



NEWS RELEASE

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Alfa Laval Group
Box 73
SE-221 00 Lund
Sweden
Visit: Rudeboksvägen 1

Tel: +46 46 36 65 00
Fax: +46 46 32 35 79
www.alfalaval.com

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. He talked about how structural changes - specifically within energy, environment, living standards and globalization - continue to be highly relevant growth drivers going forward.

More specifically he mentioned markets such as oil & gas and marine, relating to energy and globalization, respectively. Talking about marine he emphasized that while this market is volatile in terms of ship contracting, meaning order intake for Alfa Laval – revenues are much more stable due to the long industry lead times. This mechanism is visible in Alfa Laval as last year's rise in contracting has boosted orders for the group, resulting in a big marine order backlog providing visibility for the coming years. The marine backlog for delivery after December 31, now totals SEK 9.7 billion - stretching over the coming three years.

Turning to oil & gas, Lars Renström provided information about Alfa Laval's exposure, which is, totally for the group, roughly 19 percent. But it spreads over four different sections of the value chain; drilling, processing & transportation, refinery and petrochemicals. These all face different demand drivers and also the influence from changes in the oil price differs. Looking specifically at drilling, the exposure is roughly 4 percent of the group. Processing & transportation makes up 9 percent, refinery some 3 percent and petrochemicals another 3 percent.

"I am convinced that both marine and oil & gas are good places to be," said Lars Renström. Marine is driven by the need for transportation, which depends on world trade, while rising energy needs sets the stage for the oil and gas sector. "Both of them may fluctuate in the short term, for different reasons, but over time we are confident that there will be continued growth – providing opportunities for Alfa Laval."

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Furthermore he highlighted the Service business and its positive development, reporting 10 percent growth in the first nine months. This is a result of our increased efforts, aimed at capturing more of the opportunity. "With our focus on Service and the potential we see, Service will be an important contributor to profitable growth," said Lars Renström.

Thomas Thuresson, Executive Vice President and CFO, gave an update on Alfa Laval's financial goals and benchmark values. Regarding return on capital employed (ROCE) the new goal is set at 20 percent – at least for the medium term. This is a change from the previous level of 25 percent, reflecting the very substantial step-up and goodwill values added by the two major acquisitions Alfa Laval has carried out in recent years. The estimate for amortization of step-up is approximately SEK 900 million for 2014 and SEK 1,050 million for 2015, then gradually declining – everything the same. Moving over to the financial benchmark values, he announced that one is about to be replaced. "We are moving away from net debt/equity to net debt/EBITDA, when it comes to our target for the capital structure", Thomas Thuresson said. "We do this as we believe net debt/EBITDA is more relevant." The target is set at 2.0. "Given where we are after the acquisition of Frank Mohn AS, the target of 2 means that we will focus on de-leveraging - at least in the short term."

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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 2013, posted annual sales of about SEK 29.8 billion (approx. 3.5 billion Euros). The company has today, after the acquisition of Frank Mohn AS, some 17 500 employees.

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For more information contact:

Peter Torstensson

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Senior Vice President, Communications

Alfa Laval

Tel: + 46 46 36 72 31

Mobile: +46 709 33 72 31

Gabriella Grotte

Investor Relations Manager

Alfa Laval

Tel: +46 46 36 74 82

Mobile: +46 709 78 74 82