

## Interim Report January – September 2004

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- Net sales amounted to SEK 920M (676) – an increase of 36 per cent. Excluding KMT Waterjet Systems and KMT Cutting Systems, net sales fell by four per cent.
- Result before tax improved from SEK -28M to SEK +20M. After tax, the result improved from SEK -29M to SEK + 10M.
- Earnings per share amounted to SEK 0.96 (-5.81).
- Order intake amounted to SEK 1,104M (629). For comparable units, after adjustment for acquisitions, order intake increased by 33 per cent.

SEK M (unless otherwise stated)	Third quarter		Nine months		12 months 0310	
	2004	2003	2004	2003	-0409	2003
Order intake	348	190	1104	629	1470	995
Backlog	543	334	543	334	543	330
Net sales	299	187	920	676	1295	1 051
Operating result	4	-7	29	-21	39	-11
Operating margin, %	1.3	-3.7	3.1	-3.1	3.6	-1.1
Result before taxes	3	-9	20	-28	27	-21
Result after tax	4	-8	10	-29	20	-19
Cash flow after investments	-31	-7	-130	-23	-458	-351
Return on capital employed, %	4.7	-6.8	4.7	-6.8	4.7	-1.4
Earnings per share, SEK	0.33	-1.56	0.96	- 5.81	2.05	-3.41
Equity per share, SEK	45.48	49.66	45.48	49.66	48.32	47.18
Average number of shares, 000	10 000	5 000	10 000	5 000	9 411	5 671
Number of shares after full dilution, 000	10 000	5 000	10 000	5 000	10 000	10 000

## ***Market***

During the first half of the year, the market situation improved because of a significant increase in the willingness to invest within all of KMT's customer segments. However, this improvement abated slightly during the third quarter. The American market continues to improve slowly, whilst the upturn in the economy of Europe seems to be delayed. The development of the Chinese market remains positive, especially within the expanding automotive industry which is an important sector for KMT.

## ***Third quarter***

KMT's order intake for the third quarter amounted to SEK 348M (190). The increase is mainly attributable to Waterjet Cutting and Precision Grinding. The backlog improved to SEK 543M (334).

Invoicing in the Group, excluding KMT Waterjet Systems and KMT Cutting Systems, was slightly lower during the third quarter compared with the same period in the previous year. The consolidated operating result for the third quarter improved to SEK 4M (-7). The growth profit margin improved to 28.4 (21.8), whilst the result before taxes increased to SEK 3M (-9).

KMT Waterjet Systems generated an order intake of SEK 73M and invoicing of SEK 81M. This is on a par with the first two quarters of 2004. KMT took possession of the now wholly-owned subsidiary, KMT Cutting Systems, on 30 June and the company is, therefore, included in full for the third quarter.

KMT Cutting Systems won one of the largest individual orders in the company's history worth SEK 13.5M from Lear in Tidaholm.

Within Precision Grinding, UVA's order intake reached SEK 79M (40). The will to invest within UVA's most important customer segment, fuel injection, continued to improve. During the quarter, a strategically important order was received from China. UVA's invoicing amounted to SEK 33M (40). Lidköping's order intake increased by 61 per cent. The company received its third large order from Wanxiang Group Corporation. As a result, Lidköping and KMT continue their success in the Chinese market. However, invoicing was lower compared with the previous year. Because of low order intake, 23 staff were given notice in Lidköping's subsidiary, LMV, which mainly operates within mechanical processing. The terms of this notice will be finally negotiated during October. During the quarter, the USA based service company, Cincinnati Grinding Technologies, which was acquired in June, received an order from an important American subcontractor to the automotive industry. The order value is equivalent to around 50 per cent of the previous year's total sales for CGT.

Order intake within Sheet Metal Working fell slightly compared with the previous year. Pullmax reported SEK 65M (61), whilst Ursviken's order intake fell to SEK 19M (34). Invoicing improved to SEK 89M (75), of which Pullmax accounted for the entire increase.

Within Tube Forming, Herber increased its order intake to SEK 11M (6). Invoicing was unchanged compared with the previous year.

**Order intake and net sales by product area**

	Order intake			Net sales		
	Third quarter			Third quarter		
	2004 SEK M	2003 SEK M	Change %	2004 SEK M	2003 SEK M	Change %
KMT Waterjet Systems	73	-	-	81	-	-
KMT Cutting Systems	35	-	-	38	-	-
<b>Waterjet Cutting</b>	<b>108</b>	<b>-</b>	<b>-</b>	<b>119</b>	<b>-</b>	<b>-</b>
UVA	79	40	97	33	40	-17
Lidköping	74	46	61	56	64	-12
<b>Precision Grinding</b>	<b>153</b>	<b>86</b>	<b>78</b>	<b>89</b>	<b>104</b>	<b>-14</b>
Pullmax	65	61	6	77	63	22
Ursviken	19	34	-45	12	12	-
<b>Sheet Metal Working</b>	<b>84</b>	<b>95</b>	<b>-13</b>	<b>89</b>	<b>75</b>	<b>18</b>
Herber	11	6	80	10	10	-
<b>Tube Forming</b>	<b>11</b>	<b>6</b>	<b>80</b>	<b>10</b>	<b>10</b>	<b>-</b>
Parent company and eliminations	-8	3		-8	-2	
<b>Group</b>	<b>348</b>	<b>190</b>	<b>83</b>	<b>299</b>	<b>187</b>	<b>59</b>

## Operations

<i>Order intake, backlog, net sales</i>	Third quarter		9 months		12 months	
	2004	2003	2004	2003	0310- 0409	2003
Order intake	348	190	1104	629	1470	995
Backlog	543	334	543	334	543	330
Net sales	299	187	920	676	1295	1051

Order intake for the third quarter increased by 83 per cent. Of the quarter's order intake, own products accounted for SEK 320M (157) and agency products for SEK 28M (33). For the nine month period, order intake rose by 75 per cent. All product areas reported increased order intake. Order intake calculated on a 12 month rolling period rose by 48 per cent or SEK 475M. Of this, own products accounted for SEK 283M.

The total backlog increased to SEK 543M (334), of which own products represented SEK 499M (288).

Net sales for the third quarter rose by 60 per cent. Own products increased to SEK 260M (153) and agency products increased to SEK 39M (34). For the nine month period, net sales rose by 36 per cent and by 23 per cent calculated on a rolling 12 month period.

<i>Results</i>	Third quarter		9 months		12 months	
	2004	2003	2004	2003	0310- 0409	2003
Gross profit, SEK M	85	41	256	138	345	227
Gross margin, %	28.4	21.8	27.8	20.4	26.6	21.5
Operating result, SEK M	4	-7	29	-21	39	-11
Operating margin, %	1.3	-3.7	3.1	-3.1	3.6	-1.1
Result before taxes, SEK M	3	-9	20	-28	27	-21
Profit margin, %	1.0	-4.9	2.2	-4.2	2.1	-2.0

Gross profit for the third quarter rose by 107 per cent as a result of increased net sales and improved margins. The increased net sales are attributable to Pullmax and to the acquired companies, KMT Waterjet Systems and KMT Cutting Systems. The improved gross margin is attributable to KMT Waterjet Systems, UVA, Lidköping and Ursviken. For the nine month period, the gross profit improved by 85 per cent.

<i>Investments and financial position</i>	Third quarter		9 months		12 months	
	2004	2003	2004	2003	0310- 0409	2003
Investments, SEK M	4	-5	97	5	422	330
Cash flow after investments, SEK M	-1	1	-100	-23	-428	-351
Available liquid funds, SEK M	139	144	139	144	139	213
Equity ratio, %	38	38	38	38	38	44

The cash flow from operations for the third quarter was SEK 7M (-4). Changes in working capital amounted to SEK -4M (0) and are mainly attributable to increased inventories. Net investments amounted to SEK 4M (-5). Taken together, this generated a cash flow of SEK 1M (1). For the nine month period, the cash flow was SEK -100M (-23), of which SEK 33M (-11) is attributable to operations and SEK -36M (-7) to a change in working capital. Net investments for the period amounted to SEK 100M (5), of which the largest proportion is attributable to the acquisition of shares in KMT Cutting Systems AB.

Liquid funds at the period end, including unutilised bank overdraft facilities and credit promises, fell to SEK 139M (144). The equity ratio remained unchanged at 38 per cent (38).

## KMT's product areas

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

<b>WATERJET CUTTING</b>	Third quarter		9 months		12 months*	
• <b>WATERJET SYSTEMS</b>	<b>2004</b>	2003	<b>2004</b>	2003	0310-0409	2003
Order intake	<b>73</b>	-	<b>230</b>	-	307	77
Net sales	<b>81</b>	-	<b>232</b>	-	309	77

\* KMT Waterjet Systems was consolidated from 1 October 2003

Order intake and net sales for the third quarter was nine per cent lower compared with the second quarter of the year whilst invoicing was three per cent higher compared with the second quarter. Order intake in the American market continues to increase and is compensating for the weaker trend in the European market.

	Third quarter		9 months		12 months	
• <b>CUTTING SYSTEMS</b>	<b>2004</b>	2003	<b>2004</b>	2003	0310-0409	2003
Order intake	<b>35</b>	-	<b>35</b>	-	35	-
Net sales	<b>38</b>	-	<b>38</b>	-	38	-

\* KMT Cutting Systems was consolidated from 1 July 2004

The third quarter was the first quarter as a wholly owned subsidiary within the KMT Group and, therefore, no comparative figures are presented. Order intake for the quarter amounted to SEK 35M and included one of the largest orders in the company's history.

<b>PRECISION GRINDING</b>	Third quarter		9 months		12 months	
• <b>UVA</b>	<b>2004</b>	2003	<b>2004</b>	2003	0310-0409	2003
Order intake	<b>79</b>	40	<b>216</b>	100	292	176
Net sales	<b>33</b>	40	<b>120</b>	155	193	228

Order intake for the third quarter rose by 97 per cent whilst net sales fell by 17 per cent. For the nine month period, order intake increased by 116 per cent whilst net sales fell by 23 per cent. The lower net sales are due to fewer deliveries of machines during the period. The investment rate within UVA's main customer segment, manufacturers of fuel injection equipment, is on the increase from the low level in 2003.

	Third quarter		9 months		12 months	
• <b>LIDKÖPING (LMT)</b>	<b>2004</b>	2003	<b>2004</b>	2003	0310-0409	2003
Order intake	<b>74</b>	46	<b>254</b>	214	319	279
Net sales	<b>56</b>	64	<b>191</b>	220	281	310

Order intake for the third quarter rose by 61 per cent whilst net sales fell by 12 per cent. For the nine month period, order intake increased by 19 per cent whilst net sales fell by 13 per cent. During the third quarter, Lidköping successfully won orders from the important Chinese market. The acquired service company, Cincinnati Grinding Technologies, which is based in the USA, has strengthened Lidköping's presence in the important North American market.

<b>SHEET METAL WORKING</b>	Third quarter		9 months		12 months	
• <b>PULLMAX</b>	<b>2004</b>	2003	<b>2004</b>	2003	0310-0409	2003
Order intake	<b>65</b>	61	<b>258</b>	219	358	319
Net sales	<b>77</b>	63	<b>243</b>	206	345	308

In the third quarter, order intake increased by seven per cent and net sales rose by 22 per cent. For the nine month period, both order intake and net sales rose by 18 per cent. Pullmax's agency products from Bystronic continue to represent a significant proportion of order intake.

	Third quarter		9 months		12 months	
• URSVIKEN	2004	2003	2004	2003	0310-0409	2003
Order intake	19	34	82	67	112	97
Net sales	12	12	66	68	85	86

Order intake for the quarter fell by 44 per cent whilst net sales remained unchanged. For the nine month period, order intake increased by 22 per cent whilst net sales fell by three per cent. The improved order intake is mainly attributable to a large machine order which Urviken received at the end of the first quarter.

	Third quarter		9 months		12 months	
• HERBER	2004	2003	2004	2003	0310-0409	2003
Order intake	11	6	39	32	59	52
Net sales	10	10	40	34	53	47

Order intake for the quarter rose by 83 per cent whilst net sales remained unchanged. For the nine month period, order intake increased by 22 per cent and net sales rose by 18 per cent. However, the difficult investment climate in Herber's markets continues whilst its share of the service market remains stable.

## GROUP SUMMARY

	Third quarter		9 months		12 months		
INCOME STATEMENTS, SEK M	2004	2003	2004	2003	0310-0409	2003	2002
<b>Net sales</b>	299	187	920	676	1295	1051	1036
Cost of sold goods	-214	-146	-664	-538	-950	-824	-807
<b>Gross profit</b>	85	41	256	138	345	227	229
Selling expenses	-46	-31	-131	-90	-173	-132	-139
Administrative expenses	-27	-12	-70	-47	-100	-77	-79
Research and development expenditure	-8	-5	-29	-22	-37	-30	-32
Result of participations in associated companies	-	-	3	-	4	1	-
<b>Operating result</b>	4	-7	29	-21	39	-11	-21
Financial items	-1	-2	-9	-7	-12	-10	-8
<b>Result after financial items</b>	3	-9	20	-28	27	-21	-29
Taxes	1	1	-10	-1	-7	2	1
<b>Net result for the period</b>	4	-8	10	-29	20	-19	-28
Depreciation according to plan of fixed assets excluding consolidated goodwill amortisation	-6	-6	-18	-18	-23	-23	-30
Goodwill amortisation	-6	-1	-16	-2	-21	-7	-3

## TAXES

The tax rate is a mix of Swedish and foreign tax rates and the effects of non-deductible costs.

**BALANCE SHEETS, SEK M**

<b>Assets</b>	0409	0309	0312	0212
<i>Fixed assets</i>				
Concessions, patents, other intangible assets	34	30	34	23
Consolidated goodwill	312	8	267	10
Tangible fixed assets	162	142	153	160
Financial fixed assets	1	2	42	2
<b>Total fixed assets</b>	<b>509</b>	<b>182</b>	<b>496</b>	<b>195</b>
<i>Current assets</i>				
Inventories	327	229	225	231
Current receivables	307	217	290	205
Cash and bank	49	32	73	81
<b>Total current assets</b>	<b>683</b>	<b>478</b>	<b>588</b>	<b>517</b>
<b>Total assets</b>	<b>1192</b>	<b>660</b>	<b>1084</b>	<b>712</b>
<b>Equity, provisions and liabilities</b>				
Shareholders' equity	455	248	472	286
Provisions	125	129	116	125
Long-term liabilities	253	85	198	111
Current liabilities	359	198	298	190
<b>Total equity, provisions and liabilities</b>	<b>1192</b>	<b>660</b>	<b>1084</b>	<b>712</b>

	0409	0309	0312	0212
<b>Interest-bearing/non-interest-bearing liabilities and provisions</b>				
Interest-bearing liabilities/provisions	414	182	343	205
Non-interest-bearing liabilities/provisions	323	230	269	221
<b>Total provisions and liabilities</b>	<b>737</b>	<b>412</b>	<b>612</b>	<b>426</b>

<b>CHANGE IN EQUITY</b>	Third quarter		9 months		12 months		
	2004	2003	2004	2003	0310-0409	2003	2002
Opening balance	453	260	472	286	248	286	338
Effect of change of accounting principle	-	-	-10	-	-10	-	-
Opening balance, shareholders' equity in accordance with the new principle	453	-	462	-	238	-	-
Translation differences	-2	-4	-2	-1	-7	-6	-6
New share issue	-	-	-	-	219	219	-
Dividend	-	-	-15	-8	-15	-8	-18
Net result for the period	4	-8	10	-29	20	-19	-28
<b>Closing balance</b>	<b>455</b>	<b>248</b>	<b>455</b>	<b>248</b>	<b>455</b>	<b>472</b>	<b>286</b>

<b>KEY FIGURES</b>	Third quarter		9 months		12 months		
	2004	2003	2004	2003	0310-0409	2003	2002
Operating margin, %	1.3	-3.7	3.1	-3.1	3.6	-1.1	-2.0
Profit margin before tax, %	1.0	-4.9	2.2	-4.2	2.1	-2.0	-2.8
Return on: <sup>1</sup>							
- Capital employed (R12), %	4.7	-6.8	4.7	-6.8	4.7	-1.4	-2.9
- Equity (R12), %	4.2	-17.1	4.2	-17.1	4.2	-5.1	-9.0
Capital turnover rate <sup>1</sup>	1.5	2.1	1.5	2.1	1.5	1.6	2.0
Equity ratio, %	38	38	38	38	38	44	40
Debt ratio	0.91	0.73	0.91	0.73	0.91	0.70	0.70
Productivity (R12) <sup>1</sup>	1.83	0.88	1.83	0.88	1.83	1.46	1.72
Average number of employees	739	557	739	557	739	701	604

<sup>1</sup> Capital turnover rate, productivity and return on equity and capital have been calculated on sales and results achieved during 12 months (R12) for all the periods stated.

<b>CASH FLOW STATEMENTS, SEK M</b>	Third quarter		9 months		12 months		
	2004	2003	2004	2003	0310-0409	2003	2002
<b>Operations</b>	7	-4	33	-11	42	-2	-2
Change in working capital	-4	-	-36	-7	-48	-19	83
<b>Cash flow before investments</b>	3	-4	-3	-18	-6	-21	81
Acquisition/ divestment of subsidiaries	-	-	-80	-	-369	-289	-
Long-term receivable	-	-	-	-	-13	-13	-
Other investments, net	-4	5	-17	-5	-40	-28	-6
<b>Cash flow</b>	-1	1	-100	-23	-428	-351	75
Items not included in the cash flow	-4		34		34	-	-
Financial operations	-3	-7	57	-18	426	351	-16
Dividend	-	-	-15	-8	-15	-8	-18
<b>Change in liquid funds</b>	-8	-6	-24	-49	17	-8	41

<b>SHARE DATA</b>	Third quarter		9 months		12 months		
	2004	2003	2004	2003	0310-0409	2003	2002
Result after tax, SEK	0.33	-1.56	0.96	-5.81	2.05	-3.41	-5.28
Shareholders' equity, SEK	45.48	49.66	45.48	49.66	48.32	47.18	53.62
Cash flow, SEK	-0.1	0.3	-9.96	-4.58	-45.48	-35.88	15.01
Number of shares, period end (10,000)	10 000	5 000	10 000	5 000	10 000	10 000	5 000
Average number of shares (10,000)	10 000	5 000	10 000	5 000	9 411	5 671	5 000
Market price ant period end	70.00	59.00	70.00	59.00	70.00	59.50	64.65

At the end of the reporting period, the number of shareholders was 3,961. When KMT was listed in April 1998, the number of shareholders amounted to approximately 3,100. The largest shareholder is Nordstjernan AB which owns 40.1 per cent of capital and votes.

### **Personnel**

The average number of employees during the quarter was 739 (557).



### ***Seasonal variations***

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

### ***Prospects for the future***

KMT will not be making a forecast for the full-year 2004

### ***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. The parent company's net sales amounted to SEK 10.9M (8.8) and the result after financial income and expenses to SEK 0.7M (-4.1).

### ***Accounting principles***

This interim report has been prepared in accordance with the Swedish Accounting Standards Council's recommendation RR 20, Interim reporting.

As from 1 January 2004, KMT is applying the Swedish Accounting Standards Council's recommendation RR 29, Remuneration to employees, in the consolidated accounts. By application of RR 29, benefit-based pension schemes within all Group subsidiaries are reported in accordance with common principles. In KMT's financial reporting up to and including 2003, such schemes have been reported in accordance with local rules and regulations in each country. In accordance with the transitional regulations, an initial liability is set and calculated as of 1 January 2004 in accordance with RR 29. This initial liability exceeds the liability reported on 31 December 2003 in accordance with the previous principles by SEK 15.7M. As a result, the exceeding liability value has been reported as an increase in provisions for pensions and similar obligations as of 1 January 2004. After deduction for deferred tax, consolidated equity decreases by SEK 10.2M net. In the quarterly report for the first quarter, this item was erroneously reported as SEK 19M and an adjustment of opening shareholders' equity on 1 January 2004 has been made in this interim report. In accordance with the recommendation's transitional regulations, the company has not recalculated previous financial years in accordance with the new recommendation.

Goodwill amortisation, which was previously reported on a separate line in the income statement, is currently included in the item 'selling expenses'.

The results of participations in associated companies were previously reported in the net amount for financial items.

Otherwise, the same accounting principles apply as in the latest Annual Report.

This interim report has not been the subject of examination by the Company's auditors.

Board of Directors, 22 October 2004

### ***Information***

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### ***Future information dates***

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