



KMT Interim Report 1 January- 30 September 2007

- Order intake for the period amounted to SEK 1,175M (972) – an increase of 21 per cent. Adjusted for acquisitions, the increase is 7 per cent.
- Net sales amounted to SEK 1,014M (994) – an increase of two per cent. Adjusted for acquisitions, the figure corresponds to a decrease of 12%.
- The operating result amounted to SEK -50M (51). When adjusted for divestments, write-downs and restructuring costs, the operating result amounted to SEK 31M (65).
- Profit for the period after tax, including divested operations, amounted to SEK 9M (25), corresponding to SEK 0.90 per share (2.55). When adjusted for divestments, write-downs and restructuring costs, profit for the period after tax amounted to SEK 12M (39).
- One-off items during the period are: Write-down of intangible and tangible assets, SEK 146M, restructuring of business area KMT Precision Grinding, SEK 31M and capital gains from divestments, SEK 145M.

| Financial review | Jul-Sep | | Jan-Sep | | Twelve months | |
|---|---------|-------|---------|------|---------------|-------|
| | 2007 | 2006 | 2007 | 2006 | Four quarters | 2006 |
| SEK M (unless otherwise stated) | | | | | | |
| Order intake | 356 | 322 | 1 175 | 972 | 1 492 | 1 289 |
| Net sales | 293 | 294 | 1 014 | 994 | 1 419 | 1 399 |
| Operating result | -23 | 11 | -50 | 51 | -58 | 43 |
| Operating margin, % | -7.8 | 3.7 | -4.9 | 5.1 | -4.1 | 3.1 |
| Result for the period of remaining operations | -3 | -3 | -52 | 17 | -65 | 4 |
| Result for the period of divested operations | 0 | 1 | 61 | 8 | 74 | 21 |
| Result for the period including divested operations | -3 | -2 | 9 | 25 | 9 | 25 |
| Total earnings per share including divested operations, SEK | -0.28 | -0.15 | 0.90 | 2.55 | 0.90 | 2.53 |

KMT is a leading producer of advanced production solutions in Waterjet Cutting, Robotic Solutions and Precision Grinding for engineered products. KMT solutions are found primarily in the automotive, electronics, and household appliance industries.

KMT creates value through precision – from design and delivery to the customer's end product.

KMT is traded on the Nordic Small-cap list of the Stockholm Stock Exchange.

Market development during the nine-month period

The start of the year was characterised by a slightly lower level of activity within most of the Group's market segments. Towards the end of the period, the level of activity increased slightly. This is most pronounced within the precision grinding segment and, especially, within the ball bearing industry.

The market remains strong within Waterjet processing where capacity utilisation is high with strong demand, not least from the aftermarket.

This pattern continued during the seasonally weak third quarter.

The market situation within the American-owned automotive industry remains turbulent. This has meant that the decision-making processes for new investment at the subcontractor level have become longer. This is especially marked within KMT Robotic Solutions.

All in all, we are of the opinion that the global restructuring within the automotive industry, with increased competition coming from both Chinese subcontractors and Chinese machine manufacturers, makes a market evaluation more difficult.

Group development during the third quarter

Consolidated order intake amounted to SEK 356M (322), an increase of 11 per cent. When adjusted for acquisitions and divestments, it was a fall of eight per cent. The acquired units reported an order intake of SEK 76M.

Net sales amounted to SEK 293M (294). When adjusted for acquisitions and divestments, it was a fall of 19 per cent. The fall is mainly attributable to the KMT Precision Grinding business area.

The operating result before depreciation and write-downs amounted to SEK 60M (18), of which SEK 86M is attributable to the divestment of Precision Grinding's property in Lidköping. The operating result after depreciation and write-downs amounted to SEK -23M (11).

One-off items in the third quarter have affected the operating result with SEK -29M. These items mainly include costs attributable to KMT Precision Grinding, where an extensive restructuring work has been initiated during the second quarter this year. Restructuring costs amount to SEK 31M and write-downs of intangible and tangible assets amount to SEK 49M. At the same time, divestment of the property in Lidköping has led to a capital gain of SEK 86M. Further, the development within some areas of KMT Robotic Solutions has led to a revaluation of intangible assets, which resulted in a write-down of SEK 35M.

Refer to appendix 1 for a more detailed description of the items above.

The result after tax including divested operations amounted to SEK -3M (-2), equivalent to SEK -0.28 (-0.15) per share.

The cash flow from current operations was SEK 12M (44).

Business area development during the third quarter

Order intake for the **KMT Waterjet** and **KMT Robotic Solutions** business areas amounted to SEK 261M (184). When adjusted for the acquisitions of KMT H2O (formerly H2O Jet) and KMT Robotic Solutions Inc. (formerly RPT), it was an increase of seven per cent compared with the corresponding period in the previous year. Net sales of the business areas amounted to SEK 237M (153), an increase of 55 per cent. When adjusted for acquisitions, it was an increase of 12 per cent.

The gross margin weakened slightly compared with the previous year. This was due to the fact that the KMT Robotic Solutions business area, with generally lower margins than KMT Waterjet, takes up a larger proportion of the segment's volume. Within some areas of KMT Robotic Solutions, profitability is lower than expected. The operating result is reported at SEK -9M (24). The operating result was charged with write-downs of intangible assets of SEK 35M (see report in appendix 1). When adjusted for this item, the total operating result of the KMT Waterjet and KMT Robotic Solutions business areas amounted to SEK 26M.

Order intake for the **KMT Precision Grinding** business area fell by 11 per cent to SEK 127M (142). During the two latest quarters, the level of activity has been rising slightly, especially within the segment for large ball bearings supplied to the wind power industry and the railway industry. The willingness to invest within the fuel injection segment has been 'wait-and-see' and the decision-making processes remain long. Net sales for the business area amounted to SEK 56M (131), a fall of 57 per cent compared with the corresponding period in the previous year. This is due to low order intake at the start of the year and delayed deliveries due to a large proportion of new machine types.

The ongoing restructuring project has also involved a greater internal focus which resulted in lower efficiency. The operating result amounted to SEK -10M (-5). The operating result includes the capital gain of approximately SEK 86M for the sale of KMT Real Estate AB, restructuring costs of SEK 31M and a write-down of intangible fixed assets and inventories of SEK 49M. When adjusted for the above items, the operating result of the KMT Precision Grinding business area amounted to SEK -16M.

Liquidity and financing

Consolidated liquid funds amounted to SEK 27M (52) at the end of September compared with SEK 18M at the start of the year. To this are added unutilised credit facilities of SEK 35M.

Consolidated gross investments during the quarter, excluding acquisitions, amounted to SEK 12M (12) and consisted mainly of tangible fixed assets.

Net indebtedness amounted to SEK 494M (454), at the end of September compared with SEK 687M at the start of the year. The net debt has reduced since the turn of the year, mainly through the divestment of KMT Ursviken and KMT Real Estate.

Net financial income/expense for the quarter amounted to SEK -16M (-11) and consisted mainly of interest expenses of SEK -9M (-2) and write-down of a financial asset of SEK -10M.

For the quarter, the Group reports a positive tax effect of SEK 36M compared to a tax expense of SEK -3M in the previous year. The positive tax effect during the quarter is mainly attributable to restructuring and write-downs within KMT Precision Grinding. The capital gain on the divestment of KMT Real Estate AB is not taxable.

Shareholders' equity amounted to SEK 530M (585), equivalent to SEK 52.99 (58.46) per share.

The consolidated equity ratio was 36 per cent (38) at the end of September 2007, equivalent to an increase of five percentage points compared with the 2006 year end.

Period January-September

Order intake for the period amounted to SEK 1,175M (972) corresponding to an increase of 7 per cent after adjustments for acquisitions. The KMT Waterjet and KMT Robotic Solutions business areas accounted for the largest increase, equivalent to 19 per cent after adjustments for acquisitions.

Consolidated net sales for the period amounted to SEK 1,014M (994), equivalent to an increase of two per cent. When adjusted for acquisitions, it was a decrease of 12 per cent.

Of the operating result for the period of SEK -50M, acquired units contributed SEK 12M.

Profit after tax for the period including divested operations amounted to SEK 9M (25), including capital gains from divestments of SEK 145M.

One-off items during the period affect the operating result with SEK -81M, whereof SEK 86M consists of capital gains from the divestment of KMT Real Estate, which is non-taxable. One-off costs affect the operating result with SEK -167M, whereof -132M is attributable to the KMT Precision Grinding business area which is undergoing extensive restructuring. Write-down of intangible assets relating to KMT Robotic Solutions, whose profitability has developed less positively than anticipated, amounts to SEK -35M.

Personnel

The average number of employees in the Group amounted to 858 (815). The increase is attributable to the previously described acquisitions of H20 and KMT Robotic Solutions Inc and the divestment of KMT Ursviken AB.

Significant events during the period

In September 2007, KMT reached an agreement with the leading French manufacturer of waterjet cutting systems, La Decoupe S.A., to take over all of its service and aftermarket activities. The company has an installed base of approximately 80 systems. The transaction will initially lead to KMT achieving increased annual sales of approximately SEK 6M, excluding the service business which KMT has previously carried out on La Decoupe's machines. The purchase price amounts to approximately SEK 6M and the acquisition will only have a marginal effect on the result during 2007. The new unit will be incorporated into the KMT Waterjet business area and will be consolidated from 1 October 2007.

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.

Reporting principles

This interim report has been prepared in accordance with IAS 34, Interim reporting, which is in accordance with the requirements made in the Swedish Financial Accounting Standards Council's recommendation RR 31, Interim reports for groups. For the parent company, the Swedish Financial Accounting Standard Council's recommendation RR 32:06, Reporting for legal entities, is applied.

The divestment of KMT Ursviken has been reported through recalculation of all comparative figures and tables in accordance with IFRS 5. 'Result of divested operations' is reported on a separate line in the income statement. For application of IFRS 5, refer to kmtgroup.com.

Future information dates

Year-End Report January-December 2007 13 February 2008

The Interim Report will be available at KMT's head office and on kmtgroup.com from 23 October.

23 October 2007
KMT Group AB

Board of Directors

This Interim Report has not been the subject of examination by the company's auditors.

For further information, please contact:

Lars Bergström, President and CEO, KMT Group AB
Joakim Roslund, CFO, KMT Group AB

Group summary

| Income statements | Jul-Sep | | Jan-Sep | | Twelve months | |
|--|------------|-----------|------------|------------|---------------|------------|
| | 2007 | 2006 | 2007 | 2006 | Four quarters | 2006 |
| SEK M | | | | | | |
| Remaining operations | | | | | | |
| Net sales | 293 | 294 | 1 014 | 994 | 1 419 | 1 399 |
| Cost for goods sold | -264 | -212 | -778 | -693 | -1 075 | -990 |
| Gross profit | 29 | 82 | 236 | 301 | 344 | 409 |
| Selling and administration costs and R&D expenditure | -135 | -69 | -364 | -234 | -442 | -312 |
| Other operating income | 83 | 0 | 86 | 0 | 86 | 0 |
| Other operating expenses | 0 | -2 | -8 | -16 | -46 | -54 |
| Operating result | -23 | 11 | -50 | 51 | -58 | 43 |
| Financial items | -16 | -11 | -35 | -18 | -44 | -27 |
| Result after financial items | -39 | 0 | -85 | 33 | -102 | 16 |
| Taxes | 36 | -3 | 33 | -16 | 37 | -12 |
| The period's result from remaining operations | -3 | -3 | -52 | 17 | -65 | 4 |
| The period's result from divested operations | 0 | 1 | 61 | 8 | 74 | 21 |
| The period's result including divested operations | -3 | -2 | 9 | 25 | 9 | 25 |

Comments on the income statement:

Depreciation for the quarter amounted to SEK 8M (7) and is distributed on the functions in which the asset is utilised. During the quarter, write-downs of SEK 85M (0) have been made relating to goodwill, capitalised development projects, inventories and financial fixed assets. SEK 0M (0) of the period's result is attributable to minority interest. See Appendix 1 for a detailed description on items affecting comparability.

| Share data | Jul-Sep | | Jan-Sep | | Twelve months | |
|---|---------|--------|---------|--------|---------------|--------|
| | 2007 | 2006 | 2007 | 2006 | Four quarters | 2006 |
| Result from remaining operations, SEK | -0.3 | -0.3 | -5.2 | 1.7 | -6.5 | 0.4 |
| Result from divested operations, SEK | 0.0 | 0.1 | 6.1 | 0.8 | 7.4 | 2.1 |
| Result including divested operations, SEK | -0.3 | -0.2 | 0.9 | 2.5 | 0.9 | 2.5 |
| Shareholders' equity, SEK | 52.99 | 58.46 | 52.99 | 58.46 | 52.99 | 56.97 |
| Cash flow from current operations, SEK | 1.2 | 4.4 | 4.8 | 3.6 | 7.1 | 5.9 |
| 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 | 86.50 | 140.25 | 86.50 | 140.25 | 86.50 | 149.00 |

| Consolidated cash flow statement, summary | July-September | | January-September | | Twelve months | |
|---|----------------|------------|-------------------|-------------|------------------|-------------|
| | 2007 | 2006 | 2007 | 2006 | Four quarters | 2006 |
| SEK M | | | | | | |
| Cash flow from current operations before change in working capital | -23 | 36 | 31 | 60 | 46 | 75 |
| Change in working capital | 35 | 8 | 17 | -24 | 25 | -16 |
| Cash flow from current operations | 12 | 44 | 48 | 36 | 71 | 59 |
| Net investments in intangible and tangible fixed assets | -12 | -18 | -43 | -132 | -271 | -392 |
| Divestments of tangible fixed assets | 149 | - | 208 | - | 176 | - |
| Cash flow from investment operations | 137 | -18 | 165 | -132 | -95 | -392 |
| Change in interest-bearing provisions and liabilities | -153 | -2 | -202 | 127 | 2 | 331 |
| Cash flow from financial operations | -153 | -2 | -202 | 127 | 2 | 331 |
| The period's cash flow | -4 | 24 | 11 | 31 | -22 | -2 |
| Liquid funds at the start of the period | 32 | 28 | 18 | 22 | 52 | 22 |
| Exchange rate differences in liquid funds | -1 | 0 | -2 | -1 | -3 | -2 |
| Liquid funds at the period end | 27 | 52 | 27 | 52 | 27 | 18 |

Comments: The period's cash flow attributable to divested operations amounts to SEK 0M (-21), of which the quarter amounts to SEK 0M (1).

| Business areas | July-September | | | | January-September | | | | Twelve months | | | |
|--|----------------|--------------|--------------|--------------|-------------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|
| | 2007 | | 2006 | | 2007 | | 2006 | | Four quarters | | 2006 | |
| SEK M | | | | | | | | | | | | |
| KMT Waterjet & KMT Robotic Solutions | 237 | | 153 | | 728 | | 482 | | 930 | | 684 | |
| KMT Precision Grinding | 56 | | 131 | | 281 | | 442 | | 471 | | 632 | |
| KMT Sheet Metal Working | 1 | | 12 | | 7 | | 69 | | 22 | | 84 | |
| Group adjustments and parent company | -1 | | -2 | | -2 | | 1 | | -4 | | -1 | |
| Net sales | 293 | | 294 | | 1 014 | | 994 | | 1 419 | | 1 399 | |
| KMT Waterjet & KMT Robotic Solutions | 87 | 36.7% | 61 | 39.9% | 254 | 34.9% | 186 | 38.6% | 323 | 34.7% | 255 | 37.3% |
| KMT Precision Grinding | -57 | -101.8% | 18 | 13.7% | -16 | -5.7% | 95 | 21.5% | 26 | 5.5% | 137 | 21.7% |
| KMT Sheet Metal Working | 0 | - | 2 | 16.7% | 1 | 14.3% | 17 | 24.6% | 4 | 18.2% | 20 | 23.8% |
| Group adjustments and parent company | -1 | | 1 | | -3 | | 3 | | -9 | | -3 | |
| Gross profit and operating margin | 29 | 9.9% | 82 | 27.9% | 236 | 23.3% | 301 | 30.3% | 344 | 24.2% | 409 | 29.2% |
| KMT Waterjet & KMT Robotic Solutions | -9 | -3.8% | 24 | 15.7% | 48 | 6.6% | 88 | 18.3% | 76 | 8.2% | 116 | 17.0% |
| KMT Precision Grinding | -10 | -17.9% | -5 | -3.8% | -91 | -32.4% | 2 | 0.5% | -83 | -17.6% | 10 | 1.6% |
| KMT Sheet Metal Working | 0 | - | -3 | -25.0% | 0 | - | -24 | -34.8% | -39 | -177.3% | -63 | -75.0% |
| Group adjustments and parent company | -4 | | -5 | | -7 | | -15 | | -12 | | -20 | |
| Operating result and operating margin | -23 | -7.8% | 11 | 3.7% | -50 | -4.9% | 51 | 5.1% | -58 | 4.1% | 43 | 3.1% |
| KMT Waterjet & KMT Robotic Solutions | 724 | | 490 | | 724 | | 490 | | 724 | | 491 | |
| KMT Precision Grinding | 241 | | 300 | | 241 | | 300 | | 241 | | 274 | |
| KMT Sheet Metal Working | 73 | | 95 | | 73 | | 95 | | 73 | | 90 | |
| Group adjustments and parent company | 13 | | 206 | | 13 | | 206 | | 13 | | 419 | |
| Capital employed | 1 051 | | 1 091 | | 1 051 | | 1 091 | | 1 051 | | 1 274 | |
| KMT Waterjet & KMT Robotic Solutions | | | | | 475 | | 313 | | | | 326 | |
| KMT Precision Grinding | | | | | 360 | | 375 | | | | 373 | |
| KMT Sheet Metal Working | | | | | 17 | | 121 | | | | 119 | |
| Group adjustments and parent company | | | | | 6 | | 6 | | | | 6 | |
| Average number of employees | | | | | 858 | | 815 | | | | 824 | |

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

Comparative figures relating to net sales, gross profit and operating result for 2006 are adjusted for the divestment of KMT Ursviken.

| Balance sheets | 30 September | | Full-year |
|--|---------------------|--------------|------------------|
| SEK M | 2007 | 2006 | 2006 |
| <i>Assets</i> | | | |
| <i>Fixed assets</i> | | | |
| Intangible assets | 583 | 503 | 703 |
| Tangible fixed assets | 91 | 166 | 172 |
| Financial fixed assets | 58 | 1 | 12 |
| Total fixed assets | 732 | 670 | 887 |
| <i>Current assets</i> | | | |
| Inventories | 409 | 472 | 509 |
| Current receivables | 317 | 338 | 410 |
| Liquid funds | 27 | 52 | 18 |
| Total current assets | 753 | 862 | 937 |
| Total assets | 1 485 | 1 532 | 1 824 |
| <i>Equity and liabilities</i> | | | |
| Shareholders' equity | 530 | 585 | 570 |
| Long-term liabilities | 505 | 466 | 429 |
| Current liabilities | 450 | 481 | 825 |
| Total equity and liabilities | 1 485 | 1 532 | 1 824 |
| <i>Interest-bearing / non-interest-bearing liabilities</i> | | | |
| SEK M | 2007 | 2006 | 2006 |
| Interest-bearing liabilities | 521 | 506 | 705 |
| Non-interest-bearing liabilities | 434 | 441 | 550 |
| Total liabilities and provisions | 955 | 947 | 1 255 |

Comments:

Of interest-bearing liabilities/provisions, pension provisions represent SEK 81M (81) and are included in the calculation of the net debt. Interest-bearing liabilities increased during 2006 due to loan-financed acquisitions but will decrease during 2007 in accordance with the current amortisation plan.

| Change in equity | 30 September | | Twelve months | |
|--|--------------|------------|---------------|------------|
| | 2007 | 2006 | Four quarters | 2006 |
| SEK M | | | | |
| Opening balance | 570 | 601 | 585 | 601 |
| Translation differences | -30 | -19 | -47 | -36 |
| Revaluation reserve – cash flow hedging | 1 | 3 | 3 | 5 |
| Dividend | -25 | -25 | -25 | -25 |
| Net result for the period | 9 | 25 | 9 | 25 |
| Closing balance attributable to the parent company's shareholders | 525 | 585 | 525 | 570 |
| Minority interest | 5 | - | 5 | - |
| Closing balance | 530 | 585 | 530 | 570 |

Comments: Minority interest is attributable to KMT:s share in Triumph Spindle Technology.

| Key figures | July-September | | January-September | | Twelve months | |
|---|----------------|------|-------------------|------|---------------|------|
| | 2007 | 2006 | 2007 | 2006 | Four quarters | 2006 |
| Gross margin, % | 9.9 | 27.9 | 23.3 | 30.3 | 24.2 | 29.2 |
| Operating margin, % | -7.8 | 3.7 | -4.9 | 5.1 | -4.1 | 3.1 |
| Profit margin before tax, % | 13.3 | 0.0 | -8.4 | 3.3 | -7.2 | 1.1 |
| Return on: | | | | | | |
| - Capital employed, % | -6.3 | 15.5 | -6.3 | 15.5 | -6.3 | 3.2 |
| - Equity, % | 1.6 | 10.9 | 1.6 | 10.9 | 1.6 | 0.7 |
| Capital turnover rate | 1.32 | 1.07 | 1.32 | 1.07 | 1.32 | 1.25 |
| Equity ratio, % | 36 | 38 | 36 | 38 | 36 | 31 |
| Debt/equity ratio | 0.98 | 0.86 | 0.98 | 0.86 | 0.98 | 1.24 |
| Input/output ratio | 0.87 | 1.90 | 0.87 | 1.90 | 0.87 | 1.11 |
| Average number of employees | | | 858 | 815 | | 824 |
| Net result for the period including remaining operations, SEK M | -3 | -2 | 9 | 25 | 9 | 25 |

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. Last year's acquisitions of H2O and KMT Robotic Solutions Inc. are consolidated from 1 December 2006. Their total assets are included in full whilst only one month's results from 2006 are included in the above key figures.

| Quarterly data | 2007 | | | 2006 | | | |
|---|------------|------------|------------|------------|------------|------------|------------|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| SEK M | | | | | | | |
| Order intake* | 356 | 434 | 385 | 317 | 322 | 334 | 316 |
| - KMT Waterjet & KMT Robotic Solutions | 261 | 263 | 262 | 224 | 184 | 141 | 161 |
| - KMT Precision Grinding | 127 | 181 | 134 | 102 | 142 | 157 | 145 |
| - KMT Sheet Metal Working | 5 | - | - | - | 4 | 44 | 20 |
| Backlog | 551 | 514 | 442 | 443 | 479 | 465 | 511 |
| Net sales* | 293 | 347 | 374 | 405 | 294 | 393 | 307 |
| - KMT Waterjet & KMT Robotic Solutions | 237 | 238 | 253 | 202 | 153 | 163 | 166 |
| - KMT Precision Grinding | 56 | 108 | 117 | 190 | 131 | 196 | 115 |
| - KMT Sheet Metal Working | 1 | 2 | 5 | 13 | 12 | 31 | 26 |
| Gross profit | 29 | 95 | 112 | 108 | 82 | 119 | 100 |
| Gross margin, % | 9.9 | 27.4 | 29.9 | 26.7 | 27.9 | 30.3 | 32.7 |
| Operating result | -23 | -51 | 24 | -8 | 11 | 19 | 21 |
| Operating margin, % | -7.8 | -14.7 | 6.4 | -2.0 | 3.7 | 4.8 | 6.8 |
| Result after tax including divested operations | -3 | -7 | 19 | 0 | -2 | 15 | 12 |
| Cash flow from current operations | 12 | 29 | 7 | 23 | 44 | -39 | 31 |
| Capital employed | 1 051 | 1 224 | 1 289 | 1 274 | 1 091 | 1 093 | 957 |
| Return on capital employed, % | -6.3 | -2.9 | 4.2 | 3.2 | 15.5 | 12.8 | 14.8 |

* After the business area's internal eliminations

Last year's acquisition of KMT Robotic Solutions Inc. and H2O are consolidated from 1 December 2006. Their total assets are included in full whilst only one month's results from 2006 are included in the above key figures. All quarterly data relate to the Group's remaining operations.

Parent company

| Income statements | January-September | |
|--|-------------------|------------|
| | 2007 | 2006 |
| SEK M | | |
| Net sales | 21 | 16 |
| Gross profit | 21 | 16 |
| Administrative expenses | -25 | -26 |
| Other operating income | 82 | - |
| Operating result | 78 | -10 |
| Result of participations in Group companies | 30 | - |
| Other interest income and similar income statement items | 43 | 12 |
| Interest expenses and similar income statement items | -67 | -27 |
| Result after financial items | 84 | -25 |
| Tax on the year's result | - | - |
| Net result for the year | 84 | -25 |

| Balance sheets | 30 September | |
|----------------------------------|--------------|------------|
| | 2007 | 2006 |
| SEK M | | |
| <i>Assets</i> | | |
| <i>Fixed assets</i> | | |
| Tangible fixed assets | 1 | 1 |
| Financial fixed assets | 812 | 592 |
| Total fixed assets | 813 | 593 |
| <i>Current assets</i> | | |
| Receivables from Group companies | 140 | 216 |
| Other receivables | 4 | 4 |
| Total current assets | 144 | 220 |
| Total assets | 957 | 813 |

| Balance sheets | 30 September | |
|-------------------------------------|--------------|------------|
| | 2007 | 2006 |
| SEK M | | |
| <i>Equity and liabilities</i> | | |
| Shareholders' equity | 377 | 366 |
| Long-term liabilities | 360 | 285 |
| Current liabilities | 220 | 162 |
| Total liabilities | 580 | 447 |
| Total equity and liabilities | 957 | 813 |

The parent company's result after financial items amounted to SEK 84M (-25). During the year, KMT Ursviken was divested which generated a capital gain of SEK 82M in the parent company. Dividend from subsidiaries of SEK 30M and the falling USD rate affect the difference in financial income/expense. Financial fixed assets increase mainly due to increased lending within the Group. The increase in long-term liabilities is explained mainly by the fact that the liabilities to financial institutions have increased as a result of acquisitions of subsidiaries previous year. During 2007, the net debt has been amortised by SEK 213M. Gross investments amounted to SEK 0M (0) and liquid funds to SEK 0M (0) compared to SEK 0M at the start of the year.

Appendix 1 - Items affecting comparability

| Income statement | January-September 2007 | | |
|--|------------------------|-------------|--------------------------|
| SEK M | Reported result | Adjustments | Adjusted reported result |
| Net sales | 1 014 | | 1 014 |
| Cost for goods sold | -778 | 66 | -712 |
| <i>Write-down, inventories</i> | | 31 | |
| <i>Restructuring</i> | | 31 | |
| <i>Other</i> | | 4 | |
| Gross profit | 236 | 66 | 302 |
| Selling and administration costs and R&D expenditure | -364 | 101 | -263 |
| <i>Write-down, KMT Precision Grinding</i> | | 66 | |
| <i>Write-down, KMT Robotic Solutions</i> | | 35 | |
| Other operating income and expenses | 78 | -86 | -8 |
| <i>Capital gain KMT Real Estate*</i> | | -86 | |
| Operating result* | -50 | 81 | 31 |

| Income statement | July-September 2007 | | |
|--|---------------------|-------------|--------------------------|
| SEK M | Reported result | Adjustments | Adjusted reported result |
| Net sales | 293 | | 293 |
| Cost for goods sold | -264 | 66 | -198 |
| <i>Write-down, inventories</i> | | 31 | |
| <i>Restructuring</i> | | 31 | |
| <i>Other</i> | | 4 | |
| Gross profit | 29 | 66 | 95 |
| Selling and administration costs and R&D expenditure | -135 | 49 | -86 |
| <i>Write-down, KMT Precision Grinding</i> | | 14 | |
| <i>Write-down, KMT Robotic Solutions</i> | | 35 | |
| Other operating income and expenses | 83 | -86 | -3 |
| <i>Capital gain KMT Real Estate*</i> | | -86 | |
| Operating result | -23 | 29 | 6 |

*Comments: Equivalent to SEK 92M after tax.

Restructuring of KMT Precision Grinding

The Board of Directors and the Executive Management have previously announced a restructuring of the KMT Precision Grinding business area. The restructuring covers redundancies, premises, production plans, business systems and administration as well as project and consulting costs.

A notice was issued relating to 80 staff. Following negotiations in accordance with the law concerning right of participation in decision-making, the final figure was reduced to 70 staff, most of whom will leave the companies during 2007. The costs for these redundancies represent the majority of the restructuring costs of SEK 31M, which have been charged to the third quarter.

With the aim of making administration and production more efficient, the operations in Bromma and Lidköping will be co-ordinated in one legal unit, KMT Precision Grinding AB, from 1 January 2008. This will include moving assembly and joint processes within control, IT, HP and purchasing.

Additional restructuring costs will be taken, primarily during the fourth quarter, in order to form the new KMT Precision Grinding business area. These costs are estimated to SEK 10M.

Appendix 2 - Risks and uncertainty factors

The risks in the Group's operation can, in general, be divided into operational risks related to business operations and financial risks related to financial operations. The risks can, for example, be dependent on external events and affect a specific sector or market or can be purely company specific.

The financial risks are described in Note 4 on page 40 in KMT's Annual Report for 2006. The divestment of the subsidiaries, KMT Ursviken and KMT Real Estate AB, reduces the Group's borrowing and, therefore, also the total financial risk exposure.

A business operation always runs the risk of lower revenues, mainly due to loss of customers, reduced sales and falling prices as a result of a declining market or increased competition. In the short term, the Group is exposed to risks in connection with its business operation relating to raw materials, restructuring measures, legal matters and capacity utilisation.

The handling of price changes for raw materials and components will be of importance to the Group's results, both positively and negatively. In addition, there are always risks that decided and implemented restructuring measures are not sufficient to deal with or do not result in anticipated result improvements. This, in turn, can generate an increased risk for the need to write down some assets and restructuring costs.

Capacity utilisation is currently below the normal level within KMT Precision Grinding whilst it is at a normal level within other operations. Should disruptions arise in the operations, these could also affect the Group's earning capacity.