

**CARDO AB****Interim report, January - June 2000**

- **Invoiced sales: SEK 4,586 million (4,477). A rise of 3 percent after adjustment for the effects of exchange rate movements and company acquisitions/disposals.**
- **Operating earnings: SEK 359 million (242) including net pension refund of SEK 69 million. Excluding the refund, a rise of 20 percent.**
- **Earnings after financial items and minority share: SEK 300 million (184). A rise of 26 percent, excluding the pension refund.**
- **Earnings per share after full tax: SEK 7.18 (4.33). A rise of 28 percent, excluding the pension refund.**
- **Continued improvement in Cardo Rail's operating margin.**

The Group's inflow of orders amounted to SEK 4,900 million (5,028). This represents a decrease of 1 percent for the current structure of the Group after adjustment for the effects of exchange rate movements. The decrease compared with last year is attributable to Cardo Rail.

Invoiced sales rose to SEK 4,586 million (4,477), a rise of 6 percent after adjustment for the effects of exchange rate movements. Company acquisitions/disposals account for 3 percentage points of this figure.

Operating earnings amounted to SEK 359 million (242) including net pension refund of SEK 69 million. The Group's operating margin, excluding the refund, amounted to 6.3 percent (5.4) during the first half of the year. Cardo Door and Cardo Rail showed improved earnings, while Cardo Pump's were somewhat lower than last year. Earnings after financial items were SEK 304 million (193), providing a profit margin, excluding the pension refund, of 5.1 percent (4.3).

Earnings after financial items and minority share amounted to SEK 300 million (184), which represents a rise of 26 percent, excluding the pension refund. Earnings per share after full tax were SEK 7.18 (4.33), which represents SEK 5.55 per share, excluding the pension refund.

Exchange rate movements are estimated to have had a marginally adverse impact on Group earnings.

Return on capital employed was 21.2 percent (19.7) for the twelve-month period ended June 30. Return on equity during the same period amounted to 24.1 percent (20.4).

Cash flow from operations after tax amounted to SEK 9.03 (10.60) per share. Adjusted for the effects of exchange rate movements on the change in working capital, cash flow was SEK 8.37 (8.83) per share.

### Invoiced sales and earnings by business area

MSEK	Invoiced sales			Earnings		
	January-June 2000	January-June 1999	Whole year 1999	January-June 2000	January-June 1999	Whole Year 1999
Cardo Door	<b>2,155</b>	1,939	4,227	<b>144</b>	121	430
Cardo Pump	<b>1,211</b>	1,165	2,465	<b>98</b>	105	247
Cardo Rail	<b>1,220</b>	1,311	2,675	<b>88</b>	48	170
Other items <sup>1)</sup>	-	62	122	<b>29</b> <sup>2)</sup>	-32	-64
	<b>4,586</b>	4,477	9,489	<b>359</b>	242	783
Financial items				<b>-55</b>	-49	-88
Earnings after financial items				<b>304</b>	193	695
Minority share in earnings after financial items to be deducted				<b>-4</b>	-9	-21
Earnings after financial items and minority share				<b>300</b>	184	674

<sup>1)</sup> Made up of the parent company, other central units and Group adjustments. Invoiced sales during 1999 relate to Tebel and Group adjustments.

<sup>2)</sup> Including pension refund of SEK 69 million.

### Cardo Door

Cardo Door is one of the world's largest manufacturers of industrial doors and Europe's leading supplier of dock loading equipment. Cardo Door is also the market leader in the service of these products and one of Europe's largest manufacturers of residential garage doors. Its biggest brand names for industrial doors and dock loading systems are Crawford, Clever and Hafa, and for industrial doors alone Faltec, Alsta and Allhabo. Residential garage doors are marketed under the brand names Normstahl, Henderson, Crawford and Car-In.

February saw the acquisition of the UK's leading manufacturer of residential garage doors, P C Henderson. Henderson, which has a turnover of approximately SEK 325 million and enjoys good profitability, is included in Cardo Door's invoicing and earnings as of the time of acquisition.

Cardo Door's invoiced sales amounted to SEK 2,155 million (1,939) during the period. Adjusted for the effects of exchange rate movements and company acquisitions, this represents a rise of slightly more than 8 percent. Operating earnings rose to SEK 144 million (121).

Demand for industrial doors rose in a number of European markets during the first half of the year. In Germany, the demand situation has stabilized at a low level since the end of 1999. For dock loading equipment, demand was on a par with last year, while demand rose for residential garage doors and service. Through the acquisition of Henderson, sales of residential garage doors rose strongly and Cardo Door's position as Europe's third largest supplier of these products was further strengthened.

As a consequence of the focus on dock loading systems, residential garage doors and service in recent years, the proportion of Cardo Door's invoicing represented by industrial doors has gradually decreased and with it the business area's dependence on industrial new construction. Industrial doors today account for slightly less than 40 percent of sales, dock loading systems for just under 15 percent and residential garage doors and service for roughly a quarter each.

Big orders during the second quarter included ones in the UK from the Lidl supermarket chain for 91 complete dock loading systems for installation at a distribution center in Kent and from the Bricomar company for 349 residential garage doors for a project in Spain. In Italy, 103 industrial doors were sold for installation in two commercial plants in Turin, and in Germany the food group Rewe bought 69 industrial doors for its production unit outside Hamburg. In China, the Shuanghui group - one of the leading companies in frozen food - bought 9 industrial doors, 8 complete dock loading units and 4 rapid-action rolling doors for a plant in the province of Henan. In addition, an order was received from Jinbei-General Motors in Shenyang for 22 industrial doors and 14 dock loading units.

### **Cardo Pump**

Cardo Pump is one of Europe's largest manufacturers of centrifugal pumps, mixers and aerators for use in water and wastewater treatment plants, process industries and the construction sector. Cardo Pump is also a global leader in the production of sophisticated measuring instruments for the pulp and paper industry. Its products are marketed under the brand names ABS, Pumpex and Lorentzen & Wettre.

The operation acquired in the USA at the beginning of the year - CH&E with a turnover of approximately SEK 60 million - has provided diesel-driven dewatering pumps that complement Cardo Pump's electrically driven pumps. Both types are sold to construction sites and industries in the USA.

Invoiced sales amounted to SEK 1,211 million (1,165). Adjusted for the effects of exchange rate movements and company acquisitions, this is a rise of 3 percent. Operating earnings amounted to SEK 98 million (105). Lower margins for products for the pulp and paper industry have had an adverse effect on earnings. In order to reduce costs in this product area, negotiations under the Act on Co-determination at Work have been initiated regarding the transfer of the Njurunda operation in Sweden to Cardo Pump's plant at Vadstena, Sweden.

Deliveries to Cardo Pump's biggest segment, water supply and wastewater, have continued to develop well. The delivery volume to the pulp and paper industry was more or less unchanged compared to the corresponding period last year. Exclusive of the increase brought about by the acquisition of CH&E, deliveries to the construction industry decreased.

The pulp and paper industry is undergoing rapid change as manufacturers consolidate in ever greater groups with production in many countries. In order to adapt to this change, Cardo Pump has formed a special marketing and service company that targets this customer group exclusively. Cardo Pump's marketing experience in respect of pumps, mixers and aerators for pulp and paper mills has been brought together in this company. The company's headquarters is in Mölndal, Sweden, and its marketing and service staff are present in most countries with a developed pulp and paper industry.

In June, Cardo Pump received one of the biggest orders in the company's history. This order relates to the supply of dry-pit pumps for a water treatment project in Istanbul and is worth more than SEK 20 million. Delivery will occur during 2001. The order is a further confirmation of the fact that dry-pit wastewater pumps, which have complemented Cardo Pump's pump range since 1998, are a competitive alternative to submersible pumps for some projects.

After 18 years as head of the Cardo Pump business area, Hans Borneson has decided to leave his post. Thomas Widstrand has been appointed new head of the business area and will take up his position on September 1.

### **Cardo Rail**

Cardo Rail is one of the world's largest manufacturers of brake systems and brake components for rail vehicles. Marketing is conducted under the SAB WABCO trademark. Its product range also includes couplers and wheels for the rail industry.

The inflow of orders during the period amounted to SEK 1,297 million, which is 13 percent lower than last year for a comparable structure and adjusted for the effects of exchange rate movements. This is mainly explained by the order worth SEK 200 million received during the first half of 1999 in respect of brake systems for high-speed trains in South Korea.

During the second quarter, orders received by Cardo Rail included one worth SEK 86 million from Adtranz Italy relating to complete brake systems for 90 locomotives. The end customer is the Italian state railway company. Cardo Rail will supply equipment for 20 locomotives this year, for

50 in 2001 and for a further 20 in 2002. Cardo Rail has previously supplied equipment for the first 50 locomotives of the same model.

Cardo Rail has entered into a general agreement with the Italian company Fiat Ferroviaria in respect of delivery of electro-hydraulic brake systems and pneumatic equipment for the new Cityway streetcar model. The first order, which relates to equipment for 55 streetcar sets, was received during the second quarter and is worth SEK 55 million. The general agreement covers equipment for a total of 200 streetcar sets.

Cardo Rail's invoiced sales amounted to SEK 1,220 million (1,311), which adjusted for the effects of exchange rate movements is a decrease of 3 percent. Operating earnings rose to SEK 88 million (48). The improvement in earnings and operating margin is a result of the restructuring measures carried through.

Cardo Rail has decided to stop manufacturing its own screw compressors. In July, a collaboration agreement was therefore entered into with Atlas Copco, which in future will supply these compressors for Cardo Rail's brake systems.

Ingar Jensen has been appointed new head of the Cardo Rail business area. He succeeds Alf Göransson, who took up the position of president and CEO of Svedala Industri AB at midyear.

### **Liquidity and financing**

At June 30, the Group's liquid assets stood at SEK 179 million (376) compared with SEK 325 million at the beginning of the year. In addition, there are unutilized credit facilities of approximately SEK 2.4 billion (2.6).

Cash flow from operations was SEK 271 million (318) after tax, which is equivalent to SEK 9.03 (10.60) per share. Adjusted for the effects of exchange rate movements on the change in working capital, cash flow was SEK 8.37 (8.83) per share. The Group's gross investments, excluding company acquisitions, stood at SEK 144 million (94).

Net interest bearing debt at June 30 amounted to SEK 1,642 million (1,455) compared with SEK 1,332 million at the beginning of the year. The increase is mainly a consequence of company acquisitions.

Equity amounted to SEK 2,643 million (2,285), which is equivalent to SEK 88.09 (76.16) per share.

The Group's equity ratio at June 30 was 38.4 percent (35.7).

### **Accounting for pension refund**

The Group will receive a total of SEK 79 million in surplus funds from the life and pension insurance group SPP. The body of regulations for how the refund is to be carried out was established in the spring of 2000, and the refund has therefore been accounted for in the financial statements as per June 30 2000. Since the Group discharged its PRI (Pension Registration Institute) liabilities in cash in 1999 in the sum of approximately SEK 200 million, it will be possible to receive all the surplus funds in cash this year. The surplus funds have therefore been reported in their entirety as other operating income in the income statement and as a current receivable in the balance sheet.

At the same time, a pension commitment that was previously reported as a contingent liability and a one-off effect of changed age assumptions in connection with the calculation of pension liabilities in Germany have been entered as liabilities.

The effect of the above-mentioned on Group operating earnings was a net gain of SEK 69 million.

## Personnel

The number of employees in the Group at June 30 was 7,679 (7,371).

## The parent company

The parent company's earnings after financial items amounted to SEK 172 million (155), its gross investments to SEK 0 million (0) and its liquid assets to SEK 0 million (1) as against SEK 3 million at the beginning of the year.

## Market prospects

The state of the industrial construction market in Europe has improved somewhat. A rise in sales volume is therefore expected for Cardo Door during the year. For Cardo Pump's biggest segment, water supply and wastewater, a positive trend is expected. The improved economic climate for the pulp and paper industry has yet to lead to increased demand for pump equipment. Demand for pumps for the construction sector is showing a decline. Even if the rail market is growing in the long term, sales volume this year is foreseen as being slightly lower than last year. The restructuring measures carried through will lead to further improvement in earnings and an improved operating margin for Cardo Rail.

Malmö, Sweden, August 16 2000

Cardo AB (publ)

Kjell Svensson  
President and CEO

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

*Cardo's interim report for January-September will be published on November 7 2000.*

Enclosed:

1. Consolidated income statement and balance sheet in brief
2. Consolidated cash flow statement in brief
3. Invoiced sales and 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 SEK 9.5 billion in 1999. 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 7,700 employees.*