Economic Summary

- GDP of $12.5 trillion
- CPI excluding Fuel and Food of 2.1%
- Fed Funds rate of 4.5%
- Housing Starts of 2.1 million
- Gasoline consumption of 140 Billion gallons/yr

Source: BEA and Kiplingerforecasts.com
Interest Rates & Inflation

- Current Core CPI (excl Food & Energy) of 2.1% is running a little high
- Expect the Fed to continue to raise rates
  - The overnight rate of 4.5% may rise to 5.25% by YE
- Budget deficit will also drive rates higher
- Rates in Japan and Europe are on the rise as well

Source: Kiplingerforecasts.com
Housing

• Housing Starts of 2.1 million
  • Starts will decline about 10% to 1.85 million with luxury properties taking the biggest hit
• Prices have increased 9.2% per annum since 2001 and are expected to rise by only 3% in 2006.
  • Sales should decline by 6.5% to 7.8 million
• Above will impact GDP by -.7% in 2006

Source: Kiplingerforecasts.com
Energy

- West Texas Crude is approx. $60/barrel
- Upward pressure on crude prices due to
  - Threats to supply in Nigeria and Iran
  - Seasonal production ramp-up to meet summer demand
  - Could reach $75 by June
- Gasoline projected to hit $2.75 by July 4th, settling back to $2.20 in the Fall

Source: Kiplingerforecasts.com
Alfa Laval USA History

- Chartered in 1885 as DeLaval Separator
- 1892-1919 Sales increase from 0,3 MUSD to 8,3 MUSD
- 1970 Alfa Laval acquired Contherm, scraped surface heat exchanger
- 1980 The name DeLaval changed in Alfa Laval for all entities
- 1986 Alfa Laval acquired Tri-Clover, leader in sanitary flow industry
- 1987 Alfa Laval acquired Equipment Engineering today Greenwood
- 1988 Sharples and Alfa Laval joined to form the largest separation company in the world
- 1990 Alfa Laval acquired Peck Purifier today Chesapeake
- 2000-2005 Merge 5 legal entities into 1
  - Re-structure 3 Business Area into 3 Divisions
  - Create the Business segment sanitary (Flow + Tri-Clover)
  - Re-structure Operations
  - Move Head Quartier to Richmond VA
  - and ..........................
USA

638 own employees
300 external channels

Head Quartier
Sales offices (6)
Operations (3)
Service centers (4)
Orders received by Region

January – December 2005, at constant rates

- North America: 15%
- Asia: 29%
- Western Europe: 30%
- L. America: 5%
- Centr. & East: 8%
- Other: 2%

Comparisons:
- North America: +11%
- Asia: +16%
- Western Europe: +26%
- L. America: -5%

www.alfalaval.com
Highlights USA
October – December 2005, at constant rates

USA
- Good development of base sales.
- High activity in fuel ethanol.
- High activity in Energy/Oil&Gas
- Continuous growth in Parts&Service
- Good recovery in profitability for all segments
Orders Received in the USA

- Comfort, Refrigeration, OEM: 37% (44%)
- Marine & Diesel Fluids & Utility
- Sanitary
- Food
- Energy & Environment
- Life Science
- Process Industry
- Parts & Service
- P&S: 36% (24%)

(Total Alfa Laval percentage)
Orders received by Segment
January – December 2005, at constant rates

- Comfort & Refrigeration
- Marine & Diesel
- Fluids & Utility
- OEM
- Sanitary
- Food
- Energy & Environment
- Process Industry
- Life Science
- Parts & Service

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www.alfalaval.com
Orders received by Segment USA
January – December 2005, at constant rates

- Comfort & Refrigeration
- Marine & Diesel
- Fluids & Utility
- OEM
- Sanitary
- Food
- Energy & Environment
US Ethanol Market Update

• In August 2005, President Bush signed into law a new Renewable Fuel Standard that dictates a usage of 7.5 BGY of renewable fuels by 2012.
• There are currently 94 plants in operation, producing 4.3 BGY of ethanol.
• An additional 41 plants are under construction. These will add 2.0 BGY of ethanol within 12 months.
• Over 50 other projects/plants are in various stages of development and/or financing.

Total US consumption of gasoline is 140 BGY.
• Over 30% of all gasoline in the US today is blended with ethanol.
• If all gasoline were blended with 10% ethanol the market demand would be 14 BGY!

Alfa Laval has equipment, Heat Exchangers and/or Separators, in 80% of all existing plants.
• Alfa Laval supply equipment to all major licensors or engineering companies active in this market.
• Alfa Laval has exclusive supply agreements signed with several technology providers/licensors.

BGY = Billions Gallons per Year