

## NEWS RELEASE



### Six-Month Report January – June 2000

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- **Profit before taxes increased by 19 per cent to SEK 60.1M (50.6). The result includes items of a one-off nature of SEK +14.9M (0).**
- **Net sales rose by 27 per cent to SEK 615M (486). Excluding acquisitions, net sales amounted to SEK 565M (486).**
- **Order intake amounted to SEK 579M (501), an increase of 16 per cent. Excluding acquisitions, order intake amounted to SEK 523M (501).**
- **The acquisition of LMT has been completed and a restructuring programme is underway according to plan.**
- **New forecast: Profit before taxes is expected to be higher than in the previous year (102). The forecast includes surplus funds from SPP and restructuring costs.**

#### *Summary*

During the past six months, KMT has laid several important foundation stones for future growth. Market-leading product programmes were launched in all product areas and were positively received in the market.

At the same time, further steps were taken for increased growth with the acquisition of Lidköping Machine Tools – LMT – a world-leading manufacturer of advanced machines and equipment for precision grinding of roller bearings.

A strong end of the six months, together with items of a one-off nature, generated profit before taxes which exceeded the previous year.

Regarding the business trend in KMT's sectors, the scenario is fragmented. In Sweden, the slow-down at the end of 1999 and beginning of 2000 came to an end and investments started to increase. In the United Kingdom investments are levelling out, whereas they gained momentum in Germany. In the USA, investments are levelling out in general, whereas they are falling in the contracting and agricultural sectors.

In Product Area Precision Grinding, UVA reported a falling trend in order intake. However, following strong order intake in July, the order intake rate has turned up. In the newly-acquired company, LMT, profitability improving measures are underway in line with KMT's plans at the time of acquisition.

Product Area Sheet Metal Working's new product range did not contribute to increased order intake until the end of the period due to the short space of time since the launch. Unfavourable movements in the Euro, which benefited KMT's most important competitors, affected the period's prices and profitability. In order to accelerate profitability, operations will be reviewed and a restructuring reserve of SEK 10M was allocated within KMT's six-month results.

Product Area Tube Forming gradually gained stronger response for its new product programme which is now beginning to be noticed in order intake.

### ***Acquisition of Lidköping Machine Tools – LMT***

Following due diligence, the acquisition of LMT from SKF was completed at the April/May turn of the month. LMT's operations as a world-leading manufacturer of precision grinding machines and equipment for roller bearings, amongst other things, supplement KMT's existing operations very well.

As planned, a restructuring programme aimed at improving profitability was drawn up and implementation started. In connection with the acquisition, provisions were made to cover costs for implementing the programme which will essentially be completed during the current year.

LMT's effect on the year's profit is expected to be marginal. The target is that LMT will contribute positively to KMT's result from next year.

LMT is consolidated in the KMT Group from 1 May 2000.

### ***Operations***

#### ***Order intake***

Order intake for the second quarter increased by 21 per cent to SEK 370M (306). For the six-month period, order intake amounted to SEK 579M (501). For the quarter and the half-year, acquisitions contributed with SEK 56M (0). Of order intake, SEK 446M (383) referred own products.

Order intake on a twelve-month rolling basis amounted to SEK 1,069M (965). Acquisitions are included with SEK 56M of the increase.

#### ***Backlog***

The backlog amounted to SEK 446M (396), of which own products accounted for SEK 387M (330). The backlog includes SEK 101M from the acquisitions of LMT.

#### ***SPP surplus funds and restructuring reserve***

The Group's discounted share of SPP's surplus funds amounts to SEK 24.9M, excluding LMT.

Payments to the Group companies are expected to be made over more than three years with a start in September 2000.

Added to that is the aforementioned restructuring reserve for Product Area Sheet Metal Working, amounting to SEK 10M. These items are reported in the second quarter as items affecting comparability of +14.9M.

### ***Net sales and results***

Net sales for the second quarter rose by 42 per cent to SEK 416M (292). For the quarter and the half-year acquisitions accounted for SEK 50M (0). For the six-month period, net sales amounted to SEK 615M (486).

Net sales calculated on a twelve-month rolling basis increased and amounted to SEK 1,129M (960) including acquisitions. Own products increased by SEK 84M, of which acquisitions account for SEK 50M.

Consolidated profit before taxes for the second quarter amounted to SEK 56.0M (39.5), an increase of 42 per cent. Excluding items of a one-off nature, the increase was 4 per cent. The acquisition of LMT did not have any effect on the result. For the six months, profit including one-off items rose by 19 per cent to SEK 60.1M (50.6).

Profit before taxes calculated on a twelve-month rolling basis increased by 17 per cent to SEK 111M, of which acquisitions are included by SEK 0M. Profit margin for the half year amounted to 9.8 per cent including acquisitions and items of a one-off nature (10.4). Excluding acquisitions and one-off items, profit margin amounted to 8.0 per cent. An increased share of agency products has had a negative effect on the periods margins.

### ***Seasonal variations***

KMT's products are investment goods. Normally, order intake as well as invoicing and profit is higher during the second and fourth quarters compared with the first and third quarters.

### ***Capital expenditure***

During the period, capital expenditure in real estate, machinery and equipment amounted to SEK 92.2M (8.2) and in patents and goodwill to SEK 39.7M (0). The majority of the capital expenditure is attributable to the take-over of LMT. Excluding these effects, capital expenditure in machinery and equipment amounted to SEK 9.6M. Investments in patents amount to SEK 9.7M.

### ***Financial position***

Cleared of one-off effects of acquisitions and with LMT included from May, cash flow from operations was SEK 54.3M (44.2). Changes in working capital amount to SEK -85.5M (-14.2), mainly as a result of high trade debtors due to large deliveries at the end of the period and a receivable from SPP for surplus funds. Following net capital expenditure of SEK 19.3M (8.2), the cash flow amounts to SEK -50.7M (21.8). The cash flow is expected to develop positively during the remainder of the year.

During the second quarter, a dividend of SEK 21.3M (19.0) was paid.

At the period-end, liquid assets including unutilised overdraft facilities and credit promises amounted to SEK 89.2M (130.2). The change is partly due to the acquisition of LMT.

As a result of the acquisition of LMT the equity ratio fell and amounted to 34 per cent (49) at the period-end.

### ***Number of shares and shareholders***

The number of shares in KMT amounts to 5,000,000. The number of shareholders was unchanged at the period-end, approximately 4,700.

### ***Full-year forecast***

Profit before taxes, including items of a one-off nature with an estimated net effect of SEK +15M, is forecasted to be higher than the previous year (SEK 102M).

## Key figures

	Quarter 2		6 months		Rolling full-year	Calendar year	
	0004-06	9904-06	0001-06	9901-06	9907-0006	1999	1998
Order intake, SEK M	370	306	579	501	1069	1001	1009
Backlog <sup>1</sup>	446	396	446	396	446	381	381
Net sales, SEK M	416	292	615	486	1129	1001	943
Operating profit, SEK M	58	39	63	52	115	103	94
Profit before taxes, SEK M	56	39	60	51	111	102	91
Profit after tax, SEK M	39	28	42	35	77	71	63
Balance sheet total, SEK M	881	494	881	494	881	571	495
Profit margin, %	13.4	13.5	9.8	10.4	9.8	10.2	9.6
Return on: <sup>2</sup>							
- Capital employed (R12), %	-	-	27	34	27	34	37
- Equity (R12), %	-	-	28	30	28	29	32
Capital turnover rate <sup>2</sup>	-	-	2.6	3.3	2.6	3.2	3.6
Equity ratio, %	-	-	34	49	34	49	46
Debt ratio	-	-	0.83	0.26	0.83	0.19	0.24
Productivity (R12)	-	-	1.43	1.43	1.46	1.46	1.42
Average number of employees	-	-	612	484	571	507	477
Profit per share, SEK <sup>2</sup>	7.84	5.56	8.42	7.08	15.49	14.16	12.70
Equity per share, SEK	-	-	60.19	48.80	60.19	56.39	45.77
Share price at period-end, SEK	-	-	129.00	110.50	129.00	142.00	120.00

<sup>1</sup> Backlog at 000630 has been adjusted by SEK 100.9M referring to acquired backlog in LMT.

<sup>2</sup> Capital turnover rate, productivity and return on equity and capital employed have for all the stated periods been calculated on sales and results achieved over twelve months (12). Profit per share has been calculated for results achieved over twelve months as well as for results achieved over three and six months, respectively. For the quarter and the half-year, an estimated tax rate of 30 per cent has been applied.

## KMT's Product Areas

KMT operates in three Product Areas: Precision Grinding, Sheet Metal Working and Tube Forming.

SEK M	Order intake			Net sales		
	0001-06	9901-06	1999	0001-06	9901-06	1999
Precision Grinding <sup>1</sup>	208,3 <sup>1</sup>	183,3	326	253,2 <sup>1</sup>	180,3	339
Sheet Metal Working	331,8	295,0	625	334,0	274,4	609
Tune Forming	38,0	26,6	54	27,5	33,2	56

<sup>1</sup> Of order intake, 56.0 is attributable to acquisitions. The corresponding figure for net sales is 50.0.

### Precision Grinding

#### - UVA

Order intake on a rolling twelve-month basis fell in the second quarter and amounted to SEK 286M (328). In July, rolling order intake again turned up as a result of large orders. During the reporting period, several orders were received for CGS plant (*Complete Grinding Solution*<sup>TM</sup>), UVA's newly launched, unique system in which different grinding phases are carried out in a rational and cost-efficient way.

The postponed deliveries from the first quarter have now been carried out, which contributed to the fact that net sales and profit for the second quarter significantly exceeded the set targets.

### **- Lidköping Machine Tools**

LMT is consolidated in the KMT Group from May. During the period May-June, order intake amounted to SEK 56M whereas net sales amounted to SEK 50M. The result for the period affected the Group only marginally.

During June, a significant order was received for eight machines to SKF's plants in the USA and Italy. The machines are from LMT's newly-developed product programme with the latest grinding technology.

### **Sheet Metal Working – Pullmax Ursviken**

Order intake in the second quarter was slightly higher than during the corresponding period in the previous year. Order intake on a rolling twelve-month basis thus continued to increase and amounted to SEK 662M (575). Agency products accounted for the largest part of the increase.

Net sales and profit improved compared with the first quarter but are lower than set targets. Costs for the launch of the new product programme and increased marketing investments have so far not led to a corresponding increase in income. To speed up profitability development and strengthen competitiveness still further, restructuring work has been initiated which is aimed at reducing the total cost scenario. To cover costs that could arise in connection with this, a restructuring reserve for SEK 10M was allocated in the six-month result.

During the second quarter, Pullmax Ursviken received its largest order so far for press brakes in the form of 16 machines from the new product programme from the American company, Square D. The machines will be delivered over a two-year period. A number of orders were also received for punching machines from the new product programme.

### **Tube Forming - Herber**

Order intake increased in the second quarter and doubled compared with the previous year. This is a result of the new product programme which has attracted new customers. Calculated on a twelve-month rolling basis, order intake amounts to SEK 66M (65). Because of a low backlog brought forward, net sales and profit in the second quarter were lower than the set targets, but a gradual improvement is expected as a result of the positive order situation.

During the second quarter, additional orders were received for machines with Herber's newly-developed *Booster Bending*<sup>TM</sup> technology, among other things have repeat orders for machines from the new product programme already started to arrive.

Skellefteå, 16 August 2000

Björn Kumlin  
President and CEO

### **Detailed Audit Report**

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

Skellefteå, 16 August 2000

Olof Johansson  
Authorised Public Accountant

Åke Elveros  
Authorised Public Accountant

## CONSOLIDATED INCOME STATEMENTS AND BALANCE SHEETS in summary

INCOME STATEMENTS, SEK M	Quarter 2		6 months		Rolling full-year	Calendar year	
	0004-06	9904-06	0001-06	9901-06	9907-0006	1999	1998
<b>Net sales</b>	<b>416,2</b>	<b>291,6</b>	<b>614,6</b>	<b>486,0</b>	<b>1129</b>	<b>1001</b>	<b>943</b>
Operating expenses	-358,1	-252,3	-551,9	-434,5	-1014	-897	-849
<b>Operating profit</b>	<b>58,1</b>	<b>39,3</b>	<b>62,7</b>	<b>51,5</b>	<b>115</b>	<b>104</b>	<b>94</b>
Financial items	-2,1	0,2	-2,6	- 0,9	-4	-2	- 3
<b>Profit before taxes</b>	<b>56,0</b>	<b>39,5</b>	<b>60,1</b>	<b>50,6</b>	<b>111</b>	<b>102</b>	<b>91</b>
Taxes	-16,8	- 12,0	-18,0	- 15,2	-34	-31	- 28
<b>Net profit</b>	<b>39,2</b>	<b>27,5</b>	<b>42,1</b>	<b>35,4</b>	<b>77</b>	<b>71</b>	<b>63</b>
<b>BALANCE SHEETS, SEK M</b>	<b>Quarter 2</b>		<b>6 months</b>		<b>Rolling full-year</b>	<b>Calendar year</b>	
	<b>0004-06</b>	<b>9904-06</b>	<b>0001-06</b>	<b>9901-06</b>	<b>9907-0006</b>	<b>1999</b>	<b>1998</b>
Fixed assets	203,9	80,0	203,9	80,0	204	84	82
Current assets	676,9	414,3	676,9	414,3	677	487	413
<b>Total assets</b>	<b>880,8</b>	<b>494,3</b>	<b>880,8</b>	<b>494,3</b>	<b>881</b>	<b>571</b>	<b>495</b>
Shareholders' equity	300,1	244,0	300,1	244,0	300	282	229
Interest-bearing liabilities	248,4	64,3	248,4	64,3	249	54	55
Non-interest-bearing liabilities	332,3	186,0	332,3	186,0	332	235	211
<b>Total equity and liabilities</b>	<b>880,8</b>	<b>494,3</b>	<b>880,8</b>	<b>494,3</b>	<b>881</b>	<b>571</b>	<b>495</b>
<b>SOURCE AND APPLICATION OF FUNDS STATEMENT, SEK M<sup>1</sup></b>	<b>Quarter 2</b>		<b>6 months</b>		<b>Rolling full-year</b>	<b>Calendar year</b>	
	<b>0004-06</b>	<b>9904-06</b>	<b>0001-06</b>	<b>9901-06</b>	<b>9907-0006</b>	<b>1999</b>	<b>1998</b>
<b>Operations</b>	<b>46,0</b>	<b>32,0</b>	<b>54,3</b>	<b>44,2</b>	<b>94,1</b>	<b>88</b>	<b>79</b>
Change in working capital	-75,8	0,4	-85,5	- 14,2	-106,8	-36	- 36
<b>Cash flow before investments</b>	<b>-29,8</b>	<b>32,4</b>	<b>-31,2</b>	<b>30,0</b>	<b>-12,7</b>	<b>52</b>	<b>43</b>
Net investments	-13,6	- 3,6	-19,3	- 8,2	-30,8	-19	- 16
<b>Cash flow</b>	<b>-43,4</b>	<b>28,8</b>	<b>-50,5</b>	<b>21,8</b>	<b>-43,5</b>	<b>33</b>	<b>27</b>
Financing operation	54,8	2,3	57,6	9,0	56,0	-16	- 11
Dividend	-21,3	- 19,0	-21,3	- 19,0	-21,3	-	-
Non-operating items <sup>2</sup>	-	-	-	-	-	-	- 25
<b>Change in liquid funds</b>	<b>-9,9</b>	<b>12,1</b>	<b>-14,2</b>	<b>11,8</b>	<b>-8,8</b>	<b>17</b>	<b>- 9</b>

<sup>1</sup> The year's outcome and rolling full-year have been cleared of the one-off effects that have arisen as a result of the acquisition of LMT.

<sup>2</sup> Non-operating items refer to the effects which have arisen in connection with the acquisition of UVA from Atle AB.

### Future information

Interim Report January-September – 8 November 2000

Preliminary Accounts Report 2000 – 15 February 2001

### Information

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