Interim Report Q1 2005

- Orders received and margins
- Highlights
- Development per segment
- Geographical development
- Financials
- Outlook

Mr. Lars Renström
President and CEO
Alfa Laval Group
Key figures

January – March 2005

- Orders received: up 5.1% to SEK 4,004 million
- Net sales: up 5.6% to SEK 3,268 million
- Adjusted EBITA: SEK 330 million (383)

- Negative currency effect SEK 42 million
# Order analysis

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Jan – Mar 05</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2004</strong></td>
<td>3,929</td>
</tr>
<tr>
<td>Structural change, %</td>
<td>+ 1</td>
</tr>
<tr>
<td>Currency, %</td>
<td>- 3</td>
</tr>
<tr>
<td>Organic development, %</td>
<td>+ 4</td>
</tr>
<tr>
<td>Total, %</td>
<td>+ 2</td>
</tr>
<tr>
<td><strong>2005</strong></td>
<td>4,004</td>
</tr>
</tbody>
</table>
Adjusted EBITA / margin *

SEK million 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 *

SEK million and in percent of sales, excluding FX-transaction effects Q105

* Adjusted EBITA – “Earnings before interests, taxes, amortization of goodwill and step up values and comparison distortion items.”
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Acquisition of the French company Packinox
Packinox

In a nutshell

World leader in large welded plate heat exchangers for the hydrocarbon industry.

Customer segments: Refineries and Petrochemicals
Annual sales (est 2005): MSEK 450
Employees: 145 (R&D, manufacturing, sales)
Highlights

January – March 2005

- Acquisition of the French company Packinox
- Alfdex-order from Volvo
Alfdex-order from Volvo

- Value: SEK 400 million over five years
- Serial deliveries from end of 2005
- All Volvo-brands; Volvo, Renault and Merck
Highlights

January – March 2005

- Acquisition of the French company Packinox
- Alfdex-order from Volvo
- Environmentally friendly solutions to Fincantieri
Highlights

January – March 2005

- Acquisition of the French company Packinox
- Alfdex-order from Volvo
- Environmentally friendly solutions to Fincantieri
- Further optimization of the global manufacturing structure
Further optimization of the global manufacturing structure

- Closure of units in Spain and Canada
- Savings: first 12 months: SEK 50 million after that further savings
- Total cost SEK 125 million (non-recurring item in first quarter 2005)
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Orders received by Segment
January – March 2005, at constant rates

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

Example: Applications for the Marine industry

Bilge water
Ballast water
Crank case ventilation
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Orders received by Region

January – March 2005, at constant rates

- Western Europe: 28%
- Asia: 29%
- North America: 18%
- Centr. & East: 7%
- L. America: 5%
- Other: 2%
- Nordic: 11%

Global Orders:

- +62
- +21
- +15
- -9
- -5
- -18

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Highlights Americas
January – March 2005, at constant rates

North America
- Strong growth
- All segments above 2004 except Sanitary

Latin America
- Continued strong growth in Brazil
- Increased demand in all segments within Process Technology Division
- High growth in Parts & Service
Highlights Europe
January – March 2005, at constant rates

Western Europe incl. Nordic
- MidEurope, Adriatic and Iberia above 2004
- Nordic, Benelux and France below

Central and Eastern Europe
- Turkey and Ukraine strong
- Lower project activity in Russia
- Very good growth for Parts & Service
Highlights Asia

January – March 2005, at constant rates

Asia

- Very strong growth in Japan
- Moderate growth in China and India
- Continued strong growth in Parts & Service
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## Highlights

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SEK million
## Adjusted EBITA

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<tr>
<td>2004</td>
<td>383</td>
</tr>
<tr>
<td>2005</td>
<td>330</td>
</tr>
<tr>
<td>Deviation</td>
<td>-53</td>
</tr>
<tr>
<td>FX. translation</td>
<td>9</td>
</tr>
<tr>
<td>FX. transaction</td>
<td>33</td>
</tr>
<tr>
<td>Deviation excl FX</td>
<td>-11</td>
</tr>
</tbody>
</table>
Gross profit margin

In percent of sales

Q202: 37.0
Q302: 40.0
Q402: 39.0
Q103: 40.0
Q203: 39.0
Q303: 39.0
Q403: 37.0
Q104: 37.0
Q204: 36.0
Q304: 36.0
Q404: 35.0
Q105: 36.0
Gross profit margin

In percent of sales, excluding FX-transaction effects Q105

Q202, Q302, Q402, Q103, Q203, Q303, Q403, Q104, Q204, Q304, Q404, Q105

Gross profit margin:
- Q202: 38.0%
- Q302: 38.0%
- Q402: 39.0%
- Q103: 40.0%
- Q203: 39.0%
- Q303: 38.0%
- Q403: 38.0%
- Q104: 39.0%
- Q205: 38.0%
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<td>Profit before tax</td>
<td>76</td>
</tr>
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</table>
## Earnings per share

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<thead>
<tr>
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<th>Q1 2005</th>
<th>IFRS Q1 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings</td>
<td>0.49*</td>
<td>1.38</td>
</tr>
<tr>
<td>Earnings excluding</td>
<td>0.93*</td>
<td>1.83</td>
</tr>
<tr>
<td>goodwill and step-up</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Excluding restructuring charge of SEK 125 million an additional 0.75 SEK per share
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<td>Profit before tax</td>
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</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>17</td>
</tr>
<tr>
<td>ROCE</td>
<td>21.0%</td>
</tr>
</tbody>
</table>

Excl. step-up and goodwill approx. 55%
## Cash-flow statement

<table>
<thead>
<tr>
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<th>MSEK</th>
<th>Q1 2005</th>
<th>Q1 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- operating activities</td>
<td>17</td>
<td>293</td>
<td></td>
</tr>
<tr>
<td>- investing activities</td>
<td>-483</td>
<td>-38</td>
<td></td>
</tr>
<tr>
<td>Financial net paid</td>
<td>2</td>
<td>-44</td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>-464</td>
<td>210</td>
</tr>
<tr>
<td>Pro Forma Free-cash-flow*</td>
<td>-40</td>
<td>214</td>
<td></td>
</tr>
</tbody>
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*Incl. operating activities, capital expenditure (excl. product rights), provisions and financial net paid.
Inventory and Advances

Mar 31, 2004 → Mar 31, 2005

- Volume & Fx: 115 MSEK
- Material prices: 260
- Component shortage & other: 66
- Total: 441

Inventory in percent of net invoicing:
- Mar 31, 2004: 13.9%
- Mar 31, 2005: 14.6%
Accounts Receivable

Accounts Receivable Accounts Receivable

In percent of net invoicing

SEK million

20.4 18.3 17.9 18.4 18.0

0012 0103 0106 0109 0112 0203 0206 0209 0212 0303 0306 0309 0312 0403 0406 0409 0412 0503

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## Foreign exchange

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

<table>
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<tr>
<th>SEK million</th>
<th>Q1 2005</th>
<th>WY 05*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation effect</td>
<td>- 9</td>
<td>- 35</td>
</tr>
<tr>
<td>Transaction effect</td>
<td>- 33</td>
<td>- 165</td>
</tr>
<tr>
<td>Total</td>
<td>- 42</td>
<td>- 200</td>
</tr>
</tbody>
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*Based on EUR/USD 1.30 and EUR/SEK 9.10*
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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.