

NEWS RELEASE

Interim Report January – March 2001

SEK M (unless otherwise stated)	First quarter		12 months	
	2001	2000	0004-0103	2000
Order intake	271	209	1357	1296
Backlog	450	392	450	523
Net sales	344	198	1400	1254
Operating profit	20	5	105	90
Profit after financial items	17	4	94	81
Net profit after tax	12	3	67	58
Profit per share, SEK	2.43	0.57	13.49	11.63

- **Profit before taxes amounted to SEK 17M (4) – KMT's best first quarter ever**
- **Net sales were SEK 344M (198). LMT accounted for 50 per cent of the increase**
- **Order intake unchanged for comparable units**
- **LMT – Lidköping Machine Tools – is developing positively and has started to contribute to KMT's profit per share**
- **Unchanged forecast for 2001, i.e. profit before taxes will improve slightly compared with 2000, cleared of items affecting comparability (71)**

President's comments

The year has started positively with a profit of SEK 17M after financial items, an increase of SEK 13M compared with the previous year. Smooth production and deliveries in most units combined with a solid backlog at the turn of the year generated the good result. LMT – Lidköping Machine Tools – which, following its acquisition by KMT last year, has undergone a wide-ranging effectiveness programme, also contributed to the results.

The market situation during the quarter was subdued and customers tended to take longer in re-examining their investment decisions before placing an order. The US market remains difficult which has, especially, affected the product area of Sheet Metal Working.

The activity and development levels remain high within UVA's main market of fuel injection equipment. UVA's investment in its own sales office in China has started to pay dividends and several orders have been received.

Efficiency improvement and staff reductions are being implemented in the product areas of Sheet Metal Working and Tube Forming with the aim of raising efficiency as well as utilising the new modular products and adapt the operations to a lower overall market.

2001 is characterised by systematic improvement work aimed at a significant improvement of results as well as capital tied up during 2002.

Prospects for the future

The market situation is, on the whole, expected to remain sluggish for another few months. This also applies to the very weak resolve to invest in the US market.

At the same time there are many promising projects in all the product areas which have made good progress in the customers' decision-making process.

As the remaining quarters are not expected to be improved compared with year 2000, the forecast in the Preliminary Accounts Report remains unchanged. This means that the year's profit before taxes is expected to improve slightly compared with 2000, cleared of items affecting comparability (71).

Skellefteå, 25 April 2001

Björn Kumlin
President and CEO

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Operations

LMT has been incorporated into the KMT Group since May 2000. This change significantly affects the quarterly comparisons in the following tables (LMT is not included in the first quarter of 2000).

<i>Order intake, backlog, net sales</i>	First quarter		12 months	
	2001	2000	0004-0103	2000
Order intake	271	209	1357	1296
Backlog	450	392	450	523
Net sales	344	198	1400	1254

Order intake for the first quarter increased by 30 per cent. . For comparable units, i.e. including LMT quarter 1 2000, order intake remained unchanged. Of the increase, own products accounted for SEK 208M (156) and agency products for SEK 63M (53). Rolling 12-month order intake increased by 34 per cent. KMT's own products accounted for the entire increase. The changes in own products, both for the first quarter and on a rolling 12-month basis, are due to the acquisition of LMT.

The backlog for own products amounted to SEK 400M (331), including SEK 146M from LMT. The total backlog fell by SEK 73M compared with the turn of the year.

Net sales for the first quarter increased by 74 per cent. Excluding LMT, the increase was 34 per cent. Own products increased by SEK 141M (3), of which LMT accounted for SEK 79M. Agency products increased by SEK 5M (7). Net sales calculated on a rolling 12-month basis rose by 39 per cent. Excluding LMT, the increase was 14 per cent and refers mainly to own products.

<i>Results</i>	First quarter		12 months	
	2001	2000	0004-0103	2000
Gross profit, SEK M	91	59	374	342
Gross margin, %	26.4	29.8	26.7	27.2
Profit before taxes, SEK M ¹	17	4	84	71
Profit margin, % ¹	5.0	2.1	6.0	5.7

¹ Excluding items affecting comparability.

Gross profit increased by 54 per cent as a result of the increased volume. A large part of the increase is attributable to LMT. Increased invoicing as a result of a solid backlog at the turn of the year and smooth production and deliveries in all units generated an improved profit margin compared with the previous year. LMT also contributed positively to profit before taxes.

<i>Investments and financial position</i>	First quarter		12 months	
	2001	2000	0004-0103	2000
Investments excl acquisitions, SEK M	7	6	43	42
Cash flow excl acquisitions, SEK M	-27	-8	-34	-15
Disposable liquid funds, SEK M	73	116	73	103
Equity ratio, %	36	51	36	36

The cash flow from operations was SEK 20M (8). After changes in working capital of SEK - 40M (-10), which are mainly attributable to increased inventories and trade debtors due to large deliveries during the latter part of the quarter, and net investments of SEK 7M (6), the cash flow amounted to SEK - 27M (-8).

Liquid funds at the period end, including unutilised bank overdraft facilities and credit promises, fell to SEK 73M (116). The equity ratio fell compared with the previous year as a result of the acquisition of LMT but has remained unchanged since the turn of the year.

KMT's product areas

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

PRECISION GRINDING

	First quarter		12 months	
• <i>UVA</i>	2001	2000	0004-0103	2000
Order intake	71	59	362	350
Net sales	94	51	405	362

Order intake for the first quarter increased by 20 per cent whereas net sales rose by 84 per cent. The rate of development and resolve to invest within UVA's main customer segment, manufacturers of fuel injection equipment, is high. Together with the company's successful establishment in China, this has led to a continued positive development.

	First quarter		12 months	
• <i>LMT</i> ¹	2001	2000	0004-0103	2000
Order intake	72	65	318	311
Net sales	79	67	316	304

¹ LMT was acquired at 2000-05-01. In the above table, LMT's values are also stated for the period before the acquisition.

Order intake for the first quarter increased by 11 per cent whereas net sales rose by 18 per cent. The dynamic action programme, which was implemented in the previous year, has contributed to the fact that LMT positively contributes to the Group's results. This is in line with the plans made at the time of acquisition.

From January, operations have focused on precision grinding machines and the aftermarket, whereas the component production is carried out in a separate company, LMV. The component company also operates on the open market, i.e. with deliveries to external customers.

SHEET METAL WORKING

	First quarter		12 months	
• <i>Pullmax Ursviken</i>	2001	2000	0004-0103	2000
Order intake	119	135	634	650
Net sales	159	132	687	660

Order intake for the quarter fell by 12 per cent whereas net sales increased by 20 per cent. Operations in the product area are characterised by a difficult investment climate, especially in the US market. The adaptation of the operations and the cost levels, which were initiated in the previous year, continued.

TUBE FORMING

	First quarter		12 months	
• <i>Herber</i>	2001	2000	0004-0103	2000
Order intake	9	15	64	70
Net sales	13	15	56	58

Order intake for the quarter fell by 40 per cent whereas net sales fell by 13 per cent. Customers resolve to enter into contracts in investment matters is currently low, despite many "hot" projects. An adaptation of the operations and cost level has therefore started.

PARENT COMPANY

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

GROUP, summary

The accounting principles which KMT has applied in this Report remain unchanged from the latest Annual Report. The Interim Report has not been the subject of examination by the company's auditors.

LMT has been included in the KMT Group since May 2000. This change significantly affects quarterly comparisons relating to the following income statements and balance sheets below.

INCOME STATEMENTS, SEK M	3 months		12 months		
	0101-03	0001-03	0004-0103	2000	1999
Net sales	344	198	1400	1254	1001
Cost of sold goods	-253	-139	-1026	-912	-694
Gross profit	91	59	374	342	307
Selling expenses	-40	-33	-165	-158	-119
Administrative costs	-17	-11	-65	-59	-48
Research and development costs	-13	-9	-47	-43	-34
Amortisation of consolidated goodwill	-1	-1	-2	-2	-2
Items affecting comparability	-	-	10	10	-
Other operating items	-	-	-	-	-1
Operating profit	20	5	105	90	103
Financial items	-3	-1	-11	-9	-1
Profit before taxes	17	4	94	81	102
Taxes	-5	-1	-27	-23	-31
Net profit	12	3	67	58	71

Depreciation according to plan of fixed assets excluding consolidated goodwill

-9 -6 -31 -28 -17

TAXES

A tax rate of 30 per cent has been applied for the reporting period. This is equivalent to the estimated tax rate for the full year. The tax rate is a mix of Swedish and foreign tax rates as well as the effects of non-deductible costs in the form of goodwill amortisation.

SHARE DATA	3 months		12 months		
	0101-03	0001-03	0004-0103	2000	1999
Profit after tax, SEK	2.43	0.57	13.49	11.63	14.16
Profit after full conversion, SEK	2.40	0.57	13.34	11.51	14.01
Equity, SEK	66.21	57.45	66.21	63.92	56.39
Equity after full conversion, SEK	65.52	56.85	65.52	63.25	55.80
Cash flow, SEK	-5.51	-1.52	-26.80	-22.65	6.63
Cash flow after full conversion, SEK	-5.45	-1.51	-26.52	-22.41	6.56
Number of shares at period-end, 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
After full conversion, 000	5,053	5,053	5,053	5,053	5,053
Market value at period-end	95.00	132.00	95.00	97.00	142.00

On full conversion of the outstanding staff convertible programme 52,858 shares will be added, which generates a dilution of one per cent of share capital and number of votes. Conversion may be made during the period October 2001 – March 2003.

The number of shareholders was approximately 4,400 at the end of the reporting period. When the share was listed in April 1998, the number of shareholders was approximately 3,100.

	3 months		12 months		
BALANCE SHEETS	0103	0003	0103	2000	1999
Consolidated goodwill	14	16	14	14	16
Other fixed assets	201	68	201	202	68
Current assets	704	482	704	670	487
Total assets	919	566	919	886	571

Shareholders' equity	331	287	331	320	282
Interest-bearing liabilities/provisions	277	54	277	253	54
Non-interest-bearing liabilities/provisions	311	225	311	313	235
Total equity and liabilities	919	566	919	886	571

	3 months		12 months		
CHANGE IN EQUITY	0101-03	0001-03	0004-0103	2000	1999
Opening balance	320	282	287	282	229
Translation differences	-1	2	-2	1	1
Dividend	-	-	-21	-21	-19
Net profit for the period	12	3	67	58	71
Closing balance	331	287	331	320	282

	3 months		12 months		
SOURCE AND APPLICATION OF FUNDS STATEMENTS, SEK	0101-03	0001-03	0004-0103	2000	1999
Operations	20	8	98	86	88
Change in working capital	-40	-10	-89	-59	-36
Cash flow before investments	-20	-2	9	27	52
Acquisition of subsidiaries	-	-	-98	-98	-
Other investments, net	-7	-6	-43	-42	-19
Cash flow	-27	-8	-132	-113	33
Financial operations	22	4	147	129	3
Dividend	-	-	-21	-21	-19
Change in liquid funds	-5	-4	-6	-5	17

	3 months		12 months		
OTHER KEY FIGURES	0101-03	0001-03	0004-0103	2000	1999
Profit margin, %	5.0	2.1	6.8	6.5	10.2
Return on: ¹					
- capital employed (R12), %	22.5	31.1	22.5	20.1	34.4
- equity (R12), %	22.0	25.1	22.0	19.5	28.6
Capital turnover rate ¹	3.0	3.2	3.0	2.8	3.2
Equity ratio, %	36	51	36	36	49
Debt ratio	0.84	0.19	0.84	0.79	0.20
Productivity (R12) ¹	1.33	1.32	1.33	1.28	1.46
Average number of employees	747	514	798	815	507

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

Future information

Interim Report January-June

Interim Report January-September

Preliminary Accounts Report 2001

15 August 2001

15 November 2001

February 2002