



PRESS RELEASE, 26 August 2003

KMT secures leadership in waterjet cutting technology

Karolin Machine Tool (“KMT”) signed an agreement with the Ingersoll-Rand Company (“Ingersoll-Rand”) today regarding the acquisition of the assets of Ingersoll-Rand’s Waterjet business area (“Waterjet”). Simultaneously, KMT reached an agreement with Ingersoll-Rand for the acquisition of Ingersoll-Rand’s 49% holding in ABB I-R Waterjet Systems AB.

- Waterjet, headquartered in Baxter Springs, Kansas, US, is a leading manufacturer of waterjet cutting technology products, enjoying the potential for onward growth in new applications and geographical regions.
- This acquisition creates a unique opportunity for KMT to integrate a leading waterjet cutting technology operation into KMT.
- Waterjet’s net sales were some USD 32 m, or SEK 310¹ m, in 2002, against KMT’s net sales of SEK 1,036 m in 2002.
- The purchase price is USD 46.5 m, funded partly through bank borrowings of SEK 200 m, and partly through a planned new issue with preferential rights for KMT’s existing shareholders. KMT’s main owner, investment company Nordstjernan, has decided to underwrite the contemplated rights issue in its entirety.
- Waterjet will form a new and distinct product area, KMT Waterjet, with the present management retaining leadership.

Background and Motivation for the Transaction

Growth through acquisitions in existing product areas, or in new, closely-defined market segments, is part of KMT’s growth strategy. Additionally, KMT is pursuing an increasing market share within after sales, and status as a product leader in selected segments of production machinery and systems solutions for customers with the most demanding precision and performance standards.

Lars Bergström, KMT’s CEO and President, commented: *“The acquisition of Waterjet, which is consistent with KMT’s strategic orientation, accesses new growth opportunities, while also extending KMT’s customer base, enhancing our income stability and consolidates our presence on key geographical markets.”*

Mr. Bergström continued, *“from previous experience I know that Waterjet is a well-managed operation with an important aftermarket, providing about half its net sales. This business’s secure position in Europe and the US make me confident about Waterjet’s onward progress within KMT.”*

Waterjet

Waterjet was founded in the 1960s and is part of the US diversified industrial company Ingersoll-Rand. Since the start, its operations have been at the leading edge in terms of development, manufacture and after sales service of high pressure waterjet cutting machines for the global market.

The advantage of waterjet over other cutting technologies is that there is no heat effect on cut surfaces, and accordingly, it is the only cutting method suitable for virtually any material.

¹ Average USD-rate 2002: SEK 9.71

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At present, Waterjet enjoys market leadership in Europe, and with its global market share of some 20%, is a major world market player. Its key customer segments are the general engineering, automotive and aerospace industries. In 2002, its net sales were some USD 32 m, with after-sales generating about half of this total. In geographical terms, net sales in 2002 were divided as follows: Europe 50%; US 45%; Asia 5%. In the first half-year 2003, Waterjet's net sales grew by 15% to over USD 18 m. As of June 30, 2003, the employee headcount was approximately 160.

Purchase Price and Funding

The acquired assets comprise operational assets in the US and Germany. Additionally, KMT has signed an agreement regarding the acquisition of Ingersoll-Rand's shares in ABB I-R Waterjet Systems AB, a Swedish joint venture 49% owned by Ingersoll-Rand and 51% by ABB. Its operations are oriented on robotized waterjet cutting installations, mainly for the automotive industry. This entity had net sales of some SEK 160 m in 2002. Both transactions are conditional on factors including regulatory approval. The acquisition of Ingersoll-Rand's shares in ABB I-R Waterjet Systems AB is also conditional on ABB refraining from exploiting its pre-emptive rights pursuant to the existing shareholders' agreement between Ingersoll-Rand and ABB.

KMT will pay USD 46.5 m to Ingersoll-Rand for its assets including Ingersoll-Rand's 49% holding in ABB I-R Waterjet Systems AB. The transaction will be financed partly by borrowings from Nordic banking group Nordea of some SEK 200 m, and partly through a planned new issue with preferential rights for existing shareholders.

New Issue

KMT's Board of Directors will propose an Extraordinary General Meeting scheduled for September to authorize the Board to reach decisions regarding a new issue with preferential rights for KMT's existing shareholders. KMT's main owner, Nordstjernan, has resolved to guarantee the planned new issue in its entirety.

The invitation to attend the EGM is scheduled for publication at the end of the week ending August 30, 2003.

Financial Effects

Assuming requisite approval, Waterjet will, at the earliest, be consolidated into KMT's accounts from October 1, 2003 onwards.

Pro forma operating earnings after all the depreciation and amortization arising coincident with the acquisition, were some USD 4 m in 2002.

For more information regarding the financial effects of the transactions, the reader is referred to the prospectus issued ahead of the planned new issue.

Corporate Advisor

KMT has appointed Nordea Securities as its corporate adviser coincident with the planned new issue.

Invitation to Press Conference

As a consequence of the aforesaid acquisition, KMT is extending an invitation to a press conference on Tuesday August 26, 2003 at 11 a.m. The press conference will be held in Rektangelsalen at Berns, Berzeli Park, Stockholm.

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Karolin Machine Tool (KMT) markets, develops and manufactures advanced production machines and system solutions for the engineering industry within the precision grinding, metal working and tube forming sectors. KMT has been quoted on the O-list of the OM Stockholm Exchange since 3 April 1998.