



*Haldex Group January-March 2002*

## **Continued weak vehicle market**

- **Earnings before tax 39 MSEK (60)**
- **Operating profits 57 MSEK (76)**
- **Order intake 1,777 MSEK (1,699)**
- **Cash flow 28 MSEK (-62)**

### **Business events**

Among the more important business events during the 1st quarter, the following could be mentioned:

- Supply agreement with Saab Automobile regarding AWD systems. Delivery start in a few years. Estimated annual value 150 MSEK.
- Letter of intent from European truck manufacturer regarding supply of disc brakes. Start 2005. Estimated annual value 100 MSEK.
- Consummated acquisition of two product lines, including brake actuators and control valves, with applications in brake and suspension systems in heavy vehicles. Manufacturing in Mexico and the U.S. respectively. Annual sales 500 MSEK.
- Letter of intent from European car manufacturer regarding development of an electronically controlled differential brake.
- Assignment from a European car manufacturer to participate in the development of the software architecture of next generation's AWD vehicles.

### **The Market**

The vehicle industry on the main markets in North America and Europe continued severely depressed during the period.

In comparison with the 1st quarter 2001, the production of heavy trucks decreased by 10% in North America and by 20% in Europe. The production of heavy trailers in North America dropped 50%.

In comparison with the 4th quarter 2001, the truck production in North America increased by 2%, but declined by 10% in Europe. The North American trailer production fell 20%.

The market for industrial vehicles, such as construction vehicles and forklifts, weakened significantly. In North America, the production rate declined by 20% and 35% respectively. In Europe, the corresponding downturn was 8% and 2% respectively.

The development in the light vehicle segment (passenger cars and light trucks) was also weak. Albeit, the production rate in North America increased by 1%, but sales declined by 5%. In Europe, the production of cars decreased by 10%, whereas sales weakened by 4%.

The latest forecasts (J.D. Power/ACT, 1st Q 2002) of the development during the remainder of the year, indicate that the 1st quarter is likely to mark the bottom of the combined, international vehicle business cycle.

In North America, the number of manufactured heavy trucks for the total year is expected to increase by 7%, which implies that the average increase for the remaining three quarters should be some 15% compared to the 1st quarter. The 4th quarter, however, is forecast to fall back on the 1st quarter's level due to the forward buying that occurs presently. The new emission regulations that come to force by October, are expected to result in higher truck (engine) prices and higher fuel costs.

The production rate of heavy trailers in North America is expected to show a 29% downturn for the full year compared to previous year. This implies, however, that the average production rate during the next three quarters should be 35% higher than in the 1st. quarter.

Added together, heavy trucks and trailers are hence expected to show a production decline of 13% in North America compared to the previous year. In comparison with the current year's 1st. quarter, however, this forecast implies that the number of produced truck & trailer units in North America will on the average be some 20% higher in the next three quarters.

In Europe, the vehicle business cycle lags North America. The full year forecast of the European production of heavy trucks shows a decline of 14%. Different from North America, the European scenario implies that the next three quarters as an average is likely to show a somewhat (5%) lower production rate than the 1st quarter.

The above figures on the 1st quarter's production of heavy vehicles and the indicated forecasts regarding the next three quarters, can be summarized for the combined markets in North America and Europe as follows:

The production rate during the 1st quarter was 30% lower than in the 1st quarter 2001 and 10% lower than the 4th quarter 2001. The average production rate in the next three quarters is forecast to be 10% higher than the outcome in the 1st quarter.

### **Order intake and shipments**

The group's order intake amounted to 1,777 MSEK (1,699), an increase of 5%. The entire increase is explained by variations in currency exchange rates. Excluding newly acquired units, the order intake declined 3%, or 8% after adjusting for currency rates.

Shipments amounted to 1,639 MSEK (1,684), a reduction of 1%. Adjusted for currency rates, the decline was 5%. Excluding acquisitions, shipments decreased by 6%, or 11% after adjusting for currency rates.

Traction Systems showed lower shipments than in the 1st quarter previous year. This is explained by the lower car production in Europe – especially in Germany – which was also the case for those car makes currently equipped with the AWD system. In addition, the 1st quarter last year included a planned inventory build-up by the customer in connection

with a production move to another factory. The full year estimate for Traction Systems is unchanged and implies an increase in shipments of some 20%, mainly as an effect of increased deliveries to Volvo. The estimate remains that Traction Systems ought to achieve a break-even result rate at the end of the year.

Shipments per division and region were as follows:

MSEK	1Q 2002		1Q 2001	1Q 02 vs. 1Q 01	
	Nominal	Xrate adj.		Nominal	Xrate adj.
Group	1.639	1.567	1.648	- 1%	- 5%
Brake	1.115	1.063	1.047	+ 6%	+ 1%
Hydraulics	251	238	290	-13%	-18%
Wire	201	194	217	- 7%	-10%
Traction	72	72	94	-23%	-23%
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North America	903	841	875	+ 3%	- 4%
Europe	653	644	705	- 7%	- 9%
Asia	45	42	31	+43%	+37%
South America	38	40	37	+ 2%	+ 7%

## Results

The group's earnings before tax for the period amounted to 39 MSEK (60). The new accounting recommendation (RR15), which shall be applied as from year-start, regarding capitalizing certain product development expenditures, has improved the result for the year with 10 MSEK compared to the previous year. The 10 MSEK capitalized development costs represent about 14% of the period's total costs for product development.

Operating earnings, including capitalized development costs, amounted to 57 MSEK (76).

Excluding capitalized development costs, earnings before tax and operating earnings thus amounted to 29 MSEK (60) and 47 MSEK (76) respectively.

In comparison with the outcome of the 4th quarter 2001 (earnings before tax 2 MSEK and operating earnings 18 MSEK), a significant improvement was recorded. The 1st quarter's result was also better than expected.

The newly acquired businesses have contributed positively to the result in accordance with expectations. Thereby, Brake Systems could show a small improvement in operating earnings compared to the 1st quarter last year. Traction Systems recorded a result on the same level as last year, in spite of lower shipments.

The results in Hydraulics Systems and Garphyttan Wire, however, were below previous year, mainly due to lower volumes.

The gross profit margin declined 1%-age point, pertaining to the Hydraulics and Wire divisions, mainly an effect of lower volumes.

In spite of a lower profit, the group's cash flow (excluding acquisitions) improved with 90 MSEK as a consequence of both lower capital expenditures, better working capital development and lower taxes. The cash flow (excluding acquisitions) amounted to 28 MSEK (-62).

### **Capital expenditures, net debt, employees**

The period's capital expenditures amounted to 47 MSEK (71). Net debt at the end of the period was 1,515 MSEK (1,350). The equity/assets ratio declined slightly to 41% (42).

The number of employees at the end of the period was 4,089 (4,097), hereof in acquired units 251 (0).

### **Outlook for the full year**

Even though total vehicle production in 2002 is forecast to decline compared to the previous year, there are signs that the bottom has been reached and that an upturn could be expected from present level during the remainder of the year.

The outlook stated in the full year report remains unchanged. With a successively improving market, combined with newly acquired businesses and several new delivery contracts won during the previous year, the group's turnover and profit is estimated to increase compared to 2002.

### **Accounting principles**

This interim report is prepared in accordance with current recommendations. It means that as of 2002, the new accounting principles regarding intangible assets (RR15), provisions (RR16) and write-downs (RR17) are applied. Only the recommendation on intangible assets, has had a material significance on the group's profit and financial position. Otherwise, the report is prepared in accordance with earlier applied accounting principles.

### **Future reporting**

Interim report January-June	25 July 2002
Interim report January-September	22 October 2002

Stockholm 26 April 2002  
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The company auditors have not reviewed this report

<b>Profit &amp; Loss, Group</b>	Jan-March		April 2001	Total
Amounts in MSEK	2002	2001	-March 2002	2001
<b>Net sales</b>	<b>1,639</b>	<b>1,648</b>	<b>6,216</b>	<b>6,225</b>
Cost of goods sold	-1,219	-1,209	-4,617	-4,607
<b>Gross profit</b>	<b>420</b>	<b>439</b>	<b>1,599</b>	<b>1,618</b>
	<b>25.6%</b>	<b>26.6%</b>	<b>25.7%</b>	<b>26.0%</b>
Selling, G&A and R&D costs	-363	-357	-1,428	-1,422
Other revenues and costs	0	- 6	-12	-18
<b>Operating profit</b>	<b>57</b>	<b>76</b>	<b>159</b>	<b>178</b>
Financial net	-18	-16	-68	-66
<b>Earnings before tax</b>	<b>39</b>	<b>60</b>	<b>91</b>	<b>112</b>
Taxes	-13	-20	-27	-34
<b>Net income</b>	<b>26</b>	<b>40</b>	<b>64</b>	<b>78</b>
<b>Balance Sheet, Group</b>	31 March	31 March		31 Dec
Amounts in MSEK	2002	2001		2001
Intangible assets	567	414		432
Tangible assets	1,556	1,555		1,584
Financial assets	78	64		90
Inventories	853	932		905
Current receivables	1,181	1,211		1,036
Cash, bank and short-term investments	50	97		156
<b>Assets</b>	<b>4,285</b>	<b>4,273</b>		<b>4,203</b>
Shareholders' equity <sup>1)</sup>	1,768	1,802		1,813
Provisions	316	315		348
Long-term liabilities	1,324	1,128		1,227
Short-term debt	37	107		31
Other current liabilities	840	921		784
<b>Shareholders' equity and liabilities</b>	<b>4,285</b>	<b>4,273</b>		<b>4,203</b>
1) Change in shareholders' equity				
Shareholders' equity at year-start	1,813	1,645		1,645
Buy-back of shares	-	-		-10
Dividend	-	-		-67
Translation difference	-71	117		167
Net income	26	40		78
Shareholders' equity at year-end	1,768	1,802		1,813

<b>Cash Flow Statement, Group</b>	Jan-March		April 2001	Total
Amounts in MSEK	2002	2001	-March 2002	2001
Operating profit	57	76	159	178
Depreciation on fixed assets	79	68	288	277
Financial net & taxes paid	-27	-37	-74	-84
Change in working capital	-24	-98	38	-36
<b>Cash flow from operations</b>	<b>85</b>	<b>9</b>	<b>411</b>	<b>335</b>
Net investments	-57	-71	-243	-257
Acquisitions	-253	-	-277	-24
Investments in shares and participations	-	- 5	-32	-37
<b>Cash flow</b>	<b>-225</b>	<b>-67</b>	<b>-141</b>	<b>17</b>
Buy-back of shares	-	-	-10	-10
Dividend	-	-	-67	-67
Change in debt and pension liabilities	117	8	161	52
Change in other long-term liabilities	4	-	9	5
Change in long-term receivables	-	3	2	5
<b>Change in cash</b>	<b>-104</b>	<b>-56</b>	<b>-46</b>	<b>2</b>
<b>excl. translation difference</b>	<b>-104</b>	<b>-56</b>	<b>-46</b>	<b>2</b>
Translation difference on liquid funds	- 2	1	- 1	2
<b>Change in cash</b>	<b>-106</b>	<b>-55</b>	<b>-47</b>	<b>4</b>
<b>Key ratios</b>	Jan-March		April 2001	Total
	2002	2001	-March 2002	2001
Profit margin, %	3.7	4.7	2.7	3.0
Return on capital employed, %	7.2	9.9	5.1	5.8
Return on equity, %	5.8	9.2	3.6	4.4
Interest coverage ratio, times	2.9	4.4	2.1	2.5
Equity/assets ratio, %	41	42	41	43
Debt/equity ratio, %	86	75	86	73
<b>Share data</b>	Jan-March		April 2001	Total
	2002	2001	-March 2002	2001
Earnings per share after tax, SEK	1:17	1:77	2:89	3:49
Shareholders' equity, SEK	79:77	80:82	79:77	81:78
Average no. of shares, (000)	22.165	22.296	22.240	22.273
No. of shares at end of period, (000)	22.165	22.296	22.165	22.165
Market value, SEK	114:00	66:50	114:00	87:00

**Quarterly development:**

<u>MSEK</u>	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>Total 2001</u>	<u>I/2002</u>
<i>Group</i>						
Order intake	1,699	1,510	1,481	1,348	6,038	1,777
Net sales	1,648	1,627	1,481	1,469	6,225	1,639
Operating profit	76	52	32	18	178	57
Earnings before tax	60	33	17	2	112	39
Net income	40	22	11	5	78	26
R&D, %	4.7	4.8	4.9	4.9	4.8	4.5
Profit margin, %	4.7	3.4	2.4	1.3	3.0	3.7
<i>Brake Systems</i>						
Net sales	1,047	1,051	984	968	4,050	1,115
Operating profit	50	35	21	26	132	55
Profit margin, %	4.8	3.3	2.2	2.5	3.2	4.9
<i>Hydraulic Systems</i>						
Net sales	290	285	250	235	1,060	251
Operating profit	18	12	5	- 1	34	5
Profit margin, %	6.3	4.1	2.9	neg	3.2	2.0
<i>Garphyttan Wire</i>						
Net sales	217	214	187	186	804	201
Operating profit	25	19	16	12	72	14
Profit margin, %	11.4	8.7	12.4	5.0	8.9	7.2
<i>Traction Systems</i>						
Net sales	94	77	60	80	311	72
Operating profit	-17	-14	-10	-19	-60	-17
Profit margin, %	neg	neg	neg	neg	neg	neg