"Going east" – Alfa Laval in Asia and Russia

"Controllerdagarna"
Teknikföretagen, May 25

Peter Leifland
Executive VP
Region Asia, Latin America, Africa and Oceania
A global company

Year 2003

- Total sales: MSEK 14,000
- No. of employees: 9,400
- 20 production units
- 70 service centres
- Sales Companies in 50 countries
- Other sales representation in more than 45 countries
Capital sales/core product group

- Heat Transfer: 41% (Market share 36%)
- Separation: 30% (Market share 24%)
- Fluid Handling: 18% (Market share 10%)
Orders received by Region

- Asia 25%
- North America 17%
- L. America 4%
- Centr. & East 9%
- Nordic 13%
- Other 2%
- Western Europe 30%

January – December 2003
Orders received by Country

January – December 2003

Growth 2000-2003

+51%

+44%

+26%
Performance Asia and CEE

- Same gross margin-level as West Europe and Americas
- Lower sales and administration cost
- Shorter payment terms
Establishment of sales companies

- Saudi Arabia 1995
- Pakistan 1987
- India 1937
- Malaysia 1969
- Singapore 1978
- Thailand 1983
- Indonesia 1993
- Taiwan 1986
- Philippines 1986
- Japan 1930
- South Korea 1979
- China 1984
- Thailand 1983
- Singapore 1978
- Malaysia 1969
- Saudi Arabia 1995
- Pakistan 1987
- India 1937
Establishment of sales companies

- Poland: 1991
- Cz/Slov: 1991
- Hungary: 1991
- Baltic: 1996
- Ukraine
- Russia: 1993
- Romania: 1996
- Bulgaria: 1997
- Turkey: 1991

- Ukraine
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- 1991
- 1996
- Baltic
- Russia
- 1993
- Romania
- 1996
- Bulgaria
- 1997
- Turkey
- 1991
Manufacturing in Asia and CEE

- Poland: 2000
- Russia: 1995
- China: 1994
- Japan: 1962
- India: 1963
- India: 1963
World wide uniform standards – our key to success

• Global product catalogues and pricelists
Pricing

Before

“Transfer Price” x Factor

Cost+

Now

Market pricing

RCPL* - Discount %

*Recommended Customer Price List
World wide uniform standards – our key to success

- Global product catalogues and pricelists
- Sales channels
Sales channels

Distribution in % per type of channel
Equipment Division, last 12 months June 2003
World wide uniform standards – our key to success

- Global product catalogues and pricelists
- Sales channels
- Sales & Market planning
How we drive growth

- Salesman
  - Accelerator
    - Activities & Competence
    - Key performance indicators
    - Customer pyramid & grid
  - Connect
    - Key growth drivers
    - Gap analysis & Targets
  - Gearbox
    - The six gears

Sales Company segment
Central segment
AL Group

Customers
World wide uniform standards – our key to success

- Global product catalogues and pricelists
- Sales channels
- Sales & Market planning
- Performance measurements
Financial performance measurements

Country performance

- Total orders received per country
- Profit factor = Consolidated gross margin / Local cost
- Net DSO = Outstanding A/R less advances in no of days of invoicing
# Activity measurements

<table>
<thead>
<tr>
<th></th>
<th>Expand Customer Base</th>
<th>Increase Customer Share</th>
<th>Sales Productivity</th>
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<tbody>
<tr>
<td><strong>Segments</strong></td>
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<td>No 1: # of customers</td>
<td></td>
<td></td>
<td>No 6: hit ratio</td>
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<tr>
<td>No 2: # of quotes</td>
<td></td>
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<tr>
<td><strong>Sales Person</strong></td>
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<td>No 4: order volume/ # of customers</td>
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<tr>
<td>No 3: # of orders</td>
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<td>No 5: # of orders/# of customers</td>
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<td>No 7: order volume</td>
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</tbody>
</table>
World wide uniform standards – our key to success

- Global product catalogues and pricelists
- Sales channels
- Sales & Market planning
- Performance measurements
- Competence development
Alfa Laval University

One Mission
To optimise our employees’ competence. Time and time again.

Three Faculties

Technology
- IS/IT
- Manufacturing and Logistics

Management
- Research & Development

Sales & Marketing
- Selling Skills
- Products and applications
- Sales & Marketing Management

To optimise our employees’ competence. Time and time again.
World wide uniform standards – our key to success

- Global product catalogues and prices lists
- Sales channels
- Sales & Market planning
- Performance measurements
- Competence development
- IS / IT
IS/IT Standardisation

- Standardisation and centralised management & operation of hardware and systems
- Similar data definitions, processes and system configurations for ERP in each country
- Common data warehouses for analysis
- CRM in the pipeline
What is next?
Hyundai
Distribution of shipbuilding

Geographical split

Trends and Medium Term Forecast
Source: MSR May 2003
“Business is moving east”

- Customers in Asia and Central & Eastern Europe will set new product standards - product management and R&D in the region?
- Production and engineering in Asia and Central & Eastern Europe - closer to customers and lower cost
- New global competitors will emerge with domestic base in China, India, South Korea and Russia