



Haldex group 1st quarter 2003

- **Earnings before tax, excluding the previously reported provision for restructuring of the production unit in Heidelberg, amounted to 54 MSEK (39), an increase of 38%. Currency rate changes negatively affected earnings with 5 MSEK.**
- **Earnings before tax, including the restructuring provision of 57 MSEK (0), amounted to -3 MSEK (39).**
- **Order intake was 1,673 MSEK (1,777), a decrease of 6%. Currency adjusted, an increase of 4%.**
- **Sales were 1,556 MSEK (1,639), a decline of 5%. Currency adjusted, an increase of 5%.**

Results

The period's earnings before tax, excluding the restructuring provision, amounted to 54 MSEK (39), an increase of 38%. Compared to last year's profit for the first quarter, the period's profit was negatively affected by about 5 MSEK as a consequence of changed currency rates (weakened US dollar).

The group's earnings before taxes, including the provision for the restructuring of the production unit in Heidelberg 57 MSEK (0) or 6.25 M€, amounted to -3 MSEK (39).

As previously reported, the planned restructuring in Heidelberg means that the machining operations will be discontinued and that the activity in Heidelberg will be concentrated to final assembly and tests as well as product development. The machining will be outsourced to sub-suppliers in Eastern Europe. The change means a personnel reduction of 120 people, or almost half of the personnel employed. The implementation is estimated to take about a year after finalized union negotiations. The negotiations are estimated to be concluded in June. Fully implemented, the impact of the restructuring is estimated to reduce yearly costs in the magnitude of 45 MSEK (5 M€).

Operating profits (excluding restructuring provision) increased by 15% to 66 MSEK (57) and the corresponding profit margin improved to 4.4% (3.7).

The operating profit improvement compared to the first quarter last year is mainly related to the Traction Systems division, where result improved from -17 MSEK to 1 MSEK. Also the Garphyttan Wire and Hydraulic Systems divisions improved their profits, while Commercial Vehicle Systems showed a lower profit as a consequence of lower sales and currency effects.

In comparison with last year's fourth quarter, profit improved substantially in Commercial Vehicle Systems and Hydraulic Systems, while Traction Systems and Garphyttan Wire remained on the same levels.

Earnings before tax were positively affected by a better financial net as a consequence of reduced net debt and lower interest rates.

In the reported earnings after tax, no potential tax income has been considered related to the Heidelberg restructuring provision.

Cash flow

Cash flow before capital expenditures from operations for the period amounted to 3 MSEK (85). Cash flow after capital expenditures amounted to -53 MSEK (28).

The reduced cash flow in comparison with last year was mainly due to increased working capital, caused mainly by increased accounts receivable whereas inventories continued to decrease. The accounts receivable credit days were retained on previous level.

Net debt at the end of the period amounted to 1,238 MSEK (1,515) and the solidity was 39% (41%).

Order intake and sales

The group's order intake amounted to 1,673 MSEK (1,777), a decrease of 6%. The decrease is totally an effect of changed currency rates. Currency adjusted, the group's order intake increased by 4% compared to last year's first quarter.

Sales amounted to 1,556 MSEK (1,639), a decrease of 5%. Currency adjusted, sales increased by 5%.

Sales per division and region were as follows:

MSEK	1Q 2003	1Q 2002	1Q 2003 vs. 1Q 2002	
			Nom.	Currency adj.
Group	1,556	1,639	-5%	+4%
Commercial				
Vehicle Systems	977	1,115	-12%	-2%
Hydraulic Systems	230	251	-8%	+3%
Garphyttan Wire	212	201	+6%	+13%
Traction Systems	137	72	+90%	+90%

North America	775	903	-14%	+3%
Europe	715	653	+9%	+10%
Asia	39	45	-12%	+4%
South America	27	38	-28%	+3%

The heavy increase in Traction Systems is explained by AWD deliveries to Volvo, which started only in the second half of 2002.

Sales in Garphyttan Wire increased due to advantageous product mix and increased market share.

The slightly increased sales (in currency adjusted terms) in Hydraulic Systems follows a cautious market upturn.

The somewhat lower sales (in currency adjusted terms) in Commercial Vehicle Systems are mainly related to the product groups Remanufacturing – a North American aftermarket operation where the installed base for exchange of certain older products decreases over time; Brake lining products – where a multi-year delivery contract was coming to an end last year and not yet replaced; and Brake actuators – where sales in Europe have declined in pace with the market.

Market

The international vehicle business climate was mainly weak with a vehicle production on a continued low level. In comparison with last year's first quarter, the trailer segment showed an increased production. In comparison to last year's fourth quarter, the production declined in all segments but cars.

In summary, the latest full year forecasts for 2003 for the total production of heavy trucks and trailers in our main markets North America and Europe predict that the total number of units will be unchanged compared to 2002. The quarterly rates are estimated to be the same for the first three quarters (the successive increase in North America is counterbalanced by the corresponding decrease in Europe), after which an increase is expected in the fourth quarter.

North America

In North America, the production of *heavy trucks* increased by 2% compared to the 1st quarter 2002. Compared to last year's fourth quarter, the production declined by about 14%.

The latest full year forecast (ACT) for 2003 points to a decrease of about 9% compared to 2002, but with an increasing production for each quarter.

In the *trailer* segment, a substantial increase of 80% took place compared to last year's extremely low production in the first quarter. Compared to the fourth quarter 2002, the production of trailers decreased by about 2%.

The latest full year forecast (ACT) for 2003 points to an increase of the trailer production by about 30%. Also for trailers, the production is estimated to increase by each quarter

Sales of *light vehicles* (cars and light trucks) in North America declined in comparison with last year's first quarter by about 4.5%. The production, however, increased by about 1% and in comparison with last year's fourth quarter, the increase was slightly more than 2%.

Many manufacturers have indicated a decreased production in the second quarter in order to better balance demand and inventory.

The latest forecast (J.D. Power) points to a decrease for the full year 2003 by 1.5%.

The North American market for *industrial vehicles* (construction equipment and forklift trucks) showed an increase from a low level.

Europe

In Europe, the production of *heavy trucks* continued to decline. Compared to last year's first quarter, the decline was about 1.5%. Compared to last year's fourth quarter, the production of trucks declined by about 10%.

The latest full year forecast (J.D. Power) for 2003 points to a decline of slightly less than 12%.

Statistics and forecast for the *trailer* segment are not readily available, but the development can be expected to be similar to the one for trucks.

Sales of *passenger cars* in Europe declined with almost 2.5%. The production of cars declined by about 1%. Compared to last year's fourth quarter, the production increased by about 2%. The latest full year forecast (J.D. Power) for 2003 points to a decline of about 4%.

The European market for construction vehicles and forklift trucks continued weak as a consequence of the declining economic growth.

Asia and South America

After a substantial increase last year, the production of heavy vehicles in China has slackened and the full year forecast (J. D. Power) for 2003 is 30% down on last year. Korea is expected to remain on last year's level. In Brazil, the production of heavy trucks increased some 30% in the first quarter and can for the full year be expected to be well over last year.

Personnel

The number of employees at the end of the period amounted to 3,975 (4,089).

Outlook for the full year

The outlook in the 2002 full year report from February 18, 2003, remains unchanged:

“The present forecasts of vehicle production on our main markets in North America and Europe do not show any meaningful growth for 2003. With the exception of the Traction Systems division therefore, the 2003 sales are estimated to be on a similar level as in 2002 – at unchanged currency rates in relation to 2002.

The expected improvement of the Traction Systems division, from a negative to a small positive operating result, as well as margin improvements of the remaining part of the group through continued cost reductions, ought to result in an improvement of the group's profit margin”.

Accounting principles

This 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.

Future reporting

Interim Report January-June	24 July 2003
Interim Report January-September	27 October 2003
Year-End Report	February 2004

Stockholm April 24, 2003

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The company auditors have not reviewed this report.

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Profit & Loss, Group	Jan-March		April 2002	Total
Amounts in MSEK	2003	2002	-March 2003	2002
Net sales	1,556	1,639	6,331	6,414
Cost of goods sold	-1,150	-1,229	-4,711	-4,790
Gross profit	406	410	1,620	1,624
	26.1%	25.0%	25.6%	25.3%
Sales, G&A and R&D costs	-339	-355	-1,404	-1,420
Other revenues and costs	-1	2	11	14
Non-recurring items, net	-57	-	-98	-41
Operating profit	9	57	129	177
Financial net	-12	-18	-59	-65
Earnings before tax	-3	39	70	112
Taxes	-18	-13	-39	-34
Net income	-21	26	31	78
Balance Sheet, Group	31 March	31 March		31 Dec
Amounts in MSEK	2003	2002		2002
Intangible assets	520	567		539
Tangible assets	1,364	1,556		1,405
Financial assets	67	78		71
Inventories	710	853		721
Current receivables	1,169	1,181		1,016
Cash	65	50		107
Assets	3,895	4,285		3,859
Shareholders equity ¹⁾	1,522	1,768		1,563
Provisions	296	316		300
Long-term liabilities	1,120	1,324		1,124
Short-term debt	14	37		20
Other current liabilities	943	840		852
Shareholders' equity and liabilities	3,895	4,285		3,859
1) Change in shareholders' equity				
Shareholders' equity beginning of period	1,563	1,813		1,813
Buy-back of shares	-	-		-8
Dividend	-	-		-33
Translation difference	-20	-71		-287
Net income	-21	26		78
Shareholders' equity end of period	1,522	1,768		1,563

Cash Flow Statement, Group	Jan-March		April 2002	Total
Amounts in MSEK	2003	2002	-March 2003	2002
Operating profit	9	57	129	177
Depreciation on fixed assets	75	79	305	309
Financial net & taxes paid	-22	-27	-117	-122
Change in working capital	-59	-24	173	208
<i>Cash flow from operations</i>	3	85	490	572
Net investments	-56	-57	-233	-234
Acquisitions	-	-253	16	-237
Investment in shares and participations	-	-	-3	-3
<i>Cash flow from expenditures</i>	-56	-310	220	-474
Cash flow	-53	-225	270	98
Buy-back of shares	-	-	-8	-8
Dividend	-	-	-33	-33
Change in debt an pension liabilities	5	117	-213	-101
Change in other long-term liabilities	1	4	1	4
Change in long-term receivables	5	-	1	-4
<i>Cash flow from financing activities</i>	11	121	-252	-142
Change in cash	-42	-104	18	-44
excl. translation difference	-42	-104	18	-44
Translation difference on cash	-	-2	-3	-5
Change in cash	-42	-106	15	-49
Key ratios	Jan-March		April 2002	Total
	2003	2002	-March 2003	2002
Profit margin, %	0.8	3.7	2.2	2.9
Profit margin, excl. non-recurring items, %	4.4	3.7	3.8	3.6
Return on capital employed, %	1.7	7.2	4.6	6.0
Return on equity, %	-5.5	5.8	3.6	4.4
Interest coverage ratio, times	0.8	1.9	2.0	2.5
Equity/assets ratio, %	39	41	41	43
Debt/equity ratio, %	81	86	81	77
Share data	Jan-March		April 2002	Total
	2003	2002	-March 2003	2002
Earnings, SEK	-0:95	1:17	1:39	3:51
Earnings, excl. non-recurring items, SEK	1:64	1:17	5:29	4:82
Shareholders' equity, SEK	68:97	79:77	68:97	70:83
Average no. of shares, (000)	22,065	22,165	22,120	22,145
No. of shares end of perid, (000)	22,065	22,165	22,065	22,065
Market valut, SEK	75:00	114:00	75:00	87:00

Quarterly development:

MSEK					Total						Total	
	I	II	III	IV	2001	I	II	III	IV	2002	I/2003	
<i>Group</i>												
Order intake	1,699	1,510	1,481	1,348	6,038	1,777	1,705	1,535	1,465	6,482	1,673	
Net sales	1,648	1,627	1,481	1,469	6,225	1,639	1,738	1,537	1,500	6,414	1,556	
Operating profit	76	52	32	18	178	57	68	33	19	177	9	
Earnings before tax	60	33	17	2	112	39	49	19	5	112	-3	
Net income	40	22	11	5	78	26	32	12	8	78	-21	
R&D, %	4.7	4.8	4.9	4.9	4.8	4.5	4.3	4.3	5.1	4.5	4.7	
Profit margin, %	4.7	3.4	2.4	1.3	3.0	3.7	3.9	2.3	1.6	2.9	0.8	
<i>Commercial Vehicle Systems</i>												
Net sales	1,047	1,051	984	968	4,050	1,115	1,179	1,021	945	4,260	977	
Operating profit	50	35	21	26	132	55	73	7	23	158	38	
Profit margin, %	4.8	3.3	2.2	2.5	3.2	4.9	6.1	0.8	2.6	3.7	3.9	
<i>Hydraulic Systems</i>												
Net sales	290	285	250	235	1,060	251	264	237	221	973	230	
Operating profit	18	12	5	- 1	34	5	8	6	-5	14	7	
Profit margin, %	6.3	4.1	2.9	neg	3.2	2.0	2.8	2.8	neg	1.4	3.1	
<i>Garphyttan Wire</i>												
Net sales	217	214	187	186	804	201	220	191	202	814	212	
Operating profit	25	19	16	12	72	14	24	22	21	81	20	
Profit margin, %	11.4	8.7	8.5	6.6	8.9	7.2	10.6	11.2	10.5	9.9	9.1	
<i>Traction Systems</i>												
Net sales	94	77	60	80	311	72	75	88	132	367	137	
Operating profit	-17	-14	-10	-19	-60	-17	-19	- 2	3	-35	1	
Profit margin, %	neg	neg	neg	neg	neg	neg	neg	neg	2.4	neg	0.9	