



Alfa Laval AB (publ)

Interim report July 1 – September 30, 2005

"The order intake during the third quarter 2005 was very strong and increased with 25 percent, excluding exchange rate variations. Driving forces were high prices on energy, continued strong demand in the marine industry and expansion of the petrochemical industry in the Middle East. The demand was strongest in Asia and Latin America.

The margin development during the quarter shows that compensation for higher raw material prices is coming through."

Lars Renström, President and CEO, Alfa Laval

Summary of the third quarter 2005:

- Order intake increased to SEK 4,918 (3,866) million, meaning an increase by 25.0 percent excluding exchange rate variations.
- Net sales increased to SEK 4,278 (3,838) million, meaning an increase by 10.2 percent excluding exchange rate variations.
- Adjusted EBITA increased to SEK 479 (426) million, including adverse foreign exchange effects of SEK 31 million.
- Adjusted EBITA-margin was 11.2 (11.1) percent.
- A realised gain of SEK 47.4 million on sale of land has been recognised as a comparison distortion income.
- Result after financial items increased to SEK 405 (345*) million.
- Cash flow from operating activities increased to SEK 485 (433) million.

Summary of the first nine months 2005:

- Order intake increased to SEK 13,496 (11,969) million, meaning an increase by 12.7 percent excluding exchange rate variations.
- Net sales increased to SEK 11,647 (10,820) million, meaning an increase by 7.8 percent excluding exchange rate variations.
- Adjusted EBITA increased to SEK 1,231 (1,229) million, including adverse foreign exchange effects of SEK 112 million.
- Adjusted EBITA-margin was 10.6 (11.4) percent.
- In addition to the realised gain on sale of land in the third quarter a comparison distortion cost of SEK 125 million has been recognised relating to the closure of the manufacturing sites in Madrid and Toronto.
- Result after financial items was SEK 823 (911*) million.
- Result after tax was SEK 612 (616*) million.
- Earnings per share were SEK 5.19 (5.23*).
- Cash flow from operating activities was SEK 779 (935) 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 remain on the same high level as year-to-date.

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

Earlier published outlook (July 21, 2005):

“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 interim report has been issued on October 25, 2005 by the President and Chief Executive Officer Lars Renström by proxy.

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

SEK millions, unless otherwise stated	July 1 - Sept 30 2005	July 1 - Sept 30 2004	Jan 1 - Sept 30 2005	Jan 1 - Sept 30 2004 *	2004 *	2003	2002
Order intake	4,918	3,866	13,496	11,969	15,740	14,145	14,675
Net sales	4,278	3,838	11,647	10,820	14,986	13,909	14,595
Adjusted EBITDA 1)	542	485	1,417	1,420	1,956	1,920	2,087
Adjusted EBITA 2)	479	426	1,231	1,229	1,695	1,627	1,755
Adjusted EBITA 2)- margin	11.2%	11.1%	10.6%	11.4%	11.3%	11.7%	12.0%
Result after financial items	405	345	823	911	1,262	817	372
Return on capital employed 3)			21.1%	23.1%	23.7%	21.3%	20.2%
Return on equity capital 3)			15.7%	17.7%	15.9%	13.2%	2.7%
Solidity			33.5%	35.3%	37.4%	33.3%	29.2%
Debt ratio, times			0.48	0.40	0.36	0.49	0.78
Cash flow from operations	485	433	779	935	1,203	1,704	1,954
Investments	86	101	205	217	388	259	277
No. of employees 4)			9,438	9,460	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, October 25, 2005,

Lars Renström
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Alfa Laval AB (publ)

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Management's discussion and analysis

Orders received

Orders received amounted to SEK 4,918.5 (3,866.1) million for the third quarter. Excluding exchange rate variations, the order intake for the Group was 25.0 percent higher than the third quarter last year.

Orders received amounted to SEK 13,496.4 (11,969.4) million for the first nine months. Excluding exchange rate variations, the order intake for the Group was 12.7 percent higher than the same period last year.

Orders received from the after market "Parts & Service" has continued to develop positively and increased by 7.4 percent for the first nine months compared to the corresponding period last year excluding exchange rate variations. Its relative share of the Group's total orders received was 23.0 (24.2) percent.

Order backlog

The order backlog at September 30, 2005 was 7,110.9 (5,214.6) million. Excluding exchange rate variations, the order backlog was 35.3 percent higher than the order backlog at September 30, 2004 and 46.7 percent higher than the order backlog at the end of 2004.

Net sales

Net sales amounted to SEK 4,277.4 (3,837.5) million for the third quarter. Excluding exchange rate variations, the invoicing was 10.2 percent higher than the third quarter last year.

Net sales of the Alfa Laval Group amounted to SEK 11,646.6 (10,819.7) million for the first nine months. Excluding exchange rate variations, the invoicing was 7.8 percent higher than the period January to September last year.

Income statement analysis

SEK millions	July 1 - Sept 30 2005	July 1 - Sept 30 2004 *	Jan 1 - Sept 30 2005	Jan 1 - Sept 30 2004 *	Jan 1 - Dec 31 2004 *
Net sales	4,277.4	3,837.5	11,646.6	10,819.7	14,985.8
Adjusted gross profit	1,508.9	1,348.7	4,204.0	3,949.8	5,342.2
- in % of net sales	35.3	35.1	36.1	36.5	35.6
Expenses **	-967.0	-863.5	-2,787.2	-2,529.8	-3,386.2
- in % of net sales	22.6	22.5	23.9	23.4	22.6
Adjusted EBITDA	541.9	485.2	1,416.8	1,420.0	1,956.0
- in % of net sales	12.7	12.6	12.2	13.1	13.1
Depreciation	-62.7	-58.8	-185.6	-190.9	-260.9
Adjusted EBITA	479.2	426.4	1,231.2	1,229.1	1,695.1
- in % of net sales	11.2	11.1	10.6	11.4	11.3
Amortisation of step up values	-74.6	-72.8	-220.0	-222.0	-293.4
Comparison distortion items	47.4	47.5	-77.6	34.0	36.7
EBIT	452.0	401.1	933.6	1,041.1	1,438.4

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

The first nine months generated a gross profit of SEK 3,984.0 (3,727.8) million. Excluding the amortisation of SEK 220.0 (222.0) million on step up values, the adjusted gross profit was SEK 4,204.0 (3,949.8) million. This corresponds to 36.1 (36.5) percent of net sales.

Sales and administration expenses amounted to SEK 2,455.2 (2,327.6) million. Excluding exchange rate variations and the acquisition of Packinox, sales and administration expenses were 2.6 percent higher than the corresponding period last year.

The costs for research and development has amounted to SEK 327.2 (288.0) million, corresponding to 2.8 (2.7) percent of net sales.

Adjusted EBITDA amounted to SEK 1,416.8 (1,420.0) million for the first nine months. The adjusted EBITA amounted to SEK 1,231.2 (1,229.1) million. The adjusted EBITA margin was 10.6 (11.4) percent. The adjusted result after tax and the minority's share of the result, excluding depreciation of step-up values and the corresponding tax, was SEK 6.52 (6.59) per share. Other operating costs were burdened with costs for an M&A activity by SEK 15.0 million and regular commissions to contractors and engineering houses in relation to Packinox by SEK 32.3 million.

The result has been affected by comparison distortion items of SEK -77.6 (34.0) million. In the income statement these are reported gross as a part of other operating income and other operating costs, see summary on page 13. In August 2005 approximately 45 percent of the land in Cwmbran in Wales was divested for SEK 58.0 million with a realised gain of SEK 47.4 million. During the first nine 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. During September 2004 the property in Kenosha, USA, was 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 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.

	July 1 - Sept 30 2005	July 1- Sept 30 2004 *	Jan 1 - Sept 30 2005	Jan 1- Sept 30 2004 *	Jan 1- Dec 31 2004 *
SEK millions					
Orders received	2,668.4	2,137.0	7,384.9	6,665.8	8,862.3
Order backlog **			3,205.6	2,092.1	2,097.3
Net sales	2,168.2	2,105.0	6,280.0	6,086.2	8,250.4
Operating income	320.9	281.4	830.7	846.5	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 10.6 percent and net sales increased by 3.2 percent during the first nine months 2005 compared to the corresponding period last year.

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

Operating income (excluding comparison distortion items)

The decrease in operating income during the first nine months 2005 compared to the corresponding period 2004 is explained by higher R&D costs and adverse foreign exchange effects, largely offset by a higher gross profit from the increased sales.

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.

	July 1 - Sept 30 2005	July 1- Sept 30 2004 *	Jan 1 - Sept 30 2005	Jan 1- Sept 30 2004 *	Jan 1- Dec 31 2004 *
SEK millions					
Orders received	2,234.3	1,728.3	6,084.4	5,257.6	6,818.0
Order backlog **			3,868.6	3,087.7	2,640.6
Net sales	2,107.4	1,710.9	5,348.7	4,702.3	6,683.3
Operating income	214.2	197.4	483.6	420.8	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 15.9 percent and net sales increased by 14.0 percent during the first nine months 2005 compared to the corresponding period last year. Excluding the acquisition of Packinox, the corresponding figures are 12.2 percent and 5.2 percent.

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

Operating income (excluding comparison distortion items)

The increase in operating income during the first nine months 2005 compared to the corresponding period 2004 is due to higher gross profit as a result of 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	July 1 - Sept 30 2005	July 1- Sept 30 2004	Jan 1 - Sept 30 2005	Jan 1- Sept 30 2004	Jan 1- Dec 31 2004
Orders received	15.8	0.8	27.1	46.0	59.7
Order backlog *			36.7	34.8	25.5
Net sales	1.8	21.6	17.9	31.2	52.1
Operating income	-130.5	-125.2	-303.1	-260.2	-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 nine months 2005 orders received increased most in Latin America and Asia followed by North America, Western Europe and Central and Eastern Europe, while the Nordic countries reported decreased orders received compared to the corresponding period last year.

Consolidated	July 1 - Sept 30 2005	July 1 - Sept 30 2004	Jan 1 - Sept 30 2005	Jan 1 - Sept 30 2004	Jan 1 - Dec 31 2004
SEK millions					
Customers in					
Sweden	188.8	189.1	628.5	659.7	884.0
Other EU	1,617.0	1,321.0	4,610.5	4,422.2	5,804.4
Other Europe	377.1	302.6	1,100.9	941.1	1,280.7
USA	605.3	496.4	1,760.0	1,623.1	2,136.5
Other North America	131.0	95.3	359.2	275.5	334.1
Latin America	247.8	173.3	616.4	444.8	689.8
Africa	83.0	38.7	186.1	113.0	167.9
Asia	1,601.2	1,178.5	4,011.4	3,271.9	4,164.5
Oceania	67.3	71.2	223.4	218.1	278.1
Total	4,918.5	3,866.1	13,496.4	11,969.4	15,740.0

Net sales

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

Net sales					
Consolidated	July 1 - Sept 30 2005	July 1 - Sept 30 2004	Jan 1 - Sept 30 2005	Jan 1 - Sept 30 2004	Jan 1 - Dec 31 2004
SEK millions					
Customers in					
Sweden	198.7	183.8	592.7	615.4	887.6
Other EU	1,401.2	1,453.3	4,066.7	4,113.2	5,706.5
Other Europe	368.3	296.3	1,008.8	871.2	1,196.5
USA	642.0	553.5	1,743.0	1,651.5	2,197.4
Other North America	121.2	86.3	286.4	219.8	296.2
Latin America	210.2	139.4	591.0	393.5	583.9
Africa	70.8	43.2	134.3	117.6	177.3
Asia	1,192.1	1,012.2	3,043.4	2,614.6	3,619.9
Oceania	72.9	69.5	180.3	222.9	320.5
Total	4,277.4	3,837.5	11,646.6	10,819.7	14,985.8

Consolidated financial result and net income

The financial net has amounted to SEK -170.6 (-133.8) 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 -39.5 (-31.3) million, interest on the bond loan of SEK -98.6 (-96.7) million and a net of dividends and other interest income and interest costs of SEK -32.5 (-5.8) million.

The net of realised and unrealised exchange rate differences amounts to SEK 59.9 (3.2) million in the first nine months.

The result after financial items was SEK 822.9 (910.5) million. The figure for 2004 is excluding goodwill amortisation.

Income taxes were SEK -210.9 (-294.8) million.

The parent company's result after financial items was SEK -10.6 (0.2) million, out of which net interests were SEK -3.3 (2.6) million, unrealised exchange differences SEK 0.2 (-) million, costs related to the listing SEK -2.3 (-0.8) million, fees to the Board SEK -0.9 (-1.1) million, cost for annual report and annual general meeting SEK -3.7 (-) million (not taken in parent company 2004) and other administration costs the remaining SEK -0.6 (-0.5) million.

Asbestos-related lawsuits in the United States

Alfa Laval's subsidiary in the United States, Alfa Laval Inc., was as of September 30, 2005, named as co-defendant in a total of 153 asbestos-related lawsuits with a total of approximately 2,900 plaintiffs.

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

During the third quarter 2005, Alfa Laval Inc. was named as co-defendant in an additional 30 lawsuits with a total of 53 plaintiffs. During the third quarter 2005, lawsuits involving approximately 4,100 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 206.8 (1,117.2) million during the first nine months. Out of this, acquisitions of businesses were SEK -425.3 (51.7) million whereas divestments generated cash of SEK 58.0 (346.9) million. Compared with last year, cash flow from operations has been influenced by larger tax payments.

Working capital increased by SEK 114.8 (298.8) million during the first nine months.

Investments in property, plant and equipment amounted to SEK 204.9 (216.5) million during the first nine months. Out of the figure for last year, acquired product concessions were SEK 36.6 million. Depreciations, excluding allocated step up values, amounted to SEK 185.6 (190.9) million during the period.

Cash and bank

The Group's cash and bank amounted to SEK 511.3 (531.8) 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 in millions	September 30 2005	September 30 2004	December 31 2004	December 31 2003
Credit institutions	2,244.8	1,719.9	1,502.1	2,530.7
Senior notes	1,083.8	1,052.8	1,044.4	1,064.8
Capitalised financial leases	7.1	8.6	4.2	13.6
Interest-bearing pension liabilities	4.8	5.2	4.8	5.2
Total debt	3,340.5	2,786.5	2,555.5	3,614.3
Cash, bank and current deposits	-713.1	-740.0	-672.0	-1,213.2
Net debt	2,627.4	2,046.5	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 66.6 (161.7) 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 4,035.5 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 September 30, 2005, SEK 1,883.2 million of the facility were utilised.

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

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 10,639 (10,360) shareholders on September 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 7.0 to 2.3 percent. These ten largest owners own 50.5 (57.1) percent of the shares.

Acquisitions and disposals

In a press release on September 23, 2005, Alfa Laval announced that the company had signed an agreement to acquire Tranter PHE from the U.S. company, Dover Corporation. The company had a turnover in 2004 of about SEK 800 million (USD 110 million) and has approximately 450 employees globally in R&D, manufacturing and sales. Alfa Laval has agreed to pay approximately SEK 1.1 billion (USD 150 million) in cash. The closing of the transaction is subject to clearance from regulatory authorities.

In August 2005 approximately 45 percent of the land in Cwmbran in Wales was divested for SEK 58.0 million with a realised gain of SEK 47.4 million.

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 third 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 amortised 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.

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 – September 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 - Sept 30, 2004	1,229.1	897.6	440.1
Adjustments for:			
Depreciation of goodwill	-	143.5	143.5
Minority share in subsidiaries' income	-	-	32.1
Adjusted income Jan 1 - Sept 30, 2004	1,229.1	1,041.1	615.7
Adjusted earnings per share (SEK) *			5.23

* 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 Sept 30, 2004	4,884.9
Adjustments for:	
Depreciation of goodwill	143.5
Minority interests	130.6
Translation difference	-1.9
Equity at Sept 30, 2004 according to IFRS	5,157.1

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 third quarter 2005 has not been audited.

Date for the next financial report

The fourth quarter and full year 2005 report will be published on February 9, 2006.

Nomination Committee for the Annual General Meeting 2006

In accordance with a resolution taken at the Annual General Meeting of Alfa Laval AB on April 27, 2005, the Chairman of the Board, Anders Narvinger has contacted the five largest shareholders by number of votes to constitute the Nomination Committee in preparation of the Annual General Meeting 2006.

The representatives of the five largest owners are: Finn Rausing, Tetra Laval, Magnus Wärn, AMF, Björn Franzon, Fjärde AP-Fonden, Jan Andersson, Robur and Cecilia Lager, SEB Fonder.

The Annual General Meeting of Alfa Laval AB will be held at Scandic Star Hotel in Lund on Thursday April 27, 2006, at 16.00.

Shareholders who wish to submit proposals to the Nomination Committee in preparation of the Annual General Meeting 2006 can turn to the Chairman of the Board of Alfa Laval AB at: anders.narvinger@teknikforetagen.se or to one of the shareholder representatives at:

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CONSOLIDATED CASH-FLOW STATEMENTS

Amounts in SEK millions	Jan 1 - Sept 30 2005	Jan 1 - Sept 30 2004 *	Jan 1 - Dec 31 2004 *
Cash flow from operating activities			
Operating income	933.6	1,041.1	1,438.4
Adjustment for depreciation	405.6	412.9	554.3
Adjustment for other non-cash items	-56.9	-17.0	15.4
	<u>1,282.3</u>	<u>1,437.0</u>	<u>2,008.1</u>
Taxes paid	-388.5	-203.1	-335.6
	<u>893.8</u>	<u>1,233.9</u>	<u>1,672.5</u>
Changes in working capital:			
(Increase)/decrease of current receivables	-5.4	-188.8	-389.4
(Increase)/decrease of inventories	-536.6	-543.7	-297.0
Increase/(decrease) of liabilities	300.3	314.7	131.9
Increase/(decrease) of provisions **	126.9	119.0	85.3
	<u>-114.8</u>	<u>-298.8</u>	<u>-469.2</u>
Cash flow from operating activities	<u>779.0</u>	<u>935.1</u>	<u>1,203.3</u>
Cash flow from investing activities			
Investments in fixed assets	-204.9	-216.5	-387.5
Divestment of fixed assets	58.0	336.9	361.5
Additional purchase price	-	-9.5	-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>-572.2</u>	<u>182.1</u>	<u>35.8</u>
Cash flow from financing activities			
Financial net, paid	-177.1	-120.6	-201.4
Dividends	-530.4	-446.7	-446.7
Dividend to minority owner in subsidiary	-26.3	-	-
(Increase)/decrease of other financial assets	25.3	506.0	472.4
Capitalised financing costs, acquisition loans	-4.4	-6.9	-7.3
Increase/(decrease) of liabilities to credit institutions	523.9	-1,081.0	-1,170.2
Cash flow from financing activities	<u>-189.0</u>	<u>-1,149.2</u>	<u>-1,353.2</u>
Net increase (decrease) in cash and bank	17.8	-32.0	-114.1
Cash and bank at the beginning of the year	414.8	554.6	554.6
Translation difference in cash and bank	78.7	9.2	-25.7
Cash and bank at the end of the period	<u>511.3</u>	<u>531.8</u>	<u>414.8</u>
Free cash flow per share (SEK) ***	1.85	10.00	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	July 1 - Sept 30 2005	July 1- Sept 30 2004 *	Jan 1 - Sept 30 2005	Jan 1 - Sept 30 2004 *	Jan 1 - Dec 31 2004 *
Net sales	4,277.4	3,837.5	11,646.6	10,819.7	14,985.8
Cost of goods sold	-2,843.1	-2,561.6	-7,662.6	-7,091.9	-9,937.0
Gross profit	1,434.3	1,275.9	3,984.0	3,727.8	5,048.8
Sales costs	-558.0	-534.1	-1,709.7	-1,647.1	-2,132.4
Administration costs	-261.8	-253.8	-745.5	-680.5	-929.5
Research and development costs	-110.0	-90.0	-327.2	-288.0	-403.9
Other operating income **	105.6	84.8	189.9	212.2	325.2
Other operating costs **	-158.1	-81.7	-457.9	-283.3	-469.8
Operating income	452.0	401.1	933.6	1,041.1	1,438.4
Dividends	0.6	0.9	2.2	2.3	3.1
Interest income	26.5	7.1	161.7	101.4	166.4
Interest expense	-74.1	-64.1	-274.6	-234.3	-346.3
Result after financial items	405.0	345.0	822.9	910.5	1,261.6
Taxes	-108.7	-106.5	-210.9	-294.8	-421.5
Net income for the year	296.3	238.5	612.0	615.7	840.1

Earnings per share (SEK) 2.54 2.05 5.19 5.23 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	July 1 - Sept 30 2005	July 1- Sept 30 2004	Jan 1 - Sept 30 2005	Jan 1 - Sept 30 2004	Jan 1 - Dec 31 2004
Operational					
Other operating income	58.2	35.4	142.5	161.3	271.3
Comparison distortion income	47.4	49.4	47.4	50.9	53.9
Total other operating income	105.6	84.8	189.9	212.2	325.2
Other operating costs	-158.1	-79.8	-332.9	-266.4	-452.6
Comparison distortion costs	-	-1.9	-125.0	-16.9	-17.2
Total other operating costs	-158.1	-81.7	-457.9	-283.3	-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		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net sales	4,277.4	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
Adjusted gross profit	1,508.9	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
- in % of net sales	35.3	36.3	37.0	33.4	35.1	35.8	39.0	33.9	38.5	39.2
Expenses **	-967.0	1,004.3	-815.9	-856.4	-863.5	-874.3	-792.0	-846.5	-818.0	-849.8
- in % of net sales	22.6	24.5	25.0	20.6	22.5	23.0	24.9	20.7	23.9	25.0
Adjusted EBITDA	541.9	483.0	391.9	536.0	485.2	483.6	451.2	538.5	500.9	484.7
- in % of net sales	12.7	11.8	12.0	12.9	12.6	12.7	14.2	13.2	14.6	14.2
Depreciation	-62.7	-61.0	-61.9	-70.0	-58.8	-63.6	-68.5	-75.5	-70.7	-72.2
Adjusted EBITA	479.2	422.0	330.0	466.0	426.4	420.0	382.7	463.0	430.2	412.5
- in % of net sales	11.2	10.3	10.1	11.2	11.1	11.1	12.0	11.3	12.6	12.1
Amortisation of step up values	-74.6	-73.6	-71.8	-71.4	-72.8	-74.5	-74.7	-74.4	-75.7	-75.6
Comparison distortion items	47.4	-	-125.0	2.7	47.5	-	-13.5	2.0	-	-
EBIT	452.0	348.4	133.2	397.3	401.1	345.5	294.5	390.6	354.5	336.9

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

** Excluding comparison distortion items

CONSOLIDATED BALANCE SHEET

Amounts in SEK millions	Sept 30 2005	Sept 30 2004 *	Dec 31 2004 *
ASSETS			
Non-current assets:			
Intangible assets	4,516.6	4,076.0	3,901.5
Property, plant and equipment	2,571.1	2,484.9	2,480.3
Financial assets	749.0	735.7	601.4
	<u>7,836.7</u>	<u>7,296.6</u>	<u>6,983.2</u>
Current assets			
Inventories	3,318.2	2,777.7	2,452.5
Accounts receivable	3,200.9	2,811.6	2,613.3
Other receivables	1,206.3	973.3	1,363.0
Derivative assets	45.3	-	-
Other current deposits	201.8	208.2	257.2
Cash and bank	511.3	531.8	414.8
	<u>8,483.8</u>	<u>7,302.6</u>	<u>7,100.8</u>
TOTAL ASSETS	<u>16,320.5</u>	<u>14,599.2</u>	<u>14,084.0</u>
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	5,464.3	5,157.1	5,269.2
Provisions for:			
Pensions and similar commitments	878.6	781.4	788.9
Deferred taxes	713.5	766.2	760.3
Other	391.6	320.7	316.1
	<u>1,983.7</u>	<u>1,868.3</u>	<u>1,865.3</u>
Non-current liabilities:			
Liabilities to credit institutions	1,917.5	1,486.5	1,262.7
Senior notes	1,083.8	1,052.8	1,044.4
	<u>3,001.3</u>	<u>2,539.3</u>	<u>2,307.1</u>
Current liabilities:			
Liabilities to credit institutions	327.3	233.4	239.4
Accounts payable	1,348.8	1,267.8	1,349.6
Advances from customers	1,015.6	628.2	542.0
Other liabilities	2,212.3	2,263.6	1,879.3
Other provisions	783.7	641.5	632.1
Derivative liabilities	183.5	-	-
	<u>5,871.2</u>	<u>5,034.5</u>	<u>4,642.4</u>
TOTAL SHAREHOLDERS' EQUITY & LIAB.	<u>16,320.5</u>	<u>14,599.2</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 - Sept 30 2005	Jan 1 - Sept 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	-209.2	-	-
Dividends	-530.4	-446.7	-446.7
Translation difference	247.9	19.0	-80.0
Net income for the period	612.0	615.7	840.1
Minority share in subsidiaries' income	-31.9	-32.1	-45.4
At the end of the period	5,464.3	5,157.1	5,269.2
Minority interest part of equity capital	119.7	130.6	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.