



# Alfa Laval AB (publ)

## Interim report July 1 – September 30, 2004

“During the third quarter 2004 the order intake increased by 15 percent, excluding exchange rate variations, compared to the same period 2003, which means that it was the fourth consecutive quarter for Alfa Laval with a strong increase.

The EBITA-margin in the third quarter was 11.1 percent. The margin has been negatively affected mainly by exchange rate variations and a high portion of capital sales. The EBITA-margin has been improved excluding exchange rate variations compared with last year. During the third quarter we have in addition seen the beginning of an improvement of the price level.

During the third quarter it was encouraging to note the positive development of order intake in both Germany and Italy.”

*Lars Renström, President and CEO, Alfa Laval*

### **Summary of the third quarter 2004:**

- Order intake increased to SEK 3,866 (3,463) million, meaning an increase by 14.8 percent excluding exchange rate variations.
- Net sales increased to SEK 3,838 (3,426) million, meaning an increase by 15.3 percent excluding exchange rate variations.
- Adjusted EBITA was SEK 426 (430) million, including adverse foreign exchange effects of SEK 81 million.
- Adjusted EBITA-margin was 11.1 percent (12.6).
- Result after financial items increased to SEK 297 (191) million.
- Cash flow from operating activities was SEK 297 (374) million.

### **Summary of the first nine months 2004:**

- Order intake increased to SEK 11,969 (10,395) million, meaning an increase by 19.2 percent excluding exchange rate variations.
- Net sales increased to SEK 10,820 (9,823) million, meaning an increase by 14.3 percent excluding exchange rate variations.
- Adjusted EBITA increased to SEK 1,229 (1,164) million, including adverse foreign exchange effects of SEK 224 million.
- Adjusted EBITA-margin was 11.4 percent (11.8).
- Result after financial items increased to SEK 767 (542) million.
- Result after tax increased to SEK 440 (413) million.
- Earnings per share increased to SEK 3.94 (3.70).
- Cash flow from operating activities was SEK 816 (1,024) million.

### Outlook for the fourth quarter 2004

During the fourth quarter 2004 we expect an order intake on the same high level as during the same period 2003.

In comparison with 2003, the EBITA-margin will continue to be strongly affected by exchange rate variations and the large portion of capital sales, meaning that we expect EBITA to be on the same level as the fourth quarter 2003 in absolute terms.

*Earlier published outlook (August 16, 2004):*

*The continued recovery in the market that Alfa Laval predicted in the Year End Report in February 2004 has been fulfilled during the first six months. Based on the outcome for the first half of 2004 we believe in a very strong increase in orders received during the full year 2004.*

*We assess that the EBITA-margin, excluding currency effects, will be improved.*

Alfa Laval's former CEO and President Sigge Haraldsson retired on September 30 and the new CEO and President Lars Renström took up his duties as of October 1.

The interim report has been issued on October 21, 2004 by the Board of Directors. The interim report has not been subject to review by the company's auditors.

SEK millions, unless otherwise stated	July 1 - Sept 30 2004	July 1 - Sept 30 2003	Jan 1 - Sept 30 2004	Jan 1 - Sept 30 2003	2003	2002	2001
<b>Order intake</b>	3,866	3,463	11,969	10,395	14,145	14,675	15,894
<b>Net sales</b>	3,838	3,426	10,820	9,823	13,909	14,595	15,830
<b>Adjusted EBITDA 1)</b>	485	501	1,420	1382	1,920	2,087	2,138
<b>Adjusted EBITA 2)</b>	426	430	1,229	1164	1,627	1,755	1,738
<b>Adjusted EBITA - margin 2)</b>	11.1%	12.6%	11.4%	11.8%	11.7%	12.0%	11.0%
<b>Result after financial items</b>	297	191	767	542	817	372	42
<b>Return on capital employed 3)</b>			23.5%	21.5%	21.3%	20.2%	18.5%
<b>Return on equity capital 3)</b>			13.7%	15.4%	13.2%	2.7%	2.5%
<b>Solidity</b>			33.8%	32.0%	33.3%	29.2%	8.2%
<b>Debt ratio, times</b>			0.42	0.56	0.49	0.78	5.38
<b>Cash flow from operations</b>	297	374	816	1,024	1,654	1,924	1,999
<b>Investments</b>	101	33	217	123	259	277	275
<b>No. of employees (units) 4)</b>			9,460	9,072	9,358	9,125	9,259

- 1) Adjusted EBITDA – "Earnings before interests, taxes, depreciation, amortisation of goodwill and step up values and comparison distortion items."
- 2) Adjusted EBITA – "Earnings before interests, taxes, amortisation of goodwill and step up values and comparison distortion items."
- 3) Calculated on a 12 months' revolving basis. The new issue of shares in May 2002 has changed the basis for the calculation of return on equity capital, which has affected the comparison figure.
- 4) Number of employees at the end of the period.

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## Management's discussion and analysis

### Orders received

Orders received amounted to SEK 3,866.1 (3,462.9) million for the third quarter. Excluding exchange rate variations, the order intake for the Group was 14.8 percent higher than the third quarter last year.

Orders received amounted to SEK 11,969.4 (10,394.7) million for the first nine months. Excluding exchange rate variations, the order intake for the Group was 19.2 percent higher than the same period last year.

Orders received from the after market "Parts & Service" has continued to develop positively and increased by 7.9 percent compared to the corresponding period last year excluding exchange rate variations. Its relative share of the Group's total orders received decreased to 24.2 (26.8) percent due to the large increase in capital sales.

### Order backlog

The order backlog at September 30, 2004 was 5,214.6 (4,407.7) million. Excluding exchange rate variations, the order backlog was 22.7 percent higher than the order backlog at September 30, 2003 and 33.3 percent higher than the order backlog at the end of 2003.

### Net sales

Net sales amounted to SEK 3,837.5 (3,426.3) million for the third quarter. Excluding exchange rate variations, the invoicing was 15.3 percent higher than the third quarter last year.

Net sales of the Alfa Laval Group amounted to SEK 10,819.7 (9,823.0) million for the first nine months. Excluding exchange rate variations, the invoicing was 14.3 percent higher than the period January to September last year.

## Comments on the Income Statement

As a basis for comments on the various main items of the income statement, please find below a comparison between July – September and January – September for 2004 and 2003 and January – December for 2003 and 2002:

### Income statement analysis

SEK millions	<b>July 1- Sept 30 2004</b>	July 1- Sept 30 2003	<b>Jan 1 - Sept 30 2004</b>	Jan 1 - Sept 30 2003	Jan 1 - Dec 31 2003	Jan 1 - Dec 31 2002
Net sales	3,837.5	3,426.3	10,819.7	9,823.0	13,909.3	14,594.9
Adjusted gross profit	1,348.7	1,318.9	3,949.8	3,850.8	5,235.8	5,651.7
- in % of net sales	35.1	38.5	36.5	39.2	37.6	38.7
Expenses *	-863.5	-818.0	-2,529.8	-2,469.2	-3,315.7	-3,565.0
- in % of net sales	22.5	23.9	23.4	25.1	23.8	24.4
Adjusted EBITDA	485.2	500.9	1,420.0	1,381.6	1,920.1	2,086.7
- in % of net sales	12.6	14.6	13.1	14.1	13.8	14.3
Depreciation	-58.8	-70.7	-190.9	-217.6	-293.1	-331.3
<b>Adjusted EBITA</b>	<b>426.4</b>	<b>430.2</b>	<b>1,229.1</b>	<b>1,164.0</b>	<b>1,627.0</b>	<b>1,755.4</b>
<b>- in % of net sales</b>	<b>11.1</b>	<b>12.6</b>	<b>11.4</b>	<b>11.8</b>	<b>11.7</b>	<b>12.0</b>
Amortisation of goodwill **	-120.6	-124.1	-365.5	-369.6	-494.1	-506.7
Comparison distortion items	47.5	-	34.0	3.6	5.6	-29.2
<b>EBIT</b>	<b>353.3</b>	<b>306.1</b>	<b>897.6</b>	<b>798.0</b>	<b>1,138.5</b>	<b>1,219.5</b>

\* Excluding comparison distortion items

\*\* Including amortisation of step-up values

The first nine months generated a gross profit of SEK 3,727.8 (3,622.4) million. Excluding the amortisation of SEK 222.0 (228.4) million on step up values, the adjusted gross profit is SEK 3,949.8 (3,850.8) million. This corresponds to 36.5 (39.2) percent of net sales.

Sales and administration expenses amounted to SEK 2,327.6 (2,271.2) million. Excluding exchange rate variations and the acquisition of bioKinetics, sales and administration expenses were 3.5 percent higher than the corresponding period last year, which is considerably less than the increase in sales volume.

The costs for research and development has amounted to SEK 288.0 (267.5) million, corresponding to 2.7 (2.7) percent of net sales.

Adjusted EBITDA amounted to SEK 1,420.0 (1,381.6) million for the first nine months. The adjusted EBITA amounted to SEK 1,229.1 (1,164.0) million. The adjusted EBITA

margin was 11.4 (11.8) percent. The adjusted result after tax, excluding amortisation of goodwill and step-up values and the corresponding tax, is SEK 6.59 (6.37) per share.

The result has been affected by comparison distortion items of SEK 34.0 (3.6) million. These are reported gross as a part of other operating income and other operating costs, see summary on page 12. During September 2004 the property in Kenosha, USA, has been divested for SEK 45.3 million with a realised loss of SEK -1.9 million. On July 7, 2004, the property in Madrid, Spain, was divested for SEK 265,1 million with a realised gain of SEK 49,4 million. The divestment of the Tri-Lad operations in Canada has generated a loss of SEK -15.0 million and the sale of a minor property in Brazil has resulted in a realised gain of SEK 1.5 million. On February 26, 2003 the property in Newmarket, Canada was sold for SEK 20.0 million, with a realised gain of SEK 3.6 million.

## Divisional reporting

### Equipment division

The Equipment division consists of six customer segments: Comfort & Refrigeration, Fluids & Utility Equipment, Marine & Diesel, OEM (Original Equipment Manufacturers), Sanitary Equipment and the aftermarket segment Parts & Service.

SEK millions	July 1- Sept 30 2004	July 1- Sept 30 2003	Jan 1- Sept 30 2004	Jan 1- Sept 30 2003	Jan 1- Dec 31 2003	Jan 1- Dec 31 2002
Orders received	2,137.0	2,000.5	6,665.8	6,015.0	8,069.9	8,092.6
Order backlog *			2,092.1	1,677.2	1,598.9	1,564.5
Net sales	2,105.0	1,981.2	6,086.2	5,751.1	7,841.8	8,129.6
Operating income	256.7	258.4	772.3	734.0	1,010.9	1,098.8

\* At the end of the period.

*Orders received and net sales (all comments are after adjustment for exchange rate fluctuations)*

Orders received increased by 14.2 percent and net sales increased by 9.5 percent during the first nine months 2004 compared to the corresponding period last year.

All segments served by the Equipment division have developed strongly. The most significant growth is found within the "OEM" and "Marine & Diesel" segments. Parts & Service has continued to grow also in the first nine months of 2004.

*Operating income (all comments are after adjustment for exchange rate fluctuations)*

The increase in operating income during the first nine months 2004 compared to the corresponding period 2003 is mainly due to higher gross margin, partly offset by a negative transaction impact from exchange rates.

## Process Technology division

The Process Technology division consists of five customer segments: Energy & Environment, Food Technology, Life Science, Process Industry and the aftermarket segment Parts & Service.

SEK millions	July 1- Sept 30 2004	July 1- Sept 30 2003	Jan 1- Sept 30 2004	Jan 1- Sept 30 2003	Jan 1- Dec 31 2003	Jan 1- Dec 31 2002
Orders received	1,728.3	1,433.0	5,257.6	4,312.0	5,990.6	6,488.1
Order backlog *			3,087.7	2,701.1	2,398.0	2,752.6
Net sales	1,710.9	1,433.1	4,702.3	4,017.7	5,993.6	6,377.1
Operating income	174.3	131.5	351.5	260.4	351.5	537.5

\* At the end of the period.

*Orders received and net sales (all comments are after adjustment for exchange rate fluctuations)*

Orders received increased by 26.8 percent and net sales increased by 22.0 percent during the first nine months 2004 compared to the corresponding period last year. Excluding the acquisition of bioKinetics, the corresponding figures are 23.7 percent and 16.1 percent.

All segments in the Process Technology division have reported a substantial increase in orders received compared to the first nine months 2003. The increase affects almost all the applications the division is working within. The growth has been largest within the "Process Industry" and "Energy & Environment" segments. Parts & Service shows a continued positive development.

*Operating income (all comments are after adjustment for exchange rate fluctuations)*

The increase in operating income during the first nine months 2004 compared to the corresponding period 2003 is foremost due to higher gross margin, partly offset by a negative transaction impact from exchange rates.

## Operations division and Other

Operations are responsible for procurement, production and logistics. Other is referring to corporate overhead and non-core businesses.

SEK millions	July 1- Sept 30 2004	July 1- Sept 30 2003	Jan 1- Sept 30 2004	Jan 1- Sept 30 2003	Jan 1- Dec 31 2003	Jan 1- Dec 31 2002
Orders received	0.8	29.4	46.0	67.7	84.8	94.1
Order backlog *			34.8	29.4	24.2	23.0
Net sales	21.6	12.0	31.2	54.2	73.9	88.2
Operating income	-125.2	-83.8	-260.2	-200.0	-229.5	-387.6

\* At the end of the period.

## Reporting by geographical markets

The Group's secondary segments are geographical markets. All comments are after considering exchange rate variations.

### Orders received

Orders received increased in all regions during the first nine months 2004 compared to the corresponding period last year. The increase was largest in Asia, North America and Western Europe.

#### Order received

Consolidated	July 1- Sept 30	July 1- Sept 30	Jan 1 - Sept 30	Jan 1 - Sept 30	Jan 1 - Dec 31	Jan 1 - Dec 31
SEK millions	2004	2003	2004	2003	2003	2002
Customers in						
Sweden	189.1	224.0	659.7	667.3	887.3	842.2
Other EU	1,321.0	1,236.5	4,422.2	3,819.2	5,143.3	5,374.3
Other Europe	302.6	269.9	941.1	883.3	1,234.5	1,167.8
USA	496.4	457.5	1,623.1	1,535.6	2,095.3	2,478.6
Other North America	95.3	85.9	275.5	227.5	326.7	331.2
Latin America	173.3	178.5	444.8	424.4	560.8	667.6
Africa	38.7	60.9	113.0	115.9	177.7	132.7
Asia	1,178.5	885.3	3,271.9	2,532.1	3,463.2	3,342.6
Oceania	71.2	64.4	218.1	189.4	256.5	337.8
<b>Total</b>	<b>3,866.1</b>	<b>3,462.9</b>	<b>11,969.4</b>	<b>10,394.7</b>	<b>14,145.3</b>	<b>14,674.8</b>

### Net sales

The invoicing increased in all regions except Africa during the first nine months 2004 compared to the corresponding period last year. The most substantial increases are found in Central and Eastern Europe, North America and Asia.

#### Net sales

Consolidated	July 1- Sept 30	July 1- Sept 30	Jan 1 - Sept 30	Jan 1 - Sept 30	Jan 1 - Dec 31	Jan 1 - Dec 31
SEK millions	2004	2003	2004	2003	2003	2002
Customers in						
Sweden	183.8	209.3	615.4	623.8	893.2	835.1
Other EU	1,453.3	1,285.1	4,113.2	3,752.1	5,186.4	5,343.4
Other Europe	296.3	277.6	871.2	743.6	1,118.7	1,116.2
USA	553.5	475.0	1,651.5	1,458.3	2,159.0	2,638.7
Other North America	86.3	61.8	219.8	222.6	315.0	423.5
Latin America	139.4	143.1	393.5	399.3	553.6	626.7
Africa	43.2	42.8	117.6	108.5	182.7	69.6
Asia	1,012.2	876.5	2,614.6	2,336.8	3,242.6	3,287.9
Oceania	69.5	55.1	222.9	178.0	258.1	253.8
<b>Total</b>	<b>3,837.5</b>	<b>3,426.3</b>	<b>10,819.7</b>	<b>9,823.0</b>	<b>13,909.3</b>	<b>14,594.9</b>

The values for the "Other EU" and "Other Europe" regions have been adjusted for all periods in order to reflect the extension of the European Union on May 1, 2004 with 10 new membership countries: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic and Slovenia.

## **Consolidated financial result and net income**

The financial net has amounted to SEK -133.8 (-214.5) million, excluding realised and unrealised exchange rate losses and gains. The main elements of costs were interest on debt to the banking syndicate of SEK -31.3 (-102.0) million, interest on the bond loan of SEK -96.7 (-107.8) million and a net of dividends and other interest income and interest costs of SEK -5.8 (-4.7) million. The decrease in interests to the banking syndicate between 2004 and 2003 is due to the large amortisation during 2004 and the cancellation of the previous interest rate swaps that were requested by the first banking syndicate.

The net of realised and unrealised exchange rate differences amounts to SEK 3.2 (-41.1) million.

The result after financial items increased to SEK 767.0 (542.3) million.

Income taxes were SEK -294.8 (-98.6) million. The difference between the first nine months of 2004 and 2003 is primarily due to utilisation of loss carry forwards during 2003.

The parent company's result after financial items was SEK 0.2 (2.0) million, out of which net interests were SEK 2.6 (4.2) million, realised and unrealised exchange rate gains and losses SEK - (-0.1) million and fees to the Board and other administration costs the remaining SEK -2.4 (-2.1) million.

## **Asbestos-related lawsuits in the United States**

Alfa Laval's subsidiary in the US, Alfa Laval Inc, was as of September 30, 2004 named as co-defendant in a total of 158 asbestos-related lawsuits with a total of approximately 21,500 plaintiffs. The lawsuits filed in Mississippi account for approximately 99 percent of all plaintiffs.

Alfa Laval strongly believes the claims against the company are without merit and intends to vigorously contest each lawsuit.

After thorough investigations Alfa Laval continues to believe that potential claims in connection with asbestos related lawsuits against Alfa Laval Inc will be covered by insurance policies. Furthermore, primary insurance policies issued in favour of Alfa Laval Inc. provide for coverage of its defence costs.

During the third quarter 2004 Alfa Laval Inc has been named as co-defendant in an additional 29 lawsuits with a total of approximately 352 plaintiffs. During the third quarter 14 lawsuits involving approximately 30 plaintiffs have been resolved. This gives a grand total of 102 lawsuits that have been resolved. Alfa Laval has furthermore been dismissed from the proceedings in respect of 13 plaintiffs in ongoing multiple plaintiffs lawsuits.

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 company's financial condition or results of operation.



## Cash flow

Cash flow from operating and investing activities was SEK 1,117.2 (996.0) million during the first nine months, out of which divestments generated cash of SEK 346.9 (31.0) million.

Working capital increased by SEK 417.8 (200.2) million during the first nine months.

Investments in fixed assets amounted to SEK 216.5 (122.9) million during the first nine months. Out of this, acquired product concessions were SEK 36.6 million. Depreciations, excluding allocated step up values, amounted to SEK 190.9 (217.6) million during the period.

## Cash and bank

The Group's cash and bank amounted to SEK 531.8 (740.8) million. The item cash and bank in the balance sheet and in the cash flow statement is mainly relating to bank deposits.

## Borrowings and net debt

### Debt table

Consolidated SEK millions	September 30	September 30	December 31	December 31
	2004	2003	2003	2002
Credit institutions	1,719.9	2,711.6	2,530.7	3,360.2
Bond loan	1,052.8	1,049.2	1,064.8	1,127.6
Capitalised financial leases	8.6	18.6	13.6	24.7
Interest-bearing pension liabilities	5.2	6.1	5.2	6.1
<b>Total debt</b>	<b>2,786.5</b>	<b>3,785.5</b>	<b>3,614.3</b>	<b>4,518.7</b>
Cash, bank and current deposits	740.0	1,136.8	1,213.2	1,020.2
<b>Net debt</b>	<b>2,046.5</b>	<b>2,648.7</b>	<b>2,401.1</b>	<b>3,498.5</b>

Cash, bank and current deposits include bank and other deposits in the publicly listed subsidiary Alfa Laval (India) Ltd of SEK 161.7 (137.4) million. The company is not a wholly owned subsidiary of the Alfa Laval Group. It is owned to 64.1 percent.

Since April 15, 2004 Alfa Laval has a new senior credit facility with a banking syndicate. The new multi currency revolving credit facility is USD 325 million and EUR 150 million, corresponding to SEK 3,748.1 million. At September 30, 2004, SEK 1,452.1 million of the facility are utilised. During the third quarter SEK 623.9 million were amortised. The new facility provides increased flexibility, improved terms and extended security of funding. The maturity of this facility is five years.

During the first nine months Alfa Laval has re-purchased bonds at the prevailing market rate for a face value of SEK 11.4 (50.6) million. The difference between the higher market value and the face value was SEK 1.8 (9.7) million, which has been reported as

an interest cost. The bond loan accrues interest at 12.125 percent, which is considerably more than the Group's current cost for other external financing.

## **Ownership and legal structure**

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 10,360 (6,079) shareholders on September 30, 2004. The two largest owners are Tetra Laval and Industri Kapital, where 17.7 (17.7) percent are owned by Tetra Laval B.V., the Netherlands and 8.5 (26.9) percent are owned by the partnerships that are controlled by Industri Kapital 2000 Ltd, United Kingdom. Next to the two largest owners there are eight institutional investors with ownership in the range of 6.3 to 2.2 percent. These ten largest owners own 57.1 (67.9) percent of the shares.

## **Acquisitions and disposals**

Alfa Laval made public in December 2003 that the company had decided to initiate new negotiations with the former owner of bioKinetics Inc. This decision was based on the fact that Alfa Laval suspected irregularities in the accounting of certain customer projects in the acquired US company. The parties were originally unable to resolve the matter, leading Alfa Laval to file a lawsuit against the former owner Kinetics Group Inc and certain individuals. On July 2, 2004 Alfa Laval announced that a settlement agreement had been reached between the parties. The terms of the agreement are confidential.

On December 5, 2003 an asset purchase agreement was signed between the subsidiary Tri-Lad Inc in Canada and local management of the company whereby all non-financial assets were sold to local management. The closing date was January 30, 2004. Tri-Lad Inc is selling equipment to the oil & gas industry and was a non-core activity within Alfa Laval. It has been up for sale since several years. The Tri-Lad property was sold effective on May 12, 2004. The divestment of the Tri-Lad operations has generated a loss of SEK -15.0 million.

## **Accounting principles**

The same accounting principles and accounting estimates have been applied in the third quarter interim report 2004 as for the annual report for 2003, except that comparison distortion items now are reported included in each line in the income statement and specified in a note.

## **Date for the next financial report**

The fourth quarter and full year 2004 report will be published on February 14, 2005.

## **The Nomination Committee for the Annual General Meeting 2005**

In accordance with a resolution taken at the Annual General Meeting of Alfa Laval AB on April 27, 2004, the largest shareholders in Alfa Laval have appointed the following members of the nomination committee: Jörn Rausing, Tetra Laval, Björn Savén, Industri Kapital, Björn Lind, SEB, Pernilla Klein, the Third Swedish National Pension Fund (AP3) and Björn Fransson, the Fourth Swedish National Pension Fund (AP4). In addition, the nomination committee can decide that the Chairman of the Board is made a member of the committee. The nomination committee shall prepare and make proposals to the Annual General Meeting regarding the election of members of the board of directors and, if applicable, auditors and compensation to the board of directors and auditors.

**CONSOLIDATED CASH-FLOW STATEMENTS**

Amounts in SEK millions	Jan 1 - Sept 30 2004	Jan 1 - Sept 30 2003	Jan 1 - Dec 31 2003	Jan 1 - Dec 31 2002
<b>Cash flow from operating activities</b>				
Operating income	897.6	798.0	1,138.5	1,219.5
Adjustment for depreciation	556.4	587.2	787.2	838.0
Adjustment for other non-cash items	-17.0	24.8	22.1	35.0
	<u>1,437.0</u>	<u>1,410.0</u>	<u>1,947.8</u>	<u>2,092.5</u>
Taxes paid	-203.1	-185.6	-268.6	-396.2
Cash flow from operations before changes in working capital	1,233.9	1,224.4	1,679.2	1,696.3
Changes in working capital:				
(Increase)/decrease of current receivables	-188.8	102.3	-25.4	339.3
(Increase)/decrease of inventories	-543.7	-351.7	-17.2	140.4
Increase/(decrease) of liabilities	314.7	49.2	16.9	-252.2
	<u>-417.8</u>	<u>-200.2</u>	<u>-25.7</u>	<u>227.5</u>
<b>Cash flow from operating activities</b>	<u>816.1</u>	<u>1,024.2</u>	<u>1,653.5</u>	<u>1,923.8</u>
<b>Cash flow from investing activities</b>				
Investments in fixed assets	-216.5	-122.9	-258.5	-276.7
Divestment of fixed assets	336.9	31.0	40.1	120.7
Additional purchase price	-9.5	-	-	-367.5
Acquisition of businesses	-	-50.9	-289.5	-135.7
Reduction of purchase price	61.2	-	-	81.6
Divestment of businesses	10.0	-	-	-
Provisions	119.0	114.6	50.5	29.8
<b>Cash flow from investing activities</b>	<u>301.1</u>	<u>-28.2</u>	<u>-457.4</u>	<u>-547.8</u>
<b>Cash flow from financing activities</b>				
Financial net, paid	-120.6	-152.2	-231.1	-973.3
New issue of shares	-	-	-	3,136.6
Dividends	-446.7	-223.3	-223.3	-
(Increase)/decrease of other financial assets	506.0	-3.7	-256.9	-84.2
Capitalised financing costs, acquisition loans	-6.9	-	-	-39.7
Increase/(decrease) of liabilities to credit institutions	-1,081.0	-419.2	-455.9	-3,359.6
<b>Cash flow from financing activities</b>	<u>-1,149.2</u>	<u>-798.4</u>	<u>-1,167.2</u>	<u>-1,320.3</u>
<b>Net increase (decrease) in cash and bank</b>	-32.0	197.6	28.9	55.7
Cash and bank at the beginning of the year	554.6	605.9	605.9	666.4
Translation difference in cash and bank	9.2	-62.7	-80.2	-116.2
<b>Cash and bank at the end of the period</b>	<u>531.8</u>	<u>740.8</u>	<u>554.6</u>	<u>605.9</u>
Free cash flow per share (SEK)*	10.00	8.92	10.71	16.10
Average number of shares**	111,671,993	111,671,993	111,671,993	85,482,322

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

\*\* The average number of shares has been changed through split and new issue of shares.

**CONSOLIDATED INCOME STATEMENT**

Amounts in SEK millions	July 1- Sept 30 2004	July 1- Sept 30 2003	Jan 1 - Sept 30 2004	Jan 1 - Sept 30 2003	Jan 1 - Dec 31 2003	Jan 1 - Dec 31 2002
Net sales	3,837.5	3,426.3	10,819.7	9,823.0	13,909.3	14,594.9
Cost of goods sold	-2,561.6	-2,183.1	-7,091.9	-6,200.6	-8,976.3	-9,262.2
Gross profit	1,275.9	1,243.2	3,727.8	3,622.4	4,933.0	5,332.7
Sales costs	-534.1	-526.7	-1,647.1	-1,625.8	-2,245.8	-2,115.1
Administration costs	-253.8	-195.0	-680.5	-645.4	-870.1	-1,030.7
Research and development costs	-90.0	-79.5	-288.0	-267.5	-368.1	-355.2
Other operating income *	84.8	35.9	212.2	171.0	248.0	282.7
Other operating costs *	-81.7	-123.4	-283.3	-315.5	-367.2	-707.2
Amortisation of goodwill	-47.8	-48.4	-143.5	-141.2	-191.3	-187.7
Operating income	353.3	306.1	897.6	798.0	1,138.5	1,219.5
Dividends	0.9	0.0	2.3	2.4	6.9	7.8
Interest income	7.1	145.2	101.4	259.0	267.5	351.4
Interest expense *	-64.1	-260.3	-234.3	-517.1	-595.5	-1,206.6
Result after financial items	297.2	191.0	767.0	542.3	817.4	372.1
Minority share in subsidiaries' income	-9.8	-12.1	-32.1	-30.9	-41.6	-33.6
Taxes	-106.5	-38.2	-294.8	-98.6	-130.0	-218.3
Net income for the year	180.9	140.7	440.1	412.8	645.8	120.2
Earnings per share (SEK)	1.62	1.26	3.94	3.70	5.78	1.41
Average number of shares **	111,671,993	111,671,993	111,671,993	111,671,993	111,671,993	85,482,322

\* The line has been affected by comparison distortion items, see separate specification below.

\*\* The average number of shares has been changed through split and new issue of shares.

**Comparison distortion items**

Amounts in SEK millions	July 1- Sept 30 2004	July 1- Sept 30 2003	Jan 1 - Sept 30 2004	Jan 1 - Sept 30 2003	Jan 1 - Dec 31 2003	Jan 1 - Dec 31 2002
<b>Operational</b>						
Other operating income	35.4	35.9	161.3	167.4	242.4	268.7
Comparison distortion income	49.4	-	50.9	3.6	5.6	14.0
Total other operating income	84.8	35.9	212.2	171.0	248.0	282.7
Other operating costs	-79.8	-123.4	-266.4	-315.5	-367.2	-664.0
Comparison distortion costs	-1.9	-	-16.9	-	-	-43.2
Total other operating costs	-81.7	-123.4	-283.3	-315.5	-367.2	-707.2
<b>Financial</b>						
Interest expense	-64.1	-260.3	-234.3	-517.1	-595.5	-901.8
Comparison distortion costs	-	-	-	-	-	-304.8
Total interest expense	-64.1	-260.3	-234.3	-517.1	-595.5	-1,206.6

In order to illustrate the quarterly development, the income statement analysis is shown also for the last ten quarters:

### Income statement analysis

SEK millions	2004			2003				2002		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net sales	3,837.5	3,798.3	3,183.9	4,086.3	3,426.3	3,402.0	2,994.7	4,175.1	3,503.7	3,654.2
Adjusted gross profit	1,348.7	1,357.9	1,243.2	1,385.0	1,318.9	1,334.5	1,197.4	1,539.1	1,394.7	1,426.4
- in % of net sales	35.1	35.8	39.0	33.9	38.5	39.2	40.0	36.9	39.8	39.0
Expenses *	-863.5	-874.3	-792.0	-846.5	-818.0	-849.8	-801.4	-922.3	-902.5	-898.3
- in % of net sales	22.5	23.0	24.9	20.7	23.9	25.0	26.8	22.1	25.8	24.6
Adjusted EBITDA	485.2	483.6	451.2	538.5	500.9	484.7	396.0	616.8	492.2	528.1
- in % of net sales	12.6	12.7	14.2	13.2	14.6	14.2	13.2	14.8	14.0	14.5
Depreciation	-58.8	-63.6	-68.5	-75.5	-70.7	-72.2	-74.7	-81.8	-78.6	-83.1
<b>Adjusted EBITA</b>	<b>426.4</b>	<b>420.0</b>	<b>382.7</b>	<b>463.0</b>	<b>430.2</b>	<b>412.5</b>	<b>321.3</b>	<b>535.0</b>	<b>413.6</b>	<b>445.0</b>
<b>- in % of net sales</b>	<b>11.1</b>	<b>11.1</b>	<b>12.0</b>	<b>11.3</b>	<b>12.6</b>	<b>12.1</b>	<b>10.7</b>	<b>12.8</b>	<b>11.8</b>	<b>12.2</b>
Amortisation of goodwill **	-120.6	-121.1	-123.8	-124.5	-124.1	-121.8	-123.7	-125.9	-128.7	-125.7
Comparison distortion items	47.5	0.0	-13.5	2.0	0.0	0.0	3.6	-0.7	15.9	0.5
<b>EBIT</b>	<b>353.3</b>	<b>298.9</b>	<b>245.4</b>	<b>340.5</b>	<b>306.1</b>	<b>290.7</b>	<b>201.2</b>	<b>408.4</b>	<b>300.8</b>	<b>319.8</b>

\* Excluding comparison distortion items

\*\* Including amortisation of step-up values

**CONSOLIDATED BALANCE SHEET**

Amounts in SEK millions	Sept 30 2004	Sept 30 2003	Dec 31 2003	Dec 31 2002
<b>ASSETS</b>				
Non-current assets:				
Intangible assets	3,934.4	4,213.1	4,200.0	4,703.3
Property, plant and equipment	2,484.9	2,754.5	2,756.5	3,082.7
Financial assets	735.7	621.4	670.7	751.9
Current assets				
Inventories	2,777.7	2,561.8	2,217.8	2,279.0
Accounts receivable	2,811.6	2,517.8	2,463.3	2,504.0
Other receivables	973.3	907.1	1,168.0	1,086.2
Other current deposits	208.2	396.0	658.6	414.3
Cash and bank	531.8	740.8	554.6	605.9
<b>TOTAL ASSETS</b>	<b>14,457.6</b>	<b>14,712.5</b>	<b>14,689.5</b>	<b>15,427.3</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Shareholders' equity	4,884.9	4,705.4	4,897.0	4,512.3
Minority interest	130.6	116.9	104.2	108.2
Provisions for:				
Pensions and similar commitments	781.4	735.7	754.8	720.6
Deferred taxes	766.2	925.1	817.0	990.3
Other	962.2	960.1	891.2	989.3
	2,509.8	2,620.9	2,463.0	2,700.2
Non-current liabilities:				
Liabilities to credit institutions	1,486.5	2,562.9	2,427.0	3,105.8
Bond loan	1,052.8	1,049.2	1,064.8	1,127.6
	2,539.3	3,612.1	3,491.8	4,233.4
Current liabilities:				
Liabilities to credit institutions	233.4	148.7	103.7	254.4
Accounts payable	1,267.8	1,019.0	1,199.4	1,173.2
Advances from customers	628.2	713.8	512.1	571.3
Other liabilities	2,263.6	1,775.7	1,918.3	1,874.3
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>14,457.6</b>	<b>14,712.5</b>	<b>14,689.5</b>	<b>15,427.3</b>

**CHANGES IN CONSOLIDATED EQUITY**

Amounts in SEK millions

	Jan 1 - Sept 30 2004	Jan 1 - Sept 30 2003	Jan 1 - Dec 31 2003	Jan 1 - Dec 31 2002
At the beginning of the period	4,897.0	4,512.3	4,512.3	1,445.1
New issue of shares	-	-	-	3,136.6
Dividends	-446.7	-223.3	-223.3	-
Translation difference	-5.5	3.6	-37.8	-189.6
Net income for the period	440.1	412.8	645.8	120.2
At the end of the period	4,884.9	4,705.4	4,897.0	4,512.3

The share capital of SEK 1,116,719,930 is divided into 111,671,993 shares at par value SEK 10.