

## 2014 ANNUAL REPORT



# FROM A STABLE PLATFORM TO PROFITABLE GROWTH

Brake and safety solutions  
for the commercial vehicle industry



# Haldex in brief

## HALDEX HAS ALL MAJOR

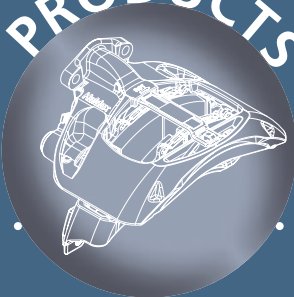
### TRUCK AND TRAILER manufacturers as its customers.

In North America and Europe, there are 10-15 major truck manufacturers and 5-10 major trailer manufacturers. Haldex supplies products to all of these companies. However, there is much to be done. We want to supply more products for

more vehicle models, but the foundation has been laid with long-term customer relationships and established contacts. Our largest customers include Daimler, Freightliner, Hendrickson, Krone, Paccar, SAF Holland, Schmitz Cargobull, Volvo and Yutong as well as a number of distributors in the aftermarket such as Europart, Fleet Pride and Napa.



## PRODUCTS



We have been developing technically complex products for more than 100 years. Today's product portfolio focuses on brake products and air suspension systems for heavy vehicles. We are market leaders in several product categories, including brake adjusters for drum brakes. Our products are rapidly winning market share in other emerging areas, such as our disc brakes, which are recognized for their innovative design. These and other wheel-end components comprise the Foundation Brake product group, while air suspension components, such as ABS, EBS and air dryers, comprise the Air Controls product group.



## GLOBAL PRESENCE:

Haldex conducts sales, R&D and manufacturing all over the world. We have offices in 18 countries, and production facilities in Sweden, Germany, Hungary, China, India, Brazil, Mexico and the US.

Most of our 2,235 employees work in Europe (36%). North America (23%) and South America (26%) have nearly the same number of employees, followed by Asia and the Middle East (15%).

The production facility in Mexico is our largest single site, with nearly 500 employees. Sales to customer is slightly different, with North America accounting for more than half of total sales, Europe for one-third, with the remainder from South America, Asia and the Middle East.

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**DIVISION:** Prior to 2011, Haldex consisted of several business areas. BorgWarner took over the all-wheel drive coupling for passenger cars, while Concentric took over the hydraulic pump operations. Haldex retained brake products and air control systems.

- Transportation needs are growing, and infrastructure development is continuing in emerging markets, which means that growth in underlying markets is favorable.
- Market-leading products offer the potential to increase market share and claim an even stronger position in related geographies or product categories.
- We have established customer relationships with all major players, which offers major potential for improving penetration with each customer.
- A new focused strategy, combined with implemented efficiency improvements, has created a stable platform for achieving profitable growth.

#### SALES/PRODUCT LINE



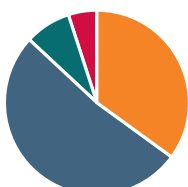
Foundation Brake 55%  
Air Controls 45%

#### SALES/CUSTOMER CATEGORY



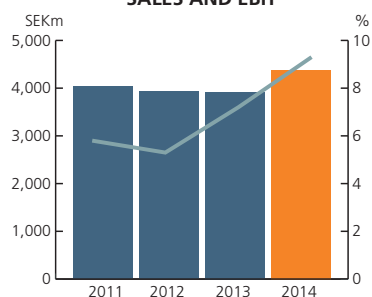
Truck 29%  
Trailer 29%  
Aftermarket 42%

#### SALES/GEOGRAPHIC REGION



Europe 35%  
North America 52%  
Asia and Middle East 8%  
South America 5%

#### SALES AND EBIT



■ Sales ■ EBIT, %<sup>1)</sup>  
<sup>1)</sup> EBIT Excluding one-off items

#### KEY FIGURES

	2014	2013	Change
Net sales, SEK m	4,380	3,920	12%
Operating income, SEK m <sup>1)</sup>	408	281	45%
Operating income, SEK m	233	153	52%
Operating margin, % <sup>1)</sup>	9.3	7.2	29%
Operating margin, %	5.3	3.9	36%
Earnings before tax, SEK m	205	110	86%
Earnings after tax, SEK m	107	38	182%
Earnings per share, SEK	2.32	0.80	190%
Dividend (proposed for 2014), SEK	3.00	2.00	50%
Return on capital employed, excluding non-recurring items % <sup>2)</sup>	21.4	14.6	47%
Return on capital employed, %	12.2	7.8	56%
Equity/assets ratio, %	44	46	-4%
Cash flow from operating activities, SEK m	435	282	54%
Number of employees	2,235	2,135	5%

<sup>1)</sup> Excluding one-off items

<sup>2)</sup> Rolling 12 months

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A successful year – A report from the CEO

The need for transportation continues to grow



New focused strategy and updated financial objectives



Disc brakes have captured market share



Major geographic differences



CSR – a great leap forward

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# From a stable platform to profitable growth

2014 was a successful year for Haldex. We grew faster than the market while also delivering the highest operating margin excluding one-off items since the mid-1990s. I want to highlight my appreciation of our employees across the globe. Our Haldex spirit is evident in all parts of the organization and is one of the major underlying factors in our achievement of profitable growth. When the year began, our focus was still on improving and stabilizing the platform; but in pace with rising earnings, the focus shifted and profitable growth now stands indisputably at the top of the agenda for 2015.

Market conditions in 2014 were favorable, with North America acting as a locomotive. Production of heavy vehicles in North America grew by double digits, which had a positive impact on our sales. The trend in Europe was more in line with the preceding year, weighed down by the unrest in Eastern Europe, but nevertheless we managed to raise our sales from this region by six percent. In Asia – where China noted a negative market trend, while India was positive – we grew significantly faster than the market. The market in South America was weak, but even there we reported growth. Overall, the geographic regions where we have our strongest positions were also those that developed most positively. We capitalized well on the opportunities offered and ended the year with a growth rate about two percentage points above the weighted market growth.

## Product leadership

During my two-and-a-half years as President of Haldex, we have worked to streamline operations, focus on the aspects that create value and, not least, develop and refine all strategic aspects. During the latter half of 2014, we put the final piece in place and, at our Capital Market Day in October, we presented an updated, more focused strategy for Haldex moving forward. We want to leverage our size relative to competitors and be the player who – thanks to swift decision-making channels, close customer relations and talented employees – leads industry development.



The success with discs brakes offers reliable evidence that our R&D work is on the right track. During the year we won contracts with a number of European trailer manufacturers worth an estimated SEK 650 m, stretching from 2014 to 2017, with most of the volume set to emerge in the later part of the period.

Product leadership, with fewer products but products that are the absolute leaders in their categories, is our selected path ahead. Achieving this requires that we can also offer regional variants adapted to local customer needs. Consequently, our new R&D center in Pune India is a significant step in this strategy. Also, the new center opened just when the Indian market turned the corner, after reaching its lowest level in 25 years.

As part of the test track at the MIRA Technology Park in the UK, we opened a tailor-made R&D center that will focus primarily on product development in the Air Controls product group. MIRA's test track is one of the most widely used by Haldex today. With the new building in place, technology and testing will be co-located, leading to shorter development cycles and greater customer orientation.

The success with discs brakes offers reliable evidence that our R&D work is on the right track. During the year we won contracts with a number of European trailer manufacturers worth an estimated SEK 650 m, stretching from 2014 to 2017, with most of the volume set to emerge in the later part of the period. Our close cooperation with Daimler in the disc-brake area has proved highly valuable and this type of customer collaboration, in which we develop and refine a product together with customers, is a model in which Haldex excels. With our experienced product developers and flexible approach, we can produce products that offer





“We grew faster than the market while also delivering the highest operating margin since the mid-1990s.”

the qualities needed to match customer requirements. Thanks to innovative design, our latest disc-brake model is the lightest in the market. Reducing weight, and thus fuel consumption, is one of the issues that top the list of customer demands.

Operational excellence

The restructuring program has been pursued ever since 2013. Having put the final plan component in place in Germany, we can now see the end of a trying but necessary operational transition. The German part of the plan still has to be fully implemented before we can say that we have reached the finish line. Parts of production will be moved to Hungary – a complex project requiring careful planning and execution. However, we can now plan for future investments and gradually move resources from restructuring projects to growth projects. This is a key prerequisite for our future activities.

Our long-term vision is for Haldex products to have zero errors. We are working tirelessly to



continuously improve our operations and are already operating at a high level. In spite of this, we have a warranty case in North America requiring a concerted effort in the form of a field inspection and product replacements. The failure rate is extremely low, 0.03 percent, but we naturally assume responsibility for our products and aim to be a reliable and long-term partner to our customers.

One of our financial objectives is to reach a sustainable operating margin of 10 percent. To achieve this, all parts of Haldex must work smoothly. In other words, we will not cease improving and refining operations. Continuous improvement is one of the cornerstones of the approach we call the Haldex Way, and continuing to raise efficiency and identifying superior ways of performing tasks will always be part of the Haldex culture.

People and the environment

One of the key success factors for Haldex is the spirit that pervades operations. We have been



#### A SUCCESSFUL YEAR

*During the year, a number of Haldex facilities were visited so that our employees would have the opportunity to ask questions and receive an explanation of the strategy from the Haldex CEO himself. When these visits are combined with a tour of the facility, they often lead to discussions between employees in various roles at the company. When a unit reaches a new tier in the Haldex Way, receiving the plaque from the CEO himself always lifts the occasion, for example, when Suzhou in China was the only unit to ever climb two levels in the same year. Customer visits are also recurring events throughout the year. Some of these are particularly enjoyable, such as when Daimler signed the major disc-brake agreement.*

good at maintaining this spirit for many years, but we have not been as good at continuously developing our leaders. In 2014, we started work on creating a new leadership program. All executives have been assessed and talent management models developed and implemented. 700 of our 2,235 employees have undergone what is referred to as DISC analyzes, which highlight various personal characteristics. Workshops involving communication styles, leadership and group dynamics have been conducted. In 2015, we will continue to roll out this program to include all employees. We will also continue to focus on our values, ethics and morals. For example, we have redesigned our employee performance review model to focus far more on values and attitudes than in the past. For me, how a result is achieved is just as important as the achievement itself. Only by understanding the need for both of these aspects in functioning leadership can we identify sustainable solutions for the future.

Our sustainability work is another area in which we made considerable progress. Safety has always been a priority but we have now globalized aspects of these efforts to raise efficiency and learn from each other. Safety is largely about changing attitudes so that each individual does not perform specific tasks according to the description alone, without independently and proactively identifying potential safety hazards prior to any incident.

In the environmental area, we completed the first stage of a comprehensive global analysis of all production units in early 2015 and in the next stage the local plans will be raised to create global plans and objectives for lower resource consumption. We also formalized decision-making processes for new product development so that the environmental aspect becomes an early and important factor for consideration.

#### 2015

We have now entered a new year that marks the start of a profitable growth phase. Market conditions are not quite as favorable as in early 2014. We see somewhat lower growth rates than earlier,

although from high levels, so it remains a healthy market in which to operate. We are confident that Haldex can continue to outperform the market in terms of growth, while further improving profitability.

To ensure we reach our goals, we will continue working to fill the gaps in the identified product offering, particularly on a regional basis. We will continue to invest in disc brakes and introduce more models with the goal of expanding our strong position in trailers to also include trucks. A major new contract for disc brakes with a truck customer is a milestone we will strive to achieve.

In the aftermarket, 2015 is the year during which we will start implementing the changes noted in our strategy. We will develop our aftermarket offering to accompany the vehicle for a longer period of its life so that we have an attractive offering for most of the average 15 years of vehicle life. We will also expand Reman, our remanufacturing business. We have a sound business in the US already, but it can be expanded further. Moreover, we want to implement the same concept in Europe.

Given the stable platform we have created, we are also prepared for acquisitions. The aim is to either strengthen the product portfolio or enhance our geographic presence in North America or China. Growth may not occur at all costs: profitability is more important than growth, if I have to prioritize. But I am convinced we can achieve both profitability and growth.

Finally, I would like to thank all customers, employees, suppliers and shareholders who helped us realize a great 2014. We are entering 2015 with humbleness but also with a great sense of confidence in the future.

Landskrona, Sweden, March 2015

Bo Annvik  
President & CEO



# An evolving transportation sector

Due to global macro trends, from growing transportation needs to more stringent environmental standards, the conditions for our business are changing rapidly. A rapidly developing world makes it even more important to have a well-founded understanding of the market trends affecting us, and to utilize the drivers that can help us create a long-term, sustainable business operations.



## Increased transportation needs

**MORE AND MORE GOODS** are being transported in a world with a soaring population. According to the United Nations Population Fund (UNFPA), the current world population of 7 billion will increase to 8 billion by the year 2025, and reach 9 billion by 2050. Another significant factor is growing prosperity. Between now and the year 2030, the world's middle class will double while absolute poverty is expected to decline. This will

probably lead to increased demand and thus, increased transportation needs. Demand for transport capacity is closely linked to demand for Haldex's products, since our customers are commercial vehicle manufacturers. Demand for transport capacity is also closely linked to general economic conditions. The registration of new trucks in a certain market is usually consistent with economic growth in that particular region.



## Higher safety requirements

**EVERY YEAR**, the total number of road traffic deaths is 1.2 million, according to the World Health Organization (WHO). Although low and middle-income countries only have roughly half of the world's vehicles, these countries account for about 91 percent of these accidents. Only 7 percent of the world's population lives in countries with sufficiently effective legislation that can be used to address the risk factors. As more countries and organizations set ambitious targets for safety, safety systems will increasingly become mandatory for commercial vehicles. This benefits Haldex, since we are focused on brake solutions that increase both security and safety.



## Improved infrastructure in developing countries

**MORE THAN HALF** of the world's population currently lives in cities and, according to the UN, this figure will reach 66 percent by 2050. Increased urbanization, coupled with a growing population and improved prosperity, are creating an urgent need for better transportation infrastructure. Well-developed and modernized infrastructure is essential for improving a country's economy. Raising the quality of the road network leads to technically superior trucks and trailers, which increases demand for Haldex's products.





## New technologies making inroads

**NEW MATERIALS AND TECHNOLOGIES** are leading to new solutions. Vehicles made with lighter materials, such as aluminum, composites and carbon fiber, weigh less and thus emit less CO<sub>2</sub>. Fully electronic brakes, for example, would enable faster and better braking. However, as with all safety products, it takes time for new technologies to become established due to stringent demands for long and real-life testing. Haldex continuously monitors ongoing technological advances in both braking systems and related vehicle technology, and has a history of presenting innovative products based on cutting-edge technology.



## High fleet age

**THE AGE OF VEHICLE FLEETS** rises during a recession, and declines as the economy improves. On the other hand, emission standards and heightened safety requirements also put pressure on the fleets to invest when the economy is weak. The average age of a heavy truck is about seven years in the US, although it is slightly lower in Europe and considerably higher in, for example, Brazil. When the fleets keep vehicles longer, demand for spare parts increases, which drives sales to the aftermarket. When new sales recover, our new sales to truck manufacturers increase. In other words, Haldex stands to benefit from both of these situations.



## Higher environmental standards

**THE COMBUSTION** of fossil fuels, such as oil and diesel, is a major source of the greenhouse gas emissions that are causing climate change. A sustainable transportation sector must improve fuel efficiency, and find low-carbon alternatives. One area in which Haldex's products can make a difference is vehicle weight. Many kilos can be saved by optimizing a product's design and choice of materials. A rule of thumb

is that a 10-percent drop in truck weight reduces fuel consumption by 5-10 percent. Another aspect is our own production processes, where customers increasingly demand that Haldex lives up to high environmental standards in our production plants. We are constantly striving to improve our own operations to create a long-term, sustainable business operation.

Sources: OECD Yearbook 2012, UN reports "World Population Prospects: The 2012 Revision," and "World Urbanization Report 2014 Revision Highlights," the WHO's "Road traffic injuries fact sheet N°358," IHS Automotive and Fleet Owner.



## Industrial production

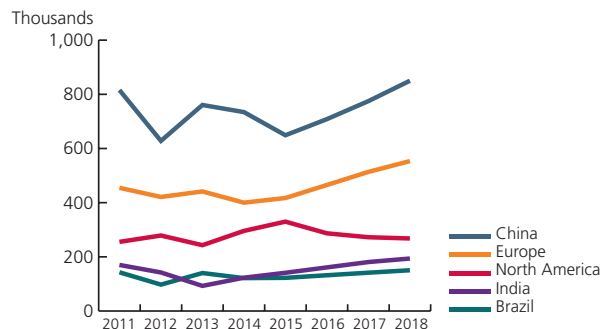
**NEWLY PRODUCED** trucks and trailers are a relevant indicator for the market in which Haldex operates. The effect on Haldex is relative to the Group's proportion of sales in each category and geographical area. A change in the number of heavy trucks produced in South America, for example, is expected to have less impact on the Group's sales than a change in the number of heavy trucks produced in North America.

**TRUCKS:** In 2014, the total estimated production of heavy trucks was 1,679,366, down 0.4 percent compared with 2013. For North America, the most significant region for Haldex's sales, the forecast increased by 22 percent. The forecast for Europe declined 9 percent. However, Haldex's sales to the European truck sector are not as high.

**TRAILERS:** Trailer production was an estimated 920,600 in 2014, an increase of 10 percent. For Haldex's two most principal regions, North America and Europe, the increase was 17 percent and 8 percent, respectively.

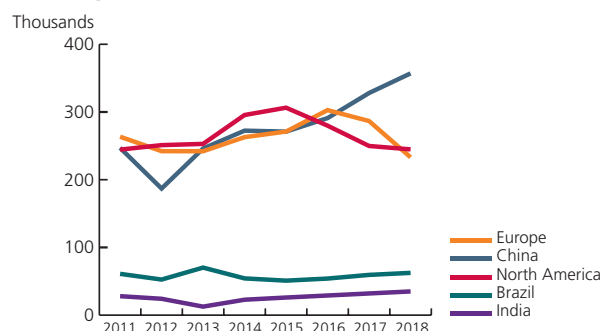
In 2015, the production of heavy trucks is expected to decline 1 percent, while trailers are forecast to rise 2 percent.

### TRUCKS



China is the largest manufacturer of trucks on a worldwide basis, but since many of these trucks have a lower technology content per vehicle, they do not yet account for any major proportion of Haldex's sales.

### TRAILERS



Units produced – industry forecast	2014	Change compared with prec. year	2015	Change compared with prec. year
<b>Trucks</b>				
North America	295,755	21.7%	330,000	11.6%
Europe	399,958	-9.4%	417,180	4.3%
China	734,402	-3.4%	648,848	-11.6%
India	122,964	32.7%	141,152	14.8%
South America	126,287	-15.2%	128,077	1.4%
<b>All regions</b>	<b>1,679,366</b>	<b>-0.4%</b>	<b>1,665,257</b>	<b>-0.8%</b>
<b>Trailers</b>				
North America	295,541	16.9%	306,350	3.7%
Europe	262,841	8.1%	271,107	3.1%
China	272,450	10.7%	271,000	-0.5%
India	22,773	81.1%	26,000	14.2%
South America	66,995	-18.9%	63,671	-5.0%
<b>All regions</b>	<b>920,600</b>	<b>9.9%</b>	<b>938,128</b>	<b>1.9%</b>

The production statistics comprise a forecast from external sources. Historical figures also pertain to estimated production and not to the actual industrial outcome. Unless otherwise stated, the information pertaining to trucks is based on statistics from JD Powers. Information pertaining to the trailer market in Europe is based on statistics from CLEAR, the information pertaining to trucks and trailers in North America is based on statistics from FTR and the trailer information from South America and Asia is based on local sources.

## Other market players

In the global market, there are mainly three companies that can compete with Haldex. Knorr Bremse is a privately owned German company, with sales of some SEK 40 bn. Wabco is a publicly traded company based in the Netherlands,

with sales of about SEK 25 bn. Both of these companies have a broad, global product range. Meritor is a US publicly traded company, with sales of about SEK 33 bn. Meritor offers a narrower range than the other two companies, and is

strongest in the North American market. There are also a number of regional companies that manufacture single products. China is one example of a market with many local players.

# Strategy for profitable growth

In autumn 2014, Haldex presented an even more focused strategy and updated financial objectives. Two years of streamlining and stabilizing the operations have laid the foundation for profitable growth.

## Financial objectives

### Our vision

Haldex will be the global, commercial vehicle industry's preferred choice for an innovative solution provider with a focus on brake and air suspension products.

### Our mission

Haldex develops and provides reliable and innovative brake solutions that improve safety, vehicle dynamics and environmental sustainability in the global, commercial vehicle industry.

### Our objectives

Haldex's strategy is based on a business model that equates social and environmental value creation with growth and profitability. This creates a sustainable and successful company in both the short and long term.

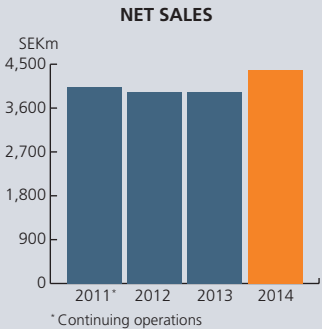
#### Financial objectives

#### Human and environmental objectives

#### Organic growth

**Target:** **>6%** **Outcome:** **+8%**

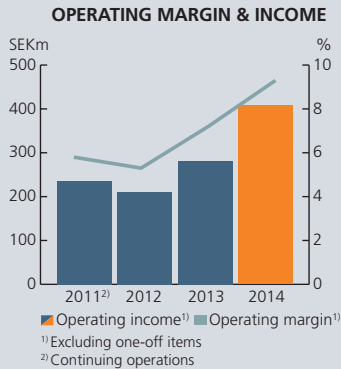
Growth creates economies of scale. This is crucial for a company like Haldex, which invests substantial amounts in product development each year. Haldex aims to outperform the market through organic growth. To achieve comparable figures, market growth is based on Haldex's volume and weighed per region and customer segment. Haldex grew 8 percent in 2014, which is significantly higher than the total estimated market growth of 6 percent.



#### Operating margin<sup>1)</sup>

**Target:** **>10%** **Outcome:** **+9%**

However, growth without profitability does not create value. Profitability creates opportunities for investing in projects to further enhance the product range, strengthen the marketing organization and provide scope for innovation. The objective is to gradually achieve an operating margin of not less than 10 percent. Haldex has achieved steadily improved profitability in recent years and in 2014, an operating margin of 9.3 percent (excluding one-off items) represented a giant leap. The objective is to achieve an operating margin of 10 percent, also during periods of weak economic growth.



## People and the environment

**Haldex's goal is to take long-term responsibility for products and solutions that contribute to social sustainability. This also includes offering a safe and secure workplace, and being an attractive employer.**

### Etical Haldex

We have zero tolerance for bribery, corruption, child labor and discrimination. Our suppliers are continuously assessed to ensure they adhere to the applicable sections of our Code of Conduct. By promoting shared values across the entire supply chain, we aim to contribute to a better society. Our employees undergo regular training in the Haldex Code of Conduct.

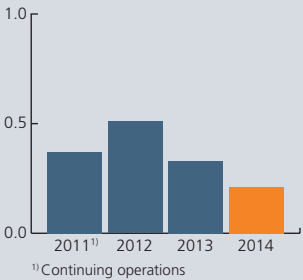


Net debt/equity ratio

Target: **<1** Outcome: **0.21**

A low net debt/equity ratio means a strong balance sheet. This provides us with the scope to make acquisitions and invest in future projects. The objective is to achieve a net debt/equity ratio of less than 1. We have achieved this objective for several years and in 2014, net debt declined further compared with 2013.

NET DEBT/EQUITY RATIO

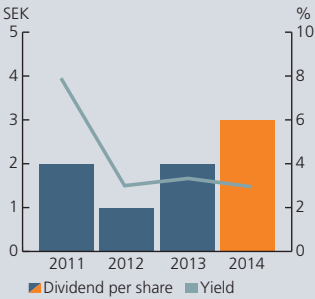


Dividend

Target: **>SEK 0.70** Outcome: **SEK 3**

We aim to provide stable and predictable shareholder returns. According to our dividend policy, one-third of annual net profit over a business cycle should be distributed to shareholders. This is an objective we have achieved, and aim to continue achieving. With a higher profit margin, we aim to share some of the profits with our shareholders, and reinvest the remaining amount in future projects.

DIVIDEND/YIELD



Our core values

**Customer first:**  
We understand our customers' demands. The customer's success is our success.

**Respect for the individual:**  
Our success depends on responsible individuals who work effectively together.

**Passion for Excellence:**  
We are committed to continuous improvement.

*Read more about our values and corporate culture on page 12.*

Safe Haldex

We have zero tolerance for accidents. With the Safety #1 program, we work systematically to prevent accidents and incidents through training, safer workplace environments and attitude changing.

Green Haldex

Environmental efforts are at different stages across the Group. The objective for each production unit is to produce a Green Performance Map, which is a survey of their environmental impact, and to establish plans for how emissions and energy consumption can be reduced.



# Our business model

The diagram to the right illustrates our business model, in which the basic principle is to create a “volume engine” by achieving successful sales to Original Equipment Manufacturers (OEMs), which are truck and trailer manufacturers, and fleets. Competitive products and prices generate high production volumes and long-term contracts. This secures stable sales, large volumes and high profitability in the aftermarket – OEM sales become a volume engine for aftermarket sales.

In the aftermarket, sales to OESs (the OEMs’ own service organizations) and distributors are equally as important. The aftermarket has generally higher margins than OEM sales.

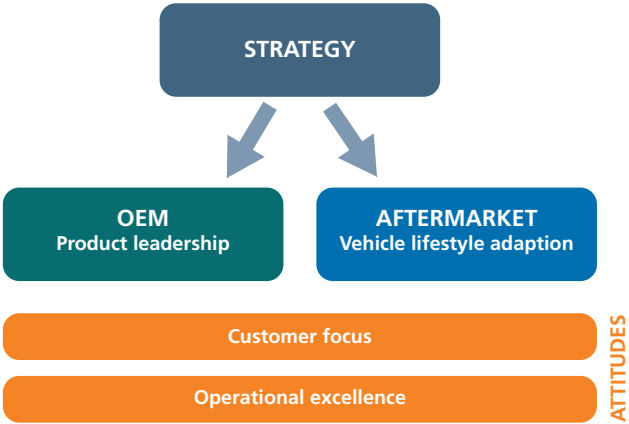
# Our strategy

Strategy involves making choices. With a strong product portfolio, a high level of technical expertise and a fast-moving organization, we have chosen to focus on product leadership and a broader aftermarket strategy. In addition, customer focus and operational excellence serve to complement the strategy. They are attitudes that describe how we should relate to our business environment, while the strategy describes what we should do.

## Product leadership

We will not only offer a safe, high-quality product. We aim to offer the product that best solves the customer’s needs. Achieving this goal requires innovation and deep insight into the customer’s business. This requires innovation – not for its own sake – but innovation where it best contributes to the customer’s business value. It also requires market knowledge, so that the product that is created has the potential to attain the critical volumes required to achieve adequate profitability.

Product leadership requires focus. We aim to invest our resources where they generate the most value by building on the product categories that are successful today. Our resources will be focused on projects that can make a difference, rather than being thinly distributed across a range of projects that

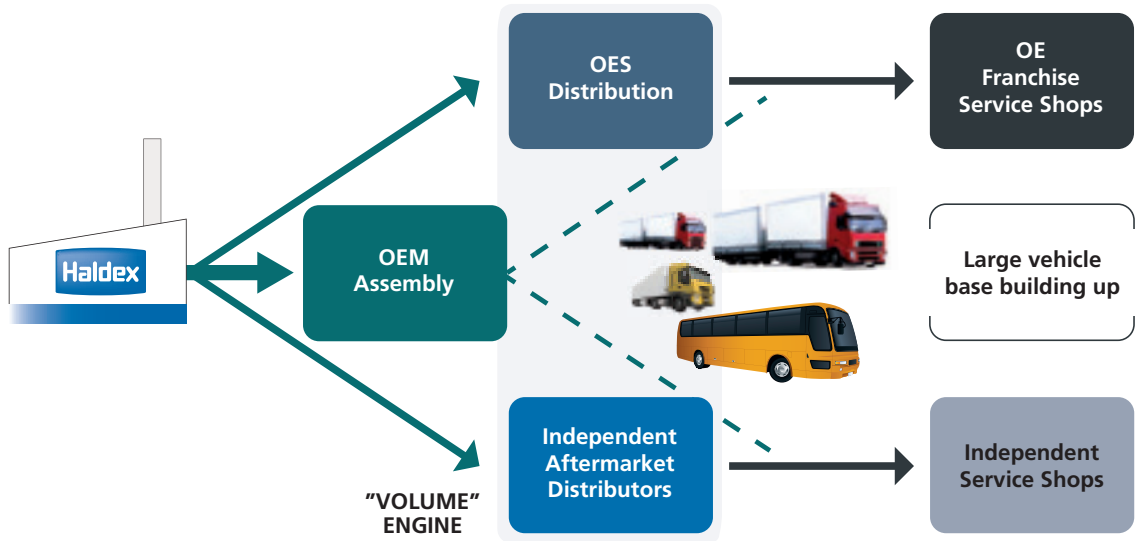


consequently do not achieve their goal. The product range will be continually reviewed to constantly achieve product leadership in the categories in which we invest. Our main focus will be Foundation Brake, where we are both a market leader and have the greatest volume potential. As electronics become an increasingly significant component in many products, a continued presence in the Air Controls area is essential. However, we do not intend to develop a comprehensive offering in this product line. We will make selective investments in products where we can achieve product leadership and satisfactory sales volumes.

A prerequisite for product leadership is sustainable innovation. Issues such as resource consumption, environmental impact and workplace health and safety are high on the agenda of our customers. Our product development will be part of a holistic approach to sustainable development to further strengthen our competitiveness.

## Broader aftermarket

In the aftermarket, the customers’ needs change throughout the life of their vehicle. Demand for high-quality spare parts is





*If the vehicle's life is about 15 years, Haldex should have competitive offerings not only for the first service intervals, but also for the latter part of the vehicle's life.*

usually higher in the first few years than when the vehicle grows older. Ownership changes also play a role, since the vehicle will be serviced at different service centers depending on its owner. We aim to broaden our aftermarket offering to become an attractive choice throughout most of the vehicle's life. This includes development of the product range with various offerings for different ownership situations, selection of distribution channels to reach more service centers, differentiated pricing, training for service workshops and e-commerce services to increase the service level and reduce administration. Haldex is already a strong player in the aftermarket, but with a broader offering that is more adapted to the entire life of the vehicle, sales and profitability can be further increased.

### Customer focus

It shall be easy to do business with Haldex. As our customer, you are greeted by people who understand your business, who want to contribute to your success and build solid and long-lasting relationships. We aim to maintain a humble and open approach to our customers. The company encourages entrepreneurship, which means being innovative, proactive and able to identify market potential.

We base our geographic presence on being easy to contact, and to ensure promised high-quality deliveries. Our key account managers are geographically close to their customers and build long-term relationships in order to act quickly, proactively and expertly should the customer need help. Product development is based on the customer's everyday challenges, with the approach that the customer's success is our success. Logistics and sourcing balance requirements for low price, high quality and short supply routes in order to satisfy the customer's combined requirements. Internal systems are improved and offered on the basis that it should be easy to do business with us.

We maintain our customer focus throughout the entire life of the product. During the design and development stage, we offer our expert knowledge to create a successful product together, and during the delivery stage, we do our utmost to ensure promised deliveries. We become involved in the customer's

production process to ensure the best delivery at the right time. When the product requires service or worn parts are replaced, our extensive aftermarket program is in place with spare parts, service technicians and training.

### Operational excellence

Efficiency, cost awareness, precision and quality are prerequisites for achieving product leadership and customer focus. Effective processes free up time and energy for developing products, building customer relationships and providing good service. Quality in every stage, from production, supplier procurement and cost monitoring to professional development and recruitment, is critical for our competitiveness. Continuous efficiency improvements and cost savings are essential in an industry under price pressure. Competitiveness lies in making smart decisions – to know the difference between what generates value, and what doesn't. A holistic approach and an understanding of how the whole business fits together at all levels of the company are prerequisites for success.

Processes and procedures are also the best protection against workplace accidents and injuries. A safe and secure workplace is a requirement for creating an innovative, caring and collaborative environment.

The Haldex Way is our method for continuous self-assessment and improvement. In addition, our efficiency projects add major value by reducing the costs and raising the quality of our products. We intend to continue fine-tuning the balance between what should be coordinated globally, and what should be done locally, to avoid spending unnecessary time on reinventing the wheel. With coordinated processes at the right level, we also gain better decision support and overview of our business, to thereby create the best conditions for our future. Read more about the Haldex Way on page 14.

# Proud and dedicated employees

Our 2,235 employees are spread across 18 countries. Those countries with the most employees are the US and Mexico, followed by Sweden, China and Germany. About 60 percent work in production, while 40 percent are white-collar employees. Women account for 29 percent of the Group's employees.



## Motivational culture

Motivation and security are based on clear goals, inspirational leadership and participation. Haldex is dependent on talented and highly motivated employees who seek opportunities for continuous improvement and understand the role they play in the company's shared success.

Our corporate culture is characterized by entrepreneurship, quality awareness and a desire to make things better. Our three core values – Customer first, Respect for the individual and Passion for excellence – guide our business conduct and how we deal with everyday challenges. We encourage all employees to build bridges internally to solve problems, understand the bigger picture and strengthen the sense of community. We consider these qualities when we evaluate each employee in

the annual appraisal process. In these conversations, employees also agree on an individual development plan for the future.

## Diversity

To achieve a dynamic corporate culture, where teams drive innovation and employees motivate and complement each other, we work to attract people with different backgrounds, personalities, perspectives and knowledge. Employees who dared to think differently and chart new territories have made Haldex what it is today. We consider different backgrounds and experience as positive, and something we want to promote. The Haldex Equal Opportunity Policy states that no employee is to receive less favorable treatment in regard to employment or work assignments on the grounds of gender, religion, age, disability, sexual orientation, nationality, political views or social or ethnic origin.

## Inspirational leadership

Haldex shall have leaders who can inspire, challenge and motivate. The role of our leaders is to create opportunities for everyone to reach their full potential and work toward the Group's shared targets. During the year, we developed a joint

“Haldex has a very good enterprise culture and our great team work has made Suzhou a best practice within the Group. It makes me grow and I develop my skills.

*Joe Liu, Production Manager, Suzhou production unit in China*

## OUR CORE VALUES

### Customer first:

We understand our customers' demands. The customer's success is our success.

### Respect for the individual:

Our success depends on responsible individuals who work effectively together.

### Passion for excellence:

We are committed to continuous improvement.

## THE 5CS – OUR METHOD FOR BUILDING BRIDGES

**CONNECT** – connect the dots, or understand the bigger picture

**COMMUNICATE** – communicate both within and outside your team

**COLLABORATE** – collaborate across the entire company

**COACH** – help yourself and others to improve

**CREATE** – create opportunities and see change as something positive



“ It is a friendly and challenging work ethic that constantly develops my abilities and professionalism with opportunities I feel privileged to have.

*Ben Silveys, Project engineer – Design, Haldex MIRA, U.K.*



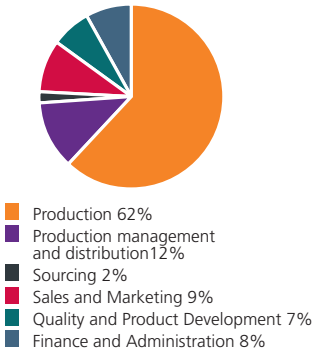
framework for how we want to develop and evaluate our managers. The Haldex Bridge Leadership Framework defines the qualities we consider important for effective leadership: an ability to communicate and understand the business vision, to achieve results, successfully drive improvement processes, develop him/her self and the team, be a global team player and accept responsibility and ownership.

Haldex’s 80 senior managers make up the Bridge Leadership Team, which holds quarterly video conferences to discuss the business situation and strategic issues. In June 2014, the team was invited to a two-day conference to discuss the updated strategy, future product plans, leadership issues and other related topics.

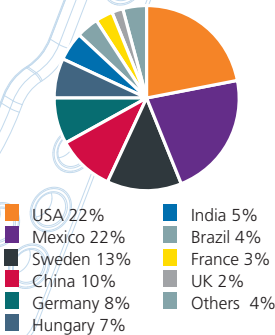
Employee surveys

Haldex conducts regular employee surveys. The response rate for the latest survey was 70 percent and the results were published in early 2014. Some 86 percent of respondents claimed they were proud, or very proud, to be working at Haldex. A similar percentage of respondents said they would recommend working at Haldex to a friend.

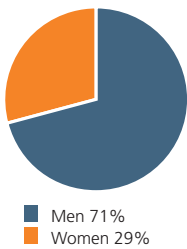
EMPLOYEES / FUNCTION



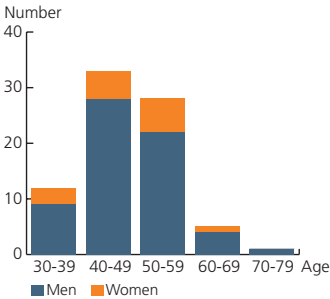
EMPLOYEES / COUNTRY



WOMEN / MEN



MANAGERS / AGES



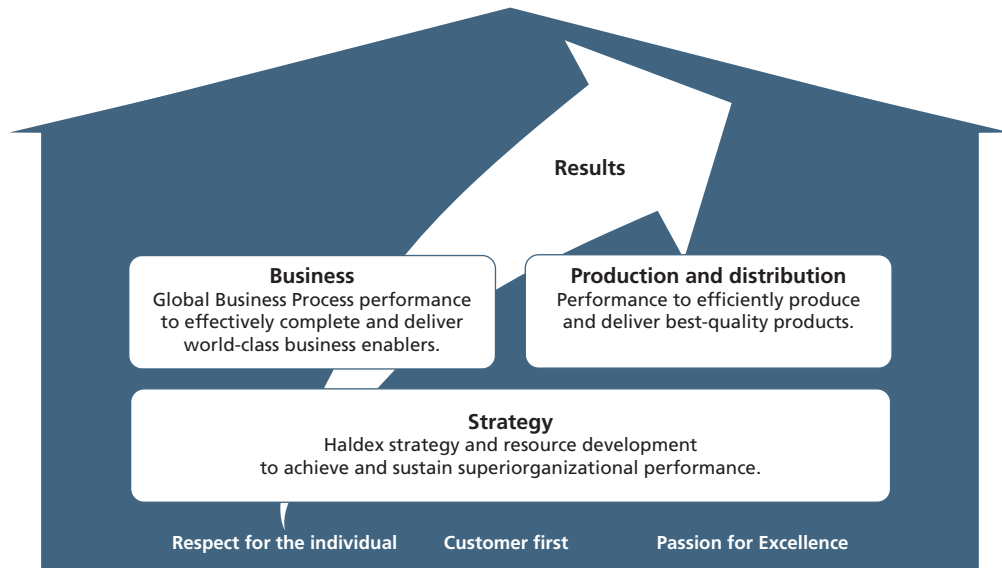
CODE OF CONDUCT

Our Code of Conduct aims to ensure secure working conditions, environmental responsibility, ethical relationships with customers and suppliers, and positive interaction with the community in which we operate. All employees are to undergo regular training in the Code.

# The Haldex Way

## – achieving business excellence

The Haldex Way is our philosophy for achieving results-driven, continuous improvements. The Haldex Way can be described as a system comprising values, processes, tools and evaluation methods to continuously increase quality and efficiency.



The Haldex Way was introduced in the late 1990s and is based on our core values and the basic principles of lean production. The Haldex Way was originally focused on improving production productivity. The Haldex Way has since evolved to include other parts of the supply chain, such as distribution and interaction with customers and suppliers. Over the past year, other critical aspects such as personal and professional development, risk management, change processes and production development have also been included. The Haldex Way has gradually evolved into an overall business development concept, from lean production to operational excellence and now, business excellence. The overall objective is to make Haldex a world-class company in all areas of business operation.

### The Haldex Way House

The Haldex Way House (above) illustrates the overall framework of the concept, based on our core values. The Strategy box relates to our overall strategies for creating and maintaining high efficiency in the organization. The Production box is linked to production and distribution, and includes the four areas: people, productivity, quality and value-creation. In the “people” area, zero workplace accidents and ongoing professional development are desirable outcomes. In the “quality” area, a small number of returns from customers and a low rate of errors in the production process are similar outcomes. Finally, the Business box relates to global functions such as purchasing, sales and finance. The concepts of people, productivity, quality

and value creation acquire another meaning here, but the overall idea and logic is the same.



## Safety is our top priority

**A KEY COMPONENT OF THE HALDEX WAY**, and which has now received greater focus, is safety. Haldex has a joint, global program for safety – Safety #1 – whereby safety is a number-one priority. We have zero tolerance for workplace accidents. To achieve our target, we work with safer environments, training and attitude changing.

A global improvement process has been launched, under the motto “If you can’t do it safely, don’t do it!” Training for all personnel in production has commenced, and will be concluded in 2015. Joint global guidelines for visitors and information material has been produced. New measurement

methods have been introduced, such as more nuanced measurement of minor incidents that often serve as a warning sign for more serious accidents. Reinforcing positive behaviors is also important, and showing why all incidents should be reported, no matter how insignificant they seem. Safety is on the agenda of the Bridge Leadership Team’s global meetings to emphasize how it is a priority that should permeate all entire operations.

In 2014, the number of accidents per million hours worked was eleven. An accident is defined as an injury that leads to more than two hours of absence from the course of work.

Results and improvements

The Haldex Way Tier Model is our tool for evaluating and continuously improving the way we work, based on strategic operational results. The working method of each production or distribution unit is evaluated annually, and the results are monitored by the Group management team on a monthly basis. A unit that continuously improves its working method and sustainably achieves its strategic operational results advances through The Haldex Way Tier Model, in which units are graded according to Copper, Bronze, Silver or Gold tiers. Some 35 percent of all production and distribution units advanced to a higher tier during the year.

Two other key aspects of The Haldex Way Tier Model are to provide effective implementation support for Haldex's strategy and global processes locally within the units, and to share and spread best practices and ways of working. This is effected by individuals in senior positions in the units participating in the evaluations of other units at Haldex, with relevant feedback to the evaluated unit and good examples of best practices and ways of working to apply in the implementation in their own units. The next step will be to expand the Tier Model to also include the global business functions.

The Haldex Way organization has reported directly to the Group management team since 2013, in which a focus on the integration of The Haldex Way in the line organizations' forums and processes has proved increasingly successful in recent years.

Haldex Way Tier Model	
Gold	Silver
Suzhou, China	Szentlőrincskáta, Hungary
Weyersheim, France	Marion, USA
Landskrona, Sweden	Kansas City, USA

Two fast climbers in The Haldex Way

**THE EUROPEAN DISTRIBUTION CENTER WEYERSHEIM** in France is the only unit to have climbed one level per year over the past three years, which means the center has improved both its methods and productivity, and achieved the targets for its strategic operational results.

The center's main strengths are effective collaboration, a high level of professional development and successful interaction with its suppliers. The improvement areas that were identified include better internal coordination, and communication with other units.

**SUZHOU PRODUCTION UNIT IN CHINA** is the only unit to have climbed two levels in the same year (2014), indicating a high rate of improvement and potential.

Suzhou's key figures have remained stable for a long time, combined with successful compliance management and strong process control. The most important improvement areas for Suzhou are to strengthen the monitoring of ongoing production and to involve all employees in the unit.

Bo Annvik hands over the Gold statue to Suzhou in China for achieving the highest level of the Haldex Way.





# Sustainability is an integral part of the operations

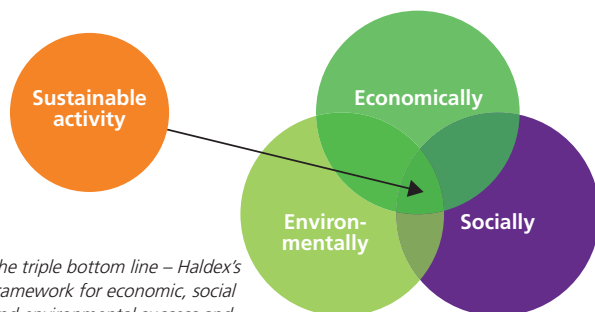
Haldex offers products that increase road safety and make transportation more efficient. However, it is vitally important that our own activities are safe and sustainable from an economical, social and environmental perspective. To live up to this responsibility, Haldex works consistently to continuously improve products, manufacturing and internal processes.



Haldex's Corporate Social Responsibility (CSR) strategy is based on the Universal Declaration on Human Rights, the United Nations Global Compact Initiative, the ILO Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises.

At the end of 2013, we raised our CSR ambitions. A new function that reports directly to the Group management was established. The first assignment was to review conditions at Haldex's local facilities. While many positive features were already an integral part of everyday activities, they were not harmonized at global level. The analysis showed that we are particularly strong in the areas of occupational health and safety, and in the protection of human rights.

The second assignment was to identify primary stakeholders (customers, employees and shareholders) and verify their needs and expectations. The Group management then formulated objectives and a vision for Haldex's CSR strategy.



## Vision

Haldex contributes to society by improving vehicle safety and efficiency with its products performance and optimization of resources, providing the best sustainable value for customers, investors and employees.

## Objectives

CSR objectives should be a natural part of the Group overall strategy and objectives. Three primary areas have been identified for CSR efforts: safety, ethics and the environment.

## Safety

We have zero tolerance for workplace accidents and safety is an integral part of our daily activities. We have compiled workplace health and safety measures under Safety #1, which is described on page 14.

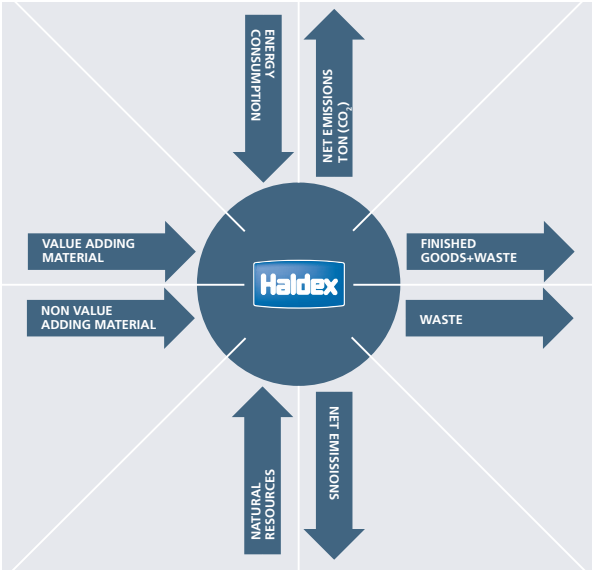
## Ethics

We have zero tolerance for bribery, corruption, child labor and discrimination. Our suppliers are continuously assessed to ensure they adhere to the applicable sections of our Code of Conduct. Our employees undergo regular training in the Haldex Code of Conduct.

## The environment

Environmental issues plays a major role in our CSR efforts. With eight production plants and a number of restoration facilities, Haldex's environmental management achieves noticeable

A Green Performance Map is a survey of how much material, energy and resources are consumed by the facility, and the emissions and waste that it generates.



## Biogas in India as part of a CO<sub>2</sub>-neutral operation

By introducing green electricity, we reduced CO<sub>2</sub> emissions at one of our facilities from 5,700 to 150 tons per year. But we wanted to do better. We wanted to be CO<sub>2</sub>-neutral. Purchasing emission rights was a possible solution, but that felt more like a result that looked good on paper. We committed to the Myclimate environmental initiative in India instead, and invested in 25 bioreactors that generate biogas from cow manure. The biogas is used to heat houses, instead of burning wood. This saves time for the women and children who used to gather the wood, eliminates the toxic smoke from burning wood and reduces emissions by far more than 150 tons, which was the original target. Our objective now is to roll out similar projects in more of Haldex's facilities around the world.

effects. All of our production plants around the world comply with ISO 14001 requirements for their Environmental Management Systems as a minimum. Systematic programs are in place to use resources efficiently and eliminate waste. Areas that will be improved include a global compilation of resource utilization and specific targets for the reduction of resource utilization.

In 2014, an extensive project to map the environmental impact of all units was launched. The first priority was to produce a Green Performance Map for each production unit. A Green Performance Map is a survey of how much material, energy and resources are consumed by the facility, and the emissions and waste that it generates. Facts about resource usage and emissions in some 30 different areas are compiled. Some of the key performance indicators from the survey are summarized in the table to the right. These will form the basis for the environmental objectives to be determined for 2015.

An equally important part of our environmental efforts is

product development. Environmental issues and sustainability are key parameters in the development process. In 2015, this will be formalized by introducing an environmental life cycle assessment in an early stage of the project as a formal decision-making step when products are changed or redeveloped. The environmental impact of our customers' usage of our products is equally as important as the environmental impact of our manufacturing processes.

Key figures for environment	2014
Electricity consumed, MWh	24,445
CO <sub>2</sub> from electricity	8,488
Waste, tons	16,646
Recycled waste, tons	5,081
Water consumption, tons	38,325
Material efficiency	75%

## Landskrona, a pioneer in environmental efforts

**BY THE 1990S, LANDSKRONA** had already initiated a long-term process to increase sustainability. It began with an environmental function that was specifically assigned to minimize waste and in 2000, the facility became ISO 14001 certified. Over a ten-year period, energy consumption was reduced by a full 50 percent. The heat recovered from manufacturing processes is used to heat

water and over the past year, all electricity used by the facility has been green. In 2014, a facility for gas nitriding was also introduced. Previously, liquid nitrocarburizing was used to harden parts for brake levers. Gas nitriding reduces resource consumption in several key areas. Energy consumption is reduced by 70 percent, ammonia emissions by 75 percent, and water

consumption and hazardous waste disappear completely compared with the use of tenifering. The environment is the biggest winner, of course, but Haldex also makes substantial savings every year due to more efficient energy use, and reduced use of solvents and other chemicals.

# 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 2014. The Corporate Governance Report containing further information is presented on pages 65-72.

## Operations

Haldex provides innovative proprietary solutions to the global automotive industry with a focus on brake products and brake components for heavy trucks, trailers and buses. Haldex AB is the Parent Company of the Haldex Group. "Haldex" refers to the Haldex Group, meaning Haldex AB and its subsidiaries.

## Sales

Sales for 2014 totaled SEK 4,380 (3,920) m, representing growth of 12 percent compared with the preceding year. Sales rose 8 percent after currency adjustments.

## Earnings

Operating income for 2014, excluding one-off items, amounted to SEK 408 (281) m, corresponding to an operating margin of 9.3 (7.2) percent. Including one-off items, operating income and the operating margin amounted to SEK 233 (153) m and 5.3 (3.9) percent, respectively.

In 2014, profit before tax totaled SEK 205 (110) m. Profit before tax for the year was adversely impacted by one-off items in the amount of SEK 175 (128) m, of which SEK 112 (128) m was attributable to the restructuring program (refer also to note 6 on page 42). Profit after tax amounted to SEK 107 (38) m, with earnings per share totaling SEK 2.32 (0.80). Excluding restructuring costs, earnings per share amounted to SEK 5.47 (2.94) for the full-year.

Currency fluctuations, combined with the result of currency hedging and currency translation effects, had a positive effect of SEK 32 m on the Group's operating income, excluding one-off items, for the full-year compared with the preceding year.

## Product inspection

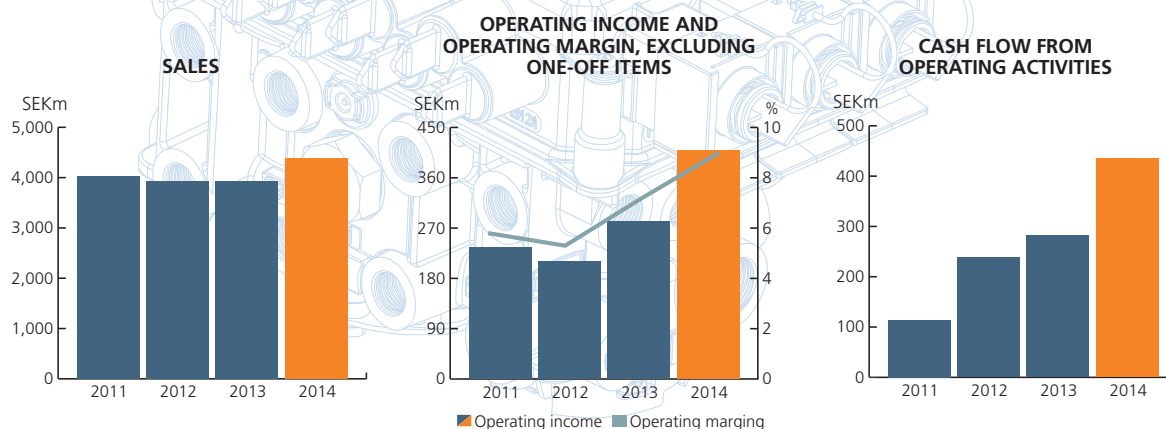
In November 2014, Haldex commenced a field inspection of a variant of the company's actuators in the North American

market. Based on a comprehensive analysis from the field inspection, another root cause that can occur under certain special circumstances was identified. In early February 2015, Haldex decided to expand the inspection to include replacement of the product. The estimated cost is SEK 65 m and impacted earnings in the form of a one-off item in 2014.

## Restructuring program

In 2013, Haldex announced a restructuring program that included the costs related to the work of consolidating central processes and functions, optimizing sales and administration costs, adjusting the European production structure, product rationalization and impairment testing of related non-current assets. The program included staff reductions of about 200 employees, and other reductions in operating costs.

A major part of the program is related to relocating large parts of the company's manufacturing from Germany to Hungary. After the restructure, the manufacture of air suspension products and the EBS brake system will continue at the Heidelberg plant, while other production will gradually be reduced in 2015, with relocation of a significant part to Hungary. Implementation of the German plan commenced in September 2014 and will continue until the end of 2015. The program is expected to generate total annual savings of SEK 85 m and total costs of SEK 250 m, of which SEK 100 m will affect cash. From the start of the restructuring program until the end of 2014, SEK 240 m was expensed in conjunction with activities in the UK, Germany, Brazil, Sweden and Hungary, of which SEK 90 m was attributable to restructuring costs and SEK 150 m to impairment losses. Out of these costs, SEK 128 m was recognized in 2013, and SEK 112 m in 2014. Two-thirds of the payments remain to be made. All savings and payments are expected to be implemented by the first quarter of 2016.





## Cash flow

In 2014, cash flow from operating activities totaled SEK 435 (282) m. During the year, cash flow was negatively impacted by one-off items in the amount of SEK 19 (48) m.

Investments amounted to a negative SEK 173 (neg: 94) m in 2014. At the same time, there was a positive cash flow of SEK 22 (23) m from the divestment of property, and Haldex's cash flow after investments amounted to SEK 284 (211) m.

The Group's cash flow from financing activities was negative in the amount of SEK 216 (230) m, primarily related to the amortization of interest-bearing liabilities and dividends to shareholders. On May 5, 2014, a dividend of SEK 89 (44) m was paid to the shareholders.

In 2014, total cash flow was SEK 68 (neg: 19) m.

## Financial position

At December 31, 2014, the Group's net debt totaled SEK 272 (378) m. Net debt excluding pension liabilities declined, and totaled a positive amount of SEK 128 (neg: 87) m at December 31. Shareholders' equity amounted to SEK 1,278 (1,152) m, resulting in an equity/asset ratio of 44 (46) percent.

Loan financing for Haldex primarily consists of a bond loan of SEK 270 m (with an extended term until January 2020) and a syndicated credit facility of USD 95 m, maturing in 2016. At year-end, USD 0 m of the facility had been utilized.

## Employees

At year-end, Haldex had 2,235 (2,135) employees.

## The Haldex Share

The Haldex share is listed on Nasdaq Stockholm. The share capital amounted to SEK 221 m distributed among 44,215,970 shares, each with a par value of SEK 5. There is only one class of share in Haldex and all shares carry one vote. At December 2014, the single largest shareholder accounted for 5.9 percent. During the year, a certain structural change in ownership took place among the major shareholders as a result of Creades AB's divestment of a significant share of its former holding. At December 31, Haldex held 11,705 of its own shares in treasury. No purchases or sales of treasury shares occurred during the fiscal year. However, in accordance with the resolution by the AGM, Haldex secured the financial exposure resulting from the share-based remuneration in the adopted incentive program. For more information, refer to The share on pages 74-75 and to note 11 on page 44.

## Environmental impact

Through one of its Swedish subsidiaries, the Group conducts business activities subject to permit requirements under the Swedish Environmental Code. The Group's Swedish operations that are subject to permit and reporting requirements mainly impact the environment through the subsidiary Haldex Brake Products AB. This company works with the surface treatment and painting of brake systems for on-road vehicles, which mainly impacts the external environment through emissions to air and water, and noise.

## Guidelines for the determination of remuneration for senior executives

In all material respects, the guidelines proposed for adoption at the Annual General Meeting (AGM) remain unchanged compared with the guidelines adopted by the 2014 AGM. Ahead of the 2015 AGM, the proposed guidelines will, in all material respects, coincide with those of previous years. For more information about the remuneration of senior executives, see note 10 on page 43.

## Future trends

In addition to the number of vehicles produced, Haldex's market is also affected by demands from customers and regulators. These demands create trends and driving forces, such as greater emphasis on safety and environmental awareness, combined with the growing significance of vehicle dynamics.

Other trends affecting Haldex include vehicle manufacturers' efforts to build lighter vehicles in order to reduce fuel consumption. In markets outside Europe and North America, there is a clear trend toward increased demand for a higher level of technology. This applies particularly to large markets, such as India and China.

## Market trends 2015

Official production forecasts provide insight into how the market is expected to perform. However, Haldex does not have an even distribution of revenues between the Truck and Trailer customer categories and does not necessarily share the forecasters' view of the future. Haldex therefore presents its own overall view of how the company assesses the trend in each market.

NORTH AMERICA has performed strongly over several quarters and the high level of demand looks set to continue for the first six months and may then possibly decline.

EUROPE has performed poorly in Truck, but stronger in Trailer. Due to the unrest in Russia and Ukraine and a weak economy in Southern Europe, our overall assessment is that the market will either remain unchanged, or rise by a few percentage points.

CHINA has gradually weakened, with a continued negative outlook for 2015.

INDIA has recovered following a protracted period with a negative trend. Our view of the market scenario for 2015 is positive.

BRAZIL has declined during the year and is not expected to recover in 2015, but to remain on a weak trend.

## Parent Company

The Group's Parent Company, Haldex AB, performs head office functions, including the central finance function. In 2014, net sales for the Parent Company amounted to SEK 95 (67) m, and profit after tax totaled SEK 73 (27) m. Profit included dividends of SEK 63 (31) m from Group companies.

## Events after the balance-sheet date

No significant events have occurred after the balance-sheet date.

### PROPOSED DISTRIBUTION OF EARNINGS

The following unappropriated funds in the Parent Company are at the disposal of the Annual General Meeting, SEK	2014	2013
Share premium reserve	378,276,231	378,276,231
Profit brought forward	588,143,245	611,615,963
<b>Total</b>	<b>966,419,476</b>	<b>989,892,194</b>
<b>The Board proposes the following distribution of the above funds:</b>		
A cash dividend of SEK 3.00 (2.00) per share to the shareholders		
In the following manner:		
To be distributed to the shareholders	132,612,795	88,408,530
To be carried forward	833,806,681	901,483,664

# Innovative product portfolio

Haldex develops, produce and sells brake products and air suspension systems for heavy vehicles. The Foundation Brake product line includes brake products for wheel ends such as disc brakes, brake adjusters and actuators. Air Controls comprises products that improve the safety and driving dynamics of the brake system, such as compressed air dryers, valves, ABS and EBS. The products are usually available in a range of versions for different geographic markets.

## A SELECTION OF OUR PRODUCTS:

### Foundation Brake



**BRAKE ADJUSTERS** are the central part of a drum brake and automatically control the distance between the brake lining and the brake drum.



**DISC BRAKES** offer better stopping performance than drum brakes. Unlike the brake adjusters, which are only a component of drum brakes, Haldex manufactures complete disc brakes for both trucks and trailers.



**ACTUATORS and brake chambers** are available for both drum brakes and disc brakes. Haldex offers several versions, both with and without parking brakes.

### Air Controls



**EBS** controls the brake system electronically. Unlike ABS, EBS ensures that the brake power is always optimal for all brakes on the vehicle.



**THE CONCEP** separates dirt, water and oil before air is passed on to the air dryer, reducing the need for maintenance and spare parts.



**PARKING BRAKE CONTROL** for trailers prevents the trailer from moving and causing accidents when parked.



**RAISING AND LOWERING** of vehicles with the help of the suspension system. A handle allows the driver to raise or lower the vehicle to the correct height at the loading bay.



**AIR DRYERS** are vital components in the brake system, where they clean and dry the air before its distributed to the air sub system.



**LIFT AXLE CONTROL** ensures that the lift axle of a trailer is automatically raised and lowered to adapt to the load situation.

Sales per product line

In 2014, sales in Foundation Brake amounted to SEK 2,420 (2,107) m, representing a currency-adjusted increase of 11 percent compared with the year-earlier period. Sales in Air Controls amounted to SEK 1,960 (1,813) m in 2014, representing currency-adjusted growth of 3 percent compared with the preceding year. Foundation Brake accounted for 55 percent of total sales, and Air Controls 45 percent.

Reconditioning of used parts

Haldex also offers reconditioning of used parts, which is a cost-efficient and eco-friendly way to reuse components and extend their service life. This is only available in the North American market at present, but discussions are underway regarding expansion of this service to more geographic regions. Income from reconditioning activities is reported under the Air Controls product line. Overall, this accounts for about 8 percent of total income.

Market-leading position

Haldex's market share varies by product and geographic market. In general, our position is stronger for Trailers than Trucks, and stronger for Foundation Brake than Air Controls. Our market share for brake adjusters is absolutely world-class, with more than 60 percent on a global basis. Disc brakes is the product that is gaining new market share fastest.

Customer-driven research

Every product innovation from Haldex can be traced back to a customer need. Ideas are usually developed and discussed with customers throughout the entire process, from concept to launch. In 2014, our investment in product development continued, especially in volume products with high aftermarket potential. Haldex has three proprietary centers for platform development: in Sweden, the UK and the US. These centers are supported by a number of regional application centers, which are located close to customers. For testing, we have access to

testing facilities with dedicated teams. In the UK, the development center has relocated to the test track at MIRA to bring development and testing even closer together. The new office was opened in early 2015. Haldex also collaborates with a number of universities. This provides access to the latest research findings in the field and creates opportunities for recruiting talented engineers.

MARKET POSITION BY PRODUCT GROUP

	Europe	North America	South America	Asia
Brake adjusters	1	1	1	2
Disc brakes (trailer/bus)	2 <sup>1</sup>	–	–	3 <sup>2</sup>
Actuators	5	1	–	–
ABS/EBS (trailer)	3	3	1	–
Air suspension (trailer)	1	3	1	–

1) Trailer 2) Bus

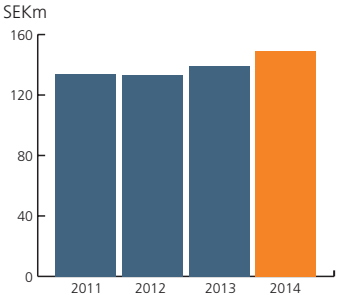
Source: Official statistics and Haldex own assessment

SALES/PRODUCT LINE



Foundation Brake 55% Air Controls 45%

INVESTMENT IN R&D



The story of the automatic brake adjuster

IN 1913, Swedish engineer Axel Diurson is granted his first patent for an automatic brake adjuster. With this invention, he founded SAB, a leading company in brake

adjusters for trains. In the early sixties, the company wanted to expand into the automotive industry. A small team of engineers was commissioned to adapt the invention to road vehicles. Åke Nelander was one of the engineers: "Our challenge was to reduce the design to a much smaller size, in order to suit road vehicles. This was before the computing era, and we accomplished our mission using slide rules, drafting tables and high-quality materials. Following an intensive development process, rigorous field testing was performed

and we finally arrived at a ready-to-market product. "The first target group was city buses. Because of their demanding conditions, their brakes required manual adjustment nearly every week. Haldex's automatic brake adjuster made it possible to maintain an almost constant brake lining-to-drum clearance – a revolutionary product that made Haldex a market leader. And after the initial success with buses, truck and trailer manufacturers were also offered the automatic brake adjuster as an alternative, until it became mandatory in

many countries. "Back then, we were just a couple of engineers working day and night in the sixties. None of us could foresee the tremendous success the product would have. The automatic brake adjuster continues to serve road safety all over the world, and Haldex has now produced more than 75 million units. I am very proud of being part of that process," says Åke Nelander, who has held several senior positions within Haldex.

Haldex story #19

# Long-term and stable customer relationships

Haldex is a long-term partner to manufacturers of heavy trucks, buses and trailers, as well as axle manufacturers for these types of vehicles. Due to a long history of innovative and competitive products, Haldex has carved a position as a trusted, high-quality supplier, catering to a range of market needs all over the world.



## Customers

There are few major truck and trailer manufacturers (OEMs), only an estimated 10-15 truck manufacturers, and 5-10 trailer manufacturers, in North America and Europe. All of these are our customers to varying degrees. The picture is more segmented in emerging markets such as China and India, with many different manufacturers, most of which are local companies without global operations. Our customers include Daimler, Freightliner, Hendrickson, Krone, Paccar, SAF Holland, Schmitz Cargobull, Volvo and Yutong.

In the aftermarket, vehicle manufacturers have their own service organizations, known as Original Equipment Suppliers (OES). Of equal significance are independent market distributors,

either workshop chains or independent workshops. Our aftermarket customers include Europart, Fleet Pride and Napa.

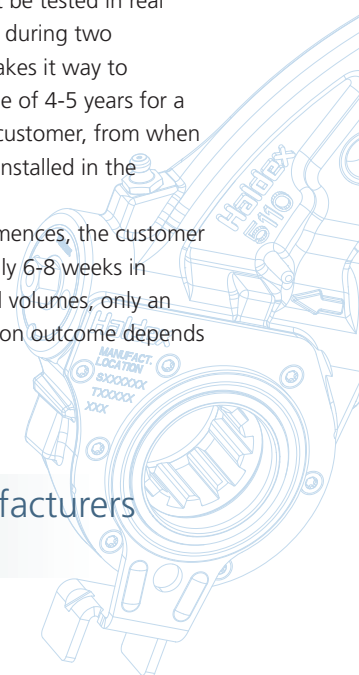
## Close collaboration and a long-term approach required

Introducing a new product into one of the the customer's projects takes a long time and requires a great deal of collaboration with the customer. It begins with discussions around the design and functionality, which then lead to the actual product development. Thereafter, the product must be tested in real conditions. Most customers require testing during two consecutive winters. The product finally makes it way to manufacturing. This entails a total lead time of 4-5 years for a truck customer, and 2-4 years for a trailer customer, from when discussion begins until Haldex's product is installed in the customer's vehicle.

When large-scale manufacturing commences, the customer places continuous production orders, usually 6-8 weeks in advance. Haldex rarely receives guaranteed volumes, only an expected volume level. The actual production outcome depends



The major truck and trailer manufacturers are customers of Haldex.





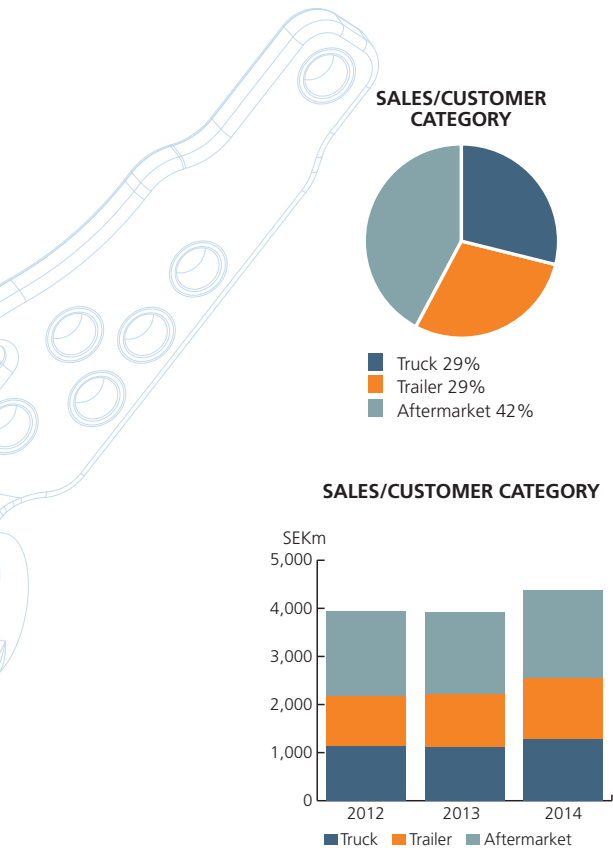
on the production orders placed by customers every week. Accordingly, although customers aim to meet the agreed volumes, we are rarely able to guarantee future income.

Another factor that is specific to the industry in which Haldex operates is that the price usually decreases during the term of the contract. In the early stages of production, manufacturing volumes are lower and a number of adjustments are required. Since the volume and efficiency are expected to increase over time, the customer demands a price reduction of a few percent over the term of the contract.

Delivery reliability is critical for customers in the automotive industry. To ensure that their production processes do not stop when suppliers have problems, a single component or product is often purchased from several suppliers, known as dual sourcing. This often proves advantageous for smaller companies like Haldex, since the customer can test us as a supplier on a smaller scale, to see whether it works. If the customer had only engaged a single supplier, the barriers to entry would have been far greater.

Sales per customer category

Haldex operates in the market via three customer categories: Truck, Trailer and Aftermarket. In 2014, sales in Truck, which also includes buses, amounted to SEK 1,276 (1,1 17) m, representing a currency-adjusted increase of 10 percent compared with the preceding year. Sales in Trailer amounted to SEK 1,269 (1,087) m in 2014, representing a currency-adjusted increase of 13 percent. Sales in Aftermarket totaled SEK 1,835 (1,716) m in 2014, representing a currency-adjusted increase of 3 percent.



Haldex story #56



Customer collaboration led to better road safety

**THE HALDEX BRAKE MONITORING SYSTEM** is an innovation that warns the driver if there is something wrong with the brake system. Incorrectly coupled lines or a closed shut-off valve can create hazardous situations. FedEx Ground, one of the major fleets in North America, described the problem to Haldex and asked for a solution. Dave Engelbert led the team that was responsible for the development work that created an innovative safety product.

In North America, it is common practice to use double or combination trailers, making the brake system setup more complex. If the brake system fails in one of the trailers, it is of the utmost importance to alert the driver. A few years ago there was no product on the market for this, so in 2009 FedEx Ground and Haldex started a coordinated development project

with the goal of creating a modern brake monitoring system. The mutual development work lasted over two years and led to a market-ready product – Haldex Brake Monitoring System. The driver is warned via an audio signal if there is something wrong with the brake system, such as potential brake drag, an air systems leak in the emergency line or false charging of dolly and trailer.

“It has been most valuable to work together with the customer in the development of the Haldex Brake Monitoring System. Our mutual expertise has cross-fertilized our teams and ultimately created a better product. Haldex Brake Monitoring System has solved a real customer problem, and from now on the innovation can contribute to higher road safety, as it is now included in our product range,” says Dave.

# Global business with major geographic differences

Although trucks and trailers are available all over the world, there are major differences between the geographic regions. The expansion of infrastructure creates different conditions, and the technology content per vehicle varies greatly. In many cases, the same product may not be sold in several regions and must be adapted to local standards, laws and market conditions.



Europe

Photo: Peggy Bergman, Scania



North America

Europe has the most technologically advanced vehicles. Disc brakes dominate and only a minor percentage use drum brakes. Electronic Braking Systems (EBS) are common. The high level of technology is partly a result of strict safety regulations and high environmental standards. Customers are focused on high-quality solutions, weight optimization and requirements for low maintenance frequency. In 2014, the number of trucks produced declined, while the number of trailers increased. The Euro 6 emission standard became mandatory from 2014, which led to many customers placing their orders at the end of 2013. Unrest in Ukraine and Russia, as well as the weak economy in southern Europe, also affected the market negatively. Overall, this led to a slight increase in the market during the year.

The North American market has the largest vehicle fleets. The continent is huge and many vehicles are driven from coast to coast with completely different road conditions than those driven in urban areas. Drum brakes and ABS continue to dominate the market. The major fleets hold a special position with manufacturers and have more influence over the design of vehicles than is possible in Europe. This allows Haldex to conduct sales to manufacturers, as well as directly to the fleets. The average life of vehicles is higher than in Europe, hence the focus on high-quality solutions and weight optimization, as well as long service life and generous warranties. In 2014, the North American market showed a highly favorable trend with double-digit growth.



Technically adapted to local customer needs

**TO MEET INCREASED DEMAND** and secure growth in the key Chinese market, Haldex decided to expand its capacity for local product development with a new and considerably larger test center in Suzhou. In 2013, Fredrik Rennstam was assigned responsibility for product control and continuous development of the test center. "Operating locally and close to customers is the key to success in fast-growing economies like China," says Fredrik. "We have discovered that our customers

are very interested in knowing more about our product development. From our perspective, this helps provide an insight into local customer needs, and we can adapt our products accordingly. It often means that we make the product less technically complex to make it cheaper and easy to maintain, but also to make it more sustainable and robust."

Haldex  
story  
#88

ferences



Asia

Asia is the largest market for commercial vehicles and accounts for 60 percent of all trucks purchased. Several fast-growing economies have sharply growing transportation needs. At the same time, infrastructure remains underdeveloped, which leads to low technology content per vehicle and more trucks than trailers. In China, there are many local manufacturers and price pressure is high. However, increased demand for advanced technologies is noticeable. In 2014, the Chinese market showed weak growth. The Indian market is characterized by few, but major, vehicle manufacturers. A new law passed in India stipulating that all newly manufactured trucks and buses must have ABS installed from April 2015. Following several years of decline, the Indian market regained high growth in 2014.



South America

From a market perspective, Brazil is the single most important country in South America. Like Asia, Brazil has more trucks than trailers, but the technology content per vehicle is higher. Many European manufacturers are represented in Brazil, making the product range more like Europe's. Brazilian legislation has also helped to drive technological advancement. An emissions standard equivalent to Euro 5 has already been introduced, as well as regulations for ABS and automatic brake adjusters. The total market has been declining for several years and there is no sign of any major recovery in the near future.

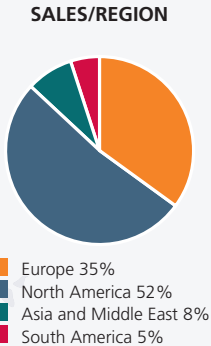
Sales per geographic region

**IN EUROPE,** Haldex has higher sales for Trailers than for Trucks. Aftermarket also accounts for a significant proportion of sales. In Europe, sales rose to SEK 1,522 (1,386) m in 2014, representing a currency-adjusted increase of 6 percent compared with the preceding year.

**IN NORTH AMERICA,** the distribution between Trucks and Trailers was more even than in Europe. Aftermarket also accounts for a significant proportion of sales in this region. In North America, sales amounted to SEK 2,280 (2,019) m in 2014, representing currency-adjusted growth of 8 percent.

**IN ASIA,** sales are more focused on Trucks than Trailers. Aftermarket accounts for a minor proportion of sales. In Asia and the Middle East, sales amounted to SEK 376 (313) m in 2014, corresponding to currency-adjusted growth of 15 percent.

**IN SOUTH AMERICA,** sales for Trucks are more significant than sales for Trailers and aftermarket. In 2014, sales amounted to SEK 202 (202) m, representing currency-adjusted growth of 4 percent.





20  
14

JANUARY



Staffan Olsson assumes the position of SVP Global Operations.



Bo Annvik turns the first sod for new R&D facility at MIRA in the UK.



Catharina Paulcén assumes the position of SVP Corporate Communications.

FEBRUARY

MARCH

APRIL



DualDrier, an air dryer with a dual dryer system was launched in North America.



An improved version of the Life Seal actuator was presented, with a new design and high density even at low temperatures.



Annual General Meeting. Cecilia Löf was elected to the Board of Directors.

MAY

JUNE

JULY



The 500,000th Modul-T disc brake was produced.



Launch of the improved palm coupling, Protect-O, which automatically closes to protect the coupling from dirt and water.



The negotiations with German trade unions are completed, which means that all plans included in the global restructuring program that commenced in 2013 are now in place.

AUGUST

SEPTEMBER

OCTOBER



Daimler signs partnership agreement for the Modul-T disc brake, resulting in a multi-year agreement for disc brake supplies.



An updated strategy and new financial objectives are communicated.



Haldex celebrates ten years in Hungary.

NOVEMBER

DECEMBER



# Risks and risk management

Uncertainty about future events is a natural part of all business. The ability to identify, assess, manage and monitor risks play a central role in the management of Haldex. The objective is to implement the Group's strategy with a well-thought-out and well-balanced level of risk.

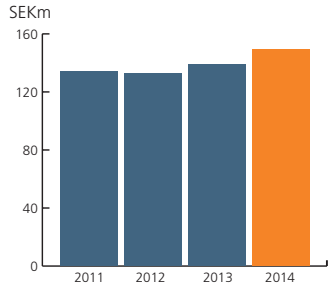
## OPERATIONAL RISKS

Risk	Policy/Action																
<b>Economy</b> Demand for Haldex's products is dependent on demand for transportation which, in turn, is driven by global trade trends, infrastructure needs, increasing awareness of traffic safety, environmental and safety legislation, as well as economic growth. The automotive industry usually follows a cyclical pattern.	<p>Haldex reduces economic impact by operating in a number of geographic markets that do not normally develop at the same pace. Haldex also balances demand, to a certain extent, by operating in both the OEM market (Truck and Trailer customer categories) and Aftermarket. During an economic boom, sales usually increase in Trucks and Trailers. During a recession, owners keep their vehicles longer and demand for spare parts grows in Aftermarket.</p> <p>Haldex monitors official production statistics closely to ensure early detection of fluctuations in demand and thus adapt production volumes.</p> <div><p><b>SALES PER CUSTOMER CATEGORY</b></p><table><thead><tr><th>Year</th><th>Truck</th><th>Trailer</th><th>Aftermarket</th></tr></thead><tbody><tr><td>2012</td><td>1,200</td><td>1,000</td><td>1,800</td></tr><tr><td>2013</td><td>1,100</td><td>1,100</td><td>1,800</td></tr><tr><td>2014</td><td>1,300</td><td>1,300</td><td>1,800</td></tr></tbody></table></div>	Year	Truck	Trailer	Aftermarket	2012	1,200	1,000	1,800	2013	1,100	1,100	1,800	2014	1,300	1,300	1,800
Year	Truck	Trailer	Aftermarket														
2012	1,200	1,000	1,800														
2013	1,100	1,100	1,800														
2014	1,300	1,300	1,800														
<b>Competition</b> The automotive market is highly competitive with tight margins. Haldex has significantly lower sales than the two largest players in the market.	<p>There are some economies of scale in the industry in which Haldex operates. A large company may, for example, be able to present more extensive testing results for new products than Haldex can. On the other hand, a small company has more opportunities for fast decision-making, flexibility towards customers and less bureaucracy. Although competitors may initially have larger volumes, customers that apply dual sourcing (described on pages 22-23) provide Haldex with opportunities to present new products. Downward pressure on prices is a natural dynamic in a competitive market. Haldex works consistently to lower costs and increase the value of its customer offering. The earnings trend in 2014 is proof that these efforts have been successful.</p>																
<b>Customers</b> There are only a few major truck and trailer manufacturers and all of them are customers of Haldex.	<p>Despite having large companies in the customer portfolio, no single customer accounts for more than 10 percent of sales. Haldex's 20 largest customers account for 55 percent of sales. While the loss of a customer, or the loss or delay of a major contract, has a limited impact on Haldex as a whole, it could have a major impact on an individual unit.</p>																
<b>Suppliers</b> Haldex is dependent on a large number of suppliers. The loss of a key supplier could lead to additional costs and problems in manufacturing. Suppliers may also cause problems if they do not comply with applicable laws or otherwise behave in an unethical manner.	<p>To reduce risk, every supplier is carefully assessed and visits are made to the largest suppliers before agreements are signed. For selected components, more than one supplier can be used. Haldex continuously assesses all key suppliers to ensure that they meet the specified requirements. Defaulted or delayed deliveries cause production problems. The risk is reduced by balancing delivery time against the cost of stocking components and, where economically feasible, by purchasing components and raw materials from the geographic region in which the production facility is located. Haldex has approximately 900 suppliers worldwide.</p>																

## OPERATIONAL RISKS

Risk	Policy/Action						
<b>Physical injury</b> In Haldex's production and reconditioning facilities, fires, breakdowns and other types of incidents can damage the facility and injure the employees who work there, and thus cause delivery problems.	<p>Since Haldex has production at several facilities for most products in the same product line, the consequences of a disruption can be minimized by increasing production at other facilities.</p> <p>The physical safety of employees is a top priority, and systematic efforts to prevent accidents are carried out on a daily basis. Read more about safety measures on page 14.</p>						
<b>Quality</b> Haldex is exposed to complaints in cases where the Group's products do not work as intended. In such cases, the Group is obliged to rectify or replace the defective products.	<p>Recalls refer to cases where an entire production series or a major part thereof must be recalled from customers for rectification of deficiencies. This occurs occasionally in the automotive industry. The Group has no product recall insurance. The assessment is that the cost of such insurance is not proportionate to the insured risk. Historically, Haldex has not been affected by any large recalls, but a medium-sized recall in 2014 is estimated to give rise to costs of about SEK 65 m. There is always a risk that our customers demand that the supplier, in addition to replacing the product, also bear the costs of dismantling, installation and other ancillary costs. To the extent possible, Haldex strives to disclaim such liabilities. Should a product cause injury to a person or property, the Group may be held liable. Haldex is insured against such product liability. Over the past decade, no substantial product liability claims have been lodged.</p> <p>Haldex strives to minimize risks regarding complaints, product recalls and product liability through extensive long-term testing during the development process, and through quality checks and controls in the production process.</p>						
<b>Raw materials</b> The Group is dependent on a number of raw materials and intermediate products.	<p>Haldex has defined its exposure to raw materials in terms of both the Group's purchasing of raw materials, and Haldex's sub-contractors' purchasing of raw materials. Exposure to various types of metal is greatest.</p> <table border="1"> <thead> <tr> <th>Annual volumes</th><th>SEK m</th></tr> </thead> <tbody> <tr> <td>Steel</td><td>850</td></tr> <tr> <td>Aluminum</td><td>200</td></tr> </tbody> </table> <p>To limit the risk of an adverse impact on earnings, certain contracts include price clauses relating to raw materials. In cases where price clauses are not included, Haldex renegotiates the agreements if the price trend for raw materials has significantly changed. To a large extent, the short-term impact of price increases for raw materials is limited by the fact that price agreements with the Group's raw materials suppliers have an average duration of six months.</p>	Annual volumes	SEK m	Steel	850	Aluminum	200
Annual volumes	SEK m						
Steel	850						
Aluminum	200						

## OPERATIONAL RISKS

Risk	Policy/Action										
<b>Product development</b> Demands from users and regulators for increased safety and improved environmental and vehicle dynamic performance are leading to new demands on, and requests regarding, the products offered by Haldex. It is therefore essential that the Group continuously develops new products or improves existing products that meet these demands, to avoid losing market share to competitors.	<p>A key part of Haldex's strategy involves the development of new products in areas that the Group considers important for continued growth and/or to maintain market share. Every year, Haldex invests a considerable amount in research and development, which is expected to provide good opportunities for monitoring and also, in some areas, for leading development.</p> <div style="text-align: center;"> <b>INVESTMENT IN R&amp;D</b>   <table border="1"> <caption>INVESTMENT IN R&amp;D (SEKm)</caption> <thead> <tr> <th>Year</th> <th>Investment (SEKm)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>~135</td> </tr> <tr> <td>2012</td> <td>~130</td> </tr> <tr> <td>2013</td> <td>~135</td> </tr> <tr> <td>2014</td> <td>~145</td> </tr> </tbody> </table> </div> <p>When developing new products, there is always a risk that a product launch will fail for some reason. Since the Group capitalizes expenditure for major development programs, a failed launch could give rise to an impairment requirement.</p> <p>The Group's capitalized investments in product development amounted to SEK 3 (4) m during the fiscal year.</p>	Year	Investment (SEKm)	2011	~135	2012	~130	2013	~135	2014	~145
Year	Investment (SEKm)										
2011	~135										
2012	~130										
2013	~135										
2014	~145										
<b>Information and IT</b> Effective information management, enabling the operations to share and process information, both internally and externally with customers and suppliers, is important. The primary risks are: <ul style="list-style-type: none"> <li>– Disrupted critical information systems</li> <li>– Disclosure of sensitive information to unauthorized parties</li> <li>– Strategic or sensitive information is modified or tampered with.</li> </ul>	<p>Haldex has a central unit for global control of IT/IS that is responsible for information security and system stability.</p> <p>Haldex is currently conducting an IT optimization project aimed at improving the level of service in terms of IT infrastructure, improving the reporting possibilities of systems, implementing upgrades in a Group-wide structured manner and to generally increase information security in and between systems. The geographic spread of the Group enables a diversification of risk, whereby a potential disruption would have a limited impact.</p>										
<b>Employees</b> The ability to attract talented employees and retain key individuals is highly significant for Haldex's continued success.	<p>To create favorable conditions for attracting and retaining employees, Haldex's HR work focuses on three areas: knowledge development, leadership and corporate culture. In 2014, Haldex strengthened its work with Talent Management, which led to a renewed focus on being an attractive employer. Opportunities to work in different geographic regions, a structured program for further development, and flexible and competitive remuneration models have been designed to recruit and retain employees.</p>										

## LEGAL RISKS

Risk	Policy/Action
<b>Legislation</b> The global nature of Haldex's operations means that we are subject to numerous laws, regulations, rules, agreements and guidelines, including those related to the environment, health and safety, trade restrictions, competition restraints and exchange control regulations.	<p>With a focus on the activities conducted at local and regional level, Haldex continuously monitors the rules and regulations in each market. The Group works to adapt its products and operations to identified future changes. Regulatory changes could impact the Group's operations, both positively and negatively. Stricter environmental legislation, for example, could lead to increased demand for a certain product but may also require the development of new features that the product does not have.</p>
<b>Intellectual property rights and patent</b> Haldex is entitled to use patent and brands for the products that the company manufactures and sells. These have been accrued over a long period of time and are valuable for the Group.	<p>Haldex carefully and continuously monitors the status of patents and protects its own patent innovations to the greatest extent possible. Haldex also carefully monitors the operations of its competitors to avoid infringing on patents currently owned by other parties. The risk of unlicensed copies of the Group's products has increased in recent years, particularly in the Asian markets.</p>

**FINANCIAL RISKS**

All financial risks, and a more detailed description of the financial risks and the Group's use of financial instruments below, are presented in note 4 on page 40-41. The most significant financial risks are outlined below.

Risk	Policy/Action																								
<b>Currency</b> Haldex is exposed to currency risks due to its international operations. Currency fluctuations impact the Group's income statement and balance sheet in the form of both transaction risks and translation risks.	<p>In 2014, the net inflow of foreign currencies amounted to approximately SEK 259 (287) m. The currency pairs with the greatest potential impact on earnings in the flows are EUR/SEK, USD/CAD and EUR/GBP. A change in the exchange rate of 10 percent is estimated to impact net profit prospectively in accordance with the below:</p> <p>The effect of a 10-percent change:</p> <table><tr><td>EUR/SEK</td><td>-/+ SEK 23 m</td></tr><tr><td>USD/CAD</td><td>+/- SEK 12 m</td></tr><tr><td>EUR/GBP</td><td>-/+ SEK 10 m</td></tr></table> <p>The above figures are prior to accounting for Haldex's currency hedges in accordance with the Treasury Policy.</p> <p>The net assets (i.e. equity) of foreign subsidiaries represent investments in foreign currencies which, when translated into SEK, give rise to a translation difference. The Treasury Policy has a framework for how the translation exposure that arises should be managed in order to control the effect of the translation differences on the Group's capital structure. At the end of 2014, the value of the Group's net assets, meaning the difference between capital employed and net indebtedness, corresponded to SEK 1,278 (1,152) m and comprised the following currencies:</p> <table><tr><th>SEK m</th><th>December 31, 2014</th><th>December 31, 2013</th></tr><tr><td>SEK</td><td>289</td><td>247</td></tr><tr><td>USD</td><td>626</td><td>411</td></tr><tr><td>EUR</td><td>29</td><td>139</td></tr><tr><td>GBP</td><td>-106</td><td>-55</td></tr><tr><td>Other</td><td>440</td><td>411</td></tr></table> <p>This is a summary of the currency risk and gives no complete description of the transaction and translation risk. Refer to note 4 on page 40 for a more detailed description.</p>	EUR/SEK	-/+ SEK 23 m	USD/CAD	+/- SEK 12 m	EUR/GBP	-/+ SEK 10 m	SEK m	December 31, 2014	December 31, 2013	SEK	289	247	USD	626	411	EUR	29	139	GBP	-106	-55	Other	440	411
EUR/SEK	-/+ SEK 23 m																								
USD/CAD	+/- SEK 12 m																								
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SEK m	December 31, 2014	December 31, 2013																							
SEK	289	247																							
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EUR	29	139																							
GBP	-106	-55																							
Other	440	411																							
<b>Credit</b> Credit risk arises when a party fails to fulfill its financial obligations, thereby causing a financial loss for the other party.	<p>The risk of customers defaulting on payments for delivered products is minimized by carefully monitoring new customers, by following up the payment behavior of existing customers and by taking out credit insurance, in accordance with the Treasury Policy. At December 31, the Group's accounts receivable totaled SEK 587 (477) m and they are recognized at the amounts expected to be paid. The Group's bad debt losses usually amount to less than 0.1 percent of sales.</p>																								



## Consolidated income statement

Amounts in SEK m	Note	2014	2013
Net sales	5	4,380	3,920
Cost of goods sold	14	-3,142	-2,827
<b>Gross income</b>		<b>1,238</b>	<b>1,093</b>
Selling expenses	14	-383	-376
Administrative expenses	13,14	-301	-299
Product development expenses	14	-173	-164
Other operating income and expenses	6,9	-148	-101
<b>Operating income</b>	6, 7, 8, 10, 11, 12, 19	<b>233</b>	<b>153</b>
Interest income	15	1	1
Interest expenses	15	-26	-34
Other financial items	15	-3	-10
<b>Income before tax</b>		<b>205</b>	<b>110</b>
Tax	16	-98	-72
<b>Net income</b>		<b>107</b>	<b>38</b>
<i>Attributable to:</i>			
Shareholders of the Parent Company		102	35
Non-controlling interests		5	3
Earnings per share, SEK (before and after dilution)		2.32	0.80
Average number of shares, thousands		44,204	44,206

## Consolidated statement of comprehensive income

Amounts in SEK m	Note	2014	2013
Net income		107	38
<b>Other comprehensive income</b>			
<i>Items not to be reclassified to the income statement:</i>			
Remeasurement of pension obligation, after tax	16, 30	-71	38
<b>Total</b>		<b>-71</b>	<b>38</b>
<i>Items that may be reclassified subsequently to the income statement:</i>			
Change in hedging reserves, after tax	16	0	-3
Change in financial assets available for sale, after tax	16, 22	0	-
Currency translation differences		190	-3
<b>Total</b>		<b>190</b>	<b>-6</b>
<b>Total other comprehensive income</b>		<b>119</b>	<b>32</b>
<b>Total comprehensive income</b>		<b>226</b>	<b>70</b>
<i>Attributable to:</i>			
Shareholders of the Parent Company		218	69
Non-controlling interests		8	1

## Consolidated statement of financial position

Amounts in SEK m	Note	December 31, 2014	December 31, 2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	17	408	354
Other intangible assets	17	58	96
<i>Tangible assets</i>	18	449	429
Financial assets	22	68	28
Deferred tax assets	20	165	140
<b>Total non-current assets</b>	23	<b>1,148</b>	<b>1,047</b>
<b>Current assets</b>			
Inventories	26	544	480
Accounts receivable	4, 25	587	477
Other current receivables	27	200	150
Derivate instruments	21, 22, 25	20	9
Cash and cash equivalents	28	437	323
<b>Total current assets</b>	23	<b>1,788</b>	<b>1,439</b>
<b>TOTAL ASSETS</b>	5	<b>2,936</b>	<b>2,486</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		221	221
Share premium		491	491
Retained earnings		547	424
Attributable to shareholders of the Parent Company		1,259	1,136
Attributable to non-controlling interests		19	16
<b>Total equity</b>		<b>1,278</b>	<b>1,152</b>
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	25, 29	270	400
Pensions and similiar obligation	30	400	291
Deferred tax liabilities	20	12	12
Other non-current liabilities		36	25
<b>Total non-current liabilities</b>	24	<b>718</b>	<b>728</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	25	15	11
Accounts payable	25	457	353
Derivative instruments	21, 22, 25	38	10
Provisions	31	184	55
Other current liabilities	32	246	177
<b>Total current liabilities</b>	24	<b>940</b>	<b>606</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,936</b>	<b>2,486</b>
Pledged assets		None	None
Contingent liabilities		3	3

## Statement of changes in equity

Amounts in SEK m	Share capital	Share premium	Translation reserve	Hedging and fair value reserve	Retained earnings	Total	Non-controlling interest	Total equity
<b>Opening balance January 1, 2013</b>	<b>221</b>	<b>491</b>	<b>-249</b>	<b>1</b>	<b>650</b>	<b>1,114</b>	<b>15</b>	<b>1,129</b>
Net income					35	35	3	38
<i>Other comprehensive income</i>								
Currency translation differences			-1			-1	-2	-3
Remeasurement of pension obligation, after tax					38	38		38
Change in hedging reserve, after tax				-3		-3		-3
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-1</b>	<b>-3</b>	<b>38</b>	<b>34</b>	<b>-2</b>	<b>32</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-1</b>	<b>-3</b>	<b>73</b>	<b>69</b>	<b>1</b>	<b>70</b>
<i>Transactions with shareholders</i>								
Dividend					-44	-44	0	-44
Purchase of treasury shares					-2	-2		-2
Settlement of share-based payments					-2	-2		-2
Value of employee services/incentive programs					1	1		1
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-47</b>	<b>-47</b>	<b>0</b>	<b>-47</b>
<b>Closing balance December 31, 2013</b>	<b>221</b>	<b>491</b>	<b>-250</b>	<b>-2</b>	<b>676</b>	<b>1,136</b>	<b>16</b>	<b>1,152</b>
<b>Opening balance January 1, 2014</b>	<b>221</b>	<b>491</b>	<b>-250</b>	<b>-2</b>	<b>676</b>	<b>1,136</b>	<b>16</b>	<b>1,152</b>
Net income					102	102	5	107
<i>Other comprehensive income</i>								
Currency translation differences			187			187	3	190
Remeasurement of pension obligation, after tax					-71	-71		-71
Change in hedging reserve, after tax				0		0		0
Change in financial assets available for sale, after tax				0		0		0
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>187</b>	<b>0</b>	<b>-71</b>	<b>116</b>	<b>3</b>	<b>119</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>187</b>	<b>0</b>	<b>31</b>	<b>218</b>	<b>8</b>	<b>226</b>
<i>Transactions with shareholders</i>								
Dividend					-89	-89	-5	-94
Share swap incentive program (see note 11)					-8	-8		-8
Value of employee services/incentive programs					2	2		2
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-95</b>	<b>-95</b>	<b>-5</b>	<b>-100</b>
<b>Closing balance December 31, 2014</b>	<b>221</b>	<b>491</b>	<b>-63</b>	<b>-2</b>	<b>612</b>	<b>1,259</b>	<b>19</b>	<b>1,278</b>

## Consolidated statement of cash flow

Amounts in SEK m	2014	2013
<b>Cash flow from operating activities</b>		
Operating income	233	153
Reversal of non-cash items	252	231
Interest paid	-28	-37
Tax paid	-101	-98
<b>Cash flow from operating activities before change in working capital</b>	<b>356</b>	<b>249</b>
<i>Change in working capital</i>		
Current receivables	-56	-41
Inventories	-1	-27
Current liabilities	136	101
<i>Change in working capital</i>	79	33
<b>Cash flow from operating activities</b>	<b>435</b>	<b>282</b>
<b>Cash flow from investment activities</b>		
Investments	-173	-94
Divestment of tangible assets	22	23
<b>Cash flow from investment activities</b>	<b>-151</b>	<b>-71</b>
<b>Cash flow from financing activities</b>		
Dividend to Haldex's shareholders	-89	-44
Dividend to non-controlling interests	-5	0
Change of interest-bearing liabilities	-114	-186
Share swap incentive program	-8	-
<b>Cash flow from financing activities</b>	<b>-216</b>	<b>-230</b>
<b>Change in cash and cash equivalents, excl. currency translation differences</b>	<b>68</b>	<b>-19</b>
Cash and cash equivalents, opening balance	323	346
Currency translation differences in cash and cash equivalents	46	-4
<b>Cash and cash equivalents, closing balance</b>	<b>437</b>	<b>323</b>



## NOTE 1 GENERAL INFORMATION

Haldex AB (Parent Company) and its subsidiaries constitute the Haldex Group. Haldex provides proprietary and innovative brake and suspension systems 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 Landskrona, Sweden. The address of the Head Office is Haldex AB, Box 507, SE-261 24 Landskrona. Haldex AB's shares are listed on the Nasdaq Stockholm, Mid-Cap.

## NOTE 2 SUMMARY OF IMPORTANT ACCOUNTING POLICIES

The consolidated financial statements of Haldex have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by EU. In addition, the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council RFR 1 "Supplementary accounting regulations for Groups" were applied. This note contains a description of the most important accounting policies applied in the preparation of the consolidated financial statements, and the policies have been applied consistently for presented years.

The Parent Company's functional currency is Swedish kronor (SEK), which is also the presentation currency of the Parent Company and the Group. This means that the financial statements 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 financial assets available for sale and certain financial assets and liabilities (including hedge instruments) that are recognized at fair value. The income statement has been prepared in a function of expense format in accordance with IAS 1, which reflects the internal reporting and provides an accurate overview of the Group's income.

### Consolidated financial statements

#### Subsidiaries

The consolidated financial statements include the Parent Company and those companies over which the Parent Company exercises direct or indirect control. Controlling influence entails an ability to exert power over the investee in order to affect the investee's returns, and to be exposed/entitled to variable return from the involvement in the investee. The definition of controlling influence is in accordance with IFRS 10, which came into effect on January 1, 2014. The new standard has no effect on the financial statements compared with previously.

Subsidiaries are included in the Group as of the date 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.

The purchase method is used for the recognition of the Group's 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. Identifiable acquired assets and liabilities transferred 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. Non-controlling interest is recognized as a separate line item under equity.

Acquisition-related costs are expensed when they arise.

If a business combination is completed in several steps, the previous equity interest in the acquired company is measured at fair value at the date of the acquisition. Any gain or loss arising is recognized in the income statement.

Goodwill is initially measured as the amount by which the total purchase consideration and the fair value of non-controlling interest exceeds the value of identifiable acquired assets and assumed liabilities. If the purchase consideration is lower than the fair value of the acquired company's net assets, the difference is recognized directly in the income statement.

Intra-Group transactions, balance sheet items and income and costs for intra-Group transactions are eliminated in the consolidated financial statements. Gains and losses resulting from intra-Group transactions, which are recognized in assets, are also eliminated. Where necessary, the accounting policies for subsidiaries have been adjusted to guarantee consistent application of the Group's accounting policies.

#### Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with the Group's shareholders. In the event of an acquisition 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.

### Translation of foreign currency

#### Functional currency and presentation currency

Financial items included in the financial statements of the different entities of Haldex are valued in the currency used in the primary economic environment of each company's operations (functional currency). The consolidated financial statements of the Group are prepared in Swedish kronor (SEK), which is the Group's presentation currency.

#### Transactions and balance sheet items

Transactions in foreign currency are translated into functional currency using the exchange rates from the date 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. An exception is made when transactions fulfill the requirements for hedge accounting, whereby gains and losses are recognized against other comprehensive income after adjustment for deferred taxes.

#### Subsidiaries

The balance sheets and income statements of subsidiaries, using another functional currency than the presentation currency of the Group, are translated into SEK in the consolidated financial statements. This is carried out by translating assets and liabilities at the closing rate and income and expenses at the average rate during the year. Translation differences arising from translations are recognized as separate items in other comprehensive income. 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 other comprehensive income.

### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting presented to the chief operating decision maker of the Group. The chief operating decision maker is the function responsible for the allocation of resources and the assessment of the segments' earnings. For Haldex, this function has been identified as the President. For further information about the segment reporting of Haldex, see note 5, page 42.

## NOTE 2 CONTINUED SUMMARY OF IMPORTANT ACCOUNTING POLICIES

### Revenue recognition

Revenue comprises the fair value of the amount that has been received, or will be received for a certain transaction. The revenue is accounted for when the value can be measured with reliability and it is probable that the future economic benefits will gain the Group.

### Sales of goods and services

Income from sales of goods and services is recognized when the goods/services are delivered in accordance with the terms of delivery and as soon as the principal risks and rights associated with ownership are adjudged to have been transferred to the purchaser. The income is recognized at fair value excluding VAT and is, where applicable, reduced by the value of discounts granted and returned goods.

### Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

### Taxes

Income taxes consist of current tax and deferred tax. Income taxes are recognized in the income statement, apart from when underlying transactions are recognized in other comprehensive income or directly in equity, whereby the related tax effect is also recognized in other comprehensive income or 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.

### Intangible assets

#### Goodwill

Goodwill is the amount by which the acquisition cost of an asset exceeds the fair value of identifiable acquired net assets. 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 to cash-generating units in the impairment testing. At Haldex the impairment test is carried out at a Haldex Group level, i.e. at segment level.

#### Brands, licenses and patents

Brands, licenses and patents are recognized at acquisition value less accumulated amortization and any impairment losses. Brands, licenses and patents, which are acquired through business acquisitions, are recognized at fair value on the day of acquisition. These intangible assets 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 and 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 thereafter 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.

### Product development

Expenditure for research and development is expensed when it arises. Expenditures are capitalized in the balance sheet, to the extent, and from the time a development phase meets all of the following criteria:

- It is technical feasible to complete the asset so it will be available for use/sale.
- The Group has the intention to complete the asset and use/sell it.
- There is prerequisites to use/sell the intangible asset.
- The Group can demonstrate how the asset will generate probable future economic benefits.
- There are available adequate technical, financial and other resources to complete the development and to use/sell the asset.
- The Group can measure the expenditure attributable to the intangible asset during its development in a reliable manner.

The documentation basis for capitalizing product development costs can consist of business plans, budgets or the Group's forecast of future earnings.

Intangible product development assets are recognized at 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.

### 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 straight-lined over the expected useful life (3–5 years).

### Tangible assets

Tangible assets consist of buildings (offices, factories, warehouses), land and land improvements, machines, tools, installations and equipment. These assets are measured at acquisition value less depreciation and any impairment losses.

The initial acquisition value includes expenses directly attributable to the purchase of an asset. Subsequent expenditures for tangible assets are added to the carrying amount or recognized as a separate asset, depending on which is suitable and only if it is probable that the future economic benefits associated with the asset will flow to the Group. The carrying amount of replaced items is derecognized from the balance sheet. All other forms of maintenance and repairs of tangible assets are expensed in the income statement as incurred.

Scheduled depreciation is based on the acquisition value and estimated useful life of the assets. The depreciations are straight-line and based on the following useful life: 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 up to 20 years. Land is not depreciated.

The assets' residual values and useful lives are reassessed every closing date and adjusted if needed. The carrying amount is immediately impaired to the recoverable value if the carrying amount of an asset exceeds its estimated recoverable value. See section relating to impairment.

### Leasing

Leasing is classified in the consolidated financial statements as either financial leasing or operational leasing, depending on whether the lessor retains all essential risks and benefits associated with ownership of the underlying asset or not.

A requirement for the reporting of financial leasing is that the leased asset shall be posted as an asset item in the balance sheet at the inception of the lease period, and that the leasing obligation shall be recognized as a liability in the balance sheet. The 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

## NOTE 2 CONTINUED SUMMARY OF IMPORTANT ACCOUNTING POLICIES

operational leasing. The leasing fee is then expensed in the income statement in line with the terms of the lease.

### Financial instruments

Financial instruments are recognized in the balance sheet when the Group becomes a party to the contractual conditions of the instrument. The instruments are initially recognized at fair value and subsequently at fair value or amortized cost depending on their classification. Gains and losses due to changes in fair value of financial instruments measures at fair value through profit and loss, are recognized in profit and loss in the period when they occur. Changes in fair value of financial assets available for sale are recognized in other comprehensive income. On balance sheet date there is an assessment whether any financial instrument has been impaired. Financial instruments are derecognized from the balance sheet when the benefits and risks has been transferred to a counterparty or when the obligations have been met.

### 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 Group's financial assets are actual bid prices; quoted market rates used for financial liabilities are actual asked prices. The instruments held by the Group are traded in an active and/or observable market.

### Classification

The Group classifies its financial instruments in the following categories: financial assets and financial liabilities valued at fair value through profit or loss, loans and accounts receivable, financial assets available for sale and financial liabilities at amortized cost. 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 on each reporting occasion.

### Financial instruments measured at fair value through profit or loss

This category has two sub-categories: financial instruments held for sale and instruments that are initially attributed to the category measured at fair value through profit or loss. A financial instrument 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 management. Derivative instruments are also categorized as being held for sale, assuming that they have not been identified as hedging instruments. Financial instruments within this category are classified as current if they are expected to be realized within one year, otherwise they are classified as non-current.

### Loan receivables and accounts receivable

Loan 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 cash or cash equivalent, 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 twelve months after the closing date, which are classified as fixed assets.

### Financial assets available for sale

Financial assets available for sale are non-derivative assets designated as available for sale. The instruments are classified as non-current if the management does not have the intention to realize them within one year.

### 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: hedging of the fair value of assets or liabilities; hedging of forecast cash flows or 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.

### Hedging of fair value

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.

### Hedging of cash flow

Cash flow hedging is applied for future flows within the operating business. 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 and 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.

### Impairment

#### Impairment of intangible and tangible assets

Intangible assets with an indefinite useful life or not fully recognized assets, are not amortized but are tested for impairment annually. All intangible and tangible assets that are subject to amortization/ depreciation are reviewed for impairment whenever events or changes in conditions indicate that the carrying amount may not be recoverable. Impairment losses are recognized at the value by which the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount of an asset is the highest value of fair value less selling costs and value in use. On each balance sheet date, an assessment is conducted to conclude if any impairment losses can be reversed due to changes in the recoverable amount. However, this is not applicable to goodwill.

#### Impairment of financial assets

Financial instruments carried at amortized cost are tested for impairment as soon as there are objective evidence indicating an impairment loss. The objective evidence shall be a result from the occurrence of one or more events after the asset was initially recognized, the events shall have an impact on estimated future cash flow for the asset and it can be measured reliably. On each balance sheet date, an assessment is conducted to conclude if any impairment of financial assets can be reversed.

## NOTE 2 CONTINUED SUMMARY OF IMPORTANT ACCOUNTING POLICIES

An assessment is also conducted on the balance sheet date to conclude whether there is objective evidence indicating an impairment of financial assets available for sale. For equity instruments in this category, a significant or prolonged decline in the fair value of the instrument is seen as objective evidence for impairment. If such evidence exists, the loss will be removed from other comprehensive income and recognized in the income statement. Impairment of equity instruments, which were previously recognized in profit or loss, are not reversed through the income statement.

### 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). The net realizable value is based on the estimated selling price less applicable variable selling expenses.

### Accounts receivable

Accounts receivable are initially recognized at fair value, and thereafter at amortized cost using the effective interest method. The balance sheet value is also reduced by provisions for doubtful receivables.

### Cash and cash equivalents

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

### Accounts payable

Accounts payable are initially recognized at fair value, and thereafter at amortized cost using the effective interest method.

### Receivables and liabilities

Receivables and liabilities in foreign currencies are valued at the closing rate. Exchange gains and losses pertaining to operational currency flows are recognized in operating income, while exchange rate differences on financial balance sheet items are classified in financial income and expenses. Current and non-current interest-bearing liabilities are recognized in the balance sheet at nominal value.

### Provisions

Provisions are recognized in the balance sheet when the Group has legal or constructive 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.

### Employee benefits

#### Pension obligations

The Group has both defined-contribution pension plans and defined-benefit pension plans.

Defined-contribution plans mainly include retirement pensions, disability pensions and family pensions. A defined contribution, normally based on a percentage of current salary, is paid to a separate legal entity. The employee is responsible for the inherent risk in these plans and the Group does not have any further obligations if the fund's asset declines in value. 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 pension commitments of the Group with respect to defined-benefit plans are covered by the pension funds of the Group, through insurance solutions or through provisions on the balance sheet. The defined-benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The assumptions upon which the calculations are based are found in the note addressing pensions and similar obligations. All changes in the net defined-benefit

liability are recognized as they occur, either as service cost and net interest in the income statement; or as remeasurements of both defined-benefit obligations and plan assets in other comprehensive income.

#### Share-based payment

The 2013 Annual General Meeting resolved on an incentive program for senior executives and other key employees. In brief, the incentive program stipulates that if certain performance targets were achieved during the 2013 financial year the participants were awarded by a variable remuneration at the beginning of 2014, of which 60 percent was paid in cash and 40 percent was in the form of employee stock options which are conditional, non-transferable deferred rights to receive one ordinary share in Haldex for each performance right, automatically during 2017 and free of charge. The fair value of the service that entitles the employees to an allotment of employee stock options is expensed over the vesting period.

During spring 2014 the cash proportion of the incentive program was paid out and stock options were registered. A new incentive program was adopted at the 2014 Annual General Meeting with the same content as previous approved program. For more information, see note 11 on page 44.

### 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.

### Government grants

Government grants are recognized at fair value when it is probable that the terms associated with the grants will be met and that the grants will be received. Government grants connected to the acquisition of non-current assets have 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. Government grants providing compensation for expenses are, when possible, recognized in the same period as the expenses they offset.

### Changes in accounting policy and disclosures

#### New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for fiscal years beginning on or after 1 January 1, 2014 and that impact the Group:

The implementation of IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosures of Interests in Other Entities only affected supplementary disclosures.

Other standards, amendments and interpretations that became effective for the fiscal year commencing on January 1, 2014 have had no material impact on the Group's financial statements.

#### New standards and interpretations not yet adopted by the Group

A number of new standards and interpretations enter into force for fiscal years beginning after January 1, 2014 and were not applied in the preparation of these financial statements. None of these are expected to have any material impact on the Group's financial statements with the exception of those detailed below:

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and liabilities. The full version of IFRS 9 was issued in July 2014. It replaces the components of IAS 39 that regulate the classification and measurement of financial instruments. The standard is to apply to fiscal years beginning on or after January 1, 2018. Advance application is permitted. The Group has not yet evaluated the effects of the introduction of the standard.

IFRS 15 Revenue from Contracts with Customers regulates the manner in which revenue is to be recognized. The principles on which IFRS 15 is based aim to provide users of financial reports with more useful information on the company's revenues. The expanded disclosure



## NOTE 2 CONTINUED SUMMARY OF IMPORTANT ACCOUNTING POLICIES

obligation entails that information must be submitted concerning the category of revenue, settlement date, uncertainty linked to revenue recognition and cash flow attributable to the company's customer contracts. According to IFRS 15, revenue must be recognized when the customer gains control of the sold goods or services and has the opportunity to use or benefit from the goods or services. IFRS 15

replaces IAS 18 Revenue and IAS 11 Construction Contracts and the associated SIC and IFRIC guidance. IFRS 15 comes into effect on January 1, 2017. Advance application is permitted. The Group has not yet evaluated the effects of the introduction of the standard.

No other IFRS or IFRIC interpretations that have not yet come into effect are expected to have any material impact on the Group.

## 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 about the future. These estimations and assumptions impact the accounted value of assets and liabilities as well as income and costs. The actual outcome may diverge from these estimates if other assumptions are made or other conditions arise. The areas where the risk of future adjustments of carrying amounts are the highest are detailed in this note.

### Goodwill

During 2014, the Group's total goodwill, which amounted to SEK 408 (354) m at December 31, was impairment tested. The impairment testing is conducted by discounting expected future cash flows, as determined in the business plans and thus arriving at a value. The value is placed in relation to the carrying amount of the Group's goodwill. Haldex's net sales and return have historically shown a very close correlation with the number of produced units of vehicles. Accordingly, the official forecasts of future vehicle manufacturing form the foundation for the 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) percent. 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) after tax has been used, at present 8.8 (9.0) percent. WACC before tax is equivalent to 13.5 (14.6) percent. 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: 6.9 percent
- Beta: Established beta for Haldex
- Interest expense: 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 2014 and 2013 revealed no impairment requirement. A change in the discount interest rate by 1 percent or a decrease in cash flow by 10 percent would not change the outcome of the testing. Goodwill represents approximately 32 (31) percent of the Group's equity per December 31.

### 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 strategy changes or 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 point 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 an assessed lower risk. In 2014, an WACC of 9.9 (9.0) percent after tax was used. WACC before tax is equivalent to 15.2 (14.6) percent.

Net value of capitalized development costs represents SEK 56 (95) m, approximately 4 (8) percent of the Group's equity per December 31.

### 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. Haldex 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.

Tax assets are carefully assessed in order to estimate the Group's ability to realize these, particularly when it comes to deferred tax assets and the possibility to utilize them for settlement against future taxable gains. The fair value of taxable assets may diverge in the future depending on changes in adopted earnings and/or tax regulations. At December 31, the capitalized value of deferred tax assets was SEK 165 (140) m, equivalent to 13 (12) percent of the Group's equity.

### Warranty reserves

The Group continuously assesses the value of warranty reserves in relation to the estimated need. In November 2014, Haldex launched a field inspection campaign of one of its actuator models, and the inspection result indicated a root cause that can occur during special conditions. Due to this, a specific assessment and warranty provision was made in addition to the usual requirements considered necessary, and this provision amounts to SEK 65 m. At December 31, the total warranty reserve was equivalent to SEK 129 (45) m, corresponding 2.9 (1.1) percent of net sales. 1.5 (-) percent of this is related to the field inspection campaign described above. For further information, refer to note 31, page 54

### Pensions

The pension liabilities recognized in the balance sheet are estimated by actuaries and based on annual assumptions. These assumptions are described in note 30 on page 52-53. A 0.25 percent change in the utilized discount rate for each particular country affects the present value of the Group's pension obligations by approximately SEK 31 (24) m.

## NOTE 4 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 form of transaction risks and translation risks.

#### Transaction risks

The Group's net flows of payments in foreign currencies give rise to transaction risk. In 2014, the value of net flows in foreign currencies totalled approximately SEK 259 (287) m. The currency flows with the largest potential impact on earnings are the flows of EUR/SEK, USD/CAD and EUR/GBP. An exchange rate difference of 10 percent in these currency flows has approximately the below specified effect on the future net profit. All presented figures are pre consideration of hedges done in accordance with the Treasury Policy.

SEK m	December 31, 2014	December 31, 2013
EUR/SEK	-/+ 23	-/+ 23
USD/CAD	+/- 12	+/- 8
EUR/GBP	-/+ 10	-/+ 6

The translation effect on operating receivables and liabilities as well as on financial assets and liabilities, in relation to a currency other than the respective local functional currency is SEK 0 (5) m in the event of a weakening/strengthening of 10 percent of the underlying currency. Equity would be SEK 22 (21) m higher/lower in the event of a strengthening/weakening of 10 percent of the underlying rates on cash flow hedges.

In accordance with the current Treasury Policy, 70 percent of anticipated net flows for the estimated volumes during the forthcoming 6-month period and 30 percent for the coming 7-12 months are hedged, with a permissible deviation of +/-10 percent. At December 31, 2014, 46 (50) percent 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 2014 to hedge invoiced and forecasted currency flows. At December 31, these contracts had a nominal value of SEK 174 (195) m net and had a negative market value of SEK 2 (2) m.

#### Translation risks

The net assets (i.e. equity) of non-Swedish subsidiaries represent investments in foreign currencies which, when translated into SEK, give rise to a translation difference. In its Treasury 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 Treasury 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 other comprehensive income, 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 2014, the value of the Group's net assets, meaning the difference between capital employed and net indebtedness, corresponded to SEK 1,278 (1,152) m and was represented by the following currencies:

SEK m	December 31, 2014	December 31, 2013
SEK	289	247
USD	626	411
EUR	29	139
GBP	-106	-55
Other	440	411

#### 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, 2014, 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 2014 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, 2014, SEK 285 (412) m of the loan liability was subject to an average variable interest rate of 3.71 (3.50) percent. The bond loan has been extended by five years, and that will decrease the interest margin by 1.27 percent from January 20, 2015. A change of one percentage point in the interest rate would affect the cost of the Group's borrowing by approximately SEK 2 (3) m after tax.

December 31, 2014						December 31, 2013					
SEK m	USD	HUF	CAD	GBP	EUR	USD	HUF	CAD	GBP	EUR	
Nominal amount	Net purchased	Net purchased	Net sold	Net sold	Net sold	Net purchased	Net purchased	Net sold	Net sold	Net sold	
Year of maturity 2015	75	17	71	48	147	Year of maturity 2014	42	19	48	23	185
Average exchange rate	6.87	2.95	6.33	11.61	9.18	Average exchange rate	6.49	2.81	6.30	10.26	8.78
Hedging of flows						Hedging of flows					
> 12 months	-	-	-	-	-	> 12 months	-	-	-	-	-
Average exchange rate	-	-	-	-	-	Average exchange rate	-	-	-	-	-

## NOT 4 CONTINUED FINANCIAL RISKS

### Credit risk

Credit risk arises when a party to a transaction cannot 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 any credit insurance.

The Group's accounts receivable totalled SEK 587 (477) m 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 aftermarket distributors within the vehicle industry. The geographic distribution of receivables from customers largely corresponds to the division of sales per region. During 2014, no single customer accounted for more than 10 (10) percent of sales. The Group's customer losses normally total less than 0.1 percent of sales.

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, and 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, before consideration of netting agreements, corresponded to SEK 20 (9) m at December 31. After consideration of netting agreements, the credit risk corresponded to SEK 8 (0) m. The corresponding risk for investments in credit institutions was SEK 437 (323) m, without taking possible offsetting opportunities into account.

Accounts receivable	December 31, 2014	December 31, 2013
Not due or impaired	513	408
Due by 1-30 days and not impaired	66	61
Due by 31-60 days and not impaired	12	7
Due >60 days and not impaired	-5	-3
Impaired accounts receivable, gross value	17	18
<b>Accounts receivable, gross value</b>	<b>603</b>	<b>491</b>
Provisions for doubtful accounts receivable	-16	-14
<b>Accounts receivable, net value</b>	<b>587</b>	<b>477</b>

The provisions for doubtful accounts receivable changed as follows:

Provision for doubtful accounts receivable	2014	2013
January 1	-14	-17
Impaired/provisions recognized in the income statement	-3	-1
Utilization of reserves attributable to identified bad debt losses	2	2
Reversal recognized in the income statement	1	2
Currency translation differences	-2	0
<b>December 31</b>	<b>-16</b>	<b>-14</b>

### Financing risk

The Group's financing risk is the risk that the Haldex 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 one year. On December 31, 2014, 100 (100) percent of borrowing had a maturity longer than one year. The maturity structure was as follows: year 2016 73 percent, year 2020 27 percent. See note 29, page 52.

### 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 long-term credit facilities must total at least 5 (5) percent of net sales. These funds totalled SEK 1,179 (811) m at year-end, corresponding to 27 (21) percent of net sales.

### 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 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.

#### Haldex's main sources of financing:

Nominal value	December 31, 2014	December 31, 2013
Syndicated loan	95 USD m	95 USD m
Bond loans	270 SEK m	270 SEK m

## NOTE 5 SEGMENT REPORTING

Haldex is recognized as a functional organization. The functional matrix structure provides a focused support for the organization and these services will be shared amongst the various product lines, sales and distribution channels.

The Haldex business is one reporting segment, and the financial information is analyzed and reviewed by the executive chief operating decision makers as one segment in the assessment of the Haldex performance.

Air Controls and Foundation Brake are the Group's two major product lines. Air Controls develops and manufactures products to improve brake systems' safety and driving qualities, such as treatment

and dehumidifying of compressed air, valves, ABS and EBS. Foundation Brake develops and manufactures products for wheel ends such as disc brakes, brake adjusters for drum brakes and actuators. However, since the two product lines have similar businesses, customers and long-term operational margins, the two product lines are reported and assessed as one segment.

The top ten customers account for about one-third of sales, with no single customer accounting for more than 10 percent. The location of the customers forms the basis of sales by geographic area. Information concerning the segments' assets and the period's investments are based on geographic areas grouped by where the assets are located.

### Net sales per product line

	2014	2013	Change, nominal	Change, currency adjusted
Air Controls	1,960	1,813	8%	3%
Foundation Brake	2,420	2,107	15%	11%
<b>Total</b>	<b>4,380</b>	<b>3,920</b>	<b>12%</b>	<b>8%</b>

### Breakdown by geographic area

2014	North America	Europe	Asia and Middle East	South America	Total
Net sales	2,280	1,522*	376	202	4,380
Assets	1,104	1,388	320	124	2,936
Investments (see note 17 and 18)	44	87	8	8	147

2013	North America	Europe	Asia and Middle East	South America	Total
Net sales	2,019	1,386*	313	202	3,920
Assets	935	1,191	222	138	2,486
Investments (see note 17 and 18)	46	38	7	3	94

\*Of which net sales to Sweden amounted to SEK 72 (62) m.

## NOTE 6 ONE-OFF ITEMS

Operating income includes the one-off items presented below. All one-off items are accounted for as other operating income and expenses in the income statement classified by function. For an alternative allocation of restructuring-related costs per function, see note 8.

	2014	2013
<b>Operating income, incl. one-off items</b>	<b>233</b>	<b>153</b>
Restructuring costs	-60	-30
Impairment/dispose of non-current assets	-52	-98
Product-related warranty	-65	-
Other	2	-
<b>Operating income, excl. one-off items</b>	<b>408</b>	<b>281</b>

## NOTE 7 EXPENSES BY NATURE

	2014	2013
Direct material costs incl. inventory changes	2,387	2,138
Personnel costs	887	832
Amortization and depreciation (see note 17 and 18)	137	138
Other operating income and expenses	736	659
<b>Total</b>	<b>4,147</b>	<b>3,767</b>

## NOTE 8 ALTERNATIVE FUNCTION BY EXPENSE

Haldex announced a restructuring program in 2013, which included costs related to the work of consolidating central processes and functions, optimizing sales and administration costs, adjusting the European production structure, product rationalization measures and impairment testing of related non-current assets. From the start of the restructuring program to December 31, 2014, SEK 240 m has been recognized as costs, with SEK 90 m in restructuring costs and SEK 150 m in impairment/disposal losses. Out of these costs, SEK 128 m was recognized in 2013 and SEK 112 m in 2014. All of these costs are classified in the category other income and expenses in the income statement on page 31. If all the restructuring program-related costs were allocated directly by function, the restructuring costs would be allocated as follows:

	2014	2013
Cost of goods sold	27	28
Selling expenses	1	2
Administrative expenses	56	22
Product development expenses	28	76
Other operating income and expenses	0	0
<b>Total</b>	<b>112</b>	<b>128</b>



**NOTE 9 GOVERNMENT GRANTS**

	2014	2013
Government grants	5	-
<b>Total</b>	<b>5</b>	<b>-</b>

Government grants for business-related purchases, conditioned by previous non-current capital investments.

**NOTE 10 INFORMATION ON REMUNERATION TO SENIOR EXECUTIVES**

Amounts in SEK k	2014			2013		
	Fixed remuneration incl. benefits/ Director fees	Variable remuneration	Pension	Fixed remuneration incl. benefits/ Director fees	Variable remuneration	Pension
<b>Board of Directors</b> (7 members, of whom 2 women)						
Göran Carlson (Chairman)	562	-	-	525	-	-
Stefan Charette	255	-	-	225	-	-
Arne Karlsson	305	-	-	300	-	-
Magnus Johansson	255	-	-	250	-	-
Staffan Jufors (from April 2014)	230	-	-	113	-	-
Cecilia Löf (from April 2014)	105	-	-	-	-	-
Annika Sten Pärson	230	-	-	212	-	-
<b>Total</b>	<b>1,942</b>	<b>-</b>	<b>-</b>	<b>1,625</b>	<b>-</b>	<b>-</b>
<b>President</b> Bo Annvik	4,436	1,350	996	4,198	1,512	933
<b>Other senior executives (Group Management)</b> 10 (10) people, of whom 1 (0) women at December 31	15,140	4,090	3,315	13,251	4,199	2,108
<b>Total</b>	<b>19,576</b>	<b>5,440*</b>	<b>4,311</b>	<b>17,449</b>	<b>5,711*</b>	<b>3,041</b>

\* Costs related to share-based remuneration are included in the amount of SEK 1,355 (489) k.

**Guidelines**

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 50 percent of the fixed annual salary.

For members in the Group Management, severance pay is provided in accordance with the guidelines established by the Board of Directors for remuneration of senior executives. If employment is terminated by the Group, the notice period for the President and CEO is 12 months and, for other senior executives, up to six months. 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. Upon termination by the President, no severance pay may be claimed.

**Incentive program**

The Annual General Meeting 2013 and 2014 resolved to implement incentive programs for senior executives and key personnel, LTI2013 respectively LTI2014. In brief, LTI means that if certain performance targets are achieved during the fiscal year, the LTI participants are awarded by a variable remuneration at the beginning of next year, of which 60 percent will comprise cash and 40 percent will comprise employee stock options, which are conditional, non-transferable deferred rights to receive one ordinary share in Haldex for each performance right, automatically after four years and free of charge.

The term of the LTIs is four years. After the expiry of the performance year, allotment of any performance amount will occur. Settlement of any cash amount is expected to occur during the spring after the performance year. Subsequent to the allotment of any share amount, performance rights will be awarded to the participant followed by a deferral period of three years, before final transfer of performance shares to the participant is expected to occur, the year after the 2017 and 2018 Annual General Meetings respectively and before the end of June in the same year. Deferred variable remuneration under LTI is not a pensionable income.

For more information about performance rights and share-based remuneration, see note 11 on page 44.

## NOTE 11 SHARE-BASED REMUNERATION

In 2013, the Annual General Meeting (AGM) resolved to implement a share-based incentive program (LTI 2013) for senior executives and key personnel. The program was based on the attainment of certain performance targets during the 2013 fiscal year, following which the participants in LTI2013 were to receive variable remuneration in early 2014, with 60 percent in cash, due for payment in 2014, and 40 percent in the form of employee stock options. The employee stock options are conditional, non-transferable deferred rights to receive one ordinary share in Haldex for each allotted performance right; however, the options are also subject to a deferral period of three years before the final transfer of ordinary shares is conducted in 2017. Thus, the term of the share-based component in LTI2013 is four years; however, vesting in accordance with the cash portion is related to performance in 2013.

The outcome for LTI2013 was determined in spring 2014, whereby the cash portion was settled and the number of option rights was set and allotted to program participants. In conjunction with this, Haldex, pursuant to the resolution of the AGM, hedged the financial exposure and concluded a share-swap agreement with a third party, which, under its own name, acquired shares corresponding to the option portion of the LTI2013 program, with the third party holding these shares in its

own name until distribution is made to the qualified LTI participants in 2017.

The 2014 AGM resolved to introduce an additional incentive program (LTI2014), which essentially corresponds to the design of the LTI2013 incentive program. Thus, participants in the program receive a certain variable remuneration in early 2015 if certain performance targets are attained during the 2014 fiscal year, of which 60 percent of this remuneration is to be paid in cash and 40 percent in the form of employee stock options, which are conditional, non-transferable deferred rights to receive one ordinary share, free of charge, in Haldex for each performance right in 2018. Thus, the performance right, in line with LTI2013, is accompanied by a deferral period of three years before final transfer of the ordinary shares is conducted.

The total cost, which is recognized in the income statement, for share-based remuneration for the resolved incentive programs amounted to SEK 3 (1) m and refers to the actual allotted options for LTI2013, and the estimated value for the outcome of LTI2014. In particular cases, the amounts also include related social security costs. See note 10, page 43 for information regarding the total cost for the year of incentive programs allotted to senior executives.

	Opening balance January 1, 2014	Allotted option rights	Cancelled option rights	Closing balance December 31, 2014	Distribution year
President	-	13,694	-	13,694	2017
Other senior executives (Group Management)	-	37,882	-4,926	32,956	2017
Other key personnel	-	22,444	-3,885	18,559	2017
<b>Total</b>	-	<b>74,020</b>	<b>-8,811</b>	<b>65,209</b>	

**NOTE 12 EMPLOYEES AND EMPLOYEE REMUNERATION**

	Women	Men	Total 2014	Women	Men	Total 2013
Sweden	84	208	292	67	218	285
USA	132	363	495	130	372	502
Mexico	161	332	493	129	271	400
China	48	167	215	44	151	195
Germany	43	136	179	38	136	174
Hungary	77	87	164	77	81	158
India	16	95	111	14	93	107
Brazil	30	68	98	39	92	131
France	25	42	67	24	42	66
UK	7	48	55	6	47	53
Canada	7	15	22	7	14	21
Italy	5	3	8	5	3	8
Poland	2	6	8	2	6	8
Spain	3	4	7	2	4	6
South Korea	1	6	7	1	6	7
Austria	1	5	6	1	5	6
Belgium	1	4	5	1	4	5
Russia	1	2	3	1	2	3
<b>Total</b>	<b>644</b>	<b>1,591</b>	<b>2,235</b>	<b>588</b>	<b>1,547</b>	<b>2,135</b>

	2014			2013		
	Salaries and remuneration	Social security costs	Of which pension costs	Salaries and remuneration	Social security costs	Of which pension costs
Haldex	652	235	19	619	213	21

For information about remuneration to senior executives, see note 10 on page 43.

Of the total pension cost included in operating income, SEK 11 (12) m is related to defined-contribution plans and SEK 8 (9) m attributable to defined-benefit plans. For more information about Haldex's defined-benefit plans, see note 30, page 52-53.

**NOTE 13 AUDITOR'S REMUNERATION**

	2014	2013
<i>PwC</i>		
Audit assignment	4	3
Audit activities other than audit assignment	0	0
Tax consultancy services	4	4
Other services	0	1
<b>Total</b>	<b>8</b>	<b>8</b>

**NOTE 15 FINANCIAL INCOME AND EXPENSES**

	2014	2013
Interest income	1	1
Interest expenses	-14	-24
Interest on pension liabilities (net) (see note 30)	-12	-10
Other financial income and expenses	-3	-10
<b>Total</b>	<b>-28</b>	<b>-43</b>

**NOTE 14 AMORTIZATION AND DEPRECIATION**

	2014	2013
Cost of goods sold	88	88
Selling expenses	2	3
Administrative expenses	20	18
Product development expenses	27	29
<b>Total</b>	<b>137</b>	<b>138</b>

**NOTE 16 TAX**

	2014	2013
Current tax	-97	-98
Deferred tax	-1	26
<b>Total</b>	<b>-98</b>	<b>-72</b>

Tax on the Group's income 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	2014	2013
Income before tax	205	110
Tax at applicable tax rate in Sweden	22%	22%
Differences in tax rates of various countries of operation	8%	17%
Non-deductible expenses	2%	3%
Non-taxable revenues	-1%	-1%
Tax attributable to prior years	0%	4%
Utilization of previously unrecognized loss carry-forwards	0%	0%
Revaluation of losses carried forward/not recognized deferred tax assets due to tax loss carry-forwards	15%	19%
Other taxes	2%	2%
<b>Effective tax rate</b>	<b>48%</b>	<b>66%</b>

The Group's tax expense amounts to SEK 98 (72) m. The tax rate is affected by the restructuring costs that were charged to earnings in 2014 and in preceding year. Tax assets related to the ongoing restructuring program have been recognized only to the extent that Haldex expects to utilize them in future activities. Furthermore, the tax rate is also affected by the fact that the restructuring costs, including impairment of non-current assets, mainly relates to European operations where the tax rates are lower than in North America. The underlying tax rate for 2014 amounts to 35 percent, compared with 39 percent in the preceding year.

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

	2014	2013
<b>Deferred tax</b>		
Remeasurement of pension obligation	15	-11
Change in hedge reserve	0	1
Change in assets available for sale	0	-
<b>Total</b>	<b>15</b>	<b>-10</b>



**NOTE 17** INTANGIBLE ASSETS

	Goodwill	Patent and other intangible assets	Capitalized development costs	Total
<b>January 1, 2013</b>				
Acquisition value	354	67	245	666
Accumulated amortization	-	-61	-68	-129
<b>Carrying amount</b>	<b>354</b>	<b>6</b>	<b>177</b>	<b>537</b>
<b>January 1 – December 31, 2013</b>				
Opening carrying amount	354	6	177	537
Currency translation differences	-	0	2	2
Investment	-	0	4	4
Divestment/impairment	-	-5	-69	-74
Amortization	-	0	-19	-19
<b>Closing carrying amount</b>	<b>354</b>	<b>1</b>	<b>95</b>	<b>450</b>
<b>December 31, 2013</b>				
Acquisition value	354	65	253	672
Accumulated amortization	-	-64	-158	-222
<b>Carrying amount</b>	<b>354</b>	<b>1</b>	<b>95</b>	<b>450</b>
<b>January 1 – December 31, 2014</b>				
Opening carrying amount	354	1	95	450
Currency translation differences	54	0	3	57
Investment	-	1	3	4
Divestment/impairment	-	-	-27	-27
Amortization	-	0	-18	-18
<b>Closing carrying amount</b>	<b>408</b>	<b>2</b>	<b>56</b>	<b>466</b>
<b>December 31, 2014</b>				
Acquisition value	408	70	270	748
Accumulated amortization	-	-68	-214	-282
<b>Carrying amount</b>	<b>408</b>	<b>2</b>	<b>56</b>	<b>466</b>

Goodwill and intangible assets that are subject to amortization are measured in accordance with the accounting policies described in note 2 and 3. For allocation of amortization per function in the income statement, see note 14, page 45.

## NOTE 18 TANGIBLE ASSETS

	Buildings	Land and land improvements	Machinery and other technological investments	Equipment, tools and installations	Construction in progress and advances to suppliers	Total
<b>January 1, 2013</b>						
Acquisition value	201	25	961	576	72	1,835
Accumulated depreciation	-125	-3	-717	-484	-4	-1,333
<b>Carrying amount</b>	<b>76</b>	<b>22</b>	<b>244</b>	<b>92</b>	<b>68</b>	<b>502</b>
<b>January 1 – December 31, 2013</b>						
Opening carrying amount	76	22	244	92	68	502
Currency translation differences	-	-	-2	1	-	-1
Investment	3	1	42	34	11	91
Divestment/impairment	-17	-1	-2	-1	-23	-44
Internal transfer	-	-	0	5	-5	0
Depreciation	-9	-	-76	-33	-	-118
<b>Closing carrying amount</b>	<b>53</b>	<b>22</b>	<b>206</b>	<b>98</b>	<b>51</b>	<b>429</b>
<b>December 31, 2013</b>						
Acquisition value	156	24	960	573	55	1,768
Accumulated depreciation	-103	-2	-754	-475	-4	-1,338
<b>Carrying amount</b>	<b>53</b>	<b>22</b>	<b>206</b>	<b>98</b>	<b>51</b>	<b>429</b>
<b>January 1 – December 31, 2014</b>						
Opening carrying amount	53	22	206	98	51	429
Currency translation differences	6	2	18	10	5	41
Investment	13	-	78	36	16	143
Divestment/impairment	-6	-15	-9	-16	-	-46
Internal transfer	-	-	10	18	-28	0
Depreciation	-9	-1	-69	-40	-	-119
<b>Closing carrying amount</b>	<b>57</b>	<b>8</b>	<b>234</b>	<b>106</b>	<b>44</b>	<b>449</b>
<b>December 31, 2014</b>						
Acquisition value	155	11	1,104	668	48	1,986
Accumulated depreciation	-98	-3	-870	-562	-4	-1,537
<b>Carrying amount</b>	<b>57</b>	<b>8</b>	<b>234</b>	<b>106</b>	<b>44</b>	<b>449</b>

The tangible assets of Haldex are depreciated and measured in accordance with the accounting policies described in note 2. For allocation of depreciation per function in the income statement, see note 14, page 45.

## NOTE 19 OPERATIONAL LEASES

Expensed leasing fees for assets held under operating lease contracts totaled SEK 47 (50) m. The future aggregated minimum lease payments under non-cancellable operating leases fall due as follows:

	December 31, 2014			December 31, 2013		
	Premises	Machinery and other equipment	Total	Premises	Machinery and other equipment	Total
Year 1	40	8	48	39	10	49
Year 2-5	112	16	128	123	9	132
Later than 5 years	20	3	23	94	1	95

## NOTE 20 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current taxes, and when the deferred 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 changes in deferred taxes were as follows:

	2014	2013
January 1	128	107
Tax attributable to the income statement (see note 16)	-1	26
Tax attributable directly to equity (see note 10)	0	1
Tax attributable to other comprehensive income (see note 16)	15	-9
Currency translation differences	11	3
<b>December 31</b>	<b>153</b>	<b>128</b>

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

	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Tax loss carry-forwards	79	100	-	-	79	100
Tangible assets	-	-	0	2	0	-2
Intangible assets	-	-	-	7	-	-7
Provisions	53	28	-	-	53	28
Pensions and similar obligations	43	27	-	-	43	27
Acquisition-related surplus values	-	-	13	15	-13	-15
Other	23	22	32	25	-9	-3
Net deferred tax assets/tax liabilities	198	177	45	49	153	128
Offsetting of deferred tax assets/tax liabilities	-33	-37	-33	-37		
<b>Total</b>	<b>165</b>	<b>140</b>	<b>12</b>	<b>12</b>	<b>153</b>	<b>128</b>

Deferred tax assets are only recognized for tax loss carry-forwards to the extent that it is probable that they can be utilized in connection with future taxable profit. At balance sheet date there are also tax loss carry-forwards for which no deferred tax assets are recognized. The potential of these tax loss carry-forwards corresponds to a deferred tax asset of approximately SEK 44 m. All recognized tax loss carry-forwards have an expiry date exceeding ten years.

## NOTE 21 DERIVATIVE INSTRUMENTS

	December 31, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
Forward exchange contracts – cash flow hedges	4	7	1	3
Forward exchange contracts – at fair value through profit or loss	2	2	4	3
Currency swaps – at fair value through profit or loss	14	29	4	4
Total derivatives as recognized in the balance sheet	20	38	9	10
Derivatives subject to offsetting, enforceable master netting arrangements	-12	-12	-9	-9
<b>Net amount</b>	<b>8</b>	<b>26</b>	<b>0</b>	<b>1</b>

Equity gains and losses in short-term currency forward contracts will be transferred to the income statement at different points during 2015. All equity gains and losses in short-term currency forward contracts recognized in 2013 were transferred to the income statement in 2014. The financial instruments recognized at fair value in the balance sheet belong to Tier 2 in the fair value hierarchy, meaning that the fair value is determinable, directly or indirectly, from observable market data. There was no ineffectiveness to be recorded from the cash flow hedges.

## NOTE 22 FINANCIAL INSTRUMENTS AT FAIR VALUE

The Group holds both derivatives and financial assets available for sale, which are measured at fair value. The financial instruments classified as financial assets available for sale are recognized at fair value according to Tier 1 in the fair value hierarchy, i.e. at a price quoted in an active market. The derivatives are recognized at fair value in the balance sheet according to Tier 2 in the fair value hierarchy, meaning that the fair value is determinable, directly or indirectly, from observable market data. No transit has taken place between the various Tier levels during the year.

The table below shows the Group's assets and liabilities measured at fair value at the balance sheet date based on the principles described above:

	December 31, 2014			December 31, 2013		
	Measured at quoted prices in an active market (Tier 1)	Measured at observable market data (Tier 2)	Measured at non observable market data (Tier 3)	Measured at quoted prices in an active market (Tier 1)	Measured at observable market data (Tier 2)	Measured at non observable market data (Tier 3)
Financial assets available for sale	27	-	-	-	-	-
Derivative instruments	-	-18	-	-	-1	-
<b>Total</b>	<b>27</b>	<b>-18</b>	<b>-</b>	<b>-</b>	<b>-1</b>	<b>-</b>

All financial assets available for sale were acquired in 2014. Measurement at fair value were recognized in other comprehensive income at a value of SEK 0 (-) m after taxes. No impairment losses were recognized for the assets.

The other financial instruments of the Group are accounted for as follows: Haldex's multicurrency revolving credit facility and bond loans are subject to variable interest rate of 1-6 months, thus the fair values correspond to the carrying amounts. With regard to the other financial assets and liabilities, such as accounts receivable, other current receivables, cash and cash equivalents and accounts payable, the fair value is considered to correspond to the carrying amounts.

## NOTE 23 ASSETS AS PER BALANCE SHEET

	December 31, 2014						December 31, 2013					
	Non financial instruments	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Financial assets available for sales	Total	Non financial instruments	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Financial assets available for sales	Total
<b>Non-current assets</b>												
Intangible and tangible assets	915	-	-	-	-	915	879	-	-	-	-	879
Financial assets												
Deferred tax assets	165	-	-	-	-	165	140	-	-	-	-	140
Other financial assets	-	41	-	-	27	68	-	28	-	-	-	28
<b>Current assets</b>												
Inventory	544	-	-	-	-	544	480	-	-	-	-	480
Current receivables												0
Accounts receivable	-	587	-	-	-	587	-	477	-	-	-	477
Other current receivables	76	124	-	-	-	200	79	71	-	-	-	150
Derivative instruments	-	-	16	4	-	20	-	-	8	1	-	9
Cash and cash equivalents	-	437	-	-	-	437	-	323	-	-	-	323
<b>Total</b>	<b>1,700</b>	<b>1,189</b>	<b>16</b>	<b>4</b>	<b>27</b>	<b>2,936</b>	<b>1,578</b>	<b>899</b>	<b>8</b>	<b>1</b>	<b>-</b>	<b>2,486</b>

Haldex's accounts receivable and other current receivables are subject to a variable interest term of 1-6 months and, accordingly, the fair values correspond to the carrying amounts. Long-term receivables are recognized at amounts that correspond to fair value.



**NOTE 24 LIABILITIES AS PER BALANCE SHEET**

	December 31, 2014					December 31, 2013				
	Non-financial liabilities	Other financial liabilities	Liabilities at fair value through profit or loss	Derivatives used for hedging	Total	Non-financial liabilities	Other financial liabilities	Liabilities at fair value through profit or loss	Derivatives used for hedging	Total
<b>Non-current liabilities</b>										
Deferred tax liabilities	12	-	-	-	12	12	-	-	-	12
Pension and similar obligation	400	-	-	-	400	291	-	-	-	291
Interest-bearing liabilities	-	270	-	-	270	-	400	-	-	400
Other non-current liabilities	-	36	-	-	36	-	25	-	-	25
<b>Current liabilities</b>										
Interest-bearing liabilities	-	15	-	-	15	-	11	-	-	11
Accounts payable	-	457	-	-	457	-	353	-	-	353
Derivative instruments	-	-	31	7	38	-	-	7	3	10
Provisions	184	-	-	-	184	55	-	-	-	55
Other current liabilities	246	-	-	-	246	177	-	-	-	177
<b>Total</b>	<b>842</b>	<b>778</b>	<b>31</b>	<b>7</b>	<b>1,658</b>	<b>535</b>	<b>789</b>	<b>7</b>	<b>3</b>	<b>1,334</b>

Haldex's short and long-term loans, multicurrency revolving credit facility and bond loan are subject to a variable interest term of 1-6 months and, accordingly, the fair values correspond to the carrying amounts.

**NOTE 25 LIQUIDITY**

	December 31, 2014			December 31, 2013		
	< 1 year	> 1 < 2 years	> 2 years	< 1 year	> 1 < 2 years	> 2 years
Non-current interest-bearing liabilities incl. interest	-5	-5	-285	-13	-273	-132
Current interest-bearing liabilities incl. interest	-16	-	-	-12	-	-
Accounts payable	-457	-	-	-353	-	-
Derivative instruments	-38	-	-	-10	-	-
<b>Total</b>	<b>-516</b>	<b>-5</b>	<b>-285</b>	<b>-388</b>	<b>-273</b>	<b>-132</b>
Accounts receivable	587	-	-	477	-	-
Derivative instruments	20	-	-	9	-	-
<b>Net flow</b>	<b>91</b>	<b>-5</b>	<b>-285</b>	<b>98</b>	<b>-273</b>	<b>-132</b>
Derivative instruments						
-outflow	1,923	-	-	1,602	-	-
-inflow	1,905	-	-	1,602	-	-

Haldex's multicurrency revolving credit facility and bond loan are subject to a variable interest term of 1-6 months and, accordingly, the fair values correspond to the carrying amounts. Available unutilized credit facilities at year-end totaled SEK 921(651) m. Calculated interest comprised the the counter-value in SEK based on exchange rates at December 31, 2014 and the future interest rates on the liability.

**NOTE 26 INVENTORIES**

	December 31, 2014	December 31, 2013
Raw materials	334	291
Semi-manufactured products	16	19
Finished products	194	170
<b>Total</b>	<b>544</b>	<b>480</b>

**NOTE 27 OTHER CURRENT RECEIVABLES**

	December 31, 2014	December 31, 2013
Tax receivables	26	34
<i>Prepaid expenses and accrued income</i>		
Rent and insurance	13	10
Other prepaid expenses	37	35
Other current receivables	124	71
<b>Total</b>	<b>200</b>	<b>150</b>

**NOTE 28 CASH AND CASH EQUIVALENTS**

	December 31, 2014	December 31, 2013
Bank accounts and cash	437	323
<b>Total</b>	<b>437</b>	<b>323</b>

**NOTE 29 NON-CURRENT INTEREST-BEARING LIABILITIES**

	December 31, 2014	December 31, 2013
Multicurrency revolving credit facility	-	130
Bond loans	270	270
<b>Total</b>	<b>270</b>	<b>400</b>

	2014		2013	
	Facility limit	Maturity date	Facility limit	Maturity date
Multicurrency revolving credit facility	USD 95 m	Sep 30, 2016	USD 95 m	Sep 30, 2016
Bond loans	SEK 270 m	Jan 20, 2020	SEK 270 m	Jan 20, 2015

**NOTE 30 PENSIONS AND SIMILAR OBLIGATIONS**

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

minimum funding requirement. Based on a funding valuation, which is performed every third year, the company and the trustees agree upon a recovery plan to fund the obligation to the minimum requirements.

**Amount recognized in the balance sheet**

	2014	2013
<b>Defined-benefit obligation January 1</b>	<b>594</b>	<b>615</b>
Pensions vested during the period	8	9
Interest on obligation	25	21
Benefits paid	-24	-22
Contributions	1	1
Effects of reductions and settlements	0	-
Remeasurements due to changes in demographical assumptions	0	-5
Remeasurements due to changes in financial assumptions	103	-36
Experienced-based remeasurements	-3	3
Currency translation differences	58	9
<b>Defined-benefit obligation December 31</b>	<b>762</b>	<b>594</b>
<b>Fair value of plan assets January 1</b>	<b>303</b>	<b>282</b>
Expected return on plan assets	13	11
Payment from assets	-18	-21
Contributions	12	15
Valuation gains/losses on plan assets	14	11
Currency translation differences	38	5
<b>Fair value of plan assets December 31</b>	<b>362</b>	<b>303</b>

**Reconciliation of interest-bearing pension liabilities**

	2014	2013
<b>Pension liability (net) January 1</b>	<b>291</b>	<b>333</b>
Pension cost	20	19
Benefits paid	-24	-22
Contributions	-11	-14
Payment from assets	18	21
Effects of reductions and settlements	0	-
Actuarial gains/losses recognized in other comprehensive income	86	-49
Currency translation differences	20	4
<b>Net amount recognized in the balance sheet December 31</b>	<b>400</b>	<b>291</b>

## NOTE 30 CONTINUED PENSIONS AND SIMILAR OBLIGATIONS

### Amounts recognized in the income statement

	2014	2013
Pensions vested during the period	-8	-9
Interest on obligation	-25	-21
Expected return on plan assets	13	11
<b>Total</b>	<b>-20</b>	<b>-19</b>

### Amounts recognized in other comprehensive income

	2014	2013
Remeasurments of pension obligation		
where of experience-based adjustments	3	-3
where of due to changes in actuarial assumptions	-103	41
Valuation gains (losses) on plan assets	14	11
<b>Total</b>	<b>-86</b>	<b>49</b>

### Defined pension obligation and plan asset per country

2014	Sweden	Germany	UK	US	Other	Total
Defined-benefit obligation	234	118	325	67	18	762
Plan assets	58	-	237	62	5	362
where of equities	10	-	117	27	-	154
where of interest-bearing securities	45	-	86	35	-	166
where of properties	-	-	9	-	-	9
where of cash and cash equivalents	3	-	25	-	5	33
<b>Net amount recognized in the balance sheet</b>	<b>176</b>	<b>118</b>	<b>88</b>	<b>5</b>	<b>13</b>	<b>400</b>

### Defined pension obligation and plan asset per country

2013	Sweden	Germany	UK	US	Other	Total
Defined-benefit obligation	187	90	250	56	12	594
Plan assets	58	-	193	49	3	303
where of equities	5	-	103	20	-	128
where of interest-bearing securities	51	-	70	29	-	150
where of properties	-	-	4	-	-	4
where of cash and cash equivalents	2	-	16	-	3	21
<b>Net amount recognized in the balance sheet</b>	<b>129</b>	<b>90</b>	<b>57</b>	<b>7</b>	<b>9</b>	<b>291</b>

### Assumed life expectancy after retirement at the age of 65

	Sweden	Germany	UK	US
Men	23	19	22	19
Women	25	23	24	21

### Actuarial assumptions

Percent	Sweden	Germany	UK	US
Discount rate and expected return on plan assets, January 1, 2014	4.1	4.0	4.3	4.6
Discount rate and expected return on plan assets, December 31, 2014	3.1	2.2	3.7	4.0
Expected salary increase	3.0	2.5	2.6	3.0
Expected inflation	2.0	2.0	2.4	2.5

### Average remaining of the pension plan

	Sweden	Germany	UK	US
Year	31	14	20	9

The discount rate is based on high-quality corporate bonds, or alternatively, Sweden government bond, with a maturity time corresponding to the estimated maturity of the obligations for post-benefit employment. All the pension plans consist of listed investments.

A change in the discount rate of +/- 0.25 percent for each particular country affects the present value of the Group's pension obligation by approximately SEK 31 (24) m. The net contribution to the Group's pension schemes was slightly lower in 2014, but on a fair level compared to last year.

**NOTE 31 PROVISIONS**

	2014			2013		
	Warranty reserves	Restructuring reserves	Total	Warranty reserves	Restructuring reserves	Total
<b>January 1</b>	45	10	55	42	24	66
Provisions	106	60	166	40	30	70
Requisitions	-39	-19	-58	-37	-44	-81
Currency translation differences	17	4	21	0	0	0
<b>December 31</b>	<b>129</b>	<b>55</b>	<b>184</b>	<b>45</b>	<b>10</b>	<b>55</b>

Provisions for warranty and restructuring reserves are in accordance with the principles described in note 3.

**NOTE 32 OTHER CURRENT LIABILITIES**

	2014	2013
Tax liabilities	9	7
<i>Accrued expenses and deferred income</i>		
Personnel costs	121	113
Other accrued expenses	70	28
Other current liabilities	46	29
<b>Total</b>	<b>246</b>	<b>177</b>

**NOTE 33 CORPORATE ACQUISITIONS**

No acquisitions were carried out during 2014.

**NOTE 34 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 10 on page 43.

## Parent Company – income statement

Amounts in SEK m	Note	2014	2013
Net sales		95	67
Administrative expenses	4,5,13	-56	-59
<b>Operating income</b>		<b>39</b>	<b>8</b>
Dividend from Group companies		63	31
Interest income	6	31	34
Interest expenses	6,13	-22	-27
Other financial items		6	-10
<b>Income after financial items</b>		<b>117</b>	<b>36</b>
Group contribution		-47	-7
<b>Income before tax</b>		<b>70</b>	<b>29</b>
Tax	12	3	-2
<b>Net income</b>		<b>73</b>	<b>27</b>

## Parent Company – statement of comprehensive income

Amounts in SEK m	2014	2013
Net income	73	27
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>73</b>	<b>27</b>



## Parent Company – statement of financial position

Amounts in SEK m	Note	December 31, 2014	December 31, 2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial assets			
Shares in subsidiaries	7	1,843	1,843
Other shares and participations		26	-
Non-current receivables subsidiaries	8	10	10
Other non-current receivables	8	38	22
<b>Total non-current assets</b>		<b>1,917</b>	<b>1,875</b>
<b>Current assets</b>			
Receivables from subsidiaries		779	695
Other current receivables	9	7	9
Derivative instruments	10	30	17
Cash and cash equivalents	11	234	149
<b>Total current assets</b>		<b>1,050</b>	<b>870</b>
<b>TOTAL ASSETS</b>		<b>2,967</b>	<b>2,745</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital (44,215,970 shares with a quota value of SEK 5)		221	221
<b>Unrestricted equity</b>			
Share premium reserve		378	378
Retained earnings		515	585
Net income		73	27
<b>Total equity</b>		<b>1,187</b>	<b>1,211</b>
<b>Provisions</b>			
Pensions and similar obligations	13	19	22
Other provisions		21	18
<b>Total provisions</b>		<b>40</b>	<b>40</b>
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	14	270	400
Debts to subsidiaries		255	237
Other non-current liabilities		8	-
<b>Total non-current liabilities</b>		<b>533</b>	<b>637</b>
<b>Current liabilities</b>			
Account payables		2	4
Debts to subsidiaries		1,141	818
Derivative instruments	10	45	16
Other current liabilities	15	19	19
<b>Total current liabilities</b>		<b>1,207</b>	<b>857</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,967</b>	<b>2,745</b>
Pledged assets		None	None
Contingent liabilities	16	177	156

## Parent Company – changes in equity

Amounts in SEK m	Restricted equity	Unrestricted equity		Total
	Share capital	Share premium reserve	Retained earnings	
<b>Opening balance January 1, 2013</b>	<b>221</b>	<b>378</b>	<b>632</b>	<b>1,231</b>
Net income			27	27
Dividend, cash			-44	-44
Purchase of treasury shares			-2	-2
Settlement of share-based payments			-1	-1
<b>Closing balance December 31, 2013</b>	<b>221</b>	<b>378</b>	<b>612</b>	<b>1,211</b>
<b>Opening balance January 1, 2014</b>	<b>221</b>	<b>378</b>	<b>612</b>	<b>1,211</b>
Net income			73	73
Dividend, cash			-89	-89
Share swap incentive program			-8	-8
<b>Closing balance December 31, 2014</b>	<b>221</b>	<b>378</b>	<b>588</b>	<b>1,187</b>

## Parent Company – statement of cash flow

Amounts in SEK m	2014	2013
<b>Cash flow from operating activities</b>		
Income before tax	70	29
Reversal of non-cash items	-4	5
Cash flow from operating activities before change in working capital	66	34
<i>Change in working capital</i>		
Current receivables	-97	162
Current liabilities	351	51
Change in working capital	254	213
<b>Cash flow from operating activities</b>	<b>320</b>	<b>247</b>
<b>Cash flow from investment activities</b>		
Investments in shares and participations	-26	-41
<b>Cash flow from investment activities</b>	<b>-26</b>	<b>-41</b>
<b>Cash flow from financing activities</b>		
Dividend to shareholders	-89	-44
Purchase of treasury shares	-	-3
Change in interest-bearing liabilities	-112	-177
Share swap incentive program	-8	-
<b>Cash flow from financing activities</b>	<b>-209</b>	<b>-224</b>
<b>Change in cash and cash equivalents</b>	<b>85</b>	<b>-18</b>
Cash and cash equivalents, opening balance	149	167
Cash and cash equivalents, closing balance	234	149

## 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

Landskrona, Sweden. The address of the Head Office is Haldex AB, Box 507, SE-261 24 Landskrona. Haldex AB's shares are listed on Nasdaq Stockholm, Sweden, Mid Cap.

## 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 – Financial reporting for legal entities. According to the rules stated in RFR 2, in the annual accounts for the legal entity, the Parent Company must apply to all EU-approved IFRS and statements to the extent possible within the framework of the Annual Accounts Act, taking into consideration 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 of the Group with the exceptions listed below.

The Parent Company recognizes pension obligations in accordance with the Pension Obligations Vesting Act. Adjustments in accordance with IFRS are made at a Group level. Group contributions are recognized as appropriations.

## NOTE 3 AVERAGE NUMBER OF EMPLOYEES

	2014			2103		
	Women	Men	Total	Women	Men	Total
Sweden	5	8	13	4	6	10

## NOTE 4 SALARIES AND OTHER REMUNERATION

	2014				2103			
	Salaries and remuneration	Of which to Board of Directors, CEO and senior executives	Social security costs	Of which pension costs	Salaries and remuneration	Of which to Board of Directors, CEO and senior executives	Social security costs	Of which pension costs
Sweden	22	16	15	5	18	13	11	3

The Board Directors consists of 7 (6) members; for information on the individual remuneration paid to these individuals and the President, see note 10 in the consolidated financial statements. Remuneration to other senior executives, 6 (3) people amounted to SEK 11 (5) m, of which

variable remuneration amounted SEK 2 (1) m. Further information about remuneration to senior executives is disclosed in note 10, page 43. Pension payments for other senior executives accounted for SEK 3 (1) m, of total pension costs.

## NOTE 5 AUDITOR'S REMUNERATION

	2014	2013
<i>PwC</i>		
Audit assignment	1	1
Tax consultancy services	2	2
<b>Total</b>	<b>3</b>	<b>3</b>

## NOTE 6 INTEREST INCOME AND INTEREST EXPENSES

	2014	2013
<i>Interest income</i>		
External interest income	0	-
Interest income Group companies	31	34
<b>Total</b>	<b>31</b>	<b>34</b>
<i>Interest expenses</i>		
External interest expenses	-12	-16
Interest expenses Group companies	-10	-11
<b>Total</b>	<b>-22</b>	<b>-27</b>

## NOTE 7 SHARES IN SUBSIDIARIES

At December 31, 2014, Haldex AB held direct ownership interests in the subsidiaries listed in the specification in note 7. JSB Hesselman AB is the parent company of the wholly owned UK subsidiary Haldex Ltd and the US subsidiary Haldex Inc. Haldex Ltd is the parent company of the wholly owned UK subsidiary Haldex Brake Products Ltd, which in turn is the parent company of Haldex España SA. Haldex Inc is a holding company

for the wholly owned US subsidiaries, Haldex Brake Corp, Haldex Brake Products 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 Hong Kong Co Ltd. is a holding company for the wholly owned Chinese subsidiary Haldex Vehicle Products Co Ltd.

Shares in subsidiaries	Corp. Reg. No	Reg'd office	Participations	%	December 31, 2014	December 31, 2013
Haldex Brake Products AB	556068-2758	Sweden	127,500	100	143	143
Haldex Halmstad AB	556053-6780	Sweden	30,000	100	4	4
Haldex GmbH		Germany		100	51	51
Haldex Europe SAS		France	625,000	100	75	75
Haldex Ltd.		Canada		100	0	0
Haldex do Brasil Indústria e Comércio Ltda		Brazil		100	72	72
Haldex Sp.z.o.o.		Poland	30,000	100	3	3
Haldex N.V.		Belgium	4,399	100	1	1
Haldex International Trading Co Ltd.		China		100	0	0
Haldex Italia Srl		Italy	10,400	100	8	8
Haldex Korea Ltd.		South Korea	79,046	100	0	0
Haldex Financial Services Holding AB	556633-6136	Sweden	1,000	100	0	0
Haldex Hungary Kft		Hungary		100	74	74
Haldex Wien Ges mbH		Austria		100	7	7
Haldex India Ltd.		India		60	7	7
JSB Hesselman AB	556546-1844	Sweden	1,000	100	855	855
Haldex Russia		Russia		100	0	0
Haldex Holding AB	556560-8220	Sweden	23,079,394	100	458	458
Haldex Hong Kong Co Ltd.		Hong Kong		100	85	85
Haldex Traction Holding II AB	556819-2271	Sweden		100	0	0
<b>Total</b>					<b>1,843</b>	<b>1,843</b>

### Change of shares in subsidiaries

	Opening balance	Other changes	Closing balance
<b>2014</b>	<b>1,843</b>	-	<b>1,843</b>
2013	1,802	41	1,843

Cash and current deposits of SEK 136 m in Brazil, China and South Korea are subject to local regulations in terms of monetary restrictions. These regulations impose limitations due to movement of capital from the country, other than by normal dividend.

## NOTE 8 NON-CURRENT RECEIVABLES

	December 31, 2014	December 31, 2013
Deferred tax assets	7	4
Non-current receivables subsidiaries	10	10
Other non-current receivables	31	18
<b>Total</b>	<b>48</b>	<b>32</b>

## NOTE 9 OTHER CURRENT RECEIVABLES

	December 31, 2014	December 31, 2013
Tax assets	1	1
Prepaid expenses	2	3
Other current receivables	4	5
<b>Total</b>	<b>7</b>	<b>9</b>



**NOTE 10 DERIVATIVE INSTRUMENTS**

	December 31, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
Forward exchange contracts – at fair value through profit or loss	16	15	13	12
Currency swaps – at fair value through profit or loss	14	30	4	4
<b>Total</b>	<b>30</b>	<b>45</b>	<b>17</b>	<b>16</b>

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

**NOTE 11 CASH AND CASH EQUIVALENTS**

	December 31, 2014	December 31, 2013
Bank accounts and cash	234	149
<b>Total</b>	<b>234</b>	<b>149</b>

**NOTE 12 TAX**

	2014	2013
Current tax expense for year	-12	-2
Tax on Group contribution	10	2
Tax attributable to previous years	4	-3
Deferred tax related to temporary differences	1	1
<b>Total</b>	<b>3</b>	<b>-2</b>

**NOTE 13 PENSIONS AND SIMILAR OBLIGATIONS***Pension obligations attributable to defined-benefit plans*

	2014	2013
Pensions vested during the period	0	0
Interest on obligation	-1	-1
<b>Total pension cost</b>	<b>-1</b>	<b>-1</b>

*Reconciliation of interest-bearing pension liabilities*

	December 31, 2014	December 31, 2013
Opening balance, pension liabilities	22	16
Benefits paid	0	0
Pension costs	-3	6
<b>Closing balance, pension liabilities</b>	<b>19</b>	<b>22</b>

The pension liabilities relate to PRI/FPG and are subject to the Swedish Pension Obligations Vesting Act.

**NOTE 14 NON-CURRENT INTEREST-BEARING LIABILITIES**

	December 31, 2014	December 31, 2013
Multicurrency revolving credit facility	-	130
Bond loans	270	270
<b>Total</b>	<b>270</b>	<b>400</b>

Haldex's multicurrency revolving credit facility and bond loan are subject to a variable interest term of 1-6 months and, accordingly, the fair values correspond to the carrying amounts. Available unused credit facilities at year-end totaled SEK 742 (488) m. Calculated interest comprises the counter-value in SEK based on exchange rates at December 31, 2014 and the future interest rates on the liability.

**Maturity structure, years**

	Total	0 – 1	1 – 3	3 – 5	> 5 years	Average rate
SEK m	270	-	-	-	270	1.89
<b>Total</b>	<b>270</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>270</b>	<b>1.89</b>
Calculated interest	25	5	10	10	0	-
<b>Total</b>	<b>295</b>	<b>5</b>	<b>10</b>	<b>10</b>	<b>270</b>	<b>-</b>

**NOTE 15 OTHER CURRENT LIABILITIES**

	December 31, 2014	December 31, 2013
Accrued expenses		
Personnel cost	15	11
Other accrued expenses	4	8
<b>Total</b>	<b>19</b>	<b>19</b>

**NOTE 16 CONTINGENT LIABILITIES**

	December 31, 2014	December 31, 2013
Securities and guarantees on behalf of subsidiaries	177	156

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.

Landskrona, Sweden, March 12 2015

Göran Carlson  
*Chairman of the Board*

Stefan Charette  
*Board member*

Arne Karlsson  
*Board member*

Magnus Johansson  
*Board member*

Staffan Jufors  
*Board member*

Cecilia Löf  
*Board member*

Annika Sten Pärson  
*Board member*

Fredrik Hudson  
*Employee representative*

Per Holmqvist  
*Employee representative*

Bo Annvik  
*President and CEO*

Our audit report was issued on March 17, 2015

Ann-Christine Hägglund  
*Authorized Public Accountant*  
Öhrlings PricewaterhouseCoopers AB

Bror Frid  
*Authorized Public Accountant*  
Öhrlings PricewaterhouseCoopers AB

# Auditor's report

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

## Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Haldex AB (publ) for the year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 18-62.

## Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of its financial performance and its cash flows for the year then

ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Haldex AB (publ) for the year 2014.

## Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

## Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

## Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Our audit report was issued on March 17, 2015

Ann-Christine Hägglund  
Authorized Public Accountant  
Öhrlings PricewaterhouseCoopers AB

Bror Frid  
Authorized Public Accountant  
Öhrlings PricewaterhouseCoopers AB



### Statement from the Chairman Göran Carlson

During my five years on the Board of Directors, I have observed closely how Haldex has been transformed from a company with several business areas that had developed in different directions, to a focused operation with a clear road map for the future. The Board consists of members with an extensive background, from the vehicle industry as well as other relevant areas. Management has undergone a series of changes, making the company even better equipped to face the challenges that lie ahead. Considering the size of Haldex and the intense competition in the vehicle industry, having the right knowledge at all levels of the company and daring to focus on value generation are vital.

Over the past year, the Board of Directors has worked together with management to put the final parts of the new strategy in place. We visited customers in the US and Europe, so we as Board members receive first-hand information about how we are perceived in the market. And we further enhanced Haldex's sustainability efforts, enabling us to take more social responsibility and be a better employer. In 2014, we promised to put profitable growth on the agenda and our earnings for the year are clear proof that we succeeded. With the strategy and business plan that are now in place, Haldex is well-positioned to continue winning market share and seriously challenging the big players, through both organic growth and acquisitions. However, growth must not come at the expense of profitability, and both the Board of Directors and the management are in complete agreement on that point.

Finally, I would like to thank Bo Annvik and all of his employees for their hard and focused work during 2014, which resulted in the highest profitability shown by Haldex in recent decades. I look forward with confidence to working together to address our future challenges.

Landskrona, Sweden, March 2015

Göran Carlson  
*Chairman of the Board*

# Corporate Governance Report

Haldex AB is a publicly traded Swedish limited liability company with its registered office in Landskrona. The company is listed on Nasdaq Stockholm in the Nordic Mid Cap segment. Haldex applies the Swedish Corporate Governance Code and hereby presents its 2014 Corporate Governance Report. The Report has been reviewed by the company's auditors.



Responsibility for management and control of the Haldex Group is divided between shareholders, the Board of Directors, its elected committees and the President, as shown in the illustration above.

## Deviations from the Code

In 2014, Haldex complied with the Swedish Code of Corporate Governance in all respects except for item 2.4, which concerns the composition of the Nomination Committee. The Swedish Corporate Governance Code stipulates that "neither the company chair nor any other member of the Board may chair the Nomination Committee." According to a resolution at the 2014 Annual General Meeting, the four largest shareholders have appointed representatives to the Nomination Committee and the member representing the largest shareholder in terms of votes is to be appointed Chairman of the Committee, unless otherwise agreed.

The Chairman of Haldex, Göran Carlson, was appointed Chairman of the Nomination Committee for 2014, since he is the company's largest shareholder. The Nomination Committee has stated that the reason for this is that Göran Carlson was considered best suited to lead the Committee's work by the Nomination Committee.

## Shareholders and Annual General Meeting

*The shareholders' influence is exercised at the Annual General Meeting (AGM), which is Haldex's supreme decision-making body. The AGM adopts the Articles of Association and at the AGM, which is the annual ordinary general meeting, the shareholders elect Board members, the Chairman of the Board and auditors, and determine their fees. The AGM also decides on the adoption of the income statement and balance sheet, on allocation of the company's profit and on discharge from liability for the Board members and President. The AGM also resolves on the Nomination Committee's appointment and duties, and the principles for remuneration and employment for the President and other senior executives. Haldex normally holds its AGM in April.*

At year-end, the number of shareholders was 13,821. The largest shareholder was Göran Carlson (through companies) with 5.9 percent of the shares and votes. Swedish ownership totaled 41 percent at year-end. Each share carries entitlement to one vote at the AGM. For more information about shareholders and the Haldex share, see pages 74-75 and [www.haldex.com/investors](http://www.haldex.com/investors).

### 2014 Annual General Meeting

The 2014 AGM was held on April 29, 2014 at Haldex's premises in Landskrona, Sweden. Some 48 shareholders attended the Meeting, either in person or through a representative, as well as several assessors and visitors.

The shareholders in attendance represented 32.5 percent of the total voting rights. The Chairman of the Board, Göran Carlson, was elected

Chairman of the Meeting, according to the Nomination Committee's proposal. All Board members elected by the Annual General Meeting were present.

The full minutes and information about the AGM are available on [www.haldex.com/investors](http://www.haldex.com/investors). The AGM adopted resolutions on:

- Dividend according to the Board's proposal of SEK 2.00 per share for the 2013 fiscal year.
- Reelection of Board members Göran Carlson, Stefan Charette, Magnus Johansson, Staffan Jufors, Arne Karlsson and Annika Sten Pärson.
- New election of Cecilia Löf.
- Reelection of Göran Carlson as Chairman of the Board.
- Determination of remuneration of the Board in accordance with the Nomination Committee's proposal.
- Adoption of the Board's proposed guidelines for remuneration of senior executives.
- Approval of the Board's proposal to establish a long-term incentive program, LTI2014, as well as hedging measures in view of the program.
- In accordance with the Board's proposal, authorize the Board to decide on the acquisition/transfer of own shares on one or more occasions during the period until the 2015 AGM.
- Process for the Nomination Committee's appointment and duties.

### 2015 Annual General Meeting

Haldex will hold its AGM on Tuesday, April 28, 2015 at 4.00 p.m. at Haldex, Instrumentgatan 15 in Landskrona, Sweden. At 3.00 p.m., shareholders will also be invited to participate in a brief introduction of the company, and a guided tour of the plant. Light refreshments will be served after the Meeting.

### Nomination Committee

*The Nomination Committee represents the company's shareholders and nominates Board members and auditors, and proposes their fees.*

Prior to the 2015 AGM, the Meeting decided that the Chairman of the Board would contact representatives of the largest shareholders based on shareholdings immediately prior to publication of the Nomination Committee's composition. The Nomination Committee is to comprise four members. Prior to the 2015 AGM, the Nomination Committee consists of Göran Carlson (through companies), Frank Larsson (Handelsbanken Fonder), Anders



## The Board's work in 2014



Algotsson (AFA Försäkring) and Nils Bolmstrand (Nordea Investment funds). The Nomination Committee has appointed Göran Carlson as Chairman. Combined, they represent about 17,1 percent of the voting rights in Haldex AB at December 31, 2014.

The Nomination Committee's proposal will be presented in the notice convening the AGM. No remuneration is paid to the Nomination Committee's members. The Chairman of the Board is responsible for informing the Nomination Committee of the Board's future competence profile, working methods and the results of the evaluation of the Board's work.

The company's shareholders are able to make comments and proposals to the Nomination Committee by e-mail or phone, since the members' contact details have been published on the company's website.

### Board of Directors

*The Board is responsible for the organization of Haldex and management of the company's affairs. According to the Articles of Association, the Board is to consist of at least three and not more than eight members, with a maximum of three deputies. Board members are elected annually at the AGM for the period until the end of the next AGM.*

Following the 2014 AGM, the Board consisted of seven members elected by the AGM. The employees appointed two representatives and one deputy to the Board. The Group's President and CEO, Bo Annvik, and CFO, Andreas Ekberg, attend Board meetings. Other employees participate during the meetings when required to report on particular matters. For further information about Board members, refer to pages 68-69 and note 10 for the Group.

### Board of Director's independence

The Swedish Corporate Governance Code states that the majority of Board members elected by the AGM should be independent in relation to the Group and the Group Management, and that at least two of the independent members must also be independent in relation to the company's major shareholders. All members of Haldex's Board are considered independent.

### The Board's work

In 2014, the Board of Directors held eleven meetings. The main issues discussed were financial and market position, establishment of the Board's working methods, instructions for the President, and strategy and organizational issues. Attendance at Board and Committee meetings is presented on pages 68-69.

### Evaluation of the Board's work

Annual evaluations are conducted of the Board's collective work. The Chairman is evaluated on his ability to prepare and lead the Board's work and his ability to motivate and cooperate with the President. The evaluation of the Board's combined activities is conducted via a shared internal review of its

activities. The results of the evaluation process for 2014 were discussed in conjunction with the Board meeting in December 2014.

### Board Committees

*The Board has established two internal committees – the Audit Committee and Compensation Committee. The work of the committees cannot be delegated by the Board, but is viewed as preparatory work upon which the Board, in its entirety, subsequently resolves on.*

#### Audit Committee

The Audit Committee prepares matters that concern accounting, financial reporting, auditing and internal control. The Committee reviews the principles for accounting and financial control and establishes guidelines for purchasing services other than auditing from the company's auditors.

In 2014, the Audit Committee consisted of Arne Karlsson, Göran Carlson and Stefan Charette. Arne Karlsson was the Chairman of the Committee. The Audit Committee held seven meetings in 2014.

#### Compensation Committee

Based on the guidelines adopted by the AGM, the Compensation Committee submits a proposal to the Board regarding remuneration and other terms of employment for the President and other senior executives, based on a proposal from the President.

In 2014, the Compensation Committee consisted of Magnus Johansson, Staffan Jufors and Annika Sten Pärson. Magnus Johansson was the Chairman of the Committee. The Compensation Committee held two meetings in 2014.

### Remuneration of Board members

Remuneration of Board members elected by the AGM is approved by the AGM based on proposals from the Nomination Committee. In 2014/15, remuneration will be paid in accordance with an AGM resolution, as set out in the table on pages 68-69. Payment for 2014 is reported in note 10 for the Group. Remuneration of the Board comprises fixed payment only (no variable remuneration is paid). No remuneration is paid to members who are also employed by the Group.

### Auditors

*The AGM appoints auditors who examine annual reports, accounting and consolidated accounts, the management of the Board and the President, as well as the annual reports and accounting of subsidiaries, and provide an audit opinion.*

At the 2014 AGM, authorized public accountants Ann-Christine Hägglund and Bror Frid from Öhrlings PricewaterhouseCoopers AB were re-elected and

elected, respectively, as the company's auditors for the period until the end of the 2015 AGM. Authorized auditors Christine Rankin Johansson and Cesar Moré were re-elected as deputy auditors.

Ann-Christine Hägglund is an Authorized Public Accountant and is the elected auditor of such companies as NCC Construction Sweden, Lernia AB and NCC Housing Group.

Bror Frid is an Authorized Public Accountant, and elected auditor of such companies as Bufab, Elos, Framtiden, Nordic Tankers, Julia, Mio, Vätterledens Invest and Västsvenska Handelskammaren.

The Board of Directors, in its entirety, meets the auditors once a year, at the Board meeting in February, where the auditors present their findings directly to the Board, without the presence of the President and the CFO. At least one auditor attends the AGM and briefly describes the audit process and summarizes its recommendations in the Auditor's Report for shareholders.

AUDITORS



**Ann-Christine Hägglund**  
Authorized Public Accountant  
Öhrlings PricewaterhouseCoopers AB  
Auditor at Haldex since 2010.



**Bror Frid**  
Authorized Public Accountant  
Öhrlings PricewaterhouseCoopers AB  
Auditor at Haldex since 2014.

REMUNERATION OF AUDITORS, SEK M

PwC	2014	2013
Audit assignments	4	3
Tax advice	4	4
Other assignments	0	1
<b>Total</b>	<b>8</b>	<b>8</b>

Group Management

*The President and CEO are responsible for ongoing management of the Haldex operations within the framework established by the Board. The President is assisted by Group Management, comprising the business area managers and staffs.*

At the end of 2014, Group Management consisted of ten individuals. During the year, Pramod Mistry stepped down from Group Management. In 2014, Group Management held 18 meetings, of which 11 were teleconferences. The meetings focus on the Group's strategic and operational development, and monitor performance. For further information about Group Management, refer to pages 70-71.

Internal control

*The Board's responsibility for internal control is regulated by the Swedish Companies Act and in Swedish Corporate Governance Code. 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 Group Management.*

Internal control is designed to ensure, to the maximum extent possible, that Haldex's reporting is appropriate and reliable and that the company complies with applicable laws and other 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 monitoring. It is based on the framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Haldex already applies COSO 1992, but is now conducting a mapping exercise in relation to its existing control systems on the basis of the 17 principles of the COSO 2013 framework. The updated COSO framework is expected to be applied in full as of 2015.

This report on internal control and risk management was prepared in accordance with the Swedish Annual Accounts Act and the Swedish Corporate Governance Code 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 oversees and ensures the quality of external financial reporting in the manner documented in the Operating Procedures for the Board of Directors, and 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, shareholders and financial institutions. The President and CFO presents all interim reports, year-end reports and annual reports to the Audit Committee for review. The Board is responsible for ensuring that the company's financial statements are prepared in accordance with applicable laws, accounting standards and other requirements for 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 conditions. 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.

Control environment

The Board has adopted a number of governance documents for the company's internal control and governance. Within the Board of Directors, there is an Audit Committee. The Audit Committee, which prepares matters for the Board considers such issues as the internal control process, monitors reporting issues and discusses accounting policies and the consequences of changes in these policies.

Furthermore, the Audit Committee maintains regular contact with the external auditors. The Committee is responsible for evaluation of the audit process and the auditors' efficiency, qualifications, fees and independence. In addition, the Audit Committee assists the Nomination Committee with proposals for the election of auditors and the procurement of audit services.

Risk assessment

Haldex's risk assessment with respect to financial reporting, meaning the identification and evaluation of the most significant risks in the Group's companies and processes in relation to financial reporting, forms the basis 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 Group Management. During the year, Haldex carried out a new assessment of the risks faced by the Group. This initiative was carried out in the form of a number of workshops and yielded a Group-wide document.

Policy instruments

Policy 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 Nasdaq Stockholm, the Swedish Corporate Governance Code and other relevant legislation and regulations.

Internal policy instruments include the Articles of Association adopted by the AGM, and documents approved by the Board including Operating Procedures for the Board of Directors of Haldex, instructions for the Compensation and Audit Committees, instructions for the President of Haldex, the Communication Policy and Treasury Policy. In addition to the above, the Group has a number of policies and manuals containing regulations and recommendations, with principles and guidance for the Group's operations and employees.

The Operating Procedures for the Board of Directors regulate the Board's internal division of duties, decision-making procedures within the Board, the Board's meeting procedures and the Chairman's duties. The Board's work follows a fixed procedure aimed at ensuring that its information requirements are met.

The Instructions for the President establishes the President's responsibility for ongoing operations, forms for reporting to the Board and the content thereof, requirements for internal policy instruments and matters that require Board decisions or that should be addressed to the Board.

Control activities

Efforts to further develop internal control and governance are ongoing, including continuous documentation, evaluation, implementation of new controls and improvement of existing controls.

Information and communication

The company has a system for information and communication that is

Continued on page 72

# Board of Directors



Göran Carlsson



Stefan Charette



Magnus Johansson



Staffan Jufors



Arne Karlsson

Name	Göran Carlsson	Stefan Charette	Magnus Johansson	Staffan Jufors	Arne Karlsson
<b>Role on the Board</b>	Chairman of the Board since 2011.	Board member	Board member Chairman of the Compensation Committee.	Board member	Board member Chairman of the Audit Committee.
<b>Current employment</b>	Investor	CEO of Athanase Industrial Partner.	Advisor and Director, Mejex AB.	Board assignment	Board assignment
<b>Education</b>	MBA.	Master's Degree in Mathematical Finance, Master of Science in Electrical Engineering.	B.Sc. Degree from Behavioral Science Program.	MBA	MBA
<b>Elected</b>	2010	2009	2011	2013	2003
<b>Born</b>	1957	1972	1955	1951	1944
<b>Resident</b>	Sweden	Sweden	Sweden	Portugal	Sweden
<b>Other assignments</b>	Vice Chairman of Svenskt Tenn AB.	Chairman of the Board of Concentric AB. Board member of Transcom SA, Lindab International AB and Creades AB.	Chairman of the Board of Elektroautomatik AB and Lurn AB.	Board member of ÄF.	Member of the Board and Chairman of the audit committee in Bulten AB.
<b>Dependent</b>	No	No	No	No	No
<b>Previous experience</b>	Previously President of Ur & Penn, CEO and owner of c/o Departments & Stores and founder of pharmacy chain Medstop AB.	Previously President of several investment companies, including Creades AB, Investment AB Öresund, AB Custos as well as CEO of the industrial conglomerate Brokk Group. Corporate advisor for multinational corporations at Lehman Brothers and Salomon Smith Barney.	Human Resources Director SKF, President of SKF Sweden, Human Resources Director Volvo Car Corporation, President of SKF China, Business Development Director for the SKF Group.	Previously Chairman of the Board of Volvo Buses, President of Volvo Trucks, President of Volvo Penta as well as senior management positions at Volvo Cars.	Has held several leading positions in Scania including Exec. Vice President of Scania Commercial Systems, Exec. Vice President of Scania CFO, Senior Vice President of Scania Vehicle Sales Overseas Markets, Vice President of Scania, President of Bus Division, President of Scania do Brazil, President of Scania Argentina SL.
<b>Shareholding (alone and with related party)</b>	2,506,365	9,682	0	0	2,000
<b>Audit Committee</b>	7/7	7/7	No	No	7/7, Chairman
<b>Compensation Committee</b>	No	No	2/2, Chairman	2/2	No
<b>Attendance at Board meetings</b>	10/11	11/11	11/11	11/11	10/11
<b>Remuneration 2014/15</b>	575,000 SEK	260,000 SEK	260,000 SEK	235,000 SEK	310,000 SEK
<i>of which Board work</i>	525,000 SEK	210,000 SEK	210,000 SEK	210,000 SEK	210,000 SEK
<i>of which Committee work</i>	50,000 SEK	50,000 SEK	50,000 SEK	25,000 SEK	100,000 SEK



Annika Sten Pärson



Cecilia Löf



Fredrik Hudson



Michael Collin



Per Holmqvist

Name	Annika Sten Pärson	Cecilia Löf	Fredrik Hudson	Michael Collin	Per Holmqvist
<b>Role on the Board</b>	Board member	Board member	Employee representative for IF Metall.	Employee representative for IF Metall, deputy.	Employee representative for Federation of Salaried Employees in Industry and Service clubs.
<b>Current employment</b>	Advisor to digital media startups in the US.	Vice Chairman of Atteviks Bil AB.	Tooling engineers Senior safety delegate, Landskrona.	Local Chairman of IF Metall.	Global responsibility for technical production issues.
<b>Education</b>	Degree in Strategic Marketing from Berghs School of Communication.	MBA	Technical high school, electro-mechanics.	Economic high school.	Technical high school.
<b>Elected</b>	2012	2014	2011	2013	2014
<b>Born</b>	1963	1966	1974	1974	1961
<b>Resident</b>	US	Sweden	Sweden	Sweden	Sweden
<b>Other assignments</b>	-	-	-	-	-
<b>Dependent</b>	No	No	-	-	-
<b>Previous experience</b>	Previously Sales and Marketing Director and head of the consumer division of Com Hem, commercial head of Coop Forum with responsibility for an organization with nearly 4,000 employees and SEK 14 bn in sales. Board member of Svensk Bilprovning.	Family business owner of Atteviks Bil AB, which has conducted sales and service of passenger cars and heavy vehicles since 1945. Worked for Scania for several years in both Germany and France, and from the head office in Södertälje with exports of spare parts and trucks. Previously CEO of Atteviks Bil AB, and responsible for the company's property management operations.	-	-	-
<b>Shareholding (alone and with related party)</b>	0	0	0	0	0
<b>Audit Committee</b>	No	No	-	-	-
<b>Remuneration Committee</b>	2/2	No	-	-	-
<b>Attendance at Board meetings</b>	11/11	8/11 Elected in April.	11/11	10/11	8/11 Elected in April.
<b>Remuneration 2014</b>	235,000 SEK	210,000 SEK	-	-	-
<i>of which Board work</i>	210,000 SEK	210,000 SEK	-	-	-
<i>of which Committee work</i>	25,000 SEK	-	-	-	-



# Management Group



Name	Bo Annvik ④	Pete Lazar ①	AiChang Li ②	Andreas Richter ③	Staffan Olsson ⑤	Catharina Paulcén ⑥
<b>Current position</b>	President and CEO	Senior Vice President Human Resources	Senior Vice President Asia Pacific	Senior Vice President Europe and ROW sales	Senior Vice President Global Operations	Senior Vice President, Corporate Communications
<b>Education</b>	M.Sc in Business and Economics	B.Sc., Business Administration and Political Science	M.Sc. Mechanical Engineering	Deegree in Mechanical Engineering	M.Sc. Industrial engineering and management	B.Sc., Business Administration
<b>Born</b>	1965	1953	1960	1965	1967	1973
<b>Nationality</b>	Swedish	American	German	Swedish	Swedish	Swedish
<b>Other assignments</b>	Board member of AB Handel & Industri	–	–	Ålabodarnas Hamnaktiebolag Chairman and President.	–	Deputy Director Compiler AB
<b>Previous experience</b>	Executive Vice President of Specialty Stainless, Outokumpu 2007-2011; President of SKF Sealing Solutions 2002-2007, Senior positions at Volvo Car Corporation, 1994-2002; Management consultant for Arthur D. Little and other companies, 1990-1994.	Vice President of Global HR for Haldex Commercial Division 2007-2011, Human Resources Director Haldex Hydraulics Division 2000-2007, Human Resources Director for Operations Dr. Pepper/Seven Up Bottling Group 1998-2000.	President of NORMA in China 2006, President of Wabco in China 1996-2006.	Senior Vice President Sales and Marketing 2011-2012, Business Unit manager Disc Brakes 2007-2011, Vice President of Business Development and Marketing Foundation Brake 2005-2007 and other senior positions at Haldex.	Project Director at Scania CV AB 2012-2013, Plant Manager Engine Production at Scania CV AB 2007-2012, Production Director Powertrain Production at Scania Latin America 2002-2007.	Senior Vice President of Marketing and Communications at Enea 2009-2014, Director of Marketing at IBM 2008-2009, Executive Vice President of Marketing & Communications at Telelogic 2004-2008.
<b>Shareholding (alone and with related party)</b>	6,000	3,000	0	9,000	0	2,000
<b>Accrued shares in LTI programs</b>	13,694	3,578	5,428	3,860	–	–
<b>Employed</b>	2012	2000	2006	1993	2014	2014
<b>In current position since</b>	2012	2011	2011	2012	2014	2014



Name	Andreas Ekberg 7	Bjarne Lindblad 8	Per-Erik Kronqvist 9	Ed Meador 10
Current position	CFO	Senior Vice President, Global Sourcing & Logistics	Senior Vice President R&D	Senior Vice President, North American Sales
Education	M.Sc in Business and Economics	Business Administration	M.Sc. Mechanical Engineering	B.Sc. Business Management
Born	1969	1956	1962	1962
Nationality	Swedish	Swedish	Swedish	American
Other assignments	Teknikföretagen Syd, Teknik-college Skåne	–	–	–
Previous experience	Business Unit Manager Foundation Brake 2008-2012 and Division controller CVS 2005-2008 at Haldex. Controller at Tarkett.	Sourcing director Nolato AB 2002-2003, President Nolato Gejde AB 1995-2001, CFO Nolato AB 1987-1994, Controller Haldex AB 1984-1986.	Development Director at ADB and ABA at Haldex 2010-2013, Program Manager Volvo Car 2001-2010, Development Director at WACO AB 1997-2001, Development Director at Getinge AB 1996-1997.	President and CEO of Motor Wheel Commercial Vehicle System Inc. 2005-2012. Vice President and General Manager of Commercial Business Operations Hayes Lemmerz International Inc. 1999-2005.
Shareholding (alone and with related party)	3,500	2,000	0	0
Accrued shares in LTI programs	5,512	4,006	3,697	6,875
Employed	1998	2004	2010	2012
In current position since	2013	2012	2013	2012



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 fixed accounting policies. 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 within the Group have access to the information in this system relating to their areas of responsibility.

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

## Monitoring

The company's financial reporting is continuously monitored, in part by management at various levels of the company and in part by the finance organization and controllers in the various business units. Monitoring takes place each month in conjunction with reporting and comprises both analysis and reviews by the relevant controllers and meetings between the relevant business managers and reporting units.

The Audit Committee communicates on a regular basis with the company's external auditors and the CFO, both during and between meetings. The Board receives a monthly report on the operation's performance. More detailed reporting is provided primarily by the President at all Board meetings. The Board regularly 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 2014, 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 supervisory control of Group Management

Given the company's size, this means that the Board does not currently consider another function financially viable.

## Remuneration of senior executives

Principles for remuneration of senior executives adopted by the AGM are:

- 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 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 50 percent 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 for periods exceeding 36 months and shall be capped at the equivalent of twice the remuneration the executive would otherwise have received.
- The Board may propose that the AGM 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 the age of 65.

Upon termination of employment by the company, the notice period for the President and CEO is 12 months and for other senior executives up to six

months. The Board shall be entitled to depart from the guidelines if there are specific reasons for doing so in individual cases.

For additional information concerning remuneration of senior executives, refer to note 10, page 43.

## Remuneration in 2014

### President

In 2014, the President and CEO received fixed 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. Upon termination 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 percent of fixed salary exceeding 20 "basic amounts". Retirement age is 65.

### Other senior executives

According to the guidelines approved by the AGM, the President, in consultation with the Board's Compensation Committee, prepares remuneration issues concerning Group Management, which are subject to resolution by the AGM. Remuneration consists of a fixed and a variable salary portion. The variable portion is based on goals established by the President and the Compensation Committee on a yearly basis and may amount to 50 percent of the fixed annual salary. All members of Group Management have up to 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 6-12 months' salary. Pension benefits are regulated in pension plans adapted to local practice in the countries in question, with a retirement age starting at 65.

## Incentive programs

The AGMs in 2013 and 2014 resolved to implement incentive programs for senior executives and key personnel, LTI2013 and LTI2014. In brief, LTI means that if certain performance targets are achieved during the fiscal year, the participants in LTI are awarded a variable remuneration at the beginning of the following year, of which 60 percent will be distributed in cash and 40 percent in the form of employee stock options which are conditional, non-transferable deferred rights to receive one ordinary share in Haldex for each performance right, automatically after four years, free of charge.

The term of the LTIs is four years. After the expiry of the performance year, allotment of any performance amount will occur. Settlement of any cash amount is expected to occur during the spring of the new fiscal year. Subsequent to the allotment of any share amount, performance rights will be awarded to the participant followed by a deferral period of three years, before final transfer of performance shares to the participant is expected to occur after the AGM at the end of the term (2017 and 2018, respectively), and before the end of June in the same year. Deferred variable remuneration under LTI is not pensionable income.

### REMUNERATION OF GROUP MANAGEMENT 2014, SEK K

	Fixed salary incl. benefits	Variable remuneration	Pension
President Bo Annvik	4,436	1,350	996
Other senior executives, 10 persons	15,140	4,090	3,315
<b>Total</b>	<b>19,576</b>	<b>5,440</b>	<b>4,311</b>

## Auditors' statement on the Corporate Governance Report

To the Annual General Meeting of Haldex AB (publ), corporate identity number 556010-1155

The Board of Directors is responsible for the 2014 Corporate Governance Report on pages 65-72, and that it has been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report and based on that reading and our knowledge of the company and the Group, we believe we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

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

Landskrona, Sweden, March 17, 2015

Ann-Christine Häggglund  
Authorized Public Accountant  
Öhrlings PricewaterhouseCoopers AB

Bror Frid  
Authorized Public Accountant  
Öhrlings PricewaterhouseCoopers AB

## Four-year summary

SEK m, unless otherwise stated	2014	2013	2012	2011 <sup>1</sup>
<b>Income statement:</b>				
Net sales	4,380	3,920	3,933	4,030
Cost of goods sold	-3,142	-2,827	-2,904	-2,967
Gross income	1,238	1,093	1,029	1,063
Selling, administrative and product development expenses	-857	-839	-836	-829
Other operating income and expenses	-148	-101	-43	1
Operating income	233	153	150	235
<i>Operating income, excl. one-off items</i>	<i>408</i>	<i>281</i>	<i>210</i>	<i>235</i>
Financial income and expenses	-28	-43	-36	-18
Income before tax	205	110	114	217
Tax	-98	-72	-60	-75
Net income	107	38	54	142
<b>Statement of financial position:</b>				
Non-current assets	1,148	1,047	1,186	1,276
Current assets	1,788	1,439	1,414	1,582
Total assets	2,936	2,486	2,600	2,858
Equity	1,278	1,152	1,129	1,336
Non-current liabilities	718	728	967	924
Current liabilities	940	606	504	598
Total equity and liabilities	2,936	2,486	2,600	2,858
<b>Cash flow:</b>				
Cash flow from operating activities before change in working capital	356	249	243	439
Cash flow from operating activities	435	282	238	114
Cash flow from investment activities	-151	-71	-118	1,301
Cash flow from financing activities	-216	-230	-164	-1,519
Net cash flow	68	-19	-44	-104
<b>Key figures:</b>				
Operating margin, excl. one-off items, %	9.3	7.2	5.3	5.8
Operating margin, %	5.3	3.9	3.8	5.8
Earnings per share, before and after dilution, SEK	2.32	0.80	1.12	3.08
Equity per share, SEK	28.48	26.06	25.53	30.20
Cash flow, operating activities, per share, SEK	9.84	6.38	5.38	2.58
Dividends, SEK	3.00	2.00	1.00	2.00
Share price, SEK	101.75	60.00	33.50	25.20
Return on capital employed, excl. one-off items, % <sup>2</sup>	21.4	14.6	9.8	10.1
Return on capital employed, % <sup>2</sup>	12.2	7.8	7.0	10.1
Return on equity, %	8.7	3.1	3.4	-
Equity ratio, %	44	46	43	47
Net debt/equity ratio, %	21	33	51	37
Investments	147	94	118	100
R&D, %	3.4	3.5	3.4	3.3
No. of employees	2,235	2,135	2,200	2,365

<sup>1)</sup> Continuing operations<sup>2)</sup> Rolling 12 months

# Strong finish for the Haldex share

The Haldex share has been listed since 1960. The share is currently listed on Nasdaq Stockholm, in the Nordic Mid Cap segment, under the HLDX symbol. The share capital in Haldex amounts to SEK 221 m distributed between 44,215,970 shares.

## Price trend and turnover

In 2014, the Haldex share rose 69.6 percent compared with the Nasdaq Stockholm General Index, which rose 15.8 percent and the Nasdaq Stockholm Industrial Index, the sector that includes Haldex, which rose 16.0 percent in the same period. At the end of the fiscal year, the closing price for the Haldex share was SEK 101.75 (60.00). The total market capitalization was SEK 4,499 (2,653) m. During the year, the lowest price paid was SEK 57.75 on February 4, and highest was SEK 102.75 on December 23, 29 and 30.

In 2014, a total of 49.3 (52.0) million Haldex shares were traded, representing an average turnover of 135,054 (208,150) shares per day. The turnover rate declined to 111 (157) percent during the year.

## Total return

In 2014, total return on the Haldex share was 73.7 percent, compared with 16 percent for the SIXRX\* Index. Over the past five years, total returns for the Haldex share have amounted to 642.1 percent. The corresponding figure for SIXRX is 89.2 percent.

## Incentive programs

The Annual General Meetings in 2013 and 2014 resolved to implement incentive programs for senior executives and key personnel, LTI2013 and LTI2014. In brief, LTI means that if certain performance targets are achieved during the fiscal year, the participants in LTI are awarded by a variable remuneration at the beginning of the following year, of which 60 percent will be distributed in cash and 40 percent in the form of employee stock options which are conditional, non-transferable deferred rights to receive one ordinary share in Haldex for each performance right, automatically after four years, free of charge.

The term of the LTIs is four years. After the expiry of the performance year, allotment of any performance amount will occur. Settlement of any cash amount is expected to occur during the spring of the new fiscal year. Subsequent to the allotment of any share amount, performance rights will be awarded to the participant followed by a deferral period of three years, before final transfer of performance shares to the participant is expected to occur after the Annual General Meeting at the end of the term (2017 and 2018, respectively), and before the end of June in the same year. Deferred

variable remuneration under LTI is not pensionable income.

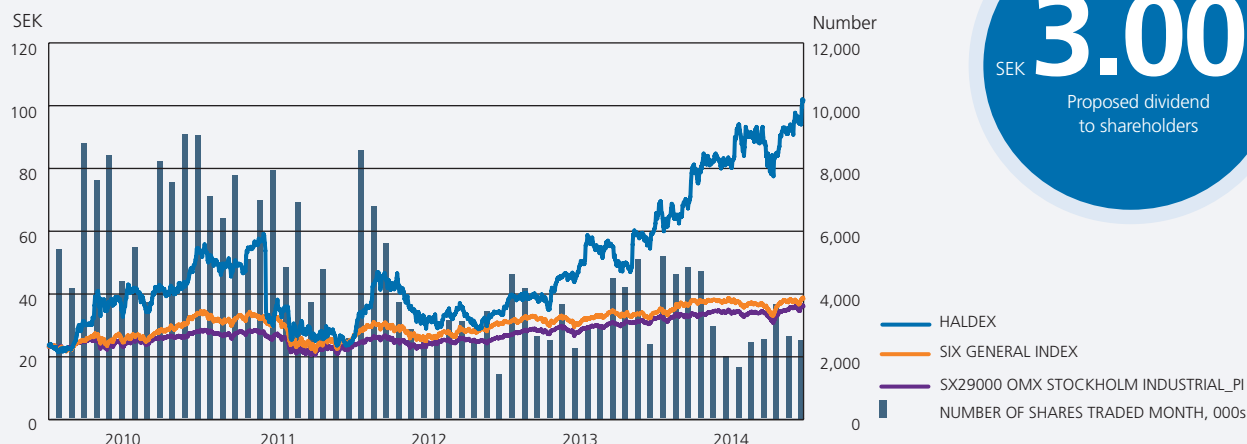
## Shareholders

In 2014, the total number of shareholders in Haldex increased by 2 percent to 13,821 (13,546) at year-end. The ten largest shareholders owned 29.7 percent of the capital and an equal number of votes. In 2014, total foreign ownership increased 21.9 percent and was 59.5 percent by year-end. The majority of foreign shareholders were in North America and the UK. There are no restrictions in relation to the transfer of shares and there are no known agreements between shareholders that may lead to restrictions.

## Dividend and dividend policy

The Board's policy for the distribution of unrestricted capital to shareholders is to transfer at least one-third of annual profit after tax over a business cycle to shareholders in the form of dividend payments and share repurchases, with reference to the expected financial position. For the 2014 fiscal year, the Board intends to propose to the Annual General Meeting that an ordinary dividend of SEK 3.00 (2.00) per share shall be distributed.

Haldex share price trend, January 1, 2010 – January 1, 2015



Source: SIX Financial Information

\*SIXRX: SIX Return Index – the average performance on the Nasdaq Stockholm, including dividends.

## KEY FIGURES PER SHARE

SEK	2014	2013	2012	2011	2010
Earnings, SEK	2.32	0.80	1.12	46.94	2.87
Dividend, SEK	3.00	2.00	1.00	2.00	3.00
Share price at year-end, SEK	101.75	60.00	33.50	25.20	105.25
Equity, SEK	28.48	26.06	25.53	30.20	53.62
EBIT Multiple	12	11	9	7	12
P/E ratio	42	70	27.4	8	37
Dividend ratio, %	129	250	89	4	105
Dividend ratio incl. redemption, %	-	-	-	-	1,150
Yield, %	3.0	3.3	3.0	7.9	2.9
Yield incl. redemption, %	-	-	-	-	31.4
Total return, %	175	185	137	26	137
Share price/equity, %	357	230	131	82	196

## SHAREHOLDERS AND NUMBER OF SHARES

SEK	2014	2013	2012	2011	2010
Number of shareholders	13,821	13,546	13,366	13,348	12,502
Average no. of shares, thousands	44,204	44,206	44,216	44,133	44,216
Total number of shares at year-end, thousands	44,216	44,216	44,216	44,216	44,216

## TEN LARGEST SHAREHOLDERS ON DECEMBER 31, 2014

Shareholder	No. of shares	% of votes and capital
Skandinaviska Enskilda banken	2,592,153	5.9
Handelsbanken Fonder	2,556,492	5.8
Citybank New York	1,440,752	3.3
Nordea Investment Fonder	1,306,193	3.0
CBNY-DFA-INT SML CAP V	1,212,440	2.7
Afa Försäkring	1,066,696	2.4
JPMorgan CHASE	1,044,743	2.4
Swedbank Robur Fonder	918,413	2.1
SSB Client OmnibusAC OM07 (15PCT)	801,902	1.8
Försäkringsbolaget Avanza Pension	678,197	1.5
<b>Total, ten largest shareholders</b>	<b>13,617,981</b>	<b>30.9</b>
Other	30,586,284	69.1
Hallex AB	11,705	0.0
<b>Total</b>	<b>44,215,970</b>	<b>100.0</b>

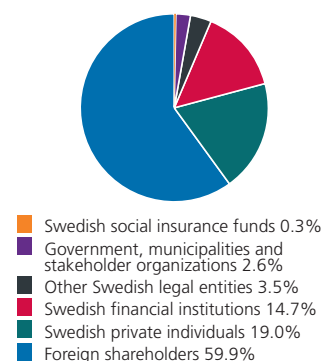
## OWNERSHIP STRUCTURE DECEMBER 31, 2014

Holding	No. of shareholders	No. of shares	Holding, %
1 – 500	9,502	1,811,097	4.1
501 – 1,000	2,123	1,785,953	4.0
1,001 – 5,000	1,724	3,963,180	9.0
5,001 – 10,000	204	1,563,468	3.5
10,001 – 15,000	58	752,350	1.7
15,001 – 20,000	35	645,436	1.5
20,001 –	175	33,694,486	76.2
<b>Total</b>	<b>13,821</b>	<b>44,215,970</b>	<b>100.0</b>

## ANALYSTS WHO CONTINUOUSLY MONITOR HALDEX

Investment bank	Analysts
ABGSC Sundal Collier	Johan Edvardsson
Carnegie	Kenneth Toll Johansson
Danske Bank	Max Frydén
Handelsbanken Capital Market	Carl Bertilsson
Remium Nordic	Karl-Johan Bonnevier
SEB Enskilda	Olof Larshammar / Anders Trapp
Swedbank	Mats Liss

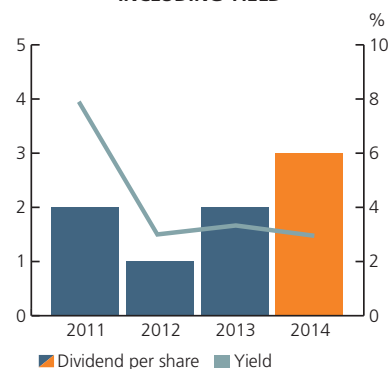
## OWNERSHIP STRUCTURE



## GEOGRAPHIC DISTRIBUTION OF OWNERSHIP



## DIVIDEND PER SHARE INCLUDING YIELD



# Financial definitions

**CAPITAL EMPLOYED:** Total assets less non-interest bearing liabilities and non-interest bearing provisions.

**CASH FLOW PER SHARE:** Cash flow from operating activities divided by the average number of shares.

**DIVIDEND YIELD:** Dividend divided by market price at year-end.

**EARNINGS PER SHARE:** Proportion of net income for the year attributable to the owners of the Parent Company divided by weighted average number of shares.

**EBIT MULTIPLE:** Market value at year-end plus net debt divided by operating income.

**EQUITY RATIO:** Equity including non-controlling interests as a percentage of total assets.

**INTEREST COVERAGE RATIO:** Operating income excluding one-off items plus interest income divided by interest expenses.

**NET DEBT:** Cash and cash equivalents plus interest-bearing receivables minus interest-bearing liabilities and provisions.

**NET DEBT/EQUITY RATIO:** Interest-bearing liabilities and provisions minus cash and cash equivalents and interest-bearing receivables divided by equity including non-controlling interests.

**OPERATING MARGIN:** Operating income as a percentage of net sales for the year.

**PAYOUT RATIO:** Dividend divided by earnings per share.

**P/E RATIO:** Market value at year-end divided by earnings.

**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 capital employed.

**RETURN ON EQUITY:** The proportion of net income for the year attributable to owners of the Parent Company as a percentage of the proportion of average equity attributable to owners of the Parent Company.

**TOTAL RETURN:** Market price at year-end, including dividend, divided by market price at beginning of year.

## Glossary

**AIR CONTROLS:** Haldex's product line for products to improve brake systems' safety and driving qualities, such as treatment and dehumidifying of compressed air, valves and ABS & EBS.

**AFTERMARKET:** Spare parts sold to, and training and services provided to the workshops that repair and service vehicles.

**FOUNDATION BRAKE:** Haldex's product line for brake products for wheel ends such as disc brakes, brake adjusters for drum brakes and brake cylinders.

**OEM:** Original Equipment Manufacturer, i.e. vehicle manufacturers.

**OES:** OEM's service network.

**TRUCKS:** Heavy trucks and buses.

**TRAILERS:** Trailers attached to a semi-tractor (truck).

## Haldex 2015 Annual General Meeting

The Annual General Meeting of Haldex AB (publ) will be held on Tuesday, April 28 at 4.00 p.m. at the company's premises at Instrumentgatan 15, Landskrona, Sweden. At 3.00 p.m., shareholders will also be invited to participate in a brief introduction of the company and a guided tour of the plant. Light refreshments will be served after the Meeting.

### Notification of attendance

To be entitled to participate in the Annual General Meeting and vote, shareholders must be recorded in the share register maintained by Euroclear Sweden AB on Wednesday, April 22, 2015, and notify the company of their intention to participate by letter to Haldex AB, Anna Ellman, Box 507, SE-261 24, Landskrona, Sweden, by telephone to +46 (0)418 47 60 00, or by e-mail to [anmalan.stamma@haldex.com](mailto:anmalan.stamma@haldex.com), not later than Wednesday, April 22, 2015.

## Calendar 2015

Interim report, January-March	April 24, 2015
Annual General Meeting	April 28, 2015
Interim report, January-June	July 16, 2015
Interim report, July-September	October 23, 2015
Annual statement	February 11, 2016

Interim reports and recordings of webcasts are available on Haldex's website:  
[www.haldex.com/financialreports](http://www.haldex.com/financialreports)

## External communication

Our communication with financial markets is characterized by transparent, relevant and accurate information to shareholders, investors and analysts, aimed at increasing knowledge of the Group's business and share. We disclose information in the form of interim reports, annual reports and press releases, and provide more comprehensive information in the IR section of our website. Shareholders and other interested parties can subscribe to press releases, financial reports and the closing price of the share via e-mail. General information, such as shareholder lists is updated on the IR section of the website at the end of a quarter. In the event of major changes, the website is updated immediately.

In autumn 2014, Haldex arranged a well-attended Capital Market Day, including a tour of the plant in Landskrona. During the Annual General Meeting in April, shareholders were invited, for the first time in many years, to participate in a guided tour of the facility in Landskrona, including the plant.

There is no communication with financial markets in the 30-day period prior to publication of a financial report.

## Follow Haldex – [www.haldex.com](http://www.haldex.com)

We consider our social media channels a complement to press releases and financial reports. They help us provide better insight into the company. Since we use each channel differently, you should choose the channel that suits you best.



[www.facebook.com/haldex](http://www.facebook.com/haldex)

Our Facebook page mixes brief news about the company with fun facts and specific Haldex events.



Haldex

On LinkedIn, you can read more detailed summaries of new products, customer cases and financial news.



[www.twitter.com/HaldexAB](http://www.twitter.com/HaldexAB)

Our Twitter account is perfect if you want to keep a close eye on Haldex. We publish press releases, information about activities, and quotations and summaries from our presentations.



[www.youtube.com/user/HaldexTV](http://www.youtube.com/user/HaldexTV)

On YouTube, you can watch informative videos that describe and demonstrate our product range. These include both long and short videos from product demonstrations and training courses.



[www.instagram.com](http://www.instagram.com)

Instagram provides insight into a typical day at Haldex. Employees from all around the world upload photos from trade fairs and customer events, as well as internal meetings and everyday office situations.



# Haldex

After more than 100 years of powerfully focused innovation, Haldex has unrivaled expertise when it comes to brake and air suspension systems for heavy trucks, trailers and buses. We live and breathe our business, with the goal of delivering robust and technically superior solutions based on a deep understanding of our customers' reality. By focusing on our core competencies and the passion we all share, we have achieved the speed and flexibility required by the market.

Collaborative innovation is both our philosophy and the core of our products. Our 2,235 employees, spread across four continents, challenge conventional thinking on a daily basis to ensure that the products we deliver create unique value for our customers and all end-users.

We are listed on Nasdaq Stockholm and in 2014, sales amounted to approximately SEK 4.4 bn.

## Addresses

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