

NOVEMBER 2 2006

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CARDO AB  
INTERIM REPORT, JANUARY - SEPTEMBER 2006

### Continued improved profitability

- Inflow of orders: SEK 6,535 million (5,881)
- Net sales: SEK 6,004 million (5,476)
- Net earnings: SEK 215 million (113), equivalent to earnings per share of SEK 7.15 (3.77)
- Continued positive earnings trend for all divisions
- Rises in prices of materials during the year continuing to affect the margins

#### Third quarter

The process of change within the group is continuing according to plan, and the third quarter saw a positive trend with continued improvement in earnings compared with the corresponding period the previous year. Within Door & Logistics Solutions, we are growing strongly in our prioritized segments. Furthermore, growth remained good within Residential Garage Doors. However, the competitive situation in these divisions in combination with rises in prices of materials continued to affect the margins. Selective price rises were implemented during the quarter in order to meet the rises in the prices of materials.

The group's inflow of orders amounted to SEK 2,109 million (1,930) during the third quarter, up 11% after adjustment for the effects of exchange rate movements. Organic growth was 7%. The inflow of orders in Germany within Door & Logistics Solutions increased by almost 10%, while the rate of growth in the USA decreased in Wastewater Technology Solutions in particular.

Net sales amounted to SEK 2,056 million (1,901), up 9% after adjustment for the effects of exchange rate movements. Organic growth was 5%.

The group's operating earnings were SEK 140 million (117) during the period. Costs for the group as a whole are continuing to decrease as Cardo's new strategy and organization are implemented.

#### *Door & Logistics Solutions*

Adjusted for the effects of exchange rate movements, the inflow of orders and net sales rose by 14 and 12% respectively, whereof the acquisition of Combursa accounted for 7%. Operating earnings improved to SEK 66 million (58).

#### *Wastewater Technology Solutions*

Adjusted for the effects of exchange rate movements, the inflow of orders and net sales rose by 6 and 7% respectively, whereof the acquisition of Style Industries accounted for 1 and 2% respectively. Operating earnings amounted to SEK 64 million (63).

#### *Pulp & Paper Solutions*

Adjusted for the effects of exchange rate movements, the inflow of orders and net sales rose by 9 and 8% respectively. Operating earnings improved to SEK 10 million (2).

#### *Residential Garage Doors*

Adjusted for the effects of exchange rate movements, the inflow of orders and net sales rose by 10 and 6% respectively. Operating earnings improved to SEK 16 million (9).

The period January - September

The group's inflow of orders amounted to SEK 6,535 million (5,881), up 10% after adjustment for the effects of exchange rate movements. Organic growth was 8%.

Net sales amounted to SEK 6,004 million (5,476), up 9% after adjustment for the effects of exchange rate movements. Organic growth was 6%.

Operating earnings amounted to SEK 328 million (185). Improvements in earnings occurred in all divisions. The effects of the restructuring program are appearing according to plan. The impact of exchange rate movements on operating earnings was only marginal.

Net earnings amounted to SEK 215 million (113), which is equivalent to SEK 7.15 (3.77) per share.

Cash flow from operating activities was SEK 96 million (64) after tax, which is equivalent to SEK 3.20 (2.13) per share.

#### *Door & Logistics Solutions*

For Cardo's division Door & Logistics Solutions with its corporate brand Crawford, the inflow of orders amounted to SEK 3,145 million (2,770), up 12% on the corresponding period the previous year adjusted for the effects of exchange rate movements. Organic growth was 7%.

Net sales amounted to SEK 2,919 million (2,630), up 10% adjusted for the effects of exchange rate movements. Organic growth was 5%. Operating earnings were SEK 202 million (146). The improvement in earnings is an effect of increased sales and continued measures to enhance efficiency. Earnings were adversely affected to an extent of SEK 25-30 million by increases in the prices of materials.

#### *Wastewater Technology Solutions*

For the division Wastewater Technology Solutions with its corporate brand ABS, the inflow of orders amounted to SEK 1,918 million (1,765), up 7% on the previous year adjusted for the effects of exchange rate movements. Organic growth was 6%.

Net sales amounted to SEK 1,763 million (1,625), up 7% on the corresponding period the previous year adjusted for the effects of exchange rate movements. Organic growth was 6%. Operating earnings amounted to SEK 161 million (139).

#### *Pulp & Paper Solutions*

The division Pulp & Paper Solutions includes the Lorentzen & Wettre and Scanpump operations. The inflow of orders amounted to SEK 531 million (493), up 6% on the previous year adjusted for the effects of exchange rate movements.

Net sales amounted to SEK 468 million (427), up 8% adjusted for the effects of exchange rate movements. Operating earnings amounted to SEK 29 million (12).

#### *Residential Garage Doors*

Residential Garage Doors' operation is run under the Crawford, Normstahl and Henderson brands. The inflow of orders amounted to SEK 956 million (868), up 9% on the corresponding period the previous year adjusted for the effects of exchange rate movements.

Net sales amounted to SEK 871 million (809), up 7% adjusted for the effects of exchange rate movements. Earnings amounted to SEK -15 million (-40). The improved earnings are attributable to better capacity utilization and lower fixed costs. There are still difficulties in passing on increases in the prices of materials to customers.

#### Company acquisitions during 2006

Late March saw finalization of the acquisition of Combursa, Spain's leading supplier of docking systems and industrial doors with annual sales of approximately SEK 275 million and employing about 150 people. The results of the Door & Logistics Solutions division include Combursa from April 1.

Early July saw the acquisition of the operations of the Australian company Style Industries with annual sales of approximately SEK 45 million and employing a little less than 30 people. The company pursues sales and service of pumps and peripheral equipment for water treatment and wastewater applications. The results of the Wastewater Technology Solutions division include this operation from July 1.

#### Liquidity and financing

At September 30, the group's cash and cash equivalents amounted to SEK 142 million (149) as against SEK 168 million at the beginning of the year. In addition, there are unutilized credit facilities of approximately SEK 1.5 billion (approximately 2.0).

The group's gross investments, exclusive of company acquisitions, stood at SEK 107 million (183).

Net interest bearing debt at September 30 amounted to SEK 1,096 million (631) as against SEK 554 million at the beginning of the year. The increase is explained by company acquisitions and by the payment of dividend.

Equity amounted to SEK 2,876 million (2,882), which is equivalent to SEK 95.87 (96.07) per share.

At September 30, the group's equity ratio was 47.1% (52.7).

#### Personnel

The average number of employees in the group was 5,788 (5,708).

#### Repurchase of shares

At this year's Annual General Meeting of Cardo AB, 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% 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. The Board has yet to resolve to utilize the authorization and thus no repurchase has been made.

#### Accounting principles

This interim report has 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. The same accounting principles have been applied in the interim report as in the latest annual report.

#### Parent company

The parent company's earnings after financial items amounted to SEK 438 million (-17), gross investments to SEK 1 million (0) and cash and cash equivalents to SEK 0 million (0) as against SEK 10 million at the beginning of the year.

#### Changes in management

Fredrik Groth has been appointed Vice President Business Development with responsibility for the group's business development. Consequently, he left his post as head of the Wastewater Technology Solutions division on November 1. Until further notice, Cardo's President and CEO Peter Aru will be acting head of the division and its main operation ABS.

#### Election committee

The election committee that has been appointed ahead of the 2007 Annual General Meeting consists of:

Ulf Lundahl (chairman), L E Lundbergföretagen AB, Stockholm  
Britt Reigo, Robur funds, Stockholm  
Per-Erik Mohlin, SEB funds, Stockholm  
Fredrik Lundberg, Chairman of Cardo's Board of Directors

Proposals regarding election of members of the Board of Directors and the Board fee may be sent either to a member of the election committee or to the Company to be forwarded to the election committee.

#### Annual General Meeting

The Annual General Meeting will be held in Malmö, Sweden, on Monday, April 2 2007.

#### Previous market prospects

In the interim report that was published August 10 2006, the following information was provided:  
We assess that the market trend for industrial products will be generally relatively favorable during 2006, even if there are differences between different geographical regions. There is still uncertainty in the garage door division owing to the large excess capacity within the industry.

#### Market prospects

We assess that the market trend for industrial products will be generally relatively favorable during the remainder of 2006 and the beginning of 2007, even if there are differences between different geographical regions. There is still uncertainty in the garage door division owing to the large excess capacity within the industry.

Malmö, Sweden, November 2 2006

Cardo AB (publ)  
Peter Aru  
President and CEO

- Appendices:
1. Consolidated income statement in brief
  2. Inflow of orders, net sales, operating earnings and operating margin by division
  3. Consolidated balance sheet in brief
  4. Consolidated cash flow statement in brief
  5. Inflow of orders, net sales, operating earnings and operating margin by division 2005
  6. Group financial summary
  7. Auditors' review report

Cardo's report on operations for the period January-December 2006 will be published on February 6 2007.

Cardo's President and CEO Peter Aru will comment on the interim report and provide the opportunity for the audience to put questions during a conference call today, November 2, at 4.30 pm. If you wish to take part, please call +46 8 50520110. It will also be possible to follow the conference via a webcast on [www.cardo.com](http://www.cardo.com) or [www.financialhearings.com](http://www.financialhearings.com). The conference call will be held in Swedish.

For further information, please contact:

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*Cardo is an international industrial group with leading brands, offering solutions with quality products, a high level of service and great applications know-how to industrial customers. 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 more than 30 countries and sales of approximately SEK 8.5 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 Jul-Sep 2006	3 months Jul-Sep 2005	9 months Jan-Sep 2006	9 months Jan-Sep 2005	12 months Oct 2005- Sep 2006	Whole year 2005
Net sales	2,056	1,901	6,004	5,476	8,408	7,880
Cost of goods sold	-1,404	-1,246	-4,084	-3,636	-5,695	-5,247
<b>Gross earnings</b>	<b>652</b>	<b>655</b>	<b>1,920</b>	<b>1,840</b>	<b>2,713</b>	<b>2,633</b>
Selling and administrative expenses	-513	-538	-1,593	-1,656 <sup>1)</sup>	-2,333	-2,396 <sup>1)</sup>
Other operating income and expenses - net	1	-	1	1	2	2
<b>Operating earnings <sup>2)</sup></b>	<b>140</b>	<b>117</b>	<b>328</b>	<b>185</b>	<b>382 <sup>3)</sup></b>	<b>239 <sup>3)</sup></b>
Revaluation financial instruments	-4	9	-	-10	5	-5
Financial items	-11	-8	-30	-18	-36	-24
<b>Earnings after financial items</b>	<b>125</b>	<b>118</b>	<b>298</b>	<b>157</b>	<b>351</b>	<b>210</b>
Tax	-35	-33	-83	-44	-102	-63
<b>Net earnings for the period</b>	<b>90</b>	<b>85</b>	<b>215</b>	<b>113</b>	<b>249</b>	<b>147</b>
Earnings per share, SEK	3.02	2.83	7.15	3.77	8.30	4.91
Earnings per share excluding non-recurring items, SEK <sup>3)</sup>	3.02	2.83	7.15	3.77	12.99	9.60
Number of shares, thousands	30,000	30,000	30,000	30,000	30,000	30,000

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

<sup>2)</sup> Operating earnings have been charged with depreciation and amortization amounting to

54	53	162	157	216	211
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<sup>3)</sup> Costs of SEK 201 million for reorganization in Cardo are included in operating earnings for the 12-month period October 2005-September 2006 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.

**Inflow of orders, net sales, operating earnings and operating margin by division**

SEK million	3 months Jul-Sep 2006	3 months Jul-Sep 2005	9 months Jan-Sep 2006	9 months Jan-Sep 2005	12 months Oct 2005- Sep 2006	Whole year 2005
<b>Inflow of orders</b>						
Door & Logistics Solutions	1,005	892	3,145	2,770	4,158	3,783
Wastewater Technology Solutions	601	580	1,918	1,765	2,515	2,362
Pulp & Paper Solutions	158	145	531	493	717	679
Residential Garage Doors	350	318	956	868	1,275	1,187
Elimination of internal inflow of order:	-5	-5	-15	-15	-21	-21
Group	2,109	1,930	6,535	5,881	8,644	7,990
<b>Net sales</b>						
Door & Logistics Solutions	966	872	2,919	2,630	4,037	3,748
Wastewater Technology Solutions	620	586	1,763	1,625	2,455	2,317
Pulp & Paper Solutions	153	142	468	427	699	658
Residential Garage Doors	322	307	871	809	1,240	1,178
Elimination of internal sales	-5	-6	-17	-15	-23	-21
Group	2,056	1,901	6,004	5,476	8,408	7,880
<b>Operating earnings</b>						
Door & Logistics Solutions	66	58	202	146	317	261
Wastewater Technology Solutions	64	63	161	139	247	225
Pulp & Paper Solutions	10	2	29	12	76	59
Residential Garage Doors	16	9	-15	-40	6	-19
Other items <sup>1)</sup>	-16	-15	-49	-72 <sup>2)</sup>	-63	-86 <sup>2)</sup>
Non-recurring items	-	-	-	-	-201 <sup>3)</sup>	-201 <sup>3)</sup>
Group	140	117	328	185	382	239
<b>Operating margin</b>						
Door & Logistics Solutions	6.8%	6.7%	6.9%	5.6%	7.9%	7.0%
Wastewater Technology Solutions	10.3%	10.8%	9.1%	8.6%	10.1%	9.7%
Pulp & Paper Solutions	6.5%	1.4%	6.2%	2.8%	10.9%	9.0%
Residential Garage Doors	5.0%	2.9%	-1.7%	-4.9%	0.5%	-1.6%
Group, excl. non-recurring items	6.8%	6.2%	5.5%	3.4%	6.9%	5.6%
Group, incl. non-recurring items	6.8%	6.2%	5.5%	3.4%	4.5%	3.0%

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

<sup>2)</sup> Includes termination costs of SEK 26 million relating to the changes in group management during the period April-June 2005.

<sup>3)</sup> Provision of SEK 201 million for reorganization in Cardo.

**Consolidated balance sheet in brief**

SEK million	30-09-2006	31-12-2005
<b>Assets</b>		
Intangible fixed assets	1,238	1,007
Tangible fixed assets	1,021	1,118
Financial fixed assets	222	206
Inventories	1,215	933
Current receivables	2,264	2,110
Short-term investments, cash and bank balances	142	168
<b>Total assets</b>	<b>6,102</b>	<b>5,542</b>
<b>Equity and liabilities</b>		
Equity	2,876	2,935
Long-term interest bearing liabilities and provisions	178	198
Long-term non-interest bearing provisions	80	69
Current interest bearing liabilities	1,078	533
Current non-interest bearing liabilities and provisions	1,890	1,807
<b>Total equity and liabilities</b>	<b>6,102</b>	<b>5,542</b>
Contingent liabilities	25	43

**Equity**

SEK million	30-09-2006	30-09-2005
Opening balance on January 1	2,935	2,880
Dividend to shareholders	-240	-240
Translation differences	-34	129
Net earnings for the period	215	113
Closing balance on September 30	2,876	2,882

### Consolidated cash flow statement in brief

SEK million	9 months Jan-Sep 2006	9 months Jan-Sep 2005
Earnings after financial items	298	157
Depreciation, amortization, other items with no effect on cash flow and change in non-interest bearing provisions	54	141
Cash flow from operating activities before change in working capital	352	298
Change in working capital	-127	-127
<b>Cash flow from operating activities before tax</b>	<b>225</b>	<b>171</b>
Tax paid	-129	-107
<b>Cash flow from operating activities after tax</b>	<b>96</b>	<b>64</b>
Investments in intangible and tangible fixed assets	-107	-183
Disposal of intangible and tangible fixed assets	23	27
Acquisitions of companies	-32	-15
Change in long-term receivables	1	-
Change in interest bearing receivables	2	-
Cash flow from investing activities	-113	-171
Change in interest bearing provisions and liabilities	237	271
Dividend to shareholders	-240	-240
Cash flow from financing activities	-3	31
<b>Net cash flow effect on cash and cash equivalents</b>	<b>-20</b>	<b>-76</b>

### Change in net interest bearing debt

SEK million	Cash and cash equivalents	Interest bearing receivables, provisions and liabilities, net	Net interest bearing debt
Opening balance January 1 2006	168	-722	-554
Cash flow for the period	-20	-237	-257
receivables and	-	-317	-317
Translation differences	-6	38	32
<b>Closing balance September 30 2006</b>	<b>142</b>	<b>-1,238</b>	<b>-1,096</b>

### Net assets in acquired companies during January-September 2006

Fixed assets	255
Working capital, net	125
Interest bearing receivables and liabilities	-317
Other assets/liabilities, net	-27
Purchase price including acquisition costs	36
Cash and cash equivalents in acquired companies	-4
<b>Effect on the group's cash and cash equivalents</b>	<b>32</b>



### Inflow of orders, net sales, operating earnings and operating margin by division 2005

At the turn of the year 2005/2006, Cardo was reorganized into four divisions. From the first interim report 2006 its results are therefore accounted for based on the new structure. Below are summaries showing inflow of orders, net sales, operating earnings and operating margin for 2005 by quarter and division in accordance with the new structure.

SEK million	3 months Jan-March 2005	3 months April-June 2005	3 months July-Sept 2005	3 months Oct-Dec 2005	Whole year 2005
<b>Inflow of orders</b>					
Door & Logistics Solutions	894	984	892	1,013	3,783
Wastewater Technology Solutions	541	644	580	597	2,362
Pulp & Paper Solutions	166	182	145	186	679
Residential Garage Doors	239	311	318	319	1,187
Elimination of internal inflow of orders	-5	-5	-5	-6	-21
Group	1,835	2,116	1,930	2,109	7,990
<b>Net sales</b>					
Door & Logistics Solutions	848	909	872	1,119	3,748
Wastewater Technology Solutions	458	581	586	692	2,317
Pulp & Paper Solutions	109	176	142	231	658
Residential Garage Doors	211	291	307	369	1,178
Elimination of internal sales	-5	-4	-6	-7	-21
Group	1,621	1,953	1,901	2,404	7,880
<b>Operating earnings</b>					
Door & Logistics Solutions	43	45	58	116	261
Wastewater Technology Solutions	13	63	63	86	225
Pulp & Paper Solutions	-10	20	2	46	59
Residential Garage Doors	-41	-8	9	21	-19
Other items <sup>1)</sup>	-15	-42 <sup>2)</sup>	-15	-15	-86 <sup>2)</sup>
Non-recurring items	-	-	-	-201 <sup>3)</sup>	-201 <sup>3)</sup>
Group	-10	78	117	53	239
<b>Operating margin</b>					
Door & Logistics Solutions	5.1%	5.0%	6.7%	10.4%	7.0%
Wastewater Technology Solutions	2.8%	10.8%	10.8%	12.4%	9.7%
Pulp & Paper Solutions	-9.2%	11.4%	1.4%	19.9%	9.0%
Residential Garage Doors	-19.4%	-2.7%	2.9%	5.7%	-1.6%
Group, excl. non-recurring items	-0.6%	4.0%	6.2%	10.6%	5.6%
Group, incl. non-recurring items	-0.6%	4.0%	6.2%	2.2%	3.0%

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

<sup>2)</sup> Includes termination costs of SEK 26 million relating to the changes in group management during the period April-June 2005.

<sup>3)</sup> Provision of SEK 201 million for reorganization in Cardo.

## Group financial summary

	January-September		Whole year			
	2006	2005	2005	2004	2003 *	2002 *
<i>Amounts in SEK million unless otherwise stated</i>						
Net sales	6,004	5,476	7,880	7,686	7,687	10,376
Operating earnings	328	185	239	448	448	930
Earnings after financial items	298	157	210	419	428	856
Operating margin, %	5.5	3.4	3.0	5.8	5.8	9.0
Profit margin, %	5.0	2.9	2.7	5.5	5.6	8.3
Interest cover, times	9.7	8.6	7.9	16.7	13.9	9.7
Investments, gross	107	183	250	294	270	309
Cash flow from operating activities after tax	96	64	214	467	656	839
Degree of self-financing, %	90	35	86	159	243	272
Fixed assets	2,481	2,300	2,331	2,201	2,151	2,265
Current assets	3,621	3,166	3,211	2,925	2,833	3,846
Total assets	6,102	5,466	5,542	5,126	4,984	6,111
Equity	2,876	2,882	2,935	2,880	2,886	3,875
Interest bearing provisions and liabilities	1,256	790	731	489	353	335
Non-interest bearing provisions and liabilities	1,970	1,794	1,876	1,757	1,745	1,901
Average capital employed	3,879	3,481	3,537	3,345	3,665	4,821
Net interest bearing debt	1,096	631	554	268	179	-593
Turnover of capital employed, times	2.17 <sup>1)</sup>	2.24 <sup>1)</sup>	2.23	2.30	2.10	2.15
Return on capital employed, %	10.2 <sup>1)</sup>	12.6 <sup>1)</sup>	6.8	13.3	12.6	19.8
Return on equity, %	8.6 <sup>1)</sup>	11.4 <sup>1)</sup>	5.1	11.5	9.5	18.7
Equity ratio, %	47.1	52.7	53.0	56.2	57.9	63.4
Debt/equity ratio, times	0.4	0.3	0.2	0.2	0.1	0.1
Net debt/equity ratio, times	0.4	0.2	0.2	0.1	0.1	-0.2
Average number of employees	5,788	5,708	5,845	5,947	6,203	7,851
<b>Per share data</b>						
Earnings after tax, SEK	7.15	3.77	4.91	10.86	10.28	22.50
Earnings after tax excluding non-recurring items, SEK	7.15	3.77	9.60	11.17	10.28	12.65
Dividend for the financial year, SEK	-	-	8.00	8.00	8.00	40.00 <sup>2)</sup>
Equity, SEK	95.87	96.07	97.83	96.00	96.21	129.17
Cash flow from operating activities after tax, SEK	3.20	2.13	7.13	15.57	21.87	27.97
Number of shares, thousands	30,000	30,000	30,000	30,000	30,000	30,000

\* Since 2005, Cardo has applied International Financial Reporting Standards (IFRS) and the figures for 2004 have been recalculated in accordance with IFRS. The figures for 2002-2003 have not been recalculated in accordance with IFRS. For a description of the differences between the accounting principles applied 2002-2003 and IFRS, please refer to the 2005 annual report.

<sup>1)</sup> Based on 12-month moving totals.

<sup>2)</sup> Regular dividend SEK 8.00 and extra dividend SEK 32.00.

## AUDITORS' REVIEW REPORT

### Introduction

We have conducted a review of the interim report for Cardo AB (publ) for the period January 1 - September 30 2006. The Board of Directors and the President are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Focus and scope of the review

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by FAR (the institute for the accounting profession in Sweden). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially narrower in scope than an audit in accordance with Auditing Standards in Sweden, RS, and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information has not, in all material respects, been prepared in accordance with IAS 34 and the Annual Accounts Act as far as the group is concerned and the Annual Accounts Act as far as the parent company is concerned.

Malmö, Sweden, November 2 2006

Kerstin Mouchard  
Authorized Public Accountant

Björn Grundvall  
Authorized Public Accountant