



Haldex group 1st quarter 2004

- **Operating income amounted to 85 MSEK (9). Excluding one-time items, operating income amounted to 85 MSEK (66), an increase of 29 %.**
- **Earnings before tax amounted to 67 MSEK (-3). Excluding one-time items, earnings after tax amounted to 67 MSEK (54), an increase of 24 %.**
- **Earnings after tax amounted to 44 MSEK (-21). Excluding one-time items, earnings were 44 MSEK (36). Profit per share was SEK 2:00 (-0:95) and excluding one-time items SEK 2:00 (1:65).**
- **Order intake was 1,875 MSEK (1,673), an increase of 12 %. Currency adjusted, the increase was 19 %.**
- **Net sales were 1,703 MSEK (1,556), an increase of 9 %. Currency adjusted, the increase was 16 %.**

<i>MSEK</i>	<i>2003</i>				<i>2004</i>	<i>Change 1Q 04/1Q 03</i>
	<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>I</i>	
Net sales	1,556	1,542	1,452	1,486	1,703	+ 9 %
Operating income *)	66	53	49	65	85	+ 29 %
Operating income	9	53	49	65	85	-
Earnings before tax *)	54	39	32	52	67	+ 24 %
Earnings before tax	- 3	39	32	52	67	-

*) excluding one-time items

Business events

- Land Rover, a prominent manufacturer of 4x4 vehicles with true off-road capabilities, choose Haldex AWD system. The order value is substantial and deliveries are estimated to start in a few years time.
- Haldex and FAW (First Automotive Works), China's largest vehicle manufacturer, signed a Letter of Intent to establish a joint-venture to manufacture air disc brakes for heavy vehicles in China.
- Haldex completed the strategic alliance with the Brazilian company Ader by acquiring the production unit Fabrica Brasileira de Freios with 90 employees.
- Haldex was awarded an order of fuel transfer pumps for diesel engines, and initiated manufacture of these products also in Europe. The order value is estimated to 30 million Euro over the next five years.
- Haldex received a record order of AWD systems from a European car manufacturer. The order value is the single, largest in Haldex history and is estimated to 2-2.5 billion SEK over a 5-year period with delivery start in 2007.

Results

The group's operating income amounted to 85 MSEK (9). If previous year's one-time item of 57 MSEK regarding restructuring of the production unit in Heidelberg is excluded, this year's result can be compared to 66 MSEK previous year, an increase of 29 %.

Compared to previous year, the result for the first quarter was negatively affected with 8 MSEK due to currency rate changes.

The improved operating income compared to previous year's first quarter was related to Commercial Vehicle Systems, Hydraulic Systems and Garphyttan Wire, while Traction Systems remained on last year's level due to volume related price reductions and costs to start up new assembly capacity. In the 2nd half of the year, the volumes within Traction Systems will increase as deliveries start to Ford in USA.

The group's earnings before tax amounted to 67 MSEK (-3). Excluding one-time items, the result can be compared to 54 MSEK previous year, an improvement of 24 %.

The financial net declined as last year's positive currency effects were not repeated.

Profitability

The period's profit margin amounted to 5.1 % (4.4 excluding one-time items). Capital turnover rate was 2.56 times (2.19). Thus, the annualized rate for the period's return on capital employed was 13.0 % (9.7 excluding one-time items).

For the 12-month period April 2003 – March 2004 and excluding one-time items, the profit margin amounted to 4.2 % (3.8). The capital turnover rate was 2.30 times (2.08). The period's return on capital employed was 9.7 % (6.4).

The profitability for the various business areas are shown in the table on the last page of this report.

Cash flow

Cash flow before capital expenditures was -16 MSEK (3) for the period. Cash flow after capital expenditures was -81 MSEK (-53). The higher sales have resulted in increased receivables. Tied-up operating capital expressed in days was improved. Customer credit days were reduced to 53 (56) and inventory days were reduced to 54 (55).

Order intake and sales

The group's order intake amounted to 1,875 MSEK (1,673), an increase of 12 %. Adjusted for currency rate changes, the increase was 19 %.

Net sales amounted to 1,703 MSEK (1,556), an increase of 9 %. Currency adjusted, the increase was 16 %.

Sales per division and region developed as follows: :

MSEK	1st Q 2004	1st Q 2003	Change	
			Nominal	Currency adj.
Group	1,703	1,556	+9%	+16%
Commercial				
Vehicle Systems	1,054	977	+ 8%	+16%
Hydraulic Systems	255	230	+11%	+20%
Garphyttan Wire	240	212	+13%	+16%
Traction Systems	154	137	+12%	+11%

North America	806	775	+4%	+17%
Europe	808	715	+13%	+13%
Asia	51	39	+29%	+56%
South America	38	27	+40%	+34%

The higher turnover is related to all business areas and geographical markets. Underlying factors are increased vehicle production and for some product areas increased market shares. The rate of increase in Traction Systems was kept down by volume related price reductions.

The Market

The vehicles business cycle is now in a recovery phase. This especially applies to heavy vehicles in North America, where preliminary figures (ACT) for the 1st quarter indicate an increase in the production of heavy vehicles of 45 % compared to previous year's 1st quarter. Compared to the 4th quarter last year, the increase was some 6 %. The corresponding figures for trailers show an increase of 24 % and 4 % respectively.

In Europe, preliminary figures indicate that the production of heavy trucks in the 1st quarter remained on the same level as previous year. The production of trailers is, however, estimated to have increased compared to previous year.

In Asia, the production of heavy trucks was somewhat lower than last year, while an increase took place in South America.

The European car sales increased in the 1st quarter with slightly more than 3 % compared to previous year. The production of cars, however, declined by 1 %. In North America, car sales increased by nearly 4 %, while car production decreased by slightly more than 4 %. Thus, the production is decreasing in both our main markets in order to reduce inventories of new cars and to adjust to estimated lower car sales in the future.

The market for construction equipment and forklift trucks has increased, mainly in North America, but also the European market has been strengthened.

Structural projects

Ongoing structural projects follow plans. The outsourcing of machining from Heidelberg to Eastern Europe is expected to be completed after the summer. The new production unit in Hungary is estimated to be ready for use after the summer, when the remaining production at the Blackburn plant will be closed down and relocated to Hungary.

In North America, the relocation of the production of brake cylinders from Iola/USA to Monterrey/Mexico is estimated to be completed as per year-end. The consolidation of the 15 service centres in USA for recondition of brake pads to fewer, larger units, will be carried out in two steps. In the current year, the West Coast and Mid America are affected, while the East Coast will be carried out in 2005.

Personnel

The no. of employees at the end of the period was 4,241 (3,955). The increase is related to Haldex India, which was consolidated as per November 2003, as well as to the production unit in Brazil which was acquired at year-end, together 155 persons.

New accounting principles

As of January 1, 2004 Haldex uses the recommendation RR29 issued by the Swedish Financial Accounting Standards Council regarding "Remuneration to employees" in the group accounting. The rules are based on IAS 19 and means that the group's pension liabilities increase by 124 MSEK. Net after deduction of deferred tax, the group's openings balance of shareholders' equity is affected by 86 MSEK. Net debt at the end of the period amounted to 1,291 MSEK (1,238).

Outlook for the full year

The outlook from the full year report for 2003 remains unchanged:

It is estimated that the market conditions will improve successively during 2004 – in particular in North America. Ongoing structural changes start to show effects on costs in the second half of the year. At the present dollar rate to SEK, which is lower than previous year's average, both sales and results will be unfavorably affected. A change of the USD/SEK rate of 0.1 SEK affects the result with approximately 2 MSK. The group's sales, therefore, are estimated to show a moderate increase, whereas profits and profitability ought to show a more marked improvement.

Future reporting

Interim Report January-June	26 July 2004
Interim Report January-September	22 October 2004
Full Year Report 2004	February 2005

Stockholm, April 27, 2004
Claes Warnander
President and CEO

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This report has not been reviewed by the auditors.

Profit & Loss, Group	Jan-March		April 2003-	Full
Amounts in MSEK	2004	2003	March 2004	2003
Net sales	1,703	1,556	6,183	6,036
Cost of goods sold	-1,273	-1,150	-4,614	-4,491
Gross income	430	406	1,569	1,545
	25.3%	26.1%	25.4%	25.6%
Sales, G&A and R&D costs	-343	-339	-1,317	-1,313
Other operating revenues and costs	-2	-1	-	1
Items affecting comparability	-	-57	-	-57
Operating income	85	9	252	176
Financial net	-18	-12	-62	-56
Earnings before tax	67	-3	190	120
Taxes	-22	-18	-54	-50
Minority share	-1	-	-1	-
Net income	44	-21	135	70
Balance Sheet, Group	31 March	31 March		31 Dec
Amounts in MSEK	2004	2003		2003
Intangible fixed assets	528	520		507
Tangible fixed assets	1,283	1,364		1,257
Financial fixed assets	62	67		59
Inventories	678	710		655
Current receivables	1,187	1,169		963
Cash and bank	54	65		155
Assets	3,792	3,895		3,596
Equity ¹⁾	1,400	1,522		1,384
Minority capital	6	-		4
Provisions	500	296		412
Long-term liabilities	1,024	1,120		1,016
Short-term debt	25	14		16
Other current liabilities	837	943		764
Shareholders' equity and liabilities	3,792	3,895		3,596
1) Change in equity				
Equity beginning of period	1,384	1,563		1,563
Adaption to RR29	-86	-		-
Dividend	-	-		-33
Translation difference	58	-20		-216
Net income	44	-21		70
Equity end of period	1,400	1,522		1,384

Cash Flow Statement, Group	Jan-March		April 2003-	Full
	2004	2003	March 2004	2003
Amounts in MSEK				
Operating income	85	9	252	176
Depreciation on fixed assets	73	75	285	287
Financial net & taxes paid	-33	-22	-113	-102
Change in working capital	-141	-59	-87	-5
<i>Cash flow from operations</i>	-16	3	337	356
Net investments	-65	-56	-277	-268
Acquisitions	-	-	-30	-30
Investments in shares and participations	-	-	1	1
<i>Cash flow from expenditures</i>	-65	-56	-306	-297
Dividend	-	-	-33	-33
Change in debt	-13	5	-20	-2
Change in other long-term liabilities	-5	1	9	15
Change in long-term receivables	-3	5	6	14
<i>Cash flow from financing activities</i>	-21	11	-38	-6
Change in cash excluding currency differences	-102	-42	-7	53
Cash and bank beginning of period	155	107	65	107
Exchange rate differences in cash and bank	1	-	-4	-5
Cash and bank end of period	54	65	54	155
 Key ratios				
	Jan-March		April 2003-	Full
	2004	2003	March 2004	2003
Profit margin, %	5.1	0.8	4.2	3.1
Ditto excluding one-time items, %	5.1	4.4	4.2	4.0
Capital turnover rate, times	2.56	2.19	2.30	2.23
Return on capital employed, %	13.0	1.7	9.7	6.8
Ditto excluding one-time items, %	13.0	9.7	9.7	8.9
Return on equity, %	12.7	-5.5	9.5	4.8
Interest coverage ratio, times	4.3	0.8	3.7	2.8
Equity/assets ratio, %	37	39	37	39
Debt/equity ratio, %	92	81	92	74
 Share data				
	Jan-March		April 2003-	Full
	2004	2003	March 2004	2003
Earnings after tax, SEK	2:00	-0:95	6:13	3:18
Ditto excluding one-time items, SEK	2:001:65	6:13	5:78	
Shareholders' equity, SEK	53:44	68:97	63:44	62:71
No. of shares, (000)	22,065	22,065	22,065	22,065
No. of shares end of period, (000)	22,065	22,065	22,065	22,065
Market value, SEK	107:00	75:00	107:00	102:00

cont. Haldex 1st quarter 2004

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Quarterly development:

MSEK					Total					Total	I/2004
	I	II	III	IV	2002	I	II	III	IV	2003	
<i>Group</i>											
Order intake	1,777	1,705	1,535	1,465	6,482	1,673	1,431	1,394	1,511	6,009	1,875
Net sales	1,639	1,738	1,537	1,500	6,414	1,556	1,542	1,452	1,486	6,036	1,703
Operating income	57	68	33	19	177	9	53	49	65	176	85
Earnings before tax	39	49	19	5	112	-3	39	32	52	120	67
Net income	26	32	12	8	78	-21	27	20	44	70	44
R&D, %	4.5	4.3	4.3	5.1	4.5	4.7	4.5	5.1	5.4	4.9	4.9
Profit margin, %	3.7	3.9	2.3	1.6	2.9	0.8	3.5	3.5	4.6	3.1	5.1
Return on capital employed ^{*)} , %					6.0					6.8	9.7
<i>Commercial Vehicle Systems</i>											
Net sales	1,115	1,179	1,021	945	4,260	977	955	917	908	3,757	1,054
Operating income	55	73	7	23	158	38	22	21	30	111	49
Profit margin, %	4.9	6.1	0.8	2.6	3.7	3.9	2.4	2.3	3.2	2.9	4.7
Return on capital employed ^{*)} , %					7.1					5.7	6.6
<i>Hydraulic Systems</i>											
Net sales	251	264	237	221	973	230	236	233	235	934	255
Operating income	5	8	6	-5	14	7	6	9	10	32	11
Profit margin, %	2.0	2.8	2.8	neg	1.4	3.1	2.5	3.7	4.3	3.4	4.1
Return on capital employed ^{*)} , %						4.0				10.1	10.5
<i>Garphyttan Wire</i>											
Net sales	201	220	191	202	814	212	211	180	190	793	240
Operating income	14	24	22	21	81	20	22	15	18	75	25
Profit margin, %	7.2	10.6	11.2	10.5	9.9	9.1	10.8	7.8	9.9	9.4	10.2
Return on capital employed ^{*)} , %					22.3					22.3	23.4
<i>Traction Systems</i>											
Net sales	72	75	88	132	367	137	140	122	153	552	154
Operating income	-17	-19	-2	3	-35	1	3	4	7	15	0
Profit margin, %	neg	neg	neg	2.4	neg	0.9	1.7	4.0	4.5	2.8	0.3
Return on capital employed ^{*)} , %					neg					12.6	8.9

*) Rolling 12 months