Report for Q4 2010

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

October – December 2010

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

January – December 2010

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

The Board of Directors proposes

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

At least \( 8\% \) average sales growth per year, over a business cycle.
Orders received

- SEK million
- SEK million R 12

Q106 - Q410

Q107: +40%
Q207: +36%
Q307: +13%
Q407: +30%
Q108: 0%
Q208: +9%
Q308: +8%
Q408: -3%
Q109: -15%
Q209: -32%
Q309: -37%
Q409: -30%
Q110: 9%
Q210: -6%
Q310: +25%
Q410: +23%

= 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>Oct – Dec 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2009 (SEK millions)</strong></td>
<td>5,427</td>
</tr>
<tr>
<td>Structural change, %</td>
<td>+ 3.4</td>
</tr>
<tr>
<td>Currency effects, %</td>
<td>- 5.6</td>
</tr>
<tr>
<td>Organic development, %</td>
<td>+ 19.7</td>
</tr>
<tr>
<td><strong>Total, %</strong></td>
<td>+ 17.5</td>
</tr>
<tr>
<td><strong>2010 (SEK million)</strong></td>
<td>6,379</td>
</tr>
</tbody>
</table>
Adjusted EBITA / margin *

*Adjusted EBITA – “Earnings before interests, taxes, amortization of goodwill and step up values and comparison distortion items.”
Interim Report Q4 2010

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Highlights during the quarter

Large orders, total SEK 310 million (480)

* Carbon capture order in the US.
  Order for Alfa Laval Packinox heat exchangers worth SEK 80 million.
  Delivery will be finalized in 2012.
Highlights during the quarter

Large orders, total SEK 310 million (480)

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

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

Large orders, total SEK 310 million (480)

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

Highlights during the quarter

Large orders, total SEK 310 million (480)

- Carbon capture order in the US.
- Refinery order in India.
- Refinery order in India.
- Energy-efficiency order in Russia.

Order for compact heat exchangers to be used in a refinery. Order value SEK 70 million. Delivery in 2011.
## Large orders in 2010

Large orders, total SEK 1 000 million (900)

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Country</th>
<th>Application</th>
<th>Industry</th>
<th>Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>80</td>
<td>US</td>
<td>Carbon capture</td>
<td>Power</td>
<td>2012</td>
</tr>
<tr>
<td>110</td>
<td>India</td>
<td>Heat transfer</td>
<td>Refinery</td>
<td>2011</td>
</tr>
<tr>
<td>50</td>
<td>India</td>
<td>Heat transfer</td>
<td>Refinery</td>
<td>2011</td>
</tr>
<tr>
<td>70</td>
<td>Russia</td>
<td>Heat transfer</td>
<td>Refinery</td>
<td>2011</td>
</tr>
<tr>
<td>250</td>
<td>US</td>
<td>Environmental</td>
<td>Waste water plant</td>
<td>2013</td>
</tr>
<tr>
<td>60</td>
<td>India</td>
<td>Energy efficiency</td>
<td>Salt production</td>
<td>2011</td>
</tr>
<tr>
<td>95</td>
<td>India</td>
<td>Heat transfer</td>
<td>Refinery</td>
<td>2011</td>
</tr>
<tr>
<td>80</td>
<td>Korea</td>
<td>Ballast water</td>
<td>Marine</td>
<td>2011-12</td>
</tr>
<tr>
<td>65</td>
<td>India</td>
<td>Heat transfer/fluid handl.</td>
<td>Functional food</td>
<td>2010-11</td>
</tr>
<tr>
<td>50</td>
<td>Malaysia</td>
<td>Evaporation</td>
<td>Pulp/paper</td>
<td>2011</td>
</tr>
<tr>
<td>90</td>
<td>Saudi Arabia</td>
<td>Heat transfer</td>
<td>Refinery</td>
<td>2011</td>
</tr>
</tbody>
</table>
Definox – a French fluid handling company.

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

Acquisitions

✶ Definox – a French fluid handling company.
✶ Olmi – an Italian producer of heat exchangers.

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

Acquisitions

* Definox – a French fluid handling company.
* Olmi – an Italian producer of heat exchangers.
* Aalborg Industries – Danish supplier of equipment and solutions to marine, offshore and power markets.

Agreement signed to acquire the company, whose offering includes boiler systems, thermal fluid systems, waste heat recovery systems and inert gas systems. Aalborg, which has some 2,600 employees, will add sales of about SEK 3.3 billion.
Aalborg Industries
Agreement signed for acquisition

- Manufacturing and engineering presence in key markets such as China, Vietnam and Brazil with a global service network enabling quick turnaround services
- Well positioned for structural growth based on attractive underlying trends such as globalization, energy efficiency and environment
- Agreed price SEK5.0 billion
- EBITA margin well in line with Group target
- Accretive to EPS from 2011
- Closing of the transaction is subject to clearance from regulatory authorities
Alfa Laval’s offering in heat transfer is further strengthened
## Acquisitions in 2010

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

**Total** 4,620

*Agreement signed*
Interim report Q4 2010

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Orders received by customer segment

Oct – Dec 2010, at constant rates

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

www.alfalaval.com
Orders received by customer segment

Process Technology Division Oct – Dec 2010, at constant rates

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

* Demand for vegetable oil lifted Food.
* Significant demand for parts.
* Base business boosted Process Industry.
Orders received by customer segment

Equipment Division, Oct – Dec 2010, at constant rates

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

January – December 2010, at constant rates

- Life Science
- Process Industry
- Energy & Environment
- Food
- Parts & Service
- Industrial Equipment
- Marine & Diesel
- OEM
- Sanitary
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Mr. Lars Renström
President and CEO
Alfa Laval Group
Orders received by Region
Oct – Dec 2010, at constant rates

- Asia: 33%
- Western Europe: 23%
- Nordic: 9%
- Centr. & East: 9%
- L. America: 6%
- North America: 18%
- Other: 2%

Changes:
- Asia: +37
- Western Europe: +12
- Nordic: +10
- Centr. & East: +62
- L. America: +26
- North America: +10
- Other: +26
North America
* All segments grew except Process Industry.
* Base business rose significantly.

Latin America
* Order intake was unchanged.
* Base business grew, but negative impact from non-repeat large orders.
Highlights Europe
Oct – Dec 2010, at constant rates

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

Central and Eastern Europe
- Very strong quarter, with growth across the line.
- Russia and Turkey did particularly well.
Highlights Asia

Oct – Dec 2010, at constant rates

Asia

- Good development, especially in India, Korea and China.
- All EQD segments performed well.
- Process Industry and Energy & Environment affected by non-repeats.
Orders received by Region
January – December 2010, at constant rates

- Asia 32%
- Western Europe 24%
- Nordic & East 8%
- Centr. & East 6%
- North America 19%
- Other 2%
### Highlights

<table>
<thead>
<tr>
<th>SEK millions</th>
<th>Oct – Dec 2010</th>
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</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>6,379</td>
</tr>
<tr>
<td>Net sales</td>
<td>7,169</td>
</tr>
</tbody>
</table>
### Gross Profit Margin

- **- analysis year-on-year**

<table>
<thead>
<tr>
<th>In percent</th>
<th>Q4 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>38.7</td>
</tr>
<tr>
<td>- Foreign exchange, transaction</td>
<td>+ 0.8</td>
</tr>
<tr>
<td>- Changes in price &amp; mix</td>
<td>+ 0.7</td>
</tr>
<tr>
<td><strong>Sub.total:</strong></td>
<td><strong>40.2</strong></td>
</tr>
</tbody>
</table>

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

**Actual for Q4 2010:** 39.3
## Highlights

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<tr>
<td>Adjusted EBITA</td>
<td>1,337</td>
</tr>
<tr>
<td>Adjusted EBITA-margin</td>
<td>18.6%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>1,273</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>2010</td>
<td>2009</td>
</tr>
<tr>
<td>Earnings</td>
<td>2.14</td>
<td>1.48</td>
</tr>
<tr>
<td>Earnings, excluding step-up</td>
<td>2.32</td>
<td>1.65</td>
</tr>
</tbody>
</table>
## Highlights

<table>
<thead>
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</tr>
<tr>
<td>Profit before tax</td>
<td>1,273</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>1,081</td>
</tr>
<tr>
<td>ROCE</td>
<td>37.4%</td>
</tr>
<tr>
<td>ROE</td>
<td>24.4%</td>
</tr>
</tbody>
</table>
# Cash-flow statement

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flow from</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- operating activities</td>
<td>4,098</td>
<td>5,347</td>
</tr>
<tr>
<td>- investing activities</td>
<td>-1,417</td>
<td>-2,620</td>
</tr>
<tr>
<td>Financial net paid</td>
<td>-84</td>
<td>-265</td>
</tr>
<tr>
<td>Dividends</td>
<td>-1,064</td>
<td>-955</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,533</strong></td>
<td><strong>1,087</strong></td>
</tr>
</tbody>
</table>

**Pro Forma Free cash-flow***

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>3,585</strong></td>
<td><strong>3,324</strong></td>
<td></td>
</tr>
</tbody>
</table>

*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 10</th>
<th>WY 10</th>
<th>WY 11*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation effect</td>
<td>-24</td>
<td>-95</td>
<td>-130</td>
</tr>
<tr>
<td>Transaction effect</td>
<td>+56</td>
<td>+451</td>
<td>-180</td>
</tr>
<tr>
<td>Total</td>
<td>+32</td>
<td>+356</td>
<td>-310</td>
</tr>
</tbody>
</table>

*Based on EUR/USD 1.33 and EUR/SEK 8.95*
Order backlog as per Dec 31

<table>
<thead>
<tr>
<th>Year</th>
<th>For delivery in 2011</th>
<th>For delivery later than 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>11,642</td>
<td>2,668</td>
</tr>
<tr>
<td>2009</td>
<td>9,637</td>
<td>2,269</td>
</tr>
<tr>
<td>2010</td>
<td>9,573</td>
<td>1,979</td>
</tr>
</tbody>
</table>
### Sales

#### Full year 2011

<table>
<thead>
<tr>
<th></th>
<th>SEK (bln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full year 2010</td>
<td>24.7</td>
</tr>
<tr>
<td>FX-translation</td>
<td>- 1.1</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>23.6</strong></td>
</tr>
<tr>
<td>Orders “in-for-out”</td>
<td>?</td>
</tr>
<tr>
<td>Price</td>
<td>?</td>
</tr>
<tr>
<td>Acquisitions (incl Olmi)</td>
<td>+ 0.4</td>
</tr>
<tr>
<td>Aalborg (9 months as 2010)</td>
<td>+ 2.3</td>
</tr>
</tbody>
</table>

**Full year 2011**
# Acquisition of Aalborg Industries

## Funding and indebtedness, pro-forma

### Funding, assuming no net debt in Aalborg

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>EIB loan, 7 years</td>
<td>SEK 1.15 Bln</td>
</tr>
<tr>
<td>Bridge loan, 12 months</td>
<td>2.50</td>
</tr>
<tr>
<td>Senior Facility</td>
<td>1.35</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5.00</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Indicator</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt</td>
<td>SEK 4.5 Bln</td>
<td></td>
<td>0.35</td>
</tr>
<tr>
<td>EBITDA</td>
<td>5.7</td>
<td></td>
<td>0.80</td>
</tr>
<tr>
<td>Equity</td>
<td>13.6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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Mr. Lars Renström
President and CEO
Alfa Laval Group
Outlook for the first quarter

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