

Höganäs



2008 3rd Quarter



Highlights 2008 Q3

- Q3 sales volume growth of 3% (including the acquisition of Kobelco business in North America) despite markets increasingly under pressure. Nine months' sales volume growth of 5%.
- Q3 operating income 17% higher than prior year. Results positively affected by lower nickel prices and weaker Swedish currency. Negative impacts from higher raw material and energy prices as well as from lower currency hedge and metal hedge results.
- Nine months' operating income 18% higher and net income 23% higher than prior year.
- Nine months' Cash-flow from operations very strong at 510 MSEK (199), of which Q3 at 179 MSEK (111).
- Acquisition of Kobelco NA iron powder business in August. Transfer of production progressing ahead of timetable.
- Manning of operations is being reviewed in line with the progress of demand.





Key Numbers 2008 Q3

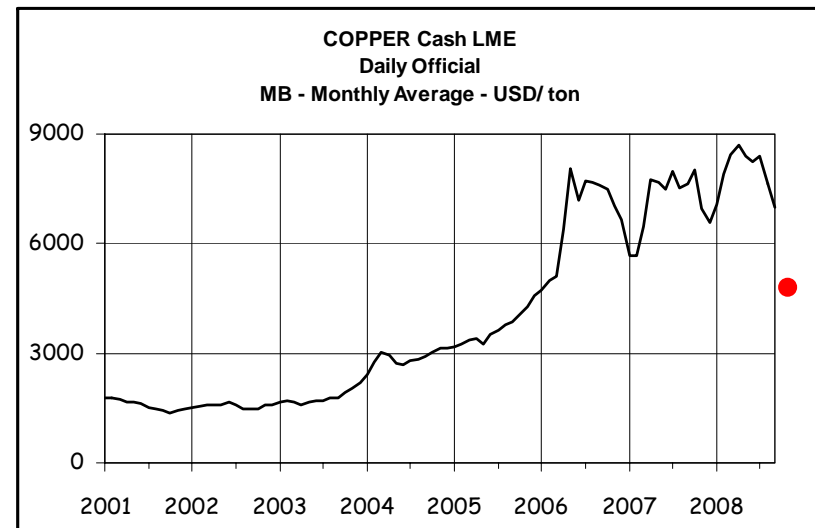
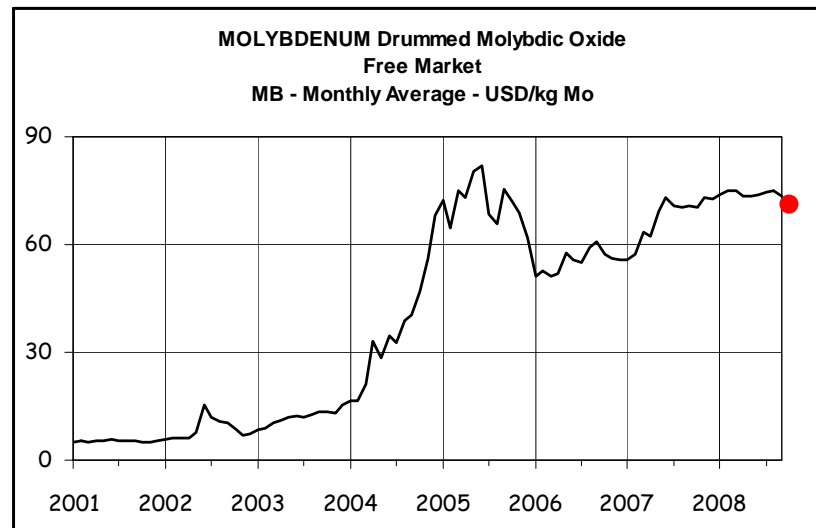
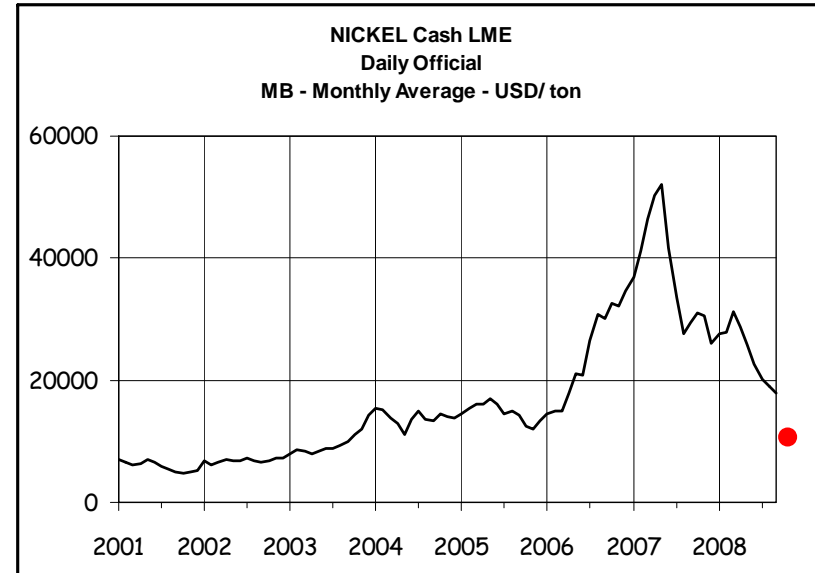
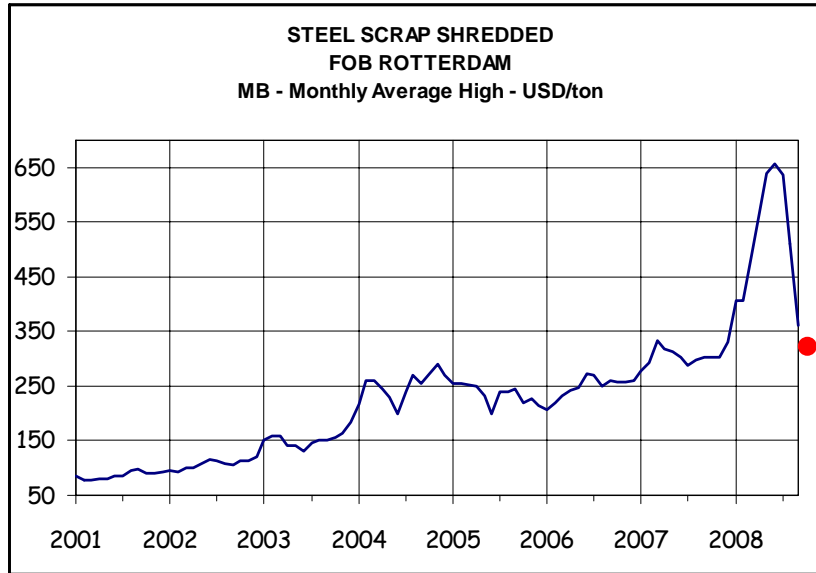
All amounts in MSEK

	3rd Quarter		Year-To-Date	
	2008	2007	2008	2007
Net Sales	1575	1489	4750	4420
<i>vs Prior Year</i>				
<i>Total</i>	5.8%		7.5%	
<i>Underlying volume</i>	0.3%		4.2%	
<i>Acquisition</i>	2.4%		0.8%	
<i>Currency</i>	-2.3%		-3.0%	
<i>Price/mix</i>	5.4%		5.5%	
Gross Profit	250	235	916	859
<i>Gross Profit per ton*</i>	2360	2226	2693	2632
Selling, Admin, R&D expenses	142	134	424	417
Other operating income and expenses (as per report)	23	11	67	33
<i>of which Currency hedges</i>	-2	8	21	27
Operating Income	131	112	559	475
<i>Margin % Net Sales</i>	8.3%	7.5%	11.8%	10.7%
Net Income	83	78	398	323
Cash flow from Operations	179	111	510	199

* excluding sales of Kobelco produced volumes



Metal price development





Sales 2008 YTD by Geographic Area

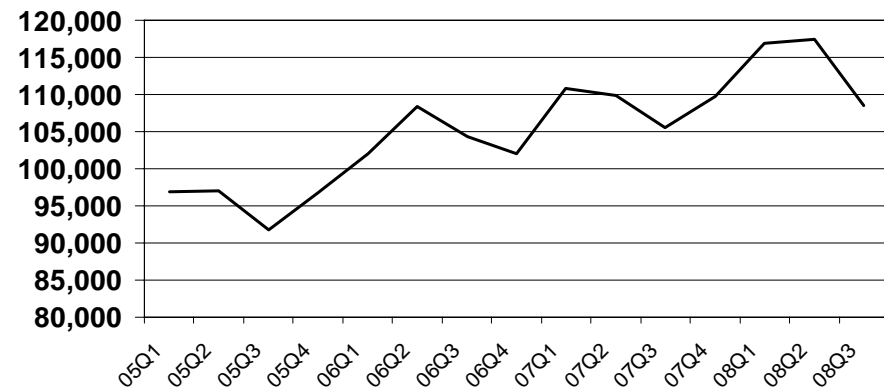
Europe: Net Sales -1%

- Increasingly weaker sales volume development as expected.
- Components as well as Consumables sales weaker as the financial crisis hit Western Europe, despite substantial sales growth to Russia also in Q3.
- Short-term outlook bleak – inventory reductions and softer demand.
- New R&D partnerships and investment in Components Prototype Centre to increase future speed-to-market.

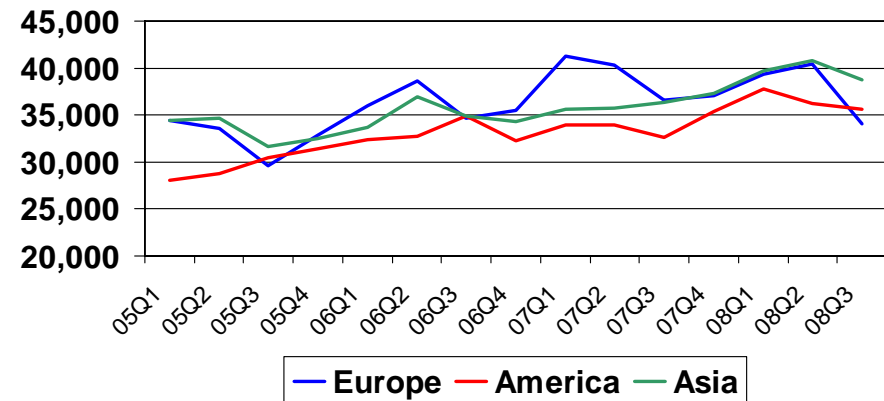
Asia: Net Sales +16%

- Good volume growth, mainly driven by Korea and South East Asia.
- Japan sales volume growth continued for the 4th consecutive quarter.
- Consumables sales very strong driven primarily by welding and friction applications.
- Short term outlook very uncertain, not least due to Q3 decline in new-car sales in China.

Höganäs Group, Volumes per Quarter, tons



Höganäs Group, Volumes per Region & Quarter, tons



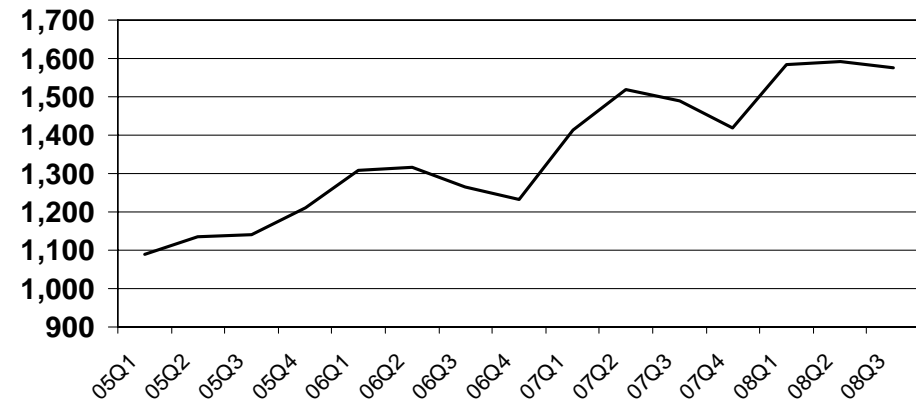


Sales 2008 YTD by Geographic Area cont.

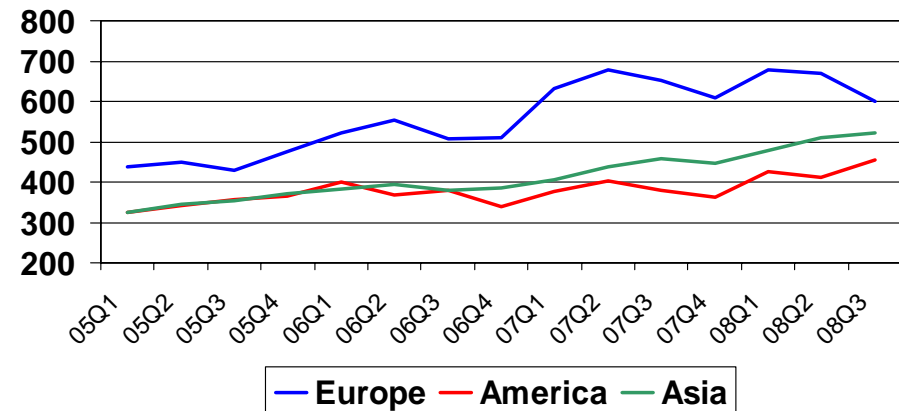
Americas: Net Sales +12%

- Components markets increasingly weak in North America, whereas Consumables continuing strongly.
- Significantly more diversified customer base of Höganäs in North America compared to last year.
- Kobelco NA iron powder customers invoiced by Höganäs as from 11 August. Transfer of production to Pennsylvania progressing ahead of timetable.
- Höganäs market share in North America approaching 30%.
- Expansion successfully completed in South America with concentration of activities to one site.
- Consumables continued very strongly in SA due to high industrial activity.
- Good growth in Q3 also in Components in SA, but short-term outlook uncertain as tighter credit terms affect the industry.

Höganäs Group Net Sales per Quarter, MSEK



Höganäs Group, Net Sales per Region & Quarter, MSEK





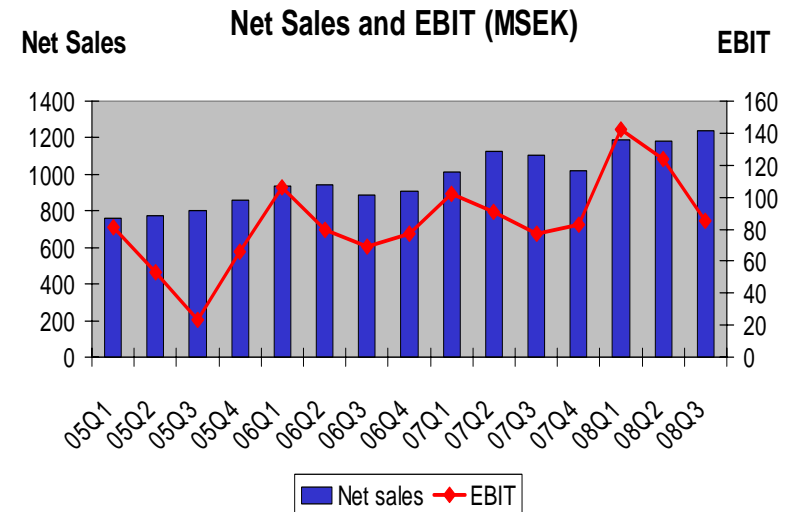
Results 2008 YTD - Components

- **Net sales 3 610 MSEK +11%**

- Volume growth 4% YTD, driven by Asia and South America.
- Europe and North America weaker in line with the market development. Market share gain in North America.
- Slow-down in Q3 not expected to improve in the short-term.

- **Operating Income 351 MSEK +30%**

- Margin 9,7% (8,4%) with positive impacts from price increases and higher metal surcharges.
- Negative impacts from significantly weaker USD up to August, higher energy costs and steeply increasing scrap costs which were recovered but with the surcharge time lag.
- Steel scrap price decline during summer not yet affecting results positively.
- Underlying volume decline (excl Kobelco sales) in Q3 gave negative cost absorption variances.



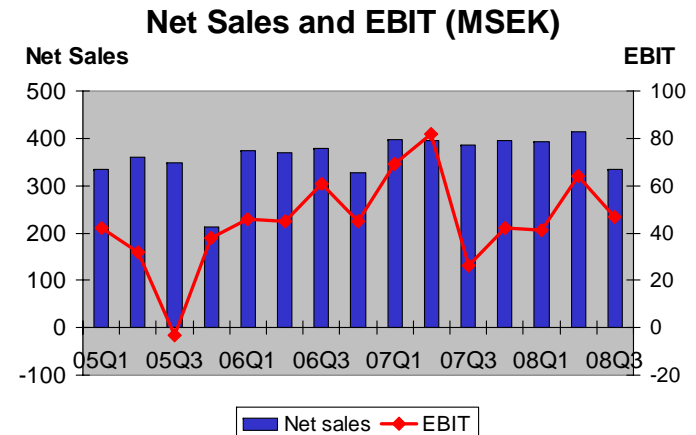
Components

- ~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 2008 YTD - Consumables

- **Net Sales 1 140 MSEK** **-3%**
 - Volume growth YTD +7%, with an increasing trend: Q1 flat, Q2 at +8% and Q3 at +16% vs. prior year.
 - Strong growth in market segments welding, friction and electrolytical iron for food fortification and preservation.
- **Operating Income 153 MSEK** **-14%**
 - Margin 13,4% (15,0), lower than prior year primarily because of metal inventory gains at abnormal levels in H1 2007 as nickel prices rose steeply during that period.
 - Metal inventory gains on cobalt and chrome balancing the metal inventory losses on nickel in 2008.
 - Metal hedge results significantly lower vs H1 2007.
 - Q3 margin at 14.1% vs 6.7% last year.
 - Steeply falling nickel prices will give positive metal hedge results, and will subsequently give inventory losses.



Consumables

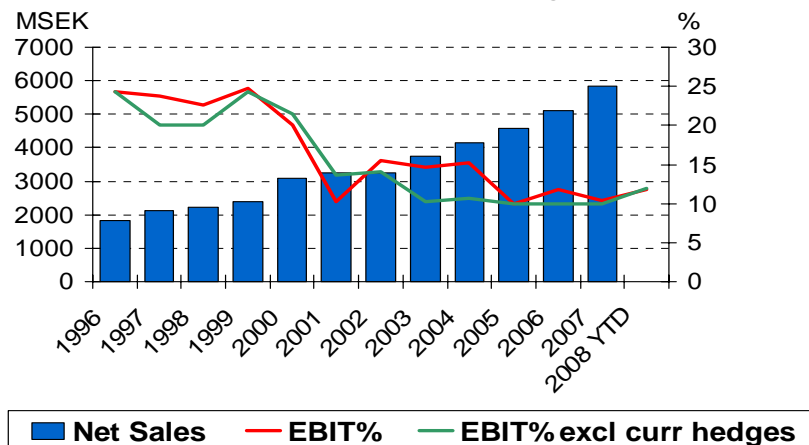
- ~30% of group sales
 - major part of this segment is non-automotive applications
- Customers:
 - Metallurgical and Chemical process industry, producers of Welding, Filter and Friction consumables, users of Fusion, Cutting and Coating technology, food & feed enrichment and others.



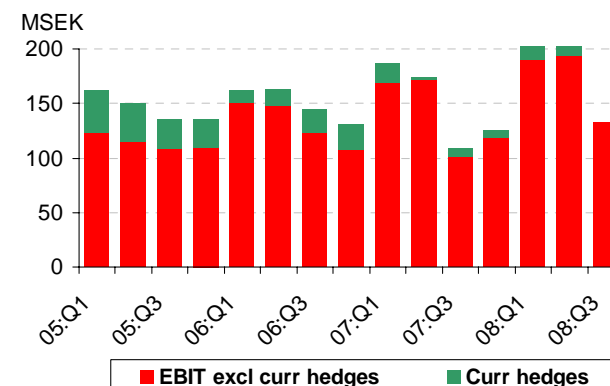
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Turnover and EBIT-margin



EBIT per Quarter, 2005-2008





Outlook

- **The financial turbulence render forecasts for the immediate future very uncertain.**
- **Weaker market progress in North America is likely persist. The trend towards smaller and more fuel-efficient cars in North America will continue to restrain the growth of press powder.**
- **Progress in the European and South American powder market will slow down in the short term.**
- **Growth in Asia will continue, although may fluctuate in the short term.**
- **Metal prices and exchange rates are expected to remain volatile, which will have a short-term effect on profit performance.**

Höganäs



Important Events



KH Tech Inc.

- **Business of Kobelco Metal Powder of America acquired in August.**
- **Production and marketing of steel powder shifted are to Höganäs.**
- **During a transition period, Kobelco produces steel powder products under consignment from North American Höganäs.**
- **Kobelco will cease powder production in spring 2009.**
- **To support the smooth transition a new joint venture company called KH Tech Inc. was created. It will provide technical services and sales support.**
- **The creation of KH Tech Inc. will add impetus to the development of new applications for powder metal technology.**

**2 Powder Heavyweights
1 Powerful Combination**

Two leaders in the North American iron powder market—North American Höganäs & Kobelco—have joined forces as KH Tech, Inc. This winning combination was developed to offer metal powder solutions that create profitable growth and new business for our partners and customers.

- Creative Technical Services
- Cost-effective Powder Solutions
- Exceptional Customer Service

KH Tech Inc.
A Kobelco-North American Höganäs Company

814-479-3633



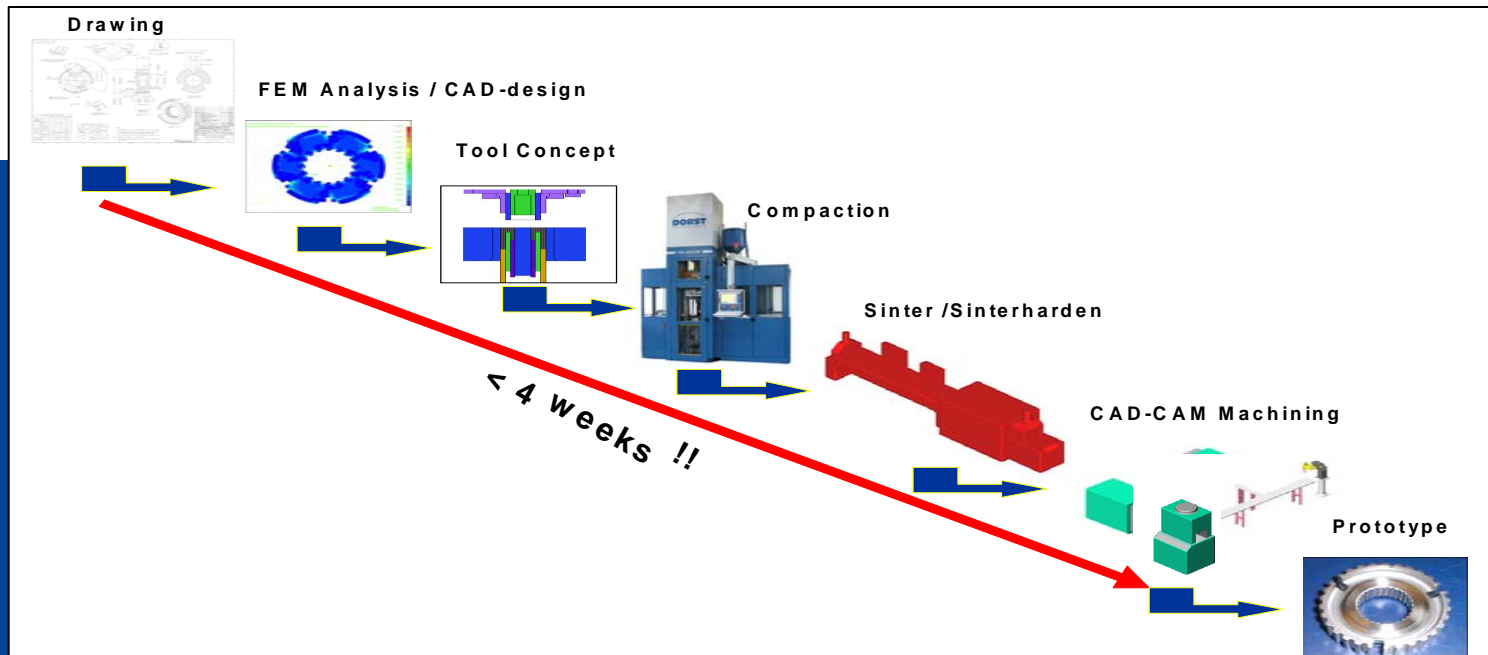
Brazil expansion

- In spring 2007, Höganäs announced an expansion in melting capacity in Mogi das Cruzes in response to the rapid growth in the region.
- Höganäs sold the facility in Jacarei, São Paulo and concentrated all activity in Brazil to the facility in Mogi das Cruzes.
- Manufacturing, technical support centre and sales offices were moved in September 2008.
- A cash-flow neutral transaction.
- New plant up and running quickly and smoothly.
- Reduced costs, improved process efficiency and reduced capital employed.





R&D: Höganäs Prototype Centre



- **Prototype Centre will be operational in 2009 in Höganäs**
- **Higher speed-to-market by supporting customers' and end-users' component prototyping and trial series**
- **Promoting new material solutions at an early design state**
- **Lowering total cost of prototyping**
- **Differentiating from competition with new service capabilities**



R&D: Starmix® Boost

- **Starmix® Boost improves tolerances and cost efficient manufacturing processes.**
- **Less dimensional scatter demands tight weight control. Efficient lubrication is crucial to produce tall parts as well as components with high density.**
- **Development of Starmix® Boost, the latest generation of bonded mixes:**
 - **Excellent filling behaviour – Compact difficult parts and increased productivity**
 - **Excellent consistency – Machining, inspection & scrap costs reduced**
 - **Excellent Lubrication – Forming & ejection of complex parts and less tool wear**
 - **Stain free – No extra costs in removing stains, better component appearance**
 - **Zinc free – Less furnace maintenance and an environmentally better solution**
- **The first PM Component using Starmix® Boost is a synchronizer hub for manual transmission application for Toyota Japan.**
- **Starmix® Boost is now used in Tests at several Customers in Europe US and Asia.**
- **Wide variety of components and applications:**
 - **Automotive industry to produce power train and engine components, such as synchronizing hubs and rings, planetary carriers, torque converter hubs and VVT's.**
 - **Can also be used in all other market segments such as power tools, construction equipment, pumps, agricultural equipment, HVAC and home appliances.**

Höganäs 



Starmix® Boost When performance matters most

Starmix® Boost is a new zinc-free, press-ready bonded mix designed to tick all your metal powder performance criteria. A perfect blend that performs as well as its name suggests, especially when compacting more complex components and parts, such as synchronizer hubs, VVT parts and planetary carriers.

It has been customised for the production environment with productivity and ease of use in mind. The excellent filling behaviour enables faster pressing rates and a state-of-the-art lubrication system facilitates the forming and ejection of complex parts. With the exceptional component precision and consistency achieved, it is possible to reduce scatter (weight and height) by more than 50%, which can reduce machining, inspection and scrap costs.

If you are looking for more precise, consistent, stain free sintered components combined with high productivity then there is only one choice – Starmix® Boost.

“10-30% productivity increase with superior precision and consistency of components produced”

The perfect blend!

Component test results against comparable mixes show Starmix® Boost to have a significantly better all-round performance across the main parameters of productivity, consistency, lubrication and scrap-rates.

Consistency	Up to 50% reduction in Average Run-Out 25-50% reduction in Weight Scatter 25-50% reduction in Height Scatter
Productivity	10-30% increase in productivity
Lubrication	15% reduction in ejection force
Environment	0% zinc

Höganäs



Q&A