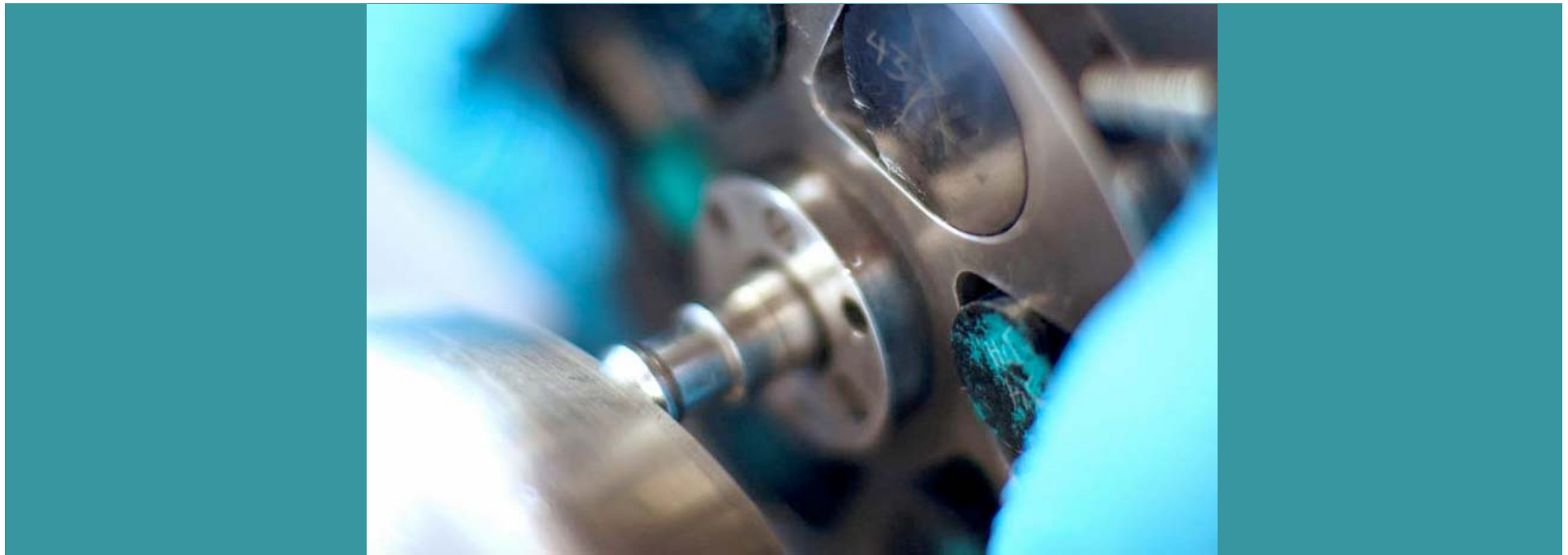


# Höganäs



## 2010 Q1 Interim Report



## Highlights 2010 - 1st Quarter

- **Asia growth – all time high sales in China and India**
- **Activity levels very high throughout the supply chain**
- **Further Gross Profit improvement due to incremental volumes**
- **Cash-flow healthy despite rebuilding working capital and metal price escalation**





# Key Numbers 2010

All amounts in MSEK

1st Quarter	
2010	2009

<b>Net Sales</b>	<b>1 548</b>	<b>916</b>
<i>vs Prior Year</i>	<b>69,0%</b>	
<i>Total</i>	<b>93,0%</b>	
<i>Sales volume</i>	<b>-11,0%</b>	
<i>Currency</i>	<b>-1,7%</b>	
<i>Price/mix</i>		
<b>Gross Profit</b>	<b>454</b>	<b>70</b>
<i>Gross Profit per ton</i>	<b>4 054</b>	<b>1 207</b>
<b>Selling, Admin, R&amp;D expenses</b>	<b>172</b>	<b>141</b>
<b>Other operating income and expenses (as per report)</b>	<b>0</b>	<b>-40</b>
<i>of which Currency hedges</i>	<b>11</b>	<b>-63</b>
<b>Operating Income</b>	<b>282</b>	<b>-111</b>
<i>Margin % Net Sales</i>	<b>18,2%</b>	<b>neg</b>
<b>Net Income</b>	<b>207</b>	<b>-90</b>
<b>Cash flow from Operations</b>	<b>94</b>	<b>142</b>





# Variance analysis

estimate

MSEK

<b>2009 Q1 Operating Income</b>	<b>-111</b>
<i>Sales volume growth</i>	<i>370</i>
<i>Currency net</i>	<i>30</i>
<i>Gross margin</i>	<i>24</i>
<i>Other costs</i>	<i>-31</i>
<b>2010 Q1 Operating Income</b>	<b>282</b>



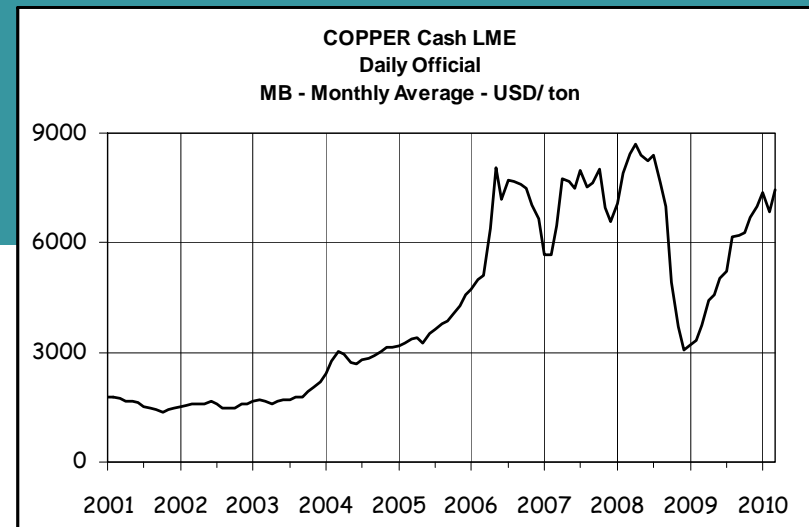
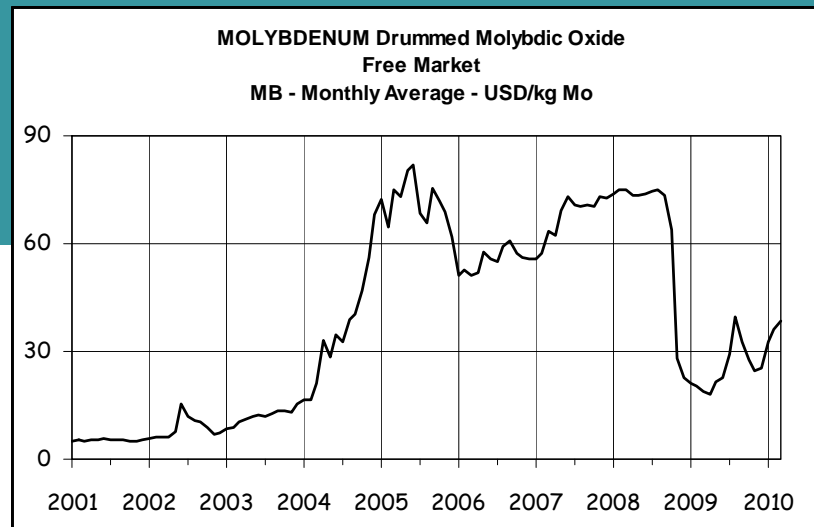
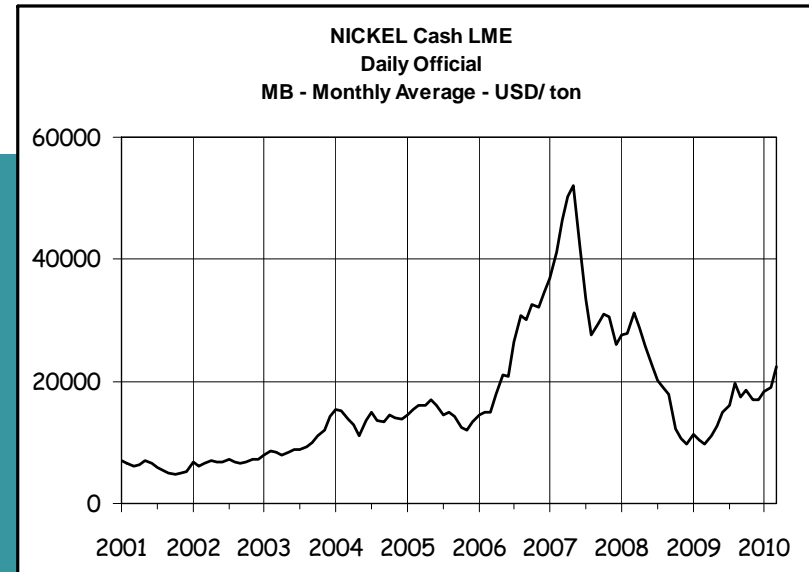
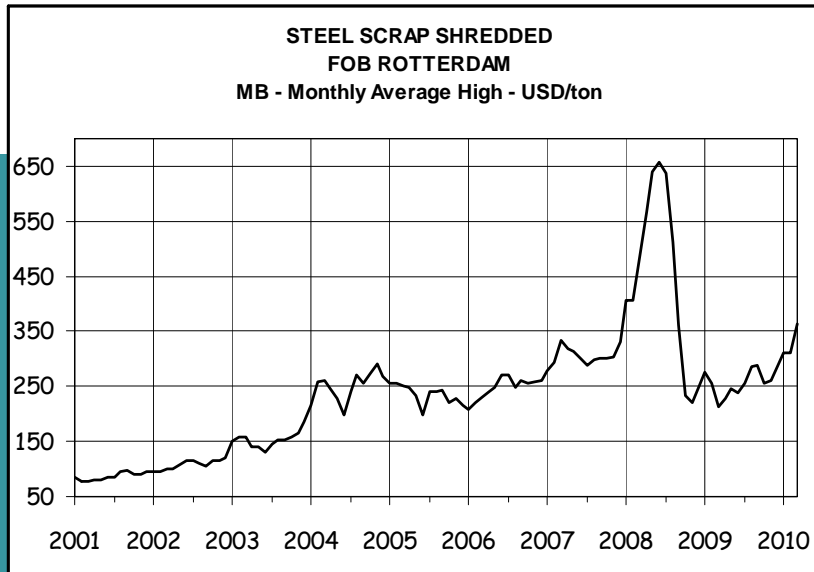
## Currency impact 1st Quarter

- **Closing Q1 compared to closing Q4 2009: SEK strengthening vs the EURO**
  - ▶ Losses from revaluation of short term balance sheet items in foreign currency
  - ▶ Hedge gains on the items above (one month forward selling, B/S items unrealised hedge value  $\Delta$  to P/L)
- **Q1 2010 vs Q1 2009: SEK strenghtening vs most currencies, in total 11%**
  - ▶ SEK value of cash flow in foreign currencies declining
  - ▶ Hedge gains (temporarily) from cash flow in foreign currencies (3-15 months forward selling, cash flow unrealised hedge value  $\Delta$  to Equity)
- **No losses on historical EURO hedges**





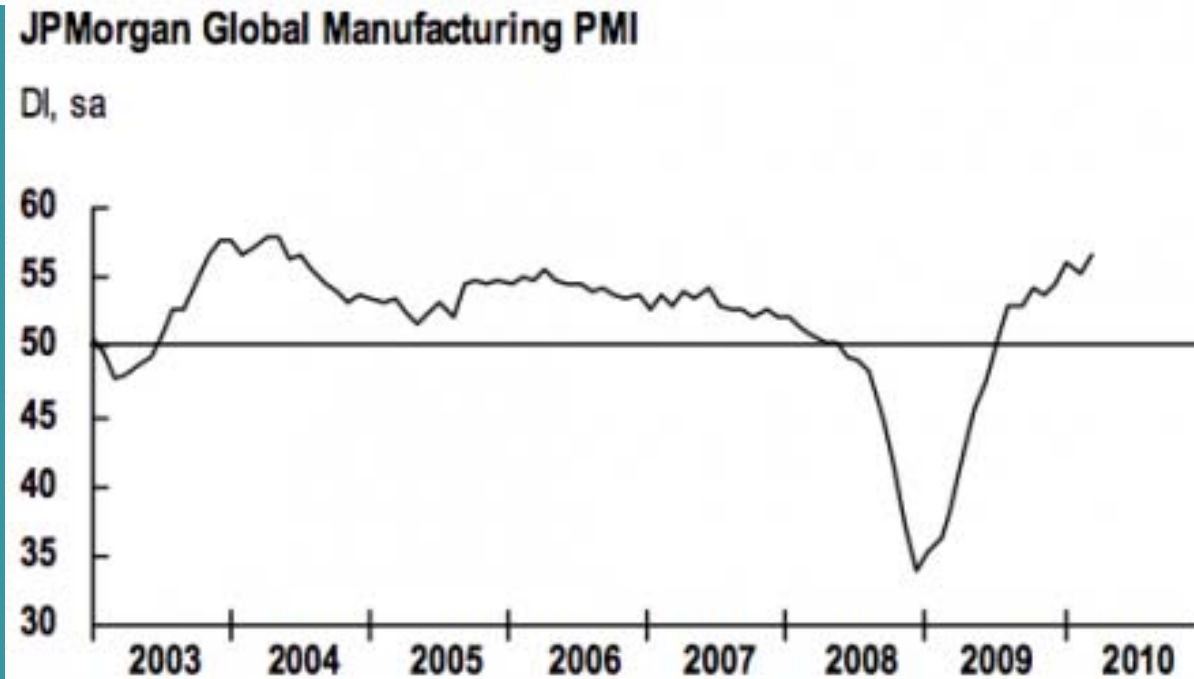
# Metal price development





## Market development

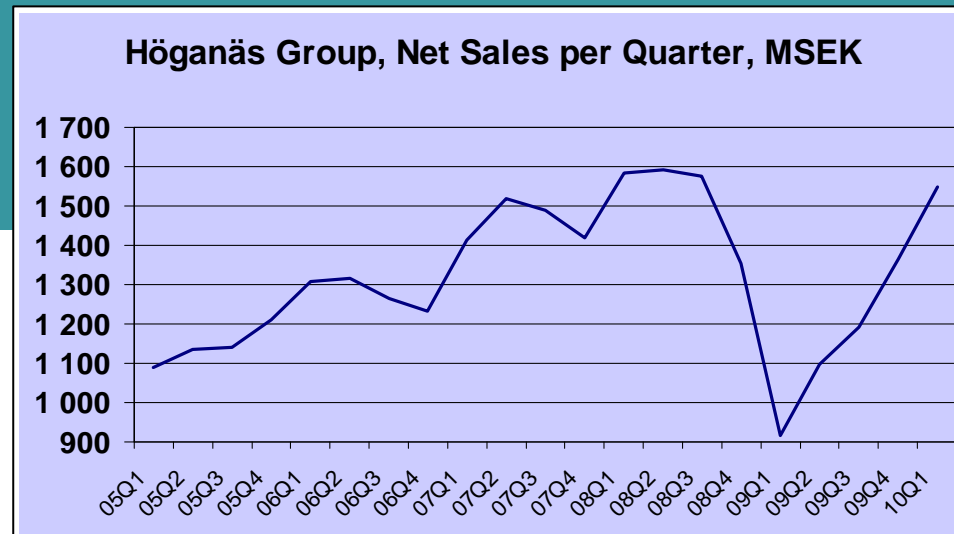
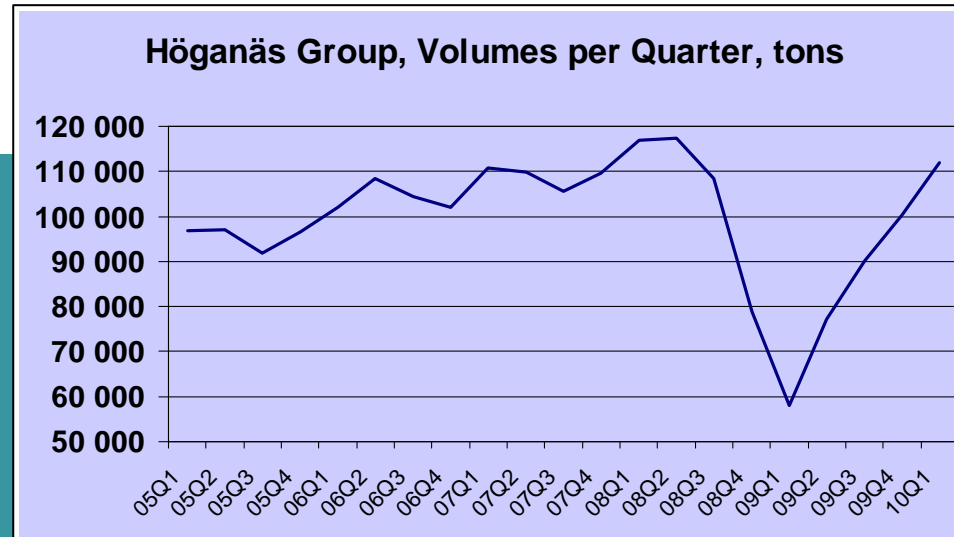
**Global manufacturing PMI March 2010 at its highest level since May 2004.....**



Source: JP Morgan and Markit in association with ISM and IFPSM, 1 April 2010



# Group Sales 2010

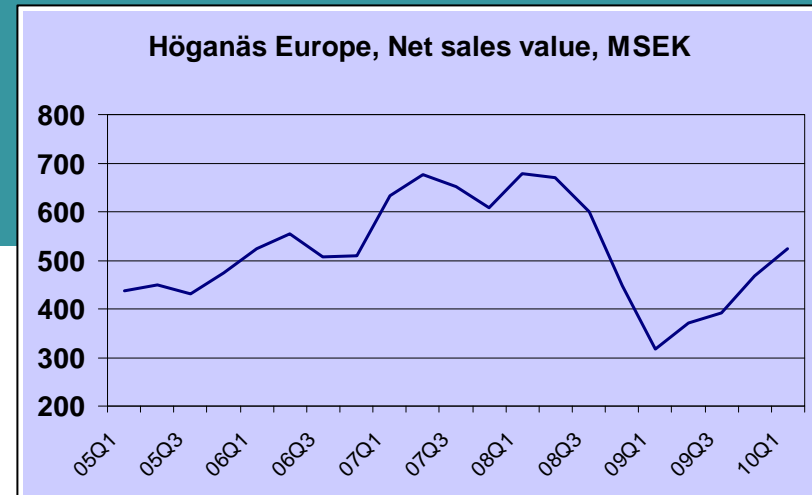
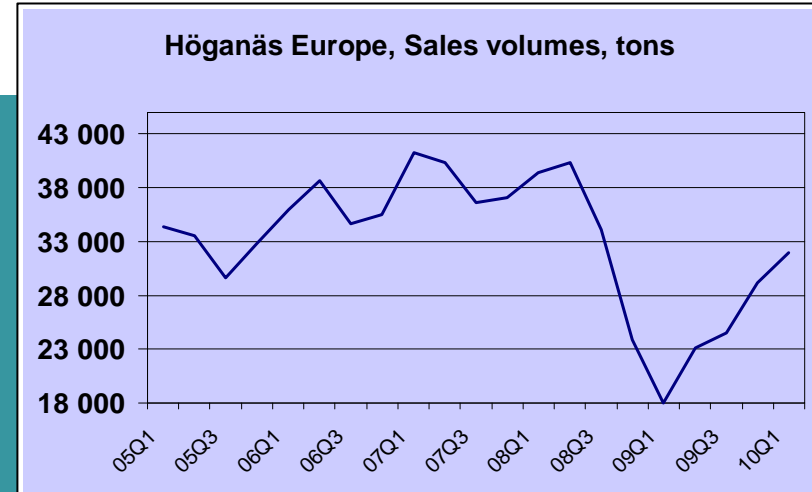
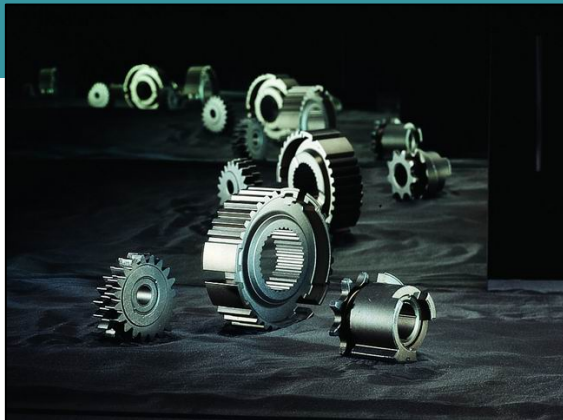




# Sales 2010 - Europe

**Europe: Net Sales +65%**

- Slower recovery in Components
- Effect of scrappage incentive schemes and significant discounts from vehicle manufacturers continued to drive Components sales
- Germany so far not as weak as anticipated
- Consumables volumes up 19% vs. last quarter, following sluggish 2009
- Most Consumables sub-segments improving with better industry sentiment

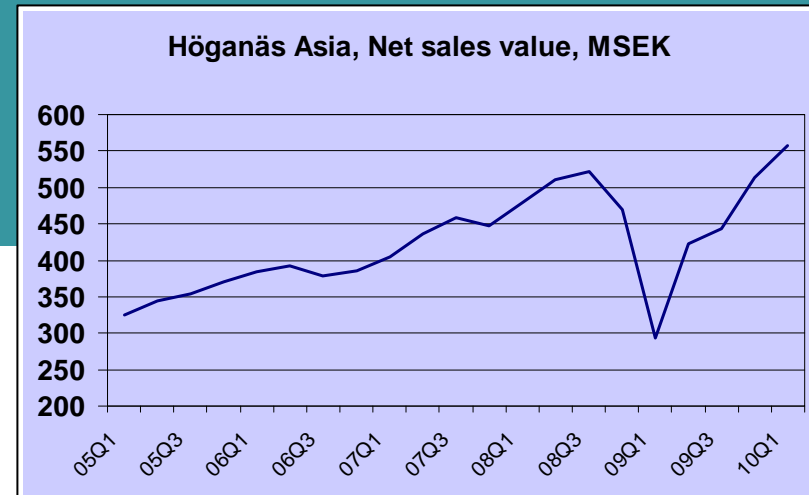
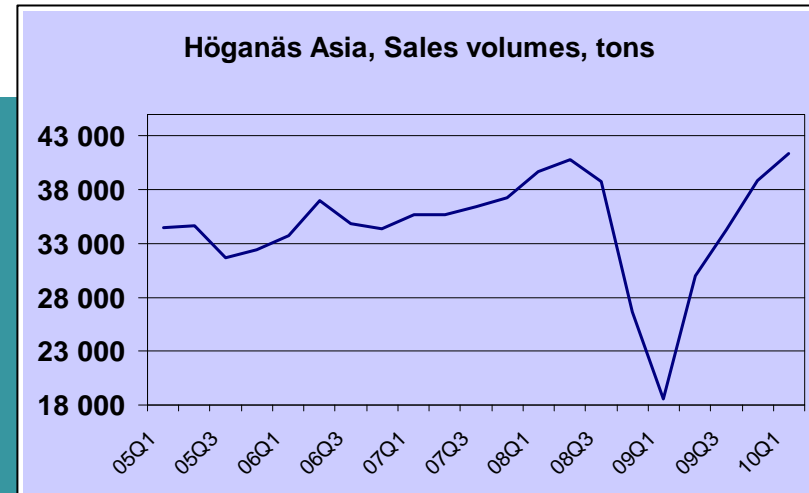




# Sales 2010 - Asia

**Asia: Net Sales +90%**

- High activity level in Components
- Growth vs. last quarter in China, despite lunar new year
- Significant sequential growth also in other countries, except Japan
- Re-localisation of production to China and India
- Korea exports growth and share gain
- India surge pre tax increases
- Consumables volumes stable vs last quarter, except low seasonal sales of hot bags

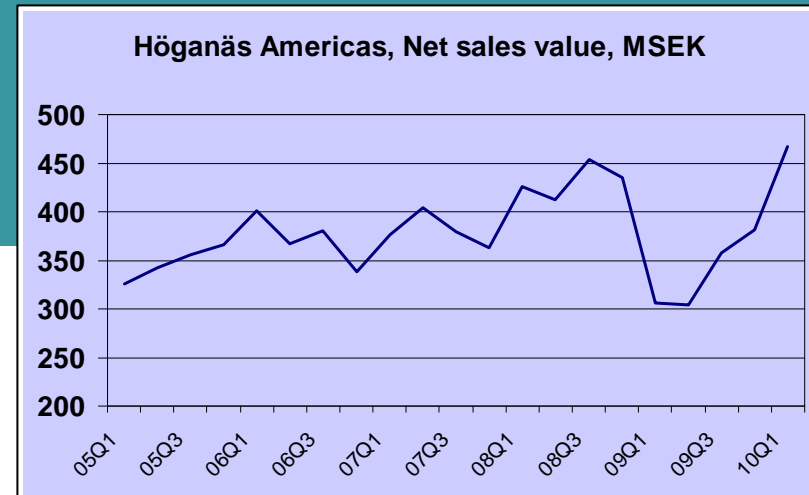
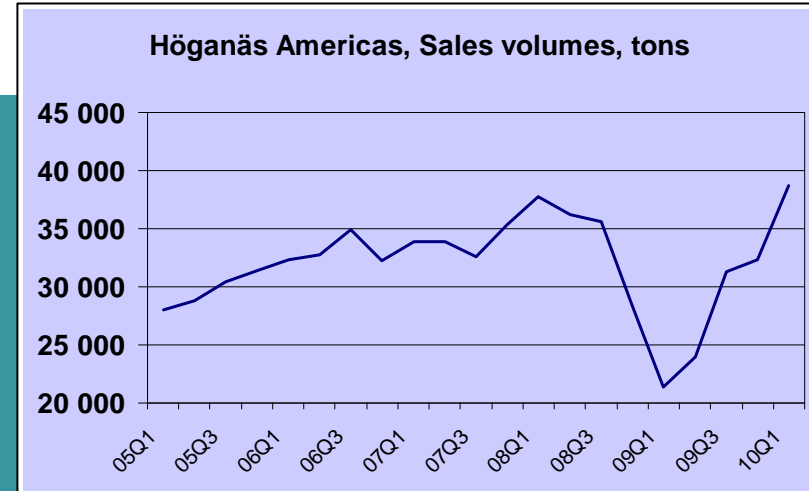




# Sales 2010 - Americas

**Americas: Net Sales +53%**

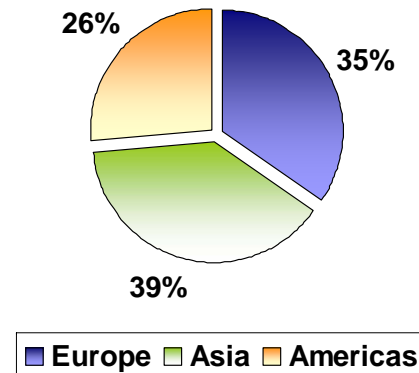
- **Good Components recovery in North America, automotive and other**
- **South America Components again at all-time-high due to strong automotive and compressor industry**
- **Consumables sales at all-time-high in North America, with most segments growing**
- **South America Consumables approaching previous high levels, as sales to ferro-niobium and welding improved continuously, despite strong currency (BRL)**





# Results 2010 - Components

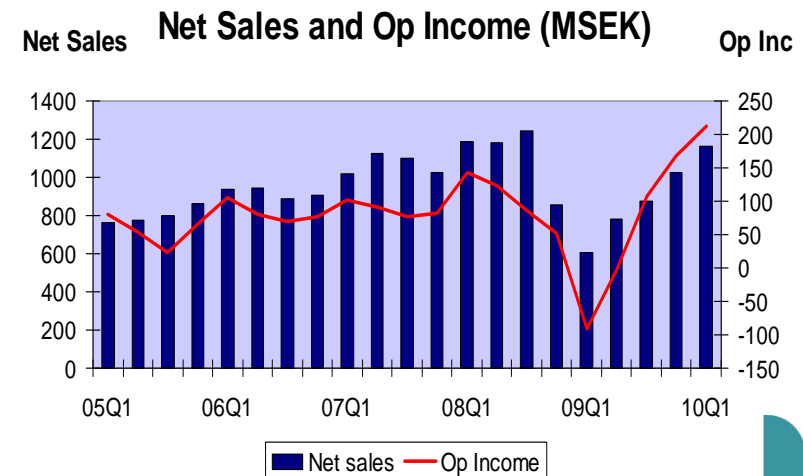
- **Net sales 1 164 MSEK +93%**
  - Sales volume +111%
  - Demand growing or stable across all regions
  - Only Europe still far below previous high levels
  - Negative impact from stronger SEK



**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.

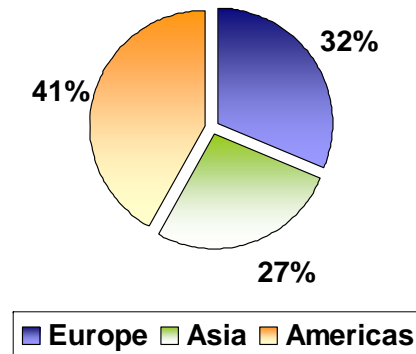
- **Operating Income 213 MSEK (-91)**
  - Volume growth driven
  - Incremental volumes improving cost absorption further
  - Maintaining cost focus
  - Negative currency impact, but not evident due to euro hedge losses in 2009





# Results 2010 - Consumables

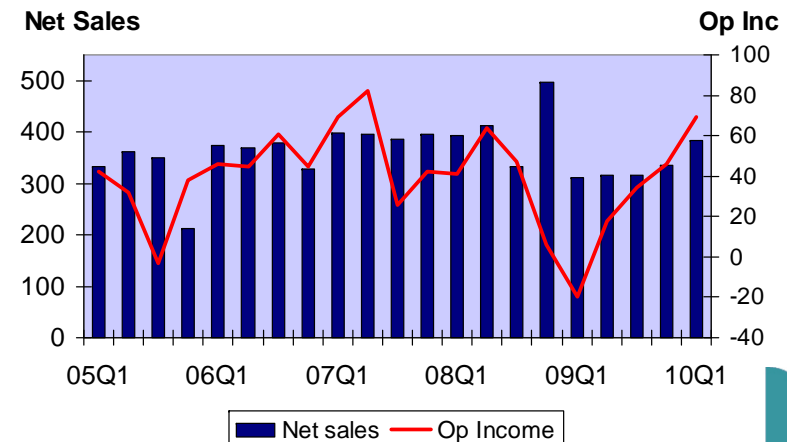
- **Net Sales 384 MSEK** **+22%**
  - Sales volume +50%
  - Downturn early 2009 less severe than in Components, therefore less dramatic growth rates now
  - Sales improving sequentially across all regions, except Asia due to hot bags seasonality
  - Negative impact from stronger SEK
- **Operating Income 69 MSEK (-20)**
  - Key impact from volume growth
  - Cost savings retained and improved cost absorption in all plants
  - Some positive metals impact, but marginal as metal hedge losses are matched with projected inventory gains
  - Negative currency impact, but not evident due to euro hedge losses in 2009



## 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.

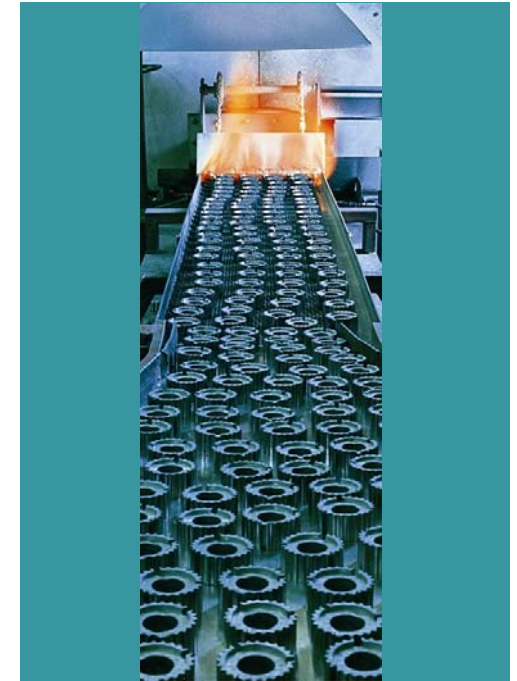
## Net Sales and Op Income (MSEK)



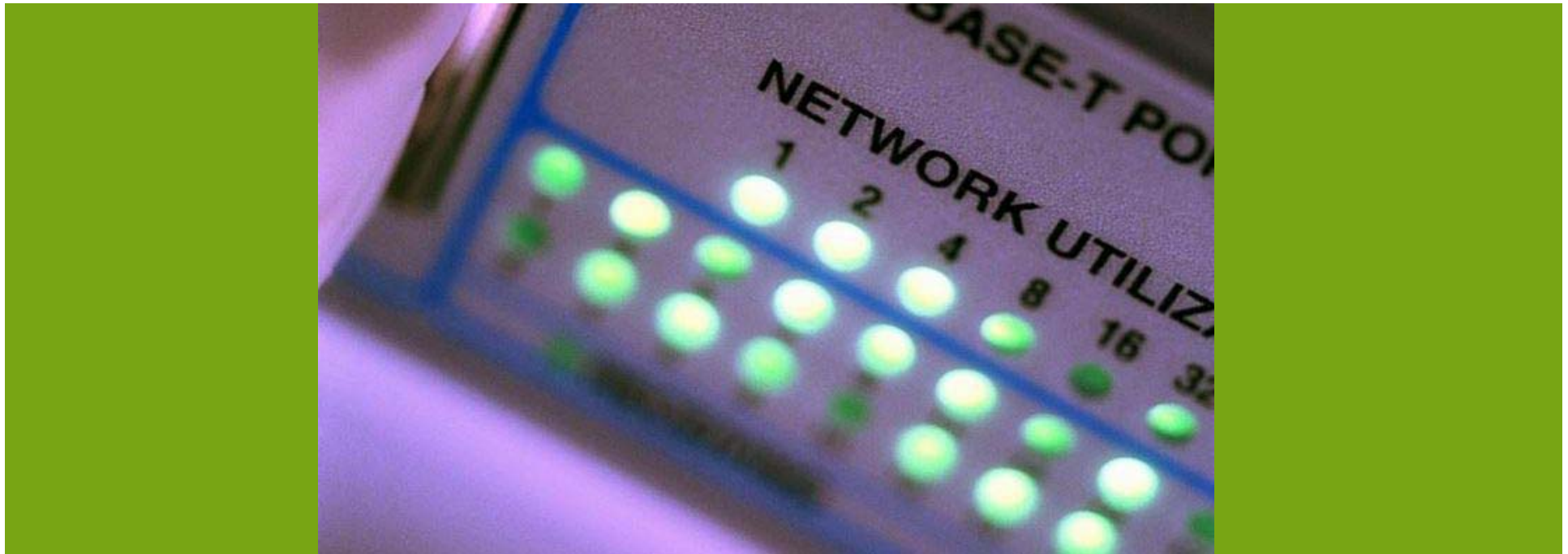


# Outlook

- **Asia and South America strong**
- **Slow recovery likely to continue in North America**
- **Risk for temporary set-back in Europe – 2010 1<sup>st</sup> half year possibly stronger than 2<sup>nd</sup> half year**
- **Metal prices and currency volatility likely to continue, with some short term results impact**



# Höganäs



## Important Events



# PoP: Laser cladding for tail shafts

Höganäs supplied Surfit® stainless metal powders to Roussakis SA, leading marine repair and refurbishment company, used for biggest ever laser cladding application – an 11 metre long, 26 ton industrial marine tail shaft

- Why laser cladding?
  - ▶ Using only 0,3 ton powder, repair quality superior to replacement
  - ▶ No degrading or distortion to the shaft (low heat) – unlike traditional welding
  - ▶ Cheaper than replacing with new part

- ▶ Fully automatic process with robot
- Höganäs' laser cladding know-how and its Surfit® powders, creating a stainless steel surface for wear and corrosion resistance, produced a result that was harder than the base material – 3x impact toughness.
- Proof of laser cladding technology for critical parts. Up to now replacement preferred over refurbishment.
- Can be expanded into new applications such as crankshafts.
- Höganäs' marketing starts in 2010, targeting relevant customers.

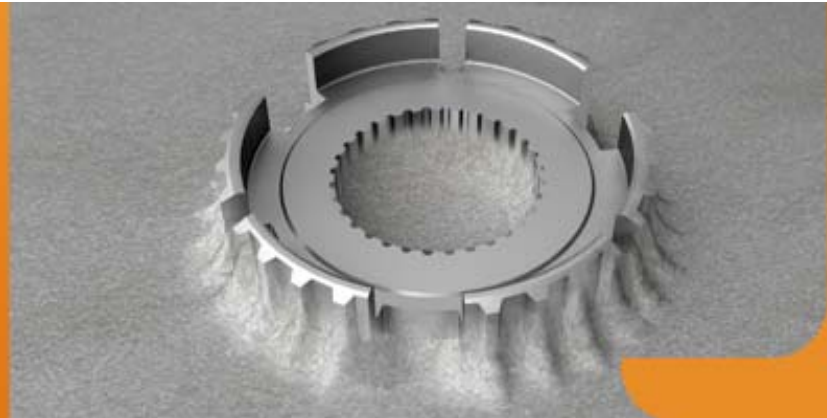


# Höganäs

## The Power of Powder

Metal powder technology powers endless possibilities.

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



## Q&A