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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.

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Proposed dividend and repurchase of shares

Proposed dividend for 2006

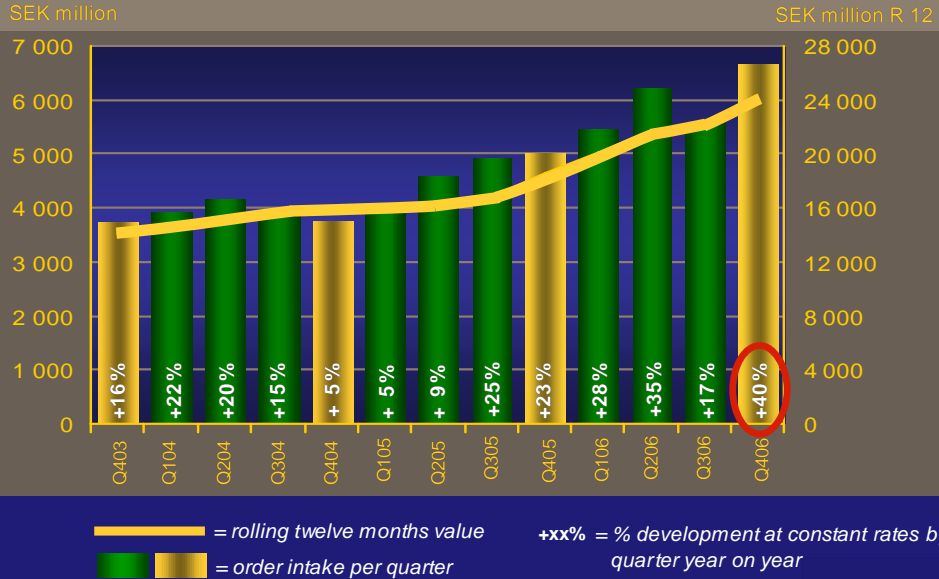
- The Board of Directors proposes a dividend of 6:25 SEK (5:10).

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.

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Orders received

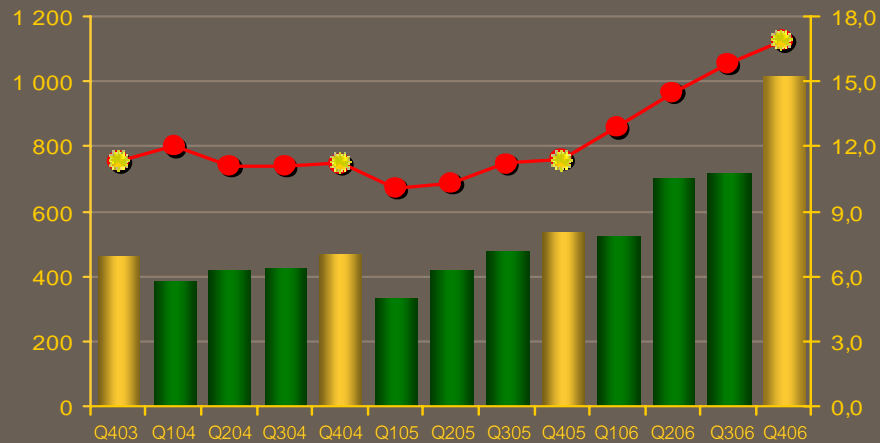


Order analysis

	Oct – Dec 06
2005 (SEK million)	5,020
Structural change, %	+ 10
Currency effects, %	- 8
Organic development, %	+ 31
Total, %	+ 33
2006 (SEK million)	6,672

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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Highlights during the quarter

October – December 2006

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

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Highlights during the quarter

October – December 2006

- Tranter agreed to acquire its distributor in China.
- Divestment of engineering activity for the bio-pharm industry. Cost SEK 125 M in Q4 2006.

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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.

Delivery during 2007 and 2008.

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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.

High efficiency plate heat-exchanger T50 for central cooling.

Delivery during 2008.

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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.**

Decanter centrifuges, condensers and other heat-exchangers for two new plants. Delivery during 2007.

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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.**

A new plant based on a new complete product package for modifying vegetable oils. Delivery during 2007.

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Large orders 2006

Value, SEK M	Country	Application	Industry	Delivery
110	Ukraine	Refining	Food	2006-2007
65	India	Evaporation	Pulp and paper	2007
45	Belgium	Central cooling	Petrochemical industry	2007
240	Middle East	Central cooling	Gas production	2007-2008
60	China	Central cooling	Nuclear Power	2007-2008
80	Middle East	Processing	Gas production	2007
75	Qatar	Processing	Gas production	2007
50	Russia	Processing	Oil refining	2007
65	Oman	Aromatics	Petrochemical	2008
100	Kuwait	Aromatics	Petrochemical	2007
130	China	Aromatics	Petrochemical	2008
60	Russia	Refining	Food	2007
140	US	Processing	Ethanol production	2007
110	China	Aromatics	Petrochemical	2008
75	Oman	Central cooling	Petrochemical	2008
1,405				



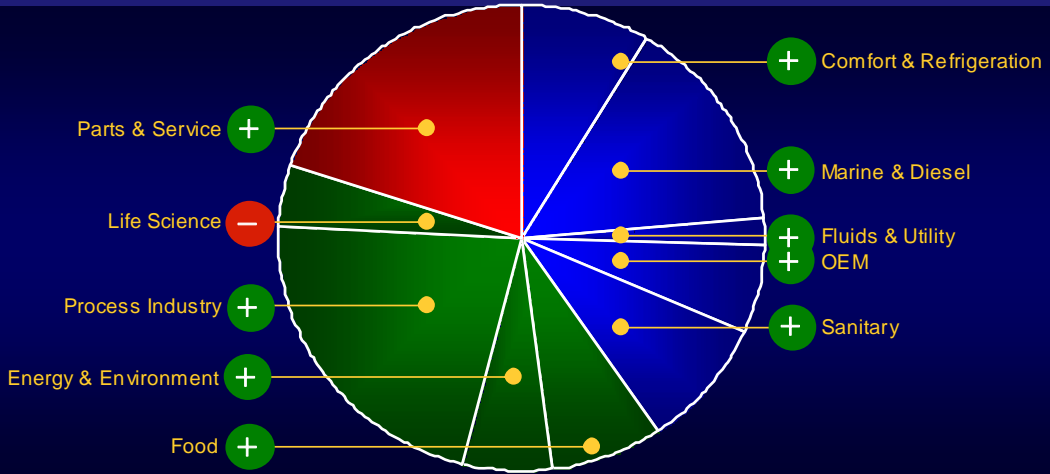
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Orders received by Segment

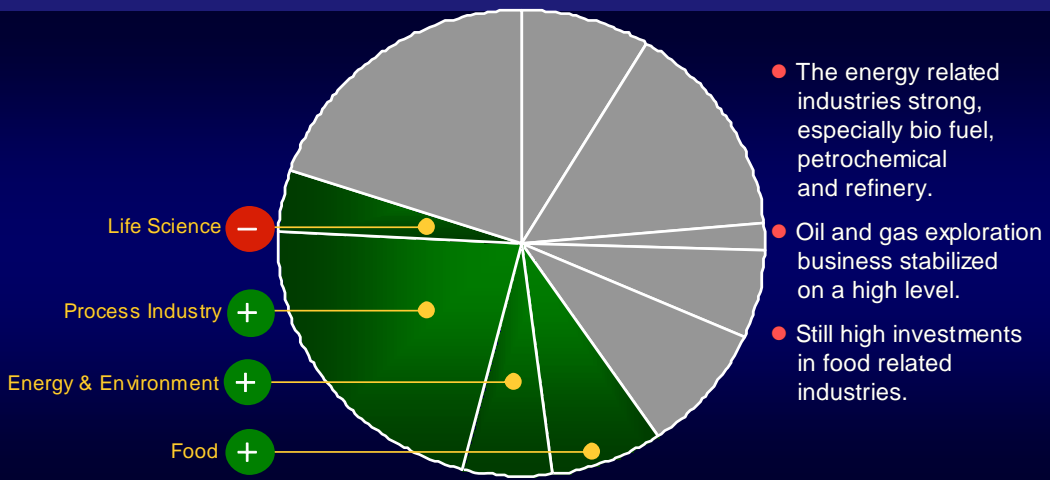
October – December 2006, at constant rates



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Orders received by Segment

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

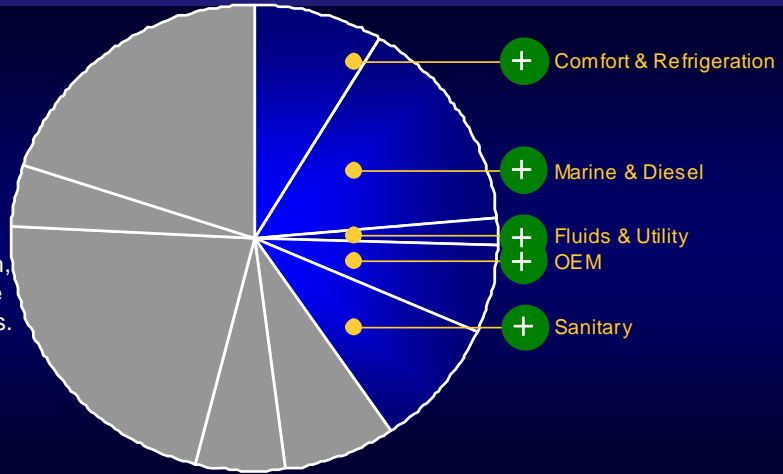


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Orders received by Segment

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

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Refinery

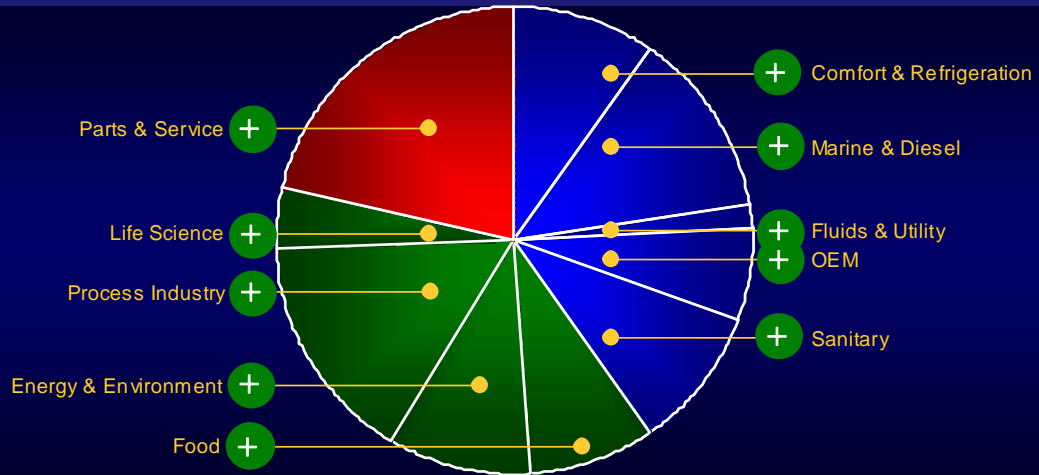


- * Continued strong investment climate.
- * Packinox - a new channel to the market.
- * A unique product range.
- * From SEK 100 to 1,000 million in two years.

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Orders received by Segment

January – December 2006, at constant rates



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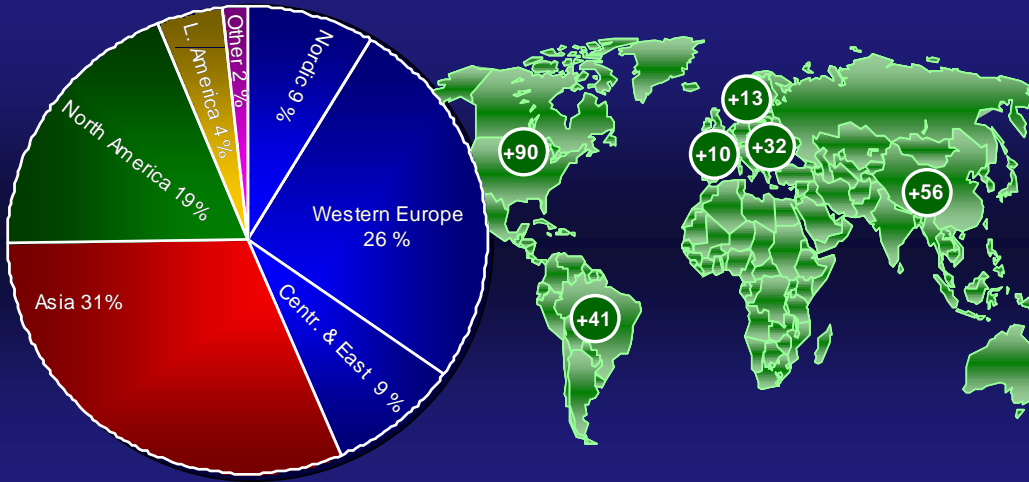
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Orders received by Region

October – December 2006, at constant rates



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Highlights Americas

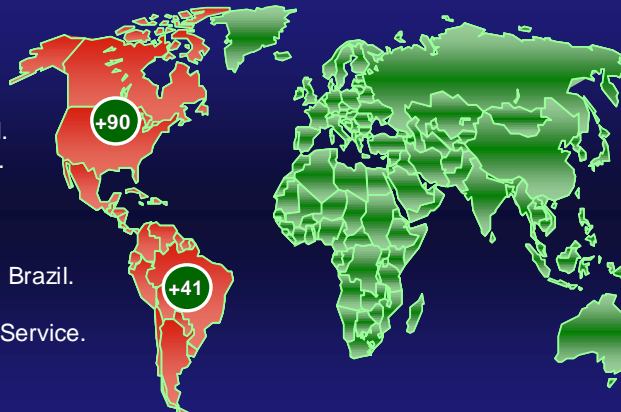
October – December 2006, at constant rates

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.



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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.



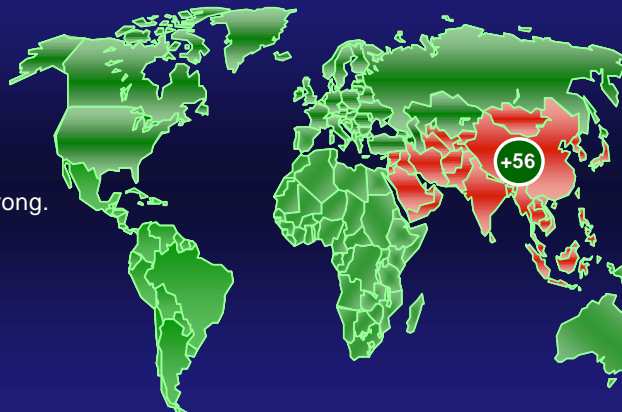
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Highlights Asia

October – December 2006, at constant rates

Asia

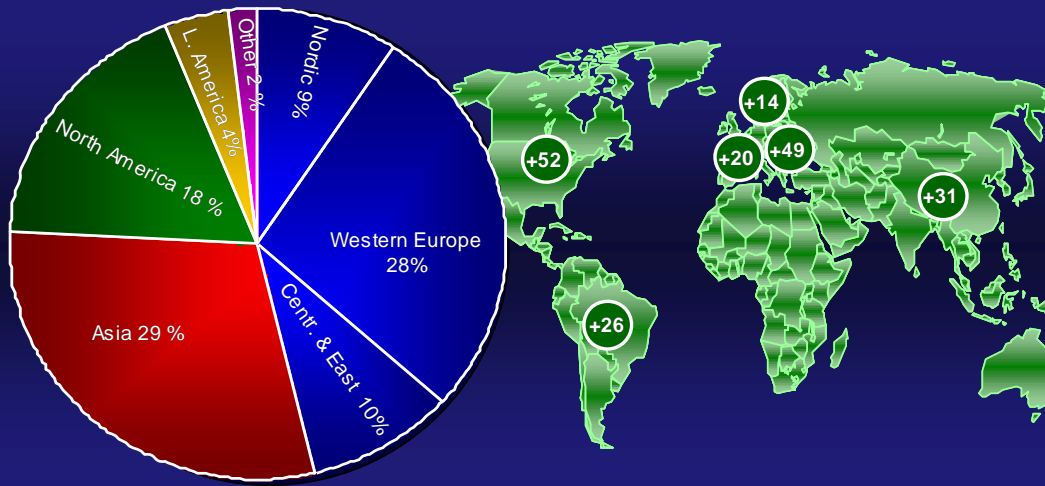
- Best development in Process Industry, Marine and Sanitary.
- China and South East Asia strong.



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Orders received by Region

January – December 2006, at constant rates



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Mr. Thomas Thuresson
CFO
Alfa Laval Group

Highlights

SEK million

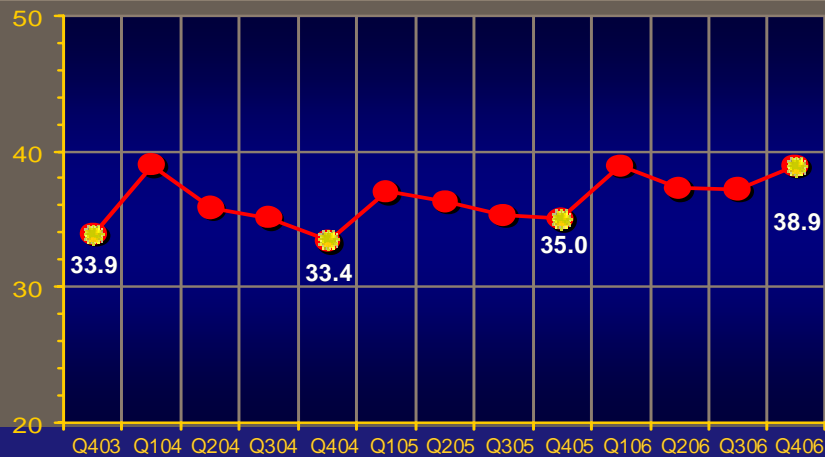
Oct – Dec 06

Order intake	6,672
Net sales	6,040
Adjusted EBITA	1,018
Adjusted EBITA-margin	16.9%

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Gross profit margin

In percent of sales



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Highlights

SEK million	Oct – Dec 06
Order intake	6,672
Net sales	6,040
Adjusted EBITA	1,018
Adjusted EBITA-margin	16.9%
Profit before tax	751

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

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Earnings per share

	2006	Q4 2005	Jan - Dec 2006	2005
Earnings	4.32	2.73	15.10	7.92
Earnings, excluding step-up	4.89	3.31	17.23	9.83

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Highlights

SEK million	Oct – Dec 06
Order intake	6,672
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Adjusted EBITA	1,018
Adjusted EBITA-margin	16.9%
Profit before tax	751
<i>includes cost for divestment of engineering activity for the biopharm industry, SEK 125 million</i>	
Cash flow from operating activities	2,619
ROCE	35.9%

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Cash-flow statement

SEK million	Jan-Dec 2006	Jan- Dec 2005
Cash flows from		
- operating activities	2,619	1,616
- investing activities	-1,578	- 665
Financial net paid	- 115	- 351
Dividends	- 599	- 557
Total	327	43
Pro Forma Free-cash-flow*	2,132	942

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

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Foreign exchange

Forecasted impact on adjusted EBITA from Fx. fluctuations

SEK million	2006	2007
Translation effect	+ 11	- 40
Transaction effect	+ 50	- 105
Total	+ 61	- 145

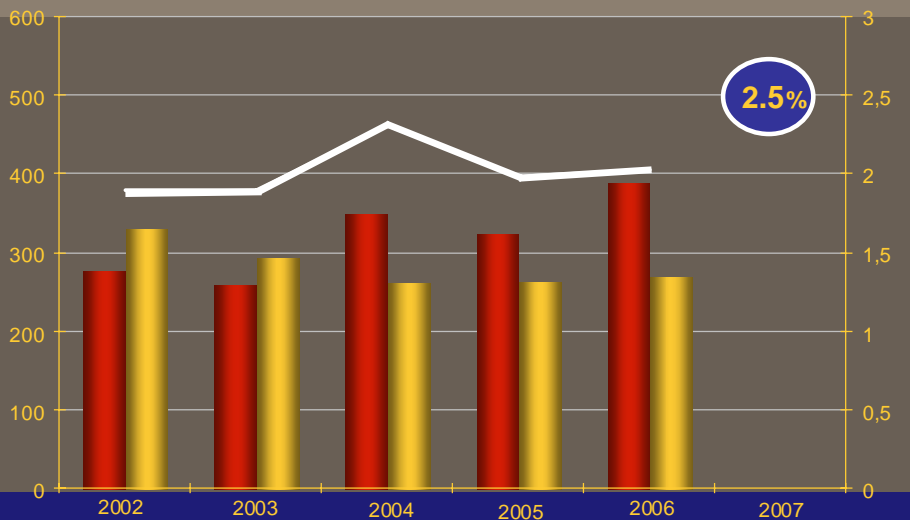
2007 impact based on EUR/USD 1.30 and EUR/SEK 9.00

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Capital expenditure

SEK million

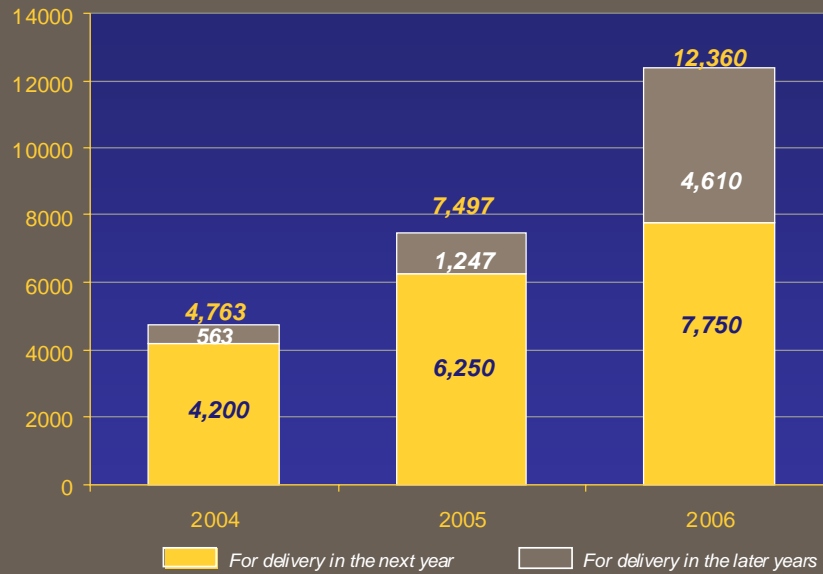
% of sales



Cap ex Depr acc to plan (excl step-up) Cap ex/sales

Order backlog as per December 31

SEK million



Net sales 2007

Net sales, 2006	19,802
Backlog	+ 1,500
Price	+
Tranter, 2 months	+
“In-for-out”	+/- ?
Net sales, 2007	<u>Σ</u>

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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.”

