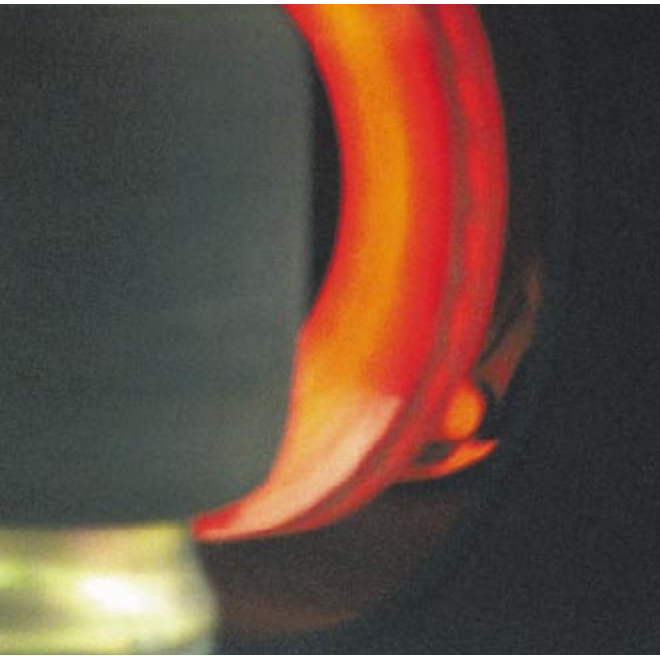


ANNUAL REPORT 1998

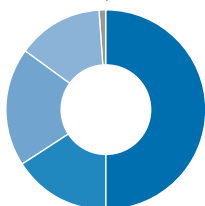


CONTENTS

| | |
|--|----|
| Highlights 1998 | 3 |
| CEO's Report | 4 |
| The Group's Vision, Goals and Strategy | 6 |
| Organization | 7 |
| The Share | 8 |
| DIVISIONS | |
| Brake Systems | 10 |
| Midland Services | 12 |
| Barnes Hydraulics | 14 |
| Garphyttan Wire | 16 |
| Traction Systems | 18 |
| Environmental Policy | 20 |
| Financial Risk Handling | 21 |
| FINANCIALS | |
| Board of Directors' Report | 22 |
| Consolidated Income Statement | 25 |
| Consolidated Balance Sheet | 26 |
| Consolidated Statement of Changes in Financial Position | 27 |
| Parent Company Income Statement | 28 |
| Parent Company Statement of Changes in Financial Position | 28 |
| Parent Company Balance Sheet | 29 |
| Accounting Principles | 30 |
| Notes | 31 |
| Distribution of Earnings | 37 |
| Auditors' Report | 37 |
| Definitions | 38 |
| Ten-Year Summary | 39 |
| Quarterly Data | 39 |
| Board of Directors and Auditors | 40 |
| Group Management | 41 |
| Addresses | 42 |

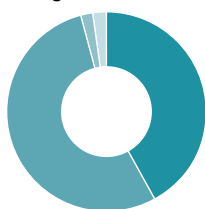


Sales by division, %



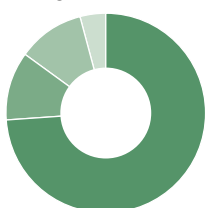
- Brake Systems 50%
- Midland Services 16%
- Barnes Hydraulics 19%
- Garphyttan Wire 14%
- Traction Systems 1%

Sales by region, %



- Europe 42%
- North America 54%
- South America 2%
- Asia 2%

Sales by customer segment, %



- Heavy vehicles 74%
- Industrial vehicles 11%
- Light vehicles 11%
- Others 4%



- The vehicle business was strong in the main markets in North America and Europe.
- The Midland-Grau acquisition developed better than expected and contributed significantly to the Group's profits.
- Serial deliveries of the newly developed AWD system started to the VW Group as the first customer. Letters of intent were signed with two other European car manufacturers.
- After comprehensive and successful field tests, a first order of the newly developed disc brake for heavy vehicles was received in the beginning of 1999 from the important German vehicle industry, for application on trailer axles. The truck manufacturer MAN decided to install Haldex disc brake on all their racing trucks after good racing results during 1998.
- The Group's sales increased by 93% to 4.8 billion SEK. Earnings before tax increased 37% to 297 MSEK. Operating profits increased 58% to 361 MSEK.

Key figures

| | 1998 | 1997 |
|-----------------------------------|--------------------|-------|
| Sales, SEK m. | 4,831 | 2,503 |
| Earnings before tax, SEK m. | 297 | 217 |
| Earnings per share, SEK. | 8:92 | 7:38 |
| Dividend, SEK | 3:00 ¹⁾ | 2:63 |
| Return on capital employed, % | 18.1 | 20.7 |
| Return on shareholders' equity, % | 16.6 | 18.3 |
| Equity/assets ratio, % | 36 | 50 |
| Cash flow, SEK m. | 235 | 123 |
| Capital expenditures, SEK m. | 180 | 117 |
| Number of employees | 3,741 | 1,889 |

¹⁾ proposed dividend

A NEW HALDEX EMERGING



Claes Warnander

During 1998, important steps were taken to develop Haldex towards a substantially larger and stronger company specializing in vehicle technology. The product range has been expanded and at the same time a significant enhancement of the technology level has taken place.

The Midland-Grau acquisition in April doubled the size of the Group and transformed the former Brake Systems division from a one-product business to a systems supplier of brake equipment for heavy vehicles. This was a strategically important change since the previously successful one-product-strategy had resulted in dominating world market shares and, therefore, limited future growth potentials.

In addition, the acquisition brought to the Group a sizeable aftermarket business regarding commercial vehicle brake systems, which has good development potentials and which is less sensitive to business cycles.

The Group has also taken a major step into the electronics area, significantly increasing the share of high-tech products.

After several years of development work, serial deliveries of Haldex adjustable awd system for cars started during the year. In addition to a mechanical/hydraulic coupling unit, the Haldex system consists of an integrated microprocessor for which a special operating system and car-model-specific application software have been developed. It is, of course, a formidable success for the Haldex technology that the VW-Audi-Group, Europe's largest car manufacturer, became the first customer to choose our system and the interest from other car manufacturers is growing. A new division, Haldex Traction Systems, was formed during the year to further develop this completely new business area within the Group. Our long-term ambition is to develop this division into a multi-billion sek business and an important part of the Haldex Group.

There are now also several high-tech products within the Brake Systems division, which after the acquisition includes development and production of abs systems, electronically controlled air suspension systems and air treatment systems, as well as electronic sensors for brake lining wear indication.

In addition to new, electronic-based products, the Group has significantly enhanced the technology level of other newly developed products. Some examples are complete disc brakes for heavy vehicles; hydraulic gear pumps with substantially reduced noise level; and new materials for spring wire products in combustion engines.

RESULTS

During 1998, the vehicle business climate was strong in our main markets in Europe and North America. Towards the end of the year, however, the market leveled off. The Group's sales nearly doubled to 4.8 billion sek (2.5). Excluding the Midland-Grau acquisition, which was consolidated from April, sales increased by 15%.

Earnings before tax increased by 37% to 297 msek (217). The Midland-Grau acquisition developed better than expected and contributed significantly to the Group's earnings. The build-up of the Traction Systems division with production start-up and broadened marketing efforts, increased the burden on the Group's earnings with additional 33 msek compared to last year. All other divisions improved their operating results. Totally, the Group's operating profits increased by 58% to 361 msek (228).

Despite sizeable capital expenditures of 180 msek (117), the cash flow increased to 235 msek (123), partly due to continued efficient control of working capital.

However, with the high capital expenditure and the large acquisition, including 453 msek goodwill, the total capital employed increased substantially and the return decreased to 18.1% (20.7).

The Midland-Grau acquisition was financed by further loans of about 1 billion sek and new shares for 348 msek were issued, which increased the number of shares by 20%.

LOOKING AHEAD

"Doubling Twice"

The Group's earnings per share, calculated on the average number of shares and adjusted for the rights issue, improved, however, to 8:92 sek (7:38).

During the past 10 years, the Group has had a high average growth rate of approximately 20% per year. Even excluding the Midland-Grau acquisition, the yearly growth rate has been a good 12%.

Our future strategy continues to be growth oriented. In the 1997 report, I described the growth vision with the expression "Doubling Twice!" to become a 10-billion sek company before year 2010. With this year's acquisition we have already doubled once to 5 billion sek. Therefore, the time horizon for the next doubling is shortened to the year 2005.

"Doubling Twice" is not only a vision of growth in sales. It is also an expression for our ambitions to increase market shares and become a leading player within chosen product niches. "Doubling twice" is also our vision for productivity development. The tough price competition in the vehicle industry always demands leaner and faster processes in all areas: product development, sourcing, own production and administration. The output/input ratio must "double twice" so that double output can be achieved with halved input!

In order to achieve necessary productivity gains, a broad approach is required: shorter development times of new products and new production methods and increased flexibility of the employees; improved quality assurance and elimination of unnecessary work.

These activities demand a clear organization and strict outcome measurements. However, the management philosophy must also include a large amount of delegation and room for creativity and innovations. In all divisions of the Group, programs for continued improvements are ongoing in order to reduce product costs and enhance productivity.

The new Haldex

We intend to continue the change process described above towards a larger and more high-tech company. Within selected product niches, we strive to enhance the technology level, partly through internal product and application development, and partly through acquisitions or partnership with other organizations. Several important product development projects are ongoing within the divisions and our resources will increase further in 1999.

Our growth strategy also includes geographic expansion. During the last few years we have established sales companies in Brazil, Korea and China. We also have a joint venture in India with production of brake components. In the future, however, we must strengthen our presence and establish or expand production in the growing vehicle markets in South America and Asia.

The business year 1999

In the short term – 1999 – the forecasts of vehicle production point to a decrease in our main markets in North America and Europe. During 1999, Midland-Grau will be included for the entire year (9 months in 1998). Therefore, the Group's sales should increase in spite of the weaker market.

The integration work with Midland-Grau will continue with certain changes in production; divesting of a few smaller product lines, as well as internal rationalizations to improve margins. The Traction Systems division is expected to improve the result going forward as volumes increase and actions to reduce product costs take effect.

**The "double twice" vision**

The vision to "double twice" is about both growth and productivity.

We strive to become a 10 billion sek company around year 2005, with leading market positions within our most important product niches. At the same time, we strive to conduct our business activities with increasingly leaner resources – to double output with halved input.

Growth with strong market positions and a positive productivity development summarize our professional ambitions and constitute the base for value growth of the company.

Business concept

Our business concept is to offer systems and components for niches in vehicle technology.

Financial goals

- To increase sales (excluding acquisitions) by over 6% per year to the vehicle market which has a trend growth of some 3% per year.
- To keep working capital below 15% of sales.
- To achieve a profit margin of 8-10% and a return on capital employed of 18-20% as an average over a business cycle.
- To produce a yearly positive free cash flow from operations.

Strategy

Our overall strategies to realize the vision and achieve set goals are

- To limit our activities to products for road vehicles and industrial vehicles.
- To focus our activities to product areas with high technology level that impact the vehicle's performance and safety. At present, we are active within four niches:
 - Air brake and suspension systems
 - Hydraulic steer and lift systems
 - Specialty spring wire products for combustion engines
 - Adjustable awd systems
- To act globally and expand into new geographical vehicle markets.
- To emphasize new products development and challenge the orthodox and find new solutions.
- To emphasize competence development of our employees and establish the preconditions for creativity and innovations.
- To acquire or cooperate with suitable companies.

ORGANIZATION



Organization The Group's business area is the vehicle industry.

We are convinced that focus and concentration are important to success and that belief forms the basis for our organization, both on the Group level in a number of divisions as well as within the divisions.

Our business activities encompass four product niches in vehicle technology. The largest one – air brake and suspension systems – has been organized in two divisions (oem market and after-market respectively) in order to achieve desired focus.

| <i>Product group</i> | Air brake and suspension systems for commercial vehicles | | Hydraulic steer and lift systems for industrial and commercial vehicles | | Special wire products for combustion engines in cars, commercial and industrial vehicles | | Adjustable AWD systems for cars | | | |
|----------------------------|--|---|---|---|--|---|---------------------------------|---|------------------|---|
| <i>Division</i> | Brake Systems | | Midland Services | | Barnes Hydraulics | | Garphyttan Wire | | Traction Systems | |
| <i>Sales, MSEK</i> | 2,403* | | 788* | | 915 | | 706 | | 29 | |
| <i>Share of Group</i> | 50% | | 16% | | 19% | | 14% | | 1% | |
| <i>Number of employees</i> | 2,443 | | 545 | | 744 | | 455 | | 96 | |
| <i>Production units</i> | North America | 5 | North America | 1 | North America | 2 | North America | 1 | | |
| | Europe | 5 | | | Europe | 2 | Europe | 1 | Europe | 1 |
| | Asia | 1 | | | | | | | | |

* Sales concerning the Midland-Grau acquisition include 9 months.

THE SHARE

Shares

The shares are listed on the Stockholm Stock Exchange since 1960. A round trading lot consists of 200 shares.

The Annual General Meeting in 1998 decided to increase the share capital with sek 18 m. by subscription of one new share for each five old shares held, issued at a price of sek 95 with preferential rights to Haldex' shareholders.

The Haldex share capital, after fully subscribed share issue, totals sek 111 m. distributed among 22,296,220 shares at a par value of sek 5 each. All shares carry one voting right each and have equal rights to dividends.

Shareholders

The number of shareholders at the year-end 1998/99 was 10,885 (9,101). The portion of shares owned by non-Swedish shareholders declined 14% (22). 77% (74) of all shares were held by institutions. The largest shareholder at the end of 1998 was the 4th National Swedish Pension Insurance Fund, holding 7.9% of votes and shares.

The Stock Exchange

As of December 31, 1998 the price of the Haldex share was sek 82 (113), a decrease by 27%. During the same time period the Stockholm Stock Exchange general index rose 10%. The highest share price paid in 1998, sek 153, was quoted on July 2 and the lowest share price paid, sek 68, on October 10.

The total trading volume for 1998 was 21.6 million (22.1) shares with a value of sek 2,525 m (2,633). The turnover rate of shares traded was 81% (119). The market capitalization at the end of the year was sek 1,828 m. (2,192).

Risk measurement

The beta value is a risk measurement tracking the price changes of a share in comparison with the stock exchange index. According to calculations over the past 48 months by the Stockholm Stock Exchange, the beta value of the Haldex shares was 1.01 (0.89). This means that the share price on an average fluctuates one percent more than the index.

The characteristic line is another measure of risk which states how large proportion of the share price development is attributable to the average stock exchange development. For the Haldex share the characteristic line value was 0.28 (0.22), which implies that 28% of the share price development can be explained by the general stock market development and 72% is company specific.

Dividend policy

The aim is for dividend to follow the trend for Group earnings, taking into account future development potential and financial position. The goal is for dividend payments to correspond in the long-term to approximately one-third of earnings per share.

The Board of Directors has proposed that the dividend for 1998 should be increased to sek 3:00 (2:63) per share, which represents a pay-out ratio of 34% (36). If the Annual General Meeting decision follows the proposal, the annual average dividend growth over the last five years is 21%.

Major Shareholders 1998-12-31

| | No. of shares | Percent of votes and capital |
|---|---------------|------------------------------|
| 4th National Swedish Pension Insurance Fund | 1,752,000 | 7.9% |
| Föreningsparbanken Trust Funds | 1,514,760 | 6.8% |
| Praktikertjänst | 900,000 | 4.0% |
| SPP, Swedish Staff Pension Society | 847,905 | 3.8% |
| Skandia Insurance Group | 750,120 | 3.4% |
| Ratos | 632,080 | 2.8% |
| SEB Trust Funds | 631,680 | 2.8% |
| Handelsbanken Trust Funds | 605,912 | 2.7% |
| Wasa Insurance Group | 532,760 | 2.4% |
| Bankers Trust | 508,000 | 2.3% |
| | 8,678,217 | 38.9% |

Distribution of shareholding

| Shareholding | No. of shareholders | No. of shares | Percent of total number |
|-------------------|---------------------|---------------|-------------------------|
| 1 - 1,000 | 9,548 | 2,488,707 | 11.1% |
| 1,001 - 5,000 | 1,092 | 2,272,757 | 10.2% |
| 5,001 - 10,000 | 109 | 799,235 | 3.6% |
| 10,001 - 50,000 | 88 | 1,982,656 | 8.9% |
| 50,001 - 100,000 | 12 | 850,120 | 3.8% |
| 100,001 - 500,000 | 25 | 4,719,628 | 21.2% |
| 500,001 - | 11 | 9,183,117 | 41.2% |
| Total | 10,885 | 22,296,220 | 100.0% |

Changes in share capital since 1988

| | Increase in share capital SEK m. | Share capital SEK m. | No. of shares |
|-------------------------------------|----------------------------------|----------------------|---------------|
| 1988 | | 86 | 4,275,000 |
| 1989 Conversion of convertible loan | 2 | 88 | 4,378,938 |
| 1990 Conversion of convertible loan | 2 | 90 | 4,492,564 |
| 1991 Conversion of convertible loan | - | 90 | 4,567,920 |
| 1992 Conversion of convertible loan | 3 | 93 | 4,645,046 |
| 1995 Share split 4:1 | - | 93 | 18,580,184 |
| 1998 New rights issue 1:5/95 | 18 | 111 | 22,296,220 |

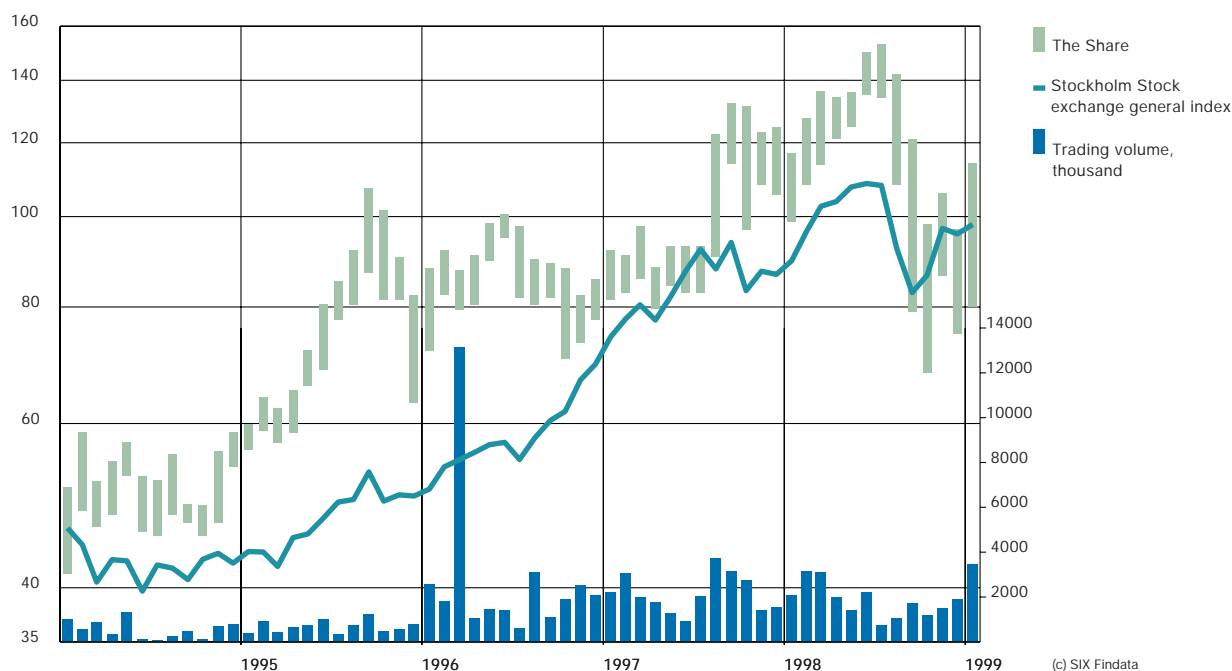
Data per share (adjusted for share issue and split)

| | 1998 | 1997 | 1996 | 1995 | 1994 |
|-------------------------------|--------------------|--------|-------|-------|-------|
| Earnings, SEK | 8:92 | 7:38 | 6:78 | 9:97 | 4:59 |
| Dividend, SEK | 3:00 ¹⁾ | 2:63 | 2:39 | 2:39 | 1:56 |
| Market price at year-end, SEK | 82:00 | 113:00 | 85:00 | 69:00 | 58:50 |
| Cash flow, SEK | 11:29 | 4:33 | 2:74 | 12:23 | 3:46 |
| Shareholders' equity, SEK | 60:09 | 43:81 | 36:96 | 32:04 | 24:72 |
| EBIT multiple | 8 | 10 | 9 | 5 | 8 |
| P/E ratio | 9 | 15 | 13 | 7 | 13 |
| Payout ratio, % | 34 | 36 | 35 | 24 | 34 |
| Direct yield, % | 3.7 | 2.3 | 2.8 | 3.5 | 2.7 |
| Total yield, % | -26 | 35 | 27 | 20 | 43 |

Other share data

| | | | | | |
|--|--------|--------|--------|--------|--------|
| No. of shareholders at year-end | 10,885 | 9,101 | 4,279 | 2,398 | 1,352 |
| No. of shares average, thousand | 20,810 | 18,580 | 18,580 | 18,580 | 18,580 |
| No. of shares at the end of the year, thousand | 22,296 | 18,580 | 18,580 | 18,580 | 18,580 |

¹⁾ proposed dividend



Definitions

Earnings

Net income dividend by average number of shares.

Cash flow

Cash flow divided by average number of shares.

Shareholders' equity

Shareholders' equity divided by the number of shares.

ebit multiple

Market value at year-end plus net debt divided by operating profit.

p/e ratio

Market price at year-end divided by earnings per share.

Payout ratio

Dividend divided by earnings per share.

Direct yield

Dividend divided by market price at year-end.

Total yield

Market price at year-end including dividend divided by market price at beginning of year.

Analysts who cover Haldex

ABG Securities
Stefan Hansson
Phone: +46 8 566 286 00

Alfred Berg U.K.
Per Aronsson
Phone: +44 171 256 4900

Aros Securities
Tobias Henriksson
Phone: +46 8 458 56 00

Carnegie
Petter Löfqvist
Phone: +46 8 676 88 00

Chevrioux Nordic
Peter Karlsson
Phone: +46 8 723 51 00

Den Danske Bank/Myrberg
Fondkommission
Bertil Nilsson
Phone: +46 8 440 50 00

Enskilda Securities
Anders Trapp
Phone: +46 8 522 295 00

Handelsbanken Markets
Anders Bruzelius
Phone: +46 8 701 10 00

Matteus Fondkommission
David Hallböck
Phone: +46 8 613 42 00

Nordbanken Aktier
Erik Kjellgren
Phone: +46 8 614 70 00

Nordiska Fondkommission
Henrik Alveskog
Phone: +46 8 791 48 00

Orkla Securities
Anders Roslund
Phone: +46 8 587 199 00

Swedbank Markets
Mats Liss
Phone: +46 8 585 900 00

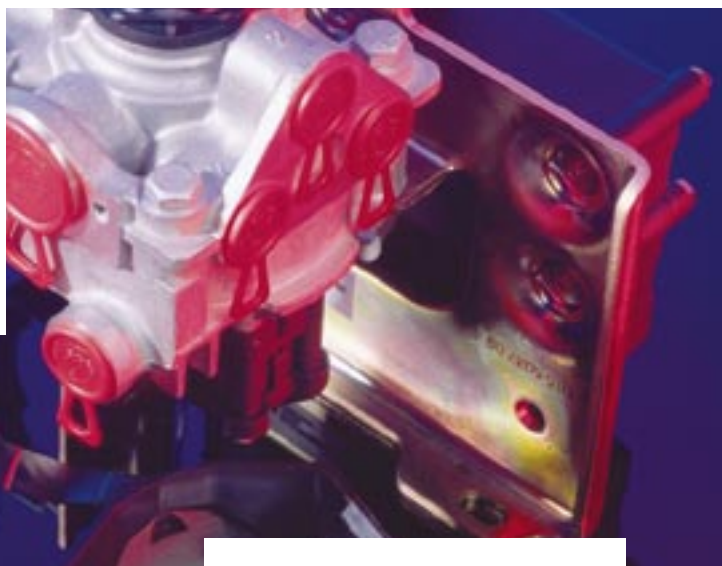
Warburg Dillon Read
Anders Fagerlund
Phone: +46 8 453 73 00

BRAKE SYSTEMS

The division is a leading supplier of systems and components to mainly air brake systems for commercial vehicles. The customers are manufacturers of heavy trucks, trailers, buses and axle systems for such vehicles. The division's business is global and its production units are located in the US, Sweden, Great Britain, Germany and India.

Sales, SEK m

| | |
|------|-------|
| 1998 | 2,403 |
| 1997 | 1,127 |
| 1996 | 934 |
| 1995 | 1,092 |
| 1994 | 872 |



A major development – the acquisition of Midland-Grau

The acquisition of the worldwide business of Midland-Grau was a significant development during 1998. This acquisition expands the product base of the division, transforming it from a one-product business (the Haldex automatic brake adjuster) to a systems supplier of air brake equipment. The acquired wide range of products will serve as a basis for further developing the division as a leading supplier of braking and suspension control systems worldwide for heavy and medium heavy commercial vehicles.

During 1998, the two sales organizations were merged into a stronger, single divisional sales force and at the same time realizing certain cost synergies going forward. The division's new organization structure with sales regions and global product centers will enhance our efforts to:

- create focused "Centers of Excellence" in order to develop and maintain world class capabilities in product development and manufacturing technologies
- provide better global coordination of product development and international customer activities
- retain our flexibility to react quickly to local customer and market demands.

The Market

The commercial vehicle industry served by the division experienced record sales and production levels in 1998 in Western Europe and North America. Heavy vehicle production in both regions increased by some 17% over 1997. In the Asian and South American markets, however, economic difficulties depressed heavy vehicle production. In Japan and South Korea, production declined by 42% and 88% respectively. In Brazil, the decline was 10%. The severe downfall on these markets partly offset the strong growth in Europe and North America and global heavy truck production only gained 4%. The division's main competitors are Allied Signal, Bosch, Knorr, Lucas, Meritor and Wabco.

The division reached a milestone by producing over 3 million automatic brake adjusters for air drum brakes during 1998. This is believed to exceed the volume of all competitors combined. Record vehicle production in our main markets, combined with gains in market shares as well as increased aftermarket sales, made this record possible in spite of the increased use of air disc brakes in Europe.



| Brake Division | 1998 | 1997 |
|------------------------------|-------|-------|
| Orders received, SEK m. | 2,357 | 1,159 |
| Sales, SEK m. | 2,403 | 1,127 |
| Capital expenditures, SEK m. | 92 | 40 |
| Number of employees | 2,443 | 737 |



Safety regulations in the United States took effect during the year, mandating the use of Antilock Braking Systems (abs) on all new air brake equipped trailers. The division captured a market share of nearly 35% on this new, technically advanced product. A new generation of Modular abs was also introduced to the European trailer market, further improving the division's competitive position there. At the beginning of 1999, the division was awarded its first significant abs order in Asia from the trailer manufacturer Jindo.

Product and production development

Shortly after yearend 1998, production started of the first commercial order of the Haldex db20 Disc Brake from a major European manufacturer of trailer axle systems. The advantages of the Haldex Disc Brake, including its modular design, appeal to customers who wish to retain some in-house production. This flexibility has also resulted in an agreement with Dana's Spicer Heavy Axle & Brake Division for Haldex to supply its disc brake actuator and adjuster modules for use in Dana developed caliper assemblies. Our disc brake concept has also drawn interest in South America and in Europe where work is actively underway with several additional axle manufacturers.

An interesting new product for control and distribution of the compressed air on commercial vehicles, ecam (Electronically Controlled Air Management), continued through the development process together with a European truck manufacturer towards the planned production launch in late 1999. This new technology replaces a series of separately mounted conventional pneumatic valves and air dryer with a single, electronically controlled unit that reduces installation costs and provides increased functionality.

The division's latest product for braking system control, the Integra ebs (Electronic Braking System), was introduced at the iaa fair in Hanover, Germany in September. Currently undergoing advanced development testing and vehicle trials, Integra ebs is expected to be launched into commercial production year 2000.

During 1998, division facilities in Heidelberg, Germany and Redditch and Blackburn, Great Britain, achieved qs 9000 certification. The facility in Iola, Kansas, usa, achieved iso 14000 certification.

Results

The traditional Haldex Brake Systems operations set sales records in 1998 as sales increased 11% to 1.3 billion sek. The inclusion of the oem part of the Midland-Grau acquisition from April 1998 produced total sales of 2.4 billion sek for the division in 1998, an increase of 115%. The division's return on capital employed exceeded somewhat the Group's goal.

MIDLAND SERVICES

The division is a leading supplier to the North American commercial vehicle aftermarket. In addition to spare parts for proprietary Haldex brake products, the division's product range includes its own remanufactured products as well as components from other suppliers to create a complete undercarriage program. The customers are the aftermarket distributors and dealer networks. Remanufacturing takes place in Marion, North Carolina, USA.

The market The total annual North American heavy-duty parts and service aftermarket can be estimated at approximately 95 billion sek. Hereof, roughly 25 billion sek refers to the undercarriage segment, mainly air brake and air suspension systems, in which we are active. Our major competitors are Allied Signal, Dana, Euclid, Federal Mogul and Meritor.

The ongoing consolidation of the North American aftermarket industry intensified during 1998 and fewer aftermarket component suppliers will be selling to fewer but larger distributors/dealers, in turn selling to fewer but larger fleet owners.

The Midland Services division is well positioned to remain a key supplier in a more consolidated commercial vehicle aftermarket. The division's single source concept, offers a complete range of undercarriage parts and services from its three distribution centers and 20 relining service centers throughout the US and Canada. Midland Services continues to be the only major supplier servicing all three major commercial vehicle aftermarket channels: OEM dealers, independent heavy duty distributors and automotive distributors that also service heavy vehicles.

In 1998, napa, the largest North American automotive parts distributor, selected Midland Services to be their supplier of friction materials and heavy duty brake shoe reliner. The choice was determined by the quality of Haldex friction products and our ability to service across North America from our many brake shoe relining centers.

Production and distribution development The division's delivery program totals 18,000 different spare parts for medium to heavy duty vehicles; such as compressors, air dryers, valves, abs, brake adjusters, spring brakes, brake actuators as well as non-asbestos friction materials for drum brakes and disc brakes.

Certain products have been introduced recently, for example a heavy-duty suspension range, a broader air valves line, and remanufacturing of starters and alternators. For the near future a further expansion of the product range is planned.

The division maintains a customer service level that exceeds 95%, and 90% of customer orders are shipped within 24 hours from the distribution centers.

The Kansas City headquarters and distribution center have maintained ISO 9002 and QS 9000 certifications since 1997. The Marion remanufacturing unit is expected to complete its registration to ISO 9002 and QS 9000 in 1999. Our brake shoe relining operations are expected to achieve ISO 9002 certification in 1999.

The division's program for productivity enhancement and reduced channel costs refers mainly to investments in people and process improvements. By developing our IT systems we strive towards paperless operational capabilities and to implement closed loop EDI connections with customers and suppliers.

Results The division became part of the Haldex Group through the acquisition of Midland-Grau in April 1998. For the 9 month-period April-December, the division's sales reached 788 MSEK and the return on capital employed exceeded somewhat the Group's goal.



Sales, SEK m

1998

788



Services Division

1998

| | |
|------------------------------|-----|
| Orders received, SEK m. | 774 |
| Sales, SEK m. | 788 |
| Capital expenditures, SEK m. | 3 |
| Number of employees | 545 |

BARNES HYDRAULICS

The division is a leading supplier of hydraulic systems for power steering and lifting functions with applications mainly on forklifts, construction machinery, trucks and aerial lifts. Gear pumps and gear motors are also supplied to applications such as fuel transfer on diesel engines, lubrication of transmissions and driving of engine fans. The division's business is international with manufacturing operations in the U.S., Germany and Sweden.

| Hydraulics Division | 1998 | 1997 |
|------------------------------|------|------|
| Orders received, SEK m. | 937 | 851 |
| Sales, SEK m. | 915 | 794 |
| Capital expenditures, SEK m. | 43 | 35 |
| Number of employees | 744 | 687 |

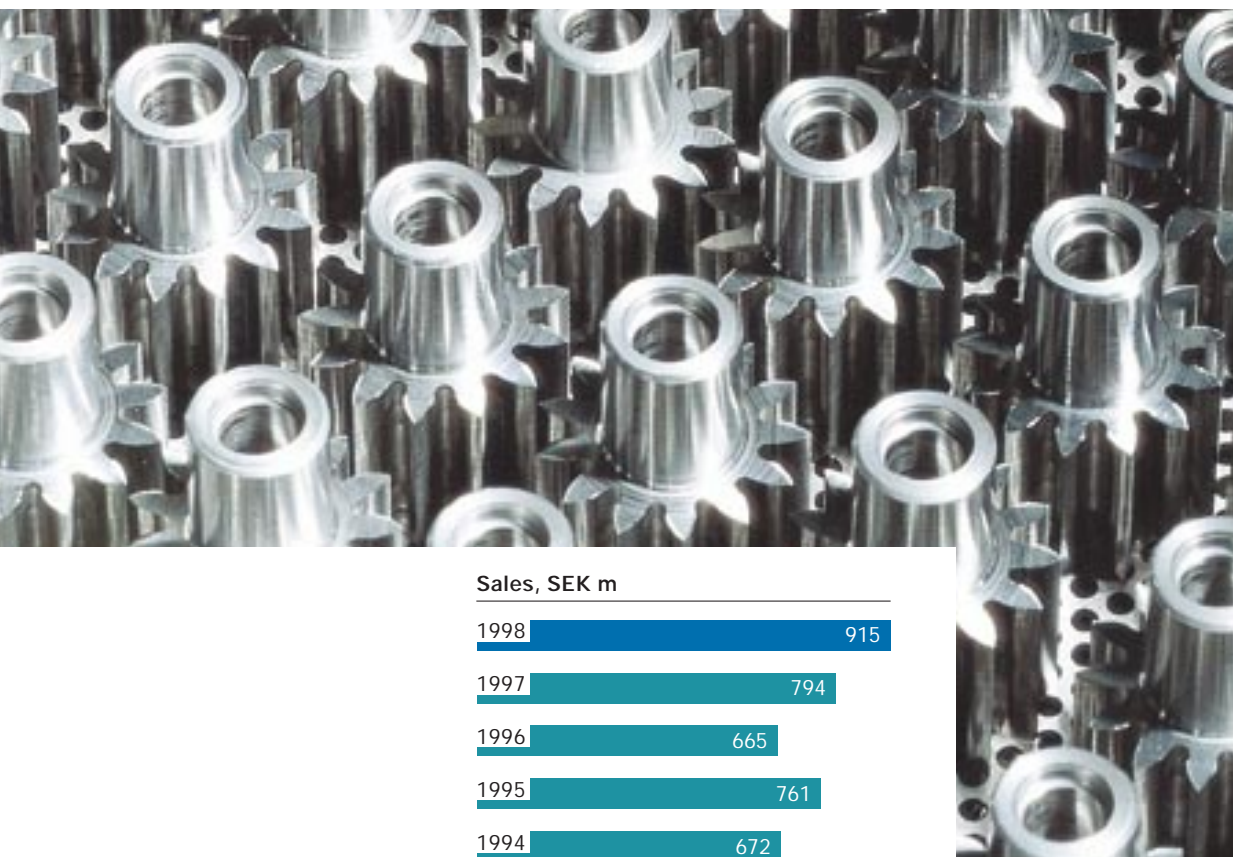
The Market The market development during the year continued positive within the division's main segments in both North America and Europe.

The division concentrates its activities on a number of strategic customer/application areas. Product and applications development often takes place in close cooperation with the customers, which has resulted in increased recognition of our ability to quickly supply solutions to customer needs. During 1998, the close cooperation with strategic customers brought significant new business regarding construction equipment, aerial lifts and turf care equipment.

Through international customer teams, focusing on strategic customer segments, the contents and quality of our deliveries have further developed and the division's market shares have improved.

The division's market positions are historically strongest in North America, but during 1998 the development in Europe has also been positive and the positions have strengthened, for example within the forklift and construction machinery segments.

Consolidation continues to occur within our customer base in several of our strategic markets. Through our international organization with global customer teams our opportu-



nities have been enhanced, for example in the forklift market as well as the construction equipment market, where we have been selected to supply our hydraulics products to a major new product launch by the world's leading producer of construction equipment.

The division's main competitors are Bosch, Commercial, Danfoss, Fenner, hpi and Sauer.

Product and production development

The trends driving our customers business drive our efforts to develop new products and systems solutions. Thus, fan drives in cooling systems has been identified as an area where hydraulics can offer several advantages over mechanical designs, for example temperature control, energy conservation, reduced noise and higher reliability. The division has successfully introduced such hydraulic drive systems for fans in mobile equipment. Also in another area – turf care equipment – have we developed a hydraulic drive system of the rotor unit which gives lower maintenance costs, reduced weight and better cut quality than mechanical designs. Together with customers we also have several ongoing projects in the transmissions area which are expected to lead to expanded business in the future. The division's development work to reduce noise levels of hydraulic components and systems continues and is an important factor in creating new business opportunities.

The division's products based on the w concept, which was introduced a few years ago, now include both gear pumps, gear motors and power systems.

These products have now been introduced in all strategic segments, adding to the previous portfolio of g products.

The organization for systems development has been strengthened and cooperates with a number of other companies in systems projects pertaining to forklifts, construction machinery, aerial lifts and trucks.

The investments in production equipment reached a new all-time-high and included both capacity, quality and cost enhancements.

Results

The division's sales increased by 15% to 915 msek achieving another all-time record. Operating profits improved further and the return on capital employed was well in line with the Group's goal.



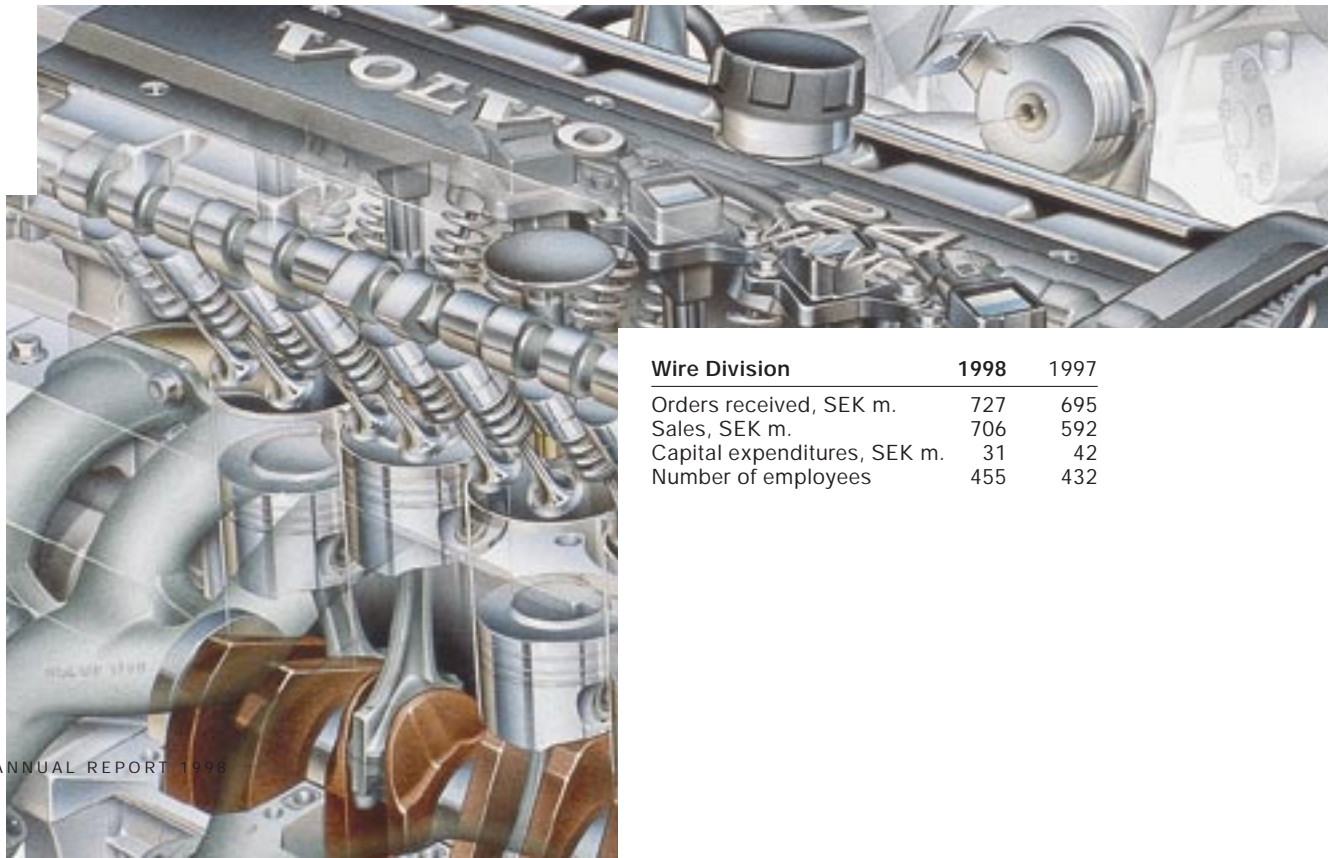
GARPHYTTAN WIRE

The division maintains a world leading position in its main niche: specialty spring wire of steel-alloys for applications with exacting performance demands. Examples of applications are valve springs and piston rings in combustion engines. The customers are mainly spring coilers and piston ring manufacturers, who supply the engine manufacturers directly. The division's business is global and manufacturing units are located in Sweden and the U.S.



Sales, SEK m

| | |
|------|-----|
| 1998 | 706 |
| 1997 | 592 |
| 1996 | 551 |
| 1995 | 622 |
| 1994 | 524 |



| Wire Division | 1998 | 1997 |
|------------------------------|------|------|
| Orders received, SEK m. | 727 | 695 |
| Sales, SEK m. | 706 | 592 |
| Capital expenditures, SEK m. | 31 | 42 |
| Number of employees | 455 | 432 |



The market The division's market potential is mainly dependent on the production rate of light vehicles (cars, vans, light trucks), which is the dominating volume segment within the vehicle industry.

The market for light vehicles was positive in our main markets. In Europe, the production of light vehicles increased by 5%. In North America, the same high level as 1997 was achieved in spite of the gm-strike which temporarily affected production negatively.

Our new production unit in South Bend, in, usa showed a positive development during the year. The factory was inaugurated in May 1997. The acceptance procedure took longer time than expected for certain car manufacturers. The last acceptance from one of the "big three" was received in April 1998. The volume development has since been positive and towards the end of the year the South Bend unit approached full capacity. The sales volume on the North American market has increased by 50% compared to the situation before establishing local production, and the division's share of the North American market has improved.

The freed-up capacity of the Swedish production unit in Garphyttan has been used to gain an increased share of the growing European market.

In addition to a growing number of produced vehicles, the market potential has increased due to technology changes. Examples hereof are the continued penetration of multi-valve technology and use of highly qualified spring wire for the specially designed springs in the Dual Mass Fly Wheel in order to reduce the transfer of engine vibrations to the transmission.

On the European market we can note successes with the new, stainless wire product garba 177 PH Supreme – especially regarding springs in fuel injection systems on diesel engines – which offers very high and consistent fatigue strength.

In spite of the problems in many Asian markets, we increased sales and shares in China.

The division' main competitors are American Spring Wire, Bekaert, Suncall, Suzuki and Tokusen.

Product and production development The product development work during the year was focused on ensuring the capability of processing the new, high tensile oiltempered spring wire products.

A large development project aiming at a more effective processing of oiltempered spring wire has successfully been concluded and verified in pilot scale.

During the year the Garphyttan unit achieved certification according to vda 6 (German car manufacturers' norm). Certification according to QS9000 is estimated to be obtained during spring 1999. The work towards environmental certification according to ISO 14000 has been initiated.

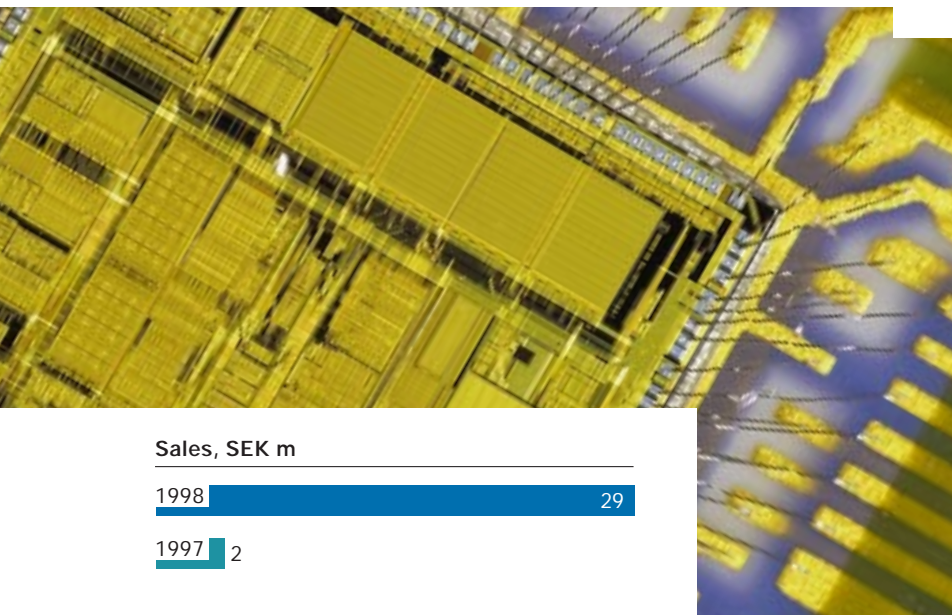
The focus of the investment work has been to implement initial changes in accordance with a 3-year investment program aiming at improved productivity through establishing more efficient process flows and goal-oriented process organization.

Result The division's sales increased by 19% to 706 msek. The operating profit improved and return on capital employed was well in line with the Group's goal.

TRACTION SYSTEMS

The Traction Systems division was formed in 1998 with overall business responsibility for the Haldex AWD system, which has been in development for some years. Serial deliveries to the first customer, the VW Group, started during the year. Production takes place in Landskrona, Sweden.

| Traction Division | 1998 | 1997 |
|------------------------------|------|------|
| Orders received, SEK m. | 72 | 2 |
| Sales, SEK m. | 29 | 2 |
| Capital expenditures, SEK m. | 11 | - |
| Number of employees | 96 | - |



The Market The worldwide production of light awd vehicles (All Wheel Drive) can be estimated at around 5 million units per year. Out of a total yearly production of almost 52 million light vehicles, the awd penetration rate is thus 9-10%. The largest awd markets are in North America and Asia, but the European awd production is rapidly growing.

There is a positive trend for awd vehicles on almost all markets. In usa, the trend is to go from mechanical to automatic awd systems, especially as many new suvs (Sport Utility Vehicles) will be based on car platforms instead of light truck platforms. In Europe, many car manufacturers are planning for different kinds of suvs – called Cross-Country or All Activity Vehicles.

These trends are especially positive for the type of awd system, which Haldex has developed and now introduced on the market. With increased number of electronic systems in cars – like abs (Antilock Brake System) and esp (Electronic Stability Program) – it is becoming increasingly important to have an awd system which can be automatically adjusted to different driving situations and which is compatible with other systems that act or react on differential speeds between axles.

The patented Haldex awd system provides exactly these functions – and does so extremely fast, creating a new dimension to active safety. The Haldex system’s microprocessor is connected to other electronic systems in the vehicle and can communicate and cooperate with these systems. The design of the mechanical-hydraulic coupling unit allows for immediate regulation of the unit according to the driving situation. Hereby, the Haldex awd system becomes an integrated and active part of the vehicle’s drive system.

Serial deliveries started during the year to the VW Group. Haldex will supply the customer’s needs for awd systems on their A4-platform, which is a common platform for cars in the VW, Audi, Skoda and Seat ranges. So far, the system has been introduced on the models VW Golf 4 Motion, Audi TT Quattro and Audi A3 Quattro. Introduction is also planned for



on VW Bora and Skoda 4x4. Deliveries of cars to the dealer network have started and will successively increase during the spring of 1999. Over an estimated lifetime of 5-6 years of the current A-platform, this first business can be estimated to 1 billion sek.

The interest from other car manufacturers is increasing. We already have letters of intent and prototype orders from other customers with possible production start year 2001 and later.

It seems clear that new, modern cars will need an intelligent, adjustable awd system. Haldex is in the forefront of this technology with its patented system. However, other suppliers start to move in the same direction and Haldex will, of course, meet competition on the market.

Product and production development

The main focus during the year has been to quality assure the product, both in our own and in our suppliers' production processes.

The newly formed division has had to implement all necessary business systems and to recruit and train new personnel. A quality assurance system aiming at ISO 9001 has been introduced. A pre-audit has been performed and certification is expected in the beginning of 1999. Other systems, such as 3d-cad, tpm, production- and inventory control systems as well as accounting have been implemented. The number of employees has increased with over 60 persons and product, quality and process education have been carried out.

A product development project has started to design a partly new concept, including some changed performance parameters and with the aim to substantially reduce costs. The first prototype is planned for late 1999.

Results

During its first year, the division's sales reached 30 msek. The build-up of the organization and start-up of production have, together with continued high product development and engineering costs, resulted in a sizeable operating loss which was 33 msek higher than last year.

ENVIRONMENTAL POLICY

Car industry to cut carbon dioxide emissions by 25%

During 1998, the European Union has adopted the voluntary proposal from European car industry to reduce CO₂ emissions with 25% by year 2008.

This commitment is part of the Kyoto environmental agreement to reduce greenhouse gases, which are considered to increase the temperature of the planet and cause climate problems. The European car industry's commitment to reduce CO₂ emissions is based on three important conditions:

- availability of high quality fuel on the market, which makes large scale introduction of direct fuel injected gasoline and diesel engines possible;
- increased usage of diesel engines; and
- similar commitments from the car industry in other regions to reduce CO₂ emissions so that competition in the car market is not distorted.

Haldex specialty wire products from the Garphyttan Wire division contribute in an effective way to improve the environmental characteristics of modern engines.

Valve technology

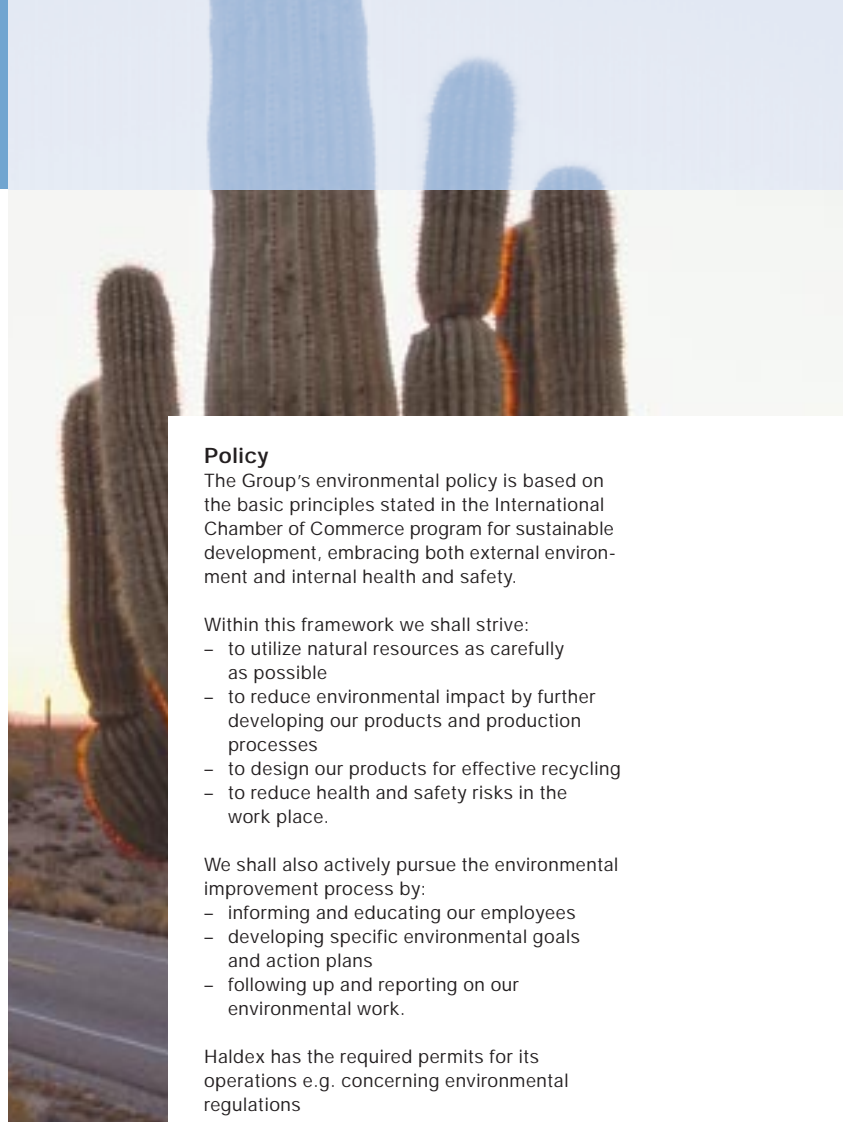
The ongoing change from 2-valve technology to multi-valve technology (3-5 valves per cylinder) aims at increasing the flow areas in the cylinder head to produce as fast and as complete "inhaling" of the fuel/air mix and "exhaling" of the exhaust gases as possible. Hereby, lower fuel consumption per mile is achieved which reduces the amount of CO₂ emissions correspondingly.

The limited space for the valve arrangement means that multi-valve technology demands smaller valve springs, which increases the stress on the valve spring wire. Garphyttan Wire's special wire (Oteva) for valve springs has outstanding fatigue life properties and ensures the demand for long life without breakage. (During one hour's driving, with the engine running at a normal 3,000 rpm, the valve springs are compressed and relaxed about 90,000 times!)

Fuel injection systems

The changeover from carburetor technology to fuel injection systems has been instrumental for the reduction of fuel consumption and thereby lower CO₂ emissions. In all modern fuel injection systems there are highly fatigue stressed springs as vital components and our Oteva wire products will also for this application meet the highest demands on long-time properties and fatigue life.

In diesel engine designs, direct injection is now rapidly substituting for the older pre-combustion technology. The performance of these modern diesel engines corresponds well to petrol engines with more horsepower. However, the diesel engine has about 30% lower fuel consumption, which results in correspondingly lower CO₂ emissions. The drawback of higher nitrogen oxide emissions is likely to be mini-

**Policy**

The Group's environmental policy is based on the basic principles stated in the International Chamber of Commerce program for sustainable development, embracing both external environment and internal health and safety.

Within this framework we shall strive:

- to utilize natural resources as carefully as possible
- to reduce environmental impact by further developing our products and production processes
- to design our products for effective recycling
- to reduce health and safety risks in the work place.

We shall also actively pursue the environmental improvement process by:

- informing and educating our employees
- developing specific environmental goals and action plans
- following up and reporting on our environmental work.

Haldex has the required permits for its operations e.g. concerning environmental regulations

mized by improved catalyst technology.

Garphyttan Wire's special stainless spring wire product, Garba 177 ph Supreme, has been specially developed to ensure optimum properties of the fuel injection system during the whole diesel engine life, despite the more aggressive working conditions in diesel engines.

Piston rings

Traditionally, cast iron has been the standard material in most types of piston rings in combustion engines. In order to obtain more complete combustion and lower oil consumption and friction losses, which reduce CO₂ emissions and produce cleaner exhaust gases, there is a continuous trend towards finer dimensions of piston rings. Here, cast iron can no longer meet the necessary fatigue and long life demands. Garphyttan Wire's flat and shaped wire products (Garbaflex) have properties that have been optimized for piston ring applications and make continued development possible towards lower CO₂ emissions and cleaner exhaust gases.

Haldex Group's CO₂ emissions

The CO₂ emissions that the Haldex Group itself causes in its own production, heating, electricity usage and transportation, can be estimated to about 49,000 tons per year or 9 tons CO₂ per msek sales.

Due to its international operations Haldex is continuously exposed to financial risks such as currency risks, funding risks, interest risks and liquidity risks as well as counterpart risks. In order to reduce the financial risk exposure, guidelines for risk handling have been established by the Board of Directors. Follow-up and control are continuously carried out in the subsidiaries as well as on a Group level.

Currency risks Exchange rate changes influence the profit & loss account and balance sheet of the Group in different ways:

Transaction risks

The commercial flow of payments which are denominated in other currencies create currency risks. The total payment flow after netting flows in the same currency amounts to approx sek 764 m. The flows with the largest impact are eur and usd which are exchanged to sek and gbp. For these currencies an exchange rate difference of 10% can impact the earnings by approximately sek 60 m. The Group's treasury policy is normally to hedge payment flows in currencies to 50-70 percentage for the coming 12 months, which on average means that exchange rate changes influence the profit & loss account 6-8 months later. At the end of 1998 the Group had outstanding forward contracts to hedge transaction risks to a nominal value of sek 428 m. (390).

Translation risks

The net assets (= equity) of the non-Swedish subsidiaries represent investments in foreign currencies which when consolidated create translation differences. The treasury policy requires the translation risks not to be hedged, thereby achieving a spread of foreign currency risks. The equity in the Group's non-Swedish subsidiaries amounted to sek 726 m. (280) at the end of 1998.

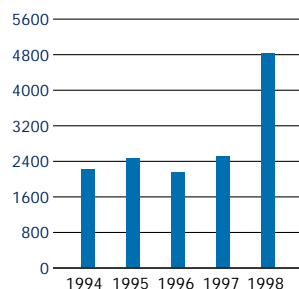
Funding and Interest risk The funding risk, e.g. the risk that the cash requirement of the Group cannot be met, is limited by granted, not utilized credit facilities, which can be utilized without qualifications. At the end of the year these amounted to sek 1,048 m. and with an average duration of 4 years. In order to reduce the dependence on short-term financing the Group has selected to have a substantial long-term financing.

Interest risk is the risk that the interest rate level shall negatively impact the earnings of the Group. To match the average price change cycle of 6 months, the Group is aiming for corresponding fixed interest terms.

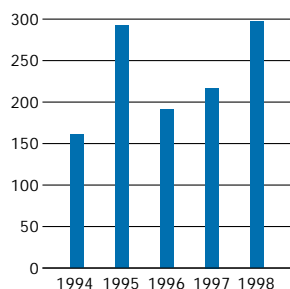
Liquidity and Counterpart risks The liquidity risk is that investments placed at financial institutions cannot be easily cashed in and the counterpart risk is that investments are lost due to the inability by the counterpart to pay.

These risks are minimized by limitations of investments to interest-bearing instruments with low risk and high availability and limitations to the amounts which can be invested by any given counterpart.

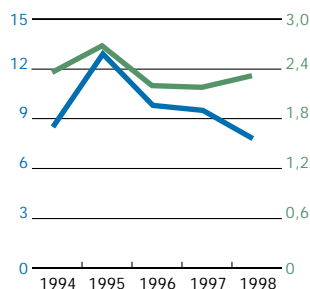
Sales, SEK m.



Earnings before taxes, SEK m.



- Profit margin, %
- Capital turnover rate, times



Midland-Grau acquisition

Haldex finalized the acquisition of Midland-Grau as of April 4, 1998. Midland-Grau is one of the leading suppliers of brake systems and components to the global heavy vehicle industry and aftermarket. Sales amount to 2.5 billion sek, of which 70% in North America and 30% in Europe. Midland-Grau employs 2,350 people, of which 1,700 in North America and 650 in Europe.

The acquisition creates a strong group, doubling the size of Haldex, for high quality systems and components for vehicles, and will substantially strengthen the exposure of the Haldex name and its brands. After the acquisition the Brake Systems Division will be able to offer a complete program of systems and components for air brake systems on heavy vehicles and it will become one of the world-leading suppliers of brake equipment for heavy vehicles.

Midland-Grau has developed a sizeable aftermarket operation for heavy vehicles with annual sales exceeding 1 billion sek. This includes spare parts and remanufacturing and exchange of wear-exposed components. By remanufacturing and spare parts handling of also other suppliers' products, Midland-Grau has established a "one-stop-shop" concept for the aftermarket. Hereby one can offer the large distribution groups a more complete aftermarket assortment for under-chassis-components, making transactions more efficient with electronic commerce and improved logistics.

The acquisition encompasses in North America headquarters and development center, five production units and some 20 brake relining stations. In Europe, four production units and five sales companies were acquired. In Asia, a producing joint-venture in India was included.

Midland-Grau has a broad program of systems and components for brakes on heavy vehicles; abs systems for air brakes; components for generation, treatment and control of pressurized air in brake systems, such as compressors, air dryers, valves and brake cylinders and parking brakes; components for wheel brakes, such as automatic and manual brake adjusters and friction products; and electronic suspension systems and hydraulic connectors.

Market

The vehicles business showed considerable strength in the main markets in North America and Europe. However, the development in South America and Asia, which constitute a small part of the Group's activities, was strongly negative.

Sales

The Group's sales amounted to sek 4,831 m. (2,503), an increase by 93%. Hereof sek 1,949 m. pertains to the acquisition of Midland-Grau for the nine-month period April-December. Excluding the acquisition, sales increased by 15% of which 3% is due to exchange rate differences. All divisions reported all-time-high sales.

In North America, sales increased by 147% to sek 2,607 m and in Europe sales was sek 2,045 m, an increase by 60%. Sales in South America and Asia were on the same level as in 1998 and amounted to sek 104 m. and sek 68 m. respectively. Of total sales 96% (92) were outside Sweden. Exports from Sweden amounted to sek 1,319 m. (1,158).

The Group's order intake amounted to sek 4,856 m. (2,694). Hereof, sek 1,911 m. pertains to the Midland-Grau acquisition for the nine-month period April-December. Excluding the acquisition, the order intake increased by 9%, of which 2% is due to exchange rate differences.

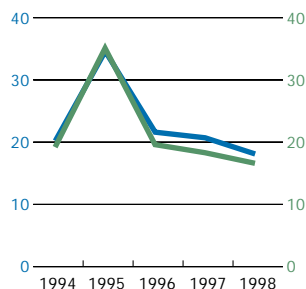
Earnings and Profitability

Income before taxes improved by 37% to sek 297 m. (217). Earning per share calculated on the average number of shares amounted to sek 8:92 (7:38), an increase by 21%, adjusted for this year's rights issue.

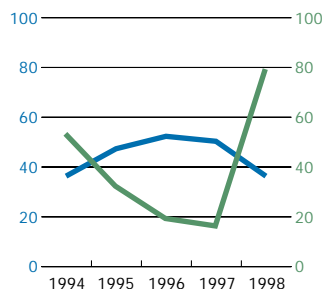
The earnings improvement was mainly due to higher volumes and a positive contribution, after deduction for goodwill depreciation and financing costs, by Midland-Grau, which developed better than assumed in the acquisition calculation. The gross profit amounted to sek 1,340 m. (767). The gross profit margin declined by 2.9 percentage points to 27.7. Operating profit amounted to sek 361 m. (228), an increase by 58%.

The divisions Garphyttan Wire, Barnes Hydraulics, Brake Systems and Midland Services improved operating profits. The operating profit for the Traction Systems Division was negatively effected with sek 33 m. in order to

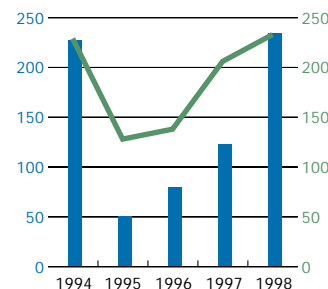
- Return on capital employed, %
- Return on equity, %



- Equity/assets ratio, %
- Net debt/equity ratio, %



- Cash flow, SEK m.
- Self-financing, %



start up and quickly accelerate serial production of awd systems as well as broaden the marketing efforts towards new potential customers.

Depreciations amounted to sek 186 m. (90), of which tangible assets were sek 163 m. (89) and amortization of intangible assets was sek 23 m. (1).

For the goodwill which arose from the acquisition of Midland-Grau Haldex applies an amortization period of 20 years as the acquisition is assessed to have sustainable profits and cashflow as well as a significant market position.

The profit margin fell 1.7 percentage points to 7.8 (9.5), which after consolidating Midland-Grau and increased effort with the Traction Systems Division, was better than expected.

The financial net amounted to sek -64 m. (-11). The interest costs increased as a result of the net borrowing for financing the acquisition of Midland-Grau. The interest coverage ratio equaled 4.7 times (11.8).

The tax expense totaled sek 111 m. (73), of which sek -34 m. (15) was deferred taxes. The effective tax rate was 37% (34). The tax expense percentage was negatively influenced by for taxes non-deductible goodwill and amortizations. Of the total tax expense sek 24 m. (24) referred to Swedish companies.

The return on capital employed reached 18.1 (20.7). Both the acquisition of Midland-Grau and the efforts with Tracion Systems have negatively influenced the return on capital employed. The return on equity was 16.6% (18.3).

Financial position

Total assets increased in 1998 to sek 3,690 m. (1,716), or 115%. The acquisition of Midland-Grau accounted for sek 1771 m. The capital employed increased to sek 2,665 m. (1,226). The capital turnover rate was 2.32 (2.18) times.

Net debt at the end of the year was sek 1,058 m. (136). The large increase was in all attributable to the acquisition of Midland-Grau. The acquisition was financed by increased bank loans and a new rights issue at sek 95 per share to existing shareholders, whereby five shares entitled to subscribe one new share. The rights issue was fully subscribed and increased the number of shares by 20% to a total of 22,296,220 shares. Of the net debt sek 169 m. (98) represents pensions

and post-retirement benefits. The net debt/equity ratio was 79% (16) at the year-end.

The Group's equity amounted to sek 1,346 m. (852) on December 31, 1998. Equity per share amounted to sek 60.09 (43.81). The equity/assets ratio at year-end was 36% (50).

Cash flow

Cash flow after deduction of net capital expenditure, excluding acquisitions, amounted to sek 235 m. (123). Group operating cash flow was sek 410 m. (241). The working capital, adjusted for exchange rate differences, decreased by sek 84 m. (-3). The working capital at the end of the year amounted to sek 758 m. (335), or 13.8% (134) in relation to sales. Net capital expenditure totaled sek 175 m. (115). Internal financing defined as cash flow from operations in relation to net capital expenditure was 234% (207).

In 1998 shareholders were paid a dividend for 1997 totaling sek 51 m. (46). The new rights issue brought sek 348 m. and interest bearing liabilities adjusted for exchange rate differences increased by sek 853 m. (-9). Liquid funds at the end of the year and amounted to sek 262 m. (239), which corresponds to 4.8% of annual sales. In addition, the Group has granted, unutilized credit facilities of sek 1,084 m.

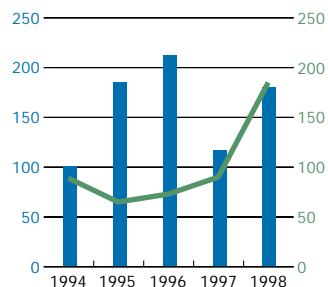
Product Development

Costs for product development increased to sek 189 m. (138), up 37%. Costs for product development as a proportion of sales declined to 3.9% (5.5).

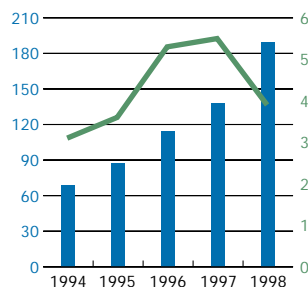
In June the first commercial breakthrough for Haldex newly developed awd system was announced. An order was signed with VW, Europe's largest car manufacturer, regarding deliveries to those awd cars that are based on the A4 platform, which is a common platform for VW, Audi, Seat and Skoda. So far, VW has announced the introduction of Haldex awd system on the new Audi TT Quattro, Audi A3 Quattro, Skoda 4x4 and Golf 4 Motion.

The VW deal has given substantial attention to Haldex awd system in European automotive and newspaper press and the interest from other car manufacturers has increased. In addition, installation studies and initial testing of Haldex awd system have resulted in two new Letters of Intent from European car manufacturers. The development work for

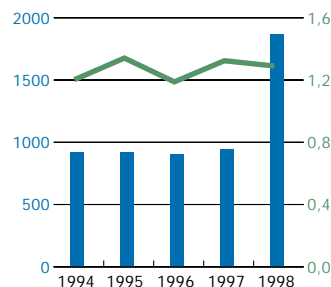
- Capital expenditures, SEK m.
- Depreciation, SEK m.



- Product development costs, SEK m.
- Proportion of sales, %



- Average no. of employees
- Sales per employee, SEK m.



these vehicles has started and prototype installations and testing will be carried out during the first half of 1999.

Another European car manufacturer has selected Haldex awd system for a new vehicle project with planned production start 2003.

The development of a disc brake for heavy vehicles continues according to plan with field tests and production preparations. A number of pre-serial units have been delivered to customers for evaluation. The disc brake program has been broadened to include both 22.5" and 19.5" brakes. In June 1998 a cooperation agreement was announced with Dana, America's leading axle manufacturer for heavy vehicles, regarding disc brakes for the North American market.

A new, more compact generation abs systems with several new functions, for example interactive controlling of Haldex electronic suspension system, was launched. Moreover, a new ebs system (Electronic Brake System) which give the vehicle operator important advantages, was shown at the Hanover exhibition.

A patented ecam system (Electronic Air Management) is being developed together with a European truck manufacturer. Ecam combines several air treatment components into a compact, electronically controlled unit with several new functions.

Capital expenditures

Capital expenditures in fixed assets amounted to sek 180 m., which meant that capital expenditures in relation to sales were 3.3%. Depreciations according to plan totaled sek 185 m. (90). Major capital expenditure projects were increased production capacity for gearpumps and production equipment for manufacturing of the adjusting mechanism in disc brakes.

The geographical split of capital expenditures was sek 84 m (47) in Sweden, sek 51 m. (58) in the u.s. and sek 45 m. (11) in all other countries.

Employees

The average number of employees increased in 1998 with employees to 3,741 (1,889). The increase was mainly due to employees in the acquired Midland-Grau, but has also increased due to the build-up of the organization in the Traction Systems Division and higher delivery volumes. The

number of salaried personnel increased by 603 persons, or 123%, and the number of workers by 1,249 persons, corresponding to 108%. The proportion of personnel employed by Swedish companies was 25% (50). 74% (74) of the total number of employees were men and 26% (126) women. At the end of the year, the number of employees was 4,289 (1,944). Total wages, salaries and other remunerations amounted to sek 1,271 m. (706), of which sek 43 m. (76) represented pension costs and other social securities expenses sek 299 m. (124).

Year 2000

During 1998 the Haldex has continued with comprehensive activities in order to ensure that all systems in the Group will be unaffected by the millennium change. Plans to resolve these issues have developed. The y2k plans include remediation and upgrading of systems and replacement of certain other systems. The goal is to have almost all systems completed during the first half of 1998. The efforts are gradually geared to set up catastrophe plans and to contact suppliers to ensure that their systems are y2k compliant. The Group's electronic products are realtime based and unaffected of the year 2000 problems.

Board of directors

During 1998 the Board of Directors have had 11 meetings. In addition work has been carried out in the compensation committee which is linked to the Board. An working regulation for the Board of Directors and a instruction for the President and ceo has been established.

Parent Company

In addition to head office functions the parent company is since January 1, 1998 operating the subsidiaries Haldex Barnes AB, Haldex Brake Products AB, Haldex Garphyttan AB och Haldex Traction AB on commission on behalf of the parent company. This means that the operations of the subsidiaries are reported in the Income Statement of the parent company and the current assets are included in the Balance Sheet of the parent company.

CONSOLIDATED INCOME STATEMENT

| Amounts in SEK m. | | 1998 | 1997 |
|--------------------------------|----------|-------|--------|
| Sales | (Note 1) | 4,831 | 2,503 |
| Costs of goods sold | (Note 2) | 3,491 | -1,736 |
| Gross profit | | 1,340 | 767 |
| | | 27,7% | 30,6% |
| Selling costs | (Note 2) | -513 | -252 |
| General & administration costs | (Note 2) | -258 | -149 |
| Product development costs | (Note 2) | -189 | -138 |
| Other revenues and costs | (Note 2) | -19 | - |
| Operating earnings | | 361 | 228 |
| Interest income | | 16 | 9 |
| Interest expenses | (Note 3) | -80 | -20 |
| Earnings before taxes | | 297 | 217 |
| Taxes | (Note 5) | -111 | -73 |
| Net income | | 186 | 144 |
| Earnings per share | | 8.92 | 7.38 |

CONSOLIDATED BALANCE SHEET

| Amounts in SEK m. | | 1998 | 1997 |
|---|-----------|-------|-------|
| ASSETS | | | |
| Fixed assets | | | |
| <i>Intangible assets</i> | | | |
| Goodwill & intangible assets | (Note 6) | 498 | 17 |
| <i>Tangible assets</i> | | | |
| Property & plant | (Note 7) | 304 | 167 |
| Machinery & tangible assets | (Note 8) | 902 | 535 |
| Construction in progress and advance to suppliers | | 20 | 51 |
| <i>Financial assets</i> | | | |
| Shares and participations | (Note 9) | 4 | 3 |
| Long-term receivables | | 6 | 3 |
| Total fixed assets | | 1,734 | 776 |
| Current assets | | | |
| Inventories | (Note 10) | 854 | 277 |
| <i>Current receivables</i> | | | |
| Accounts receivable | | 741 | 348 |
| Other current receivables | (Note 11) | 99 | 76 |
| Cash | (Note 12) | 262 | 239 |
| Total current assets | | 1,956 | 940 |
| Total assets | | 3,690 | 1,716 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| Shareholders' equity (Note 13) | | | |
| Share capital | | 111 | 93 |
| Restricted reserves | | 608 | 261 |
| Unrestricted reserves | | 435 | 354 |
| Net income | | 186 | 144 |
| Total shareholders' equity | | 1,340 | 852 |
| Provisions | | | |
| Pension and post-retirement benefits | (Note 14) | 169 | 98 |
| Deferred income tax | | 94 | 119 |
| Total provisions | | 263 | 217 |
| Long-term liabilities | | | |
| Long-term debt | (Note 15) | 1,108 | 252 |
| Other long-term liabilities | | - | 4 |
| Total long-term liabilities | | 1,108 | 256 |
| Short-term liabilities | | | |
| Short-term debt | | 43 | 24 |
| Accounts payable | | 331 | 207 |
| Other current liabilities | (Note 16) | 605 | 160 |
| Total current liabilities | | 979 | 391 |
| Total shareholders' equity and liabilities | | 3,690 | 1,716 |
| Assets pledged | | None | None |
| Contingent liabilities | (Note 17) | 18 | 41 |

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

| Amounts in SEK m. | 1998 | 1997 |
|---|--------|------|
| Cash flow from operations | | |
| Operating earnings | 361 | 228 |
| Depreciation on fixed assets | 186 | 90 |
| Financial income and expenses | -64 | -11 |
| Taxes paid | -146 | -58 |
| Other | -11 | -8 |
| Gross cash flow from operations | 326 | 241 |
| Change in working capital | | |
| Current receivables | 92 | -96 |
| Inventories | -45 | -4 |
| Operational liabilities | 37 | 97 |
| Change in working capital | 84 | -3 |
| CASH FLOW FROM OPERATIONS | 410 | 238 |
| Cash flow from expenditures | | |
| Expenditures for property, plant and equipment | -180 | -117 |
| Proceeds from sale of property, plant and equipment | 3 | 2 |
| Proceed from sales of shares | 2 | - |
| Acquisition | -1,365 | - |
| Cash flow from expenditures | 1,540 | -115 |
| CASH FLOW | 1,130 | 123 |
| Cash flow from financing activities | | |
| Right issue | 348 | - |
| Dividends to shareholders | -51 | -46 |
| Pension liabilities and post-retirement benefits | 16 | 8 |
| Long-term debt | 835 | -11 |
| Short-term debt | 2 | -6 |
| Long-term receivables | - | -1 |
| Cash flow from financing activities | 1,150 | -56 |
| CHANGE IN CASH EXCLUDING TRANSLATION DIFFERENCE | 20 | 67 |
| Translation difference on cash | 3 | 4 |
| Change in cash | 23 | 71 |

PARENT COMPANY INCOME STATEMENT

| Amounts in SEK m. | | 1998 | 1997 |
|--------------------------------|----------|--------|------|
| Sales | (Note 1) | 1,511 | 9 |
| Costs of goods sold | | -1,088 | - |
| Gross profit | | 423 | 9 |
| Selling costs | | -119 | -6 |
| General & administration costs | | -87 | -26 |
| Product development costs | | -98 | - |
| Other revenues and costs | | -9 | -1 |
| Operating earnings | | 110 | -24 |
| Dividends from subsidiaries | | 18 | 88 |
| Interest income | | 63 | 22 |
| Interest expenses | (Note 3) | -65 | -12 |
| Earnings after financial items | | 126 | 74 |
| Appropriations | (Note 4) | -34 | 78 |
| Taxes | (Note 5) | -22 | -18 |
| Net income | | 70 | 134 |

PARENT COMPANY STATEMENT OF CHANGES IN FINANCIAL POSITION

| Amounts in SEK m. | | 1998 | 1997 |
|--|--|--------|------|
| Cash flow from operations | | | |
| Operating earnings | | 110 | -24 |
| Financial income and expenses | | 16 | 98 |
| Taxes paid | | -22 | -18 |
| Others | | 7 | - |
| Gross cash flow from operations | | 111 | 56 |
| Change in working capital | | | |
| Current receivables | | -733 | -31 |
| Inventories | | -152 | - |
| Operational liabilities | | 57 | 4 |
| Change in working capital | | -828 | -27 |
| CASH FLOW FROM OPERATIONS | | -717 | 29 |
| Cash flow from expenditures | | | |
| Investments in shares | | -372 | -14 |
| Cash flow from expenditures | | -372 | -14 |
| CASH FLOW | | -1,089 | 15 |
| Cash flow from financing activities | | | |
| Right issue | | 348 | - |
| Dividends to shareholders | | -51 | -46 |
| Group contribution | | -19 | 90 |
| Pension liabilities and post-retirement benefits | | 1 | - |
| Long-term debt | | 843 | -23 |
| Short-term debt | | -5 | 5 |
| Cash flow from financing activities | | 1,117 | 26 |
| CHANGE IN CASH | | 28 | 41 |

PARENT COMPANY BALANCE SHEET

| Amounts in SEK m. | 1998 | 1997 |
|---|-------|------|
| ASSETS | | |
| Fixed assets | | |
| <i>Tangible assets</i> | | |
| Machinery & tangible assets (Note 8) | – | 1 |
| <i>Financial assets</i> | | |
| Shares and participations (Note 9) | 664 | 299 |
| Long-term receivables | 1 | – |
| Total fixed assets | 665 | 300 |
| Current assets | | |
| Inventories | 152 | – |
| <i>Short-term receivables</i> | | |
| Receivables from subsidiaries | 893 | 314 |
| Accounts receivables | 141 | – |
| Other short-term receivables (Note 11) | 40 | 7 |
| Cash (Note 12) | 227 | 199 |
| Total current assets | 1,453 | 520 |
| Total assets | 2,118 | 820 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | |
| Shareholders' equity (Note 13) | | |
| Share capital | 111 | 93 |
| Restricted reserves | 455 | 125 |
| Unrestricted reserves | 273 | 190 |
| Net income | 70 | 134 |
| Total shareholders' equity | 909 | 542 |
| Untaxed reserves | 94 | 79 |
| Provisions | | |
| Pension liabilities (Note 14) | 10 | 9 |
| Long-term liabilities | | |
| Long-term debt (Note 15) | 1,032 | 173 |
| Due to subsidiaries | 6 | 1 |
| Total long-term liabilities | 1,038 | 174 |
| Short-term liabilities | | |
| Due to subsidiaries | 1 | 1 |
| Accounts payable | 28 | – |
| Other current liabilities (Note 16) | 38 | 15 |
| Total current liabilities | 67 | 16 |
| Total shareholders' equity and liabilities | 2,118 | 820 |
| Assets pledged | None | None |
| Contingent liabilities (Note 18) | 90 | 95 |

General accounting principles

The company complies with the recommendation issued by the Swedish Financial Accounting Standards Council and the Swedish Accounting Board.

The layout of the Profit & Loss Account has a functional format which mirrors the internal reporting and gives a good description of the income of the company.

The functions are as follows: Costs of goods sold comprises material handling and manufacturing costs including payroll and material costs, outside services and facility costs and depreciation of fixed assets. General and administration costs refer to cost of Board of Directors, general management, accounting and administrative functions. Selling costs include costs for distribution and the sales organization. Product development costs are costs for new and continued development of products. Other revenues and costs comprise non-operating activities, exchange rate differences of ongoing operations and capital gains/losses on fixed assets.

Principles of consolidation of financial statements

The consolidated financial statements follow the recommendation for consolidation issued by the Swedish Financial Accounting Standards Council and encompass the Parent Company, and those companies in which the parent company directly or indirectly owns more than 50% of the voting rights.

The consolidated accounts are prepared in accordance with the purchase method. This means that the subsidiary's assets and liabilities are reported at market value based on an analysis of the acquisition. If the purchase price for the shares in a subsidiary exceeds the estimated market value of the company's net assets according to the acquisition analysis, the difference is reported as goodwill in the consolidated balance sheet.

Companies which have been sold are included in the Group's consolidated accounts up to and including the time of sale. Companies which have been acquired during the year are included in the Group's consolidated accounts from the date of acquisition.

Translation of foreign subsidiaries' accounts

Foreign subsidiaries' balance sheets and income statements are translated into sek in accordance with the current-rate method. The current-rate method stipulates that assets and liabilities should be translated at the year-end rate but revenues and expenses at the average rate for the year. Exchange gains or losses resulting from the translation of foreign subsidiaries' net capital at different rates, i.e. on opening and closing dates, are transferred directly to shareholders' equity as reported in the balance sheet.

The Brazilian subsidiary's closing accounts are reported in usd. The translation difference which arises between the local currency and usd is charged in total to earnings for the year in accordance with the monetary-non-monetary

method, which is recommended for countries with high inflation rates. Translation from usd to sek is reported according to the current-rate method.

Deferred tax

Tax legislation in Sweden and certain other countries allows for deferral of tax payment through transfers to untaxed reserves.

In the income statement, deferred income tax on the change in untaxed reserves is reported as tax expense while the equity part is included in net income.

In the Group's balance sheet, part of untaxed reserves is reported as deferred income tax under the heading provisions, and the remainder is reported as shareholders' equity under the heading restricted reserves. The deferred income tax portion of the untaxed reserves is estimated based on the expected tax rate for the following year in the relevant country.

In addition, deferred taxes are estimated based on timing differences between the reported and the taxation value of income and expenses, as well as of unused deductions for tax losses carried forward in so far as these deductions are expected to be used.

Receivables and liabilities in foreign currency

Receivables and liabilities denominated in foreign currencies are valued at the year-end rate. Receivables and liabilities covered by a forward contract are valued at the forward rate of exchange. Exchange gains and losses arising from ongoing operations are reported net in operating earnings of the year. Differences in exchange rates for receivables and liabilities of a financial character are reported as financial items.

Inventories

Inventories are valued at the lowest of the acquisition cost, in accordance with the first-in, first-out principle and the real value. Appropriate provisions have been made for obsolescence and internal profits.

Fixed assets

Fixed assets are reported at the acquisition cost less straight-line depreciation. Write-ups are reported after deduction for depreciation.

Depreciation is based on the acquisition value and estimated economic life of the asset. Depreciation periods for buildings are between 25 and 50 years. The economic life of machinery and equipment is normally between three and 10 years, while heavy machinery, such as furnaces, has a life of 20 years.

Goodwill is reported as a fixed asset and is amortized based on individually estimated economic life, maximum 20 years.

Product development

Expenses for product development are charged as costs a they occur.

NOTES

Note 1 Sales and orders received

| | Haldex Group | | Parent Company | |
|-----------------------------|--------------|-------|----------------|------|
| | 1998 | 1997 | 1998 | 1997 |
| Invoiced sales | 4,831 | 2,503 | 1,506 | - |
| Administrative charges | - | - | 5 | 9 |
| Total | 4,831 | 2,503 | 1,511 | 9 |
| Sales by division | | | | |
| Brake Systems | 2,403 | 1,127 | | |
| Midland Services | 788 | - | | |
| Barnes Hydraulics | 915 | 794 | | |
| Garphyttan Wire | 706 | 592 | | |
| Traction Systems | 29 | 2 | | |
| Sales by market | | | | |
| Europe | 2,045 | 1,276 | | |
| North America | 2,607 | 1,057 | | |
| South America | 104 | 97 | | |
| Asia | 50 | 67 | | |
| Other | 25 | 6 | | |
| Orders received by division | | | | |
| Brake Systems | 2,357 | 1,159 | | |
| Midland Services | 774 | - | | |
| Barnes Hydraulics | 937 | 851 | | |
| Garphyttan Wire | 727 | 695 | | |
| Traction Systems | 72 | 2 | | |

Note 2 Depreciation

| | Haldex Group | |
|--------------------------------|--------------|------|
| | 1998 | 1997 |
| Costs of goods sold | -135 | -74 |
| Selling costs | -10 | -3 |
| General & administration costs | -16 | -7 |
| Research & development costs | -7 | -6 |
| Other revenues and costs | -18 | - |
| Total | -186 | -90 |

Note 3 Interest expenses

| | Haldex Group | | Parent Company | |
|---------------------------|--------------|------|----------------|------|
| | 1998 | 1997 | 1998 | 1997 |
| Interest expenses | -84 | -19 | -71 | -12 |
| Exchange rate differences | 4 | -1 | 6 | - |
| Total | -80 | -20 | -65 | -12 |

Note 4 Appropriations

| | Parent Company | |
|---|----------------|------|
| | 1998 | 1997 |
| Change in tax equalization reserve | 4 | 4 |
| Change in profit equalization reserve | -19 | -16 |
| Contribution to/from Swedish subsidiaries | -19 | 90 |
| Total | -34 | 78 |

Note 5 Taxes

| | Haldex Group | | Parent Company | |
|----------------|--------------|------|----------------|------|
| | 1998 | 1997 | 1998 | 1997 |
| Current taxes | -146 | -58 | -22 | -18 |
| Deferred taxes | 35 | -15 | - | - |
| Total | -111 | -73 | -22 | -18 |

Note 6 Goodwill & intangible assets

| Goodwill | Haldex Group | |
|--|--------------|------|
| | 1998 | 1997 |
| Purchase value at the beginning of the year | 13 | 12 |
| Acquisition | 453 | - |
| Re-classification | 10 | 1 |
| Purchase value at the end of the year | 476 | 3 |
| Accumulated depreciations according to plan at the beginning of the year | -7 | -6 |
| Re-classification | - | -1 |
| Depreciations to plan of the year | -18 | - |
| Accumulated depreciations according to plan at the end of the year | -25 | -7 |
| Residual value at the end of the year | 451 | 7 |
| Patent, rights etc. | | |
| Purchase value at the beginning of the year | 11 | 11 |
| Investments of the year | 1 | - |
| Acquisition | 71 | - |
| Re-classification | 8 | - |
| Purchase value at the end of the year | 91 | 11 |
| Accumulated depreciations according to plan at the beginning of the year | -1 | -1 |
| Acquisition | -29 | - |
| Re-classification | -3 | - |
| Depreciations to plan of the year | -11 | - |
| Accumulated depreciations according to plan at the end of the year | -44 | -1 |
| Residual value at the end of the year | 47 | 10 |

Note 7 Property & plant

| Buildings | Haldex Group | |
|--|--------------|------|
| | 1998 | 1997 |
| Purchase value at the beginning of the year | 223 | 154 |
| Investments of the year | 4 | 2 |
| Acquisition | 123 | - |
| Re-classification | -8 | 67 |
| Purchase value at the end of the year | 342 | 223 |
| Write-up at the beginning of the year | 2 | 3 |
| Depreciation of write-up of the year | - | -1 |
| Write-up at the end of the year | 2 | 2 |
| Accumulated depreciations according to plan at the beginning of the year | -67 | -58 |
| Acquisition | -6 | - |
| Reclassification | - | -2 |
| Depreciations to plan of the year | -15 | -7 |
| Accumulated depreciations according to plan at the end of the year | -88 | -67 |
| Residual value at the end of the year | 256 | 158 |

| Land and land improvements | Haldex Group | |
|--|--------------|------|
| | 1998 | 1997 |
| Purchase value at the beginning of the year | 11 | 10 |
| Acquisition | 40 | - |
| Re-classification | - | 1 |
| Purchase value at the end of the year | 51 | 11 |
| Accumulated depreciations according to plan at the beginning of the year | -2 | -2 |
| Depreciations of plan of the year | -1 | - |
| Accumulated depreciations according to plan at the end of the year | -3 | -2 |
| Residual value at the end of the year | 48 | 9 |

Leased building is included with the acquisition value SEK 57 m. and the accumulated depreciation SEK -5 m. The long-term commitment of future rental fees is accounted for as a liability, note 15.

Note 8 Machinery & tangible assets

| Machinery and manufacturing equipment | Haldex Group | |
|--|--------------|------|
| | 1998 | 1997 |
| Purchase value at the beginning of the year | 931 | 741 |
| Investments of the year | 125 | 109 |
| Acquisition | 381 | - |
| Historical purchase value of sold/scrapped items | -31 | -11 |
| Re-classification | 38 | 92 |
| Purchase value at the end of the year | 1,444 | 931 |
| Accumulated depreciations according to plan at the beginning of the year | -438 | -350 |
| Acquisition | -133 | - |
| Accumulated depreciations according to plan on sold/scrapped items | 9 | 9 |
| Re-classification | -19 | -18 |
| Depreciations to plan of the year | -102 | -79 |
| Accumulated depreciations according to plan at the end of the year | -683 | -438 |
| Residual value at the end of the year | 761 | 493 |

| Other equipment and tools | Haldex Group | | Parent Company | |
|--|--------------|------|----------------|------|
| | 1998 | 1997 | 1998 | 1997 |
| Purchase value at the beginning of the year | 128 | 118 | - | 1 |
| Investments of the year | 30 | 4 | - | - |
| Acquisition | 147 | - | - | - |
| Historical purchase value of sold/scrapped items | -9 | - | - | - |
| Re-classification | 4 | 6 | - | - |
| Purchase value at the end of the year | 300 | 128 | - | 1 |
| Accumulated depreciations according to plan at the beginning of the year | -86 | -79 | - | -1 |
| Acquisition | -40 | - | - | - |
| Accumulated depreciations according to plan on sold/scrapped items | 7 | - | - | - |
| Re-classification | - | -4 | - | - |
| Depreciations to plan of the year | -40 | -3 | - | - |
| Accumulated depreciations according to plan at the end of the year | -159 | -86 | - | -1 |
| Residual value at the end of the year | 141 | 42 | - | - |

The Group's contracted operational leases are due to be paid as follows:

SEK 33 m 1999, SEK 33 m. 2000, SEK 17 m. 2001 and SEK 9 m. later.

Paid operational leases during recent years amount to SEK 31 m. 1998 and SEK 5 m. 1997.

Note 9 Shares and participations

| Shares in subsidiaries | Corporate identity no. | Domicile | Number | % | | Book value | |
|---|------------------------|---------------|---------|-----|------|------------|------------|
| | | | | | | 1998 | 1997 |
| Haldex Brake Products AB | 556068-2758 | Landskrona | 127,500 | 100 | MSEK | 142 | 142 |
| Haldex Garphyttan AB | 556030-2886 | Örebro | 150,000 | 100 | MSEK | 47 | 47 |
| Haldex Barnes AB | 556105-8941 | Örkelljunga | 30,000 | 100 | MSEK | 22 | 22 |
| Haldex Traction AB | 556040-2736 | Landskrona | 3,501 | 100 | MSEK | 7 | 7 |
| Haldex i Halmstad AB | 556053-6780 | Halmstad | 30,000 | 100 | MSEK | 4 | 8 |
| Haldex Ltd. | | Great Britain | 50,000 | 100 | MGBP | 345 | 7 |
| Haldex Inc. | | USA | 1,650 | 100 | MUSD | 44 | 44 |
| Haldex GmbH | | Germany | - | 100 | MDEM | 29 | 17 |
| Haldex Europe S.A. | | France | 10,000 | 100 | MFRF | 11 | 1 |
| Haldex Midland Ltd. | | Canada | - | | MCAD | 9 | - |
| Haldex do Brasil Indústria e Comércio Ltda. | | Brazil | - | 100 | MBRL | 1 | 1 |
| Haldex N.V. | | Belgium | - | | MBEF | 1 | - |
| Haldex International Trading (Shanghai) Co. Ltd. | | China | - | 100 | MUSD | 1 | 1 |
| Haldex Korea Ltd. | | Korea | - | 100 | MKRW | - | 1 |
| Haldex Sp.z.o.o. | | Poland | - | | MPLN | - | - |
| Total subsidiaries | | | | | | 662 | 299 |
| Associated companies | | | | | | | |
| Haldex Brake Products India Ltd. | | India | - | 50 | MINR | 1 | - |
| Haldex Wien Ges.m.b.H. | | Austria | - | 49 | MATS | 1 | - |
| Total associated companies | | | | | | 2 | - |
| Shares and participations in other companies | | | | | | | |
| Subsidiary | | | | | | | |
| Swedish Aircraft Two KB | | | 10 | 10 | MUSD | 2 | 3 |
| Total other companies | | | | | | 2 | 3 |

Haldex Inc. is the holding company for the wholly owned U.S. subsidiaries Haldex Barnes Corp., Haldex Brake Products Corp, Haldex Financial Services Corp, Haldex Garphyttan Corp. and Haldex Midland Corp.

Haldex GmbH is the holding company for the wholly owned German subsidiaries Haldex Barnes GmbH, Haldex Brake Products GmbH and Haldex Garphyttan GmbH.

Haldex Ltd. is the parent company for the wholly owned British subsidiary Haldex Brake Products Ltd. and the Spanish subsidiary Haldex España SA.

Not 10 Inventories

| | Haldex Group | | Parent Company | |
|----------------------------|--------------|------------|----------------|----------|
| | 1998 | 1997 | 1998 | 1997 |
| Raw materials | 258 | 138 | 24 | - |
| Semi-manufactured products | 274 | 65 | 99 | - |
| Finished products | 322 | 75 | 29 | - |
| Total | 854 | 278 | 152 | - |

Not 11 Other receivables

| | Haldex Group | | Parent Company | |
|-------------------------------------|--------------|-----------|----------------|----------|
| | 1998 | 1997 | 1998 | 1997 |
| Tax receivables | 16 | 33 | 12 | 5 |
| Prepaid expenses and accrued income | | | | |
| Rents and insurance | 10 | 4 | 3 | - |
| Accrued income | 2 | 8 | - | - |
| Other prepaid expenses | 17 | 6 | 5 | 1 |
| Other current receivables | 54 | 25 | 20 | 1 |
| Total | 99 | 76 | 40 | 7 |

Note 12 Cash

| | Haldex Group | | Parent Company | |
|------------------------|--------------|------|----------------|------|
| | 1998 | 1997 | 1998 | 1997 |
| Bank accounts and cash | 152 | 87 | 127 | 60 |
| Short-term investments | 110 | 152 | 100 | 139 |
| Total | 262 | 239 | 227 | 199 |

Note 13 Shareholders' equity

| | Haldex Group | | | | Parent Company | | | |
|---------------------------|---------------|---------------------|-----------------------|-------|----------------|---------------------|-----------------------|-------|
| | Share capital | Restricted reserves | Unrestricted reserves | Total | Share capital | Restricted reserves | Unrestricted reserves | Total |
| 1997 | | | | | | | | |
| At Jan 1, 1997 | 93 | 238 | 387 | 718 | 93 | 125 | 237 | 455 |
| Dividend | - | - | -46 | -46 | - | - | -46 | -46 |
| Translation difference | - | 10 | 26 | 36 | - | - | - | - |
| Transfer between reserves | - | 14 | -14 | - | - | - | - | - |
| Net income | - | - | 144 | 144 | - | - | 133 | 133 |
| At Dec 31, 1997 | 93 | 262 | 497 | 852 | 93 | 125 | 324 | 542 |
| 1998 | | | | | | | | |
| At Jan 1, 1998 | 93 | 262 | 497 | 852 | 93 | 125 | 324 | 542 |
| Right issue | 18 | 330 | - | 348 | 18 | 330 | - | 348 |
| Dividend | - | - | -51 | -51 | - | - | -51 | -51 |
| Translation difference | - | -2 | 7 | 5 | - | - | - | - |
| Transfer between reserves | - | 18 | -18 | - | - | - | - | - |
| Net income | - | - | 186 | 186 | - | - | 70 | 70 |
| At Dec 31, 1998 | 111 | 608 | 621 | 1,340 | 111 | 455 | 343 | 909 |

Note 14 Pension and post-retirement benefits

| | Haldex Group | | Parent Company | |
|---------------------------|--------------|------|----------------|------|
| | 1998 | 1997 | 1998 | 1997 |
| Pensions with FPG/PRI | 73 | 66 | 10 | 9 |
| Other pension liabilities | 74 | 13 | - | - |
| Post-retirement benefits | 22 | 19 | - | - |
| Total | 169 | 98 | 10 | 9 |

Other pension liabilities have been reduced 1998 and 1997 by SEK 28 m. and SEK 24 m. referring to paid in pension receivables.

Note 15 Long-term debt

| | Haldex Group | | Parent Company | |
|--|----------------|-------|----------------|------|
| | 1998 | 1997 | 1998 | 1997 |
| Utilized under Multi-currency Revolving Credit Facility" | | | | |
| 70 MUSD | 565 | 102 | 565 | 102 |
| MDEM | - | 71 | - | 71 |
| 20 MGBP | 270 | - | 270 | - |
| 175 MSEK | 175 | - | 175 | - |
| Other promissory notes and other secured loans | 48 | 27 | 22 | - |
| Accounted rental agreement | 50 | 52 | - | - |
| Total | 1,108 | 252 | 1,032 | 173 |
| Long-term debt is amortized as follows: | 2000 | 2 | | |
| | 2001 | 2 | | |
| | 2002 | 2 | | |
| | 2003 and later | 1,102 | | |

Note 16 Other non-interest bearing liabilities

| | Haldex Group | | Parent Company | |
|-------------------------------------|--------------|------|----------------|------|
| | 1998 | 1997 | 1998 | 1997 |
| Tax payables | 61 | 7 | - | 1 |
| Accrued expenses and prepaid income | | | | |
| Personnel costs | 131 | 99 | 4 | 7 |
| Prepaid income | 1 | - | - | - |
| Other accrued expenses | 277 | 20 | 10 | 2 |
| Other current liabilities | 135 | 74 | 24 | 6 |
| Total | 605 | 160 | 38 | 16 |

Note 17 Contingent liabilities

| | Haldex Group | | Parent Company | |
|--|--------------|-----------|----------------|-----------|
| | 1998 | 1997 | 1998 | 1997 |
| Discounted bills | 6 | 26 | – | 19 |
| Sureties and guarantees for subsidiaries | – | – | 90 | 95 |
| Other contingent liabilities | 12 | 15 | – | 1 |
| Total | 18 | 41 | 90 | 95 |

Note 18 Average number of employees

| Haldex Group | 1998 | | | 1997 | | |
|-----------------------|------------|--------------|--------------|------------|--------------|--------------|
| | Women | Men | Total | Women | Men | Total |
| Sweden | 204 | 812 | 1,016 | 207 | 729 | 936 |
| USA | 625 | 1,335 | 1,960 | 256 | 503 | 759 |
| Germany | 45 | 352 | 397 | 11 | 112 | 123 |
| Great Britain | 66 | 191 | 257 | 7 | 31 | 38 |
| France | 9 | 23 | 32 | 4 | 8 | 12 |
| Canada | 5 | 17 | 22 | – | – | – |
| Spain | 4 | 10 | 14 | – | – | – |
| Brazil | 5 | 8 | 13 | 4 | 8 | 12 |
| Korea | 6 | 6 | 12 | 1 | 2 | 3 |
| China | 1 | 6 | 7 | 1 | 5 | 6 |
| Poland | 1 | 5 | 6 | – | – | – |
| Belgium | – | 5 | 5 | – | – | – |
| Total | 971 | 2,770 | 3,741 | 491 | 1,398 | 1,889 |
| Parent Company | | | | | | |
| Sweden | 1 | 5 | 6 | 1 | 5 | 6 |

Note 19 Wages, salaries and other remuneration

| Haldex Group | 1998 | | Social security costs | Whereof pension costs | 1997 | | Social security costs | Whereof pension costs |
|---|-------------------------------------|--|-----------------------|-----------------------|-------------------------------------|--|-----------------------|-----------------------|
| | Wages, salaries, other remuneration | Whereof the Board of Directors and President | | | Wages, salaries, other remuneration | Whereof the Board of Directors and President | | |
| Sweden | 276 | 8 | 136 | 24 | 239 | 7 | 129 | 69 |
| USA | 511 | 8 | 160 | 11 | 206 | 7 | 48 | 5 |
| Germany | 54 | 4 | 22 | 1 | 38 | 4 | 16 | – |
| Great Britain | 61 | 5 | 11 | 5 | 11 | 1 | 2 | 1 |
| France | 12 | 3 | 6 | 2 | 7 | 1 | 3 | 1 |
| Canada | 4 | – | 1 | – | – | – | – | – |
| Spain | 2 | 1 | 1 | – | – | – | – | – |
| Brazil | 4 | 1 | 2 | – | 4 | 1 | 2 | – |
| Korea | 1 | – | – | – | 1 | 1 | – | – |
| China | 1 | – | – | – | – | – | – | – |
| Poland | 1 | – | – | – | – | – | – | – |
| Belgium | 2 | – | 1 | – | – | – | – | – |
| Total | 929 | 31 | 342 | 43 | 506 | 22 | 200 | 76 |
| Bonus to the Board of Directors and President in Group companies | | | | | | | | |
| | – | 7 | – | 2 | – | 5 | – | 4 |
| Parent Company | | | | | | | | |
| Sweden | 8 | 3 | 6 | 4 | 9 | 3 | 7 | 4 |
| Bonus to the Board of Directors and President | | | | | | | | |
| | – | 1 | – | 1 | – | – | – | 1 |

As resolved by the Annual General Meeting, fixed fee payments of SEK 700,000 were paid during 1998 to those Board of Directors who are not employees by the Group. Of this amount, the Chairman of the board, Lars V Kylberg, received SEK 250,000. Other members each received SEK 112,500

Claes Warnander, President and CEO, received during the year salary and car allowance payment totalling SEK 2,108,236. Bonus was paid amounting to SEK 1,220,000. In addition 4,876 call options was granted, which will be priced in the beginning of March 1999. Claes Warnander's pension benefits are such that, from the age of 65, he will receive a pension amounting to 70% of pensionable salary. In the event that Claes Warnander is given notice of termination by the Company, his entitlements include, in addition to a reciprocal 6-month period of notice, the right to a severance payment equivalent to 18 months' salary. Members of the Group management are entitled to a 6-month period of notice and severance payment equivalent to a minimum of 12 and a maximum of 18 months salary. Pension benefits are regulated by a pension plan, with the retirement age set at 65 years. Pension commitments to the Board of Directors and Presidents in the Group companies amounted to SEK 14 m. at the end of 1998 (12).

DISTRIBUTION OF EARNINGS

The Group's unrestricted shareholder' equity totals sek 621 m. (498).

As shown in the Parent Company Balance Sheet, the Annual General Meeting has the following funds at its disposal:

| | | |
|-------------------------|-----|-------------|
| Profit brought forward | SEK | 272,883,829 |
| Net income for the year | SEK | 69,729,671 |
| | SEK | 342,613,500 |

The Board and the President propose the following distribution of earnings:

| | | |
|-------------------------------|-----|-------------|
| Dividend to shareholders | SEK | 66,888,660 |
| SEK 3:00 per share | SEK | |
| Balance to be carried forward | SEK | 275,274,840 |
| | SEK | 342,613,500 |

Stockholm, February 18, 1999

Lars V Kylberg
Chairman

Ebbe Bengtsson

Jan Blomberg

Björn Cederlund

Sören Jansson

Kurt Palmgren

Leif Rogersson

Claes Warnander

President

AUDITORS' REPORT

*To the general meeting of the shareholders of Haldex AB.
Reg.no. 556010-1155*

We have audited the financial statements, the accounts and the administration of the Board of Directors and the President of Haldex AB for the year 1998. These accounts and the administration of the Company are the responsibility of the Board of Directors and President. Our responsibility is to express an opinion on the financial statements and the administration based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Sweden. Those Standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the financial statements. We examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any Board member or the President or whether they have in some other way acted in contravention of the Companies Act, the

Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

In our opinion, the financial statements have been prepared in accordance with the Annual Accounts Act, and, consequently we recommend that the income statement and the balance sheet be adopted, and that the profit be dealt with in accordance with the proposal in the Distribution of Earnings Report. In our opinion, the board members and the president have not committed any act or been guilty of any omission, which could give rise to any liability to the Company. We therefore recommend that the members of the Board of Directors and President be discharged from liability for the financial year.

Stockholm, February 19, 1999

Gunnar Widhagen
CPA

Björn Fernström
CPA

DEFINITIONS

Profit margin

Operating earnings after depreciation plus interest income as a percentage of sales.

Interest coverage ratio

Earnings before interest expenses divided by interest expenses.

Return on capital employed

Operating earnings after depreciation plus interest income as a percentage of average total assets less non-interest-bearing liabilities.

Return on equity

Net profit as a percentage of average shareholders' equity.

Return on total assets

Operating earnings after depreciation plus interest income as a percentage of average total assets.

Capital turnover rate

Sales divided by average total assets less non-interest-bearing liabilities.

Equity/assets ratio

Shareholders' equity as a percentage of total assets.

Net debt

Interest-bearing debt less cash.

Net debt/equity ratio

Net debt as a percentage of shareholders' equity.

Cash flow

Funds generated by operations including change in working capital less capital expenditures.

TEN-YEAR SUMMARY

| | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 | 1990 | 1989 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Orders received, SEK m. | 4,856 | 2,694 | 1,989 | 2,372 | 2,508 | 1,939 | 1,586 | 1,447 | 1,369 | 1,319 |
| Sales, SEK m. | 4,831 | 2,503 | 2,142 | 2,468 | 2,224 | 1,861 | 1,533 | 1,514 | 1,421 | 1,342 |
| Proportion of sales outside Sweden, % | 96 | 92 | 91 | 92 | 95 | 95 | 93 | 92 | 90 | 90 |
| Exports from Sweden, SEK m. | 1,319 | 1,158 | 1,035 | 1,224 | 950 | 766 | 710 | 650 | 626 | 602 |
| Operating earnings, SEK m. | 361 | 228 | 203 | 308 | 183 | 111 | 83 | 84 | 129 | 116 |
| Earnings before taxes, SEK m. | 297 | 217 | 191 | 292 | 161 | 77 | 53 | 39 | 93 | 89 |
| Profit margin, % | 7,8 | 9,5 | 9,8 | 12,9 | 8,5 | 6,5 | 6,2 | 5,9 | 9,3 | 9,1 |
| Interest coverage ratio, times | 4,7 | 11,8 | 10,9 | 12,1 | 6,4 | 2,7 | 2,4 | 2,0 | 3,7 | 4,8 |
| Return on capital employed, % | 18,1 | 20,7 | 21,6 | 34,6 | 20,2 | 12,9 | 10,9 | 11,4 | 18,3 | 19,5 |
| Return on equity, % | 16,6 | 18,3 | 19,6 | 35,1 | 19,2 | 15,3 | 5,3 | 2,0 | 15,5 | 13,2 |
| Return on total assets, % | 13,0 | 15,1 | 15,5 | 24,1 | 14,4 | 9,4 | 7,9 | 8,2 | 13,5 | 13,2 |
| Total assets, SEK m. | 3,690 | 1,716 | 1,386 | 1,311 | 1,321 | 1,330 | 1,270 | 1,142 | 1,164 | 1,018 |
| Capital turnover rate, times | 2,32 | 2,18 | 2,20 | 2,68 | 2,36 | 1,98 | 1,75 | 1,94 | 1,96 | 2,32 |
| Shareholders' equity, SEK m | 1,340 | 852 | 718 | 623 | 481 | 449 | 407 | 381 | 395 | 355 |
| Equity/assets ratio, % | 36 | 50 | 52 | 47 | 36 | 34 | 32 | 34 | 35 | 37 |
| Net debt SEK m | 1,058 | 136 | 139 | 199 | 255 | 425 | 404 | 321 | 380 | 318 |
| Net/debt/equity ratio, % | 79 | 16 | 19 | 32 | 53 | 95 | 99 | 84 | 96 | 90 |
| Cash flow, SEK m. | 235 | 123 | 80 | 51 | 227 | 64 | 19 | 72 | 12 | -38 |
| Capital expenditures, SEK m. | 180 | 117 | 212 | 185 | 101 | 74 | 74 | 49 | 75 | 84 |
| Product development costs, SEK m. | 189 | 133 | 109 | 86 | 69 | 56 | 42 | 43 | 39 | 37 |
| Average number of employees | 3,741 | 1,889 | 1,802 | 1,839 | 1,848 | 1,772 | 1,929 | 2,048 | 1,814 | 1,783 |
| - of which outside Sweden | 2,725 | 953 | 906 | 938 | 1,094 | 1,066 | 1,157 | 1,260 | 984 | 860 |

QUARTERLY DATA

| SEK m | 1998 | | | | | 1997 | | | | |
|-----------------------|------|-------|-------|-------|-----------|------|------|------|-----|-----------|
| | I | II | III | IV | Full Year | I | II | III | IV | Full Year |
| Orders received | 768 | 1,356 | 1,265 | 1,467 | 4,856 | 676 | 695 | 611 | 712 | 2,694 |
| Sales | 699 | 1,388 | 1,320 | 1,424 | 4,831 | 564 | 644 | 615 | 680 | 2,503 |
| Hereof: | | | | | | | | | | |
| Brake Systems | 308 | 692 | 681 | 722 | 2,403 | 253 | 282 | 281 | 311 | 1,127 |
| Midland Services | - | 282 | 244 | 262 | 788 | - | - | - | - | - |
| Barnes Hydraulics | 214 | 228 | 231 | 245 | 915 | 176 | 208 | 203 | 207 | 794 |
| Garphyttan Wire | 180 | 186 | 151 | 190 | 706 | 138 | 155 | 132 | 167 | 592 |
| Traction Systems | 1 | 3 | 15 | 10 | 29 | - | - | - | 2 | 2 |
| Earnings before taxes | 61 | 77 | 71 | 88 | 297 | 47 | 60 | 60 | 50 | 217 |
| Profit margin, % | 9,5 | 7,3 | 7,2 | 7,9 | 7,8 | 9,1 | 10,1 | 10,7 | 8,1 | 9,5 |
| R&D, % | 4,6 | 4,0 | 4,1 | 3,3 | 3,9 | 5,6 | 5,1 | 5,0 | 6,2 | 5,5 |

BOARD OF DIRECTORS AND AUDITORS



5

3

1

7

6

2

4

8

9

Board of Directors

Lars V Kylberg (1)
Chairman, born 1940.
Director since 1996. Chairman of the Board of Kungsleden AB. Vice Chairman of the Board of ASG AB, Vasakronan and Civitas AB. Board member of IBS AB, Morgan Crucibel (UK), The Generics Group (UK) and NUTEK.
Shareholding: 8,600.

Ebbe Bengtsson (2)
born 1933.
Director since 1997.
Chairman of the Board of Seco Tools AB. Shareholding: 2,000.

Jan Blomberg (3)
born 1939.
Director since 1996. Vice Chairman of the Board of Drott AB. Board member of PLM, Swedish Match and Investment AB Bure, etc.
Shareholding: 1,200.

Kurt Palmgren (4)
born 1941.
Director since 1994.
President of the Association of Swedish Automobile Manufacturers and Wholesalers. Board member of Styret AB and AB Ekengren & Partners filmekonomi.
Shareholding: 2,400.

Leif Rogersson (5)
born 1940.
Director since 1998. Chairman of the Board of Alfa Laval AB and Alfa Laval Agri Holding AB. Board member of Broström Van Ommeren Shipping AB and TAC AB.
Shareholding: 1,800.

Claes Warnander (6)
born 1943.
President of Haldex AB and Director since 1988. Board member of Atle Karolin Verkstadsindustri AB, Zeteco AB, etc.
Shareholding: 5,460 and 22,662 call options.

Björn Cederlund (7)
born 1942.
Director since 1994.
Represents the Federation of Salaried Employees in Industry and Services in the Haldex Group.
Shareholding: 0.

Sören Jansson (8)
born 1937.
Director since 1991.
Represents the Trade Union Confederation in the Haldex Group.

Deputies

Jan Andersson
(not on picture)
born 1960.
Deputy since 1997.
Represents the Federation of Salaried Employees in Industry and Services in the Haldex Group.
Shareholding: 0.

Jonny Fridén (9)
born 1958.
Deputy since 1998.
Represents the Trade Union Confederation in the Haldex Group.
Shareholding: 220.

Auditors

Gunnar Widhagen
Certified Public Accountant
Ernst & Young

Björn Fernström
Certified Public Accountant
Ernst & Young

Deputies

Carl-Gustaf Gutberg
Certified Public Accountant
Ernst & Young

Berit Hernström
Certified Public Accountant
Ernst & Young

GROUP MANAGEMENT



4

2

5

3

7

1

6

Group Management

Claes Warnander (1)
born 1943.
LL.B, M.B.A., M.SC.
President of Haldex AB and
CEO. Employed since 1988.
Shareholding: 5,460 shares
and 22,662 call options.

Ulf Ahlén (2)
born 1948.
B.A. Manager Traction Systems
Division. Employed since 1998.
Shareholding: 0 shares and
3,320 call options.

Lennart Hammargren (3)
born 1951.
M.B.A. Chief Financial Officer.
Employed since 1982.
Shareholding: 5,000 shares
and 18,917 call options.

Robert P. Joy (4)
born 1945.
B.A. Manager Midland Services
Division. Employed since 1978.
Shareholding: 0 shares and
3,320 call options.

Charles W. Kleinhagen (5)
born 1949.
BS Mech.Eng., M.B.A.
Manager Brake Systems.
Employed since 1988.
Shareholding: 0 shares and
6,317 call options.

Mats Kälvevemark (6)
born 1945.
M.Eng s. Manager Garphyttan
Wire Division. Employed since
1985. Shareholding: 2,563
shares and 6,657 call options.

John M. Pepe (7)
born 1939.
B.B.A., M.B.A. Manager
Barnes Hydraulics Division.
Employed since 1980.
Shareholding: 3,100 shares
and 6,657 call options.

ADDRESSES



Sweden

Haldex AB
Group Headquarters
 Box 7200
 SE-103 88 STOCKHOLM
 phone: +46 8 678 72 70
 fax: +46 8 678 89 40

£ **Haldex Barnes AB**
 Box 95
 SE-280 40 SKÅNES
 FAGERHULT
 phone: +46 433 324 00
 fax: +46 433 305 46

Industrigatan 6
 Box 511
 SE-195 25 MÅRSTA
 phone: +46 8 591 288 50
 fax: +46 8 591 288 60

£ **Haldex Brake Products AB**
 Instrumentgatan 15
 Box 501
 SE-261 24 LANDSKRONA
 phone: +46 418 577 00
 fax: +46 418 244 35

/ **Haldex Garphyttan AB**
 £ SE-719 80 GARPHYTTAN
 phone: +46 19 29 51 00
 fax: +46 19 29 51 01

/ **Haldex Traction AB**
 £ Instrumentgatan 15
 Box 501
 SE-261 24 LANDSKRONA
 phone: +46 418 47 21 00
 fax: +46 418 47 21 99

Austria

Haldex Wien Ges.m.b.H.
 Leopoldgasse 13-19
 Postfach 94
 AT-1233 WIEN
 phone: +43 1 865 1640
 fax: +43 1 865 164027

Belgium

Haldex N.V.
 Maalbeekweg 49 Bat. 7
 BE-1930 ZAVENTEM (Brussels)
 phone: +32 2 725 3707
 fax: +32 2 725 4099

Brazil

Haldex do Brasil Indústria e Comércio Ltda.
 Rua Carlos Pinto Alves 29
 Jardim Aeroporto
 BR-04630-030
 SÃO PAULO - SP
 phone: +55 11 531 4999
 fax: +55 11 531 9515

Canada

Haldex Midland Ltd.
 35 Baffin Place
 WATERLOO, Ontario
 N2V 1Z7 CN
 phone: +1 519 884 9026
 fax: +1 519 884 7256

China

Haldex International Trading (Shanghai) Co. Ltd.
 Room 1007, CITS Building
 1277 Beijing Road (W)
 CN-200040 SHANGHAI
 phone: +86 21 6289 4469
 fax: +86 21 6279 0554

France

Haldex Europe S.A.
 30, Rue du Ried
 WEYERSHEIM
 FR-67728 HOERDT CEDEX
 phone: +33 3 88 68 22 00
 fax: +33 3 88 68 22 09

Germany

£ **Haldex Barnes GmbH**
 Seligenweg 7
 Postfach 15 07
 DE-95014 HOF
 phone: +49 9281 8950
 fax: +49 9281 87133

£ **Haldex Brake Products GmbH**
 Eppelheimer Strasse 76
 Postfach 10 25 60
 DE-69015 HEIDELBERG
 phone: +49 6221 7030
 fax: +49 6221 703400

Robert Bosch Strasse 41
 Postfach 12 37
 DE-73767 DENKENDORF
 phone: +49 711 934 9170
 fax: +49 711 934 91740

Gewerbepark
 DE-59069 HAMM-RHYNERN
 phone: +49 2385 922 000
 fax: +49 2385 922 0020

£ Gewerbepark B 29
 Postfach 12 02 46
 DE-93024 REGENSBURG
 phone: +49 941 40 15 04
 fax: +49 941 40 05 29

Haldex Garphyttan GmbH
 Neumannstrasse 2
 Postfach 10 25 41
 DE-40016 DÜSSELDORF
 phone: +49 211 92 30 40
 fax: +49 211 23 65 17

Great Britain

£ **Haldex Brake Products Ltd.**
 Moons Moat Drive
 Moons Moat North
 REDDITCH, Worchestershire
 B98 9HA
 phone: +44 1527 499 499
 fax: +44 1527 499 500

£ Glenfield Park
 Philips Road
 BLACKBURN, Lancashire
 BB1 5 PF
 phone: +44 1254 59771
 fax: +44 1254 680592

Haldex Ltd.
 Hilton Road
 Aycliffe Industrial Estate
 NEWTON AYCLIFFE
 Co. Durham
 DL5 6SX
 phone: +44 1325 310 110
 fax: +44 1325 311 834

India

£ **Haldex Brake Products India Ltd.**
 1, Sri Aurobindo Marg.
 NEW DELHI-110016
 phone: +91 11 651 7126
 fax: +91 11 686 6040

Korea

Haldex Korea Ltd.
 Hannam B/D 1 F, 128
 Hannam-dong
 Yongsan-gu
 SEOUL 140-210
 phone: +82 2 749 3650-1
 fax: +82 2 749 3652

Poland

Haldex Sp.z.o.o.
 Ul. tragutta 53
 PL-98300 WIELUN
 phone: +48 43 843 4516
 fax: +48 43 843 3689

Spain

Haldex España S.A.
 Poligono Industrial Can
 Volart C. Garbi, s/n Nave 3
 Ctra. N-152 Km. 22
 ES-08150 PARETS DEL
 VALLES (Barcelona)
 phone: +34 93 573 1030
 fax: +34 93 573 0728

USA

/ **Haldex Barnes Corp.**
 £ 2222 15th Street
 P.O.Box 6166
 ROCKFORD, IL 61125-1166
 phone: +1 815 398 4400
 fax: +1 815 398 5977

£ 214 James Farm Road
 STATESVILLE, NC 28677-7804
 phone: +1 704 873 2587
 fax: +1 704 838 7989

/ **Haldex Brake Products Corp.**
 £ 10930 North Pomona Avenue
 KANSAS CITY, MO 64153
 phone: +1 816 891 2470
 fax: +1 816 891 9447

£ 2400 N.E. Coronado Drive
 GRAIN VALLEY, MO 64029
 phone: +1 816 229 7582
 fax: +1 816 224 7090

£ 605 East Houston
 P.O.Box 1
 BROKEN ARROW, OK 74012
 phone: +1 918 251 5366
 fax: +1 918 258 0001

£ 101 Echlin Boulevard
 PRATTVILLE, AL 36067
 phone: +1 334 365 2145
 fax: +1 334 365 2258

£ 2702 North State Street
 IOLA, KS 66749
 phone: +1 316 365 6911
 fax: +1 316 365 5275

£ Reynoldsburg Road
 Hwy. 77, # 565
 PARIS, TN 38242
 phone: +1 901 642 4215
 fax: +1 901 642 7899

£ **Haldex Garphyttan Corp.**
 4404 Nimitz Parkway
 SOUTH BEND, IN 46628
 phone: +1 219 232 8800
 fax: +1 219 232 2565

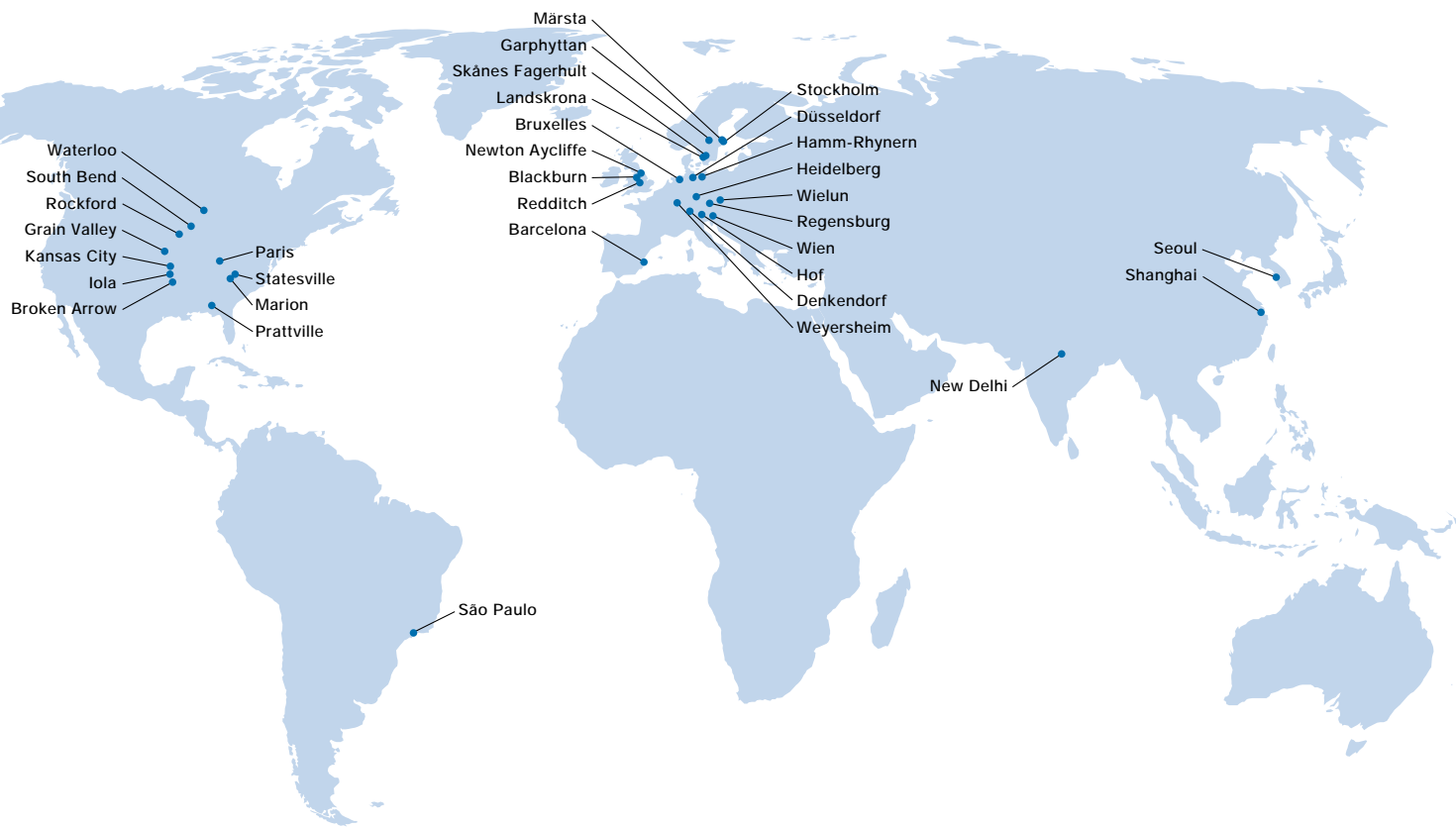
/ **Haldex Midland Corp.**
 10707 Airworld Drive
 KANSAS CITY, MO 64153
 phone: +1 816 891 2470
 fax: +1 816 880 9766

£ Hwy. 221 South
 MARION, NC 28752
 phone: +1 704 652 9308
 fax: +1 704 652 7487

/ Division Center

£ Manufacturing unit

Sales unit



Annual General Meeting

The Annual General Meeting will be held at 4:00 p.m. on Thursday, March 25, 1999 at München Bryggeriet, Mälarsalen, Torkel Knutssonsgatan 2, Stockholm.

Participation

Shareholders who wish to participate an the agm must send notice of intent to participate no later than 12:00 noon on Monday, March 22, 1999 to Haldex AB, p.o. Box 7200, se-103 88 Stockholm or by telephone +46 8 678 72 70 and must be included in the printout of the share register prepared by Värdepapperscentralen vpc ab (Swedish Share Register Center) no later than Monday, March 15, 1999.

Financial information

Haldex issues the following financial reports:

| | |
|----------------------------------|----------|
| Year-End Report | February |
| Annual Report | April |
| Interim Report January-March | April |
| Interim Report January-June | August |
| Interim Report January-September | October |

Financial information can be obtained from:

Haldex AB
p.o. Box 7200
se-103 88 Stockholm, Sweden
telephone: +46 8 678 72 70
telefax: +46 8 678 89 40
e-mail: info@hse.haldex.com



Haldex

Group

Haldex AB
Biblioteksgatan 11
p.o. Box 7200
se-103 88 Stockholm, Sweden
telephone: +46 8 678 72 70
telefax: +46 8 678 89 40
www.haldex.com