Interim Report Q2 2005

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

April – June 2005

- Orders received up 9%
- Net sales up 7%
- Adjusted EBITA MSEK 422 (420)
  - Negative currency effect MSEK 39

January – June 2005

- Orders received up 7%
- Net sales up 7%
- Adjusted EBITA MSEK 752 (803)
  - Negative currency effect MSEK 81
Orders received

% Q on Q

SEK million R 12

= rolling twelve months value

= % development compared with the same quarter the year before

www.alfalaval.com
## Order analysis

<table>
<thead>
<tr>
<th></th>
<th>Apr – Jun 05</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2004 (SEK million)</strong></td>
<td>4,174</td>
</tr>
<tr>
<td>Structural change, %</td>
<td>+ 2</td>
</tr>
<tr>
<td>Currency effects, %</td>
<td>+ 1</td>
</tr>
<tr>
<td>Organic development, %</td>
<td>+ 7</td>
</tr>
<tr>
<td><strong>Total, %</strong></td>
<td>+10</td>
</tr>
<tr>
<td><strong>2005 (SEK million)</strong></td>
<td>4,574</td>
</tr>
</tbody>
</table>
Adjusted EBITA / margin*

* Adjusted EBITA – "Earnings before interests, taxes, amortization of goodwill and step up values and comparison distortion items."
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Mr. Lars Renström
President and CEO
Alfa Laval Group
Highlights

April – June 2005

• Currency
Highlights

April – June 2005

- Currency
- Big orders
  - Central cooling in Saudi Arabia,
    order value: SEK 100 million
  - Drinking water project in Pakistan,
    order value: SEK 100 million
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President and CEO
Alfa Laval Group
Orders received by Segment

April – June 2005, at constant rates

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

April – June 2005, at constant rates

+ + + + + + =
Process Industry

The T50 plate heat exchanger

- Probably the largest gasketed PHE in the world
- Newly developed plate system for better performance
- Main application: Central cooling
Orders received by Segment

January – June 2005, at constant rates

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Alfa Laval Group
Orders received by Region

April – June 2005, at constant rates

- Western Europe: 31%
- Asia: 28%
- North America: 14%
- Centr. & East: 8%
- L. America: 4%
- Nordic: 13%
- Other: 2%

Percentage changes:
- Western Europe: +21
- Asia: +14
- North America: +4
- Centr. & East: +5
- L. America: +2
- Nordic: -1
- Other: -2

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Highlights Americas

April – June 2005, at constant rates

North America
- Continued growth in the US - all segments above 2004 except Sanitary

Latin America
- Good development in Equipment Division
- High growth in Parts & Service
Highlights Europe
April – June 2005, at constant rates

Western Europe incl. Nordic
- MidEurope and UK above
- Strong Parts & Service

Central and Eastern Europe
- Generally good demand in Russia
- Increase in project orders in Ukraine and Czech Republic
- Strong growth for Parts & Service
Highlights Asia

April – June 2005, at constant rates

Asia

- Very strong order intake in China – in spite of slow project business
- High investment level in the Middle East
- Good growth in Parts & Service

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Orders received by Region

January – June 2005, at constant rates

- Western Europe: 29%
- North America: 16%
- Asia: 28%
- Central & Eastern Europe: 8%
- Latin America: 4%
- Nordic: 12%
- Other: 3%

Percentage changes:
- Western Europe: +36%
- North America: +15%
- Asia: +6%
- Central & Eastern Europe: +5%
- Latin America: +36%
- Nordic: 0%
- Other: -7%
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Mr. Thomas Thuresson
CFO
Alfa Laval Group
## Highlights

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<td>Order intake</td>
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<tr>
<td>Net sales</td>
<td>4,101</td>
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<tr>
<td>Adjusted EBITA</td>
<td>422</td>
</tr>
<tr>
<td>Adjusted EBITA-margin</td>
<td>10.3%</td>
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</table>
## Adjusted EBITA

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Apr – Jun 05</th>
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<tbody>
<tr>
<td>2004</td>
<td>420</td>
</tr>
<tr>
<td>2005</td>
<td>422</td>
</tr>
<tr>
<td>Deviation</td>
<td>2</td>
</tr>
<tr>
<td>FX. translation</td>
<td>+ 2</td>
</tr>
<tr>
<td>FX. transaction</td>
<td>- 41</td>
</tr>
<tr>
<td>Deviation excl FX</td>
<td>41</td>
</tr>
</tbody>
</table>
Gross profit margin

In percent of sales

Q302 Q402 Q103 Q203 Q303 Q403 Q104 Q204 Q304 Q404 Q105 Q205

39.2 35.8 36.3
Gross profit margin

In percent of sales, excluding FX-transactions Q205

- Q302: 39.2%
- Q203: 39.2%
- Q303: 35.8%
- Q403: 35.8%
- Q104: 37.3%
- Q204: 37.3%
- Q304: 37.3%
- Q404: 37.3%
- Q105: 37.3%
- Q205: 37.3%
## Highlights

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<td>Profit before tax</td>
<td>342</td>
</tr>
</tbody>
</table>
## Taxes

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Jan-Jun 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after financial items, SEK million</td>
<td>418</td>
</tr>
<tr>
<td>- taxes, 32% average</td>
<td>-134</td>
</tr>
<tr>
<td>Major adjustment items</td>
<td>+24</td>
</tr>
<tr>
<td>- loss making countries</td>
<td></td>
</tr>
<tr>
<td>- loss carry forwards</td>
<td></td>
</tr>
<tr>
<td>- pre-period adjustments</td>
<td></td>
</tr>
<tr>
<td>Other items</td>
<td>+8</td>
</tr>
<tr>
<td>Taxes according to P&amp;L</td>
<td>102</td>
</tr>
<tr>
<td>- in % of PBT</td>
<td>24.5</td>
</tr>
</tbody>
</table>

Note: Average tax rate going forward 32%
## Earnings per share

<table>
<thead>
<tr>
<th></th>
<th>Q2 2005</th>
<th>Q2 2004</th>
<th>H1 2005</th>
<th>H1 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings</td>
<td>2.17</td>
<td>1.80</td>
<td>2.65</td>
<td>3.18</td>
</tr>
<tr>
<td>Earnings excluding</td>
<td>2.60</td>
<td>2.25</td>
<td>3.53</td>
<td>4.08</td>
</tr>
<tr>
<td>goodwill and step-up</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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<tr>
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<td>342</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>277</td>
</tr>
<tr>
<td>ROCE</td>
<td>20.7%</td>
</tr>
</tbody>
</table>

Excl. step-up and goodwill approx. 51.5%
## Cash-flow statement

<table>
<thead>
<tr>
<th>SEK million</th>
<th>H1 2005</th>
<th>H1 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- operating activities</td>
<td>294</td>
<td>503</td>
</tr>
<tr>
<td>- investing activities</td>
<td>-544</td>
<td>-27</td>
</tr>
<tr>
<td>Financial net paid</td>
<td>-113</td>
<td>-68</td>
</tr>
<tr>
<td>Dividends</td>
<td>-530</td>
<td>-447</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>-894</strong></td>
<td><strong>-39</strong></td>
</tr>
<tr>
<td>Pro Forma Free-cash-flow*</td>
<td>62</td>
<td>318</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Q2 2005</th>
<th>H1 2005</th>
<th>WY 05*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation effect</td>
<td>+ 2</td>
<td>- 7</td>
<td>- 10</td>
</tr>
<tr>
<td>Transaction effect</td>
<td>- 41</td>
<td>- 74</td>
<td>- 160</td>
</tr>
<tr>
<td>Total</td>
<td>- 39</td>
<td>- 81</td>
<td>- 170</td>
</tr>
</tbody>
</table>

*Based on EUR/USD 1.21 and EUR/SEK 9.25*
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President and CEO
Alfa Laval Group
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.