



# Report for Q4 2010

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

Mr. Lars Renström  
President and CEO  
Alfa Laval Group

# Key figures

## October – December 2010

- Orders received rose 18% to SEK 6,379 million.
- Net sales increased 9% to SEK 7,169 million.
- Adjusted EBITA up 16% at SEK 1,337 million.
- Adjusted EBITA margin 18.6% vs 17.6%  
- *Positive currency effect SEK 32 million.*

## January – December 2010

- Orders received increased 11% to SEK 23,869 million.
- Net sales declined 5% to SEK 24,720 million.
- Adjusted EBITA rose 2% to SEK 4,682 million.
- Adjusted EBITA margin 18.9% vs 17.6%  
- *Positive currency effect SEK 356 million.*

# Board proposals to the AGM

## Dividend and share buy-back

The Board of Directors proposes

- a dividend of 3:00 SEK (2:50).
- a mandate for buying back up to 5 percent of the number of outstanding shares.

# Revised growth target

*At least 8% average sales growth per year, over a business cycle.*

# Orders received



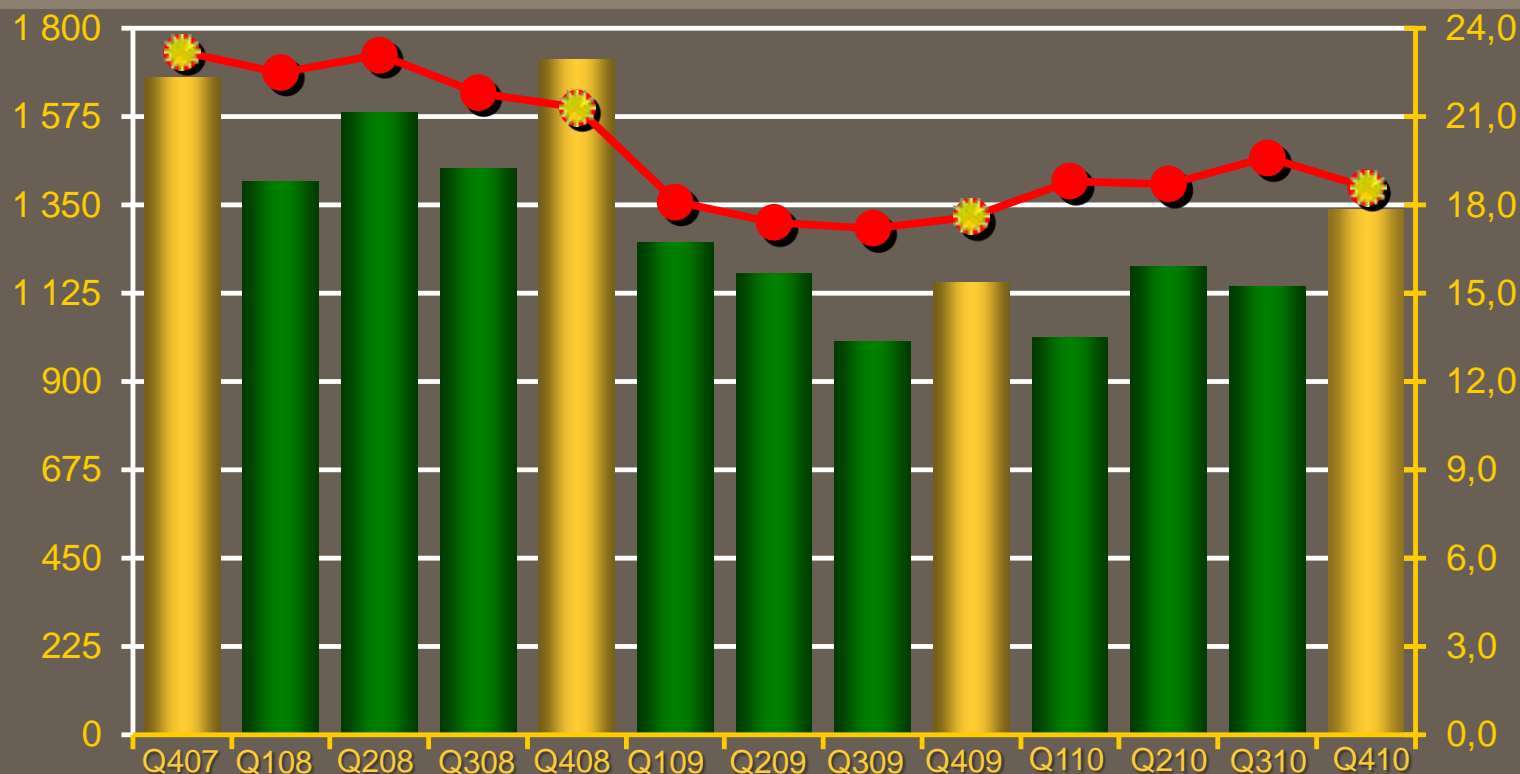
# Order analysis

Oct – Dec 2010

<b>2009</b> (SEK millions)	<b>5,427</b>
Structural change, %	+ 3.4
Currency effects,%	- 5.6
Organic development, %	+ 19.7
Total, %	+ 17.5
<b>2010</b> (SEK million)	<b>6,379</b>

# 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."



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# Highlights during the quarter

Large orders, total SEK 310 million (480)

## \* Carbon capture order in the US.

Order for Alfa Laval Packinox heat exchangers worth SEK 80 million.  
Delivery will be finalized in 2012.

# Highlights during the quarter

Large orders, total SEK 310 million (480)

- \* Carbon capture order in the US.

- \* Refinery order in India.

Order for Alfa Laval Packinox heat exchangers worth SEK 110 million.  
Delivery will be finalized in 2011.

# Highlights during the quarter

Large orders, total SEK 310 million (480)

- \* Carbon capture order in the US.
- \* Refinery order in India.
- \* Refinery order in India.

Order for Alfa Laval Packinox heat exchangers worth SEK 50 million.  
Delivery in 2011.

# Highlights during the quarter

Large orders, total SEK 310 million (480)

- \* Carbon capture order in the US.
- \* Refinery order in India.
- \* Refinery order in India.
- \* Energy-efficiency order in Russia.  
Order for compact heat exchangers to be used in a refinery. Order value SEK 70 million. Delivery in 2011.

# Large orders in 2010

Large orders, total SEK 1 000 million (900)

SEK million	Country	Application	Industry	Delivery
80	US	Carbon capture	Power	2012
110	India	Heat transfer	Refinery	2011
50	India	Heat transfer	Refinery	2011
70	Russia	Heat transfer	Refinery	2011
250	US	Environmental	Waste water plant	2013
60	India	Energy efficiency	Salt production	2011
95	India	Heat transfer	Refinery	2011
80	Korea	Ballast water	Marine	2011-12
65	India	Heat transfer/fluid handl.	Functional food	2010-11
50	Malaysia	Evaporation	Pulp/paper	2011
90	Saudi Arabia	Heat transfer	Refinery	2011

# Highlights during the quarter

## Acquisitions

### \* Definox – a French fluid handling company.

Designs and manufactures stainless steel valves and equipment for the food processing, pharmaceutical and cosmetic industries. Definox had annual sales of about SEK 200 million and some 120 employees.

# Highlights during the quarter

## Acquisitions

- \* Definox – a French fluid handling company.
- \* Olmi – an Italian producer of heat exchangers.

Designs and manufactures shell & tube heat exchangers and air coolers for niche applications, with high pressure and high temperatures, in the petrochemical, power and oil & gas industries. Olmi has sales of about SEK 700 million and some 240 employees.



# Highlights during the quarter

## Acquisitions

- \* Definox – a French fluid handling company.
- \* Olmi – an Italian producer of heat exchangers.
- \* Aalborg Industries – Danish supplier of equipment and solutions to marine, offshore and power markets.  
Agreement signed to acquire the company, whose offering includes boiler systems, thermal fluid systems, waste heat recovery systems and inert gas systems. Aalborg, which has some 2 600 employees, will add sales of about SEK 3.3 billion.

# Aalborg Industries

## Agreement signed for acquisition

- ★ Manufacturing and engineering presence in key markets such as China, Vietnam and Brazil with a global service network enabling quick turnaround services
- ★ Well positioned for structural growth based on attractive underlying trends such as globalization, energy efficiency and environment
- ★ Agreed price SEK5.0 billion
- ★ EBITA margin well in line with Group target
- ★ Accretive to EPS from 2011
- ★ Closing of the transaction is subject to clearance from regulatory authorities

# Excellent fit



Sanitary

Industrial Eqt.

OEM

Marine &  
Diesel

Food

Energy &  
Environment

Life  
Science

Process  
Industry

Parts &  
Service



Alfa Laval  
Key  
Technologies

Heat  
Transfer



Alfa Laval's offering in heat transfer is further strengthened

# Acquisitions in 2010

Name	Country	Business	Sales
Champ	US	Engine-cooling solutions	100
Service provider	US	Provider of service for plate heat exchangers	100
Si Fang	China	65% of leading supplier of sanitary products	150
Astepo	Italy	Hygienic equipment for the global fruit-juice concentrate industry	70
Definox	France	Fluid handling products for food processing, pharma and cosmetic industries.	200
Olmi	Italy	S&T, air coolers for petrochemical, power and oil/gas industries	700
Aalborg Industries*	Denmark	Danish supplier of equipment and solutions to marine, offshore and power markets	3 300
Total			4 620

*Agreement signed\**

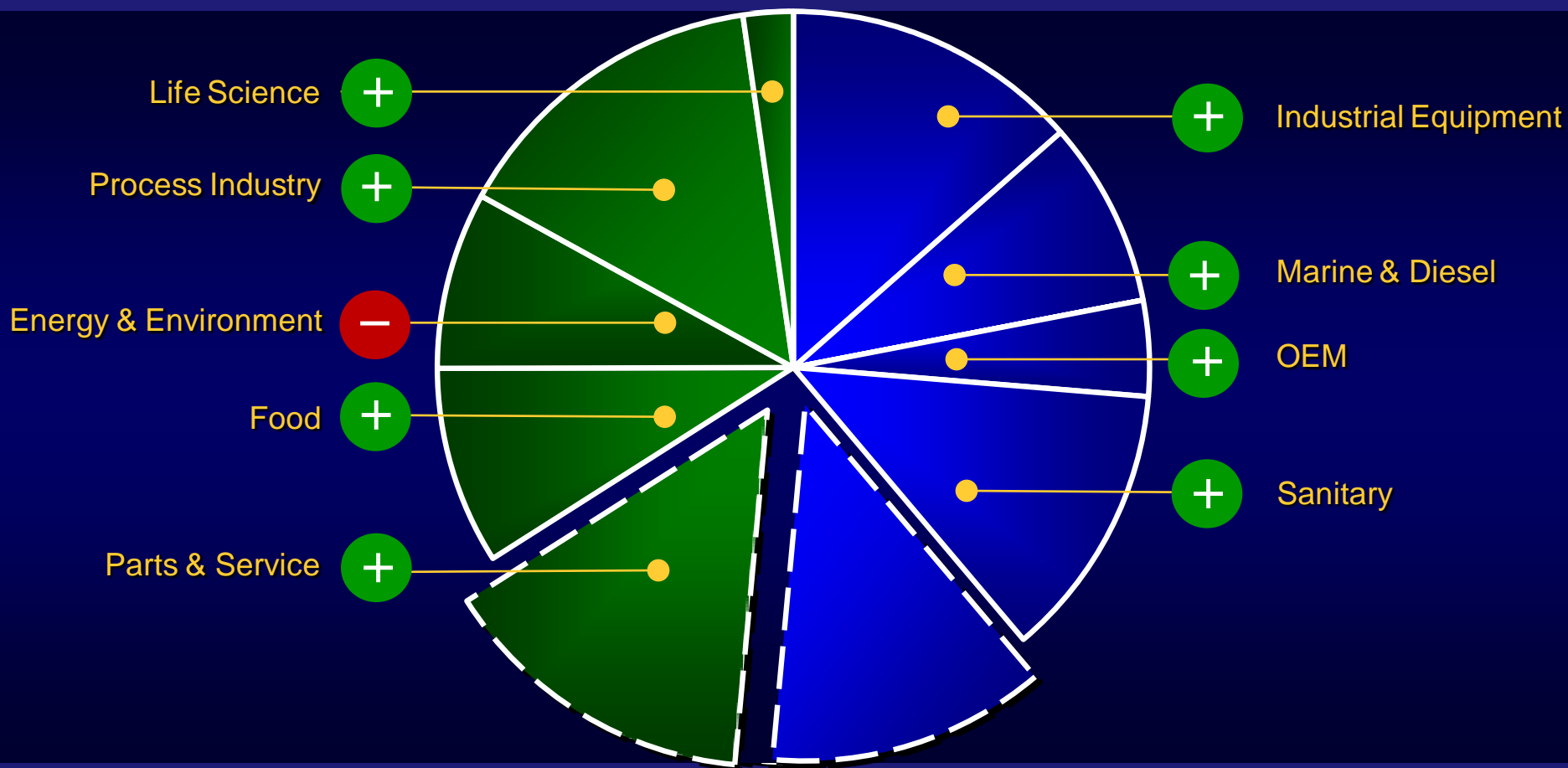
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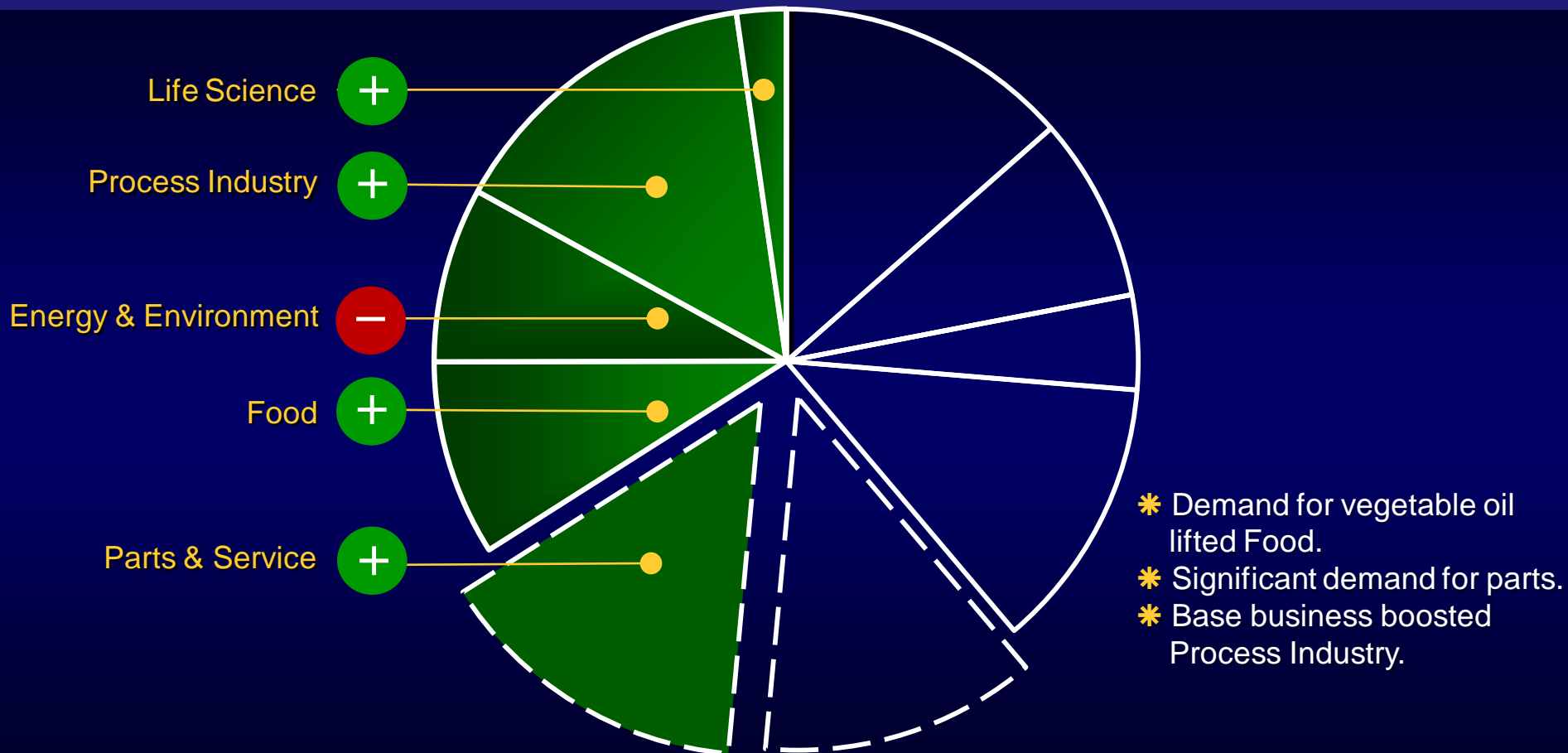
# Orders received by customer segment

Oct – Dec 2010, at constant rates



# Orders received by customer segment

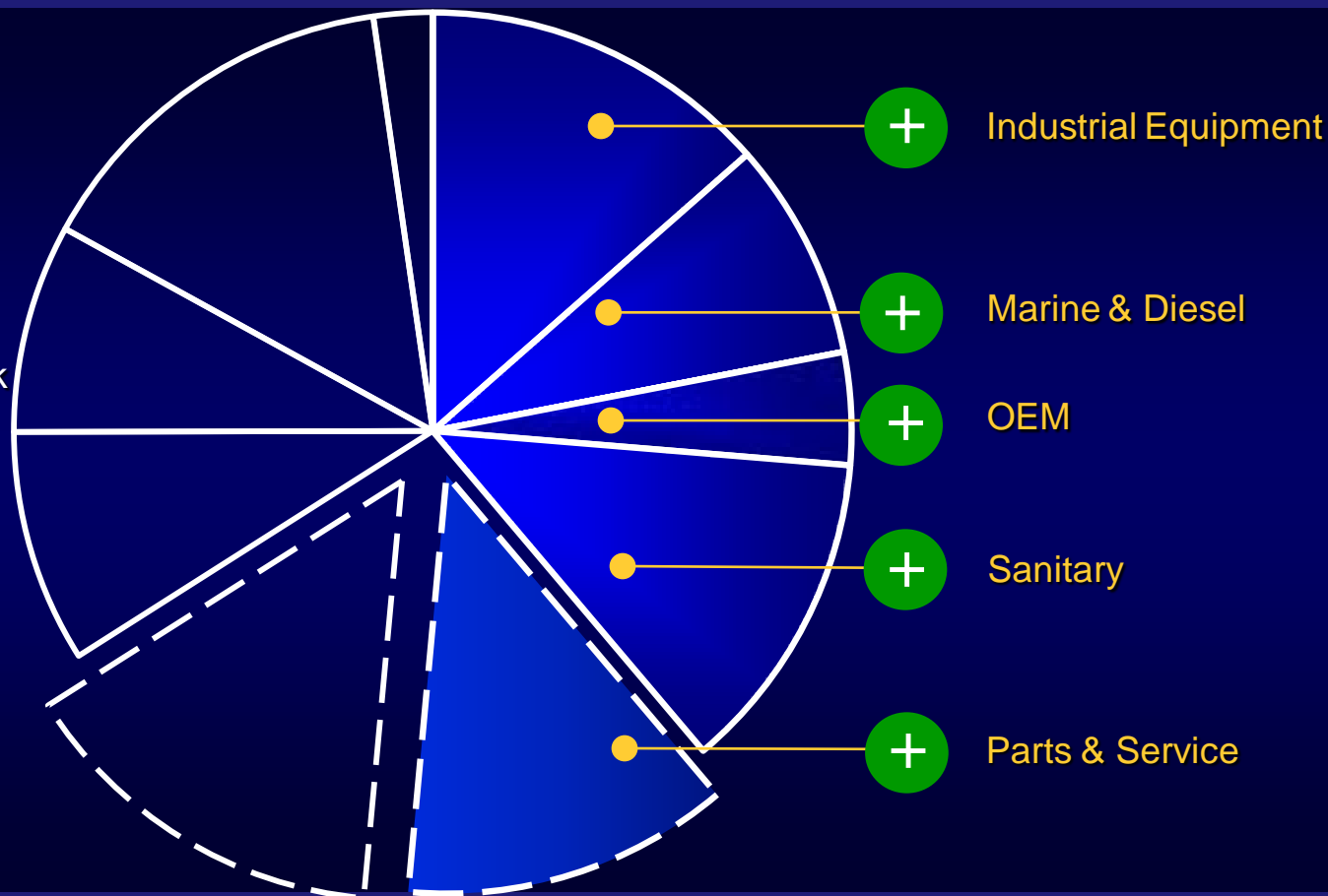
Process Technology Division Oct – Dec 2010, at constant rates



# Orders received by customer segment

Equipment Division, Oct – Dec 2010, at constant rates

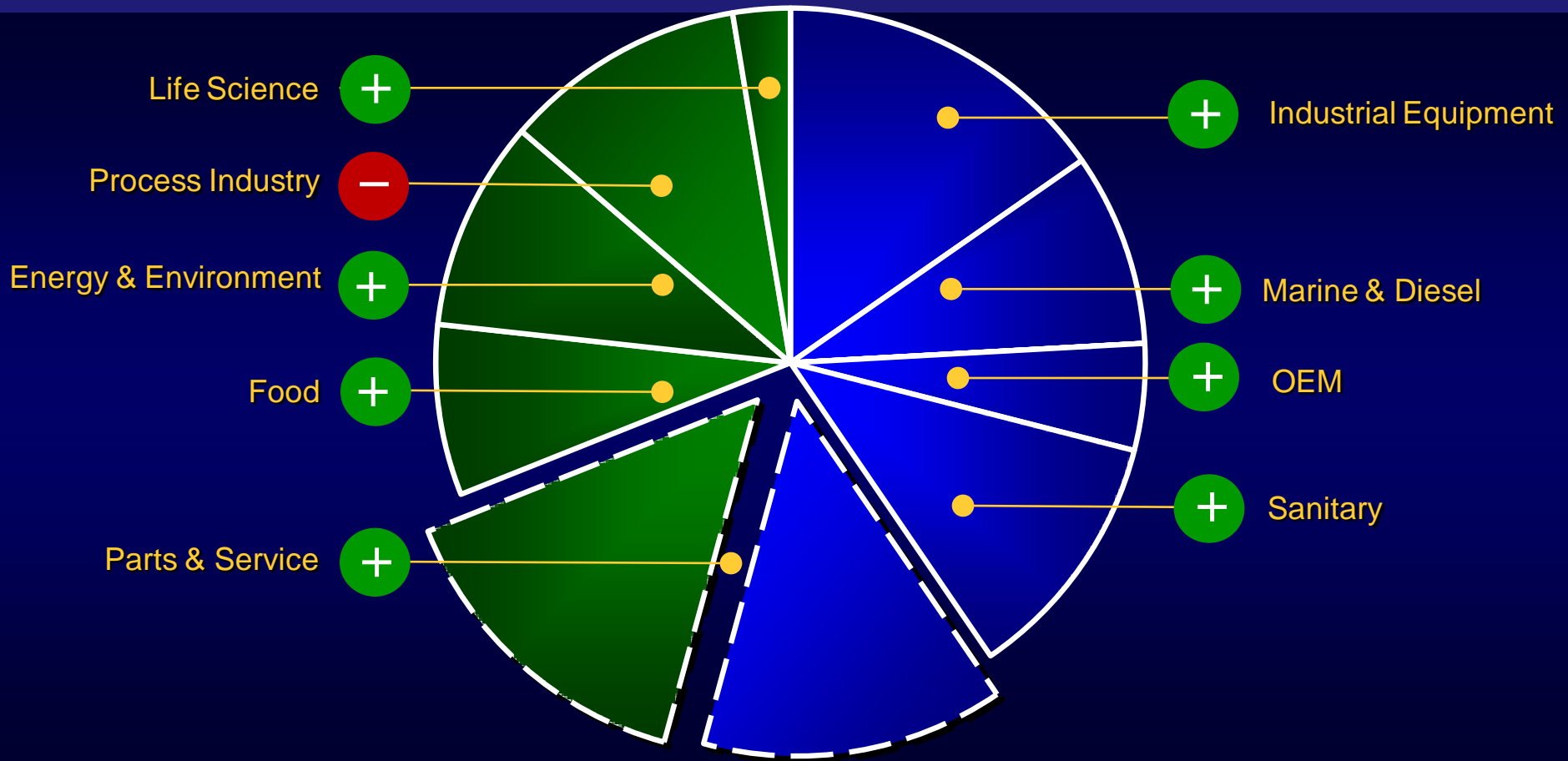
- \* Sanitary up on good activity in food and pharma sectors.
- \* OEM saw good demand for brazed heat exchangers for air conditioners, heat pumps and boilers.
- \* Marine improving on the back of ship contracting in early part of the year.





# Orders received by customer segment

January – December 2010, at constant rates



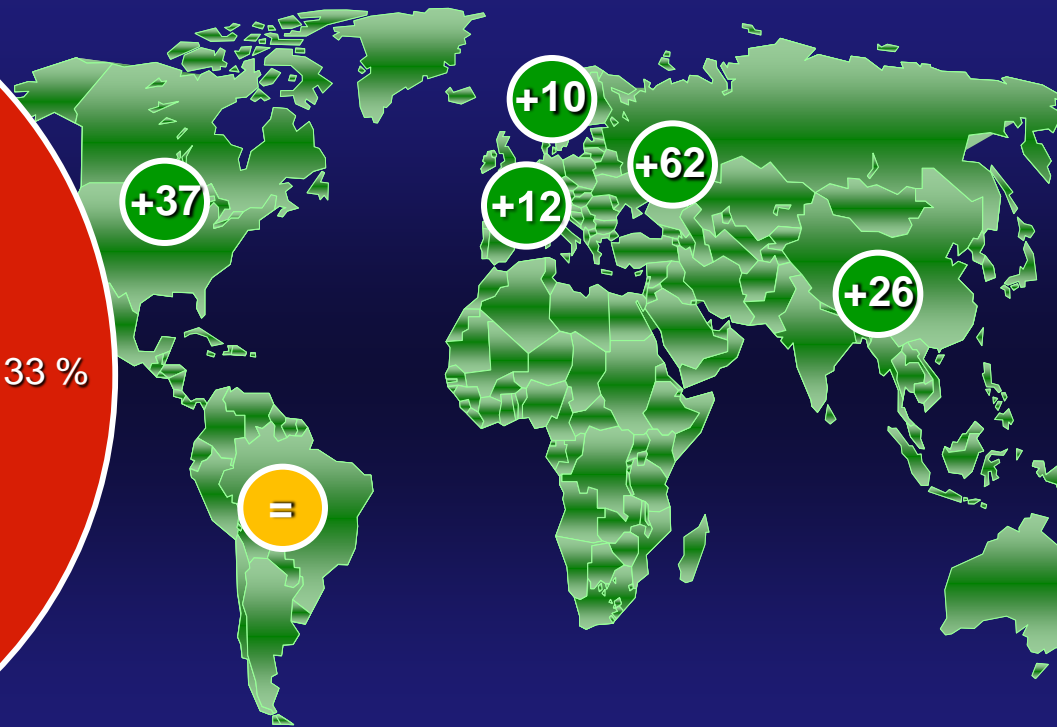
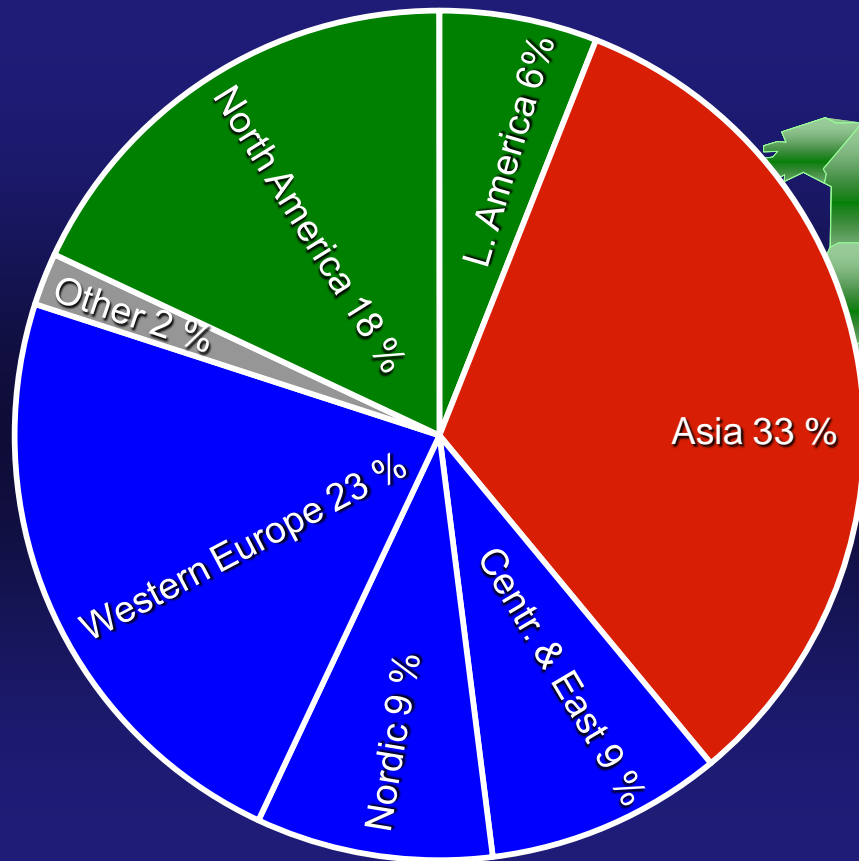
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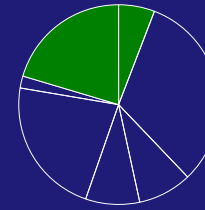
# Orders received by Region

Oct – Dec 2010, at constant rates



# Highlights Americas

Oct – Dec 2010, at constant rates

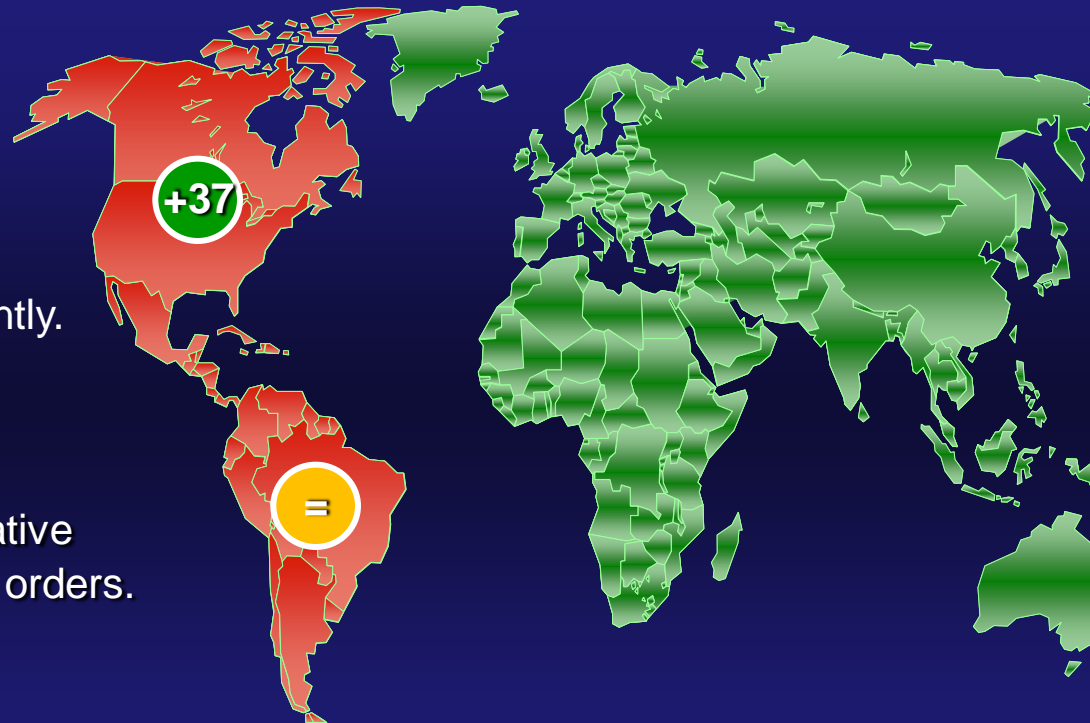


## North America

- \* All segments grew except Process Industry.
- \* Base business rose significantly.

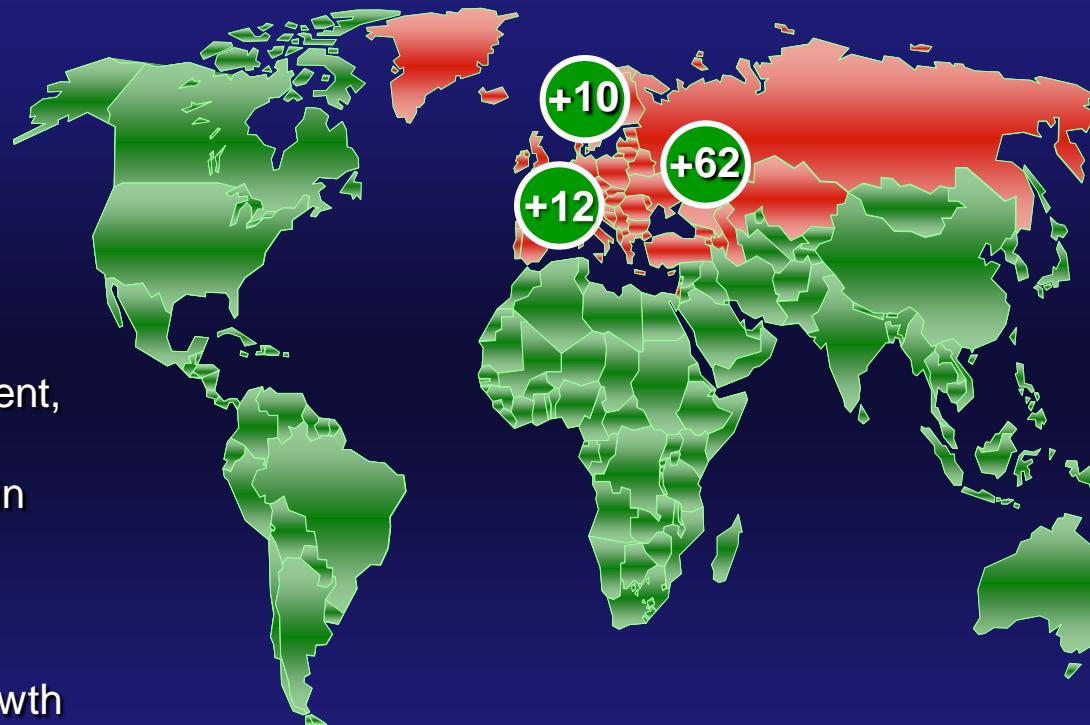
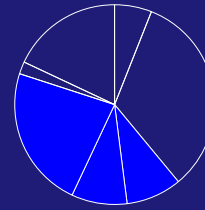
## Latin America

- \* Order intake was unchanged.
- \* Base business grew, but negative impact from non-repeat large orders.



# Highlights Europe

Oct – Dec 2010, at constant rates



## Western Europe incl. Nordic

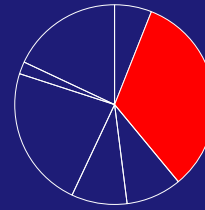
- \* Generally positive development, except in France.
- \* Base business did very well in Nordic and Mid Europe.

## Central and Eastern Europe

- \* Very strong quarter, with growth across the line.
- \* Russia and Turkey did particularly well.

# Highlights Asia

Oct – Dec 2010, at constant rates

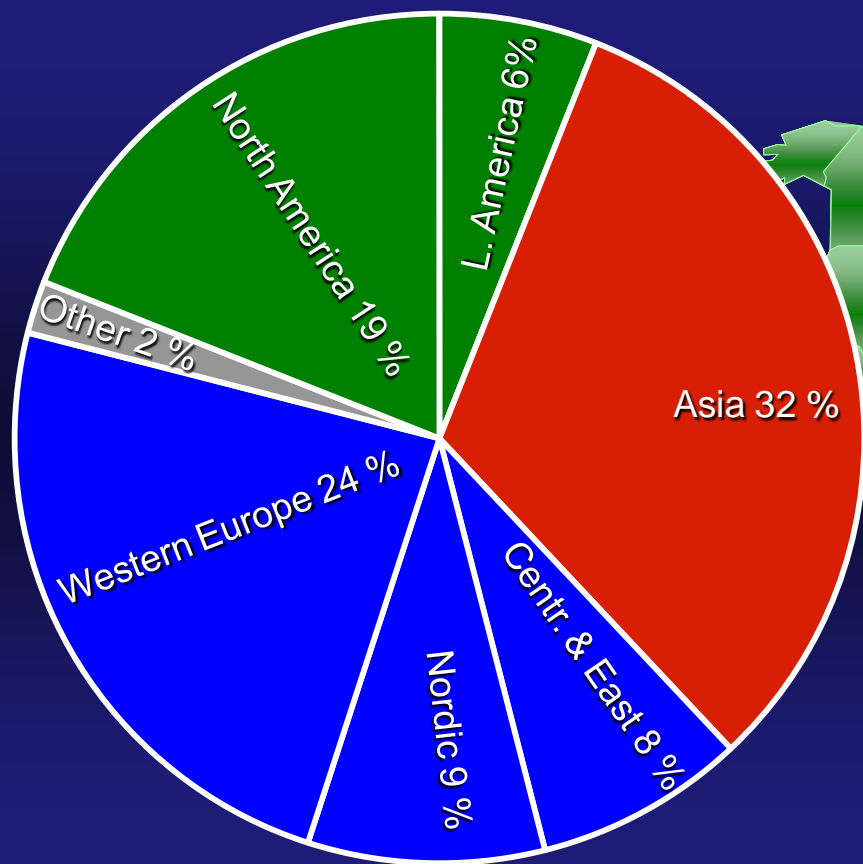


## Asia

- \* Good development, especially in India, Korea and China.
- \* All EQD segments performed well.
- \* Process Industry and Energy & Environment affected by non-repeats.

# Orders received by Region

January – December 2010, at constant rates



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Mr. Thomas Thuresson  
CFO  
Alfa Laval Group



# Highlights

**SEK millions**

**Oct – Dec 2010**

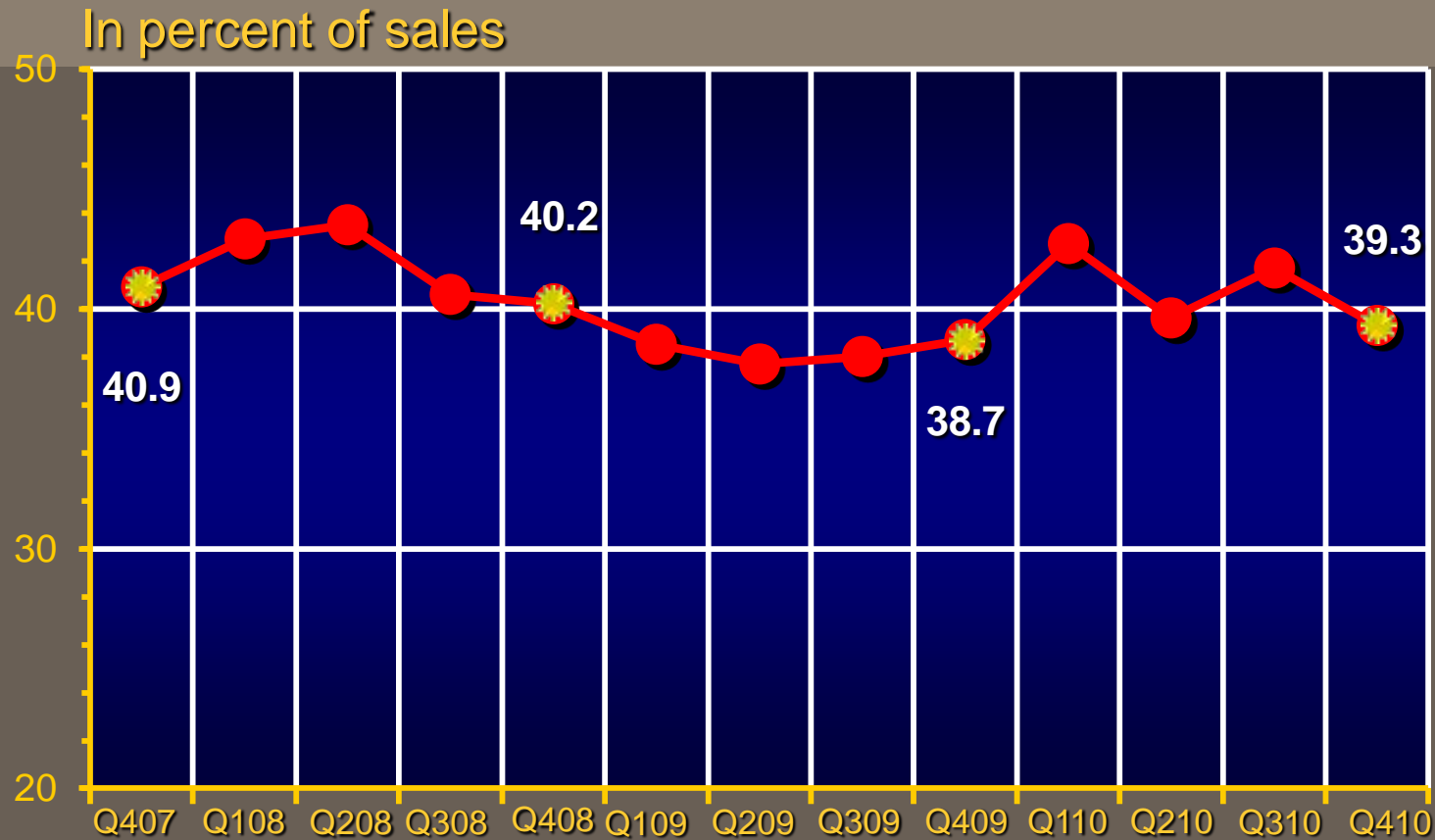
Order intake

**6,379**

Net sales

**7,169**

# Gross profit margin



# Gross Profit Margin

- analysis year-on-year

**In percent**

**Q4 2009**

Actual

**38.7**

- Foreign exchange, transaction

**+ 0.8**

- Changes in price & mix

**+ 0.7**

Sub.total:

**40.2**

-Procurement (neg)

-Productivity (pos)

-Margin in order backlog (neg)

-Volume (pos)

Actual for Q4 2010:

**39.3**

# Highlights

**SEK millions**

**Oct – Dec 2010**

Order intake	<b>6,379</b>
Net sales	<b>7,169</b>
Adjusted EBITA	<b>1,337</b>
Adjusted EBITA-margin	<b>18.6%</b>
Profit before tax	<b>1,273</b>

# Earnings per share

	Oct - Dec		Jan - Dec	
	2010	2009	2010	2009
Earnings	2.14	1.48	7.34	6.42
Earnings, excluding step-up	2.32	1.65	8.02	7.00

# Highlights

**SEK millions**

**Oct – Dec 2010**

Order intake	<b>6,379</b>
Net sales	<b>7,169</b>
Adjusted EBITA	<b>1,337</b>
Adjusted EBITA-margin	<b>18.6%</b>
Profit before tax	<b>1,273</b>
Cash flow from operating activities	<b>1,081</b>
ROCE	<b>37.4%</b>
ROE	<b>24.4%</b>

# Cash-flow statement

SEK millions	Jan – Dec 2010	Jan – Dec 2009
Cash flow from		
- operating activities	4,098	5,347
- investing activities	- 1,417	-2,620
Financial net paid	- 84	- 265
Dividends	- 1,064	- 955
Total	1,533	1,087
Pro Forma Free cash-flow*	3,585	3,324

*\*Incl. operating activities, capital expenditure and financial net paid.*

# Foreign exchange

Estimated impact on adjusted EBITA from FX fluctuations

SEK million	Q4 10	WY 10	WY 11*
Translation effect	-24	- 95	-130
Transaction effect	+56	+451	-180
Total	+32	+356	-310



*\*Based on EUR/USD 1.33 and EUR/SEK 8.95*



# Order backlog as per Dec 31

SEK millions



-  For delivery later than 2011
-  For delivery in 2011

# Sales

Full year 2011

SEK (bln)

Full year 2010		24.7
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FX-translation	-	1.1
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Subtotal		23.6
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Orders “in-for-out”		?
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Price		?
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Acquisitions (incl Olmi)	+	0.4
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Aalborg (9 months as 2010)	+	2.3
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Full year 2011

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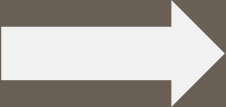
# Acquisition of Aalborg Industries

Funding and indebtedness, pro-forma

## Funding, assuming no net debt in Aalborg

EIB loan, 7 years	SEK 1.15 Bln
Bridge loan, 12 months	2.50
Senior Facility	1.35
	<hr/>
	5.00

## Indebtedness, pro-forma, based on 2010 accounts

Net debt	SEK 4.5 Bln		Net Debt/Equity	0.35
EBITDA	5.7		Net Debt/ EBITDA	0.80
Equity	13.6			

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# Outlook for the first quarter

*“We expect demand in the first quarter to be on about the same level as in the fourth quarter.”*

