

# First quarter 2009



“Alfa Laval’s sales increased by 10 percent to SEK 6.9 billion during the first quarter compared to the corresponding quarter 2008. This gave an EBITA of SEK 1.3 billion and an operating margin of 18.1 percent. During the quarter acquisitions were made that will add almost SEK 600 million to the annual sales.

Order intake was SEK 5.9 billion in the first quarter, a decline by 5 percent compared to the fourth quarter 2008. Excluding positive foreign exchange effects the order intake decreased by 9 percent. Alfa Laval continues to adjust capacity and costs to current market conditions.”

*Lars Renström, President and CEO*

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## **First quarter:**

**Order intake** decreased by 31.6 percent \* to SEK **5,853** (7,433) million.

**Net sales** decreased by 4.8 percent \* to SEK **6,923** (6,267) million.

**Adjusted EBITA** was SEK **1.255** (1,410) million, including positive foreign exchange effects of SEK 124 million.

**Adjusted EBITA-margin** was **18.1** (22.5) percent.

**Result after financial items** was SEK **1,114** (1,256) million.

**Result after tax** amounted to SEK **764** (898) million.

**Earnings per share** amounted to SEK **1.80** (2.06).

**Cash flow from operating activities** was SEK **1,058** (729) million.

\* excluding exchange rate variations

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## **Outlook for the second quarter**

“We expect demand during the second quarter to be in line with or somewhat lower than the first quarter 2009.”

*Earlier published outlook (February 4, 2009): “We expect demand during the first quarter to be somewhat lower than the fourth quarter 2008.”*

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The interim report has been issued on April 20, 2009 by the President and Chief Executive Officer Lars Renström by proxy from the Board of Directors.

Lund, April 20, 2009,

Lars Renström  
President and Chief Executive Officer  
Alfa Laval AB (publ)

The interim report has not been subject to review by the company’s auditors.

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<b>Key figures</b> SEK millions, unless otherwise stated	<b>Jan 1 - March 31 2009</b>	Jan 1 - March 31 2008	2008	2007
<b>Order intake</b>	5,853	7,433	27,464	27,553
<b>Net sales</b>	6,923	6,267	27,850	24,849
<b>Adjusted EBITDA 1)</b>	1,364	1,476	6,464	5,245
<b>Adjusted EBITA 2)</b>	1,255	1,410	6,160	4,980
<b>Adjusted EBITA - margin 2)</b>	18.1%	22.5%	22.1%	20.0%
<b>Result after financial items</b>	1,114	1,256	5,341	4,557
<b>Return on capital employed 3)</b>	64.3%	57.6%	53.8%	54.2%
<b>Return on equity capital 3)</b>	50.3%	48.0%	42.8%	44.1%
<b>Solidity</b>	38.4%	36.8%	36.1%	34.2%
<b>Net debt to EBITDA, times 3)</b>	0.4	0.4	0.3	0.5
<b>Debt ratio, times</b>	0.23	0.25	0.20	0.30
<b>Cash flow from operations</b>	1,058	729	4,062	3,264
<b>Investments</b>	90	94	747	556
<b>No. of employees 4)</b>	12,089	11,592	12,119	11,395

1. Adjusted EBITDA – "Earnings before interests, taxes, depreciation, amortisation of step up values and comparison distortion items."
2. Adjusted EBITA – "Earnings before interests, taxes, amortisation of step up values and comparison distortion items."
3. Calculated on a 12 months' revolving basis.
4. Number of employees at the end of the period.

## Accounting principles

The first quarter interim report 2009 report is prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The accounting principles are according to IFRS (International Financial Reporting Standards) as adopted by the European Union. This means that the same accounting principles and accounting estimates have been applied in the first quarter interim report 2009 as for the annual report for 2008, with the exception of changes in IAS 1 and the implementation of IFRS 8. The changes in IAS 1 means that items that previously were reported directly against equity now instead are reported in the income statement as a part of a comprehensive income. This refers to the items in equity that are not transactions with shareholders, e.g. cash flow hedges and translation differences and deferred tax related to these. Alfa Laval has chosen to report these items as a part of one statement over comprehensive income instead of reporting the result down to net income for the year in one statement and the result below this down to comprehensive income in a separate statement. In addition the titles for the statements have been changed. The implementation of IFRS 8 has meant that the reporting of primary and secondary segment has been replaced by:

- a reporting of operating segments in the way the chief operating decision maker monitors the operations, which may deviate from IFRS and
- information according to IFRS for the company as a whole about products and services as well as geographical areas and information about major customers.

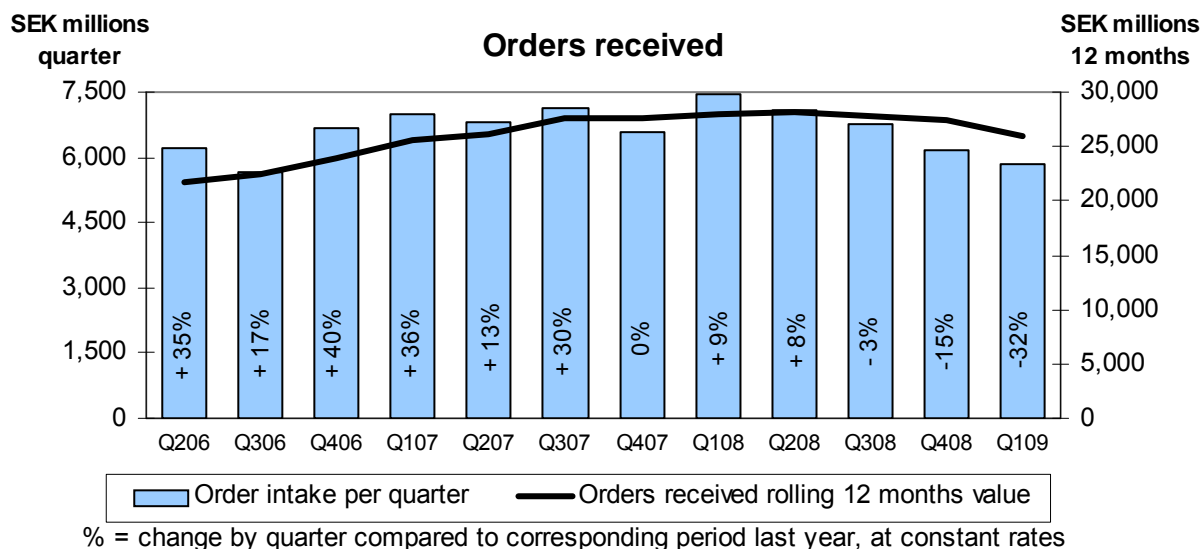
The change from primary segments to operating segments has not meant any major changes in the information, apart from the addition of two reconciliation items between the operating income for the operating segments and the operating income according to IFRS for the company as a whole.

## Date for the next financial reports during 2009

Alfa Laval will publish interim reports during 2009 at the following dates:

Interim report for the second quarter	July 16
Interim report for the third quarter	October 21

## Management's discussion and analysis



<b>Order analysis</b>	<b>Jan 1 - March 31</b>
<b>2008 (SEK millions)</b>	7,433
Structural change	2.2%
Currency effects	10.3%
Organic development	-33.8%
Total	-21.3%
<b>2009 (SEK millions)</b>	5,853

Orders received amounted to SEK 5,853 (7,433) million for the first quarter. Excluding exchange rate variations, the order intake for the Group was 31.6 percent lower than the first quarter last year. Adjusted for acquisitions of businesses <sup>5)</sup> the corresponding figure is a decrease by 33.8 percent.

This decrease is composed of cancellations in Marine representing 1.2 percent, decrease in Marine order intake representing 9.0 percent and a decrease in order intake in all other segments representing 23.6 percent.

In this respect it must be noted that the order intake for the first quarter 2008 was on an all time high level. Compared to the fourth quarter 2008 the decrease is 8.8 percent excluding exchange rate variations and 10.6 percent if also acquisitions of businesses are excluded.

Orders received from the aftermarket "Parts & Service" decreased by 11.8 percent compared to last year excluding exchange rate variations. Its relative share of the Group's total orders received was 27.3 (20.8) percent.

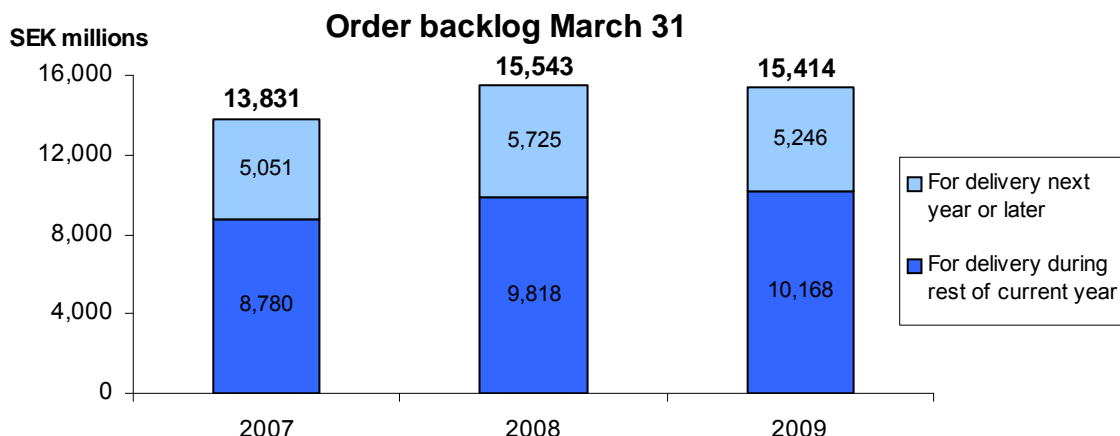
### **Large orders <sup>6)</sup> in the first quarter:**

During the first quarter 2009 Alfa Laval received large orders for SEK 140 (390) million:

- Order for plate heat exchangers from a company in the Russian power industry. The order value is about SEK 75 million and delivery is scheduled for 2010.
- Order for heat exchangers from an aluminium production company in India. The order value is about SEK 65 million and final delivery is scheduled for 2010.

5. Acquired businesses are: HES at February 1, 2009, Onnuri Industrial Machinery at January 16, 2009, two providers of parts and service at January 14, 2009, Hutchison Hayes Separation at August 15, 2008, Pressko at July 31, 2008, Standard Refrigeration at June 1, 2008, Høyer Promix at February 11, 2008

6. Orders with a value over EUR 5 million.



The order backlog at March 31, 2009 was SEK 15,414 (15,543) million. Excluding exchange rate variations and adjusted for acquisitions of businesses the order backlog was 15.6 percent lower than the order backlog at March 31, 2008 and 6.2 percent lower than the order backlog at the end of 2008.

### CONSOLIDATED COMPREHENSIVE INCOME

Amounts in SEK millions	Jan 1 - March 31 2009	Jan 1 - March 31 2008	Jan 1 - Dec 31 2008	Jan 1 - Dec 31 2007
Net sales	6,923	6,267	27,850	24,849
Cost of goods sold	-4,331	-3,657	-16,481	-15,340
Gross profit	2,592	2,610	11,369	9,509
Sales costs	-818	-741	-3,194	-2,751
Administration costs	-298	-270	-1,239	-1,159
Research and development costs	-166	-162	-718	-643
Other operating income *	77	59	522	362
Other operating costs *	-208	-167	-1,004	-627
Operating income	1,179	1,329	5,736	4,691
Dividends	1	1	2	2
Interest income and financial exchange gains	148	74	397	271
Interest expense and financial exchange losses	-214	-148	-794	-407
Result after financial items	1,114	1,256	5,341	4,557
Taxes	-350	-358	-1,534	-1,377
<b>Net income for the period</b>	<b>764</b>	<b>898</b>	<b>3,807</b>	<b>3,180</b>
Other comprehensive income:				
Cash flow hedges	-206	169	-580	-26
Translation difference	-158	-221	850	168
Deferred tax on other comprehensive income	59	-32	228	6
<b>Comprehensive income for the period</b>	<b>459</b>	<b>814</b>	<b>4,305</b>	<b>3,328</b>
<b>Net income attributable to:</b>				
Equity holders of the parent	758	890	3,774	3,137
Minority interests	6	8	33	43
Earnings per share (SEK)	1.80	2.06	8.83	7.12
Average number of shares **	422,039,466	431,216,320	427,500,307	440,611,504
<b>Comprehensive income attributable to:</b>				
Equity holders of the parent	440	794	4,261	3,272
Minority interests	19	20	44	56

\* The line has been affected by comparison distortion items, see separate specification on page 6.

\*\* Average number of shares has been affected by the repurchase of shares and the 4:1 split.

Excluding exchange rate variations, the invoicing was 4.8 percent lower than the first quarter last year. Adjusted for acquisitions of businesses the corresponding figure is a decrease by 7.9 percent.

Sales and administration expenses amounted to SEK 1,116 (1,011) million. Adjusted for exchange rate variations and acquisitions of businesses, sales and administration expenses were 6.6 percent lower than last year. The reduction in personnel announced on January 12, 2009 has yet only had limited effect on these costs.

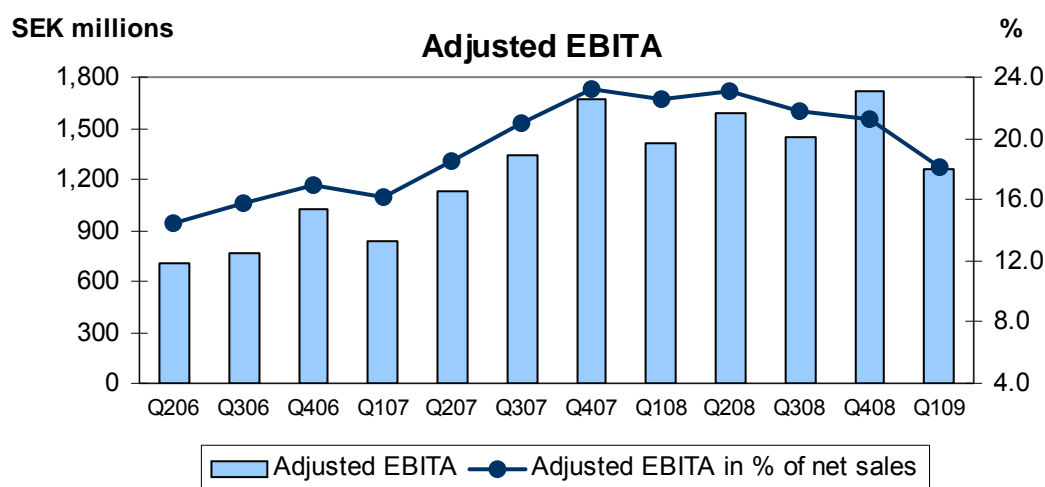
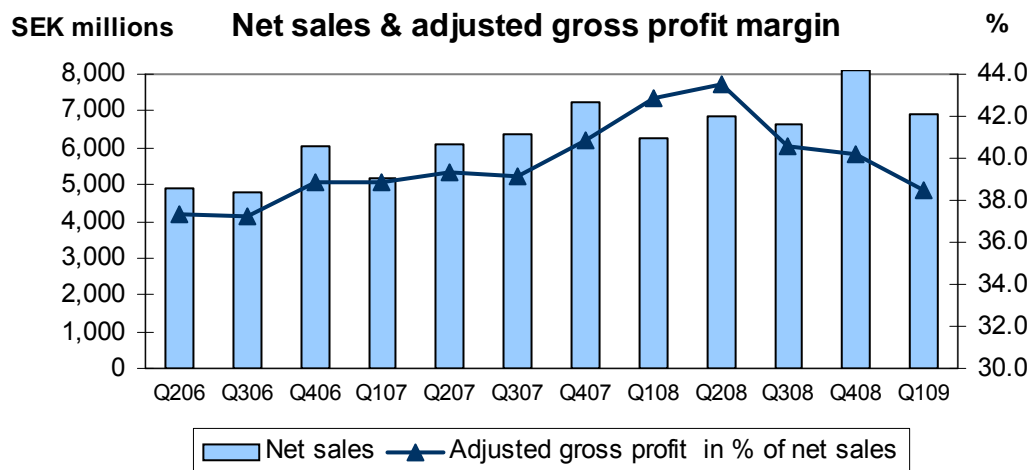
The costs for research and development have amounted to SEK 166 (162) million, corresponding to 2.4 (2.6) percent of net sales. Adjusted for exchange rate variations and acquisitions of businesses, the costs for research and development have decreased by 5.0 percent compared to last year.

### Income statement analysis

SEK millions	Jan 1 - March 31 2009	Jan 1 - March 31 2008	Jan 1 - Dec 31 2008	Jan 1 - Dec 31 2007
Net sales	6,923	6,267	27,850	24,849
<b>Adjusted gross profit *</b>	<b>2,668</b>	<b>2,691</b>	<b>11,625</b>	<b>9,852</b>
<i>- in % of net sales</i>	<b>38.5</b>	<b>42.9</b>	<b>41.7</b>	<b>39.6</b>
Expenses **	-1,304	-1,215	-5,161	-4,607
<i>- in % of net sales</i>	18.8	19.4	18.5	18.5
<b>Adjusted EBITDA</b>	<b>1,364</b>	<b>1,476</b>	<b>6,464</b>	<b>5,245</b>
<i>- in % of net sales</i>	19.7	23.6	23.2	21.1
Depreciation	-109	-66	-304	-265
<b>Adjusted EBITA</b>	<b>1,255</b>	<b>1,410</b>	<b>6,160</b>	<b>4,980</b>
<i>- in % of net sales</i>	<b>18.1</b>	<b>22.5</b>	<b>22.1</b>	<b>20.0</b>
Amortisation of step up values	-76	-81	-256	-343
Comparison distortion items	-	-	-168	54
EBIT	1,179	1,329	5,736	4,691

\* Excluding amortisation of step up values. \*\* Excluding comparison distortion items.

The adjusted result after tax and the minority's share of the result, excluding depreciation of step-up values and the corresponding tax, is SEK 1.93 (2.19) per share. The result per share for last year has been recalculated due to the 4:1 split.



### Comparison distortion items

Amounts in SEK millions	Jan 1 - March 31 2009	Jan 1 - March 31 2008	Jan 1 - Dec 31 2008	Jan 1 - Dec 31 2007
<b>Operational</b>				
Other operating income	77	59	420	308
Comparison distortion income	-	-	102	54
Total other operating income	77	59	522	362
Other operating costs	-208	-167	-734	-627
Comparison distortion costs	-	-	-270	-
Total other operating costs	-208	-167	-1,004	-627

In the income statement comparison distortion items are reported gross as a part of other operating income and other operating costs.

### Consolidated financial result and taxes

The financial net has amounted to SEK -64 (-50) million, excluding realised and unrealised exchange rate losses and gains. The main elements of costs were interest on debt to the banking syndicate of SEK -19 (-20) million, interest on the private placement of SEK -12 (-9) million and a net of dividends and other interest income and interest costs of SEK -33 (-21) million.

The net of realised and unrealised exchange rate differences amounts to SEK -1 (-23) million.

## Operating segments

Alfa Laval's business is divided into the two business divisions "Equipment" and "Process Technology" that sell to external customers and one division "Other" covering procurement, production and logistics as well as corporate overhead and non-core businesses. These three divisions constitute Alfa Laval's three operating segments.

The business divisions (operating segments) are in turn split into a number of customer segments. The customers to the Equipment division purchase products whereas the customers to the Process Technology division purchase solutions for processing applications. The Equipment division consists of six customer segments: Comfort & Refrigeration, Fluids & Utility Equipment, Marine & Diesel, OEM (Original Equipment Manufacturers), Sanitary Equipment and the aftermarket segment Parts & Service. The Process Technology division consists of five customer segments: Energy & Environment, Food Technology, Life Science, Process Industry and the aftermarket segment Parts & Service.

The operating segments are only responsible for the result down to and including operating income excluding comparison distortion items and for the operating capital they are managing. This means that financial assets and liabilities, pension assets, provisions for pensions and similar commitments and current and deferred tax assets and liabilities are a Corporate responsibility and not an operating segment responsibility. This also means that the financial net and income taxes are a Corporate responsibility and not an operating segment responsibility.

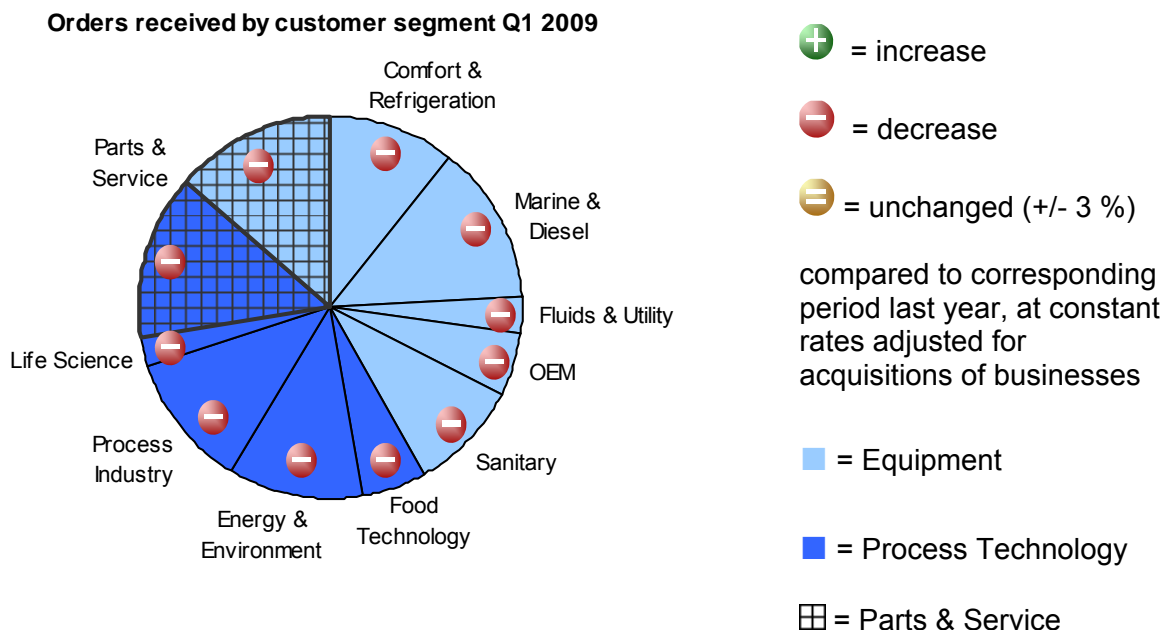
The operating segments are only measured based on their transactions with external parties.

Consolidated	Orders received			
	Jan 1 - March 31 2009	Jan 1 - March 31 2008	Jan 1 - Dec 31 2008	Jan 1 - Dec 31 2007
SEK in millions				
Equipment	3,343	4,196	15,804	15,896
Process Technology	2,517	3,233	11,636	11,594
Other	-7	4	24	63
Total	5,853	7,433	27,464	27,553

Excluding exchange rate variations, orders received for Equipment decreased by 30.5 percent and net sales decreased by 6.2 percent during the first quarter 2009 compared to the corresponding period last year. Adjusted for acquisitions of businesses, the corresponding figures are a decrease by 33.6 percent and 9.4 percent respectively.

Excluding exchange rate variations, orders received for Process Technology decreased by 32.7 percent and net sales decreased by 2.7 percent during the first quarter 2009 compared to the corresponding period last year. Adjusted for acquisitions of businesses, the corresponding figures are a decrease by 33.9 percent and 5.5 percent respectively.

In order to analyze the underlying changes behind this an analysis on customer segment level is necessary.



### Equipment *(all comments are after adjustment for exchange rate fluctuations)*

The division showed a general decline in the first quarter compared to the same period last year. Lower demand, delays in customers' decision-making as well as postponed projects all affected the development. The drop was most significant within Marine, which was pressured by a continued slow activity in the ship-building market as well as cancellations. At the same time, there was a continued good level of infrastructure investments in land-based diesel-generated power. Sanitary and OEM both received some large orders in the quarter, but not enough to reach last year's levels. Parts & Service was pressured by a decreasing need for upgrades in the marine industry, even though the large installed base provided some support. Lower activity levels in the metal-working industry and construction industry affected customer segments such as Fluids & Utility and Comfort & Refrigeration respectively. From a geographical perspective, the decline was most pronounced in Asia, mainly due to the development in the marine sector.

### Process Technology *(all comments are after adjustment for exchange rate fluctuations)*

The first quarter showed an overall decline compared to the same quarter last year, when order intake reached record levels for both the project and base business\*. The decline was general - only the environment application within Energy & Environment reported an increase. The Parts & Service business was also somewhat lower, but the decline was limited by the increased installed base and service offerings. Project activity was in general lower in the division in the wake of previous quarters' strong capacity investments, but also because of the financing difficulties associated with the current business climate. Lower project activity primarily affected Food Technology and Process Industry. From a geographical perspective, the decline was smaller in Western Europe and more pronounced in Asia. India was an exception and showed good growth, partly due to some major investments in the metal sector.

\* Base business and base orders refer to orders with an order value of less than EUR 0.5 million.



Consolidated	Net sales			
	Jan 1 - March 31 2009	Jan 1 - March 31 2008	Jan 1 - Dec 31 2008	Jan 1 - Dec 31 2007
SEK in millions				
Equipment	3,920	3,623	15,657	13,586
Process Technology	3,003	2,637	12,143	11,242
Other	0	7	50	21
<b>Total</b>	<b>6,923</b>	<b>6,267</b>	<b>27,850</b>	<b>24,849</b>

The orders received and the net invoicing during the period have resulted in the following order backlog:

Consolidated	Order backlog			
	March 31 2009	March 31 2008	Dec 31 2008	Dec 31 2007
SEK in millions				
Equipment	8,506	8,237	7,926	7,915
Process Technology	6,894	7,261	6,365	6,766
Other	14	45	19	49
<b>Total</b>	<b>15,414</b>	<b>15,543</b>	<b>14,310</b>	<b>14,730</b>

Consolidated	Operating income			
	Jan 1 - March 31 2009	Jan 1 - March 31 2008	Jan 1 - Dec 31 2008	Jan 1 - Dec 31 2007
SEK in millions				
Equipment	694	866	3,602	2,866
Process Technology	568	620	2,756	2,312
Other	-54	-110	-395	-433
Subtotal	1,208	1,376	5,963	4,745
Comparison distortion items	-	-	-168	54
Consolidation adjustments *	-29	-47	-59	-108
<b>Total</b>	<b>1,179</b>	<b>1,329</b>	<b>5,736</b>	<b>4,691</b>

\* Difference between management accounts and IFRS

The decrease in operating income for both Equipment and Process Technology during the first quarter 2009 compared to the corresponding period last year is mainly explained by a lower gross profit due to decreased margins, partially offset by positive foreign exchange effects.

Consolidated	Assets			Liabilities		
	March 31 2009	March 31 2008	Dec 31 2008	March 31 2009	March 31 2008	March 31 2008
SEK in millions						
Equipment	9,576	7,055	8,808	1,830	1,465	1,935
Process Technology	8,830	7,075	9,129	4,873	4,347	4,854
Other	5,843	5,462	6,149	2,443	2,066	2,980
Subtotal	24,249	19,592	24,086	9,146	7,878	9,769
Corporate	4,139	3,189	4,946	8,355	6,519	8,770
<b>Total</b>	<b>28,388</b>	<b>22,781</b>	<b>29,032</b>	<b>17,501</b>	<b>14,397</b>	<b>18,539</b>

Consolidated	<b>Depreciation</b>			
	<b>Jan 1 - March 31 2009</b>	Jan 1 - March 31 2008	Jan 1 - Dec 31 2008	Jan 1 - Dec 31 2007
SEK in millions				
Equipment	55	42	134	168
Process Technology	36	31	107	151
Other	94	74	319	289
<b>Total</b>	<b>185</b>	<b>147</b>	<b>560</b>	<b>608</b>

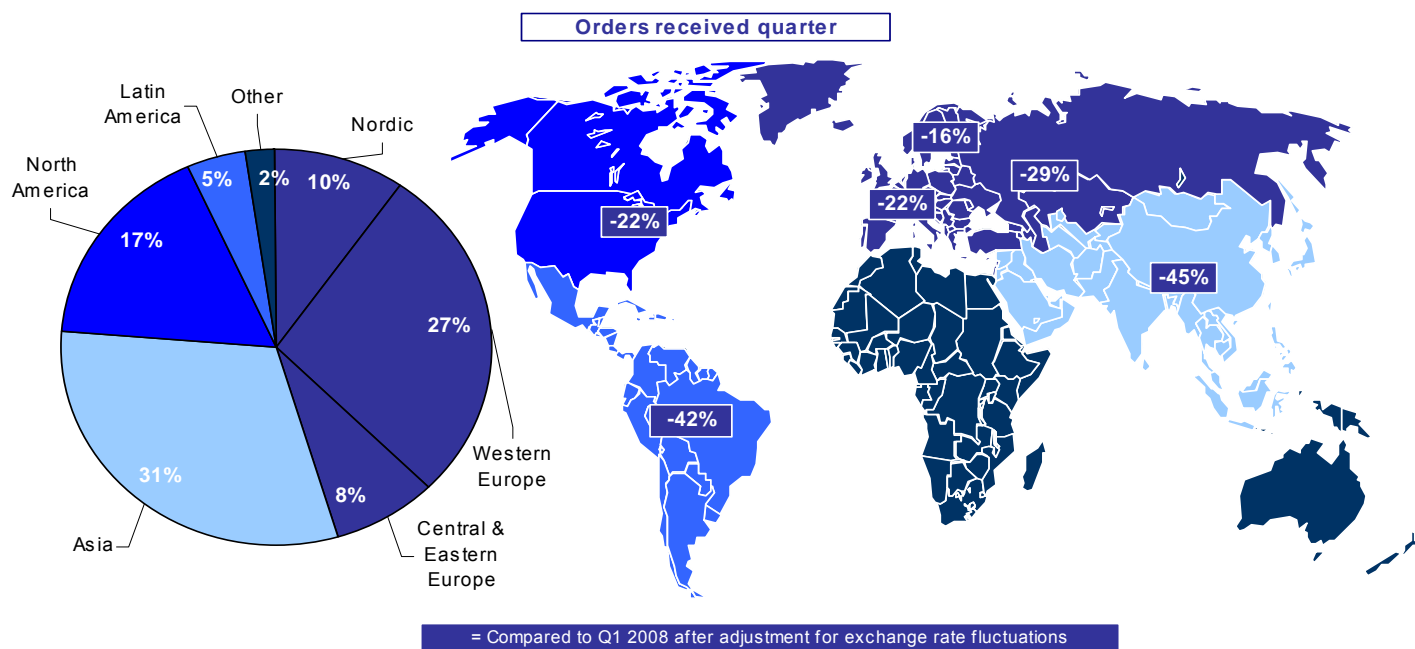
Consolidated	<b>Investments</b>			
	<b>Jan 1 - March 31 2009</b>	Jan 1 - March 31 2008	Jan 1 - Dec 31 2008	Jan 1 - Dec 31 2007
SEK in millions				
Equipment	16	10	87	52
Process Technology	38	19	215	75
Other	36	65	445	429
<b>Total</b>	<b>90</b>	<b>94</b>	<b>747</b>	<b>556</b>

### Information about products and services

Consolidated	<b>Net sales by product/service</b>			
	<b>Jan 1 - March 31 2009</b>	Jan 1 - March 31 2008	Jan 1 - Dec 31 2008	Jan 1 - Dec 31 2007
SEK in millions				
Own products within:				
Separation	1,646	1,386	6,391	5,558
Heat exchange	3,832	3,699	16,023	14,198
Fluid handling	630	629	2,426	2,554
Other	149	43	349	306
Associated products	377	284	1,553	1,287
Services	289	226	1,108	946
<b>Total</b>	<b>6,923</b>	<b>6,267</b>	<b>27,850</b>	<b>24,849</b>

The split of own products within separation, heat exchange and fluid handling is a reflection of the current three main technologies. Other is own products outside these main technologies. Associated products are mainly purchased products that compliment Alfa Laval's product offering. Services cover all sorts of service, service agreements etc.

## Information about geographical areas



All comments are after adjustment for exchange rate fluctuations.

### Western Europe including Nordic

Orders in Western Europe including the Nordic region were substantially lower in the first quarter compared to the same period last year. Order intake was lower for all customer segments, both in the Equipment division and the Process Technology division, with the exception of Energy & Environment. Orders for Parts & Service also declined compared to the same quarter last year. The best sales region was the UK where order intake was flat. All other sales regions reported a decline compared to the first quarter last year.

### Central and Eastern Europe

Fewer large orders as well as a lower order intake for the base business\* led to an overall weak development in the region. There were however a few exceptions among the customer segments. OEM did well as did Energy & Environment. The latter boosted by orders in Russia. The order intake for Parts & Service was flat compared to the same quarter in 2008.

### North America

Orders received were substantially lower in the first quarter compared to the same period last year. Order intake in the Equipment division was flat whereas it was very weak in the Process Technology division. Orders for Parts & Service also showed a clear contraction compared to the same quarter last year.

### Latin America

Orders received in Latin America showed a major downturn in the first quarter and was burdened by the very weak development in Brazil. Mexico, Chile and Ecuador all had a good development, especially within refinery, but they were not able to offset the decline in Brazil.

\* Base business and base orders refer to orders with an order value of less than EUR 0.5 million.

## Asia

The region had an overall weak development in the first quarter compared to the all-time-high order levels recorded in the corresponding period last year. Still, some countries bucked the trend, where for instance India reported increases versus the same period last year. From a customer segment perspective, the decline in order intake was general.

Consolidated	Net sales			
	Jan 1 - March 31 2009	Jan 1 - March 31 2008	Jan 1 - Dec 31 2008	Jan 1 - Dec 31 2007
SEK in millions				
To customers in:				
Sweden	208	217	961	987
Other EU	1,980	2,312	9,339	9,112
Other Europe	503	521	2,402	2,223
USA	1,077	810	3,680	3,680
Other North America	122	146	711	420
Latin America	428	393	1,711	1,258
Africa	65	48	229	177
China	706	573	2,935	2,051
Other Asia	1,768	1,171	5,467	4,611
Oceania	66	76	415	330
Total	6,923	6,267	27,850	24,849

Net sales are reported by country on the basis of invoicing address, which is normally the same as the delivery address.

Consolidated	Non-current assets			
	March 31 2009	March 31 2008	Dec 31 2008	Dec 31 2007
SEK in millions				
Sweden	4,675	4,596	5,747	4,455
Other EU	10,393	8,799	10,500	9,067
Other Europe	772	490	541	536
USA	3,892	2,353	3,958	2,613
Other North America	292	236	352	235
Latin America	885	823	831	760
Africa	69	22	55	37
Asia	5,659	4,127	5,478	4,239
Oceania	190	184	212	178
Subtotal	26,827	21,630	27,674	22,120
Pension assets	136	100	140	106
Deferred tax asset	1,425	1,051	1,218	1,012
Total	28,388	22,781	29,032	23,238

## Information about major customers

Alfa Laval does not have any customer that accounts for 10 percent or more of net sales. Tetra Pak within the Tetra Laval Group is Alfa Laval's single largest customer with about 4 percent of net sales.

**CONSOLIDATED CASH FLOWS**

Amounts in SEK millions	<b>Jan 1 - March 31 2009</b>	Jan 1 - March 31 2008	Jan 1 - Dec 31 2008
<b>Cash flow from operating activities</b>			
Operating income	1,179	1,329	5,736
Adjustment for depreciation	185	147	560
Adjustment for other non-cash items	-12	30	-879
	<u>1,352</u>	<u>1,506</u>	<u>5,417</u>
Taxes paid	-447	-534	-1,868
	<u>905</u>	<u>972</u>	<u>3,549</u>
Changes in working capital:			
(Increase)/decrease of current receivables	651	-34	87
(Increase)/decrease of inventories	307	-49	-192
Increase/(decrease) of liabilities	-701	-223	264
Increase/(decrease) of provisions	-104	63	354
<b>(Increase)/decrease in working capital</b>	<b>153</b>	<b>-243</b>	<b>513</b>
	<u>1,058</u>	<u>729</u>	<u>4,062</u>
<b>Cash flow from investing activities</b>			
Investments in fixed assets (Capex)	-90	-94	-747
Divestment of fixed assets	0	0	140
Acquisition of businesses	-1,115	-40	-726
	<u>-1,205</u>	<u>-134</u>	<u>-1,333</u>
<b>Cash flow from financing activities</b>			
Received interests and dividends	6	78	219
Paid interests	-80	-61	-266
Realised financial exchange differences	-59	-1	-245
Repurchase of shares	-	-367	-766
Dividends to owners of parent company	-	-	-963
Dividends to minority owners in subsidiary	-	-	-20
(Increase)/decrease of other financial assets	303	-134	-380
Increase/(decrease) of liabilities to credit institutions	-171	-223	-178
	<u>-1</u>	<u>-708</u>	<u>-2,599</u>
<b>Net increase (decrease) in cash and bank</b>	<b>-148</b>	<b>-113</b>	<b>130</b>
Cash and bank at the beginning of the year	1,083	856	856
Translation difference in cash and bank	16	-31	97
<b>Cash and bank at the end of the period</b>	<b>951</b>	<b>712</b>	<b>1,083</b>
Free cash flow per share (SEK) *	-0.35	1.38	6.38
Capex in relation to sales	1.3%	1.5%	2.7%
Average number of shares **	422,039,466	431,216,320	427,500,307

\* Free cash flow is the sum of cash flows from operating and investing activities.

\*\* Average number of shares has been affected by the repurchase of shares and the 4:1 split.

Cash flow from operating and investing activities amounted to SEK -147 (595) million during the first quarter 2009, due to the large acquisitions of businesses. Depreciation, excluding allocated step-up values, was SEK 109 (66) million during the first quarter, whereas the investments were SEK 90 (94) million.

**CONSOLIDATED FINANCIAL POSITION**

Amounts in SEK millions	<b>March 31 2009</b>	March 31 2008	Dec 31 2008
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	8,134	5,496	7,273
Property, plant and equipment	3,622	2,778	3,546
Other non-current assets	1,566	1,157	1,376
	<u>13,322</u>	<u>9,431</u>	<u>12,195</u>
<b>Current assets</b>			
Inventories	5,765	4,975	5,972
Accounts receivable	5,397	5,185	5,706
Other receivables	2,250	1,687	2,941
Derivative assets	458	472	591
Other current deposits	245	319	544
Cash and bank *	951	712	1,083
	<u>15,066</u>	<u>13,350</u>	<u>16,837</u>
<b>TOTAL ASSETS</b>	<b>28,388</b>	<b>22,781</b>	<b>29,032</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Shareholders' equity	10,818	8,273	10,378
Minority interest	69	111	115
	<u>10,887</u>	<u>8,384</u>	<u>10,493</u>
<b>Non-current liabilities</b>			
Liabilities to credit institutions	2,407	2,019	2,538
Private placement	911	651	856
Provisions for pensions and similar commitments	1,020	852	990
Provision for deferred tax	1,222	1,035	1,161
Other provisions	412	411	403
	<u>5,972</u>	<u>4,968</u>	<u>5,948</u>
<b>Current liabilities</b>			
Liabilities to credit institutions	355	441	247
Accounts payable	2,179	2,198	2,700
Advances from customers	2,290	2,090	2,444
Other provisions	1,794	1,368	1,849
Other liabilities	3,855	3,140	4,142
Derivative liabilities	1,056	192	1,209
	<u>11,529</u>	<u>9,429</u>	<u>12,591</u>
Total liabilities	17,501	14,397	18,539
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	<b>28,388</b>	<b>22,781</b>	<b>29,032</b>

\* The item cash and bank is mainly relating to bank deposits.

Cash, bank and current deposits include bank and other deposits in the publicly listed subsidiary Alfa Laval (India) Ltd of SEK 143 (74) million. The company is not a wholly owned subsidiary of the Alfa Laval Group. It is owned to 88.8 (76.7) percent.

**Borrowings and net debt**

Consolidated SEK in millions	March 31 2009	March 31 2008	Dec 31 2008
Credit institutions	2,762	2,460	2,785
Private placement	911	651	856
Capitalised financial leases	56	34	58
Interest-bearing pension liabilities	2	2	2
Total debt	3,731	3,147	3,701
Cash, bank and current deposits	-1,196	-1,031	-1,627
Net debt	2,535	2,116	2,074

Alfa Laval has a senior credit facility with a banking syndicate of EUR 268 million and USD 348 million, corresponding to SEK 5,813 million. At March 31, 2009, SEK 2,032 million of the facility were utilised. The facility matures in April 2012.

The private placement of USD 110 million matures in 2016.

**CHANGES IN CONSOLIDATED EQUITY**

Amounts in SEK millions	Jan 1 - March 31 2009	Jan 1 - March 31 2008	Jan 1 - Dec 31 2008
<b>At the beginning of the period</b>	10,493	7,937	7,937
<b>Changes attributable to:</b>			
<b>Equity holders of the parent</b>			
<b>Comprehensive income</b>			
Comprehensive income for the period	440	794	4,261
<b>Transactions with shareholders</b>			
Repurchase of shares	-	-367	-766
Dividends	-	-	-963
	-	-367	-1,729
<b>Subtotal</b>	440	427	2,532
<b>Minority</b>			
<b>Comprehensive income</b>			
Comprehensive income for the period	19	20	44
<b>Transactions with shareholders</b>			
Decrease of minority in Alfa Laval (India) Ltd	-65	-	-
Dividends	-	-	-20
	-65	-	-20
<b>Subtotal</b>	-46	20	24
<b>At the end of the period</b>	10,887	8,384	10,493

The Annual General Meeting 2008 decided to make a share split 4:1 meaning that each share was split into 4 new shares. The split was implemented with record date June 10, 2008. At January 1, 2009 the share capital of SEK 1,116,719,930 was divided into 429,393,416 shares.

## **Ownership and legal structure**

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 29,608 (18,979) shareholders on March 31, 2009. The largest owner is Tetra Laval B.V., the Netherlands who owns 18.4 (17.7) percent. The increase in ownership is due to the cancellation of the shares repurchased by the company. Next to the largest owner there are nine institutional investors with ownership in the range of 6.1 to 1.4 percent. These ten largest shareholders own 46.8 (43.4) percent of the shares.

## **Material factors of risk and uncertainty**

The main factors of risk and uncertainty facing the Group concern the price development of metals, fluctuations in major currencies, the turmoil in the financial markets and how deep the business cycle driven downturn in the demand for the company's products will be. It is the company's opinion that the description of risks made in the Annual Report for 2008 is still correct.

## **Asbestos-related lawsuits**

The Alfa Laval Group was as of March 31, 2009, named as a co-defendant in a total of 343 asbestos-related lawsuits with a total of approximately 466 plaintiffs. Alfa Laval strongly believes the claims against the Group are without merit and intends to vigorously contest each lawsuit.

Based on current information and Alfa Laval's understanding of these lawsuits, Alfa Laval continues to believe that these lawsuits will not have a material adverse effect on the Group's financial condition or results of operation.

## **Purchase of businesses**

The public offer to purchase an additional 13 percent of Alfa Laval (India) Ltd opened on January 14, 2009 and closed on February 2, 2009. The initial offer of 950 rupees per share was raised to 1,000 rupees per share on January 20, 2009. The result of the offer was that owners of almost 2.2 million shares corresponding to approximately 12 percent of the total number of shares accepted to sell their shares. This means that the ownership in the Indian subsidiary has increased from 76.7 percent to 88.8 percent. The total cost for the acquisition was SEK 376 million. Alfa Laval has been present in India since 1937. During 2008 Alfa Laval (India) Ltd. had an order intake of SEK 1,030 million and an average of 1,190 employees.

On February 1, 2009 Alfa Laval acquired HES GmbH Heat Exchanger Systems in Germany, a company with focus on spiral heat exchangers mainly to the process industry. The company had sales of about SEK 85 million in 2008 and some 45 employees and will be integrated into Tranter.

On January 16, 2009 Alfa Laval acquired Onnuri Industrial Machinery Co., Ltd., a South Korean system provider to the shipbuilding and diesel power markets. The company had sales of about SEK 150 million in 2008 and some 40 employees. Onnuri will remain a separate company as it will continue to offer its own systems under the Onnuri brand.

On January 14, 2009 Alfa Laval announced that it had acquired one company and signed an agreement to acquire another, both major providers of parts and service for a variety of products, applications and geographical areas. The combined sales during 2008 were about SEK 300 million. Both companies will remain separate organisations as they continue to offer their own products and services to the industry, under their own brands. One company is consolidated in the Alfa Laval Group from January 1, 2009 and the other company from January 30, 2009.



## Proposed disposition of earnings

The Board of Directors have proposed a dividend for 2008 of SEK 2.25 (2.25) per share corresponding to SEK 950 (963) million and that the remaining income available for distribution in Alfa Laval AB (publ) of SEK 3,644 (2,665) million be carried forward. The dividend per share last year has been recalculated due to the 4:1 split.

## Repurchase of shares

The Annual General Meetings 2008 and 2007 gave the Board a mandate to decide on repurchase of the company's shares – if the Board deemed this appropriate – until the next Annual General Meeting. The mandates referred to repurchase of up to 5 (10) percent of the issued shares with the purpose to cancel the repurchased shares and reduce the share capital. The repurchases were to be made through purchases on OMX Nordic Exchange Stockholm. The outcome of the mandates has been as follows:

### Specification of repurchase of shares

Mandate from Annual General Meeting 2007:	2007			2008		Cancelled May 27	Left to cancel
	April 1 - June 30	July 1 - Sept 30	Oct 1 - Dec 31	Jan 1 - March 31	Total		
Number of repurchased shares	1,011,969	2,246,920	343,650	1,084,200	4,686,739	-4,323,639	363,100
Corresponding number after 4:1 split	4,047,876	8,987,680	1,374,600	4,336,800	18,746,956	-17,294,556	1,452,400
Percentage of outstanding shares	0.9%	2.0%	0.3%	1.0%	4.2%	-3.9%	0.3%
Cash-out and decrease of equity in parent company and consolidated Group (SEK millions)	-426	-939	-132	-367	-1,864		

Mandate from Annual General Meeting 2008:	2008			2009		Total to cancel
	April 1 - June 30	July 1 - Sept 30	Oct 1 - Dec 31	Jan 1 - March 31	Total	
Number of repurchased shares	0	2,658,900	3,242,650	0	5,901,550	7,353,950
Percentage of outstanding shares *	0.0%	0.6%	0.8%	0.0%	1.4%	1.7%
Cash-out and decrease of equity in parent company and consolidated Group (SEK millions)	0	-219	-180	0	-399	

\* In relation to number of outstanding shares remaining after the cancellation.

## Proposal to cancel repurchased shares and make a bonus issue

The Board will propose to the Annual General Meeting 2009 to cancel the 7,353,950 repurchased shares. Cancellation of these shares means that the share capital will decrease with SEK 19 million. At the same time the Board will propose that the share capital is increased by a bonus issue with the same amount decided by the Annual General Meeting. In this way the size of the share capital is restored and the company avoids to have to obtain permission from Bolagsverket or if disputed the local court to cancel the repurchased shares.

## Parent company

The parent company's result after financial items was SEK 3 (3) million, out of which net interests were SEK 8 (7) million, realised and unrealised exchange rate gains and losses SEK 1 (-0) million, costs related to the listing SEK -1 (-1) million, fees to the Board SEK -2 (-2) million, cost for annual report and annual general meeting SEK -1 (-1) million and other administration costs the remaining SEK -2 (-0) million.

**PARENT COMPANY INCOME**

Amounts in SEK millions	Jan 1 - March 31 2009	Jan 1 - March 31 2008	Jan 1 - Dec 31 2008	Jan 1 - Dec 31 2007
Administration costs	-4	-3	-13	-10
Other operating income	-	-	55	-
Other operating costs	-1	-1	0	-2
Operating income/loss	-5	-4	42	-12
Dividends	-	-	2,201	1,208
Interest income and similar result items	15	8	50	44
Interest costs and similar result items	-7	-1	-4	-3
Result after financial items	3	3	2,289	1,237
Appropriation to tax allocation reserve	-	-	-239	-378
Income tax	-1	-1	-200	-318
Tax on received Group contribution	-	-	237	413
Net result for the year	2	2	2,087	954

**PARENT COMPANY FINANCIAL POSITION**

Amounts in SEK millions	March 31 2009	March 31 2008	Dec 31 2008
<b>ASSETS</b>			
<b>Non-current assets</b>			
Shares in group companies	4,669	4,669	4,669
<b>Current assets</b>			
Receivables on group companies	3,491	1,695	3,465
Other receivables	174	41	253
Cash and bank	-	-	-
	3,665	1,736	3,718
<b>TOTAL ASSETS</b>	8,334	6,405	8,387
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Restricted equity capital	2,387	2,387	2,387
Unrestricted equity capital	4,596	3,264	4,593
	6,983	5,651	6,980
<b>Untaxed reserves</b>			
Tax allocation reserves, taxation 2005-2009	977	738	977
<b>Current liabilities</b>			
Liabilities to group companies	235	15	236
Accounts payable	1	1	1
Tax liabilities	138	-	193
	374	16	430
<b>TOTAL EQUITY CAPITAL AND LIABILITIES</b>	8,334	6,405	8,387

**Events after the balance sheet date**

The balance sheets and the income statements for 2008 will be adopted at the Annual General Meeting of shareholders on April 20, 2009.