

CARDO AB

Report on Operations 2000

- **Invoiced sales amounted to SEK 9,786 million (9,489).**
- **Operating earnings amounted to SEK 899 million (783), providing an operating margin of 9.2 percent (8.2).**
- **Earnings after financial items and minority share were SEK 783 million (674).**
- **Earnings per share after full tax amounted to SEK 18.93 (17.36).**
- **The Board of Directors proposes a dividend of SEK 7.00 (6.00) per share.**

The Group's inflow of orders stood at SEK 9,904 million (9,605), which is a rise of 3 percent for the current structure of the Group after adjustment for the effects of exchange rate movements.

Invoiced sales amounted to SEK 9,786 million (9,489), an increase of 5 percent after adjustment for the effects of exchange rate movements. Company acquisitions/disposals account for 3 percentage points of this figure. Invoiced sales to customers outside Sweden made up 92 percent (92) of total Group invoicing.

Operating earnings rose to SEK 899 million (783), providing an operating margin of 9.2 percent (8.2). Door's and Rail's positive earnings trends continued, while reduced volumes and lower margins for pumps for the pulp and paper industry adversely affected Pump. Operating earnings for the year include a net pension refund of SEK 69 million and those for last year a reversed warranty provision of SEK 38 million made during a previous year. Exclusive of these non-recurring items, operating earnings rose by SEK 85 million or 11 percent and the operating margin amounted to 8.5 percent (7.8).

Earnings after financial items amounted to SEK 789 million (695), a profit margin of 8.1 percent (7.3), and earnings after financial items and minority share to SEK 783 million (674).

The Group's tax expense amounted to SEK 217 million (177), which is equivalent to a tax rate of 28 percent (25) on earnings after financial items. Certain non-recurring effects influenced tax expense for both 2000 and 1999. Excluding these non-recurring effects, the Group's tax rate is estimated at approximately 32 percent.

Exchange rate movements during the year had only a marginal impact on Group earnings.

Earnings per share after full tax rose to SEK 18.93 (17.36).

Return on capital employed was 20.5 percent (18.3), and return on equity 20.6 percent (21.6).

Cash flow from operations after tax was SEK 25.87 (30.00) per share. Adjusted for the effects of exchange rate movements on the change in working capital, cash flow after tax was SEK 28.20 (27.43).

Invoiced sales and earnings by business area

SEK million	Invoiced sales		Earnings	
	2000	1999	2000	1999
Cardo Door	4,722	4,227	474	430
Cardo Pump	2,537	2,465	220	247
Cardo Rail	2,527	2,675	213	170 ²⁾
Other items ¹⁾	-	122	-8³⁾	-64
	9,786	9,489	899	783
Financial items			-110	-88
Earnings after financial items			789	695
Minority share in earnings after financial items			-6	-21
Earnings after financial items and minority share			783	674

- 1) Made up of the parent company, other central units and Group adjustments.
Invoiced sales during 1999 relate to Tebel and Group adjustments.
- 2) Including reversed warranty provision of SEK 38 million made during previous year.
- 3) 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.

February 2000 saw the acquisition of the UK's brand leading manufacturer of residential garage doors, P C Henderson. This company, which has a turnover of approximately SEK 325 million and employs about 325 people, is included in Cardo Door's invoicing and earnings as of the time of acquisition. The purchase price for the shares was SEK 136 million, and goodwill as a consequence of the transaction was SEK 90 million.

Cardo Door's inflow of orders for the current structure increased by 5 percent after adjustment for the effects of exchange rate movements.

Invoiced sales rose to SEK 4,722 million (4,227). After adjustment for the effects of exchange rate movements, this is a rise of 14 percent. Company acquisitions account for 7 percentage points of this figure. Operating earnings rose to SEK 474 million (430). Return on capital employed amounted to 24 percent (24).

As part of the efforts being made within the framework of Cardo's C15 growth program, a division of Cardo Door's organization into areas of operation was completed during the course of the year. These are industrial doors, service, dock loading equipment and residential garage doors. The aim is to achieve a better focus on continued growth in the various areas.

For industrial doors, which accounted for 41 percent of Cardo Door's turnover, demand rose in most of Europe's major markets with the exception of Germany.

Invoiced sales of service, which accounted for 24 percent of Cardo Door's turnover, rose by 9 percent during the year after adjustment for the effects of exchange rate movements. Cardo Door's strategy is to offer its customers IT-based system solutions to an increasing extent. A new service support system that was developed in-house was one of the results of this strategy during the year.

In the dock loading equipment segment, which accounted for 13 percent of turnover, demand and invoicing rose somewhat during the year.

In December, an agreement was entered into on the takeover of all the shares in the Danish dock loading equipment company Miflex Miljøexpert A/S on January 1 2001. This company has been a distributor of Cardo Door's dock loading equipment in Denmark and Sweden. The Miflex group, which has a turnover of approximately SEK 80 million and employs 36 people, enjoys good profitability and a market leading position in Denmark in dock loading equipment and associated service. In addition, it has a strong position in the Swedish dock loading equipment market through its subsidiary Milex Miljøexpert AB. This acquisition gives Cardo Door a leading position in Denmark and a strengthened market leadership in Sweden.

The year saw a rise in demand for residential garage doors, which accounted for 22 percent of Cardo Door's turnover. By acquiring Henderson, Cardo Door considerably strengthened its position in the market for residential doors in both the UK and the Republic of Ireland. In these countries, Cardo Door was previously a minor player. In connection with the acquisition, Cardo Door's other activities in the UK in respect of residential garage doors were concentrated to Henderson. This company's overhead doors, which were

previously manufactured by external subcontractors, are now being replaced by Cardo Door's own products to an increasing extent.

Cardo Pump

Cardo Pump is one of Europe's largest manufacturers of pumps, mixers and aerators and a global leader in the production of sophisticated measurement instruments for the pulp and paper industry.

Cardo Pump's inflow of orders rose for the current structure by 2 percent after adjustment for the effects of exchange rate movements. Sales to the biggest segment, water and wastewater, rose while the demand for products for the pulp and paper industry and the building services market decreased somewhat.

Invoiced sales amounted to SEK 2,537 million (2,465). After adjustment for the effects of exchange rate movements, this is a rise of 3 percent, which is entirely attributable to company acquisitions. Operating earnings fell to SEK 220 million (247), mainly as a consequence of reduced volumes and lower margins in respect of pumps for the pulp and paper industry. Return on capital employed amounted to 22 percent (26).

A number of activities were started during the year within the framework of Cardo's C15 growth program. Cardo Pump's position in the aftermarket continued to be strengthened by a new service concept, the setting up of local service centers and further development of rental activities for dewatering pumps. Several establishments and acquisitions of small service companies were also made during the year, e.g. in Germany, the Republic of Ireland, Spain, Sweden and Finland.

The start of the year saw the acquisition of the US company CH&E, which makes diesel-driven dewatering pumps for the construction sector. This company's operations have been integrated into Cardo Pump and synergy has been generated, particularly in sales.

In the biggest market segment, water and wastewater, a major program to make the sales force more efficient was run during the year. This involved courses in subjects such as sales management and training to enhance knowledge of applications. New products introduced included a submersible high-pressure pump for wastewater applications.

Increased harmonization of production was initiated during the year with a view to, among other things, better coordinating purchasing and logistics. As part of the effort to reduce costs, a small production unit was closed down in Sweden.

In order to further enhance its customer orientation, Cardo Pump changed its sales organization at the turn of the year 2000/2001 from having been geographically based to being based on market segments that reflect customers' applications and processes. Water and wastewater, industry, and building services are to be represented by separate marketing organizations, creating even greater potential to focus on each group of customers.

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.

Cardo Rail's inflow of orders amounted to SEK 2,584 million (2,678), which is a decrease of 1 percent adjusted for the effects of exchange rate movements. The decline is due to the fact that Cardo Rail has ceased making certain sales as an agent. Adjusted for this, the inflow of orders rose by 4 percent.

Invoiced sales amounted to SEK 2,527 million (2,675), a decrease of 4 percent after adjustment for exchange rate movements. Adjusted for the effect of the fact that Cardo Rail ceased making certain sales as an agent, invoicing rose by 1 percent.

Operating earnings rose by 25 percent to SEK 213 million (170). Earnings for 1999 include a reversed warranty provision of SEK 38 million. The operating margin rose to 8 percent (6). The improvement in earnings and operating margin is a consequence of restructuring measures carried through, efforts in the aftermarket and focus on profitable orders. Return on capital employed amounted to 18 percent (13).

As part of Cardo's C15 growth program, Cardo Rail developed its aftermarket organization during the year. Among other things, a maintenance workshop that serves customers in the Nordic market was established in

Landskrona, Sweden. This venture has been well received, and Cardo Rail's turnover in the aftermarket in the Nordic area doubled during the year.

In July, Cardo Rail decided to stop manufacturing its own screw compressors. At the same time, a collaboration agreement was entered into with Atlas Copco, which is now supplying these compressors for Cardo Rail's brake systems.

The trend in the rail industry is to develop and increase the percentage of modularized, and thereby more cost-effective, products that give a more rational production structure. This applies to both the car builders and the subcontractors. Cardo Rail is now sharpening its focus on product development in order to accelerate the standardization of its product range. In the course of the year, three new important products were introduced that met with great interest on the part of customers: a new electro-pneumatic control system for various brake functions and two compact brake units.

At the end of the year, Cardo Rail decided to change its organization and its method of working in order to better meet the market's new requirements in consequence of the structural changes under way in the rail industry. The new organization is more customer-focused with key-account managers and strengthened resources for service and maintenance activities.

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

Liquidity and financing

At year-end, the Group's liquid assets amounted to SEK 225 million (325). In addition, there are unutilized credit facilities of approximately SEK 3.3 billion (approximately 2.4).

Cash flow from operations amounted to SEK 776 million (900) after tax, which is equivalent to SEK 25.87 (30.00) per share. Adjusted for the effects of exchange rate movements on the change in working capital, cash flow was SEK 28.20 (27.43) per share after tax. The Group's gross investments, exclusive of company acquisitions, stood at SEK 300 million (266).

Net interest bearing debt fell to SEK 1,265 million (1,332).

Equity amounted to SEK 3,130 million (2,635), which is equivalent to SEK 104.34 (87.83) per share.

At year-end, the Group's equity ratio was 43.4 percent (39.5).

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, which was accounted for in the financial statements as of June 30 2000. As of December 31 2000, SEK 52 million has been received, and the remainder is expected to be received during the first quarter of 2001.

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 non-recurring 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 average number of employees in the Group was 8,135 (7,743).

Parent company

The parent company's earnings after financial items amounted to SEK 109 million (176), gross investments to SEK 0 million (0) and liquid assets to SEK 1 million (3).

Call options for leading officers

In 1998, leading officers at Cardo subscribed for call options in Cardo AB on market terms and with L E Lundbergföretagen AB as the issuer of the options. In 2000, the options program was expanded for executives who recently took up their posts. In total, L E Lundbergföretagen AB has granted 471,000 call options to 52 leading officers. Between 2,000 and 30,000 options per person have been allotted. Each option carries the right to acquire one share in Cardo AB at the exercise price of SEK 172 during the period August 1 - September 30 2003.

Dividend

The Board of Directors and President propose a dividend of SEK 7.00 (6.00) per share for the financial year 2000, which requires SEK 210 million (180). The dividend is equivalent to 37 percent (35) of earnings per share.

Election committee

An election committee has been appointed consisting of representatives of the Company's three largest owners. The Chairman of the Board is the convener. The duties of the election committee are to submit proposals to the Annual General Meeting in respect of the election of the Board of Directors, the appointment of auditors whenever applicable and the determination of fees. The election committee that has been appointed ahead of the 2001 Annual General Meeting consists of:

Fredrik Lundberg (Chairman of Cardo), L E Lundbergföretagen AB, Stockholm

Staffan Grefbäck, Nordea Kapitalförvaltning AB, Stockholm

Tomas Nicolin, National Swedish Pension Fund, 3rd Fund Board, Stockholm

Annual General Meeting and financial reports

The Annual General Meeting will be held in Malmö, on Monday, April 2 2001 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 14.
- The third quarter Interim Report will be published on November 6.

Market and prospects

Cardo's main activities are related to investments in environment and infrastructure as well as in construction. Infrastructural and environmental investments do not usually follow the general economic trend. In addition, Cardo's products enjoy a big aftermarket. It accounts for a total of approximately 30 percent of turnover, bringing stability to the sales trend. This is an important point of departure when assessing Cardo's long-term development.

In the short-term perspective, there is presently great uncertainty regarding the economic trend. There has been a slowdown in both the USA and Europe. In 2001, Cardo is considered to be capable of showing greater growth than the underlying market growth by means of its efforts within the framework of its C15 program.

Malmö, Sweden, February 14 2001
Cardo AB (publ)

Board of Directors

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| Enclosures: | 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. Business area financial summary, Geographical distribution of invoiced sales |
| | 5. Group financial summary |
| | 6. 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 9.8 billion in 2000. 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 8,000 employees.