

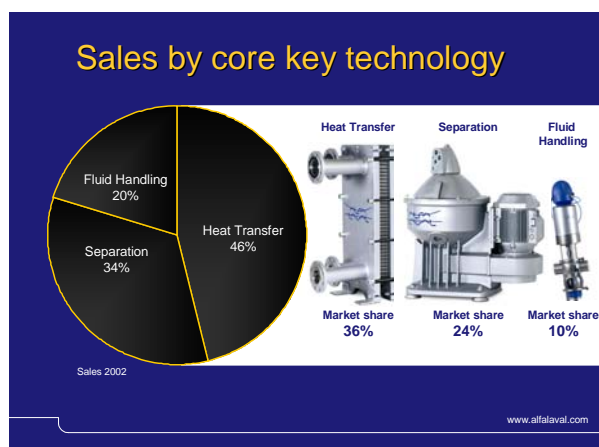
**Mr. Sigge Haraldsson, President and CEO of Alfa Laval AB,
at the Annual General Meeting of shareholders on May 8, 2003**

I wish you all very welcome!

Let me start by giving you some basic facts about Alfa Laval.

We are a global company. Sales amount to 14.6 billion Swedish crowns. At the end of 2002 we had 9125 employees and 20 manufacturing units in Sweden, Denmark, France, Spain, Poland, Russia, USA, Mexico, India, China and Japan. We have 70 service centres all over the world to attend to the service that our customer need of the products that we have installed. We also have own sales companies in 50 countries and other sales representation in another 45 countries.

Alfa Laval in short; a global company, founded in 1883. Consequently, we have existed in 120 years. Our founder was this gentleman, Gustaf de Laval, who invented the separator - Alfa Laval's first product. Today we have three key products. They are highly engineered, tailor-made and crucial to our customers' processes. And they are in the heart of their processes. If our products don't work, our customers' processes don't. We have a global market leading position and we are Number One within our key products. We are diversified when it comes to industries, geographic regions and customer groups – a diversification which creates stability. We have more than 20,000 customers. The largest 10 customers represent less than 10 % of our turnover. We have a large installed base of products. Therefore there is a large aftermarket potential. Alfa Laval is a well-known and established brand name and we have a substantial potential both internally and externally. Internally we have fulfilled this potential to a large extent, externally there is a lot more to be done, although we have been in business for 120 years.



Here you can see the three key technologies – heat transfer, separation and fluid handling. Our sales within these areas are divided as follows; heat transfer 46 %, separation 34 % and fluid handling 20 %. The leading market shares are for each of the product groups 36 %, 24 % and 10 %. This means that we are Number One within each product group.

The order intake for 2002 was 14.7 billion Swedish crowns, which was 2 % below the 2001 level. In our forecast we said that the

order intake would decrease by 4 %, so we performed better than expected during 2002. The first quarter of 2003 has increased by 1,1 %. If we make a geographic overview and exclude North America, which was our weakest market during 2002, the volumes were the same during 2002 and 2001. During 2002 North America represented 19 % of our total order intake. If we look at the first quarter of 2003, the order intake has increased by 4 %, if we exclude

North America. During the first quarter we have added two acquired companies. The order intake has gone up irrespective of these operations.

If we look at the order intake divided on segments. We focus on 10 customer segments. Each customer segment has total responsibility for its customers and sells the company's complete portfolio of products and solutions as stand alone products, product packages, process lines and systems to its groups of customers. This is Alfa Laval's new organization. The former organization was based on a product related customer orientation, while the new organization is customer segment orientated. In our video you have already seen some examples of customer installations. Here are some more.

The first segment is named **Comfort & Refrigeration** and covers comfort climate and refrigeration installations. Ice of high quality can be produced with the help of our products. In the film you saw air conditioning of a hotel in Dubai. District heating is another important area. District heating is important – and will remain so during many years - in countries like Sweden, Germany, Switzerland, Austria, Poland and Russia.

The next segment is **Marine & Diesel**. Two thirds of all the world's ships have our heat exchangers and separators in their machine rooms. During the last 10-15 years a large part of the shipbuilding has moved from Europe to Asia. 80 % of all ships are built in Asia, above all in Japan South Korea and China. We had very large market shares in Europe when the main part was located there. Now we have at least as large market shares in Asia. We have a global marine organization working all over the world.

Fluids & Utility is a small segment, which turns to the mechanical and manufacturing industry, where our products are used for a large number of important applications.

OEM – Original Equipment Manufacturers include producers of diesel engines, boilers and compressors, which contain a product from us as an integrated part. This means that we often sign contracts with these customers for supply of large volumes covering several years and that we have very close relations with them.



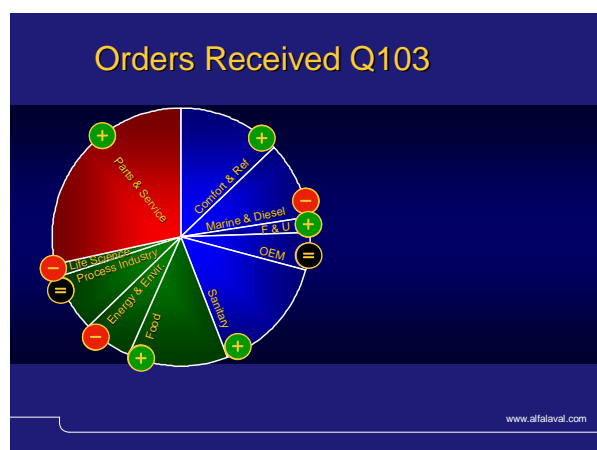
Two of our segments turn to the food industry; **Sanitary** sells components to its customers through our own sales companies or through external sales channels and distributors. The other segment, **Food Technology**, offers the industry complete solutions and processing lines. This picture shows examples of customer groups. We supply processing lines to most of the world's breweries. The dairy industry is another important customer group. Here we cooperate with Tetra Pak.

Energy & Environment covers the oil, gas and power industries. The segment is also active in the environment field, for instance in cleaning of waste water and dewatering of sludge in waste water treatment plants, two important fields.

Process Industry primarily turns to the chemical process industry. This is an industry with very tough demands on performance and quality, that our products must live up to.

Life Science covers the biotech and pharmaceutical industries. The segment is small today, but it will grow considerably. This is an area with high demands on quality and hygienic standard. All our products are up to the standard.

Finally, **the Aftermarket**, which represented 27 % of our total turnover in 2002.



These are the 10 segments we work with, and they illustrate what I said before about diversification. We are diversified per industry, and if we look at the development of these 10 segments during 2002 compared to 2001, we see that five of them have deteriorated during 2002, one is equal and four are better than the year before.

If we look at the first quarter of 2003, we can see a somewhat improved picture. We have three segments that are below the first quarter of 2001, we have two that are equal and five that are better.



If we look at the regions in the same manner, our sales are distributed in the following way; 51 % of our sales are in Europe – the Nordic countries, Western Europe, Central and Eastern Europe, 19 % are in North America, 23 % in Asia, 4 % in Latin America and 3 % other, which mainly comprises Australia, New Zealand and South Africa.

When looking at the geographical distribution, we can see that 2002, compared to the year before, had the following development. North America, Western Europe and Japan were below the year before.

In North America the market was generally weak. In Western Europe there were both good and bad countries; Germany and UK were weak while France, Spain and Italy were good. Japan was weak during 2002 compared to 2001. The rest of Asia was at the same level as the year before. The pluses are represented by Latin America, the Nordic countries, Central- and Eastern Europe and Australia and New Zealand.



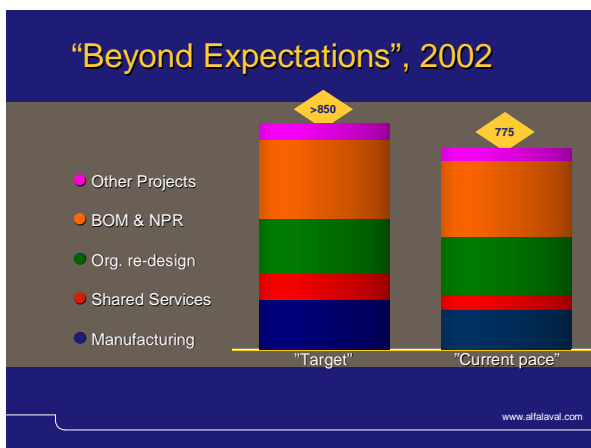
If we make the same move into the first quarter of 2003, we can first of all see that Europe still represents 51 %. North America has gone down from 19 to 16 % and Asia has gone up from 23 to 26 %. This is the change, which has taken place when it comes to world distribution. We can also see that North America is still weak; no changes whatsoever there. But in Western Europe and the Nordic countries we can see a deterioration compared to the corresponding quarter the year before. This deterioration is in principle

completely due to the shipbuilding industry. If we gather all activities, they are largely on the same level as the year before. Then we have a number of pluses. As before, Latin America, Central and Eastern Europe, Australia and New Zealand like Asia show a great improvement. Asia has improved considerably compared to the year before. This is true for many countries but first of all for the big countries including Japan.

If we continue to look at the outcome of 2002, the result after amortisation was 1,755 MSEK and 12 %. The year before the corresponding figure was 1,738 MSEK and 11 %. Profit before taxes were 372 MSEK for the full year 2002. During the first quarter in 2002, the profit was 60 million and during the first quarter in 2003 the profit is 141 million SEK. We calculate that the profit before taxes will be considerably higher in 2003 than in 2002. The cash flow is 1, 924 million and the return on capital employed 20.2 %. The corresponding figure the year before was 18.5 %. Equity ratio was 29.2 % compared to 8.2 % the year before.

I know want to end this part and continue by talking about our goals and by giving an update on the subject that was much in focus during the autumn last year, namely the asbestos related lawsuits in the USA. I give an update as per March 31, 2003. By that date we had 97 asbestos related lawsuits, which totally comprise 17,500 plaintiffs. 32 of these lawsuits have been turned down because of lack of connection with Alfa Laval. As a summary, this means that approximately 25 % of all the lawsuits have been refused. We continue to work along this line. More than 99 % of the total number of plaintiffs is related to the state of Mississippi, so this is the state we are talking about. This state has approved of a new law, which is expected to further limit the number of mass lawsuits after December 31, 2002. As we see the situation now, we don't know of any more registered mass lawsuit during 2003. We stick to our judgement that the asbestos related claims and possible legal costs will be covered by our insurances.

We now go over to look at our financial goals. We have three; our goal for volume growth is an average of 5 percent per year over a business cycle; the profit after amortisation should be 12-15 % and we aim at a return on capital employed of 20 %. When we started to work with this during 1998, we had three priorities; Costs, Aftermarket and Profitable Growth. No unique priorities, I agree, but they have given results. In 1998 we had too large costs, and cutting them had first priority.



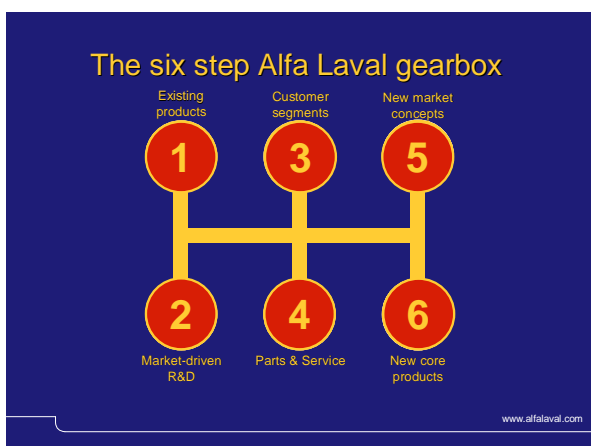
We implemented a programme called Beyond Expectations, which will result in a saving of more than 850 million Swedish crowns by the end of 2003. We started a number of projects and worked within all the areas that you can see in the picture. You can also see the result that each of them was expected to give. When working with this, we looked into all areas except Research & Development and our sales organization. At the end of 2002 we had reached 775 million Swedish crowns and at the

end of the first quarter this year we have saved about 800 million. There are no reasons to doubt that we will attain our goals.

If we look at priority number two, Aftermarket, we had an after sales market in 1999, which was 22 % of our total sales. We reorganized our after sales activities, increased our focus on them, moved more competence over to after sales and increased the range of aftermarket products to our customers. This has shown results. In 2002 the aftermarket amounted to 27 % of our total orders received. We have had a positive development on the aftermarket during the last four years.

Priorities No.1 and 2, Costs and Aftermarket have raised our margin from 6.5 % in 1999 to 12 % in 2002. Our challenge is now to increase it to 15 %. In order to reach this goal, we need the help of a better market.

At the same time as we have worked with the priorities 1 and 2, we have created a platform for profitable growth and reorganized the company from a product related customer orientation to a customer segment orientation. I am referring to the ten customer segments that I have talked about earlier.



Taking a closer look at our growth, we have identified six steps, symbolized by a manual gearbox with six gears, giving an expected average growth of 5 % over a business cycle. Some comments to each gear. Growth with **current products** means to sell more of the products in our existing product portfolio, which have helped us to grow in the past and which will continue to create growth in the future. **Market-driven R&D** simply means to utilize our key technologies and our know-how within this area to further develop our products for

new applications. I have already touched upon the **customer segments** and the **aftermarket**. By **new market concepts** we mean to look into new business opportunities that we don't reach in our day-to-day activities. These opportunities are based on our key technologies and will create growth in the long run. Finally, can we identify **new key products**, which can be

equally important in our product range as our heat exchangers, separators and flow equipment?

Let me give some examples from each gear. Gear No.1 – **current products**. Here are some examples of new products and product improvements in this field. Every year we invest around 2.5 % of our total sales in our R&D activities. We introduce 20-25 new products or product improvements every year. 15 % of our sales represent products that are less than three years old.



AlfaCond

The world's first tailor-made plate condenser.

- Efficient and compact.

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Gear No.2 – **market driven R&D**. This is an example where we use our key technology Heat Transfer. Historically heat exchangers have been used mainly for liquids. Now we have developed the heat exchangers for steam applications. This is the world's first tailor-made plate condenser. It is the first of a complete series. There are many steam applications in industry to attend to. The plate condenser is efficient and compact and it will become a competitive solution compared to existing methods.



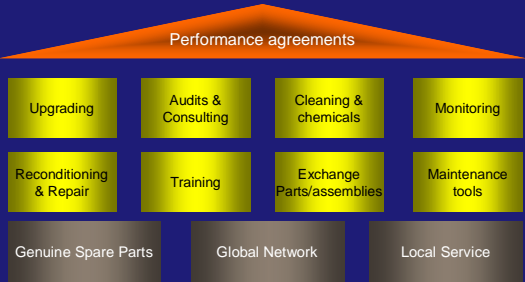
Adding value:
Complementary acquisitions

Toftejorg

- Annual sales of about 210 MSEK.
- Approx. 100 employees in R&D, manufacturing and sales.
- Sales companies in Sweden, Norway, Germany, UK, France, USA and Singapore.
- Sales by geographical area; Europe 52%, USA/Americas 15%, Asia 33%.

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Gear No.3 – **customer segments**. As I mentioned before, the customer segments have total responsibility for their specific customer groups and offer them everything that Alfa Laval supplies of key products, system solutions and processing lines. When we offer system and process solutions, there is also a possibility to sell supplementing products, either our own or from other companies what we have formed alliances with. These products can be offered to our sales organisation throughout the world. This is an example of a product from a company that we have acquired. We call it a complementary acquisition. It is a Danish company named Toftejorg, which is incorporated in Alfa Laval since January 1, 2003. The product is used for cleaning of tanks, above all in the food and marine industries.



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- The house with well defined offers -

Performance agreements

Upgrading, Audits & Consulting, Cleaning & chemicals, Monitoring, Reconditioning & Repair, Training, Exchange Parts/assemblies, Maintenance tools, Genuine Spare Parts, Global Network, Local Service

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Gear No.4 – **Aftermarket**. Historically we have supplied spare parts and service. Today we have a product range which is much larger,

and in addition to this we offer our customers complete service agreements. It is no question about it; our new organization with customer segments makes it easier to offer service agreements to our customers.

Cleaning of crankcase gases



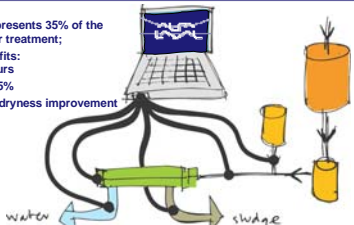
- New innovative solution separate fluids and solids from gases;
- Require manufacturers diesel engines to clean the crankcase gas that is ventilated from engines;
- Technical and commercial cooperation with Haldex

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Gear No.5 – new market concepts. As I said before, heat exchangers have traditionally been used for liquids. This is also true for separators. In this case we have used our technology and know-how in this field to develop a separator that can clean gases from oil drops and particles. A product already exists which – at this first step – is used for cleaning of crank gases from diesel engines. We work with several large truck manufacturers in cooperation with Haldex, a company with a thorough experience of these

customers. This is a long term environmental issue. There will be EU regulations from 2005 and onwards. Laws in the USA will require that engine emissions are minimized, not only exhaust gases but also crankcase gases. Our new product is very interesting and has promising future potentials.

Alfa Laval Octopus



- The dewatering process represents 35% of the total cost of the waste water treatment;
- Case story - customer benefits:
 - Resources: - 70% man-hours
 - Polymer consumption: - 25%
 - Sludge volume: 3% to 5% dryness improvement
 - Energy saving: - 6%

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The other product under new market concepts is called Octopus. We have a long experience of processes for dewatering of sludge in wastewater treatment plants. We have worked within this area in more than 20 years. We have gathered our operation data and we have now developed a software, which can increase the performance of the products that we have installed on the market. The normal way for Alfa Laval to do business is to sell the products. But in this case we are not going to sell the product but lease the software to our customers and share their resulting profits. I am convinced that this is going to be a very interesting product in the future.

Membrane separation

Acquisition of DSS

- Annual sales: 90 MSEK
- Located in Nakskov and Copenhagen
- 65 people in R&D, manufacturing and sales
- Active in Food (1/3) & Life Science (2/3)
- Active in DK, IT, UK, GE



Turnkey solutions based on Plate & Frame or spiral elements - and 30 years of experience!

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Gear No.6 – New key products. We have three key areas and within Separation we offer a number of products today. We talk about high-speed separators and decanters, which are different types of products for different separation applications. Today, we can also offer membrane filters, which don't compete with our separators but are a complement to them. Market wise they may overlap each other slightly, but first of all we see the

membranes as a valuable supplement to our product range that we have added by acquiring a Danish company. This will be our competence base for developing this important activity within Alfa Laval.

Our business mission is: *To optimize the performance of our customers' processes. Time and time again.* I think this mission very well represents what we try to accomplish in our company.

Thank you!