Alfa Laval AB (publ)
Fourth quarter and full year 2005

”The order intake during the quarter increased with 33 percent. Energy- and petrochemical industries continue to generate big orders. Asia as well as Eastern Europe showed a very strong growth.

The margin improvement shows that our priorities on profitability and compensation for high raw material prices are coming through. We expect a further improvement of the margin.”

Lars Renström, President and CEO, Alfa Laval

Summary of the fourth quarter 2005:

- Order intake increased to SEK 5,020 (3,771) million, meaning an increase by 22.7 percent excluding exchange rate variations.
- Net sales increased to SEK 4,684 (4,166) million, meaning an increase by 4.1 percent excluding exchange rate variations.
- Adjusted EBITA increased to SEK 535 (466) million, including adverse foreign exchange effects of SEK 21 million.
- Adjusted EBITA-margin increased to 11.4 (11.2) percent.
- Realised gains of SEK 4.3 million on sale of properties has been recognised as a comparison distortion income.
- The redemption of the senior notes in November has incurred a comparison distortion interest cost of SEK 89 million.
- Result after financial items was SEK 276 (351*) million.
- Cash flow from operating activities increased to SEK 838 (268) million.

Summary of the full year 2005:

- Order intake increased to SEK 18,516 (15,740) million, meaning an increase by 15.2 percent excluding exchange rate variations.
- Net sales increased to SEK 16,330 (14,986) million, meaning an increase by 6.8 percent excluding exchange rate variations.
- Adjusted EBITA increased to SEK 1,766 (1,695) million, including adverse foreign exchange effects of SEK 133 million.
- Adjusted EBITA-margin was 10.8 (11.3) percent.
- Realised gains on sale of land and properties of SEK 51.7 million and costs for the closure of the manufacturing sites in Madrid and Toronto of SEK 125 million have been recognised as comparison distortion items.
- Result after financial items was SEK 1,099 (1,262*) million.
- Result after tax increased to SEK 928 (840*) million.
- Earnings per share increased to SEK 7.92 (7.12*).
- Cash flow from operating activities increased to SEK 1,617 (1,203) million.
- The Board of Directors will propose a dividend of SEK 5.10 (4.75) per share at the shareholders’ meeting.

* Comparison for 2004 restated according to IFRS.

Outlook for the near future

"In most of the markets, geographical as well as customer segments, that Alfa Laval serves a continued very strong demand is expected."

Earlier published outlook (October 25, 2005):
"In most of the markets that Alfa Laval serves the demand is expected to remain on the same high level as year-to-date. Alfa Laval also believes that the current high price level for some raw materials will remain, at least short term."

The fourth quarter and full year report has been issued on February 9, 2006 by the President and Chief Executive Officer Lars Renström by proxy.

SEK millions, unless otherwise stated	**Oct 1 - Dec 31 2005**	Oct 1 - Dec 31 2004 *	**2005**	2004 *	2003
Order intake	5,020	3,771	18,516	15,740	14,145
Net sales	4,684	4,166	16,330	14,986	13,909
Adjusted EBITDA 1)	613	536	2,030	1,956	1,920
Adjusted EBITA 2)	535	466	1,766	1,695	1,627
Adjusted EBITA 2)- margin	11.4%	11.2%	10.8%	11.3%	11.7%
Result after financial items	276	351	1,099	1,262	817
Return on capital employed 3)			22.7%	23.7%	21.3%
Return on equity capital 3)			16.0%	15.9%	13.2%
Solidity			35.9%	37.4%	33.3%
Debt ratio, times			0.35	0.36	0.49
Cash flow from operations	838	268	1,617	1,203	1,704
Investments	119	171	324	388	259
No. of employees 4)			9,429	9,527	9,358

*) Restated to IFRS, i.e. excluding goodwill amortisation and minority interest.
1) Adjusted EBITDA – "Earnings before interests, taxes, depreciation, amortisation of step up values and comparison distortion items."
2) Adjusted EBITA – "Earnings before interests, taxes, amortisation of step up values and comparison distortion items.
3) Calculated on a 12 months' revolving basis.
4) Number of employees at the end of the period.

Lund, February 9, 2006,

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

Management's discussion and analysis

Orders received

Orders received amounted to SEK 5,019.9 (3,770.6) million for the fourth quarter. Excluding exchange rate variations, the order intake for the Group was 22.7 percent higher than the fourth quarter last year.

Orders received amounted to SEK 18,516.3 (15,740.0) million during 2005. Excluding exchange rate variations, the order intake for the Group was 15.2 percent higher than last year.

Orders received from the after market ”Parts & Service” has continued to develop positively during 2005 and increased by 7.9 percent compared to last year excluding exchange rate variations. Its relative share of the Group's total orders received was 22.8 (24.3) percent.

Order backlog

The order backlog at December 31, 2005 was SEK 7,496.9 (4,763.4) million. Excluding exchange rate variations, the order backlog was 53.0 percent higher than the order backlog at the end of 2004.

Net sales

Net sales of the Alfa Laval Group amounted to SEK 4,683.8 (4,166.1) million for the fourth quarter of this year. Excluding exchange rate variations, the invoicing was 4.1 percent higher than the fourth quarter last year.

Net sales amounted to SEK 16,330.4 (14,985.8) million during 2005. Excluding exchange rate variations, the invoicing was 6.8 percent higher than last year.

Income statement analysis

SEK millions	**Oct 1 - Dec 31 2005**	Oct 1 - Dec 31 2004 *	**Jan 1 - Dec 31 2005**	Jan 1 - Dec 31 2004 *
Net sales	4,683.8	4,166.1	16,330.4	14,985.8
Adjusted gross profit	1,641.2	1,392.4	5,845.2	5,342.2
- in % of net sales	*35.0*	*33.4*	*35.8*	*35.6*
Expenses **	-1,028.0	-856.4	-3,815.2	-3,386.2
- in % of net sales	*21.9*	*20.6*	*23.4*	*22.6*
Adjusted EBITDA	613.2	536.0	2,030.0	1,956.0
- in % of net sales	*13.1*	*12.9*	*12.4*	*13.1*
Depreciation	-78.7	-70.0	-264.3	-260.9
Adjusted EBITA	**534.5**	**466.0**	**1,765.7**	**1,695.1**
- in % of net sales	***11.4***	***11.2***	***10.8***	***11.3***
Amortisation of step up values	-95.2	-71.4	-315.2	-293.4
Comparison distortion items	4.3	2.7	-73.3	36.7
EBIT	443.6	397.3	1,377.2	1,438.4

* Restated to IFRS, i.e. excluding goodwill amortisation. ** Excluding comparison distortion items

The year generated a gross profit of SEK 5,530.0 (5,048.8) million. Excluding the amortisation of SEK 315.2 (293.4) million on step-up values, the adjusted gross profit is SEK 5,845.2 (5,342.2) million. This corresponds to 35.8 (35.6) percent of net sales.

Sales and administration expenses amounted to SEK 3,359.0 (3,061.9) million. Excluding exchange rate variations and the acquisition of Packinox, sales and administration expenses were 2.9 percent higher than last year.

The costs for research and development were SEK 447.8 (403.9) million, corresponding to 2.7 (2.7) percent of net sales. Excluding exchange rate variations and the acquisition of Packinox, the costs for research and development increased by 7.8 percent compared to last year.

Adjusted EBITDA amounted to SEK 2,030.0 (1,956.0) million for the year. The adjusted EBITA amounted to SEK 1,765.7 (1,695.1) million. The adjusted EBITA margin was 10.8 (11.3) percent. The adjusted result after tax and the minority's share of the result, excluding depreciation of step-up values and the corresponding tax, is SEK 9.83 (8.67) per share. Other operating costs were burdened with costs for an M&A activity by SEK 15.0 million and regular commissions to contractors and engineering houses in relation to Packinox by SEK 35.6 million.

The operating income has been affected by comparison distortion items of SEK -73.3 (36.7) million. In the income statement these are reported gross as a part of other operating income and operating costs, see summary on page 14. In August 2005 approximately 45 percent of the land in Cwmbran in Wales was divested for SEK 58.0 million with a realised gain of SEK 47.8 million. In December 2005 the property in Richmond in the US was divested for SEK 95,6 million with a realised gain of SEK 3.3 million and some minor properties in India were divested for SEK 1.3 million with a realised gain of SEK 0.6 million. During 2005, costs for the closure of the separator factory in Madrid and the bioKinetics plant in Toronto of SEK -125.0 million have been charged to the income statement. During September 2004 the property in Kenosha, USA, was divested for SEK 45.3 million with a realised loss of SEK -1.7 million. On July 7, 2004, the property in Madrid, Spain, was divested for SEK 265,1 million with a realised gain of SEK 47.5 million. The divestment of the Tri-Lad operations in Canada generated a loss of SEK -15.0. The sale of some minor properties in Brazil and India resulted in a realised gain of SEK 6.4 million whereas the sale of a minor property in Denmark resulted in a realised loss of SEK -0.5 million.

Divisional reporting

Equipment division

The Equipment division consists of six customer segments: Comfort & Refrigeration, Fluids & Utility Equipment, Marine & Diesel, OEM (Original Equipment Manufacturers), Sanitary Equipment and the aftermarket segment Parts & Service.

SEK millions	**Oct 1- Dec 31 2005**	Oct 1- Dec 31 2004 *	**Jan 1- Dec 31 2005**	Jan 1- Dec 31 2004 *
Orders received	2,517.5	2,196.5	9,902.4	8,862.3
Order backlog **			3,382.5	2,097.3
Net sales	2,351.5	2,164.2	8,631.5	8,250.4
Operating income	331.8	253.9	1,162.5	1,100.4

* Restated to IFRS, i.e. excluding goodwill amortisation. ** At the end of the period.

Orders received and net sales (all comments are after adjustment for exchange rate fluctuations)

Orders received increased by 9.5 percent and net sales increased by 2.7 percent during 2005 compared to last year.

All segments in the Equipment division have developed positively, with the exception of Comfort & Refrigeration and Sanitary Equipment. The most significant growth is found within the Marine & Diesel segment followed by the OEM segment.

Operating income (excluding comparison distortion items)

The increase in operating income during 2005 compared to last year is explained by a higher gross profit from the increased sales partly offset by higher R&D costs.

Process Technology division

The Process Technology division consists of five customer segments: Energy & Environment, Food Technology, Life Science, Process Industry and the aftermarket segment Parts & Service.

SEK millions	**Oct 1- Dec 31 2005**	Oct 1- Dec 31 2004 *	**Jan 1- Dec 31 2005**	Jan 1- Dec 31 2004 *
Orders received	2,488.4	1,560.4	8,572.8	6,818.0
Order backlog **			4,072.9	2,640.6
Net sales	2,324.1	1,981.0	7,672.8	6,683.3
Operating income	215.2	213.5	698.8	634.3

* Restated to IFRS, i.e. excluding goodwill amortisation. ** At the end of the period.

Orders received and net sales (all comments are after adjustment for exchange rate fluctuations)

Orders received increased by 23.0 percent and net sales increased by 12.2 percent during 2005 compared to last year. Excluding the acquisition of Packinox, the corresponding figures are 16.4 percent and 4.9 percent.

All segments in the Process Technology division, except Food Technology, have reported an increase in orders received compared to 2004. The growth has been largest within the Process Industry segment followed by the Energy & Environment segment.

Operating income (excluding comparison distortion items)

The increase in operating income during 2005 compared to last year is due to higher gross profit as a result of the increased sales, partly offset by increased sales and administration costs linked to the higher quotation activity and also by higher R&D costs.

Operations division and Other

Operations are responsible for procurement, production and logistics. Other is referring to corporate overhead and non-core businesses.

SEK millions	**Oct 1- Dec 31 2005**	Oct 1- Dec 31 2004	**Jan 1- Dec 31 2005**	Jan 1- Dec 31 2004
Orders received	14.0	13.7	41.1	59.7
Order backlog *			41.5	25.5
Net sales	8.2	20.9	26.1	52.1
Operating income	-107.7	-72.8	-410.8	-333.0

* At the end of the period.

Reporting by geographical markets

The Group's secondary segments are geographical markets. All comments are after considering exchange rate variations.

Orders received

During 2005 orders received increased most in Asia, followed by Central and Eastern Europe, Western Europe, North America and Latin America, while the Nordic countries reported decreased orders received compared to last year.

Order received

Consolidated SEK millions	**Oct 1 - Dec 31 2005**	Oct 1 - Dec 31 2004	**Jan 1 - Dec 31 2005**	Jan 1 - Dec 31 2004
Customers in				
Sweden	217.8	224.3	846.3	884.0
Other EU	1,905.9	1,382.2	6,516.4	5,804.4
Other Europe	454.5	339.6	1,555.4	1,280.7
USA	594.3	513.4	2,354.3	2,136.5
Other North America	107.9	58.6	467.1	334.1
Latin America	216.5	245.0	832.9	689.8
Africa	73.1	54.9	259.2	167.9
Asia	1,376.7	892.6	5,388.1	4,164.5
Oceania	73.2	60.0	296.6	278.1
Total	5,019.9	3,770.6	18,516.3	15,740.0

Net sales

During 2005 net sales increased most in Latin America and Asia followed by Central and Eastern Europe and North America, while Western Europe reported unchanged net invoicing compared to last year.

Net sales

Consolidated SEK millions	**Oct 1 - Dec 31 2005**	Oct 1 - Dec 31 2004	**Jan 1 - Dec 31 2005**	Jan 1 - Dec 31 2004
Customers in				
Sweden	249.7	272.2	842.4	887.6
Other EU	1,597.6	1,593.3	5,664.3	5,706.5
Other Europe	419.3	325.3	1,428.1	1,196.5
USA	584.9	545.9	2,327.9	2,197.4
Other North America	150.4	76.4	436.8	296.2
Latin America	207.5	190.4	798.5	583.9
Africa	89.3	59.7	223.6	177.3
Asia	1,293.2	1,005.3	4,336.6	3,619.9
Oceania	91.9	97.6	272.2	320.5
Total	4,683.8	4,166.1	16,330.4	14,985.8

Consolidated financial result and net income

The financial net has amounted to SEK -318.8 (-187.4) million, excluding realised and unrealised exchange rate losses and gains. Alfa Laval has redeemed the outstanding senior notes on November 15, 2005. This has incurred an additional interest cost during the fourth quarter 2005 of SEK -67.5 million for the premium and SEK -21.0 million for the outstanding capitalised transaction costs, totalling SEK -88.5 million. These costs are reported as comparison distortion items, see summary on page 14. The other main elements of costs were interest on debt to the banking syndicate of SEK -59.1 (-38.0) million, interest on the bond loan of SEK -116.1 (-127.5) million and a net of dividends and other interest income and interest costs of SEK -55.1 (-21.9) million.

The net of realised and unrealised exchange rate differences amounts to SEK 40.6 (10.6) million, out of which SEK -19.3 (7.4) million in the fourth quarter.

The result after financial items was SEK 1,099.0 (1,261.6) million. The figure for 2004 has been restated to IFRS, i.e. excluding goodwill amortisation.

Income taxes were SEK -160.1 (-391.9) million. The difference between 2005 and 2004 is primarily due to utilisation of loss carry forwards and the recognition of a deferred tax asset of SEK 89.7 million related to remaining loss carry forwards in the US in 2005.

The parent company's result after financial items was SEK -16.3 (-2.6) million, out of which net interests were SEK -5.7 (2.8) million, realised and unrealised exchange rate gains and losses SEK 0.3 (-) million, costs related to the listing SEK -2.3 (-0.7) million, fees to the Board SEK -2.7 (-3.8) million, cost for annual report and annual general meeting SEK -4.0 (-) million (not taken in parent company before 2005) and other administration costs the remaining SEK -1.9 (-0.9) million. Appropriation to tax allocation reserve has been made with SEK -25.0 (-80.4) million. Income taxes amount to SEK -21.0 (-67.6) million. Tax on received Group contribution was SEK 31.9 (95.3) million and deferred tax on unused tax losses SEK - (-4.5) million. Net income for the year was SEK -30.4 (-59.8) million.

Asbestos-related lawsuits in the United States

Alfa Laval's subsidiary in the United States, Alfa Laval Inc., was as of December 31, 2005, named as co-defendant in a total of 162 asbestos-related lawsuits with a total of approximately 2,900 plaintiffs.

Alfa Laval strongly believes the claims against the company are without merit and intends to vigorously contest each lawsuit.

During the fourth quarter 2005, Alfa Laval Inc. was named as co-defendant in an additional 16 lawsuits with a total of 16 plaintiffs. During the fourth quarter 2005, 7 lawsuits involving 22 plaintiffs have been resolved.

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 company's financial condition or results of operation.

Cash flow

Cash flow from operating and investing activities was SEK 951.9 (1,239.1) million during 2005. Out of this, acquisitions of businesses were SEK -504.7 (51.8) million whereas divestments generated cash of SEK 163.8 (371.5) million.

Working capital decreased by SEK 133.1 million during 2005, whereas the corresponding figure for 2004 was an increase by SEK 469.2 million.

Investments in property, plant and equipment amounted to SEK 323.7 (387.5) million during 2005. Out of the figure for last year, acquired product concessions were SEK 36.6 million. Depreciation, excluding allocated step-up values, amounted to SEK 264.3 (260.9) million during the year.

Cash and bank

The Group's cash and bank amounted to SEK 478.8 (414.8) million. The item cash and bank in the balance sheet and in the cash-flow statement is mainly relating to bank deposits.

Borrowings and net debt

Debt table

Consolidated SEK in millions	2005	2004
Credit institutions	2,801.6	1,502.1
Senior notes	-	1,044.4
Capitalised financial leases	29.4	4.2
Interest-bearing pension liabilities	2.9	4.8
Total debt	2,833.9	2,555.5
Cash, bank and current deposits	-821.2	-672.0
Net debt	2,012.7	1,883.5

Cash, bank and current deposits include bank and other deposits in the publicly listed subsidiary Alfa Laval (India) Ltd of SEK 125.7 (112.0) million. The company is not a wholly owned subsidiary of the Alfa Laval Group. It is owned to 64.1 percent.

On April 12, 2005 Alfa Laval has signed a new senior credit facility with a banking syndicate of EUR 250 million and USD 325 million, corresponding to SEK 4,109.9 million. The credit facility replaced the previous syndicated loan and has in addition been used for the redemption of the Group's senior notes. The new facility provides increased flexibility, extended maturity and reduced costs. At December 31, 2005, SEK 2,661.2 million of the facility were utilised.

Alfa Laval has redeemed the outstanding senior notes on November 15, 2005. This has incurred an additional interest cost during the fourth quarter 2005 of SEK 67.5 million for the premium and SEK 21.0 million for the outstanding capitalised transaction costs, totalling SEK 88.5 million.

Before the redemption, Alfa Laval has re-purchased bonds at the prevailing market rate for a total face value of SEK - (11.4) million. The difference between the higher market value and the face value was SEK - (1.8) million, which is reported as an interest cost. The bond loan accrued interest at 12.125 percent, which was considerably more than the Group's current cost for other external financing.

Ownership and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group.

The company had 10,964 (11,758) shareholders on December 31, 2005. The largest owner is Tetra Laval B.V., the Netherlands who owns 17.7 (17.7) percent. Next to the largest owner there are nine institutional investors with ownership in the range of 7.9 to 2.2 percent. These ten largest owners own 50.7 (54.6) percent of the shares.

Acquisitions and disposals

In a press release on September 23, 2005, Alfa Laval announced that the company had signed an agreement to acquire Tranter PHE from the U.S. company, Dover Corporation. The company had a turnover in 2004 of about SEK 800 million (USD 110 million) and has approximately 450 employees globally in R&D, manufacturing and sales. Alfa Laval has agreed to pay approximately SEK 1.1 billion (USD 150 million) in cash. The closing of the transaction is subject to clearance from regulatory authorities.

In August 2005 approximately 45 percent of the land in Cwmbran in Wales was divested for SEK 58.0 million with a realised gain of SEK 47.8 million. In December 2005 the property in Richmond in the US was divested for SEK 95,6 million with a realised gain of SEK 3.3 million and some minor properties in India were divested for SEK 1.3 million with a realised gain of SEK 0.6 million.

On February 15, 2005 Alfa Laval has acquired Packinox S.A. in France for SEK 551.3 million. After deducting acquired cash and bank the impact on the cash flow was SEK -504.7 million. Out of the difference between the purchase price paid and the net assets acquired SEK 103.6 million has been allocated to patents and un-patented know-how, SEK 192.1 million to the Packinox trademark, SEK 6.8 million to accrued gross margin in work in progress, SEK 102.8 million to deferred tax liability, while the residual SEK 264.7 million has been allocated to goodwill. The step up value for patents and un-patented knowhow is depreciated over 10 years and the step up value for the trademark is depreciated over 20 years. The step up for accrued gross margin in work in progress has been expensed during 2005. Packinox is a world leader in large welded plate heat exchangers for oil & gas and refinery applications, with sales of SEK 495 million in 2005 and 152 employees within R&D, manufacturing and sales.

During September 2004 the property in Kenosha, USA, was divested for SEK 45.3 million with a realised loss of SEK -1.7 million. On July 7, 2004, the property in Madrid, Spain, was divested for SEK 265.1 million with a realised gain of SEK 47.5 million. The sale of some minor properties in Brazil and India resulted in a realised gain of SEK 6.4 million whereas the sale of a minor property in Denmark resulted in a realised loss of SEK -0.5 million.

Accounting principles

The fourth quarter interim report 2005 is in accordance with RR 31 Consolidated Interim Reports, which requires that IAS 34 Interim Financial Reporting and the Swedish Annual Report's Act must be applied. The accounting principles are according to IFRS (International Financial Reporting Standards).

Since all IAS rules except IAS 39 are close to prior Swedish GAAP in terms of valuation and accountancy, the transfer to IFRS has only affected the following areas. Goodwill is not amortised any longer but instead tested for impairment. Minority interests have earlier been reported under a separate heading next to equity, but are now reported as a separate item within equity. Provisions are split in short term and long term. IAS 39 means that financial derivatives, bonds and non-listed external shares are adjusted to fair value. The effect of the fair market valuation is reported over equity for the derivatives where hedge accounting is made (according to the cash flow hedging method) and over the income statement only when the underlying transaction has been realised. Hedge accounting requires the derivative to be effective within an 80 – 125 percent range. For the part of an effective derivative that exceeds 100 percent effectiveness the fair market adjustment is reported directly in the income statement. For the derivatives where hedge accounting is not made the fair market valuation is reported directly into the income statement. The fair value adjustment of derivatives is reported separately from the underlying instrument as a separate item called derivative assets/derivative liabilities in the balance sheet. The market valuation of bonds and non-listed external shares has effect on the concerned balance sheet items.

The comparison figures for 2004 have been restated according to IFRS.

If IFRS had been implemented already in 2004 it would have had the following effects on the consolidated income statement and equity. Since IAS 39 is implemented first in 2005 it only has an effect on the opening balance for 2005 and not on the income statement for 2004.

IMPACT ON INCOME IF IFRS HAD BEEN IMPLEMENTED IN 2004

Consolidated SEK in millions	Adjusted EBITA	Operating income	Net income
Income statement Jan 1 - Dec 31, 2004	1,695.1	1,246.9	603.2
Adjustments for:			
Amortisation of goodwill	-	191.5	191.5
Minority share in subsidiaries' income	-	-	45.4
Adjusted income Jan 1 - Dec 31, 2004	1,695.1	1,438.4	840.1
Adjusted earnings per share (SEK) *			7.12

* After deduction for the minority share in net income

IMPACT ON EQUITY IF IFRS HAD BEEN IMPLEMENTED IN 2004

Consolidated SEK in millions	Equity
Equity at December 31, 2003	4,897.0
Adjustments for:	
Minority interests	104.2
Equity at January 1, 2004 according to IFRS	5,001.2
Equity at December 31, 2004	4,967.0
Adjustments for:	
Amortisation of goodwill	191.5
Minority interests	119.2
Translation difference	-8.5
Equity at December 31, 2004 according to IFRS	5,269.2
Adjustments for:	
Financial instruments	159.3
Deferred tax	-52.6
Equity at January 1, 2005 according to IFRS	5,375.9

Proposed disposition of earnings

The parent company has unrestricted funds of SEK 1,828.8 (807.5) million. SEK 1,500.0 million of the increase is due to the transfer from restricted to unrestricted equity decided at the Annual General Meeting in 2005 and approved by the court during 2005.

The Board of Directors propose a dividend of SEK 5.10 (4.75) per share corresponding to SEK 569.5 (530.4) million and that the remaining income available for distribution in Alfa Laval AB (publ) of SEK 1,259.3 (277.1) million be carried forward.

Financial Reports during 2006

Alfa Laval will publish interim reports during 2006 at the following dates:

Interim report for the first quarter	April 27
Interim report for the second quarter	July 25
Interim report for the third quarter	October 25

Events after the balance sheet date

The balance sheets and the income statements will be adopted at the Annual General Meeting of shareholders on April 27, 2006.

Annual General Meeting

The Annual General Meeting of Alfa Laval AB will be held at Scandic Star Hotel in Lund on Thursday April 27, 2006, at 16.00.

Annual Report 2005

The Annual Report for 2005 is estimated to be published and distributed to shareholders that have asked for a copy during week 13. The Annual Report will also be available on www.alfalaval.com.

Review report

We have reviewed this fourth quarter and full year 2005 report on an overall basis according to the statement issued by the Swedish Federation of Authorised Public Accountants “FAR”. An overall review is considerably limited compared to an audit. Nothing has come to our attention that would indicate that the fourth quarter and full year 2005 report does not fulfil the requirements of the listing agreement with the Stockholm Stock Exchange, the Swedish Annual Report’s Act and IAS 34 “Interim Financial Reporting”.

Ingvar Ganestam
Authorised Public Accountant

Kerstin Mouchard
Authorised Public Accountant

CONSOLIDATED CASH-FLOW STATEMENTS

Amounts in SEK millions	Jan 1 - Dec 31 2005	Jan 1 - Dec 31 2004 *
Cash flow from operating activities		
Operating income	1,377.2	1,438.4
Adjustment for depreciation	579.5	554.3
Adjustment for other non-cash items	-44.1	15.4
	1,912.6	2,008.1
Taxes paid	-429.2	-335.6
	1,483.4	1,672.5
Changes in working capital:		
(Increase)/decrease of current receivables	49.0	-389.4
(Increase)/decrease of inventories	-282.1	-297.0
Increase/(decrease) of liabilities	482.6	131.9
Increase/(decrease) of provisions **	-116.4	85.3
	133.1	-469.2
Cash flow from operating activities	1,616.5	1,203.3
Cash flow from investing activities		
Investments in fixed assets	-323.7	-387.5
Divestment of fixed assets	163.8	361.5
Additional purchase price	-	-9.4
Acquisition of businesses	-504.7	-
Reduction of purchase price	-	61.2
Divestment of businesses	-	10.0
Cash flow from investing activities	-664.6	35.8
Cash flow from financing activities		
Financial net, paid	-351.3	-201.4
Dividends owners of parent company	-530.4	-446.7
Dividends to minority owner in subsidiary	-26.3	-
(Increase)/decrease of other financial assets	-31.0	472.4
Capitalised financing costs, acquisition loans	-4.4	-7.3
Increase/(decrease) of liabilities to credit institutions	-29.3	-1,170.2
Cash flow from financing activities	-972.7	-1,353.2
Net increase (decrease) in cash and bank	-20.8	-114.1
Cash and bank at the beginning of the year	414.8	554.6
Translation difference in cash and bank	84.8	-25.7
Cash and bank at the end of the period	478.8	414.8
Free cash flow per share (SEK) ***	8.52	11.10
Average number of shares	111,671,993	111,671,993

* Restated to IFRS, i.e. excluding goodwill amortisation.
** "Changes in provisions" has been moved from investing activities to changes in working capital.
*** Free cash flow is the sum of cash flows from operating and investing activities.

CONSOLIDATED INCOME STATEMENT

Amounts in SEK millions	Oct 1 - Dec 31 2005	Oct 1 - Dec 31 2004 *	Jan 1 - Dec 31 2005	Jan 1 - Dec 31 2004 *
Net sales	4,683.8	4,166.1	16,330.4	14,985.8
Cost of goods sold	-3,137.8	-2,845.1	-10,800.4	-9,937.0
Gross profit	1,546.0	1,321.0	5,530.0	5,048.8
Sales costs	-655.6	-485.3	-2,365.3	-2,132.4
Administration costs	-248.2	-249.0	-993.7	-929.5
Research and development costs	-120.6	-115.9	-447.8	-403.9
Other operating income **	133.9	113.0	323.8	325.2
Other operating costs **	-211.9	-186.5	-669.8	-469.8
Operating income	443.6	397.3	1,377.2	1,438.4
Dividends	2.7	0.8	4.9	3.1
Interest income	11.9	65.0	173.6	166.4
Interest expense **	-182.1	-112.0	-456.7	-346.3
Result after financial items	276.1	351.1	1,099.0	1,261.6
Taxes on this year's result	37.4	-117.8	-160.1	-391.9
Other taxes	2.5	-8.9	-10.9	-29.6
Net income for the year	316.0	224.4	928.0	840.1
Attributable to:				
Equity holders of the parent	304.7	211.1	884.8	794.7
Minority interests	11.3	13.3	43.2	45.4
Earnings per share (SEK)	2.73	1.89	7.92	7.12
Average number of shares	111,671,993	111,671,993	111,671,993	111,671,993

* Restated to IFRS, i.e. excluding goodwill amortisation and minority interest.
** The line has been affected by comparison distortion items, see separate specification below.

Comparison distortion items

Amounts in SEK millions	Oct 1 - Dec 31 2005	Oct 1 - Dec 31 2004	Jan 1 - Dec 31 2005	Jan 1 - Dec 31 2004
Operational				
Other operating income	129.6	110.0	272.1	271.3
Comparison distortion income	4.3	3.0	51.7	53.9
Total other operating income	133.9	113.0	323.8	325.2
Other operating costs	-211.9	-186.2	-544.8	-452.6
Comparison distortion costs	-	-0.3	-125.0	-17.2
Total other operating costs	-211.9	-186.5	-669.8	-469.8
Financial				
Interest expense	-93.6	-112.0	-368.2	-346.3
Comparison distortion costs	-88.5	-	-88.5	-
Total interest expense	-182.1	-112.0	-456.7	-346.3

In order to illustrate the quarterly development, the income statement analysis is shown also for the last ten quarters:

Income statement analysis *

SEK millions	2005 Q4	2005 Q3	2005 Q2	2005 Q1	2004 Q4	2004 Q3	2004 Q2	2004 Q1	Proforma 2003 Q4	Proforma 2003 Q3
Net sales	4,683.8	4,277.4	4,101.6	3,267.6	4,166.1	3,837.5	3,798.3	3,183.9	4,086.3	3,426.3
Adjusted gross profit	1,641.2	1,508.9	1,487.3	1,207.8	1,392.4	1,348.7	1,357.9	1,243.2	1,385.0	1,318.9
- in % of net sales	*35.0*	*35.3*	*36.3*	*37.0*	*33.4*	*35.1*	*35.8*	*39.0*	*33.9*	*38.5*
Expenses **	-1,028.0	-967.0	-1,004.3	-815.9	-856.4	-863.5	-874.3	-792.0	-846.5	-818.0
- in % of net sales	*21.9*	*22.6*	*24.5*	*25.0*	*20.6*	*22.5*	*23.0*	*24.9*	*20.7*	*23.9*
Adjusted EBITDA	613.2	541.9	483.0	391.9	536.0	485.2	483.6	451.2	538.5	500.9
- in % of net sales	*13.1*	*12.7*	*11.8*	*12.0*	*12.9*	*12.6*	*12.7*	*14.2*	*13.2*	*14.6*
Depreciation	-78.7	-62.7	-61.0	-61.9	-70.0	-58.8	-63.6	-68.5	-75.5	-70.7
Adjusted EBITA	**534.5**	**479.2**	**422.0**	**330.0**	**466.0**	**426.4**	**420.0**	**382.7**	**463.0**	**430.2**
- in % of net sales	***11.4***	***11.2***	***10.3***	***10.1***	***11.2***	***11.1***	***11.1***	***12.0***	***11.3***	***12.6***
Amortisation of step up values	-95.2	-74.6	-73.6	-71.8	-71.4	-72.8	-74.5	-74.7	-74.4	-75.7
Comparison distortion items	4.3	47.4	-	-125.0	2.7	47.5	-	-13.5	2.0	-
EBIT	443.6	452.0	348.4	133.2	397.3	401.1	345.5	294.5	390.6	354.5

* Restated to IFRS, i.e. excluding goodwill amortisation
** Excluding comparison distortion items

CONSOLIDATED BALANCE SHEET

Amounts in SEK millions	2005	2004 *
ASSETS		
Non-current assets		
Intangible assets	4,598.1	3,901.5
Property, plant and equipment	2,552.8	2,480.3
Other non-current assets	676.5	601.4
	7,827.4	6,983.2
Current assets		
Inventories	3,090.7	2,452.5
Accounts receivable	2,991.6	2,613.3
Other receivables	1,419.9	1,363.0
Derivative assets	55.6	-
Other current deposits	342.4	257.2
Cash and bank	478.8	414.8
	8,379.0	7,100.8
TOTAL ASSETS	16,206.4	14,084.0
SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity		
Shareholders' equity	5,679.7	5,150.0
Minority interest	131.7	119.2
	5,811.4	5,269.2
Non-current liabilities		
Liabilities to credit institutions	2,701.8	1,262.7
Senior notes	-	1,044.4
Provisions for pensions and similar commitments	902.8	788.9
Provision for deferred tax	766.8	760.3
Other provisions	307.1	316.1
	4,678.5	4,172.4
Current liabilities		
Liabilities to credit institutions	99.8	239.4
Accounts payable	1,560.7	1,349.6
Advances from customers	969.7	542.0
Other provisions	650.3	632.1
Other liabilities	2,256.3	1,879.3
Derivative liabilities	179.7	-
	5,716.5	4,642.4
Total liabilities	10,395.0	8,814.8
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	16,206.4	14,084.0

* Restated to IFRS, i.e. excluding goodwill amortisation and including minority interest in equity capital.

CHANGES IN CONSOLIDATED EQUITY

Amounts in SEK millions	2005	2004 *	2003
At the beginning of the period **	5,375.9	5,001.2	4,512.3
Changes attributable to:			
Equity holders of the parent			
Cash flow hedges	-290.5	-	-
Translation difference	268.3	-95.0	-37.8
Deferred tax	90.8	-	-
Net income for the period	884.8	794.7	645.8
Dividends	-530.4	-446.7	-223.3
Subtotal	423.0	253.0	384.7
Minority			
Translation difference	-4.4	-8.0	-
Net income for the period	43.2	45.4	-
Dividends	-26.3	-22.4	-
Subtotal	12.5	15.0	-
At the end of the period	5,811.4	5,269.2	4,897.0

* Restated to IFRS, i.e. excluding goodwill amortisation and including minority interest in equity capital.
** See page 11 for reconciliation of opening balances.

The share capital of SEK 1,116,719,930 is divided into 111,671,993 shares at par value SEK 10.