



NEWS RELEASE

Lund, Sweden – October 25, 2016

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Alfa Laval presents a restructuring programme as a result of the strategic review

Alfa Laval – a world leader in heat transfer, centrifugal separation and fluid handling – today announces a restructuring programme, as a result of the strategic review. The new organizational structure, in combination with prevailing market conditions, means Alfa Laval now introduces a program that will include three initiatives. These are expected to cause non-recurring costs of SEK 1.5 billion in total, of which SEK 1.1 billion was charged to the third quarter. Of the SEK 1.1 billion, some SEK 600 million are estimated to be non-cash items. Savings, excluding effects on COGS, are expected to reach approximately SEK 300 million.

The program includes the following initiatives:

- create a leaner organization, reflecting the new structure as well as adjustments to the weak demand situation in the oil & gas and marine sectors
- separate some product groups from the new organizational structure
- restructuring of the manufacturing footprint.

“We must adjust the size of our organization to existing market conditions”, says Tom Erixon, President and CEO of the Alfa Laval Group. “However, before launching any short-term initiatives, we wanted to be perfectly clear about the long-term direction of the company.”

The new strategic direction is a long-term commitment for Alfa Laval, with the objective to support organic growth. It also includes efforts to manage the short-term challenges caused by weaknesses in certain end markets.

A leaner organization

The new structure, combined with adjustments to prevailing market conditions, will lead to a leaner organization. This part of the program is expected to largely be implemented by the end of the second quarter 2017.

A few product groups to be separated from the new organizational structure

Alfa Laval’s strategic review also identified three product groups in need of special attention; commercial/industrial air heat exchangers, commercial tubular heat exchangers and heat exchanger systems. These units will be included in an initiative called “Greenhouse”, which will be managed separately from the new divisional

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structure. The aim is to provide these units with the best possible conditions to improve performance and develop the activities in a focused manner.

Restructuring of the manufacturing footprint

The third area is the stepwise implementation of a leaner and more competitive manufacturing footprint. This initiative will gradually be implemented over several years, starting in 2017 and completed by the end of 2019. Further information about the footprint initiative will be presented gradually.

Costs/savings

The three initiatives are estimated to lead to costs of a non-recurring nature of SEK 1.5 billion. Of these, SEK 1.1 billion were charged to the third quarter out of which SEK 600 million are mainly attributed to the write-off of step-up and goodwill and are non-cash items. The remaining SEK 500 million mainly refers to redundancies of some 700 employees.

The initiatives are expected to generate considerable savings. Savings relating to sales and administration costs are estimated to reach approximately SEK 300 million. However, the charge will also generate certain savings within the COGS-area that will limit the impact from the adverse volume development. Regular capacity adjustments within our manufacturing units are handled on an ongoing and continuous basis and are not included.

Conference call

Questions are referred to the Q3 earnings conference call, arranged at 08:30 a.m. CET. Call-in details have previously been made public in a press release which is available at www.alfalaval.com/investors.

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, oil and gas exploration, 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 2015, posted annual sales of about SEK 39.7 billion (approx. 4.25 billion Euros). The company has about 17 500 employees.

www.alfalaval.com

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This information is information that Alfa Laval AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at CET 07:25 on October 25, 2016.