

CARDO AB

Report on Operations 2002

- **Rail business area disposed of – selling price approximately SEK 2 billion**
- **Earnings after financial items, including non-recurring items: SEK 856 million (660)**
- **Earnings after financial items in remaining operations: SEK 449 million (493)**
- **Cash flow remained good**
- **The Board of Directors proposes a regular dividend of SEK 8.00 (8.00) per share and an extra dividend of SEK 32.00 per share**

Disposal of the Rail business area

On September 25 2002, the Cardo Rail business area was disposed of to Vestar Capital Partners, which took over the operation through a company newly established for the purpose. The selling price amounted to approximately SEK 2 billion for the company free from debt and the capital gain to SEK 323 million, which is equivalent to earnings per share of SEK 10.78. Cardo Rail is included in Cardo's consolidated financial statements until the date of disposal.

Company acquisitions

As of January 2002, Cardo Pump includes the acquired companies Swedmeter AB and Nopon Oy with a combined annual turnover of approximately SEK 150 million. As of the same date, Cardo Door includes the acquisition 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 stood at SEK 10,493 million (11,197), which is a decrease of 3 percent at a comparable structure of the Group after adjustment for the effects of exchange rate movements.

Invoiced sales amounted to SEK 10,376 million (10,777). Adjusted for the effects of exchange rate movements and the disposal of Rail, growth was 4 percent, which is attributable to company acquisitions. Invoiced sales to customers outside Sweden made up 93 percent (92) of Group invoicing.

Including non-recurring items, operating earnings amounted to SEK 930 million (758) and earnings after financial items SEK 856 million (660). Exchange rate movements had only a marginal effect on Group earnings.

The Group's tax expense amounted to SEK 177 million (212), which excluding the capital gain on the disposal of Rail is equivalent to a tax rate of 33 percent (32) on earnings after financial items.

Including non-recurring items, earnings per share after full tax were SEK 22.50 (14.81).

Remaining operations

After the disposal of the Rail business area, the Group's operations consist of the Cardo Door and Cardo Pump business areas.

Operating earnings in the remaining operations amounted to SEK 472 million (527) during the year. Pump's earnings increased, while Door's were adversely affected by the weak state of the construction market in Europe. During the fourth quarter, measures were initiated with a view to reducing Door's costs and increasing its efficiency. The cost of the measures amounts to SEK 40 million and was charged to fourth quarter earnings. Earnings after financial items in the remaining operations amounted to SEK 449 million (493).

Cardo Door

The inflow of orders at the current structure was 4 percent lower than the previous year after adjustment for the effects of exchange rate movements.

The demand for industrial doors and dock loading systems decreased in consequence of the weak state of the construction market in Europe. The trend for service remained good, even if the rate of growth was somewhat lower than the previous year. The total demand for residential garage doors was on a par with the previous year, despite a continued decline in the German market.

Invoiced sales amounted to SEK 5,344 million (5,246), which after adjustment for exchange rate movements and company acquisitions is a fall of 2 percent.

Operating earnings amounted to SEK 359 million (455) excluding restructuring costs. Including these costs, earnings were SEK 319 million. The weak market conditions resulted in lower volumes and reduced margins in industrial doors and dock loading systems. This fact, together with a slightly lower rate of growth than expected in service, had an adverse effect on earnings. The cost of the measures that were initiated during the fall with a view to adapting the operation to the state of the market amounts to SEK 40 million and was charged to earnings for the fourth quarter. The measures are expected to give an annual improvement in earnings of approximately SEK 30 million and to take effect gradually during 2003, achieving full effect as of 2004.

During the fourth quarter, most of the industrial door production at Torslanda, Sweden, was moved to the main plant in the Netherlands. With a view to making the marketing effort more efficient, sales companies were merged in Sweden and the UK.

The acquisition of Amber Doors gave Cardo Door a market leading position in the UK in industrial doors, a prominent position in service and access to a broad range of special products that make it possible for the business area to offer its own total solutions in respect of industrial projects.

January 2003 saw the acquisition of the French garage door distributor SEA B2L, which has a turnover of approximately SEK 70 million and employs roughly 30 people. The company distributes residential garage doors and automatic gate control devices to specialized retailers in France and has, among other things, been one of Door's distributors. The acquisition strengthens the position of Cardo Door in the French market for residential garage doors while supplementing its product range for the consumer sector with automatic gate control devices.

Cardo Pump

The inflow of orders rose by 1 percent at the current structure after adjustment for the effects of exchange rate movements.

Demand rose somewhat in all Cardo Pump's segments – water and wastewater, building services and the process industry. However, slightly lower demand was noted in the USA at the end of the year.

Invoiced sales amounted to SEK 3,057 million (2,825), which adjusted for the effects of exchange rate movements is a rise of 10 percent. Company acquisitions account for 8 percentage points of this figure. Operating earnings amounted to SEK 214 million (previous year: SEK 176 million excluding restructuring costs).

The action program that was initiated during the fall of 2001 with a view to reducing costs ran according to plan during the year, and the objective is to achieve an annual 10-11 percent operating margin at Cardo Pump at the end of 2003.

By acquiring Swedmeter and Nopon, Cardo Pump has enhanced its process know-how and become a more complete system supplier in the water and wastewater segment.

In Portugal and Malaysia, the operations of the former distributors were taken over and subsidiaries started in order to strengthen Cardo Pump's presence in these markets, in which there are extensive expansion plans in the area of water and wastewater.

Liquidity and financing

At year-end, the Group's liquid assets amounted to SEK 922 million (264). In addition, there are unutilized credit facilities of approximately SEK 3.0 billion (approximately 3.5).

Cash flow from operations amounted to SEK 933 million (509) after tax, which is equivalent to SEK 31.10 (16.97) per share. Adjusted for the effects of exchange rate movements on the change in working capital, cash flow was SEK 27.97 (21.60) per share after tax. The Group's gross investments, exclusive of company acquisitions, stood at SEK 309 million (305).

Net liquid funds at year-end amounted to SEK 593 million (-1,242).

Equity amounted to SEK 3,875 million (3,595), which is equivalent to SEK 129.17 (119.84) per share.

At year-end, the Group's equity ratio was 63.4 percent (44.5).

Personnel

The average number of employees in the Group was 7,851 (8,179).

Accounting principles

The 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.

Parent company

The parent company's earnings after financial items amounted to SEK 969 million (269), gross investments to SEK 0 million (1) and liquid assets to SEK 176 million (0).

Dividend

The Board of Directors and President propose a regular dividend for the financial year 2002 of SEK 8.00 (8.00) per share and an extra dividend of SEK 32.00 per share: in total a dividend of SEK 40.00 per share. The regular dividend requires SEK 240 million and the extra dividend SEK 960 million. The dividend proposal is to be viewed in the light of the sale of the Rail business area, which freed up approximately SEK 2 billion and gave a capital gain of SEK 323 million. If the Annual General Meeting resolves to adopt the proposal of the Board of Directors, Cardo's equity ratio after payment is expected to be approximately 50 percent, which will provide continued financially good prospects of expanding the business.

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 2003 Annual General Meeting consists of:

Fredrik Lundberg (Chairman of Cardo), L E Lundbergföretagen AB, Stockholm
Tomas Nicolin, National Swedish Pension Fund, Third Fund Board, Stockholm
Peter Rudman, Nordea's funds, Stockholm

Annual General Meeting and financial reports

The Annual General Meeting will be held in Malmö on Monday, April 7 2003 at 5 pm at Storan, Malmö Opera och Musikteater.

- The Annual Report will be distributed in early March
- The first quarter Interim Report will be published on May 6
- The half year Interim Report will be published on August 12
- The third quarter Interim Report will be published on October 29

Market prospects

There is uncertainty about the market trend in most of Europe and no sign at present indicating imminent improvement. When it comes to the USA, the general uncertainty has increased, while the level of activity in the Asiatic markets remains high. For Cardo's part, the uncertainty means continued focus on cost adjustment and improvements in efficiency.

Malmö, Sweden, February 10 2003

Cardo AB (publ)
Board of Directors

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

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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**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 remaining operations and operation disposed of

SEK million	Remaining operations		Capital gain	Rail		Group, total	
	2002	2001		2002 ¹⁾	2001	2002	2001
Invoiced sales	8,401	8,071	-	1,975	2,706	10,376	10,777
Operating expenses	-7,929	-7,544	323	-1,840	-2,475	-9,446	-10,019
Operating earnings ²⁾	472	527	323	135 ³⁾	231 ³⁾	930	758
Financial items	-23 ⁴⁾	-34	-	-51	-64	-74 ⁴⁾	-98
Earnings after financial items	449	493	323	84	167	856	660
Tax	-137	-128	-	-40	-84	-177	-212
Minority share	-	-	-	-4	-4	-4	-4
Net earnings for the period	312	364	323	40	79	675	444
Earnings per share, SEK	10.38	12.16	10.78	1.34	2.65	22.50	14.81
Earnings per share excluding non-recurring items, SEK	11.31	13.16	-	1.34	2.65	12.65	15.81

¹⁾ Relates to the period January-September.

²⁾ Operating earnings have been charged with depreciation and amortization amounting to

301	270	-	83	113	384	383
Whereof goodwill	97	76	-	24	32	121

³⁾ Including central amortization of goodwill relating to Rail

-	-	-	11	14	-	-
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⁴⁾ Interest on payment received on disposal of Rail is included during 3 months.

Cash flow broken down by remaining operations and operation disposed of

SEK million	Remaining operations		Payment on disposal	Rail		Group, total	
	2002	2001		2002 ¹⁾	2001	2002	2001
Cash flow from operations after tax	686	534	-	247	-25	933	509
Cash flow from investments	-580	-227	1,160	-40	-83	540	-310
Cash flow from financing	-551 ²⁾	-333	-	-165	153	-716	-180
Net cash flow effect on liquid funds	-445	-26	1,160	42	45	757	19

¹⁾ Relates to the period January-September.

²⁾ Consists of net repayment of loans of SEK 311 million and dividend of SEK 240 million.

CARDO AB**Invoiced sales**

	3 months Oct-Dec 2002	3 months Oct-Dec 2001	Whole year 2002	Whole year 2001
SEK million				
Door	1,553	1,631	5,344	5,246
Pump	866	853	3,057	2,825
Remaining operations	2,419	2,484	8,401	8,071
Rail	-	798	1,975 ¹⁾	2,706
Group, total	2,419	3,282	10,376	10,777

¹⁾ Relates to the period January-September.

Earnings

	3 months Oct-Dec 2002	3 months Oct-Dec 2001	Whole year 2002	Whole year 2001
SEK million				
Door	182	222	359	455
Pump	88	63	214	176
Other items ¹⁾	-17	-17	-61	-60
Non-recurring items	-40 ²⁾	-	-40 ²⁾	-44 ³⁾
Operating earnings	213	268	472	527
Financial items	3 ⁴⁾	-7	-23 ⁴⁾	-34
Earnings after financial items, in remaining operations	216	261	449	493
Capital gain on disposal of Rail	-	-	323	-
Earnings after financial items, Rail	-	101	84 ⁵⁾	167
Earnings after financial items, Group	216	362	856	660

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

²⁾ Restructuring provision at Door.

³⁾ Restructuring provision at Pump.

⁴⁾ Interest on payment received on disposal of Rail is included during 3 months.

⁵⁾ Relates to the period January-September.

Operating margin

	3 months Oct-Dec 2002	3 months Oct-Dec 2001	Whole year 2002	Whole year 2001
Percent				
Door	11.7	13.6	6.7	8.7
Pump	10.2	7.4	7.0	6.2
Remaining operation excl. non-recurring items	10.5	10.8	6.1	7.1
Remaining operation incl. non-recurring items	8.8	10.8	5.6	6.5

CARDO AB**Consolidated income statement in brief**

SEK million	3 months Oct-Dec 2002	3 months Oct-Dec 2001	Whole year 2002	Whole year 2001
Invoiced sales	2,419	3,282	10,376	10,777
Cost of goods sold	-1,557	-2,195	-7,004	-7,328
Gross earnings	862	1,087	3,372	3,449
Selling and administrative expenses	-588	-691	-2,618	-2,564
Other operating income and expenses - net	-61 ¹⁾	-12	176 ^{1,2)}	-127 ³⁾
Operating earnings ⁴⁾	213	384	930	758
Financial items	3	-22	-74	-98
Earnings after financial items	216	362	856	660
Tax	-67	-111	-177	-212
Minority share	-	-1	-4	-4
Net earnings for the period	149	250	675	444
Earnings per share, SEK	4.96	8.36	22.50	14.81
Earnings per share excluding non-recurring items, SEK	5.89	8.36	12.65	15.81
Number of shares, thousands	30,000	30,000	30,000	30,000

¹⁾ Including restructuring provision of SEK 40 million at Door.

²⁾ Including capital gain of SEK 323 million on disposal of Rail.

³⁾ Including restructuring provision of SEK 44 million at Pump.

⁴⁾ Operating earnings have been charged with depreciation and amortization amounting to

	74	95	384	383
Whereof goodwill	23	24	121	108

Consolidated balance sheet in brief

SEK million	31-12-2002	31-12-2001
Assets		
Intangible fixed assets	1,044	1,371
Tangible fixed assets	1,068	1,463
Financial fixed assets	153	227
Inventories	815	1,588
Current receivables	2,109	3,182
Short-term investments, cash and bank balances	922	264
Total assets	6,111	8,095
Equity and liabilities		
Equity	3,875	3,595
Minority interest	-	10
Interest bearing provisions and liabilities	335	1,526
Non-interest bearing provisions and liabilities	1,901	2,964
Total equity and liabilities	6,111	8,095
Contingent liabilities	26	22

Equity

	31-12-2002	31-12-2001
Opening balance as per approved balance sheet for previous year	3,595	3,130
Effect of change of accounting principles	-	42
Opening balance adjusted in accordance with new accounting principles	3,595	3,172
Dividend to shareholders	-240	-210
Translation differences	-155	189
Net earnings for the period	675	444
Closing balance	3,875	3,595

CARDO AB**Business area financial summary**

SEK million	Door		Pump		Rail	
	2002	2001	2002	2001	2002 ¹⁾	2001
Invoiced sales	5,344	5,246	3,057	2,825	1,975	2,706
Operating earnings	319 ²⁾	<u>455</u>	214	<u>132</u> ³⁾	146	<u>245</u>
Fixed assets	1,601	1,465	557	518	-	750
Current assets	1,837	<u>1,977</u>	1,292	<u>1,324</u>	-	<u>1,790</u>
Total assets	3,438	3,442	1,849	1,842	-	2,540
Non-interest bearing provisions and liabilities	-1,093	<u>-1,169</u>	-594	<u>-623</u>	-	<u>-986</u>
Capital employed	2,345	<u>2,273</u>	1,255	<u>1,219</u>	-	<u>1,554</u>
Operating margin, %	6	9	7	5	7	9
Return on capital employed, %	14	21	18	12	-	18
Sales abroad, %	91	90	91	91	98	98
Average number of employees	4,164	3,944	2,254	2,241	1,410	1,971
Investments, gross	184	121	72	101	53	83
Order backlog at December 31	929	1,055	426	429	-	2,897

¹⁾ Relates to the period January-September.

²⁾ Including restructuring provision of SEK 40 million.

³⁾ Including restructuring provision of SEK 44 million.

Geographical distribution of invoiced sales

	2002		2001
	SEK million	%	%
Germany	1,670	16.1	18.1
UK	1,211	11.7	10.2
France	1,005	9.7	9.8
Sweden	770	7.4	7.6
Netherlands	696	6.7	6.5
Italy	511	4.9	5.5
Europe, other	2,933	28.3	27.4
Total Europe	8,796	84.8	85.1
North America	704	6.8	6.7
Asia	593	5.7	5.5
Latin America	166	1.6	1.5
Oceania	64	0.6	0.8
Africa	53	0.5	0.4
Total	10,376	100.0	100.0

CARDO AB

Consolidated cash flow statement in brief

SEK million	Whole Year 2002	Whole Year 2001
Earnings after financial items	856	660
Capital gain on disposal of Rail	-323	-
Pension refund	-	27
Depreciation and amortization	384	383
<i>Funds generated by operations</i>	917	1,070
<i>Change in working capital</i>	295	-338
Cash flow from operations before tax	1,212	732
<i>Tax paid</i>	-279	-223
Cash flow from operations after tax ¹⁾	933	509
Investments in intangible and tangible fixed assets	-309	-305
Disposal of intangible and tangible fixed assets	40	34
Acquisitions and disposals of companies	807	-38
Change in long-term receivables	2	-1
<i>Cash flow from investments</i>	540	-310
Change in interest bearing receivables	7	-2
Change in interest bearing provisions and liabilities	-483	32
Dividend to shareholders	-240	-210
<i>Cash flow from financing</i>	-716	-180
Net cash flow effect on liquid funds	757	19

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

839

648

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	757	476	1,233
Net liquid funds in companies acquired and disposed of	-92	729	637
Translation differences	-7	-28	-35
Closing balance	922	-329	593

CARDO AB**Group financial summary**

<i>Amounts in SEK million unless otherwise stated</i>	Whole year				
	1998	1999	2000	2001	2002
Invoiced sales	8,994	9,489	9,786	10,777	10,376
Operating earnings	527	783	899	758	930
Earnings after financial items	654	695	789	660	856
Operating margin, %	5.9	8.2	9.2	7.0	9.0
Profit margin, %	7.3	7.3	8.1	6.1	8.3
Interest cover, times	6.2	7.7	7.1	6.8	9.7
Investments, gross	235	266	300	305	309
Cash flow from operations after tax	435	900	776	509	933
Degree of self-financing, %	185	338	259	167	302
Fixed assets	2,583	2,576	2,937	3,061	2,265
Current assets	5,200	4,122	4,319	5,034	3,846
Total assets	7,783	6,698	7,256	8,095	6,111
Equity	2,373	2,635	3,172	3,595	3,875
Minority interest	135	8	9	10	-
Interest bearing provisions and liabilities	2,492	1,657	1,506	1,526	335
Non-interest bearing provisions and liabilities	2,783	2,398	2,569	2,964	1,901
Average capital employed	4,124	4,376	4,550	4,958	4,821
Net liquid funds	-1,975	-1,332	-1,265	-1,242	593
Turnover of capital employed, times	2.18	2.17	2.15	2.17	2.15
Return on capital employed, %	18.9	18.3	20.2	15.6	19.8
Return on equity, %	20.6	21.6	18.2	13.3	18.7
Equity ratio, %	32.2	39.5	43.8	44.5	63.4
Debt/equity ratio, times	1.0	0.6	0.5	0.4	0.1
Net debt/equity ratio, times	0.8	0.5	0.4	0.3	-0.2
Average number of employees	7,855	7,743	8,135	8,179	7,851
Per share data					
Earnings (after full tax), SEK	14.62	17.36	17.23	14.81	22.50
Earnings per share excluding non-recurring items after full tax, SEK	12.14	14.19	15.57	15.81	12.65
Dividend for the financial year, SEK	5.00	6.00	7.00	8.00	40.00 ¹⁾
Equity, SEK	79.09	87.83	105.74	119.84	129.17
Cash flow from operations after tax, SEK	14.50	30.00	25.87	16.97	31.10
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	27.97
Number of shares, thousands	30,000	30,000	30,000	30,000	30,000

¹⁾ Board of Directors' proposal. Regular dividend SEK 8.00 and extra dividend SEK 32.00.