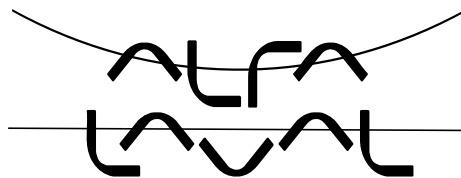


Fourth quarter and full year 2007



A strong quarter and an excellent year with profitable growth

“Demand for Alfa Laval’s products during the quarter was strong and order intake reached SEK 6.6 billion. For the near future we expect the demand to remain on the current high level.

The combination of high invoicing, which increased with 21 percent to SEK 7.2 billion, a very favourable product mix and a high internal efficiency contributed to an excellent operating margin in the quarter – 23 percent or in absolute terms nearly SEK 1.7 billion.

The acquisition of the Finnish company Fincoil, with an annual turnover of SEK 375 million, strengthens our position in the European air heat exchanger market. In total we have made acquisitions during 2007 that add 4 percent annual sales.

We are well positioned for the future with a high exposure towards emerging markets and prioritized areas with structural growth.”

Lars Renström, President and CEO

Fourth quarter:

Order intake increased by 0.3 percent * to SEK **6,576** (6,672) million.

Net sales increased by 21.3 percent * to SEK **7,220** (6,040) million.

Adjusted EBITA was SEK **1,675** (1,018) million, including adverse foreign exchange effects of SEK 44 million.

Adjusted EBITA-margin was **23.2** (16.9) percent.

Result after financial items was SEK **1,587** (751) million.

Result after tax increased to SEK **1,056** (489) million.

Earnings per share increased to SEK **9.66** (4.32).

Cash flow from operating activities was SEK **1,250** (995) million.

Full year 2007:

Order intake increased by 18.3 percent * to SEK **27,553** (24,018) million.

Net sales increased by 29.1 percent * to SEK **24,849** (19,802) million.

Adjusted EBITA was SEK **4,980** (3,010) million, including adverse foreign exchange effects of SEK 254 million.

Adjusted EBITA-margin was **20.0** (15.2) percent.

Result after financial items was SEK **4,557** (2,375) million.

Result after tax increased to SEK **3,180** (1,725) million.

Earnings per share increased to SEK **28.48** (15.10).

Cash flow from operating activities was SEK **3,264** (2,619) million.

* excluding exchange rate variations

The Board of Directors will propose to the Annual General Meeting a dividend of SEK 9.00 (6.25) per share and to make a share split 4:1. A new mandate for repurchase of up to 5 percent of the issued shares will also be proposed.

Outlook for the near future

“We expect the demand to remain on the current high level.”

Earlier published outlook (October 23, 2007): "In many of the markets, geographical as well as customer segments that Alfa Laval serves, a continued very strong demand is expected."

Key figures	Oct 1 - Dec 31 2007	Oct 1 - Dec 31 2006	2007	2006	2005
SEK millions, unless otherwise stated					
Order intake	6,576	6,672	27,553	24,018	18,516
Net sales	7,220	6,040	24,849	19,802	16,330
Adjusted EBITDA 1)	1,749	1,095	5,245	3,273	2,030
Adjusted EBITA 2)	1,675	1,018	4,980	3,010	1,765
Adjusted EBITA - margin 2)	23.2%	16.9%	20.0%	15.2%	10.8%
Result after financial items	1,587	751	4,557	2,375	1,099
Return on capital employed 3)			54.2%	35.9%	22.7%
Return on equity capital 3)			44.1%	25.3%	16.0%
Solidity			34.1%	36.4%	35.9%
Net debt to EBITDA, times			0.5	0.5	1.0
Debt ratio, times			0.30	0.22	0.35
Cash flow from operations	1,250	995	3,264	2,619	1,616
Investments	315	181	556	373	324
No. of employees 4)			11,395	10,115	9,429

- Adjusted EBITDA – "Earnings before interests, taxes, depreciation, amortisation of step up values and comparison distortion items."
- Adjusted EBITA – "Earnings before interests, taxes, amortisation of step up values and comparison distortion items."
- Calculated on a 12 months' revolving basis.
- Number of employees at the end of the period.

The fourth quarter and full year report has been issued on February 6, 2008 by the President and Chief Executive Officer Lars Renström by proxy from the Board of Directors.

Lund, February 6, 2008,

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

Review report

Introduction

We have reviewed this fourth quarter and full year 2007 report. The Board of Directors and the President are responsible for the preparation and presentation of this report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this 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

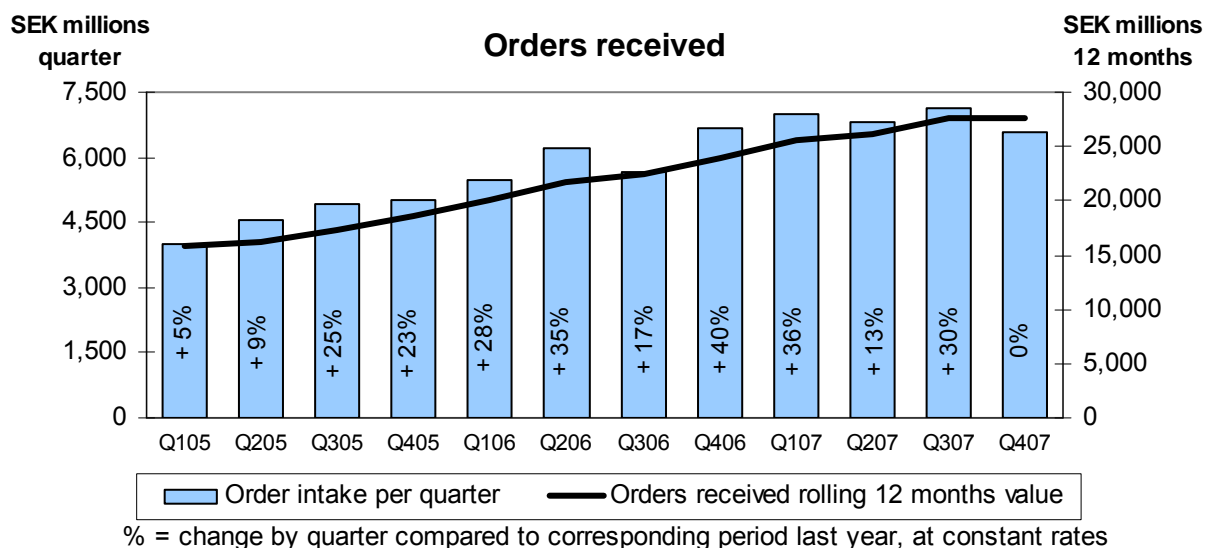
Based on our review, nothing has come to our attention that causes us to believe that the fourth quarter and full year 2007 report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act and for the Parent company in accordance the Swedish Annual Accounts Act.

Lund, February 6, 2008,

Ingvar Ganestam
Authorised Public Accountant

Kerstin Mouchard
Authorised Public Accountant

Management's discussion and analysis



Order analysis	Oct 1 - Dec 31
2006 (SEK millions)	6,672
Structural change	1%
Currency effects	-2%
Organic development	0%
Total	-1%
2007 (SEK millions)	6,576

Orders received amounted to SEK 6,576 (6,672) million for the fourth quarter. Excluding exchange rate variations, the order intake for the Group was 0.3 percent higher than the fourth quarter last year. Adjusted for acquisitions and divestments⁵⁾ the corresponding figure is a decrease by 0.3 percent.

Orders received amounted to SEK 27,553 (24,018) million during 2007. Excluding exchange rate variations, the order intake for the Group was 18.3 percent higher than last year. Adjusted for acquisitions and divestments of businesses⁵⁾, the corresponding figure is 16.9 percent.

Orders received from the aftermarket "Parts & Service" has continued to develop positively and increased by 16.9 percent compared to last year excluding exchange rate variations. Its relative share of the Group's total orders received was 19.8 (20.1) percent.

Large orders⁶⁾ in the fourth quarter:

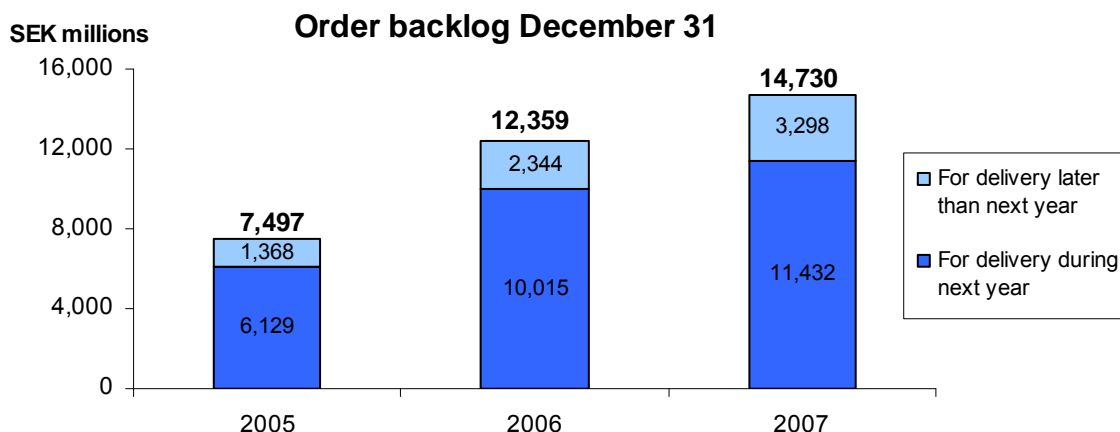
During the fourth quarter 2007 Alfa Laval received large orders for SEK 160 (680) million:

- Two orders for heat exchangers to be used for energy recovery in a natural gas production facility in South East Asia. The total order value is about SEK 110 million. Delivery will take place during 2008 and 2009.
- Order for environmental equipment to a water pollution control plant in Canada. The order value is about SEK 50 million. Delivery is scheduled during 2008 and 2009.

5. Acquired businesses are: Tranter at March 1, 2006
DSO at March 16, 2007
Helpman at April 4, 2007
AGC Engineering at July 2, 2007
Fincoil, at December 1, 2007

Divested business is: The biopharm engineering activity at December 29, 2006

6. Orders with a value over EUR 5 million.



The order backlog at December 31, 2007 was SEK 14,730 (12,359) million. Excluding exchange rate variations and adjusted for acquisitions and divestments the order backlog was 21.2 percent higher than the order backlog at the end of 2006.

CONSOLIDATED INCOME STATEMENT

Amounts in SEK millions	Oct 1 - Dec 31 2007	Oct 1 - Dec 31 2006	Jan 1 - Dec 31 2007	Jan 1 - Dec 31 2006
Net sales	7,220	6,040	24,849	19,802
Cost of goods sold	-4,354	-3,777	-15,340	-12,598
Gross profit	2,866	2,263	9,509	7,204
Sales costs	-704	-707	-2,751	-2,607
Administration costs	-311	-183	-1,159	-948
Research and development costs	-206	-157	-643	-526
Other operating income *	165	61	362	281
Other operating costs *	-186	-470	-627	-852
Operating income	1,624	807	4,691	2,552
Dividends	1	0	2	2
Interest income	98	69	271	174
Interest expense *	-136	-125	-407	-353
Result after financial items	1,587	751	4,557	2,375
Taxes	-531	-262	-1,377	-650
Net income for the year	1,056	489	3,180	1,725
Attributable to:				
Equity holders of the parent	1,046	483	3,137	1,687
Minority interests	10	6	43	38
Earnings per share (SEK)	9.66	4.32	28.48	15.10
Average number of shares	108,263,264	111,671,993	110,152,876	111,671,993

* The line has been affected by comparison distortion items, see separate specification on page 6.

Excluding exchange rate variations, the invoicing was 21.3 percent higher than the fourth quarter last year. Adjusted for acquisitions and divestments of businesses the corresponding figure is 20.6 percent.

Excluding exchange rate variations, the invoicing was 29.1 percent higher than last year. Adjusted for acquisitions and divestments of businesses, the corresponding figure is 25.8 percent.

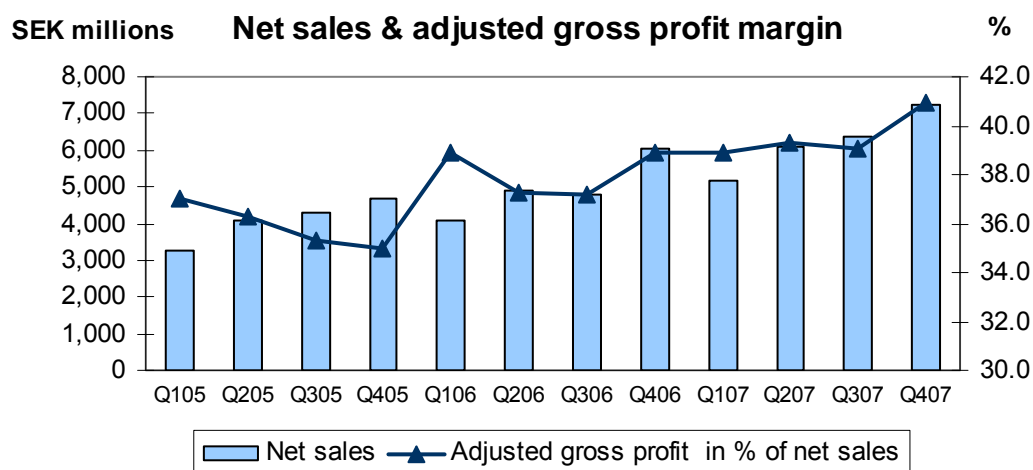
Sales and administration expenses amounted to SEK 3,910 (3,555) million. Adjusted for exchange rate variations and acquisitions and divestments of businesses, sales and administration expenses were 10.8 percent higher than last year.

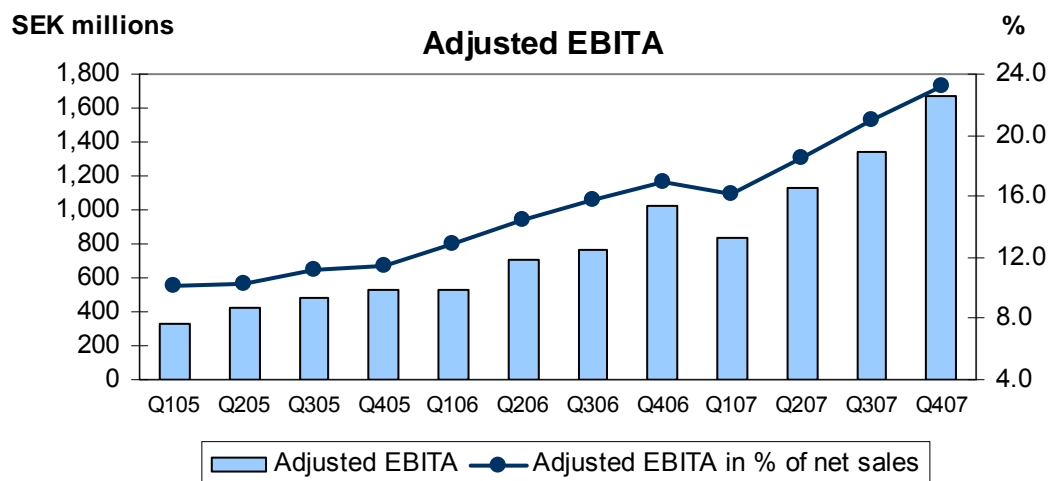
The costs for research and development have amounted to SEK 643 (526) million, corresponding to 2.6 (2.7) percent of net sales. Adjusted for exchange rate variations and acquisitions and divestments, the costs for research and development have increased by 21.5 percent compared to last year.

Income statement analysis	Oct 1 - Dec 31 2007	Oct 1 - Dec 31 2006	Jan 1 - Dec 31 2007	Jan 1 - Dec 31 2006
SEK millions				
Net sales	7,220	6,040	24,849	19,802
Adjusted gross profit *	2,954	2,349	9,852	7,542
<i>- in % of net sales</i>	40.9	38.9	39.6	38.1
Expenses **	-1,205	-1,254	-4,607	-4,269
<i>- in % of net sales</i>	16.7	20.8	18.5	21.6
Adjusted EBITDA	1,749	1,095	5,245	3,273
<i>- in % of net sales</i>	24.2	18.1	21.1	16.5
Depreciation	-74	-77	-265	-263
Adjusted EBITA	1,675	1,018	4,980	3,010
<i>- in % of net sales</i>	23.2	16.9	20.0	15.2
Amortisation of step up values	-88	-86	-343	-338
Comparison distortion items	37	-125	54	-120
EBIT	1,624	807	4,691	2,552

* Excluding amortisation of step up values. ** Excluding comparison distortion items.

The adjusted result after tax and the minority's share of the result, excluding amortisation of step-up values and the corresponding tax, is SEK 30.55 (17.23) per share.





Comparison distortion items	Oct 1 - Dec 31 2007	Oct 1 - Dec 31 2006	Jan 1 - Dec 31 2007	Jan 1 - Dec 31 2006
Amounts in SEK millions				
Operational				
Other operating income	128	60	308	275
Comparison distortion income	37	1	54	6
Total other operating income	165	61	362	281
Other operating costs	-186	-344	-627	-726
Comparison distortion costs	-	-126	-	-126
Total other operating costs	-186	-470	-627	-852

The operating income has been affected by comparison distortion items of SEK 54 (-120) million. In the income statement these are reported gross as a part of other operating income and other operating costs. The income in 2007 refers to realised gains mainly on sale of the property in Tuusula in Finland and the properties in Brussels in Belgium and in Argentina but also to minor sales of land and buildings in India and in France. These properties have been sold for SEK 72 million with realised gains of SEK 54 million. In December 2006 the biopharm engineering activity was sold for SEK 4 million with a realised loss of SEK -126 million. Out of this SEK 85 million was related to write off of goodwill. Also in 2006 a piece of land and some minor properties in India, France, Denmark and Germany were sold for SEK 13 million with realised gains of SEK 6 million.

Consolidated financial result and taxes

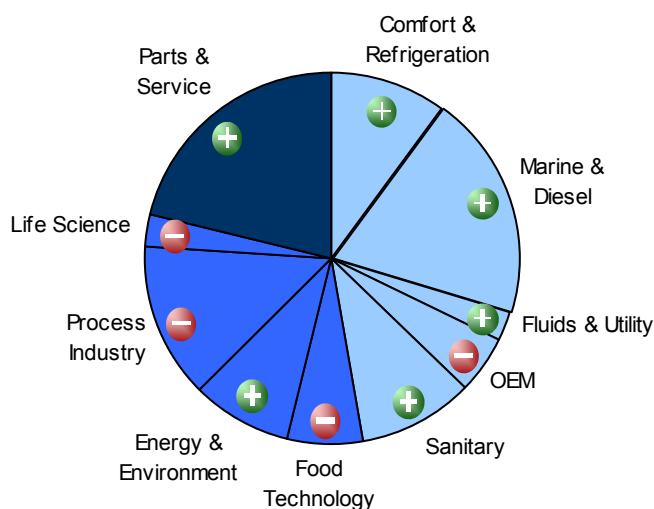
The financial net has amounted to SEK -179 (-180) million, excluding realised and unrealised exchange rate losses and gains. The main elements of costs were interest on debt to the banking syndicate of SEK -65 (-78) million, interest on the private placement and the bridge loan of SEK -40 (-33) million and a net of dividends and other interest income and interest costs of SEK -74 (-69) million.

The net of realised and unrealised exchange rate differences amounts to SEK 45 (3) million.

The increase in income taxes between 2007 and 2006 is primarily due to the increased result before tax.

Divisional reporting

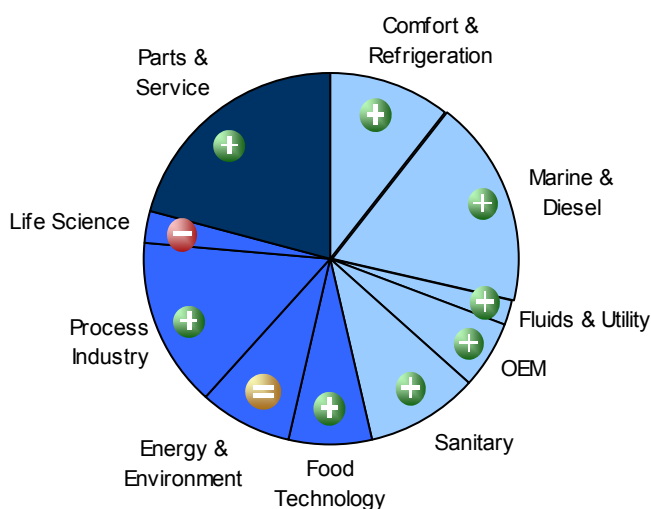
Orders received by segment Q4 2007



⊕ = increase
 ⊖ = decrease
 ⊕ = unchanged (+/- 3%)

compared to corresponding period last year, at constant rates adjusted for acquisitions and divestments

Orders received by segment 2007



■ = Equipment
 ■ = Process Technology
 ■ = Parts & Service

Equipment division

	Oct 1 - Dec 31 2007	Oct 1 - Dec 31 2006	Jan 1 - Dec 31 2007	Jan 1 - Dec 31 2006
SEK millions				
Orders received	3,832	3,438	15,896	12,617
Order backlog *			7,915	5,721
Net sales	3,612	3,174	13,586	10,934
Operating income	827	692	2,805	2,072

* At the end of the period.

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

Orders received increased by 30.1 percent and net sales increased by 27.8 percent during 2007 compared to last year. Adjusted for acquisitions and divestments of businesses, the corresponding figures are 26.7 percent and 20.5 percent.

2007 ended with an all time high order intake for the Equipment division. All segments, except OEM, continued to grow compared with the fourth quarter 2006. The order intake within Marine & Diesel continued to increase in line with the global ship contracting volumes and a continued good development for land based diesel installations. The food and beverage business, covered by the Sanitary segment, showed a continued positive investment environment and consequently a good order

development. The Comfort & Refrigeration segment developed in line with expectations. Industrial and commercial cooling and refrigeration showed continued growth driven by market investments and Alfa Laval's new products. Parts & Service continued to develop positively.

Operating income (excluding comparison distortion items)

The increase in operating income during 2007 compared to last year is mainly explained by a higher gross profit due to the volume increase, marginally offset by increased R&D and sales and administration costs and adverse foreign exchange effects.

Process Technology division

SEK millions	Oct 1 - Dec 31 2007	Oct 1 - Dec 31 2,006	Jan 1 - Dec 31 2007	Jan 1 - Dec 31 2006
Orders received	2,736	3,233	11,594	11,391
Order backlog *			6,766	6,630
Net sales	3,599	2,862	11,242	8,829
Operating income	834	377	2,265	1,060

* At the end of the period.

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

Orders received increased by 4.9 percent and net sales increased by 31.2 percent during 2007 compared to last year. Adjusted for acquisitions and divestments of businesses, the corresponding figures are 6.1 percent and 32.4 percent.

Despite a weak start the Process Technology Division has had an order intake during the quarter in line with the rest of the year, that is a stable high level. The base business has been strong in all segments, particularly in Parts & Service. Energy & Environment showed a recovery with some larger projects within Oil & Gas, Power and Environment. Within the Process Industry segment the inorganic business continued to be strong, where technology substitution within heat transfer is increasing in importance. Brewery has shown growth during 2007 and that development was confirmed during the fourth quarter. The market for bio fuels showed large geographical fluctuations.

Operating income (excluding comparison distortion items)

The increase in operating income during 2007 compared to last year is foremost explained by a higher gross profit due to the improved product mix and the volume increase, marginally offset by increased R&D and sales and administration costs and adverse foreign exchange effects.

Operations division and Other

SEK millions	Oct 1 - Dec 31 2007	Oct 1 - Dec 31 2,006	Jan 1 - Dec 31 2007	Jan 1 - Dec 31 2006
Orders received	8	1	63	10
Order backlog *			49	8
Net sales	9	4	21	39
Operating income	-74	-137	-433	-460

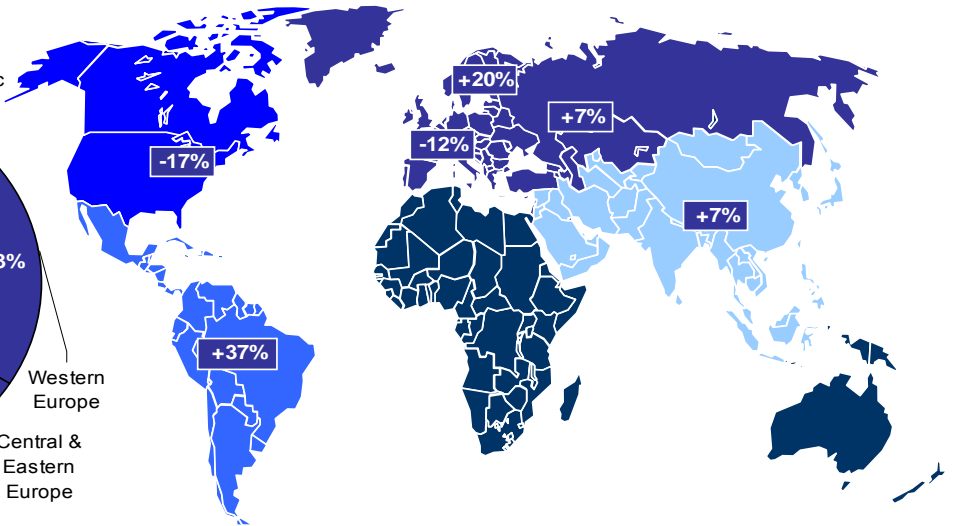
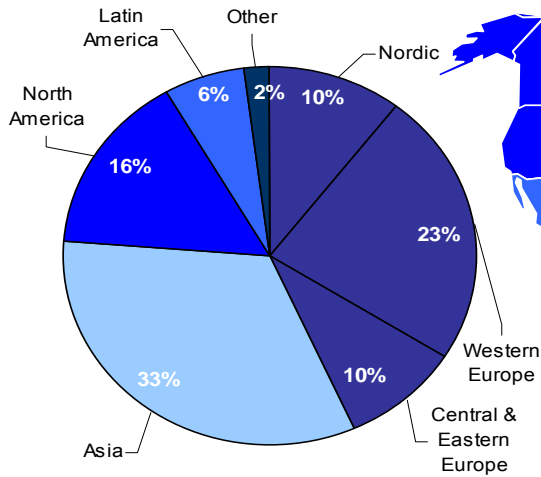
* At the end of the period.

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

Reporting by geographical markets

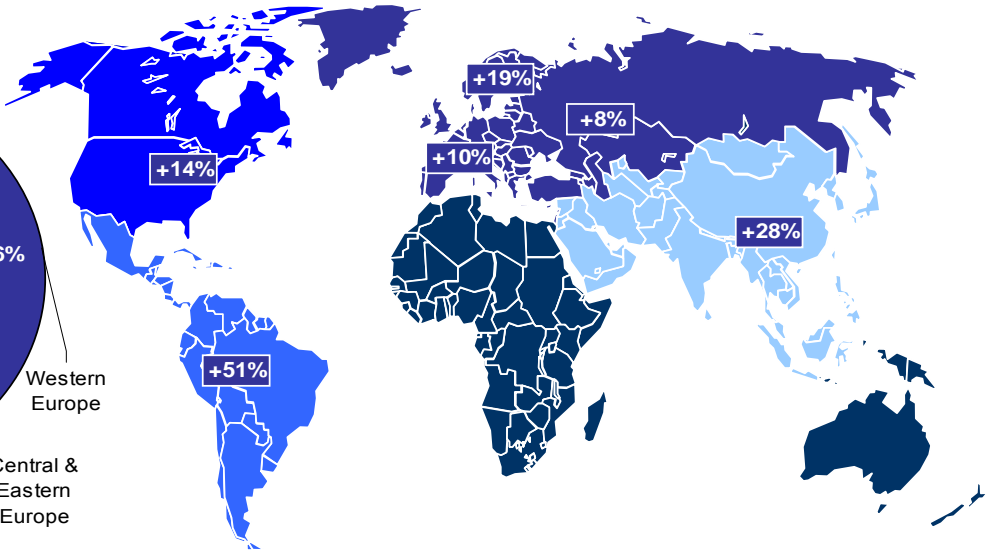
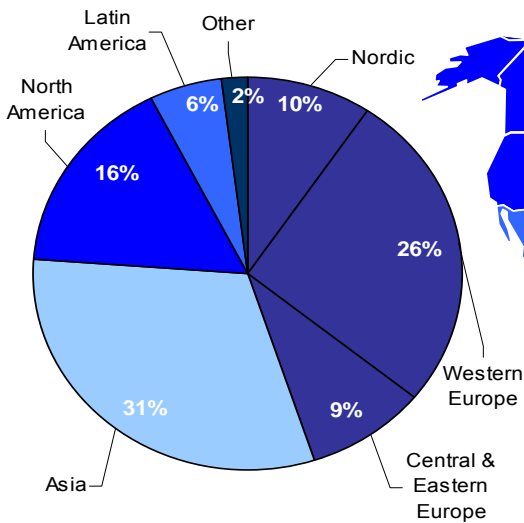
The Group's secondary segments are geographical markets. All comments are after adjustment for exchange rate fluctuations.

Orders received quarter



= Compared to Q4 2006 after adjustment for exchange rate fluctuations

Orders received YTD



= Compared to YTD 2006 after adjustment for exchange rate fluctuations

Western Europe including Nordic

The order intake was somewhat lower than the fourth quarter 2006. The shortfall was concentrated to the Process Technology division. The order intake in the Equipment division was in line with last year, despite a downturn in the heat pump market. The best countries were the Nordic and the Iberian regions.

Central and Eastern Europe

There has been a stable growth for both divisions. The best development was experienced in Comfort & Refrigeration, Energy & Environment, Process Industry and Parts & Service. Turkey and Russia had the highest growth. Turkey had a broad based growth while Russia had the highest growth in Process Industry, energy and district heating.

North America

Total order intake was clearly below last year and the shortfall was concentrated to capital sales due to lower order intake for the bio ethanol application. The order intake within the Equipment division and Parts & Service was clearly above the fourth quarter 2006.

Latin America

The development has been very strong within both divisions. All segments showed good growth with the best development in Comfort & Refrigeration and Energy & Environment. The strongest development was experienced in Mexico, Chile and Colombia.

Asia

The best performing market segments were Food, Energy & Environment and Marine & Diesel. The energy strategy that Alfa Laval has established continued to deliver good results during the quarter. Parts & Service continued to show a good development. Best growth was reported for India, South East Asia and China.

CONSOLIDATED CASH-FLOW STATEMENTS	Jan 1 - Dec 31 2007	Jan 1 - Dec 31 2006
<i>Amounts in SEK millions</i>		
Cash flow from operating activities		
Operating income	4,691	2,552
Adjustment for depreciation	608	601
Adjustment for other non-cash items	-73	207
	<u>5,226</u>	<u>3,360</u>
Taxes paid	-1,130	-549
	<u>4,096</u>	<u>2,811</u>
Changes in working capital:		
(Increase)/decrease of current receivables	-1,163	-1,308
(Increase)/decrease of inventories	-1,110	-725
Increase/(decrease) of liabilities	896	1,418
Increase/(decrease) of provisions	545	423
(Increase)/decrease in working capital	-832	-192
	<u>3,264</u>	<u>2,619</u>
Cash flow from investing activities		
Investments in fixed assets (Capex)	-556	-373
Divestment of fixed assets	79	19
Acquisition of businesses	-1,199	-1,227
Divestment of businesses	-	4
	<u>-1,676</u>	<u>-1,577</u>
Cash flow from financing activities		
Financial net, paid	-244	-115
Repurchase of shares	-1,497	-
Dividends to owners of parent company	-698	-570
Dividends to minority owners in subsidiary	-27	-29
(Increase)/decrease of other financial assets	-13	80
Capitalised financing costs, acquisition loans	-	-4
Increase/(decrease) of liabilities to credit institutions	1,188	-298
	<u>-1,291</u>	<u>-936</u>
Net increase (decrease) in cash and bank	297	106
Cash and bank at the beginning of the year	546	479
Translation difference in cash and bank	13	-39
Cash and bank at the end of the period	856	546
Free cash flow per share (SEK) *	14.42	9.32
Capex in relation to sales	2.2%	1.9%
Average number of shares	110,152,876	111,671,993

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

Cash flow from operating and investing activities amounted to SEK 1,588 (1,042) million during 2007. As a result of increased volumes and profit the cash flow has been burdened by increased tax payments and build up of working capital. Depreciation, excluding allocated step-up values, was SEK 265 (263) million during the year, whereas the investments were SEK 556 (373) million.

CONSOLIDATED BALANCE SHEET

Amounts in SEK millions	Dec 31 2007	Dec 31 2006
ASSETS		
Non-current assets		
Intangible assets	5,734	4,897
Property, plant and equipment	2,824	2,515
Other non-current assets	1,133	784
	<u>9,691</u>	<u>8,196</u>
Current assets		
Inventories	5,086	3,792
Assets held for sale	0	1
Accounts receivable	5,049	3,973
Other receivables	2,082	1,743
Derivative assets	297	270
Other current deposits	190	229
Cash and bank *	856	546
	<u>13,560</u>	<u>10,554</u>
TOTAL ASSETS	23,251	18,750
SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity		
Shareholders' equity	7,846	6,713
Minority interest	91	118
	<u>7,937</u>	<u>6,831</u>
Non-current liabilities		
Liabilities to credit institutions	2,378	1,251
Private placement	703	755
Provisions for pensions and similar commitments	877	941
Provision for deferred tax	1,090	949
Other provisions	409	318
	<u>5,457</u>	<u>4,214</u>
Current liabilities		
Liabilities to credit institutions	339	220
Accounts payable	2,522	2,144
Advances from customers	1,895	1,751
Other provisions	1,401	963
Other liabilities	3,478	2,488
Derivative liabilities	222	139
	<u>9,857</u>	<u>7,705</u>
Total liabilities	15,314	11,919
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	23,251	18,750

* The item cash and bank is mainly relating to bank deposits.

Cash, bank and current deposits include bank and other deposits in the publicly listed subsidiary Alfa Laval (India) Ltd of SEK 69 (85) million. The company is not a wholly owned subsidiary of the Alfa Laval Group. It is owned to 76.7 (64.1) percent.

Borrowings and net debt

Consolidated SEK in millions	Dec 31 2007	Dec 31 2006
Credit institutions	2,717	1,471
Private placement	703	755
Capitalised financial leases	34	25
Interest-bearing pension liabilities	2	2
Total debt	3,456	2,253
Cash, bank and current deposits	-1,046	-775
Net debt	2,410	1,478

Alfa Laval has a senior credit facility with a banking syndicate of EUR 268 million and USD 348 million, corresponding to SEK 4,742 million. At December 31, 2007, SEK 2,098 million of the facility were utilised. The facility matures in April 2011 with another year's option until April 2012.

The private placement of USD 110 million matures in 2016.

CHANGES IN CONSOLIDATED EQUITY

Amounts in SEK millions	Jan 1 - Dec 31 2007	Jan 1 - Dec 31 2006
At the beginning of the period	6,831	5,811
Changes attributable to:		
Equity holders of the parent		
Repurchase of shares	-1,497	-
Increase of ownership in Alfa Laval (India) Ltd	56	-
Cash flow hedges	-26	228
Translation difference	155	-246
Deferred tax	6	-65
Net income for the period	3,137	1,687
Dividends	-698	-570
Subtotal	1,133	1,034
Minority		
Decrease of minority in Alfa Laval (India) Ltd	-56	-
Translation difference	13	-23
Net income for the period	43	38
Dividends	-27	-29
Subtotal	-27	-14
At the end of the period	7,937	6,831

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

Ownership and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 16,090 (12,178) shareholders on December 31, 2007. 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 7.0 to 1.6 percent. These ten largest owners own 48.2 (51.2) percent of the shares.

Repurchase of shares

The Annual General Meeting 2007 gave the Board a mandate to decide on repurchase of the company's shares – if the Board deems this appropriate – until the next Annual General Meeting. The mandate referred to repurchase of up to 10 percent of the issued shares with the purpose to cancel the repurchased shares and reduce the share capital. The repurchase would be made through transactions on OMX Stockholm Stock Exchange. Until December 31, 2007 Alfa Laval has made the following repurchases:

Specification of repurchase of shares	April 1 - June 30	July 1 - Sept 30	Oct 1 - Dec 31	Total 2007
Number of repurchased shares	1,011,969	2,246,920	343,650	3,602,539
Percentage of outstanding shares	0.9%	2.0%	0.3%	3.2%
Decrease of equity capital in parent company and consolidated Group (SEK millions)	426	939	132	1,497

Material factors of risk and uncertainty

The main factors of risk and uncertainty facing the Group concern the price development and availability of strategic metals, fluctuations in major currencies and when the business cycle driven downturn in the demand for the company's products comes and how deep the downturn will be. It is the company's opinion that the description of risks made in the Annual Report for 2006 is still correct. For additional information reference is made to the coming Annual report for 2007.

Asbestos-related lawsuits

The Alfa Laval Group was as of December 31, 2007, named as a co-defendant in a total of 253 asbestos-related lawsuits with a total of approximately 302 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.

Purchase of businesses

On December 3, 2007 Alfa Laval finalized the acquisition of the Finnish company Fincoil. The acquisition of Fincoil is in line with Alfa Laval's strategy to expand the presence in the European air heat exchanger market. Fincoil has a turnover of approximately SEK 375 million and 150 employees. The company has a well-established position in the Nordic countries, the Baltic countries and Russia. Approximately 80 percent of the sales are exported. Fincoil has one manufacturing site outside Helsinki in Finland. The intention is to fully integrate Fincoil into Alfa Laval's operations.

On July 2, 2007 Alfa Laval acquired the American company AGC Engineering, Inc. The company provides sanitary plate heat exchanger service and equipment to the dairy and food processing industries. AGC has a turnover of approximately SEK 70 million and 65 employees. The acquisition adds a complementary channel for sanitary plate heat exchangers to the dairy and food processing industries mainly in the USA. This applies to new units as well as parts and service. AGC will not be integrated into Alfa Laval. The two organizations will go to market independently of each other according to a multi-brand strategy.

Through a public offer that closed on May 26, 2007 Alfa Laval increased the ownership in the Indian subsidiary Alfa Laval (India) Ltd with 12.6 percent to 76.7 percent. The total cost for the acquisition was SEK 497 million.

On April 4, 2007 Alfa Laval acquired the Dutch company Helpman. Helpman is a leading company in the European market for air heat exchangers used in the sensitive logistical chain for food, i.e. refrigeration and temperature control to secure the final quality of the products. Helpman had a turnover in 2006 of about SEK 200 million and has approximately 130 employees within R&D, sales and at two manufacturing units, in Groningen, the Netherlands and in Sofia, Bulgaria. The intention is to fully integrate Helpman into Alfa Laval's operations.

On March 16, 2007 Alfa Laval acquired the American company DSO Fluid Handling. The acquisition strengthens Alfa Laval's position within sanitary processing industries in the US. DSO is a supplier of predominantly parts for pumps and valves and adds a complementary channel for replacement parts. In line with Alfa Laval's multi-brand strategy, DSO will continue to sell its products under its own brand. DSO had a turnover in 2006 of about SEK 50 million and has approximately 20 employees. DSO is based in Irvington (Newark), New Jersey USA.

Accounting principles

The fourth quarter and full year 2007 report is prepared in accordance with RR 31 Consolidated Interim Reports, which requires IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act to be applied. The accounting principles are according to IFRS (International Financial Reporting Standards). The changes in Swedish legislation that are an effect of the European Union's Transparency Directive and that are effective from July 1, 2007 have been implemented.

Parent company

The parent company's result after financial items was SEK 1,237 (1,993) million, out of which net interests were SEK 40 (7) million, realised and unrealised exchange rate gains and losses SEK 1 (-2) million, dividends from subsidiaries SEK 1,208 (2,000) million, costs related to the listing SEK -2 (-1) million, fees to the Board SEK -4 (-4) million, cost for annual report and annual general meeting SEK -3 (-3) million and other administration costs the remaining SEK -3 (-4) million.

PARENT COMPANY INCOME STATEMENT

Amounts in SEK millions	Oct 1 - Dec 31 2007	Oct 1 - Dec 31 2006	Jan 1 - Dec 31 2007	Jan 1 - Dec 31 2006
Administration costs	-3	-4	-10	-11
Other operating costs	-1	0	-2	-1
Operating income/loss	-4	-4	-12	-12
Dividends	-	-	1,208	2,000
Interest income and similar result items	10	7	44	15
Interest costs and similar result items	-1	-1	-3	-10
Result after financial items	5	2	1,237	1,993
Appropriation to tax allocation reserve	-378	-229	-378	-254
Income tax	-311	-169	-318	-214
Tax on received Group contribution	413	286	413	286
Net result for the year	-271	-110	954	1,811

PARENT COMPANY BALANCE SHEET

Amounts in SEK millions	Dec 31 2007	Dec 31 2006
ASSETS		
Non-current assets		
Shares in group companies	4,669	4,669
Current assets		
Receivables on group companies	2,385	2,081
Other receivables	1	2
Cash and bank	-	-
	2,386	2,083
TOTAL ASSETS	7,055	6,752
SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity		
Restricted equity capital	2,387	2,387
Unrestricted equity capital	3,628	3,806
	6,015	6,193
Untaxed reserves		
Tax allocation reserve, taxation 2005	81	81
Tax allocation reserve, taxation 2006	25	25
Tax allocation reserve, taxation 2007	254	254
Tax allocation reserve, taxation 2008	378	-
	738	360
Current liabilities		
Liabilities to group companies	47	33
Accounts payable	1	1
Tax liabilities	254	165
	302	199
TOTAL EQUITY CAPITAL AND LIABILITIES	7,055	6,752

Proposed disposition of earnings

The parent company has unrestricted funds of SEK 3,628 (3,806) million. The figure for 2007 has been affected by the re-purchase of shares by SEK -1,497 million.

The Board of Directors propose a dividend of SEK 9.00 (6.25) per share corresponding to SEK 973 (698) million and that the remaining income available for distribution in Alfa Laval AB (publ) of SEK 2,655 (3,109) million be carried forward.

The Board of Directors are of the opinion that the proposed dividend is in line with the requirements that the type and size of operations and the risks associated with it put on the equity capital and also the capital needs, liquidity and financial position of the company.

Proposal to cancel repurchased shares

The Annual General Meeting 2007 decided to give the Board a mandate to repurchase up to 10 percent of the issued shares with the purpose to cancel the repurchased shares and reduce the share capital. The Board will now propose to the Annual General Meeting to cancel the repurchased shares.

Proposal on repurchase of additional shares

Alfa Laval's financial position is still very strong. In order to adjust the Group's balance sheet to a more efficient structure while maintaining financial flexibility, the Board of Directors will propose the Annual General Meeting to again mandate the Board to decide on repurchases of the company's shares – if the Board deems this appropriate – until the next Annual General Meeting. The mandate will refer to repurchase of up to 5 percent of the issued shares with the purpose to cancel the repurchased shares and reduce the share capital. The repurchase will be made through transactions on OMX Stockholm Stock Exchange.

Proposal to make a share split 4:1

The Alfa Laval share has shown a strong development during the last two years. In order to facilitate trading by shareholders with small holdings, the Board of Directors will propose the Annual General Meeting to make a share split 4:1 meaning that each old share will be split into 4 new shares. If the proposal is accepted the split is expected to be completed during the month of June 2008

Date for the next financial reports during 2008

Alfa Laval will publish interim reports during 2008 at the following dates:

Interim report for the first quarter	April 22
Interim report for the second quarter	July 16
Interim report for the third quarter	October 22

Events after the balance sheet date

The balance sheets and the income statements will be adopted at the Annual General Meeting of shareholders on April 22, 2008.

Annual General Meeting

The Annual General Meeting of Alfa Laval AB will be held at Olympen, Sparta, Tunavägen 39 in Lund on Tuesday April 22, 2008, at 16.00.

Annual Report 2007

The Annual Report for 2007 is estimated to be published and distributed to shareholders that have asked for a copy during week 13. The Annual Report will also be available on www.alfalaval.com.