CARDO AB

Interim Report, January-March 2005

- **Inflow of orders: SEK 1,835 million (1,943)**
- **Net sales: SEK 1,621 million (1,709)**
- **Net earnings: SEK -16 million (5)**
- **Earnings per share: SEK -0.53 (0.16)**
- **Weak trend for Garage field within Cardo Door**
- **Peter Aru new President and CEO of Cardo as of April 21 2005**

The Group's inflow of orders amounted to SEK 1,835 million (1,943), a decrease of 4 percent after adjustment for the effects of exchange rate movements. At Cardo Door, the inflow of orders was lower for all product areas except service. For Cardo Pump too, the inflow of orders decreased, despite the fact that the trend in wastewater and water treatment applications remained good.

Net sales amounted to SEK 1,621 million (1,709). Adjusted for the effects of exchange rate movements, this is a decrease of 4 percent.

Operating earnings amounted to SEK -10 million (27). The lower earnings are mainly due to a weak trend for the Garage field. The impact of exchange rate movements on operating earnings was only marginal.

Apart from in the Garage field, it was in the main possible to compensate for higher raw-material prices by raising product prices.

Net earnings amounted to SEK -16 million (5), which is equivalent to SEK -0.53 (0.16) per share.

Cash flow from operations was SEK 50 million (116) after tax, which is equivalent to SEK 1.67 (3.87) per share.

New President and CEO

On April 21 2005, Peter Aru was appointed new President and CEO of Cardo. Since January 2004, Peter Aru has been head of the Pump field within Cardo Pump. Before that, he was president of Besam, which operates in the field of automatic door systems. From 1993-1997 he was marketing manager in Cardo's business area Cardo Door.

The cost of terminating the previous President and CEO amounts to approximately SEK 14 million and will be charged to Group earnings for the second quarter this year. The cost relates to salary, social security contributions and pension costs.

Cardo Door

The inflow of orders was lower than during the corresponding period the previous year as far as industrial doors, dock loading systems and garage doors are concerned, while a continued increase was noted for service. For the business area as a whole, the inflow of orders decreased by 5 percent after adjustment for the effects of exchange rate movements. The inflow of orders remained weak in Germany and the UK.

Net sales amounted to SEK 1,054 million (1,096), which is a decrease of 3 percent after adjustment for the effects of exchange rate movements. Operating earnings amounted to SEK 2 million (31). The lower net sales and the deterioration in earnings can be entirely attributed to the Garage field. The decline in earnings at Garage is explained both by the lower net sales and by difficulties in compensating for the rises in the prices of raw materials.

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Cardo Pump
The inflow of orders remained good in the wastewater and water treatment applications segment, while it was lower in the pulp and paper industry and construction industry segments. For the business area as a whole, the inflow of orders decreased by 3 percent after adjustment for the effects of exchange rate movements.

Net sales amounted to SEK 567 million (613), which adjusted for the effects of exchange rate movements is a decrease of 6 percent. Operating earnings amounted to SEK 3 million (12). Earnings were adversely affected by the lower net sales. The reorganization that was implemented during 2004 is taking effect on earnings according to plan.

The quarter saw the completion of the move of production in Mölndal to the new production facility in Vadstena.

Liquidity and financing
At March 31, the Group's liquid funds stood at SEK 192 million (125) compared with SEK 213 million at the beginning of the year. In addition, there are unutilized credit facilities of approximately SEK 2.3 billion (approximately 1.5).

The Group's gross investments, excluding company acquisitions, stood at SEK 62 million (49).

Net interest bearing debt at March 31 amounted to SEK 277 million (223) compared with SEK 268 million at the beginning of the year.

Equity amounted to SEK 2,919 million (2,907), which is equivalent to SEK 97.30 (96.90) per share.

The Group's equity ratio at March 31 was 57.4 percent (57.7).

Personnel
The average number of employees during the period was 5,801 (5,938).

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 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. 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 report is Cardo's first financial report to be drawn up in accordance with International Financial Reporting Standards (IFRS), which have been endorsed by the EU Commission. Cardo's transition date is January 1 2004, which means that comparative figures have been recalculated as if IFRS had been applied during 2004 as well. For a more detailed description of the effects of the transition to accounting in accordance with IFRS, please see appendix 5.

The parent company
The parent company's earnings after financial items amounted to SEK -1 million (-3), 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 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 and water treatment applications, the assessment is that market growth will remain good.

Malmö, Sweden, May 12 2005

Cardo AB (publ)

Peter Aru
President and CEO

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

Cardo's interim report for January-June will be published on August 10 2005.

Appendices:
1. Consolidated income statement in brief
   Net sales, operating earnings and operating margin by business area
2. Consolidated balance sheet in brief
3. Consolidated cash flow statement in brief
4. Group financial summary
5. Transition to financial reporting in accordance with IFRS

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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.

Consolidated income statement in brief

SEK million	3 months Jan-March 2005	3 months Jan-March 2004	12 months April 2004-March 2005	Whole year 2004
Net sales	1,621	1,709	7,598	7,686
Cost of goods sold	-1,100	-1,133	-5,000	-5,033
Gross earnings	**521**	**576**	**2,598**	**2,653**
Selling and administrative expenses	-531	-549	-2,229	-2,247
Other operating income and expenses - net	-	-	42 [2)]	42 [2)]
Operating earnings [1)]	**-10**	**27**	**411** [3)]	**448** [3)]
Revaluation financial instruments	-8	-16	1	-7
Financial items	-4	-4	-22	-22
Earnings after financial items	**-22**	**7**	**390**	**419**
Tax	6	-2	-85	-93
Net earnings for the period	**-16**	**5**	**305**	**326**
Earnings per share, SEK	-0.53	0.16	10.15	10.86
Number of shares, thousands	30,000	30,000	30,000	30,000
[1)] Operating earnings have been charged with depreciation and amortization amounting to	52	53	210	211

[2)] Capital gain of SEK 40 million on disposal of shares in SAB WABCO is included in other operating income.

[3)] Costs of SEK 70 million for reorganization in Cardo Pump are included in operating earnings for the whole year 2004 and for the period April 2004-March 2005. Reorganization costs are included in cost of goods sold in the sum of SEK 20 million and in selling anc administrative expenses in the sum of SEK 50 million.

Net sales, operating earnings and operating margin by business area

SEK million	3 months Jan-March 2005	3 months Jan-March 2004	12 months April 2004-March 2005	Whole year 2004
Net sales				
Cardo Door	1,054	1,096	4,787	4,829
Cardo Pump	567	613	2,811	2,857
Group	1,621	1,709	7,598	7,686
Operating earnings				
Cardo Door	2	31	287	316
Cardo Pump	3	12	211	220
Other items [1)]	-15	-16	-57	-58
Non-recurring items	-	-	-30 [2)]	-30 [2)]
Group	-10	27	411	448
Operating margin				
Cardo Door	0.2%	2.8%	6.0%	6.5%
Cardo Pump	0.6%	2.0%	7.5%	7.7%
Group, excl. non -recurring items	-0.6%	1.6%	5.8%	6.2%
Group, incl. non-recurring items	-0.6%	1.6%	5.4%	5.8%

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

[2)] Provision of SEK 70 million for reorganization in Cardo Pump and capital gain of SEK 40 million on disposal of shares in SAB WABCO.

Consolidated balance sheet in brief

SEK million	31-03-2005	31-12-2004
Assets		
Intangible fixed assets	965	944
Tangible fixed assets	1,088	1,075
Financial fixed assets	179	182
Inventories	908	827
Current receivables	1,755	1,885
Short-term investments, cash and bank balances	192	213
Total assets	**5,087**	**5,126**
Equity and liabilities		
Equity	2,919	2,880
Interest bearing provisions and liabilities	478	489
Non-interest bearing provisions and liabilities	1,690	1,757
Total equity and liabilities	**5,087**	**5,126**
Contingent liabilities	23	22

Equity

SEK million	31-03-2005	31-03-2004
Opening balance adjusted in accordance with new principles [1)]	2,880	2,826
Translation differences	55	76
Net earnings for the period	-16	5
Closing balance	2,919	2,907

[1)] For a description of the effects of the transition to IFRS, please refer to appendix 5.

Consolidated cash flow statement in brief

SEK million	3 months Jan-March 2005	3 months Jan-March 2004
Earnings after financial items	-22	7
Depreciation, amortization and other items without effect on cash flow	60	69
Cash flow from operating activities before change in working capital	38	76
Change in working capital	39	51
Cash flow from operating activities before tax	**77**	**127**
Tax paid	-27	-11
Cash flow from operating activities after tax	**50**	**116**
Investments in intangible and tangible fixed assets	-62	-49
Disposal of intangible and tangible fixed assets	14	6
Change in interest bearing receivables	1	-
Cash flow from investing activities	-47	-43
Change in interest bearing provisions and liabilities	-28	-124
Cash flow from financing activities	-28	-124
Net cash flow effect on liquid funds	**-25**	**-51**

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	-25	28	3
Translation differences	4	-16	-12
Closing balance March 31 2005	**192**	**-469**	**-277**

Group financial summary

Amounts in SEK million unless otherwise stated	Whole year 2001 *	2002 *	2003 *	2004	January-March 2004	**2005**
Net sales	10,777	10,376	7,687	7,686	1,709	**1,621**
Operating earnings	758	930	448	448	27	**-10**
Earnings after financial items	660	856	428	419	7	**-22**
Operating margin, %	7.0	9.0	5.8	5.8	1.6	**-0.6**
Profit margin, %	6.1	8.3	5.6	5.5	0.4	**-1.4**
Interest cover, times	6.8	9.7	13.9	16.7	2.2	**-3.4**
Investments, gross	305	309	270	294	49	**62**
Cash flow from operating activities after tax	648	839	656	467	116	**50**
Degree of self-financing, %	212	272	243	159	237	**81**
Fixed assets	3,061	2,265	2,151	2,201	2,227	**2,232**
Current assets	5,034	3,846	2,833	2,925	2,807	**2,855**
Total assets	8,095	6,111	4,984	5,126	5,034	**5,087**
Equity	3,595	3,875	2,886	2,880	2,907	**2,919**
Minority interest	10	-	-	-	-	**-**
Interest bearing provisions and liabilities	1,526	335	353	489	370	**478**
Non-interest bearing provisions and liabilities	2,964	1,901	1,745	1,757	1,757	**1,690**
Average capital employed	4,958	4,821	3,665	3,345	3,519	**3,361**
Net interest bearing debt	1,242	-593	179	268	223	**277**
Turnover of capital employed, times	2.17	2.15	2.10	2.30	2.16 [1)]	**2.16** [1)]
Return on capital employed, %	15.6	19.8	12.6	13.3	13.5 [1)]	**12.4** [1)]
Return on equity, %	13.3	18.7	9.5	11.5	10.8 [1)]	**10.8** [1)]
Equity ratio, %	44.5	63.4	57.9	56.2	57.7	**57.4**
Debt/equity ratio, times	0.4	0.1	0.1	0.2	0.1	**0.2**
Net debt/equity ratio, times	0.3	-0.2	0.1	0.1	0.1	**0.1**
Average number of employees	8,179	7,851	6,203	5,947	5,938	**5,801**
Per share data						
Earnings (after tax), SEK	14.81	22.50	10.28	10.86	0.16	**-0.53**
Earnings excluding non-recurring items (after tax), SEK	15.81	12.65	10.28	11.17	0.16	**-0.53**
Dividend for the financial year, SEK	8.00	40.00 [2)]	8.00	8.00	-	**-**
Equity, SEK	119.84	129.17	96.21	96.00	96.90	**97.30**
Cash flow from operating activities after tax, SEK	21.60	27.97	21.87	15.57	3.87	**1.67**
Number of shares, thousands	30,000	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 5.*

[1)] Based on 12-month moving totals.

[2)] Regular dividend SEK 8.00 and extra dividend SEK 32.00.

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 is the first financial report that has been 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.

The section below describes the most significant differences between the previously applied accounting principles, under which the annual report and interim reports for 2004 were drawn up, and IFRS.

IFRS 1, First Time Adoption of IFRS

Under the transition rules in IFRS 1, all standards and statements that are in force on December 31 2005 are to be applied retroactively as if Cardo had always reported in accordance with IFRS. According to IFRS 1, there are a number of exceptions to this principal rule. Certain exceptions are compulsory, others are voluntary. Cardo has chosen to apply the following optional exceptions.

Acquisitions of subsidiaries prior to January 1 2004 have not been revalued in accordance with the provisions of IFRS 3, Business Combinations.

For defined-benefit pension plans, actuarial gains and losses have been set to zero in the opening balance, since information is not available from the formation of each plan. This treatment of actuarial gains and losses accords with the treatment adopted when RR 29, Employee Benefits, began to be applied on January 1 2004 and there is therefore no effect on equity in the opening balance.

Under IAS 21, The Effects of Changes in Foreign Exchange Rates, the translation differences on translating net investments in foreign subsidiaries shall be classified as a separate component of equity that shall be taken into consideration if the foreign operation is disposed of. These translation differences have not been taken into consideration retroactively but have been set to zero on January 1 2004.

The standards that will have the greatest effect on Cardo’s future financial reporting compared with previous accounting principles are IFRS 3, Business Combinations, and IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 3, Business Combinations

According to IFRS 3, annual amortization of goodwill is not allowed. Instead, its value shall be tested annually by means of what are known as impairment tests. If the test shows that the reported value of goodwill is not justified, an impairment loss shall be recognized. The value on January 1 2004 and December 31 2004 has been tested in accordance with the provisions of IAS 36, Impairment of Assets, whereby it has been found that there is no impairment on these dates.

The transition to IFRS as of January 1 2004 involves amortization of goodwill amounting to SEK 90 million under accounting principles previously applied being reversed in the income statement for 2004. The recognized value of the goodwill item on December 31 2004 therefore increases by SEK 88 million after the effects of exchange rate movements.

IAS 39, Financial Instruments: Recognition and Measurement

Cardo's policy is to hedge major contracts, and financial flows, in their entirety and, in addition, approximately half of the remaining projected net currency flows on a rolling twelve-month basis mainly by means of forward exchange contracts. Accounting according to IAS 39 involves all financial instruments, including those used for hedging, being continually assigned a market value and recognized at their fair value in the balance sheet. Since Cardo has chosen not to apply the special provisions on “hedge accounting”, the effects of the market valuation will be recognized continually in the income statement. Cardo discloses unrealized gains and losses on forward exchange contracts that do not correspond to an item in the balance sheet as a financial item in the income statement. The comparative figures for 2004 have also been recalculated in accordance with IAS 39.

According to principles previously applied, forward exchange contracts that hedge future flows that have yet to correspond to an item in the balance sheet were not recorded in the balance sheet and income statement until the hedged transaction affected the income statement. The hedged transaction was then recorded at the forward rate.

Effects on income statement, balance sheet and equity

The tables below summarize the above-mentioned effects on earnings, balance sheet and equity if IFRS had been applied during 2004. In this connection, deferred tax effects relating to tax-deductible goodwill amortization and deferred tax relating to the valuation of financial instruments have also been taken into consideration.

The consolidated cash flow statement has not been affected by the transition to IFRS, beside the fact that a transfer has been made between the lines "Earnings after financial items" and "Depreciation, amortization and other items without effect on cash flow".

The effects reported are preliminary and based on standards currently applying, which may change by December 31 2005.

Consolidated income statement in brief	**3 months January-March 2004**			**Whole year 2004**		
SEK million	According to old principles	Effects of transition to IFRS	According to IFRS	According to old principles	Effects of transition to IFRS	According to IFRS
Net sales	1,709	-	1,709	7,686	-	7,686
Cost of goods sold	-1,133	-	-1,133	-5,033	-	-5,033
Gross earnings	**576**	**-**	**576**	**2,653**	**-**	**2,653**
Selling and administrative expenses	-549	-	-549	-2,247	-	-2,247
Other operating income and expenses - net	-22	22	-	-48	90	42
Operating earnings [1]	**5**	**22**	**27**	**358**	**90**	**448**
Revaluation financial instruments	**-**	-16	-16	**-**	-7	-7
Financial items	-4		-4	-22		-22
Earnings after financial items	**1**	**6**	**7**	**336**	**83**	**419**
Tax	-	-2	-2	-86	-7	-93
Net earnings for the period	**1**	**4**	**5**	**250**	**76**	**326**
Earnings per share, SEK	0.02	0.14	0.16	8.32	2.54	10.86
[1] Operating earnings have been charged with depreciation and amortization amounting to	75		53	301		211
whereof goodwill	22		-	90		-

Consolidated income statement per quarter 2004 recalculated in accordance with IFRS				
SEK million	3 months Jan-March 2004	3 months April-June 2004	3 months July-Sept 2004	3 months Oct-Dec 2004
Net sales	1,709	1,982	1,800	2,195
Cost of goods sold	-1,133	-1,297	-1,183	-1,420
Gross earnings	**576**	**685**	**617**	**775**
Selling and administrative expenses	-549	-566	-574	-559
Other operating income and expenses - net	-	-	-	42 [3]
Operating earnings [1]	**27**	**119**	**43** [2]	**258**
Revaluation financial instruments	-16	4	2	4
Financial items	-4	-5	-7	-5
Earnings after financial items	**7**	**118**	**38**	**257**
Tax	-2	-33	-11	-48
Net earnings for the period	**5**	**85**	**27**	**209**
Earnings per share, SEK	0.16	2.83	0.92	6.96
[1] Operating earnings have been charged with depreciation and amortization amounting to	53	54	54	52

[2] Costs of SEK 70 million for reorganization in Cardo Pump are included in operating earnings for the third quarter. 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.

[3] Capital gain of SEK 40 million on disposal of shares in SAB WABCO is included in other operating income.

Consolidated balance sheet in brief	**01-01-2004**			**31-12-2004**		
SEK million	Acc. to old principles [1)]	Effects of transition to IFRS	According to IFRS	Acc. to old principles [1)]	Effects of transition to IFRS	According to IFRS
Assets						
Intangible fixed assets	948	-	948	856	88	944
Tangible fixed assets	1,057	-	1,057	1,075	-	1,075
Financial fixed assets	176	-	176	182	-	182
Inventories	755	-	755	827	-	827
Current receivables	1,900	13	1,913	1,879	6	1,885
Short-term investments, cash and bank balances	171	-	171	213	-	213
Total assets	**5,007**	**13**	**5,020**	**5,032**	**94**	**5,126**
Equity and liabilities						
Equity	2,817	9	2,826	2,797	83	2,880
Interest bearing provisions and liabilities	449	-	449	489	-	489
Non-interest bearing provisions and liabilities	1,741	4	1,745	1,746	11	1,757
Total equity and liabilities	**5,007**	**13**	**5,020**	**5,032**	**94**	**5,126**
Contingent liabilities	23	-	23	22	-	22

[1)] Taking into consideration the effects of the transition to RR 29, Employee Benefits, as of January 1 2004.

Equity			
SEK million	01-01-2004	31-03-2004	31-12-2004
Equity according to old principles [1)]	2,817	2,894	2,797
Effects of transition to IFRS	9	13	83
Equity according to IFRS	2,826	2,907	2,880

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