



# Alfa Laval AB (publ)

## Interim report April 1 – June 30, 2006

"The order intake during the quarter was exceptional and increased with 36 percent for Alfa Laval, an increase excluding the acquisition of Tranter of 24 percent. The strongest growth came from Eastern Europe, North America and Asia. The recovery in Western Europe, which started during the end of last year, continued.

Our focus on profitability and the high capacity utilization gave a continued improvement of the operating margin."

*Lars Renström, President and CEO, Alfa Laval*

### **Summary of the second quarter 2006:**

- Order intake increased to SEK 6,217 (4,574) million, meaning an increase by 35.2 percent excluding exchange rate variations.
- Net sales increased to SEK 4,876 (4,101) million, meaning an increase by 17.5 percent excluding exchange rate variations.
- Adjusted EBITA increased to SEK 707 (422) million, including positive foreign exchange effects of SEK 19 million.
- Adjusted EBITA-margin increased to 14.5 (10.3) percent.
- Result after financial items increased to SEK 587 (342) million.
- Cash flow from operating activities increased to SEK 517 (277) million.

### **Summary of the first six months 2006:**

- Order intake increased to SEK 11,698 (8,578) million, meaning an increase by 31.3 percent excluding exchange rate variations.
- Net sales increased to SEK 8,952 (7,369) million, meaning an increase by 16.6 percent excluding exchange rate variations.
- Adjusted EBITA increased to SEK 1,232 (752) million, including positive foreign exchange effects of SEK 49 million.
- Adjusted EBITA-margin increased to 13.8 (10.2) percent.
- Result after financial items increased to SEK 1,013 (418) million.
- Result after tax increased to SEK 788 (316) million.
- Earnings per share increased to SEK 6.87 (2.65).
- Cash flow from operating activities increased to SEK 909 (294) million.

### **Outlook for the near future**

"In most of the markets, geographical as well as customer segments that Alfa Laval serves, a continued very strong demand is expected."

(The outlook for the near future has remained unchanged since the outlook in the fourth quarter and full year 2005 report issued on February 9, 2006.)

The interim report has been issued on July 25, 2006 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	April 1 - June 30 2006	April 1 - June 30 2005	Jan 1 - June 30 2006	Jan 1 - June 30 2005	2005	2004	2003 *
<b>Order intake</b>	6,217	4,574	11,698	8,578	18,516	15,740	14,145
<b>Net sales</b>	4,876	4,101	8,952	7,369	16,330	14,986	13,909
<b>Adjusted EBITDA 1)</b>	769	483	1,357	875	2,030	1,956	1,920
<b>Adjusted EBITA 2)</b>	707	422	1,232	752	1,766	1,695	1,627
<b>Adjusted EBITA 2)- margin</b>	14.5%	10.3%	13.8%	10.2%	10.8%	11.3%	11.7%
<b>Result after financial items</b>	587	342	1,013	418	1,099	1,262	817
<b>Return on capital employed 3)</b>			27.4%	20.7%	22.7%	23.7%	21.3%
<b>Return on equity capital 3)</b>			23.7%	14.8%	16.0%	15.9%	13.2%
<b>Solidity</b>			33.0%	31.3%	35.9%	37.4%	33.3%
<b>Debt ratio, times</b>			0.49	0.59	0.35	0.36	0.49
<b>Cash flow from operations</b>	517	277	909	294	1,617	1,203	1,704
<b>Investments</b>	73	61	137	119	324	388	259
<b>No. of employees 4)</b>			9,986	9,536	9,429	9,527	9,358

\*) Not according to IFRS, i.e. including goodwill amortisation.

- 1) Adjusted EBITDA – "Earnings before interests, taxes, depreciation, amortisation of step up values and comparison distortion items."
- 2) Adjusted EBITA – "Earnings before interests, taxes, amortisation of 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 25, 2006,

Lars Renström  
President and Chief Executive Officer  
Alfa Laval AB (publ)

## Management's discussion and analysis

### Orders received

Orders received amounted to SEK 6,217.0 (4,573.5) million for the second quarter. Excluding exchange rate variations, the order intake for the Group was 35.2 percent higher than the second quarter last year. Excluding the acquisition of Tranter, the corresponding figure is 24.0 percent.

Orders received amounted to SEK 11,698.4 (8,577.9) million for the first six months. Excluding exchange rate variations, the order intake for the Group was 31.3 percent higher than the same period last year. Excluding the acquisition of Tranter, the corresponding figure is 24.4 percent.

Orders received from the after market "Parts & Service" has continued to develop positively and increased by 13.4 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 20.8 (24.0) percent.

### Order backlog

The order backlog at June 30, 2006 was 11,082.9 (6,403.5) million. Excluding exchange rate variations, the order backlog was 66.8 percent higher than the order backlog at June 30, 2005 and 46.1 percent higher than the order backlog at the end of 2005. Excluding the acquisition of Tranter, the corresponding figures are 52.4 percent and 33.4 percent.

### Net sales

Net sales amounted to SEK 4,875.7 (4,101.6) million for the second quarter. Excluding exchange rate variations, the invoicing was 17.5 percent higher than the second quarter last year. Excluding the acquisition of Tranter, the corresponding figure is 10.5 percent.

Net sales of the Alfa Laval Group amounted to SEK 8,951.5 (7,369.2) million for the first six months. Excluding exchange rate variations, the invoicing was 16.6 percent higher than the period January to June last year. Excluding the acquisition of Tranter, the corresponding figure is 11.4 percent.

**Income statement analysis**

SEK millions	<b>April 1 - June 30 2006</b>	April 1 - June 30 2005	<b>Jan 1 - June 30 2006</b>	Jan 1 - June 30 2005	Jan 1 - Dec 31 2005	Jan 1 - Dec 31 2004
Net sales	4,875.7	4,101.6	8,951.5	7,369.2	16,330.4	14,985.8
Adjusted gross profit	1,816.8	1,487.3	3,402.0	2,695.1	5,845.2	5,342.2
- in % of net sales	37.3	36.3	38.0	36.6	35.8	35.6
Expenses *	-1,047.8	-1,004.3	-2,044.9	-1,820.2	-3,815.2	-3,386.2
- in % of net sales	21.5	24.5	22.8	24.7	23.4	22.6
Adjusted EBITDA	769.0	483.0	1,357.1	874.9	2,030.0	1,956.0
- in % of net sales	15.8	11.8	15.2	11.9	12.4	13.1
Depreciation	-62.6	-61.0	-125.5	-122.9	-264.3	-260.9
<b>Adjusted EBITA</b>	<b>706.4</b>	<b>422.0</b>	<b>1,231.6</b>	<b>752.0</b>	<b>1,765.7</b>	<b>1,695.1</b>
- in % of net sales	14.5	10.3	13.8	10.2	10.8	11.3
Amortisation of step up values	-85.2	-73.6	-167.4	-145.4	-315.2	-293.4
Comparison distortion items	2.9	-	4.0	-125.0	-73.3	36.7
EBIT	624.1	348.4	1,068.2	481.6	1,377.2	1,438.4

\* Excluding comparison distortion items

The first six months generated a gross profit of SEK 3,234.6 (2,549.7) million. Excluding the amortisation of SEK 167.4 (145.4) million on step up values, the adjusted gross profit was SEK 3,402.0 (2,695.1) million. This corresponds to 38.0 (36.6) percent of net sales.

Sales and administration expenses amounted to SEK 1,775.9 (1,635.4) million. Excluding exchange rate variations and the acquisition of Tranter, sales and administration expenses were 2.9 percent higher than the corresponding period last year.

The costs for research and development has amounted to SEK 250.5 (217.2) million, corresponding to 2.8 (2.9) percent of net sales. Excluding exchange rate variations and the acquisition of Tranter, the costs for research and development increased by 12.2 percent compared to last year.

Adjusted EBITDA amounted to SEK 1,357.1 (874.9) million for the first six months. The adjusted EBITA amounted to SEK 1,231.6 (752.0) million. The adjusted EBITA margin was 13.8 (10.2) percent. The adjusted result after tax and the minority's share of the result, excluding amortisation of step-up values and the corresponding tax, was SEK 7.89 (3.53) per share.

The result has been affected by comparison distortion items of SEK 4.0 (-125.0) million. In the income statement these are reported gross as a part of other operating income and other operating costs, see specification on page 12. During the first six months 2006 two minor properties in France have been sold for SEK 2.8 million with a realised gain of SEK 0.9 million and one flat in Denmark has been sold for SEK 4.2 million with a realised gain of SEK 3.1 million. During the corresponding period 2005, costs for the closure of the separator factory in Madrid and the bioKinetics plant in Toronto of SEK -125.0 million were charged to the income statement.

## 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	April 1 - June 30 2006	April 1 - June 30 2005	Jan 1 - June 30 2006	Jan 1 - June 30 2005	Jan 1- Dec 31 2005	Jan 1- Dec 31 2004
Orders received	3,347.2	2,577.5	6,056.5	4,716.5	9,902.4	8,862.3
Order backlog *			5,177.2	2,690.6	3,382.5	2,097.3
Net sales	2,714.6	2,231.2	5,000.3	4,111.8	8,631.5	8,250.4
Operating income	484.9	288.5	853.4	509.8	1,162.5	1,100.4

\* At the end of the period.

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

Orders received increased by 24.1 percent and net sales increased by 17.5 percent during the first six months 2006 compared to the corresponding period last year. Excluding the acquisition of Tranter, the corresponding figures are 13.4 percent and 9.8 percent.

All segments in the Equipment division have developed positively. The most significant growth is found within the OEM segment followed by the Fluids & Utility Equipment segment.

*Operating income (excluding comparison distortion items)*

The increase in operating income during the first six months 2006 compared to the corresponding period 2005 is mainly explained by a higher gross profit, marginally offset by increased R&D costs.

### 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 2006	April 1 - June 30 2005	Jan 1 - June 30 2006	Jan 1 - June 30 2005	Jan 1- Dec 31 2005	Jan 1- Dec 31 2004
Orders received	2,866.4	1,988.7	5,634.5	3,850.1	8,572.8	6,818.0
Order backlog *			5,890.3	3,689.8	4,072.9	2,640.6
Net sales	2,145.9	1,861.2	3,919.6	3,241.3	7,672.8	6,683.3
Operating income	300.7	184.1	474.5	269.4	698.8	634.3

\* At the end of the period.

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

Orders received increased by 40.2 percent and net sales increased by 15.1 percent during the first six months 2006 compared to the corresponding period last year.

Excluding the acquisition of Tranter, the corresponding figures are 38.2 percent and 13.1 percent.

All segments in the Process Technology division have reported substantial increases in orders received compared to the first six months 2005. The growth has been largest within the Energy & Environment segment followed by the Food Technology and Process Industry segments.

*Operating income (excluding comparison distortion items)*

The increase in operating income during the first six months 2006 compared to the corresponding period 2005 is foremost due to a higher gross profit.

## Operations division and Other

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

SEK millions	<b>April 1 - June 30 2006</b>	April 1 - June 30 2005	<b>Jan 1 - June 30 2006</b>	Jan 1 - June 30 2005	Jan 1 - Dec 31 2005	Jan 1 - Dec 31 2004
Orders received	3.4	7.3	7.4	11.3	41.1	59.7
Order backlog *			15.4	23.1	41.5	25.5
Net sales	15.2	9.2	31.6	16.1	26.1	52.1
Operating income	-164.4	-124.2	-263.7	-172.6	-410.8	-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 2006 orders received increased most in Central and Eastern Europe followed by North America, Western Europe and Asia compared to the corresponding period last year.

### **Order received**

Consolidated	<b>April 1 - June 30 2006</b>	April 1 - June 30 2005	<b>Jan 1 - June 30 2006</b>	Jan 1 - June 30 2005	Jan 1 - Dec 31 2005	Jan 1 - Dec 31 2004
SEK millions						
Customers in						
Sweden	272.6	249.3	497.3	439.7	846.3	884.0
Other EU	2,134.7	1,675.7	3,929.7	2,993.5	6,516.4	5,804.4
Other Europe	572.0	400.4	1,178.1	723.8	1,555.4	1,280.7
USA	866.8	578.8	1,633.9	1,154.7	2,354.3	2,136.5
Other North America	142.6	81.4	367.3	228.2	467.1	334.1
Latin America	237.0	179.4	460.2	368.6	832.9	689.8
Africa	77.0	49.7	147.3	103.1	259.2	167.9
Asia	1,843.0	1,270.4	3,336.2	2,410.2	5,388.1	4,164.5
Oceania	71.3	88.4	148.4	156.1	296.6	278.1
Total	6,217.0	4,573.5	11,698.4	8,577.9	18,516.3	15,740.0

*Net sales*

During the first six months 2006 net sales increased most in North America followed by Asia and Central and Eastern Europe, while Latin America reported decreased invoicing compared to the corresponding period last year.

**Net sales**

Consolidated	<b>April 1 - June 30 2006</b>	April 1 - June 30 2005	<b>Jan 1 - June 30 2006</b>	Jan 1 - June 30 2005	Jan 1 - Dec 31 2005	Jan 1 - Dec 31 2004
SEK millions						
Customers in						
Sweden	219.3	211.7	423.3	394.0	842.4	887.6
Other EU	1,604.2	1,470.0	2,978.2	2,665.5	5,664.3	5,706.5
Other Europe	469.5	366.4	824.9	640.5	1,428.1	1,196.5
USA	768.7	595.0	1,458.2	1,101.0	2,327.9	2,197.4
Other North America	205.1	96.1	347.9	165.2	436.8	296.2
Latin America	188.5	213.9	413.8	380.8	798.5	583.9
Africa	49.8	39.9	79.8	63.5	223.6	177.3
Asia	1,286.9	1,047.4	2,285.3	1,851.3	4,336.6	3,619.9
Oceania	83.7	61.2	140.1	107.4	272.2	320.5
<b>Total</b>	<b>4,875.7</b>	<b>4,101.6</b>	<b>8,951.5</b>	<b>7,369.2</b>	<b>16,330.4</b>	<b>14,985.8</b>

**Consolidated financial result and net income**

The financial net has amounted to SEK -78.7 (-110.5) 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 -43.1 (-24.2) million, interest on the private placement and the bridge loan of SEK -13.0 (-) million, interest on the senior notes of SEK - (-66.6) million and a net of dividends and other interest income and interest costs of SEK -22.6 (-19.7) million. The increase in interests to the banking syndicate between 2006 and 2005 is due to the redemption of the senior notes in November 2005, which was financed via a designated tranche of the syndicated loan. The bridge loan was raised in anticipation of the private placement that finances the acquisition of Tranter.

The net of realised and unrealised exchange rate differences amounts to SEK 23.8 (46.8) million in the first six months.

The result after financial items was SEK 1,013.3 (417.9) million.

Income taxes were SEK -225.7 (-102.2) million. The difference between the years is mainly due to the difference in result.

The parent company's result after financial items was SEK 1,986.9 (-7.9) million, out of which net interests were SEK -5.1 (-1.0) million, realised and unrealised exchange differences SEK -1.1 (-) million, dividends from subsidiaries SEK 2,000.0 (-) million, costs related to the listing SEK -0.5 (-2.1) million, fees to the Board SEK -1.8 (-0.9) million, cost for annual report and annual general meeting -2.9 (-3.0) million and other administration costs the remaining SEK -1.7 (-0.9) million.

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

Alfa Laval's subsidiary in the United States, Alfa Laval Inc., was as of June 30, 2006, named as co-defendant in a total of 179 asbestos-related lawsuits with a total of approximately 500 plaintiffs.

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

During the second quarter 2006, Alfa Laval Inc. was named as co-defendant in an additional 27 lawsuits with a total of 31 plaintiffs. During the second quarter 2006, 25 lawsuits involving about 2,500 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 -450.1 (-250.2) million during the first six months. Out of this, acquisitions of businesses were SEK -1,229.1 (-425.3) million whereas divestments generated cash of SEK 7.0 (-) million. The cash flow from operations has primarily been influenced by the higher operating income in comparison with last year.

Working capital increased by SEK 256.4 (150.5) million during the first six months.

Investments in property, plant and equipment amounted to SEK 137.3 (118.9) million during the first six months. Depreciations, excluding allocated step up values, amounted to SEK 125.5 (122.9) million during the period.

## Cash and bank

The Group's cash and bank amounted to SEK 479.9 (582.1) 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 2006	June 30 2005	December 31 2005	December 31 2004
Credit institutions	2,751.6	2,711.4	2,801.6	1,502.1
Senior notes	-	1,098.5	-	1,044.4
Private placement	797.9	-	-	-
Capitalised financial leases	27.0	3.6	29.4	4.2
Interest-bearing pension liabilities	2.9	4.8	2.9	4.8
Total debt	3,579.4	3,818.3	2,833.9	2,555.5
Cash, bank and current deposits	-671.1	-753.9	-821.2	-672.0
Net debt	2,908.3	3,064.4	2,012.7	1,883.5

Cash, bank and current deposits include bank and other deposits in the publicly listed subsidiary Alfa Laval (India) Ltd of about SEK 81.5 (104.9) 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 signed a new senior credit facility with a banking syndicate of EUR 268 million and USD 348 million, corresponding to SEK 4,990.0 million. The credit facility replaced the previous syndicated loan and has in addition been used for



the redemption of the Group's senior notes. The new facility provides increased flexibility, extended maturity and reduced costs. At June 30, 2006, SEK 2,241.7 million of the facility were utilised. The maturity of the facility is five years.

Alfa Laval has made a private placement in the US. The offer was over-subscribed and was closed at USD 110 million with a maturity of 10 years and an interest based on US Treasury bills plus a mark-up of 95 basis points. The loan was raised on April 27, 2006. In anticipation of this a bridge loan of USD 100 million was raised from HSBC on March 1, 2006 in connection with the payment of the purchase price for Tranter.

Alfa Laval redeemed the outstanding senior notes on November 15, 2005. As a consequence Alfa Laval has been de-registered with the SEC in the US.

## **Ownership and legal structure**

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

The company had 10,675 (11,545) shareholders on June 30, 2006. 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 10.1 to 1.5 percent. These ten largest owners own 53.9 (49.3) percent of the shares.

## **Acquisitions and disposals**

In a press release on March 6, 2006 Alfa Laval communicated that the acquisition of Tranter PHE from the U.S. company, Dover Corporation had been approved by the regulatory authorities and thereby been finalised. The purchase price was USD 150.8 million in cash. The acquisition was financed through a bilateral bank loan of EUR 25 million and a US private placement of USD 110 million. The company had a turnover in 2005 of SEK 862.8 million (USD 115.9 million) and has approximately 450 employees globally in R&D, manufacturing and sales.

Tranter is consolidated into the Alfa Laval Group as of March 1, 2006. The impact of the acquisition on the income statement and the cash flow statement is thus only for four months of operation. Tranter is reported as an integrated part of the Equipment and Process Technology divisions, but is acting as an independent sales channel. To date Tranter has developed better than anticipated and is generating a profit margin above group average.

During the first quarter 2006 Alfa Laval acquired the fruit preparation activity from Tetra Pak for SEK 10.2 million. The operation has less than 10 employees and a turnover of about SEK 45 million per annum.

## **Accounting principles**

The second quarter interim report 2006 is in accordance with RR 31 Consolidated Interim Reports, which requires that IAS 34 Interim Financial Reporting and the Swedish Annual Report's Act must be applied. The accounting principles are according to IFRS (International Financial Reporting Standards). This means that the same accounting principles and accounting estimates have been applied in the second quarter interim report 2006 as for the annual report for 2005.

Comparison figures for 2004 are recalculated to IFRS. Comparison figures are not needed for IAS 39 and are consequently not given.

**Date for the next financial report during 2006**

Alfa Laval will publish the interim report for the third quarter 2006 on October 25, 2006.

**CONSOLIDATED CASH-FLOW STATEMENTS**

Amounts in SEK millions	Jan 1 - June 30 2006	Jan 1 - June 30 2005	Jan 1 - Dec 31 2005	Jan 1 - Dec 31 2004
<b>Cash flow from operating activities</b>				
Operating income	1,068.2	481.6	1,377.2	1,438.4
Adjustment for depreciation	292.9	268.3	579.5	554.3
Adjustment for other non-cash items	17.2	-43.1	-44.1	15.4
	<u>1,378.3</u>	<u>706.8</u>	<u>1,912.6</u>	<u>2,008.1</u>
Taxes paid	-212.6	-262.3	-429.2	-335.6
	<u>1,165.7</u>	<u>444.5</u>	<u>1,483.4</u>	<u>1,672.5</u>
Changes in working capital:				
(Increase)/decrease of current receivables	-630.5	171.9	49.0	-389.4
(Increase)/decrease of inventories	-428.4	-604.4	-282.1	-297.0
Increase/(decrease) of liabilities	579.2	191.6	482.6	131.9
Increase/(decrease) of provisions	223.3	90.4	-116.4	85.3
	<u>-256.4</u>	<u>-150.5</u>	<u>133.1</u>	<u>-469.2</u>
<b>Cash flow from operating activities</b>	<u>909.3</u>	<u>294.0</u>	<u>1,616.5</u>	<u>1,203.3</u>
<b>Cash flow from investing activities</b>				
Investments in fixed assets	-137.3	-118.9	-323.7	-387.5
Divestment of fixed assets	7.0	-	163.8	361.5
Additional purchase price	-	-	-	-9.4
Acquisition of businesses	-1,229.1	-425.3	-504.7	-
Reduction of purchase price	-	-	-	61.2
Divestment of businesses	-	-	-	10.0
<b>Cash flow from investing activities</b>	<u>-1,359.4</u>	<u>-544.2</u>	<u>-664.6</u>	<u>35.8</u>
<b>Cash flow from financing activities</b>				
Financial net, paid	-19.8	-113.3	-351.3	-201.4
Dividends to owners of parent company	-569.5	-530.4	-530.4	-446.7
Dividends to minority owners in subsidiary	-17.7	-	-26.3	-
(Increase)/decrease of other financial assets	131.6	-18.9	-31.0	472.4
Capitalised financing costs, acquisition loans	-4.0	-4.4	-4.4	-7.3
Increase/(decrease) of liabilities to credit institutions	957.9	997.5	-29.3	-1,170.2
<b>Cash flow from financing activities</b>	<u>478.5</u>	<u>330.5</u>	<u>-972.7</u>	<u>-1,353.2</u>
<b>Net increase (decrease) in cash and bank</b>	<u>28.4</u>	<u>80.3</u>	<u>-20.8</u>	<u>-114.1</u>
Cash and bank at the beginning of the year	478.8	414.8	414.8	554.6
Translation difference in cash and bank	-27.3	87.0	84.8	-25.7
<b>Cash and bank at the end of the period</b>	<u>479.9</u>	<u>582.1</u>	<u>478.8</u>	<u>414.8</u>
Free cash flow per share (SEK) *	-4.03	-2.24	8.52	11.10
Average number of shares	111,671,993	111,671,993	111,671,993	111,671,993

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

**CONSOLIDATED INCOME STATEMENT**

Amounts in SEK millions	<b>April 1 - June 30 2006</b>	April 1 - June 30 2005	<b>Jan 1 - June 30 2006</b>	Jan 1 - June 30 2005	Jan 1 - Dec 31 2005	Jan 1 - Dec 31 2004
Net sales	4,875.7	4,101.6	8,951.5	7,369.2	16,330.4	14,985.8
Cost of goods sold	-3,144.1	-2,687.9	-5,716.9	-4,819.5	-10,800.4	-9,937.0
<b>Gross profit</b>	<b>1,731.6</b>	<b>1,413.7</b>	<b>3,234.6</b>	<b>2,549.7</b>	<b>5,530.0</b>	<b>5,048.8</b>
Sales costs	-652.8	-606.5	-1,265.0	-1,151.7	-2,365.3	-2,132.4
Administration costs	-264.4	-276.7	-510.9	-483.7	-993.7	-929.5
Research and development costs	-135.7	-116.8	-250.5	-217.2	-447.8	-403.9
Other operating income *	46.9	50.6	105.0	84.3	323.8	325.2
Other operating costs *	-101.5	-115.9	-245.0	-299.8	-669.8	-469.8
<b>Operating income</b>	<b>624.1</b>	<b>348.4</b>	<b>1,068.2</b>	<b>481.6</b>	<b>1,377.2</b>	<b>1,438.4</b>
Dividends	0.3	0.8	1.3	1.6	4.9	3.1
Interest income	56.7	80.1	105.7	135.2	173.6	166.4
Interest expense *	-93.9	-87.2	-161.9	-200.5	-456.7	-346.3
<b>Result after financial items</b>	<b>587.2</b>	<b>342.1</b>	<b>1,013.3</b>	<b>417.9</b>	<b>1,099.0</b>	<b>1,261.6</b>
Taxes	-132.3	-90.6	-225.7	-102.2	-171.0	-421.5
<b>Net income for the year</b>	<b>454.9</b>	<b>251.5</b>	<b>787.6</b>	<b>315.7</b>	<b>928.0</b>	<b>840.1</b>
Attributable to:						
Equity holders of the parent	444.0	241.9	767.5	296.4	884.8	794.7
Minority interests	10.9	9.6	20.1	19.3	43.2	45.4
<b>Earnings per share (SEK)</b>	<b>3.97</b>	<b>2.17</b>	<b>6.87</b>	<b>2.65</b>	<b>7.92</b>	<b>7.12</b>
Average number of shares	111,671,993	111,671,993	111,671,993	111,671,993	111,671,993	111,671,993

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

**Comparison distortion items**

Amounts in SEK millions	<b>April 1 - June 30 2006</b>	April 1 - June 30 2005	<b>Jan 1 - June 30 2006</b>	Jan 1 - June 30 2005	Jan 1 - Dec 31 2005	Jan 1 - Dec 31 2004
<b>Operational</b>						
Other operating income	44.0	50.6	101.0	84.3	272.1	271.3
Comparison distortion income	2.9	-	4.0	-	51.7	53.9
<b>Total other operating income</b>	<b>46.9</b>	<b>50.6</b>	<b>105.0</b>	<b>84.3</b>	<b>323.8</b>	<b>325.2</b>
Other operating costs	-101.5	-115.9	-245.0	-174.8	-544.8	-452.6
Comparison distortion costs	-	-	-	-125.0	-125.0	-17.2
<b>Total other operating costs</b>	<b>-101.5</b>	<b>-115.9</b>	<b>-245.0</b>	<b>-299.8</b>	<b>-669.8</b>	<b>-469.8</b>
<b>Financial</b>						
Interest expense	-93.9	-87.2	-161.9	-200.5	-368.2	-346.3
Comparison distortion costs	-	-	-	-	-88.5	-
<b>Total interest expense</b>	<b>-93.9</b>	<b>-87.2</b>	<b>-161.9</b>	<b>-200.5</b>	<b>-456.7</b>	<b>-346.3</b>

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

### Income statement analysis

SEK millions	2006		2005				2004			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	4,875.7	4,075.8	4,683.8	4,277.4	4,101.6	3,267.6	4,166.1	3,837.5	3,798.3	3,183.9
Adjusted gross profit	1,816.8	1,585.2	1,641.2	1,508.9	1,487.3	1,207.8	1,392.4	1,348.7	1,357.9	1,243.2
- <i>in % of net sales</i>	37.3	38.9	35.0	35.3	36.3	37.0	33.4	35.1	35.8	39.0
Expenses *	-1,047.8	-997.1	-1,028.0	-967.0	-1,004.3	-815.9	-856.4	-863.5	-874.3	-792.0
- <i>in % of net sales</i>	21.5	24.5	21.9	22.6	24.5	25.0	20.6	22.5	23.0	24.9
Adjusted EBITDA	769.0	588.1	613.2	541.9	483.0	391.9	536.0	485.2	483.6	451.2
- <i>in % of net sales</i>	15.8	14.4	13.1	12.7	11.8	12.0	12.9	12.6	12.7	14.2
Depreciation	-62.6	-62.9	-78.7	-62.7	-61.0	-61.9	-70.0	-58.8	-63.6	-68.5
<b>Adjusted EBITA</b>	<b>706.4</b>	<b>525.2</b>	<b>534.5</b>	<b>479.2</b>	<b>422.0</b>	<b>330.0</b>	<b>466.0</b>	<b>426.4</b>	<b>420.0</b>	<b>382.7</b>
- <i>in % of net sales</i>	<b>14.5</b>	<b>12.9</b>	<b>11.4</b>	<b>11.2</b>	<b>10.3</b>	<b>10.1</b>	<b>11.2</b>	<b>11.1</b>	<b>11.1</b>	<b>12.0</b>
Amortisation of step up values	-85.2	-82.2	-95.2	-74.6	-73.6	-71.8	-71.4	-72.8	-74.5	-74.7
Comparison distortion items	2.9	1.1	4.3	47.4	-	-125.0	2.7	47.5	-	-13.5
EBIT	624.1	444.1	443.6	452.0	348.4	133.2	397.3	401.1	345.5	294.5

\* Excluding comparison distortion items

**CONSOLIDATED BALANCE SHEET**

Amounts in SEK millions	June 30 2006	June 30 2005	Dec 31 2005
<b>ASSETS</b>			
Non-current assets			
Intangible assets	5,317.2	4,629.6	4,598.1
Property, plant and equipment	2,485.8	2,615.9	2,552.8
Other non-current assets	714.2	759.1	676.5
	<u>8,517.2</u>	<u>8,004.6</u>	<u>7,827.4</u>
Current assets			
Inventories	3,578.2	3,412.3	3,090.7
Accounts receivable	3,703.0	3,086.6	2,991.6
Other receivables	1,380.7	1,196.8	1,419.9
Derivative assets	254.1	48.2	55.6
Other current deposits	191.2	171.8	342.4
Cash and bank	479.9	582.1	478.8
	<u>9,587.1</u>	<u>8,497.8</u>	<u>8,379.0</u>
<b>TOTAL ASSETS</b>	<u>18,104.3</u>	<u>16,502.4</u>	<u>16,206.4</u>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Equity			
Shareholders' equity	5,847.5	5,035.9	5,679.7
Minority interest	125.8	135.7	131.7
	<u>5,973.3</u>	<u>5,171.6</u>	<u>5,811.4</u>
Non-current liabilities			
Liabilities to credit institutions	2,510.5	2,485.2	2,701.8
Senior notes	-	1,098.5	-
Private placement	797.9	-	-
Provisions for pensions and similar commitments	931.6	883.5	902.8
Provision for deferred tax	886.4	741.6	766.8
Other provisions	340.0	393.7	307.1
	<u>5,466.4</u>	<u>5,602.5</u>	<u>4,678.5</u>
Current liabilities			
Liabilities to credit institutions	241.1	226.2	99.8
Accounts payable	1,735.9	1,443.8	1,560.7
Advances from customers	1,314.5	976.2	969.7
Other provisions	763.2	704.1	650.3
Other liabilities	2,475.8	2,027.5	2,256.3
Derivative liabilities	134.1	350.5	179.7
	<u>6,664.6</u>	<u>5,728.3</u>	<u>5,716.5</u>
Total liabilities	12,131.0	11,330.8	10,395.0
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	<u>18,104.3</u>	<u>16,502.4</u>	<u>16,206.4</u>

**CHANGES IN CONSOLIDATED EQUITY**

Amounts in SEK millions	Jan 1 - June 30 2006	Jan 1 - June 30 2005	Jan 1 - Dec 31 2005
<b>At the beginning of the period</b>	5,811.4	5,375.9	5,375.9
<b>Changes attributable to:</b>			
<b>Equity holders of the parent</b>			
Cash flow hedges	211.8	-384.0	-290.5
Translation difference	-182.3	283.3	268.3
Deferred tax	-59.7	113.9	90.8
Net income for the period	767.5	296.4	884.8
Dividends	-569.5	-530.4	-530.4
<b>Subtotal</b>	167.8	-220.8	423.0
<b>Minority</b>			
Translation difference	-8.3	10.7	-4.4
Net income for the period	20.1	19.3	43.2
Dividends	-17.7	-13.5	-26.3
<b>Subtotal</b>	-5.9	16.5	12.5
<b>At the end of the period</b>	5,973.3	5,171.6	5,811.4

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