

## INTERIM REPORT

First quarter 2011

### First quarter 2011 (compared to corresponding period of previous year)

- Net sales were MSEK 1,770 (1,548) in the quarter, up 14% year on year. Sales volumes were 11% higher. Demand conditions were better than in the corresponding period of the previous year in all regions and the sequential volume increase (compared to the preceding quarter) in Europe and America was very positive.
- Operating income was MSEK 282 (282) and income after tax was MSEK 208 (207). Higher sales volumes had a positive effect on income while a stronger SEK had a negative effect.
- Earnings per share before and after dilution for the quarter were SEK 5.97 (5.94).
- Cash flow from operating activities was MSEK 16 (94). Higher sales volumes led to an increased requirement for working capital and the positive income figure for 2010 implied a higher supplementary tax payment.
- The net debt/equity ratio was 24% at the end of the period, unchanged compared to the beginning of the financial year.
- The market is expected to remain strong in Asia and South America, while a gradual recovery is expected in North America. European market conditions remain hard to assess. In some countries, such as Germany, industry stands to make short-term gains from good economic growth and exports, while austerity measures are expected to hold back consumption in heavily indebted European nations.

### CEO's comments—first quarter: A robust start to 2011 and sustained high investment in research and development

After a record 2010, Höganäs began 2011 with robust growth despite strong comparables from the first quarter 2010. 2010 came to a very strong conclusion on growth markets, while more mature markets were less robust. Consequently it is pleasing to note that Europe and North America largely led volume growth in the first quarter.

Operating margin improved compared to the fourth quarter 2010 and was very strong. Although the margin was even better in the corresponding period of the previous year, we benefitted from a significantly weaker Swedish krona at that time. Metal price inflation also dilutes our margin in percentage terms, even if it only has a limited impact on income in absolute terms.

The start to 2011 is also characterised by Höganäs' sustained high investments in research and development, mainly in component solutions for new electromagnetic applications and in powder-based gear-wheels for gear boxes.

### Income highlights

| MSEK                                             | First quarter |            | Last 12 months | Full year  |
|--------------------------------------------------|---------------|------------|----------------|------------|
|                                                  | 2011          | 2010       |                | 2010       |
| Net sales                                        | 1 770         | 1 548      | 6 893          | 6 671      |
| Operating income                                 | 282           | 282        | 1 114          | 1 114      |
| <i>Operating margin, %</i>                       | 15,9          | 18,2       | 16,2           | 16,7       |
| Income before tax                                | 280           | 274        | 1 090          | 1 084      |
| Tax                                              | -72           | -67        | -285           | -280       |
| <b>Net income</b>                                | <b>208</b>    | <b>207</b> | <b>805</b>     | <b>804</b> |
| Earnings per share before dilution, SEK          | 5,97          | 5,94       | 23,14          | 23,11      |
| Earnings per share after dilution, SEK           | 5,97          | 5,94       | 23,14          | 23,11      |
| <i>Return on capital employed, % (12 months)</i> | -             | -          | 26,8           | 27,6       |

## Business areas

| Net sales, MSEK | First quarter |              | Last 12 months | Full year 2010 |
|-----------------|---------------|--------------|----------------|----------------|
|                 | 2011          | 2010         |                |                |
| Components      | 1 330         | 1 164        | 5 212          | 5 046          |
| Consumables     | 440           | 384          | 1 681          | 1 625          |
| <b>Total</b>    | <b>1 770</b>  | <b>1 548</b> | <b>6 893</b>   | <b>6 671</b>   |

| Income, MSEK                  | First quarter |            | Last 12 months | Full year 2010 |
|-------------------------------|---------------|------------|----------------|----------------|
|                               | 2011          | 2010       |                |                |
| Operating income:             |               |            |                |                |
| Components                    | 202           | 213        | 818            | 829            |
| Consumables                   | 80            | 69         | 296            | 285            |
| <b>Operating income</b>       | <b>282</b>    | <b>282</b> | <b>1 114</b>   | <b>1 114</b>   |
| Net financial income/expenses | -2            | -8         | -24            | -30            |
| <b>Income before tax</b>      | <b>280</b>    | <b>274</b> | <b>1 090</b>   | <b>1 084</b>   |

| Operating margin, % | First quarter |             | Last 12 months | Full year 2010 |
|---------------------|---------------|-------------|----------------|----------------|
|                     | 2011          | 2010        |                |                |
| Components          | 15,2          | 18,3        | 15,7           | 16,4           |
| Consumables         | 18,2          | 18,0        | 17,6           | 17,5           |
| <b>Total</b>        | <b>15,9</b>   | <b>18,2</b> | <b>16,2</b>    | <b>16,7</b>    |

## Sales by geographical region

| Net sales, MSEK | First quarter |              | Last 12 months | Full year 2010 |
|-----------------|---------------|--------------|----------------|----------------|
|                 | 2011          | 2010         |                |                |
| Europe          | 604           | 524          | 2 252          | 2 172          |
| America         | 546           | 467          | 2 085          | 2 006          |
| Asia            | 620           | 557          | 2 556          | 2 493          |
| <b>Total</b>    | <b>1 770</b>  | <b>1 548</b> | <b>6 893</b>   | <b>6 671</b>   |

### HÖGANÄS IN BRIEF

Höganäs AB is the world's leading producer of iron and metal powders. Building on its clear vision of the possibilities of powder to improve efficiency, the consumption of resources and environmental impact across a raft of segments, the company has developed in-depth application skills.

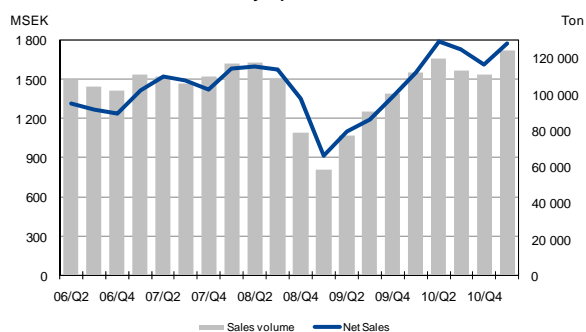
Thus Höganäs can help create the automotive components, white goods, water and exhaust treatment products of the future in collaboration with its customers. Founded in 1797, the company had sales of MSEK 6,671 in 2010, and is quoted on NASDAQ OMX Stockholm's Mid Cap List.

For more information, visit our website: [www.hoganas.com](http://www.hoganas.com).

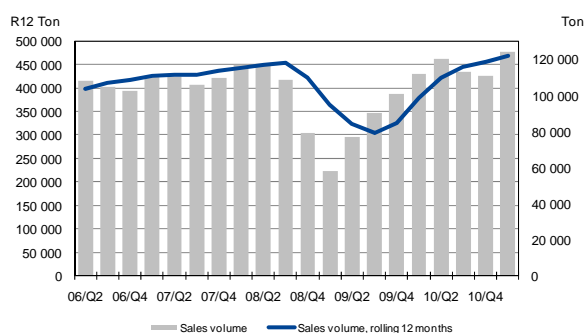
## Group progress

### NET SALES AND VOLUME

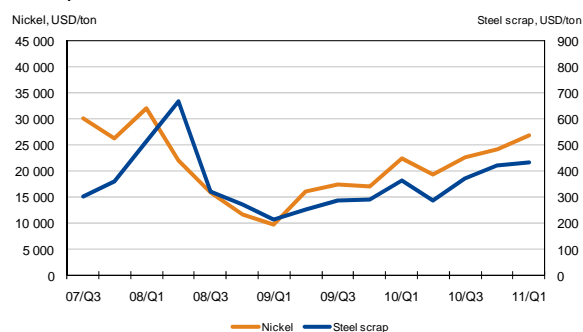
#### Net sales and volume by quarter



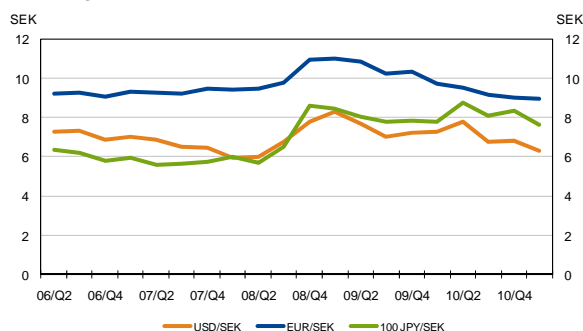
#### Volumes



#### Metal prices



#### Exchange rates



#### First quarter 2011

Net sales in the first quarter were MSEK 1,770 (1,548), up 14% on the previous year. Sales volumes grew by 11%. Market prices for our most important metals rose gradually in 2010 and metal price surcharges were accordingly higher in the first quarter of 2011 compared to the corresponding period in 2010. In addition, we have made selective price increases within certain product segments, which has had a positive effect on sales. However, a stronger Swedish krona compared to the previous year had a negative currency effect of 8%. Sales were also slightly adversely affected by the product mix.

Sales volumes were up on the corresponding period of 2010 across all regions. The first quarter is normally strong, and 2011 provided no negative surprises and represented a new record high for Höganäs. In addition, the recovery was robust on mature markets, which experienced high sales growth.

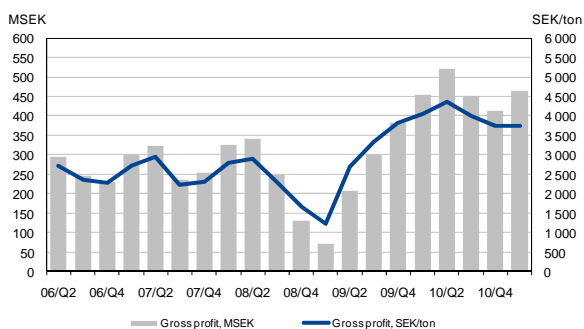
Europe saw surprisingly strong volume growth. The primary explanation is the sustained strong German economy, which has benefitted from solid domestic demand as well as continued healthy progress for its export industry. Sales in southern Europe were also surprisingly strong, following the weaker sequential trend in the second half of 2010. Overall, this meant that the first quarter of 2011 was Höganäs' strongest in Europe since the second quarter of 2008.

Volume growth remained high in North America during the quarter, with sales reaching new record levels by some margin. In South America, high growth was largely derived from Consumables while Components also saw healthy expansion.

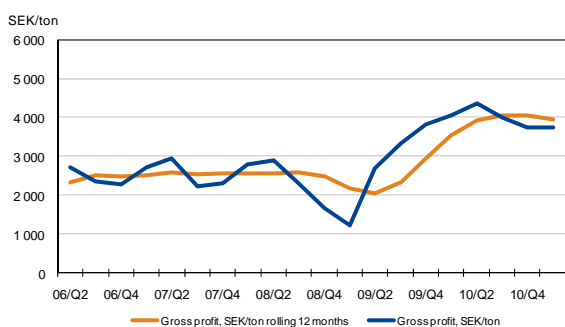
Demand in Asia remained strong. However, growth for the first quarter of 2011 compared to the corresponding period of the previous year was inhibited by the fact that sales volumes in the first quarter of 2010 were unusually high because of extra stockpiling. In addition, some customers made inventory adjustments in the first quarter of 2011. Sales in and from Japan also saw a slight adverse effect from the consequences of the nuclear accident.

## INCOME AND RETURNS

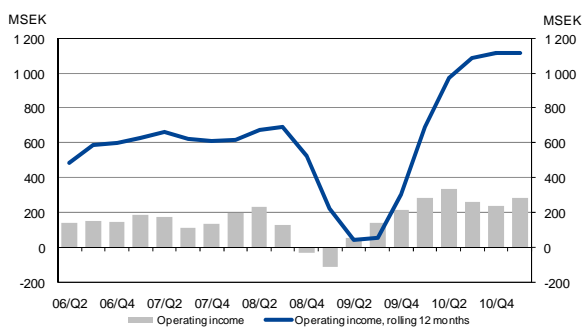
### Gross profit by quarter



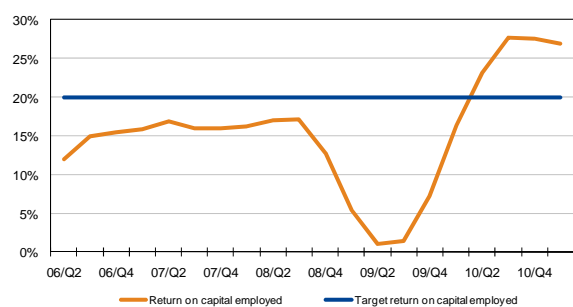
### Gross profit per ton



### Operating income by quarter



### Returns



### First quarter 2011

Gross profit was MSEK 465 (454). Higher sales volumes had a positive effect on gross profit. Although material costs were significantly higher in the past, this has been offset by increased metal price surcharges. However, the delay in metal price surcharges for iron scrap and ferrochrome had some negative effect on profitability for iron powder products. Prices rose sharply towards the end of 2010 and unlike nickel and copper, there is no suitable hedging instrument for iron scrap and ferrochrome. Rising metal prices for hedged metals resulted in negative metal hedging earnings of MSEK -16 (0), which were offset by inventory gains of the same scale. In the first quarter of 2010 Höganäs assesses that inventory gains exceeded metal hedging earnings slightly.

The Swedish krona appreciated against the majority of other currencies during the first quarter. Consequently, exchange rates were significantly less favourable than in 2010. Earnings from currency forward contracts intended to hedge balance sheet positions in foreign currencies were MSEK 9 (11), but were offset by negative exchange rate differences at revaluation with closing day exchange rates. A stronger Swedish krona also resulted in the currency forward contracts intended to hedge payment flows having positive earnings of MSEK 29 (19), while the effect on cash flow was negative. Höganäs estimates that the total currency effect, i.e. on gross profit and other operating items, reduced income by some MSEK 30 compared to the first quarter of the previous year.

Research and development costs were higher than in the previous year because of a high rate of investment relating to component solutions for new electromagnetic applications and in powder-based gear-wheels for gearboxes.

Other operating income and operating expenses were MSEK -2 (0) overall.

Operating income was MSEK 282 (282). The first-quarter operating margin was lower than in the corresponding period of the previous year, 15.9% (18.2), largely because of the adverse effect of metal price inflation on net sales.

Income before tax was MSEK 280 (274). Income after tax was MSEK 208 (207).

### Return on capital employed

Return on capital employed for the past 12 months was 26.8% (16.4). Returns continued to improve despite increased capital tied-up as a result of higher metal prices. The sustained income improvement has had a sharp positive effect on returns.

## Progress of Höganäs' business areas

### COMPONENTS

The Components business area, which represents some 75% of consolidated sales, covers all powder that is refined into components. Höganäs delivers high-grade metal powder that is refined into components in finished, or semi-finished, form by component producers. In turn, they deliver their components through product or system producers, or directly to OEMs (Original Equipment Manufacturers).

| MSEK                       | First quarter |       | Last 12 months | Full year |
|----------------------------|---------------|-------|----------------|-----------|
|                            | 2011          | 2010  |                | 2010      |
| Net sales                  | 1 330         | 1 164 | 5 212          | 5 046     |
| Operating income           | 202           | 213   | 818            | 829       |
| Operating margin, %        | 15,2          | 18,3  | 15,7           | 16,4      |
| Assets                     | 4 392         | 3 708 |                | 4 086     |
| Liabilities                | 834           | 680   |                | 739       |
| Investments                | 58            | 39    | 250            | 231       |
| Depreciations/amortisation | 52            | 47    | 232            | 227       |

#### Sales

Net sales for the period were MSEK 1,330 (1,164) up 14% year on year. The net sales increase was mainly caused by higher sales volumes, at +8%. Currency effects were negative, but were offset by the positive effects of higher metal prices.

The market was generally stable in the period.

In Europe, the period was stronger than expected. Demand in Germany remained high. Höganäs' customers benefitted from high export demand coupled with very good domestic demand. In southern Europe, the car industry stimulus package was terminated in the second half of 2010, implying reduced activity for many customers. France provided an exception where sustained high deliveries with scrapping premiums ensured that car sales remained high into 2011. Overall, this implied reduced volumes for Höganäs in the second half of 2010. The market has remained weak in early 2011, while Höganäs' sales in southern Europe were relatively strong. Our assessment is that Höganäs has gained market share in some countries such as France and Italy.

North America saw healthy sales progress across all areas in Components, not least because of sustained robust sales growth in the car industry. In this context, Höganäs has benefitted from sales volumes in the operations acquired from Kobelco in 2008. Höganäs' market share increased slightly in early 2011.

In South America, Höganäs' customers have benefitted from sustained high activity amongst car manufacturers and manufacturers of household and other products alike. Interest rate hikes in Brazil do not appear to have affected domestic demand to any significant extent to date.

In Asia, sales growth was more modest compared to last year's solid growth figures. This is largely due to

comparative figures for 2010 being affected by the extra stockpiling during that period. In China, short-term growth was slightly limited by capacity shortages amongst Höganäs' customers. The transfer of components manufacture to China is ongoing, but not sufficiently fast to satisfy demand from China's car industry. This implies that components continue to be extensively imported to China.

In Japan, car production fell in the first quarter as Japanese producers are increasingly allocating manufacture to China and Southeast Asia, driven by lower manufacturing costs and a strong Japanese yen. This has a negative effect on Höganäs' sales in Japan but is offset by increased sales across the rest of Asia. The nuclear accident in Japan in early March had a limited impact on production and sales in and from Japan. In Korea, Höganäs' customers benefitted from high production rates resulting from solid export growth, which was reflected in very robust sales growth for Höganäs. Record car sales in India ensured sustained high activity for Höganäs' customers. However, compared to the first quarter of 2010 Höganäs' sales increased only marginally, as 2010 sales were favourably affected ahead of tax increases and new emission regulations that became effective in April 2010.

#### Income

Operating income for the year was MSEK 202 (213) and the operating margin was 15.2% (18.3).

Higher sales volumes made a positive additional contribution while the effects of the stronger Swedish krona were negative. The delay in metal price inflation for iron scrap and ferrochrome had a negative effect on profitability for iron powder products. Increased research and development initiatives relating to component solutions for new electromagnetic applications and powder-based gear-wheels for gear boxes implied higher costs compared to the previous year.

## CONSUMABLES

The Consumables business area, which represents some 25% of consolidated sales, covers those powders used in processes like brazing, welding and surface coatings, and in the chemical and metallurgical process industries. Höganäs' customers include producers of welding materials, users of brazing and surface coating technologies and producers of food and animal feed.

| MSEK                       | First quarter |       | Last 12 months | Full year 2010 |
|----------------------------|---------------|-------|----------------|----------------|
|                            | 2011          | 2010  |                |                |
| Net sales                  | 440           | 384   | 1 681          | 1 625          |
| Operating income           | 80            | 69    | 296            | 285            |
| Operating margin, %        | 18,2          | 18,0  | 17,6           | 17,5           |
| Assets                     | 1 332         | 1 623 |                | 1 517          |
| Liabilities                | 220           | 344   |                | 285            |
| Investments                | 17            | 10    | 78             | 71             |
| Depreciations/amortisation | 17            | 26    | 57             | 66             |

### Sales

Net sales for the period were MSEK 440 (384), a 15% increase on 2010.

Volume expansion of 18% had a positive effect on sales. Metal price increases also favourably impacted sales, while product mix and exchange rate fluctuations had a negative effect.

After sales in Europe remaining stable in the second half of 2010, sales grew in the first quarter of 2011. Sales volumes reached a record high since the second quarter of 2007. The increase was largely driven by increased sales to the welding and aluminium industries, while most segments saw significantly higher volumes compared to the corresponding period of the previous year. However, there are indications that inventory levels amongst some welding customers are relatively high.

In North America, sales volumes returned robust sequential growth in the first quarter, exceeding the previous record from the first quarter of 2010. Several segments, including iron powder for the aluminium industry and oxygen absorbing products, returned higher volumes compared to the corresponding period in the previous year. Sales to friction products continued to decline as a result of relocalisation of manufacture of friction products from North America to Asia and Mexico.

South America returned very robust growth in the period. This was largely derived from increased sales of iron powder to ferro-niobium manufacture (high-tensile steel). Demand is driven by strong progress in the building and construction industry and other infrastructural investments.

After a seasonal downturn in Asia in the fourth quarter of 2010, sales grew in the first quarter of 2011. Even compared to last year growth was in double figures. The sales growth was largely generated in the segments for welding powder and surface coating. However, a negative effect from inventory adjustments amongst some welding customers in Southeast Asia was noted. Sales of hot-bags, which exhibit pronounced seasonal fluctuations, were roughly in line with the corresponding period of the previous year.

### Income

Operating income for the year was MSEK 80 (69) and the operating margin was 18.2% (18.0). Higher sales volumes made a positive contribution, while the effects of a stronger Swedish krona were negative. However, the stronger Swedish krona has a slightly less pronounced impact on Consumables than on Components, as the business area's value added is less exposed to the Swedish currency.

Rising metal prices generated a negative metal hedging outcome, although this was offset by inventory gains of the same magnitude. Although the metal hedging outcome was more negative in the first quarter of 2010, Höganäs assesses that inventory gains exceeded metal hedging losses slightly at that time. Because sales volumes were above forecast in the first half-year 2010, metal hedging levels fell below 100%. This generated a positive net of losses on forward contracts and inventory gains up until and including the third quarter of 2010.

## Group highlights (in the reporting period)

### FIRST QUARTER

Höganäs' electromagnetic Somaloy<sup>®</sup> powder used in pioneering micro compressors

In the first quarter of 2011, Brazil's Embraco launched a new type of micro compressor based on a Somaloy<sup>®</sup> material from Höganäs. Embraco is a global market leader in hermetic compressors. The micro compressor is useful in a wide range of portable applications as it weighs only around a tenth of existing products. The micro compressor is the result of a development project pursued jointly by Höganäs, Embraco and GKN in Brazil.

The micro compressor enables OEM and designers of cooling systems to develop new applications where restrictions are currently imposed by considerations of portability, space and battery power. As a result of its limited size, low weight and high efficiency, this micro compressor enables the development of high-performance cooling applications. This will generate scope for a number of new portable products using compressors on the market.

Somaloy<sup>®</sup> powder from Höganäs has been deemed a unique material that is optimal for this type of high-frequency linear compressor. The market for micro compressors is expected to grow to several million units over the coming ten-year period. Promising opportunities to convert other traditional, larger compressor applications to this technology also exist.

## Other financial information

### FINANCIAL POSITION

The equity/assets ratio was 58.0% at the end of the period, against 57.2% at year-end 2010. Shareholders' equity per share was SEK 96.31 against SEK 93.05 at the end of 2010.

Consolidated financial net debt was MSEK 802 at the end of the period, an increase of MSEK 10 since year-end. The net debt/equity ratio at the end of the period was 24%, unchanged on year-end 2010.

Net financial income and expenses were MSEK -2 (-8). Höganäs' interest expenses have increased since the previous year due to a five-year credit facility expiring in June 2010 and a new three-year facility being arranged at a higher cost. However, this has been offset by lower indebtedness and positive revaluation effects of short-term credit in foreign currency.

Cash and cash equivalents were MSEK 118 against MSEK 106 at the end of 2010. Un-utilised credit facilities of MSEK 2,121 are additional, of which MSEK 1,337 consists of the aforementioned three-year credit facility that runs from June 2010 onwards.

### CASHFLOW

Cash flow from operating activities was MSEK 16 (94). Working capital build-up was up on the same period in the previous year, and the supplementary preliminary tax payment was significantly higher because of Höganäs' strong income in 2010.

Financing activities had a MSEK 69 (-59) effect on cash flow. Utilisation of confirmed credit facilities reduced by MSEK 30 in the period.

### INVESTMENTS, DEPRECIATION AND AMORTISATION

Consolidated net investments in fixed assets were MSEK 67 (49). Depreciation and amortisation of fixed assets was MSEK 69 (73).

### HUMAN RESOURCES

There were 1,669 employees at the end of the period, against 1,647 at the end of 2010.

### SHARE CAPITAL

On 31 March 2011, Höganäs' share capital was unchanged at SEK 175,494,660, divided between a total of 35,098,932 class A and B shares, all with a quotient value of SEK 5.00 per share.

### RISKS AND UNCERTAINTY FACTORS

The group's and parent company's significant risk and uncertainty factors include business risks in the form of high exposure to the automotive industry. Financial risks, primarily currency risks and metal price risks, are additional. No other significant

risks are considered to have arisen in addition to those reviewed in Höganäs' Annual Report 2010, with the risk management section and Note 31 offering a more detailed review of the group's and parent company's risk exposure and risk management.

## **OUTLOOK**

The outlook for Europe has improved somewhat from the assessment presented in the financial statement for 2010 on 8 February 2011. Demand conditions are strong in South America and Asia, with the exception of Japan. Our view is that demand will continue to improve gradually in North America, but that the rate of recovery remains uncertain. Our judgement is that European market conditions are unpredictable and fragmented, while industry in some countries, such as Germany, stand to benefit from strong economic growth and exports in the short term, while austerity measures are expected to keep consumption down in Europe's more heavily indebted countries. Metal prices and exchange rates are expected to remain volatile, which will affect the progress of income.

The previous outlook read as follows: "Demand conditions are strong in Asia and South America. Höganäs' judgment is that demand will continue to improve gradually in North America, but that the rate of the recovery is uncertain. The view is that underlying European market conditions remain weak. Additionally, a temporary downturn is anticipated in Europe in the second half-year 2010 as the various incentive schemes on the car market are now concluding. Accordingly, for the group overall, there is a risk that sales volumes for the second half-year are weaker than the first half-year 2010. Metal prices and exchange rates are expected to remain volatile, which will affect the progress of income."

## **PARENT COMPANY**

As of 1 January 2010, the operations of the parent company (Höganäs AB) changed so that they exclusively consist of group-wide operations, while the operational component consisting of Europe Region is operated in a separate subsidiary, Höganäs Sweden AB.

Due to this change, comments on the parent company's net sales, results of operations, financial position and transactions with related parties are no longer of material significance to understand progress of the company's financial position and results of operations. The parent company's results of operations and financial position are presented in the final section of this Report.

## **ANNUAL GENERAL MEETING**

The AGM will be held at 3 p.m. on 2 May 2011 at HB-hallen, Höganäs, Sweden. The Board of Director's and the Nomination Committee's proposals to the AGM are stated on Höganäs' website, [www.hoganas.com](http://www.hoganas.com).

## **ACCOUNTING PRINCIPLES**

This report has been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU Commission for application within the EU.

This condensed interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable regulations in the Annual Accounts Act. The interim report for the parent company has been prepared in accordance with the Annual Accounts Act's chapter 9, Interim Reporting. The group and the parent company have applied the same accounting principles and methods of computation as in the latest Annual Report.

## **FINANCIAL INFORMATION**

The Annual General Meeting will be held on 2 May 2011

Second-quarter Interim Report 2011, 19 July

Third-quarter Interim Report 2011, 26 October

## **STREAMED PRESS CONFERENCE**

Alrik Danielson, CEO and President, and Sven Lindskog, Chief Financial Officer, will present this Interim Report in a conference call at 10:30 a.m. on 27 April 2011.

The press conference will be streamed at: [www.hoganas.com](http://www.hoganas.com) / Investor Relations / Conference Call. It is open to journalists, analysts and investors. Participants are welcome to call on +46 (0)8 505 598 12, +44 (0)207 108 6303 or +1 8666 765 870.

Alrik Danielson  
CEO & President

Höganäs AB (publ)

Höganäs, Sweden, 27 April 2011



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**NB:**

This information is mandatory for Höganäs to publish pursuant to the Swedish Securities Markets Act. The information was submitted for publication at 9:00 a.m. on 27 April 2011.

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**FOR MORE INFORMATION**

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## Consolidated Income Statement

| MSEK                                              | First quarter |            | Last 12 months | Full year 2010 |
|---------------------------------------------------|---------------|------------|----------------|----------------|
|                                                   | 2011          | 2010       |                |                |
| Net sales                                         | 1 770         | 1 548      | 6 893          | 6 671          |
| Cost of goods sold                                | -1 305        | -1 094     | -5 041         | -4 830         |
| <b>Gross profit</b>                               | <b>465</b>    | <b>454</b> | <b>1 852</b>   | <b>1 841</b>   |
| Selling expenses                                  | -77           | -69        | -256           | -248           |
| Administrative expenses                           | -64           | -77        | -310           | -323           |
| Research and development costs                    | -40           | -26        | -159           | -145           |
| Other operating income                            | 4             | 21         | 62             | 79             |
| Other operating expenses                          | -6            | -21        | -75            | -90            |
| <b>Operating income</b>                           | <b>282</b>    | <b>282</b> | <b>1 114</b>   | <b>1 114</b>   |
| Financial income                                  | 5             | -          | 16             | 11             |
| Financial expenses                                | -7            | -8         | -40            | -41            |
| <b>Income before tax</b>                          | <b>280</b>    | <b>274</b> | <b>1 090</b>   | <b>1 084</b>   |
| Tax                                               | -72           | -67        | -285           | -280           |
| <b>Net income</b>                                 | <b>208</b>    | <b>207</b> | <b>805</b>     | <b>804</b>     |
| <b>Net income attributable to:</b>                |               |            |                |                |
| Parent company shareholders                       | 208           | 207        | 805            | 804            |
| Non-controlling interests                         | -             | -          | -              | -              |
| <b>Total earnings for the period</b>              | <b>208</b>    | <b>207</b> | <b>805</b>     | <b>804</b>     |
| <b>Earnings per share for the period:</b>         |               |            |                |                |
| Before dilution, SEK                              | 5,97          | 5,94       | 23,14          | 23,11          |
| After dilution, SEK                               | 5,97          | 5,94       | 23,14          | 23,11          |
| <b>Average number of shares outstanding:</b>      |               |            |                |                |
| Before dilution ('000)                            | 34 805        | 34 805     | 34 805         | 34 805         |
| After dilution ('000)                             | 34 805        | 34 805     | 34 805         | 34 805         |
| Number of treasury shares at end of period ('000) | 294           | 294        | 294            | 294            |
| Average number of treasury shares ('000)          | 294           | 294        | 294            | 294            |

## Consolidated Statement of Comprehensive Income

| MSEK                                                        | First quarter |            | Last 12 mån | Full year 2010 |
|-------------------------------------------------------------|---------------|------------|-------------|----------------|
|                                                             | 2011          | 2010       |             |                |
| <b>Net income</b>                                           | <b>208</b>    | <b>207</b> | <b>805</b>  | <b>804</b>     |
| <b>Other comprehensive income</b>                           |               |            |             |                |
| Translation difference                                      | -240          | -12        | -437        | -209           |
| Hedging of currency risk in foreign operations              | 143           | 26         | 273         | 156            |
| Cash flow hedges                                            | 30            | -22        | 137         | 85             |
| Tax attributable to other comprehensive income              | -28           | -41        | -133        | -146           |
| <b>Other comprehensive income for the period</b>            | <b>-95</b>    | <b>-49</b> | <b>-160</b> | <b>-114</b>    |
| <b>Comprehensive income for the period</b>                  | <b>113</b>    | <b>158</b> | <b>645</b>  | <b>690</b>     |
| <b>Earnings per share for the period:</b>                   |               |            |             |                |
| Before dilution, SEK                                        | 3,25          | 4,54       | 18,53       | 19,82          |
| After dilution, SEK                                         | 3,25          | 4,54       | 18,53       | 19,82          |
| <b>Comprehensive income for the period attributable to:</b> |               |            |             |                |
| Parent company shareholders                                 | 113           | 158        | 645         | 690            |
| Non-controlling interests                                   | -             | -          | -           | -              |

## Consolidated Statement of Financial Position—Summary

| MSEK                                              | 31-Mar<br>2011 | 31-Mar<br>2010 | 31-Dec<br>2010 |
|---------------------------------------------------|----------------|----------------|----------------|
| <b>Assets</b>                                     |                |                |                |
| Intangible fixed assets                           | 286            | 270            | 297            |
| Tangible fixed assets                             | 2 307          | 2 444          | 2 374          |
| Long-term receivables                             | 90             | 96             | 104            |
| Deferred tax assets                               | 21             | 91             | 50             |
| <b>Total fixed assets</b>                         | <b>2 704</b>   | <b>2 901</b>   | <b>2 825</b>   |
| Inventories                                       | 1 565          | 1 247          | 1 581          |
| Current receivables                               | 1 392          | 1 165          | 1 155          |
| Liquid funds                                      | 118            | 115            | 106            |
| <b>Total current assets</b>                       | <b>3 075</b>   | <b>2 527</b>   | <b>2 842</b>   |
| <b>Total assets</b>                               | <b>5 779</b>   | <b>5 428</b>   | <b>5 667</b>   |
| <b>Shareholder's equity and liabilities</b>       |                |                |                |
| Shareholders' equity                              | <b>3 352</b>   | <b>2 811</b>   | <b>3 239</b>   |
| Long-term interest-bearing liabilities            | 732            | 1 116          | 814            |
| Other long-term liabilities                       | 42             | 47             | 52             |
| Provisions                                        | 28             | 38             | 29             |
| Deferred tax liabilities                          | 384            | 340            | 380            |
| <b>Total long-term liabilities</b>                | <b>1 186</b>   | <b>1 541</b>   | <b>1 275</b>   |
| Current interest-bearing liabilities              | 180            | 86             | 75             |
| Other current liabilities                         | 1 061          | 990            | 1 078          |
| <b>Total current liabilities</b>                  | <b>1 241</b>   | <b>1 076</b>   | <b>1 153</b>   |
| <b>Total liabilities</b>                          | <b>2 427</b>   | <b>2 617</b>   | <b>2 428</b>   |
| <b>Total shareholders' equity and liabilities</b> | <b>5 779</b>   | <b>5 428</b>   | <b>5 667</b>   |
| Pledged assets                                    | 40             | 46             | 42             |
| Contingent liabilities                            | 84             | 78             | 84             |

## Consolidated Statement of Changes in Shareholders' Equity—Summary

| MSEK                                | 31-Mar<br>2011 | 31-Mar<br>2010 | 31-Dec<br>2010 |
|-------------------------------------|----------------|----------------|----------------|
| Opening shareholders' equity        | 3 239          | 2 653          | 2 653          |
| Comprehensive income for the period | 113            | 158            | 690            |
| Dividends                           | -              | -              | -104           |
| <b>Closing shareholders' equity</b> | <b>3 352</b>   | <b>2 811</b>   | <b>3 239</b>   |

## Consolidated Statement of Cash Flows—Summary

| MSEK                                                                  | First quarter |            | Last 12 months | Full year 2010 |
|-----------------------------------------------------------------------|---------------|------------|----------------|----------------|
|                                                                       | 2011          | 2010       |                |                |
| Cash flow from operating activities before changes in working capital | 229           | 271        | 1 130          | 1 172          |
| Changes in working capital                                            | -213          | -177       | -510           | -474           |
| <b>Cash flow from operating activities</b>                            | <b>16</b>     | <b>94</b>  | <b>620</b>     | <b>698</b>     |
| Cash flow from investing activities                                   | -67           | -49        | -306           | -288           |
| Cash flow from financing activities                                   | 69            | -59        | -301           | -429           |
| <b>Cash flow for the period</b>                                       | <b>18</b>     | <b>-14</b> | <b>13</b>      | <b>-19</b>     |
| Liquid funds, opening balance                                         | 106           | 130        | 115            | 130            |
| Exchange rate differences in liquid funds                             | -6            | -1         | -10            | -5             |
| <b>Liquid funds, closing balance</b>                                  | <b>118</b>    | <b>115</b> | <b>118</b>     | <b>106</b>     |

## Key indicators

| MSEK                                                    | First quarter |             | Last 12 months | Full year 2010 |
|---------------------------------------------------------|---------------|-------------|----------------|----------------|
|                                                         | 2011          | 2010        |                |                |
| Net sales                                               | 1 770         | 1 548       | 6 893          | 6 671          |
| Operating income                                        | 282           | 282         | 1 114          | 1 114          |
| <i>Operating margin, %</i>                              | <i>15,9</i>   | <i>18,2</i> | <i>16,2</i>    | <i>16,7</i>    |
| Capital employed                                        | 4 272         | 4 026       | 4 149          | 4 137          |
| <i>Return on capital employed, % (latest 12 months)</i> | <i>-</i>      | <i>-</i>    | <i>26,8</i>    | <i>27,6</i>    |
| Equity                                                  | 3 352         | 2 811       | 3 082          | 3 239          |
| <i>Return on equity, % (latest 12 months)</i>           | <i>-</i>      | <i>-</i>    | <i>26,1</i>    | <i>27,3</i>    |
| Financial net debt                                      | 802           | 1 100       | -              | 792            |
| Debt/equity ratio, multiple                             | 0,24          | 0,39        | -              | 0,24           |
| Interest coverage ratio, multiple                       | 141,0         | 35,2        | -              | 37,1           |
| <b>Key figures per share <sup>1</sup></b>               |               |             |                |                |
| Earnings per share, SEK                                 | 5,97          | 5,94        | 23,14          | 23,11          |
| Shareholders' equity per share, SEK                     | 96,31         | 80,76       | 88,54          | 93,05          |
| Operating cashflow per share, SEK                       | 0,46          | 2,70        | 17,81          | 20,05          |

<sup>1</sup> Based on 34,805,132 shares (34,805,132) which correspond to the number of shares outstanding as of 31 March 2011 (31 March 2010), after dilution.

## Quarterly Consolidated Income Statement—Summary

| MSEK                                | 2011       |            |            |            | 2010       |            |            |            | 2009        |
|-------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|
|                                     | Q1         | Q4         | Q3         | Q2         | Q1         | Q4         | Q3         | Q2         | Q1          |
| Net sales                           | 1 770      | 1 612      | 1 728      | 1 783      | 1 548      | 1 364      | 1 193      | 1 098      | 916         |
| Cost of goods sold                  | -1 305     | -1 198     | -1 277     | -1 261     | -1 094     | -982       | -893       | -890       | -846        |
| <b>Gross profit</b>                 | <b>465</b> | <b>414</b> | <b>451</b> | <b>522</b> | <b>454</b> | <b>382</b> | <b>300</b> | <b>208</b> | <b>70</b>   |
| Selling and administrative expense  | -141       | -130       | -146       | -149       | -146       | -143       | -115       | -126       | -118        |
| Research and development costs      | -40        | -40        | -39        | -40        | -26        | -26        | -25        | -25        | -23         |
| Other operating income and expenses | -2         | -6         | -5         | -          | -          | -          | -18        | -3         | -40         |
| <b>Operating income</b>             | <b>282</b> | <b>238</b> | <b>261</b> | <b>333</b> | <b>282</b> | <b>213</b> | <b>142</b> | <b>54</b>  | <b>-111</b> |
| Net financial income and expenses   | -2         | -5         | -11        | -6         | -8         | -7         | -7         | -5         | -8          |
| <b>Income before tax</b>            | <b>280</b> | <b>233</b> | <b>250</b> | <b>327</b> | <b>274</b> | <b>206</b> | <b>135</b> | <b>49</b>  | <b>-119</b> |
| <b>Net income</b>                   | <b>208</b> | <b>162</b> | <b>189</b> | <b>246</b> | <b>207</b> | <b>157</b> | <b>102</b> | <b>37</b>  | <b>-90</b>  |

## Parent Company Income Statement —Summary\*

| MSEK                                          | First quarter |            | Last        | Full year   |
|-----------------------------------------------|---------------|------------|-------------|-------------|
|                                               | 2011          | 2010       | 12 months   | 2010        |
| Net sales                                     | 39            | 1          | 184         | 146         |
| Selling expenses                              | -13           | -22        | -66         | -75         |
| Administrative expenses                       | -34           | -31        | -161        | -158        |
| Research and development costs                | -38           | -25        | -150        | -137        |
| Other operating income and expenses           | -2            | -1         | -559        | -558        |
| <b>Operating income</b>                       | <b>-48</b>    | <b>-78</b> | <b>-752</b> | <b>-782</b> |
| Earnings on participations in Group companies | 62            | 10         | 96          | 44          |
| Financial income and expenses, net            | 117           | 62         | 239         | 184         |
| <b>Income after financial items</b>           | <b>131</b>    | <b>-6</b>  | <b>-417</b> | <b>-554</b> |
| Appropriations                                | -             | -          | 637         | 637         |
| <b>Income before tax</b>                      | <b>131</b>    | <b>-6</b>  | <b>220</b>  | <b>83</b>   |
| Tax                                           | -20           | 2          | -43         | -21         |
| <b>Net income</b>                             | <b>111</b>    | <b>-4</b>  | <b>177</b>  | <b>62</b>   |
| Depreciation/amortisation for the period      | 8             | 5          | 29          | 26          |

## Parent Company Statement of Comprehensive Income

| MSEK                                             | First quarter |            | Last       | Full year  |
|--------------------------------------------------|---------------|------------|------------|------------|
|                                                  | 2011          | 2010       | 12 months  | 2010       |
| <b>Net income</b>                                | <b>111</b>    | <b>-4</b>  | <b>177</b> | <b>62</b>  |
| <b>Other comprehensive income</b>                |               |            |            |            |
| Cash flow hedges                                 | 2             | -12        | -          | -14        |
| Tax attributable to other comprehensive income   | -1            | 3          | -          | 4          |
| <b>Other comprehensive income for the period</b> | <b>1</b>      | <b>-9</b>  | <b>-</b>   | <b>-10</b> |
| <b>Comprehensive income for the period</b>       | <b>112</b>    | <b>-13</b> | <b>177</b> | <b>52</b>  |

\* As of 1 January 2010, the operating branch has been relocated to a separate subsidiary, Höganäs Sweden AB. An inter-company transfer of fixed assets was completed at taxable values. The parent company operations subsequently comprise group-wide operations.

## Parent Company Balance Sheet—Summary

| MSEK                                              | 31-Mar<br>2011 | 31-Mar<br>2010 | 31-Dec<br>2010 |
|---------------------------------------------------|----------------|----------------|----------------|
| <b>Assets</b>                                     |                |                |                |
| Intangible fixed assets                           | 76             | 43             | 77             |
| Tangible fixed assets                             | 89             | 104            | 84             |
| Financial fixed assets                            | 3 654          | 3 767          | 3 654          |
| <b>Total fixed assets</b>                         | <b>3 819</b>   | <b>3 914</b>   | <b>3 815</b>   |
| Current receivables                               | 217            | 153            | 185            |
| Liquid funds                                      | 1              | 2              | 3              |
| <b>Total current assets</b>                       | <b>218</b>     | <b>155</b>     | <b>188</b>     |
| <b>Total assets</b>                               | <b>4 037</b>   | <b>4 069</b>   | <b>4 003</b>   |
| <b>Shareholder's equity and liabilities</b>       |                |                |                |
| Shareholders' equity                              | 1 733          | 1 168          | 1 621          |
| Untaxed reserves                                  | 58             | 694            | 58             |
| Provisions                                        | 26             | 26             | 11             |
| Long-term interest-bearing liabilities            | 988            | 1 125          | 1 065          |
| Other long-term liabilities                       | 705            | 847            | 709            |
| <b>Total long-term liabilities</b>                | <b>1 693</b>   | <b>1 972</b>   | <b>1 774</b>   |
| Short-term interest-bearing liabilities           | 204            | 71             | 105            |
| Other current liabilities                         | 323            | 138            | 434            |
| <b>Total current liabilities</b>                  | <b>527</b>     | <b>209</b>     | <b>539</b>     |
| <b>Total shareholders' equity and liabilities</b> | <b>4 037</b>   | <b>4 069</b>   | <b>4 003</b>   |
| Pledged assets                                    | 10             | 10             | 10             |
| Contingent liabilities                            | 274            | 334            | 281            |

## Parent Company Statement of Changes in Shareholders' Equity—Summary

| MSEK                                  | 31-Mar<br>2011 | 31-Mar<br>2010 | 31-Dec<br>2010 |
|---------------------------------------|----------------|----------------|----------------|
| Opening shareholders' equity          | 1 621          | 1 181          | 1 181          |
| Comprehensive income                  | 112            | -13            | 52             |
| Group contribution paid/received, net | -              | -              | 492            |
| Dividends                             | -              | -              | -104           |
| <b>Closing shareholders' equity</b>   | <b>1 733</b>   | <b>1 168</b>   | <b>1 621</b>   |