

# Höganäs



## 2009 Q2 Interim Report



## Highlights 2009 – 2nd Quarter

- **Volume recovery, led by Asia**
- **Gross profit per ton close to prior year level**
- **OI positive despite sales volumes 34% lower than prior year**
- **Cash-flow focus generating very encouraging results**





## Highlights 2009 – 1st half year

- **Very weak market demand**
- **Massive de-stocking throughout the value chain early 2009, then gradually improving**
- **42% volume decline having a very big impact on Höganäs results**
- **Cash-flow focus paying off**





# Key Numbers 2009

All amounts in MSEK

	2nd Quarter		January-June	
	2009	2008	2009	2008
<b>Net Sales</b>	<b>1098</b>	<b>1592</b>	<b>2014</b>	<b>3175</b>
<i>vs Prior Year</i>	<i>-31.0%</i>		<i>-36.6%</i>	
<i>Total</i>	<i>-36.8%</i>		<i>-44.9%</i>	
<i>Underlying volume</i>	<i>1.5%</i>		<i>1.6%</i>	
<i>Acquisition</i>	<i>23.3%</i>		<i>23.8%</i>	
<i>Currency</i>	<i>-12.8%</i>		<i>-8.4%</i>	
<i>Price/mix</i>				
<b>Gross Profit</b>	<b>208</b>	<b>340</b>	<b>278</b>	<b>666</b>
<i>Gross Profit per ton</i>	<i>2697</i>	<i>2897</i>	<i>2057</i>	<i>2844</i>
<b>Selling, Admin, R&amp;D expenses</b>	<b>151</b>	<b>146</b>	<b>292</b>	<b>282</b>
<b>Other operating income and expenses (as per report)</b>	<b>-3</b>	<b>38</b>	<b>-43</b>	<b>44</b>
<i>of which Currency hedges</i>	<i>-31</i>	<i>10</i>	<i>-94</i>	<i>23</i>
<b>Operating Income incl Restructuring costs</b>	<b>54</b>	<b>232</b>	<b>-57</b>	<b>428</b>
<i>Margin % Net Sales</i>	<i>4.9%</i>	<i>14.6%</i>	<i>neg</i>	<i>13.5%</i>
<b>Net Income</b>	<b>37</b>	<b>170</b>	<b>-53</b>	<b>316</b>
<b>Cash flow from Operations</b>	<b>297</b>	<b>134</b>	<b>439</b>	<b>331</b>



# Variance analysis

estimate

MSEK

<b>2008 Q2 Operating Income</b>	<b>232</b>
<i>Sales volume decline</i>	<b>-230</b>
<i>Currency net</i>	<b>5</b>
<i>Margin</i>	<b>44</b>
<i>R&amp;D, SG&amp;A costs</i>	<b>-4</b>
<i>Sales of CO2 rights</i>	<b>7</b>
<b>2009 Q2 Operating Income</b>	<b>54</b>



# Currency impact

- **SEK depreciation**

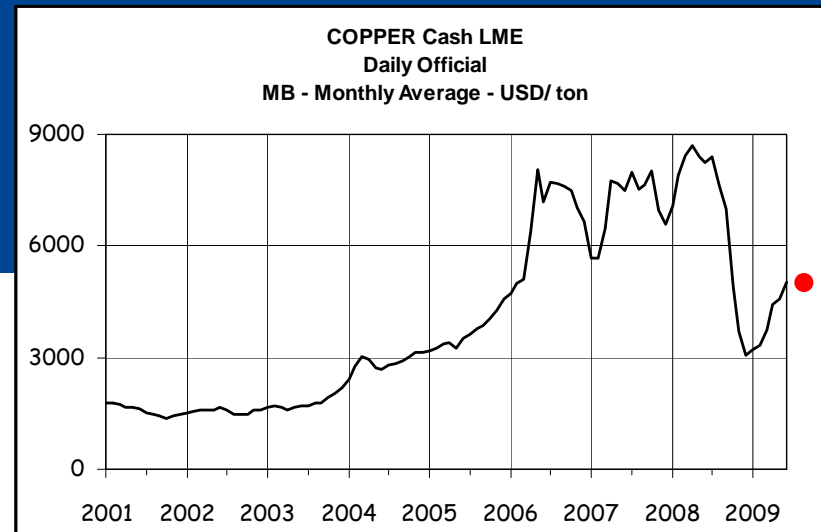
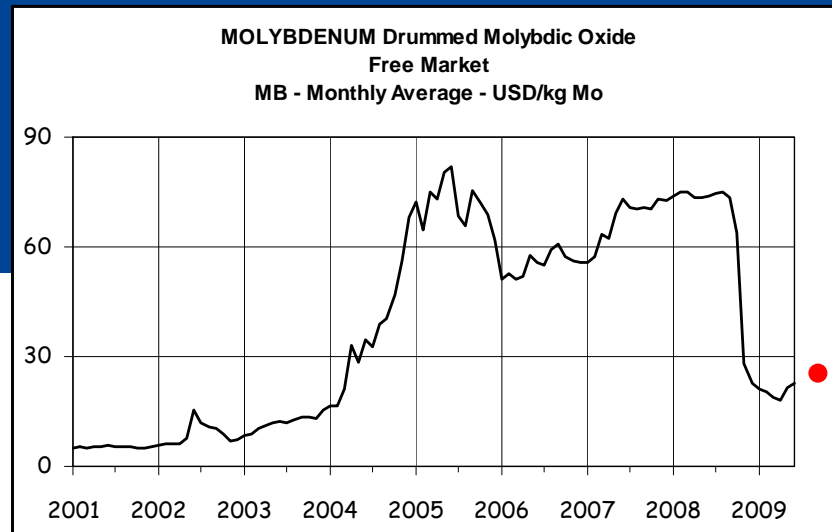
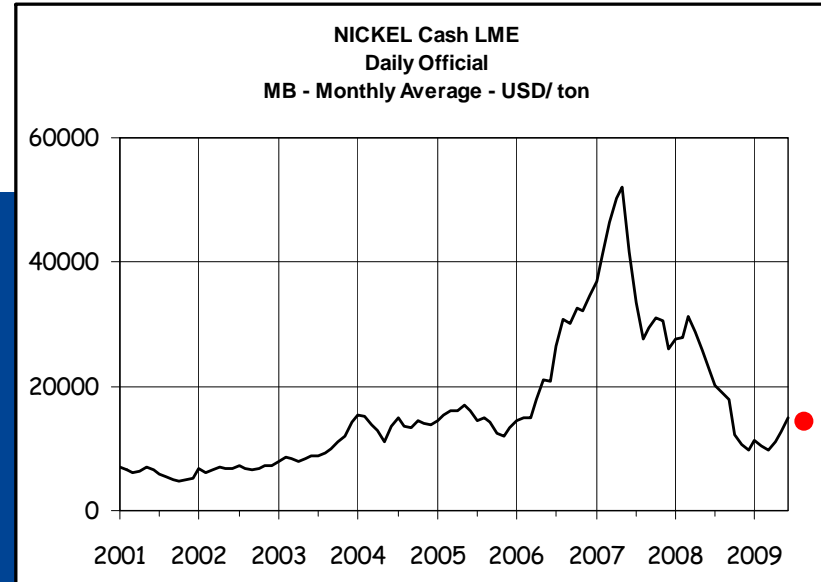
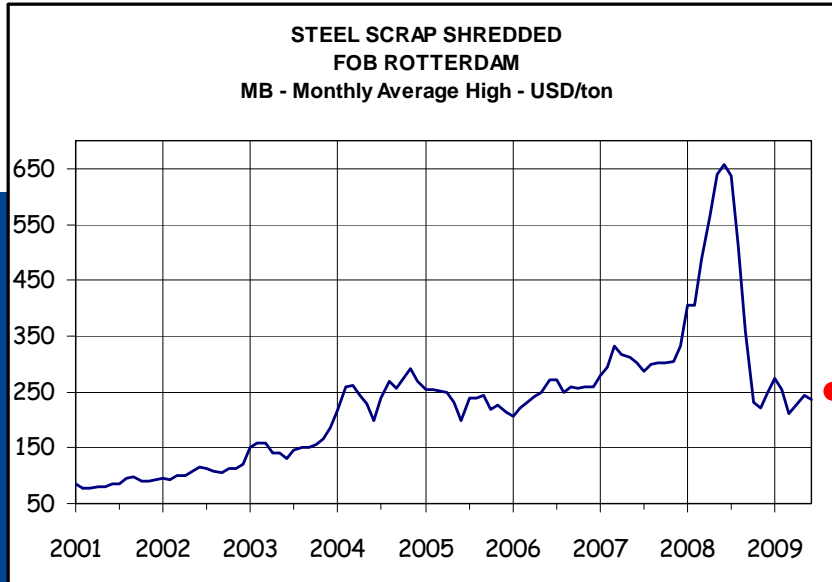
- ▶ Minor gains from revaluation of short term B/S items in foreign currencies
- ▶ Minor hedge losses on the items above (one month forward selling)
- ▶ Gains from cash flow in foreign currencies
- ▶ Hedge losses from cash flow in foreign currencies (3-15 months forward selling)

- B/S items unrealised hedge value  $\Delta$  to P/L
- Cash flow unrealised hedge value  $\Delta$  to Equity
- Historical EURO hedges





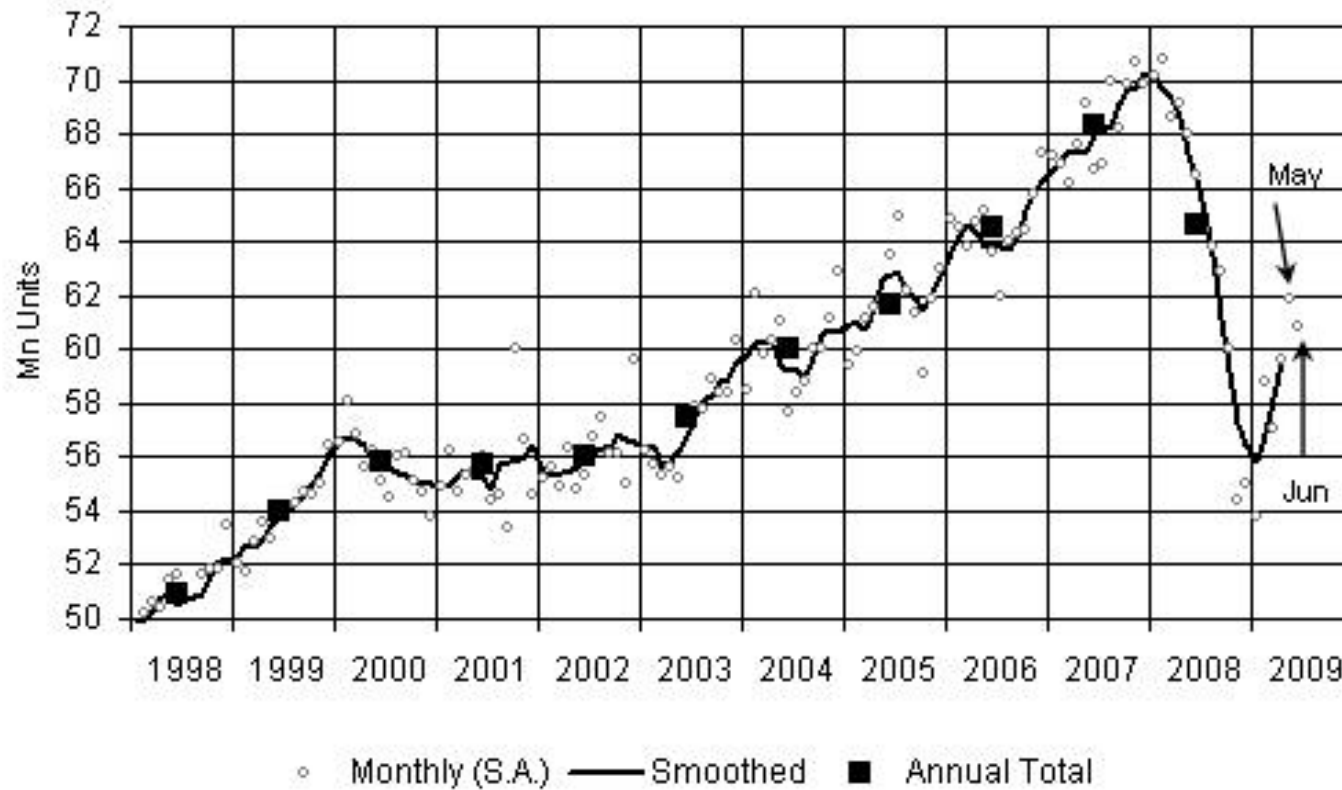
# Metal price development





# Market development

## Global Light Vehicles Sales

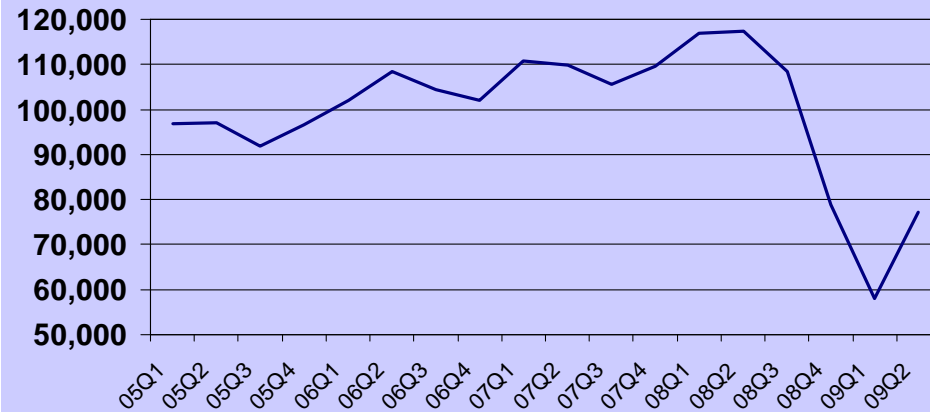


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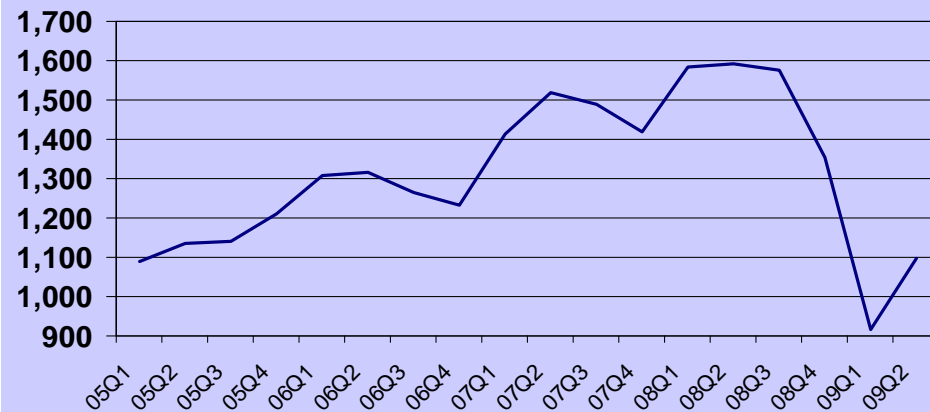


# Group Sales YTD 2009

Höganäs Group, Volumes per Quarter, tons



Höganäs Group, Net Sales per Quarter, MSEK

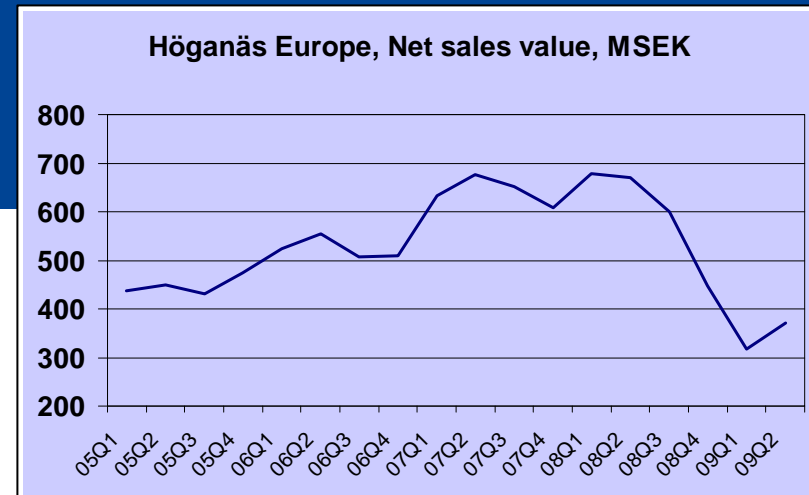
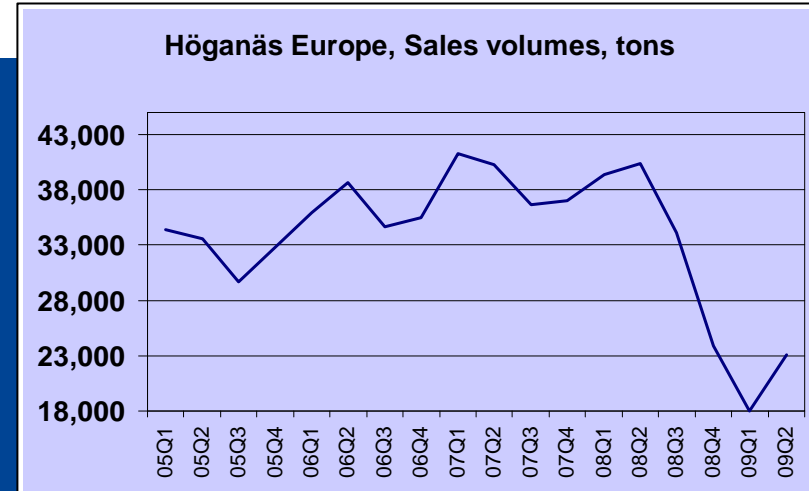




## Sales YTD 2009 - Europe

**Europe: Net Sales -49%**

- Recovery as from May following huge de-stocking early 2009
- Scrappage incentive schemes and significant discounts from vehicle manufacturers driving Components sales, most significantly Germany
- Markets without incentives still very weak
- Welding segment holding up in Consumables
- Outlook uncertain

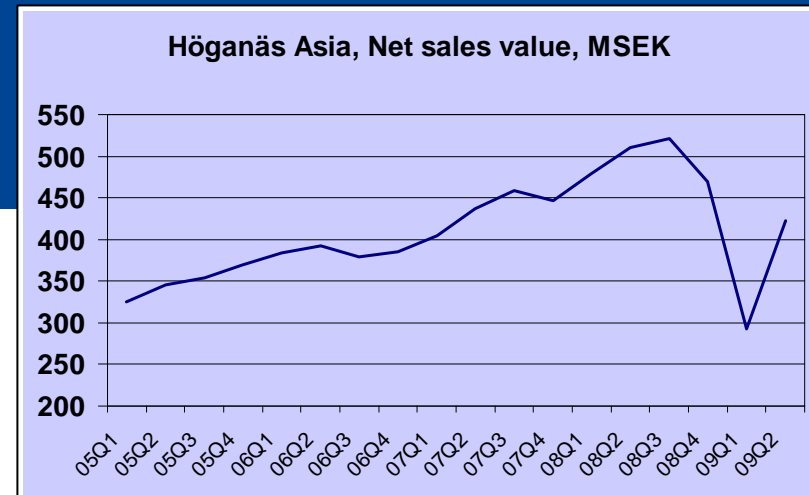
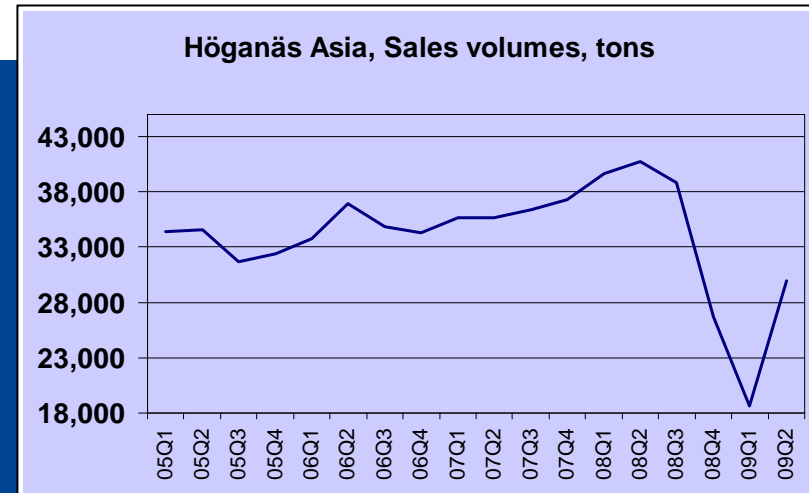




## Sales YTD 2009 - Asia

**Asia: Net Sales -28%**

- Recovery as from March, due to customers de-stocking faster
- Chinese support package for the domestic auto industry - purchase incentives
- Components volumes significantly better across the Region in Q2 vs Q1, driven by China, but still overall 32% below Q208
- Consumables volumes continuing recovery, driven by Korea and India, particularly welding segment growth
- Oxygen absorbers, carrier cores and hot-bags sales stable

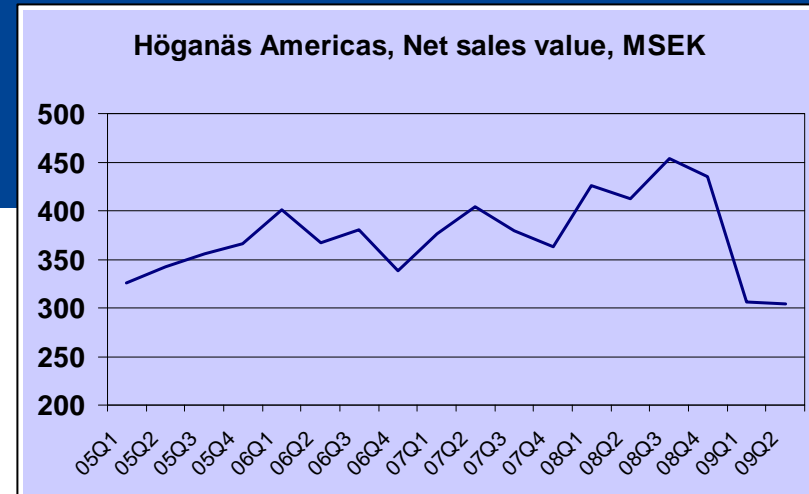
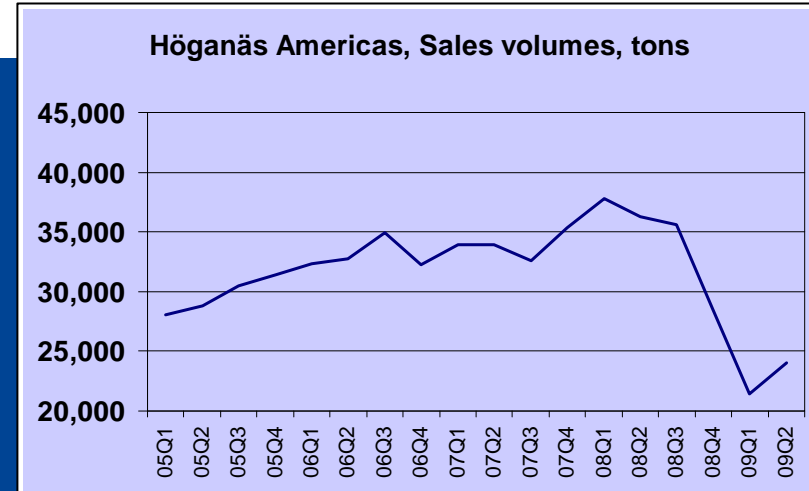




# Sales YTD 2009 - Americas

**Americas: Net Sales -27%**

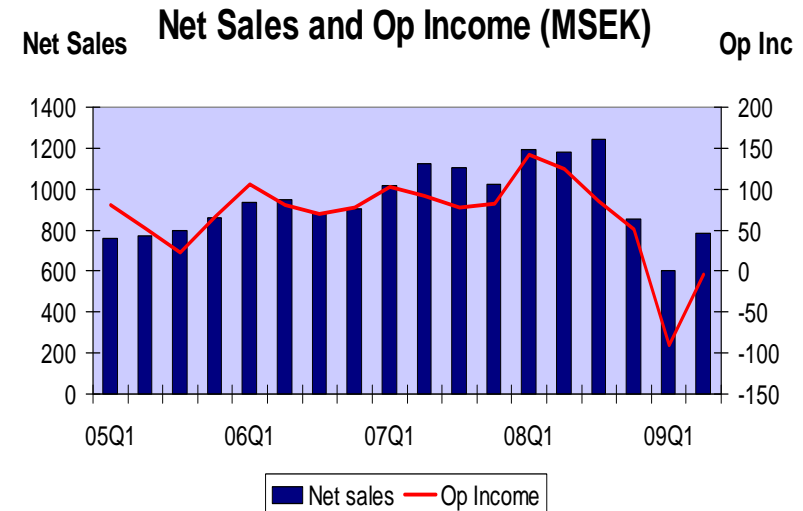
- NA market still very weak and the outlook very uncertain
- Affecting all operators with an exposure to GM and Chrysler in Components as well as Consumables
- Höganäs taking market share due to Kobelco NA acquisition
- SA Components recovering as from March driven by tax reduction and discounts
- SA Consumables still very weak due to customers dependent on export markets





# Results YTD 2009 - Components

- **Net sales 1 386 MSEK - 41%**
  - Very high stock levels in the value chain at the start of the year
  - Various incentives and stimulus programmes increasingly having an impact, initially on Asia and South America, then also Europe
  - Positive impact from weaker SEK and from base price increases
  - Negative impact from lower metal prices
- **Operating Income -95 MSEK (282)**
  - Fundamental negative impact from volume decline
  - Base price increases
  - Cost savings
  - Positive currency impact



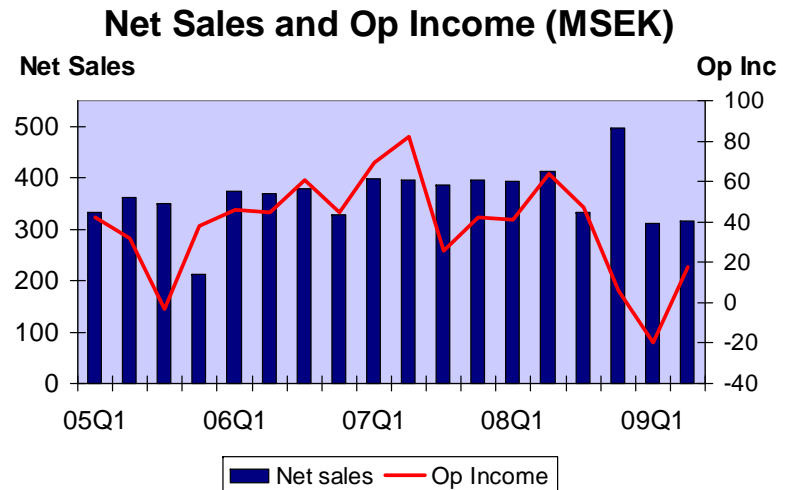
## Components

- ~70% of group sales
  - 75% of this segment is for the automotive industry
- Customers:
  - Suppliers of components to equipment manufacturers.
  - These producers supply components to Automotive, Power Tool, Compressors, Electrical motors and others.



# Results YTD 2009 - Consumables

- **Net Sales 628 MSEK** **-22%**
  - Recovery in Q2 mainly in Asia and in South America, although the latter still very weak
  - Non automotive sub segments holding up better, e.g. Welding
  - Weaker SEK impact positive
  - Lower metal prices impact negative
- **Operating Income -2 MSEK (113)**
  - Key impact from volume decline
  - Price increases
  - Metals impact marginal as metal hedge losses are matched with projected inventory gains
  - Currency gains
  - Rising nickel and copper prices give negative metal hedge results, and subsequently inventory gains, and vice versa



## Consumables

- ~30% of group sales
  - major part of this segment is non-automotive applications
- Customers:
  - Metallurgical and Chemical process industry, producers of Welding, Filter and Friction consumables, users of Fusion, Cutting and Coating technology, food & feed enrichment and others.



## Outlook 2009

- Gradual improvement as from March
- Recovery likely to continue, but pace very uncertain
- Asia and SA will lead, Europe slower and NA still unsettled
- Metal prices and currency volatility likely to continue, with some short term results impact
- Main influence will come from volume  $\Delta$



# Höganäs



## Q&A