

ALFA  
LFA

# Financials

## – summary of guidance

- *Introduction of IAS / IFRS*
- *Foreign exchange*
- *Gross profit margin*
- *R&D cost*
- *High yield bond*
- *Taxes*
- *Working capital*
- *Capital expenditure*

Mr. Thomas Thuresson  
CFO  
Alfa Laval Group

# Introduction of IAS / IFRS

## Largely completed

Still to be completed / implemented:

- IAS 19; Employee Benefits (*Swedish ITP-plan*)
- IAS 39; Financial Instruments Recognition and Measurement
- IFRS 3; Business Combinations (*Goodwill amortisation becomes impairment test*)

# Introduction of IAS / IFRS

## IAS 19 - Employee Benefits

- The Swedish ITP-plan, previously considered a multi employer plan, expected to be treated as a company based defined benefit plan
- All other plans handled according to IAS 19 since 2000

# Introduction of IAS / IFRS

## IAS 39 – Financial Instruments Recognition and Measurement

- Impact of market valuation of financial instruments either in P & L or directly into equity
- Proposed solution for Alfa Laval currently evaluated by external auditors
- Estimated to be applied with the annual closing for 2004

# Introduction of IAS / IFRS

## IFRS 3 – Business Combinations

- No amortisation of goodwill
- Impairment tests of goodwill
- Full impact on Net Income

# Foreign exchange

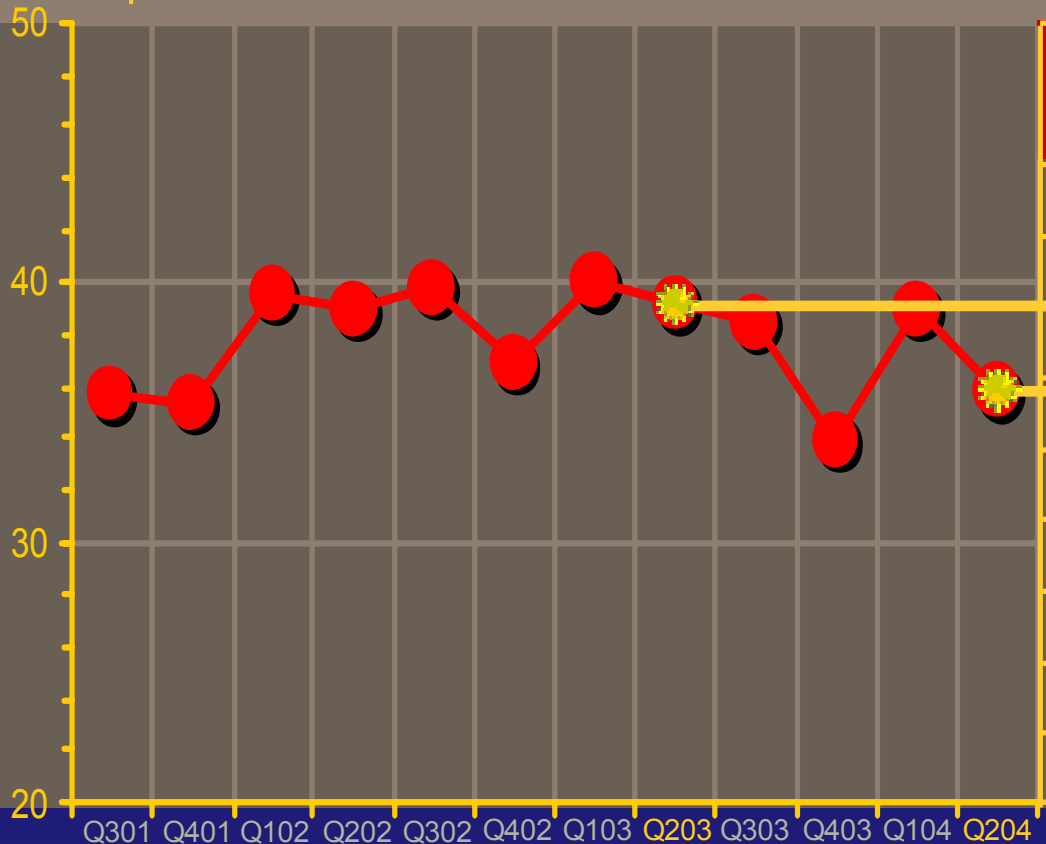
Estimated impact\* on adjusted EBITA from Fx. fluctuations in 2004 and 2005 vs. 2003

MSEK	H2 04 est	WY 04 est	WY 05 est
Translation effect	- 30	- 60	0
Transaction effect	- 127	- 240	- 85
Total	- 157	- 300	- 85

*\*Based on market exchange rates as per June 30, 2004. 1 EUR = 1.23 USD.*

# Gross profit margin

In percent of sales



**Q3 04 – reduced pricing effect**  
**End 04 – pricing effect eliminated**

Pricing & Volume leverage  
approx. 0.7% = 39.2%


Sales mix  
approx. 1.0% = 38.7%

FX approx. 1.7% = 37.5%



# R&D cost

2.2 – 2.9 % of sales  
2000 - 2003



2.5 % of sales  
2004 -







# High-yield bond

<u>MSEK</u>	<u>2005 est</u>	<u>2006 est</u>
Regular interest cost	- 130	- 53
Buy-back, penalty interest	- 65	0
Capitalised financing cost, write-off	- 20	0
	<u>- 215</u>	<u>- 53</u>

*Assuming a call-back on November 15, 2005*

# Taxes

MSEK	- 2004	2005 -
Profit after financial items		
Amortisation of goodwill	$\approx +195$	0
Loss-making countries		
	<hr/> $\Sigma_1$	<hr/> $\Sigma_2$

$\Sigma_x$  multiplied with 33 % = Taxes

# Working capital

Reduced with SEK 610 million



Development based on volume  
of orders and sales



# Capital expenditure



# Consolidated Profit and Loss, 2003

MSEK	Actual	Proforma adjusted* for goodwill	Proforma adjusted for* goodwill and high-yield bond
Net sales	13,909	13,909	13,909
Adjusted EBITA	1,627	1,627	1,627
Amortization, goodwill & step-up	- 494	- 303	- 303
Comparison distortion items	6	6	6
Financial net	- 321	- 321	- 244
PBT	817	1,008	1,086
Taxes & minority	- 171	- 171	- 197
Net income	646	837	889

\*) No impairment

# Calendar

## 2004

- October 21 (*New date!*) Interim Report Q3, 2004

## 2005

- February 14 Interim Report Q4 and Year end Report, 2004
- April 27 Interim Report Q1, 2005
- April 27 Annual General Meeting, Lund
- July 21 Interim Report Q2, 2005
- October 25 Interim Report Q3, 2005

ALFA  
LFA