



Innovative Vehicle Technology

Haldex - 1st Q 2001

Key figures

MSEK	2001 1st Q	2000 1st Q	Change
Order intake	1,699	1,701	0%
Net invoicing	1,648	1,618	+ 2%
Operating earnings	76	107	-28%
Earnings before tax	60	92	-35%
Net income	40	58	-32%
Earnings per share, SEK	1:77	2:62	-32%
Profit margin	4.7%	6.7%	

Key business events

- **Breakthrough on the US market for Haldex AWD system** Nomination Letter received, where one of the three leading American car manufacturers specifies Haldex as supplier of the AWD system for a new model based on a global platform. Serial deliveries expected to start at the end of 2003. The order value is estimated to 1-1.5 BSEK over a 5-year period.
- **Freightliner, North America's largest manufacturer of commercial vehicles, has nominated Haldex as standard supplier of long stroke brake chambers,** including spring brake actuators and service chambers. Deliveries to start June 2001. This business adds yearly sales of approximately 50 MSEK.
- **Haldex has been awarded two, new important US contracts for Haldex valve spring wire products.** One for ovate-shaped valve spring wire for engines within the GM Group. The other one is a breakthrough for deliveries of valve spring wire to Japanese car manufacturers (Toyota) in the US. Both contracts run for a 4-year period with a possibility of extension and expansion. The combined yearly order value is about 50 MSEK.
- At the end of April 2001, Haldex established **a strategic alliance with the American company Altra Technologies Inc., which has developed an electronic anti-collision system for commercial vehicles.** The alliance includes a 3 MUSD minority investment by Haldex in Altra, and a development and marketing agreement whereby Haldex Brake Systems will market the Altra system. The parties will cooperatively develop anti-collision systems for integration in Haldex electronic brake systems. Anti-collision systems for commercial vehicles is a rapidly growing segment and the total market potential in 5 years time is expected to exceed 5 BSEK. The Haldex/Altra alliance aims at capturing at least 15% of that market.

Market development

During the last quarter of 2000, a substantial drop in vehicle production occurred in North America in order to reduce excessive inventories of new vehicles and adjust the operations to lower sales. The significantly lower production rate has continued during the first quarter of 2001.

The North American production of heavy vehicles during the first quarter amounted to some 39,000 units, which was a decrease of 54% compared to the same period previous year. The production of heavy trailers decreased by 50%. Sales of heavy vehicles declined by some 43%, which means that inventories continued to decrease. It is estimated that the North American production of heavy vehicles will remain on the same low level for the rest of the year with a slight increase towards the end of the year.

The North American production of light vehicles decreased by 17% compared to the first quarter previous year. Sales declined by 6%. Thus, inventories of new cars decreased from about 87 days at year-end to about 65 days after the first quarter. Further inventory reductions are expected, after which the production might increase somewhat during the second half year.

Sales of construction vehicles in North America declined by some 5%. The development for forklift trucks was similar.

In Europe, the demand for heavy vehicles has begun to decrease and the production rate has been adjusted down by some 5% compared to the corresponding period previous year. For the full year the production is estimated to be some 10% lower than the peak year 2000.

Sales and production of light vehicles in Europe declined during the first quarter by some 6% compared to corresponding period previous year. For the full year the decrease is estimated to some 3%.

The European sales of construction vehicles declined by some 10%, while the development for forklift trucks was continued positive.

On the markets in South America and Asia, the development of vehicle production was positive. In Brazil, production of heavy vehicles increased by some 30%.

Profit development

The group's order intake amounted to 1,699 MSEK, which was unchanged compared to previous year. Net sales increased by 2% to 1,648 MSEK.

The weakening of the Swedish Krona against the USD and Euro affects, however, the comparison between the two quarters to a relatively large degree.

Adjusted for currency effects, the order intake and sales were 10% and 8% respectively lower compared to the fourth quarter of 2000. On the significantly weakened North American market, sales amounted to 875 MSEK, which currency adjusted was 18% lower than corresponding period previous year. In Europe and the rest of the world, sales amounted to 773 MSEK, an increase by 6% currency adjusted.

The group's operating profit before depreciations (EBITDA) decreased by 13% to 144 MSEK (167), equivalent to a margin of 8.8% (10.3).

The operating profit after depreciations (EBIT) was 28% lower than previous year and amounted to 76 MSEK (107). The profit margin was 4.7% (6.7). Compared to the fourth quarter of previous year, however, a significant profit improvement was achieved during the first quarter of 2001.

In spite of lower production costs, the group's profit margin declined, mainly due to the following three reasons::

- The volume decline of 8% in invoicing affected the profit negatively by some 35 MSEK or by 2.1 percentage points on the profit margin.
- The change in product mix whereby newer products within Brake Systems (disc brakes, ECAM – electronically controlled air management) increased their part of sales. These new products have substantially lower margins until higher volumes and continuous cost reduction work have taken effect. This change in product mix has negatively affected the profit margin with 0.6 percentage points.
- The product development costs, which increased by 15% (5% currency adjusted) during the period compared to previous year to 78 MSEK (68), meant a decrease of the profit margin by almost 0.5 percentage points- all within Brake Systems.

The work to both increase volumes and reduce costs of new-introduced products has high priority and represent a significant future potential for improved profits and higher profit margins.

All divisions except Traction Systems were during the 1st quarter affected in different degrees by the rapidly declining vehicle business climate in North America.

For the divisions Brake Systems and Barnes Hydraulics – with 60% and 70% respectively of their sales in North America – the weak North American market resulted in total division sales decrease (adjusted for currency effects) by 9% and 8% respectively. Cost reduction activities could not fully neutralize declining volumes, which affected the profit margin for the two divisions. The profit margin for Brake Systems was also affected by 0.9 percentage points due to the mix change towards newer products mentioned above.

The margin decrease in the Garphyttan Wire division was mainly caused by higher purchase prices, which could not to a full extent be brought forward to customers.

The Traction Systems division has according to plan improved profits and margin, even though it still is a matter of reducing losses.

In the different parts of the group, a successive adjustment of the organization and costs to lower business volumes have been made. Currency adjusted, the overhead costs (excluding R&D) decreased by 2% during the first quarter compared to corresponding period previous year, which after average salary and price increases of about 3% means a decrease of 5% in in volume terms. Continued cost reductions are ongoing.

Capital expenditures, net debt and personnel

The period's capital expenditure amounted to 76 MSEK (57). The cash flow, which is seasonally weak for the period, was -67 MSEK (-45). Net debt at the end of the period amounted to 1,350 MSEK (1,022). The no. of employees at the end of the period was 4,097 (4,166).

Outlook for the full year 2001

The vehicles business climate on the main markets in North America and Europe will remain weak and for the full year the vehicle production is estimated to be lower than previous year.

The group's sales (currency adjusted) and profits are expected to be lower than previous year, and can be expected to increase first in 2002.

Accounting principles

This report is prepared in accordance with recommendations issued by the Financial Accounting Standards Council and the Swedish Accounting Board. The same principles that were used in the latest Annual Report are applied in this report.

Future reporting

Interim Report January-June	17 August 2001
Interim Report January-September	25 October 2001
Report January-December 2001	February 2002

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The company auditors have not reviewed this report.

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Profit & Loss, Group	Jan-March		April 2000	Total
	2001	2000	-March 2001	2000
Amounts in MSEK				
Net sales	1,648	1,618	6,224	6,194
Cost of goods sold	-1,202	-1,186	-4,571	-4,555
Gross profit	446	432	1.653	1.639
	27.1%	26.7%	26.6%	26.5%
Selling, G&A and R&D costs	-357	-320	-1.346	-1.309
Other revenues and costs	-13	- 5	0	8
Operating profit	76	107	307	338
Financial net	-16	-15	-69	-68
Earnings before tax	60	92	238	270
Taxes	-20	-34	-79	-93
Net income	40	58	159	177
Balance Sheet, Group	March 31	March 31		Dec 31
Amounts in MSEK	2001	2000		2000
Intangible assets	414	421		408
Tangible assets	1,555	1,307		1,464
Financial assets	64	54		59
Inventories	932	779		893
Current receivables	1,211	1,065		1,029
Cash, bank and short-term investments	97	219		152
Assets	4,273	3,845		4,005
Shareholders' equity ¹⁾	1,802	1,555		1,645
Provisions	315	284		305
Long-term liabilities	1,128	919		1,131
Short-term debt	107	141		38
Other current liabilities	921	946		886
Shareholders' equity and liabilities	4,273	3,845		4,005
1) Change in shareholders' equity				
Shareholders' equity at year-start	1,645	1,490		1,490
Dividend	-	-		-67
Translation difference	117	7		45
Net income	40	58		177
Shareholders' equity at year-end	1,802	1,555		1,645

Cash Flow Statement, Group	Jan-March		April 2000	Total
	2001	2000	-March 2001	2000
Amounts in MSEK				
Operating profit	76	107	307	338
Depreciation on fixed assets	68	60	251	243
Financial net and taxes paid	-37	-49	-110	-122
Change in working capital	-98	-106	-159	-167
Cash flow from operations	9	12	289	292
Net investments	-76	-57	-322	-303
Acquisitions	-	-	-11	-11
Cash flow	-67	-45	-44	-22
Dividend	-	-	-67	-67
Change in debt and pension liabilities	8	-43	-1	-52
Change in long-term receivables	3	-	-13	-16
Change in cash excl. translation difference	-56	-88	-125	-157
Translation difference on liquid funds	1	-	3	2
Change in cash	-55	-88	-122	-155

Key Ratios	Jan-March		April 2000	Total
	2001	2000	-March 2001	2000
Profit margin, %	4.7	6.7	5.1	5.6
Return on capital employed, %	9.9	15.7	10.6	12.1
Return on equity, %	9.2	15.3	9.7	11.2
Interest coverage ratio, times	4.4	6.4	4.1	4.6
Equity/assets ratio, %	42	40	42	41
Debt/equity ratio, %	75	66	75	74

Share data	Jan-March		April 2000	Total
	2001	2000	March 2001	2000
Earnings after tax, SEK	1:77	2:62	7:12	7:97
Shareholders' equity, SEK	80:82	69:74	80:82	73:79
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
Market value, SEK	66:50	90:00	66:50	69:50

Quarterly development:

MSEK	I	II	III	IV	Total 2000	I/2001
<i>Group</i>						
Order intake	1,701	1,524	1,533	1,526	6,284	1,699
Net sales	1,618	1,566	1,496	1,514	6,194	1,648
Operating profit	107	104	94	33	338	76
Earnings before tax	92	88	73	17	270	60
Net income	58	59	47	13	177	40
R&D, %	4.2	4.4	4.8	5.0	4.6	4.7
Profit margin, %	6.7	6.8	6.3	2.4	5.6	4.7
<i>Brake Systems</i>						
Net sales	1,054	1,014	984	971	4,023	1,047
Operating profit	90	77	67	17	251	50
Operating margin, %	8.5	7.7	6.7	1.8	6.2	4.8
<i>Barnes Hydraulics</i>						
Net sales	284	283	279	258	1,104	290
Operating profit	19	17	15	8	59	18
Operating margin, %	6.6	6.2	5.4	3.0	5.3	6.3
<i>Garphyttan Wire</i>						
Net sales	200	197	161	198	756	217
Operating profit	25	27	14	21	87	25
Operating margin, %	12.2	13.5	8.7	10.6	11.4	11.4
<i>Traction Systems</i>						
Net sales	80	72	72	87	311	94
Operating profit	-27	-17	-17	-13	-74	-17
Operating margin, %	neg	neg	neg	neg	neg	neg