


### Strategy

To achieve its vision, implement its business concept and attain its growth, profitability and capital utilization goals, Alfa Laval has established various strategic priorities that include detailed Group-wide key initiatives. These strategic priorities encompass products, market presence and the continuous improvement work being performed in all areas of the company.


#### Products

 Alfa Laval's product offering in its three key technologies – heat transfer, separation and fluid handling – serve as the foundation for achieving the company's goal for profitable growth. The high efficiency of these products is – and is expected to remain – an important criterion for customers who want to improve their competitiveness and reduce their environmental impact. Every year, the company invests between 2 and 2.5 percent of its sales in R&D in order to ensure that Alfa Laval's product offering remains a step ahead. These investments result not only in brand new offerings, but also improved and even more efficient versions of existing products. Identifying new areas of application for existing products and key technologies is another important strategic approach. At the same time, the product offering is also continuously being strengthened and expanded through acquisitions. These involve supplementary products in the three key areas as well as products that are new to the company and complement the offering in application areas where Alfa Laval is already represented.

#### Market presence

 Having a local presence is extremely important for Alfa Laval. This includes everything from production and new sales to the aftermarket. Accordingly, the company continuously makes decisions regarding the selective expansion and/or strengthening of its presence in certain geographic areas. Expansion should primarily occur organically – either in terms of breadth by entering new geographic areas or in terms of depth by further expanding the presence in countries and regions where Alfa Laval is already established. Acquisitions can be used as a secondary means of expansion – providing an efficient way of quickly strengthening the local presence. Another way to expand is to add new sales channels.

#### Profitability and return

 A number of basic questions must be answered in order to ensure profitability and a favorable return. One such question, concerning procurement and production, is where Alfa Laval should conduct its production operations, which products it should produce itself and which products should be purchased from suppliers. Another question, pertaining to logistics, is how Alfa Laval can meet its customers' requirements in terms of service level, while at the same time ensuring an efficient allocation of capital. The third question pertains to the business models to be applied in the company's divisions and the breadth that Alfa Laval should have in its offering.



#### Example of product strategy:

The product center in Asia was established in 2010 to enable Alfa Laval to successfully leverage the potential identified in the region by developing products specifically for local needs. This resulted in i-Range – a line of products featuring Alfa Laval's trademark quality but with limited functionality. Six product groups are currently represented at the product center. Since 2010, the local organization has demonstrated its ability to identify specific needs in the market. By supporting the sales organization during product launches and by being close to the local production, the organization has contributed to Alfa Laval's success in the region.

#### Example of market presence strategy:

Alfa Laval continuously expands its service network while at the same time establishing new sales offices in markets deemed to offer growth potential. One such area is Northwest Africa, including Ghana and Nigeria – the latter of which has the largest economy on the continent. Alfa Laval established a sales office in the region in autumn 2014. Since then, employees have been added to address such industries as the food and oil and gas sectors as well as the all-important aftermarket business. In 2016, Alfa Laval's presence in the region was supplemented with a service center in Angola.






#### Example of profitability strategy:

In 2015, a decision was made to establish a new distribution center. The next step was to select the location – a decision that came down to three countries. After conducting a study, it was determined that the best option would be to invest in building a new facility at the existing center in Kolding, Denmark. The location was deemed to offer the best solution since it provided close proximity to the manufacturing unit in Kolding as well as the Nordic market, where customers require quick reactions and short lead times. The transportation options at the Kolding site were also more competitive compared with the other two alternatives. The new center is expected to be completed in early 2017.



## Acquisitions

Between 2012 and 2016, Alfa Laval acquired eight companies with combined sales of SEK 5,140 million, corresponding to average annual growth of SEK 1,028 million.

### 2012

ACQUISITIONS	REASON	SALES, SEK MILLION*
 Additional 8.5 percent of the share capital in Alfa Laval India. (Total holding 97.5 percent)	Geography	Did not affect sales
 Vortex Systems, USA	Product	100
 Ashbrook Simon-Hartley, USA	Product	500
 Gamajet Cleaning Systems, USA	Product/geography	75
 Air Cooled Exchangers, LLC, USA	Product/geography	350**
DIVESTMENTS	REASON	SALES, SEK MILLION*
-	-	-

### 2013

ACQUISITIONS	REASON	SALES, SEK MILLION*
 Gas combustion unit	Product	40***
 Niagara Blower Company	Product	425
DIVESTMENTS	REASON	SALES, SEK MILLION*
-	-	-

### 2014

ACQUISITIONS	REASON	SALES, SEK MILLION*
 Frank Mohn AS	Product	3,600
DIVESTMENTS	REASON	SALES, SEK MILLION*
-	-	-

### 2015

ACQUISITIONS	REASON	SALES, SEK MILLION*
Service Multibrand	Channel	50****
DIVESTMENTS	REASON	SALES, SEK MILLION*
-	-	-

### 2015

ACQUISITIONS	REASON	SALES, SEK MILLION*
-	-	-
DIVESTMENTS	REASON	SALES, SEK MILLION*
-	-	-

\* Refers to sales for the year preceding the acquisition or divestment.

\*\* Sales for 2012.

\*\*\* Expected sales for 2013 on the acquisition date.

\*\*\*\* Expected sales for 2015 on the acquisition date.