

Höganäs AB (publ)

Interim Report January - September 2002

Highlights

• Net sales	MSEK 2 495	+1%
• Income before tax ¹⁾	MSEK 355	+7%
• Operating margin ¹⁾	15.8%	(15.0)
• Equity/assets ratio	43%	(41)

¹⁾ Includes items affecting comparabilities MSEK -27

Market situation

Höganäs' turnover* during the **first nine months** of 2002 increased by 1% to MSEK 2 495 (2 466). The rate of exchange of the Swedish krona was 3% stronger than in the corresponding period of the previous year. Sales on the North American market increased markedly, largely as a result of higher market shares. There was also a substantial increase in sales in Asia outside Japan, whereas volumes in Europe were slightly down.

The volume of sales (excluding semis) during the first nine months of the year rose by 8% compared to 2001. Volumes in Europe and in Japan fell by 3%. Volumes in the rest of Asia rose by 20%. Other Markets recorded a volume increase of close to 30%.

Press powders recorded an increase in volume of 12%. The volume sold to European markets was down by 3%, while the volume on the Japanese market was up by 5%. On other Asian markets volumes rose by 27%. That figure includes an increase of 36% in Taiwan, 14% in South Korea and 26% in China. The increase on other markets was 40%.

The volume of other iron powders decreased by 4%. The decline affected all markets except Other Markets, which increased by 5%. Sales of Coldstream powders increased by 11%.

During **the third quarter** the turnover* decreased by 2% to MSEK 791. Höganäs currency index fell by 9% (the Swedish krona was stronger) but the volumes increased during the period by 11%. Volumes rose on all markets during the third quarter. Press powders recorded an overall increase of 15%, other powders of 2% and Coldstream powders of 3%. Further information is given in the table at the top of the page opposite.

Financial position

Operating income in the first nine months of the year amounted to MSEK 394 (369). This includes an allocation of MSEK 27 to the Höganäs Pension Foundation under the heading of items affecting comparabilities.

Other operating income and expenses included a net exchange gain of MSEK +24 (-76) from forward contracts.

The operating margin for the period was 15.8% (15.0%). If items affecting comparabilities are excluded, the margin was 16.8% (15.0%).

The net result of the Group's financial income and expenses was MSEK -39 (-37). Cash flow before investments for the period was MSEK 643 (64).

Income before taxes amounted to MSEK 355 (332), an increase of MSEK 23.

The equity-assets ratio amounted to 43% (41%).

Acquisition

At the end of the third quarter Höganäs' stake in Höganäs India Ltd amounted to 94%. The process of delisting the company from the stock exchange has now been completed.

Investments

Investments in fixed assets by the Group during the period amounted to MSEK 224 (699).

Finances

The Group's net debt was reduced by MSEK 246 during the period. Its debt-equity ratio was 78%.

Events after the end of the reporting period

The pension insurance company Alecta announced at the beginning of October that it had frozen payments of surplus funds until further notice, and that more information would be forthcoming on 30 October. The amount owing to Höganäs by Alecta at the end of the third quarter was MSEK 8.

Parent Company

Invoicing by the Parent Company during the period amounted to MSEK 1 600 (1 598), including MSEK 716 invoiced to Group companies. Income after financial income and expenses was MSEK 441 (295). Cash & Bank at 30 September 2002 totalled MSEK 43 (34), not counting unutilized overdraft facilities. Investments totalled MSEK 83 (120).

Outlook

The forecast previously given for the whole of 2002 still stands, viz. that income before taxes (excluding items affecting comparabilities) is expected to be better than in 2001.

Höganäs, 15 October 2002

Claes Lindqvist

President and Chief Executive Officer

* As of 2002, bonuses to customers have been reclassified from being a cost and are booked instead as a deduction from turnover. This has reduced turnover by about 2% compared to 2001.

Volume development (tons) per application area and market

Markets	Press Powder			Other Iron Powder ³⁾			Coldstream Powder		
	Q3	Q3 ¹⁾	12months ²⁾	Q3	Q3 ¹⁾	12months ²⁾	Q3	Q3 ¹⁾	12months ²⁾
Europe	23100	+ 3%	- 6%	6000	0%	- 8%	1240	0%	+ 1%
Japan	8000	+ 9%	0%	2500	- 8%	- 20%	110	+ 23%	+ 7%
Asia (excl. Japan)	14500	+37%	+ 15%	3900	+ 10%	- 1%	380	+ 16%	+17%
Others	11700	+ 25%	+ 25%	5400	+ 5%	+ 3%	270	- 5%	+ 6%
Totally	57300	15%	+ 4%	17700	+ 2%	- 5%	1990	+ 3%	+ 4%

¹⁾ %- change compared with corresponding quarter previous year ²⁾ %- change rolling 12-months ³⁾ excl. semi finished powders

Consolidated income statements, MSEK

	Jan 2002	- Sept 2001	Year 2001
Net sales	2,495	2,466	3,245
Cost of sales	-1,741	-1,709	- 2,246
Gross profit	754	757	999
Selling expenses	-138	-143	- 203
Administrative expenses	-109	-102	- 139
R&D expenses	- 99	- 84	- 115
Items affecting comparabilities	- 27	-	- 117
Other income	33	2	2
Other expenses	- 20	- 61	- 93
Operating income	394	369	334
Financial income	24	9	19
Financial expenses	- 63	- 46	- 58
Income before tax	355	332	295
Taxes	- 108	- 96	- 85
Minority share	-	- 1	- 1
Net income	247	235	209
Operating margin, %	15.8	15.0	10.3
Earnings per share, SEK (after actual tax)	7.20	6.80	6.00

This interim report has not been subjected to scrutiny by company's auditors.

Consolidated balance sheets, MSEK

	30 Sept 2002	31 Dec 2001
Intangible assets	181	207
Tangible assets	2,668	2,794
Financial assets	87	92
Inventory	614	697
Short-term receivables	560	540
Cash and bank	116	78
Total assets	4,226	4,408
Shareholders' equity	1,812	1,744
Minority interests	3	6
Interest-bearing liabilities	1,531	1,739
Non interest-bearing liabilities	880	919
Total shareholders' equity and liabilities	4,226	4,408
Equity/assets ratio	43%	40%

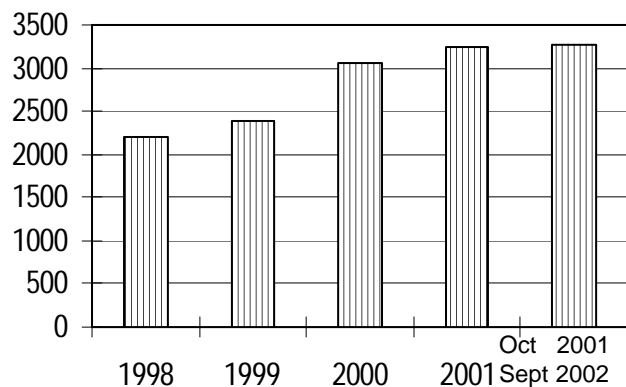
FINANCIAL INFORMATION

Höganäs intends to publish the following financial information during 2003:

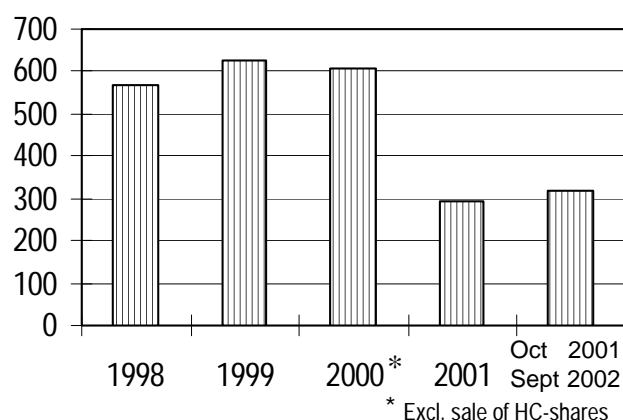
- ◆ Year end report on 31 January
- ◆ Annual report in mid-March
- ◆ Interim report for first quarter on 14 April
- ◆ Interim report for first six months on 11 July
- ◆ Interim report for first nine months on 13 October

The Annual General Meeting will be held on 8 May.

Net sales, MSEK



Income before taxes, MSEK



Consolidated Quarterly data MSEK	July - Sept		April - June		Jan - March		Oct - Dec	
	2002	2001	2002	2001	2002	2001	2001	2000
Net sales	791	805	872	851	832	810	779	828
Operating expenses	- 602	- 643	- 656	- 668	- 635	- 630	- 648	- 615
Items affecting comparabilities	- 27	-	-	-	-	-	-117	-
Depreciation	- 58	- 53	- 61	- 53	- 62	- 50	- 49	- 45
Operating income	104	109	155	130	135	130	- 35	168
Income before tax	90	97	142	117	123	118	- 37	159
Net income	63	70	97	83	87	82	- 26	122
Operating margin, %	13.1	13.5	17.8	15.3	16.2	16.0	- 4.5	20.3
Operating margin, % excl. items affecting comparabilities	16.6	13.5	17.8	15.3	16.2	16.0	10.5	20.3
Key indicators								
Earnings per share, SEK	1.90	2.00	2.80	2.40	2.50	2.40	- 0.80	3.50
Equity, SEK/share	52.60	51.50	50.60	49.60	52.80	51.50	50.50	51.10
Number of shares, 1000's	34,502	34,527	34,502	34,527	34,502	34,527	34,502	35,198
Number of shares, average 1000's	34,502	34,527	34,502	34,527	34,502	34,862	34,515	35,198
Consolidated Cash Flow analysis, MSEK					2002	2001		
					Jan - Sept	Jan - Sept		
Cash flow before change in working capital					627	221		
Change in working capital					16	- 157		
Acquisitions					- 5	- 61		
Disposals					-	-		
Net investments					- 224	- 699		
Change in long-term receivables, provisions and liabilities					11	37		
Cash flow after investments					425	- 659		
Buy back of own shares					-	- 116		
Dividend					-155	- 155		
Change in financing					- 208	923		
Translation difference and others					- 24	22		
Change in liquid funds					38	15		
Changes in shareholders' equity, MSEK					2002	2001		
					Jan - Sept	Jan - Sept		
Balance brought forward					1,744	1,798		
Net income					247	235		
Buy back of own shares					-	- 116		
Dividend					- 155	- 155		
Translation difference					- 24	17		
Balance carried forward					1,812	1,779		
Return on shareholders' equity (rolling 12-months)					12.3%	20.6%		