

Annual General Meeting 2013

Ladies and gentlemen, shareholders and co-workers,

Demand was healthy in the first half of 2012, despite the uncertainty prevailing in the global economy, and the value of our large orders reached record levels during the period. In the second half of the year, however, the prevailing economic uncertainty started to influence our customers' decision-making and, accordingly, demand for our products. Nevertheless, at the end of the year, we reached record-levels both in terms of orders and sales. Order intake rose 6 percent compared with 2011, to SEK30.3 billion and revenues increased 4 percent to SEK29.8 billion.

The trend varied from a geographical perspective. The US, which had healthy demand in the energy, environment and food sectors, strengthened its position as our largest market. In China, which is our second largest market, order intake declined slightly due to a significant softening in demand from the shipbuilding industry. In parallel, our investments in boosting our presence in the country paid off and resulted in limited growth, excluding marine. A positive effect, attributable to our investments, was also posted in South Korea and the country kept its fourth place, driven by its technically advanced shipbuilding and offshore industry as well as successful contracting companies in the process industry and petrochemical segments. Russia posted a solid and widespread increase and advanced to fifth place, mainly driven by investments in refinery, food and district heating.

New organization

2012 was the first year for our new organization as we went from two to three focused, selling divisions. The Process Technology division posted a healthy profitability and a strong order intake and built up a high-quality order book ahead of 2013. Particularly high activity levels were noted in the oil and gas exploration as well as refinery and petrochemicals sectors.

The Equipment division also posted a favorable profitability trend and a healthy order intake, in particular, with regard to the food and beverage industries. In parallel, the aftermarket trended favorably due to our increased focus on the area.

In Marine & Diesel, new sales declined significantly as a result of a decreasing order intake for the shipbuilding industry. This development was attributable to the underlying imbalance between supply and demand for tonnage, which put pressure on shipowner's profitability. The aftermarket business, which comprised fully 40 percent, remained

unchanged – which was positive. A substantial order backlog and the high proportion of aftermarket business contributed to healthy profitability for the division.

For the Group as a whole, the operating margin was 16.5 percent, which is above our target of 15 percent, but a decline versus 2011. This decline was attributable to a lower capacity utilization rate in certain plants, lower margins on new sales in the marine area, a changed product mix and a stronger Swedish krona.

During the year we implemented a cost savings program. The program applied to capacity adjustments and rationalization in manufacturing, as well as efficiency measures in the sales companies in Western Europe. The full impact of the measures came in the second half of the year and we had realized savings of a couple of hundred million Swedish kronor by the end of the year.

Continued investments for the future

BRIC

Despite the streamlining program, we continued to invest to boost our presence in the BRIC countries where we recognize potential for future growth. In China this led to new plants for manufacturing air heat exchangers and decanters as well as a continued expansion of the country's sales force. In India and Brazil it meant investments to increase the range produced for the local markets and in Sweden and France investments were made to increase capacity and productivity at a few highly specialized plants.

Research and development

Research and development is another area where we invest for the future, as R&D is fundamental for profitable growth. That's why our investments in this area rose nearly 8 percent compared to 2011. In Alfa Laval we have a passion for products and we are now coming to the highlight of the annual general meeting. We are going to have a closer look at some new exciting products.

BREAK FOR PRODUCT DEMONSTRATION

The aftermarket business

The aftermarket business comprises another key area. It has healthy profitability, is less sensitive to economic fluctuations and its close customer relations help drive new sales. Alfa Laval already has the industry's best market coverage, with about 100 service centres, which is continuously improving as we add 3-4 additional workshops per year. We are also expanding existing service centres that serve growth areas, such as oil and gas exploration and extraction in Canada, Brazil and Qatar.

Acquisitions

Acquisitions comprise another key element of value creation as it is a rapid and efficient method for building new positions. The largest last year was that of Ashbrook Simon-Hartley, with sales of approximately SEK 500 million. The company is a leading provider of belt filter presses for cleaning municipal and industrial wastewater, a complementary technology to our decanters, where we already occupy a world-leading position. In other words, we can now offer our customers the two leading technologies.

Last year we completed four acquisitions – all of them in the United States. Besides Ashbrook Simon-Hartley we acquired Vortex, which added equipment that is used for oil drilling, Gamajet, a supplier of tank-cleaning products for the food and beverage industries, and ACE, which manufactures air-cooled heat exchangers for the natural gas market and other energy-related markets.

The share

Alfa Laval's share price climbed 4 percent during the year to reach a market capitalization at year-end of SEK 56.8 billion. Interest in the share continues to be high and almost 25 analysts track Alfa Laval on a regular basis, while the number of shareholders was about 34,600 at the end of the year.

Changes in group management

We made some changes to group management at the beginning of the year. Joakim Vilson is the newest addition, as head of Eastern Europe, the Middle East and Latin America. Joakim has worked 23 years in Alfa Laval, most recently as head of Germany, Switzerland and Austria. Joakim has thorough experience from our sales companies and a deep knowledge of our products.

Diversity

80 different nationalities work in Alfa Laval and 19 percent of the employees are women. Among managers reporting directly to group management, 26 nationalities are represented and the share of women is 16 percent, the same as the share across all different management levels. Over the last years, the female share of managers has increased as a result of specific activities. In 2012 we worked specifically with diversity and international mobility at middle-management level to continue to develop our leaders.

Sustainability and the environment

Sustainability issues are highly prioritized by Alfa Laval's management. Over the past six years I have a co-worker reporting directly to me, who exclusively works with sustainability.

During the year we created a Commercial Ethics Council, with me as the Chairman to emphasize the importance of these issues. At the same time, we revised Alfa Laval's business principles, following new guidelines from the UN and OECD. The revised principles stress the importance of fighting corruption and bribes in all shapes and forms. The new document also highlights human rights from a wider perspective, especially emphasizing children's' rights.

Furthermore, we provide extensive education and carry out risk assessments. We have a whistle blower function, where employees anonymously can report suspected violations against our business principles. We carry out spot checks and audits to check compliance. Every year Alfa Laval's 120 top managers sign a document, verifying that they have reviewed and understood the guidelines and rules that apply to their respective areas and that there is compliance with these guidelines.

New environmental targets

We also renewed our environmental goals for production. The goals, which apply until 2015, include items such as

- Improving energy efficiency by 12%
- Reducing water consumption by 20 %
- Reducing greenhouse gas from freight by 12%

I would like to conclude by expressing my warm and sincere thanks to all employees in the Alfa Laval Group for your contribution to our efforts to build a successful company.

A few hours ago we released earnings for the first quarter of 2013. The report shows that demand remained on the same level as in the fourth quarter, which means it has been on about the same level three quarters in a row. Order intake, in absolute numbers, reached SEK 7.2 billion. Revenues reached SEK 6.5 billion and the operating profit totaled SEK 1.1 billion, corresponding to an operating margin of 16.3 percent.

And finally, our forecast for the nearest future

"We expect that demand during the second quarter 2013 will be on about the same level as in the first quarter."

THANK YOU!