Alfa Laval AB
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Chaired by Lars Renström

Lars Renström

Good morning and most welcome to the presentation of the third quarter report. I will start by giving you my three highlights. Order intake decreased both year-on-year and sequentially. The vast majority of the decline came from the Marine and Diesel Division, reflecting the low contracting levels at the yards earlier in the year. Both Process Technology and Equipment Divisions had a good quarter, and both North and South America delivered growth, and it's of course positive that China continued to grow. The other item is the operating margin that was slightly up sequentially, but down year-on-year due to lower margin in marine capital sales, and product mix.

We are very pleased to report that the sales and admin costs for the quarter were 6 percent lower, showing that the savings initiatives announced at the end of last year are effective. The operating cash flow in the quarter was also very good.

Finally, we expect demand in the fourth quarter to be in line with or somewhat lower than in the third quarter.

Let us now take a look at the key figures, in the quarter orders received declined 9 percent to SEK 7.3 billion, net sales dropped 7 percent to SEK 7.1 billion, and adjusted EBITA declined 18 percent to SEK 1.2 billion. Finally, adjusted EBITA margin reached 16.7 percent versus 18.9 percent a year ago.

Looking at the numbers year-to-date, orders received rose 5 percent to 23.1 billion and net sales increased 6 percent to 21.7 billion. Adjusted EBITA declined 8 percent to SEK 3.6 billion. Finally, adjusted EBITA margin reached 16.6 percent versus 19 percent a year ago.

Now we move on to orders received and margins. There you can see that orders received on a rolling 12 months declined to 29.9 billion. The decline in order intake was 6 percent year-on-year at constant exchange rates. Large orders that are marked in orange declined from more than SEK 600 million to 475 million in the quarter, still a very good level.

Moving over to the next slide, from the order analysis you find that year-on-year acquisitions contributed with one percentage unit and organic growth was -7 percent. We had negative currency effects of 3.3 percent. Sequentially, acquisitions contributed with 1 percent and organic growth was -5 percent, and two thirds of the decline came from the Marine and Diesel Division, as a result of the lower contracting at the yards earlier in the year. The negative currency effect was 4 percent, giving a grand total of -8 percent.

On the next slide we have the EBITA margin that reached 16.7 percent, which is a slight increase sequentially, but a decline year-on-year, and the operating result was SEK 1.2 billion.

Now, we move over to the development per segment. For the third quarter we see that year-on-year the majority of these segments declined. Here the Equipment Division stands out with three out of four segments in positive territory.

Now, we take a closer look at the divisions and please note that now all comments are sequential, and we start with the Equipment Division. In Sanitary, Food and Beverages were strong while Personal Care saw lower demand. Industrial Equipment, HVAC did generally well, while Refrigeration was down. OEM declined on lower demand for air conditioning and heat pump applications, while Parts and Service was unchanged.

Moving over to the Process Technology Division, food saw fewer large vegetable oil projects, while breweries developed favourably. Environment grew and Power saw a strong upturn in demand from both conventional and nuclear. In Russia and China, nuclear investments are back again. The Process industry was down due to non-repeats, and Parts and Service was unchanged with good demand from Energy and Oil and Gas.

On the next slide you see that we strengthened our position in wastewater treatment within segment Energy and Environment. We opened a new decanter factory in China, focusing on the domestic markets and in the quarter we also acquired Ashbrook Simon-Hartley, based in the US. That is a leading global supplier of belt filter presses. That is both an alternative and complement to our decanters, where we are number one globally.

Moving over to the next slide, there we see that in the Marine and Diesel Division, equipment declined due to lower order intake at the yards earlier in the year, and lower demand for land-based diesel power. There was, however, an increased demand for environmental solutions. Segment Marine and Offshore Systems remained unchanged. Parts and Service declined due to less retrofits and ship owners being more cautious with maintenance spending.

Now, we move over to the next slide. Since the Marine and Diesel Division is new, we will take a closer look at what drives demand. Here you can see that year-to-date, 41 percent of orders received come from shipbuilding and offshore. 7 percent comes from Environmental Solutions, 13 percent from land-based diesel power stations, and 39 percent from Parts and Service.

On the next slide you see the first nine months, year-on-year, and like-for-like. Now, you can see that segments, process industry, energy and environment, and equipment, parts and service, have been growing whereas the majority has been stable or declining.

Now, I will give some forward-looking sequential statements for the fourth quarter demand for the divisions. The equipment division, there we expect somewhat lower demand due to seasonality. The Marine and Diesel Division we expect to be on about the same level and we believe we are at the bottom when it comes to demand from shipbuilding. Finally, process technology, possibly somewhat lower due to lower tendering activity in the third quarter and slower decision-making.

By that, we move over to the geographical development. There you can see that order intake for the quarter shows that year-on-year Central and Eastern Europe had an outstanding growth of 34 percent, followed by North and South America with 7 percent. Western Europe, including Nordic, has held up well and the big decline in Asia is mainly related to Marine.

Let's take a closer look at the pie chart and there I want to highlight that North America has grown its share from 14 percent to 20 percent in a few years through acquisitions and good demand. Also, Latin America and Central and Eastern Europe have grown their share, and we have a good balance between the regions.

Moving onto the next slide, we take a deeper look into Asia and now all comments are sequential. We had a decline of 11 percent. Contributing to the decline were non-repeat large orders and marine and diesel equipment which declined due to a low contracting at the yards earlier in the year. It's positive that the base business remained on the same level and China continued to grow, partly due to our increased presence.

On the next slide, you see that in Western Europe, including the Nordic countries, we had a significant drop when large orders and base business declined, while parts and service was stable. Only segments Sanitary and Industrial Equipment reported growth. In Central and Eastern Europe, order intake dropped 5 percent from a very high level. Large orders continued to grow, but the base business declined. Process technology saw a good demand in Power and Refinery.

Moving over to the next slide, you can see that North America grew 13 percent with large orders, base business, and Parts and Service all increased. In Latin America, growth was 9 percent, supported by large orders, while the base business declined. Energy and Environment and Industrial Equipment did well, and in Brazil we enjoyed strong demand within Oil and Gas, and Parts and Service.

Moving over to the next slide, there we can see that order intake year-to-date is excellent for Central and Eastern Europe, boosted by Russia. We have had double-digit growth in North America and Latin America, and Nordic, to some extent supported by acquisitions. Western Europe has held up well and Asia's decline is mainly due to marine and a slow India.

Moving over to the next slide, you see the top 10 ranking. There the yellow bar is last 12 months, order intake, and the green bar is whole year 2011. There you can see that the US has strengthened its number one position and China has declined, mainly due to marine. The growth in Nordic is partly driven by the acquisition of Aalborg. South Korea stands out and it's driven by marine and Korean EPC contractors being successful on export. Russia stands out since it has had a great year and advanced to the number five position, boosted by refinery and power. India has suffered from a slow domestic investment climate; however, in the third quarter we saw sequential growth.

Now, we move over to Thomas for the financials.

Thomas Thuresson

Thank you Lars, good morning all of you. Let me start by providing a sequential bridge for orders specifying the main elements. Large orders were down from SEK 600 million to 475 million in quarter three, a known deviation to everybody. If we look at other capital sales orders, they were down some 5.1 percent sequentially. Looking at the individual divisions, Marine and Diesel showed a reduction in orders, because of, as Lars has mentioned earlier, weak contracting to the yards and also diesel being somewhat down from a very high level in the second quarter.

Moving to the Process Technology division, where we recognised a lower base business. That is to say lower order intake from orders with an order value below half a million Euros. This we take as a reflection of slower decision-making.

Finally, the Equipment division. The Equipment division reported flatter orders with the exception of the OEM segment, where we saw a lower demand from applications like air conditioning and heat pumps.

Moving onto Parts and Service, it was down 3.3 percent and that is, in its entirety, due to Marine, and the explanations for the downturn of the market in marine is less of retrofit orders and owners pushing back on maintenance and spares, because of the difficult conditions and low cash flows for owners.

Then, of course, new acquisitions added volume to the tune of SEK 110 million. We then had some quite substantial swings in currencies during the quarter and they caused a negative effect of 270 million, where, of course, the strengthening of the Swedish Krona is a very important factor.

In summary, I would argue that a very significant part of the total deviation was known explicitly or implicitly. I am, of course, referring to the large order deviation as well as the adverse translation effects coming from swings in foreign exchange.

Let's then move onto a couple of comments on sales. In the quarter, we realised sales of 7.1 billion and let me confirm that this was slightly below our own expectations. However, this shortfall in quarter three, we expect to be largely recovered in quarter four. The reasons for this shortfall can be attributed to customers pushing back delivery and that is particularly prevalent in marine, as well as delays in output from a couple of our manufacturing locations.

Looking at our comps, sales were down 5.4 percent over quarter three last year and sequentially we had a decline like-for-like of just over 7 percent.

Moving onto the next slide, gross profit margin for the quarter was 37 percent, which was exactly on the same level as in quarter three. However, 1.3 percent below the 38.3 we generated in quarter three of 2011. Let me remind you of what I said with the second quarter report. I said in the near term we expect conditions to be largely similar to those that prevailed in quarter two; however, the order levels of quarter one and quarter two can support load somewhat, while gross profit margin is expected to be adversely affected by mix inside of capital sales. I can now confirm that that was actually what happened in quarter three. Price/mix caused an adverse effect sequentially as well as year-on-year. Currency was negative with about 0.5 percent year-on-year and then finally we had a slightly positive impact from load sequentially.

Looking into the near term future, we expect a relative increase of capital sales in quarter four and that will have an adverse effect on gross profit margin. We do not foresee any price effects. As far as load is concerned, it is dependent on the inflow of short lead-time orders and there, of course, I would like to refer to the outlook that Lars will be presenting at the end of this presentation.

Moving onto the next slide, if we look at the overhead cost, we can report the following. R&D ended at SEK 160 million in the quarter, which is an increase of 4.4 percent year-on-year on a like-for-like basis, and, of course, this continues to be evidence that we invest in future products. If we look at the R&D spend, it represents some 2.3 percent of sales. Sales and admin amounted to 1.17 billion in the quarter, representing a reduction like-for-like of 6.4 percent compared to quarter three of last year. Again, I think this is evidence that the implementation of the savings programme that we launched at the end of 2011 is progressing and effects are realised. The outcome in quarter three effectively means a saving of some 80 million over last year and I think we can already now conclude that we are well underway to deliver the savings of a couple of hundred million,

as communicated with the quarter four 2011 report. EBITA margin, as a result, ended 16.7 percent in the quarter, which is then obviously slightly above the level of quarter one and quarter two. Profit before tax was influenced by significant positive exchange differences. For the first nine months, we had positive FX differences of 233 million. Of course, a result of the significant changes in particularly the Swedish Krona to other currencies. Profit before tax was following from about SEK 1.23 billion in the quarter and we saw an increase of some 11 percent over profit before tax last year. EPS for the first nine months is exactly the same as in 2011, 5:47. If we then adjust and exclude for amortisation on step-up, EPS was effectively 10% percent up for the first nine months compared to 2011.

Before leaving the P&L, taxes ended with a charge of 381 million, which was 31 percent of profit before tax. However, our guidance remains 30 percent taxes based on profit before tax.

With regards to return on capital employed, we reached 26.5 percent, which is slightly lower than quarter two. As for return on equity, we reached 22 percent, which is just above the quarter two level.

Moving onto the cash flow statement, we can conclude the following for the cash flow from the first nine months. We had an increase in cash flow from operations to the tune of 25 percent. That is despite lower EBITDA and bigger tax payments, but as an explanation of that working capital has increased less in the first nine months than in 2011 and, in fact, we reduced working capital with just under 100 million in quarter three. Acquisitions, we have spent cash to the tune of 1.62 billion, just over 800 million related to the delisting in India and then just under 800 million mainly related to the three new acquisitions that we realised during the summer. Free cash flow reached almost 2.3 billion for the first nine months, an increase of some 15 percent over last year. In quarter three, cash flow was 912 million against 783 in quarter three of 2011, so I think it's fair to say again that we enjoyed another good quarter and first nine months in terms of cash generation, and that is despite the lower EBITDA and bigger tax payments.

Next slide deals with Forex. The FX effects in the quarter were negative on an EBITA level to the tune of 63 million coming from both translation and transaction effects. For 2012, we anticipate a net FX effect of -155 million and that is totally to be generated from transaction effects. This is a deterioration compared to the projection after quarter two and this deterioration is coming from both translation as well as transaction, and, of course, the strengthening of the SEK is one of the main reasons.

However, looking at these numbers, I am sure you have noted that the SEK has lost again in the last couple of weeks and this implies that we would see a less negative whole year total applying today's rates.

Moving on, we had a total order backlog as per end of September amounting to 15.5 billion, representing approximately 6.2 months of LTM sales. Looking at the backlog development by division, you find an increase in Process Technology, a reduction in Marine and Diesel, and at constant rates, a marginal increase in Equipment that is compared to end of September last year.

Looking at the order backlog to be shipped during the rest of this year, this backlog amounted to 6.7 billion, which also means an increase compared to end of quarter three 2011 worth some 300 million. With this backlog slide in mind, let's move onto the next slide then.

This summarises the known and the unknown parameters for projecting full year sales for 2012. Like-for-like, the backlog gives us an increase of 400 million. Aalborg was owned for eight months in 2011, so we have to add four months and then, of course, in addition to that a couple of hundred million for the new acquisitions that we realised during the summer, so that gives a total additional of 900 million. Based on the exchange rates applied in the quarter three closing, we expect a negative translation effect of some 200 million. Please note that we anticipated a positive translation effect of some 200 million as the quarter two closing, so an adverse change to sales of 400 million. This gives a sub-total for known parameters of SEK 29.8 billion, again a reduction of some 400 million compared to the quarter two summary. As always, it's up to you to form an opinion about the demand of short lead-time orders in the last quarter. Please consider our outlook when you make your estimates.

With regard to price effects, as I stated earlier, prices for metals are lower than 2011. We made some adjustments to prices for standard products in the beginning of the year; however, they were very limited. With that, I give the word back to Lars for the outlook and closing remarks.

Lars Renström

The outlook is as follows. We expect that demand during the fourth quarter will be in line with, or somewhat lower, than in the third quarter. Remember my comments on fourth quarter demand for the divisions, which I repeat. Equipment division will be somewhat lower due to seasonality, Marine and Diesel division will be on about the same level and Process Technology possibly somewhat lower due to lower tendering activity in the third quarter and slower decision-making. That completes our presentation and now we hand over to the operator for the Q&A session.

Questions and Answers

Q *I have three questions, if I could. First of all, on the outlook, could I ask you to give a little bit more granularity around the outlook, particularly in the equipment division, specifically as it relates to perhaps your geographical assumptions, most notably in Europe and China? Then within the outlook as well, on the process technology division, can you about your comments on lower…the fact that it's going to be lower due to decision-making? How did that progress during the quarter? Have you seen a notable difference in September versus the early parts of Q3, and maybe some comments on October as well, that would be useful?*

A First of all, we don't give comments on single months, so therefore we have nothing to communicate regarding October, but when it comes to the Equipment division there is lower seasonal demand and that is coming from, for instance, comfort, which is district heating, district cooling, air conditioning. Those are typically applications with a lower activity in the fourth quarter. When it comes to the Process Technology division, there we saw a lower tendering activity in the third quarter. There was no difference within the quarter. We can just confirm that it was a lower tendering activity and that decisions started to take longer time and, yes, given the increased uncertainty that people perceive regarding the macroeconomic climate. That is as far as we will go and I will comment on the divisions.

Q *Thank you Lars and, secondly, on Marine and Diesel, can you elaborate a little bit on the order development year-to-date and also in Q3 by segment? You were kind*

enough to show us a slide with the different segments, but I would be particularly interested in understanding how your parts and services developed through Q3. I would also be interested to understand on your environmental orders have you seen any material changes in activity levels post the EU adoption of the new sulphur emission regulations in Q3, as it relates to your scrubbers? Thirdly, within that, on your capital equipment segment, can you elaborate a little bit on the pricing trends that you have seen in 2012 in light of lower raw material prices?

A Well, first of all, when it comes to parts and service, it makes up 39 percent of our business. That was down sequentially with about 3 percent and that was due to fewer retrofits and that ship owners were more cautious with spending on maintenance. When it comes to the environmental applications, there we had growth and we continued to book the orders for ballast water treatment and we see also a higher activity level when it comes, what we call SOx to reduce sulphur emissions, and there we have a good tender backlog and we see that some customers are approaching the decision point. In general, it's a good activity level within the environment. When it came to the land-based diesel power stations, we had an outstanding second quarter and compared to that land-based diesel power stations was down, but if I should say in general terms it's still a good activity level in that area.

Q *And the current pricing trends, as far as your current negotiations with your customers on marine and particularly where the marine segment is concerned?*

A I would say it's a stable price environment. Of course, it varies a little bit with products, but for our main products, where we have a strong position prices are stable.

Q *A final question, if I could, on marine and diesel, beyond the cost saving programme that you launched at the end of 2011, are you looking to adjust your cost structure in marine and diesel based on the lower demand that you are currently seeing?*

A No, we have no plans to adjust the cost structure and sequentially it was lower demand, but in general it is still a good level of demand. We have good load in our factories and so we still have a positive view on land-based diesel power stations, so we have no plans whatsoever to making adjustments regarding land-based diesel power.

Q *Three questions from my side. On your outlook on marine and diesel, I was just wondering if you see yourself in a position to benefit from that large Jordan order, if you would see yourself as in a good competitive position to win a follow on order from that big project. A second question was on your pie chart, marine and diesel, where you say offshore and shipyards, 41 percent of the order intake. I was just wondering why you are not benefiting more from the offshore boom that we also see at the likes of Wärtsilä. It's offshore out of the 41 percent just a very small fraction or is it because you book a lot of offshore platform business in your process technology division? Can you give us some colour on that? Then just finally on your cost savings, if I understood it correctly, you have achieved 80 million so far, so does that mean there is another 120 left for Q4? Thank you.*

A Thank you for the questions and, well, you have almost given the reply as well. When it comes to the land-based diesel power stations, well, we are one supplier to Wärtsilä and who finally gets the order, that remains to be seen, but we have a very good relation with Wärtsilä, but you never know until the ink has dried whether you have the order or not, so hopefully we can report something in the next quarterly report. Then when it comes to offshore, in our offshore booked in the marine and diesel division it's only 10 percent of the 41, so it's a fairly small portion there. A significantly bigger portion is booked in process technology division under segment energy and environment, and

you have seen a number of press releases that we have sent out on large orders that have been connected to offshore both desalination and several other applications, so we are benefiting well from offshore.

Finally, your questions on cost savings, we generated a saving of 80 million in the quarter. The first half we saved some 40 to 50, so the year-to-date total is more like 130 million and the full year expectation is to save a couple of hundred million, so it's saving in quarter four to the tune of what we saw in quarter three. That is our best estimate.

I am just looking at our large orders that we have communicated. We have communicated in the quarter six large orders and three out of them were related to offshore.

Q *I have two questions, please. In terms of the cost savings, I think given the top line pressure, clearly good margin performance in the quarter. Can you give us a bit more details of the steps that you took in the quarter to manage the cost base and how much more there is to do, kind of what actions can you take, and if the environment gets worse, you know, how does that change? That's the first question. The second question, in terms of marine, the order intake there, I understand that the activity into the shipyards was pretty weak. In terms of the service business was there also a consequence of the slower steaming of ships, which means that your service business orders are also under pressure?*

A Well, steps taken in the quarter, well, what we see now in quarter three is the effects of the measures taken, depending on country, from the very beginning of 2012 and through the second quarter of 2012, depending on country, again, you know, it takes different amounts of time to realise savings, to part with some personnel and, you know, implement other measures, so no particular measures in the quarter. It was simply to get the…see the effects or measures taken during the first half. Then your second question was what more can be done? Well, of course, in line with the programme that we launched at the back end of last year, we are very cost conscious, we are very, very selective when it comes to replacement and certainly when it comes to addition of new resources in the overheard area. Then, of course, if we look at cost of goods, we are continuously adjusting capacity when it comes to personnel. We are adjusting continuously thanks to the fact that we have some 12 to 15 percent of labour as temporary staff, so we can make some quite short-term adjustments and that is, again, happening continuously.
Then for service in marine, of course, with the weak cash flows in the shipping industry, the owners, they are constantly trying to push back on service and maintenance to the biggest possible degree and that's something that we see the effects of, and then we also commented that we have less of retrofit orders. Of course, to upgrade equipment in a time where earnings are so poor or many are really in the red is, of course, very, very difficult to justify, so that's another reason for this decline in marine service.

Q *Thank you very much. Just one follow-up on the gross margin comments. I think you commented earlier that you didn't see any real material effects in the quarter. In terms of your key purchases, I think chromium, titanium in terms of the surcharges, what is your expectation into the next year around how the gross margin will be affected by input cost?*

A Well, I'm sorry, we are not providing any projections for the alloys or the steel as a whole publicly, but I mean we have seen the alloy metals and also copper and aluminum swinging quite a bit over the last couple of months. If we take nickel as an example, we have been between $16,500 and $19,000 per ton over the last couple of months and we have seen some quite big swings in copper and aluminum as well, but then it's in a fairly

tight range if we compare it to the size of the swings that we saw during 2006 through 2009, say.

Q *First on the marine and diesel side, on the environmental solutions, I know it's early days, but do you have any feeling for what kind of market shares you can have in those product ranges, please?*

A Well, there are, I would say today, 15/20 suppliers in the market and we have the ambition to be the leading. What that means in market share remains to be seen. We were early out, so we have a strong reference list. Then when it comes to SOx and NOx reducing sulphur, there are a few suppliers, two major suppliers are ourselves and Wärtsilä, and that market is emerging right now, so we are confident that we will have a leading position. That's as far as we can go.

Q *Okay and then finally you've made acquisitions over the summer here, now when you see quite poor organic sales developments, will you step up the acquisition activities in order to compensate for sales curves organically?*

A We would be happy to do that, but during the last six months we have been in a number of processes, sales processes, that have failed, where sellers and buyers have not agreed on the price level and we can see that sellers have too high expectations, because we have stepped out of the process and so have all the others, so the sellers are still sitting with their assets, so the gap has to close between sellers and buyers, and it's the sellers that have to move.

Q *A couple of questions please, firstly on your gross margin discussion earlier on, did I hear you correctly that you had a 3.5% dilution from FX in the quarter year-over-year? Also, what…if we could get some guidance on what the impact on price mix and load was year-over-year in the quarter. My second question is on your FX guidance. You said that with current FX rates the projection for the full year will be lower. Could you give us any magnitude of how much lower the negative impact on FX would be with current rates and also what the projection would be for next year? That's it, please.*

A Okay, well, you know, what I said when it comes to FX effect year-on-year was that we had a 0.5 percent transaction effect year-on-year. It was pretty much the same if we look at it sequentially. Then when it comes to details of other parameters, no we're not providing any basis points impact, we're not getting into those details. We merely stick to a negative price mix and a positive load, as I commented before. When it comes to FX effects, please I would like to refer you to the specification on the slide in the presentation. There you find assumptions for some of the currencies, currency pairs, as well as full year forecast and estimated transaction effects for 2013, so I think you find the details you're after in the presentation.

Q *All right, then just the final question on market share, do you perceive that you have gained or lost or had a neutral development in market share during the quarter?*

A I mean we are present in so many markets, but if I should summarise it, we kept our market shares.

Q *Yes, I just wanted to follow up on the marine environment. I think on the last call you told us obviously your profit sharing with Wallenius on ballast water. I was just wondering how scrubber revenues would be impacting divisional profitability. Are there any reasons to believe in a big variance to the average of the division or how would you qualify that? The second follow-up is just you kindly said that 10% of the 41 are offshore.*

Is it also fair to assume that orders for container, tanker, bulker have also reached a very low of that 41% now or how should we look at that? Thank you.

A Okay, if we start with the question on scrubbers, well, this is our own product. It's not involved in any joint venture, so we get it all, all of the volume, and all of the results. As far as profitability of this future product, we have of course no comment to that at this juncture. Then if we look at marine and traditional ship building, we are currently of the belief that we are at the bottom when it comes to orders and the basis for that statement is really that we have seen quite a number of quarters of low contracting to the yards and, as you know, with a lag of some six to nine months, that hits Alfa Laval, so that leads us to belief that we are somewhere, if not on, close to the bottom.

Q *I wanted to follow up on the comment that you made about sales slipping in Q3 into Q4. Could you quantify this effect at all?*

A Yes, it's to the tune of 2 to 300 million, out of which a majority relates to customers pushing back delivery and that is predominantly coming from again the shipbuilding segment where ship owners are pushing back delivery of ships and, of course, as a consequence, the yards are pushing back delivery of equipment from equipment suppliers, but, as I commented as well, we have suffered some issues with output for a couple of manufacturing locations as well.

Q *Okay and in terms of sort of the level of confidence of that being regained in Q4, I mean I guess on your own kind of manufacturing issues that's something that you can control, but what gives you confidence that these customers will not push out another quarter?*

A Well, that's our assessment of the abilities to push…to continue to push back. We've, of course, looked at the order backlog and come to this conclusion, but it's still an assumption, so we can be proven wrong.

Q *Absolutely, understandable. Then if those orders weren't to realise then would you say there'd be sort of the normal marine margin and therefore kind of resulting in a normal positive mix?*

A Well, let me come back to the prediction I gave you in the presentation. Capital sales will, as a share of total sales, go up in quarter four irrespective, and that will have an adverse effect on gross profit margin.

Q *Okay, so that implies that this slippage actually resulted in a positive mix in margins for Q3.*

A We had, again, all in all an adverse price mix effect in quarter three over quarter two.

Q *All right and just a separate question on kind of stocking/destocking at your customer levels, obviously I mean for our business it's pretty fluid, can you comment at all what you've seen, have customers been destocking, restocking, not doing anything?*

A We have no significant changes in stock levels at channels to report at this juncture.

Q *Of these 200/300 million of postponed sales so in Q4, just to be clear, at the moment is that products that are sitting in your inventory or is that to be expected, let's*

say…are you expected to produce them in your Q4 and, therefore, help on the load side? Thank you.

A Well, I mean if we look at the issues in our manufacturing locations, that has led to somewhat of an increase of work in progress, and for the pushback by customers, yes, that has had an adverse impact to inventories; inventories of finished goods are somewhat bigger than they otherwise would have been, so it's not really having any impact on the load other than the fact that we've had issues with output in a couple of manufacturing locations, but that, of course, I considered in the outlook for loads, for the comments on loads.

Q *Just one question please. Thomas, can you just clarify your comments a little bit on price mix, which you say is negative? I'm trying to understand kind of the price and mix component, if you like. On the price side, are you seeing price declines on a like-for-like basis on any of your equipment and products or is it mainly just mix that is the issue across the business? You may know that one of your competitors' claims of price pressure on heat exchangers has been picking up in some markets, just because there's more capacity coming in…and very difficult to kind of prove or take a view on, just what is your view on that? Thank you.*

A As to a very large majority mix, very limited price, remember the comments I made over a couple of quarters now when it comes to normalisation of price levels in the Aalborg range; for the rest it's really mixed. As far as price pressure is concerned, we have not seen any change in behaviour in recent months.

It might be that our position in the market is different than to the others complaining.

Closing Comments

Thank you very much for a lot of interesting questions and wishing you a continuous good day, so thank you and goodbye from us.