

## INTERIM REPORT

First quarter 2012

### First quarter 2012 (compared to the corresponding period of the previous year)

- Net sales were MSEK 1,813 (1,770), up 2% year on year. Sales volumes were 3% lower. Demand conditions were better than in the corresponding period of the previous year in Asia and North America, but worse in Europe. However, the sequential volume increase (in quarter-on-quarter terms) was very positive in all regions.
- Operating income was MSEK 282 (282) and income after tax was MSEK 203 (208). Lower sales volumes and lower currency hedging earnings had a negative impact on income, while price increases and savings measures had a positive effect.
- Earnings per share before and after dilution for the quarter were SEK 5.83 (5.97).
- Cash flow from operating activities was MSEK 324 (16). Cash flow was strong thanks to the low level of increase of the working capital.
- The net debt/equity ratio was 17% at the end of the period, compared to 25% at the beginning of the financial year.
- Prospects have improved somewhat compared to the assessment made in the Year-end Report. Uncertainty regarding the immediate future has eased. A significant downturn in global industrial activity in 2012 due to the global debt crisis now appears unlikely, despite fundamental imbalances persisting. Höganäs judges that demand conditions are expected to be weaker than last year in Europe, but fairly favourable in the rest of the world.

### CEO's comments—first quarter: Good start to 2012 and advances in surface coating segment

“As expected, the market was fairly weak in Europe in the first quarter, while the recovery in Asia continued after a 2011 hit by the tsunami and flooding. On a volatile market, we succeeded in safeguarding sales, earnings and cash flow, despite a notable negative currency effect. Sales volumes were somewhat lower than 2011, but comparisons should consider that the first quarter of 2011 was exceptionally strong, when we reported an 11% volume growth on the first quarter of 2010. Meanwhile, we are pleased that the outlook for 2012 is somewhat more positive than the view we had last autumn.

Our investments in research and development are still generating results. Jointly with an Indian customer, we have extended the usage of lasers for surface coating to also function for valve seats. This opens new market segments for our surface coating powders, in the automotive and other industries. It also reinforces our conviction that our focus on building know-how in the laser surface coating segment is correct.

### Income highlights

MSEK	First quarter		Last 12 months	Full year 2011
	2012	2011		
Net sales	1 813	1 770	7 124	7 081
Operating income	282	282	1 071	1 071
<i>Operating margin, %</i>	15,6	15,9	15,0	15,1
Income before tax	274	280	1 018	1 024
Tax	-71	-72	-261	-262
<b>Net income</b>	<b>203</b>	<b>208</b>	<b>757</b>	<b>762</b>
Earnings per share before dilution, SEK	5,83	5,97	21,76	21,90
Earnings per share after dilution, SEK	5,83	5,97	21,76	21,90
<i>Return on capital employed, % (12 months)</i>	-	-	24,7	24,9

## Business areas (operating segments)

Net sales, MSEK	First quarter		Last	Full year
	2012	2011	12 months	2011
Components	1 386	1 330	5 434	5 378
Consumables	427	440	1 690	1 703
<b>Total</b>	<b>1 813</b>	<b>1 770</b>	<b>7 124</b>	<b>7 081</b>

Income, MSEK	First quarter		Last	Full year
	2012	2011	12 months	2011
Operating income:				
Components	212	202	776	766
Consumables	70	80	295	305
<b>Operating income</b>	<b>282</b>	<b>282</b>	<b>1 071</b>	<b>1 071</b>
Net financial income/expenses	-8	-2	-53	-47
<b>Income before tax</b>	<b>274</b>	<b>280</b>	<b>1 018</b>	<b>1 024</b>

Operating margin, %	First quarter		Last	Full year
	2012	2011	12 months	2011
Components	15,3	15,2	14,3	14,2
Consumables	16,4	18,2	17,5	17,9
<b>Total</b>	<b>15,6</b>	<b>15,9</b>	<b>15,0</b>	<b>15,1</b>

## Sales by geographical region

Net sales, MSEK	First quarter		Last	Full year
	2012	2011	12 months	2011
Europe	571	604	2 251	2 284
America	571	546	2 297	2 272
Asia	671	620	2 576	2 525
<b>Total</b>	<b>1 813</b>	<b>1 770</b>	<b>7 124</b>	<b>7 081</b>

### HÖGANÄS IN BRIEF

Höganäs AB (publ) 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.

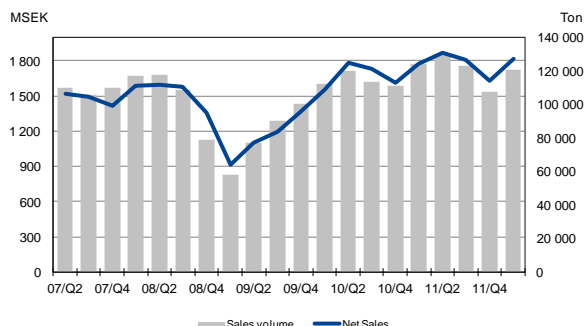
Thus Höganäs can help create the automotive components, white goods, water and exhaust treatment products of the future in collaboration with its customers. Founded in 1797, the company had sales of MSEK 7,081 in 2011, and is quoted on NASDAQ OMX Stockholm's Mid Cap List.

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

## Group progress

### NET SALES AND VOLUME

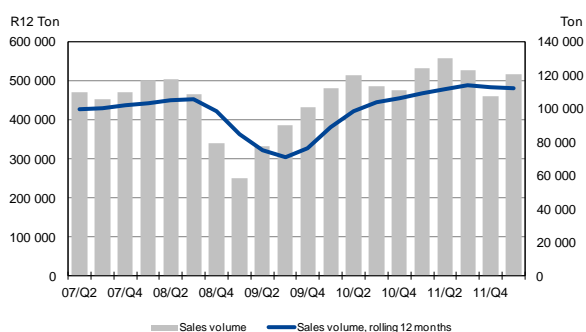
#### Net sales and volume by quarter



#### First quarter 2012

Net sales in the first quarter amounted to MSEK 1,813 (1,770), up 2% year on year. However, sales volumes were down 3%. The metal price surcharge for steel scrap was higher than in the corresponding period of 2011, while price surcharges for alloy metals were generally lower. This is because market pricing of metals has progressed in different directions over the past year. General price increases were also implemented in the period, which had a positive effect on sales. The Swedish krona remained volatile in the quarter. Overall, the currency effect on sales values was a positive 2.6% year on year.

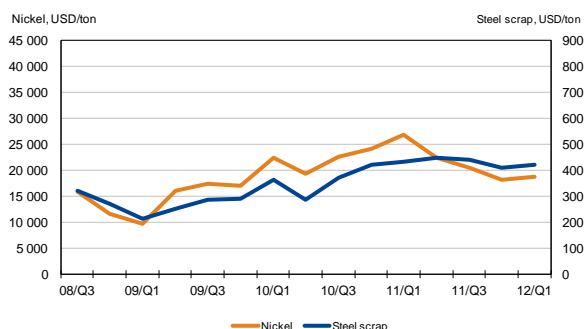
#### Volumes



Sales were higher than in the first quarter of 2011 in Asia and America, but lower in Europe.

Sales volumes in Europe were down on the first quarter of 2011, although this was an exceptionally robust quarter. Downgraded forecasts for car production in 2012 resulted in lower order levels for component manufacturers and all major European markets were weaker than in the first quarter of last year.

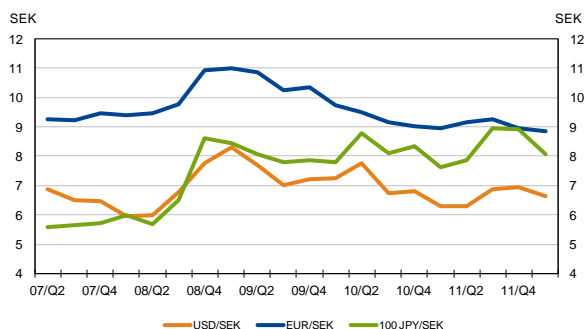
#### Metal prices



Sales in Asia featured continued strength in Korea and an ongoing recovery on other markets, apart from India. Very positive sales increases were achieved in Japan and Southeast Asia. A weaker manufacturing cycle resulted in fairly low sales volumes in India early in the year. Industrial activity in India is expected to be restrained in the first half-year 2012, although a recovery is expected in the autumn.

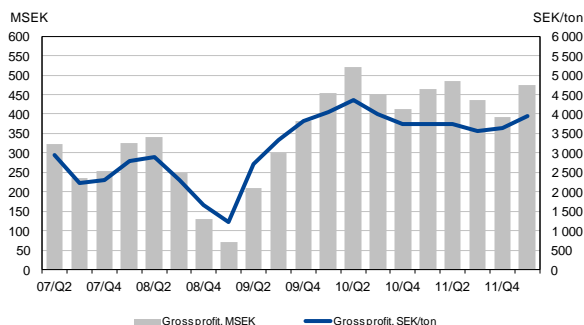
In North America, volume growth from previous quarters continued. A new record volume was set for the first quarter of 2012, excluding the one-off deliveries to Hoeganaes Corporation in the second and third quarters of 2011. In South America, high inventory levels in the fourth quarter of 2011 triggered restraint in manufacturing in late-2011 and early-2012. Accordingly, the stimulus measures implemented by the Brazilian government in late-2011 have not yet had any notable effect. To date, demand conditions were fairly weak for domestic component manufacturers in Brazil.

#### Exchange rates

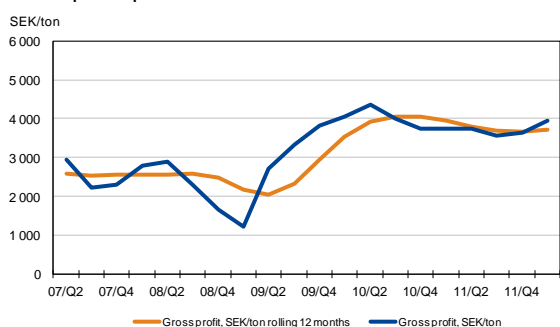


## INCOME AND RETURNS

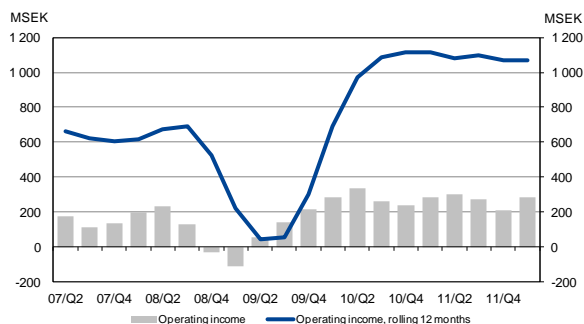
### Gross profit by quarter



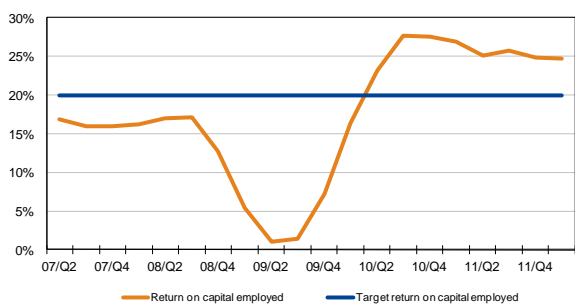
### Gross profit per ton



### Operating income by quarter



### Returns



### First quarter 2012

Gross profit was MSEK 475 (465). Lower sales volumes and currency effects had a negative effect on gross profit, while price increases implemented and savings measures had a positive effect.

The cost of materials was volatile in the period. Metal price surcharges for steel scrap were higher than in the first quarter of 2011, but lower for alloy metals. Overall, Höganäs judges that metal price surcharges compensated for raw materials price fluctuations in the period. However, Höganäs' judgement in the first quarter 2011 was that the delay in metal price surcharges on steel scrap and ferrochrome had some negative profitability effect on iron powder products. Falling prices of those metals hedged resulted in positive hedging earnings of MSEK 2 (-16), although this was offset by inventory losses of the same scale. Production rates in plants moved upwards sequentially through the first quarter, resulting in cost absorption that was higher than in the fourth quarter of 2011, and comparable with the corresponding period of the previous year.

The Swedish krona appreciated against other currencies in another quarter of high volatility. Earnings from currency forward contracts intended to hedge balance sheet positions in foreign currencies were MSEK 9 (9), but were offset by negative currency differences on valuation at closing day rates. Accordingly, the related income effect was insignificant. But the average exchange rates in the quarter were somewhat more positive than the corresponding period of 2011, which generated a positive income effect on ongoing payment flows. Thus the forward contracts intended to hedge payment flows produced a loss of MSEK -3 (29).

Höganäs estimates that the currency effect on operating income reduced income by MSEK 15 year on year, and arose primarily due to the income difference from these forward contracts. The variation in average rates of exchange in the first quarter 2011 compared to 2010 and thus generated significantly higher earnings from forward contracts in the first quarter of 2011.

Selling expenses were lower than the previous year, largely due to the provisioning for bad debt being increased in the first quarter of 2011. Administrative expenses were higher than the previous year, primarily because of an MSEK 8 increase in the provisioning for costs for the 2007-2009 staff stock option plan, a result of the progress of the price of the Höganäs share in the period, while this provision reduced by MSEK 5 in the first quarter of 2011 for the same reason. Operating income amounted to MSEK 282 (282). The first-quarter operating margin was down year on year, 15.6% (15.9) primarily due to currency effects. Income before tax was MSEK 274 (280). Income after tax was MSEK 203 (208).

### Return on capital employed

Return on capital employed for the past 12 months was 24.7% (26.8). Returns stabilised at a favourable level despite increased capital tied-up as a result of higher sales volumes. Höganäs continued to manage the sales increase without significant investments.

## Progress of Höganäs' business areas (operating segments)

### 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	Full year
	2012	2011	12 months	2011
Net sales	1 386	1 330	5 434	5 378
Operating income	212	202	776	766
Operating margin, %	15,3	15,2	14,3	14,2
Assets	4 704	4 392		4 708
Liabilities	901	834		826
Investments	64	58	362	356
Depreciations/amortisation	59	52	230	223
Reversal of write-downs	-	-	8	8

### Sales

Net sales for the quarter were MSEK 1,386 (1,330), up 4% year on year. The increase is due to higher price surcharges for steel scrap, price increases implemented and currency effects. Sales volumes were 1% lower.

The market featured its normal seasonality, and accordingly, sales volumes in all regions increased significantly on the fourth quarter of 2011.

However, as expected, the European market was weak. Even if a clear recovery was apparent on the fourth quarter 2011, a continuous decrease in car production figures since the first quarter 2011, combined with lower industrial production, meant that demand was notably lower than the first quarter of 2011. In addition, the first quarter of 2011 was very strong, with 13% volume growth. The markets then judged a strong, such as Germany, France and Italy, were significantly weaker in early-2012. The European markets that were weak a year ago remained at approximately the same levels as in the first quarter of 2012.

Continued positive sales performance was apparent in North America. More stable economic indicators and good export conditions drove increased demand for Höganäs' customers. The first quarter of 2012 brought a new record for sales volumes, apart from the one-off volumes delivered to Hoeganaes Corporation in the second and third quarters 2011. Sales volumes in South America were restrained by continued low car production volumes, which combined with high inventory levels in the fourth quarter of 2011, meant a fairly slow start to 2012. No effect was yet discernible from the tax increases implemented on imported cars or the tax easings conducted for domestic production. Further stimulus measures were announced in early-April.

Sales growth in Asia was positive. The effect of the recovery was significant in Japan after last year's

production disruptions caused by the tsunami. In addition, the market was also favoured by extended discounts on hybrid vehicles. In China, automotive statistics were weak overall in the first quarter, but an easing of the credit situation and good momentum for foreign manufacturers appear to have favoured Höganäs' sales volumes. The sales increase also continued in Korea, albeit not at the same extreme rate as in 2011, thanks to strong export performance by Höganäs' customers. Brisk sales progress in Southeast Asia was explained by a recovery in Thailand after last year's flooding, and a demand increase on certain local markets, such as Indonesia. Höganäs' good growth in India levelled off in the fourth quarter of 2011 and in the first quarter of 2012. Largely, demand is driven by demand conditions on the domestic car market, where penetration is low measured in terms of vehicle numbers in relation to population. Because many car purchases are credit financed, the combination of repeated interest rate increases and rising fuel prices exerted a restraining effect on sales in recent months. However, Höganäs judges that this was a temporary effect and that going forward, the prospects in India are still good.

### Income

Operating income for the quarter was MSEK 212 (202) and the operating margin was 15.3% (15.2).

Somewhat lower sales volumes and lower currency hedging earnings had a negative effect on income. Price increases implemented and savings measures had a positive effect. Höganäs judges that metal price surcharges compensated for raw materials price fluctuations in the period, while there was some negative delay effect on profitability in the first quarter of 2011 for metal price surcharges for steel scrap and ferrochrome.

## 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	Full year
	2012	2011	12 months	2011
Net sales	427	440	1 690	1 703
Operating income	70	80	295	305
Operating margin, %	16,4	18,2	17,5	17,9
Assets	1 186	1 332		1 129
Liabilities	194	220		215
Investments	25	17	118	110
Depreciations/amortisation	18	17	71	70
Reversal of write-downs	-	-	3	3

### Sales

Net sales for the quarter were MSEK 427 (440), down 3% year on year.

The volume contraction of 8% affected sales negatively. Additionally, reducing prices for alloy metals had a negative effect on sales, while exchange rate fluctuations had a somewhat positive effect on sales.

In Europe, sales volumes were down year on year in most market segments and countries. Lower activity across much of manufacturing brought weaker demand than the corresponding period of 2011. As for Components, a significant volume increase on the fourth quarter 2011 was apparent, but the comparison with the first quarter of 2011 was unfavourable because this was a very strong comparative quarter, with 23% volume growth year on year. In fact, the first quarter 2012 was the strongest quarter in volume terms since the first quarter of 2011.

Sales volumes achieved good sequential growth in North America in the first quarter, converging on the previous record from the first quarter 2011. Sales to friction products continued to decrease as a result of the relocation of production from North America to Asia and Mexico. In several segments, including iron powder for the welding industry and surface coatings, volumes increased year on year. Good sequential growth was also apparent in South America, but the comparison with the first quarter of 2011 revealed weaker volume performance. This is because Höganäs has discontinued selling one specific type of purchased iron alloys to the Brazilian metal industry. This business, with products manufactured by third parties and

imported to Brazil, achieved poorer profitability in 2011 due to price fluctuations on alloy metals and currencies, and accordingly, was discontinued. The significant sales of iron powder to ferro-niobium manufacture (for micro-alloying of high-strength steel) increased on the corresponding period of the previous year.

Overall, sales in Asia were comparable with the corresponding period of 2011, but offered a mixed picture. Growth in the key segments of surface coating, hot bags and welding powder continued, apart from welding powder in India, where the early part of the year was weak. To some extent, it appears as if customers increased their inventory levels in the fourth quarter ahead of the price increases Höganäs implemented at year-end. The oxygen absorption product segment, which achieved high growth in 2011 in Asia, also saw inventory adjustments by certain customers and the effect of production disruptions in Thailand.

### Income

Operating income for the quarter was MSEK 70 (80) and the operating margin was 16.4% (18.2). The reduction in sales volumes and lower currency hedging earnings affected income negatively. However, the negative effect of the difference in hedging earnings was less for Consumables than for Components, because the business area's value-added has lower exposure to the Swedish currency. Price increases implemented and savings measures had a positive effect.

Falling metal prices resulted in a positive metal hedging out-turn, which was offset by inventory losses of the same scale.

## Group highlights (in the reporting period)

### FIRST QUARTER

#### Höganäs delivers metal powder for laser surface coating of valve seats

In the first quarter, Höganäs commenced deliveries of a nickel-based metal powder to Geometrix Laser Solutions Private Ltd. in Hyderabad, India, using laser cladding for surface coating of valve seats for industrial applications. This is a new market segment for Höganäs and this is the first time laser cladding has been used for this type of valve seat.

Geometrix Laser Solutions has in collaboration with Höganäs developed a new technology for smelting surface coating powder onto the valve seat material. Traditionally, TIG wire welding is utilised, but in addition to significantly lower cost and superior reliability, the new laser technology brings major benefits in the form of lower consumption of materials, reduced effect on the substrate material, higher production efficiency and fewer rejections.

Valves are used to regulate the flow of liquids or slurries like oil, water or chemicals, and are subject to high corrosion and wear strength standards. The valve seat is the surface on which the valve rests in its closed position. The rapid development of modern laser technology is reducing the price of equipment and the number of applications of metal powder is expected to increase briskly. The estimated value of the market for this type of valves for industrial applications is MSEK 300. Ultimately, this technology may also be usable in other application segments, such as the energy sector or for large diesel engines.

Höganäs already delivers its powder products to other valve seat segments, but also for valves for the automotive industry and marine applications, for example, where the powder is sprayed onto valves using PTA (plasma transferred arc) technology.

## Other financial information

### FINANCIAL POSITION

The equity/assets ratio was 61.7% at the end of the period, against 59.2% at year-end 2011. Shareholders' equity per share was SEK 105.82 against SEK 100.96 at the end of 2011.

Consolidated financial net debt was MSEK 612 at the end of the period, a decrease of MSEK 267 on the previous year-end. The net debt/equity ratio at the end of the period was 17%, compared to 25% at year-end 2011.

Net financial income and expenses were MSEK -8 (-2). Höganäs' interest expenses increased somewhat on the previous year due to somewhat higher indebtedness in the period and higher costs for short credits. In the period, the revaluation effect of short credits in foreign currency had an insignificant impact overall on net financial income and expense, compared to a positive MSEK 3 effect for the corresponding period of 2011.

Cash and cash equivalents were MSEK 100 compared to MSEK 82 at the end of 2011. Un-utilised credit facilities of MSEK 1,840 are additional, of which MSEK 1,364 consists of a three-year credit facility that runs from June 2010 onwards.

### CASH FLOW

Cash flow from operating activities was MSEK 324 (16). Cash flow improved because the significant sequential volume growth from the fourth quarter 2011 to the first quarter 2012 was manageable without any great increase in working capital. The comparison is also positively affected by a final tax payment made in the first quarter of 2011 due to the sharp increase in profit in 2010.

Financing activities affected cash flow by MSEK -210 (69). Utilisation of the three-year credit facility was unchanged at the end of the period compared to year-end 2011, while utilisation of other credit facilities decreased by MSEK 210.

### INVESTMENTS, DEPRECIATION AND AMORTISATION

Consolidated net investments in fixed assets were MSEK 95 (67). Depreciation and amortisation of fixed assets was MSEK 77 (69).

### HUMAN RESOURCES

There were 1,722 employees at the end of the period, against 1,707 at the end of 2011.

### SHARE CAPITAL

On 31 March 2012, Höganäs' share capital was unchanged at SEK 175,494,660, divided between a total of 981,000 class A shares and 34,117,932 class 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 2011, 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 has been reformulated somewhat from the assessment made in the Year-end Report 2011 on 9 February 2012. How much the debt and liquidity crisis will affect global industrial activity remains uncertain, but in the short term, uncertainty has reduced. At present, a significant downturn in global industrial activity appears unlikely. Underlying long-term demand conditions appear strong in South America and Asia. The fairly weak start to the year in South America and India does not mean that the outlook for the full year 2012 is negative. Underlying demand conditions in Japan are unstable, but 2012 is expected to be a year of recovery after a weak 2011 due to the tsunami. In the short term, Höganäs assesses that demand will continue to improve in North America. European market conditions appear negative at present. In those countries where demand conditions were already weak a year ago, conditions are largely unchanged, but have deteriorated notably in those countries that were still strong at that time. Metal prices and exchange rates are expected to remain volatile, which will also affect income performance.

The previous outlook was as follows: "It is uncertain how much the debt and liquidity crisis will affect global industrial activity. In the short term, it could mean that sales temporarily decrease and production rates must be adapted to this. However, the underlying long-term demand conditions appear strong in South America and Asia, apart from Japan. If a recession can be avoided in North America, we think that demand will continue to improve there, but the rate of recovery will remain volatile. European market conditions are divided, where manufacturing in certain countries like Germany may continue to benefit from good economic growth and exports, while policy tightening holds consumption levels in check in Europe's more indebted countries. Metal prices and exchange rates are expected to remain volatile, which will also affect the progress of income."

## **PARENT COMPANY**

The operations of the parent company (Höganäs AB) exclusively consist of group-wide operations, while the trading component consisting of Europe Region is operated in a separate subsidiary, Höganäs Sweden AB.

Comments on the parent company's net sales, results of operations, financial position and transactions with related parties are no longer considered 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.

## **ACCOUNTING PRINCIPLES**

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 parent company have applied the same accounting principles and methods of computation as in the latest Annual Report.

## **ANNUAL GENERAL MEETING**

The AGM will be held at 3 p.m. on 2 May 2012 at HB-hallen, Höganäs, Sweden. The Board of Directors' and Nomination Committee's proposals for the AGM are on Höganäs' website, [www.hoganas.com](http://www.hoganas.com).

## **FINANCIAL INFORMATION**

The Annual General Meeting will be held on 2 May 2012

Second-quarter Interim Report 2012, 20 July

Third-quarter Interim Report 2012, 24 October



## **STREAMED PRESS CONFERENCE**

Alrik Danielson, CEO and President, and Sven Lindskog, Chief Financial Officer, will present this Report in a conference call at 10:30 a.m. on 25 April 2012.

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)8 506 85759, +44 (0)207 108 6303 or +1 8666 765 870.

Alrik Danielson

CEO & President

Höganäs AB (publ)

Höganäs, Sweden, 25 April 2012

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## **NB:**

The information in this Report is mandatory for Höganäs AB (publ) to publish pursuant to the Swedish Securities Markets Act. This Report has not been subject to review by the company's auditors. The information was submitted for publication at 9:00 a.m. on 25 April 2012.

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## **FOR MORE INFORMATION**

For more information, please contact:

Alrik Danielson, CEO and President, +46 (0)42 33 80 00

Sven Lindskog, Chief Financial Officer, +46 (0)42 33 80 00

## Consolidated Income Statement

MSEK	First quarter		Last	Full year
	2012	2011	12 months	2011
Net sales	1 813	1 770	7 124	7 081
Cost of goods sold	-1 338	-1 305	-5 336	-5 303
<b>Gross profit</b>	<b>475</b>	<b>465</b>	<b>1 788</b>	<b>1 778</b>
Selling expenses	-67	-77	-269	-279
Administrative expenses	-89	-64	-309	-284
Research and development costs	-39	-40	-156	-157
Other operating income	4	4	15	15
Other operating expenses	-2	-6	2	-2
<b>Operating income</b>	<b>282</b>	<b>282</b>	<b>1 071</b>	<b>1 071</b>
Financial income	3	5	9	11
Financial expenses	-11	-7	-62	-58
<b>Income before tax</b>	<b>274</b>	<b>280</b>	<b>1 018</b>	<b>1 024</b>
Tax	-71	-72	-261	-262
<b>Net income</b>	<b>203</b>	<b>208</b>	<b>757</b>	<b>762</b>
<b>Net income attributable to:</b>				
Parent company shareholders	203	208	757	762
Non-controlling interests	0	0	0	0
<b>Total earnings for the period</b>	<b>203</b>	<b>208</b>	<b>757</b>	<b>762</b>
<b>Earnings per share for the period:</b>				
Before dilution, SEK	5,83	5,97	21,76	21,90
After dilution, SEK	5,83	5,97	21,76	21,90
<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	Full year
	2012	2011	12 months	2011
<b>Net income</b>	<b>203</b>	<b>208</b>	<b>757</b>	<b>762</b>
<b>Other comprehensive income</b>				
Translation difference	-168	-240	93	21
Hedging of currency risk in foreign operations	102	143	-100	-59
Cash flow hedges	68	30	-110	-148
Tax attributable to other comprehensive income	-36	-28	39	47
<b>Other comprehensive income for the period</b>	<b>-34</b>	<b>-95</b>	<b>-78</b>	<b>-139</b>
<b>Comprehensive income for the period</b>	<b>169</b>	<b>113</b>	<b>679</b>	<b>623</b>
<b>Earnings per share for the period:</b>				
Before dilution, SEK	4,86	3,25	19,51	17,90
After dilution, SEK	4,86	3,25	19,51	17,90
<b>Comprehensive income for the period attributable to:</b>				
Parent company shareholders	169	113	679	623
Non-controlling interests	0	0	0	0

## Consolidated Statement of Financial Position—Summary

MSEK	31-Mar 2012	31-Mar 2011	31-Dec 2011
<b>Assets</b>			
Intangible fixed assets	288	286	301
Tangible fixed assets	2 509	2 307	2 556
Long-term receivables	90	90	88
Deferred tax assets	23	21	35
<b>Total fixed assets</b>	<b>2 910</b>	<b>2 704</b>	<b>2 980</b>
Inventories	1 626	1 565	1 701
Current receivables	1 333	1 392	1 173
Liquid funds	100	118	82
<b>Total current assets</b>	<b>3 059</b>	<b>3 075</b>	<b>2 956</b>
<b>Total assets</b>	<b>5 969</b>	<b>5 779</b>	<b>5 936</b>
<b>Shareholder's equity and liabilities</b>			
Shareholders' equity	<b>3 683</b>	<b>3 352</b>	<b>3 514</b>
Long-term interest-bearing liabilities	592	732	819
Other long-term liabilities	38	42	40
Provisions	23	28	23
Deferred tax liabilities	393	384	370
<b>Total long-term liabilities</b>	<b>1 046</b>	<b>1 186</b>	<b>1 252</b>
Current interest-bearing liabilities	112	180	133
Other current liabilities	1 128	1 061	1 037
<b>Total current liabilities</b>	<b>1 240</b>	<b>1 241</b>	<b>1 170</b>
<b>Total liabilities</b>	<b>2 286</b>	<b>2 427</b>	<b>2 422</b>
<b>Total shareholders' equity and liabilities</b>	<b>5 969</b>	<b>5 779</b>	<b>5 936</b>
Pledged assets	55	40	59
Contingent liabilities	94	84	85

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

MSEK	31-Mar 2012	31-Mar 2011	31-Dec 2011
Opening shareholders' equity	3 514	3 239	3 239
Comprehensive income for the period	169	113	623
Dividends	-	-	-348
<b>Closing shareholders' equity</b>	<b>3 683</b>	<b>3 352</b>	<b>3 514</b>

## Consolidated Statement of Cash Flows—Summary

MSEK	First quarter		Last	Full year
	2012	2011	12 months	2011
Cash flow from operating activities before changes in working capital	331	229	1 093	991
Changes in working capital	-7	-213	18	-188
<b>Cash flow from operating activities</b>	<b>324</b>	<b>16</b>	<b>1 111</b>	<b>803</b>
Cash flow from investing activities	-95	-67	-500	-472
Cash flow from financing activities	-210	69	-632	-353
<b>Cash flow for the period</b>	<b>19</b>	<b>18</b>	<b>-21</b>	<b>-22</b>
Liquid funds, opening balance	82	106	118	106
Exchange rate differences in liquid funds	-1	-6	3	-2
<b>Liquid funds, closing balance</b>	<b>100</b>	<b>118</b>	<b>100</b>	<b>82</b>

## Key indicators

MSEK	First quarter		Last	Full year
	2012	2011	12 months	2011
Net sales	1 813	1 770	7 124	7 081
Operating income	282	282	1 071	1 071
<i>Operating margin, %</i>	<i>15,6</i>	<i>15,9</i>	<i>15,0</i>	<i>15,1</i>
Capital employed	4 395	4 272	4 334	4 475
<i>Return on capital employed, % (latest 12 months)</i>	<i>-</i>	<i>-</i>	<i>24,7</i>	<i>24,9</i>
Equity	3 683	3 352	3 518	3 514
<i>Return on equity, % (latest 12 months)</i>	<i>-</i>	<i>-</i>	<i>21,5</i>	<i>22,6</i>
Financial net debt	612	802	-	879
Debt/equity ratio, multiple	0,17	0,24	-	0,25
Interest coverage ratio, multiple	35,3	141,0	-	22,8
<b>Key figures per share <sup>1</sup></b>				
Earnings per share, SEK	5,83	5,97	21,76	21,90
Shareholders' equity per share, SEK	105,82	96,31	101,08	100,96
Operating cashflow per share, SEK	9,31	0,46	31,92	23,07

<sup>1</sup> Based on 34,805,132 shares (34,805,132), which corresponds to the number of shares outstanding as of 31 March 2012 (31 March 2011), after dilution.

## Quarterly Income Statement—Summary

MSEK	2012				2011				2010
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	1 813	1 632	1 810	1 869	1 770	1 612	1 728	1 783	1 548
Cost of goods sold	-1 338	-1 240	-1 373	-1 385	-1 305	-1 198	-1 277	-1 261	-1 094
<b>Gross profit</b>	<b>475</b>	<b>392</b>	<b>437</b>	<b>484</b>	<b>465</b>	<b>414</b>	<b>451</b>	<b>522</b>	<b>454</b>
Selling and administrative expense	-156	-147	-129	-146	-141	-130	-146	-149	-146
Research and development costs	-39	-35	-38	-44	-40	-40	-39	-40	-26
Other operating income and expenses	2	2	5	8	-2	-6	-5	0	0
<b>Operating income</b>	<b>282</b>	<b>212</b>	<b>275</b>	<b>302</b>	<b>282</b>	<b>238</b>	<b>261</b>	<b>333</b>	<b>282</b>
Net financial income and expenses	-8	-13	-24	-8	-2	-5	-11	-6	-8
<b>Income before tax</b>	<b>274</b>	<b>199</b>	<b>251</b>	<b>294</b>	<b>280</b>	<b>233</b>	<b>250</b>	<b>327</b>	<b>274</b>
<b>Net income</b>	<b>203</b>	<b>152</b>	<b>185</b>	<b>217</b>	<b>208</b>	<b>162</b>	<b>189</b>	<b>246</b>	<b>207</b>

## Parent Company Income Statement—Summary

MSEK	First quarter		Last	Full year
	2012	2011	12 months	2011
Net sales	41	39	171	169
Selling expenses	-14	-13	-55	-54
Administrative expenses	-47	-34	-163	-150
Research and development costs	-46	-38	-180	-172
Other operating income and expenses	0	-2	9	7
<b>Operating income</b>	<b>-66</b>	<b>-48</b>	<b>-218</b>	<b>-200</b>
Earnings on participations in Group companies	49	62	608	621
Financial income and expenses, net	101	117	-80	-64
<b>Income after financial items</b>	<b>84</b>	<b>131</b>	<b>310</b>	<b>357</b>
Appropriations	-	-	-3	-3
<b>Income before tax</b>	<b>84</b>	<b>131</b>	<b>307</b>	<b>354</b>
Tax	-9	-20	-55	-66
<b>Net income</b>	<b>75</b>	<b>111</b>	<b>252</b>	<b>288</b>
Depreciation/amortisation for the period	8	8	31	31

## Parent Company Statement of Comprehensive Income

MSEK	First quarter		Last	Full year
	2012	2011	12 months	2011
<b>Net income</b>	<b>75</b>	<b>111</b>	<b>252</b>	<b>288</b>
<b>Other comprehensive income</b>				
Cash flow hedges	0	2	2	4
Tax attributable to other comprehensive income	0	-1	0	-1
<b>Other comprehensive income for the period</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>Comprehensive income for the period</b>	<b>75</b>	<b>112</b>	<b>254</b>	<b>291</b>

## Parent Company Balance Sheet—Summary

MSEK	31-Mar 2012	31-Mar 2011	31-Dec 2011
<b>Assets</b>			
Intangible fixed assets	73	76	75
Tangible fixed assets	107	89	104
Financial fixed assets	3 826	3 654	3 841
<b>Total fixed assets</b>	<b>4 006</b>	<b>3 819</b>	<b>4 020</b>
Current receivables	162	217	154
Liquid funds	0	1	0
<b>Total current assets</b>	<b>162</b>	<b>218</b>	<b>154</b>
<b>Total assets</b>	<b>4 168</b>	<b>4 037</b>	<b>4 174</b>
<b>Shareholder's equity and liabilities</b>			
Shareholders' equity	1 639	1 733	1 564
Untaxed reserves	61	58	61
Provisions	10	26	5
Long-term interest-bearing liabilities	870	988	1 095
Other long-term liabilities	771	705	769
<b>Total long-term liabilities</b>	<b>1 641</b>	<b>1 693</b>	<b>1 864</b>
Short-term interest-bearing liabilities	338	204	304
Other current liabilities	479	323	376
<b>Total current liabilities</b>	<b>817</b>	<b>527</b>	<b>680</b>
<b>Total shareholders' equity and liabilities</b>	<b>4 168</b>	<b>4 037</b>	<b>4 174</b>
Pledged assets	10	10	10
Contingent liabilities	297	274	344

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

MSEK	31-Mar 2012	31-Mar 2011	31-Dec 2011
Opening shareholders' equity	1 564	1 621	1 621
Comprehensive income	75	112	291
Dividends	-	-	-348
<b>Closing shareholders' equity</b>	<b>1 639</b>	<b>1 733</b>	<b>1 564</b>