

NEWS RELEASE



Preliminary Accounts Report 2000

- Profit before taxes amounted to SEK 81M (102), including items affecting comparability of SEK +10M net (0)
- Profit per share was SEK 11.63 (14.16)
- Sales increased by 25 per cent to SEK 1,254M (1,001)
- Order intake rose by 29 per cent to 1,296M (1,001)
- Dividend is proposed to be SEK 3.50 (4.25) per share
- Acquisition of Lidköping Machine Tools, LMT, strengthens Product Area Precision Grinding
- Forecast for 2001: Profit before taxes will improve slightly compared with 2000, cleared of items affecting comparability (71)

KMT's operations

KMT is an international Group which develops, manufactures and markets advanced production machines and system solutions within the Product Areas of Tube Forming, Sheet Metal Working and Precision Grinding for engineering industry customers who demand the highest standards of precision and performance.

Summary of the year

Following five years of uninterrupted profit growth, profit fell by 20 per cent to SEK 81M (102) including one-off items of SEK +10M net. Unexpected costs and a receding US market within Sheet Metal Working are the main reasons.

The past year was characterized by reshaping the business where new products and systems were launched within all product areas. Sheet Metal Working launched a new modular product range which was received very positively in the market and a number of important orders were signed.

The adaptation to production of the new modular products did not go according to plan. Major, cost-intensive activities had to be carried out to enable customer commitments to be fulfilled. During the year, restructuring costs amounted to SEK 15M in total. At year-end 2000, deliveries

were at their normal rate. Further work on routines and processes remains to be done before the module concept will make a full contribution to reduced manufacturing costs.

Acquisition within Precision Grinding

During the year, Lidköping Machine Tools, LMT, was acquired from SKF. As result of this acquisition, KMT becomes a world leader within yet another global market segment, precision grinding of roller bearings. The agreement between KMT and SKF includes continued technical collaboration and continued delivery of machines and equipment to the SKF Group.

The acquisition cost, including provision for necessary structural measures and an adaptation to KMT's valuation principles, amounted to approximately SEK 100M. Of this the provision accounted for one third. The total costs follow a well-planned provision. The acquisition affected the results for 2000 only marginally.

Split economic scenario

Product Area Precision Grinding registered a significantly higher order intake during the second half of 2000 compared with the same period in 1999 and the first half of 2000. This pattern applies to both UVA and LMT.

The investment climate for Sheet Metal Working was satisfactory in the Scandinavian market but competition from imported products sharpened as a result of the weak Euro. Sales in the United Kingdom, on the other hand, benefited from the strong Pound and stable demand.

In the USA, where KMT has many important customers within the transport sector, the market declined dramatically in the fourth quarter.

Important events and orders

- * UVA established a sales subsidiary in China
- * Square D, USA, placed a large order for Pullmax Ursviken's new pressbrakes
- * Herber received several orders from China
- * UVA received a record order worth SEK 56M
- * LMT received a strategically important order from FAG

Prospects for 2001

During 2000, a number of measures were implemented aimed at strengthening long-term profitability and competitiveness. However, there are signs pointing to a slow-down in growth in demand in important markets. The strong decline in the US market during the latter part of 2000 is expected to continue during the first half of 2001.

In total, KMT expects slightly higher profit before taxes compared with 2000, cleared of items affecting comparability (71).

Fourth quarter 2000

Order intake for the fourth quarter amounted to SEK 355M (256), of which LMT accounted for SEK 75M. Sales rose to SEK 399M (331). All the increase is attributable to LMT. For comparable units, sales fell by two per cent.

Profit before taxes fell to SEK 29M (46), mainly due to costs for the action programme and a significant decline in the US market within Sheet Metal Working.

Order intake and backlog

During the year, order intake increased by 29 per cent to SEK 1,296M (1,001), of which LMT accounted for SEK 226M. For comparable units, the increase was seven per cent. SEK 1,027M (734) related to own products and SEK 269M (267) to agency products. The backlog increased to SEK 523M (381), of which own products accounted for SEK 466M (307).

Net sales

Net sales for the full-year amounted to SEK 1,254M (1,001), an increase of 25 per cent. Own products accounted for SEK 969M (764). This includes SEK 175M from LMT which is included with eight months. Sales of agency products amounted to SEK 285M (237). The share of sales outside Sweden rose to 79 per cent (75).

Net sales by market	2000	1999
- Sweden	21 %	25 %
- Other Scandinavian countries	3 %	3 %
- Germany	16 %	12 %
- United Kingdom	25 %	27 %
- USA	18 %	20 %
- China	2 %	1 %
- Other markets	15 %	12 %

Results and return

Operating profit fell by 13 per cent to SEK 90M (103). Profit before taxes was SEK 81M (102), a fall of 20 per cent. A discounted one-off payment from SPP of SEK 25M is included in the results. One-off costs of SEK 15M relating to structural measures within Product Area Sheet Metal Working charges the result. Excluding these items, profit before taxes amounted to SEK 71M. The profit margin fell from 10.2 per cent to 6.5 per cent. The Group's target is for the profit margin to amount to at least nine per cent on average over one business cycle.

Return on equity amounted to 20 per cent (29), and on capital employed to 20 per cent (34). The return target is at least 25 per cent on average over one business cycle.

Capital expenditure, cash flow and financing

In 2000, the Group's net capital expenditure in subsidiaries amounted to SEK 98M (0), in real estate, machinery and equipment to SEK 28M (19) and in patents/development to SEK 11M (0). Excluding the asset items which are attributable to the acquisition of LMT, net capital expenditure in real estate, machinery and equipment amounted to SEK 28M (19).

With LMT included from May 2000, the cash flow from operations was SEK 86M (88). Working capital increased by SEK 59M (36), mainly due to a significant build-up of inventories. After capital expenditure and changes in working capital, the cash flow was SEK -113M (33). Excluding the effects of the acquisition of LMT, the cash flow was SEK -7M (33).

During the year, the debt ratio increased to 79 per cent (19) due to the acquisition of LMT which was carried out without any contribution of equity capital. Liquid funds including credit promises amounted to SEK 103M (128) at the year end. The equity ratio fell to 36 per cent (49), also as a result of the acquisition of LMT.

Personnel

The average number of employees during the year was 815 (507), of which 128 (110) are employed in companies outside Sweden. Of the net increase of 308 staff, LMT accounted for 278. At the year end, the number of employees was 765 (497).

Seasonal variations

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

Number of shares and shareholders

The number of shares in KMT amounts to 5,000,000. The share is quoted on the O list of the OM Stockholm Exchange. The number of shareholders was 4,408 (4,660). The largest owner is Nordstjernan AB with 33.6 per cent of capital and votes.

Dividend

KMT's dividend policy is that approximately 30 per cent of consolidated profit after tax over one business cycle should be paid in dividend to the shareholders.

The Board of Directors propose a dividend of SEK 3.50 per share (4.25), which is equivalent to 30 per cent of profit per share, or SEK 17.5 in total.

Annual General Meeting

The Annual General Meeting will be held in Skellefteå on 25 April 2001. KMT's Annual Report will be distributed to the shareholders during week 12. The Annual Report and the Audit Report will be available at KMT's head office in Skellefteå from 21 March 2001.

Nomination Committee

Shareholders representing approximately 40 per cent of the shares in the company have elected a Nomination Committee which is charged with submitting a proposal to the AGM for Members of the company's Board of Directors.

The Committee includes Tomas Billing (Nordstjernan), Ulf Hedlund (Svolder), Cal Wikström (Stiftelsen Norra Västerbotten) and Bo Renström.

Tomas Billing is the Convenor of the Committee and can be contacted by telephoning +46 8-788 50 00.

Key figures		2000	1999	1998	Pro forma	
					1997	1996
Order intake, SEK M		1 296	1 001	1 009	922	594
Backlog at year-end, SEK M		523	381	381	314	151
Net sales, SEK M		1 254	1 001	943	759	720
Operating profit, SEK M		90	103	94	57	53
Profit before taxes, SEK M		81	102	91	52	45
Profit after tax, SEK M		58	71	63	35	32
Balance sheet total, SEK M		886	571	495	445	409
Profit margin, %		6.5	10.2	9.6	6.7	6.2
Return on:						
- Capital employed, %		20.1	34.4	36.8	22.9	21.7
- Equity, %		19.5	28.6	32.2	24.7	28.4
Capital turnover rate		2.8	3.2	3.6	3.0	2.9
Equity ratio, %		36	49	46	37	32
Debt ratio		0.79	0.19	0.24	0.47	1.0
Productivity	Note 1	1.28	1.46	1.42	1.35	1.33
Net sales per employee, SEK M		1.5	2.0	2.0	1.7	1.5
Average number of employees	Note 2	815	507	477	450	472
Profit per share, SEK		11.63	14.16	12.70	6.99	6.28
Equity per share, SEK		63.92	56.39	45.77	33.01	25.86
Share price at year-end, SEK		97	142	120	-	-

¹ Value added divided by total payroll expenses including payroll overheads

² Based on number of hours worked in relation to normal working hours

Product areas

• Precision Grinding

Product Area Precision Grinding consists of UVA and LMT which was acquired during 2000. Both operations are characterised by a global technical leadership in niches with a high market potential. Recalculated on a full-year basis, Precision Grinding is now as large as Sheet Metal Working. Total sales for 2000 amounted to SEK 537M. LMT was included with eight months and reported sales of SEK 175M – full-year SEK 308M.

Precision Grinding – UVA	2000	1999
Order intake, SEK M	350	326
Backlog at year-end, SEK M	203	215
Net sales, SEK M	362	339
Operating profit (EBIT), SEK M	¹⁾ 75	78
Profit after financial items, SEK M	¹⁾ 77	80
Profit margin, %	¹⁾ 21	24
Return on capital employed, %	¹⁾ 60	62
Share of invoicing outside Sweden, %	97	97

¹⁾ Excluding items affecting comparability

UVA's customers are mainly manufacturers of fuel injection systems in the automotive industry. Demand for UVA's products is primarily driven by increased demands for reduced fuel consumption and measures for environmental adaptation of engines in all types of vehicles.

During 2000, UVA successfully maintained its market position with a positive trend in both sales and order intake. The profit margin, excluding one-off items, fell from 24 per cent in 1999 to 21 per cent because deliveries were postponed over the turn of the year as a result of delays in customer companies.

During the year, several important orders were received, including some from UVA's largest customer.

Precision Grinding – LMT – 8 months (related to the period 000501-1231)	2000
Order intake, SEK M	226
Backlog at year-end, SEK M	152
Net sales, SEK M	175
Share of invoicing outside Sweden, %	68

In connection with the acquisition, an action programme aimed at strengthening profitability and competitiveness was launched. The action programme includes a reduction in the workforce of 25 per cent and halving the cost of premises. In addition, operations were split into two separate companies, one for machine production (LMT), and one for component manufacturing (LMV).

A strategy aimed at increasing income has also been adopted. This includes an increased focus on the aftermarket. The company has launched a concept called UpTime Management. Customers are guaranteed high accessibility to LMT which provides service, spares, reconstruction/upgrading, new modules, tools and training on agreed terms.

• Sheet Metal Working – Pullmax Ursviken	2000	1999
Order intake, SEK M	650	625
Backlog at year-end	133	143
Net sales, SEK M	660	609
Operating profit (EBIT), SEK M	¹⁾ -5	24
Profit after financial items, SEK M	¹⁾ -11	20
Profit margin, %	¹⁾ -2	3
Return on capital employed, %	¹⁾ neg	15
Share of invoicing outside Sweden, %	74	66

¹⁾ Excluding items affecting comparability.

The financial year was a year of adapting and reshaping Product Area Sheet Metal Working.

The adaptation of the production process to the new product programme was more difficult and significantly more costly than planned. At the end of 2000, deliveries started to be made at a normal rate. However, more work needs to be done on routines and processes to ensure that the module concept will make a full impact on the reduction of manufacturing costs.

The new programme was positively received by the market. Large orders were signed by several customers. A significant slow-down was noted in the important US market. This led to considerably lower invoicing of standard products than in previous years, and a fall in order intake. Profit was also affected.

• Tube Forming – Herber	2000	1999
Order intake, SEK M	70	54
Backlog at year-end, SEK M	35	24
Net sales, SEK M	58	56
Operating profit (EBIT), SEK M	¹⁾ 1	4
Profit after financial items, SEK M	¹⁾ 0	4
Profit margin, %	¹⁾ 0	7
Return on capital employed, %	¹⁾ 3	42
Share of invoicing outside Sweden, %	51	53

¹⁾ Excluding items affecting comparability.

Herber's product programme has been renewed in recent years. Among other things, the company launched its machine series with Booster Bending. The machine series enables the processing of materials such as chrome alloys, high-tensile steel and aluminium with high precision and performance.

Herber has also worked actively to expand its customer base and to change its customer profile in favour of large customers with repeat requirements.

During the financial year, the previously weak market recovered slightly. The increased will to invest together with the new product programme has led to an increased order intake. However, the upturn came too late to make an impact on profit, which fell compared with the previous year.

Skellefteå, 13 February 2001

Björn Kumlin
President and CEO

Information

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Future information

Interim Report January-March	25 April 2001
Interim Report January-June	15 August 2001
Interim Report January-September	15 November 2001
Preliminary Accounts Report 2001	February 2002

Financial data in summary

INCOME STATEMENTS, SEK M

	Quarter 4		Full-year	
	0010-12	9910-12	2000	1999
Net sales	399.0	331.3	1 254.1	1 000.5
Cost of goods sold	-276.5	-221.8	-912.3	-693.3
Gross profit	122.5	109.5	341.8	307.2
Selling expenses	-45.5	-36.3	-157.3	-119.2
Administrative costs	-27.5	-16.7	-59.0	-47.6
Research and development costs	-12.5	-9.2	-43.3	-34.2
Amortisation of goodwill	-0.6	-0.6	-2.4	-2.4
Items affecting comparability	-5.0	-	10.0	-
Other operating income and expenses	0.1	-0.5	0.1	-0.4
Operating profit	31.5	46.2	89.9	103.4
Interest income and similar profit items	0.8	1.8	2.5	3.3
Interest expenses and similar expense items	-2.9	-1.6	-11.1	-5.1
Profit before taxes	29.4	46.4	81.3	101.6
Taxes profit for the period	-7.6	-14.4	-23.1	-30.8
Net profit	21.8	32.0	58.2	70.8

SOURCE AND APPLICATION OF FUNDS STATEMENT, SEK M

	Quarter 4		Full-year	
	0010-12	9910-12	2000	1999
Operations	29.5	38.0	85.7	88.1
Change in working capital	-16.0	-37.2	-58.6	-35.6
Cash flow before investments	13.5	0.8	27.1	52.5
Investment operation ¹	-6.7	-6.0	-140.3	-19.4
Cash flow	6.8	-5.2	-113.2	33.1
Financing operation	-3.9	0.5	107.9	-15.9
Change in liquid funds	2.9	-4.7	-5.3	17.2
Liquid funds				
Balance at the start of the period	28.1	41.0	36.3	19.1
Change in liquid funds	2.9	-4.7	-5.3	17.2
Balance at period-end	31.0	36.3	31.0	36.3
Agreed, unutilised credit	72.4	91.6	72.4	91.6
Disposable liquid funds	103.4	127.9	103.4	127.9

¹ including acquisition of subsidiary

BALANCE SHEETS, SEK M

Assets	001231	991231
<i>Fixed assets</i>		
Concessions, patents	11.3	-
Consolidated goodwill	14.1	16.5
Tangible fixed assets	180.7	66.7
Financial fixed assets	10.4	1.0
Total fixed assets	216.5	84.2
<i>Current assets</i>		
Inventories	311.0	185.9
Current receivables	328.1	265.0
Cash and bank	31.0	36.3
Total current assets	670.0	487.2
Total assets	886.5	571.4
Equity, provisions and liabilities	001231	991231
<i>Shareholders' equity</i>	319.6	282.0
<i>Provisions</i>	133.8	49.4
<i>Long-term liabilities</i>	161.3	32.7
<i>Current liabilities</i>	271.8	207.3
Total equity, provisions and liabilities	886.5	571.4
Pledged assets	100.3	74.8
Contingent liabilities	60.1	20.3
Interest-bearing/non-interest-bearing liabilities and provisions	001231	991231
Interest-bearing provisions and liabilities	253.6	54.0
Non-interest-bearing provisions and liabilities	313.3	235.4
Total provisions and liabilities	566.9	289.4

Net sales and results by quarter, SEK M

	2000					1999				
	Q1	Q2	Q3	Q4	Full-year	Q1	Q2	Q3	Q4	Full-year
Net sales	198.4	416.2	240.5	399	1254.1	194.4	291.6	183.1	331.4	1 000.5
Operating profit	4.6	58.1	-4.3	31.5	89.9	12.2	39.3	5.7	46.2	103.4
Profit before taxes	4.1	56.0	-8.2	29.4	81.3	11.1	39.5	4.7	46.3	101.6
Profit margin, %	2.1	13.5	-3.4	7.4	6.5	5.7	13.5	2.6	14.0	10.2