

CARDO AB**Report on Operations 2003**

- **Net sales: SEK 7,687 million (10,376*)**
- **Net earnings: SEK 308 million (675*)**
- **Earnings per share: SEK 10.28 (22.50*)**
- **Cash flow remained good**
- **Earnings after financial items in the current operations: SEK 428 million (449)**
- **Earnings per share in the current operations: SEK 10.28 (10.38)**
- **The Board of Directors proposes a dividend of SEK 8.00 (previous year 8.00 regular dividend) per share**

* The Rail business area was disposed of on September 25 2002 and is included in the consolidated financial statements for the previous year until the time of disposal. The previous year's earnings also include the capital gain of SEK 323 million on the disposal. The income statement and cash flow broken down by current operations and the operation disposed of are shown in enclosure 5.

The Group's inflow of orders stood at SEK 7,669 million (10,493). Adjusted for the effects of exchange rate movements and the disposal of Rail, this is a decrease of 4 percent, which is entirely attributable to Cardo Door. Company acquisitions made a positive contribution of 1 percentage point.

Net sales amounted to SEK 7,687 million (10,376). Adjusted for the effects of exchange rate movements and the disposal of Rail, this is a decrease of 5 percent. Company acquisitions made a positive contribution of 1 percentage point. Net sales relating to customers outside Sweden accounted for 90 percent (93) of the Group's total net sales.

Net earnings amounted to SEK 308 million (675), which is equivalent to SEK 10.28 (22.50) per share. The figures for the previous year include Rail's earnings until the time of disposal and the capital gain on the disposal, in all SEK 363 million.

Current operations

The Group's current operations embrace the Cardo Door and Cardo Pump business areas.

Operating earnings in the current operations amounted to SEK 448 million (472) during the year. Earnings for the previous year include a provision of SEK 40 million for restructuring at Cardo Door. Compared with the previous year, earnings decreased during the fourth quarter as a consequence of lower invoicing, mainly owing to a weak construction market in Europe.

Earnings after financial items amounted to SEK 428 million (previous year 449 including restructuring cost of SEK 40 million). Exchange rate movements had only a marginal impact on earnings.

Net earnings amounted to SEK 308 million (previous year 312 including restructuring cost of SEK 40 million), which is equivalent to SEK 10.28 (previous year 10.38 including restructuring cost) per share.

Cash flow from operations was SEK 715 million (686) after tax, which is equivalent to SEK 23.83 (22.87) per share. Adjusted for the effects of exchange rate movements on the change in working capital, cash flow after tax was SEK 21.87 (20.63) per share.

Cardo Door

Cardo Door's inflow of orders was, after adjustment for the effects of exchange rate movements, 6 percent lower than the previous year. Company acquisitions made a positive contribution of 1 percentage point.

Demand for industrial doors and dock loading systems was considerably weaker than during 2002. However, some stabilization of demand was noted late in the year. The trend for service remained good. The demand for garage doors was lower than the previous year.

Net sales amounted to SEK 4,805 million (5,344), which after adjustment for exchange rate movements is a fall of 7 percent. Company acquisitions made a positive contribution of 1 percentage point.

Operating earnings amounted to SEK 266 million (previous year 359 excluding restructuring costs of SEK 40 million). Earnings were adversely affected by lower volumes in consequence of the weak construction market in Europe.

Cardo Pump

The inflow of orders was on a par with the previous year after adjustment for the effects of exchange rate movements.

In water and wastewater and building services, demand was somewhat lower than the previous year, while it increased from the process industry.

Net sales amounted to SEK 2,882 million (3,057), which adjusted for the effects of exchange rate movements is 1 percent lower than the previous year. Operating earnings amounted to SEK 243 million (214).

Liquidity and financing

At year-end, the Group's liquid assets amounted to SEK 171 million (922). In addition, there are unutilized credit facilities of approximately SEK 1.5 billion (approximately 3.0).

The Group's gross investments, exclusive of company acquisitions, stood at SEK 270 million (309).

Net interest bearing debt at year-end amounted to SEK 179 million as against net liquid funds of SEK 593 million the previous year.

Equity amounted to SEK 2,886 million (3,875), which is equivalent to SEK 96.21 (129.17) per share.

At year-end, the Group's equity ratio was 57.9 percent (63.4).

Personnel

The average number of employees in the Group was 6,203 (7,851).

Company acquisition

As of January 2003, Cardo Door includes the acquired company SEA B2L with annual sales of approximately SEK 70 million.

Expanded group management

As of January 1 2004, Group management has been expanded by the head of the Garage field within Cardo Door, Tom Lövstad, and the head of the Measuring Instruments field within Cardo Pump, Peter Uddfors.

Accounting principles

The report has been drawn up in accordance with recommendation RR 20 of the Swedish Financial Accounting Standards Council concerning interim financial reporting. The accounting principles used are the same as in the annual report for 2002 except for the new recommendations of the Swedish Financial Accounting Standards Council effective as of January 1 2003. The application of the new recommendations has not given rise to any adjustment of previously reported periods.

New accounting principles 2004

As of January 1 2004, the Group will apply recommendation RR 29, Employee Benefits, of the Swedish Financial Accounting Standards Council. This recommendation accords in all essentials with IAS 19, Employee Benefits. Pensions and other remuneration after retirement have previously been accounted for in accordance with the local regulations in each country.

The changeover to RR 29 will involve the Group's provisions for pensions increasing by approximately SEK 70 million, which, after deductions for deferred tax, will reduce the Group's equity by approximately SEK 50 million net. The effect of this change of accounting principle will be recorded directly against equity.

Reporting in accordance with IFRS

As of 2005, listed companies within the EU are to draw up their financial reports in accordance with IFRS (International Financial Reporting Standards).

Work is under way on identifying any effects on the Group as a consequence of the differences that exist between current accounting principles and IFRS (as they stand at present). As yet, no significant differences have been identified.

Furthermore, preparations are being made to adjust accounting instructions, reporting, etc. to meet the new requirements.

Parent company

The parent company's earnings after financial items amounted to SEK 437 million (969), gross investments to SEK 0 million (0) and liquid assets to SEK 0 million (176).

Dividend

The Board of Directors and President propose a dividend of SEK 8:00 (previous year 8.00 regular dividend) per share for the financial year 2003, which requires SEK 240 million (previous year 240 regular dividend). The dividend is equivalent to 78 percent (36) of earnings per share.

Nominations committee

The Annual General Meeting has resolved to appoint a nominations committee consisting of the Chairman of the Board, who is to be the convener, and one representative of each of the Company's three largest shareholders at September 30 each year. The duties of the nominations committee are to submit proposals to the Annual General Meeting in respect of the election of the Board of Directors, auditors whenever applicable and fees. The election committee that has been appointed ahead of the 2004 Annual General Meeting consists of:

Fredrik Lundberg (Chairman of Cardo), L E Lundbergföretagen AB, Stockholm
Mats Andersson, National Swedish Pension Fund, 3rd Fund Board, Stockholm
Ramsay Brufer, Alecta, Stockholm

The nominations committee has made known that it intends to recommend to the 2004 Annual General Meeting that the present Board of Directors be re-elected and that Carina Malmgren Heander be elected.

Annual General Meeting and financial reports

The Annual General Meeting will be held in Malmö on Monday, April 5 2004 at 5 pm at Storan, Malmö Musikteater.

- The Annual Report will be distributed in early March.
- The first quarter Interim Report will be published on May 4.
- The half year Interim Report will be published on August 10.
- The third quarter Interim Report will be published on November 2.

Market prospects

In the interim report of October 29 2003, the following market prospects were presented:

"The assessment that there is still uncertainty about the market trend continues to apply. There are signals of a certain degree of stabilization of the general market situation, but few signs indicating imminent improvement. For Cardo's part, this means continued focus on cost adjustment and improvements in efficiency."

In the present situation, the following assessment is made:

In recent months, Cardo has seen some signs that may indicate a stabilization as far as the demand for construction-related products is concerned. This, together with external assessments of an improvement in the general economic situation, could mean that the markets for Cardo's business will stabilize during the first half-year and that a certain degree of upturn may occur at the end of the year.

Malmö, Sweden, February 10 2004

Cardo AB (publ)
Board of Directors

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Cardo is an international engineering group and a leading supplier of high-quality products and systems with a good aftermarket. Cardo holds strong positions in the markets for doors and pumps. Cardo has subsidiaries in about 30 countries with the focal point resting in western Europe.

CARDO AB**Net sales**

SEK million	3 months	3 months	Whole year 2003	Whole year 2002
	Oct-Dec 2003	Oct-Dec 2002		
Cardo Door	1,370	1,553	4,805	5,344
Cardo Pump	789	866	2,882	3,057
Current operations	2,159	2,419	7,687	8,401
Rail	-	-	-	1,975 ¹⁾
Group, total	2,159	2,419	7,687	10,376

¹⁾ Relates to the period January-September.

Earnings

SEK million	3 months	3 months	Whole year 2003	Whole year 2002
	Oct-Dec 2003	Oct-Dec 2002		
Cardo Door	120	182	266	359
Cardo Pump	82	88	243	214
Other items ¹⁾	-16	-17	-61	-61
Non-recurring items ²⁾	-	-40	-	-40
Operating earnings	186	213	448	472
Financial items	-6	3	-20	-23
Earnings after financial items, current operations	180	216	428	449
Capital gain on disposal of Rail	-	-	-	323
Earnings after financial items, Rail	-	-	-	84 ³⁾
Earnings after financial items, Group	180	216	428	856

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

²⁾ Restructuring provision at Cardo Door.

³⁾ Relates to the period January-September.

Operating margin

Percent	3 months	3 months	Whole year 2003	Whole year 2002
	Oct-Dec 2003	Oct-Dec 2002		
Cardo Door	8.8	11.7	5.5	6.7
Cardo Pump	10.4	10.2	8.4	7.0
Current operations excl. non-recurring items	8.6	10.5	5.8	6.1
Current operations incl. non-recurring items	8.6	8.8	5.8	5.6

CARDO AB**Consolidated income statement in brief**

SEK million	3 months Oct-Dec 2003	3 months Oct-Dec 2002	Whole year 2003	Whole year 2002
Net sales	2,159	2,419	7,687	10,376
Cost of goods sold	-1,402	-1,557	-4,972	-7,004
Gross earnings	757	862	2,715	3,372
Selling and administrative expenses	-553	-588	-2,180	-2,618
Other operating income and expenses - net	-18	-61 ¹⁾	-87	176 ^{1,2)}
Operating earnings³⁾	186	213	448	930
Financial items	-6	3	-20	-74
Earnings after financial items	180	216	428	856
Tax	-45	-67	-120	-177
Minority share	-	-	-	-4
Net earnings for the period	135	149	308	675
Earnings per share, SEK	4.50	4.96	10.28	22.50
Earnings per share excluding non-recurring items, SEK	4.50	5.89	10.28	12.65
Number of shares, thousands	30,000	30,000	30,000	30,000

¹⁾ Including restructuring provision of SEK 40 million at Cardo Door.

²⁾ Including capital gain of SEK 323 million on disposal of Rail.

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

	65	74	281	384
Whereof goodwill	21	23	89	121

Consolidated balance sheet in brief

SEK million	31-12-2003	31-12-2002
Assets		
Intangible fixed assets	948	1,044
Tangible fixed assets	1,057	1,068
Financial fixed assets	146	153
Inventories	755	815
Current receivables	1,907	2,109
Short-term investments, cash and bank balances	171	922
Total assets	4,984	6,111
Equity and liabilities		
Equity	2,886	3,875
Interest bearing provisions and liabilities	353	335
Non-interest bearing provisions and liabilities	1,745	1,901
Total equity and liabilities	4,984	6,111
Contingent liabilities	23	26

Equity

	31-12-2003	31-12-2002
Opening balance as per approved balance sheet for previous year	3,875	3,595
Dividend to shareholders	-1,200	-240
Translation differences	-97	-155
Net earnings for the period	308	675
Closing balance	2,886	3,875

CARDO AB**Business area financial summary**

SEK million	Cardo Door		Cardo Pump		Rail
	2003	2002	2003	2002	2002 ¹⁾
Net sales	4,805	5,344	2,882	3,057	1,975
Operating earnings	266	319 ²⁾	243	214	146
Operating capital ³⁾	2,045	2,159	1,032	1,134	-
whereof operating assets	3,000	3,225	1,542	1,681	-
whereof operating liabilities	955	1,066	510	547	-
Operating margin, %	6	6	8	7	7
Sales abroad, %	90	91	91	91	98
Average number of employees	3,995	4,164	2,183	2,254	1,410
Investments, gross	181	184	88	72	53
Order backlog at December 31	857	929	410	426	-

¹⁾ Relates to the period January-September.

²⁾ Including restructuring provision of SEK 40 million.

³⁾ Non-interest bearing assets excluding tax assets, less non-interest bearing provisions and liabilities excluding tax liabilities.

Geographical distribution of net sales

	2003		2002
	SEK million	%	%
Germany	1,066	13.9	16.1
France	753	9.8	9.7
Sweden	736	9.6	7.4
UK	733	9.5	11.7
Netherlands	631	8.2	6.7
Europe, other	2,634	34.3	33.2
Total Europe	6,553	85.3	84.8
North America	546	7.1	6.8
Asia	412	5.4	5.7
Latin America	120	1.5	1.6
Oceania	31	0.4	0.6
Africa	25	0.3	0.5
Total	7,687	100.0	100.0

CARDO AB**Consolidated cash flow statement in brief**

SEK million	Whole Year 2003	Whole Year 2002
Earnings after financial items	428	856
Capital gain on disposal of Rail	-	-323
Depreciation and amortization	281	384
<i>Funds generated by operations</i>	709	917
<i>Change in working capital</i>	141	295
Cash flow from operations before tax	850	1,212
<i>Tax paid</i>	-135	-279
Cash flow from operations after tax ¹⁾	715	933
Investments in intangible and tangible fixed assets	-270	-309
Disposal of intangible and tangible fixed assets	48	40
Acquisitions and disposals of companies	-16	807
Change in long-term receivables	-6	2
Change in interest bearing receivables	3	7
<i>Cash flow from investments</i>	-241	547
Change in interest bearing provisions and liabilities	-14	-483
Dividend to shareholders	-1,200	-240
<i>Cash flow from financing</i>	-1,214	-723
Net cash flow effect on liquid funds	-740	757
¹⁾ Cash flow adjusted for effects of exchange rate movements on change in working capital	656	839

Change in net interest bearing debt

SEK million	Liquid funds	Interest bearing receivables, provisions and liabilities, net	Net interest bearing debt
Opening balance	922	-329	593
Cash flow for the period	-740	11	-729
Interest bearing provisions and liabilities in companies acquired and disposed of	-	-5	-5
Translation differences	-11	-27	-38
Closing balance	171	-350	-179

CARDIO AB

Income statement broken down by current operations and operation disposed of

SEK million	Current operations		Capital gain	Rail	Group, total	
	2003	2002	2002	2002 ¹⁾	2003	2002
Net sales	7,687	8,401	-	1,975	7,687	10,376
Operating expenses	-7,239	-7,929	323	-1,840	-7,239	-9,446
Operating earnings ²⁾	448	472	323	135 ³⁾	448	930
Financial items	-20	-23	-	-51	-20	-74
Earnings after financial items	428	449	323	84	428	856
Tax	-120	-137	-	-40	-120	-177
Minority share	-	-	-	-4	-	-4
Net earnings for the period	308	312	323	40	308	675
Earnings per share, SEK	10.28	10.38	10.78	1.34	10.28	22.50
Earnings per share excluding non-recurring items, SEK	10.28	11.31	-	1.34	10.28	12.65

¹⁾ Relates to the period January-September.

²⁾ Operating earnings have been charged with depreciation and amortization amounting to

281	301	-	83	281	384
Whereof goodwill	89	97	-	24	89

³⁾ Including central amortization of goodwill relating to Rail

-	-	-	11	-	-
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Cash flow broken down by current operations and operation disposed of

SEK million	Current operations		Payment on disposal	Rail	Group, total	
	2003	2002	2002	2002 ¹⁾	2003	2002
Cash flow from operations after tax ²⁾	715	686	-	247	715	933
Cash flow from investments	-241	-583	1,160	-30	-241	547
Cash flow from financing	-1,214	-548	-	-175	-1,214	-723
Net cash flow effect on liquid funds	-740	-445	1,160	42	-740	757

¹⁾ Relates to the period January-September.

²⁾ Cash flow adjusted for effects of exchange rate movements on change in working capital

656	619	-	220	656	839
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CARDO AB**Group financial summary**

<i>Amounts in SEK million unless otherwise stated</i>	Whole year				2003
	1999	2000	2001	2002	
Net sales	9,489	9,786	10,777	10,376	7,687
Operating earnings	783	899	758	930	448
Earnings after financial items	695	789	660	856	428
Operating margin, %	8.2	9.2	7.0	9.0	5.8
Profit margin, %	7.3	8.1	6.1	8.3	5.6
Interest cover, times	7.7	7.1	6.8	9.7	13.9
Investments, gross	266	300	305	309	270
Cash flow from operations after tax	900	776	509	933	715
Degree of self-financing, %	338	259	167	302	265
Fixed assets	2,576	2,937	3,061	2,265	2,151
Current assets	4,122	4,319	5,034	3,846	2,833
Total assets	6,698	7,256	8,095	6,111	4,984
Equity	2,635	3,172	3,595	3,875	2,886
Minority interest	8	9	10	-	-
Interest bearing provisions and liabilities	1,657	1,506	1,526	335	353
Non-interest bearing provisions and liabilities	2,398	2,569	2,964	1,901	1,745
Average capital employed	4,376	4,550	4,958	4,821	3,665
Net interest bearing debt	1,332	1,265	1,242	-593	179
Turnover of capital employed, times	2.17	2.15	2.17	2.15	2.10
Return on capital employed, %	18.3	20.2	15.6	19.8	12.6
Return on equity, %	21.6	18.2	13.3	18.7	9.5
Equity ratio, %	39.5	43.8	44.5	63.4	57.9
Debt/equity ratio, times	0.6	0.5	0.4	0.1	0.1
Net debt/equity ratio, times	0.5	0.4	0.3	-0.2	0.1
Average number of employees	7,743	8,135	8,179	7,851	6,203
Per share data					
Earnings (after full tax), SEK	17.36	17.23	14.81	22.50	10.28
Earnings per share excluding non-recurring items (after full tax), SEK	14.19	15.57	15.81	12.65	10.28
Dividend for the financial year, SEK	6.00	7.00	8.00	40.00 ¹⁾	8.00 ²⁾
Equity, SEK	87.83	105.74	119.84	129.17	96.21
Cash flow from operations after tax, SEK	30.00	25.87	16.97	31.10	23.83
Cash flow from operations after tax adjusted for effects of exchange rate movements on change in working capital, SEK	27.43	28.20	21.60	27.97	21.87
Number of shares, thousands	30,000	30,000	30,000	30,000	30,000

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

²⁾ Board of Directors' proposal.