



Haldex group 1st half year 2003

- **Earnings before tax, excluding non-recurring items, amounted to 93 MSEK (106). Currency rate changes had a negative effect of 13 MSEK.**
- **Earnings before tax, including non-recurring items, amounted to 36 MSEK (88).**
- **Order intake was 3,104 MSEK (3,482), a decrease of 11%. Currency adjusted, unchanged level.**
- **Sales 3,098 MSEK (3,377), a decrease of 8%. Currency adjusted, an increase of 3%.**
- **Acquisition of new environmental technology for diesel engines**

Results

<u>MSEK</u>	2002				2003		1st half year		1H-03 vs.	
	<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>I</i>	<i>II</i>	2002	2003	1H-02	2H-02
Net sales	1,639	1,738	1,537	1,500	1,556	1,542	3,377	3,098	- 8%	+2%
Operating profit *)	57	86	33	42	66	53	143	119	-15%	+59%
Operating profit	57	68	33	19	9	53	125	62	-50%	+18%
Earnings before tax *)	39	67	19	28	54	39	106	93	-11%	+101%
<u>Earnings before tax</u>	39	49	19	5	- 3	39	88	36	-59%	+51%

*) excluding non-recurring items

The group's earnings before tax for the 1st half year, excluding non-recurring items, amounted to 93 MSEK (106). Earnings were negatively affected by changes in currency rates by 13 MSEK. Currency adjusted and excluding non-recurring items, earnings before tax were unchanged compared to previous year.

Excluding currency hedging, a simultaneous rate change of SEK with 10% against the main currencies EURO, USD and GBP affects the group's yearly earnings with 50 MSEK.

The group's earnings before tax and including non-recurring items amounted to 36 MSEK (88).

The reported earnings after tax do not include any potential tax revenue related to the 57 MSEK Heidelberg restructuring charge.

Last year's strong cash flow in combination with lower interest rates improved financial net.

Operating profit, excluding non-recurring items, amounted to 119 MSEK (143). Currency adjusted and excluding non-recurring items, operating profit was 5% lower than previous year.

The group's gross margin improved by 0.1 %-points compared to previous year. Continued rationalizations in purchasing and production neutralized price reductions. All divisions showed improved gross margins.

Operating profits and operating margins improved for the three divisions Hydraulic Systems, Garphyttan Wire and Traction Systems. Commercial Vehicle Systems, however, showed lower operating profit and lower operating margin compared to previous year.

Operating profit for Commercial Vehicles Systems amounted to 60 MSEK (128). 15 MSEK of the profit decline was related to changes in currency rates. Added resources for rationalization and marketing actions increased expenses and activated development expenses declined, together a result effect of 15 MSEK. The higher return rate in the remanufacturing activity on the North American aftermarket resulted in a profit drop of 5 MSEK. The remaining profit decline was mainly a consequence of lower volumes.

In Commercial Vehicle Systems, several actions are ongoing to improve the cost structure. The ongoing restructuring in Heidelberg follows plan. The union negotiations are at a final stage. In parallel, the work to find sub-suppliers in Eastern Europe is progressing. The factory for brake actuators and certain valves in Blackburn, Great Britain, will be closed in the beginning of 2004 and the production moved to sub-suppliers in Eastern Europe and India. In North America, certain production is planned to move from the U.S. to Mexico 2004. Also in other units in Europe and North America, rationalization work and volume adjustments are ongoing and will lead to personnel reductions. In total, the now ongoing actions are estimated to reduce annual costs with at least 60 MSEK. Full effect will be achieved end 2004/beginning 2005. Only a small effect will be achieved in the 2nd half of the current year.

2nd quarter

Net sales in the 2nd quarter amounted to 1,542 MSEK (1,738). The decrease is mainly related to changes in currency rates.

The group's earnings before tax, excluding non-recurring items, amounted to 39 MSEK (67). Including non-recurring items, profit was 39 MSEK (49). In comparison to previous year, profit in the 2nd quarter was negatively affected by 8 MSEK due to changes in currency rates.

The profit decrease in the 2nd quarter compared to the same period last year, excluding the currency effect, was mainly related to lower volumes and unfavorable product mix in Commercial Vehicle Systems. Previous year's 2nd quarter was strong (almost 50% of total year profit) and positively affected by the pre-buy of trucks in the U.S.

Cash flow

The group's cash flow before capital expenditures in the 1st half year amounted to 100 MSEK (204). Cash flow after capital expenditures was -24 MSEK (113).

The lower cash flow compared to previous year is explained by a larger increase in working capital and somewhat higher capital expenditures than last year. While inventory days improved, customer credit days increased somewhat.

Cash flow after capital expenditures in the 2nd quarter was positive and amounted to 29 MSEK (85).

Net debt at the end of the period amounted to 1,218 MSEK (1,416) and the solidity was 38% (38).

Order intake and sales

The group's order intake in the 1st half year amounted to 3,104 MSEK (3,482), a decrease of 11%. Currency adjusted, the group's order intake was unchanged compared to the same period last year.

Sales amounted to 3,098 MSEK (3,377), a decline of 8%. Currency adjusted, group sales increased by 3%.

Sales per division and region were as follows:

MSEK	1st H		1st H 2003 vs. 1st H 2002	
	2003	2002	Nominal	Xrate adj.
Group	3,098	3,377	-8%	+3%
Commercial				
Vehicle Systems	1,933	2,294	-16%	-4%
Hydraulic Systems	466	515	-9%	+4%
Garphyttan Wire	422	421	0%	+8%
Traction Systems	277	147	+89%	+89%

North America	1,537	1,856	-17%	0%
Europe	1,419	1,325	+7%	+8%
Asia	80	122	-34%	-20%
South America	62	74	-17%	+28%

The increase in Europe was mainly related to Traction Systems. The decrease in Asia was mainly related to a large, single business last year, which was not repeated this year. In addition, the activity in China was somewhat lower as a consequence of sars.

The substantial increase in Traction Systems is explained by AWD deliveries to Volvo, which only started in the 2nd half year 2002.

Sales in Garphyttan Wire increased (currency adjusted) due to favorable product mix and increased market shares. The increase was related to Europe, while sales in North America were unchanged. The order intake for the division weakened in the 2nd quarter as a consequence of a lower, planned production rate of cars in both Europe and North America.

The increased sales (currency adjusted) in Hydraulic Systems followed a cautious increase in some market segments, but are also related to new businesses. The increase was similar in both North America and Europe.

Sales in Commercial Vehicle Systems decreased (currency adjusted) by 4%. This can be compared to the main market (heavy trucks and trailers in North America and Europe) that increased by some 7%. Besides price reductions on an average of 2%, the weaker development than market was mainly related to the following:

- Sales in Europe of Automatic Brake Adjusters decreased as a consequence of lower production of trucks and trailers as well as continued change from drum brakes to disc brakes. Also sales of disc brakes decreased temporarily due to the introduction of a new design, but will increase considerably in coming years.
- Sales in Europe of conventional brake valves for trailers decreased as the installation rate of EBS systems (Electronic Brake System) increases. Although sales of EBS systems followed the market development, competition lead to considerably reduced prices.
- With few exceptions, our position at our most important customers in North America were kept. However, our customer mix had a less favorable development than average market and thus market shares declined.
- Sales of ABS systems in North America followed the market development. But new, considerably cost-reduced systems were introduced and sold at lower prices.
- Sales in North America of brake linings are mainly for light trucks, where the market development was negative. Sizeable deliveries to a certain platform were concluded at year-end and have not yet been replaced by any new business of the same magnitude.

Market

With one important exception – trailer production in North America – the development in our most important market segments was weak.

Heavy vehicles

The production in North America of Class 8 trucks decreased in the 1st half year by 4% compared to previous year. The decrease for Class 7 trucks – which to some 40% are equipped with pneumatic braking systems – was 9%. In sharp contrast, the production of trailers increased by 57%. This large increase is mainly due to previous year's extremely low production of trailers, partly caused by fleet-owners pre-buying trucks, which had a strenuous effect on finances. No increase, however, from the production level in the 2nd half 2002 did occur. In total, the development in North America meant that the number of produced units with pneumatic braking systems increased by some 18% compared to previous year. Compared to the production in the 2nd half 2002, the level in the 1st half 2003 was 5% lower.

In Europe, the production of heavy trucks decreased in the 1st half by some 3% compared to previous year. The decrease for trailers was approximately the same.

In South America, the production increased while the level in Asia at large remained unchanged.

In our main markets in North America and Europe, the total production of heavy trucks and trailers was 7% higher in the 1st half compared to previous year. In relation to previous year's 2nd half, the production level in this year's 1st half was 5% lower.

Light vehicles

The production of cars and light trucks in North America decreased in the 1st half by some 3% compared to previous year. In Europe, the production of cars decreased by about 1%.

Industrial vehicles

The North American production of forklift trucks and construction equipment increased somewhat, while Europe showed a continued decrease.

Market estimate 2003-2004

In North America, the production of heavy truck (Class 7 and 8) and trailers is estimated to increase successively in the next coming quarters. The latest forecast (ACT July) points to an increase of some 10% in the 2nd half 2003 compared to the 1st half. For the total year 2003 the forecast shows an increase of 10% compared to 2002. For the total year 2004 the forecast shows an increase of 30% compared to 2003.

In Europe, a weaker development is expected. The latest forecast (JDP July) points to a decreased production of heavy vehicles of slightly more than 10% in the 2nd half of 2003 compared to the 1st half. For the total year 2003, the forecast shows a decrease of 9% compared to 2002. For the total year 2004, a slight increase of 3% is expected compared to 2003.

In total, the forecasts for our main markets in North America and Europe show that the production of heavy trucks and trailers is expected to be unchanged in the 2nd half 2003 compared to the 1st half.

For the total year 2003, the forecasts show a small increase of 1% compared to 2002.

For the total year 2004, an increased production of 18% is expected.

Acquisition of new environmental technology

Haldex has in July signed an agreement with the development company Varivent Innovations AB comprising the exclusive rights to further develop and market a new technology for EGR (Exhaust Gas Recirculation) systems on diesel engines. The Varivent technology makes it possible to achieve the future international (EURO 5, US 07) requirements regarding reduced emissions of nitric oxide and particles from engines with EGR technology, which is the most cost effective technology. The limitations so far with the EGR technology – limited gas recirculation and energy losses – are eliminated by the Varivent technology. This translates to significantly lower fuel consumption compared to other methods. The Varivent technology also makes it possible to use simpler methods to reduce emissions of particles. After the implementation of EURO 5 and US 07, the total market for the Varivent technology can be estimated to 750 MSEK (95 MUSD) annually.

Prototypes will now be built and field and life tests carried out during 2004/2005. Introductory contacts have already been taken with several manufacturers of trucks and diesel engines.

With the acquisition of the Varivent technology, Haldex has further strengthened its product offerings to manufacturers of diesel engines: Haldex is since long the world leader of advanced spring wire products for engines (with applications for valve springs, piston rings, etc.) and has a leading position regarding hydraulic fuel transfer pumps and hydraulic systems for cooling fans. In cooperation with Alfa Laval, a hydraulically driven centrifugal separator system (Alfdex) has been developed to clean the oil mist from crank case ventilation gases in diesel engines. With the Varivent technology, Haldex will also be able to offer a fuel efficient NO_x cleaning system.

Personnel

The number of employees at the end of the period amounted to 4,021 (4,065).

Outlook for the full year

The outlook in the 2002 full year report and the report for the 1st quarter 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-September	27 October 2003
Year-End Report	February 2004

Stockholm July 24, 2003

Claes Warnander
President & 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 24 July 2003

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Profit & Loss, Group	<i>April-June</i>		<i>Jan-June</i>		<i>July 2002</i>	<i>Total</i>
Amounts in MSEK	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>-June 2003</i>	<i>2002</i>
Net sales	1,542	1,738	3,098	3,377	6,135	6,414
Cost of goods sold	-1,145	-1,277	-2,295	-2,506	-4,579	-4,790
Gross profit	397	461	803	871	1,556	1,624
	25.7%	26.5%	25.9%	25.8%	25.4%	25.3%
Sales, G&A and R&D costs	-337	-375	-676	-730	-1,366	-1,420
Other revenues and costs	-7	-	-8	2	4	14
Non-recurring items, net	-	-18	-57	-18	-80	-41
Operating profit	53	68	62	125	114	177
Financial net	-14	-19	-26	-37	-54	-65
Earnings before tax	39	49	36	88	60	112
Taxes	-12	-17	-30	-30	-34	-34
Net income	27	32	6	58	26	78
Earnings per share, SEK	1:23	1:43	0:27	2:60	1:18	3:51
Balance Sheet, Group	<i>30 June</i>	<i>30 June</i>			<i>31 Dec</i>	
Amounts in MSEK	<i>2003</i>	<i>2002</i>			<i>2002</i>	
Intangible assets	502	537			539	
Tangible assets	1,316	1,433			1,405	
Financial assets	64	60			71	
Inventories	711	799			721	
Current receivables	1,138	1,234			1,016	
Cash	25	86			107	
Assets	3,756	4,149			3,859	
Shareholders' equity ¹⁾	1,429	1,585			1,563	
Provisions	354	291			300	
Long-term liabilities	1,058	1,291			1,124	
Short-term debt	15	29			20	
Other current liabilities	900	953			852	
Shareholders' equity and liabilities	3,756	4,149			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	-33			-33	
Translation difference	-107	-253			-287	
Net income	6	58			78	
Shareholders' equity end of period	1,429	1,585			1,563	

Cash Flow Statement, Group	<i>Jan-June</i>		<i>July 2002</i>	<i>Total</i>
Amounts in MSEK	<i>2003</i>	<i>2002</i>	<i>-June 2003</i>	<i>2002</i>
Operating profit	62	125	114	177
Depreciation on fixed assets	147	158	298	309
Financial net & taxes paid	-48	-64	-106	-122
Change in working capital	-61	-15	162	208
<i>Cash flow from operations</i>	<i>100</i>	<i>204</i>	<i>468</i>	<i>572</i>
Net investments	-124	-91	-267	-234
Acquisitions	-	-236	- 1	-237
Investments in shares and participations	-	- 3	-	-3
<i>Cash flow from investments</i>	<i>-124</i>	<i>-330</i>	<i>-268</i>	<i>-474</i>
Cash flow	-24	-126	200	98
Buy-back of shares	-	-	- 8	-8
Dividend	-33	-33	-33	-33
Change in debt and pension liabilities	-31	92	-224	-101
Change in other long-term liabilities	-	4	-	4
Change in long-term receivables	5	- 8	9	-4
<i>Cash flow from financing activities</i>	<i>-59</i>	<i>55</i>	<i>-256</i>	<i>-142</i>
Change in cash	-83	-71	-56	-44
excl. translation difference	1	1	- 5	-5
Translation difference on cash				
Change in cash	-82	-70	-61	-49
Key ratios	<i>Jan-June</i>		<i>July 2002</i>	<i>Total</i>
	<i>2003</i>	<i>2002</i>	<i>-June 2003</i>	<i>2002</i>
Profit margin, %	2.1	4.1	2.7	2.9
Profit margin, excl. non-recurring items, %	4.0	4.3	3.3	3.6
Return on capital employed, %	4.7	7.9	4.3	6.0
Return on equity, %	0.8	6.7	1.7	4.4
Interest coverage ratio, times	2.2	3.2	1.9	2.5
Equity/assets ratio, %	38	38	38	43
Debt/equity ratio, %	85	89	89	77
Share data	<i>Jan-June</i>		<i>July 2002</i>	<i>Total</i>
	<i>2003</i>	<i>2002</i>	<i>-June 2003</i>	<i>2002</i>
Earnings, SEK	0:27	2:60	1:18	3:51
Earnings, excl. non-recurring items, SEK	2:87	3:18	4:51	4:82
Shareholders' equity, SEK	64:74	71:52	71:52	70:83
Average no. of shares, (000)	22,065	22,165	22,095	22,145
No. of shares end of period, (000)	22,065	22,165	22,065	22,065
Market value, SEK	86:00	114:50	86:00	87:00

Quarterly development:

MSEK	Total					Total					I/2003	II/2003
	I	II	III	IV	2001	I	II	III	IV	2002		
<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	1,431
Net sales	1,648	1,627	1,481	1,469	6,225	1,639	1,738	1,537	1,500	6,414	1,556	1,542
Operating profit	76	52	32	18	178	57	68	33	19	177	9	53
Earnings before tax	60	33	17	2	112	39	49	19	5	112	-3	39
Net income	40	22	11	5	78	26	32	12	8	78	-21	27
R&D, %	4.7	4.8	4.9	4.9	4.8	4.5	4.3	4.3	5.1	4.5	4.7	4.5
Profit margin, %	4.7	3.4	2.4	1.3	3.0	3.7	3.9	2.3	1.6	2.9	0.8	3.5
<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	955
Operating profit	50	35	21	26	132	55	73	7	23	158	38	22
Profit margin, %	4.8	3.3	2.2	2.5	3.2	4.9	6.1	0.8	2.6	3.7	3.9	2.4
<i>Hydraulic Systems</i>												
Net sales	290	285	250	235	1,060	251	264	237	221	973	230	236
Operating profit	18	12	5	- 1	34	5	8	6	-5	14	7	6
Profit margin, %	6.3	4.1	2.9	neg	3.2	2.0	2.8	2.8	neg	1.4	3.1	2.5
<i>Garphyttan Wire</i>												
Net sales	217	214	187	186	804	201	220	191	202	814	212	211
Operating profit	25	19	16	12	72	14	24	22	21	81	20	22
Profit margin, %	11,4	8,7	8,5	6,6	8,9	7,2	10,6	11,2	10,5	9,9	9,1	10,8
<i>Traction Systems</i>												
Net sales	94	77	60	80	311	72	75	88	132	367	137	140
Operating profit	-17	-14	-10	-19	-60	-17	-19	- 2	3	-35	1	3
Profit margin, %	neg	neg	neg	neg	neg	neg	neg	neg	2,4	neg	0,9	1,7