

Interim Report January – September 2002

	Third quarter		Nine months		Twelve months 0110 -0209	
SEK M (unless other stated)	2002	2001	2002	2001	2002	2001
Order intake	283	258	771	942	1049	1219
Backlog	424	517	424	517	424	399
Net sales	154	254	743	949	1139	1345
Operating result	-26	-5	-4	33	26	63
Result before taxes	-28	-8	-11	24	16	51
Result after taxes	-27	-6	-17	17	0	34
Result per share, SEK	-5.41	-1.12	-3.51	3.42	-0,13	6.81

- **Result before taxes SEK -11M (24). The loss is mainly due to the fall in net sales of 200M compared to the same period 2001, whereof the fall in quarter 3 was 100M**
- **Further cost reductions of SEK 45M implemented**
 - **with a full impact from the beginning of 2003**
 - **costs for staff adjustments of 15M will be charged to the fourth quarter**
- **Breakthrough orders from new customers in the USA and China**
- **Lars Bergström takes over as president of KMT from 1 January 2003 when Björn Kumlin retires**
- **Forecast for 2002: The result before taxes is calculated to - 20 to -30M.**

President's comments

The Group's operating result for the nine month period fell to SEK -4M (33) and the result before taxes to SEK -11M (24). A significant part of the fall is due to very low invoicing in the third quarter. This was caused by the continued weak machine investment market resulting from the trend in the automotive industry. Delivery times in the backlog have been focused on the fourth quarter and next year.

The fact that the fall in profit stopped at SEK 35M, despite the fall in sales of more than SEK 200M, can be attributed to the implementation of efficiency measures and the improvement in the sales margins of several subsidiaries.

The focus on the reduction of capital tied up is continuing to have positive effects. The cash flow for the nine months amounted to SEK 46M which contributed to continued high liquidity. The equity ratio increased to 40 per cent (38).

Some subsidiaries including Lidköping improved their profit compared with the previous year but these improvements were not sufficient to compensate for a significant fall in profit for UVA.

The Group's order intake has fallen significantly since 11 September last year. The majority of KMT's customers have overcapacity and are postponing investments whilst the general market situation is uncertain both in the USA and in Europe. However, the Chinese market remains strong and has contributed to the fact that KMT's investment with its own sales office in Beijing has made China one of the Group's most important markets.

Order intake for the third quarter increased to SEK 283M (258). This is a gratifying improvement which is partly the result of breakthrough orders for UVA, Lidköping and Ursviken to new important customers in the automotive industry in the USA and China.

The additional cost reductions that were announced in the six month report have been implemented. The level of expenses will be reduced by approximately SEK 45M and the measures will make a full impact from the beginning of 2003. At the same time, the variable costs have been adapted to the past year's low order intake rate. In addition, the ongoing process aimed at increasing the sales margins continues.

PROSPECTS FOR THE FUTURE

In the six months interim report a forecast indicating "Profit before tax will be significantly lower than in the previous year (51)". The forecast has now been adjusted to profit before tax of -20 to -30M. The forecast includes costs for staff adjustments of 15M.

As a result of the previously announced measures, KMT has created good conditions for achieving a better result in 2003 even in a continuing weak market. We will be well-equipped to cope with the acceleration of industrial investment.

Upplands Väsby, 14 November 2002

Björn Kumlin
President and CEO

FUTURE INFORMATION

Year-end Report 2002	13 February 2003	Interim Report January-March	9 May 2003
Interim Report January-June	14 August 2003	Interim Report January-September	13 November 2003

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Operations

Nymek was divested in 2001. In the tables below, Nymek is not included for 2001.

<i>Order intake, backlog, net sales</i>	Third quarter		Nine months		Twelve months	
	2002	2001	2002	2001	0110-0209	2001
Order intake	283	258	771	942	1049	1219
Backlog	424	517	424	517	424	399
Net sales	154	254	743	949	1139	1345

Order intake for the third quarter increased by 10 per cent. Of the quarter's order intake, own products accounted for SEK 226M (192) and agency products for SEK 57M (66). For the nine months, order intake fell by 18 per cent. Both Precision Grinding and Sheet Metal Working registered falls, whereas Tube Forming increased its order intake. For the rolling 12 month period, own products accounted for 97 per cent of the fall.

The backlog for own products amounted to SEK 367M (478). The total backlog increased by SEK 25M compared with the turn of the year.

Net sales for the third quarter fell by SEK 100M or 39 per cent. Of this, own products accounted for SEK 75. Net sales for the nine months fell by 22 per cent and by 15 per cent calculated on a rolling 12 month period, of which the majority of the fall related to agency products.

<i>Results</i>	Third quarter		Nine months		Twelve months	
	2002	2001	2002	2001	0110-0209	2001
Gross profit, SEK M	30	60	173	244	280	351
Gross margin, %	19.5	23.6	23.3	25.7	24.6	26.1
Result before taxes, SEK M	-28	-8	-11	24	16	51
Profit margin, %	-18.3	-3.1	-1.5	2.5	1.4	3.8

The gross profit for the third quarter fell by 50 per cent due to lower invoicing. The gross margin for the Group fell despite the fact that several subsidiaries increased their margins. The fall is due to a less favourable product mix caused by the fact that Precision Grinding, which has the Group's highest gross margins, fell most whilst Sheet Metal Working, with agency products and lower margins, increased its share of the total volume. For the nine months, the gross profit fell by 29 per cent and profit before taxes fell with 35M for the reasons described above.

<i>Investments and financial Position</i>	Third quarter		Nine months		Twelve months	
	2002	2001	2002	2001	0110-0209	2001
Investments excluding acquisitions, SEK M	2	7	8	17	13	22
Cash flow excluding acquisitions, SEK M	1	20	46	82	24	60
Disposable liquid funds, SEK M	143	167	143	167	143	180
Equity ratio, %	40	38	40	38	40	42

The cash flow from operations in the third quarter was SEK -15M (0) and changes in working capital amounted to SEK 18M (27), mainly attributable to reduced trade debtors which is largely due to low deliveries during the quarter. Net investment was SEK 2M (7). Taken together, this gave a cash flow of SEK 1M (20). For the nine months, the cash flow was SEK 46M (82). Of this, SEK 11M (41) was obtained from operations and SEK 43M (45) from a change in working capital. The positive cash flow for the nine months is mainly attributable to reduced trade debtors and inventories.

Liquid funds at the period end, including unutilised bank overdraft facilities and credit promises, fell to SEK 143M (167) partly due to amortisation of long-term liabilities of SEK 15M and dividend paid of SEK 18M. The equity ratio rose by two percentage points compared with the third quarter in the previous year as a result of reduced balance sheet total.

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.

KMT's product areas

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

PRECISION GRINDING

	Third quarter		Nine months		Twelve months	
• UVA	2002	2001	0201-09	0101-09	0110-0209	2001
Order intake	57	69	161	244	244	327
Net sales	22	67	173	276	297	400

Order intake for the third quarter fell by 17 per cent and net sales fell by 67 per cent. The lower net sales, in particular in the third quarter, also generated a significant fall in profit for the nine months. UVA implemented measures to adjust its cost level to the current economic situation. This will make an impact from the beginning of 2003. Several UVA customers still have overcapacity which has led to continued low investment in machinery. A significant order from one of the largest system suppliers to the American automotive industry was received. The order is a new customer breakthrough and a new market segment for UVA.

	Third quarter		Nine months		Twelve months	
• LIDKÖPING (LMT)	2002	2001	0201-09	0101-09	0110-0209	2001
Order intake	97	63	255	272	316	333
Net sales	47	55	235	229	337	331

Order intake for the third quarter increased by 54 per cent, whereas net sales fell by 14 per cent. For the nine months, order intake fell by six per cent, whereas net sales increased by three per cent. The profit trend remains positive. A significant order was received from a new customer in the American automotive industry.

SHEET METAL WORKING

	Third quarter		Nine months		Twelve months	
• PULLMAX	2002	2001	0201-09	0101-09	0110-0209	2001
Order intake	93	106	252	300	357	405
Net sales	68	100	245	327	363	445

Order intake for the third quarter fell by 12 per cent and net sales by 32 per cent. For the nine months, the corresponding falls were 16 and 25 per cent. The implemented strong cost reductions enabled Pullmax to maintain its profit level at the previous year's level despite substantially reduced invoicing. Significant additional cost adaptations to the lower volume have been implemented and will make an impact from the beginning of 2003.

	Third quarter		Nine months		Twelve months	
• URSVIKEN	2002	2001	0201-09	0101-09	0110-0209	2001
Order intake	34	36	78	141	108	171
Net sales	21	32	93	117	155	179

Order intake for the quarter fell by six per cent and net sales 34 per cent. Order intake and net sales for the nine months fell by 45 and 20 per cent, respectively. The size of the fall is mainly due to the fact that the American market, which is so important for Ursviken, remained very restrained in its investment in machinery. Ursviken received an order from a new large Chinese customer in the automotive industry. The increased sales margins and previously implemented cost reductions improved Ursviken's profit compared with the previous year. Significant additional cost adaptations have been implemented which will make an impact from the beginning of 2003.

TUBE FORMING**• HERBER**

	Third quarter		Nine months		Twelve months	
	2002	2001	0201-09	0101-09	0110-0209	2001
Order intake	7	7	39	31	46	38
Net sales	6	16	27	44	35	52

Order intake for the quarter remained unchanged, whereas net sales fell by 62 per cent. For the nine months, order intake rose by 26 per cent, whilst net sales fell by 39 per cent. The previously implemented cost reductions will make a full impact on the fourth quarter and, together with the higher margins and the good order intake during the summer, there will be a significant improvement in profit in the last quarter of the year.

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.

	Third quarter		Nine months		Twelve months		
INCOME STATEMENTS, SEK M	0207-09	0107-09	0201-09	0101-09	0110-0209	2001	2000
Net sales	154	254	743	949	1139	1345	1254
Cost of goods sold ¹	-124	-194	-570	-705	-859	-994	-912
Gross profit	30	60	173	244	280	351	342
Selling expenses	-32	-39	-99	-122	-138	-161	-158
Administrative costs	-15	-17	-51	-52	-73	-74	-59
Research and development costs	-8	-8	-25	-31	-40	-46	-43
Amortisation of consolidated goodwill	-1	-1	-2	-2	-3	-3	-2
Items affecting comparability	-	-	-	-4	-	-4	10
Other operating items	-	-	-	-	-	-	-
Operating profit	-26	-5	-4	33	26	63	90
Financial items	-2	-3	-7	-9	-10	-12	-9
Profit before taxes	-28	-8	-11	24	16	51	81
Taxes	1	2	-6	-7	-16	-17	-23
Profit after tax	-27	-6	-17	17	0	34	58

Depreciation according to plan of fixed assets, excluding consolidated goodwill

	-7	-5	-20	-18	-33	-31	-25
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¹⁾ Under the heading Cost of goods sold are also included volume-adapted and reduced manufacturing costs.

TAXES

A standard tax rate of 28 per cent has been applied for the reporting period. In addition, adjustments have been made for foreign tax rates as well as the effects of non-deductible costs in the form of goodwill amortisation.

	Third quarter		Nine months		Twelve months		
BALANCE SHEETS, SEK M	0207-09	0107-09	0201-09	0101-09	0110-0209	2001	2000
Consolidated goodwill	10	12	10	12	10	12	14
Other fixed assets	188	185	188	185	188	191	202
Current assets	551	654	551	654	551	607	670
Total assets	749	851	749	851	749	810	886
Shareholders' equity	301	320	301	320	301	338	320
Interest-bearing liabilities/provisions	202	211	202	211	202	215	253
Non-interest-bearing liabilities/provisions	246	320	246	320	246	257	313
Total equity and liabilities	749	851	749	851	749	810	886

	Third quarter		Nine months		Twelve months		
CHANGE IN EQUITY	0207-09	0107-09	0201-09	0101-09	0110-0209	2001	2000
Opening balance	324	322	338	320	320	320	282
Translation differences	4	4	-2	1	-1	2	1
Divestment of Nymek	-	-	-	-	-	-	-
Dividend paid	-	-	-18	-18	-18	-18	-21
Net profit for the period	-27	-6	-17	17	0	34	58
Closing balance	301	320	301	320	301	338	320

	Third quarter		Nine months		Twelve months		
CASH FLOW ANALYSES, SEK M	0207-09	0107-09	0201-09	0101-09	0110-0209	2001	2000
Operations	-15	0	11	41	43	73	86
Change in working capital	18	27	43	45	-8	-6	-59
Cash flow before investments	3	27	54	86	35	67	27
Acquisition/divestment of subsidiaries	-	-	-	13	2	15	-98
Other investments, net	-2	-7	-8	-17	-13	-22	-42
Cash flow	1	20	46	82	24	60	-113
Financial operations	-7	-31	-13	-63	17	-33	129
Dividend paid	-	-	-18	-18	-18	-18	-21
Change in liquid funds	-6	-11	15	1	23	9	-5

	Third quarter		Nine months		Twelve months		
OTHER KEY FIGURES	0207-09	0107-09	0201-09	0101-09	0110-0209	2001	2000
Profit margin, %	-18.3	-3.1	-1.5	2.5	1.4	3.8	6.5
Return on: ¹							
- Capital employed (R12), %	5.2	12	5.2	12	5.2	11.8	20.1
- Equity (R12), %	-0.2	12	-0.2	12	-0.2	10.3	19.5
Capital turnover rate ¹	2.2	2.4	2.2	2.4	2.2	2.4	2.8
Equity ratio, %	40	38	40	38	40	42	36
Debt ratio	0.67	0.66	0.67	0.66	0.67	0.64	0.79
Productivity (R12) ¹	1.09	1.22	1.09	1.22	1.09	1.2	1.28
Average number of employees	595	670	595	670	595	661	815

¹ Capital turnover rate, productivity and the return on both equity and capital employed have been calculated on sales and results achieved over twelve months (R12).

	Third quarter		Nine months		Twelve months		
SHARE DATA	0207-09	0107-09	0201-09	0101-09	0110-0209	2001	2000
Profit after tax, SEK	-5.41	-1.12	-3.51	3.42	-0.13	6.81	11.63
Profit after full conversion, SEK	-5.35	-1.11	-3.48	3.39	-0.13	6.73	11.51
Shareholders' equity, SEK	60.17	63.92	60.17	63.92	60.17	67.70	63.92
Equity after full conversion, SEK	59.54	63.25	59.54	63.25	59.54	66.99	63.25
Cash flow, SEK	0.21	4.39	9.23	16.40	4.88	11.96	-22.65
Cash flow after full conversion, SEK	0.21	4.34	9.14	16.22	4.83	11.84	-22.41
Number of shares, period end (000)	5000	5000	5000	5000	5000	5000	5000
Average number of shares (000)	5000	5000	5000	5000	5000	5000	5000
After full conversion (000)	5053	5053	5053	5053	5053	5053	5053
Market price at the period end	75.00	89.00	75.00	89.00	75.00	96.00	97.00

On full conversion of the outstanding staff convertible scheme, 52,858 shares will be added. This is equivalent to a dilution of one per cent of share capital and number of votes. Conversion can be made during the period October 2002 – March 2003. The number of shareholders was approximately 4,200 at the end of the reporting period.