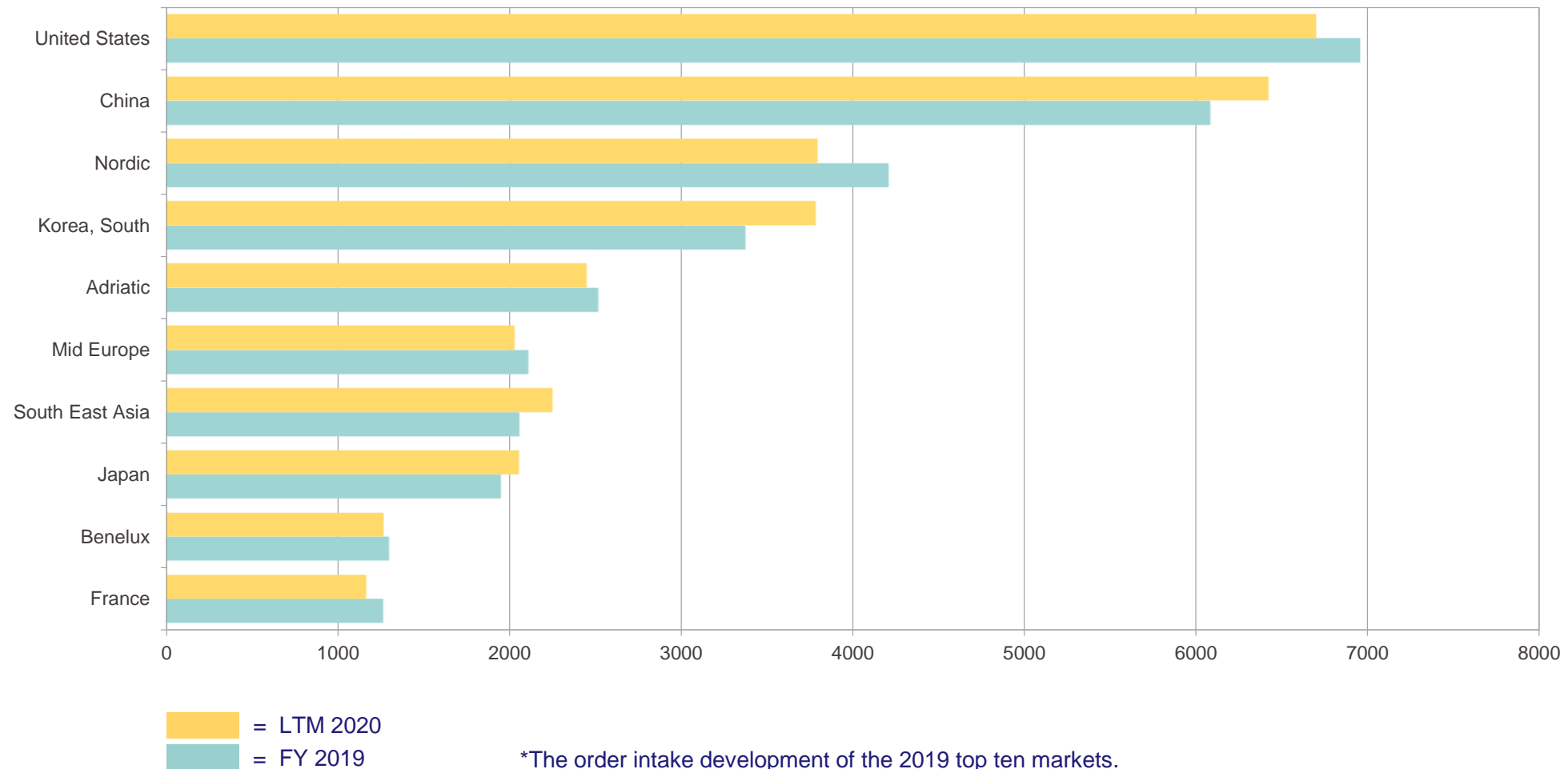
Share %: April – June 2020



vs Q2-19 / vs YTD 2019

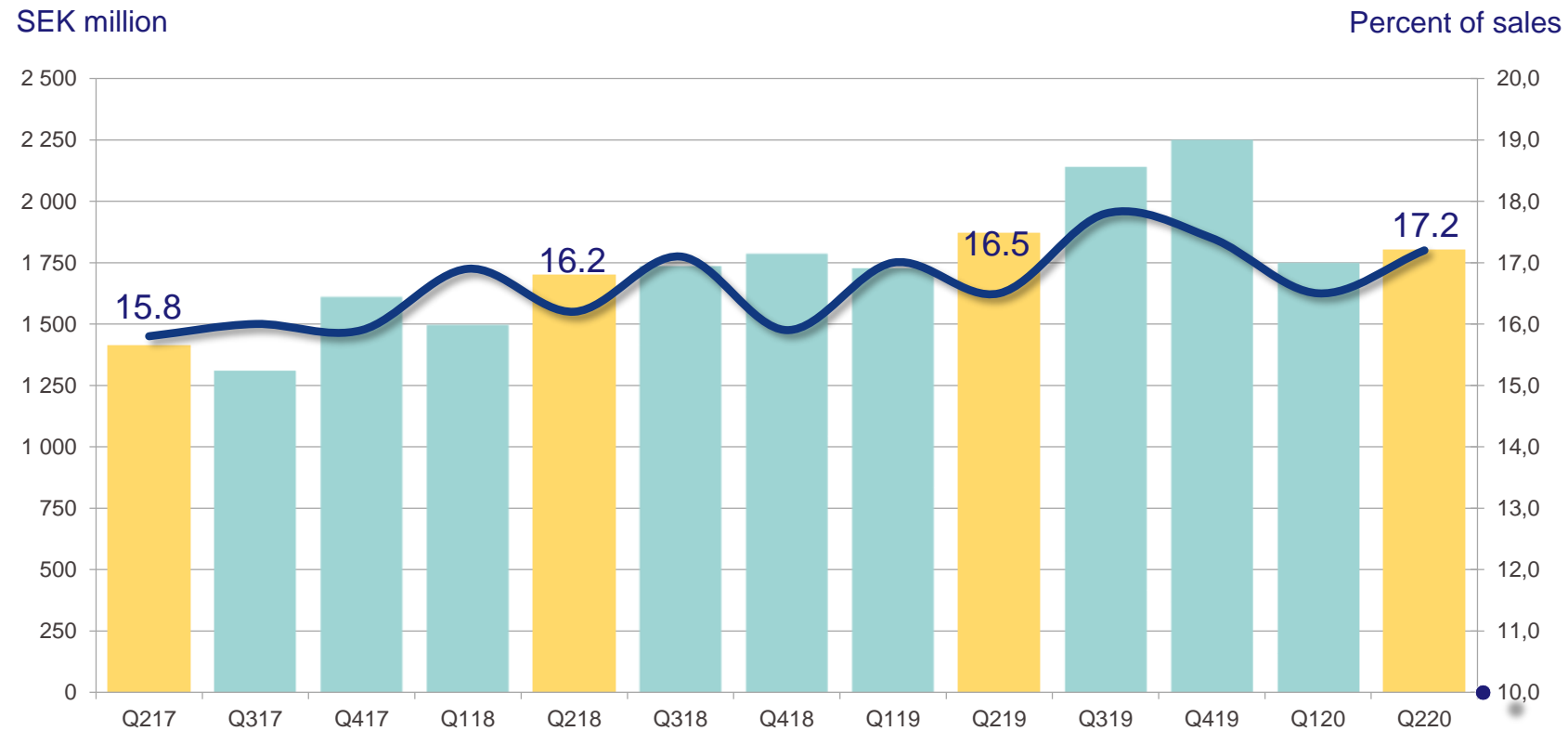
# Top ten markets\*

– SEK million at prevailing rates

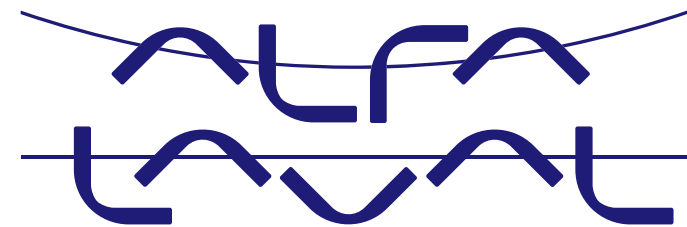


# Adjusted EBITA/margin\*

– SEK millions and in percent of sales



\* Adjusted EBITA – "Earnings before interests, taxes, amortization of goodwill and step up values and comparison distortion items."

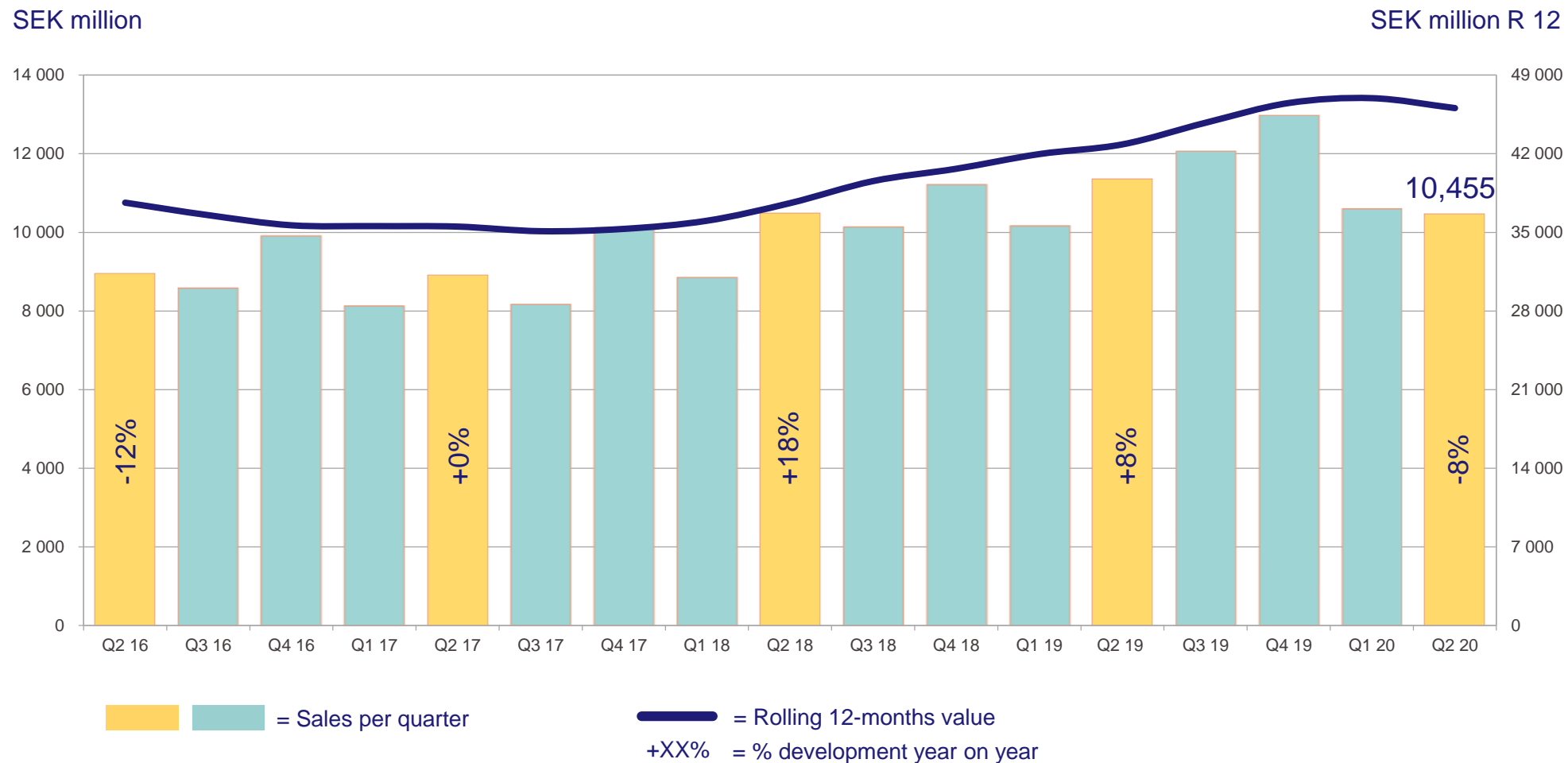


# Report for Q2 2020

**Jan Alde**  
CFO  
Alfa Laval Group

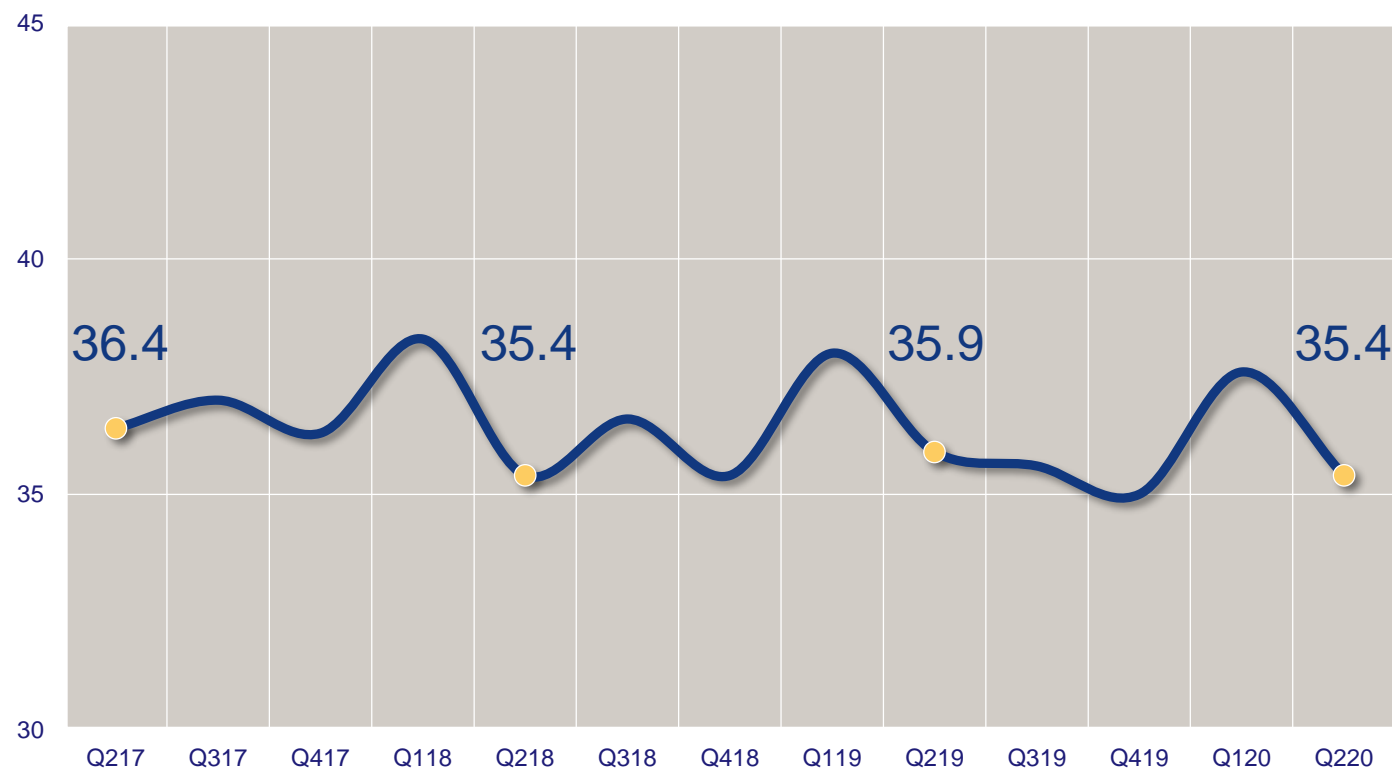
# Sales

– MSEK



# Adjusted gross margin

– In percent of sales



|         |      |
|---------|------|
| Q2 2019 | 35.9 |
|---------|------|

|           |   |
|-----------|---|
| Mix/price | - |
|-----------|---|

|             |   |
|-------------|---|
| Load/volume | + |
|-------------|---|

|            |   |
|------------|---|
| PPV/metals | = |
|------------|---|

|    |   |
|----|---|
| FX | - |
|----|---|

|           |   |
|-----------|---|
| Structure | = |
|-----------|---|

|         |      |
|---------|------|
| Q2 2020 | 35.4 |
|---------|------|

# S&A Expense development

– MSEK



|  | Q2 2020 | Q2 2019 |        | YTD 2020 | YTD 2019 |        |
|--|---------|---------|--------|----------|----------|--------|
| Sales costs                                      | 1,002   | 1,204   | -16.8% | 2,159    | 2,376    | -9.1%  |
| Admin costs                                      | 446     | 568     | -21.5% | 959      | 1,065    | -10.0% |
| Total S&A costs                                  | 1,448   | 1,772   | -18.3% | 3,118    | 3,441    | -9.4%  |
| <i>Excl. FX impacts and<br/>acq./divestments</i> |         |         | -16.9% |          |          | -8.7%  |

# Key figures

– MSEK



|                       | Q2 2020 | Q2 2019 |
|-----------------------|---------|---------|
| Sales                 | 10,455  | 11,339  |
| Gross profit          | 3,483   | 3,812   |
| Sales & Admin         | -1,448  | -1,772  |
| R&D                   | -251    | -272    |
| Net other cost/income | -211    | 39      |
| Operating income      | 1,580   | 1,808   |
| Financial net         | 140     | 24      |
| Profit before tax     | 1,720   | 1,832   |
| Taxes                 | -424    | -420    |
| EPS                   | 3.07    | 3.36    |



# Cash-flow statement

– MSEK



|                                     | Q2 2020      | Q2 2019    | 1H 2020      | 1H 2019      |
|-------------------------------------|--------------|------------|--------------|--------------|
| EBITDA                              | 2,068        | 2,300      | 4,096        | 4,249        |
| Other non-cash items                | 23           | -223       | 3            | -173         |
| Working Capital                     | 1,012        | -1,025     | 557          | -1,506       |
| Taxes paid                          | -259         | -443       | -853         | -986         |
| Cash flow from operating activities | 2,844        | 609        | 3,803        | 1,584        |
| Capital expenditures                | -192         | -172       | -399         | -606         |
| Disposals                           | -1           | 375        | 131          | 376          |
| Acquisitions                        | 0            | 0          | -8           | -61          |
| Cash flow from investing activities | -193         | 203        | -276         | -291         |
| Financial net paid                  | -26          | 41         | -373         | 208          |
| <b>Cash flow</b>                    | <b>2,625</b> | <b>853</b> | <b>3,154</b> | <b>1,501</b> |
| <b>Free cash flow*</b>              | <b>2,626</b> | <b>478</b> | <b>3,031</b> | <b>1,186</b> |

\*) Incl. cash flow from operating activities, capital expenditure and financial net paid.

# Net Debt by June 30, 2020

– MSEK



|                        |        |              |
|------------------------|--------|--------------|
| Cash & Bank            | 8,783  |              |
|                        |        | -8,783       |
| Senior Facility        | 0      |              |
| SEK                    | 1,048  |              |
| SEB & Nordea           | 1,998  |              |
| Bonds                  | 8,355  |              |
| Other incl. Comm Paper | 145    |              |
|                        | 11,546 |              |
| Lease payables         | 2,508  |              |
|                        |        | 14,054       |
| <b>Net Debt</b>        |        | <b>5,271</b> |

- Net Debt / EBITDA: 0.58 (1.3)\*
- Net Debt / Equity: 0.19 (0.42)\*

\*) Lease payables increased by 2,766 MSEK due to IFRS 16 implementation. Excluding this Net Debt equals 2,763 MSEK; Net Debt / EBITDA excl. IFRS 16 impact: 0.30 and Net Debt / Equity: 0.10

# Foreign exchange



– Estimated impact on adjusted EBITA from FX fluctuations, MSEK

|                    | Q2 2020 | FY 2020 | FY 2021* |
|--------------------|---------|---------|----------|
| Transaction effect | 90      | 440     | 290      |
| Translation effect | -30     | -180    | -        |
| Total              | 60      | 260     | 290      |

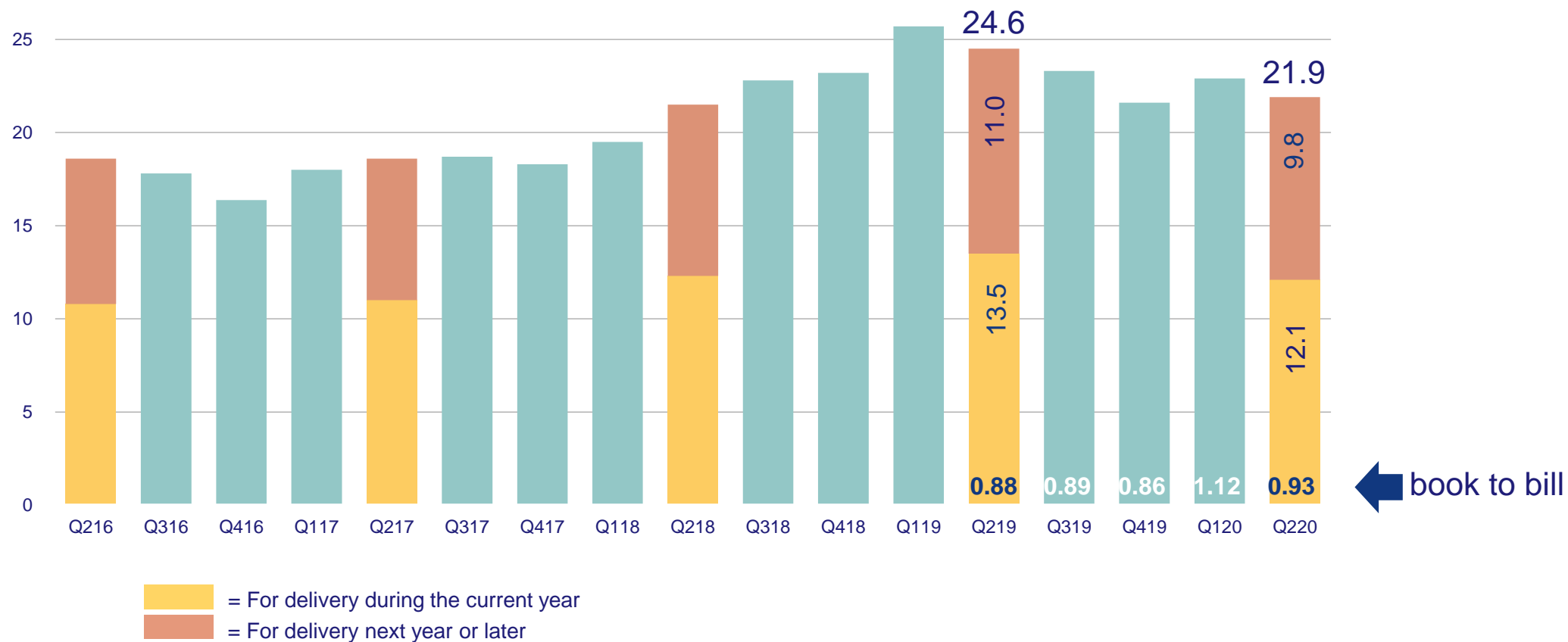
Note: Excludes FX effects caused by revaluation of balance items in foreign currency.

\*) Based on EUR/USD 1.133 and EUR/SEK 10.470

Projected FX-transaction effect for 2020 communicated with Q1 report: SEK 530 million

# Order backlog as per June 30

– SEK billion



# Sales

– FY 2020, SEK billion



|                                    |       |
|------------------------------------|-------|
| YTD Sales                          | 21.0  |
| Backlog, for delivery current year | +12.1 |
| Subtotal                           | 33.1  |

*For you to consider:*

Price

“In-for-out”\*

FX translation

Acquisitions

Full year 2020

\*IFO in Q3-Q4 2019 excluding acquisitions/divestments was SEK 11.5 bln.

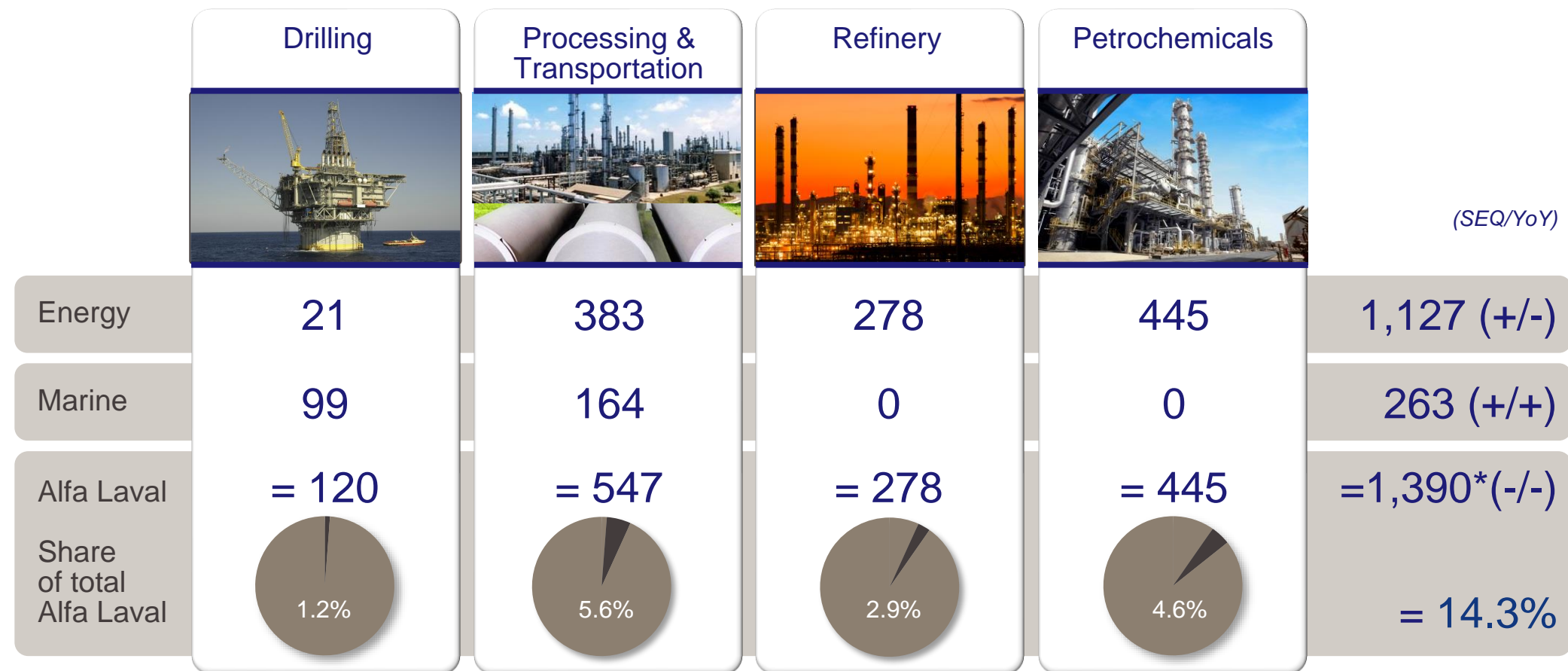
## Outlook for the third quarter:

“We expect demand in the third quarter to be somewhat lower than in the second quarter.”



# Activity split O&G, total

– Distribution of orders Q2 2020 (MSEK)



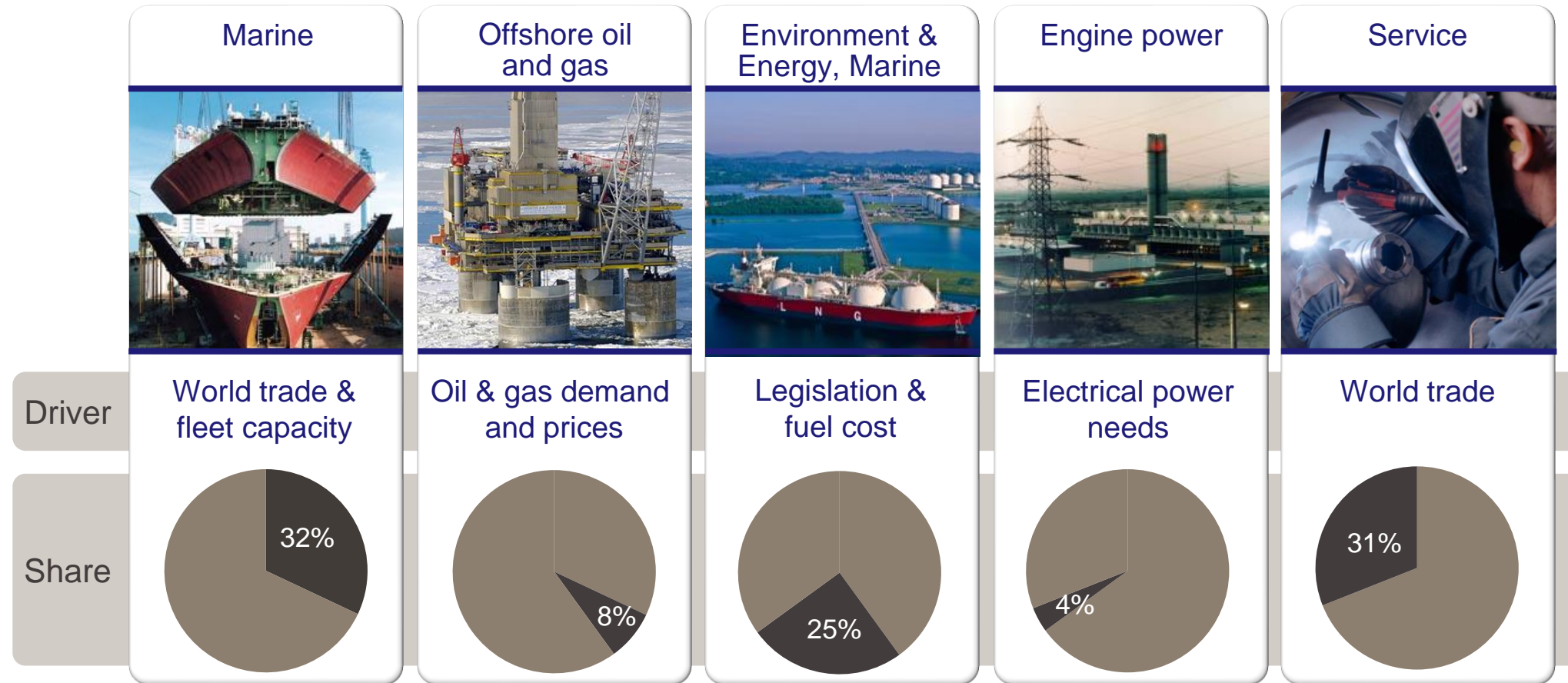
\*) incl. aftermarket



# Marine Division's industry split



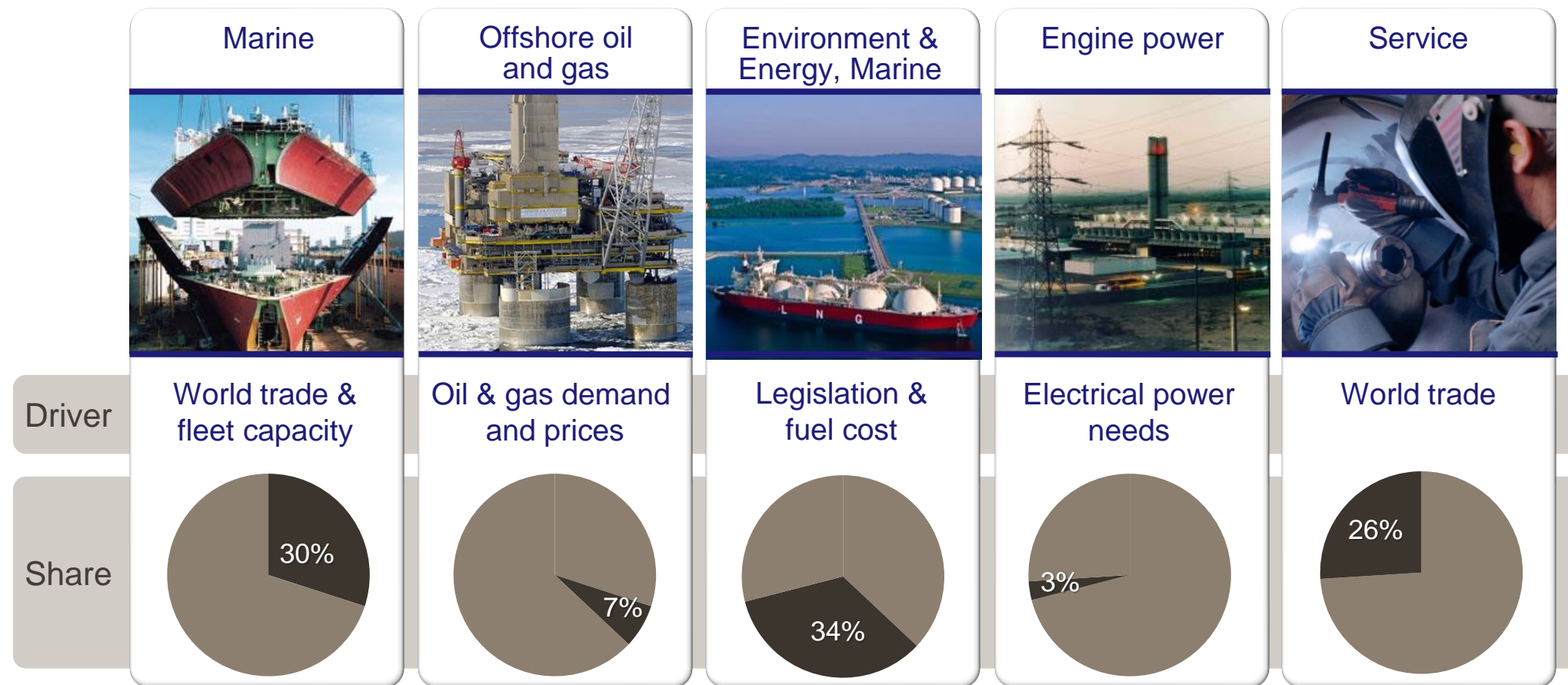
– Distribution of orders LTM, end of June



# Marine Division's industry split



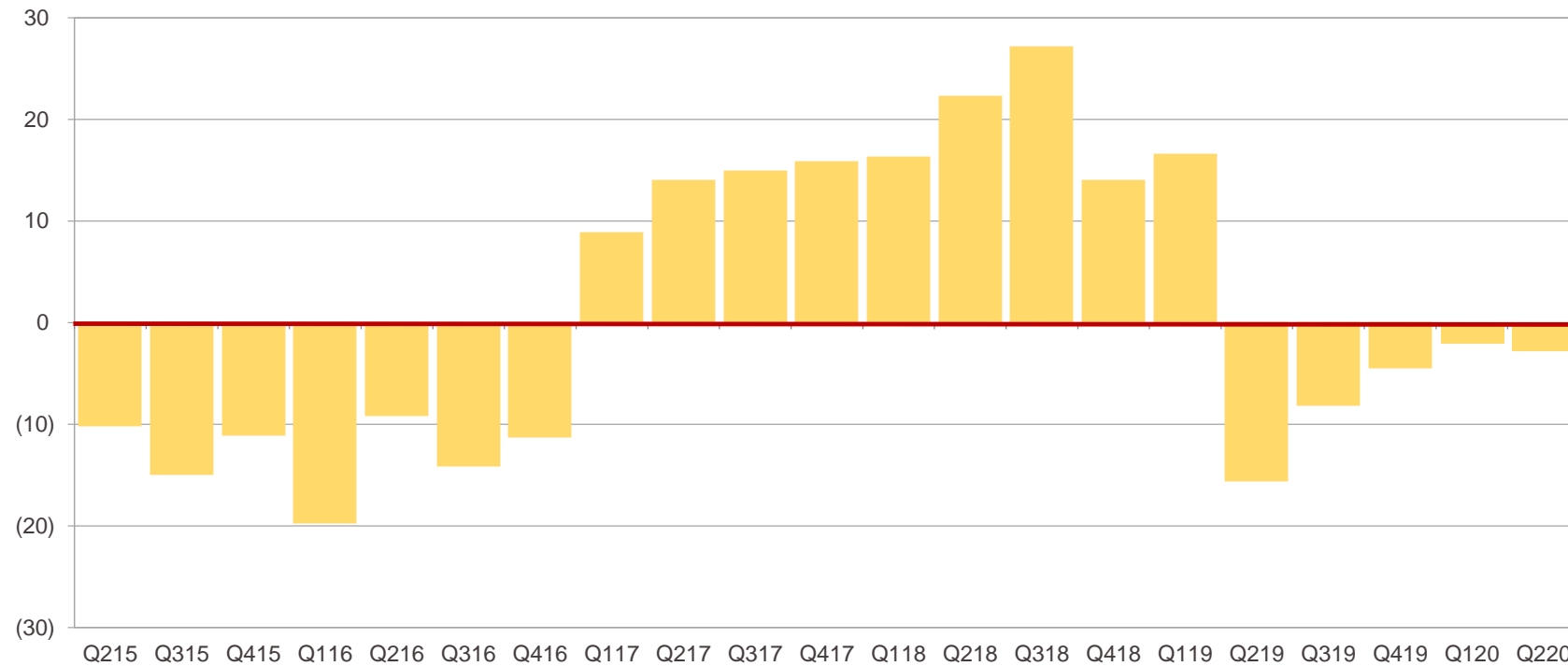
– Distribution of sales LTM end of June



# Organic growth pace



– Compared with same quarter last year (%), excluding currency effects

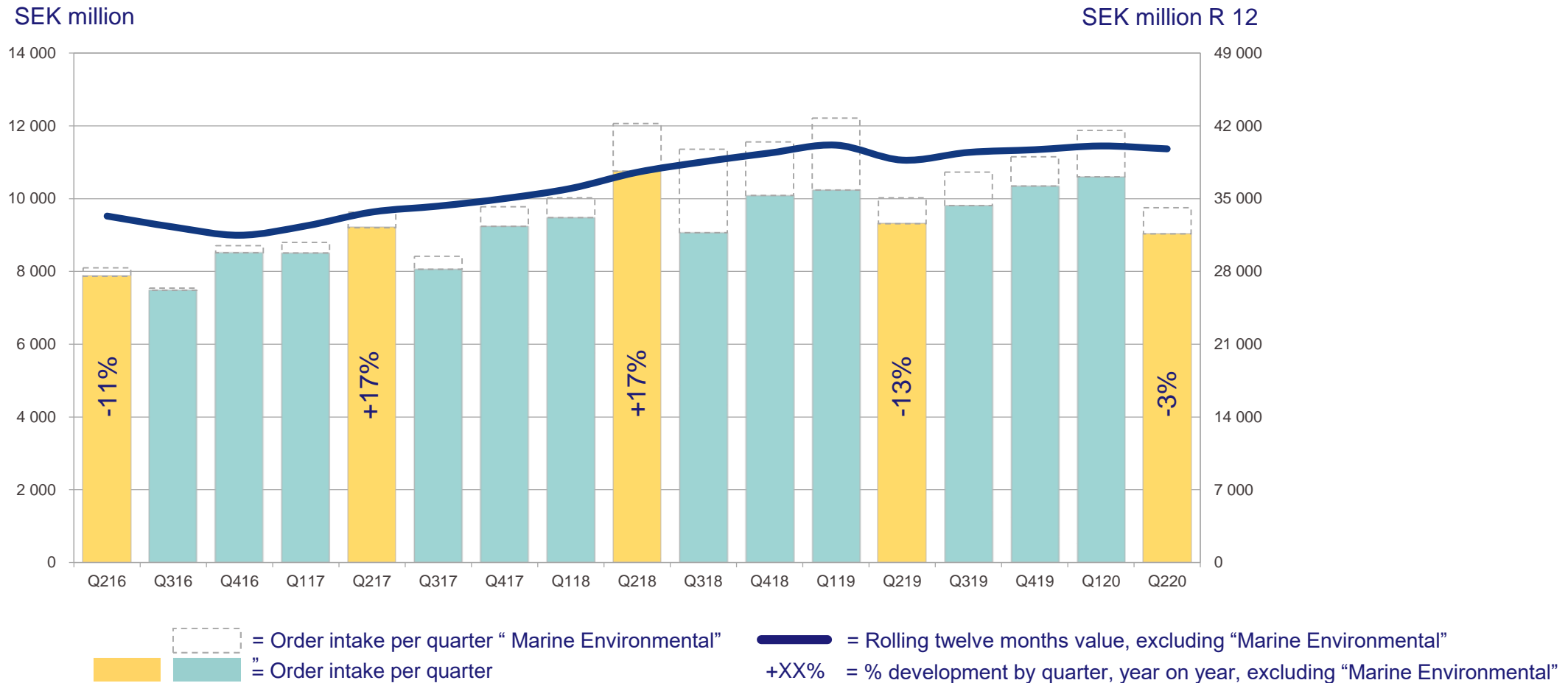


 = Order intake growth

# Orders received



– Orders received excluding the “Marine Environmental”\* business



\*) Alfa Laval PureSOx and Alfa Laval PureBallast.

# 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.

