



Performance & Safety

1st Quarter 1999

- **Earnings before tax increased 17% to 71 MSEK**
- **Operating earnings rose 41% to 90 MSEK**
- **Lower margin during the 1st quarter**
- **Vehicle business climate strong in main markets**
- **Order intake increased 110% to 1,613 MSEK and invoicing 114% to 1,495 MSEK (excluding acquisition, 13% and 17% respectively)**

Market

The vehicle business climate continued on a strong note in the main North American and European markets. In South America and Asia the vehicle production rates were at very low levels.

Heavy vehicles

In North America, both sales and production of heavy vehicles increased by approximately 25% compared to the 1st quarter of the previous year. In Europe, the registrations increased by 21% whereas the increase of the production rate was lower. The manufacturing of trailers increased by some 14% in North America but decreased slightly in Europe. In South America, production of heavy vehicles decreased by about 15%, while the Asian market showed a slight tendency of recovery from a very low level.

The Group's invoicing pertaining to products for heavy vehicles amounted to 1,030 MSEK (308), an increase of 234%. Excluding last year's acquisition, which was consolidated from April 1998, the increase was 16%.

Light vehicles

The production of passenger cars and light trucks increased in North America by almost 4% and in Europe with more than 8% compared to the corresponding period previous year. In South America and Asia the production rate remained low.

The Group's invoicing pertaining to products for light vehicles amounted to 209 MSEK (177), an increase of 18%.

Industrial vehicles

The production of construction equipment increased in comparison with the first quarter of last year. In North America the increase was about 15% and in Europe approximately 6%. The production of forklifts remained at a good level in North America and rose about 5% in Europe.

The Group's invoicing pertaining to products for industrial vehicles amounted to 256 MSEK (214), an increase of 20%.

Results

The Group's earnings before tax were 71 MSEK (61), an increase of 17% compared to the same period last year. The profit improvement was mainly attributable to last year's acquisition of Midland-Grau.

Operating earnings amounted to 90 MSEK (64), an increase of 41%. Operating results improved in all divisions except the Traction Systems division, where the operating loss increased by 3 MSEK compared to the first quarter of last year.

The Group's expenses for product development increased to 60 MSEK or 4.0% of invoicing.

The profit margin for the period was 6.3% (9.5). The lower margins pertained mainly to the divisions Brake Systems and Barnes Hydraulics. The decrease in comparison with the first quarter of last year was mainly due to the fact that the acquired units, which have a lower margin, were not included during the first quarter of last year. The reduced profit margin in comparison to the level of the last quarter of the previous year is mainly explained by product mix changes; increased price competition; higher product development expenses and the sizeable, negative currency and volume development in Brazil. A program is ongoing in the Group to improve margins, which will have effect during the later part of the year.

The period's order intake was 1,613 MSEK (768), an increase of 110%. Excluding acquisitions, the increase was 13%. Invoicing amounted to 1,495 MSEK (699), an increase of 114%. Excluding acquisitions, the increase was 17%. Quarterly, order intake, invoicing and results have developed as follows:

MSEK	1998				1999
	I	II	III	IV	I
Order intake	768	1,356	1,265	1,467	1,613
Invoicing	699	1,388	1,320	1,424	1,495
<i>hereof:</i>					
Brake Systems	308	692	682	721	767
Midland Services	-	282	244	262	263
Barnes Hydraulics	214	228	230	243	256
Garphyttan Wire	177	182	149	187	188
Traction Systems	-	4	15	11	21
Earnings before tax	61	77	71	88	71
Profit margin, %	9.5	7.3	7.2	7.9	6.3
R&D, %	4.6	4.0	4.1	3.3	4.0

Business development

The commercial break-through of Haldex' newly developed disc brake for heavy vehicles occurred during the period and a number of orders were received from the important German market. Serial deliveries have started. A growing number of customer projects in Europe are under development.

Haldex product range of ABS systems for heavy vehicles has been complemented with a newly developed ABS system for medium and light trucks with full air or air-over-hydraulic type brake systems. The first order for this ABS system for the medium/light truck segment was received from Nissan, Spain.

In addition to the large order for ABS systems from the Korean trailer manufacturer Jindo, which was announced at year-end, another Korean trailer ABS order has been received from Hankuk Trailers.

Pre-serial deliveries have started of the newly developed ECAM system (Electronic Control Air Management) to a European truck manufacturer.

Haldex has been awarded standard position for Automatic Brake Adjusters at another larger trailer manufacturer in the U.S.

After completed field tests, Haldex was awarded the disc brake friction business for certain Dodge and Ford trucks in the U.S.

In China, some smaller but important orders have been received: delivery contract for Automatic Brake Adjusters to North Benz and Dandong Automotive Works, as well as valve spring wire for Buick engines at Shanghai GM.

Deliveries of AWD systems to the VW Group are now being ramped up according to plan. Initial field tests with prototypes have been carried out with good results by the car manufacturers with which letters of intent have been signed. Orders for prototypes are expected from additional car manufacturers in both Europe and USA. At the April seminar for AWD technology, Top Tec, in South Bend, USA, Haldex made a presentation that created great interest.

The single largest order so far for Haldex newly developed WQ hydraulic pump with low noise level, was received from Mitsubishi Caterpillar Forklift.

A substantial development and delivery contract for hydraulic fuel transfer pumps is being negotiated with one of the world's largest diesel engine manufacturers.

Capital expenditures, net indebtedness, personnel

Capex for the period amounted to 44 MSEK (22). Operating cash flow for the period was -60 MSEK (-38) and net indebtedness at the end of the period was 1,131 MSEK (172). The number of employees at the end of the period was 4,315 (2,025).

Outlook for 1999

Several forecasting organizations have during the last few months adjusted their vehicle build forecasts upward for 1999. Instead of a decline of heavy vehicles, especially in North America, the forecasts now indicate a somewhat higher level than 1998.

With a continued good vehicle business climate and with last year's acquisition included for full 12 months (9 months in 1998), the Group's invoicing will increase compared to the previous year.

The integration work with the acquired businesses will continue with certain changes within production; divestiture of a couple smaller product lines, as well as internal rationalizations to improve margins.

The Traction Systems division is expected to improve its result as volumes increase and product cost reduction actions take effect.

Profit & Loss, Group	Jan-Mar		April 1998	Total
Amounts in MSEK	1999	1998	-March 1999	1998
Net sales	1,495	699	5,627	4,831
Cost of good sold	-1,103	-489	-4,105	-3,491
Gross profit	392	210	1,522	1,340
	26.2%	30.0%	27.0%	27.7%
Selling, G&A and R&D costs	-290	-144	-1,106	-960
Other revenues and costs	-12	- 2	-29	-19
Operating profit	90	64	387	361
Financial net	-19	- 3	-80	-64
Earnings before tax	71	61	307	297
Taxes	-26	-21	-116	-111
Net income	45	40	191	186
Balance Sheet, Group	March 31	March 31		Dec 31
Amounts in MSEK	1999	1998		1998
Intangible assets	493	16		498
Tangible assets	1,234	750		1,226
Financial assets	11	6		10
Inventories	787	307		854
Current receivables	1,012	487		840
Cash, bank and short-term investments	100	221		262
Total assets	3,637	1,787		3,690
Shareholders' equity	1,400	891		1,340
Provisions	246	219		263
Long-term liabilities	1,051	254		1,108
Short-term debt	18	43		43
Other current liabilities	922	380		936
Shareholders' equity and liabilities	3,637	1,787		3,690

Changes in Financial Position, Group	Jan-Mar 1999	1998	April 1998 -March 1999	Total 1998
Operating profit	90	64	387	361
Depreciation on fixed assets	57	26	217	186
Financial net and taxes paid	-42	-26	-226	-210
Change in working capital	-121	-80	32	73
Total cash flow from operations	-16	-16	410	410
Net investments	-44	-22	-197	-175
Total cash flow	-60	-38	213	235
Acquisition	- 4	-	-1,369	-1,365
Rights issue	-	-	348	348
Dividend	-	-	-51	-51
Change in debt and pension liabilities	-99	20	734	853
Change in long-term receivables	1	-	1	-
Change in cash excl. translation difference	-162	-18	-124	20
Translation difference on liquid funds	1	-	4	3
Change in cash	-161	-18	-120	23
Key ratios	Jan-Mar 1999	1998	April 1998 -March 1999	Total 1998
Profit margin, %	6.3	9.5	7.2	7.8
Return on capital employed, %	14.2	21.3	17.1	18.1
Return on equity, %	13.1	18.2	15.5	16.6
Interest coverage ratio, times	4.2	11.3	4.2	4.7
Equity/assets ratio, %	38	50	38	36
Debt/equity ratio, %	81	19	81	79
Share data (adjusted for rights issue)	Jan-Mar 1999	1998	April 1998 March 1999	Total 1998
Earnings after tax, SEK	2:00	2:05	8:87	8:92
Shareholders' equity, SEK	62:80	45:84	62:80	60:09
Average no. of shares, (000)	22,296	18,580	21,553	20,809
No. of shares at the end of period, (000)	22,296	18,580	22,296	22,296

Future reporting

Interim report January-June 9 August 1999
Interim report January-September 20 October 1999

Stockholm, April 26, 1999
Claes Warnander
President and CEO

This report has not been reviewed by the auditors.