



## Interim Report Q4 2004

- Orders received and margins
- Development per segment
- Geographical development
- Financials
- Priorities and outlook

Mr. Lars Renström  
President and CEO  
Alfa Laval Group

## Key figures

### October – December 2004

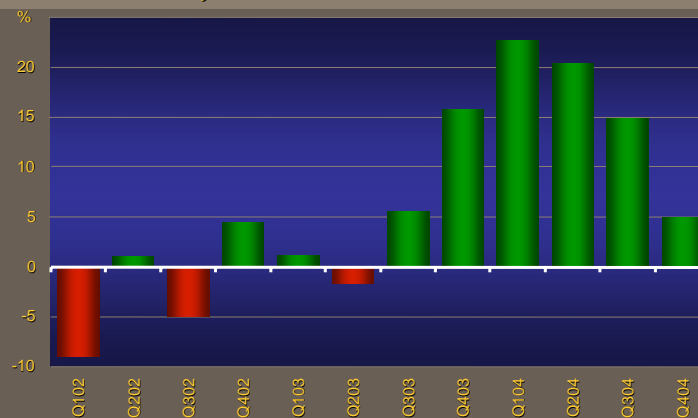
- Orders received up 5%
- Net sales up 6%
- Adjusted EBITA MSEK 466 (463)
  - Negative currency effect MSEK 98

### January – December 2004

- Orders received up 15%
- Net sales up 12%
- Adjusted EBITA up to MSEK 1,695 (1,627)
  - Negative currency effect MSEK 322

## Orders received

Q on Q vs. last year excl FX



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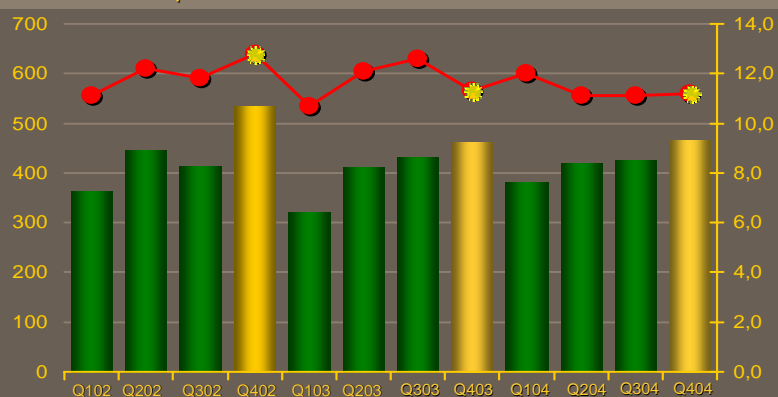
## Order analysis

MSEK	Oct-Dec	Jan-Dec
<b>2003</b>	<b>3,750</b>	<b>14,145</b>
Structural change, %	-	+ 1
Currency, %	- 4	- 4
Organic development, %	+ 5	+ 14
Total, %	+ 1	+ 11
<b>2004</b>	<b>3,771</b>	<b>15,740</b>

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## Adjusted EBITA / margin \*

MSEK and in percent of sales

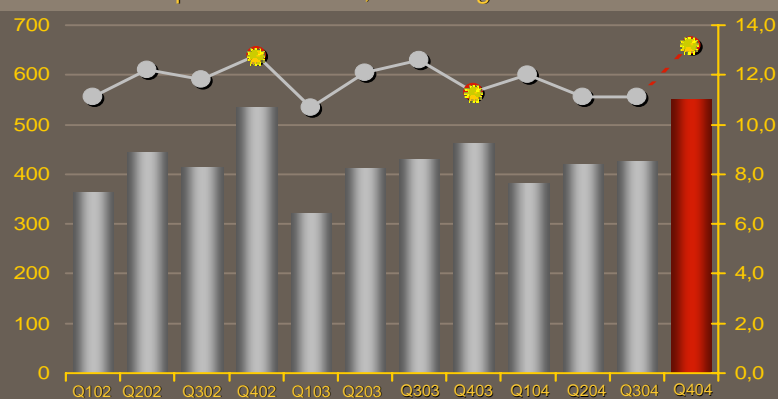


\* Adjusted EBITA – "Earnings before interests, taxes, amortization of goodwill and step up values and comparison distortion items."

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## Adjusted EBITA / margin \*

MSEK and in percent of sales, excluding FX-transaction effects Q404



\* Adjusted EBITA – "Earnings before interests, taxes, amortization of goodwill and step up values and comparison distortion items."

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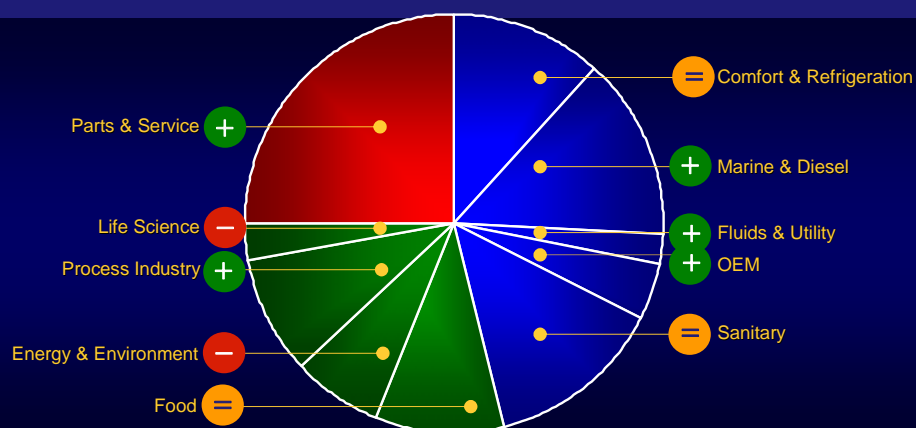
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## Orders received by Segment

October – December 2004, at constant rates



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## Highlights – Process Industry



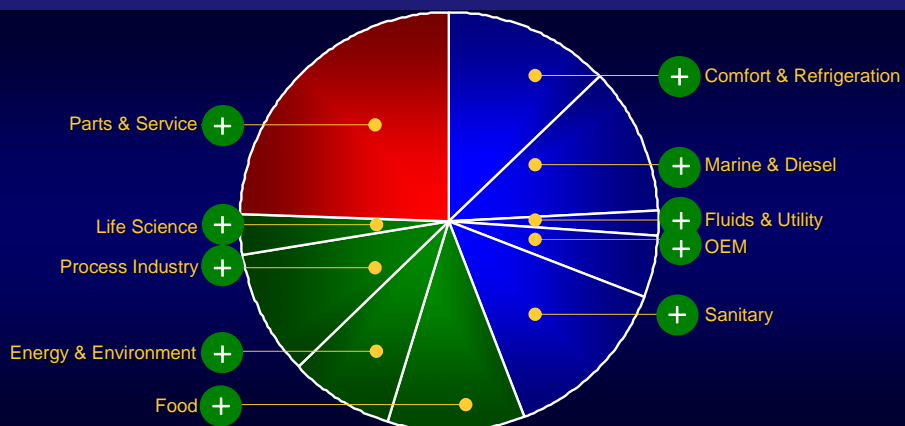
### Ethanol

- About MSEK 200
- Base business doubled since 2001
- Mandatory blending
- Continued good demand in the U.S. and Asia

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January – December 2004, at constant rates



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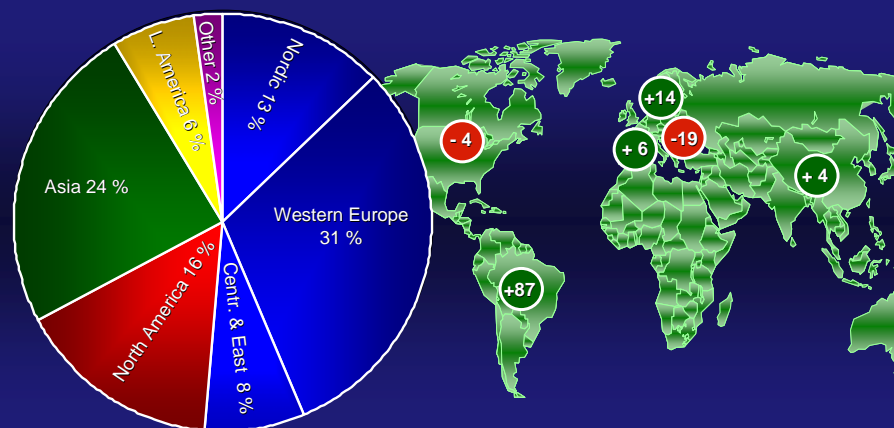
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## Orders received by Region

October – December 2004, at constant rates



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## Highlights Americas

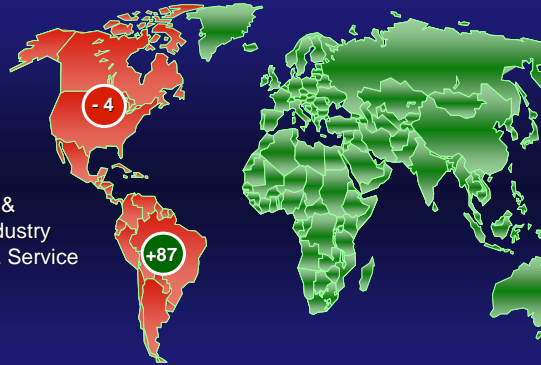
October – December 2004, at constant rates

### North America

- About the same as 2003
- US above 2003
- Strong Parts & Service

### Latin America

- Very strong growth in Brazil
- Increased demand in Energy & Environment and Process Industry
- Good development in Parts & Service



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## Highlights Europe

October – December 2004, at constant rates

### Western Europe incl. Nordic

- Strong quarter
- Nordic and Benelux clearly better than 2003
- Best development in Marine & Diesel, OEM and Food

### Central and Eastern Europe

- Turkey and Ukraine strong
- Growth in Equipment sales and Process Industry offset by lack of major projects



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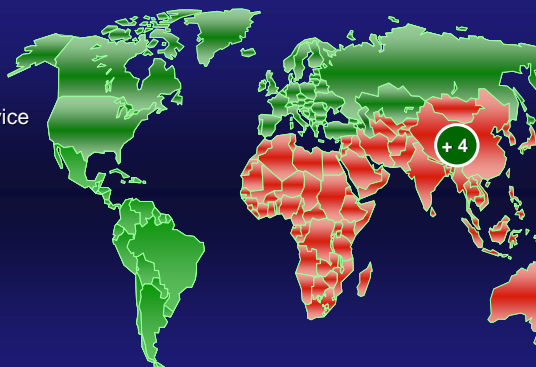


## Highlights Asia

October – December 2004, at constant rates

### Asia

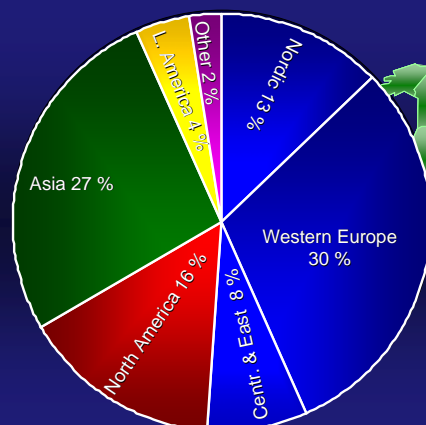
- Double digit growth in China  
- *Marine still strong*
- Strong growth in Parts & Service
- Less contract orders in India



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## Orders received by Region

January – December 2004, at constant rates



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# Update

## Asbestos-related lawsuits in the United States

- In the fourth quarter approximately 5,700 plaintiffs were transferred to a federal court and are considered inactive by this court.
- Most of the insurance carriers have confirmed that they will provide coverage for a substantial majority of the costs arising from the existing claims. Alfa Laval is in the process of negotiating settlement agreements with certain of its insurance carriers.
- 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.

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Mr. Thomas Thuresson  
CFO  
Alfa Laval Group

## Highlights

MSEK	Q4	Q1 – Q4
Order intake	3,771	15,740
Net sales	4,166	14,986
Adjusted EBITA	466	1,695
Adjusted EBITA-margin	11.2 %	11.3 %

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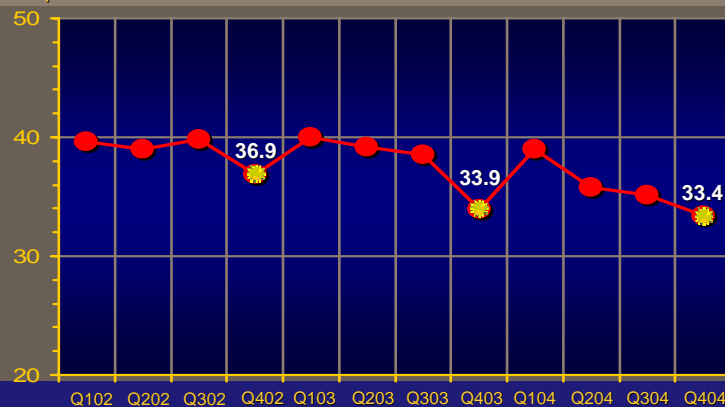
## Adjusted EBITA

MSEK	Q4	Q1 – Q4
2003	463	1,627
2004	466	1,695
Deviation	3	68
FX. translation	15	57
FX. transaction	83	265
Deviation excl FX	101	390

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## Gross profit margin

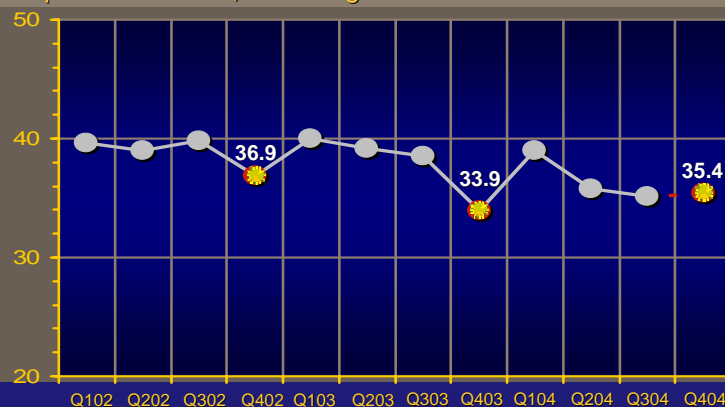
In percent of sales



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## Gross profit margin

In percent of sales, excluding FX-transaction effects Q404



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## Highlights

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Order intake	3,771	15,740
Net sales	4,166	14,986
Adjusted EBITA	466	1,695
Adjusted EBITA-margin	11.2 %	11.3 %
Profit before tax	303	1,070

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## Earnings per share

	2004	2003
Earnings	5.40	5.78
Earnings excluding goodwill and step-up	8.67	9.34

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## Highlights

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Net sales	4,166	14,986
Adjusted EBITA	466	1,695
Adjusted EBITA-margin	11.2 %	11.3 %
Profit before tax	303	1,070
Cash flow from operating activities	302	1,118
ROCE	-	24.3 %
Excl. step-up and goodwill appr. 60%		

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## Cash-flow statement

MSEK	2004	2003
Cash flows from		
- operating activities	1,118	1,654
- investing activities	121	- 457
Financial net paid	- 201	- 231
Dividends	- 447	- 223
Total	591	742
Pro Forma Free-cash-flow*	651	1,214

*\*Incl. operating activities, capital expenditure (excl. product rights), provisions and financial net paid.*

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# Implementation of IFRS

## *Influences the following areas*

- Goodwill will not be amortised – impairment testing
- Minority interest reported under separate heading within equity.
- IAS 39 – impact as of the opening balance for 2005.

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## P&L if IFRS had been implemented

MSEK	Adjusted EBITA	Operating income	Net income
Profit & Loss 2004	1,695	1,247	603
<i>Adjustments for:</i>			
Amortisation of goodwill	-	191	191
Minority share in subsidiaries income	-	-	45
Pro forma for 2004	1,695	1,438	840
Pro forma earnings per share			7.12

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# Foreign exchange

## Estimated impact on adjusted EBITA from Fx. fluctuations

MSEK	2004	WY 05*
Translation effect	- 57	- 40
Transaction effect	- 265	- 160
Total	- 322	- 200

\*Based on EUR/USD 1.32 and EUR/SEK 9.00

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## Priorities within existing strategy



- Reinforced focus on profitability
- Presence in China, India and Russia
- Time to market
- Aftermarket
- Acquisitions

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## Financial Targets



Growth  
EBITA  
ROCE

5%  
10 - 13%  
> 20%

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## Dividend policy



The target is a dividend of 40-50 percent of net income, adjusted for step-up depreciations calculated over a business cycle.

The Board of Directors proposes a dividend of 4.75 SEK per share for 2004

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## Outlook for the near future

Alfa Laval is expecting ...

...a continued demand on the present high level.

...that the current high price level for some raw materials will remain, at least short term.

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