



Performance & Safety

Haldex 9 Months Report 1999

- **Earnings before tax increased 1% to 212 MSEK**
- **Operating earnings increased 4% to 261 MSEK**
- **Order intake and invoicing increased 30% to 4,420 MSEK and 29% to 4,402 respectively**
- **Vehicle production continued strong in North America, slightly positive in Western Europe and increasing from low level in Asia**
- **Extensive cost reduction programs started**

Market

During the 9-months period, the vehicle market showed a strong development in North America. In Western Europe the vehicle production rose slightly. In Asia a re-bounce started from a low level.

Heavy vehicles

The world production of heavy vehicles increased during the period by roughly 7% compared to last year.

In North America, the strong development continued and the number of heavy vehicles produced rose by some 24%. In Western Europe, the production rate leveled off on last year's high level and the increase for the period was around 2%.

In Asia, the recovery from a low level started and the production of heavy vehicles increased during the period by about 50% in both Korea and China. In Japan, however, production declined by 30%. In Brazil, the production was also reduced some 30%.

The production of heavy vehicle trailers generally showed a slower rate of increase than powered vehicles. In North America the increase was about 15%, whereas the production in Western Europe was somewhat lower than last year.

The aftermarket for components to heavy vehicles has shown a declining trend for some time due to reduced average age of the fleet and better components with longer warranty periods. In North America, the aftermarket decline was around 4%.

The Group's invoicing pertaining to products for heavy vehicles amounted to 2,981 MSEK, an increase of 35% including the Midland-Grau acquisition, which was consolidated from the 2nd quarter 1998. For comparable units (Midland-Grau included proforma all of 1998), invoicing increased by 4%.

Light vehicles

The world production of light vehicles increased during the period by roughly 4% compared to previous year.

The production of cars and light trucks increased in North America by some 12% and in Western Europe by 4%. The development in other markets was weak. The relatively strong growth in North America is to a large extent explained by last year's strike at GM and continued good demand.

The Group's invoicing pertaining to products for light vehicles amounted to 626 MSEK, an increase by 19%.

Industrial vehicles

The market for industrial vehicles developed mostly positively during the period compared to previous year.

In North America, for example, building rate of construction equipment rose some 10%, whereas production of forklifts declined 2%. Europe showed a similar development and construction vehicles increased by 5% and forklifts decreased by 2%.

The Group's invoicing pertaining to products for industrial vehicles amounted to 782 MSEK, an increase by 16%.

Result

The Group's earnings before tax were 212 MSEK (209), an increase of 1% compared to the corresponding period of last year.

Operating earnings reached 261 MSEK (252), an increase of 4%. The operating results improved somewhat in the Midland Services, Barnes Hydraulics and Traction Systems divisions. The Brake Systems division showed an operating result in line with last year, whereas the Garphyttan Wire division posted a somewhat lower operating result. The main part of the operating earnings increase came from the units acquired last year.

The Group's profit margin for the period was 6.1%. The operating loss in the Traction Systems division is still substantial. Excluding Traction Systems, the Group's profit margin for the period was around 8%, in line with the Group's target. Ongoing actions to significantly reduce the costs of the AWD system have had moderate effect so far since changes often require new field tests. Also, production processes and the sub-supplier base have not yet been fully optimized. The very strong ramp-up of the production (5% per week since year-start) therefore constitutes a continued sizeable financial commitment for the Group, however with a substantial future upside.

Significant cost reduction programs are ongoing in all divisions in the Group. The 1999 effects, however, largely neutralize price increases of materials, wages and services as well as product mix changes and sales price pressures. For the next years the cost reductions are estimated to contribute to improved margins.

The order intake for the period was 4,420 MSEK (3,389), an increase by 30%. Invoicing amounted to 4,402 MSEK (3,407), an increase by 29%.

Quarterly, order intake, invoicing and results have developed as follows:

MSEK	1998				1999		
	I	II	III	IV	I	II	III
Order intake	768	1,356	1,265	1,467	1,613	1,435	1,372
Invoicing	699	1,388	1,320	1,424	1,495	1,509	1,385
<i>hereof:</i>							
Brake Systems	308	714	679	736	767	756	678
Midland Services	-	260	247	247	263	265	252
Barnes Hydraulics	214	228	230	243	256	266	260
Garphyttan Wire	177	182	149	187	188	178	139
Traction Systems	-	4	15	11	21	44	56
Earning before tax	61	77	71	88	71	78	63
Profit margin, %	9.5	7.3	7.2	7.9	6.3	6.5	5.6
R&D, %	4.6	4.0	4.1	3.3	4.0	3.9	3.7

Business Events

During the 9-months period, the following significant business events have taken place:

- Strong ramp-up of AWD production. 5% per week since year-start, approaching yearly rate of 100,000 units.
- Prototype order for AWD system from one of the 3 big car manufacturers in USA, marking potential future break-through in USA.
- Several AWD prototype and customer projects ongoing in Europe.
- Decision to increase production capacity for AWD systems 2.5 times by 2001.
- Started serial deliveries of new air disc brake for heavy vehicles.
- Deliveries of Automatic Brake Adjusters move towards new yearly record.
- Started pre-serial deliveries of new brake system product, ECAM.
- Volvo specified Haldex air dryers for European production.
- New generation ABS system for heavy trailers introduced.
- Nissan/Spain elected to introduce Haldex new ABS system for medium trucks.

- Contract with U.S. administration to upgrade brake system on 32,000 trucks.
- New supply contracts of disc brake pads for Dodge and Ford light trucks.
- Long-term development and delivery agreement of fuel transfer pumps from world leading diesel engine manufacturer.
- Patent received for new ESR (Electro Slag Remelted) spring wire for fuel injection pumps.

Group management strengthened

The Group management has been strengthened with Mr. Jan-Erik Dantoft (previously responsible for engine and chassis production within Scania), who has assumed a new position as Senior Vice President Technology.

The management reinforcement is a step in the efforts to reduce the Group's cost level by a review of manufacturing structures and methods as well as by coordinating purchases. Moreover, it is the ambition to further strengthen the assurance of quality, timely deliveries and environmental issues.

Capital expenditures, net debt, personnel

Capital expenditures for the period amounted to 154 MSEK (148). The operating cash flow, after deducting net investments, amounted to 49 MSEK (100) and the net debt at the end of the period was 1,076 MSEK (1,108). The number of people employed at the end of the period was 4,356 (4,360).

Year 2000

Comprehensive activities to adapt systems for the change-over to year 2000 are ongoing within the Group. The work follows established plans and all reasonable measures are estimated to be implemented before the millenium change.

Outlook for the full year 1999

Vehicle production is largely viewed to remain at a good level during the last quarter of the year even though the production rate can be expected to soften somewhat. Forecasts of vehicle production for the next year point to a continued high level, albeit lower than 1999.

Profit & Loss, Group	Jan-Sep		Oct 1998	Total
Amounts in MSEK	1999	1998	-Sep 1999	1998
Net sales	4,389	3,407	5,813	4,831
Cost of goods sold	-3,236	-2,445	-4,282	-3,491
Gross profit	1,153	962	1,531	1,340
	26.3%	28.2%	26.3%	27.7%
Selling, G&A and R&D costs	-864	-701	-1,123	-960
Other revenues and costs	-28	-9	-38	-19
Operating profit	261	252	370	361
Financial net	-49	-43	-70	-64
Earnings before taxes	212	209	300	297
Taxes	-78	-77	-112	-111
Net income	134	132	188	186
Balance Sheet, Group	Sep 30	Sep 30		Dec 31
Amounts in MSEK	1999	1998		1998
Intangible assets	487	436		498
Tangible assets	1,223	1,194		1,226
Financial assets	12	7		10
Inventories	776	827		854
Current receivables	979	1,019		840
Cash	187	233		262
Total assets	3,664	3,716		3,690
Shareholders' equity	1,421	1,279		1,340
Provisions	270	273		263
Long-term liabilities	1,056	1,030		1,108
Short-term debt	32	156		43
Other current liabilities	885	978		936
Total shareholders' equity and liabilities	3,664	3,716		3,690
Key ratios	Jan-Sep		Oct 1998	Total
	1999	1998	-Sep 1999	1998
Profit margin, %	6.1	7.7	6.6	7.8
Return on capital employed, %	13.4	18.1	14.3	18.1
Return on equity, %	12.8	16.6	13.7	16.6
Interest coverage ratio, times	4.7	5.0	4.7	4.7
Equity/assets ratio, %	39	34	39	36
Debt/equity ratio, %	76	87	76	79

Changes in Financial Position, Group	Jan-Sep		Oct 1998	Total
	1999	1998	-Sep 1999	1998
Operating profit	261	252	370	361
Depreciation on fixed assets	167	128	225	186
Financial net & taxes paid	-129	-123	-216	-210
Change in working capital	-96	-9	-14	73
Total cash from operations	203	248	365	410
Net investments	-154	-148	-181	-175
Total cash flow	49	100	184	235
Acquisition	-3	-1.268	-100	-1.365
Rights issue	-	348	-	348
Dividend	-67	-51	-67	-51
Change in debt and pension liabilities	-52	863	-62	853
Change in long-term receivables	1	-	1	-
Change in cash excl. translation difference	-72	-8	-44	20
Translation difference on cash	-3	2	-2	3
Change in cash	-75	-6	-46	23
Share data (adjusted for rights issue)	Jan-Sep		Oct 1998	Total
	1999	1998	-Sep 1999	1998
Earnings after tax, SEK	5:99	6:47	8:44	8:92
Shareholders' equity, SEK	63:74	57:70	63:74	60:09
Average no. of shares (000)	22,296	20,438	20,067	20,809
No. of shares at the end of period (000)	22,296	22,296	22,296	22,296

Future reporting

Report January-December

17 February 2000

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Claes Warnander
President and CEO