



*Innovative vehicle technology*

## **Haldex - 9 months 2000**

| <b>Key figures</b>        | <b>2000</b> | <b>1999</b> | <b>Change</b> |
|---------------------------|-------------|-------------|---------------|
| Net invoicing, MSEK       | 4,680       | 4,389       | + 7%          |
| Operating earnings, MSEK  | 305         | 261         | +17%          |
| Earnings before tax, MSEK | 253         | 212         | +19%          |
| Earnings after tax, MSEK  | 164         | 134         | +23%          |
| Profit margin             | 6.6%        | 6.1%        |               |
| Earnings per share, SEK   | 7:38        | 5:99        | +23%          |

### **Key business events**

- A new 1 billion SEK order for AWD systems (All Wheel Drive) was received from a European car manufacturer with delivery start 2001/02.
- A Nomination Letter was received from a European car manufacturer regarding AWD systems with order value 600-800 MSEK and delivery start 2002/03.
- At the Paris Motor Show, Haldex AWD system was shown in 13 different vehicles.
- At the Frankfurt IAA show, great customer interest was shown in the Haldex exhibition of the new range of disc brakes, as well as the new ECAM (Electronically Controlled Air Management) and EBS (Electronic Brake System) systems.
- Serial deliveries of disc brakes started to the leading trailer axle manufacturers SAF in Germany and SMB in France.
- ECAM, a newly developed system for air treatment in brake systems, was launched on the new truck generation from MAN.
- A new wire product for valve springs in engines with significantly better performance was developed.
- Decision was made to increase the capacity of the relatively new spring wire factory in USA.
- First order was received for a newly developed, quiet electrohydraulic system for truck tailgate lifts.
- An alliance with Brazilian brake component company Ader Ltda. gives Haldex a broadened program and a production base in Brazil
- A first investment in mobile Internet in vehicles was made by acquiring a minority share in Drive-IT Systems, with Fleet Management and Carsharing systems.

### **The vehicle market**

During the later part of the period, the vehicle market softened, as expected, in certain segments and regions, especially heavy vehicles in North America.

### ***Heavy vehicles***

In North America, the order intake to the vehicle manufacturers declined during the period. As substantial inventories of new and used trucks have been built up, a significant reduction of new vehicle build is now underway.

For the 9 months period, new Class 8 build in North America declined 13% with the majority of the downturn in the third quarter. During the fourth quarter, further cutbacks will take place and for the full year the production is estimated to decline over 20%.

The North American production of trailers for heavy powered trucks was some 13% lower than last year during the period and is expected to be 6% lower than the previous year for the full year.

During the last few years the aftermarket in North America has shown a declining trend due to the reduced age of the fleet as well as better components.

In North America, Haldex sales to the trailer segment and to the aftermarket for heavy trucks are relatively large. The Group's total exposure to new production of heavy powered trucks in North America is approximately 15%.

In Europe, the market for heavy vehicles showed a positive development during the period. The number of vehicles sold increased 6% while the production increased by 12% compared to the same period last year. The forecasts for the full year, however, point to a somewhat lower growth rate in production.

In South America and Asia, the production of heavy vehicles was significantly increased (55% and 35% respectively), but from a low level. Continued growth is expected for the rest of the year.

An estimate for the full year 2000 points to an increase in the world's total production of heavy powered vehicles with 1%.

Haldex invoicing pertaining to products for heavy vehicles amounted during the period to 3,062 MSEK (2,981), an increase of 3%. After adjusting for divested units, the increase was 5%.

### ***Light vehicles***

Within the light vehicle segment (cars, vans and light trucks), the number of vehicles produced increased in all regions.

In North America, the sales of light vehicles increased 4% and the production 3%, which also is the expected rate for the full year.

In Europe, the car sales during the period were slightly below last year's level. Especially the German market was weak. Owing to increasing exports, the production in Europe rose by nearly 3%, but for the full year it is estimated to be approximately 1% over last year's level.

The markets in South America and Asia recovered during the period and the production of light vehicles in those regions is estimated to increase by approximately 10% for the full year.

All in all, the world's production of light vehicles is estimated to increase by approximately 4% for the total year compared to last year.

Haldex invoicing pertaining to products for light vehicles amounted to 782 MSEK (626), an increase of 25%. Hereof, AWD systems increased with 85% and engine wire products with 10%.

### ***Industrial vehicles***

The market for forklift trucks showed a positive development in both North America and Europe. In both markets, the number of sold and produced units increased in the range of 10%.

The market for light construction vehicles increased by approximately 15% in North America, Europe and Asia/South America. For heavy construction vehicles, however, the market in North America decreased by some 15%, while the European market increased by around 8%.

Haldex invoicing pertaining to industrial vehicles amounted to 846 MSEK (782), an increase by 8%.

### **Sales and results 9 months 2000**

The Haldex Group's net invoicing increased 7% to 4,680 MSEK (4,389). After adjusting for divested units, net invoicing rose by 8%. All four divisions increased their net invoicing.

The Group's order intake amounted to 4,758 MSEK (4,420), an increase of 8% or slightly more than 9% for comparable units.

The Group's earnings after tax increased by 23% to 164 MSEK (134). Earnings before tax amounted to 253 MSEK (212), an increase of 19%. Operating earnings increased by 17% to 305 MSEK (261).

The earnings include a non-recurring income of 15 MSEK net, consisting of a re-payment from SPP Insurance of 21 MSEK and personnel reduction costs of 6 MSEK.

Operating earnings improved in all divisions with the exception of Brake Systems, which showed a result just below last year's level. All divisions have improved their gross margins compared to last year. Within Brake Systems, several large ongoing product development projects increased the division's expenses.

The Group's profit margin was 6.6% compared to 6.1% last year. Excluding one-time items, the profit margin was 6.3%.

The large ongoing business and product development projects (AWD, EBS, ECAM, disc brake) are expensive in the initial phase and affect the Group's profit margin negatively. Excluding the Traction Systems division (AWD), the period's profit margin was 8.3% compared to 7.9% for the same period last year. The Traction Systems division is expected to reach a break-even rate at the end of 2001, and thereafter successively to improve profitability to the Group's target levels.

The annualized return on capital employed for the period was 14.6% compared to 13.4% the same period last year. Excluding the Traction Systems division, the return was 17.3%, the same as last year.

Quarterly, sales and results have developed as follows:

| MSEK                | 1999  |       |       |       | 2000  |       |       |
|---------------------|-------|-------|-------|-------|-------|-------|-------|
|                     | I     | II    | III   | IV    | I     | II    | III   |
| Order intake        | 1,613 | 1,435 | 1,372 | 1,484 | 1,701 | 1,524 | 1,533 |
| Net sales           | 1,495 | 1,509 | 1,385 | 1,409 | 1,618 | 1,566 | 1,496 |
| <i>hereof:</i>      |       |       |       |       |       |       |       |
| Brake Systems       | 1,030 | 1,021 | 930   | 922   | 1,054 | 1,014 | 984   |
| Barnes Hydraulics   | 256   | 266   | 260   | 240   | 284   | 283   | 279   |
| Garphyttan Wire     | 188   | 178   | 139   | 173   | 200   | 197   | 161   |
| Traction Systems    | 21    | 44    | 56    | 74    | 80    | 72    | 72    |
| Earnings before tax | 71    | 78    | 63    | 90    | 92    | 88    | 73    |
| Profit margin, %    | 6.3   | 6.5   | 5.6   | 7.9   | 6.7   | 6.8   | 6.3   |
| R&D %               | 4.0   | 3.9   | 3.7   | 3.9   | 4.2   | 4.4   | 4.8   |

Net sales per region developed as follows:

| MSEK          | 9 months 2000 | 9 months 1999 | Change |
|---------------|---------------|---------------|--------|
| North America | 2,657         | 2,554         | + 4%   |
| Europe        | 1,831         | 1,707         | + 7%   |
| Asia          | 102           | 77            | +33%   |
| South America | 90            | 51            | +75%   |

### Capital expenditures, net debt, personnel

The Group's capital expenditures during the period amounted to 210 MSEK (154). The cash flow before acquisition was for the period -64 MSEK (49) and the net debt at the end of the period amounted to 1,225 MSEK (1,076). The number of employees at the end of the period was 4,257 (4,356).

### Outlook for the full year 2000

During the last quarter of the year, the vehicle business climate is expected to slow down in the main markets of North America and Europe. Especially in North America, a sharp decrease in the production of heavy vehicles and trailers is now taking place in order to reduce the inventory of new and used vehicles.

We have started to reduce personnel and will further adjust the organization to the lower volumes levels expected for next year.

The continued slowdown during the 4<sup>th</sup> quarter in combination with continued high expenses for product development and one-time costs means that the profit margin for the last quarter and for the total year will be lower than for corresponding periods last year.

| <b>Profit &amp; Loss, Group</b>             | Jan-Sep      |              | Oct 1999     | Total        |
|---|--------------|--------------|--------------|--------------|
| Amounts in MSEK                             | 2000         | 1999         | -Sep 2000    | 1999         |
| Net sales                                   | 4,680        | 4,389        | 6,089        | 5,798        |
| Cost of goods sold                          | -3,400       | -3,236       | -4,425       | -4,261       |
| <b>Gross profit</b>                         | <b>1,280</b> | <b>1,153</b> | <b>1,664</b> | <b>1,537</b> |
|   | <b>27.4%</b> | <b>26.3%</b> | <b>27.3%</b> | <b>25.5%</b> |
| Selling, G&A and R&D costs                  | -989         | -864         | -1,282       | -1,157       |
| Other revenues and costs                    | 14           | -28          | 31           | -11          |
| <b>Operating profit</b>                     | <b>305</b>   | <b>261</b>   | <b>413</b>   | <b>369</b>   |
| Financial net                               | -52          | -49          | -70          | -67          |
| <b>Earnings before tax</b>                  | <b>253</b>   | <b>212</b>   | <b>343</b>   | <b>302</b>   |
| Taxes                                       | -89          | -78          | -127         | -116         |
| <b>Net income</b>                           | <b>164</b>   | <b>134</b>   | <b>216</b>   | <b>186</b>   |
| <br>  |              |              |              |              |
| <b>Balance Sheet, Group</b>                 | 30 Sep       | 30 Sep       |              | 31 Dec       |
| Amounts in MSEK                             | 2000         | 1999         |              | 1999         |
| Intangible assets                           | 417          | 487          |              | 427          |
| Tangible assets                             | 1,412        | 1,223        |              | 1,297        |
| Financial assets                            | 77           | 12           |              | 56           |
| Inventories                                 | 898          | 776          |              | 783          |
| Current receivables                         | 1,139        | 979          |              | 880          |
| Cash, bank and short-term investments       | 105          | 187          |              | 307          |
| <b>Assets</b>                               | <b>4,048</b> | <b>3,664</b> |              | <b>3,750</b> |
| Shareholders' equity                        | 1,675        | 1,421        |              | 1,490        |
| Provisions                                  | 299          | 270          |              | 279          |
| Long-term liabilities                       | 1,070        | 1,056        |              | 1,087        |
| Short-term debt                             | 65           | 32           |              | 14           |
| Other current liabilities                   | 939          | 885          |              | 880          |
| <b>Shareholders' equity and liabilities</b> | <b>4,048</b> | <b>3,664</b> |              | <b>3,750</b> |

| <b>Cash Flow Statement, Group</b><br>Amounts in MSEK | Jan-Sep     |            | OCt 1999   | Total      |
|--|-------------|------------|------------|------------|
|  | 2000        | 1999       | -Sep 2000  | 1999       |
| Operating profit                                     | 305         | 261        | 413        | 369        |
| Depreciations on fixed assets                        | 183         | 167        | 237        | 221        |
| Financial net and taxes paid                         | -133        | -129       | -220       | -216       |
| Change in working capital                            | -209        | -96        | -127       | -14        |
| <b>Cash flow from operations</b>                     | <b>146</b>  | <b>203</b> | <b>303</b> | <b>360</b> |
| Net investments                                      | -210        | -154       | -267       | -211       |
| Divestitures   | -           | -          | 39         | 39         |
| Acquisitions   | -11         | -3         | -11        | -3         |
| <b>Cash flow</b>                                     | <b>-75</b>  | <b>46</b>  | <b>64</b>  | <b>185</b> |
| Dividend   | -67         | -67        | -67        | -67        |
| Change in debt and pension liabilities               | -49         | -52        | -66        | -69        |
| Change in long-term receivables                      | -12         | 1          | -15        | -2         |
| <b>Change in cash</b>                                | <b>-203</b> | <b>-72</b> | <b>-84</b> | <b>47</b>  |
| <b>eckl. translation difference</b>                  | <b>1</b>    | <b>-3</b>  | <b>2</b>   | <b>-2</b>  |
| Translation difference on liquid funds               | 1           | -3         | 2          | -2         |
| <b>Change in cash</b>                                | <b>-202</b> | <b>-75</b> | <b>-82</b> | <b>45</b>  |
| <b>Key Ratios</b>                                    | Jan-Sep     |            | Oct 1999   | Total      |
|  | 2000        | 1999       | -Sep 2000  | 1999       |
| Profit margin, %                                     | 6.6         | 6.1        | 6.9        | 6.6        |
| Return on capital employed, %                        | 14.6        | 13.4       | 15.0       | 14.1       |
| Return on equity, %                                  | 14.0        | 12.8       | 14.1       | 13.2       |
| Interest coverage ratio, times                       | 5.5         | 4.7        | 5.3        | 4.8        |
| Equity/assets ratio, %                               | 41          | 39         | 41         | 40         |
| Debt/equity ratio, %                                 | 73          | 76         | 73         | 65         |
| <b>Share Data</b> (adjusted for rights issue)        | Jan-Sep     |            | Oct 1999   | Total      |
|  | 2000        | 1999       | -Sep 2000  | 1999       |
| Earnings after tax, SEK                              | 7:38        | 5:99       | 9:72       | 8:33       |
| Shareholders' equity, SEK                            | 75:11       | 63:74      | 75:11      | 66:82      |
| Average no. of shares, (000)                         | 22,296      | 22,296     | 22,296     | 22,296     |
| No. of shares at end of period, (000)                | 22,296      | 22,296     | 22,296     | 22,296     |

**Future reporting**

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