

CARDO AB

Interim report, January - June 1999

- **Invoiced sales rose to SEK 4,477 million (4,058). Adjusted for the effects of exchange rate movements and company acquisitions, the rise was approximately 2 percent.**
- **Operating earnings rose by 45 percent to SEK 242 million (167).**
- **Earnings after financial items and minority share rose by 26 percent to SEK 184 million (146), providing earnings per share after full tax of SEK 4.33 (3.79).**

The Group's inflow of orders amounted to SEK 5,028 million (4,528), which adjusted for the effects of exchange rate movements is a rise of approximately 2 percent for the current structure of the Group.

Invoiced sales rose by 10 percent to SEK 4,477 million (4,058). Adjusted for the effects of exchange rate movements, this was a rise of approximately 8 percent. Company acquisitions accounted for about 6 percentage points of this rise.

Operating earnings rose by 45 percent to SEK 242 million (167), providing an operating margin of 5.4 percent (4.1). Cardo Rail showed a further improvement in operating earnings. Cardo Door and Cardo Pump reported earnings roughly on a par with last year. Group earnings after financial items rose to SEK 193 million (119), providing a profit margin of 4.3 percent (2.9).

Earnings after financial items and minority share rose by 26 percent to SEK 184 million (146). Earnings per share after full tax for the period amounted to SEK 4.33 (3.79).

The return on capital employed was 19.7 percent (13.8) for the twelve-month period ended June 30. The return on equity during the same period was 20.4 percent (15.2).

Invoiced sales and operating earnings by business area

MSEK	Invoiced sales			Operating earnings		
	January-June 1999	1998	Whole year 1998	January-June 1999	1998	Whole Year 1998
Cardo Door	1,939	1,677	3,741	121	123	404
Cardo Pump	1,165	1,165	2,546	105	108	266
Cardo Rail	1,311	1,216	2,707	48	-42	-12
Other items ¹⁾	62	-	-	-32	-22	-131 ²⁾
	4,477	4,058	8,994	242	167	527
Financial items				-49	-48	127 ³⁾
Earnings after financial items				193	119	654
Minority share in earnings after financial items to be added/deducted				-9	27	22
Earnings after financial items and minority share				184	146	676

¹⁾ Made up of the parent company, other central units and Group adjustments. Invoiced sales during 1999 relates to Tebel and Group adjustments.

²⁾ Including write-down by SEK 85 million of assets attributable to Tebel.

³⁾ Including capital gain of SEK 233 million relating to sale of shares in AAE.

Cardo Door

Cardo Door is Europe's leading manufacturer of industrial doors and dock loading equipment and one of its largest manufacturers of residential garage doors. The major brand names for industrial doors and dock loading equipment are Crawford, Clever, Hafa, Faltec, Alsta and Allhabo. Residential garage doors are marketed under the brand names Normstahl, Crawford and Car-In.

December 1998 saw the acquisition of the German Hafa group, which is Europe's largest supplier of dock loading equipment. Hafa is consolidated in Cardo Door's balance sheet as of December 31 1998 and is included in invoicing and earnings as of 1999. The Bundeskartellamt competition authority in Germany approved this acquisition in early June.

Cardo Door's invoiced sales amounted to SEK 1,939 million (1,677) during the period. Adjusted for the effects of exchange rate movements and company acquisitions, this represents a fall of 3 percent.

Operating earnings were on a par with last year and amounted to SEK 121 million (123).

In southern and eastern Europe, demand for industrial doors remained good. The Swedish market is showing signs of a weak recovery, particularly in respect of medium-sized projects, while Norway is showing a decline. The German market weakened during the second quarter. Demand for service and rapid-action rolling doors rose in the major European markets and remained at a good level for dock loading systems. Demand for residential garage doors, which fell during the first quarter on account of the harsh winter in central Europe, rose during the second quarter, and accumulated sales are now running at last year's level.

As a result of the Hafa acquisition and a planned harmonization of dock loading products in Europe, negotiations are currently in progress regarding the concentration of Cardo Door's production of dock loading products to Hafa's manufacturing units. This means that two production units, one in Sweden and one in France, will be phased out.

A number of important orders were received during the period. In Sweden, 29 complete dock loading units were sold to ICA. In Italy, an order was received for 22 units for the Lidl Italia distribution center outside Turin, and 185 industrial doors were sold to Centro Agroalimentare in Verona. In France, an order was received for about 40 complete dock loading units for a logistics center near Paris, and in the UK around 40 units were sold to a distribution center in Bardon. In Germany, an order was received for 54 industrial door for a defense facility at Demen outside Schwerin, and in the USA 19 Megadoor doors of size 27 x 8.5 m were sold to Bombardier Aerospace for an aircraft hangar at Dorval Airport in Montreal, Canada.

Cardo Pump

Cardo Pump is one of Europe's largest manufacturers of pumps, mixers and aerators and a global leader in the production of sophisticated measuring instruments for the pulp and paper industry. The products are mainly marketed under the brand names ABS, Pumpex and Lorentzen & Wettre.

Invoiced sales amounted to SEK 1,165 million (1,165). After adjustment for the effects of exchange rate movements and company acquisitions, sales fell by 2 percent. This fall is due to factors such as the financial turbulence in Brazil, which resulted in a reduction in deliveries in the local market.

Volumes delivered to Cardo Pump's biggest segment, water supply and wastewater, have continued to grow. Deliveries to the pulp and paper industry and to the heating, ventilation and sanitation segment have decreased compared to the corresponding period last year.

Cardo Pump's operating earnings were roughly on a par with last year and amounted to SEK 105 million (108).

Demand rose in the water supply and wastewater area during the first half of the year while it fell for pumps for the pulp and paper industry and for the heating, ventilation and sanitation market.

Major projects included an order worth approximately SEK 10 million for process pumps and mixers for a new paper mill in Germany. The focus on the pulp and paper industry in the USA that was initiated in 1998 generated growth during the first six months of 1999.

Cardo Rail

Cardo Rail is one of the world's largest manufacturers of brake systems and brake components for rail vehicles. Marketing is mainly conducted under the SAB WABCO trademark, but also under the BSI, Davies & Metcalfe and Gutehoffnungshütte Radsatz brands. Cardo has a 60-percent holding in Cardo Rail and ThyssenKrupp holds 40 percent.

The inflow of orders rose by 8 percent for a comparable structure and adjusted for the effects of exchange rate movements. During the second quarter, orders booked included one worth SEK 200 million relating to complete brake systems for high-speed trains in South Korea. The trains, which will run between Pusan and Seoul, are based on the same technology as is used in the TGV trains in France.

Invoiced sales rose to SEK 1,311 million (1,216). Adjusted for the effects of exchange rate movements and Tebel, which was transferred to Cardo AB at the turn of the year, this represents an increase of 14 percent.

Operating earnings rose to SEK 48 million (-42). The improvement in earnings is a result both of the increase in invoicing and of the reduced level of costs due to the fact that restructuring measures adopted are now successively taking effect. Of the restructuring provision amounting to SEK 180 million established in 1997, SEK 161 million had been utilized at the end of June.

Liquidity and financing

At June 30, the Group's liquid assets stood at SEK 376 million (300) compared with SEK 517 million at the beginning of the year. In addition, there are unutilized credit facilities of approximately SEK 2.6 billion (2.4).

Net interest bearing debt at June 30 amounted to SEK 1,455 million (1,505) compared with SEK 1,975 million at the beginning of the year.

Cash flow generated by operations amounted to SEK 450 million (295) before tax. The corresponding figure after tax was SEK 318 million (177). The Group's gross investments, excluding company acquisitions, stood at SEK 94 million (79).

Equity amounted to SEK 2,285 million (2,024), which is equivalent to SEK 76.16 (67.48) per share.

The Group's equity ratio at June 30 was 35.7 percent (34.3).

During the period, the Group's policy on hedging the net assets (equity) of foreign subsidiaries changed. In consequence, as of mid-May net assets are no longer hedged.

Personnel

The number of employees in the Group at June 30 was 7,371 (7,543).

The parent company

The parent company's earnings after financial items amounted to SEK 155 million (-3), its gross investments to SEK 0 million (1) and its liquid assets to SEK 1 million (1) as against SEK 152 million at the beginning of the year.

Market prospects

During the remainder of the year, no dramatic changes are foreseen in the state of the construction market. The level of demand for products for the pulp and paper industry may stabilize during the second half of 1999. The trend for water supply and wastewater is expected to be positive, and a continued high level of activity is envisaged in the rail market. The acquisition of Hafa is expected to have a marginally positive effect on Group earnings after financial items for 1999. The restructuring measures will lead to a continued positive trend for Cardo Rail.

Malmö, Sweden, August 19 1999

Cardo AB (publ)

Kjell Svensson
President and CEO

This report has not been subjected to special examination by the Company's auditors.

The third quarter interim report will be published on November 9 1999.

Enclosed: 1. Consolidated income statement and balance sheet in brief
2. Consolidated cash flow statement in brief
3. Invoiced sales and operating earnings by business area
4. Group financial summary
5. Consolidated income statement and balance sheet in brief translated into euros

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Cardo is an international engineering group with a turnover of more than SEK 9 billion. Cardo holds a strong position in the markets for doors, pumps and rail-vehicle brake systems. Cardo has subsidiaries in about 30 countries with the focal point resting in western Europe, and roughly 7,400 employees.