

Interim Report 2005

1 January – 30 September

- Order intake for the period amounted to SEK 1,147M (873) – an increase of 32 per cent. When adjusted for acquisitions, the increase was 22 per cent.
- Net sales amounted to SEK 901M (721) – an increase of 25 per cent. When adjusted for acquisitions, the increase was 15 per cent.
- Operating profit, excluding restructuring costs relating to Pullmax, amounted to SEK 63M (38).
- Profit after tax for the period amounted to SEK 53M (23).
- Earnings per share amounted to SEK 5.27 (2.32).
- The Nano Grinder, a new revolutionary machine platform for precision grinding, was rolled out during the EMO Fair.

Financial review

| SEK M (unless otherwise stated) | Jul-Sep | | Jan-Sep | | Twelve months | |
|---|---------|-------|---------|-------|---------------|-------|
| | 2005 | 2004* | 2005 | 2004* | Four quarters | 2004* |
| Order intake | 374 | 293 | 1 147 | 873 | 1 488 | 1 214 |
| Net sales | 280 | 237 | 901 | 721 | 1 326 | 1 146 |
| Gross profit | 97 | 72 | 277 | 218 | 407 | 348 |
| Gross margin, % | 34.5 | 30.6 | 30.8 | 30.2 | 30.7 | 30.4 |
| Operating profit, excluding restructuring | 28 | 6 | 63 | 38 | 113 | 88 |
| Operating margin, excluding restructuring, % | 9.9 | 2.5 | 7.0 | 4.8 | 8.8 | 7.7 |
| Profit for the period after tax, including operations under closure | 19 | 7 | 53 | 23 | 89 | 59 |
| Profit per share, including operations under closure, SEK | 1.86 | 0.70 | 5.27 | 2.32 | 8.93 | 5.93 |

Comparative figures for 2004 have been recalculated in accordance with IFRS and are thus adjusted for divested units.

KMT is an international group which provides advanced products, system solutions and a fully comprehensive aftermarket offer to customers mainly within the engineering industry. Operations are carried out in three product areas: Waterjet Cutting, Precision Grinding and Metal Working. KMT has operations in 10 countries and around 750 staff.

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Market

The American market shows a continued level of relatively high activity in spite of problems within the automotive industry such as the financial difficulties of the subcontractor, Delphi. The high price level for crude oil continues and is forcing developments towards increasingly efficient engines and a larger proportion of diesel engines compared with petrol engines. This generates continuing strong demand within the fuel injection segment. The confidence to invest in the European automotive market has strengthened slightly. In Asia, the confidence to invest within the automotive industry remains cautious. However, the market activity within the general industry remains high and compensates, to some extent, for the restraint which prevails within the automotive industry.

KMT's order intake continued to grow despite the limited general market growth. As a result of long-term and close customer relationships and a high degree of innovation, shown not least by the Nano grinder, KMT's product areas further strengthened their market positions during the period.

Group development

| SEK M | Jul-Sep | | | | Jan-Sep | | | | Twelve months | | | |
|---------------------------------|--------------|------------|------------|------------|--------------|------------|------------|------------|---------------|--------------|---------------|--------------|
| | Order intake | | Net sales | | Order intake | | Net sales | | Order intake | | Net sales | |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | Four quarters | 2004 | Four quarters | 2004 |
| KMT Waterjet Systems * | 88 | 73 | 89 | 81 | 260 | 230 | 259 | 232 | 332 | 302 | 336 | 309 |
| KMT Cutting Systems* | 50 | 35 | 34 | 38 | 134 | 35 | 103 | 38 | 179 | 80 | 144 | 79 |
| Waterjet Cutting*** | 138 | 107 | 115 | 114 | 394 | 264 | 345 | 265 | 512 | 382 | 458 | 378 |
| UVA | 58 | 79 | 71 | 33 | 206 | 216 | 213 | 120 | 272 | 282 | 317 | 224 |
| Lidköping | 96 | 74 | 57 | 56 | 282 | 254 | 208 | 191 | 390 | 362 | 346 | 329 |
| Precision Grinding*** | 153 | 153 | 126 | 88 | 488 | 470 | 415 | 309 | 662 | 644 | 656 | 550 |
| Pullmax ** | 32 | 9 | 13 | 14 | 67 | 27 | 46 | 44 | 82 | 42 | 69 | 67 |
| Ursviken | 43 | 19 | 22 | 12 | 172 | 82 | 64 | 66 | 202 | 112 | 119 | 121 |
| Herber | 10 | 10 | 5 | 10 | 44 | 39 | 32 | 40 | 55 | 50 | 52 | 60 |
| Metal Working*** | 85 | 39 | 40 | 35 | 283 | 148 | 141 | 149 | 339 | 204 | 211 | 219 |
| Parent company and eliminations | -2 | -6 | -1 | 0 | -18 | -9 | 0 | -2 | -25 | -16 | 1 | -1 |
| KMT Group | 374 | 293 | 280 | 237 | 1 147 | 873 | 901 | 721 | 1 488 | 1 214 | 1 326 | 1 146 |

* Product area Waterjet Cutting includes KMT Cutting Systems which is consolidated from the third quarter of 2004. Net sales for Cutting Systems amounted to SEK 74M for the first half of 2004 and order intake to SEK 68M for the same period.

** Comparative figures for 2004 are adjusted for operations under closure (Pullmax's sales companies) in accordance with IFRS 5

*** After the product area's internal eliminations

Third quarter

Order intake

Consolidated order intake for the third quarter amounted to SEK 347M (293), equivalent to an increase of 28 per cent. The backlog amounted to SEK 615M (486) at the period end.

Order intake within product area **Waterjet Cutting** amounted to SEK 138M (107), an increase of 29 per cent. Growth was achieved in several markets and the confidence to invest also increased slightly in the American and German markets. Order intake for KMT Waterjet Systems rose to SEK 88M (73). KMT Cutting Systems' order intake amounted to SEK 50M (35). The increase is mainly explained by a positive trend in North America and within the aftermarket segment in general.

Product area **Precision Grinding** reported unchanged order intake of SEK 153M (153). Lidköping increased its order intake by 30 per cent to SEK 96M (74), mainly attributable to positive

development in North America and several orders in China. The quarter's increase can also be partly explained by the fact that some orders which were expected during the first half of the year were not signed until the third quarter. Order intake within UVA was SEK 58M (79), a fall of 27 per cent compared with the third quarter in the previous year. The fall can be explained by variations between the quarters.

Order intake within **Metal Working** amounted to SEK 85M (39). The increase is largely explained by the fact that Ursviken enjoyed a continued good order intake and successes with Pullmax's new stamping machines. Order intake for Ursviken was SEK 43M (19). Pullmax's order intake amounted to SEK 32M (9). The new model stamping machines launched this year account for the major part of the order intake. Herber's order intake amounted to SEK 10M (10) which is on a par with the previous year.

Net sales

Consolidated net sales for the third quarter amounted to SEK 280M (237), equivalent to an increase of 18 per cent. The increase was achieved within all product areas.

Net sales for product area **Waterjet Cutting** amounted to SEK 115M (114). KMT Waterjet System's sales rose by 10 per cent to SEK 89M (81). Sales within KMT Cutting Systems fell to SEK 34M (38). This is explained by lower order intake during the first quarter of the year.

Net sales within **Precision Grinding** increased by 43 per cent to SEK 126M (88) for the quarter. The increase was mainly achieved within UVA. The increased invoicing mirrors increased activity in the aftermarket both for UVA and Lidköping and a slightly more balanced distribution of the backlog during the year compared with the previous year.

Sales for product area **Metal Working** increased by 14 per cent to SEK 40M (35). The increase is wholly attributable to Ursviken, whereas Pullmax and Herber reported lower invoicing than for the corresponding period in the previous year. The latter companies had a low backlog at the start of the year which is now reflected in lower invoicing of machines.

Gross profit

Gross profit for the quarter increased to SEK 97M (73) due to higher volumes and improved gross margins. The gross margin improved by four percentage points to 34.5 (30.6). The improvement in the gross margin from the second quarter of the current year is partly attributable to product area Precision Grinding where the second quarter was burdened by older machines and reconstruction projects with a low margin. Product area Metal Working's strengthening of margin is mainly explained by Ursviken and Pullmax, which both achieved increased aftermarket sales, and to the roll out of Pullmax's new stamping machines.

Operating profit

Operating profit for the third quarter amounted to SEK 28M (6). Product area Precision Grinding accounts for the biggest improvement while Metal Working reports a continued negative result. The negative result within Metal Working is attributable to Pullmax and Herber whose low backlog at the beginning of the year resulted in lower net sales. Waterjet Cutting reports a result on a par with the previous year. The slightly lower operating margin within Waterjet Cutting is primarily caused by intensified investments within service and sales, partly through the establishment of a unit in Shanghai.

Financial income and expenses

Financial income and expenses for the quarter amounted to SEK 5M (-1). They consisted mainly of interest expenses of SEK 3M (4), translation of currencies of SEK 3M (-1) and market valuation of financial instruments in accordance with IAS 39 of SEK 6M (0). See the section on accounting principles for further information.

| | Jul-Sep | | | | Jan-Sep | | | | Twelve months | | | |
|---|------------|--------------|------------|--------------|------------|--------------|------------|--------------|---------------|--------------|--------------|--------------|
| SEK M | 2005 | | 2004 | | 2005 | | 2004 | | Four quarters | 2004 | | |
| Waterjet Cutting* | 115 | | 114 | | 345 | | 265 | | 458 | | 378 | |
| Precision Grinding | 126 | | 88 | | 415 | | 309 | | 656 | | 550 | |
| Metal Working | 40 | | 35 | | 141 | | 149 | | 211 | | 219 | |
| Eliminations and parent company | 0 | | 0 | | 0 | | -2 | | 1 | | -1 | |
| Net sales | 280 | | 237 | | 901 | | 721 | | 1 326 | | 1 146 | |
| Waterjet Cutting* | 47 | 40.9% | 43 | 37.7% | 141 | 40.9% | 108 | 40.8% | 183 | 40.0% | 150 | 39.7% |
| Precision Grinding | 39 | 31.0% | 23 | 26.1% | 99 | 23.9% | 72 | 23.3% | 159 | 24.2% | 132 | 24.0% |
| Metal Working | 12 | 30.0% | 7 | 20.0% | 39 | 27.7% | 39 | 26.2% | 69 | 32.7% | 69 | 31.5% |
| Eliminations and parent company | -1 | | 0 | | -2 | | -1 | | -4 | | -3 | |
| Gross profit and gross margin | 97 | 34.6% | 73 | 30.6% | 277 | 30.7% | 218 | 30.2% | 407 | 30.7% | 348 | 30.4% |
| Waterjet Cutting* | 22 | 19.1% | 23 | 20.2% | 67 | 19.4% | 59 | 22.3% | 83 | 18.1% | 75 | 19.8% |
| Precision Grinding | 15 | 11.9% | -1 | -1.1% | 20 | 4.8% | -4 | -1.3% | 51 | 7.8% | 27 | 4.9% |
| Metal Working** | -2 | -5.0% | -8 | -22.9% | -6 | -4.3% | -8 | -5.4% | 4 | 1.9% | 2 | 0.9% |
| Eliminations and parent company | -7 | | -8 | | -18 | | -9 | | -24 | | -16 | |
| Operating result and operating margin, excluding restructuring | 28 | 10.0% | 6 | 2.5% | 63 | 7.0% | 38 | 5.3% | 113 | 8.5% | 88 | 7.7% |
| Waterjet Cutting* | 368 | | 486 | | 368 | | 486 | | 359 | | 351 | |
| Precision Grinding | 269 | | 232 | | 269 | | 232 | | 263 | | 256 | |
| Metal Working*** | 92 | | 87 | | 92 | | 87 | | 94 | | 102 | |
| Eliminations and parent company | 94 | | 44 | | 94 | | 44 | | 122 | | 118 | |
| Capital employed*** | 823 | | 849 | | 823 | | 849 | | 838 | | 826 | |
| Waterjet Cutting* | 241 | | 212 | | 245 | | 212 | | 246 | | 213 | |
| Precision Grinding | 336 | | 314 | | 338 | | 314 | | 343 | | 319 | |
| Metal Working | 149 | | 148 | | 151 | | 148 | | 152 | | 149 | |
| Eliminations and parent company | 6 | | 5 | | 6 | | 5 | | 6 | | 5 | |
| Average number of employees | 731 | | 679 | | 740 | | 679 | | 747 | | 686 | |

Percentage figures in the table relate to gross margin and operating margin respectively

Comparative figures for 2004 are adjusted for divested sales companies within Pullmax

* Product area Waterjet Cutting includes KMT Cutting Systems which is consolidated from the third quarter of 2004

** Excluding restructuring costs of SEK 15M during the first quarter of 2005

***The items relating to 2004 include divested operations

The period January-September

Net sales and results

Consolidated net sales for the first three quarters amounted to SEK 901M (721), equivalent to an increase of 25 per cent. When adjusted for the acquisition of KMT Cutting Systems in the previous year, the increase was 15 percent. Product areas Waterjet Cutting and Precision Grinding reported increased sales while Metal Working reported slightly lower sales.

Profit for the period amounted to SEK 53M (23). This result is affected by restructuring costs of SEK 15M for the remainder of Pullmax, a capital gain of SEK 38M relating to the sale of the Pullmax companies and a negative effect of the valuation of financial instruments of SEK 11M (0).

Divested operations

During the first quarter, Pullmax divested two sales companies, Pullmax Scandinavia AB and Pullmax Ltd, to Bystronic. The companies reported sales of SEK 290M on an annual basis.

The capital gain for the divestment amounts to SEK 38M which was reported in full under the item 'Result of operations under closure' in the first half of the year. During the first quarter, a cost of SEK 15M was reported relating to a restructuring reserve for the remaining operations within Pullmax. The restructuring work continues in line with the plan. This is reported as 'other cost' during the period and, therefore, affects the operating result. The capital gain totalling SEK 38M is not liable to tax.

Comparative figures for 2004 in this report are adjusted for the divested units within Pullmax.

Net investments

Investments in the form of capitalised development projects amounted to SEK 21M (1) for the period. In total, capitalised development projects amounted to SEK 65M (33). The largest of these projects, the Nano Grinder, has now been completed and the period's result has, therefore, been charged with its amortisation. Investments in tangible fixed assets amounted SEK 13M (6).

Cash flow and financial position

| | Jul-Sep | | Jan-Sep | | Twelve months | |
|-----------------------------|---------|------|---------|-------|---------------|------|
| SEK M | 2005 | 2004 | 2005 | SEK M | 2005 | 2004 |
| Cash flow after investments | -4 | 5 | 0 | -62 | 5 | -56 |
| Available liquid funds | 84 | 146 | 84 | 146 | 84 | 140 |
| Equity ratio, % | 42 | 39 | 42 | 39 | 42 | 42 |

At the period end, total assets amounted to SEK 1,260M compared with SEK 1,220M on the same date in 2004. **The equity ratio** increased by three percentage points to 42 per cent. During the period, SEK 9M net of previous liabilities was amortised. Interest-bearing financial liabilities amounted to SEK 350M at the period end. Of this, SEK 106M is short-term. The **Net debt** amounts to SEK 350M. Of this, SEK 95M is for pension provisions which is an increase of SEK 6M compared with the 2004 year end. **Available liquid funds** have fallen to SEK 84M. The period's **cash flow** amounted to SEK -28M (-22). The change in working capital amounted to SEK -65M, of which a large explanatory item is the increase in work in progress and inventories. Investment operations generated a positive cash flow of SEK 7M (-80), much of which is attributable to the divestment of the companies within Pullmax. Other investments consist of intangible assets and tangible assets totalling SEK 34M. Financial operations generated a negative cash flow of SEK 28M (+40), which consists of amortisation of SEK 9M and a dividend of SEK 20M.

Personnel

The number of employees in the Group amounted to 754 at the end of the quarter and the average number of employees was 740. The average number of employees during the corresponding period in 2004 was 679 after adjustment for divested operations. The increase is mainly due to new recruitment within sales, service and project management within product areas Waterjet Cutting and Precision Grinding and high capacity utilisation within production in all companies.

Parent company

The parent company of the Group, Karolin Machine Tool AB, comprises the Group staff of five who have leading and co-ordinating responsibilities. During the period, revenues amounted to SEK 16M (11). The result before appropriations and taxes was SEK -4M (-6). Liquid funds amounted to SEK 0M (0) at the end of the quarter. The parent company made investments of SEK 0M (0) during the period.

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.

Significant events after the end of the reporting period

KMT has appointed Remium as liquidity guarantor. The objective is to reduce the price difference between the buying and selling price and to increase the share's liquidity.

KMT's subsidiary, UVA, has signed a collaboration agreement with Auto-Hengda, a service company in Beijing, China. The agreement will enable KMT to broaden and intensify its offer further to existing Chinese customers in the aftermarket sector.

KMT's subsidiary, KMT Cutting Systems AB, continues to expand its market through the first order from the nuclear industry. The order, which amounts to SEK 3.5M, is for a robotised cleaning system for containers. It has been placed by the British nuclear power company, British Nuclear Group. The delivery will be made during the first quarter of 2006.

Accounting principles

This interim report has been prepared in accordance IAS 34, Interim Financial Reporting, which is in line with the demands made by the Swedish Accounting Standards Council's recommendation RR 31, *Interim reports for groups*. The company's new reporting principles and the changeover effects as a result of the implementation of IFRS reporting principles are published on the company's website <http://www.kmt.se>.

As from 1 January 2005, KMT is applying International Financial Reporting Standards (IFRS), formerly IAS, in accordance with EU's regulations. The changeover to IFRS from previous reporting principles has been made in accordance with IFRS 1. The effects on KMT of the changeover to IFRS and the recalculation of quarterly information in accordance with IFRS are described on pages 47-50 in the Annual Report for 2004. As from 1 January 2005, KMT is applying IFRS 5, *Fixed assets which are held for sale and closed operations*, which states that results of operations under closure shall be reported on a separate line in the income statement and that a retrospective recalculation of comparative figures for previous periods shall be drawn up. This reporting standard affects KMT through the sale of parts of Pullmax's reseller companies during 2005. As a result, comparative information in Appendix 1 has been updated and recalculated in comparison with the Annual Report for 2004 in response to the demands stated in IFRS 5. The most significant effect for KMT due to the implementation of IFRS is that goodwill ceases from January 2004 and is replaced by a continual evaluation of a potential need for write down. IFRS 1, *First Time Adoption of Financial Reporting Standards*, contains a number of permitted exemptions for the changeover from the previously applied regulations to IAS/IFRS. Of these exemptions, KMT has chosen to apply the exemption

relating to IFRS 3, *Acquisition of operations*, which means that acquisitions made before 2004 are not recalculated in accordance with IFRS and the exemption relating to IAS 39, which means that IAS 39 will not be applied until 1 January 2005. As a result, the reporting principles, compared with the reporting principles included in the Annual Report for 2004, have been changed in accordance with the changeover to IFRS. The reporting principles there and which are applied in drawing up this Interim Report are based on the implemented IAS/IFRS standards in their current form. This is because a review of some IAS/IFRS standards is underway and further IFRIC statements can be expected during 2005. It may also be possible that new standards will be introduced which will apply from 1 January 2006 with earlier application. The final reporting standards for 2005 will be published in the Annual Report for 2005.

In addition, KMT is applying IAS 39, *Financial instruments*, from 1 January 2005. IAS 39 demands that financial instruments under certain circumstances are reported at their actual value. The accumulated effect attributable to revaluation of IAS 39, SEK 3M after tax on 1 January 2005, is reported as an adjustment of shareholders' equity and as an increase of SEK 4M in other receivables and an increase of SEK 1M in deferred tax.

The parent company's reporting is prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Council's recommendation RR 32, *Reporting for legal entities on preparation of their financial reports*.

Otherwise the same reporting principles, definitions relating to key figures and calculation methods are applied as in the latest Annual Report.

Financial data in the tables contained in this Interim Report have been rounded up or down and will, therefore, not necessarily add up.

Future information dates

Year-End Report January-December will be published on 15 February 2006.

Board of Directors, 25 October 2005

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

Information

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Group summary

| Income statements | Jul-Sep | | Jan-Sep | | Twelve months | |
|---|------------|------------|------------|------------|---------------|--------------|
| SEK M | 2005 | 2004 | 2005 | 2005 | 2004 | 2005 |
| Remaining operations | | | | | | |
| Net sales | 280 | 237 | 901 | 721 | 1 326 | 1 146 |
| Cost for sold goods | -184 | -164 | -624 | -503 | -919 | -798 |
| Gross profit | 97 | 72 | 277 | 218 | 407 | 348 |
| Selling and administration expenses and R&D expenditure | -69 | -63 | -214 | -183 | -297 | -266 |
| Other operating income | 2 | 1 | 3 | 5 | 5 | 7 |
| Other operating expenses | -2 | -3 | -18 | -5 | -17 | -4 |
| Participations in associated companies | 0 | 0 | 0 | 3 | 0 | 3 |
| Operating profit | 28 | 6 | 48 | 38 | 98 | 88 |
| Financial items | 5 | -1 | -18 | -9 | -18 | -9 |
| Profit after financial items | 33 | 6 | 30 | 29 | 80 | 79 |
| Taxes | -14 | 2 | -15 | -8 | -32 | -25 |
| The period's result of remaining operations | 19 | 9 | 15 | 20 | 49 | 54 |
| Result of operations under closure | 0 | -1 | 38 | 3 | 40 | 5 |
| The period's result including operations under closure | 19 | 7 | 53 | 23 | 89 | 59 |

Comments on the income statement:

Depreciation for the period amounted to SEK 22M (19) and is distributed on the functions where the asset is utilised.

| Share data | Jul-Sep | | Jan-Sep | | Twelve months | |
|--------------------------------------|---------|--------|---------|--------|---------------|--------|
| | 2005 | 2004 | 2005 | 2005 | 2004 | 2005 |
| Profit after tax, SEK | 1.86 | 0.70 | 5.27 | 2.32 | 8.93 | 5.93 |
| Shareholders' equity, SEK | 53.28 | 47.70 | 53.28 | 47.70 | 53.28 | 49.00 |
| Cash flow, SEK | 0.06 | -0.56 | -2.91 | -2.20 | -4.87 | -4.17 |
| Number of shares, period end (1,000) | 10 000 | 10 000 | 10 000 | 10 000 | 10 000 | 10 000 |
| Average number of shares (1,000) | 10 000 | 10 000 | 10 000 | 10 000 | 10 000 | 10 000 |
| Market price at period end, SEK | 93.00 | 67.50 | 93.00 | 67.50 | 93.00 | 75.00 |

Comments on share data:

All the above amounts include the item 'Operations under closure'.

| Balance sheets | On 30 Sep | | On 31 Dec |
|---|------------------|--------------|------------------|
| SEK M | 2005 | 2004 | 2004 |
| Assets | | | |
| <i>Fixed assets</i> | | | |
| Intangible assets | 424 | 374 | 369 |
| Tangible fixed assets | 146 | 162 | 152 |
| Financial fixed assets | 2 | 1 | 2 |
| Total fixed assets | 571 | 537 | 523 |
| <i>Current assets</i> | | | |
| Inventories | 362 | 327 | 258 |
| Current receivables | 327 | 307 | 366 |
| Cash and bank | 0 | 49 | 29 |
| Total current assets | 689 | 683 | 653 |
| Total assets | 1 260 | 1 220 | 1 176 |
| Equity, provisions and liabilities | | | |
| Shareholders' equity | 533 | 477 | 490 |
| Long-term liabilities and provisions | 293 | 384 | 355 |
| Current liabilities | 434 | 359 | 331 |
| Total equity, provisions and liabilities | 1 260 | 1 220 | 1 176 |

Comments on the balance sheet:

2004 includes balance sheet items for the divested companies, Pullmax UK and Pullmax Scandinavia. Of total intangible assets, SEK 341M is goodwill. The Group utilises part of its granted credit. All companies in the Group are included in a joint cash pool and, therefore, show SEK 0 in the Group's cash holding. Available funds for the Group amount to SEK 84M.

| Interest-bearing/non-interest-bearing liabilities and provisions, SEK | On 30 Sep | | On 31 Dec |
|--|------------------|-------------|------------------|
| | 2005 | 2004 | 2004 |
| Interest-bearing liabilities and provisions | 350 | 464 | 375 |
| Non-interest-bearing liabilities and provisions | 377 | 279 | 311 |
| Total liabilities and provisions | 727 | 743 | 686 |

Comments:

Of interest-bearing liabilities/provisions, pension provisions represent SEK 95M (109) and are included in the calculations of the net debt.

| Change in equity | Jan-Sep | | Twelve months | |
|--|----------------|-------------|----------------------|-------------|
| SEK M | 2005 | 2004 | Four quarters | 2004 |
| Opening balance | 490 | 470 | 477 | 470 |
| Effect of change of accounting principle | 3 | | 3 | |
| Opening balance, shareholders' equity in accordance with the new principle | 493 | 470 | 480 | 470 |
| Translation differences | 6 | -1 | -18 | -24 |
| Dividend | -20 | -15 | -20 | -15 |
| Net result for the period | 53 | 23 | 90 | 59 |
| Closing balance | 533 | 477 | 532 | 490 |

Comments:

Accumulated translation differences in shareholders' equity amount to SEK 7M (-1).

| Cash flow statements | Jul-Sep | | Jan-Sep | | Twelve months | |
|---|---------|------|---------|------|---------------|------|
| SEK M | 2005 | 2004 | 2005 | 2005 | 2004 | 2005 |
| Cash flow from current operations | 9 | 18 | -6 | 19 | 12 | 37 |
| Cash flow from investment operations | -13 | -13 | 7 | -80 | -6 | -93 |
| Cash flow from financial operations | 5 | -11 | -28 | 40 | -54 | 14 |
| The period's cash flow | 1 | -6 | -28 | -22 | -48 | -42 |
| Liquid funds at the start of the period | 0 | 57 | 29 | 73 | 49 | 73 |
| Exchange rate differences in liquid funds | -1 | -3 | -1 | -2 | -1 | -2 |
| Liquid funds at the period end | 0 | 49 | 0 | 49 | 0 | 29 |

Comments on the cash flow statement: The Group utilises part of its granted credit. All companies in the Group are included in a joint cash pool and, therefore, show SEK 0 in the Group's cash holding. Available funds amount to SEK 84M.

| Key figures | Jul-Sep | | Jan-Sep | | Twelve months | |
|---|---------|------|---------|------|---------------|------|
| | 2005 | 2004 | 2005 | 2005 | 2004 | 2005 |
| Gross margin, % | 34.5 | 30.6 | 30.8 | 30.2 | 30.7 | 30.4 |
| Operating margin, % excluding restructuring | 9.9 | 2.5 | 7.0 | 4.8 | 8.7 | 7.7 |
| Profit margin before tax, % | 11.8 | 6.3 | 7.5 | 4.3 | 9.1 | 5.9 |
| Return on: | | | | | | |
| - Capital employed, % | 15.5 | 6.3 | 15.5 | 6.3 | 16.2 | 12.1 |
| - Equity, % | 17.2 | 6.9 | 17.2 | 6.9 | 17.5 | 12.3 |
| Capital turnover rate | 1.52 | 1.52 | 1.52 | 1.52 | 1.58 | 1.8 |
| Equity ratio, % | 42 | 39 | 42 | 39 | 43 | 42 |
| Debt/equity ratio | 0.66 | 0.91 | 0.66 | 0.91 | 0.67 | 0.80 |
| Input/output ratio | 1.86 | 1.83 | 1.86 | 1.83 | 1.86 | 1.97 |
| Average number of employees | 731 | 679 | 740 | 679 | 747 | 686 |
| Net profit for the period, SEK M | 19 | 7 | 53 | 23 | 89 | 59 |

Comments on key figures: Capital turnover rate, input/output ratio and return on equity and capital employed have been calculated on sales and results achieved over 12 months (R12) for all the periods stated. Return on capital employed and equity has been calculated on a result which includes a capital gain of SEK 38M and a restructuring cost of SEK 15M. The same principle applies for net profit for the period and profit margin.

| Quarterly data | 2005 | | | 2004 | | | |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|
| SEK M | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Order intake | 374 | 474 | 299 | 341 | 293 | 313 | 267 |
| Backlog | 615 | 542 | 398 | 364 | 486 | 393 | 343 |
| Net sales | 281 | 343 | 278 | 424 | 237 | 270 | 215 |
| -Waterjet Cutting | 115 | 118 | 112 | 113 | 114 | 78 | 72 |
| -Precision Grinding | 126 | 176 | 114 | 241 | 88 | 119 | 101 |
| -Metal Working | 40 | 49 | 52 | 70 | 36 | 72 | 42 |
| Gross profit | 97 | 101 | 80 | 130 | 72 | 87 | 59 |
| Gross margin, % | 34.5 | 29.3 | 28.8 | 30.7 | 30.6 | 32.2 | 27.4 |
| Operating profit | 28 | 25 | 10 | 52 | 6 | 26 | 6 |
| Operating margin, % | 9.9 | 7.3 | 3.6 | 12.5 | 2.5 | 9.7 | 2.3 |
| Profit after tax | 19 | 6 | 5 | 35 | 7 | 13 | 0 |
| Cash flow from current operations | 9 | -33 | 18 | 7 | 19 | 13 | -12 |
| Return on capital employed, % | 15.5 | 12.2 | 12.9 | 12.1 | 6.3 | 4.5 | -0.4 |

Comments on quarterly data: Quarterly data in the above table shows profit after tax excluding restructuring costs and excluding 'Operations under closure'.