



NEWS RELEASE

Lund, Sweden – November 24, 2015

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Alfa Laval's Capital Markets Day - summary of the business update

Alfa Laval's Capital Markets Day, held today in Copenhagen, Denmark, started with a presentation by Lars Renström, President and CEO. Among other things, he talked about how the focus on the aftermarket business has paid off, interesting areas for M&A going forward and also the development for marine environmental products.

Service has been a focus area since 2013. The target has been to grow Service in absolute terms and at the same time increase the share of service hours. Looking at the development from 2013 up to now and comparing it to the period 2008-2012, total service growth has gone from a CAGR of 2.6 percent to 7.9 percent. At the same time growth in service operations has gone from 5.3 percent to 9.5 percent. "It is clear that our efforts to increase service operations to both brick wall our installed base and capture growth, has paid off," said Lars Renström. "We also see continued good growth opportunities going forward, in both the short and medium term".

He also talked about the development of the marine environmentally-related offering, including environmental products, energy-saving products and products dealing with alternative fuels such as natural gas. Total order intake has nearly tripled over the past five years. At the same time the distribution has changed, with products for alternative fuels such as gas showing substantial growth. This is an area that "represents good growth opportunities."

Finally, Lars Renström elaborated on the M&A focus going forward. Given that it is desirable to balance the three divisions, acquisitions are especially interesting to complement the Equipment Division. From a geographical perspective, "we would be very pleased to find something in the US, since we believe the US holds good prospects for the future and we can still increase our market penetration," Lars Renström said.

Thomas Thuresson, Executive Vice President and CFO, gave an update on Alfa Laval's R&D spend. While the development in absolute terms has steadily increased, as a percentage of sales the trend has actually been slightly downward even if the guidance

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has remained at 2.5 percent or more. The development, he explained, is due to two main reasons: “firstly a lower R&D spend in most of our acquisitions and secondly, it reflects the activities initiated last fall, to further improve efficiency in R&D.” Against that background “we now change our guidance to 2.0-2.5 percent of sales.”

Talking about capital expenditure, the guidance was kept at 2.0 percent of sales, or lower. “However, we have a couple of large projects that started this fall, which will cause some increase to the level you have seen in recent years”, he said. In addition to the regular capex level, up to SEK 200 million will be spent per year in 2016 and 2017.

Turning to amortization of step up, the estimate is just below SEK 1.1 billion for 2016, meaning quarterly amortization of approximately SEK 270 million. Furthermore he gave an updated view on the expected FX effects on the adjusted EBITA level. “The forecast has been updated and the positive FX effects are expected to end up at SEK 510 million for this year and at SEK 575 for 2016, Thomas Thuresson said.

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About Alfa Laval

Alfa Laval is a leading global provider of specialized products and engineering solutions based on its key technologies of heat transfer, separation and fluid handling.

The company's equipment, systems and services are dedicated to assisting customers in optimizing the performance of their processes. The solutions help them to heat, cool, separate and transport products in industries that produce food and beverages, chemicals and petrochemicals, pharmaceuticals, starch, sugar and ethanol.

Alfa Laval's products are also used in power plants, aboard ships, in the mechanical engineering industry, in the mining industry and for wastewater treatment, as well as for comfort climate and refrigeration applications. Alfa Laval's worldwide organization works closely with customers in nearly 100 countries to help them stay ahead in the global arena.

Alfa Laval is listed on Nasdaq OMX, and, in 2014, posted annual sales of about SEK 35.1 billion (approx. 3.85 billion Euros). The company has about 18 000 employees.

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