Interim Report Q4 2006

- 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 2006**
- Orders received up 40% to SEK 6,672 million.
- Net sales up 36% to SEK 6,040 million.
- Adjusted EBITA SEK 1,018 million (535).
  - Positive currency effect SEK 5 million.

**January – December 2006**
- Orders received up 30% to SEK 24,018 million.
- Net sales up 21% to SEK 19,802 million.
- Adjusted EBITA SEK 3,010 million (1,766).
  - Positive currency effect SEK 61 million.

---

**Proposed dividend and repurchase of shares**

**Proposed dividend for 2006**
- The Board of Directors proposes a dividend of 6:25 SEK (5:10).

**Proposed mandate for repurchase of shares**
- The Board of Directors proposes a mandate for repurchase of up to 10 percent of the issued shares with the intention to cancel repurchased shares.
Orders received

![Graph showing orders received over time with percentage changes.]

Orders received = rolling twelve months valuation
Order intake per quarter = order intake per quarter

Order analysis

<table>
<thead>
<tr>
<th>Year 2005 (SEK million)</th>
<th>5,020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural change, %</td>
<td>+ 10</td>
</tr>
<tr>
<td>Currency effects, %</td>
<td>- 8</td>
</tr>
<tr>
<td>Organic development, %</td>
<td>+ 31</td>
</tr>
<tr>
<td>Total, %</td>
<td>+ 33</td>
</tr>
</tbody>
</table>

Year 2006 (SEK million) = 6,672
Adjusted EBITA / margin *

* Adjusted EBITA – “Earnings before interests, taxes, amortization of goodwill and step up values and comparison distortion items.”

Interim Report Q4 2006

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

Mr. Lars Renström
President and CEO
Alfa Laval Group
Highlights during the quarter

October – December 2006

- Tranter agreed to acquire its distributor in China, turnover approximately SEK 100 M.
Highlights during the quarter

October – December 2006

- Tranter agreed to acquire its distributor in China.
- Divestment of engineering activity.
- Petrochemical orders to China, SEK 130 and 110 M, Kuwait, SEK 100 M, and Oman, SEK 65 M.
  
  Packinox custom designed heat exchangers for aromatics.

- Petrochemical order to Oman, SEK 75 M.
  
  High efficiency plate heat-exchanger T50 for central cooling.
  Delivery during 2008.
Highlights during the quarter

October – December 2006

- Tranter agreed to acquire its distributor in China.
- Divestment of engineering activity.
- Petrochemical orders to China, SEK 130 and 110 M, Kuwait, SEK 100 M, and Oman, SEK 65 M.
- Petrochemical order to Oman, SEK 75 M.
- Ethanol order to the US, SEK 140 M.
  

- Vegetable oil order to Russia, SEK 60 M.
  
### Large orders 2006

<table>
<thead>
<tr>
<th>Value, SEK M</th>
<th>Country</th>
<th>Application</th>
<th>Industry</th>
<th>Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>110</td>
<td>Ukraine</td>
<td>Refining</td>
<td>Food</td>
<td>2006-2007</td>
</tr>
<tr>
<td>65</td>
<td>India</td>
<td>Evaporation</td>
<td>Pulp and paper</td>
<td>2007</td>
</tr>
<tr>
<td>45</td>
<td>Belgium</td>
<td>Central cooling</td>
<td>Petrochemical industry</td>
<td>2007</td>
</tr>
<tr>
<td>240</td>
<td>Middle East</td>
<td>Central cooling</td>
<td>Gas production</td>
<td>2007-2008</td>
</tr>
<tr>
<td>60</td>
<td>China</td>
<td>Central cooling</td>
<td>Nuclear Power</td>
<td>2007-2008</td>
</tr>
<tr>
<td>80</td>
<td>Middle East</td>
<td>Processing</td>
<td>Gas production</td>
<td>2007</td>
</tr>
<tr>
<td>75</td>
<td>Qatar</td>
<td>Processing</td>
<td>Gas production</td>
<td>2007</td>
</tr>
<tr>
<td>50</td>
<td>Russia</td>
<td>Processing</td>
<td>Oil refining</td>
<td>2007</td>
</tr>
<tr>
<td>65</td>
<td>Oman</td>
<td>Aromatics</td>
<td>Petrochemical</td>
<td>2008</td>
</tr>
<tr>
<td>100</td>
<td>Kuwait</td>
<td>Aromatics</td>
<td>Petrochemical</td>
<td>2007</td>
</tr>
<tr>
<td>130</td>
<td>China</td>
<td>Aromatics</td>
<td>Petrochemical</td>
<td>2008</td>
</tr>
<tr>
<td>60</td>
<td>Russia</td>
<td>Refining</td>
<td>Food</td>
<td>2007</td>
</tr>
<tr>
<td>140</td>
<td>US</td>
<td>Processing</td>
<td>Ethanol production</td>
<td>2007</td>
</tr>
<tr>
<td>110</td>
<td>China</td>
<td>Aromatics</td>
<td>Petrochemical</td>
<td>2008</td>
</tr>
<tr>
<td>75</td>
<td>Oman</td>
<td>Central cooling</td>
<td>Petrochemical</td>
<td>2008</td>
</tr>
</tbody>
</table>

**Total:** 1,405

---

**Interim Report Q4 2006**

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

Mr. Lars Renström  
President and CEO  
Alfa Laval Group
Orders received by Segment
October – December 2006, at constant rates

The Process Technology Division, October – December 2006, at constant rates and for comparable units

- The energy related industries strong, especially bio fuel, petrochemical and refinery.
- Oil and gas exploration business stabilized on a high level.
- Still high investments in food related industries.
Orders received by Segment

The Equipment Division, October – December 2006, at constant rates and for comparable units

- Strong marine market.
- Continued good investments in the food industry.
- HVAC* investments high, particularly in the Middle East and for heat pumps.

* Heating Ventilation Air Conditioning

Refinery

- Continued strong investment climate.
- Packinox - a new channel to the market.
- A unique product range.
- From SEK 100 to 1,000 million in two years.
Orders received by Segment
January – December 2006, at constant rates

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

Interim Report Q4 2006

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

Mr. Lars Renström
President and CEO
Alfa Laval Group
Orders received by Region
October – December 2006, at constant rates

North America 19%
Asia 31%
Western Europe 26%
Central & Eastern Europe 9%
North America 19%
Asia 31%
Western Europe 26%
Central & Eastern Europe 9%

North America:
- Very strong development in the US.
- Strong market for fuel ethanol.
- Good development in Tranter.

Latin America:
- A very good quarter with best development in Argentina and Brazil.
- Strongest development in Process Industry and Parts & Service.
Highlights Europe
October – December 2006, at constant rates

Western Europe incl. Nordic
- Strong development in Adriatic, Nordic and Iberia.
- Best development in Comfort & Refrigeration and Food.

Central and Eastern Europe
- Very strong increase in Russia, and South East Europe.
- Strongest development in Food, Process Industry and Refrigeration.

Highlights Asia
October – December 2006, at constant rates

Asia
- China and South East Asia strong.
Orders received by Region

January – December 2006, at constant rates

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

Interim Report Q4 2006

Mr. Thomas Thuresson
CFO
Alfa Laval Group
Highlights

<table>
<thead>
<tr>
<th></th>
<th>SEK million</th>
<th>Oct – Dec 06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>6,672</td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>6,040</td>
<td></td>
</tr>
<tr>
<td>Adjusted EBITA</td>
<td>1,018</td>
<td></td>
</tr>
<tr>
<td>Adjusted EBITA-margin</td>
<td>16.9%</td>
<td></td>
</tr>
</tbody>
</table>

Gross profit margin

In percent of sales

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 03</td>
<td>33.9</td>
</tr>
<tr>
<td>Q1 04</td>
<td>33.4</td>
</tr>
<tr>
<td>Q2 04</td>
<td>33.4</td>
</tr>
<tr>
<td>Q3 04</td>
<td>33.4</td>
</tr>
<tr>
<td>Q4 04</td>
<td>33.4</td>
</tr>
<tr>
<td>Q1 05</td>
<td>35.0</td>
</tr>
<tr>
<td>Q2 05</td>
<td>35.0</td>
</tr>
<tr>
<td>Q3 05</td>
<td>35.0</td>
</tr>
<tr>
<td>Q4 05</td>
<td>35.0</td>
</tr>
<tr>
<td>Q1 06</td>
<td>38.9</td>
</tr>
<tr>
<td>Q2 06</td>
<td>38.9</td>
</tr>
<tr>
<td>Q3 06</td>
<td>38.9</td>
</tr>
<tr>
<td>Q4 06</td>
<td>38.9</td>
</tr>
</tbody>
</table>
## Highlights

<table>
<thead>
<tr>
<th></th>
<th>Oct 06</th>
<th>Dec 06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>6,672</td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>6,040</td>
<td></td>
</tr>
<tr>
<td>Adjusted EBITA</td>
<td>1,018</td>
<td></td>
</tr>
<tr>
<td>Adjusted EBITA-margin</td>
<td>16.9%</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>751</td>
<td></td>
</tr>
</tbody>
</table>

*Includes cost for divestment of engineering activity for the biopharm industry, SEK 125 million

## Earnings per share

<table>
<thead>
<tr>
<th></th>
<th>Q4 2006</th>
<th>Q4 2005</th>
<th>Jan-Dec 2006</th>
<th>Jan-Dec 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings</td>
<td>4.32</td>
<td>2.73</td>
<td>15.10</td>
<td>7.92</td>
</tr>
<tr>
<td>Earnings, excluding step-up</td>
<td>4.89</td>
<td>3.31</td>
<td>17.23</td>
<td>9.83</td>
</tr>
</tbody>
</table>
# Highlights

<table>
<thead>
<tr>
<th></th>
<th>Oct – Dec 06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>6,672</td>
</tr>
<tr>
<td>Net sales</td>
<td>6,040</td>
</tr>
<tr>
<td>Adjusted EBITA</td>
<td>1,018</td>
</tr>
<tr>
<td>Adjusted EBITA-margin</td>
<td>16.9%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>751</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><em>includes cost for divestment of engineering activity for the biopharm industry, SEK 125 million</em></td>
<td></td>
</tr>
</tbody>
</table>

| Cash flow from operating activities | 2,619 |
| ROCE                               | 35.9% |

---

# Cash-flow statement

<table>
<thead>
<tr>
<th></th>
<th>Jan-Dec 2006</th>
<th>Jan-Dec 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from</td>
<td>Jan-Dec 2006</td>
<td>Jan-Dec 2005</td>
</tr>
<tr>
<td>- operating activities</td>
<td>2,619</td>
<td>1,616</td>
</tr>
<tr>
<td>- investing activities</td>
<td>-1,578</td>
<td>- 665</td>
</tr>
<tr>
<td>Financial net paid</td>
<td>- 115</td>
<td>- 351</td>
</tr>
<tr>
<td>Dividends</td>
<td>- 599</td>
<td>- 557</td>
</tr>
<tr>
<td>Total</td>
<td>327</td>
<td>43</td>
</tr>
</tbody>
</table>

| Pro Forma Free-cash-flow* | 2,132 | 942 |

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

<table>
<thead>
<tr>
<th>Forecasted impact on adjusted EBITA from Fx. fluctuations</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation effect</td>
<td>+ 11</td>
<td>- 40</td>
</tr>
<tr>
<td>Transaction effect</td>
<td>+ 50</td>
<td>- 105</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>+ 61</td>
<td>- 145</td>
</tr>
</tbody>
</table>

2007 impact based on EUR/USD 1.30 and EUR/SEK 9.00

**Capital expenditure**

![Graph showing capital expenditure from 2002 to 2007 with a peak in 2006 at 2.5% of sales]
Order backlog as per December 31

For delivery in the next year
- 4,763
- 7,497
- 12,360

For delivery in the later years
- 4,200
- 6,250
- 7,750

Net sales 2007

Net sales, 2006 19,802
Backlog + 1,500
Price +
Tranter, 2 months +
“In-for-out” +/- ?

Net sales, 2007 ∑
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.”