Haldex

ANNUAL REPORT
2010

Innovative Vehicle Technology

LEGISLATION AND CUSTOMER REQUIREMENTS ARE THE PRINCIPAL FORCES DRIVING DEMAND IN THE SEGMENTS OF THE GLOBAL VEHICLE MARKET IN WHICH HALDEX IS ACTIVE. **TODAY, HALDEX HAS** A PRODUCT PORTFOLIO IN THE AREAS OF **SAFETY, ENVIRONMENT AND VEHICLE DYNAMICS** THAT MATCHES, OR EXCEEDS, THE REQUIREMENTS IMPOSED BY SOCIETY.

Haldex 2010

Haldex in brief

Haldex provides proprietary and innovative technology solutions that improve safety, the environment and vehicle dynamics to specific niches of the global vehicle industry.

By focusing products, development and investments to areas in which the vehicle industry has faced considerable challenges, Haldex has built a profitable and growth-enhancing niche strategy in close partnership with its customers. Today, the company occupies a dominant global market position in several of its product areas.

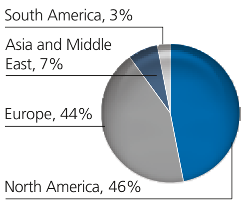
Market

Europe accounted for 44% of Group sales and North America for 46% in 2010. Remaining markets accounted for 10%. The markets in South America and Asia, particularly China, are showing robust growth and their importance to the Group is increasing rapidly.

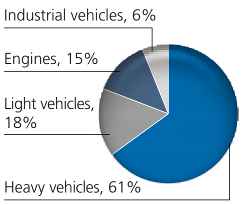
Legislation focusing on traffic safety, the environment and enhanced vehicle dynamics, combined with continuous demands for cost rationalizations, are the driving forces for product development in the vehicle industry. Demand is also driven by the worldwide increase in vehicle production.

Haldex has a global market presence, with production plants in Sweden, Germany, the UK, Hungary, the US, Mexico, Brazil, India and China.

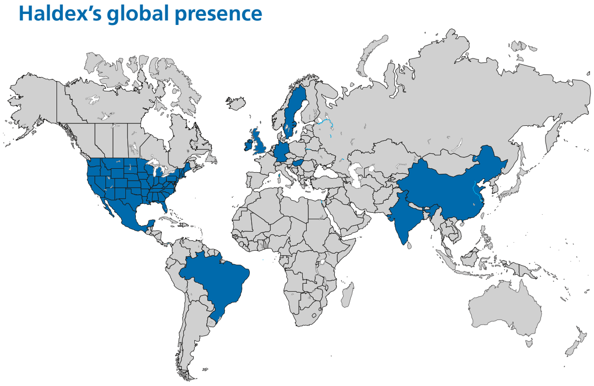
Net sales by region 2010



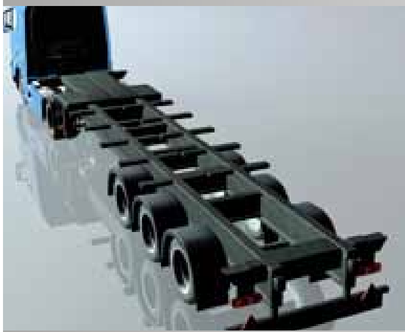
Net sales by customer segment 2010

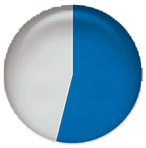
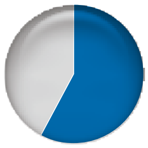
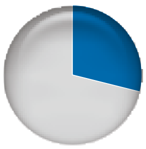
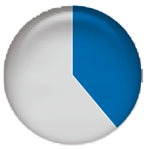
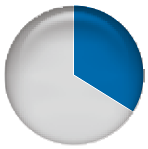
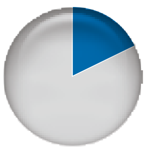
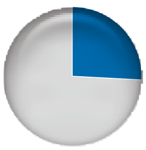
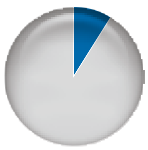


Haldex's global presence



HALDEX DIVISIONS



Operations	Net sales, share of Group total	Operating income[2], share of Group total	Employees, average, share of Group total	Market share
COMMERCIAL VEHICLE SYSTEMS Development and manufacturing of brake systems for heavy trucks, trailers and buses. The product offering covers all primary components and subsystems included in complete air brake systems. Operations are divided into four business units: Actuators, Air Controls, Foundation Brake and Remanufactured Products.	SEK 3,710 m  54%	SEK 162 m  35%	2,191  58%	15% Haldex's share of the market served with its current product program is about 15%. The market share is substantially higher in individual product areas and customer segments. Haldex is the market leader for automatic brake adjusters and air suspension for trailers.
HYDRAULIC SYSTEMS Development and manufacturing of gear and georotor pumps, hydraulic power packs and high-density hydraulic hybrid systems. The applications include hydraulic lifts and fan drive systems. Technology for diesel engines, i.e. pumps for lubricating oil, coolants and diesel fuel, and technology for reducing emissions of exhaust gases from engines.	SEK 1,977 m  29%	SEK 179 m  39%	1,279  34%	20–30% Business unit Hydraulics is a niche player with about 20% of the market share in its market niches. Business unit Engines is a market leader for oil, fuel and water pumps in North America and the rest of the world. Haldex's global market share in these sectors is slightly more than 30%, and just over 40% for oil pumps in North America.
TRACTION SYSTEMS * Development and manufacturing of electronically controllable systems for all-wheel-drive systems for cars, known as AWD systems. The system software can be customized to meet each carmaker's particular desires in terms of driving characteristics and traction. * Haldex divested Traction Systems Division to BorgWarner, Inc on 31 January, 2011.	SEK 1,219 m  18%	SEK 118 m  26%	342  9%	50% Haldex is a market leader in controllable AWD systems. The market share in Europe exceeds 50%.
THE HALDEX GROUP	Net sales, Group total SEK 6,906 m	Operating income, Group total[2] SEK 459 m	Employees, average, Group total 3,812	

[1] All figures show continuing business, excl Garphyttan Wire.

[2] Excluding restructuring costs, one-off items and amortization of acquisition-related surplus values, operating income amounted to 459 MSEK (-131).

Contents

Report from Joakim Olsson, CEO

2010 was a memorable year for Haldex. It was the year in which the decision was taken to demerge the Group into several independent listed companies, and to sell the Traction Division to Borg-Warner. Despite major changes, 2010 was a strong year and the improvement in earnings demonstrated that our cost-reduction and restructuring efforts have generated effects.

2

Strategic orientation

The successful and focused niche strategy has resulted in Haldex's divisions now achieving a size and market position that facilitate their advancement as separate entities.

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Directors' Report

During the second half of 2009, demand stabilized in Haldex's main markets following the most severe decline in the global vehicle industry for a very long time. The positive trend for Haldex continued throughout 2010 in all market segments and regions.

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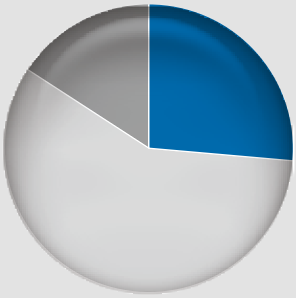

Haldex share

The Haldex share rose 137% in 2010. During the year, the number of shareholders increased 19%.

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The information in this annual report is a translation of the text in the Swedish language annual report and, accordingly, corresponds in all material respects with the original Swedish document. In the event of any contradictions between the texts contained in this document and the text in the Swedish language annual report, the latter shall prevail.

Highlights of 2010

- Sales amounted to SEK 6,906 m (5,622). Adjusted for exchange-rate fluctuations and divestments, sales increased 34% compared with 2009.
- Earnings after tax totaled SEK 131 m (75). Earnings per share amounted to SEK 2.87 (2.40). Earnings per share at December 31, 2009 were SEK 1.86, as calculated using the same number of shares outstanding as in 2010.
- Adjusted* operating income and adjusted* operating margin increased sharply and totaled SEK 459 m (loss: 79) and 6.7% (minus: 1.5) respectively. In the fourth quarter, Haldex once again reported a strong margin, exceeding the Group target of 7%.
- Cash flow after investments remained strong and amounted to SEK 252 m (847), thus giving the Group a strong financial position with a net debt of SEK 684 m (985).

*) Excluding Garphyttan Wire, restructuring costs, nonrecurring items and amortization of acquisition-related surplus values.

The new Haldex

Reorganization of Haldex in accordance with the Board of Directors' proposal of July 16, 2010

In accordance with a press release issued on July 16, 2010, the Haldex Board of Directors proposes a demerger of the company whereby Haldex's three divisions were to become independent, listed companies.

Traction Systems Division was sold on January 31, 2011 to BorgWarner, Inc. However, the reorganization of Commercial Vehicle Systems and Hydraulic Systems into independent listed companies is continuing as planned and the Board of Directors' motions concerning a demerger of the company will be addressed by the shareholders at the Annual General Meeting on June 8, 2011. If the motion is passed, Haldex shareholders will hold shares in two separate companies instead of one.

Read more on page 4.

Extra dividend by way of redemption

The Board proposes an ordinary cash dividend of SEK 3 per share for the 2010 fiscal year. Thanks to the company's strong balance sheet following the divestment of the Traction Systems Division and the proposed demerger of the company, the Board of Directors proposes an additional extraordinary dividend corresponding to SEK 30 per share by way of a share split and an automatic redemption proceeding. Combined with the ordinary cash dividend, this corresponds to a transfer to the Haldex shareholders totaling SEK 1,459 m. Further information will be sent to shareholders separately. Also refer to the distribution of earnings on page 26.

Redemption proceeding in brief

- Each share will be split into two shares, of which one will be redeemable.
- The redeemable share will automatically be redeemed for a cash payment of SEK 30 per share.
- The redemption proceeding is automatic, meaning that no actions are necessary by shareholders.
- The record date for the share split is July 4, 2011 and payment of the redemption funds is expected to be made on July 28, 2011.

Read more on page 26.

Key figures, 3 years

	2010	2009	2008
Net sales, SEK m	6,906	5,622	8,403
Earnings before tax, SEK m	178	54	–55
Earnings after tax, SEK m	131	75	–43
Earnings per share, SEK	2.87	2.40	–1.92
Operating margin[1)], %	6.7	–2.3	3.0
Operating margin, %	4.1	2.8	1.1
Proposed dividend, SEK	3.00	–	–
Proposed dividend including redemption, SEK	33.00	–	–
Return on capital employed, %	7.8	3.9	2.4
Return on equity, %	5.4	4.2	–2.3
Equity/assets ratio, %	47	47	29
Cash flow from operations, SEK m	441	189	857
Net investments, SEK m	212	169	392
Average number of employees	3,811	4,281	6,004

1) Excluding restructuring costs, nonrecurring items and amortization of acquisition-related surplus values.

Report from the CEO
Successful strategy and demerger enhance shareholder value

Throughout the entire crisis, we continued to focus on shareholder value and to deliver world-class technology and expertise in our market segments. We have worked hard to secure the structural changes that were implemented. During 2010, we continued to develop cooperation with our principal customers, cash flows were strengthened and the underlying profitability improved sharply. The objective of an operating margin of 7% was achieved during the second half of the year. As a result of the successful strategy, our divisions have reached such a size and position that their potential for further development will improve if they operate as separate entities. After last year's intensive preparation work, the operations are well equipped to take the next step. With the divestment of Traction Systems Division and the creation of two independent publicly listed companies, we have created additional value for the shareholders.

For companies like ours that operate as suppliers to the vehicle industry, continuous cost control, meticulous quality demands and focus on innovation have been a matter of survival for a long time. Regardless of economic conditions, we have continuously improved our processes and productivity, and developed new more effective solutions in close cooperation with customers. However, the crisis of 2008/2009 led to perhaps the worst decline during the post World War II era, with sharply falling sales and profitability both for vehicle manufacturers and suppliers. The decline was greater than most people could imagine and we saw production drop as much as 60% among our customers. Under these difficult conditions, all Haldex employees did a fantastic job in realigning the company. They deserve a great deal of praise and our sincere thanks for their committed efforts during recent years.

We entered 2010 with very low volumes, and it was difficult to forecast when the recovery would come and how sustained it would be. As early as the first quarter, however, we noted a steady increase in production and delivery volumes. The recovery that had started from very low levels continued throughout the year and we were soon able to ascertain that the worst was over for the global vehicle industry.

Successful strategy

I dare say that Haldex's goal-oriented focus on safety, the environment and vehicle dynamics, combined with successful restructuring of the Group, facilitated our own recovery after the crisis. Solutions that improve vehicle safety are growing rapidly, not only as a result of increased demand but also due to legislative requirements for safer vehicles.

Growing demand for increasingly fuel-efficient vehicles is being driven both by financial considerations and society's demands for a cleaner environment. In the area comprising vehicle dynamics, we are also working with solutions that improve safety, while customer demands for more comfortable and improved vehicle dynamics are another strong driving force.

In parallel with generally improved economic conditions, important Haldex customers have shown continued confidence in the Group. During the summer, we received an order for a new generation of disc brakes from SAF Holland, a global manufacturer of trailer axles and air-suspension systems. The total order value is approximately SEK 1,000 m over a five-year period. The order will also generate deliveries to the aftermarket for many years.

During the fourth quarter, we initiated series deliveries of the successful Alfdex oil separator to three new customers. Alfdex will be used in a new engine produced in Europe and the US by Paccar and in a new platform of large engines for Navistar. John Deere will also use Alfdex in some engines for agricultural machinery. The total order value is approximately SEK 350 m over a five-year period.

One example of our successful efforts to build further on earlier programs of cooperation with key customers is reflected in the Group securing an order for all-wheel drive

IMPORTANT EVENTS IN 2010

World's first rollover simulator approved by UN-ECE

Based on comprehensive input data from road tests, Haldex has developed a rollover simulator. The simulator enables trailer manufacturers to obtain type-approval for vehicles equipped with the Haldex EB+ electronic braking system, in compliance with UN-ECE vehicle system regulations, without requiring the manufacturers to conduct their own resource-intensive road tests.

The Haldex rollover simulator was presented to European approval authorities at a safety forum in Redditch, in the UK, in January 2010. Haldex is the first supplier with the ability to offer a simulator for this specific purpose and the first to receive approval in accordance with UN-ECE's new regulations. The simulator program enables trailer manufacturers that choose the Haldex braking system to conduct faster and more cost-effective development, tests and approval of their vehicles.

Haldex secured order for all-wheel drive system for Volvo Car Corporation

Volvo chose Haldex as supplier of all-wheel-drive (AWD) systems that will replace the current Generation IV in Volvo's existing and future platforms. The AWD system is the fifth generation of the established Haldex coupling and was developed to meet future market requirements concerning weight, costs and fuel consumption. The Haldex coupling will be manufactured and delivered from the Haldex plant in Landskrona, Sweden. The order is an extension of the existing program for Volvo.

Platform in China is strengthened

Sales in China are growing and Haldex is strengthening its platform through allocations of new resources for the local organization. Priority areas for continued growth in China include proprietary production, marketing and sales and technical support. From the time when Haldex had only one sales office in China, the company now has smoothly functioning proprietary operations comprising development, production and sales.

Debut at Nürburgring

Volkswagen chose to test the new Haldex electro-hydraulic differential lock under the toughest conditions in one of its three gas-powered Scirocco racecars in the 24-hour Nürburgring Race in May. The electronically controlled lock combines the positive effects of a conventional differential lock with the advantages of an active controllable system. It creates advantages in the form of more forgiving road handling and


Joakim Olsson,
President and CEO

systems from Volvo Passenger Cars. The system will replace Generation IV systems used now in Volvo's existing platform. It is the fifth generation of the established Haldex coupling.

Profit margin objective achieved

Our innovative solutions combined with increased activity in the market have led to improved volumes. The comprehensive structural changes we implemented also generated continued favorable effects. Haldex's different operating units were able to manage rising volumes with improved profitability. Sales rose 34% and, during the second half of the year, we achieved an underlying operating margin in line with our objective of 7%.

In figures, this means that:

- Sales amounted to SEK 6,906 m (5,622), an increase of 34% currency adjusted.
- Adjusted operating income amounted to SEK 459 m (loss: 79), with an operating margin of 6.7%.
- Cash flow remained strong, totaling SEK 252 m.
- Earnings after tax amounted to SEK 131 m (75) and earnings per share to SEK 2.87 (2.40).

Healthy potential for continued growth in profitability

The increase in sales and the improved profitability are two good signs that the Group's respective units are well-positioned for a continued upswing. We believe there is favorable potential for growth. The assessment is based on three fundamental market conditions:

- The general economic improvement in mature markets.
- Strong demand for Haldex technology and expertise in emerging markets. Demand in these markets is driven by rapid development of the countries' infrastructures, growing customer requirements and more stringent legislative demands on products from the vehicle industry.
- Haldex development of new and innovative products.

reduced understeer problems. The innovative electro-hydraulic system is part of the Haldex modular concept, and all essential parts are the same as the Haldex Generation V system all-wheel-drive coupling that will be delivered to Haldex customers starting in 2012.

Haldex secured order valued at SEK 1,000 million for air disc brakes

Haldex secured an order for a new generation of air disc brakes from SAF Holland, a global manufacturer of trailer axles and suspension systems. The total order value is estimated at approximately SEK 1,000 million over a five-year period. The order will also generate deliveries to the aftermarket for many years to follow. The brakes will be manufactured at the Haldex plant in Landskrona, Sweden, and deliveries are scheduled to begin during 2011.

Concentration of production in North America

Haldex announced in January that operations at two of the Hydraulics Division production units in the US will be consolidated in one plant. Following the consolidation and investments, the plant in Rockford, Illinois, will be a world-class operation with processes in line with lean manufacturing principles for production, development, quality, logistics and customer support.

Haldex also conducted a review of the production structure for Commercial Vehicle Systems in North America. As a result of the review, measures will be implemented to sharpen the focus of the CVS division's production in North America, and the operations will be transferred from Iola, Kansas, to the plant in Monterrey, Mexico.

The production unit in Monterrey is situated in a region with growing importance for the North American vehicle industry and an investment program was completed recently at the plant. Costs for the planned measures total USD 5.6 m (approx. SEK 45 m) and the annual savings are estimated at USD 6 m (SEK 50 m).

Sale of Traction Systems Division to BorgWarner Inc.

Haldex signed an agreement in December 2010 to transfer ownership of its Traction Systems Division to BorgWarner Inc, a global supplier to the automotive industry. The purchase price, which will be paid in cash, amounts to SEK 1,425 m on a debt-free basis. The price corresponds to nearly 14 times historical earnings and provides maximum value for Haldex shareholders, compared with the proposed stock market listing. BorgWarner offers a strategic fit with Traction Systems and a financially strong and experienced owner with the resources to accelerate growth in the markets for all-wheel-drive systems.

Although we noted positive development during 2010 in all Haldex market segments and all regions, we have probably seen only the beginning of the recovery. With respect to heavy trucks, for example, market analysts project strong growth in production in Europe and the US during the next few years.

In emerging markets such as China, India and Brazil, growth in the relevant market segments is expected to be strong, and we have positioned ourselves consciously to capture a share of this growth. From the days when Haldex had only a sales office in China, the Group now conducts smoothly functioning proprietary activities concentrated on development, production and sales. Further establishments are planned in the future.

Forceful product development in close cooperation with our customers remains an area of major importance to Haldex. In line with the strategy to develop high-tech products that meet future environmental legislation, we have, for example, developed a series of intelligent variable-flow water and oil pumps. The pumps can reduce fuel consumption between 0.5 and 3%, and further reduce emissions. Development contracts signed during the year with several leading European truck manufacturers will lead to serial deliveries.

The new Haldex

Haldex proposes to reorganize its divisions into separate listed entities.

Haldex announced plans on July 16, 2010 to restructure the company's divisions into separate, publicly listed companies. The Haldex board will propose to shareholders to reorganize the company's divisions into separate, publicly listed companies. The proposal will be submitted to shareholders at the Annual General Meeting on June 8, 2011.

In the judgment of the Board of Directors and management, reorganization into separate, publicly listed companies will provide long-term added value to the shareholders. The focused strategy has produced results, and the divisions have now achieved a size and profitability that will provide better opportunities as independent, publicly listed companies.

With a streamlined business concept and clearly defined markets and product orientation, each company will be able to focus on profitable growth opportunities, their relevant end-markets and development of independent business activities. From a shareholder perspective, the structural change is expected to provide greater clarity and transparency for existing and future shareholders.

Accordingly, it is a natural step that the shareholders at the next Annual General Meeting will be presented with the motion that Haldex's present divisions – Commercial Vehicle Systems and Hydraulic Systems – will become independent, publicly listed companies, after which Haldex shareholders will own shares in two companies instead of one[1].

The Board of Directors of Haldex will propose a spinoff of the shares in accordance with Sweden's Lex Asea rules. A prerequisite for this is that no information of material importance emerges before the AGM that would justify a different and more preferable course of action.

[1]Traction Systems Division was sold to BorgWarner Inc. on January 31, 2011.

Commercial Vehicle Systems
Commercial Vehicle Systems develops, manufactures and distributes brake products and brake components for heavy trucks, trailers and buses. The product portfolio comprises all main components and sub-systems included in a complete air brake system. Operations are conducted in four business units: Actuators, Air Controls, Foundation Brake and Remanufactured Products.

Hydraulic Systems
The Hydraulic Systems Division is organized in two geographical regions, North America and Europe/Rest of the World. The division develops and manufactures pumps for hydraulic and diesel engine applications. Manufacturing occurs in the UK, India, China, Sweden, Germany and the US.

Creating greater shareholder values

Continuing to defend our position as a successful supplier to the highly competitive vehicle industry, we must be able to demonstrate continuously growing innovative capabilities in terms of products and software as well as in production processes. The pressure to keep finding new solutions that improve performance and the quality of our products is considerable and is increasing all the time. The capability, working in cooperation with customers, to combine new technology with the production processes is critical for success.

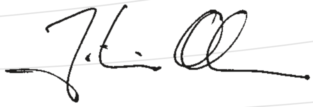
As a result of this successful and focused niche strategy, the three divisions of Haldex – CVS, Hydraulics Systems and Traction Systems – have reached a size and market position that provides better opportunities for each of them to continue their business growth as independent units. The divestment of Traction Systems and establishment of the independent, publicly listed units of CVS and Hydraulics Systems is thus a natural next step in their development. It is also a step that is expected to generate greater value in the long term for Haldex shareholders.

For CVS and Hydraulics Systems, the stock market listings provide both divisions with opportunities to focus on their own business and on the growth and cooperation opportunities presented by their respective markets. They now have streamlined business concepts with clearly defined market and product opportunities that will also provide greater transparency for the shareholders.

Through the sale of Traction Systems Division to BorgWarner of the US, the division now operates under a strong and experienced owner with knowledge, markets and resources to further accelerate the growth of all-wheel-drive systems. And because Traction Systems is such a good strategic fit within BorgWarner, it was also possible to maximize the value for Haldex shareholders through the divestment. The purchase price of SEK 1,425 m corresponds to nearly 14 times the historical earnings and clearly reflects both the quality of the division and its future earnings potential.

During recent years, Haldex has advanced its market positions in "our niches" – environment, safety and vehicle dynamics. We have overcome the worst period of economic decline in the past half century, implemented a comprehensive restructuring of the Group and lowered the breakeven point. The company has a stable financial position and we have created excellent conditions for two independent stock market companies. All Haldex employees have good reason to be proud of the journey the company has made and, at the same time, that we are able to propose that a dividend of SEK 33 per share, a total of SEK 1,459 m, be paid to the shareholders.

Stockholm, March 31, 2011



Joakim Olsson
President and CEO

5 questions to Joakim Olsson

In the summer of 2011, when Haldex is divided into two separate public companies and following the divestment of the Traction Systems Division, President and CEO Joakim Olsson will leave the Group after five years at the helm.

How does it feel to be leaving Haldex?

I will leave the company with mixed emotions. It has been a very enjoyable time and I will miss all the fantastic people and being able to follow first-hand the development of so many new products that I know will be created by the companies. At the same time, we believe that we have achieved what we had planned. We have created strong and well-positioned units with the capacity for continued development as independent units and thus to generate more added value for the shareholders.

What do you consider the most exciting part of your tenure at the helm of Haldex?

Managing such an innovative and global business as Haldex in such a challenging industry as the vehicle industry has been a privilege. Although our ongoing process of change has been both demanding and challenging, I think it has been very exciting to be along for the ride.

Which challenges have been the greatest?

Due to the deep recession and effects of the financial crisis, 2008-2009 was a very difficult time for Haldex employees that simply cannot be overlooked. And most of all, naturally, for the people who were forced to leave us. In a more long-term perspective, it was also a challenge to transform the company from a locally focused organization with more or less developed business activities to focus and become a world leader in a number of cutting-edge business areas.

What will you take with you from time with Haldex?

I think the most important experiences will be the tremendous importance of innovation and continuous development of new products and processes, but also the importance of dedicated employees who contribute to the successful implementation of major changes. Another lesson is to never cut corners on quality. Every person who has ever worked with providing supplies to the global vehicle industry knows that the demands for quality and first-class processes are rigorous.

What will be the most lasting memory of your time with Haldex?

First of all, I will remember many of the people who have worked and still work for Haldex. And there's no doubt that I will remember the fantastic development in countries such as China and India. Nor will I ever forget Christmas morning 2008, when we sold Garphyttan, or the fantastic "receipt" for a job well-done we received when Volkswagen booked the largest order in the history of Haldex in 2009. One thing I will *miss* is the opportunity to travel to Arjeplog and conduct test drives with the development engineers – that is really an experience!

Strategic orientation – strong platform for the "new companies"

Acquisitions and divestments

In line with its strategy, Haldex has continuously assessed its operations and alternative structural potential as part of efforts to enhance the competitiveness of its business units. The acquisition of Concentric was strategically significant, offering Haldex Hydraulics a global-leading position in the key segment of emissions reduction and fuel efficiency for diesel engines, an area in which increasingly stringent environmental legislation and ever-higher fuel prices are driving customer requirements.

It is occasionally necessary to divest operations in order to focus keenly on areas in which the company can attain leading market positions, while also expanding with favorable earnings. Garphyttan Wire – divested in 2009 – was an operation in which Haldex could not attain equally large industrial synergies as the purchaser, Suzuki Metal.

By selling Traction to the US-based BorgWarner, the division gains a domicile with a strong and experienced owner who offers the expertise, markets and resources to further add to the growth of the AWD system. Precisely because Traction is so ideally suited to its new owner, it also proved possible to maximize the value for Haldex shareholders.

Structural changes for positioning in innovative future areas

Focus on profitability

As early as 2005, change programs were initiated in a bid to strengthen Haldex's profitability and to simplify and enhance the efficiency of corporate governance. Among other projects, target-oriented efforts were introduced to reduce purchasing costs, leading to a higher proportion of purchases from low-cost countries. In addition, the number of production facilities was reduced and production moved to countries offering lower costs.

Change-oriented programs that were developed during the deep crisis that commenced in 2008 led to savings of some SEK 700 m. The program was extended in 2010 to achieve additional savings of some SEK 100 m.

Since 2006, the number of production facilities has been reduced from 21 to 18, and the number of distribution centers from seven to four. From previously having less than one third of facilities in low-cost countries, half of Haldex' production plants are now located in these economies.

The extensive programs of change are having an impact. When the economy turned around in 2010, Haldex managed the rising volumes while reporting improved earnings. Sales rose 34% and during the second half of the year the underlying operating margin advanced to meet the target of 7 percent.

Competitive units focusing on profitability

The Haldex Way and cultural change

In order to capitalize on the excellent growth conditions, the various parts of the Group must continuously improve their cost-effectiveness and raise their productivity. This work is conducted within the framework of the overall management and process-improvement system known as Haldex Way.

Haldex Way focuses on customer satisfaction and achieving world-class production. The base for Haldex Way comprises the philosophy of "lean production" with the purpose of continuously connecting flows between customers, sub-suppliers, production and product development. Haldex Way is an integrated management philosophy for the entire value chain that encompasses products, information and future requirements. Haldex Way provides a joint sense of direction based on active leadership and a uniform culture, while achieving proper changes and improvements in Group operations.

Haldex Way is based on the Group's the fundamental value:

- Customer first
- Respect för the individual
- Elimination of waste

Committed people are a prerequisite for achieving major changes and, in this context, creating a culture that encourages performance, responsibility and the capacity for change have been decisive to Haldex's success. To create a stronger company, Haldex has assigned great importance to efforts to encourage careful attention and consideration concerning how changes are to be implemented. Focus has been on performance and competence, combined with distinct leadership.

A "lean" organization with a culture that is considerate and encourages performance, responsibility and the ability to change

Haldex's strategic orientation is marked by a targeted focus on product areas in which the company can attain leading positions. The goal is to create competitive units with the potential to offer sustainable growth and solid profitability.

Innovation and product development

Over a protracted period, considerable demands for innovation, quality and product development have been crucial issues for the automotive sector. A targeted niche strategy has permitted Haldex to offer highly demanding global customers proprietary products at the leading edge of technology.

Haldex is a specialist in transforming innovations into profitable and world-leading products in the company's market segments.

Haldex has succeeded in developing technical solutions that match customer requirements and serve them for many years ahead. This ability has made the company a supplier to renowned, outstanding manufacturers such as VW, Daimler, GM, MAN, Volvo and Scania, along with brands such as Caterpillar, Still, Zepro and John Deere.

Having world-leading customers does not only impose highly stringent requirements on innovation, product development and quality – it is also confirmation of Haldex' own successes and world leadership.

Application of innovations to shape profitable and world-leading products that match future customer requirements

New emerging markets

Demand for Haldex's technology and expertise is strong in emerging markets. In these economies, demand is driven by such factors as the rapid expansion of infrastructure, growing customer requirements and stricter legislative requirements concerning products from the vehicle industry.

In countries such as China, India and Brazil, the relevant markets are expected to grow sharply in the future and Haldex has consciously positioned itself to capture part of that growth.

The company is strengthening its platform in the Chinese market. From previously having only a sales office in China, Haldex now has smoothly functioning proprietary operations there, involving development, manufacturing and sales; and plans are in progress to strengthen the company's presence in China in the future.

Well-positioned with an established organization focused on future growth

Next step

All units have advanced their market positions in the key niches involving the environment, safety and vehicle dynamics. Haldex has survived a deep recession, which prompted it to conduct extensive restructuring programs. The company has a stable financial position and has reduced its break-even level.

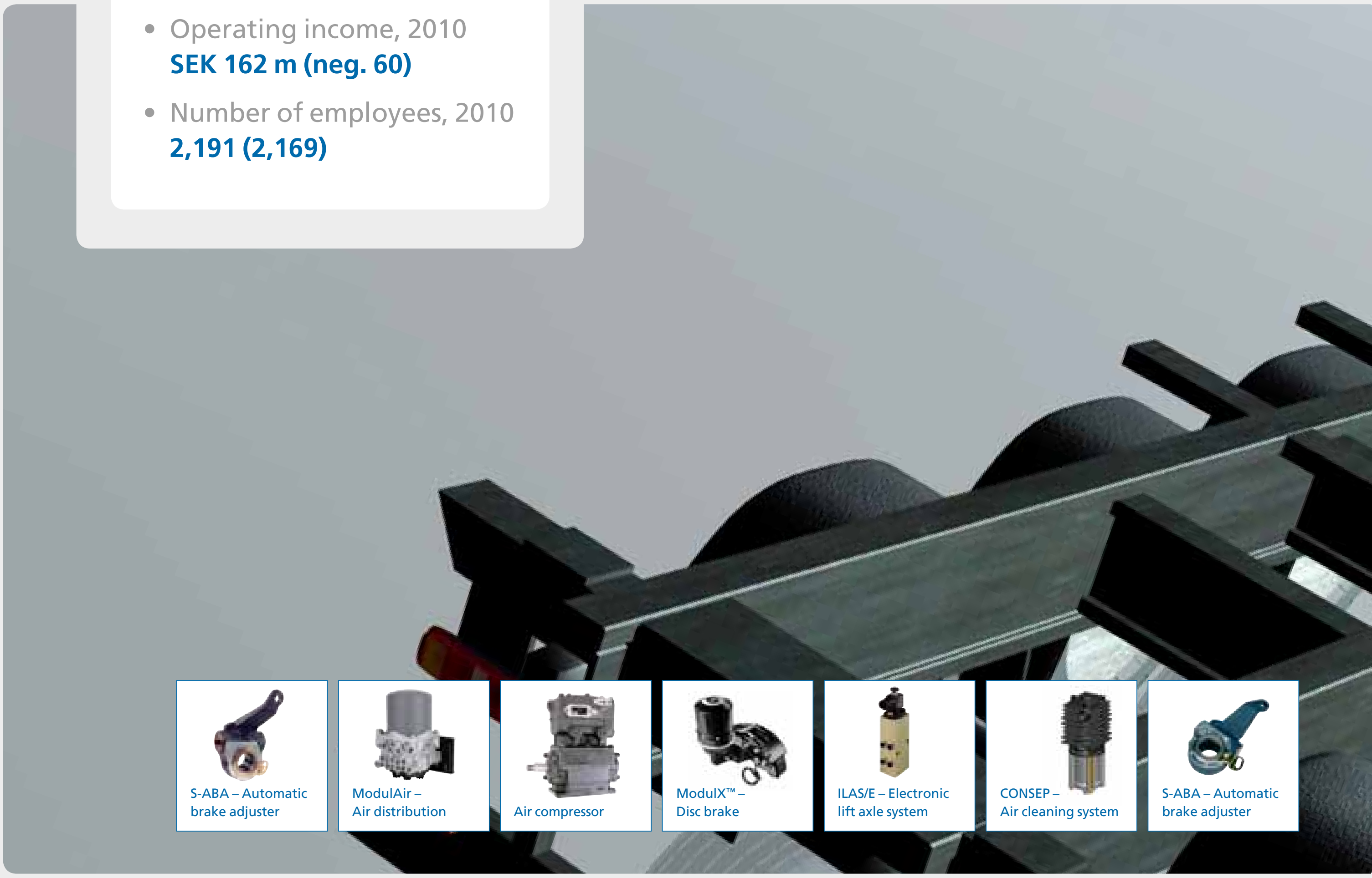
The division of the company into two separate listed companies and the sale of Traction may be viewed as the next natural step. For CVS and Hydraulics, a market listing entails streamlined business concepts with distinct market and product orientations, which have also provided increased transparency for the shareholders. Along with the divestment of Traction, this offers favorable potential to raise the long-term value for Haldex's shareholders.

Value growth for Haldex's shareholders

- *Two well-positioned companies with solid platforms for further value creation*
- *Extra dividend for the shareholders*

Commercial Vehicle Systems Division

- Net sales, 2010
  SEK 3,710 m (3,134)
- Operating income, 2010
  SEK 162 m (neg. 60)
- Number of employees, 2010
  2,191 (2,169)



Operations/Products

Commercial Vehicle Systems develops, manufactures and distributes brake products and brake components for heavy trucks, trailers and buses. The product portfolio comprises all main components and sub-systems included in a complete air brake system. Operations are conducted in four business units: Actuators, Air Controls, Foundation Brake and Remanufactured Products.

- **Actuators** manufactures brake cylinders that convert energy in the form of compressed air to the mechanical movement required to activate the wheel brakes.
- **Air Controls** develops and manufactures products to dehumidify and regulate compressed air in brake systems, such as air dehumidifiers and air purifiers, as well as air suspension systems, valves and electronically regulated subsystems (ABS, ESP, EBS).
- **Foundation Brake** develops and produces the wheel-brake products that provide the actual braking effect, such as disc brakes, automatic brake adjusters for drum brakes and electronic sensor systems for indicating wear on brake surfaces.
- **Remanufactured Products** provides friction material and relining of drum brakes, remanufacturing and other services.

Manufacturing

Manufacturing occurs in Brazil, India, China, Mexico, Sweden, Germany, Hungary and the US.

Strategy

- Increasing profitability through improvements in operations and supply chain management
- Maintaining the global market leadership of automatic brake adjusters
- Capitalizing on growth opportunities in emerging markets
- Fully exploiting the competitive edge provided by Haldex's strong position in ABS, Air Suspension and Control Valves for trailers
- Increasing customer value by incorporating additional functionality to satisfy future requirements concerning brake function and diagnostics
- Building on the strong position in the aftermarket

Goals/Strategies

Being a reliable source of brake-systems expertise for the global commercial vehicle industry. To increase sales by growing in emerging geographic markets such as China, India and Brazil. Increasing integration of the division's own operations and capitalizing on the strong aftermarket position.

Market shares

The share of the market that can be served with Haldex's current product program amounts to about 15%. In individual product areas and customer segments, Haldex has a significantly higher market share. Haldex is the market leader in automatic brake adjusters and air suspension for trailers.

Customers

Customers are manufacturers of heavy trucks, buses and trailers, as well as axle manufacturers for these types of vehicles. Some 27% of sales are to truck and bus manufacturers, while approximately 17% are to trailer manufacturers. (Aftermarket sales comprise 56% of sales.)
The distribution of sales between North America and Europe is 60% and 40%, with truck manufacturers accounting for 56% of sales in Europe and 63% in North America.

Competitors

The principal competitors are Knorr Bremse and Wabco. These two companies have complete product portfolios and, like Haldex, operate globally. An additional competitor is Meritor within certain product areas.

After the restructuring work and the focusing of product strategies, Commercial Vehicle Systems is well prepared for an improving market situation characterized by growing demand. In 2010, the division continued extensive efforts to drive higher growth and profitability and, as part of these efforts, changes were made in the North American operations during the year. After an establishment of and investments in a new factory building in Monterrey, Mexico, manufacturing in the CVS factory in Iola, Kansas was moved to the new unit in Monterrey in the latter half of 2010. The production of brake cylinders had already been moved to the factory. During the year, the division also announced the relocation of manufacturing in the factory in Grand Haven, Michigan, to Monterrey. Work on moving production will begin in the second quarter of 2011. The factory is located in a region of growing significance to the North American vehicle industry.

Market trend in 2010

Global production of trucks increased by 57% in 2010 compared with the preceding year.

North America

In the second quarter of 2010, volumes began to increase from low levels in pace with the improving economy, an accompanying increase in demand for transports and major haulers beginning to invest in new vehicles. This increase then gradually continued during the year. In total, production in North America in 2010 increased by 29% compared with 2009.

Trailer manufacturing also grew steadily during the year, increasing by 55% in 2010 compared with 2009.

The aftermarket trend was also characterized by a stable, gradual increase in volume.

Europe

During the year, the beginnings of a recovery from very low levels were noted. The year began weakly with low manufacturing figures for trucks, but with indications of an improvement at the end of the first quarter. The gradual increase during the year resulted in 62% higher production compared with the historically low levels of 2009.

Trailer production increased 31% compared with 2009.

The aftermarket exhibited stable development during the year.

Asia and South America

In China, growing numbers of heavy trucks are being equipped with advanced technology in pace with legislation for better safety. In late 2010, brake legislation compliant with the European equivalent entered into effect. In India, a transition is in progress from medium-weight trucks to larger vehicles with more advanced technological solutions. Legislation is fueling development in this region too, and in 2007 India passed legislation regarding automatic brake adjusters. A new proposal for new legislation regarding ABS, antilock braking systems, is expected to be passed in coming years.

Haldex in the market

North America

Haldex continued to achieve successes in the North American market in 2010. For example, the Group succeeded in motivating a number of large transport companies to choose Haldex solutions for brake systems on their vehicles. The most significant example is the North American trailer manufacturer, Wabash National, which chose Haldex Gold Seal Long Stroke brake cylinders as standard equipment for its trailers. Another example is UPS, which chose Haldex's automatic brake adjusters on new trucks from Mack, and Haldex's ABS and brake adjusters for trailers.

Haldex also had a strong year in the North American aftermarket, such as an agreement with the retail chain General Parts (Carquest) through which Haldex is the exclusive supplier of remanufactured products for the chain's service points.

Europe

In 2010, Haldex launched the world's first simulator for roll-over control for trailers. The simulator enables trailer manufacturers to obtain type approval for vehicles equipped with the Haldex electronic brake system EB+, so that the vehicle meets regulatory requirements for vehicle systems UN-ECE (including new regulations for brake systems), without the manufacturers themselves needing to conduct their own resource-intensive road tests.

The Haldex roll-over simulator was launched for European authorities at a safety forum in the UK in January, 2010. Haldex is the first supplier to offer a simulator for this purpose and the first to obtain approval under the new UN-ECE regulations, which provides a competitive advantage.

The European customers continued to show confidence in Haldex and at mid-year, the Group secured an order for a new generation of disc brakes for SAF Holland, a global manufacturer of trailer axles and air suspensions. The total order value is estimated to amount to about SEK 1,000 m over five years. The order will also generate deliveries to the aftermarket. The brakes will be manufactured in Haldex's factory in Landskrona, Sweden and deliveries are scheduled to commence in the second quarter of 2011. The new generation disc brake, ModulT,

COMMERCIAL VEHICLE SYSTEMS 2010 – FACTS AND FIGURES

Sales and earnings

- Sales amounted to SEK 3,710 m (3,134). Adjusted for currency-exchange rates, sales were up 25%.
- Adjusted* operating income of SEK 162 m (loss: 60) was reported.

Significant events in 2010

- Investments in the new factory in Monterrey, Mexico, followed by a relocation of manufacturing from production units in North America.
- Order for a new generation of disc brakes for SAF Holland. The total order value is estimated at about SEK 1,000 m over five years. The order will also generate deliveries to the aftermarket.
- Order for automatic brake adjusters for a leading European truck manufacturer. The order is worth around SEK 300 m and the contract extends to 2018.

Focus in 2011

- Ensure efficiency and delivery reliability when the market normalizes
- Maintain global market leadership of automatic brake adjusters
- Capitalize on growth opportunities in emerging markets
- Further strengthen the aftermarket position
- Increase customer value by incorporating additional functionality to satisfy future requirements concerning brake function and diagnostics
- Launch of new ABS and disc-brake products

Vehicle production in 2010 compared with 2009, total market

	North America	Europe
Heavy trucks	29%	62%
Trailers	55%	31%

* Excluding restructuring costs.

is substantially lighter than a conventional disc brake and has a robust, reliable design.

Haldex also obtained an order for automatic brake adjusters for a leading European truck manufacturer. The value of the order is around SEK 300 m and the agreement extends to 2018.

Further proof of the market's appreciation of Haldex's products came during the year when the Group won the industry's own "Trailer Innovation Award 2011" for its trailer control module TrCM+, which includes a safer parking brake. One of the most common causes of accidents is mistakes made in conjunction with the connection and release of trailers. Haldex developed the TrCM+ trailer control module to prevent this kind of accident. The large French transport companies GEODIS BM with around 6,000 vehicles and STEF-TFE with 3,700 vehicles have equipped their vehicles with this solution.

Asia

In China, Haldex has a comprehensive organization with development, production and sales of disc brakes and automatic brake adjusters for the domestic market and for export to other Asian countries and Europe. Anti-lock braking systems (ABS) and brake cylinders are also manufactured in China. Customers are found in the truck, bus and trailer segments. Today, however, the technology offered by Haldex is primarily sold to bus manufacturers and manufacturers of trucks with a high level of technology.

A large number of new customers chose Haldex to supply ABS and disc brakes in China, and Haldex's position in automatic brake adjusters in India was further strengthened during the year. The expansion also continued with other product categories in India.

Research and development

CVS has five development centers in Europe, India and the US for research, development, applications and design solutions.

A new generation of disc brakes for the trailer segment was launched in 2010. ModulT is around 15% lighter than existing models, which enables higher freight weights that in turn contribute to a better environment. Up to the end of 2011, ModulT will be available in a special version exclusively developed for SAF Holland, a global manufacturer of trailer axles and air suspensions.

ModulAir is an example of a product that was developed by Haldex to satisfy increased demand for system integration. ModulAir is a modular product program for compressed air treatment and air distribution for trucks and buses. In 2010, the development of ModulAir continued in a test and verification phase. Production is scheduled to commence in 2011.

To satisfy legislation concerning vehicle stability and shorter braking distances, the development of ABS/EBS continues. In 2010, Haldex promoted systems and products supported by new legislation in Brazil, China and India.

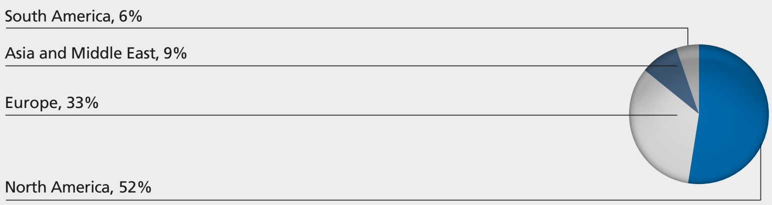
In June, Haldex hosted a meeting of the participants in the EU project, Highly Automated Vehicle for Intelligent Transport (HAVEit), aimed at improving traffic safety. In the scope of the project, Haldex continues to develop its Brake-by-Wire system with electromechanical collaring and control. The objective is to conduct a homologation project on a Volvo truck. This means qualifying systems with their functions with regard to the existing brake legislation in Europe. The Brake-by-Wire system provides shorter braking distances and a better pedal feel for the driver.

Cont.

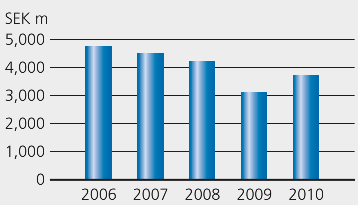
Key data, SEK m	2010	2009
Net sales	3,710	3,134
Operating income/loss 1)	162	–60
Operating income/loss	110	–112
Operating margin 1), %	4.4	–1.9
Operating margin, %	3.0	–3.6
Assets	2,239	2,285
Liabilities	706	527
Return on capital employed 2), %	5.9	–5.1
Investments	146	103
Depreciation	146	144
Number of employees 2)	2,191	2,169

1) Excluding restructuring costs, nonrecurring items and amortization of acquisition-related surplus values
2) Rolling 12 months

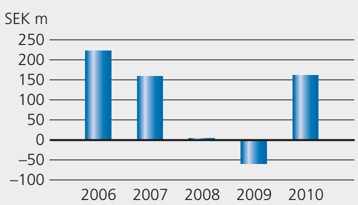
Net sales by region 2010



Net sales



Operating income/loss 1)



The vehicle market

TRENDS AND DRIVING FORCES

Solutions and systems that improve vehicle safety are areas that are expanding faster than the vehicle market as a whole. The primary drivers underlying this trend are the continuous tightening of standards by law makers in the US, South America, Europe and Asia, and vehicle manufacturers' aim of offering the market safe vehicles, which is a key element of their identity and brand.

Legislation

Brakes

The US passed new federal regulations for shorter braking distances for trucks in 2009, entailing a 30% reduction in braking distance for new, heavy trucks compared with current requirements for braking distances. The regulations will come into effect over a four-year period beginning with 2012 models.

Regulations and enhanced safety measures are also continuously being implemented in emerging markets. China and India passed legislation regarding automatic brake adjusters in 2007, and in China, legislation compliant with the European ECE R-13 equivalent came into effect at the end of 2010. In 2009, Brazil decided to implement ABS standards for heavy vehicles, which will become effective in 2013.

Electronic stability control

In 2009, the EU passed regulations regarding the electronic stability control of heavy vehicles. The regulations will apply to new truck and trailer models as of the end of 2011 and for all new heavy vehicles by the end of 2014.

The US National Highway Traffic Safety Administration is conducting discussions regarding stability control and automatic emergency braking of trucks to further enhance traffic safety.

Customer demands

Since subcontractors occupy a key role in the product development effort, vehicle manufacturers expect them to be highly competent and are intensifying their demands for them to continuously offer safer systems and products. The manufacturers' expectations entail the need for a sharp focus on quality among suppliers, if they are to be considered for a partnership, which entails that the companies that can offer a high level of quality and safety in their technology and products have a competitive advantage.

OEM AND THE AFTERMARKET

OEM market

The Haldex Group's customers are predominantly large, global manufacturers of commercial and industrial vehicles and diesel engines, also known as Original Equipment Manufacturers (OEM).

Trucks, trailers and buses

Manufacturers of heavy trucks, buses and trailers, as well as axle manufacturers for these vehicles comprise a number of large companies at global or regional levels.

Commercial Vehicle Systems is a supplier to these OEMs. CVS operates in a market comprising primarily three global competitors, of which Haldex is one.

Demand for Haldex's product and system solutions is greatly influenced by the production levels of OEM manufacturers. At the same time, several important variations often give rise to a different trend in the market served by Haldex, compared with the vehicle market in general:

- The market served by Haldex is larger for trucks than for trailers, since trucks are equipped with certain brake products that are not included in trailers.
- The markets in Europe and North America differ in several respects. In Europe, for example, disc brakes are installed in about 75% of all new trucks. The corresponding figure in North America is less than 5% since drum brakes continue to dominate this market.

Aftermarket

Normally, demand in the aftermarket is significantly more stable over an economic cycle than the production of trucks and trailers. Accordingly, the aftermarket has a stabilizing effect on Haldex's sales during periods of both economic growth and decline. Aftermarket activities normally account for about 40% of CVS' sales.

North America

The North American aftermarket can be divided into three segments:

1. OEMs' own activities, OES

All major North American OEMs have their own activities for sales and distribution of spare parts and service, OESs. These activities

HALDEX SYSTEMS AND SOLUTIONS

Haldex is one of four major global players in brake systems for heavy trucks, trailers and buses. In terms of product categories, Haldex occupies a leading position in the global market for automatic brake adjusters, which is a critical component for and enabler of even more advanced brake systems in trucks and trailers. Haldex has a leading position in the European market for brake and air-suspension system solutions for the trailer segment. In North America, Haldex has a strong position in components for the wheel-brake unit for drum brakes. In recent years, an increasing number of truck makers in the North American market have selected Haldex products as standard equipment for their vehicles.

Shorter braking distances

In North America, over 95% of new trucks have drum brakes. In this market, Haldex is strongly positioned in components for the wheel-brake unit for drum brakes with its automatic brake adjusters and brake cylinders, which are vital components in achieving shorter braking distances and are thus essential to meeting new regulatory requirements. Haldex has the competence and capacity to adapt its components to comply with the client companies' specifications and increased demands.

In the European market, disc brakes for trucks and trailers dominate the market. Haldex offers ModulT, a reliable, robust, new generation disc brake, which is 15% lighter compared with other designs.

In emerging markets such as India, China and Brazil, Haldex is well established with development and production facilities for automatic brake adjusters and other products. Development and production in these countries is decisive for meeting local demand in the best possible way.

Stability control

The basis for Haldex's system solutions in the trailer segment is the electronic brake system EB+ Gen2. In addition to electronic stability control (ESC), EB+ Gen2 also comprises intelligent control of lift axles (ILAS) and a new product generation for raising/lowering trailer chassis (COLAS+), which also includes a roll-on roll-off function for optimal adaptation and safety in connection with, for example, ferry transportation. The system also offers Reset To Ride, Haldex's patented comfort and safety function for automatic repositioning of the chassis level after loading and unloading. Haldex Softdocking detects the distance between the trailer and the ramp when backing a vehicle up toward a loading ramp, avoiding damage to either when loading or unloading. This braking system is automatically activated when the vehicle has less than 0.5 meters to the ramp.

account for slightly more than 40% of the total aftermarket. They are carried out on a franchising basis by contractors and form national networks of dealers who sell new vehicles, offer service and sell spare parts. These dealers may have contracts with several vehicle manufacturers, often in various combinations of trucks and trailers.

2. Specialists – Warehouse Distributors

Warehouse distributors account for an increasing proportion of the aftermarket. These independent contractors are not linked to any truck manufacturers and offer spare parts and service for all vehicle brands in the market.

3. Retailers – Automotive Parts

Retail chains including Napa, Carquest and O'Reilly comprise an additional part of the aftermarket, and focus their activities on sales of spare parts for heavy trucks.

A significant portion of Haldex's initiatives in the North American aftermarket is targeted at major haulers and logistics companies with extensive vehicle fleets, such as Walmart and FedEx. Haldex's sales team supplies these companies with information and advice on the Group's products. The haulers' requests in terms of equipment and systems determine the products and suppliers chosen by the vehicle manufacturers as standard equipment for trucks and trailers.

Europe

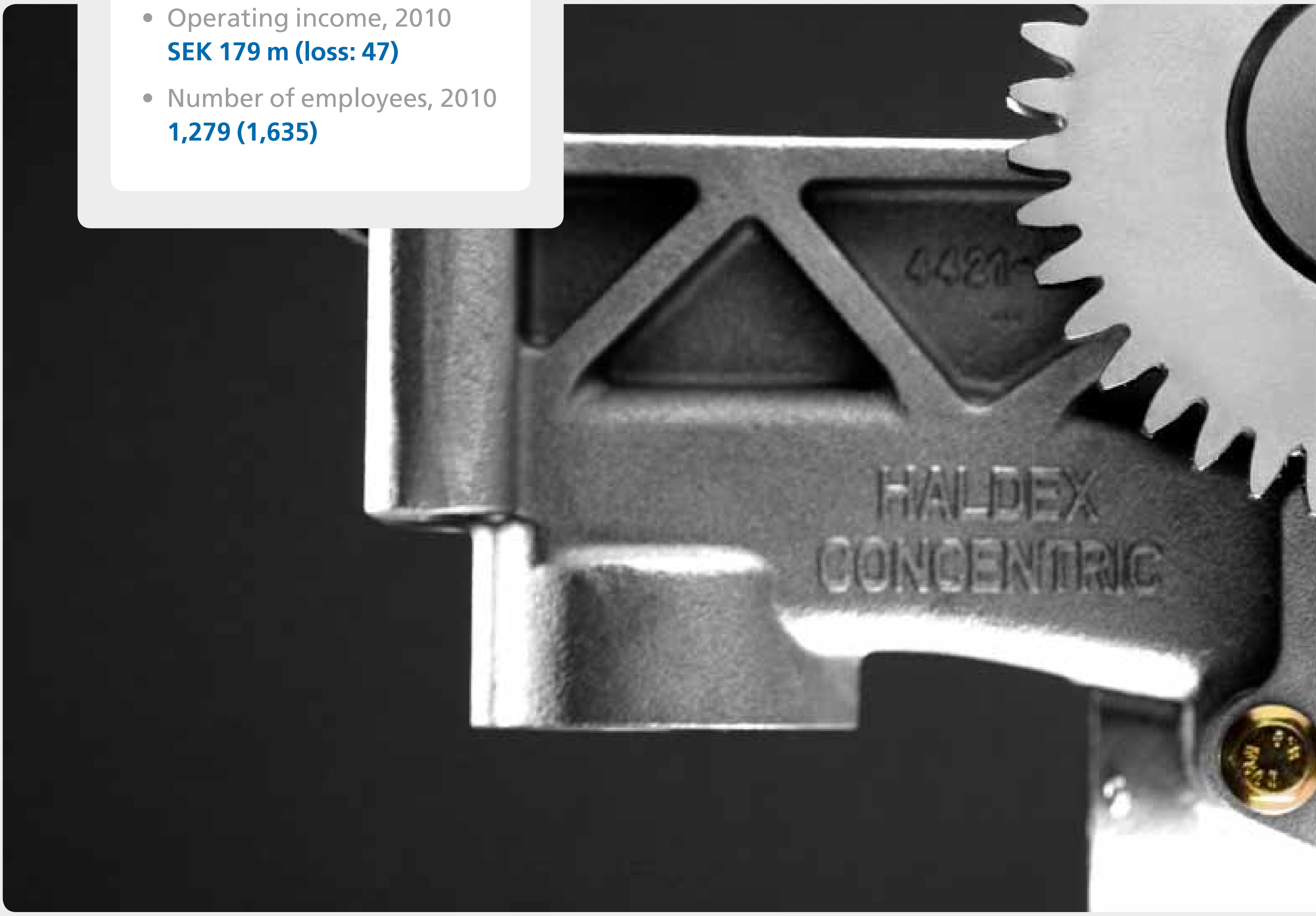
The European CVS aftermarket is divided into two segments: the truck and trailer manufacturers' own aftermarket activities and the independent aftermarket players who distribute components and spare parts for all truck brands. The independent aftermarket is the main channel.

There are many independent players, but a few larger groups have been established for purchasing collaboration. Most distributors in the European market are national, but some internationalization has begun.

A number of truck manufacturers have begun to launch services to supply components from many different truck and trailer manufacturers in their service stations.

Hydraulic Systems Division

- Net sales, 2010
  SEK 1,977 m (1,406)
- Operating income, 2010
  SEK 179 m (loss: 47)
- Number of employees, 2010
  1,279 (1,635)



Operations/products

The Hydraulic Systems Division is organized in two geographical regions, North America and Europe/Rest of the World. The division develops and manufactures pumps for hydraulic and diesel engine applications.

- Hydraulics offers a broad product range of both gear and gerotor pumps together with hydraulic power packs and high-density hydraulic hybrid systems for a wide range of industrial vehicle and diesel-engine installations. The applications include hydraulic lifts and fan drive systems for truck and construction equipment.
- The pump technology operations for diesel engines are the market leader. The pumps are used to pump lubricating oil, coolants and diesel fuel. The engines are used in trucks, buses, construction equipment and agricultural machinery. With four proprietary products, oil and water pumps, Alfdex (joint venture with Alfa Laval) and Varivent, Haldex offers technological solutions that reduce emissions of harmful exhaust gases from engines, improve fuel economy and lower noise levels.

Manufacturing

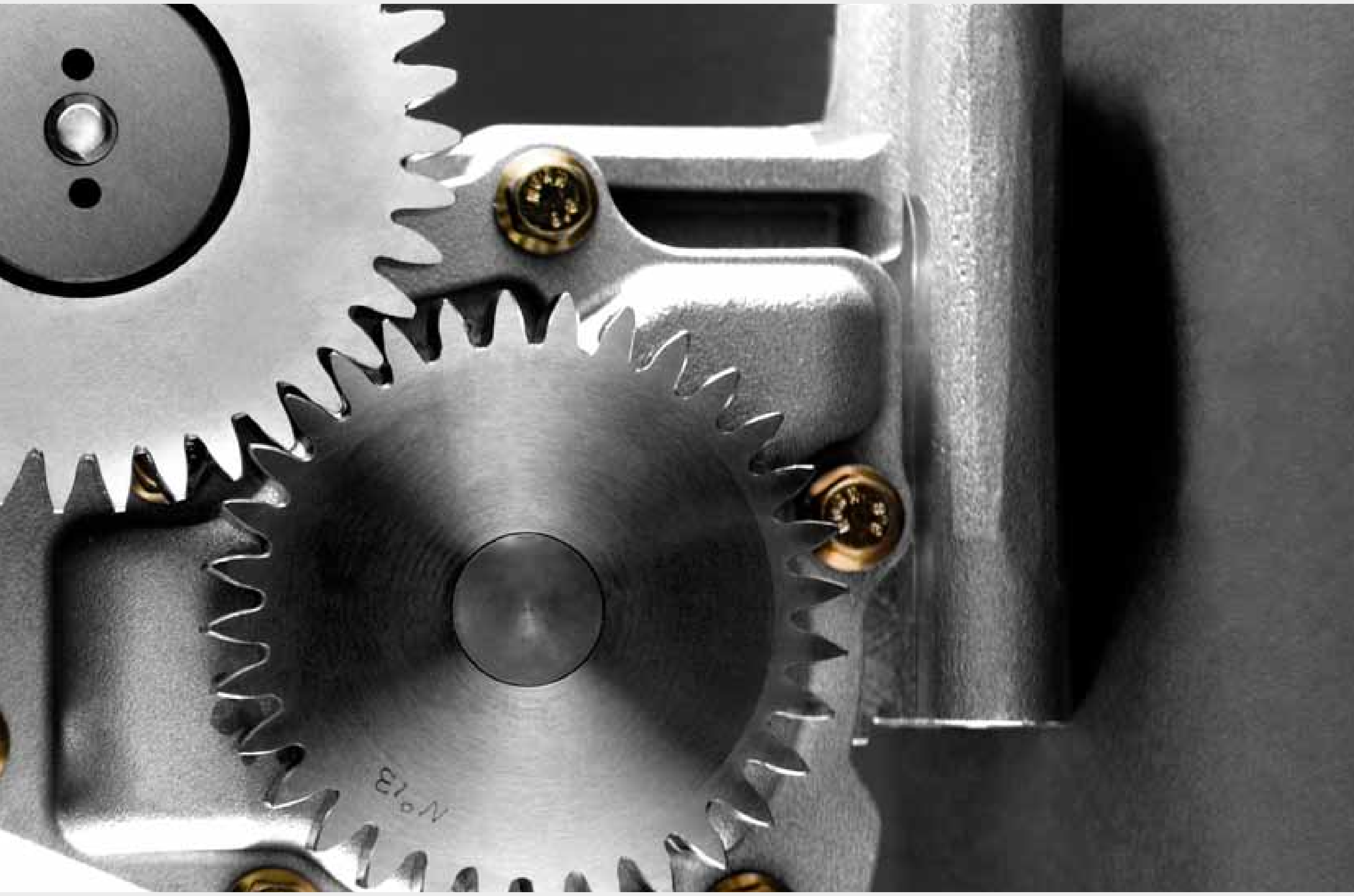
Manufacturing occurs in the UK, India, China, Sweden, Germany and the US.

Strategy

- Hydraulics Systems Division aims to maintain its market leading position on both engines and hydraulics, to allow it to take full advantage of strong market growth, driven by global infrastructure investment and thighter regulation of emissions.
- Hydraulics Systems Division will continue to execute a "balanced" low-cost country and global sourcing strategy, to ensure that the cost structure of its products is competitive.
- Hydraulics Systems Division's strategy includes identifying acquisition targets complementary to existing product categories.

Goal/Strategies

- To offer customers added value in the form of high service levels and system solutions.
- To be the technology leader, particularly in environmental and energy-efficiency contexts. To remain supplier of choice – the clear market leader.



Market shares

Hydraulics is a niche player with a market share of approximately 20% in its market niches, while its pump technology operations are the market leader for oil, fuel and water pumps in North America and the rest of the world. Haldex has a global market share of slightly more than 30% in these sectors and of just over 40% for oil pumps in North America.

Customers

The division is primarily a supplier to manufacturers of diesel engines, construction equipment, agricultural machinery and a large number of different types of industrial vehicles. The list of customers that manufacture construction equipment includes Caterpillar, Volvo Construction Equipment, JCB, Terex, Atlas Copco and CNH (19% of sales). Customers that manufacture forklifts include Still, Linde, BT, Nacco (16%) and tail lifts, such as Zepro, Bär, Maxxon and Sörensen. Customers that manufacture engines include companies such as Cummins, John Deere, Deutz and Perkins, and large truck manufacturers, such as IVECO, Volvo, Scania and Caterpillar, which produce diesel engines for their own trucks and construction equipment.

Competitors

The largest competitors for hydraulic products are Bosch, Rexroth, Parker Hannifin, Eaton and Sauer Danfoss. The division is the only global manufacturer of engine products and competes on a regional level with companies such as TBK, Pierburg and SHW.

Following the extreme market conditions prevailing in 2009, the Hydraulics System Division noted a steady improvement throughout 2010, driven primarily by inventory investments. The division also succeeded in maintaining and enhancing a positive cash flow in all respects. The division's focus on innovation resulted in a large number of contracts being secured for a new variable flow water pump for diesel engines.

The improved productivity provided the division with the prerequisites for maintaining a competitive cost base.

Market trend in 2010

The dramatic decline in demand that started during the second half of 2008 reached its lowest point in midyear 2009, when customers continued to sell from inventory. A pronounced increase in demand was noted during the fourth quarter, primarily as a result of pre-buy effects prior to new emissions legislation for diesel engines, which came into effect in early 2010 in North America. Since these new standards entailed an increase in the price of engines, many customers made their purchases for 2010 as early as the fourth quarter of 2009.

A gradual recovery in demand was noted throughout all of 2010 in all market segments where the division operates, highlighted by a strong fourth quarter.

The long-term assessment is that all market segments in which the division is active offer potential for sustainable growth. This growth will derive from a continued need for either additional or improved infrastructure, and from comprehensive legislation calling for emission reductions in both emerging countries and developed economies. As of 2010, the legislation will encompass not only engines, buses and trucks but also industrial applications, such as construction, power-generation and materials-handling equipment and mining operations. Another assumption is that the emissions legislation will also encompass fuel-efficiency goals no later than 2014.

Haldex in the market

In 2010, a strong recovery occurred for global market sales of diesel pumps for engines. The division's strategy to be the technology leader within its product areas for environmental improvement and energy efficiency proved successful by attracting large key customers for variable-flow pumps.

The division booked a contract during the year for development and delivery of variable-flow pumps to a European truck manufacturer that represents a new customer for the division. Haldex also booked two strategic contracts for the variable-flow pump technology from two European truck manufacturers, both of which offer engines that meet the emission requirements for the next generation of diesel engines (Tier 4).

In North America, 2010 was also year of recovery for the division's pump technology operations. The recovery gained momentum gradually throughout the year, attributable in part to customer investments in inventories in parallel with improved growth in the American economy. A key part of the improvement, however, derived from new business with customers in the US market. A number of customers made pre-purchases ahead of the anticipated new legislation for stationary vehicles. During the year, production also started for the new XPI fuel pump for a new injection system that will be used in truck engines for Cummins and Scania.

Alfdex, the successful and world-leading system for highly effective removal of oil drops and soot particles from crankcase gases, showed a favorable trend. Serial delivery to three new customers commenced toward year-end. Alfdex will be used in a new engine produced in Europe and North America by Paccar and in a new platform of larger engines for Navistar. John Deere will also use Alfdex in certain engines for agricultural machines. The total order value is approximately SEK 350 m over a five-year period.

Advanced technology also paved the way to success once again for Haldex hydraulic products. Orders were booked by the Finnish tractor manufacturer AGCO/Valtra for the energy-efficient Ferra pump and by the Kion-IC company for a forklift application. The division also received a contract for CALMA, an extremely low noise-level series of pumps that reduce noise emissions by up to 85%, from Doosan, a South Korean manufacturer of forklifts.

In North America, several new development projects were conducted with major customers based on compliance with Tier IV regulations and generally increased product performance through improved energy efficiency. New development work was focused on control, remote drive systems and transmission pumps for applications involving construction and agricultural machinery, forklifts and buses. The new F12 and F15 products were launched successfully in the market for forklifts, among other product applications.

Research and development

In line with the strategy to develop high-technology products that meet the requirements of pending Euro 6 environmental legislation, Haldex has developed a series of intelligent, variable water and oil pumps. The pumps reduce fuel consumption by 0.5 to 3% and further reduce exhaust emissions. In compliance with development contracts, product tests were also conducted according to plan

HYDRAULIC SYSTEMS 2010 – FACTS AND FIGURES

Sales and earnings

- Sales amounted to SEK 1,977 m (1,406). Adjusted for acquisitions and exchange rate fluctuations, sales increased 49%, compared with 2009.
- An adjusted* operating income of 179 MSEK (loss 47) was reported.

Production in 2010 compared with 2009, total market

	North America	Europe
Engines	41%	21%
Fork lift trucks	24%	11%

* Excluding restructuring costs, non-recurring items and amortization of acquisition-related surplus values

Significant events in 2010

- Production start-up of many new tier 4/EPA 10 programs.
- Product launch and production development of Euro 6 programs for both variable and standard control pumps
- Complete plant redesign and implementation of Rockford into a product-channel focused unit based upon no fault forward concepts.
- Close Statesville plant within planned cost and scheduled timeline.

Focus in 2011

- Complete fully and well launch of new tier 4 and variable flow pump programs.
- Rollout of Haldex hydraulic hybrid drive to give fuel savings and engine downsizing options
- Roll out new hydraulic pump programs in China.
- Expand capacity in Rockford/Hof to support rising demand and new programs.
- Complete a major component outsource excercise from Statesville to new sources in Asia.
- Install additional engineering test facilities in various locations to strengthen our global engineering function.

during 2010 in cooperation with several leading European truck manufacturers.

The division's development activities during the year focused on cooperation with other engine manufacturers in definition and development studies for new projects with variable-flow pumps in preparation for future legislation.

The hydraulics activities conducted technological development to meet demands by vehicle manufacturers to reduce fuel consumption and emissions, in parallel with increased performance. With its specialist know-how in hydraulic pumps, Haldex has concentrated on further improvements in these products in order to develop platforms with higher performance standards than today's levels. During recent years, Haldex has introduced new platforms for hydraulic gear pumps with lower noise levels and low energy consumption. Development work during 2010 was focused on these key technologies. A new series of hydraulic pump packs that offer lower connection times and greater flexibility in system design was also introduced.

Haldex continued to validate the concept and performance of EMS, the new technology for electronic control of hydraulic systems. The EMS technology combines hydraulics and electronics to provide improved efficiency and lower energy consumption. The technology is unique in that it can utilize, store and reuse both rotary and linear energy, which could result in fuel savings of up to 50 percent. The application is particularly suitable for specially designed trucks and construction equipment. Independent tests have been conducted with cooperation partners in preparation for future development contracts with manufacturers of stationary vehicles as part of efforts to implement the technology and the manufacturers' platforms.

Market

TRENDS AND DRIVING FORCES

The markets where the hydraulics division operates are being driven by two main growth factors. One factor comprises the accelerated expansion of the global infrastructure, which is generating demand for construction equipment, industrial vehicles and mining equipment. The other factor is more stringent legislation governing emissions.

There is a strong trend in society today for more efficient energy consumption. This is a reaction to rising fuel prices, which are motivating the hydraulics division's customers, manufacturers of diesel engines and commercial vehicles, to develop more fuel-efficient machines and engines to reduce the operating cost of vehicles. A price increase for fuel also motivates end-customers to invest in more fuel-efficient vehicles.

The trend toward greater energy efficiency is also closely linked with the desire to reduce the environmental impact on society. A particular emphasis is on efforts to reduce emissions of CO_2 and other gases. In this area, the process of change is being driven by the market's price mechanisms, such as CO_2 emission permits, but also by more stringent regional and national regulations to reduce emissions from transports and vehicles. The regulations have been introduced with different effective dates in various regions but, in general, North America and Europe have more developed regulations and more stringent emission rules than emerging economies, such as the BRIC countries.

This trend is exemplified by commercial diesel engines for US and European trucks.

Euro VI, the emissions standard introduced by EU regulation 595/2009 in July 2009, offers significant opportunities in the marketplace. This level of the regulation, which is comparable to the regulations that took effect in North America in 2010, will take effect gradually beginning in 2013 and will apply to all trucks beginning in 2014.

To meet these new standards, existing customers and four new European and North American engine manufacturers have entered into an agreement to develop new, intelligent variable-flow pumps for oil and water that will be launched at year-end 2012.

As a result of the new products, the engines will comply with the legislation and contribute to further fuel savings in the range of 1 to 5% per pump installation.

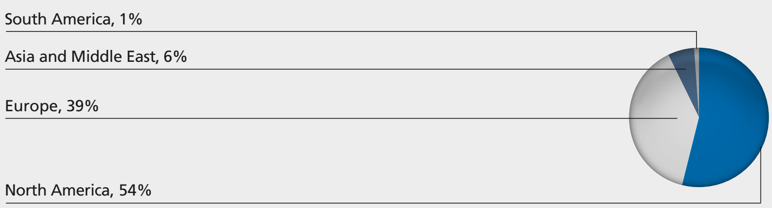
For stationary diesel engine applications, both the US and Europe enacted legislation in May 2004 governing "Tier 4 Standards," which will be phased in during the period 2008-2015. These regulations call for a reduction of about 90% in emissions of NOx gases and particles. The hydraulics division is now introducing several new pumps adapted to customer product programs in compliance with Tier 4.

There is also growing focus on noise levels, among both vehicle operators and other personnel at worksites. One example is forklift applications in factories and other premises, an area in which the division's development of gear pump profiles has resulted in new, silent hydraulic pumps and, in turn, higher sales and market shares.

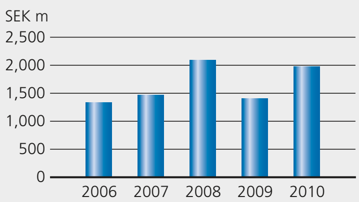
Key data, SEK m	2010	2009
Net sales	1,977	1,406
Operating income/loss [1]	179	–47
Operating income/loss	109	–91
Operating margin [1], %	9.1	–3.4
Operating margin, %	5.5	–6.5
Assets	1,578	1,768
Liabilities	530	485
Return on capital employed [2], %	7.2	–5.0
Investments	19	40
Depreciation	78	81
Number of employees [2]	1,279	1,635

1) Excluding restructuring costs, non-recurring items and amortization of acquisition-related surplus values
2) Rolling 12 months

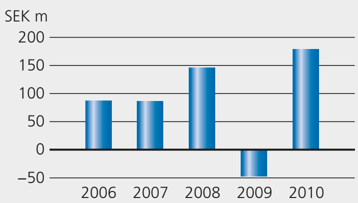
Net sales by region 2010



Net sales



Operating income/loss [1]



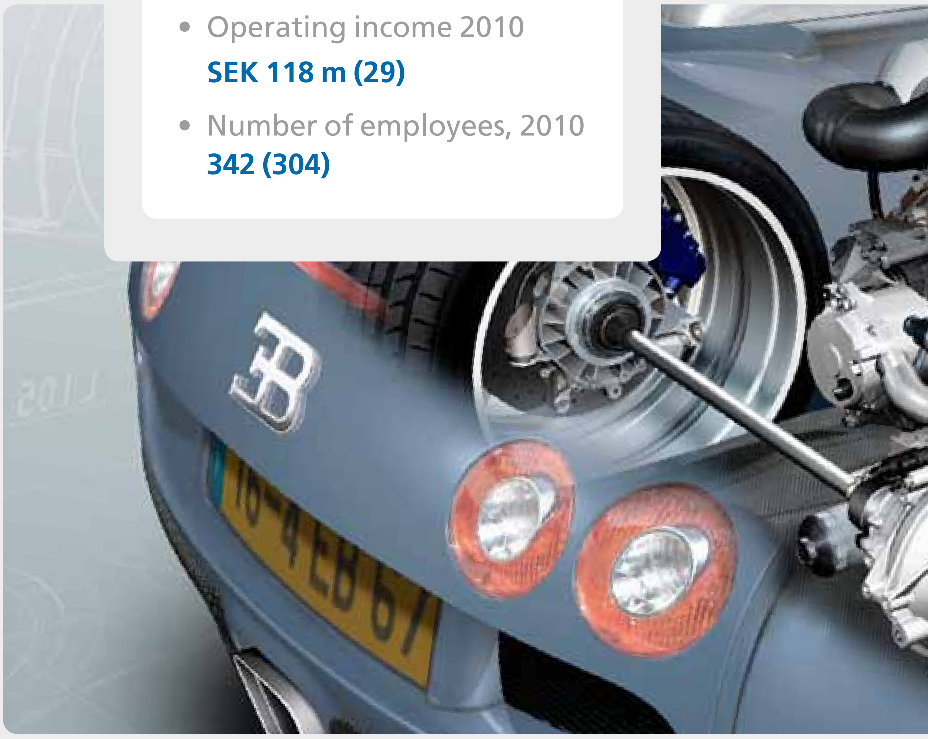
Traction Systems Division

During December 2010 Haldex signed an agreement with BorgWarner Inc – a global supplier to the automotive industry – covering the sale of Traction Systems Division to BorgWarner. The transaction was completed after 31 January 2011, meaning after the end of the accounting period.

BorgWarner offers strategic matching with Traction and is a financially strong and experienced owner with the resources to accelerate market growth for AWD systems.

The purchase consideration on a debt-free basis was SEK 1,425 billion, which was paid in cash. The price represents almost 14 times historical earnings and is deemed to maximize the value for Haldex shareholders. The transaction generated a capital gain of some SEK 1,100 m.

- Net sales, 2010
  SEK 1,219 m (850)
- Operating income 2010
  SEK 118 m (29)
- Number of employees, 2010
  342 (304)



Market 2010

Already towards the close of 2009, a recovery in demand was noted in the automotive industry following the dramatic downturn in the wake of the international credit crisis. During 2010, car sales recovered and moved up to higher levels, although not quite to their pre-crisis points in mature markets. Public financing in support of certain US vehicle manufacturers started being phased out.

The Asian vehicle market remained robust, and Volkswagen – which in 2009 commenced the assembly in Shanghai of its Tiguan model using Traction Systems' AWD system – exceeded its target in terms of the total number of cars sold and the proportion equipped with AWD.

Global output of passenger cars increased 22% during 2010, compared with the preceding year. In North America, the increase was 38%, while in Europe the upturn was 14%.

Haldex on the market

During 2010, an order for AWD systems was secured from Volvo Car Corporation. The order is a continuation of the existing program for Volvo.

Operations/Products

Traction Systems develops and produces electronically controllable systems for all-wheel-drive (AWD) cars. Because these systems are controllable, they can interact better with other subsystems in the car. The system software can be customized to meet each carmaker's particular wishes in terms of vehicle dynamics and traction.

Production

Production is conducted in Landskrona, Sweden, and in Irapuato, Mexico. Some preassembly, spare-parts production and low-volume production takes place in Szentlörinckáta, Hungary.

Market shares

Traction Systems is a market leader in controllable AWD systems, with a market share of more than 50% in Europe.

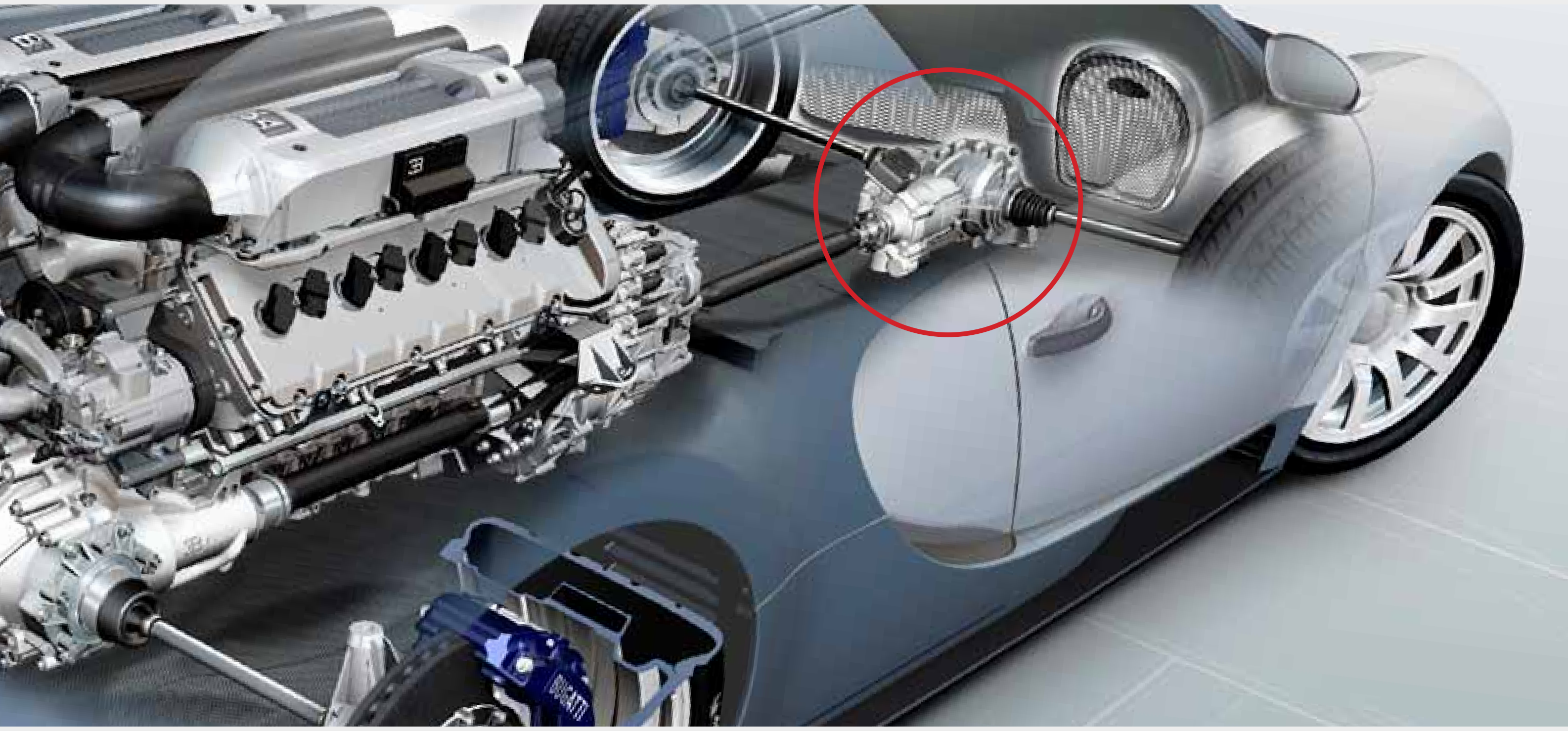
Customers

Customers include such carmakers as Ford, Volvo and Landrover, the Volkswagen Group with its brands Audi, VW, Seat, Skoda and Bugatti, and General Motors with its global mid-size car platform, which includes Cadillac, Buick and Opel. The systems are used in regular cars, SUVs and crossover vehicles, which are a combination of regular station wagons and SUVs, such as the Volvo XC-60. Traction's AWD systems are used in all of Volvo's all-wheel-drive models.

TRACTION SYSTEMS 2010

Significant events 2010

- Securing of order for Generation V of the AWD system from Volvo Car Corporation, beginning in 2012
- Order from a European sports car manufacturer for an innovative AWD system
- Traction won the Major Hydraulics and Pneumatic Prize for the Haldex Generation V AWD system
- Traction's innovative electro-hydraulic lock – the Haldex FXD – made its debut in the Volkswagen Scirocco at the 24-hour race at the Nürburg Ring in Germany.



Volvo selected Traction Systems as the supplier of AWD systems to replace the current Generation IV in Volvo's existing and future platforms. This AWD system is the fifth generation of the established Haldex coupling. Serial deliveries are expected to commence in 2012. The coupling will be manufactured and supplied from Traction Systems' plant in Landskrona, Sweden.

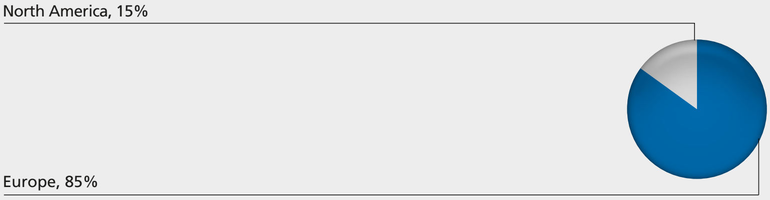
Haldex also secured an order for a new AWD system from a European super-sports car manufacturer. The total order value is estimated at some SEK 100 m over five years.

FACTS AND FIGURES

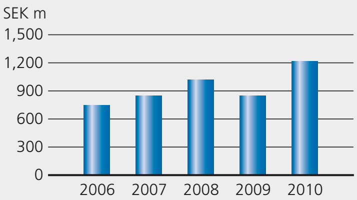
Key data, SEK m	2010	2009
Net sales	1,219	850
Operating income/loss [1]	118	29
Operating income/loss	118	26
Operating margin [1], %	9.7	3,4
Operating margin, %	9.7	3,1
Assets	444	366
Liabilities	246	218
Return on capital employed [2], %	56.8	12,7
Investments	47	26
Depreciation	54	62
Number of employees [2]	342	304

1) Excluding restructuring costs, non-recurring items and amortization of acquisition-related surplus values
2) Rolling 12 months

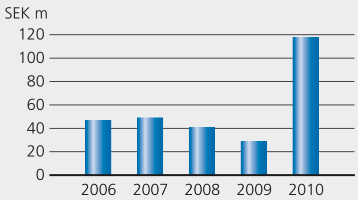
Net sales by region 2010



Net sales



Operating income/loss [1]



Directors' Report

The Board of Directors and the President of Haldex AB (publ), Corp. Reg. No. 556010-1155, hereby issue the Annual Report and Consolidated Financial Statements for 2010. Haldex provides innovative proprietary solutions to the global vehicle industry. The main focus is on products related to vehicle dynamics, safety and the environment.

Haldex AB is the Parent Company of the Haldex Group. The company mainly conducts corporate functions, including the central finance function.

Amounts are stated in millions of kronor (SEK m), unless otherwise indicated. Amounts in parentheses refer to figures for the preceding year. "Haldex" refers to the Haldex Group, meaning Haldex AB and its subsidiaries.

Operations during the year

Sales and operating income

During the second half of 2009, demand stabilized in Haldex's main markets following the most severe decline in the global vehicle industry for a very long time. The positive trend for Haldex continued throughout 2010 in all market segments and regions.

Net sales amounted to SEK 6,906 m (5,622). Adjusted for currency-exchange fluctuations and divestitures, sales increased 34%, compared with 2009.

Adjusted* operating income amounted to SEK 459 m (loss: 79). The adjusted* operating margin was 6.7% (minus 1.5). Operating income amounted to SEK 282 m (155) and the operating margin to 4.1% (2.8).

A restructuring cost of SEK 23 m in Hydraulic Systems' operations, a capital loss of SEK 19 m pertaining to the divestment of one of Hydraulic Systems' operations and restructuring costs of SEK 53 m in CVS were expensed during 2010; see heading Cost-reduction program. The program, which was initiated in 2008, was completed in 2010. The measures implemented in 2010 are estimated to have an annual savings impact of about SEK 100 m. Costs of SEK 54 m pertaining to the demerger of the Haldex Group were charged against 2010.

Commercial Vehicle Systems' sales amounted to SEK 3,710 m (3,134). Adjusted for currency-exchange fluctuations, sales increased 25% compared with 2009. Sales amounted to SEK 1,234 m (1,085) in Europe and to SEK 1,941 m (1,673) in North America. Adjusted for currency-exchange fluctuations, the sales increase was 24% in Europe and 22% in North America compared with 2009.

Adjusted* operating income and adjusted* operating margin amounted to SEK 162 m (loss: 60) and 4.4% (minus 1.9%), respectively.

Hydraulic Systems' sales amounted to SEK 1,977 m (1,406). Adjusted for currency-exchange fluctuations, sales increased 49% compared with 2009.

Adjusted* operating income and adjusted* operating margin amounted to SEK 179 m (loss: 47) and 9.1% (minus 3.4), respectively. Earnings improved as a result of increased sales volumes and a retained cost level.

The Traction Systems Division's sales amounted to SEK 1,219 m (850). Adjusted for currency-exchange fluctuations, sales increased 44% compared with 2009, as a result of a continued robust sales trend with several Haldex customers, primarily to Volkswagen.

Adjusted* operating income and adjusted* operating margin amounted to SEK 118 m (29) and 9.7% (3.4), respectively.

Acquisitions and divestments

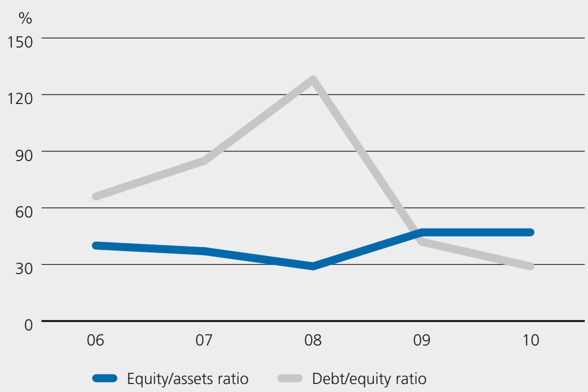
In December, Haldex signed an agreement with BorgWarner Inc., a global supplier to the vehicle industry, regarding the divestment of Traction Systems Division. The transaction was completed after the close of the reporting period on January 31, 2011. The purchase consideration of SEK 1,425 m was paid in cash on a debt-free basis. The price amounts to nearly 14 times historical earnings and is considered to maximize the value for Haldex's shareholders. The transaction generated a capital gain of about SEK 1,100 m.

In June, the Group divested its hydraulic operations in Qingzhou, China. The company manufactured hydraulic pumps and valves based on existing Chinese technology. The reason for the divestment was that the technology and the factory in Qingzhou were obsolete. A capital loss of approximately SEK 19 m was charged against the second quarter. The company had annual sales of SEK 35 m in 2009.

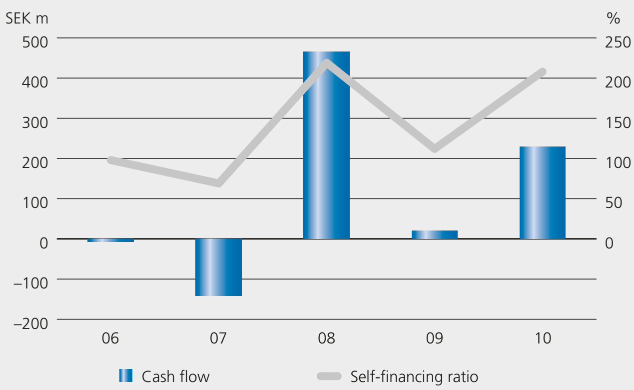
No acquisitions were completed in 2010.

* Adjusted amounts in the Directors' Report do not include Garphyttan Wire (divested in 2009), restructuring costs, nonrecurring items and amortization of acquisition-related surplus values.

Equity/assets ratio and debt/equity ratio



Cash flow and self-financing ratio



Cost-reduction program

In mid-2008, Haldex introduced a cost-reduction program that generated savings of approximately SEK 700 m on an annualized basis at the end of 2009. The program continued during 2010 and the estimated annual cost savings resulting from newly initiated measures, as described below, total about SEK 100 m. In 2010, the action program included a merger of two of Hydraulics Systems production units in the US into one, workforce downsizing in the hydraulic division's plant in Hof, Germany, divestment of the hydraulic operations in Qingzhou, China, and relocation of manufacturing at CVS's plant in Iola, Kansas, to the plant in Monterrey, Mexico, whereby the operation in Iola was closed.

Reorganization of Haldex in accordance with the Board of Directors' proposal of July 16, 2010

In accordance with a press release issued on July 16, 2010, the Haldex Board of Directors proposed a demerger of the company whereby Haldex's three divisions were to become independent, listed companies.

Traction Systems Division was sold on January 31, 2011 to BorgWarner, Inc. However, the reorganization of Commercial Vehicle Systems and Hydraulic Systems into independent listed companies is continuing as planned and the Board of Directors' proposals concerning a demerger of the company will be presented to the shareholders at the Annual General Meeting on June 8, 2011. If the motion is passed, Haldex shareholders will hold shares in two separate companies instead of one.

Following the Group's cost-reduction program, Commercial Vehicle Systems Division and Hydraulic Systems Division are organizations with focused product strategies and they are well prepared ahead of an improvement in market conditions with higher demand.

The work on establishing two Group structures had been virtually completed at year-end 2010. During the first quarter of 2011, work was initiated with a view to a listing of the companies in June 2011.

The reason why the Annual General Meeting has been postponed compared with the originally scheduled date is because the intention is that the process required for the companies' listing will have been completed by the time of the Annual General Meeting.

The cost of the demerger of the Haldex Group is estimated at slightly more than SEK 100 m, of which SEK 54 m was charged against 2010. The costs mainly comprise legal costs and tax consultancy and accounting costs, as well as costs for changing IS/IT system, the listing and restructuring (including severance pay).

Earnings

Consolidated income before tax amounted to SEK 178 m (54). Financial expenses amounted to SEK 104 m (101). The costs essentially consist of interest payments on loans and pension liabilities, as well as unutilized credit facilities.

Earnings after tax amounted to SEK 131 m (75).

Tax charges amounted to SEK 47 m (income: 21), resulting in a tax rate of 26% (39). Adjusted for tax-impacting items, the underlying tax rate in 2010 was 30%.

The adjusted* operating margin amounted to 6.7% (neg: 1.5). The return on capital employed was 7.8% (3.9).

Cash flow

Cash flow after net investments remained robust and amounted to SEK 229 m (20). Cash flow from operating activities in continuing operations amounted to SEK 372 m (188).

Investments

The Group's net investments rose to SEK 212 m (169), of which investments in development projects accounted for SEK 48 m (49).

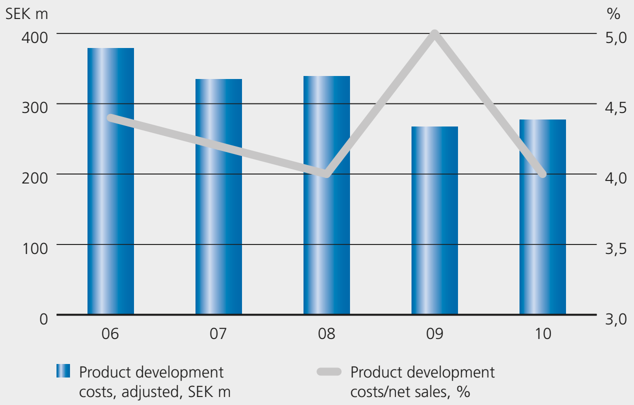
Product development

Every year, substantial investments in development projects are made within the Group to ensure the creation of market-leading products and to strengthen market positions. This development work comprises the creation of completely new products, both in-house and in some cases in cooperation with partners, and updates of existing product solutions. Group development costs during fiscal year 2010 totaled SEK 277 m (267), of which SEK 48 m (49) was capitalized. At December 31, 2010, capitalized development costs amounted to SEK 310 m (308).

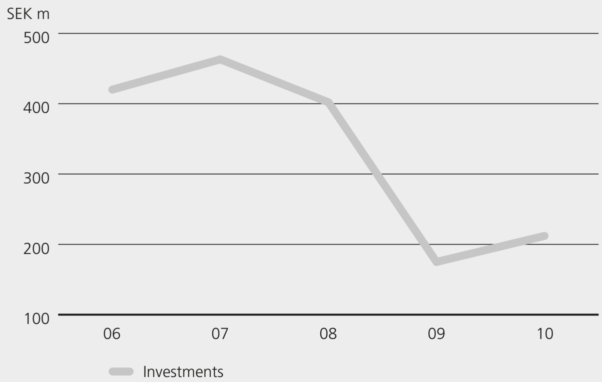
Financial position

The strong cash flow in combination the depreciation of several currencies in relation to SEK reduced the Group's net indebtedness, which amounted to SEK 684 m (985). Cash and cash equivalents amounted to SEK 502 m (362). Net indebtedness includes SEK 16 m (neg. 6) for the value of derivative instru-

Product development costs



Investments



ments pertaining to the company's loans in foreign currency, which are classified as a receivable in the financial statements.

Shareholders' equity amounted to SEK 2,351 m (2,373), equal to an equity/assets ratio of 47% (47).

At December 31, 2010, the Group's primary sources of loan financing comprised:

- A bond loan in a total amount of SEK 650 m that matures during 2015.
- A syndicated credit facility amounting to USD 125 m. At year-end, USD 103 m of the facility had been unutilized. In total, this credit facility was reduced from USD 225 m to USD 125 m during the fourth quarter of 2010.

During 2010, the Group's financial expenses consisted primarily of interest payments on loans and pension liabilities, as well as a provision for pledges of unutilized credit facilities.

Due to the divestment of Traction Systems Division on January 31, 2011, notice has been served terminating the syndicated credit facility and the bond loan of SEK 650 m was reduced by SEK 205 m to SEK 445 m. Following fiscal year-end, new committed lines of credit were received for the new Group structure – Commercial Vehicle Systems Division and Hydraulics Division – which will become effective as of the listing of the companies.

Profitability

The return on capital employed was 7.8% (3.9). The Group's profitability target is a 15% return on capital employed, averaged over a complete business cycle. The capital turnover rate was 1.9 (1.4). The return on shareholders' equity increased from 4.2% to 5.4%.

RISKS & RISK MANAGEMENT

Operational risks

Market risks

Haldex provides innovative proprietary solutions to the global vehicle industry. The main focus is on products related to vehicle dynamics, safety and the environment. Demand for the company's products is dependent on demand for transportation, which is in turn driven by increases in global trading, infrastructure construction, increased traffic safety awareness, environmental and safety legislation, as well as economic growth on the particular continent. Haldex's main geographical markets are North America and Europe, but the Group is also active in the Asian and South American markets. Market risks are handled in the strategy process, which encompasses all Group units. The Board participates in this process and makes decisions concerning the Group's strategy and direction.

Customers

Haldex is active in several different market segments and has a large number of customers distributed over several areas of operation. However, a loss of a customer or the loss or delay of a major contract could have a major impact on an individual division.

Sensitivity to economic fluctuations

Production in the vehicle industry, mainly of heavy trucks, trailers, industrial vehicles and cars, is an indicator of the trend in Haldex's market. The vehicle industry has normally shown a cyclical pattern. Haldex's operations are affected by the general state of the economy. A significant part of Haldex's market is the aftermarket, which normally exhibits fewer fluctuations than the vehicle industry in general and consequently has a leveling effect on Haldex's sales and earnings during both upturns and downturns.

Price trend

Price pressure is a natural feature in the competitive market in which Haldex is active. To manage this, Haldex focuses continuously on reducing its costs and increasing the value it provides to customers by developing new products and technologies.

Raw materials and prices of raw materials

The Group depends on a number of raw materials and intermediates. Haldex has defined its exposure to raw materials in terms of both the Group's own purchasing of raw materials and of Haldex's sub-suppliers' purchasing of raw materials. Exposure is greatest towards various types of metal, where annual volumes total approximately SEK 1,110 m, of which various grades of steel accounted for about SEK 860 m and aluminum for about SEK 140 m. The Group also has some exposure to copper.

To limit the risk of an adverse impact on earnings, certain contracts include price clauses for raw materials. In those cases where price clauses are not included, Haldex endeavors to renegotiate agreements in the event that the price trend for raw materials has resulted in a considerable increase in costs. To a large extent, the short-term effects of price increases for raw materials are limited by the fact that price agreements with the Group's raw materials suppliers extend over an average period of six months.

Production

Damage to production plants, caused, for example, by fire could have an adverse impact in the form of direct damage to property and of business disruption that impedes the potential to live up to commitments to customers. This in turn could result in customers choosing other suppliers.

Because Haldex has production at several plants for a particular product line, it has the potential to reduce the consequences of such business disruption by increasing production at other plants. However, this normally results in additional costs.

Haldex is continuously developing various damage-prevention measures. The Group has adequate insurance cover against both business disruption and damage to property.

Product development

Requirements from users and legislators for increased safety and improved environmental and vehicle dynamics are resulting in increased demand for the products provided by Haldex. Accordingly, it is essential that the Group continuously develop new products or improve existing products that satisfy this demand so that markets shares are Note lost to competitors.

Consequently, a key part of Haldex's strategy involves developing new products in those areas that the Group regards as important for continued growth and/or for defending market shares. In 2010, the Group's expenditure for product development corresponded to 4.0% of sales (4.8).

The development of new products always entails the risk that a product launch will fail for some reason. Because the Group capitalizes costs for major product development programs, a failed launch would give rise to an impairment requirement. The Group's capitalized investments in product development amounted to SEK 310 m (308) at December 31, 2010.

Patents

The risks pertain in part to cases whereby competitors infringe on the Group's patents and in part to cases where Haldex accidentally infringes upon the patents held by competing companies. The risk of the marketing of unlicensed copies of the Group's products has increased in recent years, particularly in the Asian markets. To minimize these risks, the patent situation is monitored thoroughly on a continuous basis. Haldex's own innovations are protected by patents to the extent possible.

Complaints, product recalls and product liability

Haldex is exposed to complaints in the event that the Group's products fail to function the way they should. In such cases, the Group is obliged to rectify or replace the defective products.

Recalls pertain to cases where an entire production series or a large part has to be recalled from customers in order to rectify deficiencies. This occurs occasionally in the vehicle industry. The Group has no insurance covering recalls. The assessment is that the cost of such insurance would not be proportionate to the risk covered by the insurance. Haldex has historically not been affected by any major recalls of products. There is always a risk that our customers demand that suppliers cover costs in addition to replacing the product, such as the cost of dismounting, assembly and other ancillary costs. To the extent possible, Haldex endeavors to be exempted from such liability.

If a product causes damage to a person or property, the Group could be liable to pay damages. Haldex is insured against such product liability. In the past decade, no major product liability claims have occurred.

In 2010, costs for complaints and product recalls corresponded to 1.7% (2.1) of total sales.

Haldex endeavors to minimize its risks in respect of complaints, product recalls and product liability by means of comprehensive long-term tests in the development process and through quality controls and checks in the production process.

Human capital risk

It is of importance to the company in the short and the long-term perspective that favorable conditions are created in the Group to attract and retain skilled employees and managers. To achieve this, the Group's HR efforts focus on three main areas: skills development, development of leadership and management efforts and a strengthened corporate culture.

A series of Group-wide processes have been implemented in these three areas, in order, for example, to assess performance and identify and develop skills and potential, salaries and rewards, thus ensuring consistent management of personnel-related matters and minimizing human capital risks.

Financial risks

The Group is exposed to financial risks such as market, credit, liquidity and financing risks. To reduce the impact of these risks, Haldex works in accordance with a policy that regulates their management. This policy has been adopted by Haldex's Board of Directors. Follow-up and control occurs continuously in each particular company and at the corporate level.

Exchange rate risks

Through its international operations, Haldex is exposed to exchange rate risks. Exchange rate changes affect the consolidated income statement and balance sheet in part in the form of transaction risks and in part translation risks.

Transaction risks

The Group's net flows of payments in foreign currencies give rise to transaction risk. In 2010, the value of net flows in foreign currencies totaled approximately SEK 747 m (400). The currency flows with the largest potential impact on earnings are the inflows of EUR into SEK and inflows of CAD against USD. An exchange rate difference of 10% between EUR and SEK affects the Group's earnings by approximately SEK 28 m (22) and between CAD and USD by some SEK 7 m (7), after tax. Following the divestment of the Traction Systems Division, a 10% change in the exchange rate between EUR and SEK would impact consolidated after-tax earnings by approximately SEK 38 m, while CAD and USD have an unchanged impact.

In accordance with the current Treasury policy, 70% of anticipated net flows for the estimated volumes during the forthcoming 12-month period are hedged, with a permissible deviation of +/–10%. At December 31, 2010, 68% (69) were hedged via derivative instruments. The Group's Treasury policy governs the types of derivative instruments that can be used for hedging purposes as well as counterparties with whom contracts may be signed. Currency forward contracts were used in 2010 to hedge invoiced and forecast currency flows. At December 31, these contracts had a value of SEK 302 m net (264) and had a positive market value of SEK 49 m (18).

In special cases, the company may hedge currency flows over longer time horizons. Hedging used to cover forecast inflows during 2012 had a nominal amount of SEK 54 m at December 31, 2010. At the same date, these had a total accrued positive value of SEK 12 m. The hedges belonged to the Traction Systems Division and were liquidated in connection with its divestment on January 31, 2001.

Outstanding currency contracts at December 31, 2010

SEK m Nominal amount	USD Net sold	EUR Net sold	CAD Net sold	Other Net purchased
Year of maturity 2011	157	138	79	72
Average exchange rate	7.71	10.48	6.91	–
Hedging of flows >12 months	–	54	–	–
Average exchange rate	–	11.08	–	–

Translation risks

The net assets (i.e. equity) of the non-Swedish subsidiaries represent investments in foreign currencies which, when translated into SEK, give rise to a translation difference. In its finance policy, the Group has established a framework for how the translation exposure that arises shall be managed in order to control the impact of translation differences on the Group's capital structure. The finance policy stipulates that the Group's net debt shall be distributed in proportion to the capital employed per currency. Wherever necessary, this goal is achieved by raising loans in the various currencies used by the subsidiaries.

Gains and losses on such loans that are adjudged as effective hedging of translation differences are recognized directly in shareholders' equity, while gains and losses on loans that cannot be adjudged as effective hedging are recognized in profit and loss as a financial item. At the close of 2010, the value of the Group's net assets, meaning the difference between capital employed and net indebtedness, corresponded to SEK 2,351 m (2,373) and was represented by the following currencies:

SEK m	2010	2009
SEK	392	323
USD	851	868
EUR	156	216
GBP	577	598
Other	375	368

Interest rate risk

Interest rate risk is the risk that changes in interest rates will have a negative impact on Group earnings. Since the Group had no significant holdings of interest-bearing assets on December 31, 2010, revenues and cash flow from operating activities are, in all significant respects, independent of changes in market interest rates. The Group's interest rate risk arises through its borrowing. According to the Treasury policy, the average fixed interest term must be between 1 and 12 months. The risk must also be spread over time so that interest on a lesser part of the total debt is renegotiated at the same time. The average fixed interest term at year-end 2010 was one month, meaning that most of the Group's financial liabilities were subject to variable interest; in other words, that the interest rate will be reset within one year. As of December 31, 2010, SEK 800 m (981) of the loan liability was subject to an average variable interest rate of 4.27% (4.23). A change of one percentage point in the interest rate would affect the cost of the Group's borrowing by approximately SEK 6 m (7) after tax.

Credit risk

Credit risk arises when a party to a transaction can not fulfill his obligations and thereby creates a loss for the other party.

The risk that customers will default on payment for delivered products is minimized by conducting thorough checks of new customers and following up with payment behavior reviews of existing customers, combined with credit insurance, according to the Group's Treasury policy. The Group's accounts receivable totaled SEK 782 m (620) on December 31 and are recognized at the amounts expected to be paid. Haldex customers are primarily vehicle manufacturers, other system and component producers and after-market distributors within the vehicle industry. The geographic distribution of receivables from customers largely corresponds to the division of sales per region. During 2010, no single customer accounted for more than 9% (8) of sales. Following the divestment of Traction Systems Division, no single customer accounted for more than 7% of sales. The Group's customer losses normally total less than 0.1% of sales.

Accounts receivable

Due but not impaired	2010	2009
1–30 days	32	37
30–60 days	2	1
>60 days	8	8

The year's net cost for doubtful accounts receivable amounted to SEK 4 m (5).

The provision for doubtful receivables changed as follows:

Provision for doubtful receivable	2010	2009
Provision on January 1	28	33
Change in provision		
for anticipated losses	–3	1
Confirmed losses	–4	–5
Exchange-rate effect	–2	–1
Provision on December 31	19	28

The credit risk associated with financial assets is managed in accordance with the Treasury policy. The risk is minimized through such measures as limiting investments to interest-bearing instruments demonstrating low risk and high liquidity, as well as by maximizing the amount invested with specific counterparties and by checking credit ratings. To additionally reduce the risk, framework agreements governing offsetting rights are entered into with most of the counterparties. The credit risk in foreign currency and interest rate derivatives corresponds to their positive market value, i.e. potential gains on these contracts. The credit risk for foreign exchange contracts corresponded to SEK 89 m (48) at December 31. The corresponding risk for investments in credit institutions was SEK 502 m (362), without taking possible offsetting opportunities into account.

Financing risk

The Group's financing risk is the risk that the company will be unable to raise new loans or to finance existing loans. This risk is reduced by a stipulation in the Treasury policy stating that the loans raised must have a long maturity. The total liability must have an average remaining maturity of at least two years. On December 31, 2010, 80% (62) of borrowing had a maturity longer than two years. The maturity structure was as follows: 2011 1%, 2012 19% and 2015 80%.

As a result of the divestment of Traction Systems Division on January 31, 2011, notice has been served terminating the syndicated credit facility. Following fiscal year-end, new committed lines of credit were received for the new Group structure – Commercial Vehicle Systems Division and Hydraulics Division – which will become effective as of the listing of the companies.

Liquidity risk

Liquidity risk, meaning the risk the Group's immediate capital requirements will not be met, is limited by holding sufficient cash and cash equivalents and granted but unused credit facilities that can be utilized without conditions. The goal according to the Treasury policy is that cash and cash equivalents and available credit facilities must total at least 5% of net sales. These funds totaled SEK 1,450 m (1,354) at year-end 2010, corresponding to 21% (24) of net sales.

Haldex's main sources of financing December 31

Nominal value (millions)	2010	2009
Syndicated loan	USD 125	USD 225
Bond loans	SEK 650	USD 350

Capital risk

The Group's objective in respect of the capital structure is to secure Haldex's ability to continue to conduct its operations so that it can generate a return for shareholders and value for other stakeholders and in order to maintain an optimal capital structure so that the cost of capital can be reduced. To manage the capital structure, the Group could change the dividend paid to the shareholders, repay capital to the shareholders, issue new shares or sell assets in order to reduce debt.

Legal risks

Through its global operations, Haldex is subject to many laws, ordinances, rules, agreements and guidelines, including those concerning the environment, health and safety, trade restrictions, competition regulation and currency controls.

Legislation and regulation

With a focus on activities conducted at the local and regional levels and with central

Group support, Haldex continuously complies with the rules and regulations prevailing in each respective market and works to adapt the Group to identified future changes in this area. However, changes in regulatory codes, customs regulations and other trade barriers, price, currency controls and public guidelines in the countries in which Haldex is active could affect the Group's operations and future business development.

Intellectual property rights

Haldex invests considerable resources in product development. To secure the return on these investments, Group companies actively assert their rights and carefully monitor the activities of their competitors. The risks in part involve cases where competitors infringe on the Group's patents, and in part instances when Haldex is at risk of infringing on valid patents held by competing companies due to mistakes or errors in judgment. The company carefully and continuously monitors the status of patents and protects its own innovations with patents to the furthest possible extent. The risk of unlicensed copies of the Group's products being marketed has increased in recent years, primarily in Asian markets. Furthermore, the industries in which Haldex is active are in many respects characterized by rapid technical development. Consequently, there is a risk that new technologies and products will be developed that circumvent or replace Haldex's intellectual property rights.

Environmental impact

The Group is engaged through three Swedish subsidiaries in business activities that are subject to license requirements pursuant to the Swedish Environmental Code. The Group's Swedish operations that are subject to license and reporting requirements impact the natural environment mainly through the subsidiary, Haldex Brake Products AB. This company is involved in surface-treatment and the painting of brake systems for highway vehicles, activities that mainly impact the natural environment by means of air and water emissions and noise.

Guidelines concerning adoption of guidelines for remuneration of senior executives

In compliance with the motion submitted to the 2011 Annual General Meeting (AGM), the Board of Directors proposes that the following guidelines apply for the period up to the 2012 AGM. The guidelines are to apply for employment contracts entered into following the AGM's resolution and in the event that existing agreements are amended following the AGM's resolution.

Remuneration of the President and CEO and other senior executives shall consist of a well-balanced combination of fixed salary, annual bonus, long-term incentive programs, pension and other benefits and conditions concerning termination of employment/severance payment. The total remuneration shall be competitive in the market and based on performance. The fixed remuneration shall be determined individually and based on each individual's responsibility, role, competence and position. The annual bonus shall be based on outcomes of predetermined financial and individual objectives and not exceed 30–50% of the fixed annual salary.

In exceptional situations, special remuneration may be paid to attract and retain key competence or to induce individuals to move to new places of service or accept new positions. Such remuneration may not be paid out for periods exceeding 36 months and may not exceed the equivalent of twice the remuneration the executive would otherwise have received. The Board of Directors may propose that the General Meeting resolve on long-term incentive programs.

Pension benefits shall be based on defined-contribution plans and, for employees in Sweden, provide entitlement to pension at age 65. Upon termination of employment by the company, the notice period for the President and CEO is 12 months and for other senior executives six months. In addition, when entering into new employment contracts, agreement may be made on severance pay not exceeding the equivalent of 12 months' fixed salary. The Board shall be entitled to depart from the guidelines if there are specific reasons for doing so in individual cases.

In all essential respects, the above guidelines are unchanged compared with the guidelines adopted by the 2010 AGM. For further information on remuneration of senior executives, refer to Note 8.

Future trends

In addition to the number of vehicles produced, Haldex's market is affected by requirements from customers and legislators. These requirements create trends and driving forces, such as an increased emphasis on safety and environmental awareness, combined with the ever-increasing importance of vehicle dynamics.

Other trends that affect Haldex are vehicle manufacturers' endeavors to build lighter vehicles in order to reduce fuel consumption. In markets outside Europe and North America, a distinct trend towards increased demand for a higher level of technology is noticeable. This applies particularly to large markets, such as India and China.

On the whole, the trends involving safety, environmental aspects and vehicle dynamics are resulting in expectations that Haldex's market will grow faster than the vehicle market in general. Other indications of this include developments in rapidly growing, emerging markets in Asia, where demand for leading-edge products and technologies is increasing continuously.

Parent Company

The Group's Parent Company, Haldex AB, performs the main office functions, including the central financial function.

In 2010, Haldex AB reported an operating loss of SEK 62 m (loss: 22). The loss was due mainly to costs for the demerger of the company. Earnings before appropriations and taxes amounted to SEK 1,145 m (393), including dividends from Group companies of SEK 31 m (87), Group contribution of SEK 2 m (65) and a financial net amounting to an expense of SEK 15 m (expense: 13).

Cash and cash equivalents at year-end totaled SEK 250 m (172).

Events after the balance-sheet date

The Board of Directors for Haldex decided to divest the Traction Systems Division to BorgWarner, Inc. as announced on December 17, 2010. The transaction was completed after the close of the reporting period on January 31, 2011. The purchase consideration of SEK 1,425 m was paid in cash on a debt-free basis. The price amounts to nearly 14 times historical earnings and is considered to maximize the value for Haldex's shareholders. The transaction generated a capital gain of about SEK 1,100 m.

As a result of the divestment of Traction Systems Division on January 31, 2011, notice has been served terminating the syndicated credit facility and the bond loan of SEK 650 m was reduced by SEK 205 m to SEK 445 m. Following fiscal year-end, new committed lines of credit were received for the new Group structure – Commercial Vehicle Systems Division and Hydraulics Division – which will become effective as of the listing of the companies.

Proposed distribution of earnings

The following unappropriated funds are at the disposal the Annual General Meeting (SEK)	
Share premium reserve	378,276,231
Profits brought forward	2,342,116,116
	2,720,392,347
The Board of Directors proposes the following distribution of the above funds:	
Cash dividend to shareholders of SEK 3 per share	132,647,910[1]
Dividend to shareholders through the distribution of all of the shares in the wholly owned subsidiary Concentric AB, including the underlying group of companies, as described in Note 9 of the Haldex AB Annual Report	937,169,963[2]
in the following manner:	
To be distributed to the shareholders	1,069,817,873
To be carried forward	1,650,574,474
	2,720,392,347

1) The amount is based on the total number of issued shares of 44,215,970 shares. At the balance-sheet date, the company held 376,470 treasury shares, which will be sold during the period up to the Annual General Meeting.

2) Pertains to the carrying amount for the Concentric AB shares in Haldex AB's accounts on March 31, 2011, which will match the carrying amount for the shares at the time of their distribution (see Note 9 of the Haldex AB Annual Report). Each Haldex AB share will carry entitlement to one Concentric AB share. It is proposed that the Board of Directors be authorized to determine the record date for entitlement to the distribution of shares.

In view of the Group's strong financial position following the divestment of the Traction Systems division and the proposed distribution of the shares in Concentric AB, the Board of Directors proposes that the 2011 Annual General Meeting resolve to approve a proceeding for the automatic redemption of shares, including a 2-for-1 share split. This motion entails that each share be divided into one common share and one redemption share, including a reduction in share capital to enable repayment to the shareholders through redemption of redemption shares for SEK 30 per share and an increase in share capital through a bonus issue without shares, whereby unrestricted equity is utilized. A total of SEK 1,326,479,100 will be distributed to the shareholders in addition to the proposed dividend.

Additional information concerning the proposed share split combined with an automatic redemption proceeding, as well as information on the transfer of funds from the statutory reserve to a separate unrestricted reserve, will be sent to the shareholders separately.

Net sales per division and region

SEK m	2010	2009	Change, nominal, %	Change, currency adjusted, %
Commercial Vehicle Systems	3,710	3,134	18	25
Hydraulic Systems	1,977	1,406	41	49
Traction Systems	1,219	850	43	44
Garphyttan Wire	–	232	e.t.	e.t.
Total	**6,906**	**5,622**	**23**	**29**
North America	3,190	2,589	23	30
Europe	3,040	2,477	23	29
Asia and the Middle East	454	395	15	19
South America	222	161	38	31
Total	**6,906**	**5,622**	**23**	**29**

Investments by division

SEK m	2010	2009	Change, nominal, %	Change, currency adjusted, %
Commercial Vehicle Systems	146	103	42	46
Hydraulic Systems	19	40	–53	–51
Traction Systems	47	26	80	81
Garphyttan Wire		6	e.t.	e.t.
Total	**212**	**175**	**21**	**24**

Depreciation by division

SEK m	2010	2009	Change, nominal, %	Change, currency adjusted, %
Commercial Vehicle Systems	146	144	1	6
Hydraulic Systems	78	81	–4	2
Traction Systems	54	62	–12	–12
Total	**278**	**287**	**–3**	**1**

Consolidated income statement

Amounts in SEK m	Note	2010 Continuing operations	2010 Discontinued operations	2010 Haldex	2009 Continuing operations	2009 Discontinued operations	2009 Haldex
Net sales		5,687	1,219	6,906	4,540	1,082	5,622
Cost of goods sold	10	–4,162	–985	–5,147	–3,500	–952	–4,452
Gross income		**1,525**	**234**	**1,758**	**1,040**	**130**	**1,170**
Selling expenses	10	–559	–37	–596	–555	–52	–607
Administrative expenses	10	–474	–30	–504	–466	–44	–510
Product development costs	10	–208	–39	–247	–180	–48	–229
Other operating income and expenses		–111	1	–110	–78	–2	–80
Capital gain		–19	–	–19	–	411	411
Operating income/loss		154	128	282	**–240**	**395**	**155**
Interest income		3	–	3	7	–	7
Interest expense		–48	–4	–52	–61	–2	–63
Other financial items		–45	–10	–55	–30	–15	–45
Earnings/loss before tax		**64**	**114**	**178**	**–324**	**378**	**54**
Taxes	11	–26	–21	–47	37	–16	21
Net income/loss for the year		**38**	**93**	**131**	**–287**	**362**	**75**
Attributable to:							
Parent Company shareholders		33	93	126	–280	362	82
Non-controlling interests		5	–	5	–7	–	–7
Earnings per share before dilution, SEK		–	–	2:87	–	–	2:40
Earnings per share after dilution, SEK		–	–	2:87	–	–	2:40
Average number of shares, thousands				43,840	–	–	34,020

Consolidated statement of comprehensive income

Amounts in SEK m	2010	2009
Net profit	**131***	**75***
Other comprehensive income/loss		
Change in hedging reserve, after tax	7	68
Hedging of net investment	–	16
Translation difference	–151	–76
Reversal of translation difference	–9	–19
Total other comprehensive loss	**–153**	**–11**
Total comprehensive income/loss	**–22***	**64***

* Of which attributable to discontinued operations 86 (362).

Consolidated balance sheet

Amounts in SEK m	Note	2010	2009
ASSETS			
Fixed assets			
Intangible fixed assets	12	1,500	1,715
Tangible fixed assets	13	807	1,099
Financial fixed assets			
Derivative instruments	16	11	27
Deferred tax assets	15	141	134
Long-term receivables		27	33
Total fixed assets		**2,486**	**3,008**
Inventories	17	698	660
Current receivables			
Accounts receivable from customers		665	620
Other current receivables	18	163	358
Derivative instruments	16	15	31
Cash and cash equivalents	19	465	362
Total current assets		**2,006**	**2,031**
Assets held for sale	20	561	-
Total current assets		**5,053**	**5,039**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Share capital		221	221
Capital contributions		834	834
Reserves		–76	78
Retained earnings		1,364	1,233
Attributable to Parent Company shareholders		2,343	2,365
Attributable to non-controlling interests		8	8
Total equity		**2,351**	**2,373**
Long-term liabilities			
Long-term interest-bearing liabilities	21	810	847
Pensions and similar obligation	22	314	374
Deferred taxes	15	93	114
Other long-term liabilities		31	37
Total long-term liabilities		**1,248**	**1,372**
Current liabilities			
Short-term loans		3	200
Debt to suppliers		629	658
Derivative instruments	16	6	27
Other provisions	23	108	108
Other current liabilities	24	375	301
Total current liabilities		**1,121**	**1,294**
Liabilities held for sale	20	334	–
Total equity and liabilities		**5,053**	**5,039**
Collateral pledged		None	None
Contingent liabilities		4	5

Consolidated statement of changes in shareholders' equity

	Attributable to shareholders in the Parent Company									
	Share capital	Capital contri-buted	Premium reserve	Translation reserve	Hedging reserve	Reserve for treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
Opening balance January 1, 2009	111	455	112	54	–36	–42	1,151	1,805	18	1,823
Total comprehensive income										
Profit or loss							82	82	–7	75
Other comprehensive income										
Foreign currency translation difference				–75				–75	–1	–76
Reversal of translation difference				–19				–19		–19
Net gain on hedge of net investment				16				16		16
Change in hedging reserve, after tax					68			68		68
Total other comprehensive income	0	0	0	–78	68	0	0	–10	–1	–11
Total comprehensive income	**0**	**0**	**0**	**–78**	**68**	**0**	**82**	**72**	**–8**	**64**
Transactions with shareholders										
New share issue	110	378						488		488
Change in non-controlling interests									–2	–2
Total transactions with shareholders	110	378	0	0	0	0	0	488	–2	486
Closing balance December 31, 2009	**221**	**834**	**112**	**–24**	**32**	**–42**	**1,233**	**2,365**	**8**	**2,373**
Opening balance January 1, 2010	221	834	112	–24	32	–42	1,233	2,365	8	2,373
Total comprehensive income										
Profit or loss							126	126	5	131
Other comprehensive income										
Foreign currency translation difference				–151				–151		–151
Recycling translation difference				–9				–9		–9
Net gain on hedge of net investment								0		0
Change in hedging reserve, after tax					7			7		7
Total other comprehensive income	0	0	0	–160	7	0	0	–153	0	–153
Total comprehensive income	**0**	**0**	**0**	**–160**	**7**	**0**	**126**	**–27**	**5**	**–22**
Transactions with shareholders										
Value of employee service							5	5		5
Change in non-controlling interests								0	–5	–5
Total transactions with shareholders	0	0	0	0	0	0	5	5	–5	0
Closing balance December 31, 2010	**221**	**834**	**112**	**–184**	**39**	**–42**	**1,364**	**2,343**	**8**	**2,351**

Consolidated cash-flow statement

Amounts in SEK m	2010	2009
Cash flow from operating activities		
Operating income[1]	282	155
Reversal of depreciation, amortization and impairment losses	307	343
Interest paid	–108	–108
Profit/loss from divestment of participation in subsidiary	19	–411
Taxes paid	–32	7
Cash flow from operating activities before changes in working capital	468	–14
Change in working capital		
Current receivables	–166	138
Inventories	–167	262
Operating liabilities	306	–197
Change in working capital	–27	203
Cash flow from operating activities[2]	**441**	**189**
Cash flow from investments		
Net investments	–212	–169
Cash proceeds from sale of shares in subsidiaries	23	827
Cash flow from investments[3]	**–189**	**658**
Cash flow from financing		
Change in loans	–106	–1 411
New share issue	–	498
Change in long-term receivables	4	–2
Cash flow from financing[4]	**–102**	**–915**
Change in cash and cash equivalents, excl. exchange-rate differences	150	–68
Cash and cash equivalents, opening balance	362	431
Exchange-rate difference in cash and bank assets	–10	–1
Cash and cash equivalents, closing balance	502	362

[1] Operating income from the Haldex Group's continuing operations amounted to SEK 154 m (loss: 240) and from discontinued operations to SEK 128 m (359).
[2] Cash flow from operating activities conducted by the Haldex Group's continuing operations was SEK 372 m (188) and from discontinued operations SEK 69 m (1).
[3] Cash flow from investments conducted by the Haldex Group's continuing operations was a negative SEK 146 m (neg: 138) and from discontinued operations a negative SEK 43 m (pos: 796).
[4] Cash flow from financing activities conducted by the Haldex Group's continuing operations was a negative SEK 102 m (neg: 915) and from discontinued operations SEK – m (–).

Notes, Group

NOTE 1 GENERAL INFORMATION

Haldex AB (Parent Company) and its subsidiaries constitute the Haldex Group. Haldex provides proprietary and innovative solutions to the global vehicle industry. The main focus is on products related to vehicle dynamics, safety and the environment.

Haldex AB (publ), Corp. Reg. No. 556010-1155, is a registered limited liability corporation with its registered office in Stockholm, Sweden. The address of the Head Office is Haldex AB, Box 7200, SE-103 88 Stockholm. Haldex AB's shares are listed on the Nasdaq OMX Exchange in Stockholm, Mid Cap.

NOTE 2 SUMMARY OF IMPORTANT ACCOUNTING POLICIES

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU. In addition, the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council RFR 1.2 "Supplementary accounting regulations for Groups" were applied.

The Parent Company's function currency is Swedish kronor (SEK), which is also the reporting currency for the Parent Company and the Group. This means that the financial reports are presented in SEK. All amounts are recognized in SEK m unless otherwise indicated. Assets and liabilities are recognized at historical acquisition value (cost), apart from certain financial assets and liabilities that are recognized at fair value. The income statement has been prepared in functional format in accordance with IAS 1, which reflects the internal reporting and provides an accurate picture of the Company's income.

2.1 Consolidated financial statements

Subsidiaries

The consolidated financial statements include the Parent Company and those companies in which the Parent Company directly or indirectly owns more than 50% of the voting rights or exerts controlling influence in some other way. Controlling influence entails a right, either directly or indirectly, to shape a company's financial and operational strategies in order to obtain economic benefits. The subsidiaries are included in the Group as of the day the controlling influence is transferred to the Group. Divested companies are excluded from the consolidated financial statements as of the date upon which the controlling influence ceases.

Non-controlling influence (minority share) is recognized as a separate line item under equity.

The purchase method is used for the recognition of the Groups business combinations. Payments transferred for the acquisition of a subsidiary comprise the fair value of transferred assets, liabilities and the shares issued by the Group. The transferred payment also includes the fair value of all assets or liabilities resulting from agreements concerning conditional purchase considerations. Acquisition-related costs are expensed when they arise. Identifiable acquired assets and liabilities taken over in a business combination are initially measured at fair value on the date of acquisition. For each acquisition, the Group determines whether all non-controlling interests in the acquired company are to be recognized at fair value or at the holding's proportional share of the acquired company's net assets.

The amount by which the transferred payment, any non-controlling interest and fair value on the date of acquisition of previous shareholdings exceeds the fair value of identifiable acquired net assets is recognized as goodwill. In the event of a bargain acquisition, should the amount be less than the fair value of the acquired subsidiary's assets, the difference is to be recognized directly in the statement of comprehensive income.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with the Group's shareholders. In the event of acquisitions from non-controlling interests, the difference between the purchase consideration paid and the actually acquired share of the carrying amount of the subsidiary's net assets is recognized in equity. Gains and losses arising from divestments to non-controlling interests are also recognized in equity.

Intra-Group transactions, balance sheet items and unrealized gains and losses from intra-Group transactions are eliminated. Alfdex AB, in which Haldex and Alfa Laval own 50% each, is consolidated in accordance with the proportional method.

2.2 Translation of foreign currency

The functional currency for the Haldex Group and the presentation currency is Swedish kronor (SEK).

Transactions and balance sheet items

Transactions in foreign currency are translated into SEK using the exchange rates from the day of the transaction. Exchange gains and losses resulting from these transactions and the translation of monetary assets and liabilities at the closing rate are recognized in the consolidated income statement. Transactions that fulfill the requirements for hedge accounting are recognized under equity.

Subsidiaries

The balance sheets and income statements of non-Swedish subsidiaries are translated by translating assets and liabilities at the closing rate and income and expenses at the average rate during the year.

Translation differences resulting from the translation of foreign subsidiaries' net assets at different rates on the opening and the closing dates are recognized directly in the translation reserves in equity. Exchange rate differences on loans and other currency instruments that are recognized as hedges for net investments in foreign currency are recognized directly in the translation reserves in equity.

2.3 Revenue reporting

Income from the sale of goods and services is recognized when the goods/services are delivered in accordance with the terms of delivery with the customer, as soon as the principal risks and rights associated with ownership are adjudged to have been transferred to the purchaser. The income is reported at fair value and, where applicable, is reduced by the value of discounts granted and returned goods. Income for development projects is recognized progressively in pace with the rate of completion, assuming that the financial outcome of the development assignment can be calculated reliably (percentage-of-completion profit recognition).

The completion rate is determined on the basis of outlaid expenses in relation to total estimated costs for the assignment. Intra-Group transactions are eliminated.

2.4 Leasing

Leasing is classified in the consolidated financial statements as either financial leasing or operational leasing, depending on whether the

Company retains all the risks and benefits associated with ownership of the underlying asset. A requirement for the reporting of financial leasing is that the fixed asset be posted as an asset item in the balance sheet and that the leasing obligation be recognized as a liability in the balance sheet. Fixed assets are depreciated according to plan over their useful life, while lease payments are recognized as interest expenses and amortization of debt. No asset or liability items are recognized in the balance sheet in the case of operational leasing. The leasing fee is expensed in the income statement on a straight-line basis over the term of the lease.

2.5 Tangible fixed assets

Tangible fixed assets consist of buildings (offices, factories, warehouses), land and land improvements, machines, tools and installations. These assets are measured at acquisition value less depreciation and any impairment losses. Scheduled depreciation is based on the acquisition value and estimated economic life of the assets. Buildings are depreciated over 25–50 years. Machinery and equipment are usually depreciated over 3–10 years, while heavier machinery has an economic life of 20 years. Land is not depreciated. The assets' residual values and useful lives are reassessed every closing day and adjusted if needed.

2.6 Intangible assets

Product development

According to IAS 38, costs for developing new products are recognized as intangible fixed assets when the following criteria are met: it is likely that the assets will result in future financial benefits to the company; the acquisition value can be calculated reliably; the company intends to finish the asset and has technical and financial resources to complete its development. The documentary basis for capitalizing product development costs can consist of business plans, budgets or the company's forecasts of future earnings. The acquisition value is the sum of the direct and indirect expenses accruing from the point in time when the intangible asset fulfills the above criteria. Intangible assets are recognized at their acquisition value less accumulated amortization taking into account any impairment losses. Amortization begins when the asset becomes usable and is applied in line with the estimated useful life and in relation to the financial benefits that are expected to be generated by the product development. The useful life is not normally assessed as exceeding five years.

Brands, licenses and patents

Brands, licenses and patents are recognized at acquisition value less accumulated amortization plus any impairment losses. Brands, licenses and patents, which are acquired through business acquisitions, are recognized at fair value on the day of acquisition. Brands, licenses and patents have a determinable useful life over which straight-line amortization is applied to distribute the cost in the income statement. The expected useful life of licenses and patents is estimated at 3–15 years. The expected useful life of brands is estimated at 20 years.

Customer relations

Customer relations acquired through business acquisitions are recognized at fair value on the day of the acquisition and at acquisition value less accumulated amortization and any impairment losses. Customer relations have a determinable useful life estimated at 11–17 years. Straight-line amortization is applied over the estimated useful life of customer relations.

Software and IT systems

Acquired software licenses and costs for development of software that are expected to generate future financial benefits for the Group for more than three years are capitalized and amortized over the expected useful life (3–5 years).

Goodwill

Goodwill is the amount by which the acquisition cost of an asset exceeds the asset's fair value. Goodwill arising in conjunction with the acquisition of a subsidiary is recognized as an intangible asset. Goodwill is tested annually to determine any impairment requirement and is recognized at acquisition value less accumulated impairment losses. Impairment losses on goodwill are never reversed. Gains or losses on the divestment of a unit include the remaining carrying amount of the goodwill pertaining to the divested unit.

Goodwill is allocated among cash-generating units when impairment testing is conducted. The cash-generating units are determined in accordance with the Group's operating segments.

2.7 Financial instruments

The Group classifies its financial instruments in the following categories: financial assets valued at fair value through profit or loss, loans and receivables, financial instruments held to maturity and financial assets available for sale. The classifications are based on the purpose of the acquired instrument. Management determines the classification of the instruments when they are first recognized and reassess the classification at each reporting event. During the fiscal year, the Group had financial instruments belonging to financial assets measured at fair value through profit or loss, as well as loans and receivables.

Financial assets measured at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and assets that from the very beginning are attributed to the category measured at fair value through profit or loss. A financial asset is classified in this category if it has been acquired primarily with a view to being resold in the near future or if this classification is determined by company management. Derivative instruments are also categorized as being held for sale, assuming that they have not been identified as hedging instruments.

Loans receivables and accounts receivable

Loans receivables and accounts receivable are non-derivative financial assets with established or determinable payments that are not listed on an active market. They occur when the Group supplies money, products or services directly to the customer without intending to trade the resulting claim. They are included in current assets, with the exception of items with due dates more than 12 months after the closing day, which are classified as fixed assets.

Recognition of derivative instruments

Derivative instruments are recognized in the balance sheet as of the trade date and are measured at fair value, both initially and during subsequent revaluations. The method used for recognizing the profit or loss arising at every revaluation occasion depends on whether the derivative has been identified as a hedging instrument and, if this is the case, the nature of the hedged item. The Group identifies certain derivatives as either: 1) hedging of the fair value of assets or liabilities; 2) hedging of forecast flows (cash flow hedging) or 3) hedging of net investment in a foreign operation. To qualify for hedge accounting, certain documentation is required concerning the hedging instrument and its relation to the hedged item. The Group also documents goals and strategies for risk management and hedging measures, as well as an assessment of the hedging relationship's effectiveness in terms of countering changes in fair value or cash flow for hedged items, both when the hedging is first entered into and subsequently on an ongoing basis.

Fair value hedges

Changes in fair value of derivatives that are classified as fair value hedges and fulfill the conditions for hedge accounting are recognized in profit and loss with the changes in the fair value of the asset or liability that caused the hedged risk.

Cash flow hedging
Cash flow hedging is applied for future flows from sales. The portion of changes in the value of derivatives that satisfy the conditions for hedge accounting is recognized in other comprehensive income. The ineffective portion of profit or loss is recognized directly in the income statement, among financial items. The unrealized profit or loss that is accumulated in equity is reversed and recognized in profit and loss when the hedged item affects profit or loss (for example, when the forecast sale that has been hedged actually occurs).

If a derivative instrument no longer meets the requirements for hedge accounting, is sold or terminated, what remains is any accumulated profit or loss in equity, which is recognized in profit and loss at the same time as the forecast transaction is finally recognized in profit and loss.

When a forecast transaction is no longer expected to occur, the accumulated profit or loss recognized in equity is immediately transferred to the income statement.

Hedging of net investments
Accumulated gains/losses from revaluation of hedges of net investments that fulfill the conditions for hedge accounting are recognized in other comprehensive income. When operations are divested, the accumulated effects are transferred to the profit and loss and affect the Company's net profit/loss from the divestment.

Calculation of fair value
Fair value of financial instruments that are traded on an active market (for example, publicly quoted derivative instruments, financial assets that are held for trade and financial assets that are held for sale) is based on the quoted market rate on the closing day. The quoted market rates used for the Company's financial assets are the actual bid prices; quoted market rates used for financial liabilities are the actual asked prices. The instruments held by the Group are traded 100% in an active market.

2.8 Inventories
Inventories are valued at the lowest of the acquisition cost in accordance with the first-in first-out principle and the net realizable value. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity).

2.9 Accounts receivable from customers
After individual valuation, receivables are valued in the amounts in which they are expected to be paid.

2.10 Cash and cash equivalents
Cash and cash equivalents includes cash, cash in banks, other short-term investments that fall due in less than three months and bank overdraft facilities. Bank over draft facilities are recognized in the balance sheet as borrowing under current liabilities.

2.11 Receivables and liabilities
Receivables and liabilities in foreign currencies are valued at the yearend rate. Exchange gains and losses pertaining to operational currency flows are recognized in operating income. Current and long-term interest-bearing liabilities are recognized in the balance sheet to nominal value.

2.12 Provisions
Provisions are recognized in the balance sheet when the Group has future obligations resulting from an event that is likely to result in expenses that can be reasonably estimated. Provisions for restructuring costs are recognized when the Group has presented a plan for carrying out the measures and the plan has been communicated to all affected parties.

2.13 Employee benefits
Pension commitments
The Group has both defined-benefit and defined-contribution pension plans. Administration is handled by a third party at e.g. a fund management company, an insurance company or a bank. Financing occurs through fees and is recognized in profit and loss. The size of the fee depends on actuarial estimations that are performed once annually. Defined-benefit plans state which amount an employee can expect to receive after retirement, calculated on the basis of factors such as age, length of service and future salary. The actual debt, net any plan assets and non-recognized actuarial gains/losses, is recognized in the balance sheet.

Defined-contribution plans mainly include retirement pensions, disability pensions and family pensions, and a defined contribution, normally expressed as a percentage of current salary, is paid to a separate legal entity. The employee is responsible for the risk inherent in these plans and the Group does not have any further obligations if the fund's assets decline in value. No debt is recognized in the balance sheet. The debt recognized in the balance sheet pertaining to defined-benefit pension plans is the present value of the defined-benefit obligation on the closing day less the fair value of the plan assets, adjusted for non-recognized actuarial gains/losses.

Defined-benefit pension obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of the obligations is determined by discounting the estimated future cash flow.

Actuarial gains/losses from experience-based adjustments and changes in actuarial assumptions exceeding the highest of 10% of the value of the plan assets and 10% of the defined-benefit obligation are recognized as an expense or revenue over the employees' average remaining period of service in accordance with the "corridor method". Accordingly, no debt is recognized in the balance sheet. Swedish Group companies apply UFR 4, which means that tax on pension costs is calculated on the difference between pension costs in accordance with IAS 19 and pension costs determined in accordance with local regulations.

Share-based payment
The Group has a share-based payment plan in the form of an incentive program directed at senior executives and key employees. The company obtains services from employees as compensation for equity instruments (options) in the Group.

The fair value of the service that entitles employees to an allotment of options is expensed and based on the fair value of the allotted options. The cost is distributed over the vesting period, meaning the period during which the stated vesting conditions shall be fulfilled. For further information about the incentive program, see Note 8, Information on remuneration of senior executives.

2.14 Taxes
Income taxes consist of current tax and deferred tax. Income taxes are reported in the income statement, apart from when underlying transactions are recognized directly in equity, whereby the related tax effect must also be recognized in equity.

Current tax is the tax to be paid or received for the current year based on current tax rates. Adjustment of current tax attributable to previous periods is also included here. Deferred tax is calculated on the basis of the temporary differences between the recognized and tax-assessment value of assets and liabilities. The valuation of deferred tax is based on the recognized amounts for assets and liabilities that are expected to be sold or settled. A valuation is performed based on the tax rates and tax regulations that have been decided or announced at year-end. Deferred tax assets pertaining to loss carry forwards are recognized insofar as it is probable that the losses will be used to offset future tax.

2.15 Cash flow statement

The Cash Flow Statement is prepared using the indirect method. This means that the operating income is adjusted for transactions that do not entail receipts or disbursements during the period, and for any income and expenses referable to cash flows for investing or financing activities.

2.16 Government assistance

Government assistance connected to the acquisition of fixed assets has reduced the acquisition value of the particular assets. This means that the asset has been recognized at a net acquisition value, on which the size of depreciation has been based.

2.17 Discontinued operations

On December 17, 2010, Haldex reached an agreement with Borg Warner Inc. concerning the divestment of Traction Systems Division.

Haldex has prepared its year-end financial statements in accordance with IFRS 5 Non- Current Assets Held for Sale and Discontinued Operations, whereby the consolidated income statement is separated into continuing and discontinued operations and, in the consolidated balance sheet, assets and liabilities held for sale have been lifted out and reported on separate lines.

In the income statement for 2010, the Traction System division is recognized as a discontinued operation. In the 2009 comparative figures, the Garphyttan Wire division is recognized as a discontinued operation, as is Traction System.

It is not possible to compare the figures recognized within the definition of discontinued operations with the segment figures since the segment figures include allocations of Group-wide costs.

2.18 Amendments to accounting policies and informative statements

New and changed standards applied by the Group

Here follows an account of the standards and interpretations of existing standards that have been published and are mandatory for the Group for fiscal years beginning on January 1 2010 or later. These standards and amendments have not been applied in advance. The statements also encompass standards and interpretations that management considered relevant for the Group on the balance-sheet date.

– IAS 27 (amendment), Consolidated and Separate Financial Statements.

The revised standard requires that the effects of all transactions with shareholders without a controlling interest be recognized in equity, as long as the controlling interest remains, and that these transactions no longer give rise to goodwill or to profit or loss. The Group will apply IAS 27 (amendment) prospectively for transactions with shareholders without a controlling interest.

– IFRS 3 (revised), "Business combinations."

The revised standard continues to stipulate that the purchase method be applied for business combinations but subject to a number of significant amendments. For example, all payments for acquiring an operation must be recognized at fair value on the date of acquisition, while subsequent conditional purchase considerations are classified as debt and are thereafter to be remeasured through the statement of comprehensive income. Non-controlling interests in the acquired business can be measured optionally either at fair value or at the proportional share of the acquired business's net assets, as held by shareholders with non-controlling interests. All transaction expenses pertaining to the business combination must be expensed.

– IAS 38 (amendment), "Intangible assets"

The amendment is part of the IASB's annual improvement project that was published in April 2009 and the Group will apply IAS 38 (amendment) as of the date when IFRS 3 (revised) is applied. The amendment provides clarifications in connection with measurement at fair value of an intangible asset acquired as part of a business combination. In accordance with the amendment, intangible assets may be grouped and treated as a single asset if the assets have similar useful lives. The amendment will have no material impact on the consolidated financial statements.

– IFRS 5 (amendment), "Non-current Assets Held for Sale and Discontinued Operations".

The amendment is part of IASB's annual improvement project that was published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosure requirements applicable for fixed (non-current) assets (or disposal groups) that have been classified as fixed assets held for sale or discontinued operations.

IFRIC 17 "Distributions of Non-cash Assets to Owners" (applies to fiscal years beginning July 1, 2009 or later).

The interpretation was published in November 2008. This interpretation provides guidance concerning the recognition of agreements under which a company distributes non-cash assets to the shareholders. An amendment to IFRS 5 has also been made, a requirement of which is that the assets may only be classified as being held for the transfer of value if they are available for immediate transfer of value in their current condition and that the transfer of value is highly probable.

Standards, amendments and interpretations of existing standards for which the amendment has not yet become effective and has not been applied in advance by the Group

IFRS 9, "Financial instruments" (published in November 2009) and most recently updated in October 2010

This standard will replace IAS 39, "Financial instruments: measurement and classification." IFRS 9 introduces two new requirements for the measurement and classification of financial assets and will probably have an impact on the way the Group recognizes financial assets. The standard will not become applicable until the fiscal year beginning on January 1, 2013 but is available for advance application. However, the standard has not yet been adopted by the EU. The Group has yet to evaluate the full impact of IFRS 9 its financial statements.

IAS 24 (revised) – Related Party Disclosures, issued in November 2009.

This replaces IAS 24, Related Party Disclosures, issued in 2003. IAS 24 (revised) is to be applied for fiscal year beginning on January 1, 2011 or later. Advance application is permissible for both the entire and certain parts of the standard. The standard provides certain clarifications concerning the definition of related parties. The Group will apply the revised standard as of January 1, 2011. It is not estimated to have any impact on the financial statements, since the assessment is that the amendments do not affect the company at present.

Several other amendments of standards and new statements have been published that are currently not adjudged to have any impact on the company's financial statements.

NOTE 3 IMPORTANT ESTIMATIONS AND ASSUMPTIONS

The Consolidated Financial Statements contain estimations and assumptions about the future, which are based on both historical experience and expectations for the future. The areas where the risk of future adjustments of carrying amounts are the highest are mentioned below.

Goodwill

During 2010, the Group's total goodwill, which amounted to SEK 865 m (954) at December 31, 2010, was impairment tested. The testing was implemented at operating segment level. Commercial Vehicle Systems with goodwill amounting to SEK 371 m (396) and Hydraulic Systems with goodwill amounting to SEK 494 m (558 m) are assessed to constitute the cash-generating units. The impairment testing is conducted by discounting expected future cash flows, as determined in the divisions' business plans and thus arriving at a value. The value is placed in relation to the carrying amount of the divisions' goodwill. Haldex's sales and return have historically shown a very close correlation with the number of produced units of vehicles in each of the division's market segments. Accordingly, the official forecasts of future vehicle manufacturing form the foundation for the divisions' business plans, in which Haldex's historical financial performance and expected future benefits through current improvement programs are also taken into account.

The forecast period for the testing of goodwill comprises five years of business plans and, after the explicit forecast period, a residual value is assigned, which is designed to represent the value of the business following the final year of the forecast period. The residual value has been calculated on the basis of an assumption concerning a sustainable level for the free cash flow (after the forecast period) and its growth, in the case of Haldex 2% (2). In this context, the residual value corresponds to all cash flows after the forecast period.

When discounting expected future cash flows, an average cost of capital (WACC) before tax has been used, at present 9% (9). The average cost of capital has been based on the following assumptions:

- Risk-free interest rate: Ten-year yield on government bonds
- The market's risk premium: 5%
- Beta: Established beta for Haldex
- Interest expense: This was calculated as a weighted interest rate on the basis of the Group's financing structure in various currencies, taking a loan premium into account
- Tax rate: In accordance with the tax rate prevailing in the particular countries

The testing of goodwill conducted during 2010 and 2009 revealed no impairment requirement. A change in the discount interest rate by 1% or a decrease in cash flow by 10% would not change the outcome of the testing.

Development projects

Haldex capitalizes the costs of its development projects. These capitalized development projects are tested for impairment each year or when there is an indication of a decrease in value. The tests are based on a prediction of future cash flow and corresponding production costs. In case the future volumes, prices or costs diverge negatively from the predictions, an impairment loss could arise.

Since development projects are considered to be a normal part of Haldex's daily business, impairment tests are generally carried out with the same assumptions (WACC) as the impairment test for goodwill. However, since individual risk assessment points to different risks in the different projects, the discount rate is adjusted based on the estimated risk in the various projects. Development projects considered a higher risk are tested with a higher discount rate than a project with a considered lower risk. A 1% change in the discount rate or a 10% decrease in cash flow has no significant impact on the outcome of the assessment.

Income taxes

The Group pays tax in many different countries. Detailed calculations of future tax obligations are completed for each tax object within the Group. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Warranty reserves

The Group continuously assesses the value of the reserves in relation to the estimated need. The warranty reserve represented 1.4% (1.5) of net sales as of December 31, 2010.

Pensions

The pension liabilities recognized in the balance sheet are estimated by actuaries and based on annual assumptions. These assumptions are described in Note 22.

A 0.25% change in the utilized discount rate for each particular country affects the present value of the Group's pension obligations by approximately SEK 70 m. Since the Group's UK companies account for approximately 70% of the Group's total pension obligation, fluctuations in UK interest rates give rise to the greatest sensitivity.

NOTE 4 SEGMENT REPORTING

Operating segments are reported in a manner that matches how internal reporting is submitted to the Group's highest executive decision-maker.

The Group has divided its operations into three divisions: CVS, Hydraulics, and Traction. These divisions constitute the operating segments, considering that it is at this level that the Group's earnings are monitored and strategic decisions are made.

The operating segments derive their revenues from the manufacture and sale of products as described below:

Commercial Vehicle Systems develops, manufactures and sells brake systems for heavy vehicles, trailers and buses. Hydraulic Systems develops, manufactures and sells hydraulic lifting systems and drive systems for industrial vehicles, and pumps that pump lubricants, cooling water and fuel in diesel engines. Traction Systems manufactures AWD systems, which are electronically controllable systems for four-wheel-drive vehicles.

The evaluation of an operating segment's earnings is based on adjusted EBIT, meaning that nonrecurring items, restructuring costs and amortization of acquisition-related surplus values are excluded. Assets and liabilities not allocated to segments are deferred tax assets and deferred tax liabilities as well as financial investments, financial assets and financial liabilities.

No single customer accounts for more than 9% of the comprehensive income of the Group as a whole.

The location of the customers forms the basis of sales by geographic area. The information concerning the segments' assets and the period's investments are based on geographic areas grouped by where the assets are located.

CONT. NOTE 4 SEGMENT REPORTING

SEK m	Full year 2010	Full year 2009		Full year 2010	Full year 2009
Commercial Vehicle Systems			**Hydralic System**		
Net sales	3,710	3,134	Net sales	1,977	1,406
Operating income[1]	162	–60	Operating income[1]	179	–47
Operating income	110	–112	Operating income	109	–91
Operating margin, %[1]	4.4	–1.9	Operating margin, %[1]	9.1	–3.4
Operating margin, %	3.0	–3.6	Operating margin, %	5.5	–6.5
Assets	2,239	2,285	Assets	1,578	1,768
Liabilities	706	527	Liabilities	530	485
Return on capital employed, %[2]	5.9	–5.1	Return on capital employed, %[2]	7.2	–5.0
Investments	146	103	Investments	19	40
Depreciation	146	144	Depreciation	78	81
No. of employees[2]	2,191	2,169	No. of employees[2]	1,279	1,635
Garphyttan Wire			**Traction Systems**		
Net sales	–	232	Net sales	1,219	850
Operating income[1]	–	–54	Operating income[1]	118	29
Operating income	–	–54	Operating income	118	26
Operating margin, %[1]	–	–23.1	Operating margin, %[1]	9.7	3.4
Operating margin, %	–	–23.1	Operating margin, %	9.7	3.1
Assets	–	–	Assets	444	366
Liabilities	–	–	Liabilities	246	218
Return on capital employed, %[2]	–	–	Return on capital employed, %[2]	56.8	12.7
Investments	–	6	Investments	47	26
Depreciation	–	–	Depreciation	54	62
No. of employees[2]	–	173	No. of employees[2]	342	304
Unallocated			**Group**		
Net sales	–	–	Net sales	6,906	5,622
Operating income[1]	–	–	Operating income[1]	459	–131
Operating income	–54	386	Operating income	282	155
Operating margin, %[1]	–	–	Operating margin, %[1]	6.7	–2.3
Operating margin, %	–	–	Operating margin, %	4.1	2.8
Assets	791	621	Assets	5,053	5,039
Liabilities	1,220	1,436	Liabilities	2,702	2,666
Return on capital employed, %[2]	–	–	Return on capital employed, %[2]	7.8	3.9
Investments	–	–	Investments	212	175
Depreciation	–	–	Depreciation	278	287
No. of employees[2]	–	–	No. of employees[2]	3,811	4,281

[1] Excluding restructuring costs, one-off items and amortization of surplus values.

[2] Rolling 12 months.

Breakdown by geographic area

2010	North America	Europe	Asia and the Middle East	South America	Group
Net sales	3,190	3,040	454	222	6,906
Assets	2,240	2,306	345	162	5,053
Investments	47	140	13	12	212

2009	North America	Europe	Asia and the Middle East	South America	Group
Net sales	2,588	2,477	396	161	5,622
Assets	2,169	2,238	471	161	5,039
Investments	54	109	10	2	175

CONT. NOTE 4 SEGMENT REPORTING

	2010	2009
Operating income/loss per division		
Commercial Vehicle Systems	110	–112
Hydraulic Systems	109	–91
Traction Systems	118	26
Garphyttan Wire	–	–54
Unallocated	–54	386
Total operating income	282	**155**
Less operating income/loss, discontinued operations*	128	395
Operating income/loss, continuing operations	154	**–240**
Net financial items, continuing operations	–90	–84
Earnings before tax, continuing operations	**64**	**–324**

* This includes the capital gain from the divestment of Garphyttan Wire (411), but not allocation of Group-wide expenses 10 (12).

NOTE 5 COSTS DISTRIBUTED BY TYPE

	2010	2009
Direct material costs	–3,714	–3,016
Personnel costs	–1,589	–1,560
Depreciation and impairment losses	–307	–318
Other operating costs	–994	–983
Total operating costs	–6,605	–5,878

NOTE 6 AVERAGE NUMBER OF EMPLOYEES

	Women	Men	2010	Women	Men	Total 2009
Sweden	172	470	642	197	601	798
USA	339	796	1,135	384	840	1,224
China	61	303	364	120	545	665
Germany	55	269	324	78	274	352
Mexico	128	184	312	76	159	235
Hungary	95	83	179	93	73	166
Great Britain	38	250	288	31	251	282
Brazil	41	112	153	35	122	157
India	25	244	269	24	222	246
France	28	45	73	25	49	74
Canada	5	17	22	8	17	25
Italy	5	7	12	8	7	15
Poland	2	7	9	3	8	11
Spain	4	4	9	5	4	9
Austria	2	5	7	2	5	7
South Korea	1	6	7	1	7	8
Belgium	0	4	4	–	4	4
Russia	1	2	3	–	3	3
	1,002	**2,809**	**3,811**	**1,090**	**3,191**	**4,281**

NOTE 7 SALARIES AND OTHER REMUNERATION

2010	Salaries and remuneration	Of which, Board of Directors, CEO and other senior executives	Social security costs	Of which, pension costs
Sweden	289	20	127	30
USA	468	11	145	12
China	24	4	10	0
Germany	145	2	63	10
Mexico	31	1	6	0
Hungary	18	1	5	0
Great Britain	109	9	16	6
Brazil	16	2	15	0
India	11	0	0	0
France	34	2	13	0
Canada	10	0	2	0
Italy	8	0	3	0
Poland	2	0	0	0
Spain	4	0	1	0
Austria	8	3	1	1
South Korea	3	0	0	0
Belgium	4	0	0	0
Russia	1	0	0	0
	1,185	55	407	59

The Board of Directors, CEO and other senior executives comprised 31 individuals (30).
Variable remuneration paid to the CEO and other senior executives amounted to SEK 14 m (9).
Of the Group's total pension, SEK 9 m (7) pertained to pension payments for the CEO and other senior executives.
For further information pertaining to salaries and remunerations, refer to the Group's Note 8 and the Parent Company's Note 4.

2009	Salaries and remuneration	Of which, Board of Directors, CEO and other senior executives	Social security costs	Of which, pension costs
Sweden	275	19	141	42
USA	434	8	160	15
China	45	5	0	0
Germany	133	2	58	11
Mexico	18	1	3	0
Hungary	17	1	5	0
Great Britain	115	7	14	4
Brazil	14	2	10	0
India	9	1	0	0
France	27	2	12	0
Canada	7	0	3	0
Italy	9	0	4	3
Poland	2	0	0	0
Spain	4	0	1	0
Austria	6	2	3	0
South Korea	3	1	0	0
Belgium	4	0	0	0
Russia	1	0	0	0
	1,123	51	414	75

The Board of Directors, CEO and other senior executives comprised 30 individuals (31).
Variable remuneration paid to the CEO and other senior executives amounted to SEK 9 m (7).
Of the Group's total pension, SEK 7 m (8) pertained to pension payments for the CEO and other senior executives.
For further information pertaining to salaries and remunerations, refer to the Group's Note 8 and the Parent Company's Note 4.

NOTE 8 INFORMATION ON REMUNERATION OF SENIOR EXECUTIVES

Amounts in SEK 000s	2010 Basic salary/ Director fees	2010 Variable remuneration	2010 Pension	2009 Basic salary/ Director fees	2009 Variable remuneration	2009 Pension
Board of Directors (8 members, of whom 2 women)	1,888	–	–	1,800	–	–
Lars-Göran Moberg (Chairman)	525	–	–	525	–	–
Anders Böös	175	–	–	175	–	–
Arne Karlsson	225	–	–	225	–	–
Caroline Sundewall	275	–	–	275	–	–
Anders Thelin	200	–	–	200	–	–
Cecilia Vieweg	225	–	–	225	–	–
Stefan Charette	175	–	–	175	–	–
Göran Karlsson	88	–	–	–	–	–
President						
Joakim Olsson	4,112	1,951	882	3,968	1,901	959
Other senior executives (Group Management) (6 people, of whom 0 women)	11,290	6,062	2,760	12,030	2,643	2,932
	17,290	8,013	3,642	**17,798**	**4,544**	**3,891**

Guidelines

The guidelines for determining the remuneration of senior executives that were adopted by the 2010 Annual General Meeting essentially comply with the guidelines proposed to the 2011 Annual General Meeting. Information on these is presented in the Directors' Report on page 20 Remuneration was paid to senior executives in accordance with the resolution and guidelines adopted previously by the Annual General Meeting.

Severance pay

In addition to a mutual period of notice of 12 months, the President is entitled to severance pay corresponding to 12 months' salary if notice is served by the company. If notice is served by the President, severance pay cannot be demanded.

For members of the Group Management, severance pay is provided in accordance with the guidelines established by the Board of Directors for remuneration of senior executives. Due to the proposed demerger of the company's three divisions into three independent listed companies, in accordance with the established guidelines, specific and limited agreements have been prepared with the President and part of the Group Management covering the period of notice and severance pay, with the aim of securing the services of these key individuals during the implementation of the proposed demerger.

Incentive programs

The Annual General Meeting resolved in April 2007 and April 2011, respectively, to introduce a long-term performance-based incentive program under which senior executives and key personnel would be allotted employee stock options on condition that the participants became shareholders by making their own investment in Haldex shares in the stock market.

In the 2007 program, each share acquired in the market carries the entitlement, free of charge, to an allotment of ten employee stock options, whereby each option provides entitlement to the acquisition of 1.5 Haldex share. A condition for allotment is that Haldex's pretax income has increased in relation to the preceding fiscal year by more than 7%. Maximum allotment occurs on condition that pretax income has increased in relation to the preceding fiscal year by 20% or more. Employee stock options are issued in three series and, in accordance with decisions by the Board of Directors, will be allotted during 2008, 2009 and 2010. No allotment of the 2008 and 2009 options occurred on the basis of the company's earnings outcome. Options were allotted in 2010.

In the 2010 program, each share acquired in the market carries entitlement, free of charge, to an allotment of ten employee stock options, whereby each option provides entitlement to the acquisition of 1.0 Haldex share. A condition for allotment is that Haldex's operating margin exceeds 1%, excluding restructuring expenses and non-recurring costs/income from acquisitions or divestments during the 2010 fiscal year. Maximum allotment occurs if the company's operating margin, as stated above, exceeds 4%. Employee stock options are issued based on the company's earnings outcome for 2010 and in accordance with the Board's decision during 2011. Allotment will occur in 2011.

Employee stock options	LTI 2007	LTI 2010
CEO	20,000	60,000
Other senior executives	50,000	80,000
Other key personnel	85,000	210,000
	155,000	**350,000**

For detailed information about the program, refer to Haldex website: www.haldex.com.

NOTE 9 AUDITING FEES

	2010	2009
PwC		
Audit assignments	7	8
Audit work in addition to the audit assignment	1	–
Tax advice	2	2
Other assignments	8	8
	18	**18**

NOTE 10 DEPRECIATION

	2010	2009
Cost of goods sold	191	209
Selling costs	8	9
Administrative costs	34	40
Product development costs	45	30
	278	**287**

NOTE 11 TAXES

	2010	2009
Current tax	–48	7
Deferred tax	1	14
Total recognized tax expenses	**–47**	**21**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

Reconciliation of effective tax rate		2009
Earnings before tax	178	54
Tax at applicable tax rate in Sweden	26%	26%
Differences in tax rates of different countries of operation	–2%	42%
Non-deductible expenses	9%	9%
Non-taxable revenues	–5%	–144%
Tax attributable to prior years	2%	7%
Utilization of previously unrecognized loss carryforwards	–15%	–10%
Tax loss carryforwards for which no deferred tax asset has been recognized	5%	29%
Remeasurement of deferred tax expense in subsidiaries	0%	6%
Other taxes	6%	–3%
Reported effective tax rate	**26%**	**–38%**

The income tax charged/credited to equity during the year is as follows:

	2010	2009
Deferred tax		
Hedging reserve	–3	–24
Hedges of net investments	–	–6
	–3	**–30**

NOTE 12 INTANGIBLE ASSETS

At January 1, 2009	Goodwill	Patents and other intangible assets	Capitalized development costs	Total
Acquisition value	967	595	335	1,897
Accumulated depreciation	–	–59	–48	–107
Accumulated impairment loss	–	–	–5	–5
Accumulated depreciation on acquisition-related surplus value	–	–24	–	–24
Carrying amount	**967**	**512**	**282**	**1,761**
January 1 – December 31, 2009				
Opening carrying amount	967	512	282	1,761
Exchange rate differences	–13	–10	–6	–29
Investments	–	1	49	50
Amortization	–	–9	–17	–26
Impairment losses	–	–10	–	–10
Amortization of acquisition-related surplus value	–	–31	–	–31
Closing carrying amount	**954**	**453**	**308**	**1,715**
At December 31, 2009				
Acquisition value	954	586	378	1,918
Accumulated depreciation	–	–68	–65	–133
Accumulated impairment loss	–	–10	–5	–15
Accumulated amortization of acquisition-related surplus value	–	–55	–	–55
Carrying amount	**954**	**453**	**308**	**1,715**
January 1 – December 31 2010				
Opening carrying amount	954	453	308	1,715
Exchange rate differences	–65	–31	–15	–111
Investments	–	–	48	48
Sales/scrapping	–24	–9	–	–33
Depreciation	–	–6	–32	–38
Amortization of acquisition-related surplus value	–	–29	–	–29
Reclassification of assets held for sale (Note 20)	–	–	–52	–52
Closing carrying amount	**865**	**378**	**257**	**1,500**
At December 31, 2010				
Acquisition value	865	522	401	1,788
Accumulated depreciation	–	–50	–87	–137
Accumulated impairment loss	–	–10	–5	–15
Accumulated amortization of acquisition-related surplus values	–	–84	–	–84
Reclassification of assets held for sale (Note 20)	–	–	–52	–52
Carrying amount	**865**	**378**	**257**	**1,500**

NOTE 13 TANGIBLE FIXED ASSETS

As per January 1, 2009	Buildings	Land and land improvements	Machinery and other technological investments	Equipment, tools and installation	Construction in progress and advances to suppliers	Total
Acquisition value	436	53	2,904	946	161	4,500
Accumulated depreciation	–227	–9	–1,871	–726	–	–2,833
Accumulated impairment loss	–	–	–21	–	–6	–27
Reclassification to:						
Assets held for sale	–15	–1	–280	–18	–11	–325
Carrying amount	**194**	**43**	**732**	**202**	**144**	**1,315**
January 1 – December 31 2009						
Opening carrying amount	194	43	732	202	144	1,315
Exchange rate differences	–12	–1	–20	–8	–7	–48
Investments	9		98	59	–42	124
Sales/scrapping	–		–16	–	–	–16
Depreciation	–18	–1	–165	–77	–	–261
Impairment losses	–15	–	–	–	–	–15
Closing carrying amount	**158**	**41**	**629**	**176**	**95**	**1,099**
At December 31, 2009						
Acquisition value	418	51	2,686	979	95	4,229
Accumulated depreciation	–245	–10	–2,036	–803	–	–3,094
Accumulated impairment loss	–15	–	–21	–	–	–36
Carrying amount	**158**	**41**	**629**	**176**	**95**	**1,099**
January 1 – December 31 2010						
Opening carrying amount	158	41	629	176	95	1,099
Exchange rate differences	–10	–3	–13	–16	–13	–55
Investments	12	1	69	39	43	164
Sales/scrapping	–14		–20	–4	–1	–39
Depreciation	–15	–1	–159	–65	–	–240
Reclassification to: Assets held for sale (Note 20)	–	–	–101	–12	–9	–122
Closing carrying amount	**131**	**38**	**405**	**118**	**115**	**807**
At December 31, 2010						
Acquisition value	304	45	1,895	814	128	3,186
Accumulated depreciation	–173	–7	–1,386	–683		–2,249
Accumulation impairment loss	–	–	–3	–1	–4	–8
Reclassification to: Assets held for sale (Note 20)	–	–	–101	–12	–9	–122
Carrying amount	**131**	**38**	**405**	**118**	**115**	**807**

NOTE 14 OPERATIONAL LEASES

The Group's operational lease contracts fall due as follows:

	Premises	Machinery and other equipment	Total
2011	49	26	75
2012–2015	166	52	218
2016 and beyond	179	0	179

Expensed leasing fees during 2010 totaled SEK 82 M (78).

NOTE 15 DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current taxes and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The gross movement on deferred income tax account was as follows:

	2010	2009
At January 1	21	59
Income statement charge (Note 11)	1	14
Tax charged directly to equity (Note 11)	–3	–30
Exchange differences	–8	–22
Assets held for sale (Note 20)	–8	–
Liabilities held for sale (Note 20)	26	–
At December 31	**29**	**21**

Deferred income tax assets and liabilities, without taking offsetting of balances within the same tax jurisdiction into consideration, were as follows:

	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
Tax loss carryforwards	168	184			168	184
Tangible fixed assets			26	83	–26	–83
Intangible assets	17	21	67	62	–50	–41
Provisions	17	14			17	14
Tax allocation reserves				5	0	–5
Pensions and similar obligations	56	74			56	74
Acquisition-related surplus values			130	132	–130	–132
Other	52	35	40	25	12	10
Assets/liabilities held for sale (Note 20)	8		26		–18	0
Net deferred tax assets /tax liability	**318**	**328**	**289**	**307**	**29**	**21**

Deferred income tax assets are recognized for tax loss carryforwards insofar as the realization of the related tax benefit through future taxable profits is probable.

All recognized tax loss carryforwards have an expiry date exceeding ten years.

NOTE 16 DERIVATIVE INSTRUMENTS

	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Forward exchange contracts – cash flow hedges	65	1	42	–
Forward exchange contracts – at fair value through profit or loss	1	0	0	1
Currency swaps – at fair value through profit or loss	20	4	16	26
Assets/liabilities held for sale (Note 20)	–60	–	–	–
	26	**6**	**58**	**27**

Equity gains and losses in short-term currency forward contracts will be transferred to the income statement at different points during 2010.

The financial instruments recognized at fair value in the balance sheet belong to Tier 2 in the fair value hierarchy, meaning that their fair value is determinable, directly or indirectly, from observable market data.

NOTE 17 INVENTORIES

	2010	2009
Raw materials	489	372
Semi-manufactured products	48	69
Finished products	236	219
Assets held for sale (Note 20)	–75	–
	698	**660**

NOTE 18 OTHER CURRENT RECEIVABLES

	2010	2009
Tax receivables	18	34
Prepaid expenses and accrued income		
Rents and insurance	18	32
Accrued income	49	47
Other prepaid expenses	51	50
Restricted cash	–	80
Other current receivables	109	115
Assets held for sale (Note 20)	–81	–
	163	**358**

NOTE 19 CASH AND CASH EQUIVALENTS

	2010	2009
Bank accounts and cash	502	362
Assets held for sale (Note 20)	–37	–
	465	**362**

NOTE 20 ASSETS AND LIABILITIES HELD FOR SALE

	2010	2009
Assets held for sale		
Tangible fixed assets	122	–
Intangible fixed assets	52	–
Long-term receivables	8	–
Deferred taxes	8	–
Inventories	75	–
Accounts receivables	118	–
Other current receivables	81	–
Derivative instruments	60	–
Cash and cash equivalents	37	–
Total assets held for sale	**561**	**–**
Liabilities held for sale		
Pension and similar obligations	34	–
Deferred taxes	26	–
Other long-term liabilities	10	–
Current liabilities	42	–
Accounts payable	151	
Warranty reserves	12	–
Other current liabilities	59	–
Total liabilities held for sale	**334**	**–**

NOTE 21 LONG-TERM INTEREST-BEARING LIABILITIES

	2010	2009
Multicurrency Revolving Credit Facility	150	631
Bond loans	650	200
Other promissory notes and secured loans	9	15
Financial leasing	1	1
Total	**810**	**847**

CONT. NOTE 21 LONG-TERM INTEREST-BEARING LIABILITIES

Liabilities

	Total	0–1 years	1–3 years	3–5 years	>5 years	Average rate
SEK	800	–	150	650	–	4.27
GBP		–	–	–	–	
EUR		–	–	–	–	
USD		–	–	–	–	
INR	7	–	7	–	–	10.5
PLN	1	–	1	–	–	3.06
BRL	2	–	2	–	–	9.75
TOTAL	**810**	**–**	**160**	**650**	**–**	**4.3**
Calculated interest	121	35	58	28	–	
Total	**931**	**35**	**218**	**678**	**–**	

Because loans under Multicurrency Revolving Credit Facility and bond loans are subject to a fixed interest term of 1–6 months, the fair values correspond to the carrying amounts.

Available unused credit facilities at year-end totaled SEK 948 m (992). Calculated interest comprises the counter-value in SEK based on exchange rates at December 31, 2010 and the current interest rates on the liability.

NOTE 22 PENSIONS AND SIMILAR OBLIGATIONS

Pension liabilities in the balance sheet	2010	2009
FPG/PRI pensions	138	127
Defined-benefit healthcare benefits	32	41
Other defined-benefit plans	177	206
Liabilities held for sale	–34	–
	314	**374**

Haldex has defined-benefit plans for pensions for certain units in Sweden, Germany, France, Great Britain and USA. The pensions under these plans are based mainly on final salary. Defined-contribution plans are also found in these countries. Subsidiaries in other countries within the Group mainly use defined-contribution plans.

Net actuarial losses on pension obligations and plan assets declined SEK 21 m during the year. At year-end, the actuarial losses totaled 6% (7) of the present value of the pension obligations. The return on the planned assets recognized in profit and loss totaled SEK 72 m, while the actual return was SEK 129 m. The plan assets consist primarily of shares, interest-bearing securities and shares in mutual funds.

Group	2010	2009
Pension obligations, funded plans, present value as of December 31	1,362	1,346
Plan assets, fair value as of December 31	–1,183	–1,145
Total	**179**	**201**
Pension obligations, unfunded plans, present value as of December 31	266	292
Unreported actuarial gains (+), losses (–)	–98	–119
Liabilities held for sale (Note 20)	–34	–
Net liability	**314**	**374**

Total pension costs

Group	2010	2009
Pensions vested during the period	–21	–23
Interest on obligations	–86	–87
Expected return on plan assets	72	71
Amortization of unreported actuarial gains (+), losses (–)	–5	–1
Effect of reductions and regulations	1	1
Pension costs, defined-benefit plans	**–39**	**–39**
Pension costs, defined-contribution plans	–20	–36
Total pension costs	**–59**	**–75**

Pension obligations

Group	2010	2009
Opening balance	1,638	1,479
Effects of divested operations	–	–53
Pensions vested during the period	21	23
Interest on obligations	86	87
Benefits paid	–36	–48
Unreported actuarial gains (–), losses (+), pension obligations	48	170
Effects of reductions and settlements	–5	–1
Exchange rate differences	–124	–19
Pension obligations, present value	1,628	1,638

CONT. NOTE 22 PENSIONS AND SIMILAR OBLIGATIONS

Plan assets

Group	2010	2009
Opening balance	1,145	1023
Expected return on plan assets	72	71
Contributions from employers	27	43
Contributions from employees	1	2
Disbursement of pension payments	–28	–42
Unreported actuarial gains (+), losses (–), plan assets	57	48
Exchange rate differences	–91	–
Plan assets, fair value	**1,183**	**1,145**

Reconciliation of interest-bearing pension liabilities

Group	2010	2009
Opening balance, pension liabilities (net)	374	440
Effects of divested operations	–	–44
Pension costs	39	39
Benefits paid	–36	–48
Contributions from employers	–27	–43
Contributions from employees	–1	–2
Compensation from plan assets	28	42
Effects from reductions and regulations	–5	–1
Exchange rate differences	–25	–9
According to balance sheet	**347**	**374**

Actuarial assumptions

Percent	Sweden	Germany	France	Great Britain	USA
Discount rate, January 1	4.10	5.70	5.70	5.75	5.70
Discount rate, December 31	4.80	5.10	5.10	5.70	5.45
Expected return on plan assets	5.10	4.70	–	6.90–7.00	7.20
Expected salary increases	3.00	3.00	3.00	4.00	3.50
Expected inflation	2.00	2.00	2.00	3.20	2.50

Experience-based change in unrecognized actuarial gains (+)/losses (–)

Group	2010	2009	2008	2007	2006
Present value of defined benefit obligations	1,628	1,638	1,479	799	818
Plan assets	1,183	1,145	1,023	431	407
Surplus (+)/deficit (–)	–445	–493	–456	–368	–411
Experience-based adjustment of obligations	–13	–17	–19	4	–8
Experience-based adjustment of plan assets	57	48	–161	–11	13

What is meant by experience-based adjustments of obligations is any deviation from the basic assumptions made in the calculation of the pension obligation. This could, for example, pertain to changes in expectations concerning employee turnover, premature retirement, pay increases and length of life. What is meant by experience-based adjustments of plan assets is any discrepancy between expected return and the real return on the plan assets.

NOTE 23 OTHER PROVISIONS

	Warranty reserves	Restruct-uring reserves	Total
At January 1, 2010	82	26	108
Provisions	116	75	192
Requisitions	–97	–75	–172
Translation differences	–7	–1	–8
Liabilities held for sale (Note 20)	–12		–12
December 31, 2010	**82**	**25**	**108**

NOTE 24 OTHER CURRENT LIABILITIES

	2010	2009
Tax liabilities	18	–
Accrued expenses and deferred income		
Personnel costs	218	160
Other accrued expenses	143	98
Other current liabilities	55	43
Liabilities held for sale (Note 20)	–59	–
	375	**301**

NOTE 25 CORPORATE ACQUISITIONS

During the second quarter, Haldex divested its hydraulic operation in Qingzhou, China. A capital loss of approximately SEK 19 m was charged against the second quarter. Haldex still has a minor holding in the company.

After the end of the period, the Traction Systems Division was divested, resulting in a capital gain of about SEK 1,100 m.

NOTE 26 RELATED-PARTY TRANSACTIONS

The Parent Company is a related party to its subsidiaries. Transactions with subsidiaries occur on commercial market terms. Remuneration of senior executives is presented in Note 8.

Parent Company income statement

Amounts in SEK m	NOTE	2010	2009
Net sales		36	32
Administrative costs	6	–98	–54
Operating loss		**–62**	**–22**
Dividends from Group companies		31	87
Group contribution		2	65
Interest income	7	68	66
Interest expenses	7	–43	–67
Capital gain		1,189	276
Other financial items		–40	–12
Earnings before tax		**1,145**	**393**
Change in tax allocation reserve	14	19	112
Taxes	15	14	–39
Net income for the year		**1,177**	**465**

Parent Company comprehensive income report

Amounts in SEK m	2010	2009
Income for the period	1,177	465
Other comprehensive income	–	–
Total comprehensive income	**1,177**	**465**

Parent Company balance sheet

Amounts in SEK m	NOTE	2010	2009
ASSETS			
Fixed assets			
Tangible fixed assets	8	2	3
Financial fixed assets			
Shares and participations	9	2,312	2,634
Long-term receivables	10	29	13
Total fixed assets		**2,343**	**2,650**
Current assets			
Account receivables from subsidiaries		2,752	1,473
Other current receivables	11	14	116
Derivative instruments	12	94	70
Cash and cash equivalents	13	250	172
Total current assets		**3,110**	**1,831**
Total assets		**5,453**	**4,481**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		221	221
Restricted reserves		455	455
Unrestricted equity			
Share premium reserve		378	378
Retained earnings		1,165	695
Net income for the year		1,177	465
Total equity		**3,396**	**2,214**
Untaxed reserves	14	–	19
Provisions			
Pensions and similar obligations	16	14	12
Other provisions		15	13
Total provisions		**29**	**25**
Long-term liabilities			
Long-term interest-bearing liabilities	17	800	831
Debts to subsidiaries		201	157
Total long-term liabilities		**1,001**	**988**
Current liabilities			
Debts to suppliers		4	15
Debts to subsidiaries		889	954
Short-term interest-bearing liabilities		–	150
Derivative instruments	12	74	78
Other current liabilities	18	60	38
Total current liabilities		**1,027**	**1,235**
Total equity and liabilities		**5,453**	**4,481**
Collateral pledged		None	None
Contingent liabilities	19	337	344

Changes in Parent Company equity

	Restricted equity		Unrestricted equity		
Amounts in SEK m	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Total
Opening balance at January 1, 2009	**111**	**455**	**–**	**777**	**1,343**
Net income for the year	–	–		465	465
New share issue	110		378		488
Group contribution granted after tax	–	–	–	–82	–82
Closing balance at December 31, 2009	**221**	**455**	**378**	**1,160**	**2,214**
Opening balance at January 1, 2010	**221**	**455**	**378**	**1,160**	**2,214**
Net income for the year	–	–		1,177	1,177
Value of employees' service	–	–	–	5	5
Closing balance at December 31, 2010	**221**	**455**	**378**	**2,342**	**3,396**

Parent Company cash-flow statement

Amounts in SEK m	2010	2009
Cash flow from operations		
Income after financial items	1,148	328
Adjustment for non-cash items*	–1,169	–373
Taxes paid	0	5
Cash flow from operations before change in working capital	–21	–40
Change in working capital		
Current receivables	–1,201	413
Operating liabilities	–58	111
Change in working capital	–1,259	524
Cash flow from operations	**–1,280**	**484**
Cash flow from investments		
Investments in shares and participations	350	–279
Divestment of subsidiary	1,189	545
Cash flow from investments	**1,539**	**266**
Cash flow from financing		
New share issue	–	498
Change of loan	–181	–1,254
Cash flow from financing	**–181**	**–756**
Change in cash and cash equivalents	78	–6
Cash and cash equivalents at beginning of year	172	178
Cash and cash equivalents at year-end	250	172

*Adjustments for non-cash items:		
Gain on the sale of shares in subsidiaries	–1,189	–276
Group contribution provided via shareholders' equity	–	–111
Other	20	14
	–1,169	**–373**

Notes, Parent Company

NOTE 1 GENERAL INFORMATION

Haldex AB is the Parent Company of the Haldex Group. The main office functions, including the central financial function, are carried out within the Parent Company. Haldex AB (publ), Corp. Reg. No. 556010-1155, is a registered limited liability corporation with its registered office in Stockholm, Sweden. The address of the Head Office is Haldex AB, Box 7200, SE-103 88 Stockholm. Haldex shares are traded on the Mid Cap list at the Stockholm Stock Exchange.

NOTE 2 SUMMARY OF IMPORTANT ACCOUNTING POLICIES

The Annual Report for the Parent Company was prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board RFR 2.1 – Financial reporting for legal entities. According to the rules stated in RFR 2.1, the Parent Company, in the annual report for the legal entity, must apply all EU-approved IFRS and statements to the extent possible within the framework of the Annual Accounts Act, and taking into account the relationship between reporting and taxation. This recommendation specifies the exceptions from IFRS that are permissible and the necessary supplementary information.

The Parent Company's accounting policies correspond to those for the Group with the exceptions listed below.

NOTE 3 AVERAGE NUMBER OF EMPLOYEES

	Women	Men	2010 Total[1)]	Women	Men	2009 Total
Sweden	7	8	15	6	8	14

1) Total number of employees includes three individuals who receive salaries through subsidiaries in the Group.

NOTE 4 SALARIES AND OTHER REMUNERATION

	2010				2009			
	Salaries and remuneration	Of which, Board of Directors, President and other senior executives	Social security costs	Of which pension costs	Salaries and remuneration	Of which, Board of Directors, President and other senior executives	Social security costs	Of which pension costs
Sweden	33	14	16	4	19	12	11	5

The Board of Directors consists of eight (seven) members. For information on the individual remuneration paid to them and the President, refer to Note 8. Remuneration of other senior executives, two people (two) amounted to SEK 6 m (5), of which SEK 2 m (2) pertained to variable remuneration.

Pension payments for other senior executives accounted for SEK 1 m (1) of total pension costs.

Due to the proposed demerger of the company's three divisions into three independent listed companies, special and limited agreements were prepared, comprising notice periods and severance pay, with a number of employees with the aim of securing the services of these key members during the implementation of the proposed demerger.

Salary costs for 2010 were charged with a provision for such remuneration and will be paid in 2011 if the proposed demerger is implemented.

NOTE 5 AUDITING FEES

	2010	2009
PwC		
Audit assignments	2	2
Audit operations in addition to the audit assignment	1	–
Tax advice	1	–
Other assignments	3	2
	7	**4**

NOTE 6 DEPRECIATION

	2010	2009
Administrative costs	1	2
	1	**2**

NOTE 7 INTEREST INCOME AND INTEREST EXPENSES

	2010	2009
Interest income		
External interest income	0	2
Interest income from Group companies	68	64
Total	**68**	**66**
Interest expenses		
External interest expenses	–32	–60
Interest expenses from Group companies	–11	–7
Total	**–43**	**–67**

NOTE 8 TANGIBLE FIXED ASSETS

January 1–December 31, 2009	
Opening carrying amount	4
Investments	0
Depreciation	–1
Closing carrying amount	**3**
At December 31, 2009	
Acquisition value	9
Accumulated depreciation	–6
Carrying amount	**3**
January 1–December 31, 2010	
Opening carrying amount	3
Investments	0
Depreciation	–1
Closing carrying amount	**2**
At December 31, 2010	
Acquisition value	9
Accumulated depreciation	–7
Carrying amount	**2**

NOTE 9 SHARES AND PARTICIPATIONS

Due to the proposed demerger of the Haldex Group into its divisions, and taking into account the divestment of the Traction Systems Division, a legal restructuring of the Group has been under way during 2010 and 2011 in order to create three independent legal Group structures. The new legal Group structures have been created through a series of different internal transactions in the form of acquisitions, sales, shareholder contributions and dividends.

In December 2010, Haldex entered into an agreement with Borg Warner Inc concerning the divestment of the Traction Systems Division. The transaction was finalized on January 31, 2011, following the close of accounting period. Prior to the divestment, a new holding company was formed, Traction Holding II AB, under which the Traction Systems Division's operations have been structured. This restructuring was completed prior to the end of accounting period.

The Hydraulics System Division's legal structure, in which Concentric AB is the parent company, was not completed until March 2011.

At December 31, 2010, Haldex AB held direct ownership interests in the subsidiaries listed in the specification in Note 9.

JSB Hesselman AB is parent company of the wholly owned UK subsidiary Haldex Ltd and the US subsidiary Haldex Inc. Haldex Ltd is parent company of the wholly owned UK subsidiary Haldex Brake Products Ltd, which is in turn parent company of Haldex España SA. Haldex Inc is a holding company for the wholly owned US subsidiaries Haldex Concentric USH Corp., Haldex Brake Corp, Haldex Brake Products Corp, Haldex Hydraulics Corp. and the Mexican subsidiary Haldex de Mexico S.A. De C.V. Haldex GmbH is a holding company for the wholly owned German subsidiary Haldex Brake Products GmbH. Haldex do Brasil Indústria e Comércio Ltda is parent company of the wholly owned Brazilian subsidiary Fabrica Brasileira de Freios S.A. Concentric AB is parent company of Haldex Concentric Plc (UK), Haldex Hydraulics AB (Sweden), Haldex Hydraulics Hong Kong Ltd, Haldex Hydraulics GmbH (Germany), Concentric Srl (Italy), Concentric SAS (France) and Concentric Korea LLC. Concentric Plc is a holding company for Haldex Concentric Pumps Ltd., Haldex Concentric Pumps India Pvt. Ltd. and Haldex Concentric Suzhou Co. Ltd. Haldex Traction Holding II AB is parent company of Haldex Traction Holding AB, Haldex Traction AB, Haldex Traction Hungary Kft. In turn, Haldex Traction AB owns Haldex Traction S. de R.L. de C.V.

At the Annual General Meeting, the Board of Directors will propose that all of the shares in Concentric AB be distributed to the shareholders. Following the legal restructuring that continued until the end of March 2011, Concentric AB owns 100% of the shares in Concentric Hydramax Inc (US), Haldex Concentric Plc (UK), Haldex Hydraulics AB (Sweden), Haldex Hydraulics Hong Kong Ltd, Haldex Hydraulics GmbH (Germany), Concentric Srl (Italy), Concentric SAS (France) and Concentric Korea LLC. Concentric AB also owned 50% of Alfdex AB (Sweden). Concentric Hydramax Inc is a newly formed holding company that has owned Haldex Concentric USH Corp and Haldex Hydraulics Corp. since March 2011.

At December 31, 2010, the carrying amount of Haldex AB's shares in Concentric AB was SEK 400 m. The contribution made by Concentric Hydramax Inc and Alfdex during 2011 amounted to SEK 537 m, whereby the value of the Concentric AB shares in Haldex AB's accounts amounts to SEK 937 m.

CONT. NOTE 9 SHARES AND PARTICIPATIONS

Shares in subsidiaries	Corp. Reg. No.	Registered office	Participations	%	2010	2009
Haldex Brake Prod AB	556068-2758	Landskrona	127,000	100	142	142
Haldex Hydraulics AB	556105-8941	Örkeljunga	30,000	100	–	22
Haldex Traction AB	556040-2736	Landskrona	3,501	100	–	7
Haldex Halmstad AB	556053-6780	Halmstad	30,000	100	4	4
Haldex GmbH		Germany		100	51	106
Haldex Europé S.A		France	418,119	100	75	75
Haldex Ltd.		Canada		100	0	0
Haldex do Brasil Indústria e Comércio Ltda		Brazil	185,009	100	6	6
Haldex Sp.z.o.o.		Poland	30,000	100	3	3
Haldex N.V.		Belgium	4,035	100	1	1
Haldex Int Trading Co Ltd		China		100	0	0
Haldex Italia Srl		Italy	10,400	100	5	0
Haldex Korea Ltd.		South Korea	79,046	100	0	0
Haldex Financial Services Holding AB	556633-6136	Stockholm	1,000	100	0	0
Haldex Hungary Ktf		Hungary		100	74	74
Haldex Wien Ges mbH		Austria		100	7	7
Haldex India Ltd.		India		60	7	7
JSB Hesselman AB	556546-1844	Stockholm	1,000	100	993	992
Haldex Russia		Russia		100	0	0
Haldex Holding AB	556560-8220	Stockholm	23,079,394	100	458	458
Haldex Hydraulics Hong Kong		Hong Kong		100	–	24
Haldex Hong Kong Co Ltd.		Hong Kong		100	85	85
Haldex Concentric Plc.		UK		100	–	621
Concentric AB	556828-4995	Stockholm		100	400	–
Concentric Holding II AB	556819-2289	Stockholm		100	0	–
Haldex Traction Holding II AB	556819-2271	Stockholm		100	1	–
					2,312	**2,634**

	Corp. Reg. No.	Registered office	Participations	%	2010	2009
Associated companies						
Alfdex	556647-7278	Tumba		50	0	0
Shares and participations in other companies						
Anglo Scandinavian Aircraft Leasing KB			48	4,8	0	0
Altra Technologies Inc.			1,000,000	18.1	0	0
Swedish Aircraft Two KB			10	10	0	0

Change in shares and participations

	Opening balance	Acquisition	Other changes	Divestments	Closing balance
2010	2,634	–	–291	–31	2,312
2009	2,380	–	301	–47	2,634

NOTE 10 LONG-TERM RECEIVABLES

	2010	2009
Deferred tax assets	14	0
Other long-term receivables	15	13
	29	**13**

NOTE 11 OTHER CURRENT RECEIVABLES

	2010	2009
Tax assets	2	1
Prepaid expenses		
Rents and insurance	2	19
Other prepaid expenses	1	1
Other current receivables	9	94
	14	**116**

NOTE 12 DERIVATIVE INSTRUMENTS

	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Short-term				
Forward exchange contracts – at fair value through profit or loss	74	70	54	51
Currency swaps – at fair value through profit or loss	20	4	16	27
	94	**74**	**70**	**78**

Gains and losses from current currency forward contracts and currency swaps are recognized on an ongoing basis in the income statement.

NOTE 13 CASH AND CASH EQUIVALENTS

	2010	2009
Cash and bank balances	250	172
	250	**172**

NOTE 14 UNTAXED RESERVES

	2010	2009
Opening balance	19	131
Reversals during the year	–19	–112
Closing balance	**–**	**19**

NOTE 15 TAXES

	2010	2009
Current tax expense for year	–	5
Tax on Group contribution	–	–29
Deferred tax related to temporary differences	14	–15
Closing balance	**14**	**–39**

NOTE 16 PENSIONS AND SIMILAR OBLIGATIONS

Pension obligations attributable to defined-benefit plans

	2010	2009
Pensions vested during the period	–1	–1
Interest on obligation	–1	–1
Closing balance	**–2**	**–2**

Reconciliation of interest-bearing pension liabilities

	2010	2009
Opening balance, pension liabilities	12	11
Benefits paid	0	–1
Pension costs	2	2
According to balance sheet	**14**	**12**

NOTE 17 LONG-TERM INTEREST-BEARING LIABILITIES

	2010	2009
Multicurrency Revolving Credit Facility	150	631
Bond loans	650	200
	800	**831**

Because loans under Multicurrency Revolving Credit Facility and Bond loans are subject to a fixed interest term of 1–6 months, the fair values correspond to the carrying amounts. Available unused credit facilities at year-end totaled SEK 948 m (992). Calculated interest comprises the counter-value in SEK based on exchange rates at December 31, 2010 and the current interest rates on the liability.

Maturity structure, years

	Totalt	0–1	1–3	3–5	>5 years	Average rate
SEK m	800	–	150	650	–	4.27
TOTAL	**800**		**150**	**650**	**–**	**4.3**
Calculated interest	119	34	57	28	–	–
Total	**919**	**34**	**207**	**678**	**–**	**–**

NOTE 18 OTHER CURRENT LIABILITIES

	2010	2009
Accrued expenses		
Personnel costs	30	10
Other accrued expenses	30	28
	60	**38**

NOTE 19 CONTINGENT LIABILITIES AND COLLATERAL PLEDGED

	2010	2009
Sureties and guarantees on behalf of subsidiaries	337	344

The Board of Directors and the President and CEO certify that the annual financial report has been prepared in accordance with generally accepted accounting principles and that the consolidated accounts have been prepared in accordance with the international set of accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, and give a true and fair view of the position and profit or loss of the Company and the Group, and that the directors' report for the Company and for the Group gives a fair review of the development and performance of the business, position and profit or loss of the Company and the Group, and describes the principal risks and uncertainties that the Company and the companies in the Group face.

Stockholm March 31, 2011

Lars-Göran Moberg, *Chairman of the Board*

Anders Böös
Board member

Göran Carlson
Board member

Stefan Charette
Board member

Arne Karlsson
Board member

Caroline Sundewall
Board member

Anders Thelin
Board member

Cecilia Vieweg
Board member

Björn Cederlund
Board member

Krister Olsson
Board member

Joakim Olsson, *President and CEO*

Our audit report was issued on March 31, 2011

Michael Bengtsson
Authorized Public Accountant
PricewaterhouseCoopers

Ann-Christine Hägglund
Authorized Public Accountant
PricewaterhouseCoopers

Audit report

To the annual meeting of the shareholders of Haldex AB (publ)
Corporate identity number 556010-1155

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Haldex AB (publ) for the year 2010. The company's annual accounts and the consolidated accounts are included in the printed version on pages 32–66. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

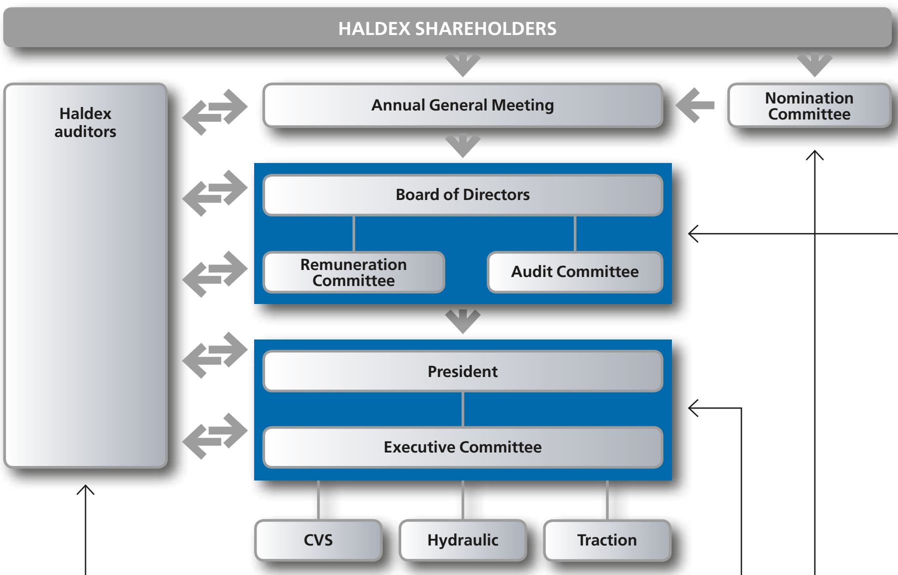
We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm March 31, 2011

Michael Bengtsson
Authorized Public Accountant
PricewaterhouseCoopers

Ann-Christine Hägglund
Authorized Public Accountant
PricewaterhouseCoopers

Corporate Governance Report
How Haldex is governed



Shareholders and Annual General Meeting

Shareholders' entitlement to pass resolutions regarding Haldex's affairs is exercised at the Annual General Meeting (and, where appropriate, at the Extraordinary General Meeting), which is Haldex's supreme decision-making body. The Annual General Meeting usually takes place in the month of April in Stockholm, Sweden. The Annual General Meeting passes resolutions on such matters as the Articles of Association, appoints members of the Board and the Chairman of the Board, elects Auditors, and decides on the adoption of the income statement and balance sheet as well as the appropriation of the company's profits and the discharge from liability to the company of the Board members and the President. The Annual General Meeting also resolves on the composition and work of the Nomination Committee, and adopts principles for determining remuneration of the President and other senior executives.

Auditors

The Annual General Meeting elects two ordinary auditors and two deputy auditors for a period of three to four years at a time. The auditors review the Annual Report and the accounts as well as the administration of the Board of Directors and the President, and follow an audit schedule set in consultation with the Audit Committee. In connection with the audit, the auditors shall report their observations to Group Management, the Executive Committee, for reconciliation and then to the Audit Committee. The report to the Audit Committee takes place after the conclusion of the audit of the administration and the review of the hard-close accounts and in conjunction with the adoption of the Annual Report.

The Board of Directors as a whole meets with the auditors once a year, during the February Board meeting, where the auditors report their observations directly to the Board of Directors without the presence of the President and the CFO. Finally, at least one of the auditors attends the Annual General Meeting and briefly describes their auditing work and summarizes for the shareholders the recommendations in the Auditor's Report.

President and Executive Committee

The President and CEO manages the company within the framework established by the Board of Directors. The President is responsible for the leadership and development of the company. The President, in consultation with the Chairman of the Board, prepares objective, detailed and relevant informational documents and the documentary basis for the Board meetings, presents the agenda items and explains proposed resolutions. The President leads the work of the Executive Committee and makes decisions in consultation with other senior executives.

Nomination Committee

Haldex's Annual General Meeting passes resolutions concerning procedures for appointment to the Nomination Committee and for the Committee's work. The Annual General Meeting has determined that the Nomination Committee's assignments shall include preparation and presentation of proposals for the election of members of the Board of Directors, the Chairman of the Board, the Chairman of the General Meeting, and auditors and proposals for decisions regarding remuneration of the Board of Directors, members of Board Committees and fees to the auditors. The Nomination Committee shall comprise four members, representing each of the four largest shareholders in terms of shareholding immediately prior to disclosure of the composition of the Nomination Committee. The names of these four members, and the names of the shareholders that they represent, must be disclosed at least six months before the Annual General Meeting by way of a press release and on Haldex's website. If a shareholder appointed as a member of the Nomination Committee no longer represents one of the four largest shareholders in terms of voting rights during the period of the Nomination Committee's assignment, this shareholder representative shall step down from his/her assignment and be replaced by a representative from one of the four largest shareholders. However, the composition of the Nomination Committee shall not be adjusted if the change is only marginal or if the change occurs later than two months prior to the Annual General Meeting. During the mandate period, it shall be possible for a shareholder who has appointed a representative to the Nomination Committee to replace this individual with another person. Unless otherwise agreed, the member who represents the largest owner in terms of voting rights shall be appointed the Chairman of the Nomination Committee. No remuneration is paid to members of the Nomination Committee. It is the duty of the Chairman of the Board to supply the Nomination Committee with information regarding future competence profiles, working forms and the results of evaluations of the work of the Board.

The Nomination Committee's proposals are presented in the notice convening the Annual General Meeting and on Haldex's website. In conjunction with the issuance of the notice convening the Annual General Meeting, the Nomination Committee shall publish on Haldex's website a statement in support of its proposal to the Board. At least one member of the Nomination Committee shall attend the Annual General Meeting in order to present an account of the work performed by the Nomination Committee and present and state the reasons for the Nomination Committee's proposals.

Board of Directors

Board of Directors' composition

In accordance with the Articles of Association, Haldex's Board of Directors shall comprise not fewer than three and not more than eight members elected each year by the Annual General Meeting for the period that extends until the close of the next Annual General Meeting. The President makes regular reports to the Board and the Group's CFO serves as the Board's secretary. Other salaried employees participate in Board meetings in connection with presentations of particular issues. In addition to the elected members, the Board consists of two employee representatives and two deputy representatives appointed by the employees.

The Board has established two committees from within its ranks: the Compensation Committee and the Audit Committee.

The Compensation Committee is responsible for more thorough preparation of compensation matters. Based on the guidelines adopted by the Annual General Meeting, the Compensation Committee issues to the Board proposals concerning the President's salary and other employment terms.

Furthermore, the Compensation Committee shall establish the salary and other employment terms for the other members of the Executive Committee based on proposals from the President. Prior to each Annual General Meeting, the Compensation Committee shall also assist the Board in preparing a motion concerning guidelines for the remuneration of senior executives for the forthcoming year. The purpose of these guidelines shall be to determine the salary and other employment terms in respect of the President and other senior executives of the company.

The Audit Committee prepares matters that concern accounting, financial reporting, auditing and internal control. The Committee is responsible for the preparation of the Board's activities by ensuring that that system for auditing, internal control and risk management fulfills the requirements of applicable laws and regulations and that it promotes operational efficiency, generates accurate accounting documents and provides reliable financial information. The Committee reviews the principles for accounting and financial control and establishes guidelines for the procurement of services other than auditing from the company's auditors. The Committee meets regularly with the auditors during the year to discuss such matters as audit reports and audit plans. The Committee is responsible for the evaluation of the auditors' work and the auditors' efficiency, qualifications, fees and independence. The Audit Committee must also assist the Nomination Committee with proposals for potential auditors. The Committee also assists Haldex management in determining how identified risks will be handled in order to ensure effective internal control and risk management.

Responsibilities of the Chairman of the Board

The Chairman organizes and directs the Board's activities, promotes efficiency in these activities, ensures that they are conducted in accordance with the Swedish Companies Act and other applicable laws and regulations, and ensures that the resolutions of the Board are implemented. The Chairman ensures that the Board members receive the required education and continuously enhance their knowledge of the company and is responsible for evaluating the Board's activities. The Chairman proposes the agenda for Board meetings in consultation with the President and ensures that the Board receives satisfactory information and decision-making documentation. The Chairman has regular communication with the President, relays opinions from the shareholders to other Board members and acts as spokesperson on behalf of the Board. The Chairman also represents a vital link to the Nomination Committee and reports the results of the year's evaluation of Board work to the Nomination Committee.

Responsibilities of the Board of Directors

The Board of Directors is responsible for the company's and Group's organization, management and administration, and for ensuring that the follow-up and control of accounting, management of assets and financial circumstances is otherwise satisfactory. The Board of Directors monitors and evaluates the work of the President and the Executive Committee and is responsible for decisions regarding, and the follow-up of, company strategies by establishing plans and objectives and through decisions regarding the acquisition and divestment of operations, major investments, appointments and replacements in the management team, and by conducting regular reviews during the year.

The Board of Directors also approves the annual financial statements. In addition, the Board of Directors ensures that the information distributed externally by the company is characterized by transparency and objectivity. It is also the duty of the Board of Directors to establish guidelines and policy documents pertaining to such matters as financial activities, information publication, insider issues and ethical conduct.

The following standing items on the agenda are discussed at Board meetings: The Group's performance and status, the business climate, organizational issues, monthly accounts, press releases, disputes, acquisitions/divestments, major business agreements, development projects and investments.

STEERING INSTRUMENTS

External

Steering instruments that form the basis for corporate governance in Haldex primarily include the Swedish Companies Act, the Annual Accounts Act, applicable regulations for publicly traded companies on the Nasdaq OMX Stockholm, the Swedish Code of Corporate Governance and other pertinent legislation and rules.

Internal

Internal binding steering instruments include the Articles of Association adopted by the Annual General Meeting, and documents approved by the Board that include the Operating Procedures of the Board of Directors in Haldex, Directives for the Compensation and Audit Committees, Instructions for the President in Haldex, the Information Policy and the Treasury Policy. In addition to the above, the Group has a number of policies and manuals that contain binding regulations as well as recommendations that specify principles and provide guidance for the Group's operations and employees. An example of one of these documents is Haldex's Vision & Values.

Operating Procedures of the Board of Directors

The Operating Procedures regulates the Board of Directors' internal division of work, the line of decision within the Board of Directors, the procedural rules for Board meetings and the duties of the Chairman of the Board. The work of the Board follows a fixed procedure aimed at ensuring that the Board of Directors' information requirements are met.

Instructions for the President

The Instructions for the President establishes the boundaries for the President's responsibility for the operational administration, the forms for reporting to the Board of Directors and what this shall contain, requirements for internal steering instruments and matters that require the approval of the Board of Directors or that notification be provided to the Board of Directors.

Values

Haldex's values – customer first, respect for the individual and elimination of waste – are linked to the Group's mission, vision and strategies, and provide guidance to employees in day-to-day activities. Customer first requires that Haldex's employees base their decisions and actions with a focus on what is best for the customer – fully aware that the values created for the customer also generate value for Haldex, Haldex's employees and Haldex's shareholders. Respect for the individual requires that colleagues are shown respect through open communication, encouraging others to take initiative, cooperation, support, professional development and advancement, performance-based compensation and active responsibility for all individuals. The elimination of all waste entails a responsibility to manage all resources in the most efficient and profitable manner possible.

Corporate Governance at Haldex in 2010

Haldex AB is a publicly traded Swedish limited liability company with its registered office in Stockholm. With no exceptions, Haldex complies with the Swedish Code of Corporate Governance and hereby submits its Corporate Governance Report for 2010. The Report, which has been prepared in accordance with the Annual Accounts Act and the Swedish Code of Corporate Governance, has been examined by the company's auditors.

Shareholders

Haldex has been listed on the Nasdaq OMX Stockholm Stock Exchange since 1960. The share capital in Haldex AB totals SEK 221,079,850 m, represented by 44,215,970 shares. Each share confers one voting right and all shares carry equal entitlement to dividends.

The number of Haldex shareholders amounted to 12,502 at year-end. Investment AB Öresund represented the largest owner with 11.1% of the share capital. Swedish ownership totaled 66% at year-end 2010. Information concerning ownership is updated each month on Haldex's website, www.haldex.com. See also page 68, for further information.

Annual General Meeting

The official notification procedure for Annual General Meetings is specified in the Articles of Association. Official notification is to be issued through an announcement in Post- och Inrikes Tidningar and Dagens Nyheter, as well as through an announcement on the company's website www.haldex.com. Official notification is to be issued no earlier than six weeks and no later than four weeks prior to the Meeting.

Shareholders representing 35.22% of the voting rights attended the 2010 Annual General Meeting held on April 15, 2010, in Stockholm. Board Chairman Lars-Göran Moberg was elected Chairman of the meeting.

All Board members and the company's auditors attended the meeting.

Resolutions

The minutes of the meeting are available on Haldex's website www.haldex.com.

The resolutions passed include the following:

- In accordance with the Board of Directors' proposal, it was decided that no dividend would be paid for the 2009 fiscal year.
- It was decided that the Board shall comprise eight members with no deputies. The Meeting re-elected Lars-Göran Moberg, Anders Böös, Stefan Charette, Arne Karlsson, Caroline Sundewall, Anders Thelin and Cecilia Vieweg. Göran Carlsson was newly elected. Lars-Göran Moberg was elected Chairman of the Board.
- For the period up until the close of the 2011 Annual General Meeting, it was decided that fees for the Board of Directors shall be paid totaling SEK 1,975,000 (including fees for committee work), of which SEK 450,000 pertains to the Chairman and SEK 175,000 to each of the other Board members. Fees for committee work shall be paid as follows: Chairman of the Audit Committee SEK 100,000, members of the Audit Committee SEK 50,000, Chairman of the Compensation Committee SEK 50,000 and members of the Compensation Committee SEK 25,000. Fees paid to the auditors for audit work and for other services are payable on a current account basis in return approved invoices.

Authorized Public Accountant Michael Bengtsson presented the Auditors' Report and the Group auditors' report for the 2009 fiscal year.

Stefan Dahlbo, Investment AB Öresund, presented the Nomination Committee's proposal for a resolution regarding the Nomination Committee for the 2010 Annual General Meeting.

Nomination Committee for the 2011 Annual General Meeting

In accordance with a decision by the 2010 Annual General Meeting, the four largest shareholders have each appointed representatives to form the Nomination Committee for the 2011 Annual General Meeting. At the end of November 2010, these shareholders were Investment Öresund AB, Afa Försäkring AB, Göran Carlson through companies and Unionen. Combined, they represented 23.4% of the voting rights in Haldex AB at November 30, 2010. The shareholders' representatives who will comprise members of the 2011 Nomination Committee are:

Stefan Charette (Chairman), Investment Öresund, Anders Algotsson, Afa Försäkring, Göran Carlson and Björn Cederlund, Unionen.

The composition of the Nomination Committee was disclosed through a press release and a posting on Haldex's website, www.haldex.com, on December 6, 2010.

The company's shareholders were given the opportunity to submit opinions and proposals to the Nomination Committee via e-mail to the address specified on the company's website under the heading Investors – Corporate Governance – Annual General Meeting – 2011 Annual General Meeting.

Board of Directors

Board of Director's independence

The Swedish Code of Corporate Governance state that the majority of the Board members elected by the Annual General Meeting should be independent in relation to the company and its Group Management and that at least two of the independent members must also be independent in relation to the company's largest shareholders. The Haldex Board of Directors is adjudged to fulfill these requirements because all Members of the Board are adjudged to be independent in relation to both Haldex and its management, with the exception of Göran Carlsson and Stefan Charette who represent Haldex's major shareholders.

Board activities

The Board of Directors held a statutory meeting immediately following the Annual General Meeting.

During 2010, the Board of Directors met 14 times. The main issues addressed were:

- January/February – Financial accounts, Annual Report, meetings with auditors, evaluation of the President's administration.
- Spring/autumn – Establishment of the Board of Directors' work procedures and the Instructions for the President, as well as strategic and organizational issues. Long-term investment plans. Motion to the 2010 Annual General Meeting concerning a demerger of the divisions into independent publicly quoted companies.
- November/December – Treasury policy. Budget review. Time schedule for 2010.

Board members visited a number of the Group's companies in different groupings during 2009 to gain deeper insight into the Group's operations. These visits included facilities in Landskrona, Sweden, och several plants in the US, and in China.

In connection with strategy reviews, the various division managers were given an opportunity for a more in-depth presentation of their operations.

Board Committees

In 2010, the Audit Committee comprised Board members Lars-Göran Moberg, Arne Karlsson and Caroline Sundewall. Caroline Sundewall was the Chairman of the Committee. The Audit Committee was convened 5 times during 2010.

In 2010, the Compensation Committee consisted of Board members Lars-Göran Moberg, Anders Thelin and Cecilia Vieweg. Cecilia Vieweg was its Chairman. The Committee held 8 meetings during 2010.

Evaluation of Board activities in 2010

Annual evaluations are conducted of the Board's collective work. The Chairman is evaluated on his ability to prepare and lead the Board activities and his ability to motivate and cooperate with the President. The evaluation of the Board's activities as a whole is conducted via a shared internal review of its activities. The result of the evaluation process for 2010 was discussed in conjunction with the Board meeting in December 2010.

Board members, attendance 2010

Name	Audit Commitee	Compensation Commitee	Board meetings
Lars-Göran Moberg	4	8	14
Anders Böös			12
Göran Carlsson*			10
Stefan Charette			13
Arne Karlsson	5		13
Anders Thelin		7	13
Caroline Sundewall	5		9
Cecilia Vieweg		8	14

* Joined the Board at the Annual General Meeting 2010.

Auditors

At the 2010 Annual General Meeting, Authorized Public Accountants Michael Bengtsson and AnnChristine Hägglund from PricewaterhouseCoopers AB were re-elected and elected, respectively, as auditors until the 2014 Annual General Meeting. Authorized Public Accountants Christine Rankin Johansson and Cesar Moré were reelected to deputy auditors by the 2010 Annual General Meeting.

Michael Bengtsson has been an Authorized Public Accountant since 1988, and is the elected auditor of such companies as Enea AB, Onoff AB, Perstorp Holding AB and Carnegie Investment Bank AB.

Ann-Christine Hägglund has been an Authorized Public Accountant since 1997.

Neither Michael Bengtsson nor Ann-Christine Hägglund have assignments in other companies that are associated with Haldex's largest owners or President.

During 2005 – 2010, the auditors had extra assignments outside the scope of the ordinary audit. These assignments included consultations in tax and accounting issues and other company issues. These assignments have been procured in accordance with the guidelines established by the Audit Committee for such procurement.

Remuneration of the Board of Directors and Senior Executives

Guidelines for determining remuneration of senior executives

In compliance with a motion to be addressed by the 2011 Annual General Meeting, the Board of Directors proposes that the following guidelines shall apply up to the 2012 Annual General Meeting. The guidelines are to apply to all employment contract entered into after the resolution by the Annual General Meeting and to all amendments to existing agreements that are made after the Meeting's resolution.

Remuneration of the President and CEO and other senior executives shall consist of a well-balanced combination of fixed salary, annual bonus, long-term incentive programs, pension and other benefits and conditions concerning termination of employment/severance payment. The total remuneration shall be competitive in the market and based on performance. The fixed remuneration shall be determined individually and based on each individual's responsibility, role, competence and position. The annual bonus shall be based on outcomes of predetermined financial and individual objectives and not exceed 30–50% of the fixed annual salary.

In exceptional situations, special remuneration may be paid to attract and retain key competence or to induce individuals to move to new places of service or accept new positions. Such remuneration may not be paid out for periods exceeding 36 months and may not exceed the equivalent of twice the remuneration the executive would otherwise have received. The Board of Directors may propose that the General Meeting resolve on long-term incentive programs.

Pension benefits shall be based on defined-contribution plans and, for employees in Sweden, shall provide entitlement to pension at age 65. Upon termination of employment by the company, the notice period for the President and CEO is 12 months and for other senior executives six months. In addition, when entering into new employment contracts, agreement may be made on severance pay not exceeding the equivalent of 12 months' fixed salary. The Board shall be entitled to depart from the guidelines if there are specific reasons for doing so in individual cases.

The above guidelines are essentially unchanged in relation to the guidelines adopted by the 2010 Annual General Meeting. For additional information concerning remuneration of senior executives, refer to Note 8.

Remuneration of the Executive Committee in 2010

President

In 2010, the President and CEO received a fixed salary and variable salary as detailed in the table below.

In addition to a reciprocal 12-month period of notice, the President will, in the event of termination of employment by the company, receive severance pay equivalent to 12 months' salary. In the event of resignation by the President, no severance pay may be claimed.

The President's pension benefits are premium-based and comprise an ITP scheme and an annual provision for 25% of fixed salary exceeding 20 "basic amounts" (base figure for Swedish social security). Retirement age is 65.

Other senior executives

According to guidelines approved by the Annual General Meeting, the President, in consultation with the Board's Compensation Committee, prepares remuneration issues concerning Group and divisional management, which are subject to resolution by the Annual General Meeting. Compensation consists of a fixed salary and a variable salary.

Remuneration of Executive Committee 2010, SEK thousands

President	Basic salary	Variable remuneration	Pension
Joakim Olsson	4,112	1,951	882
Other senior executives (Executive Committee)			
(6 people, of whom 0 women)	11,290	6,062	2,760

The variable part is based on goals established by the President and the Compensation Committee on a yearly basis and may amount to 30–50% of the fixed annual salary. All members of the Executive Committee have a reciprocal six-month period of notice and, in the event of termination of employment by the company, will receive severance pay equivalent to between 12 and 24 months' salary. Due to the proposed demerger of the company's divisions into independent listed companies and in accordance with special guidelines formulated by the Board, specific and time-limited agreements have been drawn up with the President and certain members of Group Management comprising periods of notice and severance pay, in order to safeguard the services of these key individuals during the implementation of the proposed demerger. The pension benefits are regulated in pension plans adapted to local practice in the countries in question, with the retirement age starting at 65.

Incentive program

The Annual General Meetings in 2007 and 2010, respectively, resolved to introduce a long-term performance-based incentive program under which senior executives and key personnel would be allotted employee stock options on condition that the participants become shareholders by making their own investment in Haldex shares in the stock market.

Under the 2007 program, each share acquired in the market provides entitlement, free of charge, to an allotment of ten employee stock options, whereby each option provides entitlement to the acquisition of 1.5 Haldex share.

A condition for allotment is that Haldex's pretax income has increased in relation to the preceding fiscal year by more than 7%. Maximum allotment occurs on condition that pretax income has increased in relation to the preceding fiscal year by 20% or more.

Employee stock options can be issued in three series and, in accordance with decisions by the Board of Directors, could be allotted during 2008, 2009 and 2010.

No allotment of the 2008 or 2009 options occurred on the basis of the company's earnings outcome. However, an allotment occurred during 2010. For further information, see Note 8.

Under the 2010 program, each share acquired in the market provides entitlement, free of charge, to an allotment of ten employee stock options, whereby each option provides entitlement to the acquisition of 1.0 Haldex share. A prerequisite for allotment is that the company's operating margin exceeds 1%, excluding restructuring costs and non-recurring costs/revenues from acquisitions or divestments during the 2010fiscal year. Maximum allotment will occur if the company's operating margin, subject to the above, exceeds 4%. The employee stock options will be allotted based on the company's earnings outcome in 2010 and in accordance with decisions taken by the Board during 2011. Allotment will occur in 2011.

Remuneration of the Board of Directors for the period April 2010 – June 2011

Remuneration of Board members elected by the Annual General Meeting is approved by the Annual General Meeting following proposals from the Nomination Committee. For 2010, remuneration was paid in accordance with the table below. All remuneration of the Board comprises fixed payments and does not contain any variable parts. No remuneration is paid to members who are employed by the Group.

Remuneration of the Board 2010, SEK

Name	Compensation Committee	Audit Committee	Board fees	Total
Lars-Göran Moberg	25,000	50,000	450,000	525,000
Göran Carlson*			88,000	88,000
Anders Böös			175,000	175,000
Stefan Charette			175,000	175,000
Arne Karlsson		50,000	175,000	225,000
Caroline Sundewall		100,000	175,000	275,000
Anders Thelin	25,000		175,000	200,000
Cecilia Vieweg	50,000		175,000	225,000
Total				**1,888,000**

* Elected at the AGM in 2010.

Auditing fees 2010, SEK m

	2010	2009
PwC		
Audit assignments	7	8
Audit work in addition to the audit assignment	1	–
Tax advice	2	2
Other assignments	8	8

Internal control and risk management

Internal control at Haldex is a process that is regulated by the Board of Directors and the Audit Committee and performed by the President and the Executive Committee. It is designed to ensure that to the greatest extent possible Haldex's reporting is appropriate and reliable and that the company complies with applicable legislation and regulations. The process is based on a control environment that provides structure for other parts of the process, including risk assessment, control activities, information, communication and follow-ups. It is based on the framework for internal control published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

According to the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board of Directors is responsible for internal control. This report on internal control and risk management was prepared in accordance with The Annual Accounts Act and the Swedish Code of Corporate Governance and is thus limited to a description of the material elements of Haldex's systems for internal control and risk management with regard to financial reporting.

The Board of Directors monitors and ensures the quality of external financial reporting in the manner documented in the Operating Procedures of the Board of Directors, the Instructions for the President and the Group's Treasury Policy

It is the responsibility of the President together with the CFO to review and quality-assure all external financial reporting, such as interim reports, year-end reports, Annual Reports, press releases containing financial information and presentation material in conjunction with meetings with the media, the owners and financial institutions. The President presents all interim reports, year-end reports and Annual Reports to the Audit Committee for preparation. The reports are then approved and published by the Board of Directors. The Board of Directors is responsible for ensuring that the company's financial reports are prepared according to law, accounting standards and other requirements concerning listed companies.

The Board of Directors' instructions for the President also include requirements that the Board of Directors must be continuously provided with internal summary reports on financial matters. These reports, which must include income statements, balance sheets, valuation issues, assessments, forecasts, any changes and their consequences, possible amendments to accounting rules, legal matters and disputes, are reviewed by the Audit Committee and thereafter submitted to the Board of Directors. With regard to the Board of Directors' communication with the company's auditors, see below.

Control environment

The Board of Directors has adopted a number of control documents for the company's internal control and governance.

Within the Board of Directors, there is an Audit Committee comprising three Board members elected by the Annual General Meeting: Arne Karlsson, Lars-Göran Moberg and Caroline Sundewall. The Audit Committee, which prepares matters for the Board of Directors, considers such issues as the internal control process, follows up reporting issues and discusses accounting principles and the consequences of changes of these principles. Furthermore, the Audit Committee maintains regular contact with the external auditors. The Committee is responsible for evaluating auditing work and the auditors' efficiency, qualifications, fees and independence. In addition, the Audit Committee must assist the Nomination Committee in nominating auditors and procuring their services

Risk assessment

Haldex's risk assessment with respect to financial reporting, meaning the identification and evaluation of the principal risks in terms of financial

reporting in the Group's companies, divisions and processes, provides the foundation for risk management. The risks may be managed by accepting the risks or by reducing or eliminating them, subject to the controls and control levels within the framework established by the Board of Directors, the Audit Committee, the President and the Executive Committee.

Control activities

Work to enhance internal control activities and governance continued during the year, in the form of documentation and evaluation and improvements of existing controls. During 2010, the focus was on the inventory process. A control matrix concerning the inventory process, containing further developed minimum requirements for acceptable internal control, was implemented in the Group's units. In certain units, the external auditors implemented a follow-up of these controls of the inventory process during the year.

Information and communication

The company has a system for information and communication that is intended to result in complete and correct financial reporting. The company has a reporting system in which all Group companies report monthly according to an established format and to fixed accounting principles. In conjunction with reporting, the reporting units perform risk assessments and decide on the need for any provisions. The central finance department produces reports from the Group-wide system, which is structured according to the Group's established reporting format. Responsible managers and controllers at various levels in the Group have access to the information in this system relating to their area of responsibility.

All of the Group's steering documents for internal control and governance are available on the Group's intranet.

Follow-ups

The company's financial reporting is followed up continuously, in part by business management at various levels in the company and in part by the finance organization and controllers in the various divisions and business units. Follow-ups take place each month in conjunction with reporting and comprise both analysis and reviews by the relevant controllers and meetings between the relevant business managers and the reporting units. The CEO and the CFO have monthly meetings with divisional managers and divisional controllers. At these meetings, the division's income statement, balance sheet, cash-flow statement and other financial key data are discussed.

The Audit Committee communicates constantly with the company's external auditors and the CFO, both at and between meetings. The Board of Directors receives a monthly report on business development. More detailed reporting is provided primarily by the President at all Board meetings. The Board of Directors constantly assesses the risks relating to financial reporting based on significant and qualitative factors.

Each year, the Board of Directors evaluates the need to establish a special internal audit function. In 2010, the Board did not consider this necessary. The Board considered that internal control is primarily exercised by:

- operative managers at various levels
- local and central finance functions
- through the Executive Committee's supervisory control

Due to this, in combination with the company's size, the Board of Directors currently does not consider it justifiable in financial terms to establish yet another function.

Auditors' report on the Corporate Governance Report

To the Annual General Meeting of Haldex AB (publ), Corp. Reg. No. 556010-1155

It is the Board of Directors and the President who are responsible for the 2010 Corporate Governance Report on pages 58–65 and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our opinion that the Corporate Governance Report has been prepared and is consistent with the other parts of the annual accounts and the consolidated accounts, we have read the Corporate Governance Report and assessed its statutory content based on our knowledge of the company.

In our opinion, a Corporate Governance Report has been prepared and its statutory content is consistent with the other parts of the annual accounts.

Stockholm March 31, 2011

Michael Bengtsson
Authorized Public Accountant
PricewaterhouseCoopers

Ann-Christine Hägglund
Authorized Public Accountant
PricewaterhouseCoopers

Board of Directors and Auditors


Lars-Göran Moberg


Anders Böös


Göran Carlson


Stefan Charette


Arne Karlsson

Lars-Göran Moberg*
Chairman of the Board since 2008, member of the Audit Committee and the Compensation Committee.
Born 1943. Member since 2007
Elected Chairman 2008.
M.Sc.ME.

Previously President of Volvo Powertrain Corporation and Senior Vice President Technology and member of Volvo's Group Management. Previously active within AB Bofors, President of VME Industries Sweden AB and President of Volvo Car Component Corporation.

Chairman of Deutz AG.

Member of the Board of Fourier Transform, Volvo Aero AB, Volvo Construction Equipment Corporation and Cross Country Systems AB.

Shareholding: 9,063

Anders Böös*
Born 1964. Elected 2007

Previously President of Hagströmer & Qviberg AB and Drott AB.

Chairman of Industrial & Financial Systems IFS AB, Cision AB and Cleanenergy AB. Member of the Board of: Investment AB Latour, Niscayah Group, Newsec AB and East Capital Baltic Property Fund AB.

Shareholding: 0

Göran Carlson**
Born 1957. Elected 2010.
M. Sc. Economics and MBA.

Previously President of Ur & Penn – Erling Persson AB, President and owner of c/o Departments & Stores AB and founder of Medstop AB, a chain of pharmacies.

Chairman of Svenskt Tenn AB.
Deputy Chairman of Medstop AB.

Shareholding: Through companies 4,2% of shares and voting rights of Haldex.

Stefan Charette**
Born 1972. Elected 2009
MSc Mathematical Finance, BSc Electrical Engineering.
President of Investment AB Öresund since 2010.

Previously CEO of AB Custos and President of the Brokk Group. Corporate advisor for multinational corporations at Lehman Brothers and Salomon Smith Barney.

Chairman of the Board of Directors in Athanase Capital Partners and Note AB. Has served as a member of the board of AB Custos and Brokk and as Chairman of the Board of Johnson Pump, Tigerholm and Johnson Pump Marine.

Shareholding: 9,000

Arne Karlsson*
Born 1944. Elected 2003.
Member of the Audit Committee.
M.Sc. Economics.

Has held several executive positions in Scania both in Sweden and abroad. Most recently responsible for Commercial Systems, Scania AB, London and Executive Vice President Scania AB.

Chairman of the Board and Board member of a number of companies in the Scania Group. Member of the Board of Finnveden Bulten AB.

Shareholding: 2,000

Caroline Sundewall*
Born 1958. Elected 2003. Chairman of the Audit Committee since 2007.
M. Sc. Economics.

Has worked at Chase Manhattan Bank and Handelsbanken, and as stock exchange and business columnist at Dagens Industri, Affärsvärlden and Finanstidningen, and as business controller at Ratos, and manager of the business editorial staff and stock

Executive Committee


Ian Dugan Stefan Johansson Per Ericson Joakim Olsson Ulf Ahlén Jay C. Longbottom

Caroline Sundewall

Anders Thelin

Cecilia Vieweg

Björn Cederlund

Krister Olsson

exchange columnist at Sydsvenska Dagbladet. Since 2001, independent consultant at Caroline Sundewall AB.

Chairman of the Board of Svolder AB and the Streber Cup Foundation.

Member of the Board of Ahlsell AB (chairman of the audit committee), Aktiemarknadsbolagens Förening, Electrolux AB (member of the audit committee), Lifco AB, Mertzig Asset Management, Pågengruppen AB, SJ AB and Tradedoubler (chairman of the audit committee).

Shareholding: 3,000 via Caroline Sundewall AB.

Anders Thelin*
Born 1950. Elected 2007. Member of the Compensation Committee. M.Sc.ME.

President of Sandvik Tooling AB since 2000. Member of Sandvik's Group Managment. Previously held several senior executive positions within Sandvik, such as President of Sandvik Coromant.

Chairman of the Board and Board member of a number of companies in the Sandvik Group.

Shareholding: 2,000

Cecilia Vieweg*
Born 1955. Elected 2000. Chairman of the Compensation Committee since 2007.

Joined Electrolux as Senior Vice President and General Counsel, with responsibility for legal, intellectual property, risk management and security matters, 1999.

Attorney of Berglund & Co Advokatbyrå, 1987 – 1990. Corporate Legal Counsel of AB Volvo, 1990 – 1992. General Counsel of Volvo Car Corporation, 1992 – 1997. Attorney and partner of Wahlin Advokatbyrå, 1998. Chairman of the Board of Equinox, Inc.

Chairman of the Board of Equinox, Inc. Member of the board of Vattenfall AB, Electrolux North America Inc. and other companies in the Electrolux Group and PMC Group AB. Member of Swedish Securities Council.

Shareholding: 500

Björn Cederlund
Born 1942. Member since 1994. Represents the Federation of Salaried Employees in Industry and Services in the Haldex Group.

Shareholding: 1,000

Krister Olsson

Born 1952. Member since 2009. Represents IF Metall.

Vice Chairman of LSR, Landskrona Svalöv Renhållnings AB.

Shareholding: 0

Camilla Andersson Hult

Born 1968. Deputy member since 2009. Represents IF Metall.

Shareholding: 0

Auditors:

Michael Bengtsson
Authorized Public Accountant, PricewaterhouseCoopers AB.
Auditor in Haldex since 2007.

Ann-Christine Hägglund
Authorized Public Accountant, PricewaterhouseCoopers AB.
Auditor in Haldex since 2010.

* Independent in relation to the company, Group Management and largest shareholders.
** Independent in relation to the company and Group Management, but not in relation to the largest shareholders.

Shareholding on February 22, 2011.

Joakim Olsson
President and CEO
Born 1965
Employed since 2005
M.Sc.ME and MBA, INSEAD

Has held several executive positions in ABB. Most recently President and country manager in ABB Brazil Ltd, before this Group Senior Vice President ABB Ltd. Global manager for the Power Transformers business area.

Shareholding: 7,221
Employee stock options: 80,000

Ulf Ahlén
Division manager Traction Systems
Born 1948
Employed since 1998
Upper Secondary Economics Major

Has held several executive positions in Volvo Cars. Most recently with total responsibility for car production. Member of the Board of Opcon AB.

Shareholding: 1,000
Employee stock options: 10,000

Ian Dugan
Division manager Hydraulic Systems
Born 1956
Employed since 2008
C. Eng MIMechE

Has headed a number of engineering businesses in both listed and private equity environments, most recently as CEO of Concentric Plc and prior to that, ran Alstom's UK based Train Renovation, Service and Manufacturing business.

Shareholding: 1,000
Employee stock options: 10,000

Per Ericson
Executive Vice President Human Resources
Born 1963
Employed since 2006
Forest Engineer, UC Forestry Studies. Studies in Change Management in Organisations and Social Systems.

Has held several executive positions in Stora Enso, most recently as Executive Vice President Human Resources.

Shareholding: 4,301
Employee stock options: 30,000

Stefan Johansson
Chief Financial Officer (CFO)
Born 1958
Employed since 2005
M.Sc. Economics

Has held positions as CFO within both listed and private equity companies, most recently at Duni.

Shareholding: 12,200
Employee stock options: 30,000

Jay C. Longbottom
Division manager Commercial Vehicle Systems
Born 1953
Employed since 2002
B.A. M.B.A.

Has held several senior executive positions within SKF involving placement in both North America and Europe.

Shareholding: 4,000
Employee stock options: 30,000

Shareholding on February 22, 2011.

Haldex share

Haldex has been listed on the Nasdaq OMX Stockholm Exchange since 1960. The company is included in the MidCap list, under the ticker symbol HLDX. A trading lot is one share.

The share capital in Haldex AB was SEK 221,079,850 allocated among 44,215,970 shares.

Price trend and trading

The price of the Haldex share rose 137% during 2010 to SEK 105.25 (44.50). The lowest price paid during the year was SEK 42.00 on January 28 and the highest price was SEK 106.50 on December 23.NASDAQ OMX Stockholm rose 23% in 2010, with the OMX Stockholm Industrial Index (industrial goods and services), the sector in which Haldex is included, rising 48%.

Total market capitalization at year-end 2010 was SEK 4,653 m.

A total of 56.7 million Haldex shares (34.2) were traded during 2010, corresponding to average trading volume of 224,111 shares (136,170) per day. Trading on Nasdaq OMX Stockholm accounted for 92% of turnover (97) in the Haldex share during the year. The remaining 8% of trading took place in other markets as a result of the EU's MiFID Directive, which was implemented in 2007 and enables trading in marketplaces other than the one on which the share is listed.

The turnover rate for the share rose to 128% (77). On NASDAQ OMX Stockholm, the turnover rate declined to 95% (119) and the rate on the MidCap list was 66% (65).

Beta value

Beta value is a risk ratio that indicates the fluctuation of a stock compared with that of the stock exchange as a whole. The beta value for the Haldex share at year-end, as calculated over 48 months, was 1.84 (1.94), which means the price of the Haldex share fluctuated 84% more than the market average.

Incentive program

The Annual General Meetings in April 2007 and April 2010 resolved to introduce a long-term performance-based incentive program under which senior executives and key personnel are to be allotted employee stock options on condition that the participants become shareholders through their own investment in Haldex shares in the marketplace.

Under the 2007 program, each share acquired in the marketplace provides entitlement to the allotment, free of charge, of ten employee stock options, whereby each option provides entitlement to the acquisition of 1.5 Haldex shares. Another condition for allotment is that Haldex's pretax income has increased by more than 7% in relation to the preceding fiscal year. Maximum allotment occurs on condition that pretax income has increased by 20% or more in relation to the preceding fiscal year.

The employee stock options could be issued in three series and be allotted in accordance with decisions made by the Board during 2008, 2009 and 2010, respectively. No allotment of options occurred in 2008 and 2009 based on the company's results. An allotment of options was made in 2010.

Under the 2010 program, each share acquired in the marketplace provides entitlement to the allotment, free of charge, of ten employee stock options, whereby each option provides entitlement to the acquisition of one Haldex share. The allotment is dependent on the company's operating margin exceeding 1%, excluding restructuring costs and nonrecurring costs/revenues deriving from acquisitions or divestitures made in the fiscal year 2010. Maximum allotment occurs on condition that the company's operating margin exceeds 4%, as above. Employee stock options are allotted based on the company's results in 2010 and pursuant to a resolution by the Board in 2011. An allotment of options will be made in 2011.

Shareholders

The number of Haldex shareholders increased 19% during 2010 to a total of 12,502 (10,486) at year-end. Swedish ownership declined from 79% to 66% at year-end 2010.

Press releases in 2010

First quarter

JAN	19	Haldex to consolidate manufacturing at two production units in the US
	21	Haldex to launch world's first UN-ECE approved rollover simulator for trailers
	29	Change in number of shares and votes
FEB	03	Haldex wins Major Hydraulics and Pneumatics Award for 2009
	12	Year-end Report 2009
MAR	12	Annual General Meeting in Haldex AB (publ)
	12	Haldex secures order for All-Wheel Drive system to Volvo Car Corporation

Second quarter

APR	01	Haldex Annual Report for 2009 released
	15	Report from Haldex AB's Annual General Meeting on April 15, 2010
	23	Haldex three-month report, January – March 2010
MAY	18	Haldex's new innovative electrohydraulic differential lock, Haldex FXD, debuts in the Volkswagen Scirocco #116 at the 24-hour Nürburgring Race
JUN	03	Haldex divests Chinese hydraulics plant

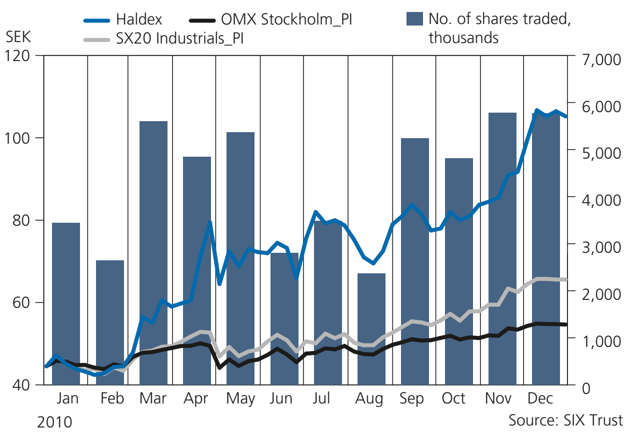
Third quarter

JUL	12	Haldex secures order worth SEK 1,000 million for Air Disc Brakes
	16	Haldex AB proposes the reorganization of its divisions into three separate listed entities
	16	Further concentration of Haldex CVS's North American manufacturing to the plant in Monterrey, Mexico
	16	Haldex six-month report January – June 2010
SEP	23	Update on the reorganization process in Haldex

Fourth quarter

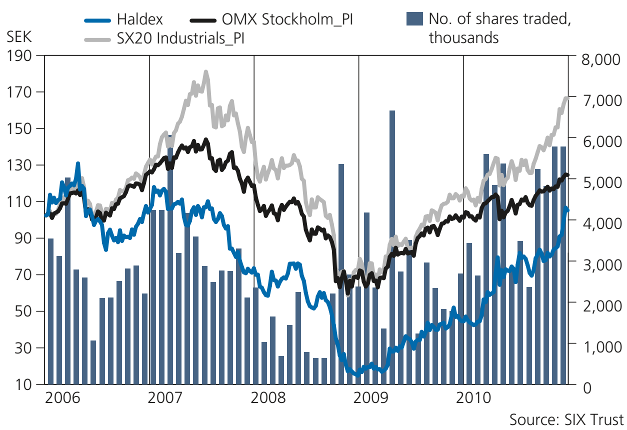
OCT	21	Haldex interim report January – September 2010
DEC	06	Nomination Committee
	17	Haldex to sell Traction Systems Division to BorgWarner, Inc.

Haldex's share price trend, 2010



Source: SIX Trust

Haldex's share price trend, 2006–2010



Source: SIX Trust

Dividend and dividend policy

The Board's policy for the distribution of unrestricted capital to shareholders is to pay one-third of annual profit after tax over a business cycle to shareholders through the allocation and repurchase of shares, taking into account the anticipated financial position.

For the 2010 fiscal year, the Board intends to propose that the Annual General Meeting approve an ordinary dividend of SEK 3 per share.

As a result of strong underlying earnings, the favorable financial position and the sale of Traction Systems Division, the Board intends to propose that the Annual General Meeting approve an extra transfer through a redemption of shares equivalent to SEK 30 per share. This corresponds to a dividend and transfer to shareholders of SEK 1,447 m.

Data per share

	2010	2009	2008	2007	2006
Earnings, SEK [1]	2.87	2.40	–1.25	4.06	9.09
Dividend, SEK	3.00	–	–	4.50	4.50
Market price at year-end, SEK	105.25	44.50	26.70	113.50	163.50
Equity, SEK	53.62	54.13	83.15	85.36	86.02
EBIT multiple	12	neg	12	12	11
P/E ratio	37	24	neg	18	12
Payout ratio, %	105	–	–	72	32
Payout ratio incl. redemption,%	1.150				
Dividend yield, %	2.9	–	–	4.0	2.8
Dividend yield incl. redemption, %	31.4				
Total return, %	137	157 [1]	–76	–28	6
Market price/equity, %	196	82	32	133	190

[1] Has been adjusted for the bonus issue effect via the new share issue.

Ownership structure, December 30, 2010

Shareholding	No. of shareholders	No. of shares	Percent of total
1 – 500	8,368	1,605,002	3,63
501 – 1 000	1,954	1,638,103	3,70
1 001 – 5 000	1,706	3,914,599	8,85
5 001 – 10 000	200	1,519,442	3,44
10 001 – 15 000	70	898,652	2,03
15 001 – 20 000	31	570,596	1,29
20 001 –	173	34,069,576	77,05
Total	**12,502**	**44,215,970**	**100,00**

Source: Euroclear

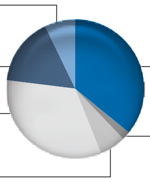
Shareholders and number of shares

	2010	2009	2008	2007	2006
Number of shareholders	12,502	10,486	8,576	8,382	10,305
Average number of shares, thousands	44,216	34,020	21,920	21,980	22,065
Number of shares at year-end, thousands	44,216	44,216	21,920	21,920	22,065

Changes in share capital since 1995

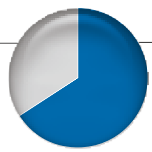
	Increase in share capital, SEK m	Share capital, SEK m	Number of shares
1995 Beginning of the year		93	4,645,046
1995 Share split 4:1			18,580,184
1998 New issue 1:5/95	18	111	22,296,220
2009 New issue 1:1	110	221	44,215,970

Ownership structure, December 30, 2010



Source: Euroclear

Geographic distribution of ownership



Source: Euroclear

Ten largest shareholders, December 30, 2010

Name	No. of Shares	Percent of votes and capital
Öresund, Investment AB	4,911,349	11.1
Skandinaviska Enskilda Banken S.A., NQI	2,076,257	4.7
Handelsbanken fonder	2,053,949	4.6
Afa Försäkring	2,000,000	4.5
Unionen	1,569,240	3.6
Swedbank Robur fonder	1,278,107	2.9
Skandia Funds	1,102,252	2.5
JPM Chase NA	1,091,420	2.5
Fourth Swedish national pension fund	816,423	1.8
CBNY-DFA-INT SML CAP V	793,208	1.8
Total ten largest shareholders	**17,692,205**	**40**
Total other shareholders	26,147,295	58.31
Haldex AB – treasury shares	376,470	1.69
Total	**44,215,970**	**100.00**

Source: Euroclear

The following analysts follow the development of Haldex on a regular basis

ABG Sundal Collier .... Erik Pettersson
CA Cheuvreux .... Björn Gustafsson
Carnegie .... Kenneth Toll Johansson
DnB NOR Markets .... James Solomon
Danske Bank .... Jan Bjerkeheim
Handelsbanken Capital Markets .... Hampus Engellau
Redeye .... Henrik Alveskog
SEB Enskilda .... Stefan Cederberg Anders Trapp
Swedbank Markets .... Mats Liss
E. Öhman J:r Fondkommission .... Björn Enarsson

Read more: www.haldex.com/en/investors/The_share/

Five-year summary and quarterly review

Five-year summary	2010	2009	2008	2007	2006
Net sales, SEK	6,906	5,622	8,403	7,940	7,890
Share of net sales outside Sweden, %	91	92	91	90	91
Exports from Sweden, SEK m	1,058	970	1,714	1,598	2,001
Operating income/loss, excl. one-off items, SEK m	459	–131	250	339	403
Operating income, SEK m	282	155	92	289	374
Earnings/loss before tax, excl. one-off items, SEK m	459	–232	102	272	315
Earnings/loss before tax, SEK m	178	54	–55	222	315
Profit margin, excl. one-off items, %	6.7	–2.3	3.0	4.3	5.1
Profit margin, %	4.1	2.8	1.1	3.6	4.8
Interest coverage ration, multiple	2.5	2.0	0.7	3.7	5.2
Return on capital employed, %	7.8	3.9	2.4	8.3	11.5
Return on equity, %	5.4	4.2	–2.3	7.3	16.6
Return on total assets, %	5.7	2.9	1.6	5.8	7.9
Total assets, SEK m	5,053	5,039	6,290	5,082	4,733
Capital turnover rate	1.90	1.40	2.20	2.20	2.34
Equity, SEK m	2,351	2,373	1,823	1,871	1,898
Equity/assets ration, %	47	47	29	37	40
Net debt, SEK m	684	985	2,332	1,600	1,254
Debt/equity ratio, %	29	42	128	85	66
Cash flow, SEK m	229	847	465	–141	–7
Investments, SEK m	212	175	402	463	420
Product development costs, SEK m	277	267	339	335	349
Average no of employees	3,811	4,281	6,004	5,518	4,683
– of whom, outside Sweden	3,169	3,483	4,724	4,269	3,516

Quarterly data, SEK m	2010					2009				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Net sales	1,600	1,793	1,807	1,705	6,906	1,562	1,409	1,266	1,385	5,622
Cost of goods sold	–1,204	–1,332	–1,321	–1,291	–5,147	–1,277	–1,128	–975	–1,072	–4,452
Gross earnings	396	461	486	414	1,758	285	281	291	313	1,170
Gross margin	*24.8%*	*25.7%*	*26.9%*	*24.3%*	*25.5%*	*18.2%*	*19.9%*	*23.0%*	*22.6%*	*20.8%*
Sales, administrative & product development costs	–328	–352	–360	–307	–1,347	–376	–354	–312	–304	–1,346
Other operating income & expenses	–22	–	–53	–35	–110	–65	–1	3	–17	–80
Gain/loss on divestment of subsidiary	–	–19	–	–	–19	–	411	–	–	411
Operating income[1]	46	90	73	72	282	–156	337	–18	–8	155
Financial income and expense	–29	–31	–24	–20	–104	–31	–28	–17	–25	–101
Earnings before tax	17	59	50	53	178	–187	309	–35	–33	54
Taxes	–5	–24	–16	–2	–47	42	–22	–2	3	21
Earnings for the period	12	35	33	51	131	–145	287	–37	–30	75
Attributable to non-controlling interests	*1*	*2*	*2*	*0*	*5*	*–3*	*–1*	*–1*	*–2*	*–7*

[1] Including restructuring costs, one-off items and amortization of acquisition-related surplus values.

Key data, quarterly, SEK m	2010					2009				
Earnings per share, SEK	0.24	0.75	0.71	1.16	2.87	–4.22	8.58	–1.08	–0.83	2.40
Operating margin, %[2]	4.8	6.5	7.6	7.5	6.7	–5.1	–4.7	–0.8	1.8	–2.3
Operating margin, %	2.9	5.0	4.1	4.2	4.1	–10	23.9	–1.4	–0.6	2.8
Cash flow after net investments	8	110	101	10	229	–220	66	17	157	20
Return on capital employed, %[3]	8.9	3.0	5.5	7.8	7.8	–3.7	1.3	–0.8	3.9	3.9
Return on equity, %[3]	11.4	–1.1	2.0	5.4	5.4	–13.5	–0.5	–3.9	4.2	4.2
Equity/assets ratio, %	46	47	46	47	47	28	37	37	47	47
Investments	22	67	50	73	212	44	43	34	54	175
R&D, %	4.3	3.8	3.7	4.2	4.0	4.6	4.7	4.7	4.9	4.8
Number of employees[3]	3,980	3,770	3,817	3,811	3,811	5,753	5,298	4,755	4,281	4,281

[2] Excluding restructuring costs, one-off items and amortization of acquisition-related surplus values. [3] Rolling 12 months.

Definitions

Capital turnover rate
Net sales divided by average total assets less non-interest-bearing liabilities.

Debt/equity ratio
Net debt as a percentage of shareholders' equity.

Direct yield
Dividend divided by market price at year-end.

Earnings per share
Net income for the year divided by average number of shares.

EBIT multiple
Market value at year-end plus net debt divided by operating income.

Equity/assets ratio
Shareholders' equity as a percentage of total assets.

Gross margin
Gross profit, i.e. net sales less cost of goods sold, as a percentage of net sales.

Interest coverage ratio
Operating income plus interest income divided by interest expenses.

Net debt
Interest-bearing debt less liquid assets.

Operating margin
Operating income as a percentage of net sales.

P/E ratio
Market value at year-end divided by earnings.

Payout ratio
Dividend divided by earnings per share.

Profit margin
Operating income plus interest income as a percentage of net sales.

R&D, %
Costs for research and development as a percentage of net sales.

Return on capital employed
Operating income plus interest income as a percentage of average total assets less non-interest-bearing liabilities.

Return on equity
Net income for the year as a percentage of shareholders' equity on average.

Return on total assets
Operating income plus interest income as a percentage of average total assets.

Self-financing rate
Cash flow from operations as a percentage of net investments excluding acquisitions.

Total return
Market price at year-end, including dividend, divided by marketprice at beginning of year.

ABBREVIATIONS

ABA
Automotive Brake Adjuster

ABS
Antilock Brake System

ADB
Air Disc Brake

AWD
All Wheel Drive

CVS
Commercial Vehicle Systems

EBS
Electronic Brake System

EMB
Electronic Mechanical (Disc) Brake

ESP
Electronic Stability Protocol

FBF
Fabrica Brasileira de Freios

ModulAir
Air dryer product range with modular design

TCM
Trailer Control Module

TTM
Trailer Control Module

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