



Haldex Group January-March 2002

Continued weak vehicle market, but beginning recovery in North America

- **The 2nd quarter's result before tax, including non-recurring costs of 18 MSEK, amounted to 49 MSEK (33). Before non-recurring items the result was 67 MSEK (33).**
- **The half-year result before tax amounted to 88 MSEK (93). Before non-recurring costs the result was 106 MSEK (93).**
- **Order intake for the half-year was 3,482 MSEK (3,209) and sales 3,377 MSEK (3,275).**
- **The half-year's cash flow amounted to 113 MSEK (5).**

Business events

Among the more important events, the following could be mentioned:

- Two new AWD orders received. From Saab Automobile with an annual value of approximately 150 MSEK and delivery start in a few years, and from a European car manufacturer with an annual value of approximately 150 MSEK and delivery start in 2004.
- Letter of intent from a European truck manufacturer regarding delivery of disc brakes. Annual value about 100 MSEK and delivery start 2005.
- Acquisition completed regarding components for brake and suspension systems on trucks with annual sales of about 500 MSEK.
- Cooperation with Alfa Laval under investigation regarding development and marketing of separation systems for eliminating oil emission from diesel engines on trucks. Yearly market potential estimated to more than 1 BSEK.

The Market

The vehicle market continued weak during the period. However, a slight recovery from a low level took place in North America.

Heavy vehicles

In comparison with the 1st half-year 2001, the production of heavy trucks in North America increased by 7%. The increase was to a large extent an effect of the new emission regulations (EPA02) that will come into force in October and are expected to result in more expensive engines and impairing fuel economy. This "pre-buying" of trucks is expected to lead to an increased production rate in the 2nd and 3rd quarters, while the 4th quarter and next year's 1st quarter are expected to fall back to a production rate in line with this year's 1st quarter.

The forecast (J.D. Power/ACT) for the North American production of heavy trucks for the total year 2002 compared to total year 2001 points to an increase of 20%.

Within the segment of heavy trailers, which is an important segment to Haldex, the development in North America showed a strong downturn. In the 1st half of the year, the production decreased by 40%. But the volumes are estimated to increase slightly in the 2nd half-year, which, in combination with the weaker 2nd half of 2001, limits the decrease to 25% in the latest full year forecast.

Altogether (trucks and trailers), the North American production in the 1st half-year was 20% lower than previous year and the forecast for total year 2002 points to a decrease of 5%.

In Europe, the production of trucks fell by 15% in the 1st half-year. Due to the rapidly declining production rate in the 2nd half of 2001, the comparison to previous year will successively improve even at unchanged production volumes in the 2nd half of this year. The forecast for the full year in Western Europe points to a decrease in truck production of almost 10%.

The information regarding the European trailer segment is incomplete, but the development can be estimated to be similar to the truck segment.

The production of heavy trucks in Asia (China, Japan, India, South Korea) continues to increase at a rapid rate. For the total year, the increase is estimated to some 30%. In South America (Brazil, Argentina), the production of trucks is declining as an effect of the economic crisis in Argentina and the political uncertainty in Brazil. The total year production is estimated to decrease 6%.

Industrial vehicles

Sales and production of construction vehicles and forklift trucks decreased 10-20% on the main markets in North America and Europe, as a result of the general weakening of economic activities.

Light vehicles

In North America, a certain inventory build-up of vehicles took place from low levels and production increased by 5% in the 1st half-year compared to previous year, in spite of a 3% sales decrease.

In Europe, sales and production decreased by almost 5% in the 1st half-year compared to the same period previous year.

Order intake and sales

The group's order intake for the period amounted to 3,482 MSEK (3,209), an increase of 9%. The increase mainly refers to the acquisition of Neway/Anchorlok. In currency adjusted terms the increase was 7%.

Sales amounted to 3,377 MSEK (3,275), an increase of 3%. Currency adjusted, the increase was 2%. Excluding the acquisition, sales decreased by 4%.

Per division, order intake and sales were distributed as follows (MSEK):

<u>Division</u>	<i>Order intake</i>		<i>Sales</i>	
	<u>Amount</u>	<u>Change</u>	<u>Amount</u>	<u>Change</u>
Brake	2.312	+11%	2.294	+ 9%
Hydraulics	513	- 7%	515	-10%
Wire	497	+18%	421	- 2%
Traction	160	+ 3%	147	-14%

The increase within Brake was mainly related to the acquisition of Neway/Anchorlok. Despite a lower total production of trucks and trailers on the main markets in North America and Europe, sales excluding the acquisition could be kept on previous year's level as a result of increased market shares.

The volume decline within Hydraulics as a result of the depressed market, was limited by the introduction of a new hydraulic system for large recreational vehicles. These vehicles are designed with two over-lapping parts, which can be pushed out to broaden the vehicle when parked.

The substantial order intake increase within Wire can partly be explained by a replenishment in the supply system after earlier reductions and expectations of a future volume increase in car production. The increase can to some extent also be explained by increased market shares.

Within Traction, order intake and sales have been negatively affected by the VW/Audi group's lower sales volumes of cars based on the platform that Haldex supplies with AWD systems. The recent start of deliveries to Volvo has only to some extent counterbalanced that. However, the full year estimate of a 20% increase remains, and is a result of increasing deliveries to Volvo in the 2nd half of the year.

The group's sales per region developed as follows:

<i>Region</i>	<i>MSEK</i>	<i>Change</i>
North America	1,856	+ 5%
Europe	1,325	- 2%
Asia	122	+58%
South America	74	- 1%

Results

The group's earnings before tax for the 1st half-year amounted to 88 MSEK (93). The new accounting recommendations (RR15) regarding the balancing of certain product development costs that came into force at year-start, has improved the reported result with 18 MSEK. The balanced development costs represent 12% of the period's total cost for product development.

The reported half-year result has in the 2nd quarter been charged with non-recurring items of net 18 MSEK.

The amount is made up of partly a capital gain of 4 MSEK from sale of land in the U.K. and partly a write-down of 22 MSEK of shares in minority owned companies.

The write-down of shares is related to the two companies in which Haldex has invested in order to follow and get access to technologies within telematics (wireless communication to and from vehicles) and anti-collision system for commercial vehicles.

The development and market introduction of these products are estimated to take longer time than earlier expected. At the same time, market valuations have declined. The shareholdings have in the report been recorded at the latest estimated market value, which means a write-down of totally 22 MSEK, representing almost half of the booked value before the write-down. However, both technology areas are still of great interest and make part of the group's strategic direction.

2nd quarter

Net sales in the 2nd quarter amounted to 1,738 MSEK (1,627), an increase of 7%. Compared to the 1st quarter of the year, the increase was 6%.

Including non-recurring items of net 18 MSEK as stated above, which have been charged to the 2nd quarter, earnings before tax amounted to 49 MSEK (33), an increase of 48%. The result includes balancing of product development costs at 8 MSEK. Compared to the 1st quarter of the year, earnings increased by 24%. Excluding non-recurring items, earnings in the 2nd quarter amounted to 67 MSEK (33). If also the balancing of development costs is excluded, the result was 59 MSEK (33).

The quarterly development excluding both the balancing of product development and the above mentioned non-recurring items, has been as follows (MSEK):

	2001				2002	
	I	II	III	IV	I	II
Sales	1,648	1,627	1,481	1,469	1,639	1,738
EBITDA	144	123	104	84	126	157
EBIT	76	52	32	18	47	78
EBT	60	33	17	2	29	59

Divisions

Brake Systems showed an improved result for the 1st half-year, while the other divisions did not reach the results of the same period previous year.

The result for the Brake division was positively affected by the acquired units, which have developed favorably and better than plan. Contributing to improved result and profit margin were also sustained gross margins and effects from cost reductions.

Lower volumes compared to previous year negatively affected the results in the Wire and Hydraulics divisions.

The Traction division's result was lower than previous year, in spite of improved gross margins. The reduced result is mainly explained by lower volumes. The start of deliveries to Volvo has not yet been able to counterbalance lower sales of other car makes that include the AWD system. This is, however, expected to happen on a full year basis. The result was also affected by development costs and the upcoming production start of the AWD system's generation II. Previous estimate remains, that the Traction division in the 4th quarter will achieve a rate of result at break-even level.

Cash flow, net debt, employees

The group's cash flow from operations in the 1st half-year amounted to 204 MSEK (143). Cash flow after deduction of net capital expenditures but before acquisitions amounted to 113 MSEK (5).

The improvement came about as a combined effect of better result before depreciations, improved working capital development and lower capital expenditures.

The period's investments in machinery and equipment amounted to 83 MSEK (138). Net debt at the end of the period was 1,416 MSEK (1,384). The equity/assets ratio was reduced to 38% (42). The number of employees at the end of the period was 4,113 (4,065), whereof 232 (0) in acquired units.

Outlook for the full year

The latest forecasts of vehicle production on the main markets in North America and Europe point to a combined decrease of 7% for heavy vehicles; unchanged volumes for light vehicles and a decrease of 10-15% for industrial vehicles.

The outlook for Haldex development, as stated in earlier reports, remains unchanged. A successively improving market, in combination with acquired units and a number of new delivery contracts won during the previous year, the group's turnover and profits are estimated to increase compared to 2001.

Accounting principles

This interim report is prepared in accordance with recommendations issued by the Swedish Financial Accounting Standards Council. The accounting principles used in this report are the same that were used in the latest Annual Report with the following additions: In 2002 new recommendations regarding consolidated financial statements (RR1:00); intangible assets (RR15); provisions (RR16); write-downs (RR17); loan costs (RR21); and information regarding affiliated (RR23) came into force. At the switchover to RR1:00 no retroactive translations of earlier acquisitions have been made.

Future reporting

Interim report January-September	22 October 2002
Year-end report	February 2003

Stockholm 25 July 2002
Claes Warnander
President and CEO

Auditors' Report

We have made a review of this Half-year Report in accordance with recommendations issued by the Swedish Institute of Authorized Public Accountants. A review is substantially limited in relation to an audit.

Nothing has come to our attention that indicates that the Half-year Report fails to comply with the requirements of the Swedish Stock Exchange Act and the Swedish Annual Accounts Act.

Stockholm 25 July 2002

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Profit & Loss, Group

Amounts in MSEK	<i>April-June</i>		<i>Jan-June</i>		<i>July 2001</i>	<i>Total</i>
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>	<i>-June 2002</i>	<i>2001</i>
Net sales	1,738	1,627	3,377	3,275	6,327	6,225
Cost of goods sold	-1,267	-1,210	-2,486	-2,419	-4,674	-4,607
Gross profit	471	417	891	856	1,653	1,618
	27.1%	25.6%	26.4%	26.1%	26.1%	26.0%
Selling, G&A and R&D costs	-385	-361	-748	-718	-1,452	-1,422
Other revenues and costs	0	-4	0	-10	-8	-18
Non-recurring items, net	-18	-	-18	-	-18	-
Operating profit	68	52	125	128	175	178
Financial net	-19	-19	-37	-35	-68	-66
Earnings before tax	49	33	88	93	107	112
Taxes	-17	-11	-30	-31	-33	-34
Net income	32	22	58	62	74	78
Earnings per share, SEK	1:43	0:99	2:60	2:76	3:33	3:49

Balance Sheet, Group

Amounts in MSEK	<i>30 June</i>	<i>30 June</i>	<i>31 Dec</i>
	<i>2002</i>	<i>2001</i>	<i>2001</i>
Intangible assets	537	416	432
Tangible assets	1,433	1,599	1,584
Financial assets	60	100	90
Inventories	799	951	905
Current receivables	1,234	1,177	1,036
Cash, bank and short-term investments	86	158	156
Assets	4,149	4,401	4,203
Shareholders' equity ¹⁾	1,585	1,829	1,813
Provisions	291	323	348
Long-term liabilities	1,291	1,153	1,227
Short-term debt	29	169	31
Other current liabilities	953	927	784
Shareholders' equity and liabilities	4,149	4,401	4,203

1) Change in shareholders' equity

Shareholders' equity at beginning of period	1.813	1.645	1.645
Buy-back of shares	-	-	-10
Dividend	-33	-67	-67
Translation difference	-253	189	167
Net income	58	62	78
Shareholders' equity at end of period	1.585	1.829	1.813

Cash Flow Statement, Group

Amounts in MSEK	<i>Jan-June</i>		<i>July 2001</i>	<i>Total</i>
	<i>2002</i>	<i>2001</i>	<i>-June 2002</i>	<i>2001</i>
Operating profit	125	128	175	178
Depreciation on fixed assets	158	139	296	277
Financial net & taxes paid	-64	-67	-81	-84
Change in working capital	-15	-57	6	-36
<i>Cash flow from operations</i>	<i>204</i>	<i>143</i>	<i>396</i>	<i>335</i>
Nettoinvestments	-91	-138	-210	-257
Acquisitions	-236	-	-260	-24
Investments in shares and participations	-3	-35	-5	-37
<i>Cash flow from expenditures</i>	<i>-330</i>	<i>-173</i>	<i>-475</i>	<i>-318</i>
Cash flow	-126	-30	-79	17
Buy-back of shares	-	-	-10	-10
Dividend	-33	-67	-33	-67
Change in debt and pension liabilities	92	105	39	52
Change in other long-term liabilities	4	-8	17	5
Change in long-term receivables	-8	3	-6	5
<i>Cash flow from financing activities</i>	<i>55</i>	<i>33</i>	<i>7</i>	<i>-15</i>
Change in cash				
excl. translation difference	-71	3	-72	2
Translation difference on liquid funds	1	3	0	2
Change in cash	-70	6	-72	4

Key ratios

	<i>Jan-June</i>		<i>July 2001</i>	<i>Total</i>
	<i>2002</i>	<i>2001</i>	<i>-June 2002</i>	<i>2001</i>
Profit margin, %	3.8	4.1	2.9	3.0
Return on capital employed, %	7.9	8.3	5.5	5.8
Return on equity, %	6.7	7.0	4.2	4.4
Interest coverage ratio, times	3.2	3.3	2.5	2.5
Equity/assets ratio, %	38	42	38	43
Debt/equity ratio, %	89	76	89	73

Share data

	<i>Jan-June</i>		<i>July 2001</i>	<i>Total</i>
	<i>2002</i>	<i>2001</i>	<i>-June 2002</i>	<i>2001</i>
Earnings per share after after tax, SEK	2:60	2:76	3:73	3:49
Shareholders' equity, SEK	71:52	82:03	71:52	81:78
Average no. of shares, (000)	22,165	22,296	22,207	22,273
No. of shares at end of period, (000)	22,165	22,296	22,165	22,165
Market value, SEK	114:50	86:00	114:50	87:00

