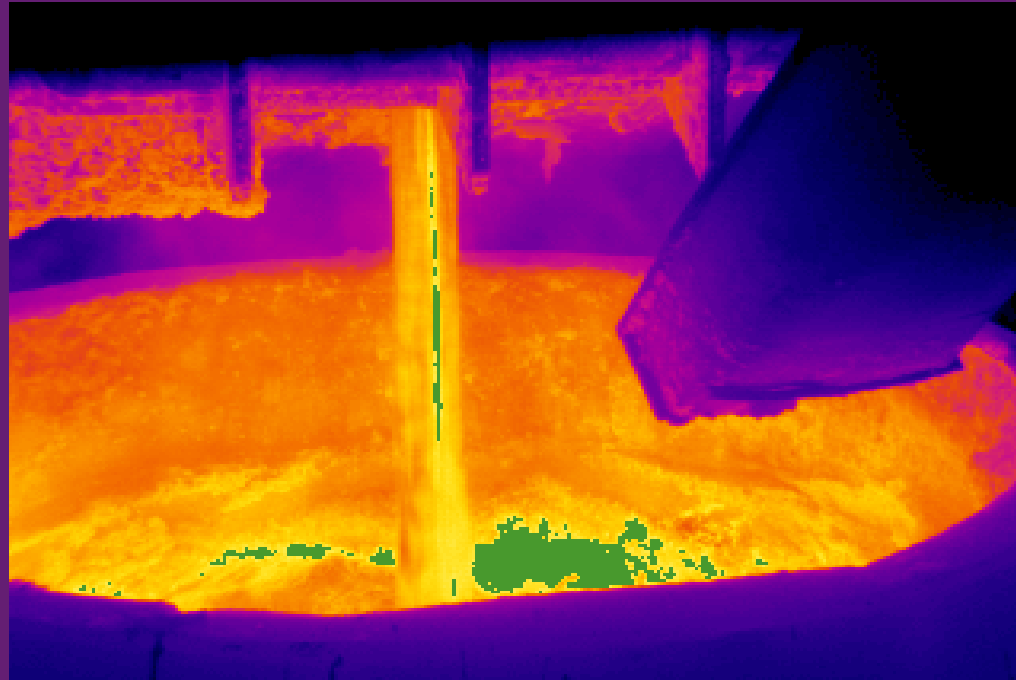


# Höganäs



## 2009 Q3 Interim Report



## Highlights 2009 – 3rd Quarter

- **Continued volume recovery, led by Asia and Americas**
- **Gross profit per ton well above prior year level**
- **OI exceeding prior year despite sales volumes 17% below**
- **Cash-flow focus generating satisfying results**





## Highlights 2009 – YTD 3rd Quarter

- **Very weak market, slowly improving**
- **Massive de-stocking throughout the value chain early 2009, then gradually improving**
- **34% volume decline having a very big impact on Höganäs results**
- **Cash-flow consistently strong, also as the business expands**





# Key Numbers 2009

All amounts in MSEK

	3rd Quarter		January-September	
	2009	2008	2009	2008
<b>Net Sales</b>	<b>1 193</b>	<b>1 575</b>	<b>3 207</b>	<b>4 750</b>
<i>vs Prior Year</i>				
<i>Total</i>	-24,3%		-32,5%	
<i>Underlying volume</i>	-16,9%		-36,0%	
<i>Acquisition</i>			1,1%	
<i>Currency</i>	18,5%		21,8%	
<i>Price/mix</i>	-23,1%		-14,3%	
<b>Gross Profit</b>	<b>300</b>	<b>250</b>	<b>578</b>	<b>916</b>
<i>Gross Profit per ton</i>	<i>3 329</i>	<i>2 304</i>	<i>2 566</i>	<i>2 673</i>
<b>Selling, Admin, R&amp;D expenses</b>	<b>140</b>	<b>142</b>	<b>432</b>	<b>424</b>
<b>Other operating income and expenses (as per report)</b>	<b>-18</b>	<b>23</b>	<b>-61</b>	<b>67</b>
<i>of which Currency hedges</i>	<i>2</i>	<i>-2</i>	<i>-92</i>	<i>21</i>
<b>Operating Income incl Restructuring costs</b>	<b>142</b>	<b>131</b>	<b>85</b>	<b>559</b>
<i>Margin % Net Sales</i>	<i>11,9%</i>	<i>8,3%</i>	<i>2,7%</i>	<i>11,8%</i>
<b>Net Income</b>	<b>102</b>	<b>83</b>	<b>49</b>	<b>398</b>
<b>Cash flow from Operations</b>	<b>287</b>	<b>179</b>	<b>726</b>	<b>510</b>



# Variance analysis

estimate

MSEK

**2008 Q3 YTD Operating Income**

**559**

*Sales volume decline*

**-675**

*Currency net*

**50**

*Margin*

**152**

*R&D, SG&A costs*

**-8**

*Sales of CO2 rights*

**7**

**2009 Q3 YTD Operating Income**

**85**



## Currency impact 1st half year

- **SEK weak and volatile**
  - ▶ Minor gains from revaluation of short term balance sheet items in foreign currencies
  - ▶ Minor hedge losses on the items above (one month forward selling)
  - ▶ Gains from cash flow in foreign currencies
  - ▶ Hedge losses (temporarily) 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 hedge losses**





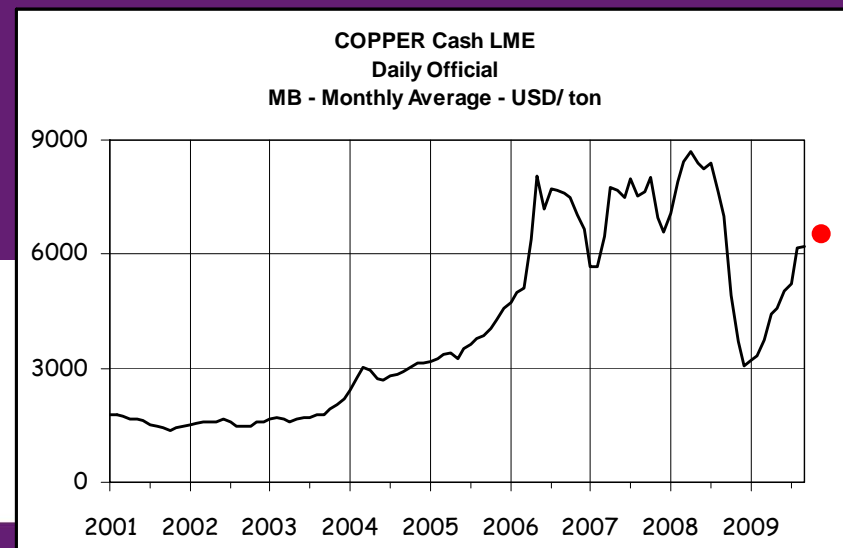
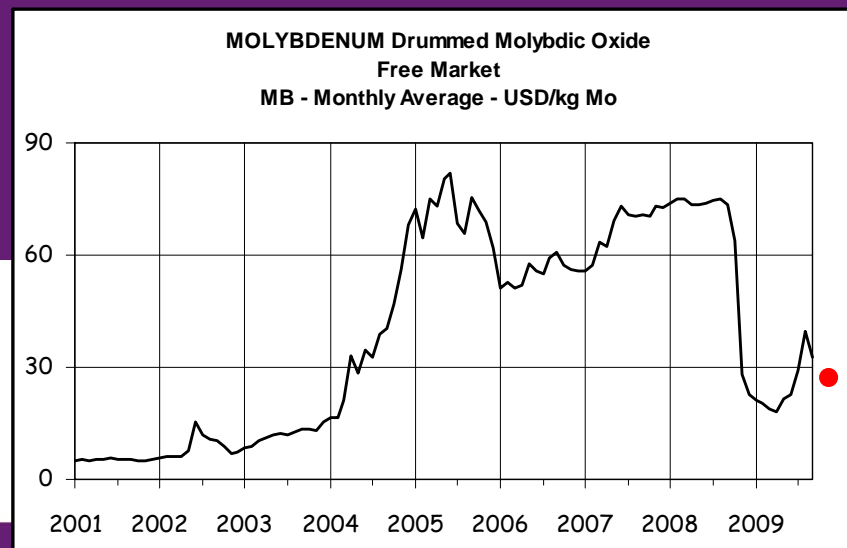
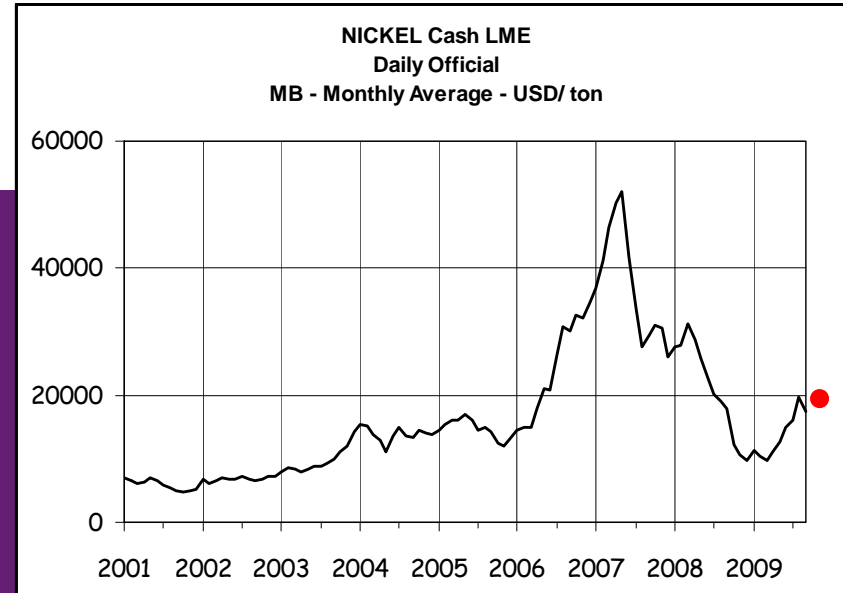
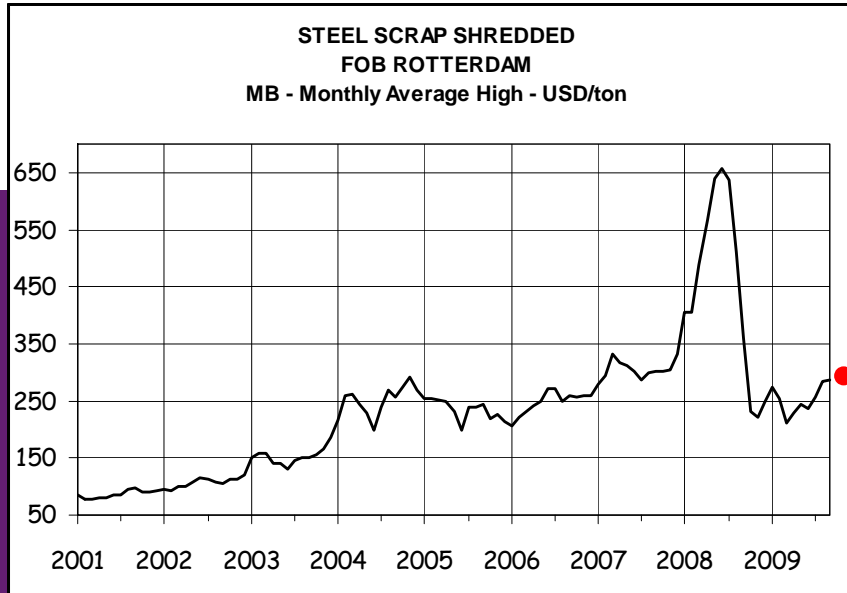
## Currency impact 3rd Quarter

- **SEK strengthening**
  - ▶ Losses from revaluation of short term balance sheet items in foreign currencies
  - ▶ Hedge gains on the items above (one month forward selling)
  - ▶ Gains from cash flow in foreign currencies declining somewhat
  - ▶ Hedge gains (temporarily) from cash flow in foreign currencies (3-15 months forward selling)
- **Lower losses on historical EURO hedges**





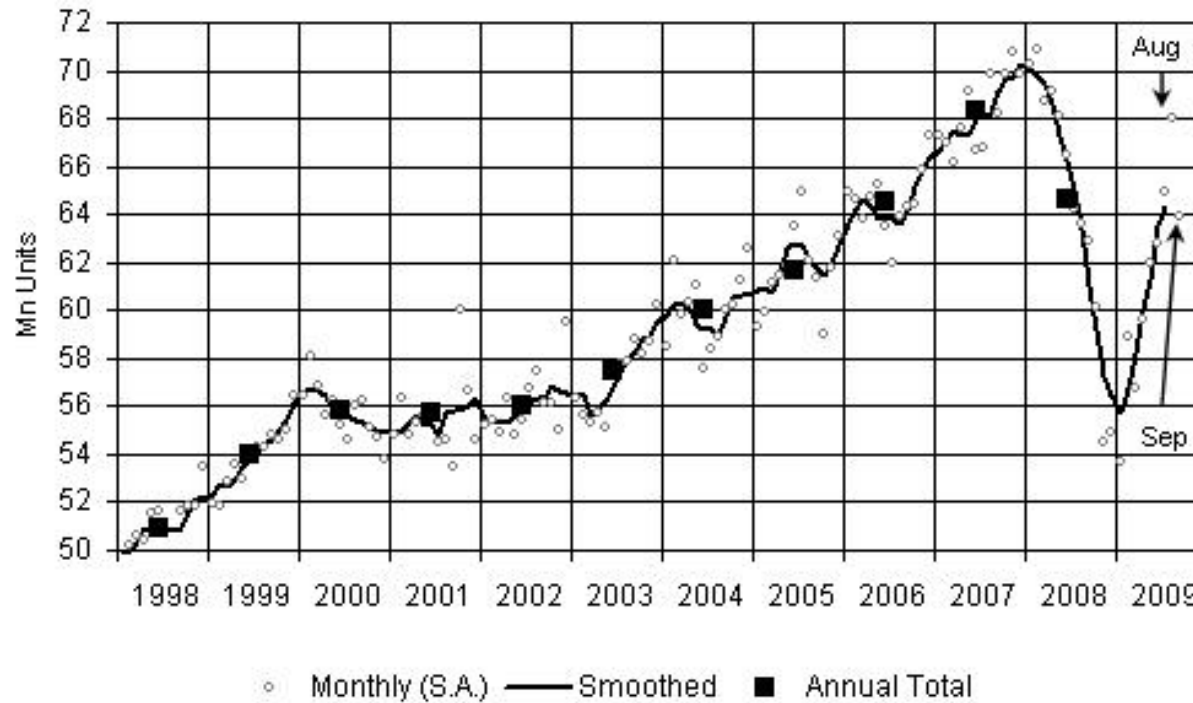
# Metal price development





# Market development

## Global Light Vehicles Sales

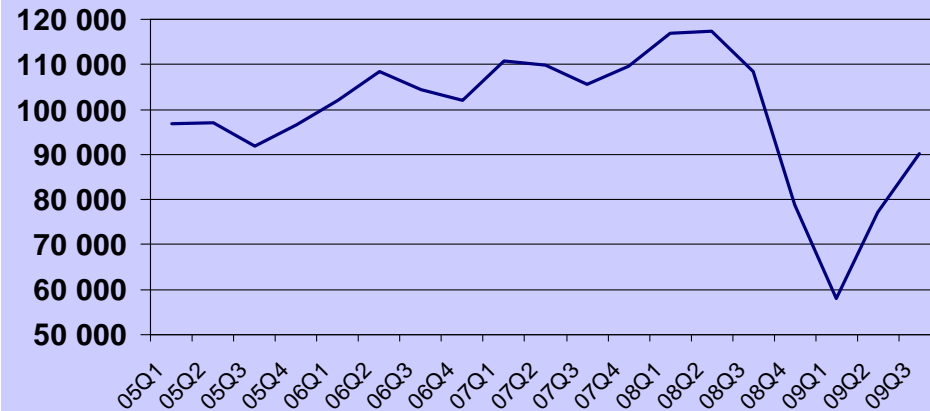


Source: J.D. Power and Associates, 9 October 2009

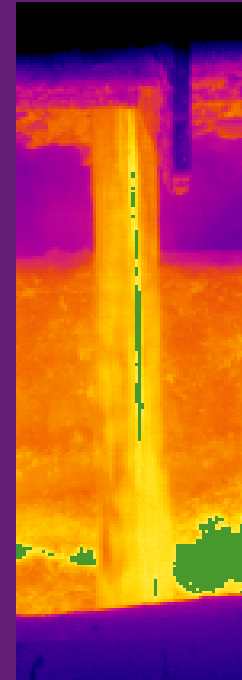
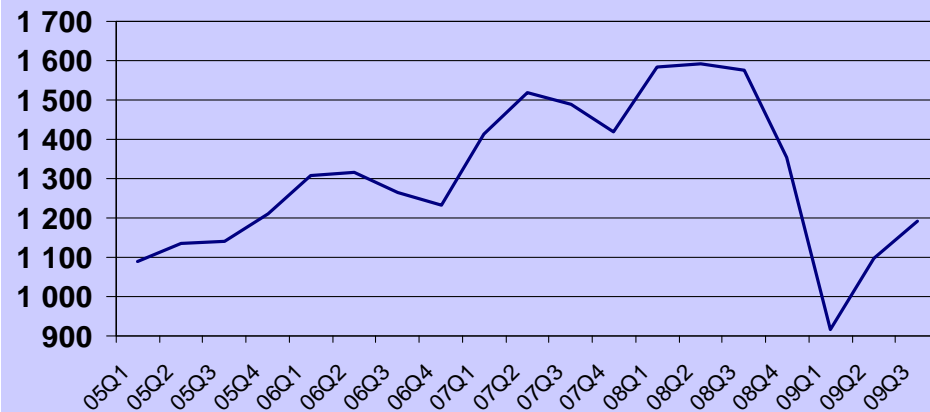


# Group Sales YTD 2009

Höganäs Group, Volumes per Quarter, tons



Höganäs Group, Net Sales per Quarter, MSEK

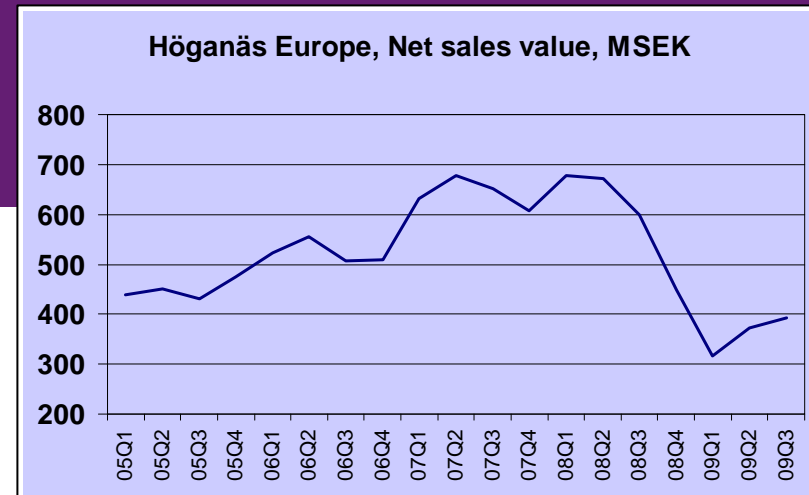
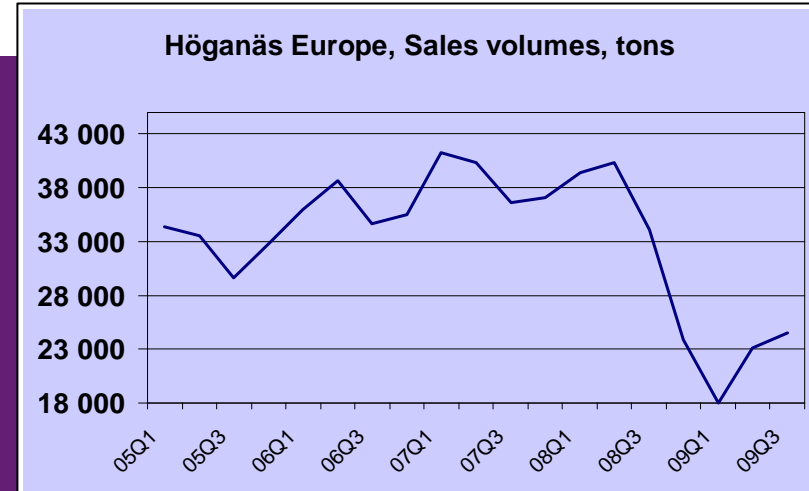




# Sales YTD 2009 - Europe

**Europe: Net Sales -45%**

- Recovery in Components as from May following huge de-stocking early 2009
- Consumables volumes stable -30%
- Scrappage incentive schemes and significant discounts from vehicle manufacturers driving Components sales, most significantly Germany
- Markets without incentives still very weak, e.g. Russia, Scandinavia
- Outlook uncertain

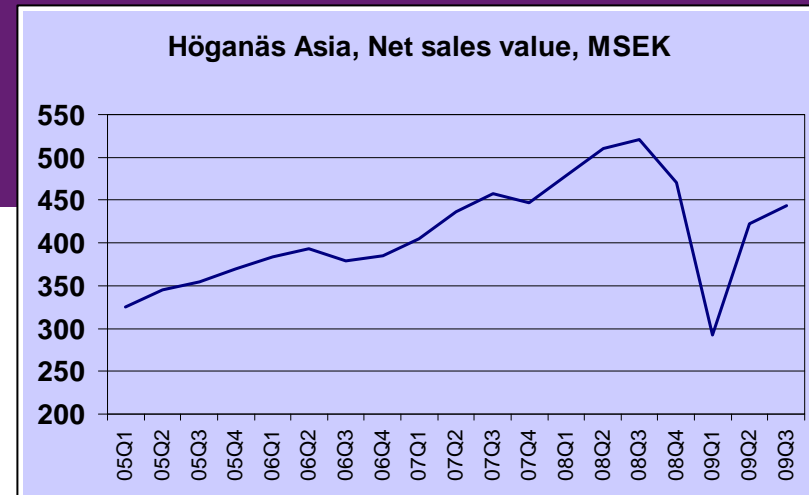
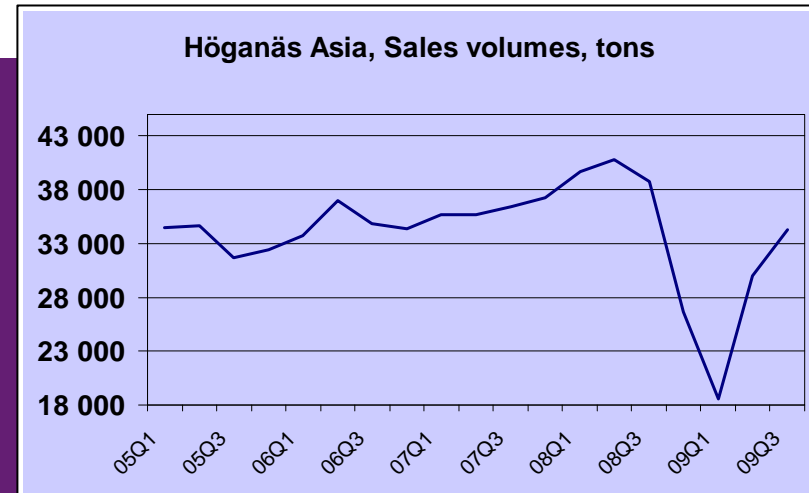




## Sales YTD 2009 - Asia

**Asia: Net Sales -23%**

- Recovery starting in March, due to customers de-stocking faster
- China, India recovery Q2 and Japan, Taiwan, SEA recovery Q3
- China and India growing year-on-year in Q3 vs 2008
- Components volumes still more than 30% below 2008 YTD, due to weak exports, in all countries except China
- Consumables volumes, with Q2-Q3 growth, only 5% below 2008 YTD, to a large extent driven by India - welding, friction, metallurgical segments

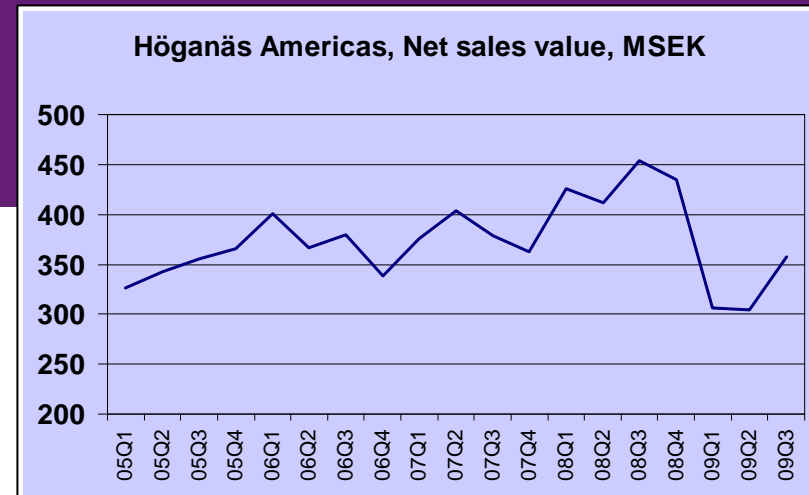
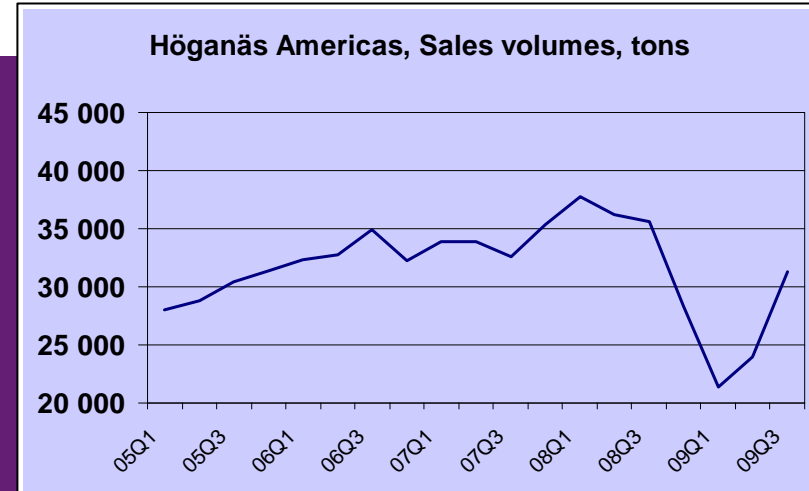




# Sales YTD 2009 - Americas

**Americas: Net Sales -25%**

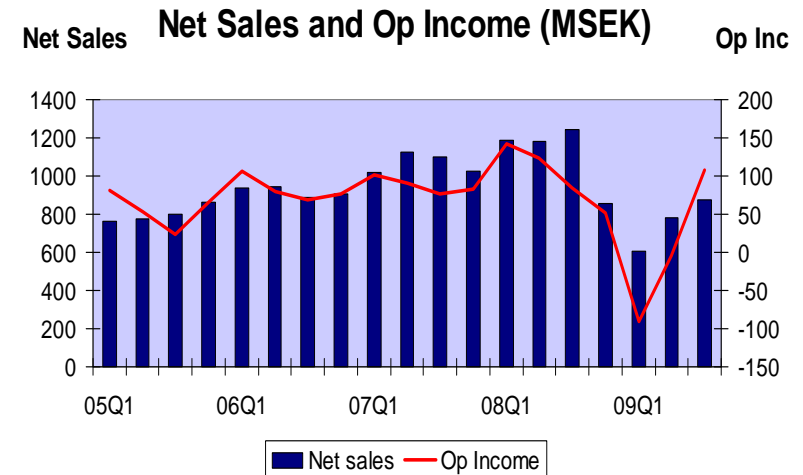
- **North America market recovering**
  - NA Components up due to automotive as well as home appliances and lawn & garden
  - Höganäs taking market share due to Kobelco NA acquisition and competitor summer shutdown
  - NA Consumables up due to welding and metallurgical segments
- **South America Components recovery in Q2 and Q3 close to 2008**
- **SA Consumables still very weak due to customers dependent on export markets, recovering slowly**





# Results YTD 2009 - Components

- **Net sales 2 264 MSEK - 37%**
  - Very high stock levels in the value chain at the start of the year
  - Incentives and stimulus programmes impact - initially on Asia, South America, then also Europe and North America
  - Volume Q3 vs 2008 "only" -17% but YTD -37%
  - Positive impact: SEK and base price increases. Negative impact: Lower iron scrap prices (at max in Q3-Q4 2008)
- **Operating Income 13 MSEK (366)**
  - Fundamental negative impact from volume decline
  - Cost savings and base price increases
  - Positive currency impact
  - Improved cost absorption with higher production volumes from mid Q2



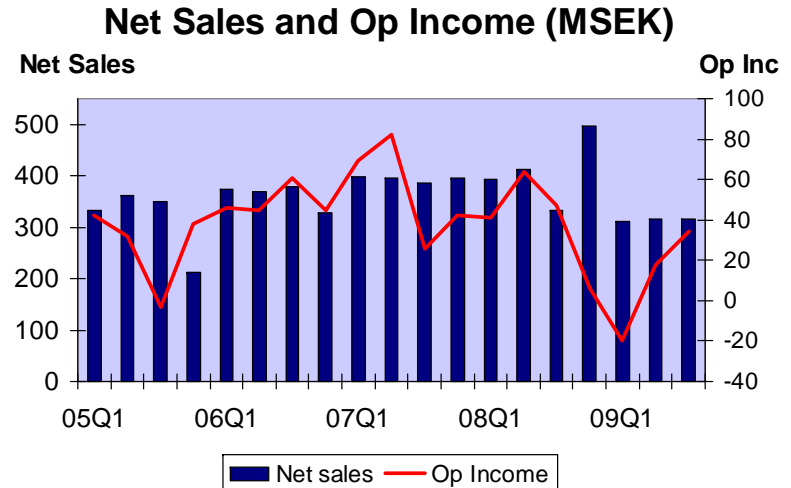
## Components

- ~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 943 MSEK -17%
  - Q3 growth vs 2008 in India, Japan, China and Russia. Recovery continuing in most countries.
  - Friction, metallurgical, oxygene absorbers, carrier cores, hot bags stable or growing
  - Some slowdown in Welding in Europe and Korea
  - South America, slowly recovering from very weak
  - Positive impact: SEK, price increases and in Q3 higher nickel and copper prices. Negative impact: Lower iron scrap and alloy metal prices (Q1-Q2).
- Operating Income 32 MSEK (160)
  - Key impact from volume decline
  - Cost savings and price increases
  - Positive currency impact
  - Metals impact marginal as metal hedge losses are matched with projected inventory gains
  - Rising nickel and copper prices give negative metal hedge results, and subsequently inventory gains, and vice versa



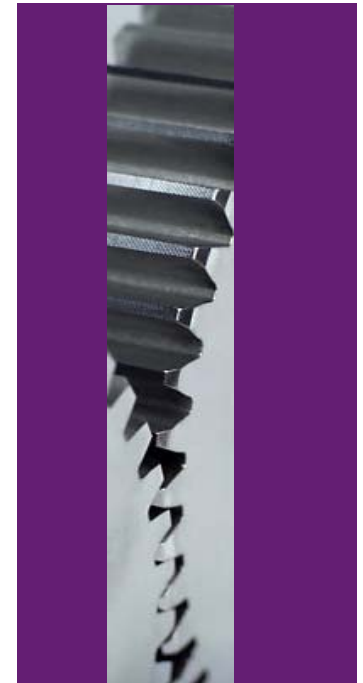
## Consumables

- ~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



## Important Events



# R&D: Somaloy® in free-piston Stirling engines – mini power stations

Somaloy® in the next generation of home heating systems and potentially a range of other applications

- Innovative free-piston Stirling engine made by



- ▶ Converting heat energy into mechanical power that is in turn converted into electrical power (microCHP technology)
- ▶ Providing electrical power, at natural gas prices, to run household appliances, providing heating and hot water
- ▶ Extremely efficient energy utilisation, converting natural gas (90% vs. ~37% in a conventional power station)
- ▶ A means to change the way we produce electricity and to cut CO<sub>2</sub> emissions (i.e distributed energy generation)
- ▶ Multi-fuel capability
- ▶ Hermetically sealed unit that can offer a long service life with no maintenance, not subject to wear, requiring no lubrication

- Somaloy® stator chosen for the motor

- ▶ Better performance and work under higher temperatures and pressures
- ▶ Cost efficient
- ▶ Press a single component instead of a laminate stack of around 500 sheets

- To be launched in selected European countries in the spring of 2010

- Targeted worldwide boiler market of 12 million units/year. Additional applications include

- ▶ Systems for solar power generation and biomass-fuelled applications
- ▶ As well as microCHP appliances, potential applications are in Auxiliary Power Units (APUs) for trucks, recreational vehicles and boats



Revolutionary technology

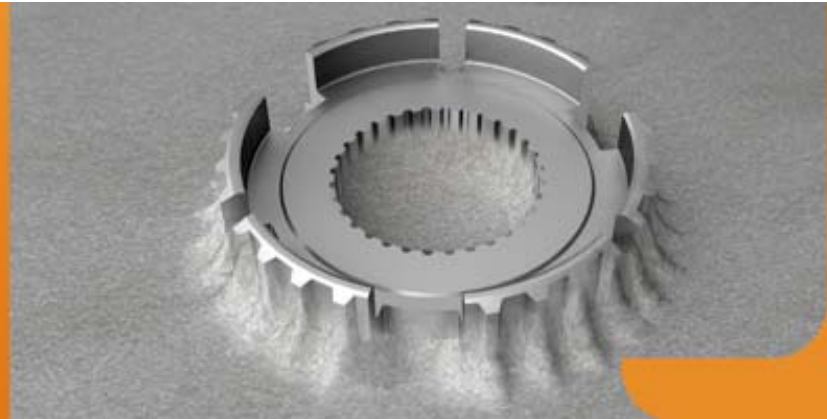


# Höganäs

## The Power of Powder

Metal powder technology powers endless possibilities.

Identify new opportunities and together we push the limits of powder metallurgy.



## Q&A