Ladies and gentlemen, shareholders and employees

2010 - The year of recovery
2010 was the year in which demand recovered following nearly two years of decline. The turnaround came during the second quarter, when the order intake increased by 20 percent to slightly more than SEK 6 billion, a pace that was then maintained for the remainder of the year. At the end of the period, the order intake totaled SEK 23.9 billion, up 11 percent on 2009. The increase in demand was solid and included the majority of customer segments and regions. Particularly strong demand came from the food, pharmaceutical, oil and gas and refinery industries. In addition, Alfa Laval won its most substantial order for many years; an order for decanters for water purification in Chicago worth SEK 250 million.

With a rapid growth rate of the middle-class, India advanced its ranking during the year to become Alfa Laval’s third largest market after the US and China. However, of all the regions, the North American market posted the strongest growth for the year.

Revenues amounted to SEK 24.7 billion, a decline of 5 percent. Despite this, profitability improved, impacted by positive currency effects, a change in the product mix toward a larger proportion of aftermarket sales and efficient capacity utilization. The operating margin amounted to a very strong 18.9 percent, compared with 17.6 percent for 2009.

Acquisitions a key feature
Acquisitions are a key feature of creating value at Alfa Laval and an efficient and rapid method of building new positions in the market. 2010 was successful, with agreements that will add a total of 19 percent to annual sales, corresponding to SEK 4.6 billion.

The most significant was Aalborg Industries which, once it has received approval from authorities, will add SEK 3.3 billion to sales and strengthen Alfa Laval’s position in both the heat transfer market as well as the marine, and oil and gas industries. Aalborg is the world leader in marine boilers. Consolidation of this acquisition is expected to provide significant synergies both in respect of revenues and costs. In addition, it complements our existing offering to the marine market, while we also foresee opportunities for Aalborg’s products in the form of new markets and new applications.

The acquisition of Italian Olmi, which has net sales of SEK 700 million, formed another key component in Alfa Laval’s development as it provided new competence and new products including shell and- tube heat exchangers for industrial purposes.

In addition, we strengthened our position in the fluid handling area through the acquisition of Definox, market leader in France with valves for the food industry, and Si Fang, a local and leading supplier in China. We also acquired an Italian supplier of bag-in-box filling machinery named Astepo. Together, the three companies add about SEK 420 million in sales.

In the US, we acquired a key operator in the aftermarket for plate heat exchangers, as well as a leading supplier of heat exchangers for heavy vehicle diesel engines. Together these two companies will add SEK 200 million to our sales.

Revised growth target
The long term conditions and opportunities we see in our operating environment caused us to raise the growth target after year end. The new target means that the company’s sales should reach an average growth of at least 8 percent annually over a business cycle. This includes 3-4 percentage points added through smaller, complementary acquisitions. The previous growth target amounted to 5 percent.

The base of Alfa Laval’s profitable growth is still organic growth, which is supported by technology shifts that are beneficial to the company. In addition, structural changes in the world are contributing to increasing demand for Alfa Laval’s products. Globalization – which boosts demand for sea transportation, an increased demand for energy, increasing demand
for foodstuffs due to improved living standards and more stringent environmental laws and regulations, all comprise driving forces that are expected to boost demand. To this should be added acquisitions that complement the business in terms of products, geographies or by adding new sales channels.

Environmental issues and sustainability
Alfa Laval’s wide offering includes products and services that can both save energy and reduce emissions, with a vision of being able to create better everyday conditions for people. It is with our products and services that we can make the largest impact in the environmental area.

One example is the SEK 80 million order we secured in the US during the year. The order was for heat exchangers to be utilized in a process for cleaning gases in the world’s first full-scale integrated coal gasification combined-cycle (IGCC) power plant. IGCC is an environmental engineering solution that enables coal-fired power plants to generate extremely low emissions – wholly 99 percent of sulfur dioxide is removed and up to 65 percent of carbon dioxide captured. Other examples include our decanters which daily clean the water of hundreds of millions of people and that we, together with Haldex, has a product that can clean the crankcase gases from trucks.

The vision of creating better everyday conditions for people is however not limited just to our products; it includes all aspects of our operations. Aside from Alfa Laval being guided by financial goals, we are also guided by our business principles, which define our approach to our environmental impact, our social responsibility, our business ethics and our transparency. That means that we continually work on initiatives to cut our own energy consumption and carbon dioxide emissions, and that we also carry out inspections at our suppliers, with a special focus on environmental impact and social responsibility in India, China, Mexico and Eastern Europe and that we educate our employees in business ethics.

Diversity
82 nationalities work within Alfa Laval, and 19 percent of our employees are women. Among managers that report to a person in Group management, there are 28 different nationalities and 17 percent of them are women. This can be compared with the 19 percent for the Alfa Laval Group as a whole. To narrow that gap is a priority.

The share and shareholders
In 2010 the Alfa Laval share price rose by more than 40 percent and, toward the end of the year, posted a new top notation that surpassed the record from 2007. At the end of the year, Alfa Laval’s market capitalization amounted to nearly SEK 60 billion, a doubling over a period of three years. At the same time, it is pleasing to note that the number of shareholders has nearly tripled over a five-year period to more than 33,500.

Continued belief in long-term drivers
In the long-term, structural changes will drive development in energy, the environment and food, which are core areas for Alfa Laval. Over the past five years, with this in mind, we have substantially increased our investment in research and development, with particular focus on energy and the environment.

These drivers apply globally, in varying degrees, but perhaps primarily in rapidly growing economies such as China, India, Brazil and Russia, markets that we deem to have substantial, long-term development opportunities. We have therefore continued to invest in an increased presence in the BRIC countries. Following the acquisition of Aalborg, in excess of 50 percent of Alfa Laval’s order intake will stem from Asia, Latin America and Eastern Europe.

With new, efficient products – the final result of our investment in R&D – combined with a strong geographic presence, the foundations are laid for continued profitable growth.
Break for product demonstration

A few hours ago we released earnings for the first three months of 2011. The report shows that Alfa Laval has had a continued good development.

Order intake in absolute numbers, totaled 6.5 billion kronor, an increase of about 27 percent compared with the first quarter of last year. Revenues reached 5.9 billion kronor. The operating profit amounted to 1.1 billion kronor, corresponding to an operating margin of 19.2 percent.

Our forecast for the nearest future:
“We expect demand during the second quarter 2011 to be somewhat higher than the second quarter of 2010.”

I would like to conclude by giving a full and sincere thank you to all the employees of the Alfa Laval Group for their contribution to building a successful company.

THANK YOU!