Haldex

Full Year 2005

Full year 2005

- Earnings after tax increased by 27 % to SEK 270 m (212). Earnings per share increased to SEK 12.19 (9.50).
- Earnings before tax increased by 18 % to SEK 341 m (290). Excluding restructuring costs of SEK 28 m, earnings amounted to SEK 370 m, i.e. an increase of SEK 80 m or 28 %.
- Operating income increased by 11 % to SEK 391 m (353). Excluding restructuring costs, the profit was SEK 419 m, an increase of 19 %. The profit margin, excluding restructuring costs, increased from 5.2 % to 5.6 %. Including restructuring costs, the profit margin was 5.2 %.
- Return on capital used (rolling 12 months) was 12.3 % (12.8). Excluding restructuring costs, capital employed was 13.2 %.
- Net sales increased by 11 % to SEK 7,486 m (6,759). After currency adjustment, this increase was 9 %. Order intake increased by 10 % to SEK 7,592 m (6,923). After currency adjustment, the increase was 6 %.
- The Board proposes a dividend of SEK 4.00 (3.00) per share

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4th quarter

- Earnings before tax were SEK 73 m (76). Excluding restructuring costs, which amounted to SEK 26 m in the quarter, earnings were SEK 99 m, an improvement of SEK 23 m, or 30 %.
- Operating income dropped by 13 % to SEK 81 m (93). Excluding restructuring costs of SEK 26 m, the operating income was SEK 107 m.
- The profit margin excluding restructuring costs was 5.7 % (5.6)
- Net sales increased by 13 % to SEK 1,874 m (1,658) and order intake by 16 % to SEK 1,835 m (1,576). After currency adjustment, the increase was 6 % and 9 % respectively.

	2005				2004				Total		
SEK m	*I*	*II*	*III*	*IV*	*I*	*II*	*III*	*IV*	*2005*	*2004*	*Change*
Net sales	1844	1962	1806	1874	1703	1753	1675	1658	7486	6759	+11%
Operat. income*)	117	115	80	107	95	88	77	93	419	353	+19%
Operat. income	117	115	78	81	95	88	77	93	391	353	+11%
Earn. before tax*)	102	103	65	99	75	74	65	76	370	290	+28%
Earn. before tax	102	103	63	73	75	74	65	76	341	290	+18%
Income after tax	73	72	44	81	53	51	44	64	270	212	+27%
Profit margin *)	6.3	5.9	4.4	5.7	5.6	5.0	4.7	5.6	5.6	5.2	+0.4
Profit margin	6.3	5.9	4.3	4.3	5.6	5.0	4.7	5.6	5.2	5.2	0
Capital turnover	2.54	2.49	2.18	2.22	2.55	2.51	2.35	2.37	2.36	2.46	-0.1
Return on capital	16.1	14.6	9.4	9.5	14.2	12.6	11.0	13.2	12.3	12.8	-0.5

*) excluding restructuring costs

Main business events during 2005

- A breakthrough in the Russian market was achieved with large orders from Kamaz, a large truck manufacturer, for brake adjusters and disc brake systems. The order value is estimated to exceed SEK 100 m per annum.

- Haldex has been nominated to supply valve spring wire to a Japanese car manufacturer in USA, which is the first time a none-Japanese company has been approved by the Japanese car industry for delivery of valve spring wire.

- As announced in January 2006, the DaimlerChrysler Group has signed a development cooperation and supply agreement for the Alfdex system from Alfdex AB, jointly owned by Alfa Laval and Haldex. The order value is approximately SEK 250 m over a five year period and serial deliveries are estimated to start at the end of 2006.

- Announced in October 2005, yet another car manufacturer chose the Haldex four-wheel-drive system. A new order for a major global medium-sized car platform, with an estimated delivery value of SEK 1,200 m over a five-year period, was received. Delivery start is scheduled for 2008.

- In China, production of brake and hydraulic components started at a new plant in Suzhou and a purchasing office was set up for both global and local supplies.

- A contract was signed with a major global diesel engine manufacturer to supply air compressors for their North American operation. Deliveries started in late 2005. The order value is estimated to exceed SEK 500 m over the life of the contract. To produce the new compressor, a license and production agreement with Chinese ASIMCO was signed.

- Haldex and SKF decided to jointly develop an advanced wheel end system for commercial vehicles, trucks, buses and trailers. The system will be based on Haldex' new generation of disc brakes with a Fixed Caliper Dual Disc concept and SKF's truck hub, bearing and sealing technology.

- The Volvo Group signed a development and delivery agreement involving the Alfdex system, developed by Alfdex AB, jointly owned by Alfa Laval and Haldex. The agreement includes all the truck brands in the Volvo Group. The order value is approximately SEK 400 m. Serial deliveries started at the end of 2005.

- A new Group organization was established in order to improve governance, focus and delegation of accountability, and to use synergies between the various business units within Commercial Vehicle Systems. The reorganization has led to the reduction in a number of management positions.

2005

Business volumes continued to grow favorably. Haldex increased its market share in a number of product areas. Order intake and net sales rose by 6% and 9% respectively, after adjustment for currency exchange rates.

Price increases of raw materials have had an effect on the business. During 2005, management of the increases was the main topic for discussion during negotiations with customers and suppliers. The material surcharges requested from our suppliers have to a large extent been redistributed. However, other material price increases have not yet been fully recovered.

As announced earlier, there has been an unfavorable development in earnings in the CVS Friction Products and Actuators business units. The improvements are ongoing and will continue during 2006. These improvements will have a gradual effect on earnings. As earlier announced, the improvement is expected to be at least SEK 75 m as a running rate from Q4 2006 compared to 2005.

Other units, with some exceptions, have shown a strong increase both in terms of in sales and in earnings.

Restructuring

Actions to improve profitability, especially within the CVS division, are under way. The reorganization of the CVS management structure has to the largest extent been made. A restructuring charge of SEK 28 m has affected the Earnings for 2005. The estimated savings are SEK 24 m.

Currencies

Changes in currency exchange rates during the period have affected the sales numbers and order intake numbers positively by 2 % and 4 % respectively. Changes in currency rates had no material effect on Earnings compared to the previous year.

Earnings

Earnings before tax were SEK 341 m (290). Excluding restructuring charges, the number was 370 m, i.e. an improvement of 28 %.

Operating earnings, excluding restructuring charges, increased by SEK 66 m to SEK 419 m (353). The profit margin rose from 5.2 % to 5.6 %. Higher sales numbers have had a positive effect on earnings and margins, whereas material price increases, which have not been possible to fully pass on to customers during 2005, and the development in the Friction and Actuators business units have had a negative effect on earnings.

Earnings after tax were SEK 270 m (212), which is a 27 % increase. Earnings per share were SEK 12.19 (9.50).

Return on capital employed was 12.3 % (12.8). Excluding restructuring costs, capital employed was 13.2%.

Result per business area

Commercial Vehicle Systems

SEK m	*2005*	*2004*	*Change*
Net sales	4,430	4,154	7 %
Operating income *)	191	179	7 %
Operating income	163	179	- 9 %
Profit margin*)	4.3 %	4.3 %	0
Profit margin	3.7 %	4.3 %	- 0.6
Capital turnover	2.0	2.2	- 0.2
Return on capital	7.5 %	9.6 %	- 2.1

*) excluding restructuring costs

Commercial Vehicle Systems increased sales by 7 % to SEK 4,430 m (4,154). With a currency adjustment, the increase in sales was 4 %. The sales increase was evenly spread among the various business units. By region, the growth came mainly from the North American market, which rose by 11 %. Europe was up by 2 %.

Operating income, excluding restructuring costs, increased slightly, but margins were down. The lower than expected profits and margins are mainly due to weak development within the Friction and Actuators business units. The unfavorable profit level in Friction was due to productivity issues and price increases in materials. In Actuators, the transfer of components to new suppliers and start-up difficulties in the new factory in Hungary were the main problems. Improvements are ongoing in both units and will continue throughout 2006 and will have a gradual effect on earnings. The improvement in earnings is expected to be at least SEK 75 m, expressed as a yearly running rate from Q4 2006.

The reorganization of the management structure has to the largest extent been made. Earnings were affected by a restructuring charge of SEK 28 m related to management reorganization. The estimated saving are SEK 24 m.

Hydraulic Systems

SEK m	*2005*	*2004*	*Change*
Net sales	1269	1,076	18 %
Operating income	92	55	67 %
Profit margin	7.2 %	5.2 %	2.0
Capital turnover	3.1	3.2	- 0.1
Return on capital	22.5 %	16.6 %	5.9

Hydraulic Systems increased shipments by 18 %. After currency adjustment, the increase was 16 %. Hence, the division continues to grow faster than the markets it operates in, the construction equipment market and the forklift market, which grew by 5 – 10 % in North America and experienced a limited growth development in Europe.

The interest for the Alfdex system, used for cleaning crankcase gases, is growing with several customers now in the testing phase. In 2005 Volvo and DaimlerChrysler selected the system for their new motor platforms. Serial production started during the later part of the year.

The improvement in profit continues. There are several reasons for this; volume increase, productivity improvements and introduction of new products.

Garphyttan Wire

SEK m	*2005*	*2004*	*Change*
Net sales	1039	886	17 %
Operating income	96	89	8 %
Profit margin	9.1 %	9.9 %	- 0.8
Capital turnover	2.7	2.7	0
Return on capital	25.3 %	27.0 %	- 1.7

Garphyttan Wire sales increased by 17 %. After currency adjustment, the increase was 16 %. The increase is to a large extent related to redistributed price increases on raw material prices to customers.

The profit margin was up by 8 %. The lower operating margin can mainly be explained by costs for discards and running-in problems on a new production line, which were to a large extent solved during the fourth quarter.

Traction Systems

SEK m	*2005*	*2004*	*Change*
Net sales	748	643	16 %
Operating income	36	24	50 %
Profit margin	4.8 %	3.7 %	1.1
Capital turnover	4.3	3.8	0.5
Return on capital	20.9 %	14.3 %	6.6

Traction Systems increased shipments by 16 %, both in SEK and in local currencies.

During the year, the division strengthened its position as market leader for the AWD system by entering into a large contract with a new customer for a global medium-sized car platform, with an order value of SEK 1.2 b.

Sales continue to increase at the same pace as last year, i.e. up by 16 %. The higher sales numbers in combination with cost reductions supported profit growth.

With the division’s strong position in the market in combination with a strong order book, a favorable development in sales and profits is looking likely.

Cash flow

Cash flow from operations was SEK 493 m (276). Considering the volume increase, the increase in working capital of SEK 45 m was limited, and thereby contributed to the strong cash flow. Cash flow after investments but before corporate acquisitions was SEK 139 m (- 36)

Financial position

The interest-bearing liabilities amounted to SEK 1,495 m (1,358). Net debt amounted to SEK 1,241 m (1,171), an increase of 6.0 %. After currency adjustment, the net debt decreased by SEK 2 m. Equity amounted to SEK 1,890 m (1,425) and the equity ratio was 40 % (36). The increase in equity was affected by a translation difference of SEK 222 m.

Pension provisions

By calculating pension liabilities according to IFRS/IAS 19, lower world market interest rates and an assumption of increased length of life, the group's actuarial losses have increased by SEK 130 m to SEK 160 m. As the calculation of pension liabilities is based on different assumptions that change at every year-end closing, the unreported gain/loss will continue to be volatile.

In the 4th quarter of the year a change was made in a pension scheme in an American company within business area Hydraulics. This change resulted in a reduction of SEK 5 m of the calculated liability. This reduction has been reported as a positive effect in the profit & loss statement.

4th quarter

Earnings before tax amounted to SEK 73 m (76). Excluding restructuring charges, which amounted to SEK 26 m in the quarter, earnings were SEK 99 m (76), an improvement of SEK 23 m, or 30 %.

Operating Income, excluding restructuring charges, went up by SEK 16 m (17 %) to SEK 109 m (93).

Earnings after tax increased by SEK 17 m to 81 m (64).

In Q4, shipment increased by SEK 216 m to SEK 1,874 m (1,658), an increase of 13 %. After currency adjustment, the increase was 6 %. During Q4, the market for heavy trucks > 15t continued to show a steady growth in North America, 9 %, whereas the growth rate in Europe was 3 %. In Asia and South America, the trend was unchanged, down 24 % and 18 % respectively.

In CVS, shipments increased by SEK 116 m to SEK 1,106 m (990) and the operating income, excluding restructuring charges, amounted to SEK 42 m (44).The decrease is mainly due to lower profit levels in the Friction and Actuators business units.

Hydraulics recorded a strong growth, up by SEK 70 m (27 %) to SEK 331 m (261). The operating profit was SEK 34 m (9). The profit rose due to increased business volumes, cost reductions and a change in a pension scheme (see Pension provisions above).

Sales in Wire amounted to SEK 257 m (222). After reporting a weak third quarter, the operations improved during the fourth quarter. Profits and margins increased compared to the previous quarter from SEK 12 m to SEK 22 m and from 4.9 % to 8.6 % respectively.

In Traction, shipments were in line with last year, SEK 180 m versus SEK 185 m. Sales declined slightly during the last semester of 2005, due to some customers' reduced production schemes. The profit level was, however, stable at SEK 9 m per quarter, i.e. at the same level as in the first semester.

Order intake and net sales

The group's order intake for the year amounted to SEK 7,592 m (6923), an increase of 10 %. After currency adjustment, the increase was 6 %. Net sales amounted to SEK 7,486 m (6,759), an increase of 11 %. After currency adjustment, the increase was 9 %.

Net sales per business area and region developed as shown below. All business areas showed increased sales numbers, driven partly by higher volumes and partly by redistributed price increases on materials. By region, the sales development showed a mixed picture.

			Change	
SEK m	***2005***	***2004***	***Nominal***	***Currency adj.***
Group	7,486	6,759	11 %	9 %
Commercial Vehicle Systems	4,430	4,154	7 %	4 %
Hydraulic Systems	1,269	1,076	18 %	16 %
Garphyttan Wire	1,039	886	17 %	16 %
Traction Systems	748	643	16 %	16 %
North America	3,578	3,162	13 %	11 %
Europe	3,470	3,182	9 %	8 %
Asia and ME	237	244	- 3 %	- 6 %
South America	201	171	18 %	2 %

The market

Production of heavy commercial vehicles showed continued positive growth during the period, although the rate of growth was not as high as last year. As in 2004, the rate of increase was highest in North America.

Production of heavy trucks in North America is believed to have increased 28 % compared with the same period last year. North American production of heavy trailers increased roughly 5 % over the period.

European production of heavy trucks is believed to have increased roughly 6 % compared with 2004, while trailer production is believed to have increased by 3%.

Production of heavy trucks in Asia is believed to have decreased 22 %, while South American production of heavy trucks has increased 6 %.

The aftermarket for brake components for heavy vehicles in all regions remained essentially unchanged compared with the year before.

Production of construction equipment increased roughly 10 % in North America, and remained nearly unchanged in Europe. Forklift truck production increased about 6% in North America and roughly 3 % in Europe.

Car production was unchanged in 2005 compared to 2005 in both North America and Europe.

China

In China, assembly and processing started at a new plant in Suzhou and a purchasing office was set up for both global and local supplies. Furthermore, a license and production agreements with ASIMCO was signed for the production of air compressors.

Personnel

The number of employees at the end of the year was 4,590 (4,423). The average number of employees during the year was 4.606 (4,317).

The increase in the number of employees is partly due to the build-up of production facilities in China and Hungary.

Transactions with closely related entities

Payments of SEK 1.1 m for special tasks have been made to a consultancy firm closely related to the chairman of the board.

Buyback of shares

No buyback of own shares took place in 2005. The board has decided to propose at the annual shareholders' meeting that the buyback mandate is prolonged.

Dividend

The board's policy for distribution of the free capital to the shareholders is unchanged and includes both dividend and buyback of shares. As a guide, 1/3 of the earnings after tax as an average over a business cycle should be distributed to the shareholders, taking the projected financial position into account.

For 2005, the board proposes that the dividend is increased to SEK 4.00 (3.00) per share.

Outlook

The market development within the commercial vehicle industry looks relatively favorable. Global growth is estimated to be 2-3 %. The market for heavy trucks in North America is estimated to increase by 4 %, and be unchanged in Europe. The market for trailers is expected to increase by 2% in North America and be unchanged in Europe.

The official car market estimate is 2.5 percent growth in the USA and possibilities to some growth in Europe. The group's AWD sales will show a favorable growth, due to deliveries of existing contracts, but probably at a lower growth rate than in 2005. A continued favorable investment climate in the Western world and Asia also opens up possibilities for continued growth in demand for construction equipment and forklift trucks.

Group sales are estimated to amount to around SEK 8 billion. The business volume increase in combination with our restructuring and streamlining programs, and the effect of price adjustments mainly connected to material price increases, make way for an increased result.

Reporting in accordance with IFRS

The Group's Interim Report for 2005 has been prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS), IAS 34 and RR 31/32 for parent companies. All financial information for 2004 has been adjusted to conform with IFRS unless otherwise indicated. These adjustments increased the value of equity by SEK 49 m as of December 31, 2004. The Group's net profit for 2004 has been affected positively by SEK 32 m compared with the figure under the previous accounting rules, mainly due reversal of amortization of goodwill.

The regulations in IAS 39, which concern the reporting of financial instruments, have had the greatest impact on Haldex. As a result of the transition to IFRS, all financial instruments are valued at their current fair market prices. IAS 39 is to be applied from January 2005, and is exempt from the requirement calling for adjustment of the figures for the comparison year. The value of financial derivatives is reported as gross in the Balance Sheet, while the hedge reserve net after tax remains an equity component. The hedge reserve for financial derivatives increased equity at the start of the year by SEK 107 m, and decreased by SEK 68 m over the period as a result of income recognition and changed currency rates. The change in the hedge reserve has no effect on profit.

According to IFRS 5, which concerns non-current assets held for sale and discontinued operations, these must be reported separately on the Balance Sheet, and the results for discontinued operations must be reported separately in the Income Statement. No such assets were identified during 2005, and thus had no impact on the Income Statement.

The appendix includes a description of the new accounting rules, reconciliations and effects of the transition to IFRS. Comments on the transition to IFRS are also provided on page 53 of the Annual Report – Note 27.

Shareholders' meeting

The annual shareholders' meeting will be held on Tuesday, April 11, 2006 at 16.00 at IVAs Konferenscenter, Grev Turegatan 16, Stockholm.

Future reporting

Interim report January-March 2006	April 24, 2006
Interim report January-June 2006	July 21, 2006
Interim report January-September 2006	October 26, 2006

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Profit & Loss, Group	**Oct-Dec**		**Total**	**Total**
Amounts in MSEK	**2005**	**2004**	**2005**	**2004**
Net sales	**1,874**	**1,658**	**7,486**	**6,759**
Cost of goods sold	-1,415	-1,269	-5,653	-5,110
Gross profit	**459**	**389**	**1,833**	**1,649**
	24.5%	**23.5%**	**24.5%**	**24.4%**
Sales, G&A and R&D costs	-390	-315	-1,.477	-1,351
Other operating income	12	19	35	55
Operating income	**81**	**93**	**391**	**353**
Financial costs	-8	-17	-50	-63
Earnings before tax	**73**	**76**	**341**	**290**
Taxes	8	-12	-71	-78
Net income	**81**	**64**	**270**	**212**
whereof minority's share	-	-	*1*	*1*
Earnings per share, SEK	3:67	2:86	12:19	9:50
Average no. of shares (000)	22,065	22,065	22,065	22,065

Balance Sheet, Group		
Amounts in MSEK	**051231**	**041231*)**
Goodwill	471	389
Other intangible assets	160	132
Tangible assets	1,425	1,235
Financial fixed assets	110	98
Financial derivative instruments	30	-
Total fixed assets	**2,196**	**1,854**
Inventories	891	727
Current receivables	1,283	1,166
Financial derivative instruments	38	-
Cash and bank	254	187
Total current assets	**2,466**	**2,080**
Total assets	**4,662**	**3,934**
Total shareholders' equity	**1,890**	**1,425**
Pension provisions	308	291
Deferred taxes	168	115
Long-term debt	1,168	1,045
Other long-term liabilities	37	26
Total long-term liabilities	**1,681**	**1,477**
Financial derivative instruments	9	-
Short-term debt	19	22
Other current liabilities	1,063	1,010
Total short-term liabilities	**1,091**	**1,032**
Total liabilities and shareholders' equity	**4,662**	**3,934**

*) IAS 39 is applied as of 2005, see Appendix note 4.

Change in shareholders' equity

Amounts in MSEK	**051231**	**050101**	**041231**
Equity beginning of year	1,532	1,425	1,317
Dividend	-66	-	-39
Currency difference	222	-	-65
Hedge reserve (IAS 39)	-68	107	-
Net income	270		212
Equity end of year	1,890	1,532	1,425
whereof minority's share	*9*	*3*	*3*

Cash Flow Statement, Group Amounts in MSEK	**Total** **2005**	**Total** **2004**
Operating income	391	353
Depreciation on fixed assets	267	253
Interests paid	-52	-65
Taxes paid	-68	-74
Gross operating contribution	538	467
Change in working capital	-45	-191
Cash flow from operations	***493***	***276***
Net investments	-354	-312
Acquisitions	-6	-
Cash flow from expenditures	***-360***	***-312***
Dividend	-66	-39
Change in debt	-8	107
Change in long-term liabilities	-2	1
Cash flow from financing activities	***-76***	***69***
Change in cash and bank excluding currency difference	57	33
Cash and bank, beginning of year	187	155
Translation difference in cash and bank	10	-1
Cash and bank, end of year	254	187

Key Ratios	**Total 2005**	**Total 2004**
Profit margin, %	5.2	5.2
Capital turnover rate, times	2.36	2.46
Return on capital employed, %	12.3	12.8
Return on equity, %	15.9	14.8
Interest coverage ratio, times	7.9	5.6
Equity/assets ratio, %	40	36
Debt/equity ratio, %	66	82

Share Data	**Total 2005**	**Total 2004**
Earnings after tax, SEK	12:19	9:50
Shareholders’ equity, SEK	85:64	64:60
Average no. of shares, (000)	22,065	22,065
No. of shares end of year, (000)	22,065	22,065
Market value, SEK	158:00	116:50

Quarterly development
Amounts in

	*2005**) I*	*II*	*III*	*IV*	*Total 2005*	*2004 I*	*II*	*III*	*IV*	*Total 2004*
Net skes	1844	1962	1806	1874	***7486***	1703	1753	1645	1658	***6759***
Cost of goods sold	-1372	-1465	-1401	-1415	-5653	-1273	-1320	-1248	-1269	***-5110***
Gross income	472	497	405	459	***1833***	430	433	397	389	***1649***
	25.6%	25.3%	22.4%	24.5%	***24.5%***	25.3%	24.7%	24.1%	23.5%	***24.4%***
Sales, G&A and R&D costs	-358	-394	-335	-390	***-1477***	-343	-357	-336	-316	***-1352***
Other oper. revenues	3	12	8	***12***	***35***	8	12	16	20	***56***
Operating income	117	115	78	81	***391***	95	88	***77***	***93***	***353***
Financial costs	-15	-12	-15	-8	***-50***	-20	-14	-12	-17	***-63***
Earnings before tax	102	103	*63*	*73*	***341***	75	74	65	76	***290***
Taxes	-29	-31	-19	8	*-71*	-22	-23	-21	-12	***-78***
Operating income	73	72	44	81	***270***	53	51	44	64	***212***
whereof minority’s share	-	1	-	1	***1***	1	-	-	-	***1***
Earnings per share, SEK	3:29	3:24	1:99	3:67	***12:19***	2:33	2:29	2:01	2:86	***9:50***
Operating margin, %	6.3	5.9	4.3	4.3	***5.2***	5.6	5.0	4.7	5.6	***5.2***
Cash flow	-127	67	-27	226	***139***	-81	23	-27	49	***-36***
Return on capital employed*), %	13.2	13.7	13.2	12.3	***12.3***	10.0	11.2	12.1	12.8	***12.8***
Return on shareholders’ equity*), %	15.7	16.4	15.7	15.9	***15.9***	10.0	11.8	13.5	14.8	***14.8***
Equity/assets ratio, %	39	38	39	40	***40***	37	36	37	36	***36***
Capital expenditures	71	95	109	82	***357***	65	88	76	84	***313***
R&D, %	4.4	4.5	4.2	5.2	***4.6***	4.6	4.6	4.7	5.2	4.8
No. of employees*)	4414	4526	4576	4606	***4606***	4071	4149	4232	4317	***4317***

*) rolling 12 months
**) IAS 39 is applied as of 2005, see Appendix note 4

Segment reporting
Amounts in MSEK

	*2005**)*				***Total***	***2004***				***Total***
	I	***II***	***III***	***IV***	***2005***	***I***	***II***	***III***	***IV***	***2004***
Commercial Vehicle Systems										
Net sales	1085	1156	1083	1106	***4430***	1054	1097	1013	990	***4154***
Operating income	58	54	35	16	***163***	58	44	33	44	***179***
Operating margin, %	5.3	4.7	3.3	1.5	***3.7***	5.5	4.0	3.2	4.5	4.3
Assets	2571	2811	2753	2715	***2715***	2462	2521	2467	2373	***2373***
Liabilities	567	623	563	568	***568***	528	591	568	509	***509***
Return on cap..empl.*), %	9.3	9.5	9.3	7.5	***7.5***	7.2	8.4	8.9	9.6	***9.6***
Capital expenditures	35	60	59	37	***191***	34	52	42	46	***174***
Depreciations	37	39	36	37	***151***	38	38	36	41	***153***
No. of employees*)	2991	3029	3039	3039	***3039***	2780	2817	2862	2914	***2914***
Hydraulic Systems										
Net sales	284	327	327	331	***1269***	255	272	288	261	***1076***
Operating income	16	20	22	34	***92***	11	14	21	9	***55***
Operating margin, %	5.5	6.3	6.5	10.3	***7.2***	4.2	5.5	7.2	3.5	***5.2***
Assets	529	586	594	566	***566***	459	480	490	468	***468***
Liabilities	141	167	170	167	***167***	118	145	149	149	***149***
Return on cap. empl..*), %	17.4	18.0	17.2	22.5	***22.5***	11.3	13.8	17.0	16.6	***16.6***
Capital expenditures	17	6	19	15	***57***	12	23	18	20	***73***
Depreciations	11	12	14	12	***49***	11	11	11	7	***40***
No. of employees*)	791	835	862	871	***871***	692	732	753	767	***767***
Garphyttan Wire										
Net sales	274	270	238	257	***1039***	240	223	201	222	***886***
Operating income	33	29	12	22	***96***	25	21	20	23	***89***
Operating margin, %	11.9	10.5	4.9	8.6	***9.1***	10.2	9.5	9.9	10.1	***9.9***
Assets	541	569	568	568	***568***	482	487	471	479	***479***
Liabilities	186	195	179	202	***202***	138	163	152	160	***160***
Return on cap. empl.*), %	28.7	30.2	26.5	25.3	***25.3***	23.4	23.6	25.5	27.0	***27.0***
Capital expenditures	15	20	21	21	***77***	10	5	8	15	***38***
Depreciations	10	11	9	9	***39***	10	10	20	28	***36***
No. of employees*)	440	450	465	476	***476***	420	419	432	448	***448***
Traction Systems										
Net sales	201	209	158	180	***748***	154	161	143	185	***643***
Operating income	9	9	9	9	***36***	0	7	3	14	***24***
Operating margin, %	4.7	3.9	6.0	5.0	***4.8***	0.3	4.0	2.3	7.3	***3.7***
Assets	320	294	296	329	***329***	271	287	310	308	***308***
Liabilities	145	150	134	143	***143***	107	129	126	146	***146***
Return on cap. empl.*), %	19.0	20.4	23.8	20.9	***20.9***	10.0	12.3	10.8	14.3	***14.3***
Capital expenditures	4	9	8	12	***33***	9	8	8	4	***29***
Depreciations	7	6	8	7	***28***	5	5	6	6	***23***
No. of employees*)	192	212	219	220	***220***	179	181	185	188	***188***
Undistributed										
Operating income	1	3	-	-	4	1	2	1	2	***6***
Financial costs	-15	-12	-15	-7	***-49***	-20	-14	-12	-17	***-63***
Taxes	-29	-31	-19	8	***-71***	-22	-23	-21	-16	***-78***
Assets	287	307	366	484	***484***	141	178	150	306	***306***
Liabilities	1568	1688	1758	1693	***1693***	1495	1497	1475	1545	***1545***

*) rolling 12 months
**) IAS 39 is applied as of 2005, se Appendix note 4.

Appendix

Transition to International Financial Reporting Standards (IFRS)

Haldex reports in accordance with International Financial Reporting Standards (IFRS) as of January 1, 2005. IFRS standards become compulsory for noted European companies concurrently as they are approved by the European Commission. The transition regulations might be subject to change, which would mean that the transition effects described below can be changed during 2005.

At the transition to IFRS, IFRS 1 (First-time adoption of IFRS) is applied and a description of the effects that the transition to IFRS causes are stated below. The description includes the 1st quarter 2004 as well as total 2004. The translation of comparative figures has been made with regard to all standards with the exception of IAS 39 (Financial instruments) which for the first time are applied in the 1st quarter interim report 2005.

IFRS 1 allows the use of 11 exceptions at the introduction of IFRS. Haldex has chosen to use the following exceptions:

- Only acquisitions and mergers as from January 1, 2004 have been translated in accordance with IFRS 3 (Business Combinations).
- The comparative figures for 2004 regarding financial instruments have not been translated in accordance with IAS 39 (Financial instruments).
- Accumulated translation differences when translating foreign subsidiaries were set at zero at the transition date (January 1, 2004).
- Employee benefits (RR 29/IAS 19) are applied already from January 1, 2004. Accumulated actuarial gains and losses for defined benefit pension plans were set at zero in connection with the transition and were accounted for in pensions provisions and shareholders' equity.

The principal differences between previous accounting principles for Haldex is described below with reference to notes in subsequent tables for translation of the group's Income Statement and balance sheet to IFRS. All other accounting principles have not beeen impacted by the transition to IFRS. Description of these accounting principles can be found in the Annual Report 2004.

Note 1 IFRS 3/IAS 36 – Non-amortization of intangible assets of indefinite useful lives (i.e. goodwill):

According to previous accounting principles all intangible assets should be amortized over their estimated useful lives. In accordance with IFRS, intangible assets that are considered to have an undefined lifetime should not be amortized. The value of these assets should rather be subject to an annual impairment test, where its value is determined. Haldex has decided that intangible assets with an undefined lifetime at the transition to IFRS only refers to goodwill. The translations and transition effects as the changed accounting result in, thus only affect the reversal of goodwill amortization that was charged to the Income Statement for 2004, and that the goodwill value in the balance sheet as per December 31, 2004 has been adjusted upwards with the corresponding amount, adjusted for currency effects. Impairment tests in order to secure the value of intangible assets are made yearly and are carried out by estimating present value of future cash flows based on business plans and assumptions on the interest and business climate development.

Note 2 IAS 12 – Income taxes:

In accordance with IAS 12, deferred tax receivables and liabilities shall not be discounted. This has for Haldex affected the value of deferred tax receivables.

Note 3 IAS 1 – Minority interests:

In accordance with IFRS, minority interests shall be regarded as a separate part of equity and not be included in the net income in the Income Statement.

Note 4 IAS 39 – Fair value of derivative instruments:

In accordance with IAS 39, which is part of IFRS and is used by Haldex as of January 1, 2005, all derivative instruments' fair value should be reported in the balance sheet. Furthermore, stricter demands for documentation and effectiveness test have been introduced to permit hedge accounting.

Financial derivative instruments are used for hedging of forecasted cash flows and forecasted electricity consumption. According to previous accounting principles, Haldex has used hedge accounting for most part of these derivatives and outstanding derivative transactions have thus not been reported in the balance sheet ("Off-balance sheet instruments"), except for premiums and deductions that were reported under financial items. Gains and losses on these contracts have affected the Income Statement when the contracts have been realized. According to IFRS, financial derivative instruments should be market evaluated and changes in fair value should be reported in the Income Statement according to the principal rule. IAS 39 describes how the hedge accounting can be applied to reduce the net income volatility. The change in fair value is according to these rules reported in the shareholders' equity, and finally in the Income Statement, as the hedge transaction impact the Income Statement. To the extent that the requirements are not met, unrealized gains and losses on derivative transactions are reported in the Income Statement.

Note 5 IAS 19 (RR 29) – Employee benefits

As of January 1, 2004, Haldex has used the Swedish Financial Accounting Standards Council's recommendation RR 29 "Employee benefits", which corresponds to IAS 19. In accordance with IAS 19 defined benefit pension plans are reported in the group's subsidiaries according to common principles.

IAS 38 – Capitalization and amortization of development costs:

As of January 1, 2002, Haldex has used RR 15 "Intangible assets" in accordance with Swedish GAAP. According to this accounting standard, costs attributable to development of new and existing products shall be capitalized and amortized during their useful life.

The transition rules for RR15 did not permit any retroactive application. According to the transition rule for IFRS, the accounting standard IAS 38, which is similar to RR 15 regarding the accounting for development costs should be applied retroactively for development costs occurred before 2002. Haldex has not identified any further intangible assets that meet the criteria according to IAS 38 to be activated.

Translation of P/L according to IFRS

Amounts in MSEK	Oct-Dec 2004 acc. to Swedish accouting principles	IFRS adjustm.	Oct-Dec 2005 accord. to IFRS	According to Swedish accounting principles 2004	IFRS adjustm.	**Acc. to IFRS 2004**
Net sales	1 658		1 658	6 759		**6 759**
Cost of goods sold	-1 269		-1 269	-5 110		**-5 110**
Gross profit	**389**		**389**	**1 649**		**1 649**
				24,4%		24,4%
Sales, G&A and R&D costs	-315		-315	-1 351		**-1 351**
Other oper. revenues, note 1	11	8	19	21	34	**55**
Operating income	**85**	**8**	**93**	**319**	**34**	**353**
Finanscial costs	-17		-17	-63		**-63**
Earnings before tax	**68**	**8**	**76**	**256**	**34**	**290**
Taxes, notes 1 & 2	-13	1	-12	-75	-3	**-78**
Minorty's share, note 3	-1	1	-	-1	1	**-**
Net income	**54**	**10**	**64**	**180**	**32**	**212**
whereof minority's share, note 3	*-*	*1*	*1*	*-*	*1*	***1***

Translation of Balance Sheet according to IFRS

Amounts in MSEK	1 Jan 2004 Acc. to Swedish principles	IFRS adjustm.	**1 Jan 2004 Acc. to IFRS**	31 Dec 2004 Acc. to Swedish principles	IFRS adjustm.	**31 Dec 2004 Acc. to IFRS**	Adjustm. for IAS39 4)	**1 Jan 2005 After adjustment to IAS39**
Intangible assets	507		**507**	489	32	**521**		**521**
Tangible fixed assets	1 257		**1 257**	1 235		**1 235**		**1 235**
Financial fixed assets 2)	59	15	**74**	81	17	**98**		**98**
Long-term financial derivative instruments	-		**-**	-		**-**	92	**92**
Inventories	655		**655**	727		**727**		**727**
Current receivables	963		**963**	1 166		**1 166**		**1 166**
Current financial derivative instrumetns	-		**-**	-		**-**	56	**56**
Cash and bank	155		**155**	187		**187**		**187**
Assets	**3 596**	**15**	**3 611**	**3 885**	**49**	**3 934**	**148**	**4 082**
Equity 3)	1 384	-71	**1 313**	1 376	49	**1 425**	107	**1 532**
Minority's equity 3)	4		**4**	4	-4	**0**		**0**
Pension provisions 5)	179	124	**303**	291		**291**		**291**
Deferred taxes 1 & 5)	126	-38	**88**	111	4	**115**	46	**161**
Long-term debt	994		**994**	1 045		**1 045**		**1 045**
Other long-term liabilities	22		**22**	26		**26**		**26**
Current financial derivative instruments	-		**-**	-		**-**	7	**7**
Short-term debt	16		**16**	22		**22**		**22**
Short-term operating liabilities	871		**871**	1 010		**1 010**	-12	**998**
Shareholders' equity & liabilities	**3 596**	**15**	**3 611**	**3 885**	**49**	**3 934**	**148**	**4 082**