

## Year-End Report 2003

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- Net sales amounted to SEK 1,051M (1,036)
- Result after tax amounted to SEK -19M (-28)
- Earnings per share, SEK -3.41 (-6.02)
- For the fourth quarter the EBT was 7M (-18)
- The Board of directors proposes the same dividend as previous year of SEK 1.50 per share
- Waterjet was consolidated into the business on 1 October and is making a positive contribution to the Group's net result

Group summary	Fourth quarter		Twelve months	
	2003	2002	2003	2002
SEK M (unless otherwise stated)				
Order intake	366	274	995	1,045
Backlog	330	397	330	397
Net sales	375	293	1,051	1,036
Operating result	9	-17	-12	-21
Result before taxes	7	-18	-21	-29
Result after tax	10	-11	-19	-28
Earnings per share, SEK M	1.27	-2.27	-3.41	-6.02

## ***President's comments***

In our opinion, KMT's markets are slowly improving. Towards the end of 2003, sector statistics from the USA indicated a clear increase in capacity utilisation for the first time since mid-2001. This is also visible in the order intake for wearing parts in project area Waterjet.

Total order intake for 2003 amounted to SEK 995M (1,045), of which SEK 295M (274) was for the fourth quarter excluding Waterjet. The backlog carried forward, excluding Waterjet, amounted to SEK 304M (395). Including Waterjet, the backlog was SEK 330M.

The consolidated operating result for the year amounted SEK -12M (-21). This result was charged with closure costs of SEK 6M for UVA's operation in Karlskoga; an agreement with a customer relating to a delivery from Lidköping during 2000; and significant price increases for two large projects. Waterjet, which is consolidated from the fourth quarter, contributed SEK 12M to the operating result.

The group showed a 7M (-18) profit for the fourth quarter.

The measures implemented in recent years aimed at reducing KMT's costs made a good impact in all units and, taking into account UVA's one-off cost for the closure of its Karlskoga operation, UVA, Ursviken and Herber eliminated the losses experienced 2002 and reported a result close to breakeven.

The fall in Lidköping's profit from SEK 20M to a breakeven result is mainly attributable to the aforementioned agreement and cost overruns in two projects for China and Korea in which we had miscalculated the level of local installation work. In addition, the large market for the subsidiary, LMW, in the wind-power sector, reduced significantly which made a negative impact on the result.

Pullmax again reported a loss for 2003 due to squeezed margins for agency products and a continued low volume for stamping machines manufactured by the company. Pullmax's order intake has gradually improved. Order intake for the fourth quarter was SEK 100M which makes it the best fourth quarter since the fourth quarter of 2001.

We are very satisfied to report that the acquisition Waterjet is meeting our expectations with regards to profit margin and volume. The integration work has also run smoothly and has largely been completed. Our focus is now on continued expansion with maintained profitability.

KMT is not making a forecast for its results for 2004.

Lars Bergström  
President and CEO

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## ***Future information***

Interim Report January-March	29 April 2004
Interim Report January-June	20 August 2004
Interim Report January-September	22 October 2004
Year-End Report 2004	February 2005

## Operations

All comparisons are with the corresponding period in the previous year unless otherwise stated. KMT Waterjet Systems is included from 1 October 2003.

<i>Order intake, backlog, Net sales</i>	Fourth quarter		12 months	
	2003	2002	2003	2002
Order intake	<b>366</b>	274	<b>995</b>	1 045
Backlog	<b>330</b>	397	<b>330</b>	397
Net sales	<b>375</b>	293	<b>1 051</b>	1 036

Order intake for the fourth quarter, excluding KMT Waterjet, increased by five per cent. Product areas Sheet Metal Working and Tube Forming reported a rise and Precision Grinding a fall. The quarter's order intake, including KMT Waterjet, increased by 33 per cent. Of order intake for the fourth quarter, own products amounted to SEK 304M (237) and agency products amounted to SEK 62M (37). For the 2003 full year, order intake, excluding KMT Waterjet, fell by 12 per cent, of which Tube Forming reported an increase whereas Sheet Metal Working and Precision Grinding reported a fall. Including KMT Waterjet, order intake fell by five per cent. Of the year's order intake, own products accounted for SEK 828M (876) and agency products for SEK 167M (169).

Order intake for own products, excluding KMT Waterjet, amounted to SEK 264M (355). The total backlog, excluding KMT Waterjet, fell by 23 per cent compared with the previous year.

Net sales for the fourth quarter, excluding KMT Waterjet, increased by two per cent. Net sales including KMT Waterjet rose by 28 per cent. Of net sales for the fourth quarter, own products accounted for SEK 315M (242) and agency products for SEK 60M (51). Net sales for the full year increased by one per cent.

Excluding KMT Waterjet, net sales fell by six per cent compared with 2002. The fall is attributable to all product areas. The proportion of invoicing outside Sweden was 79 per cent (79).

<i>Results</i>	Fourth quarter		12 months	
	2003	2002	2003	2002
Gross profit, SEK M	<b>89</b>	56	<b>227</b>	229
Gross margin, %	<b>23.7</b>	19.0	<b>21.5</b>	22.1
Result before taxes, SEK M	<b>7</b>	-18	<b>-21</b>	-29
Profit margin, %	<b>1.9</b>	-6.0	<b>-2.0</b>	-2.8

The increase in gross profit and gross margin for the fourth quarter is attributable to KMT Waterjet. The fall in the gross margin for the 2003 full year is explained by a less favourable product mix for UVA and two large deliveries with negative margin for Lidköping. At the same time, Sheet Metal Working and Tube Forming increased their margins but reduced their share of the total volume. For the 2003 full year, gross profit fell by one per cent compared with the previous year for the aforementioned reasons. Excluding KMT Waterjet, gross profit fell by 15 per cent.

<i>Investments and financial position</i>	Fourth quarter		12 months	
	2003	2002	2003	2002
Net investments, SEK M	<b>-324</b>	-2	<b>-330</b>	6
Cash flow, SEK M	<b>-336</b>	29	<b>-359</b>	75
Available liquid funds, SEK M	<b>163</b>	169	<b>163</b>	169
Equity ratio, %	<b>44</b>	40	<b>44</b>	40

The cash flow from operations for the fourth quarter was SEK 11M (-12). Changes in working capital amounted to SEK -23M (39). These are mainly attributable to increased trade debtors due to large deliveries during December. Net investments amounted to -324M (-2), of which the acquisition of Waterjet accounted for SEK 290M. Taken together, this generated a cash flow of SEK -336M (29).

The cash flow for the 2003 full year was SEK -359M (75). Of this, SEK 0M (-2) was received from the operations and SEK -29M (83) from a change in the working capital. The negative cash flow is

mainly attributable to the acquisition of KMT Waterjet and to increased trade debtors. The cash flow after financial operations was SEK -8M (40) due to increased bank financing and the new share issue. Liquid funds at the period end, including unutilised bank overdraft facilities and credit promises, fell to SEK 163M (169). The equity ratio increased to 44 per cent (40) compared with the previous year.

## ***KMT's product areas***

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

<b><i>Waterjet cutting</i></b>	Fourth quarter		12 months	
<b>• KMT Waterjet</b>	<b>2003</b>	2002	<b>2003</b>	2002
Order intake, SEK M	<b>77</b>		<b>77</b>	
Backlog, SEK M	<b>26</b>		<b>26</b>	
Net sales, SEK M	<b>77</b>		<b>77</b>	
Operating result (EBIT), SEK M	-		<b>12.3</b>	
Operating margin, %	-		<b>15.9</b>	

KMT Waterjet was acquired on 1 October 2003 and was consolidated in the Group for the fourth quarter. The integration work has been implemented according to plan. Operating result for the fourth quarter is slightly above expectations as sales and aftermarket products, such as spare parts and wearing parts, were strong in the USA.

<b><i>PRECISION GRINDING</i></b>	Fourth quarter		12 months	
<b>• UVA</b>	<b>2003</b>	2002	<b>2003</b>	2002
Order intake, SEK M	<b>76</b>	75	<b>176</b>	236
Backlog, SEK M	<b>77</b>	148	<b>77</b>	148
Net sales, SEK M	<b>73</b>	44	<b>228</b>	217
Operating result (EBIT), SEK M	-	-	<b>-3</b>	-7
Operating margin, %	-	-	<b>-1.3</b>	-3.2

Order intake for the fourth quarter increased marginally and net sales rose by 65 per cent. For the full year, order intake fell by 25 per cent whilst net sales increased by five per cent. The high net sales for the fourth quarter are partly explained by large deliveries, of previously postponed projects, during December.

The previously announced closure of UVA's unit in Karlskoga has been implemented and a cost of SEK 6M charged to the result.

<b>• Lidköping</b>	Fourth quarter		12 months	
	<b>2003</b>	2002	<b>2003</b>	2002
Order intake, SEK M	<b>64</b>	90	<b>279</b>	345
Backlog, SEK M	<b>123</b>	154	<b>123</b>	154
Net sales, SEK M	<b>90</b>	111	<b>310</b>	346
Operating result (EBIT), SEK M	-	-	<b>0</b>	20
Operating margin, %	-	-	<b>0.0</b>	5.9

Order intake for the fourth quarter fell by 29 per cent and net sales by 19 per cent. Order intake for the full year fell by 20 per cent and net sales by 10 per cent.

During the year, Lidköping increased its presence in new important markets such as China and Korea. This, together with the difficult market situation, affected profitability during 2003 but creates

excellent opportunities for continued expansion. The largest proportion of Lidköping's margin fall is related to two major projects in China and Korea.

### ***SHEET METAL WORKING***

	Fourth quarter		12 months	
• <i>Pullmax</i>	2003	2002	2003	2002
Order intake, SEK M	100	81	319	333
Backlog, SEK M	46	53	46	53
Net sales, SEK M	102	96	308	340
Operating result (EBIT), SEK M	-	-	-12	-9
Operating margin, %	-	-	-3.8	-2.5

Order intake for the fourth quarter increased by 23 per cent and net sales by six per cent. However, for the full year order intake fell by four per cent and net sales by nine per cent. The investment rate in Pullmax's most important market, the United Kingdom, remained weak.

	Fourth quarter		12 months	
• <i>Ursviken</i>	2003	2002	2002	2002
Order intake, SEK M	29	22	97	100
Backlog, SEK M	35	25	35	25
Net sales, SEK M	19	25	86	118
Operating result (EBIT), SEK M	-	-	0	-10
Operating margin, %	-	-	-0.2	-8.4

Order intake for the fourth quarter rose by 30 per cent whilst net sales fell by 24 per cent. For the full year, order intake fell by three per cent whereas net sales fell by 28 per cent. Initiatives aimed at strengthening sales margins combined with cutting expenses meant that the full year result improved in spite of lower invoicing. During the fourth quarter, Ursviken received another order for a large Optima press brake from China, the second during the year.

### ***RÖRFORMNING***

	Fourth quarter		12 months	
• <i>Herber</i>	2003	2002	2003	2002
Order intake, SEK M	20	11	52	50
Backlog, SEK M	22	17	22	17
Net sales, SEK M	14	21	47	48
Operating result (EBIT), SEK M	-	-	-1	-3
Operating margin, %	-	-	-2.1	-5.4

Order intake for the fourth quarter increased by 82 per cent whilst net sales fell by 33 per cent. For the full year, order intake rose by four per cent whereas net sales fell by two per cent. The weak market situation has affected Herber. This was mainly due to the uneven order intake.

## Group summary

<b>INCOME STATEMENTS, SEK M</b>	Fourth quarter		12 months	
	0310-12	0210-12	2003	2002
<b>Net sales</b>	375	293	1051	1036
Cost of sold goods	-286	-237	-824	-807
<b>Gross profit</b>	89	56	227	229
Selling expenses	-37	-37	-125	-136
Administrative costs	-30	-28	-77	-79
Research and development expenditure	-8	-7	-30	-32
Amortisation of consolidated goodwill	-5	-1	-7	-3
<b>Operating result</b>	9	-17	-12	-21
Financial items	-2	-1	-9	-8
<b>Result before taxes</b>	7	-18	-21	-29
Taxes	3	7	2	1
<b>Net result</b>	<b>10</b>	<b>-11</b>	<b>-19</b>	<b>-28</b>
Depreciation according to plan of fixed assets excluding consolidated goodwill	-5	-10	-23	-30
Earnings per share	1.27	-2.27	-3.41	-6.02

## BALANCE SHEETS, SEK M

<b>Assets</b>	031231	021231
<i>Fixed assets</i>		
Concessions, patents and other intangible assets	34	23
Consolidated goodwill	267	10
Tangible fixed assets	153	160
Financial fixed assets	42	2
<b>Total fixed assets</b>	<b>496</b>	<b>195</b>
<i>Current assets</i>		
Inventories	225	231
Current receivables	290	205
Cash and bank	73	81
<b>Total current assets</b>	<b>588</b>	<b>517</b>
<b>Total assets</b>	<b>1 084</b>	<b>712</b>
<b>Equity, provisions and liabilities</b>	031231	021231
Shareholders' equity	472	286
Provisions	116	125
Long-term liabilities	246	111
Current liabilities	250	190
<b>Total equity, provisions and liabilities</b>	<b>1 084</b>	<b>712</b>

<i>Interest-bearing/non-interest-bearing liabilities and provisions</i>	031231	021231
Interest-bearing provisions and liabilities	343	205
Non-interest-bearing provisions and liabilities	269	225
<b>Total provisions and liabilities</b>	<b>612</b>	<b>430</b>
<i>CHANGE IN EQUITY</i>	2003	2002
<b>Opening balance</b>	<b>286</b>	<b>338</b>
Translation differences	-6	-6
Dividend	-8	-18
New share issue	219	-
Net result for the period	-19	-28
<b>Closing balance</b>	<b>472</b>	<b>286</b>
<i>OTHER KEY FIGURES</i>	2003	2002
Profit margin, %	-2.0	-2.8
Return on:		
- Capital employed, %	-1.4	-2.9
- Equity, %	-5.1	-9.0
Capital turnover rate	1.6	2.0
Equity ratio, %	44.0	40.0
Debt ratio	0.7	0.7
Productivity	1.0	0.9
Average number of employees	701	604

	Fourth quarter		12 months	
<i>CASH FLOW, SEK M</i>	0310-12	0210-12	2003	2002
<b>Operations</b>	11	-12	0	-2
Change in working capital	-23	39	-29	83
<b>Cash flow before investments</b>	-12	27	-29	81
Acquisition of subsidiaries	-290	-	-290	-
Other investments, net	-34	2	-40	-6
<b>Cash flow after investments</b>	<b>-336</b>	<b>29</b>	<b>-359</b>	<b>75</b>
Financial operations	157	-3	140	-16
New share issue	219		219	
Dividend	-	-	-8	-18
<b>Change in liquid funds</b>	<b>40</b>	<b>26</b>	<b>-8</b>	<b>41</b>

**NET SALES AND RESULTS BY QUARTER, SEK M**

	2003					2002				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Net sales	209	280	187	375	1052	246	343	154	293	1036
Operating result	-1	-13	-7	9	-12	3	19	-26	-17	-21
Result before taxes	-1	-18	-9	7	-21	1	16	-28	-18	-29
Profit margin, %	-0.5	-6.5	-4.8	2.0	-2.0	0.3	4.6	-18.3	-6.1	-2.8

<b><i>SHARE DATA</i></b>	Fourth quarter		12 months	
	0310-12	0210-12	2003	2002
Profit after tax, SEK	1.27	-2.27	-3.41	-6.02
Shareholders' equity, SEK	61.57	61.06	83.20	61.06
Cash flow, SEK	-43.84	6.17	-63.27	16.01
Number of shares, period end (000)	10 000	5000	10 000	5000
Average number of shares (000)	7 663	5000	5 671	5000
Market price at the period end	59.50	69.00	59.50	69.00

At the period end, the number of shareholders was approximately 4,200 (4,200). The largest shareholder is Nordstjernan AB which owns 40 per cent of capital and votes.

### ***PARENT COMPANY***

Operations in the parent company, KMT AB (publ), consist of Group management and co-ordinating responsibilities. Assets consist mainly of shares in subsidiaries.

### ***Personnel***

The average number of employees during the year was 701 (604), of which 242 (101) are employed in companies outside Sweden.

### ***Seasonal variations***

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

### ***Dividend***

The Board of Directors proposes the same dividend as previous year of 1.50 SEK.

### ***Annual General Meeting***

The Annual General Meeting will be held at Radisson SAS Royal Viking Hotel in Stockholm at 4 pm on Wednesday 23 March. KMT's Annual Report will be distributed to the shareholders during Week 11, when it will also be available at KMT's head office and on the website [www.kmt.se](http://www.kmt.se).

### ***Nomination Committee***

The Nomination Committee appointed by the Annual General Meeting is charged with submitting a proposal to the AGM for Members of the company's Board of Directors. The Committee includes Viveca Ax:son Johnson (Nordstjernan), and Ramsay Brufer (Alecta).

### ***Accounting principles***

The accounting and valuation principles which KMT has applied in this report are the same as in the latest Annual Report.

### ***Review report***

We have reviewed this Year-End Report in accordance with the recommendation issued by the Swedish Institute of Authorised Public Accountants, FAR. A review is significantly limited compared to an audit. Nothing has emerged which indicates that the Year-End Report does not comply with the requirements in the Stock Market and Annual Accounts Acts.

Upplands Väsby, 11 February 2004

Olof Johansson  
Authorised Public Accountant

Ingemar Rindstig  
Authorised Public Accountant