

Date/Datum

Our ref./Unser Zeichen

July 16, 2003  
Your letter/ Ihre Nachricht vom

CL/bh  
Your ref./Ihr Zeichen



Securities and Exchange  
Commission  
Division of Corporation Finance  
Room 3094 (3-6)  
450 Fifth Street, N.W.  
WASHINGTON, D.C. 20549  
USA

Attention: Special Counsel, Office of  
International Corporate Finance

Dear Sir or Madam,

Re.: Rule 12g3-2(b)  
File No. 82-3754

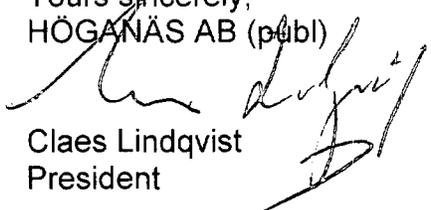
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The enclosed information is being furnished to the Securities and Exchange Commission (the "Commission") pursuant to the exemption from the Securities Exchange Act of 1934 (the "Exchange Act") afforded by Rule 12g3-2(b) thereunder.

This information is being furnished under Paragraph (1) of Rule 12g3-2(b) with the understanding that such information and documents will not be deemed to be "filed" with the Commission or otherwise subject to the liabilities of Section 18 of the Exchange Act and that neither this letter nor the furnishing of such information and documents shall constitute an admission for any purpose that Höganäs AB is subject to the Exchange Act.

Yours sincerely,  
HÖGANÄS AB (publ)

  
Claes Lindqvist  
President



Encl. Interim Report January – June 2003

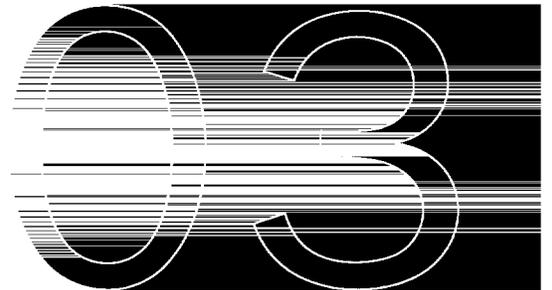
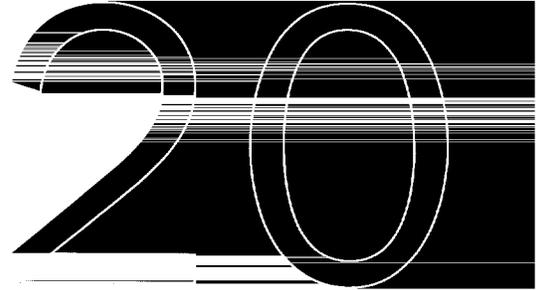
Rule 12g3-2(b)  
File No. 82-3754

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**Höganäs AB**

*Interim Report January - June 2003*



## Interim Report January-June 2003

## Highlights

• Net sales	MSEK 1,918	+13%
• Income after tax	MSEK 185	+1%
• Earnings per share	SEK 5.40	(5.30)
• Income before tax	MSEK 269	+2%
• Operating margin	15.1%	(17.0)
• Equity/assets ratio	38%	(40)

## Market situation

Höganäs' turnover increased by MSEK 214 to MSEK 1 918 (1 704) during the **first half** of 2003. The acquisition of SCM Metal Products, Inc. boosted turnover by MSEK 344. The rate of exchange of the Swedish krona was 11% higher compared to the previous year. Sales volumes on the North American market rose as a result of higher market shares. There was also a substantial increase in volume on Other Asian Markets.

The volume of sales (excluding semis) rose during the period by 5% (+11% including acquisition) compared to 2002. Volumes were up by 1% in Europe and by 3% in Japan. The increase on Other Asian Markets was 12%. Other Markets were up by 8%.

Press powders recorded an increase in volume of 7%. The rise amounted to 3% in Europe, 4% on the Japanese market and 14% on Other Asian Markets. This included an increase of 26% in China. Other Markets were up by 9%.

The volume of other iron powders was unchanged. Volumes were down by 3% in Europe, but up by 2% on Other Asian Markets and 4% on Other Markets.

With the acquisition of SCM, volumes of both Coldstream and SCM products are aggregated for purposes of reporting. Sales volume rose altogether by 224% (the increase for Coldstream powders was 2%). Further particulars are given in the table at the top of the page opposite.

During the **second quarter** turnover rose by MSEK 63 to MSEK 935 (872). The SCM acquisition raised turnover by MSEK 162. The value of the Swedish krona further appreciated by about 3% compared to the first quarter: its value was about 10% higher than in the second quarter of the previous year.

Volumes increased by 1% (+6% including acquisition). The increase in volume of press powders was 3%, with Other Asian Markets as the strongest growth sector at 11%. Volumes of both other iron powders and Coldstream powders fell by 3%.

## Financial position

Operating income amounted to MSEK 290 (290). Höganäs' Pension Fund appreciated by MSEK 9 during the second quarter, with the result that items affecting comparabilities during the first half of the year was zero (0).

Other operating income and expenses show the Group's total exchange results, which became MSEK +68 (-5). This includes the outcome from forward contracts amounting to MSEK +76 (+10). Not considering forward contracts, the stronger krona has drawn down operating income by MSEK 50 in 2003 compared to 2002.

The operating margin for the period was 15.1% (17.0).

The net result of the Group's financial income and expenses was MSEK -21 (-25). The cash flow for the year before investments amounted to MSEK 457 (436).

Income before taxes amounted to MSEK 269 (265), an increase of MSEK 4.

The Group's tax rate was one percentage point higher than in 2002; this was a result of fiscal effects associated with Höganäs' hedging of its equity in foreign subsidiaries.

The equity-assets ratio was 38% (40).

## Investments

Investment in fixed assets by the Group totalled MSEK 135 (149) including MSEK 82 in Sweden and MSEK 27 in Brazil; the latter referred to completion of a powder annealing line and custom mixing station.

## Finances

The Group's net debt increased by MSEK 409 this year, amounting to MSEK 1 766 at the end of the second quarter. Its debt-equity ratio was 0.96.

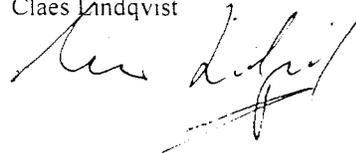
## Parent Company

Invoicing by the Parent Company during the period amounted to MSEK 991 (1 128), including MSEK 437 invoiced to Group companies. Income after financial income and expenses was MSEK 284 (340). Cash & Bank at June 30, 2003 totalled MSEK 29 (164), not counting unutilized overdraft facilities. Investments amounted to MSEK 82 (52).

## Outlook

The market trend is expected to continue weak during the second half of the year. However, the forecast previously given for the whole of 2003 still stands, viz. that income before taxes is expected to be higher than in 2002.

Höganäs, July 11, 2003  
Claes Lindqvist



## Volume development (tons) per application area and market

Markets	Press Powder			Other Iron Powder <sup>3)</sup>			Coldstream/SCM Products <sup>4)</sup>		
	Q2	Q2 <sup>1)</sup>	12months <sup>2)</sup>	Q2	Q2 <sup>1)</sup>	12months <sup>2)</sup>	Q2	Q2 <sup>1)</sup>	12months <sup>2)</sup>
Europe	25000	-1%	+4%	6300	-4%	-3%	1610	+19%	+14%
Japan	8200	+3%	+8%	1800	-10%	-20%	260	+100%	+71%
Asia (excl. Japan)	16000	+11%	+24%	3300	-10%	+4%	1040	+121%	+106%
Others	14100	+3%	+16%	5900	+5%	+8%	4060	+1130%	+648%
<b>Totally</b>	<b>63400</b>	<b>+3%</b>	<b>+12%</b>	<b>17300</b>	<b>-3%</b>	<b>0%</b>	<b>6970</b>	<b>+242%</b>	<b>+127%</b>

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

<sup>4)</sup> As from January 1, 2003, SCM is included

## Consolidated income statements, MSEK

	April-June		Jan-June		Rolling12-	Year
	2003	2002	2003	2002	months	2002
Net sales	935	872	1,918	1,704	3,463	3,249
Cost of sales	-705	-594	-1,446	-1,171	-2,567	-2,292
<b>Gross profit</b>	<b>230</b>	<b>278</b>	<b>472</b>	<b>533</b>	<b>896</b>	<b>957</b>
Selling expenses	-48	-48	-98	-95	-188	-185
Administrative expenses	-41	-39	-81	-76	-149	-144
R&D expenses	-36	-35	-71	-67	-137	-133
Items affecting comparabilities	9	-	0	-	-25	-25
Other income	38	13	73	23	100	50
Other expenses	-2	-14	-5	-28	8	-15
<b>Operating income</b>	<b>150</b>	<b>155</b>	<b>290</b>	<b>290</b>	<b>505</b>	<b>505</b>
Financial income	9	8	16	16	33	33
Financial expenses	-21	-21	-37	-41	-77	-81
<b>Income before tax</b>	<b>138</b>	<b>142</b>	<b>269</b>	<b>265</b>	<b>461</b>	<b>457</b>
Taxes	-44	-45	-84	-81	-143	-140
Minority share	-	-	-	-	-	-
<b>Net income</b>	<b>94</b>	<b>97</b>	<b>185</b>	<b>184</b>	<b>318</b>	<b>317</b>
Operating margin,%	16.0	17.8	15.1	17.0	14.6	15.5
Earnings per share, SEK	2.70	2.80	5.40	5.30	9.30	9.20
(after actual tax)						

## Consolidated balance sheets, MSEK

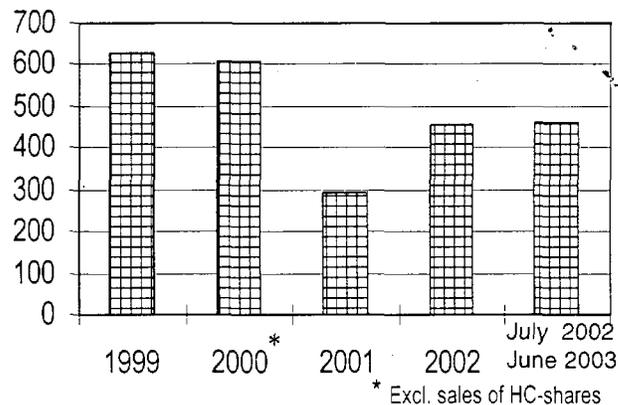
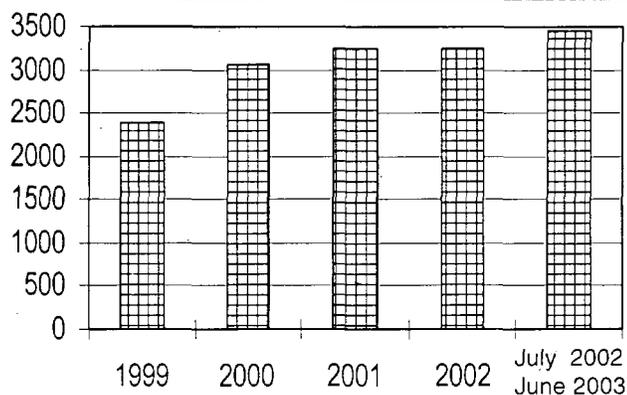
	30 June	31 Dec	30 June
	2003	2002	2002
Intangible assets	227	170	178
Tangible assets	2,827	2,660	2,643
Financial assets	87	83	86
Inventory	809	631	626
Short-term receivables	810	584	620
Cash and bank	123	77	197
<b>Total assets</b>	<b>4,883</b>	<b>4,205</b>	<b>4,350</b>
Shareholders' equity	1,832	1,827	1,747
Minority interests	2	2	5
Interest-bearing liabilities	1,889	1,434	1,730
Non interest-bearing liabilities	1,160	942	868
<b>Total shareholders' equity and liabilities</b>	<b>4,883</b>	<b>4,205</b>	<b>4,350</b>
Equity/assets ratio	38%	44%	40%

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

## FINANCIAL INFORMATION

Höganäs intends to publish the following financial information during 2003:

◆ Interim report for first nine months on 13 October



MSEK	2003	2002	2003	2002	2002	2001	2002	2001
Consolidated Quarterly data	April - June		Jan - March		Oct - Dec		July- Sept	
Net sales	935	872	983	832	754	779	791	805
Operating expenses	- 723	- 656	- 759	- 635	- 592	- 648	- 602	- 643
Items affecting comparabilities	9	-	- 9	-	2	- 117	- 27	-
Depreciation	- 71	- 61	- 75	- 62	- 53	- 49	- 58	- 53
<b>Operating income</b>	<b>150</b>	155	140	135	111	- 35	104	109
Income before tax	<b>138</b>	142	131	123	102	- 37	90	97
Net income	<b>94</b>	97	91	87	70	- 26	63	70
Operating margin, %	<b>16.0</b>	17.8	14.2	16.2	14.7	- 4.5	13.1	13.5
Operating margin, % excl. items affecting comparabilities	<b>15.1</b>	17.8	15.2	16.2	14.5	10.5	16.6	13.5
<b>Key indicators</b>								
Earnings per share, SEK	<b>2.70</b>	2.80	2.70	2.50	2.00	- 0.80	1.90	2.00
Equity, SEK/share	<b>53.50</b>	50.60	55.90	52.80	53.40	50.50	52.60	51.50
Number of shares, 1000's	<b>34,217</b>	34,502	34,217	34,502	34,217	34,502	34,502	34,527
Number of shares, average 1000's*	<b>34,217</b>	34,502	34,217	34,502	34,360	34,515	34,502	34,527
<b>Consolidated Cash Flow analysis, MSEK</b>					<b>Jan - June 2003</b>	<b>Jan - June 2002</b>		
Cash flow before change in working capital					637	570		
Change in working capital					-180	- 134		
Acquisitions					-560	-		
Disposals					-	-		
Net investments					-135	-149		
Change in long-term receivables, provisions and liabilities					3	2		
<b>Cash flow after investments</b>					<b>-235</b>	289		
Buy back of own shares					-	-		
Dividend					-171	-155		
Change in financing					455	-9		
<b>Cash flow for the period</b>					<b>49</b>	125		
Liquid funds, opening balance					77	78		
Exchange rate difference in liquid funds					-3	-6		
Liquid funds, closing balance					123	197		
<b>Changes in shareholders' equity, MSEK</b>					<b>Jan - June 2003</b>	<b>Jan - June 2002</b>		
Balance brought forward					1,827	1,744		
Net income					185	184		
Buy back of own shares					-	-		
Dividend					-171	-155		
Translation difference					-9	-26		
<b>Balance carried forward</b>					<b>1,832</b>	1,747		
<b>Return on shareholders' equity (rolling 12-months)</b>					<b>17.8%</b>	13.2%		
<b>Debt/equity ratio</b>					<b>0.96</b>	0.88		

\*) Outstanding call options do not cause equity dilution as present value of the offer price exceeds actual value.

# Höganäs

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