

Second quarter 2017



Summary

SEK millions	Second quarter				First six months			
	2017	2016	%	% *	2017	2016	%	% *
Order intake	9,629	8,101	19	14	18,430	15,811	17	11
Net sales	8,907	8,950	-0.5	-4	17,033	17,149	-1	-5
Adjusted EBITA **	1,410	1,393	1		2,689	2,726	-1	
- adjusted EBITA margin (%) **	15.8	15.6			15.8	15.9		
Result after financial items	733	1,265	-42		2,001	2,355	-15	
Net income for the period	479	931	-49		1,255	1,802	-30	
Earnings per share (SEK)	1.14	2.21	-48		2.98	4.27	-30	
Cash flow ***	1,042	1,233	-15		1,846	2,143	-14	
Impact on adjusted EBITA of:								
- foreign exchange effects	96	137			171	230		

* Excluding currency effects. ** Alternative performance measures, see page 23. *** From operating activities.

Comment from Tom Erixon, President and CEO

"The order intake for the second quarter was SEK 9.6 billion, which was 9 percent above the previous quarter and 19 percent better than the corresponding quarter last year. High activity in many of our end markets and large orders at a value of SEK 500 million contributed to an outcome that was better than we had expected.

The order intake for the Food & Water Division grew with 7 percent compared to the already high level of the previous quarter. The upturn was broad and included most end markets. The base business showed a good development, as did the project business that was lifted by mid-size projects as well as the large order within vegetable oil of SEK 125 million that was booked in Brazil.

The Marine Division's order intake was basically unchanged from the previous quarter. The continued low contracting during the end of last year and the beginning of the current year impacted Alfa Laval's order intake negatively. A stronger market for tankers and cruise ships, as a part of the total contracting, however, gave support, as did the demand for marine

environmental applications, that developed well during the quarter.

The order intake for the Energy Division grew with 17 percent compared to the previous quarter. A positive development within the base business, partly boosted by a seasonal increase within HVAC and three large orders within refinery and gas treatment contributed to the division's good outcome. The order intake from the oil and gas sector grew, but from a low level.

The result has been burdened by unrealised exchange rate differences in the financial net due to revaluation of loans.

The measures within the frame of Alfa Laval's restructuring programme proceeded according to plan. The operations within Greenhouse continued to improve and delivered a positive result for the quarter. The savings measures within sales and administration generated a cost reduction compared to the previous year and more initiatives were announced within production – entirely according to plan."

Outlook for the third quarter

"We expect that demand during the third quarter 2017 will be lower than in the second quarter."

Earlier published outlook (April 26, 2017): "We expect that demand during the second quarter 2017 will be in line with or somewhat lower than 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

Alfa Laval has signed two frame agreements with ship-owners to deliver Alfa Laval PureBallast systems for retrofit installations. The frame agreements represent a total value of approximately SEK 200 million and deliveries will

span over a three-year period, from late 2017. The booking of call-off orders will be timed with the ships' dry-docking schedules and hence gradually appear in the Separation & Heat Transfer Equipment unit of the Marine Division.

Large orders ¹⁾ in the second quarter

Division	Business Unit	Delivery date	Order amount	Total per Business Unit	
Scope of supply			SEK millions		
			Q2 2017	Q2 2016	
Energy					
	Welded Heat Exchangers				
	Compact heat exchangers to a refinery in China.	2018	210		
	Evaporative air cooler systems to a gas processing plant in the U.S.	2017	85	295	-
	Gasketed Plate Heat Exchangers				
	Compact heat exchangers to a refinery in China.	2018	90	90	-
Food & Water					
	Decanters				50
	Food Systems				
	A process solution for a soybean oil refining plant in Brazil.	2018	125	125	55
Total				510	105

Order intake

Orders received has amounted to SEK 9,629 (8,101) million for the second quarter and to SEK 18,430 (15,811) million for the first six

months 2017. 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 and the previous quarter can be

split into:

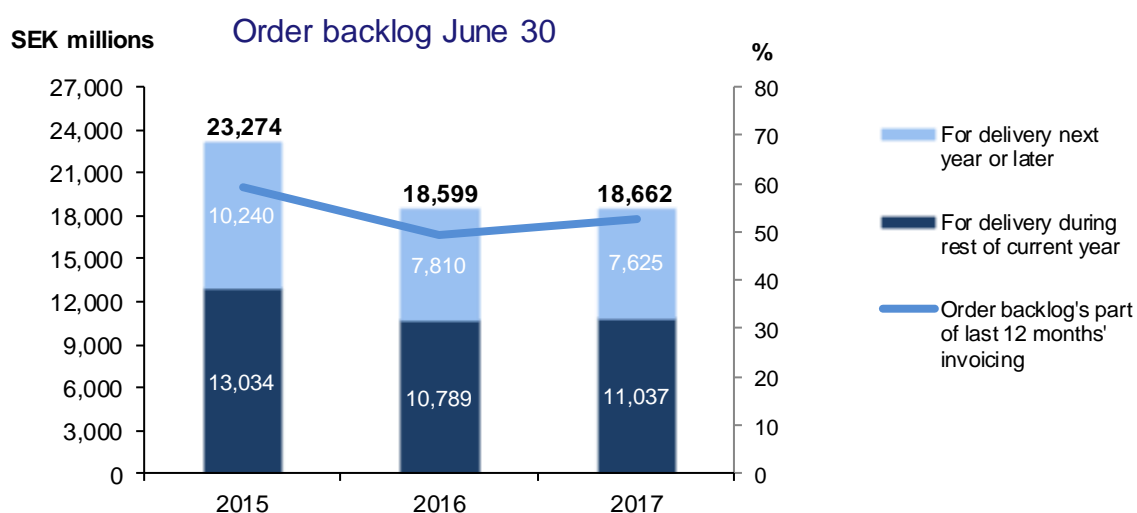
	Order bridge						
	Order intake	Change					Order intake
		Prior periods	Excluding currency effects			After currency effects	
SEK millions	Structural change ²⁾	Organic development ³⁾	Total	Currency effects	Total	SEK millions	
	(%)	(%)	(%)	(%)	(%)		
Q2 2017/2016	8,101	-	14.0	14.0	4.9	18.9	9,629
Q2 2017/Q1 2017	8,801	-	9.7	9.7	-0.3	9.4	9,629
YTD 2017/2016	15,811	-	11.4	11.4	5.2	16.6	18,430

Orders received from the aftermarket Service⁴ constituted 29.9 (32.0) percent of the Group's total orders received during the second quarter and 30.8 (33.2) percent during the first six

months 2017. The change compared with the corresponding periods last year and the previous quarter can be split into:

Consolidated	Service order intake		
	Change excluding currency effects		
%	Structural change	Organic development	Total
Q2 2017/2016	-	6.8	6.8
Q2 2017/Q1 2017	-	3.6	3.6
YTD 2017/2016	-	3.2	3.2

Order backlog



Excluding currency effects and adjusted for acquisition of businesses the order backlog was 4.5 percent smaller than the order backlog at

June 30, 2016 and 8.0 percent larger than the order backlog at the end of 2016.

2. Structural change relates to acquisition of businesses.
3. Organic development relates to change excluding acquisition of businesses.
4. Parts and service.

Net sales

Net invoicing was SEK 8,907 (8,950) million for the second quarter and SEK 17,033 (17,149) million for the first six months 2017. The change

compared with the corresponding periods last year and the previous quarter can be split into:

Consolidated		Sales bridge					Net sales Current periods SEK millions
		Change					
	Net sales Prior periods SEK millions	Excluding currency effects			After currency effects		
		Structural change (%)	Organic development (%)	Total (%)	Currency effects (%)	Total (%)	
Q2 2017/2016	8,950	-	-4.3	-4.3	3.8	-0.5	8,907
Q2 2017/Q1 2017	8,126	-	10.6	10.6	-1.0	9.6	8,907
YTD 2017/2016	17,149	-	-5.1	-5.1	4.4	-0.7	17,033

Net invoicing relating to Service constituted 31.0 (28.7) percent of the Group's total net invoicing in the second quarter and 31.2 (29.2) percent in the

first six months 2017. The change compared with the corresponding periods last year and the previous quarter can be split into:

Consolidated		Service sales		
		Change excluding currency effects		
%		Structural change	Organic development	Total
Q2 2017/2016		-	3.3	3.3
Q2 2017/Q1 2017		-	9.6	9.6
YTD 2017/2016		-	1.2	1.2

Income

SEK millions	Second quarter		First six months		Full year	Last 12
	2017	2016	2017	2016	2016	months
Net sales	8,907	8,950	17,033	17,149	35,634	35,518
Cost of goods sold	-5,930	-5,968	-11,301	-11,397	-24,581	-24,485
Gross profit	2,977	2,982	5,732	5,752	11,053	11,033
Sales costs	-1,045	-1,159	-2,058	-2,248	-4,328	-4,138
Administration costs	-490	-390	-930	-729	-1,649	-1,850
Research and development costs	-220	-213	-417	-399	-822	-840
Other operating income	175	175	298	286	613	625
Other operating costs	-258	-272	-478	-473	-1,893	-1,898
Share of result in joint ventures	2	8	10	12	15	13
Operating income	1,141	1,131	2,157	2,201	2,989	2,945
Dividends and changes in fair value	0	0	0	0	47	47
Interest income and financial exchange rate gains	-207	30	161	216	645	590
Interest expense and financial exchange rate losses	-201	104	-317	-62	-356	-611
Result after financial items	733	1,265	2,001	2,355	3,325	2,971
Taxes	-254	-334	-746	-553	-1,013	-1,206
Net income for the period	479	931	1,255	1,802	2,312	1,765
Other comprehensive income: Items that will subsequently be reclassified to net income						
Cash flow hedges	105	-132	126	143	245	228
Market valuation of external shares	0	0	0	0	0	0
Translation difference	-774	708	-1,069	759	1,882	54
Deferred tax on other comprehensive income	47	7	115	-31	-143	3
Sum	-622	583	-828	871	1,984	285
Items that will subsequently not be reclassified to net income						
Revaluations of defined benefit obligations	50	26	100	50	-505	-455
Deferred tax on other comprehensive income	-14	-7	-28	-14	67	53
Sum	36	19	72	36	-438	-402
Comprehensive income for the period	-107	1,533	499	2,709	3,858	1,648
Net income attributable to:						
Owners of the parent	475	923	1,248	1,789	2,289	1,748
Non-controlling interests	4	8	7	13	23	17
Earnings per share (SEK)	1.14	2.21	2.98	4.27	5.46	4.17
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	-107	1,521	496	2,677	3,815	1,634
Non-controlling interests	0	12	3	32	43	14

The gross profit has except a slightly lower invoicing volume been negatively affected by price/mix effects within capital sales. The gross profit has been positively affected by a favourable mix between capital sales and service and by currency effects.

Sales and administration expenses amounted to SEK 1,535 (1,549) million during the second quarter and SEK 2,988 (2,977) million during the

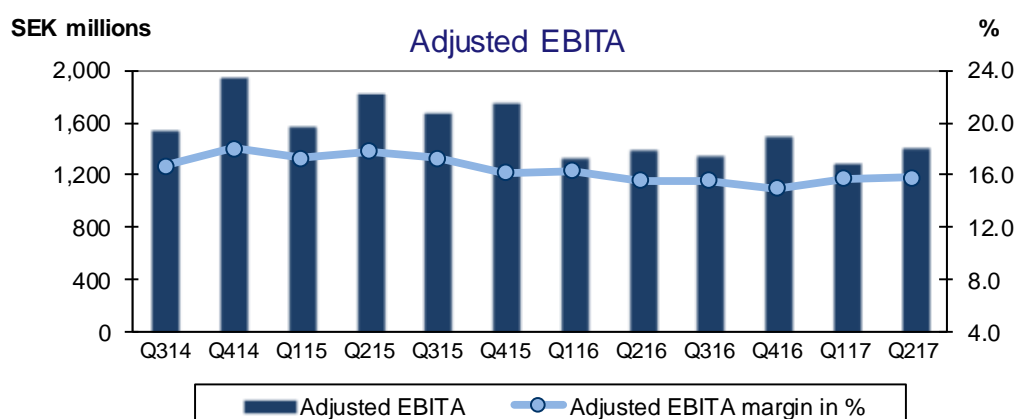
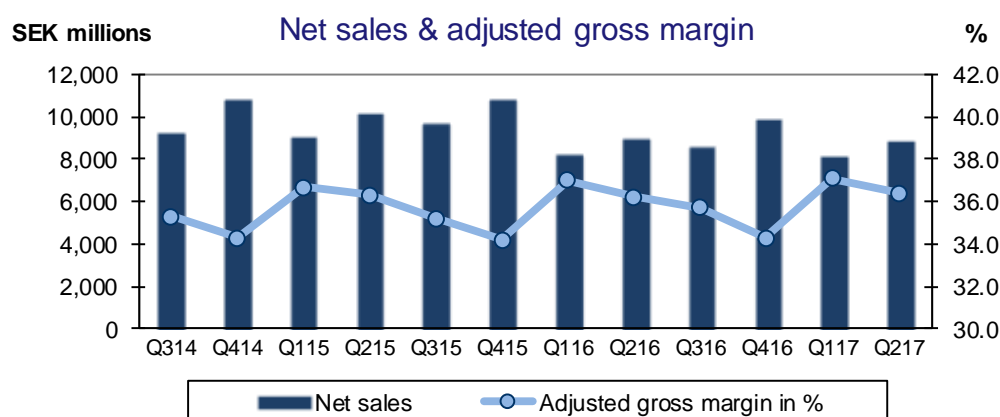
first six months 2017. Excluding currency effects and acquisition of businesses, sales and administration expenses were 4.3 percent and 3.2 percent respectively lower than the corresponding periods last year. The decrease is entirely explained by the change programme that was initiated during the last six months of 2016. The corresponding figure when comparing the second quarter 2017 with the previous quarter is an increase with 6.3 percent.

The costs for research and development during the first six months 2017 corresponded to 2.4 (2.3) percent of net sales. Excluding currency effects and acquisition of businesses, the costs for research and development have increased by 1.1 percent during the second quarter and by 2.3 percent during the first six months 2017 compared to the corresponding periods last year.

The corresponding figure when comparing the second quarter 2017 with the previous quarter is an increase with 11.2 percent.

Earnings per share, excluding amortisation of step-up values and the corresponding tax*, was SEK 3.90 (4.97) for the first six months 2017.

Consolidated SEK millions	Income analysis					
	Second quarter		First six months		Full year	Last 12 months
	2017	2016	2017	2016	2016	
Net sales	8,907	8,950	17,033	17,149	35,634	35,518
Adjusted gross profit *	3,246	3,244	6,264	6,277	12,744	12,731
- adjusted gross margin (%) *	36.4	36.2	36.8	36.6	35.8	35.8
Expenses **	-1,681	-1,691	-3,258	-3,232	-6,548	-6,574
- <i>in % of net sales</i>	18.9	18.9	19.1	18.8	18.4	18.5
Adjusted EBITDA *	1,565	1,553	3,006	3,045	6,196	6,157
- <i>adjusted EBITDA margin (%) *</i>	17.6	17.4	17.6	17.8	17.4	17.3
Depreciation	-155	-160	-317	-319	-643	-641
Adjusted EBITA *	1,410	1,393	2,689	2,726	5,553	5,516
- <i>adjusted EBITA margin (%) *</i>	15.8	15.6	15.8	15.9	15.6	15.5
Amortisation of step-up values	-269	-262	-532	-525	-1,064	-1,071
Comparison distortion items:						
Write down of goodwill and step-up values	-	-	-	-	-627	-627
Restructuring	-	-	-	-	-873	-873
Operating income	1,141	1,131	2,157	2,201	2,989	2,945



* Alternative performance measures, see page 23. ** Excluding comparison distortion items.

Comparison distortion items

Comparison distortion items are reported in the comprehensive income statement on each concerned line.

Group Management started three initiatives in 2016 for restructuring and implementation of a new organisation. The three initiatives concerned:

1. *Cost adaptations and a new organisation*
2. *Restructuring of the manufacturing structure*
The initiative comprises re-locations and closures of entities during a period of about three years.
3. *"Greenhouse"*

The costs for the initiatives were of a non-recurring nature and amounted to SEK -1,500 million for the full year 2016 and contained estimated costs for measures concerning all three initiatives. The cost contained among

others a write down of above all allocated step-up values and goodwill with about SEK -700 million, which burdened cost of goods sold. The remaining part of the cost of SEK -800 million concerned mainly lay off of about 1,000 employees and in addition certain costs for write down of assets and provisions for lease agreements, which burdened other operating costs.

The measures during the full year 2016 are estimated to give savings related to cost of goods sold of approximately SEK 200 million and to operating costs, excluding cost of goods sold, of about SEK 300 million and are expected to be implemented to approximately 75 % by the end of 2017 and to be implemented in full by the end of 2018. During the first six months 2017 savings of SEK 140 million were realised as a result of the initiatives.

Consolidated financial net and taxes

The financial net for the first six months 2017 has amounted to SEK -52 (-65) million, excluding realised and unrealised exchange rate losses and gains. The main elements of costs were interest on the debt to the banking syndicate of SEK -3 (-4) million, interest on the bilateral term loans of SEK -21 (-29) million, interest on the private placement of SEK - (-3) million, interest on the commercial papers of SEK 0 (-0) million, interest on the corporate bonds of SEK -39 (-40) million and a net of dividends, fair value changes and other interest income and interest costs of SEK 11 (11) million. The net of realised and unrealised exchange rate differences has amounted to SEK -104 (219) million. The unrealised exchange rate differences are almost entirely explained by revaluation of loans.

The tax on the result after financial items was SEK -254 (-334) million in the second quarter and SEK -746 (-553) million in the first six months 2017. The quarter's tax cost has been impacted by the above mentioned unrealised exchange rate differences. The tax cost for the first six months 2017 has been affected by a non-recurring item of SEK -113 million concerning additional tax relating to prior years concerning acquired businesses according to a settlement with the former owners. The tax cost for the first six months 2016 was affected by non-recurring items of about SEK 86 million concerning adjustments of deferred taxes relating to step up values, due to reduced company taxes in certain countries and thereby decreased deferred tax liabilities.

Key figures

Consolidated	Key figures		
	June 30		December 31
	2017	2016	2016
Return on capital employed (%) *	15.3	19.9	15.3
Return on equity (%) **	8.9	20.2	11.8
Solidity (%) ***	36.7	37.1	38.0
Net debt to EBITDA, times *	1.91	1.74	1.81
Debt ratio, times *	0.53	0.61	0.47
Number of employees (at the end of the period)	16,435	17,309	16,941

* Alternative performance measures, see page 23.

** Net income in relation to average equity, calculated on 12 months' revolving basis, expressed in percent.

*** Equity in relation to total assets at the end of the period, expressed in percent.

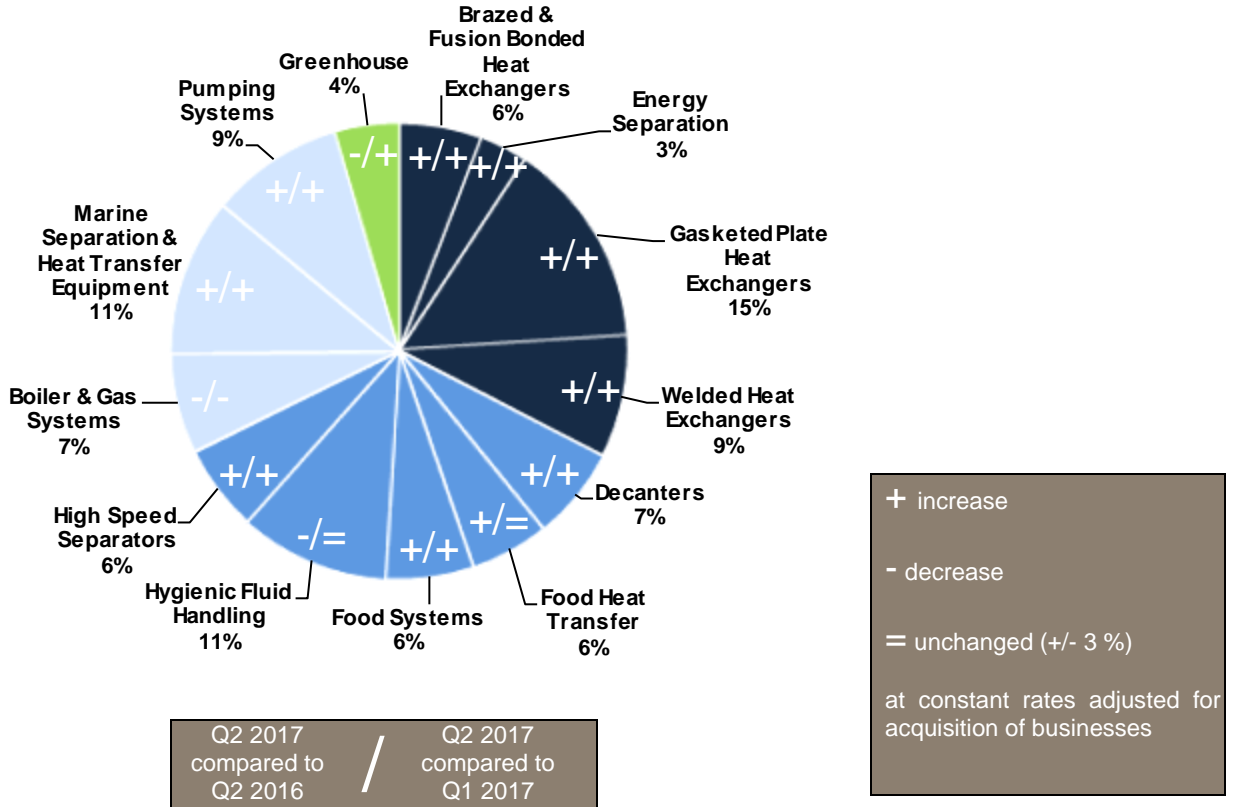
Observe that the return on capital employed and on equity has been impacted by the one-time costs during the last two quarters 2016.

Business Divisions

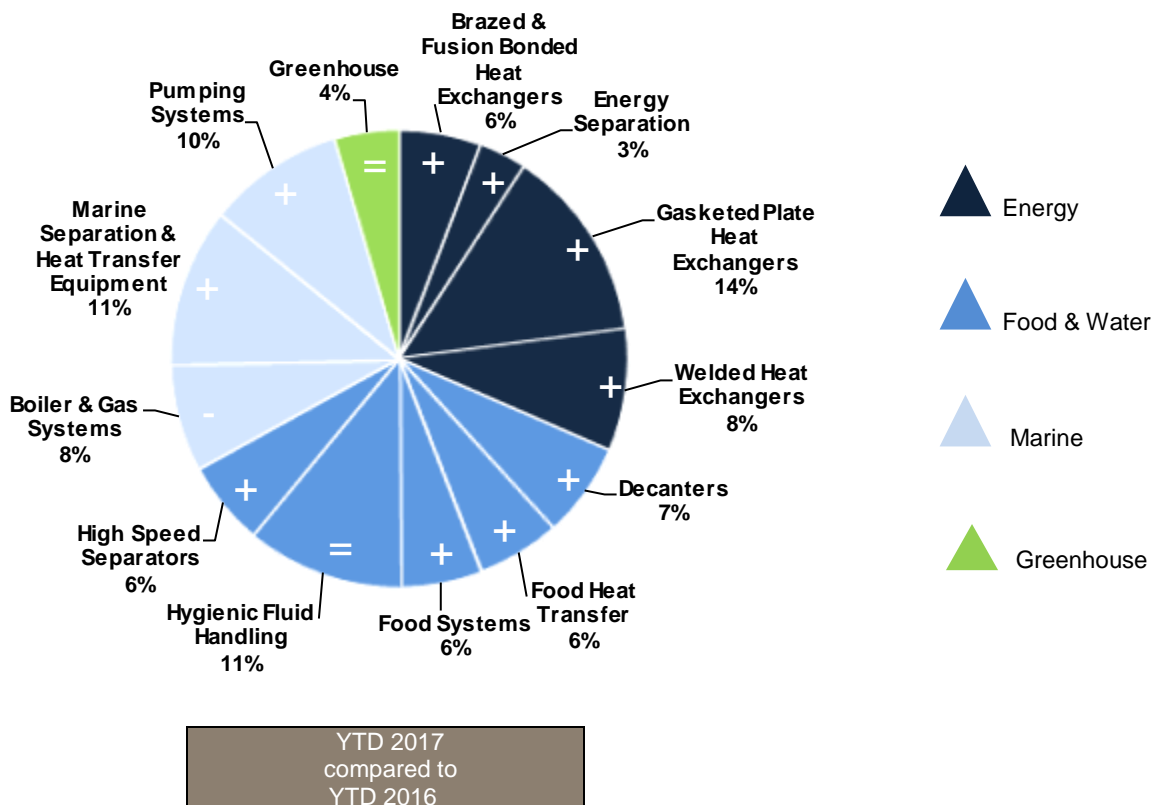
The development of the order intake for the Divisions and their Business Units and the split

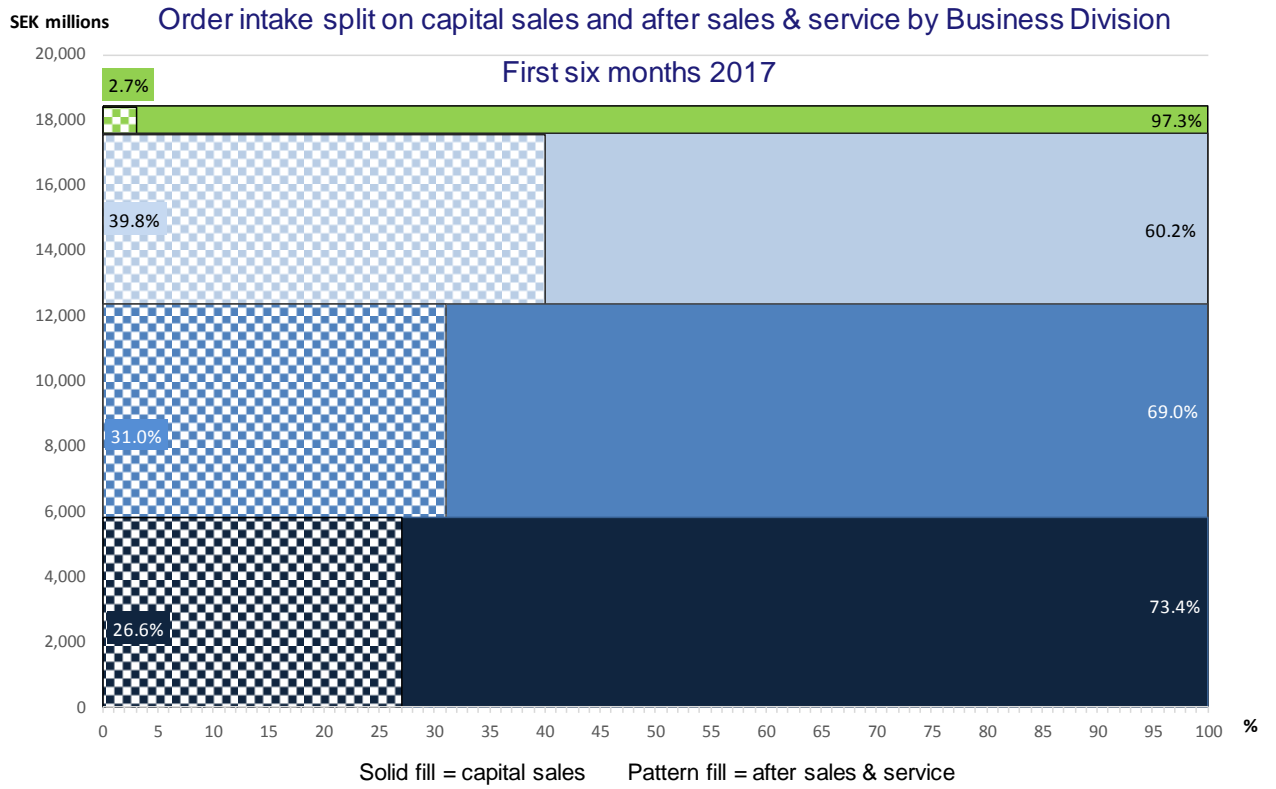
between capital sales and after sales & service appear in the following charts.

Orders received by Business Unit Q2 2017



Orders received by Business Unit YTD 2017





Energy Division

Consolidated SEK millions	Second quarter		First six months		Full year	Last 12
	2017	2016	2017	2016	2016	months
Orders received	3,136	2,443	5,810	4,809	10,208	11,209
Order backlog*	5,032	4,316	5,032	4,316	4,230	5,032
Net sales	2,861	2,676	5,144	5,057	10,641	10,728
Operating income**	384	299	639	625	1,423	1,437
Operating margin***	13.4%	11.2%	12.4%	12.4%	13.4%	13.4%
Depreciation and amortisation	76	73	156	148	302	310
Investments	17	15	32	30	76	78
Assets*	9,338	8,653	9,338	8,653	8,797	9,338
Liabilities*	3,388	2,352	3,388	2,352	2,608	3,388
Number of employees*	2,972	3,521	2,972	3,521	3,440	2,972

* At the end of the period. ** In management accounts. *** Operating income in relation to net sales.

Consolidated %	Change excluding currency effects					
	Order intake			Net sales		
	Structural change	Organic development	Total	Structural change	Organic development	Total
Q2 2017/2016	-	24.4	24.4	-	3.4	3.4
Q2 2017/Q1 2017	-	17.3	17.3	-	26.1	26.1
YTD 2017/2016	-	16.7	16.7	-	-2.0	-2.0

All comments below are excluding currency effects.

Order intake

The Energy Division's overall order volume increased in the second quarter compared to the previous quarter. Growth was recorded from service and base business* across to large orders.

Welded Heat Exchangers showed a continued positive development and grew compared to the previous quarter. The main explanatory factor was the base business, which grew throughout the hydro carbon chain as well as in areas like inorganic chemicals and mining. Larger projects remained on the same level as in the previous quarter. The best development, from a geographical perspective, was seen in the USA. For the **Energy Separation** Business Unit the base business showed overall growth, with the strongest development seen in Europe. The order level for project orders was still relatively low, despite growth compared to the first quarter. The growth was driven by some wastewater treatment

projects in mining. Business Unit **Gasketed Heat Exchangers** also grew compared to the first quarter. The base business showed a good development in HVAC, in line with the normal seasonal development. But base business growth was also recorded in areas like inorganic and organic chemical production. A large order in the same areas reinforced the development. The **Brazed and Fusion Bonded** business unit experienced a good development driven by a seasonal upswing in demand from customers in the heat pump and A/C industries. All the major markets – North East Asia, North America and Europe – developed well.

Service also reported growth compared to the previous quarter, the main driver being larger orders in the hydro carbon chain as well as in power.

Operating income

The increased operating income for Energy during the second quarter 2017 compared to the corresponding period last year is above all explained by a higher sales volume.

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

Food & Water Division

Consolidated SEK millions	Second quarter		First six months		Full year	Last 12
	2017	2016	2017	2016	2016	months
Orders received	3,385	2,910	6,547	5,523	11,327	12,351
Order backlog*	4,702	3,937	4,702	3,937	3,741	4,702
Net sales	2,923	2,813	5,681	5,291	11,364	11,754
Operating income**	408	430	810	788	1,596	1,618
Operating margin***	14.0%	15.3%	14.3%	14.9%	14.0%	13.8%
Depreciation and amortisation	37	40	76	80	165	161
Investments	9	15	19	31	82	70
Assets*	8,211	7,253	8,211	7,253	7,525	8,211
Liabilities*	3,735	2,461	3,735	2,461	2,785	3,735
Number of employees*	4,061	3,684	4,061	3,684	3,674	4,061

* At the end of the period. ** In management accounts. *** Operating income in relation to net sales.

Consolidated %	Change excluding currency effects					
	Order intake			Net sales		
	Structural change	Organic development	Total	Structural change	Organic development	Total
Q2 2017/2016	-	12.0	12.0	-	0.7	0.7
Q2 2017/Q1 2017	-	7.1	7.1	-	6.9	6.9
YTD 2017/2016	-	14.4	14.4	-	3.5	3.5

All comments below are excluding currency effects.

Order intake

The division reported growth in the second quarter compared to the previous quarter, benefitting from a strong demand in the dairy, food, pharma, starch and sugar markets as well as within waste water treatment. A good base business development was recorded, but an even bigger contribution came from larger orders. Geographically the growth was largely driven by Nordic and Western Europe as well as Latin America and China.

Business Unit **High Speed Separation** showed solid growth and gained not only from traditional food markets such as dairy, brewery and starch but also from biotech and industrial fermentation. The biggest contribution to the positive development came from Asia and Western Europe. Business Unit **Decanters** also grew, thanks to the water treatment and waste water sector, whereas demand in typical food applications was overall unchanged. Order intake in Business Unit **Food Heat Transfer** was unchanged with some food-related end markets reporting a slight contraction while pharma grew. Business Unit **Hygienic Fluid Handling** also

reported an unchanged order intake compared to the previous quarter. A slight increase in the dairy and pharma markets were neutralized by a limited decline in other food markets. North America showed a marginal contraction, whereas Asia, and in particular China, showed steady growth. Business Unit **Food Systems** showed a very strong development compared to the previous quarter, driven by larger projects as well as a very large order for a process solution for a soy bean refining plant in Brazil. Fish processing was another important industry in the quarter, whereas the brewery sector was lower than in the previous quarter.

Service had a strong quarter. The growth was generated by orders for spare parts and upgrades, whereas repair and field service came in slightly lower. Geographically North America and China were the explanatory factors for the overall very positive development.

Operating income

The decrease in operating income for Food & Water during the second quarter 2017 compared to the corresponding period last year is largely explained by the delivered mix within capital sales.

Marine Division

Consolidated SEK millions	Second quarter		First six months		Full year	Last 12
	2017	2016	2017	2016	2016	months
Orders received	2,678	2,324	5,234	4,693	8,760	9,301
Order backlog*	8,414	9,918	8,414	9,918	8,285	8,414
Net sales	2,672	3,102	5,330	6,097	12,125	11,358
Operating income**	421	576	853	1,132	2,051	1,772
Operating margin***	15.8%	18.6%	16.0%	18.6%	16.9%	15.6%
Depreciation and amortisation	192	184	385	375	765	775
Investments	5	22	20	37	77	60
Assets*	23,860	23,168	23,860	23,168	23,380	23,860
Liabilities*	5,818	4,976	5,818	4,976	5,126	5,818
Number of employees*	2,903	3,077	2,903	3,077	2,962	2,903

* At the end of the period. ** In management accounts. *** Operating income in relation to net sales.

Consolidated %	Change excluding currency effects					
	Order intake			Net sales		
	Structural change	Organic development	Total	Structural change	Organic development	Total
Q2 2017/2016	-	11.5	11.5	-	-16.5	-16.5
Q2 2017/Q1 2017	-	5.4	5.4	-	1.8	1.8
YTD 2017/2016	-	7.1	7.1	-	-16.2	-16.2

All comments below are excluding currency effects.

Order intake

Order intake for the Marine Division increased in the second quarter compared to the first quarter 2017, mainly due to higher demand for environmental solutions as well as marine pumping systems.

Business Unit **Marine Separation & Heat Transfer Equipment** reported an increased order intake in the second quarter compared to the first. The increase was driven by higher demand for PureBallast as well as heat exchangers. The order intake for PureBallast showed a good mix between new build and retrofit. Demand for equipment for diesel power plants was unchanged compared to the first quarter. The **Boiler & Gas Systems** Business Unit reported a decline in order intake in the second quarter compared to the previous quarter, as a continued effect of the low contracting for new shipbuilding. The lower order intake for

boilers was only partly off-set by higher demand for Alfa Laval PureSOx for sulphur oxide cleaning. The **Pumping Systems** Business Unit grew, as contracting of chemical tankers at yards in South Korea and China led to increased demand for cargo pumping systems. Offshore pumping systems also recorded growth, compared to the low level seen in the previous quarter.

After sales orders declined slightly compared to the first quarter due to a lower demand for spare parts and upgrades. Demand for repair and field services grew.

Operating income

The decrease in operating income for Marine during the second quarter 2017 compared to the corresponding period last year is mainly explained by a lower sales volume, but also by a negative mix within capital sales and lower utilisation in certain factories. Currency effects have affected the result positively.

Greenhouse Division

Consolidated SEK millions	Second quarter		First six months		Full year	Last 12
	2017	2016	2017	2016	2016	months
Orders received	430	424	839	786	1,765	1,818
Order backlog*	514	428	514	428	614	514
Net sales	451	359	878	704	1,504	1,678
Operating income**	7	-34	8	-79	-143	-56
Operating margin***	1.6%	-9.5%	0.9%	-11.3%	-9.5%	-3.3%
Depreciation and amortisation	18	22	25	44	77	58
Investments	1	4	4	9	21	16
Assets*	1,093	1,678	1,093	1,678	1,162	1,093
Liabilities*	464	498	464	498	572	464
Number of employees*	765	1,117	765	1,117	1,082	765

* At the end of the period. ** In management accounts. *** Operating income in relation to net sales.

Consolidated %	Change excluding currency effects					
	Order intake			Net sales		
	Structural change	Organic development	Total	Structural change	Organic development	Total
Q2 2017/2016	-	-4.2	-4.2	-	19.4	19.4
Q2 2017/Q1 2017	-	5.2	5.2	-	5.7	5.7
YTD 2017/2016	-	0.6	0.6	-	18.3	18.3

All comments below are excluding currency effects.

Order intake

Order intake in the Greenhouse Division increased in the second quarter compared to the previous quarter, mainly lifted by a seasonal increase in demand for air heat exchangers and heat exchanger systems.

Air heat exchangers increased with a good level of demand for industrial cooling applications in the power industry, as well as strong demand for equipment for industrial refrigeration and HVAC applications. Mid-Europe, Russia and the Benelux saw a particularly good development. Heat exchanger systems increased on the back of a good order intake for district heating systems in the Nordic area and Central Europe along with

a steady seasonal demand situation in most other regions. Tubular heat exchangers showed a slight increase in order intake, mainly due to higher demand for products going into HVAC and refrigeration applications in Europe and the Middle East.

Implemented and ongoing structural changes have impacted the order intake negatively, especially compared to the second quarter last year.

Operating income

The improvement in operating income for Greenhouse during the second quarter 2017 compared to the corresponding period last year is explained by a higher sales volume in combination with the result of the implemented changes.

Operations and Other

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

Consolidated						
SEK millions	Second quarter		First six months		Full year	Last 12
	2017	2016	2017	2016	2016	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**	-140	-181	-204	-318	-471	-357
Depreciation and amortisation	101	103	207	197	398	408
Investments	108	79	198	121	361	438
Assets*	4,937	5,736	4,937	5,736	5,826	4,937
Liabilities*	2,321	2,056	2,321	2,056	1,996	2,321
Number of employees*	5,734	5,910	5,734	5,910	5,783	5,734

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

The improved operating income in the second quarter compared to the corresponding period

last year is mainly explained by lower project related costs.

Reconciliation between Divisions and Group total

Consolidated						
SEK millions	Second quarter		First six months		Full year	Last 12
	2017	2016	2017	2016	2016	months
Operating income						
Total for divisions	1,080	1,090	2,106	2,148	4,456	4,414
Comparison distortion items	-	-	-	-	-1,500	-1,500
Consolidation adjustments *	61	41	51	53	33	31
Total operating income	1,141	1,131	2,157	2,201	2,989	2,945
Financial net	-408	134	-156	154	336	26
Result after financial items	733	1,265	2,001	2,355	3,325	2,971
Assets **						
Total for divisions	47,439	46,488	47,439	46,488	46,690	47,439
Corporate ***	4,097	5,602	4,097	5,602	6,688	4,097
Group total	51,536	52,090	51,536	52,090	53,378	51,536
Liabilities **						
Total for divisions	15,726	12,343	15,726	12,343	13,087	15,726
Corporate ***	16,881	20,443	16,881	20,443	20,015	16,881
Group total	32,607	32,786	32,607	32,786	33,102	32,607

* Difference between management accounts and IFRS. ** At the end of the period. *** Corporate refers to items in the statement on financial position that are interest bearing or are related to taxes.

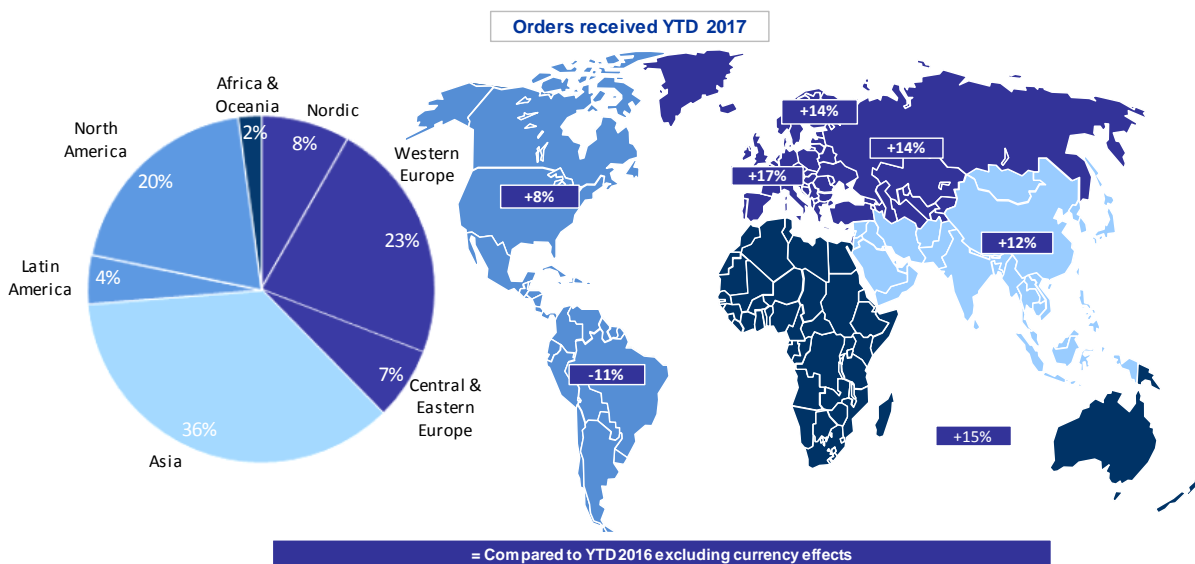
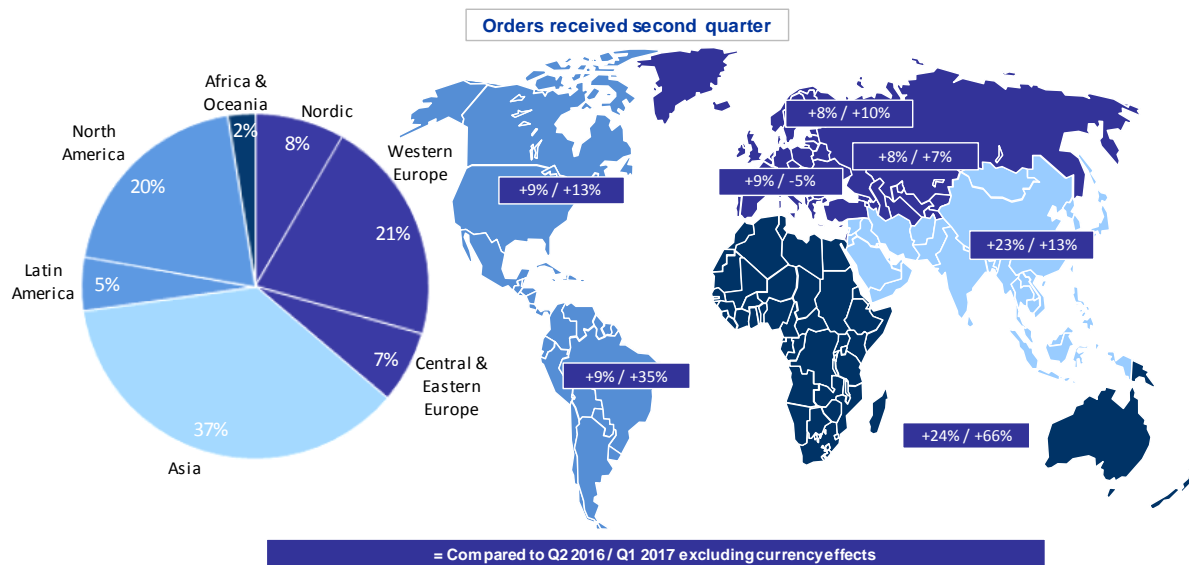
Information about products and services

Consolidated SEK millions	Net sales by product/service *					
	Second quarter		First six months		Full year	Last 12
	2017	2016	2017	2016	2016	months
Own products within:						
Separation	1,621	1,689	3,058	3,143	6,591	6,506
Heat transfer	4,296	4,077	7,986	7,819	16,371	16,538
Fluid handling	1,872	2,101	3,946	4,126	8,498	8,318
Other	265	265	481	538	1,022	965
Associated products	342	372	639	707	1,389	1,321
Services	511	446	923	816	1,763	1,870
Total	8,907	8,950	17,033	17,149	35,634	35,518

* 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.

Information by region



All comments are excluding currency effects.

Western Europe including Nordic

The region reported a modest decline in order intake in the second quarter compared to the first, with growth in the Nordic area, while Western Europe declined. This was mainly explained by a negative development in the Marine Division, which was outweighed by growth in the Food & Water Division and a flat development for the Energy Division. The Nordic area did very well in the quarter, as did France, which followed up a strong first quarter with an even stronger development in the second, mainly thanks to the Food & Water Division. Benelux saw order intake decline across all three divisions.

Central and Eastern Europe

Order intake in the second quarter grew for the region compared to the previous quarter, with Russia as the main driver. All three divisions

reported good growth in Russia, for both capital sales and service. South East Europe also did well and region Poland, Ukraine and the Baltic states was unchanged compared to the previous quarter.

North America

The region reported growth in the second quarter compared to the previous quarter, driven by a very positive development in the U.S. where both the Energy Division and Marine Division grew, while order intake for the Food & Water Division was unchanged compared to the previous quarter. The strong development for the Energy Division was partly explained by a large natural gas related order.

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

Latin America

Latin America reported a growing order intake in the second quarter compared to the previous quarter as all parts of the region recovered from a weak first quarter. The underlying Brazilian market remained weak, so the positive development in the quarter was all due to a large order for vegetable oil processing.

Asia

The region reported growth in the second quarter compared to the previous quarter, mainly thanks to a strong development for Marine in South Korea. The Marine activities in the rest of the region, however, remained on a low level. China remained on the strong order level seen in the first quarter. Food & Water reported a very positive development while the Marine Division declined.

Consolidated	Net sales					
	Second quarter		First six months		Full year	Last 12
	2017	2016	2017	2016	2016	months
SEK millions						
To customers in:						
Sweden	211	195	418	377	784	825
Other EU	2,534	2,224	4,630	4,252	8,959	9,337
Other Europe	599	604	1,221	1,222	2,597	2,596
USA	1,442	1,425	2,818	2,835	6,013	5,996
Other North America	209	247	367	379	716	704
Latin America	377	440	760	839	1,788	1,709
Africa	83	92	151	161	307	297
China	1,197	1,122	2,164	2,165	4,705	4,704
South Korea	678	1,023	1,444	1,927	3,594	3,111
Other Asia	1,425	1,468	2,809	2,794	5,731	5,746
Oceania	152	110	251	198	440	493
Total	8,907	8,950	17,033	17,149	35,634	35,518

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
	2017	2016	2016
SEK millions			
Sweden	1,481	1,314	1,321
Denmark	4,607	4,483	4,572
Other EU	3,588	3,980	3,639
Norway	12,868	13,375	13,717
Other Europe	159	169	169
USA	3,760	4,436	4,359
Other North America	130	130	136
Latin America	297	314	329
Africa	9	6	9
Asia	2,871	2,973	2,993
Oceania	92	90	94
Subtotal	29,862	31,270	31,338
Other long-term securities	34	24	25
Pension assets	4	4	3
Deferred tax asset	1,594	1,721	2,056
Total	31,494	33,019	33,422

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 3-5 percent of net sales.

Cash flows

CONSOLIDATED CASH FLOWS

SEK millions	Second quarter		First six months		Full year	Last 12
	2017	2016	2017	2016	2016	months
Operating activities						
Operating income	1,141	1,131	2,157	2,201	2,989	2,945
Adjustment for depreciation, amortisation and write down	424	422	849	844	2,334	2,339
Adjustment for other non-cash items	-30	-15	-58	-6	16	-36
	1,535	1,538	2,948	3,039	5,339	5,248
Taxes paid	-408	-389	-1,012	-855	-1,161	-1,318
	1,127	1,149	1,936	2,184	4,178	3,930
Changes in working capital:						
Increase(-)/decrease(+) of receivables	-281	68	-165	563	592	-136
Increase(-)/decrease(+) of inventories	-83	-39	-381	-277	32	-72
Increase(+)/decrease(-) of liabilities	270	65	589	-221	-424	386
Increase(+)/decrease(-) of provisions	9	-10	-133	-106	601	574
Increase(-)/decrease(+) in working capital	-85	84	-90	-41	801	752
	1,042	1,233	1,846	2,143	4,979	4,682
Investing activities						
Investments in fixed assets (Capex)	-140	-135	-273	-228	-617	-662
Divestment of fixed assets	2	38	15	38	39	16
Acquisition of businesses	-58	-32	-58	-38	-230	-250
Divestment of businesses	-	1	-	1	13	12
	-196	-128	-316	-227	-795	-884
Financing activities						
Received interests and dividends	28	25	65	67	163	161
Paid interests	-35	-50	-79	-107	-243	-215
Realised financial exchange gains	10	44	34	68	316	282
Realised financial exchange losses	-89	2	-109	-30	-89	-168
Dividends to owners of the parent	-1,783	-1,783	-1,783	-1,783	-1,783	-1,783
Dividends to non-controlling interests	-5	-12	-5	-12	-17	-10
Increase(-) of financial assets	248	0	0	0	0	0
Decrease(+) of financial assets	83	-113	83	65	8	26
Increase of loans	1,063	1,777	1,063	1,860	1,860	1,063
Amortisation of loans	-915	-1,215	-976	-2,215	-3,781	-2,542
	-1,395	-1,325	-1,707	-2,087	-3,566	-3,186
Cash flow for the period	-549	-220	-177	-171	618	612
Cash and cash equivalents at the beginning of the period	3,012	1,925	2,619	1,876	1,876	1,772
Translation difference in cash and cash equivalents	-94	67	-73	67	125	-15
Cash and cash equivalents at the end of the period	2,369	1,772	2,369	1,772	2,619	2,369
Free cash flow per share (SEK) *	2.02	2.63	3.65	4.57	9.97	9.05
Capex in relation to net sales	1.6%	1.5%	1.6%	1.3%	1.7%	1.9%
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 2017 cash flows from operating and investing activities amounted to SEK 1,530 (1,916) million. Depreciation, excluding allocated step-up values, was SEK 317 (319) million during the first six months 2017.

Acquisition of businesses during the first six months 2017 of SEK -58 million relates to purchase of the remaining shares in Chang San Engineering Co Ltd in South Korea.

Financial position and equity

CONSOLIDATED FINANCIAL POSITION

SEK millions	June 30 2017	2016	December 31 2016
ASSETS			
Non-current assets			
Intangible assets	25,054	26,467	26,382
Property, plant and equipment	4,789	4,788	4,940
Other non-current assets	1,651	1,764	2,100
	31,494	33,019	33,422
Current assets			
Inventories	8,024	7,891	7,831
Assets held for sale	2	9	2
Accounts receivable	5,924	5,756	5,830
Other receivables	2,646	2,558	2,446
Derivative assets	121	127	153
Other current deposits	956	958	1,075
Cash and cash equivalents *	2,369	1,772	2,619
	20,042	19,071	19,956
TOTAL ASSETS	51,536	52,090	53,378
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Owners of the parent	18,825	19,169	20,159
Non-controlling interests	104	135	117
	18,929	19,304	20,276
Non-current liabilities			
Liabilities to credit institutions etc.	10,942	12,819	12,169
Provisions for pensions and similar commitments	2,238	1,829	2,425
Provision for deferred tax	2,360	2,743	2,722
Other non-current liabilities	641	555	636
	16,181	17,946	17,952
Current liabilities			
Liabilities to credit institutions etc.	2,433	1,679	1,078
Accounts payable	2,634	2,670	2,668
Advances from customers	3,422	3,068	2,721
Other provisions	2,186	1,752	2,365
Other liabilities	5,552	5,379	6,041
Derivative liabilities	199	292	277
	16,426	14,840	15,150
Total liabilities	32,607	32,786	33,102
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	51,536	52,090	53,378

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

Consolidated	Financial assets and liabilities at fair value			
	Valuation hierarchy level	June 30		December 31
SEK millions		2017	2016	2016
Financial assets				
Other long term securities	1 and 2	34	24	25
Bonds and other securities	1	525	863	956
Derivative assets	2	140	141	169
Financial liabilities				
Derivative liabilities	2	209	411	314

Valuation hierarchy level 1 is according to quoted prices in active markets for identical assets and liabilities.
Valuation hierarchy level 2 is out of directly or indirectly observable market data outside level 1.

Consolidated	Borrowings and net debt			
		June 30		December 31
SEK millions		2017	2016	2016
Credit institutions		492	191	137
Swedish Export Credit		2,118	3,033	3,153
European Investment Bank		2,369	2,303	2,345
Commercial papers		700	1,500	-
Corporate bonds		7,696	7,471	7,612
Capitalised financial leases		58	74	66
Interest-bearing pension liabilities		0	0	0
Total debt		13,433	14,572	13,313
Cash and cash equivalents and current deposits		-3,325	-2,730	-3,694
Net debt *		10,108	11,842	9,619

* Alternative performance measure, see page 23.

Alfa Laval has a senior credit facility of EUR 400 million and USD 544 million, corresponding to SEK 8,470 million with a banking syndicate. The facility was not utilised at June 30, 2017. The facility matures in June 2019, with two one-year extension options.

The corporate bonds are listed on the Irish stock exchange and consist of one tranche of EUR 300 million that matures in September 2019 and one tranche of EUR 500 million that matures in September 2022.

The bilateral term loans from Swedish Export Credit consist of one loan of EUR 100 million that

matured on June 16, 2017 and one loan of EUR 100 million that matures in June 2021 as well as a loan of USD 136 million that matures in June 2020.

The loans from the European Investment Bank is split on one loan of EUR 130 million that matures in March 2018 and one loan of EUR 115 million that matures in June 2021.

SEK 700 million of the commercial paper programme of SEK 2,000 million was utilised at June 30, 2017.

CHANGES IN CONSOLIDATED EQUITY

SEK millions	First six months		Full year
	2017	2016	2016
At the beginning of the period	20,276	18,423	18,423
Changes attributable to:			
Owners of the parent			
Comprehensive income			
Comprehensive income for the period	496	2,677	3,815
Transactions with shareholders			
Increase of ownership in subsidiaries with non-controlling interests	-47	-27	-175
Dividends	-1,783	-1,783	-1,783
	-1,830	-1,810	-1,958
Subtotal	-1,334	867	1,857
Non-controlling interests			
Comprehensive income			
Comprehensive income for the period	3	32	43
Transactions with shareholders			
Decrease of non-controlling interests	-11	-6	-30
Dividends	-5	-12	-17
	-16	-18	-47
Subtotal	-13	14	-4
At the end of the period	18,929	19,304	20,276

Acquisitions and divestments of businesses

On May 19, 2017 Alfa Laval has acquired the remaining 16.67 percent of the shares in the subsidiary Chang San Engineering Co Ltd in

South Korea, which made it a fully owned subsidiary. The shareholding in the company was part of the acquisition of Frank Mohn AS in 2014.

Parent company

The parent company's result after financial items for the first six months 2017 was SEK 1,086 (75) million, out of which dividends from subsidiaries SEK 1,094 (76) million, net interests SEK 0 (-0) million, realised and unrealised exchange rate gains and losses SEK -0 (7) million, costs related

to the listing SEK -3 (-4) million, fees to the Board SEK -4 (-4) million, cost for annual report and annual general meeting SEK -2 (-2) million and other operating income and operating costs the remaining SEK 1 (2) million.

PARENT COMPANY INCOME *

SEK millions	Second quarter		First six months		Full year
	2017	2016	2017	2016	2016
Administration costs	-2	-2	-9	-10	-13
Other operating income	-1	-2	1	2	0
Other operating costs	0	0	0	0	-5
Operating income	-3	-4	-8	-8	-18
Revenues from interests in group companies	94	76	1,094	76	76
Interest income and similar result items	0	1	1	8	10
Interest expenses and similar result items	0	-1	-1	-1	-2
Result after financial items	91	72	1,086	75	66
Change of tax allocation reserve	-	-	-	-	-264
Group contributions	-	-	-	-	2,002
Result before tax	91	72	1,086	75	1,804
Tax on this year's result	0	1	1	0	-381
Net income for the period	91	73	1,087	75	1,423

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

PARENT COMPANY FINANCIAL POSITION

SEK millions	June 30 2017	June 30 2016	December 31 2016
ASSETS			
Non-current assets			
Shares in group companies	4,669	4,669	4,669
Current assets			
Receivables on group companies	7,549	6,478	8,548
Other receivables	94	249	6
Cash and cash equivalents	-	-	-
	7,643	6,727	8,554
TOTAL ASSETS	12,312	11,396	13,223
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Restricted equity	2,387	2,387	2,387
Unrestricted equity	8,502	7,849	9,197
	10,889	10,236	11,584
Untaxed reserves			
Tax allocation reserves, taxation 2011-2017	1,409	1,145	1,409
Current liabilities			
Liabilities to group companies	14	15	50
Accounts payable	0	0	0
Tax liabilities	-	-	180
Other liabilities	0	-	-
	14	15	230
TOTAL EQUITY AND LIABILITIES	12,312	11,396	13,223

Owners and shares

Owners and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 33,705 (36,239) shareholders on June 30, 2017. The largest owner is Tetra Laval B.V., the

Netherlands who owns 29.1 (26.1) percent. Next to the largest owner, there are nine institutional investors with ownership in the range of 6.1 to 0.7 percent. These ten largest shareholders owned 49.1 (56.4) percent of the shares.

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 2016 is still correct.

Reporting Standards) as adopted by the European Union. In the report alternative performance measures are used. See the annual report 2016 for definitions. Alfa Laval follows the Guidelines on Alternative Performance Measures issued by ESMA (European Securities and Markets Authority).

Asbestos-related lawsuits

The Alfa Laval Group was as of June 30, 2017, named as a co-defendant in a total of 862 asbestos-related lawsuits with a total of approximately 862 plaintiffs. Alfa Laval strongly believes the claims against the Group are without merit and intends to vigorously contest each lawsuit.

“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, 2016 to June 30, 2017. “The corresponding period last year” refers to the second quarter 2016 or the first six months 2016 depending on the context. “Previous quarter” refers to the first quarter 2017.

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.

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.

Accounting principles

The interim report for the second quarter 2017 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

Date for the next financial report

Alfa Laval will publish interim reports during 2017 at the following dates:

Interim report for the third quarter October 25

The interim report has been issued at CET 11.45 on July 17, 2017 by the Board of Directors and the President and CEO.

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.

The Board of Directors and the President and CEO assure that the report for the first six

Lund, July 17, 2017

Anders Narvinger
Chairman

Arne Frank

Susanne Jonsson

Bror García Lantz

Anna Ohlsson-Leijon

Ulla Litzén

Henrik Nielsen

Finn Rausing

Jörn Rausing

Ulf Wiinberg

Margareth Øvrum

Tom Erixon
President and CEO