



Haldex group 9 months 2003

Third quarter

- Earnings before tax amounted to 32 MSEK (19). Operating profit was 49 MSEK (33). Profit margin was 3.5% (2.3).
- Earnings after tax amounted to 20 MSEK (12). Earnings per share were SEK 0:92 (0:56).
- Net sales amounted to 1,452 MSEK (1,537), a decrease of 6%. Currency adjusted, an increase of 5%.

January-September

- Earnings before tax, excluding restructuring costs, amounted to 125 MSEK (125). Currency changes affected negatively with 16 MSEK net. Including restructuring costs, earnings before tax were 68 MSEK (107).
- Operating profit, excluding restructuring costs, amounted to 168 MSEK (176). Currency changes had a negative impact of 20 MSEK net. Profit margin was 3.8% (3.7).
- Earnings after tax amounted to 26 MSEK (70). Earnings per share were SEK 1:19 (3:16).
- Net sales amounted to 4,550 MSEK (4,914), a decrease of 7%. Currency adjusted, an increase of 3%.

<i><u>MSEK</u></i>	<i>2002</i>				<i>2003</i>			<i>Jan-Sept</i>		
	<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>I</i>	<i>II</i>	<i>III</i>	<i>2002</i>	<i>2003</i>	<i>? %</i>
Net sales	1,639	1,738	1,537	1,500	1,556	1,542	1,452	4,914	4,550	-7%
Operating profit*)	57	86	33	42	66	53	49	176	168	-4%
Operating profit	57	68	33	19	9	53	49	158	111	-30%
Earnings before tax*)	39	67	19	28	54	39	32	125	125	0%
Earnings before tax	39	49	19	5	- 3	39	32	107	68	-36%

*) excluding one-time items

3rd quarter

The group's net sales in the 3rd quarter amounted to 1,452 MSEK (1,537). Currency adjusted, an increase of 5%.

Earnings before tax amounted to 32 MSEK (19). Operating profit was 49 MSEK (33) and profit margin was 3.5% (2.3).

Compared to the 3rd quarter previous year, operating profit and profit margin improved in Commercial Vehicle Systems, Hydraulic Systems and Traction Systems, while Garphyttan Wire showed lower profit and profit margin compared to last year.

January-September

The group's earnings before tax, excluding restructuring costs, for the 9-months period amounted to 125 MSEK, unchanged compared to previous year. Earnings were negatively affected by changes in currency rates at 16 MSEK net. The net amount consists of currency effects on goods flows and translations of results with together -24 MSEK, and a currency gain of 8 MSEK as hedging positions in USD were closed due to increased purchasing in USD and changed delivery parameters.

Including restructuring costs, earnings before tax amounted to 68 MSEK (107) and earnings after tax were 26 MSEK (70).

In earnings after tax no deferred tax income for the restructuring reserve of 57 MSEK has been taken into account, which explains the higher tax rate compared to last year.

Operating profit, excluding restructuring costs, amounted for the 9-months period to 168 MSEK (176). Earnings were negatively affected by changes in currency rates with 20 MSEK net. Profit margin was 3.8% (3.7).

Operating profit and profit margin improved for the divisions Traction Systems and Hydraulic Systems. Garphyttan Wire showed an operating profit and profit margin just below last year, mainly due to currency changes.

The divisions in Commercial Vehicle Systems showed consolidated an operating profit of 81 MSEK (135) and a profit margin of 2.9% (4.1). While the gross profit margin was on the same level as last year, the profit decrease was mainly due to lower sales volumes, currency effects and lower core income from the remanufacturing business on the North American aftermarket.

Cost reduction actions

In Commercial Vehicle Systems a number of cost reduction actions are ongoing in order to improve the cost structure.

Discontinuation of the machining in the Heidelberg plant.

The machining will be moved to sub-suppliers in East European low-cost countries. Negotiations with suitable suppliers, mainly in Hungary and Slovenia, have been finalized. The German process for negotiations with the unions is lengthy, but in the last weeks agreements have been accomplished on important issues. The first lay-offs have been carried out and the re-structuring will be carried out successively as planned, and is expected to be finalized in the 2nd half of next year.

Close-down of the Blackburn plant, United Kingdom

Also in this case, the machining will be moved to low-cost countries, mainly in Eastern Europe. This will be done during the 1st half of next year.

Establish Haldex production in Hungary

Negotiations for purchase of land and construction of a Haldex production plant in Hungary are ongoing. This plant will be a unit for assembly and test of different group products. The products in the present Blackburn plant (actuators, valves) will be assembled and tested here. Also some pre-assembly of AWD systems will be located to Haldex Hungary. Over time, also other group products could be assembled and tested in the Hungarian unit.

Structural changes in North America

Planning is ongoing for moving certain production from the U.S. to Mexico next year. A plan is also being finalized to improve the cost structure in the remanufacturing business in 2004.

Purchases from low-cost countries

All divisions in the group take part in a strengthened coordination of purchases, including extended purchases from low-cost countries. Resources for purchasing have been strengthened in China, India and Eastern Europe. Identification and quality assurance of suppliers are ongoing. This will lead to added purchases from low-cost countries next year and henceforth, and result in considerable cost savings.

Cash flow

Cash flow before capital expenditures for the 9-months period amounted to 192 MSEK (323). Cash flow after capital expenditures amounted to 12 MSEK (170).

Compared to previous year, the cash flow was affected by a less favourable development in working capital. However, the account receivable credit days decreased somewhat since year-start and inventory days were retained on the same level.

Cash flow after capital expenditures in the 3rd quarter was positive and amounted to 36 MSEK (57).

Net debt at the end of the period amounted to 1,162 MSEK (1,389) and the solidity was 38% (40).

Order intake and sales

The group's order intake January-September amounted to 4,498 MSEK (5,017), a decrease of 10%. Currency adjusted, order intake was unchanged compared to previous year.

Net sales amounted to 4,550 MSEK (4,914), a decrease of 7%. Currency adjusted, sales increased by 3%.

Sales per division and region were as follows:

MSEK	January-September		Percentage change	
	2003	2002	Nominal	Currency adj.
Group	4,550	4,914	-7	+3
Commercial				
Vehicle Systems	2,849	3,314	-14	-3
Hydraulic Systems	699	752	-7	+5
Garphyttan Wire	603	613	-1	+5
Traction Systems	399	235	+70	+70

North America	2,275	2,704	-15	+1
Europwa	2,038	1,930	+6	+7
Asia	133	185	-28	-14
South America	104	95	+10	+45

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

Sales in Hydraulic Systems increased (currency adjusted) due to a beginning upturn in some market segments and also due to new businesses.

Sales in Garphyttan Wire also increased (currency adjusted), due to favourable product mix and increased market shares.

Sales in Commercial Vehicle Systems decreased (currency adjusted) by 3%. As described in more detail under "Market" below, the market for brake equipment for heavy vehicles – including aftermarket – on the main markets in North America and Europe was on the whole unchanged from previous year.

The lower sales in relation to market development were mainly related to the divisions Foundation Brakes, Brake Controls and Friction Products.

In Foundation Brake, sales of Automatic Brake Adjusters decreased. In Europe, the decrease was due to lower production of trucks and trailers and continued change-over from drum brakes to disc brakes. In North America, sales of brake adjusters did not increase as much as the net increase of the production of trucks and trailers, due to an accentuated price pressure and strengthened competition.

In Brake Controls, the price pressure was accentuated on ABS systems for trailers in both Europe and North America, which affected sales value.

In Friction Products, sales of brake lining for light/medium trucks decreased as a large platform business came to an end last year and has not yet been replaced with new business of the same magnitude.

On the North American aftermarket, sales also decreased also in the remanufacturing business, as the installed base of older compressors decline over time.

Market

With the exception of the production of heavy trailers in North America, the development on our main markets remained weak.

Heavy trucks

The production in North America of Class 8 trucks decreased in the 9-month period with almost 9% compared to the same period previous year.

In the trailer segment, production increased with slightly more than 40%. This sharp increase was mainly an effect of the extremely low production in the 1st half of 2002 due to fleet-owners' pre-buy of heavy trucks. The production rate so far this year was only 8% higher than in the 2nd half of 2002. In total, the North American production of heavy vehicles increased by 14% in the 9-months period.

In Western Europe, the production of heavy trucks decreased by 2% and the trailer segment is assumed to have had a similar development.

Brake equipment for a heavy powered trucks has a value that is about twice the value of as one for a heavy trailer. Of the total market for brake equipment, almost half is aftermarket, which had a growth of 3%. If these factors are considered, the total market for brake equipment for heavy vehicles increased by about 4% in fixed prices in North America, whereas it was unchanged in Europe. For the two main markets together, the market growth in fixed prices was some 2%. Price competition resulted in a zero growth on our main markets.

Light vehicles

The North American production of cars and light trucks decreased in the 9-months period with 4% compared to the same period last year. In Europe, car production decreased some 2%.

Industrial vehicles

The North American market showed signs of improvement and the production of forklift trucks and construction vehicles increased. In Europe, the corresponding market weakened.

Market estimate 2003-2004

For the total year 2003 production of heavy trucks is estimated (J.D. Power/ACT, Oct 2003) to decrease by 3% in North America and by 4% in Western Europe. The production of heavy trailers is forecast to increase by 30% in North America. In Europe, the development is forecast to be in line with that for trucks, a decrease of 4%.

The same forecasts indicate a substantial production increase in 2004 of both heavy trucks and trailers of slightly more than 40% in North America. Underlying factors are, among others, an improved American economy with increased transportation demands, a growing need for renewal of the vehicle fleet, as well as increasing freight rates. In Western Europe, a continued decrease of just over 1% is expected.

In view of the different potential market values for brake equipment between trucks and trailers – and the fact that nearly 50% is aftermarket, which can be expected to grow 2-3% - the forecasted development for production of heavy vehicles implies that the total market for brake equipment on the main markets in North America and Western Europe can be expected to grow by some 10% in fixed prices in 2004 compared to 2003.

Personnel

The number of employees at the end of the period amounted to 3,998 (4,036).

Outlook for the full year

The previous outlook 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”.

Nomination procedure

For the nomination to the election of Board of Directors 2004, five large owners representing some 35% of the shares, have formed an informal nomination committee with representatives from the Third National Swedish Pension Insurance Fund, Alecta, SEB Trust Funds, Skandia and Traction. Proposals and comments can be directed and discussed with Bengt Stillström, Traction, phone +46 704 40 40 99 or Mats Andersson, Third National Swedish Pension Insurance Fund, phone +46 709 51 72 28.

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

Year-End Report

19 February 2004

Stockholm, 30 October 2003

Claes Warnander
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This report has not be reviewed by the company auditors.

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Profit & Loss, Group	<i>July-Sept</i>		<i>Jan-Sept</i>		<i>Oct 2002</i>	<i>Total</i>
Amounts in MSEK	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>-Sept 2003</i>	<i>2002</i>
Net sales	1,452	1,537	4,550	4,914	6,050	6,414
Cost of goods sold	-1,088	-1,153	-3,383	-3,633	-4,540	-4,790
Gross profit	364	384	1,167	1,281	1,510	1,624
	25.1%	25.0%	25.6%	26.1%	25.0%	25.3%
Sales, G&A and R&D costs	-320	-350	-996	-1,104	-1,312	-1,420
Other revenues and costs	5	- 1	- 3	- 1	12	14
Non-recurring items	-	-	-57	-18	-80	-41
Operating profit	49	33	111	158	130	177
Financial net	-17	-14	-43	-51	-57	-65
Earnings before tax	32	19	68	107	73	112
Taxes	-12	- 7	-42	-37	-39	-34
Net income	20	12	26	70	34	78
Earnings per share, SEK	0:92	0:56	1:19	3:16	1:54	3:51
Balance Sheet, Group	<i>30 Sept</i>		<i>30 Sept</i>		<i>31 Dec</i>	
Amounts in MSEK	<i>2003</i>		<i>2002</i>		<i>2002</i>	
Intangible assets	488		545		539	
Tangible assets	1,278		1,444		1,405	
Financial assets	64		67		71	
Inventories	689		772		721	
Current receivables	1,104		1,189		1,016	
Cash	50		87		107	
Assets	3,673		4,104		3,859	
Shareholders' equity ¹⁾	1,401		1,635		1,563	
Provisions	342		288		300	
Long-term liabilities	1,039		1,267		1,124	
Short-term debt	14		33		20	
Other current liabilities	877		881		852	
Shareholders' equity and liabilities	3,673		4,104		3,859	
1) Change in shareholders' equity						
Shareholders' equity beginning of period	1,563		1,813		1,813	
Buy-back of shares	-		- 4		-8	
Dividend	-33		-33		-33	
Translation difference	-155		-211		-287	
Net income t	26		70		78	
Shareholders' equity end of period	1,401		1,635		1,563	

Cash Flow Statement, Group	<i>Jan-Sept</i>		<i>Oct 2002</i>	<i>Total</i>
Amounts in MSEK	<i>2003</i>	<i>2002</i>	<i>-Sept 2003</i>	<i>2002</i>
Operating profit	111	158	130	177
Depreciation on fixed assets	219	235	293	309
Financial net & taxes paid	-82	-86	-118	-122
Change in working capital	-56	16	136	208
<i>Cash flow from operations</i>	<i>192</i>	<i>323</i>	<i>441</i>	<i>572</i>
Net investments	-180	-153	-261	-234
Acquisitions	-	-236	- 1	-237
Investments in shares and participations	-	- 3	-	-3
<i>Cash flow from investments</i>	<i>-180</i>	<i>-392</i>	<i>-262</i>	<i>-474</i>
Cash flow	12	-69	179	98
Buy-back of shares	-	- 4	- 4	-8
Dividend	-33	-33	-33	-33
Change in debt and pension liabilities	-41	49	-191	-101
Change in other long-term liabilities	-	4	-	4
Change in long-term receivables	5	- 9	10	-4
<i>Cash flow from financing activities</i>	<i>-69</i>	<i>7</i>	<i>-218</i>	<i>-142</i>
Change in cash	-57	-62	-39	-44
excl. translation differences	-57	-62	-39	-44
Translation difference on cash	-	- 7	2	-5
Change in cash	-57	-69	-37	-49
Key ratios	<i>Jan-Sept</i>		<i>Oct 2002</i>	<i>Total</i>
	<i>2003</i>	<i>2002</i>	<i>-Sept 2003</i>	<i>2002</i>
Profit margin, %	2.6	3.3	2.3	2.9
Profit margin, excl. non-recurring items, %	3.8	3.7	3.2	3.6
Return on capita employed, %	5.7	6.8	5.0	6.0
Return on equity, %	2.4	5.5	2.2	4.4
Interest coverage ratio, times	2.4	2.9	2.1	2.5
Equity/assets ratio, %	38	40	40	43
Debt/equity ratio, %	83	85	83	77
Share data	<i>Jan-Sept</i>		<i>Oct 2002</i>	<i>Total</i>
	<i>2003</i>	<i>2002</i>	<i>-Sept 2003</i>	<i>2002</i>
Earnings, SEK	1:19	3:16	1:54	3:51
Earnings, excl. non-recurring items, SEK	3:79	3:74	4:87	4:82
Shareholders' equity, SEK	63:52	73:95	63:52	70:83
Average no. of shares, (000)	22,065	22,163	22,072	22,145
No. of shares end of period, (000)	22,065	22,115	22,065	22,065
Market value, SEK	91:00	83:50	91:00	87:00

Quarterly development:

MSEK	I	II	III	IV	Total 2001	I	II	III	IV	Total 2002	I/2003	II	III
<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	1,394
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	1,452
Operating profit	76	52	32	18	178	57	68	33	19	177	9	53	49
Earnings before tax	60	33	17	2	112	39	49	19	5	112	-3	39	32
Net incomet	40	22	11	5	78	26	32	12	8	78	-21	27	20
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	4.8
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	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	917
Operating profit	50	35	21	26	132	55	73	7	23	158	38	22	21
Profit magin, %	4.8	3.3	2.2	2.5	3.2	4.9	6.1	0.8	2.6	3.7	3.9	2.4	2.3
<i>Hydraulic Systems</i>													
Net sales	290	285	250	235	1,060	251	264	237	221	973	230	236	233
Operating profit	18	12	5	- 1	34	5	8	6	-5	14	7	6	9
Profit margin, %	6.3	4.1	2.9	neg	3.2	2.0	2.8	2.8	neg	1.4	3.1	2.5	3.7
<i>Garphyttan Wire</i>													
Net sales	217	214	187	186	804	201	220	191	202	814	212	211	180
Operating profit	25	19	16	12	72	14	24	22	21	81	20	22	15
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	7.8
<i>Traction Systems</i>													
Net sales	94	77	60	80	311	72	75	88	132	367	137	140	122
Operating profit	-17	-14	-10	-19	-60	-17	-19	- 2	3	-35	1	3	4
Profit margin, %	neg	neg	neg	neg	neg	neg	neg	neg	2.4	neg	0.9	1.7	4.0