Service trends, offering and markets

Peter Norrby, Segment manager
Service – Process Technology
What you need is not only in the box!

Parts

Service execution
Importance of Service

- Growth drivers
- Flexible offering for a complex world
- Focus areas – moving forward
Importance of Service
– a win/win concept

Alfa Laval revenues
* 1998 initial investment 58k€/unit
* Service – life time 210k€/unit

Customer peace of mind
* 3 days with reduced capacity: 450k€ !

~4 x original investment
Importance of Service
To the customer

To what extent is your purchasing decision influenced by the after market service of the potential supplier?

Source: Brand study by GfK market research institute
Importance of Service
– to Alfa Laval – life cycle management

New Installation
- Evaluate
- Order
- Receive

R&D

Start Up
- Maintenance
- Support
- Improvements

Installed base

Alfa Laval Capital Sales

Alfa Laval Service

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Importance of Service
– to Alfa Laval – stability over the business cycle

Orders received


Service  Capital Sales
Importance of Service
– to Alfa Laval – growing the business

Headcount development

2005: 1,660
2013: 3,140
+89%

Order development (MSEK)

2005: 3,884*
2013: 8,144*
+110%
CAGR 9.7%

* Statutory rate, 2013

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Importance of Service

- Process Technology Division
  - End-customer focus, life-cycle commitment

- Equipment Division
  - E-business, distributors, authorized service providers

- Marine & Diesel Division
  - End-customer focus, life-cycle commitment
Importance of Service

Growth drivers

Flexible offering for a complex world

Focus areas – moving forward
Growth drivers
– Installed base
Growth drivers
– Installed base
Growth drivers
– Installed base – product service potential

Service revenue potential relative to initial equipment revenue

Decanters x 1.5 of initial equipment revenue

Pumps and valves x 2.5

Separators x 4

Plate heat exchangers x 1-7
Growth drivers
– Installed base – customer needs

By industry

By application

By geography
Growth drivers
– Service potential

Product mix
Industry mix
Application mix
Geographical mix

Product related
Customer-needs related
Importance of Service

Growth drivers

Flexible offering for a complex world

Focus areas – moving forward
Flexible offering for a complex world

– Presence

- Large & mature installed base (IB)
- Fast growing markets and established niche applications
- IB that is growing rapidly

Service centres
107

Service engineers/technicians
~1,500

Total Service
~3,150

~8,150 MSEK
Flexible offering for a complex world
– Distribution of spare parts

Region Americas
Region Europe
Region Asia

>300,000 parts

>42,000 stocked

400,000 orders

1.2 million Order lines*

Distribution centre
* Order line = article number

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Flexible offering for a complex world

360° Service Portfolio

Individually tailored service packages
Flexible offering for a complex world
– Customization – customer case

A Brazilian sugar and ethanol plant entering a four-year Performance Agreement

Results

* First ever downtime-free season
* Savings on maintenance costs
* Increased efficiency
  - reduced energy consumption
  - training of operators

<table>
<thead>
<tr>
<th>Savings</th>
<th>Value</th>
<th>How</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance cost savings</td>
<td>44 k€</td>
<td>Eliminated unplanned stoppages</td>
</tr>
<tr>
<td>Energy savings</td>
<td>14 k€</td>
<td>High speed separator upgrades</td>
</tr>
<tr>
<td>Process savings</td>
<td>43 k€</td>
<td>Training program</td>
</tr>
<tr>
<td>Total annual saving</td>
<td>100 k€</td>
<td></td>
</tr>
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</table>
Importance of Service

Growth drivers

Flexible offering for a complex world

Focus areas – moving forward
Focus areas moving forward
– Creating Service growth

- Sell Services
- Current Service business
- Cover the installed base
Focus areas moving forward
– Cover the installed base

Marine Business Finder

<table>
<thead>
<tr>
<th>Ship owner Germany</th>
<th>New Separator range</th>
<th>Old Separator range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential sales (k€)</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Coverage (Act vs Potential)</td>
<td>70%</td>
<td>110%</td>
</tr>
<tr>
<td>Kit share (Kits vs Total)</td>
<td>70%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Launch of new products, for example Alfa Laval PureDry
Focus areas moving forward
– Creating Service growth

Sell Services

Current Service business

Cover the installed base
Focus areas moving forward
– Sell services – climbing the service ladder

- Parts
- Ad-hoc service
- Fixed price service
- Performance agreement

Life cycle cost

Low

High

Uptime

Low

High

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Summary

- Long-term stable revenue generation with healthy margins
- Customer satisfaction, insight & loyalty
- Increasing installed base and presence give good opportunities for continued growth
Extending performance