Interim Report Q4 2007

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

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

October – December 2007

- Orders received up 0% to SEK 6,576 million.
- Net sales up 21% to SEK 7,220 million.
- Adjusted EBITA up 65% SEK 1,675 million.
  - Negative currency effect SEK 44 million.

January – December 2007

- Orders received up 18% to SEK 27,553 million.
- Net sales up 29% to SEK 24,849 million.
- Adjusted EBITA up 65% to SEK 4,980 million.
  - Negative currency effect SEK 254 million.
Proposed dividend, repurchase and split

Proposed dividend for 2007
- The Board of Directors proposes a dividend of 9:00 SEK (6:25).

Proposed mandate for repurchase of shares
- The Board of Directors proposes a new mandate for repurchase of up to 5 percent of the issued shares with the intention to cancel repurchased shares.

Proposed share split 4:1
- The Board of Directors proposes a share split 4:1 – each old share will be split into 4 new shares. If the proposal is accepted the split is expected to be completed during June 2008.
Orders received

- **SEK million R 12**
- **SEK million**

**Orders received**

- **= rolling twelve months value**
- **= order intake per quarter**
- **+xx% = % development at constant rates by quarter year on year**
# Order analysis

<table>
<thead>
<tr>
<th></th>
<th>Oct - Dec 07</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2006 (SEK million)</strong></td>
<td>6,672</td>
</tr>
<tr>
<td>Structural change, %</td>
<td>+ 1</td>
</tr>
<tr>
<td>Currency effects, %</td>
<td>- 2</td>
</tr>
<tr>
<td>Organic development, %</td>
<td>0</td>
</tr>
<tr>
<td>Total, %</td>
<td>- 1</td>
</tr>
<tr>
<td><strong>2007 (SEK million)</strong></td>
<td>6,576</td>
</tr>
</tbody>
</table>
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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Alfa Laval Group
Highlights during the quarter

Acquisitions during 2007 – add 4% annual sales

- Finnish company Fincoil, turnover SEK 375 million.
  
  Manufactures and markets air heat exchangers predominantly for industrial cooling and refrigeration.

  The company has 150 employees.
Highlights during the quarter

Large orders, total SEK 160 million (680)

- Clean technology to Canada.

Highlights during the quarter

Large orders

- **Clean technology to Canada.**
- **Energy recovery in natural gas production in South East Asia.**

*Total value SEK 110 million. Delivery during 2008 and 2009.*
Legislation drives development of clean technologies

- Orders for seven ballast water treatment systems.

  Combined the orders are worth about SEK 25 million.

  Deliveries during 2008 and 2009.
## Large orders 2007

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Country</th>
<th>Application</th>
<th>Industry</th>
<th>Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>Canada</td>
<td>Water treatment</td>
<td>Environment</td>
<td>2008</td>
</tr>
<tr>
<td>180</td>
<td>China</td>
<td>Evaporation</td>
<td>Pulp and paper</td>
<td>2007</td>
</tr>
<tr>
<td>55</td>
<td>China</td>
<td>Processing</td>
<td>Food</td>
<td>2007</td>
</tr>
<tr>
<td>50</td>
<td>Vietnam</td>
<td>(Various)</td>
<td>Marine</td>
<td>2007-2008</td>
</tr>
<tr>
<td>100</td>
<td>USA/Taiwan</td>
<td>Central cooling</td>
<td>Oil refining</td>
<td>2008</td>
</tr>
<tr>
<td>50</td>
<td>Belgium</td>
<td>Processing</td>
<td>Bio ethanol</td>
<td>2008</td>
</tr>
<tr>
<td>190</td>
<td>Saudi Arabia</td>
<td>Central cooling</td>
<td>Petrochemical</td>
<td>2009</td>
</tr>
<tr>
<td>135</td>
<td>Europe</td>
<td>Processing</td>
<td>Food</td>
<td>2008</td>
</tr>
<tr>
<td>60</td>
<td>India</td>
<td>Clean technology</td>
<td>Pulp and paper</td>
<td>2008</td>
</tr>
<tr>
<td>50</td>
<td>Latin America</td>
<td>Processing</td>
<td>Petrochemical</td>
<td>2008</td>
</tr>
<tr>
<td>50</td>
<td>Ukraine</td>
<td>Processing</td>
<td>Food/brewery</td>
<td>2008</td>
</tr>
<tr>
<td>65</td>
<td>USA</td>
<td>Evaporation</td>
<td>Process Industry</td>
<td>2008</td>
</tr>
<tr>
<td>50</td>
<td>Canada</td>
<td>Water treatment</td>
<td>Environment</td>
<td>2008-2009</td>
</tr>
<tr>
<td>110</td>
<td>S. East Asia</td>
<td>Energy recovery</td>
<td>Energy</td>
<td>2008-2009</td>
</tr>
</tbody>
</table>

Total: **1,195** (1,405 in 2006)
Interim Report Q4 2007

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Orders received by Segment
October – December 2007, at constant rates

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

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Orders received by Segment
The Process Technology Division, October – December 2007,
at constant rates and for comparable units

- Weak start, we ended the quarter well.
- Strong base business in all segments.
Orders received by Segment
The Equipment Division, October – December 2007, at constant rates and for comparable units

- Continued strong markets for the Marine & Diesel segment.
- Weak market for heat pumps (OEM).
- Good demand from food and beverage.
Air heat exchangers

**Building a strong position**

- Two complementary acquisitions during 2007: Helpman (the Netherlands) and Fincoil (Finland).

- Now no 2 on the European market for industrial refrigeration, a market with an estimated potential of SEK 5.5 billion.

- Markets with structural growth - increased living standard and a need for new environmentally friendly refrigerants.
Orders received by Segment
January – December 2007, at constant rates

- Comfort & Refrigeration
- Marine & Diesel
- Fluids & Utility
- OEM
- Sanitary
- Energy & Environment
- Food
- Process Industry
- Life Science
- Parts & Service
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President and CEO
Alfa Laval Group
Orders received by Region

October – December 2007, at constant rates

- Asia 33%
- Western Europe 23%
- North America 16%
- Latin America 6%
- Centr. & East 10%
- Nordic 10%
- Other 2%

Change:
- Asia: +37%
- Western Europe: -17%
- North America: -12%
- Latin America: +20%
- Centr. & East: +7%
- Nordic: +7%
- Other: +7%
Highlights Americas
October – December 2007, at constant rates

North America
- Substantially lower order intake for the bio ethanol application.
- Base business up 5 percent.

Latin America
- Good development in all segments - strongest in Comfort & Refrigeration and Energy & Environment.
- Best growth in Mexico, Colombia and Chile.
Highlights Europe

Western Europe incl. Nordic
- The Equipment Division in line with Q4 2006, despite a downturn in the heat pump market.
- Best development in the Nordic and Iberica regions.

Central and Eastern Europe
- Stable growth in both divisions.
- Russia and Turkey showed the best development.
Highlights Asia

October – December 2007, at constant rates

Asia
- India, China and South East Asia showed the strongest growth.
Orders received by Region

January – December 2007, at constant rates

- Asia 31%
- North America 16%
- Western Europe 26%
- Centr. & East 9%
- Nordic 10%
- L. America 6%
- Other 2%

January – December 2007:
- North America +16%
- Western Europe +28%
- Asia +51%
- Centr. & East +19%
- Nordic +15%
- L. America +10%
- Other +8
Interim Report Q4 2007

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Mr. Thomas Thuresson
CFO
Alfa Laval Group
## Highlights

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<td><strong>SEK million</strong></td>
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<td>6,576</td>
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<td>Net sales</td>
<td>7,220</td>
</tr>
</tbody>
</table>
Gross profit margin

In percent of sales

Q404 | Q105 | Q205 | Q305 | Q405 | Q106 | Q206 | Q306 | Q406 | Q107 | Q207 | Q307 | Q407
---|---|---|---|---|---|---|---|---|---|---|---|---
33.4 | 35.0 | 38.9 | 40.9
# Highlights

<table>
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<td>1,675</td>
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<td>Adjusted EBITA-mARGIN</td>
<td>23.2%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>1,587</td>
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</tbody>
</table>
## Earnings per share

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<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings</td>
<td>9.66</td>
<td>4.34</td>
<td>28.48</td>
<td>15.10</td>
</tr>
<tr>
<td>Earnings, excluding step-up</td>
<td>10.15</td>
<td>4.89</td>
<td>30.55</td>
<td>17.23</td>
</tr>
</tbody>
</table>
## Repurchase of shares

### Mandate to repurchase 10 percent of the issued shares

<table>
<thead>
<tr>
<th></th>
<th>Q4 07</th>
<th>YTD 07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of repurchased shares</td>
<td>343,650</td>
<td>3,602,539</td>
</tr>
<tr>
<td>Percentage of outstanding shares</td>
<td>0.3</td>
<td>3.2</td>
</tr>
<tr>
<td>Decrease of equity capital*</td>
<td>132</td>
<td>1,497</td>
</tr>
</tbody>
</table>

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

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<thead>
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<td>1,675</td>
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</tr>
<tr>
<td>Adjusted EBITA-margin</td>
<td>23.2%</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>1,587</td>
<td></td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>1.250</td>
<td></td>
</tr>
<tr>
<td>ROCE</td>
<td>54.2%</td>
<td></td>
</tr>
<tr>
<td>ROE</td>
<td>44.1%</td>
<td></td>
</tr>
</tbody>
</table>
## Cash-flow statement

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- operating activities</td>
<td>3,264</td>
<td>2,619</td>
</tr>
<tr>
<td>- investing activities</td>
<td>-1,676</td>
<td>-1,577</td>
</tr>
<tr>
<td>Financial net paid</td>
<td>-244</td>
<td>-115</td>
</tr>
<tr>
<td>Dividends</td>
<td>-715</td>
<td>-599</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>629</strong></td>
<td><strong>327</strong></td>
</tr>
</tbody>
</table>

| Pro Forma Free-cash-flow* | 2,464 | 2,132 |

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

#### Impact on adjusted EBITA from Fx. fluctuations

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Q4 07</th>
<th>WY 07</th>
<th>WY 08*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation effect</td>
<td>- 37</td>
<td>- 147</td>
<td>0</td>
</tr>
<tr>
<td>Transaction effect</td>
<td>- 7</td>
<td>- 107</td>
<td>- 140</td>
</tr>
<tr>
<td>Total</td>
<td>- 44</td>
<td>- 254</td>
<td>- 140</td>
</tr>
</tbody>
</table>

*Based on EUR/USD 1.45 and EUR/SEK 9.45 for open exposures*
Order backlog as per December 31

<table>
<thead>
<tr>
<th>Year</th>
<th>For delivery during next year</th>
<th>For delivery later than next year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>6,129</td>
<td>1,368</td>
</tr>
<tr>
<td>2006</td>
<td>10,015</td>
<td>2,344</td>
</tr>
<tr>
<td>2007</td>
<td>11,432</td>
<td>3,298</td>
</tr>
<tr>
<td>2005-2007</td>
<td>3,298</td>
<td>14,730</td>
</tr>
</tbody>
</table>
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Outlook for the near future

“Alfa Laval expects the demand to remain on the current high level.”