



Haldex 9 months 2004

January - September

- Earnings before tax increased by 50 % to 188 MSEK compared to last year's 125 MSEK (68 MSEK including restructuring charges).
- Operating earnings increased by 37 % to 231 MSEK compared to last year's 168 MSEK (111 MSEK including restructuring charges).
- Earnings after tax were 125 MSEK (26) and earnings per share SEK 5:68 (1:19).
- Earnings were negatively affected by currency rate changes of 19 MSEK and by material price increases of net 45 MSEK.
- Order intake was 5,347 MSEK (4,498), an increase of 19 % or currency adjusted 25 %. Net sales were 5,101 MSEK (4,550), an increase of 12 % or currency adjusted 18 %.

3rd quarter

- Earnings before tax increased by 75 % to 56 MSEK (32). Operating earnings increased by 39 % to 68 MSEK (49).
- Earnings after tax were 37 MSEK (20) and earnings per share SEK 1:69 (0:92).
- Order intake was 1,596 MSEK (1,394) and net sales 1,645 MSEK (1,452), increases of 14 % and 13 % respectively.

<i>MSEK</i>	<i>2003</i>				<i>2004</i>			<i>Change Jan-Sep</i>
	<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>I</i>	<i>II</i>	<i>III</i>	
Net sales	1,556	1,542	1,452	1,486	1,703	1,753	1,645	+12 %
Operating earnings *)	66	53	49	65	85	78	68	+37 %
Operating earnings	9	53	49	65	85	78	68	-
Earnings before tax *)	54	39	32	52	67	65	56	+50 %
Earnings before tax	- 3	39	32	52	67	65	56	-

*) excluding restructuring charges

Business events 3rd quarter

- By a Letter of Intent from Scania for serial deliveries of the Alfdex system, this new environmental technology, developed in cooperation (50/50) with Alfa Laval, made its first breakthrough. Serial deliveries are estimated to start next year. The Alfdex system sharply reduces oil droplets and soot particles in crank case ventilation gases in diesel engines. New environmental regulations are estimated to create a yearly billion SEK market in this segment.
- At the large international vehicle show IAA in Hanover – which is held every other year – Haldex launched several new products, e.g. an expanded program of disc brakes (ModulX); a newly developed system for air drying and air distribution (ModulAir); ABS system for trucks (TKX); an expanded program of EBS systems for trailers; and a web-based telematic system for trailers (TMM).

Results January-September

The business volumes developed positively. Order intake and sales increased after currency adjustment with 25 % and 18 % respectively. Capacity utilization was high, involving more expensive night and weekend shifts. In several product areas, volumes increased more than the market, indicating increased market shares.

Material price surcharges

The sharply rising material prices – in our case mostly steel products, aluminum products and castings – have negatively impacted the period's result with net 45 MSEK, corresponding to almost 1 %-point of operating margin. Material surcharges have during the period to a certain extent been passed on to customer prices. Additional price adjustments have been negotiated with effect after September.

The factors behind the substantial material surcharges are still existing and further price increases on some materials are to be expected. These will be passed on to customer prices.

Currency rate changes

In comparison with the same period last year, the dollar has weakened against the Swedish Krona. Currency rate changes have negatively affected the period's result with 19 MSEK compared to last year.

Results

The group's earnings before tax for the 9 months period were 188 MSEK compared to 68 MSEK previous year. If previous year's restructuring provision regarding the Heidelberg factory is excluded, the result can be compared to 125 MSEK last year, an increase of 50 %.

Operating profit for the period was 231 MSEK compared to previous year 111 MSEK, or 168 MSEK excluding restructuring costs, an increase of 37 %. Profit margin improved from last year's 3.8 % to 4.6 %.

In comparison with previous year, the result was negatively impacted by material surcharges with net 45 MSEK and currency rate changes 19 MSEK.

Profitability

The group's return on capital employed, expressed as yearly rate, was 11.5 % compared to 8.4 % previous year (excluding restructuring charges). This can be compared to the long-term objective of 15 % as an average over a business cycle.

The higher profitability was a result of an improvement of both the profit margin, which rose from 3.8 % to 4.6 %, and capital turnover rate, which increased from 2.21 times to 2.50 times.

For the different business areas, net sales, operating earning and profitability developed as shown below.

MSEK	January-September		Δ
	2004	2003	
Commercial Vehicle Systems			
Net sales	3,164	2,849	+11 %
Operating earnings	109	81	+33 %
Margin	3.4 %	2.9 %	+0.5
Return on cap empl*)	8.0 %	5.7 %	+2.3

Hydraulic Systems			
Net sales	815	699	+17 %
Operating earnings	46	22	+111 %
Margin	5.6 %	3.1 %	+2.5
Return on cap empl*)	18.4 %	9.9 %	+8.5

Garphyttan Wire			
Net sales	664	603	+10 %
Operating earnings	66	57	+17 %
Margin	9.9 %	9.3 %	+0.6
Return on cap empl*)	26.9 %	23.2 %	+3.7

Traction Systems			
Net sales	458	399	+15 %
Operating earnings	10	8	+20 %
Margin	2.2 %	2.1 %	+0.1
Return on cap empl*)	8.3 %	9.4 %	-1.1

*) The period's annual rate

Cash flow

Operating cash flow before capital expenditures amounted to 144 MSEK (192). The higher profit was counterbalanced by increased working capital – mainly accounts receivables – as a consequence of the increased business volume.

Customer credit days and inventory days remained on last year's level.

Capital expenditures amounted to 229 MSEK (180) to be compared to depreciations excluding goodwill of 190 MSEK.

Restructuring

The restructuring of the Heidelberg factory is now almost completed. The restructuring reserve made in the 1st quarter 2003 is estimated to be sufficient. The subsuppliers in Hungary, Slovenia and Poland have started to supply their respective components, but some further time is needed to streamline the production process in order to achieve the desired productivity level. Thereafter, the calculated savings are expected to hold.

The move of production of actuators from Iola, Kansas, USA to Monterrey, Mexico is ongoing according to plan and ought to be completed at year-end. The positive profit effect on an annual basis after full implementation is estimated to 8-10 MSEK.

During the year a restructuring of our service centers for brake linings have been carried out on the western half of USA. Six smaller centers have been closed and replaced by one big center. The implementation has been more difficult than expected and have incurred one-time costs of about 5 MSEK. In 2005, the implementation is expected to lead to savings of about 5 MSEK.

Results 3rd quarter

In the 3rd quarter the order intake was 1,596 MSEK (1,394), an increase of 14 %. Net sales increased by 13 % to 1,645 MSEK (1,452).

Earnings before tax were 56 MSEK (32), an improvement of 75 %.

Operating earnings were 68 MSEK (49), an increase of 39 %.

Order intake and net sales

The group's order intake in the 9 months period was 5,347 MSEK (4,498), an increase of 19 %. Adjusted for currency rate changes, the increase was 25 %.

The period's net sales were 5,101 MSEK (4,550), an increase of 12 %. Currency adjusted, the increase was 18 %.

Net sales per business area and region developed as follows:

MSEK	January-September		Change	
	2004	2003	Nominal	Currency adj.
Commercial Vehicle Systems	3,164	2,849	+ 11 %	+ 17 %
Hydraulic Systems	815	699	+ 17 %	+ 24 %
Garphyttan Wire	664	603	+ 10 %	+ 13 %
Traction Systems	458	399	+ 15 %	+ 15 %

North America	2,414	2,275	+ 6 %	+ 16 %
Europe	2,366	2,038	+ 16 %	+ 16 %
Asia	191	133	+ 44 %	+ 56 %
South America	130	104	+ 25 %	+ 30 %

All business areas and regions showed increased sales as a consequence of growing market and increased market shares in several product areas.

Market

The volumes in the vehicle industry have developed positively during the period and are on a cyclical upturn. This is particularly true for heavy vehicles and industrial vehicles (construction equipment and forklift trucks). The upturn is strongest in North America, but also Europe and other markets show positive developments.

Preliminary figures (J.D. Powers/ACT) show that the North American production of heavy trucks (Class 8) increased by 45 % compared to the same 9-months period last year. In the segment medium heavy trucks (Class 6 and 7) the increase was 20 %. The trailer segment showed an increase of 25 %. Totally, the North American production of vehicle with air brake systems increased by 32 %.

In Europe, the production of trucks and trailers has developed better than forecasted at the beginning of the year. Preliminary figures (J.D. Power) show that the West European production of heavy trucks (over 15 tons) increased by 15 % compared to last year. Medium heavy trucks increased by slightly more than 5 %. The production of trailers is estimated to have increased by about 10 %. In total, the West European production of vehicles with air brake systems is estimated to have increased by 12 %.

In both Asia and South America the no. of heavy trucks produced is estimated to have increased by some 20 %.

When combining the production increase of vehicles with air brake systems on our main markets in North America and Western Europe with the aftermarket, which accounts for about half the market and which grows only marginally, the air brake market growth can be estimated to 15 % at fixed currency rates and prices.

The production of cars and light trucks increased only marginally on our main markets: some 2 % in North America and 1 % in Western Europe.

In the segment construction equipment, the increase is estimated to about 10 % in North America and some 2 % in Europe. The production of forklift trucks is estimated to have increased by about 10 % on both our main markets.

Forecasts for the 4th quarter show continued positive development for vehicle production, but at a lower rate than so far compared to last year. Also the estimation for 2005 shows continued increase of vehicle production, but not at the same high rate as this year.

Personnel

The number of employees at the end of the period was 4,436 (3,998). The increase is partly due to the added units in India and Brazil, together 155 persons, and to increased production personnel in almost all units as a consequence of increased business volumes.

Nomination procedure

For the nomination to the election of Board of Directors 2005, three larger owners representing some 25 % of the shares, have formed an informal nomination committee with representatives from Alecta, Third National Swedish Pension Insurance Fund and Traction. Proposals and comments can be directed and discussed with Ramsey Brufer, Alecta, phone +46 8 441 92 62, Pernilla Klein, Third National Swedish Pension Insurance Fund, phone +46 8 555 171 42, or Bengt Stillström, Traction, phone +46 70 440 40 99.

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 increased by 124 MSEK. Net after deduction of deferred tax, the group's opening balance of shareholders' equity is affected by 86 MSEK. Net debt at the end of the period amounted to 1,295 MSEK (1,163).

Full year outlook

The previous full year outlook remains. The group's sales are expected to show a substantial increase. Results and profitability are estimated to show a considerable improvement compared to previous year.

Future reporting

Year-end report	February 2005
Interim report January-March 2005	April 26, 2005
Interim report January-June 2005	July 26, 2005

Stockholm, 26 July 2004
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This report has not been reviewed by the company auditors.

Profit & Loss, Group Amounts in MSEK	<i>July-Sep</i>		<i>Jan-Sep</i>		<i>Oct 2003</i>	<i>Total</i>
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>-Sep 2004</i>	<i>2003</i>
Net sales	1,645	1,452	5,101	4,550	6,587	6,036
Cost of goods sold	-1,248	-1,088	-3,841	-3,383	-4,949	-4,491
Gross profit	397	364	1,260	1,167	1,638	1,545
	24.1%	25.1%	24.7%	25.6%	24.9%	25.6%
Sales, G&A and R&D costs	-336	-320	-1,035	-996	-1,352	-1,313
Other operating revenues & costs	7	5	6	-3	10	1
Items affecting comparability	-	-	-	-57	-	-57
Operating income	68	49	231	111	296	176
Financial net	-12	-17	-43	-43	-56	-56
Earnings before tax	56	32	188	68	240	120
Taxes	-19	-12	-62	-42	-70	-50
Minority share	-	-	-1	-	-1	-
Net income	37	20	125	26	169	70
Earnings per share, SEK	1:69	0:92	5:68	1:19	7:67	3:18

Balance Sheet, Group Amounts in MSEK	<i>30 Sep</i>	<i>30 Sep</i>	<i>31 Dec</i>
	<i>2004</i>	<i>2003</i>	<i>2003</i>
Goodwill	379	386	398
Other intangible assets	133	102	109
Tangible fixed assets	1,272	1,278	1,257
Financial fixed assets	59	64	59
Inventories	743	689	655
Current receivables	1,228	1,104	963
Cash and bank	59	50	155
Assets	3,873	3,673	3,596
Equity	1,402	1,401	1,384
Minority capital	4	-	4
Pension provisions	305	165	180
Other provisions	173	177	232
Long-term debt	1,031	1,033	994
Other long-term liabilities	18	6	22
Short-term debt	18	14	16
Other current liabilities	922	877	764
Shareholders' equity and liabilities	3,873	3,673	3,596

Change in shareholders' equity Amounts in MSEK	<i>30 Sep</i>	<i>30 Sep</i>	<i>31 Dec</i>
	<i>2004</i>	<i>2003</i>	<i>2003</i>
Equity beginning of year	1,384	1,563	1,563
Adaption to RR29	-86	-	-
Dividend	-39	-33	-33
Translation difference	18	-155	-216
Net income	125	26	70
Equity end of period	1,402	1,401	1,384

Cash Flow Statement, Group	<i>Jan-Sep</i>		<i>Oct 2003</i>	<i>Total</i>
	<i>2004</i>	<i>2003</i>	<i>-Sep 2004</i>	<i>2003</i>
Amounts in MSEK				
Operating income	231	111	296	176
Depreciation on fixed assets	216	219	284	287
Financial net & taxes paid	-90	-82	-110	-102
Change in working capital	-213	-56	-162	-5
<i>Cash flow from operations</i>	<i>144</i>	<i>192</i>	<i>308</i>	<i>356</i>
Net investments	-229	-180	-317	-268
Acquisitions	-	-	-30	-30
Investments in shares and participations	-	-	1	1
<i>Cash flow from expenditures</i>	<i>-229</i>	<i>-180</i>	<i>-346</i>	<i>-297</i>
Dividend	-39	-33	-39	-33
Change in debt	32	-41	71	-2
Change in other long-term liabilities	-4	-	11	15
Change in long-term receivables	-1	5	8	14
<i>Cash flow from financing activities</i>	<i>-12</i>	<i>-69</i>	<i>51</i>	<i>-6</i>
Change in cash and bank, excluding translation difference	-97	-57	13	53
Cash and bank at beginning of period	155	107	50	107
Translation difference in cash and bank	1	-	-4	-5
Cash and bank end of period	59	50	59	155
Key ratios				
	<i>2004</i>	<i>2003</i>	<i>-Sep 2004</i>	<i>2003</i>
Profit margin, %	4.6	2.6	4.6	3.1
Ditto, excluding one-time items, %	4.6	3.8	4.6	4.0
Capital turnover rate, times	2.50	2.21	2.44	2.23
Return on capital employed, %	11.5	5.7	11.2	6.8
Ditto, excluding one-time items, %	11.5	8.4	11.5	8.9
Return on equity, %	12.0	2.4	12.1	4.8
Interest coverage ratio, times	5.0	2.4	4.8	2.8
Equity/assets ratio, %	36	38	36	39
Debt/equity ratio, %	92	83	92	74
Share data				
	<i>2004</i>	<i>2003</i>	<i>-Sep 2004</i>	<i>2003</i>
Earnings after tax, SEK	5:68	1:19	7:67	3:18
Ditto, excluding one-time items, SEK	5:68	3:79	7:67	5:78
Shareholders' equity, SEK	63:53	63:52	63:53	62:71
Average 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
No. of own shares, (000)	231	231	231	231
Market value, SEK	103:50	91	103:50	102:00

Quarterly development
Amounts in MSEK

	<i>Total</i> <i>2002</i>	<i>I</i>	<i>II</i>	<i>III</i>	<i>VI</i>	<i>9 months</i> <i>2003</i>	<i>Total</i> <i>2003</i>	<i>I</i>	<i>II</i>	<i>III</i>	<i>9 months</i> <i>2004</i>
Net sales	6414	1556	1542	1452	1486	4550	6036	1703	1753	1645	5101
Cost of goods sold	-4790	-1150	-1145	-1088	-1108	-3383	-4491	-1273	-1320	-1248	-3841
Gross income	1624	406	397	364	378	1167	1545	430	433	397	1260
	25.3%	26.1%	25.7%	25.1%	25.4%	25.6%	25.6%	25.3%	24.7%	24.1%	24.7%
Sales, G&A and R&D costs	-1420	-339	-337	-320	-317	-996	-1313	-343	-357	-336	-1035
Other op. revenues/costs	14	-1	-7	5	4	-3	1	-2	2	7	6
Non-recurring items	-41	-57	0	0	0	-57	-57	-	-	-	-
Operating income	177	9	53	49	65	111	176	85	78	68	231
Financial net	-65	-12	-14	-17	-13	-43	-56	-18	-13	-12	-43
Earnings before tax	112	-3	39	32	52	68	120	67	65	56	188
Taxes	-34	-18	-12	-12	-8	-42	-50	-22	-21	-19	-62
Minority share	-	-	-	-	-	-	-	-1	-	-	-1
Net income	78	-21	27	20	44	26	70	44	44	37	125
Earnings per share, SEK	3:51	-0:95	1:23	0:92	1:99	1:19	3:18	2:00	1:99	1:69	5:68
R&D, %	4.5	4.7	4.5	5.1	5.4	4.8	4.9	4.9	4.8	4.8	4.8
Profit margin, %	2.9	0.8	3.5	3.5	4.6	2.6	3.1	5.1	4.5	4.2	4.6
Return on capital employed*), %	6.0	4.6	4.3	5.0	6.8	5.0	6.8	9.7	10.6	11.2	11.2
Return on shareholders' equity*), %	4.6	1.9	1.7	2.2	4.8	2.2	4.8	9.5	10.8	12.1	12.1
Equity/assets ratio, %	41	39	38	3	39	38	39	37	36	36	36
Cash flow	338	-53	29	36	77	12	89	-81	23	-27	-85
Capital expenditures	246	56	68	56	91	180	271	65	88	76	229
No. of employees*)	4022	4037	4024	4001	4018	4001	4018	4071	4149	4232	4232

*) = rolling 12 months

Segment development
Amounts in MSEK

	<i>Total</i> <i>2002</i>	<i>I</i>	<i>II</i>	<i>9 months</i> <i>2003</i>			<i>Total</i> <i>2003</i>	<i>I</i>	<i>II</i>	<i>III</i>	<i>9 months</i> <i>2004</i>
<i>Commercial Vehicle Systems</i>											
Net sales	4260	977	955	917	2849	908	3757	1054	1097	1013	3164
Operating income	158	38	22	21	81	30	111	49	36	24	109
Operating margin, %	3.7	3.9	2.4	2.3	2.9	3.2	2.9	4.7	3.3	2.3	3.4
Assets	2557			2356	2356	2234	2234			2467	2467
Liabilities	398			532	532	513	513			568	568
Return on cap. empl.*), %	7.1			5.8	5.8	5.7	5.7	6.6	7.6	7.6	7.6
Capital expenditures	135			30	82	49	131			42	128
Depreciations	215			50	143	48	191			40	138
No. of employees*)	2735			2700	2700	2737	2737			2862	2862
<i>Hydraulic Systems</i>											
Net sales	973	230	236	233	699	235	934	255	272	288	815
Operating income	14	7	6	9	22	10	32	11	14	21	46
Operating margin, %	1.4	3.1	2.5	3.7	3.1	4.3	3.4	4.1	5.4	7.2	5.6
Assets	431			440	440	410	410			490	490
Liabilities	125			131	131	107	107			149	149
Return on cap. empl.*), %	4.0			8.2	8.2	10.1	10.1	10.5	13.7	17.0	17.0
Capital expenditures	35			10	34	20	54			18	53
Depreciations	45			12	34	6	40			11	33
No. of employees*)	681			692	692	685	685			753	753
<i>Garphyttan Wire</i>											
Net sales	814	212	211	180	603	190	793	240	223	201	664
Operating income	81	20	22	15	57	18	75	25	21	20	66
Operating margin, %	9.9	9.1	10.8	7.8	9.3	9.9	9.4	10.2	9.5	9.9	9.9
Assets	474			487	487	463	463			471	471
Liabilities	183			140	140	122	122			152	152
Return on cap. empl.*), %	22,3			24,7	24,7	22,3	22,3	23,4	23,6	25,5	25,5
Capital expenditures	32			6	27	8	35			8	23
Depreciations	37			10	28	9	37			9	28
No. of employees*)	430			431	431	421	421			432	432
<i>Traction Systems</i>											
Net sales	367	137	140	122	399	153	552	154	161	143	458
Operating income	-35	1	3	4	8	7	15	0	7	3	10
Operating margin, %	neg	0,9	1,7	4,0	2,1	4,5	2,8	0,3	4,0	2,3	2,2
Assets	185			257	257	265	265			310	310
Liabilities	126			100	100	102	102			126	126
Return on cap. empl.*), %	neg			10,0	10,0	12,6	12,6	8,9	12,3	10,8	10,8
Capital expenditures	44			10	37	14	51			8	25
Depreciations	12			5	14	5	19			6	17
No. of employees*)	176			178	178	175	175			185	185
<i>Undistributed</i>											
Operating income	-41	-57	-	-	-57	-	-57	-	-	-	-
Financial items	-65	-12	-14	-17	-43	-13	-56	-18	-13	-12	-43
Taxes	-34	-18	-12	-12	-42	-8	-50	-22	-21	-19	-62
Assets	212			133	133	224	224			135	135
Liabilities	1464			1369	1369	1364	1364			1472	1472

*) = rolling 12 months