Report 1 Q 2005

- **Earnings after tax increased 38% to MSEK 73 (53). Earnings per share rose to SEK 3.29 (2.34).**

- **Earnings before tax increased 36% to MSEK 102 (75).**

- **Operating income increased 23% to MSEK 117 (95).**

- **Return on capital employed (rolling 12 months) increased to 13.2% (10.0). The profit margin improved to 6.3% (5.6).**

- **Sales increased 8% to MSEK 1,844 (1,703).**
  The increase amounts to 13% after adjusting for currency exchange rates.

- **Order intake rose 9% to MSEK 2,042 (1,875).**
  The increase amounts to 13% after adjusting for currency exchange rates.

- **Important businesses with order value MSEK 900 received, and strategic cooperations established.**

MSEK	*2004*) I*	*II*	*III*	*IV*	*2005 I*	*Change Q1 05/Q1 04*	*Rolling 12 mos.*
Net sales	1,703	1,753	1,645	1,658	1,844	+ 8%	6,900
Operating income	95	88	77	93	117	+23%	375
Earnings before tax	75	74	64	76	102	+36%	316
Earnings after tax	53	51	44	64	73	+38%	232
Profit margin	5.6%	5.0%	4.7%	5.6%	6.3%	+0.7 %-points	5.4%
Return on capital**)	10.0%	11.2%	12.1%	12.8%	13.2%	+3.2 %-points	13.2%

*) All figures for 2004 in this report have been adjusted in accordance with current IFRS regulations, and are comparable with the figures for 2005.
**) Rolling 12 months

Key events

- A delivery agreement was signed with Volvo for the Alfdex system, which was developed in cooperation with Alfa Laval. The Alfdex system efficiently cleans the oil-bearing crankcase gases emitted by diesel engines. Stricter environmental regulations will require this type of cleaning in the future. The order is worth roughly MSEK 400 over the term of the contract, with delivery set to start at the end of 2005.

- An agreement to deliver compressors for brake systems was signed with a leading global manufacturer of diesel engines. Compressors for brake systems are normally mounted on the diesel engine. The deal represents an important breakthrough for Haldex in the product area of compressors for brake systems. The order is worth roughly MSEK 500 over the terms of the contract, with delivery set to start at the end of 2005.

- Haldex and Hendrickson established a strategic cooperation with a view to making Haldex brake technology the standard for Hendrickson's integrated axle and suspension systems for heavy vehicles. Hendrickson, which has its headquarters in Itasca, Illinois, USA, is one of the major global suppliers of axles and suspension systems for heavy vehicles.
  Fully implemented, this cooperative arrangement represents a potential annual increase of roughly MSEK 50 in sales for Haldex.

- Haldex and SKF established (announced in April) a strategic cooperation to jointly develop a complete hub and brake unit for heavy vehicles. The system will be based on Haldex's new generation of disc brakes, and on the "Fixed Brake Shoes with Double Discs" concept. The cooperative arrangement will increase market exposure for Haldex's new disk brake concept, which is under development.

Earnings

In contrast to Q1 2004, last year's figures have been adjusted to comply with the implementation of IFRS (including the elimination of goodwill amortization) in order to achieve comparability with 2005.

Business volumes continued to grow favorably during Q1. Capacity investments were made in certain product areas. Order intake and sales increased 13% after adjusting for currency exchange rates.

Price increases for materials above and beyond the base prices for purchased raw materials and components remained at the same level in Q1 as during the last quarter of 2004. Negotiations during the quarter regarding adjusted sales prices in response to higher material costs resulted in further agreements, the effects of which will gradually become evident.

In comparison with Q1 2004, the increased material prices had a net negative effect of MSEK 5–10 in the first quarter of the current year.

Changes in currency exchange rates had a negative effect of MSEK 3 compared to Q1 2004.

Group earnings after tax totaled MSEK 73 (53), an increase of 38%. Earnings per share rose from SEK 2.34 to SEK 3.29.

Earnings before tax increased 36% to MSEK 102 (75).

Operating income climbed to MSEK 117 (95), an increase of 23%.

The profit margin for the first quarter of the year was 6.3%, an improvement of 0.7 percentage points over last year's 5.6%. Return on capital employed (rolling 12 months) improved 3.2 percentage points to 13.2% (10.0).

Earnings by business area

Commercial Vehicle Systems (CVS)

	Q1		
MSEK	2005	2004	Change
Order intake	1,172	1,108	+ 6%
Sales	1,085	1,054	+ 3%
Operating income	58	58	-
Profit margin	5.3%	5.5%	-0.2
Return on capital (R12)	9.3%	7.2%	+2.1

Sales within CVS increased 3%. The increase amounted to 8% after adjusting for currency exchange rates. The largest sales increases were posted by Foundation Brake (automatic brake adjusters for drum brakes and complete disc brakes) and Brake Controls (ABS/EBS systems, valves and brake cylinders).

After adjusting for exchange rates, the sales increase was greatest in North America (+9%), although Europe and other markets also enjoyed favorable growth collectively (+6%).

Operating income remained unchanged, although the return was better than over the corresponding period the year before. Comparison with Q1 2004 is encumbered by the fact that the burden imposed by the increases in material prices was only marginal in Q1 2004. Improvements were seen in terms of operating income, profit margin and return compared to Q4 2004.

Hydraulic Systems

	Q1		
MSEK	2005	2004	Change
Order intake	342	297	+15%
Sales	284	255	+11%
Operating income	16	11	+47%
Profit margin	5.5%	4.2%	+1.3
Return on capital (R12)	17.4%	11.3%	+6.1

Hydraulic Systems' sales rose 11%. The increase amounted to 17% after adjusting for currency exchange rates. The sales increase was greatest in North America.

The improved operating income, higher profit margin and better return were all attributable to the increased sales. The operating income, operating margin and return also improved in comparison with Q4 2004.

Garphyttan Wire

MSEK	Q1 2005	2004	Change
Order intake	309	299	+ 3%
Sales	274	240	+14%
Operating income	33	25	+34%
Profit margin	11.9%	10.2%	+1.7
Return on capital (R12)	28.7%	23.4%	+5.3

Garphyttan Wire's sales increased 14%. The increase amounted to 17% after adjusting for currency exchange rates. The sales increase was greatest in North America.

Operating income, operating margin and return all improved, mainly as a result of the increase in sales. There was also improvement compared to Q4 2004.

Traction Systems

MSEK	Q1 2005	2004	Change
Order intake	219	171	+28%
Sales	201	154	+31%
Operating income	9	0	nm
Profit margin	4.7%	0.3%	+4.4
Return on capital (R12)	19.0%	10.0%	+9.0

Traction Systems' sales rose 31% (also 31% after adjustment for currency exchange rates). The increase is attributable to Ford deliveries in the USA, which first began during the second half of 2004.

Operating income, operating margin and return improved both because of the increased sales and as a result of favorable currency contracts tied to deliveries to Ford in the USA, which first began in Q3 2004. Earnings were lower than in Q4 2004.

Cash flow

Cash flow from operations totaled MSEK -56 (-16). Cash flow after investments was MSEK -127 (-81).

The higher earnings before depreciation were offset by increased working capital as a result of rising business volumes. Accounts receivable days decreased by one day compared to the figure at year-end, while inventory days increased by four.

Financial situation

The Group's interest-bearing liabilities totaled MSEK 1,383 (1,345) at period-end. Net debt totaled MSEK 1,346 (1,291). Equity totaled MSEK 1,641 (1,429), while the equity-to-assets ratio was 39% (37).

Order intake and net sales

The Group's order intake for Q1 totaled MSEK 2,042 (1,875), an increase of 9%. The increase amounted to 13% after adjusting for currency exchange rates. Sales totaled MSEK 1,844 (1,703), an 8% increase. This increase amounted to 13% after adjusting for currency exchange rates.

The table below shows sales broken down by business area and region.

	Q1		*Change*	
MSEK	***2005***	***2004***	***Nominal***	***X rate-adjusted***
Group	1,844	1,703	+ 8%	+13%
Commercial Vehicle Systems	1,085	1,054	+ 3%	+ 8%
Hydraulic Systems	284	255	+11%	+17%
Garphyttan Wire	274	240	+14%	+17%
Traction Systems	201	154	+31%	+31%
Europe	892	808	+10%	+12%
North America	847	806	+ 5%	+13%
Asia	55	51	+ 8%	+ 6%
South America	50	38	+32%	+29%

Market

Production of heavy commercial vehicles displayed continued positive growth during Q1 2005. The rate of growth was, however, not as high as for 2004 as a whole. Growth was strongest in North America, as was also the case for 2004 as a whole.

Production of heavy trucks in North America is considered to have increased roughly 40% during Q1 2005 as compared to Q1 2004. The increase amounts to roughly 1% compared to Q4 2004.

North American production of heavy trailers increased roughly 15% during the first quarter of the year. Production fell 1% compared to Q4 2004.

Production of heavy trucks in Europe is considered to have increased approximately 12% compared to Q1 2004. Production fell by roughly 2% compared to Q4 2004.

Heavy truck production levels in Asia and South America increased 15% and 10%, respectively. The increase was roughly 10% in Asia compared to Q4 2004, while production in South American declined approximately 10%.

Production of cars and light trucks fell roughly 3% in both North America and Europe during the first quarter of the year.

Production of construction machinery rose approximately 10% in North America, while remaining almost unchanged in Europe. Production of forklift trucks rose approximately 20% in North America, and roughly 5% in Europe.

The forecast for heavy trucks (JD Power Q1-05) for 2005 as a whole has not changed notably compared to the forecast made in Q4 2004. Heavy truck production is expected to increase some 20% in North America, and about 5% in Europe.

Personnel

The number of employees at period-end totaled 4,604, compared to 4,241 at the end of Q1 2004, and 4,423 at the start of the year. The increases derive mainly from direct production personnel as a result of higher business volumes.

Transactions with closely related entities

Payments of MSEK 0.4 for special tasks have been made to a consultancy firm closely related to the chairman of the board.

Outlook for 2005 as a whole

The assessment in the 2004 Year-End Report remains unchanged.

We believe that growth within the commercial vehicle industry will remain favorable. The increases in vehicle production in our primary markets are, however, not expected to be as large as in 2004. The market for compressed air-based brake systems in North America and Europe, including the aftermarket, is expected to grow 6%, assuming no changes in prices or currency exchange rates. Sales for Traction Systems are increasing, mainly as a result of the full-year effects of the Ford deliveries, which began halfway through 2004.

Group sales are expected to total somewhat in excess of SEK 7 billion. The volume increase, combined with the effects of fully implemented restructuring measures and price adjustments tied to increases in material prices, is expected to result in substantially improved earnings.

Reporting in accordance with IFRS

The Group's Q1 2005 Interim Report has been prepared in accordance with the International Financial Reporting Standards (IFRS). All the financial information has been adjusted to conform with IFRS. These adjustments increased the value of total assets and equity by MSEK 23 as per March 31, 2004. The 2004 Income Statement was affected positively by MSEK 8, mainly as a result of reversed amortization of goodwill.

For Haldex, the regulations in IAS 39, which pertains to the reporting of financial instruments, have had the greatest impact. As a result of the transition to IFRS, all financial derivative instruments are valued at their current fair market prices. IAS 39 is to be applied as of January 2005, and is exempt from the requirement calling for adjustment of the figures for the comparison year. This hedged reserve for financial derivative instruments increased equity at the start of the year by MSEK 107.

In the appendix to this report there is a description of the new accounting principles, reconciliations and effects at the transition to IFRS. Comments regarding the transition to IFRS are also be found on page 53 in the Annual Report 2004 – note 27.

Future reporting dates

Interim Report, January-June	July 26, 2005
Interim Report, January-September	October 26, 2005

Stockholm, April 26, 2005
Claes Warnander
President and Group CEO

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This report has not been reviewed by the Company's auditors.

Profit & Loss, Group	Jan-March		April 2004	Total
Amounts in MSEK	2005	2004	-March 2005	2004
Net sales	**1,844**	**1,703**	**6,900**	**6,759**
Cost of goods sold	-1,372	-1,273	-5,209	-5,110
Gross profit	**472**	**430**	**1,691**	**1,649**
	25.6%	**25.3%**	**24.5%**	**24.4%**
Sales, G&A and R&D costs	-358	-343	-1,366	-1,351
Other operating revenues & costs	3	8	50	55
Operating income	**117**	**95**	**375**	**353**
Financial costs	-15	-20	-58	-63
Earnings before tax	**102**	**75**	**317**	**290**
Taxes	-29	-22	-85	-78
Net income	**73**	**53**	**232**	**212**
whereof minority's share	-	*1*	-	*1*
Earnings per share	3:29	2:34	10:45	9:50

Balance Sheet, Group	31 March	31 March	31 Dec
Amounts in MSEK	2005	2004	2004
Goodwill	414	416	389
Other intangible assets	139	120	132
Tangible fixed assets	1,273	1,283	1,235
Financial fixed assets	97	77	98
Financial derivative instruments	118	-	-
Inventories	804	678	727
Current receivables	1,366	1,187	1,166
Cash and bank	37	54	187
Assets	**4,248**	**3,815**	**3,934**
Equity	1,641	1,429	1,425
Pension provisions	295	315	291
Deferred taxes	148	89	115
Long-term interest-bearing debt	1,064	1,005	1,045
Other long-term liabilities	29	19	26
Financial derivative instruments	5	-	-
Short-term debt	24	25	22
Other current liabilities	1,042	933	1,010
Shareholders' equity and liabilities	**4,248**	**3,815**	**3,934**

Change in shareholders' equity Amounts in MSEK	31 March 2005	31 March 2004	31 Dec 2004
Equity beginning of year	1,425	1,384 *)	1,384 *)
Minority capital (IAS1)	-	4	4
Financial derivative instruments (IAS39)	153	-	-
Employee benefits (RR29/IAS19)	-	-124	-124
Revaluation of deferred tax (IAS12)	-	15	15
Deferred tax on IFRS adjustments	-46	37	37
Effect of transition to IFRS	107	-67	-67
Opening balance according to IFRS	1,532	1,317	1,317
Dividend	-	-	-39
Currency difference (including IAS39)	36	59	-65
Net income	73	53	212
Equity end of period	1,641	1,429	1,425
whereof minority's share	*4*	*6*	*3*

*) according to prior accounting principles

Cash Flow Statement, Group Amounts in MSEK	Jan-March 2005	 2004	April 2004 -March 2005	Total 2004
Operating income	117	95	375	353
Depreciation on fixed assets	65	65	253	253
Interests paid	-16	-14	-67	-65
Taxes paid	-29	-21	-82	-74
Gross operating contribution	137	125	479	467
Change in working capital	-193	-141	-243	-191
Cash flow from operations	***-56***	***-16***	***236***	***276***
Net investments	-71	-65	-318	-312
Cash flow from expenditures	***-71***	***-65***	***-318***	***-312***
Dividend to shareholders	-	-	-39	-39
Interest-bearing debt	-24	-13	96	107
Other long-term liabilities	-	-5	5	-
Long-term receivables	-	-3	4	1
Cash flow from financing activities	***-24***	***-21***	***66***	***69***
Change in cash and bank, excluding currency difference	-151	-102	-16	33
Cash and bank beginning of period	187	155	54	155
Translation difference in cash and bank	1	1	-1	-1
Cash and bank end of period	37	54	37	187

Key Ratios	Jan-March		April 2004	Total
	2005	2004	-March 2005	2004
Profit margin, %	6.3	5.6	5.4	5.2
Capital turnover rate, times	2.54	2.55	2.43	2.46
Return on capital employed, %	16.1	14.2	13.2	12.8
Return on equity, %	19.0	14.7	15.7	14.8
Interest coverage ratio, times	7.9	4.8	6.4	5.6
Equity/assets ratio, %	39	37	39	36
Debt/equity ratio, %	82	91	82	82

Share Data	Jan-March		April 2004	Total
	2005	2004	-March 2005	2004
Earnings after tax, SEK	3:29	2:34	10:45	9:50
Shareholders' equity, SEK	74:18	64:53	74:18	64:60
Average no. of shares, (000)	22,065	22,065	22,065	22,065
No. of shares end of period, (000)	22,065	22,065	22,065	22,065
Market value, SEK	133:00	107:00	133:00	116:50

Note 1 – P&L according to type of costs, group

	Jan-March		April 2004	Total
Amounts in MSEK	2005	2004	-March 2005	2004
Net sales	1,844	1,703	6,900	6,759
Direct material costs	-940	-825	-3,464	-3,349
Personnel costs	-465	-449	-1,846	-1,777
Depreciations	-65	-64	-253	-252
Other operating revenues & costs	-257	-270	-962	-975
Operating income	**117**	**95**	**375**	**353**
Financial costs	-15	-20	-58	-63
Earnings before tax	**102**	**75**	**317**	**290**
Taxes	-29	-22	-85	-78
Net income	**73**	**53**	**232**	**212**
whereof minority's share	-	*1*	-	*1*

Quarterly development
Amounts in MSEK

Total	***2005***	***2004***				***Total***	***2003**)***				
	I	***I***	***II***	***III***	***IV***	***2004***	***I***	***II***	***III***	***IV***	***2003***
Net sales	1844	1703	1753	1645	1658	6759	1556	1542	1452	1486	6036
Cost of goods sold	-1372	-1273	-1320	-1248	-1269	-5110	-1150	-1145	-1088	-1108	-4491
Gross income	***472***	***430***	***433***	***397***	***389***	***1649***	***406***	***397***	***364***	***378***	***1545***
	25.6%	***25.3%***	***24.7%***	***24.1%***	***23.5%***	***24.4%***	***26.1%***	***25.7%***	***25.1%***	***25.4%***	***25.6%***
Sales, G&A and R&D costs	-358	-343	-357	-336	-316	-1352	-339	-337	-320	-317	-1313
Other oper. revenues/costs	3	8	12	16	20	56	-58	-7	5	4	-56
Operating income	***117***	***95***	***88***	***77***	***93***	***353***	***9***	***53***	***49***	***65***	***176***
Financial costs	-15	-20	-14	-12	-17	-63	-12	-14	-17	-13	-56
Earnings before tax	***102***	***75***	***74***	***65***	***76***	***290***	***-3***	***39***	***32***	***52***	***120***
Taxes	-29	-22	-23	-21	-12	-78	-18	-12	-12	-8	-50
Operating income	***73***	***53***	***51***	***44***	***64***	***212***	***-21***	***27***	***20***	***44***	***70***
whereof minority's share	-	1	-	-	-	1	-	-	-	-	-
Earnings per share, SEK	3:29	2:34	2:29	2:01	2:86	9:50	-0:95	1:23	0:92	1:99	3:18
R&D, %	4.4	4.9	4.8	5.0	5.4	5.0	4.7	4.5	5.1	5.4	4.9
Profit margin, %	6.3	5.6	5.0	4.7	5.6	5.2	0.8	3.5	3.5	4.6	3.1
Return on capital employed*), %	13.2	10.0	11.2	12.1	12.8	12.8	4.6	4.3	5.0	6.8	6.8
Return on shareholders' equity*), %	15.7	10.0	11.8	13.5	14.8	14.8	1.9	1.7	2.2	4.8	4.8
Equity/assets ratio, %	39	37	36	37	36	36	39	38	3	39	39
Cash flow	-127	-81	23	-27	49	-36	-53	29	36	77	89
Capital expenditures	71	65	88	76	84	313	56	68	56	91	271
Mo. of employees*)	4414	4071	4149	4232	4317	4317	4037	4024	4001	4018	4018

*) rolling 12 months
**) 2003 figures have not been adjusted according to IFRS

Segment reporting
Amounts in MSEK

	2005	*2004*				*Total*	*2003**)*				*Total*
	I	*I*	*II*	*III*	*IV*	*2004*	*I*	*II*	*III*	*IV*	*2003*
Commercial Vehicle Systems											
Net sales	1085	1054	1097	1013	990	4154	977	955	917	908	3757
Operating income	58	58	44	33	44	179	38	22	21	30	111
Operating margin, %	5.3	5.5	4.7	2.3	3.6	3.5	3.9	2.4	2.3	3.2	2.9
Assets	2571	2462	2521	2467	2373	2373	2553	2460	2356	2234	2234
Liabilities	567	528	591	568	509	509	493	534	532	513	513
Return on cap. emp.*), %	9.3	7.2	8.4	8.9	9.6	9.6		4.5	5.8	5.7	5.7
Capital expenditures	35	34	52	42	46	174	17	35	30	49	131
Depreciations	37	38	38	36	41	153	49	44	50	48	191
No. of employees*)	2991	2780	2817	2862	2914	2914	2768	2735	2700	2737	2737
Hydraulic Systems											
Net sales	284	255	272	288	261	1076	230	236	233	235	934
Operating income	16	11	14	21	9	55	7	6	9	10	32
Operating margin, %	5.5	4.2	5.4	7.2	3.5	5.1	3.1	2.5	3.7	4.3	3.4
Assets	529	459	480	490	468	468	461	436	440	410	410
Liabilities	141	118	1345	149	149	149	141	107	131	107	107
Return on cap. empl.*), %	17.4	11.3	13.7	17.0	16.6	16.6		4.1	8.2	10.1	10.1
Capital expenditures	17	12	23	18	20	73	8	16	10	20	54
Depreciations	11	11	11	11	7	40	11	11	12	6	40
No. of employees*)	791	692	732	753	767	767	680	680	692	685	685
Garphyttan Wire											
Net sales	274	240	223	201	222	886	212	211	180	190	793
Operating income	33	25	21	20	23	89	20	22	15	18	75
Operating margin, %	11.9	10.2	9.8	9.9	10.1	9.9	9.1	10.8	7.8	9.9	9.4
Assets	541	482	487	471	479	479	523	495	487	463	463
Liabilities	186	138	163	152	160	160	152	149	140	122	122
Return on cap. empl.*), %	28.7	23.4	23.6	25.5	27.0	27.0		23.2	24.7	22.3	22.3
Capital expenditures	15	10	5	8	15	38	18	3	6	8	35
Depreciations	10	10	10	9	8	36	9	9	10	9	37
No. of employees*)	440	420	419	432	448	448	414	431	431	421	421
Traction Systems											
Net sales	201	154	161	143	185	643	137	140	122	153	552
Operating income	9	0	7	3	14	24	1	3	4	7	15
Operating margin, %	4.7	0.3	4.0	2.3	7.3	3.7	0.9	1.7	4.0	4.5	2.8
Assets	320	271	287	310	308	308	217	253	257	265	265
Liabilities	145	107	129	126	146	146	157	98	100	102	102
Return on cap. empl.*), %	19.0	10.0	12.3	10.8	14.3	14.3		3.5	10.0	12.6	12.6
Capital expenditures	4	9	8	8	4	29	13	14	10	14	51
Depreciations	7	5	5	6	6	23	5	4	5	5	19
No. of employees*)	192	179	181	185	188	188	176	178	178	175	175
Undistributed											
Operating income	1	1	2	1	2	6	-54	-	2	3	-49
Financial costs	-15	-20	-15	-13	-16	-63	-15	-14	-19	-16	-64
Taxes	-29	-22	-21	-19	-13	-55	-18	-12	-12	-8	-50
Assets	287	141	178	150	306	306	141	112	133	224	224
Liabilities	1568	1495	1497	1475	1545	1545	1430	1439	1369	1364	1364

*) rolling 12 months
**) 2003 figures have not been adjusted according to IFRS

<u>Appendix</u>

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 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. The tests that were made per January 1, 2004 and December 31, 2004 respectively showed no cause for write-down.

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 volitility. 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.

Note 6   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 activiated.

Translation of group Income Statement according to IFRS
Amounts in MSEK

Amounts in MSEK	Jan-March 2004 Acc. to Swedish accounting principles	IFRS adjustments	**Jan-March 2004** **Acc. to IFRS**	Total 2004 Acc. to Swedish accounting principles	IFRS adjustments	**Total 2004** **Acc. to IFRS**
Net sales	1,703		**1,703**	6,759		**6,759**
Cost of goods sold	-1,273		**-1,273**	-5,110		**-5,110**
Gross profit	**430**		**430**	**1,649**		**1,649**
	25.3%		**25.3%**	**24.4%**		**24.4%**
Sales, G&A and R&D costs	-343		**-343**	-1,351		**-1,351**
Other oper. revenues/costs note 1	0	8	**8**	21	34	**55**
Operating income	**87**	**8**	**95**	**319**	**34**	**353**
Financial costs	-20		**-20**	-63		**-63**
Earnings before tax	**67**	**8**	**75**	**256**	**34**	**290**
Taxes notes 1 & 2	-22		**-22**	-75	-3	**-78**
Minority share not 3	-1	1	**-**	-1	1	**-**
Net income	**44**	**8**	**53**	**180**	**32**	**212**
Whereof minority's share note 3	-	*1*	***1***	-	*1*	***1***

Translation of group Balance Sheet according to IFRS

Amounts in MSEK

	1 Jan 2004 Acc. to Swedish accounting principles	IFRS adjustments	**1 Jan 2004 Acc. to IFRS**	31 March 2004 Acc. to Swedish accounting principles	IFRS adjustments	**31 March 2004 Acc. to IFRS**	31 Dec 2004 Acc. to Swedish accounting principles	IFRS adjustments	**31 Dec 2004 Acc. to IFRS**	Adjustment for IAS39 4)	**1 Jan 2005 After adjustment to IAS39**
Goodwill note 1	398		**398**	408	8	**416**	357	32	**389**		**389**
Other intangible fixed assets	109		**109**	120		**120**	132		**132**		**132**
Tangible fixed assets	1,257		**1,257**	1,283		**1,283**	1,235		**1,235**		**1,235**
Financial fixed assets note 2	59	15	**74**	62	15	**77**	81	17	**98**		**98**
Financial derivative instruments	-		**0**	-		**-**	-		**-**	148	**148**
Inventories	655		**655**	678		**678**	727		**727**		**727**
Current receivables	963		**963**	1,187		**1,187**	1,166		**1,166**		**1,166**
Cash and bank	155		**155**	54		**54**	187		**187**		**187**
Assets	**3,596**	**15**	**3,611**	**3,792**	**23**	**3,815**	**3,885**	**49**	**3,934**	**148**	**4,082**
Equity note 3	1,388	-71	**1,317**	1,406	23	**1,429**	1,380	45	**1,425**	107	**1,532**
Pension provisions note 5	179	124	**303**	315		**315**	291		**291**		**291**
Deferred taxes notes 1 & 5	126	-38	**88**	89		**89**	111	4	**115**	46	**161**
Long-term interest-bearing debt	994		**994**	1,005		**1,005**	1,045		**1,045**		**1,045**
Other long-term liabilities	22		**22**	19		**19**	26		**26**		**26**
Financial derivative instruments	-		**0**	-		**-**	-		**-**	8	**8**
Short-term debt	16		**16**	25		**25**	22		**22**		**22**
Short-term operating liabilties	871		**871**	933		**933**	1,010		**1,010**	-13	**997**
Shareholders' equity & liabilities	**3,596**	**15**	**3,611**	**3,792**	**23**	**3,815**	**3,885**	**49**	**3,934**	**148**	**4,082**