



Alfa Laval AB (publ)

Interim report April 1 – June 30, 2005

"Strong orders received during the second quarter 2005 gave an increase with almost nine percent, excluding exchange rate variations. Alfa Laval further strengthened its market positions in a number of important areas. The demand has been on a continued high level, especially in Asia, Central and Eastern Europe. The customer segments Process Industry, OEM and Marine & Diesel have been particularly strong.

The adjusted EBITA-margin was 10.3 percent. The margin has been influenced by adverse Fx-effects and high raw material prices. We expect our price increases to have further positive effect during the second half of the year."

Lars Renström, President and CEO, Alfa Laval

Summary of the second quarter 2005:

- Order intake increased to SEK 4,574 (4,174) million, meaning an increase by 8.6 percent excluding exchange rate variations.
- Net sales increased to SEK 4,101 (3,798) million, meaning an increase by 7.2 percent excluding exchange rate variations.
- Adjusted EBITA was SEK 422 (420) million, including adverse foreign exchange effects of SEK 39 million.
- Adjusted EBITA-margin was 10.3 (11.1) percent.
- Result after financial items increased to SEK 342 (306*) million.
- Cash flow from operating activities increased to SEK 277 (210) million.

Summary of the first six months 2005:

- Order intake increased to SEK 8,578 (8,103) million, meaning an increase by 6.9 percent excluding exchange rate variations.
- Net sales increased to SEK 7,369 (6,982) million, meaning an increase by 6.5 percent excluding exchange rate variations.
- Adjusted EBITA was SEK 752 (803) million, including adverse foreign exchange effects of SEK 81 million.
- Adjusted EBITA-margin was 10.2 (11.5) percent.
- A comparison distortion item of SEK 125 million has been charged to the income statement relating to the closure of the manufacturing sites in Madrid and Toronto.
- Result after financial items was SEK 418 (566*) million.
- Result after tax was SEK 316 (377*) million.
- Earnings per share were SEK 2.65 (3.18*).
- Cash flow from operating activities was SEK 294 (502) million.

* Comparison for 2004 restated according to IFRS.

Outlook for the near future

“In most of the markets that Alfa Laval serves the demand is expected to be on the same high level as during 2004.

Alfa Laval also believes that the current high price level for some raw materials will remain, at least short term.”

(The outlook for the near future has not been changed compared to the outlook in the fourth quarter and full year 2004 report issued on February 14, 2005.)

The interim report has been issued on July 21, 2005 by the Board of Directors.

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

SEK millions, unless otherwise stated	April 1 - June 30 2005	April 1 - June 30 2004 *	Jan 1 - June 30 2005	Jan 1 - June 30 2004 *	2004 *	2003	2002
Order intake	4,574	4,174	8,578	8,103	15,740	14,145	14,675
Net sales	4,101	3,798	7,369	6,982	14,986	13,909	14,595
Adjusted EBITDA 1)	483	484	875	935	1,956	1,920	2,087
Adjusted EBITA 2)	422	420	752	803	1,695	1,627	1,755
Adjusted EBITA 2)- margin	10.3%	11.1%	10.2%	11.5%	11.3%	11.7%	12.0%
Result after financial items	342	306	418	566	1,262	817	372
Return on capital employed 3)			20.7%	22.1%	23.7%	21.3%	20.2%
Return on equity capital 3)			14.8%	17.1%	15.9%	13.2%	2.7%
Solidity			31.3%	33.4%	37.4%	33.3%	29.2%
Debt ratio, times			0.59	0.53	0.36	0.49	0.78
Cash flow from operations	277	210	294	502	1,203	1,704	1,954
Investments	61	72	119	116	388	259	277
No. of employees 4)			9,536	9,357	9,527	9,358	9,125

*) According to IFRS, i.e. excluding goodwill amortisation and minority interest.

- 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.
- 4) Number of employees at the end of the period.

Lund, July 21, 2005,

The Board of Directors
Alfa Laval AB (publ)

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Management's discussion and analysis

Orders received

Orders received amounted to SEK 4,573.5 (4,174.3) million for the second quarter. Excluding exchange rate variations, the order intake for the Group was 8.6 percent higher than the second quarter last year.

Orders received amounted to SEK 8,577.9 (8,103.3) million for the first six months. Excluding exchange rate variations, the order intake for the Group was 6.9 percent higher than the same period last year.

Orders received from the after market "Parts & Service" has continued to develop positively and increased by 7.3 percent for the first six months compared to the corresponding period last year excluding exchange rate variations. Its relative share of the Group's total orders received was 24.0 (24.1) percent.

Order backlog

The order backlog at June 30, 2005 was 6,403.5 (5,221.5) million. Excluding exchange rate variations, the order backlog was 23.4 percent higher than the order backlog at June 30, 2004 and 34.0 percent higher than the order backlog at the end of 2004.

Net sales

Net sales amounted to SEK 4,101.6 (3,798.3) million for the second quarter. Excluding exchange rate variations, the invoicing was 7.2 percent higher than the second quarter last year.

Net sales of the Alfa Laval Group amounted to SEK 7,369.2 (6,982.2) million for the first six months. Excluding exchange rate variations, the invoicing was 6.5 percent higher than the period January to June last year.

Income statement analysis

SEK millions	Apr 1 - June 30 2005	Apr 1 - June 30 2004 *	Jan 1 - June 30 2005	Jan 1 - June 30 2004 *	Jan 1 - Dec 31 2004 *
Net sales	4,101.6	3,798.3	7,369.2	6,982.2	14,985.8
Adjusted gross profit	1,487.3	1,357.9	2,695.1	2,601.1	5,342.2
- in % of net sales	36.3	35.8	36.6	37.3	35.6
Expenses **	-1,004.3	-874.3	-1,820.2	-1,666.3	-3,386.2
- in % of net sales	24.5	23.0	24.7	23.9	22.6
Adjusted EBITDA	483.0	483.6	874.9	934.8	1,956.0
- in % of net sales	11.8	12.7	11.9	13.4	13.1
Depreciation	-61.0	-63.6	-122.9	-132.1	-260.9
Adjusted EBITA	422.0	420.0	752.0	802.7	1,695.1
- in % of net sales	10.3	11.1	10.2	11.5	11.3
Amortisation of step up values	-73.6	-74.5	-145.4	-149.2	-293.4
Comparison distortion items	-	-	-125.0	-13.5	36.7
EBIT	348.4	345.5	481.6	640.0	1,438.4

* According to IFRS, i.e. excluding goodwill amortisation. ** Excluding comparison distortion items

The first six months generated a gross profit of SEK 2,549.7 (2,451.9) million. Excluding the amortisation of SEK 145.4 (149.2) million on step up values, the adjusted gross profit was SEK 2,695.1 (2,601.1) million. This corresponds to 36.6 (37.3) percent of net sales.

Sales and administration expenses amounted to SEK 1,635.4 (1,539.7) million. Excluding exchange rate variations and the acquisition of Packinox, sales and administration expenses were 3.3 percent higher than the corresponding period last year, which is well below the increase in sales volume.

The costs for research and development has amounted to SEK 217.2 (198.0) million, corresponding to 2.9 (2.8) percent of net sales.

Adjusted EBITDA amounted to SEK 874.9 (934.8) million for the first six months. The adjusted EBITA amounted to SEK 752.0 (802.7) million. The adjusted EBITA margin was 10.2 (11.5) percent. The adjusted result after tax and the minority's share of the result, excluding amortisation of goodwill and step-up values and the corresponding tax, was SEK 3.53 (4.08) per share. Other operating costs were burdened with costs for a M&A activity by SEK 15 million and regular commissions to contractors and engineering houses in relation to Packinox by SEK 14 million.

The result has been affected by comparison distortion items of SEK -125.0 (-13.5) million. In the income statement these are reported gross as a part of other operating income and other operating costs, see summary on page 12. During the first six months 2005, costs for the closure of the separator factory in Madrid and the bioKinetics plant in Toronto of SEK -125.0 million have been charged to the income statement. In the corresponding period in 2004, the divestment of the Tri-Lad operations in Canada generated a loss of SEK -15.0 million and the sale of a minor property in Brazil resulted in a realised gain of SEK 1.5 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.

	April 1 - June 30 2005	April 1 - June 30 2004 *	Jan 1 - June 30 2005	Jan 1 - June 30 2004 *	Jan 1 - Dec 31 2004 *
SEK millions					
Orders received	2,577.5	2,435.0	4,716.5	4,528.8	8,862.3
Order backlog **			2,690.6	2,069.9	2,097.3
Net sales	2,231.2	2,117.4	4,111.8	3,981.2	8,250.4
Operating income	288.5	286.7	509.8	565.1	1,100.4

* According to IFRS, i.e. excluding goodwill amortisation. ** At the end of the period.

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

Orders received increased by 5.0 percent and net sales increased by 4.0 percent during the first six months 2005 compared to the corresponding period last year.

All segments in the Equipment division have developed positively, with the exception of "Sanitary Equipment" and "Comfort & Refrigeration". The most significant growth is found within the "Marine & Diesel" and "OEM" segments.

Operating income (excluding comparison distortion items)

The decrease in operating income during the first six months 2005 compared to the corresponding period 2004 is explained by a lower gross margin, higher R&D costs and adverse foreign exchange effects.

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	April 1 - June 30 2005	April 1 - June 30 2004 *	Jan 1 - June 30 2005	Jan 1 - June 30 2004 *	Jan 1 - Dec 31 2004 *
Orders received	1,988.7	1,724.2	3,850.1	3,529.3	6,818.0
Order backlog **			3,689.8	3,095.4	2,640.6
Net sales	1,861.2	1,677.4	3,241.3	2,991.4	6,683.3
Operating income	184.1	134.9	269.4	223.4	634.3

* According to IFRS, i.e. excluding goodwill amortisation. ** At the end of the period.

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

Orders received increased by 10.3 percent and net sales increased by 9.5 percent during the first six months 2005 compared to the corresponding period last year. Excluding the acquisition of Packinox, the corresponding figures are 6.8 percent and 4.4 percent.

All segments in the Process Technology division, except "Food Technology", have reported an increase in orders received compared to the first six months 2004. The growth has been largest within the "Process Industry" segment.

Operating income (excluding comparison distortion items)

The increase in operating income during the first six months 2005 compared to the corresponding period 2004 is due to higher gross profit linked to the increased sales.

Operations division and Other

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

SEK millions	April 1 - June 30 2005	April 1 - June 30 2004	Jan 1 - June 30 2005	Jan 1 - June 30 2004	Jan 1 - Dec 31 2004
Orders received	7.3	15.1	11.3	45.2	59.7
Order backlog *			23.1	56.2	25.5
Net sales	9.2	3.5	16.1	9.6	52.1
Operating income	-124.2	-76.1	-172.6	-135.0	-333.0

* 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

During the first six months 2005 orders received increased most in Latin America followed by Asia and North America, while Western Europe and Central and Eastern Europe were unchanged and the Nordic countries reported decreased orders received compared to the corresponding period last year

Consolidated	April 1 - June 30 2005	April 1 - June 30 2004	Jan 1 - June 30 2005	Jan 1 - June 30 2004	Jan 1 - Dec 31 2004
SEK millions					
Customers in					
Sweden	249.3	232.9	439.7	470.6	884.0
Other EU	1,675.7	1,597.5	2,993.5	3,101.2	5,804.4
Other Europe	400.4	356.1	723.8	638.5	1,280.7
USA	578.8	570.5	1,154.7	1,126.7	2,136.5
Other North America	81.4	99.1	228.2	180.2	334.1
Latin America	179.4	157.1	368.6	271.5	689.8
Africa	49.7	44.9	103.1	74.3	167.9
Asia	1,270.4	1,044.5	2,410.2	2,093.4	4,164.5
Oceania	88.4	71.7	156.1	146.9	278.1
Total	4,573.5	4,174.3	8,577.9	8,103.3	15,740.0

Net sales

During the first six months 2005 net sales increased most in Latin America and Asia followed by North America, while Western Europe and Central and Eastern Europe reported unchanged net invoicing compared to the corresponding period last year.

Net sales					
Consolidated	April 1 - June 30 2005	April 1 - June 30 2004	Jan 1 - June 30 2005	Jan 1 - June 30 2004	Jan 1 - Dec 31 2004
SEK millions					
Customers in					
Sweden	211.7	211.4	394.0	431.6	887.6
Other EU	1,470.0	1,455.9	2,665.5	2,659.9	5,706.5
Other Europe	366.4	313.3	640.5	574.9	1,196.5
USA	595.0	597.6	1,101.0	1,098.0	2,197.4
Other North America	96.1	76.1	165.2	133.5	296.2
Latin America	213.9	125.1	380.8	254.1	583.9
Africa	39.9	40.0	63.5	74.4	177.3
Asia	1,047.4	914.0	1,851.3	1,602.4	3,619.9
Oceania	61.2	64.9	107.4	153.4	320.5
Total	4,101.6	3,798.3	7,369.2	6,982.2	14,985.8

Consolidated financial result and net income

The financial net has amounted to SEK -110.5 (-90.1) 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 -24.2 (-22.7) million, interest on the bond loan of SEK -66.6 (-65.0) million and a net of dividends and other interest income and interest costs of SEK -19.7 (-2.4) million.

The net of realised and unrealised exchange rate differences amounts to SEK 46.8 (15.6) million in the first six months.

The result after financial items was SEK 417,9 (565.5) million. The figure for 2004 is excluding goodwill amortisation.

Income taxes were SEK -102.2 (-188.3) million.

The parent company's result after financial items was SEK -7.9 (0.3) million, out of which net interests were SEK -1.0 (2.4) million, costs related to the listing SEK -2.1 (-0.6) million, fees to the Board SEK -0.9 (-1.1) million, cost for annual report and annual general meeting -3.0 (-) million (not taken in parent company 2004) and other administration costs the remaining SEK -0.9 (-0.4) million.

Asbestos-related lawsuits in the United States

Alfa Laval's subsidiary in the United States, Alfa Laval Inc., was as of June 30, 2005, named as co-defendant in a total of 162 asbestos-related lawsuits with a total of approximately 7,000 plaintiffs.

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

During the second quarter 2005, Alfa Laval Inc. was named as co-defendant in an additional 22 lawsuits with a total of 22 plaintiffs. During the second quarter 2005, 35 lawsuits involving approximately 4,000 plaintiffs have been resolved.

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 -250.2 (475.8) million during the first six months. Out of this, acquisitions of businesses were SEK -425.3 (53.0) million whereas divestments generated cash of SEK - (36.5) million. Compared with last year, cash flow from operations has primarily been influenced by larger tax payments.

Working capital increased by SEK 150.5 (309.9) million during the first six months.

Investments in property, plant and equipment amounted to SEK 118.9 (116.2) million during the first six months. Depreciations, excluding allocated step up values, amounted to SEK 122.9 (132.1) million during the period.

Cash and bank

The Group's cash and bank amounted to SEK 582.1 (524.2) 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 in millions	June 30 2005	June 30 2004	December 31 2004	December 31 2003
Credit institutions	2,711.4	2,281.0	1,502.1	2,530.7
Senior notes	1,098.5	1,072.2	1,044.4	1,064.8
Capitalised financial leases	3.6	10.0	4.2	13.6
Interest-bearing pension liabilities	4.8	5.2	4.8	5.2
Total debt	3,818.3	3,368.4	2,555.5	3,614.3
Cash, bank and current deposits	-753.9	-751.3	-672.0	-1,213.2
Net debt	3,064.4	2,617.1	1,883.5	2,401.1

Cash, bank and current deposits include bank and other deposits in the publicly listed subsidiary Alfa Laval (India) Ltd of about SEK 104.9 (135.1) million. The company is not a wholly owned subsidiary of the Alfa Laval Group. It is owned to 64.1 percent.

On April 12, 2005 Alfa Laval has signed a new senior credit facility with a banking syndicate of EUR 250 million and USD 325 million, corresponding to SEK 4,080.2 million. The credit facility replaced the previous syndicated loan and will in addition be used for the planned redemption of the Group's senior notes. The new facility provides increased flexibility, extended maturity and reduced costs. At June 30, 2005, SEK 2,449.6 million of the facility were utilised.

Alfa Laval intends to redeem the outstanding senior notes on November 15, 2005. This will incur an additional interest cost during the fourth quarter 2005 of approximately SEK 63.3 million for the premium and SEK 20.6 million for the outstanding capitalised transaction costs, totalling SEK 83.9 million.

Ownership and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group.

The company had 11,545 (9,426) shareholders on June 30, 2005. The largest owner is Tetra Laval B.V., the Netherlands who owns 17.7 (17.7) percent. Next to the largest owner there are nine institutional investors with ownership in the range of 5.3 to 2.4 percent. These ten largest owners own 49.3 (58.9) percent of the shares. At the beginning of May 2004 Industri Kapital decreased the holding in Alfa Laval from 17.9 percent to 8.5 percent and at March 7, 2005 Industri Kapital sold its remaining holding in Alfa Laval AB to a range of Swedish and international investors.

Acquisitions and disposals

On February 15, 2005 Alfa Laval acquired Packinox S.A. in France. Packinox is a world leader in large welded plate heat exchangers for oil & gas and refinery applications, with expected sales of about SEK 450 million in 2005 and approximately 145 employees within R&D, manufacturing and sales.

Accounting principles

The second quarter interim report 2005 is in accordance with RR 31 "Delårsrapportering för koncerner", which requires that IAS 34 "Interim Financial Reporting" and "Årsredovisningslagen" must be applied. The accounting principles have now been changed so that the accounting is according to IFRS (International Financial Reporting Standards) and that financial instruments are reported according to IAS 39.

Since all IAS rules except IAS 39 have already been implemented at December 31, 2004, the transfer to IFRS has only affected the following areas. As of January 1, 2005 the goodwill is not depreciated any longer but instead tested for impairment. Minority interests have earlier been reported under a separate heading next to equity, but is now reported as a separate item within equity. Provisions are split in short term and long term. IAS 39 means that financial derivatives, bonds and non-listed external shares are adjusted to fair value. The effect of the fair market valuation is reported over equity for the derivatives where hedge accounting is made (according to the cash flow hedging method) and over the income statement only when the underlying transaction has been realised. Hedge accounting requires the derivative to be effective within an 80 – 125 percent range. For the part of an effective derivative that exceeds 100 percent effectiveness the fair market adjustment is reported directly in the income statement. For the derivatives where hedge accounting is not made the fair market valuation is reported directly into the income statement. The fair value adjustment of derivatives is reported separately from the underlying instrument as a separate item called derivative assets/derivative liabilities in the balance sheet. The market valuation of bonds and non-listed external shares has effect on the concerned balance sheet items.

The comparison figures for 2004 have been recalculated according to IFRS. Comparison figures are not needed for IAS 39 and are consequently not given.

If IFRS had been implemented already in 2004 it would have had the following effects on the consolidated income statement and equity for the comparison period January 1 – June 30, 2004.

IMPACT ON INCOME IF IFRS HAD BEEN IMPLEMENTED IN 2004

Consolidated SEK in millions	Adjusted EBITA	Operating income	Net income
Income statement Jan 1 - June 30, 2004	802.7	544.3	259.2
Adjustments for:			
Depreciation of goodwill	-	95.7	95.7
Minority share in subsidiaries' income	-	-	22.3
Adjusted income Jan 1 - June 30, 2004	802.7	640.0	377.2
Adjusted earnings per share (SEK) *			3.18

* After deduction for the minority share in net income

IMPACT ON EQUITY IF IFRS HAD BEEN IMPLEMENTED IN 2004

Consolidated SEK in millions	Equity
Equity at June 30, 2004	4,726.3
Adjustments for:	
Depreciation of goodwill	95.7
Minority interests	123.8
Translation difference	0.0
Equity at June 30, 2004 according to IFRS	4,945.8

Since new IFRS standards can be issued during 2005 the opening balance per January 1, 2004 is preliminary. It should also be noted that this report for the second quarter 2005 has not been audited.

Date for the next financial report during 2005

Alfa Laval will publish the interim report for the third quarter 2005 on October 25, 2005.

CONSOLIDATED CASH-FLOW STATEMENTS

Amounts in SEK millions	Jan 1 - June 30 2005	Jan 1 - June 30 2004 *	Jan 1 - Dec 31 2004 *
Cash flow from operating activities			
Operating income	481.6	640.0	1,438.4
Adjustment for depreciation	268.3	281.3	554.3
Adjustment for other non-cash items	-43.1	9.5	15.4
	<u>706.8</u>	<u>930.8</u>	<u>2,008.1</u>
Taxes paid	-262.3	-118.4	-335.6
Cash flow from operations before changes in working capital	444.5	812.4	1,672.5
Changes in working capital:			
(Increase)/decrease of current receivables	171.9	-94.3	-389.4
(Increase)/decrease of inventories	-604.4	-468.8	-297.0
Increase/(decrease) of liabilities	191.6	269.9	131.9
Increase/(decrease) of provisions **	90.4	-16.7	85.3
	<u>-150.5</u>	<u>-309.9</u>	<u>-469.2</u>
Cash flow from operating activities	<u>294.0</u>	<u>502.5</u>	<u>1,203.3</u>
Cash flow from investing activities			
Investments in fixed assets	-118.9	-116.2	-387.5
Divestment of fixed assets	-	26.5	361.5
Additional purchase price	-	-8.2	-9.4
Acquisition of businesses	-425.3	-	-
Reduction of purchase price	-	61.2	61.2
Divestment of businesses	-	10.0	10.0
Cash flow from investing activities	<u>-544.2</u>	<u>-26.7</u>	<u>35.8</u>
Cash flow from financing activities			
Financial net, paid	-113.3	-68.0	-201.4
Dividends	-530.4	-446.7	-446.7
(Increase)/decrease of other financial assets	-18.9	452.6	472.4
Capitalised financing costs, acquisition loans	-4.4	-6.8	-7.3
Increase/(decrease) of liabilities to credit institutions	997.5	-458.0	-1,170.2
Cash flow from financing activities	<u>330.5</u>	<u>-526.9</u>	<u>-1,353.2</u>
Net increase (decrease) in cash and bank	80.3	-51.1	-114.1
Cash and bank at the beginning of the year	414.8	554.6	554.6
Translation difference in cash and bank	87.0	20.7	-25.7
Cash and bank at the end of the period	<u>582.1</u>	<u>524.2</u>	<u>414.8</u>
Free cash flow per share (SEK) ***	-2.24	4.26	11.10
Average number of shares	111,671,993	111,671,993	111,671,993

* According to IFRS, i.e. excluding goodwill amortisation.

** "Changes in provisions" has been moved from investing activities to changes in working capital.

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

CONSOLIDATED INCOME STATEMENT

Amounts in SEK millions	April 1 - June 30 2005	April 1 - June 30 2004 *	Jan 1 - June 30 2005	Jan 1 - June 30 2004 *	Jan 1 - Dec 31 2004 *
Net sales	4,101.6	3,798.3	7,369.2	6,982.2	14,985.8
Cost of goods sold	-2,687.9	-2,514.9	-4,819.5	-4,530.3	-9,937.0
Gross profit	1,413.7	1,283.4	2,549.7	2,451.9	5,048.8
Sales costs	-606.5	-575.3	-1,151.7	-1,113.0	-2,132.4
Administration costs	-276.7	-241.0	-483.7	-426.7	-929.5
Research and development costs	-116.8	-105.6	-217.2	-198.0	-403.9
Other operating income **	50.6	55.0	84.3	127.4	325.2
Other operating costs **	-115.9	-71.0	-299.8	-201.6	-469.8
Operating income	348.4	345.5	481.6	640.0	1,438.4
Dividends	0.8	0.8	1.6	1.4	3.1
Interest income	80.1	20.3	135.2	94.3	166.4
Interest expense	-87.2	-60.9	-200.5	-170.2	-346.3
Result after financial items	342.1	305.7	417.9	565.5	1,261.6
Taxes	-90.6	-96.5	-102.2	-188.3	-421.5
Net income for the year	251.5	209.2	315.7	377.2	840.1
Earnings per share (SEK)	2.17	1.80	2.65	3.18	7.12
Average number of shares	111,671,993	111,671,993	111,671,993	111,671,993	111,671,993

* According to IFRS, i.e. excluding goodwill amortisation and minority interest.

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

Comparison distortion items

Amounts in SEK millions	April 1 - June 30 2005	April 1 - June 30 2004	Jan 1 - June 30 2005	Jan 1 - June 30 2004	Jan 1 - Dec 31 2004
Operational					
Other operating income	50.6	55.0	84.3	125.9	271.3
Comparison distortion income	-	-	-	1.5	53.9
Total other operating income	50.6	55.0	84.3	127.4	325.2
Other operating costs	-115.9	-71.0	-174.8	-186.6	-452.6
Comparison distortion costs	-	-	-125.0	-15.0	-17.2
Total other operating costs	-115.9	-71.0	-299.8	-201.6	-469.8

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

Income statement analysis *

SEK millions	2005		2004				2003			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	4,101.6	3,267.6	4,166.1	3,837.5	3,798.3	3,183.9	4,086.3	3,426.3	3,402.0	2,994.7
Adjusted gross profit	1,487.3	1,207.8	1,392.4	1,348.7	1,357.9	1,243.2	1,385.0	1,318.9	1,334.5	1,197.4
- in % of net sales	36.3	37.0	33.4	35.1	35.8	39.0	33.9	38.5	39.2	40.0
Expenses **	-1,004.3	-815.9	-856.4	-863.5	-874.3	-792.0	-846.5	-818.0	-849.8	-801.4
- in % of net sales	24.5	25.0	20.6	22.5	23.0	24.9	20.7	23.9	25.0	26.8
Adjusted EBITDA	483.0	391.9	536.0	485.2	483.6	451.2	538.5	500.9	484.7	396.0
- in % of net sales	11.8	12.0	12.9	12.6	12.7	14.2	13.2	14.6	14.2	13.2
Depreciation	-61.0	-61.9	-70.0	-58.8	-63.6	-68.5	-75.5	-70.7	-72.2	-74.7
Adjusted EBITA	422.0	330.0	466.0	426.4	420.0	382.7	463.0	430.2	412.5	321.3
- in % of net sales	10.3	10.1	11.2	11.1	11.1	12.0	11.3	12.6	12.1	10.7
Amortisation of step up values	-73.6	-71.8	-71.4	-72.8	-74.5	-74.7	-74.4	-75.7	-75.6	-77.1
Comparison distortion items	-	-125.0	2.7	47.5	-	-13.5	2.0	-	-	3.6
EBIT	348.4	133.2	397.3	401.1	345.5	294.5	390.6	354.5	336.9	247.8

* According to IFRS, i.e. excluding goodwill amortisation

** Excluding comparison distortion items

CONSOLIDATED BALANCE SHEET

Amounts in SEK millions	June 30 2005	June 30 2004 *	Dec 31 2004 *
ASSETS			
Non-current assets:			
Intangible assets	4,629.6	4,141.5	3,901.5
Property, plant and equipment	2,615.9	2,705.2	2,480.3
Financial assets	759.1	724.2	601.4
	<u>8,004.6</u>	<u>7,570.9</u>	<u>6,983.2</u>
Current assets			
Inventories	3,412.3	2,727.3	2,452.5
Accounts receivable	3,086.6	2,816.2	2,613.3
Other receivables	1,196.8	945.6	1,363.0
Derivative assets	48.2	-	-
Other current deposits	171.8	227.1	257.2
Cash and bank	582.1	524.2	414.8
	<u>8,497.8</u>	<u>7,240.4</u>	<u>7,100.8</u>
TOTAL ASSETS	<u>16,502.4</u>	<u>14,811.3</u>	<u>14,084.0</u>
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	5,171.6	4,945.8	5,269.2
Provisions for:			
Pensions and similar commitments	883.5	786.1	788.9
Deferred taxes	741.6	822.0	760.3
Other	393.7	284.6	316.1
	<u>2,018.8</u>	<u>1,892.7</u>	<u>1,865.3</u>
Non-current liabilities:			
Liabilities to credit institutions	2,485.2	2,153.0	1,262.7
Senior notes	1,098.5	1,072.2	1,044.4
	<u>3,583.7</u>	<u>3,225.2</u>	<u>2,307.1</u>
Current liabilities:			
Liabilities to credit institutions	226.2	128.0	239.4
Accounts payable	1,443.8	1,419.1	1,349.6
Advances from customers	976.2	602.4	542.0
Other liabilities	2,027.5	2,028.9	1,879.3
Other provisions	704.1	569.2	632.1
Derivative liabilities	350.5	-	-
	<u>5,728.3</u>	<u>4,747.6</u>	<u>4,642.4</u>
TOTAL SHAREHOLDERS' EQUITY & LIAB.	<u>16,502.4</u>	<u>14,811.3</u>	<u>14,084.0</u>

* According to IFRS, i.e. excluding goodwill amortisation and including minority interest in equity capital.

CHANGES IN CONSOLIDATED EQUITY

Amounts in SEK millions

	Jan 1 - June 30 2005	Jan 1 - June 30 2004 *	Jan 1 - Dec 31 2004 *
At the beginning of the period	5,375.9	5,001.2	5,001.2
Change in market value of financial instruments	-270.1	-	-
Dividends	-530.4	-446.7	-446.7
Translation difference	299.8	36.4	-80.0
Net income for the period	315.7	377.2	840.1
Minority share in subsidiaries' income	-19.3	-22.3	-45.4
At the end of the period	5,171.6	4,945.8	5,269.2
Minority interest part of equity capital	135.7	123.8	119.2

* According to IFRS, i.e. excluding goodwill amortisation and including minority interest in equity capital.

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