

# Q3 report 2008

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CEO and President  
October 24, 2008

# Summary YTD 2008

- Orders Received of 6 401 MSEK (6 077)
  - Currency adjusted orders increased with 9 %
- Sales of 6 539 MSEK (5 985)
  - Currency adjusted sales increased with 14 %
  - Driven by Hydraulics, Traction and Wire
- Operating Income\* of 324 MSEK (243) continued to improve
  - Operating margin 5.0 % (4.1)
- In order to adjust the cost structure to the current market demand, a cost reduction program has been launched
  - Reduction of 700 employees by mid 2009
- Earnings in Garphyttan Wire continued to improve
  - Operating margin 10.1 % (3.2), operating income 88 MSEK (27)

\* Excluding amortization of acquisition-related surplus values.

# Summary YTD 2008

- Cash flow was strong in the period with 634 MSEK (22) generated from operating activities
- Price increases to compensate for increasing raw material cost have been implemented
  - Due to a timing issue the material cost increases could not be fully compensated for during the period
  - During the last months the raw-material prices has started to decline

# Business Events YTD 2008

- **The demand from European customers weakened significantly**
  - Especially within the trailer, construction equipment and light vehicle segment
- **New technologies developed to reduce fuel**
  - Potential fuel savings of between 5 and 10%
  - Variable flow pumps and Varivent
  - Long-term agreement signed with 3 US and several European engine OEMs
- **The next generation of Alfdex launched**
  - Euro 6 and EPA10
  - Significantly improved cleaning, handling of larger gas flows and the addition of electric drive
- **A new order for Haldex' All Wheel Drive system for one of the world's most exclusive sport cars**
  - SOP 2010

# Business Events YTD 2008

## Volvo - XC60



Business situation

Gen IV: Awarded 2007, SOP 2008



Volvo XC60

- A new Volvo model – XC60 – with Haldex AWD system
- Production started in the third quarter of 2008

Volvo Brands/models with Haldex AWD

- Volvo S40 AWD
- Volvo V50 AWD
- Volvo S60 AWD/R
- Volvo V70 AWD/R
- Volvo XC 70
- Volvo S80 AWD
- Volvo XC 90
- Volvo XC 60

# Business Events YTD 2008

## GM – Opel Insignia

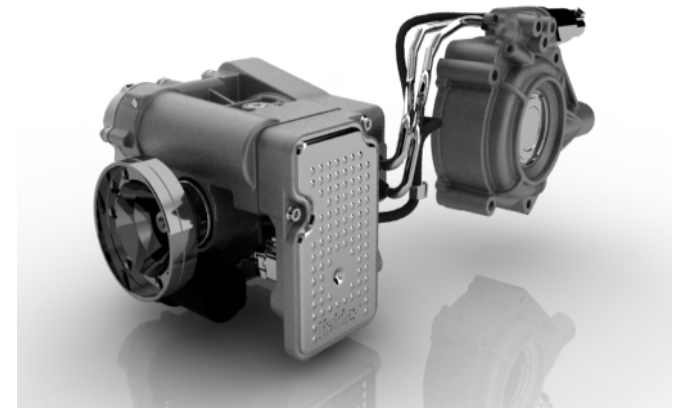


Gen IV & XWD: Awarded 2005, SOP 2008



Opel Insignia

- The first vehicle model on the second GM platform with Haldex AWD and XWD systems
- Production started in the third quarter of 2008



More information about XWD: [www.haldex-xwd.com](http://www.haldex-xwd.com)

# Business Events YTD 2008

- **Three new production lines for the new generation AWD system have been installed**
  - New generation (IV) AWD system
  - To meet the increasing volumes
- **Restructuring of Friction Products finalized**
  - Initial step:
    - The production of drum brake lining at the US plant in Prattville was discontinued in March
    - Production has been transferred to sub suppliers in China, India and Brazil
  - Final step:
    - The divestment of the disc brake friction material business is completed
    - The annual revenue from the business was appr. 100 MSEK
- **Haldex secured the largest automatic brake adjuster order ever**
  - BPW – Europe's largest manufacturer of trailer axles
  - 800 MSEK over a five-year period
  - SOP in the first half of 2009
- **Haldex acquired Concentric Plc**
  - Supplier of oil, water and fuel pumps for large and midsize diesel engines
  - Acquisition completed on April 1st
  - Integration proceeding according to plan

# Vehicle Production – 2008 vs. 2007

	9 months		3rd quarter	
	<i>North America</i>	<i>Europe</i>	<i>North America</i>	<i>Europe</i>
Heavy Trucks	-7 %	+15 %	-2 %	+8 %
Heavy Trailers	-37 %	+6 %	-32 %	-22 %
Light Vehicles	-12 %	+4 %	-14 %	+2 %
Forklifts	-10 %	-3 %	-7 %	-13 %
Construction equipment	-7 %	-9 %	-7 %	-11 %

- Large uncertainties in the volumes for the remainder of the year.
- The official outlook for production of heavy trucks in Europe is 600.000 (+8%).
  - Fourth quarter production -8% compared to Q4 2007.
  - Indication from OEMs indicating lower volumes.
- In North America the production of heavy truck is estimated to be 200.000 (-4%).
  - An 8% increase in the fourth quarter compared to Q4 2007.
- Production of trailers in Europe for the full year is expected to be on same level as for 2007.
  - Fourth quarter production -20% compared to Q4 2007.
- The production in North America is expected to decrease by 37% in 2008.
- Light vehicle production in 2008 is expected to remain flat or decrease slightly in Europe and to decline by 13% in North America in comparison to 2007.
- Forklift production in 2008 is expected to decrease by appr. 10% in Europe and 12% in North America.
- In 2008, production of construction equipment is expected to decrease by 7% in both Europe and North America.



# Personell Reduction

- A cost reduction program has been launched during Q3
- Adjust the cost structure to current demand
- Increase the efficiency in the production
- Targeted head count reduction with 700 employees by mid 2009
- During the third quarter approx. 300 employees have been reduced
- No major restructuring charges are expected
- Further adjustments possible depending on market development

**A 300 MSEK Cost Reduction**

Aluminum prices have the last months falling back to the same level as in the beginning of this year



**Aluminium USD/ton LME (3 year chart)**



**Aluminium USD/ton LME (12 month chart)**

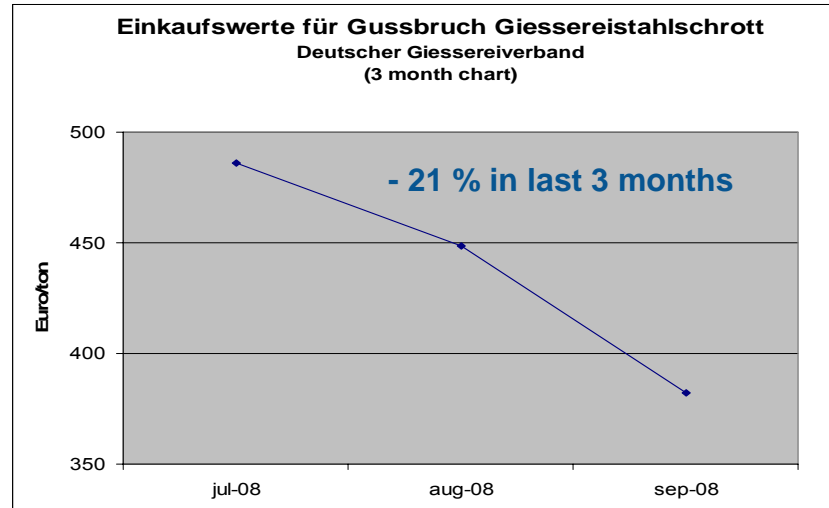
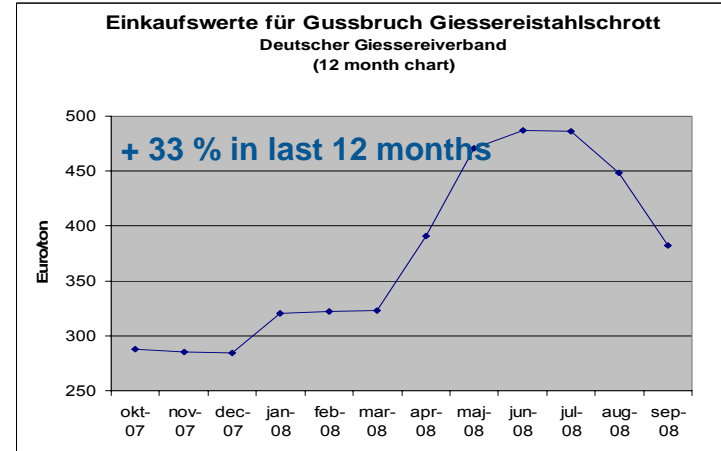
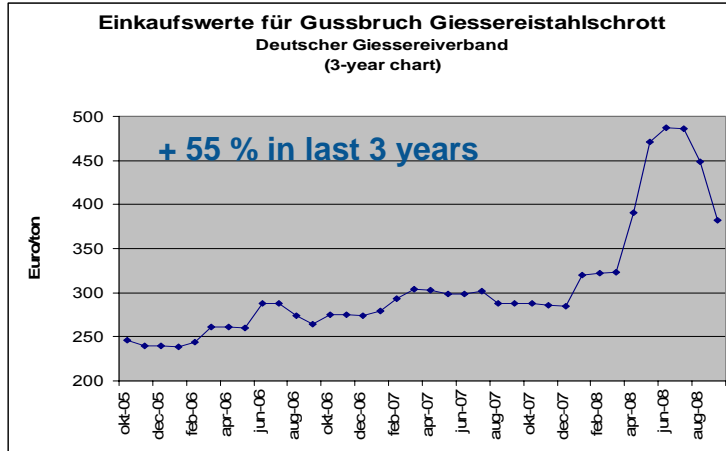


**Aluminium USD/ton LME (3 month chart)**



# Cost Iron Scrap, DGV

## Price trend in Europe



# Actual YTD 2008

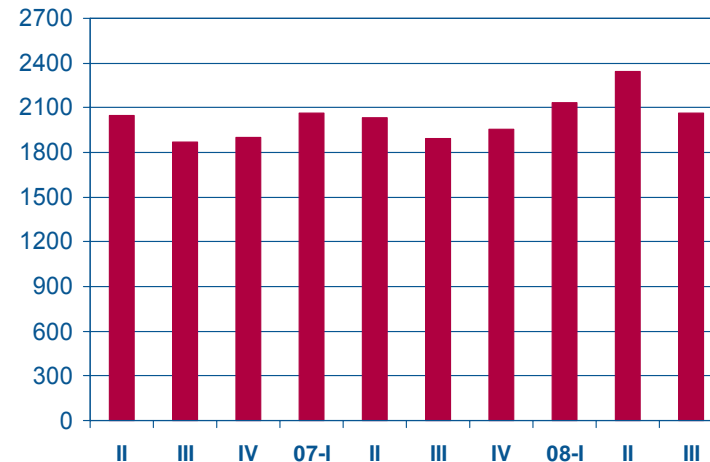
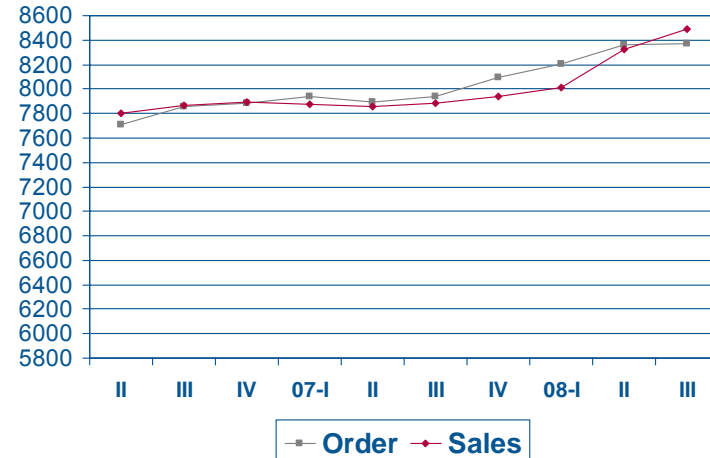
## Order Intake & Sales

		<b>Nom</b>	<b>Xadj</b>
<b>Order</b>	<b>6,401 MSEK (6,077)</b>	<b>+5%</b>	<b>+9%</b>
<b>Sales</b>	<b>6,539 MSEK (5,985)</b>	<b>+9%</b>	<b>+14%</b>

## Sales

### MSEK

● Commercial Vehicle Systems	3,320	-4%	0%
● Hydraulic Systems	1,562	+43%	+53%
● Garphyttan Wire	870	+5%	+8%
● Traction Systems	787	+31%	+31%
● EU & ROW	3,776	+13%	+14%
● NA	2,360	+1%	+11%
● Asia	402	+34%	+39%



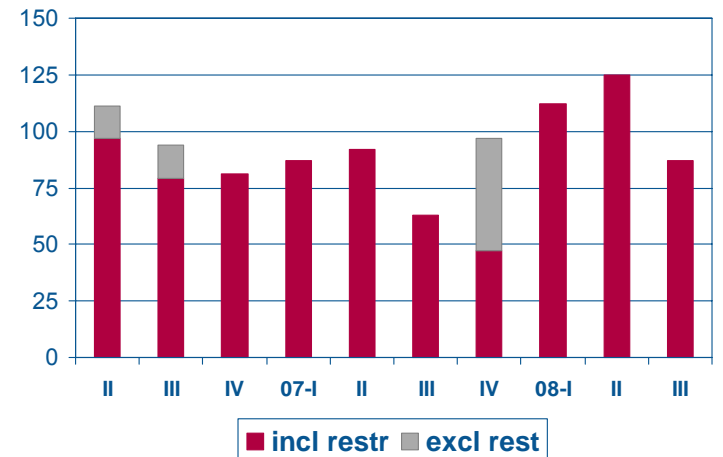
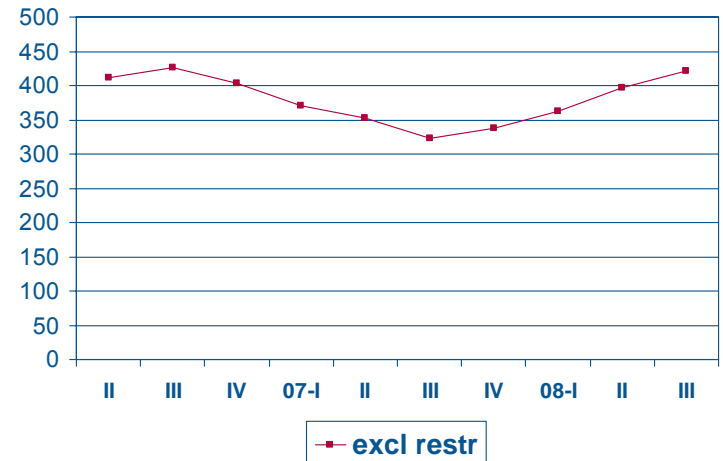
# Actual YTD 2008

## OPERATING INCOME \*

**324 MSEK (243) +33%**

(MSEK)

	2008	2007	Change
● CVS	79	129	-39%
● Hydraulic Systems	119	58	+105%
● Garphyttan Wire	88	27	+226%
● Traction	39	28	+39%



\* Excluding amortization of acquisition-related surplus values.

# Development per division - CVS



<i>MSEK</i>	<i>2008</i>	<i>2007</i>	<i>Δ</i>
<i>Commercial Vehicle Systems</i>			
Net sales	3,320	3,463	-4%
Operating income	79	129	-39%
Operating margin	2.4%	3.7%	-1.3
Return on capital employed	2.8%	7.5%	-4.7

- **Sales declined with SEK 143m compared to 2007**
  - Strong sales growth in Europe and Asia limited the decline in North America during the first half of 2008
  - A very weak demand in Europe during the 3rd quarter, especially in Trailers and the Aftermarket.
- **Low sales volumes and high raw material cost had a negative impact on the operating income**
- **Improvement of profitability in CVS North America**
  - Restructuring program of Friction Products finalized, YTD loss of appr. SEK 25m
  - Other improvements initiative according to plan
- **Disc Brake**
  - Cost reduction plan is proceeding according to plan
  - Raw material cost increases (steel), customer price increases not yet fully effective in the period
  - In the 3rd quarter an improvement versus previous quarters was posted
- **Pricing activities and several cost reductions (personnel reduction and material cost) will compensate some of the effects of the low volumes**

# Development per division - Hydraulics

<i><b>MSEK</b></i>	<i><b>2008</b></i>	<i><b>2007</b></i>	<i><b>Δ</b></i>
Net sales	1,562	1,091	43%
Operating income <sup>1</sup>	119	58	105%
Operating income	96	58	66%
Operating margin <sup>1</sup>	7.6%	5.4%	2.2
Operating margin <sup>1</sup>	6.1%	5.7%	0.7
Return on capital employed <sup>2,3</sup>	22.7%	16.9%	5.8

<sup>1</sup> Excluding amortization of acquisition-related surplus values.

<sup>2</sup> 12 months rolling.

<sup>3</sup> Adjusted for acquisition-related surplus values.

- **Sales amounted to SEK 1.562m (1.091)**
  - Organic growth of 7%
  - Demand strong in Europe during 1st half, weak in the 3rd quarter
  - North America weaker
  
- **Operating income SEK 42m and operating margin 7.6% in the second quarter**
  - Successful price recovery for raw materials increases
  - Successful cost reduction to compensate for lower volumes
  
- **The integration of Concentric is continuing according to plan**
  - Synergies have so far been confirmed
  - Concentric contributed with SEK 40m excluding amortization of acquisition-related surplus values, SEK 23m, and expenses related to the integration

# Development by division

<b><i>MSEK</i></b>	<b>2008</b>	<b>2007</b>	<b>Δ</b>
<i>Garphyttan Wire</i>			
Net Sales	870	829	5%
Operating income	88	27	226%
Operating margin	10.1%	3.2%	6.9
Return on capital employed*)	23.1%	9.9%	13.2
<i>Traction Systems</i>			
Net Sales	787	603	31%
Operating income	39	28	39%
Operating margin	5.0%	4.7%	0.3
Return on capital employed*)	24.3%	18.9%	5.4

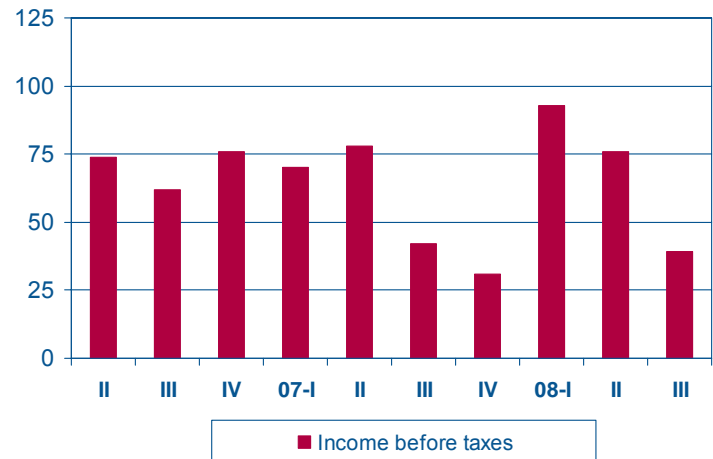
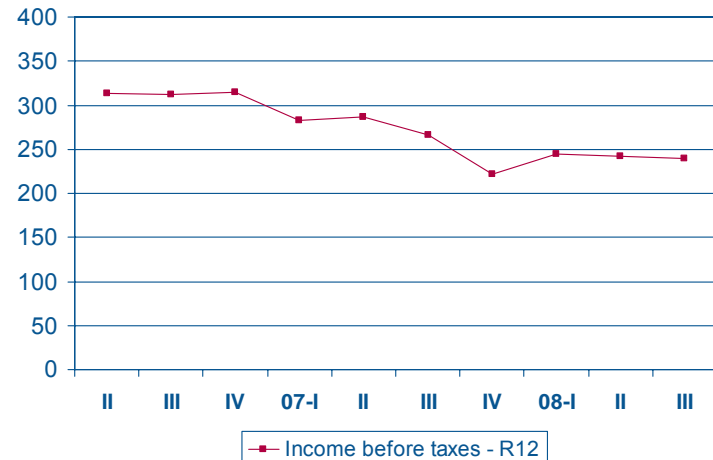
\*) 12 months rolling



# Actual YTD 2008

**INCOME  
BEF TAXES**                      **207 MSEK (190)**                      **+9%**

- Operating margin\*                      5.0%                      (4.1)
- Capital turnover rate                      2.2                      (2.2)
- Return on capital employed                      10.0%                      (9.3)
- Return on equity                      10.1%                      (9.2)
- Interest coverage, times                      3.2                      (4.2)
- Tax rate                      32%                      (29)



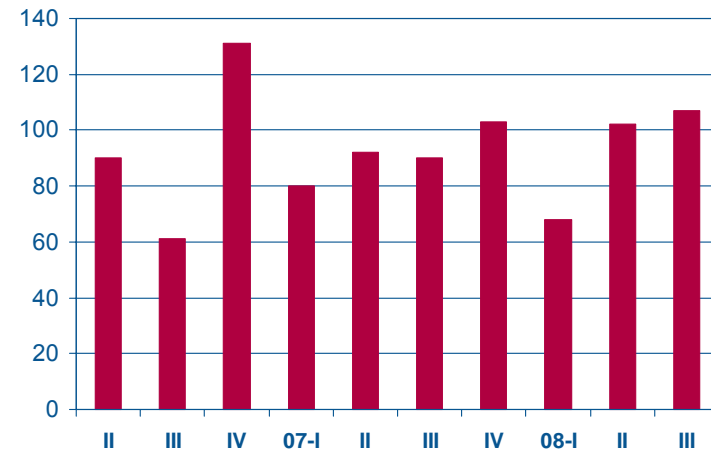
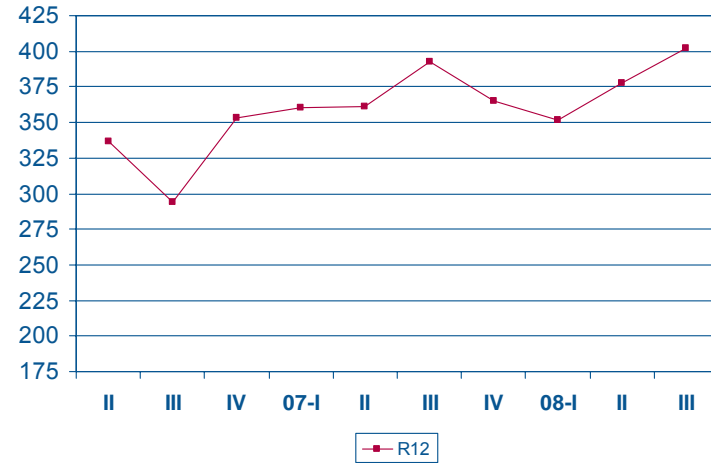
**NET INCOME**                      **141 MSEK (134)**                      **+5%**

\* Excluding amortization of acquisition-related surplus values.

# Actual YTD 2008

**CAPITAL EXPENDITURES** 258 MSEK (255) +1%  
(Tangible assets)

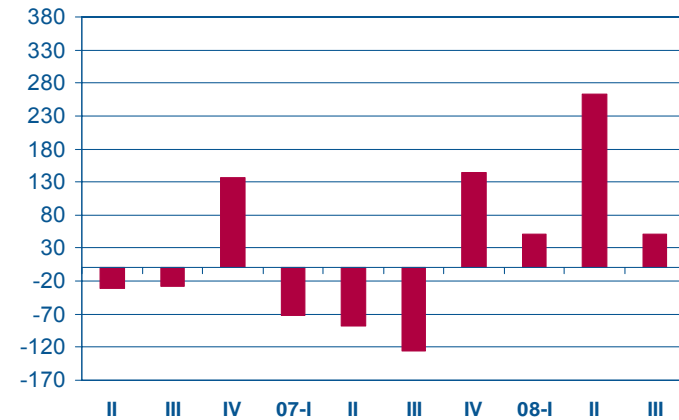
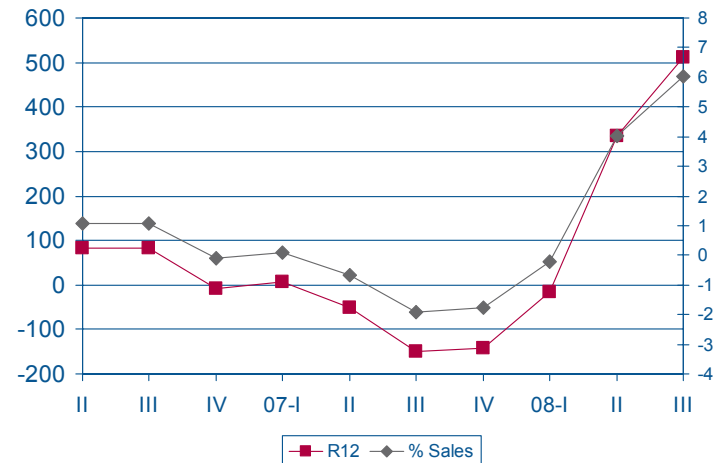
<i>(MSEK)</i>	<b>2008</b>	<b>2007</b>
Commercial Vehicle Systems	130	107
Hydraulic Systems	46	51
Garphyttan Wire	14	14
Traction Systems	62	62
<i>Depreciations</i>	-220	-202



# Actual YTD 2008

**CASH FLOW 367 MSEK (-286)**

(MSEK)	2008	2007
OIBD	565	453
Working capital change	240	-340
Capital expenditure	-267	-308
<b>Operating cash flow</b>	<b>538</b>	<b>-195</b>
Financials	-98	-52
Taxes	-73	-39
<b>Cash flow</b>	<b>367</b>	<b>-286</b>



# Funding as of September 30, 2008

Source	Currency	Nominal amount	Unutilized	Maturity
Syndicated loan facility	USD	250,000,000	~137.000.000	July 2011
Private placement	SEK	100,000,000		May 2009
	SEK	150,000,000		June 2009
	SEK	150,000,000		April 2010
	SEK	200,000,000		December 2011
Bridge Financing	GBP	65,000,000		February 2009
Short term facilities	Local	SEK 150,000,000		

# Outlook for 2008

- **Sales in 2008 are expected to increase compared with 2007.**
  - The increase is mainly attributable to the acquisition of Concentric and from increased volumes within the Traction Systems division
- **Operating income for 2008 is expected to improve compared with 2007.**
  - The improved earnings will derive mainly from the acquisition of Concentric as well as productivity improvements within the Wire division, the restructuring of the Friction Products business unit, earnings improvements for disc brakes and increased sales volumes



# Innovative Vehicle Technology