Report for Q4 and full year 2009

- 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 2009
- Orders received dropped 12.2% to SEK 5,427 million.
- Net sales down 19% at SEK 6,556 million.
- Adjusted EBITA down 33% at SEK 1,153 million.
- Adjusted EBITA margin 17.6%
  - *Negative currency effect SEK 140 million.*

## January – December 2009
- Orders received dropped 21.6% to SEK 21,539 million.
- Net sales down 6.5% at SEK 26,039 million.
- Adjusted EBITA down 25.6% at SEK 4,585 million.
- Adjusted EBITA margin 17.6%
  - *Positive currency effect SEK 166 million.*
The Board of Directors proposes

- a dividend of 2:50 SEK (2:25).
- a mandate for buying back up to 5 percent of the number of outstanding shares.
Orders received

- **Q405**: +23%
- **Q106**: +28%
- **Q206**: +35%
- **Q306**: +17%
- **Q406**: +40%
- **Q107**: +36%
- **Q207**: +13%
- **Q307**: +30%
- **Q407**: 0%
- **Q108**: +9%
- **Q208**: +8%
- **Q308**: -3%
- **Q408**: -15%
- **Q109**: -32%
- **Q209**: -37%
- **Q309**: -30%
- **Q409**: -12%

* = rolling twelve months value

+xx% = % development at constant rates by quarter, year on year

= order intake per quarter
## Order analysis

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2008</strong> (SEK millions)</td>
<td>6,181</td>
</tr>
<tr>
<td>Structural change, %</td>
<td>+ 3.1</td>
</tr>
<tr>
<td>Currency effects, %</td>
<td>- 2.8</td>
</tr>
<tr>
<td>Organic development, %</td>
<td>- 12.5</td>
</tr>
<tr>
<td><strong>Total, %</strong></td>
<td>- 12.2</td>
</tr>
<tr>
<td><strong>2009</strong> (SEK million)</td>
<td>5,427</td>
</tr>
</tbody>
</table>
Adjusted EBITA / margin *

*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 480 million (335)

- Refinery order in Algeria.
  
  Order value SEK 60 million. Delivery in 2011.
Highlights during the quarter

Large orders, total SEK 480 million (335)

- Refinery order in Algeria.
- Petrochemical order in China.
  Order value SEK 90 million. Delivery in 2010.
Highlights during the quarter

Large orders, total SEK 480 million (335)

- Refinery order in Algeria.
- Petrochemical order in China.
- Nuclear power order in China.
  
  Value SEK 130 million. Delivery in 2011.
Highlights during the quarter

Large orders, total SEK 480 million (335)

- Refinery order in Algeria.
- Petrochemical order in China.
- Nuclear power order in China.
- Two cleantech orders for biofuel plants in Vietnam.
  
  Value SEK 200 million. Delivery in 2010.
## Large orders in 2009

Large orders, total SEK 900 million (1 135)

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Country</th>
<th>Application</th>
<th>Industry</th>
<th>Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>75</td>
<td>Russia</td>
<td>Heat transfer</td>
<td>Power</td>
<td>2010</td>
</tr>
<tr>
<td>65</td>
<td>India</td>
<td>Heat transfer</td>
<td>Aluminum</td>
<td>2010</td>
</tr>
<tr>
<td>50</td>
<td>US</td>
<td>Heat transfer/filtration</td>
<td>Enzyme production</td>
<td>2010</td>
</tr>
<tr>
<td>55</td>
<td>Brazil</td>
<td>Heat recovery</td>
<td>Refinery</td>
<td>2011</td>
</tr>
<tr>
<td>110</td>
<td>Russia</td>
<td>Energy efficiency</td>
<td>Refinery</td>
<td>2010</td>
</tr>
<tr>
<td>65</td>
<td>Russia</td>
<td>Heat transfer</td>
<td>Refinery</td>
<td>2010</td>
</tr>
<tr>
<td>90</td>
<td>China</td>
<td>Heat transfer</td>
<td>Petrochemical</td>
<td>2010</td>
</tr>
<tr>
<td>130</td>
<td>China</td>
<td>Cooling</td>
<td>Nuclear power</td>
<td>2011</td>
</tr>
<tr>
<td>100</td>
<td>Vietnam</td>
<td>Heat transfer/filtration</td>
<td>Ethanol</td>
<td>2010</td>
</tr>
<tr>
<td>100</td>
<td>Vietnam</td>
<td>Heat transfer</td>
<td>Ethanol</td>
<td>2010</td>
</tr>
<tr>
<td>60</td>
<td>Algeria</td>
<td>Heat transfer</td>
<td>Refinery</td>
<td>2011</td>
</tr>
</tbody>
</table>
## Acquisitions in 2009

<table>
<thead>
<tr>
<th>Name</th>
<th>Country</th>
<th>Business</th>
<th>Sales 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>LHE Co. Ltd</td>
<td>South Korea</td>
<td>PHE for offshore O&amp;G, marine, nuclear, process industry and HVAC - channel</td>
<td>750</td>
</tr>
<tr>
<td>PHE</td>
<td>Brazil</td>
<td>PHE service provider - geography</td>
<td>45</td>
</tr>
<tr>
<td>HES GmbH</td>
<td>Germany</td>
<td>Spiral heat exchangers for process industry - channel</td>
<td>85</td>
</tr>
<tr>
<td>Onnuri Industrial</td>
<td>South Korea</td>
<td>System provider to the shipbuilding and diesel power markets - product</td>
<td>150</td>
</tr>
<tr>
<td>Machinery</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Two P&amp;S providers</td>
<td></td>
<td>P&amp;S for a variety of products - channels</td>
<td>300</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>1,330</td>
</tr>
</tbody>
</table>
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Mr. Lars Renström
President and CEO
Alfa Laval Group
Orders received by customer segment

Oct – Dec 2009, at constant rates

- Life Science
- Process Industry
- Energy & Environment
- Food
- Parts & Service
- Comfort & Refrigeration
- Marine & Diesel
- Fluids & Utility
- OEM
- Sanitary

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Orders received by customer segment

Sequential development 4Q versus 3Q, at constant rates
Orders received by customer segment

Process Technology Division Oct – Dec 2009, at constant rates

- Life Science
- Process Industry
- Energy & Environment
- Food

* Good development for nuclear power
* Environment boosted by waste-water applications.
* Process Industry lifted by biofuel projects and refinery
Orders received by customer segment

Equipment Division, Oct – Dec 2009, at constant rates

- Strong development for Sanitary
- Slight sequential decline due to the development in Marine & Diesel and Comfort & Refrigeration

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Orders received by customer segment

Jan – Dec 2009, at constant rates

- Life Science
- Process Industry
- Energy & Environment
- Food
- Parts & Service
- Comfort & Refrigeration
- Marine & Diesel
- Fluids & Utility
- OEM
- Sanitary

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Orders received by Region
Oct – Dec 2009, at constant rates

- North America 16%
- Western Europe 26%
- Asia 32%
- Centr & East 7%
- Nordic 10%
- L. America 7%
- Other 2%

-22
-18
-16
+9
+3
+2
Orders received by Region
Sequential development Q4 versus Q3, at constant rates

- North America 16% +13%
- Western Europe 26% +12%
- Asia 32% +11%
- Centr. & East 7% +12%
- L. America 7% +11%
- Nordic 10% +2%
- Other 2% +13%

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North America
- Order intake grew from third quarter, driven by good development for Sanitary, Energy & Environment and Process Industry
- Base business unchanged from 3Q

Latin America
- Order intake was slightly up both on year and sequentially
- Positive development in Mexico and Brazil due to growth in Food and Process Industry, which received some large orders
Western Europe incl. Nordic
- Sequential increase in order intake
- Base business had a positive development

Central and Eastern Europe
- Orders declined on quarter due to non-repeat large projects
- Comfort & Ref and Sanitary showed good development
Highlights Asia
Oct – Dec 2009, at constant rates

Asia
* Good development in Sanitary, Food and Process Industry
* High activity level in nuclear power in China
* Slight decline in the base business sequentially, due to Marine

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Orders received by Region
Jan– Dec 2009, at constant rates

- North America 16%
- L. America 6%
- Asia 31%
- Western Europe 27%
- Centr. & East 8%
- Nordic 10%
- Other 2%

-27
-23
-37
-18

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Mr. Thomas Thuresson
CFO
Alfa Laval Group
<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Oct – Dec 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SEK millions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Order intake</td>
<td></td>
<td>5,427</td>
</tr>
<tr>
<td>Net sales</td>
<td></td>
<td>6,556</td>
</tr>
</tbody>
</table>
## Highlights

<table>
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<tr>
<td>Adjusted EBITA</td>
<td>1,153</td>
</tr>
<tr>
<td>Adjusted EBITA-margin</td>
<td>17.6%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>899</td>
</tr>
</tbody>
</table>
Overview cost and capacity adjustment  
- update as per December 31\textsuperscript{st}, 2009

<table>
<thead>
<tr>
<th>In SEK million</th>
<th>Q4 2009</th>
<th>2009</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales &amp; Administration</td>
<td>260</td>
<td>725</td>
<td>&gt; 900</td>
</tr>
<tr>
<td>Research &amp; Development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indirect Personnel in COGS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>{</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Full impact from January program achieved in Q4 2009</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Savings from further measures – full impact from Q1 2010</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity reduction targeted with initiated savings: 25 - 35 %</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total estimated reduction in FTE’s:</td>
<td>1,700</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reductions as per December 31\textsuperscript{st}</td>
<td>1,400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- of which work-sharing represents approx. 150 FTE’s</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Earnings per share

<table>
<thead>
<tr>
<th></th>
<th>Oct – Dec</th>
<th>Jan – Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
<td>2008</td>
</tr>
<tr>
<td>Earnings</td>
<td>1.48</td>
<td>2.03</td>
</tr>
<tr>
<td>Earnings, excluding step-up</td>
<td>1.65</td>
<td>2.15</td>
</tr>
</tbody>
</table>
# Highlights

<table>
<thead>
<tr>
<th></th>
<th>SEK millions</th>
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<tr>
<td>Adjusted EBITA-margin</td>
<td></td>
<td>17.6%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>899</td>
<td></td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>1,566</td>
<td></td>
</tr>
<tr>
<td>ROCE</td>
<td>33.6%</td>
<td></td>
</tr>
<tr>
<td>ROE</td>
<td>24.5%</td>
<td></td>
</tr>
</tbody>
</table>
# Cash-flow statement

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- operating activities</td>
<td>5,347</td>
<td>4,062</td>
</tr>
<tr>
<td>- investing activities</td>
<td>-2,620</td>
<td>-1,333</td>
</tr>
<tr>
<td>Financial net paid</td>
<td>-265</td>
<td>-292</td>
</tr>
<tr>
<td>Dividends</td>
<td>-955</td>
<td>-983</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,507</strong></td>
<td><strong>1,454</strong></td>
</tr>
</tbody>
</table>

**Pro Forma Free-cash-flow*** | 4,631 | 3,023 |

*Incl. operating activities, capital expenditure and financial net paid.
## Foreign exchange

### Estimated impact on adjusted EBITA from FX fluctuations

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Q4 09</th>
<th>WY 09</th>
<th>WY 10*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation effect</td>
<td>-20</td>
<td>344</td>
<td>-150</td>
</tr>
<tr>
<td>Transaction effect</td>
<td>-120</td>
<td>-178</td>
<td>450</td>
</tr>
<tr>
<td>Total</td>
<td>-140</td>
<td>166</td>
<td>300</td>
</tr>
</tbody>
</table>

*Based on EUR/USD 1.44 and EUR/SEK 10.20
<table>
<thead>
<tr>
<th>Year</th>
<th>For delivery later than 2010</th>
<th>For delivery 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>3,298</td>
<td>11,432</td>
</tr>
<tr>
<td>2008</td>
<td>2,668</td>
<td>11,642</td>
</tr>
<tr>
<td>2009</td>
<td>2,269</td>
<td>9,637</td>
</tr>
</tbody>
</table>

Order backlog as per Dec 31
Order backlog as per Dec 31

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine</td>
<td>5,734</td>
<td>4,596</td>
</tr>
<tr>
<td>Other segments</td>
<td>8,576</td>
<td>7,310</td>
</tr>
</tbody>
</table>

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“We expect demand during the first quarter 2010 to be on about the same level as during the fourth quarter 2009.”