

SPX Corporation

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Overview

SPX Corporation is a global multi-industry manufacturer. Based in Charlotte, NC, USA SPX employs over 17,000 people in more than 35 countries. It organises its activities into four divisions:

- Flow Technology
- Test and Measurement
- Thermal Equipment and Services
- Industrial Products and Services.

The SPX product portfolio includes pumps, valves, metering and mixing solutions, air filtration and dehydration products, special service tools, diagnostic systems and testing equipment, cooling towers, air-cooled condensers, boilers and residential heating products, TV and radio broadcast antennas, and power transformers. Markets include food and beverage, personal care, power and energy, test and measurement, general industrial, refrigeration, HVAC (heating, ventilation and air conditioning), process industries and transportation.

The businesses in the Flow Technology segment design, manufacture and market solutions and products used to process, blend, meter and transport fluids, as well as air and gas filtration and dehydration products.

- SPX Process Equipment supplies highly engineered process components and solutions for a variety of applications found in both sanitary and industrial markets. Pump products include positive displacement, diaphragm, screw, gear, centrifugal and bilge pumps.
- SPX Dehydration and Filtration manufactures filters, products and systems to remove moisture and contaminants from air, gas, fuel, lubricating oil and insulating fluids.
- SPX Flow Control develops solutions for applications found in general industrial, oil and gas, power generation and pulp and paper applications. Valve products include globe, control, gate, butterfly, ball, and surge relief valves.
- APV supplies food, dairy, beverage and healthcare industry customers with pumps, valves, homogenizers and heat exchangers.

SPX Process Equipment has accumulated a number of pump brands:

- Bran + Luebbe
- Johnson Pump
- Plenty Mirrlees

- Waukesha Cherry-Burrell

Bran + Luebbe manufactures proportioning and process pump systems as well as analyzing equipment. Products include metering pumps; process pumps and mixers; process systems, and analyzers. Markets span a variety of industries, although Bran + Luebbe has been particularly successful in the development of metering pump packages for the oil and gas sector.

Johnson Pump manufactures a range of pumps in five production facilities. In its Belgian factory, Johnson manufactures a complete range of internal gear pumps, in stainless steel and cast iron. A factory in Ahmedabad, India, manufactures components for the European factories as well as centrifugal pumps for the local market. A factory in Assen, The Netherlands, makes centrifugal pumps in multistage, self-priming, mag drive pumps and submersible formats. Johnson Pump, Örebro, Sweden, manufactures flexible impeller pumps marine and industrial use. Rotary lobe, small internal gear and centrifugal pumps are also produced here. Finally, a production plant in Chicago is focused on marine pumps such as submersible bilge pumps, water pressure system pumps, and macerator pumps.

Plenty Mirrlees Pumps is a UK specialist in rotary positive displacement pumps for the oil processing, petrochemical processing, power generation, marine, defense, sugar and general industries. The product range includes two-screw, three-screw, and the unique 2000 series rotary pumps. The company also manufactures specialist lobe pumps for the sugar industry.

Waukesha Cherry-Burrell, headquartered in Delavan, WI, USA, is a major supplier of component equipment including pumps, valves, fittings, and heat exchangers to a wide variety of industries around the world including: food, dairy, beverage, pharmaceutical, personal care, pulp and paper, automotive paint, hydro-carbon processing, films, coatings and adhesives. Pumps products include rotary positive displacement, both external circumferential piston (ECP) and lobe, high-pressure plunger, centrifugal, and gear; includes cleanable-in-place (CIPable) and aseptic models.

There is some overlap in product and market coverage between the Process Equipment division and the APV unit. APV offers a complete range of hygienic pumps for applications in dairy technology, brewery and beverage, pharmaceutical and chemical industries. The APV pump range includes high efficiency centrifugal pumps, self priming pumps and rotary lobe pumps. The company makes a feature of the quiet operation of their pumps.

History

SPX was founded in 1911 in Muskegon, MI, USA as The Piston Ring Company. The company name was changed to Sealed Power Corporation in 1931. SPX adopted its current name in 1988 in the same year as it acquired General Signal Corporation (less General Signal's pump division which had been sold to Pentair the year before, see page 133). The acquisition of General Signal marked the transformation of SPX to a multi-industry company and jump-started the company's geographic expansion. In 2001 the acquisition of United Dominion Industries doubled the size of SPX and introduced pumps to the corporate portfolio, in the form of Waukesha Cherry-Burrell, an important United Dominion subsidiary and Bran + Luebbe (acquired by United Dominion from a private investment group in 1999; Bran + Luebbe had previously been acquired from Tetra Laval in a leveraged buyout in 1993).

Waukesha Cherry-Burrell today is the result of a decade of acquisitions and mergers. In 1990, Cherry-Burrell Food Equipment, Cedar Rapids, IA, was divisionalized into packaging, fluid

handling and process equipment. Waukesha Pumps (positive displacement pumps), Superior Stainless (fittings, valves and centrifugal pumps) and Cherry-Burrell Fluid Handling (fittings and valves) merged to form Waukesha Fluid Handling, headquartered in Delavan, WI.

Cherry-Burrell Process Equipment, Cedar Rapids, IA, (components and skidded systems) and Little Falls, NY (tanks) merged with Anco-Votator, Louisville, KY (heat exchangers) and kept the Cherry-Burrell Process Equipment name.

In 1992, Waukesha Fluid Handling acquired Bredel (peristaltic hose pumps), Delden, The Netherlands. The company also purchased 51% of Puriti (valves and centrifugal pumps) in Mexico. The Waukesha Cherry-Burrell company was formed in 1995 when Waukesha Fluid Handling merged with Cherry-Burrell Process Equipment. Also that year, the company completed 100% acquisition of Puriti. Bredel was divested to Spirax Sarco in 1996 (see page 147) and the Little Falls facility was sold in 1997.

In 2001, SPX acquired the Plenty Group from Smiths Group plc and incorporated it in its Lightnin mixer business.

In 2003, Bran+Luebbe, Lightnin, and Waukesha Cherry-Burrell merged to form SPX Process Equipment. The new organization, with its global network of stocking distributors and manufacturing representatives, is committed to offering a complete line of quality products and services for customers worldwide.

Johnson Pump was founded in Sweden in 1968 and originally specialized in making flexible impeller pumps for the marine market. By 1970 the operations were divided into industrial and marine markets and international sales companies were established. In 1990 Johnson acquired Mayfair Marine in the USA, a maker of marine pumps. In 1996 Johnson acquired the standard pumps operations of Dutch company Stork's Pumps Division, absorbing a business twice its own size. Johnson's parent company changed its name to AB Custos at the start of 2006 and SPX acquired Custos in November 2006.

With effect from December 31, 2007, SPX acquired APV from Invensys plc for £250 million. APV had been founded by Dr Richard Seligman in 1910 as the Aluminium Plant & Vessel Company Limited, a specialist fabricating firm supplying welded vessels to the brewery and vegetable oil trades. The company grew through many acquisitions (Gaulin, 1972; Crepaco, 1973; Rosista, 1986; Baker, Perkins, Pasilac, & Rannie, 1987; Technohoy & Gadan Group, 1993; Steridose, 1996) and expanded from a total staff of seven to an international engineering business with 2750 employees. APV was itself taken over in 1997 by Siebe plc. In February 1999, Siebe merged with BTR plc to form Invensys plc.

At the end of 2007, APV had an order backlog of US\$ 363.5 million and had recorded revenues of US\$876.0 million, US\$753 million and US\$700 million in 2007, 2006 and 2005 respectively.

Comment

2007 was SPX's third consecutive year of improvement in revenues and operating income. Specifically, revenues and operating income for 2007 were higher than 2006 by 15.7% and 32.6%, respectively. The increase in revenues was driven primarily by organic growth. There was strong demand in the power, chemical, mining, oil and gas, sanitary and dehydration markets serviced by businesses in the Flow Technology segment. Revenues for 2007 also benefited from the fourth quarter 2006 acquisition of Aktiebolaget Custos (the parent company of Johnson Pumps).

The biggest challenge in 2008 will be the integration of the APV acquisition as there is significant overlap between APV's products and those of other Flow Technology companies. The company is projecting strong revenue and profit growth as a result of this acquisition and continued organic growth is expected within the end markets served by the Flow Technology segment. However, operating margins are expected to be lower in 2008 as APV historically has generated operating margins below those experienced by the rest of the segment's product lines. This should improve as benefits accrue from product and manufacturing rationalization.

The acquisition of APV also expands SPX's reach into emerging markets, as approximately 37% of APV's annual revenues are associated with sales into Asia Pacific, Africa and South America. In 2008, over 50% of SPX's consolidated revenues are expected to be from sales outside the US, with over 20% outside of North America and Western Europe.

SPX is looking to expand its low-cost country engineering and manufacturing presence. APV already maintains a 32,000 square foot manufacturing facility in Bydgoszcz, Poland, and is constructing an additional 113,000 square foot facility at the same location. SPX will look to gain from this experience, as well as that of Johnson Pump's operations in Ahmedabad, India.

In the long term it will be interesting to see how SPX chooses to organise its pump operations. It owns a variety of technologies and serves a rather diverse set of markets. This complex product/customer matrix is an organisational challenge though. It can be a mistake to separate production too far from sales and the customer but the greatest efficiency gains will come from a centralized manufacturing network, with global purchasing efficiencies. It would certainly seem essential to have some rationalization of the hygienic equipment operations.

Table 34

SPX Corporation: key figures (US\$ million)

	2007	2006	2005	2004	2003
Order backlog (31.12) excluding APV	2261.7	1933.3			
Of which Flow Technology	367.2	314.7			
Net sales	4822	4168	3730	3509	3131
Of which Flow Technology	1121	866	776		
Operating income	425.6	320.9	263.9	49.6	304.9
Of which Flow Technology	177.2	133.2	102.2		
Net profit (loss)	294.2	170.7	1090.0	(17.1)	236.0
Number of employees (31.12)	17800	14300	15100		
R&D expense	70.3	61.4	56.3		
Interest expense (net)	71.1	50.2	164.1	154.1	187.7
Total debt/equity ratio	0.79	0.46	0.37	1.19	1.27