Alfa Laval
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Chaired by Lars Renström

Lars Renström

Thank you very much. Good morning and most welcome to our presentation.

I will start by giving you my three highlights. First of all, I am pleased that the order intake stabilised and was unchanged, compared to the previous quarter. Further, we expect the first quarter to be on about the same level. The second highlight is that we continue to deliver on the savings programme initiated end 2011. Sales and admin cost was down 11.5 percent year-on-year. Finally, in 2012 we completed four acquisitions that add one billion in annualised sales growth, corresponding to 3.5 percent, which is fully in line with our target.

Let's move on and take a look at the key figures in the quarter. Orders received rose 7 percent to SEK 7.3 billion and net sales was unchanged at 8.1 billion, and adjusted EBITA declined 5 percent to 1.3 billion. Adjusted EBITA margin reached 16.2 percent versus 17 percent a year ago. For the full year orders rose 6 percent to the new record level of 30.3 billion. Net sales increased 4 percent to the new record of 29.8 billion. Adjusted EBITA declined 7 percent to 4.9 billion and adjusted EBITA margin reached 16.5 percent.

On the next slide you'll see that the Board proposes a dividend of SEK 3.5, an increase of 8 percent, and a mandate to buy back up to 5 percent of the number of outstanding shares is also proposed with the intention to cancel the shares.

Now we move over to orders received and there we see that orders received on rolling 12 months increased to 30.3 billion. The increase in order intake was 11 percent year-on-year at constant exchange rates. You can see that, after the drop in Q3, we have stabilised.

Now we move over to the next slide and there, from the order analysis, you find that year-on-year acquisitions contributed 1.8 percentage units and organic growth was 8.9 percent. We had negative currency effects of 3.6 percent. Sequentially, acquisitions contributed with 0.2 percent and organic growth was minus 1.4 percent. Positive currency effect was 0.7 percent, giving a grand total of minus 0.5 percent.

Now we move over to the next slide and there we see that the EBITA margin reached 16.2 percent which is a decline year-on-year and the operating result was SEK 1.3 billion.

Now we move over to highlights and in 2012 we reached an all-time high in large orders, in excess of SEK 2.5 billion. The vast majority were energy related and a substantial portion was environment related, and some came from the food and pharma areas.

On the next slide you'll see that the distribution in value between the regions is healthy and well-balanced, Asia of course being the biggest, followed by North America and Central and Eastern Europe which in fact is Russia.

Now we move over to the next slide and there you'll see that in 2012 we completed four acquisitions that added 3.5 percent annualised sales growth. We have Vortex, a niche company selling blending and mixing solutions to the oil and gas industry; Ashbrook, selling belt filter presses for sludge dewatering as an alternative to Alfa Laval's decanters; Gamajet, a niche company selling tank cleaning machines and ACE that is widening our product portfolio for the North American natural gas and other energy-related markets.

On the next slide you'll see ACE that we acquired in December – they supply air-cooled heat exchangers that are used at the field compression stations for the gas gathering system that is typically used for shale gas.

Now we move over to the development per segment and we see that year-on-year in the quarter the fast majority of the segments have increased, but we'll quickly shift over and take a closer look at the divisions on the next slide. Please note that all comments are sequential. We start with the Equipment division where order intake was unchanged and Sanitary rose with good demand for all applications. Industrial equipment declined, partly due to seasonality and partly because of a non-repeat large order. OEM grew mainly driven by customers making air-conditioning and air-dryer products. Parts & Service dropped somewhat, reflecting lower demand in HVAC.

On the next slide you'll see, in the Process Technology division, order intake was also unchanged. Food grew, supported by the base business and a strong recovery for vegetable oil projects in Asia. Energy & Environment declined as there were fewer large Oil and Gas contracts. Process Industry recorded growth, with a positive development for Refinery and Life Science, and Parts and Service grew as well.

On the next slide, the Marine and Diesel division declined somewhat since the growth in Parts and Service could not fully compensate for weaker capital sales. Equipment declined due to lower demand for land-based diesel power. However it is positive that the base business showed a slight increase. Systems declined, reflecting the contracting at the yards earlier in the year. We are very pleased that the first commercial Pure SOx order was booked and we expect more orders during the first half of the year. Parts and Service rose, mainly due to good repair activity.

On the next slide, since the Marine and Diesel division is new, we will take a look at orders received for the full year 2012. 41 percent came from shipbuilding and

offshore, and 6 percent came from Environmental Solutions; 13 percent from land-based Diesel Power and 40 percent from Parts and Service.

On the next slide you'll see that for the full year Process Technology has had very good development driven by Process Industry and Energy and Environment. Equipment division had a good year, with Sanitary growing significantly and Parts and Service grew as well, and the Marine and Diesel division had a challenging year for capital sales but Parts and Service held up well.

Now we move over to the geographical developments and order intake in the quarter shows that year-on-year Western Europe has grown with 25 percent, followed by North America with 16 percent and Asia with 13 percent. The decline in Central and Eastern Europe is due to non-repeat large orders in Russia.

If we move on and take a closer look at Asia (now all comments are sequential), we grew 6 percent with Process Industry, Food and OEM performing the best. China was affected by wait-and-see mode among customers while India, South East Asia and the Middle East delivered growth.

Next, in Western Europe and Nordic, we can see that both delivered 12 percent growth, and we had a favourable development for large orders, base business and Parts and Service and almost all geographical areas reported growth. In Central and Eastern Europe the weak development was due to fewer big orders being booked in Russia, but our positive view on Russia remains, since the base business was unchanged and the general activity level was positive.

On the next slide you'll see that North America declined 2 percent.The U.S. continued to grow while Canada declined due to fewer large projects. We were pleased to see the base business growing. Sanitary, Food and Parts & Service had a positive development. Latin America declined 12 percent, since fewer large orders booked and the base business was growing, especially in the Marine and Process Technology divisions.

Now we move on to the Top 10 ranking and the yellow bar is 2012, and the green is 2011. Here you'll see that the US has strengthened its number one position and we maintain a positive view on the US. The decline in China is related to Marine but, excluding Marine, we had modest growth. Nordic and Korea have continued their good developments. Mid Europe declined due to non-repeat large orders and generally weaker demand. South East Asia continued to grow and is in a positive trend. Adriatic was unchanged, which is an achievement in itself. Russia delivered broad-based growth and did a great year. We maintain our positive view. In Brazil Petrobras continues to invest. India declined, despite a strong recovery in the fourth quarter.

On the next slide, for the full year, we see that all regions except Asia grew about 10 percent, Asia being affected by Marine. In the pie-chart we see our good geographical mix, with 48 percent coming from Asia, Central and Eastern Europe and Latin America. We are also pleased that 19 percent comes from North America.

Now we enter into the financials and there I'll hand over to Thomas.

Thomas Thuresson

Thank you Lars, and good morning all of you. Let's look a bit more into the details of the financials and let's move into the presentation slides. As Lars has covered the Orders Received situation and development, let me give you a few comments on sales. In the quarter we realised sales of 8.1 billion, and let me confirm that this was exactly according to our own expectations. The shortfall that I commented on after Q3 was recovered in Q4.

Sales was up organically 0.7 percent over Q4 2011 and then acquisitions added 1.7 percent to sales in the quarter. In absolute terms we were on the same level as last year. Sequentially sales was up almost 14 percent on a like-for-like basis, which is entirely due to seasonality. Parts and Service represented 25.8 percent of revenues in the quarter against 25.2 in the same quarter of 2011, so a slight increase. Comparing to the first three quarters of 2012, we're down from approximately 27 percent to the 25.8, so an adverse mix effect in that sense.

Moving on to the next slide and a few comments on gross profit margin, gross profit margin for the quarter ended on 37 percent, exactly the same level as in Q3 and against Q4 2011, where we generated 37.8. Let me remind you that with the Q3 report I said the following as a forward-looking statement: "We expect a relative increase of capital sales to have an adverse effect on gross profit margin. We do not foresee any price effects. As far as load is concerned. It is dependent on inflow of short lead-time orders". I would argue that the actual for Q4 came out precisely as we predicted.

Sequentially, we were suffering from a limited adverse mix effect and for the rest the main parameters came out as Q3 or marginally better. Year-on-year we were suffering from adverse FX effects; a price mix change, primarily in Marine, as well as cost accounting adjustments; however, the factory load had a positive effect year-on-year. Let me then give you a first forward-looking statement: In the near term we expect a relative reduction of capital sales to have a somewhat positive effect on gross profit margin. We do not foresee any material price effects and, as far as load is concerned, we do not envisage any major effects or any major shifts.

Moving on to the next slide, looking at overhead costs, we can report the following: R&D ended at 209 million in the quarter, which is an increase year-on-year. For the full year we have seen R&D increase 7.6 percent like-for-like and, again, this is a very strong commitment to the future and continued development of new products and solutions. The R&D spend represented 2.4 percent of sales on a full-year basis.

Moving on to Sales and Admin, this amounted to about 1.35 billion in the quarter and that in itself represented a reduction, like-for-like, year-on-year of 11.5 percent. The Sales programme we launched at the end of 2011 is generating the effects anticipated. The outcome in Q4 effectively means a saving of approximately 100 million over last year. As a consequence, we have delivered the savings of a couple of hundred million, as communicated with the Q4 report of

2011. The gross margin and the development of the overheads gave us then an EBITA margin for the quarter of 16.2 percent. Following the restructuring and part disposal of activities in Korea, we have a one-off charge of 51 million to EBIT in the quarter.

Looking at profit before tax it was again influenced by positive exchange differences, in absolute terms some 25 million; however nowhere near the positive 223 million that we were enjoying in Q4 2011. Profit before tax was falling from almost 1.15 billion in the quarter, a decline of 17 percent over last year, and that then largely explained by FX in the financial net. Before leaving the P&L account, taxes ended with a charge of 246 million or 21 percent of profit before tax. This includes a one-off positive effect of 99 million which is coming from the reduction in corporate income taxes in Sweden, so a 99 million positive effect from adjusting deferred tax assets on adjustments. Our guidance for taxes remains 28 percent on profit before tax.

EPS for the year at 7.61 was almost on the level of 2011 where we had 7.8; if we exclude step-up we're at 8.39 against 8.42 last year, so the same level basically. Return on capital employed at 26.1 percent, about the same level as Q3, and return on equity 21.6 percent is just below the level of Q3.

Let's move on to cash flow. We can summarise the year in terms of cash flows as follows: We have generated an increase in cash flow from operations to the tune of 5 percent. That is despite lower EBITDA and bigger tax payments but thanks to less of an increase in working capital compared to 2011, and that is despite increases in orders as well as in sales.

Moving on down the cash-flow account, the acquisitions account for 2.8 billion of cash outflows. The delisting in India, in itself, involved a cash-out of some SEK 830 million and a cash-out of almost two billion related mainly to the 4 new acquisitions that Lars commented on before. For the full year we generated a free cash flow, i.e. before dividends and acquisitions, of just above 3 billion and just above the free cash flow of 2011. In Q4 a cash flow was generated of 712 against 963 in 2011, which is largely explained by an increase in working capital. To summarise cash flow for 2012 it is fair to say that in Alfa Laval we've enjoyed another good year in terms of cash generation.

Moving on to FX, we had a negative 63 million in the quarter, coming from both translation and transaction, and this is an outcome slightly better than our estimate at Q3. If we look into the future, for 2013 we anticipate a net FX effect of a negative 140 million, and this is mainly expected to come from translation effects. Applying the closing rates as per December 31 2012, our P&L account would generate an adverse 120 million of translation. This is a deterioration compared to earlier projections for 2013 and this deterioration is basically down to the weakening of the US dollar in the past two months.

Moving on to the backlog, we had a total order backlog as per end of December of almost 14.5 billion. This was representing 5.8 months of LTM sales. At the end of 2011 we had almost the same level of backlog in relation to LTM sales. Looking at the backlog development by division, you will find an increase in Process

Technology & Equipment and a reduction in Marine and Diesel. Looking at the order backlog to be shipped during 2013 it amounted to 11.6 billion. If we exclude acquisitions made in 2013, like-for-like this means a slight reduction from end of 2011 to end of 2012 for shipment in the coming year, to the tune of some 100 million; please remember that.

Let's move on to the next slide but before I get into the sales for 2012-2013, let me share with you the development of orders received in recent quarters, and the trend over the last four quarters in 2012 – it is important to have this in mind when you assess 2013 for orders as well as sales. On top of the actuals in 2012, please note that we estimate ACE (the acquisition made at the very end of 2012) will add roughly 100 million of volume per quarter. However, applying the closing rates (as I just commented on) orders & sales will have an adverse translation effect of approximately 150 million per quarter. It is important that you have this slide in mind when you evaluate your orders & sales forecasts for 2013.

With that, let's take a look at the summary of known and unknown parameters for projecting full-year sales for 2013. As I just mentioned, like-for-like the backlog will give reduced sales of about 100 million for 2013. Based on closing exchange rates we will have an adverse translation effect of some 600 million. The 4 new acquisitions, on top of what they have given us in 2011, we estimate they will give an additional 700 million in 2013. This gives a subtotal for the known parameters of 29.8 billion.

As always it is up to you to form an opinion about demand but, please, consider our outlook and then the order trend over 2012 as I just showed you, when you assess your estimates. Finally, with regard to prices, let me just inform you that we have adjusted prices as we typically do, as per the beginning of the year; these adjustments have been very limited and obviously only for these price-based products.

With that, I'll give the word back to Lars for the outlook and the closing remarks.

Lars Renström

The outlook is that we expect demand during Q1 2013 will be on about the same level as in Q4. For each division our demand expectation for Q1 is as follows:

- Process Technology we expect to be on about the same level;
- Equipment division somewhat lower due to non-repeat contract orders, and finally
- Marine and Diesel somewhat higher as capital sales expected to recover slightly for land-based diesel power and marine and offshore systems.

That completes our presentation and now we'll hand over to Emily for the Q&A session.

Questions and Answers

Q *Thank you. Good morning Lars and Thomas. A few questions, please, firstly just on the financial net line which is in positive for a couple of quarters – can you just remind us why that is, and any guidance you can give us for 2013 as to what is a reasonable underlying rate – that is the first one.*

Secondly, just on IAS19 and the new Pension Accounting Standards, is there any change you expect to either your liability or interest charge coming out of that? Finally, Lars, on the savings programme from 2011, can you give us the number of what savings you achieved overall in 2012 and what is left to be realised and, then, whether you think you need to do any more to balance the decline of capital sales in Marine? Thank you.

A Let's start off with the financial net, and if we look at the financial net, we're enjoying positive exchange differences to the tune of 260 million, almost, out of which 80 percent was actually realised FX difference, and only the remaining 20 being unrealised. The interest net, which is really what we can predict, you have to anticipate an interest net of a negative 35-40 million/quarter.

Moving on to IAS19, yes you are right, there is a change in how to account for defined benefit pension liability, so post-retirement benefits; it will be accounted for in the other comprehensive income of the P&L statement and no longer the corridor method will be applied. We do not have a final number at this juncture; we are still waiting for actuarial assessments but, with the annual report, you will find details on the effects. We do not see any effects, obviously, in the regular part of the P&L account. It will create some fluctuations in equity through other comprehensive income.

Moving on to the savings programme, we did generate well above the 200 million of like-for-like savings in 2012, as we committed to, and we have remaining effects to have the annualized effect of measures taken to kick into the P&L in 2013, to the tune of 80-100 million.

Q *Sorry, the second part of that question – I think, Lars, you said you thought that Marine capital sales would go up but there's still quite a big gap between your orders and sales – if we don't see a bigger pickup in Marine capital sales this year, do you need to do anymore restructuring in that business to deal with the cost base?*

A When it comes to Marine capital sales, we believe we have reached the bottom and we will not see any recovery during 2013, since there is a lag of 6-9 months between contracting at the yards and the time when we see it in our order books.

Q *You don't need to do anything on the cost side, then?*

A On the cost side?

A If I may remind you of what I said at our Capital Markets Day, I said we are adjusting capacity when it comes to production of boilers. We have implemented

parts of that during the second half of 2012 and there is still a bit more to be implemented during 2013. For the rest, remember that we have an integrated operations set-up covering production for all of the three divisions. We do not have separate manufacturing locations for the individual divisions, with the exception of boilers, but, apart from that, nothing.

Q *Got it, thanks a lot Thomas. Thank you.*

Q *Good morning, everybody. Thank you for that. You mentioned that Parts & Service orders were up around 4 percent, sequentially, and that was more linked to the Process Industry and Marine side; maybe you could help us out here, if there are any seasonal effects within those two sub-segments of a magnitude, or that does reflect under that line of demand or, thirdly, just a function of the installed base? That is my first question.*

The second question, Thomas or Lars, if you please could update the split between shipbuilding and offshore within Marine; you gave an update on the Capital Markets Day for 2011 and now we have the 41 percent for the two sub-segments combined for 2012. Finally, on prices, you mentioned a very limited list price increase at the beginning of the year; could you please remind us of the magnitude sort of last year and the years before that, to get the relative feel, and then maybe a comment on why it's marginal – I think everybody understands it, but still – that's it for me. Thank you.

A: First, when it comes to Parts & Service, there were no seasonal effects in Parts & Service. When it comes to the 41 percent that we have in shipbuilding and offshore, 90 percent is shipbuilding and 10 percent is offshore, out of the 41 percent.

The final question was about limited increases... as it is very obvious that it's limited increase and it's for price-list based sales and it is significantly less than 5 percent it is in line with what we have done in 2011 and 2012, I would say.

Q: *I think that's the most important thing – that's it for me. Thank you.*

Q: *Good morning, everybody. A couple of questions from my side – the first one is on Process Technology margins which were at a low point in Q4 – is it fair to say that you turned some of the big tickets from 2011 with a wide scope of supply into revenue in Q4, so you had an unfavourable big ticket mix that you booked in Q4 as revenues and also associated to that question, if you generally look at the structure of your big tickets probably going into a more narrow scope of supply, would you think that this is giving you some margin tailwind for 2013?*

Then, a question on Marine and Diesel, and I'm sorry if you mentioned that before, but can you give us some colour on why the margins improved in Marine and Diesel quite substantially, sequentially; what did have an impact on these margins? Thank you.

A: If we start with the PTD margins, yes, we did have a larger content of capital sales and larger, wider-scope contracts that had an adverse effect on margins.

We have enjoyed a very good demand situation in PTD. We've had excellent orders in capital sales in PTD throughout 2012, and that proposes that we will continue to have a very high level of capital sales of revenues in 2013. I cannot confirm your expectation of tailwind for 2013. I do not see any difference in margin content in the backlog, compared to what we realised during the course of 2012.

Finally, on Marine and Diesel and margins, we have seen again a positive mix effect from more of the aftermarket revenue with declining sales in Marine and Diesel, and that's really the bulk. Then, of course, adjustment in capacity is having a role here as well.

Q *One final follow-up question on the Diesel business – obviously Wärtsilä have been having quite a number of huge tickets – is it that these orders have not been placed yet with their suppliers and is that pencilling in with your Q1 guidance on an uptick in that business? Can you give us some more colour on that, please?*

A Yes, Wärtsilä and MAN are two important customers and we see with the orders they have had coming in, we expect that we will benefit from that in Q1, so that is the reason for the uptick.

Q: *Thank you.*

Q: *Good morning, everybody. Can you hear me?*

A: Yes, perfect.

Q: *I have three questions; firstly, on the Oil and Gas segment, you mentioned a slight decline here in Q4 and I wonder if you could give us some more flavour of the longer-term trend there and your expectations for this year, perhaps?*

Secondly, on your products in Marine Environmental segment, PureSOx and PureDry, etc; you gave us some good examples on the Capital Markets Day – maybe we could get an update on the activity level in this segment?

Lastly, I wonder, on the aftermarket business in Marine and Diesel, how is activity here? Can you say anything about the outlook for this particular segment, if you believe the shipping companies will continue to maintain the ships?

A: The first one on Oil and Gas; it is still a high activity level. We did not book so many large orders in Q4 but we continue to be quite optimistic about Oil and Gas. We see a high activity level and high tendering activity, and perhaps a bit fewer of the very large contracts but, all in all, we are very optimistic about Oil and Gas. It is a high priority area for Alfa Laval to increase our presence and penetration in that customer segment - for instance, the acquisition of ACE that we completed at the end of last year.

When it comes to Environmental Solutions in Marine and Diesel, PureSOx, there we booked our first commercial order of about €6 million in December and we see a good activity level. We have many outstanding quotations and we are

increasing our internal resources. We expect orders to come in during the first half of 2013 and we see an increase in acceptance for the SOx solution. When it comes to PureNOx, there we also booked our first order in December 2012, which we also communicated in a press release. We see that things are gradually ramping up.

Then, finally, when it comes to Parts & Service, there you can say Parts & Service for Marine & Diesel Equipment – that has been stable during the year and that we see as a good sign – the ships are still sailing. They are still maintaining them. When it comes to Parts & Service for Systems, there we have seen a growing order intake since we have had more repair jobs, very much on board off-shore platforms so, all in all, we expect a positive trend for Parts & Service when we combine those two.

Q: *Thank you for that, and just a quick follow-up on PureDry – you mentioned that you were hoping to sell 100 units in 2013 – does this still stand at this point?*

A: We hope to book orders for that amount and for the time-being we have selected a number of important customers to where we are supplying these units for them to evaluate. Our positive view on PureSOx remains and we can see that our customers are very excited.

Q: *Thank you.*

Q: *Good morning, everybody. I've got two questions please, first on Process Technology, just the margin deterioration there – I know in the release you said it was mix and large orders – can you give us a bit more colour on the margin progression there, how much of it was loading-related and how that is likely to develop, given the good order intake that we have seen in Process Technology – just how long-dated is that backlog on the orders that came in?*

Second, on the increased dividend and the 5 percent buyback, given that free cash flow this year was weaker than the last few years at – my number says around 3 billion for the year – net debt to EBITDA is now close to 1X; does this signal that there will be fewer acquisitions in the immediate short term and that there is more of a focus on cash return to shareholders?

A: To begin with the Process Technology division and margins, as I commented on an earlier question, we had an increased part of capital sales and we will continue to have a further increase, we believe, based on current demand outlook of capital sales in 2013. From that perspective the situation would be more the same as we've seen during the latter part of 2012. Generally, or when it comes to the outlook for margins, I do not provide any more detail than what I mentioned to begin with, in my presentation. For Q1, for the short term, we anticipate a positive mix effect as capital sales will, relative to Q4, go down. For the rest we have no further major variations foreseen.

Then, when it comes to dividends, debt to EBITDA was 0.8 at the end of 2012, so still I would argue well below 1 and far from any parameters defined by our lending banks, obviously and Lars commented on acquisitions and confirmed that

we will continue to make complementary acquisitions during 2013. There is no change when it comes to the use of cash in 2013.

Q *Thank you. Just one follow-up on the margin – I appreciate the guidance can't be more detailed, but if I look year-on-year, 600 bips down from Q4 2011 – I am more interested in understanding the effects that drove that, more than the specific guidance *text here – talking over each other* - margin mix, the variants that we see between projects are quite extreme.*

Well, if I lift out one company that had an effect on net margins in 2011, they have had an effect on gross margins for 2012 – if we look at the Olmi company in Italy, they have doubled sales but gross margins are substantially lower-

-okay-

-if we look at net margins, we have enjoyed a turnaround from a fairly substantial negative number to a slight positive number during the course of 2012, so that's really well done, but we have had an adverse mix effect in gross margin from the fact that they have doubled sales.

Thank you.

Q *Good morning, everybody. A couple of questions, please – one is on internal inflation, raw materials and labour – firstly what you're looking for in terms of raw materials and secondly, on labour, I remember a year ago you were talking a lot about emerging market labour inflation, so where are we now? If you could wrap that also in relation to the price increase that you are pushing through, would that be enough to offset any of these pressures?*

A: Looking at raw materials, if we look at the development up until, I would say, the beginning of December we were looking at a downward trend for the alloys and we were looking at a stable situation when it comes to the core price components for stainless steel. In recent weeks we have seen quite a substantial increase in alloys, so that will of course have an adverse effect if that continues or if that remains. As far as labour inflation is concerned, of course we have to work on productivity to cover for labour inflation and, of course, we are making our best efforts to compensate ourselves with price adjustments so, absolutely, our ambition as it has been always is to at least compensate for these kinds of parameters.

Q *Thank you, very clear, and just a broader question – in Process Tech and Equipment divisions, during 2012, do you think you took market share or stayed broadly in line with the market, or lost share? These are the kinds of businesses that are harder to track for us.*

A: I would say, in most businesses, we kept market share and for some applications and for some products we definitely took market share.

Q: *Great. The final question – you mentioned negative costing effect from Aalborg in 2012 – could you quantify that and is there any other – those types of non-repeat small effects that were there in 2012, adjusted EBITA?*

A: If we look at the accounting adjustments Aalborg, they had only an effect between overheads and cost of goods, no effect on EBITA as such; it's merely a matter of applying fully-loaded costing on our products, more like a contribution kind of approach that was applied previously in Aalborg.

Got it, thank you very much.

Q: *Just a quick follow-up on your production level and inventories; I just noted that your inventories are down, sequentially, and your sales of course seasonally are up – have you run your production on a normal rate or have you produced less in the quarter to adjust? Did you deliberately take down inventories and, if so, did that have an impact on stability?*

A: To begin with, remember that the bulk of our business is manufacture to order, so it's not manufacture to inventory; that is very important to remember and then, when it comes to factory load, we have had an increase in load Q4-over-Q4 2011, still we do have in most areas substantial additional capacity, with very few exceptions where we are running at peak levels. As to a year-on-year and a load comparable to Q3, we did not make any particular year-end adjustments in the way we were producing or adjusting inventories, no, only the effects of a long Christmas and New Year holiday.

Perfect, very good to know; that's very clear, thank you.

Closing Comments

I want to thank all you listeners for your contribution and wishing you a continued good day. Thank you, all of you.