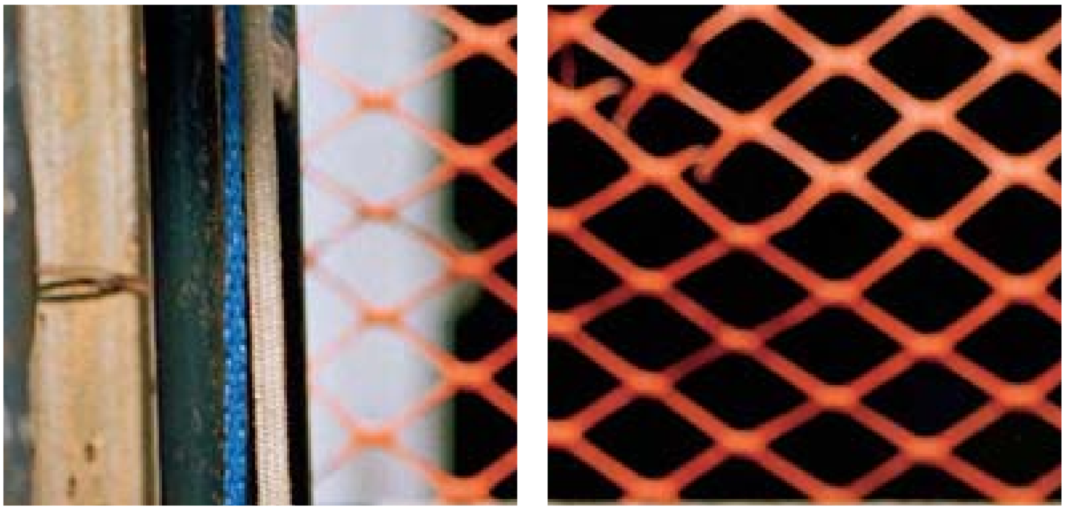


CARDO

ANNUAL REPORT 2006

CONTENTS.

UP-TO-DATE INFORMATION AT CARDO'S WEBSITE, WWW.CARDO.COM

CARDO IN BRIEF.

Cardo is an international industrial group with leading brands, offering solutions with quality products, a high level of service and great applications know-how to industrial customers. Operations are pursued in the group's divisions: Door & Logistics Solutions, Wastewater Technology Solutions, Pulp & Paper Solutions and Residential Garage Doors, which all enjoy strong positions in their respective markets.

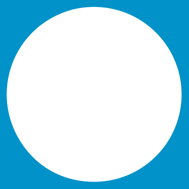
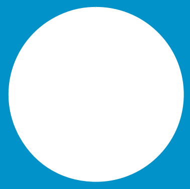
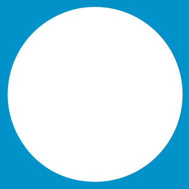
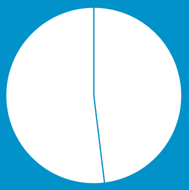
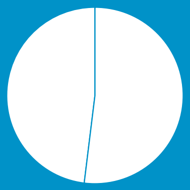
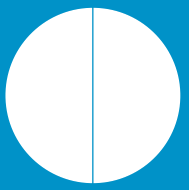
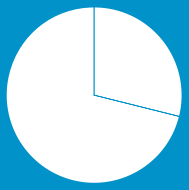
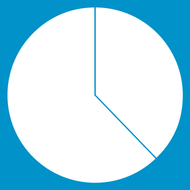
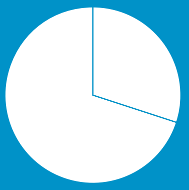
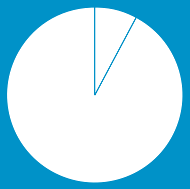
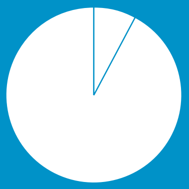
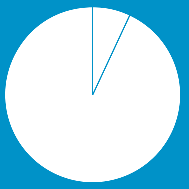
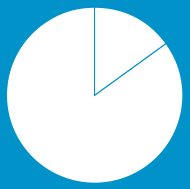
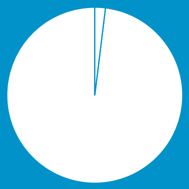
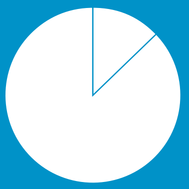
The group has approximately 5,900 employees in more than 30 countries and sales of approximately SEK 8.6 billion. The head office is situated in Malmö, Swaeden.

Cardo has been listed on the Stockholm Stock Exchange since 1995 and its shares are traded under the designation CARD.

The number of shareholders is slightly less than 13,000. Institutional owners account for approximately 89 percent of the total number of shares and votes and non-Swedish investors hold approximately 20 percent.

CARDO

THE CARDO BRAND
Cardo is a Latin word with a number of different meanings. As a name, Cardo primarily expresses "being at the center" or "the core". Cardo's logotype, with a red dot in the middle of the "o", symbolizes exactly that – being at the center.

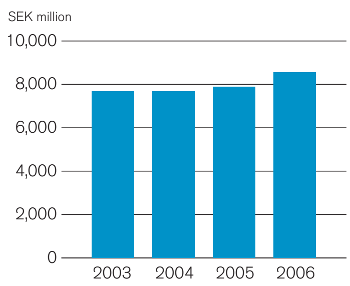
	Share of group net sales	Share of group operating earnings	Share of group employees, December 31 2006
The Cardo group Cardo is an operative group focusing on selected industrial customers.	 SEK 8,556 million	 SEK 598 million	 5,968
Door & Logistics Solutions Division for total door and docking solutions, especially in the transport and logistics sector and in retail. The corporate brand is Crawford.	 48% (SEK 4,152 million)	 52% (SEK 342 million)	 50% (3,016)
Wastewater Technology Solutions Division for customers that need wastewater technology applications, and for customers that require dewatering pump solutions in sectors that include the construction and mining industries. The corporate brand is ABS.	 29% (SEK 2,466 million)	 38% (SEK 253 million)	 30% (1,767)
Pulp & Paper Solutions Division concentrated on solutions for customers in the pulp and paper industry. The corporate brands are Scanpump and Lorentzen & Wettre.	 8% (SEK 686 million)	 8% (SEK 54 million)	 7% (404)
Residential Garage Doors Division focused on garage doors, both standard doors and customized solutions, that are mainly sold via distributors. The corporate brands are Crawford, Normstahl and Henderson.	 15% (SEK 1,276 million)	 2% (SEK 16 million)	 13% (757)

In addition to the sum of the divisions, the total for the Cardo group also consists of the elimination of intra-group sales, central costs and employees in the parent company. The percentage of group operating earnings is exclusive of central costs.

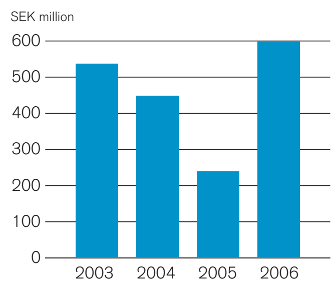
HIGHLIGHTS.

- Net sales amounted to SEK 8,556 million (7.880) – up 8 percent adjusted for the effects of exchange rate movements
- Operating earnings amounted to SEK 598 million (239)
- Net earnings amounted to SEK 401 million (147)
- Cardo's share rose during 2006 by 34 percent and was listed at SEK 260 (194.50) at the end of 2006
- Good growth in all divisions, especially strong in markets outside Europe
- Strong improvement in profitability through increased sales and efficiency measures
- Greater focus on emerging markets in Asia, involving, among other things, new assembly plant in Guangdong, China, for production of pumps and peripherals in the Wastewater Technology Solutions division
- Greater focus on customers in all divisions with strategic selection of customers and start of implementation of a key-account management concept
- March saw acquisition of Combursa, Spain's leading supplier of docking systems and industrial doors. The company is now included in the Door & Logistics Solutions division
- July saw acquisition of the operations of the Australian company Style Industries, which sells and carries out service of pumps and peripherals for water treatment and wastewater applications. The operation is now included in the Wastewater Technology Solutions division
- Proposed dividend for the financial year: SEK 9.00 (SEK 8.00) per share

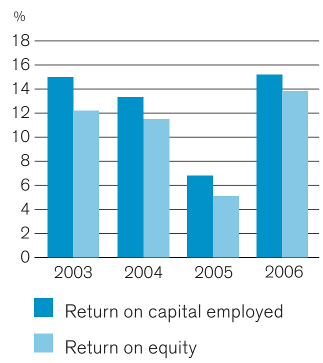
Net sales



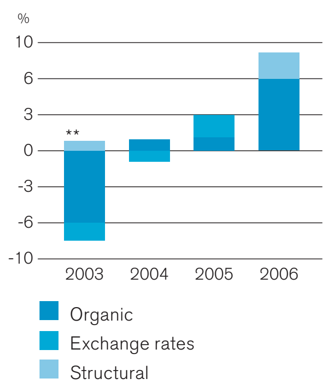
Operating earnings*



Return*



Rate of growth of net sales



Group	2005	2006
Net sales, SEK million	7,880	8,556
Operating earnings, SEK million	239	598
Earnings after financial items, SEK million	210	558
Earnings per share, SEK	4.91	13.38
Earnings per share excluding non-recurring items, SEK	9.60	13.38
Dividend for the financial year, SEK	8.00	9.00[1)]
Return on capital employed, %	6.8	15.2

[1)] Board of Directors' proposal.

* Figures for 2003 have not been recalculated in accordance with IFRS. In the diagrams, figures for 2003 are shown excluding amortization of goodwill in order to improve comparability.
** Not taking into account disposal of the previous business area Cardo Rail in 2002.

WE ARE WELL ON OUR WAY.

"DURING 2006, CARDO LAID A GOOD PLATFORM UPON WHICH TO SECURE GROWTH AND GOOD PROFITABILITY."

Looking back on the financial year 2006, I can see that we are well on our way to creating the new Cardo. Developments are fully in line with the ambition we had in 2005 when we began this journey to secure profitable growth for the group for the benefit of shareholders, employees and, not least, our customers.

The creation of a sustainable platform for good profitability was the basis of the entire turnaround of Cardo that we started when I took over as CEO in 2005. At that time, the group showed a negative trend for both growth and profitability. We had to initiate a new strategy.

During 2006, we enjoyed strong growth with greatly improved profitability. This is very gratifying.

ONLY THE BEGINNING

But the journey towards the new Cardo is far from complete. On the contrary, it has only just begun. The Cardo that we are seeing develop today is an operative group focusing on selected, industrial customers. Our motto, Cardo – Leading Industrial Companies, clearly says that we are aiming high. We will be the leader in our selected market segments and where we are the leader already will defend and develop our position. Cardo and its groupwide functions will also lead and run group business development.

In an ever more competitive and globalized world, this is becoming tougher all the time. It has therefore been necessary for us to change Cardo's direction from that of a product-oriented organization to that of a group involved in developing value-adding solutions in close cooperation with our customers. It is no longer a matter of merely supplying products that the customer wants. We must deliver solutions that add value.

TWO AGENDAS

The journey towards the new Cardo means that we are now working on many different fronts. In order to generate profitability, we have two parallel agendas: one aimed at the sales front and one at costs.

The sales agenda is a seven-point strategy that explains how we will generate more customer benefit, build our organization with key-account managers for large, strategically selected customers, further expand our service offering and grow internationally.

The cost agenda involves continuously rationalizing our operations and making them more efficient. In 2005, we decided upon a cost-saving program of SEK 200 million a year that will take full effect during 2008. During the financial year, we saw effects already amounting to SEK 125 million, which is even better than planned, and we will maintain the pace of this program in order to achieve our targets no later than 2008.

BUSINESS-DRIVEN HR

It is of long-term importance to ensure that we have the right employees – not least in leading positions. We call this "business-driven HR". Our aim is for the entire organization to be permeated by what we call "operational excellence". This means that in everything we do we focus strongly on how we implement the strategy and on how the processes are being developed. In this work, our people are the key factor for the future.

I know from experience that the staff are the most important resource in every business, but may be the biggest risk factor at the same time. Only we ourselves can bring about the crucial and fundamental changes we want to see. During 2006, we carried out an extensive process to ensure that the leaders in the new Cardo are the right ones. We will continue to focus on having the right people in the right place at all times. In the long term, anything else may prove disastrous for the positive development of the Company.

ENHANCED CUSTOMER BENEFIT

The staff are the most important resource within the Company, but externally there is a factor that is even more important to us – the customer. In everything we do in the new Cardo we must make sure that

we create value-adding solutions for our customers. In order to manage this, we must have a close dialog. We create the solutions our customers need on the basis of their requirements.

In the course of 2006, we took several important steps within Cardo to develop this dialog with the customer. In our three industrial divisions, for example, we began creating European organizations with key-account managers. The implementation of these organizations is now well on its way.

We have also completely changed our focus regarding the customers we want Cardo to have. We must be more selective in our choice of customers. Our new organization has been built up for large companies facing complicated challenges and requiring solutions that in some cases are still waiting to be invented. Together with the customers, our divisions are developing new solutions and applications that provide added value. At the same time, the major customers are a prerequisite for satisfactory volumes. These customers are also increasingly looking for an international service organization with a strong local presence, which is something that we can today offer a large number of our customers. It goes without saying that we are also there for smaller customers, but it is a question of choosing the right strategy for each target group.

IMPLEMENTED STRATEGY

It is relatively easy to create strategies at a desk. What is crucial to their success is how those strategies are implemented and followed up. During 2006, we received confirmation of the fact that there are good conditions for the long-term implementation of the strategy we have chosen. The most concrete effect we have seen so far is that growth is now increasing in all divisions while profitability is improving strongly for Cardo as a whole.

There is still a lot left to do to further improve our earnings. The fact that we are capable of delivering such a good result as a pre-tax earnings of SEK 558 million – while undergoing great changes and with rising prices of raw materials that we have not been able to fully compensate for – is a show of strength that bodes well.

During the year, the structure of our three industrial divisions became ever stronger.

The Residential Garage Doors division – the only division that does not focus on industrial customers – showed a positive turnaround during the financial year. As announced previously, our commitment to this operation is under review.

OUTLOOK FOR 2007

Our assessment is that the market trend for Cardo's products and services will be generally relatively favorable during 2007, thereby providing conditions for continued organic growth for the group as a whole.

We expect the prices of raw materials to remain high and that there will be continuing difficulties in passing on price rises to the customers for the Door & Logistics Solutions and Residential Garage Doors divisions.

During 2006, we laid a good platform upon which to secure growth and good profitability. The process of building the new Cardo is now continuing. Primarily, we will grow organically, but we also intend to grow through acquisitions. In the years to come, we will continue to work hard to realize Cardo's vision: "Cardo will be a customer-oriented solution provider and a strongly growing industrial group". I see great prospects of continuing the positive development of Cardo during the years to come.

Malmö, March 2007

Peter Aru, President and CEO

THE VISION OF THE NEW CARDO.

The new Cardo is managed on the basis of a clear vision. This vision is specified in values and a business idea and is concretized in financial targets. When the transformation of Cardo was initiated in 2005, a seven-point strategy was defined to achieve these targets. During 2006, an extensive process was pursued in order to implement the strategy.

VISION

Cardo will be a customer-oriented solution supplier and a strongly growing industrial group.

VALUES

Cardo's value base rests on three core values.

Business Development – Cardo wants to constantly develop the business and its own abilities and skills. Each member of staff has a responsibility for the development of the company and should be able to see and understand his or her role in the overall picture. All members of staff are interdependent, and cooperate together to find the best solutions for the customers and to constantly exceed the customers' expectations.

Encouragement – every member of staff must feel that he or she is seen and appreciated. Only then will people feel that they are part of a greater context. Encouragement is the basis of creating curiosity and courage to dare try new ways. This develops the business in a positive direction.

Challenger – Cardo wants to develop a culture in which its members of staff challenge themselves and each other to think in new ways and to be creative. It is about questioning the accepted, how the group operates and uses its resources – with the focus on delivering customer benefit.

BUSINESS IDEA

Cardo is an international group with leading brands, offering solutions with quality products, a high level of service and great applications know-how to industrial customers.

THE GROUP'S FINANCIAL TARGETS

- Have an operating margin of at least 10 percent no later than 2008
- Achieve annual organic growth of at least 5 percent over a business cycle
- Achieve a return on capital employed of 20 percent over a business cycle

STRATEGY FOR GROWTH

Cardo's growth strategy comprises seven points:

- moving from product focus to customer benefit
- focusing on selected customer segments and applications
- offering value-adding solutions with quality products, a high service content and great applications know-how
- building up a key account organization for large returning national and international customers
- using the international service organization in a broader and more efficient way
- investing more in emerging markets
- making strategic acquisitions that either strengthen the group's market presence or add products and solutions to selected customer segments

During 2006, Cardo focused on two different agendas in order to achieve the financial targets:

- **A sales agenda with seven strategic points aimed at increasing Cardo's growth.**
- **A cost agenda with a view to saving SEK 200 million a year with full effect 2008 in parallel with continuous rationalization measures**

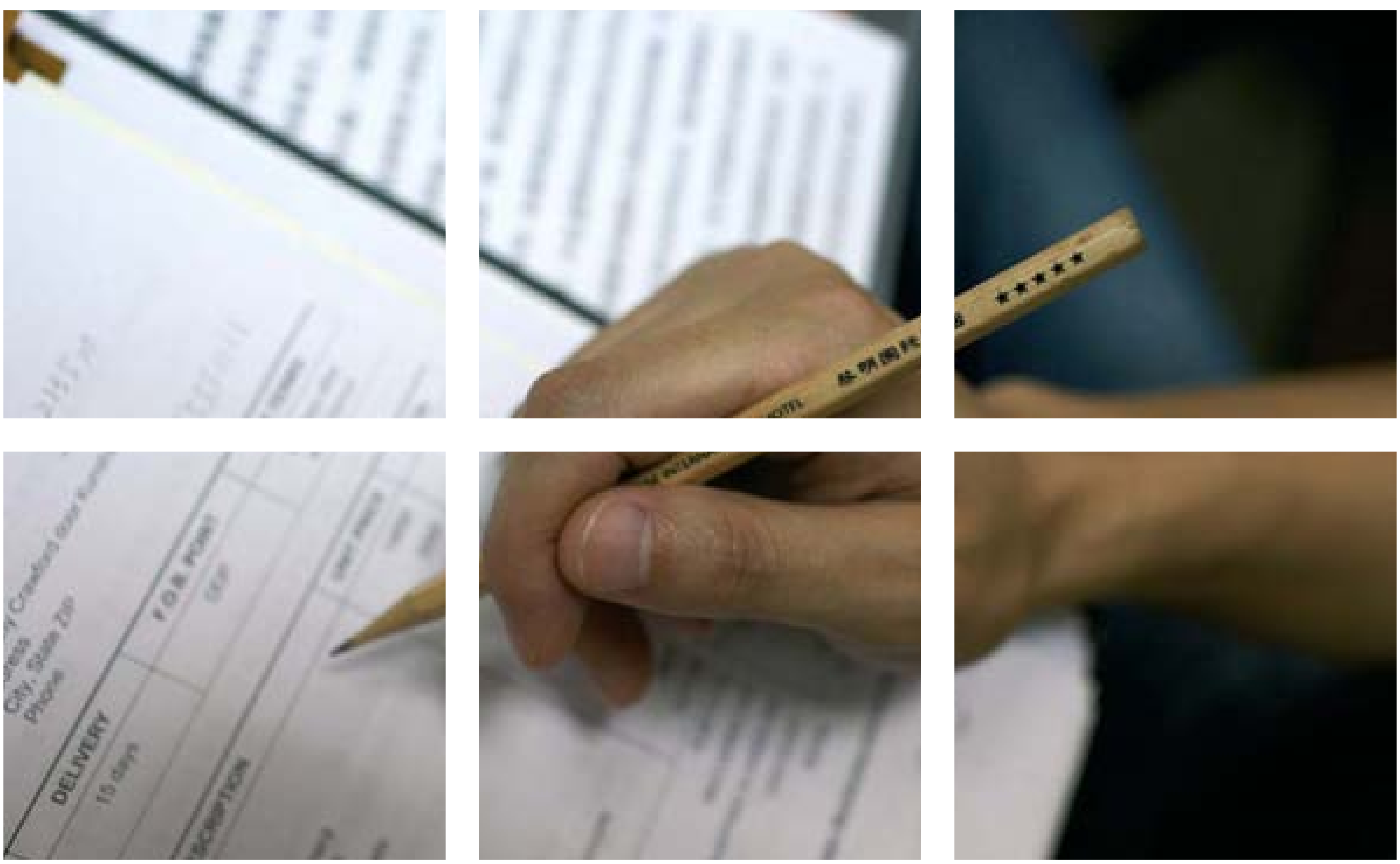
COST AND SALES AGENDA.

COST AGENDA

During 2006, work on the cost agenda mainly focused on the restructuring program that was initiated in 2005. In many fields, efficiency measures were also adopted on an ongoing basis, of which some are mentioned in the sections on the divisions.

The objective of the restructuring program is to reduce the cost level by SEK 200 million with full effect as of 2008. The ambition was to obtain effects of SEK 100 million as early as 2006. The results of the measures were better than planned, giving a saving of SEK 125 million. The distribution of the effects by division in 2006 is as follows:

	SEK million
• Restructuring costs incurred fourth quarter 2005	201
• Estimated cost reduction	
Full-year effect as of 2008	200
Full-year effect 2006	100
• Effects 2006	
Door & Logistics Solutions	95
Wastewater Technology Solutions	20
Residential Garage Doors	10
Total effects 2006	125



SALES AGENDA

Strategy for growth	Examples of activities in 2006
Moving from product focus to customer benefit	Intensified relation-building with key accounts. Training aimed at applications and the reality and needs of customers. Applications-oriented marketing material focusing on specific customer segments.
Focusing on selected customer segments and applications	Within each division, a number of strategic customer segments were prioritized on the basis of factors such as volume sales, service share and returning frequency. Door & Logistics Solutions – transport and logistics and retailing. Wastewater Technology Solutions – public infrastructure and the construction and mining industries. Pulp & Paper Solutions – pulp and paper industry. Residential Garage Doors – building materials retailers, garage door specialists and building contractors.
Offering value-adding solutions with quality products, a high service content and great applications know-how	Focus on needs-driven product development together with prioritized customers. Door & Logistics Solutions moved the product development from a global development center nearer to the market and production for a closer partnership between sales, production and users.
Building up a key account organization for large returning national and international customers	The build-up began in Europe and the organization is in place in the largest markets. During the year, the divisions merged a number of national sales units into regional sales teams, primarily within Door & Logistics Solutions and Residential Garage Doors.
Using the international service organization in a broader and more efficient way	Cardo expanded its service offering for competing solutions as well. During 2006, Cardo entered into a greater number of service agreements than the previous year. A large number of these agreements relate to preventive maintenance and run for several years. Service training programs were carried out across divisional boundaries.
Investing more in emerging markets	The expansion that was begun in Wastewater Technology Solutions in Asia in 2005 continued. A sales office was added in Beijing and further investments made in Shanghai and Singapore. A sales and production organization was built up in Guangdong province in China. The sales office covers both Door & Logistics Solutions and Wastewater Technology Solutions. Production relating to pumps and peripheral equipment for Wastewater Technology Solutions starting in 2007.
Making strategic acquisitions that either strengthen the group's market presence or add products and solutions to selected customer segments	In March, Cardo's position as Europe's leading supplier of industrial doors was strengthened through the acquisition of Combursa, one of Spain's leading manufacturers of docking systems and industrial doors. Included in the Door & Logistics Solutions division. July saw the acquisition of the operations of the Australian company Style Industries, which carries out sales and service of pumps and peripheral equipment for water treatment and wastewater applications. Included in the Wastewater Technology Solutions division. The acquisition means that Cardo is establishing itself in an expanding market with great potential.

BUSINESS MODEL FOR INCREASED GROWTH AND PROFITABILITY.

Cardo's business model will ensure that growth and profitability increase in the group. By constantly developing the group, encouraging its employees to think in new ways and developing new solutions for the market, value is generated for the customers.

Cardo is an international industrial group with leading brands, offering solutions with quality products, a high level of service and great applications know-how to industrial customers. Operations are pursued in the group's divisions: Door & Logistics Solutions, Wastewater Technology Solutions, Pulp & Paper Solutions and Residential Garage Doors, which all enjoy strong positions in their respective markets.

MANAGEMENT ENSURES HIGH QUALITY

The basis of Cardo's operations consists of the vision, values, business model, objectives and strategies by which the Company is managed.

The Cardo group guarantees that the solutions that are developed for its customers maintain a high quality. It does so by standing for joint methodologies in respect of business development, management and processes. These processes are driven by groupwide functions in the form of HR, Communications, IT, Purchasing, Finance & Treasury and Business Development, which also act as support for the divisions. By linking these functions and working on the basis of common processes throughout the group, Cardo generates synergies in the form of higher efficiency, lower costs and high overall quality.

DIVISIONS

Cardo's industrial divisions are bound together by a number of similarities in how their operations are run. The divisions are international and the bulk of sales, approximately 90 percent, occur outside Sweden. Sales are made to large international and national customers with which recurrent business deals can be struck.

The products are specified at the prescriptive stage, in the offices of architects or construction companies, and are procured by the customers through competitive processes. All divisions operate with a large aftermarket, where the extensive service needs of the customers are central.

Cardo has three industrial divisions

- Door & Logistics Solutions – division for total door and docking solutions, primarily in the transport and logistics sector and in retailing
- Wastewater Technology Solutions – division for customers that need wastewater technology applications, and for customers that require dewatering pump solutions in sectors that include the construction and mining industries
- Pulp & Paper Solutions – division concentrated on solutions for customers in the pulp and paper industry

The Residential Garage Doors division focuses on garage doors, which are mainly sold via distributors. Since this division targets the consumer market, it does not fit in with Cardo's strategy and our commitment to this operation is under review.

BRANDS

The divisions market various brands. Under each brand, value is generated for the customers. This is done by offering solutions involving engineering products, great applications know-how, and a broad range of service and by a strong focus on relation-building with the customers.

The brands that are owned, managed and developed by Cardo are some of the group's most important assets. It is these brands that the customers recognize.

Cardo has made a number of acquisitions over the years and therefore has an extensive brand portfolio. During the past two years, a determined effort has been made in respect of brand strategy, with the focus on further developing fewer, globally strong brands. This means that a number of strategic brands have been selected, which in most cases are leaders or among the leaders in their respective market segments. Cardo's ambition is for all strategic brands to be leaders in their strategically selected customer segments and in the markets that Cardo has chosen to work up.

The brands the group has decided to further develop in each division are described in the model.

Door & Logistics Solutions
- Crawford is the corporate brand within Door & Logistics Solutions
- Hafa is used in parallel with Crawford principally in the German market as a brand for docking solutions
- Combursa is used in parallel with Crawford principally in the Spanish market as a brand for docking solutions
- Megadoor is used for advanced door solutions for sectors that include the aviation industry

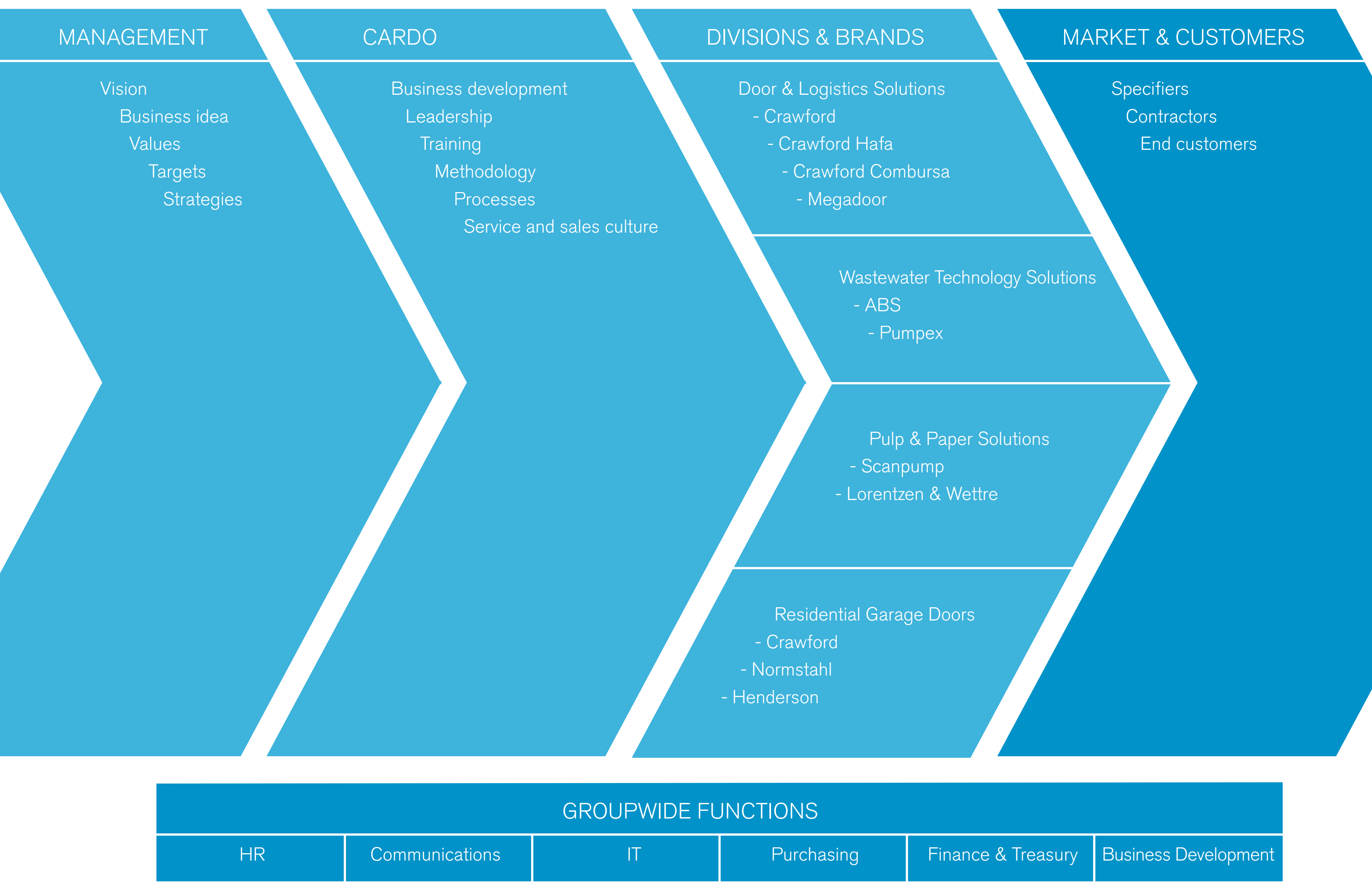
Wastewater Technology Solutions
- ABS is the corporate brand for wastewater technology solutions and for dewatering pumps for the construction and mining industries
- Pumpex is used as a brand for dewatering pumps for the construction and mining industries when sales are made by distributors

Pulp & Paper Solutions
- Scanpump is a brand for process pumps and agitators for the pulp and paper industry
- Lorentzen & Wettre is the brand for solutions in the field of measuring instruments and process optimization for the same industry

Residential Garage Doors
- Crawford is used in the Nordic area and the Benelux countries in particular
- Normstahl is the brand in central Europe
- Henderson is the brand used in the UK

MARKET AND CUSTOMERS

For each of the three industrial divisions, it is important to focus on the large international or national key accounts. The business methodology and sales process are based on there being a prescriptive stage, a contractor and an end customer. Another criterion for the customers with which Cardo does business is that there is the potential for a large installed base. Cardo's strategy is to focus on volume-intensive customers with a great need for service.



THE CARDO SHARE.

Cardo has been listed on the Stockholm Stock Exchange since 1995 and its shares are traded under the designation CARD.

Cardo belongs to the Mid Cap segment, which covers medium-sized companies with a market value of between EUR 150 million and 1 billion. In addition, Cardo is categorized as belonging to the Industrial Machinery sector, which is often called "Industrials" or "Industrial Goods and Services" in stock exchange listings.

A round lot in Cardo amounts to 100 shares. On December 31 2006, the number of shareholders amounted to 12,762 (13,363).

SHARE CAPITAL

On December 31 2006, Cardo's share capital amounted to SEK 300 million, divided into 30 million shares. Each share entitles the holder to one vote and carries the right to a corresponding share in the Company's assets and earnings.

OWNERSHIP

Institutional owners account for approximately 89 percent (88) of the total number of shares and votes. Foreign investors hold roughly 20 percent (21).

DIVIDEND POLICY

The Board of Directors' objective is to propose dividend payments that correspond to at least 40 percent of the group's net earnings for the year after tax after taking into account the group's earnings trend, financial position and future development potential.

DIVIDEND

The Board of Directors proposes to distribute a cash dividend of SEK 9.00 (SEK 8.00) per share to the shareholders. The proposed dividend, which amounts to SEK 270 million, is equivalent to approximately 67 percent of earnings after tax for the financial year 2006..

SHARE PRICE TREND

Cardo's share rose during 2006 by 34 percent and at the end of 2006 was quoted at SEK 260 (194.50). The index for OMX Stockholm rose by 24 percent during the year. The year high and year low during 2006 were SEK 274 and SEK 192 respectively. At December 31 2006, Cardo's total market value amounted to SEK 7,800 million (5,835). During 2006, 12,087,442 (15,949,193) Cardo shares changed hands on the Stockholm Stock Exchange. On average, 48,157 (63,040) shares changed hands per trading day. The rate of turnover, that is to say liquidity, was 40 percent (53).

During the past five years, the price of the Cardo share has risen by an average of 11.6 percent per year and the average dividend yield has been approximately 7.1 percent.

REPURCHASE OF SHARES

At the 2006 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.

CALL OPTION PROGRAM FOR SENIOR MANAGEMENT

In March 2006, Cardo's principal shareholder L E Lundbergföretagen AB issued a total of 295,000 call options to 13 members of the group's senior management. The call options were issued on market terms and are equivalent to approximately 1.0 percent of the shares and votes in Cardo. Each call option carries the right to buy one share in Cardo during the period May 1 – October 1 2010 at an exercise price of SEK 259.

Cardo is not taking part in the option program, nor will it be charged with any costs attributable to the program.

INVESTOR RELATIONS

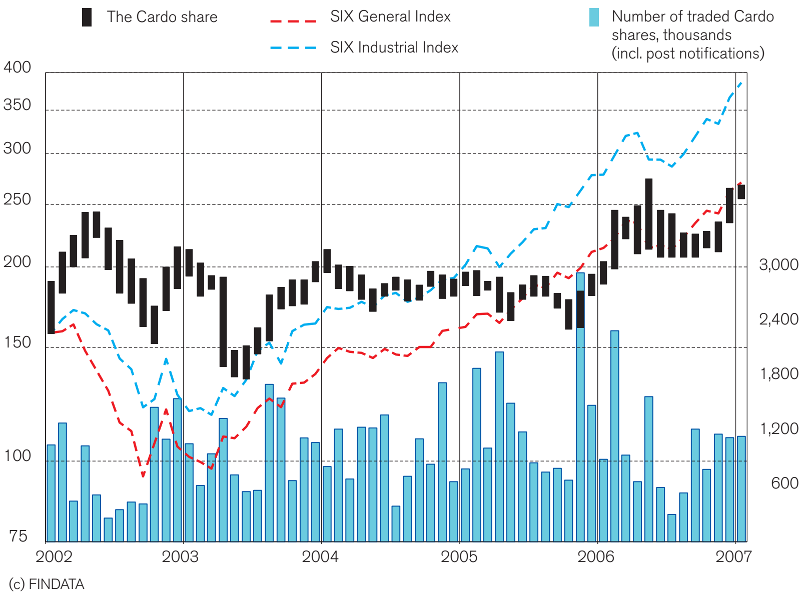
Cardo's management team is constantly working to improve its financial information to shareholders, investors, employees and other interested parties. The aim of investor relations work is to increase confidence in Cardo and improve knowledge of the group's activities, strategy and goals with a view to providing the prerequisites for an objective valuation of Cardo. This work includes continually holding meetings with analysts, institutions, share investors and media. The company exhibited and gave an address at this event, which attracted about 1,000 visitors.

During 2006, around 60 presentations and meetings were held with investors and analysts. Cardo took part in a major shareholder event arranged by the Swedish Shareholders' Association in Lund, Sweden. The company exhibited and gave an address at this event, which attracted about 1,000 visitors.

Cardo made two investor trips involving a number of meetings in London. Presentations were held in Stockholm for analysts, investors and press in connection with the report on operations and the interim report for January-June. A conference call was arranged in connection with the interim report for January-September.

Maria Bergving, Senior Vice President Communications & Investor Relations, is responsible for Cardo's investor relations activities and can be contacted on +46 40 35 04 25.

Share price trend and turnover



Analysts who continually monitor Cardo:

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Carnegie
Björn Enarson, +46 8 676 8800

Danske Bank/Danske Equities
Patrik Setterberg, +45 33 440 874

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Markus Almerud, +46 8 701 3401

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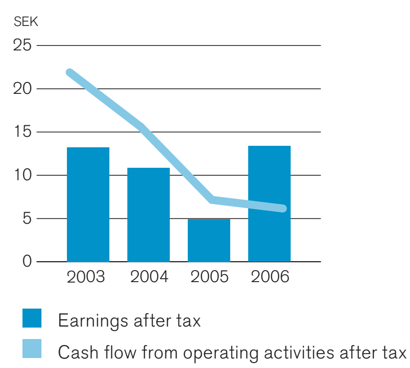
Henrik Alveskog, +46 8 545 01330

SEB Enskilda Equities
Stefan Cederberg, +46 8 5222 9500

Swedbank Markets
Mats Larsson +46 8 5859 2542

Earnings/Cash flow per share[1]



Swedish and non-Swedish shareholders

Categories	% of all shares and votes
Swedish shareholders	80.2
Non-Swedish shareholders	19.8
Total	**100**

10 largest shareholders at December 31 2006

Name	% of all shares and votes	Number of shares
L E Lundbergföretagen AB	36.0	10,800,000
If Skadeförsäkring AB	10.0	2,999,000
Swedbank Robur funds	3.5	1,038,877
SEB funds	2.7	803,530
Lannebo funds	2.2	660,500
Eikos fund	2.0	601,100
Orkla ASA	1.7	488,100
Odin funds	1.6	490,550
HQ funds	1.4	417,000
Confederation of Swedish Enterprise	1.0	300,000
Total ten biggest owners	62.1	18,598,657
Other (12.752)	37.9	11,401,343
Total	**100**	**30,000,000**

Share data	2006	2005	2004
Number of shares, thousands	**30,000**	30,000	30,000
Market value Dec. 31, SEK million	**7,800**	5,835	5,715
P/E, times[3]	**19.4**	39.6	17.5
Direct return, %[4]	**3.5**[5]	4.1	4.2
Dividend payout ratio, %[6]	**67**[5]	163	74
Data per share			
Earnings after tax, SEK	**13.38**	4.91[2]	10.86
Equity, SEK	**99.53**	97.83	96.00
Dividend, SEK	**9.00**[5]	8.00	8.00
Market value Dec. 31, SEK	**260.00**	194.50	190.50

Distribution of shares at December 31 2006

Holding, number of shares	Number of shareholders	% of total number of shareholders	Number of shares	% of all shares and votes
1–1,000	12,069	94.5	2,412,365	8.0
1,001–10,000	582	4.5	1,566,636	5.2
10,001–100,000	79	0.7	3,150,040	10.5
100,001–1,000,000	29	0.2	7,543,131	25.2
1,000,001–	3	< 0.1	15,327,828	51.1
Total	**12,762**	**100.0**	**30,000,000**	**100.0**

[1] Figures for 2003 have not been recalculated in accordance with IFRS. In the diagram, figures for 2003 are shown excluding amortization of goodwill in order to improve comparability.
[2] Excluding non-recurring items, earnings were 9.60 SEK.
[3] Price/Earnings, market value at December 31 in relation to earnings per share.
[4] Regular dividend for the financial year as percentage of market value at December 31.
[5] Board of Directors' proposal.
[6] Regular dividend for financial year as percentage of earnings.

GROUP OPERATIONS 2006.

During 2006, the strategy that was established in 2005 continued to be implemented throughout the group. The growth strategy was initiated by Cardo's President and CEO Peter Aru in 2005 and comprises seven points with the focus on increased sales. In addition, there is a cost-saving agenda in order to improve profitability.

The past year was characterized by an extensive process of change. This involved a number of activities in line with the growth strategy combined with cost reductions through a new organization and new processes. Cardo's process of change began to produce effects during 2006. Cardo succeeded in reversing a stagnating trend and is once again a growing operation.

Full-year earnings show good growth and greatly improved profitability. The Door & Logistics Solutions, Wastewater Technology Solutions and Residential Garage Doors divisions enjoyed a strong sales trend with improvements in earnings, despite the effect of increased raw material prices during the year. Earnings for Pulp & Paper Solutions were some-what lower than the previous year.

The focus on prioritized customer segments has been successful and resulted in increased sales and volumes to key customers. Door & Logistics Solutions and Residential Garage Doors grew strongly in very competitive markets with great price pressure. The effects of the restructuring program exceeded those planned, and the group's cost level is continuing to decrease.

DOOR & LOGISTICS SOLUTIONS

For the full year, the inflow of orders amounted to SEK 4,273 million (3,783), up 14 percent on the corresponding period the previous year adjusted for the effects of exchange rate movements. Organic growth was 8 percent. Virtually all the markets in Europe enjoyed a positive trend during the year, with greatest growth in the UK and France. Germany enjoyed a strong trend during the second half-year 2006. The changes that were initiated late in 2005 in the marketing organizations of these three countries created a strong platform for the positive trend during 2006.

Net sales amounted to SEK 4,152 million (3,748), up 11 percent adjusted for the effects of exchange rate movements. Organic growth was 5 percent. Organic growth occurred in both new sales and service. The service share within Door & Logistics Solutions amounted to 40 percent during 2006.

Operating earnings for the full year amounted to SEK 342 million (261). On an annual basis, earnings were adversely affected by rises in the prices of raw materials to an extent of SEK 30–35 million.

WASTEWATER TECHNOLOGY SOLUTIONS

For the full year, the inflow of orders amounted to SEK 2,567 million (2,362), up 9 percent on the corresponding period the previous year adjusted for the effects of exchange rate movements. Organic growth was 8 percent. On an annual basis, eastern Europe, Latin America and Asia show the highest growth figures, which is in line with the strategy of growing outside the well established European markets. The operation in Brazil showed a very good volume trend, and positive growth was generated by the efforts in Asia using own sales organizations.

Net sales amounted to SEK 2,466 (2,317), up 7 percent adjusted for the effects of exchange rate movements. Organic growth was 6 percent. The activities of ABS in wastewater treatment projects continued to show a good trend during 2006, with expansion in Asia in particular. Sales of wastewater pumps and pumping stations also enjoyed a positive trend, especially in the USA and Asia.

Operating earnings for the full year amounted to SEK 253 million (225).

PULP & PAPER SOLUTIONS

For the full year, the inflow of orders amounted to SEK 720 million (679), up 5 percent on the corresponding period the previous year adjusted for the effects of exchange rate movements. Net sales amounted to SEK 686 million (658), up 4 percent adjusted for the effects of exchange rate movements.

Operating earnings for the full year amounted to SEK 54 million (59). Lower sales volumes for Lorentzen & Wettre compared with the previous year had negative consequences for the earnings of the division during 2006.

The market trend in the pulp and paper industry during the year affected the two operations within Pulp & Paper Solutions in different ways. The need for measuring instruments, which are supplied by Lorentzen & Wettre, usually comes later in the investment cycle than the need for the process solutions that Scanpump offers in the form of pumps and agitators.

In some geographical regions, the sector is affected by high prices of energy and raw materials, resulting in mills having been closed down in, for example, North America and Europe. Lorentzen & Wettre was affected by the weak level of investment activity, but the assessment is that the market shares are retained.

In other regions, such as Latin America, with strong growth in pulp production, and China, with increased domestic demand for paper, new investments are being made in pulp and paper mills.

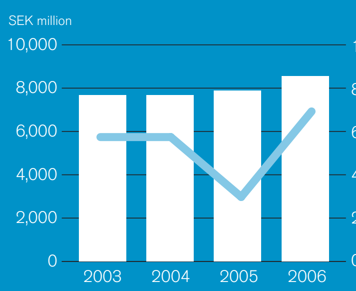
GROUP 2003–2006

	2003*	2004	2005	2006
Net sales, SEK million	7,687	7,686	7,880	8,556
Operating earnings, SEK million	448	448	239	598
Earnings after financial items, SEK million	428	419	210	558
Earnings per share, SEK	10.28	10.86	4.91	13.38
Earnings per share excluding non-recurring items, SEK	10.28	11.17	9.6	13.38
Dividend for the financial year, SEK	8.00	8.00	8.00	9.00[1)]
Return on capital employed, %	12.6	13.3	6.8	15.2

* Figures for 2003 have not been recalculated in accordance with IFRS. According to IFRS no amortization of goodwill is made. Amortization of goodwill amounted to SEK 89 million in 2003.

[1)] Board of Directors' proposal.

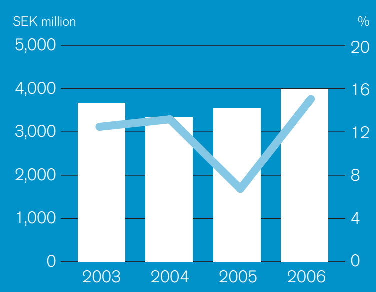
Net sales/Operating margin



Net sales

Operating margin

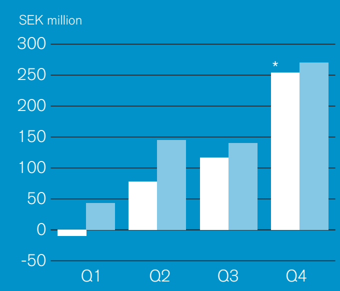
Average capital employed/ Return on capital employed



Average capital employed

Return on capital employed

Operating earnings per quarter

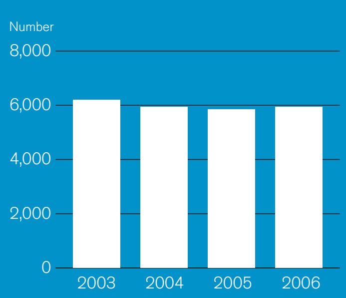


2005

2006

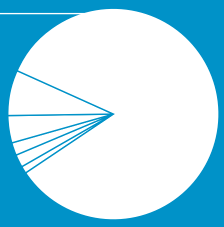
* Excluding restructuring costs of SEK 201 million.

Average number of employees



Net sales by geographical market

Europe, whereof Sweden 9%	84%
North America	7%
Asia	4%
Middle East	2%
Latin America	2%
Other	1%



RESIDENTIAL GARAGE DOORS

For the full year, the inflow of orders amounted to SEK 1,303 million (1,187), up 10 percent on the corresponding period the previous year adjusted for the effects of exchange rate movements. All markets enjoyed a positive trend during the year, with greatest growth in Germany.

Net sales amounted to SEK 1,276 million (1,178), up 8 percent adjusted for the effects of exchange rate movements.

Operating earnings for the full year amounted to SEK 16 million (-19). In combination with the increased sales, the many changes that have been made in the division relating to efficiency measures in sales, administration and production contributed to the strong improvement in earnings. On an annual basis, earnings were adversely affected by increased prices of raw materials to an extent of approximately SEK 10 million.

GROUP

The inflow of orders amounted to SEK 8,840 million (7,990), up 11 percent after adjustment for the effects of exchange rate movements. Organic growth was 8 percent. The greatest growth during the year was seen in countries outside the EU, with the strongest trend in Latin America and Asia. This is in line with Cardo's stated strategy of investing in emerging markets. With regard to the largest regions, the inflow of orders was up on the previous year by 7 percent in Europe, 20 percent in Asia, 14 percent in North America and 26 percent in Latin America.

Net sales amounted to SEK 8,556 (7.880), up by 9 percent after adjustment for the effects of exchange rate movements. Organic growth was 6 percent. The various divisions' shares of the group's total sales are unchanged compared with the previous year, i.e. Door & Logistics Solutions accounts for 48 percent of sales, Wastewater Technology Solutions for 29 percent, Pulp & Paper Solutions for 8 percent and Residential Garage Doors for 15 percent.

Operating earnings amounted to SEK 598 million (239, including restructuring costs of SEK 201 million). The improvement in earnings is a result of increased sales and of efficiency measures, both those on a running basis and as a consequence of the restructuring program that was initiated in 2005. Group earnings were adversely affected by increased prices of raw materials during 2006 to an extent of SEK 40–45 million. The effect of exchange rate movements on operating earnings was only marginal.

Net earnings amounted to SEK 401 million (147), which is equivalent to SEK 13.38 (4.91) per share. The comparative figures for 2005 include restructuring costs of SEK 201 million.

Cash flow from operating activities was SEK 184 million (214) after tax, which is equivalent to SEK 6.13 (7.13) per share.

PARENT COMPANY OPERATIONS

The parent company's operations principally embrace groupwide functions. Earnings after financial items amounted to SEK 432 million (440). Investments amounted to SEK 2 million (1).

GROUPWIDE FUNCTIONS

HR

The common HR function that was formed in early 2006 focused on building up a structure and on creating processes that support the concept of business-driven HR, which involves active personnel processes aimed at supporting Cardo's overall goals. In addition, a staff survey was carried out during the year among approximately 4,500 of the group's employees. The survey gave Cardo a good rating as an employer.

Communications & Investor Relations

Cardo's communications and investor relations department operates on the basis of an integrated approach to communications and is responsible for the group's brand strategy, internal communications, strategic market communications and investor relations. 2006 saw activities that included the development of a groupwide intranet, which will help to make daily work more efficient and be the group's main channel for internal information and part of the process of creating a uniform corporate culture.

IT

A new IT organization was created by coordinating the IT departments of the respective divisions. The new organization involves rationalization and is at the same time more flexible in order to be able to meet the requirements of the divisions. In connection with this, the IT infrastructure was outsourced. In addition, the organization is actively engaged in implementing several groupwide IT systems.

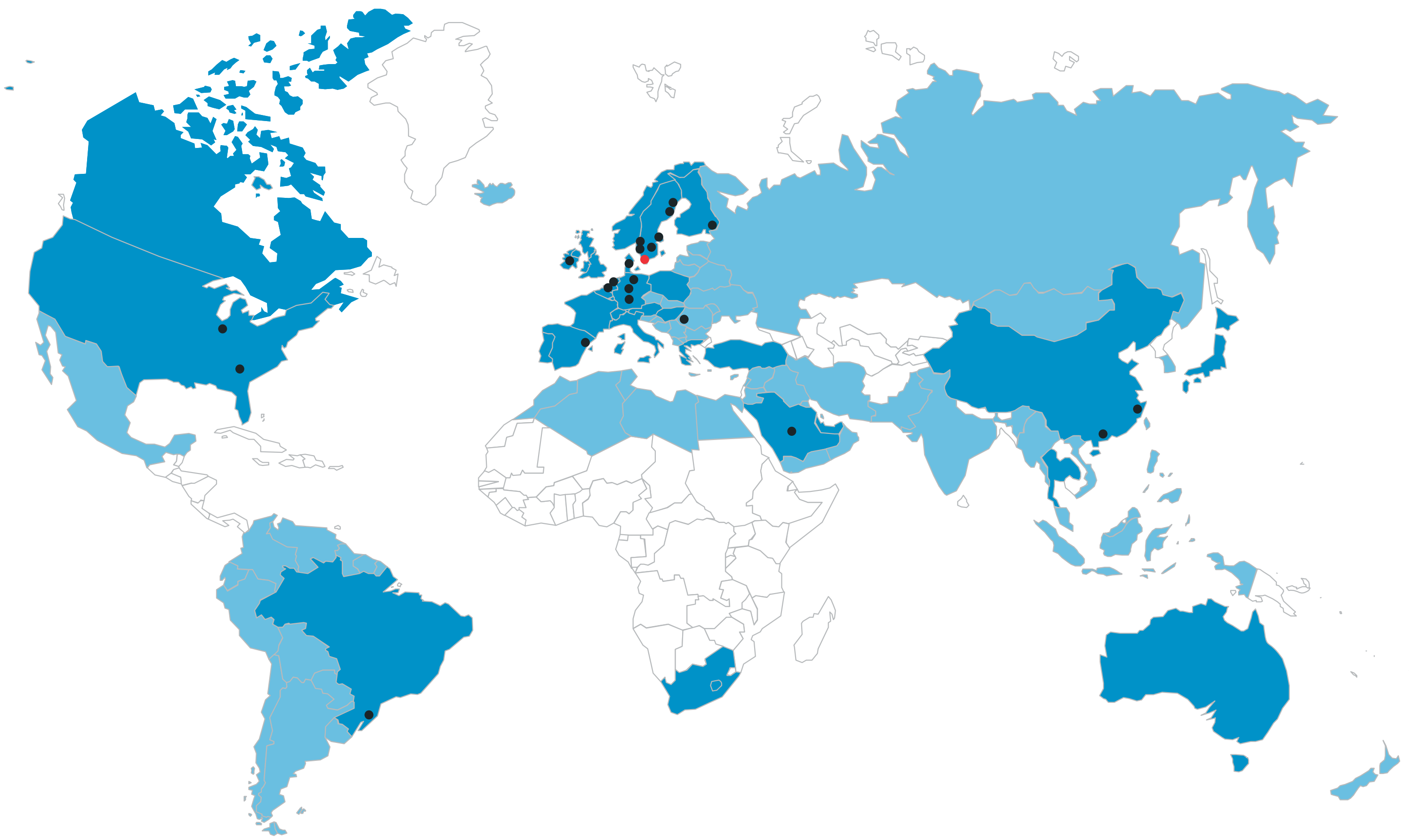
Purchasing

During the year, Purchasing finalized a "one company" concept involving coordination of the group's purchasing resources. In respect of the suppliers, the group can thus act as a single company, providing better opportunities for utilizing both volume advantages and all the skills gathered within the group.

Finance & Treasury

Areas of responsibility such as group accounting, tax coordination and planning were moved from the divisions to a groupwide function as was previously done in financing and financial risk management. Projects were started and in some cases completed to utilize common

INTERNATIONAL COVERAGE.



Sales & service subsidiaries

Distributor markets

Production units

Cardo corporate headquarters

financial and other administrative resources across divisional and country borders. In Italy, the USA and Singapore, the legal entities were gathered in joint Cardo companies.

Business Development

A new policy and structured process for the group's continued business development was established, giving Cardo even greater potential to implement acquisitions that contribute to meeting the group's targets.

OUTLOOK

Cardo's assessment is that the market trend for Cardo's products and services will be generally relatively favorable during 2007, thereby providing conditions for continued organic growth for the group as a whole.

Cardo expects the prices of raw materials to remain high and that there will be continuing difficulties in passing on price rises to the customers for the Door & Logistics Solutions and Residential Garage Doors divisions.

COMPANY ACQUISITIONS IN 2006

Late March saw finalization of the acquisition of Combursa, Spain's leading supplier of docking systems and industrial doors with annual sales of approximately SEK 275 million and employing about 150 people. The results of the Door & Logistics Solutions division include Combursa from April 1.

Early July saw the acquisition of the operations of the Australian company Style Industries with annual sales of approximately SEK 45 million and employing a little less than 30 people. The company pursues sales and service of pumps and peripheral equipment for water treatment and wastewater applications. The results of the Wastewater Technology Solutions division include this operation from July 1.

CHANGES IN MANAGEMENT

On January 1 2006, Maria Bergving took up the post of head of the groupwide Communications & Investor Relations function.

On April 1, Peter Lindqvist took up the post of Group Chief Information Officer (CIO) with responsibility for Cardo's new process-oriented IT function.

On June 1, Fredrik Jönsson took up the post as head of the Door & Logistics Solutions division.

Göran Axeheim left his post as Cardo's CFO at the beginning of October 2006. Ulf Liljedahl has been appointed as the new CFO and will take up his post on August 1 2007.

Fredrik Groth was appointed Vice President Business Development with responsibility for the group's business development and left his post as head of the Wastewater Technology Solutions division on November 1 2006. In connection with this, Cardo's President and CEO Peter Aru took up the post of acting head of the Wastewater Technology Solutions division.

EVENTS AFTER THE END OF THE PERIOD

New production structure in Door & Logistics Solutions.

With the aim of further strengthening the competitiveness of the Door & Logistics Solutions division, a decision has been taken to invest in a new production unit in Romania. The investment in Romania amounts to SEK 30 million and the production unit is expected to be in full operation from the end of 2007.

As part of an optimization of the production structure, a decision has also been taken to close Crawford's production unit for docking equipment in Wennigsen, Germany. This means that approximately 80 people will be affected. The cost of closing the unit in Germany is estimated at approximately SEK 85 million, whereof approximately SEK 55 million relates to impairment losses on of fixed assets. The cost will be charged to the first quarter of 2007.

The closedown in Germany in combination with the investment in Romania is expected to give a positive annual effect of approximately SEK 45 million on the earnings of Door & Logistics Solutions as of 2008. The effect on earnings for 2007, excluding the above-mentioned cost of closure, is expected to be marginal.

Maria Axelsson at Crawford's production unit in Torslanda, Sweden, is one of the Cardo group's almost 6,000 employees.

FOCUS ON STRATEGIC CUSTOMERS IMPROVING PROFITABILITY.

Under its corporate brand Crawford, Door & Logistics Solutions offers industrial door and docking solutions to strategically selected customers. The operation is called Crawford Group in respect of the market, and complete solutions, service and specialist know-how are offered to customers worldwide under this name. Crawford focuses on service-intensive and volume-intensive customer segments, primarily in Europe, China and the Middle East, but also maintains a presence in the rest of Asia and in the USA.

The head office is situated in Malmö and the division has subsidiaries in some 20 countries. There are production units in Skellefteå and Strömstad in Sweden and in Heerhugowaard and Scherpenzeel in the Netherlands as well as in Barcelona in Spain, Wennigsen in Germany, Hobro in Denmark, Kunshan in China, Atlanta in the USA and Istanbul in Turkey. In addition, a new production unit is under construction in Hunedoara in Romania and is expected to be in full operation in late 2007. The division has approximately 3,000 employees.

AIMS & STRATEGY

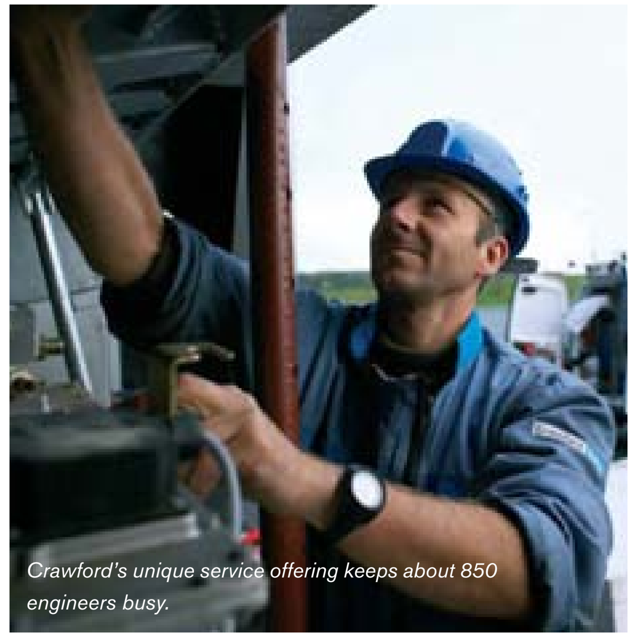
Crawford's vision is to be the natural first choice and leading supplier of complete solutions as far as industrial doors, docking systems and service are concerned.

Since 2006, its strategy has been to focus on growth by, among other things, increasing its sales in existing markets, increasing its international presence by expanding geographically in emerging markets, optimizing its market offering and continuing to actively select customers in a strategic manner.

Crawford has identified a number of key accounts in, above all, transport and logistics, warehousing and retail with an international presence and a potentially high service requirement. Many customers prefer to work with one and the same supplier in as many countries as possible and Crawford is therefore working on the basis of a key account management concept. As far as sales to new customers are concerned, the division will cooperate with the customer to create unique product solutions supplemented by an attractive service product. For a customer in the logistics sector, this may occur in partnership with, for example, a specifier – a building contractor or architect – or in collaboration with the end customer. It is also important to meet the wishes of the customer as regards the sales channel and to offer alternatives that best suit the customer, for example Web solutions.

From having previously often supplied individual doors to today focusing on solutions that cover more than one function and that involve enhanced benefit for the customer, the division has fundamentally developed its market offering. This also makes greater demands on Crawford to deliver solutions with a higher value and that correspond to the division's three core values: "Trouble Free Operation" – providing solutions and installations that work as they should, "Around the Clock" – offering a high availability of service, and "A Promise is a Promise" – safeguarding the value-generating relationship through the division keeping its promise.

Since the barriers to entry are relatively low in the door industry and it is therefore easy to gain admittance to the market, the service function is becoming increasingly important to building long-term relationships with key accounts and customer segments over time. The service offering is a significant part of Crawford's business model. The division has one of Europe's largest service organizations, which carries out more than 600,000 service visits annually in respect of both its own products and those of competitors. The service concept aims at servicing a number of different products on the customer's



Crawford's unique service offering keeps about 850 engineers busy.

The retail trade is one of Crawford's prioritized customer segments.

Installation at Post Logistics in Switzerland.

DOOR & LOGISTICS SOLUTIONS 2006.

NET SALES AND EARNINGS

- Sales rose by 11 percent adjusted for the effects of exchange rate movements to SEK 4,152 million
- Operating earnings improved to SEK 342 million

SIGNIFICANT EVENTS

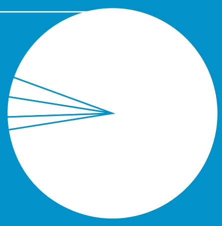
- Acquisition of Combursa, one of Spain's leading manufacturers of docking systems and industrial doors, which means that the division is increasing its presence on the Iberian peninsula. Combursa enjoys sales of approximately SEK 275 million and has 150 employees
- Implementation of a key account management concept
- Development of the service offering for competing solutions as well

SEK MILLION	2006	2005
Inflow of orders	**4,273**	3,783
Organic growth in %	**5**	*
Net sales	**4,152**	3,748
Operating earnings	**342**	261
Operating margin, %	**8.2**	7.0
Investments	**54**	138
Depreciation and amortization	**89**	80
Average number of employees	**3,016**	2,800

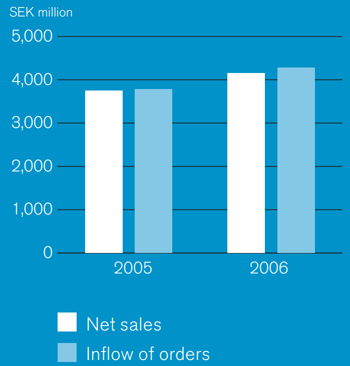
* For the current separation into divisions, historical data on organic growth 2005 is unavailable.

Net sales by geographical market

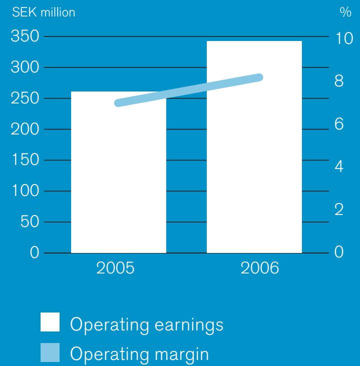
Europe, whereof Sweden 11%	92%
Asia	3%
Middle East	3%
North America	2%



Net sales/Inflow of orders



Operating earnings/Operating margin



premises in order to reduce the number of service suppliers to the customers and to enhance the customers' profitability.

While growth is important, there is a strong focus on keeping costs down by creating better processes internally, reducing production costs and improving quality.

BRANDS

A relatively large number of acquisitions have led to what is today Crawford Group. Work on consolidating the number of brands was intensified during the past year. Today, the division uses one corporate brand, Crawford, which stands for complete solutions in industrial doors and docking. Hafa is a leading brand for docking systems that is used together with Crawford, particularly in Germany. Combursa is being used in a corresponding fashion on the Iberian peninsula. Megadoor has a strong position in the North American market as a supplier of hangar-door solutions, primarily to the aviation industry.

The purpose of focusing on one corporate brand is to clarify and strengthen the market offering.

MARKET & CUSTOMERS

The market for industrial door and docking solutions is characterized by a high degree of fragmentation as regards both suppliers and customers.

There is a lot of excess capacity in the market for industrial doors, and today Crawford has a number of competitors in the European market. Its main competitors as far as industrial doors are concerned are the German company Hörmann, the Danish company Nassau and Novoferm, which is owned by the Japanese company Sanwa Shutter Corporation. In the docking systems segment, the main competitors are the Dutch companies Loading Systems and Stertile and, here too, the German company Hörmann.

In recent years, Crawford has experienced stronger competition from smaller suppliers that offer simpler doors through what are known as ready-to-assemble or semi-finished products.

Excess capacity in the many large European plants in the industry and competition from recently established suppliers has resulted in fierce price competition, which means that many players are using new sales channels and customer offers.

Despite the fact that there is excess capacity and price competition, there is strong growth in the industry and in specific markets. In Europe, new distribution patterns are being created and there is movement from west to east. Ports on the Black Sea, in Romania and Bulgaria are now competing with Rotterdam in the Netherlands. This is providing new opportunities for the transport and logistics industry, but also for retailing, where growth is generally increasing in these markets. It is important to Crawford to offer local presence and uniform solutions across Europe in order to develop together with its customers. In Asia too, primarily China, there is growth in the selected customer segments.

Crawford boasts a large range of products with above all doors of every kind. The range includes traditional sectional overhead doors for many types of applications, folding doors with horizontal or vertical opening for facilities such as fire stations and car washes, and high-speed rolling doors for industry. Crawford also offers a large number of advanced docking solutions. There are solutions that facilitate logistics by, among other things, providing a transition between the different levels of, for example, a truck bed and a loading dock. Other docking solutions allow sealed unloading for handling goods in, for example, cold stores or loading and unloading outside the actual loading bay. Crawford also boasts a large international range of service offerings providing a unique competitive advantage.

Under the Megadoor brand, the division markets some of the world's largest doors for the aviation industry's hangars, which can be up to 150 meters wide.

Crawford customers in transport, logistics and retailing include DHL, Schenker, TNT Express Worldwide, Kraftverkher Nagel, Gefco, Carrefour, Ahold and Lidl.

PRODUCT DEVELOPMENT

Product development within the division has previously been concentrated on a global development center in Gothenburg. During 2007, product development will be moved closer to the production units in order to come nearer to the customers, the products and the process know-how with a view to creating new, innovative solutions and applications for specific customers and needs.

EFFICIENCY MEASURES

During the year, a key account management concept was implemented to more effectively offer large customers close cooperation with Crawford and to secure uniform solutions across several markets.

By creating five regions in Europe where certain administrative functions are coordinated, Crawford made its sales and service organization more efficient.

The strategy of focusing on fewer brands with Crawford as a strong corporate brand was adopted with a view to clarifying and strengthening the market offering. The decision means that marketing investments can be made on the basis of a common platform. As a result of this strategy, the previously separate sales and service organizations in Germany – Crawford and Hafa – were merged. Crawford's and Combursa's operations in Spain were also integrated.

SALES AND EARNINGS

The inflow of orders amounted to SEK 4,273 million (3,783), up 14 percent on the previous year adjusted for the effects of exchange rate movements. Organic growth was 8 percent. Virtually all markets in Europe enjoyed a positiv trend during the year, with greatest growth in the UK and France. Germany enjoyed a strong trend during the second half-year 2006. The changes that were initiated late in 2005 in the division's marketing organizations in these three countries created a strong platform for the positive trend during 2006.

Net sales amounted to SEK 4,152 million (3,748), up 11 percent adjusted for the effects of exchange rate movements. Organic growth was 5 percent. Organic growth occurred in both new sales and service. The service share amounted to 40 percent during 2006.

Operating earnings for the full year amounted to SEK 342 million (261). On an annual basis, earnings were adversely affected by rises in the prices of raw materials to an extent of SEK 30–35 million.

Key account ProLogis has more than 2,400 warehousing and distribution centers worldwide.

Crawford is the corporate brand in Door & Logistics Solutions. Crawford Hafa is used as a brand for docking solutions, particularly in the German market. Crawford Combursa is used for docking and door solutions on the Iberian peninsula. Megadoor is used for advanced door solutions for the aviation industry etc.

Crawford

Crawford | hafa

Crawford COMBURSA

MEGADOOR

Fredrik Jönsson, head of the Door & Logistics Solutions division

Q & A

How would you describe 2006?
For Crawford, 2006 has been a year of challenges. In a market with tough competition and new players, we have shown that our brand and our solutions are competitive. We have also shown that we can continue to grow in the global market.

Is there anything special that you would like to highlight during 2006?
I would like to highlight the fact that we have so quickly implemented a common strategy and a common identity for the division – "The Crawford Way" – in order to create a global, more competitive Crawford.

How do you view 2007 for your division – what is the greatest challenge?
Our greatest challenge is to make sure that the work we have done on our sales organization and the investments relating to the division's identity, brands and marketing generate results. We are also planning to grow geographically in new markets. We hope that these efforts will have an effect during 2007 through increased sales.

What is the best thing about working in your division?
The fact that right now we are in an exciting phase of development of the division with many internal and external challenges to get to grips with. The fact that there are so many devoted and skilled staff who feel proud of working in the division and who are taking a big responsibility for our future work together.

INNOVATIVE COMPLETE SOLUTIONS FOR CLEAN WATER.

Wastewater Technology Solutions with its corporate brand ABS is a global partner that offers complete solutions in the field of wastewater technology. In relation to the market, the operation is called ABS Group. ABS is one of the leading suppliers in Europe, holds a strong position in the USA and is well established in Asia and Latin America.

The head office is situated in Malmö, Sweden, and the division has subsidiaries in around twenty countries in Europe, South Africa, Asia and North and South America. Sales are also made via a large number of distributors worldwide. There are production units in Wexford in Ireland, Scheiderhöhe in Germany, Vadstena and Nordmaling in Sweden, Curitiba in Brazil, and Milwaukee in the USA and assembly plants in Villmanstrand in Finland and Guangdong in China. All in all, the division has approximately 1,800 employees.

AIMS & STRATEGY

The ABS vision is to be the largest challenger in wastewater technology by offering integrated solutions for the customer's needs under the motto "We know how water works".

With one of the market's broadest range of products, ABS will primarily focus on cooperating with selected customer groups and supplying solutions that add value and benefit for its customers. The division will focus above all on frequently returning customers with a high service share that are active in the field of public infrastructure, but also on customers in the construction and mining industries.

In addition, ABS will continue to work on further developing its service operation, both as regards long-term relationship building and long-term profitability.

ABS is continuing to invest in emerging markets with great development potential such as China. In the past two years, ABS has strongly increased its investments in both sales and production, including in a new assembly unit for pumps in Guangdong in southern China. Here submersible wastewater pumps and aerating systems are manufactured for the Chinese market and the region. Another interesting emerging market is Australia where a strategic acquisition was made during 2006.

What is crucial for ABS is that the division's three core values permeate all parts of the operation in order to make its vision possible. The three core values are as follows: "Cleaning Water" – ABS solutions are part of the process of cleaning water; "Caring" – ABS is to care about its customers, the environment and the world around it; and "Challenger" – ABS is to constantly challenge itself and the industry in order to find new and better solutions for its customers.

BRANDS

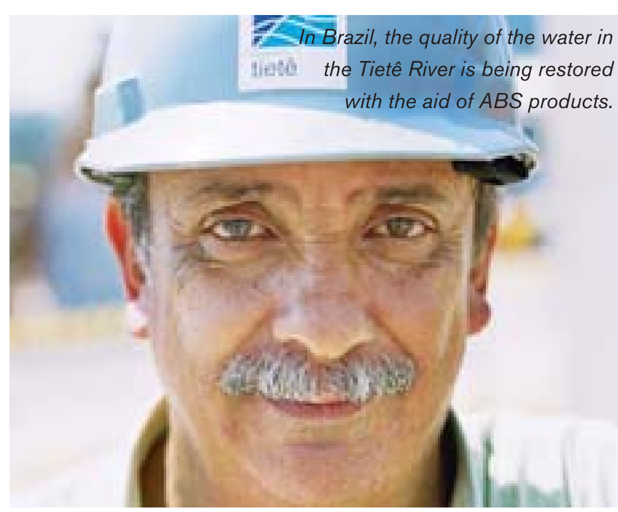
During 2004, work began on a new and clear brand strategy. All the brands that have been acquired over the years have been consolidated under a common brand, ABS, with the focus on wastewater technology applications. As regards dewatering pumps for the construction and mining industry customer segment in particular, ABS and the product brand Pumpex are used. Pumpex is marketed only via distribution channels. Both brands are well known in the market and are guarantees for quality and well functioning solutions.

MARKET & CUSTOMERS

Water is a prerequisite for life. But about 40 percent of the world's population, more than 2.4 billion people, still lack access to satisfactory water treatment facilities. The fundamental driving forces in the market are to offer clean water through innovative and efficient

ABS control and monitoring solutions improve reliability.

Clean water is in short supply for a large part of the world's population.



In Brazil, the quality of the water in the Tietê River is being restored with the aid of ABS products.

WASTEWATER TECHNOLOGY SOLUTIONS 2006.

NET SALES AND EARNINGS

- Sales rose by 7 percent adjusted for the effects of exchange rate movements to SEK 2,466 million
- Operating earnings improved to SEK 253 million

SIGNIFICANT EVENTS

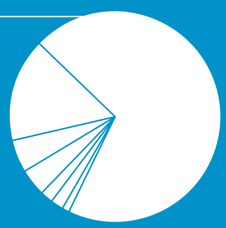
- Acquisition of the operations of the Australian company Style Industries, with sales of SEK 45 million and approximately 30 employees. Style sells and carries out service on pumps and related products for water treatment and wastewater applications
- ABS receives Technology Innovation of the Year Award from market analysts Frost & Sullivan
- Launch of ABS AquaWeb, a Web-based system for remote control and monitoring of pumping stations
- ABS in the USA introduces a "Premium Rep Program", clarifying the development of partnerships with local distributors
- New assembly unit starts in Guangdong in southern China

SEK MILLION	2006	2005
Inflow of orders	**2,567**	2,362
Organic growth in %	**6**	*
Net sales	**2,466**	2,317
Operating earnings	**253**	225
Operating margin, %	**10.3**	9.7
Investments	**65**	74
Depreciation and amortization	**63**	63
Average number of employees	**1,767**	1,655

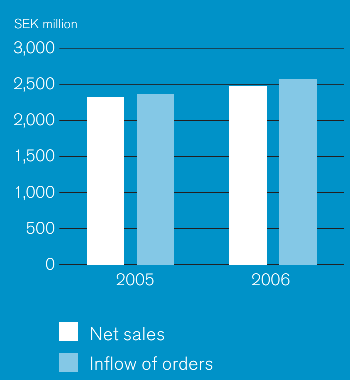
* For the current separation into divisions, historical data on organic growth 2005 is unavailable.

Net sales by geographical market

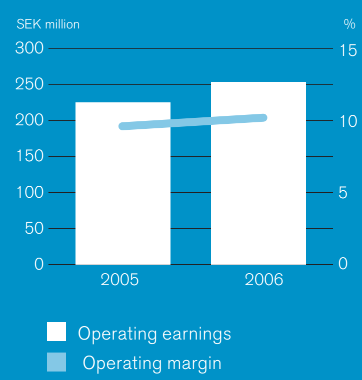
Europe, whereof Sweden 4%	70%
North America	16%
Asia	5%
Latin America	4%
Middle East	2%
Oceania	2%
Africa	1%



Net sales/Inflow of orders



Operating earnings/Operating margin



solutions – both from the perspective of energy and cost – that are adapted to the needs and conditions of each market.

ABS enjoys a strong market position in the submersible pump segment and is today number two in the European market. As market leader, the American company ITT Flygt is the main competitor for ABS. Other major players in this segment are the German company KSB and the Japanese company Ebara, which is primarily active in the Asian market. The pump market is otherwise relatively fragmented with in some cases strong local players.

As far as other water treatment equipment such as aerators and compressors is concerned, the American company Sanitaire, which is part of ITT, and the Danish company HV-Turbo are the biggest competitors. In the construction and mining industries, ABS again competes with the American company ITT Flygt and also with the American company Grindex, which are both part of ITT Fluid Technology. Other players are the American company Goodwin and the Japanese enterprise Tsurumi.

The crucial factors for the development of wastewater technology in an individual market are above all economic growth, the general level of development of the market and the possibilities of financing. More efficient use of energy is an important factor in the industry. The type of solutions that ABS offers generally stand for a high proportion of the total energy consumption of the treatment plant. For many years, ABS has enjoyed a strong position in wastewater technology with a complete concept for lower life cycle costs.

In mature markets in countries with satisfactory wastewater technology, development is driven towards better solutions by new regulatory systems and environmental standards and also by investments in infrastructure. The projects are largely about renovating and upgrading existing plants. A considerable part of the market in these countries relates to pumping stations.

In emerging markets, the focus is primarily on major projects involving new treatment plants. Greatest growth is being seen in China, but ABS is also making an effort to establish its presence in attractive and growing markets in Latin America, eastern Europe and the Middle East.

Service and the aftermarket are strong in certain regions, but are still relatively undeveloped in others. In many markets, the aftermarket is mainly worked by local distributors and service centers, which means that there is good potential for the future.

In the North American market, ABS has introduced a "Premium Rep Program", with activities specifically designed to develop cooperation with local distributors with a view to tying these closer to the ABS operation and products.

Customers of ABS are primarily municipalities and cities or other public or private bodies with responsibility for water treatment and wastewater handling. Investments in new systems are usually expensive and demand major resources. In emerging markets, such as China, large projects are often financed by private contractors that also build and then run the treatment plants. These large international contractors are important customers for ABS.

PRODUCT DEVELOPMENT

During 2006, ABS carried out a number of product launches based on solutions that were developed for specific customer needs. One example is the ABS AquaWeb, a Web-based system for the remote control and monitoring of pumping stations, which has been implemented in a municipality in the Netherlands, where some fifty pumping stations are being monitored. The ABS AquaWeb is an example of ABS developing its offering towards complete solutions.

EFFICIENCY MEASURES

In the course of the year, efficiency measures were adopted with respect to both central and local functions. It was possible to cut back central staff both as a result of more efficient processes and due to the fact that some previously division-specific resources are now shared between all the divisions thus generating greater flexibility.

As far as local resources are concerned, a regionalization process is under way within the ABS European sales organizations with a view to moving decisions nearer to the customers and to being able to share some administrative resources. This process will be intensified in 2007. By continuing to create strong regional organizations, ABS will realize further synergies.

Also during 2006, efficiency programs were carried out within the production organization, including an overhaul of the development function.

SALES AND EARNINGS

The inflow of orders amounted to SEK 2,567 million (2,362), up 9 percent on the previous year adjusted for the effects of exchange rate movements. Organic growth was 8 percent.

On an annual basis, eastern Europe, Latin America and Asia show the highest growth figures, which is in line with the strategy of growing outside the well established European markets. The operation in Brazil showed a very good volume trend, and positive growth was generated by the efforts in Asia using own sales organizations.

Net sales amounted to SEK 2,466 (2,317), up 7 percent adjusted for the effects of exchange rate movements. Organic growth was 6 percent. The activities of ABS in wastewater treatment projects continued to show a good trend during 2006, with expansion in Asia in particular. Sales of wastewater pumps and pumping stations also enjoyed a positive trend, especially in the USA and Asia.

Operating earnings for the full year amounted to SEK 253 million (225).

ABS has supplied pumps and aerators for treatment of the Llobregat River outside Barcelona.

ABS has won an international prize for its innovative complete solutions in wastewater technology.

The international market analysis company Frost & Sullivan has presented ABS with its Technology Innovation of the Year Award. Frost & Sullivan's citation is as follows: "The company has been dedicated in offering complete solutions for all kinds of water and wastewater treatment applications. Its extensive technical knowledge in pumping applications coupled with its ability to deliver high quality products are among the key reasons for its consolidation as a key participant in the European pump market for water and wastewater treatment sector."

"We are very proud of this award, since it shows that our strategy of combining applications know-how with high-quality products is a winning concept, says Peter Aru, acting head of the Wastewater Technology Solutions division, where ABS is the corporate brand.

ABS is the corporate brand for wastewater technology solutions. Pumpex is used as a brand for dewatering pumps for the construction and mining industries.

Peter Aru, acting head of the Wastewater Technology Solutions division

Q & A

How would you describe 2006?
We have continued to implement the strategy we began using in 2004, involving focusing on wastewater technology solutions.

During 2006, we have also continued our efforts in Asia, where we, among other things, are now starting an assembly plant in China. We have also made an attractive acquisition in Australia, which has given us a platform upon which to continue to grow in this exciting market.

Is there anything special that you would like to highlight during 2006?
I would like to highlight our staff. Our employees are the most important factor in the success of the process of change. There is great commitment in the organization and a willingness to think along new lines. It is also gratifying that the new direction of ABS has attracted attention through the "Technology of the Year Award" from Frost & Sullivan.

How do you view 2007 for your division – what is the greatest challenge?
To continue to run an extremely clear sales agenda in order to generate growth. An important aspect is to build on our presence in markets that are developing strongly, such as China, and in this way broaden our geographical base. At the same time, we must work hard on our internal processes in order to become even more efficient and in so doing further lower our cost levels.

What is the best thing about working in your division?
It is fantastic, because what we offer has real importance to people's lives and health. For many people on our Earth, clean water is definitely not something that is obvious and we are privileged to be part of the chain that offers it.

COMBINED STRENGTHS GENERATING SUCCESS.

The Pulp & Paper Solutions division develops advanced solutions for the pulp and paper industry. The division consists of two companies that operate under strong brands and that are both active in this sector: Scanpump is a leading brand as far as process pumps, agitators and paper mill water treatment equipment are concerned and Lorentzen & Wettre is the global leader for sophisticated equipment in the field of quality control and process optimization.

All in all, the division has approximately 430 employees and operates in some fifty countries. There are production units in Kista and Vadstena, Sweden. The customers are to be found among virtually all the most important companies operating in the pulp and paper industry.

AIMS & STRATEGY

The division was started on January 1 2006 with the firm objective of cooperating under the two well known brands Scanpump and Lorentzen & Wettre in order to achieve synergy effects. Several of the goals that were set up for the division at the start of the year were achieved during the year.

Key account sales have increased considerably and the focus on large customers that need to make recurrent purchases and that require advanced service has been intensified. Work on these sales will be one of the cornerstones of efforts to enhance profitability and growth during the coming year.

The exchange of skills between Scanpump and Lorentzen & Wettre in respect of business projects and sales methodology has enjoyed a successful beginning.

During the year, the division increased its focus on the service operation as part of its offering. Service is becoming increasingly important in the delivery to the customer, and work on developing the service offering is continuing. The goal is to further increase the sales of the aftermarket operation.

Training activities, both internally and for customers, are crucial to a global leader if it is to retain its customers and position in the long term. During 2006, extensive efforts were made. Various training packages were refined on a continuous basis in order to maintain high quality.

The objective is to continue to develop advanced products that solve the customers' problems in an optimal fashion. During 2006, Scanpump enjoyed great sales successes with its new pump series for pulp called BE. Efforts to further increase sales of these pumps will increase during 2007.

Cooperation with distributors and agents was made even more efficient during 2006 by, among other means, implementing a certification program for these entities at Lorentzen & Wettre. The aim is for customers worldwide to enjoy access to the same high level of service quality.

BRANDS

Scanpump is a leading brand for pumps and agitators for the pulp and paper industry. The relaunch of the Scanpump brand began with full force during 2005. The launch is starting to take effect and awareness of the brand is increasing.

The Lorentzen & Wettre brand is the global leader in the field of measuring instruments for the paper industry. An important product is the L&W Autoline 300, an automated paper testing system that measures and calculates more than 30 paper properties in just a few minutes.

Scanpump's Z22 pump in Voith's development center in Germany.


Paper from Stora Enso in Sweden waiting for delivery.


The L&W Felt Moisture Meter measures the moisture content of the paper felt.

PULP & PAPER SOLUTIONS 2006.

NET SALES AND EARNINGS

- Sales increased by 4 percent adjusted for the effects of exchange rate movements to SEK 686 million
- Operating earnings amounted to SEK 54 million

SIGNIFICANT EVENTS

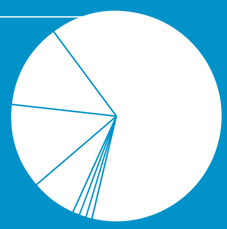
- Implementation of a key account management concept for large key customers
- Lorentzen & Wettre introduced several new products, including the L&W Felt Moisture Meter, for measuring the moisture content of the press felts in paper machines, and the L&W Fiber Tester, for measuring fibers in paper pulp in a laboratory environment

SEK MILLION	2006	2005
Inflow of orders	**720**	679
Organic growth in %	**4**	*
Net sales	**686**	658
Operating earnings	**54**	59
Operating margin, %	**7.9**	9.0
Investments	**10**	17
Depreciation and amortization	**16**	15
Average number of employees	**404**	360

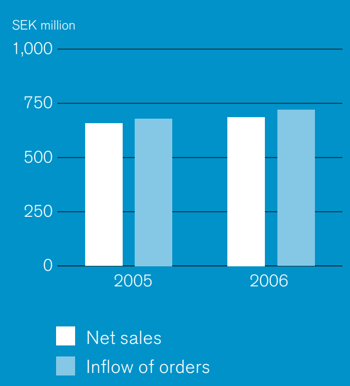
* For the current separation into divisions, historical data on organic growth 2005 is unavailable.

Net sales by geographical market

Europe, whereof Sweden 24%	64%
Asia	13%
North America	13%
Latin America	7%
Middle East	1%
Oceania	1%
Africa	1%



Net sales/Inflow of orders



Operating earnings/Operating margin

2006 saw the publication of a new L&W Handbook. This is issued in seven languages every other year and is a leading source of knowledge and inspiration for those who are active in the pulp and paper industry. In several ways, it establishes Lorentzen & Wettre's position as the leading supplier in the world in this sector. The L&W Handbook presents customer solutions, methods of measurement and product information.

MARKET & CUSTOMERS

Both Scanpump and Lorentzen & Wettre have stable and strong market positions. Lorentzen & Wettre is the global leader in its sector. Scanpump is number three in the world. Both companies are represented in the approximately 50 countries where most of the world's pulp and paper are produced and therefore have an absolute majority of the major companies as their customers.

Lorentzen & Wettre's leading position involves great responsibility. The company takes this by, among other things, ensuring the advance of the industry by sharing its knowledge and continuing to invest considerable sums in research and development.

With its position as number three in the world, Scanpump is a challenger to the leading player, the Swiss company Sulzer Pumps. The other two competitors are Goulds, which is part of the American company ITT Fluid Technology, and the Austrian company Andritz. Scanpump has a market position as number two in Europe and South America.

PRODUCT DEVELOPMENT

The division puts considerable sums into research and development. This is evident in, for example, Lorentzen & Wettre, where 85 percent of sales can be attributed to products that were developed during the past five years.

During 2006, two major products were introduced within Lorentzen & Wettre. One of these was the L&W Felt Moisture Meter, an advanced and user-friendly instrument for measuring the water content in the press felts of paper machines. The other was the L&W Fiber Tester, an advanced instrument that is used in laboratories to measure fibers in pulp.

During the first quarter of 2007, Lorentzen & Wettre is introducing its new advanced system for automated paper testing, the L&W Autoline 400. This is the successor to the world's most popular system in the same niche, the L&W Autoline 300. Expectations are great in advance of the introduction of this system.

At Scanpump, further components were launched for the BE series of pulp pumps.

Product development will continue to be in focus within the division.

EFFICIENCY MEASURES

During the year, a number of efficiency measures were implemented with a view to enhancing profitability. Among other things, investments were made in the plant in Vadstena, further improving production efficiency.

Scanpump's Stockholm office has moved into Lorentzen & Wettre's premises in Kista outside Stockholm. Cooperation between Scanpump and Lorentzen & Wettre has contributed to the development of a joint concept for sales training and common marketing and sales activities, particularly at trade fairs.

Lorentzen & Wettre further optimized its production and logistics by closer and more cost-effective cooperation with outsourcing partners.

Scanpump introduced a new CRM system for more efficient sales processes.

SALES AND EARNINGS

The inflow of orders amounted to SEK 720 million (679), up 5 percent on the previous year adjusted for the effects of exchange rate movements.

Net sales amounted to SEK 686 million (658), up 4 percent adjusted for the percent effects of exchange rate movements.

Operating earnings for the full year amounted to SEK 54 million (59). Lower sales volumes for Lorentzen & Wettre compared with the previous year had negative consequences for the earnings of the division during 2006.

The market trend in the pulp and paper industry during the year affected the two operations within Pulp & Paper Solutions in different ways. The need for measuring instruments, which are supplied by Lorentzen & Wettre, usually comes later in the investment cycle than the need for the process solutions that Scanpump offers in the form of pumps and agitators.

In some geographical regions, the sector is affected by high prices of energy and raw materials, resulting in mills having been closed down in, for example, North America and Europe. Lorentzen & Wettre was affected by the weak level of investment activity, but the assessment is that market shares are being retained. In other regions, such as Latin America, with strong growth in pulp production, and China, with greater domestic demand for paper, new investments are being made in pulp and paper mills.

Lorentzen & Wettre is a world-class company. This was confirmed when the company received the Stockholm Chamber of Commerce's World Class Prize for 2006. The citation included the following:
"Lorentzen & Wettre, with more than one hundred years' tradition and experience, is dominant in the sector for measuring instruments for the paper industry and stands out as one of Sweden's best workplaces, which is in line with Lorentzen & Wettre's philosophy of long-term and high-class quality in all areas. More than 90 percent of production is exported and the company's operation covers every corner of the world."

The L&W Fiber Tester is an instrument for the advanced analysis of fiber dimensions.

Scanpump is the brand for process pumps and agitators for the pulp and paper industry. The Lorentzen & Wettre brand is used for solutions in measuring instruments for the same industry.

Peter Uddfors, head of the Pulp & Paper Solutions division

Q & A

How would you describe 2006?
It has been a challenging year in which we have shown that we can grow with profitability, despite a tough market. A lot depends on the fact that we have succeeded in the sales process and that we are delivering benefit and profitable solutions to our customers. Scanpump's new series of process pumps for the pulp and paper industry, which is called the BE series, has enjoyed really a positive reception in the market. At Lorentzen & Wettre, we have also developed our new system for the automated measurement of paper during the year. This is called the L&W Autoline 400 and is being introduced during the first quarter of 2007.

Is there anything special that you would like to highlight during 2006?
We had the new division up and running quickly and all the staff have done a very good job during the year. We have extremely dedicated and knowledgeable employees who work in a determined fashion. Scanpump supplied all the pumps and agitators for the paper machine in Voith's new test plant in Heidenheim, which is proof of our customers' faith in us. However, the best thing was that we succeeded in growing and increasing our order intake in a tough market.

How do you view 2007 for your division – what is the greatest challenge?
We have demanding customers that want the highest quality in the solutions we deliver. If we can continue to develop together with our customers and carry on supplying useful and profitable solutions to our customers, there is great potential for us to grow faster in the future. I am very proud of the L&W Autoline 400 and am looking forward to its launch. Scanpump's BE process pump has had a very good reception and it will be interesting to follow its continued sales successes.

What is the best thing about working in your division?
The paper industry is technically advanced, investment-intensive and, what's more, extremely international. This means that work is never the same and you are challenged to take great responsibility and do your utmost to succeed. And succeed, that's what we want to do!

SUCCESSFUL TURNAROUND GENERATING GROWTH AND PROFITABILITY.

Residential Garage Doors develops, manufactures and sells garage doors and related products in combination with service and support in Europe. Sales are made through strategically selected distributors. The products are marketed under three different brands depending on the market: Crawford, Normstahl and Henderson.

The head office is situated in Malmö, Sweden. There are production units in Torslanda in Sweden, Moosburg in Germany and Newcastle in the UK. Residential Garage Doors has sales organizations in 14 countries, primarily in western Europe and exports to a further 15 countries. All in all, the division has approximately 800 employees.

AIMS & STRATEGY

The aim of Residential Garage Doors is to be one of the leading players in the European market for garage doors. This means that Residential Garage Doors should be the obvious first choice for retailers and distributors of garage doors.

The strategy is to grow through increased sales while improving profitability. The increase in sales is to occur through the development of strategic partnerships with selected customers in the European market. The percentage of exclusive partners with garage door sales dedicated to the division's products is continuing to grow. The successful expansion of the Crawford Center concept is continuing and is an aspect of the increase of the percentage of exclusive partners. In addition, the division's focus on new markets will increase during 2007.

The division's costs have been reduced by a number of changes in its structure and within the organization. These changes are general and include the formation of sales regions and the creation of common functions for such purposes as marketing, pricing and product development. Modernization of the plants is under way in order to increase production efficiency. In addition, the product portfolio is being continuously improved as far as functionality, quality and cost-effectiveness are concerned. These activities are expected to have a positive effect on the profitability of the division.

Residential Garage Doors, which focuses on the consumer market and not on industrial customers, which are Cardo's principal target. As previously announced, Cardo's commitment to Residential Garage Doors is under review.

BRANDS

Residential Garage Doors manufactures a number of different garage doors, including vertical one-piece doors, sectional overhead doors and side-folding doors, and these are sold under three brands. Crawford is used in the Nordic area and in the Benelux countries. Henderson is the brand for garage doors in the UK market and globally for the sliding door gear product segment. Normstahl is used in remaining markets. All these brands are well established and have a long tradition in their respective markets. In addition, Residential Garage Doors manufactures its own equipment for the motorized opening of the garage doors and this is also marketed under the respective brands.

MARKET & CUSTOMERS

The European market for garage doors is characterized by intense competition that will probably become even keener in the next few years, since there is excess capacity. During 2006, raw material prices increased considerably and margins shrank, since the competitive situation created in a price squeeze.

There is a demand for side-folding doors in some markets.

Design doors are a growing segment.

Detail of a vertical one-piece door, the largest volume product.

RESIDENTIAL GARAGE DOORS 2006.

NET SALES AND EARNINGS

- Sales increased by 8 percent adjusted for the effects of exchange rate movements to SEK 1,276 million
- Operating earnings improved from SEK -19 million to SEK 16 million

SIGNIFICANT EVENTS

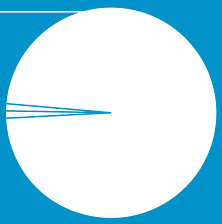
- Increased sales and increased profitability throughout the division
- Great sales successes with the g30 product series and the new Euro series of doors with built-in security system
- Successes for Crawford Centers in the Nordic area
- Better capacity utilization in all plants

SEK MILLION	2006	2005
Inflow of orders	**1,303**	1,187
Organic growth in %	**8**	*
Net sales	**1,276**	1,178
Operating earnings	**16**	-19
Operating margin, %	**1.3**	-1.6
Investments	**33**	20
Depreciation and amortization	**50**	51
Average number of employees	**757**	788

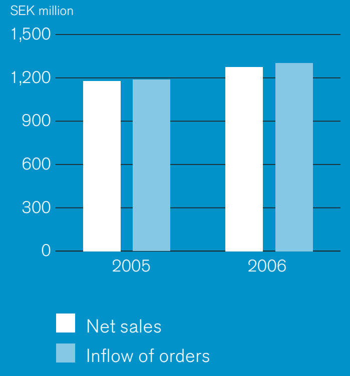
* For the current separation into divisions, historical data on organic growth 2005 is unavailable.

Net sales by geographical market

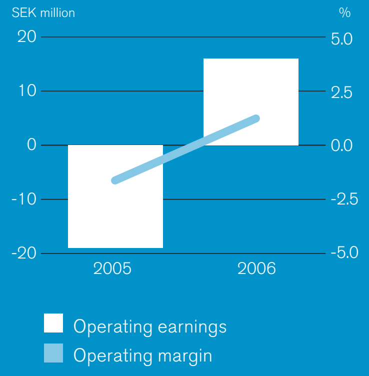
Europe, whereof Sweden 6%	98%
Asia	1%
Middle East	1%



Net sales/Inflow of orders



Operating earnings/Operating margin



The market is dominated by three players in particular: the German family-owned company Hörmann and Novoferm, which is part of the Japanese listed company Sanwa Shutter Corp and Cardo Residential Garage Doors. Low-cost players, including players from eastern Europe, are increasing in number and size. Many of these base their business on semi-finished products, i.e. components are purchased from several suppliers and assembled or installed to form a complete product.

Residential Garage Doors sells its garage doors, which are available both in standard models or made to the customer's requirements, through distributors with which the division builds close partnerships. Marketing is often done both vis-à-vis the distributors and in partnership with these in respect of the end customer, who is often a private consumer. As part of its policy of building strategic partnerships, the division has established a number of centers for exclusive retailing of the division's brands and products. In the Swedish market, there are Crawford Centers, exclusive retailers of Crawford garage doors. This sales concept has proven successful and in the years to come the number of centers in the Nordic market will increase from 25 to 35. The concept is also pursued in the UK market in the form of Henderson Centres.

Purchases of new garage doors occur in connection with renovation and new construction, where renovation is responsible for the major share of sales. Owing to the good state of the construction market generally in Europe, an increase is being seen in the share of garage doors for the new construction segment, which also includes construction companies.

PRODUCT DEVELOPMENT

Since there are local differences in the demand in the markets in which Residential Garage Doors operates, tailored product development is an important factor. The continuous development of new concepts is a way for the division, together with distributors and retailers, to adapt its range to demand. Garage doors are consumer products for which it is important to be at the forefront in the eyes of the consumers. Within the division, product development occurs to a large extent at the plants.

Among other achievements during 2006, Residential Garage Doors developed the Euro series of doors. These doors have a built-in security system as standard, which is an expensive option from the other suppliers.

EFFICIENCY MEASURES

During 2006, a large number of changes were carried out in order to allow greater sales and to reduce costs through an extensive reorganization in accordance with the prioritized strategy. Changes were made in production to enhance efficiency and capacity.

In marketing, a number of measures were adopted to create more coordinated and efficient efforts vis-à-vis prioritized customer segments in most markets.

SALES AND EARNINGS

The inflow of orders was SEK 1,303 million (1,187), up 10 percent on the previous year adjusted for the effects of exchange rate movements. All markets enjoyed a positive trend during the year, with greatest growth in Germany.

Net sales amounted to SEK 1,276 million (1,178), up 8 percent adjusted for the effects of exchange rate movements.

Operating earnings for the full year amounted to SEK 16 million (-19). In combination with the increased sales, the many changes that have been made in the division relating to efficiency measures in sales, administration and production contributed to the strong improvement in earnings. On an annual basis, earnings were adversely affected by increased prices of raw materials to an extent of approximately SEK 10 million.

For Residential Garage Doors, 2006 involved a break in the trend. The division succeeded in reversing the previous negative trend in a very competitive market by increasing both sales and earnings.

Production of the g30 garage door.

The Crawford brand is used mainly in the Nordic region and in the Benelux countries. Normstahl is used as a brand in central Europe, while Henderson is the brand for the UK.

Ove Bergkvist, head of the Residential Garage Doors division

Q & A

How would you describe 2006?
During 2006, sales and developments have exceeded expectations thanks to great efforts by many employees. Our plants have shown that they can handle increasing volumes. In addition, the inclination to change has increased within the entire division and that means that we are identifying and implementing changes more effectively.

Is there anything special that you would like to highlight during 2006?
The big success for the Euro series of doors, with a new built-in security system. We have generated new and central price lists for all our markets and these have worked well and increased coordination in Europe. In addition, the development of Crawford Centers in the Nordic area has been very positive.

How do you view 2007 for your division – what is the greatest challenge?
It will continue to be tough in the market. The higher prices of materials and the greater competition have led to a tough situation as far as margins are concerned. Selective price rises will be required possibly higher than those of our market-share-focused competitors.

What is the best thing about working in your division?
The fact that there is a great need for changes, in which we are constantly involved. We enjoy strong support from Cardo in implementing these changes. In addition, a great many people are taking a big responsibility for the process of change, which is very stimulating.

RISK MANAGEMENT.

All companies must manage risks successfully in order to achieve the set goals. This means preventing the risks from resulting in negative consequences in the operation, taking into consideration the cost of managing the risk.

Cardo is an international group and therefore exposed to various risks in its daily activities. Both risks and the risk management that is pursued within the group are described below. The description does not claim to be comprehensive, but may be regarded as providing examples of how Cardo manages risks. The management of operational risks occurs principally at the subsidiary and divisional level. The groupwide functions HR , Communications & Investor Relations, IT, Purchasing and Finance & Treasury manage and coordinate risks within their respective areas. The management and coordination of financial and insurable risks is mainly carried out by the Finance & Treasury function.

Besides operational, financial and insurable risks, there may also be risks associated with management, the board or shareholders not receiving the correct information to allow them to make correct decisions in different situations or not receiving information at the right time. Cardo is therefore also working on ensuring the quality of both its internal and external financial reporting. This work is described in more detail in the Corporate Governance section under the heading Internal control on page 72.

OPERATIONAL RISKS

Raw material prices

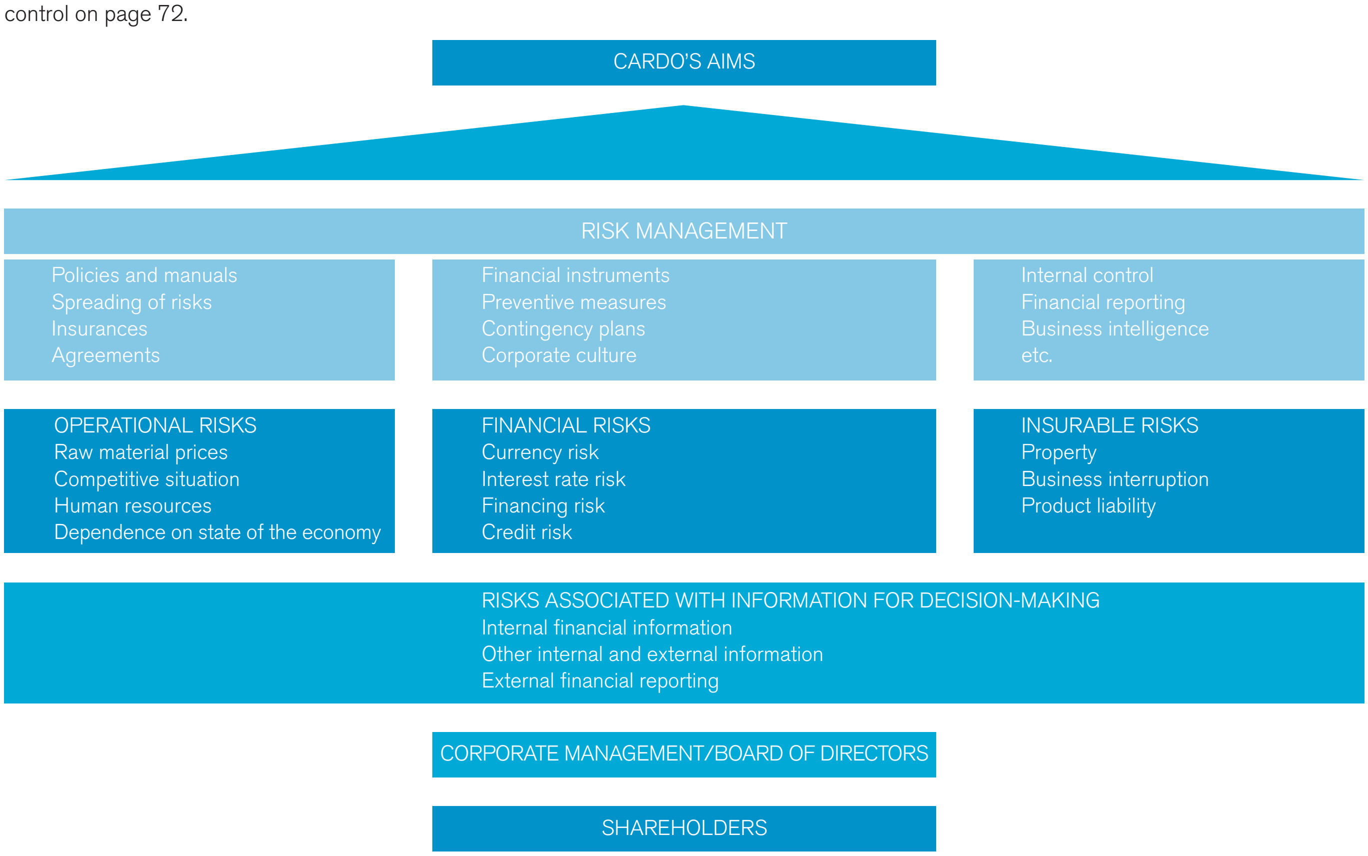
The different markets for raw materials that form part of Cardo's products have fluctuated strongly in recent years.

A very great deal of the group's purchasing volume consists of relatively low-processed products with a large content of raw materials that had a very strong price trend during the year.

The raw materials that affect the group most are:

- Steel raw materials and zinc in galvanized steel products
- Castings (iron and stainless steel)
- Copper in motors, cables, etc.
- Aluminum in sections, sheet, etc.
- Plastics and rubber

Cardo is continually entering into agreements of varying durations with major suppliers. By this means, it secures delivery of a considerable



proportion of the planned requirements of input goods at the same time as the effects of sharp rises in prices are also reduced.

Competitive situation

In the market for industrial doors and docking systems, there are a few major competitors and a large number of smaller local competitors in each market. It is a situation that is characterized by excess capacity and strong price competition. Competition is also fierce in the Wastewater Technology Solutions and Pulp & Paper Solutions divisions, but not as fragmented as in Door & Logistics Solutions and Residential Garage Doors. The competition situation has an effect on prices of the group's products and on the group's sales volume. Cardo is continually evaluating its production and logistics structure in order to be able to manufacture and supply as cost-effectively as possible. Similarly, the product portfolio and the customer offering are also being continually evaluated in order to maintain an attractive offering to the customers.

Human resources

In order to be able to achieve the set goals, it is crucial that staff are motivated and have the relevant proficiency and knowledge. In the Business-driven HR section, page 36, there is a description of the work that is being done in respect of the employees' values, attitudes and behavior in order to secure and improve the motivation and competence of the group's employees.

Dependence on the state of the economy

Europe is currently Cardo's very largest market and its customers are to be found in several sectors, including logistics and distribution, the public sector, the pulp and paper industry and the construction industry. This means that Cardo is dependent on a more or less stable development of infrastructural and environmental investments in order to achieve its set goals. In order to reduce its dependence on the European market and to take advantage of growth potential, the group is expanding its operations in emerging markets such as Asia and Latin America. Cardo also has around 30 percent of its total sales in the aftermarket and service, stabilizing its sales trend.

FINANCIAL RISKS

Currency risk

Cardo has most of its subsidiaries, both manufacturing units and sales units, outside Sweden. A considerable percentage of the group's assets, liabilities, income and costs is thus denominated in foreign currencies. Consequently, exchange rate fluctuations for the Swedish krona relative to other currencies have an impact on Cardo's earnings and financial position. Currency risk can be divided into transaction exposure and translation exposure.

Transaction exposure is the net value of operational and financial inflows and outflows of currencies. With a view to reducing the effects of transaction exposure on the group's earnings, Cardo's policy is to hedge major contracts, and financial flows and some of the remaining projected currency flows during the time when prices and costs are adapted to the changed conditions.

Translation exposure is the net assets and earnings in foreign currencies of foreign subsidiaries. The effect of translation exposure is the difference that arises on translation of the income statements and balance sheets of foreign subsidiaries to Swedish kronor, both between the average rate used in the income statement for the year and the closing rate used in the balance sheet for the year and between the closing rate that was used in the balance sheet for the previous year and the closing rate used in the balance sheet for the year. Translation exposure is not hedged, since this would increase the risk of imbalance between the geographical distribution of the group's operations and its capital base.

Interest rate risk

Interest rate risk is the risk of interest rate changes affecting the group's net interest income/expense and/or cash flow. As a result of the current borrowing requirements, an interest rate change of 1 percent affects group yearly earnings by approximately SEK 10 million. With a view to reducing the effect of interest rate changes on group earnings, Cardo's policy is for the average fixed interest term of loans raised to be between 3 and 12 months, depending on the borrowing requirement and the cash flow expected. The current average fixed interest term is approximately 5 months.

Financing risk

Cardo's borrowing occurs principally via bank financing. With a view to reducing the financing risk, the group strives for a distribution of borrowing opportunities among several counterparties, and a spread of due-dates for loans over different points in time.

Credit risk

Regarding financial counterparty risk, Cardo's policy is to enter into derivative transactions with credit-worthy counterparties only. Cardo's objective is also that these counterparties enter into agreements in accordance with International Swaps and Derivatives Inc. (ISDA).

Regarding Cardo's accounts receivable, the counterparty risk is spread over a large number of customers. In order to minimize the risk of bad debt losses, credit information is normally acquired before credit is given. In addition, some aspects of sales are covered by credit insurance.

INSURABLE RISKS

Property and stoppages

Cardo's various production plants are becoming increasingly specialized, increasing their sensitivity to disturbances. In order to minimize the risk of stoppages in the operative business, regular risk inspections and follow-ups are carried out in respect of damage prevention measures. Besides this, Cardo takes out groupwide insurance policies to cover the increases in costs and loss of income that would result from major stoppages.

Product liability

Cardo's products are to be found in a large number of public places and also as parts of other companies' or organizations' production and service plants. In order to minimize the risk of incurring costs attributable to damage caused to outsiders as a result of faults in products supplied, great importance is attached to quality assurance at the group's production plants. Besides this, Cardo also takes out groupwide product liability insurance policies to cover the costs that may arise despite this precaution.

BUSINESS-DRIVEN HR – A SUCCESS FACTOR.

The process of change in the new Cardo is taking place on the basis of clear business goals. In this process, common values, attitudes and behaviors have been identified as directly crucial to success.

The group no longer competes primarily by means of its products but by understanding the customer's business and so being able to offer solutions that add value. Cardo's employees with their joint skills, proficiency and experience constitute the principal tool in this process.

From established goals and a common value base, the new organization is now emerging, in which structures, processes, development opportunities, reward systems and feedback ensure a high level of motivation and an understanding of why changes are being made.

At the turn of the year 2005/2006, a new, groupwide human resources function was formed in order to, among other things, create conditions for driving the extensive process of change. All in all, Cardo's HR function includes some twenty people in different divisions and markets.

BUSINESS-DRIVEN HR FOR MEASURABLE RESULTS

Business-driven HR involves pursuing an active HR program in order to support the group's overall aims.

The business-oriented HR process is based on a strong link between strategy, tactics and operational action. The development and performance of the individual are related to strategy and goals.

The groupwide HR function continuously challenges, encourages and coaches managers and staff, while each division is responsible for its goals and organization and focuses its activities on increasing organic growth.

HR 2006 AND ONWARD

The new HR function has prioritized creating structures and modes of operation that will give support and constitute tools in the ongoing work of the group. From an HR perspective, the implementation of the process of change has been initially largely aimed at the managerial level. It is natural to start with those who lead day-to-day work and can serve as good role models.

In order to help all staff in their development, the HR function implemented four different processes:

- Management Development – how potential and present managers are identified and developed
- Performance Management – how managers and staff are rewarded on the basis of goal fulfillment
- Learning & Development – how Cardo creates conditions for continuous, daily learning and development
- Recruitment & Resourcing – how Cardo recruits personnel and offers internal career prospects

In Management Development, about 400 managers were assessed on the basis of the nine leadership values that Cardo has identified. The purpose of this was to obtain a picture of the managers' performance and potential in advance of future challenges and responsibility within Cardo. The review also gave ideas for new activities in management development. In future, the work of measuring and evaluating managers will be carried out on a regular annual basis.

In Performance Management, an extensive survey of pay and reward systems was carried out. There is now a basis for the continued development of procedures and processes aimed at creating a uniform view of evaluation with common principles for setting pay and rewards that support Cardo's business strategy.

The guiding star within Learning & Development is for personnel to learn and develop in daily work in accordance with the motto "We allow people to learn". Learning and skills development involve individuals taking responsibility and making an effort to develop themselves and the organization. On the new groupwide intranet Hands-OnLine, staff can access the first version of a learning portal, Cardo Global Academy, where they can find both means for their own learning and a number of training courses and programs. In 2007, the number of learning activities is being expanded in several areas, including programs for senior management.

In Recruitment & Resourcing the focus is on aspects such as how Cardo is perceived of as an employer, both internally and externally, and on how we can create increased opportunities for staff mobility within the group. So far, the work has involved reviewing and developing recruitment and employment procedures, including introduction programs for new employees and exit interviews.

STAFF SURVEY

During 2006, one of the most important HR initiatives was a groupwide staff survey. About 4,500 members of staff answered questions and gave their views of Cardo, their division, their immediate superior and their own work. The results show that Cardo is perceived of as a good employer and that there is great understanding for the process of change that is being carried out within the organization. The survey also showed that in certain cases there is a desire among staff for greater individual feedback from immediate superiors, better communication between units and for clarification of individual development opportunities. These issues are being given priority during 2007 and going forward, particularly in Performance Management and Learning & Development.

How would you describe 2006?
The past year has been full of pioneer spirit and the process of change. We have had the privilege of building a new and groupwide HR organization with good cooperation with different functions. It has been a very important task that has resulted in all employees gaining access to an HR function.

How do you view 2007 for Cardo – what is the greatest challenge from your perspective?
The greatest challenge is to achieve the financial targets for Cardo as a whole and for us in HR it is about contributing HR activities that support this development within the framework of our four processes.

Is there anything special that you would like to highlight during 2006?
The fact that the staff survey gave us proof that there is a new spirit and atmosphere within Cardo. It showed that we have started something new and that we are all working more than ever because we want to build the new Cardo together.

What is the best thing about working at Cardo?
I feel that my task is unique. It is a great challenge and privilege to have the opportunity to build a groupwide HR function from scratch in a multicultural and international group where there is a lot of faith and interest in HR.

Anita Hebrand, head of Cardo Human Resources

VOICES OF CARDO.

CHRISTOPHE DELESTRE
International Key Account Manager ABS

After ten years at Lorentzen & Wettre, most recently as managing director of its French subsidiary, I switched to ABS a short time ago. Here I am working as an international key account manager for a number of global customers. I was ready to try something new, but at the same time did not want to leave Cardo as I sympathize strongly with the group's values. That's why I am pleased that management encouraged me to change division.

MARIANNA KAYE
HR Director Cardo Asia Pacific

I started working for the Cardo group in 2004 and since January 2006 have been in charge of human resources within Cardo Asia Pacific, which includes both ABS and Crawford companies. I think that it is exciting to be part of such a dynamic and growing group as Cardo. What's more, the fact that my role crosses divisional and regional boundaries means that I have the opportunity to get to know people from several different cultures.

FRANK VAN DER VOORT
Managing Director, Crawford's Dutch sales company

I recently became the new managing director of Crawford's Dutch sales company, but previously worked within ABS for many years, among other things as sales manager and managing director in Holland and as regional manager for a number of sales companies. One of my main tasks today is to get the division's service operation to grow. It is extremely stimulating and challenging to get the chance to try another field of business in the group.

LAUREEN CURLEY
Marketing Manager, USA and Canada

I am responsible for the ABS marketing effort in the USA and Canada and have worked for the company for a total of eleven years in fields that include customer service and order processing. The best thing about working for a global company like Cardo is that you have so many colleagues who can give you ideas and information. What's more, I like the possibilities of development at Cardo. Although I have been working here for eleven years, I am learning new things all the time.

ROBERT JABLONSKI
Vice President Key Account Management Crawford

I have worked at Cardo since 1998 and have been involved in building up Crawford's operation in Poland, in recent years as managing director of Crawford's Polish subsidiary. I have also had regional responsibility for Poland, Norway and Finland. In August 2006, my family and I moved to Malmö and I am currently in charge of Crawford's global Key Account Management organization. Compared with other companies in the business, I think that Crawford has developed into a fast-moving and extremely professional organization.

ELIANE BRAMBILLA
Quality Assurance Manager, Brazil

My job in quality assurance mainly involves my being responsible for solving technical problems in the manufacture of Scanpump and ABS products. I also work on overall quality issues such as ISO certification. I have only been at the company since the fall of 2006, but feel that there is a general culture of really listening to people who come up with their own ideas and suggestions.

A COMMON VALUE BASE.

CARDO'S CORE VALUES

Business Development	Encouragement	Challenger

CARDO'S COMMON VALUE BASE – LEADERSHIP VALUES

COORDINATION	DRIVE	CLARITY
COMPREHENSIVE VIEW	AVAILABILITY	COURAGE
INNOVATIVE ACTING	COMMUNICATION	INSPIRATION

CRAWFORD'S CORE VALUES

Trouble Free Operation	Around the Clock	A Promise is a Promise

LORENTZEN & WETTRE'S CORE VALUES

The measure of quality	Tradition and renewal	World leader

ABS' CORE VALUES

Cleaning Water	Caring	Challenger

SCANPUMP'S CORE VALUES

Creating flow in Pulp & Paper	Specialists Serving Specialists	Challenger

The process of change at Cardo is pursued from a common value base resting on Cardo's core values. There are three leadership values linked to each core value. The common value base applies to Cardo's industrial divisions.

The various divisions use specific brands and each and every one of these has its own unique core values.

The common value base is secured by the fact that each strategic brand within Cardo is linked to the same leadership values. Managers within Cardo are evaluated and developed on the basis of this common value base. For 2007, the focus is on two leadership values in particular: Clarity and Courage.

CARDO'S RESPONSIBILITY.

The group's work for sustainable development involves financial responsibility, social responsibility, ethical responsibility and environmental responsibility. This work is governed by groupwide policies and control documents that drive processes at Cardo on a day-to-day basis. Activities that are carried out locally comply with each country's conditions and regulations.

FINANCIAL RESPONSIBILITY

Cardo has a financial responsibility to generate growth and profitability. Cardo contributes to financial development in society by, among other things, creating jobs. The objective is to meet the following criteria:

- To enhance the value of the company over time and in so doing secure long-term development of the group
- To provide the shareholders with a competitive return on investment
- To offer the staff secure employment with good prospects of development
- To deliver customer benefit by contributing to more efficient processes for our customers. Cardo will produce cost-effective solutions with the lowest possible energy consumption and a high degree of reliability. The Company will also work actively to increase the service life of its products and offer the lowest cost over time for our customers

SOCIAL RESPONSIBILITY

With approximately 5,900 employees worldwide, Cardo bears a great responsibility for how its activities affect health, safety and social development. Cardo's responsibility for its staff is based on the group's core values: Business Development, Encouragement and Challenger. Cardo works to create a working environment in which each member of staff feels that he or she is seen and participates in delivering customer benefit. Efforts in the area of HR were intensified during the year with a greater and more proactive HR function in order to support the implementation of Cardo's strategy and together with the divisions to drive the extensive process of change in the organization. The group also supports purposes of public benefit, clubs, associations etc. and cooperates with local universities and schools.

Workplace policy

As an employer, Cardo bears a responsibility to create a good working environment in both physical and mental terms in all workplaces around the world. The ambition is a workplace where our employees feel appreciated and seen on the basis of their job performance and where there is room for personal development opportunities. Helping employees to feel secure in and satisfied with their work creates conditions for achieving the best results. In order to support this work Cardo has produced a workplace policy that will guide managers and employees.

Diversity and gender equality policy

With activities in more than 30 countries, Cardo is to a high degree a multicultural company with a great diversity of employees. The different nationalities and cultural backgrounds of its staff enrich Cardo, and in employment and work assignments there must be no discrimination based on gender, religion, age, sexual orientation, nationality, political opinion or ethnic origin.

In connection with internal and external recruitment, Cardo focuses on assessing everyone equally on the basis of their skills. Since a majority of the group's employees are men, it is important to illuminate the issue of gender equality. At Cardo, there is, among other things, a clear ambition to increase the percentage of female managers. During the year, a number of women entered management teams at both divisional and group level. As of 2006, there are two women in Cardo's group management team.

In the Folksam Gender Equality Index 2006, which measures equal opportunities for men and women in the form of the percentage of women on the board, in management and in the company as a whole in 238 listed Swedish companies for 2005, Cardo climbed to 122nd place from 208th the previous year. Cardo's rating was 1.67 (average rating 2.01).

Ethics policy

Cardo's Code of Conduct summarizes the group's ethics policy. It contains rules in respect of legal considerations, adapting to the requirements of local legislation and policies on matters such as accounting and the drafting of agreements. In addition, the guidelines say that the business must not involve any form of corruption and that all information we provide must be objective and correct.

Supplier policy

In Cardo's purchasing activities and collaboration with suppliers, the group operates in accordance with each country's laws and regulations. Cardo pursues continuous and constructive dialog with suppliers and subcontractors concerning consideration for Cardo's policies in other respects relating to the environment, ethics, and social and financial responsibility. Among other things, Cardo's aim is for the suppliers to be environmentally certified in accordance with the ISO 14000 standard. One of the things that is also particularly required of suppliers is that they do not exploit child labor.

ENVIRONMENTAL RESPONSIBILITY

At the turn of the year 2006/2007, Cardo had production at 20 manufacturing units in all, whereof six in Sweden, eleven in the rest of Europe, one in Asia and two in North and South America.

The production organizations vary both as to size and processes. Each division works actively to reduce emissions to the air and water and to reduce its consumption of energy, chemicals and water. Cardo also works actively to increase recycling of, for example, raw materials in production. The production units are compared with each other, and environmental indicators are followed up on an ongoing basis by each division.

Since many of Cardo's customers operate in industries with a very high awareness of environmental issues, Cardo is also contributing to a positive environment by working for the optimization of its customers' processes and making them more efficient.

Environment policy

Cardo's general environment policy includes the following main points: Cardo will

- Constantly and actively strive for consideration to be paid to the environment in its activities
- Take the environment into consideration in connection with business decisions
- Apply relevant environmental targets and also evaluation and follow-up
- Actively improve the knowledge and awareness of environmental matters of employees, customers, suppliers and other collaborative partners
- Not only aim to meet the minimum requirements of public authorities, but to go further where this is technically feasible and economically reasonable in relation to the environmental benefits
- Regard active environmental performance as a merit when assessing business partners
- Provide open and correct environmental information

CARDO AB (publ) ANNUAL REPORT 2006.

REPORT OF THE BOARD OF DIRECTORS.

STRUCTURE AND ORGANIZATION

Cardo AB is a public limited liability company with its domicile and head office in Malmö and is registered in Sweden under the corporate identity number 556026-8517. Cardo's website is at www.cardo.com

Cardo is an international industrial group with leading brands, offering solutions with quality products, a high level of service and great applications know-how to industrial customers. The group enjoys strong positions in the markets for door and logistics solutions, wastewater technology solutions, pulp and paper solutions and garage doors.

The group has approximately 5,900 employees in slightly more than 30 countries and net sales of approximately SEK 8,6 billion.

Since January 1 2006, operations have been pursued in the following divisions: Door & Logistics Solutions, Wastewater Technology Solutions, Pulp & Paper Solutions and Residential Garage Doors.

In order to take full advantage of potential synergy effects between the new divisions, groupwide functions were formed on January 1 2006 in the following areas: human resources, communications, IT, purchasing, finance and treasury and business development.

Cardo has therewith been streamlined into an operative industrial group aimed at industrial customers. This means that the commitment to the Residential Garage Door division, which targets the consumer market, is currently under review.

The parent company has no branch offices in foreign countries. In the United Arab Emirates, business is conducted via branch offices of subsidiaries.

OWNERS

Cardo's largest owner is L E Lundbergföretagen AB, which owns 36 percent of the shares and votes. Institutional owners account for approximately 89 percent (88) of the total number of shares and votes. Non-Swedish investors hold roughly 20 percent (21).

WORK OF THE BOARD

The composition of the Board is shown on pages 74–75.

For a description of the work of the Board and other matters of corporate governance, please refer to the Corporate Governance Report which is appended to the annual report: see page 70.

CHANGES IN GROUP MANAGEMENT

On January 1 2006, Maria Bergving took up the post of head of the groupwide Communications & Investor Relations function. On April 1, Peter Lindqvist took up the post of Group Chief Information Officer (CIO) with responsibility for Cardo's new process-oriented IT function. On June 1, Fredrik Jönsson took up the post of head of the Door & Logistics Solutions division.

Göran Axeheim left his post as Cardo's CFO in early October 2006.

Fredrik Groth was appointed Vice President Business Development with responsibility for the group's business development and left his post as head of the Wastewater Technology Solutions division on November 1 2006. In connection with this, Cardo's President and CEO Peter Aru took up the post of acting head of the Wastewater Technology Solutions division.

OPERATIONS DURING THE YEAR

The market trend was positive for Cardo in 2006. During the year, Cardo succeeded in reversing a stagnating trend and experienced good growth in both inflow of orders and net sales.

All in all, Cardo enjoyed a positive earnings trend despite increased production costs, principally caused by rises in the prices of raw materials. The focus on prioritized customer segments has been successful and resulted in increased sales and volumes to key customers.

The past year was characterized by an extensive process of change. This involved a number of activities and initiatives in order to increase growth combined with cost reductions through a new organization and new processes.

During 2005, great changes were initiated as far as the group's strategy and organization are concerned. As part of the rationalization of the operation, a restructuring cost of SEK 201 million was incurred during the fourth quarter of 2005 with the objective of reducing the group's cost level by at least SEK 200 million annually with full effect from 2008.

The restructuring was expected to result in slightly more than SEK 100 million in lower costs already during 2006. The effect of the measures that were implemented during 2006 was higher than expected and amounts to a total of SEK 125 million. Its distribution by division was as follows: Door & Logistics Solutions SEK 95 million, Wastewater Technology Solutions SEK 20 million and Residential Garage Doors SEK 10 million.

COMPANY ACQUISITIONS

Late March 2006 saw finalization of the acquisition of Combursa, Spain's leading supplier of docking systems and industrial doors with annual sales of approximately SEK 275 million and employing about 150 people. The results of the Door & Logistics Solutions division include Combursa as of April 1.

Early July saw the acquisition of the operations of the Australian company Style Industries with annual sales of approximately SEK 45 million and employing a little less than 30 people. The company pursues sales and service of pumps and peripheral equipment for water treatment and wastewater applications. The results of the Wastewater Technology Solutions division include this operation as of July 1.

INFLOW OF ORDERS, NET SALES AND EARNINGS

The group's inflow of orders stood at SEK 8,840 million (7,990). Adjusted for exchange rate movements, this is an increase of 11 percent. Organic growth was 8 percent. Net sales amounted to SEK 8,556 million (7,880). Adjusted for exchange rate movements, this is an increase of 9 percent. Organic growth was 6 percent. Net sales to customers outside Sweden accounted for 91 percent (91) of the group's total net sales.

Operating earnings amounted to SEK 598 million (239). Earnings for the previous year included costs of SEK 201 million for restructuring of the group.

Earnings after financial items amounted to SEK 558 million (210). Earnings were adversely affected to an extent of SEK 40–45 million by increased prices of raw materials during 2006 that could not be fully passed on to the customers.

Group tax expenses amounted to SEK 157 million (63), which corresponds to a tax rate of 28 percent (30) on earnings after financial items.

Earnings per share after tax amounted to SEK 13.38 (4.91).

Rates of return

The group's return on capital employed was 15.2 percent (6.8), while return on equity amounted to 13.8 percent (5.1).

FINANCIAL POSITION

Liquidity

At year-end, the group's cash and cash equivalents amounted to SEK 179 million (168). In addition, there are unutilized credit facilities of roughly SEK 1.6 billion (approximately 2.0).

Net interest bearing debt

Net interest bearing debt amounted to SEK 1,023 (554). The increase in net interest bearing debt is explained by company acquisitions, increased working capital and dividend paid.

Equity ratio

At the end of the year, the group's equity ratio was 49 percent (53). Equity per share amounted to SEK 99.53 (97.83).

RESEARCH AND DEVELOPMENT

Various research and development projects are pursued on an ongoing basis within the divisions in order to improve existing products and to broaden the product range with new solutions and products.

Within the Door & Logistics Solutions division, the responsibility for product development will be moved as of 2007 from the central development center in Gothenburg to the various production units in order to achieve a closer link to both customers and the production processes.

In January 2007, the Wastewater Technology Solutions division, with its corporate brand ABS, won Frost & Sullivan's Technology of the Year Award. The citation for the award was as follows: "The company has been dedicated in offering complete solutions for all kinds of water and wastewater treatment applications." Some of the key factors that Frost & Sullivan highlighted about the ABS solution offering are: innovative and highly efficient turbocompressors, cutting edge control and monitoring systems and continuous product development, exemplified by the submersible AFP pump.

In the Pulp & Paper Solutions division, several new measuring instruments were introduced by Lorentzen & Wettre. Early in 2007, Lorentzen & Wettre introduced its new system for automated paper testing, the L&W Autoline 400. At Scanpump, further components were launched for the BE series of pulp pumps.

During 2006, Residential Garage Doors developed, among other things, the Euro series of doors with a built-in security system as standard, which is an expensive option from other suppliers.

Total expenditure on research and development amounted to SEK 139 million (166), whereof SEK 0 million (13) was capitalized. During the year, depreciation of capitalized development costs amounted to SEK 14 million (12).

ENVIRONMENTAL IMPACT

At Swedish subsidiaries, the group pursues three operations that are subject to notice requirements and two operations that are subject to permit requirements under the Swedish Environmental Code. Group operations that require licenses and those that are notifiable mainly involve painting, where the external environment is affected by discharges to the atmosphere, and the use of cutting fluids, where the environment is affected by waste and water.

Since 1997, Cardo has had an environment policy. Cardo's environmental performance will be implemented within the framework of its business idea and be based on principles laid down in the environment policy. Environmental performance continued to be developed during the course of the year in keeping with the environment policy according to the various conditions applying within each division.

Cardo's production is pursued in Europe, Asia and North and South America. Most of the group's production plants are certified in accordance with ISO 14001.

The production organizations within each division work actively for the reduction of emissions to the air and water and to reduce the consumption of energy, chemicals and water. Cardo also works actively to increase the recycling of resources, for example raw materials in production. The production units are compared with each other and environmental indicators are followed up on an ongoing basis by each division.

Many of Cardo's customers operate in industries with a very high awareness of environmental issues. Cardo is contributing to a good environment by working for the optimization of its customers' processes and making them more efficient.

FINANCIAL RISK MANAGEMENT

Please see note 2 for a description of Cardo's financial risk management and finance and currency policy.

REPURCHASE OF SHARES

At the Annual General Meeting of Cardo AB in 2006, 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 Board has yet to find reason to utilize the authorization and thus no repurchase has been made.

The Board of Directors has decided to recommend that the Annual General Meeting on April 2 2007 authorize 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.

OUTLOOK

Cardo assesses that the market trend for Cardo's products and services will be generally relatively favorable during 2007, thereby providing conditions for continued organic growth for the group as a whole. Cardo expects the prices of raw materials to remain high and that there will be continuing difficulties in passing on price rises to the customers for the Door & Logistics Solutions and Residential Garage Doors divisions.

EVENTS AFTER THE END OF THE YEAR

With the aim of further strengthening the competitiveness of the Door & Logistics Solutions division, a decision has been taken to invest in a new production unit in Romania. The investment in Romania amounts to SEK 30 million and the production unit is expected to be in full operation from the end of 2007.

As part of an optimization of the production structure, a decision has also been taken to close Crawford's production unit for docking equipment in Wennigsen, Germany. This means that approximately 80 people will be affected. The cost of closing the unit in Germany is estimated at approximately SEK 85 million, whereof approximately SEK 55 million relates to write-downs of fixed assets. The cost will be charged to the first quarter of 2007.

The closedown in Germany in combination with the investment in Romania is expected to give a positive annual effect of approximately SEK 45 million on the earnings of Door & Logistics Solutions as of 2008. The effect on earnings for 2007, excluding the above-mentioned cost of closure, is expected to be marginal.

PROPOSED DISTRIBUTION OF EARNINGS

The Board of Directors' objective is to propose dividend payments that correspond to at least 40 percent of the group's net earnings for the year after tax after taking into account the group's earnings trend, financial position and future development potential.

The following amounts in the parent company are at the disposal of the Annual General Meeting:

Net earnings for the year	433,226,570
Retained earnings	1,472,295,660
Total	SEK 1,905,522,230

With regard to the statement to be provided separately under the Companies Act, the Board of Directors proposes that disposable earnings be disposed of as follows:

Dividend of SEK 9.00 per share	270,000,000
To be carried forward	1,635,522,230
	SEK 1,905,522,230

The proposed dividend is equivalent to 67 percent of the group's net earnings.

The group's and the parent company's income statement and balance sheet are to be approved at the Annual General Meeting.

April 5 2007 is the proposed record day for establishing entitlement to dividend. Provided the Annual General Meeting adopts this proposal, it is expected that it will be possible to distribute dividend on April 12 2007.

With regard to the earnings and general financial position of the group and parent company, please refer to the income statements, balance sheets, accounts of changes in equity, cash flow statements and notes found on the following pages.

We the undersigned hereby affirm that to the best of our knowledge the annual report has been prepared up in accordance with good accounting practices for a stock market company and that the information provided is consistent with the actual conditions and that nothing of material value has been omitted that would affect the picture of the Company presented in the annual report.

MALMÖ, SWEDEN, FEBRUARY 6 2007

Fredrik Lundberg
Chairman

Tuve Johannesson	Lennart Nilsson	Berthold Lindqvist
Carina Malmgren Heander	Bengt Pettersson	Anders Rydin
Thomas Häggström	Anders Olofsson	Lennart Utbult

Peter Aru
President and CEO

OUR AUDIT REPORT WAS SUBMITTED ON FEBRUARY 13 2007

Ernst & Young AB

Kerstin Mouchard *Authorized Public Accountant*	Björn Grundvall *Authorized Public Accountant*

INCOME STATEMENT – GROUP.

SEK million	Note	2006	2005
Net sales	4	8,556	7,880
Cost of goods sold		-5,791	-5,247
Gross earnings		**2,765**	**2,633**
Selling expenses		-1,278	-1,370
Administrative expenses	7	-891	-1,026
Result from participation in associated companies	14	2	2
Operating earnings	4, 5, 6	**598**	**239**[1]
Interest income and similar income statement items	8	6	7
Interest expense and similar income statement items	8	-49	-31
Remeasurement of financial instruments	8	3	-5
Earnings after financial items		**558**	**210**
Taxes	9	-157	-63
Net earnings for the year		**401**	**147**
Earnings per share, SEK		13.38	4.91
Number of shares, thousands		30,000	30,000
Dividend per share for the financial year, SEK		9.00[2]	8.00

[1] Operating earnings for 2005 include costs of SEK 201 million relating to restructuring in the group. The restructuring costs are included in cost of goods sold in the sum of SEK 47 million, in selling expenses in the sum of SEK 34 million and in administrative expenses in the sum of SEK 120 million.
[2] Board of Directors' proposal.

COMMENTS ON THE GROUP'S INCOME STATEMENT

Net sales increased 9 percent on the previous year. The increase adjusted for the effects of exchange rate movements is also 9 percent. Of the increase, acquired companies accounted for 3 percentage points, which means that organic growth amounted to 6 percent.

Most geographical markets enjoyed growth in net sales. The strongest organic increase in sales was in Sweden and in the emerging markets of Latin America and Asia.

The gross margin decreased to 32.3 percent compared with 34.0 percent the previous year after adjustment for restructuring costs of SEK 47 million that were charged to the gross margin 2005. The decrease is partly accounted for by higher prices of raw materials, which could not be compensated for by higher prices to the customers, and by a larger share of big projects where gross margins are lower.

Selling and administrative expenses decreased both in terms of percentage of net sales and in absolute figures. This is a result of the restructuring program that was initiated at the end of 2005 to reduce the cost level by at least SEK 200 million a year with full effect during 2008. The cost reduction as a result of this program is estimated to have given savings of SEK 125 million during 2006.

Financial items amount to SEK -40 million (-29). The reason for the deterioration is partly the increase in interest bearing debt as a consequence of the company acquisitions carried through and partly the slight rise in the level of interest during the year.

COMMENTS ON THE GROUP'S BALANCE SHEET

At year-end, the group's capital employed amounted to SEK 4,209 million (3,666). At December 31, the average capital employed amounted to SEK 3,986 million (3,537). The increase is accounted for mainly by company acquisitions during the period, which increased capital employed by SEK 354 million.

Investments for the year excluding company acquisitions amounted to SEK 164 million (250), while depreciation and amortization of fixed assets amounted to SEK 220 million (211).

The turnover of capital employed is 2.15 times (2.23).

The capital employed is financed by interest bearing liabilities and equity. At year-end, interest bearing debt amounted to SEK 1,223 million (731). Most of this debt consists of borrowings from banks. The average fixed interest term of the loans is approximately 4 months. The debt/equity ratio amounts to 41 percent (25) and the equity ratio is 49 percent (53).

BALANCE SHEET – GROUP.

SEK million	Note	31-12-2006	31-12-2005
ASSETS			
Fixed assets			
Intangible fixed assets	10	1,131	1,007
Tangible fixed assets	11	1,012	1,118
Financial fixed assets			
Deferred tax asset	9	262	183
Other financial fixed assets	12	34	23
Total fixed assets		**2,439**	**2,331**
Current assets			
Inventories	15	1,102	933
Current receivables			
Current tax asset		65	63
Other short-term receivables	16	2,322	2,047
Short-term investments		10	13
Cash and bank balances		169	155
Total current assets		**3,668**	**3,211**
Total assets		**6,107**	**5,542**
EQUITY AND LIABILITIES			
Equity			
Share capital (30,000,000 shares)		300	300
Reserves		6	116
Retained earnings		2,279	2,372
Net earnings for the year		401	147
Total equity		**2,986**	**2,935**
Provisions and liabilities			
Long-term liabilities			
Interest bearing Long-term provisions and liabilities			
Provisions for pensions	17	165	187
Long-term interest bearing liabilities	19	8	11
Long-term non-interest bearing provisions			
Deferred tax liabilities	9	88	69
Total long-term liabilities		**261**	**267**
Current liabilities			
Current interest bearing liabilities	19	1,050	533
Other non-interest bearing provisions	18	190	318
Current tax liability		102	71
Other non-interest bearing liabilities	20	1,518	1,418
Total non-interest bearing provisions and liabilities		**2,860**	**2,340**
Total equity and liabilities		**6,107**	**5,542**
Pledged assets	21	14	14
Contingent liabilities	22	38	43

CASH FLOW STATEMENT – GROUP.

SEK million	Note	2006	2005
Operating activities			
Earnings after financial items		558	210
Depreciation, amortization and other items with no effect on cash flow and change in non-interest bearing provisions	23	94	354
Cash flow from operating activities before change in working capital		652	564
Change in accounts receivable		-151	-105
Change in inventories		-158	-48
Change in accounts payable trade		53	4
Change in other non-interest bearing short-term receivables and liabilities		-83	-79
Change in working capital		-339	-228
Cash flow from operating activities before tax		**313**	**336**
Tax paid		-129	-122
Cash flow from operating activities after tax		**184**	**214**
Investing activities			
Investments in intangible and tangible fixed assets		-164	-250
Disposal of intangible and tangible fixed assets		28	36
Acquisitions of companies	23	-32	-15
Cash flow from investing activities		**-168**	**-229**
Financing activities			
Change in interest bearing provisions and liabilities		248	194
Dividend to shareholders		-240	-240
Cash flow from financing activities		**8**	**-46**
Net cash flow effect on cash and cash equivalents		**24**	**-61**

CHANGE IN NET INTEREST BEARING DEBT

SEK million	Cash and cash equivalents	Interest bearing receivables, provisions and liabilities, net	Net interest bearing debt
Opening balance	168	-722	-554
Cash flow for the period	24	-248	-224
Interest bearing receivables and liabilities in acquired companies	-	-317	-317
Translation differences	-13	85	72
Closing balance	179	-1,202	-1,023

COMMENTS ON THE CASH FLOW STATEMENT

Cash flow for the year from operating activities before tax amounts to SEK 313 million (336). Cash flow for the year is charged with payments of SEK 105 million relating to the restructuring costs for which provision was made in 2005.

During the year, there was also a build-up of working capital, primarily in inventories and accounts receivable. The build-up is largely due to an increase in invoicing during the last quarter compared with the previous year and to the fact that the backlog of orders is at a higher level, leading to more capital being tied up in inventories.

Investments for the year excluding company acquisitions amounted to SEK 164 million (250), while depreciation and amortization of fixed assets amounted to SEK 220 million (211).

Acquisitions carried through were charged to cash flow to an extent of SEK 32 million (15).

Interest bearing liabilities and provisions increased by SEK 248 million (194) excluding interest bearing liabilities in acquired companies.

CHANGE IN THE GROUP'S EQUITY.

SEK million	Share capital	Reserves	Retained earnings including net earnings for the year	Total
Opening balance on January 1 2005	**300**	**-32**	**2,612**	**2,880**
Translation differences	-	148	-	148
Subtotal of items entered directly against equity	-	148	-	148
Net earnings for the year	-	-	147	147
Total income and costs for the year	-	148	147	295
Dividend to shareholders	-	-	-240	-240
Closing balance on December 31 2005	**300**	**116**	**2,519**	**2,935**
Translation differences	-	-110	-	-110
Subtotal of items entered directly against equity	-	-110	-	-110
Net earnings for the year	-	-	401	401
Total income and costs for the year	-	-110	401	291
Dividend to shareholders	-	-	-240	-240
Closing balance on December 31 2006	**300**	**6**	**2,680**[1)]	**2,986**

[1)] The Board proposes a dividend of SEK 270 million for the financial year.

INCOME STATEMENT – PARENT COMPANY.

SEK million	Note	2006	2005
Operating income	4	69	66
Administrative expenses	7	-79	-116
Operating earnings	6	**-10**	**-50**
Interest income and similar income statement items	8	445	493
Interest expense and similar income statement items	8	-3	-3
Earnings after financial items		**432**	**440**
Appropriations			
Change in tax allocation reserve		-	69
Earnings before tax		**432**	**509**
Taxes	9	1	-9
Net earnings for the year		**433**	**500**

BALANCE SHEET – PARENT COMPANY.

SEK million	Note	31-12-2006	31-12-2005
ASSETS			
Fixed assets			
Intangible fixed assets	10	2	1
Tangible fixed assets	11	4	3
Financial fixed assets			
Deferred tax asset	9	6	6
Other financial fixed assets	12	2,122	2,072
Total fixed assets		**2,134**	**2,082**
Current assets			
Current receivables			
Current tax asset		-	2
Other current receivables	16	428	660
Cash and bank balances		-	10
Total current assets		**428**	**672**
Total assets		**2,562**	**2,754**
EQUITY AND LIABILITIES			
Equity			
Share capital (30,000,000 shares)		300	300
Statutory reserve		60	60
Retained earnings		1,473	1,205
Net earnings for the year		433	500
Total equity		**2,266**	**2,065**
Untaxed reserves			
Tax allocation reserve		42	42
Accumulated depreciation in excess of plan	11	1	1
Total untaxed reserves		**43**	**43**
Provisions and liabilities			
Long-term liabilities			
Provisions for pensions		16	18
Total long-term liabilities		**16**	**18**
Current liabilities			
Short-term interest bearing liabilities	19	202	566
Other non-interest bearing provisions		10	28
Other non-interest bearing liabilities	20	25	34
Total current liabilities		**237**	**628**
Total equity and liabilities		**2,562**	**2,754**
Pledged assets		-	-
Contingent liabilities	22	1,158	905

CASH FLOW STATEMENT – PARENT COMPANY.

SEK million	Note	2006	2005
Operating activities			
Earnings after financial items		432	440
Depreciation and amortization and changes in non-interest bearing provisions	23	-18	27
Cash flow from operating activities before change in working capital		414	467
Change in current receivables		-13	-11
Change in non-interest bearing liabilities		-9	16
Change in working capital		-22	5
Cash flow from operating activities before tax		**392**	**472**
Tax paid		2	2
Cash flow from operating activities after tax		**394**	**474**
Investing activities			
Investment in intangible fixed assets		-2	-1
Investment in shares in subsidiaries		-50	-441
Change in interest bearing receivables		246	-161
Cash flow from investing activities		**194**	**-603**
Financing activities			
Change in interest bearing provisions and liabilities		-366	368
Dividend to shareholders		-240	-240
Group contribution		8	11
Cash flow from financing activities		**-598**	**139**
Net cash flow effect on cash and cash equivalents		**-10**	**10**

CHANGE IN NET INTEREST BEARING ASSETS

SEK million	Cash and cash equivalents	Interest bearing receivables, provisions and liabilities, net	Net interest bearing assets
Opening balance	10	37	47
Cash flow for the year	-10	120	110
Closing balance	-	157	157

CHANGE IN THE PARENT COMPANY'S EQUITY.

SEK million	Share capital	Restricted reserves	Non-restricted equity	Total
Opening balance on January 1 2005	**300**	**60**	**1,434**	**1,794**
Dividend	-	-	-240	-240
Group contribution to subsidiaries after tax	-	-	11	11
Net earnings for the year	-	-	500	500
Closing balance on December 31 2005	**300**	**60**	**1,705**	**2,065**
Dividend	-	-	-240	-240
Group contribution from subsidiaries after tax	-	-	8	8
Net earnings for the year	-	-	433	433
Closing balance on December 31 2006	**300**	**60**	**1,906**[1)]	**2,266**

[1)] The Board proposes a dividend of SEK 270 million for the financial year.

NOTES.

All amounts are in SEK millions unless otherwise indicated in the text.

NOTE 1. ACCOUNTING PRINCIPLES

ACCOUNTING PRINCIPLES IN THE GROUP

Basic principles

The consolidated financial reports and associated notes have been drawn up in accordance with International Financial Reporting Standards (IFRS), which have been endorsed by the EU Commission. At January 1 2006, a number of updated and new recommendations from the International Accounting Standards Board (IASB) and new statements from the International Financial Reporting Interpretation Committee (IFRIC) came into force. These have not resulted in any changes in Cardo's valuation principles, but some new information has been added to the notes. Regarding the updated IAS 19 Employee Benefits, Cardo continues to apply the "corridor method" to account for actuarial gains and losses. Cardo does not in advance apply standards from the IASB or statements from the IFRIC that have yet to come into force.

Valuation principles

The annual report has been drawn up on the basis of historical cost except for financial instruments, which are reported at their fair value.

Assets, provisions and liabilities have been valued at their acquisition values unless otherwise stated below. Descriptions of the most significant accounting and valuation principles applied when drawing up the consolidated financial reports are given hereunder. For a description of accounting principles applied in the parent company's financial reports, please see separate heading.

THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent company, all of its subsidiaries and participations in affiliates. The term subsidiary denotes those companies in which the parent company, directly or indirectly, controls more than 50 percent of the votes or over which it otherwise exercises a controlling influence. The term affiliated companies is used for companies that are not subsidiaries, but in which the group, directly or indirectly, has a long-term operating interest representing at least 20 percent of the outstanding voting stock or over which it can otherwise exercise considerable influence.

The consolidated financial statements have been prepared using the purchase method. The purchase method involves the subsidiary's assets, liabilities and any obligations being valued at their fair value on acquisition. The difference between the fair value of acquired identifiable assets, liabilities and any obligations (that meet the requirements for accounting in IFRS 3) and the acquisition value of the shares constitutes goodwill.

Companies sold are included in group accounts until the date of disposal. Companies that were acquired during the year are included in group accounts as of the date of acquisition.

The equity method is used to account for associated companies. "Result from participations in associated companies" reported in the consolidated income statement consists of the group's share in the associated companies' earnings for the year after tax less amortization of surplus value and after elimination of intercompany profits, where appropriate. In the consolidated balance sheet, the book value of the shareholding changes to reflect the share of earnings in the consolidated income statement, and with a deduction for dividend received.

TRANSLATION OF THE INCOME STATEMENTS AND BALANCE SHEETS OF FOREIGN SUBSIDIARIES

All foreign subsidiaries have been classified as independent, and their income statements and balance sheets have therefore been translated using what is known as the current method in the consolidated financial statements.

The current method involves all assets, provisions and liabilities being translated at the closing exchange rate and all items in the income statement being translated at the average exchange rate. Exchange rate differences arising are charged or credited directly to equity.

REVENUE RECOGNITION

Group net sales consist of revenues from sales of goods and services. Revenue recognition occurs when significant risks and benefits associated with the goods are transferred to the buyer, which normally occurs when the goods are delivered to the customer. When sales of goods include installation, and this represents a considerable part of the delivery, revenue recognition occurs when installation has been implemented. Revenues from services rendered are recognized when the commissions have been completed.

COSTS OF LOANS AND FINANCIAL INCOME AND EXPENSE

Costs of loans are charged to earnings for the period to which they are attributable. Financial items are made up of interest on interest bearing liabilities including pension provisions, interest income on cash and cash equivalents and interest bearing receivables, exchange rate gains/losses on financial receivables and liabilities and the interest component of hedging instruments. The currency component of hedging instruments is accounted for among financial items until the underlying hedged transaction is recognized. When this occurs, the hedged transaction is accounted for at the hedged rate. Transaction costs for loans raised and credits are distributed over the term of the loan or credit.

TAX

Provision for current tax is made in compliance with the fiscal legislation in each country. Current tax mainly consists of calculated income tax on net earnings for the year as well as, where applicable, corrections to the previous year's calculated income tax, and withholding tax on dividends paid during the year.

Deferred tax is accounted for on differences, known as temporary differences, between the values of assets and liabilities for statutory tax purposes and their carrying amounts as well as on tax losses.

The value of future tax reductions, i.e. deferred tax assets, is recognized if it is probable that the amounts can be utilized against future taxable surpluses. Deferred tax is calculated on the basis of the current tax rate in each country.

FIXED ASSETS

Goodwill

Goodwill arising in connection with a company acquisition is originally valued at its acquisition value. After acquisition, goodwill is reported at acquisition value with deduction for any impairment losses. A description of how the acquisition value for goodwill is established is given above under the heading "The consolidated financial statements".

Goodwill is tested for impairment annually, or more frequently if there is any indication of impairment, by calculating the value in use of the cash-generating units to which goodwill has been allocated. If the value in use of the cash-generating unit is lower than the carrying amount, an impairment loss is first recognized of goodwill allocated to the unit, and secondly of other assets in the unit in proportion to their carrying amount. Impairment loss of goodwill can never be reversed in a later period.

If a subsidiary is disposed of, consideration is paid to any goodwill allocated when establishing the result of the disposal.

Other intangible fixed assets

The fixed assets are carried at cost in the balance sheet with deduction for accumulated amortization and where appropriate impairment losses.

Expenditure on the development of new products, information systems and software for own administrative use is set up as an asset only if it is judged probable that such expenditure will lead to future financial benefits for the Company. The expenditure is otherwise expensed on a continuous basis as it arises.

If the economic life of an intangible asset cannot be established, the asset is not amortized on a running basis. Instead, the asset is tested for impairment by calculating the value in use of the cash-generating unit to which the asset has been allocated. Impairment is tested for annually or more often if there is an indication of impairment.

Tangible fixed assets

The fixed assets are carried at cost in the balance sheet with deduction for accumulated depreciation and where appropriate impairment losses.

DEPRECIATION AND AMORTIZATION

Other intangible assets

Other intangible assets are amortized on the basis of estimated useful life. Patents and similar rights are amortized over a maximum period of 10 years, while other intangible assets are amortized over a maximum period of 5 years. In some cases, an intangible asset, for example a brand that has been acquired as part of a company acquisition, may be assessed as having an unlimited economic life. In these cases, no amortization is carried out, but the carrying amount of the asset is in-stead tested annually for impairment (see below).

Tangible fixed assets

Depreciation of tangible fixed assets is based on the estimated useful life. Depreciation according to plan on most machinery and equipment is realized over 5–10 years. Personal computers, tools and models are mainly written off over 3 years. Depreciation according to plan on buildings and land improvements is made at the rate of 2–5 percent a year.

Impairment losses

The carrying amount of the fixed assets is examined when there is an indication of impairment. In this connection, the recoverable amount of the asset is established, which is the highest of the net selling price and the value in use. If the recoverable amount is lower than the carrying amount of the asset, an impairment loss is recognized. For goodwill and intangible fixed assets that have not been put into operation or if the asset is assessed as having an indefinite economic life, annual testing for impairment is carried out, regardless of whether or not there is an indication of impairment.

GOVERNMENT ASSISTANCE

Government assistance is accounted for when the conditions for the government assistance will be met with a high degree of certainty and the grants will be received. Government grants that compensate for expenditure are reported in the income statement in the same periods as the expenditure. Government grants in relation to fixed assets are accounted for as an item that is deductible from the acquisition value.

The group receives government grants and assistance to only a minor extent. In total, SEK 2 million (5) was received, which has been recognized as an item that is deductible from the expenditure.

ACCOUNTING FOR LEASING AGREEMENTS

Leasing in which the group in all essentials has the same status as in direct ownership of the asset is classified as financial leasing. The hired asset is accounted for as a tangible fixed asset and the future obligation to the lessor is accounted for as a liability in the balance sheet.

Leasing of assets in which the lessor in all essentials remains as the owner of the asset is classified as operational leasing. Expenses for operational leasing are written off proportionally during the leasing period.

INVENTORIES

Group inventories are valued at the lower of acquisition/manufacturing value and net selling price. The acquisition/manufacturing value includes direct material costs and, where applicable, direct payroll expenses and overheads for purchasing and manufacturing to bring the goods to their relevant location and condition. When establishing the net selling price, the age and rate of turnover of the products have been taken into consideration.

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCY

In the initial accounts, transactions in foreign currency are translated at the rate applying on the day of transaction. In the financial statements, assets and liabilities in foreign currency are translated at the closing day rate. Unrealized exchange rate gains/losses are therewith included in the earnings. Note 2 shows exchange rates for the most important currencies used in the annual report.

DERIVATIVES

All derivatives, including those used in currency hedging, are valued at fair value in the balance sheet. Derivatives are accounted for the settlement day. Changes in fair value are reported directly in the income statement, since Cardo does not apply the exception rules on "hedge accounting". Changes in the value of forward exchange contracts that hedge future flows, where the underlying hedged transaction has not occurred, are reported as an item among financial items. When the underlying transaction has an effect on the income statement, the hedged transaction is recognized at the forward rate.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, immediately available bank deposits and short-term investments. Short-term investments consist of interest bearing securities with a term less than three months.

PENSIONS

Within the group there are a number of both defined contribution and defined benefit pension plans, whereof some are funded and have assets in separate pension foundations or similar. The plans are mainly financed by payments from each group company, but in certain cases also by supplementary payments from the employees. Salaried employees in the group's Swedish companies are generally covered by the ITP plan for supplementary pensions for salaried employees, which does not require any payments from the employees.

Actuarial calculations are made for defined benefit plans in accordance with the projected unit credit method with a view to establishing the present value of obligations for present and previous employees. The actuarial calculations are made annually and are based on actuarial assumptions that are made in connection with the end of the accounting year. Changes in the present value of the obligations as a consequence of changed actuarial assumptions are treated as actuarial gains or losses, which are taken up as income over the employee's average remaining period of service to the extent that they exceed what is known as the "corridor threshold value of 10 percent" for each plan. Deviations between actual return and expected return on plan assets are also treated as actuarial gains or losses. Provisions for defined benefit pension plans in the consolidated balance sheet correspond to the present value of the obligations, with deduction for the fair value of the plan assets, unrecognized actuarial gains or losses and also unrecognized past service cost not yet vested.

Funded plans with a surplus in the plan, i.e. with assets that exceed the present value of the obligation are recognized as financial assets on condition that the surplus will be to Cardo's credit in the future.

Pension expenditure for defined contribution plans is recognized as expense during the period when the employees performed the services relating to the contributions.

PROVISIONS

Provisions are recognized when an obligation arises as a consequence of a previous event and it is probable that payment will be required in order to meet the obligation and that a reliable estimate of the amount can be made.

SIGNIFICANT ASSESSMENTS, ASSUMPTIONS AND CALCULATIONS

In applying the accounting principles as described above, the following assessments, assumptions and calculations are judged to be the most significant.

Testing for impairment – goodwill

When assessing whether or not there is a need for an impairment loss, assumptions are made relating to future cash flows, discount rate, growth and profitability for the cash-generating units to which goodwill has been attributed. For a description of how the testing for impairment is carried out and the assumptions made, please see note 10. The carrying amount of goodwill is SEK 1,047 million (948).

Valuation of inventories

The group's inventories are valued at the lowest of the acquisition/manufacturing value and the net selling price. When establishing the net selling price, consideration was paid to the age of the products and their assessed future turnover rate. Except for some spare parts production, most of the group's manufacturing is to customer order. The carrying amount of the inventories is SEK 1,102 million (933) and the breakdown into inventory components is shown in note 15.

Credit risks in accounts receivable

In order to establish the need for provision for credit risks, an assessment is made of the future solvency of the customers. An especially careful assessment is carried out when the accounts receivable are overdue. At December 31, accounts receivable outstanding amount to SEK 1,917 million (1,749).

Provisions for pensions

Accounts of the cost of defined benefit pension plans are based on actuarial calculations based primarily on assumptions about discount rates, return on assets of funded plans, inflation and mortality. For a description of the most significant assumptions made and the carrying amount of pension provisions, please see note 17.

Deferred tax in respect of loss carry-forwards

When valuing deferred tax assets, assessments are made of future tax surpluses in each country and therewith the possibility of using loss carry-forwards. The carrying amount of deferred tax assets relating to tax carry-forwards is SEK 89 million (61). Note 9 describes the size of loss carry-forwards and how much of these is assessed as useable.

ACCOUNTING PRINCIPLES IN THE PARENT COMPANY

The parent company's financial reports are drawn up in accordance with the Annual Accounts Act, the Swedish Financial Accounting Standards Council's recommendation RR32, Accounting in Legal Entities, and the statements of the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council. In most cases, this means that the parent company applies the IFRS/IAS that are applied in the consolidated accounts, but there are certain exceptions as described hereunder.

Subsidiaries and associated companies are reported in the parent company in accordance with the cost method, which involves the holding being reported at acquisition value in the balance sheet with deductions for any impairment losses. Dividends from subsidiaries or associate companies are reported as income.

In the parent company, the deferred tax liabilities that are attributable to untaxed reserves are not reported separately, but these are reported as the gross amount in the balance sheet and the change in untaxed reserves is reported in the income statement in the sum of the gross amount under the heading Appropriations.

In the parent company, costs for defined benefit pension plans are reported in accordance with the law on safeguarding of pension commitments and the regulations of the Swedish Financial Supervisory Authority, which means that actuarial gains and losses are reported directly through the income statement and that provisions carried forward are calculated in accordance with the Swedish Financial Supervisory Authority's regulations FFFS 2001:13, which include the cost of capital requirement of 3.5 percent.

In the parent company, financial guarantee agreements and contracts of suretyship on behalf of subsidiaries are presented as contingent liabilities, which means that no market value nor liability in accordance with the rules in IAS 39 are entered in the accounts of the parent company. On the other hand, a provision is reported in the parent company in accordance with IAS 37 in those cases where it is probable that a guarantee or security commitment will result in an outflow of resources in order to settle the commitment.

NOTE 2. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

CURRENCY RISK AND CURRENCY POLICY

Cardo has most of its subsidiaries, both manufacturing units and sales units, outside Sweden. A considerable percentage of the group's assets, liabilities, income and costs is thus denominated in foreign currencies. Consequently, exchange rate fluctuations for the Swedish krona relative to other currencies have an impact on Cardo's earnings and financial position.

Currency risk can be divided into transaction exposure and translation exposure. Transaction exposure is the net value of operational and financial inflows and outflows of currencies. Translation exposure is the net assets and earnings in foreign currencies of foreign subsidiaries.

TRANSACTION EXPOSURE

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. This is done to reduce the effect of currency fluctuations on group earnings during the time when prices and costs, as far as possible, are adapted to the changed exchange rates. On December 31 2006, there are outstanding forward exchange contracts relating to hedging of currency flows in the next twelve months with a fair value of SEK 6 million (0). All forward exchange contracts fall due during 2007 and the realized earnings of the forward cover will affect operating earnings during 2007.

Operating earnings for 2006 include exchange earnings of SEK -9 million and net financial income/expense includes exchange earnings of SEK -1 million.

TRANSLATION EXPOSURE

The table below relates to the most important currencies for the group and shows those rates of exchange which have been applied on translation of the income statements and balance sheets of foreign subsidiaries into Swedish kronor:

		Closing day rate 31/12		Average rate	
Country	Currency code	2006	2005	2006	2005
EMU countries	EUR	9.04	9.40	9.26	9.27
UK	GBP	13.45	13.68	13.59	13.55
USA	USD	6.86	7.94	7.40	7.46
Denmark	DKK	1.21	1.26	1.24	1.24
Norway	NOK	1.10	1.17	1.15	1.16

The translation difference that arises on comparison of net earnings for the year at the average rate used in the income statement with those at the final rate used in the balance sheet has been posted directly to equity. Net assets in foreign subsidiaries are recognized at the closing day rate in the balance sheet. The translation difference that arises between the value of these assets at the start of the year and their value at year-end is recognized directly against equity. For 2006, the sum of both the above-mentioned translation differences was SEK -110 million (148).

Borrowing and due-date structure

Cardo's financing and financial risk management are handled by the subsidiary Cardo Finance AB, which also acts as an in-house bank for the group. The due-date structure for the group's interest bearing borrowing is shown in note 19.

Interest rate risk

Interest rate risk is the risk of interest rate changes affecting the group's net interest income/expense and/or cash flow. Cardo's policy is for the average fixed interest term of the loan to be between 3 and 12 months. Where it is necessary to adapt the fixed interest term of the loan to the required structure, various forms of derivative are used, principally interest rate swaps and cross currency interest rate swaps.

At December 31 2006, the average fixed interest term was approximately 4 months. An interest rate change of 1 percent affects the group's earnings before tax by approximately SEK 10 million.

Financing risk

Cardo's borrowing occurs principally via bank financing. With a view to reducing the financing risk, the group strives for a distribution of borrowing opportunities among several counterparties, and a spread of due-dates for loans over different points in time when possible. Normally, Cardo will have credit facilities with an average term in excess of two years. At December 31 2006, the group had unutilized credit facilities equivalent to SEK 1.6 billion (2.0), with an average term of slightly over 2 years.

Counterparty risk

Regarding financial counterparty risk, Cardo's policy is to enter into derivative transactions with credit-worthy counterparties only. Cardo's objective is also that these counterparties enter into agreements in accordance with International Swaps and Derivatives Inc. (ISDA). At December 31 2006, the biggest single net amount due for a counterparty was approximately SEK 5 million.

Regarding Cardo's accounts receivable, the counterparty risk is spread over a large number of customers. In order to minimize the risk of bad debt losses, credit information is normally acquired before credit is given. In addition, some aspects of sales are covered by credit insurance.

Fair value of financial assets and liabilities

Forward exchange contracts have been valued at their fair value by valuation at the closing day rate. For interest bearing liabilities with a fixed interest term of no more than 12 months, no remeasurement has been made. Valuation of interest bearing liabilities with a fixed interest term of more than 12 months has been done based on the difference between the nominal interest rate and the current market rate of interest. Translation into SEK has been carried out at the closing day rate. The table covers financial assets, other interest bearing current receivables, cash and cash equivalents and forward exchange contracts. Accounts receivable and other non-interest bearing current receivables are not included since they are recognized at their fair value. On the liabilities front, the table covers long-term and current interest bearing liabilities. Other liability items have not been included, since they are recognized at their fair values.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

	Group		Parent company	
	Carrying amount	Market value	Carrying amount	Market value
Other long-term receivables	26	26	-	-
Other interest bearing current receivables	-	-	376	376
Cash and cash equivalents	179	179	0	0
Forward exchange contracts	6	6	-	-
Total assets	211	211	376	376
Loans	205	205	-	-
Utilized credit facilities	845	845	-	-
Other interest bearing liabilities	8	8	202	202
Total liabilities	1 058	1 058	202	202

NOTE 3. DEFINITIONS OF KEY RATIOS ETC.

Operating margin
Operating earnings divided by net sales.

Profit margin
Earnings after financial items divided by net sales.

Interest cover
Earnings after financial items plus interest expense divided by interest expense.

Earnings per share
Net earnings for the year divided by the average number of shares.

Capital employed
Total assets less non-interest bearing provisions and liabilities.

Turnover of capital employed
Net sales divided by average capital employed.

Return on capital employed
Earnings after financial items plus interest expense divided by average capital employed.

Net interest bearing assets
Interest bearing assets less interest bearing provisions and liabilities

Net interest bearing debt
Interest bearing assets less interest bearing provisions and liabilities.

Net debt / equity ratio
Net interest bearing debt divided by equity.

Debt /equity ratio
Interest bearing provisions and liabilities divided by equity.

Equity per share
Equity divided by the number of shares.

Return on equity
Net earnings for the year divided by average equity.

Equity ratio
Equity divided by total assets.

Cash flow from operating activities after tax per share
Cash flow from operating activities after tax divided by the average number of shares.

Degree of self-financing
Cash flow from operating activities after tax divided by gross investments in intangible and tangible fixed assets (excluding company acquisitions) for the year.

Operating capital
Operating assets less operating liabilities.

Operating assets
Non-interest bearing assets excluding tax assets and intra-group receivables.

Operating liabilities
Non-interest bearing provisions and liabilities excluding tax liabilities and intra-group liabilities.

NOTE 4. SEGMENT REPORTING AND TYPE OF REVENUE

Since January 1 2006, the group's operations have been pursued in the following four divisions: Door & Logistics Solutions, Wastewater Technology Solutions, Pulp & Paper Solutions and Residential Garage Doors. These four divisions constitute the basis of the primary segment information for 2006.

- Door & Logistics Solutions' business is total door and docking solutions, particularly in the transport and logistics sector and in retailing.
- Wastewater Technology Solutions targets customers that need wastewater technology solutions. Its solutions include pumps, mixers, aerators, compressors and control and monitoring systems. In addition, the division offers dewatering pump solutions for customers in the construction and mining industries etc.
- Pulp & Paper Solutions concentrates its activities on solutions within process pumps, agitators and measuring instruments for customers in the pulp and paper industry.
- Residential Garage Doors' business embraces garage doors, both standard doors and customized solutions, which are mainly sold via distributors.

Comparative figures for 2005 have been recalculated from the previous separation of operations into the business areas Cardo Door and Cardo Pump. Cardo Door included the business of the Door & Logistics Solutions and Residential Garage Doors divisions. Cardo Pump included the business that is now separated into the Wastewater Technology Solutions and Pulp & Paper Solutions divisions.

The group's operations by geographical area are accounted for secondarily.

a) Business segments

NET SALES AND EARNINGS BY BUSINESS SEGMENT

2006	Door & Logistics Solutions	Wastewater Technology Solutions	Pulp & Paper Solutions	Residential Garage Doors	Other[1]	Group
Net sales	4,152	2,466	686	1,276	-24[2]	8,556
Operating earnings	342	253	54	16	-67	598
Financial items						-40
Earnings after financial items						558
Taxes						-157
Net earnings for the year						401

2005	Door & Logistics Solutions	Wastewater Technology Solutions	Pulp & Paper Solutions	Residential Garage Doors	Other[1]	Group
Net sales	3,748	2,317	658	1,178	-21[2]	7,880
Operating earnings	261	225	59	-19	-287[3]	239
Financial items						-29
Earnings after financial items						210
Taxes						-63
Net earnings for the year						147

[1] Made up of the parent company, other central units and group adjustments.
[2] Elimination of intra-group sales between the divisions.
[3] Includes provision of SEK 201 million for reorganization and termination costs of SEK 26 million relating to the changes in group management during the period April-June 2005.

OPERATING CAPITAL, INVESTMENTS AND DEPRECIATION/AMORTIZATION BY BUSINESS SEGMENT

2006	Door & Logistics Solutions	Wastewater Technology Solutions	Pulp & Paper Solutions	Residential Garage Doors	Other[1]	Group
Operating capital	1,790	1,096	239	777	-30	3,872
Whereof operating assets	2,627	1,557	349	962	85	5,580
Whereof operating liabilities	837	461	110	185	115	1,708
Investments	54	65	10	33	2	164
Depreciation and amortization	89	63	16	50	2	220
Other items that have no effect on cash flow	-15	2	4	3	-120	-126

2005	Door & Logistics Solutions	Wastewater Technology Solutions	Pulp & Paper Solutions	Residential Garage Doors	Other[1]	Group
Operating capital	1,481	983	251	766	-98	3,383
Whereof operating assets	2,302	1,440	355	959	63	5,119
Whereof operating liabilities	821	457	104	193	161	1,736
Investments	138	74	17	20	1	250
Depreciation and amortization	80	63	15	51	2	211
Other items that have no effect on cash flow	-	-	-	-	143	143

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

b) Geographical areas

The group's operations by geographical area are accounted for secondarily. The following tables show the distribution of the group's net sales, operating assets and investments by geographical area. The net sales that are presented for the geographical areas are based on the domicile of the customers, while operating assets and investments are based on the geographical location of the assets.

NET SALES BY GEOGRAPHICAL AREA

	2006	%	2005	%
Germany	969	11.3	947	12.0
Sweden	812	9.5	730	9.3
France	778	9.1	739	9.4
Netherlands	649	7.6	647	8.2
UK	612	7.2	622	7.9
Spain	576	6.7	403	5.1
Europe, other	2,758	32.2	2,514	31.9
Total Europe	7,154	83.6	6,602	83.8
North America	566	6.7	543	6.9
Asia	369	4.3	294	3.7
Middle East	209	2.4	215	2.7
Latin America	164	1.9	132	1.7
Oceania	49	0.6	55	0.7
Africa	45	0.5	39	0.5
Total	8,556	100.0	7,880	100.0

OPERATING ASSETS AND INVESTMENTS BY GEOGRAPHICAL AREA

	Operating assets		Investments	
	2006	2005	2006	2005
Germany	1,106	1,095	20	26
Sweden	862	792	45	76
Spain	643	244	21	18
UK	505	522	11	5
Netherlands	419	441	19	81
France	329	346	4	4
Europe, other	1,121	1,106	30	40
Total Europe	4,985	4,546	150	232
North America	262	305	2	4
Asia	179	137	7	10
Middle East	58	73	1	1
Latin America	62	48	3	2
Africa	12	10	1	1
Oceania	22	-	-	-
Total	5,580	5,119	164	250

PARENT COMPANY

Information regarding intra-group purchases and sales

The parent company has charged the subsidiaries SEK 69 million (66) for services performed.

c) Type of revenue

Group	2006	2005
New sales	5,988	5,447
Aftermarket	2,568	2,433
Total	8,556	7,880

The aftermarket includes service offerings, spare parts and rental activities.

NOTE 5. INFORMATION ON TYPE OF COSTS

In the group's income statement, the costs are grouped by function. Information on significant cost items is given below.

Group	Note	2006	2005
Cost of materials in cost of goods sold[1)]		3,127	2,731
Wages, salaries, remunerations and social security expenses	6	2,068	2,054
Amortization of intangible fixed assets	10	31	24
Depreciation of tangible fixed assets	11	188	186
Other items		2,546	2,648
Total costs		7,960	7,643
Below is also given information on government grants and development costs			
Government grants reported as deductible items from costs		2	5
Development costs including amortization and depreciation for the year		153	157

1) The cost of materials above includes material costs, other variable production overheads, excluding wages and salaries, and logistic costs.

NOTE 6. EMPLOYEES

a) Average number of employees[1) 2)]

	2006	2005
Parent company		
Sweden	29	22
Of whom women	38%	27%
Subsidiaries		
Sweden	1,117	1,139
Germany	914	981
Netherlands	659	735
UK	425	473
France	356	370
Europe, other	1,698	1,517
Total Europe	5,198	5,237
Asia	321	246
North America	174	185
Latin America	135	105
Middle East	52	53
Africa	21	19
Oceania	30	-
Total	5,931	5,845
Of whom women	18%	18%

1) The average number of employees has been calculated as the number of hours worked divided by normal yearly working hours.

2) A complete specification is appended to the financial statements that are sent to the Swedish Companies Registration Office. A copy of this specification can be obtained free of charge from Cardo AB, Box 486, SE-201 24 Malmö, Sweden.

b) Wages, salaries and other remuneration

	2006			2005		
Country	Board and President	Whereof bonuses etc.	Other employees	Board and President	Whereof bonuses etc.	Other employees
Parent company						
Sweden	8	1	12	11	-	12
Subsidiaries						
Sweden	19	2	389	11	1	381
Abroad 3)	82	10	1,560	87	6	1,552
Total group	109	13	1,961	109	7	1,945

3) A complete specification is appended to the financial statements that are sent to the Swedish Companies Registration Office. A copy of this specification can be obtained free of charge from Cardo AB, Box 486, SE-201 24 Malmö, Sweden.

c) Wages, salaries, other remuneration and social security expenses

	2006		2005	
	Wages, salaries and other remuneration	Social security expenses (whereof pension costs)	Salaries and other remuneration	Social security expenses (whereof pension costs)
Parent company	20	13	23	15
		(5) 4)		(7) 4)
Subsidiaries	2,050	598	2,031	585
		(141)		(132)
Total group	2,070	611	2,054	600
		(146) 4)		(139) 4)

4) Of the pension costs, SEK 2 million (3) relates to present and former presidents and executive vice presidents of the parent company. Pension commitments outstanding to these amount to SEK 11 million (12).

d) Absence of staff due to sickness

Absence due to sickness is specified in percent of regular working hours.

	Employed in parent company		All employees in Sweden	
Percent	2006	2005	2006	2005
Absence due to sickness, total	0.5	1.1	3.2	3.3
whereof 60 or more consecutive days	5)	5)	43.2	45.9
Absence due to sickness per group, sex				
Women	0.5	5)	3.9	5.6
Men	0.5	0.3	3.0	2.7
Absence due to sickness per group, age				
29 years old and younger	5)	5)	2.7	1.7
30-49 years old	0,4	0.8	3.2	3.4
50 years old and older	5)	5)	3.4	3.6

5) Since the group does not amount to 10 people, absence due to sickness is not reported separately.

e) Salaries and other remuneration to the Board and group management

1. Principles for remuneration

The Board receives fees as resolved by the Annual General Meeting. In addition to a fixed remuneration, group management also receives a variable remuneration based on the earnings trend and the return on capital employed compared with the budget. There is no remuneration in the form of options or similar from the company. The matter of remuneration and other benefits for the President is prepared by the remuneration committee appointed within the Board and is resolved by the Board in its entirety. Remuneration and other benefits for the remainder of group management are resolved by the remuneration committee.

2. Board

The Board received a fee totaling KSEK 1,400 as resolved by the Annual General Meeting. Of this, the Chairman of the Board received a fee of KSEK 350 and other members of the Board KSEK 175 each. No fees over and above those resolved at the Annual General Meeting were paid to the Board.

3. President

3.1 The President received remuneration and other benefits totaling KSEK 4,975. Of this amount, KSEK 901 constitutes variable remuneration.

3.2 The right to a pension is available from the age of 60 with benefits in accordance with the ITP plan. For this, the Company pays premiums for pension insurance. The pension cost for the President amounted to KSEK 1,214 for the year.

3.3 Where the Company gives notice of termination, a period of notice of 12 months applies and there is entitlement to severance pay equivalent to 12 months' salary. Where the President gives notice of termination, a period of notice of 6 months applies without entitlement to severance pay.

4. Group management, other

4.1 The Executive Vice President left his post on October 6 2006. The Executive Vice President received remuneration and other benefits totaling KSEK 1,838. Of this amount, KSEK 338 constitutes variable remuneration.

4.2 During the period in which they were part of group management, other members of group management, consisting of an average of six people, received remuneration and other benefits totaling KSEK 11,358. Of this amount, KSEK 1,907 constitutes variable remuneration.

4.3 The right to a pension is available from the age of 60–65 with benefits in accordance with the ITP plan. For this, the Company pays premiums for pension insurance.

4.4 Where the Company gives notice of termination, periods of notice of 6-12 months apply and there is entitlement to severance pay equivalent to 6-12 months' salary. Where the employee gives notice of termination, a period of notice of 6 months applies without entitlement to severance pay.

f) Distribution of men and women in senior management

In the group, the proportion of women on boards is 5 percent (4) and among other leading officers 12 percent (11). In the parent company, there is one woman on the board, equivalent to 9 percent (10), and 29 percent (17) women among other leading officers.

NOTE 7. INFORMATION ON AUDITORS' FEES

	Parent company		Group	
KSEK	2006	2005	2006	2005
Audit assignments, Ernst & Young	1,394	560	10,132	8,490
Audit assignments, other auditors	-	-	143	100
Total audit fee	1,394	560	10,275	8,590
Other assignments, Ernst & Young	138	394	2,907	3,151

The 2004 Annual General Meeting appointed the public accounting firm of Ernst & Young as the Company's auditors until the 2008 Annual General Meeting.

The term "audit assignments" refers to examination of the financial statements, the accounts and the administration of the Board and President. In addition it refers to other tasks incumbent upon the Company's and the group's auditors, and advice or other assistance arising from observations in connection with such examination or implementation of such other tasks. All else is classed as "other assignments".

NOTE 8. FINANCIAL INCOME AND EXPENSE

a) Interest income and similar income statement items

	Parent company		Group	
	2006	2005	2006	2005
Earnings from shares and participations and also receivables accounted for as fixed assets				
Dividend from subsidiaries	439	491	-	-
Subtotal	439	491	-	-
Other interest income and similar income statement items				
Interest income	6	2	6	6
Exchange rate differences	-	-	-	1
Subtotal	6	2	6	7
Total	445 [1)]	493 [1)]	6	7

[1)] Whereof SEK 445 million (493) relates to subsidiaries.

b) Interest expense and similar income statement items

	Parent company		Group	
	2006	2005	2006	2005
Interest expense	-	-1	-45	-28
Cost of borrowing	-3	-2	-3	-3
Exchange rate differences	-	-	-1	-
Total	-3	-3	-49	-31

c) Remeasurement of financial instruments

	Group	
	2006	2005
Remeasurement of forward exchange contracts	3	-5
Total	3	-5

This item relates to market value of outstanding forward exchange contracts that have been entered into in order to hedge forecast currency flows. A description of the accounting principles is given in note 1.

NOTE 9. TAXES

a) Taxes on earnings for the year

	Parent company		Group	
	2006	2005	2006	2005
Current tax	1	2	-155	-135
Deferred tax	-	-11	-2	72
Total taxes	1	-9	-157	-63

b) Tax rate

The Swedish income tax rate is currently 28 percent (28). Tax reported by the group and the parent company is shown below:

	Parent company		Group	
Percent	2006	2005	2006	2005
Swedish income tax rate	28	28	28	28
Difference in tax rates of other countries of operation	-	-	3	-3
Dividend from subsidiaries	-28	-27	-	-
Effects of loss carry-forwards, net	-	-	-3	7
Non-deductible expenses	-	-	2	5
Non-taxable revenues	-	-	-2	-3
Adjustment of tax related to prior periods and other items	-	1	-	-4
Tax rate reported	-	2	28	30

c) Tax loss carry-forwards

At year-end 2006, the group had tax loss carry-forwards of SEK 569 million (369). Of these, SEK 323 million (191) was taken into account in connection with the calculation of a deferred tax asset. A deferred tax asset was calculated solely on established loss carry-forwards where it is deemed probable that sufficient taxable surplus will be available. Of tax loss carry-forwards that were not taken into account in calculating a deferred tax asset, SEK 38 million (21) is due within 5 years.

d) Deferred tax assets and tax liabilities

Temporary differences and tax loss carry-forwards resulted in the following deferred tax assets and tax liabilities:

	Parent company		Group	
	2006	2005	2006	2005
Deferred tax assets				
Loss carry-forwards	-	-	89	61
Intercompany earnings in inventories	-	-	39	39
Provisions for warranty commitments	-	-	12	7
Provisions for pensions	5	6	22	33
Provisions for restructuring measures	1	-	13	16
Acquired deductible goodwill	-	-	62	-
Other deductible temporary differences	-	-	30	40
Total deferred tax assets	6	6	267	196
Deferred tax liabilities				
Temporary difference in intangible fixed assets	-	-	11	-
Depreciation in excess of plan for buildings, machinery and equipment	-	-	17	14
Untaxed reserves	-	-	40	40
Other taxable temporary differences	-	-	25	28
Total deferred tax liabilities	-	-	93	82
Deferred tax, net	6	6	174	114

The above-mentioned deferred tax assets and tax liabilities are recognized in the consolidated balance sheet after taking setoff possibilities into account. In the consolidated balance sheet, deferred tax assets and deferred tax liabilities were offset in the sum of SEK 5 million (13).

NOTE 10. INTANGIBLE FIXED ASSETS

Group	Goodwill	Other intangible fixed assets	Total intangible fixed assets
Acquisition values brought forward	948	174	1,122
Investments	-	17	17
Acquisitions and disposals of companies	138	66	204
Sales/disposals	-	-1	-1
Reclassifications	-	7	7
Translation difference	-39	-5	-44
Accumulated acquisition values carried forward	1,047	258	1,305
Amortization brought forward	-	-115	-115
Acquisitions and disposal of companies	-	-27	-27
Sales/disposals	-	1	1
Reclassifications	-	-6	-6
Amortization for the year according to plan	-	-31	-31
Translation difference	-	4	4
Accumulated amortization according to plan carried forward	-	-174	-174
Closing book value	1,047	84	1,131
Amortization for the year is reported in the income statement under the following headings:			
Cost of goods sold	-	-9	-9
Selling expenses	-	-2	-2
Administrative expenses	-	-20	-20
Total	-	-31	-31

Other intangible fixed assets mainly consist of an acquired brand, investment in computer programs and capitalized expenditure for product development.

Allocation of goodwill

Goodwill is allocated to the group's divisions, which accord with the separation into primary segments, as shown below.

	Group	
	2006	2005
Door & Logistics Solutions	534	417
Wastewater Technology Solutions	130	135
Pulp & Paper Solutions	11	11
Residential Garage Doors	372	385
Total	1,047	948

Testing for impairment of goodwill and other intangible fixed assets with indeterminable economic life

An annual test of whether an impairment loss needs to be recognized for goodwill is carried out by calculating the value in use of the cash-generating units to which goodwill has been allocated. The value in use is established by forecasting expected cash flows before tax and then calculating the present value of these cash flows in what is known as a "discounted cash flow model". The starting point is the internal plan for the next year. On this basis, assumptions are made regarding growth, development of gross margin and costs for further coming years based on the management's assessment of the trend. After the explicit forecast period of five years, growth is assumed to be equivalent to the long-term inflation of 2 percent. The discount rate utilized is differentiated depending on the risk assessed in each division and is within the interval 10.5–12.0 percent, which corresponds to the average return that shareholders and lenders are assumed to require (Weighted Average Cost of Capital, WACC).

Neither in 2006 nor in 2005 did testing for impairment lead to any impairment losses for goodwill.

In connection with the acquisition of Grupo Combursa SL in March 2006, the Combursa brand was identified as a discrete intangible fixed asset separate from goodwill. This asset was judged to have an indefinite economic life and thus no amortization is carried out on an ongoing basis. This is because it is not possible to establish any forseeable limit for the period of time during which the brand has an economic benefit. Instead, as for goodwill, impairment testing is carried out annually on the cash-generating unit to which the intangible asset can be attributed. Since Grupo Combursa has already been integrated into the other Spanish activities within the Door & Logistics Solutions division, the brand has been allocated to the cash-generating unit constituted by the entire Spanish operation within Door & Logistics Solutions. Since the value in use exceeds the carrying amount of the assets, including the brand, in the cash-generating unit, there is no need for impairment loss.

PARENT COMPANY

The acquisitions of intangible fixed assets for the year amount to SEK 1 million, giving a closing book value amounting to SEK 2 million (1).

NOTE 11. TANGIBLE FIXED ASSETS

Group	Buildings, land and land improvements	Machinery and equipment	Construction in progress and advance payments	Total tangible fixed assets
Acquisition values brought forward	924	2,082	41	3,047
Investments	9	101	37	147
Acquisitions and disposals of companies	-	24	-	24
Sales/disposals	-52	-96	-	-148
Reclassifications	8	49	-64	-7
Translation difference	-28	-66	-1	-95
Accumulated acquisition values carried forward	861	2,094	13	2,968
Depreciation brought forward	-351	-1,578	-	-1,929
Acquisitions and disposals of companies	-	-22	-	-22
Sales/disposals	24	95	-	119
Reclassifications	-1	7	-	6
Depreciation for the year according to plan	-25	-163	-	-188
Translation difference	10	51	-	61
Accumulated depreciation according to plan carried forward	-343	-1,610	-	-1,953
Impairment losses brought forward	-	-	-	-
Impairment losses for the year	-3	-	-	-3
Impairment losses carried forward	-3	-	-	-3
Closing book value 1)	515	484	13	1,012

1) Machinery and equipment includes SEK - million (-) relating to leased assets that are held under finance lease agreements.

Of the closing book value of machinery and equipment, SEK 369 million relates to machinery and equipment used in production and SEK 115 million to machinery and equipment used in other respects.

Tax assessment values in Sweden amount to SEK 83 million (94) for buildings and to SEK 18 million (20) for land. The book value of real estate in Sweden amounts to SEK 81 million (120).

Operational and financial leasing

Leasing costs related to operating leases including rental of premises amount to SEK 138 million (118).

Future costs for non-cancelable operating lease contracts including rental agreements amount to SEK 358 million (304) and are due for payment as shown in the table below:

	2007	2008–2011	2012 or later	Total
Rental of premises	56	125	40	221
Other operational leasing	58	76	3	137
Total operational leasing	114	201	43	358

Parent company	Machinery and equipment
Acquisition values brought forward	11
Investments	1
Accumulated acquisition values carried forward	12
Depreciation brought forward	-8
Accumulated depreciation according to plan carried forward	-8
Planned residual value to be carried forward	4
Accumulated depreciation in excess of plan	-1
Closing book value	3

NOTE 12. OTHER FINANCIAL FIXED ASSETS

	Parent company		Group	
	2006	2005	2006	2005
Shares in subsidiaries, *note 13*	2,122	2,072	-	-
Participations in associated companies, *note 14*	-	-	8	8
Other investments held as fixed assets	-	-	-	1
Other long-term receivables	-	-	26	14
Total	2,122	2,072	34	23

NOTE 13. SHARES IN SUBSIDIARIES

	Corporate identity number	Registered office	Number	Holding %[1]	Book value 2006	2005
Crawford Group AB	556071-8149	Malmö	25,000	100	259	259
Cardo Pump AB	556003-4240	Malmö	600,000	100	1,096	1,096
Cardo Finance AB	556506-6130	Malmö	1,000	100	-	-
AB Cardocenter	556238-0047	Malmö	300,000	100	52	52
Cardo Beteiligungs GmbH	-	Germany	1	100	222	222
Cardo Door Production GmbH	-	Germany	1	100	432	432
Normstahl GmbH	-	Germany	1	100	9	9
Megadoor Inc	-	USA	100	100	-	-
Cardo USA Inc	-	USA	16,000	100	46	-
Lorentzen & Wettre USA Inc	-	USA	2,000	100	4	-
Various dormant companies[2])	-	-	-	100	2	2
Total					2,122	2,072

[1] Share of equity and share of voting power.
[2] A complete specification is appended to the financial statements that are sent to the Swedish Companies Registration Office. A copy of this specification can be obtained free of charge from Cardo AB, Box 486, SE-201 24 Malmö, Sweden.

NOTE 14. PARTICIPATIONS IN ASSOCIATED COMPANIES

	Registered office	Number of shares	Holding %[1]	Share of equity value in group 2006	2005	Book value[2] 2006	2005
Saudi Crawford Doors Factory Ltd	Saudi Arabia	800	40	8	8	1	1
Cardoroc PA-service AB	Sweden	225	25	-	-	-	-
Total				8	8	1	1

[1] Share of equity and share of voting power.
[2] Book value in parent company or subsidiary and value in group if cost method is used.

Earnings from participations in associated companies

Group	2006	2005
Share of earnings of associated companies for the year after net financial income/expense	2	2
Total	2	2

Transactions with associated companies

The group makes both sales to and purchases from associated companies. All transactions are made on market terms. The following table gives a summary of these transactions.

	2006	2005
Sales to associated companies	22	30
Purchases from associated companies	26	25
Receivables from associated companies on December 31	5	11
Liabilities to associated companies on December 31	3	3

NOTE 15. INVENTORIES

Group	2006	2005
Raw materials and components	490	349
Work in progress	305	88
Finished goods and goods for resale	307	496
Total	1,102	933

NOTE 16. OTHER CURRENT RECEIVABLES

	Parent company		Group	
	2006	2005	2006	2005
Accounts receivable	-	-	1,917	1,749
Bills receivable	-	-	126	99
Prepaid expense and accrued income	34	14	129	94
Receivables from subsidiaries	393	643	-	-
Other receivables	1	3	150	105
Total	428	660	2,322	2,047

NOTE 17. PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

Retirement pensions and other post-employment remuneration are mainly paid for through defined contribution plans in which continual payments are made to public authorities and insurance companies. These independent bodies thereby take over the commitments to the employees. Within the group, there are also a number of defined benefit pension plans, which involve the employees being guaranteed a pension equivalent to a percentage of salary. Some of the defined benefit pension plans are funded, which means that there are assets in special foundations or similar that secure the future pension payments. There are also obligations that are secured through endowment insurance policies or through provisions in the balance sheet, the latter often in combination with credit insurance of the pension commitment. Most of the group's defined benefit commitments are in the UK, the Republic of Ireland, the USA, Norway and Sweden.

Most of the salaried employees in Swedish companies are covered by the ITP plan, which covers retirement pension, supplementary retirement pension (ITPK), disability pension and collective family pension. The plan is financed through a pension insurance policy taken out with Alecta. According to a statement, URA 42, made by the Emerging Issues Task Force of the Swedish Accounting Standards Council, the ITP plan is a defined benefit plan covering a number of employers. Alecta is unable to provide information that would make it possible to recognize this as a defined benefit plan. The ITP pension plan that is secured through insurance in Alecta is therefore recognized as a defined contribution plan. The year's contributions for pension insurance policies that are taken out with Alecta amount to SEK 29 million (27). Alecta's surplus can be distributed to the policyholders and/or the insured persons. At the end of 2006, Alecta's surplus in the form of the collective funding ratio amounted to 143 percent (128). The collective funding ratio is made up of the market value of Alecta's assets as a percentage of the insurance obligations calculated in accordance with Alecta's actuarial assumptions, which do not accord with IAS 19.

The amounts shown in the income statement relating to defined benefit and defined contribution plans are as follows:

	Group	
	2006	2005
Current service costs	26	23
Interest expense	27	25
Expected return on plan assets	-24	-22
Curtailment gains	-8	-1
Actuarial losses (+) or gains (-) recognized for the year	2	3
Past service costs recognized for the year	3	4
Pension cost for the year relating to defined benefit pension plans	26	32
Pension costs for the year relating to defined contribution pension plans	120	107
Total pension cost for the year relating to pension plans	146	139
Actual return on plan assets	38	49

The amounts shown in the balance sheet have been calculated as follows:

	Group	
	31-12-2006	31-12-2005
Present value of funded obligations	467	485
Fair value of plan assets	-422	-386
Deficit	45	99
Present value of unfunded obligations	115	122
Unrecognized actuarial losses (-) or gains (+), net	-3	-36
Unrecognized past service costs	-1	-3
Net liability in balance sheet	157	182

The amounts shown in the balance sheet as provision for pensions and financial fixed assets are distributed as shown below:

	Group	
	31-12-2006	31-12-2005
Funded pension plans recognized as long-term financial receivable	8	5
Pension plans recognized as provision for pensions	165	187
Net liability in balance sheet	157	182

The changes in the obligations and plan assets in respect of defined benefit pension plans that are recognized in the balance sheet are specified below:

	Group 2006	2005
Present value of obligations at beginning of year	607	484
Current service cost	26	23
Interest expense	27	25
Actuarial losses (+) or gains (-)	-9	56
Past service cost	1	6
Contributions paid by employees	8	6
Gains on curtailments	-14	-1
Benefits paid	-40	-25
Exchange rate difference in foreign pension plans	-24	33
Present value of obligations at year-end	582	607

	Group 2006	2005
Fair value of plan assets at beginning of year	386	302
Expected return on plan assets	24	22
Actuarial gains (+) or losses (-)	14	27
Contributions paid by the employer	34	19
Contributions paid by employees	8	6
Benefits paid, funded plans	-28	-13
Exchange rate differences in foreign pension plans	-16	23
Fair value of plan assets at year-end	422	386

The plan assets are invested in the following categories of assets:

	Group 31-12-2006	31-12-2005
Share-related assets	299	262
Interest bearing assets	88	93
Real estate	27	23
Cash and cash equivalents	8	8
Fair value of plan assets	422	386

As in the previous year, plan assets include no shares in Cardo AB (publ) nor any real estate that is rented from companies within the Cardo group.

The history of the status of the pension plans and of adjustments based on experience are presented below:

	Group 31-12-2006	31-12-2005
Present value of funded obligations	467	485
Fair value of plan assets	-422	-386
Deficit in funded plans	45	99
Present value of funded obligations	115	122
Difference	160	221
Experience adjustments on plan liabilities, gain (+) or loss (-)	-416	(*)
Experience adjustments on plan assets, gain (+) or loss (-)	14	28

In accordance with the transition rules in the updated IAS 19 Employee Benefits, the above-mentioned information is shown from 2005 and onwards. The history of adjustments based on experience is reported as of 2006 (*).

Expected payments of contributions from the employer to funded plans during the next financial year amount to SEK 26 million.

Significant actuarial assumptions (weighted average, percent)

	Group 31-12-2006	31-12-2005
Discount rate	4.8	4.5
Expected return on plan assets	6.8	6.4
Expected rate of increase of wages and salaries	3.2	3.2
Expected inflation	2.5	2.4

The actuarial assumptions relate to weighted averages of the assumptions that are used in calculating defined benefit pension commitments at the closing day and the pension expense of the following year.

NOTE 18. OTHER NON-INTEREST BEARING PROVISIONS

Group	Warranty provisions	Restructuring	Other non-interest bearing provisions	Total
Opening balance	108	190	20	318
Increase	50	16	17	83
Utilized	-26	-146	-11	-183
Reversed	-14	-9	4	-19
Translation difference	-4	-1	-4	-9
Closing balance	114	50	26	190

Most of the restructuring measures for which provisions remain on December 31 2006 are expected for the most part to have an effect on the coming year in terms of liquidity.

NOTE 19. INTEREST BEARING LIABILITIES

	Parent company		Group	
	2006	2005	2006	2005
Loans	-	-	205	22
Utilized credit facilities	-	-	845	506
Liabilities to subsidiaries	202	566	-	-
Other interest bearing liabilities	-	-	8	16
Total	202	566	1,058	544

The Group's interest bearing liabilities mature for payment in accordance with the following specification:

	2007	2008	2009	2010	Total
Loans	199	2	2	2	205
Utilized credit facilities	845	-	-	-	845
Other interest bearing liabilities	6	2	-	-	8
Total	1,050	4	2	2	1,058

Credit facilities normally fall due within one year, but are usually prolonged on the due date.

Unutilized granted credit facilities are disclosed in the following specification:

	Parent company		Group	
	2006	2005	2006	2005
Credit facilities granted	1,808	1,879	2,416	2,543
Utilized portion	-690	-377	-845	-506
Unutilized granted credit facilities	1,118	1,502	1,571	2,037

Syndicated loan

In the middle of December 2004, the parent company entered into an agreement with a consortium of five banks to raise a 5-year multicurrency loan, equivalent to EUR 200 million. The loan is a revolving credit, which means that the amount is at Cardo's disposal for the term of the loan.

Each bank in the consortium is entitled to call its share of the loan for redemption at the next due date if control of the parent company passes to any party other than the present principal shareholder by acquisition, merger or similar. In such a case, the total credit available will be reduced by the same amount at the same time. The banks are also entitled to call their shares of the loan for redemption if certain stipulated key ratios are exceeded. At present, there is a good margin to these limiting values.

As of December 31, an amount equivalent to EUR 75 million has been utilized. The loan agreement provides the parent company with the option of allowing subsidiaries to utilize the available credit. At present, this option is being utilized by the subsidiary Cardo Finance AB.

NOTE 20. OTHER NON-INTEREST BEARING LIABILITIES

	Parent company		Group	
	2006	2005	2006	2005
Accounts payable	8	18	484	399
Accrued expenses and deferred income	15	15	570 [1)]	563 [1)]
Advances from customers	-	-	199	195
Other non-interest bearing liabilities	2	1	265	261
Total	25	34	1,518	1,418

[1)] Accrued expenses and deferred income includes staff-related items amounting to SEK 297 million (255).

Other non-interest bearing liabilities normally fall due for payment within one year.

NOTE 21. PLEDGED ASSETS

	Group	
	2006	2005
Other pledged assets		
Real estate mortgages	14	14
Total pledged assets	14	14

NOTE 22. CONTINGENT LIABILITIES

	Parent company		Group	
	2006	2005	2006	2005
Discounted bills	-	-	5	3
Guarantees and security rendered	-	-	21	21
Guarantees and security rendered on behalf of subsidiaries	1,158	905	-	-
Other	-	-	12	19
Total	1,158	905	38	43

NOTE 23. CASH FLOW AND ACQUISITIONS

Items that have no effect on cash flow

	Parent company		Group	
	2006	2005	2006	2005
Depreciation and amortization	1	1	220	211
Unrealized earnings, forward exchange contracts	-	-	-3	5
Changes in non-interest bearing provisions	-19	26	-123	138
Total	-18	27	94	354

Interest

	Parent company		Group	
	2006	2005	2006	2005
Interest received	6	2	6	6
Interest paid	-	-1	-45	-24
Total	6	1	-39	-18

Acquisitions 2006

During 2006, the following companies were acquired:

	Country	Date of acquisition	Division	Net sales	Number of employees
Grupo Combursa S.L.	Spain	March 31	DLS	275	150
Style Industries	Australia	July 1	WTS	45	30

The table below shows the carrying amount of net assets in the acquired companies and the adjustments made to fair values on acquisition and also the subsequent carrying amount of the net assets in the group on acquisition.

	Book value on acquisition	Adjustments on acquisition	Total value in group
Present goodwill	227	-227	-
Other intangible fixed assets	1	38	39
Tangible fixed assets	2	-	2
Deferred tax asset	-	84	84
Inventories	62	-	62
Accounts receivable	112	-	112
Other non-interest bearing receivables	8	-	8
Cash and cash equivalents	5	-	5
Interesting bearing liabilities	-317	-	-317
Deferred tax liability	-14	-12	-26
Other liabilities	-70	-	-70
Net assets	16	-117	-101
Acquisition price			-37
Goodwill on acquisition			138

Acquisition price	-37
Cash and cash equivalents in acquired companies	5
Effect on group cash and cash equivalents	-32

The adjustments made in connection with the acquisition of Combursa relate to the fact that the Combursa brand has been identified as an intangible asset separate from goodwill. A market value has been set for the brand by using the "relief from royalty" method. Besides this adjustment, a deferred tax asset has been taken into account both in respect of existing loss carry-forwards and of the tax base of existing goodwill. In connection with the acquisition, customer lists, customer relations and human resources were also taken over. These assets have not been reported separately, but are included in goodwill, since they cannot be separated through sale. The goodwill value also consists of the value of the synergies that are expected to be realized through integration of Combursa into the Door & Logistics Solutions division.

The allocation of the acquisition price for Grupo Combursa is only preliminary, since it has not been possible to establish the tax base of the acquired net assets. The preliminary allocation has been done on the basis of an estimate of the tax bases. When the final allocation is carried out, the distribution between goodwill and deferred tax asset/liability may be changed.

In connection with the acquisition of Style Industries, the surplus value was SEK 4 million, which is attributed in its entirety to goodwill. No other intangible assets meeting the criteria for separate reporting in accordance IFRS were identified.

In net earnings for the year after tax, the acquired companies contribute SEK 6 million.

Acquisitions 2005

During 2005, the following company was acquired:

	Country	Date of acquisition	Division	Net sales	Number of employees
Sparrow Water	UK	Sept 14	WTS	15	13

The table below shows the carrying amount of the net assets in the acquired company and the adjustments made to fair values on acquisition and also the subsequent carrying amount of the net assets in the group on acquisition.

	Book value on acquisition	Adjustments on acquisition	Total value in group
Tangible fixed assets	1	-	1
Other non-interest bearing receivable	4	-	4
Net assets	5	-	5
Acquisition price			-15
Goodwill on acquisition			10

Acquisition price	-15
Effect on the group's cash and cash equivalents	-15

Sparrow Water is a small British service company for pumps and other equipment for the management of clean and polluted water. In connection with the acquisition, goodwill of SEK 10 million arose, which is in its entirety attributed to Wastewater Technology Solutions. No other intangible assets that meet the criteria for separate reporting in accordance with IFRS 3 were identified.

AUDIT REPORT.

To the annual general meeting of the shareholders of Cardo AB
Corporate identity number 556026-8517

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Cardo AB for the year 2006. The Company's annual accounts and consolidated accounts are included in the printed version of this document on pages 42–67. The Board of Directors and the President are responsible for these accounts and the administration of the Company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the Company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory report of the Board of Directors is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the general meeting of the shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the report of the Board of Directors and that the members of the Board of Directors and the President be discharged from liability for the financial year.

MALMÖ, SWEDEN, FEBRUARY 13 2007

Ernst & Young AB

Kerstin Mouchard *Authorized Public Accountant*	Björn Grundvall *Authorized Public Accountant*


FAKTURA

CORPORATE GOVERNANCE REPORT.

Cardo applies the rules provided under the Swedish Code of Corporate Governance (the Code). In accordance therewith, the Company's board has drawn up this corporate governance report.

The Code is intended to be part of the process of self-regulation in the Swedish business world. It is based on the principle of "comply or explain", which is applied in most codes outside Sweden. Under this principle, a company that follows the Code may depart from individual rules, but must then provide explanations giving the reasons for each departure. Thus, application of the Code does not mean that all rules must be complied with and departure from one or more rules does not constitute a breach of the Code.

INTRODUCTION

The responsibility for the management and control of the group is shared between the shareholders at the General Meeting of Shareholders, the Board of Directors, the elected committees of the Board of Directors and the President in accordance with the Swedish Companies Act, other laws and regulations, current rules for stock market companies, the Articles of Association and the internal formal work plan for the Board of Directors.

THE SHAREHOLDERS

At the end of 2006, the Company had 12,762 shareholders. The proportion of the share capital held by institutions amounted to approximately 89 percent. Non-Swedish investors held approximately 20 percent of the share capital. The 10 largest owners had a total holding corresponding to 62.1 percent of the share capital. For further information on the owners at December 31 2006, please see page 11.

ANNUAL GENERAL MEETING 2006

The General Meeting of Shareholders is the group's highest decision-making body. The Annual General Meeting is usually held in April in Malmö, Sweden. The 2006 Annual General Meeting was held on April 6 2006. Fredrik Lundberg was elected chairman of the meeting.

The following resolutions were adopted:

- The meeting adopted the income statement and balance sheet as well as the consolidated income statement and consolidated balance sheet, and resolved to distribute the Company's earnings in accordance with the proposed distribution of earnings, involving a dividend of SEK 8.00 per share being paid for the financial year 2005, and to discharge from liability the members of the Board of Directors and the President.
- The meeting resolved in accordance with the recommendation of the election committee:
  - that the number of Directors elected by the meeting be eight and that no Deputy Directors be appointed;
  - that the fee to be paid to the Board shall be SEK 1,400,000, whereof SEK 350,000 to the Chairman and SEK 175,000 to each and every of the other Directors who are elected by a General Meeting of Shareholders and not employed by the group.
  - that Tuve Johannesson, Berthold Lindqvist, Fredrik Lundberg, Carina Malmgren Heander, Lennart Nilsson, Bengt Pettersson and Anders Rydin (all by re-election) and Peter Aru (by election to the Board as a new member) be appointed Directors.
  - that Fredrik Lundberg be elected Chairman of the Board.

In connection with this resolution, the meeting was informed that the 2004 General Meeting of Shareholders had appointed the public accounting firm Ernst & Young AB as the Company's auditors until the 2008 Annual General Meeting.

- The meeting resolved in accordance with the proposal of the Board of Directors to authorize the Board to acquire shares in the Company. Furthermore, the meeting resolved on changes to the Articles of Association occasioned by the coming into force of a new Companies Act on January 1 2006.

ELECTION COMMITTEE

Under a resolution at the Annual General Meeting 2005, there shall be an election committee that, in addition to Chairman of the Board of Directors, shall consist of representatives of each of the Company's three largest shareholders on September 30 each year, and replacement rules to apply if any of these persons declines to take part in the election committee or leaves the election committee before its work has been completed. The duties of the election committee are to submit proposals for the election of the Board of Directors and fees for the members of Board of Directors, and, whenever applicable, the election of auditors and fees for the auditors. Since December 2006, the election committee has had the following members: Ulf Lundahl (chairman), L E Lundbergföretagen AB, Britt Reigo, Swedbank Robur funds, Per-Erik Mohlin, SEB funds and Fredrik Lundberg, Chairman of Cardo.

The election committee has drawn up proposals for the 2007 Annual General Meeting regarding the chairperson at the Annual General Meeting, the composition of the Board of Directors and the Board fee. During 2006, the election committee held 2 meetings. No remuneration has been paid to the election committee. To the degree that it finds necessary, the election committee is within its remit entitled to call in external consultants at the expense of the Company to a reasonable extent.

INDEPENDENCE OF THE BOARD OF DIRECTORS

The election committee considers Tuve Johannesson, Lennart Nilsson and Anders Rydin to be dependent in relation to the Company according to the Code after their 12 years on the Board. Peter Aru is also to be considered dependent on the Company and the Company's management in his role as President of Cardo. Fredrik Lundberg and Bengt Pettersson are considered dependent in relation to the Company's major shareholders. The other two Directors are considered to be independent in relation to both the Company and the Company's major shareholders. It is the opinion of the election committee that its proposal for the composition of the Board of Cardo meets the independence requirements set out in the Stockholm Stock Exchange listing agreement. The proposal departs, however, from the Code's rule that a majority of the Directors shall be independent in relation to the Company. Nevertheless, the election committee has made the judgment that the skills and experience of the Directors in question are such that these Directors should not be replaced.

THE BOARD OF DIRECTORS AND ITS WORK

General information

According to the Articles of Association, the Board of the Company shall consist of 5 to 10 Directors elected by the General Meeting of Shareholders annually for the period until the end of the Annual General Meeting that is held after the year in which the Director was appointed. Under the law, the employees appoint Directors and Deputy Directors to the Board. As employee representatives, the following people were appointed to the Board in 2006: Thomas Häggström, Anders Olofsson and Lennart Utbult with Kurt Hellström, Nils-Åke Pettersson and Dieter Steffens as deputies.The secretary to the Board, who is an attorney-at-law independent of the Company, takes part in the Board meetings.. Officers of the Company take part in Board meetings to report on particular matters or if so is otherwise judged appropriate. The Board of Directors is presented on pages 74–75.

Every year, the Board establishes a formal written work plan, which regulates the work of the Board and the division of work within it, including its committees, the decision-making procedure within the Board, the order of business of the Board and the duties of the Chairman of the Board. The Board has also issued terms of reference for the President and instructions for financial reporting to the Board.

The Board monitors the work of the President through ongoing follow-up of the operations during the year, and is responsible for the organization, management and guidelines for the administration of the Company's affairs serving their purpose well and for the provision of a satisfactory internal control system. The Board is also responsible for the development and follow-up of the Company's strategies through plans and objectives, decisions on acquisitions and disposals of operations and major investments.

The Chairman

At the Annual General Meeting 2006, Fredrik Lundberg was elected Chairman of the Board and on April 7 2006 at the Board meeting following the election of the Board, Lennart Nilsson was elected Vice Chairman. The Chairman organizes and leads the work of the Board so that this is carried out in accordance with the Swedish Companies Act, other laws and regulations, current rules for stock market companies (including the Code) and the internal control instruments of the Board. The Chairman monitors operations in dialog with the President and is responsible for the other members of the Board obtaining the information that is necessary for the fulfillment of their duties. The Chairman is responsible for the Board developing its knowledge of the Company and for an evaluation of the work of the Board and for the election committee being provided with the assessments. The Chairman also takes part in evaluation and development issues concerning the leading officers of the group. The Chairman represents the Company in matters relating to ownership.

Work of the Board

According to its current formal work plan, the Board shall meet 6 times a year and hold additional meetings as the situation requires. In 2006, the number of Board meetings amounted to 8. During the year, the work of the Board was focused on business that included commercial, strategic, financial and accounting matters. At each Board meeting, the President gave an account of developments within the group and its divisions.

Attendance at the year's 8 meetings was good, as can be seen in the following table.

Attendance at Board meetings, totaling 2 meetings prior to the Annual General Meeting and 6 meetings after the Annual General Meeting, of Directors elected by a General Meeting of Shareholders:

Attendance	Number of meetings
Fredrik Lundberg, Chairman	8
Lennart Nilsson, Vice Chairman	8
Peter Aru*	6
Tuve Johannesson	5
Berthold Lindqvist	6
Carina Malmgren Heander	7
Bengt Pettersson	8
Anders Rydin	5

* Elected as a new member at Annual General Meeting 2006

Audit committee

The Board resolved to establish the previous practice whereby the Board as a whole acts as an audit committee. During 2006, the Board as a whole thus monitored the systems for internal control and risk management. These systems aim to ensure that the operations are pursued in accordance with laws and regulations and are efficient and that the financial reporting is reliable. The Board studied and evaluated the procedures for accounting and financial reporting and followed up and evaluated the external auditors' work, qualifications and independence. The Board also assists group management with the identification and evaluation of the main risks in the business and sees to it that management directs efforts at handling these. During 2006, the Board took part in one review with the Company's external auditors. The reports of the auditors did not bring about any particular action by the Board.

Remuneration committee

Within itself, the Board appointed a remuneration committee for the period until the end of the next Annual General Meeting. The committee consists of Fredrik Lundberg, Lennart Nilsson and Anders Rydin and its duties are to specify overall guidelines for the group's remuneration and pension systems, to prepare matters for the Board concerning remuneration and other benefits for the President and to resolve on remuneration and benefits for the remainder of group management. It also rests upon the remuneration committee to draw up the guidelines for the remuneration of senior management that the Board will recommend to the 2007 Annual General Meeting for resolution. The work of the committee is regulated by special instructions that were adopted by the Board as part of its formal work plan. During 2006, the remuneration committee met twice and within itself had regular contacts in connection with the hiring of staff and other matters relating to pay.

Remuneration

The General Meeting of Shareholders resolves on the fee to the members of the Board of Directors elected by the General Meeting of Shareholders. The division of the fee between the Chairman and other Directors can be seen in note 6 of the annual report. No further remuneration was paid to any Director.

REPORTING AND CONTROL

As is described above under "Audit committee", the Board monitors the quality of financial reporting through terms of reference for the President and the establishment of requirements for the content of the reports on financial conditions that are provided to the Board on an ongoing basis through instructions for financial reporting. The Board studies and ensures the provision of financial reports such as financial statements and the annual report and has delegated to senior management to ensure the provision of press releases with financial content and presentation material in connection with meetings with the media, owners and financial institutions.

SENIOR MANAGEMENT

The President leads the operation under the Companies Act and within the framework established by the Board. In consultation with the Chairman of the Board, the President produces necessary bases of information and decisions ahead of Board meetings, presents the matters on the agenda and justifies proposals for decisions. The President leads the work of group management and makes decisions in consultation with the other members of the management team. Group management makes regular reviews of the operation under the leadership of the President. A more detailed presentation of the President and the other members of group management can be seen on pages 76–77.

Remuneration

At the 2006 Annual General Meeting, the Chairman of the Board accounted for the principles for remuneration of leading officers, but the General Meeting of Shareholders adopted no formal resolution in this respect. Pay and other benefits to group management can be seen in note 6 on page 59. Under new provisions in the Companies Act, the Board's proposed guidelines for senior management will be put before the Annual General Meeting 2007 for resolution.

INTERNAL CONTROL

Under item 3.7.2 of the Code, the Board of Directors shall submit an annual report on how the internal control system, insofar as this relates to financial reporting, is organized and how well it has functioned during the past financial year. The Company's auditor shall review this report. In accordance with a statement by the Swedish Corporate Governance Board on September 5 2006, this report is limited this year to a description of how the internal control system, insofar as this relates to financial reporting, is organized.

Control environment

The basis of the internal control in respect of the financial reporting is the overall control environment within the organization, decision pathways, authorizations and responsibilities that are documented and communicated. Within Cardo, some of the most essential constituents of the control environment are documented in the form of policies such as ethics policy, IT policy and treasury policy, and in the form of instructions, e.g. approvals lists and a reporting manual.

Control activities

In order to ensure the provision of internal control, there are both automatic controls in, for example, IT-based systems that handle authorizations and approval rights, and manual controls in the form of such things as reconciliations and inventory taking. Detailed financial analyses of results and follow-up vis-à-vis plans and forecasts supplement the controls and give an overall confirmation of the quality of the reporting.

Information and communication

The most significant control documentation in the form of policies and instructions are kept updated on an ongoing basis and are communicated via relevant channels electronically and/or in printed form. For communication with external partners, there is an information policy that specifies guidelines for how this communication should occur. The aim of the policy is to ensure that all obligations in respect of information are fulfilled in a correct and complete manner.

Follow-up

Finance staff and management at company, divisional and group level carry out detailed monthly analyses of the financial reporting. At its meetings, the Board treated the Company's financial situation and also received reports during the year from the Company's auditors on their observations.

INTERNAL AUDIT

The Company has drawn up management and internal monitoring systems and the observance of these is regularly follow up by business controllers at various levels within the Company. The Board follows up the Company's assessment of the internal control system by means that include contacts with the Company's auditors. In the light of the above, the Board has chosen not to have a special internal audit.

AUDITORS

At the 2004 Annual General Meeting, the public accounting firm Ernst & Young AB was newly elected for a period of 4 years, with authorized public accountants Kerstin Mouchard and Björn Grundvall as auditors in charge. A more detailed presentation of the auditors is given on page 75.

The auditors work to an audit plan in which viewpoints from the Board are embodied and report their observations to the Board on a continual basis during the year. The auditors also take part in the Annual General Meeting and there describe their audit work and observations made. During the year, the auditors have had consultancy commissions in addition to auditing, primarily concerning tax matters.

ARTICLES OF ASSOCIATION

The Articles of Association establish matters such as the Company's activities, the number of Directors and auditors, how notice of a General Meeting of Shareholders shall be given, the treatment of matters at an Annual General Meeting and where a General Meeting of Shareholders shall be held. For the current Articles of Association, adopted on April 6 2006, please see Cardo's website www.cardo.com under Corporate Governance/Articles of Association.

POLICY DOCUMENTS

Cardo has a number of policies for the group's operations and its staff. Furthermore, the group has a number of recommendations that specify guidelines and instructions for the group's activities and its staff. Among the policies, there are, for example, the following:

Ethics policy

The group's ethical guidelines have been drawn up with a view to clarifying the group's basic position in ethical matters both within the group and externally toward customers and suppliers.

Treasury policy

The group's treasury function works to instructions adopted by the Board that provide frameworks for how the group's operations are to be financed and how, for example, exchange rate risks and interest rate risks shall be managed.

Information policy

The group's information policy is a document that describes the group's general principles for providing information.

Environment policy

The group's environment policy provides guidelines for environmental performance within the group.

EXAMINATION

This corporate governance report has not been examined by the Company's auditors.

BOARD OF DIRECTORS AND AUDITORS.

FREDRIK LUNDBERG
Djursholm, b 1951. Chairman. Elected 1998.
Honorary Doctor of Economics, Honorary Doctor of Technology.
Graduate engineer and graduate business administrator.
Working at L E Lundbergföretagen AB since 1977, President and CEO since 1981. Chairman of Holmen AB and Hufvudstaden AB. Board member of L E Lundbergföretagen AB, AB Industrivärden, NCC AB, Handelsbanken and Sandvik AB.
Shareholding: 0
Shareholding through L E Lundbergföretagen AB: 10,800,000

PETER ARU
Helsingborg, b 1957, President and CEO, Acting Head of Wastewater Technology Solutions. Elected 2006.
Graduate engineer in industrial economics.
1982–1992 various posts including head of subsidiary of Munters. 1992-1997 Vice President Marketing Cardo Door AB. 1997-2004 President Besam AB. 2004-2005 President Cardo Pump AB. 2005- President and CEO Cardo AB.
Board member of Boxon AB and Flügger A/S.
Shareholding: 1,000
*Call options: 75,000**

TUVE JOHANNESSON
London, b 1943. Elected 1995.
Graduate business administrator and MBA.
1983-1988 Executive Vice President Tetra Pak Rausing. Worked at Volvo 1988-2004, 1988 CEO VME later Volvo Construction Equipment. 1995 CEO Volvo Car Corporation. 2000 Vice Chairman Volvo Car Corporation.
Chairman of Arctic Island Ltd, Ecolean International A/S, CJS Chumak, Ukraine and IBX. Board member of Skandinaviska Enskilda Banken AB, Gambro AB and Meda AB.
Shareholding: 1,000

BERTHOLD LINDQVIST
Malmö, b 1938. Elected 2002.
Honorary Doctor of Medicine.
Engineer.
1983-1984 Executive Vice President of Wilh Sonesson AB, 1984-1998 President and CEO of Gambro AB.
Chairman of Munters AB. Board member of Securitas AB, Trelleborg AB, JM AB.
Shareholding: 1,000

CARINA MALMGREN HEANDER
Sandviken, b 1959. Elected 2004.
Graduate business administrator.
1989-1998 Project Manager at Adtranz Signal (currently Bombardier). 1998-2003 Vice President Human Resources of ABB AB, from 2003 Vice President Human Resources of Sandvik group.
Board member of Seco Tools AB and IFL at Stockholm School of Economics.
Shareholding: 300

LENNART NILSSON
Lund, b 1941. Vice Chairman. Elected 1994.
Honorary Doctor of Economics.
Graduate engineer.
Worked at Wilh Sonesson AB 1980-86, 1980 Divisional Manager, 1982 Executive Vice President and 1984 President. 1986-1994 CEO Investment AB Cardo, 1994-1997 CEO Cardo AB. From 1997 own business in AB Pethle. From 2004 CEO Crafoord Foundation.
Chairman of University of Kalmar, Malmöhus Invest, Erik Philip-Sörensens Stiftelse and GS Development. Board member of AB Industrivärden, Albert Påhlssons Stiftelse, Canadian Oil, Crafoord Foundation, AMF Pension and and Kalmar Läns Pensionskapitalförvaltning AB.
Shareholding: 20,000

BENGT PETTERSSON
Stockholm, b 1938. Elected 1998.
Licentiate in engineering.
1977-1986 various managerial posts at Billerud och Stora. 1986-1988 Executive Vice President Stora Billerud/Divisional Manager Stora, 1988-1994 President Stora Billerud, 1994-2000 President and CEO MoDo (currently Holmen).
Chairman of BabyBjörn AB. Board member of Holmen AB, LE Lundbergföretagen AB and Econova AB.
Shareholding: 1,000

ANDERS RYDIN
Lidingö, b 1945. Elected 1994.
Graduate business administrator.
1978-1991 Vice President Finance AGA AB. 1991-1997 Executive Vice President, Vice President Finance and Treasury Investor AB. 1997-2003 Executive Vice President, Vice President Finance and Treasury and CFO Skandinaviska Enskilda Banken AB. 2003- various appointments, including periodically Acting President of HHS Executive Education AB, Enskilda Securities AB and IFL at HHS AB. Chairman of HHS Förvaltning AB and subsidiaries. Board member of NCC AB, AP-fastigheter AB, Biotage AB and IFL & HHS Holding AB. Member of Royal Swedish Academy of Sciences' Investment Board.
Shareholding: 1,000

*The call options were issued by L E Lundbergföretagen AB and expire in 2010.

EMPLOYEE REPRESENTATIVES

THOMAS HÄGGSTRÖM
b 1958. Elected 2001.
Welder at Pumpex Production AB. Chairman of the local factory union at Pumpex Production AB, Nordmaling.
Shareholding: 0

ANDERS OLOFSSON
b 1976. Elected 2004.
Engineering worker at Cardo Door Production AB. Chairman of the local factory union at Cardo Door Production AB, Torslanda.
Shareholding: 0

LENNART UTBULT
b 1952. Elected 1994.
Construction engineer at Cardo Door Production AB. Chairman of the local branch of the Swedish Union of Clerical and Technical Employees in Industry at Cardo Door Production AB, Torslanda.
Shareholding: 0

EMPLOYEE REPRESENTATIVES – DEPUTY MEMBERS

KURT HELLSTRÖM
b 1957. Elected 2002.
Engineer at Crawford Production AB. Chairman of the local branch of the Swedish Union of Clerical and Technical Employees in Industry at International Door Automation AB, Strömstad.
Shareholding: 0

NILS-ÅKE PETTERSSON
b 1959. Elected 2005.
Warehouseman at ABS Production Vadstena AB. Chairman of the local branch of the Swedish Metal Workers' Union at ABS Pump Production AB, Vadstena.
Shareholding: 0

DIETER STEFFENS
b 1944. Elected 2005.
Area Sales Manager at AB Lorentzen & Wettre. Chairman of the local branch of the Swedish Union of Clerical and Technical Employees in Industry at AB Lorentzen & Wettre, Stockholm.
Shareholding: 0

SECRETARY TO THE BOARD

Peter Idsäter
b 1960, Attorney-at-law, partner in Mannheimer Swartling Advokatbyrå.

AUDITORS

Ernst & Young AB

Kerstin Mouchard b 1952.
Authorized Public Accountant (principal auditor).

Björn Grundvall b 1955.
Authorized Public Accountant.

At the 2004 Annual General Meeting, the public accounting firm of Ernst & Young AB was appointed as the Company's auditors for a term of four years.

GROUP MANAGEMENT.

PETER ARU
b 1957. President and CEO.
Acting head of Wastewater Technology Solutions.
Joined the group in 2004.
Board member of Boxon AB and Flügger A/S.
Shareholding: 1,000
Call options*: 75,000

ULF LILJEDAHL
b 1965. CFO (as of August 2007)
Head of Finance & Treasury
Joining the group in 2007
Shareholding: 0
Call options*: 0

OVE BERGKVIST
b 1968. Senior Vice President Residential Garage Doors
Joined the group in 2004
Shareholding: 0
Call options*: 15,000

MARIA BERGVING
b 1969. Senior Vice President Communications & Investor Relations.
Joined the group in 1995
Shareholding: 200
Call options*: 25,000

*The call options were issued by L E Lundbergföretagen AB and expire 2010.

ANITA HEBRAND
b 1953. Senior Vice President Human Resources
Joined the group in 2004
Shareholding: 200
Call options*: 20,000

FREDRIK JÖNSSON
b 1962. Senior Vice President Door & Logistics Solutions
Joined the group in 2006
Shareholding: 500
Call options*: 25,000

PETER LINDQVIST
b 1973. Senior Vice President Group IT.
Joined the group in 2006.
Shareholding: 0
Call options*: 19,000

PETER UDDFORS
b 1964. Senior Vice President Pulp & Paper Solutions.
Joined the group in 2003.
Shareholding: 0
Call options*: 25,000

CARDO – AT THE CENTER OF EVENTS.

For almost a century, Cardo has played a significant role in the industrial history of the province of Scania in southernmost Sweden and in recent decades has developed into a group with considerable international focus.

The company has its origins in two of the 20th century's most influential industrial groups in Scania. Its industrial activities have their origin primarily in the listed company Wilh Sonesson AB, in which the pump business was established as early as 1918, and in the investment company founded in 1968 by Svenska Sockerfabriks AB that came to be called AB Cardo.

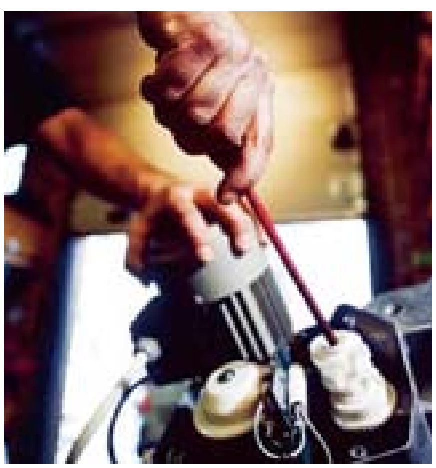
In 1986, Volvo acquires both Wilh Sonesson AB, which includes the operations that will later be the business areas Door, Pump and Rail, and AB Cardo, which includes the companies Sockerbolaget, Weibulls and Hilleshög and a major share portfolio.

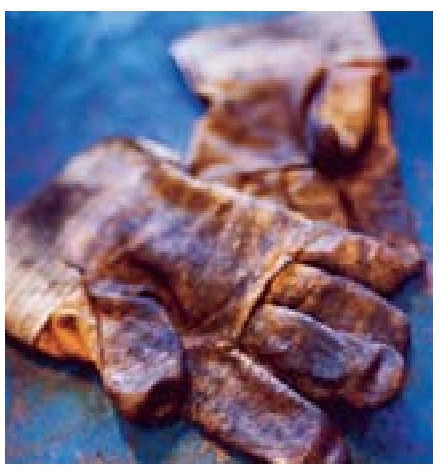
With the aim of creating its own food business, Volvo retains AB Cardo's food operations and incorporates them into its existing activities. Most of Wilh Sonesson's industrial operation and the share portfolio are included the new company that is founded in 1986, Investment AB Cardo, in which Volvo continues to be the largest shareholder. In 1988, Investment AB Cardo acquires a majority shareholding in Gambro.

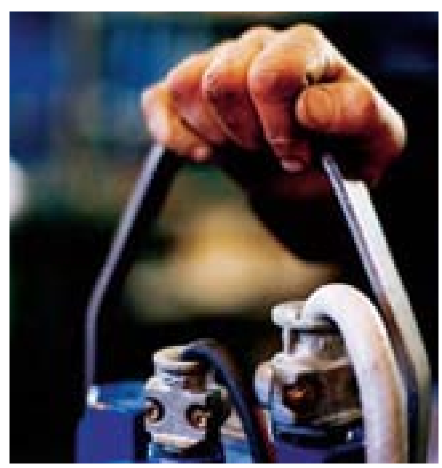
Six years later, in 1994, Incentive acquires Volvo's shareholding in Investment AB Cardo. At this time, Volvo intends to streamline its operation, while Incentive wants to acquire Gambro in order to concentrate its business on medical technology. Incentive then re-introduces Investment AB Cardo's industrial operations with the business areas Door, Pump and Rail onto the Stockholm Stock Exchange under the name Cardo AB in February 1995. In 2002, the Rail business area is disposed of to the private equity company Vestar Capital Partners.

In 2005, a process of change is started to transform Cardo into an operative group principally targeting industrial customers. Activities are organized by customer segment in the three industrial divisions Door & Logistics Solutions, Wastewater Technology Solutions and Pulp & Paper Solutions and the Residential Garage Doors division, which targets the consumer market.

Cardo AB is today listed on the Stockholm Stock Exchange in the Mid Cap segment, in the Industrial Machinery sector.







ANNUAL GENERAL MEETING 2007.

The Annual General Meeting of Cardo AB (publ) will be held on Monday, April 2 2007 at 5.00 pm at Malmö Opera, Östra Rönneholmsvägen 20 in Malmö, Sweden.

NOTIFICATION

Shareholders wishing to participate in the Annual General Meeting must be entered in the register of shareholders maintained by VPC AB (Swedish Central Securities Depository & Clearing Organization) no later than Tuesday, March 27 2007 and have given notice of their intention to attend the meeting no later than 4.00 pm, Tuesday, March 27 2007.

To be entitled to participate in the meeting, shareholders whose shares are nominee registered should have the shares temporarily registered in their own name by the nominee in good time before Tuesday, March 27 2007. Please note that notice of intention to attend the meeting must be given separately as indicated below.

Notice of intention to attend the Annual General Meeting shall be given in one of the following ways:

- by mail: Cardo AB, Box 486, 201 24 Malmö
- on Cardo's website: www.cardo.com
- by e-mail: info@cardo.com
- by telephone: +46 40 35 04 49, fax: +46 40 97 64 40

When giving notice of their intention to participate in the meeting, shareholders shall state their name, civic registration number or corporate identity number, address, daytime telephone number and number of shares. Shareholders intending to take part in the meeting by proxy should send in the original proxy in connection with the notice of intention to participate. If the provider of the proxy is a legal entity, a document showing the authority of the signatory for that entity must also be submitted.

Information provided when giving notice will only be used in connection with the Annual General Meeting and with necessary registration and processing for drawing up a voting list in that respect.

PROGRAM FOR ANNUAL GENERAL MEETING

4.00 pm registration begins
4.30 pm opening of the meeting hall

Light refreshments after the meeting.

AHEAD OF THE ANNUAL GENERAL MEETING

Dividend

The Board of Directors proposes a dividend of SEK 9.00 per share for the financial year 2006. The proposed record day is April 5 2007. Provided the Annual General Meeting resolves in accordance with the proposal, VPC expects to be able to distribute the dividend to the shareholders on April 12 2007.

Election committee and proposal for election of Board of Directors

An election committee consisting of the Chairman of the Board and representatives of the Company's largest shareholders, together representing 42 percent of the votes in the Company, has proposed the following:

The number of Directors is to be eight.

Re-election of the Directors Peter Aru, Carina Malmgren Heander, Tuve Johannesson, Berthold Lindqvist, Fredrik Lundberg, Lennart Nilsson, Bengt Pettersson and Anders Rydin. Fredrik Lundberg shall be elected as Chairman of the Board of Directors.

In addition, the election committee proposes that Fredrik Lundberg be appointed chairman of the Annual General Meeting.

Election of auditors

Auditors are appointed by the Annual General Meeting for a term of four years. At the 2004 Annual General Meeting, Ernst & Young AB were appointed as the Company's auditors for the current term.

Proposal that the Board be authorized to acquire shares in the Company

The proposal of the Board of Directors involves authorizing the Board 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 validity of a resolution in accordance with the aforementioned is conditional upon the support of shareholders with at least two thirds of both the votes cast and of the shares represented at the meeting.

FINANCIAL INFORMATION.

During the financial year 2007, Cardo AB will publish reports as follows:

May 3	Interim Report January – March
August 15	Interim Report January – June
November 8	Interim Report January – September

Cardo's financial information is published in Swedish and English. Reports, including annual reports, can be read on and printed out from Cardo's website at www.cardo.se as soon as they have been made public. The website also provides archives of press releases and reports, current information on the market value of the Cardo share, descriptions of the group's divisions, etc.

SUBSCRIPTION SERVICE

The report on operations, interim reports and annual report are sent to shareholders and others who specially indicate that they wish to receive this information by ordinary mail. Letters of welcome containing information about the subscription service and login details are sent to new shareholders on a routine basis.

Shareholders and others using Cardo's subscription service on the website can register and change their personal details and subscriptions themselves.

Changes of address in the register of shareholders, which is kept by VPC, should be made via a bank or institute conducting accounts. For persons entered in an official population register in Sweden, a regular notification of change of address to the company Svensk Adressändring AB results in the updating of VPC's register, provided that automatic address updating has not been declined. Shareholders using Cardo's subscription service on the website can themselves specify a mailing address for information from Cardo other than that registered at VPC.

To make requests and obtain information, please contact:

Cardo AB
Communications & Investor Relations
Box 486, SE-201 24 Malmö, Sweden
Tel: +46 40 35 04 00
Fax: +46 40 97 64 40
e-mail: info@cardo.com
Website: www.cardo.com

Maria Bergving, Senior Vice President Communications & Investor Relations
Tel: +46 40 35 04 25, mobile: +46 70 602 61 81
e-mail: maria.bergving@cardo.com

CONTACT CARDO.

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www. crawfordsolutions.com
www.megadoor.com

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info@pumpex.com
www.absgroup.com
www.pumpex.com

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www.lorentzen-wettre.com

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info@normstahl.de
info@pchenderson.com
www.crawfordgarageportar.se
www.normstahl.com
www.pchenderson.com

GROUP FINANCIAL SUMMARY – 5 YEARS.

Amounts in SEK million unless otherwise stated	2006	2005	2004	2003*	2002*
Net sales	8,556	7,880	7,686	7,687	10,376
Operating earnings	598	239	448	448	930
Earnings after financial items	558	210	419	428	856
Operating margin, %	7.0	3.0	5.8	5.8	9.0
Profit margin, %	6.5	2.7	5.5	5.6	8.3
Interest cover, times	12.6	7.9	16.7	13.9	9.7
Investments, gross	164	250	294	270	309
Cash flow from operating activities after tax	184	214	467	656	839
Degree of self-financing, %	112	86	159	243	272
Fixed assets	2,439	2,331	2,201	2,151	2,265
Current assets	3,668	3,211	2,925	2,833	3,846
Total assets	6,107	5,542	5,126	4,984	6,111
Equity	2,986	2,935	2,880	2,886	3,875
Interest bearing provisions and liabilities	1,223	731	489	353	335
Non-interest bearing provisions and liabilities	1,898	1,876	1,757	1,745	1,901
Average capital employed	3,986	3,537	3,345	3,665	4,821
Net interest bearing debt	1,023	554	268	179	-593
Turnover of capital employed, times	2.15	2.23	2.30	2.10	2.15
Return on capital employed, %	15.2	6.8	13.3	12.6	19.8
Return on equity, %	13.8	5.1	11.5	9.5	18.7
Equity ratio, %	48.9	53.0	56.2	57.9	63.4
Debt/equity ratio, times	0.4	0.2	0.2	0.1	0.1
Net debt/equity ratio, times	0.3	0.2	0.1	0.1	-0.2
Average number of employees	5,931	5,845	5,947	6,203	7,851
Per share data					
Earnings after tax,SEK	13.38	4.91	10.86	10.28	22.50
Earnings after tax excluding non-recurring items, SEK	13.38	9.60	11.17	10.28	12.65
Dividend for the financial year, SEK	9.00[1]	8.00	8.00	8.00	40.00[2]
Equity, SEK	99.53	97.83	96.00	96.21	129.7
Cash flow from operating activities after tax, SEK	6.13	7.13	15.57	21.87	27.97
Number of shares, thousands	30,000	30,000	30,000	30,000	30,000

For definitions of key ratios etc., see note 3, page 56.

* Since 2005, Cardo has applied International Financial Reporting Standards (IFRS) and the figures for 2004 have been recalculated in accordance with IFRS. The figures for 2002–2003 have not been recalculated in accordance with IFRS. For a description of the differences between the accounting principles applied 2002–2003 and IFRS, please refer to the 2005 annual report.

[1] Board of Directors' proposal.

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

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