Interim Report Q4 2005

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

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

### October – December 2005

- Orders received up 23%
- Net sales up 4%
- Adjusted EBITA MSEK 535 (466)
  - *Negative currency effect MSEK 21*

### January – December 2005

- Orders received up 15%
- Net sales up 7%
- Adjusted EBITA MSEK 1,766 (1,695)
  - *Negative currency effect MSEK 133*

### Proposed dividend for 2005

- The Board of Directors proposes a dividend of 5:10 SEK (4:75)
Orders received (at constant exchange rates)

- % Q on Q
- SEK million R 12

- Orders received (at constant exchange rates)
  - = rolling twelve months value
  - = % development compared with the same quarter the year before
## Order analysis

<table>
<thead>
<tr>
<th></th>
<th>Oct – Dec 05</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2004</strong> (SEK million)</td>
<td>3,771</td>
</tr>
<tr>
<td>Structural change, %</td>
<td>+ 5</td>
</tr>
<tr>
<td>Currency effects, %</td>
<td>+10</td>
</tr>
<tr>
<td>Organic development, %</td>
<td>+ 18</td>
</tr>
<tr>
<td><strong>Total, %</strong></td>
<td>+ 33</td>
</tr>
<tr>
<td><strong>2005</strong> (SEK million)</td>
<td>5,020</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.”

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Alfa Laval Group
Highlights

October – December 2005

- **Record order to Saudi Arabia, MSEK 230**
  
  *Plate heat exchangers for central cooling in a petrochemical plant*
  
  *Delivery in 2007*
Highlights

October – December 2005

- **Record order to Saudi Arabia, SEK 230 million**
  - *Plate heat exchangers for central cooling in a petrochemical plant*
  - *Delivery in 2007*

- **Order to Kuwait, SEK 100 million**
  - *Plate heat exchangers to clean crude oil*
  - *Delivery in 2007*
Highlights

October – December 2005

- **Record order to Saudi Arabia, SEK 230 million**
  - Plate heat exchangers for central cooling in a petrochemical plant
  - Delivery in 2007

- **Order to Kuwait, SEK 100 million**
  - Plate heat exchangers to clean crude oil
  - Delivery in 2007

- **High yield bond redeemed**
  - Cost of SEK 89 million to get savings per year of SEK 85 million
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Orders received by Segment

October – December 2005, at constant rates

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

Growth or decrease indicated by + or – symbols.
Process Industry

- High activity in the Middle East.
- T50 - new high capacity heat exchanger successful in central cooling applications.
- Investments in Refinery and Aromatics in Asia generates strong demand for Packinox products.
- Many bio diesel and fuel ethanol projects. Requires plate heat exchangers, high speed separators and decanters.
Orders received by Segment
January – December 2005, at constant rates

- Comfort & Refrigeration
- Marine & Diesel
- Fluids & Utility
- OEM
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- Life Science
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- Parts & Service
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Orders received by Region

October – December 2005, at constant rates

- Asia 27%
- North America 13%
- Centr. & East 9%
- L. America 4%
- Other 2%
- Nordic 11%
- Western Europe 34%

variation:
- Western Europe: +34
- Nordic: +37
- Other: +38
- L. America: +6
- Centr. & East: -26
- Asia: +1

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Highlights Americas
October – December 2005, at constant rates

North America
- Good development of base sales.
- High activity in fuel ethanol.

Latin America
- Fewer large contracts in the quarter compared with Q4 2004.
- Food in Argentina, Brazil and Peru strong.
- Process Industry in Mexico and Chile strong.
Highlights Europe
October – December 2005, at constant rates

**Western Europe incl. Nordic**
- Best performance from Parts & Service, Process Industry and Oil & Gas.
- Most sub-regions above last year.

**Central and Eastern Europe**
- Very good investment climate.
- Russia, Ukraine and Poland strong.
- Energy & Environment, Marine and Parts & Service strong.
China and Japan remain strong.

Early signs of slowdown in shipbuilding, particularly in Korea.

The strong investment climate in the Middle East continues.
Orders received by Region

January – December 2005, at constant rates

- North America: 15%
- Asia: 29%
- Western Europe: 30%
- L. America: 5%
- Centr. & East: 8%
- Nordic: 10%
- Other: 2%

January – December 2004:
- North America: +11%
- Asia: +16%
- Western Europe: +26%
- L. America: +11%
- Centr. & East: +15%
- Nordic: -5%
- Other: +16%

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Mr. Thomas Thuresson
CFO
Alfa Laval Group
## Highlights

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Oct – Dec 05</th>
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<tbody>
<tr>
<td>Order intake</td>
<td>5,020</td>
</tr>
<tr>
<td>Net sales</td>
<td>4,684</td>
</tr>
<tr>
<td>Adjusted EBITA</td>
<td>535</td>
</tr>
<tr>
<td>Adjusted EBITA-margin</td>
<td>11.4 %</td>
</tr>
</tbody>
</table>
## Adjusted EBITA

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Q4</th>
<th>FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>466</td>
<td>1,695</td>
</tr>
<tr>
<td>2005</td>
<td>535</td>
<td>1,766</td>
</tr>
</tbody>
</table>

**Deviation**

<table>
<thead>
<tr>
<th></th>
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<th>FY</th>
</tr>
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<tbody>
<tr>
<td>Deviation excl FX</td>
<td>90</td>
<td>204</td>
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</tbody>
</table>

**FX. transaction**

<table>
<thead>
<tr>
<th></th>
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<th>FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>FX. translation</td>
<td>+34</td>
<td>+35</td>
</tr>
<tr>
<td>FX. transaction</td>
<td>-55</td>
<td>-168</td>
</tr>
</tbody>
</table>

**Deviation excl FX**

<table>
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<tr>
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<th>FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deviation excl FX</td>
<td>90</td>
<td>204</td>
</tr>
</tbody>
</table>
Gross profit margin

In percent of sales

Q1 03 | Q2 03 | Q3 03 | Q4 03 | Q1 04 | Q2 04 | Q3 04 | Q4 04 | Q1 05 | Q2 05 | Q3 05 | Q4 05
---|---|---|---|---|---|---|---|---|---|---|---
35.0 | 33.4 | 33.4 | 33.9 | 33.4 | 33.4 | 33.4 | 33.4 | 33.4 | 33.4 | 33.4 | 35.0

www.alfalaval.com
### Highlights

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<tr>
<td>Profit before tax</td>
<td>276</td>
</tr>
</tbody>
</table>

*includes cost for redemption of high-yield bond

*SEK 89 million
# Taxes

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Jan - Dec 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after financial items, SEK million 1,099</td>
<td></td>
</tr>
<tr>
<td>- taxes, 32% average</td>
<td>- 352</td>
</tr>
<tr>
<td>Major adjustment items</td>
<td></td>
</tr>
<tr>
<td>- loss carry forwards</td>
<td>+ 174</td>
</tr>
<tr>
<td>- deferred tax assets</td>
<td></td>
</tr>
<tr>
<td>- loss countries etc.</td>
<td></td>
</tr>
<tr>
<td>Taxes according to P&amp;L</td>
<td>171</td>
</tr>
<tr>
<td>- in % of PBT</td>
<td>15.6</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Q4 2005</th>
<th>Q4 2004*</th>
<th>Jan - Dec 2005</th>
<th>Jan - Dec 2004*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings</td>
<td>2.73</td>
<td>1.89</td>
<td>7.92</td>
<td>7.12</td>
</tr>
<tr>
<td>Earnings, excluding step-up</td>
<td>3.31</td>
<td>2.08</td>
<td>9.83</td>
<td>8.67</td>
</tr>
</tbody>
</table>

*IFRS*
# Highlights

<table>
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<td>276</td>
</tr>
<tr>
<td><strong>includes cost for redemption of high-yield bond</strong></td>
<td></td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>838</td>
</tr>
<tr>
<td>ROCE</td>
<td>22.7 %</td>
</tr>
</tbody>
</table>

*Excl. step-up and goodwill approx. 57.3%*
# Cash-flow statement

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Q4 2005</th>
<th>2004</th>
<th>Jan - Dec 2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- operating activities</td>
<td>838</td>
<td>268</td>
<td>1,616</td>
<td>1,203</td>
</tr>
<tr>
<td>- investing activities</td>
<td>-93</td>
<td>-146</td>
<td>-665</td>
<td>36</td>
</tr>
<tr>
<td>Financial net paid</td>
<td>-174</td>
<td>-80</td>
<td>-351</td>
<td>-201</td>
</tr>
<tr>
<td>Dividends</td>
<td>-</td>
<td>-</td>
<td>-557</td>
<td>-447</td>
</tr>
<tr>
<td>Total</td>
<td>570</td>
<td>42</td>
<td>43</td>
<td>591</td>
</tr>
<tr>
<td>Pro Forma Free-cash-flow*</td>
<td>544</td>
<td>16</td>
<td>942</td>
<td>614</td>
</tr>
</tbody>
</table>

*Incl. operating activities, capital expenditure (excl. product rights), provisions and financial net paid.
Order backlog as per December 31, 2005

Contracts above EUR 0.5 million

- For 2005: 1,035 MSEK
- For 2006: 1,725 MSEK
## Foreign exchange

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation effect</td>
<td>- 7</td>
<td>+ 42</td>
<td>+ 35</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Transaction effect</td>
<td>- 74</td>
<td>- 94</td>
<td>- 168</td>
<td>- 4</td>
<td>+ 45</td>
<td>+ 41</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>- 81</td>
<td>- 52</td>
<td>- 133</td>
<td>- 4</td>
<td>+ 45</td>
<td>+ 41</td>
</tr>
</tbody>
</table>

*2006 impact based on EUR/USD 1.20 and EUR/SEK 9.20*
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President and CEO
Alfa Laval Group
Outlook for the near future

“In most of the markets, geographical as well as customer segments, that Alfa Laval serves a continued very strong demand is expected.”