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

Order analysis

<table>
<thead>
<tr>
<th>Year</th>
<th>Oct-Dec</th>
<th>Jan-Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>3,750</td>
<td>14,145</td>
</tr>
<tr>
<td>2004</td>
<td>3,771</td>
<td>15,740</td>
</tr>
</tbody>
</table>

Structural change, %

Currency, %

Organic development, %

Total, %
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.”

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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Orders received by Segment

October – December 2004, at constant rates

- Comfort & Refrigeration
- Marine & Diesel
- Fluids & Utility
- OEM
- Sanitary
- Parts & Service
- Life Science
- Process Industry
- Energy & Environment
- Food
**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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**Orders received by Segment**

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Orders received by Region
October – December 2004, at constant rates

Asia 24 %
Western Europe 31 %
North America 16 %
Central & Eastern Europe 8 %
Central & South America 6 %
Nordic 13 %
Other 2 %

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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
**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

**Orders received by Region**

*January – December 2004, at constant rates*

- Asia 27%
- Western Europe 30%
- North America 18%
- Brazil 8%
- Other regions 6%

Graph showing percentage and growth rate for each region.
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

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<th>MSEK</th>
<th>Q4</th>
<th>Q1 – Q4</th>
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<td>Order intake</td>
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<td>15,740</td>
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<td>Net sales</td>
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<td>466</td>
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<td>11.2 %</td>
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# Adjusted EBITA

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| Deviation | 3  | 68    |
| FX translation | 15 | 57    |
| FX transaction  | 83 | 265   |
| Deviation excl FX | 101 | 390   |
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## Earnings per share

<table>
<thead>
<tr>
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<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings</td>
<td>5.40</td>
<td>5.78</td>
</tr>
<tr>
<td>Earnings excluding goodwill and step-up</td>
<td>8.67</td>
<td>9.34</td>
</tr>
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</table>
Highlights

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<tr>
<td>Cash flow from operating activities</td>
<td>302</td>
<td>1,118</td>
</tr>
<tr>
<td>ROCE</td>
<td>-</td>
<td>24.3 %</td>
</tr>
</tbody>
</table>

Excl. step-up and goodwill appr. 60%

Cash-flow statement

<table>
<thead>
<tr>
<th>MSEK</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- operating activities</td>
<td>1,118</td>
<td>1,654</td>
</tr>
<tr>
<td>- investing activities</td>
<td>121</td>
<td>-457</td>
</tr>
<tr>
<td>Financial net paid</td>
<td>-201</td>
<td>-231</td>
</tr>
<tr>
<td>Dividends</td>
<td>-447</td>
<td>-223</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>591</td>
<td>742</td>
</tr>
<tr>
<td>Pro Forma Free-cash-flow*</td>
<td>651</td>
<td>1,214</td>
</tr>
</tbody>
</table>

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

Influences the following areas

- Goodwill will not be amortised – impairment testing
- Minority interest reported under separate heading within equity.

P&L if IFRS had been implemented

<table>
<thead>
<tr>
<th>MSEK</th>
<th>Adjusted EBITA</th>
<th>Operating Income</th>
<th>Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit &amp; Loss 2004</td>
<td>1,695</td>
<td>1,247</td>
<td>603</td>
</tr>
</tbody>
</table>

Adjustments for:

- Amortisation of goodwill: - 191 191
- Minority share in subsidiaries income: - - 45

Pro forma for 2004:

<table>
<thead>
<tr>
<th>MSEK</th>
<th>Adjusted EBITA</th>
<th>Operating Income</th>
<th>Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,695</td>
<td>1,438</td>
<td>840</td>
<td></td>
</tr>
</tbody>
</table>

Pro forma earnings per share: 7.12
### Foreign exchange

#### Estimated impact on adjusted EBITA from Fx. fluctuations

<table>
<thead>
<tr>
<th>MSEK</th>
<th>2004</th>
<th>WY 05*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation effect</td>
<td>-57</td>
<td>-40</td>
</tr>
<tr>
<td>Transaction effect</td>
<td>-265</td>
<td>-160</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-322</td>
<td>-200</td>
</tr>
</tbody>
</table>

*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

Financial Targets

- Growth: 5%
- EBITA: 10 - 13%
- ROCE: > 20%
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.

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.