



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.

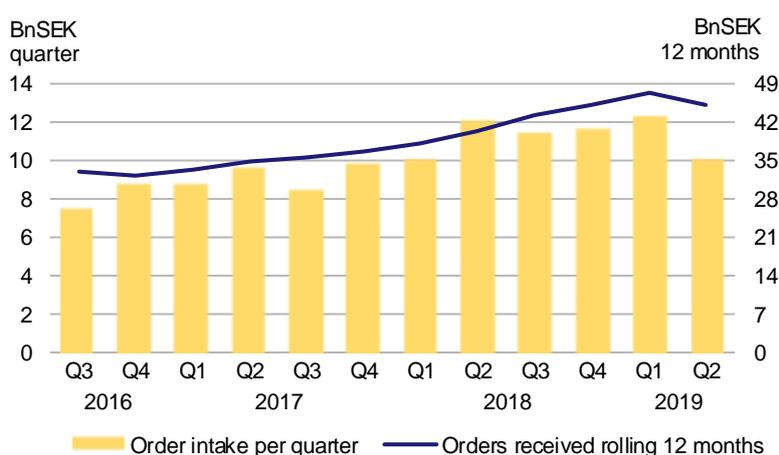
The order intake for the remaining business was continued stable. The Energy Division delivered the highest order intake for a single quarter this far and Food & Water continued on a high level. The development for the Group's service business was strong, particularly within Energy and Marine and generated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

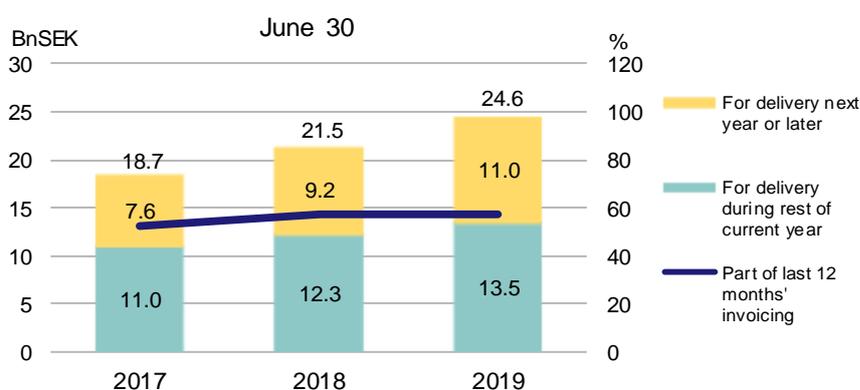
### Order intake



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.

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

1) Change excluding currency effects

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

1) Change excluding currency effects

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

1) Change excluding currency effects

| SEK millions/%           | Sales bridge Service |         |
|--------------------------|----------------------|---------|
|                          | Q2                   | Jan-Jun |
| 2018                     | 2,946                | 5,603   |
| Organic <sup>1)</sup>    | 2.0%                 | 1.3%    |
| Structural <sup>1)</sup> | -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

| 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       |
| Adjusted gross profit *              | 4,070        | 3,707        | 7,931        | 7,094        | 14,774       | 15,611       |
| <b>- adjusted gross margin (%) *</b> | <b>35.9</b>  | <b>35.4</b>  | <b>36.9</b>  | <b>36.7</b>  | <b>36.3</b>  | <b>36.4</b>  |
| 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         |
| <b>Adjusted EBITDA *</b>             | <b>2,104</b> | <b>1,857</b> | <b>4,053</b> | <b>3,509</b> | <b>7,344</b> | <b>7,888</b> |
| - adjusted EBITDA margin (%) *       | 18.6         | 17.7         | 18.9         | 18.2         | 18.1         | 18.4         |
| Depreciation                         | -234         | -159         | -455         | -314         | -626         | -767         |
| <b>Adjusted EBITA *</b>              | <b>1,870</b> | <b>1,698</b> | <b>3,598</b> | <b>3,195</b> | <b>6,718</b> | <b>7,121</b> |
| - adjusted EBITA margin (%) *        | <b>16.5</b>  | <b>16.2</b>  | <b>16.7</b>  | <b>16.5</b>  | <b>16.5</b>  | <b>16.6</b>  |
| 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.

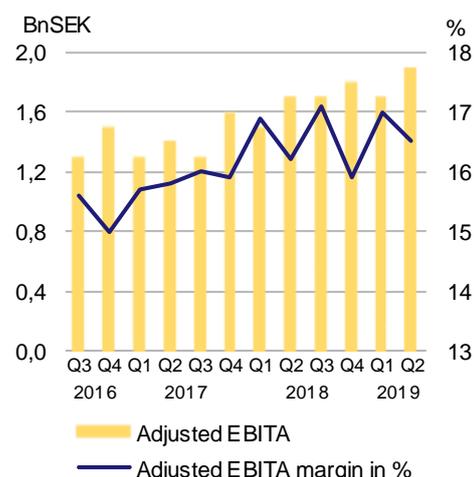
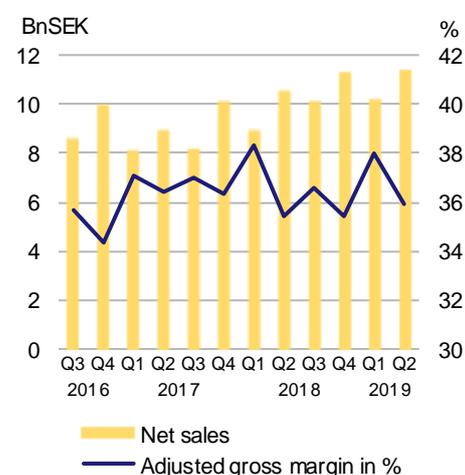
Earnings per share, excluding amortisation of step-up values and the corresponding tax\*, was SEK 7.26 (6.15) for the first six months 2019.

### 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.



\* Alternative performance measures. \*\* Excluding comparison distortion items.

## 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 (%) <sup>1)</sup> | 22.2   | 20.8   | 22.4   |
| Return on equity (%) <sup>2)</sup>           | 20.9   | 18.8   | 20.3   |
| Solidity (%) <sup>3)</sup>                   | 37.8   | 38.9   | 40.6   |
| Net debt to EBITDA, times <sup>4)</sup>      | 1.30   | 1.28   | 0.93   |
| Debt ratio, times <sup>4)</sup>              | 0.42   | 0.39   | 0.30   |
| Number of employees <sup>5)</sup>            | 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.

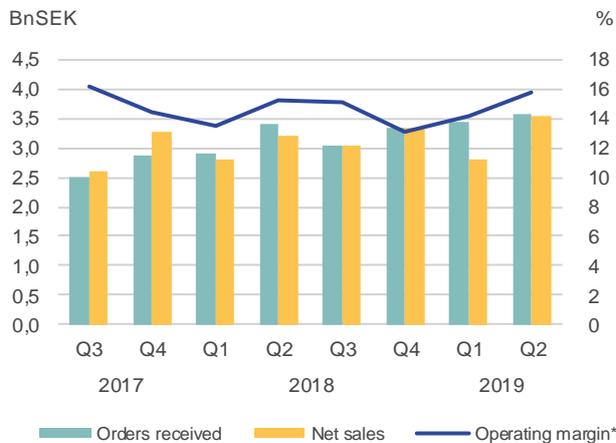
Focus is increased energy efficiency and sustainable solutions.

- 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.

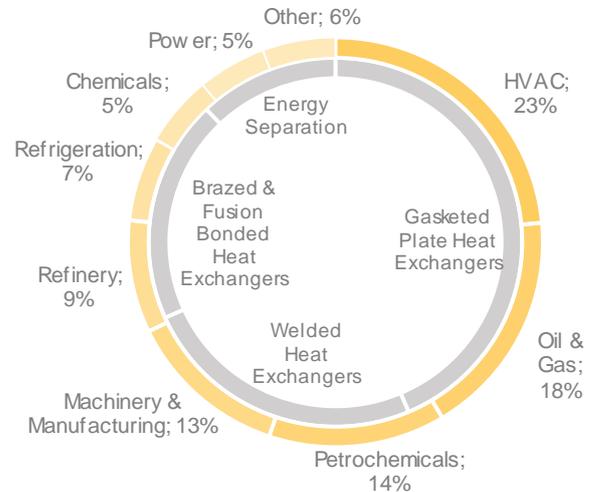
| SEK millions                  | Q2     |        | Jan-Jun |        | Jan-Dec | Last 12 |
|-------------------------------|--------|--------|---------|--------|---------|---------|
|                               | 2019   | 2018   | 2019    | 2018   | 2018    | months  |
| Orders received               | 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 mid-sized 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.

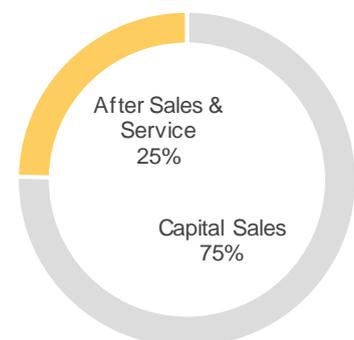
| SEK millions/%           | Order bridge |         |
|--------------------------|--------------|---------|
|                          | Q2           | Jan-Jun |
| 2018                     | 3,401        | 6,316   |
| Organic <sup>1)</sup>    | 1.6%         | 6.3%    |
| Structural <sup>1)</sup> | 0.1%         | 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 <sup>1)</sup>    | 6.0%         | 0.3%    |
| Structural <sup>1)</sup> | 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 <sup>1)</sup>  | 59            | 7       |
| Mix <sup>1)</sup>     | 66            | 142     |
| Costs <sup>1)</sup>   | -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.

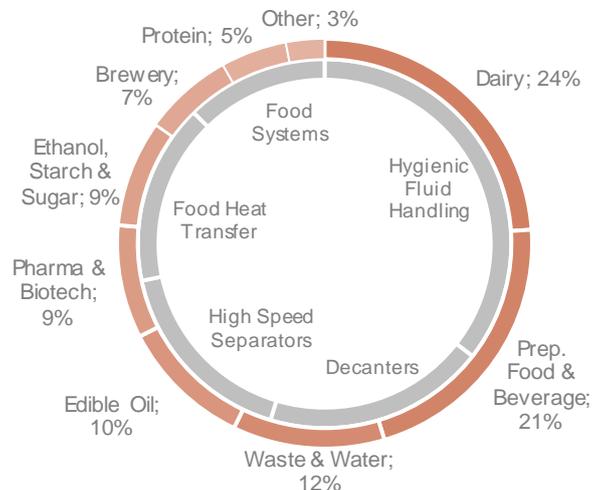
| SEK millions                  | Q2     |       | Jan-Jun |       | Jan-Dec | Last 12 months |
|-------------------------------|--------|-------|---------|-------|---------|----------------|
|                               | 2019   | 2018  | 2019    | 2018  | 2018    |                |
| Orders received               | 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.

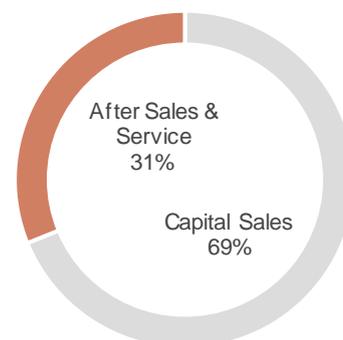
| SEK millions/%           | Order bridge |         |
|--------------------------|--------------|---------|
|                          | Q2           | Jan-Jun |
| 2018                     | 3,589        | 7,000   |
| Organic <sup>1)</sup>    | -4.9%        | -4.1%   |
| Structural <sup>1)</sup> | -            | -       |
| 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 <sup>1)</sup>    | -4.6%        | -0.5%   |
| Structural <sup>1)</sup> | -            | -       |
| 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 <sup>1)</sup>  | -53           | -11     |
| Mix <sup>1)</sup>     | 23            | 49      |
| Costs <sup>1)</sup>   | -17           | -38     |
| Currency              | 13            | 36      |
| Operating income 2019 | 473           | 997     |

1) Change excluding currency effects

\* Comments excluding currency effects.

# Marine Division

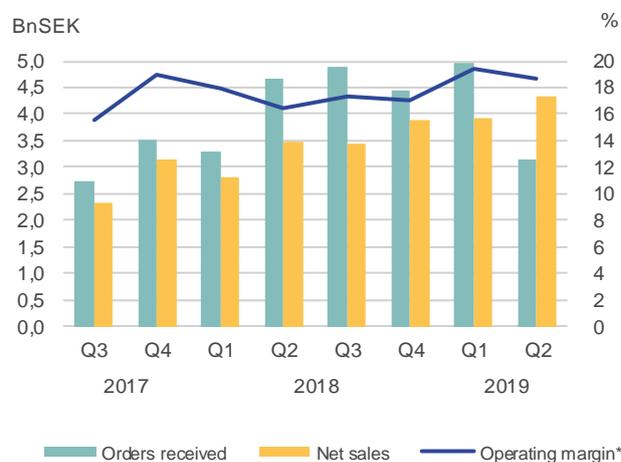
The division's customers include shipowners, ship yards, manufacturers of diesel and gas engines, as well as companies that work with offshore extraction of oil and gas. The offering includes pumping systems, boilers, heat transfer equipment, high speed separators and several different environmental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

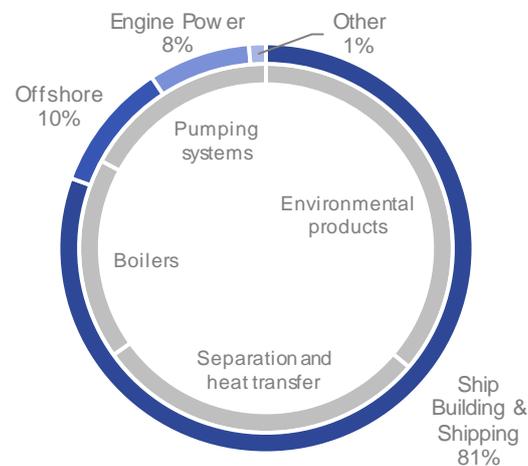
| SEK millions                  | Q2     |        | Jan-Jun |        | Jan-Dec | Last 12 |
|-------------------------------|--------|--------|---------|--------|---------|---------|
|                               | 2019   | 2018   | 2019    | 2018   | 2018    | months  |
| Orders received               | 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.

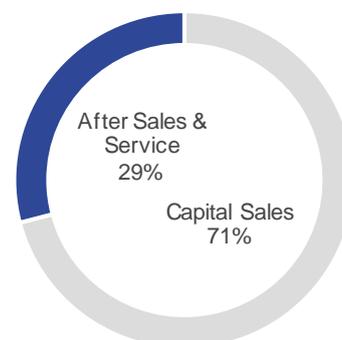
| SEK millions/%           | Order bridge |         |
|--------------------------|--------------|---------|
|                          | Q2           | Jan-Jun |
| 2018                     | 4,685        | 7,980   |
| Organic <sup>1)</sup>    | -35.3%       | -1.9%   |
| Structural <sup>1)</sup> | -            | -       |
| 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 <sup>1)</sup>    | 21.1%        | 27.1%   |
| Structural <sup>1)</sup> | -            | -       |
| 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 <sup>1)</sup>  | 234           | 577     |
| Mix <sup>1)</sup>     | 25            | -15     |
| Costs <sup>1)</sup>   | -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 <sup>1)</sup>  | -54           | -76     |
| Mix <sup>1)</sup>     | -16           | -29     |
| Costs <sup>1)</sup>   | 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   |

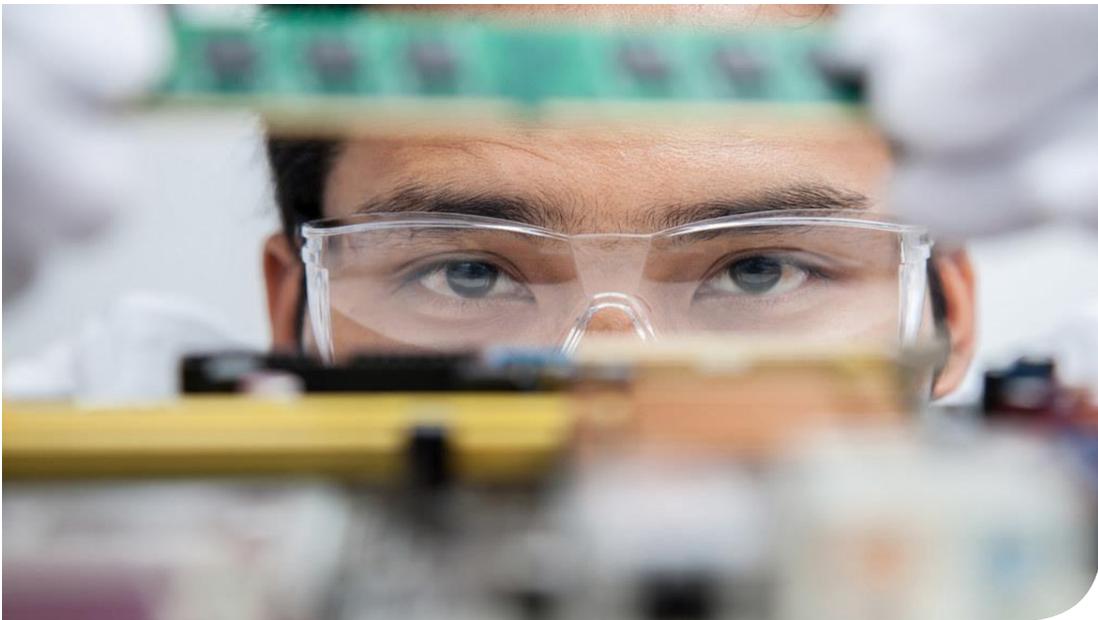
\* At the end of the period. \*\* In management accounts.

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  |
| <b>Operating income</b>      |        |        |         |        |         |         |
| 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   |
| <b>Assets **</b>             |        |        |         |        |         |         |
| 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  |
| <b>Liabilities **</b>        |        |        |         |        |         |         |
| 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         |
| <b>Total</b>         | <b>11,339</b> | <b>10,475</b> | <b>21,497</b> | <b>19,326</b> | <b>40,666</b> | <b>42,837</b> |

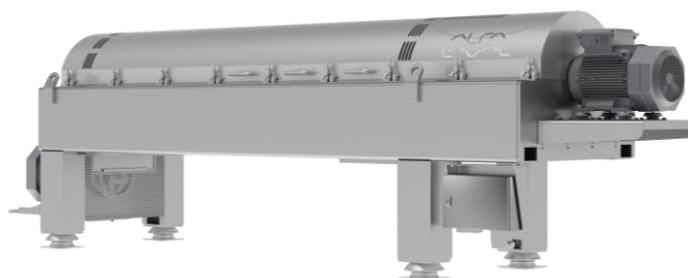
\* The split of own products within separation, heat transfer and fluid handling is a reflection of the current three main technologies. Other is own products outside these main technologies. Associated products are mainly purchased products that complement Alfa Laval's product offering. Services cover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

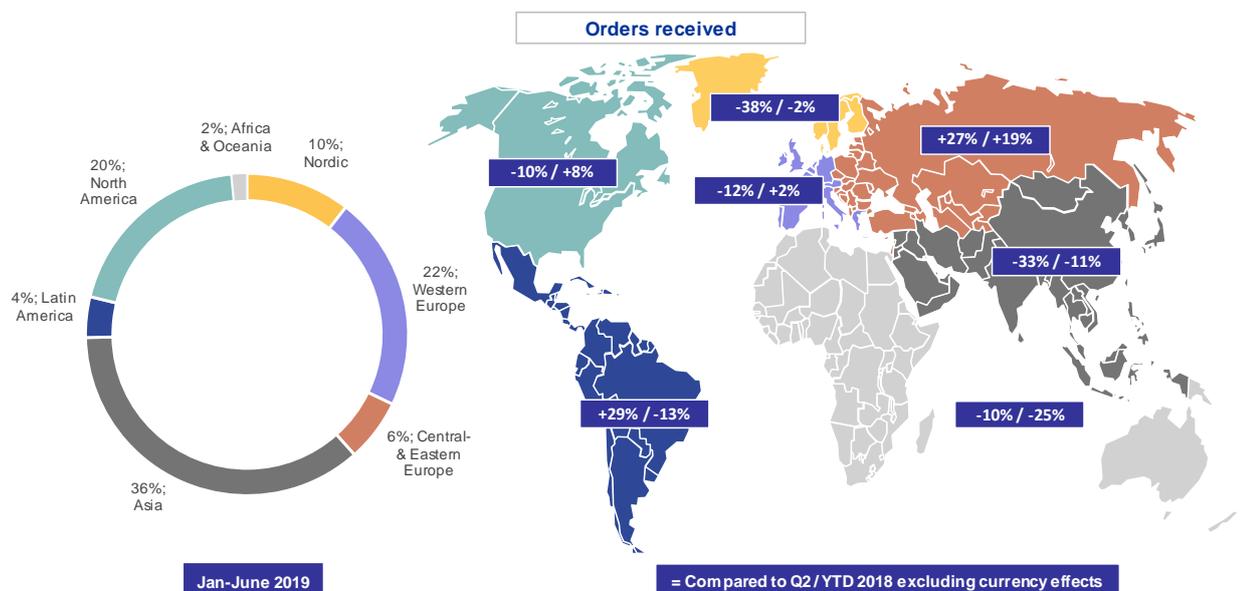


### Alfa Laval ThinkTop

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 Marine. 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

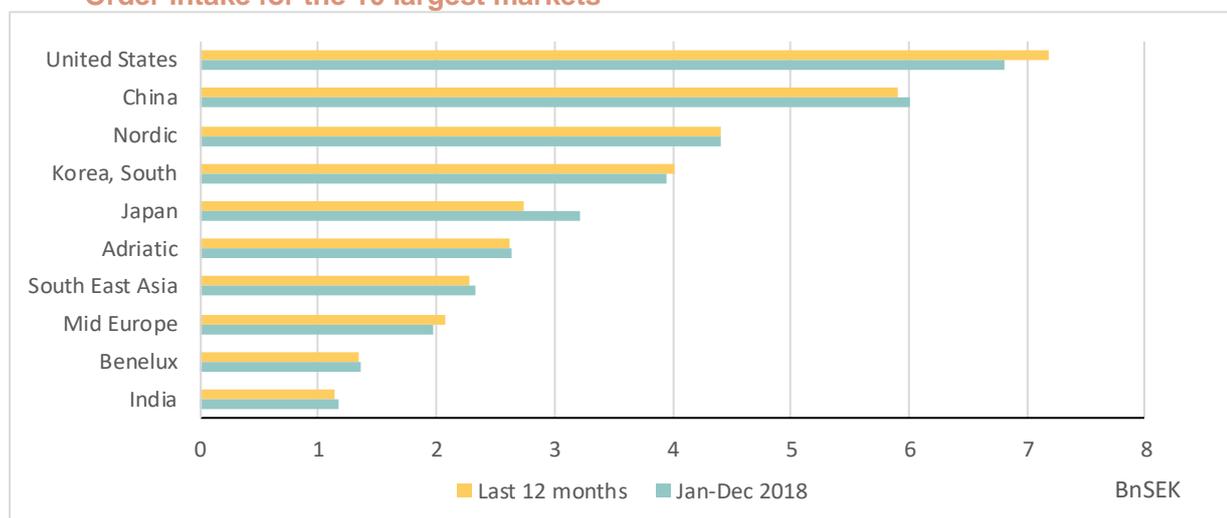
A decline in order intake in the Marine Division - where both PureSOx and pumping systems were lower than in the second quarter last year - meant that Asia had a slow second quarter. From a country perspective, the biggest declines were found in China, Japan and South Korea. China still benefitted from 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

| SEK millions        | Q2            |               | Jan-Jun       |               | Jan-Dec       | Last 12       |
|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                     | 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           |
| <b>Total</b>        | <b>11,339</b> | <b>10,475</b> | <b>21,497</b> | <b>19,326</b> | <b>40,666</b> | <b>42,837</b> |

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

## Non-current assets

| SEK millions               | Jun 30        |               | Dec 31        |
|----------------------------|---------------|---------------|---------------|
|                            | 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            |
| <b>Subtotal</b>            | <b>33,839</b> | <b>31,211</b> | <b>30,188</b> |
| Other long-term securities | 130           | 49            | 120           |
| Pension assets             | 33            | 4             | 37            |
| Deferred tax asset         | 1,594         | 1,465         | 1,755         |
| <b>Total</b>               | <b>35,596</b> | <b>32,729</b> | <b>32,100</b> |

## 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        |
| <b>Operating activities</b>                               |               |              |               |              |              |               |
| 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          |
| <b>Increase(-)/decrease(+) in working capital</b>         | <b>-1,025</b> | <b>-103</b>  | <b>-1,506</b> | <b>-587</b>  | <b>-762</b>  | <b>-1,681</b> |
|   | 609           | 1,377        | 1,584         | 2,043        | 4,883        | 4,424         |
| <b>Investing activities</b>                               |               |              |               |              |              |               |
| 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        |
| <b>Financing activities</b>                               |               |              |               |              |              |               |
| 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           |
| <b>Cash flow for the period</b>                           | <b>1,070</b>  | <b>-234</b>  | <b>1,661</b>  | <b>-607</b>  | <b>1,145</b> | <b>3,413</b>  |
| 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            |
| <b>Cash and cash equivalents at the end of the period</b> | <b>6,016</b>  | <b>2,569</b> | <b>6,016</b>  | <b>2,569</b> | <b>4,295</b> | <b>6,016</b>  |
| 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       |
| <b>Gross profit</b>   | <b>3,812</b> | <b>3,441</b> | <b>7,416</b> | <b>6,574</b> | <b>13,736</b> | <b>14,578</b> |
| 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            |
| <b>Operating income</b>   | <b>1,808</b> | <b>1,463</b> | <b>3,279</b> | <b>2,773</b> | <b>5,831</b>  | <b>6,337</b>  |
| 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          |
| <b>Result after financial items</b>   | <b>1,832</b> | <b>1,499</b> | <b>3,454</b> | <b>2,968</b> | <b>5,896</b>  | <b>6,382</b>  |
| Taxes   | -420         | -382         | -817         | -802         | -1,359        | -1,374        |
| <b>Net income for the period</b>  | <b>1,412</b> | <b>1,117</b> | <b>2,637</b> | <b>2,166</b> | <b>4,537</b>  | <b>5,008</b>  |
| Other comprehensive income:<br>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            |
| <b>Sum</b>  | <b>90</b>    | <b>496</b>   | <b>1,064</b> | <b>1,394</b> | <b>219</b>    | <b>-111</b>   |
| 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           |
| <b>Sum</b>  | <b>18</b>    | <b>7</b>     | <b>37</b>    | <b>14</b>    | <b>140</b>    | <b>163</b>    |
| <b>Comprehensive income for the period</b>  | <b>1,520</b> | <b>1,620</b> | <b>3,738</b> | <b>3,574</b> | <b>4,896</b>  | <b>5,060</b>  |
| <b>Net income attributable to:</b>  |              |              |              |              |               |               |
| 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            |
| <b>Earnings per share (SEK)</b>   | <b>3.36</b>  | <b>2.65</b>  | <b>6.26</b>  | <b>5.14</b>  | <b>10.77</b>  | <b>11.89</b>  |
| Average number of shares  | 419,456,315  | 419,456,315  | 419,456,315  | 419,456,315  | 419,456,315   | 419,456,315   |
| <b>Comprehensive income attributable to:</b>  |              |              |              |              |               |               |
| 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        |               | Dec 31        |
|--|---------------|---------------|---------------|
|  | 2019          | 2018          | 2018          |
| <b>ASSETS</b>  |               |               |               |
| <b>Non-current assets</b>                            |               |               |               |
| 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        |
| <b>Current assets</b>                                |               |               |               |
| 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        |
| <b>TOTAL ASSETS</b>                                  | <b>66,795</b> | <b>57,224</b> | <b>58,072</b> |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>          |               |               |               |
| <b>Equity</b>  |               |               |               |
| Owners of the parent                                 | 25,104        | 22,160        | 23,477        |
| Non-controlling interests                            | 136           | 117           | 122           |
|  | 25,240        | 22,277        | 23,599        |
| <b>Non-current liabilities</b>                       |               |               |               |
| 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        |
| <b>Current liabilities</b>                           |               |               |               |
| 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        |
| <b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>  | <b>66,795</b> | <b>57,224</b> | <b>58,072</b> |

\* 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 |      | Dec 31 |
|------------------------------|---------------------------|--------|------|--------|
|                              |                           | 2019   | 2018 | 2018   |
| <b>Financial assets</b>      |                           |        |      |        |
| Other non-current securities | 1 and 2                   | 79     | 5    | 76     |
| Bonds and other securities   | 1                         | 522    | 323  | 435    |
| Derivative assets            | 2                         | 128    | 203  | 137    |
| <b>Financial liabilities</b> |                           |        |      |        |
| 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             |
| <b>Total debt</b>                              | <b>18,071</b> | <b>12,019</b> | <b>11,897</b> |
| Cash and cash equivalents and current deposits | -7,528        | -3,233        | -4,912        |
| <b>Net debt *</b>                              | <b>10,543</b> | <b>8,786</b>  | <b>6,985</b>  |

\* 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          |
| <b>At the beginning of the period*</b> | <b>23,599</b> | <b>20,486</b> | <b>20,486</b> |
| <b>Changes attributable to:</b>        |               |               |               |
| <b>Owners of the parent</b>            |               |               |               |
| <b>Comprehensive income</b>            |               |               |               |
| Comprehensive income for the period    | 3,724         | 3,559         | 4,876         |
| <b>Transactions with shareholders</b>  |               |               |               |
| Dividends                              | -2,097        | -1,783        | -1,783        |
|  | -2,097        | -1,783        | -1,783        |
| <b>Subtotal</b>                        | <b>1,627</b>  | <b>1,776</b>  | <b>3,093</b>  |
| <b>Non-controlling interests</b>       |               |               |               |
| <b>Comprehensive income</b>            |               |               |               |
| Comprehensive income for the period    | 14            | 15            | 20            |
| <b>Transactions with shareholders</b>  |               |               |               |
| Dividends                              | -             | -             | 0             |
|  | -             | -             | 0             |
| <b>Subtotal</b>                        | <b>14</b>     | <b>15</b>     | <b>20</b>     |
| <b>At the end of the period</b>        | <b>25,240</b> | <b>22,277</b> | <b>23,599</b> |

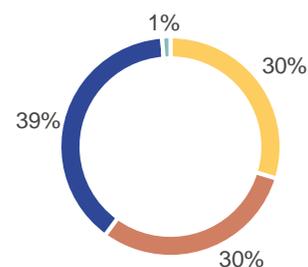
\* The opening equity for 2018 has been adjusted with SEK -14 million due to IFRS 15.

## Condensed segment reporting per quarter



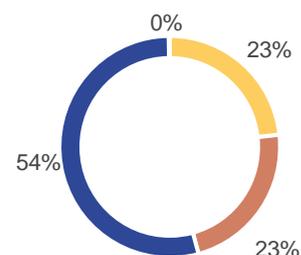
| Orders received    | 2019          |               | 2018          |               |               |               | 2017         |              |
|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|
|                    | Q2            | Q1            | Q4            | Q3            | Q2            | Q1            | Q4           | Q3           |
| SEK millions       |               |               |               |               |               |               |              |              |
| 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            |
| <b>Total</b>       | <b>10,025</b> | <b>12,213</b> | <b>11,561</b> | <b>11,357</b> | <b>12,062</b> | <b>10,025</b> | <b>9,780</b> | <b>8,418</b> |

### Last 12 months



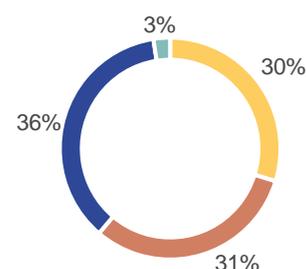
| Order backlog      | 2019          |               | 2018          |               |               |               | 2017          |               |
|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                    | Q2            | Q1            | Q4            | Q3            | Q2            | Q1            | Q4            | Q3            |
| SEK millions       |               |               |               |               |               |               |               |               |
| 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             |
| <b>Total</b>       | <b>24,568</b> | <b>25,666</b> | <b>23,168</b> | <b>22,773</b> | <b>21,457</b> | <b>19,489</b> | <b>18,289</b> | <b>18,674</b> |

### Jun 30, 2019



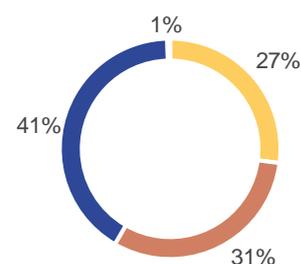
| Net sales          | 2019          |               | 2018          |               |               |              | 2017          |              |
|--------------------|---------------|---------------|---------------|---------------|---------------|--------------|---------------|--------------|
|                    | Q2            | Q1            | Q4            | Q3            | Q2            | Q1           | Q4            | Q3           |
| SEK millions       |               |               |               |               |               |              |               |              |
| 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            |
| <b>Total</b>       | <b>11,339</b> | <b>10,158</b> | <b>11,209</b> | <b>10,131</b> | <b>10,475</b> | <b>8,851</b> | <b>10,112</b> | <b>8,169</b> |

### Last 12 months



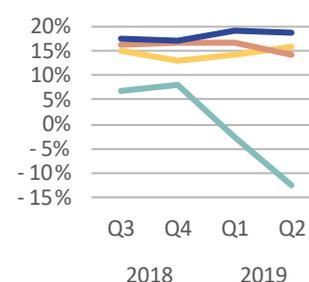
| Operating income*  | 2019         |              | 2018         |              |              |              | 2017         |              |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                    | Q2           | Q1           | Q4           | Q3           | Q2           | Q1           | Q4           | Q3           |
| SEK millions       |              |              |              |              |              |              |              |              |
| 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          |
| <b>Total</b>       | <b>1,643</b> | <b>1,469</b> | <b>1,524</b> | <b>1,462</b> | <b>1,394</b> | <b>1,234</b> | <b>1,370</b> | <b>1,055</b> |

### 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        |
| <b>Total</b>      | <b>14.5</b> | <b>14.5</b> | <b>13.6</b> | <b>14.4</b> | <b>13.3</b> | <b>13.9</b> | <b>13.5</b> | <b>12.9</b> |

### Per quarter



\* In management accounts.

## 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 |      | Dec 31     |
|-------------------------------|--------|------|------------|
|                               | 2019   | 2018 | 2018       |
| <b>Assets</b>                 |        |      |            |
| Property, plant and equipment | -      | -    | 59         |
| Inventories                   | -      | -    | 166        |
| Accounts receivable           | -      | -    | 275        |
| Other receivables             | -      | -    | 26         |
| Financial assets              | -      | -    | 0          |
| <b>Total</b>                  | -      | -    | <b>526</b> |
| <b>Liabilities</b>            |        |      |            |
| Accounts payable              | -      | -    | 120        |
| Advances from customers       | -      | -    | 44         |
| Other liabilities             | -      | -    | 187        |
| Financial liabilities         | -      | -    | 0          |
| <b>Total</b>                  | -      | -    | <b>351</b> |

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

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

## 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   |
| <b>ASSETS</b>                               |        |        |        |
| <b>Non-current assets</b>                   |        |        |        |
| Shares in group companies                   | 4,669  | 4,669  | 4,669  |
| <b>Current assets</b>                       |        |        |        |
| 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 |
| <b>TOTAL ASSETS</b>                         | 13,230 | 12,357 | 14,785 |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b> |        |        |        |
| <b>Equity</b>                               |        |        |        |
| Restricted equity                           | 2,387  | 2,387  | 2,387  |
| Unrestricted equity                         | 8,457  | 8,294  | 9,932  |
|   | 10,844 | 10,681 | 12,319 |
| <b>Untaxed reserves</b>                     |        |        |        |
| Tax allocation reserves, taxation 2013-2019 | 2,359  | 1,660  | 2,359  |
| <b>Current liabilities</b>                  |        |        |        |
| Liabilities to group companies              | 21     | 16     | 29     |
| Accounts payable                            | 4      | 0      | -      |
| Tax liabilities                             | -      | -      | 76     |
| Other liabilities                           | 2      | 0      | 2      |
|   | 27     | 16     | 107    |
| <b>TOTAL EQUITY AND LIABILITIES</b>         | 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.

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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.

