

# Annual General Meeting 2009

Ladies and gentlemen, shareholders and employees

## **Fifth consecutive year with improved operating income**

Alfa Laval's favourable business trend continued during 2008. Revenues rose 11.5 percent to almost 28 billion kronor at the same time as operating income increased, for the fifth consecutive year, to 6.2 billion kronor. The operating margin amounted to 22.1 percent.

During the year, China overtook the U.S. as Alfa Laval's largest market, due to a strong demand from the shipbuilding industry. Asia, Eastern Europe and Latin America jointly accounted for nearly half of the Group's order intake, which totalled 27.5 billion kronor. Demand diminished towards the end of the year, in the wake of the global financial crisis.

## **Strengthened resistance to economic decline**

Alfa Laval has a well-diversified business, both geographically and in terms of customers, which results in a healthy spread of risks during periods of economic decline.

In addition the following activities have been implemented in recent years, which have contributed to strengthening our resistance:

- Alfa Laval has refined and further developed its ability to optimize its customer and product mix in order to improve profitability.
- In 2008, the profitable aftermarket business made up for 23 percent of the Group's revenues. In the past three years, the installed base in aftermarket-intensive areas has increased sharply. The number of employees in the aftermarket business rose by 30 percent during the same period, which further strengthened our local presence. The aftermarket business will continue to grow. In January of 2009 for example, Alfa Laval completed two acquisitions, which will increase the aftermarket business by 5 percent.

Since 2005, Alfa Laval has increased its investments in research and development by 75 percent. At the same time, we have become faster at taking our products to the market. In total, this means that we introduce significantly more new products last year and this year.

Notable examples include products in the separation technology area, where we have doubled the number of new products. The separation technology area includes two large parts: high-speed separators and decanters.

New and efficient products form the foundation for profitable growth and a favourable price trend.

### **Break for product demonstration**

### **Continued acquisitions**

The acquired growth has averaged 4 percent per year over the past 4 years.

The acquisition of Standard Refrigeration in the U.S., with sales of about 200 million kronor, complements Alfa Laval's range of heat exchangers in the North American market. Standard Refrigeration is a leading supplier of shell-and-tube heat exchangers for refrigeration and air conditioning.

A minority stake was acquired in the Swedish company Ageratec. Sales in 2008 amounted to about 50 million kronor. Ageratec develops and sells innovative manufacturing processes for producing biodiesel in small-scale plants. Several different types of fats can be used in the process, including used cooking oil.

The companies Høyer Promix and Pressko jointly add close to 100 million kronor of sales of agitators to the food and drug industries and heat exchangers to the process and power industries.

Alfa Laval acquired the company Hutchison Hayes Separation, a leading supplier of equipment and services to the energy-related industries in the U.S. As a result of the acquisition Alfa Laval has gained another sales channel. The company had sales of about 150 million kronor in 2008.

### **Sustainability – a natural component in the daily business**

Alfa Laval's wide offering includes products and services that help our customers clean water, save energy and decrease their emissions.

Our own operations should also have as little impact on the environment as possible. We also want to make sure that we do not add to social injustices or corruption. That's why Alfa

Laval's business is managed in terms of criteria such as environmental impact, social responsibility, business ethics and transparency. It's therefore delighting that we now can see that our efforts pay off. Last year our carbon-dioxide emissions declined by 5 percent on a like-for-like basis. This means that we are on our way to reach our goal; to cut carbon-dioxide emissions by 15 percent between 2007 and 2011.

### **Increased diversity – equal opportunities**

Increased diversity promotes innovation and develops the company. Equal opportunities, regardless of nationality or gender, are important to be able to recruit and keep the most talented. A tool to achieve this object is to advertise all vacant positions internally, encouraging everyone who is interested to apply.

The increased openness regarding vacant positions has contributed to greater mobility between positions and countries. About one third of the people reporting to Alfa Laval's Group Management changed position in 2008. They were of 11 different nationalities and 16 percent of them were women. Only 12 percent were recruited externally which indicates that we have a good base for internal recruitment. At the end of the year, 30 different nationalities were represented among Alfa Laval's top 100 managers.

During the year a program was started, focusing on female leaders. Ten women from different parts of the world were picked, with one thing in common. All of them have achieved good results and have been appointed a mentor in Group Management.

### **Ability to implement changes**

Alfa Laval celebrated its 125<sup>th</sup> anniversary during the year. The main reason for our success in developing over the years has been our ability to rapidly adapt to changed conditions.

During the current economic conditions it is necessary in the short term to adapt resources and costs to the prevailing demand situation and to implement structural improvements. At the same time, we are continuing to invest in research and development, which remains a prioritized area.

The last years' initiatives in the aftermarket business will continue and their importance will increase. We will also adhere to our strategy of focusing on acquisitions to further strengthen those areas in which we already occupy a leading position. We have the financial strength and the management resources required to implement this strategy.

**Structural demand**

In a world that increasingly focuses on finding various ways of saving energy, protecting the environment and securing hygienic food production, we are convinced that over the long term structural demand for our products and solutions will continue.

**Shareholder development**

During the year we implemented a share split to facilitate trade in Alfa Laval shares. Accordingly, I'm delighted to be able to state that the number of shareholders increased by 75 percent, totalling 28 000 at year end.

Finally, I would like to thank all the employees of the Alfa Laval Group for their excellent performances under challenging conditions.

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A few hours ago we released earnings for the first three months of 2009. The report shows that Alfa Laval has had a good resilience in the economic downturn.

Order intake in absolute numbers, totalled 5.9 billion kronor, a decline of some 5 percent compared with the fourth quarter of 2008.

Revenue reached 6.9 billion, an increase of some 10 percent compared with the first quarter of 2008. Operating profit amounted to 1.3 billion kronor, corresponding to an operating margin of 18.1 percent.

Finally, our forecast for the nearest future:

"We expect demand during the second quarter to be in line with, or somewhat lower than, the first quarter 2009."

THANK YOU!