Alfa Laval AB (publ)
Interim report July 1 – September 30, 2006

”The demand during the quarter was very strong and order intake increased with 15 percent for Alfa Laval, an increase excluding the acquisition of Tranter of 9 percent. The strongest growth came from Eastern Europe, Nordic and North America. Our focus on profitability, improved internal efficiency and the high capacity utilization resulted in a record operating margin.

The Board has reviewed the Group's financial targets and decided to raise the target for the operating margin (EBITA) to12-15 percent from 10-13 percent.”

Lars Renström, President and CEO, Alfa Laval

Summary of the third quarter 2006:

- Order intake increased to SEK 5,648 (4,918) million, meaning an increase by 17.2 percent excluding exchange rate variations.
- Net sales increased to SEK 4,810 (4,278) million, meaning an increase by 14.7 percent excluding exchange rate variations.
- Adjusted EBITA increased to SEK 760 (479) million, including positive foreign exchange effects of SEK 7 million and reversal of provisions of SEK 40 million.
- Adjusted EBITA-margin increased to 15.8 (11.2) percent.
- Result after financial items increased to SEK 611 (405) million.
- Cash flow from operating activities increased to SEK 715 (485) million.

Summary of the first nine months 2006:

- Order intake increased to SEK 17,346 (13,496) million, meaning an increase by 26.2 percent excluding exchange rate variations.
- Net sales increased to SEK 13,762 (11,647) million, meaning an increase by 15.9 percent excluding exchange rate variations.
- Adjusted EBITA increased to SEK 1,992 (1,231) million, including positive foreign exchange effects of SEK 56 million.
- Adjusted EBITA-margin increased to 14.5 (10.6) percent.
- Result after financial items increased to SEK 1,624 (823) million.
- Result after tax increased to SEK 1,236 (612) million.
- Earnings per share increased to SEK 10.78 (5.19).
- Cash flow from operating activities increased to SEK 1,624 (779) million.

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."

(The outlook for the near future has remained unchanged since the outlook in the fourth quarter and full year 2005 report issued on February 9, 2006.)

Alfa Laval AB (publ)
PO Box 73
SE-221 00 Lund
Sweden
Corporate registration number: 556587-8054

Visiting address:
Rudeboksvägen 1
Phone: + 46 46 36 65 00
Website: www.alfalaval.com

For more information, please contact:
Mikael Sjöblom, Investor Relations Manager
Phone: +46 46 36 74 82,
Mobile: +46 709 78 74 82,
E-mail: mikael.sjoblom@alfalaval.com

SEK millions, unless otherwise stated	**July 1 - Sept 30 2006**	July 1 - Sept 30 2005	**Jan 1 - Sept 30 2006**	Jan 1 - Sept 30 2005	2005	2004	2003 *
Order intake	5,648	4,918	17,346	13,496	18,516	15,740	14,145
Net sales	4,810	4,278	13,762	11,647	16,330	14,986	13,909
Adjusted EBITDA 1)	821	542	2,178	1,417	2,030	1,956	1,920
Adjusted EBITA 2)	760	479	1,992	1,231	1,766	1,695	1,627
Adjusted EBITA 2)- margin	15.8%	11.2%	14.5%	10.6%	10.8%	11.3%	11.7%
Result after financial items	611	405	1,624	823	1,099	1,262	817
Return on capital employed 3)			29.9%	21.1%	22.7%	23.7%	21.3%
Return on equity capital 3)			25.3%	15.7%	16.0%	15.9%	13.2%
Solidity			34.9%	33.5%	35.9%	37.4%	33.3%
Debt ratio, times			0.36	0.48	0.35	0.36	0.49
Cash flow from operations	715	485	1,624	779	1,617	1,203	1,704
Investments	55	86	192	205	324	388	259
No. of employees 4)			10,032	9,438	9,429	9,527	9,358

*) Not according to IFRS, i.e. including goodwill amortisation.
1) Adjusted EBITDA – ”Earnings before interests, taxes, depreciation, amortisation of step up values and comparison distortion items."
2) Adjusted EBITA – ”Earnings before interests, taxes, amortisation of step up values and comparison distortion items.
3) Calculated on a 12 months’ revolving basis.
4) Number of employees at the end of the period.

The interim report has been issued on October 25, 2006 by the President and Chief Executive Officer Lars Renström by proxy.

Lund, October 25, 2006,

Lars Renström
President and Chief Executive Officer
Alfa Laval AB (publ)

Review report

Introduction
We have reviewed this third quarter 2006 interim report. Management is responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Report’s Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review
We conducted our review in accordance with the Standard on Review Engagements SÖG 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Federation of Authorised Public Accountants “FAR”. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing in Sweden RS and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Report’s Act.

Lund, October 25, 2006,

Ingvar Ganestam
Authorised Public Accountant

Kerstin Mouchard
Authorised Public Accountant

Management’s discussion and analysis

Orders received

Orders received amounted to SEK 5,648.1 (4,918.5) million for the third quarter. Excluding exchange rate variations, the order intake for the Group was 17.2 percent higher than the third quarter last year. Excluding the acquisition of Tranter, the corresponding figure is 10.9 percent.

Orders received amounted to SEK 17,346.5 (13,496.4) million for the first nine months. Excluding exchange rate variations, the order intake for the Group was 26.2 percent higher than the same period last year. Excluding the acquisition of Tranter, the corresponding figure is 19.6 percent.

Orders received from the after market ”Parts & Service” has continued to develop positively and increased by 13.5 percent for the first nine months compared to the corresponding period last year excluding exchange rate variations. Its relative share of the Group's total orders received was 20.7 (23.0) percent.

Order backlog

The order backlog at September 30, 2006 was 11,839.2 (7,110.9) million. Excluding exchange rate variations, the order backlog was 50.2 percent higher than the order backlog at September 30, 2005 and 44.2 percent higher than the order backlog at the end of 2005. Excluding the acquisition of Tranter, the corresponding figures are 36.9 percent and 31.4 percent.

Net sales

Net sales amounted to SEK 4,810.0 (4,277.4) million for the third quarter. Excluding exchange rate variations, the invoicing was 14.7 percent higher than the third quarter last year. Excluding the acquisition of Tranter, the corresponding figure is 8.1 percent.

Net sales of the Alfa Laval Group amounted to SEK 13,761.5 (11,646.6) million for the first nine months. Excluding exchange rate variations, the invoicing was 15.9 percent higher than the period January to September last year. Excluding the acquisition of Tranter, the corresponding figure is 10.2 percent.

Income statement analysis

SEK millions	**July 1 - Sept 30 2006**	July 1 - Sept 30 2005	**Jan 1 - Sept 30 2006**	Jan 1 - Sept 30 2005	Jan 1 - Dec 31 2005	Jan 1 - Dec 31 2004
Net sales	4,810.0	4,277.4	13,761.5	11,646.6	16,330.4	14,985.8
Adjusted gross profit	1,790.7	1,508.9	5,192.7	4,204.0	5,845.2	5,342.2
- in % of net sales	*37.2*	*35.3*	*37.7*	*36.1*	*35.8*	*35.6*
Expenses *	-969.8	-967.0	-3,014.7	-2,787.2	-3,815.2	-3,386.2
- in % of net sales	*20.2*	*22.6*	*21.9*	*23.9*	*23.4*	*22.6*
Adjusted EBITDA	820.9	541.9	2,178.0	1,416.8	2,030.0	1,956.0
- in % of net sales	*17.1*	*12.7*	*15.8*	*12.2*	*12.4*	*13.1*
Depreciation	-60.2	-62.7	-185.7	-185.6	-264.3	-260.9
Adjusted EBITA	**760.7**	**479.2**	**1,992.3**	**1,231.2**	**1,765.7**	**1,695.1**
- in % of net sales	***15.8***	***11.2***	***14.5***	***10.6***	***10.8***	***11.3***
Amortisation of step up values	-84.6	-74.6	-252.0	-220.0	-315.2	-293.4
Comparison distortion items	1.2	47.4	5.2	-77.6	-73.3	36.7
EBIT	677.3	452.0	1,745.5	933.6	1,377.2	1,438.4

* Excluding comparison distortion items

The first nine months generated a gross profit of SEK 4,940.7 (3,984.0) million. Excluding the amortisation of SEK 252.0 (220.0) million on step up values, the adjusted gross profit was SEK 5,192.7 (4,204.0) million. This corresponds to 37.7 (36.1) percent of net sales.

Sales and administration expenses amounted to SEK 2,665.3 (2,455.2) million. Excluding exchange rate variations and the acquisition of Tranter, sales and administration expenses were 3.8 percent higher than the corresponding period last year.

The costs for research and development has amounted to SEK 368.8 (327.2) million, corresponding to 2.7 (2.8) percent of net sales. Excluding exchange rate variations and the acquisition of Tranter, the costs for research and development increased by 9.5 percent compared to last year.

Adjusted EBITDA amounted to SEK 2,178.0 (1,416.8) million for the first nine months. The adjusted EBITA amounted to SEK 1,992.3 (1,231.2) million. The adjusted EBITA margin was 14.5 (10.6) percent. The adjusted result after tax and the minority's share of the result, excluding amortisation of step-up values and the corresponding tax, was SEK 12.34 (6.52) per share.

The result has been affected by comparison distortion items of SEK 5.2 (-77.6) million. In the income statement these are reported gross as a part of other operating income and other operating costs, see specification on page 12. During the first nine months 2006 a piece of land in India has been sold for SEK 2.1 million with a realised gain of SEK 1.2 million, two minor properties in France have been sold for SEK 2.8 million with a realised gain of SEK 0.9 million and one flat in Denmark has been sold for SEK 4.2 million with a realised gain of SEK 3.1 million. During the corresponding period 2005 approximately 45 percent of the land in Cwmbran in Wales was divested for SEK 58.0 million with a realised gain of SEK 47.4 million and costs for the closure of the separator factory in Madrid and the bioKinetics plant in Toronto of SEK -125.0 million were charged to the income statement.

Divisional reporting

Equipment division

The Equipment division consists of six customer segments: Comfort & Refrigeration, Fluids & Utility Equipment, Marine & Diesel, OEM (Original Equipment Manufacturers), Sanitary Equipment and the aftermarket segment Parts & Service.

SEK millions	**July 1 - Sept 30 2006**	July 1 - Sept 30 2005	**Jan 1 - Sept 30 2006**	Jan 1 - Sept 30 2005	Jan 1- Dec 31 2005	Jan 1- Dec 31 2004
Orders received	3,122.5	2,668.4	9,179.0	7,384.9	9,902.4	8,862.3
Order backlog *			5,490.3	3,205.6	3,382.5	2,097.3
Net sales	2,759.8	2,168.2	7,760.1	6,280.0	8,631.5	8,250.4
Operating income	527.0	320.9	1,380.4	830.7	1,162.5	1,100.4

* At the end of the period.

Orders received and net sales (all comments are after adjustment for exchange rate fluctuations)

Orders received increased by 22.3 percent and net sales increased by 21.6 percent during the first nine months 2006 compared to the corresponding period last year. Excluding the acquisition of Tranter, the corresponding figures are 12.0 percent and 12.8 percent.

All segments in the Equipment division have developed positively with the exception of the Marine & Diesel segment that has experienced a slightly decreased order intake. The most significant growth is found within the OEM segment followed by the Fluids & Utility Equipment segment.

Operating income (excluding comparison distortion items)

The increase in operating income during the first nine months 2006 compared to the corresponding period 2005 is mainly explained by a higher gross profit due to a favourable product mix, productivity improvements and a high capacity utilization, marginally offset by increased R&D costs.

Process Technology division

The Process Technology division consists of five customer segments: Energy & Environment, Food Technology, Life Science, Process Industry and the aftermarket segment Parts & Service.

SEK millions	**July 1 - Sept 30 2006**	July 1 - Sept 30 2005	**Jan 1 - Sept 30 2006**	Jan 1 - Sept 30 2005	Jan 1- Dec 31 2005	Jan 1- Dec 31 2004
Orders received	2,523.5	2,234.3	8,158.0	6,084.4	8,572.8	6,818.0
Order backlog *			6,341.9	3,868.6	4,072.9	2,640.6
Net sales	2,046.6	2,107.4	5,966.2	5,348.7	7,672.8	6,683.3
Operating income	208.8	214.2	683.3	483.6	698.8	634.3

* At the end of the period.

Orders received and net sales (all comments are after adjustment for exchange rate fluctuations)

Orders received increased by 31.3 percent and net sales increased by 9.0 percent during the first nine months 2006 compared to the corresponding period last year. Excluding the acquisition of Tranter, the corresponding figures are 29.2 percent and 7.0 percent.

All segments in the Process Technology division have reported large increases in orders received compared to the first nine months 2005. The growth has been largest within the Process Industry segment followed by the Food Technology and Energy & Environment segments.

Operating income (excluding comparison distortion items)

The increase in operating income during the first nine months 2006 compared to the corresponding period 2005 is foremost due to a higher gross profit.

Operations division and Other

Operations are responsible for procurement, production and logistics. Other is referring to corporate overhead and non-core businesses.

SEK millions	**July 1 - Sept 30 2006**	July 1 - Sept 30 2005	**Jan 1 - Sept 30 2006**	Jan 1 - Sept 30 2005	Jan 1- Dec 31 2005	Jan 1- Dec 31 2004
Orders received	2.1	15.8	9.5	27.1	41.1	59.7
Order backlog *			7.0	36.7	41.5	25.5
Net sales	3.6	1.8	35.2	17.9	26.1	52.1
Operating income	-59.7	-130.5	-323.4	-303.1	-410.8	-333.0

* At the end of the period.

Reporting by geographical markets

The Group's secondary segments are geographical markets. All comments are after considering exchange rate variations.

Orders received

During the first nine months 2006 orders received increased most in Central and Eastern Europe followed by North America, Western Europe and Asia compared to the corresponding period last year.

Order received

Consolidated SEK millions	**July 1 - Sept 30 2006**	July 1 - Sept 30 2005	**Jan 1 - Sept 30 2006**	Jan 1 - Sept 30 2005	Jan 1 - Dec 31 2005	Jan 1 - Dec 31 2004
Customers in						
Sweden	254.0	188.8	751.3	628.5	846.3	884.0
Other EU	1,792.9	1,617.0	5,722.6	4,610.5	6,516.4	5,804.4
Other Europe	546.6	377.1	1,724.7	1,100.9	1,555.4	1,280.7
USA	886.3	605.3	2,520.2	1,760.0	2,354.3	2,136.5
Other North America	114.8	131.0	482.1	359.2	467.1	334.1
Latin America	290.6	247.8	750.8	616.4	832.9	689.8
Africa	26.2	83.0	173.5	186.1	259.2	167.9
Asia	1,658.6	1,601.2	4,994.8	4,011.4	5,388.1	4,164.5
Oceania	78.1	67.3	226.5	223.4	296.6	278.1
Total	5,648.1	4,918.5	17,346.5	13,496.4	18,516.3	15,740.0

Net sales

During the first nine months 2006 net sales increased most in North America and Central and Eastern Europe followed by Asia and Western Europe, while Latin America reported decreased invoicing compared to the corresponding period last year.

Net sales

Consolidated SEK millions	**July 1 - Sept 30 2006**	July 1 - Sept 30 2005	**Jan 1 - Sept 30 2006**	Jan 1 - Sept 30 2005	Jan 1 - Dec 31 2005	Jan 1 - Dec 31 2004
Customers in						
Sweden	213.3	198.7	636.6	592.7	842.4	887.6
Other EU	1,701.5	1,401.2	4,679.7	4066.7	5,664.3	5,706.5
Other Europe	469.3	368.3	1,294.2	1008.8	1,428.1	1,196.5
USA	731.0	642.0	2,189.2	1743.0	2,327.9	2,197.4
Other North America	147.6	121.2	495.5	286.4	436.8	296.2
Latin America	197.7	210.2	611.5	591.0	798.5	583.9
Africa	47.6	70.8	127.4	134.3	223.6	177.3
Asia	1,225.5	1,192.1	3,510.8	3043.4	4,336.6	3,619.9
Oceania	76.5	72.9	216.6	180.3	272.2	320.5
Total	4,810.0	4,277.4	13,761.5	11,646.6	16,330.4	14,985.8

Consolidated financial result and net income

The financial net has amounted to SEK -127.8 (-170.6) million, excluding realised and unrealised exchange rate losses and gains. The main elements of costs were interest on debt to the banking syndicate of SEK -63.8 (-39.5) million, interest on the private placement and the bridge loan of SEK -23.6 (-) million, interest on the senior notes of SEK - (-98.6) million and a net of dividends and other interest income and interest costs of SEK -40.4 (-32.5) million. The increase in interests to the banking syndicate between 2006 and 2005 is due to the redemption of the senior notes in November 2005, which was financed via a designated tranche of the syndicated loan. The bridge loan was raised in anticipation of the private placement that finances the acquisition of Tranter.

The net of realised and unrealised exchange rate differences amounts to SEK 6.7 (59.9) million in the first nine months.

The result after financial items was SEK 1,624.4 (822.9) million.

Income taxes were SEK -388.6 (-210.9) million. The difference between the years is mainly due to the difference in result.

The parent company's result after financial items was SEK 1,991.5 (-10.6) million, out of which net interests were SEK 0.5 (-3.3) million, realised and unrealised exchange differences SEK -1.3 (0.2) million, dividends from subsidiaries SEK 2,000.0 (-) million, costs related to the listing SEK -0.8 (-2.3) million, fees to the Board SEK -1.8 (-0.9) million, cost for annual report and annual general meeting -3.1 (-3.7) million and other administration costs the remaining SEK -2.0 (-0.6) million.

Asbestos-related lawsuits

The Alfa Laval Group was as of September 30, 2006, named as a co-defendant in a total of 189 asbestos-related lawsuits with a total of approximately 354 plaintiffs.

Alfa Laval strongly believes the claims against the Group are without merit and intends to vigorously contest each lawsuit.

Based on current information and Alfa Laval’s understanding of these lawsuits, Alfa Laval continues to believe that these lawsuits will not have a material adverse effect on the Group’s financial condition or results of operation.

Desert Storm-lawsuits

Some of the subsidiaries of the Alfa Laval Group, along with approximately 70 other defendants, were sued in two lawsuits in the District Court for Brazoria County in Texas, U.S. in 1994. The claims were related to injuries allegedly suffered in the Gulf War 1991, also known as “Desert Storm”.

The lawsuits claim damages in excess of USD 1 billion (SEK 7.5 billion) each and allege that equipment supplied by Alfa Laval’s subsidiaries, among other companies, was used to create Iraqi weaponry.

Alfa Laval filed motions to get dismissed and has been awaiting a ruling from the trial court since November 1995.

In a press release on September 7, 2006 Alfa Laval announced that the District Court for Brazoria County now has decided to dismiss all Alfa Laval’s subsidiaries as defendants in lawsuits regarding the Gulf War. The dismissal has enabled Alfa Laval to release SEK 40 million in provisions for expected costs related to the lawsuits, which has improved the result in the third quarter correspondingly.

Cash flow

Cash flow from operating and investing activities was SEK 213.0 (206.8) million during the first nine months. Out of this, acquisitions of businesses were SEK -1,228.3 (-425.3) million whereas divestments generated cash of SEK 9.1 (58.0) million. The cash flow from operations has primarily been influenced by the higher operating income in comparison with last year.

Working capital increased by SEK 179.8 (114.8) million during the first nine months.

Investments in property, plant and equipment amounted to SEK 192.0 (204.9) million during the first nine months. Depreciations, excluding allocated step up values, amounted to SEK 185.7 (185.6) million during the period.

Cash and bank

The Group's cash and bank amounted to SEK 522.6 (511.3) million. The item cash and bank in the balance sheet and in the cash flow statement is mainly relating to bank deposits.

Borrowings and net debt

Debt table

Consolidated SEK in millions	Sept 30 2006	Sept 30 2005	December 31 2005	December 31 2004
Credit institutions	2,177.9	2,244.8	2,801.6	1,502.1
Senior notes	-	1,083.8	-	1,044.4
Private placement	800.8	-	-	-
Capitalised financial leases	27.3	7.1	29.4	4.2
Interest-bearing pension liabilities	2.9	4.8	2.9	4.8
Total debt	3,008.9	3,340.5	2,833.9	2,555.5
Cash, bank and current deposits	-723.1	-713.1	-821.2	-672.0
Net debt	2,285.8	2,627.4	2,012.7	1,883.5

Cash, bank and current deposits include bank and other deposits in the publicly listed subsidiary Alfa Laval (India) Ltd of about SEK 117.1 (66.6) million. The company is not a wholly owned subsidiary of the Alfa Laval Group. It is owned to 64.1 percent.

On April 12, 2005 Alfa Laval signed a new senior credit facility with a banking syndicate of EUR 268 million and USD 348 million, corresponding to SEK 5,006.2 million. The credit facility replaced the previous syndicated loan and has in addition been used for the redemption of the Group’s senior notes. The new facility provides increased flexibility, extended maturity and reduced costs. At September 30, 2006, SEK 1,708.2 million of the facility were utilised. The maturity of the facility is five years.

Alfa Laval has made a private placement in the US. The offer was over-subscribed and was closed at USD 110 million with a maturity of 10 years and an interest based on US Treasury bills plus a mark-up of 95 basis points. The loan was raised on April 27, 2006. In anticipation of this a bridge loan of USD 100 million was raised from HSBC on March 1, 2006 in connection with the payment of the purchase price for Tranter.

Alfa Laval redeemed the outstanding senior notes on November 15, 2005. As a consequence Alfa Laval has been de-registered with the SEC in the US.

Ownership and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group.

The company had 11,415 (10,639) shareholders on September 30, 2006. The largest owner is Tetra Laval B.V., the Netherlands who owns 17.7 (17.7) percent. Next to the largest owner there are nine institutional investors with ownership in the range of 10.1 to 1.5 percent. These ten largest owners own 53.6 (50.5) percent of the shares.

Acquisitions and disposals

In a press release on March 6, 2006 Alfa Laval communicated that the acquisition of Tranter PHE from the U.S. company, Dover Corporation had been approved by the regulatory authorities and thereby been finalised. After adjustment for changes in operating capital the purchase price is USD 150.4 million in cash. The costs directly linked to the acquisition of Tranter (fees to lawyers, due diligence and assisting counsel) come in addition to this and have amounted to USD 3.5 million. The acquisition was financed through a bilateral bank loan of EUR 25 million and a US private placement of USD 110 million. The company had a turnover in 2005 of SEK 862.8 million (USD 115.9 million) and has approximately 450 employees globally in R&D, manufacturing and sales.

Tranter is consolidated into the Alfa Laval Group as of March 1, 2006. The impact of the acquisition on the income statement and the cash flow statement is thus only for seven months of operation. Tranter is reported as an integrated part of the Equipment and Process Technology divisions, but is acting as an independent sales channel. To date Tranter has developed better than anticipated and is generating a profit margin above group average.

During the first quarter 2006 Alfa Laval acquired the fruit preparation activity from Tetra Pak for SEK 10.2 million. The operation has less than 10 employees and a turnover of about SEK 45 million per annum.

Accounting principles

The third quarter interim report 2006 is in accordance with RR 31 Consolidated Interim Reports, which requires that IAS 34 Interim Financial Reporting and the Swedish Annual Report's Act must be applied. The accounting principles are according to IFRS (International Financial Reporting Standards). This means that the same accounting principles and accounting estimates have been applied in the third quarter interim report 2006 as for the annual report for 2005.

Comparison figures for 2004 are recalculated to IFRS. Comparison figures are not needed for IAS 39 and are consequently not given.

Date for the next financial report

Alfa Laval will publish the fourth quarter and full year 2006 report on February 7, 2007.

Events after the balance sheet date

The operating margin (EBITA) target raised to 12-15 percent.

The Board has reviewed the Group's financial targets. The Group's improved product mix and productivity as well as a structural increase in demand from energy related industries have resulted in a raised target level for the operating margin (EBITA) to 12-15 percent from 10-13 percent. The targets for growth of at least five percent over a business cycle and return on capital employed of at least 20 percent remain.

Nomination Committee for the Annual General Meeting 2007

In accordance with a resolution taken at the Annual General Meeting of Alfa Laval AB on April 27, 2006, the Chairman of the Board, Anders Narvinger has contacted the largest shareholders to constitute the Nomination Committee in preparation of the Annual General Meeting 2007. The representatives of the largest owners are: Jörn Rausing, Tetra Laval, Lars-Åke Bokenberger, AMF-Pension, Jan Andersson, Robur, Björn Franzon, Fjärde AP-fonden and Kjell Norling, Handelsbanken.

The Annual General Meeting of Alfa Laval AB will be held at Scandic Star Hotel in Lund on Monday April 23, 2007, at 16.00.

Shareholders who wish to submit proposals to the Nomination Committee in preparation of the Annual General Meeting can turn to the Chairman of the Board of Alfa Laval AB at: anders.narvinger@teknikforetagen.se or to one of the shareholder representatives at:

jorn.rausing@tetralaval.com
lars.bokenberger@amfpension
jan@janandersson.demon.co.uk
bjorn.franzon@ap4.se
kjno02@handelsbanken.se

CONSOLIDATED CASH-FLOW STATEMENTS

Amounts in SEK millions	Jan 1 - Sept 30 2006	Jan 1 - Sept 30 2005	Jan 1 - Dec 31 2005	Jan 1 - Dec 31 2004
Cash flow from operating activities				
Operating income	1,745.5	933.6	1,377.2	1,438.4
Adjustment for depreciation	437.7	405.6	579.5	554.3
Adjustment for other non-cash items	7.2	-56.9	-44.1	15.4
	2,190.4	1,282.3	1,912.6	2,008.1
Taxes paid	-386.4	-388.5	-429.2	-335.6
	1,804.0	893.8	1,483.4	1,672.5
Changes in working capital:				
(Increase)/decrease of current receivables	-729.6	-5.4	49.0	-389.4
(Increase)/decrease of inventories	-667.2	-536.6	-282.1	-297.0
Increase/(decrease) of liabilities	835.8	300.3	482.6	131.9
Increase/(decrease) of provisions	381.2	126.9	-116.4	85.3
	-179.8	-114.8	133.1	-469.2
Cash flow from operating activities	1,624.2	779.0	1,616.5	1,203.3
Cash flow from investing activities				
Investments in fixed assets	-192.0	-204.9	-323.7	-387.5
Divestment of fixed assets	9.1	58.0	163.8	361.5
Additional purchase price	-	-	-	-9.4
Acquisition of businesses	-1,228.3	-425.3	-504.7	-
Reduction of purchase price	-	-	-	61.2
Divestment of businesses	-	-	-	10.0
Cash flow from investing activities	-1,411.2	-572.2	-664.6	35.8
Cash flow from financing activities				
Financial net, paid	-52.0	-177.1	-351.3	-201.4
Dividends to owners of parent company	-569.5	-530.4	-530.4	-446.7
Dividends to minority owners in subsidiary	-17.8	-26.3	-26.3	-
(Increase)/decrease of other financial assets	124.3	25.3	-31.0	472.4
Capitalised financing costs, acquisition loans	-4.1	-4.4	-4.4	-7.3
Increase/(decrease) of liabilities to credit institutions	377.1	523.9	-29.3	-1,170.2
Cash flow from financing activities	-142.0	-189.0	-972.7	-1,353.2
Net increase (decrease) in cash and bank	71.0	17.8	-20.8	-114.1
Cash and bank at the beginning of the year	478.8	414.8	414.8	554.6
Translation difference in cash and bank	-27.2	78.7	84.8	-25.7
Cash and bank at the end of the period	522.6	511.3	478.8	414.8
Free cash flow per share (SEK) *	1.91	1.85	8.52	11.10
Average number of shares	111,671,993	111,671,993	111,671,993	111,671,993

* Free cash flow is the sum of cash flows from operating and investing activities.

CONSOLIDATED INCOME STATEMENT

Amounts in SEK millions	**July 1 - Sept 30 2006**	July 1 - Sept 30 2005	**Jan 1 - Sept 30 2006**	Jan 1 - Sept 30 2005	Jan 1 - Dec 31 2005	Jan 1 - Dec 31 2004
Net sales	4,810.0	4,277.4	13,761.5	11,646.6	16,330.4	14,985.8
Cost of goods sold	-3,103.9	-2,843.1	-8,820.8	-7,662.6	-10,800.4	-9,937.0
Gross profit	1,706.1	1,434.3	4,940.7	3,984.0	5,530.0	5,048.8
Sales costs	-634.9	-558.0	-1,899.9	-1,709.7	-2,365.3	-2,132.4
Administration costs	-254.5	-261.8	-765.4	-745.5	-993.7	-929.5
Research and development costs	-118.3	-110.0	-368.8	-327.2	-447.8	-403.9
Other operating income *	115.5	105.6	220.5	189.9	323.8	325.2
Other operating costs *	-136.6	-158.1	-381.6	-457.9	-669.8	-469.8
Operating income	677.3	452.0	1,745.5	933.6	1,377.2	1,438.4
Dividends	1.0	0.6	2.3	2.2	4.9	3.1
Interest income	-0.8	26.5	104.9	161.7	173.6	166.4
Interest expense *	-66.4	-74.1	-228.3	-274.6	-456.7	-346.3
Result after financial items	611.1	405.0	1,624.4	822.9	1,099.0	1,261.6
Taxes	-162.9	-108.7	-388.6	-210.9	-171.0	-421.5
Net income for the year	448.2	296.3	1,235.8	612.0	928.0	840.1
Attributable to:						
Equity holders of the parent	436.6	283.7	1,204.1	580.1	884.8	794.7
Minority interests	11.6	12.6	31.7	31.9	43.2	45.4
Earnings per share (SEK)	3.91	2.54	10.78	5.19	7.92	7.12
Average number of shares	111,671,993	111,671,993	111,671,993	111,671,993	111,671,993	111,671,993

* The line has been affected by comparison distortion items, see separate specification below.

Comparison distortion items

Amounts in SEK millions	**July 1 - Sept 30 2006**	July 1 - Sept 30 2005	**Jan 1 - Sept 30 2006**	Jan 1 - Sept 30 2005	Jan 1 - Dec 31 2005	Jan 1 - Dec 31 2004
Operational						
Other operating income	114.3	58.2	215.3	142.5	272.1	271.3
Comparison distortion income	1.2	47.4	5.2	47.4	51.7	53.9
Total other operating income	115.5	105.6	220.5	189.9	323.8	325.2
Other operating costs	-136.6	-158.1	-381.6	-332.9	-544.8	-452.6
Comparison distortion costs	-	-	-	-125.0	-125.0	-17.2
Total other operating costs	-136.6	-158.1	-381.6	-457.9	-669.8	-469.8
Financial						
Interest expense	-66.4	-74.1	-228.3	-274.6	-368.2	-346.3
Comparison distortion costs	-	-	-	-	-88.5	-
Total interest expense	-66.4	-74.1	-228.3	-274.6	-456.7	-346.3

In order to illustrate the quarterly development, the income statement analysis is shown also for the last ten quarters:

Income statement analysis

	2006			2005				2004		
SEK millions	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net sales	4,810.0	4,875.7	4,075.8	4,683.8	4,277.4	4,101.6	3,267.6	4,166.1	3,837.5	3,798.3
Adjusted gross profit	1,790.7	1,816.8	1,585.2	1,641.2	1,508.9	1,487.3	1,207.8	1,392.4	1,348.7	1,357.9
- in % of net sales	*37.2*	*37.3*	*38.9*	*35.0*	*35.3*	*36.3*	*37.0*	*33.4*	*35.1*	*35.8*
Expenses *	-969.8	-1,047.8	-997.1	-1,028.0	-967.0	-1,004.3	-815.9	-856.4	-863.5	-874.3
- in % of net sales	*20.2*	*21.5*	*24.5*	*21.9*	*22.6*	*24.5*	*25.0*	*20.6*	*22.5*	*23.0*
Adjusted EBITDA	820.9	769.0	588.1	613.2	541.9	483.0	391.9	536.0	485.2	483.6
- in % of net sales	*17.1*	*15.8*	*14.4*	*13.1*	*12.7*	*11.8*	*12.0*	*12.9*	*12.6*	*12.7*
Depreciation	-60.2	-62.6	-62.9	-78.7	-62.7	-61.0	-61.9	-70.0	-58.8	-63.6
Adjusted EBITA	**760.7**	**706.4**	**525.2**	**534.5**	**479.2**	**422.0**	**330.0**	**466.0**	**426.4**	**420.0**
- in % of net sales	***15.8***	***14.5***	***12.9***	***11.4***	***11.2***	***10.3***	***10.1***	***11.2***	***11.1***	***11.1***
Amortisation of step up values	-84.6	-85.2	-82.2	-95.2	-74.6	-73.6	-71.8	-71.4	-72.8	-74.5
Comparison distortion items	1.2	2.9	1.1	4.3	47.4	-	-125.0	2.7	47.5	-
EBIT	677.3	624.1	444.1	443.6	452.0	348.4	133.2	397.3	401.1	345.5

* Excluding comparison distortion items

CONSOLIDATED BALANCE SHEET

Amounts in SEK millions	Sept 30 2006	Sept 30 2005	Dec 31 2005
ASSETS			
Non-current assets			
Intangible assets	5,265.0	4,516.6	4,598.1
Property, plant and equipment	2,460.6	2,571.1	2,552.8
Other non-current assets	764.6	749.0	676.5
	8,490.2	7,836.7	7,827.4
Current assets			
Inventories	3,825.6	3,318.2	3,090.7
Accounts receivable	3,821.2	3,200.9	2,991.6
Other receivables	1,353.1	1,206.3	1,419.9
Derivative assets	88.5	45.3	55.6
Other current deposits	200.5	201.8	342.4
Cash and bank	522.6	511.3	478.8
	9,811.5	8,483.8	8,379.0
TOTAL ASSETS	18,301.7	16,320.5	16,206.4
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Shareholders' equity	6,246.3	5,344.6	5,679.7
Minority interest	138.3	119.7	131.7
	6,384.6	5,464.3	5,811.4
Non-current liabilities			
Liabilities to credit institutions	1,982.0	1,917.5	2,701.8
Senior notes	-	1,083.8	-
Private placement	800.8		-
Provisions for pensions and similar commitments	942.5	878.6	902.8
Provision for deferred tax	827.1	713.5	766.8
Other provisions	305.1	391.6	307.1
	4,857.5	4,985.0	4,678.5
Current liabilities			
Liabilities to credit institutions	195.9	327.3	99.8
Accounts payable	1,693.9	1,348.8	1,560.7
Advances from customers	1,581.0	1,015.6	969.7
Other provisions	883.3	783.7	650.3
Other liabilities	2,583.3	2,212.3	2,256.3
Derivative liabilities	122.2	183.5	179.7
	7,059.6	5,871.2	5,716.5
Total liabilities	11,917.1	10,856.2	10,395.0
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	18,301.7	16,320.5	16,206.4

CHANGES IN CONSOLIDATED EQUITY

Amounts in SEK millions	Jan 1 - Sept 30 2006	Jan 1 - Sept 30 2005	Jan 1 - Dec 31 2005
At the beginning of the period	5,811.4	5,375.9	5,375.9
Changes attributable to:			
Equity holders of the parent			
Cash flow hedges	90.3	-302.7	-290.5
Translation difference	-134.2	247.4	268.3
Deferred tax	-24.1	93.5	90.8
Net income for the period	1,204.1	580.1	884.8
Dividends	-569.5	-530.4	-530.4
Subtotal	566.6	87.9	423.0
Minority			
Translation difference	-7.3	-5.0	-4.4
Net income for the period	31.7	31.9	43.2
Dividends	-17.8	-26.4	-26.3
Subtotal	6.6	0.5	12.5
At the end of the period	6,384.6	5,464.3	5,811.4

The share capital of SEK 1,116,719,930 is divided into 111,671,993 shares.