

CARDO AB

Interim report, January - September 2000

- **Invoiced sales: SEK 6,851 million (6,748)**
- **Operating earnings: SEK 529 million (441)**
- **Earnings after financial items and minority share: SEK 438 million (367)**
- **Earnings per share after full tax: SEK 10.47 (8.72)**

The Group's inflow of orders amounted to SEK 7,312 million (7,213). This represents an increase of 2 percent for the current structure of the Group after adjustment for the effects of exchange rate movements.

Invoiced sales amounted to SEK 6,851 million (6,748), a rise of 4 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 529 million (441), providing an operating margin of 7.7 percent (6.5). Cardo Pump's earnings were lower than last year, while Cardo Door's and Cardo Rail's improved. Operating earnings have been boosted by SEK 69 million this year in respect of a pension refund and were boosted by SEK 38 million in 1999 in respect of a reversed warranty provision. Excluding these non-recurring items, operating earnings rose by 14 percent.

Earnings after financial items were SEK 443 million (372), providing a profit margin of 6.5 percent (5.5). Earnings after financial items and minority share rose to SEK 438 million (367). Earnings per share after full tax during the period amounted to SEK 10.47 (8.72).

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

Return on capital employed was 20.1 percent (20.4) for the twelve-month period ended September 30. Return on equity during the same period amounted to 21.9 percent (21.9).

Cash flow from operations amounted to SEK 13.27 (16.80) per share after tax. Adjusted for the effects of exchange rate movements on the change in working capital, cash flow after tax was SEK 14.60 (14.74) per share.

## Invoiced sales and earnings by business area

MSEK	Invoiced sales			Earnings		
	January-September 2000	January-September 1999	Whole year 1999	January-September 2000	January-September 1999	Whole Year 1999
Cardo Door	<b>3,276</b>	2,940	4,227	<b>250</b>	221	430
Cardo Pump	<b>1,783</b>	1,739	2,465	<b>133</b>	150	247
Cardo Rail	<b>1,792</b>	1,979	2,675	<b>133</b>	118 <sup>2)</sup>	170
Other items <sup>1)</sup>	-	90	122	<b>13</b> <sup>3)</sup>	-48	-64
	<b>6,851</b>	6,748	9,489	<b>529</b>	441	783
Financial items				<b>-86</b>	-69	-88
Earnings after financial items				<b>443</b>	372	695
Minority share in earnings after financial items to be deducted				<b>-5</b>	-5	-21
Earnings after financial items and minority share				<b>438</b>	367	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 reversed warranty provision of SEK 38 million made during a previous year.
- <sup>3)</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.

The UK's leading manufacturer of residential garage doors, P C Henderson, was acquired in February. 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 3,276 million (2,940) during the period. Adjusted for the effects of exchange rate movements and company acquisitions, this represents a rise of 7 percent. Operating earnings rose to SEK 250 million (221).

For industrial doors, which account for slightly less than 40 percent of Cardo Door's total sales, demand rose in most major European markets with the exception of Germany. There was an increase in demand for service and residential garage doors, which each account for approximately a quarter of sales. Sales of dock loading equipment rose during the third quarter.

The focus on residential garage doors, dock loading systems and service in recent years has resulted in the proportion of Cardo Door's invoicing represented by industrial doors gradually decreasing and with it the business area's dependence on industrial new construction.

A number of large orders were received during the third quarter. For example, Door's subsidiary in the USA won its biggest order so far when the Canadian airplane manufacturer Bombardier Aeronautique decided to buy 21 Megadoor hangar doors for a testing facility at Mirabell Airport in Montreal. The Turkish construction company AS Beton bought 204 industrial doors for a logistics project in Istanbul. In Austria, the food chain Billa bought 50 electrically operated industrial doors; and in the UK, an order was received from the logistics company Tibbet & Britain for 38 complete dock loading systems. The real estate company Birsta Fastigheter in Sweden bought 122 industrial doors and 44 complete dock loading systems; and the airline Golden Air in Finland bought a Megadoor hangar door of dimensions 30x8 m.

## **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.

At the beginning of the year, the US company CH&E was acquired. This company has a turnover of approximately SEK 60 million and makes diesel-driven dewatering pumps that complement Cardo Pump's electrically operated pumps.

Invoiced sales amounted to SEK 1,783 million (1,739). Adjusted for the effects of exchange rate movements and company acquisitions, this is on a par with last year. Operating earnings, which amounted to SEK 133 million (150), were adversely affected by lower margins for products for the pulp and paper industry. The Njurunda operation in Sweden is now being moved to Cardo Pump's plant at Vadstena, Sweden, with a view to reducing costs.

There has been a rise in deliveries to Cardo Pump's biggest segment, water supply and wastewater, while deliveries to the pulp and paper industry have decreased compared to the corresponding period last year. Exclusive of the effects of company acquisitions, deliveries to the construction industry decreased.

In order to adapt to the change under way in the pulp and paper industry, where manufacturers are consolidating in ever greater groups with production in many countries, Cardo Pump has formed a special marketing and service company that targets this customer group exclusively. The company's headquarters is in Sweden, and its marketing and service staff are present in most countries with a developed pulp and paper industry.

A number of considerable orders were received during the third quarter, including one for 66 submersible, acid-resistant mixers for the treatment process in a new wastewater treatment plant in South Korea. Several big distribution pumps for drinking water in the Shanghai area of China were ordered for a newly planned waterworks.

During the third quarter, the expansion of the service operation was continued through the acquisition of small service companies in Germany, Finland and Sweden.

On September 1, Thomas Widstrand took over as new head of the Cardo Pump business area.

### **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.

Ongoing deregulation and privatization characterize the rail industry in Europe. This is exemplified by the current sale of Swedish State Railways' maintenance operation. Consolidation is continuing among train builders, as is borne out by Bombardier's purchase of Adtranz, and by Alstom's purchase of 51 percent of Fiat Industrie Ferroviaria. Both these transactions are currently under the consideration of the EU's competition authority.

The inflow of orders during the period amounted to SEK 1,899 million, which is 5 percent lower than last year for a comparable structure and adjusted for the effects of exchange rate movements.

During the third quarter, orders received by Cardo Rail included one worth SEK 50 million from Bombardier in France relating to brake equipment for 210 passenger cars for the Belgian railway system. Delivery of the equipment will begin in 2001. In addition, an order worth approximately SEK 30 million was received from Alstom in France for electro-pneumatic brake systems for 60 passenger cars. The end customer is the French state railway company, and delivery will take place during 2001.

Cardo Rail's invoiced sales during the period amounted to SEK 1,792 million (1,979). Adjusted for the effects of exchange rate movements, this is a decrease of 7 percent, which is mainly due to the fact that Cardo Rail has ceased making certain sales as an agent. Operating earnings rose to SEK 133 million (118). Last year's earnings include a reversed warranty provision of SEK 38 million. The improvement in earnings and operating margin is a result both of the restructuring measures carried through and of the positive effects of the investments made in the aftermarket thus far.

On July 1, Ingar Jensen took over as new head of the Cardo Rail business area.

### **Liquidity and financing**

At September 30, the Group's liquid assets stood at SEK 228 million (378) compared with SEK 325 million at the beginning of the year. In addition, there are unutilized credit facilities of SEK 2.6 billion (2.6).

Cash flow from operations was SEK 398 million (504) after tax, which is equivalent to SEK 13.27 (16.80) per share. Adjusted for the effects of exchange rate movements on the change in working capital, cash flow after tax was SEK 14.60 (14.74) per share. The Group's gross investments, excluding company acquisitions, stood at SEK 214 million (149).

Net interest bearing debt at September 30 amounted to SEK 1,598 million (1,328) 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 2,785 million (2,403), which is equivalent to SEK 92.85 (80.10) per share.

The Group's equity ratio at September 30 was 38.9 percent (37.7).

### **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 was therefore accounted for in the financial statements as of 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 expects to be able to receive all the surplus funds in cash this year. As of September 30 2000, SEK 16 million has been received.

The surplus funds have been reported in their entirety as other operating income in the income statement and those of them as yet unreceived have been reported 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 September 30 was 7,778 (7,381).

### **The parent company**

The parent company's earnings after financial items amounted to SEK 161 million (179), its gross investments to SEK 0 million (0) and its liquid assets to SEK 2 million (2) as against SEK 3 million at the beginning of the year.

### **New CFO from turn of year**

Sven-Erik Persson, executive vice president and chief financial officer (CFO) at Cardo AB, has decided to leave his post at the turn of the year for personal reasons. In so doing, he is taking his opportunity to retire.

Göran Axeheim has been appointed new CFO and a member of Cardo's group management team as of January 1 2001. He was born in 1961, is a graduate business administrator and has been vice president finance at Cardo AB since 1994.

## Prospects

The fourth quarter traditionally accounts for much of the generation of the year's earnings. After seasonal adjustment, no great changes in the demand situation for the Group's products are foreseen for this quarter.

Malmö, Sweden, November 7 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 report on operations for the whole of 2000 will be published on February 14 2001.*

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 7,800 employees.*