

Cardo closes sale of Rail

On July 24 this year, Cardo entered into an agreement on the sale of the Cardo Rail business area to Vestar Capital Partners. The conditions for the deal have now been met and the sale closed. The selling price is approximately SEK 2 billion for the company free from debt, generating a tax-free capital gain of approximately SEK 345 million.

The deal was subject to the approval of the competition authority and to Vestar receiving final financing. Both conditions have been met, and as of September 24 2002 Vestar is taking over Rail's business through a company newly established for the purpose.

"I am very pleased that we have now closed the sale of Rail. We are gaining a strong balance sheet and freeing up capital for an expansion in Door and Pump, which both operate in sectors with considerable aftermarket potential and good growth opportunities via acquisitions," says Cardo's president and CEO Kjell Svensson.

The selling price is approximately SEK 2 billion for the company free from debt. The capital gain of approximately SEK 345 million, which is equivalent to earnings per share of approximately SEK 11.50, will be accounted for during the third quarter.

The selling price has been paid by the purchaser taking over existing loans within Rail, paying approximately SEK 1.2 billion cash 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.

Basing calculations on the previous year's earnings, and computing interest on proceeds of the sale, the whole-year effect of the sale of Rail would have resulted in a reduction of group earnings per share by slightly more than SEK 1.

After the sale, Cardo is estimated to have net liquid funds of approximately SEK 500 million and an equity ratio of slightly more than 60 percent.

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