



Advancing better™

Cost program protects profitability

- Order intake on about the same level as last year.
- Adjusted EBITA margin improved to 17.2 % supported by the cost reduction program.
- Strong liquidity focus during the quarter increased cash flow from operating activities with SEK 2.2 billion.
- A recommended public offer of SEK 18 billion concerning Neles was announced on July 13.

Outlook for the third quarter

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

Earlier published outlook (April 23, 2020):
"We expect demand in the second quarter to be lower than in the first quarter."

The Q2 2020 report has not been subject to review by the company's auditors.

Summary

SEK millions	Q2				Jan-Jun			
	2020	2019	%	% *	2020	2019	%	% *
Order intake	9,749	10,025	-3	0	21,626	22,238	-3	-3
Net sales	10,455	11,339	-8	-6	21,045	21,497	-2	-2
Adjusted EBITA **	1,802	1,870	-4		3,552	3,598	-1	
- adjusted EBITA margin (%) **	17.2	16.5			16.9	16.7		
Result after financial items	1,720	1,832	-6		3,106	3,454	-10	
Net income for the period	1,296	1,412	-8		2,320	2,637	-12	
Earnings per share (SEK)	3.07	3.36	-9		5.50	6.26	-12	
Cash flow from operating activities	2,844	609	367		3,803	1,584	140	
Impact on adjusted EBITA of foreign exchange effects	60	95			150	190		
Impact on result after financial items of comparison distortion items	-	196			-	196		
Return on capital employed (%) **					22.5	22.2		
Net debt to EBITDA, times **					0.58	1.30		

* Excluding currency effects. ** Alternative performance measures.



Comment from

Tom Erixon

President and CEO

“Order intake in the second quarter was on about the same level as last year, despite the market situation being challenging in many areas. The demand in the Food & Water Division was stable with strong growth in wastewater and biotech applications. The Energy Division booked several large orders due to a strong project pipeline but faced slow demand in service and parts of the oil & gas applications. Sequentially the order intake in the Marine Division was down due to a very slow pace in yard contracting, difficulties to execute service repair works and weak demand for Alfa Laval PureSOx. After the strong order intake in the first quarter, the sequential decline of 18 percent was expected.

During the extreme market uncertainty in March Alfa Laval decided to launch a short-term cost reduction program, focusing on fixed costs in sales & administration. The program generated approximately SEK 325 million of savings in the quarter, equivalent to about an 18 percent cost reduction. As market demand at this point is perceived to have stabilized on a low level, the company will stepwise return to a more normal operating mode with an increased sales activity. The effect of the cost reduction program is thus estimated to gradually decrease during the rest of 2020.

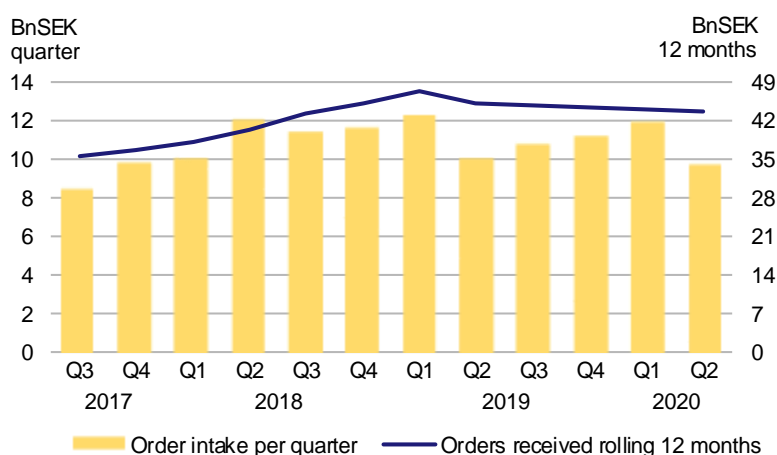
The company has operated with a cashflow focus during the quarter. Compared to last year, cash flow from operating activities increased with SEK 2.2 billion. Together with other protective measures, the group’s cash position is now SEK 8.8 billion.

After the closing of the second quarter, Alfa Laval made a public offer for all the shares of Neles, a listed Finnish company with a strong position in the industrial flow market. The offer values Neles to around SEK 18 billion. The offer is dependent on anti-trust clearance and acceptance by 2/3 of the shareholders. When completed, the transaction will put Neles and Alfa Laval side-by-side in a strong position for long-term growth in flow control. Alfa Laval has communicated its commitment to continue investing in Neles’ operational structure in Finland and the growth plan presented by Neles’ management team at their recent Capital Markets Day.”

Tom Erixon,
President and CEO

Financial overview

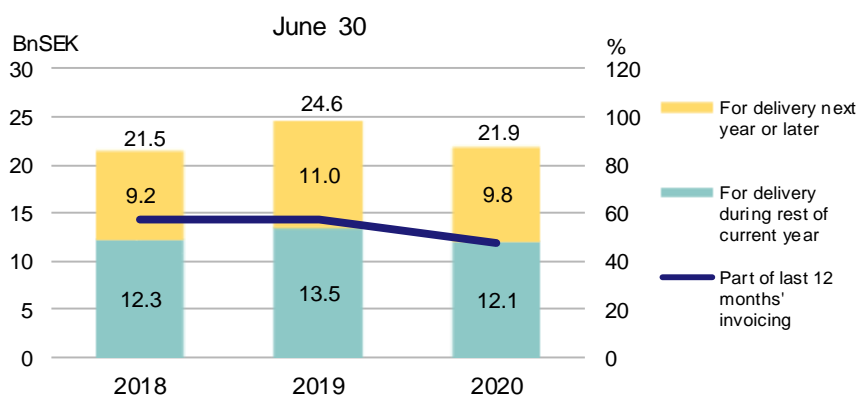
Order intake



Orders received was SEK 9,749 (10,025) million in the second quarter and SEK 21,626 (22,238) million in the first six months 2020. The order intake was lower during May due to COVID-19 but recovered during June. Cancellations of orders were lower during the second quarter 2020 than the corresponding quarter last year.

Orders received from Service constituted 29.1 (32.2) percent of the Group's total orders received during the second quarter and 29.0 (28.2) percent during the first six months 2020.

Order backlog



Excluding currency effects and adjusted for acquisition and divestment of businesses the order backlog was 10.4 percent lower than the order backlog at June 30, 2019 and 2.8 percent larger than the order backlog at the end of 2019.

Net sales

Net invoicing was SEK 10,455 (11,339) million for the second quarter and SEK 21,045 (21,497) million for the first six months 2020.

Net invoicing relating to Service constituted 27.7 (27.3) percent of the Group's total net invoicing in the second quarter and 28.1 (27.5) percent in the first six months 2020.

Order bridge		
SEK millions/%	Q2	Jan-Jun
2019	10,025	22,238
Organic ¹⁾	-2.7%	-2.3%
Structural ¹⁾	2.3%	-0.3%
Currency	-2.4%	-0.2%
Total	-2.8%	-2.8%
2020	9,749	21,626

1) Change excluding currency effects

Order bridge Service		
SEK millions/%	Q2	Jan-Jun
2019	3,230	6,278
Organic ¹⁾	-10.7%	-0.5%
Structural ¹⁾	0.0%	-0.1%
Currency	-1.6%	0.5%
Total	-12.3%	-0.1%
2020	2,834	6,271

1) Change excluding currency effects

Sales bridge		
SEK millions/%	Q2	Jan-Jun
2019	11,339	21,497
Organic ¹⁾	-5.0%	-0.5%
Structural ¹⁾	-1.0%	-1.8%
Currency	-1.8%	0.2%
Total	-7.8%	-2.1%
2020	10,455	21,045

1) Change excluding currency effects

Sales bridge Service		
SEK millions/%	Q2	Jan-Jun
2019	3,097	5,914
Organic ¹⁾	-4.8%	0.0%
Structural ¹⁾	-0.2%	-0.3%
Currency	-1.4%	0.6%
Total	-6.4%	0.3%
2020	2,900	5,931

1) Change excluding currency effects

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

Income analysis

	Q2		Jan-Jun		Jan-Dec	Last 12
SEK millions	2020	2019	2020	2019	2019	months
Net sales	10,455	11,339	21,045	21,497	46,517	46,065
Adjusted gross profit *	3,705	4,070	7,690	7,931	16,763	16,522
- adjusted gross margin (%) *	35.4	35.9	36.5	36.9	36.0	35.9
Expenses **	-1,637	-1,966	-3,594	-3,878	-7,701	-7,417
- in % of net sales	15.7	17.3	17.1	18.0	16.6	16.1
Adjusted EBITDA *	2,068	2,104	4,096	4,053	9,062	9,105
- adjusted EBITDA margin (%) *	19.8	18.6	19.5	18.9	19.5	19.8
Depreciation	-266	-234	-544	-455	-1,073	-1,162
Adjusted EBITA *	1,802	1,870	3,552	3,598	7,989	7,943
- adjusted EBITA margin (%) *	17.2	16.5	16.9	16.7	17.2	17.2
Amortisation of step-up values	-222	-258	-444	-515	-980	-909
Comparison distortion items	-	196	-	196	189	-7
Operating income	1,580	1,808	3,108	3,279	7,198	7,027

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

The gross profit has been affected negatively by a lower sales volume and the product mix in capital sales.

Sales and administration expenses were SEK 1,448 (1,772) million during the second quarter and SEK 3,118 (3,441) million during the first six months 2020. The figures for the first six months corresponded to 14.8 (16.0) percent of net sales. Excluding currency effects and acquisition/divestment of businesses, sales and administration expenses were 16.9 percent lower during the second quarter and 8.7 percent lower during the first six months 2020 compared to the corresponding periods last year.

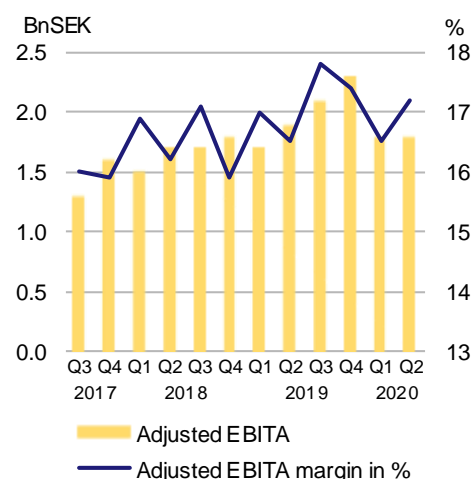
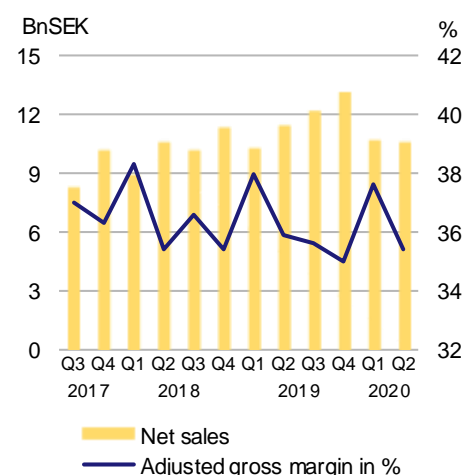
The costs for research and development during the first six months 2020 corresponded to 2.6 (2.5) percent of net sales. Excluding currency effects and acquisition/divestment of businesses, the costs for research and development decreased by 5.2 percent during the second quarter and increased by 2.7 percent during the first six months 2020 compared to the corresponding periods last year. The decrease in the quarter is explained by an overall lower activity level due to the COVID-19 pandemic.

Earnings per share was SEK 5.50 (6.26) for the first six months 2020. The corresponding figure excluding amortisation of step-up values and the corresponding tax, was SEK 6.35 (7.26).

Comparison distortion items

	Q2		Jan-Jun		Jan-Dec	Last 12
SEK millions	2020	2019	2020	2019	2019	months
Other operating income						
Comparison distortion income	-	196	-	196	260	64
Other operating costs						
Comparison distortion costs	-	-	-	-	-71	-71
Net comparison distortion items	-	196	-	196	189	-7

The comparison distortion income in 2019 was relating to a realised gain at 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 cost in 2019 was relating to a realised loss at the divestments of the last remaining Greenhouse operation shell-and-tube Sarasota, also known as Alfa Laval Champ, to Thermal Solutions Manufacturing.



Consolidated financial net and taxes

The financial net for the first six months 2020 was SEK -101 (-94) 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 -21 (-24) million, interest on the corporate bonds of SEK -42 (-42) million and a net of dividends, changes in fair value and other interest income and interest costs of SEK -36 (-26) million. The net of realised and unrealised exchange rate differences was SEK 99 (269) million.

The tax on the result after financial items was SEK -424 (-420) million in the second quarter and SEK -786 (-817) million in the first six months 2020.

Cash flow

During the first six months 2020 cash flows from operating and investing activities were SEK 3,527 (1,293) million.

Depreciation, excluding allocated step-up values, was SEK 544 (455) million during the first six months 2020.

Acquisition of businesses during the first six months 2020 with SEK -8 (-61) million is relating to payment of withheld purchase price for the acquisition of Airec.

Divestment of businesses during the first six months 2020 with SEK 39 (374) million is relating to payment of withheld purchase price for the sale of the commercial/industrial air heat exchangers business to the LU-VE Group with SEK 21 (-) million and the sale of Alfa Laval Champ to Thermal Solutions Manufacturing with SEK 18 (-) million.

Key figures

	Jun 30		Dec 31
	2020	2019	2019
Return on capital employed (%) ¹⁾	22.5	22.2	23.0
Return on equity (%) ²⁾	19.2	20.9	21.3
Solidity (%) ³⁾	43.7	37.8	43.1
Net debt to EBITDA, times ⁴⁾	0.58	1.30	0.88
Debt ratio, times ⁴⁾	0.19	0.42	0.29
Number of employees ⁵⁾	17,196	17,325	17,497

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.

5) At the end of the period.

Organisational change

As of January 1, 2020, the product groups within Operations have been moved over to the Business Units within the Divisions. This gives the Business Units a clearer financial consolidation as a part of a more decentralised business organisation. Due to this the comparison figures for previous periods have been restated, which has impacted depreciation and amortisation, investments, assets, liabilities and number of employees. Remaining in Operations is procurement, logistics, distribution and production development.

The depreciation and amortisation that have been moved from Operations to the Divisions in the comparison periods have not impacted the operating income in the Divisions.

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.

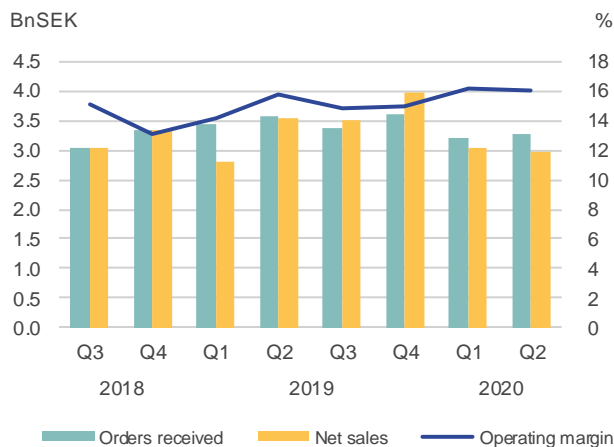
Focus is increased energy efficiency and sustainable solutions.

- Overall investment activity levels in the hydrocarbon chain negatively impacted by COVID-19.
- Demand in HVAC and refrigeration continued on a stable level.
- COVID-19 related closures and lower activity levels at oil and gas customers had a negative impact on service in the quarter.
- Positive effects from the cost reduction program secured a stable operating margin in line with last year.

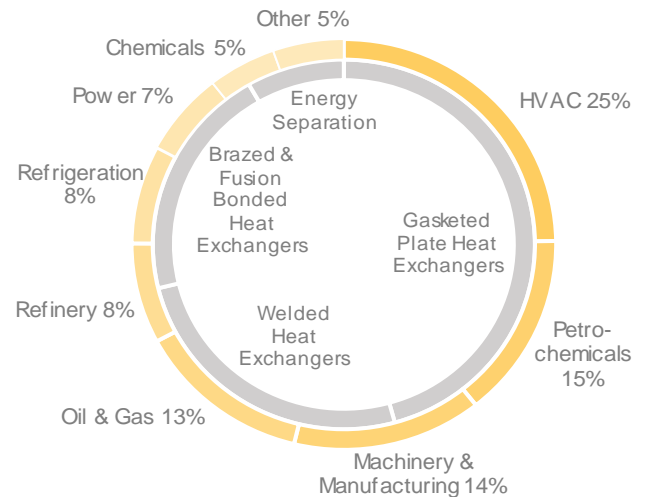
SEK millions	Q2		Jan-Jun		Jan-Dec	Last 12
	2020	2019	2020	2019	2019	months
Orders received	3,279	3,566	6,476	7,014	13,963	13,425
Order backlog*	5,631	5,709	5,631	5,709	5,214	5,631
Net sales	2,979	3,531	6,018	6,338	13,814	13,494
Operating income**	476	558	964	957	2,069	2,076
Operating margin***	16.0%	15.8%	16.0%	15.1%	15.0%	15.4%
Depreciation and amortisation	115	116	223	221	467	469
Investments****	51	58	87	219	453	321
Assets*	14,478	14,991	14,478	14,991	14,570	14,478
Liabilities*	5,776	5,964	5,776	5,964	5,890	5,776
Number of employees*	5,160	5,344	5,160	5,344	5,365	5,160

* At the end of the period. ** In management accounts. *** Operating income in relation to net sales. **** Excluding new leases. Comparison figures for previous periods have been restated due to the organisational change described on page 5.

Quarterly development



Order intake Jan-Jun 2020 split per end market/business unit





Order intake*

The Energy Division's overall order volumes declined compared to the second quarter in 2019.

The lower order intake is mainly driven by lower investment activities in parts of the oil & gas market. The COVID-19 pandemic and falling oil prices have lowered activities in drilling as well as production of both gas and oil. In refinery, the order intake increased and especially in China. From customers in the refrigeration industry demand was flat. Some larger one-off orders from customers manufacturing semiconductors and fuel cells generated a higher order intake for the machinery & manufacturing sector, but in HVAC (Heating, Ventilation & Air Conditioning) and other industries the order intake was reduced by lock-downs and thereby low activity.

Lock-down and low activities among some large oil & gas customers reduced the order intake for service compared to the same quarter last year.

Net sales

Net invoicing was down compared to the second quarter last year, following the lower order intake. Revenue recognition for projects was also low in the quarter compared to a year ago.

Operating income

Because of COVID-19 and lock downs in many markets net sales were down compared to the second quarter last year, however with a positive mix. Overhead costs were down following working hour reduction schemes in many countries and low travel spend.

Order bridge

SEK millions/%	Q2	Jan-Jun
2019	3,566	7,014
Organic ¹⁾	-6.9%	-8.4%
Structural ¹⁾	-	-
Currency	-1.1%	0.7%
Total	-8.0%	-7.7%
2020	3,279	6,476

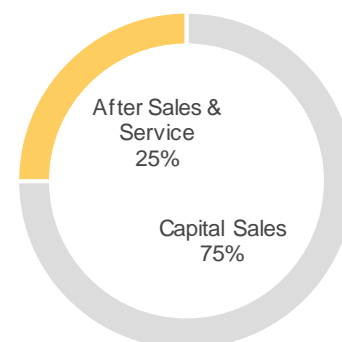
1) Change excluding currency effects

Sales bridge

SEK millions/%	Q2	Jan-Jun
2019	3,531	6,338
Organic ¹⁾	-15.0%	-6.0%
Structural ¹⁾	-	-
Currency	-0.6%	1.0%
Total	-15.6%	-5.0%
2020	2,979	6,018

1) Change excluding currency effects

Order intake Jan-Jun 2020 split on:



Income bridge

SEK millions	Q2	Jan-Jun
Operating income 2019	558	957
Volume ¹⁾	-176	-132
Mix ¹⁾	38	110
Costs ¹⁾	55	22
Currency	1	7
Operating income 2020	476	964

1) Change excluding currency effects

* Comments excluding currency effects.

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.

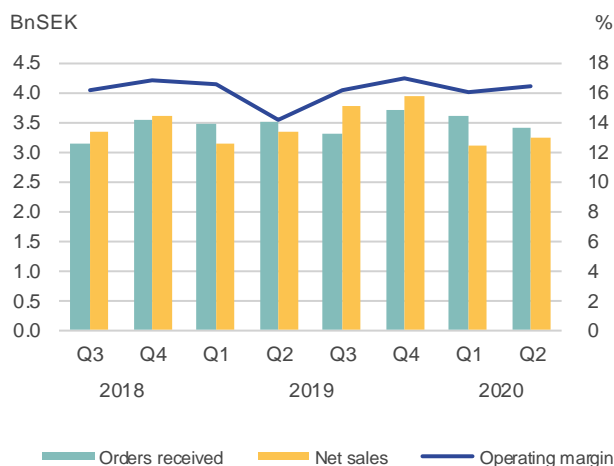
- Overall demand remained stable with some end market variations.
- Demand was especially strong in the wastewater and pharma & biotech segments.
- Sales of spare parts and service agreements grew in the quarter.
- Generally lower costs in combination with a stable invoicing generated an improved operating margin.

SEK millions	Q2		Jan-Jun		Jan-Dec	Last 12
	2020	2019	2020	2019	2019	months
Orders received	3,396	3,520	7,008	7,000	14,026	14,034
Order backlog*	5,491	5,535	5,491	5,535	4,894	5,491
Net sales	3,241	3,335	6,359	6,488	14,189	14,060
Operating income**	533	473	1,031	997	2,268	2,302
Operating margin***	16.4%	14.2%	16.2%	15.4%	16.0%	16.4%
Depreciation and amortisation	88	96	190	177	385	398
Investments****	44	44	99	116	288	271
Assets*	11,921	12,789	11,921	12,789	12,522	11,921
Liabilities*	5,161	5,609	5,161	5,609	5,088	5,161
Number of employees*	6,297	6,393	6,297	6,393	6,410	6,297

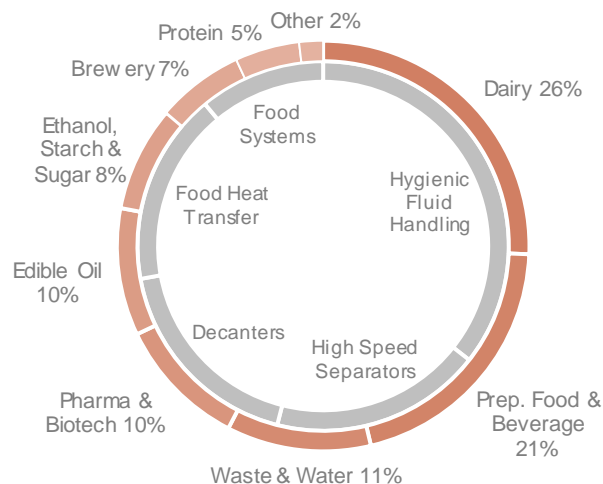
* At the end of the period. ** In management accounts. *** Operating income in relation to net sales. **** Excluding new leases.

Comparison figures for previous periods have been restated due to the organisational change described on page 5.

Quarterly development



Order intake Jan-Jun 2020 split per end market/business unit





Order intake*

The division's order intake was slightly lower than the second quarter last year. Geographically, both North and Latin America grew, whereas other regions noted slight contractions.

The pharma and biotech market continued to show strong growth, driven predominantly by North America. Order intake from the water and waste industry showed a steady increase, supported by high activity in all geographical regions, most pronounced in North America. The edible oil industry contracted, mainly as a result of lower activity in the European olive oil industry. Order intake in dairy saw a slight contraction, where the decline in Americas and Asia was not fully outweighed by the growth in Europe. The brewery sector also declined due to a negative impact from the current COVID-19 situation. Ethanol, starch & sugar grew in all geographical regions and particularly starch showed strength. The ethanol industry was down due to the competition from low crude oil prices. Protein showed strong growth whereas order intake in the more wider application area prepared food and beverage declined.

The demand in service was higher than last year. The most significant growth was in sales of spare parts and service agreements.

Net sales

Net sales in the quarter was marginally below the same quarter last year. A strong execution of capital sales orders in the quarter, including revenue recognition of projects, changed the mix somewhat.

Operating income

The operating income improved compared to last year due to lower sales and administration cost.

Order bridge

SEK millions/%	Q2	Jan-Jun
2019	3,520	7,000
Organic ¹⁾	-1.9%	-0.3%
Structural ¹⁾	-	-
Currency	-1.6%	0.4%
Total	-3.5%	0.1%
2020	3,396	7,008

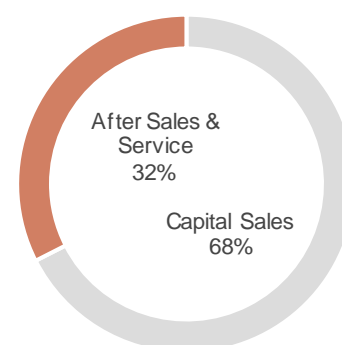
1) Change excluding currency effects

Sales bridge

SEK millions/%	Q2	Jan-Jun
2019	3,335	6,488
Organic ¹⁾	-1.4%	-2.3%
Structural ¹⁾	-	-
Currency	-1.4%	0.3%
Total	-2.8%	-2.0%
2020	3,241	6,359

1) Change excluding currency effects

Order intake Jan-Jun 2020 split on:



Income bridge

SEK millions	Q2	Jan-Jun
Operating income 2019	473	997
Volume ¹⁾	-20	-64
Mix ¹⁾	11	37
Costs ¹⁾	68	47
Currency	1	14
Operating income 2020	533	1,031

1) Change excluding currency effects

* Comments excluding currency effects.

Marine Division

The division's customers include shipowners, shipyards, 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.

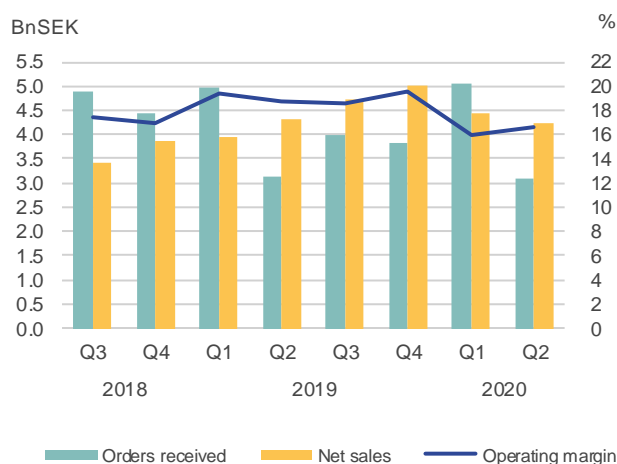
- Order intake in Business Unit Pumping Systems was solid.
- Demand for PureBallast systems continued on a high level, while the retrofit demand for PureSOx was low.
- Service negatively affected by travel and accessibility restrictions in the quarter.
- Operating income was affected by a negative product mix in capital sales and increased royalties.

SEK millions	Q2		Jan-Jun		Jan-Dec	Last 12 months
	2020	2019	2020	2019	2019	
Orders received	3,074	3,144	8,142	8,107	15,953	15,988
Order backlog*	10,751	13,276	10,751	13,276	11,443	10,751
Net sales	4,235	4,329	8,668	8,261	17,993	18,400
Operating income**	705	809	1,413	1,570	3,425	3,268
Operating margin***	16.6%	18.7%	16.3%	19.0%	19.0%	17.8%
Depreciation and amortisation	202	215	413	430	884	867
Investments****	28	47	65	88	177	154
Assets*	25,955	28,788	25,955	28,788	27,796	25,955
Liabilities*	8,328	9,135	8,328	9,135	8,481	8,328
Number of employees*	4,726	4,495	4,726	4,495	4,702	4,726

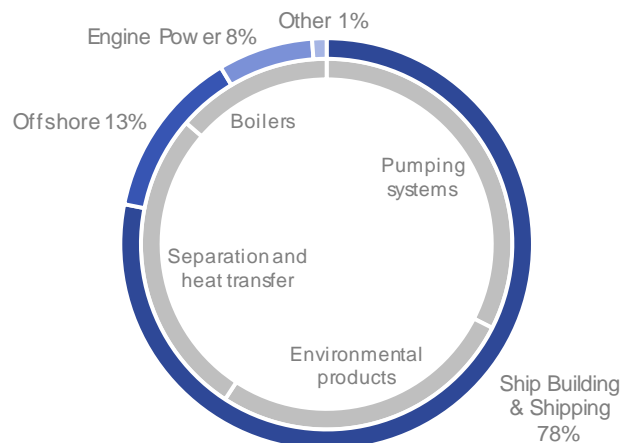
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Quarterly development



Order intake Jan-Jun 2020 split per end market/business unit





Order intake*

Order intake for the Marine Division was at a similar level as the second quarter last year, with a lower demand for PureSOx and boilers being offset by a higher demand for pumping systems and PureBallast.

General uncertainty around the long term availability and price of new fuels and freight rates contributed to a lower demand for exhaust gas cleaning systems compared to the second quarter last year. Demand for PureBallast was higher than last year. The order intake for equipment tied to the building of new vessels was slightly higher compared to the same period last year, with an increased demand for pumping systems offsetting the reduced demand in the other product areas. Offshore orders increased slightly in the quarter compared to the corresponding period last year. The underlying market sentiment was however weak due to the contraction in oil price since the beginning of March this year. Products going into onshore engine power applications saw a slightly lower demand compared to the same period a year ago.

Order intake for service declined compared to the same quarter last year as lower vessel utilization levels reduced the demand for spares and travel restrictions limited on-board service.

Net sales

Net sales were at a similar level as the second quarter last year, with a reduction in deliveries of exhaust gas cleaning systems being offset by an increase in boilers and ballast water systems.

Operating income

A less favourable product mix in capital sales had a negative result impact. Despite lower costs in sales and administration the total cost level increased, primarily driven by increased royalties for PureBallast. Revaluation of balance sheet items in foreign currency had a slight negative impact on the result.

Order bridge

SEK millions/%	Q2	Jan-Jun
2019	3,144	8,107
Organic ¹⁾	1.9%	1.7%
Structural ¹⁾	-	-
Currency	-4.1%	-1.3%
Total	-2.2%	0.4%
2020	3,074	8,142

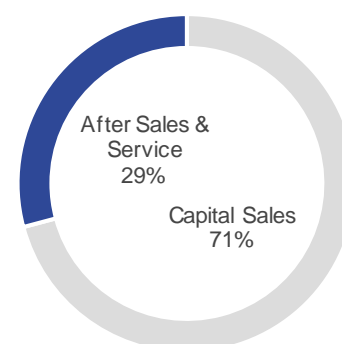
1) Change excluding currency effects

Sales bridge

SEK millions/%	Q2	Jan-Jun
2019	4,329	8,261
Organic ¹⁾	0.8%	5.5%
Structural ¹⁾	-	-
Currency	-3.0%	-0.6%
Total	-2.2%	4.9%
2020	4,235	8,668

1) Change excluding currency effects

Order intake Jan-Jun 2020 split on:



Income bridge

SEK millions	Q2	Jan-Jun
Operating income 2019	809	1,570
Volume ¹⁾	15	163
Mix ¹⁾	-45	-136
Costs ¹⁾	-49	-167
Currency	-25	-17
Operating income 2020	705	1,413

1) Change excluding currency effects

* Comments excluding currency effects.

Greenhouse

At the end of December 2019 all parts of the division had been divested. In 2020 Greenhouse has thus ceased to exist. The historical figures are shown below.

SEK millions	Q2 2019	Jan-Jun 2019	Jan-Dec 2019
Orders received	-228	68	105
Order backlog*	35	35	0
Net sales	120	368	444
Operating income**	-15	-22	-30
Operating margin***	-12.5%	-6.0%	-6.8%
Depreciation and amortisation	2	7	8
Investments****	0	3	5
Assets*	213	213	39
Liabilities*	124	124	71
Number of employees*	106	106	33

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

Operations and Other

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

SEK millions	Q2		Jan-Jun		Jan-Dec	Last 12 months
	2020	2019	2020	2019	2019	
Orders received	0	23	0	49	72	23
Order backlog*	0	13	0	13	0	0
Net sales	0	24	0	42	77	35
Operating income**	-141	-182	-300	-390	-742	-652
Depreciation and amortisation	83	63	162	135	309	336
Investments***	69	23	148	180	414	382
Assets*	1,417	1,676	1,417	1,676	1,613	1,417
Liabilities*	617	570	617	570	564	617
Number of employees*	1,013	987	1,013	987	987	1,013

* At the end of the period. ** In management accounts. *** Excluding new leases.

Comparison figures for previous periods have been restated due to the organisational change described on page 5.

The order intake and net sales 2019 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. The improved operating income is due to lower administration costs and lower costs for the ongoing manufacturing footprint programme.

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

Division		Order	Total per Business Unit	
Business Unit	Delivery	amount	Q2 2020	Q2 2019
Scope of supply	date	SEK millions		
Energy				
Welded Heat Exchangers				
Compact heat exchangers to a refinery and petrochemical plant in China*	2021	76		
Air cooler systems to a gas processing plant in the U.S.	2021	160	236	70
Gasketed Plate Heat Exchangers				
Compact heat exchangers to a refinery and petrochemical plant in China*	2021	19	19	-
Food & Water				
Food Systems			-	60
Marine				
Pumping Systems				
Framo pumping systems to an FPSO** vessel to be built in China.	2021	130	130	-
Total			385	130

* One order split on two Business Units. ** Floating Production, Storage and Offloading.

Reconciliation between Divisions and Group total

SEK millions	Q2		Jan-Jun		Jan-Dec	Last 12 months
	2020	2019	2020	2019	2019	
Operating income						
Total for divisions	1,573	1,643	3,108	3,112	6,990	6,986
Comparison distortion items	-	196	-	196	189	-7
Consolidation adjustments *	7	-31	0	-29	19	48
Total operating income	1,580	1,808	3,108	3,279	7,198	7,027
Financial net	140	24	-2	175	23	-154
Result after financial items	1,720	1,832	3,106	3,454	7,221	6,873
Assets **						
Total for divisions	53,771	58,457	53,771	58,457	56,540	53,771
Corporate ***	10,513	8,338	10,513	8,338	7,856	10,513
Group total	64,284	66,795	64,284	66,795	64,396	64,284
Liabilities **						
Total for divisions	19,882	21,402	19,882	21,402	20,094	19,882
Corporate ***	16,335	20,153	16,335	20,153	16,555	16,335
Group total	36,217	41,555	36,217	41,555	36,649	36,217

* 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

SEK millions	Q2		Jan-Jun		Jan-Dec	Last 12 months
	2020	2019	2020	2019	2019	
Net sales by product/service *						
Own products within:						
Separation	1,670	1,807	3,408	3,510	7,677	7,575
Heat transfer	4,083	4,637	8,117	8,621	18,694	18,190
Fluid handling	2,478	2,655	4,768	5,264	10,361	9,865
Marine environmental	1,309	1,346	3,003	2,412	5,802	6,393
Other	0	6	0	7	78	71
Associated products	375	322	653	649	1,569	1,573
Services	540	566	1,096	1,034	2,336	2,398
Total	10,455	11,339	21,045	21,497	46,517	46,065

* The split of own products within separation, heat transfer and fluid handling is a reflection of the current three main technologies. Marine environmental is a growing new product area basically outside the main technologies. Other is own products outside these four product areas. Associated products are mainly purchased products that compliment 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 LKH Prime 10 and LKH Prime UltraPure 10

Alfa Laval has launched an extension of its efficient and versatile LKH self-priming pump range with two new pumps to meet customer demand for lower flow rates and production capacity in hygienic and high purity processes. The LKH Prime 10 is designed for standard hygienic applications in the food, dairy, beverage and home and personal care industries. The LKH Prime UltraPure 10 meets the stringent requirements of high-purity applications in the biotech and pharmaceutical industries. Both handle tank emptying and cleaning-in-place return applications with fluid that contains entrained air and fluids as easily as pumping product. This minimizes capital expenditures and maximizes operational efficiency. Now with the most extensive performance envelope available for airscrew pump technology, the LKH Prime range exceeds the most demanding hygienic and high-purity requirements for small- and large-scale production.



Alfa Laval T15-M

Alfa Laval has introduced another model in the next-generation range of gasketed plate heat exchangers for a large range of applications: Alfa Laval T15-M. The Alfa Laval T15-M is a highly efficient and versatile heat exchanger for use in a wide range of applications involving heating and cooling of water, lube oil and other medias like ethanol, starch, sugar and vegetable oil. The design offers great improvements in energy efficiency and will provide energy savings and heat recovery opportunities in district energy, heavy process industries, light manufacturing industries and food processing. With the release of T15-M, the Alfa Laval T15 family is now complete. The T15-M incorporates the new FlexFlow™ plate design concept which makes it possible to tailor-make designs for asymmetric duties. The T15 family is a perfect alternative for customers committed to minimizing environmental impact in their operations.



Alfa Laval CEC-S

To comply with sulphur limits and reduce carbon footprint, a growing number of marine vessels are using LNG (liquefied natural gas) as fuel. However, today's engines lose a certain amount of methane to the atmosphere, which is known as methane slip. In the new generation of dual-fuel engines from the global Swiss engine developer WinGD, Alfa Laval technology will help reduce this greenhouse emission by up to 50%. The Alfa Laval CEC-S is the critical cascade exhaust gas cooling system in WinGD's Intelligent Control by Exhaust Recycling (iCER) concept, where exhaust gas is cooled and recirculated into the main engine air inlet. Doing so not only slashes methane slip, but also reduces energy consumption by 3% when the engine runs on LNG. Comprising a cooling tower, an Alfa Laval Aalborg Micro economizer and a plate heat exchanger, the CEC-S solution helps make LNG an even greener alternative.



Alfa Laval PureSOx Express

SOx scrubbers like Alfa Laval PureSOx are a proven alternative for complying with the marine industry's fuel sulphur limits, which became stricter in January 2020. By removing harmful sulphur compounds from the vessel exhaust, they let vessels avoid switching to more expensive low-sulphur fuel. For smaller vessels, however, the cost of installing a SOx scrubber has sometimes outweighed the benefits. The new PureSOx Express is a preconfigured and ready-to-install scrubber module with a one-size-fits-all solution for many smaller vessels. PureSOx Express is adapted for a simple and cost-efficient fit. It reduces investment cost, engineering time and installation work at the shipyard -- while providing all the benefits that make PureSOx a leading solution.

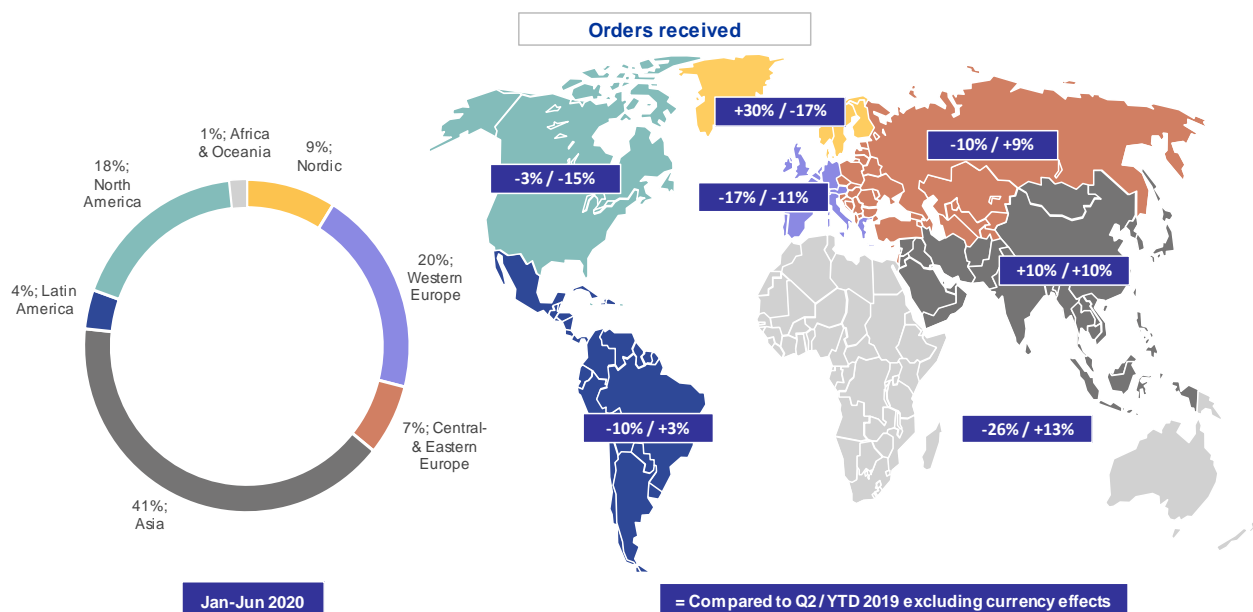


Alfa Laval CultureOne™

Alfa Laval CultureOne™ is the first premium separator system for biopharma single-use processing. It has been developed to meet the industry's demand for getting more targeted treatments faster to the market. Alfa Laval CultureOne™ will be used in processes for harvesting fragile cell cultures which later can be used for injectable drugs for treating life-threatening illnesses. It includes several Alfa Laval unique innovations which characterize the company's separation technology – and the big difference is that all product-contact parts are made by recyclable material and are replaceable after each batch, limiting the need for onsite cleaning and sterilization. It results in significantly improved turnaround time and increases process hygiene and safety as there will be no risk for cross contamination between different production batches.



Information by region



Western Europe including Nordic

The second quarter was weak for all three divisions compared to the corresponding quarter last year. The exception to this was the Nordic countries. Order intake was good for marine pumping systems, but the remaining parts of Marine decreased. Germany had a flat quarter for Food & Water, but low order intake in Marine and Energy. Lock-downs throughout the region impacted service sales negatively.

Central and Eastern Europe

The region was negatively impacted by the lock-downs in the quarter. Energy was most impacted, mainly in Russia and Bulgaria. Food & Water was flat while Marine increased. The base business in the region grew for the fourth quarter in a row, whereas Service could not quite reach last year's level.

North America

The North America region was flat compared to the corresponding quarter last year, where all divisions grew in the U.S. and Canada contracted especially in the Energy Division. The base business was clearly impacted by the pandemic and also service order intake was weak due to lock-down at customers locations.

Latin America

The region contracted compared to the second quarter last year. Food & Water showed growth whereas Marine and Energy declined. Service had a weak quarter and the base business showed clear signs of the pandemic impacting the order intake negatively. Brazil declined, whereas Mexico showed a strong second quarter.

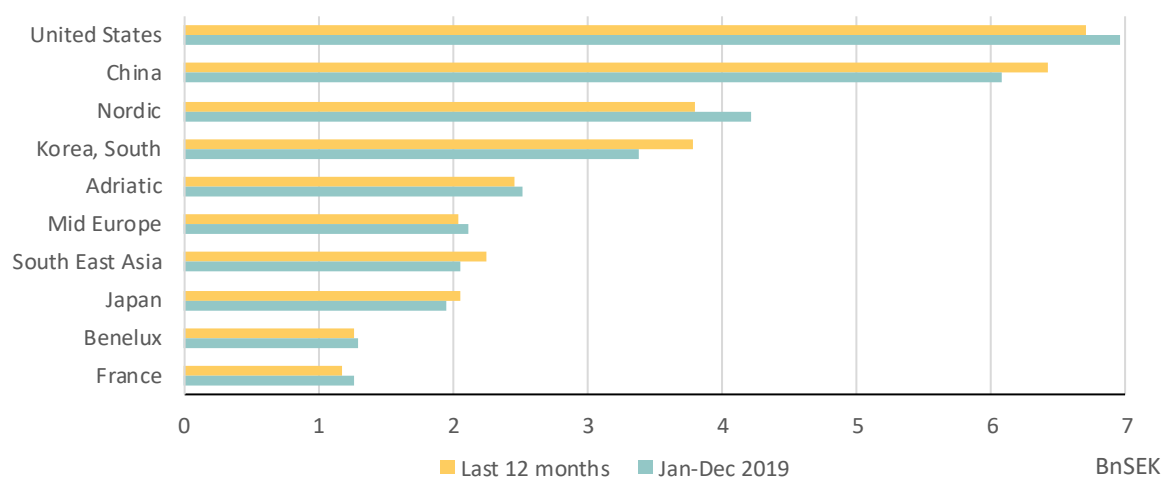
Asia

Asia did better than the same quarter last year thanks to a strong quarter for Energy, whereas Marine and Food & Water was slightly down. China increased due to a large Energy order and so did Korea and Japan due to pumping system orders. India declined due to pandemic related lock-downs. Order intake for Service came in lower in most countries except China and also the base business for the region decreased.

Africa and Oceania

The region contracted in the second quarter due to Energy and Marine. Food & Water grew somewhat thanks to strong high-speed separator order intake. The order intake for service was weak throughout the region and across divisions much depending on pandemic related lock downs, which also affected the base business negatively.

Order intake for the 10 largest markets



Net sales

SEK millions	Q2		Jan-Jun		Jan-Dec	Last 12
	2020	2019	2020	2019	2019	months
To customers in:						
Sweden	239	261	488	511	981	958
Other EU	2,692	2,818	5,564	5,308	11,811	12,067
Other Europe	771	757	1,673	1,445	3,356	3,584
USA	1,533	1,877	3,140	3,448	7,390	7,082
Other North America	211	279	571	453	1,062	1,180
Latin America	382	484	803	930	2,060	1,933
Africa	99	120	194	226	490	458
China	1,685	1,589	2,848	3,081	6,582	6,349
South Korea	1,056	1,107	1,993	2,034	4,210	4,169
Other Asia	1,681	1,947	3,555	3,843	8,112	7,824
Oceania	106	100	216	218	463	461
Total	10,455	11,339	21,045	21,497	46,517	46,065

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
	2020	2019	2019
Sweden	2,224	2,188	2,207
Denmark	5,027	5,085	5,044
Other EU	4,077	4,187	4,209
Norway	11,437	13,513	12,847
Other Europe	129	147	137
USA	4,348	4,506	4,468
Other North America	138	151	150
Latin America	228	321	313
Africa	9	13	12
Asia	3,648	3,597	3,741
Oceania	123	131	130
Subtotal	31,388	33,839	33,258
Other long-term securities	162	130	141
Pension assets	86	33	70
Deferred tax asset	1,682	1,594	1,801
Total	33,318	35,596	35,270

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 approximately 5 percent of net sales.

Consolidated cash flows

SEK millions	Q2		Jan-Jun		Jan-Dec	Last 12
	2020	2019	2020	2019	2019	months
Operating activities						
Operating income	1,580	1,808	3,108	3,279	7,198	7,027
Adjustment for depreciation, amortisation and write down	488	492	988	970	2,053	2,071
Adjustment for other non-cash items	23	-223	3	-173	141	317
	2,091	2,077	4,099	4,076	9,392	9,415
Taxes paid	-259	-443	-853	-986	-1,901	-1,768
	1,832	1,634	3,246	3,090	7,491	7,647
Changes in working capital:						
Increase(-)/decrease(+) of receivables	902	-139	957	32	-1,394	-469
Increase(-)/decrease(+) of inventories	-146	-385	-780	-2,000	-617	603
Increase(+)/decrease(-) of liabilities	283	-428	491	577	-84	-170
Increase(+)/decrease(-) of provisions	-27	-73	-111	-115	-173	-169
Increase(-)/decrease(+) in working capital	1,012	-1,025	557	-1,506	-2,268	-205
	2,844	609	3,803	1,584	5,223	7,442
Investing activities						
Investments in fixed assets (Capex)	-192	-172	-399	-606	-1,337	-1,130
Divestment of fixed assets	-1	1	92	2	7	97
Acquisition of businesses	-	-	-8	-61	-61	-8
Divestment of businesses	-	374	39	374	364	29
	-193	203	-276	-291	-1,027	-1,012
Financing activities						
Received interests and dividends	17	32	47	65	120	102
Paid interests	-61	-69	-113	-118	-281	-276
Realised financial exchange gains	9	88	45	285	239	-1
Realised financial exchange losses	9	-10	-352	-24	-499	-827
Dividends to owners of the parent	-	-2,097	-	-2,097	-2,097	-
Dividends to non-controlling interests	0	-	0	-	0	0
Increase(-) of financial assets	-3,185	-858	-3,355	-871	-283	-2,767
Decrease(+) of financial assets	0	18	0	5	0	-5
Increase of loans	1,786	3,186	2,000	3,155	3,155	2,000
Amortisation of loans	-1,453	-32	-2,666	-32	-3,299	-5,933
	-2,878	258	-4,394	368	-2,945	-7,707
Cash flow for the period	-227	1,070	-867	1,661	1,251	-1,277
Cash and cash equivalents at the beginning of the period	4,995	4,962	5,594	4,295	4,295	6,016
Translation difference in cash and cash equivalents	-121	-16	-80	60	48	-92
Cash and cash equivalents at the end of the period	4,647	6,016	4,647	6,016	5,594	4,647
Free cash flow per share (SEK) *	6.32	1.94	8.41	3.08	10.00	15.33
Capex in relation to net sales	1.8%	1.5%	1.9%	2.8%	2.9%	2.5%
Average number of shares	419,456,315	419,456,315	419,456,315	419,456,315	419,456,315	419,456,315

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

Consolidated comprehensive income

SEK millions	Q2		Jan-Jun		Jan-Dec	Last 12
	2020	2019	2020	2019	2019	months
Net sales	10,455	11,339	21,045	21,497	46,517	46,065
Cost of goods sold	-6,972	-7,527	-13,799	-14,081	-30,734	-30,452
Gross profit	3,483	3,812	7,246	7,416	15,783	15,613
Sales costs	-1,002	-1,204	-2,159	-2,376	-4,802	-4,585
Administration costs	-446	-568	-959	-1,065	-2,092	-1,986
Research and development costs	-251	-272	-537	-532	-1,086	-1,091
Other operating income	174	381	324	547	1,174	951
Other operating costs	-385	-342	-826	-720	-1,799	-1,905
Share of result in joint ventures	7	1	19	9	20	30
Operating income	1,580	1,808	3,108	3,279	7,198	7,027
Dividends and other financial income	8	8	17	16	32	33
Interest income and financial exchange rate gains	395	145	537	435	377	479
Interest expense and financial exchange rate losses	-263	-129	-556	-276	-386	-666
Result after financial items	1,720	1,832	3,106	3,454	7,221	6,873
Taxes	-424	-420	-786	-817	-1,713	-1,682
Net income for the period	1,296	1,412	2,320	2,637	5,508	5,191
Other comprehensive income:						
Items that will subsequently be reclassified to net income						
Cash flow hedges	923	-27	-197	22	307	88
Market valuation of external shares	0	0	0	0	0	0
Translation difference	-1,013	95	-1,866	1,053	632	-2,287
Deferred tax on other comprehensive income	-180	22	174	-11	-75	110
Sum	-270	90	-1,889	1,064	864	-2,089
Items that will subsequently not be reclassified to net income						
Revaluations of defined benefit obligations	-84	25	-150	50	-138	-338
Deferred tax on other comprehensive income	19	-7	39	-13	11	63
Sum	-65	18	-111	37	-127	-275
Comprehensive income for the period	961	1,520	320	3,738	6,245	2,827
Net income attributable to:						
Owners of the parent	1,287	1,409	2,307	2,627	5,486	5,166
Non-controlling interests	9	3	13	10	22	25
Earnings per share (SEK)	3.07	3.36	5.50	6.26	13.08	12.32
Average number of shares	419,456,315	419,456,315	419,456,315	419,456,315	419,456,315	419,456,315
Comprehensive income attributable to:						
Owners of the parent	964	1,521	310	3,724	6,220	2,806
Non-controlling interests	-3	-1	10	14	25	21

Consolidated financial position

SEK millions	Jun 30 2020	2019	Dec 31 2019
ASSETS			
Non-current assets			
Intangible assets	22,705	25,045	24,246
Property, plant and equipment	8,627	8,766	8,943
Other non-current assets	1,986	1,785	2,081
	33,318	35,596	35,270
Current assets			
Inventories	10,405	11,406	10,077
Accounts receivable	6,434	7,071	7,460
Other receivables	5,175	5,094	4,929
Derivative assets	169	100	193
Other current deposits	4,136	1,512	873
Cash and cash equivalents *	4,647	6,016	5,594
	30,966	31,199	29,126
TOTAL ASSETS	64,284	66,795	64,396
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Owners of the parent	27,910	25,104	27,600
Non-controlling interests	157	136	147
	28,067	25,240	27,747
Non-current liabilities			
Liabilities to credit institutions etc.	10,353	10,672	10,600
Lease liabilities	1,907	1,730	1,890
Provisions for pensions and similar commitments	2,402	2,109	2,321
Provision for deferred tax	1,308	1,705	1,662
Other non-current liabilities	656	682	681
	16,626	16,898	17,154
Current liabilities			
Liabilities to credit institutions etc.	1,193	4,650	1,422
Accounts payable	3,074	3,495	3,439
Advances from customers	4,820	6,015	4,269
Other provisions	1,791	1,923	1,863
Other liabilities	8,224	8,253	8,194
Derivative liabilities	489	321	308
	19,591	24,657	19,495
Total liabilities	36,217	41,555	36,649
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	64,284	66,795	64,396

* 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 2020	2019	Dec 31 2019
Financial assets				
Other non-current securities	1 and 2	79	79	79
Bonds and other securities	1	485	522	650
Derivative assets	2	224	128	262
Financial liabilities				
Derivative liabilities	2	574	378	350

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

	Jun 30		Dec 31
SEK millions	2020	2019	2019
Credit institutions	145	238	166
Swedish Export Credit	1,048	2,316	2,318
European Investment Bank	-	1,212	1,203
SEB and Nordea	1,998	-	-
Corporate bonds	8,355	11,556	8,335
Lease liabilities	2,508	2,749	2,620
Total debt	14,054	18,071	14,642
Cash and cash equivalents and current deposits	-8,783	-7,528	-6,467
Net debt *	5,271	10,543	8,175

* Alternative performance measure.

As of April 17, 2020, Alfa Laval has a new senior credit facility of EUR 900 million corresponding to SEK 9,440 million at June 30, 2020 with an extended banking syndicate. The facility has a one year extension from June 2021 until June 2022.

The corporate bonds are listed on the Irish stock exchange and consist of 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 bilateral term loans from Swedish Export Credit consist of one loan of EUR 100 million that matures in June 2021. The loan of USD 136 million that matured on June 23, 2020 has been repaid.

A new bilateral term loan of MSEK 2,000 with SEB and Nordea was raised on June 23, 2020 and matures in December 2021.

The loan from the European Investment Bank of EUR 115 million maturing in June 2021 was repaid already at March 4, 2020.

The commercial paper programme of SEK 2,000 million was not utilised at June 30, 2020.

Changes in consolidated equity

	Jan-Jun		Jan-Dec
SEK millions	2020	2019	2019
At the beginning of the period	27,747	23,599	23,599
Changes attributable to:			
Owners of the parent			
Comprehensive income			
Comprehensive income for the period	310	3,724	6,220
Transactions with shareholders			
Dividends	-	-2,097	-2,097
Subtotal	310	1,627	4,123
Non-controlling interests			
Comprehensive income			
Comprehensive income for the period	10	14	25
Transactions with shareholders			
Dividends	0	-	0
Subtotal	10	14	25
At the end of the period	28,067	25,240	27,747

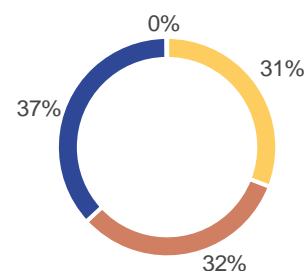
Condensed segment reporting per quarter



Orders received

SEK millions	2020		2019				2018	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Energy	3,279	3,197	3,594	3,355	3,566	3,448	3,330	3,039
Food & Water	3,396	3,612	3,720	3,306	3,520	3,480	3,540	3,151
Marine	3,074	5,068	3,840	4,006	3,144	4,963	4,439	4,903
Greenhouse	-	-	-8	45	-228	296	236	244
Operations & Other	0	0	7	16	23	26	16	20
Total	9,749	11,877	11,153	10,728	10,025	12,213	11,561	11,357

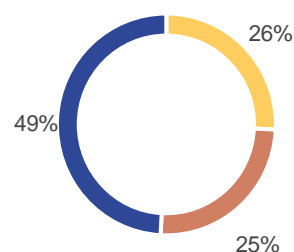
Last 12 months



Order backlog

SEK millions	2020		2019				2018	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Energy	5,631	5,397	5,214	5,564	5,709	5,629	4,857	4,852
Food & Water	5,491	5,405	4,894	5,110	5,535	5,304	4,860	4,917
Marine	10,751	12,058	11,443	12,607	13,276	14,338	13,118	12,529
Greenhouse	-	-	0	38	35	381	328	467
Operations & Other	0	0	0	10	13	14	5	8
Total	21,873	22,860	21,551	23,329	24,568	25,666	23,168	22,773

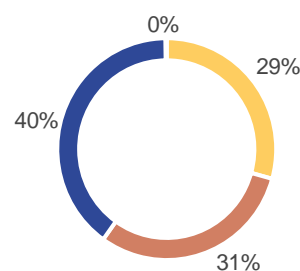
June 30, 2020



Net sales

SEK millions	2020		2019				2018	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Energy	2,979	3,039	3,961	3,515	3,531	2,807	3,343	3,043
Food & Water	3,241	3,118	3,938	3,763	3,335	3,153	3,604	3,336
Marine	4,235	4,433	5,017	4,715	4,329	3,932	3,869	3,433
Greenhouse	-	-	31	45	120	248	375	300
Operations & Other	0	0	17	18	24	18	18	19
Total	10,455	10,590	12,964	12,056	11,339	10,158	11,209	10,131

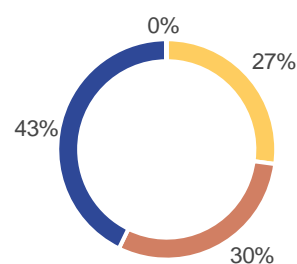
Last 12 months



Operating income*

SEK millions	2020		2019				2018	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Energy	476	488	593	519	558	399	438	461
Food & Water	533	498	664	607	473	524	607	542
Marine	705	708	985	870	809	761	659	599
Greenhouse	-	-	7	-15	-15	-7	30	20
Operations & Other	-141	-159	-247	-105	-182	-208	-210	-160
Total	1,573	1,535	2,002	1,876	1,643	1,469	1,524	1,462

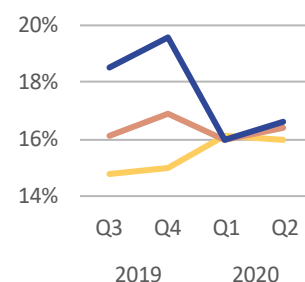
Last 12 months



Operating margin*

%	2020		2019				2018	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Energy	16.0	16.1	15.0	14.8	15.8	14.2	13.1	15.1
Food & Water	16.4	16.0	16.9	16.1	14.2	16.6	16.8	16.2
Marine	16.6	16.0	19.6	18.5	18.7	19.4	17.0	17.4
Greenhouse	-	-	22.6	-33.3	-12.5	-2.8	8.0	6.7
Total	15.0	14.5	15.4	15.6	14.5	14.5	13.6	14.4

Per quarter



Acquisitions of businesses

On July 13, 2020 Alfa Laval announced a recommended public cash tender offer for all shares in Neles. Alfa Laval AB (publ) and Neles Corporation have on July 13, 2020 entered into a combination agreement, pursuant to which Alfa Laval will make a voluntary recommended public cash tender offer for all issued and outstanding shares in Neles. Neles' shareholders will be offered a cash consideration of EUR 11.50 for each issued and outstanding share in Neles, valuing Neles' total equity at approximately EUR 1,727 million. The members of the Board of Directors of Neles who participated in the decision-making have unanimously decided to recommend that the shareholders of Neles accept the tender offer.

Cevian Capital, who holds approximately 10.9 percent of the issued and outstanding shares in Neles, has on customary conditions irrevocably undertaken to accept the tender offer. The completion of the tender offer is subject to Alfa Laval obtaining all necessary regulatory approvals and that the tender offer has been accepted with respect to shares representing, together with shares otherwise acquired by Alfa Laval prior to or during the offer period, more than 2/3 of the issued and outstanding shares and votes in Neles. Should Alfa Laval obtain more than 90% of the issued and outstanding shares and votes in Neles, Alfa Laval intends to initiate mandatory redemption proceedings in accordance with the Finnish Companies Act to acquire the remaining shares in Neles, and thereafter to cause Neles' shares to be delisted from Nasdaq Helsinki as soon as reasonably practicable. Should Alfa Laval obtain less than 90% but more than 2/3 of the issued and outstanding shares and votes in Neles, Alfa Laval would assess alternatives to acquire the remaining shares in Neles over time, and it is possible that Neles could become subject to certain corporate transactions, including for example purchases of further shares in Neles after completion of the tender offer, or a statutory cross-border merger with and into Alfa Laval.

The tender offer will be financed through a combination of Alfa Laval's own funds and debt facilities from SEB. Alfa Laval has secured fully committed debt financing from SEB on a customary certain funds basis, and the availability of the debt financing is subject only to the completion of the tender offer and certain conditions that are customary for a certain funds financing arrangement of this kind. Alfa Laval's obligation to complete the tender offer is not conditional upon availability of financing.

Alfa Laval will on or about 13 August 2020 publish a tender offer document with detailed information about the tender offer and information on how to accept the tender offer. The offer period is expected to commence on or about 13 August 2020 and to expire on or about 22 October 2020, unless the offer period is extended by Alfa Laval in accordance with the terms and conditions of the tender offer and applicable laws. The tender offer is currently expected to be completed during the fourth quarter of 2020.

Alfa Laval has identified the industrial flow control market as a key growth area. The transaction enables Alfa Laval to considerably strengthen its presence in the large industrial flow control space where the company currently offers mainly energy efficiency solutions. On the other hand, Alfa Laval believes there are several areas where being part of the Alfa Laval Group can make a significant contribution to the future development of Neles, such as leveraging Alfa Laval's existing global platform. Neles' Finnish footprint will be completing Alfa Laval's Nordic platform. Neles is a global leader in flow control solutions and services. The Company's valves and valve automation technologies are known for quality, reliability and highest safety. Neles started trading as an independent company on July 1, 2020 following the partial demerger of Metso Corporation. The transaction is expected to result in significant benefits for stakeholders, including creation of shareholder value for both Neles and Alfa Laval shareholders. Alfa Laval believes that there is a strong strategic and cultural fit in the transaction.

Currently Neles has about 2,900 employees in over 40 countries. During 2019 Neles had an order intake of EUR 681 million, net sales of EUR 660 million and an adjusted EBITA of EUR 97 million.

Parent company

The parent company's result after financial items for the first six months 2020 was SEK 407 (620) million, out of which dividends from subsidiaries SEK 413 (633) million, net interests SEK -0 (0) million, realised and unrealised exchange rate gains and losses SEK 0 (1) million, costs related to the listing SEK -4 (-4) million, fees to the Board SEK -4 (-4) million, cost for annual report and annual general meeting SEK -1 (-1) million and other operating income and operating costs the remaining SEK 3 (-5) million.

Parent company income *

SEK millions	Q2		Jan-Jun		Jan-Dec
	2020	2019	2020	2019	2019
Administration costs	-3	-3	-9	-9	-14
Other operating income	1	-3	3	0	0
Other operating costs	0	-5	0	-5	-16
Operating income	-2	-11	-6	-14	-30
Revenues from interests in group companies	413	-	413	633	633
Interest income and similar result items	0	1	1	1	1
Interest expenses and similar result items	-1	0	-1	0	0
Result after financial items	410	-10	407	620	604
Change of tax allocation reserve	-	-	-	-	-293
Group contributions	-	-	-	-	2,142
Result before tax	410	-10	407	620	2,453
Tax on this year's result	0	2	1	3	-395
Net income for the period	410	-8	408	623	2,058

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

Parent company financial position

SEK millions	Jun 30		Dec 31
	2020	2019	2019
ASSETS			
Non-current assets			
Shares in group companies	4,669	4,669	4,669
Current assets			
Receivables on group companies	10,534	8,376	10,292
Other receivables	154	185	4
Cash and cash equivalents	-	-	-
	10,688	8,561	10,296
TOTAL ASSETS	15,357	13,230	14,965
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Restricted equity	2,387	2,387	2,387
Unrestricted equity	10,302	8,457	9,893
	12,689	10,844	12,280
Untaxed reserves			
Tax allocation reserves, taxation 2014-2020	2,652	2,359	2,652
Current liabilities			
Liabilities to group companies	14	21	20
Accounts payable	-	4	1
Tax liabilities	-	-	10
Other liabilities	2	2	2
	16	27	33
TOTAL EQUITY AND LIABILITIES	15,357	13,230	14,965

Owners and shares

Owners and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 43,194 (37,045) shareholders on June 30, 2020. 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 5.6 to 0.5 percent. These ten largest shareholders owned 50.2 (52.2) 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 2019 is still correct, with the exception of the consequences of COVID-19, which are described below.

Consequences of COVID-19

Alfa Laval is implementing a broad cost reduction program with the objective of reducing fixed costs with SEK 1 billion on a 12-month running basis. The program is well on track and the first financial effects became visible as of April. An important part of the cost reduction program is related to the flexibility of various working hour reduction schemes in countries like Italy, Germany, France and Sweden. In Sweden specifically, the company has reduced the working time with 40 percent for approximately 800 white-collar employees, starting May 1. The Board of Directors withdrew the dividend proposal for 2019 as a measure to preserve cash.

In a press release on March 17, Alfa Laval expressed concerns regarding the business climate from the second quarter 2020 and onwards due to the negative effects of the COVID-19 pandemic.

Alfa Laval has global and local crisis teams in place for close monitoring and swift response to changes in the situation to secure the health and safety of our employees.

Alfa Laval has a global footprint with 39 major manufacturing units across Europe, Asia, the US and Latin America. The company is a supplier to critical infrastructure industries and has permission to continue production in countries with restrictions and lockdowns. The company has well-established business continuity plans and a global supply chain with alternative sourcing solutions for most products and services and close collaboration with key suppliers. Sourcing shortages for components due to lock downs have not been a critical problem in the second quarter.

Asbestos-related lawsuits

The Alfa Laval Group was as of June 30, 2020 named as a co-defendant in a total of 670 asbestos-related lawsuits with a total of approximately 670 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 2020 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 2019 for definitions. Alfa Laval follows the Guidelines on Alternative Performance Measures issued by ESMA (European Securities and Markets Authority).

"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, 2019 to June 30, 2020. "The corresponding period last year" refers to the second quarter 2019 or the first six months 2019 depending on the context. "Currency effects" only relate to translation effects, whereas "foreign exchange effects" also relate to transactional 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.

Forward-looking statements

This interim report contains statements that, to the extent they are not historical facts, constitute “forward-looking statements”. Forward-looking statements include statements concerning plans, expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position, future operations and development, business strategy and the trends in the industries and the political and legal environment and other information that is not historical information. In some instances, they can be identified by the use of forward-looking terminology, including the terms “believes”, “intends”, “may”, “will” or “should” or, in each case, their negative or variations on comparable terminology. By their very nature, forward-looking statements involve inherent risks, uncertainties and assumptions, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. Given these risks, uncertainties and assumptions, investors are cautioned not to place undue reliance on such forward-looking statements. Any forward-looking statements contained herein speak only as at the date of this interim report.

The interim report has been issued at CET 7.30 on July 21, 2020 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 21, 2020

Dennis Jönsson
Chairman

Maria Moræus Hanssen

Susanne Jonsson

Henrik Lange

Bror Garcia Lantz

Ray Mauritsson

Heléne Mellquist

Henrik Nielsen

Finn Rausing

Jörn Rausing

Ulf Wiinberg

Tom Erixon
President and CEO



Alfa Laval AB (publ)

Box 73
SE-221 00 Lund
Sweden
Corporate registration number: 556587-8054

Visiting address:
Rudeboksvägen 1
Tel: + 46 46 36 65 00
Website: www.alfalaval.com

For more information, please contact:

Joel Davidsson, Interim Investor Relations Manager
Phone: +46 46 36 77 72,
Mobile: +46 730 35 46 03,
E-mail: joel.davidsson@alfalaval.com

Date for the next financial report

Alfa Laval will publish financial reports at the following dates:
Interim report for the third quarter October 22, 2020
Fourth quarter and full year 2020 report February 3, 2021.

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 7.30 on July 21, 2020.