

Höganäs



2009 Q1 Interim Report



Highlights 2009 - 1st Quarter

- **Very weak market demand**
- **De-stocking throughout the value chain**
- **Volume decline, particularly Jan-Feb, having a very big impact on Höganäs results**
- **Cash-flow focus paying off**





Key Numbers 2009

All amounts in MSEK

1st Quarter	
2009	2008

Net Sales	916	1583
<i>vs Prior Year</i>	-42.1%	
<i>Total</i>	-53.0%	
<i>Underlying volume</i>	1.7%	
<i>Acquisition</i>	24.8%	
<i>Currency</i>	-3.0%	
<i>Price/mix</i>		
Gross Profit	70	326
<i>Gross Profit per ton</i>	1207	2790
Selling, Admin, R&D expenses	141	136
Other operating income and expenses (as per report)	-40	6
<i>of which Currency hedges</i>	-63	13
Operating Income incl Restructuring costs	-111	196
<i>Margin % Net Sales</i>	neg	12.4%
Net Income	-90	145
Cash flow from Operations	142	197



Variance analysis

estimate

MSEK

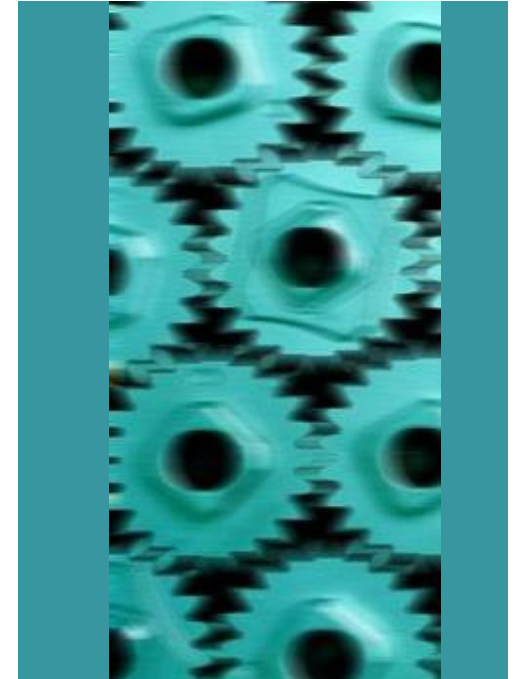
2008 Q1 Operating Income	196
<i>Sales volume decline</i>	-340
<i>Currency net</i>	7
<i>Margin</i>	31
<i>R&D, SG&A costs</i>	-5
2009 Q1 Operating Income	-111





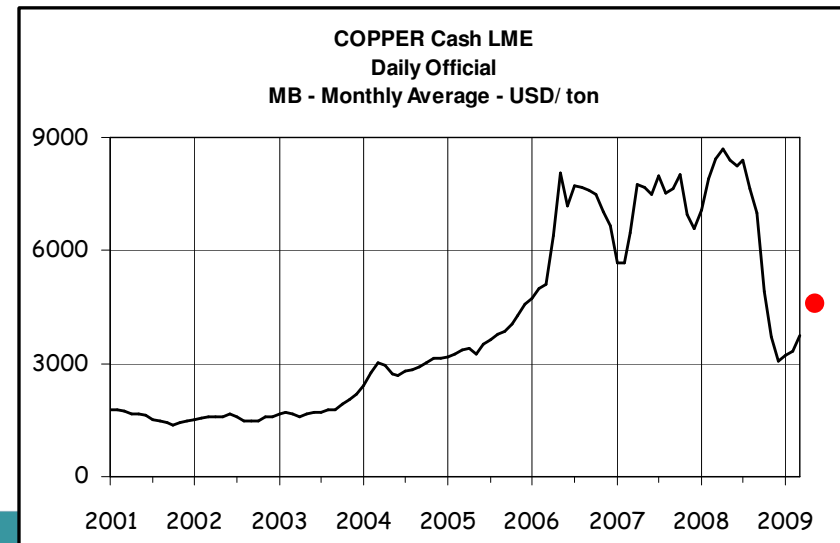
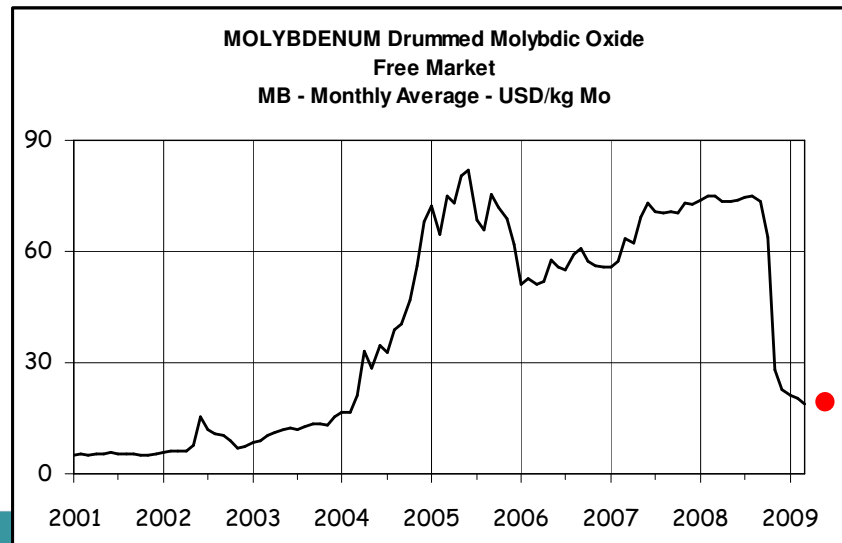
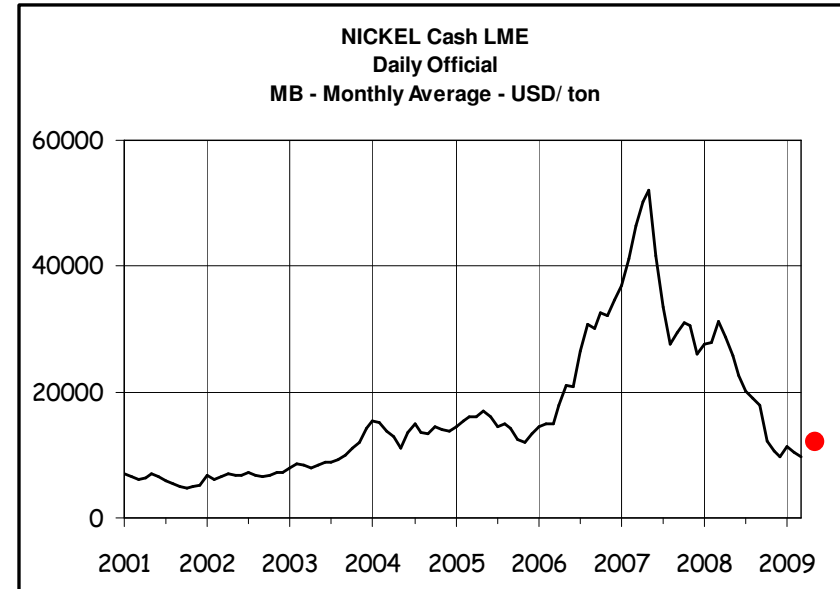
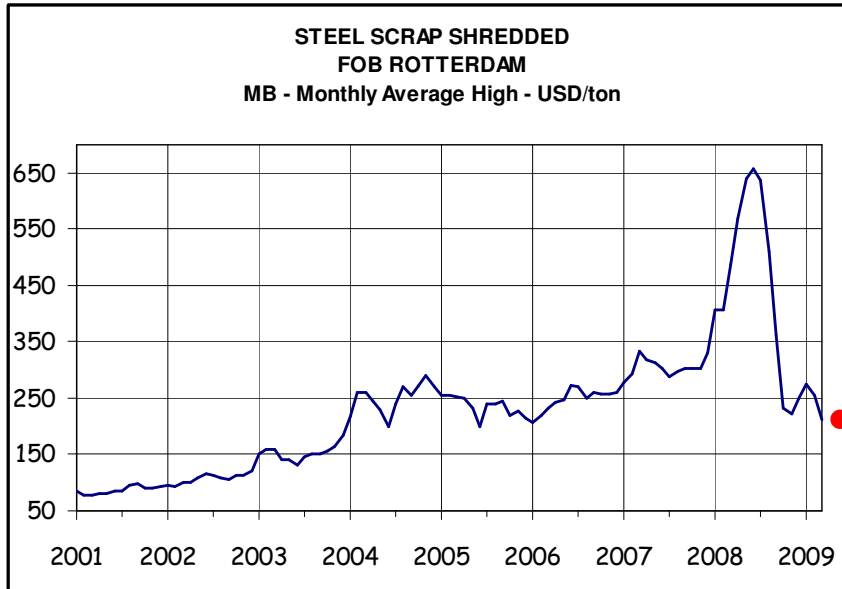
Currency impact

- **SEK depreciation**
 - ▶ Gains from revaluation of short term B/S items in foreign currencies
 - ▶ 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 Δ to P/L
- Cash flow unrealised hedge value Δ to Equity
- Historical EURO hedges





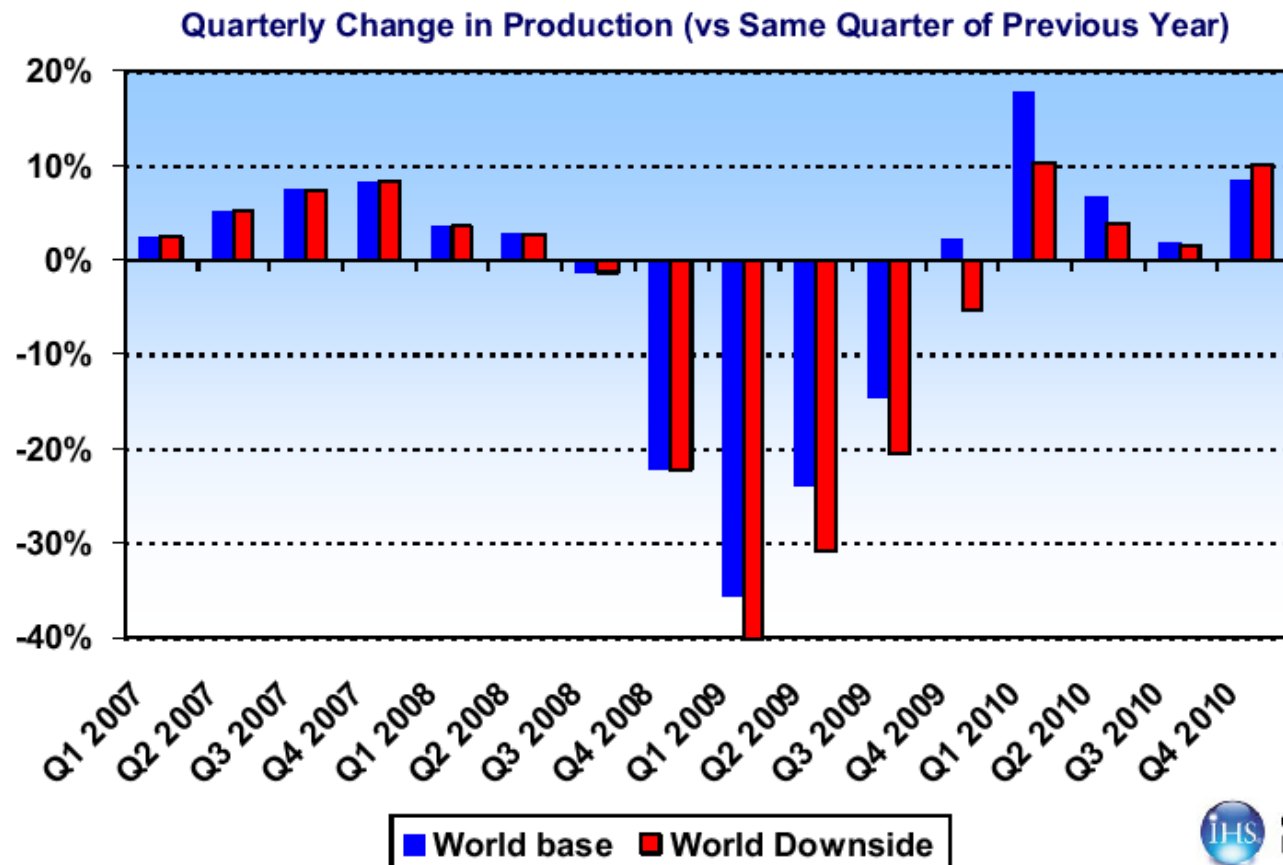
Metal price development





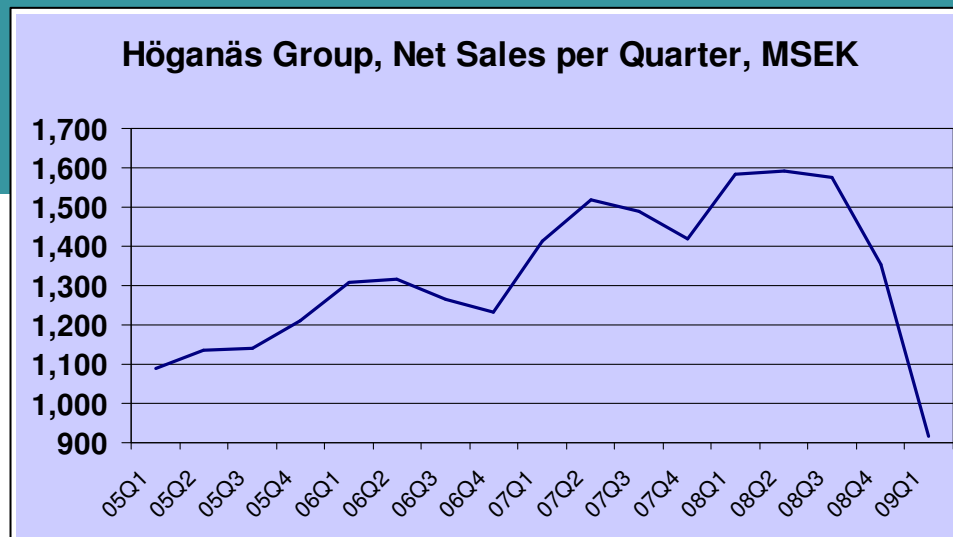
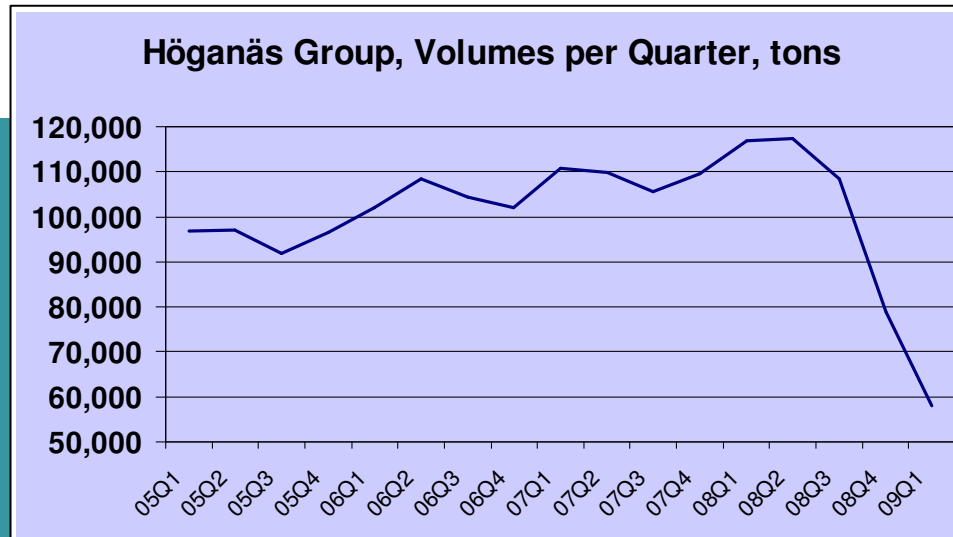
Market development

World Light Vehicle Production Near-term Profile Base Forecast March 2009 vs Downside Scenario





Group Sales Q1 2009





Sales Q1 2009 - Europe

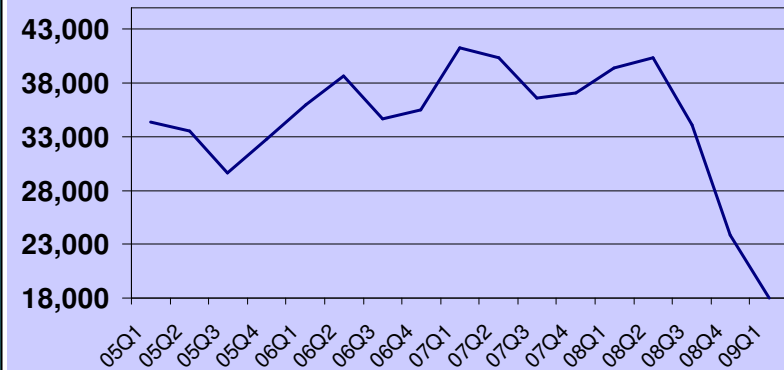
Europe:

Net Sales -53%

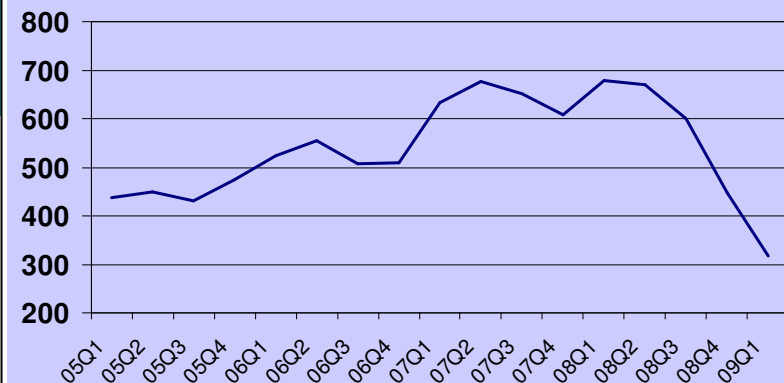
- Very weak markets across the region, particularly first two months, not only automotive
- Temporary plant closures and de-stocking
- Poor visibility of short-term outlook
- Restructuring plan carried out



Höganäs Europe, Sales volumes, tons



Höganäs Europe, Net sales value, MSEK





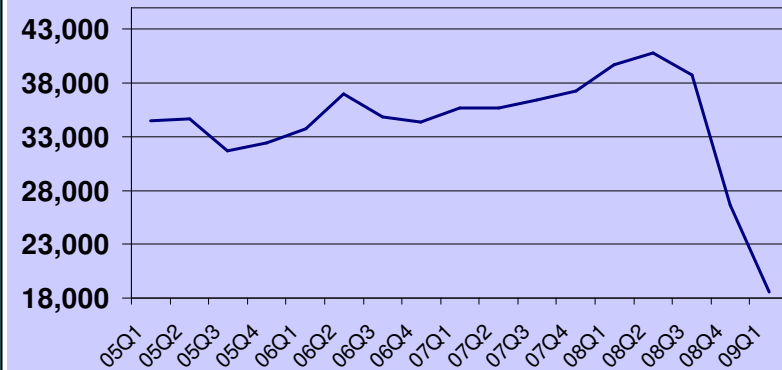
Sales Q1 2009 - Asia

Asia:

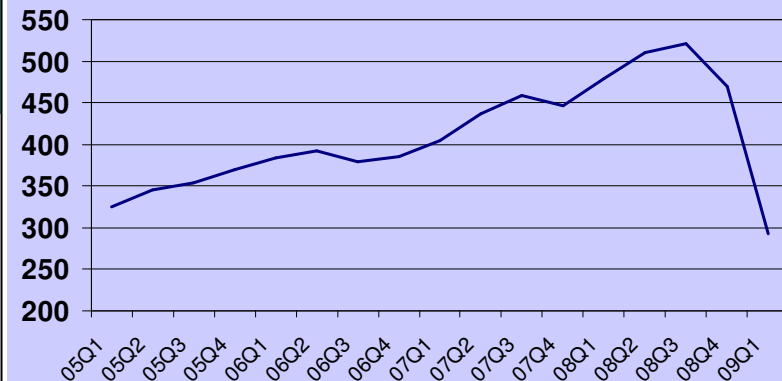
Net Sales -39%

- Weak markets Jan-Feb, customers de-stocking
- Recovery in March, except in Japan
- Chinese domestic consumption and automotive sales growth
- Consumables growth in Q1 in China, India, Japan and SEA - welding, oxygen absorbers, carrier cores and hot-bags
- Customer R&D project activity extremely high - very positive prospects for conversion once the market turns

Höganäs Asia, Sales volumes, tons



Höganäs Asia, Net sales value, MSEK





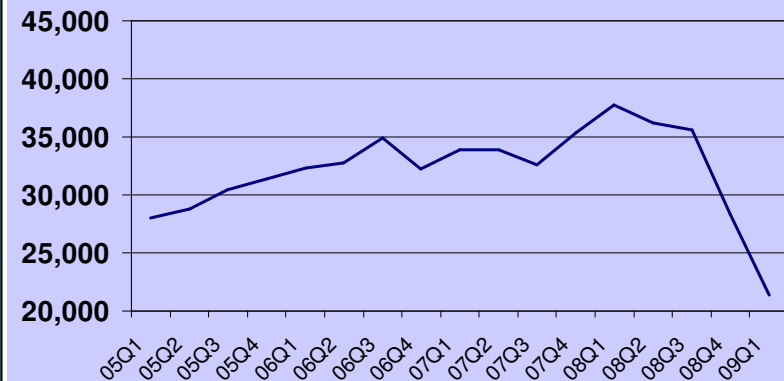
Sales Q1 2009 - Americas

Americas: Net Sales -28%

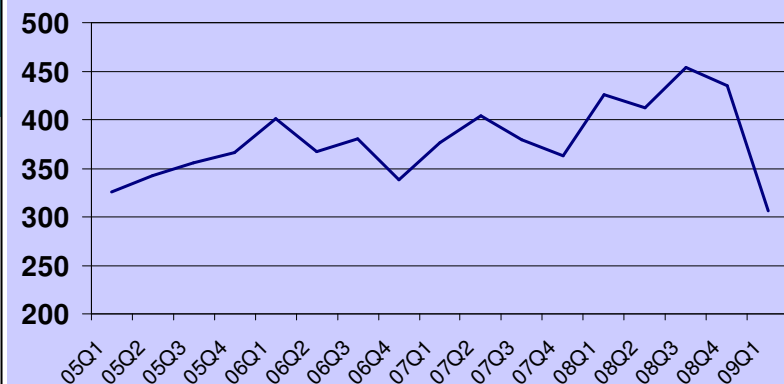
- Very weak markets across the region, particularly first two months
- SA automotive recovering in March
- In NA large uncertainty affecting all operators with an exposure to GM and Chrysler
- Restructuring plan carried out
- Kobelco NA acquisition progressing well



Höganäs Americas, Sales volumes, tons



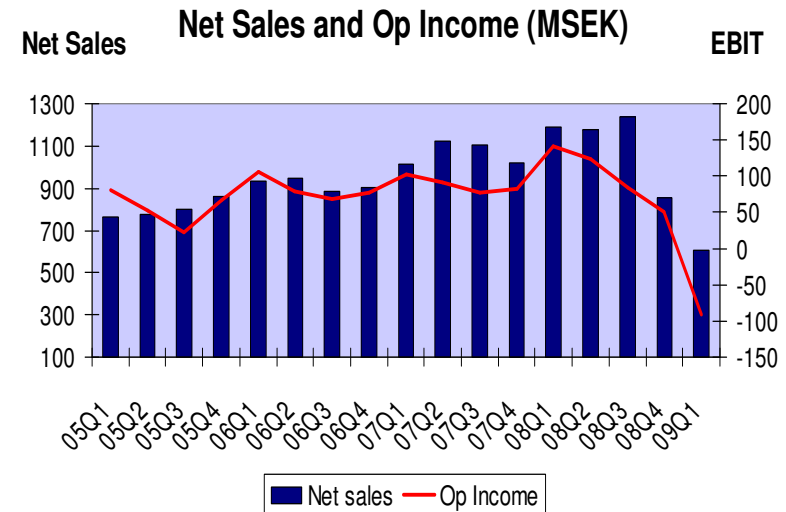
Höganäs Americas, Net sales value, MSEK





Results Q1 2009 - Components

- **Net sales 604 MSEK -49%**
 - Very high stock levels in the value chain at the start of the year
 - Various incentives and stimulus programmes so far only having marginal impact on automotive suppliers
 - Customer temporary plant closures and inventory adjustments
 - Risk aversion and cash focus
- **Operating Income -91 MSEK (151)**
 - Fundamental impact from volume decline
 - Price increases
 - Metal costs
 - Cost savings
 - Positive currency impact



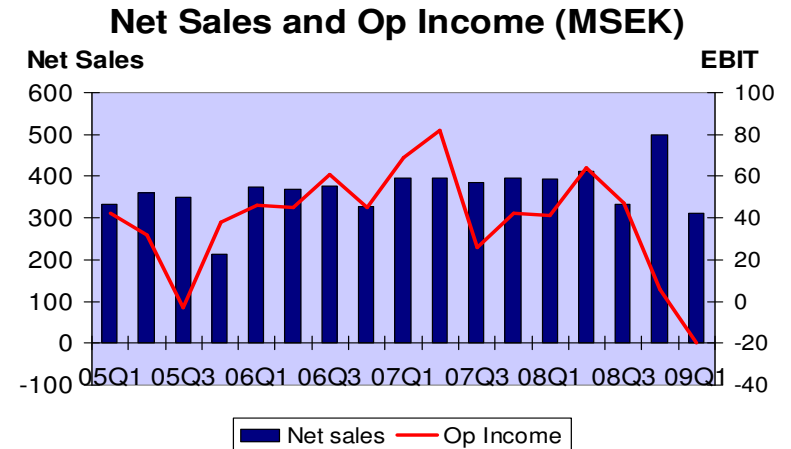
Components

- ~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 Q1 2009 - Consumables

- **Net Sales 312 MSEK** **-21%**
 - Weak markets, but not as weak as Components
 - Inventory levels in general lower
 - Asia still growing in Q1 apart from Korea and Taiwan
 - Alloy metal prices lower than Q1 2008
- **Operating Income -20 MSEK (45)**
 - Key impact from volume decline
 - Price increases
 - Metals impact:
 - Metal hedge losses lower than Q1 2008
 - Slower inventory turnover
 - Currency gains
 - Rising nickel and copper prices give negative metal hedge results, then 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.



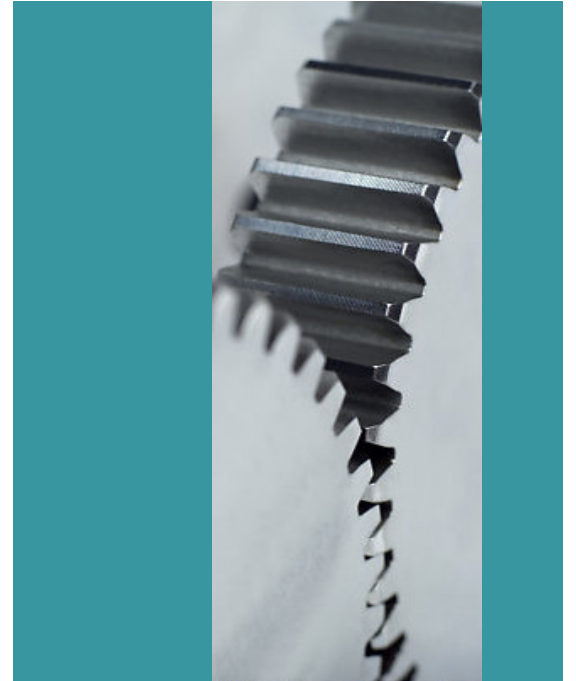
Outlook 2009

- **Q4 decline continuing into early 2009**
- **Recovery will come, but timing uncertain**
- **Asia is likely to recuperate first**
- **Metal prices and currency volatility seen through 2007-2008 is likely to continue**
- **Short term results impact**



Managing through the downturn

- **Restructuring**
- **Prices**
- **Cash-flow focus**
- **Invest in R&D for the future**



Höganäs





Important Events



R&D: Intralube® E mixes

- **Versatile products - large variety of applications and conversion opportunities**
- **Customer benefits**
 - ▶ Superior lubrication and ejection properties
 - ▶ Environment impact low - zinc-free
 - ▶ Surface finish
 - ▶ Higher densities
 - ▶ Lower compaction pressures
- **Starting with automotive applications in Taiwan, but currently samples being evaluated in 14 countries**
- **Proprietary mixing technology**




Intralube® E

Your new powder mix for excellent lubrication

Main product features:

- Excellent lubrication
- Zinc-free
- Low staining tendency
- Stable in hot/humid environment

The new Intralube product group is a range of press-ready mixes that will improve your pressing and sintering process by optimising lubrication and ensuring spotless sintering. Intralube E is specially designed to work in a wide spectrum of conditions such as dry/humid climate and low/high temperatures.



"Intralube® E offers up to 20% better lubrication compared to a standard premix"

For more information on Intralube E or any other product from Höganäs AB, please contact your local sales representative.

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Q&A