Interim Report Q3 2007

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

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

### July – September 2007
- Orders received up 30% to SEK 7,150 million.
- Net sales up 36% to SEK 6,385 million.
- Adjusted EBITA up 76% SEK 1,340 million.
  - *Negative currency effect SEK 55 million.*

### January – September 2007
- Orders received up 26% to SEK 20,977 million.
- Net sales up 33% to SEK 17,629 million.
- Adjusted EBITA up 66% to SEK 3,305 million.
  - *Negative currency effect SEK 210 million.*
Orders received

SEK million

SEK million R 12

Q304  Q404  Q105  Q205  Q305  Q405  Q106  Q206  Q306  Q406  Q107  Q207  Q307

0  1 000  2 000  3 000  4 000  5 000  6 000  7 000  8 000

+15%  +  5%  +  5%  +  9%  +25%  +23%  +28%  +35%  +17%  +40%  +36%  +13%

+xx%  =  % development at constant rates by quarter year on year

= rolling twelve months value

= order intake per quarter
## Order analysis

<table>
<thead>
<tr>
<th></th>
<th>Jul - Sep 07</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2006 (SEK million)</strong></td>
<td>5,648</td>
</tr>
<tr>
<td>Structural change, %</td>
<td>+ 1</td>
</tr>
<tr>
<td>Currency effects, %</td>
<td>- 3</td>
</tr>
<tr>
<td>Organic development, %</td>
<td>+ 29</td>
</tr>
<tr>
<td>Total, %</td>
<td>+ 27</td>
</tr>
<tr>
<td><strong>2007 (SEK million)</strong></td>
<td>7,150</td>
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</tbody>
</table>
Adjusted EBITA / margin *

Adjusted EBITA – "Earnings before interests, taxes, amortization of goodwill and step up values and comparison distortion items."
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Financial Targets

- Growth: > 5%
- EBITA-margin: 15%
- ROCE: > 25%
### Highlights during the quarter

#### Acquisitions

- **American AGC Engineering**, turnover SEK 70 million.

  Provides plate heat exchanger service and equipment to the dairy and food processing industries. Strengthens the position in the sanitary market in the USA. 65 employees.
Highlights during the quarter

Legislation drives development of clean technologies

- **Breakthrough order for ballast water treatment system.**

  *The market for ballast water treatment is expected to be a SEK billion market. Alfa Laval aims to take the leading position through a joint venture with Wallenius Water.*
Highlights during the quarter

Large orders, total SEK 360 million (125)

- Equipment for production of nutritional supplements with Omega-3.

  *Two orders for SEK 70 and 65 million. Delivery during 2008.*
Highlights during the quarter

Large orders

- Equipment for production of Omega-3.
- Clean technology to Indian paper mill.

*Total value SEK 60 million. Delivery during 2008.*
Highlights during the quarter

Large orders

- Equipment for production of Omega-3.
- Clean technology to Indian paper mill.
## Highlights during the quarter

### Large orders

- Equipment for production of Omega-3.
- Clean technology to Indian paper mill.
- Petrochemical order in Latin America.
- Order for growing brewery industry in Ukraine.

*Process solutions for two breweries in Ukraine.*

*Total value SEK 50 million. Delivery during 2008.*
## Highlights during the quarter

### Large orders

- Equipment for production of Omega-3.
- Clean technology to Indian paper mill.
- Petrochemical order in Latin America.
- Order for growing brewery industry in Ukraine.
- Order for evaporation system in USA.

*Total value SEK 65 million, including a ten year maintenance agreement.*

*Delivery during 2008.*
Capital Markets Day

13 November at
Hilton Copenhagen Airport Hotel

- Structural changes in Alfa Laval’s end markets – with focus on clean technologies and energy related industries.
- 10.30 – 16.30.
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President and CEO
Alfa Laval Group
Orders received by Segment
July – September 2007, at constant rates

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

+ Increase
- Decrease
Orders received by Segment

The Process Technology Division, July – September 2007,
at constant rates and for comparable units

- Strong growth in Food. High investment level for brewery and fish proteins as Omega-3.
- Continued high investment level in traditional energy sources.
- New energy sources show a more cautious pattern.
Orders received by Segment

The Equipment Division, July – September 2007, at constant rates and for comparable units

- Marine & Diesel showed record order intake.
- The Refrigeration market continued to develop favourably.
- Lower demand for heat pumps.
- Stronger cooling market, particularly in the Middle East.
Contracting of ships

No of ships of 2,000 DWT, GT or above. 7 months moving average.

Source: LR Fairplay mid-2007, Bastiansen/Clarkson mid-2007
Orders received by Segment
January – September 2007, at constant rates

- Comfort & Refrigeration
- Marine & Diesel
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Orders received by Region

July – September 2007, at constant rates

- Asia 34%
- Western Europe 27%
- North America 14%
- Latin America 6%
- Other 2%
- Central & Eastern Europe 9%
- Nordic 8%
- Latin America 6%
- Other 2%

Growth rates:
- Asia +53%
- Western Europe +48%
- North America +12%
- Latin America +12%
- Other +30%
- Central & Eastern Europe +4%
- Nordic +12%

North America
- Continued strong growth in base sales.
- Investments in bio ethanol declining.

Latin America
- High investments in energy related industries.
- Energy & Environment and Process Industry were the strongest segments.

Highlights Americas
July – September 2007, at constant rates
Highlights Europe

July – September 2007, at constant rates

Western Europe incl. Nordic
- Strongest development in Food, Process Industry and Parts & Service.
- Best growth in Benelux and Adriatic.

Central and Eastern Europe
- Food, Energy & Environment and Parts & Service were the strongest segments.
- Ukraine and Poland showed best growth.
A very strong quarter for the marine industry in China and for Parts & Service in the region.

The growth was well spread across the region, particularly strong in China, Middle-East and India.
Orders received by Region

January – June 2007, at constant rates

- Asia: 31%
- North America: 17%
- Western Europe: 27%
- Centr. & East: 9%
- Nordic: 9%
- L. America: 5%
- Other: 2%

Orders increased by:
- +57
total
- +36
- +27
- +19
- +18
- +9
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Mr. Thomas Thuresson
CFO
Alfa Laval Group
## Highlights

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<td>1,340</td>
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<td>Adjusted EBITA-margin</td>
<td>21.0%</td>
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</tbody>
</table>
Gross profit margin

In percent of sales

Q304: 35.1
Q404: 35.3
Q105: 35.3
Q205: 37.2
Q305: 37.2
Q405: 39.1
Q106: 39.1
Q206: 39.1
Q306: 39.1
Q406: 39.1
Q107: 39.1
Q207: 39.1
Q307: 39.1
## Highlights

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<td>Profit before tax</td>
<td>1,252</td>
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</table>
# Earnings per share

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<thead>
<tr>
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<th>Jul - Sep 2007</th>
<th>Jul - Sep 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings</td>
<td>8.33</td>
<td>3.91</td>
</tr>
<tr>
<td>Earnings, excluding step-up</td>
<td>8.89</td>
<td>4.45</td>
</tr>
</tbody>
</table>
## Repurchase of shares

<table>
<thead>
<tr>
<th>Mandate to repurchase 10 percent of the issued shares</th>
<th>Q3 07</th>
<th>YTD 07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of repurchased shares</td>
<td>2,246,920</td>
<td>3,258,889</td>
</tr>
<tr>
<td>Percentage of outstanding shares</td>
<td>2.0</td>
<td>2.9</td>
</tr>
<tr>
<td>Decrease of equity capital*</td>
<td>939</td>
<td>1,365</td>
</tr>
</tbody>
</table>

*In parent company and in the Group (SEK millions)*
## Highlights

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<td>1,252</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>976</td>
</tr>
<tr>
<td>ROCE</td>
<td>47.1%</td>
</tr>
<tr>
<td>ROE</td>
<td>37.9%</td>
</tr>
</tbody>
</table>
Working capital

SEK million and in percent of sales

Q303 Q304 Q104 Q204 Q304 Q404 Q105 Q205 Q305 Q405 Q106 Q206 Q306 Q406 Q107 Q207 Q307
## Cash-flow statement

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Jan – Sep 2007</th>
<th>Jan – Sep 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- operating activities</td>
<td>2,014</td>
<td>1,624</td>
</tr>
<tr>
<td>- investing activities</td>
<td>- 947</td>
<td>-1,411</td>
</tr>
<tr>
<td>Financial net paid</td>
<td>- 166</td>
<td>- 52</td>
</tr>
<tr>
<td>Dividends</td>
<td>- 716</td>
<td>- 587</td>
</tr>
<tr>
<td>Total</td>
<td>185</td>
<td>- 426</td>
</tr>
<tr>
<td>Pro Forma Free-cash-flow*</td>
<td>1,607</td>
<td>1,380</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>Q3 07</th>
<th>YTD 07</th>
<th>WY 07*</th>
<th>WY 08*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation effect</td>
<td>- 17</td>
<td>- 110</td>
<td>- 140</td>
<td>0</td>
</tr>
<tr>
<td>Transaction effect</td>
<td>- 38</td>
<td>- 100</td>
<td>- 150</td>
<td>- 135</td>
</tr>
<tr>
<td>Total</td>
<td>- 55</td>
<td>- 210</td>
<td>- 290</td>
<td>- 135</td>
</tr>
</tbody>
</table>

*Based on EUR/USD 1.40 and EUR/SEK 9.20 for open exposures*
Order backlog as per September 30

For delivery during rest of current year

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (SEK millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>3,553</td>
</tr>
<tr>
<td>2005</td>
<td>7,111</td>
</tr>
<tr>
<td>2006</td>
<td>5,174</td>
</tr>
<tr>
<td>2006</td>
<td>11,839</td>
</tr>
<tr>
<td>2007</td>
<td>6,256</td>
</tr>
<tr>
<td>2007</td>
<td>9,058</td>
</tr>
<tr>
<td>2007</td>
<td>15,314</td>
</tr>
</tbody>
</table>

For delivery in the later years
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President and CEO
Alfa Laval Group
Outlook for the near future

“In many of the markets, geographical as well as customer segments, that Alfa Laval serves a continued very strong demand is expected.”