*Full Year 2004*

## *Full year 2004*

- **Earnings after tax was 180 MSEK (70). Earnings per share increased to SEK 8:16 (3:18).**
- **Earnings before tax increased 44 % to 256 MSEK (177). Including 2003 year's reserve for restructuring of 57 MSEK, the increase was 114 %.**
- **Operating profits increased 34 % to 313 MSEK (233). Including 2003 year's reserve, the increase was 77 %.**
- **Return on capital employed improved to 11.7 % (6.8) and profit margin increased to 4.7 % (3.1).**
- **Net sales increased 12 % to 6,759 MSEK (6,036). Currency adjusted the increase was 17 %. Order intake increased 15 % to 6,923 MSEK (6,009). Currency adjusted, the increase was 21 %.**
- **The board proposes a dividend of SEK 3:00 (1:75) per share.**

## *4th quarter*

- **Earnings before tax increased 32 % to 68 MSEK (52).**
- **Operating profits increased 25 % to 82 MSEK (65).**
- **Return on capital employed improved to 12.3 % (10.5) and profit margin increased to 5.1 % (4.6).**
- **Net sales increased 12 % to 1,658 MSEK (1,486) and order intake 4 % to 1,576 MSEK (1,511). Currency adjusted, the increase was 16 % and 9 % respectively.**

| | *2004* | | | | *2003* | | | | *Helår* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *MSEK* | *I* | *II* | *III* | *IV* | *I* | *II* | *III* | *IV* | *2004* | *2003* | *Change* |
| Net sales | 1,703 | 1,753 | 1,645 | 1,658 | 1,556 | 1,542 | 1,452 | 1,486 | 6,759 | 6,036 | +12% |
| Operat. profits*) | 85 | 78 | 68 | 82 | 66 | 53 | 49 | 65 | 313 | 233 | +34% |
| Operat. profits | 85 | 78 | 68 | 82 | 9 | 53 | 49 | 65 | 313 | 176 | +77% |
| Earn. before tax*) | 67 | 65 | 56 | 68 | 54 | 39 | 32 | 52 | 256 | 177 | +44% |
| Earn. before tax | 67 | 65 | 56 | 68 | -3 | 39 | 32 | 52 | 256 | 120 | +114% |
| Income after tax | 44 | 44 | 37 | 55 | -21 | 27 | 20 | 44 | 180 | 70 | +157% |
| Profit margin | 5.1% | 4.5% | 4.2% | 5.1% | 0.8% | 3.5% | 3.5% | 4.6% | 4.7% | 3.1% | +1.6 |
| Capital turnover | 2.56 | 2.54 | 2.38 | 2.41 | 2.19 | 2.24 | 2.20 | 2.29 | 2.48 | 2.23 | +0.25 |
| Return on capital | 13.0% | 11.5% | 10.0% | 12.3% | 1.7% | 7.8% | 7.8% | 10.5% | 11.7% | 6.8% | +4.9 |

*) excluding restructuring costs

## Main business events

- Land Rover chose Haldex AWD system for future platform. Order value 800 MSEK. Delivery start late 2006.
- Record AWD order from VW. Order value over 2 billion SEK.
Delivery start late 2007.
- Break-through in Europe for Haldex fuel transfer pumps for diesel engines. Order from Daimler Chrysler. Value 300 MSEK. Delivery start 2005.
- Air disc brake agreement regarding Scania's heavy truck line. Order value 100 MSEK per year. Delivery start late 2006.
- Delivery agreement with Scania regarding the Alfdex system for cleaning of crank case gases from diesel engines. Order value 50 MSEK. Delivery start 2nd half 2005.

***Events after year-end***

- Delivery agreement with Volvo Truck (announced in February 2005) regarding the Alfdex system. Order value 400 MSEK. Delivery start late 2005.
- Delivery agreement with major global diesel engine manufacturer (announced in February 2005) regarding compressors for brake systems. Order value 500 MSEK Delivery start late 2005.

## Results full year 2004

Business volumes developed well. Order intake and shipments increased currency adjusted by 21 % and 17 % respectively. The capacity utilization was high, using night and weekend shifts. In several product areas, the volumes increased more than the market in percent terms, indicating increased market shares.

***Material price increases***

The heavy price increases on materials – steel products, aluminum products and castings – affected the group's result with gross 85 MSEK. Adjustments of the sales prices to partly compensate for increased material costs became more acceptable during the later part of the year, with effects towards the end of the year and in the beginning of the current year. For the business year 2004, the net effects of the material cost increases is estimated to 60 MSEK, corresponding to almost 1 %-point of the profit margin. The main part of the net effect pertained to Commercial Vehicle Systems.

***Currency effects***

The U.S. dollar continued to weaken against SEK during the year. The average exchange rate during 2004 was 7:35 SEK as compared to 8:09 SEK in 2003, a change of over 9 %. Variations of exchange rates affected the 2004 result negatively with 15 MSEK as compared to 2003.

***Restructurings***

Machining operations at the Heidelberg factory discontinued and were outsourced to sub-suppliers in Eastern Europe. The Blackburn factory in England was closed, whereby the machining operations were outsourced to sub-suppliers in Eastern Europe and India and the assembly and testing moved to a new factory in Hungary. The Hungarian factory will be allocated additional production in 2005. The North American production of brake actuators was moved from USA to Mexico. These restructuring actions were implemented in 2004 within cost projections and existing reserves.

The project to concentrate the American relining centers to fewer units encountered problems with consequential delays and 10 MSEK increased costs. Final implementation will take place in 2005.

The yearly effects of the restructuring actions are estimated to 60-70 MSEK. Part hereof was realized during the later part of 2004.

***Results outcome***

The group's earnings before tax amounted to 256 MSEK (120), more than a doubling. The comparison year 2003 was charged with a reserve for restructuring of 57 MSEK. Excluding this in the comparison, earnings before tax increased by 44 %.

Operating profits amounted to 313 MSEK (176), an increase of 77 %. Excluding restructuring costs in 2003, the increase was 34 %.

The group's result after tax amounted to 180 MSEK (70), Earnings per share increased to SEK 8:16 (3:18).

In comparison with 2003, the result was negatively impacted by 60 MSEK increased material costs and 15 MSEK currency variations.

***Profitability***

The group's profitability objective is 15 % return on capital employed as an average over a business cycle.

In 2004, the return on capital employed reached 11,7 % compared to 6.8 % in 2003.

The increased profitability was a result of partly an improved profit margin from 3.1 % to 4.7 %, and partly increased capital turnover from 2.23 times to 2.48 times.

***Result per business area***

**Commercial Vehicle Systems**

| *MSEK* | *2004* | *2003* | *Change* |
|---|---|---|---|
| Net sales | 4,154 | 3,757 | 11 % |
| Operating profits | 145 | 111 | +31 % |
| Profit margin | 3.5 % | 2.9 % | +0.6 |
| Capital turnover | 2.2 | 1.9 | +0.3 |
| Return on capital | 7.9 % | 5.7 % | +2.2 |

Commercial Vehicle Systems increased shipments with 11 % to 4,154 MSEK (3,757). Currency adjusted, the increase in sales was 17 %.

The sales increase was largest in Brake Controls (ABS, EBS, brake actuators) and Foundation Brake (brake adjusters, disc brakes). In Air Management (compressors, air dryers) and Friction Products (brake linings) the increase was smaller.

Operating profits were improved by 31 %. The Heidelberg restructuring was finalize and had a positive effect during the later part of the year. Increased volumes also affected profits positively. Certain product areas were hit hard by the heavy material cost increases and showed significant result decreases. The restructuring and concentration of the relining centers in the U.S. did not develop as planned and caused added 10 MSEK in costs. The factory in Alabama, which produces brake lining products, had problems in the production process, causing increased costs and reduced productivity.

Action programs were initiated to counter the material cost increases and solve the problems in the brake lining product area.

**Hydraulic Systems**

| *MSEK* | *2004* | *2003* | *Change* |
|---|---|---|---|
| Net sales | 1,076 | 934 | +15 % |
| Operating profits | 55 | 32 | +73 % |
| Profit margin | 5.1 % | 3.4 % | +1.7 |
| Capital turnover | 3.2 | 3.0 | +0.2 |
| Return on capital | 16.6 % | 10.1 % | +6.5 |

Hydraulic Systems increased shipment with 15 %. Currency adjusted, the increase was 22 %.

Significant sales increase occurred in the product area Fuel Transfer Pumps for diesel engines as a consequence of the sharp increase in heavy truck and construction machinery build rates in North America. A breakthrough took place in Europe, where Daimler Chrysler decided to change suppliers to Haldex. This caused capital production investments in the German factory in Hof.

The sharp profit improvement is explained by several factors: volume increase, productivity improvements and introduction of new products. The effects of material cost increases were to a large part countered by sales price adjustments and changes of suppliers.

**Garphyttan Wire**

| *MSEK* | *2004* | *2003* | *Change* |
|---|---|---|---|
| Net sales | 886 | 793 | +12 % |
| Operating profits | 89 | 75 | +18 % |
| Profit margin | 9.9 % | 9.4 % | +0.5 |
| Capital turnover | 2.7 | 2.4 | +0.3 |
| Return on capital | 27.0 % | 22.3 % | +4.7 |

Garphyttan Wire increased shipments with 12 %. Currency adjusted, the increase was 15 %.

Increased market shares and a trend towards demand for more tensile and refined spring wire products are the main reasons for the sales increase.

The heavy material costs increases were compensated in sales prices.

The result was improved due to volume increase and productivity improvements.

**Traction Systems**

| *MSEK* | *2004* | *2003* | *Change* |
|---|---|---|---|
| Net sales | 643 | 552 | +16 % |
| Operating profits | 24 | 15 | +54 % |
| Profit margin | 3.7 % | 2.8 % | +0.9 |
| Capital turnover | 3.8 | 4.5 | -0.7 |
| Return on capital | 14.3 % | 12.6 % | +1.7 |

Traction Systems increased shipments with 16 %. Currency adjusted, unchanged at 16 %.

In the second half of the year deliveries started of AWD systems to three new American car models. This addition is the main explanation for the sales increase.

Significant new business was won from Land Rover and VW, with combined value of some 3 billion SEK. Delivery start for these projects is late 2006 and late 2007 respectively.

The result was improved sharply. In the fourth quarter the deliveries to the U.S. increased with advantageous currency hedging, explaining the higher profit level in that quarter.

***Cash flow***

The operating cash flow amounted to 276 MSEK (356). Cash flow after capital expenditures was -36 MSEK (88).

The higher result was countered by partly increased working capital as a consequence of increased volumes (the inventory days improved by 1 and the credit days increased by 3), partly higher capital expenditures (eliminate bottlenecks and localization of production to lower cost countries), as well as larger tax payments. The implementation of the Heidelberg restructuring, for which reserves of 57 MSEK had been charged to the result in 2003, affected cash flow negatively.

***Financial position***

The group's interest bearing liabilities at the end of the year amounted to 1,366 MEK (1,130). The net debt amounted to 1,171 MSEK (1,034). Equity amounted to 1,376 MSEK (1,384) and the solidity was 35 % (38). The net debt was increased by 124 MSEK and equity reduced by 86 MSEK as a consequence of the new regulations (IAS 19) regarding calculations of pension debt.

## Results 4th quarter

Earnings before tax amounted to 68 MSEK (52), an increase of 32 %.

Operating profits increased by 25 % to 82 MSEK (65).

The profitability improved to 12.3 % (10.5), partly by improved profit margin to 5.1 % (4.6), partly by increased capital turnover to 2.41 times (2.29).

Net sales amounted to 1,658 MSEK (1,486), an increase of 12 %. Order intake amounted to 1,576 MSEK (1,511), an increase of 4 %. Currency adjusted, the increase was 16 % and 9 % respectively.

In addition to the currency effect, the lower growth rate of order intake in the 4th quarter is explained by the very sharp build rate increase of truck production the market confronted at the end of last year. The vehicle market, in particular heavy vehicles, continued strong in the 4th quarter, but the rate of increase of the truck production was reduced and the forward looking increase rate for 2005 is lower than prior year.

The material cost increase levelled out on a high level, but further cost increases in 2005 can be expected. These will be passed on.

In Commercial Vehicle Systems shipments increased by 9 %. Operating profits improved 24 % and profit margin increased to 3.6 % (3.2). The result and margin also improved compared to the 3rd quarter. The 4th quarter was charged with 5 MSEK to reserve against uncertain accounts receivables due to weak financial situation of a European trailer customer.

Hydraulic Systems increased sales by 12 %, but showed a somewhat weaker result and margin compared to previous year and lower than the 3rd quarter. The 4th quarter was affected by tool costs for production start of a new fuel transfer pump, whereas the 3rd quarter was positively affected by prototype revenues from these pumps.

Garphyttan Wire increased sales by 18 %. The result increased 20 % and the margin improved slightly to 10.1 % (9.9).

The sales in Traction Systems increased by 21 %. The result was doubled and the margin improved to 7.3 % (4.5). The 4th quarter was affected by advantageous currency contracts related to increased U.S. deliveries, which have been hedged.

## Order intake and net sales

The group's order intake for the year amounted to 6,923 MSEK (6,009), an increase of 15 %. Currency adjusted, the increase was 21 %. Net sales amounted to 6,759 MSEK (6,036), an increase of 12 %. Currency adjusted, the increase was 17 %.

Net sales per business area and region developed as shown below. All business areas and regions showed increased sales due to the growing markets and increased market shares in most product areas.

| | | | *Change* | |
|---|---|---|---|---|
| ***MSEK*** | ***2004*** | ***2003*** | ***Nominal*** | ***Currency adj.*** |
| Group | 6,759 | 6,036 | +12 % | +17 % |
| Commercial Vehicle Systems | 4,154 | 3,757 | +11 % | +17 % |
| Hydraulic Systems | 1,076 | 934 | +15 % | +22 % |
| Garphyttan Wire | 886 | 794 | +12 % | +15 % |
| Traction Systems | 643 | 552 | +16 % | +16 % |
| Europe | 3,169 | 2,733 | +16 % | +16 % |
| North America | 3,162 | 2,985 | + 6 % | +16 % |
| Asia | 257 | 183 | +40 % | +50 % |
| South America | 171 | 135 | +27 % | +32 % |

## The market

The commercial vehicle industry showed a positive development during the year and is in a cyclic upturn phase. The upturn was strongest in North America, but also Europe and other regions showed a positive development.

Including the aftermarket, which represents a large part and which only grows marginally, and including the year's currency changes, the combined air brake system market expressed in SEK in the main regions North America and Western Europe can be estimated to have grown some 8 % compared to prior year.

The North American production of heavy trucks (Class 8) increased by 48 % to 261,000 units. Trailer production increased by 25 % to 291,000 units. The increases took place from low levels in 2003.

In Western Europe, production of heavy trucks (> 15 ton) increased by 15 % to 337,000 units. The trailer production is estimated to have increased by 15 % to 155,000 units.

On the markets in Asia, Eastern Europe and South America, the production of heavy trucks totalled 675,000 units. The increases varied from 30 % to 40 %.

The production of light vehicles (passenger cars and light trucks) declined in both North America and Western Europe with 0.5 % to 16.2 billion units in each region. The rest of the world produced 29.8 billion units, an increase of 11 %. China represented the largest increase.

In both North America and Western Europe, the production of construction machinery and forklift tucks increased. The increases varied between 5-25 %.

***China***

The Chinese vehicle industry shows a significant growth and demands increasingly modern technology. Haldex has been present on the Chinese market with its own sales company for 10 years and good customer relations have been built up.

In order to establish a more competitive base and improve the closeness to the market, it has been decided to start local production of several of the group's products.

The production is localized to Suzhou, just west of Shanghai. The investment totals 130 MSEK split between 2005 and 2006 and includes two production plants on a common piece of land; one plant for brake and hydraulic products and one for valve spring wire products. This production is established as wholly owned units. The previous discussions regarding a joint venture with FAW have been discontinued.

Production of certain brake products is estimated to start during the 2$^{nd}$ quarter 2005. Deliveries of valve spring wire products are calculated to begin late 2006.

## Personnel

The number of employees at the end of the year was 4,423 (4,120). The average number of employees during the year was 4,317 (4,018).

The increase of the number of employees is due to partly the added units in Brazil and India and partly the increased number of employees in production as a consequence of increased business volumes.

The average number of employees increased by 7 %. This can be compared to the currency adjusted sales increase of 17 %, indicating a substantial productivity improvement.

## Transactions with closely related entities

Payments of 0.6 MSEK 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 2004. The board has decided to propose to 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 guidance, 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 2004, the board proposes that the dividend is increased to SEK 3:00 (1:75) per share.

## Outlook for 2005

The commercial vehicle industry is expected to show a continued good development. The increase of vehicle production on our main markets is, however, not expected to be as great as during 2004. The market for air brake systems in North America and Europe, including the aftermarket, is estimated to grow 6 % at unchanged prices and currency rates. For Traction Systems, sales will increase mainly as a consequence of the full year effect of the Ford deliveries that started mid year 2004.

The group's sales are estimated to reach somewhat over 7 billion SEK. The volume increase in combination with the effects of the implemented restructuring actions and price adjustments related to material cost increases, are expected to lead to a considerably improved result.

## New accounting principles

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

## Reporting in accordance with IFRS

On pages 14-16, the main effects of the introduction of the IFRS regulations are presented.

## Shareholders' meeting

The annual shareholders' meeting will be held on Wednesday, April 13, 2005 at 16.00 at Polstjärnan Konferens, Sveavägen 77, Stockholm.

## Future reporting

| | |
|---|---|
| Interim report January-March 2005 | April 26 2005 |
| Interim rerport January-June 2005 | July 26 2005 |
| Interim report January-September 2005 | October 26 2005 |

Stockholm 2005-02-22
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This report has not been reviewed by the company auditors.

| **Profit & Loss, Group** | Oct-Dec | | Total | Total | Total |
|---|---|---|---|---|---|
| Amounts in MSEK | 2004 | 2003 | 2004 | 2003 | 2002 |
| **Net sales** | **1,658** | **1,486** | **6,759** | **6,036** | **6,414** |
| Cost of goods sold | -1,269 | -1,108 | -5,110 | -4,491 | -4,790 |
| **Gross profit** | **389** | **378** | **1,649** | **1,545** | **1,624** |
| | **23.5%** | **25.4%** | **24.4%** | **25.6%** | **25.3%** |
| Sales, G&A and R&D costs | -316 | -317 | -1,351 | -1,313 | -1,420 |
| Other operating revenues & costs | 9 | 4 | 15 | 1 | 14 |
| Items affecting comparability | - | - | - | -57 | -41 |
| **Operating income** | **82** | **65** | **313** | **176** | **177** |
| Financial net | -14 | -13 | -57 | -56 | -65 |
| **Earnings before tax** | **68** | **52** | **256** | **120** | **112** |
| Taxes | -13 | -8 | -75 | -50 | -34 |
| Minority share | - | - | -1 | - | - |
| **Net income** | **55** | **44** | **180** | **70** | **78** |
| Earnings per share, SEK | 2:48 | 1:98 | 8:16 | 3:18 | 3:51 |

| **Balance Sheet, Group** | | | |
|---|---|---|---|
| Amounts in MSEK | **041231** | **031231** | **021231** |
| Goodwill | 357 | 398 | 443 |
| Other intangible assets | 132 | 109 | 96 |
| Tangible fixed assets | 1,235 | 1,257 | 1,405 |
| Financial fixed assets | 81 | 59 | 71 |
| Inventories | 727 | 655 | 721 |
| Current receivables | 1,166 | 963 | 1,016 |
| Cash and bank | 187 | 155 | 107 |
| **Assets** | **3,885** | **3,596** | **3,859** |
| Equity [1)] | 1,376 | 1,384 | 1,563 |
| Minority capital | 3 | 4 | - |
| Pension provisions | 291 | 179 | 172 |
| Other provisions | 187 | 233 | 230 |
| Long-term debt | 1,045 | 994 | 1,117 |
| Other long-term liabilities | 18 | 22 | 7 |
| Short-term debt | 22 | 16 | 20 |
| Other current liabilities | 943 | 764 | 750 |
| **Shareholders' equity and liabilities** | **3,885** | **3,596** | **3,859** |

| **Change in shareholders' equity** | | | |
|---|---|---|---|
| Amounts in MSEK | **041231** | **031231** | **021231** |
| Equity beginning of year | 1,384 | 1,563 | 1,813 |
| Adaptation to RR29 | -86 | - | - |
| Buy-back of shares | - | - | - 8 |
| Dividend | -39 | -33 | -33 |
| Currency difference | -63 | -216 | -287 |
| Net income | 180 | 70 | 78 |
| Equity end of period | 1,376 | 1,384 | 1,563 |

| **Cash Flow Statement, Group**<br>Amounts in MSEK | **Total 2004** | **Total 2003** | **Total 2002** |
|---|---|---|---|
| Operating income | 313 | 176 | 177 |
| Depreciation on fixed assets | 286 | 287 | 309 |
| Interests paid | -59 | -54 | -65 |
| Taxes paid | -73 | -48 | -57 |
| Gross operating contribution | 467 | 361 | 364 |
| Change in working capital | -191 | -5 | 183 |
| ***Cash flow from operations*** | ***276*** | ***356*** | ***572*** |
| Net investments | -312 | -268 | -234 |
| Acquisitions | - | -30 | -237 |
| Divestiture of shares | - | 1 | - 3 |
| ***Cash flow from expenditures*** | ***-312*** | ***-297*** | ***-474*** |
| Buy-back of shares | - | - | - 8 |
| Dividend | -39 | -33 | -33 |
| Change in debt | 107 | -2 | -101 |
| Change in other long-term liabilities | - | 15 | 4 |
| Change in long-term receivables | 1 | 14 | - 4 |
| ***Cash flow from financing activities*** | ***69*** | ***-6*** | ***-142*** |
| Change in cash and bank, excluding translation difference | 33 | 53 | -44 |
| Cash and bank at beginning of period | 155 | 107 | 156 |
| Translation difference in cash and bank | -1 | -5 | -5 |
| Cash and bank end of period | 187 | 155 | 107 |

| **Key ratios** | **Total 2004** | **Total 2003** | **Total 2002** |
|---|---|---|---|
| Profit margin, % | 4.7 | 3.1 | 2.9 |
| Capital turnover rate, times | 2.48 | 2.23 | 2.04 |
| Return on capital employed, % | 11.7 | 6.8 | 6.0 |
| Return on equity, % | 12.9 | 4.8 | 4.6 |
| Interest coverage ratio, times, times | 5.0 | 2.8 | 2.5 |
| Equity/assets ratio, % | 35 | 39 | 41 |
| Debt/equity ratio, % | 85 | 74 | 77 |

| **Share data** | **Total 2004** | **Total 2003** | **Total 2002** |
|---|---|---|---|
| Earnings after tax, SEK | 8:16 | 3:18 | 3:51 |
| Shareholders' equity, SEK | 62:37 | 62:71 | 70:83 |
| Average no. of shares, (000) | 22,065 | 22,065 | 22,145 |
| No. of shares end of period, (000) | 22,065 | 22,065 | 22,065 |
| No. of own shares, (000) | 231 | 231 | 231 |
| Market value, SEK | 116:50 | 102:00 | 78:00 |

Quarterly development
Amounts in MSEK

| | *I* | *II* | *III* | *IV* | *Total 2004* | *I* | *II* | *III* | *IV* | *Total 2003* | *Total 2002* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net sales | 1703 | 1753 | 1645 | 1658 | 6759 | 1556 | 1542 | 1452 | 1486 | 6036 | 6414 |
| Cost of goods sold | -1273 | -1320 | -1248 | -1269 | -5110 | -1150 | -1145 | -1088 | -1108 | -4491 | -4790 |
| ***Gross incomet*** | ***430*** | ***433*** | ***397*** | ***389*** | ***1649*** | ***406*** | ***397*** | ***364*** | ***378*** | ***1545*** | ***1624*** |
| | ***25.3%*** | ***24.7%*** | ***24.1%*** | ***23.5%*** | ***24.4%*** | ***26.1%*** | ***25.7%*** | ***25.1%*** | ***25.4%*** | ***25.6%*** | ***25.3%*** |
| Sales, G&A and R&D costs | -343 | -357 | -336 | -316 | -1351 | -339 | -337 | -320 | -317 | -1313 | -1420 |
| Other op. revenues/costs | -2 | 2 | 7 | 9 | 15 | -1 | -7 | 5 | 4 | 1 | 14 |
| Non-recurring items | - | - | - | - | - | -57 | 0 | 0 | 0 | -57 | -41 |
| ***Operating income*** | ***85*** | ***78*** | ***68*** | ***82*** | ***313*** | ***9*** | ***53*** | ***49*** | ***65*** | ***176*** | ***177*** |
| Financial net | -18 | -13 | -12 | -14 | -57 | -12 | -14 | -17 | -13 | -56 | -65 |
| ***Earnings before tax*** | ***67*** | ***65*** | ***56*** | ***68*** | ***256*** | ***-3*** | ***39*** | ***32*** | ***52*** | ***120*** | ***112*** |
| Taxes | -22 | -21 | -19 | -13 | -75 | -18 | -12 | -12 | -8 | -50 | -34 |
| Minority share | -1 | - | - | - | -1 | - | - | - | - | - | - |
| ***Net income*** | ***44*** | ***44*** | ***37*** | ***55*** | ***180*** | ***-21*** | ***27*** | ***20*** | ***44*** | ***70*** | ***78*** |
| Earnings per share, SEK | 2:00 | 1:99 | 1:69 | 2:48 | 8:16 | -0:95 | 1:23 | 0:92 | 1:99 | 3:18 | 3:51 |
| R&D, % | 4.9 | 4.8 | 5.0 | 5.4 | 5.0 | 4.7 | 4.5 | 5.1 | 5.4 | 4.9 | 4.5 |
| Profit margin, % | 5.1 | 4.5 | 4.2 | 5.1 | 4.7 | 0.8 | 3.5 | 3.5 | 4.6 | 3.1 | 2.9 |
| Return on capital employed*), % | 9.7 | 10.6 | 11.2 | 11.7 | 11.7 | 4.6 | 4.3 | 5.0 | 6.8 | 6.8 | 6.0 |
| Return on shareholders' equity*), % | 9.5 | 10.8 | 12.1 | 12.9 | 12.9 | 1.9 | 1.7 | 2.2 | 4.8 | 4.8 | 4.6 |
| Equity/assets ratio, % | 37 | 36 | 36 | 35 | 35 | 39 | 38 | 3 | 39 | 39 | 41 |
| Cash flow | -81 | 23 | -27 | 49 | -36 | -53 | 29 | 36 | 77 | 89 | 338 |
| Capital expenditures | 65 | 88 | 76 | 84 | 313 | 56 | 68 | 56 | 91 | 271 | 246 |
| No. of employees*) | 4071 | 4149 | 4232 | 4317 | 4317 | 4037 | 4024 | 4001 | 4018 | 4018 | 4022 |

*) = rolling 12 months

Segment development
Amounts in MSEK

| | I | II | III | IV | Total 2004 | I | II | III | IV | Total 2003 | Total 2002 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *Commercial Vehicle Systems* | | | | | | | | | | | |
| Net sales | 1054 | 1097 | 1013 | 990 | 4154 | 977 | 955 | 917 | 908 | 3757 | 4260 |
| Operating income | 49 | 36 | 24 | 36 | 145 | 38 | 22 | 21 | 30 | 111 | 158 |
| Operating margin, % | 4.7 | 3.3 | 2.3 | 3.6 | 3.5 | 3.9 | 2.4 | 2.3 | 3.2 | 2.9 | 3.7 |
| Assets | | | 2467 | 2341 | 2341 | | | 2356 | 2234 | 2234 | 2557 |
| Liabilities | | | 568 | 509 | 509 | | | 532 | 513 | 513 | 398 |
| Return on cap. empl.*), % | 6.6 | 7.6 | 7.6 | 7.9 | 7.9 | | | 5.8 | 5.7 | 5.7 | 7.1 |
| Capital expenditures | | | 42 | 46 | 174 | | | 30 | 49 | 131 | 135 |
| Depreciations | | | 45 | 49 | 187 | | | 50 | 48 | 191 | 215 |
| No. of employees*) | | | 2862 | 2914 | 2914 | | | 2700 | 2737 | 2737 | 2735 |
| *Hydraulic Systems* | | | | | | | | | | | |
| Net sales | 255 | 272 | 288 | 261 | 1076 | 230 | 236 | 233 | 235 | 934 | 973 |
| Operating income | 11 | 14 | 21 | 9 | 55 | 7 | 6 | 9 | 10 | 32 | 14 |
| Operating margin, % | 4.1 | 5.4 | 7.2 | 3.5 | 5.1 | 3.1 | 2.5 | 3.7 | 4.3 | 3.4 | 1.4 |
| Assets | | | 490 | 468 | 468 | | | 440 | 410 | 410 | 431 |
| Liabilities | | | 149 | 149 | 149 | | | 131 | 107 | 107 | 125 |
| Return on cap. empl.*), % | 10.5 | 13.7 | 17.0 | 16.6 | 16.6 | | | 8.2 | 10.1 | 10.1 | 4.0 |
| Capital expenditures | | | 18 | 20 | 73 | | | 10 | 20 | 54 | 35 |
| Depreciations | | | 11 | 7 | 40 | | | 12 | 6 | 40 | 45 |
| No. of employees*) | | | 753 | 767 | 767 | | | 692 | 685 | 685 | 681 |
| *Garphyttan Wire* | | | | | | | | | | | |
| Net sales | 240 | 223 | 201 | 222 | 886 | 212 | 211 | 180 | 190 | 793 | 814 |
| Operating income | 25 | 21 | 20 | 23 | 89 | 20 | 22 | 15 | 18 | 75 | 81 |
| Operating margin, % | 10.2 | 9.5 | 9.9 | 10.1 | 9.9 | 9.1 | 10.8 | 7.8 | 9.9 | 9.4 | 9.9 |
| Assets | | | 471 | 479 | 479 | | | 487 | 463 | 463 | 474 |
| Liabilities | | | 152 | 160 | 160 | | | 140 | 122 | 122 | 183 |
| Return on cap. empl.*), % | 23.4 | 23.6 | 25.5 | 27.0 | 27.0 | | | 24.7 | 22.3 | 22.3 | 22.3 |
| Capital expenditures | | | 8 | 15 | 38 | | | 6 | 8 | 35 | 32 |
| Depreciations | | | 9 | 8 | 36 | | | 10 | 9 | 37 | 37 |
| No. of employees*) | | | 432 | 448 | 448 | | | 431 | 421 | 421 | 430 |
| *Traction Systems* | | | | | | | | | | | |
| Net sales | 154 | 161 | 143 | 185 | 643 | 137 | 140 | 122 | 153 | 552 | 367 |
| Operating income | 0 | 7 | 3 | 14 | 24 | 1 | 3 | 4 | 7 | 15 | -35 |
| Operating margin, % | 0.3 | 4.0 | 2.3 | 7.3 | 3.7 | 0.9 | 1.7 | 4.0 | 4.5 | 2.8 | neg |
| Assets | | | 310 | 308 | 308 | | | 257 | 265 | 265 | 185 |
| Liabilities | | | 126 | 146 | 146 | | | 100 | 102 | 102 | 126 |
| Return on cap. empl.*), % | 8.9 | 12.3 | 10.8 | 14.3 | 14.3 | | | 10.0 | 12.6 | 12.6 | neg |
| Capital expenditures | | | 8 | 4 | 29 | | | 10 | 14 | 51 | 44 |
| Depreciations | | | 6 | 6 | 23 | | | 5 | 5 | 19 | 12 |
| No. of employees*) | | | 185 | 188 | 188 | | | 178 | 175 | 175 | 176 |
| *Undistributed* | | | | | | | | | | | |
| Operating income | - | - | - | - | - | -57 | - | - | - | -57 | -41 |
| Financial items | -18 | -13 | -12 | -14 | -57 | -12 | -14 | -17 | -13 | -56 | -65 |
| Taxes | -22 | -21 | -19 | -13 | -55 | -18 | -12 | -12 | -8 | -50 | -34 |
| Assets | | | 135 | 289 | 289 | | | 133 | 224 | 224 | 212 |
| Liabilities | | | 1472 | 1541 | 1541 | | | 1369 | 1364 | 1364 | 1464 |

*) = rolling 12 months

## Reporting in accordance with IFRS as from 2005

Effective from January 1 2005, Haldex prepares its consolidated financial reporting in accordance with International Financial Reporting Standards (IFRS). IFRS is mandatory for all listed companies within the European Union as they are approved by the EU commission.

The following presentation of transition effects is preliminary as the transition rules might be changed which would have impact on the described transition effects during 2005. Additionally the opening balances as per January 1, 2004 is not fully completed which will be done during the first quarter 2005.

Haldex' report for the first quarter 2005, will be the first financial report according to IFRS and would include complete information regarding the transition. Comparison figures for 2004 will be restated.

In the following tables and notes the preliminary transition effects for the change to IFRS is presented.

**Summarized reconciliation of shareholders' equity**

| | 040101 | 041231 | 050101 |
|---|---|---|---|
| **Equity under current GAAP** | 1,384 | 1,376 | 1,376 |
| IFRS adjustments: | | | |
| Minority interest | 4 | 3 | 3 |
| Non-amortization of goodwill | | 32 | 32 |
| Post employee benefits (RR 29) | -124 | | |
| *Fair value gains and losses on derivatives for hedge of:* | | | |
| - Commercial cash flow *) | | | 155 |
| Deferred taxes on IFRS adjustments | 38 | | -47 |
| **Total adjustments to IFRS** | **-82** | **35** | **143** |
| **Preliminary equity under IFRS** | **1,302** | **1,411** | **1,519** |

*) Reporting of derivates according to IFRS does not reflect Haldex view on economic value. Haldex is of the opinion that the market value of derivates is mitigated of value changes in the hedged transactions. The total economic value is therefore neutral according to Haldex.

The market values of derivates are valued although they refer to future forecasted deliveries of goods and therefore should not amount to a net value in the balance sheet. The value will according to the IFRS regulations be totalled with the revenue amount when sales take place and will be written off without impact on earnings.

**Summarized reconciliation of net income**

| | 2004 |
|---|---|
| **Net income under Swedish GAAP** | 180 |
| IFRS adjustments: | |
| Minority interest | 1 |
| Non-amortization of goodwill | 34 |
| **Total adjustments to IFRS** | **35** |
| **Preliminary net income under IFRS** | **215** |

Preliminary effects on following key ratios:

| | IFRS 2004 | Sw GAAP 2004 |
|---|---|---|
| Profit margin, % | 5.2 | 4.7 |
| Return on capital employed *), % | 12.8 | 11.7 |

*) rolling 12 months

**Significant differences between Swedish GAAP and IFRS for Haldex**

*Non-amortization of intangible assets with indefinite useful lives (e.g. goodwill):*
According to Swedish GAAP, all intangible assets have been amortized over their estimated useful lives. In accordance with IFRS, intangible assets considered to have indefinite useful lives should not be amortized. Such assets should rather be subject to an annual impairment test, where its value is determined. On the date of the IFRS adoption, Haldex has determined that intangible assets with indefinite useful lives include only goodwill. The restatements and transition effects attributable to this accounting change therefore pertain to reversal of goodwill amortization charged to the income statement under Swedish GAAP for 2004 and a corresponding increase of the carrying value of goodwill at December 31, 2004, adjusted for currency translation differences. The impairment tests January 1, 2004 and December 31, 2004 has not indicated any need for write-down.

*Fair value of derivative instruments:*
In accordance with IAS 39, which is adopted by Haldex under IFRS on January 1, 2005, all derivative financial instruments should be reported in the balance sheet at fair value. Additionally more strict requirements are introduced for documentation and effectiveness test to permit hedge accounting.

Derivative financial instruments used for hedging of forecasted commercial cash-flows and forecasted electricity consumption: Under Swedish GAAP Haldex has applied hedge accounting for the main part of these derivatives and these instruments have consequently not been reported in the balance sheet (“Off-balance sheet instruments”). Under the general IFRS rule, the change in fair value of outstanding financial derivative instruments should be charged to the income statement. IAS 39 describes how hedge accounting is used to reduce the net income volatility. Haldex intend to apply to hedge accounting according to the cash flow hedge method for hedging of forecasted cash flow and electricity consumption. The change in fair value is according to this rule reported in the equity until the hedged transaction is charged to income statement. To the extent that the requirements are not met, the unrealised gain or loss on derivate transactions will be charged to income statement.

*Minority interests:*
In accordance with IFRS, minority interests are presented as a separate component of Shareholders’ equity and are not included in the net income of the year in the income statement.

*Capitalization and amortization of development costs:*
Effective on January 1, 2002, Haldex adopted the accounting standard RR 15 “Intangible Assets” under Swedish GAAP. According to this accounting standard, expenditures relating to development of new and existing products and software should be capitalized and amortized over their estimated useful life.

According to the transition rules of RR 15, no retroactive application was permitted. According to the transition rules of IFRS, the accounting standard IAS 38, Intangible Assets, which is similar to RR 15 regarding the accounting for development costs, should be applied retroactively for development costs incurred prior to 2002. Haldex has not identified any further intangible assets which according to IAS 38 should be capitalized.