



## KMT Interim Report 1 January 1 – 30 June 2007

- Order intake for the period amounted to SEK 819M (650) – an increase of 26 per cent
- Net sales amounted to SEK 721M (700) – an increase of three per cent
- KMT Ursviken was divested and generated an estimated capital gain of SEK 53M. Write-downs of intangible assets within KMT Precision Grinding amounted to SEK 52M
- The operating result amounted to SEK -27M (40) including the write-downs within KMT Precision Grinding but excluding the capital gain for the divestment of KMT Ursviken
- Profit for the period after tax, including divested operations, is reported at SEK 12M (27)
- Earnings per share including divested operations amounted to SEK 1.18 (2.70)
- After the end of the reporting period, all shares in KMT Real Estate AB have been divested for approximately SEK 138M which will involve a capital gain of more than SEK 100M in the third quarter. As reported earlier, the restructuring programme within KMT Precision Grinding, will involve considerable costs during the third quarter

Financial review	Apr-Jun		Jan-Jun		Twelve months	
	2007	2006	2007	2006	Four quarters	2006
SEK M (unless otherwise stated)						
Order intake	434	334	819	650	1 458	1 289
Net sales	347	393	721	700	1 420	1 399
Operating result	-51	19	-27	40	-24	43
Operating margin, %	-14.7	4.8	-3.7	5.7	-1.7	3.1
Result for the period from remaining operations	-63	9	-49	20	-64	4
Result for the period of divested operations note 1,3	56	6	61	7	75	21
Result for the period including divested operations	-7	15	12	27	10	25
Total earnings per share including divested operations, SEK	-0.70	1.50	1.18	2.70	1.00	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**

The start of the year was characterised by a slightly lower level of activity within most of market segments. However, the market remains strong within waterjet processing where capacity utilisation is high with strong demand, not least for the aftermarket.

The level of activity increased slightly towards the end of the period. This is most pronounced within precision grinding and, especially, within the ball bearing industry.

The global restructuring within the automotive industry, with increased competition from both Chinese subcontractors and Chinese machine manufacturers, makes a market evaluation more difficult.

We estimate that the market development for waterjet cutting and robotic waterjet cutting systems will be relatively favourable during the remainder of 2007.

The divestment of KMT Ursviken has been reported through a 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.

## **Group development during the second quarter**

Consolidated order intake amounted to SEK 434M (334), an increase of 30 per cent. When adjusted for acquisitions and divestments, it was an increase 24 per cent. The acquired units reported an order intake of SEK 85M.

Net sales amounted to SEK 347M (393), a fall of 12 per cent which, when adjusted for acquisitions and divestments, was a fall of 27 per cent.

The planned restructuring within KMT Precision Grinding is brought about by inadequate profitability. Consequently, an impairment test has been made in respect of the major intangible assets within the business area.

The updated business plans with the current prerequisites primarily involved a write-down of SEK 40M for the Nano Grinder which, as a result, has a book value of SEK 25M at the period end.

The operating result before depreciation and write-downs amounted to SEK 16M (29) whilst the operating result after depreciation and write-downs amounted to SEK -51M (19). The result was affected by the

write-downs of intangible assets of SEK 52M within KMT Precision Grinding.

The operating result in the operations within KMT Precision Grinding is unsatisfactory and the ongoing restructuring will, therefore, be intensified.

The capital gain of SEK 53M from the divestment of KMT Ursviken is reported on the line 'Result of divested operations'.

The result after tax including divested operations amounted to SEK -7M (15), equivalent to SEK -0.70 (1.50) per share.

The cash flow from current operations was SEK 29M (-39).

### **Business areas second quarter**

Order intake for the **KMT Waterjet** and **KMT Robotic Solutions** business areas amounted to SEK 263M (141). When adjusted for the acquisitions of Aqua-Dyne, H2O and KMT Robotic Solutions Inc. (formerly KMT RPT), it was an increase of 21 per cent compared with the corresponding period in the previous year. Net sales of the business areas amounted to SEK 238M (163), an increase of 46 per cent, with adjustments for the acquisitions, a decrease of 10 per cent. Operating profit is reported at SEK 24M (28). The reduced margin is attributable to a handful of deliveries within KMT Robotic Solutions.

Order intake for the **KMT Precision Grinding** business area increased by 15 per cent to SEK 181M (157). The level of activity within the ball bearing industry increased towards the end of the period. Investments are mainly made in Germany and in the Asian markets. However, the willingness to invest within the important customer segment, fuel injection, continues its 'wait-and-see' approach and the decision-making processes remain long.

Net sales for the business area amounted to SEK 108M (196), a fall of 45 per cent compared with the corresponding period in the previous year. This is due to low order intake at the start of the year as well as delayed deliveries and unsatisfactory internal processes. Restructuring work aimed at rectifying the above is underway. The operating result amounted to SEK -73M (12). The poor result is mainly explained by write-downs of SEK 52M of intangible fixed assets.

### **Liquidity and financing**

Consolidated liquid funds amounted to SEK 32M (28) at the end of June compared with SEK 18M at the start of the year. To this are added unutilised credit facilities of SEK 108M.

Consolidated gross investments, excluding acquisitions, amounted to SEK 12M (17) and consisted mainly of tangible fixed assets.

Net indebtedness amounted to SEK 639M (320) at the end of June 2007 compared with SEK 687M at the start of the year. The increase compared with the previous year is mainly attributable to the loan-financed acquisitions of Aqua-Dyne, H2O and KMT Robotic Solutions Inc.

Net financial income/expense for the quarter amounted to SEK -17M (-3) and consisted mainly of interest expenses of SEK 11M (6).

For the Group, a positive tax effect of SEK 5M is reported compared to a tax expense of SEK -7M in the previous year.

Shareholder's equity amounted to SEK 550M (584), equivalent to SEK 54.99 (58.38) per share.

The consolidated equity ratio was 34 per cent (38) at the end of June 2007. This is equivalent to an increase of three percentage points compared with the 2006 year end.

### **Period January-June**

Order intake for the period amounted to SEK 819M (650) of which the KMT Waterjet and KMT Robotic Solutions business areas accounted for the largest increase, equivalent to 16 per cent after adjustments for acquisitions.

Consolidated net sales for the period amounted to SEK 721M (700), equivalent to an increase of three per cent. After adjustments for divestments and acquisitions, it was a decrease of 14 per cent. The decrease is most significant within the KMT Precision Grinding business area which reported a fall of 28 per cent whilst the KMT Waterjet and KMT Robotic Solutions business areas reported an increase.

Profit after tax for the period including divested operations amounted to SEK 12M (27). The capital gain of SEK 53M for the divestment of KMT Ursviken and the write-down of SEK 52M of intangible assets are included in the period's result.

The capital loss of SEK 14M for the divestment of the Pullmax Machine companies was charged to the result for the corresponding period in the previous year.

### **Personnel**

The average number of employees in the Group amounted to 845 (720). The difference is attributable to the previously described acquisitions of Aqua-Dyne, H2O and KMT Robotic Solutions Inc.

### **Significant events during the period**

During the period, the company started negotiations in accordance with the Employment Act relating to a reduction of the workforce of 80 out of the total of 380 employees within the KMT Precision Grinding business area. The changes to the workforce relate mainly to the subsidiaries, KMT Lidköping and KMT UVA. The intention is that the negotiations in accordance with the Employment Act will be concluded during the third quarter when the net effect on the year's result will also be reported.

On 18 June, the Board of Directors of KMT took a decision to sell the subsidiary, KMT Ursviken, to the Finnish venture capital fund, Sentica. The purchase sum amounts to SEK 101.5M which is expected to generate a capital gain of approximately SEK 53M. The result of the sale is reported on the line 'Result of divested operations'. The operation is excluded from the consolidated accounts from 25 June 2007.

### **Significant events after the period end**

KMT has divested all its shares in KMT Real Estate AB for approximately SEK 138M. In addition, the buyer has redeemed a promissory note loan of approximately SEK 32M. This involves a capital gain of more than SEK 100M. The gain will be reported during the third quarter. The buyer is NLI Fastigheter Holding AB which is owned and controlled by Orkla Finans Kapitalförvaltning ASA. KMT Real Estates' main asset is the property, Städet 12 in Lidköping, which, in addition to KMT Lidköping, accommodates 23 other tenants. The property was transferred on 12 July. The property is reported as 'Asset held for sale' in the consolidated balance sheet.

### **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 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. For application of IFRS 5, see note 1.

**Future information dates**

Interim Report January-September

25 October 2007

The Interim Report will be available at KMT's Head office and on [www.kmtgroup.com](http://www.kmtgroup.com) from 28 August.

The Board of Directors and the President assure that the Six-Month Report gives a true and fair review of the company's and the Group's operations, position and results and describes the significant risks and uncertainty factors which the company and the companies included in the Group are facing.

Stockholm, 28 August 2007

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Chairman

Leif Andersson

Mats Andersson

Marianne Brismar

Vesa Kainu

Carl-Erik Ridderstråle

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Employee Representative

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

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## Group summary

Income statements	Apr-Jun		Jan-Jun		Twelve months	
SEK M	2007	2006	2007	2006	Four quarters	2006
Remaining operations						
Net sales	347	393	721	700	1 420	1 399
Cost for sold goods	-252	-274	-514	-481	-1 023	-990
<b>Gross profit</b>	<b>95</b>	<b>119</b>	<b>207</b>	<b>219</b>	<b>397</b>	<b>409</b>
Selling and administration costs and R&D expenditure	-144	-88	-229	-165	-376	-312
Other operating income	2	2	3	3	0	0
Other operating expenses	-4	-14	-8	-17	-45	-54
<b>Operating result</b>	<b>-51</b>	<b>19</b>	<b>-27</b>	<b>40</b>	<b>-24</b>	<b>43</b>
Financial items	-17	-3	-19	-7	-38	-26
<b>Result after financial items</b>	<b>-68</b>	<b>16</b>	<b>-46</b>	<b>33</b>	<b>-62</b>	<b>16</b>
Taxes	5	-7	-3	-13	-2	-12
<b>The period's result from remaining operations</b>	<b>-63</b>	<b>9</b>	<b>-49</b>	<b>20</b>	<b>-64</b>	<b>4</b>
The period's result from divested operations note 1, 3	56	6	61	7	75	21
<b>The period's result including divested operations</b>	<b>-7</b>	<b>15</b>	<b>12</b>	<b>27</b>	<b>11</b>	<b>25</b>

### Comments on the income statement:

Depreciation for the quarter amounted to SEK 15M (10) and is distributed on the functions in which the asset is utilised. During the quarter, write-downs of SEK 52M (0) have been made relating to capitalised development projects.

Share data	Apr-Jun		Jan-Jun		Twelve months	
	2007	2006	2007	2006	Four quarters	2006
Result from remaining operations, SEK	-6.3	0.9	-4.9	2.0	-6.4	0.4
Result from divested operations, SEK	5.6	0.6	6.1	0.7	7.5	2.1
Result including divested operations, SEK	-0.7	1.5	1.2	2.7	1.1	2.5
Shareholders' equity, SEK	54.99	58.38	54.99	58.38	54.99	56.97
Cash flow from current operations, SEK	2.9	-3.9	3.6	-0.8	10.3	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	116.25	137.50	116.25	137.50	116.25	149.00

Consolidated cash flow statement, summary	Apr-Jun		Jan-Jun		Twelve months	
	2007	2006	2007	2006	Four quarters	2006
SEK M						
Result after financial items, remaining operations	-68	16	-46	33	-62	16
The period's result from divested operations note 1, 3	56	6	61	7	75	21
Depreciation and other non- cash affecting items	25	-9	49	-12	114	54
<b>Cash flow from current operations before change in working capital</b>	<b>13</b>	<b>13</b>	<b>64</b>	<b>28</b>	<b>127</b>	<b>91</b>
Change in working capital	16	-51	-18	-32	-2	-16
Paid tax	0	-1	-10	-4	-22	-16
<b>Cash flow from current operations</b>	<b>29</b>	<b>-39</b>	<b>36</b>	<b>-8</b>	<b>103</b>	<b>59</b>
Investments in intangible and tangible fixed assets	-12	-100	-31	-114	-309	-392
Divestments of financial fixed assets	59	-	59	-	59	-
<b>Cash flow from investment operations</b>	<b>47</b>	<b>-100</b>	<b>28</b>	<b>-114</b>	<b>-250</b>	<b>-392</b>
Change in interest-bearing provisions and liabilities	-55	140	-49	129	153	331
<b>Cash flow from financial operations</b>	<b>-55</b>	<b>140</b>	<b>-49</b>	<b>129</b>	<b>153</b>	<b>331</b>
<b>The period's cash flow</b>	<b>21</b>	<b>1</b>	<b>15</b>	<b>7</b>	<b>6</b>	<b>-2</b>
Liquid funds at the start of the period	11	28	18	22	28	22
Exchange rate differences in liquid funds	0	-1	-1	-1	-2	-2
Liquid funds at the period end	<b>32</b>	<b>28</b>	<b>32</b>	<b>28</b>	<b>32</b>	<b>18</b>

Business areas	Apr-Jun				Jan-Jun				Twelve months			
SEK M	2007		2006		2007		2006		Four quarters		2006	
KMT Waterjet & KMT Robotic Solutions	238		163		491		329		847		684	
KMT Precision Grinding	108		196		225		311		547		632	
KMT Sheet Metal Working	2		31		6		57		33		84	
Group adjustments and parent company	-1		3		-1		3		-7		-1	
<b>Net sales</b>	<b>347</b>		<b>393</b>		<b>721</b>		<b>700</b>		<b>1 420</b>		<b>1 399</b>	
KMT Waterjet & KMT Robotic Solutions	80	33.6%	61	37.4%	167	34.0%	125	38.0%	298	35.2%	255	37.3%
KMT Precision Grinding	15	13.9%	47	24.0%	41	18.2%	77	24.8%	100	18.3%	137	21.7%
KMT Sheet Metal Working	0	0%	9	29.0%	1	16.7%	15	26.3%	6	18.2%	20	23.8%
Group adjustments and parent company	0		2		-2		2		-7		-3	
<b>Gross profit and operating margin</b>	<b>95</b>	<b>27.4%</b>	<b>119</b>	<b>30.3%</b>	<b>207</b>	<b>28.7%</b>	<b>219</b>	<b>31.3%</b>	<b>397</b>	<b>28.0%</b>	<b>409</b>	<b>29.2%</b>
KMT Waterjet & KMT Robotic Solutions	24	10.1%	28	17.2%	57	11.6%	64	19.5%	107	12.6%	116	17.0%
KMT Precision Grinding	-73	-67.6%	12	6.1%	-81	-36.0%	7	2.3%	-79	-14.4%	10	1.6%
KMT Sheet Metal Working	0	0	-15	-48.4%	0	0	-21	-36.8%	-42	-127.3%	-63	-75.0%
Group adjustments and parent company	-2		-6		-3		-10		-10		-20	
<b>Operating result and operating margin</b>	<b>-51</b>	<b>-14.7%</b>	<b>19</b>	<b>4.8%</b>	<b>-27</b>	<b>-3.7%</b>	<b>40</b>	<b>5.7%</b>	<b>-24</b>	<b>-1.7%</b>	<b>43</b>	<b>3.1%</b>
KMT Waterjet & KMT Robotic Solutions	798		461		801		461		801		491	
KMT Precision Grinding	239		306		239		306		239		274	
KMT Sheet Metal Working	46		102		46		102		46		90	
Group adjustments and parent company	138		223		138		223		138		419	
<b>Capital employed</b>	<b>1 221</b>		<b>1 092</b>		<b>1 224</b>		<b>1 092</b>		<b>1 224</b>		<b>1 274</b>	
KMT Waterjet & KMT Robotic Solutions					448		295				326	
KMT Precision Grinding					364		365				373	
KMT Sheet Metal Working					27		53				119	
Group adjustments and parent company					6		7				6	
<b>Average number of employees</b>					<b>845</b>		<b>720</b>				<b>824</b>	

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

Comparative figures for 2006 are adjusted for the divestment of KMT Ursviken AB.

<b>Balance sheets</b>	<b>30 June</b>		<b>Full-year</b>
SEK M	<b>2007</b>	<b>2006</b>	<b>2006</b>
<i>Assets</i>			
<i>Fixed assets</i>			
Intangible assets	651	489	703
Tangible fixed assets	108	158	172
Financial fixed assets	3	1	12
<b>Total fixed assets</b>	<b>762</b>	<b>648</b>	<b>887</b>
<i>Current assets</i>			
Inventories	402	471	509
Current receivables	363	379	411
Liquid funds	32	28	18
Asset held for sale note 1,2	52	-	-
<b>Total current assets</b>	<b>849</b>	<b>878</b>	<b>938</b>
<b>Total assets</b>	<b>1 611</b>	<b>1 526</b>	<b>1 824</b>
<i>Equity, provisions and liabilities</i>			
Shareholders' equity	550	584	570
Long-term liabilities	663	414	429
Current liabilities	398	528	826
<b>Total equity, provisions and liabilities</b>	<b>1 611</b>	<b>1 526</b>	<b>1 824</b>
<b>Interest-bearing / non-interest-bearing liabilities</b>	<b>30 June</b>	<b>Full-year</b>	
SEK M	<b>2007</b>	<b>2006</b>	<b>2006</b>
Interest-bearing liabilities	671	509	705
Non-interest-bearing liabilities	390	433	550
<b>Total liabilities and provisions</b>	<b>1 061</b>	<b>942</b>	<b>1 255</b>

**Comments:**

Of interest-bearing liabilities/provisions, pension provisions represent SEK 80M (80) 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 in accordance with the current amortisation plan.

Change in equity	30 June		Twelve months	
	2007	2006	Four quarters	2006
SEK M				
<b>Opening balance</b>	<b>570</b>	<b>601</b>	<b>584</b>	<b>601</b>
Translation differences	0	-23	-13	-36
Revaluation reserve – cash flow hedging	-7	4	-6	5
Dividend	-25	-25	-25	-25
Net result for the period	12	27	10	25
<b>Closing balance</b>	<b>550</b>	<b>584</b>	<b>550</b>	<b>570</b>

Key figures	Apr-Jun		Jan-Jun		Twelve months	
	2007	2006	2007	2006	Four quarters	2006
Gross margin, %	27.4	30.3	28.7	31.3	28.2	29.2
Operating margin, %	-14.7	4.8	-3.7	5.7	-1.7	3.1
Profit margin before tax, %	-19.6	4.1	-6.4	4.7	-4.4	1.1
Return on:						
- Capital employed, %	-2.9	12.8	-2.9	12.8	-2.9	3.2
- Equity, %	-11.3	13.4	-11.3	13.4	-11.3	0.7
Capital turnover rate	1.23	1.41	1.23	1.41	1.23	0.95
Equity ratio, %	34	38	34	38	34	31
Debt/equity ratio	1.22	0.87	1.22	0.87	1.22	1.24
Input/output ratio	0.94	1.33	0.94	1.33	0.94	1.11
Average number of employees	830	794	845	794	821	824
Net result for the period including remaining operations, SEK M	-7	15	12	27	11	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 Robotic Production Technology and H2O Jet 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		
SEK M	Q2	Q1	Q4	Q3	Q2	Q1
<b>Order intake*,</b>	<b>434</b>	<b>385</b>	<b>317</b>	<b>322</b>	<b>334</b>	<b>316</b>
- KMT Waterjet & KMT Robotic Solutions	263	262	224	184	141	161
- KMT Precision Grinding	181	134	102	142	157	145
- KMT Sheet Metal Working	-	-	-	4	44	20
<b>Backlog,</b>	<b>514</b>	<b>442</b>	<b>443</b>	<b>479</b>	<b>465</b>	<b>511</b>
<b>Net sales*,</b>	<b>347</b>	<b>374</b>	<b>405</b>	<b>294</b>	<b>393</b>	<b>306</b>
- KMT Waterjet & KMT Robotic Solutions	238	253	202	153	163	166
- KMT Precision Grinding	108	117	190	131	196	115
- KMT Sheet Metal Working	2	5	13	12	31	26
<b>Gross profit,</b>	<b>95</b>	<b>112</b>	<b>108</b>	<b>82</b>	<b>119</b>	<b>100</b>
Gross margin, %	27.4	29.9	26.7	27.9	30.3	32.7
<b>Operating result,</b>	<b>-51</b>	<b>25</b>	<b>-8</b>	<b>11</b>	<b>19</b>	<b>22</b>
Operating margin, %	-14.7	6.7	-2.0	3.7	4.8	7.2
<b>Result after tax including divested operations, SEK</b>	<b>-7</b>	<b>14</b>	<b>-3</b>	<b>-2</b>	<b>15</b>	<b>11</b>
Cash flow from current operations, SEK	29	17	23	45	-39	31
Capital employed	1 224	1 289	1 274	1 091	1 093	957
Return on capital employed, %	-2.9	4.2	3.2	10.0	12.8	14.8

\* After the business area's internal eliminations

Last year's acquisition of Robotic Production Technology and H2O Jet 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	Jan-Jun	
SEK K	2007	2006
Net sales	14	11
<b>Gross profit</b>	<b>14</b>	<b>11</b>
Administrative expenses	-18	-17
Other operating income	82	-
<b>Operating result</b>	<b>78</b>	<b>- 6</b>
Result of participations in Group companies	30	-
Other interest income and similar income statement items	18	7
Interest expenses and similar income statement items	-18	-23
<b>Result after financial items</b>	<b>108</b>	<b>-22</b>
Tax on the year's result	-	6
<b>Net result for the year</b>	<b>108</b>	<b>-16</b>
 <b>Balance sheets</b>	 <b>30 June</b>	
SEK M	2007	2006
<i>Assets</i>		
<i>Fixed assets</i>		
Equipment	1	1
<b>Total tangible fixed assets</b>	<b>1</b>	<b>1</b>
<i>Financial fixed assets</i>		
Participations in Group companies	302	331
Receivables from Group companies	564	325
<b>Total financial fixed assets</b>	<b>866</b>	<b>656</b>
<b>Total fixed assets</b>	<b>867</b>	<b>657</b>
<i>Current assets</i>		
Receivables from Group companies	216	157
Current income taxes recoverable	13	8
Other receivables	15	2
Prepaid expenses and accrued income	2	1
<b>Total current assets</b>	<b>246</b>	<b>168</b>
<b>Total assets</b>	<b>1 113</b>	<b>825</b>

<b>Balance sheets</b>	<b>30 June</b>	
SEK K	<b>2007</b>	<b>2006</b>
<i>Equity and liabilities</i>		
<i>Shareholders' equity</i>		
Restricted equity		
Share capital	40	40
Statutory reserve	203	203
<b>Total restricted equity</b>	<b>243</b>	<b>244</b>
<i>Non-restricted equity</i>		
Retained earnings	65	148
Net result for the year	108	-16
Total non-restricted equity	173	132
<b>Total equity</b>	<b>416</b>	<b>375</b>
<i>Long-term liabilities</i>		
Liabilities to credit institutions	333	272
<b>Total long-term liabilities</b>	<b>333</b>	<b>272</b>
<i>Current liabilities</i>		
Liabilities to credit institutions	238	78
Liabilities to Group companies	108	94
Other liabilities	19	5
<b>Total current liabilities</b>	<b>364</b>	<b>178</b>
<b>Total liabilities</b>	<b>697</b>	<b>450</b>
<b>Total equity and liabilities</b>	<b>1 113</b>	<b>825</b>

The parent company's result after financial items amounted to SEK 108M (-22) where the major part of the difference from the previous year is explained by dividend from subsidiaries of SEK 30M and the capital gain of SEK 53M in connection with the divestment of KMT Ursviken. Participations in Group companies have decreased by SEK 32M net as a result of the divestment of KMT Ursviken and acquisitions of subsidiaries. Receivables from Group companies have increased by SEK 298M as a result of increased lending within the Group. Liabilities to credit institutions have increased by SEK 221M as a result of acquisitions of subsidiaries. Gross investments amounted to SEK 0M (0) and liquid funds to SEK 0M (0) compared to SEK 0M at the start of the year.

### **Note 1 Application of IFRS 5**

Fixed assets held for sale and divested operations which deal with classification, valuation and information requirements in connection with the divestment of fixed assets and divested operations.

A divested operation is a part of a company's or group's business activities which represents an independent segment, a significant part of an independent segment or a significant operation within a geographic area. The result of operations under closure, the result of current operations and capital gains on divestment are reported on a separate line in the income statement 'Result of divested operations'. The application of IFRS 5 affects comparative information through a change in the presentation of results and cash flows from divested operations for previous periods. On 18 June 2007, KMT Group AB decided to sell KMT Ursviken which forms the major part of the KMT Sheet Metal Working business area. As a result, the operation in KMT Ursviken forms a divested operation. Income statements, cash flow statements and key figures in this Interim report relating to previous periods have been recalculated and results from operations under closure are reported in accordance with the above.

In accordance with IFRS 5, fixed assets (or divestment groups) are classified as assets held for sale and reported at the lower of reported value and actual value with a deduction for selling expenses, if their book value is recovered mainly through a sales transaction and not through continuous use. Depreciation shall not be made of these assets from the time when the asset has been reclassified until divestment has been made. The property, Städet 12 in Lidköping, meets the criteria for being reported as 'Asset held for sale'. For further information, see page 6 'Significant events after the period end'.

## Note 2 Asset held for sale

The property, Städet 12 in Lidköping, is reported as asset held for sale. See 'Significant events after the period end'.

## Note 3 Ursviken, divested operation

Below follows income statements, balance sheet s and cash flows for the divested operation, KMT Ursviken.

Income statements	Apr-Jun		Jan-Jun		Twelve months	
	2007	2006	2007	2006	Four quarters	2006
SEK M						
Net sales	38	44	90	75	202	187
Cost for sold goods	-26	-29	-63	-50	-143	-130
<b>Gross profit</b>	<b>12</b>	<b>15</b>	<b>27</b>	<b>25</b>	<b>59</b>	<b>57</b>
Selling and administration costs and R&D expenditure	-6	-7	-14	-13	-32	-31
Other operating expenses	-2	0	-2	-1	-3	-2
<b>Operating profit</b>	<b>4</b>	<b>8</b>	<b>11</b>	<b>11</b>	<b>24</b>	<b>24</b>
Financial items	0	0	1	0	2	1
<b>Profit after financial items</b>	<b>4</b>	<b>8</b>	<b>12</b>	<b>11</b>	<b>26</b>	<b>25</b>
Taxes	-1	-2	-4	-4	-4	-4
<b>Profit for the period</b>	<b>3</b>	<b>6</b>	<b>8</b>	<b>7</b>	<b>22</b>	<b>21</b>
Capital gain before tax	53	-	53	-	53	-
Tax on capital gain	0	-	0	-	0	-
<b>Net result of divested operation</b>	<b>56</b>	<b>6</b>	<b>61</b>	<b>7</b>	<b>75</b>	<b>21</b>

	25 June 2007
<b>Balance sheet</b>	
SEK M	
<i>Assets</i>	
Fixed assets	10
Current assets	126
<b>Total assets</b>	<b>136</b>
<i>Equity, provisions and liabilities</i>	
Shareholders' equity	37
Liabilities	99
<b>Total equity, provisions and liabilities</b>	<b>136</b>

Cash flow summary	Apr-Jun		Jan-Jun		Twelve months	
SEK M	2007	2006	2007	2006	Four quarters	2006
<b>Cash flow from current operations</b>	<b>-1</b>	<b>-22</b>	<b>-1</b>	<b>-18</b>	<b>3</b>	<b>-14</b>
<b>Cash flow from investment operations</b>	<b>1</b>	<b>-1</b>	<b>1</b>	<b>-2</b>	<b>0</b>	<b>-3</b>
<b>Cash flow from financial operations</b>	<b>0</b>	<b>-2</b>	<b>0</b>	<b>-2</b>	<b>0</b>	<b>-2</b>
<b>The period's cash flow from remaining operations</b>	<b>0</b>	<b>-25</b>	<b>0</b>	<b>-22</b>	<b>3</b>	<b>-19</b>
Liquid funds at the start of the period	43	65	43	62	40	62
<b>Liquid funds at the period end</b>	<b>43</b>	<b>40</b>	<b>43</b>	<b>40</b>	<b>43</b>	<b>43</b>

## **Appendix 1 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 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 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.