

Interim Report January – September 2003

- Net sales amounted to SEK 676M (743) – a fall of nine per cent
- Result after tax amounted to SEK –29M (-17)
- Earnings per share, SEK –5.81 (-3.51)
- Order intake amounted to SEK 629M (771)
– a fall of 19 per cent
- The backlog amounted to SEK 334M (424) – a fall of 21 per cent
- The acquisition of Waterjet was completed. The operation will be consolidated from October the first.

SEK M (unless otherwise stated)	Third quarter		Nine months		Twelve months	
	2003	2002	2003	2002	0210-0309	2002
Order intake	190	283	629	771	903	1 045
Backlog	334	424	334	424	334	397
Net sales	187	154	676	743	969	1 036
Operating result	-7	-26	-21	-4	-38	-21
Result before taxes	-9	-28	-28	-11	-46	-29
Result after tax	-8	-27	-29	-17	-40	-28
Earnings per share	-1.5	-5.41	-5.81	-3.51	-9.14	-5.64

President's comments

The external conditions for KMT remain difficult. For the third quarter of the year, which is a seasonally weak period for the Group, the result before taxes amounted to SEK -9M. Although this result is unacceptable, it is nevertheless an improvement on the previous year's figure of SEK -28M. KMT's loss before taxes for the first nine months totals SEK 28M. Order intake during the quarter was weak and amounted to SEK 190M (283). The previous year's figure included two of KMT's largest projects ever. Ursviken is the exception and reports a good quarter with an order intake of SEK 34M (34). This includes a large press brake for China with an order value of SEK 13M.

If we break down the result for the period, Pullmax accounts for a large proportion of the loss which is due, in particular, to a weak order intake in the fourth quarter of 2002 and the first quarter of 2003. Thereafter, Pullmax has enjoyed a better order intake. Compared with the same period in 2002, Lidköping reported a significant fall in its result. This is mainly due to two individual projects and low capacity utilisation in LMV.

The gross margin for the third quarter was 21.8 per cent (19.5). This is more than five percentage points better than the third quarter which was charged with provisions for increased costs in two projects and low capacity utilisation.

The extensive action programme which was implemented with the aim of adapting the Group's cost level to current market conditions is gradually making an impact. At the same time, I recognise that the road towards returning to profitability will be long and hard. The good news includes that there are clear signs that the quotation activities have increased significantly in all subsidiaries.

A large number of activities directed at increased sales and an expansion of the aftermarket business within all units are underway. We are also involved in competitiveness-strengthening activities, partly through increased purchasing from low cost countries, but also through proactive work within purchase co-ordination and continued cost reduction projects relating to both products and operations.

During the past six months, UVA, Ursviken and Pullmax have initiated further staff reductions. UVA will close its Karlskoga operation at the turn of the year, which will affect 10 employees.

We take on the task of integrating the new product area, Waterjet, with a combination of pleasure and optimism. The operation will be consolidated from the fourth quarter and the acquisition is partly financed through loans and partly through the proposed new share issue. We estimate that WaterJet will make a positive contribution to the Group's result as early as in the current quarter, after financing costs and amortisation of goodwill.

PROSPECTS FOR THE FUTURE

KMT has maintained its strong position in the market but the economy is weak. The result for the 2003 full year will be negative.

Lars Bergström
President and CEO

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Operations

Order intake, backlog, net sales

	Third quarter		9 months		12 months	
	2003	2002	2003	2002	0210-0307	2002
Order intake	190	283	629	771	903	1045
Backlog	334	424	334	424	334	397
Net sales	187	154	676	743	969	1036

Order intake for the third quarter fell by 33 per cent. Of the quarter's order intake, own products accounted for SEK 157M (226) and agency products for SEK 33M (57). For the nine month period, order intake fell by 19 per cent. All product areas reported a reduced order intake. For the rolling 12 month period, order intake fell by 13 per cent or SEK 142M. Of this, own products accounted for SEK 116M.

The total backlog fell to SEK 334M (424). Of this, own products accounted for SEK 288M (367).

Net sales for the third quarter increased by 21 per cent. Own products rose by SEK 27M to SEK 153M (126) and agency products by SEK 6M to SEK 34M (28). For the nine month period, net sales fell by nine per cent and by six per cent calculated on a rolling 12 month's basis.

<i>Results</i>	Third quarter		9 months		12 months	
	2003	2002	2003	2002	0210-0309	2002
Gross profit, SEK M	41	30	138	173	194	229
Gross margin, %	21.8	19.5	20.4	23.3	20.2	22.1
Result before taxes, SEK M	-9	-28	-28	-11	-46	-29
Profit margin, %	-4.9	-18.3	-4.2	-1.5	-4.8	-2.8

The gross profit for the third quarter rose by 37 per cent as a result of increased invoicing and improved margins. The improvement is mainly attributable to Lidköping. Despite improved margins, the gross margin is approximately three percentage points lower for the nine month period.

Investments and financial position

	Third quarter		9 months		12 months	
	2003	2002	2003	2002	0210-0309	2002
Investments, SEK M	-5	2	5	8	-3	6
Cash flow, SEK M	1	1	-23	46	6	75
Equity ratio, %	38	40	38	40	38	40

The cash flow from operations for the quarter was SEK -4M (-15) and changes in working capital remained unchanged (18). Net investments amounted to SEK -5M (2). The negative net investments mainly derive from the disposal and scrapping of machinery and equipment in connection with low gross investments during the period. Taken together, this generated a cash flow of SEK 1M (1). For the nine month period, the cash flow was SEK -23M (46). Of this, SEK -11M (11) can be attributed to the result of the operations and SEK -7M (43) by change in working capital. Net investments for the period were SEK 5M (8).

The equity ratio fell to 38 percent (40).

Seasonal variations

KMT's products are investment goods. Order intake as well as invoicing and profit are normally higher during the second and fourth quarters than in the first and third quarters.

KMT's product areas

KMT operates in three product areas: Precision Grinding, Sheet Metal Working and Tube Forming.

PRECISION GRINDING	Third quarter		9 months		12 months	
• UVA	2003	2002	2003	2002	0210-0309	2002
Order intake	40	57	100	161	175	236
Net sales	40	22	155	173	199	217

Order intake and net sales for the quarter fell by 30 per cent whilst net sales increased by 81 per cent. However, the third quarter ended on a positive note in relation to order intake and earnings. For the nine month period, order intake and sales fell by 38 and 10 per cent, respectively. The lower net sales resulted in a significant fall in earnings for the period. The investment rate in UVA's main customer segment, fuel injection equipment manufacturers, remains low.

	Third quarter		9 months		12 months	
• LIDKÖPING (LMT)	2003	2002	2003	2002	0210-0309	2002
Order intake	46	97	214	255	304	345
Net sales	64	47	220	235	331	346

Order intake for the third quarter fell by 51 per cent, whereas net sales increased by 36 per cent. For the nine month period, order intake fell by 16 per cent whilst net sales fell by six per cent. The lower order intake and sales are mainly attributable to the subsidiary, LMV. Lidköping continues to work proactively to develop both new customers and markets. This has also generated positive results in the form of orders received. Lidköping's investment in the service market is proceeding according to plan.

SHEET METAL WORKING	Third quarter		9 months		12 months	
• PULLMAX	2003	2002	2003	2002	0210-0309	2002
Order intake	61	93	219	252	300	333
Net sales	63	68	206	245	301	340

Order intake for the third quarter fell by 34 per cent and net sales fell by seven per cent. For the nine month period, order intake fell by 13 per cent and net sales fell by 16 per cent. The fall is mainly attributable to a weaker investment rate in the United Kingdom which is an important market for Pullmax.

	Third quarter		9 months		12 months	
• URSVIKEN	2003	2002	2003	2002	0210-0309	2002
Order intake	34	34	67	78	89	100
Net sales	12	21	68	93	93	118

Order intake for the quarter remains unchanged whilst net sales fell by 43 per cent. For the nine month period, order intake and net sales fell by 14 and 27 per cent, respectively. Despite increased order intake and sales, in particular in China, this does not compensate for the continued low level of industrial investment in the USA and the Scandinavian countries. These have accounted for a large proportion of Ursviken's total invoicing over the years.

TUBE FORMING	Third quarter		9 months		12 months	
• HERBER	2003	2002	2003	2002	0210-0309	2002
Order intake	6	7	32	39	43	50
Net sales	10	6	34	27	55	48

Order intake for the quarter was 14 per cent lower than in the previous year, whereas net sales increased by 60 per cent during the same period. For the nine month period, order intake fell by 18 per cent whilst net sales increased by 26 per cent. However, the difficult investment climate in the machinery market continues, despite increased invoicing.

Group summary

The accounting principles which KMT has applied in this report remain unchanged from the latest Annual Report.

This Interim Report has not been the subject of examination by the company's auditors.

INCOME STATEMENTS, SEK M	Third quarter		9 months		12 months		
	2003	2002	2003	2002	0210-0309	2002	2001
Net sales	187	154	676	743	969	1036	1345
Cost of sold goods	-146	-124	-538	-570	-775	-807	-994
Gross profit	41	30	138	173	194	229	351
Selling expenses	-30	-32	-88	-99	-125	-136	-161
Administrative costs	-12	-15	-47	-51	-75	-79	-74
Research and development expenditure	-5	-8	-22	-25	-29	-32	-46
Amortisation of consolidated goodwill	-1	-1	-2	-2	-3	-3	-3
Items affecting comparability	-	-	-	-	-	-	-4
Operating result	-7	-26	-21	-4	-38	-21	63
Financial items	-2	-2	-7	-7	-8	-8	-12
Result before taxes	-9	-28	-28	-11	-46	-29	51
Taxes	1	1	-1	-6	6	1	-17
Result after tax	-8	-27	-29	-17	-40	-28	34
Depreciation according to plan excluding consolidated goodwill	-6	-7	-18	-20	-28	-30	-27

BALANCE SHEETS, SEK M

Assets	9 months		12 months		
	0309	0209	0210-0309	0212	0112
<i>Fixed assets</i>					
Concessions, patents and other intangible assets	30	21	30	23	19
Consolidated goodwill	8	10	8	10	12
Tangible fixed assets	142	160	142	160	165
Financial fixed assets	2	8	2	2	8
Total fixed assets	182	199	182	195	204
<i>Current assets</i>					
Inventories	229	262	229	232	279
Current receivables	217	232	217	209	287
Cash and bank	32	56	32	81	40
Total current assets	478	550	478	522	606
Total assets	660	749	660	717	810
Equity, provisions and liabilities					
Shareholders' equity	248	301	248	286	338
Provisions	129	131	129	126	125
Long-term liabilities	85	109	85	111	124
Current liabilities	198	208	198	194	223
Total equity, provisions and liabilities	660	749	660	717	810

	9 months		12 months		
	0309	0209	0210-0309	0212	0112
Interest-bearing/non-interest-bearing liabilities and provisions					
Interest-bearing liabilities/provisions	182	202	182	205	215
Non-interest-bearing liabilities/provisions	230	246	230	225	263
Total provisions and liabilities	412	448	412	430	478

CHANGE IN EQUITY	Third quarter		9 months		12 months		
	2003	2002	2003	2002	0210-0309	2002	2001
Opening balance	260	324	286	338	301	338	320
Translation differences	-4	4	-1	-2	-5	-6	2
Dividend	-	-	-8	-18	-8	-18	-18
Net result for the period	-8	-27	-29	-17	-40	-28	34
Closing balance	248	301	248	301	248	286	338

OTHER KEY FIGURES	Third quarter		9 months		12 months		
	2003	2002	2003	2002	0210-0209	2002	2001
Profit margin, %	-4.9	-18.3	-4.2	-1.5	-4.8	-2.8	3.8
Return on: ¹							
- Capital employed (R12), %	-6.8	5.2	-6.8	5.2	-6.8	-2.9	11.8
- Equity (R12), %	-17.1	-0.2	-17.1	-0.2	-17.1	-9.0	10.3
Capital turnover rate ¹	2.1	2.2	2.1	2.2	2.1	2.0	2.4
Equity ratio, %	38	40	38	40	38	40	42
Debt ratio	0.73	0.67	0.73	0.67	0.73	0.7	0.6
Productivity (R12) ¹	0.88	1.09	0.88	1.09	0.88	0.95	1.20
Average number of employees	557	595	557	595	557	604	661

¹ Capital turnover rate, productivity and return on both equity and capital have been calculated on sales and results achieved over 12 months (R12) for all the periods stated.

CASH FLOW STATEMENTS, SEK M	Third quarter		9 months		12 months		
	2003	2002	2003	2002	0210-0309	2002	2001
Operations	-4	-15	-11	11	-24	-2	73
Change in working capital	-	18	-7	43	33	83	-6
Cash flow before investments	-4	3	-18	54	9	81	67
Acquisition/ Divestment of subsidiaries	-	-	-	-	-	-	15
Other investments, net	5	-2	-5	-8	-3	-6	-22
Cash flow	1	1	-23	46	6	75	60
Financial operations	-7	-7	-18	-13	-21	-16	-33
Dividend	-	-	-8	-18	-8	-18	-18
Change in liquid funds	-6	-6	-49	15	-23	41	9

SHARE DATA	Third quarter		9 months		12 months		
	2003	2002	2003	2002	0210-0309	2002	2001
Result after tax	-1.56	-5.41	-5.81	-3.51	-9.14	-5.64	6.81
Shareholders' equity, SEK	49.66	60.17	49.66	60.17	49.66	57.23	67.70
Cash flow, SEK	0.3	0.21	-4.58	9.23	1.08	15.01	11.96
Number of shares, period end(000)	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Average number of shares (000)	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Market price at the period end	59.00	75.00	59.00	75.00	59.00	69.00	96.00

KMT has been quoted on the O list of the OM Stockholm Exchange since 3 April 1998 and currently has approximately 4,200 shareholders.

FUTURE INFORMATION

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For further information, visit www.kmt.se

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