

NEWS RELEASE



Interim Report January – September 2000

- **Profit before taxes fell by 6 per cent to SEK 51.9M (55.3). The result includes items of a one-off nature of SEK +14.9M (0). Acquisitions have not affected the result.**
- **The fall in consolidated profit before taxes relates to Product Area Sheet Metal Working. Order intake continued to increase, but problems with adjustment of production to new products had a negative effect on both net sales and results.**
- **Net sales rose by 28 per cent to SEK 855M (669). Excluding acquisitions, net sales amounted to SEK 757M (669).**
- **Order intake amounted to SEK 941M (745), an increase of 26 per cent. Excluding acquisitions, order intake amounted to SEK 790M (745).**
- **New forecast: Profit before taxes for the full-year is expected to be approximately on a par with the result for the previous year (102). The forecast includes items of a one-off nature.**

Summary

In line with its current strategic plan, Vision 2000, KMT has laid several important foundation stones for future growth during the year. The new high-technology product ranges, which generate even higher benefits for the customers, have been very positively received in the market, most recently at the IMTS fair in Chicago during September. Products from several KMT companies attracted considerable attention at IMTS.

The business trend scenario within KMT's sectors remains fragmented. In Sweden, investments are increasing, whereas they are evening out at a high level in the United Kingdom. In Germany, investments have not yet gained momentum. In the USA, growth in investments has died down in general, whereas investments are falling in the contracting and agricultural sectors.

For UVA, in product area Precision Grinding, the market has levelled off following several years of high growth. We estimate that this is momentary and that the investment level for UVA's customers

will increase again. The increasing environmental demands within the automotive sector have the effect that new fuel injection technology is developing at a rapid pace. As a result, the need for investment in new production technology among UVA's customers is also increasing.

The restructuring work in Lidköping Machine Tools – LMT – is proceeding according to plan. Cost reducing measures are being implemented and marketing activities are at the same time focused on making several large roller bearing companies customers of LMT. During the third quarter, the company received a strategically important order from FAG, one of the leading manufacturers. The order indicates that LMT has a growth potential within this customer segment.

The new product range within Sheet Metal Working has now been launched in all the prioritised markets, where they have been very positively received. This has contributed to increased order intake. Adjustment to production of the new modular products has not gone according to plan which meant that deliveries and results were negatively affected during the third quarter. Vigorous measures have been implemented to shorten delivery times and increase the rate of delivery. At the same time, action has also been taken to improve profitability and competitiveness. It is expected that the measures will have a significant impact from the end of the year. In addition to one-off costs for investment in rationalisation, the year's results will be charged with additional costs for catching up with delayed deliveries of the new products.

The increasingly strong market response to product area Tube Forming's new product range continues to have positive effects on order intake. This will gradually lead to increasing deliveries and results.

Operations

Order intake

Order intake for the third quarter rose by 49 per cent to SEK 362M (243). For the nine-month period, order intake amounted to SEK 941M (745). Of order intake, SEK 750M (564) referred own products. Excluding acquisitions, order intake amounted to SEK 790M (745).

Order intake on a twelve-month rolling basis increased by 20 per cent to SEK 1,197M (1,001). Of rolling order intake, SEK 922M (776) related to own products. Excluding acquisitions, twelve-month rolling order intake amounted to SEK 1,052M (1,001).

Backlog

The backlog amounted to SEK 568M (456), of which own products accounted for SEK 524M (395). The backlog includes SEK 154M from acquisitions.

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.

A restructuring reserve of SEK 10M for product area Sheet Metal Working is charged to profit. These two items are reported as items affecting comparability of +14.9M net.

Net sales and results

Net sales for the third quarter rose by 32 per cent to SEK 241M (183). For the first nine months of the year, net sales amounted to SEK 855M (669). Of net sales, SEK 634M (504) referred to own products. Excluding acquisitions, net sales amounted to SEK 757M (669).

Net sales calculated on a twelve-month rolling basis increased by 19 per cent to SEK 1,186M (997). Of rolling net sales, SEK 893M (768) referred to own products. Excluding acquisitions, net sales amounted to SEK 1,088M (997) on a rolling basis.

Consolidated result before taxes for the third quarter amounted to SEK –8.2 (4.7). For the nine-month period, profit fell by 6 per cent to SEK 51.9M (55.3), including items of a one-off nature which amounted to SEK +14.9M. Profit before taxes calculated on a rolling 12-month basis was largely unchanged, SEK 98M (99), including items of a one-off nature.

The profit margin for the nine-month period amounted to 6.1 per cent (8.3), including acquisitions and items of a one-off nature, of which one-off items accounted for 1.7 per cent. Excluding acquisitions and one-off items, the profit margin amounted to 5.0 per cent (8.3).

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, the Group's capital expenditure in real estate, machinery and equipment amounted to SEK 98.9M (13.4), in goodwill to SEK 30.0M (0) and in patents to SEK 10.7M (0). Excluding asset items relating to the acquisition of LMT, capital expenditure in real estate, machinery and equipment amounted to SEK 16.4M (13.4) during the period.

Financial position

Cleared of one-off effects of acquisitions and with LMT included from May, cash flow from operations was SEK 56.2M (53.8). Changes in working capital amount to SEK -51.1M (1.6), mainly as a result of building up inventories to cope with deliveries during the autumn and a receivable from SPP for surplus funds. Following net capital expenditure, including patents, of SEK 27.1M (13.4), the cash flow amounts to SEK –22.0M (42.0).

At the period-end, liquid assets including unutilised bank overdraft facilities and credit promises amounted to SEK 117.2M (140.2). The change is partly due to the acquisition of LMT.

The equity ratio amounted to 34 per cent (49) at the period-end. The change relates wholly to the effects of the acquisition of LMT which was carried out without any addition of equity.

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 for the full year, including items of a one-off nature with an estimated effect of SEK +15M net, is expected to be approximately on a par with the result for the previous year (SEK 102M). The previous forecast was: "Profit before taxes including items of a one-off nature with an estimated net effect of SEK +15M, for the full year is estimated to be higher than in the previous year".

Key figures

	Quarter 3		9 months		Rolling full-year	Calendar year	
	0007-09	9907-09	0001-09	9901-09	9910-0009	1999	1998
Order intake, SEK M	362	243	941	745	1197	1001	1009
Backlog ¹	568	456	568	456	568	381	381
Net sales, SEK M	241	183	855	669	1186	1001	943
Operating result, SEK M	-4	6	58	57	104	104	94
Result before taxes, SEK M	-8	5	52	55	98	102	91
Result after tax, SEK M	-6	3	36	39	68	71	63
Balance sheet total, SEK M	881	503	881	503	881	571	495
Profit margin, %	-3.4	2.6	6.1	8.3	8.3	10.2	9.6
Return on: ²							
- Capital employed (R12), %	-	-	26	36	26	34	37
- Equity (R12), %	-	-	25	31	25	29	32
Capital turnover rate ²	-	-	2.9	3.3	2.9	3.2	3.6
Equity ratio, %	-	-	34	49	34	49	46
Debt ratio	-	-	0.74	0.22	0.74	0.19	0.24
Productivity (R12)	-	-	1.38	1.35	1.38	1.46	1.42
Average number of employees	-	-	663	489	656	507	477
Result per share, SEK ²	-1.16	0.68	7.26	7.76	13.60	14.16	12.70
Equity per share, SEK	-	-	59.74	49.70	59.74	56.39	45.77
Share price at period-end	-	-	115.00	112.00	115.00	142.00	120.00

¹ Backlog at 000930 has been adjusted by SEK 100.9M referring to acquired backlog in LMT.

² 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 (R12). Profit per share has been calculated for results achieved over twelve months as well as for results achieved over three and nine months, respectively. For quarter and nine-month periods, 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	Product Mix Order intake			Product Mix Net sales		
	0001-09	9901-09	1999	0001-09	9901-09	1999
Precision Grinding ¹	404.6 ¹	275.8	326	347.8 ¹	216.9	339
Sheet Metal Working	488.0	440.2	625	467.3	411.1	609
Tube Forming	48.5	32.5	54	40.1	43.0	56

¹ Of order intake, 151.5 relates to acquisitions. The corresponding figure for net sales is 98.5.

Precision grinding

- UVA

In the third quarter, order intake increased by 9 per cent compared with the previous year. Order intake on a rolling twelve-month basis amounted to SEK 303M (344). Net sales and results are well in line with set targets and profitability remains very high.

During the third quarter, UVA received a very large order from one of its most important customers. The order is for production solutions with surrounding equipment for manufacturing of a new generation of fuel injection systems for diesel engines for cars.

- Lidköping Machine Tools

LMT is consolidated in the KMT Group from May. During the period May-September, order intake amounted to SEK 151M whereas net sales amounted to SEK 98M. The results for the period did not affect KMT's results.

LMT's cost reduction programme is proceeding according to plan. During the autumn, the workforce will be gradually reduced by approximately 25 per cent. In addition, the operations will be divided into machine manufacturing (LMT) and component manufacturing (LMV). The latter operation will be restructured into a separate company. The action programme will essentially be completed at the 2000/2001 turn of the year.

During the third quarter, LMT received its first order from FAG which is one of the largest manufacturers of roller bearings in the world. The order signifies a major breakthrough and confirms that LMT's products and technology are of considerable interest for the roller bearing industry in a wider market.

Sheet Metal Working – Pullmax Ursviken

Order intake in the third quarter was 8 per cent higher than during the corresponding period in the previous year. The increase relates to the company's own products, +19 per cent, whereas order intake fell for agency products. Order intake on a rolling twelve-month basis continued to increase and amounted to SEK 673M (606).

Net sales and profit fell compared with the third quarter in the previous year and are lower than set targets. The accumulated profit also fell compared with the second quarter. Costs for the launch of the new product range and increased marketing investments have been charged to profit and have so far not led to a corresponding increase in income. In addition, the adaptation to production of the new press brake range has not been implemented according to plan. This led to delivery problems, loss of invoicing and significant additional costs. Vigorous measures aimed at gradually coming to terms with the problems are being implemented.

At mid-year, a provision of SEK 10M was made to cover costs in connection with restructuring work aimed at accelerating profitability development and strengthening competitiveness through a reduced overall cost scenario.

During the third quarter, Pullmax Ursviken received orders, among others, for several complete punching systems as well as machines from the new product range from customers in Denmark, the United Kingdom and the USA.

Tube Forming - Herber

Order intake continued to improve in the third quarter and was 78 per cent higher than during the corresponding period in the previous year. For the nine-month period, order intake rose by 49 per cent compared with the previous year. These are effects of the new product range and an increased will to invest in several of the Product Area's prioritised markets.

Order intake on a rolling twelve-month basis amounted to SEK 70M (55). Net sales and profits have gradually recovered as a result of the positive order situation.

During the third quarter, an order among others was received from the Chinese aircraft industry. China has become an increasingly important market and accounts for approximately 15 per cent of the year's sales.

This quarterly report has not been the subject of examination by the company's auditors.

Skellefteå, 8 November 2000

Björn Kumlin
President and CEO

Future information

Preliminary Accounts Report 2000 – 15 February 2001

Information

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CONSOLIDATED INCOME STATEMENTS AND BALANCE SHEETS, in summary

INCOME STATEMENTS; SEK M	Quarter 3		9 months		Rolling	Calendar	
	0007-09	9907-09	0001-09	9901-09	full-year 9910-0009	year 1999	1998
Net sales	240.5	183.1	855.1	669.1	1 186	1001	943
Operating expenses	-244.8	-177.4	-811.6	-611.9	-1 097	-897	- 849
Items affecting comparability	-	-	14.9	-	15	-	-
Operating result	-4.3	5.7	58.4	57.2	104	104	94
Financial items	-3.9	-1.0	-6.5	- 1.9	-6	-2	- 3
Result before taxes	-8.2	4.7	51.9	55.3	98	102	91
Taxes	2.4	-1.3	-15.6	- 16.5	-30	-31	- 28
Net result	-5.8	3.4	36.3	38.8	68	71	63
BALANCE SHEETS, SEK M	Quarter 3		9 months		Rolling	Calendar	
	0007-09	9907-09	0001-09	9901-09	full-year 9910-0009	year 1999	1998
Fixed assets	204.1	80.6	204.1	80.6	204	84	82
Current assets	676.9	422.8	676.9	422.8	677	487	413
Total assets	881.0	503.4	881.0	503.4	881	571	495
Shareholders' equity	298.7	248.5	298.7	248.5	299	282	229
Interest-bearing liabilities	221.9	54.8	221.9	54.8	222	54	55
Non-interest-bearing liabilities	360.4	200.1	360.4	200.1	360	235	211
Total equity and liabilities	881.0	503.4	881.0	503.4	881	571	495
SOURCE AND APPLICATION OF FUNDS STATEMENT, SEK M ¹	Quarter 3		9 months		Rolling	Calendar	
	0007-09	9907-09	0001-09	9901-09	full-year 9910-0009	year 1999	1998
Operations	2.0	10.7	56.2	53.8	87	88	79
Change in working capital	34.4	15.8	-51.1	1.6	-88	-36	- 36
Cash flow before investments	36.4	26.5	5.1	55.4	-1	52	43
Net investments	-7.9	- 5.6	-27.1	- 13.4	-33	-19	- 16
Cash flow	28.5	20.9	-22.0	42.0	-34	33	27
Financing operation	-22.5	-10.8	35.1	-1.1	42	-16	- 11
Dividend	-	-	-21.3	- 19.0	-21	-	-
Non-operational items ²	-	-	-	-	-	-	- 25
Change in liquid funds	6.0	10.1	-8.2	21.9	-13	17	- 9

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

² Non-operational items in 1998 refer to the effects which have arisen in connection with the acquisition of UVA from Atle AB.