Report for Q3 2010

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

Mr. Lars Renström
President and CEO
Alfa Laval Group
## Key figures

### July – September 2010

- Orders received rose 21% to SEK 6,134 million.
- Net sales unchanged at SEK 5,811 million.
- Adjusted EBITA up 14% at SEK 1,141 million.
- Adjusted EBITA margin widened to 19.6%
  - *Positive currency effect SEK 124 million.*

### January – September 2010

- Orders received increased 9% to SEK 17,490 million.
- Net sales down 10% at SEK 17,551 million.
- Adjusted EBITA down 2% at SEK 3,345 million.
- Adjusted EBITA margin increased to 19.1%
  - *Positive currency effect SEK 324 million.*
Orders received

SEK million

= rolling twelve months value

= order intake per quarter

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

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## Order analysis

### July – September 2010

<table>
<thead>
<tr>
<th></th>
<th>2009 (SEK millions)</th>
<th>2010 (SEK million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural change, %</td>
<td>+ 3.7</td>
<td></td>
</tr>
<tr>
<td>Currency effects, %</td>
<td>- 2.1</td>
<td></td>
</tr>
<tr>
<td>Organic development, %</td>
<td>+ 19.4</td>
<td></td>
</tr>
<tr>
<td><strong>Total, %</strong></td>
<td><strong>+ 21</strong></td>
<td><strong>+ 21</strong></td>
</tr>
</tbody>
</table>

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Adjusted EBITA / margin *

*Adjusted EBITA – “Earnings before interests, taxes, amortization of goodwill and step up values and comparison distortion items.”
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Alfa Laval Group
### Highlights during the quarter

**Large orders, total SEK 270 million (175)**

- **Waste water treatment order in the US.**
  - Order value SEK 250 million, of which 40 million was booked in Q2.
  - Deliveries finalized in 2013.
Highlights during the quarter

Large orders, total SEK 270 million (175)

- Waste water treatment order in the US.
- Heat exchanger order from Tata Chemicals in India.
  Order value SEK 60 million. Delivery in 2011.
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Orders received by customer segment
July – September 2010, at constant rates

- Life Science
- Process Industry
- Energy & Environment
- Food
- Parts & Service
- Industrial Equipment
- Marine & Diesel
- OEM
- Sanitary

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Orders received by customer segment

Process Technology Division July – September 2010, at constant rates

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

- Boost from US waste-water order - largest order ever for Alfa Laval
- Strong demand for parts, repair, maintenance and upgrades
- Process Industry affected by non-repeats
Orders received by customer segment

Equipment Division, July – September 2010, at constant rates

- Increased activity in both food and pharma boosted Sanitary
- Strong demand from OEMs
- Increased trade and higher utilization rates lifted demand for parts and service

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Orders received by customer segment

January - September 2010, at constant rates

- Industrial Equipment
- Marine & Diesel
- OEM
- Sanitary
- Food
- Parts & Service
- Energy & Environment
- Process Industry
- Life Science

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President and CEO
Alfa Laval Group

Orders received and margins
Highlights
Development per segment
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Orders received by Region

July – September 2010, at constant rates

- Asia 33%
- North America 21%
- Western Europe 22%
- Centr. & East 7%
- Nordic 8%
- L. America 7%

Other 2%

+9
+26
+16
+67
+14
-9
Highlights Americas
July – September 2010, at constant rates

North America
★ All segments reported growth
★ Boost from largest order ever

Latin America
★ Generally strong development with Energy & Environment, Food and Sanitary performing the best

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Highlights Europe
July – September 2010, at constant rates

Western Europe incl. Nordic
* Best development in UK and Mid Europe
* Base business grew substantially

Central and Eastern Europe
* Decline explained by non-repeats in Russia
* Very good development for base business and Parts & Service
Highlights Asia
July – September 2010, at constant rates

Asia

🌟 Broad positive development and strongest performance in China, India and Korea
🌟 Segments that stood out were OEM, Sanitary and Food
Orders received by Region
January – September 2010, at constant rates

- Asia: 31%, +36%
- Western Europe: 24%, +21%
- Nordic & East: 9%, +15%
- Centr. & & Asia: 7%, +5%
- L. America: 7%, +8%
- North America: 20%, =
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Mr. Thomas Thuresson
CFO
Alfa Laval Group
### Highlights

<table>
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<tr>
<th>SEK millions</th>
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<td>Order intake</td>
<td>6,134</td>
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<tr>
<td>Net sales</td>
<td>5,811</td>
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</tbody>
</table>
Gross profit margin

In percent of sales

- Q307: 39.1
- Q407
- Q108: 40.6
- Q208
- Q308: 41.7
- Q408
- Q109: 38.0
- Q209
- Q309
- Q409
- Q110
- Q210
- Q310

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# Gross Profit Margin

- analysis year-on-year and sequentially

<table>
<thead>
<tr>
<th>In percent</th>
<th>Q3 2009</th>
<th>Q2 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>38.0</td>
<td>39.6</td>
</tr>
<tr>
<td>- Foreign exchange, transaction</td>
<td>+ 2.1</td>
<td>- 0.4</td>
</tr>
<tr>
<td>- Change in product mix</td>
<td>+ 0.8</td>
<td>+ 1.1</td>
</tr>
<tr>
<td>Sub.total:</td>
<td>40.9</td>
<td>40.3</td>
</tr>
</tbody>
</table>

- Procurement (neg)
- Productivity (pos)
- Price adjustments (pos)
- Margin in order backlog (neg)
- Volume (pos)

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Actual for Q3 2010: 41.7 41.7
## Highlights

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<td><strong>Adjusted EBITA</strong></td>
<td>1,141</td>
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<td><strong>Adjusted EBITA-margin</strong></td>
<td>19.6%</td>
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<tr>
<td><strong>Profit before tax</strong></td>
<td>1,044</td>
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</tbody>
</table>
## Earnings per share

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<tr>
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<th>July - Sep</th>
<th>Jan - Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>Earnings</td>
<td>1.78</td>
<td>1.65</td>
</tr>
<tr>
<td>Earnings, excluding step-up</td>
<td>1.95</td>
<td>1.80</td>
</tr>
</tbody>
</table>
### Repurchase of shares

<table>
<thead>
<tr>
<th>Description</th>
<th>Sept 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repurchased shares for cancellation</td>
<td>2,583,151</td>
</tr>
<tr>
<td>Percentage of outstanding shares</td>
<td>0.6</td>
</tr>
<tr>
<td>Cash-out and decrease in parent company and consolidated equity (SEK mln)</td>
<td>-253</td>
</tr>
</tbody>
</table>

The AGM 2010 gave the Board a mandate to repurchase up to 5 percent of the company’s issued shares up until the next AGM in 2011.
## Highlights

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<td>Profit before tax</td>
<td>1,044</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>1,118</td>
</tr>
<tr>
<td>ROCE</td>
<td>35.8%</td>
</tr>
<tr>
<td>ROE</td>
<td>23.1%</td>
</tr>
</tbody>
</table>
## Cash-flow statement

<table>
<thead>
<tr>
<th>SEK millions</th>
<th>Jan – Sep 2010</th>
<th>Jan – Sep 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flow from</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- operating activities</td>
<td>3,017</td>
<td>3,781</td>
</tr>
<tr>
<td>- investing activities</td>
<td>- 646</td>
<td>-2,541</td>
</tr>
<tr>
<td><strong>Financial net paid</strong></td>
<td>- 10</td>
<td>- 153</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,361</td>
<td>1,087</td>
</tr>
</tbody>
</table>

**Pro Forma Free cash-flow**

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

Pro Forma Free cash-flow

<table>
<thead>
<tr>
<th></th>
<th>2,780</th>
<th>3,324</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Jan – Sep 2010</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Jan – Sep 2009</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Foreign exchange

### Estimated impact on adjusted EBITA from FX fluctuations

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Q3 10</th>
<th>9M 10</th>
<th>WY 10</th>
<th>WY 11*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation effect</td>
<td>+4</td>
<td>-71</td>
<td>-160</td>
<td>-100</td>
</tr>
<tr>
<td>Transaction effect</td>
<td>+120</td>
<td>+395</td>
<td>+480</td>
<td>-240</td>
</tr>
<tr>
<td>Total</td>
<td>+124</td>
<td>+324</td>
<td>+320</td>
<td>-340</td>
</tr>
</tbody>
</table>

*Based on EUR/USD 1.38 and EUR/SEK 9.30*
Order backlog as per Sept 30

<table>
<thead>
<tr>
<th>Year</th>
<th>For delivery after current year</th>
<th>For delivery current year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>9,306</td>
<td>6,567</td>
</tr>
<tr>
<td>2009</td>
<td>7,705</td>
<td>5,487</td>
</tr>
<tr>
<td>2010</td>
<td>5,751</td>
<td>5,938</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th></th>
<th>SEK (bln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>9M Sales</td>
<td>17.6</td>
</tr>
<tr>
<td>Backlog</td>
<td>+ 5.9</td>
</tr>
<tr>
<td>Subtotal</td>
<td>23.5</td>
</tr>
</tbody>
</table>

**Remaining main parameters**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders “in-for-out” 4Q</td>
<td>+ 1.0</td>
</tr>
<tr>
<td>(assuming 2009 level)</td>
<td></td>
</tr>
<tr>
<td>Acquisitions</td>
<td>+ 0.2</td>
</tr>
<tr>
<td>(assuming no further acquisitions)</td>
<td></td>
</tr>
<tr>
<td>FX</td>
<td>- 0.3</td>
</tr>
<tr>
<td>(assuming current rates rest of year)</td>
<td></td>
</tr>
<tr>
<td>Full year 2010</td>
<td>appr 24.4</td>
</tr>
</tbody>
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“We expect demand in the fourth quarter to be on about the same level as in the third quarter.”