



Q2 2019

Energy efficiency for economic growth and sustainability.

Strong sales and profit in Q2

- Both sales and adjusted EBITA reached record levels, driven by a strong performance in the Marine Division.
- Order intake decreased due to pumping systems and scrubbers.
- Greenhouse divestment completed according to plan, but impacted Group order intake negatively with SEK 500 million.
- Energy saw order intake reach all-time-high level, while also reporting higher sales and profit.
- Service orders grew 11 percent in the quarter.

Outlook for the third quarter

"We expect demand in the third quarter to be somewhat higher than in the second quarter."

Earlier published outlook (April 24, 2019):
"We expect demand in the second quarter to be somewhat lower than in the first quarter."

The Q2 2019 report has not been subject to review by the company's auditors.

Summary

SEK millions	Q2				Jan-Jun			
	2019	2018	%	% *	2019	2018	%	% *
Order intake	10,025	12,062	-17	-20	22,238	22,087	1	-3
Net sales	11,339	10,475	8	5	21,497	19,326	11	7
Adjusted EBITA **	1,870	1,698	10		3,598	3,195	13	
- adjusted EBITA margin (%) **	16.5	16.2			16.7	16.5		
Result after financial items	1,832	1,499	22		3,454	2,968	16	
Net income for the period	1,412	1,117	26		2,637	2,166	22	
Earnings per share (SEK)	3.36	2.65	27		6.26	5.14	22	
Cash flow from operating activities	609	1,377	-56		1,584	2,043	-22	
Impact on adjusted EBITA of foreign exchange effects	95	-80			190	-45		
Impact on result after financial items of comparison distortion items	196	31			196	98		
Return on capital employed (%) **					22.2	20.8		
Net debt to EBITDA, times **/**					1.30	1.28		

* Excluding currency effects. ** Alternative performance measures.

*** Net debt to EBITDA for Jan-Jun 2019 excluding IFRS 16 impact: 0.96.



Comment from

Tom Erixon

President and CEO

"Invoicing and operating result showed continued growth during the quarter and both reached new record levels. The order book is on a very high level and constitutes a stable base for the invoicing development going forward.

The Group's order intake was affected by a weak demand for pumping systems and scrubbers. Low contracting for new tankers during the first six months burdened the order intake for pumping systems, as opposed to the relatively high level during last year. At the same time the scrubber market was as expected weaker during the quarter, pending the new sulphur directive that comes into force at year end and uncertainty around its effects on the fuel price. That our current year delivery capacity is sold out since long also contributed to the weak order development. Our perception of the scrubber technology and the market as a whole has, in a longer perspective, not changed.

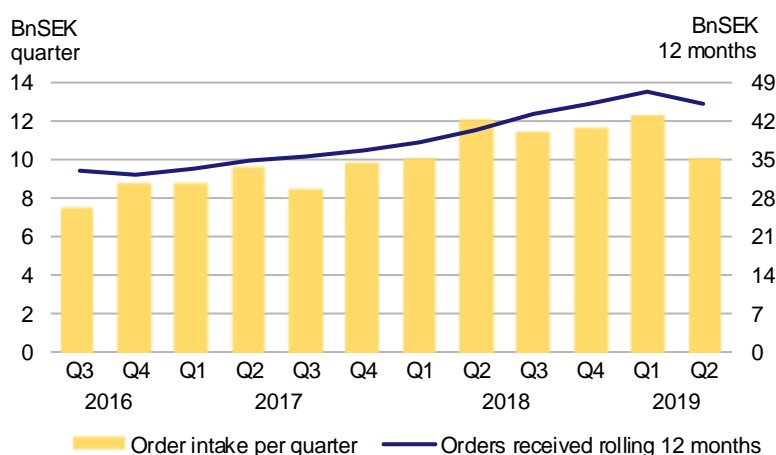
The order intake for the remaining business was continued stable. The Energy Division delivered the highest order intake for a single quarter this far and Food & Water continued on a high level. The development for the Group's service business was strong, particularly within Energy and Marine and generated an order intake growth of 11 percent.

The underlying business climate was continued positive in the second quarter and the global demand is expected to remain on a high level also during the third quarter."

Tom Erixon,
President and CEO

Financial overview

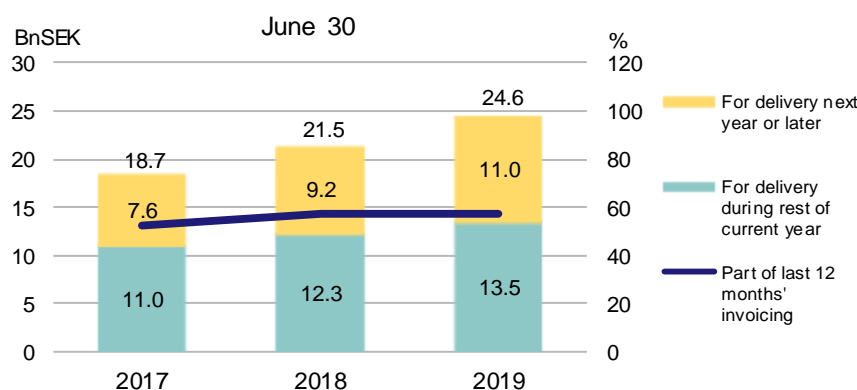
Order intake



Orders received was SEK 10,025 (12,062) million in the second quarter and SEK 22,238 (22,087) million in the first six months 2019. The figures for 2019 have been affected by the transfer of the order backlog for air heat exchangers to LU-VE on May 1, 2019, which is reported as negative orders received with SEK -330 million.

Orders received from Service constituted 32.2 (24.1) percent of the Group's total orders received during the second quarter and 28.2 (26.3) percent during the first six months 2019.

Order backlog



Excluding currency effects and adjusted for acquisition and divestment of businesses the order backlog was 12.9 percent larger than the order backlog at June 30, 2018 and 4.3 percent larger than the order backlog at the end of 2018.

Net sales

Net invoicing was SEK 11,339 (10,475) million for the second quarter and SEK 21,497 (19,326) million for the first six months 2019.

Net invoicing relating to Service constituted 27.3 (28.1) percent of the Group's total net invoicing in the second quarter and 27.5 (29.0) percent in the first six months 2019.

- Structure: acquisition/divestment of businesses.
- Organic: change excluding acquisition/divestment of businesses.
- Service: Parts and service.

Order bridge		
SEK millions/%	Q2	Jan-Jun
2018	12,062	22,087
Organic ¹⁾	-15.6%	-0.7%
Structural ¹⁾	-4.0%	-2.5%
Currency	2.7%	3.9%
Total	-16.9%	0.7%
2019	10,025	22,238

1) Change excluding currency effects

Order bridge Service		
SEK millions/%	Q2	Jan-Jun
2018	2,904	5,809
Organic ¹⁾	8.3%	3.7%
Structural ¹⁾	-0.4%	-0.2%
Currency	3.3%	4.6%
Total	11.2%	8.1%
2019	3,230	6,278

1) Change excluding currency effects

Sales bridge		
SEK millions/%	Q2	Jan-Jun
2018	10,475	19,326
Organic ¹⁾	7.4%	8.5%
Structural ¹⁾	-2.3%	-1.6%
Currency	3.1%	4.3%
Total	8.2%	11.2%
2019	11,339	21,497

1) Change excluding currency effects

Sales bridge Service		
SEK millions/%	Q2	Jan-Jun
2018	2,946	5,603
Organic ¹⁾	2.0%	1.3%
Structural ¹⁾	-0.3%	-0.2%
Currency	3.4%	4.5%
Total	5.1%	5.6%
2019	3,097	5,914

1) Change excluding currency effects

Income analysis

	Q2		Jan-Jun		Jan-Dec	Last 12
SEK millions	2019	2018	2019	2018	2018	months
Net sales	11,339	10,475	21,497	19,326	40,666	42,837
Adjusted gross profit *	4,070	3,707	7,931	7,094	14,774	15,611
- adjusted gross margin (%) *	35.9	35.4	36.9	36.7	36.3	36.4
Expenses **	-1,966	-1,850	-3,878	-3,585	-7,430	-7,723
- in % of net sales	17.3	17.7	18.0	18.6	18.3	18.0
Adjusted EBITDA *	2,104	1,857	4,053	3,509	7,344	7,888
- adjusted EBITDA margin (%) *	18.6	17.7	18.9	18.2	18.1	18.4
Depreciation	-234	-159	-455	-314	-626	-767
Adjusted EBITA *	1,870	1,698	3,598	3,195	6,718	7,121
- adjusted EBITA margin (%) *	16.5	16.2	16.7	16.5	16.5	16.6
Amortisation of step-up values	-258	-266	-515	-520	-1,038	-1,033
Comparison distortion items	196	31	196	98	151	249
Operating income	1,808	1,463	3,279	2,773	5,831	6,337

The gross profit has been affected positively by a higher sales volume and by currency effects.

Sales and administration expenses were SEK 1,772 (1,647) million during the second quarter and SEK 3,441 (3,202) million during the first six months 2019. The figures for the first six months corresponded to 16.0 (16.6) percent of net sales. Excluding currency effects and acquisition/divestment of businesses, sales and administration expenses were 2.0 percent higher than both corresponding periods last year.

The costs for research and development during the first six months 2019 corresponded to 2.5 (2.4) percent of net sales. Excluding currency effects and acquisition/divestment of businesses, the costs for research and development have increased by 4.1 percent during the second quarter and by 12.4 percent during the first six months 2019 compared to the corresponding periods last year. The increase is explained by the investment in product development.

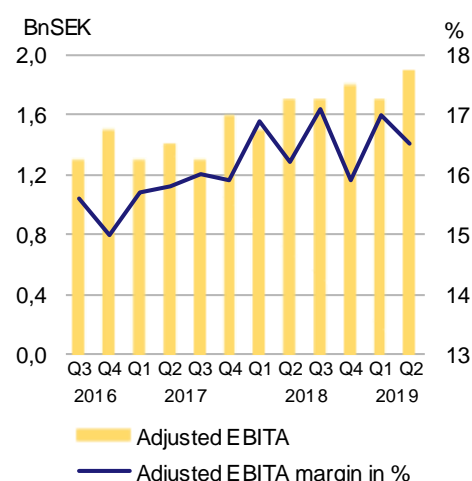
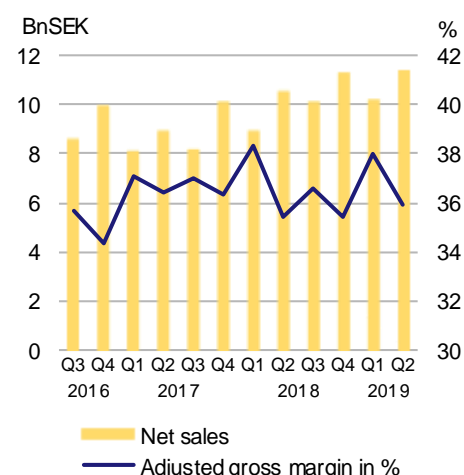
Earnings per share, excluding amortisation of step-up values and the corresponding tax*, was SEK 7.26 (6.15) for the first six months 2019.

Comparison distortion items

Other operating income has been affected by comparison distortion items of SEK 196 (31) million in the second quarter and SEK 196 (98) million during the first six months 2019.

The comparison distortion income in the first six months 2019 is relating to a realised gain of SEK 196 million for the divestments of part of the air heat exchanger business related to commercial/industrial air heat exchangers in the Greenhouse division to the LU-VE Group.

The comparison distortion income in the first six months 2018 was relating to the sale of a property in Lima in Peru with a realised gain of SEK 69 million and a realised gain of SEK 29 million for the divestments of the Alonte based commercial tubular heat exchanger business and the heat exchanger systems business.



Consolidated financial net and taxes

The financial net for the first six months 2019 was SEK -94 (-30) 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 -2 (-2) million, interest on the bilateral term loans of SEK -24 (-21) million, interest on the corporate bonds of SEK -42 (-42) million, interest on the commercial papers of SEK - (0) million and a net of dividends, changes in fair value and other interest income and interest costs of SEK -26 (35) million. The net of realised and unrealised exchange rate differences was SEK 269 (225) million.

The tax on the result after financial items was SEK -420 (-382) million in the second quarter and SEK -817 (-802) million in the first six months 2019.

Cash flow

During the first six months 2019 cash flows from operating and investing activities were SEK 1,293 (1,693) million. The decreased cash flow is due to an increase in working capital with SEK 1,506 (587) million. The working capital has been impacted by an inventory increase mainly driven by the heavily increased business within marine environmental products. Normally such an inventory build-up is to a large extent offset by increasing customer advances, but the decreased order intake for pumping systems and PureSOx during the second quarter has meant a lower share of customer advances.

Depreciation, excluding allocated step-up values, was SEK 455 (314) million during the first six months 2019.

Acquisition of businesses during the first six months 2019 with SEK -61 (-) million is relating to the acquisition of Airec.

Divestment of businesses during the first six months 2019 amounted to SEK 374 (77) million. The figure for 2019 is relating to the sale of part of the air heat exchanger business related to commercial/industrial air heat exchangers to the LU-VE Group. The figure for 2018 was relating to the sale of heat exchanger systems to NIBE with SEK 40 million and shell and tube heat exchangers to BITZER with SEK 37 million.

Key figures

	Jun 30		Dec 31
	2019	2018	2018
Return on capital employed (%) ¹⁾	22.2	20.8	22.4
Return on equity (%) ²⁾	20.9	18.8	20.3
Solidity (%) ³⁾	37.8	38.9	40.6
Net debt to EBITDA, times ⁴⁾	1.30	1.28	0.93
Debt ratio, times ⁴⁾	0.42	0.39	0.30
Number of employees ⁵⁾	17,325	16,698	17,228

1) Alternative performance measure.

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

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

4) Alternative performance measures. Lease liabilities have increased by SEK 2,766 million as per January 1, 2019 due to the initial application of IFRS 16 Leases, which affects the net debt at June 30, 2019. Excluding this effect, the net debt to EBITDA would instead have been 0.96 and the debt ratio 0.31.

5) At the end of the period.

Energy Division

The division targets customers in oil and gas extraction, oil and gas processing and transport, refinery, petrochemicals and power generation, but also construction related applications such as heating, ventilation and cooling and in the mining and metal industries and lighter industries.

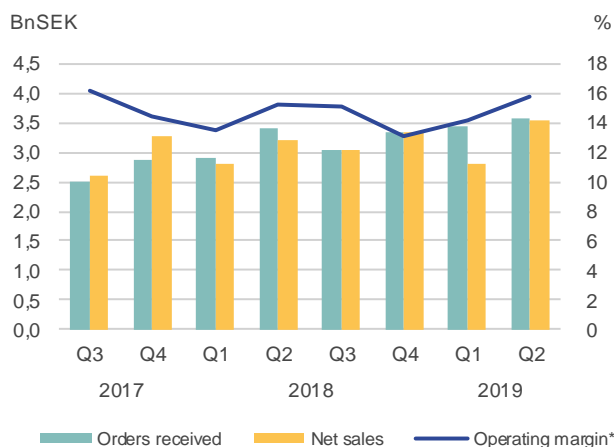
Focus is increased energy efficiency and sustainable solutions.

- Order intake grew 5 percent from already high levels – despite fewer large orders.
- Demand from customers in oil & gas production boosted order intake. Continued base business growth in refinery and petrochemicals.
- HVAC saw stable base business driven by investments in data centres and energy efficiency.
- Service grew significantly, driven by demand in the hydrocarbon chain.
- Increased sales volumes and positive mix in the project business lifted profitability.

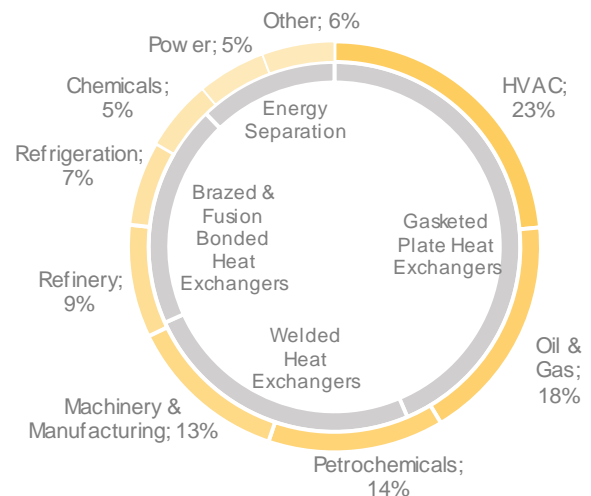
SEK millions	Q2		Jan-Jun		Jan-Dec	Last 12
	2019	2018	2019	2018	2018	months
Orders received	3,566	3,401	7,014	6,316	12,685	13,383
Order backlog*	5,709	4,836	5,709	4,836	4,857	5,709
Net sales	3,531	3,215	6,338	6,027	12,413	12,724
Operating income**	558	490	957	871	1,770	1,856
Operating margin***	15.8%	15.2%	15.1%	14.5%	14.3%	14.6%
Depreciation and amortisation	87	79	164	153	304	315
Investments****	3	13	47	22	83	108
Assets*	11,413	10,920	11,413	10,920	10,362	11,413
Liabilities*	4,494	4,413	4,494	4,413	4,323	4,494
Number of employees*	2,953	3,121	2,953	3,121	3,112	2,953

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

Quarterly development



Order intake Jan-Jun 2019 split per end market/business unit





Order intake*

The Energy Division's overall order volumes were excluding currency effects basically unchanged compared to the high levels in the second quarter last year.

Order intake from customers in the midstream hydro carbon chain showed overall growth compared to last year, mainly driven by large and midsize orders in oil and gas production. China's and the rest of Asia's increasing focus on cleaner air is one factor prompting North American investments in new LNG (Liquefied Natural Gas) production capacity. The refinery and petrochemical businesses declined due to fewer large orders compared to the corresponding quarter last year. Underlying, however, the base business** reported growth. Both the refrigeration and the general manufacturing business grew. Refrigeration grew due to investments in cold storage infrastructure and general manufacturing due to demand from engine customers. Order intake from the HVAC sector declined somewhat from the record-high level in the second quarter last year. The base business, however, remained on a high level - driven by investments in data centres and higher demand for energy efficiency solutions.

Service reported significant growth compared to the same quarter last year, driven by growth in the hydro carbon chain.

Net sales

Net invoicing was up versus the second quarter last year, following high order intake over the past 12 months. Invoicing of some of the projects that were pushed from the first quarter, contributed to the positive development.

Operating income

The higher invoicing gave a positive volume effect. The mix was positive – driven by a higher margin in the project business. Overhead costs were slightly higher reflecting salary inflation and a high activity level. Currency effects had an overall positive impact on the result.

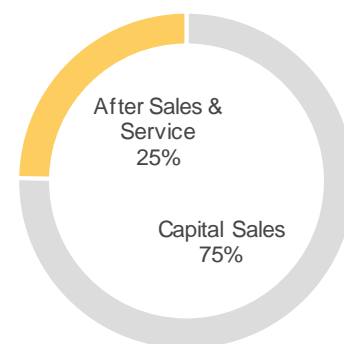
SEK millions/%	Order bridge	
	Q2	Jan-Jun
2018	3,401	6,316
Organic ¹⁾	1.6%	6.3%
Structural ¹⁾	0.1%	0.1%
Currency	3.2%	4.7%
Total	4.9%	11.1%
2019	3,566	7,014

1) Change excluding currency effects

SEK millions/%	Sales bridge	
	Q2	Jan-Jun
2018	3,215	6,027
Organic ¹⁾	6.0%	0.3%
Structural ¹⁾	0.1%	0.1%
Currency	3.7%	4.8%
Total	9.8%	5.2%
2019	3,531	6,338

1) Change excluding currency effects

Order intake Jan-Jun 2019 split on:



SEK millions	Income bridge	
	Q2	Jan-Jun
Operating income 2018	490	871
Volume ¹⁾	59	7
Mix ¹⁾	66	142
Costs ¹⁾	-74	-92
Currency	17	29
Operating income 2019	558	957

1) Change excluding currency effects

* Comments excluding currency effects.

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

Food & Water Division

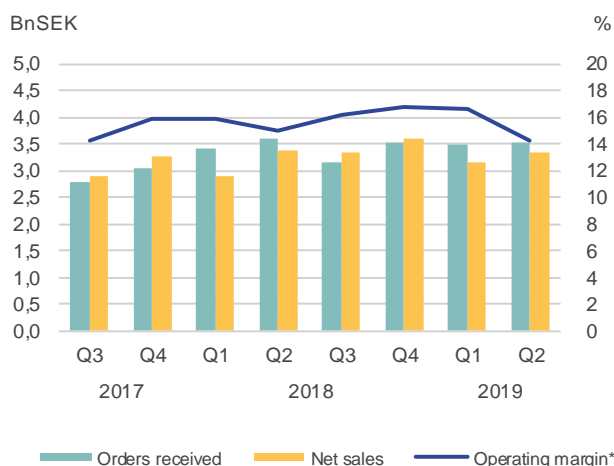
The division offers different types of products for heat transfer, separation and hygienic fluid handling and targets customers in food, pharmaceuticals, biotech, vegetable oils, brewery, dairy and body care products. In addition, the division focuses on public and industrial water treatment as well as wastewater and waste treatment.

- Order intake decreased somewhat from a high level.
- Dairy and waste & water were flat. Continued positive underlying business sentiment.
- Pharma & biotech declined – a normal fluctuation for a project-driven business.
- Brewery saw an increase in mid-sized projects and a stable base business.
- Growth in demand for Service.
- Net sales declined due to lower project revenue recognition. Operating income was down, despite positive mix, primarily due to the lower volumes.

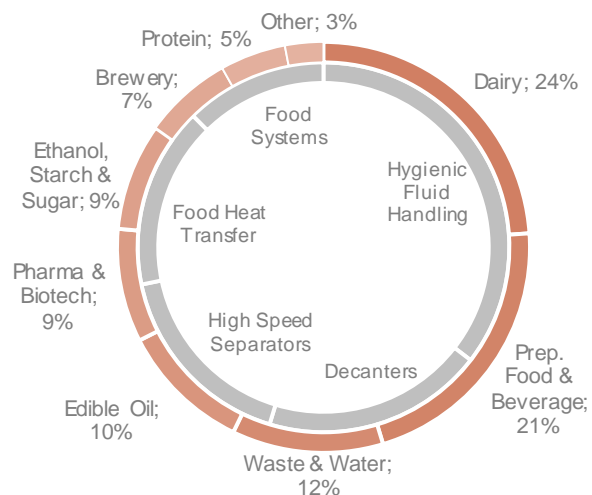
	Q2		Jan-Jun		Jan-Dec	Last 12 months
SEK millions	2019	2018	2019	2018	2018	
Orders received	3,520	3,589	7,000	7,000	13,691	13,691
Order backlog*	5,535	5,096	5,535	5,096	4,860	5,535
Net sales	3,335	3,390	6,488	6,270	13,210	13,428
Operating income**	473	507	997	961	2,110	2,146
Operating margin***	14.2%	15.0%	15.4%	15.3%	16.0%	16.0%
Depreciation and amortisation	64	38	114	72	145	187
Investments****	10	29	54	53	132	133
Assets*	10,807	9,824	10,807	9,824	9,675	10,807
Liabilities*	4,911	4,576	4,911	4,576	4,612	4,911
Number of employees*	4,352	4,141	4,352	4,141	4,194	4,352

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

Quarterly development



Order intake Jan-Jun 2019 split per end market/business unit





Order intake*

The division's order intake showed excluding currency effects a small decline in the second quarter, due to fewer mid-sized orders compared to the corresponding period a year ago.

Order intake from pharma and biotech declined compared to last year's strong second quarter, reflecting the typical volatility of a project-driven business. The industry sentiment is however still positive. Order intake from the water and waste sector was unchanged in the quarter and activity in primarily the U.S. municipal market remains positive. Overall order intake from the edible oil industry showed a decline as a result of fewer large orders. Excluding this, the underlying order intake grew, reflecting a market that is still benefiting from macro and demographic trends. A positive industry sentiment supported demand from the brewery sector, resulting in project growth and a stable base business. Meanwhile, dairy was virtually unchanged, supported by a continued positive underlying business sentiment. Ethanol, starch & sugar contracted due to lower investment activity in ethanol in the Americas.

Service demand grew.

Net sales

Net sales in the quarter was slightly below the same quarter last year. Increased invoicing of spare parts and services did not compensate for a lower revenue recognition of large projects compared to the same quarter last year.

Operating income

The lower invoicing gave a negative volume effect. A higher share of components and after sales business contributed positively. Costs were up driven by salary inflation and a higher activity. Currency effects gave a slight positive contribution in the quarter.

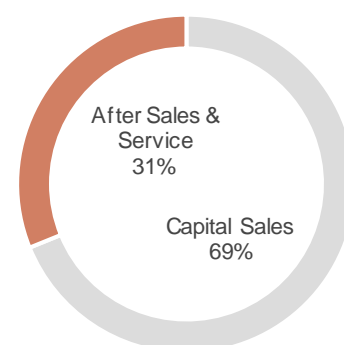
SEK millions/%	Order bridge	
	Q2	Jan-Jun
2018	3,589	7,000
Organic ¹⁾	-4.9%	-4.1%
Structural ¹⁾	-	-
Currency	3.0%	4.1%
Total	-1.9%	0.0%
2019	3,520	7,000

1) Change excluding currency effects

SEK millions/%	Sales bridge	
	Q2	Jan-Jun
2018	3,390	6,270
Organic ¹⁾	-4.6%	-0.5%
Structural ¹⁾	-	-
Currency	3.0%	4.0%
Total	-1.6%	3.5%
2019	3,335	6,488

1) Change excluding currency effects

Order intake Jan-Jun 2019 split on:



SEK millions	Income bridge	
	Q2	Jan-Jun
Operating income 2018	507	961
Volume ¹⁾	-53	-11
Mix ¹⁾	23	49
Costs ¹⁾	-17	-38
Currency	13	36
Operating income 2019	473	997

1) Change excluding currency effects

* Comments excluding currency effects.

Marine Division

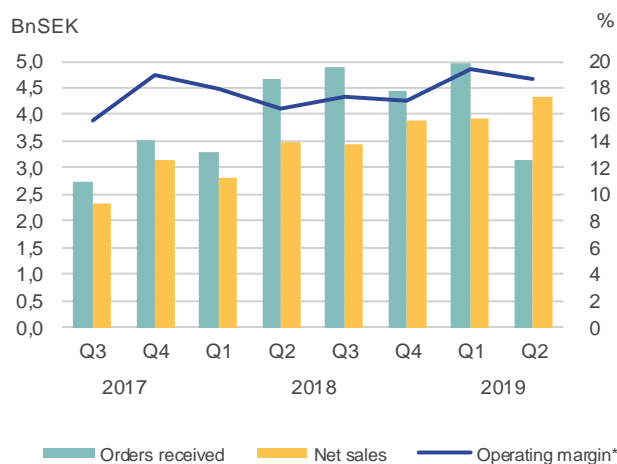
The division's customers include shipowners, ship yards, manufacturers of diesel and gas engines, as well as companies that work with offshore extraction of oil and gas. The offering includes pumping systems, boilers, heat transfer equipment, high speed separators and several different environmental products, including systems to clean ballast water and exhaust gases.

- Orders for pumping systems and PureSOx showed significant decline, remaining portfolio grew.
- Pumping systems impacted by downturn in vessel contracting and fewer large offshore orders.
- PureSOx was affected by uncertainty regarding availability and price of new fuels, which dampened demand for exhaust gas cleaning technologies in general.
- Service business saw a very positive development.
- Improved profitability driven by higher volumes and a positive mix.

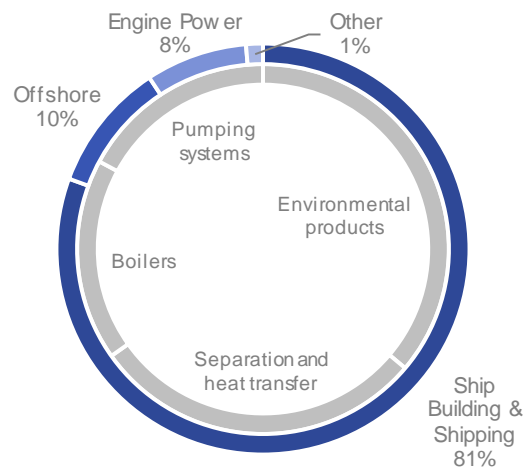
SEK millions	Q2		Jan-Jun		Jan-Dec	Last 12 months
	2019	2018	2019	2018	2018	
Orders received	3,144	4,685	8,107	7,980	17,322	17,449
Order backlog*	13,276	10,996	13,276	10,996	13,118	13,276
Net sales	4,329	3,486	8,261	6,281	13,583	15,563
Operating income**	809	571	1,570	1,070	2,328	2,828
Operating margin***	18.7%	16.4%	19.0%	17.0%	17.1%	18.2%
Depreciation and amortisation	209	201	415	393	785	807
Investments****	36	24	63	36	90	117
Assets*	27,234	25,799	27,234	25,799	24,244	27,234
Liabilities*	8,314	7,120	8,314	7,120	7,168	8,314
Number of employees*	3,255	2,939	3,255	2,939	3,098	3,255

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

Quarterly development



Order intake Jan-Jun 2019 split per end market/business unit





Order intake*

Order intake for the Marine Division showed excluding currency effects a significant decline during the second quarter compared to the corresponding period last year. This was explained by lower demand for pumping systems, which had very strong development in the second quarter last year, and by lower demand for PureSOx.

Order intake for PureSOx decreased significantly compared to the second quarter last year. Uncertainties in the marine industry, mainly regarding the availability and price of new fuels, contributed to a generally lower demand for exhaust gas cleaning technologies. The shipowners that did place orders prioritized short lead times. Demand for PureBallast was substantially higher than last year, as the enforcement of legislation for ballast water treatment is moving closer. Weaker contracting of product and chemical tankers negatively affected pumping systems. For the remaining part of the portfolio demand was higher, driven by contracting of crude oil tankers, cruise vessels and LNG carriers, where the latter saw a particularly favourable yard contracting in 2018. Offshore orders decreased in the quarter versus the corresponding period last year as there were no large orders booked in the quarter, while the year-ago period included two. The underlying market sentiment is however still positive. Products going into onshore engine power applications also saw lower demand in a market which is characterized by irregular order intake.

Order intake for service showed a positive development compared to last year, reflecting solid demand across service scopes (spare parts, field service) and all product groups. Particularly orders for offshore service saw a substantial improvement.

Net sales

Net sales were significantly higher than in the second quarter last year, mainly driven by deliveries of exhaust gas cleaning, ballast water treatment and pumping systems.

Operating income

The main explanation to the increased operating income was a strong volume effect driven by higher invoicing of cargo pumping and exhaust gas cleaning systems. There was also a small positive mix effect related to a favourable product mix in capital sales. The increase in cost was largely driven by the higher activity level within marine environmental products and increased royalty payments for PureBallast.

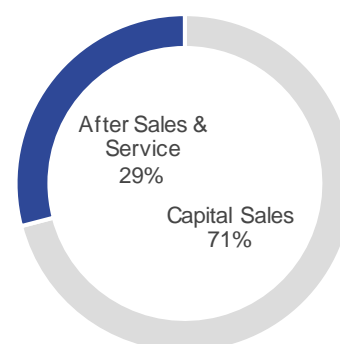
SEK millions/%	Order bridge	
	Q2	Jan-Jun
2018	4,685	7,980
Organic ¹⁾	-35.3%	-1.9%
Structural ¹⁾	-	-
Currency	2.4%	3.5%
Total	-32.9%	1.6%
2019	3,144	8,107

1) Change excluding currency effects

SEK millions/%	Sales bridge	
	Q2	Jan-Jun
2018	3,486	6,281
Organic ¹⁾	21.1%	27.1%
Structural ¹⁾	-	-
Currency	3.1%	4.4%
Total	24.2%	31.5%
2019	4,329	8,261

1) Change excluding currency effects

Order intake Jan-Jun 2019 split on:



SEK millions	Income bridge	
	Q2	Jan-Jun
Operating income 2018	571	1,070
Volume ¹⁾	234	577
Mix ¹⁾	25	-15
Costs ¹⁾	-32	-94
Currency	11	32
Operating income 2019	809	1,570

1) Change excluding currency effects

* Comments excluding currency effects.

Greenhouse Division

The division offers air heat exchangers for among others industrial cooling applications in the power industry and equipment for industrial cooling and HVAC applications. The division also offers products and systems for industrial and commercial refrigeration in the food industry.

- Order intake and net sales have decreased due to the divestment of the air heat exchanger business.

SEK millions	Q2		Jan-Jun		Jan-Dec	Last 12
	2019	2018	2019	2018	2018	months
Orders received	-228	375	68	779	1,259	548
Order backlog*	35	523	35	523	328	35
Net sales	120	379	368	743	1,418	1,043
Operating income**	-15	22	-22	30	80	28
Operating margin***	-12.5%	5.8%	-6.0%	4.0%	5.6%	2.7%
Depreciation and amortisation	2	3	7	9	14	12
Investments****	0	4	3	8	21	16
Assets*	213	776	213	776	680	213
Liabilities*	124	558	124	558	431	124
Number of employees*	106	508	106	508	502	106

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

Order intake*

Order intake in the Greenhouse division was negatively affected in the second quarter by the closing of the divestment of the air heat exchanger business, end of April. The air heat exchangers, which made up the majority of Greenhouse, only contributed one month of order intake and with the order backlog being transferred to the buyer at closing, this resulted in negative order intake.

Net sales

Net sales have decreased due to the divestments the air heat exchanger business to LU-VE. as of May 1, 2019.

Operating income

The decreased net sales had a negative volume effect. The lower project business volume led to lower manufacturing capacity utilization, which is explaining part of the negative mix. The divestments are the main explanations to the positive cost development.

SEK millions	Income bridge	
	Q2	Jan-Jun
Operating income 2018	22	30
Volume ¹⁾	-54	-76
Mix ¹⁾	-16	-29
Costs ¹⁾	34	55
Currency	-1	-2
Operating income 2019	-15	-22

1) Change excluding currency effects

* Comments excluding currency effects.

Operations and Other

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

SEK millions	Q2		Jan-Jun		Jan-Dec	Last 12
	2019	2018	2019	2018	2018	months
Orders received	23	12	49	12	48	85
Order backlog*	13	6	13	6	5	13
Net sales	24	5	42	5	42	79
Operating income**	-182	-196	-390	-304	-674	-760
Depreciation and amortisation	130	104	270	207	416	479
Investments****	123	264	439	396	1,164	1,207
Assets*	8,790	5,957	8,790	5,957	6,778	8,790
Liabilities*	3,559	2,729	3,559	2,729	2,853	3,559
Number of employees*	6,659	5,989	6,659	5,989	6,322	6,659

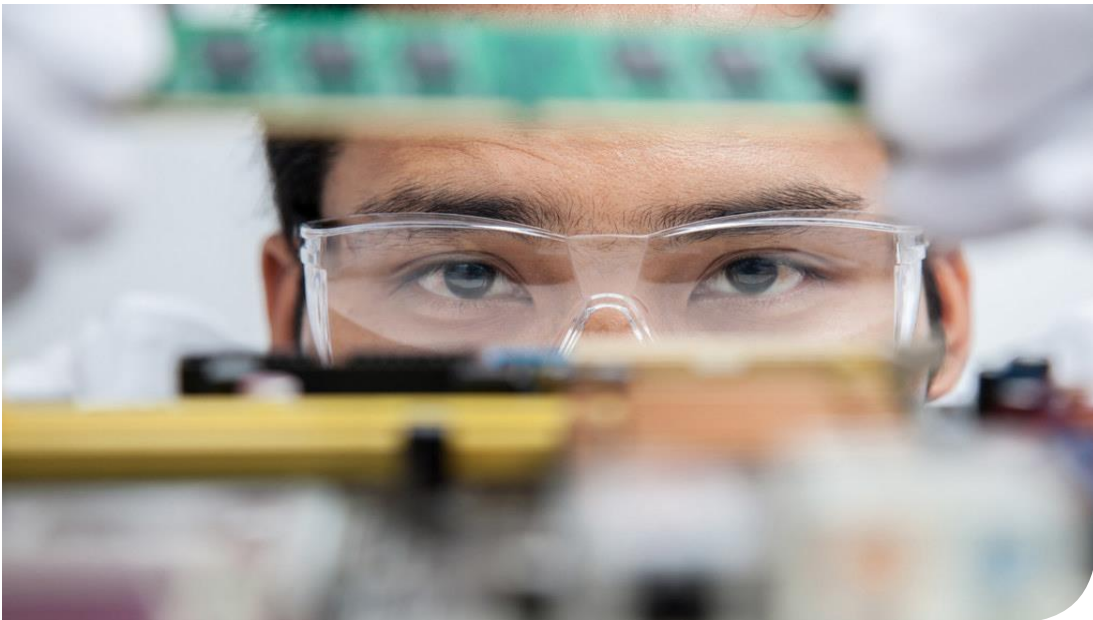
* At the end of the period. ** In management accounts.

The order intake and net sales for Operations and Other is relating to contract manufacturing of shell and tube heat exchangers for BITZER after the sale of the business to BITZER.

Reconciliation between Divisions and Group total

SEK millions	Q2		Jan-Jun		Jan-Dec	Last 12
	2019	2018	2019	2018	2018	months
Operating income						
Total for divisions	1,643	1,394	3,112	2,628	5,614	6,098
Comparison distortion items	196	31	196	98	151	249
Consolidation adjustments *	-31	38	-29	47	66	-10
Total operating income	1,808	1,463	3,279	2,773	5,831	6,337
Financial net	24	36	175	195	65	45
Result after financial items	1,832	1,499	3,454	2,968	5,896	6,382
Assets **						
Total for divisions	58,457	53,276	58,457	53,276	51,739	58,457
Corporate ***	8,338	3,948	8,338	3,948	6,333	8,338
Group total	66,795	57,224	66,795	57,224	58,072	66,795
Liabilities **						
Total for divisions	21,402	19,396	21,402	19,396	19,387	21,402
Corporate ***	20,153	15,551	20,153	15,551	15,086	20,153
Group total	41,555	34,947	41,555	34,947	34,473	41,555

* 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

Net sales by product/service *

SEK millions	Q2		Jan-Jun		Jan-Dec	Last 12
	2019	2018	2019	2018	2018	months
Own products within:						
Separation	1,807	1,865	3,510	3,439	7,183	7,254
Heat transfer	4,637	4,596	8,621	8,646	17,932	17,907
Fluid handling	2,655	2,439	5,264	4,571	9,511	10,204
Other	1,352	579	2,419	967	2,515	3,967
Associated products	322	498	649	824	1,605	1,430
Services	566	498	1,034	879	1,920	2,075
Total	11,339	10,475	21,497	19,326	40,666	42,837

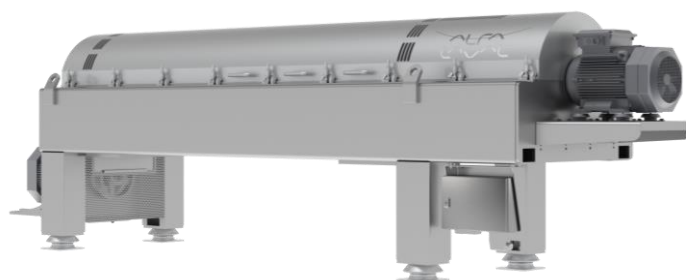
* The split of own products within separation, heat transfer and fluid handling is a reflection of the current three main technologies. Other is own products outside these main technologies. Associated products are mainly purchased products that complement Alfa Laval's product offering. Services cover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

Alfa Laval Sigma 6 and Sigma 8 olive oil decanters

With the addition of two new members to the family of Alfa Laval Sigma decanters – Sigma 6 and Sigma 8 – Alfa Laval covers the full range of 2-phase decanters for small-scale as well as industrial scale olive oil producers. Sigma 6 is characterized by gentle product treatment and minimal heating of the olive oil, which preserves the flavours of the olives, resulting in olive oil of the highest quality. Sigma 8 combines outstanding yield and operating reliability with supreme product quality and minimal operating costs, which makes it ideal for large-scale olive oil production.



Alfa Laval PureSOx water cleaning system (WCS)

Exhaust gas cleaning systems like Alfa Laval PureSOx “scrub” harmful SOx compounds from the exhaust gas of marine vessels and converts them to aqueous sulphate. Sulphate is a harmless salt naturally present in the ocean. The process can be done in open loop, where seawater is used for scrubbing and immediately discharged. But there is growing interest in closed-loop scrubbing, where the water is recirculated and cleaned prior to any discharge. PureSOx has long offered the possibility of closed-loop operation, built on the most reliable water cleaning technology: high-speed centrifugal separation. Now, the new PureSOx water cleaning system (WCS) creates further flexibility. A flocculator or membrane module can be added to the separator for additional capacity, and customers can choose between different alkaline additives and the use of seawater or fresh water.



Alfa Laval T6-B

During the 2nd quarter of 2019 Alfa Laval introduced Alfa Laval T6-B. This product is part of the next-generation gasketed plate heat exchangers for industrial applications. The Alfa Laval T6-B is a versatile heat exchanger suitable for many applications and industries. The T6-B allows for higher theta duties compared to its predecessor M6 which makes it specifically interesting for heat recovery applications. It also introduces new plate materials previously not available with the M6 such as Titanium and other exotic materials. The T6-B is intended to be used in industrial utility applications, such as heater/cooler in Food & Water, in various HVAC applications and in general utility process applications. Thanks to next-generation features such as the OmegaPort™ non-circular ports and the CurveFlow™ distribution pattern, the T6-B provides great anti-fouling capabilities. For the customer this means prolonged service intervals, higher operational efficiency and lower service costs.

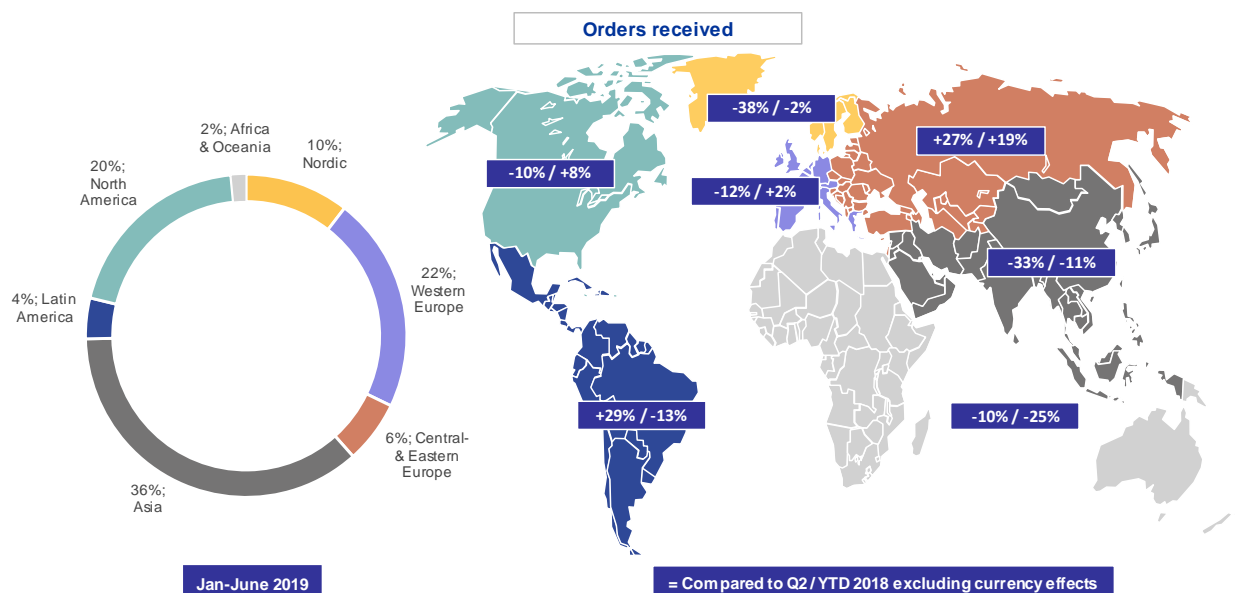


Alfa Laval ThinkTop

Alfa Laval has launched a new version of the Alfa Laval ThinkTop®, the company's best-selling valve sensing and control unit for hygienic valves used in the dairy, food, beverage, brewery and pharmaceutical industries. The Alfa Laval ThinkTop® V50 and V70, the second-generation of premium control units, has been reengineered to meet customer needs while incorporating the latest advances in technology. The rethought Alfa Laval ThinkTop® offers customers fast and intuitive setup and commissioning – up to 90% faster than the previous generation. It features smart control for 24/7 self-diagnostics, checking and remedying operations when required, and an enhanced 360° LED visual status indication so that operators can clearly see the valve status no matter where they are on the production floor. With a repositioned Gore Vent, its built-to-last waterproof design withstands vibration and thermal expansion. Its cleaning capabilities allow Cleaning-in-Place (CIP) and reduce water consumption by up to 90%. In total, it is a more sustainable solution with water, chemical and energy savings.



Information by region



Western Europe including Nordic

Order intake in the region declined in the second quarter, negatively affected by the Greenhouse division where the divestment of the air heat exchanger business triggered a reversal of the order backlog, reported as negative order intake. An additional negative effect came from the Marine Division, which had fewer large offshore orders compared to the second quarter last year. Food & Water came in slightly below last year, while Energy delivered strong growth throughout the region.

Central and Eastern Europe

The region reported a solid second quarter, driven by a strong performance across the three divisions. The main contributor was strong growth in Marin. Russia, Turkey and South Eastern Europe all contributed to the positive development. Service orders in the region also grew in the quarter.

North America

Strong order growth in Canada could not compensate for a decline in the U.S., resulting in lower order intake for the region as a whole in the second quarter. The main factor was the Energy division, which had fewer mid-sized and large orders compared to the second quarter last year. Food & Water also came in below the corresponding quarter last year and also in this case the development was down to fewer of the mid-sized orders. Waste water treatment, however, grew – reflecting a continued good activity level. Service orders came in somewhat higher than last year.

Latin America

The region saw good order growth in the second quarter, driven by a positive development in most countries. Both Energy and Marine contributed, while Food & Water reported a decline.

Asia

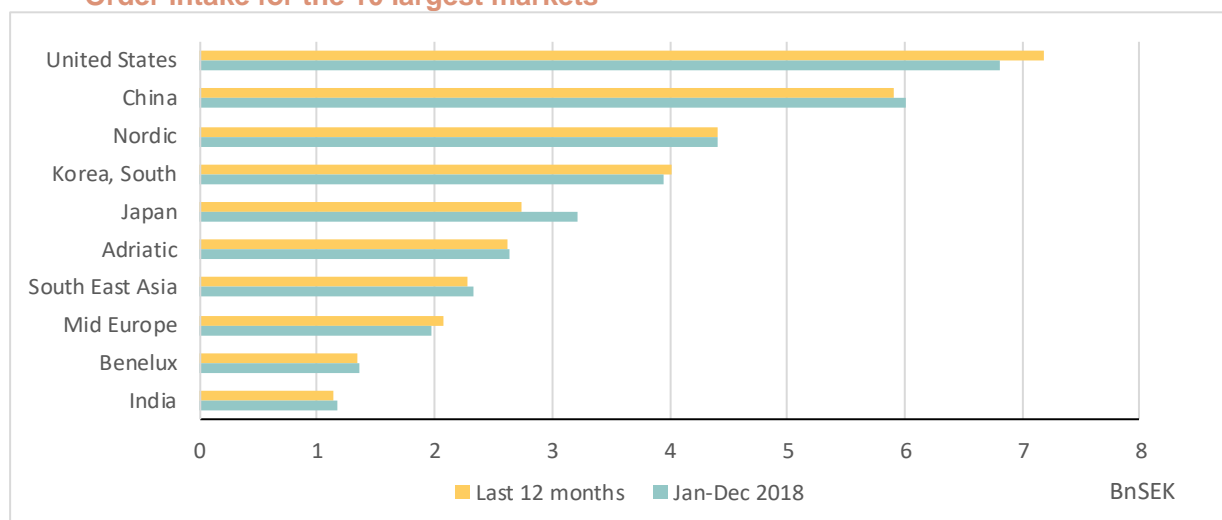
A decline in order intake in the Marine Division - where both PureSOx and pumping systems were lower than in the second quarter last year - meant that Asia had a slow second quarter. From a country perspective, the biggest declines were found in China, Japan and South Korea. China still benefitted from a positive development for Food & Water, but not enough to compensate for the decline in Marine. Service showed growth throughout the region with South Korea as the best performer. Energy declined as there were fewer large orders booked in the quarter compared to the second quarter last year.

Africa and Oceania

Africa reported a good development in the second quarter for both Marine and Energy but could not compensate for the decline in Oceania. The latter decreased due to fewer mid-sized orders, leading to a rather low quarter for the region as a whole. Service showed good growth.

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

Order intake for the 10 largest markets



Net sales

	Q2		Jan-Jun		Jan-Dec	Last 12
SEK millions	2019	2018	2019	2018	2018	months
To customers in:						
Sweden	261	234	511	453	924	982
Other EU	2,818	2,870	5,308	5,264	11,033	11,077
Other Europe	757	795	1,445	1,404	2,918	2,959
USA	1,877	1,641	3,448	3,080	6,394	6,762
Other North America	279	231	453	436	896	913
Latin America	484	502	930	903	1,835	1,862
Africa	120	126	226	222	450	454
China	1,589	1,334	3,081	2,397	5,263	5,947
South Korea	1,107	785	2,034	1,574	3,041	3,501
Other Asia	1,947	1,808	3,843	3,299	7,346	7,890
Oceania	100	149	218	294	566	490
Total	11,339	10,475	21,497	19,326	40,666	42,837

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

Non-current assets

	Jun 30		Dec 31
SEK millions	2019	2018	2018
Sweden	2,188	1,342	1,447
Denmark	5,085	4,845	4,728
Other EU	4,187	3,842	3,802
Norway	13,513	13,501	12,376
Other Europe	147	140	126
USA	4,506	3,970	3,964
Other North America	151	132	129
Latin America	321	263	259
Africa	13	8	7
Asia	3,597	3,075	3,262
Oceania	131	93	88
Subtotal	33,839	31,211	30,188
Other long-term securities	130	49	120
Pension assets	33	4	37
Deferred tax asset	1,594	1,465	1,755
Total	35,596	32,729	32,100

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.

Consolidated cash flows

SEK millions	Q2		Jan-Jun		Jan-Dec	Last 12
	2019	2018	2019	2018	2018	months
Operating activities						
Operating income	1,808	1,463	3,279	2,773	5,831	6,337
Adjustment for depreciation, amortisation and write down	492	425	970	834	1,664	1,800
Adjustment for other non-cash items	-223	6	-173	-85	-208	-296
	2,077	1,894	4,076	3,522	7,287	7,841
Taxes paid	-443	-414	-986	-892	-1,642	-1,736
	1,634	1,480	3,090	2,630	5,645	6,105
Changes in working capital:						
Increase(-)/decrease(+) of receivables	-139	-601	32	-960	-1,026	-34
Increase(-)/decrease(+) of inventories	-385	-185	-2,000	-387	-895	-2,508
Increase(+)/decrease(-) of liabilities	-428	675	577	739	1,399	1,237
Increase(+)/decrease(-) of provisions	-73	8	-115	21	-240	-376
Increase(-)/decrease(+) in working capital	-1,025	-103	-1,506	-587	-762	-1,681
	609	1,377	1,584	2,043	4,883	4,424
Investing activities						
Investments in fixed assets (Capex)	-172	-334	-606	-515	-1,490	-1,581
Divestment of fixed assets	1	17	2	88	120	34
Acquisition of businesses	0	0	-61	-	-	-61
Divestment of businesses	374	77	374	77	77	374
	203	-240	-291	-350	-1,293	-1,234
Financing activities						
Received interests and dividends	32	30	65	72	142	135
Paid interests	-69	-37	-118	-61	-192	-249
Realised financial exchange gains	88	80	285	200	182	267
Realised financial exchange losses	-10	-24	-24	-219	-267	-72
Dividends to owners of the parent	-2,097	-1,783	-2,097	-1,783	-1,783	-2,097
Dividends to non-controlling interests	-	0	-	0	0	0
Increase(-) of financial assets	-858	0	-871	0	-116	-987
Decrease(+) of financial assets	18	378	5	586	601	20
Increase of loans	3,186	385	3,155	643	726	3,238
Amortisation of loans	-32	-400	-32	-1,738	-1,738	-32
	258	-1,371	368	-2,300	-2,445	223
Cash flow for the period	1,070	-234	1,661	-607	1,145	3,413
Cash and cash equivalents at the beginning of the period	4,962	2,804	4,295	3,137	3,137	2,569
Translation difference in cash and cash equivalents	-16	-1	60	39	13	34
Cash and cash equivalents at the end of the period	6,016	2,569	6,016	2,569	4,295	6,016
Free cash flow per share (SEK) **	1.94	2.71	3.08	4.04	8.56	7.61
Capex in relation to net sales	1.5%	3.2%	2.8%	2.7%	3.7%	3.7%
Average number of shares	419,456,315	419,456,315	419,456,315	419,456,315	419,456,315	419,456,315

* Prior to the adoption of IFRS 16 at January 1, 2019, these were mainly included in operating income.

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

Consolidated comprehensive income

SEK millions	Q2		Jan-Jun		Jan-Dec	Last 12
	2019	2018	2019	2018	2018	months
Net sales	11,339	10,475	21,497	19,326	40,666	42,837
Cost of goods sold	-7,527	-7,034	-14,081	-12,752	-26,930	-28,259
Gross profit	3,812	3,441	7,416	6,574	13,736	14,578
Sales costs	-1,204	-1,160	-2,376	-2,216	-4,539	-4,699
Administration costs	-568	-487	-1,065	-986	-1,987	-2,066
Research and development costs	-272	-254	-532	-471	-1,020	-1,081
Other operating income	381	134	547	359	906	1,094
Other operating costs	-342	-220	-720	-500	-1,280	-1,500
Share of result in joint ventures	1	9	9	13	15	11
Operating income	1,808	1,463	3,279	2,773	5,831	6,337
Dividends and other financial income	8	5	16	11	27	32
Interest income and financial exchange rate gains	145	86	435	345	377	467
Interest expense and financial exchange rate losses	-129	-55	-276	-161	-339	-454
Result after financial items	1,832	1,499	3,454	2,968	5,896	6,382
Taxes	-420	-382	-817	-802	-1,359	-1,374
Net income for the period	1,412	1,117	2,637	2,166	4,537	5,008
Other comprehensive income: Items that will subsequently be reclassified to net income						
Cash flow hedges	-27	-229	22	-236	-505	-247
Market valuation of external shares	0	0	0	0	0	0
Translation difference	95	751	1,053	1,614	641	80
Deferred tax on other comprehensive income	22	-26	-11	16	83	56
Sum	90	496	1,064	1,394	219	-111
Items that will subsequently not be reclassified to net income						
Revaluations of defined benefit obligations	25	10	50	20	200	230
Deferred tax on other comprehensive income	-7	-3	-13	-6	-60	-67
Sum	18	7	37	14	140	163
Comprehensive income for the period	1,520	1,620	3,738	3,574	4,896	5,060
Net income attributable to:						
Owners of the parent	1,409	1,113	2,627	2,158	4,519	4,988
Non-controlling interests	3	4	10	8	18	20
Earnings per share (SEK)	3.36	2.65	6.26	5.14	10.77	11.89
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	1,521	1,615	3,724	3,559	4,876	5,041
Non-controlling interests	-1	5	14	15	20	19

Consolidated financial position

SEK millions	Jun 30 2019	2018	Dec 31 2018
ASSETS			
Non-current assets			
Intangible assets	25,045	25,931	24,410
Property, plant and equipment	8,766	5,268	5,732
Other non-current assets	1,785	1,530	1,958
	35,596	32,729	32,100
Current assets			
Inventories	11,406	9,114	9,253
Assets related to disposal groups held for sale	-	-	526
Accounts receivable	7,071	6,988	6,496
Other receivables	5,094	4,970	4,694
Derivative assets	100	190	91
Other current deposits	1,512	664	617
Cash and cash equivalents *	6,016	2,569	4,295
	31,199	24,495	25,972
TOTAL ASSETS	66,795	57,224	58,072
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Owners of the parent	25,104	22,160	23,477
Non-controlling interests	136	117	122
	25,240	22,277	23,599
Non-current liabilities			
Liabilities to credit institutions etc.	10,672	11,808	8,540
Provisions for pensions and similar commitments	2,109	2,410	2,118
Provision for deferred tax	1,705	1,924	1,945
Other non-current liabilities	682	692	788
	15,168	16,834	13,391
Current liabilities			
Liabilities related to disposal groups held for sale	-	-	351
Liabilities to credit institutions etc.	4,650	168	3,323
Accounts payable	3,495	3,364	3,136
Advances from customers	6,015	5,163	5,221
Other provisions	1,923	2,154	1,929
Other liabilities	9,983	6,885	6,682
Derivative liabilities	321	379	440
	26,387	18,113	21,082
Total liabilities	41,555	34,947	34,473
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	66,795	57,224	58,072

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

Financial assets and liabilities at fair value

SEK millions	Valuation hierarchy level	Jun 30 2019	2018	Dec 31 2018
Financial assets				
Other non-current securities	1 and 2	79	5	76
Bonds and other securities	1	522	323	435
Derivative assets	2	128	203	137
Financial liabilities				
Derivative liabilities	2	378	402	563

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.

Borrowings and net debt

SEK millions	Jun 30		Dec 31
	2019	2018	2018
Credit institutions	238	186	262
Swedish Export Credit	2,316	2,272	2,246
European Investment Bank	1,212	1,200	1,180
Corporate bonds	11,556	8,318	8,175
Lease liabilities	2,749	43	34
Interest-bearing pension liabilities	0	0	0
Total debt	18,071	12,019	11,897
Cash and cash equivalents and current deposits	-7,528	-3,233	-4,912
Net debt *	10,543	8,786	6,985

* Alternative performance measure.

Lease liabilities have increased by SEK 2,766 million as per January 1, 2019 due to the initial application of IFRS 16 Leases, which affects the figures at June 30, 2019. Earlier only capitalised financial leases were reported on this line.

Alfa Laval has a senior credit facility of EUR 400 million and USD 544 million, corresponding to SEK 9,262 million with a banking syndicate. The facility was not utilised at June 30, 2019. The facility matures in June 2021.

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 and a new tranche of EUR 300 million that matures in June 2024. The new tranche was raised under a new EMTN program and carries a fixed interest of 0.250 percent annually. It will be used to refinance the tranche maturing in September 2019.

The bilateral term loans from Swedish Export Credit consist of 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 loan from the European Investment Bank of EUR 115 million matures in June 2021.

The commercial paper programme of SEK 2,000 million was not utilised at June 30, 2019.

Changes in consolidated equity

SEK millions	Jan-Jun		Jan-Dec
	2019	2018	2018
At the beginning of the period*	23,599	20,486	20,486
Changes attributable to:			
Owners of the parent			
Comprehensive income			
Comprehensive income for the period	3,724	3,559	4,876
Transactions with shareholders			
Dividends	-2,097	-1,783	-1,783
	-2,097	-1,783	-1,783
Subtotal	1,627	1,776	3,093
Non-controlling interests			
Comprehensive income			
Comprehensive income for the period	14	15	20
Transactions with shareholders			
Dividends	-	-	0
	-	-	0
Subtotal	14	15	20
At the end of the period	25,240	22,277	23,599

* The opening equity for 2018 has been adjusted with SEK -14 million due to IFRS 15.

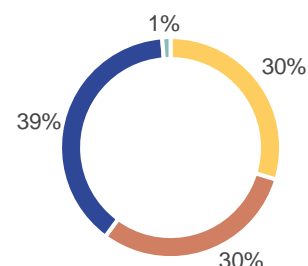
Condensed segment reporting per quarter

Energy Food & Water
Marine Greenhouse

Orders received

SEK millions	2019		2018				2017	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Energy	3,566	3,448	3,330	3,039	3,401	2,915	2,852	2,513
Food & Water	3,520	3,480	3,540	3,151	3,589	3,411	3,053	2,788
Marine	3,144	4,963	4,439	4,903	4,685	3,295	3,497	2,725
Greenhouse	-228	296	236	244	375	404	378	392
Operations & Other	23	26	16	20	12	0	0	0
Total	10,025	12,213	11,561	11,357	12,062	10,025	9,780	8,418

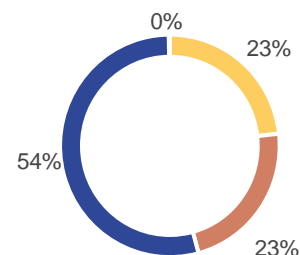
Last 12 months



Order backlog

SEK millions	2019		2018				2017	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Energy	5,709	5,629	4,857	4,852	4,836	4,554	4,471	4,883
Food & Water	5,535	5,304	4,860	4,917	5,096	4,820	4,317	4,541
Marine	13,276	14,338	13,118	12,529	10,996	9,595	9,027	8,714
Greenhouse	35	381	328	467	523	520	474	536
Operations & Other	13	14	5	8	6	0	0	0
Total	24,568	25,666	23,168	22,773	21,457	19,489	18,289	18,674

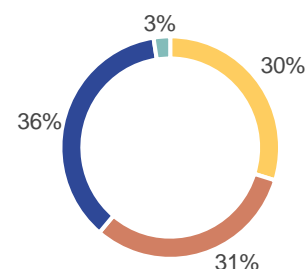
Jun 30, 2019



Net sales

SEK millions	2019		2018				2017	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Energy	3,531	2,807	3,343	3,043	3,215	2,812	3,259	2,598
Food & Water	3,335	3,153	3,604	3,336	3,390	2,880	3,261	2,882
Marine	4,329	3,932	3,869	3,433	3,486	2,795	3,157	2,322
Greenhouse	120	248	375	300	379	364	435	367
Operations & Other	24	18	18	19	5	0	0	0
Total	11,339	10,158	11,209	10,131	10,475	8,851	10,112	8,169

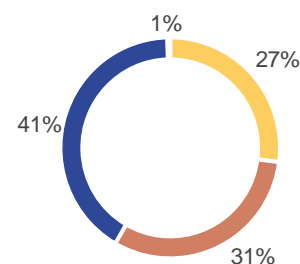
Last 12 months



Operating income*

SEK millions	2019		2018				2017	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Energy	558	399	438	461	490	381	469	417
Food & Water	473	524	607	542	507	454	517	410
Marine	809	761	659	599	571	499	600	361
Greenhouse	-15	-7	30	20	22	8	14	-34
Operations & Other	-182	-208	-210	-160	-196	-108	-230	-99
Total	1,643	1,469	1,524	1,462	1,394	1,234	1,370	1,055

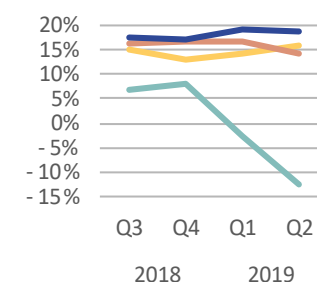
Last 12 months



Operating margin*

%	2019		2018				2017	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Energy	15.8	14.2	13.1	15.1	15.2	13.5	14.4	16.1
Food & Water	14.2	16.6	16.8	16.2	15.0	15.8	15.9	14.2
Marine	18.7	19.4	17.0	17.4	16.4	17.9	19.0	15.5
Greenhouse	-12.5	-2.8	8.0	6.7	5.8	2.2	3.2	-9.3
Total	14.5	14.5	13.6	14.4	13.3	13.9	13.5	12.9

Per quarter



Acquisitions and divestments of businesses

On December 18, 2018 Alfa Laval announced that it has signed an agreement to acquire certain technologies and activities from Airec – a Malmö, Sweden-based innovation company with patented technology for dimple asymmetry heat exchangers. The transaction was closed on January 2, 2019.

The sale of the Alonte based commercial tubular heat exchanger business in the Greenhouse division to the BITZER Group was closed on May 1, 2018. The sale of the heat exchanger systems business in the Greenhouse division to the NIBE Group was closed on May 31, 2018.

On December 12, 2018 Alfa Laval announced that it had signed an agreement to sell part of its air heat exchanger business related to commercial/industrial air heat exchangers in the Greenhouse division to the LU-VE Group. The transaction was closed on May 1, 2019. This operation is during the period December 12, 2018 to April 30, 2019 reported as a disposal group held for sale according to IFRS 5. This means that all assets and liabilities relating to this operation are presented separately in the statement of financial position. The balance sheet items are measured at the lower of their book values and fair values less costs to sell, except for deferred tax items and defined benefit obligations. Since the transaction was estimated to result in a realised gain, no write down to fair value has been necessary.

Disposal groups

SEK millions	Jun 30 2019	2018	Dec 31 2018
Assets			
Property, plant and equipment	-	-	59
Inventories	-	-	166
Accounts receivable	-	-	275
Other receivables	-	-	26
Financial assets	-	-	0
Total	-	-	526
Liabilities			
Accounts payable	-	-	120
Advances from customers	-	-	44
Other liabilities	-	-	187
Financial liabilities	-	-	0
Total	-	-	351

Large orders (>EUR 5 million) in the second quarter

Division	Business Unit	Delivery date	Order amount	Total per Business Unit	
	Scope of supply			Q2 2019	Q2 2018
			SEK millions		
Energy					
	Welded Heat Exchangers				
	Compact heat exchangers to an oil company in Russia.	2020	70	70	239
	Gasketed Plate Heat Exchangers			-	21
Food & Water					
	Food Systems				
	Various equipment to a vegetable oil processing plant in Uzbekistan.	2020	60	60	55
Marine					
	Boiler & Gas Systems			-	70
	Pumping Systems			-	125
Total				130	510

Parent company

The parent company's result after financial items for the first six months 2019 was SEK 620 (658) million, out of which dividends from subsidiaries SEK 633 (668) million, net interests SEK 0 (-0) million, realised and unrealised exchange rate gains and losses SEK 1 (1) million, costs related to the listing SEK -4 (-4) million, fees to the Board SEK -4 (-3) million, cost for annual report and annual general meeting SEK -1 (-2) million and other operating income and operating costs the remaining SEK -5 (-2) million.

Parent company income *

SEK millions	Q2		Jan-Jun		Jan-Dec
	2019	2018	2019	2018	2018
Administration costs	-3	-2	-9	-9	-15
Other operating income	-3	0	0	0	0
Other operating costs	-5	-2	-5	-2	-7
Operating income	-11	-4	-14	-11	-22
Revenues from interests in group companies	-	668	633	668	668
Interest income and similar result items	1	0	1	1	1
Interest expenses and similar result items	0	0	0	0	0
Result after financial items	-10	664	620	658	647
Change of tax allocation reserve	-	-	-	-	-698
Group contributions	-	-	-	-	2,810
Result before tax	-10	664	620	658	2,759
Tax on this year's result	2	1	3	2	-461
Net income for the period	-8	665	623	660	2,298

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

Parent company financial position

SEK millions	Jun 30		Dec 31
	2019	2018	2018
ASSETS			
Non-current assets			
Shares in group companies	4,669	4,669	4,669
Current assets			
Receivables on group companies	8,376	7,507	10,111
Other receivables	185	181	5
Cash and cash equivalents	-	-	-
	8,561	7,688	10,116
TOTAL ASSETS	13,230	12,357	14,785
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Restricted equity	2,387	2,387	2,387
Unrestricted equity	8,457	8,294	9,932
	10,844	10,681	12,319
Untaxed reserves			
Tax allocation reserves, taxation 2013-2019	2,359	1,660	2,359
Current liabilities			
Liabilities to group companies	21	16	29
Accounts payable	4	0	-
Tax liabilities	-	-	76
Other liabilities	2	0	2
	27	16	107
TOTAL EQUITY AND LIABILITIES	13,230	12,357	14,785

Owners and shares

Owners and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 37,045 (33,698) shareholders on June 30, 2019. The largest owner is Tetra Laval B.V., the Netherlands, who owns 29.1 (29.1) percent. Next to the largest owner, there are nine institutional investors with ownership in the range of 5.7 to 0.5 percent. These ten largest shareholders owned 52.2 (48.4) 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 2018 is still correct.

Asbestos-related lawsuits

The Alfa Laval Group was as of June 30, 2019 named as a co-defendant in a total of 787 asbestos-related lawsuits with a total of approximately 787 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 2019 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. In the report, alternative performance measures are used. See the annual report 2017 for definitions. Alfa Laval follows the Guidelines on Alternative Performance Measures issued by ESMA (European Securities and Markets Authority).

IFRS 16 Leases is applied from January 1, 2019. Alfa Laval applies it retrospectively with the cumulative effect of initially applying it recognised as an adjustment to the opening balance of right-of-use assets, lease liabilities and unrestricted equity at January 1, 2019. The effect of the initial application was reported in the Annual Report for 2018 and meant an adjustment of the opening balances for right-of-use assets and lease liabilities by SEK +2,766 million each. For the full year 2019 the effect on operating income is expected to be SEK +43 million, on financial net SEK -60 million and on result before tax SEK -17 million.

"Q2" and "Second quarter" refer to the period April 1 to June 30. "Jan-Jun" and "First six months" refer to the period January 1 to June 30. "Jan-Dec" and "Full year" refer to the period January 1 to December 31. "Last 12 months" refers to the period July 1, 2018 to June 30, 2019. "The corresponding period last year" refers to the second quarter 2018 or the first six months 2018 depending on the context.

"Currency effects" only relate to translation effects, whereas "foreign exchange effects" also relate to transactional and revaluation effects. "Mix" in the operating income bridge also includes a price effect.

Comparison distortion items are reported in the comprehensive income statement on each concerned line but are specified on page 4.

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.

The interim report has been issued at CET 12.00 on July 17, 2019 by the Board of Directors and the President and CEO.

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

Lund, July 17, 2019

Anders Narvinger
Chairman

Maria Moræus Hanssen

Susanne Jonsson

Henrik Lange

Bror Garcia Lantz

Anna Ohlsson-Leijon

Heléne Mellquist

Henrik Nielsen

Finn Rausing

Jörn Rausing

Ulf Wiinberg

Tom Erixon
President and CEO



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Date for the next financial report

Alfa Laval will publish interim reports during 2019 at the following dates:

Interim report for the third quarter October 24

This information is information that Alfa Laval AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at CET 12.00 on July 17, 2019.

