Interim report Q4 and full year 2002

Mr. Sigge Haraldsson
President and CEO
Alfa Laval Group

Mr. Thomas Thuresson
CFO
Alfa Laval Group
Highlights

Q402

- Order intake: 3 501 MSEK
- Net sales: 4 175 MSEK
Q on Q vs. last year (like for like)

Orders received

Net sales

Orders received

Net sales
Highlights

Q402

- Order intake: 3,501 MSEK
- Net sales: 4,175 MSEK
- Adjusted EBITA / margin: 535 MSEK / 12.8%
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."
Q402

- Order intake: 3 501 MSEK
- Net sales: 4 175 MSEK
- Adjusted EBITA / margin: 535 MSEK / 12.8 %
- Profit before tax: 346 MSEK
Highlights

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2002
- Adjusted EBITA / margin: 1 755 MSEK / 12.0 %
- Profit before tax: 372 MSEK, incl. one-off costs 334 MSEK
- Cash flow from operating activities: 1 924 MSEK
- ROCE: 20.2 %
Orders Received 2002

- Asia 23%
- North America 19%
- Western Europe 30%
- L. America 4%
- Centr. & East 8%
- Nordic 13%
- Other 3%

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Highlights

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- Asbestos-related lawsuits in the United States
Asbestos-related lawsuits in the US

- Alfa Laval Inc. was as of February 15, 2003 named co-defendant in a total of 73 asbestos-related lawsuits with a total of approx. 15 000 plaintiffs.
- 11 multiple plaintiff lawsuits, filed in Mississippi, account for 99% of all plaintiffs.
- Development since November 4, 2002:
  - 13 lawsuits have been dismissed for lack of connection, which gives a total of 30 lawsuits that have been dismissed;
  - 19 additional lawsuits with a total of approx 7 500 plaintiffs;
  - 99.7% of the increase of plaintiffs is related to multiple plaintiff lawsuits filed in Mississippi;
  - The state of Mississippi has adopted a new law, that legal experts expect to limit the filing of multiple plaintiff lawsuits after December 31, 2002.
- Alfa Laval is not aware of any new multiple plaintiff lawsuits filed against Alfa Laval Inc. during 2003.
- Alfa Laval continues to believe:
  - that potential claims and defense costs against Alfa Laval Inc. will be covered by insurance policies;
  - that these lawsuits will not have a material adverse effect on the company’s financial condition or result of operation.
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- ROCE: 20.2%
- Asbestos-related lawsuits in the United States
- The Board will propose a dividend of 2 SEK per share.
## Consolidated Profit and Loss

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>4 175</td>
<td>4 739</td>
<td>14 595</td>
<td>15 830</td>
</tr>
<tr>
<td><strong>Adjusted EBITA</strong></td>
<td>535*</td>
<td>496</td>
<td>1 755*</td>
<td>1 738</td>
</tr>
<tr>
<td><strong>Amortization of goodwill and step-up</strong></td>
<td>- 126</td>
<td>- 128</td>
<td>- 507</td>
<td>- 512</td>
</tr>
<tr>
<td><strong>Financial net</strong></td>
<td>- 62**</td>
<td>- 122</td>
<td>- 542**</td>
<td>- 1 190</td>
</tr>
<tr>
<td><strong>Comparison distortion items</strong></td>
<td>- 1</td>
<td>5</td>
<td>- 334</td>
<td>5</td>
</tr>
<tr>
<td><strong>PBT</strong></td>
<td>346</td>
<td>251</td>
<td>372</td>
<td>42</td>
</tr>
</tbody>
</table>

* Including costs for pension plans  
** Excluding comparison distortion items
# Foreign exchange

## Impact from exchange rate fluctuations in 2002

<table>
<thead>
<tr>
<th>MSEK</th>
<th>Adjusted EBITA</th>
<th>Profit Before Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation effect</td>
<td>- 80</td>
<td>- 25</td>
</tr>
<tr>
<td>Transaction effect</td>
<td>- 50</td>
<td>- 50</td>
</tr>
<tr>
<td><strong>Sub total</strong></td>
<td><strong>- 130</strong></td>
<td><strong>- 75</strong></td>
</tr>
<tr>
<td>Realized/unrealized foreign</td>
<td></td>
<td></td>
</tr>
<tr>
<td>exchange differences in financial net</td>
<td>-</td>
<td>+ 51</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>- 24</strong></td>
</tr>
</tbody>
</table>
“Beyond Expectations”

In the P&L, MSEK 670 (450)

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

"Target" vs. "Current pace"
Capital Expenditures 1997 - 2002

MSEK

1997: 405 (159, 126, 37, 83)
1998: 389 (132, 124, 27, 106)
1999: 389 (124, 106, 27, 132)
2000: 297 (110, 59, 25, 103)
2001: 275 (157, 65, 53, 11)
2002: 277 (132, 43, 91, 11)

- Machinery
- EDP
- Property
- Other

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## Profit and Loss - Proforma

<table>
<thead>
<tr>
<th>MSEK</th>
<th>Proforma 2002*</th>
<th>Actual 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT</td>
<td>1 220</td>
<td>1 220</td>
</tr>
<tr>
<td>Financial income</td>
<td>359</td>
<td>359</td>
</tr>
<tr>
<td>Financial cost</td>
<td>- 695</td>
<td>- 902</td>
</tr>
<tr>
<td>Comparison distortion items, financial</td>
<td>-</td>
<td>- 305</td>
</tr>
<tr>
<td>Profit after financial items</td>
<td>884</td>
<td>372</td>
</tr>
<tr>
<td>Minority interests</td>
<td>- 34</td>
<td>- 34</td>
</tr>
<tr>
<td>Taxes</td>
<td>- 218</td>
<td>- 218</td>
</tr>
<tr>
<td>Net income</td>
<td>632</td>
<td>120</td>
</tr>
<tr>
<td>Earnings per share (SEK)**</td>
<td>5:66</td>
<td>1:08</td>
</tr>
</tbody>
</table>

*As if the new capital structure had been in place from January 1, 2002*

**Based on the current number of shares 111 671 993**
## Cash-flow Statement

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>EBITDA</strong></td>
<td>2 057</td>
<td>2 144</td>
</tr>
<tr>
<td><strong>Working capital</strong></td>
<td>228</td>
<td>314</td>
</tr>
<tr>
<td><strong>Taxes paid</strong></td>
<td>-396</td>
<td>-463</td>
</tr>
<tr>
<td><strong>Adjustment for non-oper items</strong></td>
<td>35</td>
<td>4</td>
</tr>
</tbody>
</table>

**Cash flows from operating activities** | 1 924 | 1 999 |

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital expenditures</strong></td>
<td>-277</td>
<td>-275</td>
</tr>
<tr>
<td><strong>Divestments</strong></td>
<td>121</td>
<td>618</td>
</tr>
<tr>
<td><strong>Acquisitions</strong></td>
<td>-401*</td>
<td>18</td>
</tr>
<tr>
<td><strong>Provisions</strong></td>
<td>9</td>
<td>-246</td>
</tr>
</tbody>
</table>

**Cash flows from investing activities** | -548 | 115 |

**Cash flows from financing activities** | -1 320 | -2 095 |

**Net increase in cash and bank** | 56 | 19 |

* Including Vendor Warrant, MEUR 40
# Cash-flow Statement, Proforma

<table>
<thead>
<tr>
<th>MSEK</th>
<th>Proforma 2002</th>
<th>Actual 2002</th>
<th>Actual 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- operating activities</td>
<td>1 924</td>
<td>1 924</td>
<td>1 999</td>
</tr>
<tr>
<td>- investing activities</td>
<td>- 262*</td>
<td>- 548</td>
<td>115</td>
</tr>
<tr>
<td>Total:</td>
<td>1 662</td>
<td>1 376</td>
<td>2 114</td>
</tr>
</tbody>
</table>

* Excluding Vendor Note, MSEK –368 and tax guarantee MSEK + 82
# Key ratios

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROCE, %</td>
<td>20.2</td>
</tr>
<tr>
<td>Per share:</td>
<td></td>
</tr>
<tr>
<td>- Cash-flow from operating activities, SEK*</td>
<td>17:23</td>
</tr>
<tr>
<td>- Profit proforma, SEK*</td>
<td>5:66</td>
</tr>
<tr>
<td>Net Debt/Equity, ratio</td>
<td>0.78</td>
</tr>
</tbody>
</table>

* Based on current number of shares, 111 671 991
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.
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%.
- Sales per industry; Marine 39%, Sanitary 37%, Parts & Service 21% and others 3%.
Outlook 2003

“The estimate for the full year 2002 was surpassed. We expect to continue to improve from this level.”