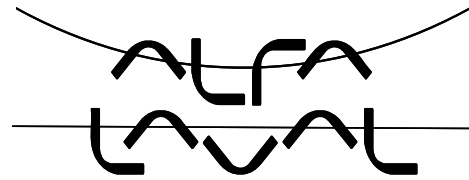


# Third quarter 2011



"Order intake during the third quarter of the year reached a new record level of SEK 8.0 billion, out of which large orders again constituted more than SEK 500 million. Recently acquired Aalborg Industries contributed with SEK 700 million. Compared to the corresponding period last year order intake increased with 31 percent. On a like for like basis the increase was 21 percent. All regions showed growth and Asia, Latin America and Central and Eastern Europe accounted for 53 percent of the order intake for the Group.

Process Industry, Marine & Diesel and Food had the strongest development. A continued high activity level within refinery, petrochemicals, land based diesel power plants and plants for vegetable oil production were contributing factors. Demand for Sanitary and OEM, both fast moving businesses, decreased somewhat – a development that can be linked to the increased macro economic uncertainty.

Sales increased by 30 percent to SEK 7.6 billion at the same time as the operating result was SEK 1.4 billion, corresponding to an operating margin of 18.9 percent."

*Lars Renström, President and CEO*

Summary SEK millions	Third quarter				First nine months			
	2011	2010	%	% *	2011	2010	%	% *
Order intake	8,018	6,134	31	37	21,897	17,490	25	36
Net sales	7,571	5,811	30	37	20,503	17,551	17	27
Adjusted EBITA	1,431	1,141	25		3,900	3,345	17	
- adjusted EBITA margin (%)	18.9	19.6			19.0	19.1		
Result after financial items	1,113	1,044	7		3,295	3,091	7	
Net income for the period	780	758	3		2,317	2,211	5	
Earnings per share (SEK)	1.84	1.78	3		5.47	5.20	5	
Cash flow**	1,031	1,118	-8		2,138	3,017	-29	
Impact on EBITA of:								
- foreign exchange effects	-114	124			-388	324		
Impact on result after financial items of:								
- Aalborg integration costs	-	-			-80	-		
- reversed restructuring provisions	-	-			-	80		

\* excluding exchange rate variations

\*\* from operating activities

## Outlook for the fourth quarter

"We expect that demand during the fourth quarter 2011 will be in line with or somewhat lower than in the third quarter."

*Earlier published outlook (July 19, 2011): "We expect demand during the third quarter 2011 to be higher than the third quarter of 2010."*

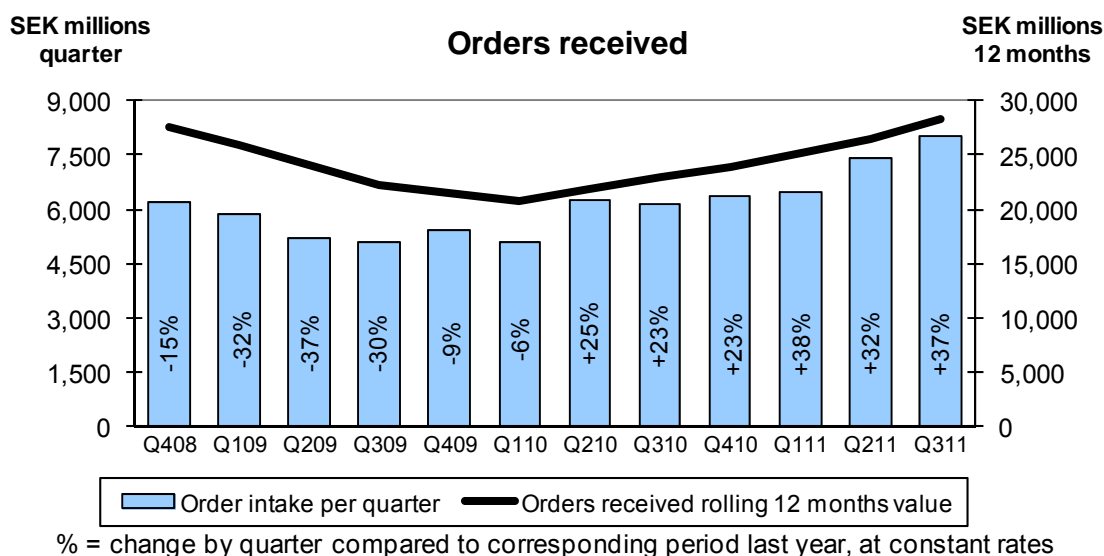
The interim report has been reviewed by the company's auditors, see page 23 for the review report.

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## Management's discussion and analysis



### Order bridge

SEK millions	Third quarter 2010	Structural change (%)	Currency effects (%)	Organic development (%)	Total (%)	Third quarter 2011
Order intake	6,134	16.1	-6.6	21.2	30.7	8,018

Orders received amounted to SEK 8,018 (6,134) million for the third quarter. Excluding exchange rate variations, the order intake for the Group was 37.3 percent higher than the third quarter last year. Adjusted for acquisitions of businesses<sup>1)</sup>, the corresponding figure is an increase by 21.2 percent.

Orders received amounted to SEK 21,897 (17,490) million for the first nine months. Excluding exchange rate variations, the order intake for the Group was 35.7 percent higher than the same period last year. Adjusted for acquisitions of businesses<sup>1)</sup>, the corresponding figure is an increase by 25.5 percent.

Orders received from the aftermarket Parts & Service constituted 25.3 (29.0) percent of the Group's total orders received for the first nine months. Excluding exchange rate variations, the order intake for Parts & Service increased by 18.7 percent during the first nine months 2011 compared to the corresponding period last year.

### Large orders<sup>2)</sup> in the third quarter:

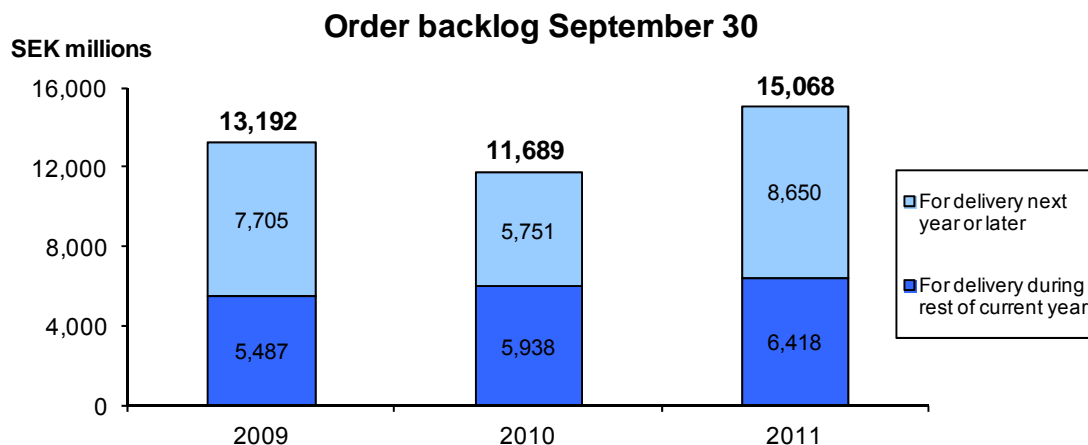
During the third quarter 2011 Alfa Laval received large orders for SEK 525 (270) million:

- An order to supply Alfa Laval Packinox heat exchangers to a petrochemical plant in Singapore. The order value is about SEK 110 million and delivery is scheduled for 2012.
- An order from a contractor in South Korea for heat exchangers to be installed in the first nuclear power plant in the United Arab Emirates (UAE). The order is worth approximately SEK 60 million and deliveries are scheduled to start in 2013 and be completed in 2018.

1. Acquired businesses are: Aalborg Industries at May 1, 2011, a service company in the US at May 1, 2011, Olmi S.p.A at December 6, 2010, Definox at November 1, 2010, Si Fang Stainless Steel Products Co. Ltd at April 1, 2010, Astepo S.r.l. at April 1, 2010.

2. Orders with a value over EUR 5 million.

- An order for compact heat exchangers for a petrochemical plant in China. The order value is about SEK 50 million and delivery is scheduled for 2012.
- An order from a Japanese engineering company to supply heat exchangers for a new major natural gas project in Qatar. The order value is approximately SEK 90 million and delivery is scheduled for 2012.
- An order for supply of a complete process solution to a baby food manufacturer in India. The order value is about SEK 100 million and delivery is scheduled for 2013.
- An order to supply Alfa Laval Packinox heat exchangers to a refinery in Kazakhstan. The order value is approximately SEK 55 million and delivery is scheduled for 2012.
- An order to supply newly developed decanters for cleaning of industrial wastewater in Canada. The order value is approximately SEK 60 million and delivery is scheduled for 2012.



The order backlog at September 30, 2011 was SEK 15,068 (11,689) million. Excluding exchange rate variations and adjusted for acquisitions of businesses the order backlog was 11.4 percent higher than the order backlog at September 30, 2010 and 16.7 percent higher than the order backlog at the end of 2010.

## Net sales

### Sales bridge

SEK millions	Third quarter 2010	Structural change (%)	Currency effects (%)	Organic development (%)	Total (%)	Third quarter 2011
Net sales	5,811	18.1	-6.4	18.6	30.3	7,571

Net invoicing was SEK 7,571 (5,811) million for the third quarter. Excluding exchange rate variations, the net invoicing was 36.8 percent higher than the third quarter last year. Adjusted for acquisitions of businesses, the corresponding figure is an increase by 18.6 percent.

Net invoicing was SEK 20,503 (17,551) million for the first nine months. Excluding exchange rate variations, the invoicing was 26.5 percent higher than the period January to September last year. Adjusted for acquisitions of businesses, the corresponding figure is an increase by 14.1 percent.

Net invoicing relating to Parts & Service constituted 26.1 (27.3) percent of the Group's total net invoicing for the first nine months.

**CONSOLIDATED COMPREHENSIVE INCOME**

SEK millions	Third quarter		First nine months		Full year
	2011	2010	2011	2010	2010
Net sales	7,571	5,811	20,503	17,551	24,720
Cost of goods sold	-4,799	-3,478	-12,652	-10,593	-15,029
Gross profit	2,772	2,333	7,851	6,958	9,691
Sales costs	-955	-785	-2,589	-2,328	-3,156
Administration costs	-302	-259	-941	-832	-1,224
Research and development costs	-158	-138	-473	-414	-625
Other operating income *	100	113	267	350	494
Other operating costs *	-150	-214	-612	-595	-779
Operating income	1,307	1,050	3,503	3,139	4,401
Dividends and changes in fair value	2	2	5	4	2
Interest income and financial exchange rate gains	-86	5	288	225	327
Interest expense and financial exchange rate losses	-110	-13	-501	-277	-366
Result after financial items	1,113	1,044	3,295	3,091	4,364
Taxes	-333	-286	-978	-880	-1,248
<b>Net income for the period</b>	<b>780</b>	<b>758</b>	<b>2,317</b>	<b>2,211</b>	<b>3,116</b>
Other comprehensive income:					
Cash flow hedges	-192	212	-138	212	122
Translation difference	345	-698	21	-558	-554
Deferred tax on other comprehensive income	39	-67	80	-66	-36
<b>Comprehensive income for the period</b>	<b>972</b>	<b>205</b>	<b>2,280</b>	<b>1,799</b>	<b>2,648</b>
<b>Net income attributable to:</b>					
Owners of the parent	773	748	2,295	2,189	3,088
Non-controlling interests	7	10	22	22	28
Earnings per share (SEK)	1.84	1.78	5.47	5.20	7.34
Average number of shares **	419,456,315	419,456,315	419,456,315	420,843,698	420,494,001
<b>Comprehensive income attributable to:</b>					
Owners of the parent	964	204	2,264	1,783	2,625
Non-controlling interests	7	1	15	16	23

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

\*\* Average number of shares has been affected by repurchase of shares.

The gross margin has been affected by negative exchange rate effects and a negative mix effect mainly through a lower share of parts & service sales. In addition the gross margin in the quarter has been affected among others by somewhat lower metal prices and lower margins on certain contract based sales. This particular part of contract based sales emanates from orders that were received during the weaker part of the business cycle.

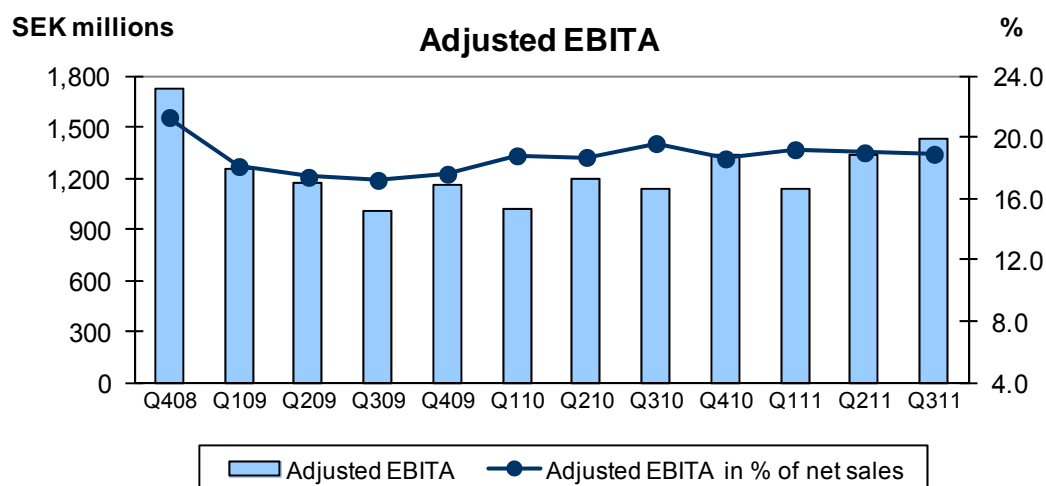
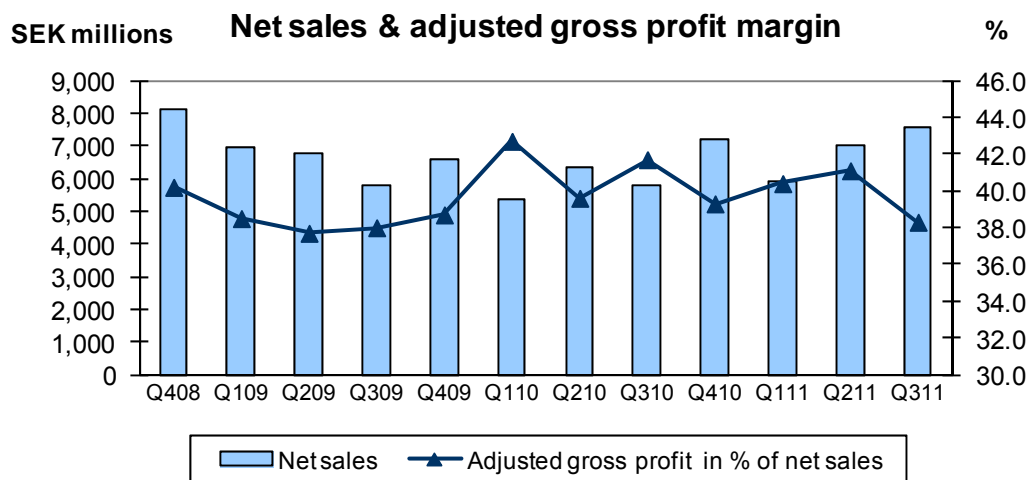
Sales and administration expenses amounted to SEK 3,530 (3,160) million during the first nine months 2011. Adjusted for exchange rate variations and acquisitions of businesses, sales and administration expenses were 9.8 percent higher than the corresponding period last year.

The costs for research and development have amounted to SEK 473 (414) million during the first nine months 2011, corresponding to 2.3 (2.4) percent of net sales. Adjusted for exchange rate variations and acquisitions of businesses, the costs for research and development have increased by 15.3 percent compared to the corresponding period last year.

Consolidated SEK millions	Income analysis				
	Third quarter		First nine months		Full year
	2011	2010	2011	2010	2010
Net sales	7,571	5,811	20,503	17,551	24,720
Adjusted gross profit *	2,896	2,424	8,168	7,244	10,062
- in % of net sales	<b>38.3</b>	<b>41.7</b>	<b>39.8</b>	<b>41.3</b>	<b>40.7</b>
Expenses **	-1,346	-1,180	-3,939	-3,593	-4,955
- in % of net sales	17.8	20.3	19.2	20.5	20.0
<b>Adjusted EBITDA</b>	<b>1,550</b>	<b>1,244</b>	<b>4,229</b>	<b>3,651</b>	<b>5,107</b>
- in % of net sales	20.5	21.4	20.6	20.8	20.7
Depreciation	-119	-103	-329	-306	-425
<b>Adjusted EBITA</b>	<b>1,431</b>	<b>1,141</b>	<b>3,900</b>	<b>3,345</b>	<b>4,682</b>
- in % of net sales	<b>18.9</b>	<b>19.6</b>	<b>19.0</b>	<b>19.1</b>	<b>18.9</b>
Amortisation of step up values	-124	-91	-317	-286	-371
Comparison distortion items	-	-	-80	80	90
Operating income	1,307	1,050	3,503	3,139	4,401

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

The net income attributable to the owners of the parent, excluding depreciation of step-up values and the corresponding tax, is SEK 5.99 (5.70) per share for the first nine months.



Consolidated	Comparison distortion items				
	Third quarter		First nine months		Full year
	2011	2010	2011	2010	2010
SEK millions					
<b>Operational</b>					
Other operating income	100	113	267	270	404
Comparison distortion income	-	-	-	80	90
Total other operating income	100	113	267	350	494
Other operating costs	-150	-214	-532	-595	-779
Comparison distortion costs	-	-	-80	-	-
Total other operating costs	-150	-214	-612	-595	-779

The operating income for the first nine months 2011 has been affected by comparison distortion items of SEK -80 (80) million. When applicable these are reported gross in the comprehensive income statement as a part of other operating income and other operating costs.

The comparison distortion costs during the first nine months 2011 of SEK -80 million is related to non-recurring integration costs in connection with the acquisition of Aalborg Industries. The comparison distortion income during the first nine months 2010 of SEK 80 million related to reversal of unused parts of the provisions made in connection with the savings' measures that were initiated during 2009. Since the actual costs for the measures became SEK 80 million lower the amount was reversed.

## Consolidated financial result and taxes

The financial net has amounted to SEK -100 (-99) 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 -26 (-1) million, interest on the bilateral term loans SEK -40 (-6) million, interest on the private placement of SEK -13 (-17) million and a net of dividends and other interest income and interest costs of SEK -21 (-75) million. The net of realised and unrealised exchange rate differences amounts to SEK -108 (51) million.

Consolidated	Key figures		
	September 30		December 31
	2011	2010	2010
Return on capital employed (%) *	31.8	35.8	37.4
Return on equity capital (%) *	23.5	23.1	24.4
Solidity (%) **	41.5	48.8	50.0
Net debt to EBITDA, times *	0.75	-0.08	-0.11
Debt ratio, times **	0.29	-0.03	-0.04
Number of employees **	15,997	12,095	12,618

\* Calculated on a 12 months' revolving basis.

\*\* At the end of the period.

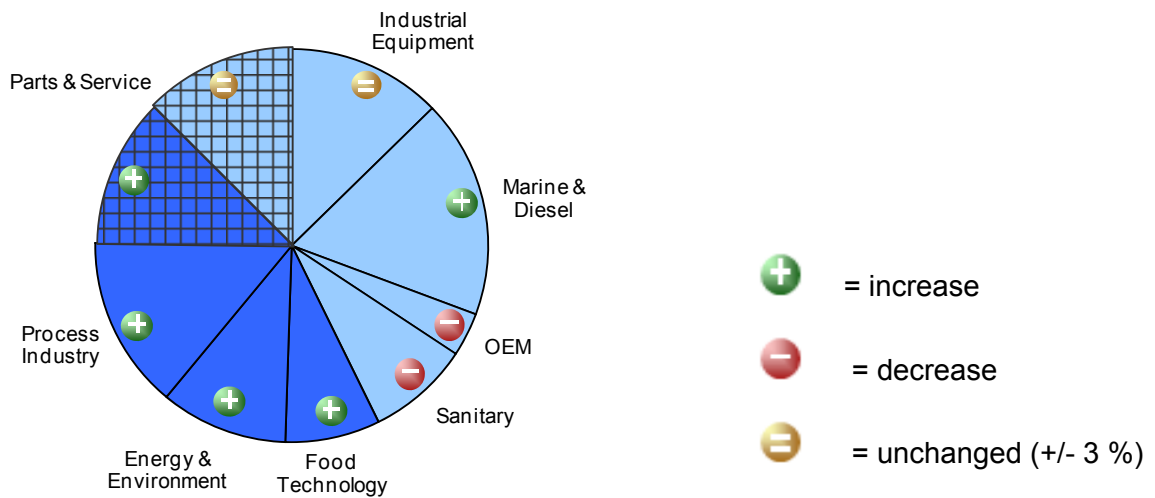
## Operating segments

Consolidated	Orders received				
	Third quarter		First nine months		Full year
	2011	2010	2011	2010	2010
SEK millions					
Equipment	4,367	3,220	12,057	9,601	12,945
Process Technology	3,651	2,913	9,840	7,880	10,923
Other	0	1	0	9	1
Total	8,018	6,134	21,897	17,490	23,869

For the first nine months 2011 orders received for Equipment increased by 35.9 percent and net sales increased by 27.5 percent excluding exchange rate variations compared to the corresponding period last year. Adjusted for acquisitions of businesses, the corresponding figures are an increase by 21.8 percent and 12.1 percent respectively.

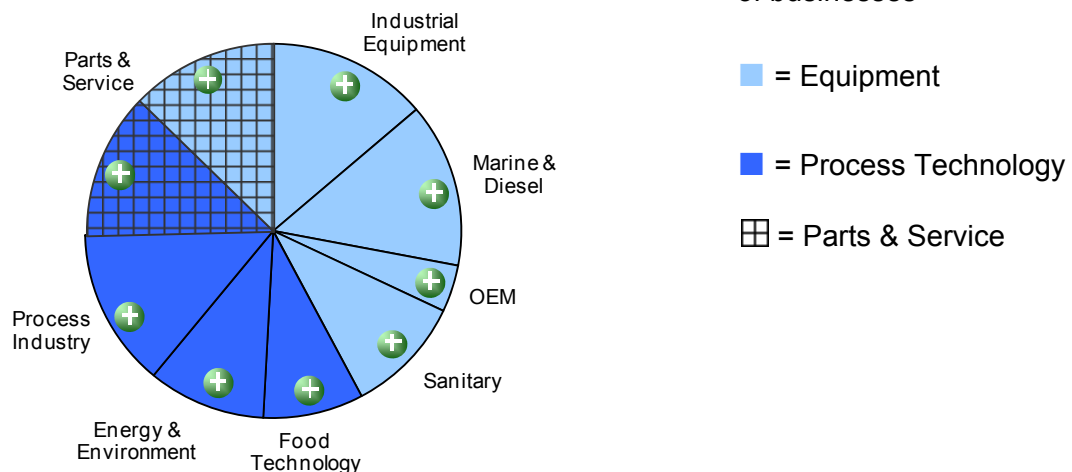
For the first nine months 2011 orders received for Process Technology increased by 35.7 percent and net sales increased by 25.5 percent excluding exchange rate variations compared to the corresponding period last year. Adjusted for acquisitions of businesses, the corresponding figures are an increase by 30.2 percent and 17.2 percent respectively.

**Orders received by customer segment Q3 2011**



compared to corresponding period last year, at constant rates adjusted for acquisitions of businesses

**Orders received by customer segment YTD 2011**



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

Order intake was unchanged in the third quarter compared with the same period last year due to a mixed demand situation in the different end markets.

The Industrial Equipment segment was flat as a whole. Strong demand was reported for district heating and cooling applications as well as a good development for engine & transport applications. On the negative side was a lower demand for refrigeration applications as well as from fluid & utilities' customers. In Sanitary order intake dropped somewhat, stemming primarily from a decline in the food and beverage industries, even as the activity in pharmaceuticals and personal care still was very good. The OEM segment also saw a lower activity level as the large customers started to take a cautious approach to the current macro economic turbulence and adjust the manufacturing pace. The order intake in the Marine & Diesel segment grew substantially. Demand was up for both the traditional Alfa Laval product range, including environmental solutions such as ballast water treatment, as well as the acquired Aalborg assortment. Demand for diesel power was also substantially higher.

Parts & Service was flat.

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

Order intake was very strong for the division in the third quarter, with all segments recording growth compared to the same quarter last year. Above average growth for large contracts had a strong impact, but the base business\* also showed a very good development. Parts & Service reported continued stable growth. Geographically all regions grew, with Asia being the strongest contributor.

Growth in Energy & Environment was boosted by the oil & gas market unit, as continued high energy prices led to the realization of further capacity-related investments. A large order in Canada was also secured including newly developed equipment for industrial waste water treatment applications. Meanwhile, the power market unit was slightly below last year's level. The same applied to the environment market unit that was affected by the very large waste-water treatment order secured in the US during the third quarter of 2010. Process Industry noted strong growth with a positive development across all market units, where life science, refinery and petrochemicals were particularly noteworthy. The latter benefitted from significant sales volumes of large Packinox heat exchangers, primarily to the fast growing part of the world where consumption patterns and structural growth continued to drive demand for petrochemical-related applications. Food Technology also had a very strong performance as applications for the vegetable oil market unit continued to grow, primarily in Asia and Latin America. A further contributing factor was orders for some large biodiesel solutions in Latin America. The market unit beverage and viscous food continued to grow, and a significant order for equipment to a baby food plant in India was secured in the period.

The good development in Parts & Service was visible across the line, but a higher activity level among customers in Process Industry as well as in the Food area was particularly noticeable.

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



Consolidated	<b>Net sales</b>				
	Third quarter		First nine months		Full year
	2011	2010	2011	2010	2010
SEK millions					
Equipment	4,517	3,375	11,999	10,159	14,065
Process Technology	3,054	2,434	8,504	7,373	10,632
Other	0	2	0	19	23
<b>Total</b>	<b>7,571</b>	<b>5,811</b>	<b>20,503</b>	<b>17,551</b>	<b>24,720</b>

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

Consolidated	<b>Order backlog</b>		
	September 30		December 31
	2011	2010	2010
SEK millions			
Equipment	7,430	5,652	4,983
Process Technology	7,638	6,026	6,569
Other	0	11	0
<b>Total</b>	<b>15,068</b>	<b>11,689</b>	<b>11,552</b>

Consolidated	<b>Operating income</b>				
	Third quarter		First nine months		Full year
	2011	2010	2011	2010	2010
SEK millions					
Equipment	891	668	2,270	1,946	2,604
Process Technology	564	522	1,732	1,446	2,159
Other	-143	-117	-368	-302	-405
Subtotal	1,312	1,073	3,634	3,090	4,358
Comparison distortion items	-	-	-80	80	90
Consolidation adjustments *	-5	-23	-51	-31	-47
<b>Total</b>	<b>1,307</b>	<b>1,050</b>	<b>3,503</b>	<b>3,139</b>	<b>4,401</b>

\* Difference between management accounts and IFRS.

The increase in operating income for both Equipment and Process Technology during the first nine months 2011 compared to the corresponding period last year is mainly explained by increased volume, mitigated by higher costs and negative foreign exchange effects.

Consolidated	<b>Assets</b>			<b>Liabilities</b>		
	September 30		December 31	September 30		December 31
	2011	2010	2010	2011	2010	2010
SEK millions						
Equipment	14,814	9,052	9,283	3,549	1,941	2,166
Process Technology	9,969	7,952	8,482	5,506	4,635	4,127
Other	5,429	4,279	4,456	3,279	2,061	2,286
Subtotal	30,212	21,283	22,221	12,334	8,637	8,579
Corporate	4,933	4,811	4,948	8,217	4,724	5,008
<b>Total</b>	<b>35,145</b>	<b>26,094</b>	<b>27,169</b>	<b>20,551</b>	<b>13,361</b>	<b>13,587</b>

Consolidated	<b>Depreciation</b>				
	Third quarter		First nine months		Full year
	2011	2010	2011	2010	2010
SEK millions					
Equipment	98	62	236	189	256
Process Technology	66	48	180	138	198
Other	79	84	230	265	342
<b>Total</b>	<b>243</b>	<b>194</b>	<b>646</b>	<b>592</b>	<b>796</b>

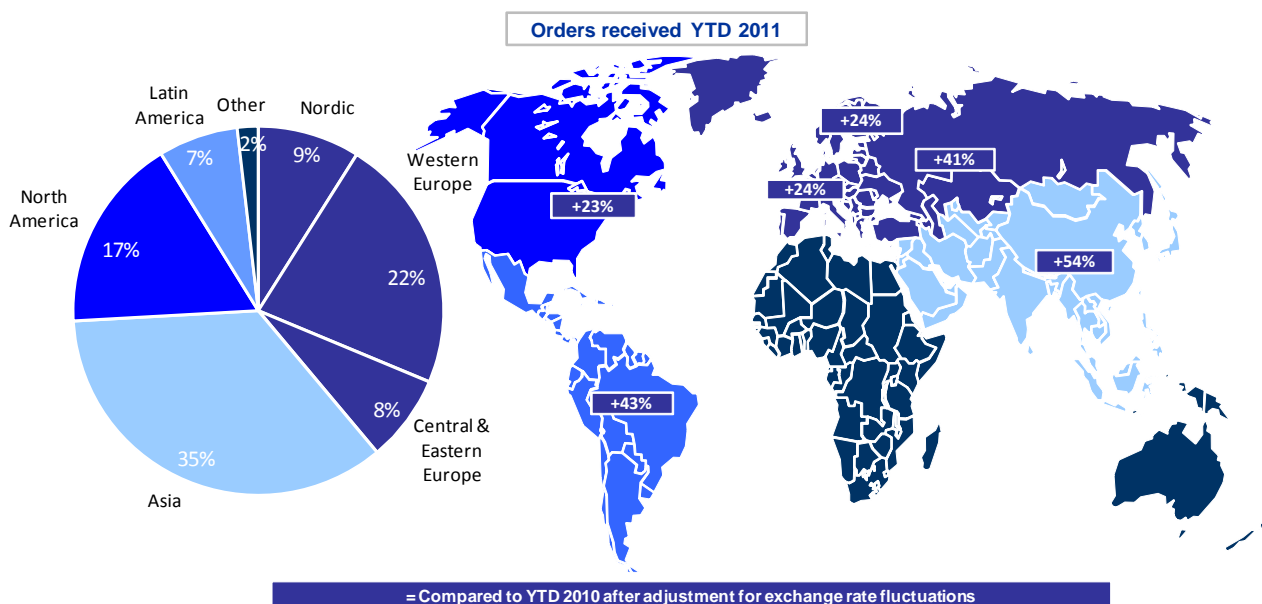
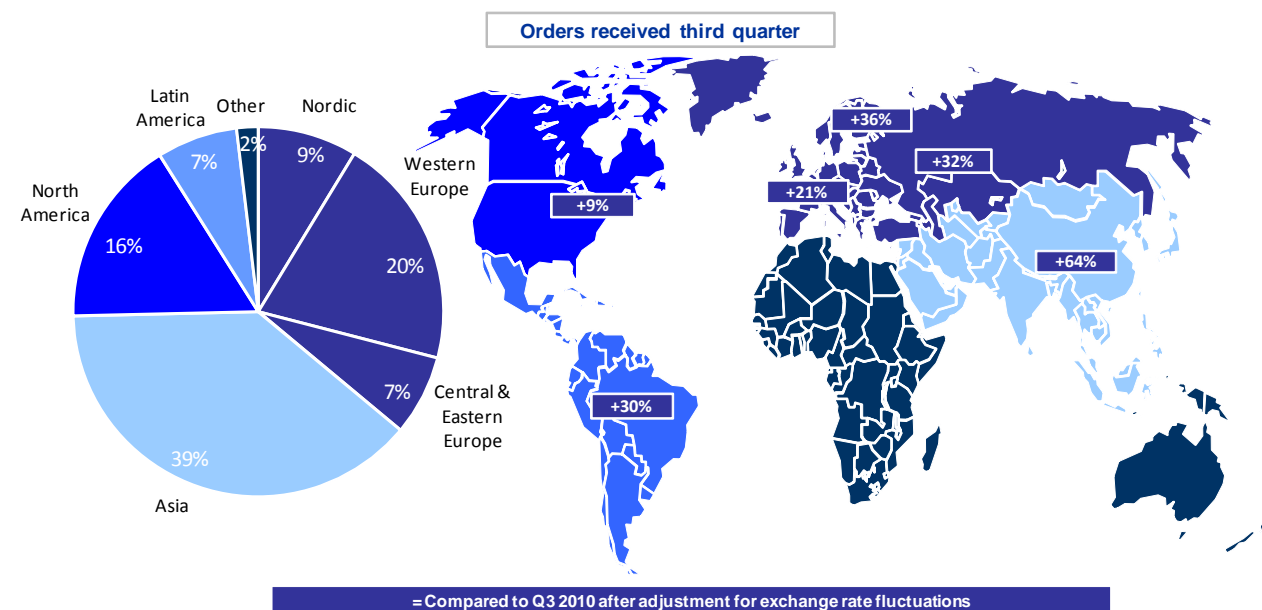
Consolidated	<b>Investments</b>				
	Third quarter		First nine months		Full year
	2011	2010	2011	2010	2010
SEK millions					
Equipment	22	13	60	46	75
Process Technology	18	42	66	75	85
Other	75	37	157	106	269
<b>Total</b>	<b>115</b>	<b>92</b>	<b>283</b>	<b>227</b>	<b>429</b>

### Information about products and services

Consolidated	<b>Net sales by product/service *</b>				
	Third quarter		First nine months		Full year
	2011	2010	2011	2010	2010
SEK millions					
Own products within:					
Separation	1,555	1,379	4,555	4,325	6,043
Heat transfer	4,323	3,098	11,185	9,320	13,092
Fluid handling	748	666	2,231	1,929	2,700
Other	142	144	439	369	550
Associated products	512	243	1,197	784	1,144
Services	291	281	896	824	1,191
<b>Total</b>	<b>7,571</b>	<b>5,811</b>	<b>20,503</b>	<b>17,551</b>	<b>24,720</b>

\* The split of own products within separation, heat transfer 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 complement 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

Order intake grew in the third quarter compared to the corresponding period last year, with the best development reported in Mid Europe, Nordic and Iberica. Among the segments Industrial Equipment and Marine & Diesel had a good development, as did Process Industry. A continued high activity level among customers in the latter segment contributed to a solid development for Parts & Service. The base business showed continued growth.

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

## Central and Eastern Europe

Order intake in Central & Eastern Europe was strong in both divisions during the third quarter, with a good activity level in the project related business as well as Parts & Service. Most segments did better than the corresponding period last year and Process Industry, Marine & Diesel and Food Technology did particularly well. Russia, Ukraine and Romania all reported good growth.

## North America

Order intake grew in the region in the third quarter compared with the corresponding quarter last year, with most capital sales segments reporting a positive development. Energy & Environment was boosted by the development in the oil & gas market unit, as continued high energy prices led to the initiation of further capacity-related investments. Another positive impact to the segment came from the large industrial wastewater order which was won in Canada during the period. Demand for Parts & Service was up across the region, particularly in the US and a continued good development was also seen in the base business.

## Latin America

Latin America had a good development during the third quarter, with growth in both divisions and particularly in the Process Industry, Parts & Service, Food Technology and Industrial Equipment segments. Countries with good order intake growth included Brazil, Argentina and Mexico.

## Asia

Order intake showed a substantial increase in the third quarter compared to the same period last year. The performance was particularly strong in the Process Technology division, where the development was driven by large orders secured during the quarter. Marine & Diesel also performed well and continued to benefit from orders placed at the yards in China and Korea late last year. The base business continued to report growth and Parts & Service also had a good development. From a geographical view the positive development was broad based across most countries with the best performance seen in South East Asia, Japan and India.

Consolidated SEK millions	Net sales				
	Third quarter		First nine months		Full year
	2011	2010	2011	2010	2010
To customers in:					
Sweden	229	205	687	590	849
Other EU	1,937	1,652	5,356	4,837	6,879
Other Europe	627	473	1,640	1,432	1,953
USA	962	787	2,804	2,406	3,354
Other North America	233	154	606	462	757
Latin America	612	372	1,449	1,145	1,531
Africa	52	88	152	188	242
China	1,103	752	2,768	2,292	3,144
Other Asia	1,714	1,237	4,747	3,945	5,648
Oceania	102	91	294	254	363
<b>Total</b>	<b>7,571</b>	<b>5,811</b>	<b>20,503</b>	<b>17,551</b>	<b>24,720</b>

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

Consolidated SEK millions	<b>Non-current assets</b>		
	September 30 2011	September 30 2010	December 31 2010
Sweden	1,542	1,622	1,598
Denmark	6,131	826	789
Other EU	3,833	3,347	3,890
Other Europe	339	352	349
USA	2,246	2,003	2,016
Other North America	118	120	125
Latin America	167	160	167
Africa	1	1	1
Asia	3,072	3,011	3,045
Oceania	92	91	97
Subtotal	17,541	11,533	12,077
Pension assets	325	169	235
Deferred tax asset	1,303	1,253	1,301
Total	19,169	12,955	13,613

### 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 a volume amounting to about 4 percent of net sales.

**CONSOLIDATED CASH FLOWS**

SEK millions	Third quarter		First nine months		Full year
	2011	2010	2011	2010	2010
<b>Operating activities</b>					
Operating income	1,307	1,050	3,503	3,139	4,401
Adjustment for depreciation	243	194	646	592	796
Adjustment for other non-cash items	-23	231	48	190	145
	1,527	1,475	4,197	3,921	5,342
Taxes paid	-293	-416	-1,031	-959	-1,215
	1,234	1,059	3,166	2,962	4,127
Changes in working capital:					
Increase(-)/decrease(+) of receivables	-137	157	-46	269	360
Increase(-)/decrease(+) of inventories	943	14	-1,261	-512	-536
Increase(+)/decrease(-) of liabilities	-1,065	-163	229	391	332
Increase(+)/decrease(-) of provisions	56	51	50	-93	-185
<b>Increase(-)/decrease(+) in working capital ***</b>	<b>-203</b>	<b>59</b>	<b>-1,028</b>	<b>55</b>	<b>-29</b>
	1,031	1,118	2,138	3,017	4,098
<b>Investing activities</b>					
Investments in fixed assets (Capex)	-115	-92	-283	-227	-429
Divestment of fixed assets	-2	0	1	4	31
Acquisition of businesses	-60	-102	-4,954	-423	-1,019
	-177	-194	-5,236	-646	-1,417
<b>Financing activities</b>					
Received interests and dividends	26	8	57	73	52
Paid interests	-67	-9	-148	-108	-139
Realised financial exchange differences	-92	27	232	25	3
Repurchase of shares	-	-	-	-253	-253
Dividends to owners of the parent	-	-	-1,258	-1,055	-1,055
Dividends to non-controlling interests	-	1	-10	-9	-9
Increase(-)/decrease(+) of financial assets	-25	-126	219	-246	-389
Increase(+)/decrease(-) of borrowings ***	-691	-640	4,412	-660	-641
	-849	-739	3,504	-2,233	-2,431
<b>Cash flow for the period</b>	<b>5</b>	<b>185</b>	<b>406</b>	<b>138</b>	<b>250</b>
Cash and bank at the beginning of the period	1,695	1,107	1,328	1,112	1,112
Translation difference in cash and bank	22	-91	-12	-49	-34
<b>Cash and bank at the end of the period</b>	<b>1,722</b>	<b>1,201</b>	<b>1,722</b>	<b>1,201</b>	<b>1,328</b>
Free cash flow per share (SEK) *	2.04	2.20	-7.39	5.63	6.38
Capex in relation to sales	1.5%	1.6%	1.4%	1.3%	1.7%
Average number of shares **	419,456,315	419,456,315	419,456,315	420,843,698	420,494,001

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

\*\* Average number of shares has been affected by repurchase of shares.

\*\*\* The split of the cash flow on operating activities and financing activities for the first six months has been corrected related to the acquisition of Aalborg.

During the first nine months 2011 cash flows from operating and investing activities amounted to SEK -3,098 (2,371) million. The change compared to last year is mainly due to the increase in acquisitions of businesses in 2011. Depreciation, excluding allocated step-up values, was SEK 329 (306) million during the first nine months, whereas investments in fixed assets were SEK 283 (227) million.

**CONSOLIDATED FINANCIAL POSITION**

SEK millions	September 30		December 31
	2011	2010	2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	13,610	8,286	8,533
Property, plant and equipment	3,890	3,223	3,512
Other non-current assets	1,669	1,446	1,568
	19,169	12,955	13,613
<b>Current assets</b>			
Inventories	6,290	4,692	4,769
Accounts receivable	5,073	4,144	4,181
Other receivables	2,342	1,807	2,059
Derivative assets	282	790	644
Other current deposits	267	505	575
Cash and bank *	1,722	1,201	1,328
	15,976	13,139	13,556
<b>TOTAL ASSETS</b>	<b>35,145</b>	<b>26,094</b>	<b>27,169</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Owners of the parent	14,435	12,585	13,427
Non-controlling interests	159	148	155
	14,594	12,733	13,582
<b>Non-current liabilities</b>			
Liabilities to credit institutions	2,043	312	292
Swedish Export Credit	1,832	-	-
European Investment Bank	1,202	-	-
Private placement	748	741	749
Provisions for pensions and similar commitments	820	865	847
Provision for deferred tax	1,913	1,290	1,617
Other provisions	759	421	632
	9,317	3,629	4,137
<b>Current liabilities</b>			
Liabilities to credit institutions	266	141	173
Accounts payable	2,490	1,854	2,239
Advances from customers	1,905	2,071	1,357
Other provisions	1,623	1,757	1,496
Other liabilities	4,525	3,728	4,035
Derivative liabilities	425	181	150
	11,234	9,732	9,450
Total liabilities	20,551	13,361	13,587
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	<b>35,145</b>	<b>26,094</b>	<b>27,169</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 221 (259) million. The company is not a wholly owned subsidiary of the Alfa Laval Group. It is owned to 88.8 percent.

Consolidated SEK millions	<b>Borrowings and net debt</b>		
	September 30		December 31
	2011	2010	2010
Credit institutions	2,292	453	465
Swedish Export Credit	1,849	-	-
European Investment Bank	1,202	-	-
Private placement	748	741	749
Capitalised financial leases	125	120	137
Interest-bearing pension liabilities	1	2	1
<b>Total debt</b>	<b>6,217</b>	<b>1,316</b>	<b>1,352</b>
Cash, bank and current deposits	-1,989	-1,706	-1,903
<b>Net debt</b>	<b>4,228</b>	<b>-390</b>	<b>-551</b>

Alfa Laval has a senior credit facility of EUR 301 million and USD 420 million, corresponding to SEK 5,646 million with a banking syndicate. At September 30, 2011 SEK 1,734 million of the facility was utilised. The facility matures in April 2016, with two one-year extension options. Alfa Laval also has a bilateral term loan with SHB of EUR 25 million, corresponding to SEK 231 million that matures in 2013.

The bilateral term loan with Swedish Export Credit is split on one loan of EUR 100 million that matures in 2014 and one loan of EUR 100 million that matures in 2021. The loan from the European Investment Bank of EUR 130 million matures in 2018. The private placement of USD 110 million matures in 2016.



**CHANGES IN CONSOLIDATED EQUITY**

SEK millions	First nine months		Full year
	2011	2010	2010
<b>At the beginning of the period</b>	13,582	12,229	12,229
<b>Changes attributable to:</b>			
<b>Owners of the parent</b>			
<b>Comprehensive income</b>			
Comprehensive income for the period	2,264	1,783	2,625
<b>Transactions with shareholders</b>			
Repurchase of shares	-	-253	-253
Increase of ownership in subsidiaries with non-controlling interests	2	-3	-3
Dividends	-1,258	-1,055	-1,055
	-1,256	-1,311	-1,311
<b>Subtotal</b>	1,008	472	1,314
<b>Non-controlling interests</b>			
<b>Comprehensive income</b>			
Comprehensive income for the period	15	16	23
<b>Transactions with shareholders</b>			
Decrease of non-controlling interests	-1	-2	-2
Non-controlling interests in acquired companies	0	27	27
Dividends	-10	-9	-9
	-11	16	16
<b>Subtotal</b>	4	32	39
<b>At the end of the period</b>	14,594	12,733	13,582

**Cancellation of repurchased shares and a corresponding bonus issue**

On March 21, 2011 when the notice to the Annual General Meeting was sent the number of repurchased shares was 2,583,151. The Annual General Meeting 2011 decided to cancel these repurchased shares. Cancellation of these shares means that the share capital will decrease with SEK 7 million. At the same time the Annual General Meeting decided to increase the share capital through a bonus issue of the same amount without issuing any shares. In this way the size of the share capital was restored and the company did not have to obtain permission from Bolagsverket or if disputed the local court to cancel the repurchased shares. This means that the number of shares has developed as follows:

<b>Specification of number of shares</b>	<b>Number</b>
Number of shares at January 1, 2011	422,039,466
Cancellation of re-purchased shares	-2,583,151
Number of shares at September 30, 2011	419,456,315

**Repurchase of shares**

The Annual General Meeting 2011 gave the Board a mandate to decide on repurchase of the company's shares – if the Board deems this appropriate – until the next Annual General Meeting. The mandate referred to repurchase of up to 5 percent of the issued shares with the purpose to cancel the repurchased shares and reduce the share

capital. The repurchase would be made through purchases on OMX Nordic Exchange Stockholm. Until September 30, 2011 Alfa Laval has not made any repurchases.

## **Ownership and legal structure**

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 35,698 (34,070) shareholders on September 30, 2011. The largest owner is Tetra Laval B.V., the Netherlands who owns 21.2 (18.7) percent. The increase in ownership is to 0.1 percent due to the cancellation of the shares repurchased by the company and for the remaining part to the acquisitions of shares that Tetra Laval B.V. made in the third quarter 2011. Next to the largest owner there are nine institutional investors with ownership in the range of 8.4 to 1.1 percent. These ten largest shareholders own 50.2 (46.6) 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 and the business cycle. It is the company's opinion that the description of risks made in the Annual Report for 2010 is still correct.

## **Asbestos-related lawsuits**

The Alfa Laval Group was as of September 30, 2011, named as a co-defendant in a total of 682 asbestos-related lawsuits with a total of approximately 768 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**

In a press release on September 19, 2011 Alfa Laval communicated its proposal to buy all outstanding shares in its subsidiary Alfa Laval India Ltd and seek delisting of the shares from Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The proposal comes on the back of regulatory changes in India which requires Alfa Laval India Ltd to have a minimum public float of 25 percent or seek delisting. At present, Alfa Laval holds 88.8 percent of the share capital of Alfa Laval India, meaning the public float is 11.2 percent. The objective is to achieve full ownership of the subsidiary, which will provide Alfa Laval with increased operational flexibility to support the business and meet the customers' needs. Alfa Laval has requested that the Board of Directors of Alfa Laval India Ltd. take all actions required under the delisting regulations, including arranging a postal ballot for the shareholders to consider the delisting proposal. The delisting process is expected to take approximately four to five months. As a part of the process a floor price of INR 2,045 per share for the acquisition of the minority's shares has been established. If all shareholders tender their shares to Alfa Laval at this floor price the acquisition will incur a consideration of SEK 583 million. If the final price per share gets higher the consideration will increase correspondingly. If not all shareholders tender their shares the consideration decreases in the same way. In order for the acquisition to get completed two thirds of all voting minority shareholders must first vote in favour of Alfa Laval's proposal. Then minority shareholders together holding at least 50 percent of the public float must be willing to sell at the final price that Alfa Laval accepts based on a reverse book building process. When Alfa Laval has achieved an ownership of 94.4 percent, Alfa Laval India Ltd can apply for delisting. Should Alfa Laval not succeed to achieve an ownership of 94.4

percent in the currently ongoing process the company is required to increase the public float to 25 percent within the stipulated period.

On May 1, 2011 Alfa Laval acquired a well established service company in the US. The company is a leading provider on the North American market specialized in serving equipment for centrifugal separation. "The acquisition is another step in the ambition to serve the market with alternative offerings", says Lars Renström, President and CEO of the Alfa Laval Group. The company will remain a separate organization as they will continue to offer their own products and services to the industry, under their own brand.

During the period May to September 2011 the company has added SEK 41 million in orders received, SEK 44 million in invoicing and SEK 12 million in adjusted EBITA to Alfa Laval. If the company had been acquired at January 1, 2011 the corresponding figures would have been SEK 78 million, SEK 80 million and SEK 21 million respectively. At the end of September 2011 the number of employees was 48.

In a press release on December 21, 2010, Alfa Laval announced that an agreement had been signed to acquire Aalborg Industries Holding A/S from Altor 2003 Fund, LD Equity and the Company's management. Aalborg Industries had some 2,750 employees and generated sales of about SEK 3.3 billion in 2010. Clearances from all concerned regulatory authorities were received at the beginning of May 2011. Aalborg Industries are consolidated into the Alfa Laval Group as of May 1, 2011. Aalborg will be fully integrated into Alfa Laval. Non-recurring costs for the integration are estimated at SEK 80 million. During the latter part of 2013 the annual synergy is estimated at SEK 100 million. The acquisition, which adds complementary energy-efficient and environmental solutions, represents a significant business opportunity as it supports Alfa Laval's existing offer to the marine and off-shore markets. Another opportunity lies in the introduction of Aalborg's products to customers in completely new end markets, through Alfa Laval's sales network.

"Aalborg Industries is an excellent fit and I'm very pleased to welcome a strong and well-run company into Alfa Laval", says Lars Renström, President and CEO of the Alfa Laval Group. The acquisition further strengthens Alfa Laval's product offering in heat transfer. It adds market-leading positions with products such as boilers and thermal fluid systems, as well as inert gas systems, with significant barriers to entry. These include extensive certification processes, a strong innovation track record and a global service network. The company's strong manufacturing and engineering presence in fast-growing markets such as China, Vietnam and Brazil, as well as the aftermarket potential generated by a large installed base, are also highly attractive attributes.

During the period May to September 2011 Aalborg has added SEK 1,191 million in orders received, SEK 1,394 million in invoicing and SEK 299 million in adjusted EBITA to Alfa Laval. If Aalborg had been acquired at January 1, 2011 the corresponding figures would have been SEK 2 340 million, SEK 2 493 million and SEK 543 million respectively. At the end of September 2011 the number of employees was 2,673. Four business segments are concerned by the integration: Marine & Diesel, Process Industry and Parts & Service for both Equipment and Process Technology. For the period May to September 2011 the orders received for Aalborg is referring to Marine & Diesel to 62 %, to Process Industry to 7 %, to Equipment Parts & Service to 27 % and to Process Technology Parts & Service to 4 %.

The acquisitions during the first nine months 2011 can be summarized as follows:

Consolidated SEK millions	Acquisitions first nine months 2011						Total Adjusted fair value
	Aalborg Industries			Others			
	Book value	Adjustment to fair value	Adjusted fair value	Book value	Adjustment to fair value	Adjusted fair value	
Property, plant and equipment <sup>(1)</sup>	160	248	408	-	-	-	408
Patents and unpatented know-how <sup>(2)</sup>	-	430	430	-	-	-	430
Trademarks <sup>(2)</sup>	-	860	860	-	150	150	1,010
Licenses, renting rights and similar rights	1	-	1	-	-	-	1
Inventory	253	-	253	29	-	29	282
Accounts receivable	596	-	596	9	-	9	605
Other receivables	306	-	306	-	-	-	306
Current deposits	22	-	22	-	-	-	22
Liquid assets	421	-	421	-	-	-	421
Other provisions	-179	-	-179	-1	-	-1	-180
Loans	-421	-	-421	-	-	-	-421
Accounts payable	-325	-	-325	-4	-	-4	-329
Advance payments and other liabilities	-304	-	-304	-	-	-	-304
Other liabilities	-286	-	-286	-4	-	-4	-290
Tax liabilities	-46	-	-46	-	-	-	-46
Deferred tax	-10	-390	-400	-	-61	-61	-461
Acquired net assets	188	1,148	1,336	29	89	118	1,454
Goodwill <sup>(3)</sup>			3,667			117	3,784
Purchase price			-5,003			-235	-5,238
Costs directly linked to the acquisitions <sup>(4)</sup>			-22			-2	-24
Retained part of purchase price <sup>(5)</sup>			-			60	60
Liquid assets in the acquired businesses			421			-	421
Payment of amounts retained in prior years			-			-173	-173
Effect on the Group's liquid assets			-4,604			-350	-4,954

1. The step up value for property in Aalborg is amortised over 20 years.
2. The step up values for patents and unpatented know-how as well for trademarks are amortised over 10 years.
3. The goodwill is relating to estimated synergies in procurement, logistics and corporate overheads and the companies' ability to over time recreate its intangible assets. The value of the goodwill is still preliminary.
4. Refers to fees to lawyers, due diligence and assisting counsel. Has been expensed as other operating costs.
5. Contingent on certain warranties in the contract not being triggered or that certain profitability goals are fulfilled. The probable outcome has been calculated.

## Parent company

The parent company's result after financial items was SEK 79 (157) million, out of which net interests SEK 76 (4) million, realised and unrealised exchange rate gains and losses SEK 1 (-3) million, dividends from subsidiaries SEK - (164) million, costs related to the listing SEK -2 (-2) million, fees to the Board SEK -2 (-2) million, cost for annual report and annual general meeting SEK -3 (-4) million and other operating income and operating costs the remaining SEK 9 (-0) million.

### PARENT COMPANY INCOME \*

SEK millions	Third quarter		First nine months		Full year
	2011	2010	2011	2010	2010
Administration costs	-1	-2	-7	-8	-12
Other operating income	3	0	11	0	0
Other operating costs	0	0	-2	0	-12
Operating income	2	-2	2	-8	-24
Revenues from interests in group companies	-	-	-	164	3,442
Interest income and similar result items	31	4	78	4	17
Interest expenses and similar result items	0	-1	-1	-3	-4
Result after financial items	33	1	79	157	3,431
Appropriation to tax allocation reserve	-	-	-	-	-232
Tax on this year's result	-9	0	-21	2	-248
Net income for the period	24	1	58	159	2,951

\* The statement over parent company income also constitutes its statement over comprehensive income.

### PARENT COMPANY FINANCIAL POSITION

SEK millions	September 30		December 31
	2011	2010	2010
<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	6,838	4,948	8,265
Other receivables	88	155	6
Cash and bank	-	-	-
	6,926	5,103	8,271
<b>TOTAL ASSETS</b>	11,595	9,772	12,940
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Restricted equity	2,387	2,387	2,387
Unrestricted equity	7,764	6,171	8,964
	10,151	8,558	11,351
<b>Untaxed reserves</b>			
Tax allocation reserves, taxation 2005-2011	1,434	1,202	1,434
<b>Current liabilities</b>			
Liabilities to group companies	9	12	100
Accounts payable	1	0	1
Tax liabilities	-	-	54
Other liabilities	0	0	0
	10	12	155
<b>TOTAL EQUITY AND LIABILITIES</b>	11,595	9,772	12,940

## Accounting principles

The interim report for the third quarter 2011 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.

Third quarter refers to the period July 1 to September 30. First nine months refers to the period January 1 to September 30. Full year refers to the period January 1 to December 31.

In the report the measures adjusted EBITA and adjusted EBITDA are used. Adjusted EBITA is defined as earnings before interests, taxes, amortisation of step up values and comparison distortion items. Adjusted EBITDA is defined as earnings before interests, taxes, depreciation, amortisation of step up values and comparison distortion items.

The accounting and valuation principles of the parent company comply with the Swedish Annual Accounts Act and the recommendation RFR 2.3 "Accounting for legal entities" issued by the Council for Financial Reporting in Sweden.

## Date for the next financial reports

The fourth quarter and full year 2011 report will be published on February 7, 2012.

Alfa Laval will publish interim reports during 2012 at the following dates:

Interim report for the first quarter	April 23
Interim report for the second quarter	July 17
Interim report for the third quarter	October 23

## Nomination Committee for the Annual General Meeting 2012

In accordance with a resolution taken at the Annual General Meeting of Alfa Laval AB on April 27, 2011, the Chairman of the Board, Anders Narvinger, has contacted the largest shareholders to constitute the Nomination Committee in preparation of the Annual General Meeting 2012. The following persons have accepted to be part of the Nomination Committee: Finn Rausing, Tetra Laval, Bo Selling, Alecta, Claes Dahlbäck, Foundation Asset Management, Jan Andersson, Swedbank Robur Fonder and Lars-Åke Bokenberger, AMF Pension.

The Annual General Meeting of Alfa Laval AB will be held at Färs & Frosta Sparbank Arena, Klostersgårdens idrottsområde, Stattenavägen in Lund, Sweden on Monday April 23, 2012, at 16.00 (CET).

Shareholders who wish to submit proposals for the Nomination Committee in preparation of the Annual General Meeting can turn to the Chairman of the Board of Alfa Laval AB, Anders Narvinger or to the other shareholder representatives. Contact can also be made directly via e-mail to [valberedningen@alfalaval.com](mailto:valberedningen@alfalaval.com).

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The interim report has been issued on October 21, 2011 at CET 7.30 a.m. by the President and Chief Executive Officer Lars Renström by proxy from the Board of Directors.

Lund, October 21, 2011,

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

## **Review report**

### **Introduction**

We have performed a review of the condensed interim financial statements (the interim report) for Alfa Laval AB (publ) at September 30, 2011 and the nine months' period then ended. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### **Scope of review**

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing, ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim report, in all material aspects, is not prepared for the Group in accordance with IAS 34 and the Swedish Annual Accounts Act and for the Parent company in accordance with the Swedish Annual Accounts Act.

Lund, October 21, 2011,

Kerstin Mouchard  
Authorised Public Accountant

Staffan Landén  
Authorised Public Accountant