Capital Market Day
October 9th, 2002

Our brand is about performance

Sigge Haraldsson
President and CEO
Alfa Laval Group
Today’s program

Capital Market Day, October 9th, 2002

• **Update, growth strategy and some financial issues**
  Sigge Haraldsson and Thomas Thuresson

• **Guided tour – manufacturing unit**
  Ulf Granstrand and Sigge Haraldsson

• **Research and Development**
  Thomas Zachrisson

• **Customer Segments**
  Svante Karlsson

• **Parts & Service**
  Yannick Richomme

• **Questions and Answers**
Q302 Interim Report

- Release 7:30 AM CET, October 31\textsuperscript{st}.
- Roadshow, Stockholm, London and Copenhagen
  - October 31\textsuperscript{st} 09:00 AM CET  Group breakfast in Stockholm, including conference call
  - October 31\textsuperscript{st} 04:00 PM CET  Conference call
  - November 1\textsuperscript{st} 12:30 AM GMT  Group lunch in London
A totally new company, founded in 1883

1990
- Agri
- Food
- Industry

1991
- D & A
- Automation
- Flow
- Separation
- Thermal
- To Tetra Laval
- Divested

Today
- Process Technology Division
- Equipment Division
- To Tetra Laval

www.alfalaval.com
Highlights

- A global company, founded in 1883
- Highly engineered, high-margin, non-commodity products
- Leading, global market share positions
- Substantial customer and geographic diversification
- Large installed base of products
- Highly respected Alfa Laval brand name
- Significant upside potential
A global company

Year 2001

- Total sales: MSEK 15,830
- No. of employees: 9,259
- 20 production units
- 70 service centres
- Sales Companies in 50 countries
- Other sales representation in more than 45 countries
Key technologies

Separation

Fluid Handling

Heat Transfer
Capital sales/core product group

- Fluid Handling: 20%
- Separation: 33%
- Heat Transfer: 47%

Market shares:
- Heat Transfer: 36%
- Separation: 24%
- Fluid Handling: 10%
Examples of End-User Markets

- Heating and Cooling
- Personal Care / Biopharm
- Fresh water generation
- Brewing
- Refrigeration
Diversified blue chip customers

BASF
Bayer
BP
Cargill
Chevron
Coca-Cola
Danone
Du Pont
Exxon
Heineken
Mobil
Nestle
Proctor & Gamble
Tetra Pak
Unilever
York
## Highlights

- **Order intake:** 3 964 MSEK
- **Net sales:** 3 654 MSEK
- **Adjusted EBITA / margin:** 445 MSEK / 12.2%
- **Cash flow:** 937 MSEK *
- **ROCE:** 17.7% *
- **Profit before tax:** -193 MSEK*, incl. one-off costs 304 MSEK

* ) January – June 2002
Q on Q vs. last year (like for like)

Orders received

Net sales

Q102 Q202 Jan-June 02

Orders received

Net sales

Q102 Q202 Jan-June 02
Order Received by Region

- Western Europe: 29%
- North America: 21%
- Asia: 22%
- Latin America: 4%
- Central & Eastern Europe: 8%
- Nordic: 13%
- Other: 3%

January – June 2002
Adjusted EBITA / Margin *

MSEK and in percent of sales

* Adjusted EBITA – "Earnings before interests, taxes, amortization of goodwill and step up values and comparison distortion items."
Reengineering
“Beyond Expectations”

- Other Projects
- BOM & NPR
- Org. re-design
- Shared Services
- Manufacturing

"Target" vs. "Achieved"

- "Target": 800-1000
- "Achieved": 650-700
Financials

A couple of "your issues"

Thomas Thuresson
CFO
Alfa Laval Group
## Consolidated Profit and Loss

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>6,916</td>
<td>6,916</td>
<td>7,259</td>
<td></td>
</tr>
<tr>
<td>Adjusted EBITA</td>
<td>807</td>
<td>807</td>
<td>851</td>
<td></td>
</tr>
<tr>
<td>Amortization of goodwill and step-up</td>
<td>- 252</td>
<td>- 252</td>
<td>- 254</td>
<td></td>
</tr>
<tr>
<td>Financial net</td>
<td>- 217</td>
<td>- 399</td>
<td>- 551</td>
<td></td>
</tr>
<tr>
<td>Comparison distortion items</td>
<td>0</td>
<td>- 348</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>338</td>
<td>- 193</td>
<td>46</td>
<td></td>
</tr>
<tr>
<td>Profit after tax</td>
<td>210</td>
<td>- 321</td>
<td>35</td>
<td></td>
</tr>
</tbody>
</table>

*Based on new capital structure and exclusive of comparison distortion items.*
Intangibles in the Balance-Sheet

Paid August 24, 2000

Goodwill
MSEK 7,300

US-GAAP Independent valuation

MSEK
0 1 000 2 000 3 000 4 000 5 000 6 000 7 000 8 000
Intangibles in the Balance-Sheet

**Paid August 24, 2000**

- Goodwill: MSEK 7,300

**Allocation**

- Realised Aug-Dec 2000, MSEK 600
- Allocated value MSEK 3,400
- US-GAAP Independent valuation
- Goodwill MSEK 3,300
Intangibles in the Balance-Sheet

Allocated values
Depreciation as per individual asset category.
Depreciation per annum, MSEK 334.
Deferred tax liability, MSEK 979 (Dec. 31, 2001).

Goodwill
Amortization over 20 years, according to standard.
Amortization per annum, MSEK 178.
Deferred taxes not applied.
## Financial Debt and Financial Net

<table>
<thead>
<tr>
<th></th>
<th>As per June 30, 2002</th>
<th>Proforma* Financial Income/ Cost</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MSEK</td>
<td>MSEK</td>
<td></td>
</tr>
<tr>
<td>Cash and Deposits</td>
<td>+ 957</td>
<td>+ 19</td>
<td>(2 %)</td>
</tr>
<tr>
<td>Financial Debt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Credit institutions</td>
<td>3,919</td>
<td>176</td>
<td>(4 1/2%)</td>
</tr>
<tr>
<td>- Bond</td>
<td>1,298</td>
<td>157</td>
<td>(12 1/8 %)</td>
</tr>
<tr>
<td>- Other</td>
<td>27</td>
<td>2</td>
<td>(7%)</td>
</tr>
<tr>
<td>IRS’s</td>
<td>80</td>
<td></td>
<td>(Until 9/03)</td>
</tr>
<tr>
<td>Capital. financing costs</td>
<td>(78)</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td><strong>4,286</strong></td>
<td><strong>408</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Calculated on an annual base
## Cash-flow statement

<table>
<thead>
<tr>
<th>MSEK</th>
<th>1.1-30.6 2002</th>
<th>Proforma 1.1-30.6 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>978</td>
<td>978</td>
</tr>
<tr>
<td>Working capital</td>
<td>117</td>
<td>117</td>
</tr>
<tr>
<td>Taxes paid</td>
<td>-158</td>
<td>-158</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>937</td>
<td>937</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>-152</td>
<td>-152</td>
</tr>
<tr>
<td>Divestments</td>
<td>61</td>
<td>-</td>
</tr>
<tr>
<td>Acquisitions*</td>
<td>-368</td>
<td>-</td>
</tr>
<tr>
<td>Provisions</td>
<td>-27</td>
<td>-27</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>-486</td>
<td>-179</td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>-237</td>
<td>-212</td>
</tr>
<tr>
<td>Net increase in cash and bank</td>
<td>214</td>
<td>546</td>
</tr>
</tbody>
</table>

* Vendor Warrant, MEUR 40
### Key ratios

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Remarks</th>
<th>January-June 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Earnings Per Share</strong></td>
<td>- Current number of shares</td>
<td>Before tax</td>
</tr>
<tr>
<td>(proforma)</td>
<td></td>
<td>SEK 3.03</td>
</tr>
<tr>
<td></td>
<td>- New capital structure</td>
<td>After tax</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SEK 1.88</td>
</tr>
<tr>
<td></td>
<td>- Exclusive of comparison distortion items</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Earnings Per Share</strong></td>
<td>- As above adding back</td>
<td>Before tax</td>
</tr>
<tr>
<td>(proforma, excl. goodwill amortization and</td>
<td>goodwill amortization and step-up depreciation</td>
<td>SEK 5.28</td>
</tr>
<tr>
<td>step-up depreciation)</td>
<td></td>
<td>After tax</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SEK 4.14</td>
</tr>
<tr>
<td><strong>Cash Earnings Per Share</strong></td>
<td>- New capital structure</td>
<td>Before tax</td>
</tr>
<tr>
<td>(proforma)</td>
<td></td>
<td>SEK 6.30</td>
</tr>
<tr>
<td></td>
<td>- Excl. disposals and acquisitions</td>
<td>After tax</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SEK 4.89</td>
</tr>
</tbody>
</table>
Reengineering

Customer oriented by customer process

Costs
Customer orientation

By core product

By customer process
Accelerating growth:
The six step Alfa Laval gearbox
The drivers behind Alfa Laval’s growth strategy

1st gear: **Existing range of products**

2nd gear: **Market-driven R&D**

3rd gear: **Focus on customer segments**

4th gear: **Strong commitment to Parts & Service**

5th gear: **Exploitation of new market concepts**

6th gear: **Ambition to add new core products**
The six step Alfa Laval gearbox

1. Existing products
2. Market-driven R&D
3. Customer segments
4. Parts & Service
5. New market concepts
6. New core products

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The six step Alfa Laval gearbox

1. Existing products
2. Market-driven R&D
3. Customer segments
4. Parts & Service
5. New market concepts
6. New core products

All six gears will give us an annual average growth of 5% over a business cycle.