

FEBRUARY 7 2006

CARDO AB
REPORT ON OPERATIONS 2005

Positive trend continues for Cardo's business area Cardo Pump
with strong earnings in fourth quarter

- Inflow of orders: SEK 7,990 million (7,743)
- Net sales: SEK 7,880 million (7,686)
- Net earnings: SEK 147 million (326), equivalent to earnings per share of SEK 4.91 (10.86)
- Fourth quarter earnings before tax have been charged with a non-recurring cost of SEK 201 million
- The Board proposes a dividend of SEK 8.00 (8.00)
- Strong inflow of orders in markets outside Europe

Fourth quarter

The fourth quarter saw the group developing positively with, after adjustment for the effects of exchange rate movements, a 6 percent higher inflow of orders compared with the corresponding period the previous year. Net sales for the fourth quarter rose by slightly more than 4 percent compared with the corresponding period the previous year after adjustment for the effects of exchange rate movements. Cardo Pump's earnings trend continued to be positive.

Cardo's earnings before tax for the fourth quarter have been charged with a restructuring cost of SEK 201 million in accordance with the changeover program that was announced during 2005.

Cardo Door

For Cardo Industrial Doors, the inflow of orders, adjusted for the effects of exchange rate movements, was slightly more than 4 percent higher than for the corresponding period the previous year, while net sales were 1 percent lower. For Cardo Garage Doors, the inflow of orders rose by 13 percent and net sales by 14 percent compared with the fourth quarter the previous year. Operating earnings for Cardo Door were on a par with the previous year.

Cardo Pump

For Cardo Pump, both the inflow of orders and net sales were 6 percent higher than for the corresponding period the previous year, adjusted for the effects of exchange rate movements. Operating earnings were 39 percent higher than for the fourth quarter the previous year.

Full year results January - December 2005

The group's inflow of orders amounted to SEK 7,990 million (7,743), an increase of 1 percent after adjustment for the effects of exchange rate movements. Cardo's inflow of orders in Europe was somewhat lower than the previous year, while several markets in Asia, the Middle East and North and South America have shown good growth.

Net sales amounted to SEK 7,880 million (7,686), a rise of 1 percent after adjustment for the effects of exchange rate movements. 91 percent (90) of the group's sales related to customers outside Sweden.

Operating earnings for the full year amounted to SEK 239 million (448). During 2005, the group underwent great changes. A new business strategy began to be implemented during the year, based on customer benefit and focusing on providing added value to strategically selected customers. A restructuring of the organization was begun and efficiency measures were initiated both to reduce the cost level and strengthen the marketing efforts. Costs of SEK 201 million for the reorganization of the group have been charged to the fourth quarter.

Earnings after financial items amounted to SEK 210 million (419).

Net earnings amounted to SEK 147 million (326), which is equivalent to SEK 4.91 (10.86) per share.

Cash flow from operating activities was SEK 214 million (467) after tax, which is equivalent to SEK 7.13 (15.57) per share. The lower cash flow is principally explained by the cash-flow effect of restructuring carried through and by the fact that the high level of invoicing late in the year will not give positive cash effects until 2006.

Cardo Door

For Cardo Door, the inflow of orders and sales for the whole year were more or less on a par with the previous year.

The inflow of orders to Cardo Industrial Doors was lower than the previous year in the large German, UK and French markets, while there was an increase in Asia and the Middle East. The inflow of orders generally increased as far as service is concerned, while it decreased for industrial doors and docking systems. For Cardo Garage Doors, the inflow of orders rose within the EU as a whole.

Net sales for Cardo Door as a whole amounted to a total of SEK 4,905 million (4,829). In Industrial, sales were marginally lower than the previous year, while those in Garage rose by 3 percent.

Operating earnings for Cardo Door as a whole amounted to SEK 242 million (316), made up of SEK 261 million (272) for Industrial and SEK –19 million (44) for Garage. The decline in earnings in Garage is explained by excess capacity and price pressure in the industry, resulting in difficulties in compensating for the rises in the prices of raw materials.

Cardo Pump

The inflow of orders to Cardo Pump rose by 4 percent compared with the previous year. The weak inflow of orders during the first quarter was followed by three quarters with a total organic growth in orders of 6 percent. The positive trend applied generally in all geographical markets. The inflow of orders rose in all Cardo Pump's product groups: equipment for wastewater applications, dewatering pumps and both pumping equipment and measuring instruments for the pulp and paper industry.

Net sales amounted to SEK 2,975 million (2,857), an increase of 2 percent compared with the previous year after adjustment for the effects of exchange rate movements.

Operating earnings for Cardo Pump amounted to SEK 284 million (220). Late in 2004 and early in 2005, a number of measures were adopted with a view to creating better conditions for organic growth. It was particularly pleasing that during 2005 Cardo Pump's companies in Germany, which is one of the largest markets for Pump, reversed a negative earnings trend lasting several years as a consequence of the changes implemented in working methods and organization.

Cardo reorganized as of January 1 2006

At the turn of the year 2005/2006, Cardo was reorganized into four divisions, which means that the separation into the former business areas Cardo Door and Cardo Pump no longer applies. The new group structure aims to increase transparency and clarity both in relation to customers and to the stock market and is as follows:

- *Door & Logistics Solutions*

Formerly Cardo Industrial Doors, with operations under the corporate brand Crawford

- *Wastewater Technology Solutions*

ABS operation from the former business area Cardo Pump

- *Pulp & Paper Solutions*

Two parts of the former business area Cardo Pump: Measuring Instruments field, i.e. Lorentzen & Wettre, and Scanpump operation that was previously part of ABS

- *Residential Garage Doors*

Formerly Cardo Garage Doors, with brands Crawford, Normstahl and Henderson

As of the interim report for January-March 2006, Cardo's results will be reported on the basis of the new structure, with comparative figures for 2005 recalculated in accordance with the new divisions.

In order to fully utilize potential synergies between the divisions, groupwide functions have been formed as of January 1 2006 in the following areas: purchasing, IT, finance & treasury, HR and marketing communications.

The objective is for the reorganization to reduce the cost level in the new, streamlined group by at least SEK 200 million annually, achieving full effect as of 2008.

Costs for the changeover of the group

Costs of SEK 201 million for the changeover of the group have been charged to earnings for the fourth quarter 2005. The costs include reorganizations and rationalizations of both sales and production organizations and largely involve staff cutbacks totaling a little less than 300 people. On the basis of the ambition to simplify operational and decision processes in the group, the number of decision levels in the organization has been reduced and efficiency measures have been adopted in both administration and production. The sales organizations in several major markets, particularly in Cardo Industrial Doors, have been changed with regard to sales channels and the approach to the market, based on strategic selection of customers.

In addition, costs include making use of synergies by means of the new groupwide functions. In the first instance, these costs relate to restructuring in IT, including outsourcing of infrastructure and efficiency measures as part of the process of achieving a standardized, joint IT platform for the group.

The restructuring is expected to result in slightly more than SEK 100 million in lower costs as early as 2006, whereof SEK 60 million relates to Door & Logistics Solutions and SEK 20 million to Wastewater Technology Solutions.

Liquidity and financing

At year-end, the group's liquid assets amounted to SEK 168 million (213). In addition, there are unutilized credit facilities of approximately SEK 2.0 billion (approximately 2.1).

The group's gross investments, exclusive of company acquisitions, stood at SEK 250 million (294).

Net interest bearing debt at year-end amounted to SEK 554 million (268).

Equity amounted to SEK 2,935 million (2,880), which is equivalent to SEK 97.83 (96.00) per share.

At year-end, the group's equity ratio was 53.0 percent (56.2).

Personnel

The average number of employees in the group was 5,845 (5,947).

Expanded group management

Fredrik Jönsson has been appointed head of Cardo's division Door & Logistics Solutions. Jönsson comes from a position as CEO of FlexLink AB. Fredrik Jönsson will take up his duties at Cardo in June 2006.

Peter Lindqvist has been appointed CIO (Chief Information Officer) at Cardo AB with responsibility for the new groupwide IT function. Lindqvist comes from a position as Deputy General Manager for Global IT, Toyota Industries. Peter Lindqvist will take up his duties on April 1 2006.

Both Fredrik Jönsson and Peter Lindqvist will be members of Cardo's group management team.

Repurchase of shares

At the Annual General Meeting of Cardo AB in 2005, a resolution was passed authorizing the Board of Directors to acquire up to so many own shares before the next Annual General Meeting that the Company's holding at no time exceeds 10 percent of all shares in the Company.

Acquisition is to be made on the Stockholm Stock Exchange at the market value applying on the occasion of acquisition. The Board has yet to resolve to utilize the authorization and thus no repurchase has been made.

The Board has resolved to propose that the Annual General Meeting on April 6 2006 authorize the Board of Directors to acquire up to so many own shares before the next Annual General Meeting that the Company's holding at no time exceeds 10 percent of all shares in the Company. Acquisition is to be made on the Stockholm Stock Exchange at the market value applying on the occasion of acquisition. The purpose of the repurchase is to give the Board the opportunity to adjust the capital structure of the Company during the period until the next Annual General Meeting.

Accounting principles

As of January 1 2005, Cardo draws up its financial reports for the group in accordance with International Financial Reporting Standards (IFRS), which have been endorsed by the EU Commission. This interim report has therefore been drawn up in accordance with IAS 34, Interim Financial Reporting, which accords with the requirements of recommendation RR 31 of the Swedish Financial Accounting Standards Council concerning interim reports for groups. Cardo's transition date to IFRS is January 1 2004, which means that comparative figures for 2004 in this report have been recalculated as if IFRS had been applied then as well. For a description of the effects of the transition to accounting in accordance with IFRS, please see appendix 5.

Parent company

The parent company's earnings after financial items amounted to SEK 439 million (521), gross investments to SEK 1 million (0) and liquid assets to SEK 10 million (0).

Dividend

The Board of Directors and President propose a dividend of SEK 8.00 (8.00) per share for the financial year 2005, which requires SEK 240 million (240).

Annual General Meeting and financial reports

The Annual General Meeting will be held on Thursday, April 6 2006 at 5 pm at Malmö Exhibition & Convention Center, St Varvsgatan 15, Malmö, Sweden.

- The Annual Report will be distributed in early March
- The Interim Report January - March will be published on May 3
- The Interim Report January - June will be published on August 10
- The Interim Report January - September will be published on November 2

Previous market prospects

In the interim report that was published on November 10 2005, the following information was given:

The following market prospects still apply: it is difficult to assess the trend in the immediate future as far as demand for construction-related products is concerned, while for wastewater technology applications, the assessment is that market growth will remain good.

Market prospects

We assess that the general market trend for industrial products will be relatively favorable during 2006, even if there are differences between different geographical regions.

For Cardo's garage door division, the market trend is difficult to assess because of a large excess capacity in the industry and changes announced to local building legislation within the EU.

Malmö, Sweden, February 7 2006

Cardo AB (publ)
Board of Directors

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Cardo is an international industrial group offering value-adding solutions with high-quality products and service to selected customer groups. Operations are pursued in the group's divisions: Door & Logistics Solutions, Wastewater Technology Solutions, Pulp & Paper Solutions and Residential Garage Doors, which all enjoy strong positions in their respective markets. The group has approximately 5,800 employees in slightly more than 30 countries and sales of approximately SEK 7.9 billion. More than 90 percent of sales relate to customers outside Sweden. The head office is situated in Malmö, Sweden.

Consolidated income statement in brief

SEK million	3 months Oct-Dec 2005	3 months Oct-Dec 2004	Whole year 2005	Whole year 2004
Net sales	2,404	2,195	7,880	7,686
Cost of goods sold	-1,611	-1,420	-5,247	-5,033
Gross earnings	793	775	2,633	2,653
Selling and administrative expenses	-741	-559	-2,396 ¹⁾	-2,247
Other operating income and expenses - net	1	42 ²⁾	2	42 ²⁾
Operating earnings ³⁾	53 ⁴⁾	258	239 ⁴⁾	448 ⁵⁾
Revaluation financial instruments	6	4	-5	-7
Financial items	-6	-5	-24	-22
Earnings after financial items	53	257	210	419
Tax	-19	-48	-63	-93
Net earnings for the period	34	209	147	326
Earnings per share, SEK	1.13	6.96	4.91	10.86
Earnings per share excluding non-recurring items, SEK ^{2), 4), 5)}	5.82	5.63	9.60	11.16
Number of shares, thousands	30,000	30,000	30,000	30,000

¹⁾ Selling and administrative expenses include termination costs of SEK 26 million relating to the changes in group management during the period April-June 2005.

²⁾ Other operating income includes capital gain of SEK 40 million on disposal of shares in SAB WABCO.

³⁾ Operating earnings have been charged with depreciation and amortization amounting to

53	52	211	211
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⁴⁾ Costs of SEK 201 million for reorganization in Cardo are included in operating earnings for the interim period year 2005 and for the whole year 2005. Reorganization costs are included in cost of goods sold in the sum of SEK 47 million and in selling and administrative expenses in the sum of SEK 154 million.

⁵⁾ Costs of SEK 70 million for reorganization in Cardo Pump are included in operating earnings for the whole year 2004. Reorganization costs are included in cost of goods sold in the sum of SEK 20 million and in selling and administrative expenses in the sum of SEK 50 million.

Net sales, operating earnings and operating margin by business area

SEK million	3 months Oct-Dec 2005	3 months Oct-Dec 2004	Whole year 2005	Whole year 2004
Net sales				
Cardo Door	1,481	1,369	4,905	4,829
<i>whereof Industrial</i>	<i>1,119</i>	<i>1,078</i>	<i>3,748</i>	<i>3,730</i>
<i>whereof Garage</i>	<i>369</i>	<i>311</i>	<i>1,178</i>	<i>1,148</i>
<i>elimination of intercompany sales</i>	<i>-7</i>	<i>-20</i>	<i>-21</i>	<i>-49</i>
Cardo Pump	923	826	2,975	2,857
Group	2,404	2,195	7,880	7,686
Operating earnings				
Cardo Door	137	136	242	316
<i>whereof Industrial</i>	<i>116</i>	<i>107</i>	<i>261</i>	<i>272</i>
<i>whereof Garage</i>	<i>21</i>	<i>29</i>	<i>-19</i>	<i>44</i>
Cardo Pump	132	95	284	220
Other items ¹⁾	-15	-13	-86 ²⁾	-58
Non-recurring items	-201 ³⁾	40 ⁵⁾	-201 ³⁾	-30 ^{4), 5)}
Group	53	258	239	448
Operating margin				
Cardo Door	9.3%	9.9%	4.9%	6.5%
<i>Industrial</i>	<i>10.4%</i>	<i>9.9%</i>	<i>7.0%</i>	<i>7.3%</i>
<i>Garage</i>	<i>5.7%</i>	<i>9.3%</i>	<i>-1.6%</i>	<i>3.8%</i>
Cardo Pump	14.3%	11.5%	9.5%	7.7%
Group, excl. non-recurring items	10.6%	9.9%	5.6%	6.2%
Group, incl. non-recurring items	2.2%	11.8%	3.0%	5.8%

¹⁾ Made up of the parent company, other central units and group adjustments.

²⁾ Include termination costs of SEK 26 million relating to the changes in group management during the period April-June 2005.

³⁾ Provision of SEK 201 million for reorganization in Cardo.

⁴⁾ Provision of SEK 70 million for reorganization in Cardo Pump.

⁵⁾ Capital gain of SEK 40 million on disposal of shares in SAB WABCO.

Business area financial summary

SEK million	Cardo Door		Cardo Pump	
	2005	2004	2005	2004
Net sales	4,905	4,829	2,975	2,857
Operating earnings ¹⁾	242	316	284	220
Operating capital ²⁾	2,252	2,130	1,220	1,019
whereof operating assets	3,291	3,049	1,799	1,581
whereof operating liabilities	1,039	919	579	562
Operating margin, % ¹⁾	5	6	10	8
Sales abroad, %	90	90	92	91
Average number of employees	3,736	3,836	2,083	2,087
Investments, gross	158	156	91	138
Depreciation and amortization	131	132	78	78
Order backlog Dec 31	989	894	520	425

¹⁾ Excluding non-recurring items.

²⁾ Non-interest bearing assets excluding tax assets, less non-interest bearing provisions and liabilities excluding tax liabilities.

Geographical distribution of net sales

	2005		2004
	SEK million	%	%
Germany	947	12.0	13.0
France	739	9.4	9.4
Sweden	730	9.3	9.8
Netherlands	647	8.2	8.1
UK	622	7.9	9.4
Europe, other	2,917	37.0	35.3
Total Europe	6,602	83.8	85.0
North America	543	6.9	6.6
Asia	294	3.7	4.2
Middle East	215	2.7	1.7
Latin America	132	1.7	1.3
Oceania	55	0.7	0.6
Africa	39	0.5	0.6
Total	7,880	100.0	100.0

Consolidated balance sheet in brief

SEK million	31/12/05	31/12/04
Assets		
Intangible fixed assets	1,007	944
Tangible fixed assets	1,118	1,075
Financial fixed assets	206	182
Inventories	933	827
Current receivables	2,110	1,885
Short-term investments, cash and bank balances	168	213
Total assets	5,542	5,126
Equity and liabilities		
Equity	2,935	2,880
Interest bearing provisions and liabilities	731	489
Non-interest bearing provisions and liabilities	1,876	1,757
Total equity and liabilities	5,542	5,126
Contingent liabilities	43	22

Equity

SEK million	31/12/05	31/12/04
Opening balance adjusted in accordance with new principles ¹⁾	2,880	2,826
Dividend to shareholders	-240	-240
Translation differences	148	-32
Net earnings for the period	147	326
Closing balance	2,935	2,880

¹⁾ For a description of the effects of the transition to IFRS, please refer to appendix 6.

Consolidated cash flow statement in brief

SEK million	Whole year 2005	Whole year 2004
Earnings after financial items	210	419
Depreciation, amortization, other items without effect on cash flow and change in non-interest bearing provisions	354	228
Cash flow from operating activities before change in working capital	564	647
Change in working capital	-228	-94
Cash flow from operating activities before tax	336	553
Tax paid	-122	-86
Cash flow from operating activities after tax	214	467
Investments in intangible and tangible fixed assets	-250	-294
Disposal of intangible and tangible fixed assets	36	44
Acquisition of companies	-15	-4
Disposal of shares	-	50
Change in long-term receivables	-	6
Change in interest bearing receivables	-	-6
Cash flow from investing activities	-229	-204
Change in interest bearing provisions and liabilities	194	20
Dividend to shareholders	-240	-240
Cash flow from financing activities	-46	-220
Net cash flow effect on liquid funds	-61	43

Change in net interest bearing debt

SEK million	Liquid funds	Interest bearing receivables, provisions and liabilities, net	Net interest bearing debt
Opening balance January 1 2005	213	-481	-268
Cash flow for the period	-61	-194	-255
Translation differences	16	-47	-31
Closing balance December 31 2005	168	-722	-554

Group financial summary

<i>Amounts in SEK million unless otherwise stated</i>	Whole year				
	2001 *	2002 *	2003 *	2004	2005
Net sales	10,777	10,376	7,687	7,686	7,880
Operating earnings	758	930	448	448	239
Earnings after financial items	660	856	428	419	210
Operating margin, %	7.0	9.0	5.8	5.8	3.0
Profit margin, %	6.1	8.3	5.6	5.5	2.7
Interest cover, times	6.8	9.7	13.9	16.7	7.9
Investments, gross	305	309	270	294	250
Cash flow from operating activities after tax	648	839	656	467	214
Degree of self-financing, %	212	272	243	159	86
Fixed assets	3,061	2,265	2,151	2,201	2,331
Current assets	5,034	3,846	2,833	2,925	3,211
Total assets	8,095	6,111	4,984	5,126	5,542
Equity	3,595	3,875	2,886	2,880	2,935
Minority interest	10	-	-	-	-
Interest bearing provisions and liabilities	1,526	335	353	489	731
Non-interest bearing provisions and liabilities	2,964	1,901	1,745	1,757	1,876
Average capital employed	4,958	4,821	3,665	3,345	3,537
Net interest bearing debt	1,242	-593	179	268	554
Turnover of capital employed, times	2.17	2.15	2.10	2.30	2.23
Return on capital employed, %	15.6	19.8	12.6	13.3	6.8
Return on equity, %	13.3	18.7	9.5	11.5	5.1
Equity ratio, %	44.5	63.4	57.9	56.2	53.0
Debt/equity ratio, times	0.4	0.1	0.1	0.2	0.2
Net debt/equity ratio, times	0.3	-0.2	0.1	0.1	0.2
Average number of employees	8,179	7,851	6,203	5,947	5,845
Per share data					
Earnings after tax, SEK	14.81	22.50	10.28	10.86	4.91
Earnings after tax excluding non-recurring items, SEK	15.81	12.65	10.28	11.17	9.60
Dividend for the financial year, SEK	8.00	40.00 ¹⁾	8.00	8.00	8.00 ²⁾
Equity, SEK	119.84	129.17	96.21	96.00	97.83
Cash flow from operating activities after tax, SEK	21.60	27.97	21.87	15.57	7.13
Number of shares, thousands	30,000	30,000	30,000	30,000	30,000

* The figures for 2001-2003 have not been recalculated in accordance with IFRS. For a description of the differences between the accounting principles applied 2001-2003 and IFRS applied 2004 och 2005, please refer to appendix 6.

¹⁾ Regular dividend SEK 8.00 and extra dividend SEK 32.00.

²⁾ Board of Directors' proposal.

Transition to financial reporting in accordance with IFRS

As of January 1 2005, Cardo applies International Financial Reporting Standards (IFRS), which have been endorsed by the EU Commission. The interim report for the period January 1 - March 31 2005 was Cardo's first financial report that was drawn up in accordance with IFRS. The transition is reported in accordance with IFRS 1, First Time Adoption of IFRS, with January 1 2004 as the transition date. In interim reports and the annual report for 2005, comparative figures for 2004 will therefore also be presented in accordance with IFRS.

For a description of the most significant differences between previously applied accounting principles, under which the annual report and interim reports for 2004 were drawn up, and IFRS, please refer to appendices in the interim report for the period January-March 2005. There you will also find reconciliations of the effects on the income statement for the whole year and all quarters 2004 and on balance sheets as at January 1 and December 31, 2004.

Effects on income statement and equity

The tables below outline the effects on income statements for the comparative periods in the interim report and on equity as at January 1 and December 31 2004 if IFRS had been applied during 2004.

Consolidated income statement in brief	3 months, Oct-Dec 2004			Whole year 2004		
	According to old principles	Effects of transition to IFRS	According to IFRS	According to old principles	Effects of transition to IFRS	According to IFRS
SEK million						
Net sales	2,195	-	2,195	7,686	-	7,686
Cost of goods sold	-1,420	-	-1,420	-5,033	-	-5,033
Gross earnings	775	-	775	2,653	-	2,653
Selling and administrative expenses	-559	-	-559	-2,247	-	-2,247
Other operating income and expenses - net	19	23	42	-48	90	42
Operating earnings ¹⁾	235	23	258	358	90	448
Revaluation financial instruments	-	4	4	-	-7	-7
Financial items	-5	-	-5	-22	-	-22
Earnings after financial items	230	27	257	336	83	419
Tax	-54	6	-48	-86	-7	-93
Net earnings for the period	176	33	209	250	76	326
Earnings per share, SEK	5:87	1:09	6:96	8:32	2:54	10:86
¹⁾ Operating earnings have been charged with depreciation and amortization amounting to whereof goodwill	75 23		52 -	301 90		211 -

Equity

SEK million	01/01/04	31/12/04
Equity according to old principles ¹⁾	2,817	2,797
Effects of transition to IFRS	9	83
Equity according to IFRS	2,826	2,880

¹⁾ Equity according to old principles refers to equity after adjustment for effects of the transition to RR 29, Employee Benefits, that was recorded against opening balance on January 1 2004.