Second quarter 2013

Summary

SEK millions	Second quarter 2013	2012	%	% *	First six months 2013	2012	%	% *
Order intake	7,558	7,904	-4	1	14,718	15,799	-7	-2
Net sales	7,549	7,811	-3	2	14,084	14,642	-4	1
Adjusted EBITA	1,237	1,289	-4		2,304	2,417	-5	
- adjusted EBITA margin (%)	16.4	16.5			16.4	16.5		
Result after financial items	969	1,107	-12		1,896	2,127	-11	
Net income for the period	644	721	-11		1,347	1,456	-7	
Earnings per share (SEK)	1.53	1.71	-11		3.20	3.45	-7	
Cash flow **	1,038	640	62		2,012	1,677	20	
Impact on EBITA of:								
- foreign exchange effects	-63	12			-95	-13		

* excluding exchange rate variations ** from operating activities

Comment from Lars Renström, President and CEO

"Order intake was SEK 7.6 billion during the second quarter, which was slightly better than the previous quarter. Both Equipment and Process Technology developed in line with our expectations, while the Marine & Diesel division arrived somewhat higher.

Marine showed good growth, mainly driven by larger orders for exhaust gas cleaning systems. Equipment was lifted by seasonal factors as well as successful product introductions within heat transfer. Process Technology was at an unchanged level; good growth for the base business due to a continued favourable business climate at the same time as slightly fewer large orders were booked.

All regions showed sequential growth except North America. There the order intake decreased slightly due to postponement of projects at customers in the oil and gas sector due to lack of resources. In Asia, our activities in China reported broad-based growth since the wait-and-see mode that has characterized the last quarters' investments seemed to have eased somewhat.

With regard to profit before tax it is important to note that the level is actually higher than last year, excluding negative fx-effects of SEK 166 million."

Outlook for the third quarter

"We expect that demand during the third quarter 2013 will be on about the same level as in the second quarter."

Earlier published outlook (April 23, 2013): "We expect that demand during the second quarter 2013 will be on about the same level as in the first quarter."

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 2013 Alfa Laval received large orders[1] for SEK 310 (600) million:

- An order from MAN Diesel & Turbo to supply Alfa Laval PureSOx exhaust gas cleaning systems for two cruise ships. The order, which is for four scrubbers, is booked in the Marine & Offshore Systems segment. It has a value of approximately SEK 55 million and delivery is scheduled for 2013 and 2014.
- An order to supply Alfa Laval Packinox heat exchangers to a petrochemical plant in the Middle East. The order, booked in the Process Industry segment, has a value of approximately SEK 85 million and delivery is scheduled to take place in 2013 and 2014.
- An order to supply Alfa Laval PureSOx exhaust gas cleaning systems for retrofit installation onboard vessels. The order, booked in the Marine & Offshore Systems segment, has a value of approximately SEK 170 million. Delivery is scheduled for 2014.

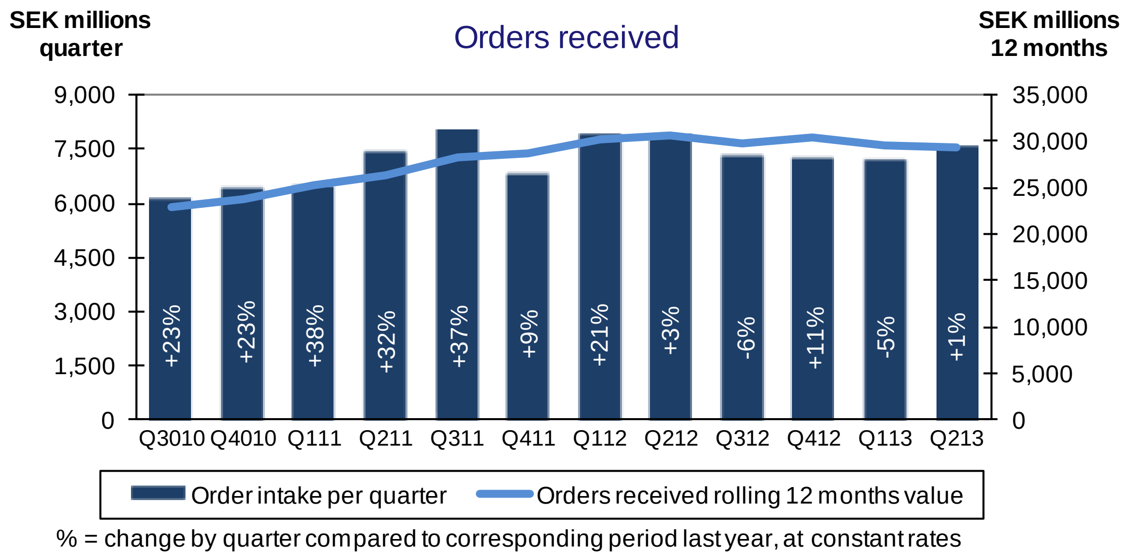
In addition it can be noted that Alfa Laval:

- increased the ownership in Alfa Laval (India) Ltd to 98.2 percent,
- has acquired the U.S. based Niagara Blower Company, a manufacturer of energy-efficient niche heat transfer solutions.
- has renamed its three "Parts & Service" segments to only "Service" in order to emphasize the importance of service and get focus on what is outside parts.

Order intake

Orders received amounted to SEK 7,558 (7,904) million for the second quarter and to SEK 14,718 (15,799) 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:

Order bridge

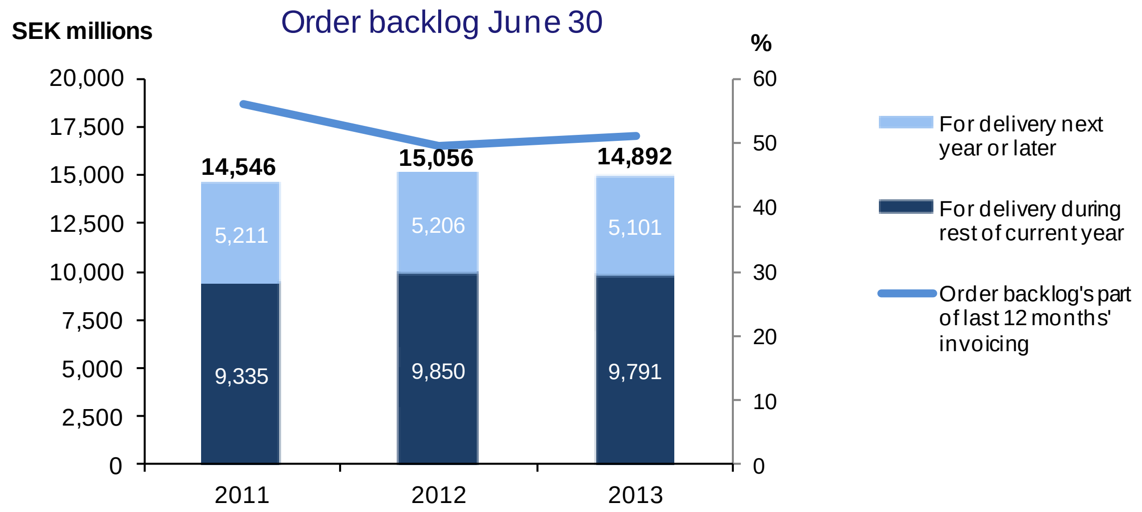
Consolidated	Order intake 2012 SEK millions	Change: Excluding currency effects – Structural change [2] (%)	Organic development [3] (%)	Total (%)	After currency effects – Currency effects (%)	Total (%)	Order intake 2013 SEK millions
Second quarter	7,904	2.2	-1.4	0.8	-5.2	-4.4	7,558
First six months	15,799	2.8	-4.8	-2.0	-4.8	-6.8	14,718

Compared to the previous quarter the Group's order intake excluding currency effects was 4.7 percent higher. The corresponding organic development was an increase by 4.6 percent.

Orders received from Service (formerly Parts & Service) constituted 26.6 (25.8) percent of the Group's total orders received during the second quarter and 27.6 (26.0) percent during the first six months.

Excluding currency effects, the order intake for Service increased by 4.2 percent during the second quarter 2013 compared to the corresponding quarter last year and decreased with 3.5 percent compared to the previous quarter. For the first six months 2013 the increase was 4.5 percent compared to the corresponding period last year.

Order backlog



Excluding currency effects and adjusted for acquisition of businesses the order backlog was 1.0 percent higher than the order backlog at June 30, 2012 and 5.3 percent higher than the order backlog at the end of 2012.

2. Acquired businesses are: Niagara Blower Company at May 29, 2013, Air Cooled Exchangers, LLC (ACE) at December 31, 2012, Gamajet Cleaning Systems Inc at August 23, 2012, Ashbrook Simon-Hartley at August 1, 2012 and Vortex Systems at June 30, 2012.
3. Change excluding acquisition of businesses.

Net sales

Net invoicing was SEK 7,549 (7,811) million for the second quarter and SEK 14,084 (14,642) million for the first six months. The change compared with the corresponding periods last year can be split into:

Consolidated

Sales bridge

		Change					
		Excluding currency effects			**After currency effects**		
	Net sales 2012 SEK millions	Structural change **(%)**	Organic development **(%)**	Total **(%)**	Currency effects **(%)**	Total **(%)**	**Net sales** 2013 SEK millions
Second quarter	7,811	3.7	-2.0	1.7	-5.1	-3.4	7,549
First six months	14,642	3.7	-2.6	1.1	-4.9	-3.8	14,084

Compared to the previous quarter the Group's net invoicing excluding currency effects was 14.7 percent higher. The corresponding organic development was an increase by 14.3 percent.

Net invoicing relating to Service (formerly Parts & Service) constituted 27.4 (26.0) percent of the Group's total net invoicing in the second quarter and 27.7 (26.8) percent in the first six months.

Excluding currency effects, the net invoicing for Service increased by 7.9 percent during the second quarter 2013 compared to the corresponding quarter last year and increased with 12.2 percent compared to the previous quarter. For the first six months 2013 the increase was 4.8 percent compared to the corresponding period last year.

Income

CONSOLIDATED COMPREHENSIVE INCOME

	Second quarter		First six months		Full year	Last 12
SEK millions	2013	2012 *	2013	2012 *	2012 *	months
Net sales	7,549	7,811	14,084	14,642	29,813	29,255
Cost of goods sold	-4,828	-5,042	-9,000	-9,366	-19,169	-18,803
Gross profit	2,721	2,769	5,084	5,276	10,644	10,452
Sales costs	-937	-918	-1,818	-1,816	-3,345	-3,347
Administration costs	-330	-346	-636	-671	-1,656	-1,621
Research and development costs	-191	-180	-361	-338	-707	-730
Other operating income **	74	85	177	170	384	391
Other operating costs **	-240	-242	-418	-445	-924	-897
Operating income	1,097	1,168	2,028	2,176	4,396	4,248
Dividends and changes in fair value	2	0	3	1	8	10
Interest income and financial exchange rate gains	27	-57	149	55	501	595
Interest expense and financial exchange rate losses	-157	-4	-284	-105	-376	-555
Result after financial items	969	1,107	1,896	2,127	4,529	4,298
Taxes	-325	-386	-549	-671	-1,306	-1,184
Net income for the period	644	721	1,347	1,456	3,223	3,114
Other comprehensive income: Items that will subsequently be reclassified to net income						
Cash flow hedges	-54	-64	-85	-40	168	123
Translation difference	254	0	71	-233	-798	-494
Deferred tax on other comprehensive income	26	-5	17	-3	-50	-30
Sum	226	-69	3	-276	-680	-401
Items that will subsequently not be reclassified to net income						
Revaluations of defined benefit obligations	0	0	0	0	-277	-277
Deferred tax on other comprehensive income	0	0	0	0	37	37
Sum	0	0	0	0	-240	-240
Comprehensive income for the period	870	652	1,350	1,180	2,303	2,473
Net income attributable to:						
Owners of the parent	641	718	1,342	1,448	3,206	3,100
Non-controlling interests	3	3	5	8	17	14
Earnings per share (SEK)	1.53	1.71	3.20	3.45	7.64	7.39
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	865	646	1,335	1,167	2,290	2,458
Non-controlling interests	5	6	15	13	13	15

* Restated to the new IAS 19, see page 24.
** The line has been affected by comparison distortion items, see separate specification on page 7.

The gross profit has compared to the second quarter 2012 been negatively affected by exchange rates, while changes in mix and the factory result had a positive effect. Compared to the previous quarter the most prominent effects were a negative impact from changes in mix, exchange rates and cost accounting within Aalborg, while the factory result had a positive impact.

Sales and administration expenses amounted to SEK 1,267 (1,264) million during the second quarter and SEK 2,454 (2,487) million during the first six months 2013. Excluding currency effects and acquisition of businesses, sales and administration expenses were 0.9 percent higher and 0.8 percent lower respectively than the corresponding periods last year.

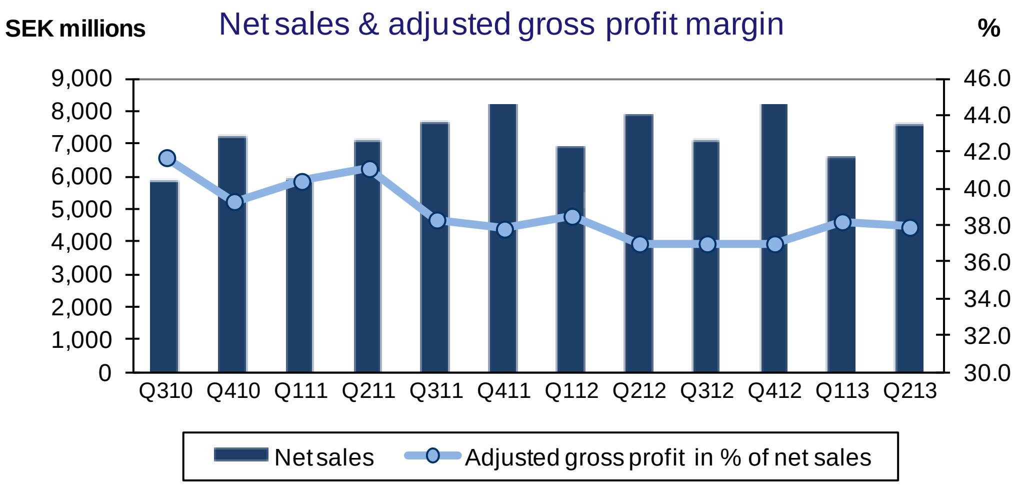
The costs for research and development during the first six months 2013 corresponded to 2.6 (2.3) percent of net sales. Excluding currency effects and acquisition of businesses, the costs for research and development have increased by 6.4 during the second quarter and by 8.5 percent during the first six months 2013 compared to the corresponding periods last year. This is consistent with Alfa Laval's ambition to continue to strengthen the position within various product areas.

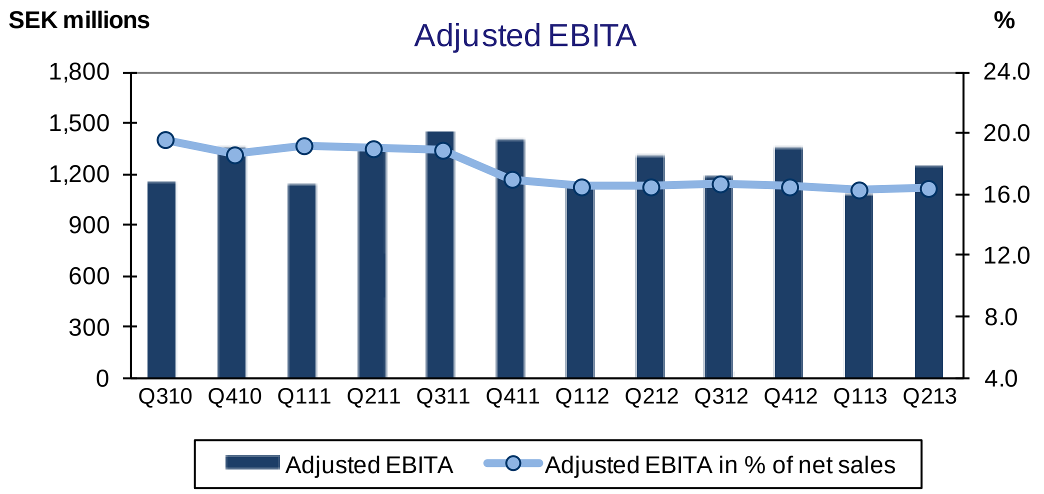
The cost in the quarter has in addition to the lower tax rate in Sweden been affected by deferred taxes concerning pension insurances.

The net income attributable to the owners of the parent, excluding depreciation of step-up values and the corresponding tax, is SEK 3.75 (3.85) per share for the first six months 2013.

Consolidated	Income analysis					
	Second quarter		First six months		Full year	Last 12
SEK millions	2013	2012 *	2013	2012 *	2012 *	months
Net sales	7,549	7,811	14,084	14,642	29,813	29,255
Adjusted gross profit **	2,861	2,890	5,360	5,517	11,131	10,974
- in % of net sales	***37.9***	***37.0***	***38.1***	***37.7***	***37.3***	***37.5***
Expenses ***	-1,512	-1,489	-2,831	-2,878	-5,750	-5,703
- in % of net sales	*20.0*	*19.1*	*20.1*	*19.7*	*19.3*	*19.5*
Adjusted EBITDA	**1,349**	**1,401**	**2,529**	**2,639**	**5,381**	**5,271**
- in % of net sales	*17.9*	*17.9*	*18.0*	*18.0*	*18.0*	*18.0*
Depreciation	-112	-112	-225	-222	-447	-450
Adjusted EBITA	**1,237**	**1,289**	**2,304**	**2,417**	**4,934**	**4,821**
- in % of net sales	***16.4***	***16.5***	***16.4***	***16.5***	***16.5***	***16.5***
Amortisation of step up values	-140	-121	-276	-241	-487	-522
Comparison distortion items	-	-	-	-	-51	-51
Operating income	1,097	1,168	2,028	2,176	4,396	4,248

* Restated to the new IAS 19. ** Excluding amortisation of step up values. *** Excluding comparison distortion items.





Comparison distortion items

The operating income for the second quarter 2013 has not been affected by any comparison distortion items. When applicable these are reported gross in the comprehensive income statement as a part of other operating income and other operating costs.

Consolidated	Comparison distortion items					
	Second quarter		First six months		Full year	Last 12
SEK millions	2013	2012	2013	2012	2012	months
Operational						
Other operating income	74	85	177	170	384	391
Comparison distortion income	-	-	-	-	-	-
Total other operating income	74	85	177	170	384	391
Other operating costs	-240	-242	-418	-445	-873	-846
Comparison distortion costs	-	-	-	-	-51	-51
Total other operating costs	-240	-242	-418	-445	-924	-897

Consolidated financial net

The financial net has amounted to SEK -42 (-72) 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 (-11) million, interest on the bilateral term loans SEK -35 (-45) million, interest on the private placement of SEK -7 (-9) million and a net of dividends and other interest income and interest costs of SEK 11 (-7) million. The net of realised and unrealised exchange rate differences amounts to SEK -90 (23) million.

Key figures

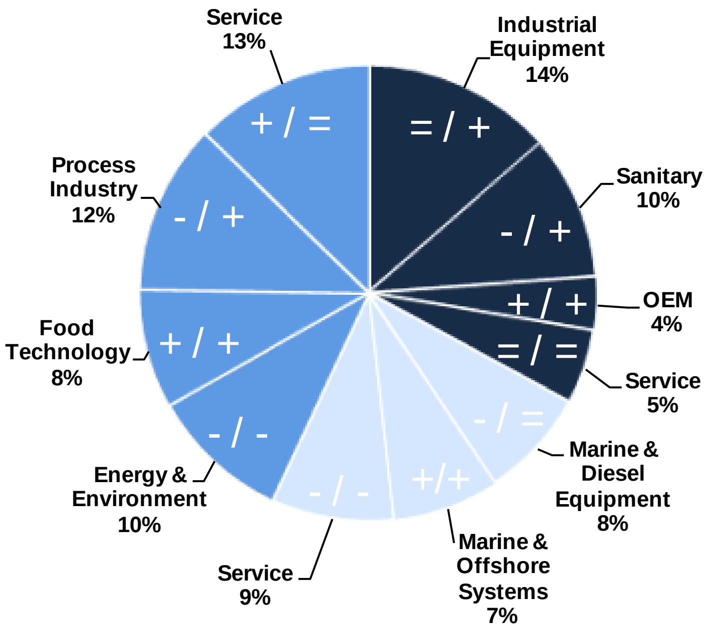
Consolidated	Key figures		
	June 30		December 31
	2013	2012 *	2012 *
Return on capital employed (%) **	26.2	28.9	27.4
Return on equity capital (%) **	22.0	22.9	22.9
Solidity (%) ***	39.7	39.0	41.3
Net debt to EBITDA, times **	0.87	0.80	0.80
Debt ratio, times ***	0.32	0.33	0.30
Number of employees ***	16,242	15,998	16,419

* Restated to the new IAS 19. ** Calculated on a 12 months' revolving basis. *** At the end of the period.

Business divisions

The development of the order intake for the divisions and their customer segments appears in the following charts. The former “Parts & Service” segments have been renamed to “Service”.

Orders received by customer segment Q2 2013

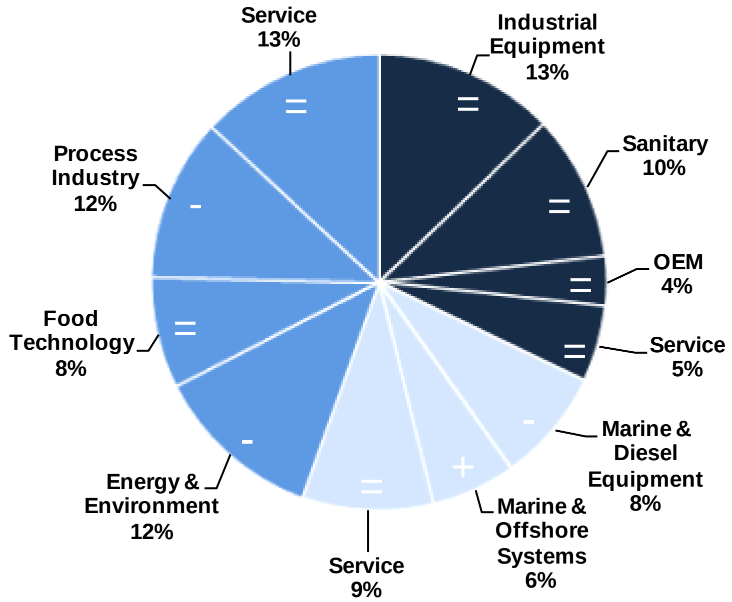


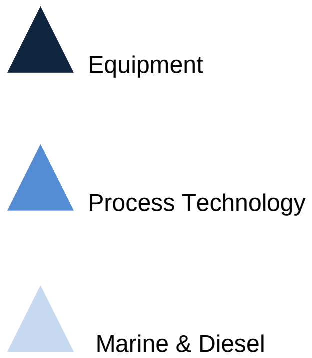
Q2 2013 compared to Q2 2012	/	Q2 2013 compared to Q1 2013

+ increase
- decrease
= unchanged (+/- 3 %)

at constant rates adjusted for acquisition of businesses

Orders received by customer segment YTD 2013





YTD 2013 compared to YTD 2012

Equipment division

Consolidated	Second quarter		First six months		Full year	Last 12
SEK millions	2013	2012	2013	2012	2012	months
Orders received	2,510	2,573	4,767	4,912	9,701	9,556
Order backlog*	1,735	1,710	1,735	1,710	1,583	1,735
Net sales	2,387	2,363	4,565	4,596	9,476	9,445
Operating income**	327	355	602	641	1,389	1,350
Depreciation and amortisation	42	41	84	80	162	166
Investments	13	14	23	24	46	45
Assets*	6,343	6,162	6,343	6,162	5,804	6,343
Liabilities*	955	915	955	915	986	955
Number of employees*	2,811	2,829	2,811	2,829	2,813	2,811

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

Consolidated	Change excluding currency effects					
	Order intake			**Net sales**		
%	Structural change	Organic development	Total	Structural change	Organic development	Total
Q2 2013/2012	1.2	0.8	2.0	1.1	4.5	5.6
Q2 2013/Q1 2013	0.2	10.0	10.2	0.2	8.5	8.7
YTD 2013/2012	1.0	0.4	1.4	1.0	2.7	3.7

All comments below are excluding exchange rate fluctuations.

Order intake

Order intake grew in the second quarter compared to the first, boosted by a seasonal pick-up in demand for segments Industrial Equipment and OEM. From a geographical perspective the development was good in major markets such as the Nordic countries, China and Mid Europe. Order intake in the U.S. was on an unchanged level from the first quarter.

Industrial Equipment showed significant growth compared to the previous quarter, due to the seasonal effect in the heating and refrigeration applications. Both did well across the line, especially in the Nordic countries, Russia and China. Also the market units fluids & utilities and engine & transport contributed to the segment's positive development. Sanitary was slightly up versus the first quarter following good demand for products to beverage and dairy applications. The smaller market unit pharmaceuticals & personal care declined somewhat. In OEM (Original Equipment Manufacturers), order intake from manufacturers of heat pumps and air conditioning units grew significantly as the season for making heating and cooling installations took off. Another factor contributing to the growth was the positive development for new products, which, since their launch have continued to attract customers.

The demand for spare parts and services was unchanged from the previous quarter.

Operating income

The decrease in operating income for Equipment during the second quarter 2013 compared to the corresponding period last year is mainly explained by a negative price/mix variation and slightly higher overhead costs, partly compensated by a higher sales volume.

Process Technology division

Consolidated	Second quarter		First six months		Full year	Last 12
SEK millions	2013	2012	2013	2012	2012	months
Orders received	3,239	3,553	6,527	7,153	14,081	13,455
Order backlog*	8,508	7,936	8,508	7,936	8,358	8,508
Net sales	3,496	3,366	6,338	6,144	12,812	13,006
Operating income**	655	650	1,148	1,151	2,194	2,191
Depreciation and amortisation	75	56	149	111	230	268
Investments	21	24	44	43	110	111
Assets*	10,942	9,213	10,942	9,213	10,608	10,942
Liabilities*	4,688	4,368	4,688	4,368	4,304	4,688
Number of employees*	5,112	4,552	5,112	4,552	5,085	5,112

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

Consolidated	Change excluding currency effects					
	Order intake			**Net sales**		
%	Structural change	Organic development	Total	Structural change	Organic development	Total
Q2 2013/2012	4.2	-7.7	-3.5	7.9	1.7	9.6
Q2 2013/Q1 2013	0.0	-2.3	-2.3	0.9	21.4	22.3
YTD 2013/2012	5.4	-9.0	-3.6	8.0	0.8	8.8

All comments below are excluding exchange rate fluctuations.

Order intake

Demand was in total unchanged in the second quarter, compared to the first, as Food Technology and Process Industry reported steady growth while Energy & Environment declined. Geographically the picture was also mixed. Europe and Asia were both stable, Latin America reported a strong quarter, whereas North America declined, partly due to said development for Energy & Environment.

Energy & Environment's decline was partly a result of non-repeat large orders. It is also a reflection of the fact that the very high activity level among end-users and contractors in the oil & gas industry has led to certain investments being postponed due to lack of execution resources. The general activity level in oil and gas however, still remains high, with significant ongoing investment programmes. The power market unit also declined, due to non-repeats, while the environmental business had a strong development, especially for large orders. Process Industry reported growth in the quarter compared to the previous quarter as the base business grew, reflecting a continued favourable sentiment in the end markets. Large orders remained on the same level as in the previous quarter. Food Technology showed strong growth compared to the previous quarter for base business and large orders alike. Structural growth drivers continue to generate orders. Market unit brewery was up on more large contracts, while market unit food solutions grew as a result of a stronger base business. Market unit vegetable oil declined somewhat from the first quarter, but still remained on a very good level, reflecting a strong activity in Asia as well as Central and Eastern Europe.

Service was unchanged compared to the first quarter.

Operating income

The increase in operating income for Process Technology during the second quarter 2013 compared to the corresponding period last year is mainly explained by a higher sales volume, partly mitigated by higher costs for sales and administration.

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

Marine & Diesel division

Consolidated	Second quarter		First six months		Full year	Last 12
SEK millions	2013	2012	2013	2012	2012	months
Orders received	1,809	1,778	3,424	3,734	6,557	6,247
Order backlog*	4,649	5,410	4,649	5,410	4,527	4,649
Net sales	1,666	2,082	3,181	3,902	7,525	6,804
Operating income**	308	363	598	732	1,458	1,324
Depreciation and amortisation	52	57	104	113	224	215
Investments	11	9	14	13	38	39
Assets*	8,142	8,757	8,142	8,757	8,309	8,142
Liabilities*	2,022	2,304	2,022	2,304	2,043	2,022
Number of employees*	2,988	3,527	2,988	3,527	3,346	2,988

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

Consolidated	Change excluding currency effects					
	Order intake			Net sales		
	Structural	Organic		Structural	Organic	
%	change	development	Total	change	development	Total
Q2 2013/2012	-	7.9	7.9	-	-15.5	-15.5
Q2 2013/Q1 2013	-	11.3	11.3	-	9.2	9.2
YTD 2013/2012	-	-3.2	-3.2	-	-14.2	-14.2

All comments below are excluding exchange rate fluctuations.

Order intake

Order intake for the Marine & Diesel Division grew in the second quarter compared to the first, boosted by continued growth in the base business as well as large orders for exhaust gas cleaning.

Marine & Diesel Equipment ended up on the same level as the previous quarter. The base business within Marine grew, which began to reflect an increase in the contracting to the yards as customers seem to take advantage of the low ship-building prices to invest in new very energy-efficient ships. Environmental solutions declined versus the previous quarter as a large order for ballast water treatment systems booked in the first quarter was not repeated. Demand for equipment for land-based diesel power plants declined compared to the first quarter, due to a slow general market activity. Marine & Offshore Systems had a good quarter, reflecting a strong base business development as well as increasing demand for the environmental solution for exhaust gas cleaning, Alfa Laval PureSOx.

Demand for parts and services declined in the second quarter, compared to the first, as large repair orders booked in the previous quarter were not repeated.

Operating income

The decrease in operating income for Marine & Diesel during the second quarter 2013 compared to the corresponding period last year is mainly explained by lower sales volume, compensated by better mix and lower costs for sales and administration.

Other

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

Consolidated						
	Second quarter		First six months		Full year	Last 12
SEK millions	2013	2012	2013	2012	2012	months
Orders received	0	0	0	0	0	0
Order backlog*	0	0	0	0	0	0
Net sales	0	0	0	0	0	0
Operating income**	-149	-142	-259	-252	-541	-548
Depreciation and amortisation	83	79	164	159	318	323
Investments	55	104	101	165	337	273
Assets*	5,451	5,599	5,451	5,599	5,395	5,451
Liabilities*	2,584	2,191	2,584	2,191	2,188	2,584
Number of employees*	5,331	5,090	5,331	5,090	5,175	5,331

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

Reconciliation between divisions and Group total

Consolidated						
	Second quarter		First six months		Full year	Last 12
SEK millions	2013	2012 *	2013	2012 *	2012 *	months
Operating income						
Total for divisions	1,141	1,226	2,089	2,272	4,500	4,317
Comparison distortion items	-	-	-	-	-51	-51
Consolidation adjustments **	-44	-58	-61	-96	-53	-18
Total operating income	1,097	1,168	2,028	2,176	4,396	4,248
Financial net	-128	-61	-132	-49	133	50
Result after financial items	969	1,107	1,896	2,127	4,529	4,298
Assets * **						
Total for divisions	30,878	29,731	30,878	29,731	30,116	30,878
Corporate	5,050	4,676	5,050	4,676	4,863	5,050
Group total	35,928	34,407	35,928	34,407	34,979	35,928
Liabilities * **						
Total for divisions	10,249	9,778	10,249	9,778	9,521	10,249
Corporate	11,423	11,206	11,423	11,206	11,026	11,423
Group total	21,672	20,984	21,672	20,984	20,547	21,672

* Restated to the new IAS 19. ** Difference between management accounts and IFRS. *** At the end of the period.

Information about products and services

Consolidated	Net sales by product/service *					
	Second quarter		First six months		Full year	Last 12
SEK millions	2013	2012	2013	2012	2012	months
Own products within:						
Separation	1,530	1,795	3,003	3,325	6,646	6,324
Heat transfer	4,071	4,207	7,605	7,905	16,010	15,710
Fluid handling	799	720	1,573	1,450	3,046	3,169
Other	258	327	422	456	919	885
Associated products	539	382	851	840	1,828	1,839
Services	352	380	630	666	1,364	1,328
Total	7,549	7,811	14,084	14,642	29,813	29,255

* 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:

T35/TS35

The T35/TS35, Alfa Laval's latest gasketed heat exchangers, comes with several innovations that minimize maintenance costs and ensure high uptime. These include the CurveFlowTM distribution area, which gives T35/TS35 a highly uniform flow distribution that eliminates stagnant zones and reduces fouling. In addition, the new glue-free ClipGripTM gaskets make regasketing fast and simple. All in all, these innovations save energy, increase uptime and cut maintenance costs for customers in the marine, power and petrochemical industries. A wide selection of available plate and gasket materials makes T35/TS35 suitable for use in many different applications – from basic water-to-water duties to tough applications with high temperatures, aggressive media and high pressures.

CB110

CB110 is the most recent addition to a celebrated family of copper-brazed plate heat exchangers for use in HVAC, tap water, oil cooling and more. The CB110 completes the new upgraded brazed plate heat exchanger range (BHE), now comprising CB30, CB60, CB110 and CB112. The range is available with varying plate patterns and connections for various applications and performance specifications. Innovative design improvements have given this new product higher performance in terms of thermal efficiency.

Diabon S15

The latest addition to Alfa Laval's Diabon plate heat exchanger portfolio for the steel and chemical industries is the largest unit ever built. Like all Alfa Laval Diabon plate heat exchangers the new Diabon S15 type is suitable for handling highly corrosive fluids. Diabon graphite material

has exceptional corrosion resistance up to 200°C. The new larger heat exchanger can handle more than double the current flow rates. Therefore, a single Diabon S15 can replace shell-and-tube or block heat exchangers and thus provide all the benefits of plate heat exchangers, such as maximized heat recovery, minimized downtime and low maintenance costs. All of which add up to low operating costs.

ACH502

Higher efficiency is the main driver in an ongoing redesign process in the air conditioning market. Alfa Laval has developed the ACH502, a high efficient evaporator for air conditioning chiller

manufacturers. The new design has attained impressive performance on the field tests thanks to the new design of the asymmetric channel plate and the re-engineering of the distribution system. Even a very large plate package is able to keep high evaporating temperature with a good refrigerant distribution. The good refrigerant distribution gives additional extra performance at partial load, saving even more energy. Another benefit is the lower water pressure drop due to the asymmetric plate, which enables a lower energy consumption of the water pump and therefore an increase in the system's overall efficiency and a reduction of the cost per kW of the chiller.

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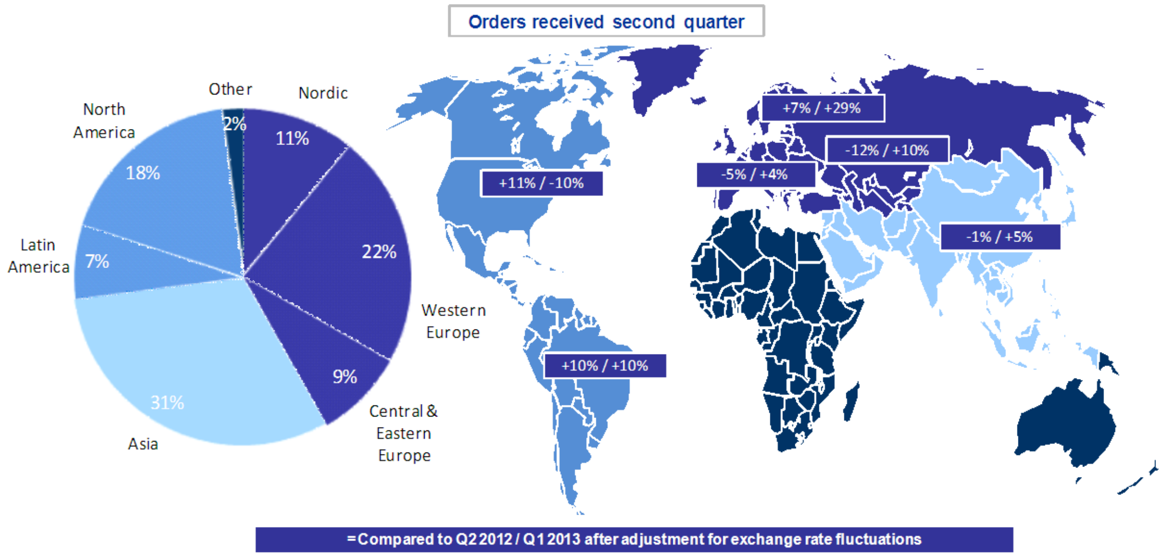
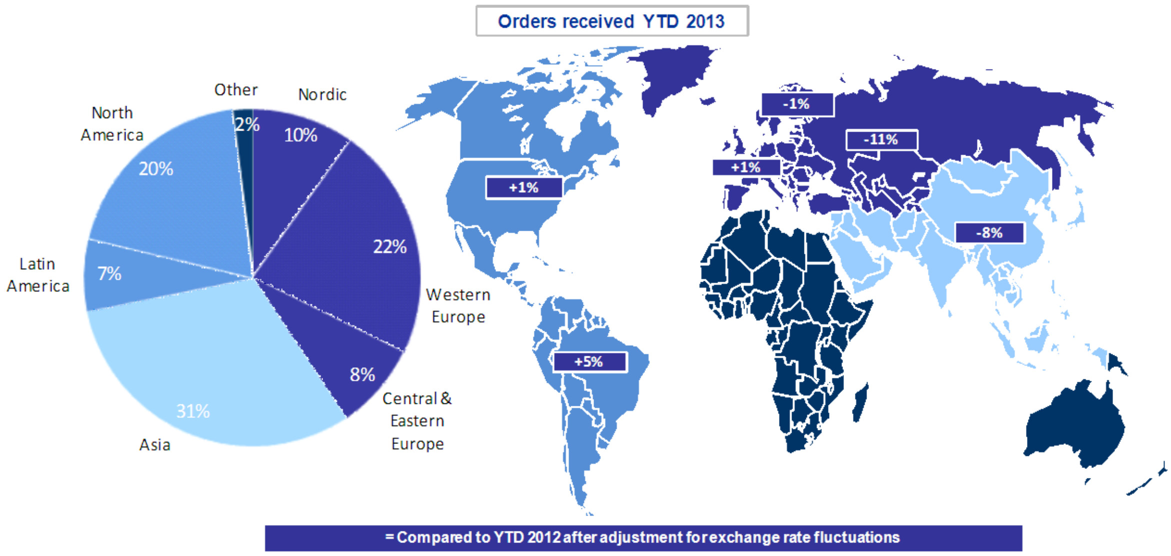
Alfa Laval ALP pumps

The new Alfa Laval ALP three-screw pumps are optimized for mineral oil applications and developed with a specific focus on marine as well as industrial applications. They are designed for efficiency, high operational safety, low maintenance and, consequently, low lifecycle cost. The pumps have a compact design consisting of few components reducing complexity of the pump and easing the handling. Pump screws of hardened material enable tight internal tolerances ensuring stable pump capacity over time. The shaft seal design optimizes the lubrication of the seal faces and improves air evacuation, while the seal chamber is built to efficiently prevent building up of residue. This combined with the use of a high quality ball bearing, positioned outside the product zone, reduces the risk of thermal impacts and avoids exposure to the pumped liquid. Thus, maintenance requirements are reduced to a minimum.

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, driven by a good development across most countries and regions. Both the base business* and large projects developed positively. Segments to do especially well included Industrial Equipment, OEM, Food Technology and Marine Offshore Systems. Demand for Service was unchanged across the region compared with the previous quarter.

Central and Eastern Europe

Central and Eastern Europe reported a strong increase in order intake during the second quarter compared to the first. The growth was driven by a very good base business development, for both Equipment and Process Technology, as well as for Service. Large orders declined somewhat, affected by the development in Russia. As a whole the country was still on an unchanged level from the previous quarter, helped by a positive base business development. With Russia flat, the growth in the region is explained by the increased demand in Central Europe as well as Poland and the Baltic states.

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

North America

In the second quarter the order intake declined compared with the first quarter as large projects were not repeated. The base business however remained unchanged. One explanation to the decline was the oil and gas sector in the Energy & Environment segment, where customers, due to a general high activity level, was forced to postpone certain projects due to lack of resources. Segments to perform well were Industrial Equipment, OEM and Process Industry. Service reported an unchanged level of demand compared to the first quarter.

Latin America

Order intake increased in the second quarter compared to the previous quarter, boosted by large orders in the food and oil & gas sectors. The base business also reported growth and order intake in general developed well in all countries in the region.

Asia

Order intake showed growth in the second quarter compared to the first quarter, boosted by a particularly strong base business development across all three divisions. Equipment and Marine & Diesel grew, while Process Technology declined somewhat due to non-recurring large orders within the vegetable oil and energy sectors in South East Asia. OEM, Industrial Equipment, Marine & Offshore Systems and Food Technology were segments that did particularly well during the quarter. Looking at Marine in more detail, the division was positively influenced by growth in new shipbuilding contracts, as customers took advantage of the low ship-building prices generally and in particular by good demand for vessels for transportation of oil and gas. Service delivered good growth compared to the previous quarter. Looking at the development by country, China and Japan both reported strong growth. India also did well, supported by a good base business development, even as the project business was affected by a somewhat erratic investment climate. The growth in China was broad-based, covering most segments and concerned both base business and large orders. Customers, who for some quarters adopted a wait-and-see mode when it came to investments, now seem to be moving towards a more positive sentiment.

Consolidated	Net sales					
	Second quarter		First six months		Full year	Last 12
SEK millions	2013	2012	2013	2012	2012	months
To customers in:						
Sweden	208	212	411	423	856	844
Other EU	2,101	2,048	3,873	3,816	7,911	7,968
Other Europe	727	684	1,223	1,248	2,521	2,496
USA	1,248	1,239	2,360	2,375	4,626	4,611
Other North America	260	313	442	491	921	872
Latin America	467	530	854	964	1,950	1,840
Africa	68	85	146	145	330	331
China	729	865	1,330	1,651	3,298	2,977
Other Asia	1,634	1,741	3,228	3,347	6,969	6,850
Oceania	107	94	217	182	431	466
Total	7,549	7,811	14,084	14,642	29,813	29,255

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	2013	2012 *	2012 *
Sweden	1,901	1,519	1,504
Denmark	4,447	4,524	4,385
Other EU	4,045	4,183	4,057
Other Europe	306	321	312
USA	3,698	2,238	3,631
Other North America	117	121	120
Latin America	407	460	429
Africa	1	1	1
Asia	2,738	3,103	2,890
Oceania	84	97	93
Subtotal	17,744	16,567	17,422
Other long-term securities	5	19	9
Pension assets	22	18	3
Deferred tax asset	1,284	1,487	1,488
Total	19,055	18,091	18,922

* Restated to the new IAS 19.

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 3-4 percent of net sales.

Cash flows

CONSOLIDATED CASH FLOWS

SEK millions	Second quarter 2013	Second quarter 2012	First six months 2013	First six months 2012	Full year 2012 *	Last 12 months
Operating activities						
Operating income	1,097	1,168	2,028	2,176	4,396	4,248
Adjustment for depreciation	252	233	501	463	934	972
Adjustment for other non-cash items	-17	0	1	5	241	237
	1,332	1,401	2,530	2,644	5,571	5,457
Taxes paid	-323	-374	-698	-680	-1,569	-1,587
	1,009	1,027	1,832	1,964	4,002	3,870
Changes in working capital:						
Increase(-)/decrease(+) of receivables	-306	-457	44	-49	-158	-65
Increase(-)/decrease(+) of inventories	-329	-79	-413	-280	-214	-347
Increase(+)/decrease(-) of liabilities	613	89	408	78	-25	305
Increase(+)/decrease(-) of provisions	51	60	141	-36	-19	158
Increase(-)/decrease(+) in working capital	**29**	**-387**	**180**	**-287**	**-416**	**51**
	1,038	640	2,012	1,677	3,586	3,921
Investing activities						
Investments in fixed assets (Capex)	-100	-151	-182	-245	-531	-468
Divestment of fixed assets	0	0	1	0	49	50
Acquisition of businesses	-441	-652	-510	-1,252	-2,778	-2,036
	-541	-803	-691	-1,497	-3,260	-2,454
Financing activities						
Received interests and dividends	20	20	47	49	97	95
Paid interests	-52	-60	-76	-119	-252	-209
Realised financial exchange differences	-30	1	10	18	104	96
Dividends to owners of the parent	-1,468	-1,363	-1,468	-1,363	-1,363	-1,468
Dividends to non-controlling interests	-	-	-	-8	-7	1
Increase(-)/decrease(+) of financial assets	-178	-11	-145	294	5	-434
Increase(+)/decrease(-) of borrowings	1,243	1,500	301	963	1,009	347
	-465	87	-1,331	-166	-407	-1,572
Cash flow for the period	32	-76	-10	14	-81	-105
Cash and bank at the beginning of the period	1,352	1,620	1,404	1,564	1,564	1,573
Translation difference in cash and bank	8	29	-2	-5	-79	-76
Cash and bank at the end of the period	1,392	1,573	1,392	1,573	1,404	1,392
Free cash flow per share (SEK) **	1.18	-0.39	3.15	0.43	0.78	3.50
Capex in relation to sales	1.3%	1.9%	1.3%	1.7%	1.8%	1.6%
Average number of shares	419,456,315	419,456,315	419,456,315	419,456,315	419,456,315	419,456,315

* Restated to the new IAS 19.
** Free cash flow is the sum of cash flows from operating and investing activities.

During the first six months 2013 cash flows from operating and investing activities amounted to SEK 1 321 (180) million. Depreciation, excluding allocated step-up values, was SEK 225 (222) million during the first six months.

Financial position and equity

CONSOLIDATED FINANCIAL POSITION

SEK millions	June 30 2013	June 30 2012 *	December 31 2012 *	Opening balance January 1 2012
ASSETS				
Non-current assets				
Intangible assets	13,964	12,703	13,599	13,045
Property, plant and equipment	3,780	3,863	3,823	3,936
Other non-current assets	1,311	1,525	1,500	1,588
	19,055	18,091	18,922	18,569
Current assets				
Inventories	6,643	6,386	6,176	6,148
Assets held for sale	-	-	9	-
Accounts receivable	5,265	5,068	5,211	5,080
Other receivables	2,765	2,763	2,505	2,280
Derivative assets	208	336	325	303
Other current deposits	600	190	427	483
Cash and bank **	1,392	1,573	1,404	1,564
	16,873	16,316	16,057	15,858
TOTAL ASSETS	35,928	34,407	34,979	34,427
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity				
Owners of the parent	14,185	13,310	14,371	14,191
Non-controlling interests	71	113	61	162
	14,256	13,423	14,432	14,353
Non-current liabilities				
Liabilities to credit institutions	2,551	2,200	2,051	1,353
Swedish Export Credit	1,758	1,752	1,723	1,787
European Investment Bank	1,143	1,138	1,120	1,162
Private placement	739	772	714	758
Provisions for pensions and similar commitments	1,672	1,558	1,691	1,570
Provision for deferred tax	1,775	1,917	1,932	1,927
Other provisions	565	514	473	520
	10,203	9,851	9,704	9,077
Current liabilities				
Liabilities to credit institutions	230	282	395	132
Accounts payable	2,475	2,535	2,333	2,668
Advances from customers	2,409	2,045	2,121	2,020
Other provisions	1,648	1,606	1,603	1,612
Other liabilities	4,367	4,168	4,204	4,137
Derivative liabilities	340	497	187	428
	11,469	11,133	10,843	10,997
Total liabilities	21,672	20,984	20,547	20,074
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	35,928	34,407	34,979	34,427

* Restated to the new IAS 19, see page 24.
** The item cash and bank is mainly relating to bank deposits.

Cash, bank and current deposits include bank and other deposits in the previously publicly listed subsidiary Alfa Laval (India) Ltd of SEK 242 (141) million. The company is not a wholly-owned subsidiary of the Alfa Laval Group. It is owned to 98.2 (97.0) percent.

Borrowings and net debt

Consolidated	June 30		December 31
SEK millions	2013	2012	2012
Credit institutions	2,781	2,482	2,446
Swedish Export Credit	1,758	1,752	1,723
European Investment Bank	1,143	1,138	1,120
Private placement	739	772	714
Capitalised financial leases	91	108	97
Interest-bearing pension liabilities	1	2	1
Total debt	6,513	6,254	6,101
Cash, bank and current deposits	-1,992	-1,763	-1,831
Net debt	4,521	4,491	4,270

Alfa Laval has a senior credit facility of EUR 301 million and USD 420 million, corresponding to SEK 5,470 million with a banking syndicate. At June 30, 2013 SEK 2,263 million of the facility was utilised. The facility matures in April 2016, with a one-year extension option. Alfa Laval also has a bilateral term loan with SHB of EUR 25 million, corresponding to SEK 220 million that matures in December 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	2013	2012 *	2012 *
At the beginning of the period	14,432	14,353	14,353
Changes attributable to:			
Owners of the parent			
Comprehensive income			
Comprehensive income for the period	1,335	1,167	2,290
Transactions with shareholders			
Increase of ownership in subsidiaries with non-controlling interests	-53	-685	-747
Dividends	-1,468	-1,363	-1,363
	-1,521	-2,048	-2,110
Subtotal	-186	-881	180
Non-controlling interests			
Comprehensive income			
Comprehensive income for the period	15	13	13
Transactions with shareholders			
Decrease of non-controlling interests	-5	-54	-107
Dividends	-	-8	-7
	-5	-62	-114
Subtotal	10	-49	-101
At the end of the period	14,256	13,423	14,432

* Restated to the new IAS 19.

Acquisition of businesses

On May 29, 2013 Alfa Laval acquired the U.S. based Niagara Blower Company, a manufacturer of energy-efficient niche heat transfer solutions. The company's products are engineered-to-order, and particularly suited for use in the oil and gas processing industries. They are also used in a wide range of other industries, such as power, food & beverage and pharmaceuticals. Lars Renström, President and CEO of the Alfa Laval Group, comments on the reasons for the acquisition: "The acquisition of Niagara Blower brings in new and complementary heat-transfer products, mainly air-cooled heat exchangers, which further strengthen our offering to the oil and gas processing industries. They strengthen our U.S. portfolio and will gradually also be added to our product offering on a global scale." Niagara Blower Company is located in Buffalo, New York. It generated sales of about SEK 425 million in 2012, with profitability well above the average for the Alfa Laval Group. The intention is to integrate Niagara Blower into the segment Energy & Environment, within the Process Technology Division. The company has some 120 employees.

On February 28, 2013 Alfa Laval acquired the assets and technology for a gas combustion unit from the company Snecma (Safran). The product, which will be included in the offering from the Marine & Offshore Systems segment, is expected to generate sales of about SEK 40 million in 2013. Lars Renström, President and CEO of the Alfa Laval Group, comments on the acquisition: "With this acquisition we expand and further strengthen our offer to the growing gas transportation business, a business which typically has high barriers to entry. Few companies can offer this type of safety equipment."

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. 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. Through the acquisition of the 1.03 million shares Alfa Laval achieved an ownership of 94.5 percent, which enabled Alfa Laval (India) Ltd to delist from both stock exchanges on April 12, 2012. The cost for the acquisition of the shares was SEK 553 million. As a part of the process the remaining minority owners could sell their shares to Alfa Laval for INR 4,000 during the next 12 months. During this period minority owners with an additional 0.68 million shares have sold their shares to Alfa Laval for SEK 340 million, which has increased Alfa Laval's ownership to 98.2 percent. This means that the total acquisition cost was SEK 893 million.

On February 22, 2013 Alfa Laval acquired the remaining minority shares in the small company Tranter Solarice GmbH in Germany.

The acquisitions during the first six months 2013 can be summarized as follows:

Consolidated	Acquisitions 2013						
	Minority in subsidiaries			Others			Total
SEK millions	Book value	Adjustment to fair value	Fair value	Book value	Adjustment to fair value	Fair value	Fair value
Property, plant and equipment	-	-	-	47	-	47	47
Patents and unpatented know-how [1]	-	-	-	32	202	234	234
Inventory	-	-	-	14	-	14	14
Accounts receivable and other receivables	-	-	-	41	-	41	41
Liquid assets	-	-	-	8	-	8	8
Accounts payable and other liabilities	-	-	-	-96	-	-96	-96
Deferred tax	-	-	-	2	-	2	2
Acquired net assets	-	-	-	48	202	250	250
Goodwill [2]			-			270	270
Equity attributable to owners of parent			-53			-	-53
Currency translation			-4			-	-4
Equity attributable to non-controlling interests			-5			-	-5
Purchase price			-62			-520	-582
Costs directly linked to the acquisitions [3]			-1			-1	-2
Retained part of purchase price [4]			-			99	99
Liquid assets in the acquired businesses			-			8	8
Payment of amounts retained in prior years			-			-33	-33
Effect on the Group's liquid assets			-63			-447	-510

1. The step up value for patents and un-patented know-how is amortised over 10 years.
2. The goodwill is relating to estimated synergies in procurement, logistics and corporate overheads and the companies' ability to over time recreate its intangible assets. The value of the goodwill is still preliminary.
3. Refers to fees to lawyers, due diligence and assisting counsel. Has been expensed as other operating costs.
4. Contingent on certain warranties in the contract not being triggered or that certain profitability goals are fulfilled. The probable outcome has been calculated.

Parent company

The parent company's result after financial items was SEK 1,731 (63) million, out of which dividends from subsidiaries SEK 1,697 (-) million, net interests SEK 34 (65) million, realised and unrealised exchange rate gains and losses SEK 2 (-0) million, costs related to the listing SEK -2 (-2) million, fees to the Board SEK -3 (-3) million, cost for annual report and annual general meeting SEK -1 (-3) million and other operating income and operating costs the remaining SEK 4 (6) million.

PARENT COMPANY INCOME *

	Second quarter		First six months		Full year
SEK millions	2013	2012	2013	2012	2012
Administration costs	-3	-4	-6	-8	-13
Other operating income	1	1	5	7	3
Other operating costs	0	0	-1	-1	-3
Operating income	-2	-3	-2	-2	-13
Revenues from interests in group companies	1,697	-	1,697	-	596
Interest income and similar result items	20	31	38	66	118
Interest expenses and similar result items	0	-1	-2	-1	-4
Result after financial items	1,715	27	1,731	63	697
Change of tax allocation reserve	-	-	-	-	283
Tax on this year's result	-3	-8	-7	-17	-1
Tax on paid Group contribution	-	-	-	-	-262
Net income for the period	1,712	19	1,724	46	717

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

PARENT COMPANY FINANCIAL POSITION

	June 30		December 31
SEK millions	2013	2012	2012
ASSETS			
Non-current assets			
Shares in group companies	4,669	4,669	4,669
Current assets			
Receivables on group companies	7,159	7,480	8,035
Other receivables	381	149	253
Cash and bank	-	-	-
	7,540	7,629	8,288
TOTAL ASSETS	12,209	12,298	12,957
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Restricted equity	2,387	2,387	2,387
Unrestricted equity	8,541	8,351	8,285
	10,928	10,738	10,672
Untaxed reserves			
Tax allocation reserves, taxation 2007-2013	1,266	1,549	1,266
Current liabilities			
Liabilities to group companies	13	11	1,018
Accounts payable	1	0	1
Other liabilities	0	0	-
	15	11	1,019
TOTAL EQUITY AND LIABILITIES	12,209	12,298	12,957

Owners and shares

Owners and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 37,004 (34,601) shareholders on June 30, 2013. The largest owner is Tetra Laval B.V., the Netherlands who owns 26.1 (26.1) percent. Next to the largest owner there are nine institutional investors with ownership in the range of 6.4 to 0.8 percent. These ten largest shareholders own 52.3 (51.4) percent of the shares.

Repurchase of shares

The Annual General Meeting 2013 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 Stockholm Stock Exchange. Until June 30, 2013 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 2012 is still correct.

Asbestos-related lawsuits

The Alfa Laval Group was as of June 30, 2013, named as a co-defendant in a total of 755 asbestos-related lawsuits with a total of approximately 837 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 2013 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.

The revised IAS 19 "Employee Benefits" was implemented in the interim report for the first quarter 2013, with retroactive effect from January 1, 2012. The new standard meant substantial changes concerning the accounting for defined benefit pension schemes and these changes were extensively described in the mentioned interim report.

"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, 2012 to June 30, 2013. "The corresponding period last year" refers to the second quarter 2012 or the first six months 2012 depending on the context. "Previous quarter" refers to the first quarter 2013.

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 2013 at the following dates:

Interim report for the third quarter October 29

The interim report has been issued on July 18, 2013 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 18, 2013

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