Second quarter 2012

Summary

SEK millions	Second quarter 2012	2011	%	% *	First six months 2012	2011	%	% *
Order intake	7,904	7,424	6	3	15,799	13,879	14	11
Net sales	7,811	7,033	11	7	14,642	12,932	13	11
Adjusted EBITA	1,289	1,335	-3		2,417	2,469	-2	
- adjusted EBITA margin (%)	16.5	19.0			16.5	19.1		
Result after financial items	1,107	1,175	-6		2,127	2,182	-3	
Net income for the period	721	811	-11		1,456	1,537	-5	
Earnings per share (SEK)	1.71	1.92	-11		3.45	3.63	-5	
Cash flow **	640	669	-4		1,677	1,107	51	
Impact on EBITA of:								
- foreign exchange effects	12	-189			-13	-274		
Impact on result after financial items of:								
- Aalborg integration costs	-	-80			-	-80		

* excluding exchange rate variations ** from operating activities

Comment from Lars Renström, President and CEO

"Order intake was SEK 7.9 billion during the second quarter, an increase with 6 percent compared to the corresponding quarter 2011. Sequentially the order intake was unchanged.

The demand for the Process Technology division remained on a continued high level. The demand was strongest from the process industry. The Equipment division achieved growth at the end of the quarter due to seasonality. In the Marine & Diesel division good demand from the aftermarket and land based diesel power stations partly mitigated the downturn in capital sales to the shipbuilding industry.

All regions in Europe achieved growth compared to 2011 due to several larger orders and an unchanged base business.

Sales increased by 11 percent to SEK 7.8 billion at the same time as the operating result was SEK 1.3 billion, corresponding to an operating margin of 16.5 percent.

Compared to last year the operating margin was negatively affected by product mix and lower capacity utilization in some factories. The operating margin was unchanged compared to the first quarter."

Outlook for the third quarter

"We expect that demand during the third quarter 2012 will be on about the same level as in the second quarter."

Earlier published outlook (April 23, 2012): "We expect that demand during the second quarter 2012 will be on about the same level as in the first quarter, excluding large orders."

The interim report has not been subject to review by the company's auditors.

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Management's discussion and analysis

Important events during the second quarter

During the second quarter 2012 Alfa Laval received large orders[1] for more than SEK 600 (500) million:

- An order to supply fresh water generators to an oil platform in the North Sea. The order is worth approximately SEK 50 million. Delivery is scheduled for 2012.
- An order to supply Alfa Laval plate heat exchangers to a fertilizer producer in Morocco. The order value is approximately SEK 75 million. Delivery is scheduled to start during 2012 and be finalized in 2014.
- An order from a Korean engineering company to supply heat exchangers for a natural gas project in Saudi Arabia. The order value is approximately SEK 80 million and delivery is scheduled for 2013.
- An order from a Technip Samsung Consortium (TSC) to supply Alfa Laval equipment to Shell's Prelude FLNG (floating liquefied natural gas) facility. Alfa Laval is unable to disclose the exact value of the order due to a confidentiality agreement.
- An order to supply a complete Dried Distillers Grains with Solubles (DDGS) process line to one of the biggest distilleries in Russia. The order value is approximately SEK 60 million and delivery is scheduled for 2013.
- An order to supply of Alfa Laval Packinox heat exchangers from a refinery in South Korea. The order value is about SEK 120 million and delivery is scheduled for 2013.
- An order for Alfa Laval Packinox heat exchangers from a refinery in South Korea. The order value is about SEK 60 million and delivery is scheduled for 2013.
- An order to supply a unique evaporation system to an AkzoNobel chemical plant in Germany. The order is worth approximately SEK 60 million and delivery is scheduled for 2013.

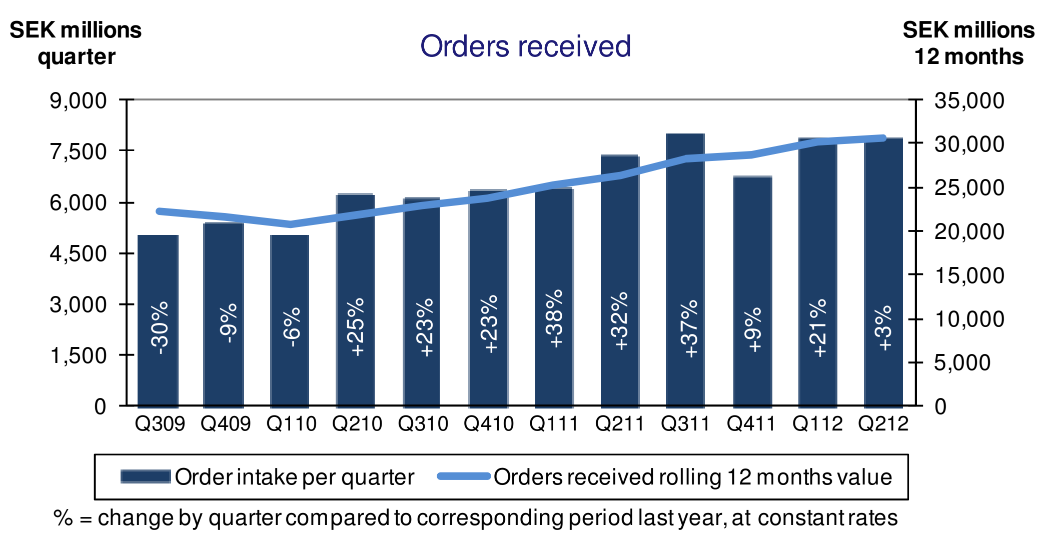
In addition it can be noted that Alfa Laval:

- increased the ownership in Alfa Laval (India) Ltd to 97.0 percent,
- on June 30, 2012 has acquired the US based company Vortex Systems, a leading manufacturer of innovative mixing and blending solutions for the oil & gas industry.

Order intake

Orders received amounted to SEK 7,904 (7,424) million for the second quarter and to SEK 15,799 (13,879) million for the first six months.

Compared with earlier periods the development per quarter has been as follows.



1. Orders with a value over EUR 5 million.

The change compared with the corresponding periods last year can be split into:

Consolidated	Order intake 2011 SEK millions	Excluding currency effects: Structural change [2] (%)	Excluding currency effects: Organic development [3] (%)	Excluding currency effects: Total (%)	After currency effects: Currency effects (%)	After currency effects: Total (%)	Order intake 2012 SEK millions
Second quarter	7,424	4.1	-1.2	2.9	3.6	6.5	7,904
First six months	13,879	8.8	2.5	11.3	2.5	13.8	15,799

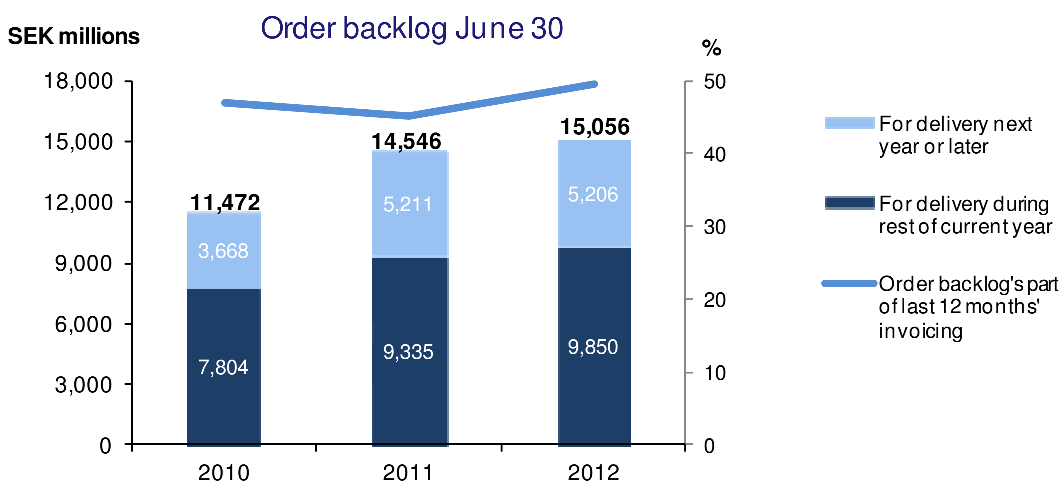
Order bridge — Change

Compared to the previous quarter the Group's order intake excluding currency effects was 1.2 percent lower. The corresponding organic development was also a decrease by 1.2 percent.

Orders received from the aftermarket Parts & Service constituted 25.8 (25.1) percent of the Group's total orders received during the second quarter and 26.0 (25.9) percent during the first six months.

Excluding currency effects, the order intake for Parts & Service increased by 4.7 percent during the second quarter 2012 compared to the corresponding quarter last year and decreased with 3.1 percent compared to the previous quarter.

Order backlog



Excluding currency effects and adjusted for acquisition of businesses the order backlog was 1.1 percent higher than the order backlog at June 30, 2011 and 8.2 percent higher than the order backlog at the end of 2011.

2. Acquired businesses are: Aalborg Industries at May 1, 2011, a service company in the US at May 1, 2011 and Vortex Systems at June 30, 2012.
3. Change excluding acquisition of businesses.

Net sales

Net invoicing was SEK 7,811 (7,033) million for the second quarter and SEK 14,642 (12,932) million for the first six months. The change compared with the corresponding periods last year can be split into:

Sales bridge

Consolidated	Net sales 2011 SEK millions	Change: Excluding currency effects – Structural change (%)	Organic development (%)	Total (%)	Change: After currency effects – Currency effects (%)	Total (%)	Net sales 2012 SEK millions
Second quarter	7,033	3.5	3.7	7.2	3.9	11.1	7,811
First six months	12,932	7.0	3.6	10.6	2.6	13.2	14,642

Compared to the previous quarter the Group's net invoicing excluding currency effects was 13.0 percent higher. The corresponding organic development was an increase by 13.0 percent.

Net invoicing relating to Parts & Service constituted 26.0 (25.8) percent of the Group's total net invoicing in the second quarter and 26.8 (26.3) percent in the first six months.

Excluding currency effects, the net invoicing for Parts & Service increased by 7.3 percent during the second quarter 2012 compared to the corresponding quarter last year and with 5.6 percent compared to the previous quarter.

Income

CONSOLIDATED COMPREHENSIVE INCOME

SEK millions	Second quarter 2012	Second quarter 2011	First six months 2012	First six months 2011	Full year 2011	Last 12 months
Net sales	7,811	7,033	14,642	12,932	28,652	30,362
Cost of goods sold	-5,042	-4,254	-9,366	-7,853	-17,829	-19,342
Gross profit	2,769	2,779	5,276	5,079	10,823	11,020
Sales costs	-918	-855	-1,816	-1,634	-3,410	-3,592
Administration costs	-346	-372	-671	-639	-1,601	-1,633
Research and development costs	-180	-165	-338	-315	-648	-671
Other operating income *	85	65	170	167	403	406
Other operating costs *	-242	-306	-445	-462	-876	-859
Operating income	1,168	1,146	2,176	2,196	4,691	4,671
Dividends and changes in fair value	0	1	1	3	0	-2
Interest income and financial exchange rate gains	-57	256	55	374	436	117
Interest expense and financial exchange rate losses	-4	-228	-105	-391	-451	-165
Result after financial items	1,107	1,175	2,127	2,182	4,676	4,621
Taxes	-386	-364	-671	-645	-1,425	-1,451
Net income for the period	721	811	1,456	1,537	3,251	3,170
Other comprehensive income:						
Cash flow hedges	-64	-90	-40	54	-335	-429
Translation difference	0	185	-233	-324	-206	-115
Deferred tax on other comprehensive income	-5	54	-3	41	120	76
Comprehensive income for the period	652	960	1,180	1,308	2,830	2,702
Net income attributable to:						
Owners of the parent	718	804	1,448	1,522	3,223	3,149
Non-controlling interests	3	7	8	15	28	21
Earnings per share (SEK)	1.71	1.92	3.45	3.63	7.68	7.51
Average number of shares	419,456,315	419,456,315	419,456,315	419,456,315	419,456,315	419,456,315
Comprehensive income attributable to:						
Owners of the parent	646	960	1,167	1,300	2,812	2,679
Non-controlling interests	6	0	13	8	18	23

* The line has been affected by comparison distortion items, see separate specification on page 7.

The gross profit has been affected by a negative mix effect compared to both the previous quarter and the corresponding period last year. In addition, the gross margin in the quarter has been affected among others by a lower utilisation in certain factories. Aalborg Industries' cost accounting has also been adapted to Alfa Laval principles with a resulting shift of the costs to cost of goods sold.

Sales and administration expenses amounted to SEK 1,264 (1,227) million during the second quarter and SEK 2,487 (2,273) million during the first six months 2012. Excluding currency effects and acquisition of businesses, sales and administration expenses were 2.7 percent lower and 1.3 percent higher respectively than the corresponding periods last year. The decrease in the quarter is a result of the measures initiated at the end of 2011.

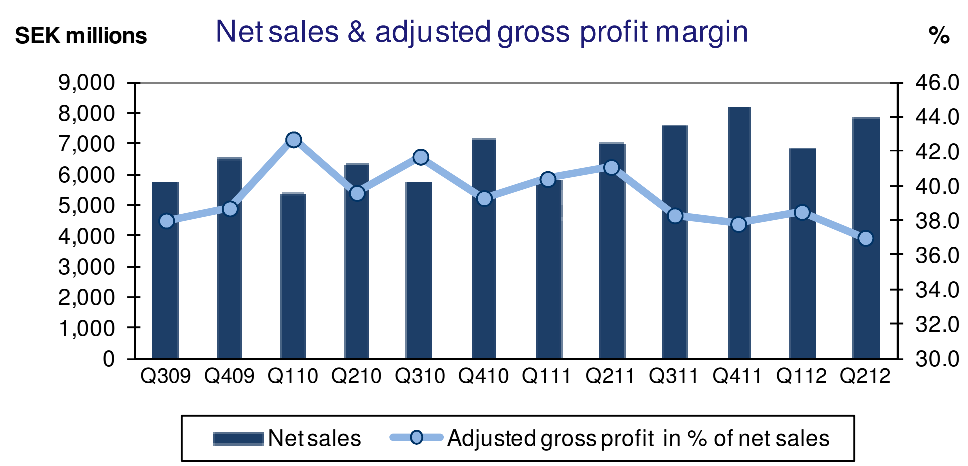
The costs for research and development during the first six months 2012 corresponded to 2.3 (2.4) percent of net sales. Excluding currency effects and acquisition of businesses, the costs for research and development have increased by 7.9 percent during the second quarter and by 4.7 percent during the first six months 2012 compared to the corresponding periods last year. The increase in the quarter as well as the first six months is entirely in line with the established plan for product development.

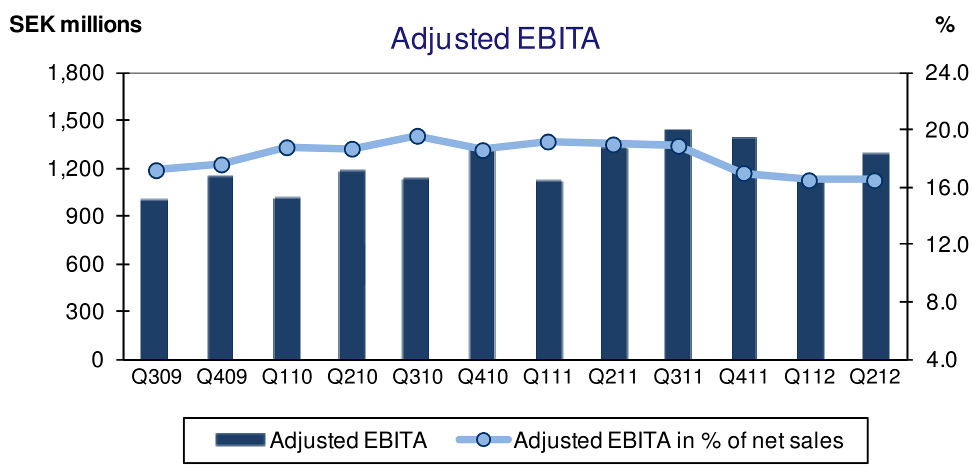
The net income attributable to the owners of the parent, excluding depreciation of step-up values and the corresponding tax, is SEK 3.85 (3.94) per share for the first six months 2012.

Income analysis

Consolidated	Second quarter		First six months		Full year	Last 12
SEK millions	2012	2011	2012	2011	2011	months
Net sales	7,811	7,033	14,642	12,932	28,652	30,362
Adjusted gross profit *	2,890	2,888	5,517	5,272	11,249	11,494
- in % of net sales	***37.0***	***41.1***	***37.7***	***40.8***	***39.3***	***37.9***
Expenses **	-1,489	-1,447	-2,878	-2,593	-5,513	-5,798
- in % of net sales	*19.1*	*20.6*	*19.7*	*20.1*	*19.2*	*19.1*
Adjusted EBITDA	**1,401**	**1,441**	**2,639**	**2,679**	**5,736**	**5,696**
- in % of net sales	*17.9*	*20.5*	*18.0*	*20.7*	*20.0*	*18.8*
Depreciation	-112	-106	-222	-210	-449	-461
Adjusted EBITA	**1,289**	**1,335**	**2,417**	**2,469**	**5,287**	**5,235**
- in % of net sales	***16.5***	***19.0***	***16.5***	***19.1***	***18.5***	***17.2***
Amortisation of step up values	-121	-109	-241	-193	-426	-474
Comparison distortion items	-	-80	-	-80	-170	-90
Operating income	1,168	1,146	2,176	2,196	4,691	4,671

* Excluding amortisation of step up values. ** Excluding comparison distortion items.





Comparison distortion items

The operating income for the second quarter 2012 has been affected by comparison distortion items of SEK - (-80) million. When applicable these are reported gross in the comprehensive income statement as a part of other operating income and other operating costs.

The comparison distortion cost during the second quarter 2011 of SEK -80 million is related to non-recurring integration costs in connection with the acquisition of Aalborg Industries.

Consolidated	Comparison distortion items					
	Second quarter		First six months		Full year	Last 12
SEK millions	2012	2011	2012	2011	2011	months
Operational						
Other operating income	85	65	170	167	403	406
Comparison distortion income	-	-	-	-	-	-
Total other operating income	85	65	170	167	403	406
Other operating costs	-242	-226	-445	-382	-706	-769
Comparison distortion costs	-	-80	-	-80	-170	-90
Total other operating costs	-242	-306	-445	-462	-876	-859

Consolidated financial net

The financial net has amounted to SEK -72 (-48) million, excluding realised and unrealised exchange rate losses and gains. The main elements of costs were interest on debt to the banking syndicate of SEK -11 (-10) million, interest on the bilateral term loans SEK -45 (-16) million, interest on the private placement of SEK -9 (-8) million and a net of dividends and other interest income and interest costs of SEK -7 (-14) million. The net of realised and unrealised exchange rate differences amounts to SEK 23 (34) million.

Key figures

Consolidated	Key figures		
	June 30		December 31
	2012	2011	2011
Return on capital employed (%) *	27.8	35.0	31.3
Return on equity capital (%) *	21.8	24.1	22.9
Solidity (%) **	41.2	38.5	43.9
Net debt to EBITDA, times *	0.80	0.92	0.59
Debt ratio, times **	0.32	0.36	0.22
Number of employees **	15,998	15,827	16,064

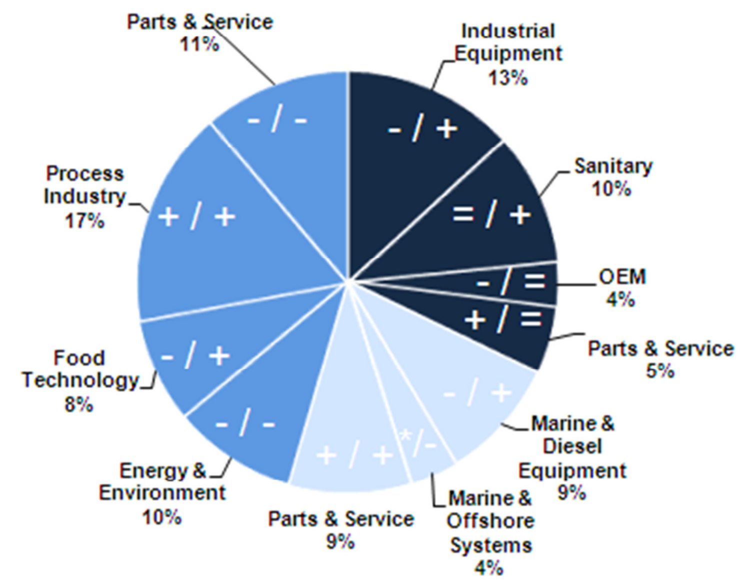
* Calculated on a 12 months' revolving basis. ** At the end of the period.

Business divisions

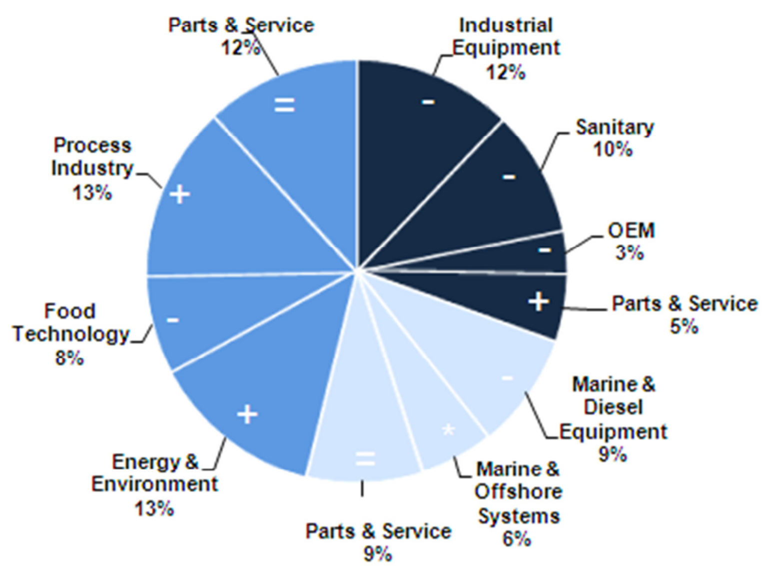
Starting at January 1, 2012 a new business division Marine & Diesel has been added to Alfa Laval's two business divisions up till now Equipment and Process Technology. It consists of the absolutely greater part of the acquired Aalborg Industries that deals with marine applications and the former business segment Marine & Diesel and the marine part of Parts & Service from the Equipment division. The residual part of Aalborg Industries is included in Process Technology.

The development of the order intake for the divisions and their customer segments appears in the following charts.

Orders received by customer segment Q2 2012



Orders received by customer segment YTD 2012



\+ increase

\- decrease

= unchanged (+/- 3 %)

Q2 2012 compared to:
Q2 2011 / Q1 2012,
YTD 2012 compared to:
YTD 2011
at constant rates adjusted for acquisition of businesses

Equipment

Process Technology

Marine & Diesel

* New customer segment, no corresponding period last year exists.

Equipment division

Consolidated SEK millions	Second quarter 2012	Second quarter 2011	First six months 2012	First six months 2011	Full year 2011	Last 12 months
Orders received	2,573	2,578	4,912	4,894	9,508	9,526
Order backlog*	1,710	1,712	1,710	1,712	1,385	1,710
Net sales	2,363	2,321	4,596	4,514	9,447	9,529
Operating income**	355	373	641	704	1,278	1,215
Depreciation and amortisation	41	38	80	76	156	160
Investments	14	25	24	38	67	53
Assets*	6,162	6,950	6,162	6,950	6,018	6,162
Liabilities*	915	1,414	915	1,414	1,063	915
Number of employees*	2,829	3,270	2,829	3,270	2,799	2,829

* At end of period. ** In management accounts.

Consolidated	Change excluding currency effects					
	Order intake			Net sales		
%	Structural change	Organic development	Total	Structural change	Organic development	Total
Q2 2012/2011	0.5	-4.2	-3.7	0.3	-1.9	-1.6
Q2/Q1 2012	-	8.7	8.7	-	4.5	4.5
YTD 2012/2011	0.6	-2.6	-2.0	0.5	-0.9	-0.4

All comments below are excluding exchange rate fluctuations.

Order intake

Order intake for the division was up notably in the second quarter, compared to the first, driven by a positive development for both Sanitary and Industrial Equipment.

Sanitary showed continued growth compared to the previous quarter, due to a strong development for food & beverage, combined with a good recovery for pharmaceuticals and personal care. The base business* showed continued strength. Healthy volumes were maintained in Western Europe, North America and Latin America. In North America demand was driven by investments in increased capacities for yoghurt manufacturing while the Chinese dairy industry remained without large projects. Industrial Equipment increased significantly compared to the first quarter, mainly due to the seasonality of the HVAC business and a number of projects that were booked in the quarter. The refrigeration market unit also reported some continued growth, even as demand was on the weak side in the Nordic and Benelux countries, which limited the upside. OEM was unchanged compared to the first quarter. Demand from boiler and HVAC manufacturers grew, in spite of a slow start to the season. Demand from heat pump manufacturers was good and up compared to the first quarter, whereas the order intake from markets for air conditioning and industrial refrigeration decreased. The best performance was seen in China and Western Europe.

In Parts & Service order intake was unchanged compared to the first quarter. The BRIC markets reported good growth, as did the markets in Western and Central Europe.

Operating income

The reduction in operating income for Equipment during the second quarter 2012 compared to the corresponding period last year is mainly explained by higher costs and a lower production pace in certain factories, mitigated by a positive price/ mix variation.

* Base business and base orders refer to orders with an order value of less than EUR 0.5 million.

Process Technology division

Consolidated	Second quarter		First six months		Full year	Last 12
SEK millions	2012	2011	2012	2011	2011	months
Orders received	3,553	3,321	7,153	6,189	12,738	13,702
Order backlog*	7,936	7,010	7,936	7,010	6,889	7,936
Net sales	3,366	2,951	6,144	5,450	12,160	12,854
Operating income**	650	642	1,151	1,166	2,506	2,491
Depreciation and amortisation	56	57	111	113	208	206
Investments	24	28	43	48	127	122
Assets*	9,213	9,188	9,213	9,188	9,500	9,213
Liabilities*	4,368	4,378	4,368	4,378	4,167	4,368
Number of employees*	4,552	4,406	4,552	4,406	4,531	4,552

* At end of period. ** In management accounts.

Consolidated	Change excluding currency effects					
	Order intake			Net sales		
	Structural	Organic		Structural	Organic	
%	change	development	Total	change	development	Total
Q2 2012/2011	0.8	2.9	3.7	1.6	9.2	10.8
Q2/Q1 2012	-	-2.5	-2.5	-	20.1	20.1
YTD 2012/2011	1.3	11.8	13.1	1.9	8.8	10.7

All comments below are excluding exchange rate fluctuations.

Order intake

Order intake in the second quarter was in line with the strong level of the previous quarter as demand from energy-related applications continued to support the development. Geographically, Western Europe and Asia recorded significant growth while North America showed a decline compared to the previous quarter as large wastewater treatment orders taken in the first quarter were not repeated. The base business was stable and unchanged from the previous quarter.

Energy and Environment was below the previous quarter, which included several very large orders of a non-repeat nature. The market unit oil & gas was affected by challenging comparison numbers, still the overall investment sentiment in the sector is continuously favourable. Process Industry noted strong growth compared to the first quarter, for all areas of activity, but predominantly in the refinery sector in Asia and the Middle East. The market units natural resources and inorganics, metals and paper also showed good growth, to a large extent deriving from several larger orders taken primarily in Eastern and Western Europe. Food Technology showed an increase compared to the first quarter, particularly driven by the development in the beverage and viscous food markets. The market units for brewery and vegetable oil remained in line with the previous quarter.

Parts & Service was somewhat lower, since several very large orders of a non-repeat nature were booked in the first quarter. However, the underlying base business remained stable, not least in the energy and oil & gas related sectors.

Operating income

The increase in operating income for Process Technology during the second quarter 2012 compared to the corresponding period last year is mainly explained by an increased sales volume, mitigated by a changed mix in capital sales and delivery of lower margin contract orders.

Marine & Diesel division

Consolidated						
	Second quarter		First six months		Full year	Last 12
SEK millions	2012	2011	2012	2011	2011	months
Orders received	1,778	1,525	3,734	2,796	6,423	7,361
Order backlog*	5,410	5,824	5,410	5,824	5,462	5,410
Net sales	2,082	1,761	3,902	2,968	7,043	7,977
Operating income**	363	399	732	677	1,718	1,773
Depreciation and amortisation	57	42	113	63	196	246
Investments	9	0	13	0	44	57
Assets*	8,757	9,052	8,757	9,052	8,874	8,757
Liabilities*	2,304	2,706	2,304	2,706	2,256	2,304
Number of employees*	3,527	3,060	3,527	3,060	3,563	3,527

* At end of period. ** In management accounts.

Consolidated	Change excluding currency effects					
	Order intake			Net sales		
%	Structural change	Organic development	Total	Structural change	Organic development	Total
Q2 2012/2011	18.9	-6.4	12.5	11.7	1.2	12.9
Q2/Q1 2012	-	-10.4	-10.4	-	12.5	12.5
YTD 2012/2011	41.2	-10.7	30.5	26.5	0.6	27.1

All comments below are excluding exchange rate fluctuations.

Order intake
Order intake in the second quarter for the Marine & Diesel division was down compared to the previous quarter, mainly due to the non-repeat of a large order for boiler systems taken in the previous quarter.

In the Marine & Diesel Equipment segment, orders were up, supported by a significantly higher demand for land-based diesel power solutions. Demand for environmental solutions also grew while demand for marine capital equipment was on about the same level as in the first quarter. The financial stress in the industry among charterers, ship owners and shipyards continued and contracting of new vessels at the shipyards continued at a very low level during the quarter. Order intake for Marine & Offshore Systems was significantly lower in the second quarter than in the first as the large waste heat recovery order taken in the previous quarter was not repeated.

Order intake for Parts & Service showed a positive development compared to the previous quarter due to larger upgrading and repair orders.

Operating income
The decrease in operating income for Marine & Diesel during the second quarter 2012 compared to the corresponding period last year is mainly explained by higher costs due to acquisitions and lower margins on certain capital sales contracts mitigated by increased volume due to acquisitions.

Other

Other covers procurement, production and logistics as well as corporate overhead and non-core businesses.

Consolidated SEK millions	Second quarter 2012	Second quarter 2011	First six months 2012	First six months 2011	Full year 2011	Last 12 months
Orders received	0	0	0	0	2	2
Order backlog*	0	0	0	0	0	0
Net sales	0	0	0	0	2	2
Operating income**	-142	-143	-252	-225	-568	-595
Depreciation and amortisation	79	78	159	151	315	323
Investments	104	54	165	82	317	400
Assets*	5,599	5,447	5,599	5,447	5,178	5,599
Liabilities*	2,191	2,464	2,191	2,464	2,284	2,191
Number of employees*	5,090	5,091	5,090	5,091	5,171	5,090

* At end of period. ** In management accounts.

Reconciliation between divisions and Group total

Consolidated SEK millions	Second quarter 2012	Second quarter 2011	First six months 2012	First six months 2011	Full year 2011	Last 12 months
Operating income						
Total for divisions	1,226	1,271	2,272	2,322	4,934	4,884
Comparison distortion items	-	-80	-	-80	-170	-90
Consolidation adjustments *	-58	-45	-96	-46	-73	-123
Total operating income	1,168	1,146	2,176	2,196	4,691	4,671
Financial net	-61	29	-49	-14	-15	-50
Result after financial items	1,107	1,175	2,127	2,182	4,676	4,621
Assets **						
Total for divisions	29,731	30,637	29,731	30,637	29,570	29,731
Corporate	4,752	4,747	4,752	4,747	4,933	4,752
Group total	34,483	35,384	34,483	35,384	34,503	34,483
Liabilities **						
Total for divisions	9,778	10,962	9,778	10,962	9,770	9,778
Corporate	10,491	10,801	10,491	10,801	9,589	10,491
Group total	20,269	21,763	20,269	21,763	19,359	20,269

* Difference between management accounts and IFRS. ** At end of period.

Information about products and services

Consolidated	Net sales by product/service *					
	Second quarter		First six months		Full year	Last 12
SEK millions	2012	2011	2012	2011	2011	months
Own products within:						
Separation	1,795	1,522	3,325	3,000	6,345	6,670
Heat transfer	4,207	3,890	7,905	6,862	15,480	16,523
Fluid handling	720	726	1,450	1,483	3,006	2,973
Other	327	129	456	297	670	829
Associated products	382	428	840	685	1,881	2,036
Services	380	338	666	605	1,270	1,331
Total	7,811	7,033	14,642	12,932	28,652	30,362

* The split of own products within separation, heat transfer and fluid handling is a reflection of the current three main technologies. Other is own products outside these main technologies. Associated products are mainly purchased products that complement Alfa Laval's product offering. Services cover all sorts of service, service agreements etc.

New products during the second quarter

During the second quarter Alfa Laval has introduced among others the following new products:

Aqua Efficiency

Aqua Efficiency is the most energy efficient tap-water product on the market. Main applications are commercial buildings, schools, hospitals. The control-loop for the pumps is patented by Alfa Laval and secures energy-reduction by eighty percent.

EPC60

EPC 60 Retrofit is an upgrade offering with large potential within the marine industry. The installed base for older EPC control systems are more than 20,000 units. EPC 60 replaces older marine control systems that are obsolete or where maintaining spare parts becomes more and more costly due to high prices on electronic parts.

Unique Sampling Valve:

The Unique Sampling valve is a new range of sampling valves for use in the dairy, food and beverage, personal care and biopharm industries. The Unique single- and double-seat sampling valves offer high operational reliability, enhanced cleanability and ease of operation and maintenance.

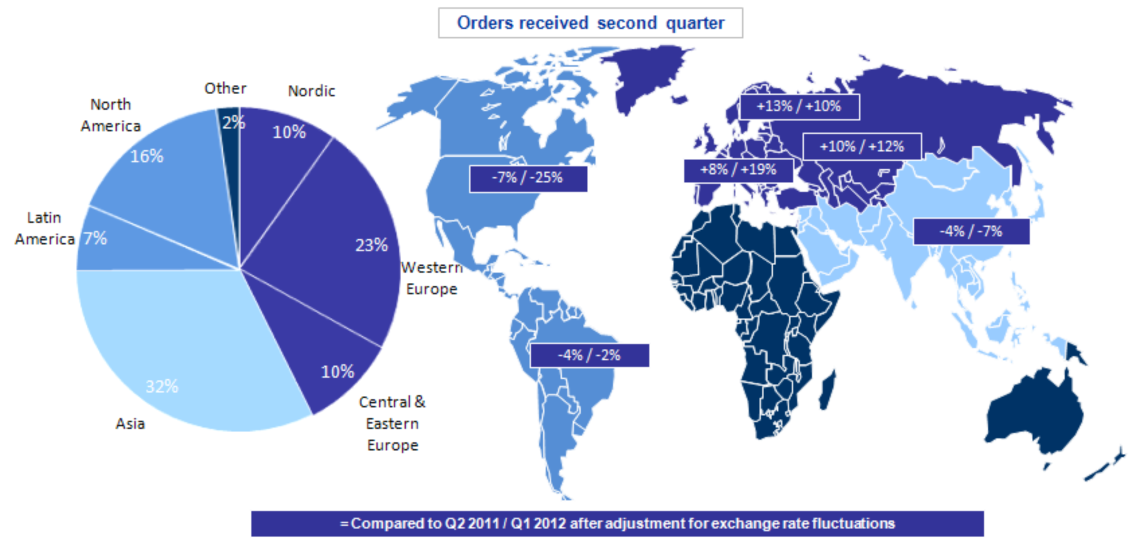
New LYNX decanter range

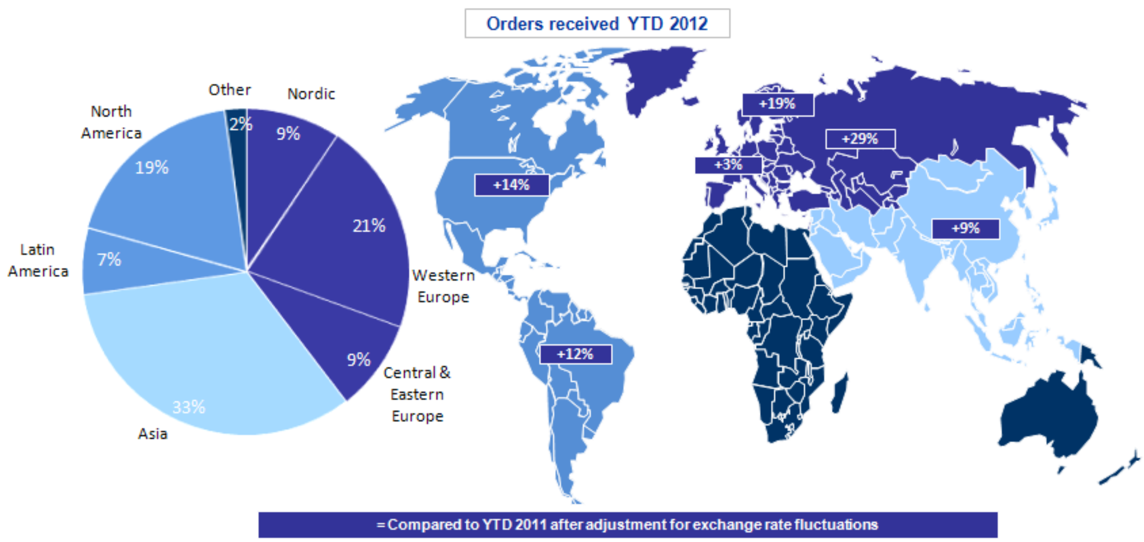
A new LYNX decanter portfolio for the oil & gas industries featuring advanced wear protection for the feed zone and solids outlet, resulting in lower maintenance costs. The new portfolio, with 4 decanter platforms (360, 440, 510 and 650) provides a broader capacity range, fully meeting the needs at drilling sites with a capacity range up to 2.6 m^3/min.

Optigo CC:

Alfa Laval has developed the innovative Alfa Laval Optigo range of simple, efficient and reliable air heat exchangers in response to market demands for better energy efficiency. Optimized for environmentally-friendly refrigerants, the range is specifically designed for small to medium-sized commercial applications such as supermarkets, restaurants and chilled food distribution depots. There are currently three models within the Optigo platform – CS, CD and CC – all with the same DNA but varying in their air handling and scope of applications.

Information by region





All comments are after adjustment for exchange rate fluctuations.

Western Europe including Nordic

Order intake increased in the second quarter compared to the first quarter, mainly due to the development for large projects. The base business* as well as Parts & Service was unchanged. The best development was reported in France, Iberica, Nordic and the Benelux countries. Industrial Equipment and Process Industry both had a good development and the demand from the diesel power market was also strong.

Central and Eastern Europe

Central and Eastern Europe reported an increase in order intake in the second quarter compared to the first. All segments in the Equipment Division developed well, with a good development for the base business, and Parts & Service also showed a good performance. The Marine & Diesel Division was also up, while the Process Technology Division decreased compared to the previous quarter due to non-repeat large orders. Many countries in Central and South East Europe saw a good development. Russia had growth in the base business, but still reported an overall decline due to large contracts in the first quarter, which were not repeated in the second.

* Base business and base orders refer to orders with an order value of less than EUR 0.5 million.

North America

Order intake declined in the region in the second quarter compared with the first quarter, mainly due to fewer large projects. The base business however, showed a continued good development, particularly in the US, while the demand for Parts & Service was flat across the region. Industrial Equipment, Food and Process Industry were the segments reporting the largest growth, while Energy & Environment declined as the large industrial waste water order won in Canada during the first quarter was not repeated.

Latin America

Order intake in Latin America was unchanged in the second quarter compared to the first quarter, with a good development for the base business while large orders declined. Both the Equipment and Marine & Diesel Divisions reported growth whereas the Process Technology Division showed a decline due to the non-repeat of large orders. Brazil reported a decline in the second quarter compared to the previous quarter due to large orders which were not repeated, but reported growth for the base business. Argentina and Chile reported good growth.

Asia

Order intake showed a decline in the second quarter compared to the previous quarter as a very large marine order booked in the first quarter was not repeated. However, both the Equipment and the Process Technology Divisions reported growth. In the Process Technology Division there was growth both in the base business and for the project business compared to the first quarter, with Process Industry and Food Technology as the best performing segments. In the Equipment Division Sanitary was the best segment. Korea and India were both developing well and China showed a good development when excluding Marine.

Consolidated	Net sales					
	Second quarter		First six months		Full year	Last 12
SEK millions	2012	2011	2012	2011	2011	months
To customers in:						
Sweden	212	243	423	458	942	907
Other EU	2,048	1,816	3,816	3,419	7,634	8,031
Other Europe	684	623	1,248	1,013	2,313	2,548
USA	1,239	959	2,375	1,842	3,832	4,365
Other North America	313	181	491	373	788	906
Latin America	530	391	964	837	1,981	2,108
Africa	85	57	145	100	216	261
China	865	974	1,651	1,665	3,772	3,758
Other Asia	1,741	1,678	3,347	3,033	6,774	7,088
Oceania	94	111	182	192	400	390
Total	7,811	7,033	14,642	12,932	28,652	30,362

Net sales are reported by country on the basis of invoicing address, which is normally the same as the delivery address.

Consolidated	Non-current assets		
	June 30		December 31
SEK millions	2012	2011	2011
Sweden	1,519	1,549	1,553
Denmark	4,524	6,115	4,672
Other EU	4,183	3,851	4,361
Other Europe	321	345	329
USA	2,238	2,105	2,251
Other North America	121	118	121
Latin America	460	185	500
Africa	1	1	1
Asia	3,103	2,981	3,096
Oceania	97	94	97
Subtotal	16,567	17,344	16,981
Other long-term securities	19	41	25
Pension assets	349	230	346
Deferred tax asset	1,232	1,241	1,293
Total	18,167	18,856	18,645

The large increase in non-current assets for Denmark in 2011 is due to the acquisition of Aalborg Industries and above all the goodwill and other step up values that this resulted in.

Information about major customers

Alfa Laval does not have any customer that accounts for 10 percent or more of net sales. Tetra Pak within the Tetra Laval Group is Alfa Laval's single largest customer with a volume representing about 4 percent of net sales.

Cash flows

CONSOLIDATED CASH FLOWS

SEK millions	Second quarter 2012	Second quarter 2011	First six months 2012	First six months 2011	Full year 2011	Last 12 months
Operating activities						
Operating income	1,168	1,146	2,176	2,196	4,691	4,671
Adjustment for depreciation	233	215	463	403	875	935
Adjustment for other non-cash items	0	83	5	71	167	101
	1,401	1,444	2,644	2,670	5,733	5,707
Taxes paid	-374	-303	-680	-738	-1,446	-1,388
	1,027	1,141	1,964	1,932	4,287	4,319
Changes in working capital:						
Increase(-)/decrease(+) of receivables	-457	85	-49	91	-157	-297
Increase(-)/decrease(+) of inventories	-79	-1,871	-280	-2,204	-1,172	752
Increase(+)/decrease(-) of liabilities	89	1,272	78	1,294	611	-605
Increase(+)/decrease(-) of provisions	60	42	-36	-6	-140	-170
Increase(-)/decrease(+) in working capital	**-387**	**-472**	**-287**	**-825**	**-858**	**-320**
	640	669	1,677	1,107	3,429	3,999
Investing activities						
Investments in fixed assets (Capex)	-151	-107	-245	-168	-555	-632
Divestment of fixed assets	0	3	0	3	14	11
Acquisition of businesses	-652	-4,839	-1,252	-4,894	-4,956	-1,314
	-803	-4,943	-1,497	-5,059	-5,497	-1,935
Financing activities						
Received interests and dividends	20	15	49	31	91	109
Paid interests	-60	-49	-119	-81	-271	-309
Realised financial exchange differences	1	157	18	324	285	-21
Dividends to owners of the parent	-1,363	-1,258	-1,363	-1,258	-1,258	-1,363
Dividends to non-controlling interests	0	-10	-8	-10	-10	-8
Increase(-)/decrease(+) of financial assets	-11	1,777	294	244	-17	33
Increase(+)/decrease(-) of borrowings	1,500	3,995	963	5,103	3,497	-643
	87	4,627	-166	4,353	2,317	-2,202
Cash flow for the period	-76	353	14	401	249	-138
Cash and bank at the beginning of the period	1,620	1,318	1,564	1,328	1,328	1,695
Translation difference in cash and bank	29	24	-5	-34	-13	16
Cash and bank at the end of the period	1,573	1,695	1,573	1,695	1,564	1,573
Free cash flow per share (SEK) *	-0.39	-10.19	0.43	-9.42	-4.93	4.92
Capex in relation to sales	1.9%	1.5%	1.7%	1.3%	1.9%	2.1%
Average number of shares	419,456,315	419,456,315	419,456,315	419,456,315	419,456,315	419,456,315

* Free cash flow is the sum of cash flows from operating and investing activities.

During the first six months 2012 cash flows from operating and investing activities amounted to SEK 180 (-3,952) million. Depreciation, excluding allocated step-up values, was SEK 222 (210) million during the first six months.

Financial position and equity

CONSOLIDATED FINANCIAL POSITION

SEK millions	June 30 2012	June 30 2011	December 31 2011
ASSETS			
Non-current assets			
Intangible assets	12,703	13,479	13,045
Property, plant and equipment	3,863	3,865	3,936
Other non-current assets	1,601	1,512	1,664
	18,167	18,856	18,645
Current assets			
Inventories	6,386	7,123	6,148
Accounts receivable	5,068	4,938	5,080
Other receivables	2,763	2,146	2,280
Derivative assets	336	303	303
Other current deposits	190	323	483
Cash and bank *	1,573	1,695	1,564
	16,316	16,528	15,858
TOTAL ASSETS	34,483	35,384	34,503
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Owners of the parent	14,101	13,469	14,982
Non-controlling interests	113	152	162
	14,214	13,621	15,144
Non-current liabilities			
Liabilities to credit institutions	2,200	2,707	1,353
Swedish Export Credit	1,752	1,832	1,787
European Investment Bank	1,138	1,191	1,162
Private placement	772	694	758
Provisions for pensions and similar commitments	840	784	852
Provision for deferred tax	1,920	2,021	1,930
Other provisions	514	731	520
	9,136	9,960	8,362
Current liabilities			
Liabilities to credit institutions	282	347	132
Accounts payable	2,535	2,506	2,668
Advances from customers	2,045	2,878	2,020
Other provisions	1,606	1,636	1,612
Other liabilities	4,168	4,279	4,137
Derivative liabilities	497	157	428
	11,133	11,803	10,997
Total liabilities	20,269	21,763	19,359
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	34,483	35,384	34,503

* The item cash and bank is mainly relating to bank deposits.

Cash, bank and current deposits include bank and other deposits in the until recently publicly listed subsidiary Alfa Laval (India) Ltd of SEK 141 (199) million. The company is not a wholly owned subsidiary of the Alfa Laval Group. It is owned to 97.0 (88.8) percent.

Borrowings and net debt

Consolidated	June 30		December 31
SEK millions	2012	2011	2011
Credit institutions	2,482	3,054	1,485
Swedish Export Credit	1,752	1,832	1,787
European Investment Bank	1,138	1,191	1,162
Private placement	772	694	758
Capitalised financial leases	108	128	118
Interest-bearing pension liabilities	2	1	1
Total debt	6,254	6,900	5,311
Cash, bank and current deposits	-1,763	-2,018	-2,047
Net debt	4,491	4,882	3,264

Alfa Laval has a senior credit facility of EUR 301 million and USD 420 million, corresponding to SEK 5,590 million with a banking syndicate. At June 30, 2012 SEK 1,948 million of the facility was utilised. The facility matures in April 2016, with one one-year extension option. Alfa Laval also has a bilateral term loan with SHB of EUR 25 million, corresponding to SEK 219 million that matures in 2013.

The bilateral term loan with Swedish Export Credit is split on one loan of EUR 100 million that matures in 2014 and one loan of EUR 100 million that matures in 2021. The loan from the European Investment Bank of EUR 130 million matures in 2018. The private placement of USD 110 million matures in 2016.

CHANGES IN CONSOLIDATED EQUITY

	First six months		Full year
SEK millions	2012	2011	2011
At the beginning of the period	15,144	13,582	13,582
Changes attributable to:			
Owners of the parent			
Comprehensive income			
Comprehensive income for the period	1,167	1,300	2,812
Transactions with shareholders			
Cancellation of repurchased shares	-	-7	-7
Bonus issue of shares	-	7	7
Increase of ownership in subsidiaries with non-controlling interests	-685	-	1
Dividends	-1,363	-1,258	-1,258
	-2,048	-1,258	-1,257
Subtotal	-881	42	1,555
Non-controlling interests			
Comprehensive income			
Comprehensive income for the period	13	8	18
Transactions with shareholders			
Decrease of non-controlling interests	-54	-	-1
Non-controlling interests in acquired companies	-	-1	0
Dividends	-8	-10	-10
	-62	-11	-11
Subtotal	-49	-3	7
At the end of the period	14,214	13,621	15,144

Acquisition of businesses

Alfa Laval has acquired the US based company Vortex Systems, a leading manufacturer of innovative mixing and blending solutions for the oil & gas industry. Lars Renström, President and CEO of the Alfa Laval Group, comments on the acquisition: "The acquisition of Vortex Systems will further strengthen our offering to the interesting oil and gas industry, both for onshore and offshore applications." Vortex Systems had sales of approximately SEK 100 million in 2011 and about 20 employees at its location in Houston, Texas, the US. The intention is to integrate Vortex Systems into Alfa Laval. The company will be consolidated into Alfa Laval from June 30, 2012.

In a press release on September 19, 2011 Alfa Laval communicated its proposal to buy all outstanding shares in its subsidiary Alfa Laval (India) Ltd and seek delisting of the shares from Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The proposal came on the back of regulatory changes in India which requires Alfa Laval (India) Ltd to have a minimum public float of 25 percent or seek delisting. At the time, Alfa Laval held 88.8 percent of the share capital of Alfa Laval (India), meaning the public float was 11.2 percent. The objective is to achieve full ownership of the subsidiary, which will provide Alfa Laval with increased operational flexibility to support the business and meet the customers' needs. In a reverse book building process that was finalised on February 23, 2012 minority shareholders together holding more than the necessary 50 percent of the public float were willing to sell to Alfa Laval at a price of INR 4,000 per share. The Board of Directors of Alfa Laval AB therefore decided to proceed with the delisting process. Through the acquisition of the 1.03 million shares Alfa Laval has achieved an ownership of 94.5 percent, which enabled Alfa Laval (India) Ltd to apply for delisting from both stock exchanges. The applications have been approved and Alfa Laval (India) Ltd was delisted on April 12, 2012. The cost for the acquisition of the shares has been SEK 553 million. As a part of the process the remaining minority owners can sell their shares to Alfa Laval for INR 4,000 during the next 12 months. During the first two months until June 30, 2012 minority owners with an additional 0.46 million shares have sold their shares to Alfa Laval for SEK 233 million, which has increased Alfa Laval's ownership to 97.0 percent. If all shareholders in the end sell their shares to Alfa Laval at this exit price the acquisition will incur a consideration of approximately SEK 1,065 million.

If Alfa Laval had not succeeded in achieving an ownership of 94.4 percent the company would have been required to increase the public float to 25 percent latest in June 2013.

The acquisitions during the first six months 2012 can be summarized as follows:

Consolidated	Acquisitions 2012						
	Minority in Alfa Laval (India) Ltd			Others			Total
SEK millions	Book value	Adjustment to fair value	Fair value	Book value	Adjustment to fair value	Fair value	Fair value
Ongoing acquisitions			-			345	345
Equity attributable to owners of parent			-685			-	-685
Currency translation			-47			-	-47
Equity attributable to non-controlling interests			-54			-	-54
Purchase price			-786			-345	-1,131
Costs directly linked to the acquisitions [1)]			-6			-	-6
Payment of amounts retained in prior years			-			-115	-115
Effect on the Group's liquid assets			-792			-460	-1,252

1. Refers to fees to lawyers, due diligence and assisting counsel. Has been expensed as other operating costs.

Parent company

The parent company's result after financial items was SEK 63 (46) million, out of which net interests SEK 65 (46) million, realised and unrealised exchange rate gains and losses SEK -0 (0) million, costs related to the listing SEK -2 (-2) million, fees to the Board SEK -3 (-2) million, cost for annual report and annual general meeting SEK -3 (-1) million and other operating income and operating costs the remaining SEK 6 (5) million.

PARENT COMPANY INCOME *

	Second quarter		First six months		Full year
SEK millions	2012	2011	2012	2011	2011
Administration costs	-4	-2	-8	-6	-11
Other operating income	1	2	7	8	6
Other operating costs	0	-2	-1	-2	-5
Operating income	-3	-2	-2	0	-10
Revenues from interests in group companies	-	-	-	-	2,084
Interest income and similar result items	31	27	66	47	115
Interest expenses and similar result items	-1	-1	-1	-1	-2
Result after financial items	27	24	63	46	2,187
Appropriation to tax allocation reserve	-	-	-	-	-115
Tax on this year's result	-8	-6	-17	-12	-110
Net income for the period	19	18	46	34	1,962

* The statement over parent company income also constitutes its statement over comprehensive income.

PARENT COMPANY FINANCIAL POSITION

	June 30		December 31
SEK millions	2012	2011	2011
ASSETS			
Non-current assets			
Shares in group companies	4,669	4,669	4,669
Current assets			
Receivables on group companies	7,480	6,846	9,287
Other receivables	149	57	42
Cash and bank	-	-	-
	7,629	6,903	9,329
TOTAL ASSETS	12,298	11,572	13,998
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Restricted equity	2,387	2,387	2,387
Unrestricted equity	8,351	7,740	9,668
	10,738	10,127	12,055
Untaxed reserves			
Tax allocation reserves, taxation 2006-2012	1,549	1,434	1,549
Current liabilities			
Liabilities to group companies	11	11	393
Accounts payable	0	0	0
Tax liabilities	-	-	1
Other liabilities	0	-	0
	11	11	394
TOTAL EQUITY AND LIABILITIES	12,298	11,572	13,998

Owners and shares

Owners and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 34,601 (37,342) shareholders on June 30, 2012. The largest owner is Tetra Laval B.V., the Netherlands who owns 26.1 (18.8) percent. The increase in ownership is due to the acquisitions of shares that Tetra Laval B.V. made in the third and fourth quarters 2011. Next to the largest owner there are nine institutional investors with ownership in the range of 7.1 to 1.0 percent. These ten largest shareholders own 51.4 (43.8) percent of the shares.

Repurchase of shares

The Annual General Meeting 2012 gave the Board a mandate to decide on repurchase of the company's shares – if the Board deems this appropriate – until the next Annual General Meeting. The mandate referred to repurchase of up to 5 percent of the issued shares with the purpose to cancel the repurchased shares and reduce the share capital. The repurchase would be made through purchases on OMX Nordic Exchange Stockholm. Until June 30, 2012 Alfa Laval has not made any repurchases.

Risks and other

Material factors of risk and uncertainty

The main factors of risk and uncertainty facing the Group concern the price development of metals, fluctuations in major currencies and the business cycle. It is the company's opinion that the description of risks made in the Annual Report for 2011 is still correct.

Asbestos-related lawsuits

The Alfa Laval Group was as of June 30, 2012, named as a co-defendant in a total of 694 asbestos-related lawsuits with a total of approximately 780 plaintiffs. Alfa Laval strongly believes the claims against the Group are without merit and intends to vigorously contest each lawsuit.

Based on current information and Alfa Laval's understanding of these lawsuits, Alfa Laval continues to believe that these lawsuits will not have a material adverse effect on the Group's financial condition or results of operation.

Accounting principles

The interim report for the second quarter 2012 is prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The accounting principles are according to IFRS (International Financial Reporting Standards) as adopted by the European Union.

"Second quarter" refers to the period April 1 to June 30 and "First six months" refers to the period January 1 to June 30. "Full year" refers to the period January 1 to December 31. "Last 12 months" refers to the period July 1, 2011 to June 30, 2012. "The corresponding period last year" refers to the second quarter 2011 or the first six months 2011 depending on the context. "Previous quarter" refers to the first quarter 2012.

In the report the measures adjusted EBITA and adjusted EBITDA are used. Adjusted EBITA is defined as earnings before interests, taxes, amortisation of step up values and comparison distortion items. Adjusted EBITDA is defined as earnings before interests, taxes, depreciation, amortisation of step up values and comparison distortion items.

The accounting and valuation principles of the parent company comply with the Swedish Annual Accounts Act and the recommendation RFR 2 "Accounting for legal entities" issued by the Council for Financial Reporting in Sweden.

Date for the next financial reports

Alfa Laval will publish interim reports during 2012 at the following dates:

Interim report for the third quarter	October 23

The interim report has been issued on July 17, 2012 at CET 8.30 by the Board of Directors.

The Board of Directors and the President and CEO assure that the report for the first six months gives a true and fair view of the operations, financial position and results for the company and the consolidated Group and describes material factors of risk and uncertainty facing the company and the companies that are part of the Group.

Lund, July 17, 2012

Anders Narvinger Chairman	Gunilla Berg	Arne Frank
Björn Hägglund	Bror García Lantz	Ulla Litzén
Jan Nilsson	Susanna Holmqvist Norrby	Finn Rausing
Jörn Rausing	Lars Renström President and CEO	

Alfa Laval in brief

Food, energy and environment

Alfa Laval has developed products since the 1880s, with the vision of creating better everyday conditions for people. Alfa Laval’s products are particularly topical in today’s world, where increasing focus is being placed on identifying ways to save energy and protect the environment. This involves treating water, reducing carbon emissions and minimizing water and energy consumption, as well as heating, cooling, separating and transporting food – areas that impact us all in various ways.

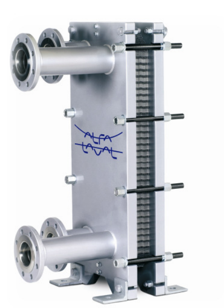
Three key technologies to fulfil basic needs

Alfa Laval is a leading global supplier of products and solutions for heat transfer, separation and fluid handling. The company’s key products – heat exchangers, boilers, separators, pumps and valves – play a vital role in areas that are crucial for society, such as energy, the environment and food. Alfa Laval’s products are used in the manufacturing of food, chemicals, pharmaceuticals, starch, sugar and ethanol. They are also used in nuclear power, onboard vessels and in the engineering sector, mining industry and refinery sector, as well as for treating wastewater and creating a comfortable indoor climate. They also reduce the consumption of energy and water and minimize carbon emissions.

Factors for future growth

There are some clearly positive trends in the world: average life expectancy is constantly increasing, reaching nearly 70 years and global poverty is continuously decreasing. However, everything is related and on the minus side are the negative effects on the environment. Emissions generated by industry, international trade and growing urbanization are thus being met by increasing numbers of regulatory systems and laws in the field of energy and the environment. For Alfa Laval, all of these are factors for future growth. The company’s products and expertise contribute to improving conditions for people in their everyday lives. This involves treating water, reducing carbon emissions, reducing water and energy consumption, and heating, cooling, separating and transporting food. Alfa Laval’s factors for future growth have thus been established in four defined areas: Energy, Food, Globalization (International Trade) and the Environment. They are areas crucial to human development in which we already make or can make an even more positive impact.

1. Growing demand for energy requires efficient solutions.
2. Higher standards of living boost demand for processed food.
3. More international trade drives demand for transportation.
4. Intensified focus on the environment generates opportunities for Alfa Laval.



1. Heat transfer

2. Separation

3. Fluid handling