

Second quarter 2007



Yet another strong quarter!

“During the second quarter 2007 we had another record quarter with the highest ever operating result as well as operating margin.

Orders received increased organically with 12 percent and reached SEK 6.8 billion. The strongest market segments were Process Industry and Sanitary. Orders received grew with 70 percent in Latin America, while Asia and Western Europe were stable on a high level.



Lars Renström, President and CEO, Alfa Laval

With the acquisition of AGC Engineering in the US and the increase of ownership in Alfa Laval (India) Ltd we have further strengthened our position in these important countries.

For the near future we expect a lower activity level for large orders, particularly in our market segment Energy & Environment. This is due to the very high global demand that creates a lack of capacity among larger end-customers and contractors.

The operating margin in the quarter reached 18.5 percent. The combination of very high capacity utilisation, favourable product mix and high internal efficiency contributed to the result. For the near future we expect the operating margin to remain well above 15 percent.”

Second quarter:

Order intake increased by 12.7 percent * to SEK **6,822** (6,217) million.

Net sales increased by 28.6 percent * to SEK **6,094** (4,876) million.

Adjusted EBITA was SEK **1,130** (706) million, including adverse foreign exchange effects of SEK 76 million.

Adjusted EBITA-margin was **18.5** (14.5) percent.

Result after financial items was SEK **1,037** (587) million.

Result after tax increased to SEK **733** (455) million.

Earnings per share increased to SEK **6.48** (3.97).

Cash flow from operating activities was SEK **488** (517) million.

Six months:

Order intake increased by 23.4 percent * to SEK **13,827** (11,698) million.

Net sales increased by 30.9 percent * to SEK **11,244** (8,952) million.

Adjusted EBITA was SEK **1,965** (1,231) million, including adverse foreign exchange effects of SEK 155 million.

Adjusted EBITA-margin was **17.5** (13.8) percent.

Result after financial items was SEK **1,718** (1,013) million.

Result after tax increased to SEK **1,202** (788) million.

Earnings per share increased to SEK **10.59** (6.87).

Cash flow from operating activities was SEK **1,038** (909) million.

* excluding exchange rate variations

Outlook for the near future

"In many of the markets, geographical as well as customer segments that Alfa Laval serves, a continued very strong demand is expected."

Earlier published outlook (April 23, 2007):

"In most of the markets, geographical as well as customer segments that Alfa Laval serves, a continued very strong demand is expected."

Key figures SEK millions, unless otherwise stated	April 1 - June 30 2007	April 1 - June 30 2006	Jan 1 - June 30 2007	Jan 1 - June 30 2006	2006	2005	2004
Order intake	6,822	6,217	13,827	11,698	24,018	18,516	15,740
Net sales	6,094	4,876	11,244	8,952	19,802	16,330	14,986
Adjusted EBITDA 1)	1,196	769	2,094	1,357	3,273	2,030	1,956
Adjusted EBITA 2)	1,130	706	1,965	1,231	3,010	1,765	1,695
Adjusted EBITA 2)- margin	18.5%	14.5%	17.5%	13.8%	15.2%	10.8%	11.3%
Result after financial items	1,037	587	1,718	1,013	2,375	1,099	1,262
Return on capital employed 3)			41.1%	27.4%	35.9%	22.7%	23.7%
Return on equity capital 3)			31.2%	23.7%	25.3%	16.0%	15.9%
Solidity			32.3%	33.0%	36.4%	35.9%	37.4%
Debt ratio, times			0.38	0.49	0.22	0.35	0.36
Cash flow from operations	488	517	1,038	909	2,619	1,616	1,203
Investments	90	73	144	137	373	324	388
No. of employees 4)			10,838	9,986	10,115	9,429	9,527

The Board of Directors and the Managing Director declare 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 19, 2007

Anders Narvinger
Chairman

Gunilla Berg

Björn Hägglund

Arne Kastö

Ulla Litzén

Jan Nilsson

Susanna Holmqvist Norrby

Finn Rausing

Jörn Rausing

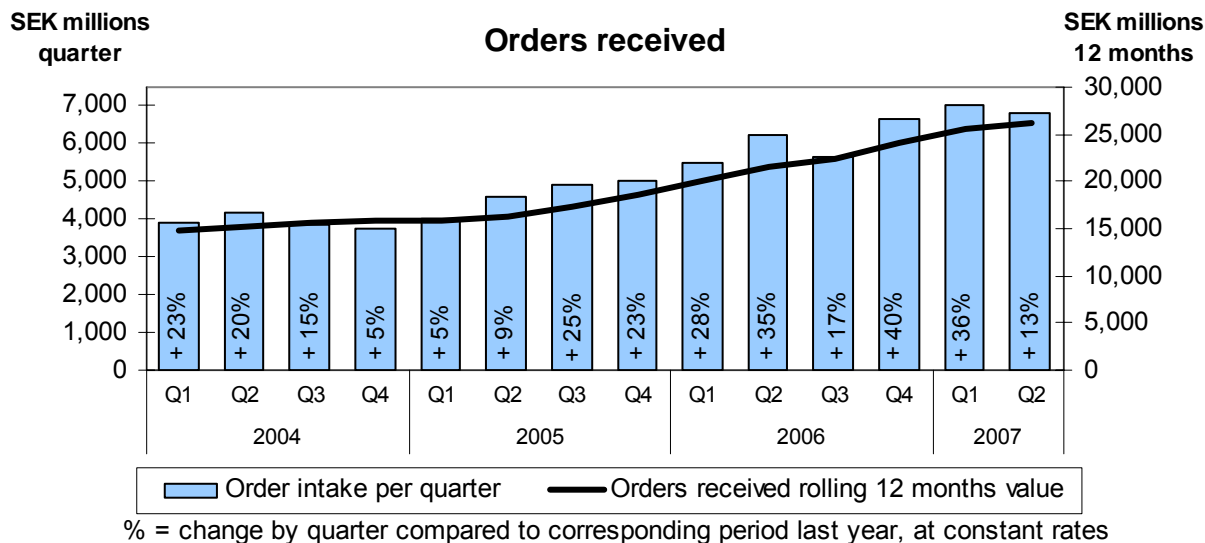
Waldemar Schmidt

Lars Renström
Managing Director

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

- Adjusted EBITDA – "Earnings before interests, taxes, depreciation, amortisation of step up values and comparison distortion items."
- Adjusted EBITA – "Earnings before interests, taxes, amortisation of step up values and comparison distortion items."
- Calculated on a 12 months' revolving basis.
- Number of employees at the end of the period.

Management's discussion and analysis



Order analysis

April 1 - June
30

2006 (SEK millions)	6,217
Structural change	1%
Currency effects	-3%
Organic development	12%
Total	10%
2007 (SEK millions)	6,822

Orders received amounted to SEK 6,822 (6,217) million for the second quarter. Excluding exchange rate variations, the order intake for the Group was 12.7 percent higher than the second quarter last year. Adjusted for acquisitions and divestments made after June 30, 2006⁵⁾, the corresponding figure is 12.0 percent.

Orders received amounted to SEK 13,827 (11,698) million for the first six months. Excluding exchange rate variations, the order intake for the Group was 23.4 percent higher than the same period last year. Adjusted for acquisitions and divestments of businesses⁵⁾, the corresponding figure is 20.4 percent.

Orders received from the aftermarket "Parts & Service" has continued to develop positively and increased by 16.6 percent compared to the corresponding period last year excluding exchange rate variations. Its relative share of the Group's total orders received was 19.6 (20.8) percent.

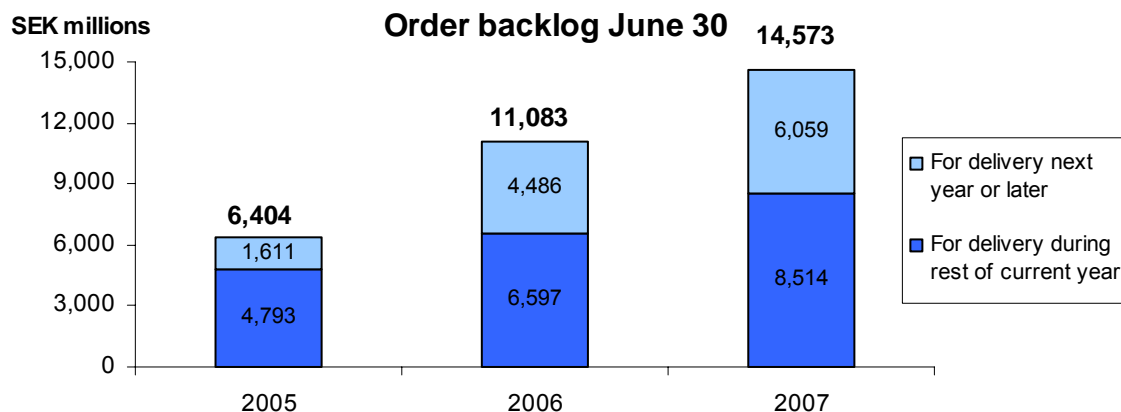
Large orders⁶⁾ in the second quarter:

During the second quarter 2007 Alfa Laval received large orders for SEK 240 (380) million:

- Order of a process line to the new bio-ethanol plant Biowanze in Belgium. The combined order value is about SEK 50 million. Delivery is scheduled for 2008.
- Order for the plate heat exchanger T50 to be installed in a petrochemical plant in Saudi Arabia. The total value is about SEK 190 million. Delivery will take place in 2009.

5. Acquired businesses are: Tranter at March 1, 2006
DSO at March 16, 2007
Helpman at April 4, 2007
Divested business is: The biopharm engineering activity at December 29, 2006

6. Orders with a value over EUR 5 million.



The order backlog at June 30, 2007 was SEK 14,573 (11,083) million. Excluding exchange rate variations and adjusted for acquisitions and divestments made after June 30, 2006, the order backlog was 37.6 percent higher than the order backlog at June 30, 2006 and 19.8 percent higher than the order backlog at the end of 2006.

CONSOLIDATED INCOME STATEMENT

Amounts in SEK millions	April 1 - June 30 2007	April 1 - June 30 2006	Jan 1 - June 30 2007	Jan 1 - June 30 2006	Jan 1 - Dec 31 2006	Jan 1 - Dec 31 2005
Net sales	6,094	4,876	11,244	8,952	19,802	16,330
Cost of goods sold	-3,782	-3,144	-7,012	-5,717	-12,598	-10,800
Gross profit	2,312	1,732	4,232	3,235	7,204	5,530
Sales costs	-692	-653	-1,331	-1,265	-2,607	-2,365
Administration costs	-317	-264	-592	-511	-948	-994
Research and development costs	-158	-136	-305	-251	-526	-448
Other operating income *	64	47	117	105	281	324
Other operating costs *	-161	-102	-322	-245	-852	-670
Operating income	1,048	624	1,799	1,068	2,552	1,377
Dividends	0	0	1	1	2	5
Interest income	109	57	130	106	174	174
Interest expense *	-120	-94	-212	-162	-353	-457
Result after financial items	1,037	587	1,718	1,013	2,375	1,099
Taxes	-304	-132	-516	-225	-650	-171
Net income for the year	733	455	1,202	788	1,725	928
Attributable to:						
Equity holders of the parent	722	444	1,181	768	1,687	885
Minority interests	11	11	21	20	38	43
Earnings per share (SEK)	6.48	3.97	10.59	6.87	15.10	7.92
Average number of shares	111,429,511	111,671,993	111,550,082	111,671,993	111,671,993	111,671,993

* The line has been affected by comparison distortion items, see separate specification on page 6.

Excluding exchange rate variations, the invoicing was 28.6 percent higher than the second quarter last year. Adjusted for acquisitions and divestments of businesses made after June 30, 2006, the corresponding figure is 27.8 percent.

Excluding exchange rate variations, the invoicing was 30.9 percent higher than the period January to June last year. Adjusted for acquisitions and divestments of businesses, the corresponding figure is 27.3 percent.

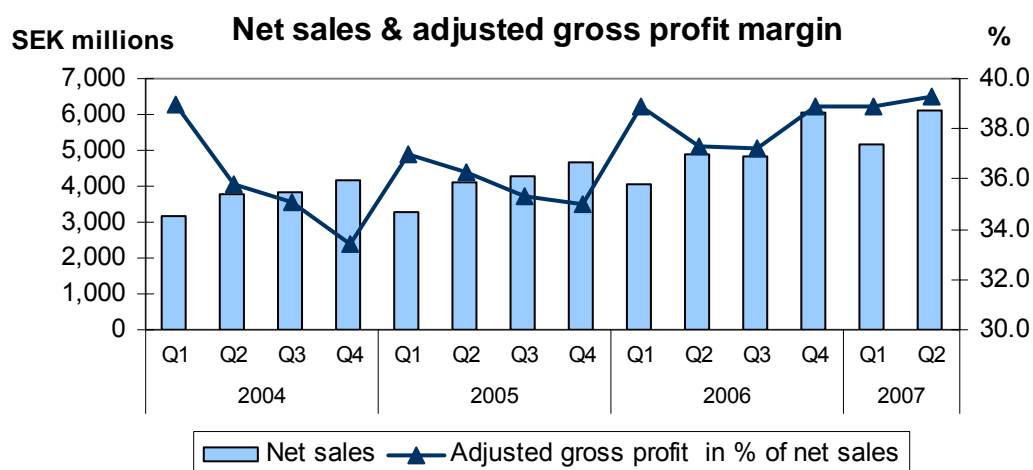
Sales and administration expenses amounted to SEK 1,923 (1,776) million. Adjusted for exchange rate variations and acquisitions and divestments of businesses, sales and administration expenses were 8.3 percent higher than last year.

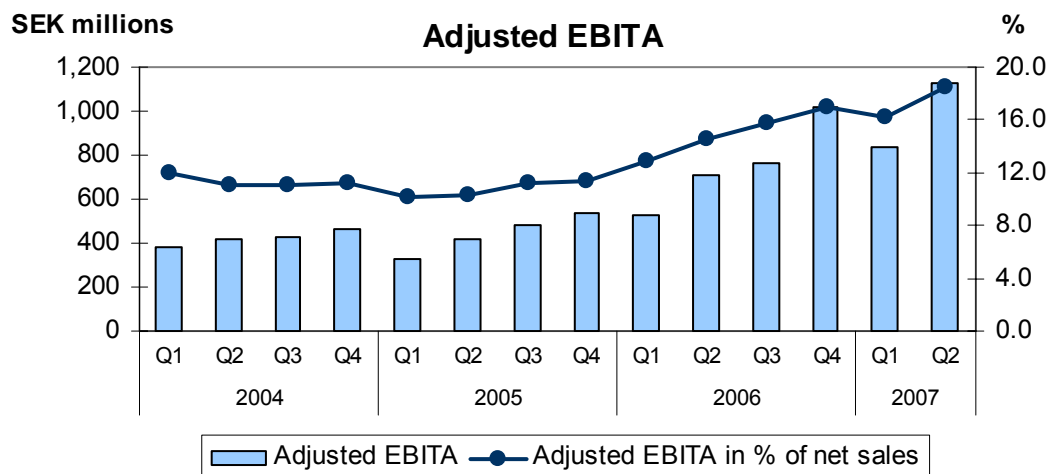
The costs for research and development have amounted to SEK 305 (251) million, corresponding to 2.7 (2.8) percent of net sales. Adjusted for exchange rate variations and acquisitions and divestments, the costs for research and development have increased by 21.8 percent compared to last year.

Income statement analysis	April 1 - June 30 2007	April 1 - June 30 2006	Jan 1 - June 30 2007	Jan 1 - June 30 2006	Jan 1 - Dec 31 2006	Jan 1 - Dec 31 2005
SEK millions						
Net sales	6,094	4,876	11,244	8,952	19,802	16,330
Adjusted gross profit *	2,396	1,817	4,400	3,402	7,542	5,845
- in % of net sales	39.3	37.3	39.1	38.0	38.1	35.8
Expenses **	-1,200	-1,048	-2,306	-2,045	-4,269	-3,815
- in % of net sales	19.7	21.5	20.5	22.8	21.6	23.4
Adjusted EBITDA	1,196	769	2,094	1,357	3,273	2,030
- in % of net sales	19.6	15.8	18.6	15.2	16.5	12.4
Depreciation	-66	-63	-129	-126	-263	-265
Adjusted EBITA	1,130	706	1,965	1,231	3,010	1,765
- in % of net sales	18.5	14.5	17.5	13.8	15.2	10.8
Amortisation of step up values	-84	-85	-168	-167	-338	-315
Comparison distortion items	2	3	2	4	-120	-73
EBIT	1,048	624	1,799	1,068	2,552	1,377

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

The adjusted result after tax and the minority's share of the result, excluding amortisation of step-up values and the corresponding tax, is SEK 11.55 (7.89) per share.





Comparison distortion items	April 1 - June 30 2007	April 1 - June 30 2006	Jan 1 - June 30 2007	Jan 1 - June 30 2006	Jan 1 - Dec 31 2006	Jan 1 - Dec 31 2005
Amounts in SEK millions						
Operational						
Other operating income	62	44	115	101	275	272
Comparison distortion income	2	3	2	4	6	52
Total other operating income	64	47	117	105	281	324
Other operating costs	-161	-102	-322	-245	-726	-545
Comparison distortion costs	-	-	-	-	-126	-125
Total other operating costs	-161	-102	-322	-245	-852	-670
Financial						
Interest expense	-120	-94	-212	-162	-353	-368
Comparison distortion costs	-	-	-	-	-	-89
Total interest expense	-120	-94	-212	-162	-353	-457

The operating income has been affected by comparison distortion items of SEK 2 (4) million. In the income statement these are reported gross as a part of other operating income and other operating costs. The income in 2007 refers to a minor sale of land and buildings in India.

Consolidated financial result and taxes

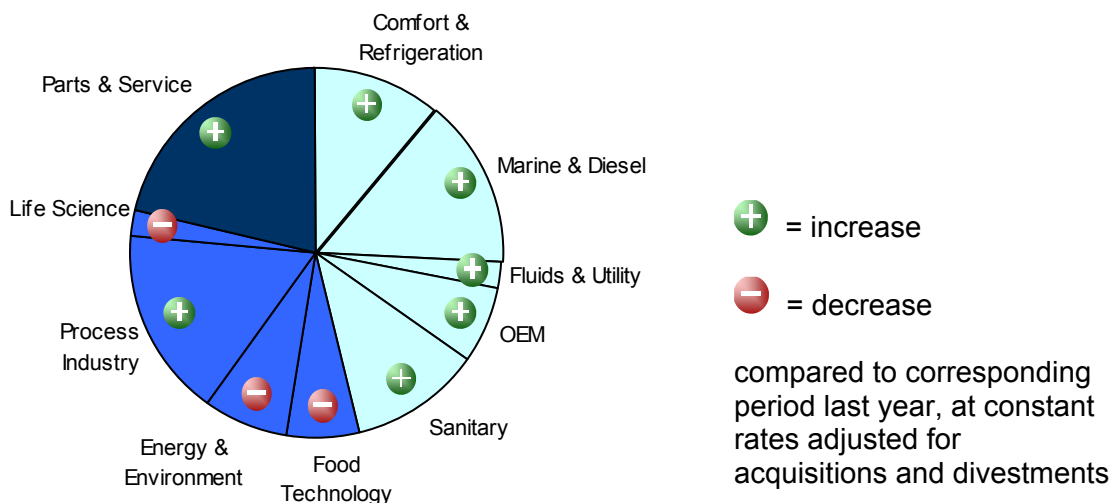
The financial net has amounted to SEK -84 (-79) million, excluding realised and unrealised exchange rate losses and gains. The main elements of costs were interest on debt to the banking syndicate of SEK -22 (-43) million, interest on the private placement and the bridge loan of SEK -20 (-13) million and a net of dividends and other interest income and interest costs of SEK -42 (-23) million.

The net of realised and unrealised exchange rate differences amounts to SEK 3 (24) million.

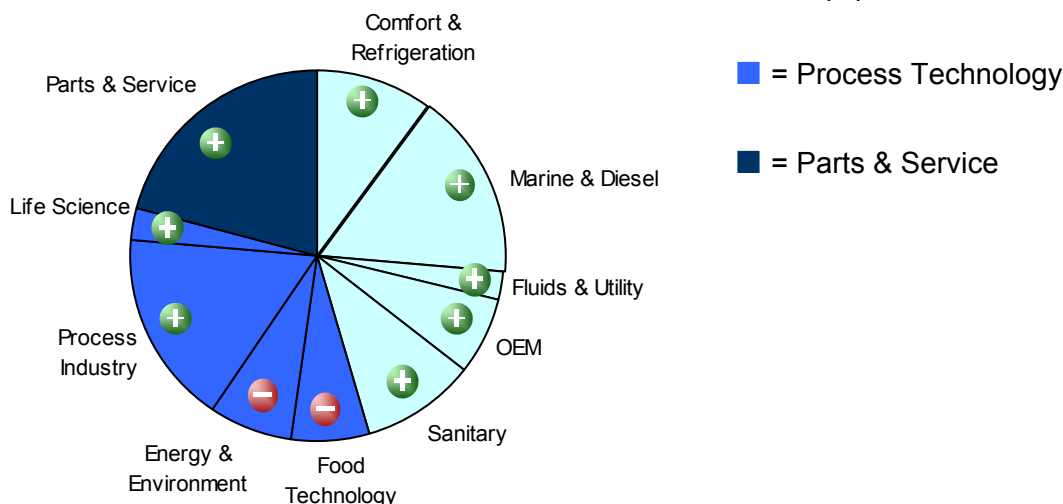
The increase in income taxes between 2007 and 2006 is primarily due to the increased result before tax.

Divisional reporting

Orders received by segment Q2 2007



Orders received by segment YTD 2007



Equipment division

SEK millions	April 1 - June 30 2007	April 1 - June 30 2006	Jan 1 - June 30 2007	Jan 1 - June 30 2006	Jan 1 - Dec 31 2006	Jan 1 - Dec 31 2005
Orders received	3,956	3,347	7,882	6,056	12,617	9,902
Order backlog *			7,062	5,177	5,722	3,382
Net sales	3,391	2,715	6,384	5,001	10,934	8,631
Operating income	698	485	1,215	853	2,072	1,162

* At the end of the period.

Orders received and net sales (all comments are after adjustment for exchange rate fluctuations)

Orders received increased by 35.3 percent and net sales increased by 32.6 percent during the first six months 2007 compared to the corresponding period last year. Adjusted for acquisitions and divestments of businesses, the corresponding figures are 29.9 percent and 25.0 percent.

Due to a continued good business climate all market segments had a better order intake in the quarter compared to the corresponding period 2006. The Sanitary market segment showed a particularly good development with record high levels. The high investments in the dairy applications as well as in food and cosmetics are the main

drivers. In the refrigeration market increased levels of investments particularly in Germany and Eastern Europe resulted in a high order intake. Investments in the Marine & Diesel market segment continued to be high as well as for heat pumps in the OEM segment. During the quarter the Parts & Service business continued to strengthen.

Operating income (excluding comparison distortion items)

The increase in operating income during the first six months 2007 compared to the corresponding period last year is mainly explained by a higher gross profit due to the volume increase, marginally offset by increased R&D and sales and administration costs.

Process Technology division

	April 1 - June 30 2,007	April 1 - June 30 2,006	Jan 1 - June 30 2007	Jan 1 - June 30 2006	Jan 1 - Dec 31 2006	Jan 1 - Dec 31 2005
SEK millions						
Orders received	2,857	2,867	5,926	5,635	11,391	8,573
Order backlog *			7,491	5,890	6,630	4,073
Net sales	2,699	2,146	4,854	3,920	8,829	7,673
Operating income	504	301	862	475	1,060	699

* At the end of the period.

Orders received and net sales (all comments are after adjustment for exchange rate fluctuations)

Orders received increased by 10.3 percent and net sales increased by 29.7 percent during the first six months 2007 compared to the corresponding period last year. Adjusted for acquisitions and divestments of businesses, the corresponding figures are 10.7 percent and 31.2 percent.

The quarter has shown a continued excellent growth in the market segment Process Industry, especially in Refinery and Petrochemical. The bio-ethanol activity in USA has levelled out while the activity level in bio-diesel still increases in all geographical regions. The aftermarket, Part & Service, continues to benefit from a very strong demand driven by the high capacity needs from the customers resulting in retrofit and general trimming of performance.

Operating income (excluding comparison distortion items)

The increase in operating income during the first six months 2007 compared to the corresponding period last year is foremost explained by a higher gross profit due to the volume increase, marginally offset by increased R&D and sales and administration costs.

Operations division and Other

Operations are responsible for procurement, production and logistics. Other is referring to corporate overhead and non-core businesses.

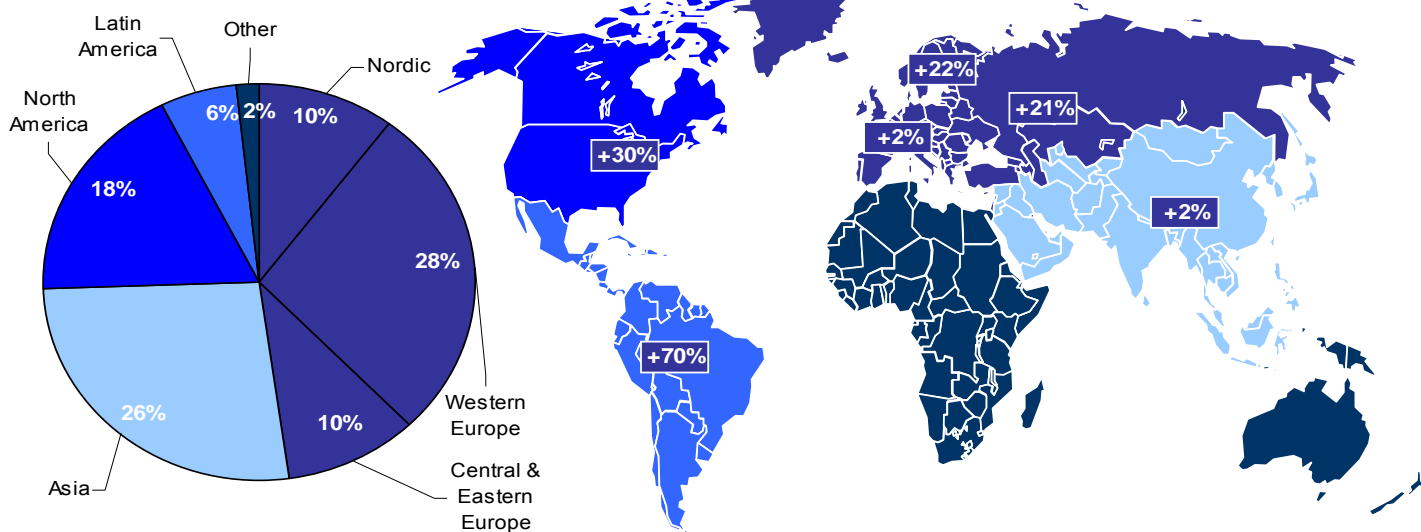
SEK millions	April 1 - June 30 2,007	April 1 - June 30 2,006	Jan 1 - June 30 2007	Jan 1 - June 30 2006	Jan 1- Dec 31 2006	Jan 1- Dec 31 2005
Orders received	9	3	19	7	10	41
Order backlog *			20	16	8	42
Net sales	4	15	6	31	39	26
Operating income	-156	-165	-280	-264	-460	-411

* At the end of the period.

Reporting by geographical markets

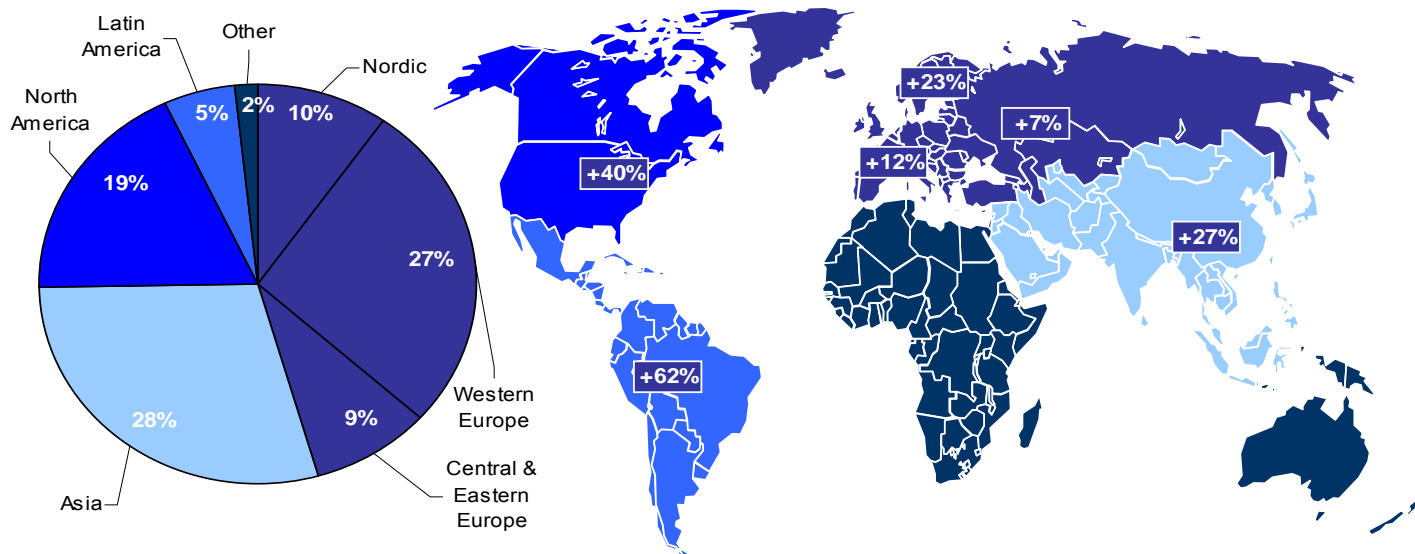
The Group's secondary segments are geographical markets. All comments are after adjustment for exchange rate fluctuations.

Orders received quarter



= Compared to Q2 2006 after adjustment for exchange rate fluctuations

Orders received YTD



= Compared to YTD 2006 after adjustment for exchange rate fluctuations

Western Europe including Nordic

Capital sales in the Equipment Division and sales in the aftermarket have shown a continued strong development. In the Equipment Division the best development was in the market segments Refrigeration, Sanitary and Fluids & Utilities. In the Process Technology Division the base business for capital sales was flat compared to the second quarter 2006 at the same time as a large order in France last year was not repeated. The strongest development was seen in the market segment Process Industry.

Central and Eastern Europe

Overall it was a strong quarter in the region with excellent growth in the market segments Sanitary, Process Industry, Energy & Environment as well as the aftermarket, Parts & Service. The level of base orders developed strongly, which shows that investments in presence and focus on Parts & Service is paying off. The strongest order development came from Russia and Poland.

North America

Base sales during the quarter were above last year and the aftermarket Parts & Service showed a continued strong development. The best segment with a very strong development was Process Industry that received a number of large orders.

Latin America

There has been a continued very good development across the region and especially in Brazil. The market segments Process Industry, Sanitary and Energy and Environment as well as the aftermarket, Parts & Service, are showing excellent growth. Most of the growth comes from the base business, which shows that investment in training of sales force and focus on Parts & Service is paying off.

Asia

Orders received during the quarter were on the same level as the same period last year, which was a very strong quarter. Base sales for the second quarter showed a positive development reflecting a continuing strong business climate. The best performing market segments were Sanitary, Refrigeration & Cooling and Fluids & Utilities. The best growth was in South East Asia, Oceania, Korea and India. The marine market continues to show a positive trend in the main shipbuilding countries Japan, Korea and China. Similarly, the energy market continues to show a strong demand, although orders received were below the level of the second quarter 2006 when some large orders were received that were not repeated in 2007

CONSOLIDATED CASH-FLOW STATEMENTS	Jan 1 - June 30 2007	Jan 1 - June 30 2006	Jan 1 - Dec 31 2006	Jan 1 - Dec 31 2005
Amounts in SEK millions				
Cash flow from operating activities				
Operating income	1,799	1,068	2,552	1,377
Adjustment for depreciation	297	293	601	580
Adjustment for other non-cash items	-12	17	207	-45
	<u>2,084</u>	<u>1,378</u>	<u>3,360</u>	<u>1,912</u>
Taxes paid	-621	-213	-549	-429
	<u>1,463</u>	<u>1,165</u>	<u>2,811</u>	<u>1,483</u>
Changes in working capital:				
(Increase)/decrease of current receivables	-763	-630	-1,308	49
(Increase)/decrease of inventories	-937	-428	-725	-282
Increase/(decrease) of liabilities	951	579	1,418	482
Increase/(decrease) of provisions	324	223	423	-116
(Increase)/decrease in working capital	-425	-256	-192	133
	<u>1,038</u>	<u>909</u>	<u>2,619</u>	<u>1,616</u>
Cash flow from investing activities				
Investments in fixed assets (Capex)	-144	-137	-373	-324
Divestment of fixed assets	3	7	19	164
Acquisition of businesses	-708	-1,229	-1,227	-505
Divestment of businesses	-	-	4	-
	<u>-849</u>	<u>-1,359</u>	<u>-1,577</u>	<u>-665</u>
Cash flow from financing activities				
Financial net, paid	-162	-20	-115	-351
Repurchase of shares	-426	-	-	-
Dividends to owners of parent company	-698	-570	-570	-530
Dividends to minority owners in subsidiary	-19	-18	-29	-26
(Increase)/decrease of other financial assets	-25	132	80	-31
Capitalised financing costs, acquisition loans	-	-4	-4	-4
Increase/(decrease) of liabilities to credit institutions	1,216	958	-298	-30
	<u>-114</u>	<u>478</u>	<u>-936</u>	<u>-972</u>
Net increase (decrease) in cash and bank	75	28	106	-21
Cash and bank at the beginning of the year	546	479	479	415
Translation difference in cash and bank	15	-27	-39	85
Cash and bank at the end of the period	636	480	546	479
Free cash flow per share (SEK) *	1.69	-4.03	9.32	8.52
Capex in relation to sales	1.3%	1.5%	1.9%	2.0%
Average number of shares	111,550,082	111,671,993	111,671,993	111,671,993

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

Cash flow from operating and investing activities amounted to SEK 189 (-450) million during the first six months. As a result of increased volumes and profit the cash flow has been burdened by increased tax payments and build up of working capital. Depreciation, excluding allocated step-up values, was SEK 129 (126) million during the first six months, whereas the investments were SEK 144 (137) million.

CONSOLIDATED BALANCE SHEET

Amounts in SEK millions	June 30 2007	June 30 2006	Dec 31 2006
ASSETS			
Non-current assets			
Intangible assets	5,522	5,317	4,897
Property, plant and equipment	2,538	2,486	2,515
Other non-current assets	1,099	714	784
	<u>9,159</u>	<u>8,517</u>	<u>8,196</u>
Current assets			
Inventories	4,838	3,578	3,792
Assets held for sale	1	-	1
Accounts receivable	4,781	3,703	3,973
Other receivables	1,790	1,381	1,743
Derivative assets	144	254	270
Other current deposits	245	191	229
Cash and bank *	636	480	546
	<u>12,435</u>	<u>9,587</u>	<u>10,554</u>
TOTAL ASSETS	21,594	18,104	18,750
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Shareholders' equity	6,896	5,847	6,713
Minority interest	85	126	118
	<u>6,981</u>	<u>5,973</u>	<u>6,831</u>
Non-current liabilities			
Liabilities to credit institutions	2,405	2,510	1,251
Private placement	755	798	755
Provisions for pensions and similar commitments	934	932	941
Provision for deferred tax	905	886	949
Other provisions	410	340	318
	<u>5,409</u>	<u>5,466</u>	<u>4,214</u>
Current liabilities			
Liabilities to credit institutions	331	241	220
Accounts payable	2,295	1,736	2,144
Advances from customers	2,070	1,315	1,751
Other provisions	1,115	763	963
Other liabilities	3,269	2,476	2,488
Derivative liabilities	124	134	139
	<u>9,204</u>	<u>6,665</u>	<u>7,705</u>
Total liabilities	14,613	12,131	11,919
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	21,594	18,104	18,750

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

Cash, bank and current deposits include bank and other deposits in the publicly listed subsidiary Alfa Laval (India) Ltd of SEK 43 (81) million. The company is not a wholly owned subsidiary of the Alfa Laval Group. It is owned to 76.7 (64.1) percent.

Borrowings and net debt

Consolidated SEK in millions	June 30 2007	June 30 2006	December 31 2006	December 31 2005
Credit institutions	2,736	2,751	1,471	2,802
Private placement	755	798	755	-
Capitalised financial leases	36	27	25	29
Interest-bearing pension liabilities	2	3	2	3
Total debt	3,529	3,579	2,253	2,834
Cash, bank and current deposits	-881	-671	-775	-821
Net debt	2,648	2,908	1,478	2,013

Alfa Laval has a senior credit facility with a banking syndicate of EUR 268 million and USD 348 million, corresponding to SEK 4,857 million. At June 30, 2007, SEK 2,130 million of the facility were utilised. The facility matures in April 2011 with another year's option until April 2012.

The private placement of USD 110 million matures in 2016.

CHANGES IN CONSOLIDATED EQUITY

Amounts in SEK millions	Jan 1 - Jun 30 2007	Jan 1 - Jun 30 2006	Jan 1 - Dec 31 2006
At the beginning of the period	6,831	5,811	5,811
Changes attributable to:			
Equity holders of the parent			
Repurchase of shares	-426	-	-
Increase of ownership in Alfa Laval (India) Ltd	56	-	-
Cash flow hedges	-103	212	228
Translation difference	143	-182	-247
Deferred tax	30	-60	-65
Net income for the period	1,181	768	1,687
Dividends	-698	-570	-570
Subtotal	183	168	1,033
Minority			
Decrease of minority in Alfa Laval (India) Ltd	-56	-	-
Translation difference	21	-8	-22
Net income for the period	21	20	38
Dividends	-19	-18	-29
Subtotal	-33	-6	-13
At the end of the period	6,981	5,973	6,831

The share capital of SEK 1,116,719,930 is divided into 111,671,993 shares.

Ownership and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 15,439 (10,675) shareholders on June 30, 2007. The largest owner is Tetra Laval B.V., the Netherlands who owns 17.7 (17.7) percent. Next to the largest owner there are nine institutional investors with ownership in the range of 10.1 to 1.5 percent. These ten largest owners own 52.9 (53.9) percent of the shares.

Repurchase of shares

The Annual General Meeting 2007 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 10 percent of the issued shares with the purpose to cancel the repurchased shares and reduce the share capital. The repurchase would be made through transactions on OMX Stockholm's Stock Exchange. During the second quarter Alfa Laval has repurchased 1,011,969 shares corresponding to 0.9 percent of the number of outstanding shares. This means that the equity capital of the parent company and the consolidated Group has decreased by SEK 426 million.

Material factors of risk and uncertainty

The main factors of risk and uncertainty facing the Group concern the price development and availability of strategic metals, the depreciation of the US dollar and when the business cycle driven downturn in the demand for the company's products comes and how deep the downturn will be. It is the company's opinion that the description of risks made in the Annual Report for 2006 is still correct. For additional information reference is therefore made to the Annual report for 2006 and the sections on financial and operational risks on pages 65 to 69 and the section on critical accounting principles, the section on key sources of estimation uncertainty and the section on judgements under accounting principles on page 59.

Asbestos-related lawsuits

The Alfa Laval Group was as of June 30, 2007, named as a co-defendant in a total of 241 asbestos-related lawsuits with a total of approximately 309 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.

Purchase of businesses

The public offer to purchase an additional 26 percent of Alfa Laval (India) Ltd opened on May 7, 2007 and was closed on May 26, 2007. The initial offer of 875 rupies per share was raised to 1,300 rupies per share on May 16, 2007. The result of the offer was that a total of 2,293,896 shares corresponding to 12.6 percent of the total number of shares could be acquired. This means that the ownership in the Indian subsidiary now is 76.7 percent. The total cost for the acquisition is SEK 505 million.

On March 16, 2007 Alfa Laval acquired the American company DSO Fluid Handling. The acquisition strengthens Alfa Laval's position within sanitary processing industries in the US. DSO is a supplier of predominantly parts for pumps and valves and adds a complementary channel for replacement parts. In line with Alfa Laval's multi-brand strategy, DSO will continue to sell its products under its own brand. DSO had a

turnover in 2006 of about SEK 50 million and has approximately 20 employees. DSO is based in Irvington (Newark), New Jersey USA.

On April 4, 2007 Alfa Laval acquired the Dutch company Helpman. Helpman is a leading company in the European market for air heat exchangers used in the sensitive logistical chain for food, i.e. refrigeration and temperature control to secure the final quality of the products. Helpman had a turnover in 2006 of about SEK 200 million and has approximately 130 employees within R&D, sales and at two manufacturing units, in Groningen, the Netherlands and in Sofia, Bulgaria. The intention is to fully integrate Helpman into Alfa Laval.

Accounting principles

The second quarter interim report 2007 is in accordance with RR 31 Consolidated Interim Reports, which requires that IAS 34 Interim Financial Reporting and the Swedish Annual Report's Act must be applied. The accounting principles are according to IFRS (International Financial Reporting Standards). This means that the same accounting principles and accounting estimates have been applied in the second quarter interim report 2007 as for the annual report for 2006. The changes in Swedish legislation that are an effect of the European Union's Transparency Directive and that are effective from July 1, 2007 have been implemented.

Parent company

The parent company's result after financial items was SEK 1,221 (1,987) million, out of which net interests were SEK 19 (-5) million, realised and unrealised exchange rate gains and losses SEK 1 (-1) million, dividends from subsidiaries SEK 1,208 (2,000) million, costs related to the listing SEK -1 (-0) million, fees to the Board SEK -2 (-2) million, cost for annual report and annual general meeting SEK -3 (-3) million and other administration costs the remaining SEK -1 (-2) million.

PARENT COMPANY INCOME STATEMENT

	April 1 - June 30 2007	April 1 - June 30 2006	Jan 1 - June 30 2007	Jan 1 - June 30 2006	Jan 1 - Dec 31 2006	Jan 1 - Dec 31 2005
Amounts in SEK millions						
Administration costs	-6	-4	-7	-6	-11	-9
Other operating costs	1	-1	0	-1	-1	-2
Operating income/loss	-5	-5	-7	-7	-12	-11
Dividends	1,208	2,000	1,208	2,000	2,000	-
Interest income and similar result items	13	2	21	3	15	2
Interest costs and similar result items	-1	-5	-1	-9	-10	-7
Result after financial items	1,215	1,992	1,221	1,987	1,993	-16
Appropriation to tax allocation reserve	-	-	-	-25	-254	-25
Income tax	13	-21	-4	-21	-214	-21
Tax on received Group contribution	-	-	-	-	286	32
Net result for the year	1,228	1,971	1,217	1,941	1,811	-30

PARENT COMPANY BALANCE SHEET

Amounts in SEK millions	June 30 2007	June 30 2006	Dec 31 2006
ASSETS			
Non-current assets			
Shares in group companies	4,669	4,461	4,669
Current assets			
Receivables on group companies	1,971	1,290	2,081
Other receivables	26	4	2
Cash and bank	-	-	-
	<u>1,997</u>	<u>1,294</u>	<u>2,083</u>
TOTAL ASSETS	6,666	5,755	6,752
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Restricted equity capital	2,386	2,386	2,386
Unrestricted equity capital	3,900	3,246	3,807
	<u>6,286</u>	<u>5,632</u>	<u>6,193</u>
Untaxed reserves			
Tax allocation reserve, taxation 2005	81	81	81
Tax allocation reserve, taxation 2006	25	25	25
Tax allocation reserve, taxation 2007	254	-	254
	<u>360</u>	<u>106</u>	<u>360</u>
Current liabilities			
Liabilities to group companies	19	16	33
Accounts payable	1	1	1
Tax liabilities	-	-	165
Other liabilities	0	0	-
	<u>20</u>	<u>17</u>	<u>199</u>
TOTAL EQUITY CAPITAL AND LIABILITIES	6,666	5,755	6,752

Date for the next financial reports during 2007

The interim report for the third quarter 2007 will be published on October 23, 2007.

Events after the balance sheet date

In a press release on July 2, 2007 Alfa Laval announced that an agreement has been signed to acquire the American company AGC Engineering, Inc. The company provides sanitary plate heat exchanger service and equipment to the dairy and food processing industries. AGC has a turnover of approximately SEK 70 million and 65 employees. The acquisition adds a complementary channel for sanitary plate heat exchangers to the dairy and food processing industries mainly in the USA. This applies to new units as well as parts and service. AGC will not be integrated into Alfa Laval. The two organizations will go to market independently of each other according to a multi-brand strategy.