

14 July 2006
Your letter/ Ihre Nachricht vom/bh
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Securities and Exchange
Commission
Division of Corporation Finance
Room 3094 (3-6)
450 Fifth Street, N.W.
WASHINGTON, D.C. 20549
USA

SUPL

Attention: Special Counsel, Office of
International Corporate Finance

Dear Sir or Madam,

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



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)

Birgit Holst
Birgit Holst

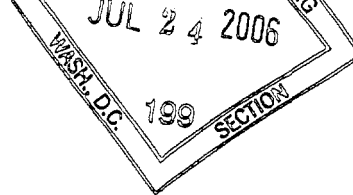
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FINANCIAL

Encl. Interim Report Q2 2006

Jul 25



INTERIM REPORT JANUARY – JUNE 2006

Highlights

MSEK	Q2	Q1-2
Net sales	1 314 +16%	2 624 +18%
Operating income	141 +18%	305 +8%
Operating margin	10.7 (10.6)	11.6 (12.6)
Income before tax	107 -3%	257 -1%
Income after tax	78 -6%	188 ±0%
Earnings per share, SEK	2.24 (2.40)	5.41 (5.50)
Equity/assets ratio, %		47.4 (44.6)

- Underlying operating income adjusted for non-recurring items and earnings from currency forwards contracts was MSEK 297, a 25% increase year-on-year.
- In total, earnings from currency forwards contracts were MSEK 28, and non-recurring items affecting operating income were MSEK -20. Non-recurring items affecting income before tax were MSEK -41.
- Sustained robust volume growth—volumes grew by 9% in the first half-year.
- The US powder market staged a rally in the second quarter, although for the first half-year, the market contracted because of development in the American automotive industry.

GROUP

NET SALES

First half-year 2006

Net sales were MSEK 2 624 in the first half-year, an 18% increase. In addition to previously implemented price increases in North America and Europe, volumes exerted a positive impact on turnover. Additionally, currency effects resulting from a weaker krona exerted a 5% positive effect on turnover.

Volumes expanded by 9% year-on-year despite weak development on the North American market. Höganäs' volume growth has been good on all markets apart from China and Taiwan.

North American car sales decreased in the first half-year, year-on-year, while car production has remained stable. The North American powder market rallied in the second quarter. The trend towards smaller, more fuel-efficient cars, simultaneous with the two largest American car producers losing market share, mean that

the US powder market contracted in the first half-year. The US powder market represents about half of the global market. The market in Western Europe continued to rally.

Second quarter 2006

In the second quarter, turnover increased by 16% year-on-year, the increase mainly due to sustained robust volume expansion. In addition to these volume gains, higher prices and a weaker Swedish krona exerted a positive effect. Currency effects resulting from a weaker krona exerted a positive 1% effect on turnover.

Pricing model—Europe

Höganäs' pricing model on the European market will alter in the third quarter. The time-lag on the implementation of metal prices will be reduced from two quarters to one. This will mainly affect the Components business area.

EARNINGS

First half-year 2006

Operating income was MSEK 305 (282) in the first half-year. Excluding the non-recurring items stated below and the profits from currency forwards contracts, operating income was MSEK 297 (238), a 25% increase.

Turnover in the first half-year was healthy, making a positive impact on income. Metal prices increased in the quarter, i.e. metals important to Höganäs: scrap, nickel, molybdenum and copper. This adversely affected earnings.

Other operating income and operating expenses were MSEK 7 (104) including earnings from currency forwards contracts of MSEK 28 (74) and non-recurring items. These non-recurring items primarily consist of a MSEK 41 tax expense in Brazil, and earnings of MSEK 19 from the sale of CO₂ emission rights.

As previously announced, in the second quarter, Höganäs provisioned estimated costs of MBRL 18.1, equivalent to approximately MSEK 62, in its Brazilian operations. The majority of this figure is for value-added tax on importing machinery to Brazil coincident with building up operations after their acquisition in 1999. The company has contested the claim it has received, and expects the tax proceedings to continue for several years. Of the MSEK 62 total, MSEK 41

affects operating income, and the remainder, net financial income and expenses.

Disregarding currency forwards contracts, a weaker Swedish krona in 2006 exerted a positive impact of some MSEK 10 on operating income.

Income before tax was MSEK 257 (259). The provisioning in Brazil exerted a negative MSEK 21 effect on net interest income/expenses.

Income after tax was MSEK 188 (189), or SEK 5.41 per share (5.50). The effective tax rate was 26.8% (27.0).

Second quarter 2006

Operating income was MSEK 141 (120); provisioning for costs in Brazil was effected in the second quarter, and accordingly, affected this earnings figure in its entirety. Höganäs sold CO₂ emission rights in the quarter, generating earnings of MSEK 17. Earnings from currency forwards contracts were MSEK 16 in the quarter. Underlying earnings, excluding non-recurring items and earnings from currency forwards contracts were MSEK 147 (115).

Income before tax was MSEK 107 (110).

BUSINESS AREAS

As a step towards an increased market orientation, Höganäs has chosen to monitor and report its operations from a market perspective from 2006 onwards. That portion of the metal powder market where Höganäs is active can be divided into two main fields of application: Components and Consumables. Components encompasses all powder where value is added to create components. Consumables covers those powders used in processes such as preparing metals, as supplements to chemical processes, surface coatings or food additives. Components represents some 70% of consolidated turnover, and Consumables, some 30%.

Components

The net sales of the Components business area were MSEK 1 880 (1 536), an 22% increase year-on-year. Apart from price changes implemented in North America and Europe in the first quarter, the turnover increase is due to higher volumes, a weaker krona and higher metal prices.

Volumes increased by 10% in the first half-year. All markets saw positive volume growth, apart from China and Taiwan.

Operating income was MSEK 186 (134). Operating income was negatively affected by the above stated non-recurring items. Excluding the non-recurring items the margin was 11.2% (10.6) in the first half year.

Consumables

For Consumables, net sales were MSEK 744 (695), a year-on-year increase of 7%. The increase is due to higher volumes, metal price fluctuations and price changes effected in the quarter. As for Components, the weaker krona had a positive turnover effect.

In the first half-year, volumes increased by 5% year-on-year. Volume growth remained positive, mainly in China, South Korea and South America.

Operating income was MSEK 91, against MSEK 74 for the first half of the previous year. Non-recurring items had a small positive impact in the second quarter and first half year. Operating margin in the first half year, excluding the non-recurring items was 11.7% (10.8).

PROFITABILITY

Return on capital employed was 12.0% (14.5); return on equity was 11.7% (17.2). Returns are calculated on the most recent 12-month period.

FINANCIAL POSITION AND CASH FLOW

The equity/assets ratio was 47% at the end of the period, against 48% at year-end 2005. Shareholders' equity per share was SEK 71.80, against SEK 73.30 as of 1 January.

Consolidated financial net debt was MSEK 1 114 at the end of the period, down MSEK 273 since the previous year-end. Net financial income and expenses were MSEK -48 (-23), with provisioning for tax in Brazil exerting a negative impact of MSEK 21 on net financial income and expenses.

Cash flow from operating activities was MSEK 471 (138). Working capital improved by MSEK 158. Investments in fixed assets were MSEK 105 (134). During the year emission rights have been sold which has affected the cash flow with MSEK +23. The financing activities have affected the cash flow by MSEK -312 (79) in pursuance of dividend paid MSEK -200 and net change of loans MSEK -112.

HUMAN RESOURCES

Höganäs had 1 537 employees at the end of the period, against 1 551 as of 1 January.

PARENT COMPANY

Parent company net sales were MSEK 1 450 (1 191) of which MSEK 622 to group companies. Income after financial items was MSEK 260 (144). Investments in tangible fixed assets were MSEK 63 (71). The parent company's liquid funds were MSEK 33 at the end of the period, against MSEK 30 as of 1 January.

OUTLOOK FOR 2006

Höganäs expects continued positive development on Asian and South American powder markets. Höganäs also anticipates weaker development on the US powder market continuing. The powder market in Europe expects to have a slight growth during this year. Metal prices are expected to remain volatile in 2006.

Earnings from currency forwards contracts are estimated to be substantially lower than in 2005, based on current exchange rates.



Alrik Danielson
CEO and President
Höganäs, Sweden, 14 July 2006

ACCOUNTING PRINCIPLES

This Report has been prepared pursuant to IFRS (International Financial Reporting Standards) and IAS 34.

This Interim Report has not been reviewed by the company's auditors.

FINANCIAL INFORMATION

Höganäs intends to publish the following financial information in 2006:

◆ *Third-quarter Interim Report, 20 October*

◆ *Year-end Report 2006, 14 February 2007*

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www.hoganas.com*

CONSOLIDATED INCOME STATEMENT

MSEK	Q2 2006	Q 2 2005	Q 1-2 2006	Q 1-2 2005	Last 12 months	Year 2005
Net sales	1 314	1 136	2 624	2 231	4 987	4 594
Cost of goods sold	-1 020	- 923	-2 065	-1 799	-4 061	-3 795
Gross profit	294	213	559	432	926	799
Selling expenses	-53	-63	-100	-108	-205	-213
Administrative expenses	-53	-50	-102	-90	-194	-182
R&D costs	-29	-30	-59	-56	-126	-123
Other operating income	41	60	71	120	155	204
Other operating expenses	-59	-10	-64	-16	-72	-24
Operating income	141	120	305	282	484	461
Operating margin, %	10,7	10,6	11,6	12,6	9,7	10,0
Financial income	10	5	14	6	28	20
Financial expenses	-44	-15	-62	-29	-106	-73
Income after financial items	107	110	257	259	406	408
Tax	-29	-27	-69	-70	-117	-118
Minority share	0	0	0	0	0	0
Net income	78	83	188	189	289	290
Depreciation and write-downs for the period	-71	-69	-139	-136	-279	-276
Earnings per share, SEK	2,24	2,40	5,41	5,50	8,30	8,39
Average no. of shares ('000)	34 798	34 535	34 798	34 390	34 798	34 594
No. of shares at end of period ('000)	34 798	34 798	34 798	34 798	34 798	34 798

CONSOLIDATED BALANCE SHEET

MSEK	30 June 2006	30 June 2005	31 Dec 2005
Intangible fixed assets	243	218	221
Tangible fixed assets	2 499	2 691	2 621
Financial fixed assets	130	121	107
Inventories	1 129	1 261	1 214
Current receivables	1 073	1 031	968
Liquid funds/assets	197	172	122
Total assets	5 271	5 494	5 253
Shareholders' equity	2 497	2 449	2 549
Interest-bearing liabilities and provisions	1 311	1 814	1 509
Non-interest-bearing liabilities and provisions	1 463	1 231	1 195
Total liabilities and shareholders' equity	5 271	5 494	5 253

CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Q 1-2 2006	Q 1-2 2005	Year 2005
Opening balance	2 549	2 203	2 203
Effects of the change in accounting principles	-	271	271
Translation differences	- 138	71	98
Financial instruments, change fair value	98	- 193	- 221
Net income	188	189	290
Dividends	- 200	- 199	- 199
Sale of own shares	-	107	107
Closing balance	2 497	2 449	2 549

NET SALES BY MAIN MARKET

MSEK	Q 2 2006	Q 2 2005	Q 1-2 2006	Q 1-2 2005	Last 12 months	Year 2005
Europe	555	446	1 078	888	1 988	1 798
America	368	343	769	670	1 493	1 394
Asia	391	347	777	673	1 506	1 402
Total	1 314	1 136	2 624	2 231	4 987	4 594

CONSOLIDATED QUARTERLY DATA

MSEK	Q 2 2006	Q 1 2006	Q 4 2005	Q 3 2005	Q 2 2005	Q 1 2005	Q 4 2004	Q 3 2004
Net sales	1 314	1 310	1 214	1 149	1 136	1 095	1 052	977
Costs	-1 082	-1 078	-1 008	-942	-917	-866	-836	-774
Non-recurring items	-20 ⁴⁾	0	-6 ²⁾	-88 ³⁾	-30 ²⁾	0	3 ¹⁾	0
Depreciation and amortisation	-71	-68	-69	-71	-69	-67	-63	-66
Operating income	141	164	131	48	120	162	156	137
Income before tax	107	150	115	34	110	149	149	129
Income after tax	78	110	75	26	83	106	105	93
Operating margin, %	10,7	12,5	10,8	4,2	10,6	14,8	14,8	14,0
Operating margin, % excl. non-recurring items	12,3	12,5	11,3	11,8	13,2	14,8	14,5	14,0

¹⁾ gain on sale of SCM Copper Operation

²⁾ bad debts/reevaluation inventories

³⁾ write-downs fixed assets/goodwill

⁴⁾ sales of CO2 emission rights/tax costs Brazil

KEY INDICATORS

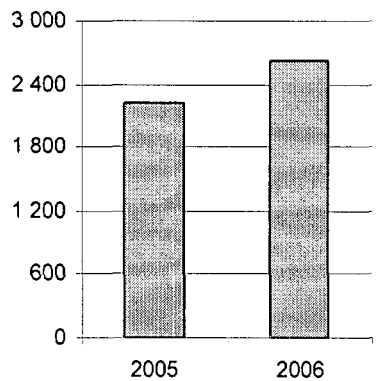
	Q 1-2 2006	Q 1-2 2005	Year 2005
Capital employed, MSEK	3 808	4 263	4 058
Return on capital employed ¹⁾ , %	12,0	14,5	12,0
RoCE excluding non-recurring items ¹⁾ , %	14,8	15,1	15,3
Shareholders' equity, MSEK	2 497	2 449	2 549
Return on equity ¹⁾ , %	11,7	17,2	12,2
RoE excluding non-recurring items ¹⁾ , %	17,1	18,4	17,4
Shareholders' equity per share, SEK	71,80	70,40	73,30
Equity/assets ratio, %	47,4	44,6	48,5
Financial net debt, MSEK	1 114	1 642	1 387
Debt/equity ratio, multiple	0,45	0,67	0,54
Interest coverage ratio, multiple	6,4	12,3	8,7
No of employees, end of period	1 537	1 554	1 551

¹⁾ Last 12 months

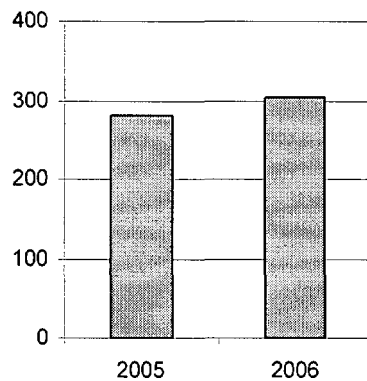
CASH FLOW STATEMENT

MSEK	Q 1-2 2006	Q 1-2 2005	Year 2005
Cash flow before change in working capital	313	233	495
Change in working capital	158	- 95	- 72
Cash flow from operations	471	138	423
Investment activities	- 75	- 132	- 234
Cash flow after investment activities	396	6	189
Change in long-term loans	- 112	171	- 60
Sale of own shares	0	107	107
Dividends	- 200	- 199	- 199
Cash flow for the period	84	85	37
Liquid funds, opening balance	122	74	74
Exchange rate differences in liquid funds	- 9	13	11
Liquid funds, closing balance	197	172	122

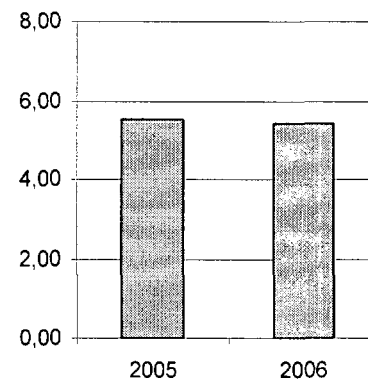
**NET SALES (MSEK)
Q 1-2**



**OPERATING INCOME (MSEK)
Q 1-2**



**EARNINGS PER SHARE (SEK)
Q 1-2**



REPORTING PER BUSINESS AREA

	Net sales				Operating income			
	Q2 2006	Q 2 2005	Q 1-2 2006	Q 1-2 2005	Q2 2006	Q 2 2005	Q 1-2 2006	Q 1-2 2005
MSEK								
Components	945	775	1 880	1 536	80	53	186	134
Consumables	369	361	744	695	45	32	91	74
Other (Hedge)					16	35	28	74
Total, group	1 314	1 136	2 624	2 231	141	120	305	282

BUSINESS AREA - COMPONENTS

	Q2 2006	Q 2 2005	Q 1-2 2006	Q 1-2 2005	Last 12 months	Year 2005
Net sales, MSEK	945	775	1 880	1 536	3 681	3 337
Operating income, MSEK	80	53	186	134	289	237
Operating margin, %	8,5	6,8	9,9	8,7	7,9	7,1
Assets, MSEK			3 878	4 626		4 048
Liabilities, MSEK			1 684	2 509		1 430
Net investments, MSEK	39	63	82	104	181	203
Depreciation, MSEK	53	53	105	105	215	215
Write-downs, MSEK	4		4		73	69

BUSINESS AREA - CONSUMABLES

	Q2 2006	Q 2 2005	Q 1-2 2006	Q 1-2 2005	Last 12 months	Year 2005
Net sales, MSEK	369	361	744	695	1 306	1 257
Operating income, MSEK	45	32	91	74	112	95
Operating margin, %	12,2	8,9	12,2	10,6	8,6	7,6
Assets, MSEK			1 348	799		1 149
Liabilities, MSEK			621	578		833
Net investments, MSEK	11	19	23	30	50	57
Depreciation, MSEK	18	16	34	31	64	61
Write-downs, MSEK	1		1		20	19