

**CARDO AB**

Interim report, January - September 2002

- **Inflow of orders: SEK 8,447 million (8,312)**
- **Invoiced sales: SEK 7,957 million (7,495)**
- **Earnings after financial items: SEK 640 million (298)**
- **Earnings after financial items, excluding non-recurring items: SEK 317 million (342)**

**Disposal of the Rail business area**

During the period, the Cardo Rail business area was disposed of to Vestar Capital Partners, which took over the operation as of September 25 2002 through a company newly established for the purpose. Cardo Rail is included in Cardo's consolidated financial statements until this date.

The capital gain on the disposal of Rail amounts to SEK 323 million, which is equivalent to earnings per share of SEK 10.78.

**Company acquisitions**

As of January 2002, Cardo Pump includes the acquired companies Swedmeter AB and Nopon Oy with an aggregate annual turnover of approximately SEK 150 million. As of the same date, Cardo Door includes the acquired company Amber Doors Holding Limited with its subsidiary Amber Doors Limited. Amber Doors has an annual turnover of approximately SEK 240 million.

**The Group**

The Group's inflow of orders during the period amounted to SEK 8,447 million (8,312), which is 2 percent lower than the previous year at a comparable structure of the Group after adjustment for the effects of exchange rate movements.

Invoiced sales amounted to SEK 7,957 million (7,495), a rise of 6 percent after adjustment for the effects of exchange rate movements. Company acquisitions account for 4 percentage points of this figure.

Operating earnings, excluding non-recurring items, amounted to SEK 394 million (418), providing an operating margin of 5.0 percent (5.6). Pump's and Rail's earnings increased during the third quarter. Door's earnings were adversely affected by the continued weak state of the construction market in Europe. Measures will be taken with a view to cutting Door's costs and enhancing its efficiency. The cost of planned measures is estimated to amount to approximately SEK 40 million and will be charged to earnings for the fourth quarter.

Excluding non-recurring items, earnings after financial items were SEK 317 million (342), providing a profit margin of 4.0 percent (4.6). Earnings per share after full tax excluding non-recurring items were SEK 6.76 (7.42). Earnings per share after full tax were SEK 17.54 (6.45) including non-recurring items, i.e. the capital gain on the disposal of Rail and the provision for the restructuring of Pump during the previous year.

The impact of exchange rate movements on Group earnings was only marginal.

### **Cardo Door**

Cardo Door's inflow of orders for the current structure was 2 percent lower than the previous year after adjustment for the effects of exchange rate movements.

For industrial doors and dock loading systems, demand was lower than the previous year. Demand for residential garage doors was on a par with the previous year, despite a further decline in the German market. The trend for service remained good even if the growth rate was somewhat lower than the previous year.

During the third quarter, Cardo Door won its biggest ever order in China. Three Megadoor hangar doors, the largest measuring 150 x 27 meters, are to be supplied to the Chinese aircraft maintenance company Gameco. The order is worth almost SEK 30 million. Other major orders included one for 60 industrial doors and about 50 dock loading units for Davids Distribution in Bangkok. The Norwegian food group RIMI bought 60 industrial doors and 87 dock loading units for a distribution center in Riga; and in Turkey 45 industrial doors were sold to Ford's dealer Autosana Ford and 40 industrial doors were sold for installation in nine fire stations in Istanbul.

Invoiced sales amounted to SEK 3,791 million (3,615), which adjusted for the effects of exchange rate movements and company acquisitions is on a par with the previous year. Operating earnings amounted to SEK 177 million (233). The continued weak market conditions have resulted in lower volumes and reduced margins in industrial doors and dock loading systems. This, together with a somewhat lower-than-expected growth rate in service, had an adverse effect on earnings.

With a view to making the marketing effort in Sweden more efficient, the two sales companies Crawford and Allhabo are being amalgamated into one company. A similar process is being implemented in the UK, where the sales companies Crawford-Hafa, Faltec and Amber Doors are being merged. In addition, as a consequence of the reduced demand for industrial doors, measures will be taken to cut the costs and enhance the efficiency of production. Among other things, the production of industrial doors in Torslanda, Sweden, will be moved to the main plant in the Netherlands. The cost of the planned measures is estimated to amount to approximately SEK 40 million and will be charged to earnings for the fourth quarter.

### **Cardo Pump**

The inflow of orders rose by 2 percent for the current structure after adjustment for the effects of exchange rate movements.

In water and wastewater, which is Cardo Pump's biggest segment, demand increased compared with the corresponding period the previous year. In the building services segment, demand also increased, while in the process industry it was on a par with the previous year.

During the third quarter, a number of major orders were received in Asia, including ones in China for pumps, mixers and compressors for delivery to three treatment plants and for process pumps and mixers for three paper mills. The total value of the orders amounts to SEK 19 million. Nopon compressors worth SEK 4 million were sold to a water treatment plant in Korea.

In the USA, orders received included two, together worth approximately SEK 8 million, for pumps for a wastewater treatment plant in Connecticut and for a water supply project in North Carolina. The subsidiary Lorentzen & Wettre received an order from a big paper mill for a system worth SEK 4 million for the automatic measurement of paper quality.

A number of major orders, worth together SEK 18 million, were received in Spain relating to equipment for wastewater treatment. In Slovenia, the pulp and paper maker VIPAP and a wastewater treatment plant in Maribor bought pumps for a total of slightly more than SEK 6 million.

Invoiced sales amounted to SEK 2,191 million (1,972), which adjusted for the effects of exchange rate movements is a rise of 11 percent. Company acquisitions account for 8 percentage points of this figure. Operating earnings rose to SEK 126 million (113 excluding restructuring costs).

### **Cardo Rail**

After adjustment for the effects of exchange rate movements, Cardo Rail's inflow of orders was 5 percent lower than the previous year. Invoiced sales amounted to SEK 1,975 million (1,908), which is a rise of 4 percent adjusted for the effects of exchange rate movements. Operating earnings amounted to SEK 146 million (126).

### **Liquidity and financing**

At September 30, the Group's liquid funds stood at SEK 1,186 million (222) compared with SEK 264 million at the beginning of the year. In addition, there are unutilized credit facilities of approximately SEK 3.4 billion (3.3).

Cash flow from operations was SEK 707 million (246) after tax, which is equivalent to SEK 23.57 (8.20) per share. Adjusted for the effects of exchange rate movements on the change in working capital, cash flow was SEK 20.53 (14.07) per share after tax. The Group's gross investments, excluding company acquisitions, stood at SEK 227 million (223).

Net liquid funds at September 30 amounted to SEK 456 million (-1,405) compared with SEK -1,242 million at the beginning of the year.

Equity amounted to SEK 3,743 million (3,435), which is equivalent to SEK 124.78 (114.50) per share.

The Group's equity ratio at September 30 was 58.0 percent (42.9).

### **Personnel**

The number of employees in the Group at September 30 was 6,306 (7,924).

### **Accounting principles**

The interim report has been drawn up in accordance with recommendation RR20 of the Swedish Financial Accounting Standards Council concerning interim reports. The accounting principles used are the same as in the annual report for 2001 except for the new recommendations of the Swedish Financial Accounting Standards Council effective as of January 1 2002. The application of the new recommendations has not given rise to any adjustment of previously reported periods.

### **The parent company**

The parent company's earnings after financial items amounted to SEK 584 million (66), its gross investments to SEK 0 million (0) and its liquid funds to SEK 0 million (1) as against SEK 0 million at the beginning of the year.

**Market prospects**

The assessment in the previous report still applies:

“Market prospects continue to be difficult to assess, not least when it comes to Germany. As regards Cardo, the Group is still considered to be capable of showing greater growth than that of the underlying market for the whole year.”

Malmö, Sweden, November 8 2002

Cardo AB (publ)

Kjell Svensson  
President and CEO

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

*Cardo's report on operations for the whole of 2002 will be published on February 10 2003.*

Enclosed:

1. Invoiced sales, operating earnings and operating margin by business area
2. Consolidated income statement and balance sheet in brief
3. Consolidated cash flow statement in brief
4. Group financial summary
5. Disposal of the Rail business area

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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****Invoiced sales**

	3 months	3 months	9 months	9 months	12 months	Whole year
SEK million	July-Sept 2002	July-Sept 2001	Jan-Sept 2002	Jan-Sept 2001	Oct 2001- Sept 2002	2001
Door	1,259	1,238	3,791	3,615	5,422	5,246
Pump	680	666	2,191	1,972	3,044	2,825
Rail	633	601	1,975	1,908	2,773	2,706
Invoiced sales	2,572	2,505	7,957	7,495	11,239	10,777

**Operating earnings**

	3 months	3 months	9 months	9 months	12 months	Whole year
SEK million	July-Sept 2002	July-Sept 2001	Jan-Sept 2002	Jan-Sept 2001	Oct 2001- Sept 2002	2001
Door	72	96	177	233	399	455
Pump	43	40	126	113	189	176
Rail	54	40	146	126	265	245
Other items <sup>1)</sup>	-17	-16	-55	-54	-75	-74
Non-recurring items	323 <sup>3)</sup>	-44 <sup>2)</sup>	323 <sup>3)</sup>	-44 <sup>2)</sup>	323 <sup>3)</sup>	-44 <sup>2)</sup>
Operating earnings	475	116	717	374	1,101	758

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

<sup>2)</sup> Restructuring provision at Pump.

<sup>3)</sup> Capital gain on disposal of Rail.

**Operating margin**

	3 months	3 months	9 months	9 months	12 months	Whole year
%	July-Sept 2002	July-Sept 2001	Jan-Sept 2002	Jan-Sept 2001	Oct 2001- Sept 2002	2001
Door	5.7	7.8	4.7	6.4	7.4	8.7
Pump	6.3	6.0	5.8	5.7	6.2	6.2
Rail	8.5	6.6	7.4	6.6	9.6	9.1
Group excl. non-recurring items	5.9	6.4	5.0	5.6	6.9	7.4
Group incl. non-recurring items	18.5	4.7	9.0	5.0	9.8	7.0

**CARDO AB****Consolidated income statement in brief**

SEK million	3 months July-Sept 2002	3 months July-Sept 2001	9 months Jan-Sept 2002	9 months Jan-Sept 2001
Invoiced sales	2,572	2,505	7,957	7,495
Cost of goods sold	-1,741	-1,716	-5,447	-5,133
<b>Gross earnings</b>	<b>831</b>	<b>789</b>	<b>2,510</b>	<b>2,362</b>
Selling and administrative expenses	-649	-604	-2,030	-1,873
Other operating income and expenses - net	293 <sup>1)</sup>	-69 <sup>2)</sup>	237 <sup>1)</sup>	-115 <sup>2)</sup>
<b>Operating earnings <sup>3)</sup></b>	<b>475</b>	<b>116</b>	<b>717</b>	<b>374</b>
Financial items	-26	-26	-77	-76
<b>Earnings after financial items</b>	<b>449</b>	<b>90</b>	<b>640</b>	<b>298</b>
Tax	-45	-30	-110	-101
Minority share	-1	-1	-4	-3
<b>Net earnings for the period</b>	<b>403</b>	<b>59</b>	<b>526</b>	<b>194</b>
Earnings per share, SEK	13.43	1.94	17.54	6.45
Earnings per share excluding non-recurring items, SEK	2.65	2.91	6.76	7.42
Number of shares, thousand	30,000	30,000	30,000	30,000

<sup>1)</sup> Including capital gain of SEK 323 million on Rail.

<sup>2)</sup> Including restructuring provision of SEK 44 million at Pump.

<sup>3)</sup> Operating earnings have been charged with depreciation and amortization amounting to

	103	98	310	288
Whereof goodwill	33	29	98	84

**Consolidated balance sheet in brief**

SEK million	30-09-2002	31-12-2001
<b>Assets</b>		
Intangible fixed assets	1,045	1,371
Tangible fixed assets	1,063	1,463
Financial fixed assets	155	227
Inventories	951	1,588
Current receivables	2,056	3,182
Short-term investments, cash and bank balances	1,186	264
<b>Total assets</b>	<b>6,456</b>	<b>8,095</b>
<b>Equity and liabilities</b>		
Equity	3,743	3,595
Minority interest	-	10
Interest bearing provisions and liabilities	731	1,526
Non-interest bearing provisions and liabilities	1,982	2,964
<b>Total equity and liabilities</b>	<b>6,456</b>	<b>8,095</b>
Contingent liabilities	52	22

**Equity**

	30-09-2002	30-09-2001
Equity brought forward as per approved balance sheet for previous year	3,595	3,130
Effect of change of accounting principles	-	42
Equity brought forward adjusted in accordance with new accounting principles	3,595	3,172
Dividend to shareholders	-240	-210
Translation differences	-138	279
Net earnings for the period	526	194
Closing balance	3,743	3,435

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

SEK million	9 months Jan-Sept 2002	9 months Jan-Sept 2001
Earnings after financial items	640	298
Capital gain on disposal of Rail	-323	-
Pension refund	-	27
Depreciation and amortization	310	288
<i>Funds generated by operations</i>	627	613
<i>Change in working capital</i>	300	-209
<b>Cash flow from operations before tax</b>	<b>927</b>	<b>404</b>
<i>Tax paid</i>	-220	-158
<b>Cash flow from operations after tax <sup>1)</sup></b>	<b>707</b>	<b>246</b>
Investments in intangible and tangible fixed assets	-227	-223
Disposal of intangible and tangible fixed assets	40	28
Acquisitions and disposals of companies	816	-38
Change in long-term receivables	2	-2
<i>Cash flow from investments</i>	631	-235
Change in interest bearing receivables	10	-4
Change in interest bearing provisions and liabilities	-89	182
Dividend to shareholders	-240	-210
<i>Cash flow from financing</i>	-319	-32
<b>Net cash flow effect on liquid funds</b>	<b>1,019</b>	<b>-21</b>

<sup>1)</sup> Cash flow adjusted for effects of exchange rate movements on change in working capital

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**Change in net liquid funds**

SEK million	Liquid funds	Interest bearing receivables, provisions and liabilities, net	Net liquid funds
Opening balance	264	-1,506	-1,242
Cash flow for the period	1,019	79	1,098
Net interest bearing debt in acquired companies	-93	729	636
Translation differences	-4	-32	-36
<b>Closing balance</b>	<b>1,186</b>	<b>-730</b>	<b>456</b>

**CARDO AB****Group financial summary**

<i>Amounts in SEK million unless otherwise stated</i>	Whole year				January-September	
	1998	1999	2000	2001	2001	2002
Invoiced sales	8,994	9,489	9,786	10,777	7,495	<b>7,957</b>
Operating earnings	527	783	899	758	374	<b>717</b>
Earnings after financial items	654	695	789	660	298	<b>640</b>
Operating margin, %	5.9	8.2	9.2	7.0	5.0	<b>9.0</b>
Profit margin, %	7.3	7.3	8.1	6.1	4.0	<b>8.0</b>
Interest cover, times	6.2	7.7	7.1	6.8	4.4	<b>8.3</b>
Investments, gross	235	266	300	305	223	<b>227</b>
Cash flow from operations after tax	435	900	776	509	246	<b>707</b>
Degree of self-financing, %	185	338	259	167	110	<b>311</b>
Fixed assets	2,583	2,576	2,937	3,061	3,146	<b>2,263</b>
Current assets	5,200	4,122	4,319	5,034	4,878	<b>4,193</b>
Total assets	7,783	6,698	7,256	8,095	8,024	<b>6,456</b>
Equity	2,373	2,635	3,172	3,595	3,435	<b>3,743</b>
Minority interest	135	8	9	10	8	-
Interest bearing provisions and liabilities	2,492	1,657	1,506	1,526	1,647	<b>731</b>
Non-interest bearing provisions and liabilities	2,783	2,398	2,569	2,964	2,934	<b>1,982</b>
Average capital employed	4,124	4,376	4,550	4,958	4,873	<b>4,997</b>
Net liquid funds	-1,975	-1,332	-1,265	-1,242	-1,405	<b>456</b>
Turnover of capital employed, times	2.18	2.17	2.15	2.17	2.14 <sup>1)</sup>	<b>2.25 <sup>1)</sup></b>
Return on capital employed, %	18.9	18.3	20.2	15.6	15.7 <sup>1)</sup>	<b>22.3 <sup>1)</sup></b>
Return on equity, %	20.6	21.6	18.2	13.3	13.1 <sup>1)</sup>	<b>22.1 <sup>1)</sup></b>
Equity ratio, %	32.2	39.5	43.8	44.5	42.9	<b>58.0</b>
Debt/equity ratio, times	1.0	0.6	0.5	0.4	0.5	<b>0.2</b>
Net debt/equity ratio, times	0.8	0.5	0.4	0.3	0.4	<b>-0.1</b>
Average number of employees	7,855	7,743	8,135	8,179	7,924 <sup>2)</sup>	<b>6,306 <sup>2)</sup></b>
<b>Per share data</b>						
Earnings (after full tax), SEK	14.62	17.36	17.23	14.81	6.45	<b>17.54</b>
Dividend for the financial year, SEK	5.00	6.00	7.00	8.00	-	-
Equity, SEK	79.09	87.83	105.74	119.84	114.50	<b>124.78</b>
Cash flow from operations after tax, SEK	14.50	30.00	25.87	16.97	8.20	<b>23.57</b>
Cash flow from operations after tax adjusted for effects of exchange rate movements on change in working capital, SEK	19.27	27.43	28.20	21.60	14.07	<b>20.53</b>
Number of shares, thousand	30,000	30,000	30,000	30,000	30,000	<b>30,000</b>

<sup>1)</sup> Based on 12-month moving totals.<sup>2)</sup> Number of employees at the end of the period.



## CARDO AB

### Disposal of the Rail business area

#### Financial effects

The selling price is approximately SEK 2 billion for the company free from debt, generating a tax-free capital gain of SEK 323 million on the disposal, which is equivalent to earnings per share of SEK 10.78. The selling price was paid by the purchaser taking over existing loans within Rail, paying approximately SEK 1.2 billion for the shares and issuing a warrant that gives Cardo the right at any time prior to December 31 2020 to acquire approximately 5 percent of the shares in the acquiring company at their nominal value. The present value of the warrant has been estimated at SEK 10 million.

#### Income statement broken down by current operations and operation disposed of

	Current operations		Capital gain	Rail		Group, total	
	Jan-Sept		Jan-Sept	Jan-Sept		Jan-Sept	
SEK million	2002	2001	2002	2002	2001	2002	2001
Invoiced sales	5,982	5,587	-	1,975	1,908	7,957	7,495
Operating expenses	-5,723	-5,328	323	-1,840	-1,793	-7,240	-7,121
<b>Operating earnings <sup>1)</sup></b>	<b>259</b>	<b>259</b>	<b>323</b>	<b>135 <sup>2)</sup></b>	<b>115 <sup>2)</sup></b>	<b>717</b>	<b>374</b>
Financial items	-26	-27	-	-51	-49	-77	-76
<b>Earnings after financial items</b>	<b>233</b>	<b>232</b>	<b>323</b>	<b>84</b>	<b>66</b>	<b>640</b>	<b>298</b>
Tax	-70	-68	-	-40	-33	-110	-101
Minority share	-	-	-	-4	-3	-4	-3
<b>Net earnings for the period</b>	<b>163</b>	<b>164</b>	<b>323</b>	<b>40</b>	<b>30</b>	<b>526</b>	<b>194</b>
Earnings per share, SEK	5.42	5.43	10.78	1.34	1.02	17.54	6.45
Earnings per share excluding non-recurring items, SEK	5.42	6.40	-	1.34	1.02	6.76	7.42
<sup>1)</sup> Operating earnings have been charged with depreciation and amortization amounting to	227	205	-	83	83	310	288
Whereof goodwill	74	60	-	24	24	98	84

<sup>2)</sup> Including central amortization of goodwill relating to Rail.

#### Cash flow broken down by current operations and operation disposed of

	Current operations		Payment on disposal	Rail		Group, total	
	Jan-Sept		Jan-Sept	Jan-Sept		Jan-Sept	
SEK million	2002	2001	2002	2002	2001	2002	2001
Cash flow from operations after tax	460	311	-	247	-65	707	246
Cash flow from investments	-489	-179	1,160	-40	-56	631	-235
Cash flow from financing	-154	-158	-	-165	126	-319	-32
<b>Net cash flow effect on liquid funds</b>	<b>-183</b>	<b>-26</b>	<b>1,160</b>	<b>42</b>	<b>5</b>	<b>1,019</b>	<b>-21</b>