Interim Report Q3 2006

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

Key figures

July – September 2006

- Orders received: up 17% to SEK 5,648 million
- Net sales: up 15% to SEK 4,810 million
- Adjusted EBITA: up 59% to SEK 760 million (including reversal of provisions of SEK 40 million and a positive currency effect of SEK 7 million)

January – September 2006

- Orders received: up 26% to SEK 17,346 million
- Net sales: up 16% to SEK 13,762 million
- Adjusted EBITA: up 62% to SEK 1,992 million (including reversal of provisions of SEK 40 million and a positive currency effect of SEK 56 million)
Orders received

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Orders received (SEK million)</th>
<th>% development at constant rates by quarter year on year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q303</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Q403</td>
<td>3,000</td>
<td>+6%</td>
</tr>
<tr>
<td>Q104</td>
<td>4,000</td>
<td>+11%</td>
</tr>
<tr>
<td>Q204</td>
<td>5,000</td>
<td>+22%</td>
</tr>
<tr>
<td>Q304</td>
<td>6,000</td>
<td>+15%</td>
</tr>
<tr>
<td>Q404</td>
<td>7,000</td>
<td>+15%</td>
</tr>
<tr>
<td>Q105</td>
<td>8,000</td>
<td>+25%</td>
</tr>
<tr>
<td>Q205</td>
<td>9,000</td>
<td>+23%</td>
</tr>
<tr>
<td>Q305</td>
<td>10,000</td>
<td>+28%</td>
</tr>
<tr>
<td>Q405</td>
<td>11,000</td>
<td>+35%</td>
</tr>
<tr>
<td>Q106</td>
<td>12,000</td>
<td>+17%</td>
</tr>
</tbody>
</table>

Order analysis

<table>
<thead>
<tr>
<th>July – Sep 06</th>
<th>2005 (SEK million)</th>
<th>2006 (SEK million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural change, %</td>
<td>+6</td>
<td>+11</td>
</tr>
<tr>
<td>Currency effects, %</td>
<td>-2</td>
<td>-2</td>
</tr>
<tr>
<td>Organic development, %</td>
<td>+11</td>
<td>+11</td>
</tr>
<tr>
<td>Total, %</td>
<td>+15</td>
<td>+15</td>
</tr>
</tbody>
</table>

www.alfalaval.com
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.”

Reversal of provisions SEK 40 million

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Mr. Lars Renström
President and CEO
Alfa Laval Group
Highlights

July – September 2006

- Order to liquid natural gas plant (LNG) in Qatar, SEK 75 million.
  - Plate heat exchangers to be used in a LNG-plant as part of the RasGas project in Qatar. Delivery in 2007.

- Order to Russian oil company LUKOIL, SEK 50 million.
  - Spiral and welded heat exchangers to be used in LUKOIL’s refinery in Nizhny Novgorod. Delivery in 2007.
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Orders received by Segment
July – September 2006, at constant rates and for comparable units
Orders received by Segment
Equipment Division, July – September 2006, at constant rates and for comparable units

- Continued good business climate in all sectors.
- The marine investments continue to be on a high level.

Orders received by Segment
Process Technology Division, July – September 2006, at constant rates and for comparable units

- Continued very strong activity in energy-related industries, especially in the US and Russia.
- Food-related industries remained on a high level, especially in vegetable oils and brewery.
Orders received by Segment
January – September 2006, at constant rates and for comparable units

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

Environmental applications create growth
Ballast water application for the Marine industry

- Market driven by legislation.
- Estimated market potential: in excess of SEK 1 billion.
- Alfa Laval intends to take the leading position.
- No additives, residuals or toxic effects.
- Compact, automated and marine adapted.
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Orders received by Region
July – September 2006, at constant rates

- Asia 29 %
- North America 18 %
- Central & Eastern Europe 10 %
- Western Europe 27 %
- Nordic 9 %

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Highlights Americas
July – September 2006, at constant rates

North America
- Total orders and base orders in US very good.
- Very strong development in Fuel ethanol in US.

Latin America
- The Equipment Division doing well with focus on Refrigeration and Sanitary.
- Argentina, Chile and Mexico show best growth.

Highlights Europe
July – September 2006, at constant rates

Western Europe incl. Nordic
- Strong development in Adriatic, France and MidEurope.
- Best development in the Equipment Division and Parts & Service.

Central and Eastern Europe
- Continued very good investment climate.
- Strongest growth in Russia, Turkey and the Czech Republic.
- Best development in Refrigeration and Parts and Service.
Highlights Asia
July – September 2006, at constant rates

Asia
- A solid quarter with best growth in China, India and Taiwan.
- Strongest development in Comfort & Refrigeration and Process Industry
- Slow quarter for Marine following an extraordinary quarter in 2005.

Orders received by Region
January – September 2006, at constant rates
Interim Report Q3 2006

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Mr. Thomas Thuresson
CFO
Alfa Laval Group

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Highlights

<table>
<thead>
<tr>
<th>SEK million</th>
<th>July – Sep 06</th>
</tr>
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<tbody>
<tr>
<td>Order intake</td>
<td>5,648</td>
</tr>
<tr>
<td>Net sales</td>
<td>4,810</td>
</tr>
<tr>
<td>Adjusted EBITA</td>
<td>760</td>
</tr>
<tr>
<td>Adjusted EBITA-margin</td>
<td>15.8%</td>
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</tbody>
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www.alfalaval.com
### Adjusted EBITA

<table>
<thead>
<tr>
<th>Year</th>
<th>Q3 06</th>
<th>Jan-Sep 06</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>760</td>
<td>1,992</td>
</tr>
<tr>
<td>2005</td>
<td>479</td>
<td>1,231</td>
</tr>
</tbody>
</table>

**Deviation**

- **Adjust EBITA**
  - + 281
  - + 761
- **FX. translation**
  - + 11
  - - 45
- **FX. transaction**
  - - 18
  - - 11
- **Deviation excl FX**
  - + 274
  - + 705

### Gross profit margin

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q3 03</th>
<th>Q4 03</th>
<th>Q1 04</th>
<th>Q2 04</th>
<th>Q3 04</th>
<th>Q4 04</th>
<th>Q1 05</th>
<th>Q2 05</th>
<th>Q3 05</th>
<th>Q4 05</th>
<th>Q1 06</th>
<th>Q2 06</th>
<th>Q3 06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>38.5</td>
<td>35.1</td>
<td>35.1</td>
<td>35.1</td>
<td>35.3</td>
<td>38.5</td>
<td>35.3</td>
<td>35.3</td>
<td>35.3</td>
<td>35.3</td>
<td>35.3</td>
<td>37.2</td>
<td></td>
</tr>
</tbody>
</table>
## Highlights

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<td>Adjusted EBITA-margin</td>
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<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>611</td>
<td></td>
</tr>
</tbody>
</table>

## Earnings per share

<table>
<thead>
<tr>
<th></th>
<th>Q3 2006</th>
<th>Q3 2005</th>
<th>Jan-Sep 2006</th>
<th>Jan-Sep 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per share</td>
<td>3.91</td>
<td>2.54</td>
<td>10.78</td>
<td>5.19</td>
</tr>
<tr>
<td>Earnings per share excl. step-up</td>
<td>4.45</td>
<td>2.99</td>
<td>12.34</td>
<td>6.52</td>
</tr>
</tbody>
</table>
### Highlights

<table>
<thead>
<tr>
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<th>July – Sep 06</th>
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<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>611</td>
<td></td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>1,624</td>
<td></td>
</tr>
<tr>
<td>ROCE</td>
<td>29.9</td>
<td></td>
</tr>
<tr>
<td>Excl. step-up and goodwill</td>
<td>77.3%</td>
<td></td>
</tr>
</tbody>
</table>

### Cash-flow statement

<table>
<thead>
<tr>
<th></th>
<th>Jan-Sep 2006</th>
<th>Jan-Sep 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- operating activities</td>
<td>1,624</td>
<td>779</td>
</tr>
<tr>
<td>- investing activities</td>
<td>-1,411</td>
<td>-572</td>
</tr>
<tr>
<td>Financial net paid</td>
<td>- 52</td>
<td>-177</td>
</tr>
<tr>
<td>Dividends</td>
<td>-587</td>
<td>-557</td>
</tr>
<tr>
<td>Total</td>
<td>-426</td>
<td>-527</td>
</tr>
<tr>
<td>Pro Forma Free-cash-flow*</td>
<td>1,376</td>
<td>397</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></th>
<th>SEK million</th>
<th>Q3 2006</th>
<th>Jan-Sep 2006</th>
<th>YW 06*</th>
<th>YW 07*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation effect</td>
<td>- 11</td>
<td>+ 45</td>
<td>+ 45</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Transaction effect</td>
<td>+ 18</td>
<td>+ 11</td>
<td>+ 22</td>
<td>- 25</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>+ 7</td>
<td>+ 56</td>
<td>+ 67</td>
<td>- 25</td>
<td></td>
</tr>
</tbody>
</table>

*Based on EUR/USD 1.27 and EUR/SEK 9.30

## Order backlog as per September 30

Order backlog as per September 30

<table>
<thead>
<tr>
<th>Year</th>
<th>Q3 2006</th>
<th>Jan-Sep 2006</th>
<th>YW 06*</th>
<th>YW 07*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>3,332</td>
<td>1,883</td>
<td>3,484</td>
<td>7,365</td>
</tr>
<tr>
<td>2005</td>
<td>3,627</td>
<td>3,484</td>
<td>7,365</td>
<td>4,474</td>
</tr>
<tr>
<td>2006</td>
<td>4,474</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For delivery in the current year
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Mr. Lars Renström
President and CEO
Alfa Laval Group

Capital Markets Day

November 16, at
Hilton Copenhagen Airport

- Structural changes in Alfa Laval’s end markets – covering energy, technology conversions and emerging markets
- 10.30 – 16.30 and a traditional goose dinner in the evening…

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Financial Targets

- Growth: 5%
- EBITA-margin: 12 - 15%
- ROCE: > 20%

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.”