Interim Report Q2 2006

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

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

## April – June 2006

- Orders received: up 35% to SEK 6,217 million
- Net sales: up 18% to SEK 4,876 million
- Adjusted EBITA: up 68% to SEK 707 million
  - Positive currency effect: SEK 19 million

## January – June 2006

- Orders received: up 31% to SEK 11,698 million
- Net sales: up 17% to SEK 8,952 million
- Adjusted EBITA: up 64% to SEK 1,232 million
  - Positive currency effect: SEK 49 million
Orders received

- % Q on Q
- SEK million R 12

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

<table>
<thead>
<tr>
<th></th>
<th>Apr – Jun 06</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SEK million</strong></td>
<td></td>
</tr>
<tr>
<td><strong>2005</strong></td>
<td>4,574</td>
</tr>
<tr>
<td>Structural change, %</td>
<td>+ 11</td>
</tr>
<tr>
<td>Currency, %</td>
<td>+ 1</td>
</tr>
<tr>
<td>Organic development, %</td>
<td>+ 24</td>
</tr>
<tr>
<td>Total, %</td>
<td>+ 36</td>
</tr>
<tr>
<td><strong>2006</strong></td>
<td>6,217</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

April – June 2006

- Order to liquid natural gas plant in the Middle East, SEK 240 million.
  - Plate heat exchangers for central cooling, using seawater to cool the facility. Delivery in 2007 and 2008.
Highlights

April – June 2006

- Order to liquid natural gas plant in the Middle East, SEK 240 million.
- Order to liquid natural gas plant in the Middle East, SEK 80 million.
- Plate heat exchangers to be used on the process side in one of the world’s largest LNG-facilities. Delivery in 2006 and 2007.
Highlights

April – June 2006

- Order to liquid natural gas plant in the Middle East, SEK 240 million.
- Order to liquid natural gas plant in the Middle East, SEK 80 million.
- Order to nuclear power plants in China, SEK 60 million.
  - Plate heat exchangers to cool equipment in two nuclear power reactors. Delivery in 2007 and 2008.
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Alfa Laval Group
Orders received by Segment

April – June 2006, at constant rates and for comparable units

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

Equipment Division, April – June 2006, at constant rates and for comparable units

- Continued increased investments in the HVAC-markets.
- The marine investments slightly down.
- Good business climate in the food market.
Orders received by Segment

Process Technology Division, April – June 2006, at constant rates and for comparable units

- Continued very strong activity in energy-related industries.
- Food-related industries continue to show a strong recovery.
Orders received by Segment
January – June 2006, at constant rates and for comparable units

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

- LNG’s portion of the US energy portfolio will increase from 2 to 8% during the next 10 years.
- Rapid increase of imported natural gas.

Source: FERC
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President and CEO
Alfa Laval Group
Orders received by Region

April – June 2006, at constant rates

- Asia 30%
- Western Europe 30%
- North America 16%
- Centr. & East 9%
- Nordic 9%
- L. America 4%
- Other 2%

+52  +33  +46  +45  +27  -1

www.alfalaval.com
Highlights Americas
April – June 2006, at constant rates

North America
- Base orders in both US and Canada very good.
- Very strong development in fuel ethanol in US and oil & gas in Canada.
- Strong contribution from Tranter.

Latin America
- Investment climate improving.
- Process Technology Division very strong, with focus on Food, Bioethanol and Biodiesel.
Highlights Europe
April – June 2006, at constant rates

Western Europe incl. Nordic
- Strong growth in Germany and contractor sales in France.
- Best development in Energy & Environment.

Central and Eastern Europe
- Continued very good investment climate.
- Russia continued to be very strong.
- Best growth in Marine and Refrigeration.
Highlights Asia

April – June 2006, at constant rates

Asia

- Best growth in China, India and South East Asia.
- Energy focus driving Oil & Gas contractor sales in Korea and Japan.
Orders received by Region
January – June 2006, at constant rates

Asia 29%
North America 17%
Central & Eastern Europe 10%
Western Europe 29%
Nordic 9%
Latin America 4%
Other 2%

+34
+34
+62
+33
+8
+11

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Mr. Thomas Thuresson
CFO
Alfa Laval Group
## Highlights

<table>
<thead>
<tr>
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<tr>
<td>Order intake</td>
<td>6,217</td>
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<tr>
<td>Net sales</td>
<td>4,876</td>
</tr>
<tr>
<td>Adjusted EBITA</td>
<td>707</td>
</tr>
<tr>
<td>Adjusted EBITA-margin</td>
<td>14.5%</td>
</tr>
</tbody>
</table>
## Adjusted EBITA

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Q2 06</th>
<th>H1 06</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>422</td>
<td>752</td>
</tr>
<tr>
<td>2006</td>
<td>707</td>
<td>1,232</td>
</tr>
<tr>
<td>Deviation</td>
<td>+ 285</td>
<td>+ 480</td>
</tr>
<tr>
<td>FX. translation</td>
<td>- 10</td>
<td>- 56</td>
</tr>
<tr>
<td>FX. transaction</td>
<td>- 9</td>
<td>+ 7</td>
</tr>
<tr>
<td>Deviation excl FX</td>
<td>+ 266</td>
<td>+ 431</td>
</tr>
</tbody>
</table>
Gross profit margin

In percent of sales

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td></td>
<td>37.3</td>
<td>36.3</td>
<td>35.8</td>
<td>35.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>36.3</td>
<td>36.3</td>
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<td>37.3</td>
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</tbody>
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<tr>
<td>Profit before tax</td>
<td>587</td>
</tr>
</tbody>
</table>
## Earnings per share

<table>
<thead>
<tr>
<th></th>
<th>Q2 2006</th>
<th>Q2 2005</th>
<th>H1 2006</th>
<th>H1 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings</td>
<td>3.97</td>
<td>2.17</td>
<td>6.87</td>
<td>2.65</td>
</tr>
<tr>
<td>Earnings excluding goodwill and step-up</td>
<td>4.49</td>
<td>2.60</td>
<td>7.89</td>
<td>3.53</td>
</tr>
</tbody>
</table>
## Highlights

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<tr>
<td>Profit before tax</td>
<td>587</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>517</td>
</tr>
<tr>
<td>ROCE</td>
<td>27.4</td>
</tr>
</tbody>
</table>

Excl. step-up and goodwill 66.5%
# Cash-flow statement

<table>
<thead>
<tr>
<th></th>
<th>MSEK</th>
<th>H1 2006</th>
<th>H1 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- operating activities</td>
<td>909</td>
<td>294</td>
<td></td>
</tr>
<tr>
<td>- investing activities</td>
<td>-1,359</td>
<td>-544</td>
<td></td>
</tr>
<tr>
<td><strong>Financial net paid</strong></td>
<td></td>
<td>20</td>
<td>113</td>
</tr>
<tr>
<td><strong>Dividends</strong></td>
<td>-587</td>
<td>-530</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>-1,057</td>
<td>-893</td>
</tr>
<tr>
<td><strong>Pro Forma Free-cash-flow</strong>*</td>
<td>752</td>
<td>62</td>
<td></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 2006</th>
<th>H1 2006</th>
<th>WY 06*</th>
<th>WY 07*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation effect</td>
<td>+ 10</td>
<td>+ 56</td>
<td>+ 75</td>
<td>0</td>
</tr>
<tr>
<td>Transaction effect</td>
<td>+ 9</td>
<td>- 7</td>
<td>+ 25</td>
<td>- 5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>+ 19</td>
<td>+ 49</td>
<td>+ 100</td>
<td>- 5</td>
</tr>
</tbody>
</table>

*Based on EUR/USD 1.25 and EUR/SEK 9.20*
Order backlog as per June 30

For delivery in the current year

SEK million

<table>
<thead>
<tr>
<th>Year</th>
<th>SEK million</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>4,244</td>
</tr>
<tr>
<td>2005</td>
<td>4,793</td>
</tr>
<tr>
<td>2006</td>
<td>6,097</td>
</tr>
</tbody>
</table>
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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.”